SUSTAINABILITY
SUPPLY CHAIN
ORGANIZATION

Annual Report 2022

FUTURE
GROWTH
SAFETY
HUMAN CAPITAL
STRATEGY
IMPROVEMENT
CHANGE

SABAF

SABAF®

ANNUAL REPORT **2022**

CREATIVE CONCEPT

The creative concept of the Sabaf Annual Report 2022 focuses on key terms for the Sabaf Group, expressed on the cover through a digital text pattern and a geometric composition of shapes inspired by Sabaf products. Technological shades and colors - such as corporate blue that blends with green - recall the essential value of sustainability.

All Creative

SUSTAINABILITY
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INTRODUCTION TO THE ANNUAL REPORT

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The publication of the Annual Report of the Sabaf Group, now in its eighteenth edition, confirms the Group's commitment, undertaken since 2005, to an integrated reporting of its economic, social, and environmental performance.

Sabaf, one of the first international-level companies to embrace the trend of integrated reporting, intends to continue along this path, aware that integrated, complete and transparent reporting can benefit both the companies themselves, through a better understanding of the structure of the strategy and greater internal cohesion, and the community of investors, which can thus more clearly understand the connection between strategy, governance and Company performance.

The Annual Report provides an overview of the Group's business model and the process of creating corporate value. The business model and the main results achieved (summary of key performance indicators) are in fact presented from the standpoint of the capital employed (financial; social and relational; human; intellectual, infrastructural, and natural) to create value over time, thereby generating results for the business, with positive impacts on the community and on stakeholders as a whole. "Non-financial indicators" include the results achieved in managing and enhancing intangible capital, the main driver that allows monitoring the ability of the Company's strategy to create value in a perspective of medium/long-term sustainability.

On 30 December 2016, Legislative Decree no. 254 came into force, which, in implementation of Directive 2014/95/EU on non-financial and diversity information, requires relevant public interest entities to disclose non-financial and diversity information starting from the 2017 financial statements. As a relevant public-interest entity, Sabaf prepared for the sixth year the Consolidated Disclosure of Non-Financial Information presenting the main policies practiced by the Company, the management models, the risks, the activities carried out by the Group during 2022, and the related performance indicators as pertains to the topics expressly referred to by Italian Legislative Decree no. 254/2016 (environmental, social, personnel-related, respect for human rights, fight against corruption) and to the extent needed to ensure understanding of the business activity, its trend, its results, and the impacts it produces.

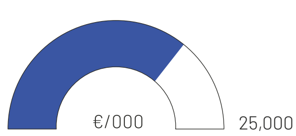
Summary of key performance indicators (KPIs)

ECONOMIC CAPITAL

		2022	2021	2020
SALES REVENUES	€/000	253,053	263,259	184,906
EBITDA	€/000	40,092	54,140	37,097
EBIT	€/000	21,887	37,508	20,093
PRE-TAX PROFIT	€/000	12,209	29,680	14,509
NET PROFIT	€/000	15,249	23,903	13,961
WORKING CAPITAL	€/000	79,380	68,631	52,229
INVESTED CAPITAL	€/000	240,528	190,043	174,129
SHAREHOLDERS' EQUITY	€/000	156,162	122,436	117,807
NET FINANCIAL DEBT	€/000	84,366	67,607	56,322
ROCE (RETURN ON CAPITAL EMPLOYED)	%	9.1	19.7	11.5
DIVIDENDS PAID OUT	€/000	6,690	6,172	3,924

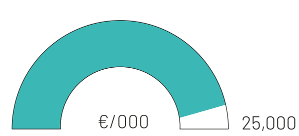
Net profit

2022



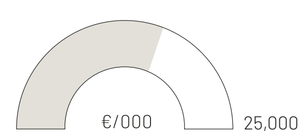
15,249

2021



23,903

2020



13,961

HUMAN CAPITAL

	TOTAL EMPLOYEES			AVERAGE AGE OF PERSONNEL (sum of employees age/ total employees at 31/12)	LEVEL OF EDUCATION (number of graduates/ total employees at 31/12)	LEAVING TURNOVER (employees no longer in office/ total employees at 31/12)		
	no.	% ♂	% ♀	YEARS	%	%	% ♂	% ♀
2022	1,238	59.5	40.5	40.3	65.1	22.7	25.6	18.4
2021	1,278	60.9	39.1	39.5	64.4	17.7	21.9	11.2
2020	1,168	62.0	38.0	39.3	61.6	10.8	11.5	9.7

	HOURS OF TRAINING PER EMPLOYEE (hours of training/total employees at 31/12)	HOURS OF TRAINING PER COLLABORATOR (hours of training/total collaborators at 31/12)	INVESTMENTS IN TRAINING OF COLLABORATORS/TURNOVER
	h	h	%
2022	23.1	25.9	0.39
2021	17.4	20.4	0.27
2020	10.8	13.9	0.26

	HOURS OF STRIKE FOR INTERNAL CAUSES (h)	INJURY RATE (number of injuries x 1,000,000/total hours worked)
2022	0	8.16
2021	39	15.59
2020	0	16.10

	INJURY LOST DAY RATE[1] (days of absence x 1,000/total hours worked)	SUMMARY INDICATOR OF INJURIES (injury rate x injury lost day rate x 100)	JOBS CREATED (LOST) (no.)
2022	0.13	106	(40)
2021	0.26	405	110
2020	0.11	177	133

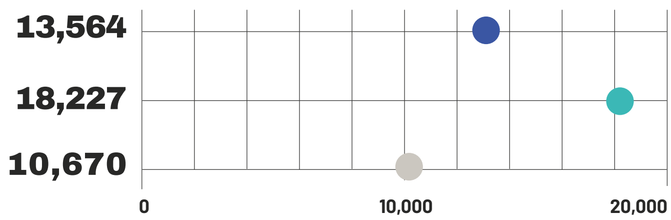
[1] The 2021 injury lost day rate and the summary indicator of injuries have been restated due to the continued absence of an injury in 2022.

RELATIONAL CAPITAL

2022 | 2021 | 2020

VALUE OF GOODS AND SERVICES OUTSOURCED

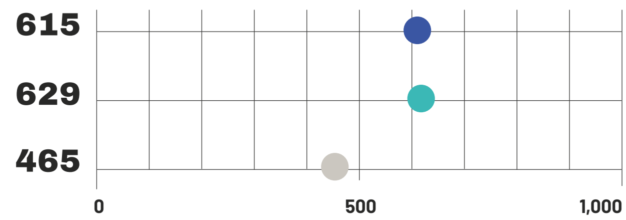
€/000



AVERAGE TURNOVER BY CUSTOMER

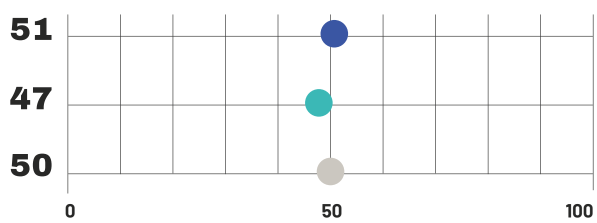
(total turnover/number of customers)

€/000



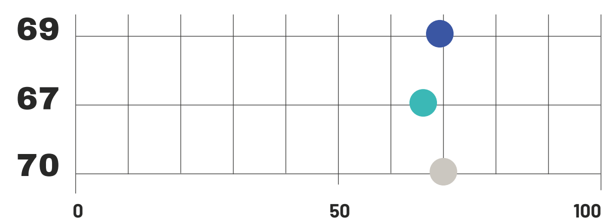
PERCENTAGE OF TOP 10 CUSTOMERS

%



PERCENTAGE OF TOP 20 CUSTOMERS

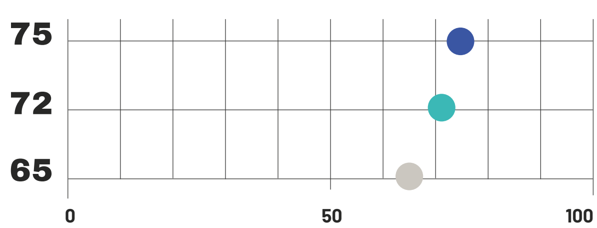
%



TURNOVER FROM CERTIFIED SUPPLIERS

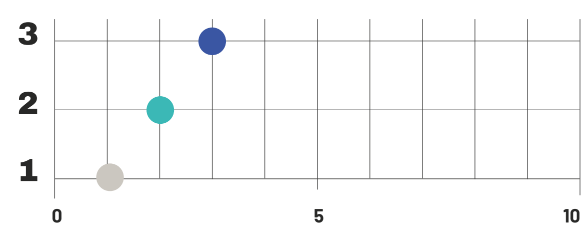
(turnover from certified suppliers/purchases)

%



NUMBER OF ANALYSTS WHO FOLLOW THE SECURITY CONTINUOUSLY

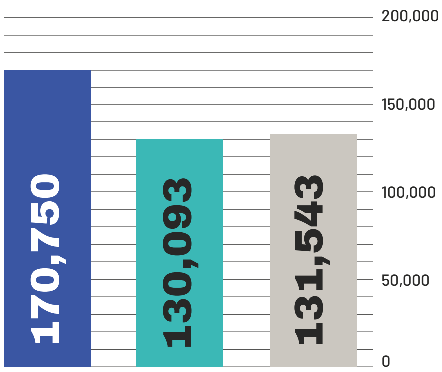
no.



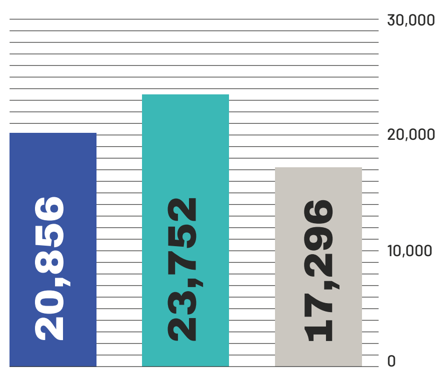
PRODUCTIVE CAPITAL

2022 | 2021 | 2020

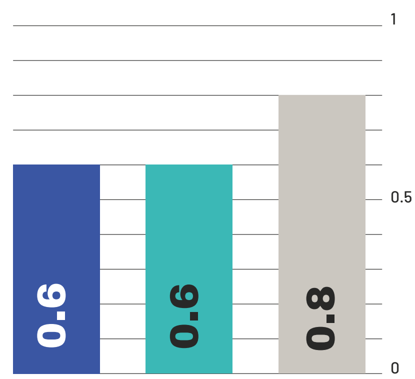
FIXED ASSETS
€/000



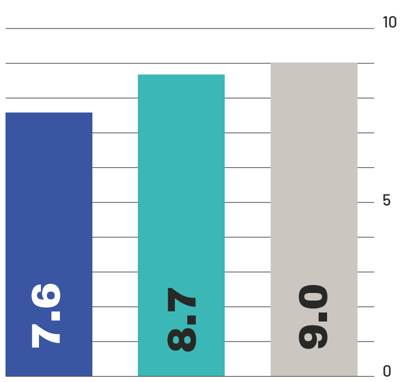
TOTAL NET INVESTMENTS
€/000



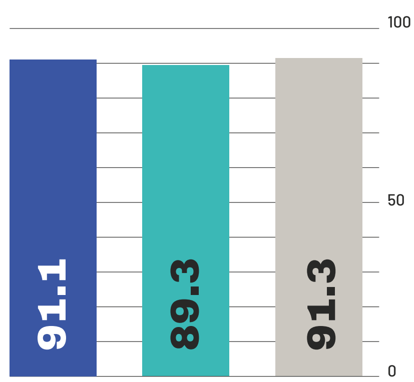
IT BUDGET (investments + current expenditure)/ TURNOVER
%



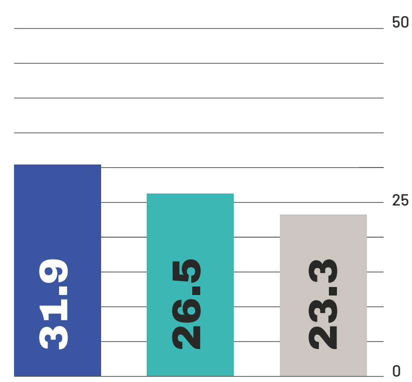
REAL INVESTMENT/ TURNOVER
%



QUANTITIES SOLD OF LIGHT ALLOY VALVES ON TOTAL VALVES AND THERMOSTATS
%



QUANTITIES SOLD OF HIGH ENERGY EFFICIENCY BURNERS ON TOTAL BURNERS
%



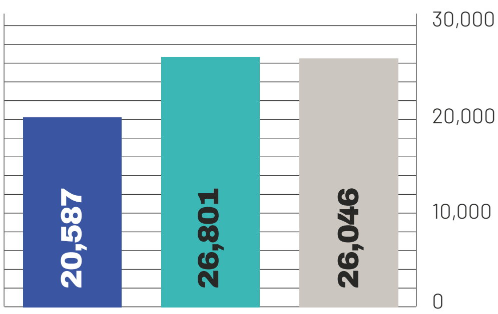
ENVIRONMENTAL CAPITAL

2022 | 2021 | 2020

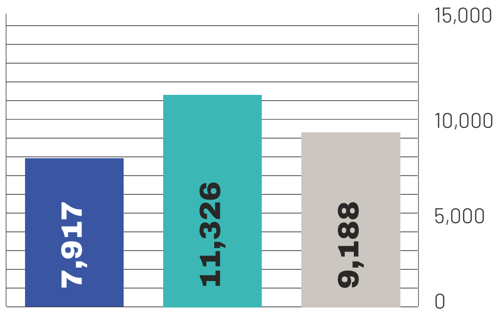
Materials used

t

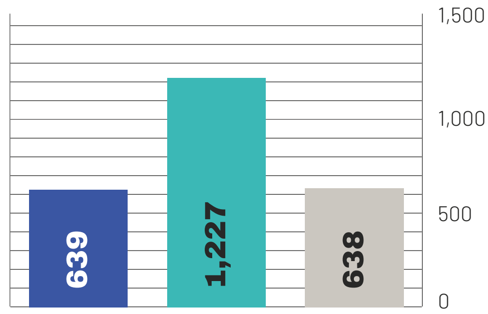
Steel



Aluminium alloys



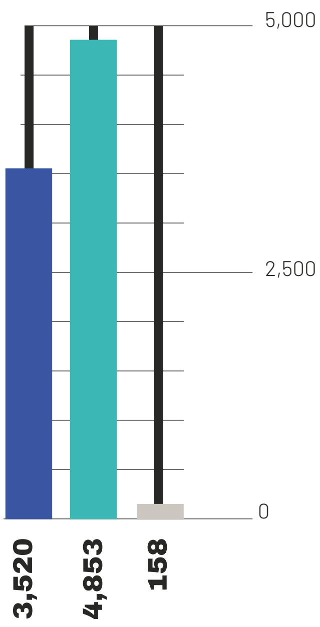
Brass



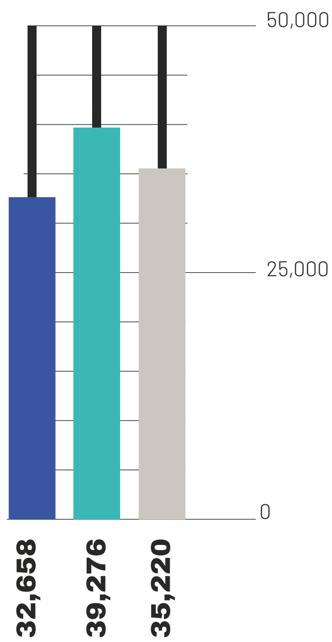
Electricity consumption

MWh

From renewable sources

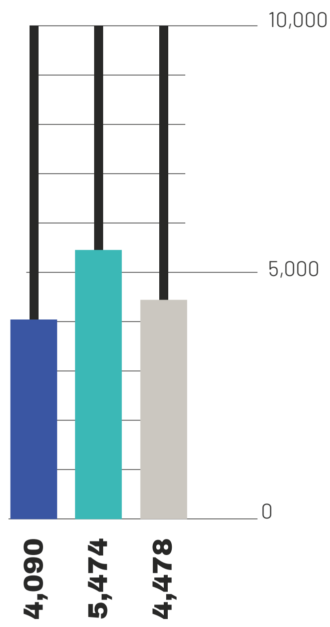


From non-renewable sources



Natural gas consumption

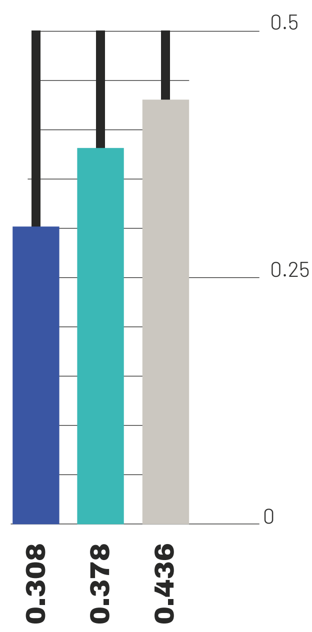
m^3x1,000



Energy intensity

(kWh/turnover)

kWh/€

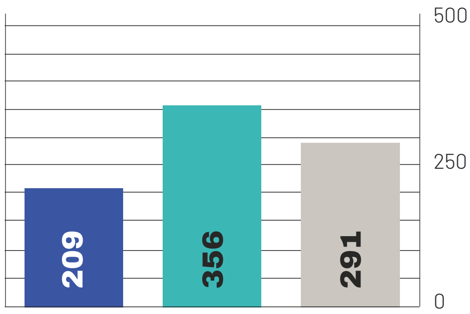


2022 | 2021 | 2020

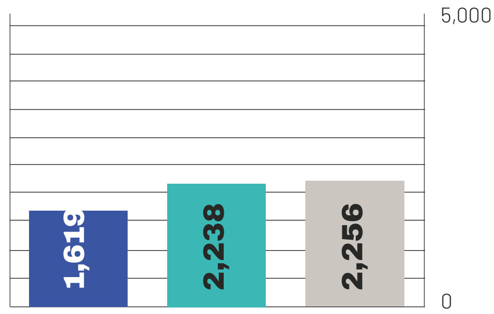
Waste by type[2]

t

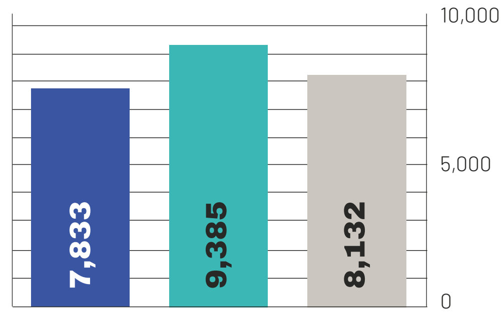
Similar to urban



Hazardous

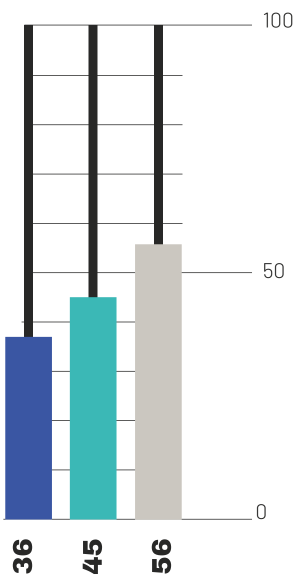


Non-hazardous



Total waste/Generated economic value

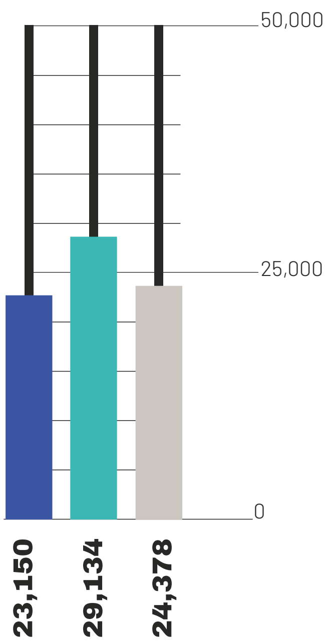
kg su €/000



CO_2 emissions

(scope 1 + scope 2 market-based)

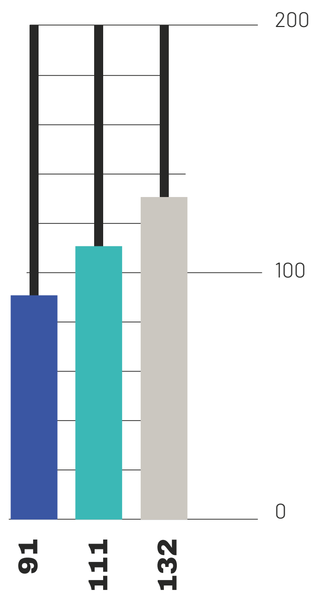
tCO_{2eq}



Intensity of CO_2 emissions

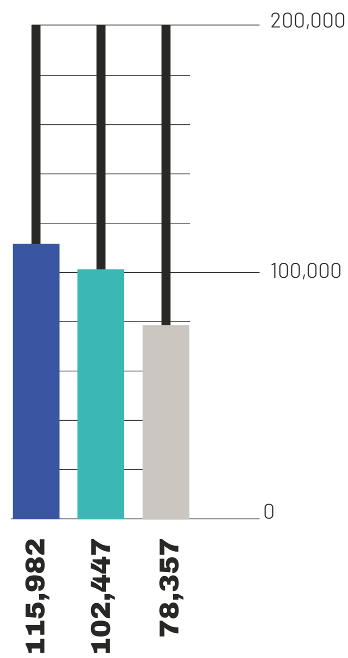
(scope 1 and 2 market-based emissions/turnover)

tCO_{2eq}/millions of Euro



Water consumption[3]

m^3



[2] The indicator does not include data relating to the Polish branch of C.M.I. s.r.l.
[3] The indicator does not include data relating to C.G.D. s.r.l.
Depending on data availability, the amount of collected rainwater is also included from the 2021 reporting year.

INTELLECTUAL CAPITAL

	2022	2021	2020
Capitalised investments in research and development (€/000)	2,506	1,770	465
Hours dedicated to the development of new products/hours worked (%)	3.1	3.1	3.3
Hours dedicated to process engineering/hours worked (hours dedicated to orders for the construction of new machines for new products or to increase production capacity/total hours worked) (%)	2.3	1.7	2.6
Investments in intangible assets/turnover (%)	1.2	0.8	0.6
Value of waste/turnover (production waste/turnover) (%)	0.47	0.48	0.48
Impact of quality costs/turnover (charges and returns from customers/turnover) (%)	0.07	0.05	0.13
Number of samples for customers (no.)	3,232	5,571	5,034

Products and markets

Historically, the Sabaf Group is one of the world's leading manufacturers of components for household gas cooking appliances, with a market share of about 40% in Europe and over 10% worldwide.
In recent years, through a policy of organic investments and through acquisitions, the Group expanded its product range and is now active in the following segments of the household appliance market:

- gas parts;
- hinges;
- electronic components.

In 2022, the Group announced its entry into the **induction** cooking components market. Sabaf thus is present in all cooking technologies: gas, traditional electric and induction.
The entry into the induction cooking industry was made possible by an important investment plan that the Group made by setting up a dedicated project team in Italy. Leveraging a total team of more than 50 electronic engineers, Sabaf developed its own project know-how internally by filing proprietary patents, software and hardware, and aspires to create innovative products that better meet customers' needs and new consumer trends.
The first prototypes were presented in the second half of 2022, while production will start no later than the first half of 2023.
The distribution, planned on a global scale, will primarily leverage existing partnerships with leading manufacturers of household appliances. Sabaf aims to capture at least a 5% share of the European non-captive market by 2025, and to gradually expand this share in the following years.
The reference market of the Sabaf Group is represented by manufacturers of household appliances. The range also includes products for the professional sector.

THE 2021-2023 BUSINESS PLAN

On 23 March 2021, the Board of Directors approved the 2021-2023 Business Plan. The aim was to accelerate growth, both organic and through acquisitions, which was positively launched with the carrying-out of the 2018-2020 Plan.
The Business Plan set a revenue target of €300 million in 2023, gross profitability (EBITDA%) of at least 19%, and an improvement in return on invested capital (ROI) of at least one percentage point from 11.5% in 2020. Over the three-year period, total investments of €130 million (including those for M&A) were planned.

Organic development

The Group has set an average annual growth target for sales of more than 10%. Organic growth will be supported by strengthening technical and commercial relations with some of the major global players.
Research and development activities will increasingly focus on the study of ad hoc solutions to meet the specific needs of individual markets and the design of customised products.
Therefore, the industrial footprint to 2023 envisaged 13 production plants, of which 5 in Italy and 8 abroad with new sites in India, Turkey and Mexico.

Development through acquisitions

The Group is also determinedly pursuing new growth opportunities through acquisitions and/or joint ventures, which will be aimed at further extending the product range and fully exploiting the Group's production potential.

Sustainability

With the Plan, the Group promotes the improvement of the quality of the environment and the community in which it operates so that the basic needs of all are met in an environmentally sustainable way. To this end, specific objectives are defined in the Plan, such as the reduction of emissions, safety at work and the growth of its own people through training.

THE PRODUCT RANGE

GAS PARTS

Valves: they regulate the flow of gas to the covered (of the oven or grill) or uncovered burners.

Burners: by mixing the gas with air and burning the gases used, they produce one or more flame rings.

Accessories: include spark plugs, microswitches, injectors and other components to complete the range.

HINGES

They allow movement and balancing when opening and closing the oven door, washing machine door or dishwasher door.

ELECTRONIC COMPONENTS

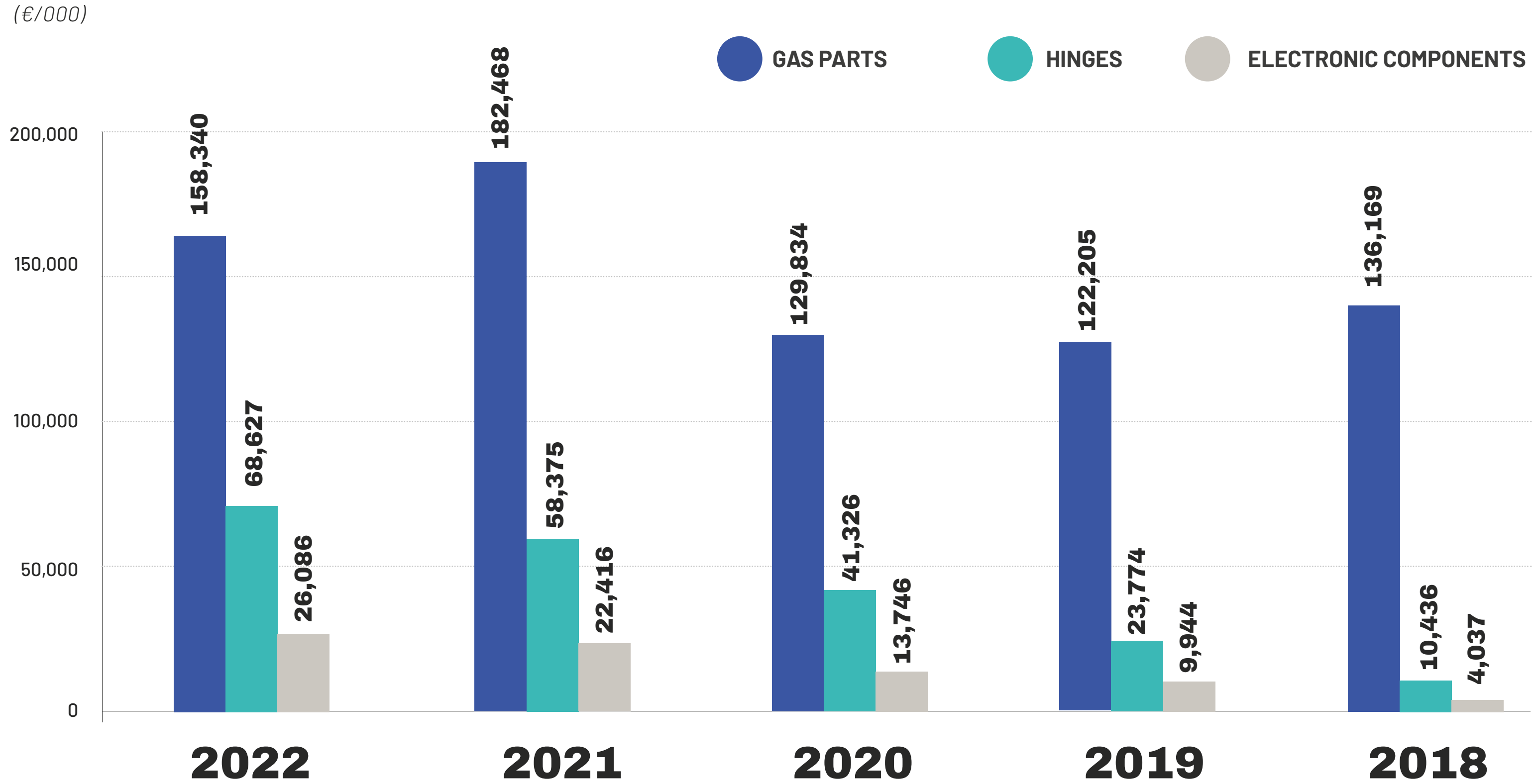
Electronic control boards, timers and display and power units for ovens, refrigerators, freezers, hoods and other products.

INDUCTION
(starting in 2023)

Complete kits including all components for hob operation.

SALES BY DIVISION

(€/000)



THE INDUSTRIAL FOOTPRINT

SABAF S.P.A.
Valves and thermostats
Standard burners
Special burners
Induction (starting in 2023)
REVENUE € 119.1 MILLION
529 EMPLOYEES

FARINGOSI HINGES S.R.L.
Oven hinges
Dishwasher hinges
REVENUE € 16.6 MILLION
50 EMPLOYEES

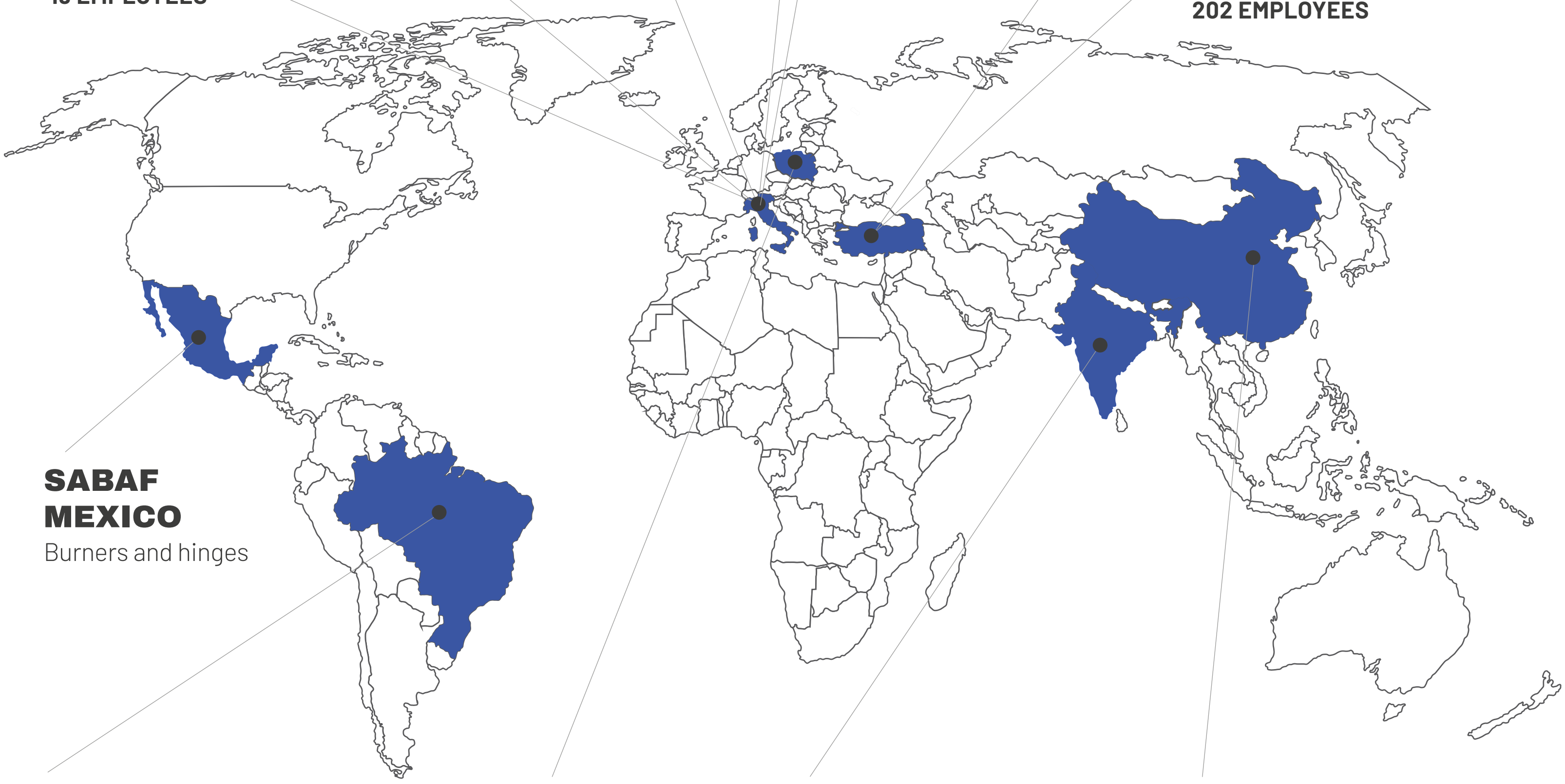
C.M.I. ITALY
Oven hinges
Dishwasher hinges
REVENUE € 50 MILLION
153 EMPLOYEES

SABAF TURKEY
Standard burners
Valves
Hinges
REVENUE € 40 MILLION
257 EMPLOYEES

A.R.C. S.R.L.
Professional burners
REVENUE € 6.6 MILLION
19 EMPLOYEES

P.G.A.
Electronics for household appliances

OKIDA ELEKTRONIK
Electronics for household appliances
REVENUE € 23.3 MILLION
202 EMPLOYEES



SABAF MEXICO
Burners and hinges

SABAF DO BRASIL
Standard burners
Special burners
REVENUE € 12.5 MILLION
80 EMPLOYEES

C.M.I. POLAND
Dishwasher hinges
REVENUE € 12.5 MILLION
52 EMPLOYEES

SABAF INDIA
Valves and burners

SABAF CHINA
Wok burners
REVENUE € 2.9 MILLION
14 EMPLOYEES

253.1
million

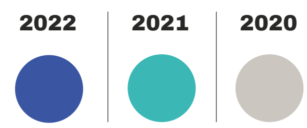
2022
GROUP TURNOVER

1,356
employees

EMPLOYEES OF THE GROUP
AT 31/12/2022[4]

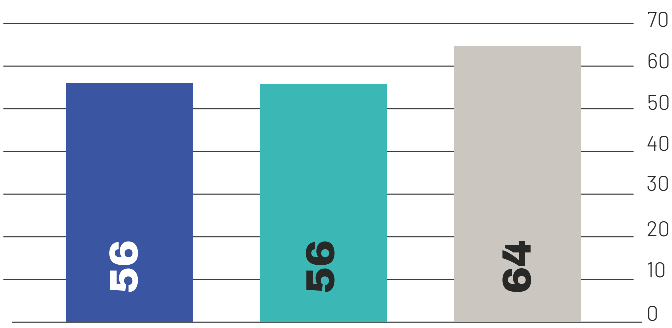
[4] Including agency workers and trainees.

COUNTRIES AND CUSTOMERS[5]



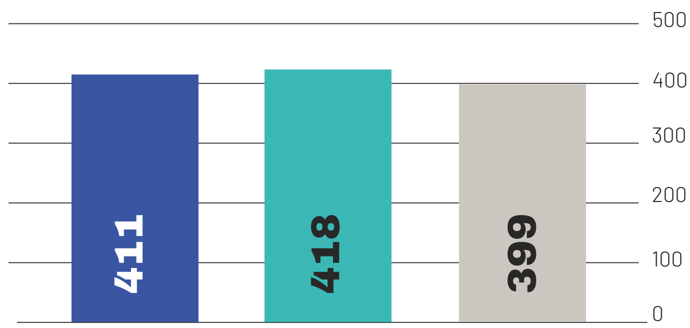
COUNTRIES

(no.)



CUSTOMERS

(no.)



In line with the followed commercial policies, most of the active commercial relations are characterised by relations consolidated over the long term. There are 43 customers with annual sales of more than €1 million (48 in 2021). The distribution by class of turnover is as follows:

(no.)	2022	2021	2020
> €5,000,000	14	15	10
from €1,000,001 to €5,000,000	29	33	22
from €500,001 to €1,000,000	19	18	24
from €100,001 to €500,000	74	81	64
< €100,000	275	271	279
Total customers	**411**	**418**	**399**

[5] Data processed considering customers with sales above €1,000.

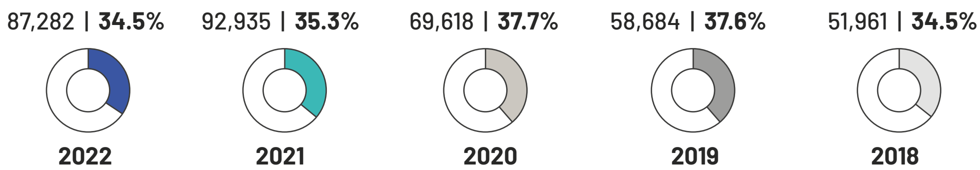
SABAF'S INTERNATIONAL DEVELOPMENT: CHALLENGES AND OPPORTUNITIES

ANALYSIS OF THE SCENARIO

PERFORMANCE DATA [6]

EUROPE (EXCLUDING TURKEY)

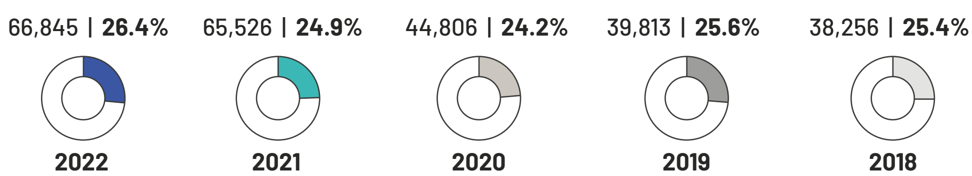
Europe has historically been the Sabaf Group's main market. European household appliance production is characterised by high quality, innovative contents - especially in terms of digitalisation and energy efficiency and design. Therefore, the demand for components is also increasingly characterised by more technological and higher performance goods.



TURKEY

Turkey is the main production hub of household appliances for the European market. In this context, the opening of a production plant in 2012 and the acquisition of Okida Elektronik (September 2018) were key elements in support of the growth strategy. In 2021, Sabaf opened a new plant in Turkey to increase production capacity for electronic components. Production of hinges for dishwashers for customers with production sites in Turkey was also started in 2022.

Sabaf estimates that about 75% of sales in Turkey are exported by our customers; however, the Turkish domestic market is of increasing importance although subject to the fluctuations that can characterise emerging economies, such as currency crises and high inflation.

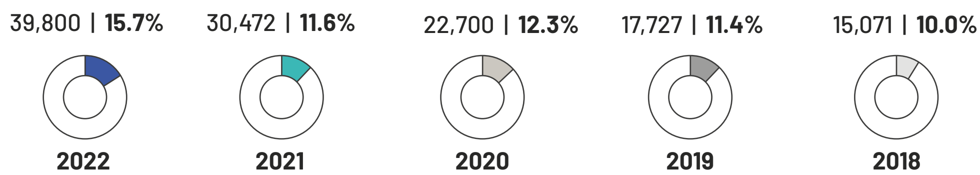


[6] Sales by geographical area (€/000) and percentage incidence on Group sales.

ANALYSIS OF THE SCENARIO PERFORMANCE DATA

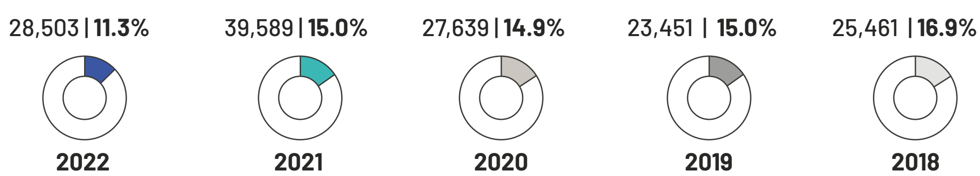
NORTH AMERICA

Sabaf Group sales and market share in North America have been growing steadily in recent years, also thanks to the development of co-designed products with major customers. In 2021, the Group acquired a plot of land in San Luis de Potosì (Mexico), where work is in progress on the construction of a plant for the production of burners and hinges, which will be started in the first half of 2023.
The direct presence in North America will reduce time and logistics costs and strengthen partnerships with manufacturers of household appliances in that market.



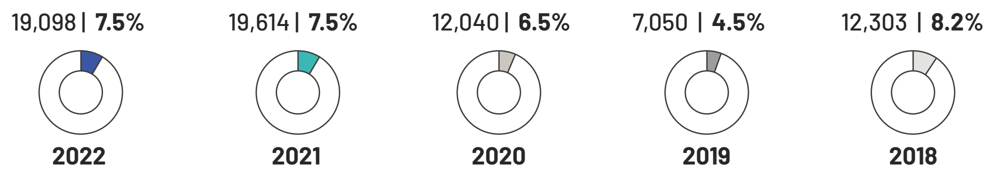
SOUTH AMERICA

Sabaf has a well-established presence in Brazil (one plant has been operational since 2001).
The Sabaf Group believes that the development potential of this area is extremely interesting, considering the significant size of the market and the demographic growth trends.
The product range for the local market was recently expanded, with the production of special burners in Brazil, also to meet the specific nature of demand.
Other markets of great interest to the Group are those in the Andean area.



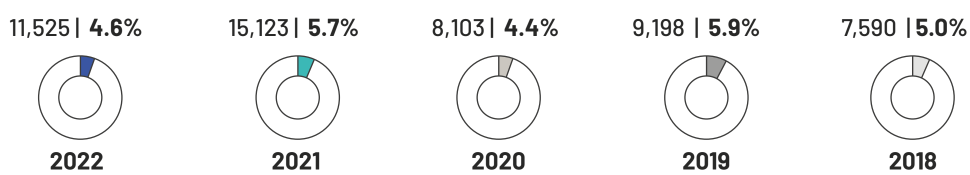
AFRICA AND MIDDLE EAST

Sabaf has a long-standing presence and reputation in the Middle East and Africa. The Group considers the Middle East and Africa among the most promising markets in the medium term, also in view of demographic trends and the growing rate of urbanisation.



ASIA AND OCEANIA

The Indian market offers huge potential that has yet to be tapped. In 2022, after developing significant business relationships with manufacturers of high-end cooking appliances, Sabaf is the first Western manufacturer to invest directly in gas cooking components: production of valves and thermostats started in Hosur (Tamil Nadu) in 2022. China, with its production of more than 30 million hobs per year, is the most important market in the world. The Group aims to establish partnerships with major Chinese customers.



CONSOLIDATED DISCLOSURE OF NON-FINANCIAL INFORMATION

(PREPARED PURSUANT TO ARTICLE 4 OF LEGISLATIVE DECREE 254/2016)

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Methodological note

PREPARATION CRITERIA

The Consolidated Disclosure of Non-Financial Information of the Sabaf Group (hereinafter also referred to as the "Disclosure"), prepared in accordance with Art. 4 of Legislative Decree 254/2016 as amended (hereinafter also referred to as the "Decree"), contains information (policies practiced, risks and related management methods, management models and performance indicators) on environmental, social, personnel, human rights and anti-corruption issues, to the extent necessary to ensure understanding of the activities carried out by the Group, its performance, results and impact. Each section also describes the main risks, generated or suffered, related to the above issues and deriving from the Group's activities.

The Sabaf Group identified the GRI Sustainability Reporting Standards (hereinafter also referred to as "GRI Standards") published by the Global Reporting Initiative (GRI) as the "reference standard" for fulfilling the obligations of Legislative Decree 254/2016, as the most widely recognised and internationally disseminated Guidelines. As from 2022, Sabaf has been applying the GRI Standards published in 2021, which updated the drafting process, general disclosures and the process for identifying and evaluating material topics: GRI 1 Foundation; GRI 2: General Disclosures and GRI 3 Material topics. This Disclosure is prepared under the "in accordance" reporting option and, like the Financial Information, covers the period from 1 January 2022 to 31 December 2022. The process of defining the contents and determining the material topics, also in relation to the areas envisaged by the Decree, was based on the principles envisaged by GRI Standards (accuracy, balance, clarity, comparability, completeness, sustainability context, timeliness, and verifiability). To help readers find the information in the document, the GRI Content Index is at the bottom of the Disclosure.

This Disclosure, prepared annually, was approved by the Board of Directors on 21 March 2023 and, in accordance with one of the options envisaged by Art. 5 of Legislative Decree 254/2016, it constitutes a separate report from the Report on operations. Moreover, this Disclosure is subject to limited review according to ISAE 3000 Revised by the independent auditors EY S.p.A., appointed to audit the Group's accounts", with the exception of the contents of the paragraph "EU Taxonomy". It is then specified that the quantitative indicators, which do not refer to any general or topic-specific disclosure of the GRI Standards, reported in accordance with the pages indicated in the GRI Content Index, are not subject to a limited review by EY S.p.A.

The Disclosure of Non-Financial Information was published on the website **www.sabafgroup.com** on 7 April 2023. For further information on this Disclosure, please contact **info@sabaf.it**.

REPORTING BOUNDARY

The reporting boundary of qualitative and quantitative data and information contained in the Disclosure of Non-Financial Information of the Sabaf Group refers to the performance of the Sabaf Group (hereinafter also referred to as "Group" or "Sabaf") for the year ended 31 December 2022 and includes all companies consolidated on a line-by-line basis, except for:

- Sabaf India, a newly established company that began operations in 2022;
- Sabaf Mexico, a company not yet operational in 2022;
- P.G.A. s.r.l. and P.G.A.2.0 s.r.l., companies acquired on 3 October 2022.

REPORTING PROCESS

In 2019, the Board of Directors of Sabaf S.p.A. approved a procedure for the reporting process of non-financial information. The procedure defines the phases, activities, timing, roles and responsibilities for the management of the reporting process and for the definition, collection and validation of data and other contents of the Disclosure. The procedure, which has been applied for the preparation of this Disclosure, envisages the involvement of the parent company's management ("group data owners") and the representatives of all subsidiaries ("subsidiary data owners"), who are responsible for the relevant areas and the related data and information covered by the Group's non-financial reporting.

In particular, the data and information included in this Disclosure derive from the company information system used for the management and accounting of the Group and from a non-financial reporting system (data collection package) specifically implemented to meet the requirements of Legislative Decree 254/2016 and GRI Standards. In order to ensure the reliability of the information contained in the Disclosure, directly measurable quantities have been included, limiting the use of estimates as much as possible. Calculations are based on the best information available or on sample surveys. The estimated quantities are clearly indicated as such. The economic and financial data and information are derived from the Consolidated Financial Statements at 31 December 2022.

IMPACTS OF THE RUSSIA-UKRAINE CONFLICT

The outbreak of the Russia-Ukraine conflict led to severe tensions on the supply and prices of gas and the main raw materials used by the Group (steel and aluminium). The Sabaf Group has not changed its approach to sustainability or revised its ESG goals as a result of the conflict. The impacts on the sector and its economic and financial performance are explained in the Annual Financial Report.

Letter from the Chief Executive Officer to stakeholders

Dear Stakeholders,

The year just ended was characterised by a two-speed trend: in the first half of the year, the intense and abnormal growth that followed the pandemic continued, while the market settled down in the second half of the year. Demand in the household appliance market traditionally fluctuated with growth rates of between 1%-3%. Since autumn 2020, with the end of the health emergency, a period of intense growth had begun, triggered by the change in lifestyle (stay-at-home) brought about by the pandemic. This growth in demand, at an annual rate of 15%, led to a sharp increase in production and stocks. Sabaf was ready to seize the opportunity, as evidenced by the 2021 results (a record for the Group).

The very positive trend continued throughout the first half of 2022, while in the second half of the year demand started to decline and corporate customers sharply reduced their inventories, coinciding with a significant increase in energy and commodity prices (the result of the combination of the geopolitical crisis, energy market instability and critical global supply chains). The Group's 2022 results, which were satisfactory in terms of revenue and margins (but lower than the exceptional 2021 results) inevitably reflect these factors.

On the other hand, the circumstances have certainly not called into question the strategic development guidelines set out in the 2018 Business Plan (expanding and diversifying the range of products, including through acquisitions; developing synergies between the Group's components; strengthening and internationalising the industrial footprint) in order to increase growth potential, ensure long-term competitiveness, and provide stability in the generation of economic and social value for shareholders and stakeholders.

As is well known, the implementation of the business plan, updated in 2021, aims to position Sabaf as an all-round player in smart appliances, after having historically been a company focused on gas cooking components. The aim of the new positioning is to supply the various markets with the cooking technologies most in demand. Europe and the United States, where incomes are higher, are geared towards the growth of electric cooking, while emerging markets with higher population growth are confirming the growth and development of gas cooking.

In 2022, continuing with the process that had already led to the integration of the offer with electronic components (displays and timers for programming ovens, electronic hobs and fridges; hood control boards), two measures were taken to increase the range of electronic components.
In May, Sabaf announced its entry into electromagnetic induction cooking components, a market estimated to be worth around €600 million in 2022 and that has been growing steadily at a rate of more than 10% for several years. The move is of strategic importance as it has enabled Sabaf to become a global manufacturer present in all surface cooking technologies: gas (a segment in which it now holds around 40% of the world market), traditional electric (radiant) and induction.
In October, the Group acquired 100% of P.G.A. s.r.l., based in Fabriano (AN), a company with over 25 years' experience in the design and assembly of electronic control boards for household appliances, thus strengthening its presence in the smart appliances and IoT sectors for household appliances.

