



**SABAF<sup>®</sup>**

**Half-yearly report  
at 30 June 2020**

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## GROUP STRUCTURE AND CORPORATE BODIES

### Group structure

#### Parent company

**SABAF S.p.A.**

**Registered and administrative office:** Via dei Carpini 1 - 25035 Ospitaletto (Brescia)

**R.E.A. Brescia 347512**

**Tax code 03244470179**

**Share capital € 11,533,450 fully paid in**

**www.sabaf.it**

#### Subsidiaries and equity interest pertaining to the Group

##### Companies consolidated on a line-by-line basis

Faringosi Hinges s.r.l.	Italy	100%
Sabaf do Brasil Ltda.	Brazil	100%
Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited		
Sirteki (Sabaf Turkey)	Turkey	100%
Sabaf Appliance Components (Kunshan) Co., Ltd.	China	100%
Okida Elektronik Sanayi Ve Ticaret A.S.	Turkey	100%
Sabaf US Corp.	U.S.A.	100%
A.R.C. s.r.l.	Italy	70%
Sabaf India Private Limited	India	99.33%
C.M.I. s.r.l.	Italy	68.5%
C.G.D. s.r.l.	Italy	68.5%
C.M.I. Polska Sp zoo.	Italy	68.5%

##### Companies measured at equity

Handan ARC Burners Co., Ltd.	China	35.7%
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### Corporate bodies

#### 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

#### Independent Auditors

EY S.p.A.

## INTERIM MANAGEMENT STATEMENT

### Introduction

This Half-Yearly Report at 30 June 2020 has been prepared in accordance with Article 154-ter of Legislative Decree 58/1998 and in compliance with the applicable international accounting standards recognised in the European Community and, in particular, IAS 34 - *Interim Financial Reporting*. The half-year figures at 30 June 2020 and at 30 June 2019 and for the six-month period ended on the same date were audited by EY S.p.A..

### The business

The Sabaf Group is active in the production of components for household appliances and is one of the world's leading manufacturers of components for gas cooking appliances. Its reference market therefore consists of manufacturers of household appliances.

Sabaf's product range focuses on the following main lines:

- Gas components, made up of:
  - Valves and thermostats, with or without thermoelectric safety devices: the components that regulate the flow of gas to the burner;
  - Burners: these are the components that, via the mixing of gas with air and combustion of the gas used, produce one or more rings of flame;
  - Accessories: other components that complete the range, aimed particularly at making it possible to light and control the flame.
- Hinges: these components enable the smooth and balanced movement of appliance doors when they are opened or closed.
- Electronic components for household appliances, such as electronic control boards, timers and display and power units for ovens, refrigerators, freezers, hoods and other products.

The Sabaf Group currently has ten production plants: Ospitaletto (Brescia), Bareggio (Milan), Campodarsego (Padua), Crespellano (Bologna - two plants), Jundiai (Brazil), Manisa (Turkey), Istanbul (Turkey), Kunshan (China), Myszkow (Poland).

## Impacts from the COVID-19 pandemic

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, priority was given to protecting the health and safety of people: to this end, all Sabaf Group companies adopted every preventive measure useful to eliminate the risks of contagion.

The Group's Italian companies stopped their activities during the lock-down period (on average for 3 weeks) and resorted to the social safety valve of the temporary unemployment fund. Since March, the Group's activities have also slowed down significantly as a result of the general decline in consumption and the consequent reduction in our customers' production. In addition to the temporary unemployment fund, some Group companies reduced shifts and carried out periods of closure to adjust the level of production to demand.

The greatest decline in revenue was recorded in April and May (about 30% taking into consideration the same scope of consolidation), while since June there have been signs of gradual recovery, which were then decisively strengthened in July. The Group estimates that, as a result of the pandemic, sales for the first half of the year were about 20% lower than expected, corresponding to a decrease in revenue of €19 million and operating profitability of €5.7 million. The decline in revenue was due for €14 million to the "Gas Parts" segment and for €5 million to the "Hinges" segment, while the "Electronic Components" segment did not undergo any significant changes in revenue compared to forecasts.

The Group also incurred higher costs estimated at approximately €0.5 million for protection devices, extraordinary sanitisation activities and one-off economic support paid to employees.

The Group took into account the uncertainties related to the current situation when making estimates for the purposes of preparing this half-yearly report, especially with regard to the recoverability of the value of intangible assets and the evaluation of receivables and inventories. The evaluations carried out did not result in significant write-downs or incremental provisions. Details for each financial statement item are provided in the Explanatory Notes.

The current context led to some delays in the collection of trade receivables, which can be quantified on average in about 15 days compared to the usual collection terms. With regard to suppliers, the Group continued to meet its commitments in full compliance with the established contractual terms. These trends led to an increase in working capital of €5.4 million at 30 June 2020 compared with 31 December 2019.

The Group continued to consider the strategy of expanding its international presence as valid and therefore confirmed the organic investments planned for the year. Total investments planned for 2020 amounted to approximately €14 million.

The Group did not avail itself of the liquidity support measures for Italian companies provided for in the legislative decrees issued by the Government during the period.

The Shareholders' Meeting of 4 May 2020, in accordance with the proposal made by the Board of Directors, resolved to allocate the entire 2019 net profit to reserves. This proposal was made, on a prudential basis, in view of the uncertainties of the emergency period that was then experiencing its most critical phase. The data emerging from the financial report at 30 June 2020 are reassuring with respect to the Group's economic, financial and equity structure and make it possible to assess the advisability of distributing an extraordinary dividend. For these reasons, the Board of Directors intends to propose that a new Shareholders' Meeting be convened for 29 September 2020 to which to submit a proposal for the distribution of an extraordinary dividend of €0.35 per share (total dividend of approximately €4 million).

Demand volatility is likely to remain high with the consequent need to respond quickly to rapidly changing operating environments. The Sabaf Group believes that its business model - oriented towards long-term sustainability and characterised by a high level of verticalization of production and production facilities close to the main markets - is adequate to face future challenges and new scenarios.

## Economic performance

### Financial highlights

<i>(amounts in €000)</i>	<b>Q2 2020 (*)</b>	<b>Q2 2019 (*)</b>	% change	<b>H1 2020</b>	<b>H1 2019</b>	% change	<b>2019 FY</b>
Sales revenue	34,312	37,191	-7.7%	78,164	74,826	+4.5%	155,923
EBITDA	5,595	6,277	-10.9%	13,284	12,894	+3.0%	27,033
<b>EBITDA %</b>	<b>16.3</b>	<b>16.9</b>		<b>17.0</b>	<b>17.2</b>		<b>17.3</b>
EBIT	1,457	2,903	-49.8%	4,817	6,253	-23.0%	11,896
<b>EBIT %</b>	<b>4.2</b>	<b>7.8</b>		<b>6.2</b>	<b>8.4</b>		<b>7.6</b>
Pre-tax profit	1,549	1,937	-20.0%	3,741	4,658	-19.7%	9,776
Net Profit	877	1,398	-37.3%	2,424	3,513	-31.0%	9,915

(\*) unaudited figures

**Consolidated income statement**

	Q2 2020 (*)	Q2 2019 (*)	H1 2020	H1 2019
<i>(€/000)</i>				
<b>OPERATING REVENUE AND INCOME</b>				
Revenue	34,312	37,191	78,164	74,826
Other income	920	622	1,969	1,294
<b>Total operating revenue and income</b>	<b>35,232</b>	<b>37,813</b>	<b>80,133</b>	<b>76,120</b>
<b>OPERATING COSTS</b>				
Materials	(16,243)	(13,599)	(35,381)	(27,878)
Change in inventories	3,981	(2,422)	3,677	(3,687)
Services	(7,944)	(7,086)	(15,514)	(14,420)
Personnel costs	(9,648)	(8,799)	(19,901)	(17,659)
Other operating costs	(429)	(216)	(808)	(579)
Costs for capitalised in-house work	646	586	1,078	997
<b>Total operating costs</b>	<b>(29.637)</b>	<b>(31.536)</b>	<b>(66.849)</b>	<b>(63.226)</b>
<b>OPERATING PROFIT BEFORE DEPRECIATION &amp; AMORTISATION, CAPITAL GAINS/LOSSES AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)</b>	<b>5,595</b>	<b>6,277</b>	<b>13,284</b>	<b>12,894</b>
Depreciations and amortisation	(4,171)	(3,377)	(8,508)	(6,689)
Capital gains/(losses) on disposals of non-current assets	33	3	41	48
Write-downs/write-backs of non-current assets	0	0	0	0
<b>OPERATING PROFIT (EBIT)</b>	<b>1,457</b>	<b>2,903</b>	<b>4,817</b>	<b>6,253</b>
Financial income	1,491	128	1,563	236
Financial expenses	(378)	(450)	(802)	(790)
Exchange rate gains and losses	(1.021)	(644)	(1.837)	(1.041)
Profits and losses from equity investments	0	0	0	0
<b>PROFIT BEFORE TAXES</b>	<b>1,549</b>	<b>1,937</b>	<b>3,741</b>	<b>4,658</b>
Income taxes	(713)	(459)	(1,225)	(1,024)
<b>NET PROFIT FOR THE PERIOD</b>	<b>836</b>	<b>1,478</b>	<b>2,516</b>	<b>3,634</b>
of which:				
Minority interests	(41)	80	92	121
<b>PROFIT ATTRIBUTABLE TO THE GROUP</b>	<b>877</b>	<b>1,398</b>	<b>2,424</b>	<b>3,513</b>

(\*) unaudited figures

*Sales by geographical area*

<i>(amounts in €000)</i>	<b>Q2 2020 (*)</b>	<b>Q2 2019 (*)</b>	% change	<b>H1 2020</b>	<b>H1 2019</b>	% change	<b>2019 FY</b>
Italy	5,894	7,881	-25.2%	14,364	16,733	-14.2%	31,161
Western Europe	2,036	3,091	-34.1%	4,580	6,500	-29.5%	12,277
Eastern Europe	11,684	12,322	-5.2%	28,355	24,286	+16.8%	55,059
Middle East and Africa	3,186	1,938	+64.4%	5,508	3,196	+72.3%	7,050
Asia and Oceania	1,607	2,524	-36.3%	3,131	4,438	-29.5%	9,198
South America	5,622	5,687	-1.1%	12,400	12,103	+2.5%	23,451
North America and Mexico	4,283	3,748	+14.3%	9,826	7,570	+29.8%	17,727
<b>Total</b>	<b>34,312</b>	<b>37,191</b>	<b>-7.7%</b>	<b>78,164</b>	<b>74,826</b>	<b>+4.5%</b>	<b>155,923</b>

(\*) unaudited figures

*Sales by product line*

<i>(amounts in €000)</i>	<b>Q2 2020 (*)</b>	<b>Q2 2019 (*)</b>	% change	<b>H1 2020</b>	<b>H1 2019</b>	% change	<b>2019 FY</b>
Gas parts	24,402	31,739	-23.1%	55,124	64,330	-14.3%	122,205
Hinges	7,331	2,962	+147.5%	17,262	5,730	+201.3%	23,774
Electronic components	2,579	2,490	+3.6%	5,778	4,766	+21.2%	9,944
<b>Total</b>	<b>34,312</b>	<b>37,191</b>	<b>-7.7%</b>	<b>78,164</b>	<b>74,826</b>	<b>+4.5%</b>	<b>155,923</b>

(\*) unaudited figures



### First half of 2020

In an exceptional context, profoundly affected by the spread of the COVID-19 pandemic, the Sabaf Group demonstrated an immediate ability to respond that allowed it to consolidate its strategic positioning in the sector, strengthen relations with customers and other stakeholders and mitigate the economic and financial impact of the crisis.

