



INTERIM MANAGEMENT STATEMENT

AT 30 SEPTEMBER 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 and corporate officers

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.	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	100%
C.M.I. s.r.l.	Italy	84.25%
C.G.D. s.r.l.	Italy	84.25%
C.M.I. Polska Sp. zoo.	Italy	84.25%

Companies measured at equity

Handan ARC Burners Co., Ltd.	China	35.7%
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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

	30/09/2020	31/12/2019	30/09/2019
<i>(€/000)</i>			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	74,482	75,885	75,139
Investment property	3,458	3,976	4,083
Intangible assets	43,817	51,668	48,391
Equity investments	161	115	375
Financial assets	0	60	60
Non-current receivables	444	297	453
Deferred tax assets	7,079	6,505	4,440
Total non-current assets	129,441	138,506	132,941
CURRENT ASSETS			
Inventories	36,585	35,343	37,641
Trade receivables	54,431	46,929	55,349
Tax receivables	2,095	4,458	4,218
Other current receivables	2,258	1,459	2,309
Financial assets	1,337	1,266	60
Cash and cash equivalents	9,144	18,687	11,002
Total current assets	105,850	108,142	110,579
ASSETS HELD FOR SALE	0	0	0
TOTAL ASSETS	235,291	246,648	243,520
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	11,533	11,533	11,533
Retained earnings, Other reserves	87,220	92,580	92,897
Net profit for the period	4,245	9,915	6,792
<i>Total equity interest of the Parent Company</i>	<i>102,998</i>	<i>114,028</i>	<i>111,222</i>
<i>Minority interests</i>	<i>4,620</i>	<i>7,077</i>	<i>4,284</i>
Total shareholders' equity	107,618	121,105	115,506
NON-CURRENT LIABILITIES			
Loans	37,598	44,046	51,651
Other financial liabilities	0	7,383	6,379
Post-employment benefit and retirement provisions	3,581	3,698	3,461
Provisions for risks and charges	914	995	614
Deferred tax liabilities	6,269	7,273	3,101
Total non-current liabilities	48,362	63,395	65,206
CURRENT LIABILITIES			
Loans	24,949	19,015	19,790
Other financial liabilities	11,535	4,637	5,097
Trade payables	29,900	27,560	26,152
Tax payables	2,053	1,802	2,115
Other payables	10,874	9,134	9,654
Total current liabilities	79,311	62,148	62,808
LIABILITIES HELD FOR SALE	0	0	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	235,291	246,648	243,520

Consolidated Income Statement

	Q3 2020		Q3 2019		9M 2020		9M 2019	
(€/000)								
INCOME STATEMENT COMPONENTS								
OPERATING REVENUE AND INCOME								
Revenue	47,281	100.0%	40,426	100.0%	125,445	100.0%	115,252	100.0%
Other income	1,067	2.3%	934	2.3%	3,036	2.4%	2,228	1.9%
Total operating revenue and income	48,348	102.3%	41,360	102.3%	128,481	102.4%	117,480	101.9%
OPERATING COSTS								
Materials	(21,057)	-44.5%	(14,185)	-35.1%	(56,438)	-45.0%	(42,063)	-36.5%
Change in inventories	17	0.0%	(2,969)	-7.3%	3,694	2.9%	(6,656)	-5.8%
Services	(7,207)	-15.2%	(7,282)	-18.0%	(22,721)	-18.1%	(21,702)	-18.8%
Personnel costs	(10,584)	-22.4%	(8,946)	-22.1%	(30,485)	-24.3%	(26,605)	-23.1%
Other operating costs	(278)	-0.6%	(932)	-2.3%	(1,086)	-0.9%	(1,511)	-1.3%
Costs for capitalised in-house work	349	0.7%	506	1.3%	1,427	1.1%	1,503	1.3%
Total operating costs	(38,760)	-82.0%	(33,808)	-83.6%	(105,609)	-84.2%	(97,034)	-84.2%
OPERATING PROFIT BEFORE DEPRECIATION & AMORTISATION, CAPITAL GAINS/LOSSES AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)								
	9,588	20.3%	7,552	18.7%	22,872	18.2%	20,446	17.7%
Depreciations and amortisation	(4,197)	-8.9%	(4,048)	-10.0%	(12,705)	-10.1%	(10,737)	-9.3%
Capital gains/(losses) on disposals of non-current assets	19	0.0%	(4)	0.0%	60	0.0%	44	0.0%
OPERATING PROFIT (EBIT)								
	5,410	11.4%	3,500	8.7%	10,227	8.2%	9,753	8.5%
Financial income	38	0.1%	46	0.1%	1,601	1.3%	282	0.2%
Financial expenses	(340)	-0.7%	(457)	-1.1%	(1,142)	-0.9%	(1,247)	-1.1%
Exchange rate gains and losses	(3,004)	-6.4%	891	2.2%	(4,841)	-3.9%	(150)	-0.1%
Profits and losses from equity investments	(31)	-0.1%	0	0.0%	(31)	0.0%	0	0.0%
PROFIT BEFORE TAXES								
	2,073	4.4%	3,980	9.8%	5,814	4.6%	8,638	7.5%
Income taxes	(124)	-0.3%	(606)	-1.5%	(1,349)	-1.1%	(1,630)	-1.4%
NET PROFIT FOR THE PERIOD								
	1,949	4.1%	3,374	8.3%	4,465	3.6%	7,008	6.1%
of which:								
Profit attributable to minority interests	128	0.3%	95	0.2%	220	0.2%	216	0.2%
PROFIT ATTRIBUTABLE TO THE GROUP	1,821	3.9%	3,279	8.1%	4,245	3.4%	6,792	5.9%

