



SABAF[®]

HALF-YEARLY REPORT

AT 30 JUNE 2021

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GROUP STRUCTURE AND CORPORATE BODIES

Group structure

Parent company

SABAF S.p.A.

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

R.E.A.: Brescia 347512

Tax Code: 03244470179

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

Web site: www.sabafgroup.com

Subsidiaries and equity interest pertaining to the Group

Companies consolidated on a line-by-line basis

Faringosi Hinges s.r.l.	Italy	100%
Sabaf do Brasil Ltda.	Brazil	100%
Sabaf Beyaz ESYA Parcalari Sanayi Ve Ticaret Limited Sirketi (Sabaf Turkey)	Turkey	100%
Sabaf Appliance Components (Kunshan) Co., Ltd.	China	100%
Okida Elektronik Sanayi Ve Ticaret A.S.	Turkey	100%
Sabaf US Corp.	U.S.A.	100%
A.R.C. s.r.l.	Italy	70%
Sabaf India Private Limited	India	100%
Sabaf Mexico Appliance Components	Mexico	100%
C.M.I. s.r.l.	Italy	84.25%
C.G.D. s.r.l.	Italy	84.25%
C.M.I. Polska Sp. zoo.	Poland	84.25%

Companies measured at equity

Handan A.R.C. Burners Co., Ltd.	China	35.7%
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Corporate bodies

Honorary Chairman

Giuseppe Saleri

Board of Directors

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

(*) independent directors

Board of Statutory Auditors

Chairman	Alessandra Tronconi
Standing Auditor	Maria Alessandra Zunino de Pignier
Standing Auditor	Mauro Giorgio Vivenzi

Independent Auditors

EY S.p.A.

INTERIM MANAGEMENT STATEMENT

Introduction

This Half-Yearly Report at 30 June 2021 has been prepared in accordance with Art. 154-ter of Legislative Decree 58/1998 and in compliance with the applicable international accounting standards recognised in the European Community and, in particular, IAS 34 - *Interim Financial Reporting*. The half-year figures at 30 June 2021 and 30 June 2020 and for the six-month period ended on the same dates were audited by EY S.p.A., the financial figures at 31 December 2020, shown for comparative purposes, were audited by EY S.p.A.

The business

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

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

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

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

Economic performance

Financial highlights

<i>(€/000)</i>	Q2 2021 (*)	Q2 2020 (*)	% change	H1 2021	H1 2020	% change	2020 FY
Sales revenue	72,840	34,312	+112.3%	137,665	78,164	+76.1%	184,906
EBITDA	17,076	5,595	+205.2%	32,184	13,284	+142.3%	37,097
EBITDA %	23.4	16.3		23.4	17.0		20.1
EBIT	12,940	1,457	+788.1%	23,960	4,817	+397.4%	20,093
EBIT %	17.8	4.2		17.4	6.2		10.9
Pre-tax profit	11,667	1,549	+653.2%	22,081	3,741	+490.2%	14,509
Group net profit	8,293	877	+845.6%	16,749	2,424	+591.0%	13,961

(*) unaudited figures

Consolidated income statement

	Q2 2021 (*)	Q2 2020 (*)	H1 2021	H1 2020
<i>(€/000)</i>				
OPERATING REVENUE AND INCOME				
Revenue	72,840	34,312	137,665	78,164
Other income	2,597	920	4,485	1,969
Total operating revenue and income	75,437	35,232	142,150	80,133
OPERATING COSTS				
Materials	(39,199)	(16,243)	(76,146)	(35,381)
Change in inventories	8,810	3,981	20,345	3,677
Services	(14,231)	(7,944)	(26,517)	(15,514)
Personnel costs	(14,250)	(9,648)	(28,136)	(19,901)
Other operating costs	(111)	(429)	(815)	(808)
Costs for capitalised in-house work	620	646	1,303	1,078
Total operating costs	(58,361)	(29,637)	(109,966)	(66,849)
OPERATING PROFIT BEFORE DEPRECIATION & AMORTISATION, CAPITAL GAINS/LOSSES AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)	17,076	5,595	32,184	13,284
Depreciations and amortisation	(4,209)	(4,171)	(8,341)	(8,508)
Capital gains/(losses) on disposals of non-current assets	73	33	117	41
Write-downs/write-backs of non-current assets	0	0	0	0
OPERATING PROFIT (EBIT)	12,940	1,457	23,960	4,817
Financial income	51	1,491	551	1,563
Financial expenses	(317)	(378)	(528)	(802)
Exchange rate gains and losses	(1,004)	(1,021)	(1,853)	(1,837)
Profits and losses from equity investments	(3)	0	(49)	0
PROFIT BEFORE TAXES	11,667	1,549	22,081	3,741
Income taxes	(3,122)	(713)	(4,768)	(1,225)
NET PROFIT FOR THE PERIOD	8,545	836	17,313	2,516
of which:				
Minority interests	252	(41)	564	92
PROFIT ATTRIBUTABLE TO THE GROUP	8,293	877	16,749	2,424

(*) unaudited figures

Sales by geographical area

<i>(€/000)</i>	Q2 2021 (*)	Q2 2020 (*)	% change	H1 2021	H1 2020	% change	2020 FY
Europe (excluding Turkey)	24,852	11,738	+111.7%	48,904	28,325	+72.7%	69,618
Turkey	17,354	7,873	+120.4%	33,630	18,972	+77.3%	44,806
North America	8,277	4,283	+93.2%	15,578	9,826	+58.5%	22,700
South America	11,531	5,622	+105.1%	21,421	12,400	+72.8%	27,639
Africa and Middle East	6,066	3,222	+88.3%	9,974	5,551	+79.7%	12,177
Asia and Oceania	4,760	1,574	+202.4%	8,158	3,090	+164.0%	7,966
Total	72,840	34,312	+112.3%	137,665	78,164	+76.1%	184,906

(*) unaudited figures

Sales by product line

<i>(€/000)</i>	Q2 2021 (*)	Q2 2020 (*)	% change	H1 2021	H1 2020	% change	2020 FY
Gas parts	52,452	24,402	+115.0%	97,041	55,124	+76.0%	129,834
Hinges	14,795	7,331	+101.8%	29,114	17,262	+68.7%	41,326
Electronic components	5,593	2,579	+116.8%	11,510	5,778	+99.2%	13,746
Total	72,840	34,312	+112.3%	137,665	78,164	+76.1%	184,906

(*) unaudited figures

First half of 2021

The Sabaf Group closed the first half of 2021 with excellent results, reaching record levels in terms of sales and profitability.

The Group is successfully pursuing the organic growth strategy outlined in the 2021-2023 Business Plan, which focuses on strengthening technical and commercial relations with some of the major global players, increasing internationalisation and exploiting synergies with the most recently acquired companies.

During the period, the market confirmed a favourable situation. However, there was no shortage of turbulence, particularly in terms of rising raw material prices, logistical costs and difficulties in procuring certain components, which required prompt responses from the organisation.

Revenue was €137.7 million in the first half-year, an increase of 76% versus the figure of €78.2 million in the corresponding period of the previous year, with consistent growth in all markets. In terms of products, it was once again electronic components that recorded the highest growth rates, with sales double that of the same period in 2020, which was already 20% higher than the first half of 2019. Gas components and hinges recorded growth rates of 76% and 69% respectively.