Revenue was €78.2 million in the first half-year, an increase of 4.5% versus the figure of €74.8 million in the corresponding period of the previous year. Taking into consideration the same scope of consolidation, the drop in revenue was 12.5%. The geographical areas where sales were most affected by the health emergency were Italy and Western Europe where restrictions on freedom of movement led to a stronger decline in consumption, especially from March to May; the decline in revenues in Eastern Europe and Turkey was more moderate. In South America, despite the critical health situation, the Group was able to maintain sales revenue in line with the same period of 2019, while sales in North America - down taking into consideration the same scope of consolidation - increased by 30% following the consolidation of C.M.I.. In the Middle East and Africa, sales in the first half of the year, which were only marginally affected by the pandemic, grew by over 70%.

In terms of products, there was a significant increase in sales of electronic components (20% higher than in the first half of 2019), which also benefited from the synergies created following the integration of Okida into the Sabaf Group. Sales of gas components and hinges decreased, reflecting the general trend in demand.

Average sale prices for the period were down by 1.8% versus the first half of 2019; the lower purchase costs led to savings of 2% of sales.

The EBITDA of the first half of 2020 came at €13.3 million (17% of turnover, 3% higher than €12.9 million of the same period of 2019, when it was 17.2% of sales). EBIT was €4.8 million (6.2% of sales, down by 23% compared to the €6.3 million in the first half of 2019).

During the first half of the year, the Group adjusted the value of financial liabilities related to put options granted to minority shareholders of subsidiaries on the basis of an updated forecast of their results, recording financial income of €1.4 million. Net foreign exchange losses of €1.8 million were recognised, mainly due to the write-down of the Turkish lira against the euro. In the first half of the year, non-recurring income taxes of €1 million were also recognised following the unfavourable outcome of a tax dispute in Turkey.

Pre-tax profit amounted to €3.7 million in the first half of 2020 (€4.7 million in the first half of 2019) and net profit was €2.4 million (€3.5 million in the first half of 2019).

### Second quarter of 2020

As already mentioned, the second quarter was the period most affected by the health emergency. Sales in the second quarter of 2020 amounted to €34.3 million, down by 7.7% compared to €37.2 million in Q2 2019 (-22% taking into consideration the same scope of consolidation). Second-quarter EBITDA was €5.6 million, equivalent to 16.3% of turnover (-10.9% versus €6.3 million in the second quarter of 2019, when it was 16.9% of turnover), and EBIT was €1.5 million, equivalent to 4.2% of turnover (-50% versus €2.9 million in the second quarter of 2019, when it was 7.8% of turnover). Net profit for the period was €0.9 million, compared to €1.4 million for the second quarter of 2019.

## *Financial position*

<i>(€/000)</i>	<b>30/06/2020</b>	<b>31/12/2019</b>	<b>30/06/2019</b>
<i>Non-current assets</i>	<i>133,599</i>	<i>138,506</i>	<i>116,061</i>
Short-term assets <sup>1</sup>	91,791	88,189	86,925
Short-term liabilities <sup>2</sup>	(38,339)	(38,496)	(31,442)
<i>Net working capital<sup>3</sup></i>	<i>53,452</i>	<i>49,693</i>	<i>55,483</i>
<i>Provisions for risks and charges, deferred taxes, post-employment benefit and non-current payables</i>	<i>(11,425)</i>	<i>(11,966)</i>	<i>(6,162)</i>
<b>Net invested capital</b>	<b>175,626</b>	<b>176,233</b>	<b>165,382</b>
Short-term net financial position	(21,095)	(3,698)	(11,562)
Medium/long-term net financial position	(39,551)	(51,430)	(38,756)
<b>Net financial debt</b>	<b>(60,646)</b>	<b>(55,128)</b>	<b>(50,318)</b>
<b>Group shareholders' equity</b>	<b>107,829</b>	<b>114,028</b>	<b>113,298</b>
<b>Third-party shareholders' equity</b>	<b>7,151</b>	<b>7,077</b>	<b>1,766</b>

At 30 June 2020, net working capital amounted to €53.5 million, compared with €49.7 million at the end of 2019: the increase is related to higher payment extensions temporarily agreed with some customers and higher stocks of raw materials built up to benefit from favourable purchase prices. The impact of net working capital on sales was 34.2%.

In the first half-year, €8.3 million was invested (€4.1 million in the first half of 2019). The main interventions concerned the expansion of production capacity in Turkey and Brazil and the construction of machinery and moulds for the industrialisation of new models of burners.

At 30 June 2020, the net financial debt was €60.6 million, compared with €55.1 million on 31 December 2019. Consolidated shareholders' equity attributable to the Group amounted to €107.8 million.

### **Intra-group and related-party transactions**

Transactions with related parties, including intra-group transactions, have not been qualified as atypical or unusual, as they fall under the normal course of Group operations. These transactions are regulated at arm's length conditions.

Related-party transactions other than intra-group transactions are described in the Explanatory Notes to the half-yearly condensed consolidated financial statements, which also show to what extent related-party transactions affected financial statement items.

<sup>1</sup> Sum of Inventories, Trade receivables, Tax receivables and Other current receivables

<sup>2</sup> Sum of Trade payables, Tax payables and Other liabilities

<sup>3</sup> Difference between short-term Assets and short-term Liabilities

## **Risk factors related to the segment in which the Group operates and main risks and uncertainties for the remainder of 2020**

### Risks related to the COVID-19 pandemic

The current situation is still characterised by significant elements of uncertainty related to the COVID-19 emergency. The impossibility of reasonably predicting the development of the health emergency makes it difficult to determine the economic consequences as well. Both the duration of the global recession and the speed of the recovery are uncertain and, consequently, the impact on the sector in which the Sabaf Group operates cannot yet be quantified. The scope and methods of action by national and supranational authorities to support the economy may limit the effects of the current recession.

The Sabaf Group is also exposed to various risk factors, attributable to the macro-categories described below:

### Risks of external context

Risks deriving from the external context in which Sabaf operates, which could have a negative impact on the economic and financial sustainability of the business in the medium/long-term. The most significant risks in this category are related to general economic conditions, trend in demand and product competition, in addition to the risks related to the possible instability in the emerging countries in which the Group operates.

### Strategic risks

Strategic risks that could negatively impact Sabaf's medium-term performance, including, for example, risks related to increasing product customisation and the loss of business opportunities in the Chinese market.

### Operational risks

Risks of suffering losses due to inadequate or malfunctioning processes, human resources and information systems. This category includes financial risks (e.g. losses deriving from the volatility of the price of raw materials, from fluctuations in exchange rates or from the management of trade receivables), risks related to production processes (e.g. product liability, saturation level of production capacity), organisational risks (e.g. loss of key staff and expertise and the difficulty of replacing them, resistance to change by the organisation) and Information Technology risks.

### Legal and compliance risks

Risks related to Sabaf's contractual liabilities and compliance with the regulations applicable to the Group, including: Legislative Decree 231/2001, Law 262/2005, HSE regulations, regulations applicable to listed companies, tax regulations, labour regulations, international trade regulations and intellectual property regulations.

The Report on Operations at 31 December 2019, to which reference should be made, describes in detail these risks and the related risk management actions that are currently being implemented.

## **Outlook for the current year**

Revenue in July and the orders portfolio for August and September show a strong recovery in business, with a return to moderate organic growth rates. During the third quarter, the Sabaf Group expects to achieve sales of between €43 million and €46 million (€40.7 million in the third quarter of 2019).

On a longer time horizon, uncertainties remain, mainly related to the development of the global health situation. At present, the Group expects to be able to close 2020 with sales revenue ranging from €162 to €167 million (4-7% higher than €155.9 million of 2019). 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.

For the Board of Directors  
The Chairman  
Giuseppe Saleri

Ospitaletto, 6 August 2020

**HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2020**

### Consolidated statement of financial position

<i>(€/000)</i>	Notes	30/06/2020	31/12/2019
<b>ASSETS</b>			
NON-CURRENT ASSETS			
Property, plant and equipment	1	75,137	75,885
Investment property	2	3,661	3,976
Intangible assets	3	47,603	51,668
Equity investments	4	165	115
Non-current financial assets	10	0	60
Non-current receivables	5	302	297
Deferred tax assets	22	6,731	6,505
<b>Total non-current assets</b>		<b>133,599</b>	<b>138,506</b>
CURRENT ASSETS			
Inventories	6	37,599	35,343
Trade receivables	7	48,964	46,929
Tax receivables	8	3,081	4,458
Other current receivables	9	2,147	1,459
Current financial assets	10	1,277	1,266
Cash and cash equivalents	11	10,302	18,687
<b>Total current assets</b>		<b>103,370</b>	<b>108,142</b>
ASSETS HELD FOR SALE		<b>0</b>	<b>0</b>
<b>TOTAL ASSETS</b>		<b>236,969</b>	<b>246,648</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
SHAREHOLDERS' EQUITY			
Share capital	12	11,533	11,533
Retained earnings, Other reserves	13	93,872	92,580
Profit for the year		2,424	9,915
<i>Total equity interest of the Parent Company</i>		<i>107,829</i>	<i>114,028</i>
<i>Minority interests</i>		<i>7,151</i>	<i>7,077</i>
<b>Total shareholders' equity</b>		<b>114,980</b>	<b>121,105</b>
NON-CURRENT LIABILITIES			
Loans	14	39,551	44,046
Other financial liabilities	15	0	7,383
Post-employment benefit and retirement provisions	16	3,652	3,698
Provisions for risks and charges	17	1,008	995
Deferred tax liabilities	22	6,700	7,273
Non-current payables	23	65	0
<b>Total non-current liabilities</b>		<b>50,976</b>	<b>63,395</b>
CURRENT LIABILITIES			
Loans	14	22,109	19,015
Other financial liabilities	15	10,565	4,637
Trade payables	18	26,338	27,560
Tax payables	19	1,165	1,802
Other payables	20	10,836	9,134
<b>Total current liabilities</b>		<b>71,013</b>	<b>62,148</b>
LIABILITIES HELD FOR SALE		<b>0</b>	<b>0</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>236,969</b>	<b>246,648</b>