Consolidated statement of comprehensive income

<i>(€/000)</i>	Q3 2020	Q3 2019	9M 2020	9M 2019
NET PROFIT FOR THE PERIOD	1,949	3,374	4,465	7,008
<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	(5,087)	1,580	(12,234)	(617)
Total other profits/(losses) net of taxes for the year	(5,087)	1,580	(12,234)	(617)
TOTAL PROFIT	(3,138)	4,954	(7,769)	6,391
of which				
Minority interests	128	95	220	216
PROFIT ATTRIBUTABLE TO THE GROUP	(3,266)	4,859	(7,989)	6,175

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							(55)		(55)		(55)
Purchase of treasury shares				(1,737)					(1,737)		(1,737)
Change in the scope of consolidation							2,657		2,657	(2,657)	
Payables due to shareholders for dividends							(3,924)		(3,924)		(3,924)
Other changes							18		18	(20)	(2)
Total profit at 30 September 2020					(12,234)			4,245	(7,989)	220	(7,769)
Balance at 30 September 2020	11,533	10,002	2,307	(4,005)	(31,173)	(546)	110,635	4,245	102,998	4,620	107,618

Consolidated statement of cash flows

(€/000)	Q3 2020	Q3 2019	9M 2020	9M 2019
Cash and cash equivalents at beginning of period	10,302	10,961	18,687	13,426
Net profit/(loss) for the period	1,949	3,374	4,465	7,008
Adjustments for:				
- Depreciation and amortisation for the period	4,197	4,048	12,705	10,737
- Realised gains/losses	(19)	4	(60)	(44)
- Financial income and expenses	302	411	(459)	965
- Profits and losses from equity investments	4	0	4	0
- IFRS 2 measurement stock grant plan	196	176	(55)	434
- Income tax	124	606	1,349	1,630
Payment of post-employment benefit provision	(71)	(89)	(117)	63
Change in risk provisions	(94)	22	(81)	(111)
<i>Change in trade receivables</i>	<i>(5,467)</i>	<i>1,508</i>	<i>(7,502)</i>	<i>1,728</i>
<i>Change in inventories</i>	<i>1,014</i>	<i>2,754</i>	<i>(1,242)</i>	<i>6,792</i>
<i>Change in trade payables</i>	<i>3,481</i>	<i>(4,544)</i>	<i>2,340</i>	<i>(4,309)</i>
Change in net working capital	(972)	(282)	(6,404)	4,211
Change in other receivables and payables, deferred taxes	1,825	(30)	3,186	(765)
Payment of taxes	(1,088)	(511)	(2,704)	(1,382)
Payment of financial expenses	(215)	(457)	(919)	(1,233)
Collection of financial income	(22)	46	93	282
Cash flows from operations	6,116	7,318	11,003	21,795
Net investments	(4,010)	(3,023)	(12,354)	(7,141)
Repayment of loans	(1,536)	(6,832)	(9,877)	(22,265)
New loans	2,239	13,366	7,903	18,603
Change in financial assets	60	(60)	60	3,391
Purchase/sale of treasury shares	(473)	0	(1,737)	0
Payment of dividends	0	0	0	(6,060)
Cash flows from financing activities	290	6,474	(3,651)	(6,331)
Okida acquisition	0	0	0	(317)
C.M.I. acquisition	(3,063)	(10,475)	(3,063)	(10,475)
Foreign exchange differences	(491)	(253)	(1,478)	45
Net cash flows for the period	(1,158)	41	(9,543)	(2,424)
Cash and cash equivalents at end of period	9,144	11,002	9,144	11,002
Current financial debt	35,147	24,827	35,147	24,827
Non-current financial debt	37,598	58,030	37,598	58,030
Net financial debt	63,601	71,855	63,601	71,855

