

INTERIM MANAGEMENT STATEMENT

AT 31 MARCH 2020



SABAF S.p.A.

Via dei Carpini, 1 – OSPITALETTO (BS) ITALY

Fully paid-in share capital: € 11,533,450

www.sabaf.it

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Group structure

Parent company

SABAF S.p.A.

Subsidiaries and equity interest pertaining to the Group

Companies consolidated on a line-by-line basis

| | |
|--|-------|
| Faringosi Hinges s.r.l. | 100% |
| Sabaf do Brasil Ltda. | 100% |
| Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited | 100% |
| Sirteki (Sabaf Turkey) | |
| Sabaf Appliance Components (Kunshan) Co., Ltd. | 100% |
| A.R.C. s.r.l. | 70% |
| Okida Elektronik Sanayi ve Tickaret A.S | 100% |
| Sabaf US Corp. | 100% |
| C.M.I. s.r.l. | 68.5% |
| C.G.D. s.r.l. | 68.5% |
| C.M.I. Polska Sp. Zoo. | 68.5% |

Companies measured at equity

| | |
|------------------------------|-------|
| Handan ARC Burners Co., Ltd. | 35.7% |
|------------------------------|-------|

Non-consolidated companies

| | |
|-----------------------------|--------|
| Sabaf India Private Limited | 99.33% |
|-----------------------------|--------|

Board of Directors

| | |
|-------------------------|--------------------|
| Chairman | Giuseppe Saleri |
| Vice Chairman (*) | Nicla Picchi |
| Chief Executive Officer | Pietro Iotti |
| Director | Gianluca Beschi |
| Director | Claudio Bulgarelli |
| Director | Alessandro Potestà |
| Director (*) | Carlo Scarpa |
| 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) | 31/03/2020 | 31/12/2019 | 31/03/2019 |
|---|----------------|----------------|----------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 73,803 | 75,885 | 70,479 |
| Investment property | 3,869 | 3,976 | 4,198 |
| Intangible assets | 49,324 | 51,668 | 37,849 |
| Equity investments | 185 | 115 | 375 |
| Non-current financial assets | 60 | 60 | 120 |
| Non-current receivables | 284 | 297 | 233 |
| Deferred tax assets | 6,583 | 6,505 | 4,946 |
| Total non-current assets | 134,108 | 138,506 | 118,200 |
| CURRENT ASSETS | | | |
| Inventories | 34,080 | 35,343 | 37,676 |
| Trade receivables | 53,136 | 46,929 | 44,769 |
| Tax receivables | 3,067 | 4,458 | 3,439 |
| Other current receivables | 2,694 | 1,459 | 1,776 |
| Current financial assets | 1,233 | 1,266 | 60 |
| Cash and cash equivalents | 12,956 | 18,687 | 12,478 |
| Total current assets | 107,166 | 108,142 | 100,198 |
| ASSETS HELD FOR SALE | 0 | 0 | 0 |
| TOTAL ASSETS | 241,274 | 246,648 | 218,398 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 11,533 | 11,533 | 11,533 |
| Retained earnings, Other reserves | 97,284 | 92,580 | 105,061 |
| Net profit for the period | 1,547 | 9,915 | 2,115 |
| <i>Total equity interest pertaining to the Parent Company</i> | <i>110,364</i> | <i>114,028</i> | <i>118,709</i> |
| <i>Minority interests</i> | <i>7,181</i> | <i>7,077</i> | <i>1,686</i> |
| Total shareholders' equity | 117,545 | 121,105 | 120,395 |
| NON-CURRENT LIABILITIES | | | |
| Loans | 42,979 | 44,046 | 41,515 |
| Other financial liabilities | 7,383 | 7,383 | 1,938 |
| Post-employment benefit and retirement provisions | 3,718 | 3,698 | 2,783 |
| Provisions for risks and charges | 988 | 995 | 704 |
| Deferred tax liabilities | 6,977 | 7,273 | 2,915 |
| Non-current payables | 68 | 0 | 0 |
| Total non-current liabilities | 62,113 | 63,395 | 49,855 |
| CURRENT LIABILITIES | | | |
| Loans | 19,562 | 19,015 | 17,208 |
| Other financial liabilities | 4,803 | 4,637 | 370 |
| Trade payables | 26,558 | 27,560 | 20,746 |
| Tax payables | 1,617 | 1,802 | 2,769 |
| Other payables | 9,076 | 9,134 | 7,055 |
| Total current liabilities | 61,616 | 62,148 | 48,148 |
| LIABILITIES HELD FOR SALE | 0 | 0 | 0 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 241,274 | 246,648 | 218,398 |