The Group's efforts to increase diversification are well illustrated by two figures: in 2022, gas cooking components accounted for 60% of total revenues, compared to 95% in 2018.

The entry into induction cooking components was made possible by a major investment plan. The research and development work involved a team of over fifty electronic engineers who also drew on the expertise of Okida, the Group's Turkish company specialised in electronic components. Production is scheduled to start in the second half of 2023 at the Ospitaletto, Fabriano and Istanbul plants. The marketing, on a global scale, will leverage existing relationships with manufacturers of household appliances. Several contracts have already been signed with major industry players.

The Group's strategy also includes the geographical expansion of production capacity to better serve customers by being closer to their plants and to reduce logistics and transport costs. The resulting increase in competitiveness is certainly a valid response to the consolidation taking place in the household appliance industry.

In June 2022, a new unit for the production of gas cooking components (valves and burners) became operational in India. A new burner production plant in San Luis Potosi, central Mexico, will be operational in 2023 to serve the North American market. An integrated production line of hinges for dishwashers was started in Turkey to supply major Turkish manufacturers. With these investments, our Group will be able to count on the production capacity of 14 plants: 6 in Italy and 8 abroad. Ospitaletto is, and will remain, the heart of the Group, home to its know-how and professional expertise.

In 2022, the Group continued to invest prospectively in research and development in order to achieve its goal of strong innovation in its product range. To date, the four divisions have their own R&D centres: electronic induction, hinges and gas.
The development of new projects can count on the contribution of more than 90 electronic and mechanical engineers working in the various Group companies. In addition to the abovementioned induction cooking business, Sabaf aims to increase the excellence and competitiveness of its products, such as high-efficiency burners with lower CO_2 and carbon monoxide emissions, hydrogen-powered burners (the company is participating in the British Hy4Heat project for the use of domestic hydrogen in the kitchen), IoT projects in electronics (electric hobs and hoods) and new hinges with increased functionality.

The development lines are implemented in accordance with the environmental, social and governance (ESG) principles that the Group has integrated into its strategy and organisation. Sabaf has based its business on the principles of sustainability for many years, ahead of the market in adopting the necessary policies. There are many ongoing measures that have brought Sabaf up to the highest international standards, including energy efficiency, the reduction of emissions through the installation of photovoltaic systems (one is already in operation and another is at an advanced stage of planning), the purchase of energy from renewable sources, the continuous training of employees and various support measures for the local community and health prevention.

In 2022, the Group fully achieved the sustainability targets set out in the Business Plan and integrated into the LTI plan relating to safety, training and the reduction of CO_2 emissions into the atmosphere.

Once again in 2022, for the fourth year in a row, Sabaf was among the winners of the BestManaged Companies Award, given by Deloitte Private to the best Italian companies, testifying to the company's ability to perform brilliantly regardless of market conditions and to the professionalism and commitment of the Group's 1,300 employees. The Best Managed Companies were selected by an independent jury, made up of experts from the Italian institutional and academic world, which considers parameters such as: strategy; expertise and innovation; corporate culture and commitment; governance e performance measure; sustainability; supply chain; internationalisation.

Finally, a reference to the current year. In the first quarter, demand normalised, energy prices fell sharply (although they remained higher than at the start of the war between Russia and Ukraine) and commodity prices gradually trended down from the peaks of previous months.
The destocking that characterised the second half of last year is now over; sales in the first half of 2023, while not reaching the records of early 2022, are expected to be higher in the second half of 2022. These trends, combined with the favourable reception of the induction market, the start of operations of the new production plants in India and Mexico and the integration of P.G.A. into the Electronics Division, point to a year of gradual and substantial recovery.

As proof of the validity of our Business Plan and in order to strengthen our assets, I can confirm that the acquired companies have already fully repaid the value of the investments made for their acquisition, thanks to the liquidity generated by their own activities, ahead of expectations. This underlines the effectiveness of our solid Business Plan, which is focused on development and creating value for shareholders, and which continues to be implemented as planned, including growth and diversification through acquisitions.

Pietro Iotti

Business model, strategic approach and sustainable creation of value

STRATEGIC APPROACH AND CREATION OF VALUE

SUSTAINABLE VALUE CREATION

For the Sabaf Group, respect for business ethics and socially responsible behaviour are the fundamental elements of its business model. Accordingly, the Group developed a strategy and a governance model that can guarantee sustainable success over time.

The Sabaf Group is aware that sustainable success depends on the degree of harmony and the sharing of values with its stakeholders: compliance with common values increases mutual trust, encourages the development of common knowledge, and therefore contributes to the containment of transaction costs and control costs; in essence, it benefits the Group and all its stakeholders.

VALUES, VISION AND MISSION

Sabaf takes the Person as its original value and therefore as the fundamental criterion of every choice: this results in an entrepreneurial vision that ensures dignity and freedom to the Person within shared rules of behaviour.

The centricity of the Person represents a universal value, i.e. a hyper-standard applicable without differences in time and space. In compliance with this universal value, the Sabaf Group operates by promoting cultural diversity through the criterion of equity in space and time.

Such a moral commitment implies an a priori renunciation of all choices that do not respect the physical, cultural and moral integrity of the Person, even if such decisions can be efficient, economically convenient and legally acceptable.

Respecting the value of the Person means that, first of all, the dimension of the category of Being in relation to Doing and Having is the overriding consideration, and therefore implies the protection and enhancement of the "essential" manifestations expressing the fullness of the Person.

The Charter of Values of Sabaf

The Sabaf Charter of Values, approved by the Board of Directors, is available on the website **www.sabafgroup.com** under the section "Sustainability - Sustainability at Sabaf".
The Charter of Values is the governance tool through which the Sabaf Group clearly explains the Company's values, standards of behaviour and commitments in relations with its stakeholders – employees, shareholders, customers, suppliers, lenders, the Public Administration, the community and the environment.
The spirit of the Charter is to reconcile the principles of economic management with ethics based on the centricity of Man, as an essential condition for the sustainable success of business in the long term. Sustainable success, intended as theability to combine at the same time:

- **economic sustainability**, i.e. operate in such a way that company not only in the short term but above all are able to guarantee business continuity in the long term through the application of an advanced model of corporate governance;
- **social sustainability**, i.e. promote ethical behaviour in business and reconcile the legitimate expectations of the various stakeholders in accordance with common shared values;
- **environmental sustainability**, i.e. produce by minimising the direct and indirect environmental impacts of its production activities to preserve the natural environment for the benefit of future generations in compliance with current laws on the subject.

The Charter aims to give a vision of ethics, focusing mainly on positive and just actions to be taken and not only on incorrect behaviour to be avoided. This vision is the basis for a positive use of freedom by decision-makers, where ethical references guide decisions in a manner consistent with the Group's culture of social responsibility.

The Sabaf Group aims to develop a process based on people being given a sense of responsibility within shared rules of behaviour with which to voluntarily comply.

According to this approach, it is still imperative to comply absolutely with the law and regulations in force in Italy and in the other countries where the Group operates, as well as with all the internal regulations of the Group and the values declared in the Charter.

The Charter of Values also represents a reference document as part of the Organisation, Management and Control Model pursuant to Legislative Decree 231/2001 and, as such, sets out a series of general rules of behaviour Group employees are required to comply with.

Any stakeholder of the Sabaf Group can report cases of alleged non-compliance with the Charter by sending a written, non-anonymous description to the Sabaf S.p.A. Internal Audit Department.

The Internal Audit Department takes appropriate measures to protect the reporting parties from any type of retaliation, discrimination, penalisation or any consequence resulting therefrom, ensuring them confidentiality on their identity, without prejudice to law obligations and the protection of the rights of the Company or of persons accused wrongly and/or in bad faith.

The Internal Audit Department considers all reports of violations received or non-compliance with the Charter identified in the course of its activities and informs:

- the supervisory body of the company in question, if the violation is relevant to the subjects covered by Legislative Decree no. 231/2001;
- the Board of Directors, if the violation is particularly serious or involves top management or directors of the Company.

No reports of violations or non-compliance were received during 2022.

With a view to initiating the appropriate procedure against the person responsible for the violation, in accordance with the existing disciplinary system, the Internal Audit Department reports to the person's line manager and to the Human Resources Department any violations of the Charter discovered in the course of its activities or reported by other corporate functions (after verifying their validity).

Although the Group has no specific training plans, the values, principles of conduct and commitments set out in the Charter of Values are communicated to employees and integrated into the corporate culture.

Table summarising the Policies of the Sabaf Group with reference to the contents of Legislative Decree 254/2016 as amended

Topic envisaged by Legislative Decree 254/2016	Reference policies
ENVIRONMENT	
Basic principles • Raise staff awareness and train the personnel to promote environmental awareness • Minimise direct and indirect environmental impacts • Adopt a precautionary approach to environmental impacts • Encourage the development and diffusion of environmentally friendly technologies and products • Define environmental objectives and improvement programmes • Search for the right balance between economic objectives and environmental sustainability	• Charter of Values • Manual of the Integrated Management System of Health and Safety, Environment and Energy in compliance with ISO 14001, ISO 50001 and ISO 45001 standards
HUMAN RIGHTS	
Basic principles • Adopt socially responsible behaviour • Promote respect for the fundamental human rights of workers in all countries where the Group operates • Avoid all forms of discrimination and favouritism in respect of employment and occupation • Enhance and respect diversity	• Charter of Values
PERSONNEL	
Basic principles • Encourage continuous learning, professional growth and knowledge sharing • Provide clear and transparent information on the tasks to be carried out and the position held • Encourage teamwork and the dissemination of creativity in order to allow the full expression of individual skills • Adopt criteria of merit and competence in employment relationships • Encourage the involvement and satisfaction of all the personnel	• Charter of Values
PERSONNEL/HEALTH AND SAFETY	
Basic principles • Reach working standards that guarantee health and maximum safety, also through the modernisation and continuous improvement of workplaces • Minimise any form of exposure to risks at work • Disseminate the culture of risk prevention through systematic and effective training • Promote the protection not only of oneself, but also of colleagues and third parties • Encourage the diffusion of products with security systems	• Charter of Values • Manual of the Integrated Management System of Health and Safety, Environment and Energy in compliance with ISO 14001, ISO 50001 and ISO 45001 standards
ANTI-CORRUPTION	
Basic principles • Raise awareness among all those who work for Sabaf so that they behave correctly and transparently in the performance of their activities • Comply with local anti-corruption regulations	• Group Anti-corruption Policy • Organisation, management and control Model pursuant to Legislative Decree 231/2001
SOCIAL/SUPPLY CHAIN	
Basic principles • Ensure absolute impartiality in the choice of suppliers • Establish long-term relationships based on fairness in negotiations, integrity and contractual fairness	• Charter of Values

The Charter of Values and the Anti-corruption Policy are applied and disseminated in all Group companies.

Sabaf S.p.A. has an integrated Health and Safety, Environment and Energy management system certified to ISO 45001, ISO 14001 and ISO 50001.

Faringosi Hinges s.r.l., C.G.D. s.r.l. and C.M.I. s.r.l. since 2022 have a Health and Safety management system certified and compliant with ISO 45001 standard.

Sabaf Turkey has an ISO 14001 certified Environmental Management System since 2022.

In any case, the ISO 14001, ISO 45001 and ISO 50001 standards are sources of reference and inspiration for the entire Group.

The Organisation, Management and Control Model pursuant to Legislative Decree 231/2001 is adopted by Sabaf S.p.A. and Faringosi Hinges s.r.l. and, limited to the part concerning Occupational Health and Safety, by C.G.D. s.r.l. and C.M.I. s.r.l.

VISION

Combine business decisions and results with ethical values by going beyond family capitalism and opting for a managerial rationale oriented not only towards the creation of value but also towards the respect of values.

MISSION

Consolidate the technological and market leadership in the design, production and distribution of the entire range of components for household appliances through constant attention to innovation, safety and the enhancement of internal expertise.
Associate the growth of company services with social and environmental sustainability, promoting an open dialogue with the legitimate expectations of stakeholders.

BUSINESS MODEL

STRATEGIC PILLARS OF SABAF'S BUSINESS MODEL

In line with its shared values and mission, Sabaf believes that there is a successful industrial and cultural model to be consolidated both through organic growth and growth through acquisitions. The Group believes that its business model - oriented towards long-term sustainability and characterised by a high level of verticalisation of production and production facilities close to the main markets - is adequate to face future challenges and new scenarios.

The distinctive features of the Sabaf model are set below.

Innovation

Innovation represents one of the essential elements of Sabaf's industrial model and one of its main strategic levers. Thanks to continuous innovation, the Group has managed to achieve excellent results, identifying technological and production solutions that are among the most advanced and effective currently available and establishing a virtuous circle of continuous improvement of processes and products, until acquiring technological competence with characteristics that are difficult to match for competitors.

The know-how acquired over the years in the development and internal production of machinery, tools and moulds, which is integrated synergistically with the know-how in the development and production of our products, represents the main critical success factor of the Group. With the acquisition of Okida and the more recent acquisition of P.G.A., Sabaf has also acquired a strong electronic know-how that, together with the traditional and strong mechanical skills, further expanded the business spaces for the Group.

The investments in innovation allowed the Group to become a world leader in a highly specialised sector. The production sites in Italy and abroad are designed to guarantee products according to the highest levels of technology available today and represent a cutting-edge model both for environmental protection and safety of the employees.

Eco-efficiency

Sabaf's product innovation strategy gives priority to the search for improved environmental performance. Attention to environmental issues is reflected both in innovative production processes that have a lower energy impact in the manufacture of products, and for what concerns gas parts, in the design of eco-efficient products during their daily use.

Innovation efforts in this area are directed towards the development of burners that reduce fuel consumption (natural gas or gpl) and emissions (carbon dioxide and carbon monoxide, in particular) in users. In line with its energy transition policy, the Group has also embarked on a major investment plan to enter the electromagnetic induction cooking sector. Sabaf is also involved in experimental projects and feasibility studies for the use of hydrogen as an alternative fuel to natural gas for domestic and professional cooking appliances.

Safety

Safety has always been one of the essential elements of Sabaf's business project. Safety for Sabaf is not just a matter of complying with existing standards but a management philosophy oriented towards the continuous improvement of its performance, in order to guarantee the end user an increasingly safe product.

In addition to investing in research and development of new products, the Group has chosen to play an active role in disseminating a safety culture: Sabaf has long been promoting the introduction of regulations worldwide - in the various institutional venues - that make it compulsory to adopt products with thermoelectric safety devices. Sabaf also promoted the ban on the use of zamak (zinc and aluminium alloy) for the production of gas valves for cooking, in consideration of the intrinsic danger.

To date, the use of zamak is still permitted in Brazil, Mexico and other South American countries, limiting business opportunities in the valves segment for Sabaf.

Success on international markets and partnerships with multinational groups

Sabaf pursues its growth through its success in international markets by trying to replicate its industrial model in emerging countries with due consideration of local culture. In line with its reference values and mission, the Group operates in emerging Countries in full respect of human rights and the environment and in compliance with the United Nations Code of Conduct for Transnational Corporations. This choice is driven by the awareness that only by operating in a socially responsible way it is possible to ensure long-term development of industrial experience in emerging markets.

The Group also intends to further strengthen its collaboration with customers and its position as main supplier of a complete range of products in the cooking components market, also thanks to its ability to adapt production processes to specific customer needs and provide an increasingly wide range of products.

In relations with large household appliance groups, the reliability of partners along the supply chain is more than ever an essential requirement. The presence of production facilities in all strategic geographical areas, the ability to react immediately to sudden changes in macroeconomic scenarios - such as those brought about by the pandemic and Russia's invasion of Ukraine - and financial solidity put the Sabaf Group in a favourable position compared to smaller, less structured competitors.

Widening the range of components and development through acquisitions

The continuous expansion of the range aims to increase customer loyalty through the widest satisfaction of market requirements. The possibility of offering a complete range of components is an additional distinguishing feature for Sabaf compared to its competitors. In order to sustain a dynamic growth path, the Group is extending its product range to other components for household appliances.

This expansion is pursued both through internal research and through growth through acquisitions. Examples include the acquisition of A.R.C. s.r.l. in 2016, which operates in the professional cooking sector, the C.M.I. Group in 2019, which produces hinges for ovens and dishwashers, Okida in 2018 and P.G.A. in 2022, which designs and manufactures electronic components for household appliances.

Another strategically important project is the entry into the induction cooking components sector, for which Sabaf has set up a dedicated development team and will also draw on the expertise of Okida and P.G.A.

Enhancement of intangible assets and of its intellectual capital

Sabaf carefully monitors and increases the value of its intangible assets: the high technical and professional competence of the people who work there, the image synonymous with quality and reliability, the reputation of a company attentive to social and environmental issues and the requirements of its stakeholders.

The promotion of the idea of work and relations with stakeholders as a passion for a project based on common values in which everyone can recognise themselves symmetrically represents not only a moral commitment, but the real guarantee of enhancement of intangible assets.

In this perspective, the sharing of values represents the link between the promotion of a corporate culture oriented towards social responsibility and the enhancement of its intellectual capital.

Business model

1 ECONOMIC CAPITAL

2 HUMAN CAPITAL

3 RELATIONAL CAPITAL

4 PRODUCTIVE CAPITAL

5 ENVIRONMENTAL CAPITAL

6 INTELLECTUAL CAPITAL

BUSINESS APPROACH

Innovation, enhancement of internalresources and continuous learning

Internationalisation

Quality, internal and external safety, eco-compatibility

Sustainability

DISTINCTIVE FEATURES

Internal and verticalised production of:
- components and products
- machinery, tools

and moulds based on specific know-how

PRODUCTS

Gas parts

Hinges

Electronic components

Induction (starting in 2023)

ECONOMIC CAPITAL

HUMAN CAPITAL

RELATIONAL CAPITAL

PRODUCTIVE CAPITAL

ENVIRONMENTAL CAPITAL

INTELLECTUAL CAPITAL

1

ECONOMIC CAPITAL

- Net financial debt **€84,366,000**
- Shareholders' Equity **€156,162,000**
- Invested capital **€240,528,000**
- Market capitalisation at 31 December/ Shareholders' Equity **1.23**

- Sales revenue **-3.9%**
- EBITDA as a percentage of sales **15.8%**

2

HUMAN CAPITAL

- Employees **1,356** (including agency workers and trainees)
- Advanced education: employees with a degree or diploma **65.1%**
- Training hours per employee **25.9**
- Investments in training on turnover **0.39%**

- No. of hires **241**
- Leaving turnover **22.70%**
- Strike hours on hours worked **0.05%**
- Recordable injury rate **8.16**
- Injury lost day rate **0.13**

3

RELATIONAL CAPITAL

- Turnover from the top 10 customers **51%**
- No. customers (with sales over €1,000) **411**

- Average turnover by customer **€615,000**
- No. of samples for customers **3,232**

4

PRODUCTIVE CAPITAL

- Production sites **13**
- Real investment on turnover **7.6%**
- Value of property, plant and equipment **€101,114,000**

- Burners sold **no. of parts 28,661,930**
- High efficiency burners **31.9%**
- Valves and thermostats sold **no. of parts 20,359,884**
- Light alloy valves and thermostats sold **91.1%**

5

ENVIRONMENTAL CAPITAL

- Steel **20,587 t**
- Aluminium alloys **7,917 t**
- Brass **639 t**
- Electricity consumed **36,178 MWh** (of which **3,520 MWh** from renewable sources)
- Natural gas consumed **4,090,000 m^3**
- Water used **115,982 m^3**

- Waste (kg) on economic value generated by the Group (€/1,000) **36**
- CO_2 emissions (scope 1 + scope 2 market based) **23,150 tCO_{2eq}**

6

INTELLECTUAL CAPITAL

- Hours dedicated to the development of new products **3.1%**
- Hours dedicated to process engineering **2.3%**

- No. of patents **96**
- Capitalised investments in research and development **€2,506,000**

GENERATED AND DISTRIBUTED ECONOMIC VALUE

The analysis of the determination and distribution of economic value among stakeholders, prepared in accordance with the indications of the GRI is shown below.
The table was prepared distinguishing between three levels of economic value. The generated one, the distributed one and the one retained by the Group. The economic value represents the overall wealth created by Sabaf, which is then distributed among the various stakeholders: suppliers (operating costs), employees, lenders, shareholders, public administration and community (external perks).

(€/000)	2022	2021	Change
ECONOMIC VALUE GENERATED BY THE GROUP	**268,082**	**267,918**	**164**
Revenue	253,053	263,259	(10,206)
Other income	10,182	8,649	1,533
Financial income	1,917	750	1,167
Value adjustments	3,432	2,525	907
Bad debt provision	(1)	(103)	102
Exchange rate differences	(515)	(7,399)	6,884
Income/expenses from the sale of property, plant and equipment and intangible assets	251	237	14
Value adjustments to property, plant and equipment and intangible assets	(189)	0	(189)
Profits/losses from equity investments	(48)	0	(48)
ECONOMIC VALUE DISTRIBUTED BY THE GROUP	**241,281**	**232,521**	**8,760**
Remuneration of suppliers	176,493	166,164	10,329
Remuneration of employees	49,926	53,964	(4,038)
Remuneration of lenders	11,032	1,179	9,853
Remuneration of shareholders	6,758	6,172	586
Remuneration of the Public Administration[1]	(3,040)	4,997	(8,037)
External perks	112	45	67
ECONOMIC VALUE RETAINED BY THE GROUP	**26,801**	**35,397**	**(8,596)**
Depreciations	18,267	16,869	1,398
Provisions	49	29	20
Use of provisions	(6)	(12)	6
Reserves	8,491	18,511	(10,020)

[1] Includes deferred taxes.

GOVERNANCE OF SOCIAL RESPONSIBILITY AND STAKEHOLDER ENGAGEMENT

SOCIAL RESPONSIBILITY IN BUSINESS PROCESSES

To transform the values and principles of sustainable development into intervention choices and management activities, Sabaf applies a structured methodology, the key factors of which are as follows:

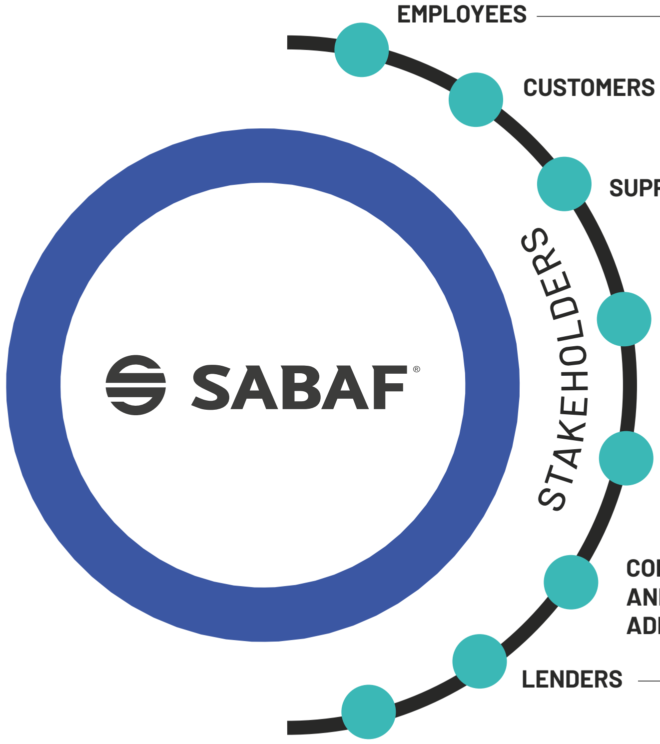
- SHARING **VALUES**, **MISSION** AND **SUSTAINABILITY STRATEGY**
- **TRAINING** AND **COMMUNICATION**
- AN **INTERNAL CONTROL SYSTEM** CAPABLE OF MONITORING RISKS (INCLUDING SOCIAL, ENVIRONMENTAL AND REPUTATIONAL RISKS) AND VERIFYING THE IMPLEMENTATION OF COMMITMENTS TO STAKEHOLDERS
- **KEY PERFORMANCE INDICATORS (KPIs)**, WHICH CAN MONITOR ECONOMIC, SOCIAL AND ENVIRONMENTAL PERFORMANCE
- A CLEAR AND COMPLETE **REPORTING SYSTEM**, ABLE TO EFFECTIVELY INFORM THE DIFFERENT CATEGORIES OF STAKEHOLDERS
- A **STAKEHOLDER ENGAGEMENT SYSTEM**, TO COMPARE WITH THE EXPECTATIONS OF ALL STAKEHOLDERS AND TO RECEIVE USEFUL FEEDBACK FOR CONTINUOUS IMPROVEMENT

THE PRECAUTIONARY APPROACH

The awareness of the social and environmental aspects that accompany the Group's activities, together with the consideration of the importance of a cooperative approach with stakeholders and the Group's good reputation, has led Sabaf to adopt a **precautionary approach** in managing the economic, social and environmental variables that it has to manage on a daily basis. To this end, the Group analysed specifically the main risks of the different operating dimensions. Detailed information on the internal control system and on the risk management system is provided in the next paragraph "Corporate Governance, Risk Management and Compliance".

STAKEHOLDER ENGAGEMENT

Sabaf is committed to constantly strengthening the social value of its business activities through careful management of relations with stakeholders. The Group intends to establishan open and transparent dialogue, encouraging opportunities for discussion in order to identify lawful expectations, increase trust in the Group, manage risks and identify new opportunities.



Stakeholders	Regular stakeholder engagement initiatives
EMPLOYEES	Employee satisfaction survey and climate analysis Meetings with employees Meetings with trade unions
CUSTOMERS	Customer Satisfaction Survey
SUPPLIERS	Regular meetings
ENVIRONMENT	-
SHAREHOLDERS	Dialogue with current and potential investors Comparison with proxy advisors Dialogue with financial analysts
COMMUNITY AND PUBLIC ADMINISTRATION	Dialogue with universities
LENDERS	Regular dialogue
COMPETITORS	-

The identification of stakeholders is an essential starting point for defining social and environmental reporting processes. The "stakeholder map" provides a summary representation of Sabaf's main stakeholders, identified on the basis of their business characteristics, the characteristic aspects of the market and the intensity of their relations with the latter. The Annual Report is the preferred communication tool for presenting thesignificant economic, social and environmental performance achieved during the year.
The initiatives for involving each stakeholder that are carried out periodically are described in the previous table (generally every two or three years). The relevant issues arising from these activities are reported in the following paragraphs.

Sabaf complies with the Code of Conduct of APPLiA Europe

Sabaf complies with the code of conduct of APPLiA Europe, an association of manufacturers of household appliances representing companies in the household appliances industry.

The **Code of Conduct** confirms the commitment of the European household appliance industry to **ethical** and fair behaviour. The Code aims to promote fair and sustainable standards in **working conditions** and **environmental protection** to support **fair competition** in **global markets.**

The producers complying with the Code commit themselves **voluntarily** to implement decent working conditions, which include compliance with common standards regarding:

- **MINIMUM AGE**
- **WORKING HOURS**
- **HYGIENE AND SAFETY CONDITIONS**
- **RESPECT FOR FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING**
- **AS WELL AS RESPECT FOR ENVIRONMENTAL STANDARDS**

The signatory companies also undertake to **raise awareness** among their **suppliers** of the principles of the Code of Conduct and encourage them to pursue them. They also require that the same principles be proposed to the whole supply chain through the latter.

The Annual Report of Sabaf is also the tool through which the Group reports year by year on the practical implementation of the principles of the Code and the progress achieved, as specifically required of the companies complying with it.

Sabaf complies with the Global Compact

In 2004, Sabaf complied formally with the Global Compact, the United Nations initiative for companies that commit to upholding and promoting the ten universally accepted principles of human rights, labour rights, environmental protection and anti-corruption. With the publication of the 2022 Annual Report, we renew our commitment to making the Global Compact and its principles an integral part of our strategy, culture and day-to-day operations,and we also commit to explicitly declare our commitment to all employees, partners, customers and the general public.
The Disclosure of Non-Financial Information sets out in detail the actions taken by the Sabaf Group in support of the ten principles.

THE 10 PRINCIPLES OF THE GLOBAL COMPACT

HUMAN RIGHTS	I	Businesses should support and respect the protection of internationally proclaimed human rights; and
	II	make sure that they are not - even if indirectly - complicit in human rights abuses.
LABOUR	III	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
	IV	The elimination of all forms of forced and compulsory labour.
	V	The effective abolition of child labour.
	VI	The elimination of discrimination in respect of employment and occupation.
ENVIRONMENT	VII	Businesses should support a precautionary approach to environmental challenges and
	VIII	undertake initiatives to promote greater environmental responsibility; and
	IX	encourage the development and diffusion of environmentally friendly technologies.
FIGHT AGAINST CORRUPTION	X	Businesses should work against corruption in all its forms, including extortion and bribery.

EMARKET SDIR CERTIFIED

MATERIALITY ANALYSIS

The GRI Standards require that the contents of the Disclosure of Non-Financial Information be defined on the basis of a materiality analysis. In compliance with the requests of GRI Standards, Sabaf has started since 2014 a process of identifying the material topics to be reported, i.e. those topics that represent the most significant impact of an organisation on the economy, the environment and people.
The last materiality analysis was conducted at the end of 2020, when the Group, taking into account the pervasive impacts of the pandemic, deemed it appropriate to update the analysis, integrate the material topics and resubmit them to management for assessment.
The top managers involved were asked to express an evaluation (on a scale from 0 to 5) on the material topics identified and inherent to their responsibilities, both from an internal perspective and from the perspective of the stakeholders concerned.
On 20 December 2022, the Board re-approved the materiality analysis, without changing its assessments.
It is noted that in defining material topics, the following topics are considered preconditions for operating and are therefore considered very important for both Sabaf and its stakeholders:

- **creation and distribution of sustainable value over time** (GRI 201: Economic Performance; scope of the Decree: transversal);
- **transparent and effective governance system to support business** (GRI 2-9: Governance structure and composition; scope of the Decree: transversal);
- **constant attention to compliance with the law in the performance of its activities**[2] (GRI 205: Anti-Corruption and GRI 2-27: Compliance with laws and regulations; scope of the Decree: fight against corruption);
- **an approach of fairness and transparency towards the public administration** (GRI 207: Tax; scope of the Decree: transversal).

MATERIAL TOPICS [3]

Scope Legislative Decree 254/16	Material topic	Importance of the topic for Sabaf	Link to GRI Standards
ENVIRONMENT	Use of raw materials and materials	Use of materials for production, considering the maintenance of quality standards and assessing their environmental and social impact.	GRI 301: Materials 2016
	Emissions into the atmosphere, waste and management of environmental impacts	Definition of monitoring and reduction activities of emissions of polluting substances into the atmosphere and of waste generated by the production processes of Sabaf. Impacts to be considered include smart working for part of the workforce, which has led to a reduction in travel by employees.	GRI 302: Energy 2016 GRI 305: Emissions 2016 GRI 306: Waste 2020
HUMAN RIGHTS	Protection of Human and Workers' Rights	Protection of human rights as provided for in the "Universal Declaration of Human Rights" and the principles laid down in the conventions of the International Labour Organisation. One of the main objectives is to ensure working conditions with health and safety standards adapted to the health emergency period and, consequently, to safeguard business continuity.	GRI 406: Non-discrimination 2016 GRI 414: Supplier Social Assessment 2016
PERSONNEL -RELATED	Remuneration and incentive policy	Definition of fixed and variable components of remuneration for employees. Incentive system based on the achievement of pre-established targets in order to pursue company targets. Establishment of a welfare bonus system to recognise activities carried out during the health emergency.	GRI 202: Market Presence 2016 GRI 404: Training and education 2016
	Development of resources and skills	Boost the Group's expansion, through organic growth, maintaining the excellence of its economic results and preserving its financial solidity. Increase skills through training activities with the aim of guaranteeing the continuous professional growth of employees.	GRI 401: Employment 2016 GRI 404: Training and education 2016
	Health and safety of personnel and contractors	Management, in compliance with occupational health and safety regulations, of topics related to occupational health and safety: training, prevention, monitoring, improvement objectives, also with reference to the measures implemented against the spread of the Coronavirus during health emergencies in the workplace and the protection of frail persons in extraordinary working conditions.	GRI 403: Occupational Health and Safety 2018
	Diversity and equal opportunities	Commitment to ensuring equal opportunities for women and protected categories.	GRI 405: Diversity and equal opportunity 2016

[2] This includes the fight against corruption, which is an essential aspect of managing the Group's business and therefore included in the preconditions. It is discussed in this document in the section "Corporate Governance, Risk Management and Compliance".
[3] Only the topics considered relevant by the organisation and subject matter of reporting are listed.

MATERIAL TOPICS

Scope Legislative Decree 254/16	Material topic	Importance of the topic for Sabaf	Link to GRI Standards
SOCIAL	Management of relations with suppliers, supplier assessment and contractual conditions	Sabaf's commitment to defining a relation with the supply chain based on the principles of fairness in negotiations, integrity and contractual fairness. These include supporting the supply chain by joining industry initiatives and observing contract payment terms in times of possible difficulty. Sharing corporate values with suppliers. Sabaf defines minimum criteria for the creation of a lasting relationship with suppliers, based on the principles of social responsibility.	GRI 414: Supplier Social Assessment 2016
	Industrial relations	The relationship between Sabaf and trade union representatives, based on the principles of transparency, mutual fairness and willingness to negotiate agreements aimed at ensuring healthy and safe working conditions.	GRI 402: Labor/ Management relations 2016
TRANSVERSAL	Compliance with the competitive system	Compliance with regulations and behaviour that ensure Sabaf conducts its business in a balanced and regular competitive environment.	GRI 206: Anti-competitive behaviour 2016
	Customer satisfaction and customer support	Ability to respond effectively to customer expectations, at all stages of the relationship (from design to after-sales service).	GRI 416: Customer Health and Safety 2016
	Research and innovation of products and processes also with reference to safety and environmental performance	Identification of new technological and production solutions (also with a special attention to safety and environmental performance) that allow the Group to strengthen its leadership in the industrial sector to which it belongs.	GRI 416: Customer Health and Safety 2016
	Partnership with multinational groups	Sabaf's opening to strategic collaborations with the main players in the sector.	(*)
	Production quality and eco-efficiency	Search for better product or process performance and solutions in terms of environmental impact. Designing new eco-efficient products. Revision of business processes with the introduction of smart working, which can promote a lower environmental impact while maintaining standards of effectiveness and efficiency.	Please refer to topics 2 and 12

(*) With regard to these topics (not directly related to a Material Topic envisaged by the GRI Standards Guidelines), Sabaf indicates in the document the adopted management approach.

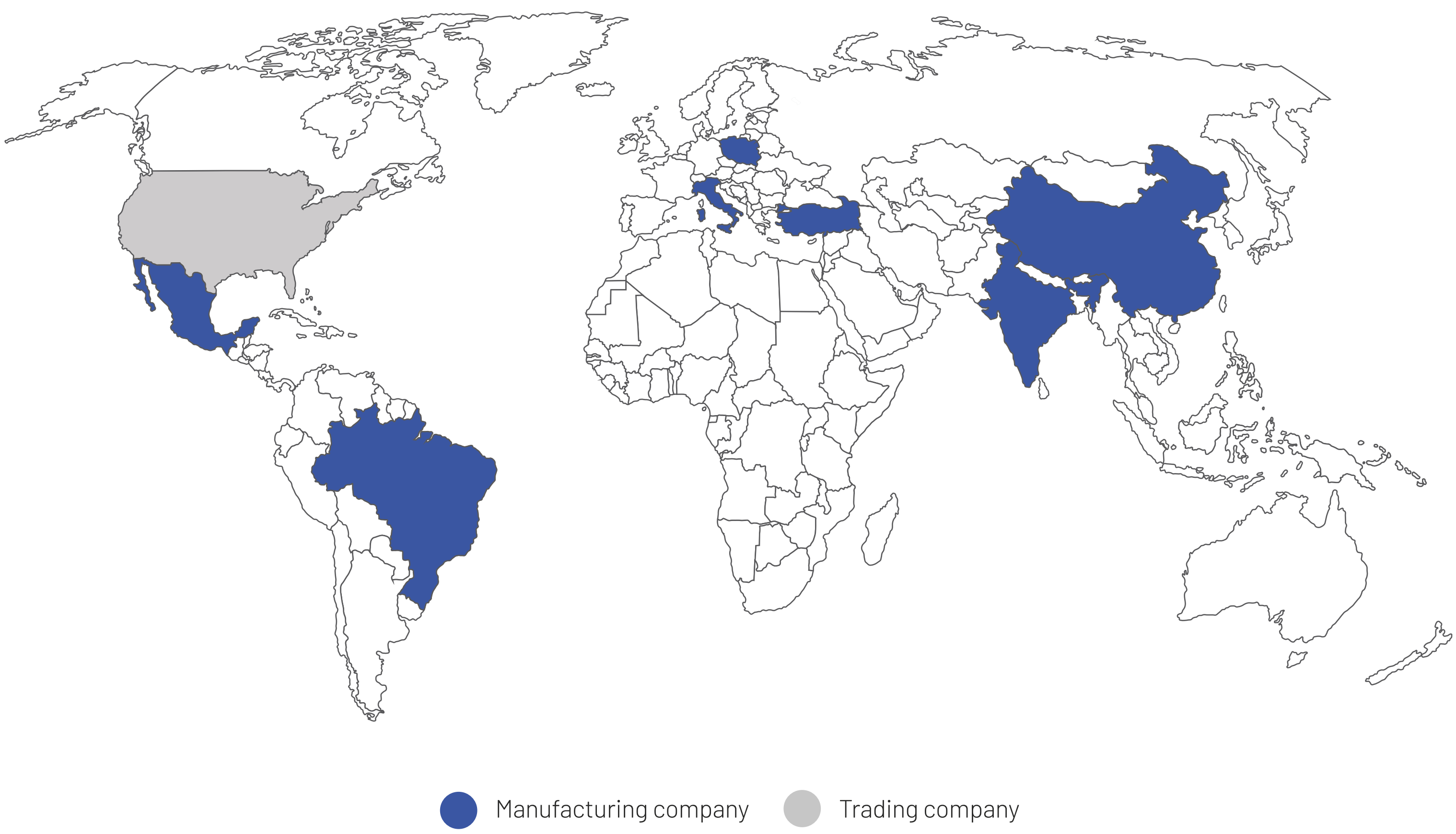
Corporate Governance, Risk Management and Compliance

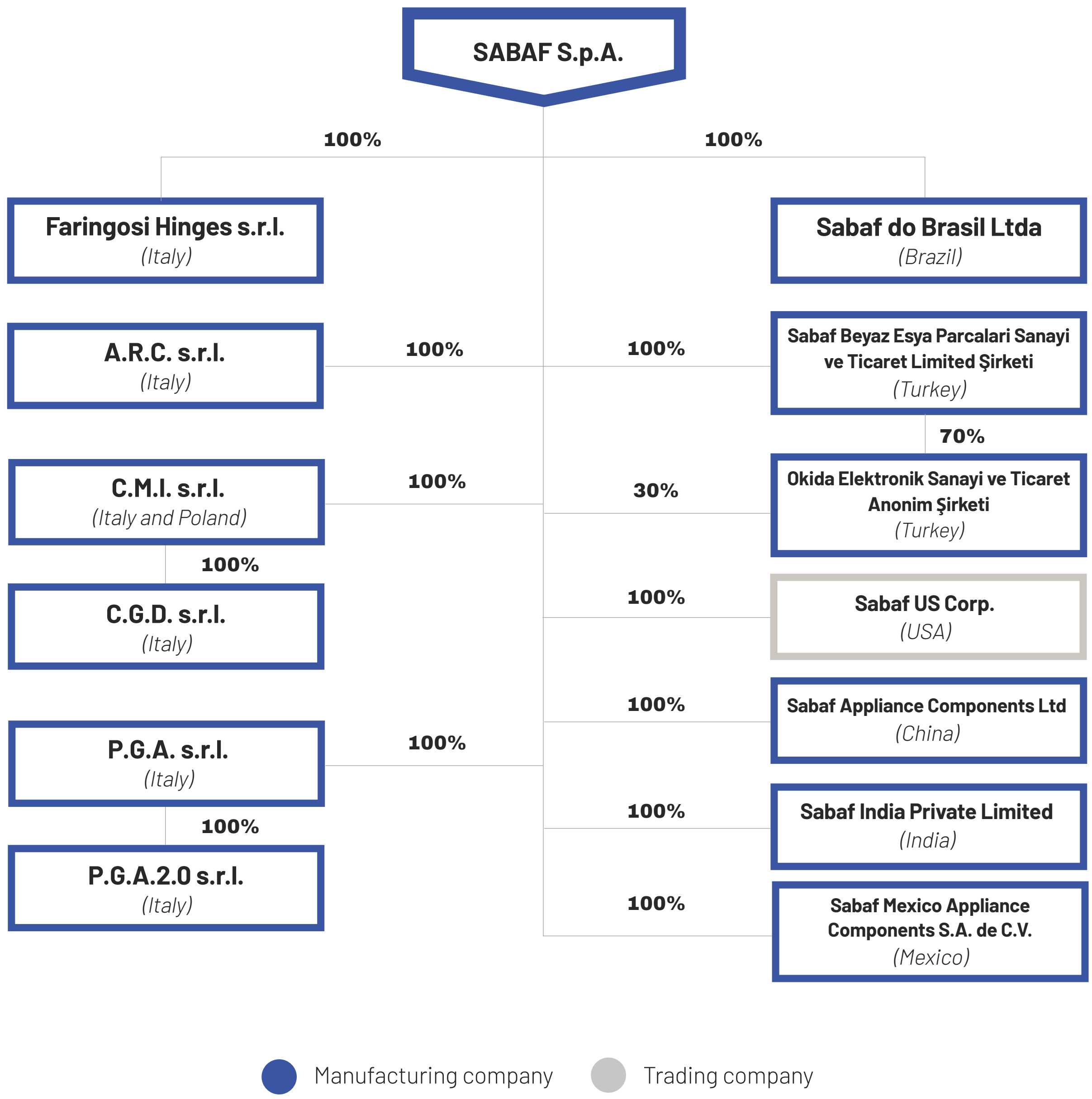
CORPORATE GOVERNANCE

OVERVIEW

Since its listing on the stock exchange in 1998, the corporate governance model of Sabaf has been based on a strict separation between the shareholding structure and management of the Company and of the Group.
Sabaf is committed to maintaining a system of governance aligned with the recommendations and best practice. The Company has welcomed the new Corporate Governance Code, fully agrees with its innovations and has taken action on its own model to fully implement the Code.

The purpose of this section of the file is to highlight the choices made by Sabaf and the peculiarities of its governance system. Where possible, a comparison with other listed companies is also provided, using the information collected by Assonime in its document "Report on Corporate Governance in Italy: the implementation of the Italian Corporate Governance Code (2021)", published in February 2023 and concerning the Corporate Governance reports for the 2021 financial year of 213 listed Italian companies. The benchmark used below takes into account, where available, a panel of "non-financial" companies only.
An analysis of the characteristics and functioning of the Board of Directors is also provided in comparison with the top 100 Italian listed companies (industrial and financial) and with the main European and non-European countries, based on data published by Spencer Stuart in the analysis "Boards around the world".





Sabaf Group companies are active in the following business segments.

GAS PARTS

- Sabaf S.p.A., valves and burners
- Sabaf do Brasil, burners
- Sabaf Turkey, valves and burners
- Sabaf China, burners
- A.R.C. s.r.l., professional burners
- Sabaf India, valves and burners
- Sabaf Mexico, burners (start of production scheduled for 2023)

ELECTRONIC COMPONENTS

- Okida, electronic control boards, timers, display and power units for ovens, hoods, vacuum cleaners, refrigerators and freezers
- P.G.A. Group, electronic control boards for household appliances: hoods, refrigeration, air quality control and water supply, IoT

HINGES FOR HOUSEHOLD APPLIANCES

- Faringosi Hinges s.r.l.
- C.M.I. Group
- Sabaf Turkey

INDUCTION COMPONENTS (START OF PRODUCTION IN 2023)

- Sabaf S.p.A.
- Okida
- P.G.A. Group

EMARKET SDIR CERTIFIED

THE GOVERNANCE STRUCTURE

Sabaf adopted a **traditional** model of management and control, characterised by the presence of:

- **Shareholders' Meetings**, (ordinary and extraordinary) called to pass resolutions pursuant to the laws in force and the Company's Articles of Association;

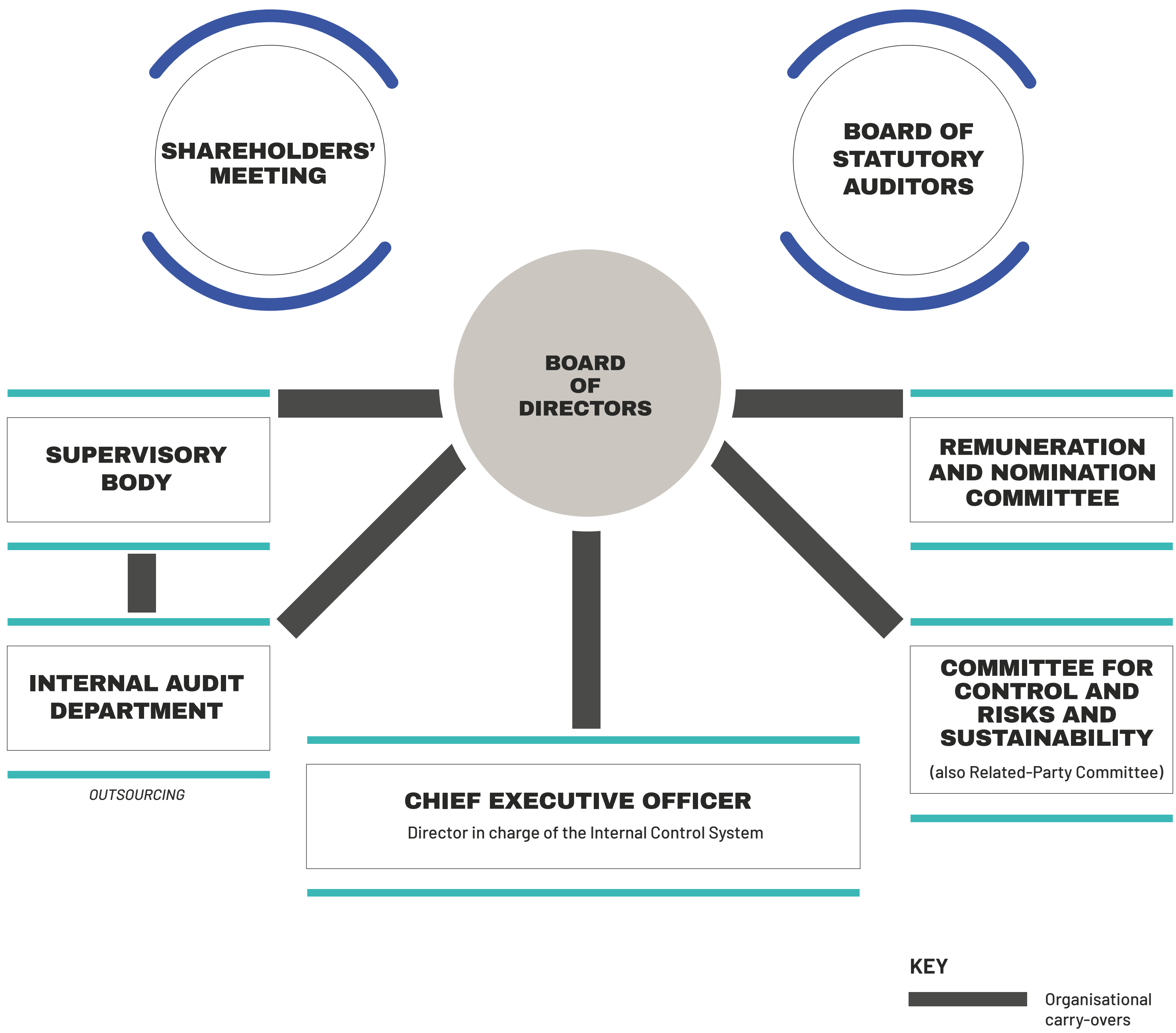
- **Board of Statutory Auditors**, in charge of supervising: ***(i)*** compliance with the law and Articles of Incorporation and adherence to principles of proper management in the performance of corporate activities; ***(ii)*** the adequacy of the Company's organisational structure, internal control and risk management system and administrative/accounting system; ***(iii)*** the procedures for effective implementation of the corporate governance rules envisaged in the Corporate Governance Code; ***(iv)*** risk management; ***(v)*** the regulatory audit of the accounts and the independence of the auditing firm;

- **Board of Directors**, in charge of company administration and management of Company operations.

This model is supplemented, in accordance with the provisions of the Corporate Governance Code the Company complied with, by:

a) the Committees set up by the Board of Directors within its members, each one with proposal and advisory functions on specific matters and without decision-making powers, such as:
- **Control, Risk and Sustainability Committee**, that also takes on the functions of the Related Party Committee;
- **Remuneration and Nomination Committee** that takes on the functions envisaged by the Remuneration Committee and integrates them with those relating to the appointment and composition of the control bodies indicated by the Code;

b) the **Internal Audit department** in charge of checking the operation and adequacy of the internal control and risk management system. Finally, the Group's administration and control model is completed by the presence of the **Supervisory Body**, set up following the adoption of the organisation, management and control model pursuant to Legislative Decree 231/2001, adopted by Sabaf since 2006.