The high level of production capacity utilisation has led to a significant improvement in profitability: the EBITDA of the first half of 2021 came at €32.2 million (23.4% of turnover, 142% higher than €13.3 million of the same period of 2020, when it was 17% of sales). EBIT was €24 million (17.4% of sales), compared to the €4.8 million in the first half of 2020.

Pre-tax profit amounted to €22.1 million in the first half of 2021 (€3.7 million in the first half of 2020) and net profit was €16.7 million (€2.4 million in the first half of 2020).

Second quarter of 2021

In the second quarter, the Group achieved a new sales record of €72.8 million. Significantly, sales increased by a further 12% compared to the first quarter of the year (€64.8 million); it is the fourth consecutive quarter of strong progressive growth.

Sales in the second quarter of 2021 were 112% higher than the €34.3 million in Q2 2020, the period most impacted by the pandemic. Second-quarter EBITDA was €17 million, equivalent to 23.4% of turnover (+205% versus €5.6 million in the second quarter of 2020, when it was 16.3% of turnover), and EBIT was €12.9 million, equivalent to 17.8% of turnover (+788% versus €1.5 million in the second quarter of 2020, when it was 4.2% of turnover). Net profit for the period was €8.3 million, compared to €0.9 million for the second quarter of 2020.

Financial position

<i>(€/000)</i>	30/06/2021	31/12/2020	30/06/2020
<i>Non-current assets</i>	<i>136,192</i>	<i>131,543</i>	<i>133,599</i>
Short-term assets ¹	147,018	108,246	91,791
Short-term liabilities ²	(76,586)	(56,017)	(38,339)
<i>Net working capital³</i>	<i>70,432</i>	<i>52,229</i>	<i>53,452</i>
<i>Provisions for risks and charges, deferred taxes, post-employment benefit and non-current payables</i>	<i>(8,883)</i>	<i>(9,643)</i>	<i>(11,425)</i>
Net invested capital	197,741	174,129	175,626
Short-term net financial debt	(33,239)	(24,169)	(21,095)
Medium/long-term net financial debt	(37,887)	(32,153)	(39,551)
Total Net financial debt	(71,126)	(56,322)	(60,646)
Group shareholders' equity	121,250	112,998	107,829
Third-party shareholders' equity	5,365	4,809	7,151

At 30 June 2021, net working capital amounted to €70.4 million, compared with €52.2 million at the end of 2020: the increase is related both to the strong growth in business volumes and to increases in the volume and value of inventories. With regard to stocks of raw materials, in addition to the inflationary effect of the significant increases in metal prices, the Group raised the level of safety stocks to ensure continuity of production in a particularly turbulent scenario. Moreover, stocks of finished products at the end of June include goods that are ready but not yet collected by customers due to current international logistical difficulties. At 30 June 2021, the impact of the net working capital on sales is 25.6% (28.2% at the end of 2020).

In the first half of the year, investments of €16.2 million were made (€8.3 million in the first half of 2020), some of which were made earlier than initially planned to increase production capacity and, consequently, turnover potential.

Key investments during the period included:

- the increase in the production capacity of the Electronics Division, for which production started in a new plant in Manisa (Turkey);
- the increase in the production capacity of burners at the plants in Brazil and Turkey, also to support the increase in supplies under recent agreements with some strategic customers;
- the purchase of a plot of land in San Luis de Potosi (Mexico), where the Group intends to build a new production plant by 2022.

In June 2021, Sabaf S.p.A. distributed dividends of €6.2 million (€0.55 per share), in implementation of the shareholders' resolution of 6 May 2021.

¹ Sum of Inventories, Trade receivables, Tax receivables and Other current receivables

² Sum of Trade payables, Tax payables and Other liabilities

³ Difference between short-term assets and short-term liabilities

At 30 June 2021, the net financial debt was €71.1 million, compared with €56.3 million on 31 December 2020. Consolidated shareholders' equity attributable to the Group amounted to €121.2 million.

Intra-group and related-party transactions

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

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

Risk factors related to the segment in which the Group operates and main risks and uncertainties for the remainder of 2021

Risks related to the COVID-19 pandemic

The coronavirus pandemic 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 the availability of raw materials and price volatility
- 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.

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

Risks of external context

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

Strategic risks

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

Operational risks

Risks of suffering losses due to inadequate or malfunctioning processes, human resources and information systems. This category includes financial risks (e.g. losses deriving from the volatility of the price of raw materials 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.

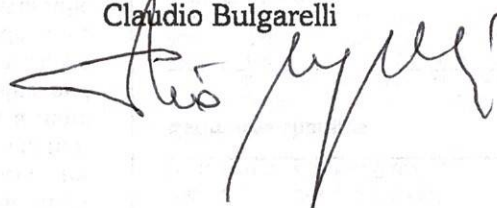
The Report on Operations at 31 December 2020, to which reference should be made, describes in detail these risks and the related risk management actions that are currently being implemented.

Outlook for the current year

Demand remains strong in all major markets. For the entire 2021 financial year, the Sabaf Group further revised its estimates upwards and now expects revenues in the range of €255 to €260 million, some 38% to 40% higher than the €184.9 million in 2020 and 64% to 67% higher than the €155.9 million in 2019 (previous forecasts indicated revenues in excess of €240 million). In the second half of the year, the Group believes that it will be able to pass most of the increases in the cost of raw materials on to sales prices. Therefore, the expected full-year operating profitability (EBITDA %) is above 22%, compared to 20.1% in 2020 and 17.3% in 2019 (previous forecasts indicated an EBITDA above 21%).

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

For the Board of Directors
The Chairman
Claudio Bulgarelli



Ospitaletto, 3 August 2021

**HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT
30 JUNE 2021**

Consolidated statement of financial position

(€/000)	Notes	30/06/2021	31/12/2020
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	1	84,499	76,507
Investment property	2	2,666	3,253
Intangible assets	3	40,682	43,017
Equity investments	4	162	173
Non-current financial assets	10	0	0
Non-current receivables	5	697	518
Deferred tax assets	22	7,486	8,075
Total non-current assets		136,192	131,543
CURRENT ASSETS			
Inventories	6	58,735	39,224
Trade receivables	7	81,666	63,436
Tax receivables	8	3,531	2,419
Other current receivables	9	3,086	3,167
Current financial assets	10	1,175	1,495
Cash and cash equivalents	11	12,920	13,318
Total current assets		161,113	123,059
ASSETS HELD FOR SALE		0	0
TOTAL ASSETS		297,305	254,602
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	12	11,533	11,533
Retained earnings, Other reserves	13	92,968	87,504
Profit for the year		16,749	13,961
<i>Total equity interest of the Parent Company</i>		<i>121,250</i>	<i>112,998</i>
<i>Minority interests</i>		<i>5,365</i>	<i>4,809</i>
Total shareholders' equity		126,615	117,807
NON-CURRENT LIABILITIES			
Loans	14	37,887	32,153
Other financial liabilities	15	0	0
Post-employment benefit and retirement provisions	16	3,536	3,513
Provisions for risks and charges	17	888	1,433
Deferred tax liabilities	22	4,459	4,697
Non-current payables		0	0
Total non-current liabilities		46,770	41,796
CURRENT LIABILITIES			
Loans	14	39,367	30,493
Other financial liabilities	15	7,967	8,489
Trade payables	18	56,494	41,773
Tax payables	19	6,629	3,287
Other payables	20	13,463	10,957
Total current liabilities		123,920	94,999
LIABILITIES HELD FOR SALE		0	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		297,305	254,602

