INTERIM MANAGEMENT STATEMENT

AT 30 SEPTEMBER 2018

SABAF S.p.A.
Via dei Carpini, 1 – OSPITALETTO (BS) ITALY
Fully paid-in share capital: € 11,533,450
www.sabaf.it

Table of Contents

Group structure

Parent company

SABAF S.p.A.

Subsidiaries and equity interest owned by the Group

Wholly consolidated companies	
Faringosi Hinges s.r.l.	100%
Sabaf do Brasil Ltda.	100%
Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki (Sabaf Turkey)	100%
Sabaf Appliance Components Trading (Kunshan) Co., Ltd. (in liquidation)	100%
Sabaf Appliance Components (Kunshan) Co., Ltd.	100%
Sabaf Immobiliare s.r.l.	100%
A.R.C. s.r.l.	70%
Okida Elektronik Sanayi ve Tickaret A.S	100%

Non-consolidated companies	
Sabaf US Corp.	100%
Handan ARC Burners Co., Ltd.	35%

Board of Directors

Chairman	Giuseppe Saleri
Vice Chairman (*)	Nicla Picchi
Chief Executive Officer	Pietro Iotti
Director	Gianluca Beschi
Director	Claudio Bulgarelli
Director (*)	Renato Camodeca
Director	Alessandro Potestà
Director (*)	Daniela Toscani
Director (*)	Stefania Triva

(*) independent directors

Board of Statutory Auditors

Chairman	Alessandra Tronconi
Statutory Auditor	Luisa Anselmi
Statutory Auditor	Mauro Vivenzi

Consolidated statement of financial position

(€/000)	30.09.2018	31.12.2017	30.09.2017
ASSETS			
NON-CURRENT ASSETS			
Property, plant, and equipment	70,272	73,069	73,564
Investment property	5,361	5,697	5,805
Intangible assets	29,540	9,283	9,114
Equity investments	281	281	281
Financial assets	120	180	180
Non-current receivables	324	196	324
Deferred tax assets	4,947	5,096	4,793
Total non-current assets	**110,845**	**93,802**	**94,061**
CURRENT ASSETS			
Inventories	39,308	32,929	36,719
Trade receivables	48,104	42,263	44,043
Tax receivables	2,146	3,065	2,316
Other current receivables	1,904	1,057	1,177
Financial assets	3,521	67	178
Cash and cash equivalents	18,405	11,533	6,348
Total current assets	**113,388**	**90,914**	**90,781**
ASSETS HELD FOR SALE	**0**	**0**	**0**
TOTAL ASSETS	**224,233**	**184,716**	**184,842**
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	11,533	11,533	11,533
Retained earnings, other reserves	84,374	87,227	89,144
Net profit for the period	12,370	14,835	10,229
Total equity interest of the Parent Company	*108,277*	*113,595*	*110,906*
Minority interests	*1,582*	*1,460*	*1,444*
Total shareholders' equity	**109,859**	**115,055**	**112,350**
NON-CURRENT LIABILITIES			
Loans	47,007	17,760	15,031
Other financial liabilities	1,883	1,943	1,702
Post-employment benefit and retirement reserves	2,680	2,845	3,011
Provisions for risks and charges	1,298	385	388
Deferred tax liabilities	854	804	798
Total non-current liabilities	**53,722**	**23,737**	**20,930**
CURRENT LIABILITIES			
Loans	16,957	17,288	17,203
Other financial liabilities	9,324	75	80
Trade payables	23,168	19,975	23,585
Tax payables	3,520	1,095	2,638
Other payables	7,683	7,491	8,056
Total current liabilities	**60,652**	**45,924**	**51,562**
LIABILITIES HELD FOR SALE	**0**	**0**	**0**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**224,233**	**184,716**	**184,842**