## Consolidated income statement

	Notes	H1 2020	H1 2019
<i>(€/000)</i>			
<b>OPERATING REVENUE AND INCOME</b>			
Revenue	24	78,164	74,826
Other income	25	1,969	1,294
<b>Total operating revenue and income</b>		<b>80,133</b>	<b>76,120</b>
<b>OPERATING COSTS</b>			
Materials	26	(35,381)	(27,878)
Change in inventories		3,677	(3,687)
Services	27	(15,514)	(14,420)
Personnel costs	28	(19,901)	(17,659)
Other operating costs	29	(808)	(579)
Costs for capitalised in-house work		1,078	997
<b>Total operating costs</b>		<b>(66.849)</b>	<b>(63.226)</b>
<b>OPERATING PROFIT BEFORE DEPRECIATION &amp; AMORTISATION, CAPITAL GAINS/LOSSES AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)</b>		<b>13,284</b>	<b>12,894</b>
Depreciations and amortisation		(8,508)	(6,689)
Capital gains/(losses) on disposals of non-current assets		41	48
Write-downs/write-backs of non-current assets		0	0
<b>OPERATING PROFIT (EBIT)</b>		<b>4,817</b>	<b>6,253</b>
Financial income	30	1,563	236
Financial expenses	31	(802)	(790)
Exchange rate gains and losses	32	(1.837)	(1.041)
Profits and losses from equity investments		0	0
<b>PROFIT BEFORE TAXES</b>		<b>3,741</b>	<b>4,658</b>
Income taxes	33	(1,225)	(1,024)
<b>PROFIT FOR THE YEAR</b>		<b>2,516</b>	<b>3,634</b>
of which			
Minority interests		92	121
<b>PROFIT ATTRIBUTABLE TO THE GROUP</b>		<b>2,424</b>	<b>3,513</b>
<i>(in €)</i>			
<b>Basic earnings per share</b>	<b>34</b>	<b>0.214</b>	<b>0.319</b>
<b>Diluted earnings per share</b>	<b>34</b>	<b>0.214</b>	<b>0.319</b>

### **Consolidated statement of comprehensive income**

	<b>H1 2020</b>	<b>H1 2019</b>
<i>(€/000)</i>		
<b>NET PROFIT FOR THE PERIOD</b>	<b>2,516</b>	<b>3,635</b>
<i>Total profits/losses that will be subsequently reclassified under profit (loss) for the period:</i>		
Forex differences due to translation of financial statements in foreign currencies	(7,147)	(2,197)
Tax effect	0	0
<b>Total other profits/(losses) net of taxes for the year</b>	<b>(7,147)</b>	<b>(2,197)</b>
<b>TOTAL PROFIT</b>	<b>(4,631)</b>	<b>1,438</b>
of which		
Minority interests	92	121
<b>PROFIT ATTRIBUTABLE TO THE GROUP</b>	<b>(4,723)</b>	<b>1,317</b>

### Consolidated statement of cash flows

	<b>H1 2020</b>	<b>H1 2019</b>
<b><i>Cash and cash equivalents at beginning of period</i></b>	<b><i>18,687</i></b>	<b><i>13,426</i></b>
Net profit/(loss) for the period	2,516	3,634
Adjustments for:		
- Depreciation and amortisation for the period	8,508	6,689
- Realised gains/losses	(40)	(48)
- Financial income and expenses	(761)	554
- IFRS 2 measurement stock grant plan	(251)	258
- Income tax	1,225	1,024
Change in post-employment benefit	(46)	152
Change in risk provisions	13	(133)
<i>Change in trade receivables</i>	<i>(2,035)</i>	<i>220</i>
<i>Change in inventories</i>	<i>(2,256)</i>	<i>4,038</i>
<i>Change in trade payables</i>	<i>(1,141)</i>	<i>235</i>
Change in net working capital	(5.432)	4,493
Change in other receivables and payables, deferred taxes	1,360	(735)
Payment of taxes	(1,616)	(871)
Payment of financial expenses	(704)	(776)
Collection of financial income	115	236
<b>Cash flows from operations</b>	<b>4,887</b>	<b>14,477</b>
Investments in non-current assets		
- intangible	(711)	(455)
- tangible	(7,733)	(3,871)
- financial	(50)	0
Disposal of non-current assets	149	208
<b>Cash flows from investment activities</b>	<b>(8,345)</b>	<b>(4,118)</b>
Repayment of loans	(8,341)	(15,433)
New loans	5,664	5,237
Change in financial assets	0	3,391
Purchase of treasury shares	(1,264)	0
Payment of dividends	0	(6,060)
<b>Cash flows from financing activities</b>	<b>(3,941)</b>	<b>(12,865)</b>
Acquisition of Okida Elektronik	0	(317)
Foreign exchange differences	(986)	298
<b>Net cash flows for the period</b>	<b>(8,385)</b>	<b>(2,525)</b>
<b><i>Cash and cash equivalents at end of period</i></b>	<b><i>10,302</i></b>	<b><i>10,901</i></b>
Current financial debt	31,397	22,463
Non-current financial debt	39,551	38,756
<b><i>Net financial debt</i></b>	<b><i>60,646</i></b>	<b><i>50,318</i></b>



**Statement of changes in consolidated shareholders' equity**

	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
<i>(€/000)</i>											
<b>Balance at 31 December 2018</b>	<b>11,533</b>	<b>10,002</b>	<b>2,307</b>	<b>(6,868)</b>	<b>(16,134)</b>	<b>(526)</b>	<b>101,774</b>	<b>15,614</b>	<b>117,702</b>	<b>1,644</b>	<b>119,346</b>
Allocation of 2018 profit											
- dividends paid out								(6,060)	(6,060)		(6,060)
- carried forward							9,554	(9,554)	0		0
IFRS 2 measurement stock grant plan							258		258		258
Other changes							82		82		82
Total profit H1 2019					(2,197)			3,513	1,316	121	1,438
<b>Balance at 30 June 2019</b>	<b>11,533</b>	<b>10,002</b>	<b>2,307</b>	<b>(6,868)</b>	<b>(18,331)</b>	<b>(526)</b>	<b>111,668</b>	<b>3,513</b>	<b>113,298</b>	<b>1,766</b>	<b>115,064</b>
IFRS 2 measurement stock grant plan							423		423		423
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		(594)		(76)		(76)
Total profit H2 2019					(1,126)	(20)		6,402	5,256	146	5,402
<b>Balance at 31 December 2019</b>	<b>11,533</b>	<b>10,002</b>	<b>2,307</b>	<b>(2,268)</b>	<b>(18,939)</b>	<b>(546)</b>	<b>102,024</b>	<b>9,915</b>	<b>114,028</b>	<b>7,077</b>	<b>121,105</b>
Allocation of 2019 profit											
- carried forward							9,915	(9,915)			
IFRS 2 measurement stock grant plan							(251)		(251)		(251)
Purchase of treasury shares				(1,264)					(1,264)		(1,264)
Change in the scope of consolidation											
Other changes							39		39	(18)	21
Total profit H1 2020					(7,147)			2,424	(4,723)	92	(4,631)
<b>Balance at 30 June 2020</b>	<b>11,533</b>	<b>10,002</b>	<b>2,307</b>	<b>(3,532)</b>	<b>(26,086)</b>	<b>(546)</b>	<b>111,727</b>	<b>2,424</b>	<b>107,829</b>	<b>7,151</b>	<b>114,980</b>

## EXPLANATORY NOTES

### **Basis of presentation and accounting policies used**

The half-yearly condensed consolidated financial statements at 30 June 2020 were prepared in accordance with IAS 34 on interim reports. These condensed half-year consolidated financial statements do not include all the information required for the annual financial report and must be read together with the financial statements for the year ended 31 December 2019. Reference to IFRS also includes all current International Accounting Standards (IAS). They have been prepared in euro, rounding amounts to the nearest thousand, and are compared with the half-yearly and annual consolidated financial statements of the previous year, prepared according to the same standards. They consist of the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders' equity, the consolidated statement of cash flows and these explanatory notes.

The half-yearly consolidated financial statements have been prepared on a going concern basis with reference to which the Group assessed that it is a going concern in accordance with paragraphs 25 and 26 of IAS 1 and Article 2423 bis of the Italian Civil Code, also due to the strong competitive position, high profitability and solidity of the financial structure.

The consolidation policies, criteria for converting items in foreign currencies, the accounting principles and policies are the same as those used for preparing the financial statements at 31 December 2019, to which reference should be made for additional information, with the exception of the adoption as of 1 January 2020 of the new standards and amendments described below. The Group has not early adopted any new standards, interpretations or amendments issued but not yet in force.

### **New accounting standards**

#### **Amendments to IFRS 3: *Definition of a Business***

The amendments to IFRS 3 clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create an output. It also clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the Group's consolidated financial statements.

#### **Amendments to IFRS 7, IFRS 9 and IAS 39: *Interest rate benchmark reform***

The amendments to these standards provide a number of expedients that apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform generates uncertainties about the timing and/or amount of cash flows based on benchmarks of the hedged item or hedging instrument. These amendments did not have any impact on the Group's consolidated financial statements, as the Group does not have any transactions falling under these circumstances.

#### **Amendments to IAS 1 and IAS 8: *Definition of Material***

The new definition indicates that information is material if, as a result of its omission, or as a result of its incorrect or incomprehensible presentation, one could reasonably expect to influence the decisions that the main users of the financial statements would make on the basis of the financial information contained therein.

Materiality depends on the nature or extent of the information, or both. An entity assesses whether the information, individually or in combination with other information, is material in the context of the financial statements as a whole. The information is obscuring if it is disclosed in such a way as to have, for the primary users of the financial statements, an effect similar to the omission or misstatement of the same information.

These amendments had no impact on the consolidated financial statements and are not expected to have any future impact on the Group.

#### **Conceptual Framework for Financial Reporting issued on 29 March 2018**

The purpose of the Conceptual Framework is to support the IASB in developing standards, to help the compilers develop consistent accounting policies where there are no standards applicable in the specific circumstances and to help all parties involved to understand and interpret the standards. The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the Group's consolidated financial statements.

### **Financial statements**

The Group has adopted the following formats:

- current and non-current assets and current and non-current liabilities are stated separately in the statement of the financial position;
- an income statement that expresses costs using a classification based on the nature of each item;
- a comprehensive income statement, which records all changes in Other overall earnings (losses) during the year, generated by transactions other than those conducted with shareholders and based on specific IAS/IFRS standards;
- a statement of cash flows that presents cash flows originating from operating activity, using the indirect method.

Use of these formats permits the most meaningful representation of the Group's operating results, financial position and cash flows.