Consolidated net financial position

<i>(€/000)</i>	30/09/2020	31/12/2019	30/09/2019
A. Cash	19	19	18
B. Positive balances of unrestricted bank accounts	8,723	18,590	10,778
C. Other cash equivalents	402	79	206
D. Liquidity (A+B+C)	9,144	18,688	11,002
E. Current financial receivables	1,337	1,266	60
F. Current bank payables	7,625	3,313	6,432
G. Current portion of non-current debt	16,044	14,653	12,194
H. Other current financial payables	12,815	5,686	6,261
I. Current financial debt (F+G+H)	36,484	23,652	24,887
J. Net current financial debt (I-E-D)	26,003	3,698	13,825
K. Non-current bank payables	34,005	40,569	48,163
L. Other non-current financial payables	3,593	10,861	9,867
M. Non-current financial debt (K+L)	37,598	51,430	58,030
N. Net financial debt (J+M)	63,601	55,128	71,855

Explanatory notes

Accounting standards and scope of consolidation

The Interim Management Statement of the Sabaf Group at 30 September 2020 was prepared in pursuance of the Italian Stock-Exchange regulations that establish the publication of interim management statements as one of the requirements for maintaining a listing in the STAR segment of the MTA (Electronic Stock Market).

This 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 30 September 2020, adjusted to comply with Group accounting policies, where necessary;
- the parent company Sabaf S.p.A., the subsidiaries Faringosi Hinges, Sabaf Brazil, Sabaf Turkey, Sabaf China, A.R.C., Okida Elektronik, Sabaf U.S., Sabaf India and the companies of the C.M.I. Group (C.M.I., C.G.D. and C.M.M.I. Poland), in which Sabaf acquired control on 31 July 2019, were consolidated on a line-by-line basis. Note that in the Consolidated Income Statement, Consolidated Comprehensive Income Statement and Consolidated Statement of Cash Flows of this Report, the figures for the period from 1 January to 30 September 2019 and for the third quarter of 2019, shown for comparative purposes, and the results of operations of the C.M.I. Group only for the period for which the Sabaf Group held control were consolidated;

- compared to the consolidated financial statements at 31 December 2019, Sabaf India, in which Sabaf made a capital contribution of €1,770,000 during the first quarter of 2020, is consolidated on a line-by-line basis. With regard to the comparative data at 30 September 2019, Sabaf U.S. was also fully consolidated (as from 31 December 2019).

The Interim Management Statement at 30 September 2020 has not been independently audited.

Sales breakdown by geographical area (Euro x 1000)

<i>(amounts in €000)</i>	Q3 2020	Q3 2019	% change	9M 2020	9M 2019	% change	2019 FY
Italy	8,927	7,283	+22.6%	23,291	24,016	-3.0%	31,161
Western Europe	2,987	2,792	+7.0%	7,567	9,292	-18.6%	12,277
Eastern Europe	18,587	14,464	+28.5%	46,942	38,750	+21.1%	55,059
Middle East and Africa	3,010	2,757	+9.2%	8,518	5,953	+43.1%	7,050
Asia and Oceania	1,884	2,698	-30.2%	5,015	7,136	-29.7%	9,198
South America	5,770	5,719	0.9%	18,170	17,822	+2.0%	23,451
North America and Mexico	6,116	4,713	29.8%	15,942	12,283	+29.8%	17,727
Total	47,281	40,426	+17.0%	125,445	115,252	+8.8%	155,923

Sales breakdown by product category (Euro x 1000)

<i>(amounts in €000)</i>	Q3 2020	Q3 2019	% change	9M 2020	9M 2019	% change	2019 FY
<i>Gas parts</i>	32,396	29,990	+8.0%	87,521	94,320	-7.2%	122,205
<i>Hinges</i>	11,475	7,839	+46.4%	28,737	13,569	+111.8%	23,774
<i>Electronic components</i>	3,410	2,597	+31.3%	9,188	7,363	+24.8%	9,944
Total	47,281	40,426	+17.0%	125,446	115,252	+8.8%	155,923

Management Statement

Results of operations

In Q3 2020, the Sabaf Group reported revenue of €47.3 million, an increase of 17% versus the figure of €40.4 million in the third quarter of 2019 (+9.3% on a like-for-like consolidation scope).

The increase in sales during the period is attributable to both specific elements related to Sabaf's business development and macroeconomic factors.

