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IMPACTS FROM THE COVID-19 PANDEMIC

The coronavirus pandemic presented our Group - like all organisations - with new challenges, requiring resilience and immediate reaction to unpredictable and rapidly changing scenarios.

In the first half of 2020, with the rapid and global spread of health emergencies, our priorities were to protect the health and safety of people: to this end, all Sabaf Group companies adopted every preventive measure useful to eliminate the risks of contagion. Aware of the strategic importance of our role in the household appliance chain, we have also taken all possible measures to ensure continuity of supply even during the period in which some Group companies were forced to temporarily stop production.

Since the second half of the year, the allocation of a greater share of consumer budgets to household goods has led to a significant increase in the final demand for household appliances in all geographical areas from which the Sabaf Group is also benefiting. Such a rapid rebound in consumption once again required us to react without delay and with maximum flexibility: in the last part of the year, all plants were called upon to operate at full capacity.

Overall, we believe that we have demonstrated the ability to take the right decisions in a timely manner and to activate the management leverage to deal with such an extraordinary period. As described in detail in the following sections of this report, the Group ended the year with excellent results, both in terms of growth, profitability and financial management.

We confirmed our strategy of further expanding our international presence and carried out all the organic investments that had been planned for 2020, investing a total of more than €17 million. For 2021, total investments were planned in line with those made in 2020.

Due in part to restrictions on mobility, we did not conclude any transactions in 2020 aimed at developing the business through acquisitions, but these remain an integral part of our strategy for future growth.

After a temporary increase in working capital during the second quarter caused by some delays in the collection of trade receivables, the situation gradually normalised during the year. With regard to suppliers, the Group continued always to meet its commitments in full compliance with the established contractual terms.
At the end of the financial year, the ratio of working capital to revenue is entirely physiological and in line with the figure for the end of 2019.

The Group incurred higher costs estimated at approximately €700,000 for protection devices, sanitisation activities and one-off economic support paid to employees. The public contributions obtained were not significant.

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 year.

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 period that was then experiencing its most critical phase. The reassuring results at 30 June 2020 and the positive business trend in the following months subsequently allowed the distribution of a dividend of €0.35 per share (total dividends of approximately €3.9 million), approved by the shareholders' meeting on 29 September and paid on 14 October.

The Group took into account the uncertainties related to the current situation when making estimates for the purposes of preparing this annual 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.

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.

BUSINESS AND FINANCIAL SITUATION OF THE GROUP

(€/000)	2020	%	2019	%	2020-2019 change	% change
Sales revenue	184,906	100%	155,923	100%	28,983	+18.6%
EBITDA	37,097	20.1%	27,033	17.3%	10,064	+37.2%
EBIT	20,093	10.9%	11,896	7.6%	8,197	+68.9%
Pre-tax profit	14,509	7.8%	9,776	6.3%	4,733	+48.4%
Profit attributable to the Group	13,961	7.6%	9,915	6.4%	4,046	+40.8%
Basic earnings per share (€)	1.240		0.895		0.345	+38.5%
Diluted earnings per share (€)	1.240		0.895		0.345	+38.5%

The 2020 financial year ended with revenues 18.6% higher than in 2019 (+8.4% on a like-for-like basis, considering that C.M.I. contributed to 2019 revenues only for the period from August to December).

The pandemic resulted in very high volatility of sales revenues during 2020. After an encouraging start to the year, from March onwards the Group's activities slowed down significantly, firstly due to the temporary interruption of activities at the Italian plants (on average for 3 weeks) and then due to the general reduction in production levels by our customers. As from July, there was a marked recovery in demand in all geographical areas, which accelerated further in the latter part of the year when the favourable market situation was accompanied by the start of new supplies of burners on a global scale to strategic customers and cross-selling between the gas and electronics divisions.

Average sales prices in 2020 were 1.8% lower than in 2019, partially offset by a reduction in average purchase prices of the main raw materials (aluminium alloys, steel and brass).

Higher business volumes in the second half of the year and a favourable trend in the sales mix supported profitability: EBITDA was €37.1 million (20.1% of turnover), up 37.2% compared to €27 million last year (17.3% of turnover) and EBIT was €20.1 million (10.9% of turnover) with a 68.9% increase compared to €11.9 million in 2019. The net profit for 2020 was €14 million, up by 40.8% compared to the figure of €9.9 million in 2019.

The subdivision of sales revenues by product line is shown in the table below:

(€/000)	2020	%	2019	%	% change
Gas parts	129,834	70.2%	122,205	78.4%	+6.2%
Hinges	41,326	22.3%	23,774	15.2%	+73.8%
Electronic components	13,746	7.4%	9,944	6.4%	+38.2%
Total	**184,906**	**100%**	**155,923**	**100%**	**+18.6%**

The increase in sales of electronic components, which is benefiting from cross-selling with the traditional products in the Group's portfolio and from the strong drive to develop new components, is of particular importance.

The contribution from the acquisition of C.M.I. resulted in a sharp increase in sales of hinges; on a like-for-like basis, the increase in sales of hinges was 7.3%.

The geographical breakdown of revenues is shown below:

(€/000)	2020	%	2019	%	% change
Italy	35,260	19.1%	31,161	20.0%	+13.2%
Western Europe	11,103	6.0%	12,277	7.9%	-9.6%
Eastern Europe	68,061	36.8%	55,059	35.3%	+23.6%
Middle East and Africa	12,040	6.5%	7,050	4.5%	+70.8%
Asia and Oceania	8,103	4.4%	9,198	5.9%	-11.9%
South America	27,639	14.9%	23,451	15.0%	+17.9%
North America and Mexico	22,700	12.3%	17,727	11.4%	+28.1%
Total	**184,906**	**100%**	**155,923**	**100%**	**+18.6%**

The impact of labour cost on sales decreased from 23.8% in 2019 to 23.6% in 2020.

The ratio of net financial expenses to turnover remained low, equal to 0.5% of turnover, unchanged compared to 2019. During the year, the Group recorded in the income statement negative forex differences of €4.8 million, mainly due to fluctuations in exchange rates with the Turkish lira (€1.4 million of negative forex differences were recognised in 2019).

In 2020, the Group recognised positive income taxes of €0.1 million The main impacts on the tax rate are shown in Note 32 to the consolidated financial statements.

The Group's statement of financial position, reclassified based on financial criteria, is illustrated below[1]:

(€/000)	31.12.2020	31.12.2019
Non-current assets	*131,543*	*138,506*
Short-term assets[2]	108,246	88,189
Short-term liabilities[3]	(56,017)	(38,496)
Working capital[4]	*52,229*	*49,693*
Provisions for risks and charges, Post-employment benefits, deferred taxes	*(9,643)*	*(11,966)*
Net invested capital	**174,129**	**176,233**
Short-term net financial position	(24,169)	(3,698)
Medium/long-term net financial position	(32,153)	(51,430)
Net financial debt	**(56,322)**	**(55,128)**
Shareholders' equity	**117,807**	**121,105**

Cash flows for the financial year are summarised in the table below:

(€/000)	2020	2019
Opening liquidity	***18,687***	***13,426***
Operating cash flow	*25,067*	*40,932*
Cash flow from investments	*(17,296)*	*(12,014)*
Free cash flow	7,771	28,918
Cash flow from financing activities	(8,133)	(13,347)
Acquisitions	(3,063)	(10,792)
Foreign exchange differences	(1,944)	482
Cash flow for the period	**(5,369)**	**5,261**
Closing liquidity	***13,318***	***18,687***

[1] Net financial debt and liquidity shown in the tables below are defined in compliance with the net financial position detailed in Note 22 of the consolidated financial statements, as required by CONSOB memorandum of 28 July 2006.
[2] Sum of Inventories, Trade receivables, Tax receivables and Other current receivables.
[3] Sum of Trade payables, Tax payables and Other liabilities.
[4] Difference between short-term assets and short-term liabilities.

In 2020, the Group generated free cash flow of €7.8 million (€28.9 million in 2019). The higher levels of activity in the second half of the year led to an increase in working capital, which stood at €52.2 million at 31 December 2020, compared to €49.7 million at the end of 2019: moreover, its impact on turnover decreased to 28.2% compared to 28.7% pro-forma in 2019.

In 2020, Sabaf Group carried out organic investments of €17.3 million: the main investments for the year were aimed at industrialising new products to significantly increase shares with certain strategic customers. Investments in maintenance and replacement, so that production equipment is kept constantly up to date and efficient, are systematic.

During the financial year, the Group paid dividends for €3.9 million and purchased treasury shares for €2.1 million.

At 31 December 2020, the net financial debt was €56.3 million, compared with €55.1 million on 31 December 2019. The change in net financial debt during the year is summarised in the table below:

Net financial debt at 31 December 2019	***(55,128)***
Free cash flow	7,771
Dividends paid out	(3,924)
Buy-back of shares	(2,073)
Fair value adjustment of financial liabilities for put options on minority interests	456
Financial liabilities IFRS 16 - new contracts entered into in 2020	(1,706)
Hedge accounting for currency derivatives	247
Foreign exchange differences and other changes	(1,965)
Net financial debt at 31 December 2020	***(56,322)***

At 31 December 2020, shareholders' equity amounted to €117.8 thousand; the ratio between the net financial debt and the shareholders' equity was 0.48 versus 0.46 in 2019.

ECONOMIC AND FINANCIAL INDICATORS

	2020		2019	
		pro forma[5]		pro forma[5]
Change in turnover	+18.6%	+8.4%	+3.5%	-8.9%
ROCE (return on capital employed)	11.5%		6.8%	7.1%
Net debt/EBITDA	1.52		2.04	1.86
Net debt/equity ratio	48%		46%	
Market capitalisation (31/12)/equity ratio	1.49		1.28	

Please refer to the introductory part of the Annual Report for a detailed examination of other key performance indicators.

[5] The change in pro-forma turnover is calculated ma: on a like-for-like basis. The return on capital employed and the pro-forma net debt/EBITDA ratio are calculated considering, for the companies acquired and included in the scope of consolidation during the year, the EBIT and EBITDA for the entire year.

RISK FACTORS

RISKS RELATED TO CORONAVIRUS PANDEMIC

The coronavirus pandemic, which so deeply affected the world in 2020, presented all organisations with new challenges. The Sabaf Group believes that, in the current scenario, the following risks have emerged or become more significant:
- risks related to the health of people;
- the risk arising from possible local or national lockdowns, with the consequent impossibility of guaranteeing the continuity of the company's activities;
- the risk arising from a temporary reduction in personnel availability;
- risks related to supplier reliability and possible interruptions in the supply chain;
- risks related to violent fluctuations in demand and failure to comply with contractual agreements with customers.

The Group promptly implemented several counteracting and mitigating actions to minimise the impact on the business. All control units continue to be activated, as well as the constant monitoring of any element that may modify the risk factors related to the development of the pandemic and its direct and indirect effects on business activities.

As part of its periodic risk assessment process, the Group also identified and assessed the following main risks:

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.

STRATEGIC RISKS

Strategic risks that could negatively impact Sabaf's medium-term performance, including, for example, risks related to low profitability of certain product lines 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 and from fluctuations in exchange rates), 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/or the difficulty of replacing them) 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 main risks are described in detail below as well as the relevant risk management actions that are currently being implemented.

Performance of the sector

The Group's financial position, results and cash flows are affected by several factors related to the performance of the sector, including:
- general macro-economic performance: the household appliance market is affected by macro-economic factors such as gross domestic product, consumer and business confidence, interest rate trend, the cost of raw materials, the unemployment rate and the ease of access to credit;
- concentration of the end markets: as a result of mergers and acquisitions, customers have acquired bargaining power;
- stagnation of demand in mature markets (i.e. Europe) in favour of growth in emerging Countries, characterised by different sales conditions and a more unstable macro-economic environment;
- increasing competition, which in some cases imposes aggressive pricing policies.

To cope with this situation, the Group aims to retain and reinforce its leadership position wherever possible through:
- the maintenance of high quality and safety standards, which make it possible to differentiate the product through the use of resources and implementation of production processes that are not easily sustainable by competitors;
- development of new products characterised by superior performance compared with market standards, and tailored to the needs of the customer;
- strengthening of business relations with the main players in the sector;
- diversification of commercial investments in growing and emerging markets with local commercial and productive investments;
- entry into new segments / business sectors.

Instability of Emerging countries in which the Group operates

The Group is exposed to risks related to (political, economic, tax, regulatory) instability in some emerging countries where it produces or sells. Any embargoes or major political or economic instability, or changes in the regulatory and/or local law systems, or new tariffs or taxes imposed could negatively affect a portion of Group turnover and the related profitability.

Sabaf has taken the following measures to mitigate the above risk factors:
- diversifying investments at international level, setting different strategic priorities that, in addition to business opportunities, also consider the different associated risk profiles;
- monitoring of the economic and social performance of the target countries, also through a local network of agents and collaborators;
- timely assessment of (potential) impacts of any business interruption on the markets of Emerging countries;
- adoption of contractual sales conditions that protect the Group (e.g. insuring business loans or advance payments).

The presence of Sabaf in Turkey, the country that represents the main production hub of household appliances at European level, is of particular importance: over the years, local industry attracted heavy foreign investments and favoured the growth of important manufacturers. In this context, the Sabaf Group created a production plant in Turkey in 2012 that realises today 10% of total production. In 2018, the Group also acquired 100% of Okida Elektronik, a leader in Turkey in the design, manufacture and sale of electronic control boards for household appliances. Turkey represents approximately 15% of the Group's production and 23% of its total sales. The social and political tensions in Turkey over the last few years had no effect on the production activities of the Sabaf Group, which continued normally. In consideration of the strategic importance of this Country, the management assessed the risks that could arise from any difficulties/impossibilities of operating in Turkey and envisaged actions to mitigate this risk.

Product competition

The Sabaf Group is mainly active in the production of gas cooking components (valves and burners); therefore, there is the risk of not correctly assessing the threats and opportunities deriving from the competition of alternative products (such as induction), with the consequence of not adequately making use of any market opportunities and/or suffering from negative impacts on margins and turnover.

In recent years, the Group carried out strategic operations aimed at reducing the dependence of its business on the gas cooking sector, concluding significant acquisitions of companies operating in related sectors (Okida, C.M.I.).

Moreover, the Group is analysing the opportunity to enter the induction hob market, verifying its technical and commercial feasibility.

Finally, the development of new gas cooking components able to satisfy the needs that lead some consumers to prefer induction continues (aesthetic factors, practicality and ease of cleaning, technological integration with electronic components).

Loss of business opportunities in the Chinese market

With a production of over 20 million hobs per year, China is one of the world's most important markets. After many years of commercial presence only, in 2015 Sabaf started a small production unit, which still does not guarantee an adequate economic return.

The Group is reviewing its strategy for approaching the Chinese market and intends to:
- implement shortly a plan suitable for using growth opportunities offered by the local market;
- continue to develop product lines in accordance with the needs of the Chinese market and in compliance with local regulations;
- adopt and maintain a quality-price mix in line with the expectations of potential local customers.

Financial risks

The Sabaf Group is exposed to a series of financial risks, due to:

- Commodity price volatility: a significant portion of the Group's purchase costs is represented by aluminium, steel and brass. Sale prices of products are generally renegotiated annually; as a result, the Group is unable to pass on to customers any changes in the prices of commodities during the year, which has an impact on margins.
- Exchange rate fluctuation: the Group carries out transactions primarily in euro; however, transactions also take place in other currencies, such as the U.S. dollar, the Brazilian real, the Turkish lira and the Chinese renminbi. in particular, since turnover in US dollars accounted for about 16% of consolidated turnover, the possible depreciation against the euro and the real could lead to a loss in competitiveness on the markets in which sales are made in that currency (mainly South and North America).
- Trade receivable: the high concentration of turnover on a small number of customers generates a concentration of the respective trade receivables, with a resulting increase in the negative impact on economic and financial results in the event of insolvency of any one of them.

For more information on financial risks and the related management methods, see Note 36 of the consolidated financial statements as regards disclosure for the purposes of IFRS 7.

RESEARCH AND DEVELOPMENT

The most important research and development projects carried out in 2020 were as follows:

Gas parts
- new customised burner versions were developed;
- a new multi-ring burner was developed;
- the study of an electronic ignition microswitch was launched;
- some versions of valves for special applications are nearing completion.

Hinges
- the development of motorised hinges for built-in ovens continued;
- a new soft-close hinge for the oven door is being developed;
- a modular hinge model for the oven door is being developed;
- a dual soft hinge model for large oven doors is being developed;
- a new hinge for various flap sizes is being developed;
- an automatic opening system for the dishwasher door is being developed.

Electronic components
- new platforms were developed to extend the range of electronic controls for pyrolytic ovens;
- new IOT hood controls that can communicate with other appliances via WiFi and Bluetooth are being developed;
- development of innovative electronic control solutions for gas cooking.

The improvement in production processes continued throughout the Group, also in order to minimise set-up times and make production more flexible. The Group also develops and manufactures its own machinery, equipment and moulds.

Development costs to the tune of €465,000 were capitalised, as all the conditions set by international accounting standards were met; in other cases, they were charged to the income statement.

CONSOLIDATED DISCLOSURE OF NON-FINANCIAL INFORMATION

Starting from 2017, the Sabaf Group publishes the Consolidated Disclosure of Non-Financial Information required by Legislative Decree no. 254/2016 in a report separate from this Report on Operations. The Disclosure of Non-Financial Information provides all the information needed to ensure understanding of the Group's activities, performance, results and impact, with particular reference to environmental, social and personnel issues, respect for human rights and the fight against active and passive corruption, which are relevant considering the Group's activities and characteristics.
The Consolidated Disclosure of Non-Financial Information is included in the same file in which the report on operations, the consolidated financial statements, the separate financial statements of the parent company Sabaf S.p.A. and the remuneration report are published.
It should be noted that since 2005, the Sabaf Group has drawn up an Annual Report on its economic, social and environmental sustainability performance.

PERSONNEL

In 2020, the Sabaf Group suffered no on-the-job deaths or serious accidents that led to serious or very serious injuries to staff for which the Group was definitively held responsible, nor was it held responsible for occupational illnesses of employees or former employees, or causes of mobbing.
For all other information, please refer to the Consolidated Disclosure of Non-Financial Information.

ENVIRONMENT

In 2020 there was no:
- damage caused to the environment for which the Group was held definitively responsible;
- definitive fines or penalties imposed on the Group for environmental crimes or damage.

For all other information, please refer to the Consolidated Disclosure of Non-Financial Information.

CORPORATE GOVERNANCE

For a complete description of the corporate governance system of the Sabaf Group, see the report on corporate governance and on the ownership structure, available in the Investor Relations section of the Group website.

INTERNAL CONTROL SYSTEM ON FINANCIAL REPORTING

The internal control system on financial reporting is described in detail in the report on corporate governance and on ownership structure.
With reference to the "conditions for listing shares of parent companies set up and regulated by the law of states not belonging to the European Union" pursuant to articles 36 and 39 of the Market Regulations, the Company and its subsidiaries have administrative and accounting systems that can provide the public with the accounting situations prepared for drafting the consolidated report of the companies that fall within the scope of this regulation and can regularly supply management and the auditors of the Parent Company with the data necessary for drafting the consolidated financial statements. The Sabaf Group has also set up an effective information flow to the independent auditor as well as continuous information on the composition of the corporate bodies of the subsidiaries, together with information on the offices held, and requires the systematic and centralised gathering as well as regular updates of the formal documents relating to the articles of association and granting of powers to corporate bodies. The conditions exist as required by article 36, letters a), b) and c) of the Market Regulations issued by CONSOB.

MODEL 231

The Organisation, Management and Control Model, adopted pursuant to Legislative Decree 231/2001, is described in the report on company governance and on the ownership structure, which should be reviewed for reference.

PERSONAL DATA PROTECTION

Sabaf S.p.A. has an Organisational Model for the management and protection of personal data consistent with the provisions of European Regulation 2016/679 (General Data Protection Regulation - GDPR). Specific projects are being implemented for all Group companies for which the GDPR is applicable.

DERIVATIVE FINANCIAL INSTRUMENTS

For the comments on this item, please see Note 36 of the consolidated financial statements.

ATYPICAL OR UNUSUAL TRANSACTIONS

Sabaf Group companies did not execute any unusual or atypical transactions in 2020.

MANAGEMENT AND COORDINATION

Sabaf S.p.A. is not subject to management and coordination by other companies.
Sabaf S.p.A. exercises management and coordination activities over its Italian subsidiaries, Faringosi Hinges s.r.l., A.R.C. s.r.l., C.M.I. s.r.l. and C.G.D. s.r.l.

INTRA-GROUP TRANSACTIONS AND RELATED-PARTY TRANSACTIONS

The relationships between the Group companies, including those with the parent company, are regulated under market conditions, as well as the relationships with related parties, defined in accordance with the accounting standard IAS 24. The details of intra-group transactions and other related-party transactions are given in Note 37 of the consolidated financial statements and in Note 35 of the separate financial statements of Sabaf S.p.A.

BUSINESS OUTLOOK

In the first half of 2021, sales and orders will remain at the high levels of the end of 2020, considering that all markets continue to show very strong demand. This trend is expected to continue in the third quarter, fuelled, for the Sabaf Group, by the supply contracts launched in 2020 and the business plans in progress.
Therefore, for the whole of 2021, it is believed that it will be possible

to achieve revenues of more than €210 million, up 14% on 2020. Furthermore, it is expected that the diversification of the Group's offer, the favourable trend in sales prices and the full utilisation of the production capacity will be able to balance the increase in the cost of raw materials and a possible unfavourable exchange rate trend, allowing the Group to maintain an operating profitability (EBITDA %) of at least 20% of sales.

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

BUSINESS AND FINANCIAL SITUATION OF SABAF S.P.A.

(€/000)	2020	2019	Change	% change
Sales revenue	102,583	94,899	7,684	+8.1%
EBITDA	15,820	13,127	2,693	+20.5%
EBIT	6,610	2,948	3,662	+124.2%
Pre-tax profit (EBT)	6,304	3,691	2,613	+70.8%
Net Profit	6,410	3,822	2,588	+67.7%

The reclassification based on financial criteria is illustrated below:

(€/000)	31.12.2020	31.12.2019
Non-current assets [6]	*123,679*	*120,147*
Non-current financial assets	*5,537*	*5,340*
Short-term assets[7]	69,738	50,750
Short-term liabilities[8]	(36,520)	(22,751)
Working capital [9]	*33,218*	*27,999*
Provisions for risks and charges, Post-employment benefits, deferred taxes	*(3,013)*	*(4,862)*
Net invested capital	**159,421**	**148,624**
Short-term net financial position	(22,602)	(3,149)
Medium/long-term net financial position	(26,891)	(36,719)
Net financial position	**(49,493)**	**(39,868)**
Shareholders' equity	**109,928**	**108,755**

Cash flows for the financial year are summarised in the table below:

(€/000)	2020	2019
Opening liquidity	***8,343***	***2,169*** [10]
Operating cash flow	*9,590*	*27,682*
Cash flow from investments	*(13,381)*	*(17,903)*
Free cash flow	(3,791)	9,779
Cash flow from financing activities	(2,957)	(3,605)
Cash flow for the period	**(6,748)**	**6,174**
Closing liquidity	***1,595***	***8,343***

[6] Excluding Financial assets.
[7] Sum of Inventories, Trade receivables, Tax receivables and Other current receivables.
[8] Sum of Trade payables, Tax payables and Other liabilities.
[9] Difference between short-term assets and short-term liabilities.
[10] The value of cash and cash equivalents refers to the pro-forma financial statements at 31 December 2018 including Sabaf Immobiliare s.r.l..

Net financial debt and the net short-term financial position shown in the tables above are defined in compliance with the net financial position detailed in Note 22 of the separate financial statements, as required by the CONSOB memorandum of 28 July 2006.
The 2020 financial year ended with a turnover 8.1% higher than in 2019, benefiting from increased portions on certain strategic customers and a generalised recovery in demand during the second half of the year.
In 2020, Sabaf S.p.A. invested around €4 million (net of divestments) in machinery and equipment, mainly aimed at improving production processes and industrialising new burners. The company also invested approximately €9 million in its subsidiaries as a capital increase or to increase its shareholding.
At 31 December 2020, working capital stood at €33.2 million compared with €283 million at the end of the previous year: its percentage impact on turnover stood at 32.4% from 29.5% at the end of 2019.
The net financial debt was €49.5 million, compared with €39.9 million at 31 December 2019.
At the end of the year, shareholders' equity amounted to €109.9 million, compared with €108.8 million in 2019. The ratio between the net financial debt and the shareholders' equity was 45%; it was 36.7% at the end of 2019.

RECONCILIATION BETWEEN PARENT COMPANY AND CONSOLIDATED SHAREHOLDERS' EQUITY AND NET PROFIT FOR THE PERIOD

Pursuant to the CONSOB memorandum of 28 July 2006, a reconciliation statement of the result of the 2020 financial year and Group shareholders' equity at 31 December 2020 with the same values of the parent company Sabaf S.p.A. is given below:

	31.12.2020		31.12.2019	
Description	Profit for the year	Shareholders' equity	Profit for the year	Shareholders' equity
Profit and shareholders' equity of parent company Sabaf S.p.A.	**6,410**	**109,928**	**3,822**	**108,755**
Equity and consolidated company results	8,734	90,566	7,833	105,637
Derecognition of the carrying value of consolidated equity investments	620	(73,816)	580	(81,502)
Put options on minorities	456	(6,831)	168	(10,350)
Intercompany eliminations	(1,758)	(1,778)	(2,189)	(931)
Other adjustments	(103)	(262)	(31)	(124)
Minority interests	(398)	(4,809)	(268)	(7,077)
Profit and shareholders' equity attributable to the Group	**13,961**	**112,998**	**9,915**	**114,408**

USE OF THE LONGER TIME LIMIT FOR CALLING THE SHAREHOLDERS' MEETING

Pursuant to the second paragraph of Article 2364 of the Italian Civil Code, in consideration of the need to consolidate the financial statements of Group companies and to prepare all supporting documentation, the directors intend to use the longer time limits granted to companies required to prepare the consolidated financial statements for calling the ordinary shareholders' meeting to approve the 2020 financial statements. The shareholders' meeting must also resolve on the election of the members of the administration and control bodies and must therefore be convened at least 40 days in advance pursuant to Article 125-bis of the T.U.F.. The Shareholders' Meeting will be convened (single call) on 6 May 2021.

Proposal for allocation of 2020 profit

As we thank our employees, the Board of Statutory Auditors, the independent auditors and the Supervisory Authorities for their effective collaboration, we ask the shareholders to approve the financial statements for the year ended 31 December 2020, with the proposal to allocate the profit for the year of €6,409,674 in the following manner:

- a dividend of €0.55 per share to be paid to shareholders as from 2 June 2021 (ex-date 31 May 2021 and record date 1 June 2021). With regard to treasury shares, we invite you to allocate an amount corresponding to the dividend on the shares held in portfolio on the ex-date to the Extraordinary Reserve;

- the remainder to the Extraordinary Reserve.

Ospitaletto, 23 March 2021

The Board of Directors

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Group Structure and corporate bodies

GROUP STRUCTURE

Parent company: **SABAF S.p.A.**

Subsidiaries and equity interest pertaining to the Group

Companies consolidated on a line-by-line basis

Faringosi Hinges s.r.l.
100%

Sabaf do Brasil Ltda.
100%

Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki (Sabaf Turkey)
100%

Sabaf Appliance Components (Kunshan) Co., Ltd.
100%

Okida Elektronik Sanayi ve Ticaret A.S.
100%

Sabaf US Corp.
100%

A.R.C. s.r.l.
70%

Sabaf India Private Limited
100%

C.M.I. s.r.l.
84.25%

C.G.D. s.r.l.
84.25%

C.M.I. Polska Sp. Zoo.
84.25%

Companies measured at equity

Handan A.R.C. Burners Co., Ltd.
35.7%

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.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€/000)	Notes	31.12.2020	31.12.2019
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	1	76,507	75,885
Investment property	2	3,253	3,976
Intangible assets	3	43,017	51,668
Equity investments	4	173	115
Non-current financial assets	10	0	60
Non-current receivables	5	518	297
Deferred tax assets	21	8,075	6,505
TOTAL NON-CURRENT ASSETS		**131,543**	**138,506**
CURRENT ASSETS			
Inventories	6	39,224	35,343
Trade receivables	7	63,436	46,929
Tax receivables	8	2,419	4,458
Other current receivables	9	3,167	1,459
Current financial assets	10	1,495	1,266
Cash and cash equivalents	11	13,318	18,687
TOTAL CURRENT ASSETS		**123,059**	**108,142**
ASSETS HELD FOR SALE		0	0
TOTAL ASSETS		**254,602**	**246,648**

SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	12	11,533	11,533
Retained earnings, Other reserves	13	87,504	92,580
Profit for the year		13,961	9,915
Total equity interest of the Group		*112,998*	*114,028*
Minority interests		*4,809*	*7,077*
TOTAL SHAREHOLDERS' EQUITY		**117,807**	**121,105**
NON-CURRENT LIABILITIES			
Loans	14	32,153	44,046
Other financial liabilities	15	0	7,383
Post-employment benefit and retirement provisions	16	3,513	3,698
Provisions for risks and charges	17	1,433	995
Deferred tax liabilities	21	4,697	7,273
TOTAL NON-CURRENT LIABILITIES		**41,796**	**63,395**
CURRENT LIABILITIES			
Loans	14	30,493	19,015
Other financial liabilities	15	8,489	4,637
Trade payables	18	41,773	27,560
Tax payables	19	3,287	1,802
Other payables	20	10,957	9,134
TOTAL CURRENT LIABILITIES		**94,999**	**62,148**
LIABILITIES HELD FOR SALE		0	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**254,602**	**246,648**

CONSOLIDATED INCOME STATEMENT

(€/000)	Notes	2020	2019
INCOME STATEMENT COMPONENTS			
OPERATING REVENUE AND INCOME			
Revenue	**23**	184,906	155,923
Other income	**24**	7,194	3,621
TOTAL OPERATING REVENUE AND INCOME		**192,100**	**159,544**
OPERATING COSTS			
Materials	**25**	(82,966)	(57,464)
Change in inventories		6,406	(8,617)
Services	**26**	(34,264)	(29,488)
Personnel costs	**27**	(43,700)	(37,103)
Other operating costs	**28**	(1,981)	(1,698)
Costs for capitalised in-house work		1,502	1,859
TOTAL OPERATING COSTS		**(155,003)**	**(132,511)**
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/ WRITE-BACKS OF NON-CURRENT ASSETS		**37,097**	**27,033**
Depreciations and amortisation	**1, 2, 3**	(16,968)	(15,183)
Capital gains on disposals of non-current assets		105	46
Value adjustments of non-current assets		(141)	0
EBIT		**20,093**	**11,896**
Financial income	**29**	1,366	638
Financial expenses	**30**	(2,146)	(1,339)
Exchange rate gains and losses	**31**	(4,812)	(1,380)
Profits and losses from equity investments	**4**	8	(39)
PROFIT BEFORE TAXES		**14,509**	**9,776**
Income taxes	**32**	(149)	407
PROFIT FOR THE YEAR		**14,360**	**10,183**
of which:			
Minority interests		399	268
PROFIT ATTRIBUTABLE TO THE GROUP		**13,961**	**9,915**
EARNINGS PER SHARE (EPS)	**33**		
Base		**€1.240**	**€0.895**
Diluted		**€1.240**	**€0.895**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€/000)	2020	2019
PROFIT FOR THE YEAR	**14,360**	**10,183**
Total profits/losses that will not be subsequently reclassified under profit (loss) for the year		
Actuarial evaluation of post-employment benefit	16	(26)
Tax effect	(3)	6
	13	**(20)**
Total profits/losses that will be subsequently reclassified under profit (loss) for the year		
Forex differences due to translation of financial statements in foreign currencies	**(12,564)**	**(3,323)**
TOTAL OTHER PROFITS/(LOSSES) NET OF TAXES FOR THE YEAR	**(12,551)**	**(3,343)**

TOTAL PROFIT	**1,809**	**6,840**
of which:		
Net profit for the period attributable to minority interests	399	268
Total profits/losses that will be subsequently reclassified under profit (loss) for the year	8	0
TOTAL PROFIT ATTRIBUTABLE TO MINORITY INTERESTS		
TOTAL PROFIT ATTRIBUTABLE TO THE GROUP	**1,402**	**6,572**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(€/000)	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							658		658		658
Hedge accounting for derivatives							240		240	7	247
Purchase of treasury shares				(2,073)					(2,073)		(2,073)
Change in the scope of consolidation							2,657		2,657	(2,657)	
Dividends paid out							(3,924)		(3,924)		(3,924)
Other changes							10		10	(25)	(15)
Total profit at 31 December 2020					(12,564)	5		13,961	1,402	407	1,809
Balance at 31 December 2020	**11,533**	**10,002**	**2,307**	**(4,341)**	**(31,503)**	**(541)**	**111,580**	**13,961**	**112,998**	**4,809**	**117,807**

CONSOLIDATED STATEMENT OF CASH FLOWS

(€/000)	2020	2019
Cash and cash equivalents at beginning of year	***18,687***	***13,426***
Profit for the year	14,360	10,183
Adjustments for:		
- Depreciations and amortisation	16,968	15,183
- Write-downs of non-current assets	141	0
- Realised gains/losses	(105)	(46)
- *Valuation of the stock grant plan*	658	681
- Profits and losses from equity investments	(8)	39
- Net financial income and expenses	780	701
- Income tax	149	(407)
Change in post-employment benefit	(180)	300
Change in risk provisions	438	270
Change in trade receivables	*(16,507)*	*10,148*
Change in inventories	*(3,881)*	*9,090*
Change in trade payables	*14,213*	*(2,901)*
Change in net working capital	(6,175)	16,337
Change in other receivables and payables, deferred taxes	2,115	1,344
Payment of taxes	(2,999)	(2,952)
Payment of financial expenses	(1,235)	(1,339)
Collection of financial income	160	638
Cash flows from operations	**25,067**	**40,932**
Investments in non-current assets		
- intangible	(1,097)	(1,016)
- tangible	(16,623)	(11,510)
- financial	(50)	0
Disposal of non-current assets	474	512
Cash flow absorbed by investments	**(17,296)**	**(12,014)**
Free Cash Flow	**7,771**	**28,918**
Repayment of loans	(18,413)	(29,682)
Raising of loans	16,216	18,271
Short-term financial assets	60	978
Purchase/sale of treasury shares	(2,073)	3,146
Payment of dividends	(3,924)	(6,060)
Cash flow absorbed by financing activities	**(8,133)**	**(13,347)**
Acquisition of Okida Elektronik	0	(317)
C.M.I. acquisition	(3,063)	(10,475)
Foreign exchange differences	(1,944)	482
Net cash flows for the year	**(5,369)**	**5,261**
Cash and cash equivalents at end of year (Note 10 and 11)	***13,318***	***18,687***

Explanatory Notes

ACCOUNTING STANDARDS

STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

The consolidated financial statements of the Sabaf Group for the 2020 financial year have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. Reference to IFRS also includes all current International Accounting Standards (IAS). The financial statements have been prepared in euro, the current currency in the economies in which the Group mainly operates, rounding amounts to the nearest thousand, and are compared with consolidated financial statements for the previous year, prepared according to the same standards. They consist of the statement of financial position, the income statement, the statement of changes in shareholders' equity, the statement of cash flows and these explanatory notes. The financial statements have been prepared on a historical cost basis except for some revaluations of property, plant and equipment undertaken in previous years, and are considered a going concern. The Group assessed that it is a going concern (as defined by paragraphs 25 and 26 of IAS 1 and by Article 2423 bis of the Italian Civil Code), also due to the strong competitive position, high profitability and solidity of the financial structure.

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 that expresses revenue and expense items not recognised in profit (loss) for the year as required or permitted by IFRS;
- 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 31 December 2020 comprises the parent company Sabaf S.p.A. and the following companies controlled by Sabaf S.p.A.:
- 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

Handan A.R.C. Burners Co. Ltd., an associate company, is consolidated using the equity method.

Compared to the consolidated financial statements at 31 December 2019, Sabaf India, in which Sabaf made a capital contribution of €1,770,000 during 2020, is consolidated on a line-by-line basis.

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). 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.

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. Subsidiaries are consolidated from the date on which control begins until the date on which control ceases.

CONSOLIDATION CRITERIA

The data used for consolidation have been taken from the income statements and statements of financial position prepared by the directors of the individual subsidiary companies. These figures have been appropriately amended and restated, when necessary, to align them with international accounting standards and with uniform group-wide classification criteria.

The criteria applied for consolidation are as follows:

a. assets and liabilities, income and costs in 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. Moreover, the carrying value of equity interests is derecognised 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. In accordance with the provisions of IFRS 3, since 1 January 2004, the Group has not amortised goodwill and instead subjects it to impairment testing;

c. payable/receivable and cost/revenue items between consolidated companies and profits/losses arising from intercompany transactions are derecognised;

d. the portion of shareholders' equity and net profit for the period pertaining to minority shareholders is posted in specific items of the balance sheet 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.
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 year.
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 financial statements of the foreign subsidiaries, prepared in local currency, are shown in the following table:

Description of currency	Exchange rate in effect at 31.12.2020	2020 average exchange rate	Exchange rate in effect at 31.12.2019	2019 average exchange rate
Brazilian real	6.3735	5.8929	4.5157	4.4151
Turkish lira	9.1131	8.0548	6.6843	6.3486
Chinese renminbi	8.0225	7.8664	7.8205	7.7336
Polish Zloty	4.5597	4.4431	4.2568	4.3123
Indian Rupee	89.6605	84.6382	-	-

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 for household appliances.

ACCOUNTING POLICIES

The accounting standards and policies applied for the preparation of the consolidated financial statements at 31 December 2020, unchanged versus the previous year, are shown below:

Property, plant and equipment

These are recorded at purchase or manufacturing cost. The cost includes directly chargeable ancillary costs. These costs also include revaluations undertaken in the past based on monetary revaluation rules or pursuant to company mergers. Depreciation is calculated according to rates deemed appropriate to spread the carrying value of tangible assets over their useful working life. Estimated useful working life in years, unchanged compared to previous financial years, is as follows:

Buildings	33
Light constructions	10
General plant	10
Specific plant and machinery	6–10
Equipment	4–10
Furniture	8
Electronic equipment	5
Vehicles and other transport means	4–5

Ordinary maintenance costs are expensed in the year in which they are incurred; costs that increase the asset value or useful working life are capitalised and depreciated according to the residual possibility of utilisation of the assets to which they refer.
Land is not depreciated.

Leased assets

The Group assesses at the time of signing an agreement whether it is, or contains, a lease, or if the contract gives the right to control the use of an identified asset for a period of time in exchange for a consideration.
The Group adopts a single recognition and measurement model for all leases according to which the assets acquired relating to the right of use are shown under assets at purchase value less depreciation, any impairment losses and adjusted for any re-measurement of lease liabilities.
Assets are depreciated on a straight-line basis from the starting date of the agreement until the end of the lease agreement or until the end of the useful life of the asset, whichever comes first. Set against recognition of such assets, the amounts payable to the lessor, are posted among short- and medium-/long-term payables, by measuring them at the present value of the lease payments not yet made. Moreover, financial charges pertaining to the period are charged to the income statement.