### **Scope of consolidation**

The scope of consolidation at 30 June 2020 comprises the parent company Sabaf S.p.A. and the following companies controlled by Sabaf S.p.A., consolidated on a line-by-line basis:

- Faringosi Hinges s.r.l.
- Sabaf do Brasil Ltda
- Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki (Sabaf Turkey)
- Sabaf Appliance Components (Kunshan) Co., Ltd.
- A.R.C. s.r.l.
- Okida Elektronik Sanayi Ve Ticaret A.S.
- Sabaf U.S.
- Sabaf India Private Limited
- C.M.I. s.r.l.
- C.G.D. s.r.l.
- C.M.I. Polska Sp. Zoo

Control is the power to determine, directly or indirectly, the financial and management policies of an entity so as to obtain benefits from its activities. Subsidiaries are consolidated from the date on which control begins until the date on which control ceases.

Compared to the consolidated financial statements at 31 December 2019, Sabaf India Private Limited, in which Sabaf made an initial capital contribution of €20,000 during the first quarter of 2020, is consolidated on a line-by-line basis.

The changes in the scope of consolidation compared to 30 June 2019 are related to the

- companies of the C.M.I. Group (C.M.I. s.r.l., C.G.D. s.r.l. and C.M.I. Polska Sp. Zoo), over which the Group acquired control on 31 July 2019;
- Sabaf U.S. consolidated using the line-by-line consolidation method as from the financial statements at 31 December 2019.

The subsidiary Handan A.R.C. Burners Co. was consolidated using the equity method.

The companies in which Sabaf S.p.A. simultaneously possess the following three elements are considered subsidiaries: (a) power over the company; (b) exposure or rights to variable returns resulting from involvement therein; (c) ability to affect the size of these returns by exercising power. If these subsidiaries exercise a significant influence, they are consolidated as from the date in which control begins until the date in which control ends so as to provide a correct representation of the Group's operating results, financial position and cash flows.

### **Consolidation criteria**

The criteria applied for consolidation are as follows:

a) Assets and liabilities, income and costs in the financial statements consolidated on a line-by-line basis are incorporated into the Group financial statements, regardless of the entity of the equity interest concerned. In addition, the carrying value of equity interests is eliminated against the shareholders' equity relating to investee companies.

b) Positive differences arising from elimination of equity investments against the carrying value of shareholders' equity at the date of first-time consolidation are attributed to the higher values of assets and liabilities when possible and, for the remainder, to goodwill.

c) Payable/receivable and cost/revenue items between consolidated companies and profits/losses arising from intra-group transactions are eliminated.

d) If minority shareholders exist, the portion of shareholders' equity and net profit for the period pertaining to them is posted in specific items of the consolidated statement of financial position and income statement.

### ***Conversion into euro of foreign-currency income statements and statements of financial position***

Separate financial statements of each company belonging to the Group are prepared in the currency of the country in which that company operates (functional currency). For the purposes of the consolidated financial statements, the financial statement of each foreign entity is expressed in euro, which is the Group's functional currency and the reporting currency for the consolidated financial statements.

The balance sheet items in accounts expressed in currencies other than euro are converted by applying current end-of-year exchange rates. Income statement items are converted at average exchange rates for the period.

Foreign exchange differences arising from the comparison between opening shareholders' equity converted at current exchange rates and at historical exchange rates, together with the difference between the net result expressed at average and current exchange rates, are allocated to "Other Reserves" in shareholders' equity.

The exchange rates used for conversion into euro of the statements of financial position of the foreign subsidiaries, prepared in local currency, are shown in the following table:

<b>Description of currency</b>	<b>Exchange rate in effect at 30/06/2020</b>	<b>Average exchange rate 01/01/2020 - 30/06/2020</b>	<b>Exchange rate in effect at 31/12/2019</b>	<b>Average exchange rate 01/01/2019 - 30/06/2019</b>
Brazilian real	6.1118	4.90900	4.5157	4.3452
Turkish lira	7.6761	7.14893	6.6843	6.3386
Chinese renminbi	7.9219	7.73397	7.8205	7.6676
Polish Zloty	4.4560	4.41202	4.2568	-
Indian Rupee	84.6235	81.6766	-	-

### ***Segment reporting***

The Group's operating segments in accordance with IFRS 8 - Operating Segment are identified in the business segments that generate revenue and costs, whose results are periodically reassessed by top management in order to assess performance and decisions regarding resource allocation. The Group operating segments are the following:

- gas parts (household and professional);
- hinges;
- electronic components.

### ***Use of estimates***

The preparation of the half-yearly financial statements and notes in accordance with IFRS requires the Directors to make estimates and assumptions that affect the values of revenue, costs, assets and liabilities of the half-yearly financial statements and the disclosures on contingent assets and liabilities at 30 June 2020. In the event that in future these estimates and assumptions, which are based on the Directors' best assessments, should deviate from actual circumstances, they will be amended appropriately at the time the circumstances change. Estimates and assumptions are regularly reviewed and the effects of each change immediately reflected in the income statement.

It should also be noted that certain valuation processes, particularly the more complex ones such as the determination of any impairment losses of non-current assets, are generally carried out in full only for the preparation of the annual financial statements, when all information that could be necessary is available, except in cases in which impairment indicators require an immediate valuation of any impairment losses.

Finally, it should be noted that the actuarial valuation of the post-employment benefit is not conducted for the purpose of preparing the interim financial statements, but only for the annual financial statements, since the resulting effects on the statement of financial position and the comprehensive income statement are not considered to be significant.

## Comments on the main items of the statement of financial position

### 1. PROPERTY, PLANT AND EQUIPMENT

	Property	Plant and equipment	Other assets	Assets under construction	Total
<b>Cost</b>					
<b>At 31 December 2019</b>	<b>56,074</b>	<b>215,631</b>	<b>53,428</b>	<b>3,164</b>	<b>328,297</b>
Increases	1,084	1,398	2,042	4,587	9,111
Reclassifications	140	2,141	172	(2,449)	4
Disposals	-	(452)	(70)	-	(522)
Forex differences	(1,034)	(2,974)	(1,380)	(155)	(5,543)
<b>At 30 June 2020</b>	<b>56,264</b>	<b>215,744</b>	<b>54,192</b>	<b>5,147</b>	<b>331,347</b>
<b>Accumulated depreciations</b>					
<b>At 31 December 2019</b>	<b>22,779</b>	<b>183,664</b>	<b>45,969</b>	-	<b>252,412</b>
Increases	1,150	4,375	1,377	-	6,902
Reclassifications	127	19	14	-	160
Disposals	-	(448)	(47)	-	(495)
Forex differences	(273)	(1,647)	(849)	-	(2,769)
<b>At 30 June 2020</b>	<b>23,783</b>	<b>185,963</b>	<b>46,464</b>	-	<b>256,210</b>
<b>Carrying value</b>					
<b>At 31 December 2019</b>	<b>33,295</b>	<b>31,967</b>	<b>7,459</b>	<b>3,164</b>	<b>75,885</b>
<b>At 30 June 2020</b>	<b>32,481</b>	<b>29,781</b>	<b>7,728</b>	<b>5,147</b>	<b>75,137</b>

The carrying value of the item "Property" is made up as follows:

	30/06/2020	31/12/2019	Change
Land	6,473	6,659	(186)
Industrial buildings	26,008	26,636	(268)
<b>Total</b>	<b>32,481</b>	<b>33,295</b>	<b>(454)</b>

Changes in property, plant and equipment resulting from the application of IFRS 16 are shown below:

	Property	Plant and equipment	Other assets	Total
<b>At 31 December 2019</b>	<b>1,776</b>	<b>513</b>	<b>781</b>	<b>3,070</b>
Increases	1,050	-	165	1,215
Depreciations	(357)	(88)	(141)	(586)
Foreign exchange differences	(36)	-	(6)	(42)
<b>At 30 June 2020</b>	<b>2,433</b>	<b>425</b>	<b>799</b>	<b>3,657</b>

During the half-year, the largest investments were made to increase production capacity in Turkey and the construction of new machinery and moulds for the industrialisation of new models of burners. Investments in maintenance and replacement, so that production equipment is kept up to date and remains efficient, are ongoing.

Internal and external indicators which would necessitate an impairment test on property, plant and equipment, with reference to these half-yearly financial statements were not identified.

## 2. INVESTMENT PROPERTY

<b>Cost</b>	
<b>At 31 December 2019</b>	<b>11,836</b>
Increases	-
Disposals	(181)
<b>At 30 June 2020</b>	<b>11,655</b>
<b>Cumulative depreciations and write-downs</b>	
<b>At 31 December 2019</b>	<b>7,860</b>
Depreciations for the period	214
Eliminations for disposals	(80)
<b>At 30 June 2020</b>	<b>7,994</b>
<b>Carrying value</b>	
<b>At 31 December 2019</b>	<b>3,976</b>
<b>At 30 June 2020</b>	<b>3,661</b>

Changes in investment property resulting from the application of IFRS 16 are shown below:

	Investment property
<b>At 31 December 2019</b>	<b>73</b>
Increases	-
Decreases	-
Depreciations	(18)
Foreign exchange differences	-
Other changes including reclassifications	-
<b>At 30 June 2020</b>	<b>55</b>

This item includes non-operating buildings owned by the Group: these are mainly properties for residential use, located in Ospitaletto near Sabaf S.p.A.'s headquarters, held for rental or sale. The carrying value is considered to be in line with the presumed realisable value.

### 3. INTANGIBLE ASSETS

	Goodwill	Patents, software and know-how	Development costs	Other intangible assets	Total
<b>Cost</b>					
<b>At 31 December 2019</b>	<b>31,615</b>	<b>8,962</b>	<b>6,728</b>	<b>24,959</b>	<b>72,264</b>
Increases	-	107	546	58	711
Reclassifications	-	(5)	(75)	(174)	(254)
Forex differences	(2.183)	(84)	-	(1,286)	(3.553)
<b>At 30 June 2020</b>	<b>29,432</b>	<b>8,980</b>	<b>7,199</b>	<b>23,557</b>	<b>69,168</b>
<b>Accumulated amortisation</b>					
<b>At 31 December 2019</b>	<b>4,546</b>	<b>8,179</b>	<b>4,338</b>	<b>3,533</b>	<b>20,596</b>
Increases	-	228	215	897	1,340
Reclassifications	-	(18)	-	(163)	(181)
Forex differences	-	(39)	-	(151)	(190)
<b>At 30 June 2020</b>	<b>4,546</b>	<b>8,350</b>	<b>4,553</b>	<b>4,116</b>	<b>21,565</b>
<b>Carrying value</b>					
<b>At 31 December 2019</b>	<b>27,069</b>	<b>783</b>	<b>2,390</b>	<b>21,426</b>	<b>51,668</b>
<b>At 30 June 2020</b>	<b>24,886</b>	<b>630</b>	<b>2,646</b>	<b>19,441</b>	<b>47,603</b>

The Group verifies the ability to recover goodwill at least once a year or more frequently if there are indications of impairment. Recoverable amount is determined through value of use, by discounting expected cash flows.