Consolidated Income Statement

| | Q1 2020 | | Q1 2019 | | 12M 2019 | |
|--|-----------------|---------------|-----------------|---------------|------------------|---------------|
| <i>(€ /000)</i> | | | | | | |
| INCOME STATEMENT COMPONENTS | | | | | | |
| OPERATING REVENUE AND INCOME | | | | | | |
| Revenue | 43,852 | 100.0% | 37,635 | 100.0% | 155,923 | 100.0% |
| Other income | 1,049 | 2.4% | 672 | 1.8% | 3,621 | 2.3% |
| Total operating revenue and income | 44,901 | 102.4% | 38,307 | 101.8% | 159,544 | 102.3% |
| OPERATING COSTS | | | | | | |
| Materials | (19,138) | -43.6% | (14,279) | -37.9% | (57,464) | -36.9% |
| Change in inventories | (304) | -0.7% | (1,265) | -3.4% | (8,617) | -5.5% |
| Services | (7,570) | -17.3% | (7,334) | -19.5% | (29,488) | -18.9% |
| Personnel costs | (10,253) | -23.4% | (8,860) | -23.5% | (37,103) | -23.8% |
| Other operating costs | (379) | -0.9% | (363) | -1.0% | (1,698) | -1.1% |
| Costs for capitalised in-house work | 432 | 1.0% | 411 | 1.1% | 1,859 | 1.2% |
| Total operating costs | (37,212) | -84.9% | (31,690) | -84.2% | (132,511) | -85.0% |
| OPERATING PROFIT BEFORE DEPRECIATION & AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA) | | | | | | |
| | 7,689 | 17.5% | 6,617 | 17.6% | 27,033 | 17.3% |
| Depreciations and amortisation | (4,337) | -9.9% | (3,312) | -8.8% | (15,183) | -9.7% |
| Capital gains/(losses) on disposals of non-current assets | 8 | 0.0% | 45 | 0.1% | 46 | 0.0% |
| OPERATING PROFIT (EBIT) | | | | | | |
| | 3,360 | 7.7% | 3,350 | 8.9% | 11,896 | 7.6% |
| Financial income | 72 | 0.2% | 108 | 0.3% | 638 | 0.4% |
| Financial expenses | (424) | -1.0% | (340) | -0.9% | (1,339) | -0.9% |
| Exchange rate gains and losses | (816) | -1.9% | (397) | -1.1% | (1,380) | -0.9% |
| Profits and losses from equity investments | 0 | 0.0% | 0 | 0.0% | (39) | 0.0% |
| PROFIT BEFORE TAXES | | | | | | |
| | 2,192 | 5.0% | 2,721 | 7.2% | 9,776 | 6.3% |
| Income taxes | (512) | -1.2% | (565) | -1.5% | 407 | 0.3% |
| NET PROFIT FOR THE PERIOD | | | | | | |
| | 1,680 | 3.8% | 2,156 | 5.7% | 10,183 | 6.5% |
| of which | | | | | | |
| Minority interests | 133 | 0.3% | 41 | 0.1% | 268 | 0.2% |
| PROFIT ATTRIBUTABLE TO THE GROUP | | | | | | |
| | 1,547 | 3.5% | 2,115 | 5.6% | 9,915 | 6.4% |