Consolidated income statement

	Notes	H1 2021	H1 2020
<i>(€/000)</i>			
OPERATING REVENUE AND INCOME			
Revenue	23	137,665	78,164
Other income	24	4,485	1,969
Total operating revenue and income		142,150	80,133
OPERATING COSTS			
Materials	25	(76,146)	(35,381)
Change in inventories		20,345	3,677
Services	26	(26,517)	(15,514)
Personnel costs	27	(28,136)	(19,901)
Other operating costs	28	(815)	(808)
Costs for capitalised in-house work		1,303	1,078
Total operating costs		(109,966)	(66,849)
OPERATING PROFIT BEFORE DEPRECIATION & AMORTISATION, CAPITAL GAINS/LOSSES AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)		32,184	13,284
Depreciations and amortisation		(8,341)	(8,508)
Capital gains/(losses) on disposals of non-current assets		117	41
Write-downs/write-backs of non-current assets		0	0
OPERATING PROFIT (EBIT)		23,960	4,817
Financial income	29	551	1,563
Financial expenses	30	(528)	(802)
Exchange rate gains and losses	31	(1,853)	(1,837)
Profits and losses from equity investments		(49)	0
PROFIT BEFORE TAXES		22,081	3,741
Income taxes	32	(4,768)	(1,225)
PROFIT FOR THE YEAR		17,313	2,516
of which			
Minority interests		564	92
PROFIT ATTRIBUTABLE TO THE GROUP		16,749	2,424
<i>(in €)</i>			
Basic earnings per share	33	1.496	0.214
Diluted earnings per share	33	1.496	0.214

Consolidated statement of comprehensive income

	H1 2021	H1 2020
<i>(€/000)</i>		
NET PROFIT FOR THE PERIOD	17,313	2,516
<i>Total profits/losses that will be subsequently reclassified under profit (loss) for the period:</i>		
Forex differences due to translation of financial statements in foreign currencies	(2,210)	(7,147)
Hedge accounting effect of derivative financial instruments	(266)	0
Tax effect	0	0
Total other profits/(losses) net of taxes for the year	(2,476)	(7,147)
TOTAL RESULTS	14,837	(4,631)
of which		
Minority interests for the period	564	92
<i>Total profits/losses that will be subsequently reclassified under profit (loss) for the period – Hedge accounting effect of derivative financial instruments</i>	(9)	0
MINORITY INTERESTS	555	92
PROFIT ATTRIBUTABLE TO THE GROUP	14,282	(4,723)

Consolidated statement of cash flows

	H1 2021	H1 2020
<i>Cash and cash equivalents at beginning of period</i>	<i>13,318</i>	<i>18,687</i>
Net profit/(loss) for the period	17,313	2,516
Adjustments for:		
- Depreciation and amortisation for the period	8,341	8,508
- Realised gains/losses	(117)	(40)
- Profits and losses from equity investments	49	0
- Financial income and expenses	(23)	(761)
- IFRS 2 measurement stock grant plan	155	(251)
- Income tax	4,768	1,225
Change in post-employment benefit	23	(46)
Change in risk provisions	(545)	13
<i>Change in trade receivables</i>	<i>(18,230)</i>	<i>(2,035)</i>
<i>Change in inventories</i>	<i>(19,511)</i>	<i>(2,256)</i>
<i>Change in trade payables</i>	<i>14,721</i>	<i>(1,141)</i>
Change in net working capital	(23,020)	(5,432)
Change in other receivables and payables, deferred taxes	1,103	1,360
Payment of taxes	(923)	(1,616)
Payment of financial expenses	(406)	(704)
Collection of financial income	111	115
Cash flows from operations	6,829	4,887
Investments in non-current assets		
- intangible	(1,004)	(711)
- tangible	(15,215)	(7,733)
- financial	0	(50)
Disposal of non-current assets	1,057	149
Cash flows from investment activities	(15,162)	(8,345)
Repayment of loans	(11,921)	(8,341)
New loans	25,349	5,664
Change in financial assets	117	0
Purchase of treasury shares	0	(1,264)
Payment of dividends	(6,172)	0
Cash flows from financing activities	7,373	(3,941)
Foreign exchange differences	562	(986)
Net cash flows for the period	(398)	(8,385)
<i>Cash and cash equivalents at end of period</i>	<i>12,920</i>	<i>10,302</i>

Statement of changes in consolidated shareholders' equity

<i>(€ / 000)</i>	Share capital	Share premium reserve	Legal reserve	Treasury shares	Translation reserve	Postemployment benefit discounting reserve	Other reserves	Profit for the year	Total Group shareholders' equity	Minority interests	Total shareholders' equity
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)			0
IFRS 2 measurement stock grant plan							(251)		(251)		(251)
Purchase of treasury shares				(1,264)					(1,264)		(1,264)
Other changes							39		39	(18)	21
Components of the total result					(7,147)				(7,147)	92	(7,147)
Result for the first half of 2020								2,424	2,424	92	2,516
Balance at 30 June 2020	11,533	10,002	2,307	(3,532)	(26,086)	(546)	111,727	2,424	107,829	7,151	114,980
Purchase of treasury shares				(809)					(809)		(809)
IFRS 2 measurement stock grant plan							909		909		909
Change in the scope of consolidation							2,657		2,657	(2,657)	0
Dividends paid out							(3,924)		(3,924)		(3,924)
Other changes							(29)		(29)	(7)	(36)
Components of the total result					(5,417)	5	240		(5,172)	7	(5,165)
Result for the second half of 2020								11,537	11,537	315	11,852
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
Allocation of 2020 profit											
- carried forward							13,961	(13,961)			0
IFRS 2 measurement stock grant plan							155		155		155
Hedge accounting for derivatives							(257)		(257)	(9)	(266)
Purchase of treasury shares				438			(438)				0
Dividends paid out							(6,172)		(6,172)		(6,172)
Other changes							(13)		(13)	1	(12)
Components of the total result					(2,210)		(257)		(2,467)	(9)	(2,476)
Result for the first half of 2021								16,749	16,749	564	17,313
Balance at 30 June 2021	11,533	10,002	2,307	(3,903)	(33,713)	(541)	118,816	16,749	121,250	5,365	126,615

EXPLANATORY NOTES

Basis of presentation and accounting policies used

The half-yearly condensed consolidated financial statements at 30 June 2021 were prepared in accordance with IAS 34 on interim reports. These condensed half-year consolidated financial statements do not include all the information required for the annual financial report and must be read together with the financial statements for the year ended 31 December 2020. Reference to IFRS also includes all current International Accounting Standards (IAS). They have been prepared in euro, rounding amounts to the nearest thousand, and are compared with the half-yearly and annual consolidated financial statements of the previous year, prepared according to the same standards. They consist of the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders' equity, the consolidated statement of cash flows and these explanatory notes.

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

The consolidation policies, criteria for converting items in foreign currencies, the accounting principles and policies are the same as those used for preparing the financial statements at 31 December 2020, to which reference should be made for additional information, with the exception of the adoption as of 1 January 2021 of the new standards and amendments described below. The Group has not early adopted any new standards, interpretations or amendments issued but not yet in force.