The goodwill booked in the financial statements is allocated:

- to the "Hinges" cash generating unit (CGU) of €4.414 million;
- to the "Professional burners" CGU of €1.770 million;
- to the "Electronic components" CGU of €15.022 million;
- to the "C.M.I. hinges" CGU of €3.680 million.

Due to its intensity and unpredictability, the COVID-19 pandemic is for all companies an external factor of potential presumption of loss of value; therefore, it was deemed appropriate to verify the recoverability of goodwill allocated to the "Hinges", "Professional burners", "Electronic components" and "C.M.I. Hinges" CGUs impairment test based on updated business plans.

The great uncertainty that characterises the macroeconomic scenario not only makes it difficult to make forecasts, but also involves a continuous development of the reference scenario: in compliance with the recommendations issued by ESMA (European Securities and Markets Authority), the approach adopted by management in defining the business plans used for the purposes of the impairment test consists of estimating several scenarios weighted based on the probability of occurrence defined by management:

- scenario 1: this is the scenario that corresponds most closely to management expectations and that, consequently, was assigned a 50% probability of occurrence;
- scenario 2: this is the scenario that assumes a lower negative impact and anticipates the achievement of the objectives of scenario 1 by one year. The probability of occurrence assigned by management to this scenario is 20%;
- scenario 3: this is the scenario that assumes the greatest negative impact and postpones the achievement of the objectives of scenario 1 by one year. The probability of occurrence assigned by management to this scenario is 30%.

#### Goodwill allocated to the Hinges CGU

At 30 June 2020, the Group tested - with the support of independent experts - the carrying value of its CGU Hinges for impairment, determining its recoverable amount, considered to be equivalent to its usable value, by discounting expected future cash flow in the forward plan drafted by the management. Cash flows for the period from 2020 to 2024 were augmented by the so-called terminal value, which expresses the operating flows that the CGU is expected to generate from the sixth year to infinity and determined based on the perpetual income. The value of use was calculated based on a discount rate (WACC) of 9.83% (9.54% in the impairment test carried out while preparing the consolidated financial statements at 31 December 2019) and a growth rate (g) of 2%, unchanged from the impairment test at 31 December 2019.

The recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €13.671 million, compared with a carrying value of the assets allocated to the Hinges unit of €11.237 million; consequently, the value recorded for goodwill at 30 June 2020 was deemed recoverable.

*Sensitivity analysis*

The table below shows the changes in recoverable amount depending on changes in the WACC discount rate and growth factor g:

(€/000)	<i>growth rate</i>				
<i>discount rate</i>	<b>1.50%</b>	<b>1.75%</b>	<b>2.00%</b>	<b>2.25%</b>	<b>2.50%</b>
<b>8.83%</b>	14,957	15,434	15,946	16,497	17,091
<b>9.33%</b>	13,881	14,291	14,729	15,199	15,703
<b>9.83%</b>	12,936	13,292	13,671	14,075	14,506
<b>10.33%</b>	12,101	12,412	12,742	13,093	13,466
<b>10.83%</b>	11,357	11,631	11,921	12,227	12,552

Goodwill allocated to the Professional burners CGU

At 30 June 2020, the Group tested - with the support of independent experts - the carrying value of its Professional burners CGU for impairment, determining its recoverable amount, considered to be equivalent to its usable value, by discounting expected future cash flow in the forward plan drafted at the beginning of 2020. Cash flows for the period from 2020 to 2024 were augmented by the so-called terminal value, which expresses the operating flows that the CGU is expected to generate from the sixth year to infinity and determined based on the perpetual income. The value of use was calculated based on a discount rate (WACC) of 6.21% (6.07% in the impairment test carried out while preparing the consolidated financial statements at 31 December 2019) and a growth rate (g) of 2% (1.50% at 31 December 2019).

The recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €11.905 million, compared with a carrying value of the assets allocated to the Professional burners unit of €5.690 million (including minority interests); consequently, the value recorded for goodwill at 30 June 2020 was deemed recoverable.

*Sensitivity analysis*

The table below shows the changes in recoverable amount depending on changes in the WACC discount rate and growth factor g:

(€/000)	<i>growth rate</i>				
<i>discount rate</i>	<b>1.50%</b>	<b>1.75%</b>	<b>2.00%</b>	<b>2.25%</b>	<b>2.50%</b>
<b>5.21%</b>	13,941	14,933	16,081	17,422	19,011
<b>5.71%</b>	12,105	12,857	13,710	14,686	15,815
<b>6.21%</b>	10,662	11,249	11,905	12,645	13,484
<b>6.71%</b>	9,499	9,968	10,487	11,064	11,710
<b>7.21%</b>	8,541	8,924	9,343	9,804	10,315

Goodwill allocated to the Electronic components CGU

At 30 June 2020, the Group tested - with the support of independent experts - the carrying value of its CGU Electronic components for impairment, determining its recoverable amount, considered to be equivalent to its usable value, by discounting expected future cash flow in the forward plan drafted by the management. Cash flows for the period from 2020 to 2024 were augmented by the terminal value, which expresses the operating flows that the CGU is expected to generate from the sixth year to infinity and determined based on the perpetual income. The value of use was calculated based on a discount rate (wacc) of 14.00% (12.92% in the impairment test carried out while preparing the consolidated financial statements at 31 December 2019) and a growth rate (g) of 2.50%, unchanged from the 2019 impairment test.



The recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €28.058 million, compared with a carrying value of the assets allocated to the Electronic components unit of €25.074 million; consequently, the value recorded for goodwill at 30 June 2020 was deemed recoverable.

#### *Sensitivity analysis*

The table below shows the changes in recoverable amount depending on changes in the WACC discount rate and growth factor g:

<i>(€/000)</i>	<i>growth rate</i>				
<i>discount rate</i>	<b>2.00%</b>	<b>2.25%</b>	<b>2.50%</b>	<b>2.75%</b>	<b>3.00%</b>
<b>13.00%</b>	29,859	30,398	30,963	31,555	32,177
<b>13.50%</b>	28,451	28,936	29,443	29,974	30,530
<b>14.00%</b>	27,162	27,601	28,058	28,536	29,035
<b>14.50%</b>	25,979	26,377	26,791	27,222	27,673
<b>15.00%</b>	24,889	25,251	25,627	26,018	26,426

#### Goodwill allocated to the C.M.I. Hinges CGU

At 30 June 2020, the Group tested - with the support of independent experts - the carrying value of its CGU Hinges C.M.I. for impairment, determining its recoverable amount, considered to be equivalent to its usable value, by discounting expected future cash flow in the forward plan drafted by the management. Cash flows for the period from 2020 to 2024 were augmented by the so-called terminal value, which expresses the operating flows that the CGU is expected to generate from the sixth year to infinity and determined based on the perpetual income. The value of use was calculated based on a discount rate (wacc) of 9.43% (10.49% in the impairment test carried out while preparing the consolidated financial statements at 31 December 2019) and a growth rate (g) of 2% (1.15% at 31 December 2019), representative of expected future growth rates for the reference market.

The recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €36.983 million, compared with a carrying value of the assets allocated to the C.M.I. Hinges unit of €28.357 million; consequently, the value recorded for goodwill at 30 June 2020 was deemed recoverable.

#### *Sensitivity analysis*

The table below shows the changes in recoverable amount depending on changes in the WACC discount rate and growth factor g:

<i>(€/000)</i>	<i>growth rate</i>				
<i>discount rate</i>	<b>1.50%</b>	<b>1.75%</b>	<b>2.00%</b>	<b>2.25%</b>	<b>2.50%</b>
<b>8.43%</b>	40,473	41,784	43,197	44,725	46,382
<b>8.93%</b>	37,543	38,663	39,864	41,154	42,545
<b>9.43%</b>	34,987	35,953	36,983	38,085	39,267
<b>9.93%</b>	32,739	33,578	34,470	35,420	36,434
<b>10.43%</b>	30,746	31,481	32,259	33,085	33,963

Other intangible fixed assets have a finite useful life and, as a result, are amortised throughout their life. The useful life of projects for which development costs are capitalised is estimated to be 10 years.

Internal and external indicators that would necessitate an impairment test on intangible assets, other than goodwill, with reference to these half-yearly financial statements were not identified.

#### 4. EQUITY INVESTMENTS

	31/12/2019	Changes	30/06/2020
Handan ARC Burners Co.	81	-	81
Other equity investments	34	50	84
<b>Total</b>	<b>115</b>	<b>50</b>	<b>165</b>

Handan A.R.C. Burners Co. Ltd. is a Chinese joint venture with the aim to produce and market in China burners for professional cooking. The Group's share is 35.7%, held through ARC s.r.l. - which owns a 51% interest in the share capital of the joint venture.

The change shown in the relevant table concerns the purchase of a minority shareholding in Matchplat s.r.l. by the Parent Company Sabaf S.p.A..

Internal and external indicators that would necessitate an impairment test on equity investments, with reference to these half-yearly financial statements were not identified.

#### 5. NON-CURRENT RECEIVABLES

	30/06/2020	31/12/2019	Change
Tax receivables	189	183	6
Guarantee deposits	98	98	-
Other	15	16	(1)
<b>Total</b>	<b>302</b>	<b>297</b>	<b>5</b>

Tax receivables relate to indirect taxes expected to be recovered after 30 June 2021.

#### 6. INVENTORIES

	30/06/2020	31/12/2019	Change
Raw Materials	15,789	14,792	997
Semi-processed goods	10,205	9,025	1,180
Finished products	15,126	14,849	277
Provision for inventory write-downs	(3,521)	(3,323)	(198)
<b>Total</b>	<b>37,599</b>	<b>35,343</b>	<b>2,256</b>

The value of inventories at 30 June 2020 increased compared to the end of 2019 due to the different seasonality and the opportunity to anticipate some purchases of raw materials to benefit from particularly favourable prices. The impact of inventories on sales is 24.1%, compared with 22.7% at the end of 2019.

At 30 June 2020, the value of inventories was adjusted based on the best estimate of the idle capacity (also due to the impact of the health emergency on production activity levels) and obsolescence risk, measured by analysing slow and non-moving inventory. The following table shows the changes in the Provision for inventory write-downs during the period:

<b>31/12/2019</b>	<b>3,323</b>
Provisions	608
Utilisation	(277)
Forex differences	(133)
<b>30/06/2020</b>	<b>3,521</b>

## 7. TRADE RECEIVABLES

	30/06/2020	31/12/2019	Change
Total trade receivables	50,089	48,463	1,626
Bad debt provision	(1,125)	(1,534)	409
<b>Net total</b>	<b>48,964</b>	<b>46,929</b>	<b>2,035</b>

Trade receivables at 30 June 2020 increased compared to the balance at the end of 2019 as a result of longer extensions requested temporarily by some customers in the current extraordinary context.

The amount of trade receivables recognised in the financial statements includes approximately €17.7 million in insured receivables (€25.3 million at 31 December 2019).