Adoption of the accounting standard IFRS 16 "Leases"

The Group applied IFRS 16 from 1 January 2019 by using the amended retrospective approach. In adopting IFRS 16, the Group made use of the exemption granted in paragraph 5 a) in relation to leases with a duration of less than 12 months (known as short-term leases) and the exemption granted in paragraph 5 b) in relation to lease agreements whose underlying asset is a low-value asset. For these agreements, lease payments are recognised in the income statement on a straight-line basis for the duration of the respective agreements.
The following table shows the main characteristics of the agreements that have been the subject matter of the above exemptions:

Subject-matter of the agreement	Applied exemption	Value of the agreement (amounts in €/000)
Printers	Low-value asset	4

When evaluating the lease liabilities, the Group discounted the payments due for the lease using the incremental borrowing rate, the weighted average of which was 2.52% on 31 December 2020 and 7.56% on 31 December 2019. The rate was defined taking also account of the currency in which the lease agreements are denominated and the country in which the leased asset is located.

The lease term is calculated based on the non-cancellable period of the lease, including the periods covered by the option to extend or to terminate the lease if it is reasonably certain that those options will be exercised or not exercised, taking account of all relevant factors that create an economic incentive relating to those decisions.

Goodwill

Goodwill is the difference between the purchase price and fair value of investee companies' identifiable assets and liabilities on the date of acquisition.
As regards acquisitions completed prior to the date of IFRS adoption, the Sabaf Group has used the option provided by IFRS 1 to refrain from applying IFRS 3 – concerning business combinations – to acquisitions that took place prior to the transition date.
Consequently, goodwill arising in relation to past acquisitions has not been recalculated and has been posted in accordance with Italian GAAPs, net of amortisation reported up to 31 December 2003 and any losses caused by a permanent value impairment.
After the transition date, goodwill – as an intangible asset with an indefinite useful life – is not amortised but subjected annually to impairment testing to check for value loss, or more frequently if there are signs that the asset may have suffered impairment (impairment test).

Equity investments in associates and joint ventures

An associated company is a company on which the Group exercises significant influence. Significant influence is the power to participate in determining the financial and operational policies of the associated company without having control or joint control over it. A joint venture is a joint control agreement in which the parties holding the joint control have rights on the net assets of the agreement.
The Group's equity investment in associates and joint ventures is measured using the equity method: the equity investment is initially entered at cost, subsequently, the carrying value of the equity investment is increased or decreased to reflect the investor's share of the investee's profits and losses realised after the acquisition date. Goodwill pertaining to the associated company or joint venture is included at the carrying value of the equity investment and is not subject to individual assessment of impairment).

Other intangible assets

As established by IAS 38, other intangible assets acquired or internally produced are recognised as assets when it is probable that use of the asset will generate future economic benefits and when asset cost can be measured reliably. If it is considered that these future economic benefits will not be generated, the development costs are written down in the year in which this is ascertained.
Such assets are measured at purchase or production cost and - if the assets concerned have a finite useful life - are amortised on a straight-line basis over their estimated useful life. Estimated useful working life in years, unchanged compared to previous financial years, is as follows:

Customer relationship	15
Brand	15
Patents	9
Know-how	7
Development costs	10
Software	3-5

Impairment

At each end of reporting period, the Group reviews the carrying value of its tangible and intangible assets to determine whether there are signs of impairment losses of these assets. If there is any such indication, the recoverable amount of said assets is estimated so as to determine the total of the write-down. If it is not possible to estimate recoverable amount individually, the Group estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs.
In particular, the recoverable amount of the cash generating units (which generally coincide with the legal entity to which the capitalised assets refer) is verified by determining the value of use. The recoverable amount is the higher of the net selling price and value of use. In measuring the value of use, future cash flows net of taxes, estimated based on past experience, are discounted to their present value using a pre-tax rate that reflects current market valuations of the present cost of money and specific asset risk. The main assumptions used for calculating the value of use concern the discount rate, growth rate, expected changes in selling prices and cost trends during the period used for the calculation. The growth rates adopted are based on future market expectations in the relevant sector. Changes in the sales prices are based on past experience and on the expected future changes in the market. The Group prepares operating cash flow forecasts based on the most recent budgets approved by the Board of Directors of the consolidated companies, draws up the forecasts for the coming years and determines the terminal value (current value of perpetual income), which expresses the medium- and long-term operating flows in the specific sector.
If the recoverable amount of an asset (or CGU) is estimated to be lower than its carrying value, the asset's carrying value is reduced to the lower recoverable amount, recognising impairment in the income statement.
When there is no longer any reason for a write-down to be maintained, the carrying value of the asset (or of the cash-generating unit) - with the exception of goodwill - is increased to the new value resulting from the estimate of its recoverable amount, but not beyond the net carrying value that the asset would have had if it had not been written down for impairment. Reversal of impairment loss is recognised in the income statement.

Investment property

As allowed by IAS 40, non-operating buildings and constructions are assessed at cost net of depreciation and losses due to cumulative impairment. The depreciation criterion applied is the asset's estimated useful life, which is considered to be 33 years. If the recoverable amount of the investment property – determined based on the market value of the properties – is estimated to be lower than its carrying value, the asset's carrying value is reduced to the lower recoverable amount, recognising impairment in the income statement.
When there is no longer any reason for a write-down to be maintained, the carrying value of the asset (or cash generating unit) is increased to the new value stemming from the estimate of its recoverable amount – but not beyond the net carrying value that the asset would have had if it had not been written down for impairment. Reversal of impairment loss is recognised in the income statement.

Equity investments and non-current receivables

Equity investments in companies other than subsidiaries, associates and joint ventures are classified as financial assets measured at fair value, which normally corresponds to the transaction price including directly attributable transaction costs. Subsequent changes in fair value are recognised in the Income statement (FVPL) or, if the option is exercised in accordance with the standard, in the Statement of comprehensive income (FVOCI) under the heading "Instrument reserve at FVOCI". Non-current receivables are stated at their presumed realisable value.

Inventories

Inventories are measured at the lower of purchase or production cost – determined using the weighted average cost method – and the corresponding fair value represented by the replacement cost for purchased materials and by the presumed realisable value for finished and semi-processed products – calculated taking into account any manufacturing costs and direct selling costs yet to be incurred. Inventory cost includes accessory costs and the portion of direct and indirect manufacturing costs that can reasonably be assigned to inventory items. Inventories subject to obsolescence and low turnover are written down in relation to their possibility of use or realisation. Inventory write-downs are derecognised in subsequent years if the reasons for such write-downs cease to exist.

Trade receivables and other financial assets

Initial recognition

Upon initial recognition, financial assets are classified, as the case may be, on the basis of subsequent measurement methods, i.e. at amortised cost, at fair value recognised in other comprehensive income (OCI) and at fair value recognised in the income statement.
The classification of financial assets at initial recognition depends on the characteristics of the contractual cash flows of the financial assets and on the business model that the Group uses to manage them.
Trade receivables that do not contain a significant financing component are valued at the transaction price determined in accordance with IFRS 15. See the "Revenue from Contracts with Customers" paragraph.
Other financial assets are recorded at fair value plus, in the case of a financial asset not at fair value recognised in the income statement, transaction costs.

For a financial asset to be classified and measured at amortised cost or at fair value recognised in OCI, it must generate cash flows that depend solely on the principal and interest on the amount of principal to be repaid (known as 'solely payments of principal and interest (SPPI)'). This measurement is referred to as the SPPI test and is carried out at the instrument level.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below.

Financial assets at amortised cost (debt instruments)

This category is the most important for the Group. The Group measures the financial assets at amortised cost if both of the following requirements are met:

- the financial asset is held as part of a business model whose objective is to hold financial assets for the purpose of collecting contractual cash flows

and

- the contractual terms of the financial asset envisage, at certain dates, cash flows represented solely by payments of principal and interest on the amount of principal to be repaid.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or revalued.
Financial assets at amortised cost of the Group include trade receivables.

Financial assets at fair value through profit or loss

This category includes all assets held for trading, assets designated at initial recognition as financial assets measured at fair value with changes recognised in the income statement, or financial assets that must be measured at fair value. Assets held for trading are all those assets acquired for sale or repurchase in the short term. Derivatives, separated or otherwise, are classified as financial instruments held for trading, unless they are designated as effective hedging instruments. Financial assets with cash flows that are not represented solely by principal and interest payments are classified and measured at fair value through profit or loss, regardless of the business model. Financial instruments at fair value with changes recognised in the income statement are recognised in the statement of financial position at fair value and net changes in fair value are recognised in the income statement.
This category includes derivative instruments.
The Group does not hold financial assets at fair value through profit or loss with reclassification of cumulative gains and losses or financial assets at fair value through profit or loss without reversal of cumulative gains and losses upon derecognition.

Derecognition

A financial asset (or, if applicable, part of a financial asset or part of a group of similar financial assets) is firstly written off (e.g. removed from the statement of financial position of the Group) when:

- the rights to receive cash flows from the asset are extinguished, or
- the Group transferred to a third party the right to receive financial flows from the asset or has taken on the contractual obligation to pay them fully and without delay and (a) transferred substantially all the risks and benefits of the ownership of the financial asset or (b) did not substantially transfer or retain all the risks and benefits of the asset, but transferred their control.

If the Group has transferred the rights to receive cash flows from an asset or has signed an agreement on the basis of which it retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more beneficiaries (pass-through), it considers whether or to what extent it has retained the risks and benefits concerning the ownership. If it has not substantially transferred or retained all the risks and benefits or has not lost control over it, the asset continued to be recognised in the financial statements of the Group to the extent of its residual involvement in the asset itself. In this case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured in such a way as to reflect the rights and obligations that pertain to the Group. When the residual involvement of the entity is a guarantee in the transferred asset, the involvement is measured based on the amount of the asset or the maximum amount of the consideration received that the entity could be obliged to pay, whichever lower.

Provisions for risks and charges

Provisions for risks and charges are provisioned to cover losses and debts, the existence of which is certain or probable, but whose amount or date of occurrence cannot be determined at the end of the year. Provisions are stated in the statement of financial position only when a legal or implicit obligation exists that determines the use of resources with an impact on profit and loss to meet that obligation and the amount can be reliably estimated. If the effect is significant, the provisions are calculated by updating future cash flows estimated at a rate including taxes such as to reflect current market valuations of the current value of the cash and specific risks associated with the liability.

Post-employment benefit

The post-employment benefit is provisioned to cover the entire liability accruing vis-à-vis employees in compliance with current legislation and with national and supplementary company collective labour contracts. This liability is subject to revaluation via application of indices fixed by current regulations. Up to 31 December 2006, post-employment benefits were considered defined-benefit plans and accounted for in compliance with IAS 19, using the projected unit-credit method. The regulations of this fund were amended by Italian Law no. 296 of 27 December 2006 and subsequent Decrees and Regulations issued during the first months of 2007. In the light of these changes, and, in particular, for companies with at least 50 employees, post-employment benefits must now be considered a defined-benefit plan only for the portions accruing before 1 January 2007 (and not yet paid as at the end of the reporting period). Conversely, portions accruing after that date are treated as defined-contribution plans. Actuarial gains or losses are recorded immediately under "Other total profits/(losses)".

Trade payables and other financial liabilities

Initial recognition

All financial liabilities are initially recognised at fair value, in addition to directly attributable transaction costs in case of mortgages, loans and payables.
The Company's financial liabilities include trade payables and other payables, mortgages and loans, including current account overdrafts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value with changes recognised in the income statement include liabilities held for trading and financial liabilities initially recognised at fair value, with changes recognised in the income statement. Liabilities held for trading are those liabilities acquired in order to discharge or transfer them in the short term. This category also includes derivative financial instruments subscribed by the Company and not designated as hedging instruments in a hedging relationship pursuant to IFRS 9. Embedded derivatives, separated from the main contract, are classified as financial instruments held for trading, unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. Financial liabilities are designated at fair value with changes recognised in the income statement from the date of initial recognition, only if the criteria of IFRS 9 are met.

Loans and payables

This is the most important category for the Company and includes interest-bearing payables and loans. After initial statement, loans are valued using the amortised cost approach, applying the effective interest rate method. Gains and losses are recognised in the income statement when the liability is discharged, as well as through the amortisation process. Amortised cost is calculated by recognising the discount or premium on the acquisition and the fees or costs that are an integral part of the effective interest rate. Amortisation at the effective interest rate is included in financial expenses in the income statement.

Derecognition

A financial liability is derecognised when the obligation underlying the liability is discharged, cancelled or fulfilled. If an existing financial liability is replaced by another from the same lender, at substantially different conditions, or if the conditions of an existing liability are substantially changed, this replacement or change is treated as a derecognition of the original liability accompanied by the recognition of a new liability, with any differences between the carrying values recognised in the income statement.

Policy for conversion of foreign currency items

Receivables and payables originally expressed in foreign currencies are converted into euro at the exchange rates in force on the date of the transactions originating them. Forex differences realised upon collection of receivables and payment of payables in foreign currency are posted in the income statement. Income and costs relating to foreign-currency transactions are converted at the rate in force on the transaction date.

At year-end, assets and liabilities expressed in foreign currencies, with the exception of non-current items, are posted at the spot exchange rate in force at the end of the reporting period and related foreign exchange gains and losses are posted in the income statement. If conversion generates a net gain, this value constitutes a non-distributable reserve until it is effectively realised.

Derivative instruments and hedge accounting

The Group's business is exposed to financial risks relating to changes in exchange rates, commodity prices and interest rates. The company uses derivative instruments (mainly forward contracts on currencies and commodity options) to hedge risks stemming from changes in foreign currencies relating to irrevocable commitments or to planned future transactions.

Derivatives are initially recognised at cost and are then adjusted to fair value on subsequent closing dates.

Changes in the fair value of derivatives designated and recognised as effective for hedging future cash flows relating to the Group's contractual commitments and planned transactions are recognised directly in shareholders' equity, while the ineffective portion is immediately posted in the income statement. If the contractual commitments or planned transactions materialise in the recognition of assets or liabilities, when such assets or liabilities are recognised, the gains or losses on the derivative that were directly recognised in equity are factored back into the initial valuation of the cost of acquisition or carrying value of the asset or liability. For cash flow hedges that do not lead to recognition of assets or liabilities, the amounts that were directly recognised in equity are included in the income statement in the same period when the contractual commitment or planned transaction hedged impacts profit and loss – for example, when a planned sale actually takes place.

For effective hedges of exposure to changes in fair value, the item hedged is adjusted for the changes in fair value attributable to the risk hedged and recognised in the income statement. Gains and losses stemming from the derivative's valuation are also posted in the income statement.

Changes in the fair value of derivatives not designated as hedging instruments are recognised in the income statement in the period when they occur.

Hedge accounting is discontinued when the hedging instrument expires, is sold or is exercised, or when it no longer qualifies as a hedge. At this time, the cumulative gains or losses of the hedging instrument recognised in equity are kept in the latter until the planned transaction actually takes place. If the transaction hedged is not expected to take place, cumulative gains or losses recognised directly in equity are transferred to the year's income statement.

Embedded derivatives included in other financial instruments or contracts are treated as separate derivatives when their risks and characteristics are not strictly related to those of their host contracts and the latter are not measured at fair value with posting of related gains and losses in the income statement.

Revenue from contracts with customers

The Group is engaged in the supply of components for household appliances (mainly gas parts, such as valves and burners, hinges and electronic components).

Revenue from contracts with customers is recognised when control of the goods is transferred to the customer for an amount that reflects the consideration that the Group expects to receive in exchange for the goods. The control of the goods passes to the customer according to the terms of return defined with the customer. The usual extended payment terms range from 30 to 120 days from shipment; the Group believes that the price does not include significant financing components.

The guarantees provided for in the contracts with customers are of a general nature and not extended and are accounted for in accordance with IAS 37.

Financial income

Finance income includes interest receivable on funds invested and income from financial instruments, when not offset as part of hedging transactions. Interest income is recorded in the income statement at the time of vesting, taking effective output into consideration.

Financial expenses

Financial expenses include interest payable on financial debt calculated using the effective interest method and bank expenses. All the other financial expenses are recognised as costs for the year in which they are incurred.

Income taxes for the year

Income taxes include all taxes calculated on the Group's taxable income. Income taxes are directly recognised in the income statement, with the exception of those concerning items directly debited or credited to shareholders' equity, in which case the tax effect is recognised directly in shareholders' equity. Other taxes not relating to income, such as property taxes, are included among operating expenses. Deferred taxes are provisioned in accordance with the global liability provisioning method. They are calculated on all temporary differences emerging between the taxable base of an asset and liability and its book value in the consolidated financial statements, with the exception of goodwill that is not tax-deductible and of differences stemming from investments in subsidiaries for which cancellation is not envisaged in the foreseeable future. Deferred tax assets on unused tax losses and tax credits carried forward are recognised to the extent that it is probable that future taxable income will be available against which they can be recovered. Current and deferred tax assets and liabilities are offset when income taxes are levied by the same tax authority and when there is a legal right to settle on a net basis. Deferred tax assets and liabilities are measured using the tax rates that are expected to be applicable, according to the respective regulations of the countries where the Group operates, in the years when temporary differences will be realised or settled.

Dividends

Dividends are posted on an accrual basis when the right to receive them materialises, i.e. when shareholders approve dividend distribution.

Treasury shares

Treasury shares are booked as a reduction of shareholders' equity. The carrying value of treasury shares and revenues from any subsequent sales are recognised in the form of changes in shareholders' equity.

Equity-settled transactions

Some Group employees receive part of the remuneration in the form of share-based payments, therefore employees provide services in exchange for shares ("equity-settled transactions"). The cost of equity-settled transactions is determined by the fair value at the date on which the assignment is made using an appropriate measurement method, as explained in more detail in Note 38.

This cost, together with the corresponding increase in shareholders' equity, is recorded under personnel costs (Note 27) over the period in which the conditions relating to the achievement of objectives and/or the provision of the service are met. The cumulative costs recognised for such transactions at the end of each reporting period up to the vesting date are commensurate with the expiry of the vesting period and the best estimate of the number of equity instruments that will actually vest.

Service or performance conditions are not taken into account when defining the fair value of the plan at the assignment date. However, the probability of these conditions being met is taken into account when defining the best estimate of the number of equity instruments that will vest. Market conditions are reflected in the fair value at the assignment date. Any other condition related to the plan that does not involve a service obligation is not considered to be a vesting condition. Non-vesting conditions are reflected in the fair value of the plan and result in the immediate recognition of the cost of the plan, unless there are also service or performance conditions.

No cost is recognised for rights that do not vest in that the performance and/or service conditions are not met. When the rights include a market condition or a non-vesting condition, these are treated as if they had vested regardless of whether the market conditions or other non-vesting conditions to which they are subject are met or not, it being understood that all other performance and/or service conditions must be met.

If the conditions of the plan are changed, the minimum cost to be recognised is the fair value at the assignment date in the absence of the change in the plan itself, on the assumption that the original conditions of the plan are met. Moreover, a cost is recognised for each change that results in an increase in total fair value of the payment plan, or that is in any case favourable for employees; this cost is measured with reference to the date of change. When a plan is cancelled, any remaining element of the plan's fair value is immediately expensed to the income statement.

Earnings per share

Basic EPS is calculated by dividing the profit or loss attributable to the direct parent company's shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit or loss attributable to the direct parent company's shareholders by the weighted average number of shares outstanding, adjusted to take into account the effects of all potential ordinary shares with a dilutive effect.

Use of estimates

Preparation of the financial statements and notes in accordance with IFRS requires management to make estimates and assumptions that affect the carrying values of assets and liabilities and the disclosures on contingent assets and liabilities as of the end of the reporting period. Actual results might differ from these estimates. Estimates are used to measure tangible and intangible assets subject to impairment testing, as described earlier, as well as to measure provisions for bad debts, for inventory obsolescence, depreciation and amortisation, asset write-downs, employee benefits, taxes, and other provisions. Specifically:

Recoverable amount of tangible and intangible assets

The procedure for determining impairment losses of tangible and intangible assets described in "Impairment" implies – in estimating the value of use – the use of the Business Plans of investees, which are based on a series of assumptions relating to future events and actions of the investees' management bodies, which may not necessarily come about. In estimating market value, however, assumptions are made on the expected trend in trading between third parties based on historical trends, which may not actually be repeated.

Provisions for bad debts

Receivables are adjusted by the related bad debt provision to take into account their recoverable amount. To determine the size of the write-downs, management must make subjective assessments based on the documentation and information available regarding, among other things, the customer's solvency, as well as experience and historical payment trends.

Provisions for inventory obsolescence

Inventories subject to obsolescence and slow turnover are systematically valued, and written down if their recoverable amount is less than their carrying value. Write-downs are calculated based on management assumptions and estimates, resulting from experience and historical results.

Employee benefits

The current value of liabilities for employee benefits depends on a series of factors determined using actuarial techniques based on certain assumptions. Assumptions concern the discount rate, estimates of future salary increases, and mortality and resignation rates. Any change in the above-mentioned assumptions might have significant effects on liabilities for pension benefits.

Share-based payments

Estimating the fair value of share-based payments requires the determination of the most appropriate valuation model, which depends on the terms and conditions under which these instruments are granted. This also requires the identification of data to feed into the valuation model, including assumptions about the exercise period of the options, volatility and dividend yield. The Group uses a binomial model for the initial measurement of the fair value of share-based payments with employees.

Income taxes
The Group is subject to different bodies of tax legislation on income. Determining liabilities for Group taxes requires the use of management valuations in relation to transactions whose tax implications are not certain at the end of the reporting period. Furthermore, the valuation of deferred taxes is based on income expectations for future years; the valuation of expected income depends on factors that might change over time and have a significant effect on the valuation of deferred tax assets.

Other provisions
When estimating the risk of potential liabilities from disputes, the Directors rely on communications regarding the status of recovery procedures and disputes from the lawyers who represent the Group in litigation. These estimates are determined taking into account the gradual development of the disputes, considering existing exemptions.

Estimates and assumptions are regularly reviewed and the effects of each change immediately reflected in the income statement.

New accounting standards

Accounting standards, amendments and interpretations applicable from 1 January 2020

- Amendments to **IFRS 3 "Definition of a Business"**. The amendments were introduced to support entities in determining whether or not a set of assets acquired constitutes a business. To be considered a business, an integrated set of assets and goods must include at least one input and one underlying process that contribute significantly to the ability to create an output. Moreover, a business can exist without including all of the inputs and processes needed to create outputs. These changes had no impact on the Group's consolidated financial statements but could have an impact on future financial years should the Group carry out business combinations.

- Amendments to **IFRS 7**, **IFRS 9** and **IAS 39 "Interest rate benchmark reform"**. The amendments to the standards provide a number of practical expedients that apply to 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 have no impact on the Group's consolidated financial statements.

- Amendments to **IAS 1** and **IAS 8 " Definition of Material"**. The amendments provide a new definition of materiality, which states 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. These amendments had no impact on the consolidated financial statements and are not expected to have any future impact on the Group.

- Amendment to **IFRS 16 Covid-19-Related Rent Concessions**. On 28 May 2020, the IASB published an amendment to IFRS 16, which allows a lessee not to apply the requirements in IFRS 16 on the accounting effects of contractual changes for lease reductions granted by lessors as a direct result of the Covid-19 outbreak. The amendment introduces a practical expedient whereby a lessee may choose not to assess whether a reduction in lease payments constitutes a contractual change. A lessee that chooses to use this expedient recognises these reductions as if they were not contractual changes for the purpose of IFRS 16. These changes had no impact on the Group's consolidated financial statements.

COMMENTS ON SIGNIFICANT BALANCE SHEET ITEMS

1. PROPERTY, PLANT AND EQUIPMENT

	Property	Plant and equipment	Other assets	Assets under construction	Total
COST					
At 31 December 2018	**51,507**	**194,516**	**43,257**	**4,688**	**293,968**
Increases	236	3,946	3,932	3,282	11,396
Disposals	-	(1,224)	(767)	-	(1,991)
First-time adoption of IFRS 16	362	-	1,035	-	1,397
Change in the scope of consolidation	2,900	15,183	6,034	137	24,254
Reclassifications	1,376	3,742	91	(4,850)	359
Forex differences	(307)	(532)	(154)	(93)	(1,086)
At 31 December 2019	**56,074**	**215,631**	**53,428**	**3,164**	**328,297**
Increases	1,591	7,658	4,190	4,508	17,947
Disposals	-	(1,451)	(218)	-	(1,669)
Change in the scope of consolidation	1,575	-	4	-	1,579
Reclassifications	(518)	1,709	277	(2,834)	(1,366)
Forex differences	(1,496)	(3,955)	(1,804)	(303)	(7,558)
At 31 December 2020	**57,226**	**219,592**	**55,877**	**4,535**	**337,230**

	Property	Plant and equipment	Other assets	Assets under construction	Total
ACCUMULATED DEPRECIATIONS					
At 31 December 2018	**19,603**	**165,018**	**38,582**	**-**	**223,203**
Depreciations for the year	1,681	8,168	2,339	-	12,188
Derecognition due to disposal	-	(1,593)	(159)	-	(1,752)
Change in the scope of consolidation	1,314	12,334	5,301	-	18,949
Reclassifications	256	49	28	-	333
Forex differences	(75)	(312)	(122)	-	(509)
At 31 December 2019	**22,779**	**183,664**	**45,969**	**-**	**252,412**
Depreciations for the year	2,321	8,696	2,909	-	13,926
Derecognition due to disposal	-	(1,422)	(81)	-	(1,503)
Change in the scope of consolidation	-	-	-	-	-
Reclassifications	(530)	184	(43)	-	(389)
Forex differences	(423)	(2,184)	(1,116)	-	(3,723)
At 31 December 2020	**24,147**	**188,938**	**47,638**	**-**	**260,723**

	Property	Plant and equipment	Other assets	Assets under construction	Total
NET CARRYING VALUE					
At 31 December 2020	**33,079**	**30,654**	**8,239**	**4,535**	**76,507**
At 31 December 2019	**33,295**	**31,967**	**7,459**	**3,164**	**75,885**

The breakdown of the net carrying value of Property was as follows:

	31.12.2020	31.12.2019	Change
Land	7,675	6,659	1,016
Industrial buildings	25,404	26,636	(1,232)
Total	**33,079**	**33,295**	**(216)**

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

	Property	Plant and equipment	Other assets	Total
1 January 2020	**1,776**	**513**	**781**	**3,070**
Increases	1,377	74	333	1,784
Depreciations	(634)	(247)	(288)	(1,169)
Foreign exchange differences	(72)	-	-	(72)
At 31 December 2020	**2,447**	**340**	**826**	**3,613**

The main investments in the financial year were aimed at industrialising new products to significantly increase shares with certain strategic customers. Investments in maintenance and replacement, so that production equipment is kept constantly up to date and efficient, are systematic.
Decreases mainly relate to the disposal of machinery no longer in use.
In the 2020 financial year, the increase in property, plant and equipment as a result of the change in the scope of consolidation reflects the first-time consolidation of Sabaf India, a newly formed company, which acquired an industrial property where production will start in 2021.
Assets under construction include machinery under construction and advance payments to suppliers of capital equipment.
At 31 December 2020, the Group found no endogenous or exogenous indicators of impairment of its property, plant and equipment. As a result, the value of property, plant and equipment was not submitted to impairment testing.

2. INVESTMENT PROPERTY

COST	
At 31 December 2018	**12,918**
Increases	-
Disposals	(1,191)
First-time adoption of IFRS 16	109
At 31 December 2019	**11,836**
Increases	-
Disposals	(552)
At 31 December 2020	**11,284**

DEPRECIATIONS AND WRITE-DOWNS	
At 31 December 2018	**8,515**
Depreciations for the year	430
Write-downs for the year	-
Derecognition due to disposal	(1,085)
At 31 December 2019	**7,860**
Depreciations for the year	416
Write-downs for the year	-
Derecognition due to disposal	(245)
At 31 December 2020	**8,031**

NET CARRYING VALUE	
At 31 December 2020	**3,253**
At 31 December 2019	**3,976**

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

INVESTMENT PROPERTY	
1 January 2020	**73**
Increases	-
Decreases	-
Depreciations	(35)
Foreign exchange differences	-
At 31 December 2020	**38**

The item Investment property includes non-operating buildings owned by the Group: these are mainly properties for residential use, held for rental or sale. Disposals during the period resulted in capital gains of non-significant amount.

At 31 December 2020, the Group found no other endogenous or exogenous indicators of impairment of its investment property. As a result, the value of investment property was not submitted to impairment testing.

3. INTANGIBLE ASSETS

	Goodwill	Patents and software	Development costs	Other intangible assets	Total
COST					
At 31 December 2018	**29,410**	**7,204**	**5,653**	**12,779**	**55,046**
Increases	292	356	460	200	1,308
Decreases	-	(8)	(102)	(11)	(121)
Change in the scope of consolidation	3,680	1,425	717	13,664	19,486
Reclassifications	(24)	-	-	(643)	(667)
Forex differences	(1,743)	(15)	-	(1,030)	(2,788)
At 31 December 2019	**31,615**	**8,962**	**6,728**	**24,959**	**72,264**
Increases	-	547	465	85	1,097
Decreases	-	1	-	(1)	-
Change in the scope of consolidation	-	1	-	-	1
Reclassifications	-	33	(607)	(786)	(1,360)
Forex differences	(4,501)	(143)	-	(2,658)	(7,302)
At 31 December 2020	**27,114**	**9,401**	**6,586**	**21,599**	**64,700**
AMORTISATION/WRITE-DOWNS					
At 31 December 2018	**4,563**	**6,559**	**3,408**	**1,462**	**15,992**
Amortisation for the year	-	296	371	1,048	1,715
Decreases	-	-	-	-	-
Change in the scope of consolidation	-	1,337	559	1,337	3,233
Reclassifications	(17)	-	-	(250)	(267)
Forex differences	-	(13)	-	(64)	(77)
At 31 December 2019	**4,546**	**8,179**	**4,338**	**3,533**	**20,596**
Amortisation for the year	-	480	431	1,723	2,634
Decreases	-	-	-	-	-
Change in the scope of consolidation	-	-	-	-	-
Reclassifications	-	(18)	(344)	(781)	(1,143)
Forex differences	-	(68)	-	(336)	(404)
At 31 December 2020	**4,546**	**8,573**	**4,425**	**4,139**	**21,683**
NET CARRYING VALUE					
At 31 December 2020	**22,568**	**828**	**2,161**	**17,460**	**43,017**
At 31 December 2019	**27,069**	**783**	**2,390**	**21,426**	**51,668**

Goodwill

Goodwill recognised at 31 December 2020 is allocated:

- to the "Hinges" (CGU) cash generating units of €4.414 million;
- to the "Professional burners" CGU of €1.770 million;
- to the "Electronic components" CGU of €12.704 million;
- to the "C.M.I. hinges" CGU of €3.680 million.

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.

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, the recoverability of goodwill allocated to the "Hinges", "Professional burners", "Electronic components" and "C.M.I. Hinges" CGUs was checked in the light of a specific analysis of the impact of the crisis on the value of fixed assets and based on a business plan updated at the beginning of 2021.

The European Securities and Market Authority (ESMA) draws attention to the need to account for the increasing level of uncertainty through:

- the possible use of multi-scenario techniques in determining plans;

- alternatively, adjustments to the rates used for discounting the flows;
- updating the assumptions underlying the impairment tests at 31 December 2020 compared to the previous tests.

Compared to the previous test carried out with reference to 30 June 2020, the management has more knowledge about the development of future forecasts. In particular, the availability of data on business performance in the second half of 2020 and on orders in the first half of 2021 allows for a more reliable measurement of the effects of the pandemic on the business. On these bases, management defined a plan single (approved by the Board of Directors) for each CGU that represents the normal and expected scenario, with reference to the period from 2021 to 2025, and which was used to develop the impairment tests. The recoverable amount of each CGU, determined on the basis of this plan, was subjected to stress tests and sensitivity analyses that also took into account economic parameters and as a result of which positive results emerged.

The management subsequently prepared a Group business plan for the years from 2021 to 2023 using the plans referred to in the previous paragraphs as a starting point and revising the values contained therein with a view to improving them, following updated favourable prospects. In the light of the above, it was therefore decided to confirm the results of the impairment tests already prepared.

Goodwill allocated to the Hinges CGU

During 2020, the Hinges CGU recorded a slight decrease in 2020 revenues due to the pandemic. However, the fourth quarter of 2020 and the first quarter of 2021 show a consistent recovery, in line with the Group's figures. At 31 December 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 2021 to 2025 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 8.62% (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 2019 impairment test.

The recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €13.681 million, compared with a carrying value of the assets allocated to the Hinges unit of €11.744 million; consequently, the value recorded for goodwill at 31 December 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)	**Growth rate**				
Discount rate	**1.50%**	**1.75%**	**2.00%**	**2.25%**	**2.50%**
7.62%	15,183	15,753	16,373	17,050	17,794
8.12%	13,924	14,401	14,916	15,475	16,083
8.62%	12,845	13,248	13,681	14,149	14,654
9.12%	11,908	12,253	12,622	13,018	13,443
9.62%	11,089	11,387	11,704	12,042	12,404

The table below shows the change in recoverable amount as EBITDA changes according to the plan.

	EBITDA		
	According to the plan	*-10%*	*-20%*
(€/000)	13,681	11,646	9,611

It was found that under most of the assumptions presented above, which consider changes in the discount rate, growth rate and EBITDA, the recoverable amount of the CGU is higher than its carrying value.

Goodwill allocated to the Professional burners CGU

The Professional Burners CGU recorded pandemic effects on the 2020 financial year opposite to the rest of the Group, following the closures of restaurant and hotel premises during 2020. At 31 December 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 2021. Cash flows for the period from 2021 to 2025 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 6.76% (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% in the impairment test carried out while preparing the consolidated financial statements at 31 December 2019), considered by management to be the best estimate of the CGU's growth assumptions, considering the sector in which it operates and in line with the growth rate of other Italian CGUs.

The recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €9.394 million, compared with a carrying value of the assets allocated to the Professional burners unit of €5.696 million (including minority interests); consequently, the value recorded for goodwill at 31 December 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)	**Growth rate**				
Discount rate	**1.50%**	**1.75%**	**2.00%**	**2.25%**	**2.50%**
5.76%	10,840	11,487	12,220	13,058	14,023
6.26%	9,571	10,076	10,640	11,275	11,994
6.76%	8,545	8,949	9,394	9,891	10,445
7.26%	7,699	8,028	8,389	8,785	9,223
7.76%	6,991	7,263	7,560	7,883	8,236

The table below shows the change in recoverable amount as EBITDA changes according to the plan.

	EBITDA		
	According to the plan	*-10%*	*-20%*
(€/000)	9,394	7,926	6,456

Goodwill allocated to the Electronic components CGU

The Electronic Components CGU performed extremely well in 2020, outperforming the Group as a whole.

At 31 December 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 2021 to 2025 were augmented by the so-called terminal value, which expresses the operating flows that the CGU is expected to generate from the fifth year to infinity and determined based on the perpetual income. The value of use was calculated based on a discount rate (wacc) of 14.18% (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 €28.471 million, compared with a carrying value of the assets allocated to the Electronic components unit of €20.968 million; consequently, the value recorded for goodwill at 31 December 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)	**Growth rate**				
Discount rate	**2.00%**	**2.25%**	**2.50%**	**2.75%**	**3.00%**
13.18%	30,332	30,837	31,367	31,922	32,504
13.68%	28,924	29,378	29,853	30,350	30,870
14.18%	27,632	28,043	28,471	28,917	29,384
14.68%	26,444	26,816	27,203	27,607	28,027
15.18%	25,348	25,086	26,037	26,403	26,783

The table below shows the change in recoverable amount as EBITDA changes according to the plan.

	EBITDA		
	According to the plan	*-10%*	*-20%*
(€/000)	28,471	25,130	21,790

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

In 2020, the Hinges C.M.I. CGU recorded an overall stable turnover compared to the previous year, while in the last quarter of 2020, there was a significant increase in sales volumes. This positive trend was also confirmed by the volume of orders collected in the first months of the new financial year.

At 31 December 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 2021 to 2025 were augmented by the so-called terminal value, which expresses the operating flows that the CGU is expected to generate from the third year to infinity and determined based on the perpetual income. The value of use was calculated based on a discount rate (wacc) of 9.87% (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% in the impairment test carried out while preparing the consolidated financial statements at 31 December 2019), considered by management to be the best estimate of the CGU's growth assumptions, considering the sector in which it operates and in line with the growth rate of other Italian CGUs.

The recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €44.519 million, compared with a carrying value of the assets allocated to the C.M.I. Hinges unit of €26.557 million; consequently, the value recorded for goodwill at 31 December 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)	Growth rate				
Discount rate	**1.50%**	**1.75%**	**2.00%**	**2.25%**	**2.50%**
8.87%	48,657	50,084	51,615	53,262	55,038
9.37%	45,288	46,514	47,824	49,225	50,728
9.87%	42,327	43,389	44,519	45,723	47,009
10.37%	39,704	40,631	41,614	42,657	43,767
10.87%	37,365	38,180	39,041	39,951	40,916

The table below shows the change in recoverable amount as EBITDA changes according to the plan.

	EBITDA		
	According to the plan	-10%	-20%
(€/000)	44,519	37,572	30,625

Patents and software

Software investments are related to the extension of the application and corporate scope of the Group management system (SAP).

Development costs

The main investments in the year relate to the development of new products, including special burners and personalised burners for some customers (research and development activities carried out during the year are set out in the Report on Operations).

With regard to patents, software and development costs, no internal and external indicators that would necessitate an impairment test were identified.

Other intangible assets

The other intangible assets recorded in these consolidated financial statements mainly derive from the Purchase Price Allocation carried out following the acquisition of Okida Elektronik in September 2018, and of C.M.I. s.r.l., in July 2019.

The net carrying value of intangible assets is broken down as follows:

	31.12.2020	31.12.2019	Change
Customer Relationship	8,775	11,355	(2,580)
Brand	4,459	5,055	(596)
Know-how	503	933	(430)
Patents	3,498	3,960	(462)
Other	225	123	102
Total	**17,460**	**21,426**	**(3,966)**

At 31 December 2020, the recoverability of the amount of other intangible assets was verified as part of the impairment test of the related goodwill described in the previous paragraph.

4. EQUITY INVESTMENTS

	31.12.2020	31.12.2019	Changes
Handan A.R.C. Burners Co.	89	81	8
Other equity investments	84	34	50
Total	**173**	**115**	**58**

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 A.R.C. s.r.l. - which owns a 51% interest in the share capital. The change shown in the table is related to the consolidation using the equity method of the joint venture, whose pro-rata result contributed negatively to the Group's result by €8,000.

The change of €50,000 related to Other equity investments concerns the purchase of a minority shareholding in the start-up 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 were not identified.

5. NON-CURRENT RECEIVABLES

	31.12.2020	31.12.2019	Change
Tax receivables	392	183	209
Guarantee deposits	112	98	14
Other	14	16	(2)
Total	**518**	**297**	**221**

Tax receivables relate to indirect taxes expected to be recovered after 31 December 2021.

6. INVENTORIES

	31.12.2020	31.12.2019	Change
Raw Materials	16,859	14,792	2,067
Semi-processed goods	10,414	9,025	1,389
Finished products	15,056	14,849	207
Provision for inventory write-downs	(3,105)	(3,323)	218
Total	**39,224**	**35,343**	**3,881**

The value of final inventories at 31 December 2020 increased compared to the end of the previous year to meet the higher volumes of activity. The provision for write-downs is mainly allocated for hedging the obsolescence risk. At the end of the financial year, the appropriation is adjusted based on specific analyses carried out on slow-moving and non-moving products.