Consolidated statement of comprehensive income

| <i>(€ /000)</i> | Q1 2020 | Q1 2019 | 12M 2019 |
|---|----------------|----------------|----------------|
| NET PROFIT FOR THE PERIOD | 1,680 | 2,156 | 10,183 |
| <i>Total profits/losses that will not be subsequently reclassified under profit (loss) for the year</i> | | | |
| Actuarial evaluation of post-employment benefit | 0 | 0 | (26) |
| Tax effect | 0 | 0 | 6 |
| | 0 | 0 | (20) |
| <i>Total profits/losses that will be subsequently reclassified under profit (loss) for the year</i> | | | |
| Forex differences due to translation of financial statements in foreign currencies | (4,836) | (1,319) | (3,323) |
| Total other profits/(losses) net of taxes for the year | (4,836) | (1,319) | (3,343) |
| TOTAL PROFIT | (3,156) | 837 | 6,840 |
| of which | | | |
| Minority interests | 133 | 41 | 268 |
| TOTAL PROFIT ATTRIBUTABLE TO THE GROUP | (3,289) | 796 | 6,572 |

Statement of changes in consolidated shareholders' equity

| <i>(€ /000)</i> | Share capital | Share premium reserve | Legal reserve | Treasury shares | Translation reserve | Post-employment benefit discounting reserve | Other reserves | Profit for the year | Total Group shareholders' equity | Minority interests | Total shareholders' equity |
|--------------------------------------|---------------|-----------------------|---------------|-----------------|---------------------|---|----------------|---------------------|----------------------------------|--------------------|----------------------------|
| Balance at 31 December 2018 | 11,533 | 10,002 | 2,307 | (6,868) | (16,134) | (526) | 101,774 | 15,614 | 117,702 | 1,644 | 119,346 |
| Allocation of 2018 profit | | | | | | | | | | | |
| - dividends paid out | | | | | | | | (6,060) | (6,060) | | (6,060) |
| - carried forward | | | | | | | 9,554 | (9,554) | | | |
| IFRS 2 measurement stock grant plan | | | | | | | 681 | | 681 | | 681 |
| Sale of treasury shares | | | | 4,600 | | | 208 | | 4,808 | | 4,808 |
| Change in the scope of consolidation | | | | | | | (981) | | (981) | 5,165 | 4,184 |
| C.M.I. Group put option | | | | | | | (8,700) | | (8,700) | | (8,700) |
| Other changes | | | | | 518 | | (512) | | 6 | | 6 |
| Total profit at 31 December 2019 | | | | | (3,323) | (20) | | 9,915 | 6,572 | 268 | 6,840 |
| Balance at 31 December 2019 | 11,533 | 10,002 | 2,307 | (2,268) | (18,939) | (546) | 102,024 | 9,915 | 114,028 | 7,077 | 121,105 |
| Allocation of 2019 profit | | | | | | | | | | | |
| - carried forward | | | | | | | 9,915 | (9,915) | | | |
| IFRS 2 measurement stock grant plan | | | | | | | 247 | | 247 | | 247 |
| Purchase of treasury shares | | | | (772) | | | | | (772) | | (772) |
| Other changes | | | | | | | 100 | | 100 | (29) | 71 |
| Total profit at 31 March 2020 | | | | | (4,836) | | | 1,547 | (3,289) | 133 | (3,156) |
| Balance at 31 March 2020 | 11,533 | 10,002 | 2,307 | (2,990) | (23,775) | (546) | 112,286 | 1,547 | 110,364 | 7,181 | 117,545 |