New accounting standards

Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39: *Interest rate benchmark reform*

The Financial Stability Board released the report "Reforming Major Interest Rate Benchmarks" with recommendations to strengthen existing benchmark indexes, other potential interbank market-based benchmark rates and develop alternative near-risk-free benchmark rates. The European Parliament introduced a common framework to ensure the accuracy and integrity of these indexes.

Following this Regulation, the IASB published the Reform of benchmark indexes for determining interest rates in order to take into account the consequences of the reform on financial reporting and so that companies can continue to comply with the provisions assuming that the existing benchmark indexes are not changed as a result of the reform of interbank rates.

The amendments to the principles outlined provide a number of expedients, applicable to all hedging relationships directly affected by the interest rate benchmark reform, i.e., 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 changes had no impact on the Group's half-yearly condensed consolidated financial statements.

Financial statements

The Group has adopted the following formats:

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

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

Scope of consolidation

The scope of consolidation at 30 June 2021 comprises the parent company Sabaf S.p.A. and the following companies controlled by Sabaf S.p.A., consolidated on a line-by-line basis:

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

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

With respect to the consolidated financial statements at 31 December 2020 and the half-yearly report at 30 June 2020, the company Sabaf Mexico Appliance Components, in which Sabaf made an initial capital contribution of USD 1,000,000 during the first half of 2021, is fully consolidated, aimed at purchasing a plot of land in San Luis de Potosi, where the Group intends to build a production plant.

The subsidiary Handan A.R.C. Burners Co. was consolidated using the equity method in continuity with the previous 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. If these subsidiaries exercise a significant influence, they are consolidated as from the date in which control begins until the date in which control ends so as to provide a correct representation of the Group's operating results, financial position and cash flows.

Consolidation criteria

The criteria applied for consolidation are as follows:

- a) Assets and liabilities, income and costs in the financial statements consolidated on a line-by-line basis are incorporated into the Group financial statements, regardless of the entity of the equity interest concerned. In addition, the carrying value of equity interests is eliminated against the shareholders' equity relating to investee companies.
- b) Positive differences arising from elimination of equity investments against the carrying value of shareholders' equity at the date of first-time consolidation are attributed to the higher values of assets and liabilities when possible and, for the remainder, to goodwill.
- c) Payable/receivable and cost/revenue items between consolidated companies and profits/losses arising from intra-group transactions are eliminated.
- d) If minority shareholders exist, the portion of shareholders' equity and net profit for the period pertaining to them is posted in specific items of the consolidated statement of financial position and income statement.

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

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

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

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

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

Description of currency	Exchange rate in effect at 30/06/2021	Average exchange rate 01/01/2021 - 30/06/2021	Exchange rate in effect at 31/12/2020	Average exchange rate 01/01/2020 - 30/06/2020
Brazilian real	5.9050	6.4901	6.3735	4.9090
Turkish lira	10.321	9.5195	9.1131	7.1489
Chinese renminbi	7.6742	7.7938	8.0225	7.7334
Polish Zloty	4.5201	4.5373	4.5597	4.4120
Indian Rupee	88.324	88.413	89.660	81.677
Mexican peso	23.578	24.327	-	-

Segment reporting

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

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

Use of estimates

The preparation of the half-yearly financial statements and notes in accordance with IFRS requires the Directors to make estimates and assumptions that affect the values of revenue, costs, assets and liabilities of the half-yearly financial statements and the disclosures on contingent assets and liabilities at 30 June 2021. In the event that in future these estimates and assumptions, which are based on the Directors' best assessments, should deviate from actual circumstances, they will be amended appropriately at the time the circumstances change. Estimates and assumptions are regularly reviewed and the effects of each change immediately reflected in the income statement.

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

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 2020	57,226	219,592	55,877	4,535	337,230
Increases	1,079	5,555	2,894	6,055	15,583
Reclassifications	8	1,808	13	(2,164)	(335)
Disposals	(69)	(1,190)	(329)	(352)	(1,940)
Change in the scope of consolidation	925	-	-	-	925
Forex differences	(42)	(387)	(64)	(119)	(612)
At 30 June 2021	59,127	225,378	58,391	7,955	350,851
Accumulated depreciations					
At 31 December 2020	24,147	188,938	47,638	-	260,723
Increases	1,176	4,181	1,594	-	6,951
Reclassifications	1	(117)	3	-	(113)
Disposals	(17)	(944)	(295)	-	(1,256)
Forex differences	(29)	18	58	-	47
At 30 June 2021	25,278	192,076	48,998	-	266,352
Carrying value					
At 31 December 2020	33,079	30,654	8,239	4,535	76,507
At 30 June 2021	33,849	33,302	9,393	7,955	84,499

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

	30/06/2021	31/12/2020	Change
Land	8,624	7,675	949
Industrial buildings	25,225	25,404	(179)
Total	33,849	33,079	770

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

	Property	Plant and equipment	Other assets	Total
At 31 December 2020	2,447	340	826	3,613
Increases	542	104	299	945
Decreases	(54)	-	-	(54)
Depreciations	(392)	(93)	(148)	(633)
Foreign exchange differences	3	-	-	3
At 30 June 2021	2,546	351	977	3,874

During the half-year, the most significant investments were made:

- in the construction of a new production site in Manisa (Turkey) to increase the production capacity of the Electronics Division;
- to increase the production capacity of the Gas Division, in order to be able to serve the increasing quantities of burners expected as a result of important supply contracts recently signed with some strategic customers;
- in the acquisition of a plot of land in San Luis de Potosi (Mexico), where the Group intends to start production by the end of 2022;

- in the purchase and internal construction of machinery for the new Indian plant, which is expected to start production in early 2022.

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

2. INVESTMENT PROPERTY

Cost	
At 31 December 2020	11,284
Increases	-
Disposals	(754)
At 30 June 2021	10,530
Cumulative depreciations and write-downs	
At 31 December 2020	8,031
Depreciations for the period	192
Derecognition due to disposal	(359)
At 30 June 2021	7,864
Carrying value	
At 31 December 2020	3,253
At 30 June 2021	2,666

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

	Investment property
At 31 December 2020	39
Depreciations	(18)
At 30 June 2021	21

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

3. INTANGIBLE ASSETS

	Goodwill	Patents, software and know-how	Development costs	Other intangible assets	Total
Cost					
At 31 December 2020	27,114	9,401	6,586	21,599	64,700
Increases	-	166	823	28	1,017
Decreases	-	(144)	-	(528)	(672)
Reclassifications	-	17	(30)	-	(13)
Forex differences	(1,451)	(38)	-	(857)	(2,346)
At 30 June 2021	25,663	9,402	7,379	20,242	62,686
Accumulated amortisation					
At 31 December 2020	4,546	8,573	4,425	4,139	21,683
Increases	-	201	180	801	1,182
Decreases	-	(144)	-	(525)	(669)
Reclassifications	-	-	-	-	0
Forex differences	-	(21)	-	(171)	(192)
At 30 June 2021	4,546	8,609	4,605	4,244	22,004
Carrying value					
At 31 December 2020	22,568	828	2,161	17,460	43,017
At 30 June 2021	21,117	793	2,774	15,998	40,682

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

The goodwill booked in the financial statements is allocated:

- to the “Hinges” (CGU) cash generating units of €4,414 thousand;
- to the “Professional burners” CGU of €1,770 thousand;
- to the “Electronic components” CGU of €11,253 thousand;
- to the “C.M.I. hinges” CGU of €3,680 thousand.