Consolidated Income Statement

(€/000)	Q3 2018		Q3 2017		9M 2018		9M 2017	
INCOME STATEMENT COMPONENTS								
OPERATING REVENUE AND INCOME								
Revenue	38,428	*100.0%*	35,541	*100.0%*	114,441	*100.0%*	112,777	*100.0%*
Other income	800	*2.1%*	937	*2.6%*	2,468	*2.2%*	2,518	*2.2%*
Total operating revenue and income	**39,228**	*102.1%*	**36,478**	*102.6%*	**116,909**	*102.2%*	**115,295**	*102.2%*
OPERATING COSTS								
Materials	(14,167)	*-36.9%*	(14,491)	*-40.8%*	(48,722)	*-42.6%*	(47,530)	*-42.1%*
Change in inventories	(809)	*-2.1%*	765	*2.2%*	5,663	*4.9%*	5,960	*5.3%*
Services	(7,385)	*-19.2%*	(7,267)	*-20.4%*	(23,699)	*-20.7%*	(23,181)	*-20.6%*
Payroll costs	(8,071)	*-21.0%*	(8,258)	*-23.2%*	(26,344)	*-23.0%*	(26,675)	*-23.7%*
Other operating costs	(1,393)	*-3.6%*	(233)	*-0.7%*	(2,046)	*-1.8%*	(821)	*-0.7%*
Costs for capitalised in-house work	233	*0.6%*	324	*0.9%*	1,151	*1.0%*	1,052	*0.9%*
Total operating costs	**(31,592)**	*-82.2%*	**(29,160)**	*-82.0%*	**(93,997)**	*-82.1%*	**(91,195)**	*-80.9%*
OPERATING PROFIT BEFORE DEPRECIATION & AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)	**7,636**	***19.9%***	**7,318**	***20.6%***	**22,912**	***20.0%***	**24,100**	***21.4%***
Depreciations and amortisation	(3,057)	*-8.0%*	(3,195)	*-9.0%*	(9,360)	*-8.2%*	(9,664)	*-8.6%*
Capital gains/(losses) on disposals of non-current assets	1	*0.0%*	(20)	*-0.1%*	12	*0.0%*	(13)	*0.0%*
Write-downs/write-backs of non-current assets	0	*0.0%*	0	*0.0%*	0	*0.0%*	0	*0.0%*
OPERATING PROFIT (EBIT)	**4,580**	***11.9%***	**4,103**	***11.5%***	**13,564**	***11.9%***	**14,423**	***12.8%***
Financial income	135	*0.4%*	23	*0.1%*	225	*0.2%*	152	*0.1%*
Financial expenses	(343)	*-0.9%*	(141)	*-0.4%*	(748)	*-0.7%*	(424)	*-0.4%*
Exchange rate gains and losses	2,703	*7.0%*	(9)	*0.0%*	3,775	*3.3%*	92	*0.1%*
Profits and losses from equity investments	0	*0.0%*	3	*0.0%*	0	*0.0%*	3	*0.0%*
PROFIT BEFORE TAXES	**7,075**	***18.4%***	**3,979**	***11.2%***	**16,816**	***14.7%***	**14,246**	***12.6%***
Income tax	(1,912)	*-5.0%*	(1,165)	*-3.3%*	(4,324)	*-3.8%*	(3,952)	*-3.5%*
NET PROFIT FOR THE PERIOD	**5,163**	***13.4%***	**2,814**	***7.9%***	**12,492**	***10.9%***	**10,294**	***9.1%***
of which:								
Profit attributable to minority interests	19	*0.0%*	37	*0.1%*	122	*0.1%*	65	*0.1%*
PROFIT ATTRIBUTABLE TO THE GROUP	**5,144**	***13.4%***	**2,777**	***7.8%***	**12,370**	***10.8%***	**10,229**	***9.1%***

Consolidated statement of comprehensive income

(€/000)	Q3 2018	Q3 2017	9M 2018	9M 2017
NET PROFIT FOR THE PERIOD	**5,163**	**2,814**	**12,492**	**10,294**
Total profits/losses that will be subsequently reclassified under profit (loss) for the period:				
Forex differences due to translation of financial statements in foreign currencies	(5,830)	(726)	(9,724)	(2,940)
Total other profits/(losses) net of taxes for the year	**(5,830)**	**(726)**	**(9,724)**	**(2,940)**
TOTAL PROFIT	**(667)**	**2,088**	**2,768**	**7,354**