Consolidated statement of cash flows

| <i>(€ /000)</i> | Q1 2020 | Q1 2019 | 12M 2019 |
|--|----------------|----------------|-----------------|
| <i>Cash and cash equivalents at beginning of period</i> | 18,687 | 13,426 | 13,426 |
| Net profit/(loss) for the period | 1,680 | 2,156 | 10,183 |
| Adjustments for: | | | |
| - Depreciation and amortisation for the period | 4,337 | 3,312 | 15,183 |
| - Write-downs of non-current assets | (8) | 0 | 0 |
| - Realised gains/losses | 0 | (45) | (46) |
| - IFRS 2 measurement stock grant plan | 0 | 129 | 681 |
| - Profits and losses from equity investments | 247 | 0 | 39 |
| - Financial income and expenses | 352 | 232 | 701 |
| - Income tax | 512 | 565 | (407) |
| Change in post-employment benefit | 20 | 144 | 300 |
| Change in risk provisions | (7) | (21) | 270 |
| <i>Change in trade receivables</i> | <i>(6,207)</i> | <i>2,163</i> | <i>10,148</i> |
| <i>Change in inventories</i> | <i>1,263</i> | <i>1,503</i> | <i>9,090</i> |
| <i>Change in trade payables</i> | <i>(902)</i> | <i>(469)</i> | <i>(2,901)</i> |
| Change in net working capital | (5,846) | 3,197 | 16,337 |
| Change in other receivables and payables, deferred tax liabilities | 371 | (887) | 1,344 |
| Payment of taxes | (1,293) | (642) | (2,952) |
| Payment of financial expenses | (191) | (333) | (1,339) |
| Collection of financial income | 72 | 108 | 638 |
| Cash flows from operations | 246 | 7,915 | 40,932 |
| Net investments | (3,339) | (1,616) | (12,014) |
| Free cash flow | (3,093) | 6,299 | 28,918 |
| Repayment of loans | (2,376) | (12,885) | (29,682) |
| New loans | 1,385 | 2,368 | 18,271 |
| Change in financial assets | 0 | 3,451 | 2,245 |
| Purchase of treasury shares | (722) | 0 | 3,146 |
| Payment of dividends | 0 | 0 | (6,060) |
| Cash flows from financing activities | (1,713) | (7,066) | (12,080) |
| Okida acquisition | 0 | (317) | (317) |
| C.M.I. acquisition | 0 | 0 | (10,475) |
| Foreign exchange differences | (925) | 136 | 482 |
| Net cash flows for the period | (5,731) | (948) | 6,528 |
| <i>Cash and cash equivalents at end of period</i> | 12,956 | 12,478 | 19,954 |
| Net current financial debt | 23,132 | 17,518 | 23,652 |
| Non-current financial debt | 50,362 | 43,453 | 51,430 |
| Net financial debt | 60,538 | 48,493 | 55,128 |

Consolidated net financial position

| <i>(€ /000)</i> | 31/03/2020 | 31/12/2019 | 31/03/2019 |
|--|---------------|---------------|---------------|
| A. Cash | 26 | 19 | 18 |
| B. Positive balances of unrestricted bank accounts | 12,628 | 18,590 | 11,435 |
| C. Other cash equivalents | 302 | 79 | 1,025 |
| D. Liquidity (A+B+C) | 12,956 | 18,688 | 12,478 |
| E. Current financial receivables | 1,233 | 1,266 | 60 |
| F. Current bank payables | 3,596 | 3,313 | 6,177 |
| G. Current portion of non-current debt | 14,779 | 14,653 | 10,542 |
| H. Other current financial payables | 5,990 | 5,686 | 859 |
| I. Current financial debt (F+G+H) | 24,365 | 23,652 | 17,578 |
| J. Net current financial debt (I-E-D) | 10,176 | 3,698 | 5,040 |
| K. Non-current bank payables | 39,575 | 40,569 | 39,468 |
| L. Other non-current financial payables | 10,787 | 10,861 | 3,985 |
| M. Non-current financial debt (K+L) | 50,362 | 51,430 | 43,453 |
| N. Net financial debt (J+M) | 60,538 | 55,128 | 48,493 |

Explanatory notes

Accounting standards and scope of consolidation

The Interim Management Statement of the Sabaf Group at 31 March 2020 is prepared in compliance with the Stock Exchange (Borsa) Regulation that establishes, among the requirements for maintaining the listing on the STAR segment of the MTA, the publication of interim management reports.