The following table shows the changes in the Provision for inventory write-downs during the current financial year:

31.12.2019	3,323
Provisions	675
Utilisation	(898)
Forex differences	5
31.12.2020	**3,105**

7. TRADE RECEIVABLES

	31.12.2020	31.12.2019	Change
Total trade receivables	64,525	48,463	16,062
Bad debt provision	(1,089)	(1,534)	445
Net total	**63,436**	**46,929**	**16,507**

Trade receivables at 31 December 2020 were higher than the balance at the end of 2019 subsequent to higher sales in the second half of the year. There were no significant changes in the payment terms agreed with customers.
The amount of trade receivables recognised in the financial statements includes approximately €23.9 million in insured receivables (€25.3 million at 31 December 2019).
Receivables assigned to factors without recourse are derecognised 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.

	31.12.2020	31.12.2019	Change
Current receivables (not past due)	58,143	39,789	18,354
Outstanding up to 30 days	3,278	3,718	(440)
Outstanding from 30 to 60 days	1,249	2,102	(853)
Outstanding from 60 to 90 days	438	1,261	(823)
Outstanding for more than 90 days	1,417	1,593	(176)
Total	**64,525**	**48,463**	**16,062**

The bad debt provision was adjusted to the better estimate of the credit risk and expected losses at the end of the reporting period, also carried out by analysing each expired item. Changes during the year were as follows:

31.12.2019	1,534
Provisions	118
Utilisation	(541)
Forex differences	(22)
31.12.2020	1,089

8. TAX RECEIVABLES

	31.12.2020	31.12.2019	Change
For income tax	1,179	2,563	(1,384)
For VAT and other sales taxes	1,195	1,708	(513)
Other tax credits	45	187	(142)
Total	**2,419**	**4,458**	**(2,039)**

At 31 December 2020, income tax receivables include

- €427,000 (€607,000 at 31 December 2019) for 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 2020, the Group received a partial refund of €180,000;
- €433,000 relating to the tax credit for investments in capital goods referred to in Italian law Decree 160/2019;
- €172,000 deriving from higher IRES advances paid.

9. OTHER CURRENT RECEIVABLES

	31.12.2020	31.12.2019	Change
Credits to be received from suppliers	669	141	528
Advances to suppliers	1,032	384	648
Accrued income and prepaid expenses	487	536	(49)
Other	979	398	581
Total	**3,167**	**1,459**	**1,708**

Credits to be received from suppliers mainly refer to bonuses paid to the Group for the attainment of purchasing objectives, which were achieved in 2020 to a greater extent than in the previous year.

Other receivables include €347,000 paid as a deposit to guarantee provisional duties on raw material purchases.

10. FINANCIAL ASSETS

	31.12.2020		31.12.2019	
	Current	Non-current	Current	Non-current
Restricted bank accounts	1,233	-	1,233	60
Currency derivatives	262	-	33	-
Total	**1,495**	**0**	**1,266**	**60**

At 31 December 2020, the following were taken out:

- a term deposit of €60,000, due by 30 June 2021, for the portion of the price not yet paid to the sellers of the A.R.C. equity investment (Note 15);
- a term deposit of €1,173,000, due by 2021, 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 15).

Currency derivatives refer to forward sales contracts recognised using hedge accounting. These financial instruments are broken down in Note 36 - Forex risk management.

11. CASH AND CASH EQUIVALENTS

The item Cash and cash equivalents, equal to €13,318,000 at 31 December 2020 (€18,687,000 at 31 December 2019) refers to bank current account balances of approximately €12.8 million.

12. SHARE CAPITAL

The parent company's share capital consists of 11,533,450 shares with a par value of €1.00 each. The share capital paid in and subscribed did not change during the year. At 31 December 2020, the structure of the share capital is shown in the table below.

	No. of shares	% of share capital	Rights and obligations
Ordinary shares	7,976,760	69.16%	-
Ordinary shares with increased vote	3,556,690	30.84%	Two voting rights per share
Total	***11,533,450***	***100%***	

With the exception of the right to increased vote, there are no rights, privileges or restrictions on the shares of the Parent Company. The availability of the Parent Company's reserves is indicated in the separate financial statements of Sabaf S.p.A..

13. TREASURY SHARES AND OTHER RESERVES

During the financial year Sabaf S.p.A. acquired 176,873 treasury shares at an average unit price of €11.72; there have been no sales.

At 31 December 2020, the Parent Company held 346,748 treasury shares, equal to 3.01% of share capital, recorded in the financial statements as an adjustment to shareholders' equity at a unit value of €12.52 (the market value at year-end was €15.23).
There were 11,186,702 outstanding shares at 31 December 2020 (11,363,575 at 31 December 2019).

Stock grant reserve
Item "Retained earnings, other reserves" of €87,504,000 included, at 31 December 2020, the stock grant reserve of €1,660,000, which included the measurement at 31 December 2020 of fair value of options assigned to receive shares of the Parent Company. For details of the Stock Grant Plan, refer to Note 38.

Cash Flow Hedge reserve
The following table shows the change in the Cash Flow Hedge reserve related to the application of IFRS 9 on derivative contracts and referring to the recognition in net equity of the effective part of the derivative contracts signed to hedge the foreign exchange rate risk for which the Group applies hedge accounting.

Opening value at 31 December 2019	**-**
Change during the period	247
Value at 31 December 2020	**247**

The characteristics of the derivative financial instruments that gave rise to the Cash Flow Hedge reserve and the accounting effects on other items in the financial statements are broken down in Note 36, in the paragraph Foreign exchange risk management.

Extraordinary reserve
With reference to Article 110 of Italian Law Decree No. 104 of 14 August 2020 (known as Agosto Decree), converted into Law No. 126 of 13 October 2020, the Group realigned the differences between the carrying values and tax values of certain properties.
As a result of this operation, the extraordinary reserve in respect of which tax has been deferred amounted to €4,874,000. The tax effects of this realignment are discussed in Note 32.

14. LOANS

	31.12.2020			31.12.2019		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Leases	1,390	3,506	4,896	1,050	3,478	4,528
Unsecured loans	15,801	28,647	44,448	14,653	40,568	55,221
Short-term bank loans	8,630	-	8,630	1,783	-	1,783
Advances on bank receipts or invoices	4,668	-	4,668	1,523	-	1,523
Interest payable	4	-	4	6	-	6
Total	**30,493**	**32,153**	**62,646**	**19,015**	**44,046**	**63,061**

During the year, the Group took out new unsecured loans for a total of €3.9 million to finance the investments made. All loans are signed with an original maturity of ranging from 5 to 6 years and are repayable in instalments.
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 31 December 2020 equal to €19.8 million)
- commitment to maintain a ratio of net financial position to EBITDA of less than 2.5 (residual amount of the loans at 31 December 2020 equal to €31.2 million)

widely complied with at 31 December 2020 and for which, according to the Group's business plan, compliance is also expected in subsequent years.
All bank loans are denominated in euro, with the exception of a short-term loan of USD 2 million.

To manage interest rate risk, unsecured loans are either fixed-rate or hedged by IRS. These consolidated financial statements include the negative fair value of the IRSs hedging rate risks of unsecured loans pending, for residual notional amounts of approximately €32.4 million and expiry until 31 December 2025. Financial expenses were recognised in the income statement with a balancing entry.

The following table shows the changes in lease liabilities during the year:

Lease liabilities at 1 January 2019	**2,671**
Change in the scope of consolidation (31 July 2019)	2,398
New agreements signed during 2019	298
Repayments during 2019	(804)
Forex differences	(35)
Lease liabilities at 31 December 2019	**4,528**
New agreements signed during 2020	1,706
Repayments during 2020	(1,400)
Forex differences	(64)
Lease liabilities at 31 December 2020	**4,896**

Note 36 provides information on financial risks, pursuant to IFRS 7.

15. OTHER FINANCIAL LIABILITIES

	31.12.2020		31.12.2019	
	Current	**Non-current**	**Current**	**Non-current**
Option on A.R.C. minorities	1,581	-	-	1,650
Option on C.M.I. minorities	5,250	-	4,200	4,500
Payables to A.R.C. shareholders	60	-	60	60
Payables to C.M.I. shareholders	1,173	-	-	1,173
Derivative instruments on interest rates	425	-	377	-
Total	**8,489**	**-**	**4,637**	**7,383**

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, call/put options, i.e. options to purchase by Sabaf and to sell by the minority shareholders, were subscribed for the remaining shares of the share capital at contractually defined strike prices on the basis of final income and financial parameters reported by the subsidiaries. Specifically:

- as regards the remaining shares, equal to 30%, of A.R.C., an agreement was signed with Loris Gasparini (current minority shareholder) that provides for the options to be exercised as from 24 June 2021;
- Sabaf subscribed with the Chinese group Guandong Xingye Investment, seller of C.M.I., purchase and sale options for the remaining 31.5% of the share capital, which can be exercised in two equal tranches following approval of the C.M.I. financial statements at 31 December 2019 and at 31 December 2020.

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. The consideration amounted to €3,063,000 and the difference compared to the carrying value of the portion of shareholders' equity acquired of €406,000 was recognised 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.

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: to this end, a financial liability of €1.650 million was recognised in the consolidated financial statements at 31 December 2019 with reference to the option to purchase the remaining 30% of A.R.C. The Group revalued the outlay estimate based on the results achieved by A.R.C. in the current year and, in accordance with IAS 39, reduced the liability by €69,000, recording financial income as a balancing entry.

As regards C.M.I., in the consolidated financial statements at 31 December 2019, the financial liability relating to the exercise of the second option to purchase the remaining 15.75% of C.M.I. amounted to €4.5 million. As required by IAS 39, the Group revalued the outlay estimate based on the results achieved by C.M.I. in the current year increasing the liability by €750,000 and recording financial expenses as a balancing entry.

The payables to A.R.C.'s shareholders, equivalent to €60,000 at 31 December 2020, and the payables to C.M.I.'s shareholders, equivalent to €1,173,000 at 31 December 2020, both due by 2021, are related to the part of the price not yet paid to the sellers, deposited on a non-interest-bearing restricted account and will be released in favour of the sellers in accordance with the contractual agreements and the guarantees issued by the sellers.

16. POST-EMPLOYMENT BENEFIT AND RETIREMENT PROVISIONS

	Post-employment benefit
At 31 December 2019	**3,698**
Provisions	117
Financial expenses	15
Payments made	(242)
Tax effect	(16)
Change in the scope of consolidation	-
Forex differences	(59)
At 31 December 2020	**3,513**

Following the revision of IAS 19 - Employee benefits, from 1 January 2013, all actuarial gains or losses are recorded immediately in the comprehensive income statement ("*Other comprehensive income*") under the item "Actuarial income and losses".

Post-employment benefits are calculated as follows:

Financial assumptions		
	31.12.2020	**31.12.2019**
Discount rate	0.23%	0.40%
Inflation	1.00%	1.20%

Demographic theory		
	31.12.2020	**31.12.2019**
Mortality rate	IPS55 ANIA	IPS55 ANIA
Disability rate	INPS 2000	INPS 2000
Staff turnover	3% - 6%	3% - 6%
Advance payouts	5% - 6% per year	5% - 7% per year
Retirement age	Pursuant to legislation in force on 31 December 2020	pursuant to legislation in force on 31 December 2019

17. PROVISIONS FOR RISKS AND CHARGES

	31.12.2019	Provisions	Utilisation	Exchange rate differences	31.12.2020
Provision for agents' indemnities	205	26	(10)	-	221
Product guarantee fund	60	9	(9)	-	60
Provision for legal risks	482	576	(75)	(13)	970
Other provisions for risks and charges	248	-	-	(66)	182
Total	**995**	**611**	**(94)**	**(79)**	**1,433**

The provision for agents' indemnities covers amounts payable to agents if the Group terminates the agency relationship.
The product guarantee fund covers the risk of returns or charges by customers for products already sold. The fund was adjusted at the end of the year, on the basis of analyses conducted and past experience.
The provision for legal risks was adjusted to reflect the outstanding disputes. The 2020 appropriation was entered in the amount of €500,000 for a patent dispute for which a settlement was reached with the counterparty at the beginning of 2021. The remainder of the provision refers to smaller disputes.
Note also that following the allocation process of the price paid for the acquisition of the C.M.I. Group on the net assets acquired (Purchase Price Allocation), completed during 2019, a provision for legal risks with a residual value of €348,000 was recorded.

Other provisions for risks and charges, recognised as part of the Purchase Price Allocation following the acquisition of Okida Elektronik, reflect the fair value of the potential liabilities of the acquired entity.

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

	31.12.2020	31.12.2019	Change
Total	**41,773**	**27,560**	**14,213**

The increase in trade payables is related to higher production volumes in the latter part of the year. Average payment terms did not change versus the previous year. At 31 December 2020, there were no overdue payables of a significant amount and the Group did not receive any injunctions for overdue payables.

19. TAX PAYABLES

	31.12.2020	31.12.2019	Change
For income tax	1,923	506	1,417
Withholding taxes	1,029	923	106
Other tax payables	335	373	(38)
Total	**3,287**	**1,802**	**1,485**

The income tax payables refer to the taxes for the year, for the portion exceeding the advances paid.

20. OTHER CURRENT PAYABLES

	31.12.2020	31.12.2019	Change
To employees	5,848	5,016	832
To social security institutions	2,679	2,403	276
To agents	286	231	55
Advances from customers	1,210	411	799
Other current payables	934	1,073	(139)
Total	**10,957**	**9,134**	**1,823**

At the beginning of 2021, payables due to employees and social security institutions were paid in accordance with the scheduled expiry dates. Other current payables include accrued liabilities and deferred income.

21. DEFERRED TAX ASSETS AND LIABILITIES

	31.12.2020	31.12.2019	Change
Deferred tax assets	8,024	6,505	1,519
Deferred tax liabilities	(4,697)	(7,273)	2,576
Net position	**3,377**	**(768)**	**4,145**

The table below analyses the nature of the temporary differences that determine the recognition of deferred tax liabilities and assets and their changes during the year and the previous 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-employ-ment benefit	Other temporary differences	Total
31.12.2019	**(5,763)**	**1,481**	**66**	**1,417**	**954**	**586**	**213**	**278**	**(768)**
Through profit or loss	1,833	(58)	(20)	(177)	2,201	(169)	-	649	4,259
In shareholders' equity	-	32	-	-	-	-	(5)	-	27
Forex differences	470	(58)	-	-	(510)	(21)	-	(21)	(140)
31.12.2020	**(3,461)**	**1,397**	**46**	**1,240**	**2,645**	**396**	**208**	**668**	**3,377**

Following the realignment between the carrying value and the tax value of certain properties, in pursuance of Italian Law Decree no. 104 of 14 August 2020 (known as August Decree), converted into Law 126 of 13 October 2020, deferred tax liabilities of €1,360,000 have been released to the income statement in these consolidated financial statements, which have been recognised in the changes in the income statement under "Non-current tangible and intangible assets". The exercise of the realignment option results in a substitute tax of approximately €163,000, which is accounted for in current taxes for the year and will be paid in equal instalments over the three-year period from 2021 to 2023.

Deferred tax assets relating to goodwill refer to the exemption of the value of the investment in Faringosi Hinges s.r.l. made in 2011 pursuant to Italian law Decree 98/2011, deductible in ten instalments starting in 2018.

Deferred tax assets relating to tax incentives are commensurate to investments made in Turkey, for which the Group will benefit from a reduction in the effective tax rate in future years.

22. NET FINANCIAL POSITION

As required by the CONSOB memorandum of 28 July 2006, we disclose that the Group's net financial position is as follows:

	31.12.2020	31.12.2019	Change
A. Cash (Note 11)	13	19	(6)
B. Positive balances of unrestricted bank accounts (Note 11)	12,789	18,590	(5,801)
C. Other cash equivalents (Note 11)	516	79	437
D. Liquidity (A+B+C)	**13,318**	**18,687**	**(5,369)**
E. Current financial receivables (Note 10)	**1,495**	**1,266**	**229**
F. Current bank payables (Note 14)	13,297	3,313	9,984
G. Current portion of non-current debt (Note 14)	15,801	14,653	1,148
H. Other current financial payables (Note 15)	9,884	5,686	4,198
I. Current financial debt (F+G+H)	**38,982**	**23,652**	**15,330**
J. Net current financial debt (I-D-E)	**24,169**	**3,698**	**20,471**
K. Non-current bank payables (Note 14)	28,647	40,569	(11,922)
L. Other non-current financial payables (Note 14)	3,506	10,861	(7,355)
M. Non-current financial debt (K+L)	**32,153**	**51,430**	**(19,277)**
N. Net financial debt (J+M)	**56,322**	**55,128**	**1,194**

The consolidated statement of cash flows, which shows the changes in cash and cash equivalents (letter D. of this statement), describes in detail the cash flows that led to the change in the net financial position.

COMMENTS ON KEY INCOME STATEMENT ITEMS

23. REVENUE

In 2020, sales revenue totalled €184,906,000, up by €28,983,000 (+18.6%) compared with 2019. On a like-for-like basis, considering the contribution of the C.M.I Group (acquired during 2019) for the months of August to December 2020 only, revenues increased by 8.4%.

REVENUE BY GEOGRAPHICAL AREA

	2020	%	2019	%	% change
Italy	35,260	19.1%	31,161	20.0%	+13.2%
Western Europe	11,103	6.0%	12,277	7.9%	-9.6%
Eastern Europe	68,061	36.8%	55,059	35.3%	+23.6%
Middle East and Africa	12,040	6.5%	7,050	4.5%	+70.8%
Asia and Oceania	8,103	4.4%	9,198	5.9%	-11.9%
South America	27,639	14.9%	23,451	15.0%	+17.9%
North America and Mexico	22,700	12.3%	17,727	11.4%	+28.1%
Total	**184,906**	**100%**	**155,923**	**100%**	**+18.6%**

REVENUE BY PRODUCT FAMILY

	2020	%	2019	%	% change
Gas parts	129,834	70.2%	122,205	78.4%	+6.2%
Hinges	41,326	22.3%	23,774	15.2%	+73.8%
Electronic components	13,746	7.4%	9,944	6.4%	+38.2%
Total	**184,906**	**100%**	**155,923**	**100%**	**+18.6%**

The pandemic resulted in very high volatility of sales revenues during 2020. After an encouraging start to the year, from March onwards the Group's activities slowed down significantly, firstly due to the temporary interruption of activities at the Italian plants (on average for 3 weeks) and then due to the general reduction in production levels by our customers. As from July, there was a marked recovery in demand in all geographical areas, which accelerated further in the latter part of the year when the favourable market situation was accompanied by the start of new supplies of burners on a global scale to strategic customers and cross-selling between the gas and electronics divisions.

Average sales prices in 2020 were 1.8% lower compared with 2019.

24. OTHER INCOME

	2020	2019	Change
Sale of trimmings	2,909	2,072	837
Contingent income	999	336	663
Rental income	121	118	3
Use of provisions for risks and charges	94	64	30
Other income	3,071	1,031	2,040
Total	**7,194**	**3,621**	**3,573**

Contingent assets include €796,000 collected as a distribution to unsecured creditors from the extraordinary administration procedure of a former customer, the related receivable having been fully written down in previous years.
Other income includes €972,000 in insurance compensation received following a fire that occurred in May 2019, as well as revenue from the sale of moulds and equipment of €795,000 and Turkish government grants of €285,000, referring to incentives for hiring personnel in Turkey.

25. MATERIALS

	2020	2019	Change
Commodities and outsourced components	75,443	52,241	23,202
Consumables	7,523	5,223	2,300
Total	**82,966**	**57,464**	**25,502**

In 2020, the effective purchase prices of the main raw materials (aluminium alloys, steel and brass) were on average lower than in 2019, with a positive impact of 1.3% of sales.

26. COSTS FOR SERVICES

	2020	2019	Change
Outsourced processing	11,094	8,659	2,435
Natural gas and power	4,380	4,425	(45)
Maintenance	5,920	4,375	1,545
Transport	2,986	2,182	804
Advisory services	2,320	2,384	(64)
Travel expenses and allowances	219	740	(521)
Commissions	835	765	70
Directors' fees	693	723	(30)
Insurance	694	568	126
Canteen	560	437	123
Other costs	4,563	4,230	333
Total	**34,264**	**29,488**	**4,776**

The main outsourced processing carried out by the Group's Italian companies include aluminium die-casting, hot moulding of brass and steel blanking as well as some mechanical processing and assembly. The increase in costs for outsourced processing reflects the higher levels of activity compared to the previous year.
Other costs included expenses for the registration of patents, waste disposal, cleaning, leasing third-party assets and other minor charges.

27. PERSONNEL COSTS

	2020	2019	Change
Salaries and wages	29,048	25,080	3,968
Social Security costs	8,831	7,905	926
Temporary agency workers	2,869	1,394	1,475
Post-employment benefit and other costs	2,294	2,043	251
Stock grant plan	658	681	(23)
Total	**43,700**	**37,103**	**6,597**

The number of Group employees was 1,168 at 31 December 2020 (1,035 at 31 December 2019).
The number of temporary staff was 155 at 31 December 2020 (42 at 31 December 2019).
The item "Stock Grant Plan" included the measurement at 31 December 2020 of the fair value of options to the allocation of shares of the Parent Company assigned to Group employees. For details of the Stock Grant Plan, refer to Note 38.

28. OTHER OPERATING COSTS

	2020	2019	Change
Non-income taxes	692	501	191
Other operating expenses	524	496	28
Contingent liabilities	36	101	(65)
Losses and write-downs of trade receivables	118	509	(391)
Provisions for risks	576	74	502
Other provisions	35	17	18
Total	**1,981**	**1,698**	**283**

Non-income taxes chiefly relate to property tax. Provisions refer to the allocations described in Note 17.

29. FINANCIAL INCOME

	2020	2019	Change
Exercise of the C.M.I. first option (Note 15)	1,137	-	1,137
Adjustment to the fair value of the A.R.C. option (Note 15)	69	168	(99)
Interest from bank current accounts	155	388	(233)
Other financial income	5	82	(77)
Total	**1,366**	**638**	**728**

Financial income includes €1,137,000 related to the difference between the carrying value of the first put option related to the purchase of a 15.75% interest in C.M.I. and the consideration actually paid in September 2020, when the purchase was completed (Note 15).

30. FINANCIAL EXPENSES

	2020	2019	Change
Interest paid to banks	969	890	79
Interest paid on finance lease contracts	112	102	10
Banking expenses	251	275	(24)
Adjustment to the fair value of the C.M.I. option (Note 15)	750	-	750
Other financial expense	31	72	(41)
Total	**2,113**	**1,339**	**774**

Interest paid to banks includes IRS spreads payable that hedge interest rate risks (Note 36).

31. EXCHANGE RATE GAINS AND LOSSES

In 2020, the Group reported net foreign exchange losses of €4,812,000 (net losses of €1,380,000 in 2019). The main portion of 2020 foreign exchange losses was recorded by Sabaf Turkey, refers to financial payables in euro and reflects the devaluation of the Turkish lira during the current financial year.

32. INCOME TAXES

	2020	2019	Change
Current taxes for the year	3,641	2,694	947
Deferred tax assets and liabilities	(4,259)	(1,967)	(2,292)
Taxes related to previous financial years	767	(1,135)	1,902
Total	**149**	**(408)**	**557**

Reconciliation between the tax burden booked in the financial statements and the theoretical tax burden calculated according to the statutory tax rates currently in force in Italy is shown in the following table:

	2020	2019
Theoretical income tax	3,735	2,386
Permanent tax differences	(192)	(216)
Taxes related to previous financial years	767	(1,135)
Tax effect from different foreign tax rates	97	23
Effect of non-recoverable tax losses	150	137
"Patent box" tax benefit	-	(306)
"Super and Iperammortamento" tax benefit	(812)	(653)
Realignment between carrying values and tax values of properties (Note 21)	(1,360)	-
Tax incentives for investments in Turkey	(2,432)	(709)
Other differences	(441)	(206)
Income taxes booked in the accounts, excluding IRAP and withholding taxes (current and deferred)	**(488)**	**(680)**
IRAP (current and deferred)	518	272
Substitute tax on realignment of property values	163	0
Tax credit on sanitisation costs	(44)	0
Total	**149**	**(408)**

Theoretical taxes were calculated applying the current corporate income tax (IRES) rate, i.e. 24%, to the pre-tax result. IRAP is not taken into account for the purpose of reconciliation because, as it is a tax with a different assessment basis from pre-tax profit, it would generate distorting effects.

In these consolidated financial statements, the Group recognised:
- the tax benefits relating to "Superammortamento" (Super amortisation) and "Iperammortamento" (Hyper amortisation), related to the investments made in Italy, amounting to €812,000 (€653,000 in 2019);
- the tax benefits deriving from the investments made in Turkey amounting to €2,432,000 (€709,000 in 2019);

Taxes relating to previous financial years include for €897,000 the negative effect of the unfavourable outcome in the second instance of a tax dispute in Turkey.

At 31 December 2020, there was a tax dispute in Sabaf Turkey, for which the third instance is pending. The outcome of the dispute was favourable to the company both in first and second instance. The confirmation of the unfavourable outcome would not imply significant additional charges for the Group with respect to what has already been recognised in these consolidated financial statements, while a favourable outcome would result in a benefit of approximately 7.2 million Turkish lira (€793,000 at the end of 2020 exchange rate).

33. EARNINGS PER SHARE

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

EARNINGS		
(€/000)	**2020**	**2019**
Profit for the year	13,961	9,915
NUMBER OF SHARES		
	2020	**2019**
Weighted average number of ordinary shares for determining basic earnings per share	11,260,791	11,081,396
Dilutive effect from potential ordinary shares	-	-
Weighted average number of ordinary shares for determining diluted earnings per share	11,260,791	11,081,396
EARNINGS PER SHARE		
(€)	**2020**	**2019**
Basic earnings per share	1.240	0.895
Diluted earnings per share	1.240	0.895

Basic earnings per share are calculated on the average number of outstanding shares minus treasury shares, equal to 346,748 in 2020 (169,875 in 2019).

Diluted earnings per share are calculated taking into account any shares approved but not yet subscribed, of which there were none in 2020 and 2019.

34. DIVIDENDS

On 14 October 2020, shareholders were paid a dividend of €0.35 per share (total dividends of €3,924,000).
The Directors have recommended payment of a dividend of €0.55 per share this year. This dividend is subject to approval of shareholders in the annual Shareholders' Meeting and was not included under liabilities in these financial statements.
The dividend proposed is scheduled for payment on 2 June 2021 (ex-date 31 May and record date 1 June).

35. INFORMATION BY BUSINESS SEGMENT

Information by business segment for 2020 and 2019 is provided below.

2020 FISCAL YEAR				
	Gas parts (household and professional)	**Hinges**	**Electronic components**	**Total**
Sales	129,864	41,078	13,964	**184,906**
Ebit	12,683	2,999	4,411	**20,093**
2019 FISCAL YEAR				
	Gas parts (household and professional)	**Hinges**	**Electronic components**	**Total**
Sales	122,223	23,779	9,921	**155,923**
Ebit	8,364	1,879	1,653	**11,896**

36. INFORMATION ON FINANCIAL RISK

Categories of financial instruments

In accordance with IFRS 7, a breakdown of the financial instruments is shown below, among the categories set forth in IAS 39:

	31.12.2020	31.12.2019
Financial assets		
Amortised cost		
Cash and cash equivalents	13,318	18,687
Term bank deposits	1,233	1,293
Trade receivables and other receivables	67,121	48,685
Fair Value through profit or loss		
Derivatives to hedge cash flows	-	33
Hedge accounting		
Derivatives to hedge cash flows	262	-
Financial liabilities		
Amortised cost		
Loans	62,646	63,061
Other financial liabilities	1,233	1,293
Trade payables	41,773	27,560
Fair Value through profit or loss		
A.R.C. put option (Note 15)	1,581	1,650
C.M.I. put option (Note 15)	5,250	8,700
Derivatives to hedge cash flows	425	377

The Group is exposed to financial risks related to its operations, mainly:

- credit risk, with special reference to normal trade relations with customers;
- market risk, relating to the volatility of prices of commodities, foreign exchange and interest rates;
- liquidity risk, which can be expressed by the inability to find financial resources necessary to ensure Group operations.

It is part of the Sabaf Group's policies to hedge exposure to changes in prices and to fluctuations in exchange and interest rates via derivative financial instruments. Hedging is done using forward contracts, options or combinations of these instruments. Generally speaking, the maximum duration covered by such hedging does not exceed 18 months. The Group does not enter into speculative transactions. When the derivatives used for hedging purposes meet the necessary requisites, hedge accounting rules are followed.

Credit risk management

Trade receivables involve producers of domestic appliances, multinational groups and smaller manufacturers in a few or single markets. The Group assesses the creditworthiness of all its customers at the start of supply and systemically at least on an annual basis. After this assessment, each customer is assigned a credit limit.

The Group factors receivables with factoring companies based on without recourse agreements, thereby transferring the related risk.

A credit insurance policy is in place, which guarantees cover for approximately 38% of trade receivables.

Credit risk relating to customers operating in emerging economies is generally attenuated by the expectation of revenue through letters of credit.

Forex risk management

The key currencies other than the euro to which the Group is exposed are the US dollar, the Brazilian real and the Turkish lira, in relation to sales made in dollars (chiefly on some Asian and American markets) and the production units in Brazil and Turkey. Sales in US dollars represented 17% of total turnover in 2020, while purchases in dollars represented 4.6% of total turnover. During the year, operations in dollars were partially hedged through forward sales contracts. At 31 December 2020, the Group had in place forward sales contracts of USD 9.6 million, maturing in December 2021 at an average exchange rate of 1.1895. With reference to these contracts, the Group applies hedge accounting, checking compliance with IFRS 9.

The table below shows the balance sheet and income statement effects of forward sales contracts recognised under hedge accounting.

(amounts in €/000)	**2020**
Current financial assets	262
Cash Flow Hedge reserve (equity reserve for hedging instruments)	247
Value realised and recognised as an increase in revenue in 2020	15

The following table shows the characteristics of the derivative financial instruments described in the previous paragraph.

EXCHANGE RATE RISK MANAGEMENT: CASH FLOW HEDGE IN ACCORDANCE WITH IFRS 9 ON COMMERCIAL TRANSACTIONS

Company	Counterparty	Instrument	Maturity	Value date	Notional (in thousands)	Fair value hierarchy
Sabaf S.p.A.	Unicredit	Forward	29/03/2021	USD	800	2
			28/06/2021		800	
			27/09/2021		800	
	MPS	Forward	21/12/2021	USD	800	
			29/03/2021		400	
			28/06/2021		400	
			28/09/2021		400	
			21/12/2021		400	
Faringosi Hinges s.r.l.	UBI Banca	Forward	22/03/2021	USD	700	
			21/06/2021		700	
			20/09/2021		700	
			15/12/2021		700	
C.M.I. s.r.l.	BPER Banca	Forward	07/01/2021	USD	500	
			06/04/2021		500	
			06/07/2021		500	
			06/10/2021		500	

Sensitivity analysis

With reference to financial assets and liabilities in US dollars at 31 December 2020, a hypothetical and immediate revaluation of 10% of the euro against the dollar would have led to a loss of €1,214,000.

Interest rate risk management

Owing to the current trend in interest rates, the Group favours fixed-rate indebtedness: medium to long-term loans originated at a variable rate are converted to a fixed rate by entering into interest rate swaps (IRS) when the loan is opened. At 31 December 2020, IRS totalling €32.4 million were in place, mirrored in mortgages with the same residual debt, through which the Group transformed the floating rate of the mortgages into fixed rate. The derivative contracts were not designated as a cash flow hedge and were therefore recognised using the "fair value through profit or loss" method.

Sensitivity analysis

Considering the IRS in place, at the end of 2020 almost all of the Group's financial debt was at a fixed rate. Therefore, at 31 December 2020 no sensitivity analysis was carried out in that the exposure to interest rate risk, linked to a hypothetical increase (decrease) in interest rates, is not significant.

Commodity price risk management

A significant portion of the Group's purchase costs is represented by aluminium, steel and brass. Sale prices of products are generally renegotiated annually; as a result, the Group is unable to pass on to customers any changes in the prices of commodities during the year. The Group protects itself from the risk of changes in the price of aluminium, steel and brass with supply contracts signed with suppliers for delivery up to twelve months in advance or, alternatively, with derivative financial instruments. In 2020 and 2019, the Group did not use financial derivatives on commodities. To stabilise the rising costs of commodities, Sabaf preferred to execute transactions on the physical market, fixing prices with suppliers for immediate and deferred delivery.

Liquidity risk management

The Group operates with a debt ratio considered physiological (net financial debt/shareholders' equity at 31 December 2020 of 47.8%, net financial debt/EBITDA of 1.52) and has unused short-term lines of credit. To minimise the risk of liquidity, the Administration and Finance Department:

- maintains a correct balance of net financial debt, financing investments with capital and with medium to long-term debt.
- verifies systematically that the short-term accrued cash flows (amounts received from customers and other income) are expected to accommodate the deferred cash flows (short-term financial debt, payments to suppliers and other outgoings);
- regularly assesses expected financial needs in order to promptly take any corrective measures.

An analysis by expiry date of financial payables at 31 December 2020 and 31 December 2019 is shown below:

At 31 December 2020	Carrying value	Contractual cash flows	Within 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Short-term bank loans	13,727	13,727	13,727	-	-	-
Unsecured loans	44,448	45,211	2,074	14,022	29,115	-
Finance leases	4,896	5,143	383	1,125	3,206	429
Payables to A.R.C. shareholders	60	60	-	60	-	-
Payables to C.M.I. shareholders	1,173	1,173	-	1,173	-	-
A.R.C. option	1,581	1,581	-	1,581	-	-
C.M.I. option	5,250	5,250	-	5,250	-	-
Total financial payables	**71,135**	**72,145**	**16,184**	**23,211**	**32,321**	**429**
Trade payables	41,773	41,773	38,503	3,270	-	-
Total	**112,908**	**113,918**	**54,687**	**26,481**	**32,321**	**429**

At 31 December 2019	Carrying value	Contractual cash flows	Within 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Short-term bank loans	3,689	3,689	3,689	-	-	-
Unsecured loans	55,221	56,474	2,073	13,048	40,126	1,227
Finance leases	4,528	4,898	352	895	3,088	563
Payables to A.R.C. shareholders	120	120	-	60	60	-
Payables to C.M.I. shareholders	1,173	1,173	-	-	1,173	-
A.R.C. option	1,650	1,650	-	-	1,650	-
C.M.I. option	8,700	8,700	-	4,200	4,500	-
Total financial payables	**75,081**	**76,704**	**6,114**	**18,203**	**50,597**	**1,790**
Trade payables	27,560	27,560	25,993	1,567	-	-
Total	**102,641**	**104,264**	**32,107**	**19,770**	**50,597**	**1,790**

The various due dates are based on the period between the end of the reporting period and the contractual expiry date of the commitments, the values indicated in the table correspond to non-discounted cash flows. Cash flows include the shares of principal and interest; for floating rate liabilities, the shares of interest are determined based on the value of the reference parameter at the end of the reporting period and increased by the spread set forth in each contract.

Hierarchical levels of fair value assessment

The revised IFRS 7 requires that financial instruments reported in the statement of financial position at fair value be classified based on a hierarchy that reflects the significance of the input used in determining the fair value. IFRS 7 makes a distinction between the following levels:

- Level 1 – quotations found on an active market for assets or liabilities subject to assessment;
- Level 2 - input other than prices listed in the previous point, which can be observed directly (prices) or indirectly (derived from prices) on the market;
- Level 3 – input based on observable market data.

The following table shows the financial assets and liabilities valued at fair value at 31 December 2020, by hierarchical level of fair value assessment.

	Level 1	Level 2	Level 3	Total
Other financial assets (currency derivatives)	-	262	-	262
Total assets	**-**	**262**	**-**	**262**

	Level 1	Level 2	Level 3	Total
Other financial liabilities (interest rate derivatives)	-	425	-	425
Other financial liabilities (A.R.C. and C.M.I. put options)	-	-	6.831	6.831
Total liabilities	**-**	**425**	**6.831**	**7.256**

37. RELATED-PARTY TRANSACTIONS

Transactions between consolidated companies were derecognised from the consolidated financial statements and are not reported in these notes. The table below illustrates the impact of all transactions between the Group and other related parties on the balance sheet and income statement.

IMPACT OF RELATED-PARTY TRANSACTIONS ON BALANCE SHEET ITEMS

	Total 2020	Non-consolidated subsidiaries	Other related parties	Total related parties	Impact on the total
Trade payables	41,773	-	4	4	0.01%

	Total 2019	Non-consolidated subsidiaries	Other related parties	Total related parties	Impact on the total
Trade payables	27,560	-	4	4	0.01%

IMPACT OF RELATED-PARTY TRANSACTIONS ON INCOME STATEMENT ITEMS

	Total 2020	Non-consolidated subsidiaries	Other related parties	Total related parties	Impact on the total
Services	(34,264)	-	(22)	(22)	0.06%

	Total 2019	Non-consolidated subsidiaries	Other related parties	Total related parties	Impact on the total
Services	(29,488)	-	(21)	(21)	0.07%

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

Fees to directors, statutory auditors and executives with strategic responsibilities
Please see the 2020 Report on Remuneration for this information.

38. SHARE-BASED PAYMENTS

In order to adopt a medium and long-term incentive instrument for directors and employees of the Sabaf Group, on the proposal of the Remuneration and Nomination Committee, the Board of Directors of Sabaf S.p.A. prepared a specific free allocation plan of shares (the "Plan") with the characteristics described below.
The Plan was approved by the Shareholders' Meeting on 8 May 2018 and the related Regulations by the Board of Directors on 15 May 2018, 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 already identified in the Plan or 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 a total of 185,600 options were assigned; and in its meeting of 14 May 2019, identified the Beneficiaries of Cluster 2 of the Plan to whom a total of 184,400 options 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 Options, 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, with progressiveness, of the business objectives related to the ROI, EBITDA, TSR indicators and Individual objectives, i.e. performance targets of each beneficiary determined by the Board of Directors at the suggestion of the Remuneration and Nomination Committee.

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

Fair Value measurement methods
Considering the allocation mechanism described above, it was necessary to measure at fair value the options assigned to receive shares of the Parent Company. In line with the date of assignment of the options and terms of the plan, the grant date was set at 15 May 2018 for Cluster 1 and 14 May 2019 for Cluster 2. The main assumptions made at the beginning of the vesting period and the determination of fair value at the end of the reporting period are illustrated below.