The Group did not identify any impairment indicators in the first half of 2021, i.e. signs that tangible and intangible assets including goodwill relating to the “Hinges”, “Professional burners”, “Electronic components” and “C.M.I. Hinges” CGUs may have suffered an impairment loss. All CGUs achieved largely positive results and above expectations in the first half of 2021. As a result, at 30 June 2021, it was not necessary to perform an impairment test based on an updated business plan.

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

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

4. EQUITY INVESTMENTS

	30/06/2021	31/12/2020	Change
Handan A.R.C. Burners Co.	78	89	(11)
Other equity investments	84	84	0
Total	162	173	(11)

Handan A.R.C. Burners Co. Ltd. is a Chinese joint venture with the aim to produce and market in China burners for professional cooking. The Group's share is 35.7%, held through ARC s.r.l. - which owns a 51% interest in the share capital of the joint venture. The change shown in the 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 €11 thousand.

5. NON-CURRENT RECEIVABLES

	30/06/2021	31/12/2020	Change
Tax receivables	570	392	178
Guarantee deposits	113	112	1
Other	14	14	0
Total	697	518	179

Tax receivables relate to indirect taxes expected to be recovered after 30 June 2022.

6. INVENTORIES

	30/06/2021	31/12/2020	Change
Raw Materials	24,543	16,859	7,684
Semi-processed goods	15,633	10,414	5,219
Finished products	21,729	15,056	6,673
Provision for inventory write-downs	(3,170)	(3,105)	(65)
Total	58,735	39,224	19,511

The value of inventories at 30 June 2021 increased significantly compared to the end of 2020, mainly due to higher business volumes. Moreover, with regard to stocks of raw materials, in addition to the inflationary effect of the significant increases in metal prices, the Group raised the level of safety stocks to ensure continuity of production in a particularly turbulent scenario. At the end of June, stocks of finished products included goods available for delivery, which had been delayed by customers due to the logistical difficulties that are affecting international transport.

At 30 June 2021, the value of inventories was adjusted based on an improved estimate of the idle capacity and obsolescence risk, measured by analysing slow and non-moving inventory. The following table shows the changes in the Provision for inventory write-downs during the period:

31/12/2020	3,105
Provisions	426
Utilisation	(385)
Forex differences	25
30/06/2021	3,170

7. TRADE RECEIVABLES

	30/06/2021	31/12/2020	Change
Total trade receivables	82,814	64,525	18,289
Bad debt provision	(1,148)	(1,089)	(59)
Net total	81,666	63,436	18,230

The amount of trade receivables at 30 June 2021 increased compared to the balance at the end of 2020, due to the increase in sales. Average collection times remained substantially unchanged.

The amount of trade receivables recognised in the financial statements includes approximately €27.5 million in insured receivables (€23.9 million at 31 December 2020).

Receivables assigned to factors without recourse (€6.945 thousand at 30 June 2021, €9.204 thousand at 31 December 2020) 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 breakdown of trade receivables by past due period is shown below:

	30/06/2021	31/12/2020	Change
Current receivables (not past due)	73,313	58,143	15,170
Outstanding up to 30 days	6,713	3,278	3,435
Outstanding from 30 to 60 days	291	1,249	(958)
Outstanding from 60 to 90 days	953	438	515
Outstanding for more than 90 days	1,544	1,417	127
Total	82,814	64,525	18,289

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

31/12/2020	1,089
Provisions	83
Utilisation	0
Forex differences	(24)
30/06/2021	1,148

8. TAX RECEIVABLES

	30/06/2021	31/12/2020	Change
For income tax	1,294	1,179	115
For VAT and other sales taxes	2,176	1,195	981
Other tax credits	61	45	16
Total	3,531	2,419	1,112

At 30 June 2021, income tax receivables include:

- €433 thousand relating to the tax credit for investments in capital goods referred to in Law Decree 160/2019;
- €200 thousand relating to the tax credit for investments in capital goods referred to in Law Decree 178/2020.

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

9. OTHER CURRENT RECEIVABLES

	30/06/2021	31/12/2020	Change
Advances to suppliers	640	1,032	(392)
Accrued income and prepaid expenses	1,471	487	984
Credits to be received from suppliers	166	669	(503)
Other	809	979	(170)
Total	3,086	3,167	(81)

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

The higher value of accrued income and prepaid expenses at 30 June 2021 compared to 31 December 2020 is due to the recognition of costs or revenues whose collection or payment occurs annually at the beginning or end of year, such as insurance premiums.

10. FINANCIAL ASSETS

	30/06/2021		31/12/2020	
	Current	Non-current	Current	Non-current
Restricted bank accounts	1,173	-	1,233	-
Currency derivatives	-	-	262	-
Total	1,173	0	1,495	0

At 30 June 2021, the following were taken out:

- a term deposit of €1,173 thousand 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.

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents, which amounted to €12,920 thousand at 30 June 2021 (€13,318 thousand at 31 December 2020) consisted of bank current account balances of €12,359 thousand (€12,802 thousand at 31 December 2020) and investments in liquidity of €561 thousand (€516

thousand at 31 December 2020). Changes in the cash and cash equivalents are analysed in the statement cash flows.

12. SHARE CAPITAL

Sabaf S.p.A.'s share capital at 30 June 2021 consists of 11,533,450 shares with a par value of €1.00 each and has not changed compared with 31 December 2020.

13. TREASURY SHARES AND OTHER RESERVES

With regard to the 2018 - 2020 Stock Grant Plan, following the expiry of the three-year vesting period, during the first half of 2021, 34,946 ordinary shares of the Company were allocated and transferred to the beneficiaries of Cluster 1, through the use of shares already available to the issuer.

No other treasury share transactions were carried out during the half-year.

At 30 June 2021, Sabaf S.p.A. held 311,802 treasury shares (2.703% of the share capital), reported in the financial statements as an adjustment to shareholders' equity at a weighted average unit value of €12.52 (the closing stock market price of the Share at 30 June 2021 was €26.3). There were 11,221,648 outstanding shares at 30 June 2021.

Stock grant reserve

Items "Retained earnings, other reserves" of €92,968 thousand included, at 30 June 2021, the stock grant reserve of €1,050 thousand, which included the measurement at 30 June 2021 of fair value of rights assigned to receive shares of the Parent Company relating to the following medium- and long-term incentive plans for directors and employees of the Sabaf Group:

- 2018 - 2020 Stock Grant Plan, for rights related to Cluster 2 beneficiaries only;
- 2021 – 2023 Stock Grant Plan.

For details of the Stock Grant Plan, refer to Note 37.

14. LOANS

	30/06/2021			31/12/2020		
	Current	Non-current	Total	Current	Non-current	Total
Leases	1,402	3,694	5,096	1,390	3,506	4,896
Unsecured loans	15,790	34,193	49,983	15,801	28,647	44,448
Short-term bank loans	15,683	-	15,683	8,630	-	8,630
Advances on bank receipts or invoices	6,409	-	6,409	4,668	-	4,668
Interest payable	83	-	83	4	-	4
Total	39,367	37,887	77,254	30,493	32,153	62,646

Changes in loans over the half-year are shown in the statement of cash flows.

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 debt to shareholders' equity of less than 1 (residual amount of the loans at 30 June 2021 equal to €26.4 million)
- commitment to maintain a ratio of net financial debt to EBITDA of less than 2.5 (residual

amount of the loans at 30 June 2021 equal to €36.6 million) which at 30 June 2021 had been fully complied with and for which compliance is also expected at 31 December 2021.