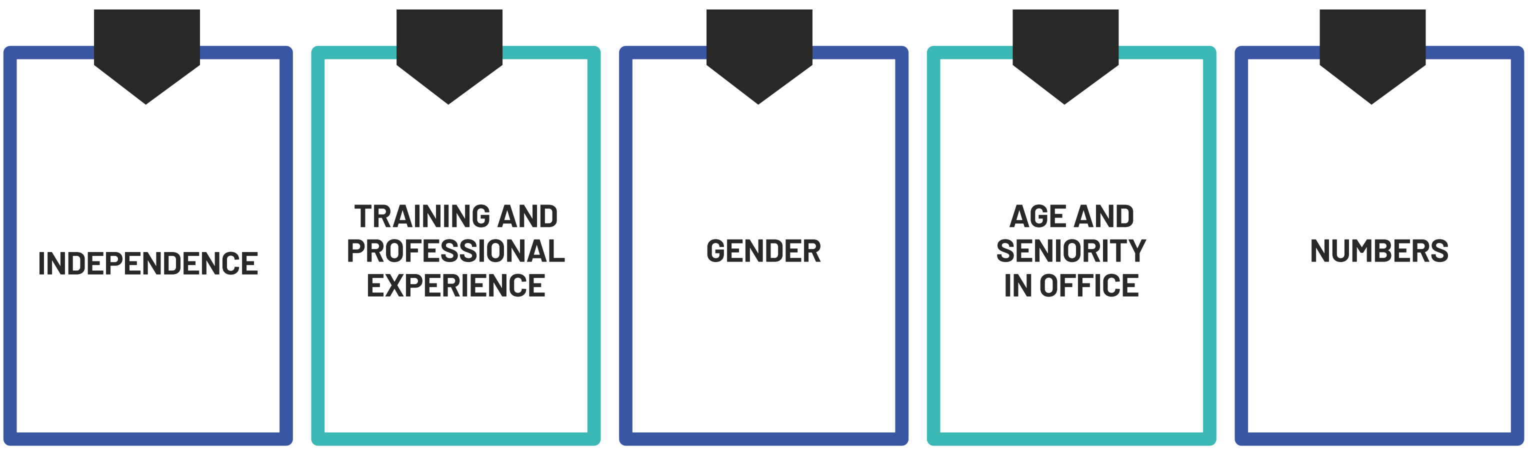


POLICY ON THE COMPOSITION OF CORPORATE BODIES

On 26 March 2018, Sabaf S.p.A. adopted a Policy on the composition of the Corporate Bodies. The Policy was updated by the Board of Directors on 11 February 2021, in view of the renewal of corporate offices and to implement the provisions of the new Corporate Governance Code.

The Policy sets out the Company's guidelines on the characteristics considered functional to ensuring an optimal composition of the corporate bodies (Board of Directors and Board of Statutory Auditors), with the aim of guiding the names put forward when renewing the Corporate Bodies, so that the benefits that can derive from a balanced composition of the Board and Board of Statutory Auditors inspired by criteria of diversity are taken into consideration. The Policy sets out the characteristics and factors considered necessary for the BoD to be able to carry out its assigned tasks more efficiently, take decisions thanks to the contribution of a number of qualified points of view and examine the issues under discussion from different perspectives, also within the framework of the internal board committees established from time to time.

The Policy sets out the following characteristics for the composition of each of the two bodies:



The Policy on the composition of the Corporate Bodies is published on the Group's website and described in the Report on corporate governance and ownership structure.

BOARD OF DIRECTORS

The Board of Directors currently in office, appointed by the Shareholders' Meeting on 6 May 2021 for the period 2021-2023, is composed of 9 members[4], including:

- 2 executive directors;
- 3 non-executive directors;
- 4 non-executive and independent directors.

NON- EXECUTIVE DIRECTORS

OFFICE	MEMBERS
Chairman	**Claudio Bulgarelli**

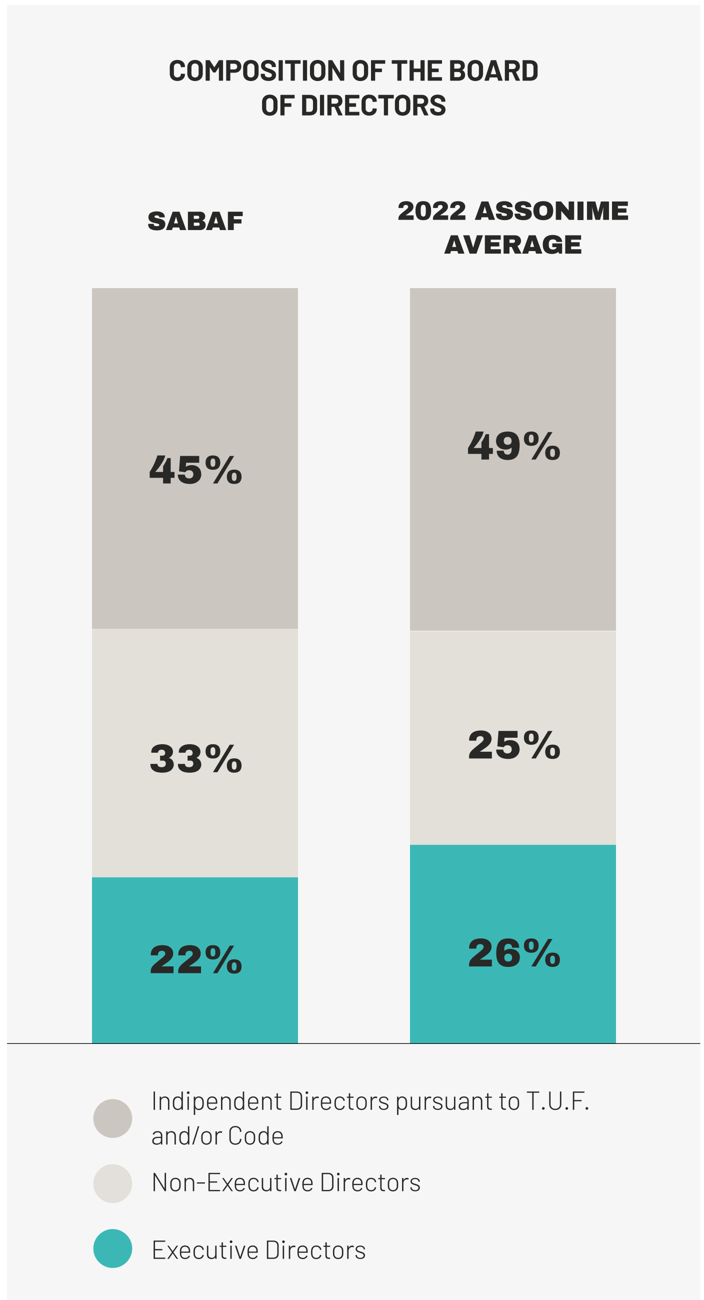
EXECUTIVE DIRECTORS

OFFICE	MEMBERS
Chief Executive Officer	**Pietro Iotti**
Executive Director	**Gianluca Beschi**

NON- EXECUTIVE DIRECTORS

OFFICE	MEMBERS
Vice Chairman	**Nicla Picchi** *LEAD INDEPENDENT DIRECTOR*
Director	**Daniela Toscani**
Director	**Stefania Triva**
Director	**Carlo Scarpa**
Director	**Alessandro Potestà**
Director	**Cinzia Saleri**

INDIPENDENT DIRECTORS pursuant to T.U.F. and/or Code



[4] The Curriculum Vitae of each Member is available on the Group's website.

COMPOSITION OF THE BOARD OF DIRECTORS

CLAUDIO BULGARELLI
Chairman

Degree in Mechanical Engineering, entrepreneur, chairman of Fintel srl , joined the BoD of Sabaf in 2018.

NICLA PICCHI
Vice Chairman

Degree in Law, Partner of Studio Picchi & Associati where she works as a lawyer. In Sabaf since 2006, she is also Chairman of SB 231 of Sabaf S.p.A. and of the subsidiary Faringosi-Hinges. She has been chairman of the Control and Risk Committee since 2015.

PIETRO IOTTI
Chief Executive Officer

Mechanical Engineer, holds positions of increasing responsibility in several industrial companies. In Sabaf since 2017, he holds the position of Chief Executive Officer.

CINZIA SALERI
Director

Chairman of the Board of Directors of Cinzia Saleri S.a.p.A. and already director of Sabaf S.p.A. in the period from 2012 to 2018.

DANIELA TOSCANI
Director

Degree in business finance, she has gained many professional experiences in the field of finance and held positions of increasing responsibility in many financial and industrial companies; she joined the BoD of Sabaf in 2018.

CARLO SCARPA
Director

He is a university professor of economics, joined the BoD of Sabaf in 2019.

GIANLUCA BESCHI
Executive Director

Certified public accountant, at Sabaf since 1997 as Investor Relations Manager and Head of Management Control. He has been holding the position of Director of Administration, Finance and Control since 2012.

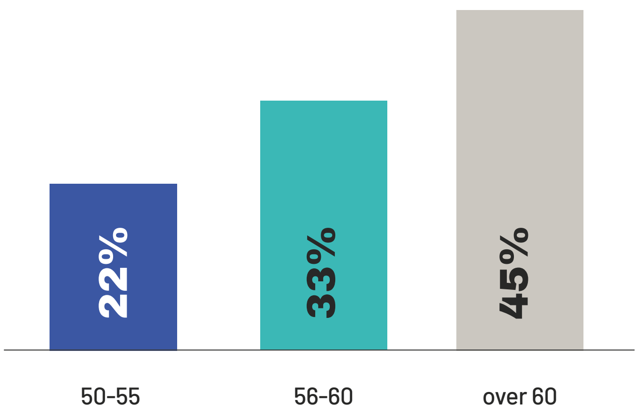
STEFANIA TRIVA
Director

Entrepreneur, since 2014 she has been holding the position of Chairman and CEO of Copan Italia S.p.A., she joined the BoD of Sabaf in 2018.

ALESSANDRO POTESTÀ
Director

Degree in Economics and Commerce, he held management positions in investments and Corporate Development. Today, he is Senior Portfolio Manager at Quaestio Capital Management SGR S.p.A.

AVERAGE AGE OF DIRECTORS



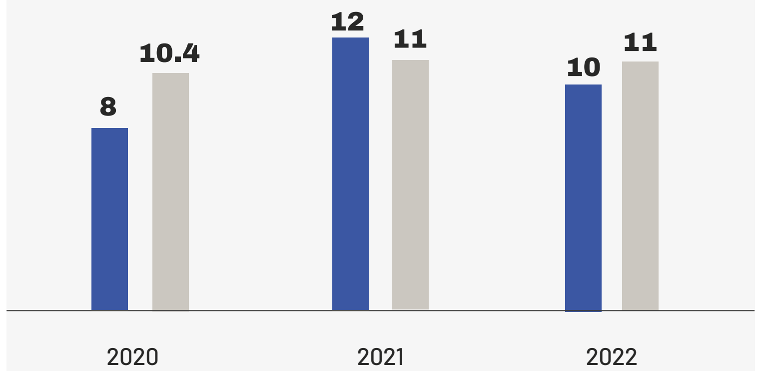
Overall average age
Sabaf 61 years old *vs* Assonime 57 years old

55% of the members of the Board in office are between 50 and 60 years old; the average age is higher than the average of the Assonime sample (61 vs 57 years old).

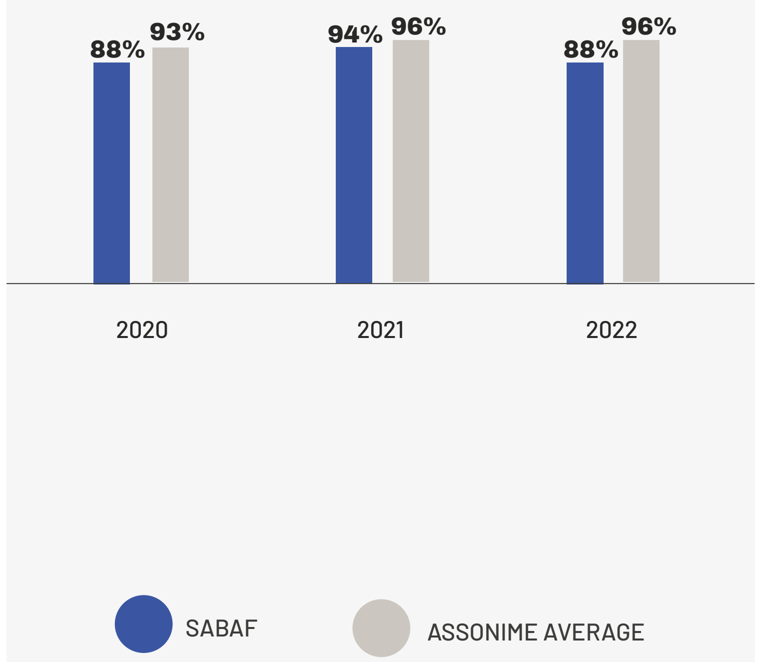
In 2022, the Board of Sabaf met on 10 occasions (slightly below the Assonime average), with an average attendance rate of 88%. In general, the attendance of the Sabaf directors at the Board meetings in the last three years is slightly below than that of the Assonime panel.

The meetings were attended by the Board of Statutory Auditors and - regularly - the managers of Sabaf, who were invited to attend and report on specific issues on the agenda.

NUMBER OF MEETINGS
(2020-2022)

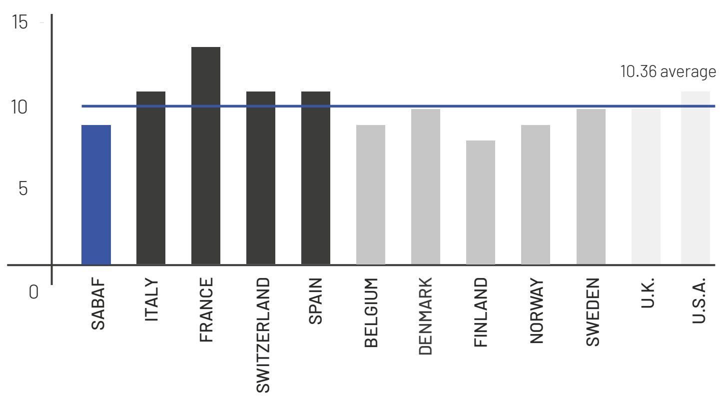


AVERANGE ATTENDACE AT THE MEETINGS
(2020-2022)[5]

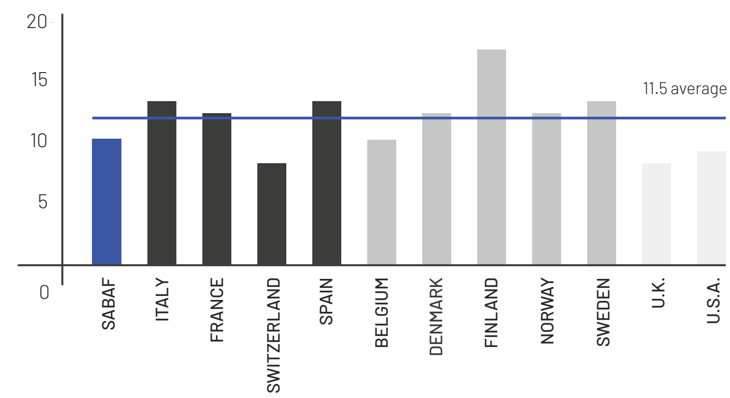


[5] Assonime panel including financial companies.

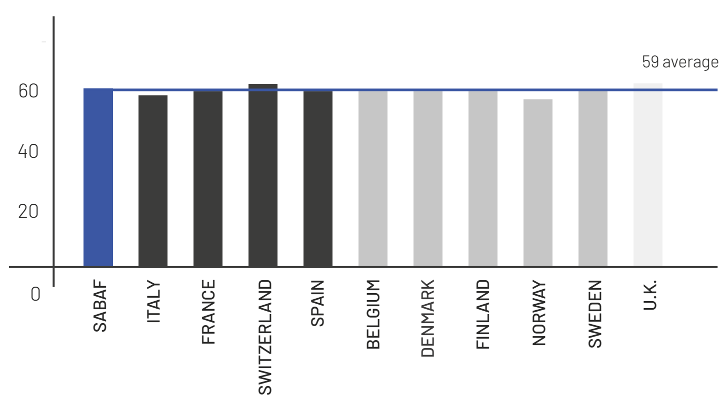
AVERAGE SIZE OF THE BoD



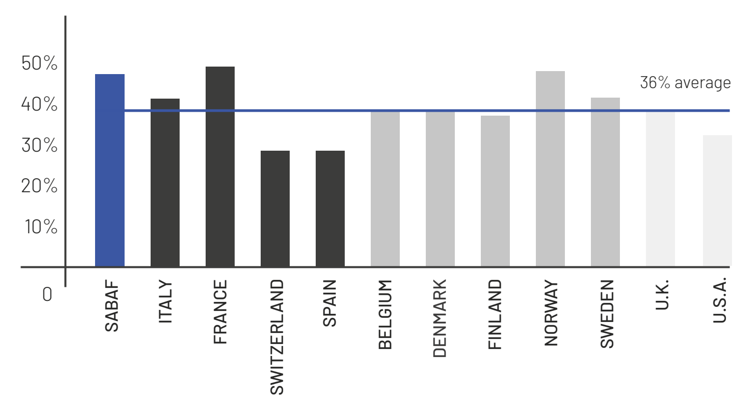
AVERAGE NUMBER OF MEETINGS OF THE BoD



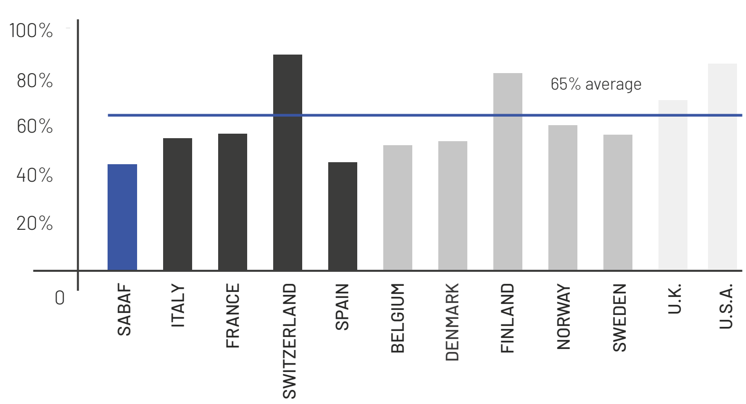
AVERAGE AGE OF NON-EXCUTIVE DIRECTORS



PERCENTAGE OF WOMAN IN THE BoD



PERCENTAGE OF INDIPENDENT DIRECTORS IN THE BoD



SABAF   SOUTH EUROPE

NORTH EUROPE   ANGLO-SAXON COUNTRIES

Souce: Spencer Stuart, Board Governance: 2021 International Comparison Chart

[6] https://www.spencerstuart.com/research-and-insight/international-comparison-chart#foreign

The comparison was made using data published by Spencer Stuart in the analysis "Board Governance: 2021 International Comparison Chart" [6].

SELF-ASSESSMENT OF DIRECTORS

The Board of Directors of the Company, in order to periodically assess the effectiveness of its activities and the contribution made by its individual members, opts, with respect to possible approaches to assessment, for the self-assessment of individual Directors through the distribution, compilation, collection and processing of questionnaires and the subsequent discussion in the Board of Directors of the results obtained, in order to identify any elements for improvement. The Operating Guidelines of Sabaf S.p.A.'s Corporate Governance Manual regulate this process, under which the board's contribution to defining the company's strategy is also assessed.

Consistent with the provisions of the Corporate Governance Code and the Corporate Governance Manual, which envisage that the self-assessment of the Board of Directors is to be carried out at least every three years, the Company's Board of Directors carried out its last self-assessment in 2021 and planned to carry out the next process close to the end of its term of office (approval of the 2023 financial statements).

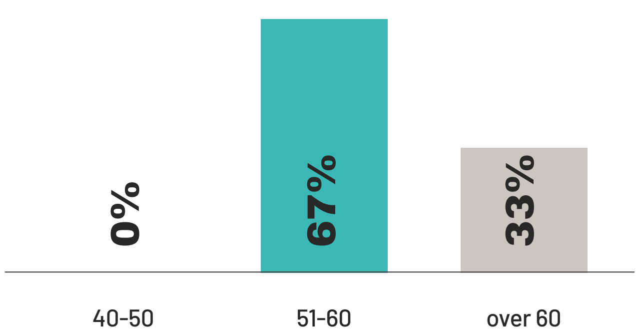
For further information, please refer to the Report on Corporate Governance and Ownership Structure available on the Group's website under Investors - Corporate Governance.

BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors, appointed by the Shareholders' Meeting on 6 May 2021 for the period 2021 to 2023, is composed of 3 members[7] with an average age of 61 years (higher than the Assonime average of 56.8 years). The Chairman of the Board of Statutory Auditors is the expression of the minority list.

OFFICE	MEMBERS
Chairman	**Alessandra Tronconi**
Statutory Auditor	**Mauro Vivenzi**
Statutory Auditor	**Maria Alessandra Zunino de Pignier**

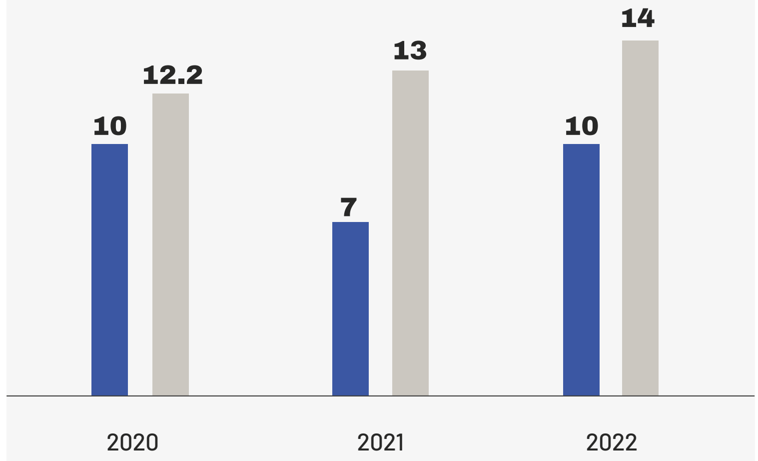
AVERAGE AGE OF STATUTORY AUDITORS



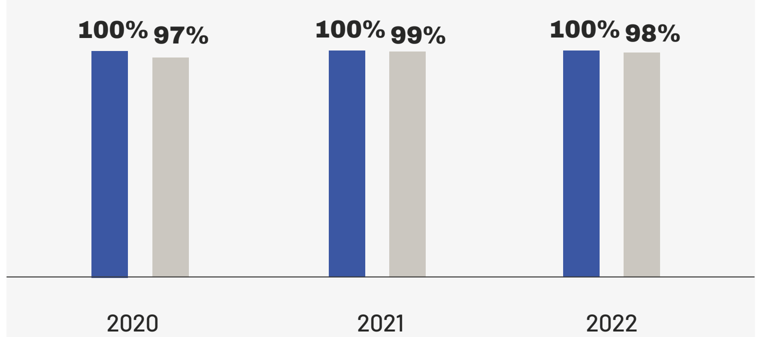
Overall average age
Sabaf 60.7 years old *vs* Assonime 56.8 years old

The Board of Statutory Auditors of Sabaf met on average 9 times in the last three years (10 meetings in 2022), a number of times lower than the average number of meetings of the Assonime sample (13.1 meetings in the three-year period).
The attendance of members at meetings was 100% in the period 2020 to 2022, higher than that of other listed companies of the research.
In general, the commitment of the Board of Statutory Auditors of Sabaf is achieved not only by carrying out checks and attending the periodic meetings required by law, but also by involving all members in the meetings of the Board of Directors, of the Control, Risk and Sustainability Committee and of the Remuneration and Nomination Committee, in the half-yearly collective meetings with the Control Bodies and individual meetings with the independent auditors.

NUMBER OF MEETINGS
(2020-2022)



AVERAGE ATTENDACE AT THE MEETINGS
(2020-2022)[8]



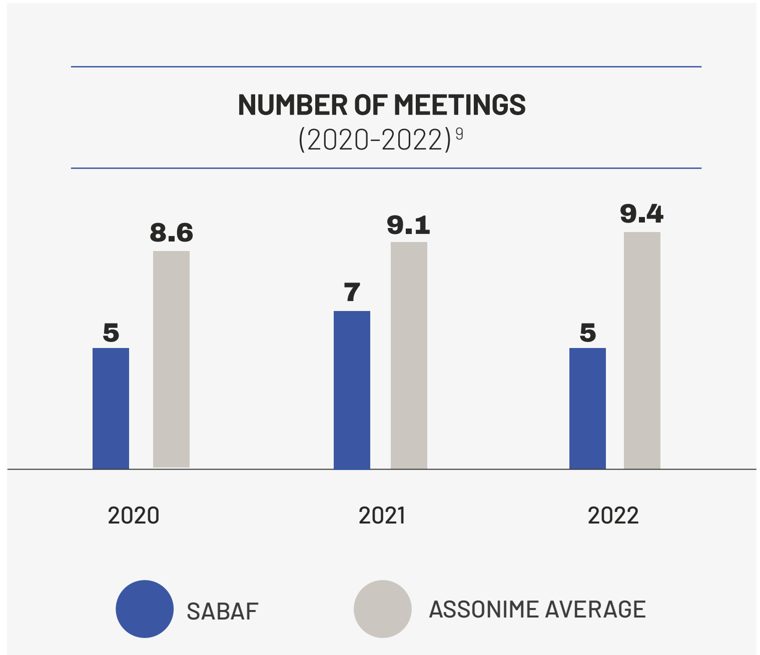
SABAF
ASSONIME AVERAGE

[7] The Curriculum Vitae of each statutory auditor is available on the Group's website.
[8] Assonime panel including financial companies.

CONTROL, RISK AND SUSTAINABILITY COMMITTEE

The Control, Risk and Sustainability Committee currently in office, set up within the Board, consists of 3 members.
In line with the choice made by about 67% of the Assonime panel (referring only to CRC), the CRSC of Sabaf is made up exclusively of independent directors. The Committee was also assigned the functions pertaining to the Related-Party Committee.

OFFICE	MEMBERS
Chairman	**Nicla Picchi**
Member	**Daniela Toscani**
Member	**Carlo Scarpa**



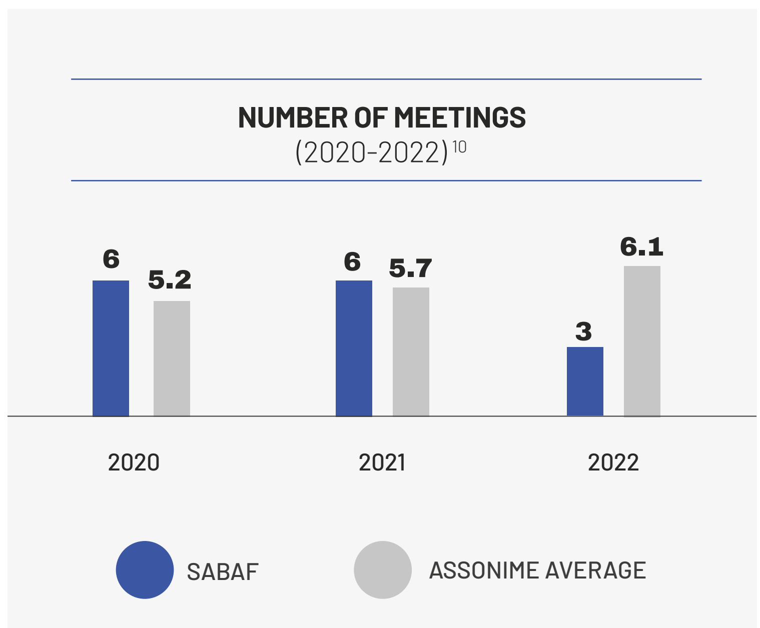
The Committee met on average 5.7 times in the last three years (5 meetings in 2022), a number of times lower than the average number of meetings of the Assonime sample (9.0 meetings on average).
In 2022, the Committee, among other things:

- evaluated, together with the Financial Reporting Officer and the auditors, the correct application of the accounting standards;
- analysed the results of the risk assessment conducted at the end of 2022 and the consequent 2023 Audit Plan Proposal;
- analysed the results of the Internal Audit operations carried out during the year;
- made considerations on sustainability issues (sustainability objectives defined in the 2021-2023 Business Plan, new European standards for sustainability, participation in CDP's Climate Change and Water programmes, other possible projects to be analysed in the medium term).

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee, set up within the Board, comprises three non-executive members, the majority of them independent (in line with the choice made by 40% of the Assonime panel), with the knowledge and experience in accounting, finance and remuneration policies that is deemed adequate by the Board of Directors.

OFFICE	MEMBERS
Chairman	**Daniela Toscani**
Member	**Stefania Triva**
Member	**Alessandro Potestà**



In the last three years, the Committee met slightly fewer times than the Assonime average (5 vs 5.7). In particular, during the last financial year, the Committee met three times.
In 2022, the Committee, among other things:

- analysed final results of the managerial incentive plan (MBO) for the financial year 2021 and prepared the managerial incentive plan for the year 2022, approved by the Board of Directors on 21 March 2023;
- analysed the summary of the long-term incentive plan (or also "LTIP") for directors and employees of the Company and its subsidiaries through the free allocation of shares ("Stock Grant Plan"), approved by the Board of Directors on 13 May 2021; for further details, refer to the 2022 Report on Remuneration, available on the Company's website at: www.sabafgroup.com, under the section "Investors - Corporate Governance";
- expressed its opinion on the appointment and composition of the Board of Directors of the newly acquired company P.G.A. s.r.l. and its subsidiary PGA2.0 s.r.l.

[9] Assonime panel including financial companies and referred only to the Control and Risk Committee.
[10] Assonime panel including financial companies and referred only to the Remuneration Committee.

GOVERNANCE OF SUSTAINABILITY

Sabaf has always believed that **social and environmental topics** are an integral part of the Group's strategy and, as such, are the **responsibility of the Board of Directors**.

With reference to the governance of these topics, at the meeting of the Board of Directors on 6 May 2021, it was confirmed that the criteria for implementing Corporate Social Responsibility ("CSR") are the responsibility of the Board itself. At the same meeting, the Board of Directors set up a Board committee, called the **Control**, **Risk and Sustainability Committee**, which, with reference to sustainability issues, has the task of:

- supporting the Board of Directors in the analysis of issues relevant to the Company and the Group, promoting a policy that integrates sustainability into business processes in order to ensure the creation of sustainable value over time for shareholders and all other stakeholders;
- promoting the dissemination of the culture of sustainability among all stakeholders;
- assessing the environmental, economic and social impacts of business activities;
- expressing opinions on the annual and multi-year sustainability targets to be achieved;
- expressing opinions on the initiatives and programmes promoted by the Company and the Group in terms of corporate social responsibility;
- assessing the suitability of periodic information to correctly represent the company's business model, strategies, the impact of its activities and the performance achieved;
- examining the contents of periodic non-financial information.

All Sabaf employees as part of their responsibilities and competences, are required to implement the Group's sustainability strategy every day in the performance of their activities.

INDUCTION PROGRAMME

In 2022, the Company continued with the induction programme so as to offer the opportunity to members of the Board of Directors and the Board of Statutory Auditors to improve their knowledge of sustainable development.

During the meetings of the Board of Directors on 10 March and 22 September 2022, the Company invited some external consultants to explain to the members of the Board of Directors and the Board of Statutory Auditors the increasing relevance of sustainability topics.

The induction sessions were held during regularly minuted meetings.

INTERNAL AUDIT AND SUPERVISORY BODY

INTERNAL AUDIT

On 25 June 2019, the Board of Directors, upon the proposal of the Director in charge of the Internal Control and Risk Management System, as well as after hearing the Board of Statutory Auditors, entrusted the Group Internal Audit Department for the period from 1 July 2019 to 31 December 2021 to PricewaterhouseCoopers Advisory S.p.A. (PwC) identifying Giuseppe Garzillo, partner of the company, as the Head of the department. On 16 December 2021, the Board of Directors, subject to the favourable opinion of the Control and Risk Committee and after hearing the Board of Statutory Auditors, renewed the appointment of PwC for the three-year period 2022 to 2024 and confirmed Garzillo as Head of Internal Audit.
The Head of Internal Audit reports hierarchically to the Board of Directors, which approves the Work Plan.

SUPERVISORY BODY

The Supervisory Body, appointed on 6 May 2021 by the Board of Directors for the three-yearperiod 2021 to 2024, comprises Nicla Picchi, independent director and Vice Chairman of the Company, and Giuseppe Garzillo, Head of Internal Audit.

OFFICE	MEMBERS
Chairman	**Nicla Picchi**
Member	**Giuseppe Garzillo**

Also a member of the Board of Directors, as **independent director (Vice Chairman).**

Also **Head of Internal Audit Department**. Representative of the Company that manages Internal Audit activities on an outsourcing basis.

During 2022, the Supervisory Body of Sabaf met 5 times, asking the Company's management to attend the meetings in order to carry out in-depth analysis on specific aspects.

CONFLICTS OF INTEREST

The Board of Directors adopted a Guideline setting out the procedures for the approval and implementation of transactions carried out by the Company and its subsidiaries in which a director has an interest, in order to:
- regulate the operating procedures suitable for facilitating the identification and appropriate management of situations in which a director has an interest, potential or otherwise, on its own behalf or on behalf of third parties, which is not only conflicting but also competing with the Company's interest;
- ensure that these transactions are carried out in a transparent manner and in compliance with the criteria of correctness in form and in substance.

In the presence of a director's interest:
- if the transaction is subject to the approval of the Board of Directors, the Director with commencement of the Board's discussion, specifying the nature, terms, origin and extent of the underlying interest (even if potential or on behalf of third parties) and must leave the Board meeting at the time of the discussion and any subsequent resolution;
- if the transaction falls within the powers of the Chief Executive Officer who has an interest in the transaction, the latter shall refrain from carrying it out and submit it to the Sabaf Board for approval.

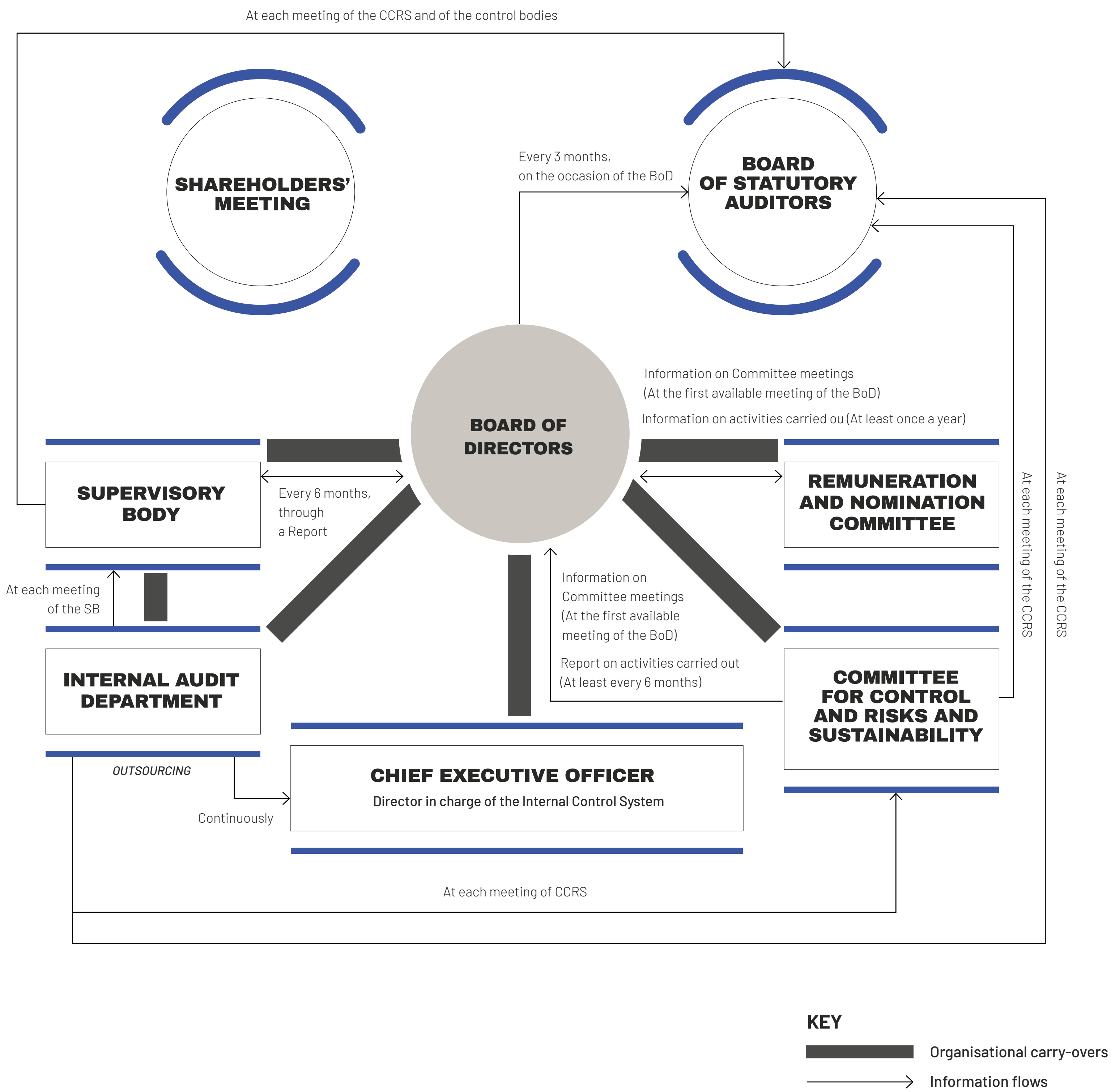
In both cases, the resolution of the Board of Directors must contain an adequate justification of the reasons and the benefits of the transaction for the Company.

If the existence of the director's interest, potential or otherwise, constitutes a Related Party transaction, the provisions of the Procedure regulating related-party transactions, published on the website www.sabafgroup.com, apply.

INFORMATION FLOWS

The administration and control model of Sabaf operates through a **network of periodic and systematic information** flows between the various corporate bodies.
Each body, according to the timing and methods defined by the Articles of Association, theGovernance Model and other internal documents, reports to the functionally superior body on the activities carried out in the reference period and those planned for the following period, any observations noted and suggested actions.

Information flows within the governance structure



RISK MANAGEMENT

In the course of its business, Sabaf defines its strategic and operational objectives and identifies, assesses and manages risks that could prevent the achievement of these objectives.

In recent years, Sabaf has gradually moved closer to the concepts of risk assessment and risk management, developing a structured process of periodic identification, assessment and management of risks, defined and formalised in a Guideline of the Corporate Governance Manual.

The risk management process includes all the material topics identified by the Group as part of the materiality analysis carried out in accordance with the provisions of the GRI Standards.

The Guidelines define the roles and responsibilities of the risk assessment and risk management processes, indicating the subjects to be involved, the frequency of the process and the assessment scales.
The most recent risk assessment activity, coordinated by the Internal Audit department and aimed at updating the risk assessment, was carried out in October and November 2022.
The identification of risks was carried out according to a structured approach that involved the following steps:

- conducting specific interviews with the front lines and the Chief Executive Officer -risk owner/process owner;
- sharing of risk assessment documents drawn up after meetings with risk owner/process owner;
- identification of the universe of risks considered relevant for the Group;
- identification of top risks;
- prior examination of the risk assessment by the Control and Risk Committee;
- approval of the Board of Directors.

All risks were investigated in terms of initial impact and probability, inherent risk and, taking into account existing mitigation measures, residual risk. The result of this analysis was represented within specific "heat maps" representing the risks in terms of "residual risk" and "current level of control".

	SEVERITY RATE			
SEVERITY DRIVERS	**LOWER** 1	**MODERATE** 2	**SIGNIFICANT** 3	**VERY SIGNIFICANT** 4
ECONOMIC (EBITDA)	**< €0.5 million**	**between €1.5 and €2 million**	**between €2 and €5 million**	**> €5 million**
HSE	Limited or negligible temporary impact on health and safety and/or the environment (minor environmental damage).	Moderate impacts/damage on health and safety and/or the environment (recoverable environmental damage).	Serious impacts/damage on health and safety and/or the environment (critical environmental damage).	Very serious impacts/damage on health and safety and/or the environment (catastrophic pollution).
REPUTATIONAL	Insignificant or small impacts on the level of trust of stakeholders.	Moderate impacts on the level of trust of stakeholders but requiring targeted action by the company.	Significant impacts on the level of trust of stakeholders requiring action by the company.	Trust of key stakeholders significantly compromised with need for immediate actions.
OPERATIONAL	No impact on business processes and/or customer relations.	Low impacts on: i) efficiency/continuity of one or more non-critical business processes and/or ii) relations with customers other than "key accounts".	Significant impacts on: i) efficiency/continuity of one or more key business processes and/or ii) relations with key customers (key account).	Critical impacts on: i) efficiency/continuity of business and/or ii) relations with key customers (key account).

	FREQUENCY RATE			
FREQUENCY DRIVERS	**RARE** 1	**UNLIKELY** 2	**POSSIBLE** 3	**LIKELY** 4
Probability of occurrence in the following three years	**<5%**	**from 5% to 25%**	**from 25% to 50%**	**>50%**
Frequency of occurrence	Event never occurred in the past and considered unlikely.	Event occurred in the past and considered not very likely.	Event occurred in the past and considered likely.	Event occurred (several times) in the past/recently.

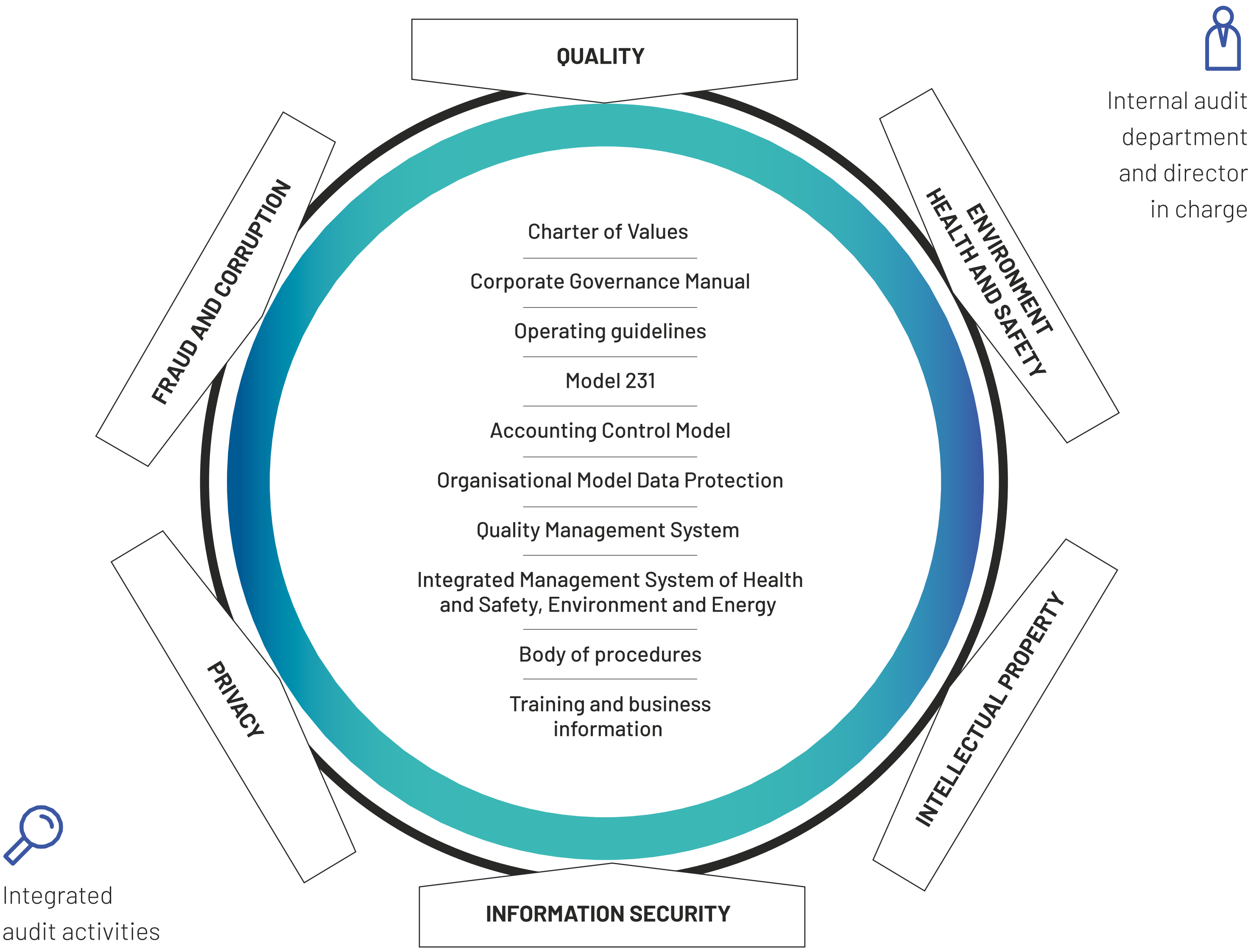
	LEVEL OF CONTROL			
LEVEL OF CONTROL	**OPTIMAL** 1	**ADEQUATE (WITH POSSIBLE ROOM FOR IMPROVEMENT)** 2	**TO BE STRENGTHENED** 3	**LACKING/NON-EXISTENT** 4
Description	In line with best practices and best in class.	There are policies, procedures and/or operating instructions. However, there is still room for improvement.	Processes are not structured and are based on the skills of the individuals involved.	Lack of controls, policies, procedures and organisational structures to manage and address risks/opportunities.
% of reduction of inherent risk	75-90%	50-75%	30-50%	0-30%

The risks relating to the topics referred to in Legislative Decree 254/2016 are set out in this Disclosure, under the different chapters. For further details on risk factors, please also refer to the Report on Operations.

COMPLIANCE

INTEGRATED COMPLIANCE

INTERNAL CONTROL SYSTEM



The risk management activity carried out by Sabaf also takes into account compliance requirements in order to achieve the company's objectives.

The internal control system is based on the following elements:

- organisation of the **internal control and risk management system**;
- procedures and mechanisms for the concrete implementation of the **control principles**;
- continuous **verification and monitoring processes** carried out at various levels of the organisation, both within the company processes and through independent structures.

In particular, Sabaf prepares an integrated and risk-based Audit Plan, broken down according to specific control objectives (operational risks, compliance risks with Law 262/2005, Legislative Decree 231/2001, GDPS, security of company information systems, etc.). The execution of the interventions is assigned, in outsourcing, to a single structure, the Internal Audit, in turn responsible for reporting the results of the activities carried out to the competent control bodies.

All this translates into an integrated **compliance culture and tools.**

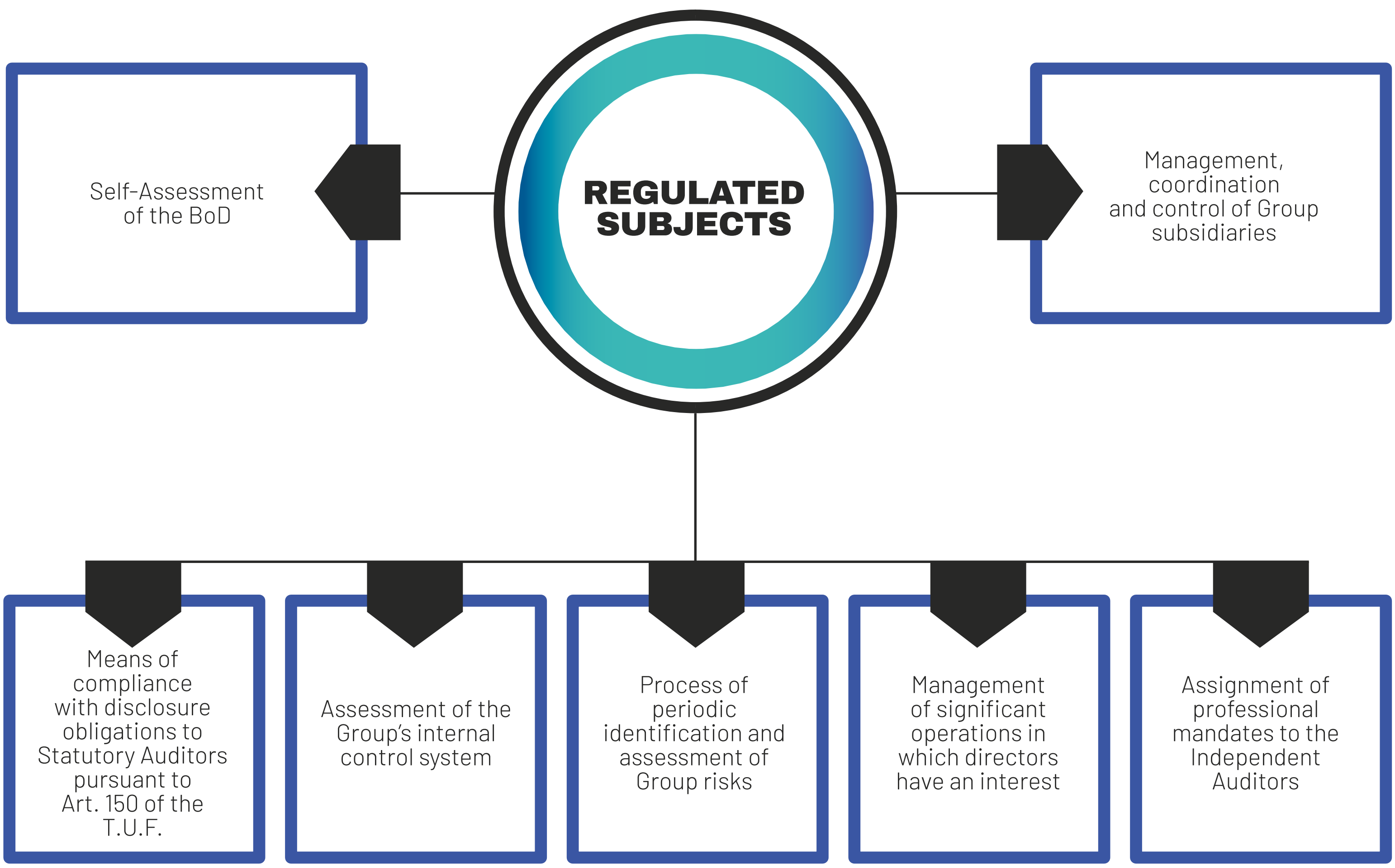
INTEGRATED COMPLIANCE AND THE CORPORATE GOVERNANCE MANUAL

Following compliance with the Corporate Governance Code for listed companies and in order to internalise the good governance practices sponsored in this document in its processes, Sabaf adopted a **Corporate Governance Manual**[11] that regulates principles, rules and operating procedures.