CLUSTER 1

FAIR VALUE MEASUREMENT METHODS - RIGHTS RELATING TO OBJECTIVES MEASURED ON ROI				
	2018	2019	2020	2018-2020
Share prices at the start of the vesting period	19.48	19.48	19.48	19.48
Expected probability of business objective achievement	35%	0%	35%	0%

Total value on ROI	3.07	Fair Value	1.03
Rights on ROI	33.40%		

FAIR VALUE MEASUREMENT METHODS - RIGHTS RELATING TO OBJECTIVES MEASURED ON EBITDA			
	2018	2019	2020
Share prices at the start of the vesting period	19.48	19.48	19.48
Expected probability of business objective achievement	35%	0%	0%

Total value on EBITDA	1.70	Fair Value	0.57
Rights on EBITDA	33.30%		

FAIR VALUE MEASUREMENT METHODS - RIGHTS RELATING TO OBJECTIVES MEASURED ON TSR				
	2018	2019	2020	2018-2020
Share prices at the start of the vesting period	20.2	14.9	12.44	20.2
Risk free rate	-0.28%	-0.30%	-0.38%	-0.38%
Expected volatility	31%	18%	29%	29%
Dividend yield	0%	0%	0%	0%
Strike Price	22.61	17.39	14.51	28.34

Total value on TSR	7.57	Fair Value	2.52
Rights on TSR	33.30%		

Fair value per share	4.11

CLUSTER 2

FAIR VALUE MEASUREMENT METHODS - RIGHTS RELATING TO OBJECTIVES MEASURED ON ROI

	2019	2020	2019-2020
Share prices at the start of the vesting period	13.66	13.66	13.66
Expected probability of business objective achievement	0%	35%	0%

Total value on ROI	1.96	Fair Value	0.46
Rights on ROI	23.38%		

FAIR VALUE MEASUREMENT METHODS - RIGHTS RELATING TO OBJECTIVES MEASURED ON EBITDA

	2019	2020
Share prices at the start of the vesting period	13.66	13.66
Expected probability of business objective achievement	0%	0%

Total value on EBITDA	0.00	Fair Value	0.00
Rights on EBITDA	23.31%		

FAIR VALUE MEASUREMENT METHODS - RIGHTS RELATING TO OBJECTIVES MEASURED ON TSR

	2019	2020	2019-2020
Share prices at the start of the vesting period	14.9	12.44	14.9
Risk free rate	-0.30%	-0.38%	-0.38%
Expected volatility	18%	29%	29%
Dividend yield	0%	0%	0%
Strike Price	17.39	14.51	22.86

Total value on TSR	2.53	Fair Value	0.59
Rights on TSR	23.31%		

FAIR VALUE MEASUREMENT METHODS - RIGHTS RELATING TO OBJECTIVES MEASURED ON INDIVIDUAL OBJECTIVES

	2019	2020
Share prices at the start of the vesting period	13.66	13.66
Expected probability of business objective achievement	93%	93%

Total value on individual objectives	12.70	Fair Value	3.81
Rights on individual objectives	30.00%		

Fari Value per share	4.86

In connection with this Plan, €658,000 were recognised in personnel costs during the year (Note 27). At 31 December 2020, a reserve of €1,660,000 was recorded in the item "Retained earnings, Other reserves" under shareholders' equity (Note 13).

39. CAPITAL MANAGEMENT

For the purposes of managing the Group's capital, it has been defined that this includes the issued share capital, the share premium reserve and all other capital reserves attributable to the shareholders of the Parent Company. The main objective of capital management is to maximise the value for shareholders. In order to maintain or correct its financial structure, the Group may intervene in dividends paid to shareholders, purchase its own shares, redeem capital to shareholders or issue new shares. The Group controls equity using a gearing ratio consisting of the ratio of net financial debt (as defined in Note 22) to shareholders' equity. The Group's policy is to keep this ratio below 1. In order to achieve this objective, the management of the Group's capital aims, among other things, to ensure that the covenants, linked to loans, which define the capital structure requirements, are complied with. Violations of covenants would allow banks to demand immediate repayment of loans (Note 14). During the current financial year, there were no breaches of the covenants linked to loans.

In the years ended 31 December 2020 and 2019, no changes were made to the objectives, policies and procedures for capital management.

40. 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:

	Group shareholders' equity	Group net profit	Net financial debt	Cash flows
Financial statement values (A)	**112,998**	**13,961**	**56,322**	**(5,369)**
Realignment of carrying values and tax values of properties (a)	(1,214)	(1,214)	-	-
Recognition of tax benefits on investments made in Turkey (b)	(2,432)	(2,432)	-	-
Recovery of a previously written-down trade receivable (c)	(796)	(796)	796	(796)
Settlement of a patent dispute (d)	500	500	-	-
Total non-recurring operations (B)	*(3,942)*	*(3,942)*	*796*	*(796)*
Tax effect on operations c) and d)	52	52	-	-
Financial statement notional value (A + B)	**109,108**	**10,071**	**57,118**	**(6,165)**

In these consolidated financial statements, the Group recognised:

a. under income taxes, a non-recurring income of €1,214,000 following the realignment, carried out in accordance with Article 110 of Italian Law Decree No. 104 of 14 August 2020, of the differences between the carrying values and tax values of certain properties resulting from the merger of Sabaf Immobiliare, a transaction that took place in 2019. The total amount of €1,214,000 is the difference between the release of related deferred tax liabilities of €1,360,000 and the recognition of substitute tax of €146,000 (Note 31);
b. under income taxes, a non-recurring income of €2,432,000 relating to the tax benefits arising from investments made in Turkey (Note 31);
c. among other revenues, a non-recurring income of €704,000 collected as a distribution to unsecured creditors from the extraordinary administration procedure of a former customer, the related receivable having been fully written down in previous years (Note 24);
d. among other operating revenues, a provision for legal risks of €500,000 for a patent dispute for which a settlement was reached with the counterparty at the beginning of 2021 (Note 17 and Note 28).

41. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

After the reporting period and up to the date of this report, no events occurred that need to be mentioned.

42. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

Pursuant to CONSOB memorandum of 28 July 2006, the Group declares that no atypical and/or unusual transactions as defined by the CONSOB memorandum were executed during 2020.

43. COMMITMENTS

Guarantees issued

The Sabaf Group has issued sureties to guarantee consumer and mortgage loans granted by banks to Group employees for a total of €3,632,000 (€4,024,000 at 31 December 2019).

44. SCOPE OF CONSOLIDATION AND SIGNIFICANT EQUITY INVESTMENTS

COMPANIES CONSOLIDATED USING THE FULL LINE-BY-LINE CONSOLIDATION METHOD				
Company name	**Registered offices**	**Share capital**	**Shareholders**	**Ownership %**
Faringosi Hinges s.r.l.	Ospitaletto (BS)	EUR 90,000	Sabaf S.p.A.	100%
Sabaf do Brasil Ltda	Jundiaí - São Paulo (Brazil)	BRL 38,328,261	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 Ltd.	Kunshan (China)	EUR 7,900,000	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 153,833,140	Sabaf S.p.A.	100%
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	Valsamoggia (BO)	EUR 1,000,000	Sabaf S.p.A.	84.25%
C.G.D. s.r.l.	Valsamoggia (BO)	EUR 26,000	C.M.I. s.r.l.	100%
C.M.I. Polska sp. z.o.o.	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**	**Shareholders**	**ownership %**	**holding %**
Handan A.R.C. Burners Co., Ltd.	Handan (China)	RMB 3,000,000	A.R.C. s.r.l.	51%	35.7%

45. GENERAL INFORMATION ON THE PARENT COMPANY

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

Contacts Tel: +39 030 - 6843001

Fax: +39 030 - 6848249

E-mail: info@sabaf.it

Website: www.sabafgroup.com

Tax information R.E.A. Brescia 347512

Tax Code 03244470179

VAT number 01786910982

APPENDIX

Information as required by Article 149-duodecies of the CONSOB Issuers' Regulation

The following table, prepared pursuant to Article 149-*duodecies* of the CONSOB Issuers' Regulation, shows fees relating to 2020 for auditing and for services other than auditing provided by the Independent Auditors and their network.

(in thousands of Euro)	Party providing the service	Recipient	Fees pertaining to the 2020 financial year
Audit	EY S.p.A.	Parent company	47
	EY S.p.A.	Italian subsidiaries	49
	EY network	Foreign subsidiaries	56
Other services	EY S.p.A.	Parent company	41[1]
Total			**193**

[1] Auditing procedures agreement relating to interim management reports; limited review of the Disclosures of Non-Financial Information.

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

in accordance with Article 154 bis of Italian Legislative Decree 58/98

Pietro Iotti, the Chief Executive Officer, and Gianluca Beschi, the Financial Reporting Officer of Sabaf S.p.A., have 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 for the formation of the consolidated financial statements during the 2020 financial year.

They also certify that:

- the Consolidated financial statements:
  - were prepared in accordance with the international accounting policies recognised in the European Community in accordance with EC regulation 1606/2002 of the European Parliament and Council of 19 July 2002 and with the measures issued in implementation of Article 9 of Italian Legislative Decree 38/2005;
  - 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 report on operations contains a reliable analysis of the performance and results of operations and the situation of the issuer and the companies included in the scope of consolidation, along with a description of the key risks and uncertainties to which they are exposed.

Ospitaletto, 23 March 2021

Chief Executive Officer	The Financial Reporting Officer
Pietro Iotti	Gianluca Beschi

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Sabaf S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Sabaf Group (the Group), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders' equity and the consolidated cash flow statement for the year then ended, and the explanatory notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Sabaf S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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We identified the following key audit matter:

Key Audit Matters	Audit Responses
Recoverability of goodwill	
Goodwill at December 31, 2020 amounted to Euro 22,6 million, and was allocated to the following Group's Cash Generating Units (CGU): - "Electronic components" CGU for Euro 12.7 million; - "Hinges" CGU for Euro 4.4 million; - "CMI Hinges" CGU for Euro 3,7 million. - "Professional burners" CGU for Euro 1.8 million; The processes and methodologies to valuate and determine the recoverable amount of each CGU, in terms of value in use, are based on complex assumptions that, due to their nature, imply the use of judgement by management, in particular with reference to the future cash flow forecasts in the period covered by the Group business plan, the assessment of the normalized cash flows used to estimate the terminal value and the long term growth and discount rates applied to the future cash flow forecasts. Considering the level of judgement and complexity of the assumptions applied in estimating the recoverable amount of goodwill we determined that this area represents a key audit matter. The disclosures related to the valuation of goodwill are included in paragraph "Goodwill" and in note "3 - Intangible Assets".	Our audit procedures in response to this key audit matter included, among others: (i) assessment of the process and key controls implemented by the Group in connection with the valuation of goodwill; (ii) assessment of the CGUs perimeter and the allocation of the carrying amounts of assets and liabilities to each CGU; (iii) assessment of the key assumptions underlying future cash flow forecasts; (iv) test of the consistency of the future cash flow forecasts allocated to each CGU against the 2021-2025 business plan; (v) assessment of the accuracy of cash flow projections as compared to historical results; (vi) assessment of the long term growth rates and discount rates. In performing our analysis, we engaged our experts in valuation techniques, who have independently performed calculation and sensitivity analyses of key assumptions in order to determine any changes in assumptions that could materially impact the valuation of the recoverable amount. Lastly, we evaluated the appropriateness of the disclosures included in the explanatory notes of the consolidated financial statements and the consistency of the related disclosure provided in the Report on Operations.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Sabaf S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Sabaf S.p.A., in the general meeting held on May 8, 2018, engaged us to perform the audits of the consolidated financial statements for each of the years ending December 31, 2018 to December 31, 2026.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Sabaf S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Group Sabaf as at December 31, 2020, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Sabaf Group as at December 31, 2020 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Sabaf Group as at December 31, 2020 and comply with the applicable laws and regulations.

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With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Sabaf S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Milan, April 2, 2021

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.

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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

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STATEMENT OF FINANCIAL POSITION

(in €)	Notes	31.12.2020	31.12.2019
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	1	48,662,264	51,470,506
Investment property	2	3,252,696	3,975,991
Intangible assets	3	2,315,819	2,452,857
Equity investments	4	65,524,289	57,950,775
Non-current financial assets	5	5,537,324	5,340,310
- of which from related parties	35	*5,537,324*	*5,280,310*
Non-current receivables		31,421	19,871
Deferred tax assets	21	3,891,955	4,276,366
TOTAL NON-CURRENT ASSETS		**129,215,768**	**125,486,676**
CURRENT ASSETS			
Inventories	6	21,512,333	19,862,180
Trade receivables	7	45,024,596	28,563,314
- of which from related parties	35	*16,048,130*	*9,094,290*
Tax receivables	8	1,254,041	1,736,169
- of which from related parties	35	*316,208*	*0*
Other current receivables	9	1,947,372	588,494
Current financial assets	10	1,359,993	2,832,998
- of which from related parties	35	*0*	*1,600,000*
Cash and cash equivalents	11	1,594,861	8,343,105
TOTAL CURRENT ASSETS		**72,693,196**	**61,926,260**
ASSETS HELD FOR SALE		0	0
TOTAL ASSETS		**201,908,964**	**187,412,936**

SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	12	11,533,450	11,533,450
Retained earnings, Other reserves		91,985,093	93,399,901
Profit for the year		6,409,674	3,821,876
TOTAL SHAREHOLDERS' EQUITY		**109,928,218**	**108,755,227**
NON-CURRENT LIABILITIES			
Loans	14	26,891,000	35,485,756
Other financial liabilities	15	0	1,233,000
Post-employment benefit and retirement provisions	16	1,929,190	2,064,001
Provisions for risks and charges	17	853,650	1,064,482
Deferred tax liabilities	21	230,450	1,733,755
TOTAL NON-CURRENT LIABILITIES		**29,904,290**	**41,580,994**
CURRENT LIABILITIES			
Loans	14	23,996,484	13,994,308
Other financial liabilities	15	1,560,111	331,505
Trade payables	18	26,204,071	15,734,266
- of which to related parties	35	*1,074,716*	*761,431*
Tax payables	19	2,458,942	695,008
- of which to related parties	35	*350,721*	*74,375*
Other payables	20	7,856,847	6,321,628
TOTAL CURRENT LIABILITIES		**48,646,143**	**37,076,715**
LIABILITIES HELD FOR SALE		0	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**201,908,964**	**187,412,936**

INCOME STATEMENT

(in €)	Notes	2020	2019
INCOME STATEMENT COMPONENTS			
OPERATING REVENUE AND INCOME			
Revenue	**23**	102,583,189	94,899,421
- of which from related parties	**35**	*15,221,230*	*13,984,435*
Other income	**24**	5,647,168	4,045,581
TOTAL OPERATING REVENUE AND INCOME		**108,230,357**	**98,945,002**
OPERATING COSTS			
Materials	**25**	(43,270,717)	(32,805,599)
Change in inventories		1,650,153	(6,765,674)
Services	**26**	(22,208,703)	(20,124,041)
- of which by related parties	**35**	*(457,769)*	*(1,698,535)*
Personnel costs	**27**	(28,567,152)	(26,785,293)
Other operating costs	**28**	(1,307,048)	(926,250)
Costs for capitalised in-house work		1,293,579	1,588,760
TOTAL OPERATING COSTS		**(92,409,888)**	**(85,818,097)**
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION, CAPITAL GAINS/LOSSES, WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS		**15,820,469**	**13,126,905**
Depreciations and amortisation	**1,2,3**	(9,414,020)	(9,808,641)
Capital gains/(losses) on disposal of non-current assets		964,788	130,018
Write-downs/write-backs of non-current assets	**4**	(761,407)	(500,000)
- of which by related parties		*(620,000)*	*(500,000)*
EBIT		**6,609,830**	**2,948,282**
Financial income		201,591	211,324
- of which from related parties		*176,889*	*199,308*
Financial expenses	**29**	(717,703)	(816,612)
Exchange rate gains and losses	**30**	(398,970)	(10,015)
Profits and losses from equity investments	**31**	609,252	1,357,665
- of which from related parties		*609,252*	*1,357,665*
PROFIT BEFORE TAXES		**6,304,001**	**3,690,644**
Income taxes	**32**	105,674	131,232
PROFIT FOR THE YEAR		**6,409,674**	**3,821,876**

COMPREHENSIVE INCOME STATEMENT

(in €)	2020	2019
PROFIT FOR THE YEAR	**6,409,674**	**3,821,876**
Total profits/losses that will not be subsequently reclassified under profit (loss) for the year		
Actuarial evaluation of post-employment benefit	(31,418)	(63,367)
Tax effect	7,540	15,208
TOTAL OTHER PROFITS/(LOSSES) NET OF TAXES FOR THE YEAR	**(23,878)**	**(48,159)**
TOTAL PROFIT	**6,385,796**	**3,773,717**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(€/000)	Share Capital	Share premium reserve	Legal reserve	Treasury shares	Actuarial evaluation of post-employment benefit provision	Other Reserves	Profit for the year	Total shareholders' equity
Balance at 31 December 2018	**11,533**	**10,002**	**2,307**	**(6,868)**	**(457)**	**67,482**	**8,040**	**92,039**
2019 dividend payment						1,980	(8,040)	(6,060)
Sale of treasury shares				4,600		208		4,808
Stock grant plan (IFRS 2)						680		680
Sabaf Immobiliare merger						13,514		13,514
Total profit at 31 December 2019					(48)		3,822	3,774
Balance at 31 December 2019	**11,533**	**10,002**	**2,307**	**(2,268)**	**(505)**	**83,864**	**3,822**	**108,755**
Allocation of 2019 profit						3,822	(3,822)	0
2020 dividend payment						(3,924)		(3,924)
Purchase of treasury shares				(2,073)				(2,073)
Stock grant plan (IFRS 2)						658		658
Hedge Accounting reserve						127		127
Total profit at 31 December 2020					(24)		6,409	6,385
Balance at 31 December 2020	**11,533**	**10,002**	**2,307**	**(4,341)**	**(529)**	**84,547**	**6,409**	**109,928**

STATEMENT OF CASH FLOWS

(€/000)	2020 FY	2019 FY
Cash and cash equivalents at beginning of year	**8,343**	**2,169** [1]
Profit for the year	6,410	3,822
Adjustments for:		
- Depreciations and amortisation	9,414	9,809
- Realised gains	(965)	(130)
- Write-downs of non-current assets	761	500
- Profits and losses from equity investments	(609)	(1,358)
- Valuation of the stock grant plan	657	681
- Net financial income and expenses	516	605
- Non-monetary foreign exchange differences	(199)	34
- Income tax	(106)	(131)
Change in post-employment benefit	(166)	(94)
Change in risk provisions	569	(24)
Change in trade receivables	*(16,461)*	*6,610*
Change in inventories	*(1,650)*	*6,766*
Change in trade payables	*10,470*	*185*
Change in net working capital	(7,642)	13,561
Change in other receivables and payables, deferred taxes	1,599	1,325
Payment of taxes	(141)	(339)
Payment of financial expenses	(710)	(790)
Collection of financial income	201	211
Cash flows from operations	**9,590**	**27,682**
Investments in non-current assets		
- intangible	(383)	(494)
- tangible	(7,652)	(6,622)
- financial	(8,974)	(12,314)
Disposal of non-current assets	3,628	1,527
Cash flow absorbed by investments	**(13,381)**	**(17,903)**
Free Cash Flow	**(3,791)**	**9,779**
Repayment of loans	(11,982)	(17,376)
Raising of loans	12,811	13,057
Change in financial assets	1,602	2,270
Purchase/Sale of treasury shares	(2,073)	3,146
Payment of dividends	(3,924)	(6,060)
Collection of dividends	609	1,358
Cash flow absorbed by financing activities	**(2,957)**	**(3,605)**
Total cash flows	**(6,748)**	**6,174**
Cash and cash equivalents at end of year (Note 11)	**1,595**	**8,343**

[1] The value of cash and cash equivalents refers to the sum of the data of Sabaf S.p.A. and Sabaf Immobiliare s.r.l.

Explanatory notes

ACCOUNTING STANDARDS

STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

The separate financial statements of Sabaf S.p.A. for the financial year 2020 have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union. Reference to IFRS also includes all current International Accounting Standards (IAS).
The separate financial statements are drawn up in euro, which is the currency in the economy in which the Company operates. The income statement, the comprehensive income statement and the statement of financial position schedules are prepared in euro, while the statement of cash flows, the statement of changes in shareholders' equity and the values reported in the explanatory notes are in thousands of euro.
The financial statements have been prepared on a historical cost basis except for some revaluations of property, plant and equipment undertaken in previous years, and are considered a going concern. With reference to this assumption, the Company assessed that it is a going concern (as defined by paragraphs 25 and 26 of IAS 1), also due to the strong competitive position, high profitability and solidity of the financial structure.
Sabaf S.p.A., as the Parent Company, also prepared the consolidated financial statements of the Sabaf Group at 31 December 2020.

FINANCIAL STATEMENTS

The Company 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 that expresses revenue and expense items not recognised in profit for the year as required or permitted by IFRS;
- 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 Company's capital, business and financial status.

ACCOUNTING POLICIES

The accounting standards and policies applied for the preparation of the separate financial statements at 31 December 2020, unchanged versus the previous year, are shown below:

Property, plant and equipment

These are recorded at purchase or manufacturing cost. The cost includes directly chargeable ancillary costs. These costs also include revaluations undertaken in the past based on monetary revaluation rules or pursuant to company mergers.

Depreciation is calculated according to rates deemed appropriate to spread the carrying value of tangible assets over their useful working life. Estimated useful working life in years, unchanged compared to previous financial years, is as follows:

Buildings	33
Light constructions	10
General plant	10
Specific plant and machinery	6–10
Equipment	4
Furniture	8
Electronic equipment	5
Vehicles and other transport means	5

Ordinary maintenance costs are expensed in the year in which they are incurred; costs that increase the asset value or useful working life are capitalised and depreciated according to the residual possibility of utilisation of the assets to which they refer.
Land is not depreciated.

Adoption of the accounting standard IFRS 16 "Leases"
The Company applied IFRS 16 from 1 January 2019 by using the amended retrospective approach.

In adopting IFRS 16, the Company made use of the exemption granted in paragraph 5 a) in relation to leases with a duration of less than 12 months (known as short-term leases) and the exemption granted in paragraph 5 b) in relation to lease agreements whose underlying asset is a low-value asset. For these agreements, lease payments are recognised in the income statement on a straight-line basis for the duration of the respective agreements.

When evaluating the lease liabilities, Sabaf S.p.A. discounted the payments due for the lease using the incremental borrowing rate at 1 January 2019. The weighted average of the applied rate was 1.5% on 1 January 2020 and on 31 December 2020.

The lease term is calculated based on the non-cancellable period of the lease, including the periods covered by the option to extend or to terminate the lease if it is reasonably certain that those options will be exercised or not exercised, taking account of all relevant factors that create an economic incentive relating to those decisions.

Investment property

Investment property is valued at cost, including revaluations undertaken in the past based on monetary revaluation rules or pursuant to company mergers.
The depreciation is calculated based on the estimated useful life, considered to be 33 years.

If the recoverable amount of the investment property – determined based on the market value of the properties – is estimated to be lower than its carrying value, the asset's carrying value is reduced to the lower recoverable amount, recognising impairment in the income statement.
When there is no longer any reason for a write-down to be maintained, the carrying value of the asset (or cash generating unit) is increased to the new value stemming from the estimate of its recoverable amount – but not beyond the net carrying value that the asset would have had if it had not been written down for impairment. Reversal of impairment loss is recognised in the income statement.

Intangible assets

As established by IAS 38, intangible assets acquired or internally produced are recognised as assets when it is probable that use of the asset will generate future economic benefits and when asset cost can be measured reliably. If it is considered that these future economic benefits will not be generated, the development costs are written down in the year in which this is ascertained.
Such assets are measured at purchase or production cost and - if the assets concerned have a finite useful life - are amortised on a straight-line basis over their estimated useful life.
The useful life of projects for which development costs are capitalised is estimated to be 10 years.
The SAP management system is amortised over five years.

Equity investments

Equity investments in subsidiaries, associates and joint-ventures are stated in the accounts at cost. In accordance with IAS 36, the value recognised in the financial statements is subject to an impairment test if there are indications of possible impairment.
Equity investments in companies other than subsidiaries, associates and joint ventures are classified as financial assets measured at fair value, which normally corresponds to the transaction price including directly attributable transaction costs. Subsequent changes in fair value are recognised in the Income statement (FVPL) or, if the option is exercised in accordance with the standard, in the Statement of comprehensive income (FVOCI) under the heading "Instrument reserve at FVOCI".

Impairment

At each end of the reporting period, Sabaf S.p.A. reviews the carrying value of its property, plant and equipment, intangible assets and equity investments to determine whether there are signs of impairment of these assets. If there is any such indication, the recoverable amount of said assets is estimated so as to determine the total of the write-down. If it is not possible to estimate the recoverable amount individually, the Company estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs. In particular, the recoverable amount of the cash generating units (which generally coincide with the legal entity to which the capitalised assets refer) is verified by determining the value of use. The recoverable amount is the higher of the net selling price and value of use. In measuring the value of use, future cash flows net of taxes, estimated based on past experience, are discounted to their present value using a pre-tax rate that reflects current market valuations of the present cost of money and specific asset risk. The main assumptions used for calculating the value of use concern the discount rate, growth rate, expected changes in selling prices and cost trends during the period used for the calculation. The growth rates adopted are based on future market expectations in the relevant sector. Changes in the sales prices are based on past experience and on the expected future changes in the market. The Company prepares operating cash flow forecasts based on the most recent budgets approved by the Boards of Directors of the investees, draws up four-year forecasts and determines the terminal value (current value of perpetual income), which expresses the medium- and long- term operating flows in the specific sector.
Furthermore, the Company checks the recoverable amount of its investees at least once a year when the separate financial statements are prepared.
If the recoverable amount of an asset (or CGU) is estimated to be lower than its carrying value, the asset's carrying value is reduced to the lower recoverable amount, recognising impairment of value in the income statement.
When there is no longer any reason for a write-down to be maintained, the carrying value of the asset (or cash generating unit) is increased to the new value stemming from the estimate of its recoverable amount – but not beyond the net carrying value that the asset would have had if it had not been written down for impairment. Reversal of impairment loss is recognised in the income statement.

Inventories

Inventories are measured at the lower of purchase or production cost – determined using the weighted average cost method – and the corresponding fair value represented by the replacement cost for purchased materials and by the presumed realisable value for finished and semi-processed products – calculated taking into account any manufacturing costs and direct selling costs yet to be incurred. Inventory cost includes accessory costs and the portion of direct and indirect manufacturing costs that can reasonably be assigned to inventory items. Inventories subject to obsolescence and low turnover are written down in relation to their possibility of use or realisation. Inventory write-downs are derecognised in subsequent years if the reasons for such write-downs cease to exist.

Trade receivables and other financial assets

Initial recognition

Upon initial recognition, financial assets are classified, as the case may be, on the basis of subsequent measurement methods, i.e. at amortised cost, at fair value recognised in other comprehensive income (OCI) and at fair value recognised in the income statement.
The classification of financial assets at initial recognition depends on the characteristics of the contractual cash flows of the financial assets and on the business model that the Company uses to manage them.
Trade receivables that do not contain a significant financing component are valued at the transaction price determined in accordance with IFRS 15. See the "Revenue from Contracts with Customers" paragraph.
Other financial assets are recorded at fair value plus, in the case of a financial asset not at fair value recognised in the income statement, transaction costs.
For a financial asset to be classified and measured at amortised cost or at fair value recognised in OCI, it must generate cash flows that depend solely on the principal and interest on the amount of principal to be repaid (known as 'solely payments of principal and interest (SPPI)'). This measurement is referred to as the SPPI test and is carried out at the instrument level.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below.

Financial assets at amortised cost (debt instruments)
This category is the most important for the Company. The Company measures the financial assets at amortised cost if both of the following requirements are met:
- the financial asset is held as part of a business model whose objective is to hold financial assets for the purpose of collecting contractual cash flows

and
- the contractual terms of the financial asset envisage, at certain dates, cash flows represented solely by payments of principal and interest on the amount of principal to be repaid.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or revalued.
Financial assets at amortised cost of the Company include trade receivables.

Financial assets at fair value through profit or loss
This category includes all assets held for trading, assets designated at initial recognition as financial assets measured at fair value with changes recognised in the income statement, or financial assets that must be measured at fair value. Assets held for trading are all those assets acquired for sale or repurchase in the short term. Derivatives, separated or otherwise, are classified as financial instruments held for trading, unless they are designated as effective hedging instruments. Financial assets with cash flows that are not represented solely by principal and interest payments are classified and measured at fair value through profit or loss, regardless of the business model. Financial instruments at fair value with changes recognised in the income statement are recognised in the statement of financial position at fair value and net changes in fair value through profit or loss. This category includes derivative instruments.

The Company does not hold financial assets at fair value through profit or loss with reclassification of cumulative gains and losses or financial assets at fair value through profit or loss without reversal of cumulative gains and losses upon derecognition.

Derecognition
A financial asset (or, if applicable, part of a financial asset or part of a group of similar financial assets) is firstly written off (e.g. removed from the statement of financial position of the Company) when:
- the rights to receive cash flows from the asset are extinguished, or
- the Company transferred to a third party the right to receive financial flows from the asset or has taken on the contractual obligation to pay them fully and without delay and (a) transferred substantially all the risks and benefits of the ownership of the financial asset or (b) did not substantially transfer or retain all the risks and benefits of the asset, but transferred their control.

If the Company has transferred the rights to receive financial flows from an asset or has signed an agreement on the basis of which it retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the financial flows to one or more beneficiaries (pass-through), it considers whether or to what extent it has retained the risks and benefits concerning the ownership. If it has not substantially transferred or retained all the risks and benefits or has not lost control over it, the asset continued to be recognised in the financial statements of the Company to the extent of its residual involvement in the asset itself. In this case, the company also recognises an associated liability. The transferred asset and the associated liability are measured in such a way as to reflect the rights and obligations that pertain to the Company. When the residual involvement of the entity is a guarantee in the transferred asset, the involvement is measured based on the amount of the asset or the maximum amount of the consideration received that the entity could be obliged to pay, whichever lower.

Provisions for risks and charges
Provisions for risks and charges are provisioned to cover losses and debts, the existence of which is certain or probable, but whose amount or date of occurrence cannot be determined at the end of the year. Provisions are stated in the statement of financial position only when a legal or implicit obligation exists that determines the use of resources with an impact on profit and loss to meet that obligation and the amount can be reliably estimated. If the effect is significant, the provisions are calculated by updating future cash flows estimated at a rate including taxes such as to reflect current market valuations of the current value of the cash and specific risks associated with the liability.

Post-employment benefit
The post-employment benefit is provisioned to cover the entire liability accruing vis-à-vis employees in compliance with current legislation and with national and supplementary company collective labour contracts. This liability is subject to revaluation via application of indices fixed by current regulations. Up to 31 December 2006, post-employment benefits were considered defined-benefit plans and accounted for in compliance with IAS 19, using the projected unit-credit method. The regulations of this fund were amended by Italian Law no. 296 of 27 December 2006 and subsequent Decrees and Regulations issued during the first months of 2007. In the light of these changes, and, in particular, for companies with at least 50 employees, post-employment benefits must now be considered a defined-benefit plan only for the portions accruing before 1 January 2007 (and not yet paid as at the end of the reporting period). Conversely, portions accruing after that date are treated as defined-contribution plans.
Actuarial gains or losses are recorded immediately under "Other total profits/(losses)".

Trade payables and other financial liabilities
Initial recognition
All financial liabilities are initially recognised at fair value, in addition to directly attributable transaction costs in case of mortgages, loans and payables.
The Company's financial liabilities include trade payables and other payables, mortgages and loans, including current account overdrafts and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value with changes recognised in the income statement include liabilities held for trading and financial liabilities initially recognised at fair value, with changes recognised in the income statement. Liabilities held for trading are those liabilities acquired in order to discharge or transfer them in the short term. This category also includes derivative financial instruments subscribed by the Company and not designated as hedging instruments in a hedging relationship pursuant to IFRS 9. Embedded derivatives, separated from the main contract, are classified as financial instruments held for trading, unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. Financial liabilities are designated at fair value with changes recognised in the income statement from the date of initial recognition, only if the criteria of IFRS 9 are met.

Loans and payables

This is the most important category for the Company and includes interest-bearing payables and loans. After initial statement, loans are valued using the amortised cost approach, applying the effective interest rate method. Gains and losses are recognised in the income statement when the liability is discharged, as well as through the amortisation process. Amortised cost is calculated by recognising the discount or premium on the acquisition and the fees or costs that are an integral part of the effective interest rate. Amortisation at the effective interest rate is included in financial expenses in the income statement.

Derecognition

A financial liability is derecognised when the obligation underlying the liability is discharged, cancelled or fulfilled. If an existing financial liability is replaced by another from the same lender, at substantially different conditions, or if the conditions of an existing liability are substantially changed, this replacement or change is treated as a derecognition of the original liability accompanied by the recognition of a new liability, with any differences between the carrying values recognised in the income statement.

Policy for conversion of foreign currency items

Receivables and payables originally expressed in foreign currencies are converted into euro at the exchange rates in force on the date of the transactions originating them. Forex differences realised upon collection of receivables and payment of payables in foreign currency are posted in the income statement. Income and costs relating to foreign-currency transactions are converted at the rate in force on the transaction date.

At year-end, assets and liabilities expressed in foreign currencies are posted at the spot exchange rate in force at the end of the reporting period and related foreign exchange gains and losses are posted in the income statement. If conversion generates a net gain, this value constitutes a non-distributable reserve until it is effectively realised.

Derivative instruments and hedge accounting

The Company's business is exposed to financial risks relating to changes in exchange rates, commodity prices and interest rates. The Company may decide to use derivative financial instruments to hedge these risks.

Derivatives are initially recognised at cost and are then adjusted to fair value on subsequent closing dates.

Changes in the fair value of derivatives designated and recognised as effective for hedging future cash flows relating to the Company's contractual commitments and planned transactions are recognised directly in shareholders' equity, while the ineffective portion is immediately posted in the income statement. If the contractual commitments or planned transactions materialise in the recognition of assets or liabilities, when such assets or liabilities are recognised, the gains or losses on the derivative that were directly recognised in equity are factored back into the initial valuation of the cost of acquisition or carrying value of the asset or liability. For cash flow hedges that do not lead to recognition of assets or liabilities, the amounts that were directly recognised in equity are included in the income statement in the same period when the contractual commitment or planned transaction hedged impacts profit and loss – for example, when a planned sale actually takes place.

For effective hedges of exposure to changes in fair value, the item hedged is adjusted for the changes in fair value attributable to the risk hedged and recognised in the income statement. Gains and losses stemming from the derivative's valuation are also posted in the income statement.

Changes in the fair value of derivatives not designated as hedging instruments are recognised in the income statement in the period when they occur.

Hedge accounting is discontinued when the hedging instrument expires, is sold or is exercised, or when it no longer qualifies as a hedge. At this time, the cumulative gains or losses of the hedging instrument recognised in equity are kept in the latter until the planned transaction actually takes place. If the transaction hedged is not expected to take place, cumulative gains or losses recognised directly in equity are transferred to the year's income statement.

Embedded derivatives included in other financial instruments or contracts are treated as separate derivatives when their risks and characteristics are not strictly related to those of their host contracts and the latter are not measured at fair value with posting of related gains and losses in the income statement.

Revenue recognition

Revenue is recognized net of return sales, discounts, allowances and bonuses, as well as of the taxes directly associated with sale of goods and rendering of services.

Sales revenue is recognized when the company has transferred the significant risks and benefits associated with ownership of the goods and the amount of revenue can be reliably measured.

Revenues of a financial nature are recorded on an accrual basis.

Financial income

Finance income includes interest receivable on funds invested and income from financial instruments, when not offset as part of hedging transactions. Interest income is recorded in the income statement at the time of vesting, taking effective output into consideration.

Financial expenses

Financial expenses include interest payable on financial debt calculated using the effective interest method and bank expenses. All the other financial expenses are recognised as costs for the year in which they are incurred.

Income taxes for the year

Income taxes include all taxes calculated on the Company's taxable income. Income taxes are directly recognised in the income statement, with the exception of those concerning items directly debited or credited to shareholders' equity, in which case the tax effect is recognised directly in shareholders' equity. Other taxes not relating to income, such as property taxes, are included among operating expenses. Deferred taxes are provisioned in accordance with the global liability provisioning method. They are calculated on all temporary differences that emerge from the taxable base of an asset or liability and its book value. Current and deferred tax assets and liabilities are offset when income taxes are levied by the same tax authority and when there is a legal right to settle on a net basis. Deferred tax assets and liabilities are measured using the tax rates that are expected to be applicable in the years when temporary differences will be realised or settled.

Dividends

Dividends are posted on an accrual basis when the right to receive them materialises, i.e. when shareholders approve dividend distribution.

Treasury shares

Treasury shares are booked as a reduction of shareholders' equity. The carrying value of treasury shares and revenues from any subsequent sales are recognised in the form of changes in shareholders' equity.

Equity-settled transactions

Some of the Company employees receive part of the remuneration in the form of share-based payments, therefore employees provide services in exchange for shares ("equity-settled transactions"). The cost of equity-settled transactions is determined by the fair value at the date on which the assignment is made using an appropriate measurement method, as explained in more detail in Note 43.

This cost, together with the corresponding increase in shareholders' equity, is recorded under personnel costs (Note 27) over the period in which the conditions relating to the achievement of objectives and/or the provision of the service are met. The cumulative costs recognised for such transactions at the end of each reporting period up to the vesting date are commensurate with the expiry of the vesting period and the best estimate of the number of equity instruments that will actually vest.

Service or performance conditions are not taken into account when defining the fair value of the plan at the assignment date. However, the probability of these conditions being met is taken into account when defining the best estimate of the number of equity instruments that will vest. Market conditions are reflected in the fair value at the assignment date. Any other condition related to the plan that does not involve a service obligation is not considered to be a vesting condition. Non-vesting conditions are reflected in the fair value of the plan and result in the immediate recognition of the cost of the plan, unless there are also service or performance conditions.

No cost is recognised for rights that do not vest in that the performance and/or service conditions are not met. When the rights include a market condition or a non-vesting condition, these are treated as if they had vested regardless of whether the market conditions or other non-vesting conditions to which they are subject are met or not, it being understood that all other performance and/or service conditions must be met.

If the conditions of the plan are changed, the minimum cost to be recognised is the fair value at the assignment date in the absence of the change in the plan itself, on the assumption that the original conditions of the plan are met. Moreover, a cost is recognised for each change that results in an increase in total fair value of the payment plan, or that is in any case favourable for employees; this cost is measured with reference to the date of change. When a plan is cancelled, any remaining element of the plan's fair value is immediately expensed to the income statement.

Use of estimates

Preparation of the separate financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the carrying values of assets and liabilities and the disclosures on contingent assets and liabilities at the end of the reporting period. Actual results might differ from these estimates. Estimates are used to measure tangible and intangible assets and investments subject to impairment testing, as described earlier, as well as to measure the ability to recover prepaid tax assets, provisions for bad debts, for inventory obsolescence, depreciation and amortisation, asset write-downs, employee benefits, taxes, other provisions. Specifically:

Recoverability of value of tangible and intangible assets and investments

The procedure for determining impairment losses of tangible and intangible assets described in "Impairment" implies – in estimating the value of use – the use of the Business Plans of investees, which are based on a series of assumptions relating to future events and actions of the investees' management bodies, which may not necessarily come about. In estimating market value, however, assumptions are made on the expected trend in trading between third parties based on historical trends, which may not actually be repeated.

Provisions for bad debts

Receivables are adjusted by the related bad debt provision to take into account their recoverable amount. To determine the size of the write-downs, management must make subjective assessments based on the documentation and information available regarding, among other things, the customer's solvency, as well as experience and historical payment trends.

Provisions for inventory obsolescence

Inventories subject to obsolescence and slow turnover are systematically measured and written down if their recoverable value is less than their carrying value. Write-downs are calculated based on management assumptions and estimates, resulting from experience and historical results.

Employee benefits

The current value of liabilities for employee benefits depends on a series of factors determined using actuarial techniques based on certain assumptions. Assumptions concern the discount rate, estimates of future salary increases, and mortality and resignation rates. Any change in the above-mentioned assumptions might have an effect on liabilities for pension benefits.

Share-based payments

Estimating the fair value of share-based payments requires the determination of the most appropriate valuation model, which depends on the terms and conditions under which these instruments are granted. This also requires the identification of data to feed into the valuation model, including assumptions about the exercise period of the options, volatility and dividend yield. The Company uses a binomial model for the initial measurement of the fair value of share-based payments with employees.

Income taxes
Determining liabilities for Company taxes requires the use of management valuations in relation to transactions whose tax implications are not certain at the end of the reporting period. Furthermore, the valuation of deferred taxes is based on income expectations for future years; the valuation of expected income depends on factors that might change over time and have a significant effect on the valuation of deferred tax assets.