Receivables assigned to factors without recourse are eliminated from the Statement of Financial Position in that the reference contract provides for the assignment of ownership of the receivables, together with ownership of the cash flows generated by the receivable, as well as of all risks and benefits, to the assignee.

The breakdown of trade receivables by past due period is shown below:

	30/06/2020	31/12/2019	Change
Current receivables (not past due)	39,592	39,789	(197)
Outstanding up to 30 days	4,511	3,718	793
Outstanding from 30 to 60 days	2,643	1,465	1,178
Outstanding from 60 to 90 days	937	1,261	(324)
Outstanding for more than 90 days	2,406	2,229	177
<b>Total</b>	<b>50,089</b>	<b>48,463</b>	<b>1,626</b>

The bad debt provision was adjusted to the better estimate of the credit risk and expected losses at the end of the reporting period. Changes during the year were as follows:

<b>31/12/2019</b>	<b>1,534</b>
Provisions	117
Utilisation	(487)
Forex differences	(39)
<b>30/06/2020</b>	<b>1,125</b>

## 8. TAX RECEIVABLES

	30/06/2020	31/12/2019	Change
For income tax	1,058	2,563	(1,505)
For VAT and other sales taxes	1,203	1,708	(505)
Other tax credits	820	187	633
<b>Total</b>	<b>3,081</b>	<b>4,458</b>	<b>(1,377)</b>

At 30 June 2020, income tax receivables include higher tax payments on account paid of €428,000, the residual amount of the receivable originating from the full deduction from IRES of IRAP relating to expenses incurred for employees and similar for the period from 2006 to 2011 (Italian Decree Law 201/2011). During the first half of 2020, the Group received a partial refund of €180,000 on this receivable.

Other tax credits mainly refer to receivables in respect of indirect Brazilian and Turkish taxes.

## 9. OTHER CURRENT RECEIVABLES

	30/06/2020	31/12/2019	Change
Advances to suppliers	561	384	177
Accrued income and prepaid expenses	980	536	444
Credits to be received from suppliers	88	141	(53)
Other	518	398	120
<b>Total</b>	<b>2,147</b>	<b>1,459</b>	<b>688</b>

Credits to be received from suppliers mainly refer to bonuses paid to the Group for the attainment of purchasing objectives.

## 10. FINANCIAL ASSETS

	30/06/2020		31/12/2019	
	Current	Non current	Current	Non current
Restricted bank accounts	1,233	-	1,233	60
Currency derivatives	44	-	33	-
<b>Total</b>	<b>1,277</b>	<b>-</b>	<b>1,266</b>	<b>60</b>

At 30 June 2020, the following were taken out:

- a term deposit of €0.06 million, due on 30 June 2021, for the portion of the price not yet paid to the sellers of the ARC equity investment (Note 21);
- a term deposit of €1.173 million for the portion of the price not yet paid to the sellers of the C.M.I. equity investment and deposited as collateral in accordance with the terms of the C.M.I. acquisition agreement (Note 21).

## 11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents, which amounted to €10,302,000 at 30 June 2020 (€18,687,000 at 31 December 2019) consisted of bank current account balances of €9,534,000 (€18.6 million at 31 December 2019) and investments in liquidity of €768,000 (€79,000 at 31 December 2019). Changes in the net financial position are analysed in the statement cash flows.

## 12. SHARE CAPITAL

Sabaf S.p.A.'s share capital at 30 June 2020 consists of 11,533,450 shares with a par value of €1.00 each and has not changed compared with 31 December 2019.

## 13. TREASURY SHARES AND OTHER RESERVES

At 30 June 2020, Sabaf S.p.A. held 282,355 treasury shares (2.45% of the share capital), reported in the financial statements as an adjustment to shareholders' equity at a unit value of €12.51 (the official stock market price of the Share at 30 June 2020 was €11.026). There were 11,251,095 outstanding shares at 30 June 2020.

During the first half of 2020, 112,480 treasury shares were purchased, equal to 0.98% of the share capital.

Items "Retained earnings, other reserves" of €93,872,000 included, at 30 June 2020, the stock grant reserve of €751,000 thousand, which included the measurement at 30 June 2020 of fair value of rights assigned to allocated shares of the Parent Company.

For details of the Stock Grant Plan, refer to Note 38.

## 14. LOANS

	30/06/2020			31/12/2019		
	Current	Non current	Total	Current	Non current	Total
Leases	1,292	3,738	5,030	1,050	3,478	4,528
Unsecured loans	16,343	35,813	52,156	14,653	40,568	55,221
Short-term bank loans	2,786	-	2,786	1,783	-	1,783
Advances on bank receipts or invoices	1,597	-	1,597	1,523	-	1,523
Interest payable	91	-	91	6	-	6
<b>Total</b>	<b>22,109</b>	<b>39,551</b>	<b>61,660</b>	<b>19,015</b>	<b>44,046</b>	<b>63,061</b>

Changes in loans over the half-year are shown in the statement of cash flows. During the half-year, the Group took out new unsecured loans for a total of €3.9 million. These loans are signed with an original maturity of ranging from 2 to 5 years and are repayable in instalments.

To manage interest rate risk, all unsecured loans are fixed-rate.

Some of the outstanding unsecured loans have covenants, defined with reference to the consolidated financial statements at the end of the reporting period, as specified below:

- commitment to maintain a ratio of net financial position to shareholders' equity of less than 1 (residual amount of the loans at 30 June 2020 equal to €23.3 million)
- commitment to maintain a ratio of net financial position to EBITDA of less than 2.5 (residual amount of the loans at 30 June 2020 equal to €32.3 million)

that at 30 June 2020 are widely complied with and for which compliance is also expected at 31 December 2020.

## 15. OTHER FINANCIAL LIABILITIES

	30/06/2020		31/12/2019	
	Current	Non current	Current	Non current
Option on A.R.C. minorities	1,350	-	-	1,650
Option on C.M.I. minorities	7,563	-	4,200	4,500
Payables to A.R.C.'s shareholders	60	-	60	60
Payables to C.M.I. shareholders	1,173	-	-	1,173
Derivative instruments on interest rates	419	-	377	-
<b>Total</b>	<b>10,565</b>	<b>-</b>	<b>4,637</b>	<b>7,383</b>

As part of the acquisition of A.R.C. s.r.l., carried out in June 2016, and C.M.I. s.r.l., carried out in July 2019, purchase and sale options (call/put) were subscribed in favour of Sabaf. Specifically:

- Sabaf signed with Loris Gasparini (current minority shareholder by 30% of A.R.C.) an agreement that aimed to regulate Gasparini's right to leave A.R.C. and the interest of Sabaf to acquire 100% of the shares after expiry of the term of five years from the signing of the purchase agreement of 24 June 2016, by signing specific option agreements. Therefore, the agreement envisaged specific option rights to purchase (by Sabaf) and sell (by Gasparini) exercisable as from 24 June 2021, the remaining shares of 30% of A.R.C., with strike prices contractually defined on the basis of final income parameters from A.R.C. at 31 December 2020.
- Sabaf subscribed with the Chinese group Guandong Xingye Investment, seller of C.M.I., purchase options in favour of Sabaf for the remaining 31.5% of the share capital and simultaneous put options in favour of the seller, which can be exercised in two equal tranches following approval of the C.M.I. financial statements at 31 December 2019 and 31 December 2020. The strike prices are contractually defined on the basis of final income and financial parameters from the C.M.I. Group.

Pursuant to the provisions of IAS 32, the assignment of an option to sell (put option) in the terms described above

required the recording of a liability corresponding to the estimated redemption value, expected at the time of any exercise of the option. With reference to the option to purchase the remaining 30% of A.R.C., a financial liability of €1.650 million was recognised in the consolidated financial statements at 31 December 2019. At 30 June 2020, the Group revalued the outlay estimate based on the update of the expected results of A.R.C. at 31 December 2020. The recalculation of the fair value, in compliance with IAS 39, led to a decrease of €300,000 in the liability; financial income was recognised as a balancing entry. With regard to put options on minority interests in C.M.I., a financial liability of €8.7 million at 31 December 2019 was recognised in these consolidated financial statements, (of which €4.2 million recognised under current financial liabilities and €4.5 million recognised under non-current financial liabilities). At 30 June 2020, the Group revalued the outlay estimate of the two options following the update of the C.M.I. Group's forward plan. The recalculation of the fair value led to a reduction of €1,137,000 in the liability, which was offset by financial income.

In June 2020, the minority shareholder of C.M.I. announced that it would exercise its first put option, relating to a 15.75% stake in the share capital; the purchase of this stake by Sabaf S.p.A. will be completed during the third quarter of 2020.

The payables to A.R.C.'s shareholders, equivalent to €60,000 at 30 June 2020, and the payables to C.M.I.'s shareholders, equivalent to €1,173,000 at 30 June 2020, are related to the part of the price not yet paid to the sellers, deposited on non-interest-bearing restricted accounts and will be released in favour of the sellers in the next financial year, in accordance with the contractual agreements and the guarantees issued by the sellers.

At 30 June 2020, the Group has in place ten interest rate swap (IRS) contracts for amounts and maturities coinciding with ten unsecured loans that are being amortised, whose residual value at 30 June 2020 is €37.003 million. The contracts have not been designated as capital flow hedges and are therefore at their fair value through profit and loss, and recognised in the items "Financial assets" or "Other financial liabilities".

## 16. POST-EMPLOYMENT BENEFIT AND RETIREMENT PROVISIONS

	30/06/2020	31/12/2019	Change
Post-employment benefit	3,652	3,698	(46)
<b>Total</b>	<b>3,652</b>	<b>3,698</b>	<b>(46)</b>

## 17. PROVISIONS FOR RISKS AND CHARGES

	31/12/2019	Provisions	Utilisation	Release of excess portion	Forex differences	30/06/2020
Provision for agents' indemnities	205	31	-	(13)	-	223
Product guarantee fund	60	-	(8)	-	-	52
Provision for legal risks	482	50	-	-	(15)	517
Other provisions for risks and charges	248	-	-	-	(32)	216
<b>Total</b>	<b>995</b>	<b>81</b>	<b>(8)</b>	<b>(13)</b>	<b>(47)</b>	<b>1,008</b>

The provision for agents' indemnities covers amounts payable to agents if the Group terminates the agency relationship.

The product guarantee fund covers expenses to be incurred for servicing products during the warranty period.

The provision for legal risks is allocated for disputes of a modest size.

The provisions for risks, which represent the estimate of future payments made based on historical experience, have not been discounted because the effect is considered negligible.

## 18. TRADE PAYABLES

	30/06/2020	31/12/2019	Change
<b>Total</b>	<b>26,338</b>	<b>27,560</b>	<b>(1,222)</b>

The decrease in trade payables reflects the reduction in activity levels during the half-year period; average payment terms remained unchanged. At 30 June 2020, there were no overdue payables of a significant amount and the Group did not receive any injunctions for overdue payables.