With reference to endogenous elements, the start of supplies of burners on a global scale to strategic customers and the first benefits deriving from cross-selling between the gas and electronics divisions contributed to the growth in sales.

Moreover, starting in July, all the main reference markets showed a marked recovery in demand, which had been heavily affected in the first half of the year by the impact of the Covid pandemic on production and commercial activities. Nevertheless, the Group believes that the increased consumer focus on household goods, including household appliances, is likely to lead to strong demand in the near future.

During the period, the increase in sales was greater in Italy, Eastern Europe and North America, all markets where organic growth rates of over 10% were recorded.

The significant increase in production and sales volumes allowed a more than proportional improvement in profitability: the EBITDA for the third quarter of 2020 reached €9.6 million (20.3% of sales), up by 27% compared to the €7.6 million (18.7% of sales) of the third quarter of 2019. EBIT was €5.4 million (11.4% of turnover), 54.6% higher than the €3.5 million recorded in the same quarter of 2019 (8.7% of sales).

Due mainly to the devaluation of the Turkish lira, during the third quarter the Group recorded net foreign exchange losses of €3 million; these losses did not result in financial outflows and were originated by the debt in euro of Sabaf Turkey.

The change in exchange rates affected the profit before taxes of the third quarter of 2020, which amounted to €2 million (€4 million in the third quarter of 2019) and the net profit for the period, amounting to €1.8 million, compared to €3.3 million in the third quarter of 2019 (-44.5%).

In the first nine months of 2020, sales revenue totalled €125.4 million, up by 8.8% over the same period of 2019 (-4.9% on a like-for-like consolidation scope, a clear recovery

compared to -12.5% at 30 June last year). EBITDA was €22.9 million (18.2% of turnover), up 11.9% compared to €20.4 million in 2019 (17.7% of turnover), EBIT was €10.2 million (8.2% of turnover) with a 4.9% increase. The net profit attributable to the Group, affected by net non-monetary foreign exchange losses, was €4.2 million, down 37.5% compared to the first nine months of 2019

Investments and financial position

Other investments in the third quarter amounted to €4 million, bringing total investments of the first nine months of 2020 to €12.4 million (€7.1 million in the same period of 2019). Investments in the period include the acquisition for €1.6 million of a property in Hosur (Tamil Nadu, India), where the Group intends to start production of gas components for the Indian market in 2021.

In September 2020, Sabaf S.p.A. also completed the acquisition of 15.75% of the share capital of C.M.I. s.r.l., following the exercise of the first put option by the minority shareholder Starfire s.r.l. (Guandong Xingye Investment Group). The purchase price was €3,063,000. The difference, equal to €406,000, compared to the book value of the portion of shareholders' equity acquired was recorded as a decrease of the shareholders' equity attributable to the Group. As a result of the transaction, Sabaf S.p.A. now holds 84.25% of the share capital of C.M.I. s.r.l. For the remaining 15.75% of C.M.I. still held by Starfire s.r.l., there are put and call options exercisable after the approval of the 2020 financial statements.

At 30 September 2020, net financial debt was €63.6 million (€71.9 million at 30 September 2019 and €60.6 million at 30 June 2020), against a shareholders' equity of €107.6 million.

At 30 September 2020, net financial debt included:

- financial liabilities relating to put options granted on minority interests in subsidiaries for €5.9 million;
- payables due to Shareholders amounting to €3.9 million (€0.35 per share), related to dividends resolved by the Shareholders' meeting of 29 September and paid last 14 October;
- the present value of the lease and rental payments recognised in accordance with IFRS 16 for €3.7 million.

Significant non-recurring, atypical and/or unusual transactions

During the third 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

The increase in orders and sales shows a further generalised acceleration in the last quarter of 2020, with all Group plants operating with saturation of production capacity at the highest levels. The new restrictive measures adopted in Italy and other Countries due to the recurrence of the pandemic are currently not significantly affecting operations.

The Sabaf Group now believes that it can close the year 2020 with sales ranging from €180 to €183 million (15-17% higher than €155.9 million of 2019 and 5% - 7% higher on a like-for-like consolidation scope) and a gross operating profitability (EBITDA %) improving further compared to the result for the first nine months of the year (18.2%).

Previous forecasts indicated sales ranging from €170 to €175 million.

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

The Financial Reporting Officer, Gianluca Beschi, declares that, pursuant to paragraph 2, Article 154-bis of Italian Legislative Decree 58/1998 (TUF, or Consolidated Finance Act), the accounting information contained in the Interim Management Statement at 30 September 2020 of Sabaf S.p.A. corresponds to the Company's records, books and accounting entries.

Ospitaletto (BS), 10 November 2020

Financial Reporting Officer

Gianluca Beschi