Other provisions
When estimating the risk of potential liabilities from disputes, the Directors rely on communications regarding the status of recovery procedures and disputes from the lawyers who represent the Company in litigation. These estimates are determined taking into account the gradual development of the disputes, considering existing exemptions.

Estimates and assumptions are regularly reviewed and the effects of each change immediately reflected in the income statement.

New accounting standards

Accounting standards, amendments and interpretations applicable from 1 January 2020

- Amendments to **IFRS 3 "Definition of a Business"**. The amendments were introduced to support entities in determining whether or not a set of assets acquired constitutes a business. To be considered a business, an integrated set of assets and goods must include at least one input and one underlying process that contribute significantly to the ability to create an output. Moreover, a business can exist without including all of the inputs and processes needed to create outputs.

- Amendments to **IFRS 7**, **IFRS 9** and **IAS 39 "Interest rate benchmark reform"**. The amendments to the standards provide a number of practical expedients that apply to 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 have no impact on the Company's financial statements.

- Amendments to **IAS 1** and **IAS 8 " Definition of Material"**. The amendments provide a new definition of materiality, which states 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. These amendments had no impact on the separate financial statements and are not expected to have any future impact on the Company.

- Amendment to **IFRS 16 Covid-19 Related Rent Concessions**. On 28 May 2020, the IASB published an amendment to IFRS 16, which allows a lessee not to apply the requirements in IFRS 16 on the accounting effects of contractual changes for lease reductions granted by lessors as a direct result of the Covid-19 outbreak. The amendment introduces a practical expedient whereby a lessee may choose not to assess whether a reduction in lease payments constitutes a contractual change. A lessee that chooses to use this expedient recognises these reductions as if they were not contractual changes for the purpose of IFRS 16. These amendments had no impact on the Company's separate financial statements.

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
COST					
At 31 December 2018	**6,570**	**166,456**	**34,068**	**2,647**	**209,741**
Increases	152	3,132	1,723	1,893	6,900
Sabaf Immobiliare merger	35,896	4,723	367	-	40,986
IFRS 16 assets	-	-	878	-	878
Disposals	-	(1,998)	(642)	-	(2,640)
Reclassification	706	3,073	53	(2,323)	1,509
At 31 December 2019	**43,324**	**175,386**	**36,447**	**2,217**	**257,374**
Increases	85	3,566	2,225	2,717	8,593
IFRS 16 assets	259	-	256	-	515
Disposals	-	(4,908)	(1,129)	-	(6,037)
Reclassification	-	1,449	260	(2,412)	(703)
At 31 December 2020	**43,668**	**175,493**	**38,059**	**2,522**	**259,742**
ACCUMULATED DEPRECIATION					
At 31 December 2018	**3,244**	**144,717**	**31,282**	**-**	**179,243**
Depreciations for the year	1,210	6,131	1,479	-	8,820
Sabaf Immobiliare merger	13,613	4,198	367	-	18,178
Derecognition due to disposal	-	(1,642)	(44)	-	(1,686)
Reclassification	464	884	-	-	1,348
At 31 December 2019	**18,531**	**154,288**	**33,084**	**-**	**205,903**
Depreciations for the year	1,212	5,758	1,526	-	8,496
Derecognition due to disposal	-	(3,391)	(69)	-	(3,460)
Write-downs	-	141	-	-	141
At 31 December 2020	**19,743**	**156,796**	**34,541**	**-**	**211,080**
NET CARRYING VALUE					
At 31 December 2020	**23,925**	**18,697**	**3,518**	**2,522**	**48,662**
At 31 December 2019	**24,793**	**21,098**	**3,363**	**2,217**	**51,471**

The breakdown of the net carrying value of Property was as follows:

	31.12.2020	31.12.2019	Change
Land	5,404	5,404	-
Industrial buildings	18,521	19,389	(868)
Total	**23,925**	**24,793**	**(868)**

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

	Property	Plant and equipment	Other assets	Total
1 January 2020	**73**	**-**	**660**	**733**
Increases	259	-	256	515
Depreciations	(39)	-	(251)	(290)
Foreign exchange differences	-	-	-	-
At 31 December 2020	**293**	**-**	**665**	**958**

The main investments in the financial year were aimed at industrialising new products to significantly increase shares with certain strategic customers.
Investments in maintenance and replacement, so that production equipment is kept constantly up to date and efficient, are systematic. Decreases mainly relate to the disposal of machinery to other companies of the Sabaf Group. Assets under construction include machinery under construction and advance payments to suppliers of capital equipment.
At 31 December 2020, the Company found no endogenous or exogenous indicators of impairment of its property, plant and equipment. As a result, the value of property, plant and equipment was not submitted to impairment testing.

2. INVESTMENT PROPERTY

COST	
At 31 December 2018	**6,675**
Increases	-
Sabaf Immobiliare merger	5,052
IFRS 16 assets	108
Disposals	-
At 31 December 2019	**11,835**
Increases	-
Disposals	(552)
At 31 December 2020	**11,283**

ACCUMULATED DEPRECIATIONS	
At 31 December 2018	**5,413**
Depreciations for the year	429
Sabaf Immobiliare merger	2,017
At 31 December 2019	**7,859**
Depreciations for the year	420
Derecognition due to disposal	(249)
At 31 December 2020	**8,030**

NET CARRYING VALUE	
At 31 December 2020	**3,253**
At 31 December 2019	**3,976**

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

INVESTMENT PROPERTY	
1 January 2020	**73**
Depreciations	(35)
At 31 December 2020	**38**

This item includes non-operating buildings owned by the Company. Disposals during the period resulted in a capital gain of approximately €56,000.
At 31 December 2020, the Company found no endogenous or exogenous indicators of impairment of its investment property. As a result, the value of investment property was not submitted to impairment testing.

3. INTANGIBLE ASSETS

	Patents, know-how and software	Development costs	Other intangible assets	Total
COST				
At 31 December 2018	**6,756**	**5,489**	**2,458**	**14,703**
Increases	34	460	-	494
Decreases	-	-	(11)	(11)
Reclassifications	-	(101)	(1,812)	(1,913)
At 31 December 2019	**6,790**	**5,848**	**635**	**13,273**
Increases	269	413	6	688
Decreases	(85)	-	-	(85)
Reclassifications	-	(241)	-	(241)
At 31 December 2020	**6,974**	**6,020**	**641**	**13,635**
AMORTISATION AND WRITE-DOWNS				
At 31 December 2018	**6,321**	**3,400**	**1,888**	**11,609**
Amortisation	187	367	5	559
Decreases	-	-	-	-
Reclassifications	-	-	(1,348)	(1,348)
At 31 December 2019	**6,508**	**3,767**	**545**	**10,820**
Amortisation	156	342	1	499
Decreases	-	-	-	-
At 31 December 2020	**6,664**	**4,109**	**546**	**11,319**
NET CARRYING VALUE				
At 31 December 2020	**310**	**1,911**	**95**	**2,316**
At 31 December 2019	**282**	**2,081**	**90**	**2,453**

Intangible assets have a finite useful life and, as a result, are amortised throughout their life. The main investments in the year relate to the development of new products, mainly related to the expansion of the range of burners (research and development activities carried out during the financial year are set out in the Report on Operations).

At 31 December 2020, the Company found no endogenous or exogenous indicators of impairment of its intangible assets. As a result, the value of property, plant and equipment was not submitted to impairment testing.

4. EQUITY INVESTMENTS

	31.12.2020	31.12.2019	Change
In subsidiaries	65,441	57,917	7,524
Other equity investments	83	34	49
Total	**65,524**	**57,951**	**7,573**

The change in equity investments in subsidiaries is broken down in the table below:

HISTORICAL COST	Sabaf Immobiliare	Faringosi Hinges	Sabaf do Brasil	Sabaf U.S.	Sabaf Appliance Components (China)	Sabaf A.C. Kunshan (China)	Sabaf Turkey	A.R.C. s.r.l.	Okida	C.M.I s.r.l.	Sabaf India	Total
31.12.2018	**13,475**	**10,329**	**8,469**	**139**	**4,400**	**200**	**12,005**	**4,800**	**8,698**	**-**	**-**	**62,515**
Purchase	-	-	-	-	-	-	-	-	84	13,392	-	13,476
Share capital increase	-	-	-	-	500	-	-	-	-	-	-	500
Liquidation	-	-	-	-	-	(200)	-	-	-	-	-	(200)
Merger	(13,475)	-	-	-	-	-	-	-	-	-	-	(13,475)
31.12.2019	**0**	**10,329**	**8,469**	**139**	**4,900**	**0**	**12,005**	**4,800**	**8,782**	**13,392**	**-**	**62,816**
Purchase	-	-	-	-	-	-	-	-	-	3,063	20	3,083
Share capital increase	-	-	1,092	-	3,000	-	-	-	-	-	1,750	5,842
31.12.2020	**0**	**10,329**	**9,561**	**139**	**7,900**	**0**	**12,005**	**4,800**	**8,782**	**16,455**	**1,770**	**71,741**
PROVISION FOR WRITE-DOWNS												
31.12.2018	**0**	**0**	**0**	**0**	**4,400**	**0**	**0**	**0**	**0**	**0**	**0**	**4,400**
Write-downs	-	-	-	-	500	-	-	-	-	-	-	500
31.12.2019	**0**	**0**	**0**	**0**	**4,900**	**0**	**0**	**0**	**0**	**0**	**0**	**4,900**
Write-downs	-	-	-	-	1,400	-	-	-	-	-	-	1,400
31.12.2020	**0**	**0**	**0**	**0**	**6,300**	**0**	**0**	**0**	**0**	**0**	**0**	**6,300**
NET CARRYING VALUE												
31.12.2020	**0**	**10,329**	**9,561**	**139**	**1,600**	**0**	**12,005**	**4,800**	**8,782**	**16,455**	**1,770**	**65,441**
31.12.2019	**0**	**10,329**	**8,469**	**139**	**0**	**0**	**12,005**	**4,800**	**8,782**	**13,392**	**0**	**57,916**
PORTION OF SHAREHOLDERS' EQUITY (CALCULATED IN COMPLIANCE WITH IFRS)												
31.12.2020	**0**	**7,462**	**10,561**	**108**	**1,597**	**0**	**19,534**	**4,349**	**3,294**	**7,763**	**1,671**	**56,339**
31.12.2019	**0**	**7,319**	**11,524**	**(51)**	**(772)**	**0**	**25,109**	**3,965**	**1,785**	**5,103**	**0**	**53,982**
DIFFERENCE BETWEEN SHAREHOLDERS' EQUITY AND CARRYING VALUE												
31.12.2020	**0**	**(2,867)**	**1,000**	**(31)**	**(3)**	**0**	**7,529**	**(451)**	**(5,488)**	**(8,692)**	**(99)**	**(9,102)**
31.12.2019	**0**	**(3,010)**	**3,055**	**(190)**	**(772)**	**0**	**13,104**	**(835)**	**(6,997)**	**(8,289)**	**0**	**(3,934)**

Faringosi Hinges s.r.l.

During 2020, the Faringosi Hinges recorded a slight decrease in revenues due to the pandemic. However, the fourth quarter of 2020 and the first quarter of 2021 show a consistent recovery. The 2021-2025 forward plan, drafted at the beginning of 2021, envisages a further increase in sales.

At 31 December 2020, Sabaf S.p.A. tested - with the support of independent experts - the carrying value of the equity investment for impairment, determining its recoverable amount, considered to be equivalent to its value of use plus available liquidity, by discounting expected future cash flows in the forward plan drafted by the management. The management has not prepared a multi-scenario analysis in that it believes it has sufficient evidence to develop future forecasts. In particular, the trend in sales during 2020 and orders portfolio data for 2021 allow a reliable assessment of the effects of the pandemic on the business. On these bases, management defined a single plan for each CGU that represents the normal and expected scenario, with reference to the period from 2021 to 2025.

Cash flows for the period from 2021 to 2025 were augmented by the terminal value, which expresses the operating flows that the investee 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 8.62% (9.54% in the impairment test carried out while preparing the separate financial statements at 31 December 2019) and a growth rate (g) of 2%, unchanged from the 2019 impairment test.

The recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €13.726 million, compared with a carrying value of the equity investment of €10.329 million; consequently, the amount recorded for equity investment at 31 December 2020 was deemed recoverable.

Sensitivity analysis

The recoverable amount of the equity investment was subjected to stress tests and sensitivity analyses that also took into account economic parameters and as a result of which positive results emerged. The table below shows the changes in recoverable amount depending on changes in the WACC discount rate and growth factor g:

(€/000)	Growth rate				
Discount rate	**1.50%**	**1.75%**	**2.00%**	**2.25%**	**2.50%**
7.62%	15,218	15,797	16,417	17,095	17,839
8.12%	13,969	14,445	14,960	15,519	16,128
8.62%	10,889	13,292	13,726	14,193	14,699
9.12%	11,953	12,298	12,667	13,062	13,488
9.62%	11,134	11,431	11,748	12,087	12,449

The table below shows the change in recoverable amount as EBITDA changes according to the plan.

	EBITDA		
	According to the plan	-10%	-20%
(€/000)	13,726	11,961	9,656

Sabaf do Brasil

In 2020, Sabaf do Brasil continued to obtain positive results. Shareholders' equity (converted into euros at the end-of-year exchange rate) is higher than the carrying amount of the investment.

Sabaf U.S.

The subsidiary Sabaf U.S. operates as a commercial support for North America.
The difference between the carrying value and the shareholders' equity of the investee is attributable to the non-durable losses taking into consideration expected development on the North American market.

Sabaf Appliance Components

Sabaf Appliance Components (Kunshan) Co., Ltd. has been producing burners for the Chinese market since 2015. Furthermore, the company has performed the function as distributor on the Chinese market of Sabaf products manufactured in Italy and Turkey. Low production volumes have not allowed the company to reach the break-even point. A share capital increase of €3,000,000 was made during the year to rebalance the company's capital structure; the shareholding was written down by €620,000 against the loss in 2020.

Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki (Sabaf Turkey)

Sabaf Turkey achieved extremely satisfactory results in 2020 as well. The shareholders' equity remains well above the carrying value of the equity investment.

A.R.C. s.r.l.

In June 2016, the Company acquired the controlling share (70%) of A.R.C. s.r.l., leading company in the production of burners for professional cooking. The transaction allowed Sabaf to enter into a new sector, contiguous with the traditional sector of components for household gas cooking appliances, and to enhance the consolidated international presence of the Sabaf Group. A.R.C. s.r.l. recorded negative effects as a result of the pandemic on the 2020 financial year due to the closures of restaurant and hotel premises in 2020, but managed to maintain a positive economic result.
At 31 December 2020, the Company tested - with the support of independent experts - the carrying value of the equity investment for impairment, determining its recoverable amount considered to be equivalent to its value of use plus available liquidity, by discounting expected future cash flows in the forward plan drafted at the beginning of 2021. The management has not prepared a multi-scenario analysis in that it believes it has sufficient evidence to develop future forecasts. In particular, the trend in sales during 2020 and orders portfolio data for 2021 allow a reliable assessment of the effects of the pandemic on the business. On these bases, management defined a single plan for each CGU that represents the normal and expected scenario, with reference to the period from 2021 to 2025.
Cash flows for the period from 2021 to 2025 were augmented by the terminal value, which expresses the operating flows that the investee is expected to generate from the fourth year to infinity and determined based on the perpetual income. The value of use was calculated based on a discount rate (WACC) of 6.76% (6.07% in the impairment test carried out while preparing the Separate financial statements at 31 December 2019) and a growth rate (g) of 2% (1.50% in the impairment test carried out while preparing the separate financial statements at 31 December 2019).
The portion pertaining to Sabaf S.p.A. of the recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €8.796 million (70% of total recoverable amount), compared with a carrying value of the equity investment of €4.8 million; consequently, the carrying value recorded for equity investment at 31 December 2020 was deemed recoverable.

Sensitivity analysis

The recoverable amount of the equity investment was subjected to stress tests and sensitivity analyses that also took into account economic parameters and as a result of which positive results emerged. The table below shows the changes in recoverable amount depending on changes in the WACC discount rate and growth factor g:

(€/000)	Growth rate				
Discount rate	**1.50%**	**1.75%**	**2.00%**	**2.25%**	**2.50%**
5.76%	9,808	10,261	10,774	11,360	12,036
6.26%	8,919	9,272	9,668	10,112	10,615
6.76%	8,201	8,483	8,796	9,143	9,531
7.26%	7,609	7,839	8,092	8,369	8,676
7.76%	7,113	7,304	7,511	7,737	7,985

The table below shows the change in recoverable amount as EBITDA changes according to the plan.

	EBITDA		
	According to the plan	-10%	-20%
(€/000)	8,796	7,767	6,739

As part of the acquisition of 70% of A.R.C. s.r.l., Sabaf S.p.A. 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 options 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.

The option for the purchase of the residual 30% of A.R.C. represents a derivative instrument; since the strike price defined by contract was considered representative of the fair value of the portion that can be potentially acquired, no value was recorded in the separate financial statements at 31 December 2020.

Okida Elektronik Sanayi ve Ticaret A.S.

In 2018, the Company directly acquired 30% of Okida Elektronik (the remaining 70% was acquired through the subsidiary Sabaf Turkey). Okida is a leader in Turkey in the design and manufacture of electronic components for household appliances (mainly ovens and hoods); the transaction allowed Sabaf to enter into a new sector, contiguous with the traditional sector of components for household gas cooking appliances. Okida Elektronik performed extremely well in 2020.
At 31 December 2020, the Company tested - with the support of independent experts - the carrying value of the equity investment for impairment, determining its recoverable amount by discounting expected future cash flows in the forward plan drafted at the beginning of 2021. The management has not prepared a multi-scenario analysis in that it believes it has sufficient evidence to develop future forecasts. In particular, the trend in sales during 2020 and orders portfolio data for 2021 allow a reliable assessment of the effects of the pandemic on the business. On these bases, management defined a single plan for each CGU that represents the normal and expected scenario, with reference to the period from 2021 to 2025.

Cash flows for the period from 2021 to 2025 were augmented by the terminal value, which expresses the operating flows that the company is expected to generate from the fifth year to infinity and determined based on the perpetual income. The value of use was calculated based on a discount rate (WACC) of 14.18% (12.92% in the impairment test carried out while preparing the separate financial statements at 31 December 2019) and a growth rate (g) of 2.50%, unchanged from the 2019 impairment test. The portion pertaining to Sabaf S.p.A. of the recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €10.054 million (30% of total equity value), compared with a carrying value of the equity investment of €8.782 million; consequently, the carrying value recorded for equity investment at 31 December 2020 was deemed recoverable.

Sensitivity analysis

The recoverable amount of the equity investment was subjected to stress tests and sensitivity analyses that also took into account economic parameters and as a result of which positive results emerged. The table below shows the changes in recoverable amount depending on changes in the WACC discount rate and growth factor g:

(€/000)	Growth rate				
Discount rate	**1.00%**	**1.25%**	**2.50%**	**1.75%**	**2.00%**
11.92%	10,667	10,833	11,007	11,190	11,381
12.42%	10,203	10,352	10,509	10,672	10,844
12.92%	9,778	9,913	10,054	10,201	10,354
13.42%	9,387	9,509	9,636	9,769	9,908
13.92%	9,026	9,137	9,253	9,373	9,498

The table below shows the change in recoverable amount as EBITDA changes according to the plan.

	EBITDA		
	According to the plan	-10%	-20%
(€/000)	10,054	8,954	7,854

C.M.I. s.r.l.

In July 2019, the Company acquired 68.5% of C.M.I. s.r.l., one of the main players in the design, production and sale of hinges for household appliances. The acquisition of C.M.I. s.r.l. allowed Sabaf to achieve a leadership position on a global scale in the hinge sector, proposing itself also in this area as a reference partner for all manufacturers of household appliances. 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. The fee was €3,063,000. 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.
In 2020, C.M.I. s.r.l. recorded an overall stable turnover compared to the previous year, while in the last quarter of 2020, there was a significant increase in sales volumes. This positive trend was also confirmed by the volume of orders collected in the first months of the new financial year. At 31 December 2020, the Company tested - with the support of independent experts - the carrying value of the equity investment for impairment, determining its recoverable amount by discounting expected future cash flows in the forward plan drafted by the management. The management has not prepared a multi-scenario analysis in that it believes it has sufficient evidence to develop future forecasts. In particular, the trend in sales during 2020 and orders portfolio data for 2021 allow a reliable assessment of the effects of the pandemic on the business. On these bases, management defined a single plan for each CGU that represents the normal and expected scenario, with reference to the period from 2021 to 2025. Cash flows for the period from 2021 to 2025 were augmented by the terminal value, which expresses the operating flows that the company is expected to generate from the third year to infinity and determined based on the perpetual income. The value of use was calculated based on a discount rate (WACC) of 6.76% (10.49% in the impairment test carried out while preparing the Separate financial statements at 31 December 2019) and a growth rate (g) of 2% (1.15% in the impairment test carried out while preparing the separate financial statements at 31 December 2019).

The portion pertaining to Sabaf S.p.A. of the recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €35.440 million (84.25% of total equity value), compared with a carrying value of the equity investment of €16.455 million; consequently, the carrying value recorded for equity investment at 31 December 2020 was deemed recoverable.

Sensitivity analysis

The recoverable amount of the equity investment was subjected to stress tests and sensitivity analyses that also took into account economic parameters and as a result of which positive results emerged. The table below shows the changes in recoverable amount depending on changes in the WACC discount rate and growth factor g:

(€/000)	Growth rate				
Discount rate	**1.00%**	**1.25%**	**2.00%**	**1.75%**	**2.00%**
8.87%	38,927	40,130	41,420	42,807	44,303
9.37%	36,089	37,122	38,225	39,406	40,672
9.87%	33,594	34,489	35,440	36,455	37,538
10.37%	31,384	32,165	32,993	33,872	34,807
10.87%	29,414	30,100	30,825	31,593	32,406

The table below shows the change in recoverable amount as EBITDA changes according to the plan.

	EBITDA		
	According to the plan	-10%	-20%
(€/000)	35,440	29,588	23,735

The option for the purchase of the residual 15.75% of C.M.I. represents a derivative instrument; since the strike price defined by contract was considered representative of the fair value of the portion that can be potentially acquired, no value was recorded in the separate financial statements at 31 December 2020.

Sabaf India Private Limited

During the 2020 financial year, a new company was set up in India with the aim of starting the production of gas parts for the local market by 2021, where strong growth is expected in the coming years.

With regard to investments subject to impairment testing, note that management subsequently prepared a Group business plan for the years from 2021 to 2023 using the plans referred to in the previous paragraphs as a starting point and revising the values contained therein with a view to improving them, following updated favourable prospects. In the light of the above, it was therefore decided to confirm the results of the impairment tests already prepared.

5. NON-CURRENT FINANCIAL ASSETS

	31.12.2020	31.12.2019	Change
Financial receivables from subsidiaries	5,537	5,280	257
Restricted bank account	0	60	(60)
Total	**5,537**	**5,340**	**197**

At 31 December 2020, financial receivables from subsidiaries consist of:

- an interest-bearing loan of USD 2.5 million (€2.037 million at the end-of-year exchange rate), granted to the subsidiary Sabaf do Brasil with the aim of optimising the Group's exposure to foreign exchange rate risk with maturity March 2021;
- an interest-bearing loan of €3.5 million to the subsidiary Sabaf Turkey, disbursed during 2018 as part of the coordination of the Group's financial management, with maturity in August 2021.

These loans were classified as non-current assets in these separate financial statements in that the Company considers it probable that they will be renewed at maturity.

6. INVENTORIES

	31.12.2020	31.12.2019	Change
Raw Materials	9,062	7,248	1,814
Semi-processed goods	6,812	6,071	741
Finished products	7,374	7,833	(459)
Provision for inventory write-downs	(1,736)	(1,290)	(446)
Total	**21,512**	**19,862**	**1,650**

The value of final inventories at 31 December 2020 increased compared to the end of the previous year to meet the higher volumes of activity. The provision for write-downs is allocated for hedging the obsolescence risk, quantified on the basis of specific analyses carried out at the end of the year on slow-moving and non-moving products, and refers to raw materials for €514,000, semi-finished products for €306,000 and finished products for €916,000. The following table shows the changes in the Provision for inventory write-downs during the current financial year:

31.12.2019	**1,290**
Provisions	466
Utilisation	(20)
31.12.2020	**1,736**

7. TRADE RECEIVABLES

	31.12.2020	31.12.2019	Change
Trade receivables from third parties	**29,477**	**20,319**	**9,158**
Trade receivables from subsidiaries	16,048	9,094	6,954
Bad debt provision	(500)	(850)	350
Net total	**45,025**	**28,563**	**16,462**

At 31 December 2020, trade receivables included balances totalling USD 5,372,000, booked at the EUR/USD exchange rate in effect on 31 December 2020, equal to 1.2271. The amount of trade receivables recognised in the financial statements includes approximately €17 million in insured receivables (€15 million at 31 December 2019). Trade receivables at 31 December 2020 were higher than the balance at the end of 2019 subsequent to higher sales in the second half of the year.

There were no significant changes in average payment terms agreed with customers.

Receivables assigned to factors without recourse are derecognised 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 following table shows the breakdown of receivables from third parties by maturity date:

	31.12.2020	31.12.2019	Change
Current receivables (not past due)	27,784	17,395	10,389
Outstanding up to 30 days	1,026	1,275	(249)
Outstanding from 30 to 60 days	315	513	(198)
Outstanding from 60 to 90 days	100	568	(468)
Outstanding for more than 90 days	252	568	(316)
Total	**29,477**	**20,319**	**9,158**

The bad debt provision was adjusted to the better estimate of the credit risk and expected losses at the end of the reporting period, also carried out by analysing each expired item. Changes during the year were as follows:

	31.12.2019	Provisions	Utilisation	31.12.2020
Bad debt provision	**850**	**89**	**(439)**	**500**

8. TAX RECEIVABLES

	31.12.2020	31.12.2019	Change
For income tax	1,119	1,323	(204)
For VAT	135	413	(278)
Total	**1,254**	**1,736**	**(482)**

In the 2020 financial year, the Company has been part of the national tax consolidation scheme pursuant to Articles 117/129 of the Unified Income Tax Law.

At 31 December 2020, income tax receivables include:

- €427,000 (€607,000 at 31 December 2019) for 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 2009 to 2011 (Italian Decree Law 201/2011). During 2020, the Company received a partial refund of €180,000
- the receivable from the subsidiary C.M.I. s.r.l. amounting to €316,000, relating to the balance of the 2020 income taxes transferred by the subsidiary to the consolidating company Sabaf S.p.A., in accordance with the provisions of the tax regulations relating to the national tax consolidation and the tax consolidation contracts entered into between the parties.

Income tax receivables also include payments on account on 2020 income, for the part exceeding the tax to be paid.

9. OTHER CURRENT RECEIVABLES

	31.12.2020	31.12.2019	Change
Credits to be received from suppliers	658	127	531
Advances to suppliers	431	104	327
Due from INAIL	42	31	11
Other	816	326	490
Total	**1.947**	**588**	**1.359**

Credits to be received from suppliers mainly refer to bonuses paid to the Company for the attainment for the year purchasing objectives, which were achieved in 2020 to a greater extent than in the previous year.

Other receivables include €347,000 paid as a deposit to guarantee provisional duties on raw material purchases.

10. CURRENT FINANCIAL ASSETS

	31.12.2020	31.12.2019	Change
Financial receivables from subsidiaries	-	1,600	(1,600)
Restricted bank accounts	1,233	1,233	-
Currency derivatives	127	-	127
Total	**1,360**	**2,833**	**(1,473)**

At 31 December 2020, the following were taken out:

- a term deposit of €60 thousand, due by 30 June 2021, for the portion of the price not yet paid to the sellers of the A.R.C. equity investment;
- a term deposit of €1.173 million, due in 2021, 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.

Currency derivatives refer to forward sales contracts recognised using hedge accounting. These financial instruments are broken down in Note 35 - Forex risk management.

11. CASH AND CASH EQUIVALENTS

The item Cash and cash equivalents, equal to €1,595,000 at 31 December 2020 (€8,343,000 at 31 December 2019), refers almost exclusively to bank current account balances.

12. SHARE CAPITAL

The Company's share capital consists of 11,533,450 shares with a par value of €1.00 each. The share capital paid in and subscribed did not change during the year.
At 31 December 2020, the structure of the share capital is shown in the table below.

	No. of shares	% of share capital	Rights and obligations
Ordinary shares	7,976,760	69.16%	–
Ordinary shares with increased vote	3,556,690	30.84%	Two voting rights per share
Total	**11,533,450**	**100%**	

With the exception of the right to increased vote, there are no rights, privileges or restrictions on the Company. The availability of reserves is indicated in a table at the end of these Explanatory Notes.

13. TREASURY SHARES AND OTHER RESERVES

During the financial year, Sabaf S.p.A. acquired 176,873 treasury shares.

At 31 December 2020, the Company held 346,748 treasury shares, equal to 3.01% of share capital (169,875 treasury shares at 31 December 2019), reported in the financial statements as an adjustment to shareholders' equity at a unit value of €12.52 (the market value at year-end was €15.23). There were 11,186,702 outstanding shares at 31 December 2020 (11,363,575 at 31 December 2019).

Items "Retained earnings, other reserves" of €91,985,000 included, at 31 December 2020:

- the stock grant reserve of €1,660,000 thousand, which included the measurement at 31 December 2020 of fair value of options assigned to receive Sabaf shares. For details of the Stock Grant Plan, refer to Note 43;
- 13,514,000 for the merger surplus resulting from the merger of Sabaf Immobiliare s.r.l.;
- the hedge accounting reserve of €127,000. The following table shows the change in the Cash Flow Hedge reserve related to the application of IFRS 9 on derivative contracts and referring to the recognition in net equity of the effective part of the derivative contracts signed to hedge the foreign exchange rate risk for which the Company applies hedge accounting.

Opening value at 31 December 2019	**-**
Change during the period	127
Value at 31 December 2020	**127**

The characteristics of the derivative financial instruments that gave rise to the cash flow hedge reserve and the accounting effects on other items in the financial statements are broken down in Note 35, in the paragraph Foreign exchange risk management.

14. LOANS

	31.12.2020			31.12.2019		
	Current	Non-current	Total	Current	Non-current	Total
Leases	161	990	1,152	297	1,750	2,047
Unsecured loans	13,269	25,900	39,169	11,904	33,736	45,640
Short-term bank loans	10,567	-	10,567	1,793	-	1,793
Total	**23,997**	**26,890**	**50,887**	**13,994**	**35,486**	**49,480**

During the year, the Company took out a new unsecured loan of €3 million. All loans are signed with an original maturity of ranging from 5 to 6 years and are repayable in instalments.
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 31 December 2020 equal to €14 million)
- commitment to maintain a ratio of net financial position to EBITDA of less than 2.5 (residual amount of the loans at 31 December 2020 equal to €25.4 million)

widely complied with at 31 December 2020 and for which, according to the Company's business plan, compliance is also expected in subsequent years.

All bank loans are denominated in euro, with the exception of a short-term loan of USD 2 million.

To manage interest rate risk, unsecured loans are either fixed-rate or hedged by IRS. These separate financial statements include the negative fair value of the IRSs hedging rate risks of unsecured loans pending, for residual notional amounts of approximately €26.4 million and expiry until 30 June 2025. Financial expenses were recognised in the income statement with a balancing entry.

The following table shows the reconciliation between commitments for operating leases at 31 December 2019 and liabilities relating to leases at 31 December 2020:

Operating lease liabilities at 1 January 2019	**2,150**
New agreements signed during 2019	297
Repayments during 2019	(400)
Lease liabilities at 31 December 2019	**2,047**
New agreements signed during 2020	515
Repayments during 2020	(455)
Lease liabilities at 31 December 2020	**2,107**

Note 36 provides information on financial risks, pursuant to IFRS 7.

15. OTHER FINANCIAL LIABILITIES

	31.12.2020		31.12.2019	
	Current	Non-current	Current	Non-current
Payables to A.R.C. shareholders	60	-	60	60
Payables to C.M.I. shareholders	1,173	-	-	1,173
Derivative instruments on interest rates	327	-	271	-
Total	**1,560**	**-**	**331**	**1,233**

The payable to the A.R.C. shareholders of €60,000 at 31 December 2020 is related to the part of the price still to be paid to the sellers, which was deposited on a restricted account (Note 5) and will be released in favour of the sellers by 2021, in accordance with contractual agreements and guarantees issued by the sellers.

The payable to C.M.I. shareholders of €1,173,000 at 31 December 2020, maturing during 2021, is related to the part of the price still to be paid to the Chinese group Guandong Xingye Investment, seller of C.M.I., which was deposited on a non-interest-bearing restricted account in accordance with contractual agreements and guarantees issued by the seller.

16. POST-EMPLOYMENT BENEFIT

At 31 December 2019	**2,064**
Financial expenses	8
Payments made	(174)
Tax effect	31
At 31 December 2020	**1,929**

Actuarial gains or losses are recorded immediately in the comprehensive income statement ("Other comprehensive income") under the item "Actuarial income and losses".

Post-employment benefits are calculated as follows:

Financial assumptions		
	31.12.2020	31.12.2019
Discount rate	0.23%	0.40%
Inflation	1.00%	1.20%

Demographic theory		
	31.12.2020	31.12.2019
Mortality rate	IPS55 ANIA	IPS55 ANIA
Disability rate	INPS 2000	INPS 2000
Staff turnover	6%	6%
Advance payouts	5% per year	5% per year
Retirement age	pursuant to legislation in force on 31 December 2020	pursuant to legislation in force on 31 December 2019

17. PROVISIONS FOR RISKS AND CHARGES

	31.12.2019	Provisions	Utilisation	31.12.2020
Provision for agents' indemnities	198	26	(6)	218
Product guarantee fund	60	8	(8)	60
Provision for risks on equity investments	780	-	(780)	-
Provision for legal risks	26	550	-	576
Total	**1.064**	**584**	**(794)**	**854**

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

The product guarantee fund covers the risk of returns or charges by customers for products already sold. The fund was adjusted at the end of the year, on the basis of analyses conducted and past experience.

The provision for risks on equity investments set aside in previous years against the negative shareholders' equity of the Chinese subsidiary Sabaf Appliance Components was reduced to zero following the capital increase carried out in 2020 (Note 4).
The provision for legal risks was adjusted to reflect the outstanding disputes. The 2020 appropriation was entered in the amount of €500,000 for a patent dispute for which a settlement was reached with the counterparty at the beginning of 2021. The remaining amount set aside refers to smaller disputes.
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

	31.12.2020	31.12.2019	Change
Total	**26,204**	**15,734**	**10,470**

Average payment terms did not change versus the previous year. At 31 December 2020, there were no overdue payables of a significant amount and the Company did not receive any injunctions for overdue payables. The increase in trade payables is due to the strong increase in production activity that the Company recorded in the last part of the year.

19. TAX PAYABLES

	31.12.2020	31.12.2019	Change
To inland revenue for income tax	1,433	-	1,433
To subsidiaries for income tax	276	-	276
To inland revenue for IRPEF tax deductions	676	621	55
Other tax payables	74	74	-
Total	**2,459**	**695**	**1,764**

Payables to inland revenue for income tax are related to IRES for €1,149,000 and IRAP for €284,000.

In the 2020 financial year, the Company has been part of the national tax consolidation scheme pursuant to Articles 117/129 of the Unified Income Tax Law. At 31 December 2020, payables to subsidiaries for income taxes refer to tax advances received from subsidiaries (€163,000 from Faringosi Hinges s.r.l., €65,000 from CGD s.r.l., €48,000 from A.R.C. s.r.l.).

Payables for IRPEF tax deductions, relating to employment and self-employment, were duly paid at maturity.

20. OTHER CURRENT PAYABLES

	31.12.2020	31.12.2019	Change
To employees	4,259	3,697	562
To social security institutions	2,094	1,806	288
Advances from customers	858	165	693
To agents	231	193	38
Other current payables	415	461	(46)
Total	**7,857**	**6,322**	**1,535**

At the beginning of 2021, payables due to employees and social security institutions were paid in accordance with the scheduled expiry dates. Other current payables include accrued liabilities and deferred income.

21. DEFERRED TAX ASSETS AND LIABILITIES

	31.12.2020	31.12.2019
Deferred tax assets	3,892	4,276
Deferred tax liabilities	(230)	(1,734)
Net position	**3,662**	**2,542**

The table below analyses the nature of the temporary differences that determine the recognition of deferred tax liabilities and assets and their changes during the year and the previous year.

	Amortisation and leasing	Provisions and value adjustments	Fair value of derivative instruments	Goodwill	Tax loss	Actuarial evaluation of post-employment benefit	Other temporary differences	Total
At 31 December 2018	**416**	**874**	**55**	**1,771**	**-**	**153**	**96**	**3,365**
Through profit or loss	219	22	10	(354)	419	-	(43)	273
To shareholders' equity	(1,111)	-	-	-	-	15	-	(1,096)
At 31 December 2019	**(476)**	**896**	**65**	**1,417**	**419**	**168**	**53**	**2,542**
Through profit or loss	1,403	(18)	(20)	(177)	(419)	-	343	1,112
To shareholders' equity	-	-	-	-	-	8	-	8
At 31 December 2020	**927**	**878**	**45**	**1,240**	**0**	**176**	**396**	**3,662**

Following the realignment between the carrying value and the tax value of certain properties, in pursuance of Italian Law Decree no. 104 of 14 August 2020 (known as August Decree), converted into Law 126 of 13 October 2020, deferred tax liabilities of €1,360,000 have been released to the income statement in these separate financial statements, which have been recognised in the changes in the income statement under "Amortisation and leasing". The exercise of the realignment option results in a substitute tax of approximately €146,000, which is accounted for in current taxes for the year and will be paid in equal instalments over the three-year period from 2021 to 2023.

Deferred tax assets relating to goodwill refer to the exemption of the value of the investment in Faringosi Hinges s.r.l. made in 2011 pursuant to Italian law Decree 98/2011, deductible in ten instalments starting in 2018.

22. NET FINANCIAL POSITION

As required by the CONSOB memorandum of 28 July 2006, we disclose that the Company's net financial position is as follows:

	31.12.2020	31.12.2019	Change
A. Cash (Note 11)	9	8	1
B. Positive balances of unrestricted bank accounts (Note 11)	1,586	8,335	(6,749)
C. Other cash equivalents	-	-	-
D. Liquidity (A+B+C)	**1,595**	**8,343**	**(6,748)**
E. Current financial receivables	**1,360**	**2,833**	**(1,473)**
F. Current bank payables (Note 14)	10,567	1,793	8,774
G. Current portion of non-current debt (Note 14)	13,430	12,201	1,229
H. Other current financial payables (Note 15)	1,560	331	1,229
I. Current financial debt (F+G+H)	**25,557**	**14,325**	**11,232**
J. Net current financial debt (I-D-E)	**22,602**	**3,149**	**19,453**
K. Non-current bank payables (Note 14)	26,890	35,486	(8,596)
L. Other non-current financial payables	-	1,233	(1,233)
M. Non-current financial debt (K+L)	**26,890**	**36,719**	**(9,829)**
N. Net financial debt (J+M)	**49,492**	**39,868**	**9,624**

The statement of cash flows, which shows the changes in cash and cash equivalents (letter D. of this statement), describes in detail the cash flows that led to the change in the net financial position.

COMMENTS ON KEY INCOME STATEMENT ITEMS

23. REVENUE

In 2020, sales revenue totalled €102,583,189, up 8.1% from €94,899,421 in 2019.