Statement of changes in consolidated shareholders' equity

(€/000)	Share capital	Share premium reserve	Legal reserve	Treasury shares	Translation reserve	Updated post-employment benefit reserve	Other reserves	Profit for the year	Total Group shareholders ' equity	Minority interests	Total shareholders ' equity
Balance at 31 December 2016 (*)	**11,533**	**10,002**	**2,307**	**(2,399)**	**(7,388)**	**(612)**	**88,561**	**8,994**	**110,998**	**1,379**	**112,377**
Allocation of 2016 profit											
- 2016 Dividends paid out								(5,384)	(5,384)		(5,384)
- Carried forward							3,610	(3,610)	0		0
Purchase of treasury shares				(2,110)					(2,110)		(2,110)
Total profit at 31 December 2017					(4,806)	62		14,835	10,091	81	10,172
Balance at 31 December 2017	**11,533**	**10,002**	**2,307**	**(4,509)**	**(12,194)**	**(550)**	**92,171**	**14,835**	**113,595**	**1,460**	**115,055**
Allocation of 2017 profit											
- 2017 Dividends paid out								(6,071)	(6,071)		(6,071)
- Carried forward							8,764	(8,764)	0		0
IFRS 2 – Stock grant plan							193		193		193
Purchase of treasury shares				(2,086)					(2,086)		(2,086)
Total profit at 30 September 2018					(9,724)	0		12,370	2,646	122	2,768
Balance at 30 September 2018	**11,533**	**10,002**	**2,307**	**(6,595)**	**(21,918)**	**(550)**	**101,128**	**12,370**	**108,277**	**1,582**	**109,859**

(*) figures recalculated pursuant to IFRS 3, in order to retrospectively take into account the effects resulting from the fair value measurement of A.R.C's assets and liabilities, at the acquisition date previously considered provisional.

Consolidated statement of cash flows

(€/000)	Q3 2018	Q3 2017	9M 2018	9M 2017
Cash and cash equivalents at beginning of period	***7,204***	***5,588***	***11,533***	***12,143***
Net profit/(loss) for the period	5,163	2,814	12,492	10,294
Adjustments for:				
- Depreciation and amortisation for the period	3,057	3,195	9,360	9,664
- Realised gains/losses	(1)	20	(12)	13
- Financial income and expenses	208	118	523	272
- IFRS 2 measurement stock grant plan	128	0	193	0
- Income tax	1,912	1,165	4,324	3,952
Payment of post-employment benefit reserve	(25)	(76)	(186)	(93)
Change in risk provisions	900	(60)	913	(46)
Change in trade receivables	*2,646*	*5,070*	*(4,175)*	*(7,201)*
Change in inventories	*861*	*(673)*	*(4,503)*	*(5,235)*
Change in trade payables	*(2,599)*	*(2,237)*	*2,509*	*4,608*
Change in net working capital	908	2,160	(6,169)	(7,828)
Change in other receivables and payables, deferred tax liabilities	(115)	163	(686)	1,182
Payment of taxes	(868)	(138)	(1,454)	(1,344)
Payment of financial expenses	(322)	(135)	(727)	(406)
Collection of financial income	135	23	225	152
Cash flow from operations	**11,080**	**9,249**	**18,796**	**15,812**
Net investments	**(1,904)**	**(3,558)**	**(8,536)**	**(10,594)**
Repayment of loans	2,264	(4,800)	(8,114)	(10,803)
New loans	30,876	1,342	46,218	9,218
Change in financial assets	(3,453)	15	(3,394)	(358)
Purchase/sale of treasury shares	0	(1,060)	(2,086)	(1,997)
Payment of dividends	0	0	(6,071)	(5,384)
Cash flow from financing activities	**29,687**	**(4,503)**	**26,553**	**(9,324)**
Okida acquisition	(22,882)	0	(22,882)	0
Foreign exchange differences	(4,780)	(428)	(7,059)	(1,689)
Net cash flows for the period	**11,201**	**760**	**6,872**	**(5,795)**
Cash and cash equivalents at end of period	***18,405***	***6,348***	***18,405***	***6,348***
Current financial debt	22,760	17,283	22,760	17,283
Non-current financial debt	48,890	16,733	48,890	16,733
Net financial debt	***53,245***	***27,668***	***53,245***	***27,668***