To manage interest rate risk, unsecured loans are either fixed-rate or hedged by IRS. At 30 June 2021, 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 €27.1 million and expiry until 31 December 2025.

The following table shows the changes in lease liabilities during the first half of 2021:

Lease liabilities at 31 December 2020	4,896
New agreements signed during the first half of 2021	946
Repayments during the first half of 2021	(687)
Forex differences	(59)
Lease liabilities at 30 June 2021	5,096

15. OTHER FINANCIAL LIABILITIES

	30/06/2021		31/12/2020	
	Current	Non-current	Current	Non-current
Option on A.R.C. minorities	1,650	-	1,581	-
Option on C.M.I. minorities	4,850	-	5,250	-
Payables to A.R.C.'s shareholders	-	-	60	-
Payables to C.M.I. shareholders	1,173	-	1,173	-
Derivative instruments on interest rates	294	-	425	-
Total	7,967	-	8,489	-

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.

During 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. 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 recognition 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 €1,581 thousand was recognised in the consolidated financial statements at 31

December 2020 with reference to the option to purchase the remaining 30% of A.R.C. The Group revalued the outlay estimate based on the most recent results of A.R.C. and, in accordance with IAS 39, increased the liability by €69 thousand, recognising financial expenses as a balancing entry.

As regards C.M.I., in the consolidated financial statements at 31 December 2020, the financial liability relating to the exercise of the second option to purchase the remaining 15.75% of C.M.I. amounted to €5,250 thousand. As required by IAS 39, the Group revalued the outlay estimate based on the most recent results of C.M.I. and reduced the liability by €400 thousand recognising financial expenses as a balancing entry.

In June 2021, the minority shareholder of C.M.I. announced the exercise of the second put option, the purchase of this stake by Sabaf S.p.A. will be completed during the third quarter of 2021.

The payable to the C.M.I. shareholders of €1,173 thousand due by 2021 is related to the part of the price still to be paid to the sellers, which was deposited on a non-interest-bearing restricted account and will be released in favour of the sellers in accordance with contractual agreements and guarantees issued by the sellers.

At 30 June 2021, the Group has in place six interest rate swap (IRS) contracts for amounts and maturities coinciding with six unsecured loans that are being amortised, whose residual value at 30 June 2021 is €27,109 thousand. The contracts have not been designated as capital flow hedges and are therefore at their fair value through profit and loss, and recognised in the items “Financial assets” or “Other financial liabilities”.

16. POST-EMPLOYMENT BENEFIT AND RETIREMENT PROVISIONS

	30/06/2021	31/12/2020	Change
Post-employment benefit	3,536	3,513	23
Total	3,536	3,513	23

17. PROVISIONS FOR RISKS AND CHARGES

	31/12/2020	Provisions	Utilisation	Forex differences	30/06/2021
Provision for agents' indemnities	221	28	-	-	249
Product guarantee fund	60	-	-	-	60
Provision for legal risks	970	-	(551)	-	419
Other provisions for risks and charges	182	-	-	(22)	160
Total	1,433	28	(551)	(22)	888

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.

With regard to the provision for legal risks, note that, at the end of the 2020 financial year, a provision of €530 thousand had been recognised in relation to a patent dispute, for which a settlement was reached with the counterparty at the beginning of 2021. During 2021, the corresponding use of the provision was therefore recognised, against payment.

Note also that following the process of allocating 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 thousand was recognised.

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

	30/06/2021	31/12/2020	Change
Total	56,493	41,773	14,720

The increase in trade payables reflects the increase in activity levels during the half-year period; average payment terms remained substantially unchanged. At 30 June 2021, there were no overdue payables of a significant amount and the Group did not receive any injunctions for overdue payables.

19. TAX PAYABLES

	30/06/2021	31/12/2020	Change
Income tax payables	5,603	1,923	3,680
Withholding taxes	783	1,029	(246)
Other tax payables	243	335	(92)
Total	6,629	3,287	3,342

20. OTHER CURRENT PAYABLES

	30/06/2021	31/12/2020	Change
To employees	7,743	5,848	1,895
To social security institutions	2,614	2,679	(65)
To agents	463	286	177
Advances from customers	1,753	1,210	543
Other current payables, accrued and deferred	890	934	(44)
Total	13,463	10,957	2,506

At 30 June 2021, payables due to employees included amounts for the thirteenth month's pay and for holidays accrued but not taken.

21. TOTAL FINANCIAL DEBT

	30/06/2021	31/12/2020	Change
	1	0	
A. Cash	12,359	12,802	(443)
B. Cash equivalents	561	516	45
C. Other current financial assets	1,175	1,495	(320)
D. Liquidity (A+B+C)	14,095	14,813	(718)
E. Current financial debt	30,142	23,181	6,961
F. Current portion of non-current financial debt	17,192	15,801	1,391
G. Current financial debt (E+F)	47,334	38,982	8,352
H. Net current financial debt (G-D)	33,239	24,169	9,070
I. Non-current financial debt	37,887	32,153	5,734
J. Debt instruments	0	0	0
K. Trade payables and other non-current payables	0	0	0
L. Non-current financial debt (I+J+K)	37,887	32,153	5,734
M. Total financial debt (H+L)	71,126	56,322	14,804

Starting with this half-yearly financial report, financial debt (including comparative figures) is presented in accordance with paragraphs 175 et seq. of the ESMA Guidelines of 4 March 2021.

As can be seen from the Consolidated Statement of Cash Flows, the increase in net financial debt in the period is mainly attributable to:

- the change in net working capital
- the investments made
- profits distributed to shareholders.

22. DEFERRED TAX ASSETS AND LIABILITIES

	30/06/2021	31/12/2020	Change
Deferred tax assets	7,486	8,024	(538)
Deferred tax liabilities	(4,459)	(4,697)	238
Net position	3,027	3,377	(300)

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

	Non-current tangible and intangible assets	Provisions and value adjustments	Fair value of derivative instruments	Goodwill	Tax incentives	Tax losses	Actuarial evaluation of post-employment benefit	Other temporary differences	Total
31/12/2020	(3,461)	1,397	46	1,240	2,645	396	208	906	3,377
Through profit or loss	239	(83)	(97)	(89)	168	(157)	0	(158)	(177)
Forex differences	148	4	0	0	(323)	(7)	0	5	(173)
30/06/2021	(3,074)	1,318	(51)	1,151	2,490	232	208	753	3,027

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

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

Comments on key income statement items

23. REVENUE

In the first half of 2021, revenue from sales and services totalled €137.665 million, up by 76.1% versus €78.164 million in the same period in 2020.

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

24. OTHER INCOME

	H1 2021	H1 2020	Change
Sale of trimmings and raw materials	2,486	1,190	1,296
Rental income	62	59	3
Contingent income	226	154	72
Release of risk provisions	2	13	(11)
Other income	1,709	553	1,156
Total	4,485	1,969	2,516

Other income includes income from the sale of moulds to customers for customised products, various charges to customers and government grants received by Group companies.

25. MATERIALS

	H1 2021	H1 2020	Change
Commodities and outsourced components	70,895	32,363	38,532
Consumables	5,251	3,018	2,233
Total	76,143	35,381	40,765

At the same purchase volumes, the effective average prices of the main raw materials (aluminium, steel and brass) had a negative effect of approximately €6.8 million, equal to 4.9% of sales.