This Manual, adopted by Board resolution of 19 December 2006, has been updatedseveral times over the years in order to reflect new laws and regulations in Corporate Governance, as well as best practices adopted by the Company over time.

The Manual includes some operating guidelines, also approved by the Board of Directors, prepared for the purpose of the correct carrying-out of the activities pertaining to Sabaf's management and control bodies.

OPERATING GUIDELINES



[11] The latest version of the document in accordance with the provisions of the Corporate Governance Code, approved by the Board of Directors on 25 September 2018, is available on the Company website, at www.sabaf.it under the Investors - Corporate Governance section.

INTEGRATED COMPLIANCE AND LEGISLATIVE DECREE 231/2001

In 2006, Sabaf S.p.A. adopted the **Organisation**, **Management and Control Model**, **as suggested by Legislative Decree 231/2001**[12], aimed at preventing the commission of specific types of offences by employees and/or employees in the interest or for the benefit of the Company.

In the following years, the Company, under the supervision of the Supervisory Body, promptly responded to the need to adapt the Model and the control structure to the regulatory changes that had occurred from time to time.

The Company entrusts the Supervisory Body with the task of assessing the adequacy of the Model itself, i.e. its real capacity to prevent offences as well as to supervise the operation and correct observance of the adopted protocols.

In 2008, the subsidiary Faringosi Hinges s.r.l. also adopted Model 231 and appointed the SB, ensuring, in line with the parent company, its proper updating and effective operation.

In 2019 and in 2021, C.G.D. and C.M.I. respectively adopted their own Model 231, limited to the management of issues related to occupational health and safety.

Activities carried out in 2022

In 2022, the Body:

- verified the effectiveness of the Model, both through checks carried out by Internal Audit and through conversations with personnel involved in sensitive activities;
- carried out the updating and collection of flows in AFC (Administration, Finance and Control);
- held periodic consultation meetings with Company management in order to analyse certain issues relating to the management of personnel and related information flows, the environment and occupational health and safety matters in the workplace, as well as issues subject to audits during the year.

[12] The latest version of the document, approved by the Board of Directors on 13 May 2021, is available on the Company website, at www.sabafgroup.com under the Investors - Corporate Governance section.

INTEGRATED COMPLIANCE AND ANTI-CORRUPTION

The Sabaf Group, aware of the negative effects of corrupt practices in business management, is committed to **preventing and combating** the occurrence of **offences** in the carrying-out of its activities.

Risk analysis and assessment in case of violation of anti-corruption regulations is included in the annual **Risk Assessment** process.

Sabaf is committed to preventing unlawful behaviour by disseminating the contents of its **Charter of Values** and of the **Organisation, Management and Control Model pursuant to Legislative Decree 231/2001** (adopted by Sabaf S.p.A. and Faringosi-Hinges s.r.l. and , limited to the part concerning Health and Safety at Work, by C.M.I. s.r.l. and C.G.D. s.r.l.).

As further confirmation of its commitment to fight against unlawful behaviour, during 2018, Sabaf adopted a **Group Anti-Corruption Policy**. The provisions and guidelines set out in the Policy are intended to **promote the highest ethical standards in all business relationships** in line with national and international best practices.
The Anti-Corruption Policy **applies globally to Sabaf, to the Group's subsidiaries and to all of their employees**.

The Anti-Corruption Policy identifies some **general principles of behaviour** (prohibited obligations and behaviour), applicable to all Recipients. Based on activities carried out by Sabaf and inspired by international best practices, **rules of behaviour have been developed in the following main areas assessed as potentially exposed to risks of corruption**:
- trade relations with intermediaries and agents;
- trade relations with customers, suppliers and other third parties;
- relations with trade unions and political organisations;
- human resource management;
- management of gifts and presents, entertainment expenses, donations and sponsorships;
- accounting and financial procedures and controls.

There were no cases of corruption for the three-year period from 2020 to 2022.

INTEGRATED COMPLIANCE AND LAW 262/2005

Sabaf considers the Internal Control and Risk Management System for financial information an integral part of its risk management system. In this regard, Sabaf has integrated the activities relating to the management of the internal control system on financial reporting into its Audit and Compliance process since 2008.

The Group defined its own **Accounting Control Model**, approved for the first time by the Board of Directors on 12 February 2008, subsequently revised and updated.

ELEMENTS CHARACTERISING THE ACCOUNTING CONTROL MODEL

COMPLIANCE WITH LAWS AND REGULATIONS

There were no significant cases of non-compliance with laws and regulations in 2022.

Sabaf and employees

RISKS

The management of relations with the employees of the Sabaf Group cannot disregard the identification, assessment and management of potential risks. The relevant risk categories in this area are set out below.

Strategic risks, which could affect the achievement of the Group's development objectives, such as the lack of adequate skills, the loss of key resources or the difficulty of replacing them.

Legal and compliance risks, related to contractual liabilities, compliance with the regulations applicable to the Group and the commitments set out in the Charter of Values, such as the correct application of labour contracts in force in the various countries in which the Group operates, health and safety regulations, compliance with the criteria of fairness and impartiality in the management of human resources.

Operational risks, which may lead to malfunctions in the carrying-out of current activities, such as high turnover or conflicting industrial relations.

The Sabaf Group implements structured policies and defines centrally coordinated guidelines in the following areas:

- selection and recruitment of personnel;
- training;
- health and safety;
- internal communication;
- remuneration and incentive systems;
- company welfare;
- industrial relations.

To this end, the group's organisational structure includes the positions of Global Group HR Director and Group HSE Manager. The combination of these systems and policies enables the Group to have an adequate control of the risks related to the management of relations with employees.

The following paragraphs outline, for each of these topics, the characteristics of the "Sabaf model" and the performance achieved.

PERSONNEL MANAGEMENT POLICY

The commitment of the Sabaf Group to social responsibility and the protection of workers' health and safety are strategic elements for Sabaf and the compliance with labour standards that guarantee respect for human rights, health and maximum safety is an essential paradigm.

The Group is committed to pursuing the following objectives, which are also set out in the Charter of Values:

- promote respect for the fundamental human rights of workers in all countries where the Group operates, as identified in the principles established in the Global Compact and in the Code of Conduct of APPLiA Europe (European association of household appliances), relating to child labour, forced and compulsory labour, occupational health and safety, freedom of association and right to collective bargaining, discrimination, disciplinary procedures, working hours and remuneration criteria;
- carry out their activities by creating a group of motivated people who can operate in a work environment that encourages and rewards fairness and respect for others;
- produce profits without ever losing sight of the respect for the rights of its workers;
- identify and analyse potential hazards and risks in business processes, in order to make workplaces safer and more comfortable;
- avoid any form of discrimination and favouritism during the recruitment phase of personnel, whose selection must be made on the basis of the applicants' profiles meeting the company's requirements;
- value and respect diversity, avoiding any form of discrimination in career advancement on the grounds of gender, sexual orientation, age, nationality, state of health, political opinions, race and religious beliefs at all stages of the employment relationship;
- adopt criteria of merit and competence in employment relationships, based also on the achievement of collective and personal objectives;
- avoid all forms of harassment of workers;
- enhance the contribution of human capital in decision-making processes, encouraging continuous learning, professional growth and knowledge sharing;
- provide clear and transparent information on the tasks to be carried out and the position held, the performance of the Group and market developments;
- establish a responsible and constructive dialogue with trade unions, fostering a climate of mutual trust in compliance with the principles of fairness and transparency, respecting their roles.

During 2022, no episodes of discrimination were observed, no transactions/activities with a high risk of recourse to child labour and forced or compulsory labour or with a high risk of violation of the right of workers to exercise their freedom of association and collective bargaining were identified.

THE PEOPLE OF THE SABAF GROUP

The Sabaf Group had 1,238 employees at 31 December 2022 compared to 1,278 at the end of 2021. The decrease in the number of employees compared to the previous year was 40 (+3.13%).

	31/12/2022			31/12/2021			31/12/2020		
Breakdown of employees by gender and by geographical area (no.)	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
Sabaf S.p.A. (Ospitaletto, Brescia - Italy)	298	163	**461**	309	164	**473**	312	168	**480**
Faringosi Hinges s.r.l. (Bareggio, Milan - Italy)	20	23	**43**	22	23	**45**	23	23	**46**
A.R.C. s.r.l. (Campodarsego, Padua - Italy)	14	5	**19**	16	5	**21**	15	5	**20**
C.M.I. s.r.l. (Valsamoggia, Bologna – Italy)	30	56	**86**	31	53	**84**	31	51	**82**
C.G.D. s.r.l. (Valsamoggia, Bologna – Italy)	40	3	**43**	41	3	**44**	35	3	**38**
TOTAL ITALY	**402**	**250**	**652**	**419**	**248**	**667**	**416**	**250**	**666**
C.M.I. s.r.l. - Polish branch (Myszkow, Poland)	17	30	**47**	19	26	**45**	19	25	**44**
TOTAL POLAND	**17**	**30**	**47**	**19**	**26**	**45**	**19**	**25**	**44**
Sabaf do Brasil (Jundiaì, San Paolo - Brazil)	60	15	**75**	94	18	**112**	74	13	**87**
TOTAL BRAZIL	**60**	**15**	**75**	**94**	**18**	**112**	**74**	**13**	**87**
Sabaf Turkey (Manisa – Turkey)	150	104	**254**	144	94	**238**	129	69	**198**
Okida (Esenyurt/Istanbul – Turkey)	103	99	**202**	97	112	**209**	80	85	**165**
TOTAL TURKEY	**253**	**203**	**456**	**241**	**206**	**447**	**209**	**154**	**363**
Sabaf China (Kunshan, Jiangsu Province – China)	5	3	**8**	5	2	**7**	6	2	**8**
TOTAL CHINA	**5**	**3**	**8**	**5**	**2**	**7**	**6**	**2**	**8**
GROUP TOTAL	**737**	**501**	**1,238**	**778**	**500**	**1,278**	**724**	**444**	**1,168**

As regards the types of contract adopted, at 31 December 2022, there are 1,232 employees with permanent contracts equal to 99.5% of the total (99.2% at the end of 2021) and 6 employees with a fixed-term contract, equal to 0.5% of the total (0.8% at the end of 2021).

GROUP

	31/12/2022			31/12/2021			31/12/2020		
(no.)	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
Permanent	733	499	**1,232**	770	498	**1,268**	711	432	**1,143**
Fixed term	4	2	**6**	8	2	**10**	13	12	**25**
Non-guaranteed hours	0	0	**0**	0	0	**0**	0	0	**0**
GROUP TOTAL	**737**	**501**	**1,238**	**778**	**500**	**1,278**	**724**	**444**	**1,168**

ITALY (Sabaf S.p.A., Faringosi, A.R.C., C.M.I., C.G.D.)

	31/12/2022			31/12/2021			31/12/2020		
(no.)	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
Permanent	399	249	**648**	412	246	**658**	406	248	**654**
Fixed term	3	1	**4**	7	2	**9**	10	2	**12**
Non-guaranteed hours	0	0	**0**	0	0	**0**	0	0	**0**
TOTAL ITALY	**402**	**250**	**652**	**419**	**248**	**667**	**416**	**250**	**666**

POLAND (C.M.I. – Polish branch)

	31/12/2022			31/12/2021			31/12/2020		
(no.)	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
Permanent	17	30	**47**	19	26	**45**	19	25	**44**
Fixed term	0	0	**0**	0	0	**0**	0	0	**0**
Non-guaranteed hours	0	0	**0**	0	0	**0**	0	0	**0**
TOTAL POLAND	**17**	**30**	**47**	**19**	**26**	**45**	**19**	**25**	**44**

BRAZIL (Sabaf do Brasil)

	31/12/2022			31/12/2021			31/12/2020		
(no.)	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
Permanent	60	15	**75**	94	18	**112**	74	13	**87**
Fixed term	0	0	**0**	0	0	**0**	0	0	**0**
Non-guaranteed hours	0	0	**0**	0	0	**0**	0	0	**0**
TOTAL BRAZIL	**60**	**15**	**75**	**94**	**18**	**112**	**74**	**13**	**87**

TURKEY (Sabaf Turkey and Okida)

	31/12/2022			31/12/2021			31/12/2020		
(no.)	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
Permanent	253	203	**456**	241	206	**447**	208	144	**352**
Fixed term	0	0	**0**	0	0	**0**	1	10	**11**
Non-guaranteed hours	0	0	**0**	0	0	**0**	0	0	**0**
TOTAL TURKEY	**253**	**203**	**456**	**241**	**206**	**447**	**209**	**154**	**363**

CHINA (Sabaf China)

	31/12/2022			31/12/2021			31/12/2020		
(no.)	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
Permanent	4	2	**6**	4	2	**6**	4	2	**6**
Fixed term	1	1	**2**	1	0	**1**	2	0	**2**
Non-guaranteed hours	0	0	**0**	0	0	**0**	0	0	**0**
TOTAL CHINA	**5**	**3**	**8**	**5**	**2**	**7**	**6**	**2**	**8**

NON-EMPLOYEE PERSONNEL (agency workers and trainees)

(no.)	31/12/2022	31/12/2021	31/12/2020
Agency workers	115	198	155
Trainees	3	11	8

In 2022, the Group also employed 772 people who carried out contract work at the premises of the Group.

BREAKDOWN OF PERSONNEL BY AGE

(%)	31/12/2022	31/12/2021	31/12/2020
< 30 years old	19.2	20.6	18.9
31-40 years old	34.7	35.4	34.5
41-50 years old	29.9	27.8	31.6
over 50 years old	16.2	16.2	15.0
TOTAL	**100.0**	**100.0**	**100.0**

The low average age of Group employees (40.3 years old) confirms the strategy of hiring young workers, giving priority to training and internal growth rather than acquiring skills from outside.

The age of the youngest employees in the Group is 19 years old for Italy, 23 years old for Poland, 20 years old for Turkey, 17 years old for Brazil and 33 years old for China.

BREAKDOWN OF THE PERSONNEL BY LENGTH OF SERVICE

(%)	31/12/2022	31/12/2021	31/12/2020
< 5 years	46.9	48.4	44.5
6-10 years	10.4	9.9	9.0
11-20 years	25.9	27.9	31.9
over 20 years	16.8	13.8	14.6
TOTAL	**100.0**	**100.0**	**100.0**

Sabaf is aware of the fundamental importance of having a stable and qualified workforce that is a key factor in maintaining its competitive advantage.

RECRUITMENT POLICY

In order to attract the best resources, the recruitment policy aims to ensure equal opportunities for all candidates, avoiding any kind of discrimination. The selection procedure requires, inter alia:

- the selection process to be carried out in at least two stages with two different representatives;
- that at least two applicants be assessed for each position.

The assessment of the applicants is based on their skills, training, previous experience, expectations and potential, tailoring them to the specific needs of the company.

BREAKDOWN BY QUALIFICATION

(%)	31/12/2022	31/12/2021	31/12/2020
Degree	16.7	16.0	15.4
High school leaving diploma	48.4	48.4	46.2
Middle school leaving certificate	32.2	33.1	36.5
Elementary school leaving certificate	2.7	2.5	1.9
TOTAL	**100.0**	**100.0**	**100.0**

CHANGE IN PERSONNEL IN THE THREE-YEAR PERIOD BY AGE AND GENDER

HIRES (H) AND TURNOVER (T)

(no.)		2022		2021		2020	
		H	T	H	T	H	T
♀	< 30 years old	35	29	37	19	52	19
	31-40 years old	40	36	57	21	37	7
	41-50 years old	16	19	13	13	20	10
	> 50 years old	1	8	5	3	0	7
TOTAL WOMEN		**92**	**92**	**112**	**56**	**109**	**43**
♂	< 30 years old	83	78	131	88	72	27
	31-40 years old	47	73	66	54	50	32
	41-50 years old	14	23	21	16	21	8
	> 50 years old	5	15	6	12	7	16
TOTAL MEN		**149**	**189**	**224**	**170**	**150**	**83**
TOTAL		**241**	**281**	**336**	**226**	**259**	**126**

RATES OF EMPLOYEE HIRE (H) AND TURNOVER (T) BY GEOGRAPHICAL AREA, AGE GROUP AND GENDER

GROUP

(%)		2022		2021		2020	
		H	T	H	T	H	T
♀	< 30 years old	6.99	5.79	7.40	3.80	11.71	4.28
	31-40 years old	7.98	7.19	11.40	4.20	8.33	1.58
	41-50 years old	3.19	3.79	2.60	2.60	4.50	2.25
	> 50 years old	0.20	1.60	1.00	0.60	0.00	1.58
TOTAL WOMEN		**18.36**	**18.37**	**22.40**	**11.20**	**24.54**	**9.69**
♂	< 30 years old	11.26	10.58	16.84	11.31	9.94	3.73
	31-40 years old	6.38	9.91	8.48	6.94	6.91	4.42
	41-50 years old	1.90	3.12	2.70	2.06	2.90	1.10
	> 50 years old	0.68	2.04	0.77	1.54	0.97	2.21
TOTAL MEN		**20.22**	**25.65**	**28.79**	**21.85**	**20.72**	**11.46**
TOTAL		**19.47**	**22.70**	**26.29**	**17.68**	**22.17**	**10.79**

ITALY (SABAF S.p.A., FARINGOSI, A.R.C., C.M.I., C.G.D.)

(%)		2022		2021		2020	
		H	T	H	T	H	T
♀	< 30 years old	1.60	0.80	1.21	0.00	0.00	0.40
	31-40 years old	1.60	1.20	2.02	1.21	1.60	0.00
	41-50 years old	1.20	0.00	0.40	2.42	1.20	0.80
	> 50 years old	0.00	1.60	0.40	1.21	0.00	2.40
TOTAL WOMEN		**4.40**	**3.60**	**4.03**	**4.84**	**2.80**	**3.60**
♂	< 30 years old	2.49	2.49	3.34	0.95	0.48	0.00
	31-40 years old	2.24	3.23	2.15	1.91	0.96	1.68
	41-50 years old	1.00	1.49	1.19	1.43	0.96	0.48
	> 50 years old	0.75	3.48	0.48	2.15	0.96	3.13
TOTAL MEN		**6.48**	**10.69**	**7.16**	**6.44**	**3.36**	**5.29**
TOTAL		**5.67**	**7.98**	**6.00**	**5.85**	**3.15**	**4.65**

POLAND (C.M.I. – *POLISH BRANCH*)

(%)		2022		2021		2020	
		H	T	H	T	H	T
♀	< 30 years old	3.33	0.00	0.00	0.00	0.00	4.00
	31-40 years old	6.67	3.33	3.85	3.85	0.00	0.00
	41-50 years old	10.00	3.33	3.85	3.85	0.00	8.00
	> 50 years old	3.33	3.33	3.85	0.00	0.00	4.00
TOTAL WOMEN		**23.33**	**9.99**	**11.55**	**7.70**	**0.00**	**16.00**
♂	< 30 years old	0.00	11.76	10.53	10.53	10.53	5.26
	31-40 years old	5.88	5.88	0.00	5.26	0.00	0.00
	41-50 years old	0.00	0.00	5.26	0.00	0.00	0.00
	> 50 years old	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL MEN		**5.88**	**17.64**	**15.79**	**15.79**	**10.53**	**5.26**
TOTAL		**17.02**	**12.77**	**13.33**	**11.11**	**4.55**	**11.36**

BRAZIL (SABAF DO BRASIL)

(%)		2022		2021		2020	
		H	T	H	T	H	T
♀	< 30 years old	6.67	6.67	5.56	0.00	0.00	0.00
	31-40 years old	0.00	20.00	27.78	11.11	15.38	15.38
	41-50 years old	0.00	6.67	0.00	0.00	7.69	7.69
	> 50 years old	0.00	0.00	5.56	0.00	0.00	0.00
TOTAL WOMEN		**6.67**	**33.34**	**38.90**	**11.11**	**23.07**	**23.07**
♂	< 30 years old	6.67	31.67	38.30	26.60	14.86	17.57
	31-40 years old	0.00	26.67	15.96	10.64	14.86	8.11
	41-50 years old	3.33	6.67	6.38	2.13	2.70	2.70
	> 50 years old	1.67	1.67	1.06	1.06	2.70	0.00
TOTAL MEN		**11.67**	**66.68**	**61.70**	**40.43**	**35.12**	**28.38**
TOTAL		**10.67**	**60.00**	**58.04**	**35.71**	**33.33**	**27.59**

TURKEY (SABAF TURKEY AND OKIDA)

(%)		2022		2021		2020	
		H	T	H	T	H	T
♀	< 30 years old	14.29	12.81	16.02	9.22	33.77	11.04
	31-40 years old	16.26	14.29	22.33	7.28	20.13	3.25
	41-50 years old	4.93	8.37	5.34	2.91	10.39	3.25
	> 50 years old	0.00	1.48	0.97	0.00	0.00	0.00
TOTAL WOMEN		**35.48**	**36.95**	**44.66**	**19.41**	**64.29**	**17.54**
♂	< 30 years old	27.27	18.58	32.78	23.65	27.27	6.22
	31-40 years old	14.23	16.60	17.43	14.11	16.75	9.09
	41-50 years old	3.16	5.14	3.73	3.32	7.18	1.91
	> 50 years old	0.40	0.00	1.24	0.83	0.48	1.44
TOTAL MEN		**45.06**	**40.32**	**55.18**	**41.91**	**51.68**	**18.66**
TOTAL		**40.79**	**38.82**	**50.34**	**31.54**	**57.02**	**18.18**

CHINA (SABAF CHINA)

(%)		2022		2021		2020	
		H	T	H	T	H	T
♀	< 30 years old	0.00	0.00	0.00	0.00	0.00	0.00
	31-40 years old	33.33	0.00	0.00	0.00	0.00	0.00
	41-50 years old	0.00	0.00	0.00	0.00	0.00	0.00
	> 50 years old	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL WOMEN		**33.33**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
♂	< 30 years old	0.00	0.00	0.00	0.00	0.00	0.00
	31-40 years old	20.00	20.00	0.00	20.00	0.00	0.00
	41-50 years old	0.00	0.00	0.00	0.00	0.00	0.00
	> 50 years old	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL MEN		**20.00**	**20.00**	**0.00**	**20.00**	**0.00**	**0.00**
TOTAL		**25.00**	**12.50**	**0.00**	**14.29**	**0.00**	**0.00**

PERSONNEL TRAINING

Within the Sabaf Group, the professional growth of employees is supported by continuous training.
The Group Human Resources Department, having consulted the relevant heads and gathered the training requirements, prepares an annual training plan on the basis of which the specific courses to be carried out are planned.

	2022			2021			2020		
(hours)	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
Training for new employees, apprentices, training contracts	3,947	735	**4,682**	2,112	463	**2,575**	1,615	546	**2,161**
Technical training and information systems	2,109	583	**2,692**	3,671	1,040	**4,711**	2,393	823	**3,216**
Quality, safety, environment, energy and social responsibility	7,930	4,794	**12,724**	6,519	2,486	**9,005**	3,963	1,095	**5,058**
Administration and organisation	724	288	**1,012**	752	412	**1,164**	434	106	**540**
Foreign languages	1,746	931	**2,677**	1,447	959	**2,406**	470	268	**738**
Other (e.g. lean philosophy/production/office)	2,872	1,975	**4,847**	1,529	889	**2,418**	675	267	**942**
TOTAL HOURS OF TRAINING RECEIVED	**19,328**	**9,306**	**28,634**	**16,030**	**6,249**	**22,279**	**9,550**	**3,105**	**12,655**
Hours of training provided by internal trainers[13]	7,628	789	**8,417**	1,677	273	**1,950**	4,306	946	**5,252**
TOTAL	**26,956**	**10,095**	**37,051**	**17,707**	**6,522**	**24,229**	**13,856**	**4,051**	**17,907**

In 2022, 28,634 hours of training were provided to employees (22,279 in 2021).
In addition to this, 6,375 hours of training were received by agency workers (7,859 in 2021).

AVERAGE HOURS OF TRAINING PER CAPITA RECEIVED BY CATEGORY

	2022			2021			2020		
(hours)	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
Blue collars	22.7	15.6	**19.6**	18.2	7.6	**13.8**	11.6	4.4	**8.7**
White collars and middle managers	36.7	31.0	**34.8**	29.2	34.8	**31.0**	16.9	18.2	**17.3**
Managers	14.3	4.1	**12.9**	11.6	11.1	**11.6**	24.7	4.0	**22.6**
TOTAL EMPLOYEES	**26.2**	**18.6**	**23.1**	**20.6**	**12.5**	**17.4**	**13.2**	**7.0**	**10.8**
Agency workers	61.9	38.6	**55.4**	44.4	32.5	**39.7**			
TOTAL PERSONNEL	**29.8**	**19.8**	**25.9**	**23.8**	**15.2**	**20.4**			

The difference in training hours provided by gender is related to the tasks carried out. In 2022, the total cost incurred for training activities of Group personnel was approximately €800,000 (approximately €540,000 in 2021). In addition, there are training costs for agency workers, which in 2022 were around €190,000 (around €178,000 in 2021).

INTERNAL COMMUNICATION

With the aim of developing a dialogue and continuous involvement between the company and its employees, Sabaf organises meetings and sharing sessions in which the results of projects to improve quality, efficiency and productivity are presented.
The HR representatives provide assistance to all Group employees on matters relating to the employment relationship.
The focus on internal communication uses, among other things, advanced tools that can reach all employees, such as a dedicated portal and electronic bulletin boards.
Systematic meetings in the various departments promote communication and involvement of personnel.

[13] Including training given to agency workers.

DIVERSITY AND EQUAL OPPORTUNITIES

Sabaf is constantly committed to ensuring equal opportunities for women employees, who at the end of 2022 represent 40.5% of the workforce (39.1% in 2021).

PERCENTAGE DISTRIBUTION OF EMPLOYMENT BY GENDER

	31/12/2022		31/12/2021		31/12/2020	
	no.	%	no.	%	no.	%
♂	737	59.5	778	60.9	724	62.0
♀	501	40.5	500	39.1	444	38.0
TOTAL	**1,238**	**100.0**	**1,278**	**100.0**	**1,168**	**100.0**

PERCENTAGE DISTRIBUTION OF EMPLOYMENT BY CONTRACT, GENDER AND GEOGRAPHICAL AREA

The Group, in accordance with the organisational and production requirements, cares to the family requirements of its employees. To date, most of the demands for reduced working time made by workers have been met.

GROUP

		31/12/2022		31/12/2021		31/12/2020	
		no.	%	no.	%	no.	%
Full-time	♂	733	59.2	776	60.7	722	61.8
	♀	444	35.9	446	34.9	387	33.1
	♂♀	**1,177**	**95.1**	**1,222**	**95.6**	**1,109**	**94.9**
Part-time	♂	4	0.3	2	0.2	2	0.2
	♀	57	4.6	54	4.2	57	4.9
	♂♀	**61**	**4.9**	**56**	**4.4**	**59**	**5.1**
TOTAL		**1,238**	**100.0**	**1,278**	**100.0**	**1,168**	**100.0**

ITALY (SABAF S.p.A., FARINGOSI, A.R.C., C.M.I., C.G.D.)

(no.)		31/12/2022	31/12/2021	31/12/2020
Full-time	♂	398	417	414
	♀	193	194	193
	♂♀	**591**	**611**	**607**
Part-time	♂	4	2	2
	♀	57	54	57
	♂♀	**61**	**56**	**59**
TOTAL		**652**	**667**	**666**

EMARKET SDIR CERTIFIED

POLAND (C.M.I. – POLISH BRANCH)

(no.)		31/12/2022	31/12/2021	31/12/2020
Full-time	♂	17	19	19
	♀	30	26	25
	♂♀	**47**	**45**	**44**
Part-time	♂	0	0	0
	♀	0	0	0
	♂♀	**0**	**0**	**0**
TOTAL		**47**	**45**	**44**

BRAZIL (SABAF DO BRASIL)

(no.)		31/12/2022	31/12/2021	31/12/2020
Full-time	♂	60	94	74
	♀	15	18	13
	♂♀	**75**	**112**	**87**
Part-time	♂	0	0	0
	♀	0	0	0
	♂♀	**0**	**0**	**0**
TOTAL		**75**	**112**	**87**

TURKEY (SABAF TURKEY AND OKIDA)

(no.)		31/12/2022	31/12/2021	31/12/2020
Full-time	♂	253	241	209
	♀	203	206	154
	♂♀	**456**	**447**	**363**
Part-time	♂	0	0	0
	♀	0	0	0
	♂♀	**0**	**0**	**0**
TOTAL		**456**	**447**	**363**

CHINA (SABAF CHINA)

(no.)		31/12/2022	31/12/2021	31/12/2020
Full-time	♂	5	5	6
	♀	3	2	2
	♂♀	**8**	**7**	**8**
Part-time	♂	0	0	0
	♀	0	0	0
	♂♀	**0**	**0**	**0**
TOTAL		**8**	**7**	**8**

PERCENTAGE DISTRIBUTION OF EMPLOYMENT BY CATEGORY, AGE AND GENDER

		31/12/2022			31/12/2021			31/12/2020		
(%)		♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
Managers	< 30 years old	0.0	0.0	**0.0**	0.0	0.0	**0.0**	0.0	0.0	**0.0**
	from 30 to 50 years old	0.4	0.1	**0.5**	0.4	0.0	**0.4**	0.7	0.0	**0.7**
	over 50 years old	1.1	0.2	**1.3**	1.0	0.2	**1.2**	0.8	0.2	**1.0**
	TOTAL	**1.5**	**0.3**	**1.8**	**1.4**	**0.2**	**1.6**	**1.5**	**0.2**	**1.7**
White collars and middle managers	< 30 years old	3.0	1.6	**4.6**	2.4	1.2	**3.7**	2.1	1.3	**3.4**
	from 30 to 50 years old	10.1	5.9	**16.0**	9.5	4.8	**14.3**	10.1	4.9	**15.0**
	over 50 years old	2.3	1.0	**3.3**	2.4	1.0	**3.3**	2.3	0.9	**3.2**
	TOTAL	**15.4**	**8.5**	**23.9**	**14.3**	**7.0**	**21.3**	**14.5**	**7.1**	**21.6**
Blue collars	< 30 years old	8.0	4.0	**12.0**	11.1	5.4	**16.5**	9.8	4.5	**14.3**
	from 30 to 50 years old	27.6	23.0	**50.6**	27.0	22.0	**49.0**	29.4	22.3	**51.6**
	over 50 years old	7.0	4.7	**11.7**	7.1	4.5	**11.6**	6.8	3.9	**10.7**
	TOTAL	**42.6**	**31.7**	**74.3**	**45.2**	**31.9**	**77.1**	**46.0**	**30.7**	**76.7**
TOTAL	**< 30 years old**	**11.0**	**5.6**	**16.6**	**13.5**	**6.6**	**20.2**	**11.9**	**5.8**	**17.7**
	from 30 to 50 years old	**38.1**	**29.0**	**67.1**	**36.9**	**26.8**	**63.7**	**40.2**	**27.2**	**67.4**
	over 50 years old	**10.4**	**5.9**	**16.3**	**10.5**	**5.7**	**16.1**	**9.9**	**5.0**	**14.9**
	TOTAL	**59.5**	**40.5**	**100.0**	**60.9**	**39.1**	**100.0**	**62.0**	**38.0**	**100.0**

The managers of all Group offices come from a geographical area close to the registered offices in which they operate, with the exception of the general manager at the premises of Sabaf China, who has been living in China for many years.

REMUNERATION, INCENTIVE AND ENHANCEMENT SYSTEMS

All Group companies apply local national contracts, supplemented with any best deals. It is estimated that more than 60% of the Group's employees were covered by collective agreements in 2021 and 2022[14].
The employees of Sabaf S.p.A. are classified according to the provisions of the National Collective Labour Contract for the metal and engineering industry, supplemented by secondlevel negotiations, which include:

- contractual minimum;
- company welfare from National Collective Labour Agreement;
- productivity or personal bonuses per level;
- production bonus per level;
- fixed performance bonus(part of which includes part of the previous variable bonus) for all levels;
- variable performance bonus that is the same for all levels.

As from 2019, Sabaf S.p.A. and Faringosi Hinges have launched a new corporate welfare platform (Edenred), which has been very well received by employees. The platform has also been extended to C.M.I. and C.G.D. as from 2020.
The Group believes that a fundamental element of the valuation system is represented by the training opportunities provided.

REMUNERATION OF DIRECTORS AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

The Remuneration Policy for directors and executives with strategic responsibilities, approved by the Shareholders' Meeting of 6 May 2021, is available on the website **www.sabafgroup.com.**
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 insuch a way as to

[14] For Italy, the percentage is 100%.

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 business plans in force and to create long-term value for stakeholders, also in line with the principles of corporate social responsibility.
The Report on Remuneration describes each of the items that make up the remuneration, showing their consistency with the Policy, and details of the remuneration paid.

LONG-TERM INCENTIVE (LTI)

A long-term incentive plan (stock grant plan) was introduced in 2018, which envisages the free allocation of shares to parties (directors and employees) who hold or will hold key positions for Sabaf S.p.A. and its subsidiaries. In 2021, the shareholders' meeting approved a new long-term incentive plan, linked to the economic-financial and sustainability objectives set out in the 2021-2023 Business Plan.
The socio-environmental sustainability objectives were defined with reference to the issues that the materiality analysis has highlighted as being of greatest relevance to Sabaf and its stakeholders:

MATERIAL TOPIC	KPI	IMPACT ON THE LTI PLAN
Emissions into the atmosphere	CO_2 emissions scope 1 + scope 2 market-based/Revenue	15%
Development of resources and skills	Hours of training per capita (by collaborator)	5%
Health and safety of personnel	Summary indicator of injuries (injury rate x injury severity index x 100)	5%

KPI	Unit of measurement	2020 FINAL BALANCE	2021 OBJECTIVE	2021 FINAL BALANCE	2022 OBJECTIVE	2022 FINAL BALANCE	2023 OBJECTIVE
CO_2 emissions	tCO_{2eq}/millions of Euro	132	126	111	120	91	114
Hours of training	h	13.9	11.0	20.4	13	25.9	15
Summary indicator of injuries	-	177	140	327	120	106	100

The 2022 Report on Remuneration, available on the Company's website www.sabafgroup.com, under the section "Investors - Corporate Governance", sets out further details of the LTI Plan.

MANAGEMENT BY OBJECTIVES (MBO)

A Group-wide incentive system linked to collective and individual objectives (MBOs) is in place, involving managers and other employees with managerial responsibilities. In 2022, this incentive system involved 73 employees of the Group (64 men and 9 women).
The operating mechanisms of the LTI system are described in the Report on Remuneration.

Quality of Production Flow (QPF) Bonus

With the aim of rewarding the contribution of personnel to the achievement of company objectives, as from 2016 Sabaf S.p.A. introduced an incentive system related to quality objectives (reduction of waste and rework), production efficiency and precision in carrying out projects. In 2022, improvement targets in these areas were set for 115 people involved in relevant business processes.

(no.)	White Collars	Blue Collars	TOTAL
♂	41	63	**104**
♀	5	6	**11**
TOTAL	**46**	**69**	**115**

In addition to being a tool for steering towards challenging objectives (601 objectives were assigned, achieved or exceeded in 63% of cases), the QPF award stimulated teamwork and favoured the sharing of short- and medium-long term development plans at all company levels.

Variable Performance Bonus (VPB)

The supplementary company contract of Sabaf S.p.A. envisages a variable performance bonus for all employees, also based on quality and productivity indicators, which also in 2022 could be enjoyed in the form of company welfare. In consideration of the results achieved, the VPB is 90.94% above target in 2022. C.M.I. has a VPB agreement in place for the three-year period 2020 to 2022, with the possibility of converting all or part of the bonus achieved into company welfare. The VPB is 25% above target in 2022. In 2021, at Faringosi Hinges, a VPB agreement was established for the first time, shared with trade union representatives and valid for the three-year period 2021 to 2023, with the possibility of converting all or part of the bonus achieved into company welfare. The VPB is 85% above target in 2022.

Personnel Participation Bonus (PPB)

In 2018, Sabaf S.p.A. introduced a Personnel Participation Bonus (PPB) for all its employees who, through effective participation, help to achieve the company's objectives. This bonus was paid also in 2022 in the form of company welfare.

Extraordinary Bonus

In order to provide concrete support to address the needs related to the rising cost of living, Sabaf decided to grant an extraordinary bonus of €300 to all non-managerial employees of the Group's Italian companies, to be paid in December 2022 in the form of company welfare. With this initiative, Sabaf wants to show its support for all those who, through their work and commitment, contribute every day to achieving the company's results.

The forms of social security in force for all Group employees are those envisaged by the regulations in force in the various Countries in which the Group operates.

RATIO OF MAXIMUM ANNUAL TOTAL REMUNERATION TO MEDIAN ANNUAL TOTAL REMUNERATION[15]

	2022	2021
Ratio of maximum remuneration to median remuneration	45	34
Ratio of maximum remuneration increase to median remuneration increase	7	-

RATIO BETWEEN THE STANDARD SALARY OF A NEW RECRUIT BY GENDER RECOGNISED BY GROUP COMPANIES AND THE MINIMUM SALARY PROVIDED FOR IN THE CONTRACTS

MINIMUM INCREASE *(%)*	2022		2021		2020	
	♂	♀	♂	♀	♂	♀
Sabaf S.p.A.	29%	29%	29%	29%	29%	29%
Faringosi Hinges s.r.l.	3%	3%	3%	3%	3%	3%
A.R.C. s.r.l.	0%	0%	0%	0%	0%	0%
C.M.I. s.r.l.	2%	2%	2%	2%	2%	2%
C.G.D. s.r.l.	0%	0%	0%	0%	0%	0%
C.M.I. Polish branch	9%	9%	2%	2%	4%	4%
Sabaf Turkey	14%	14%	15%	15%	14%	14%
Okida	0%	0%	0%	0%	0%	0%
Sabaf do Brasil	9%	9%	14%	14%	13%	13%
Sabaf China[16]	75%	75%	19%	19%	34%	34%

The Group has procedures in place to systematically check the regular contribution of suppliers and contractors and the correct hiring of their employees.

RATIO OF AVERAGE SALARY OF FEMALE PERSONNEL TO AVERAGE SALARY OF MALE PERSONNEL[17]

(%)	2022	2021	2020
White-collars, middle managers and managers	80%	82%	78%
Blue collars	89%	87%	79%

[15] The remuneration used as a reference is that of the Chief Executive Officer and includes the gross fixed component and the gross variable short-term and long-term components (including the value of shares granted during the year and related to the 2018-2020 LTI plan). No employees among those reported in Disclosure 2-7 were excluded and no full-time equivalent rates of pay were used for parttime employees. It should also be noted that the figure for the ratio of maximum salary increase to median salary increase is not available for the year 2021 as it is based on data excluded from the reporting period.

[16] As part of the calculation of the data relating to the ratio between the standard salary of a newly hired employee by gender recognised by the Group companies and the minimum salary provided for in the contracts, more detailed data is available than was considered for the calculation carried out last year and reported in 2021 DNI. The data available during 2022 made it possible to refine the calculation both for the current reporting year (2022) and, consistently, for the previous years (2020 and 2021), in order to give as reliable a representation as possible; therefore, this DNI reports the most accurate data for both 2022 and 2020 and 2021.

[17] Calculated on basic salary.

OCCUPATIONAL HEALTH AND SAFETY AND WORKING ENVIRONMENT

RISKS

The Health & Safety risks to which Sabaf and contractors' personnel are exposed are related to the processes at the various sites where the business is carried out. In general, the mainrisks to workers' health and safety are:

- risks with high associated damage (falls from a height, work in confined spaces);
- the risks resulting from the presence of aluminium casting departments (burn, exposure to high temperatures);
- typical risks in metalworking companies, such as cuts and bruises.

The Group is also exposed to the compliance risk, resulting from any failure to adopt measures to bring its procedures and operations into line with current health and safety regulations.

RISK MANAGEMENT

The Sabaf Group formally defines the responsibilities, criteria and operating procedures for identifying and planning prevention measures to eliminate and/or mitigate risks, as part of a system that allows the level of safety and hygiene to be optimised and constantly improved through preventive actions. As from 2019, the function of Group HSE Manager was established with the aim of coordinating the management of Health, Safety and Environment of all companies based on a common policy. The occupational health and safety management systems of Group companies are structured according to a risk-based approach. Prevention and reduction of risk levels are based on the following factors.

- **Effective training:** all training courses are planned and managed by internal personnel and/or external trainers, with a propensity to teach and with strong experience in the reference sector (first aid, fire-fighting, work at height, etc.). Jobspecific training courses have been designed with a focus on the simulation of real cases and actual experiences, in order to make training meetings more effective. The approach to training aims to overcome the compulsory approach to encourage the active participation of all employees.

- **Cutting-edge plants:** continuous investment in increasingly modern and technologically advanced machinery reduced the levels of risk related to ergonomics and manual handling of loads and improved the systems to protect against physical risks.

- **Organisation:** the strong involvement and constant training of department heads and their awareness of obligations and responsibilities led to a clear improvement in all aspects of Health and Safety.

With reference to the Covid pandemic, in order to mitigate the risks of contagion, all Group companies promptly adopted preventive measures and strict protocols, which are currently in force and constantly adapted based on best practice.

In the Group companies based in Italy (Sabaf S.p.A., Faringosi Hinges s.r.l., A.R.C. s.r.l., C.M.I. s.r.l., C.G.D. s.r.l.), the risk assessment is carried out by the Employer through the collaboration of the Occupational Health and Safety Officer and the Company Physician, with the participation of all responsible parties (managers and representatives). The involvement of workers is envisaged, both through periodic meetings with safety representatives through the obligation to report possible additional risks. Equivalent systems, applied in accordance with applicable laws, are in place at the foreign offices. In Sabaf S.p.A., in Faringosi Hinges s.r.l., in C.M.I. s.r.l. and C.G.D. s.r.l., the health and safety management system has been certified according to ISO 45001 since 2017, 2021, 2022 and 2020, respectively. The management systems of the other Group companies are not certified. Moreover, the coordination at central level directs all companies towards a shared approach and methodology. For example, the support management system used at Sabaf S.p.A. has been gradually extended to certain subsidiaries (Faringosi Hinges, A.R.C., Sabaf do Brasil, Sabaf Turkey). The Group started the management and coordination of the related safety management systems for the recently acquired companies (Okida and the C.M.I. Group) as well.

EMPLOYEES

NUMBER AND DURATION OF INJURIES	2022	2021	2020
Hours worked	2,205,632	2,308,816	1,801,120
Near misses/Medical treatments without lost days	40	47	103
Recordable injuries[18] (absence < 6 months) - excluding fatalities	18	35	29
of which injuries while travelling to/from work[19]	0	0	0
High-consequence injuries (absence > 6 months) - excluding fatalities	0	1	0
of which injuries while travelling to/from work	0	0	0
Fatalities as a result of injuries	0	0	0
of which injuries while travelling to/from work	0	0	0
Days lost due to injury[20]	283	610	194
Total injuries - including fatalities	18	36	29
of which injuries while travelling to/from work	0	0	0

INJURY RATE (number of injuries x 1,000,000/hours worked)	2022	2021	2020
Recordable injury rate	*8.16*	*15.16*	*16.10*
High-consequence injury rate	*0.00*	*0.43*	*0.00*
Fatality rate as a result of injuries	*0.00*	*0.00*	*0.00*
Total injury rate	8.16	15.59	16.10

INJURY LOST DAY RATE (days of absence x 1,000/hours worked)	2022	2021	2020
Rate based on recordable and high-consequence injuries	0.13	0.26	0.11

In 2022, the injury rate and the lost day rate improved significantly and there were no accidents resulting in more than six months' absence.

The most common injuries are bruises and superficial cuts or burns.

[18] Recordable injury includes any occupational injury, including fatal injury, that occurs to a person during or as a result of work, resulting in absence from work for less than 6 months, alternative activities or medical treatment.
[19] Only if transport has been organised by the organisation and the transfers have taken place within working hours.
[20] Days lost in 2021 and 2021 injury lost day rate have been restated due to the continued absence of an injury in 2022.

EXTERNAL WORKERS

NUMBER AND DURATION OF INJURIES	2022	2021	2020
Hours worked	329,864	460,135	201,761
Recordable injuries[21] (absence < 6 months) - excluding fatalities	5	7	0
of which injuries while travelling to/from work[22]	0	0	0
High-consequence injuries (absence > 6 months) - excluding fatalities	0	0	1
of which injuries while travelling to/from work	0	0	0
Fatalities as a result of injuries	0	0	0
of which injuries while travelling to/from work	0	0	0
Days lost due to injury	42	76	198
Total injuries - including fatalities	5	7	1
of which injuries while travelling to/from work	0	0	0

INJURY RATE (number of injuries x 1,000,000/hours worked)	2022	2021	2020
Recordable injury rate	*15.16*	*15.21*	*0,00*
High-consequence injury rate	*0.00*	*0.00*	*4.96*
Fatality rate as a result of injuries	*0.00*	*0.00*	*0,00*
Total injury rate	15.16	15.21	4.96

INJURY LOST DAY RATE (days of absence x 1,000/hours worked)	2022	2021	2020
Rate based on recordable and high-consequence injuries	0.13	0.17	0.98

No cases of occupational disease were reported at Group level in 2022.
In compliance with the laws in force, Group companies prepared and implemented health supervisory plans for employees, with health inspections aimed at the specific risks of the work activities carried out.

[21] Recordable injury includes any occupational injury, including fatal injury, that occurs to a person during or as a result of work, resulting in absence from work for less than 6 months, alternative activities or medical treatment.
[22] Only if transport has been organised by the organisation and the transfers have taken place within working hours.

Sabaf, a health-promoting workplace

Since 2016, Sabaf S.p.A. has joined the WHP (Workplace Health Promotion) programme, committing itself to implementing **good practices** in the field of **workplace health promotion**.
The company is committed not only to implementing all measures to prevent accidents and occupational diseases but also to offering its workers opportunities to improve their health, reducing general risk factors and in particular those most involved in the genesis of chronic diseases.
Workplace health promotion is the result of the combined efforts of employers, workers and the company. The following factors contribute to this promotion:

- improving work organisation and the working environment;
- encouraging personnel to participate in healthy activities;
- promoting healthy choices;
- encouraging personal growth.

The central idea is simple: Sabaf aims to build, through a participatory process, a context that encourages the adoption of positive behaviour and choices for health.
The WHP Programme envisages the development of activities (good practices) in **6 thematic areas**: food, fight against smoking, fitness training, safe and sustainable mobility, fight against addictions, wellbeing/reconciling life and work.

Health and Well-being Prevention Campaign

Sabaf is on the side of women in the fight against breast cancer, a silent disease that led to 55,700 new breast cancer diagnoses in Italy in 2022.[23] Early diagnosis can actually save lives. For this reason, Sabaf promoted a company welfare project in collaboration with the ESA association, which has been promoting breast cancer prevention activities for years by raising awareness among women of the value of mammography screening as a tool for possible early diagnosis and therefore treatment of the disease.
In November 2022, Sabaf organised an information session with medical specialists for its employees and then offered a completely free breast check-up to all women in the company between the ages of 25 and 49.
A similar project was implemented in October 2022 in Turkey at the premises of Okida.

USE OF DANGEROUS SUBSTANCES

Only materials that fully comply with the requirements of Directive 2011/65/EU (RoHS Directive) which tends to limit the use of hazardous substances such as lead, mercury, cadmium and hexavalent chromium are used for production.

INDUSTRIAL RELATIONS

Sabaf complies with the labour laws of the various countries and the conventions of International Labour Organisation (ILO) on Workers' Rights (freedom of association and collective bargaining, consultation, right to strike, etc.), systematically promoting dialogue between the parties and seeking an adequate level of agreement and sharing of company strategies by the personnel.
In case of organisational changes, with regard to the minimum notice period, the Group complies with the provisions of the law and the reference contracts of the various countries.
In March 2022, the second level company agreement of Sabaf S.p.A. was renewed, valid until 31 December 2024.
The key points of this agreement are set below:

- the sharing between the company and trade unions and Unitary Union Representative Body of priorities on which to channel resources and energy in the coming years (producing quality, creating and maintaining efficiency, becoming more flexible);
- sharing objectives also through the responsible involvement of personnel;
- maintaining fair and transparent industrial relations while respecting individual roles;
- the establishment of working groups with the aim of improving the involvement of personnel at all levels;
- the continuation of the payment of a variable part of remuneration, the payment of which is related to measurable and verifiable quality and efficiency indicators; data on which dissemination and transparency will be maintained;
- the possibility of converting all or part of the variable performance bonus (VPB) into welfare;
- attention to the individual and family well-being of personnel through targeted policies (working hours, leave, etc.);
- a renewed commitment to ever more efficient solutions and targeted training programmes to maintain the already optimal level of health and safety for all employees.

In the Group companies, at 31 December 2022, 153 employees, or 12.4% of the total, were members of trade unions (in 2021, 150 employees, or 11.7% of the total, were members).
Hours of participation in trade union activities during 2022 amounted to 0.17% of the hours worked (0.24% in 2021).

[23] Data source: www.epicentro.iss.it/tumori/aggiornamenti.

PARTICIPATION IN TRADE UNION ACTIVITIES	2022	2021	2020	BENCHMARK[24]
Meeting				
Number of hours	862	1,537	209	
Percentage over hours worked	0.04	0.07	0.01	
Number of hours per capita	0.7	1.2	0.2	0.8
Leave for trade union duties				
Number of hours	1,921	1,766	1,009	
Percentage over hours worked	0.09	0.08	0.06	
Number of hours per capita	1.6	1.4	0.9	
Strike				
Number of hours	1,016	2,196	1,017	
Percentage over hours worked	0.05	0.10	0.06	
Number of hours per capita	0.8	1.7	0.9	1.3
TOTAL				
Number of hours	**3,798**	**5,499**	**2,235**	
Percentage over hours worked	**0.17**	**0.24**	**0.12**	
Number of hours per capita	**3.1**	**4.3**	**1.9**	

All strikes called in 2022 are related to public issues and never to specific company issues. In 2022, the Italian companies made use of the temporary unemployment fund for a total of 34,769 hours.