## 19. TAX PAYABLES

	30/06/2020	31/12/2019	Change
Income tax payables	527	506	21
Withholding taxes	368	923	(555)
Other tax payables	270	373	(103)
<b>Total</b>	<b>1,165</b>	<b>1,802</b>	<b>(637)</b>

## 20. OTHER CURRENT PAYABLES

	30/06/2020	31/12/2019	Change
To employees	6,161	5,016	1,145
To social security institutions	1,976	2,403	(427)
To agents	244	231	13
Advances from customers	757	411	346
Other current payables, accrued and deferred	1,698	1,073	625
<b>Total</b>	<b>10,836</b>	<b>9,134</b>	<b>1,702</b>

At 30 June 2020, payables due to employees included amounts for the thirteenth month's pay and for holidays accrued but not taken.

## 21. NET FINANCIAL POSITION

	30/06/2020	31/12/2019	Change
A. Cash	36	19	17
B. Positive balances of unrestricted bank accounts	9,498	18,590	(9,092)
C. Other cash equivalents	768	79	689
<b>D. Liquidity (A+B+C)</b>	<b>10,302</b>	<b>18,688</b>	<b>(8,386)</b>
<b>E. Current financial receivables</b>	<b>1,277</b>	<b>1,266</b>	<b>11</b>
F. Current bank payables	4,474	3,313	1,161
G. Current portion of non-current debt	16,343	14,653	1,690
H. Other current financial payables	11,857	5,686	6,171
<b>I. Current financial debt (F+G+H)</b>	<b>32,674</b>	<b>23,652</b>	<b>9,022</b>
<b>J. Net current financial debt (I-E-D)</b>	<b>21,095</b>	<b>3,698</b>	<b>17,397</b>
K. Non-current bank payables	35,813	40,569	(4,756)
L. Other non-current financial payables	3,738	10,861	(7,123)
<b>M. Non-current financial debt (K+L)</b>	<b>39,551</b>	<b>51,430</b>	<b>(11,879)</b>
<b>N. Net financial debt (J+M)</b>	<b>60,646</b>	<b>55,128</b>	<b>5,518</b>

The change in cash and cash equivalents (letter D. of the net financial position table) is shown in the Statement of Cash Flows.

## 22. DEFERRED TAX ASSETS AND LIABILITIES

	30/06/2020	31/12/2019	Change
Deferred tax assets	6,731	6,505	226
Deferred tax liabilities	(6.700)	(7.273)	573
<b>Net position</b>	<b>31</b>	<b>(768)</b>	<b>799</b>

The table below shows the main elements forming deferred tax assets and liabilities and their changes during the half year:

	Non-current tangible and intangible assets	Provisions and value adjustments	Fair value of derivative instruments	Goodwill	Tax incentives	Tax losses	Actuarial evaluation of post-employment benefit	Other temporary differences	Total
<b>31/12/2019</b>	<b>(5.763)</b>	<b>1,481</b>	<b>66</b>	<b>1,417</b>	<b>954</b>	<b>586</b>	<b>213</b>	<b>278</b>	<b>(768)</b>
Through profit or loss	282	172	11	(89)	(5)	182	-	208	761
Forex differences	230	(49)	-	-	(123)	-	-	(20)	38
<b>30/06/2020</b>	<b>(5.251)</b>	<b>1,604</b>	<b>77</b>	<b>1,328</b>	<b>826</b>	<b>768</b>	<b>213</b>	<b>466</b>	<b>31</b>

Deferred tax assets relating to goodwill refer to the exemption, in 2011, of the value of goodwill recognised following the acquisition of Faringosi Hinges s.r.l., whose tax benefit is achieved in ten annual instalments starting in 2018.

Deferred tax assets relating to tax incentives are commensurate to investments made in Turkey, for which the Group benefited from reduced taxation recognised on income generated.

## 23. NON-CURRENT PAYABLES

Non-current payables of €65,000 at 30 June 2020 include deferred income beyond twelve months.



## **Comments on key income statement items**

### **24. REVENUE**

In the first half of 2020, revenue from sales and services totalled €78,164,000, up by 4.5% versus €74,826,000 in the same period in 2019 (-12.5% taking into consideration the same scope of consolidation).

The Group estimates that, as a result of the COVID-19 pandemic, sales for the first half of the year were about 20% lower than expected, corresponding to a decrease in revenue of €19 million.

For comments on changes in revenue and a detailed analysis of revenue by product family and geographical area, please see the Report on Operations.

### **25. OTHER INCOME**

	<b>H1 2020</b>	<b>H1 2019</b>	<b>Change</b>
Sale of trimmings and raw materials	1,190	944	246
Rental income	59	45	14
Contingent income	154	111	43
Release of risk provisions	13	31	(18)
Other income	553	163	390
<b>Total</b>	<b>1,969</b>	<b>1,294</b>	<b>675</b>

### **26. MATERIALS**

	<b>H1 2020</b>	<b>H1 2019</b>	<b>Change</b>
Commodities and outsourced components	32,363	25,773	6,590
Consumables	3,018	2,105	913
<b>Total</b>	<b>35,381</b>	<b>27,878</b>	<b>7,503</b>

At the same purchase volumes, the effective average prices of the main raw materials (aluminium, steel and brass) had a positive effect of approximately €1.3 million, equal to 2% of sales.

### **27. COSTS FOR SERVICES**

	<b>H1 2020</b>	<b>H1 2019</b>	<b>Change</b>
Outsourced processing	5,372	4,291	1,081
Natural gas and electricity	2,014	2,212	(198)
Maintenance	2,415	1,997	418
Advisory services	1,054	894	160
Transport and export expenses	1,227	1,015	212
Travel expenses and allowances	128	352	(224)
Directors' fees	337	403	(66)
Commissions	410	326	84
Insurance	370	270	100
Waste disposal	249	259	(10)
Canteen	243	190	53
Use of temporary agency workers	78	72	6
Other costs	1,617	2,139	(522)
<b>Total</b>	<b>15,514</b>	<b>14,420</b>	<b>1,094</b>

## 28. PERSONNEL COSTS

	H1 2020	H1 2019	Change
Salaries and wages	13,779	11,967	1,812
Social Security costs	4,279	3,789	490
Post-employment benefit and supplementary pension	795	676	119
Temporary agency workers	924	632	292
Stock grant plan	(251)	258	(509)
Other costs	375	337	38
<b>Total</b>	<b>19,901</b>	<b>17,659</b>	<b>2,242</b>

The number of Group employees in the first half of 2020 was 1,133, compared with 894 in the first half of 2019: the increase in the number of employees compared to the first half of 2019 was 239, of which 174 following the acquisition of C.M.I.

The item "Stock Grant Plan" includes the portion for the first half of 2020 of the Fair Value measurement of the rights assigned for the allocation of shares of the Parent Company. In the light of the results for 2018 and 2019 and the revision of the estimates for 2020, also taking into account the impact of the COVID-19 pandemic, the Group remeasured the fair value of the rights assigned. As a result of this measurement, the Group recognised a positive impact of €251,000 on the income statement for the period; a reduction of the related equity reserve of the same amount was recognised as a balancing entry (Note 13).

For details of the Stock Grant Plan, refer to Note 38.

## 29. OTHER OPERATING COSTS

	H1 2020	H1 2019	Change
Bad debt provision	117	123	(6)
Non-income related taxes and duties	302	260	42
Contingent liabilities	27	51	(24)
Provisions for risks	81	86	(5)
Other operating costs	281	59	222
<b>Total</b>	<b>808</b>	<b>579</b>	<b>229</b>

## 30. FINANCIAL INCOME

Financial income of €1,563,000 refers for €1,437,000 to the reduction in the value of ARC and C.M.I. put options following the restatement of their fair value in accordance with IAS 39. For further details, refer to Note 15.

## 31. FINANCIAL EXPENSES

	H1 2020	H1 2019	Change
Interest paid to banks	423	287	136
Interest paid on leases and rents	59	37	22
Financial expenses on derivative financial instruments	160	323	(163)
Banking expenses	130	127	3
Other financial expense	30	16	14
<b>Total</b>	<b>802</b>	<b>790</b>	<b>12</b>

## 32. EXCHANGE RATE GAINS AND LOSSES

In the first half of 2020, the Group reported net foreign exchange losses of €1,837,000 (versus net losses of €1,041,000 in the same period of 2019), mainly following the depreciation of the Turkish lira against the Euro.

### 33. INCOME TAXES

	H1 2020	H1 2019	Change
Current taxes	1,985	1,179	806
Deferred tax liabilities	(761)	(155)	(387)
<b>Total</b>	<b>1,224</b>	<b>1,024</b>	<b>200</b>

Income tax is calculated in the same way as taxes are calculated when drafting the annual financial statements. In the first half of 2020, the impact of current taxes as a share of the pre-tax profit (tax-rate) is 32.7%, compared with 22% in the first half of 2019. Current taxes include €1,010,000 for the cost resulting from the unfavourable outcome of a tax dispute in Turkey in the second instance (the first instance judgment was favourable and led to the recognition of lower taxes for an equal amount in the 2019 consolidated financial statements). The Group intends to lodge an appeal in this regard.

In these consolidated financial statements, the Group recognised:

- the tax benefit relating to the Patent Box for the first half of 2020 of €145,000;
- the tax benefits relating to "Superammortamento" (Super amortisation) and "Iperammortamento" (Hyper amortisation), related to the investments made in Italy, amounting to €417,000.

### 34. EARNINGS PER SHARE

Basic and diluted EPS are calculated based on the following data:

#### *Earnings*

	H1 2020	H1 2019
	(€/000)	(€/000)
Net profit for the period	2,424	3,513

#### *Number of shares*

	H1 2020	H1 2019
Weighted average number of ordinary shares for determining basic earnings per share	11,311,275	11,018,944
Dilutive effect from potential ordinary shares	0	0
Weighted average number of ordinary shares for determining diluted earnings per share	11,311,275	11,018,944

  

	H1 2020	H1 2019
	Euro	Euro
Basic earnings per share	0.214	0.319
Diluted earnings per share	0.214	0.319

The number of shares for measuring the earnings per share was calculated net of the average number of shares in the portfolio.

### 35. DIVIDENDS

The Shareholders' Meeting of 4 May 2020, in accordance with the proposal made by the Board of Directors, resolved to allocate the entire 2019 net profit to reserves. This proposal was made, on a prudential basis, in view of the uncertainties of the emergency period that was then experiencing its most critical phase. The data emerging from the financial report at 30 June 2020 are reassuring with respect to the Group's economic, financial and equity structure and make it possible to assess the advisability of distributing an extraordinary dividend. For these reasons, the Board of Directors intends to propose that a new Shareholders' Meeting be convened for 29 September 2020 to which to submit a proposal for the distribution of an extraordinary dividend of €0.35 per share (total dividend of approximately €4 million).

### 36. INFORMATION BY BUSINESS SEGMENT

Below is the information by business segment for the first half of 2020 and 2019.