26. COSTS FOR SERVICES

	H1 2021	H1 2020	Change
Outsourced processing	10,354	5,372	4,982
Natural gas and electricity	3,321	2,014	1,307
Maintenance	4,218	2,415	1,803
Advisory services	1,167	1,054	113
Transport and export expenses	2,668	1,227	1,441
Travel expenses and allowances	84	128	(44)
Directors' fees	398	337	61
Commissions	602	410	192
Insurance	395	370	25
Waste disposal	314	249	65
Canteen	400	243	157
Use of temporary agency workers	275	78	197
Other costs	2,321	1,617	704
Total	26,517	15,514	11,003

As a result of the very significant increase in activity levels, during the first half of the year the Group significantly increased its reliance on the support of suppliers for certain work phases, including the die-casting of aluminium parts for burners.

There was also a sharp increase in transport costs as a result of soaring freight costs during the period.

The increase in other costs for variable services reflects higher production and sales levels.

27. PERSONNEL COSTS

	H1 2021	H1 2020	Change
Salaries and wages	17,373	13,779	3,594
Social Security costs	5,398	4,279	1,119
Post-employment benefit and supplementary pension	932	795	137
Temporary agency workers	3,905	924	2,981
Stock grant <i>plan</i>	154	(251)	405
Other costs	373	375	(2)
Total	28,135	19,901	8,234

The number of Group employees at 30 June 2021 was 1,502, compared to 1,133 at 30 June 2020: the increase in the number of employees compared to the first half of 2020 was 369, resulting from the growth of the business.

The item "Stock Grant Plan" of €154 thousand, included the measurement at 30 June 2021 of the fair value of rights assigned to receive shares of the Parent Company relating to the 2021 – 2023 Stock grant plan. For details of this Plan, refer to Note 37.

28. OTHER OPERATING COSTS

	H1 2021	H1 2020	Change
Bad debt provision	83	117	(34)
Non-income related taxes and duties	347	302	45
Contingent liabilities	45	27	18
Provisions for risks	0	81	(81)
Other operating costs	340	281	59
Total	815	808	7

29. FINANCIAL INCOME

Financial income, amounting to €550 thousand, refers for €400 thousand to the adjustment of the value of the C.M.I. put option. For further details, refer to Note 15.

30. FINANCIAL EXPENSES

	H1 2021	H1 2020	Change
Interest paid to banks	243	423	(180)
Interest paid on leases and rents	56	59	(3)
Financial expenses on derivative financial instruments	33	160	(127)
Banking expenses	126	130	(4)
Other financial expense	70	30	40
Total	528	802	(274)

31. EXCHANGE RATE GAINS AND LOSSES

In the first half of 2021, the Group reported net foreign exchange losses of €1,853 thousand (versus net losses of €1,837 thousand in the same period of 2020), mainly following the depreciation of the Turkish lira against the Euro.

32. INCOME TAXES

	H1 2021	H1 2020	Change
Current taxes	4,945	1,985	2,960
Deferred tax liabilities	(177)	(761)	584
Total	4,768	1,224	3,544

Income tax is calculated in the same way as taxes are calculated when drafting the annual financial statements.

In the first half of 2021, the impact of current taxes as a share of the pre-tax profit (tax-rate) is 21.6%, compared with 32.7% in the first half of 2020.

In these consolidated financial statements, the Group recognised lower taxes for tax benefits related to the "Super-amortisation" and "Hyper-amortisation" related to investments made in Italy of €412 thousand and tax benefits for incentives on investments made in Turkey of €538 thousand.

33. EARNINGS PER SHARE

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

Earnings

	H1 2021	H1 2020
	<i>(€/000)</i>	<i>(€/000)</i>
Net profit for the period	16,749	2,424

Number of shares

	H1 2021	H1 2020
Weighted average number of ordinary shares for determining basic earnings per share	11,196,132	11,311,275
Dilutive effect from potential ordinary shares	0	0
Weighted average number of ordinary shares for determining diluted earnings per share	11,196,132	11,311,275

	H1 2021	H1 2020
	<i>Euro</i>	<i>Euro</i>
Basic earnings per share	1.496	0.214
Diluted earnings per share	1.496	0.214

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

34. DIVIDENDS

On 2 June 2021, a dividend of €0.55 per share was paid to shareholders (total dividends of €6,172 thousand), to implement the resolution to allocate the 2020 profit approved by the Sabaf S.p.A. shareholders' meeting on 6 May 2021.

35. INFORMATION BY BUSINESS SEGMENT

Below is the information by business segment for the first half of 2021 and 2020.

First half of 2021

	Gas parts (household and professional)	Hinges	Electronic components	Total
Sales	97,041	29,114	11,510	137,665
Ebit	15,848	4,310	3,802	23,960

First half of 2020

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

36. RELATED-PARTY TRANSACTIONS

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

Impact of related-party transactions or positions on items in the statement of financial position at 30 June 2021.

	Total financial statement item	Of which with related parties	Impact on the total
Trade payables	56,493	2	0.01%

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

	Total financial statement item	Of which with related parties	Impact on the total
Trade payables	26,338	2	0.01%

Impact of related-party transactions or positions on income statement items at 30 June 2021

	Total financial statement item	Of which with related parties	Impact on the total
Services	26,517	9	0.03%

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

	Total financial statement item	Of which with related parties	Impact on the total
Services	15,513	9	0.06%

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

37. SHARE-BASED PAYMENTS

Two stock grant plans are in place:

- *2018-2020 Stock Grant Plan* approved by the Shareholders' Meeting of 8 May 2018. The related Regulations were approved by the Board of Directors on 15 May 2018 and subsequently amended as resolved by the Board of Directors on 14 May 2019.
- *2021-2023 Stock Grant Plan* approved by the Shareholders' Meeting of 6 of May 2021. The related Regulations were approved by the Board of Directors on 13 May 2021.

Purpose

The Plans aim 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 and sustainability of the Company and of the Group.

Subject matter

The subject-matter of the Plans is the free allocation to the Beneficiaries of a maximum of 370,000 Rights for the 2018-2020 Plan and a maximum of 260,000 Rights for the 2021-2023 Plan, each of which entitles them to receive free of charge, under the terms and conditions provided for by the Regulations of the relevant Plan, 1 Sabaf S.p.A. Share.

The free allocation of Sabaf S.p.A. shares is conditional on the achievement, in whole or in part, with progressiveness, of the objectives defined in the Plan regulations. Specifically:

- the 2018 - 2020 Plan includes business objectives related to ROI, EBITDA, TSR indicators and, for a share not exceeding 30%, individual objectives;
- the 2021 - 2023 Plan includes business objectives related to ROI and EBITDA indicators as well as social and environmental objectives.

Beneficiaries

The Plans are 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 Business Plan.

With regard to the 2018 - 2020 Plan, the reference Business Plan is the one for the years 2018 - 2020 and the relevant beneficiaries have been divided into two groups:

- *Cluster 1*, which includes Beneficiaries identified in the Plan or who will be identified by the Board of Directors by 30 June 2018 and to whom 185,600 rights have been allocated;
- *Cluster 2*, which includes Beneficiaries identified by the Board of Directors from 1 July 2018 to 30 June 2019 and to whom 184,400 rights have been allocated;

On the other hand, the 2021 - 2023 Plan refers to the 2021 - 2023 Business Plan and a total of 231,000 rights have been assigned to the Beneficiaries already identified.