BUSINESS CLIMATE ANALYSIS

The Group conducts a business climate analysis every three years. Between July and October 2021, a climate analysis called "Conoscere e Ascoltare" (Knowing and Listening) was carried out in Sabaf S.p.A., C.M.I. (in Italy and Poland), C.G.D. and Faringosi Hinges.
The attendance was very high (601 total participants) and allowed people to express their perceptions of the key elements of their working life in our Group in a frank and direct manner. The summary of the results reveals an undoubtedly positive and encouraging picture. Among the elements of working life on which more than 70% of people expressed a positive perception are safety issues, the sense of belonging and pride in their company, and the canteen.
Note also that the possession of expertise deemed appropriate to one's job and the relationship with one's colleagues are the real treasures of living in the company, which contribute concretely to the foundation of the business climate in the Sabaf Group.
The results also give us an indication of the elements that people perceive as needing improvement, including the chapter on Training, Evaluation and Incentives and that on Information and Communication.

Sabaf Turkey and Okida are a GREAT PLACE TO WORK®

In January 2023, Sabaf Turkey and Okida were awarded the Great Place to Work ® certification, proving that the Turkish companies of the Sabaf Group are excellent workplaces, attentive to people's well-being and able to attract talent, increase employee motivation and improve employer branding.
The Great Place to Work® model puts people at the centre of every process, because a "great place to work" is "an environment where employees believe in the people they work for, take pride in what they do, and feel good about their colleagues.

The GPTW® model measures the working climate on the basis of 5 aspects:

- CREDIBILITY – Two-way Communication, Competence, Integrity
- RESPECT – Professional Development, Involvement, Care
- EQUITY– Fairness of treatment, Impartiality, Justice
- ORGANISATION – Individual work, Work group, Corporate image
- COHESION – Confidence, Hospitality, Collaboration.

DISPUTES

At 31 December 2022, a number of minor disputes with some former employees were outstanding.

[24] FEDERMECCANICA, L'industria metalmeccanica in cifre (June 2021) – Ore pro-capite di assenza dal lavoro (2019), http://www.federmeccanica.it

Sabaf and environment

RISKS

Environmental issues are managed through a risk-based approach, in line with the UNI EN ISO 14001:2015 standard. The relevant risk categories are set out below.

Risks of external context context(environmental sustainability), concerning climate change and the objectives of protecting the environment and the territory, through the reduction of environmental impacts and the containment of the use of natural and energy resources.These impacts are considered from the product design stage, through the different stages of its implementation and from a perspective that considers the whole life cycle of the product.
With regard to physical risks related to climate change, such as the increase in global temperatures, sea level and the increase in extreme weather events, the Group has not identified any significant risks to date. On the other hand, transitional risks, such as the increase in energy costs, changes in consumer choices or those related to the introduction of new technologies, which the Group manages at a strategic level, are of significant impact and probability.

Strategic risks, including collaboration with strategic service providers with potential environmental risk (waste collection and disposal, cleaning services, maintenances).

Legal and compliance risks, related to compliance with law requirements (authorisations and compliance obligations) and requests of local institutions, also with regard to reporting obligations.

The following paragraph describes how these risks are managed.

HEALTH AND SAFETY ENVIRONMENTAL AND ENERGY POLICY

PROGRAMME AND OBJECTIVES

The Group is committed to the following objectives:
- the prevention of pollution and rationalisation of the use of energy through the continuous improvement of its processes and products
- the efficiency in the use of natural and energy resources during production, with a special reference to water and energy consumption;
- the reduction of the quantity of waste produced and the improvement of its quality in terms of hazardousness and recoverability.

Sabaf S.p.A. adopted and maintains an Integrated Management System of Health and Safety, Environment and Energy (EHS&En) that, by integrating with the other Management Systems operating within the company, is an effective means of pursuing a constant reduction in risks, environmental impacts and energy consumption through the following instruments:
- the prior assessment of EHS&En aspects in all company processes, with particular focus on design, production processes and purchases;
- maintaining full compliance with current law requirements, proactively using them as elements of continuous process monitoring;
- a training and information system involving all employees and collaborators.

Since 2003, the Environmental Management System of the Ospitaletto production site (which covers approximately 50% of the Group's total production) has been certified in compliance with ISO 14001. The Sabaf Turkey production site was ISO 14001 certified in 2022.

In 2015, the Energy Management System implemented at the premises of Ospitaletto was certified in compliance with the ISO 50001 standard. In 2008, Sabaf S.p.A. obtained the Integrated Environmental Authorisation (IPPC) from the Lombardy Region pursuant to Legislative Decree 59 of 18 February 2005.

Sabaf's HSE function coordinates the management of environmental issues for all the Group's production sites.

PROCESS AND PRODUCT INNOVATION AND ENVIRONMENTAL SUSTAINABILITY

Cooking technologies and environmental sustainability

There is a widespread perception that the environmental impact of induction cooking (the most efficient form of electric cooking) is lower than that of gas cooking. Actually, the measurement of environmental impact cannot be separated from the consideration of the electricity production mix (fossil fuels, renewables, nuclear). An authoritative study shows that, given the electricity production mix in Italy, the total CO_2 emissions over the life cycle of an induction hob are 1,590 kg, more than 50% higher than the total emissions of a gas hob (1.50 kg).[25]
In the medium to long term, energy transition policies aimed at reducing fossil fuel production and promoting renewable energies will change the energy mix: it is estimated that an induction hob and a gas hob will be equivalent in terms of emissions when green energy production will be around 70%.[26]
In line with its plans for ecological transition, the Sabaf Group announced major investments to enter the induction cooking components sector, a market estimated at around €500 million and which has been growing steadily at a rate of over 10% for several years. Sabaf thus is present in all cooking technologies: gas, traditional electric and induction.

A possible revolution Hydrogen burners: the Hy4Heat project

The SABAF Group is one of the strategic suppliers of the UK government's Hy4Heat feasibility project. The Hy4Heat project aims to determine whether it is technically possible, safe and cost-effective to replace natural gas (methane) with 100% hydrogen in residential and commercial buildings and gas appliances. The Hy4Heat project is funded by BEIS (the UK Government's Department for Business, Energy and Industrial Strategy) and involves ten separate working groups.
The Sabaf Group, through its subsidiary A.R.C., participates in the Working Group 4, which deals with domestic cooking and heating appliances. A.R.C. developed and produced the burners that are now included in the world's first ranges of 100% hydrogen-powered cookers and hobs.
These were installed on Glen Dimpex cooking appliances at HyHome, two purpose-built houses featuring hydrogen-powered appliances in a "real life" scenario in Low Thornley, near Gateshead, in the North of England.
In the next phase, cooking appliances with hydrogen burners will be included for the Community Trial involving 300 homes, organised by Scottish Gas Networks (SGN) in Fife and starting in 2022. In addition to the Community Trial, the UK government intends to commission a Village Trial with around 2,500 homes in 2025 and a Town Trial (10,000 homes) in the last part of the decade, before potentially converting the entire UK gas network to hydrogen in the future.
A.R.C. also participates in the Working Group 5B (Development of Commercial Hydrogen Appliances, which includes commercial restaurant equipment) and has developed commercial hob burners for Falcon Foodservice Equipment Ltd.

[25] https://www.sciencedirect.com/science/article/abs/pii/S0959652618308011
Journal of Cleaner production - «Comparative life cycle assessment of cooking appliances in Italian
Claudio Favi [a], Michele Germani [b], Daniele Landi [b], Marco Mengarelli [c], Marta Rossi [b]
[a] Università degli Studi di Parma [b] Università Politecnica delle Marche [c] Energy Research Institute, Nanyang Technological University
[26] Internal estimate from publicly available data.

HIGH EFFICIENCY BURNERS

For many years, the Sabaf Group has been at the forefront in offering gas burners that are characterised by yields higher than standard burners.
In the range of standard single ring flame sizes, since the beginning of 2000 Sabaf has introduced four series of burners (Series III, AE, AEO and HE) to the market, all of which guarantee high energy efficiency, with an efficiency of up to 68%.
The DCC series of special burners was introduced in the range of special burners: they are characterised by an energy efficiency of over 60%, the highest available on the market today for multiple flame ring burners. Moreover, DCC burners with a brass flame-spreader ring and efficiency of more than 68% were produced specifically for the Chinese market, the top of what is currently available on that market.
High efficiency burners represent more than 30% of the total burners produced.

LIGHT ALLOY VALVES

The production of aluminium alloy valves has several advantages compared to the production of brass valves: elimination of the hot moulding phase of brass, lower lead content in the product, lower weight and consequent reduction in consumption for packaging and transport. Light alloy valves currently account for more than 90% of the valves produced by the Sabaf Group.

METAL WASHING

In the production process of valves and burners, it is essential to wash metals in several stages. Since 2013, Sabaf S.p.A. has been using a washing system based on a modified alcohol, a solvent that is redistillable (and therefore recyclable) due to its properties. The environmental impact and operating costs of this solvent have been substantially eliminated, as well as the emissions and production of special waste. This efficient and sustainable technology has also been used at the Sabaf do Brasil production site (since 2016) and at the Sabaf Turkey production site (since 2018).

ENVIRONMENTAL IMPACT

CDP

Aware of the value of complete and transparent disclosure, in 2022, Sabaf joined for the third consecutive year the **Climate Change** and **Water programmes of CDP**, an international non-profit organisation that provides businesses, local authorities and governments with a system to measure, track, manage and share information on the environment globally.
In particular, companies are required to participate in an annual survey on the impact of their activities on the environment, the management of their environmental risks and the results achieved. The aim is to make environmental performance central to business and investment decisions by leveraging information transparency. In its third year of participation, Sabaf received a C rating in the Climate Change section on a scale ranging from A to F.

MATERIALS USED AND RECYCLABILITY OF PRODUCTS

Sabaf products can be easily recycled because they are made almost entirely of brass, aluminium alloys, copper and steel.

(t)	2022 consumption	2021 consumption	2020 consumption
RAW MATERIALS			
Steel	20,587	26,801	26,046
Aluminium alloys	7,917	11,326	9,188
Brass	639	1,227	638
Enamel	301	289	246
Cast iron	168	144	96
Stainless steel	50	139	103
Tin solder	8	-	-
Zamak	6	12	10
Copper	6	7	8
Bronze	1	1	0
PACKAGING MATERIALS			
Wood	813	935	683
Cardboard	744	1,019	706
Plastic	282	281	220

38% of steel, 68% of aluminium alloys and 85% of brass used in 2022 are produced by scrap recycling; the remaining 67% of steel and 32% of aluminium alloys are produced from ore.
The use of recycled steel is constantly increasing.
The Group estimates that at least 37% of the cardboard and 91% of the plastic used for packaging comes from recycling.
Cardboard and wood are renewable materials.
The decreases in raw material and packaging consumption in 2022 reflect the Group's lower production levels compared to the previous year. Sabaf products fully comply with the requirements of Directive 2011/65/EU (RoHS Directive) which tends to limit the use of hazardous substances such as lead in the production of electrical and electronic equipment.
Moreover, Sabaf products fully comply with the requirements of Directive 2000/53/EC (End of Life Vehicles), i.e. the heavy metal content (lead, mercury, cadmium, hexavalent chromium) is below the limits imposed by the Directive and/or any exemptions.
With regard to the REACH Regulation (Regulation no. 1907/2006 of 18/12/2006), Sabaf is a downstream user of substances and preparations. The products supplied by Sabaf are classified as articles that do not give rise to the intentional emission of substances during normal use, therefore there is no registration of the substances contained in them.
Sabaf involved the suppliers to ensure that they fully comply with REACH Regulation and to obtain confirmation that they meet their obligations to pre-register and register the substances or preparations they use.
The data collected was used to complete the SCIP (Substances of Concern In Products) database as per the provisions of the ECHA agency.

ENERGY SOURCES[27]

		2022 consumption	2021 consumption	2020 consumption
Electricity	MWh	36,178	44,129	35,378
from renewable sources	*MWh*	*3,520*	*4,853*	*158*
from non-renewable sources	*MWh*	*32,658*	*39,276*	*35,220*
Natural gas	m³x1,000	4,090	5,474	4,478
Diesel oil	lx1,000	86	79	57
Petrol	lx1,000	15	12	17
GPL	lx1,000	0.10	0.10	0
TOTAL CONSUMPTION	**GJ**	**280,571**	**358,285**	**290,125**

The main sources used are:
- electricity, for all the equipment with electric power supply present, whether functional or not to the production process, which covers about 46% of the total energy requirement;
- natural gas, related to the operation of both production plants (foundry furnaces, washing burners, enamel kilns) and service plants (heating), which covers about 52% of total energy requirements.

Electricity from renewable sources is produced by a photovoltaic plant operating at the C.M.I. plant (63 MWh in 2022; 151 MWh in 2021) or comes from the purchase of I-REC certificates (3,457 MWh in 2022; 4,702 MWh in 2021). The lower consumption of renewable energy is related to the lower level of activity in Brazil, where 100% of electricity is generated from renewable sources.
Sabaf S.p.A., Sabaf do Brasil and Sabaf Turkey use natural gas as an energy source for the casting of aluminium and for the firing of enamelled lids. The production of other Group companies does not use methane as an energy source.

ENERGY INTENSITY

(kWh on turnover in €)	2022	2021	2020
Energy intensity	0.308	0.378	0.436

The trend in energy consumption is closely related to production levels; in relation to sales revenues, there was a decrease in consumption, which was also made possible by constant interventions aimed at improving the energy efficiency of plants.

[27] Updated factors published in 2020, 2021 and 2022, respectively, by the Department for Environment, Food and Rural Affairs (DEFRA) were used to calculate consumption.

WATER

(m^3)	2022	2021	2020
from waterworks	**71,982**	**69,109**	**50,682**
of which freshwater	71,982	69,109	50,682
of which other water	0	0	0
from well	**43,536**	**30,630**	**27,675**
of which freshwater	43,536	30,630	27,675
of which other water	0	0	0
rainwater	**464**	**2,708**	**-**
of which freshwater	0	0	-
of which other water	464	2,708	-
TOTAL[28]	**115,982**	**102,447**	**78,357**

All the water used in the production processes by Group companies is destined for disposal or internal recycling for reuse in company processes: as a consequence, there is no industrial waste water.
The water used in the die-casting and enamelling processes at the plant of Ospitaletto, at the end of the production processes, is treated in chemical/physical concentration plants that make it possible to significantly reduce the quantities of water required and waste produced. Since 2019, a concentration plant has also been in operation at the Brazilian production site.
At the Ospitaletto plant, there is a plant for the collection of rainwater intended for use in industrial activities. In 2022, 464 m^3 were collected (2,708 m^3 in 2021).

WASTE

Trimmings and waste from the production process are identified and collected separately for recycling or disposal. The risers deriving from aluminium die-casting are intended for direct reuse. The waste, broken down by type and method of disposal, is summarised below[29].

	2022 (t)	Incidence (%)	2021 (t)	Incidence (%)	2020 (t)	Incidence (%)
Similar to urban	**209**	**2.2**	**356**	**3.0**	**291**	**2.7**
Total hazardous	**1,618**	**16.7**	**2,238**	**18.7**	**2,256**	**21.1**
- reuse	73	0.7	185	1.5	142	1.3
- recycling	46	0.5	67	0.6	5	0.1
- incineration	1,222	12.6	1,421	11.9	1,135	10.6
- temporary storage	268	2.8	147	1.2	111	1.0
- other[30]	9	0.1	418	3.5	863	8.1
Total non-hazardous	**7,833**	**81.1**	**9,385**	**78.3**	**8,132**	**76.2**
- reuse	3,659	37.9	4,725	39.4	3,882	36.3
- recycling	2,478	25.6	2,427	20.3	2,068	19.4
- recovery	99	1.0	68	0.6	70	0.7
- incineration	392	4.1	856	7.0	690	6.5
- temporary storage	1,151	11.9	1,266	10.6	1,334	12.5
- other	54	0.6	43	0.4	88	0.8
Total waste	**9,660**	**100.0**	**11,979**	**100.0**	**10,679**	**100.0**

[28] The indicator does not include data relating to C.G.D. s.r.l. Depending on data availability, the amount of collected rainwater is also included from the 2021 reporting year.
[29] Data does not include the Polish branch of C.M.I. s.r.l.
[30] Includes landfill disposal.

The breakdown of waste according to composition is given below:

		2022 (t)	Incidence (%)	2021 (t)	Incidence (%)	2020 (t)	Incidence (%)
Metals		6,974	72.2	8,042	67.1	6,935	64.9
Liquid waste		1,551	16.1	2,611	21.8	2,606	24.4
Sludge and powdery waste		437	4.5	433	3.6	353	3.3
Packaging waste	Plastic	71	0.7	68	0.6	58	0.6
	Cardboar and paper	123	1.3	152	1.3	128	1.2
	Wood	212	2.2	297	2.5	269	2.5
Other		292	3.0	376	3.1	330	3.1
Total waste		**9,660**	**100.0**	**11,979**	**100.0**	**10,679**	**100.0**

	2022	2021	2020
Economic value generated by the Group *(€/000)*	268,082	267,918	190,001
Total hazardous waste/Generated economic value *(kg in €/000)*	6	8	12
Total waste/Generated economic value *(kg in €/000)*	36	45	56

The decrease in the volume of waste generated in 2022 is related to lower production levels.
The incidence of waste on the economic value generated by the Group decreased significantly. The Group continues its efforts to reduce the production of special hazardous waste, also by purchasing raw materials and substances that are already not hazardous originally.
All Group companies have separate waste collection.
No significant spills occurred in 2022.

EMARKET SDIR CERTIFIED

EMISSIONS INTO THE ATMOSPHERE

A large part of atmospheric emissions of the Sabaf Group derives from activities defined as "negligible pollution".

- Three production processes are carried out at Sabaf S.p.A.:
  - the production of the components that make up the burners (nozzle holder sumps and flame spreaders) involves the casting and subsequent die-casting of the aluminium alloy, sandblasting of the pieces, a series of mechanical processes with removal of material, washing of some components, assembly and testing. This production process results in the emission of negligible amounts of oily mists, as well as dust and carbon dioxide;
  - the production of burner covers, where steel is used as raw material, which is submitted to blanking and minting. The semi-finished covers are then used for washing, sandblasting, application and firing of enamel, a process that generates the emission of dust;
  - the production of valves and thermostats, in which mainly aluminium alloy, brass bars and moulded bodies and, to a much lesser extent, steel bars are used as raw materials. The production cycle is divided into the following phases: mechanical machining with removal of material, washing of semi-finished products and components obtained in this way, finishing of the coupling surface of bodies and masks with a diamond tool, assembly and final inspection of the finished product. This process generates negligible oily mists.
- The entire burner production process is carried out at Sabaf do Brasil and Sabaf Turkey. An analysis of the internal process shows that there are no significant emissions.
- In Faringosi Hinges s.r.l. and in the companies of the C.M.I. Group, steel is used as the main raw material for the production of hinges, and is subjected to a series of mechanical processing and assembly that do not involve any significant emissions.
- In A.R.C. s.r.l., professional burners are produced through mechanical processing and assembly, no significant emissions are recorded.
- Sabaf China carries out mechanical processing and burner assembly operations. Emissions are completely negligible.
- Electronic components (boards, timers, etc.) are assembled in Okida, the production activity generates negligible emissions.

The efficiency level of the filtration systems is ensured through their regular maintenance and the regular monitoring of all emissions. Monitoring in 2022 showed that all emissions complied with the limits imposed by the law.

CO_2 EMISSIONS [31]		**2022**	**2021**	**2020**
Scope 1 (direct emissions)	tCO_{2eq}	8,546	11,493	9,409
from refrigerant gases	tCO_{2eq}	*49*	*231*	*162*
from fuel consumption	tCO_2	*8,497*	*11,262*	*9,247*
Scope 2 (indirect emissions) – location-based	tCO_2	11,822	14,150	11,998
Scope 2 (indirect emissions) – market-based	tCO_2	14,604	17,641	14,969
Total emissions scope 1+2 (location-based)	tCO_{2eq}	**20,368**	**25,643**	**21,407**
Total emissions scope 1+2 (market-based)	tCO_{2eq}	**23,150**	**29,134**	**24,378**

INTENSITY OF CO_2 EMISSIONS *(tCO_{2eq} on turnover in millions of Euro)*		**2022**	**2021**	**2020**
Intensity of emissions (scope 1 and scope 2 market-based)	tCO_{2eq} / millions of Euro	91	111	132

During 2022, the Group started a project to measure scope 3 emissions.

The use of natural gas to power melting furnaces results in the emission of NOX and SOX into the atmosphere; however, these emissions are not significant. Sabaf does not currently contain any substances that damage the atmospheric ozone layer, with the exception of the refrigerant used in some air conditioners, which is managed in compliance with the reference standards.

DISPUTES

Over the three-year period from 2020 to 2022, the Group did not suffer any sanctions related to environmental compliance and no dispute is pending at 31 December 2022.

[31] The factors used for calculating emissions are:
- year 2020: Scope 1 fuels and F-GAS: Defra 2020 where available, otherwise Ispra 2016 - Scope 2 Location-based: Terna 2018 - Scope 2 market-based: AIB 2019, where available, otherwise Terna 2018;
- year 2021: Scope 1 fuels and F-GAS: Defra 2021 where available, otherwise Ispra 2016 - Scope 2 Location-based: Terna 2019 - Scope 2 market-based: AIB 2020, where available, otherwise Terna 2019;
- year 2022: Scope 1 fuels and F-GAS: Defra 2022 where available, otherwise Ispra 2016 - Scope 2 Location-based: Terna 2019 - Scope 2 market-based: AIB 2021, where available, otherwise Terna 2019.

The increase in refrigerant gas emissions in 2021 was due to the recharging and maintenance of air conditioning systems.

Sabaf, the management of product quality and customer relations

RISKS

The new UNI EN ISO 9001:2015 standard with which Sabaf complies, introduces the concept of a "risk-based approach", which is fundamental for planning the Quality Management System. The relevant risk categories in this area are set out below.

Strategic risks, including intellectual property protection (there is a risk that some Group products, even if under patent protection, may be copied by competitors) and collaboration with critical suppliers.

Legal and compliance risks, relating to non-compliance with product regulations: Sabaf operates in international markets that adopt different laws and regulations. The product must therefore comply with the mandatory and voluntary requirements and the organisation must be able to show this consistency to the certification bodies responsible for control.

Business continuity risks: risk of non-delivery to customers due to stoppages for reasons of force majeure (unavailability of raw materials or components, critical logistics and transport issues, production stoppages or delays, total or partial lockdowns). This risk has become increasingly likely and impactful over the past two years, requiring immediate responses from the organisation to avoid or minimise the consequences.

QUALITY MANAGEMENT POLICY

The Quality Management System has the aim of enabling the achievement of the following objectives:

- increasing customer satisfaction by understanding and meeting their present and future requirements;
- continuous improvement of processes and products, also aimed at protecting the environment and the safety of employees;
- involvement of partners and suppliers in the continuous improvement process, favouring the "comakership" logic;
- valuation of human resources;
- improvement of business performance and of the quality management system based on risk based thinking";
- meet the mandatory requirements applicable to the products (laws and regulations).

In order to contribute consistently to the pursuit of these objectives, the Sabaf Group undertakes a series of commitments explicitly stated in the Charter of Values:

- to act with transparency, correctness and contractual fairness;
- to communicate product information in a clear and transparent manner;
- to adopt a professional and helpful behaviour towards customers;
- not to give gifts to customers that exceed normal courtesy practices and that may tend to influence their objective assessment of the product;
- to guarantee high quality standards of the offered products;
- to ensure constant attention in technological research in order to offer innovative products;
- to collaborate with customer companies to ensure that the end user is fully confident in using the products;
- to promote social responsibility actions throughout the production chain;
- to listen to customers' requirements through constant monitoring of customer satisfaction and complaints, if any;
- to inform customers of potential risks related to the use of products, as well as the related environmental impact.

Group companies that have obtained quality certification according to the ISO 9001 standard

COMPANY	YEAR OF FIRST CERTIFICATION
Sabaf S.p.A.	1993
Faringosi Hinges s.r.l.	2001
C.G.D. s.r.l.	2002
C.M.I. s.r.l.	2003
Okida	2005
Sabaf do Brasil	2008
Sabaf Turkey	2015
C.M.I. s.r.l. - Polish branch	2022

During 2022, the Quality Management System was constantly monitored and maintained to ensure the correct implementation and compliance with the requirements of the ISO 9001 standard.
As part of the internal audit plan for 2022, a total of 26 functional areas of offices and production departments were checked at the Ospitaletto plant, 14 at Sabaf do Brasil and 13 at Sabaf Turkey. The results of these checks did not reveal any critical aspects of the system, which therefore fully complies with the regulations.
With regard to third-party inspections of the Quality Management System, annual inspections were carried out in 2022 at all certified plants, with the exception of the plant in Brazil, for which the next inspection is scheduled for 2023. The activities were successfully concluded, confirming the adequacy of the System and the maintenance of the ISO 9001 certification.
During the year 2022, Sabaf S.p.A.'s ISO 9001 certificate was extended to the plant in India.

CUSTOMER HEALTH AND SAFETY

Sabaf protects the health of consumers by checking that the materials that make up its products comply with the international directives in force (REACH and RoHS directives and completion of the SCIP database).
To ensure the safe operation of valves, thermostats and burners, Sabaf carries out leak tests on 100% of its production.
Valves and thermostats are also certified by third parties that guarantee compliance with the operating and safety requirements required to be marketed on the world market.
Hinges and electronic components do not pose a significant risk to consumer safety.
During the reporting period, there were no instances of non-compliance with regulations regarding the health and safety impacts of products.

CUSTOMER SATISFACTION

The customer satisfaction survey, carried out every two years, is part of the stakeholder engagement activities that Sabaf undertakes in order to constantly improve the quality of the services offered and to respond to customer expectations. The last investigation was made in 2021.

CUSTOMER COMPLAINT HANDLING

Sabaf systematically handles all complaints from customers. A specific process is in place and envisages:

- analysis of the alleged defect to assess its validity;
- identification of the causes of the defect;
- corrective actions necessary to prevent or limit the recurrence of the problem;
- customer feedback through 8D reports (quality management tool that enables a cross-functional team to determine the causes of problems and provide effective solutions).

DISPUTES

With the exception of actions to recover non-performing loans, there is no dispute with customers at 31 December 2022.

Sabaf and supply chain management

RISKS

The supply chain presents different types of risks, which must be assessed and monitored in order to limit the possibility of damage to the companies of the Group.

Risks of external context. Considering that a significant (although not predominant) portion of purchases takes place on international markets, the Group monitors and manages the risk of instability in supplier Countries.

Strategic risks related to a socially responsible approach along the supply chain (quality of supply, respect for human rights and protection of workers, respect for the environment, energy consumption). The definition of the criticality level, especially environmental and social, derives from a risk assessment that takes into account the type of process, product or service provided and the geographical location of the supplier.

Operational risks, manly related to:
- the continuity of supply, threatened by the shortage of many raw materials and critical components (e.g. microchips) and the global crisis in logistics; this aspect, which was particularly important in the period immediately after the outbreak of the pandemic and throughout 2021, gradually faded in the second half of 2022;
- the change in the prices of raw materials, electricity and gas, which in 2022 experienced sudden and large increases in several waves, also as a consequence of the Russia-Ukraine conflict.

SUPPLY CHAIN MANAGEMENT POLICY

All Group companies comply with the principles of conduct defined in the Charter of Values in managing relations with suppliers.
The Group is gradually implementing a purchasing management policy valid for all Group companies. Relations with suppliers of all Group companies are managed on the basis of uniform procedures.
With regard to the management by suppliers of quality, environment and social responsibility, if the law in force already requires Sabaf to meet the minimum requirements, the risk is considered to be lower, otherwise periodic audits are carried out on the management of these aspects. In 2022, class A and B suppliers were analysed to cover 95% of the expenditure[32]. This analysis revealed 38 cases of suppliers considered potentially critical, following which 35 audits were carried out from which no critical non-conformities were found but only observations. In connection with non-critical non-compliances, the suppliers were asked to take appropriate action.

RELATIONS WITH SUPPLIERS AND CONTRACTUAL CONDITIONS

The Group's strategic suppliers are represented by:

- suppliers of raw materials, such as steel alloys and non-ferrous metals (mainly aluminium and brass); these tend to be large groups with an international presence;
- suppliers of electronic components;
- suppliers of other components that are assembled into products manufactured by the Group;
- suppliers of machinery and equipment, with whom the Group has strong long-term relationships;
- various types of service providers.

Relations with suppliers are based on long-term collaboration and on fairness in negotiations, integrity and contractual fairness and the sharing of growth strategies.

To encourage the sharing with suppliers of the values that underpin its business model, Sabaf has distributed the Charter of Values in a widespread manner.
Sabaf guarantees absolute impartiality in the choice of suppliers and undertakes to strictly comply with the agreed payment terms. Very short payment terms are agreed for artisan and less structured suppliers (mainly 30 days).
Sabaf requires its suppliers to be able to renew themselves technologically, so that the best quality/price ratios can always be proposed, and favours suppliers who have obtained or are obtaining Quality and Environmental System certifications.
In 2022, the turnover of suppliers of the Sabaf Group with a Certified Quality System was equal to 75% of the total (72% in 2021).

[32] The data in the table does not take account of intercompany supplies. Values converted into euro at the annual average exchange rate.

PURCHASE ANALYSIS

As shown in the table below, the Sabaf Group aims to encourage development in the area in which it operates and, therefore, in selecting suppliers, favours local companies[33].

	Total 2022 purchases (€/000)	% domestic purchases	Total 2021 purchases (€/000)	% domestic purchases
Sabaf S.p.A.	93,826	79%	115,185	78%
Faringosi Hinges	12,208	99%	14,382	99%
A.R.C. s.r.l.	3,644	85%	4,186	85%
C.M.I. Group	35,783	98%	34,051	98%
Sabaf Turkey	21,084	67%	18,115	66%
Okida	16,113	69%	14,644	65%
Sabaf do Brasil	7,432	95%	21,550	95%
Sabaf China	2,718	100%	1,495	100%

DISPUTES

At 31 December 2022, there were no outstanding disputes with suppliers.

[33] The data in the table does not take account of intercompany supplies. Values converted into euro at the annual average exchange rates.

Sabaf, Public Administration and Community

RELATIONS WITH THE PUBLIC ADMINISTRATION

Sabaf has always had an open dialogue with the authorities in every local community in which it is present, in order to promote shared and sustainable industrial development, with positive repercussions for local communities.

APPROACH TO TAX

The Group, in line with the principles defined in the Charter of Values, acts according to the values of honesty, moral integrity, transparency and fairness also in the management of its tax activity. The Group also believes that the contribution from taxes paid is an important channel through which it can participate in the economic and social development of the countries in which it operates. For this reason, the Group pays attention to the compliance with tax regulations and therefore acts responsibly in the jurisdictions in which it is present.

Therefore, acting responsibly in terms of tax is for the Group a behaviour also oriented towards the protection of the company's assets and the creation of value in the medium-long term.

The Administration and Finance Department is responsible for managing tax issues. The Group has not defined a formalised tax strategy at Group level; individual companies operate in accordance with local tax regulations.

To date, the Group has no formalised tax governance. Responsibility for compliance lies with the Administration and Finance functions of each subsidiary, while the Administration and Finance Department of the parent company performs a supervisory, guidance and coordination function with regard to intra-group relations.
Tax risks are analysed and managed in accordance with the company's overall Enterprise Risk Management model.

To date, the Group has not received any requests from its stakeholders regarding tax issues. Should they arrive, they will be dealt with by the corporate functions in charge of compliance on this matter.

Relations with tax authorities are based on the principles of fairness and full compliance with the different regulations applicable in the Countries where the Group operates. Note that the Group does not engage in tax advocacy.

EMARKET SDIR CERTIFIED

REPORTING BY COUNTRY[34]

TAXES – 2022 COUNTRY-BY-COUNTRY REPORTING

(€/000)	ITALY	BRAZIL	TURKEY	CHINA	U.S.A.	INDIA	MEXICO	POLAND[35]	*TOTAL BEFORE CONSOLIDATION*	CONSOLIDATION ADJUSTMENTS	*TOTAL CONSOLIDATED FINANCIAL STATEMENTS*
Number of employees	652	75	456	8	-	-	-	47	*1,238*	-	*1,238*
Property, plant and equipment other than cash and cash equivalents	297,497	20,656	89,047	3,641	-	5,826	6,154	3,088	*425,909*	(171,595)	*254,314*
Sales to third parties	166,872	12,522	60,101	1,491	-	526	-	11,541	*253,053*	-	*253,053*
Intra-group revenues to other jurisdictions	25,669	-	3,270	1,398	285	-	-	980	*31,602*	(31,602)	-
Pre-tax profit	9,735	349	2,894	(762)	(26)	(366)	(194)	516	*12,146*	63	*12,209*
Income taxes paid	4,707	104	2,845	-	-	-	-	77	*7,733*	-	*7,733*
Income taxes for the year (A)	1,280	-	723	-	-	-	-	77	*2,080*	-	*2,080*
Differences between the theoretical tax burden and the tax burden booked in the financial statements (B)	1,056	119	(143)	(183)	(6)	(88)	(47)	47	*755*	-	*755*
Theoretical income tax (C) = (A)+(B)	*2,336*	*119*	*580*	*(183)*	*(6)*	*(88)*	*(47)*	*124*	*2,835*	-	*2,835*
Permanent tax differences (D)	215	7	-	-	-	-	-	-	*222*	-	*222*
Other changes (E)	(1,645)	-	(5,170)	183	6	88	47	(31)	*(6,522)*	-	*(6,522)*
Income taxes booked in the accounts, excluding IRAP and withholding taxes (current) (F) = (C)+(D)+(E)	*906*	*126*	*(4,590)*	-	-	-	-	*93*	*(3,465)*	*(55)*	*(3,520)*
IRAP (current) (G)	480	-	-	-	-	-	-	-	*480*	-	*480*
***Total* (H) = (F) + (G)**	*1,386*	*126*	*(4,590)*	-	-	-	-	*93*	*(2,985)*	*(55)*	*(3,040)*

[34] The names and main activities carried out by Group companies are listed in the paragraph "Corporate Governance, Risk Management and Compliance" of this document.
[35] CMI Polska z.o.o. was merged into C.M.I. Cerniere Meccaniche Industriali s.r.l. on 31 December 2021.

TAXES – 2021 COUNTRY-BY-COUNTRY REPORTING

(€/000)	ITALY	BRAZIL	TURKEY	CHINA	U.S.A.	INDIA	MEXICO	POLAND[36]	*TOTAL BEFORE CONSOLIDATION*	CONSOLIDATION ADJUSTMENTS	*TOTAL CONSOLIDATED FINANCIAL STATEMENTS*
Number of employees	667	112	447	7	-	-	-	45	*1,278*	-	*1,278*
Property, plant and equipment other than cash and cash equivalents	196,850	19,866	40,328	2,983	-	1,850	2,803	4,432	*269,112*	(31,989)	*237,123*
Sales to third parties	178,071	16,632	56,138	1,817	-	-	-	10,601	*263,259*	-	*263,259*
Intra-group revenues to other jurisdictions	26,873	-	3,191	212	254	-	-	768	*31,298*	(31,298)	-
Pre-tax profit	22,438	2,080	6,392	(446)	40	(57)	(134)	746	*31,059*	(1,379)	*29,680*
Income taxes paid	1,907	694	2,550	-	-	-	-	145	*5,296*	-	*5,296*
Income taxes for the year (A)	4,943	710	1,819	-	-	-	-	145	*7,617*	-	*7,617*
Differences between the theoretical tax burden and the tax burden booked in the financial statements (B)	441	(3)	(221)	-	-	-	-	(11)	*206*	-	*206*
Theoretical income tax (C)=(A)+(B)	*5,384*	*707*	*1,598*	*(105)*	-	-	-	*134*	*7,718*	-	*7,718*
Permanent tax differences (D)	198	(13)	-	-	-	-	-	-	*185*	-	*185*
Other changes (E)	(2,158)	-	(2,107)	105	-	-	-	11	*(4,149)*	-	*(4,149)*
Income taxes booked in the accounts, excluding IRAP and withholding taxes (current) (F)=(C)+(D)+(E)	*3,424*	*694*	*(509)*	-	-	-	-	*145*	*3,754*	*32*	*3,786*
IRAP (current) (G)	1,211	-	-	-	-	-	-	-	*1,211*	-	*1,211*
***Total* (H)=(F)+(G)**	*4,635*	*694*	*(509)*	-	-	-	-	*145*	*4,965*	*32*	*4,997*

[36] CMI Polska z.o.o. was merged into C.M.I. Cerniere Meccaniche Industriali s.r.l. on 31 December 2021.

EMARKET SDIR CERTIFIED

TAXES – 2020 COUNTRY-BY-COUNTRY REPORTING

(€/000)	ITALY	BRAZIL	TURKEY	CHINA	U.S.A.	INDIA	POLAND	*TOTAL BEFORE CONSOLIDATION*	CONSOLIDATION ADJUSTMENTS	*TOTAL CONSOLIDATED FINANCIAL STATEMENTS*
Number of employees	666	87	363	8	-	-	44	*1,168*	-	*1,168*
Property, plant and equipment other than cash and cash equivalents	167,729	13,345	39,057	1,808	-	1,585	3,636	*227,160*	(29,066)	*198,094*
Sales to third parties	123,156	12,347	38,881	1,092	-	-	9,430	*184,906*	-	*184,906*
Intra-group revenues to other jurisdictions	20,794	2	1,927	123	263	-	535	*23,645*	(23,645)	-
Pre-tax profit	8,693	2,307	4,516	(625)	78	(48)	719	*15,640*	(1,131)	*14,509*
Income taxes paid	240	790	1,969	-	-	-	-	*2,999*	-	*2,999*
Income taxes for the year (A)	1,770	791	951	-	-	-	129	*3,641*	-	*3,641*
Differences between the theoretical tax burden and the tax burden booked in the financial statements (B)	560	(6)	43	-	-	-	-	*597*	-	*597*
Theoretical income tax (C) = (A)+(B)	*2,330*	*785*	*994*	*(150)*	-	-	*129*	*4,088*	-	*4,088*
Permanent tax differences (D)	233	6	(265)	-	-	-	-	*(26)*	-	*(26)*
Other changes (E)	(1,332)	-	222	150	-	-	-	*(960)*	-	*(960)*
Income taxes booked in the accounts, excluding IRAP and withholding taxes (current) (F) = (C)+(D)+(E)	*1,231*	*791*	*951*	-	-	-	*129*	*3,102*	*(276)*	*2,826*
IRAP (current) (G)	539	-	-	-	-	-	-	*539*	-	*539*
***Total* (H) = (F) + (G)**	*1,770*	*791*	*951*	-	-	-	*129*	*3,641*	*(276)*	*3,365*

RELATIONS WITH INDUSTRIAL ASSOCIATIONS

Sabaf S.p.A. is one of the founders of **APPLiA Italia**, the association that develops and coordinates in Italy the study activities promoted at European level by APPLiA – Home Appliance Europe with the related scientific, legal and institutional implications in the household appliances sector. Sabaf S.p.A. has been a member of Confindustria Brescia since 2014.

RELATIONS WITH UNIVERSITIES AND THE STUDENT WORLD

Sabaf S.p.A. organises company visits with groups of students and bears witness of best practices on sustainability at important conferences.

FUTURA EXPO

Sabaf took part in the first edition of Futura Expo, the event promoted by the Brescia Chamber of Commerce that brought together Brescia's leading companies and institutions with the aim of developing a culture of sustainability and sharing best practices. From 2 to 4 October 2022, the event attracted 110 exhibitors and 22,000 visitors.
FUTURA EXPO was the occasion for the launch of the **PATTO PER LA SOSTENBIILITÀ BRESCIA 2050** (BRESCIA 2050 SUSTAINABILITY PACT), in which Sabaf and the other participants undertake to:

1. Quantifying one's greenhouse gas and pollutant emissions.
2. Defining appropriate measures and long-term strategies for decarbonisation and zero emissions, waste and consumption of natural resources.
3. Implementing the actions and measures of the previous point, bringing about tangible changes and innovations in the company's activities, such as improvements in efficiency, the use of renewable energy sources, sustainable logistics and mobility, the reduction of waste and consumption of resources, and any useful action to eliminate CO_2 emissions and pollutants.
4. Neutralising any remaining emissions by 2050 through additional, quantifiable, credible, permanent and socially responsible compensation.

CHARITABLE INITIATIVES AND PERKS

The values that the Sabaf Group embraces are those of peace and brotherhood between people. For this reason, at the beginning of March 2022, just a few days after the outbreak of the conflict between Russia and Ukraine, Sabaf launched a collection of products (medicines, medical products, food and other necessities) to help and support the Ukrainian people. The initiative was very well received by employees and collaborators. Sabaf contributed to the purchase and shipment of medicines.

In 2022, Sabaf joined the project to co-finance for six years the Chair of Associate Professor of Anaesthesiology in the new School of Specialisation in Medicine and Palliative Care at the University of Brescia (contribution of €50,000 per year). Sabaf is thus supporting an important postgraduate training programme in the city of Brescia, which is of great value to the entire community.

The Group's ongoing humanitarian initiatives include:

- support for the ANT Foundation, which provides free specialist medical home-care to cancer patients and cancer prevention activities;
- support for Associazione Volontari per il Servizio Internazionale (AVSI), a nongovernmental, non-profit organisation engaged in international development aid projects; the donations are intended to support twenty children living in different Countries of the world at a long distance.

Since 2019, Sabaf S.p.A. has been associated with Fondazione Spedali Civili di Brescia.

DISPUTES

At the beginning of 2023, a tax dispute in Sabaf Turkey was resolved. There was no charge to the Group as a result of the unfavourable outcome.

There are no other disputes with Public Bodies or other representatives of the community.

Sabaf and shareholders

THE COMPOSITION OF THE SHARE CAPITAL

The share capital of Sabaf S.p.A., fully subscribed and paid-up, is €11,533,450, consisting of 11,533,450 ordinary shares having the par value of €1.00 each. At the date of approval of this document (21 March 2023), a total of 4,302,028 shares had acquired voting rights (two votes for each share).

	NO. OF SHARES MAKING UP THE SHARE CAPITAL	NUMBER OF VOTING RIGHTS
TOTAL	**11,533,450**	**15,835,478**
of which:		
ordinary shares IT0001042610	7,231,422	7,231,422
ordinary shares with increased vote IT0005253338	4,302,028	8,604,056

The shareholders entered in the shareholders' register at 22 February 2023 were 1,899, of whom:
- 1,614 own up to 1,000 shares;
- 198 own 1,001 to 5,000 shares;
- 28 own 5,001 to 10,000 shares;
- 59 own over 10,000 shares.

29.36% of the share capital is held by shareholders resident abroad.

RELEVANT SHAREHOLDERS				
SHAREHOLDER	NUMBER OF SHARES	% OF SHARE CAPITAL	VOTING RIGHTS	% HELD
CINZIA SALERI S.a.p.A.	2,365,644	20.51%	3,049,644	19.26%
QUAESTIO CAPITAL MANAGEMENT SGR S.p.A.	2,306,690	20.00%	4,613,380	29.13%
FINTEL s.r.l.	898,722	7.79%	1,748,722	11.04%
PALOMA RHEEM INVESTMENTS, INC.	570,345	4.95%	1,031,683	6.52%

There are no other shareholders other than those highlighted above with a shareholding of more than 5%.

INVESTOR RELATIONS AND FINANCIAL ANALYSTS

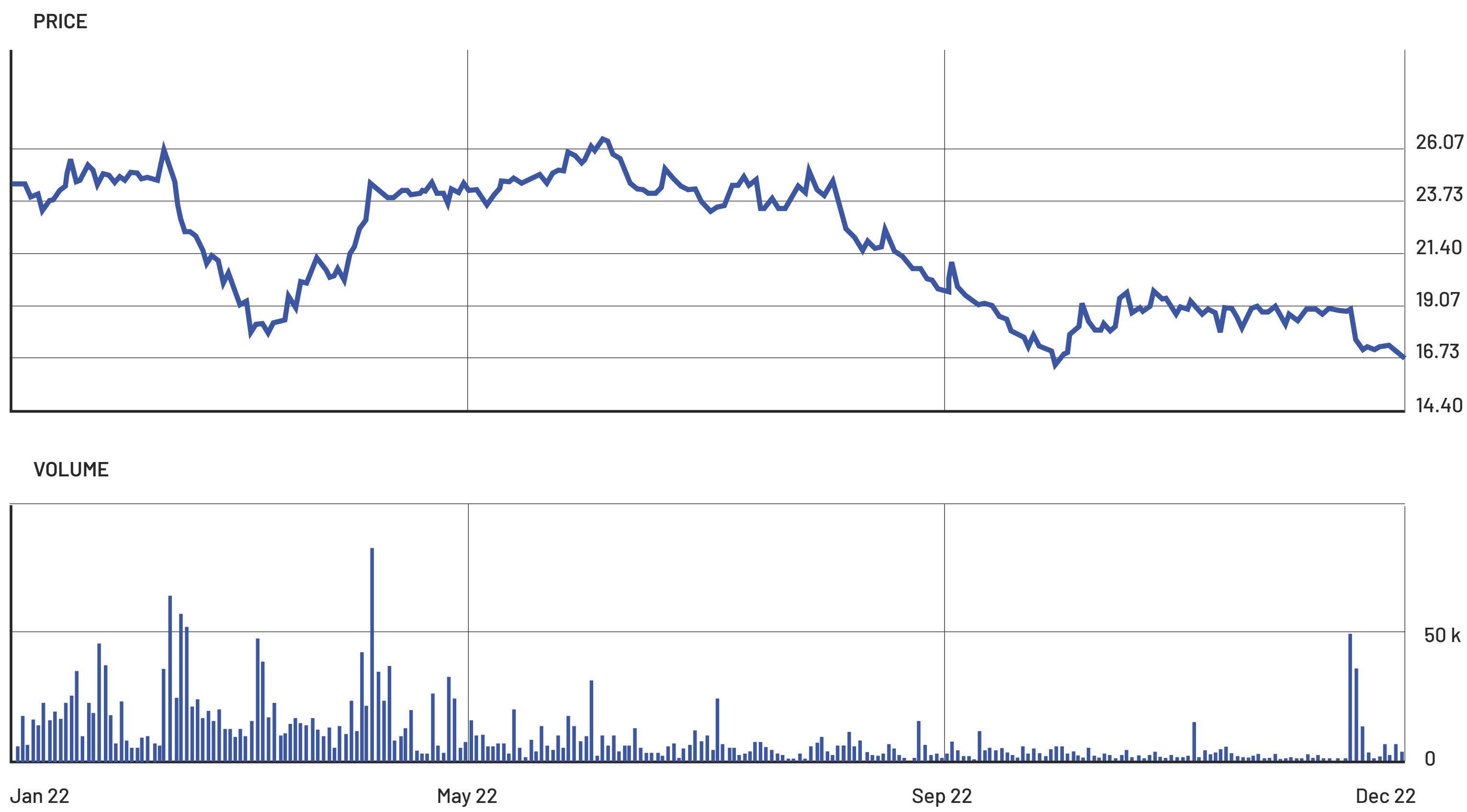
Since its listing on the Stock Exchange (1998), the Company has attached strategic importance to financial communication, which is based on the principles of fairness, transparency and continuity, in the belief that this approach allows investors to correctly evaluate the Company.
In this perspective, Sabaf guarantees maximum willingness to engage in dialogue with financial analysts, institutional investors and proxy advisors. On 10 February 2022, the Company adopted the Policy for the Management of Dialogue with Shareholders, which regulates the opportunities for communication and attendance with all the Investors that require contact with the Board of Directors on the following matters:
- corporate governance system;
- remuneration policies;
- internal control and risk management system;
- strategic and industrial plans of the Company;
- strategic guidelines and policies on environmental and social sustainability.

The Policy entrusts the management of the dialogue with investors to the Chairman, the Chief Executive Officer and the CFO, also severally.
In 2022, the Company participated in the Star Conference in March and Sustainability Week in September. The Company met with institutional investors as part of other roadshows organised in Milan, Vienna and Paris.

REMUNERATION OF SHAREHOLDERS AND SHARE PERFORMANCE

In 2022, the Sabaf share recorded the highest official price on 6 June (€26.619) and lowest on 30 September (€16.185). The average volume traded was 9,849 shares per day, equal to an average value of €223,623 (€461,570 in 2021).

2022 PERFORMANCE OF SABAF SHARES (PRICE AND VOLUMES TRADED)



SABAF VS. FTSE ITALIA STAR INDEX

The dividend policy aims to guarantee a valid remuneration of shareholders also through the annual dividend of €0.60 per share in 2022.

ESG INVESTMENT

ESG (Environment, Social, Governance) criteria are increasingly important parameters for the screening and selection of investments by investors. Also through the preparation of this Disclosure, Sabaf strives to ensure maximum transparency on its sustainability strategy, social and environmental performance and level of alignment with best practices in terms of governance.

DISPUTES

There is no dispute with shareholders.

Sabaf and lenders

At 31 December 2022, the net financial debt was €84.4 million, compared with €67.6 million at 31 December 2021; the ratio of net financial debt to EBITDA is 2.10 (1.25 at 31 December 2021).

RELATIONS WITH CREDIT INSTITUTIONS

Relations with banks have always been based on maximum transparency. Relations with institutions that are able to support the Group in all its financial needs and to propose solutions in a timely manner to meet specific needs are privileged.