*First half of 2020*

	<b>Gas parts (household and professional)</b>	<b>Hinges</b>	<b>Electronic components</b>	<b>Total</b>
Sales	55,150	17,284	5,730	<b>78,164</b>
Ebit	2,814	462	1,541	<b>4,817</b>

*First half of 2019*

	<b>Gas parts (household and professional)</b>	<b>Hinges</b>	<b>Electronic components</b>	<b>Total</b>
Sales	64,330	5,730	4,766	<b>74,826</b>
Ebit	4,497	839	917	<b>6,253</b>

### 37. RELATED-PARTY TRANSACTIONS

Transactions between Sabaf S.p.A. and its consolidated subsidiaries have been eliminated from the consolidated financial statements and are not addressed in these notes. The table below illustrates the impact of all transactions between the Group and other related parties on the statement of financial position and income statement.

*Impact of related-party transactions or positions on items in the statement of financial position at 30 June 2020.*

	<b>Total financial statement item</b>	<b>Giuseppe Saleri S.a.p.A.</b>	<b>Non- consolidated subsidiaries</b>	<b>Other related parties</b>	<b>Total related parties</b>	<b>Impact on the total</b>
Trade payables	26,338	-	-	2	2	0.01%

*Impact of related-party transactions or positions on items in the statement of financial position at 30 June 2019.*

	<b>Total financial statement item</b>	<b>Giuseppe Saleri S.a.p.A.</b>	<b>Non- consolidated subsidiaries</b>	<b>Other related parties</b>	<b>Total related parties</b>	<b>Impact on the total</b>
Trade receivables	46,712	-	88	-	88	0.19%
Tax receivables	2,958	1,158	-	-	1,158	39.15%
Trade payables	21,450	-	150	2	152	0.71%

*Impact of related-party transactions or positions on income statement items at 30 June 2020*

	<b>Total financial statement item</b>	<b>Giuseppe Saleri S.a.p.A</b>	<b>Non-consolidated subsidiaries</b>	<b>Other related parties</b>	<b>Total related parties</b>	<b>Impact on the total</b>
Services	15,513	-	-	9	9	0.06%

*Impact of related-party transactions or positions on income statement items at 30 June 2019*

	<b>Total financial statement item</b>	<b>Giuseppe Saleri S.a.p.A</b>	<b>Non-consolidated subsidiaries</b>	<b>Other related parties</b>	<b>Total related parties</b>	<b>Impact on the total</b>
Services	14,420	-	132	9	141	0.98%

All transactions are regulated by specific contracts regulated at arm's length conditions.

### **38. SHARE-BASED PAYMENTS**

A plan for the free allocation of shares, approved by the Shareholders' Meeting of 8 May 2018, is in place; the related Regulations were approved by the Board of Directors on 15 May 2018 and subsequently amended as resolved by the Board of Directors on 14 May 2019.

#### Purpose of the plan

The Plan aims to promote and pursue the involvement of the beneficiaries whose activities are considered relevant for the implementation of the contents and the achievement of the objectives set out in the Business Plan, foster loyalty development and motivation of managers, by increasing their entrepreneurial approach as well as align the interests of management with those of the Company's shareholders more closely, with a view to encouraging the achievement of significant results in the economic and asset growth of the Company.

#### Beneficiaries of the plan

The Plan is intended for persons who hold or will hold key positions in the Company and/or its Subsidiaries, with reference to the implementation of the contents and the achievement of the objectives of the 2018 - 2020 Business Plan. The Beneficiaries are divided into two groups:

- *Cluster 1*: Beneficiaries identified in the Plan or who will be identified by the Board of Directors by 30 June 2018 on the Shareholders' Meeting authority.
- *Cluster 2*: Beneficiaries identified by the Board of Directors from 1 July 2018 to 30 June 2019 on the Shareholders' Meeting authority.

The Board of Directors, in its meeting of 15 May 2018, identified the Beneficiaries of Cluster 1 of the Plan to whom 185,600 rights were assigned; in its meeting of 14 May 2019, it identified the Beneficiaries of Cluster 2 to whom 184,400 rights were assigned.

#### Subject-matter of the plan

The subject-matter of the Plan is the free allocation to the Beneficiaries of a maximum of 370,000 Rights, each of which entitles them to receive free of charge, under the terms and conditions provided for by the Regulations of the Plan, 1 Sabaf S.p.A. Share.

The free allocation of Sabaf S.p.A. shares is conditional, among other things, on the achievement, in whole or in part of the business objectives related to the ROI, EBITDA and TSR indicators and, for a share not exceeding 30%, of individual objectives, on a progressive basis.

#### Deadline of the Plan

The Plan expires on 31 December 2022 (or on a different subsequent date set by the Board of Directors).

#### Accounting impacts and Fair Value measurement methods and accounting impacts

In line with the date on which the beneficiaries became aware of the assignment of the rights and terms of the plan, the grant date was set at 15 May 2018 for Cluster 1 rights and 28 May 2019 for Cluster 2 rights. The accounting impacts of the Plan are illustrated in Note 13 and Note 28 of this Report. Please see the explanatory notes to the consolidated financial statements at 31 December 2019 for an explanation of how to determine the fair value of rights.

### 39. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

Pursuant to Consob memorandum of 28 July 2006, the following section describes and comments on significant non-recurring events, the consequences of which are reflected in the economic, equity and financial results for the year:

	Shareholders' equity attributable to the Group	Profit attributable to the Group	Net financial debt	Cash flows
<b>Financial statement values (A)</b>	<b>114,980</b>	<b>2,424</b>	<b>60,646</b>	<b>(8,385)</b>
Recording of tax expense Turkey (B)	1,010	1,010	-	-
<b>Financial statement notional value (A + B)</b>	<b>115,990</b>	<b>3,434</b>	<b>60,646</b>	<b>(8,385)</b>

As described in Note 33, in these consolidated financial statements the Group recorded non-recurring cost under income taxes following the unfavourable outcome of a tax dispute in Turkey.

### 40. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

Pursuant to Consob communication of 28 July 2006, the Group declares that no atypical and/or unusual transactions as defined by the Consob communication itself were carried out during the first half of 2020.

### 41. COMMITMENTS

#### Guarantees issued

The Sabaf Group issued sureties to guarantee consumer and mortgage loans granted by Banco di Brescia to Group employees for a total of €3,792,000 (€4,024,000 at 31 December 2019).

**SCOPE OF CONSOLIDATION AT 30 June 2020**

**COMPANIES CONSOLIDATED USING THE FULL LINE-BY-LINE CONSOLIDATION METHOD**

Company name	Registered offices	Share capital	Participating company	ownership %
<b>Parent company</b>				
Sabaf S.p.A.	Ospitaletto (BS) Via dei Carpini, 1	EUR 11,533,450		
<b>Subsidiary companies</b>				
Faringosi-Hinges s.r.l.	Ospitaletto (BS) Via Martiri della Libertà, 66	EUR 90,000	Sabaf S.p.A.	100%
Sabaf do Brasil Ltda.	Jundiaí - São Paulo (Brazil)	BRL 24,000,000	Sabaf S.p.A.	100%
Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki (Sabaf Turkey)	Manisa (Turkey)	TRY 28,000,000	Sabaf S.p.A.	100%
Okida Elektronik Sanayi Ve Ticaret A.S.	Istanbul (Turkey)	TRY 5,000,000	Sabaf S.p.A. Sabaf Turkey	30% 70%
Sabaf Appliance Components (Kunshan) Co., Ltd.	Kunshan (China)	EUR 4,900,000	Sabaf S.p.A.	100%
Sabaf US Corp.	Plainfield (USA)	USD 200,000	Sabaf S.p.A.	100%
Sabaf India Private Limited	Bangalore (India)	INR 1,500,000	Sabaf S.p.A.	99.33%
A.R.C. s.r.l.	Campodarsego (PD)	EUR 45,000	Sabaf S.p.A.	70%
C.M.I. Cerniere Meccaniche Industriali s.r.l.	Vasalmoggia (BO)	EUR 1,000,000	Sabaf S.p.A.	68.5%
C.G.D. s.r.l.	Vasalmoggia (BO)	EUR 26,000	C.M.I. s.r.l.	100%
CMI Polska sp. zoo	Myszków (Poland)	PLN 40,000	C.M.I. s.r.l. C.G.D. s.r.l.	97.5% 2.5%

**COMPANIES CONSOLIDATED USING THE EQUITY METHOD**

Company name	Registered offices	Share capital	Participating company	ownership %	holding %
Handan ARC Burners Co., Ltd.	Handan (China)	RMB 7,000,000	A.R.C. s.r.l.	51%	35.7%

**Certification of the Half-Yearly Condensed Consolidated Financial Statements  
pursuant to Article 154-bis of Legislative Decree 58/98**

Gianluca Beschi, the Financial Reporting Officer of Sabaf S.p.A., has taken into account the requirements of Article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998 and can certify

- the adequacy, in relation to the business characteristics and
- the actual application,

of the administrative and accounting procedures to draft the condensed consolidated interim report in the first half of 2020.

They also certify that:

- the half-yearly condensed consolidated financial statements:
  - have been prepared in accordance with the international accounting standards recognised in the European Community in accordance with EC regulation 1606/2002 of the European Parliament and Council, of 19 July 2002;
  - are consistent with accounting books and records;
  - provide a true and fair view of the operating results, financial position and cash flows of the issuer and of the companies included in the consolidation;
- the interim management statement includes a reliable analysis of the important events that occurred in the first six months of the year and their impact on the condensed consolidated interim financial statements, along with a description of the main risks and uncertainties for the six remaining months of the year. The interim management statement also contains a reliable analysis of the information on significant transactions with related parties.

Ospitaletto, 6 August 2020

**Chief Executive Officer**  
Pietro Iotti

**The Financial Reporting Officer**  
Gianluca Beschi





# Sabaf S.p.A.

Half-yearly condensed consolidated financial statements  
as of 30 June 2020

Review report on the half-yearly condensed consolidated  
financial statements

(Translation from the original Italian text)

## Review report on the half-yearly condensed consolidated financial statements (Translation from the original Italian text)

To the Shareholders of  
Sabaf S.p.A.

### Introduction

We have reviewed the half-yearly condensed consolidated financial statements, comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders' equity, the consolidated statement of cash flows and the related explanatory notes of Sabaf S.p.A. and its subsidiaries (the "Sabaf Group") as of 30 June 2020. The Directors of Sabaf S.p.A. are responsible for the preparation of the half-yearly condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these half-yearly condensed consolidated financial statements based on our review.

### Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the half-yearly condensed consolidated financial statements.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the half-yearly condensed consolidated financial statements of Sabaf Group as of 30 June 2020 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Brescia, 7 August 2020

EY S.p.A.  
Signed by: Massimo Meloni, Auditor

This report has been translated into the English language solely for the convenience of international readers