Deadline

The 2018 - 2020 Plan expires on 31 December 2022, while the 2021 - 2023 Plan expires on 31 December 2024.

Accounting impacts and *Fair Value measurement methods*

In line with the date on which the beneficiaries became aware of the assignment of the rights and terms of the plan, the grant date was set at 15 May 2018 for Cluster 1 rights, 28 May 2019

for Cluster 2 rights under the 2018 - 2020 Plan and 13 May 2021 for rights under the 2021 - 2023 Plan.

With regard to the 2018-2020 Plan, the three-year vesting period having expired, after checking the existence of the conditions envisaged in the Plan Regulations, in the first half of 2021, 34,946 Sabaf S.p.A. shares were allocated to the beneficiaries of Cluster 1.

The Stock Grant reserve remains in the Group's shareholders' equity, which includes the fair value measurement of the Rights assigned to the beneficiaries of Cluster 2 of the 2018 - 2020 Plan and the beneficiaries of the 2021 - 2023 Plan (Note 13). The item Personnel costs includes the measurement at 30 June 2021 of the fair value of the Rights relating to the 2021 - 2023 Stock Grant Plan only (Note 27).

Please see the explanatory notes to the consolidated financial statements at 31 December 2020 for an explanation of how to determine the fair value of the Rights under the 2018 - 2020 Plan.

The main assumptions made at the beginning of the vesting period of the 2021-2023 Plan are illustrated below:

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

	2021	2022	2023	2021 - 2023
Share prices at the start of the vesting period	23,60	23,60	23,60	23,60
Expected probability of business objective achievement	95%	45%	45%	60%
Total value on ROI				
Rights on ROI	17,98			
	35%			
			Fair Value	6,29

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

	2021	2022	2023	2021 - 2023
Share prices at the start of the vesting period	23,60	23,60	23,60	23,60
Expected probability of business objective achievement	95%	51%	51%	64%
Total value on EBITDA				
Rights on EBITDA	18,64			
	40%			
			Fair Value	7,46

FAIR VALUE MEASUREMENT METHODS - RIGHTS RELATING TO OBJECTIVES ESG - PERSONNEL TRAINING

	2021	2022	2023	2021 - 2023
Share prices at the start of the vesting period	23,60	23,60	23,60	23,60
Expected probability of business objective achievement	70%	70%	70%	70%
Total value on "Personnel Training"				
Rights on "Personnel Training"	19,43			
	5%			
			Fair Value	0,97

FAIR VALUE MEASUREMENT METHODS - RIGHTS RELATING TO OBJECTIVES ESG - SAFETY INDICATOR

	2021	2022	2023	2021 - 2023
Share prices at the start of the vesting period	23,60	23,60	23,60	23,60
Expected probability of business objective achievement	50%	50%	50%	50%
Total value on "Safety Indicator"				
Rights on "Safety Indicator"	16,01			
	5%			
			Fair Value	0,80

FAIR VALUE MEASUREMENT METHODS - RIGHTS RELATING TO OBJECTIVES ESG - EMISSIONS REDUCTION

	2021	2022	2023	2021 - 2023
Share prices at the start of the vesting period	23,60	23,60	23,60	23,60
Expected probability of business objective achievement	70%	70%	70%	70%
Total value on "Emissions Reduction"				
Rights on "Emissions Reduction"	19,43			
	15%			
			Fair Value	2,91
Fair value for action				18,44

38. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

Pursuant also to Consob memorandum of 28 July 2006, no events or significant non-recurring transactions occurred during the first half of 2021.

39. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

Pursuant to Consob communication of 28 July 2006, the Group declares that no atypical and/or unusual transactions as defined by the Consob communication itself were carried out during the first half of 2021.

40. COMMITMENTS

Guarantees issued

The Sabaf Group issued sureties to guarantee consumer and mortgage loans granted by BPER (ex Ubi Banca) to Group employees for a total of €3,526 thousand (€3,632 thousand at 31 December 2020).

41. CONTINGENT LIABILITIES

The Italian Tax Police carried out a tax audit, for income tax, VAT and other tax purposes against Sabaf S.p.A. for the years 2017 and 2019, later partially extended to the years 2016 and 2018. As a result of the checks carried out, the Italian Tax Police made a number of findings relating to intra-group transactions, for which it delivered a report on findings (RoF) on 19 April 2021. The Group, supported by the opinion of authoritative tax advisors, believes that the reported findings are wrong and that the outcome of any dispute that may arise from the contentions arising from the RoF has a greater chance of a favourable decision than the risk of an adverse decision. For this reason, no provision has been made for this circumstance in these condensed interim financial statements.

SCOPE OF CONSOLIDATION AT 30 June 2021

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

Company name	Registered offices	Share capital	Participating company	% of ownership
Parent company				
Sabaf S.p.A.	Ospitaletto (BS) Via dei Carpini, 1	€ 11,533,450		
Subsidiary companies				
Faringosi-Hinges s.r.l.	Ospitaletto (BS) Via Martiri della Libertà, 66	EUR 90,000	Sabaf S.p.A.	100%
Sabaf do Brasil Ltda.	Jundiaí - São Paulo (Brazil)	BRL 43,538,261	Sabaf S.p.A.	100%
Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirketi (Sabaf Turkey)	Manisa (Turkey)	TRY 28,000,000	Sabaf S.p.A.	100%
Okida Elektronik Sanayi Ve Ticaret A.S.	Istanbul (Turkey)	TRY 5,000,000	Sabaf S.p.A. Sabaf Turkey	30% 70%
Sabaf Appliance Components (Kunshan) Co., Ltd.	Kunshan (China)	EUR 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%
Sabaf Mexico Appliance Components	San Louis Potosi (Mexico)	USD 1,000,000	Sabaf S.p.A.	100%
C.M.I. Cerniere Meccaniche Industriali s.r.l.	Valsamoggia (BO)	€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. zoo	Myszków (Poland)	PLN 40,000	C.M.I. s.r.l.	100%

COMPANIES CONSOLIDATED USING THE EQUITY METHOD

Company name	Registered offices	Share capital	Participating company	ownership %	holding %
Handan ARC Burners Co., Ltd.	Handan (China)	RMB 3,000,000	A.R.C. s.r.l.	51%	35.7%

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

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

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

of the administrative and accounting procedures to draft the half-yearly condensed consolidated financial statements in the first half of 2021.

They also certify that:

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

Ospitaletto, 3 August 2021

Chief Executive Officer
Pietro Iotti

The Financial Reporting Officer
Gianluca Beschi



Building a better
working world



Sabaf S.p.A.

Half-yearly condensed consolidated financial statements
as of 30 June 2021

Review report on the half-yearly condensed consolidated
financial statements

(Translation from the original Italian text)



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

To the Shareholders of
Sabaf S.p.A.

Introduction

We have reviewed the half-yearly condensed consolidated financial statements, comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders' equity, the consolidated statement of cash flows and the related explanatory notes of Sabaf S.p.A. and its subsidiaries (the "Sabaf Group") as of 30 June 2021. The Directors of Sabaf S.p.A. are responsible for the preparation of the half-yearly condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these half-yearly condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the half-yearly condensed consolidated financial statements of Sabaf Group as of 30 June 2021 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Brescia, 4 August 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

EY S.p.A.

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