OTHER LENDERS

In December 2021, Sabaf S.p.A. issued a €30 million bond fully subscribed by PRICOA with a maturity of 10 years and an average life of 8 years. This issue enabled Sabaf to diversify its sources of financing, improve financial flexibility and significantly lengthen the average duration of its debt.

DISPUTES

There is no dispute with the lenders.

Sabaf and competitors

TRENDS IN THE COOKING APPLIANCE MANUFACTURER SECTOR

The household appliance industry shows the following trends.

- **Concentration**, with a small number of large players present on a global scale. This trend is less evident for cooking appliances than for other household appliances: in the cooking sector, in fact, design and aesthetics on the one hand and the lower intensity of investments on the other allow the success of even small and highly innovative producers.
- **Internationalisation of production**, increasingly relocated to countries with low labour costs.
- **Outsourcing the design and production of components** to highly specialised suppliers who, like Sabaf, are active in the main world markets and are able to provide a range of products that meets the specific requirements of different markets.

MAIN ITALIAN AND INTERNATIONAL COMPETITORS

In Europe, Sabaf estimates that it has a market share of about 40% in the sector of gas parts. The world market share is over 10%. The Sabaf Group is also a world leader in hinges for oven doors and dishwashers. The main competitors of the Sabaf on the international market are Copreci, E.G.O. and Robertshaw. Copreci is a cooperative located in Spain in the Basque Country, part of Mondragon Cooperative Corporation and represents Sabaf's main competitor in terms of valves and thermostats.

E.G.O. is a major manufacturer of electronic components for household appliances based in Germany. In 2013, it acquired Defendi Italy (now E.G.O. Italia), a company mainly active in the production of burners in Italy and Brazil.

Robertshaw is the leading producer of gas parts for the North American market.

Main Italian and international competitors

	VALVES AND THERMOSTATS	BURNERS	HINGES	ELECTRONIC COMPONENTS
SABAF GROUP	●	●	●	●
Copreci (Spain)	●			●
E.G.O. (Germany, Italy)	●	●		●
Robertshaw (U.S.A.)	●	●		
Somipress (Italy)		●		
Nuova Star (Italy)			●	

2020 and 2021 economic data of the main Italian competitors[37]

	2021			2020		
(€/000)	SALES	EBIT	NET RESULT	SALES	EBIT	NET RESULT
SABAF GROUP	**263,259**	**37,508**	**23,903**	**184,906**	**20,093**	**13,961**
E.G.O. Italia	49,814	944	1,246	42,257	3,872	4,932
Somigroup Group	31,375	1,633	1,554	29,361	1,199	804
Nuova Star	59,844	2,751	2,628	40,924	657	395

Sabaf firmly believes that competition between companies promotes both an effective economy and sustainable growth. In making business decisions, Sabaf also takes into account the risk of behaviour that is detrimental to free competition. Currently, the Group has not adopted a formalised policy aimed at preventing anti-competitive behaviour. According to the information available, there is no evidence of anti-competitive behaviour or infringement of antitrust regulations.

DISPUTES

At 31 December 2022:

- there is a dispute pending against a competitor following an alleged violation of one of our patents;
- there is a dispute brought by a competitor due to an alleged violation of a patent.

[37] Sabaf processing from the financial statements of the various companies. Latest available data.

EU Taxonomy

The Regulation (EU) 2020/852 (known as "Taxonomy") is part of the European Union's initiatives in favour of sustainable finance and aims to provide investors and the market with a common language of sustainability metrics. The Taxonomy focuses on the identification of economic activities considered to be eco-sustainable, defined as those economic activities that contribute substantially to the achievement of at least one of the intended environmental objectives[38],provided that they do not cause significant damage to any of the other environmental objectives and are carried out in compliance with minimum safeguards. In June 2021, the European Commission formally adopted the Technical Delegated Acts defining the list of economic sectors and activities currently included in the Taxonomy and the related technical screening criteria to check whether they contribute substantially to achieving the environmental objectives of climate change mitigation and adaptation; further delegated acts are expected to be published during 2023 with regard to the remaining four environmental objectives.

The Sabaf Group immediately began analysing the regulations in order to understand their potential impact on the reporting process within the scope of its Disclosure of Non-Financial Information. This analysis showed that the Sabaf Group's revenues originate almost exclusively from the sale of components for household appliances, and these components are not included in the economic activities currently envisaged by the Taxonomy. Therefore, there are no "eligible" revenues, capital expenditures and operating expenses with respect to its core business. In this regard, note that, as confirmed by the Platform on Sustainable Finance, a body established pursuant to Article 20 of Regulation (EU) 2020/852 with advisory and support functions in favour of the European Commission on Taxonomy, the failure to identify revenues from "eligible" economic activities is not a measure of a company's environmental performance[39].

Note that the Group identified certain minor projects "eligible" for the Taxonomy as part of its activities, which refer in particular to the production of electricity using photovoltaic solar technology; however, in the light of the margins of the amounts involved, it was not considered appropriate to report on a timely basis in this context. The Sabaf Group will continue to monitor the evolution of the Taxonomy regulations in that the publication of further delegated acts relating to the remaining four environmental objectives (sustainable use and protection of water and marine resources, transition to a circular economy, prevention and reduction of pollution, and protection and restoration of biodiversity and ecosystems) could allow the Group's commitment in other areas of environmental sustainability to be reported and enhanced, such as recycling of raw and packaging materials and waste management.

[38] Art. 9 identifies the following environmental objectives: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circulareconomy, prevention and reduction of pollution, and protection and restoration of ecosystems and biodiversity.

[39] In the document called *Platform considerations on voluntary information as part of Taxonomy-eligibility reporting* enclosed with the European Commission's FAQs published in December 2021 it is stated that "*Eligibility is not an indicator of environmental performance; it is an indicator that an activity is in scope for testing and has the potential to be Taxonomy-aligned*".

GRI Content Index

Statement of use	Sabaf S.p.A. has reported in accordance with the GRI Standards for the period from January 2022 to 31 December 2022.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	Not currently available

GRI STANDARD	DISCLOSURE	PAGE/NOTE
GENERAL DISCLOSURES		
GRI 2: General Disclosures 2021	2-1 Organizational details	SABAF S.p.A. Via dei Carpini, 1 – 25035 Ospitaletto (BS) – Italy SABAF S.p.A. is a company listed on the Milan Stock Exchange. The countries in which the Sabaf Group operates and which are relevant to the topics discussed in this Disclosure are: Italy, Poland, Brazil, Turkey and China.
	2-2 Entities included in the organization's sustainability reporting	p. 28
	2-3 Reporting period, frequency and contact point	p. 28
	2-4 Restatements of information	Not applicable
	2-5 External assurance	pp. 111-113
	2-6 Activities, value chain and other business relationships	pp. 19-25, 95-96
	2-7 Employees	pp. 67-69, 75-76
	2-8 Workers who are not employees	p. 69
	2-9 Governance structure and composition	pp. 46-58
	2-10 Nomination and selection of the highest governance body	p. 49
	2-11 Chair of the highest governance body	p. 50
	2-12 Role of the highest governance body in overseeing the management of impacts	p. 56
	2-13 Delegation of responsibility for managing impacts	p. 56
	2-14 Role of the highest governance body in sustainability reporting	pp. 28, 56
	2-15 Conflicts of interest	p. 57
	2-16 Communication of critical concerns	p. 32
	2-17 Collective knowledge of the highest governance body	p. 56
	2-18 Evaluation of the performance of the highest governance body	pp. 53, 77-78
	2-19 Remuneration policies	pp. 77-78
	2-20 Process to determine remuneration	pp. 77-78
	2-21 Annual total compensation ratio	p. 80
	2-22 Statement on sustainable development strategy	pp. 29-30
	2-23 Policy commitments	pp. 31-43
	2-24 Embedding policy commitments	pp. 31-34, 40, 56
	2-25 Processes to remediate negative impacts	pp. 32, 40
	2-26 Mechanisms for seeking advice and raising concerns	p. 32
	2-27 Compliance with laws and regulations	pp. 65, 92
	2-28 Membership associations	pp. 42, 43, 101
	2-29 Approach to stakeholder engagement	pp. 40-41
	2-30 Collective bargaining agreements	p. 77

GRI STANDARD	DISCLOSURE	PAGE/NOTE
MATERIAL TOPICS		
GRI 3: Material Topics 2021	3-1 Process to determine material topics	pp. 44-45
	3-2 List of material topics	pp. 44-45
Performance economica		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 39-40, 44-45, 59-60
GRI 201: Economic performance 2016	201-1 Direct economic value generated and distributed	p. 39
Market presence		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 40, 44-45, 59-60, 66, 77-80
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	p. 80
Anti-corruption		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 40, 44-45, 59-60, 64
GRI 205: Anti-corruption 2016	205-3 Confirmed incidents of corruption and actions taken	p. 64
Anti-competitive behaviour		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 40, 44-45, 59-60, 105
GRI 206: Anti-competitive behaviour 2016	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	p. 105
Tax		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 40, 44-45, 59-60, 97
GRI 207: Tax 2019	207-1 Approach to tax	p. 97
	207-2 Tax governance, control and risk management	p. 97
	207-3 Stakeholder engagement and management of concerns related to tax	p. 97
	207-4 Country-by-Country Reporting	pp. 98-100
Materials		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 40, 44-45, 59-60, 86-89
GRI 301: Materials 2016	301-1 Materials used by weight or volume	pp. 88-89
Energy		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 40, 44-45, 59-60, 86-88
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	p. 89
	302-3 Energy intensity	p. 89
Emissions		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 40, 44-45, 59-60, 86-88, 92
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	p. 92
	305-2 Energy indirect (Scope 2) GHG emissions	p. 92
	305-4 GHG emissions intensity	p. 92

GRI STANDARD	DISCLOSURE	PAGE/NOTE
Waste		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 40, 44-45, 59-60, 86-88, 90-91
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	pp. 90-91
	306-2 Management of significant waste-related impacts	pp. 90-91
	306-3 Waste generated	pp. 90-91
Employment		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 40, 44-45, 59-60, 66, 70-73
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	pp. 70-73
Industrial relations		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 40, 44-45, 59-60, 66, 84-85
402: Labor/ Management relations 2016	402-1 Minimum notice periods regarding operational changes	p. 84
Health and safety		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 40, 44-45, 59-60, 66, 81-84
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	pp. 81-84
	403-2 Hazard identification, risk assessment, and incident investigation	pp. 81-84
	403-3 Occupational health services	pp. 81-84
	403-4 Worker participation, consultation, and communication on occupational health and safety	pp. 81-84
	403-5 Worker training on occupational health and safety	pp. 81-84
	403-6 Promotion of worker health	pp. 81-84
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	pp. 81-84
	403-9 Work-related injuries	pp. 82-83
Training and education		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 40, 44-45, 59-60, 66, 74
GRI 404: Training and education 2016	404-1 Average hours of training per year per employee	p. 74
Diversity and equal opportunities		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 40, 44-45, 49, 59-60, 66, 75-77
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	pp. 50-55, 75-77
Non-discrimination		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 40, 44-45, 59-60, 66
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	p. 66

GRI STANDARD	DISCLOSURE	PAGE/NOTE
Supplier social assessment		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 40, 44-45, 59-60, 95-96
GRI 414: Supplier social assessment 2016	414-2 Negative social impacts in the supply chain and actions taken	p. 95
Customer Health and Safety		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 40, 44-45, 59-60, 93-94
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	p. 94
Customer satisfaction and customer support		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 40, 44-45, 59-60, 93-94
GRI 416: Customer Health and Safety 2016	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	p. 94
TOPICS NOT COVERED BY SPECIFIC STANDARDS		
Partnership with multinational groups		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 35, 40, 44-45, 59-60

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Building a better working world

Independent auditors' report on the consolidated disclosure of non-financial information in accordance with Article 3, par. 10, of Legislative Decree 254/2016 and with Article 5 of CONSOB Regulation adopted with Resolution n. 20267 of January 18, 2018

(Translation from the original Italian text)

To the Board of Directors of
Sabaf S.p.A.

We have been appointed to perform a limited assurance engagement pursuant to Article 3, paragraph 10, of Legislative Decree 30 December 2016, n. 254 (hereinafter "Decree") and article 5 of CONSOB Regulation adopted with Resolution 20267/2018, on the consolidated disclosure of non-financial information of Sabaf S.p.A. and its subsidiaries (hereinafter the "Group" or "Sabaf Group") for the year ended on 31st December 2022 in accordance with article 4 of the Decree and approved by the Board of Directors on 21st March 2023 (hereinafter "DNF").

Our limited assurance engagement does not cover the information included in the paragraph "EU Taxonomy" of the DNF, that are required by art. 8 of the European Regulation 2020/852.

Responsibilities of Directors and Board of Statutory Auditors for the DNF

The Directors are responsible for the preparation of the DNF in accordance with the requirements of articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" defined by GRI – Global Reporting Initiative (hereinafter "GRI Standards"), identified by them as a reporting standard.

The Directors are also responsible, within the terms provided by law, for that part of internal control that they consider necessary in order to allow the preparation of the DNF that is free from material misstatements caused by fraud or not intentional behaviors or events.

The Directors are also responsible for identifying the contents of the DNF within the matters mentioned in article 3, par. 1, of the Decree, considering the business and the characteristics of the Group and to the extent deemed necessary to ensure the understanding of the Group's business, its performance, its results and its impact.

The Directors are also responsible for defining the Group's management and organization business model, as well as with reference to the matters identified and reported in the DNF, for the policies applied by the Group and for identifying and managing the risks generated or incurred by the Group.

The Board of Statutory Auditors is responsible, within the terms provided by the law, for overseeing the compliance with the requirements of the Decree.

Auditors' independence and quality control

We are independent in accordance with the ethics and independence principles of the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by International Ethics Standards Board for Accountants, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior. Our audit firm applies the International Standard on Quality Control 1 (ISQC

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Capitale Sociale Euro 2.525.000,00 i.v.
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Italia 1) and, as a result, maintains a quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

Auditors' responsibility

It is our responsibility to express, on the basis of the procedures performed, a conclusion about the compliance of the DNF with the requirements of the Decree and of the GRI Standards. Our work has been performed in accordance with the principle of "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. This principle requires the planning and execution of work in order to obtain a limited assurance that the DNF is free from material misstatements. Therefore, the extent of work performed in our examination was lower than that required for a full examination according to the ISAE 3000 Revised ("reasonable assurance engagement") and, hence, it does not provide assurance that we have become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

The procedures performed on the DNF were based on our professional judgment and included inquiries, primarily with company's personnel responsible for the preparation of the information included in the DNF, documents analysis, recalculations and other procedures in order to obtain evidences considered appropriate.

In particular, we have performed the following procedures:

1. analysis of the relevant matters in relation to the activities and characteristics of the Group reported in the DNF, in order to assess the reasonableness of the selection process applied in accordance with the provisions of article 3 of the Decree and considering the reporting standard applied;
2. analysis and evaluation of the criteria for identifying the consolidation area, in order to evaluate its compliance with the provisions of the Decree;
3. comparison of the economic and financial data and information included in the DNF with those included in the Sabaf Group's consolidated financial statements;
4. understanding of the following aspects:
    - Group's management and organization business model, with reference to the management of the matters indicated in the article 3 of the Decree;
    - policies adopted by the Group related to the matters indicated in the article 3 of the Decree, results achieved and related key performance indicators;
    - main risks, generated or suffered related to the matters indicated in the article 3 of the Decree.

    With regard to these aspects, we obtained the documentation supporting the information contained in the DNF and performed the procedures described in item 5. a) below
5. understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the DNF.
    In particular, we have conducted interviews and discussions with the management of Sabaf S.p.A. and with the personnel of Sabaf Do Brasil Ltda and we have performed limited

documentary evidence procedures, in order to collect information about the processes and procedures that support the collection, aggregation, processing and transmission of non-financial data and information to the management responsible for the preparation of the DNF.

Furthermore, for significant information, considering the Group activities and characteristics:

- at Group level
  a) with reference to the qualitative information included in the DNF, and in particular to the business model, policies implemented and main risks, we carried out inquiries and acquired supporting documentation to verify its consistency with the available evidence;
  b) with reference to quantitative information, we have performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct aggregation of data.

- for the São Paulo, Brasil site of Sabaf Do Brasil Ltda, that we have selected based on its activities, relevance to the consolidated performance indicators and location, we have carried out remote interviews during which we have had discussions with management and have obtained evidence about the appropriate application of the procedures and the calculation methods used to determine the indicators.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the DNF of the Sabaf Group for the year ended on 31st December 2022 has not been prepared, in all material aspects, in accordance with the requirements of articles 3 and 4 of the Decree and the GRI Standards.

Our conclusions on the DNF of the Sabaf Group does not refer to the information included in the paragraph "EU Taxonomy" of the DNF, that are required by art. 8 of the European Regulation 2020/852.

Brescia, 4th April, 2023

EY S.p.A.
Signed by: Marco Malaguti, Auditor

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

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BUSINESS AND FINANCIAL SITUATION OF THE GROUP

(€/000)	2022	%	2021	%	2022-2021 change	% change
Sales revenue	253,053	100%	263,259	100%	(10,206)	-3.9%
EBITDA	40,092	15.8%	54,140	20.6%	(14,048)	-25.9%
EBIT	21,887	8.6%	37,508	14.2%	(15,621)	-41.6%
Pre-tax profit	12,209	4.8%	29,680	11.3%	(17,471)	-58.9%
Profit attributable to the Group	15,249	6.0%	23,903	9.1%	(9,434)	-38.2%
Basic earnings per share (€)	1.355		2.132		(0.778)	-36.47%
Diluted earnings per share (€)	1.355		2.132		(0.778)	-36.47%

The Sabaf Group ended the 2022 financial year with sales revenue of €253.1 million, down 3.9% (-4.9% on a like-for-like basis) compared to €263.3 million in 2021, the company's historic record year. The household appliance market continued its positive trend in the first half of 2022, but then experienced a sharp downturn in the second half of the year, accentuated by a sharp decline in our customer inventories. Sales prices in 2022 were 8.4% higher than in 2021, largely offsetting considerable increases in the purchase prices of the main raw materials (aluminium alloys, steel and brass), electricity and gas.

EBITDA was €40.1 million (15.8% of turnover), down 25.9% from €54.1 million in 2021 (20.6% of turnover), and EBIT was €21.9 million (8.6% of turnover) compared to €37.5 million in 2021. Net profit was €15.2 million (6% of sales) compared to €23.9 million in 2021.

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

(€/000)	2022	%	2021	%	% change
Gas parts	158,340	62.6%	182,468	69.3%	-13.2%
Hinges	68,627	27.1%	58,375	22.3%	+17.6%
Electronic components	26,086	10.3%	22,416	8.4%	+16.4%
Total	**253,053**	**100%**	**263,259**	**100%**	**-3.9%**

Hinges and Electronic Components also confirmed a growth trend in 2022, while sales of gas components were adversely affected by the downturn in the main target markets (Europe and South America).

The geographical breakdown of revenues is shown below:

(€/000)	2022	%	2021	%	% change
Europe (excluding Turkey)	87,282	34.5%	92,935	35.3%	-6.1%
Turkey	66,845	26.4%	65,526	24.9%	+2.0%
North America	39,800	15.7%	30,472	11.6%	+30.6%
South America	28,503	11.3%	39,589	15.0%	-28.0%
Africa and Middle East	19,098	7.5%	19,614	7.5%	-2.6%
Asia and Oceania	11,525	4.6%	15,123	5.7%	-23.8%
Total	**253,053**	**100%**	**263,259**	**100%**	**-3.9%**

The best performing area was North America, up 30.6% to €39.8 million and where the Group aims to further increase its presence. The markets with the most significant declines were South America, although this was compared to an exceptionally strong 2021 (when sales were 43% higher than the 27.6 million euro in 2020), and Asia, which is still heavily affected by pandemic-related restrictions.

The impact of labour cost on sales decreased from 20.5% in 2021 to 19.7% in 2022.

The ratio of net financial expenses to turnover remained extremely low, while the application of IAS 29 to the financial statements of the Turkish subsidiaries resulted in a hyperinflationary expense of €9 million in the current year (for further details, please refer to the specific section "Hyperinflation – Turkey: application of IAS 29" in the Notes to the Consolidated Financial Statements at 31 December 2022).

During the year, the Group recognised in the income statement negative forex differences of €0.5 million (€7.4 million of negative forex differences were recognised in 2021).
In 2022, the Group recognised positive income taxes of €3 million with a positive tax rate of 25%. The main impacts on the tax rate are shown in Note 34 to the Consolidated Financial Statements.

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

(€/000)	31.12.2022	31.12.2021
Non-current assets	*171,276*	*130,093*
Short-term assets[2]	134,709	141,494
Short-term liabilities[3]	(55,329)	(72,863)
Working capital[4]	*79,380*	*68,631*
Provisions for risks and charges, Post-employment benefits, deferred taxes	*(10,128)*	*(8,681)*
Net invested capital	**240,528**	**190,043**
Short-term net financial position	*(6,030)*	*18,897*
Medium/long-term net financial position	*(78,336)*	*(86,504)*
Net financial debt	**(84,366)**	**(67,607)**
Shareholders' equity	**156,162**	**122,436**

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

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

(€/000)	2022	2021
Opening liquidity	***43,649***	***13,318***
Operating cash flow	*24,293*	*23,216*
Cash flow from investments	*(20,856)*	*(23,752)*
Free cash flow	3,437	(536)
Cash flow from financing activities	(16,886)	41,233
Acquisitions	(5,045)	(6,296)
Foreign exchange differences	(4,232)	(4,070)
Cash flow for the period	**(22,726)**	**30,331**
Closing liquidity	***20,923***	***43,649***

In 2022, the Group generated operating cash flow of €24.3 million (€23.2 million in 2021). At 31 December 2022, the impact of the net working capital on revenue was 31.4% compared to 26.1% at 31 December 2021.

In 2022, in line with the Business Plan, the Group invested €20.9 million (€23.8 million in 2021). This is mainly a non-recurring investment, aimed at expanding the international production footprint:

- in Turkey, where an integrated production line of hinges for dishwashers was started;
- in India, where the production of gas components (valves and burners) was started;
- in Mexico, where work on the construction of the plant in San Luis de Potosi continued.

The Group announced its entry into the induction cooking components market, a strategic initiative supported by a major research and development investment plan, for which a dedicated project team has been set up in Italy. The first prototypes were presented in the second half of 2022, while production will start no later than the first half of 2023.

On 3 October 2022, Sabaf S.p.A. completed the acquisition of 100% of P.G.A. S.r.l., a company based in Fabriano (AN) and operating for over 25 years in the field of design and assembly of electronic control boards for the household appliances sector, for an Enterprise Value of €9.76 million. The acquisition of P.G.A. reflects the objective of diversifying and broadening the offer set out in the Business Plan of the Group, in which the Electronics Division plays a fundamental role. P.G.A., which is excellent in terms of development capacity and at the forefront of quality production processes, integrates with Okida, which is increasingly contributing to the Group's results. Synergies to be developed include those for the production of induction cooking components.

In 2022, the positive free cash flow[5] generated by the Sabaf Group was €3.4 million (negative €0.5 million in 2021).

During the financial year, the Group paid dividends for €6.7 million and purchased treasury shares for €1.9 million. At 31 December 2022, net financial debt, including the acquisition of P.G.A., was €84.4 million (€67.6 million at 31 December 2021).

[5] Free cash flow is the difference between Cash Flows from operations and Net investments.

The change in net financial debt is summarised in the table below:

Net financial debt at 31 December 2021	***(67,607)***
Free cash flow	3,437
Dividends paid out	(6,690)
Buy-back of shares	(1,862)
Financial liabilities IFRS 16 - new contracts entered into in 2022	(437)
Change in fair value of derivative financial instruments	1,111
Change in the scope of consolidation	(7,941)
Foreign exchange differences and other changes	(4,377)
Net financial debt at 31 December 2022	***(84,366)***

At 31 December 2022, shareholders' equity amounted to €156.2 thousand; the ratio between the net financial debt and the shareholders' equity was 0.54 versus 0.55 in 2021.

ECONOMIC AND FINANCIAL INDICATORS

	2022		2021	
		pro forma[6]		pro forma[6]
Change in turnover	-3.9%	-4.9%	+42.4%	+42.3%
ROCE (return on capital employed)	9.10%		19.7%	
Net debt/EBITDA	2.10		1.25	
Net debt/equity ratio	54%		55%	
Market capitalisation (31/12)/equity ratio	1.23		2.26	

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

[6] The change in pro-forma turnover is calculated on a like-for-like basis.

RISK FACTORS

RISKS RELATED TO THE CONFLICT BETWEEN RUSSIA AND UKRAINE

The Sabaf Group has no significant direct exposure to the markets affected by the conflict or to sanctioned entities. These are markets supplied by our customers, who have generally reduced their business in the countries concerned in 2022, with an indirect impact on Sabaf Group sales that is difficult to quantify.

The conflict had a broad impact on the global economy, exacerbating price pressures and leading to a tightening of monetary policies, with obvious repercussions on the demand for consumer goods. For the Sabaf Group, the most significant impacts are related to price increases for steel, aluminium, natural gas and electricity, as described in the paragraph "Financial risks" below.

CLIMATE CHANGE AND ENERGY TRANSITION

With regard to physical risks related to climate change, such as the increase in global temperatures, sea level and the increase in extreme weather events, the Group has not identified any significant risks to date.

On the other hand, transitional risks, such as the increase in energy costs, changes in consumer choices or those related to the introduction of new technologies, which the Group manages at a strategic level, are of significant impact and probability. In line with its energy transition plans, the Group launched a major investment plan to enter the market for electromagnetic induction cooking components, which will complement the other cooking technologies already in the Sabaf range: gas and traditional electric.

As part of its periodic risk assessment process, the Group 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, the risks arising from the mismatch between market needs and product innovation.

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. In 2021, Sabaf opened a new plant in Turkey to increase production capacity for electronic components. Production of hinges for dishwashers for customers with production sites in Turkey was also started in 2022. In 2022, Turkey represented 20% of the Group's production and 26% of its total sales. The Turkish market is estimated to represent around 5% of the final destination of Sabaf components. 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 electric cooking), 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.

In 2022, the Group also announced its entry into the induction cooking components market. Sabaf will thus be present in all cooking technologies: gas, traditional electric and induction. Leveraging a total team of more than 50 electronic engineers, Sabaf developed its own project know-how internally by filing proprietary patents, software and hardware, and aspires to create innovative products that better meet customers' needs and new consumer trends. The first prototypes were presented in the second half of 2022, while production will start no later than the first half of 2023.

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. Metal prices rose sharply during 2022, forcing the Group to renegotiate sales prices several times to compensate for the increase in costs. Based on market conditions and contractual agreements, the Group may not be able to pass on changes in raw material prices to customers in a timely and/or complete manner, with consequent effects on margins.

- **Increase in energy costs:** some of the Group's production processes, such as the die-casting of aluminium parts and the enamelling of burner covers, use gas as an energy source. Other production facilities absorb significant electricity consumption. Rising energy costs, exacerbated by the Russia-Ukraine conflict, can have a significant impact on margins. In order to mitigate this risk, the Group is constantly evaluating possible actions to contain energy consumption, including by improving the efficiency of the most energy-intensive plants.

- **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 19.9% 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). Moreover, the net value of assets and liabilities in foreign subsidiaries constitutes an investment in foreign currency, which generates a translation difference on consolidation of the Group, with an impact on the comprehensive income statement and the financial position.

- **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 38 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 2022 were as follows:

Gas parts

- the feasibility study of a new 4kW multi-ring burner, based on the existing platform, was completed;
- burners for the US market have been industrialized;
- new versions of burners for the Indian market have been developed;
- new prototypes of burners powered 100% by hydrogen were developed;
- studies and tests for the qualification of a new alloy for special flame-spreaders were started;
- industrialization for the production of burners and valves in India has been completed.

Hinges

- a sliding hinge model for dishwashers was designed and developed;
- a low-cost hinge model for oven doors was industrialised;
- a system was integrated into the standard dishwasher product to increase the door balancing range;
- a new hinge model for dishwashers with an adjustment system was developed;
- a hinge for built-in and free-standing refrigerators is being studied.

Electronic components

- a new timer platform for oven is being developed for an important new customer;
- a new electronic hood control platform with integrated power board was developed;
- the range of controls for pyroceram hobs with Class B certification was expanded.

Induction

- five platforms offering over 90 different combinations of inductor, coil size and user interface are under development, with the aim of providing a modular and customisable product range based on each customer's specific requirements.

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 €2,506,000 were capitalised, as all the conditions set by international accounting standards were met; in other cases, they were charged to the income statement.

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 Disclosure of Non-Financial Information is included in the same file in which the Annual Financial Statement is 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 2022, 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 Disclosure of non-financial information.

ENVIRONMENT

In 2022 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 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 company 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 implemented or 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 38 of the Consolidated Financial Statements.

ATYPICAL OR UNUSUAL TRANSACTIONS

Sabaf Group companies did not execute any unusual or atypical transactions in 2022.

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., C.G.D. s.r.l., P.G.A. s.r.l. and PGA2.0 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 39 of the Consolidated Financial Statements and in Note 38 of the Separate Financial Statements of Sabaf S.p.A.

BUSINESS OUTLOOK

The first weeks of 2023 show a gradually improving trend in sales and orders. The destocking that characterised the second half of 2022 is over now, although sales in the first half of the year will remain lower than the record levels of early 2022. The Group expects a recovery in profitability made possible by the recovery in production volumes, lower energy and raw material prices, measures to reduce energy consumption.

Product diversification and internationalisation initiatives continue as planned. These will help to improve the Group's economic performance and ensure sustainable growth in the medium and long term. Specifically:

- efforts have been stepped up to develop induction cooking components (first deliveries are imminent);
- the technical and commercial integration of P.G.A. continues with the aim of strengthening its presence in the smart appliances and IoT sector for household appliances;
- the ramp-up of the production of gas components in India continues;
- construction of the plant in Mexico is nearing completion, where production of burners highly anticipated by the North American market will begin;
- at the Ospitaletto plant, work is about to start on a photovoltaic system that, with an installed capacity of 2 MW, will cover a significant portion of the plant's energy requirements.

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

(€/000)	2022	2021	Change	% change
Sales revenue	119,090	144,034	(24,944)	-17.3%
EBITDA	8,518	23,078	(14,560)	-63.1%
EBIT	790	13,837	(13,047)	-94.3%
Pre-tax profit (EBT)	1,722	14,227	(12,505)	-87.9%
Net Profit	2,247	10,044	(7,797)	-77.6%

The reclassification based on financial criteria is illustrated below:

(€/000)	31.12.2022	31.12.2021
Non-current assets[7]	*170,151*	*142,549*
Non-current financial assets	*10,972*	*10,708*
Short-term assets[8]	61,496	82,572
Short-term liabilities[9]	(30,296)	(46,453)
Working capital[10]	*31,200*	*36,119*
Provisions for risks and charges, Post-employment benefits, deferred taxes	*(2,664)*	*(2,954)*
Net invested capital	**209,659**	**186,422**
Short-term net financial position	*(22,298)*	*10,502*
Medium/long-term net financial position	*(76,336)*	*(82,515)*
Total financial debt[11]	**(98,634)**	**(72,013)**
Shareholders' equity	**111,025**	**114,409**

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

(€/000)	2022	2021
Opening liquidity	***29,733***	***1,595***
Operating cash flow	*14,096*	*17,187*
Cash flow from investments (net of divestments)	*(33,836)*	*(28,407)*
Free cash flow	(19,740)	(11,220)
Cash flow from financing activities	(7,389)	39,358
Cash flow for the period	**(27,129)**	**28,138**
Closing liquidity	***2,604***	***29,733***

[7] Excluding Financial assets.
[8] Sum of Inventories, Trade receivables, Tax receivables and Other current receivables.
[9] Sum of Trade payables, Tax payables and Other liabilities.
[10] Difference between short-term assets and short-term liabilities.
[11] Determined in accordance with Consob Communication of 28 July 2006 (Note 23 of the Separate Financial Statements).

The financial year 2022 ended with a turnover 17.3% lower than in 2021, an extremely positive year for the Company, due to the progressive deterioration in demand in the main markets served by the Company.
The investments of the financial year were used:

- for €8.4 million for tangible assets (plant, machinery, equipment);
- for €2.7 million for intangible assets (mainly development costs);
- for €21 million to subscribe to capital increases in subsidiaries, in order to financially support their development plans;
- for €6.3 million for the acquisition of 100% of the capital of P.G.A. s.r.l.

At 31 December 2022, working capital stood at €31.2 million compared with €36.1 million at the end of the previous year: its percentage impact on turnover stood at 26.2% from 25.1% at the end of 2021.
The net financial debt was €98.6 million, compared with €72 million at 31 December 2021.
At the end of the year, shareholders' equity amounted to €111 million, compared with €114.4 million in 2021. The ratio between the net financial debt and the shareholders' equity was 89%; it was 63% at the end of 2021.

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 2022 financial year and Group shareholders' equity at 31 December 2022 with the same values of the parent company Sabaf S.p.A. is given below:

	31.12.2022		31.12.2021	
Description	**Profit for the year**	**Shareholders' equity**	**Profit for the year**	**Shareholders' equity**
Profit and shareholders' equity of parent company Sabaf S.p.A.	**2,247**	**111,025**	**10,044**	**114,409**
Equity and consolidated company results	19,541	132,974	15,008	96,538
Derecognition of the carrying value of consolidated equity investments	722	(110,465)	300	(86,089)
Monetary revaluation - hyperinflation (IAS 29)	(6,077)	25,729	-	-
Put options on minorities	-	-	438	-
Intercompany eliminations	(1,176)	(3,013)	(1,250)	(2,414)
Other adjustments	(8)	(88)	143	(8)
Minority interests	-	-	(780)	(911)
Profit and shareholders' equity attributable to the Group	**15,249**	**156,162**	**23,903**	**121,525**

Proposal for allocation of 2022 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 2022, with the proposal to allocate the profit for the year of €2,246,997 entirely to the Extraordinary Reserve.

Ospitaletto, 21 March 2023

The Board of Directors

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022

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EMARKET SDIR CERTIFIED

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 Sirketi (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.
100%

Sabaf India Private Limited
100%

Sabaf Mexico Appliance Components S.A. de c.v.
100%

C.M.I. s.r.l.
100%

C.G.D. s.r.l.
100%

P.G.A. s.r.l.
100%

P.G.A.2.0 s.r.l.
100%

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
Statutory Auditor	Maria Alessandra Zunino de Pignier
Statutory Auditor	Mauro Vivenzi

Independent Auditors

EY S.p.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€/000)	Notes	31.12.2022	31.12.2021
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	1	99,605	82,407
Investment property	2	983	2,311
Intangible assets	4	54,168	35,553
Equity investments	5	97	83
Non-current receivables	6	2,752	1,100
Deferred tax assets	22	13,145	8,639
TOTAL NON-CURRENT ASSETS		**170,750**	**130,093**
CURRENT ASSETS			
Inventories	7	64,426	64,153
Trade receivables	8	59,159	68,040
Tax receivables	9	8,214	6,165
Other current receivables	10	2,910	3,136
Current financial assets	11	2,497	1,172
Cash and cash equivalents	12	20,923	43,649
TOTAL CURRENT ASSETS		**158,129**	**186,315**
ASSETS HELD FOR SALE	3	526	0
TOTAL ASSETS		**329,405**	**316,408**

SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	13	11,533	11,533
Retained earnings, Other reserves	14	129,380	86,089
Profit for the year		15,249	23,903
Total equity interest of the Group		*156,162*	*121,525*
Minority interests		-	*911*
TOTAL SHAREHOLDERS' EQUITY		**156,162**	**122,436**
NON-CURRENT LIABILITIES			
Loans	15	78,336	86,504
Post-employment benefit and retirement provisions	17	3,661	3,408
Provisions for risks and charges	18	639	1,334
Deferred tax liabilities	22	5,828	3,939
TOTAL NON-CURRENT LIABILITIES		**88,464**	**95,185**
CURRENT LIABILITIES			
Loans	15	28,876	24,405
Other financial liabilities	16	574	1,519
Trade payables	19	39,628	54,837
Tax payables	20	2,545	4,951
Other payables	21	13,156	13,075
TOTAL CURRENT LIABILITIES		**84,779**	**98,787**
LIABILITIES HELD FOR SALE		0	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**329,405**	**316,408**

EMARKET SDIR CERTIFIED

CONSOLIDATED INCOME STATEMENT

(€/000)	Notes	2022	2021
INCOME STATEMENT COMPONENTS			
OPERATING REVENUE AND INCOME			
Revenue	**24**	253,053	263,259
Other income	**25**	10,188	8,661
TOTAL OPERATING REVENUE AND INCOME		**263,241**	**271,920**
OPERATING COSTS			
Materials	**26**	(124,331)	(142,355)
Change in inventories		(513)	29,922
Services	**27**	(50,180)	(52,377)
Personnel costs	**28**	(49,926)	(53,964)
Other operating costs	**29**	(1,631)	(1,531)
Costs for capitalised in-house work		3,432	2,525
TOTAL OPERATING COSTS		**(223,149)**	**(217,780)**
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS		**40,092**	**54,140**
Depreciations and amortisation	**1, 2, 4**	(18,267)	(16,869)
Capital gains on disposals of non-current assets		251	237
Value adjustments of non-current assets		(189)	-
EBIT		**21,887**	**37,508**
Financial income	**30**	1,917	750
Financial expenses	**31**	(2,009)	(1,179)
Net income/(expenses) from hyperinflation	**31**	(9,023)	-
Exchange rate gains and losses	**32**	(515)	(7,399)
Profits and losses from equity investments	**33**	(48)	-
PROFIT BEFORE TAXES		**12,209**	**29,680**
Income taxes	**34**	3,040	(4,997)
PROFIT FOR THE YEAR		**15,249**	**24,683**
of which:			
Minority interests		-	780
PROFIT ATTRIBUTABLE TO THE GROUP		**15,249**	**23,903**
EARNINGS PER SHARE (EPS)	**35**		
Base (€)		**1.355**	**2.132**
Diluted (€)		**1.355**	**2.132**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€/000)	2022	2021
PROFIT FOR THE YEAR	**15,249**	**24,683**
Total profits/losses that will not be subsequently reclassified under profit (loss) for the year		
Actuarial evaluation of post-employment benefit	254	26
Tax effect	(61)	(6)
	193	**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	(8,660)	(14,552)
Hedge accounting for derivative financial instruments	151	(398)
TOTAL OTHER PROFITS/(LOSSES) NET OF TAXES FOR THE YEAR	**(8,316)**	**(14,930)**

TOTAL PROFIT	**6,933**	**9,753**
of which:		
Net profit for the period attributable to minority interests	-	780
Total profits/losses that will be subsequently reclassified under profit (loss) for the year	-	-
TOTAL PROFIT ATTRIBUTABLE TO MINORITY INTERESTS	**0**	**780**
TOTAL PROFIT ATTRIBUTABLE TO THE GROUP	**6,933**	**8,973**

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 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							7,789	(7,789)	0		0
- dividends								(6,172)	(6,172)		(6,172)
IFRS 2 measurement stock grant plan							805		805		805
Treasury share transactions				438			(438)		0		0
Change in the scope of consolidation							4,909		4,909	(4,678)	231
Other changes							12		12		12
Total profit at 31 December 2021					(14,552)	20	(398)	23,903	8,973	780	9,753
Balance at 31 December 2021	**11,533**	**10,002**	**2,307**	**(3,903)**	**(46,055)**	**(521)**	**124,259**	**23,903**	**121,525**	**911**	**122,436**
Monetary revaluation - hyperinflation (IAS 29)							11,402		11,402		11,402
Balance at 1 January 2022 restated	**11,533**	**10,002**	**2,307**	**(3,903)**	**(46,055)**	**(521)**	**135,661**	**23,903**	**132,927**	**911**	**133,838**
Allocation of 2021 profit											
- carried forward							17,145	(17,145)	0		0
- dividends								(6,758)	(6,758)		(6,758)
IFRS 2 measurement stock grant plan							1,134		1,134		1,134
Treasury share transactions				682			(875)		(193)		(193)
Change in the scope of consolidation							784		784	(911)	(127)
Change in the scope of consolidation Monetary revaluation - hyperinflation (IAS 29)							21,346		21,346		21,346
Other changes							(11)		(11)		(11)
Total profit at 31 December 2022					(8,660)	193	151	15,249	6,933		6,933
Balance at 31 December 2022	**11,533**	**10,002**	**2,307**	**(3,221)**	**(54,715)**	**(328)**	**175,335**	**15,249**	**156,162**	**0**	**156,162**

CONSOLIDATED STATEMENT OF CASH FLOWS

(€/000)	2022	2021
Cash and cash equivalents at beginning of year	***43,649***	***13,318***
Profit for the year	15,249	24,683
Adjustments for:		
- Depreciations and amortisation	18,267	16,869
- Write-downs of non-current assets	189	-
- Realised gains/losses	(251)	(237)
- Valuation of the stock grant plan	1,134	805
- Profits and losses from equity investments	48	-
Monetary revaluation IAS 29	6,077	-
- Net financial income and expenses	(1,783)	429
- Income tax	(2,472)	4,997
Change in post-employment benefit	(197)	(85)
Change in risk provisions	(860)	(99)
Change in trade receivables	*10,312*	*(4,604)*
Change in inventories	*3,890*	*(24,929)*
Change in trade payables	*(17,156)*	*13,064*
Change in net working capital	(2,954)	(16,469)
Change in other receivables and payables, deferred taxes	1,430	(1,515)
Payment of taxes	(7,733)	(5,296)
Payment of financial expenses	(2,097)	(1,167)
Collection of financial income	246	301
Cash flows from operations	**24,293**	**23,216**
Investments in non-current assets		
- intangible	(3,153)	(2,106)
- tangible	(19,152)	(22,803)
- financial	-	-
Disposal of non-current assets	1,449	1,157
Cash flow absorbed by investments	**(20,856)**	**(23,752)**
Free Cash Flow	**3,437**	**(536)**
Repayment of loans	(37,955)	(47,381)
Raising of loans	29,236	94,726
Short-term financial assets	385	60
Purchase/sale of treasury shares	(1,862)	-
Payment of dividends	(6,690)	(6,172)
Cash flow absorbed by financing activities	**(16,886)**	**41,233**
A.R.C. acquisition	-	(1,650)
C.M.I. acquisition	-	(4,743)
P.G.A. acquisition	(4,948)	-
A.R.C. Handan consolidation/deconsolidation	(97)	97
Foreign exchange differences	(4,232)	(4,070)
Net cash flows for the year	**(22,726)**	**30,331**
Cash and cash equivalents at end of year (Note 12)	***20,923***	***43,649***

Explanatory Notes

ACCOUNTING STANDARDS

STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

The Consolidated Financial Statements of the Sabaf Group for the 2022 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). They have been prepared in euro, the currency of the economies in which the Group mainly operates, rounding to the nearest thousand, and are compared with the previous year's Consolidated Financial Statements prepared in accordance with the same standards, except for IAS 29, which has been applied from 2022 onwards to the financial statements of the Turkish subsidiaries (for further details, please refer to the specific paragraph Hyperinflation – Turkey: application of IAS 29). 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 2022 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 Sirketi (Sabaf Turkey)
- Sabaf Appliance Components (Kunshan) Co., Ltd.
- A.R.C. s.r.l.
- Okida Elektronik Sanayi ve Tickaret A.S.
- Sabaf U.S.
- Sabaf India Private Limited
- Sabaf Mexico Appliance Components S.A. de c.v.
- C.M.I. s.r.l.
- C.G.D. s.r.l.
- P.G.A. s.r.l.
- P.G.A.2.0 s.r.l.

Compared to the Consolidated Financial Statements at 31 December 2021, Handan ARC Burners Co. Ltd. is no longer consolidated. The 51% stake, which was held indirectly through A.R.C. s.r.l., was sold to a third party during the first quarter of 2022. The plant, equipment and inventories of Handan ARC Burners Co. Ltd. were simultaneously acquired by Sabaf Appliance Components Kunshan Co., Ltd. (Sabaf China). This operation did not have a significant impact on the Group's shareholders' equity.

In October 2022, Sabaf S.p.A. completed the purchase of 100% of the share capital of P.G.A. S.r.l. (P.G.A.), a company based in Fabriano (AN) and operating for over 25 years in the field of design and assembly of electronic control boards for the household appliances sector. P.G.A. s.r.l. holds 100% of the share capital of PGA 2.0 s.r.l., a business unit dedicated to the design and prototyping of innovative solutions based on interconnection and the Internet of Things (IoT).

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.

INFORMATION RELATED TO IFRS 3

As at 3 October 2022, the P.G.A. Group , which has been active for more than 25 years in the field of design and assembly of electronic control boards for the household appliances sector, was consolidated. The Report on Operations describes the purpose of the transaction and the expected synergies.
The allocation of the price paid for the acquisition of the P.G.A. Group on the net assets acquired (Purchase Price Allocation) was completed during 2022. Specifically, in accordance with IFRS 3 revised, the fair value of assets, liabilities and contingent liabilities was recognised at the acquisition date, the effects of which are shown in the table below:

	Original values at 03/10/2022	Purchase Price Allocation	Fair value of assets and liabilities acquired
ASSETS			
Property, plant and equipment and intangible assets	3,808	4,541	8,349
Inventories	2,909	(150)	2,759
Trade receivables	1,433	-	1,433
Other receivables	773	848	1,621
Cash and cash equivalents	1,378	-	1,378
TOTAL ASSETS	**10,301**	**5,239**	**15,540**
LIABILITIES			
Post-employment benefit provision	(643)	-	(643)
Provisions for risks and charges	-	(165)	(165)
Deferred tax liabilities	(18)	(1,290)	(1,308)
Financial payables	(2,350)	-	(2,350)
Trade payables	(1,964)	-	(1,964)
Other payables	(1,194)	(616)	(1,810)
TOTAL LIABILITIES	**(6,169)**	**(2,071)**	**(8,240)**
VALUE OF NET ASSETS ACQUIRED (a)	**4,132**	**3,168**	7,300
Total cost of acquisition (b)	8,427		8,427
Goodwill deriving from acquisition (c = b-a)	4,295		1,127
Price adjustments (d)	433		
Acquired cash and cash equivalents (e)	1,378		
Sale of treasury shares in exchange (f)	1,668		
Net cash outlay (b-d-e-f)	4,948		

The acquisition price was determined based on an Enterprise Value of five times the average annual EBITDA over the three-year period 2020-2022, adjusted for the net financial position at the time of the transaction. The parties agreed that the payment of part of the price will be postponed and, in any case, payable by the first half-year of 2023.There is also a possible further price adjustment ("earn-out") linked to the achievement of certain targets.

As shown in the table, the Purchase Price Allocation, carried out with the support of independent experts, led to the identification and measurement of the fair values of the following acquired intangible assets:

- **Customer Relationship**: fair value of €4.266 million determined using the "Multi-period Excess Earnings" method, taking the following parameters as reference:
  - revenue relating to customers with whom there is a strong technical and commercial relationship;
  - profitability in line with the historical average;
  - economic useful life of 15 years;
  - discount rate of 11.91%;
  - g growth rate of 1.80%;
- **Patents**: fair value of €0.275 million determined using the "Relief from Royalty" method, taking the following parameters as reference:
  - revenues from products covered by patents at the valuation date;
  - royalty rate equal to 3.5%;
  - economic useful life of 4 years;
  - discount rate of 11.41%;
  - g growth rate of 1.80%.

[1] Financial data at 31 December 2022 and economic results for the period for which the Group held control (3 October - 31 December 2022) were consolidated.

The related tax effect was recognised on the fair value of the intangible assets identified above (recognition of deferred taxes of €1.305 million).

The Purchase Price Allocation also led to the recognition of provisions for risks and charges totalling €0.2 million (Note 18).

In the period for which the Group held control (3 October 2022 - 31 December 2022), the P.G.A. Group achieved sales revenue of €2.9 million and a net profit of €0.52 million.

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, with the exception of the financial statements of companies operating in hyperinflationary economies whose income statements are converted by applying the end-of-year exchange rate as required by IAS 21 paragraph 42.b.
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 31/12/2022	Average exchange rate 2022	Exchange rate in effect at 31/12/2021	Average exchange rate 2021
Brazilian real	5.6386	5.4399	6.3101	6.3778
Turkish lira	19.9649	n.a.	15.233	10.510
Chinese renminbi	7.3582	7.0788	7.1947	7.6271
US Dollar	1.0666	1.05305	1.1326	1.18275
Polish Zloty	n.a.	n.a.	4.5969	4.5651
Indian Rupee	88.1710	82.6864	84.229	87.439
Mexican peso	20.8560	21.1869	23.143	23.985

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 2022, unchanged versus the previous year, are shown below:

Property, plant and equipment

These are recognised 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 useful life of the asset or the end of the lease agreement, 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.
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 3.29% on 31 December 2022 and 3.86% on 31 December 2021. 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.

Assets held for sale

The Group classifies non-current assets as held for sale if their carrying value will be recovered mainly through a sale transaction, rather than through continuing use. These non-current assets classified as held for sale are measured at the lower of their carrying value and their fair value less costs to sell. Selling costs are the additional costs directly attributable to the sale, excluding financial expenses and taxes.
The condition for classification as held for sale is only met when the sale is highly probable and the asset is available for immediate sale in its present condition. The actions required to complete the sale should indicate that significant changes to the sale are unlikely or that the sale will be cancelled. Management must be committed to the sale, which should be completed within one year from the date of classification.
Depreciation of property, plant and equipment and amortisation of intangible assets stops when they are classified as available for sale.
Assets and liabilities classified as held for sale are presented separately among the items in the financial statements.

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 finite 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 through profit or loss (FVPL) or, if the option is exercised in accordance with the standard, in Other 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 through profit or loss.

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 recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, 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 recognised in other comprehensive income with reclassification of cumulative gains and losses or financial assets recognised in other comprehensive income 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 recognised 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 recognised 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 carrying 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 40.