REVENUE BY GEOGRAPHICAL AREA

	2020	%	2019	%	% change
Italy	23,242	22.7%	22,053	23.2%	5.4%
Western Europe	7,952	7.8%	8,661	9.1%	(8.2%)
Eastern Europe and Turkey	33,129	32.3%	30,690	32.3%	7.9%
Asia and Oceania (excluding Middle East)	6,334	6.2%	7,808	8.2%	(18.9%)
Central and South America	13,719	13.4%	11,389	12%	20.5%
Middle East and Africa	10,415	10.2%	6,070	6.4%	71.6%
North America and Mexico	7,792	7.6%	8,228	8.7%	(5.3%)
Total	**102,583**	**100%**	**94,899**	**100%**	**8.1%**

The pandemic resulted in very high volatility of sales revenues during 2020. After an encouraging start to the year, from March onwards the Company's activities slowed down significantly, firstly due to the temporary interruption of activities (for 3 weeks) and then due to the general reduction in production levels by our customers. As from July, there was a marked recovery in demand in all geographical areas, which accelerated further in the last part of the year when the favourable market situation was accompanied by the start of new supplies of burners on a global scale to strategic customers.

REVENUE BY PRODUCT FAMILY

	2020	%	2019	%	% change
Valves and thermostats	45,784	42.2%	40,003	42.2%	14.5%
Burners	42,798	45.6%	43,304	45.6%	(1.2%)
Accessories and other revenues	14,001	12.2%	11,592	12.2%	20.8%
Total	**102,583**	**100%**	**94,899**	**100%**	**8.1%**

Average sales prices in 2020 were 1.6% lower compared with 2019.

24. OTHER INCOME

	2020	2019	Change
Sale of trimmings	1,147	912	235
Services to subsidiaries	1,150	1,332	(182)
Royalties to subsidiaries	126	97	29
Contingent income	891	317	574
Rental income	121	118	3
Use of provisions for risks and charges	15	64	(49)
Other income	2,197	1,205	992
Total	**5,647**	**4,045**	**1,602**

Services to subsidiaries refer to administrative, commercial and technical services provided within the scope of the Group.
Contingent assets include €704,000 collected as a distribution to unsecured creditors from the extraordinary administration procedure of a former customer, the related receivable having been fully written down in previous years.
Other income includes €972,000 in insurance compensation received following a fire that occurred in May 2019 and €318,000 for the benefits granted as a tax credit for investments made in 2020 (Italian Law 160/2019 paragraphs 184 to 196).

25. MATERIALS

	2020	2019	Change
Commodities and outsourced components	39,462	29,860	9,602
Consumables	3,808	2,945	863
Total	**43,271**	**32,805**	**10,465**

In 2020, the effective purchase prices of the main raw materials (aluminium alloys, steel and brass) were on average lower than in 2019, with a positive impact of 1.5% of sales.

26. COSTS FOR SERVICES

	2020	2019	Change
Outsourced processing	7,831	6,674	1,157
Electricity and natural gas	2,616	2,800	(184)
Maintenance	3,827	3,020	807
Advisory services	1,832	2,020	(188)
Transport and export expenses	1,420	1,091	329
Directors' fees	419	482	(63)
Insurance	536	466	70
Commissions	573	565	8
Travel expenses and allowances	122	402	(280)
Waste disposal	469	368	101
Canteen	251	260	(9)
Temporary agency workers	211	111	100
Other costs	2,102	1,865	237
Total	**22,209**	**20,124**	**2,085**

The main outsourced processing carried out by the Company include aluminium die-casting, hot moulding of brass and some mechanical processing and assembly. The increase in costs for outsourced processing reflects the higher levels of activity compared to the previous year.

27. PERSONNEL COSTS

	2020	2019	Change
Salaries and wages	18,744	17,996	748
Social Security costs	5,718	5,764	(46)
Temporary agency workers	2,002	972	1,030
Post-employment benefit and other costs	1,446	1,373	73
Stock grant plan	657	680	(23)
Total	**28,567**	**26,785**	**1,782**

Average of the Company headcount at 31 December 2020 totalled 480 employees (345 blue-collars, 124 white-collars and supervisors, 11 managers), compared with 488 in 2019 (360 blue-collars, 118 white-collars and supervisors, 10 managers). The number of temporary staff with temporary work contract was 82 at 31 December 2020 (18 at the end of 2019).

The item "Stock Grant Plan" included the measurement at 31 December 2020 of the fair value of the options to the allocation of Sabaf shares to employees. For details of the Stock Grant Plan, refer to Note 43.

28. OTHER OPERATING COSTS

	2020	2019	Change
Provisions for risks	558	74	484
Non-income related taxes and duties	413	400	13
Losses and write-downs of trade receivables	89	42	47
Contingent liabilities	36	99	(63)
Other provisions	26	97	(71)
Other operating expenses	185	214	(29)
Total	**1,307**	**926**	**381**

Non-income taxes mainly include IMU, TASI and the tax for the disposal of urban solid waste. Provisions for risks and other provisions relate to sums set aside for the risks described in Note 17.

29. FINANCIAL EXPENSES

	2020	2019	Change
Interest paid to banks	543	592	(49)
Banking expenses	141	173	(32)
Other financial expense	34	52	(18)
Total	**718**	**817**	**(99)**

Interest paid to banks includes IRS spreads payable that hedge interest rate risks.

30. EXCHANGE RATE GAINS AND LOSSES

In 2020, the Company reported net foreign exchange losses of €399,000 (net loss of €10,000 in 2019) due to the gradual weakening of the dollar against the euro during the year.

31. PROFITS AND LOSSES FROM EQUITY INVESTMENTS

	2020	2019	Change
Dividends received from Sabaf Kunshan Trading	-	47	(47)
Dividends received from Faringosi Hinges s.r.l.	500	996	(496)
Dividends received from Okida Elektronik	109	315	(206)
Total	**609**	**1,358**	**(749)**

This item includes dividends received from investee companies.

32. INCOME TAXES

	2020	2019	Change
Current taxes	934	127	807
Deferred tax assets and liabilities	(1,112)	(273)	(893)
Taxes related to previous financial years	(89)	(29)	(60)
Substitute tax	146	-	146
Taxes on foreign divi-dends	15	44	(29)
Total	**(106)**	**(131)**	**25**

Current taxes for the 2020 financial year are related to IRAP for €374,000 and IRES for €588,000, net of the tax credit for sanitisation amounting to €28,000.

Following the realignment between the carrying value and the tax value of certain properties, in pursuance of Italian Law Decree no. 104 of 14 August 2020 (known as August Decree), converted into Law 126 of 13 October 2020, deferred tax liabilities of €1,360,000 have been released to the income statement in these separate financial statements. The exercise of the realignment option results in a substitute tax of approximately €146,000, which is accounted for in current taxes for the year and will be paid in equal instalments over the three-year period from 2021 to 2023.

Reconciliation between the tax burden booked in the financial statements and the theoretical tax burden calculated according to the statutory tax rates currently in force in Italy is shown in the following table:

	2020	2019
Theoretical income tax	1,513	886
Taxes related to previous financial years	(127)	(25)
Tax effect of dividends from investee companies	(124)	(265)
"Patent box" tax effect	-	(306)
"Iper and Superammortamento" tax benefit	(694)	(581)
Realignment between carrying values and tax values of properties (Note 21)	(1,360)	-
Substitute tax on realignment of property values (Note 21)	146	-
Permanent tax differences	172	4
Other differences	2	(4)
Tax credit on sanitisation costs	(28)	-
IRES (current and deferred)	**(500)**	**(291)**
IRAP (current and deferred)	**394**	**160**
Total	**(106)**	**(131)**

Theoretical taxes were calculated applying the current corporate income tax (IRES) rate, i.e. 24%, to the pre-tax result. IRAP is not taken into account for the purpose of reconciliation because, as it is a tax with a different assessment basis from pre-tax profit, it would generate distorting effects.

No tax disputes were pending at 31 December 2020.

33. DIVIDENDS

On 14 October 2020, shareholders were paid a dividend of €0.35 per share (total dividends of €3,924,000).
The Directors have recommended payment of a dividend of €0.55 per share this year. This dividend is subject to approval of shareholders in the annual Shareholders' Meeting and was not included under liabilities in these financial statements.
The dividend proposed is scheduled for payment on 2 June 2021 (ex-date 31 May and record date 1 June).

34. SEGMENT REPORTING

Within the Sabaf Group, the Company operates exclusively in the gas parts segment for household cooking. The information in the consolidated financial statements is divided between the various segments in which the Group operates.

35. INFORMATION ON FINANCIAL RISK

Categories of financial instruments

In accordance with IFRS 7, a breakdown of the financial instruments is shown below, among the categories set forth in IFRS 9.

	31.12.2020	31.12.2019
Financial assets		
Amortised cost		
Cash and cash equivalents	1,595	8,343
Trade receivables and other receivables	46,972	29,152
Non-current loans	5,537	5,340
Current loans	-	1,600
Other financial assets	1,360	1,293
Hedge accounting		
Derivatives cash flow hedges (on currency)	127	-
Financial liabilities		
Fair Value through profit or loss		
Derivatives cash flow hedges (on interest rates)	327	271
Amortised cost		
Loans	50,887	49,480
Other financial liabilities	1,233	1,293
Trade payables	26,204	15,734

The Company is exposed to financial risks related to its operations, mainly:

- credit risk, with special reference to normal trade relations with customers;
- market risk, relating to the volatility of prices of commodities, foreign exchange and interest rates;
- liquidity risk, which can be expressed by the inability to find financial resources necessary to ensure Company operations.

It is part of Sabaf's policies to hedge exposure to changes in prices and to fluctuations in exchange and interest rates via derivative financial instruments. Hedging is done using forward contracts, options or combinations of these instruments. Generally speaking, the maximum duration covered by such hedging does not exceed 18 months. The Company does not enter into speculative transactions. When the derivatives used for hedging purposes meet the necessary requisites, hedge accounting rules are followed.

Credit risk management

Trade receivables involve producers of domestic appliances, multinational groups and smaller manufacturers in a few or single markets. The Company assesses the creditworthiness of all its customers at the start of supply and systemically at least on an annual basis. After this assessment, each customer is assigned a credit limit. The Company factors receivables with factoring companies based on without recourse agreements, thereby transferring the related risk.
A credit insurance policy is in place, which guarantees cover for approximately 36% of trade receivables.

Credit risk relating to customers operating in emerging economies is generally attenuated by the expectation of revenue through letters of credit.

Forex risk management

The main exchange rate to which the Company is exposed is the euro/USD in relation to sales made in dollars (mainly in North America) and, to a lesser extent, to some purchases (mainly from Asian manufacturers). Sales in US dollars represented 13% of total turnover in 2020, while purchases in dollars represented 5% of total turnover. During the year, operations in dollars were partially hedged through forward sales contracts. At 31 December 2020, the Company had in place forward sales contracts of USD 4.8 million, maturing in December 2021 at an average exchange rate of 1.1910. With reference to these contracts, the Company applies hedge accounting, checking compliance with IFRS 9.

The table below shows the balance sheet and income statement effects of forward sales contracts recognised under hedge accounting.

Counterparty	Instrument	Maturity	Value date	Notional (in thousands)	Fair value hierarchy
Unicredit	Forward	29/03/2021	USD	800	2
		28/06/2021		800	
		27/09/2021		800	
MPS	Forward	21/12/2021	USD	800	
		29/03/2021		400	
		28/06/2021		400	
		28/09/2021		400	
		21/12/2021		400	

Sensitivity analysis

With reference to financial assets and liabilities in US dollars at 31 December 2020, a hypothetical and immediate revaluation of 10% of the euro against the dollar would have led to a loss of €568,000.

Interest rate risk management

Owing to the current trend in interest rates, the Company favours fixed-rate indebtedness: medium to long-term loans originated at a variable rate are converted to a fixed rate by entering into interest rate swaps (IRS) at the same time as the loan is opened. At 31 December 2020, IRS totalling €26.4 million were in place, mirrored in mortgages with the same residual debt, through which the Company transformed the floating rate of the mortgages into fixed rate. The derivative contracts were not designated as a cash flow hedge and were therefore recognised using the "fair value through profit or loss" method.

Sensitivity analysis

Considering the IRS in place, at the end of 2020 almost all of the Company's financial debt was at a fixed rate. Therefore, at 31 December 2020 no sensitivity analysis was carried out in that the exposure to interest rate risk, linked to a hypothetical increase (decrease) in interest rates, is not significant.

Commodity price risk management

A significant portion of the Company's purchase costs is represented by aluminium, steel and brass. Sales prices of products are generally renegotiated annually; as a result, the Company is unable to immediately pass on to customers any changes in the prices of commodities during the year. The Company protects itself from the risk of changes in the price of aluminium, steel and brass with supply contracts signed with suppliers for delivery up to twelve months in advance or, alternatively, with derivative financial instruments. In 2020 and 2019, the Company did not use financial derivatives on commodities. To stabilise the rising costs of commodities, Sabaf preferred to execute transactions on the physical market, fixing prices with suppliers for immediate and deferred delivery.

Liquidity risk management

The management of liquidity and financial debt is coordinated at Group level. The Group operates with a debt ratio considered physiological (net financial debt / shareholders' equity at 31 December 2020 of 47.8%, net financial debt / pro-forma EBITDA[2] of 1.52) and has unused short-term lines of credit. To minimise the risk of liquidity, the Administration and Finance Department:

- maintains a correct balance of net financial debt, financing investments with capital and with medium to long-term debt;
- verifies systematically that the short-term accrued cash flows (amounts received from customers and other income) are expected to accommodate the deferred cash flows (short-term financial debt, payments to suppliers and other outgoings);
- regularly assesses expected financial needs in order to promptly take any corrective measures. An analysis by expiry date of financial payables at 31 December 2020 and 31 December 2019 is shown below.

[2] The return on capital employed and the pro-forma net debt/EBITDA ratio are calculated considering, for the companies acquired and included in the scope of consolidation during the year, the EBIT and EBITDA for the entire year.

At 31 December 2020	Carrying value	Contractual cash flows	Within 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Unsecured loans and leases	40,320	40,832	1,874	11,777	27,174	7
Short-term bank loans	10,567	10,567	10,567	-	-	-
Payables to A.R.C. shareholders	60	60	-	60	-	-
Payables to C.M.I. shareholders	1,173	1,173	-	1,173	-	-
Total financial payables	**52,120**	**52,632**	**12,441**	**11,837**	**27,174**	**7**
Trade payables	26,204	26,204	23,548	2,656	-	-
Total	**78,324**	**78,836**	**35,989**	**14,493**	**27,174**	**7**

At 31 December 2019	Carrying value	Contractual cash flows	Within 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Unsecured loans and leases	47,687	48,588	1,723	11,009	33,251	2,605
Short-term bank loans	1,793	1,793	1,793	-	-	-
Payables to A.R.C. shareholders	120	120	-	60	60	-
Payables to C.M.I. shareholders	1,173	1,173	-	-	1,173	-
Total financial payables	**50,773**	**51,674**	**3,516**	**11,069**	**34,484**	**2,605**
Trade payables	15,734	15,734	15,707	27	-	-
Total	**66,507**	**67,408**	**19,223**	**11,096**	**34,484**	**2,605**

The various due dates are based on the period between the end of the reporting period and the contractual expiry date of the commitments, the values indicated in the table correspond to non-discounted cash flows. Cash flows include the shares of principal and interest; for floating rate liabilities, the shares of interest are determined based on the value of the reference parameter at the end of the reporting period and increased by the spread set forth in each contract.

Hierarchical levels of fair value assessment

The revised IFRS 7 requires that financial instruments reported in the statement of financial position at fair value be classified based on a hierarchy that reflects the significance of the input used in determining the fair value. IFRS 7 makes a distinction between the following levels:

- Level 1 – quotations found on an active market for assets or liabilities subject to assessment;
- Level 2 - input other than prices listed in the previous point, which can be observed directly (prices) or indirectly (derived from prices) on the market;
- Level 3 – input based on observable market data.

The following table shows the assets and liabilities valued at fair value at 31 December 2020, by hierarchical level of fair value assessment.

	Level 1	Level 2	Level 3	Total
Other financial liabilities (interest rate derivatives)	-	(327)	-	(327)
Options on A.R.C. and C.M.I. minorities	-	-	-	-
Total assets and liabilities at fair value	**-**	**(327)**	**-**	**(327)**

36. RELATIONS BETWEEN GROUP COMPANIES AND WITH RELATED PARTIES

The table below illustrates the impact of all transactions between Sabaf S.p.A. and other related parties on the balance sheet and income statement items and related parties, with the exception of the directors' fees, auditors and key management personnel which is stated in the Report on Remuneration.

IMPACT OF RELATED-PARTY TRANSACTIONS OR POSITIONS ON STATEMENT OF FINANCIAL POSITION ITEMS

	Total 2020	Subsidiaries	Other related parties	Total related parties	Impact on the total
Non-current financial assets	5,537	5,537	-	5,537	100%
Trade receivables	45,025	16,048	-	16,048	35.64%
Tax receivables	1,254	316	-	316	25.20%
Trade payables	26,204	1,075	4	1,079	4.12%
Tax payables	2,459	351	-	351	14.27%

	Total 2019	Subsidiaries	Other related parties	Total related parties	Impact on the total
Non-current financial assets	5,340	5,280	-	5,280	98.88%
Trade receivables	28,563	9,676	-	9,676	33.88%
Current financial assets	3,421	1,600	-	1,600	46.77%
Trade payables	15,734	765	4	769	4.89%

IMPACT OF RELATED-PARTY TRANSACTIONS ON INCOME STATEMENT ITEMS

	Total 2020	Subsidiaries	Other related parties	Total related parties	Impact on the total
Revenue	102,583	15,221	-	15,221	14.84%
Other income	5,647	1,647	-	1,647	29.17%
Materials	43,271	1,935	-	1,935	4.47%
Services	20,124	458	21	479	2.16%
Capital gains on non-current assets	965	723	-	723	74.92%
Write-downs of non-current assets	761	620	-	620	81.47%
Financial income	202	176	-	176	87.13%

	Total 2019	Subsidiaries	Other related parties	Total related parties	Impact on the total
Revenue	94,899	11,820	-	11,820	12.46%
Other income	4,045	1,760	-	1,760	43.51%
Materials	32,806	1,852	-	1,852	5.65%
Services	20,124	465	21	486	2.42%
Capital gains on non-current assets	130	90	-	90	69.23%
Other operating costs	926	80	-	80	8.64%
Write-downs of non-current assets	500	500	-	500	100%
Financial income	211	175	-	175	82.94%

Relations with subsidiaries mainly consist of:
- trade relations, relating to the purchase and sale of semi-processed goods or finished products with Sabaf do Brasil, Faringosi Hinges, Sabaf Turkey, Okida and Sabaf Kunshan;
- sales of machinery to Sabaf do Brasil and Sabaf Turkey, which generated the capital gains highlighted;
- charging for the provision of intra-group technical, commercial and administrative services;
- charging for intra-group royalties;
- intra-group loans;
- tax consolidation scheme.

Related-party transactions are regulated by specific contracts regulated at arm's length conditions.

37. 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	Net Profit	Net financial debt	Cash flows
Financial statement values (A)	**109,928**	**6,410**	**49,493**	**(6,748)**
Realignment of carrying values and tax values of properties (a)	(1,214)	(1,214)	-	-
Recovery of a previously written-down trade receivable (c)	(796)	(796)	796	(796)
Settlement of a patent dispute (d)	500	500	-	-
Total non-recurring operations (B)	*(1,510)*	*(1,510)*	*796*	*(796)*
Tax effect				
Total net of the tax effect	*52*	*52*	-	-
Financial statement notional value (A + B)	**108,470**	**4,952**	**50,289**	**(7,544)**

In these separate financial statements, the Company recognised:

a. under income taxes a non-recurring income of €1,214,000 following the realignment, carried out in accordance with Article 110 of Italian Law Decree No. 104 of 14 August 2020, of the differences between the carrying values and tax values of certain properties resulting from the merger of Sabaf Immobiliare, a transaction that took place in 2019. The total amount of €1,214,000 is the difference between the release of related deferred tax liabilities of €1,360,000 and the recognition of substitute tax of €146,000 (Note 21 and Note 32).
b. among other revenues, a non-recurring income of €704,000 collected as a distribution to unsecured creditors from the extraordinary administration procedure of a former customer, the related receivable having been fully written down in previous years (Note 24)
c. among other operating revenues, a provision for legal risks of €500,000 for a patent dispute for which a settlement was reached with the counterparty at the beginning of 2021 (Note 17 and Note 28).

38. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

After the reporting period and up to the date of this report, no events occurred that need to be mentioned.

39. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

Pursuant to CONSOB memorandum of 28 July 2006, the Company declares that no atypical and/or unusual transactions as defined by the CONSOB memorandum were executed during 2020.

40. SECONDARY OFFICES AND LOCAL UNITS

The company has two other active local units in addition to Ospitaletto:
- Lumezzane (Brescia);
- Busto Arsizio (Varese).

41. COMMITMENTS

Guarantees issued

Sabaf S.p.A. also issued sureties to guarantee mortgage loans granted by banks to employees for a total of €3,632,000 (€4,024,000 at 31 December 2019).

42. FEES TO DIRECTORS, STATUTORY AUDITORS AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

Fees to directors, statutory auditors and executives with strategic responsibilities are described in the Report on Remuneration that will be presented to the shareholders' meeting called to approve these separate financial statements.

43. SHARE-BASED PAYMENTS

In order to adopt a medium and long-term incentive instrument for directors and employees of the Sabaf Group, on the proposal of the Remuneration and Nomination Committee, the Board of Directors prepared a specific free allocation plan of shares (the "Plan") with the characteristics described below.
The Plan was approved by the Shareholders' Meeting on 8 May 2018 and the related Regulations by the Board of Directors on 15 May 2018, 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 and of the Group.

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 already 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 who will be 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 a total of 185,600 options were assigned; and the Board of Directors in its meeting of 14 May 2019, identified the Beneficiaries of Cluster 2 of the Plan to whom a total of 184,400 options 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 Options, 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, with progressiveness, of the business objectives related to the ROI, EBITDA and TSR indicators and Individual objectives, i.e. performance targets of each beneficiary determined by the Board of Directors at the suggestion of the Remuneration and Nomination Committee.

Deadline of the Plan

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

Fair Value measurement methods

Considering the allocation mechanism described above, it was necessary to measure at fair value the options assigned to receive shares of the company. In line with the date of assignment of the options and terms of the plan, the grant date was set at 15 May 2018 for Cluster 1 and 14 May 2019 for Cluster 2. The main assumptions made at the beginning of the vesting period and the determination of fair value at the end of the reporting period are illustrated below.

CLUSTER 1

FAIR VALUE MEASUREMENT METHODS - RIGHTS RELATING TO OBJECTIVES MEASURED ON ROI				
	2018	2019	2020	2018-2020
Share prices at the start of the vesting period	19.48	19.48	19.48	19.48
Expected probability of business objective achievement	35%	0%	35%	0%

Total value on ROI	3.07	Fair Value	1.03
Rights on ROI	33.40%		

FAIR VALUE MEASUREMENT METHODS - RIGHTS RELATING TO OBJECTIVES MEASURED ON EBITDA			
	2018	2019	2020
Share prices at the start of the vesting period	19.48	19.48	19.48
Expected probability of business objective achievement	35%	0%	0%

Total value on EBITDA	1.70	Fair Value	0.57
Rights on EBITDA	33.30%		

FAIR VALUE MEASUREMENT METHODS - RIGHTS RELATING TO OBJECTIVES MEASURED ON TSR				
	2018	2019	2020	2018-2020
Share prices at the start of the vesting period	20.2	14.9	12.44	20.2
Risk free rate	-0.28%	-0.30%	-0.38%	-0.38%
Expected volatility	31%	18%	29%	29%
Dividend yield	0%	0%	0%	0%
Strike Price	22.61	17.39	14.51	28.34

Total value on TSR	7.57	Fair Value	2.52
Rights on TSR	33.30%		

Fair value per share	4.11

CLUSTER 2

FAIR VALUE MEASUREMENT METHODS - RIGHTS RELATING TO OBJECTIVES MEASURED ON ROI			
	2019	2020	2019-2020
Share prices at the start of the vesting period	13.66	13.66	13.66
Expected probability of business objective achievement	0%	35%	0%

Total value on ROI	1.96
Rights on ROI	23.38%

Fair Value	0.46

FAIR VALUE MEASUREMENT METHODS - RIGHTS RELATING TO OBJECTIVES MEASURED ON EBITDA		
	2019	2020
Share prices at the start of the vesting period	13.66	13.66
Expected probability of business objective achievement	0%	0%

Total value on EBITDA	0.00
Rights on EBITDA	23.31%

Fair Value	0.00

FAIR VALUE MEASUREMENT METHODS - RIGHTS RELATING TO OBJECTIVES MEASURED ON TSR			
	2019	2020	2019-2020
Share prices at the start of the vesting period	14.9	12.44	14.9
Risk free rate	-0.30%	-0.38%	-0.38%
Expected volatility	18%	29%	29%
Dividend yield	0%	0%	0%
Strike Price	17.39	14.51	22.86

Total value on TSR	2.53
Rights on TSR	23.31%

Fair Value	0.59

FAIR VALUE MEASUREMENT METHODS - RIGHTS RELATING TO OBJECTIVES MEASURED ON INDIVIDUAL OBJECTIVES		
	2019	2020
Share prices at the start of the vesting period	13.66	13.66
Expected probability of business objective achievement	93%	93%

Total value on individual objectives	12.70
Rights on individual objectives	30.00%

Fair Value	3.81

Fari Value per share	4.86

In connection with this Plan, €658,000 were recognised in personnel costs during the year (Note 27). At 31 December 2020, a reserve of €1,660,000 was recorded in the item "Retained earnings, Other reserves" under shareholders' equity (Note 13).

E-MARKET SDIR CERTIFIED

Summary of public grants pursuant to Article 1, paragraphs 125-129, Italian Law no. 124/2017

In compliance with the requirements of transparency and publicity envisaged pursuant to Italian Law no. 124 of 4 August 2017, article 1, paragraphs 125-129, which imposed on companies the obligation to indicate in the explanatory notes "grants, contributions, and in any case economic advantages of any kind", the following are the details of the relative amounts, accounted for "on a cash basis", in addition to what has already been published in the National State Aid Register - transparency of individual aid.

Statutory References	Contribution value	Disbursing Subject
Super/Iper ammortamento (Super/ Hyper amortisation)	694	Italian State
Energy-intensive contributions	493	Italian State
Sanitisation credit	9	Italian State
Total	**1,196**	

Iperammortamento (Hyper amortisation): it allows an over-estimation for tax purposes of capital equipment to which "Industry 4.0" benefits are applicable, which differs according to the year of acquisition. The reference regulations are included in the Budget Laws from the year 2017 to the year 2020.

Super ammortamento (Super amortisation): it allows an over-estimation for tax purposes of 130% or 140% of investments in new capital equipment; the reference regulations are contained in Italian Law no. 205 of 27 December 2017.

Energy-intensive contributions: accessible grants for companies that consume a lot of electricity, whose regulatory reference is the MISE Decree of 21 December 2017.

Tax credit for sanitisation and the purchase of personal protective equipment: tax credit equal to 60% of the expenses incurred in 2020 with reference to Article 125 of Italian law Decree no. 34 of 19 May 2020, known as Decreto Rilancio (Relaunch Decree).

LIST OF INVESTMENTS WITH ADDITIONAL INFORMATION REQUIRED BY CONSOB (COMMUNICATION DEM6064293 OF 28 JULY 2006)

IN SUBSIDIARIES[3]

Company name	Registered offices	Share capital at 31 December 2020	Shareholders	Ownership %	Shareholders' equity at 31 December 2020	2020 profit (loss)
Faringosi Hinges s.r.l.	Ospitaletto (BS)	EUR 90,000	Sabaf S.p.A.	100%	EUR 7,461,839	EUR 576,761
Sabaf do Brasil Ltda	Jundiaì (Brazil)	BRL 38,328,261	Sabaf S.p.A.	100%	BRL 67,308,582	BRL 8,937,131
Sabaf US Corp.	Plainfield (USA)	USD 200,000	Sabaf S.p.A.	100%	USD 132,621	USD 89,447
Sabaf Appliance Components (Kunshan) Co., Ltd.	Kunshan (China)	EUR 7,900,000	Sabaf S.p.A.	100%	CNY 18,540,605	CNY -4,750,113
Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki	Manisa (Turkey)	TRY 28,000,000	Sabaf S.p.A.	100%	TRY 148,246,949	TRY -6,817,642
A.R.C. s.r.l.	Campodarsego (PD)	EUR 45,000	Sabaf S.p.A.	70%	EUR 6,781,600	EUR 400,180
Okida Elektronik Sanayi ve Ticaret A.S.	Istanbul (Turkey)	TRY 5,000,000	Sabaf S.p.A. Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki	30% 70%	TRY 74,882,699	TRY 37,650,029
C.M.I s.r.l.	Valsamoggia (BO)	EUR 1,000,000	Sabaf S.p.A.	84.25%	EUR 9,204,302	EUR 1,709,751
C.G.D. s.r.l.	Valsamoggia (BO)	EUR 26,000	C.M.I s.r.l.	100%	EUR 815,828	EUR 51,690
C.M.I. Polska sp. z.o.o.	Myszków (Poland)	PLN 40,000	C.M.I s.r.l. C.G.D. s.r.l.	97.5% 2.5%	PLN 8,871,334	PLN 2,615,164
Sabaf India Private Limited	Bangalore (India)	INR 153,833,140	Sabaf S.p.A.	100%	INR 149,767,657	INR -4,035,483

OTHER SIGNIFICANT EQUITY INVESTMENTS

Company name	Registered offices	Share capital at 31 December 2020	Shareholders	Ownership %	Shareholders' equity at 31 December 2020	2020 profit (loss)
Handan A.R.C. Burners Co., Ltd.	Handan (China)	RMB 3,000,000	A.R.C. s.r.l.	51%	RMB 1,414,660	RMB -657,278

[3] Values taken from the separate financial statements of subsidiaries, prepared in accordance with locally applicable accounting standards.

ORIGIN, POSSIBILITY OF UTILISATION AND AVAILABILITY OF RESERVES

Description	Amount	Possibility of utilisation	Available share	Amount subject to taxation for the company in the case of distribution
Capital reserves:				
Share premium reserve	10,002	A, B, C	10,002	0
Revaluation reserve, Law 413/91	42	A, B, C	42	42
Revaluation reserve, Law 342/00	1,592	A, B, C	1,592	1,592
Retained earnings:				
Legal reserve	2,307	B	0	0
Other retained earnings	71,910	A, B, C	71,910	0
Revaluation reserve, Italian Law Decree 104/20	4,873	A, B, C	4,873	4,727
Valuation reserve:				
Post-employment benefit actuarial provision	(528)		0	0
Reserve for stock grant plan	1,660		0	0
Hedge accounting reserve	127		0	0
Totale	**91,985**		**88,419**	**6,361**

Key:
A. for share capital increase
B. to hedge losses
C. for distribution to shareholders

STATEMENT OF REVALUATIONS OF EQUITY ASSETS AT 31 DECEMBER 2020

		Gross value	Cumulative depreciation	Net value
Investment property	Law 72/1983	137	(137)	0
	1989 merger	516	(486)	30
	Law 413/1991	47	(45)	2
	1994 merger	1,483	(1,181)	302
	Law 342/2000	2,870	(2,626)	244
		5,053	**(4,475)**	**578**
Plant and machinery	Law 576/75	205	(205)	0
	Law 72/1983	2,219	(2,219)	0
	1989 merger	6,140	(6,140)	0
	1994 merger	6,820	(6,820)	0
		15,384	**(15,384)**	**0**
Industrial and commercial equipment	Law 72/1983	**161**	**(161)**	**0**
Other assets	Law 72/1983	**50**	**(50)**	**0**
Total		**20,648**	**(20,070)**	**578**

GENERAL INFORMATION

Sabaf S.p.A. is a company organised under the legal system of the Republic of Italy.

Registered and administrative office	**Via dei Carpini, 1 - 25035 Ospitaletto (Brescia)**
Contacts	**Tel: +39 030 - 6843001**
	Fax: +39 030 - 6848249
	E-mail: info@sabaf.it
	Website: www.sabafgroup.com

Tax information	**R.E.A. Brescia 347512**
	Tax Code 03244470179
	VAT number 01786910982

APPENDIX

Information as required by Article 149-duodecies of the CONSOB Issuers' Regulation

The following table, prepared pursuant to Article 149-duodecies of the CONSOB Issuers' Regulation, shows fees relating to 2020 for auditing services and for services other than auditing provided by the Independent Auditors. No services were provided by entities belonging to the network.

(€/000)	Party providing the service	Fees pertaining to the 2020 financial year
Audit	EY S.p.A	47
Certification services	EY S.p.A	-
Other services	EY S.p.A	42[4]
Total		**89**

[4] Auditing procedures agreement relating to interim management reports.

CERTIFICATION OF SEPARATE FINANCIAL STATEMENTS

pursuant to Article 154-bis of Italian Legislative Decree 58/98

Pietro Iotti, the Chief Executive Officer, and Gianluca Beschi, the Financial Reporting Officer of Sabaf S.p.A., have 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 for the formation of the separate financial statements during the 2020 financial year.

They also certify that:

- the separate financial statements:
  - were prepared in accordance with the international accounting policies recognised in the European Community in accordance with EC regulation 1606/2002 of the European Parliament and Council of 19 July 2002 and with the measures issued in implementation of Article 9 of Italian Legislative Decree 38/2005;
  - are consistent with accounting books and records;
  - provide a true and fair view of the financial position and performance of the issuer;
- the report on operations contains a reliable analysis of the performance and results of operations and the situation at the issuer, along with a description of the key risks and uncertainties to which it is exposed.

Ospitaletto, 23 March 2021

Chief Executive Officer	The Financial Reporting Officer
Pietro Iotti	Gianluca Beschi

EY S.p.A.
Corso Magenta, 29
25121 Brescia

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ey.com

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Sabaf S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sabaf S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2020, and the income statement, the comprehensive income statement, the statement of changes in shareholders' equity and the cash flows statement for the year then ended, and the explanatory notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

EY S.p.A.
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Capitale Sociale Euro 2.525.000,00 i.v.
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Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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We identified the following key audit matter:

Key Audit Matter	Audit Responses
Valuation of investments	
The balance of investments at December 31, 2020 amounted to Euro 65,4 million. The most significant investments are: - C.M.I. S.r.l.: Euro 16,5 million; - Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited: Euro 12 million; - Faringosi Hinges S.p.A.: Euro 10,3 million; - Sabaf do Brasil: Euro 9,6 million; - Okida Elektronik Sanayi Limited Sirket: Euro 8,7 million; - A.R.C. S.r.l.: € Euro 4,8 million. Management assesses the existence of impairment indicators on investments at least annually, in line with its strategy in managing each separate entity within the group and, if present, such investments are subject to an impairment test. The processes and methodologies to valuate and determine the recoverable amount of investments are based on complex assumptions that, due to their nature, imply the use of judgement by management, in particular with reference to the assumptions underlying future cash flow forecasts in the period covered by the business plan, the estimate of the terminal value and the calculation of the long-term growth and discount rates applied to the future cash flow forecasts. Considering the level of judgement and complexity of the assumptions applied in estimating the recoverable amount of investments, we determined that this area represents a key audit matter. The disclosures related to the valuation of investments are included in paragraph "Use of estimates" and in note "4 Equity Investments".	Our audit procedures in response to this key audit matter included, among others: (i) assessment of the process and key controls implemented by the Company in connection with the valuation of investments; (ii) assessment of the assumptions underlying future cash flow forecasts; (iii) test of the consistency of the investments future cash flow forecasts against the 2021-2025 business plan; (iv) assessment of the accuracy of cash flow projections as compared to historical results; (v) assessment of the long-term growth rates and discount rates. In performing our analysis, we engaged our experts in valuation techniques, who have independently performed calculation and sensitivity analyses of key assumptions in order to determine any changes in assumptions that could materially impact the valuation of the recoverable amount. Lastly, we evaluated the appropriateness of the disclosures included in the explanatory notes of the financial statements and the consistency of the related disclosure provided in the Report on Operations.

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Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

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However, future events or conditions may cause the Company to cease to continue as a going concern;

- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Sabaf S.p.A., in the general meeting held on May 8, 2018, engaged us to perform the audits of the financial statements for each of the years ending December 31, 2018 to December 31, 2026.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Sabaf S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Sabaf S.p.A. as at December 31, 2020, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of Sabaf S.p.A. as at December 31, 2020 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Sabaf S.p.A. as at December 31, 2020 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Milan, April 2, 2021

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.

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING OF SABAF S.P.A.

in accordance with Art. 2429, paragraph 2 of the Italian Civil Code and Art. 153 of Legislative Decree no. 58/1998

To the Shareholders' Meeting of the Company SABAF S.p.A.

INTRODUCTION

The Board of Statutory Auditors of SABAF S.p.A. (hereinafter also "SABAF" or "Company"), pursuant to Art. 153 of Legislative Decree no. 58 of 1998 (hereinafter also T.U.F.) and Art. 2429, paragraph 2 of the Italian Civil Code, is called upon to report to the Shareholders' Meeting called to approve the Financial Statements on the supervisory activity carried out during the financial year in the performance of its duties, also in the capacity of "internal control and audit committee", on any omissions and reprehensible facts found and on the results of the financial year, as well as to formulate proposals regarding the Financial Statements, the approval thereof and matters falling within its competence.

Note, first of all, that the Board of Directors decided to make use of the longer term envisaged in Art. 2364 of the Italian Civil Code and Art. 8 of the Articles of Association for the call of the Shareholders' Meeting to approve the 2020 financial statements, owing to the existence of the relative conditions. The financial statements report is in any case made available to the public in full within the terms of Art. 154-ter of the T.U.F. (within four months from the end of the financial year). The decision was taken by the Board, as explained in the Report on Operations, as SABAF is required to prepare the consolidated financial statements, in consideration of requirements related to the relevant obligations and fulfilments. In any case, note that, due to the situation regarding the spread of the health emergency related to COVID-19, pursuant to Art. 106 of Decree Law no.18 of 2020 "the ordinary shareholders' meeting is convened within one hundred and eighty days from the end of the reporting period", as an exception to the ordinary rules on the subject.

During the year ended 31 December 2020 and up to date, the Board of Statutory Auditors carried out its supervisory activities in compliance with Law provisions, Rules of Behaviour of the Board of Statutory Auditors of listed companies issued by the Italian Board of Certified Public Accountants and Bookkeepers, the CONSOB provisions on corporate controls, the Corporate Governance Code and, as from the beginning of the 2021 financial year by the new Corporate Governance Code, as well as by the provisions contained in Art. 19 of Legislative Decree 39/2010.

The financial statements of SABAF were prepared in accordance with the IAS/IFRS international accounting standards issued by the International Accounting Standards Board (IASB) and approved by the European Union, as well as in accordance with the provisions issued by CONSOB in implementation of Art. 9, paragraph 3, of Legislative Decree 38/2005.

The Company's Financial Statements were prepared in accordance with the law and accompanied by the documents required by the Italian Civil Code and the T.U.F.. Moreover, in accordance with law provisions, the Company prepared the Consolidated financial statements and the Consolidated Disclosure of Non-Financial Information for the year 2020.