Consolidated net financial position

	(€/000)	30.09.2018	31.12.2017	30.09.2017
A.	Cash	15	14	19
B.	Positive balances of unrestricted bank accounts	18,081	11,009	5,636
C.	Other cash equivalents	309	510	693
D.	**Liquidity (A+B+C)**	**18,405**	**11,533**	**6,348**
E.	**Current financial receivables**	**3,521**	**-**	**-**
F.	Current bank payables	8,150	11,157	11,635
G.	Current portion of non-current debt	8,595	6,131	5,568
H.	Other current financial payables	9,536	75	80
I.	**Current financial debt (F+G+H)**	**26,281**	**17,363**	**17,283**
J.	**Net current financial debt (I-E-D)**	**4,355**	**5,830**	**10,935**
K.	Non-current bank payables	45,660	16,298	13,532
L.	Other non-current financial payables	3,230	3,405	3,201
M.	**Non-current financial debt (K+L)**	**48,890**	**19,703**	**16,733**
N.	**Net financial debt (J+M)**	**53,245**	**25,533**	**27,668**

Explanatory notes

Accounting standards and area of consolidation

The Interim Management Statement of the Sabaf Group at 30 September 2018 was prepared in pursuance of the Italian Stock-Exchange regulations that establish the publication of interim management statements as one of the requirements for maintaining a listing in the STAR segment of the MTA (Electronic Stock Market).

This report, drafted in continuity with the past, does not contain the information required in accordance with IAS 34.

Accounting standards and policies are the same as those adopted for preparation of the consolidated financial statements at 31 December 2017, which should be consulted for reference, with the exception of the new IFRS 9 and IFRS 15, which came into force on 1 January 2018 and the effects of which were pointed out in the half-yearly report at 30 June 2018. All the amounts contained in the statements included in this Interim Management Statement are expressed in thousands of euro.

We also draw attention to the following points:

- The Interim Management Statement was prepared according to the “discrete method of accounting” whereby the quarter in question is treated as a separate financial period. This means that the quarterly income statement reflects the ordinary and non-recurring items pertaining to the period on an accrual basis;
- the financial statements used in the consolidation process are those prepared by the subsidiaries for the period ended 30 September 2018, adjusted to comply with Group accounting policies, where necessary;
- the parent company, Sabaf S.p.A., and the subsidiaries Faringosi-Hinges S.r.l., A.R.C. S.r.l., Sabaf Immobiliare S.r.l., Sabaf do Brasil Ltda, Sabaf Turkey, Sabaf Appliance Components (Kunshan) Co., Ltd Sabaf Appliance Components Trading (Kunshan) Co., Ltd. (in liquidation) were consolidated on a 100% line-by-line basis;
- starting from this Interim Management Statement, Okida Elektronik Sanayi ve Ticaret Anonim Şirketi was consolidated;
- the subsidiary companies Sabaf US Corp. and Handan ARC Ltd. were not consolidated as they are irrelevant for the purposes of the consolidation.

The Interim Management Statement at 30 September 2018 has not been independently audited.

Okida Elektronik acquisition - Information related to IFRS 3

Starting from this Interim Management Statement, Okida Elektronik, company active in the design and production of electronic components for household appliances, of which the Group acquired control on 4 September 2018, was consolidated.