This statement, prepared in continuity with the past, does not contain the information required under IAS 34.

Accounting standards and policies are the same as those adopted for preparation of the consolidated financial statements at 31 December 2019, which should be consulted for reference. 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. In this respect, the quarterly income statement reflects the income statement components 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 31 March 2020, 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 do Brasil Ltda, Sabaf Turchia, Okida Elektronik, Sabaf Appliance Components (Kunshan) Co., Sabaf U.S., C.M.I. s.r.l., C.G.D. s.r.l., C.M.I. Polska Sp. Zoo were consolidated on a line-by-line basis;
- the subsidiary Handan A.R.C. Burners Co. was consolidated using the equity method as from 31 December 2019;
- the company Sabaf India Private Limited, in which Sabaf made an initial capital contribution of € 20,000 during the first quarter of 2020, was not consolidated in that not yet operational and therefore irrelevant for consolidation purposes;
- the scope of consolidation did not change compared to 31 December 2019; on the other hand, compared to the comparative data at 31 March 2019, the companies of the C.M.I. Group (C.M.I. s.r.l., C.G.D. s.r.l., C.M.I. Polska Sp. Zoo), over which the Group acquired control on 31 July 2019, were included in the consolidation;

The Interim Management Statement at 31 March 2020 has not been independently audited.

Sales breakdown by geographical area (Euro x 1000)

| | Q1 2020 | % | Q1 2019 | % | % change | 12M 2019 | % |
|--------------------------|----------------|-------------|----------------|-------------|-----------------|-----------------|-------------|
| Italy | 8,470 | 19.3% | 8,852 | 23.5% | -4.3% | 31,161 | 20.0% |
| Western Europe | 2,544 | 5.8% | 3,409 | 9.1% | -25.4% | 12,277 | 7.9% |
| Eastern Europe | 16,671 | 38.0% | 11,964 | 31.8% | +39.3% | 55,059 | 35.3% |
| Middle East and Africa | 2,322 | 5.3% | 1,258 | 3.3% | +84.6% | 7,050 | 4.5% |
| Asia and Oceania | 1,524 | 3.5% | 1,914 | 5.1% | -20.4% | 9,198 | 5.9% |
| South America | 6,778 | 15.5% | 6,416 | 17.0% | +5.6% | 23,451 | 15.0% |
| North America and Mexico | 5,543 | 12.6% | 3,822 | 10.2% | +45.0% | 17,727 | 11.4% |
| Total | 43,852 | 100% | 37,635 | 100% | +16.5% | 155,923 | 100% |

Sales breakdown by product category (Euro x 1000)

| | Q1 2020 | % | Q1 2019 | % | % change | 12M 2019 | % |
|-----------------------|----------------|-------------|----------------|-------------|-----------------|-----------------|-------------|
| Gas parts | 30,722 | 70.1% | 32,591 | 86.6% | -5.7% | 122,205 | 78.4% |
| Hinges | 9,931 | 22.6% | 2,768 | 7.4% | +258.8% | 23,774 | 15.2% |
| Electronic components | 3,199 | 7.3% | 2,276 | 6.0% | +40.6% | 9,944 | 6.4% |
| Total | 43,852 | 100% | 37,635 | 100% | +16.5% | 155,923 | 100% |

Management Statement

The world is facing an unprecedented health emergency due to the rapid and global spread of the coronavirus pandemic and the violent impacts on the lives of people and businesses. In this context, the priority of the Sabaf Group is to ensure the continuity of its activities by protecting the health and safety of people, aware that it is a leading global player in a sector - household appliances - of great importance in any economy. The Group believes that its business model - oriented towards long-term sustainability and characterised by a high level of verticalisation of production and production facilities close to the main markets - is adequate to face future challenges and new scenarios.