The Board of Statutory Auditors acquired the information necessary for the performance of the supervisory duties assigned to it by attending the meetings of the Board of Directors and the Board Committees, the hearings of the Company's and the Group's management, the information acquired from the competent company structures, as well as through the additional control activities carried out.

APPOINTMENT AND INDEPENDENCE OF THE BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors in office at the date of this Report was appointed by the Shareholders' Meeting of 8 May 2018 in the persons of Alessandra Tronconi (Chairman), Luisa Anselmi (Statutory Auditor), Mauro Giorgio Vivenzi (Statutory Auditor), as well as Paolo Guidetti and Stefano Massarotto (Alternate Auditors). The control body will remain in office for three financial years and will expire on the date of the Shareholders' Meeting called to approve the Financial Statements for the year 2020.
The appointment was made on the basis of two lists submitted by the Shareholders Giuseppe Saleri S.A.p.A and Quaestio Capital SGR S.p.A. respectively, in compliance with the applicable law, regulatory and statutory provisions. The Chairman of the Board of Statutory Auditors and one Alternate Auditor were drawn from the list that obtained the lowest number of votes.

The composition of the Board of Statutory Auditors complies with the gender distribution criterion set forth in Art. 148 of Legislative Decree no. 58 of 1998.

At the time of its appointment, the Board of Statutory Auditors checked the existence of the independence requirement as part of the broader process of self-assessment of the control body pursuant to Standard Q.1.1 of the Rules of Behaviour of listed companies; the check was carried out on the basis of the criteria envisaged by the aforesaid Standards and by the Corporate Governance Code applicable to independent directors. The outcome of the check was communicated (pursuant to Art. 144-novies, paragraph 1-ter of CONSOB Regulation no. 11971 of 1999, Art. 8.C.1 of the Corporate Governance Code and Standard Q.1.1 of the Rules of Behaviour of listed companies) to the Board of Directors, which issued the relevant press release on 26 June 2018.

This assessment was carried out again on 12 March 2019, 17 March 2020 and 16 March 2021 and consequently communicated to the Board of Directors, which disclosed it in the Report prepared pursuant to Art. 123-bis of the T.U.F. of the financial years of reference.

SUPERVISION AND CONTROL OF THE BOARD OF STATUTORY AUDITORS

Supervisory activity on compliance with the law and articles of association

In carrying out its duties, the Board of Statutory Auditors carried out the supervisory activities required by Art. 2403 of the Italian Civil Code, Art. 149 of Legislative Decree No. 58 of 1998, Art. 19 of Legislative Decree No. 39/2010, CONSOB recommendations on corporate controls and the activities of the Board of Statutory Auditors and referring to the indications contained in the Code of Self-Discipline and in the new Corporate Governance Code, as well as the Rules of Behaviour of the Board of Statutory Auditors of listed companies.

Therefore, as part of its functions, the Board of Statutory Auditors:

- attended the meetings of the Shareholders and Board of Directors, monitoring compliance with the statutory, legislative and regulatory provisions regulating the operation of the Company's bodies as well as compliance with the principles of proper management;
- supervised, for what of direct concern, the adequacy of the Company's organisational structure and compliance with the principles of proper management, through direct observation, gathering information from heads of the corporate functions and meetings with the Independent auditors to exchange data and information;
- assessed and supervised the adequacy of the internal control system and the administrative and accounting system, as well as its reliability in providing a fair presentation of operational transactions, through the information of the heads of the respective functions, the examination of company documents and the analysis of the results of the work carried out by the Independent Auditors;
- held 10 meetings during the year, lasting approximately 2 hours, and also attended all the meetings of the Board of Directors, as well as of the board committees (Control and Risk Committee, Remuneration and Nomination Committee);
- supervised the adequacy of the reciprocal flow of information between SABAF and its subsidiaries pursuant to Art. 114, paragraph 2, of Legislative Decree no. 58 of 1998, ensured by the instructions issued by the Company's management to Group companies;
- supervised compliance with the rules of "Market abuse", "Protection of savings" and "Internal Dealing", with a special reference to the processing of inside information and the procedure for the dissemination of statements and information to the public. The adjustment of the procedure adopted by the Company for the management of inside relevant information, drawn up in the light of CONSOB Guidelines no. 1/2017, was monitored.

Moreover, the Board:

- obtained from the Directors adequate information on the business carried on and major economic and financial operations carried out by the Company and its subsidiaries pursuant to Art. 150, paragraph 1 of the T.U.F.. In this regard, the Board of Statutory Auditors paid special attention to the fact that the transactions approved and implemented complied with the law and the Articles of Association and were not imprudent or risky, in contrast with the resolutions adopted by the Shareholders' Meeting, in potential conflict of interest or such as to compromise the integrity of the Company's assets;
- held meetings with representatives of the Independent Auditors pursuant to Art. 150, paragraph 3 of the T.U.F. and there were no significant data and/or information to be reported;
- had exchanges of information with corresponding control bodies (if any) of the companies directly or indirectly controlled by SABAF S.p.A. pursuant to Art. 151, paragraph 1 and 2 of the T.U.F.;
- supervised the procedures for effective implementation of the corporate governance rules envisaged in the Corporate Governance Code complied with, as adequately represented in the Report on Corporate Governance and Ownership Structures, in compliance with Art. 124-ter of the T.U.F. and Art. 89-bis of the Issuers' Regulations;
- checked, in relation to the periodic assessment to be carried out pursuant to Application Principle 3.C.5 of the Corporate Governance Code, as part of the supervision of the procedures for effective implementation of the corporate governance rules, the correct application of the assessment criteria and procedures adopted by the Board of Directors, with regard to the positive assessment of the independence of the Directors.

As required by Application Principle 1.C.1, letter g) of the Corporate Governance Code, the Board of Directors expressed its assessment of the size and composition of the Board and its operation, as well as the size, composition and operation of the board committees. The assessment - carried out on the basis of the results of a self-assessment questionnaire filled in by all the members of the Board of Directors - used the assessment criteria already adopted in the previous year.

The Board also acknowledges that it has issued its consent, pursuant to Art. 5, paragraph 4, of Regulation (EU) 2014/537, to the provision by the Independent Auditors EY S.p.A. of services other than the external audit to Sabaf do Brasil Ltda and C.M.I. s.r.l. belonging to the SABAF Group.

The Board of Statutory Auditors also gave its consent, pursuant to Art. 2426, paragraph 1, number 5, of the Italian Civil Code, to the recognition in the financial statements of development costs with a multi-year use of €413,000.

Supervisory activity on the adequacy of the administrative and accounting system and the auditing activity

Pursuant to Art. 19 of Legislative Decree 39/2010 (Consolidated External Audit Act), the Board of Statutory Auditors is required to supervise:

- the financial reporting process;
- the effectiveness of the internal control and risk management systems;
- the External audit of annual accounts and consolidated accounts;
- the independence of the Independent Auditors, specifically as far as the provision of non-audit services is concerned.

The Board of Statutory Auditors carried out its activities in collaboration with the Control and Risk Committee in order to coordinate their responsibilities and avoid overlapping of activities.

Financial reporting process

The Board of Statutory Auditors supervised the existence of rules and procedures relating to the process of formation and dissemination of financial information. In this regard, it should be noted that the Report on Corporate Governance and Ownership Structures illustrates how the Group defined its Internal Control and Risk Management System in relation to the financial reporting process at the consolidated level. The Financial Reporting Officer is Gianluca Beschi. The Financial Reporting Officer is supported by the Internal Audit Department to check the operation of the administrative and accounting procedures through control testing.

The Board of Statutory Auditors acknowledges that it has received adequate information on the monitoring of business processes with an administrative and accounting impact within the Internal Control System, carried out both during the year in relation to the regular management reports, and during the closing of the accounts for the preparation of the Financial Statements, in compliance with the monitoring and certification requirements to which SABAF S.p.A. is subject pursuant to Law no. 262/2005. In particular, the Board of Statutory Auditors acknowledged the Risk Assessment for 2020, as well as the periodic update on testing activities pursuant to Law no. 262/2005.

The Board of Statutory Auditors also received adequate information regarding the impact of the COVID-19 health emergency on the business of the Company and its subsidiaries. In this regard, it is acknowledged that the Italian plants of the SABAF Group suspended production (Ospitaletto and Bareggio from 16 March 2020, the others from 23 March 2020), as provided for by the emergency regulations in force, and will gradually resume operations from 31 March 2020.

The adequacy of the administrative and accounting system was also assessed through the acquisition of information from the heads of the respective departments and the analysis of the results of the work carried out by the Independent Auditors.
No particular critical issues or elements hindering the issue of the certification by the Financial Reporting Officer and by the Chief Executive Officer concerning the adequacy of the administrative and accounting procedures for the preparation of the financial statements of SABAF S.p.A. and the Consolidated Financial Statements for the year 2020 emerged.

The Board of Statutory Auditors supervised compliance with the regulations related to the preparation and publication of the Half-Yearly Report and the Interim Management Reports, as well as the settings given to them and the correct application of the accounting standards, also using the information obtained from the Independent Auditors.

Furthermore, it is acknowledged that:
- the Independent Auditors appointed to carry out the external audit currently in office, EY S.p.A., were appointed for the 2018-2026 period at the Shareholders' Meeting held on 8 May 2018: the procedure for the appointment was carried out in compliance with the provisions of Art. 16 of Regulation (EU) 2014/537. The Board of Statutory Auditors in office at that time submitted to the Board of Directors a reasoned recommendation containing the name of two Independent Auditors suitable to replace the one that is due to expire, expressing preference for one of them. This recommendation was developed at the end of a detailed selection procedure that was carried out in compliance with the provisions contained in Regulation (EU) 2014/537;
- the Independent Auditors appointed to audit the company illustrated to the Board of Statutory Auditors the checks carried out and did not report any findings in the periodic meetings with the Board of Statutory Auditors;
- the Board of Statutory Auditors supervised the auditing of the annual and consolidated financial statements, obtaining information and periodically discussing with the Independent Auditors.

In particular, all the main phases of the audit activity were illustrated to the Board of Statutory Auditors, including the identification of the risk areas, with a description of the related audit procedures adopted; moreover, the main accounting principles applied by SABAF have been followed.

The Board also acknowledges that the Independent Auditors EY S.p.A. issued their opinions on the Consolidated Financial Statements and the Separate Financial Statements today and also issued on the same date the Additional Report to the Internal Control and Audit Committee pursuant to Art. 11 of Regulation (EU) 2014/537.
The reports on the Separate financial statements and the Consolidated financial statements do not give rise to any observations or requests for information.
It is also acknowledged that the Independent Auditors expressed, in the reports mentioned above, a positive opinion with regard to consistency with the financial statements and compliance with the law with reference:
- to the Report on operations;
- to the information referred to in Art.123-bis, paragraph 4, Legislative Decree 58/98 contained in the Report on corporate governance and ownership structures.

In the audit work, a special attention was paid to the key aspects relating to the impairment test. Moreover, the reports issued by the Independent Auditors do not reveal any significant shortcomings in the Company's internal control system for financial information and accounting system.
The Board of Statutory Auditors supervised the independence of the Independent Auditors EY S.p.A., verifying the type and extent of services other than auditing with reference to SABAF and its subsidiaries and obtaining explicit confirmation from the Independent Auditors that the independence requirement was met. The statement on independence has been included, pursuant to Art. 11, paragraph 2, letter a), of Regulation (EU) 2014/537, in the above-mentioned Additional Report.
The fees paid by the SABAF Group to the Independent Auditors and to the companies belonging to the network of the Independent Auditors themselves are as follows:

ASSETS	AMOUNT (€/000)
Audit	152
Certification services	-
Other services	41
TOTAL	**193**

In the light of the above, the Board of Statutory Auditors considers that the Independent Auditors EY S.p.A. meet the requirement of independence.

Supervisory activity on the adequacy of the internal control system and the organisational structure

The Board of Statutory Auditors assessed and supervised the adequacy of internal control and the effectiveness of the internal control and risk management systems. The Board of Statutory Auditors acknowledges that it has verified the most significant activities carried out by the overall internal control and risk management system by attending the meetings of the Control and Risk Committee (also with functions of Committee for related-party transactions) attended by:
- members of the Control and Risk Committee;
- members of the Board of Statutory Auditors;
- the Chief Executive Officer and director in charge of the internal control and risk management system;
- the Internal Audit department and its Head;
- the Financial Reporting Officer.

The Board of Statutory Auditors also acknowledges that it attended the periodic meetings among the Company's control bodies attended by:
- members of the Control and Risk Committee;
- members of the Board of Statutory Auditors;
- the Independent Auditors;
- the Chief Executive Officer and Director in charge of the internal control system;
- the Financial Reporting Officer;
- the Internal Audit department and its Head;
- the Supervisory Body.

In particular, as part of these activities, the Board of Statutory Auditors acknowledges that it has received and examined:

- the periodic reports on the activities carried out, prepared by the Control and Risks Committee and the Internal Audit department;
- the reports drawn up at the end of the verification and monitoring activities by the Internal Audit department, with the relative results, the recommended actions and the controls on the implementation of the aforesaid actions also in order to represent the management events and impacts of the COVID-19 emergency;
- periodic updates on the development of the risk management process, the outcome of the monitoring and assessment activities carried out by Internal Audit and the objectives achieved.

The Board of Statutory Auditors then reviewed every six months the periodic reports on the activities carried out by the Supervisory Body and examined the activity plan and the budget allocated for 2020. Similarly, the Board of Statutory Auditors acknowledged the compliance with the provisions of Legislative Decree no. 231/2001 and the activity plan for 2020, examining and agreeing with the amendments made during the year to the Organisation and Management Model pursuant to Legislative Decree no. 231/2001.

Following the activities carried out during the 2020 financial year, as detailed above, the Board of Statutory Auditors shared the positive assessment expressed by the Control and Risk Committee with regard to the adequacy of the Internal Control and Risk Management System.

Supervisory activity on compliance the principles of proper management

The main transactions carried out by the Company during 2020, with respect to which the Board of Statutory Auditors monitored compliance with the principles of proper management, are summarised below.

On 10 September 2020, the Company 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 Industrial Engineering S.r.l. The purchase price was €3,063,000. As a result of the transaction, the Company now holds 84.25% of the share capital of C.M.I. s.r.l.

Moreover, SABAF put in place an important transaction aimed at achieving growth for the Group: as described in the Report on Operations, in 2020, a new company was set up in India - Sabaf India Private Limited - with the aim of starting the production of gas parts for the local market by 2021, where strong growth is expected in the coming years.

In terms of ordinary operations, SABAF's activities continued in line with previous years and consisted of industrial activities, strategic and management coordination of the Group, the search for the optimisation of the Group's financial flows, as well as the search and selection of equity investments with the aim of accelerating the Group's growth.

Following the supervision and control activities carried out during the year, the Board of Statutory Auditors can certify that:

- during the course of the activity carried out, no omissions, irregularities or reprehensible or significant facts that would require reporting to the control bodies or mention in this Report emerged;
- no reports were received by the Board of Statutory Auditors pursuant to Art. 2408 of the Italian Civil Code, nor has it received any complaints from third parties;
- no transactions have been identified with third parties, intra-group and/or related parties such as to highlight atypical and/or unusual profiles, in terms of content, nature, size and timing;
- all the transactions and management choices adopted are inspired by the principle of proper management and reasonableness, and comply with the 2018-2022 Business Plan approved by the Board of Directors.

Supervisory activity on implementation of the corporate governance rules

The Board of Statutory Auditors, during the financial year ended 31 December 2020, assessed the application of the corporate governance rules set out in the Corporate Governance Code and the relative level of compliance, also by analysing the Report on corporate governance and ownership structures and comparing its contents with what emerged during the general supervisory activity carried out during the year. Moreover, compliance with the obligation on the part of SABAF to inform the market in its Report on corporate governance and ownership structures of its level of compliance with the Code itself was assessed, also in accordance with the provisions of Art. 123-bis of the T.U.F.. The Board of Statutory Auditors is of the opinion that the Report on corporate governance was prepared in accordance with the provisions of Art. 123-bis of the T.U.F. and the Corporate Governance Code and following the format made available by the Corporate Governance Committee of Borsa Italiana S.p.A. It is acknowledged that at the date of this Report, the Company complied with the provisions of the new Corporate Governance Code.

Supervisory activities in relation to the Financial Statements, the Consolidated financial statements and the Consolidated Disclosure of Non-Financial Information

With regard to the Separate financial statements for the year ended 31 December 2020, the Consolidated financial statements for the year ended on the same date and the related Report on operations, note the following:

- the Board of Statutory Auditors ascertained, through direct audits and information obtained from the Independent Auditors, compliance with law provisions regulating their formation, the layout of the Financial statements, the Consolidated financial statements and the Report on Operations, and the financial statement formats adopted, certifying the correct use of the accounting standards described in the explanatory notes and the Report on operations. In particular, the Board of Statutory Auditors analysed the results of the impairment test carried out, in accordance with IAS 36, on the individual CGUs that coincide with the equity investments in Faringosi Hinges s.r.l., A.R.C. s.r.l., C.M.I. s.r.l. and Okida Elektronik ("Hinges" CGU for Faringosi Hinges s.r.l.; "Professional burners" CGU for A.R.C. s.r.l.; "C.M.I." CGU for C.M.I. s.r.l. and "electronic components" CGU for Okida Elektronik). In this regard, note that the Independent Auditors, in their reports, accurately described the audit procedures carried out with reference to the impairment tests, as "key aspects of the audit" and to which, therefore, the Board of Statutory Auditors refers. Therefore, the Board of Statutory Auditors supports the procedures adopted and the results obtained, which show values in use that are significantly higher than the carrying values of the equity investments and assets;
- in pursuance of CONSOB Resolution 15519/2006, the effects of transactions with related parties are expressly indicated in

the financial statements. In pursuance of this Resolution in the Explanatory Notes, it is specified that during the year there were no significant non-recurring events or operations and no transactions deriving from atypical and/or unusual operations were carried out;
- the Financial statements are in keeping with the facts and information of which the Board of Statutory Auditors has become aware within its supervisory duties and its control and inspection powers;
- as far as the Board of Statutory Auditors is aware, the Directors, when preparing the financial statements, did not depart from the law provisions pursuant to Art. 2423, paragraph 5 of the Italian Civil Code;
- the Chief Executive Officer and the Financial Reporting Officer issued the certificate, pursuant to Art. 81-ter of CONSOB Regulation no. 11971/1999 as amended and Art. 154-bis of the T.U.F.;
- the Report on Operations complies with legal requirements and is consistent with the data and results of the Financial Statements; it provides the necessary information on the activities and significant transactions of which the Board of Statutory Auditors was informed during the year, on the main risks of the Company and its subsidiaries, on intra-group and related-party transactions, as well as on the process of adapting the corporate organisation to the principles of corporate governance, in accordance with the Corporate Governance Code for listed companies;
- pursuant to the provisions of Art. 123-ter of the T.U.F., the Remuneration Report is presented to the Shareholders' Meeting (for approval in its first section, for reporting purposes in its second section): the Board of Statutory Auditors examined and agreed with the approach followed in preparing this report at a joint meeting with the Remuneration Committee.

In relation to the presentation of the Consolidated Disclosure of Non-Financial Information, the Board of Statutory Auditors, in compliance with Legislative Decree no. 254 of 30 December 2016, supervised compliance with the provisions set out in the decree itself and in CONSOB resolution no. 20267 of 18 January 2018 for the preparation of the statements in question, also acquiring the certification issued by the appointed auditor EY S.p.A. today. This activity did not reveal any facts that could be reported in this report.

Supervisory activity on relationships with Subsidiaries

The Board of Statutory Auditors supervised the adequacy of the instructions given by the Company to the subsidiaries, in accordance with Art. 114, paragraph 2 of Legislative Decree 58/1998.
Periodic meetings with the management and the company in charge of Internal Audit did not reveal any critical elements to be reported in this report.
Finally, we acknowledged that to date no communications have been received from the Control Bodies of the Subsidiaries containing findings to be noted in this report.

Supervisory activity on related-party transactions

In relation to the provisions of Art. 2391 bis of the Italian Civil Code, the Board of Statutory Auditors acknowledges that the Board of Directors adopted a procedure for the regulation of Related-Party Transactions, whose main objective is to define the guidelines and criteria for identifying related-party transactions and setting out roles, responsibilities and operating methods so as to guarantee, for such transactions, adequate information transparency and the related procedural and substantial correctness.
That procedure was prepared in compliance with what was established by the CONSOB Regulation on Related Parties (no.17221 dated 12 March 2010 as amended) and was last updated by the Board of Directors on 25 September 2018.
The Board of Statutory Auditors supervised the effective application of the rules by the Company and has no observations to make in this regard in this Report.

RISKS RELATED TO THE COVID-19 PANDEMIC

In the Report on Operations, the Company highlighted the initiatives taken to contain the impact on the Company of the worldwide spread of the pandemic caused by the COVID-19 virus, as required by Consob Warning Notice no. 1/2021.
The SABAF Group set up a dedicated task force to deal with this emergency situation and implemented mitigation actions to reduce the economic consequences while safeguarding the safety and health of workers.
The Notes to the Financial Statements acknowledge that "the Group assessed that it is a going concern in accordance with paragraphs 25 and 26 of IAS 1, also due to the strong competitive position, high profitability and solidity of the financial structure."
The Board of Statutory Auditors paid particular attention to the assessment carried out by the Company, both with regard to the existence of the going concern requirement and to the adequacy of the internal control system.
In 2020, given the uncertainty that marked the first half of the year in particular, 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. However, the reassuring results at 30 June 2020 and the positive business trend in the following months subsequently allowed the distribution of a dividend of €0.35 per share (total dividends of approximately €3.9 million), approved by the shareholders' meeting on 29 September 2020 and paid on 14 October 2020.
On 23 March 2021, the Board of Directors decided to propose to the Shareholders' Meeting that the Company's 2020 profit be allocated as follows:
- a dividend of €0.55 per share to be paid to shareholders as from 3 June 2021;
- the remainder to the Extraordinary Reserve.

PROPOSAL TO THE SHAREHOLDERS' MEETING

The Board of Statutory Auditors expresses its favourable opinion for the approval of the Separate financial statements at 31 December 2020 and has no objections to make to the draft resolution presented by the Board of Directors as formulated in the Directors' Report on Operations.

Ospitaletto, 2 april 2021

The Board of Statutory Auditors

Chairman
Alessandra Tronconi

Statutory Auditor
Luisa Anselmi

Statutory Auditor
Mauro Vivenzi

REPORT ON REMUNERATION

pursuant to Art. 123-*ter* of the T.U.F. and Art. 84-*quater* of the Issuers' Regulations

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SECTION I - REMUNERATION POLICY

Introduction to the General Remuneration Policy Duration and changes introduced

Sabaf S.p.A.'s General Remuneration Policy (hereinafter also "remuneration policy"), approved by the Board of Directors on 22 December 2011, later updated on 20 March 2013, 4 August 2015, 26 September 2017, 24 March 2020 and 23 March 2021, defines the criteria and guidelines for the remuneration of members of the Board of Directors, Executives with strategic responsibilities and members of the Board of Statutory Auditors.

The remuneration policy was prepared:
- following the recommendations of the Corporate Governance Code for Listed Companies, approved in January 2020;
- in line with Recommendations 2004/913/EC and 2009/385 and with Art. 9-bis of Directive 207/36/EC, introduced by EU Directive 2017/828, which were incorporated into law with Art. 123-ter of the Consolidated Finance Act (T.U.F.), as last amended by Legislative Decree no. 49/19, and by Art. 84-quater of Consob Regulation no. 11971/19 (Issuers' Regulation), as last amended by Consob Resolution no. 21623/20.

The remuneration policy lasts three years.

With respect to the remuneration policy submitted to shareholders at the shareholders' meeting of 4 May 2020, the following should be noted:
- the adjustments required by the regulations and the recommendations of the Corporate Governance Code;
- the specification of the characteristics of the long-term incentive (LTI) plans based on financial instruments (stock grant) and the introduction of a new stock grant plan, the approval of which is referred to the shareholders' meeting of 6 May 2021, pursuant to Art. 114-bis of the T.U.F.. The characteristics of the plan are described in section 4 below under the heading "LONG-TERM VARIABLE COMPONENT";
- the elimination of attendance fees as an element of the fixed annual component of the remuneration reserved for the members of the Board of Directors and the members of the Committees within the Board of Directors.

1. Corporate bodies and persons involved in preparing, approving and implementing the remuneration policy

SHAREHOLDERS' MEETING
- Determines the remuneration due to the members of the Board of Directors;
- resolves remuneration plans based on the allocation of financial instruments with regard to directors and employees;
- it casts a binding vote on the first section of the Report on remuneration policy and remuneration paid to the Board of Directors, to Executives with strategic responsibilities and, without prejudice to the provisions of Art. 2402 of the Italian Civil Code, to the members of the Board of Statutory Auditors, and a non-binding vote on the second paragraph of that Report.

BOARD OF DIRECTORS
- At the suggestion of the Remuneration and Nomination Committee and subject to the opinion of the Board of Statutory Auditors, determines the fee for Directors holding specific positions;
- defines the remuneration policy of Executives with strategic responsibilities;
- after obtaining the opinion of the Remuneration and Nomination Committee, resolves to sign Non-competition agreements with regard to the Chief Executive Officer and to executives;
- at the suggestion of the Remuneration and Nomination Committee, defines incentive plans based on short- and long-term variable remuneration to be assigned to the Chief Executive Officer and to the Executives with strategic responsibilities;
- at the suggestion of the Chief Executive Officer, defines the incentive plans based on short-term variable remuneration for company Management and other employees;
- at the suggestion of the Remuneration and Nomination Committee, resolves to assign non-monetary benefits to executives;
- makes proposals to the Shareholders' Meeting on remuneration plans based on the allocation of financial instruments with regard to directors and employees;
- prepares the Report on Remuneration pursuant to Art. 123-ter of the Consolidated Law on Finance and Art. 84-quater of the Issuers' Regulations;
- ensures that the remuneration paid and accrued is consistent with the principles and criteria defined in the remuneration policy, in the light of the results achieved and other circumstances relevant to its implementation;
- on termination of office and/or termination of the relationship with the Chief Executive Officer, with Directors holding specific positions or with a General Manager, discloses in a press release to the market at the end of internal processes leading to the allocation or recognition of any allowance and/or other benefits, detailed information concerning:
  a. the allocation or recognition of allowances and/or other benefits, the circumstances justifying their accrual and the deliberative procedures followed for this purpose within the company;
  b. the total amount of the allowance and/or other benefits, the related components (including non-monetary benefits, the maintenance of rights related to incentive plans, the fee for non-competition commitments or any other remuneration allocated for any reason and in any form) and the timing of their payment (distinguishing the part paid immediately from the part subject to deferral mechanisms);
  c. the application of any claw-back or malus clause of part of the sum;
  d. the compliance of the elements indicated in letters a), b) and c) above with what is indicated in the remuneration policy, with a clear indication of the reasons and the deliberative procedures followed in the event of even partial non-compliance with the policy;
  e. information on any procedures that have been or will be followed for the replacement of the executive director or general manager no longer in office.

The Board of Directors is responsible for properly implementing the remuneration policy.

REMUNERATION AND NOMINATION COMMITTEE

- Makes proposals to the Board of Directors, in the absence of the persons directly concerned, for remuneration of the Chief Executive Officer and Directors holding specific positions;
- examines, with the support of the Human Resources Department, the policy for the remuneration of executives, with a special attention to Executives with strategic responsibilities;
- makes suggestions and proposals to the Board of Directors concerning the setting of objectives on which the annual variable component and long-term incentives for the Chief Executive Officer, Directors holding specific positions and Executives with strategic responsibilities should be dependent, in order to ensure alignment with shareholders' long-term interests and the company's strategy;
- monitors the actual application of the remuneration policy and assesses the level of achievement of the short- and long-term variable incentive objectives of Directors and executives;
- prepares the proposals to the Board of Directors of remuneration plans based on financial instruments;
- assesses the adequacy, actual application and consistency of the remuneration policy, also with reference to the actual company performance, making suggestions and proposals for change;
- follows the development of the regulatory framework of reference and best market practices on remuneration, getting inspired by them for formulating the remuneration policy and identifying aspects for improving the Report on Remuneration;

The Remuneration and Nomination Committee currently in office comprises three non-executive members, the majority of them independent (Daniela Toscani, Stefania Triva, e Alessandro Potestà), with the knowledge and experience in accounting, finance and remuneration policies that is deemed adequate by the Board of Directors.

Minutes of the Committee meetings are taken and - signed by the chairman of the meeting and the secretary - are kept in chronological order together with the relevant documentation.

The Chairman of the Committee reports to the Board of Directors during the meeting immediately after with regard to the activities carried out by the Committee.

No further rules on the methods of operation of the Committee are currently envisaged.

BOARD OF STATUTORY AUDITORS

- The Board of Statutory Auditors expresses the opinions required by the regulations in force on proposals for remuneration of Directors holding specific positions.
- The Board of Statutory Auditors, i.e. the Chairman of the Board of Statutory Auditors or another Statutory Auditor designated by him/her can attend the meetings of the Remuneration and Nomination Committee.

HUMAN RESOURCES DEPARTMENT

Actually, enacts what is decided upon by the Board of Directors.

INDEPENDENT CONSULTANTS AND EXPERTS

No independent expert took part in the preparation of the remuneration policy. The Company availed itself of the legal advice of Studio Trifirò & Partners in Milan.

2.Purposes of the remuneration policy and its contribution to the pursuit of the corporate strategy

The Company's intention is that the Remuneration Policy:

- ensures the competitiveness of the company on the labour market and attracts, motivates and increases the loyalty of persons with appropriate professional expertise;
- protects the principles of internal equity and diversity;
- brings the interests of the management into line with those of the shareholders;
- favours the creation of sustainable value for shareholders in the medium to long term, and maintains an appropriate level of competitiveness for the company in the sector in which it operates;
- pursues the sustainable success of the company and takes into account the need to have, retain and motivate people with the competence and professionalism required by their role in the company.

Attracts, motivates and increases the loyalty of persons, with appropriate professional expertise

Brings the interests of the management into line with those of the shareholders

Favours the creation of sustainable value for shareholders in the medium to long term

Protects the principles of internal equity and diversity

The remuneration policy envisages the structuring of the remuneration of executive directors and Executives with Strategic Responsibilities in such a way that it is significantly made up of variable remuneration, including financial instruments: (i) whose payment is conditional on the achievement of common objectives (in particular, Group EBITDA and EBIT) and individual objectives, not only of an economic-financial nature, but also of a technical-productive and/or socio-environmental nature; (ii) subject, in part, to adequate retention and deferral mechanisms.

The objectives to which the disbursement of significant portions of variable remuneration is conditioned are structured in such a way as to prevent them from being achieved through short-term management choices that would potentially undermine the sustainability and/or the Company's ability to generate profit in the long term.

In this context, the policy aims to encourage the achievement of the strategic objectives set out in the pro tempore business plans in force and to create long-term value for stakeholders, also in line with the principles of corporate social responsibility.

3. Remuneration policy guidelines and instruments

The principles and characteristics of the remuneration package regulated by the remuneration policy for the persons to whom the policy applies follow the same approach for determining, in general, the remuneration packages offered to employees. In defining each remuneration package proposed by Sabaf to its personnel, the following points are considered as priority elements for assessment:

i. the comparison with the external market and the internal equity of the Company;
ii. the characteristics of the position, the responsibilities assigned and the skills of the persons, taking care to avoid any form of discrimination;
iii. the pursuit of Sabaf's growth strategy and the strengthening of the Company's long-term interests and sustainability based on the principles of fairness, sustainability, equal opportunities, meritocracy and competitiveness in relation to the market.

In preparing the remuneration package referred to in this remuneration policy, account was therefore taken of the fact that employees are generally offered remuneration that includes, in addition to the pay envisaged by the National Collective Labour Contract for the metal and engineering industry, supplemented by second-level negotiations, an individual fixed component and variable components based on the achievement of common or individual objectives. The training opportunities provided and access to the company welfare platform are also part of the remuneration, incentive and enhancement system. Sabaf also aims to establish and maintain effective and efficient working partnerships, aimed at the pursuit of general and individual objectives and, in this perspective, also to encourage - where possible - the development of smart working conditions, including through the use of technologies that ensure continuous value for the company and for individuals and that improve work-life balance.

The definition of a fair and sustainable remuneration package takes into account three main tools:

- fixed remuneration;
- variable remuneration (short- and medium- to long-term);
- benefits.

Each remuneration component is analysed below.

FIXED ANNUAL COMPONENT

The fixed component of the Directors' remuneration is such that it is able to attract and motivate individuals with appropriate expertise for the roles entrusted to them within the Board, and is set with reference to the remuneration awarded for the same positions by other listed Italian industrial groups of a similar size.

The Shareholders' Meeting determines the fixed remuneration paid to the members of the Board of Directors.

With regard to the remuneration for Directors holding special offices, the Board of Directors, at the suggestion of the Remuneration and Nomination Committee and subject to the opinion of the Board of Statutory Auditors, determines the additional fixed remuneration.

Directors who sit on committees formed within the Board (Internal Control and Risk Committee, Remuneration and Nomination Committee) are paid fixed remuneration intended to reward the commitment required of them.

Executives with strategic responsibilities are paid a fixed annual remuneration, determined so that it is sufficient in itself to guarantee an appropriate basic salary level, even in the event that the variable components are not paid owing to a failure to reach the objectives.

The members of the Board of Statutory Auditors are paid a fixed remuneration, the amount of which is determined by the Shareholders' Meeting, at the time of their appointment.

COMPONENTS OF THE REMUNERATION	CORPORATE OFFICES				
	Executive Directors	Non-Executive Directors	Members of committees within the BoD	Executives with strategic responsibilities	Statutory Auditors
FIXED COMPONENTS	Fixed remuneration for the office of Director Fixed remuneration for Directors holding special positions	Fixed remuneration for the office of Director	Fixed remuneration for Directors members of Committees within the BoD	Collective National Contract for Industrial Managers	Fixed remuneration

SHORT-TERM VARIABLE COMPONENT (ANNUAL)

The Board of Directors, at the suggestion of the Remuneration and Nomination Committee and in accordance with the budget, defines an MBO plan, for the benefit of:

- Executives with strategic responsibilities;
- other persons, identified by the Chief Executive Officer, among the managers who report directly to him or who report to the aforementioned managers.

This plan sets a common objective (Group EBIT, which is considered to be the Group's main indicator of financial performance) and quantifiable and measurable individual objectives economic-financial, technical-productive and/or socio-environmental in nature. Some individual objectives refer to technical (e.g. efficiency and quality), management (e.g. meeting deadlines for completion of relevant projects) and sustainability (e.g. environmental performance) parameters. A variable portion of between 30% and 40% of the variable remuneration under the MBO plan is normally related to the common EBIT objective. The plan in question envisages, with regard to the EBIT objective, the payment of remuneration according to the objective achievement range. There is an entry threshold if 80% of the target is reached, entitling the employee to 70% of the variable remuneration, and an extra bonus if the target is exceeded by more than 15%, entitling the employee to a bonus of between 2.1% and 2.8% of gross annual remuneration. For the portion of the variable component of the MBO plan, the payment of which is linked to the achievement of the other objectives, no ranges are routinely provided according to the level of achievement of the target.

The MBO plan includes malus and/or claw back clauses in the event that the objectives of the plan were achieved on the basis of data that later proved to be incorrect.

The allocation of the variable component under the MBO plan is conditional on continued employment until the end of the vesting period.

The objectives of the Chief Executive Officer and of the Executives with strategic responsibilities are decided by the Board of Directors, at the suggestion of the Remuneration and Nomination Committee, in accordance with the budget.

The objectives of the other beneficiaries of the incentive plans are defined by the Chief Executive Officer, in accordance with the budget.

The Board of Directors, at the proposal of the Remuneration and Nomination Committee and subject to the opinion of the Board of Statutory Auditors in the cases referred to in Art. 2389 of the Italian Civil Code, may decide to pay a one-off bonus to Directors holding specific positions and/or to Executives with strategic responsibilities. The resolution must be motivated and justified by exceptional circumstances, consistent with the objectives of the remuneration policy and, in particular, with that of pursuing the sustainable success of the company. In no case may the one-off bonus exceed 50% of the fixed annual component of the remuneration of the Director holding specific positions or the Executive with strategic responsibilities concerned.

Non-executive directors are not paid any variable remuneration.

LONG-TERM VARIABLE COMPONENT

The remuneration policy envisages the adoption of long-term incentive plans based on financial instruments.

In particular, in compliance with the Shareholders' Meeting authorising resolution, pursuant to Art. 114-bis T.U.F., at the suggestion of the Remuneration and Nomination Committee, and after obtaining the opinion of the Board of Statutory Auditors, the Board of Directors will determine the regulation of a long-term share-based incentive plan (stock grants) related to performance targets for the three-year period 2021 to 2023.

The beneficiaries, if not already identified in the incentive plan, are identified by the Board of Directors among the members of the Board of Directors and/or among the managers of the Company or its Subsidiary companies who hold or will hold key positions in the implementation of the Business Plan. In the case of the Chief Executive Officer and/or Executives with strategic responsibilities of the Company, the identification is made on the suggestion of the Remuneration and Nomination Committee.
The Board of Directors identifies the total number of rights to be assigned to each beneficiary (within the limits set by the Shareholders' Meeting).

The incentive plan normally provides for a multi-year vesting period, with subsequent allocation of the financial instruments.
On the basis of the remuneration policy, the total or partial allocation of financial instruments is made by the Board of Directors; for the Chief Executive Officer and Executives with strategic responsibilities, the allocation is made at the suggestion of the Remuneration and Nomination Committee.

The allocation of financial instruments is related to predetermined financial and non-financial performance targets measurable (also year by year) and linked to the creation of value for shareholders over a long-term horizon, based on business plans approved by the Board of Directors. The incentive plan based on performance targets for the three-year period 2021 to 2023, measured year by year, includes the following objectives: an objective based on the Group's EBITDA, to the achievement of which 40% of the attributable shares are linked; an objective based on Return on Investments (ROI), to the achievement of which 35% of the attributable shares are linked; social and environmental sustainability objectives, to the achievement of which 25% of the attributable shares are linked.

The allocation of the shares related to a specific performance target is not envisaged, not even partially, in case of failure to achieve the performance target, within a minimum threshold set by the Board of Directors, which is normally not less than 80%.
The plan can contain catch-all clauses that allow, if the average or cumulative objective or the objective for the last year of the plan is achieved, the allocation of the shares - related to that objective - envisaged for all periods of measurement of that objective set out in the plan.

The allocation of the shares is conditional on the continuation of the employment and/or collaboration and/or administration relationship between the beneficiary and the company at the date of approval

of the financial statements for the year in which the allocation is envisaged, according to the criteria established by the incentive plan. The incentive plan envisages a lock-up period, lasting at least one year, of a portion of the financial instruments allocated to each beneficiary, normally not less than 40% of the total.
The incentive plan provides for malus and/or claw back clauses in the following cases:

a. the Beneficiary has engaged in fraudulent or grossly negligent behaviour that has caused damage to the assets or image of the Company or its Subsidiaries or the Group;
b. the beneficiary has affected, by its own fraudulent or grossly negligent behaviour, the achievement of the objectives of the plan;
c. the objectives of the plan were achieved based on data that later proved to be manifestly incorrect.