This cost, together with the corresponding increase in shareholders' equity, is recognised under personnel costs (Note 28) 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 and inventory write-downs at their expected sale value

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.
If the expected sale value is less than the purchase or production cost, inventories of finished goods are written down to market value, estimated on the basis of current selling prices.

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.

Climate change
With reference to the potential impact of climate change on the Group's activities, the Management carries out targeted analyses to identify and manage the main risks and uncertainties to which the Group is exposed, adapting the corporate strategy accordingly. To date, these factors have not had a significant impact on the opinions and estimates used in preparing these Consolidated Financial Statements.

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

New accounting standards

Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"
The amendment clarifies that all costs directly attributable to the contract must be taken into account when estimating the possible onerousness of a contract. Accordingly, the assessment of whether a contract is onerous includes not only incremental costs (such as the cost of direct materials used in the process) but also all costs directly attributable to the contractual activities (such as depreciation of equipment used to perform the contract and costs of contract management and control). General and administrative expenses are not directly related to a contract and are excluded unless they are specifically charged to the other party under the contract. These changes had no impact on the Group's Consolidated Financial Statements.

Amendments to IAS 16 "Property, Plant and Equipment"
The purpose of the amendments is not to allow the deduction from the cost of property, plant and equipment of the amount received from the sale of goods produced in the test phase of the asset. These sales revenues and related production costs will therefore be recognised in the income statement. These changes had no impact on the Group's Consolidated Financial Statements.

Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter"
The amendment allows a subsidiary that chooses to apply paragraph D16(a) of IFRS 1 to account for cumulative translation differences on the basis of the amounts recognised by the parent company, taking into account the parent's date of transition to IFRSs. This amendment had no impact on the Group's Consolidated Financial Statements as the Group is not a first-time adopter.

Amendments to IFRS 3 "Reference to the Conceptual Framework"
The amendments are intended to replace references to the Framework for the Preparation and Presentation of Financial Statements with the references to the Conceptual Framework for Financial Reporting published in March 2018 without a significant change to the requirements of the standard. The Board also added an exception to the measurement principles of IFRS 3 to avoid the risk of potential "day-after" losses or gains arising from liabilities and contingent liabilities that would fall within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. The exemption requires entities to apply the requirements of IAS 37 or IFRIC 21, rather than the Conceptual Framework, to determine whether an obligation exists at the date of acquisition. The amendment also added a new paragraph to IFRS 3 to clarify that contingent assets do not qualify as recognisable assets at the date of acquisition. These amendments had no impact on the Group's Consolidated Financial Statements in that no contingent assets, liabilities or contingent liabilities were recognised in the year for the purpose of these amendments.

Amendments to IFRS 9 "Financial Instruments"
The amendments clarify what fees can be included in measuring whether the terms of a new financial liability (or changes to an existing financial liability) are materially different from the terms of the original financial liability. This amendment had no impact on the Group's Consolidated Financial Statements in that there were no changes in the Group's financial liabilities during the year.

Amendments to IAS 41 "Agriculture"
The amendment removes the requirement to exclude cash flows arising from taxation when measuring the fair value of assets within the scope of IAS 41. This amendment had no impact on the Group's Consolidated Financial Statements in that the Group does not have any assets to which IAS 41 applies.

IFRS and IFRIC accounting standard, amendments approved by the European Union, not yet universally applicable and not adopted early by the Group at 31 December 2022

IFRS 17 "Insurance Contracts"
In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new standard on insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts regardless of the type of entity that issues them, as well as to certain guarantees and financial instruments with discretionary participation features. IFRS 17 will be effective for financial years beginning on or after 1 January 2023, and will require the presentation of comparative balances. early application is permitted, in which case the entity must also have adopted IFRS 9 and IFRS 15 on or before the date of first-time application of IFRS 17. This principle does not apply to the Group.

Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"
In January 2020, the IASB issued amendments to paragraphs 69-76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify what is meant by the right to postpone an expiry, that the right to postpone must exist at the end of the reporting period, that the classification is not affected by the likelihood that the entity will exercise its right to postpone, that only if a derivative embedded in a convertible liability is itself an equity instrument does the maturity of the liability have no impact on classification. The amendments will be effective for financial years beginning on or after 1 January 2023 and must be applied retrospectively. The Group is assessing the impact the changes will have on the current situation.

Amendments to IAS 8 "Definition of accounting estimates"
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of "accounting estimates". The amendments clarify the distinction between changes in accounting standards and changes in accounting policies and corrections of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for financial years beginning on or after 1 January 2023 and apply to changes in accounting standards and changes in accounting estimates that occur on or after the beginning of that period. Early application is permitted provided that this fact is disclosed.
The changes are not expected to have a significant impact on the Group.

Amendments to IAS 1 and IFRS Practice Statement 2 "Disclosure of Accounting Standards"
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to the disclosure of accounting standards. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023. Earlier application is permitted. Since the amendments to PS 2 provide non-mandatory guidance on the application of the definition of materiality to the disclosure of accounting standards, there is no need for an effective date for these amendments.
The Group is currently assessing the impact of the amendments to determine the effect they will have on the Group's disclosure of accounting standards.

Amendments to IAS 12 "Deferred Taxes on Assets and Liabilities Arising from a Single Transaction"
In May 2021, the IASB issued amendments to IAS 12 that narrow the scope of the initial recognition exception in IAS 12, which no longer applies to transactions that give rise to both taxable and deductible temporary differences.
Amendments are to be applied to transactions occurring after or at the beginning of the comparative period presented. In addition, deferred tax assets (if sufficient taxable income is available) and deferred tax liabilities are recognised at the beginning of the comparative period for all deductible and taxable temporary differences relating to leases and provisions for restoration.
The Group is currently assessing the impact of these changes.

Hyperinflation – Turkey: application of IAS 29
As from 1 April 2022, the Turkish economy is considered and hyperinflationary economy in accordance with the criteria set out in "IAS 29 - Financial Reporting in Hyperinflationary Economies", i.e. following the assessment of qualitative and quantitative elements including the presence of a cumulative inflation rate greater than 100% over the previous three years.

Therefore, as from these financial statements, IAS 29 is concretely applied with reference to the parent company's subsidiaries in Turkey: Sabaf Turkey (Sabaf Beyaz Esya Parcalari Sanayi ve Ticaret Limited Sirketi) and Okida (Okida Elektronik Sanayi ve Ticaret A.S.). In order to reflect the changes in the purchasing power of the Turkish lira at the end of this reporting period, the Group restated the value of non-monetary items, shareholders' equity and income statement account items of the investee companies in Turkey to the extent of their recoverable amount, applying the change in the general consumer price index to historical data.

The value of the general consumer price index at the end of the reporting period and the changes in the index during the current and previous financial year are shown below:

Consumer price index	Value at 31.12.2021	Value at 31.12.2022	Change
TURKSTAT	686.95	1,128.45	+64.27%

Consumer price index	Value at 01.01.2003	Value at 31.12.2021	Change
TURKSTAT	100	686.95	+586.95%

Accounting effects

The accounting effects of the restatement were recognised as follows.

1. The financial statements of the Turkish subsidiaries were restated before being included in the Consolidated Financial Statements of the Group:
   - the effect of the inflation adjustment until 31 December 2021 of non-monetary assets and liabilities and of shareholders' equity, net of the related tax effect, was recognised as a balancing entry to Other Reserves in shareholders' equity;
   - the effect related to the re-measurement of the same non-monetary items, shareholders' equity items and income statement items recognised in 2022 was recognised in a separate item in the income statement under financial income and expenses. The related tax effect was recognised in taxes for the period.
2. On consolidation, as required by IAS 21, these restated financial statements were converted using the final exchange rate in order to restore the amounts to current values.

In accordance with IAS 21 (paragraph 42.b), it was not necessary to restate the financial and economic data for the year 2021 for comparative purposes only, as the Group's functional currency does not belong to a hyperinflationary economy.

The first-time adoption of IAS 29 generated a positive adjustment (net of the related tax effect) recognised in shareholders' equity reserves in the Consolidated Financial Statements at 1 January 2022 of €11,402 thousand. Moreover, during 2022, the application of IAS 29 resulted in the recognition of a net financial expense (before tax) of €9,023 thousand.

The effects of the application of hyperinflation on the Consolidated Statement of Financial Position and Consolidated Income Statement are shown below.

Consolidated statement of financial position *(€/000)*	31.12.2022	Hyperinflation effect	31.12.2022 with Hyperinflation effect
Total non-current assets	145,930	24,820	170,750
Total current assets	156,713	1,416	158,129
Available-for-sale non-current assets	526	-	526
TOTAL ASSETS	**303,169**	**26,236**	**329,405**
Total shareholders' equity	130,433	25,729	156,162
Total non-current liabilities	87,957	507	88,464
Total current liabilities	84,779	-	84,779
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**303,169**	**26,236**	**329,405**

Consolidated income statement *(€/000)*	12M 2022	Hyperinflation effect	12M 2022 with Hyperinflation effect
Operating revenue and income	262,092	1,149	263,241
Operating costs	(226,469)	3,320	(223,149)
Operating profit before depreci-ation & amortisation, capital gains/losses and write-downs/write-backs of non-current assets (EBITDA)	35,623	4,469	40,092
EBIT	19,049	2,838	21,887
Result before taxes	18,570	(6,361)	12,209
Income taxes	2,756	284	3,040
PROFIT FOR THE YEAR	**21,326**	**(6,077)**	**15,249**

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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 2020	**57,226**	**219,592**	**55,877**	**4,535**	**337,230**
Increases	1,589	11,097	4,421	5,120	22,227
Disposals	(48)	(1,366)	(398)	(596)	(2,408)
Change in the scope of consolidation	942	83	-	1,531	2,556
Reclassifications	375	2,092	18	(3,480)	(995)
Forex differences	(654)	(3,201)	(1,089)	(474)	(5,418)
At 31 December 2021	**59,430**	**228,297**	**58,829**	**6,636**	**353,192**
Increases	331	3,513	3,699	12,141	19,684
Disposals	-	(2,958)	(479)	-	(3,437)
Change in the scope of consolidation	2,337	3,732	869	-	6,938
Reclassifications	300	8,527	376	(9,432)	(229)
Monetary revaluation (IAS 29)	4,503	10,921	3,518	-	18,942
Forex differences	(225)	(422)	(154)	(116)	(917)
At 31 December 2022	**66,676**	**251,610**	**66,658**	**9,229**	**394,173**
ACCUMULATED DEPRECIATIONS					
At 31 December 2020	**24,147**	**188,938**	**47,638**	**-**	**260,723**
Depreciations for the year	2,367	8,457	3,290	-	14,114
Derecognition due to disposal	(14)	(1,462)	(319)	-	(1,795)
Reclassifications	-	(116)	3	-	(113)
Forex differences	(297)	(1,287)	(560)	-	(2,144)
At 31 December 2021	**26,203**	**194,530**	**50,052**	**-**	**270,785**
Depreciations for the year	2,323	9,049	3,945	-	15,317
Derecognition due to disposal	-	(2,807)	(216)	-	(3,023)
Change in the scope of consolidation	248	2,321	657	-	3,226
Reclassifications	3	(1)	135	-	137
Monetary revaluation (IAS 29)	1,734	4,752	1,748	-	8,234
Forex differences	(81)	(58)	31	-	(108)
At 31 December 2022	**30,430**	**207,786**	**56,352**	**-**	**294,568**
NET CARRYING VALUE					
At 31 December 2022	**36,246**	**43,824**	**10,306**	**9,229**	**99,605**
At 31 December 2021	**33,227**	**33,767**	**8,777**	**6,636**	**82,407**

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

	31.12.2022	31.12.2021	Change
Land	9,465	8,613	852
Industrial buildings	26,781	24,614	2,167
Total	**36,246**	**33,227**	**3,019**

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 2021	**2,221**	**203**	**932**	**3,356**
Increases	-	-	187	187
Depreciations and amortisation	(695)	(185)	(340)	(1,220)
Decreases	-	-	-	-
Foreign exchange differences	(413)	196	(31)	(248)
At 31 December 2022	**1,113**	**214**	**748**	**2,075**

The main investments in the year were aimed at expanding the international production footprint:

- in Turkey, where an integrated production line of hinges for dishwashers was started;
- in India, where the production of gas components (valves and burners) was started;
- in Mexico, where work on the construction of the plant in San Luis de Potosì continued.

Decreases mainly relate to the disposal of machinery no longer in use. Assets under construction include machinery under construction and advance payments to suppliers of capital equipment.

At 31 December 2022, 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 2020	**11,284**
Increases	-
Disposals	(1,107)
At 31 December 2021	**10,177**
Increases	144
Disposals	(1,381)
Reclassifications	(6,675)
At 31 December 2022	**2,265**

DEPRECIATIONS AND WRITE-DOWNS	
At 31 December 2020	**8,031**
Depreciations for the year	369
Write-downs for the year	-
Derecognition due to disposal	(534)
At 31 December 2021	**7,866**
Depreciations for the year	299
Derecognition due to disposal	(734)
Reclassifications	(6,149)
At 31 December 2022	**1,282**

NET CARRYING VALUE	
At 31 December 2021	**983**
At 31 December 2022	**2,311**

During the year, property with a net carrying value of €526 thousand was reclassified under Available-for-sale non-current assets (Note 3).

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

INVESTMENT PROPERTY	
1 January 2022	**3**
Increases	144
Decreases	-
Depreciations and amortisation	(39)
Foreign exchange differences	-
At 31 December 2022	**108**

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 totalling €243 thousand.

At 31 December 2022, 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. ASSETS HELD FOR SALE

This item includes the net carrying value of the Parent Company's former production plant located in Lumezzane (Brescia) amounting to €526 thousand, the value of which will be recovered through a sale transaction with the characteristics indicated by IFRS 5.

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4. INTANGIBLE ASSETS

	Goodwill	Patents and software	Development costs	Other intangible assets	Total
COST					
At 31 December 2020	**27,114**	**9,401**	**6,586**	**21,599**	**64,700**
Increases	-	420	1,770	44	2,234
Decreases	-	(2)	-	(3)	(5)
Reclassifications	-	(70)	(58)	-	(128)
Forex differences	(4,978)	(164)	-	(2,939)	(8,081)
At 31 December 2021	**22,136**	**9,585**	**8,298**	**18,701**	**58,720**
Increases	-	591	2,506	56	3,153
Decreases	-	1	(16)	(7)	(22)
Change in the scope of consolidation	1,127	263	-	4,568	5,958
Reclassifications	-	77	(554)	17	(460)
Monetary revaluation (IAS 29)	10,671	385	-	6,453	17,509
Forex differences	(1,756)	(54)	-	(1,039)	(2,849)
At 31 December 2022	**32,178**	**10,848**	**10,234**	**28,749**	**82,009**
AMORTISATION/WRITE-DOWNS					
At 31 December 2020	**4,546**	**8,573**	**4,425**	**4,139**	**21,683**
Depreciations for the year	-	419	375	1,553	2,347
Decreases	-	-	-	-	-
Reclassifications	-	(93)	-	-	(93)
Forex differences	-	(112)	-	(658)	(770)
At 31 December 2021	**4,546**	**8,787**	**4,800**	**5,034**	**23,167**
Depreciations for the year	-	479	376	1,797	2,652
Decreases	-	2	-	-	2
Change in the scope of consolidation	-	226	-	10	236
Reclassifications	-	13	174	24	211
Monetary revaluation (IAS 29)	-	303	-	1,566	1,869
Forex differences	-	(38)	-	(258)	(296)
At 31 December 2022	**4,546**	**9,772**	**5,350**	**8,173**	**27,841**
NET CARRYING VALUE					
At 31 December 2022	**27,632**	**1,076**	**4,884**	**20,576**	**54,168**
At 31 December 2021	**17,590**	**798**	**3,498**	**13,667**	**35,553**

Goodwill

Goodwill recognised at 31 December 2022 is allocated:

- to the "Hinges" (CGU) cash generating units of €4.414 million;
- to the "Professional burners" CGU of €1.770 million;
- for €16.641 million to the "Electronic components" CGU;
- for €1.127 million to the "P.G.A. Electronic components" CGU;
- 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.

The management defined a single plan for each CGU that represents the normal and expected scenario, with reference to the period from 2023 to 2027, and which was used to develop the impairment tests. The development of forward plans and the calculation of the value in use were carried out following an in-depth analysis that also considered the impact on profitability of the increase in purchase costs and the possibility of transferring this increase to sales prices. The recoverable amount of each CGU, determined on the basis of this plan, was subjected to stress tests and sensitivity analyses.

Goodwill allocated to the Hinges CGU

In 2022, the Hinges CGU achieved positive results - in terms of sales and profitability - both compared to the previous year and compared to the budget. The 2023-2027 forward plan envisages a decline in sales in 2023, a gradual recovery in the following years and the maintenance of a good level of profitability.

At 31 December 2022, 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 2023 to 2027 were augmented by the terminal value, which expresses the operating flows that the CGU is expected to generate from the sixth year to infinity and determined based on the perpetual income. The value of use was calculated based on a discount rate (wacc) of 11.65% (10.11% in the impairment test carried out while preparing the Consolidated Financial Statements at 31 December 2021) and a growth rate (g) of 2%, unchanged from the 2021 impairment test.

The recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €16.245 million, compared with a carrying value of the assets allocated to the Hinges unit of €10.301 million; consequently, the value recognised for goodwill at 31 December 2022 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%**
10.65%	17,328	17,645	17,981	18,337	18,715
11.15%	16,491	16,771	17,066	17,378	17,708
11.65%	15,735	15,984	16,245	16,520	16,810
12.15%	15,050	15,272	15,504	15,748	16,004
12.65%	14,426	14,624	14,831	15,049	15,277

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

	EBITDA		
	According to the plan	*-10%*	*-20%*
(€/000)	16,245	14,441	12,637

It was determined that the recoverable amount of the CGU exceeds its carrying value under all of the above assumptions, taking into account changes in discount rate, growth rate and EBITDA.

Goodwill allocated to the Professional burners CGU

The Professional Burners CGU performed very well during the 2022 financial year in terms of both turnover and profitability. The 2023-2027 forward plan envisages a decline in sales in 2023, a gradual recovery in the following years and the maintenance of a good level of profitability.

At 31 December 2022, 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 2023. Cash flows for the period from 2023 to 2027 were augmented by the terminal value, which expresses the operating flows that the CGU is expected to generate from the sixth year to infinity and determined based on the perpetual income. The value of use was calculated based on a discount rate (wacc) of 11.19% (6.93% in the impairment test carried out while preparing the Consolidated Financial Statements at 31 December 2021) and a growth rate (g) of 2%, unchanged with respect to the 2021 impairment test, 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 €6.743 million, compared with a carrying value of the assets allocated to the Professional burners unit of €5.373 million (including minority interests); consequently, the value recognised for goodwill at 31 December 2022 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%**
10.19%	7,270	7,435	7,610	7,796	5,635
10.69%	6,854	6,999	7,151	7,314	7,485
11.19%	6,481	6,608	6,743	6,885	7,035
11.69%	6,145	6,258	6,377	6,502	6,634
12.19%	5,840	5,941	6,047	6,158	6,275

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

	EBITDA		
	According to the plan	*-10%*	*-20%*
(€/000)	6,743	5,823	4,903

Goodwill allocated to the Electronic components CGU

The Electronic Components CGU performed extremely well in 2022. At 31 December 2022, 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 2023 to 2027 were augmented by the 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 16.81% (15.21% in the impairment test carried out while preparing the Consolidated Financial Statements at 31 December 2021) and a growth rate (g) of 2.50%, unchanged from the 2021 impairment test.

The recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €44.400 million, compared with a carrying value of the assets allocated to the Electronic components unit of €36.660 million; consequently, the value recognised for goodwill at 31 December 2022 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%**
15.81%	46,646	47,160	47,694	48,248	48,824
16.31%	45,029	45,500	45,987	46,493	47,018
16.81%	43,521	43,953	44,400	44,863	45,342
17.31%	42,112	42,509	42,920	43,344	43,783
17.81%	40,793	41,159	41,536	41,926	42,330

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

	EBITDA		
	According to the plan	*-10%*	*-20%*
(€/000)	44,400	39,801	34,906

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

The Hinges C.M.I. CGU recognised a strong increase in turnover in 2022 and a good level of profitability. The 2023-2027 forward plan envisages a decline in sales in 2023, a gradual recovery in the following years and the maintenance of a good level of profitability.

At 31 December 2022, 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 2023 to 2027 were augmented by the 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 11.66% (11.31% in the impairment test carried out while preparing the Consolidated Financial Statements at 31 December 2021) and a growth rate (g) of 2%, unchanged with respect to the 2021

impairment test, 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 €50.590 million, compared with a carrying value of the assets allocated to the C.M.I. Hinges unit of €25.734 million; consequently, the value recognised for goodwill at 31 December 2022 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%**
10.66%	54,242	55,340	56,501	57,732	59,037
11.16%	51,395	52,363	53,384	54,462	55,602
11.66%	48,829	49,687	50,590	51,541	52,544
12.16%	46,505	47,270	48,072	48,916	49,802
12.66%	44,390	45,075	45,792	46,543	47,332

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

	EBITDA		
	According to the plan	*-10%*	*-20%*
(€/000)	50,590	46,152	38,885

Goodwill allocated to the "P.G.A. Electronic components" CGU

At 31 December 2022, the Group tested the carrying value of its P.G.A. Electronic components for impairment, determining its recoverable amount, considered to be equivalent to its value of use, by discounting expected future cash flows in the forward plan prepared by the management. Cash flows for the period from 2023 to 2025 were augmented by the 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 10.88% and a growth rate (g) of 2%, representative of expected future growth rates for the reference market.

The recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €15.569 million, compared with a carrying value of the assets allocated to the P.G.A. Electronic components of €10.222 million; consequently, the value recognised for goodwill at 31 December 2022 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%**
9.88%	16,651	17,090	17,558	18,056	18,588
10.38%	15,707	16,094	16,504	16,940	17,403
10.88%	14,863	15,206	15,569	15,953	16,359
11.38%	14,105	14,411	14,734	15,074	15,433
11.88%	13,420	13,694	13,983	14,286	14,606

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

	EBITDA		
	According to the plan	*-10%*	*-20%*
(€/000)	15,569	13,658	11,745

Patents and software

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

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Development costs

Development costs are mainly related to the decision to extend the product range to include induction cooking. To this end, a dedicated project team was set up to develop the project know-how in-house, with patents, proprietary software and hardware. The first prototypes were presented in 2022, with production starting in 2023.
Increases in development costs include projects in progress and therefore not subject to amortisation.

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 recognised in these Consolidated Financial Statements mainly result from the Purchase Price Allocation carried out following the acquisition of Okida Elektronik in September 2018, the acquisition of C.M.I. s.r.l. in July 2019 and P.G.A. in October 2022.

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

	31.12.2022	31.12.2021	Change
Customer Relationship	13,000	6,301	6,699
Brand	3,807	3,877	(70)
Know-how	577	236	341
Patents	2,835	3,038	(203)
Other	357	215	142
Total	**20,576**	**13,667**	**6,909**

At 31 December 2022, 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.

5. EQUITY INVESTMENTS

	31.12.2021	Change scope of consolidation	31.12.2022
Other equity investments	83	14	97
Total	**83**	**14**	**97**

Internal and external indicators that would necessitate an impairment test on equity investments were not identified.

6. NON-CURRENT RECEIVABLES

	31.12.2022	31.12.2021	Change
Tax receivables	2,057	985	1,072
Guarantee deposits	98	115	(17)
Receivables from former P.G.A. shareholders	597	-	597
Total	**2,752**	**1,100**	**1,652**

Tax receivables relate to indirect taxes expected to be recovered after 31 December 2023.
Receivables from former P.G.A. shareholders to Sabaf S.p.A. refer to compensation obligations envisaged upon the occurrence of certain events (liabilities incurred by P.G.A.) regulated by the acquisition agreement. These receivables, already accrued and agreed upon between the parties, were discounted and the effect was recognised under Financial Expenses (Note 31).

7. INVENTORIES

	31.12.2022	31.12.2021	Change
Raw Materials	31,068	26,771	4,297
Semi-processed goods	16,403	15,133	1,270
Finished products	23,771	25,646	(1,875)
Provision for inventory write-downs	(6,816)	(3,397)	(3,419)
Total	**64,426**	**64,153**	**273**

The value of final inventories at 31 December 2022 increased compared to the previous year due to the inflationary effect caused by the increase in the prices of raw materials and as a result of the monetary revaluation carried out in application of IAS 29 for hyperinflation in Turkey (of €1,416 thousand). On the other hand, the volumes of products in stock showed a decline.
At 31 December 2022, 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 current financial year:

31.12.2021	3,397
Provisions	3,018
Utilisation	(164)
Monetary revaluation (IAS 29)	323
Change in the scope of consolidation	300
Forex differences	(58)
31.12.2022	6,816

8. TRADE RECEIVABLES

	31.12.2022	31.12.2021	Change
Total trade receivables	59,999	69,139	(9,140)
Bad debt provision	(840)	(1,099)	259
Net total	**59,159**	**68,040**	**(8,881)**

Trade receivables at 31 December 2022 were lower than the balance at the end of 2021 as a result of the decline in sales in the last part 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 €25.7 million in insured receivables (€24.3 million at 31 December 2021).

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

	31.12.2022	31.12.2021	Change
Current receivables (not past due)	45,199	60,358	(15,159)
Outstanding up to 30 days	6,947	4,132	2,815
Outstanding from 30 to 60 days	4,020	1,290	2,730
Outstanding from 60 to 90 days	1,416	794	622
Outstanding for more than 90 days	2,417	2,565	(148)
Total	**59,999**	**69,139**	**(9,140)**

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:

31.12.2021	1,099
Provisions	-
Utilisation	(296)
Change in the scope of consolidation	23
Forex differences	14
31.12.2022	840

9. TAX RECEIVABLES

	31.12.2022	31.12.2021	Change
For income tax	5,061	1,395	3,666
For VAT and other sales taxes	3,144	4,751	(1,607)
Other tax credits	9	19	(10)
Total	**8,214**	**6,165**	**2,049**

At 31 December 2022, income tax receivables mainly include:
- €2,014 thousand relating to the tax credit for investments in capital goods;
- €148 thousand relating to the tax credit for research and development;
- €741 thousand related to the unused tax credit for contributions related to the increase in gas and electricity costs;
- payments on account paid in 2022: IRES for €900 thousand and IRAP for €94 thousand.

10. OTHER CURRENT RECEIVABLES

	31.12.2022	31.12.2021	Change
Credits to be received from suppliers	706	1,267	(561)
Advances to suppliers	1,376	859	517
Accrued income and prepaid expenses	660	476	184
Other	168	534	(366)
Total	**2,910**	**3,136**	**(226)**

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

11. FINANCIAL ASSETS

	31.12.2022		31.12.2021	
	Current	Non-current	Current	Non-current
Restricted bank accounts	786	-	1,172	-
Derivative instruments on interest rates	1,711	-	-	-
Total	**2,497**	**-**	**1,172**	**-**

At 31 December 2022, there were short-term term deposits of €786 thousand. In 2022, the term deposit of €1.172 million for the portion of the price not yet paid to the sellers of the C.M.I. equity investment and deposited as collateral in accordance with the terms of the C.M.I. acquisition agreement (Note 16) was paid.

At 31 December 2022, the Group has in place eight interest rate swap (IRS) contracts for amounts and maturities coinciding with six unsecured loans that are being amortised, whose residual value at 31 December 2022 is €27,130 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 "Fair Value through profit or loss", with "Financial income" as a balancing entry.

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents, which amounted to €20,923 thousand at 31 December 2022 (€43,649 thousand at 31 December 2021) consisted of bank current account balances of €20.8 million (€43.2 million at 31 December 2021) and investments in liquidity of €91 thousand (€432 thousand at 31 December 2021). Changes in the cash and cash equivalents are analysed in the statement cash flows.

13. 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 2022, the structure of the share capital is shown in the table below.

	No. of shares	% of share capital	Rights and obligations
Ordinary shares	7,915,422	68.63%	-
Ordinary shares with increased vote	3,618,028	31.37%	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.

14. TREASURY SHARES AND OTHER RESERVES

Treasury shares

With regard to the 2018 - 2020 Stock Grant Plan, following the expiry of the three-year vesting period, during the first half of 2022, 79,128 ordinary shares of the Company were allocated and transferred to the beneficiaries of Cluster 2, through the use of shares already available to the issuer.

During the financial year, the following occurred:

- 81,321 treasury shares were purchased at an average price of €22.89 per share;
- 99,132 treasury shares were sold as part of the acquisition of 100% of the capital of P.G.A. s.r.l. on 3 October 2022, for which 25% of the price was paid in shares.

At 31 December 2022, Sabaf S.p.A. held 214,863 treasury shares (1.863% of the share capital), reported in the financial statements as an adjustment to shareholders' equity at a weighted average unit value of €14.99 (the closing stock market price of the Share at 31 December 2022 was €16.69). There were 11,318,587 outstanding shares at 31 December 2022.

Stock grant reserve

Items "Retained earnings, other reserves" of €129,380 thousand included, at 31 December 2022, the stock grant reserve of €1,939 thousand, which included the measurement at 31 December 2022 of the fair value of rights assigned to receive shares of the Parent Company relating to the 2021 – 2023 Stock Grant Plan, medium- and long-term incentive plan for directors and employees of the Sabaf Group, for the details of which reference is made to Note 40.

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.

Value at 31 December 2021	**(151)**
Change during the period	149
Value at 31 December 2022	**(2)**

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 38, in the paragraph Foreign exchange risk management.

15. LOANS

	31.12.2022			31.12.2021		
	Current	Non-current	Total	Current	Non-current	Total
Bond issue	-	29,685	29,685	-	29,649	29,649
Unsecured loans	21,613	46,595	68,208	19,044	53,913	72,957
Short-term bank loans	5,308	-	5,308	1,769	-	1,769
Advances on bank receipts or invoices	921	-	921	2,263	-	2,263
Leases	1,032	2,056	3,088	1,329	2,942	4,271
Interest payable	2	-	2	-	-	-
Total	**28,876**	**78,336**	**107,212**	**24,405**	**86,504**	**110,909**

In December 2021, Sabaf S.p.A. issued a €30 million bond fully subscribed by PRICOA with a maturity of 10 years, an average life of 8 years and a fixed coupon of 1.85% per year. The loan has the following covenants, defined with reference to the Consolidated Financial Statements at the end of each reporting period, widely complied with at 31 December 2022 and for which, according to the Group's business plan, compliance is also expected in subsequent years:

- commitment to maintain a ratio of net financial debt to shareholders' equity of less than 1.5;
- commitment to maintain a ratio of net financial debt to EBITDA of less than 3;
- commitment to maintain a ratio of EBITDA to net financial position of more than 4.

During the year, the Group took out new unsecured loans for a total of €13 million to finance the investments made. All loans are signed with an original maturity of 5 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 debt to shareholders' equity of less than 1 (residual amount of the loans at 31 December 2022 equal to €49.9 million);
- commitment to maintain a ratio of net financial debt to EBITDA of less than 2.5 (residual amount of the loans at 31 December 2022 equal to €40.4 million);
- commitment to maintain a ratio of net financial debt to EBITDA of less than 3 (residual amount of the loans at 31 December 2022 equal to €16.1 million);

widely complied with at 31 December 2022 and for which, according to the Group's business plan, compliance is also expected in subsequent years.
All bank loans are denominated in euro.

To manage interest rate risk, some unsecured loans (with a total residual value of €55.808 million at 31 December 2022) are either fixed-rate or hedged by IRS.

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

Lease liabilities at 31 December 2020	**4,896**
New agreements signed during 2021	954
Repayments during 2021	(1,581)
Forex differences	2
Lease liabilities at 31 December 2021	**4,271**
New agreements signed during 2022	331
Repayments during 2022	(1,409)
Forex differences	(105)
Lease liabilities at 31 December 2022	**3,088**

Financial liabilities related to the application of IFRS 16 at 31 December 2022 amounted to €2,917 thousand. Note 38 provides information on financial risks, pursuant to IFRS 7.

16. OTHER FINANCIAL LIABILITIES

	31.12.2022		**31.12.2021**	
	Current	**Non-current**	**Current**	**Non-current**
Payables to former P.G.A. shareholders	546	-	-	-
Payables to former C.M.I. shareholders	-	-	1,173	-
Derivative instruments on interest rates	-	-	190	-
Currency derivatives	28	-	156	-
Total	**574**	**-**	**1,519**	**-**

Currency derivatives refer to forward sales contracts recognised using hedge accounting. These financial instruments are broken down in Note 38 - Forex risk management.

The payable to former P.G.A. shareholders refers to price adjustments following the completion of the acquisition and determined in accordance with contractual provisions.
The payable to C.M.I. shareholders, which amounted to €1,173 thousand at 31 December 2021 and related to the portion of the price not yet paid to the sellers of the C.M.I. shareholding, was paid in 2022.

17. POST-EMPLOYMENT BENEFIT AND RETIREMENT PROVISIONS

At 31 December 2021	3,408
Provisions	340
Financial expenses	66
Payments made	(499)
Tax effect	(254)
Change in the scope of consolidation	643
Forex differences	(43)
At 31 December 2022	**3,661**

Following the revision of IAS 19 - Employee benefits, from 1 January 2013, all actuarial gains or losses are recognised 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		
	31.12.2022	31.12.2021
Discount rate	3% - 3.7%	0.40%
Inflation	3%	1.30%

Demographic theory		
	31.12.2022	31.12.2021
Mortality rate	IPS55 ANIA	IPS55 ANIA
Disability rate	INPS 2000	INPS 2000
Staff turnover	3% - 10%	3% - 8%
Advance payouts	1% - 5%	2% - 4%
Retirement age	Pursuant to legislation in force at 31 December 2022	Pursuant to legislation in force at 31 December 2021

18. PROVISIONS FOR RISKS AND CHARGES

	31.12.2021	Provisions	Utilisation	Change in the scope of consolidation	Forex differences	31.12.2022
Provision for agents' indemnities	249	8	(5)	-	-	252
Product guarantee fund	60	23	(23)	-	-	60
Provision for legal risks	416	13	(358)	-	6	77
Provision for tax risks	500	-	(500)	-	-	-
Other provisions for risks and charges	109	-	-	165	(24)	250
Total	**1,334**	**21**	**(863)**	**165**	**(18)**	**639**

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.
Uses of the provision for legal risks refer, for €328 thousand, to the settlement of a legal dispute of the C.M.I. Group. The relevant provision was recognised as part of the Purchase Price Allocation process carried out following the acquisition of C.M.I.
Following the settlement of a tax dispute, in 2022, the provision for tax risks in which a specific provision of the same amount was recognised, was used in the amount of €500 thousand.
Other provisions for risks and charges, recognised as part of the Purchase Price Allocation following the acquisitions of Okida Elektronik and of the P.G.A. Group, reflect the fair value of the potential liabilities of the acquired entities.
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.

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19. TRADE PAYABLES

	31.12.2022	31.12.2021	Change
Total	**39,628**	**54,837**	**(15,209)**

The decrease in trade payables is related to the decline in production volumes in the second half of the year. Average payment terms did not change versus the previous year. At 31 December 2022, there were no overdue payables of a significant amount and the Group did not receive any injunctions for overdue payables.

20. TAX PAYABLES

	31.12.2022	31.12.2021	Change
For income tax	235	3,450	(3,215)
Withholding taxes	1,059	954	105
Other tax payables	1,251	547	704
Total	**2,545**	**4,951**	**(2,406)**

21. OTHER CURRENT PAYABLES

	31.12.2022	31.12.2021	Change
To employees	5,553	6,706	(1,153)
To social security institutions	2,781	2,844	(63)
To agents	164	283	(119)
Advances from customers	522	1,694	(1,172)
Other current payables	4,136	1,548	2,588
Total	**13,156**	**13,075**	**81**

At the beginning of 2022, 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 totalling €3,882 thousand.

22. DEFERRED TAX ASSETS AND LIABILITIES

	31.12.2022	31.12.2021	Change
Deferred tax assets	13,145	8,639	4,506
Deferred tax liabilities	(5,828)	(3,939)	(1,889)
Net position	**7,317**	**4,700**	**2,617**

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, value adjust-ments	Fair value of derivative instruments	Goodwill	Tax incentives	Tax losses	Actuarial evaluation of post-employ-ment benefit	Hyperinfla-tion effects	Other temporary differences	Total
31.12.2021	**(1,912)**	**1,278**	**35**	**1,063**	**2,586**	**744**	**192**	**0**	**714**	**4,700**
Through profit or loss	2,983	302	(420)	(177)	1,459	649	0	284	(148)	4,932
In shareholders' equity	(1,290)	0	3	0	0	0	(81)	(261)	0	(1,629)
Forex differences	30	10	0	0	(613)	(133)	0	0	20	(686)
31.12.2022	**(188)**	**1,590**	**(382)**	**886**	**3,432**	**1,260**	**111**	**23**	**586**	**7,317**

Deferred tax assets recognised in the income statement in respect of "Non-current tangible and intangible assets" included €3,734 thousand in these Consolidated Financial Statements as a result of the revaluation for tax purposes of the tangible assets of the Group's Turkish companies. The exercise of the revaluation option resulted in a substitute tax of approximately €69 thousand, which is accounted for in current taxes for the year.

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 direct tax deduction. At the end of the financial year, the taxation of the Group's Turkish companies was adjusted to 20% tax rate, recognising tax expenses of €391 thousand in profit or loss.

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23. TOTAL FINANCIAL DEBT

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

	31.12.2022	31.12.2021	Change
A. Cash	20,832	43,217	(22,385)
B. Cash equivalents	91	432	(341)
C. Other current financial assets	2,497	1,172	1,325
D. Liquidity (A+B+C)	**23,420**	**44,821**	**(21,401)**
E. Current financial payable	8,098	5,551	2,547
F. Current portion of non-current financial debt	21,352	20,373	979
G. Current financial debt (E+F)	**29,450**	**25,924**	**3,526**
H. Net current financial debt (G-D)	**6,030**	**(18,897)**	**24,927**
I. Non-current financial payable	48,651	56,855	(8,204)
J. Debt instruments	29,685	29,649	36
K. Trade payables and other non-current payables	-	-	-
L. Non-current financial debt (I+J+K)	**78,336**	**86,504**	**(8,168)**
M. Total financial debt (H+L)	**84,366**	**67,607**	**16,759**

The consolidated statement of cash flows, which shows the changes in cash and cash equivalents (sum of letters A. and B. of this statement), describes in detail the cash flows that led to the change in the net financial debt. In particular, 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;
- acquisition of P.G.A s.r.l.

COMMENTS ON KEY INCOME STATEMENT ITEMS

24. REVENUE

In 2022, sales revenue totalled €253,053 thousand, down by €10,206 thousand (-3.9%) compared with 2021 (-4.9% on a like-for-like basis).

REVENUE BY GEOGRAPHICAL AREA

	2022	%	2021	%	% change
Europe (excluding Turkey)	87,281	*34.5%*	92,935	*35.3%*	*-6.1%*
Turkey	66,845	*26.4%*	65,526	*24.9%*	*2.0%*
North America	39,800	*15.7%*	30,472	*11.6%*	*30.6%*
South America	28,503	*11.3%*	39,589	*15.0%*	*-28.0%*
Africa and Middle East	19,098	*7.5%*	19,614	*7.5%*	*-2.6%*
Asia and Oceania	11,525	*4.6%*	15,123	*5.7%*	*-23.8%*
Total	**253,053**	***100%***	**263,259**	***100%***	***-3.9%***

REVENUE BY PRODUCT FAMILY

	2022	%	2021	%	% change
Gas parts	158,340	*62.6%*	182,468	*69.3%*	*-13.2%*
Hinges	68,627	*27.1%*	58,375	*22.2%*	*17.6%*
Electronic components	26,086	*10.3%*	22,416	*8.5%*	*16.4%*
Total	**253,053**	***100%***	**263,259**	***100%***	***-3.9%***

After an exceptionally positive 2021 for the Group and its market, demand gradually deteriorated in 2022, with the downturn becoming more pronounced in the second half of the year. The only geographical areas that maintained a positive revenue trend were Turkey and North America partly due to the development of business relations with major industry players.

Average sales prices in 2022 were 8.4% higher than in 2021, largely offsetting considerable increases in the purchase prices of the raw materials, electricity and gas.

25. OTHER INCOME

	2022	2021	Change
Sale of trimmings	5,711	5,546	165
Contingent income	554	374	180
Rental income	122	123	(1)
Use of provisions for risks and charges	6	12	(6)
Other income	3,795	2,606	1,189
Total	**10,188**	**8,661**	**1,527**

In 2022, other income mainly included: tax credits for investments in capital goods and for research and development of €1,229 thousand, the favourable settlement of a tax dispute in favour of the Brazilian company of €700 thousand, proceeds from the sale of moulds and equipment of €223 thousand, Turkish government grants of €304 thousand, referring to incentives for hiring personnel, and the production of energy through photovoltaic plants of €52 thousand.

26. PURCHASES OF MATERIALS

	2022	2021	Change
Commodities and outsourced components	115,410	132,143	(16,733)
Consumables	8,921	10,212	(1,291)
Total	**124,331**	**142,355**	**(18,024)**

The reduction in purchases is related to the decrease in business volumes, while the unit prices of the main raw materials (aluminium alloys, steel and brass) increased significantly and on average by about 20% compared to the previous year.

27. COSTS FOR SERVICES

	2022	2021	Change
Outsourced processing	13,680	18,689	(5,009)
Natural gas and power	11,359	8,536	2,823
Maintenance	7,040	7,972	(932)
Transport	4,433	4,658	(225)
Advisory services	3,232	2,856	376
Travel expenses and allowances	700	292	408
Commissions	994	1,144	(150)
Directors' fees	861	829	32
Insurance	864	727	137
Canteen	796	797	(1)
Other costs	6,221	5,877	344
Total	**50,180**	**52,377**	**(2,197)**

The main outsourced processing include aluminium die-casting, hot moulding of brass and steel blanking as well as some mechanical processing and assembly. As a result of lower activity levels compared to the previous year, some production stages that had been outsourced to external suppliers in 2021 to cope with peaks in demand were internalised.
The increase in energy costs was due to the exceptional increase in electricity and gas prices. On a like-for-like basis, the effect of this increase is estimated to be € 5.3 million in higher charges compared to the previous year. Energy and gas costs are posted net of tax benefits related to public contributions for electricity and gas consumption, amounting to €515 thousand.
Other costs included expenses for the registration of patents, waste disposal, cleaning, leasing third-party assets and other minor charges.

28. PERSONNEL COSTS

	2022	2021	Change
Salaries and wages	31,750	32,749	(999)
Social Security costs	9,685	10,175	(490)
Temporary agency workers	5,617	7,596	(1,979)
Post-employment benefit and other costs	1,740	2,639	(899)
Stock grant plan	1,134	805	329
Total	**49,926**	**53,964**	**(4,038)**

The number of Group employees was 1,238 at 31 December 2022 (1,278 at 31 December 2021). The number of temporary staff was 115 at 31 December 2022 (198 at 31 December 2021). The item "Stock Grant Plan" included the measurement at 31 December 2022 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 40.

29. OTHER OPERATING COSTS

	2022	2021	Change
Non-income taxes	729	651	78
Other operating expenses	614	694	(80)
Contingent liabilities	238	54	184
Losses and write-downs of trade receivables	1	103	(102)
Provisions for risks	21	-	21
Other provisions	28	29	(1)
Total	**1,631**	**1,531**	**100**

Non-income taxes chiefly relate to property tax.

30. FINANCIAL INCOME

	2022	2021	Change
Exercise of the C.M.I. put option (Note 15)	-	507	(507)
Interest rate derivatives	1,753	-	1,753
Interest from bank current accounts	154	227	(73)
Other financial income	10	16	(6)
Total	**1,917**	**750**	**1,167**

31. EXPENSES FROM HYPERINFLATION/FINANCIAL EXPENSES

	2022	2021	Change
Expenses from hyperinflation	**9,023**	**-**	**9,023**
Interest paid to banks	1,340	598	742
Interest paid on finance lease contracts	105	138	(33)
Banking expenses	222	302	(80)
Exercise of A.R.C. option	-	69	(69)
Other financial expense	342	72	270
Financial expenses	**2,009**	**1,179**	**830**

As from 2022, the effect of inflation accounting on the Turkish subsidiaries, which impacted some financial statement items and resulted in total expenses of €9,023 thousand, was reflected in the financial statements. For an appropriate and detailed analysis, please refer to the specific paragraph in the Explanatory Notes to these Financial Statements. Other financial expenses include €140 thousand related to the discounting of long-term receivables from former shareholders of P.G.A. (Note 6).

32. EXCHANGE RATE GAINS AND LOSSES

In 2022, the Group reported net foreign exchange losses of €515 thousand, versus net losses of €7,399 thousand in 2021. The main portion of 2022 foreign exchange losses reflect the devaluation of the Turkish lira and arise from the translation into lira (the currency in which the financial statements of the Group's Turkish companies are prepared) of trade and financial payables denominated in euro.

33. PROFITS AND LOSSES FROM EQUITY INVESTMENTS

In 2022, the Group recognised losses from equity investments of €48 thousand. This value refers to the capital loss generated by the deconsolidation of Handan ARC Burners Co. Ltd. The 51% stake, which was held indirectly through A.R.C. s.r.l., was sold to a third party during the first quarter of 2022.

34. INCOME TAXES

	2022	2021	Change
Current taxes for the year	2,080	7,617	(5,537)
Deferred tax assets and liabilities	(4,932)	(2,967)	(1,965)
Taxes related to previous financial years	(188)	347	(535)
Total	**(3,040)**	**4,997**	**(8,037)**

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:

	2022	2021
Theoretical income tax	2,909	7,411
Permanent tax differences	18	113
Taxes related to previous financial years	(158)	(151)
Tax effect from different foreign tax rates	(112)	227
Effect of non-recoverable tax losses	324	105
"Energy intensive contribution" tax benefit	(515)	-
"Super and Iperammortamento" tax benefit	(749)	(844)
ACE tax benefit	(285)	(375)
Revaluation of fixed assets in Turkey	(3,661)	(1,161)
Tax incentives for investments in Turkey	(1,839)	(1,963)
Other differences	479	(164)
Income taxes booked in the accounts, excluding IRAP and with-holding taxes (current and deferred)	**(3,589)**	**3,198**
IRAP (current and deferred)	480	1,211
Substitute tax on realignment of property values	69	106
Provision for tax risks	-	500
Tax credit on sanitisation costs	-	(18)
Total	**3,040**	**4,997**

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 €749 thousand (€844 thousand in 2021);
- the tax benefits deriving from the investments made in Italy amounting to €1,491 thousand (€1,963 thousand in 2021);
- the tax benefit from untaxed government grants to the Group's Italian companies for electricity and gas consumption amounted to €515 thousand.

35. EARNINGS PER SHARE

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

EARNINGS		
(€/000)	2022	2021
Profit for the year	15,249	23,903
NUMBER OF SHARES		
	2022	2021
Weighted average number of ordinary shares for determining basic earnings per share	11,255,384	11,209,078
Dilutive effect from potential ordinary shares	-	-
Weighted average number of ordinary shares for determining diluted earnings per share	11,255,384	11,209,078
EARNINGS PER SHARE		
(in €)	2022	2021
Basic earnings per share	1.355	2.132
Diluted earnings per share	1.355	2.132

Basic earnings per share are calculated on the average number of outstanding shares minus treasury shares, equal to 278,066 in 2022 (324,372 in 2021).

Diluted earnings per share are calculated taking into account any shares approved but not yet subscribed.

36. DIVIDENDS

On 1 June 2022, shareholders were paid an ordinary dividend of €0.60 per share (total dividends of €6,616 thousand in implementation of the shareholders' resolution of 28 April 2022.

For the current financial year, the Directors have proposed not to distribute dividends to shareholders.

37. INFORMATION BY BUSINESS SEGMENT

Information by business segment for 2022 and 2021 is provided below:

2022 FY					
	Gas parts (household and professional)	**Hinges**	**Electronic components**	**Unallocated Revenues and Costs**	**Total**
Sales	157,365	68,941	25,544	1,203	**253,053**
Ebit	10,588	6,677	8,723	(4,101)	**21,887**

2021 FY				
	Gas parts (household and professional)	**Hinges**	**Electronic components**	**Total**
Sales	182,618	58,671	21,970	**263,259**
Ebit	23,649	6,292	7,567	**37,508**

38. 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:

	31.12.2022	31.12.2021
Financial assets		
Amortised cost		
Cash and cash equivalents	20,923	43,649
Term bank deposits	786	1,172
Trade receivables and other receivables	64,821	72,276
Fair Value through profit or loss		
Derivatives to hedge cash flows	1,710	-
Hedge accounting		
Derivatives to hedge cash flows	-	262
Financial liabilities		
Amortised cost		
Loans	107,212	110,909
Other financial liabilities	546	1,173
Trade payables	39,628	54,837
Fair Value through profit or loss		
Derivatives to hedge cash flows	-	190
Hedge accounting		
Derivatives to hedge cash flows	28	156

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 in 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 43% 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 19.9% of total turnover in 2022, while purchases in dollars represented 5.4% of total turnover. During the year, operations in dollars were partially hedged through forward sales contracts. At 31 December 2022, the Group had in place forward sales contracts of USD 3.5 million, maturing in April 2023 at an average exchange rate of 1.06251. 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)	2022
Reduction in financial assets	(37)
Increase in current financial liabilities	(129)
Adjustment to the Cash Flow Hedge reserve (equity reserve)	147
Negative impact through profit or loss	899

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	Currency	Notional	Fair value hierarchy
Sabaf S.p.A.	MPS	Forward	31/03/2023	USD	1,000,000	2
Faringosi Hinges s.r.l.	BPER Banca	Forward	30/03/2023	USD	500,000	
C.M.I. s.r.l.	MPS	Forward	05/01/2023	USD	500,000	
			05/01/2023		500,000	
	BPER Banca		04/04/2023		1,000,000	

Sensitivity analysis

With reference to financial assets and liabilities in US dollars at 31 December 2022, a hypothetical and immediate revaluation of 10% of euro against the dollar would have led to a loss of €1,803 thousand.