Consolidated results for Q1 2020

After an extremely positive start to the year with sales up by about 30% in the first two months, the rapid spread of the pandemic impacted the business from the second half of March, making it necessary to suspend production at Italian plants. The Group immediately activated the safety protocols and limited the production shutdown period to only 3 weeks (from 16 March to 3 April).

Sales revenue amounted to € 43.9 million in the first quarter of 2020, up by 16.5% from € 37.6 million in the same quarter of 2019 (-3.2% taking into consideration the same scope of consolidation). China and European markets were the areas that suffered most in terms of sales.

The EBITDA of the period was € 7.7 million, equal to 17.5% of sales, up 16.2% compared to the € 6.6 million (17.6% of sales) of the first quarter of 2019. After depreciations and amortisation of € 4.4 million (€ 3.1 million in the first quarter of 2019), EBIT was € 3.4 million, corresponding to 7.7% of turnover, up 0.3% on the same period of 2019 (8.9% of turnover). During the quarter, the Group recorded negative forex differences of € 0.8 million (€ 0.4 million in the first quarter of 2019), following the depreciation of the Turkish lira against the Euro. Net profit for the period was € 1.5 million, down by 26.9% compared to € 2.1 million in the first quarter of 2019.

At 31 March 2020, the impact of the net working capital on revenue was 32% compared to 38% at 31 March 2019 and 29% at 31 December 2019. The increase in working capital in the first quarter of 2020 (€ 55.7 million, compared with € 49.7 million at the end of 2019) reflects the increase in trade receivables, following higher sales in the period compared with the end of 2019. The management of working capital is closely monitored: average days for collection have not increased significantly and inventories remain at physiological levels, after the recent interventions that made it possible to optimise logistics management. With respect to suppliers, the Sabaf Group committed to strict compliance with previously agreed payment terms.

During the quarter, € 3.3 million was invested (€ 1.6 million in Q1 2019 and € 12 million for the whole of 2019) and is mainly allocated to new global projects in start-up with some large customers. At present, the Group believes that the strategy aimed at strengthening its international presence remains valid and has therefore not deemed it appropriate to revise the plan of organic investments for the current year, although some investments will be delayed due to current restrictions on mobility.

At 31 March 2020, net financial debt was € 60.5 million (€ 55.1 million at 31 December 2019), of which €10.4 million relating put options granted to minorities. The financial situation remains absolutely solid and the Group has unused short-term lines of credit. The shareholders' meeting held on 4 May last approved the Board of Directors' proposal to allocate the 2019 profit entirely to reserve as a matter of prudence.

Significant non-recurring, atypical and/or unusual transactions

During the first quarter of 2020, 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

In many of the main markets, demand and production levels have been strongly impacted by restrictions imposed by local authorities leading to postponement or cancellation of orders by customers. In April, sales fell by 18% (30% taking into consideration the same scope of consolidation), while a partial recovery is expected as early as May. Based on the information currently available, the Group expects to close the first half of the year with sales of between € 78 and € 82 million (up 4% - 9% compared with the first half of 2019).

For the rest of the year, visibility is still extremely limited. In the absence of events that would have a further lasting impact on consumption in its main target markets, the Group expects a gradual recovery with sales in the second half of the year higher or, in the worst-case scenario, in line with those of the first half.

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 Legislative Decree 58/1998 (Consolidated Finance Act), the accounting information contained in the Interim Management Statement at 31 March 2020 of Sabaf S.p.A. corresponds to the Company's records, books and accounting entries.

Ospitaletto (BS), 12 May 2020

Financial Reporting Officer
Gianluca Beschi