The evaluation of Okida in accordance with IFRS 3 revised, namely recognising the fair value of assets, liabilities and contingent liabilities at the acquisition date, has not yet been carried out, in that, in accordance with IFRS 3 revised, the evaluation becomes final within 12 months from the acquisition date. A mechanism to adjust the purchase price of the shares to be determined on the basis of the company's EBITDA as at 31 December 2018 is also envisaged.

The effects of this operation are shown in the following table:

	Original values at 04.09.2018	Fair value of assets and liabilities acquired
Assets		
Property, plant and equipment and intangible assets	555	555
Inventories	1,876	1,876
Trade receivables	1,666	1,666
Other receivables	236	236
Cash and cash equivalents	4,680	4,680
Total assets	**9,013**	**9,013**
Liabilities		
Trade payables	(684)	(684)
Other payables	(814)	(814)
Total liabilities	**(1,498)**	**(1,498)**
Fair value of net assets acquired (a)	**7,515**	**7,515**
Total cost of acquisition (b)		27,562
Goodwill deriving from acquisition (b-a)		20,047
Acquired cash and cash equivalents (c)		4,680
Total cash outlay (b-c)		22,882

At 30 September 2018, the financial data and the results of operations of Okida were consolidated only for the period for which the Group held control (4 September - 30 September 2018).

Sales breakdown by geographical area (Euro x 1000)

(amounts in €000)	**Q3 2018**	**Q3 2017**	% change	**9M 2018**	**9M 2017**	% change	**FY 2017**
Italy	6,181	7,146	*-13.5%*	24,489	28,124	*-12.9%*	36,523
Western Europe	2,894	2,670	*+8.4%*	9,013	8,682	*+3.8%*	11,678
Eastern Europe	10,851	10,841	*+0.1%*	34,483	31,912	*+8.1%*	42,824
Middle East and Africa	4,946	3,116	*+58.7%*	10,134	9,526	*+6.4%*	13,009
Asia and Oceania	2,516	2,963	*-15.1%*	5,510	7,976	*-30.9%*	10,516
South America	7,124	5,376	*+32.5%*	19,524	16,916	*+15.4%*	22,938
North America and Mexico	3,916	3,429	*+14.2%*	11,288	9,641	*+17.1%*	12,735
Total	**38,428**	**35,541**	*+8.1%*	**114,441**	**112,777**	*+1.5%*	**150,223**

Sales breakdown by product category (Euro x 1000)

(amounts in €000)	**Q3 2018**	**Q3 2017**	% change	**9M 2018**	**9M 2017**	% change	**FY 2017**
Brass valves	927	1,319	*-29.7%*	3,365	4,905	*-31.4%*	5,991
Light alloy valves	8,913	9,071	*-1.7%*	29,206	29,461	*-0.9%*	39,351
Thermostats	1,770	1,497	*+18.2%*	5,349	5,553	*-3.7%*	7,376
Standard burners	10,397	9,686	*+7.3%*	30,572	30,697	*-0.4%*	41,070
Special burners	7,484	6,705	*+11.6%*	21,094	20,625	*+2.3%*	27,184
Accessories	4,225	3,618	*+16.8%*	12,104	11,176	*+8.3%*	15,267
Total gas parts	*33,716*	*31,896*	*+5.7%*	*101,690*	*102,417*	*-0.7%*	*136,239*
Professional burners	1,209	1,322	*-8.5%*	4,186	3,723	*+12.4%*	5,079
Hinges	2,597	2,323	*+11.8%*	7,659	6,637	*+15.4%*	8,905
Electronic components	906	0	*+100.0%*	906	0	*+100.0%*	0
Total	**38,428**	**35,541**	*+8.1%*	**114,441**	**112,777**	*+1.5%*	**150,223**

Management Statement

Results of operations

In an overall unfavourable market environment, in the third quarter of 2018 the Sabaf Group recorded a marked improvement in sales performance compared to the first half of the year: during the period, sales revenue totalled €38.4 million, up by 8.1% compared to €35.5 million in the third quarter of 2017 (+5.6% taking into consideration the same scope of consolidation).