ANNUAL MBO

RELATED TO THE BUDGET FOR THE YEAR

BENEFICIARES

- **EXECUTIVE DIRECTORS** (EXCLUDING THE CHAIRMAN)
- **EXECUTIVES WITH STRATEGIC RESPONSIBILITIES**
- **OTHER MANAGERS PROPOSED BY THE CHIEF EXECUTIVE OFFICIER**

OBJECTIVES

- **COMMON OBJECTIVE:** GROUP EBIT
- **INDIVIDUAL OBJECTIVES:** ECONOMIC/FINANCIAL AND TECHNICAL AND PRODUCTION

STOCK GRANTS PLAN

RELATED TO THE BUSINESS PLAN

BENEFICIARES

- **CHIEF EXECUTIVE OFFICER**
- **CFO**
- **OTHER MANAGERS IDENTIFIED BY THE BoD** WHO HOLD OR WILL HOLD KEY POSITIONS IN THE IMPLEMENTATION OF THE BUSINESS PLAN

OBJECTIVES

- **FINANCIAL PERFORMANCE TARGETS**
- **NON-FINANCIAL PERFORMANCE TARGETS**

COMPONENTS OF THE REMUNERATION		**CORPORATE OFFICES**	
		Executive directors and Other executives with strategic responsibilities	**Other persons identified by the CEO/BoD**
VARIABLE COMPONENTS	**SHORT-TERM VARIABLE COMPONENT**	Annual MBO plan based on achieving a common objective and individual objectives	Annual MBO plan based on achieving a common objective and individual objectives
		Possible one-off bonus	Possible one-off bonus
	LONG-TERM VARIABLE COMPONENT	Stock Grant Plan based on achieving financial and non-financial performance targets (and possibly individual objectives)	Stock Grant Plan based on achieving financial and non-financial performance targets

ALLOWANCE FOR EARLY TERMINATION OF EMPLOYMENT
The current Chief Executive Officer entered into a permanent employment contract with the Company, effective as from 12 September 2017. The managerial employment relationship is regulated by the National Collective Bargaining Agreement for Managers of Companies producing goods and services. In case of early termination of employment at the Company's initiative not due to just cause, a fixed allowance for termination of employment shall be paid, as a redundancy incentive, equal to twice the remuneration including the fixed component and the short-term variable component (MBO). The same allowance is also envisaged: (i) in case of removal from the position of Chief Executive Officer, not for just cause, prior to the approval of the financial statements for the year 2020; (ii) in case of failure to re-appoint as Chief Executive Officer for the following period; (iii) in case of resignation for just cause from the office of chief executive officer or from the executive position. There are no specific provisions linking the payment of the termination allowance and the performance of the Company. Without prejudice to the relationships already in place, the remuneration policy envisages, as a general rule, that the contractual termination-of-employment allowances for the Chief Executive Officer shall not exceed, as a general rule, a maximum of 24 months of the total gross remuneration (including both the gross remuneration as an executive and any gross remuneration for the management position) paid to the chief executive officer, without prejudice to more favourable provisions of any applicable

collective bargaining agreement. The remuneration policy also envisages that future agreements with chief executive officers will specify the portion of the termination-of-employment allowance based on the fixed component of remuneration and the portion of the termination-of-employment allowance based on the Company's performance, and provide for specific cases of exclusion of the payment of the termination-of-employment allowance due to the failure to achieve, within pre-defined minimum thresholds, the objectives of the business plan. There are no agreements for other Directors or other Executives with strategic responsibilities regulating ex ante the economic part concerning the early termination of the employment relationship. In case of termination of the relationship for reasons other than just cause or justified reasons by the employer, the Company's remuneration policy allows for consensual agreements to end the relationship in compliance with legal and contractual obligations. These agreements must be approved by the Board of Directors at the suggestion of the Remuneration and Nomination Committee. The Company does not provide Directors other than the Chief Executive Officer with benefits subsequent to the end of their service. Non-competition agreements concerning employment relationships are entered into by the Company in accordance with Art. 2125 of the Italian Civil Code. The Chief Executive Officer in office is bound, as a manager, by a post-contractual non-competition agreement for a period of 12 months following the termination of his employment, which provides for a fixed annual fee paid during the term of employment in monthly instalments, with a fixed guaranteed minimum threshold equal in total to slightly less than half of the gross annual fee paid to the Chief Executive Officer as a manager. The non-competition agreement is protected by a fixed penalty for breach, without prejudice to the possibility of compensation for greater damages. There is no link between the corporate performance and the payment of the fee for the non-competition agreement. Based on the remuneration policy, non-competition agreements are also envisaged with certain Executives with strategic responsibilities, the terms of which were approved by the Board of Directors, after obtaining the opinion of the Remuneration and Nomination Committee. These agreements have a duration of 24 months following the termination of the employment relationship and provide for annual fees, paid during the employment relationship in monthly instalments, equal to 10% of the gross annual remuneration. There is no link between the corporate performance and the payment of fees for non-competition agreements. The termination of the employment or collaboration relationship with the Chief Executive Officer, the other Directors and the Executives with Strategic Responsibilities - if they are beneficiaries of incentive plans based on financial instruments - determines the effects indicated above under "LONG-TERM VARIABLE COMPONENT". The remuneration policy does not envisage the assignment or maintenance of non-monetary benefits, nor the signing of consultancy contracts, for periods after the termination of the relationship with the Chief Executive Officer, other Directors or Executives with Strategic Responsibilities.

COMPONENTS OF THE REMUNERATION	CORPORATE OFFICES				
	Executive Directors	Non-Executive Directors	Members of committees within the BoD	Executives with strategic responsibilities	Statutory Auditors
ALLOWANCE FOR EARLY TERMINATION OF EMPLOYMENT	Remuneration for non-competition agreement (only for Chief Executive Officer)	N/A	N/A	Remuneration for non-competition agreement	N/A

NON-MONETARY BENEFITS

Third-party civil liability insurance policy: the Company has taken out a third-party civil liability insurance policy in favour of directors, statutory auditors and executives for unlawful acts committed in the carrying-out of their respective duties, in violation of obligations established by law and the Articles of Association, with the sole exclusion of deliberate intent. The taking-out of this policy is approved by the Shareholders' Meeting.

Life insurance policy and cover for medical expenses: the Company also provides a life insurance policy and cover for medical expenses (FASI) for executives, as established by the Collective National Contract for Industrial Managers; moreover, it has taken out an additional policy to cover medical expenses not covered by FASI reimbursements.

Company cars: at the suggestion of the Remuneration and Nomination Committee, the Board of Directors also assigns company cars to executives.

Accommodation costs: at the suggestion of the Remuneration and Nomination Committee, the Board of Directors can provide for housing to be made available to executives, for the possibility to reimburse the rent of the house or for the temporary reimbursement of the costs of accommodation in a hotel.

ENTRY BONUS

With the aim of attracting highly professional individuals, the Board may decide to give entry bonuses to newly hired executives.

CLAW BACK AND MALUS CLAUSES

As from 2018, the Company established mechanisms for the ex-post adjustment of the variable remuneration component or claw back clauses to demand the return of all or part of the variable components of remuneration paid out (or to withhold deferred sums), which were determined on the basis of data subsequently found to be clearly incorrect. In this regard, please see item "SHORT-TERM VARIABLE COMPONENT" and "LONG-TERM VARIABLE COMPONENT" of the remuneration policy.

REMUNERATION FOR OFFICES IN SUBSIDIARIES

Directors and other executives with strategic responsibilities may be paid remuneration – exclusively as a fixed amount – for offices held in subsidiaries. In addition to the approval of the subsidiaries' corporate bodies, this remuneration is subject to the favourable opinion of the Remuneration and Nomination Committee.

RATIOS BETWEEN FIXED AND VARIABLE COMPONENT AND BETWEEN SHORT-TERM AND LONG-TERM VARIABLE COMPONENT

Based on the remuneration policy, where a variable component is recognised due to the achievement of objectives, the overall remuneration is structured as follows:

i. the gross annual fixed component[1] of remuneration varies between a minimum of 44% and a maximum of 59%, with an average incidence of 51.5%;

ii. the short-term variable component varies between a minimum of 11% and a maximum of 14%, with an average incidence of 12.5%;

iii. the long-term variable component, in the event of achieving the highest of the expected performance targets, varies between a minimum of 30% and a maximum of 42%, with an average incidence of 36%.

COMPONENTS OF THE REMUNERATION		CORPORATE OFFICES			
		Executive Directors	**Non-Executive Directors**	**Executives with strategic responsibilities**	**Statutory Auditors**
BENEFITS AND OTHER COMPONENTS	**NON-MONETARY BENEFITS**	Third-party liability insurance policy	Third-party liability insurance policy	Third-party liability insurance policy Life insurance policy to cover medical expenses (FASI), supplementary medical expenses Company cars	Third-party liability insurance policy
	OFFICES IN SUBSIDIARIES	Fixed remuneration for offices in subsidiaries	N/A	Fixed remuneration for offices in subsidiaries	N/A

4. Remuneration of the Board of Directors, Chairman and Vice Chairmen of the Board of Directors, Chief Executive Officer, Executives with strategic responsibilities and Board of Statutory Auditors

REMUNERATION OF THE BOARD OF DIRECTORS

The Shareholders' Meeting is responsible for determining the annual gross remuneration (maximum amount) due to the Directors, which consists of a fixed amount.

The members of the Board of Director are covered by a third-party civil liability insurance policy for unlawful acts committed in the exercise of their respective duties, in violation of obligations established by law and the Articles of Association, with the sole exclusion of deliberate intent. The taking-out of this policy is approved by the Shareholders' Meeting.

There are no specific remuneration schemes for independent directors.

There is an additional fixed remuneration for directors participating in committees.

REMUNERATION OF THE CHAIRMAN OF THE BOARD OF DIRECTORS, OF THE VICE CHAIRMAN AND OF THE HONORARY CHAIRMAN

No variable remuneration is paid to the Chairman and Vice Chairman of the Board of Directors, but only fixed remuneration in addition to those of directors for special offices held.

There is a fixed remuneration set by the Board of Directors for the Honorary Chairman.

REMUNERATION OF THE CHIEF EXECUTIVE OFFICER

The remuneration of the Chief Executive Officer includes the following components:

Fixed remuneration for the office of Director: the Chief Executive Officer is the recipient of the fixed remuneration for the office of Director (pursuant to Art. 2389 paragraph I Italian Civil Code) and an additional fixed remuneration for the office held.

Third-party civil liability insurance policy: the Company has taken out a third-party civil liability insurance policy for unlawful acts committed in the carrying-out of their respective duties, in violation of obligations established by law and the Articles of Association, with the sole exclusion of deliberate intent. The taking-out of this policy is approved by the Shareholders' Meeting.

Long-term variable component: the long-term incentive is dependent on the achievement of performance targets, proposed by the Remuneration and Nomination Committee to the Board of Directors, and extends over three years, coinciding with the mandate of the Board of Directors.

[1] To be intended as the result of the sum of the fixed component established by the remuneration policy (including the remuneration in case of director and/or gross annual remuneration for employees), fringe benefits, remuneration for offices held in subsidiaries and annual payments for non-competition agreements.

If the Chief Executive Officer is also assigned an executive management role within the Sabaf Group, the Board decides on the assignment of the following additional remuneration instruments:

- **fixed annual gross salary:** the fixed remuneration is determined so that it is sufficient in itself to guarantee an appropriate basic salary level, even in the event that the variable components are not paid owing to a failure to reach the objectives;
- **non-competition agreement:** assignment of a fixed annual remuneration against the signing of a Non-competition Agreement with the Company;
- **short-term variable component:** annual incentive, dependent on the achievement of the objectives envisaged by the MBO plan, approved by the Board of Directors at the suggestion of the Remuneration and Nomination Committee. On the occasion of the annual approval, the Board of Directors decides on the maximum amount of the annual variable component, the methods and timing for its payment. The Chief Executive Officer may be paid a one-off bonus under the conditions and within the limits set out in the remuneration policy;
- **benefits:** the benefits envisaged for the management of the Company can be assigned: Life insurance policy and cover for medical expenses, assignment of company car; reimbursement of the rent for the house.

REMUNERATION OF EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

Fixed annual gross remuneration: employment relationships with Executives with strategic responsibilities are regulated by the Collective National Contract for Industrial Managers. In this regard, fixed remuneration is determined so that it is sufficient in itself to guarantee an appropriate basic salary level, even in the event that the variable components are not paid owing to a failure to reach the objectives.

Short- and long-term variable components: executives with strategic responsibilities are the recipients of short- and long-term incentive plans (cf. paragraph 3). At the time of approval of short- and long-term incentive plans, the Board of Directors is responsible for setting the maximum amounts of variable remuneration, the methods and timing for the payment of this remuneration. Executives with strategic responsibilities can be paid a one-off bonus under the conditions and within the limits set out in the remuneration policy.

Benefits: executives with strategic responsibilities receive the benefits envisaged for the executives of the Company (Life insurance policy and cover for medical expenses); assignment of company car) and are covered by an occupational risk policy.

REMUNERATION OF THE BOARD OF STATUTORY AUDITORS

The amount of remuneration for Statutory Auditors is set by the Shareholders' Meeting, which establishes a fixed amount for the Chairman and the other Standing Auditors.

The members of the Board of Statutory Auditors are covered by a third-party civil liability insurance policy for unlawful acts committed in the exercise of their respective duties, in violation of obligations established by law and the Articles of Association, with the sole exclusion of deliberate intent. The taking-out of this policy is approved by the Shareholders' Meeting.

The commitment required of the Board of Statutory Auditors for the performance of its duties can be inferred from the Report on the Corporate Governance System to which reference should be made.

5. Departures from the remuneration policy

Pursuant to Art. 123-ter (3)- bis of the T.U.F., in the presence of exceptional circumstances (as defined below), the company may temporarily depart from the remuneration policy, with regard to the provisions concerning long-term variable remuneration and allowance for early termination of employment, referred to in paragraph 4 of the remuneration policy.

The departure may only be made in compliance with the procedures of Consob Regulation no.17221 of 12 March 2010 (Related-party Transactions).

Exceptional circumstances are only situations where the departure from the remuneration policy is required to pursue the long-term interests and sustainability of the company as a whole or to ensure its ability to stay in the market (such as, for example, the need to attract and/or retain key management figures or the need to incentivise key management figures in office with regard to specific industrial objectives that, in contingent conditions, are of particular importance).

6. Further details of the remuneration policy

The remuneration of the directors, both executive and non-executive, and of the members of the control body was defined taking into account the remuneration practices of industrial companies of similar size listed on the STAR segment, including in particular the following: Reno De Medici S.p.A., La Doria S.p.A., Aquafil S.p.A., Retelit S.p.A., GEDI S.p.A., Elica S.p.A., Massimo Zanetti Beverage Group S.p.A., Aeffe S.p.A., Prima Industrie S.p.A., B&C Speakers S.p.A., Emak S.p.A., Openjobmetis S.p.A., Landi Renzo S.p.A., Gefran S.p.A..

SECTION II – REMUNERATION PAID

This section, by name of Directors and Statutory Auditors:
- describes each of the items that make up the remuneration, showing their consistency with the remuneration policy of Sabaf and the ways in which remuneration contributes to the Company's long-term results;
- analytically illustrates the remuneration paid in the financial year under review (2020), for any reason and in any form, by the Company or by subsidiaries or affiliates, identifying any components of this remuneration that relate to activities undertaken in previous years to the year under review.

FIRST PART

The components of the remuneration paid to directors for 2020

The remuneration paid to directors for 2020 consisted of the following components:
- an annual fixed remuneration, approved by the Shareholders' meeting of 8 May 2018 that the Board of Directors decided to divide, in compliance with the maximum limit of €400,000.00 established by the Shareholders' Meeting, as follows:
  - €20,000 assigned to each director without distinction;
  - €10,000 assigned to each member of the committees set up within the Board itself (Internal Control and Risk Committee and Remuneration and Nomination Committee);
  - additional remuneration of €160,000 divided among the Chairman of the Board of Directors, Vice Chairman and Chief Executive Officer as detailed in the table below;
- an attendance fee of €1,000, due to non-executive directors only, for every occasion on which they attend Board of Directors' meetings and the meetings of committees formed within the Board.

A fixed remuneration component for employment and a fixed remuneration for offices in subsidiaries are paid to executive directors appointed as executives.

With reference to variable components, which are intended only for executive directors (excluding the Chairman), the following is pointed out:

a. In relation to the annual variable incentive plan established for 2019, remuneration of €60,892 accrued in the previous financial year (and disbursed in 2020). Specifically:
   - the Chief Executive Officer, Pietro Iotti, accrued variable remuneration of €45,000 for the partial achievement of the objectives of the 2019 MBO plan. The business objective, represented by the budget EBIT, was not achieved and no remuneration accrued; the individual objectives were achieved by 75%;
   - the Director, Gianluca Beschi, accrued variable remuneration of €15,892 for the partial achievement of the objectives of the 2019 MBO plan. The business objective, represented by the budget EBIT, was not achieved and no remuneration accrued; the individual objectives were achieved by 75%.

b. With reference to the annual variable incentive plan established for 2020, remuneration of €94,721 accrued in 2020. Specifically:
   - the Chief Executive Officer, Pietro Iotti, accrued variable remuneration of €70,000 for the partial achievement of the objectives of the 2020 MBO plan. The business objective, represented by the budget EBIT, was achieved in the 100% range of the budget accruing remuneration equal to 100% of the total EBIT component; individual objectives were achieved at 50%;
   - the Director, Gianluca Beschi, accrued variable remuneration of €24,721 for the partial achievement of the objectives of the 2020 MBO plan. The business objective, represented by the budget EBIT, was achieved in the 100% range of the budget accruing remuneration equal to 100% of the total EBIT component; individual objectives were achieved at 50%.

In implementation of the Policy in 2018, Sabaf introduced a stock grant plan aimed at the Group's executive directors and executives who hold or will hold key positions in the implementation of the Business Plan. Beneficiaries already identified in the Plan include the Chief Executive Officer and Director Gianluca Beschi. The assignment of shares is subject to the achievement of company objectives (based on ROI, TSR and EBITDA) and individual objectives over the three-year period 2018 to 2020, consistent with the objectives of the Business Plan. For further details, please refer to the information contained in the Information Document prepared pursuant to Art. 114-bis of Legislative Decree no. 58 of 24 February 1998, of Art. 84-bis of Consob resolution no. 11971/99, submitted to the Shareholders' Meeting on 8 May 2018.

The proportion of fixed and variable remuneration paid during the 2020 financial year within the total remuneration of executive directors is as follows:
- Chief Executive Officer Pietro Iotti: fixed remuneration 91%, variable remuneration 9%;
- Director Gianluca Beschi: fixed remuneration 95%, variable remuneration 5%.

For details of the elements included in this calculation, please refer to the Tables contained in the second part of this Report.

Remuneration of Statutory Auditors for 2020

The remuneration paid to the Statutory Auditors for 2020 consists of a fixed remuneration determined by the Shareholders' Meeting of 8 May 2018, amounting to a total of €70,000.

The remuneration of other executives with strategic responsibilities for 2020

The remuneration of other executives with strategic responsibilities (Technical Director and two Sales Managers) consists of a fixed remuneration for employment totalling €420,743, and following variable remuneration:
- With reference to the variable incentive plan (MBO) of 2019, during 2020, remuneration totalling €50,890 was paid for the partial achievement of the objectives of the 2019 MBO plan. The business objective, represented by the budget EBIT, was not achieved and no remuneration accrued; the individual objectives were achieved on average by 82%.
- With reference to the variable incentive plan (MBO) for 2020, remuneration totalling €76,359 accrued for the partial achievement of the objectives of the 2020 MBO plan. Its payment is deferred and dependent upon the continuation of the employment relationship. The business objective, represented by the budget EBIT, was achieved in the 100% range of the budget accruing remuneration

equal to 100% of the total; individual objectives were achieved on average by 80%.

- In compliance with point no. 3 of the remuneration policy, the Board of Directors, at the suggestion of the Remuneration Committee, during 2020 resolved to award a one-off bonus to Executives with strategic responsibilities amounting to €60,000 for the achievement, in 2019, of important commercial agreements.

Remuneration totalling €94,500 was also disbursed by subsidiaries.
The three executives with strategic responsibilities are among the Beneficiaries of the stock grant plan, approved in 2018, in implementation of the Remuneration Policy. For further details, please refer to the information contained in the Information Document prepared pursuant to Art. 114-bis of Legislative Decree no. 58 of 24 February 1998, of Art. 84-bis of Consob resolution no. 11971/99, submitted to the Shareholders' Meeting on 8 May 2018.

The proportion of fixed and variable remuneration paid during the 2020 financial year within the total remuneration is as follows; fixed remuneration 83%, variable remuneration 17%.

For details of the elements included in this calculation, please refer to the Tables contained in the second part of this Report.

Comparison with previous years

(amounts in €/000)	**2020**	**2019**	Change	*% change*
Chief Executive Officer Pietro Iotti Total remuneration (a)	488	457	31	*+6.8%*
Director Gianluca Beschi Total remuneration (b)	310	263	47	*+17.9%*
Executives with strategic responsibilities Total remuneration (c)	641	582	59	*+10.1%*
Sabaf Group turnover	184,906	155,923	28,983	*+18.6%*
Sabaf S.p.A. turnover	102,583	94,899	7,684	*+8.1%*
Sabaf Group EBITDA	37,097	27,033	10,064	*+37.2%*
Sabaf S.p.A. EBITDA	15,820	13,127	2,693	*+20.5%*
Sabaf Group EBIT	20,093	11,896	8,197	*+68.9%*
Sabaf S.p.A. EBIT	6,610	2,948	3,662	*+124.2%*
Sabaf Group Net profit	13,961	9,915	4,046	*+40.8%*
Sabaf S.p.A. Net profit	6,410	3,822	2,588	*+67.7%*
Average gross annual remuneration of employees (excluding persons marked with a), b), and c) in this table)	35.28	35.23	0.05	*+0.1%*

2020 Shareholders' voting

The Ordinary Shareholders' Meeting, held on 4 May 2020, approved the second section of the Report on remuneration policy and remuneration paid for 2019, with an advisory vote pursuant to and for the purposes of Art. 123 paragraph 6 of Legislative Decree No. 58/1998, as amended by Legislative Decree 49/19.

Result of the voting	**2020**
For	85.5%
Against	13.9%
Abstention	0.1%
Non-voters	0.5%

In considering and evaluating the updates and improvements made to this document, the voting results at the 2020 Shareholders' Meeting were taken into account.

SECOND PART

For a breakdown of the remuneration paid in 2020, please refer to the tables below (**Table 1**, **Table 2** and **Table 3**), which contain remuneration paid to Directors and Statutory Auditors, and, at the aggregate level, to other executives with strategic responsibilities, taking into account any office held for a fraction of a year. Remuneration received from subsidiaries and/or affiliates, with the exception of that waived or paid back to the Company, is also indicated separately.

With particular reference to **Table 1**, the column:

- "Fixed remuneration" shows, for the portion attributable to 2020, the fixed remuneration approved by the Shareholders' meeting (and distributed with resolution of the Board of Directors), including the remuneration received for the carrying-out of special offices (pursuant to Art. 2389, paragraph 3, Italian Civil Code. attendance fees as approved by the Board of Directors; employee salaries due for the year gross of social security contributions and income taxes owed by the employee.
- "Remuneration for attendance at Committee meetings", shows, for the portion relating to 2020, the remuneration due to directors who attended the meetings of the Committees set up within the Board and the related attendance fees.
- "Bonus and other incentives" includes the variable remuneration accrued during the year, for monetary incentive plans. This value corresponds to the sum of the amounts provided in Table 3 in the "Bonus for the year - payable/paid", "Bonus of previous years - payable/paid" and "Other bonuses" columns.
- "Non-monetary benefits" shows, according to accrual and tax liability criteria, the value of outstanding insurance policies and the company cars assigned.
- "Other remuneration" shows, for the portion attributable to 2020, any other remuneration resulting from other services provided.
- "Total" shows the sum of the amounts provided under the previous items.

For a breakdown of other items, see attachment 3A, statement 7-bis and 7-ter of Consob Regulation 11971 of 14 May 1999.

Table 2 shows the information relating to the stock grant plan approved by the Shareholders' Meeting and aimed at the Group's executive directors and executives who hold or will hold key positions in the implementation of the Business Plan. Specifically, the column:

- "Financial instruments assigned in previous financial years not vested during the financial year" shows the financial instruments assigned in previous years and not vested during the year, indicating the vesting period;
- "Financial instruments assigned during the financial year" shows the financial instruments assigned during the year, indicating the fair value at the assignment date, the vesting period, the assignment date and the market price at the assignment;
- "Financial instruments vested during the year and not assigned" shows the number and type of instruments vested during the financial year and not assigned;
- "Financial instruments vested during the year and attributable" contains information on instruments vested during the financial year of reference and attributable, indicating the value at the vesting date.

"Vesting period" means the period between the time when the right to participate in the incentive scheme is assigned and the time when the right accrues. Financial instruments vested during the financial year and not assigned are financial instruments for which the vesting period ended during the financial year and which were not assigned to the recipient for failure to meet the conditions under which the assignment of the instrument was conditional (for example, failure to meet performance targets).
The value at the vesting date is the value of the financial instruments accrued, even if not yet paid (for example, due to the presence of lock up clauses), at the end of the vesting period.
For a breakdown of other items, see attachment 3A, statement 7-bis and 7-ter of Consob Regulation 11971 of 14 May 1999.

Table 3 contains information on monetary incentive plans for members of the administration body and other executives with strategic responsibilities; in particular, it shows:

<u>*For the section "Bonus for the year"*</u>

- In the column "payable/paid", the bonus accrued for the year for the objectives reached during the year and paid or payable because not subject to further conditions (known as upfront fee).
- The column "Deferred" shows the bonus dependent on the objectives to be reached during the year but not payable because subject to further conditions (known as deferred bonus).

<u>*For the section "Bonus of previous years"*</u>

- The column "No longer payable" shows the sum of bonuses deferred in previous years still to be paid at the beginning of the financial year and no longer payable for failure to meet the conditions to which they are subject.
- The column "Payable/Paid" shows the sum of bonuses deferred in previous years still to be paid at the beginning of the financial year and paid during the year or payable.
- The column "Still deferred" shows the sum of bonuses deferred in previous years still to be paid at the beginning of the financial year and still deferred.

Lastly, the column "Other bonuses" shows the bonuses for the year not explicitly included in specific ex ante defined plans.

Finally, pursuant to Art. 84-quater, paragraph four of the Consob Issuers' Regulations, **Table 4** shows shareholdings in Sabaf S.p.A. held by directors and executives with strategic responsibilities, as well as their non-separated spouses and dependent children, directly or through subsidiaries, trust companies or third parties, as shown in the shareholder register, communications received and other information acquired from the same parties. This includes all persons who held office during the year, even for only part of the year. The number of shares held is shown by individual director and in aggregate form for executives with strategic responsibilities.

TAB. 1 - REMUNERATION PAID TO MEMBERS OF THE BOARD OF DIRECTORS AND BOARD OF STATUTORY AUDITORS AND OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES IN 2020

(figures in euro)

BOARD OF DIRECTORS

Name and surname	Office	Period of office	Expiry of office	Fixed remuneration	Remuneration for attendance at Committee meetings	Variable remuneration (non equity)		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Allowance for end of office or termination of employment
						Bonus and other incentives	Profit sharing					
Giuseppe Saleri	**Chairman**	**1 Jan - 31 Dec 2020**	**Approval of 2020 financial statements**									
(I) Remuneration at Sabaf S.p.A.				160,000[a]	0	0	0	0	0	160,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) Total				**160,000**	**0**	**0**	**0**	**0**	**0**	**160,000**	**0**	**0**
[a] of which €20,000 as Director and €140,000 as Chairman												
Nicla Picchi	**Vice Chairman**	**1 Jan - 31 Dec 2020**	**Approval of 2020 financial statements**									
(I) Remuneration at Sabaf S.p.A.				33,000[a]	12,000[b]	0	0	0	15,000	60,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	5,000	5,000	0	0
(III) Total				**33,000**	**12,000**	**0**	**0**	**0**	**20,000[c]**	**65,000**	**0**	**0**
[a] of which €20,000 as director, €10,000 as Vice Chairman and €3,000 as board meeting attendance fees [b] of which €10,000 as a member of the Internal Control and Risk Committee and €2,000 in Committee meeting attendance fees [c] of which €15,000 as member of the Sabaf S.p.A. Supervisory Body and €5,000 as member of the Supervisory Body of the subsidiary Faringosi Hinges s.r.l.												
Pietro Iotti	**Chief Executive Officer**	**1 Jan - 31 Dec 2020**	**Approval of 2020 financial statements**									
(I) Remuneration at Sabaf S.p.A.				380,000[a]	0	45,000	0	9,929	0	434,929	0	0
(II) Remuneration from subsidiaries and affiliates				53,000	0	0	0	0	0	53,000	0	0
(III) Total				**433,000**	**0**	**45,000**	**0**	**9,929**	**0**	**487,929**	**0**	**0**
[a] of which €20,000 as director, €10,000 as Chief Executive Officer, and €350,000 as General Manager (including €30,000 relating to Remuneration for non-competition agreement)												
Gianluca Beschi	**Director**	**1 Jan - 31 Dec 2020**	**Approval of 2020 financial statements**									
(I) Remuneration at Sabaf S.p.A.				220,000[a]	0	15,892	0	5,182	0	241,074	0	0
(II) Remuneration from subsidiaries and affiliates				69,000	0	0	0	0	0	69,000	0	0
(III) Total				**289,000**	**0**	**15,892**	**0**	**5,182**	**0**	**310,074**	**0**	**0**
[a] of which €20,000 as director and €200,000 as CFO												
Carlo Scarpa	**Director**	**1 Jan - 31 Dec 2020**	**Approval of 2020 financial statements**									
(I) Remuneration at Sabaf S.p.A.				23,000[a]	11,000[b]	0	0	0	0	34,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) Total				**23,000**	**11,000**	**0**	**0**	**0**	**0**	**34,000**	**0**	**0**
[a] of which €20,000 as director and €3,000 as BoD meeting attendance fees [b] of which €10,000 as a member of the Internal Control and Risk Committee and €1,000 in Committee meeting attendance fees												

(figures in euro)

BOARD OF DIRECTORS

Name and surname	Office	Period of office	Expiry of office	Fixed remune-ration	Remuneration for attendance at Committee meetings	Variable remuneration (non equity)		Non-mo-netary benefits	Other remunera-tion	Total	Fair Value of equity remu-neration	Allowance for end of office or ter-mination of employment
						Bonus and other incen-tives	Profit sharing					
Alessandro Potestà [C]	**Director**	**1 Jan - 31 Dec 2020**	**Approval of 2020 financial statements**									
(I) Remuneration at Sabaf S.p.A.				21,000[a]	10,000[b]	0	0	0	0	31,000	0	0
(I) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) Total				**21,000**	**10,000**	**0**	**0**	**0**	**0**	**31,000**	**0**	**0**

[a] of which €20,000 as director and €1,000 as BoD meeting attendance fees
[b] €10,000 as a member of the Remuneration and Nomination Committee
[c] the remuneration paid to the Director Alessandro Potestà is paid to the company Quaestio Capital Management SGR S.p.A

Name and surname	Office	Period of office	Expiry of office	Fixed remune-ration	Remuneration for attendance at Committee meetings	Bonus and other incen-tives	Profit sharing	Non-mo-netary benefits	Other remunera-tion	Total	Fair Value of equity remu-neration	Allowance for end of office or ter-mination of employment
Claudio Bulgarelli	**Director**	**1 Jan - 31 Dec 2020**	**Approval of 2020 financial statements**									
(I) Remuneration at Sabaf S.p.A.				22,000[a]	0	0	0	0	0	22,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) Total				**22,000**	**0**	**0**	**0**	**0**	**0**	**22,000**	**0**	**0**

[a] of which €20,000 as director and €2,000 as BoD meeting attendance fees

Name and surname	Office	Period of office	Expiry of office	Fixed remune-ration	Remuneration for attendance at Committee meetings	Bonus and other incen-tives	Profit sharing	Non-mo-netary benefits	Other remunera-tion	Total	Fair Value of equity remu-neration	Allowance for end of office or ter-mination of employment
Daniela Toscani	**Director**	**1 Jan - 31 Dec 2020**	**Approval of 2020 financial statements**									
(I) Remuneration at Sabaf S.p.A.				22,000[a]	23,000[b]	0	0	0	0	55,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) Total				**22,000**	**23,000**	**0**	**0**	**0**	**0**	**55,000**	**0**	**0**

[a] of which €20,000 as director and €2,000 as BoD meeting attendance fees
[b] of which €10,000 as a member of the Internal Control and Risk Committee, €10,000 as a member of the Remuneration and Nomination Committee and €3,000 as Committee meeting attendance fees

Name and surname	Office	Period of office	Expiry of office	Fixed remune-ration	Remuneration for attendance at Committee meetings	Bonus and other incen-tives	Profit sharing	Non-mo-netary benefits	Other remunera-tion	Total	Fair Value of equity remu-neration	Allowance for end of office or ter-mination of employment
Stefania Triva	**Director**	**1 Jan - 31 Dec 2020**	**Approval of 2020 financial statements**									
(I) Remuneration at Sabaf S.p.A.				22,000[a]	10,000[b]	0	0	0	0	32,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) Total				**22,000**	**10,000**	**0**	**0**	**0**	**0**	**32,000**	**0**	**0**

[a] of which €20,000 as director and €2,000 as BoD meeting attendance fees
[b] €10,000 as a member of the Remuneration and Nomination Committee

(figures in euro)

BOARD OF STATUTORY AUDITORS

Name and surname	Office	Period of office	Expiry of office	Fixed remuneration	Remuneration for attendance at Committee meetings	Variable remuneration (non equity)		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Allowance for end of office or termination of employment
						Bonus and other incentives	Profit sharing					
Alessandra Tronconi	**Chairman**	**1 Jan - 31 Dec 2020**	**Approval of 2020 financial statements**									
(I) Remuneration at Sabaf S.p.A.				30,000	0	0	0	0	0	30,000	0	0
(II) Remuneration from subsidiaries and affiliates				9,000	0	0	0	0	0	9,000	0	0
(III) Total				**39,000**	**0**	**0**	**0**	**0**	**0**	**39,000**	**0**	**0**
Luisa Anselmi	**Standing Auditor**	**1 Jan - 31 Dec 2020**	**Approval of 2020 financial statements**									
(I) Remuneration at Sabaf S.p.A.				20,000	0	0	0	0	0	20,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) Total				**20,000**	**0**	**0**	**0**	**0**	**0**	**20,000**	**0**	**0**
Mauro Vivenzi	**Standing Auditor**	**1 Jan - 31 Dec 2020**	**Approval of 2020 financial statements**									
(I) Remuneration at Sabaf S.p.A.				20,000	0	0	0	0	0	20,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) Total				**20,000**	**0**	**0**	**0**	**0**	**0**	**20,000**	**0**	**0**

(figures in euro)

OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

Name and surname	Office	Period of office	Expiry of office	Fixed remuneration	Remuneration for attendance at Committee meetings	Variable remuneration (non equity)		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Allowance for end of office or termination of employment
						Bonus and other incentives	Profit sharing					
Other executives with strategic responsibilities (3)		**1 Jan - 31 Dec 2020**	**N/A**									
(I) Remuneration at Sabaf S.p.A.				420,743[(a)]	0	110,890	0	14,971	0	546,604	0	0
(II) Remuneration from subsidiaries and affiliates				94,500	0	0	0	0	0	94,500	0	0
(III) Total				**515,243**	**0**	**110,890**	**0**	**14,971**	**0**	**641,104**	**0**	**0**

[(a)] remuneration including €44,613 related to Remuneration for non-competition agreement

TAB. 2 - INCENTIVE PLANS BASED ON FINANCIAL INSTRUMENTS, OTHER THAN STOCK OPTIONS, FOR MEMBERS OF THE BOARD OF DIRECTORS, GENERAL MANAGERS AND OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

(figures in euro)

Name and surname	Office	Plan	FINANCIAL INSTRUMENTS										
			Assigned in previous financial years not vested during the financial year		Assigned during financial year					Vested during financial year and not assigned	Vested during financial year and assigned		Pertaining to the financial year
			Number and type of financial instruments	Vesting period	Number and type of financial instruments	Fair Value at the assignment date	Vesting period	Assignment date	Market price on assignment	Number and type of financial instruments	Number and type of financial instruments	Value at vesting date	Fair Value
Pietro Iotti	**Chief Executive Officer**												
Remuneration at Sabaf S.p.A.		2018 Stock Grant Plan (May 2018)	110,023 rights corresponding to 110,023 shares	3 years	0	-	-	-	-	0	0	-	-
Gianluca Beschi	**Director**												
Remuneration at Sabaf S.p.A.		2018 Stock Grant Plan (May 2018)	66,014 rights corresponding to 66,014 shares	3 years	0	-	-	-	-	0	0	-	-
Other executives with strategic responsibilities (3)													
Remuneration at Sabaf S.p.A.		2018 Stock Grant Plan (May 2018)	106,092 rights corresponding to 106,092 shares	3 years	0	-	-	-	-	0	0	-	-
TOTAL						-						-	-

TAB. 3 - MONETARY INCENTIVE PLANS FOR MEMBERS OF THE BOARD OF DIRECTORS AND OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

(figures in euro)

Name and surname	Office	Plan	Bonus for the year			Bonus of previous years			
			Payable / Paid	Deferred	Deferment period	No longer payable	Payable / Paid	Still deferred	Other bonuses
Pietro Iotti	**Chief Executive Officer**								
Remuneration at Sabaf S.p.A.		2019 MBO Plan (March 2020)	0	0		0	45,000	0	0
Remuneration at Sabaf S.p.A.		2020 MBO Plan (March 2021)	0	70,000	March 2021	0	0	0	0
Gianluca Beschi	**Executive Director**								
Remuneration at Sabaf S.p.A.		2019 MBO Plan (March 2020)	0	0		0	15,891	0	0
Remuneration at Sabaf S.p.A.		2020 MBO Plan (March 2021)	0	24,721	March 2021	0	0	0	0
Other executives with strategic responsibilities (3)									
Remuneration at Sabaf S.p.A.		2019 MBO Plan (March 2020)	0	0		0	50,890	0	0
Remuneration at Sabaf S.p.A.		2020 MBO Plan (March 2021)	0	76,359	March 2021	0	0	0	0
Total			**0**	**171,080**		**0**	**111,781**	**0**	**0**

TAB. 4 - SHAREHOLDINGS OF MEMBERS OF THE ADMINISTRATION AND CONTROL BODIES AND OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

Surname and Name	Office	Type of Ownership	Investee Company	No. shares held at 31 Dec 2019	No. shares acquired	No. shares sold	No. shares held at 31 Dec 2020
Saleri Giuseppe[(a)]	**Chairman**	Indirect through the company Giuseppe Saleri S.a.p.A.	Sabaf S.p.A.	2,535,644	N/A	N/A	-
Iotti Pietro	**Chief Executive Officer**	Indirect through the company Petrae S.r.l.	Sabaf S.p.A.	-	122,300	-	122,300
		Direct	Sabaf S.p.A.	17,700	6,000	-	23,700
Toscani Daniela	**Director**	Indirect through spouse	Sabaf S.p.A.	2,419	-	-	2,419
		Direct	Sabaf S.p.A.	498	-	-	498
Bulgarelli Claudio	**Director**	Indirect through the company Fintel s.r.l.	Sabaf S.p.A.	850,000	18,827	-	868,827
		Direct	Sabaf S.p.A.	1,567	-	-	1,567
Vivenzi Mauro Giorgio	**Statutory Auditor**	Indirect through spouse	Sabaf S.p.A.	600	-	-	600

[(a)] As at 31 December 2020, Giuseppe Saleri no longer exercises control over the Company Giuseppe Saleri S.a.p.A.

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