The markets that contributed most to the growth were South America and North America, which maintained a double-digit increase. The Middle East and North Africa area also reported very positive results, while Eastern Europe recorded sales in line with the same period of last year, in that the weakness of final demand in Turkey was offset by greater competitiveness of local producers, who benefited from the devaluation of the Turkish lira. The Italian market remains negative, affected by the difficulties of some customers.

EBITDA for the third quarter of 2018 was €7.6 million, or 19.9% of sales, up by 4.3% compared to the figure of €7.3 million (20.6% of sales) in the third quarter of 2017.

During the period, the Group recognised a provision for legal risks of €0.85 million, against the contingent liability resulting from a revocation action relating to deeds dating back to previous situations. Without this non-recurring element, EBITDA for the quarter would have been €8.5 million (22.1% of sales).

EBIT was €4.6 million, equivalent to 11.9% of sales, and 11.6% higher than €4.1 million of the same period in 2017 (11.5% of sales). During the quarter, the Group recorded positive exchange differences of €2.7 million, mainly due to the devaluation of the Turkish lira. Profit before taxes was €7.1 million, up by 77.8% compared to €4 million in Q3 2017. The net profit for the period was €5.1 million, up by 85.2% compared to the figure of €2.8 million in Q3 2017.

In the first nine months of 2018, revenues totalled €114.4 million, up by 1.5% over the same period of 2017 (1.4% taking into consideration the same scope of consolidation). EBITDA was €22.9 million (or 20% of sales), down by 4.9%, EBIT totalled €13.6 million (or 11.9% of sales) down by 6%, and the net profit owned by the Group was €12.4 million, up by 20.9% compared to the first nine months of 2017.

Acquisition of Okida Elektronik

In September 2018, the Group finalised the signing of 100% of the Turkish company Okida Elektronik, a leader in Turkey in the design, manufacture and sale of electronic control boards, controls, timers, display units and power units for ovens, hoods, vacuum cleaners, refrigerators and freezers.

The acquisition of Okida represents the first step towards the implementation of the Business Plan presented at the beginning of 2018, in line with the strategy of expanding the range of products in components for household appliances and the acquisition of skills in the electronics sector.

The acquisition was carried out through the Turkish subsidiary Sabaf Turkey for 70% and directly by Sabaf S.p.A. for the remaining 30%. Okida ended the 2017 financial year with sales of €12.8 million.

Investments and financial position

The total investment recognised for the acquisition of Okida at 30 September 2018 was €22.9 million; the operation was financed with bank loans repayable in 72 months.

Other investments in the quarter amounted to €1.9 million. Taking into consideration the same scope of consolidation, total investments for the year amounted to €8.5 million (€10.6 million in the first nine months of 2017).

At 30 September 2018, net financial debt was €53.2 million (€34.8 million at 30 June 2018), against a shareholders' equity of €109.9 million.

Significant non-recurring, atypical and/or unusual transactions

During the third quarter of 2018, the Group did not engage in significant transactions qualifying as non-recurring, atypical and/or unusual, as envisaged by the CONSOB communication of 28 July 2006.

Outlook

For the whole of 2018, the Group expects to reach sales of approximately €152 million, up moderately from €150.2 million in 2017.

These forecasts assume a macroeconomic scenario not affected by unpredictable events. If the economic situation were to change significantly, actual figures might diverge from the forecasts.

Statement of the Financial Reporting Officer pursuant to Article 154-bis (2) TUF

The Financial Reporting Officer, Gianluca Beschi, declares that, pursuant to paragraph 2, Article 154-bis of Italian Legislative Decree 58/1998 (TUF, or Consolidated Finance Act), the accounting information contained in the Interim Management Statement at 30 September 2018 of Sabaf S.p.A. corresponds to the Company's records, books and accounting entries.

Ospitaletto (BS), 12 November 2018

Financial Reporting Officer
Gianluca Beschi