Net value of assets and liabilities in foreign subsidiaries

The net value of assets and liabilities in foreign subsidiaries constitutes an investment in foreign currency, which generates a translation difference on consolidation of the Group, with an impact on the comprehensive income statement and the financial position.

The table below shows the impact on the Group's equity of a 10% increase or decrease in the value of each currency against the euro at the end of 2022:

Currency	Effect on Group Shareholders' Equity
Brazilian real	+/- 1,613
Turkish lira	+/- 8,616
Mexican peso	+/- 583
Indian Rupee	+/- 375
Chinese renminbi	+/- 136
US Dollar	+/- 13
Total	**+/- 11,336**

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 2022, IRS totalling €27.3 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.

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

Company	Counterparty	Instrument	Maturity	Currency	Notional	Fair value hierarchy
Sabaf S.p.A.	MPS	IRS	30/06/2023	EUR	500,000	2
	Intesa Sanpaolo		15/06/2024		3,600,000	
	Intesa Sanpaolo		15/06/2024		1,110,000	
	Crédit Agricole		30/06/2025		6,600,000	
	Mediobanca		28/04/2027		12,830,000	
P.G.A. s.r.l.	Intesa Sanpaolo		31/03/2023		642,168	
	Intesa Sanpaolo		29/07/2025		446,684	
Sabaf Turkey	Intesa Sanpaolo		17/06/2024		2,490,000	

Sensitivity analysis

Considering the IRS in place, at the end of 2022 almost 81% of the Company's gross financial debt was at a fixed rate.

With reference to financial liabilities at variable rate at 31 December 2022, a hypothetical and immediate 1% increase in interest rates would have led to a loss of €202 thousand.

Commodity price risk management

A significant portion of the Group's purchase costs is represented by aluminium, steel and brass. Metal prices rose sharply during 2022, forcing the Group to renegotiate sales prices several times to compensate for the increase in costs. Based on market conditions and contractual agreements, the Group may not be able to pass on changes in raw material prices to customers in a timely and/or complete manner, with consequent effects on margins. The Group also 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 2022 and 2021, the Group did not use financial derivatives on commodities.

Liquidity risk management

The Group operates with a debt ratio considered physiological (net financial debt/shareholders' equity at 31 December 2022 of 54.0%, net financial debt/EBITDA of 2.10) 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 2022 and 31 December 2021 is shown below:

At 31 December 2022	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	6,259	6,259	6,259	-	-	-
Unsecured loans	68,208	72,363	2,544	19,576	49,149	1,094
Bond issue	29,685	33,939	-	563	8,251	25,125
Finance leases	3,088	3,135	326	740	1,880	189
Due to P.G.A. shareholders	546	546	371	-	175	-
Total financial payables	**107,786**	**116,242**	**9,500**	**20,879**	**59,455**	**26,408**
Trade payables	39,628	39,628	36,092	3,536	-	-
Total	**147,414**	**155,870**	**45,592**	**24,415**	**59,455**	**26,408**

At 31 December 2021	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	4,378	4,378	4,378	-	-	-
Unsecured loans	72,957	74,574	1,906	17,720	49,273	5,675
Bond issue	29,649	34,440	-	555	2,220	31,665
Finance leases	4,271	4,766	361	1,058	2,793	554
Payables to C.M.I. shareholders	1,173	1,173	-	1,173	-	-
Total financial payables	**112,428**	**119,331**	**6,645**	**20,506**	**54,286**	**37,894**
Trade payables	54,837	54,837	51,218	3,619	-	-
Total	**167,265**	**174,168**	**57,863**	**24,125**	**54,286**	**37,894**

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 2022, by hierarchical level of fair value assessment.

	Level 1	Level 2	Level 3	Total
Other financial assets (derivatives on interest rates)	-	1,710	-	1,710
Total liabilities	**-**	**1,710**	**-**	**1,710**

39. 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 2022	Non-consolidated subsidiaries	Other related parties	Total related parties	Impact on the total
Trade payables	39,628	-	1	1	0.00%

	Total 2021	Non-consolidated subsidiaries	Other related parties	Total related parties	Impact on the total
Trade payables	54,837	-	4	4	0.01%

IMPACT OF RELATED-PARTY TRANSACTIONS ON INCOME STATEMENT ITEMS

	Total 2022	Non-consolidated subsidiaries	Other related parties	Total related parties	Impact on the total
Services	(50,180)	-	(27)	(27)	0.05%

	Total 2021	Non-consolidated subsidiaries	Other related parties	Total related parties	Impact on the total
Services	(52,377)	-	(22)	(22)	0.04%

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 2022 Report on Remuneration for this information.

40. SHARE-BASED PAYMENTS

A plan for the free allocation of shares, approved by the Shareholders' Meeting of 6 May 2021, is in place; The related Regulations were approved by the Board of Directors on 13 May 2021.

Purpose

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 and sustainability of the Company and of the Group.

Subject matter

The subject-matter of the Plan is the free allocation to the Beneficiaries of a maximum of 260,000 Options, 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 business targets related to the ROI and EBITDA and social and environmental targets.

Beneficiaries

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 2021 - 2023 Business Plan. A total of 226,000 Rights were allocated to the Beneficiaries already identified.

Deadline

The 2021 - 2023 Plan expires on 31 December 2024.

Accounting impacts and Fair Value measurement methods

In connection with this Plan, €1,134 (Note 28) were recognised in personnel costs during the year, an equity reserve of the same amount (Note 14) was recognised as a balancing entry.
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 13 May 2021.

The main assumptions made at the beginning of the vesting period and the methods for determining the fair value at the end of the reporting period are illustrated below. The following economic and financial parameters were taken into account in determining the fair value per share at the start of the vesting period:

Share price on grant date adjusted for dividends	23.09
Dividend yield	2.60%
Expected volatility per year	28%
Interest rate per year	-0.40%

Based on the exercise right at the different dates established by the Plan Regulations and on the estimate of the expected probability of achieving the objectives for each reference period, the unitary fair value at 31 December 2022 was determined as follows:

RIGHTS RELATING TO BUSINESS OBJECTIVES MEASURED ON ROCE	Total value on ROCE	13.74	fair value	4.81
	Rights on ROCE	35%		

RIGHTS RELATING TO BUSINESS OBJECTIVES MEASURED EBITDA	Total value on EBITDA	15.92	fair value	6.37
	Rights on EBITDA	40%		

RIGHTS RELATING TO ESG OBJECTIVES MEASURED ON PERSONNEL TRAINING	Total value on "Personnel training"	20.41	fair value	1.02
	Rights on "Personnel training"	5%		

RIGHTS RELATING TO ESG OBJECTIVES MEASURED ON SAFETY INDICATOR	Total value on "Safety indicator"	7.82	fair value	0.39
	Rights on "Safety indicator"	5%		

RIGHTS RELATING TO ESG OBJECTIVES MEASURED ON EMISSIONS REDUCTION	Total value on "Emission reduction"	20.41	fair value	3.06
	Rights on "Emission reduction"	15%		

Fair value per share	15.65

41. 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 23) 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 the lenders to demand immediate repayment of loans (Note 15). During the current financial year, there were no breaches of the covenants linked to loans.

In the years ended 31 December 2022 and 2021, no changes were made to the objectives, policies and procedures for capital management.

42. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

Pursuant to the Consob memorandum of 28 July 2006, the Group declares that no significant non-recurring events or transactions, as defined by the memorandum, took place in 2022.

43. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There were no important events after the 2022 reporting period.

44. 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 carried out during 2022.

45. 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 €2,855 thousand (€3,443 thousand at 31 December 2021).

46. 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 53,348,061	Sabaf S.p.A.	100%
Sabaf Beyaz Esya Parcalari Sanayi ve Ticaret Limited Sirketi (Sabaf Turkey)	Manisa (Turkey)	TRY 340,000,000	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)	CNY 69,951,149	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 224,692,120	Sabaf S.p.A.	100%
A.R.C. s.r.l.	Campodarsego (PD)	EUR 45,000	Sabaf S.p.A.	100%
Sabaf Mexico Appliance Components	San Louis Potosì (Mexico)	PESOS 141,003,832	Sabaf S.p.A.	100%
C.M.I. Cerniere Meccaniche Industriali s.r.l	Valsamoggia (BO)	EUR 1,000,000	Sabaf S.p.A.	100%
C.G.D. s.r.l.	Valsamoggia (BO)	EUR 26,000	C.M.I. s.r.l.	100%
P.G.A. s.r.l.	Fabriano (AN)	EUR 100,000	Sabaf S.p.A.	100%
P.G.A.2.0. s.r.l.	Fabriano (AN)	EUR 10,000	P.G.A. s.r.l.	100%

47. GENERAL INFORMATION ON THE PARENT COMPANY

Name of the parent company	Sabaf S.p.A.
Legal status	Joint-stock company (S.p.A.)
Domicile of entity	Italy
Registered and administrative office	Via dei Carpini, 1 - 25035 Ospitaletto (Brescia)
Main place of business	Via dei Carpini, 1 - 25035 Ospitaletto (Brescia)
Country of registration	Italy

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

Contacts	Tel: +39 030 - 6843001
	Fax: +39 030 - 6848249
	E-mail: info@sabaf.it
	Website: www.sabafgroup.com

Type of business

The purpose of the Company is the design, production and sale of gas fittings and burners, thermostats, safety valves, other components and accessories for household appliances, as well as sanitary and plumbing fittings in general. The purpose of the Company is also the design, construction and trade of machine tools, automation systems in general and related equipment, tools, as well as the provision of related maintenance, repair, support and business organisation services. The Company, within the limits set by the relevant regulations in force, may carry out any other security, property, industrial and commercial transaction that is deemed necessary, appropriate or useful for the achievement of the company purpose. It may acquire shareholdings in other companies whose purpose is similar or related to its own as well as provide personal guarantees or collaterals including mortgages also for third parties' obligations provided that such activities do not take precedence over the company's business and are not carried out vis-à-vis the public and therefore within the limits and in the manner provided for by Legislative Decree No. 385/93; the Company can perform the management and coordination function with regard to its subsidiaries, providing the organisational, technical, managerial and financial support and coordination deemed appropriate. However, the activities reserved to investment companies under Legislative Decree No. 415/96, and pursuant to the relevant provisions in force, are excluded.

APPENDIX

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

The following table, prepared pursuant to Art. 149-duodecies of the CONSOB Issuers' Regulation, shows fees relating to 2022 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 2022 financial year
Audit	EY S.p.A.	Parent company	41
	EY S.p.A.	Italian subsidiaries	39
	EY network	Foreign subsidiaries	55
Other services	EY S.p.A.	Parent company	35[2]
	EY S.p.A.	Italian subsidiaries	5[3]
Total			**175**

[2] Auditing procedures agreement relating to interim management reports; limited review of Disclosure of non-financial information.
[3] Certification of tax credit for research and development and training 4.0.

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 2022 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, 21 March 2023

Chief Executive Officer	The Financial Reporting Officer
Pietro Iotti	Gianluca Beschi

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

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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, 2022, and the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders' equity and the consolidated statement of cash flows 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, 2022, 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.

Building a better working world

We identified the following key audit matter:

Key Audit Matters	Audit Responses
Valuation of the purchase price allocation related to P.G.A. acquisition	
During the year 2022 the Group acquired the P.G.A. Group. The acquisition has been accounted for pursuant to IFRS 3, Business Combination, including the related purchase price allocation (hereinafter, "PPA"). The PPA is aimed to determine, at the acquisition date, the fair value of the identifiable assets and liabilities acquired. The fair value of such identified assets and liabilities has been estimated based on complex assumptions that, by their nature, required judgments from management. The PPA resulted in a residual goodwill. Considering the significance of the transaction and the amounts involved in the PPA, the complexity of the assumptions assumed in the calculation of the fair value of the acquired assets and liabilities, and the level of judgement exercised by management, we determined this area represents a key audit matter. The note "Information related to IFRS 3" of the consolidated financial statements as of December 31, 2022 include the description of the process followed by Group management and the impacts on the consolidated financial statements.	Our audit procedures in response to the key audit matter included, among others: (i) the analysis of the agreements signed within the P.G.A. Group acquisition process and the assessment of the related accounting treatment adopted by Sabaf Group; (ii) the assessment of the valuation reports prepared by the external specialist who supported the Company in the calculation of the fair valuation of the assets and liabilities identified, and in the purchase price allocation process, (iii) the assessment of the key assumptions used by management in performing the aforementioned procedures. In performing our audit procedures, we involved EY internal valuation specialists who assisted us in the assessment of the key assumptions and methodology adopted by management. Lastly, we evaluated the appropriateness of the disclosures included in the explanatory notes of the consolidated financial statements.

Building a better working world

Recoverability of goodwill

Goodwill at December 31, 2022 amounted to Euro 27,6 million, and was allocated to the following Group's Cash Generating Units (CGU):

- "Hinges" CGU for Euro 4,4 million;
- "Professional burners" CGU for Euro 1,8 million;
- "Electronic components" CGU for Euro 16,6 million;
- "Electronic components P.G.A." CGU for Euro 1,1 million;
- "CMI Hinges" CGU for Euro 3,7 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 "4 - 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 2023-2027 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.

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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 on the compliance with Delegated Regulation (EU) 2019/815

The Directors of Sabaf S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) (the "Delegated Regulation") to the consolidated financial statements, to be included in the annual financial report.

We have performed the procedures required under auditing standard SA Italia n.700B, in order to express an opinion on the compliance of the consolidated financial statements at December 31, 2022 with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements as at December 31, 2022 have been prepared in the XHTML format and have been marked-up, in all material aspects, in compliance with the provisions of the Delegated Regulation.

Due to certain technical limitations, some information included in the explanatory notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

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

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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, 2022, 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, 2022 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, 2022 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.

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.

Brescia, April 4, 2023

EY S.p.A.
Signed by: Marco Malaguti, Auditor

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

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Corporate bodies

Board of Directors

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

* Independent directors

Board of Statutory Auditors

Chairman	Alessandra Tronconi
Statutory Auditor	Maria Alessandra Zunino de Pignier
Statutory Auditor	Mauro Vivenzi

Independent Auditors

EY S.p.A.

STATEMENT OF FINANCIAL POSITION

(in €)	Notes	31.12.2022	31.12.2021
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	1	47,621,810	48,593,970
Investment property	2	983,333	2,311,476
Intangible assets	4	5,429,576	3,778,108
Equity investments	5	112,505,434	84,512,138
Non-current financial assets	6	10,375,117	10,707,311
- of which from related parties	39	*10,375,117*	*10,707,311*
Non-current receivables	7	634,348	31,852
Deferred tax assets	23	3,047,631	3,322,620
TOTAL NON-CURRENT ASSETS		**180,597,248**	**153,257,475**
CURRENT ASSETS			
Inventories	8	26,911,220	33,985,939
Trade receivables	9	28,315,040	45,194,276
- of which from related parties	39	*8,108,979*	*15,210,599*
Tax receivables	10	5,060,805	1,462,789
- of which from related parties	39	*1,208,542*	*766,557*
Other current receivables	11	1,208,792	1,929,121
Current financial assets	12	2,901,373	1,172,947
- of which from related parties	39	*1,300,000*	*0*
Cash and cash equivalents	13	2,604,007	29,733,148
TOTAL CURRENT ASSETS		**67,001,238**	**113,478,220**
ASSETS HELD FOR SALE	3	525,660	0
TOTAL ASSETS		**248,124,145**	**266,735,695**

	Notes	31.12.2022	31.12.2021
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	14	11,533,450	11,533,450
Retained earnings, Other reserves		97,244,927	92,831,829
Profit for the year		2,246,997	10,043,877
TOTAL SHAREHOLDERS' EQUITY		**111,025,374**	**114,409,156**
NON-CURRENT LIABILITIES			
Loans	16	76,336,237	82,515,298
Post-employment benefit and retirement provisions	18	1,587,836	1,779,634
Provisions for risks and charges	19	354,595	851,081
Deferred tax liabilities	23	721,195	323,942
TOTAL NON-CURRENT LIABILITIES		**78,999,863**	**85,469,955**
CURRENT LIABILITIES			
Loans	16	27,241,978	19,010,029
- of which from related parties	39	*2,500,000*	*0*
Other financial liabilities	17	561,117	1,393,611
Trade payables	20	21,167,682	33,677,766
- of which from related parties	39	*1,056,744*	*1,533,149*
Tax payables	21	621,929	3,374,435
- of which from related parties	39	*24,397*	*54,720*
Other payables	22	8,506,203	9,400,743
TOTAL CURRENT LIABILITIES		**58,098,908**	**66,856,584**
LIABILITIES HELD FOR SALE		0	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**248,124,145**	**266,735,695**

INCOME STATEMENT

(in €)	Notes	2022	2021
INCOME STATEMENT COMPONENTS			
OPERATING REVENUE AND INCOME			
Revenue	25	119,089,523	144,033,787
- of which from related parties	39	*17,099,638*	*20,212,450*
Other income	26	6,511,215	6,195,079
- of which from related parties	39	*2,921,090*	*2,029,702*
TOTAL OPERATING REVENUE AND INCOME		**125,600,738**	**150,228,866**
OPERATING COSTS			
Materials	27	(52,970,888)	(72,122,067)
- of which from related parties	39	*(3,249,022)*	*(3,315,935)*
Change in inventories		(7,074,719)	12,473,605
Services	28	(28,629,203)	(34,254,138)
- of which to related parties	39	*(420,521)*	*(446,675)*
Personnel costs	29	(30,575,199)	(34,780,110)
Other operating costs	30	(900,987)	(727,503)
Costs for capitalised in-house work		3,068,203	2,259,389
TOTAL OPERATING COSTS		**(117,082,793)**	**(127,150,823)**
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION, CAPITAL GAINS/LOSSES, WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS		**8,517,946**	**23,078,043**
Depreciations and amortisation	1,2,3,4	(8,485,132)	(9,179,378)
Capital gains/(losses) on disposal of non-current assets		1,565,126	238,136
- of which to related parties	39	*1,362,808*	*110,367*
Write-downs/write-backs of non-current assets	5	(808,000)	(300,000)
- of which to related parties	39	*(808,000)*	*(300,000)*
EBIT		**789,939**	**13,836,801**
Financial income	31	1,973,664	318,425
- of which to related parties	39	*309,025*	*255,441*
Financial expenses	32	(1,573,474)	(530,464)
Exchange rate gains and losses	33	353,659	426,824
Profits and losses from equity investments	34	177,833	175,504
- of which to related parties		*177,833*	*175,504*
PROFIT BEFORE TAXES		**1,721,620**	**14,227,088**
Income taxes	35	525,377	(4,183,212)
PROFIT FOR THE YEAR		**2,246,997**	**10,043,877**

COMPREHENSIVE INCOME STATEMENT

(in €)	2022	2021
PROFIT FOR THE YEAR	**2,246,997**	**10,043,877**
Total profits/losses that will not be subsequently reclassified under profit (loss) for the year:		
Actuarial evaluation of post-employment benefit	169,215	3,334
Tax effect	(40,612)	(800)
	128,603	**2,534**
Total profits/losses that will not be subsequently reclassified under profit (loss) for the year:		
Hedge accounting for derivative financial instruments	57,857	(198,499)
TOTAL OTHER PROFITS/(LOSSES) NET OF TAXES FOR THE YEAR	**186,460**	**(195,965)**
TOTAL PROFIT	**2,433,457**	**9,847,912**

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 2020	**11,533**	**10,002**	**2,307**	**(4,341)**	**(529)**	**84,547**	**6,409**	**109,928**
Allocation of 2020 profit								
- Payment of dividends							(6,172)	(6,172)
- To the extraordinary reserve						237	(237)	0
Stock grant plan (IFRS 2)						805		805
Treasury share transactions				437		(437)		0
Total profit at 31 December 2021					2	(198)	10,044	9,848
Balance at 31 December 2021	**11,533**	**10,002**	**2,307**	**(3,904)**	**(526)**	**84,953**	**10,044**	**114,409**
Allocation of 2021 profit								
- Payment of dividends							(6,758)	(6,758)
- To the extraordinary reserve						3,286	(3,286)	0
Stock grant plan (IFRS 2)						1,134		1,134
Treasury share transactions				682		(875)		(193)
Total profit at 31 December 2022					128	58	2,247	2,433
Balance at 31 December 2022	**11,533**	**10,002**	**2,307**	**(3,222)**	**(399)**	**88,557**	**2,247**	**111,025**

STATEMENT OF CASH FLOWS

(€/000)	2022 FY	2021 FY
Cash and cash equivalents at beginning of year	***29,733***	***1,595***
Profit for the year	2,247	10,044
Adjustments for:		
- Depreciations and amortisation	8,485	9,179
- Realised gains	(1,565)	(238)
- Write-downs of non-current assets	808	300
- Profits and losses from equity investments	(178)	(176)
- Valuation of the stock grant plan	1,134	805
- Net financial income and expenses	(400)	212
- Non-monetary foreign exchange differences	(361)	(340)
- Income tax	(525)	4,183
Change in post-employment benefit	(63)	(147)
Change in risk provisions	(496)	3
Change in trade receivables	*16,879*	*(170)*
Change in inventories	*7,075*	*(12,474)*
Change in trade payables	*(12,510)*	*7,474*
Change in net working capital	11,444	(5,170)
Change in other receivables and payables, deferred taxes	(973)	487
Payment of taxes	(4,360)	(1,738)
Payment of financial expenses	(1,472)	(530)
Collection of financial income	372	318
Cash flows from operations	**14,097**	**17,187**
Investments in non-current assets		
- intangible	(2,749)	(1,934)
- tangible	(8,435)	(9,288)
- financial	(27,284)	(19,288)
Disposal of non-current assets	4,632	2,103
Cash flow absorbed by investments	**(33,836)**	**(28,407)**
Free Cash Flow	**(19,739)**	**(11,220)**
Repayment of loans	(19,368)	(23,032)
Raising of loans	19,728	73,229
Change in financial assets	624	(4,842)
Purchase/Sale of treasury shares	(1,862)	-
Payment of dividends	(6,690)	(6,172)
Collection of dividends	178	175
Cash flow absorbed by financing activities	**(7,390)**	**39,358**
Total cash flows	**(27,129)**	**28,138**
Cash and cash equivalents at end of year (Note 13)	***2,604***	***29,733***

Explanatory notes

ACCOUNTING STANDARDS

STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

The Separate Financial Statements of Sabaf S.p.A. for the financial year 2022 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 2022.

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 2022, unchanged versus the previous year, are shown below.

Property, plant and equipment

These are recognised 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.

Leased assets

The Company 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 Company 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 useful life of the asset or the end of the lease agreement, 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 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, the weighted average of which was 1.5% on 31 December 2022.

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.

Assets held for sale

The Company classifies non-current assets as held for sale if their carrying value will be recovered mainly through a sale transaction, rather than through their continued use. These non-current assets classified as held for sale are measured at the lower of their carrying value and their fair value less costs to sell. Selling costs are the additional costs directly attributable to the sale, excluding financial expenses and taxes.

The condition for classification as held for sale is only met when the sale is highly probable and the asset is available for immediate sale in its present condition. The actions required to complete the sale should indicate that significant changes to the sale are unlikely or that the sale will be cancelled. Management must be committed to the sale, which should be completed within one year from the date of classification.

Depreciation of property, plant and equipment and amortisation of intangible assets stops when they are classified as available for sale.
Assets and liabilities classified as held for sale are presented separately in the financial statements.

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 recognised 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 as financial assets at fair value through profit or loss with reclassification of cumulative gains and losses or financial assets as 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 carrying 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 46.

This cost, together with the corresponding increase in shareholders' equity, is recognised under personnel costs (Note 29) 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 and inventory write-downs at their expected sale value
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.

If the expected sale value is less than the purchase or production cost, inventories of finished goods are written down to market value, estimated on the basis of current selling prices.

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.

Climate change
With reference to the potential impact of climate change and energy transition on the Company's activities, the Management carries out targeted analyses to identify and manage the main risks

and uncertainties to which the Company is exposed, adapting the corporate strategy accordingly. To date, these factors have not had a significant impact on the opinions and estimates used in preparing these Separate Financial Statements.

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

New accounting standards

Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"
The amendment clarifies that all costs directly attributable to the contract must be taken into account when estimating the possible onerousness of a contract. Accordingly, the assessment of whether a contract is onerous includes not only incremental costs (such as the cost of direct materials used in the process) but also all costs directly attributable to the contractual activities (such as depreciation of equipment used to perform the contract and costs of contract management and control). General and administrative expenses are not directly related to a contract and are excluded unless they are explicitly chargeable to the other party on the basis of the contract. These amendments had no impact on the Separate Financial Statements.

Amendments to IAS 16 "Property, Plant and Equipment"
The purpose of the amendments is not to allow the deduction from the cost of property, plant and equipment of the amount received from the sale of goods produced in the test phase of the asset. These sales revenues and related production costs will therefore be recognised in the income statement. These amendments had no impact on the Separate Financial Statements .

Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter"
The amendment allows a subsidiary that chooses to apply paragraph D16(a) of IFRS 1 to account for cumulative translation differences on the basis of the amounts recognised by the parent company, taking into account the parent's date of transition to IFRSs. This amendment had no impact on the Company's separate Consolidated Financial Statements as the Group is not a first-time adopter.

Amendments to IFRS 3 "Reference to the Conceptual Framework"
The amendments are intended to replace references to the Framework for the Preparation and Presentation of Financial Statements with the references to the Conceptual Framework for Financial Reporting published in March 2018 without a significant change to the requirements of the standard. The Board also added an exception to the measurement principles of IFRS 3 to avoid the risk of potential "day-after" losses or gains arising from liabilities and contingent liabilities that would fall within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. The exemption requires entities to apply the requirements of IAS 37 or IFRIC 21, rather than the Conceptual Framework, to determine whether an obligation exists at the date of acquisition. The amendment also added a new paragraph to IFRS 3 to clarify that contingent assets do not qualify as recognisable assets at the date of acquisition. These amendments had no impact on the Company's Separate Financial Statements in that no contingent assets, liabilities or contingent liabilities were recognised in the year for the purpose of these amendments.

Amendments to IFRS 9 "Financial Instruments"
The amendments clarify what fees can be included in measuring whether the terms of a new financial liability (or changes to an existing financial liability) are materially different from the terms of the original financial liability. This amendment had no impact on the Company's Separate Financial Statements in that there were no changes in the Company's financial liabilities during the year.

Amendments to IAS 41 "Agriculture"
The amendment removes the requirement to exclude cash flows arising from taxation when measuring the fair value of assets within the scope of IAS 41. This amendment had no impact on the Company's Separate Financial Statements in that the Company does not have any assets to which IAS 41 applies.

IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union, not yet universally applicable and not adopted early by the Company at 31 December 2022

IFRS 17 "Insurance Contracts"
In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new standard on insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts regardless of the type of entity that issues them, as well as to certain guarantees and financial instruments with discretionary participation features. IFRS 17 will be effective for financial years beginning on or after 1 January 2023, and will require the presentation of comparative balances. Early application is permitted, in which case the entity must also have adopted IFRS 9 and IFRS 15 on or before the date of first-time application of IFRS 17. This principle does not apply to the Company.

Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"
In January 2020, the IASB issued amendments to paragraphs 69-76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify what is meant by the right to postpone an expiry, that the right to postpone must exist at the end of the reporting period, that the classification is not affected by the likelihood that the entity will exercise its right to postpone, that only if a derivative embedded in a convertible liability is itself an equity instrument does the maturity of the liability have no impact on classification. The amendments will be effective for financial years beginning on or after 1 January 2023 and must be applied retrospectively. The company is assessing the impact of the changes on the current situation.

Amendments to IAS 8 "Definition of accounting estimates"
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of "accounting estimates". The amendments clarify the distinction between changes in accounting standards and changes in accounting policies and corrections of errors. They also clarify how entities use measurement techniques and inputs

to develop accounting estimates. The amendments are effective for financial years beginning on or after 1 January 2023 and apply to changes in accounting standards and changes in accounting estimates that occur on or after the beginning of that period. Early application is permitted provided that this fact is disclosed.
The changes are not expected to have a significant impact on the Company.

Amendments to IAS 1 and IFRS Practice Statement 2 "Disclosure of Accounting Standards"

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to the disclosure of accounting standards. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023. Earlier application is permitted. Since the amendments to PS 2 provide non-mandatory guidance on the application of the definition of materiality to the disclosure of accounting standards, there is no need for an effective date for these amendments.
The Company is currently assessing the impact of the amendments to determine the effect they will have on the Company's disclosure of accounting standards.

Amendments to IAS 12 "Deferred Taxes on Assets and Liabilities Arising from a Single Transaction"

In May 2021, the IASB issued amendments to IAS 12 that narrow the scope of the initial recognition exception in IAS 12, which no longer applies to transactions that give rise to both taxable and deductible temporary differences.
Amendments are to be applied to transactions occurring after or at the beginning of the comparative period presented. In addition, deferred tax assets (if sufficient taxable income is available) and deferred tax liabilities are recognised at the beginning of the comparative period for all deductible and taxable temporary differences relating to leases and provisions for restoration.
The Company is currently assessing the impact of these changes.

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	**43,668**	**175,493**	**38,059**	**2,522**	**259,742**
Increases	571	3,877	2,016	3,005	9,469
Disposals	-	(1,694)	(404)	-	(2,098)
Reclassification	223	1,108	38	(1,676)	(307)
At 31 December 2021	**44,462**	**178,784**	**39,709**	**3,851**	**266,806**
Increases	51	1,501	1,593	5,906	9,051
Disposals	-	(6,345)	(755)	-	(7,100)
Reclassification	240	6,099	185	(6,664)	(140)
At 31 December 2022	**44,753**	**180,039**	**40,732**	**3,093**	**268,617**

ACCUMULATED DEPRECIATION	**18,531**	**154,288**	**33,084**	**-**	**205,903**
At 31 December 2020	**19,743**	**156,796**	**34,541**	**-**	**211,080**
Depreciations for the year	1,258	5,558	1,562	-	8,378
Derecognition due to disposal	-	(1,151)	(95)	-	(1,246)
At 31 December 2021	**21,001**	**161,203**	**36,008**	**-**	**218,212**
Depreciations for the year	1,183	4,928	1,538	-	7,649
Derecognition due to disposal	-	(4,558)	(308)	-	(4,866)
At 31 December 2022	**22,184**	**161,573**	**37,238**	**-**	**220,995**

NET CARRYING VALUE					
At 31 December 2022	**22,569**	**18,466**	**3,494**	**3,093**	**47,622**
At 31 December 2021	**23,461**	**17,581**	**3,701**	**3,851**	**48,594**

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

	31.12.2022	31.12.2021	Change
Land	5,404	5,404	-
Industrial buildings	17,165	18,057	(892)
Total	**22,569**	**23,461**	**(892)**

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 2022	**212**	**-**	**674**	**887**
Increases	-	-	169	169
Depreciations and amortisation	(43)	-	(282)	(325)
At 31 December 2022	**169**	**-**	**561**	**730**

The main investments during the year were aimed at keeping the production equipment up to date and fully operational.
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 2022, 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 2020	**11,283**
Increases	-
Disposals	(1,107)
At 31 December 2021	**10,176**
Increases	144
Disposals	(1,380)
Reclassification	(6,675)
At 31 December 2022	**2,265**

ACCUMULATED AMORTISATION	
At 31 December 2020	**8,030**
Depreciations for the year	369
Derecognition due to disposal	(534)
At 31 December 2021	**7,865**
Depreciations for the year	299
Derecognition due to disposal	(733)
Reclassifications	(6,149)
At 31 December 2022	**1,282**

NET CARRYING VALUE	
At 31 December 2022	**983**
At 31 December 2021	**2,311**

This item includes non-operating buildings owned by the Company. Disposals during the period resulted in a capital gain of approximately €243 thousand.

During the year, property with a net carrying value of €526 thousand was reclassified under Available-for-sale non-current assets (Note 3).

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

INVESTMENT PROPERTY	
1 January 2022	**3**
Increase	144
Decrease	-
Depreciations and amortisation	(39)
At 31 December 2022	**108**

At 31 December 2022, 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. ASSETS HELD FOR SALE

This item includes the net carrying value of the Company's former production plant located in Lumezzane (Brescia) amounting to €526 thousand, the value of which will be recovered through a sale transaction with the characteristics indicated by IFRS 5.

4. INTANGIBLE ASSETS

	Patents, know-how and software	Development costs	Other intangible assets	Total
COST				
At 31 December 2020	**6,974**	**6,020**	**641**	**13,635**
Increases	250	1,679	4	1,933
Decreases	(2)	-	(3)	(5)
Reclassifications	22	(58)	-	(36)
At 31 December 2021	**7,244**	**7,641**	**642**	**15,527**
Increases	400	2,332	17	2,749
Decreases	79	(474)	-	(395)
Reclassifications	(142)	(22)	(1)	(165)
At 31 December 2022	**7,581**	**9,477**	**658**	**17,716**
AMORTISATION AND WRITE-DOWNS				
At 31 December 2020	**6,664**	**4,109**	**546**	**11,319**
Depreciations and amortisation	142	288	-	430
Decreases	-	-	-	-
At 31 December 2021	**6,806**	**4,397**	**546**	**11,749**
Depreciations and amortisation	221	315	1	537
Decreases	-	-	-	-
At 31 December 2022	**7,027**	**4,712**	**547**	**12,286**
NET CARRYING VALUE				
At 31 December 2022	**554**	**4,765**	**111**	**5,430**
At 31 December 2021	**438**	**3,244**	**96**	**3,778**

Intangible assets have a finite useful life and, as a result, are amortised throughout their life.

Development costs are mainly related to the decision to extend the product range to include induction cooking. To this end, a dedicated project team was set up to develop the project know-how in-house, with patents, proprietary software and hardware. The first prototypes were presented in 2022, with production starting in 2023. Investments in the development of gas parts continued, mainly in relation to the expansion of the range of burners. Increases in development costs include projects in progress and therefore not subject to amortisation.

At 31 December 2022, 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.

5. EQUITY INVESTMENTS

	31.12.2022	31.12.2021	Change
In subsidiaries	112,422	84,429	27,933
Other equity investments	83	83	-
Total	**112,505**	**84,512**	**27,933**

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

HISTORICAL COST	Faringosi Hinges	Sabaf do Brasil	Sabaf U.S.	Sabaf Appliance Components (China)	Sabaf Mexico	Sabaf Turkey	A.R.C.	Okida	C.M.I.	Sabaf India	P.G.A.	Total
31.12.2020	**10,329**	**9,561**	**139**	**7,900**	**0**	**12,005**	**4,800**	**8,782**	**16,455**	**1,770**	**0**	**71,741**
Purchase	-	-	-	-	1	-	1,650	-	4,743	-	-	6,394
Share capital increase	-	3,600	-	-	3,127	5,167	-	-	-	1,000	-	12,894
31.12.2021	**10,329**	**13,161**	**139**	**7,900**	**3,128**	**17,172**	**6,450**	**8,782**	**21,198**	**2,770**	**0**	**91,029**
Purchase	-	-	-	-	-	-	-	-	-	-	7,843	7,843
Value adjustment	-	-	-	-	-	-	-	-	(154)	-	-	(154)
Share capital increase	-	-	-	1,000	3,177	14,935	-	-	-	2,000	-	21,112
31.12.2022	**10,329**	**13,161**	**139**	**8,900**	**6,305**	**32,107**	**6,450**	**8,782**	**21,044**	**4,770**	**7,843**	**119,830**
PROVISION FOR WRITE-DOWNS												
31.12.2020	**0**	**0**	**0**	**6,300**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**6,300**
Write-downs	-	-	-	300	-	-	-	-	-	-	-	300
31.12.2021	**0**	**0**	**0**	**6,600**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**6,600**
Write-downs	-	-	-	808	-	-	-	-	-	-	-	808
31.12.2022	**0**	**0**	**0**	**7,408**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**7,408**
NET CARRYING VALUE												
31.12.2022	**10,329**	**13,161**	**139**	**1,492**	**6,305**	**32,107**	**6,450**	**8,782**	**21,044**	**4,770**	**7,843**	**112,422**
31.12.2021	**10,329**	**13,161**	**139**	**1,300**	**3,128**	**17,172**	**6,450**	**8,782**	**21,198**	**2,770**	**0**	**84,429**
PORTION OF SHAREHOLDERS' EQUITY (CALCULATED IN COMPLIANCE WITH IFRS)												
31.12.2022	**9,850**	**17,803**	**142**	**1,493**	**6,409**	**52,559**[1]	**8,548**	**11,840**[1]	**19,344**	**4,127**	**3,595**	**135,710**
31.12.2021	**8,462**	**15,716**	**158**	**1,317**	**3,092**	**15,396**	**7,371**	**2,961**	**15,503**	**2,755**	**0**	**72,731**
DIFFERENCE BETWEEN SHAREHOLDERS' EQUITY AND CARRYING VALUE												
31.12.2022	**(479)**	**4,642**	**3**	**1**	**104**	**20,452**	**2,098**	**3,058**	**(1,700)**	**(643)**	**(4,248)**	**23,288**
31.12.2021	**(1,867)**	**2,555**	**19**	**17**	**(36)**	**(1,776)**	**921**	**(5,821)**	**(5,695)**	**(15)**	**0**	**(11,698)**

[1] Values determined in accordance with IAS 29 - Financial Reporting in Hyperinflationary Economies, applied to companies in Turkey, hyperinflated country as from 1 April 2022.

Faringosi Hinges s.r.l.

In 2022, the Faringosi Hinges achieved positive results - in terms of sales and profitability - both compared to the previous year and compared to the budget. The 2023-2027 forward plan, prepared at the beginning of 2023, envisages a decrease in sales in 2023, a gradual recovery in the following years and the maintenance of good levels of profitability.

At 31 December 2022, 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. Cash flows for the period from 2023 to 2027 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 management prepared a single plan for each CGU that represents the normal expected scenario, with reference to the period from 2023 to 2027.

The development of forward plans and the calculation of the value in use were carried out following an in-depth analysis that also considered the impact on profitability of the increase in purchase costs and the possibility of transferring this increase to sales prices.

The value of use was calculated based on a discount rate (WACC) of 11.65% (10.11% in the impairment test carried out while preparing the Separate Financial Statements at 31 December 2021) and a growth rate (g) of 2%, unchanged from the 2021 impairment test.

The recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €20.211 million, compared with a carrying value of the equity investment of €10.329 million; consequently, the amount recognised for equity investment at 31 December 2022 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%**
10.65%	21,294	21,611	21,947	22,303	22,681
11.15%	20,457	20,737	21,032	21,344	21,674
11.65%	19,701	19,950	20,211	20,486	20,776
12.15%	19,016	19,238	19,470	19,714	19,970
12.65%	18,392	18,590	18,797	19,015	19,243

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

	EBITDA		
	According to the plan	-10%	-20%
(€/000)	20,211	12,501	10,572

Sabaf do Brasil

In 2022, Sabaf do Brasil's results deteriorated as a result of the significant downturn in the reference market. A significant recovery is expected as early as 2023. At 31 December 2022, Shareholders' equity (converted into euros at the end-of-year exchange rate) is higher than the carrying amount of the equity investment.

Sabaf U.S.

The subsidiary Sabaf U.S. operates as a commercial support for North America.

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. During the financial year, the equity investment was written down by €808 thousand against the loss of 2022 to bring it in line with shareholders' equity.

Sabaf Beyaz Esya Parcalari Sanayi ve Ticaret Limited Sirketi (Sabaf Turkey)

In 2022, Sabaf Turkey, a company active in the production of gas components and hinges, reported sales in line with the previous year and a decrease in profitability compared to the excellent results of 2021.

In view of the continuing hyperinflation in Turkey, at 31 December 2022, Sabaf S.p.A. tested for the first time - 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. Cash flows for the period from 2023 to 2027 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 management prepared a single plan for each CGU that represents the normal expected scenario, with reference to the period from 2023 to 2027.
The development of forward plans and the calculation of the value in use were carried out following an in-depth analysis that also considered the impact on profitability of the increase in purchase costs and the possibility of transferring this increase to sales prices. The value of use was calculated based on a discount rate (WACC) of 16.27% and a growth rate (g) of 2.5%.
The recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €64.671 million, compared with a carrying value of the equity investment of €32.107 million; consequently, the amount recognised for equity investment at 31 December 2022 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	**2.00%**	**2.25%**	**2.50%**	**2.75%**	**3.00%**
15.27%	66,888	67,138	67,948	68,510	69,095
15.77%	65,281	65,756	66,248	66,759	67,290
16.27%	63,787	64,221	64,671	65,137	65,621
16.77%	62,394	62,792	63,204	63,630	64,072
17.27%	61,092	61,458	61,836	62,227	62,632

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

	EBITDA		
	According to the plan	-10%	-20%
(€/000)	64,671	58,113	52,968

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

A.R.C. s.r.l. performed very well during the 2022 financial year in terms of both turnover and profitability. The 2023-2027 forward plan envisages a decline in sales in 2023, a gradual recovery in the following years and the maintenance of a good level of profitability.
At 31 December 2022, 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. Cash flows for the period from 2023 to 2027 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 management prepared a single plan for each CGU that represents the normal expected scenario, with reference to the period from 2023 to 2027.
The development of forward plans and the calculation of the value in use were carried out following an in-depth analysis that also considered the impact on profitability of the increase in purchase costs and the possibility of transferring this increase to sales prices. The value of use was calculated based on a discount rate (WACC) of 11.19% (6.93% in the impairment test carried out while preparing the Separate financial statements at 31 December 2021) and a growth rate (g) of 2% (unchanged from the impairment test carried out while preparing the Separate Financial Statements at 31 December 2021).
The recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €11.688 million, compared with a carrying value of the equity investment of €6.450 million; consequently, the amount recognised for equity investment at 31 December 2022 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%**
10.19%	12,215	12,380	12,555	12,741	12,940
10.69%	11,889	11,944	12,096	12,259	12,430
11.19%	11,426	11,553	11,688	11,830	11,980
11.69%	11,090	11,203	11,322	11,447	11,579
12.19%	10,785	10,886	10,992	11,103	11,220

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

	EBITDA		
	According to the plan	-10%	-20%
(€/000)	11,688	10,768	9,848

Okida Elektronik Sanayi ve Ticaret Anonim Şirketi

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). Okida Elektronik performed extremely well also in 2022.

At 31 December 2022, 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 by the management. Cash flows for the period from 2023 to 2027 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 management prepared a single plan for each CGU that represents the normal expected scenario, with reference to the period from 2023 to 2027.

The development of forward plans and the calculation of the value in use were carried out following an in-depth analysis that also considered the impact on profitability of the increase in purchase costs and the possibility of transferring this increase to sales prices. The value of use was calculated based on a discount rate (WACC) of 16.81% (15.21% in the impairment test carried out while preparing the Separate Financial Statements at 31 December 2021) and a growth rate (g) of 2.50%, unchanged from the 2021 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 €13.867 million (30% of total equity value), compared with a carrying value of the equity investment of €8.782 million; consequently, the carrying value recognised for equity investment at 31 December 2022 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	**2.00%**	**2.25%**	**2.50%**	**2.75%**	**3.00%**
15.81%	14,541	14,695	14,855	15,022	15,194
16.31%	14,056	14,197	14,343	14,495	14,652
16.81%	13,603	13,733	13,867	14,006	14,150
17.31%	13,181	13,300	13,423	13,550	13,682
17.81%	12,785	12,895	13,008	13,125	13,246

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

	EBITDA		
	According to the plan	-10%	-20%
(€/000)	13,867	12,487	11,019

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

C.M.I. s.r.l. recognised a strong increase in turnover in 2022 compared to the previous year.

The 2023-2027 forward plan envisages a decline in sales in 2023, a gradual recovery in the following years and the maintenance of a good level of profitability.

At 31 December 2022, 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 by the management. Cash flows for the period from 2023 to 2027 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 management prepared a single plan for each CGU that represents the normal expected scenario, with reference to the period from 2023 to 2027.

The development of forward plans and the calculation of the value in use were carried out following an in-depth analysis that also considered the impact on profitability of the increase in purchase costs and the possibility of transferring this increase to sales prices. The value of use was calculated based on a discount rate (WACC) of 11.66% (11.31% in the impairment test carried out while preparing the Separate Financial Statements at 31 December 2021) and a growth rate (g) of 2% (unchanged from that used for the impairment test carried out while preparing the Separate Financial Statements at 31 December 2021).

The recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €52.133 million, compared with a carrying value of the equity investment of €21.044 million; consequently, the amount recognised for equity investment at 31 December 2022 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%**
10.66%	55,785	56,833	58,044	59,274	60,580
11.16%	52,938	53,906	54,927	56,005	57,145
11.66%	50,372	51,230	52,133	53,084	54,086
12.16%	48,048	48,813	49,615	50,458	51,345
12.66%	45,933	46,618	47,335	48,086	48,875

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

	EBITDA		
	According to the plan	-10%	-20%
(in migliaia di euro)	52,133	50,334	41,649

Sabaf India Private Limited

Sabaf India started production of gas components in 2022 for the local market, which is expected to grow strongly in the coming years. The Group believes that the difference between the carrying value of the equity investment and shareholders' equity converted at the year-end exchange rate, mainly due to the depreciation of the rupee, can be recovered in the coming years with the achievement of positive income results.

Sabaf Mexico S.A. de C.V.

During the financial year 2021, a new company was established in San Luis Potosì (Mexico), where a plot of land was acquired and construction work is in progress on a new plant to produce components for the North American market. Production is scheduled to start in the first half of 2023.

P.G.A. s.r.l.

In October 2022, the Company acquired 100% of P.G.A. s.r.l. (P.G.A.), a company based in Fabriano (AN) that has been active for over 25 years in the field of design and assembly of electronic control boards for the household appliances sector.

The carrying value of the equity investment, equal to €7.843 million, includes, in addition to the price paid at the date of the transaction, subsequent contractual price adjustments related to the valuation of the net financial position at the acquisition date, the achievement of economic performance targets ("earn-outs"), and accrued receivables from the former shareholders of P.G.A. related to the compensation obligations envisaged upon the occurrence of certain events (liabilities incurred by P.G.A.) regulated by the acquisition agreement.

At 31 December 2022, 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. Cash flows for the period from 2023 to 2024 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 10.88% and a growth rate (g) of 2%, representative of expected future growth rates for the reference market.

The recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €14.375 million, compared with a carrying value of the equity investment of €7.843 million; consequently, the amount recognised for equity investment at 31 December 2022 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%**
9.88%	15,457	15,896	16,364	16,862	17,393
10.38%	14,513	14,900	15,310	15,746	16,209
10.88%	13,669	14,012	14,375	14,759	15,165
11.38%	12,911	13,217	13,540	13,880	14,239
11.88%	12,226	12,500	12,789	13,092	13,412

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

	EBITDA		
	According to the plan	-10%	-20%
(€/000)	14,375	12,463	10,551

6. NON-CURRENT FINANCIAL ASSETS

	31.12.2022	31.12.2021	Change
Financial receivables from subsidiaries	10,375	10,707	(332)
Total	**10,375**	**10,707**	**(332)**

At 31 December 2022, financial receivables from subsidiaries consist of:

- an interest-bearing loan of USD 2 million (€1.875 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 2023;
- an interest-bearing loan of €8.5 million to the subsidiary Sabaf Turkey, of which €3.5 million disbursed during 2018 and €5 million disbursed during 2021 as part of the coordination of the Group's financial management, with maturity in August 2024 and April 2024, respectively.

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7. NON-CURRENT RECEIVABLES

	31.12.2022	31.12.2021	Change
Receivables from former P.G.A. shareholders	597	-	597
Guarantees	37	32	5
Total	**634**	**32**	**602**

Receivables from former P.G.A. shareholders refer to compensation obligations envisaged upon the occurrence of certain events (liabilities incurred by P.G.A.) regulated by the acquisition agreement.

These receivables, already accrued and agreed upon between the parties, were discounted. The effect of discounting was recorded under financial income (Note 31).

8. INVENTORIES

	31.12.2022	31.12.2021	Change
Raw Materials	11,313	13,381	(2,068)
Semi-processed goods	7,941	9,400	(1,459)
Finished products	9,446	12,990	(3,544)
Provision for inventory write-downs	(1,789)	(1,785)	(4)
Total	**26,911**	**33,986**	**(7,075)**

The value of final inventories at 31 December 2022 decreased compared to the end of the previous year as a result of lower business volumes in the second half of the year.
The provision for write-downs is mainly 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 €529 thousand, semi-finished products for €298 thousand and finished products for €962 thousand.

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

31.12.2021	**1,785**
Provisions	42
Utilisation	(38)
31.12.2022	**1,789**

9. TRADE RECEIVABLES

	31.12.2022	31.12.2021	Change
Trade receivables from third parties	20,806	30,584	(9,778)
Trade receivables from subsidiaries	8,109	15,210	(7,101)
Bad debt provision	(600)	(600)	0
Net total	**28,315**	**45,194**	**(16,879)**

At 31 December 2022, trade receivables included balances totalling USD 4,102 thousand, booked at the EUR/USD exchange rate in effect on 31 December 2022, equal to 1.0666. The amount of trade receivables recognised in the financial statements includes approximately €12 million in insured receivables (€13 million at 31 December 2021).
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:

	31.12.2022	31.12.2021	Change
Current receivables (not past due)	17,016	27,304	(10,288)
Outstanding up to 30 days	2,118	1,844	274
Outstanding from 30 to 60 days	769	348	421
Outstanding from 60 to 90 days	169	211	(42)
Outstanding for more than 90 days	734	877	(143)
Total	**20,806**	**30,584**	**(9,778)**

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:

	31.12.2021	Provisions	Utilisation	31.12.2022
Bad debt provision	600	0	0	600

10. TAX RECEIVABLES

	31.12.2022	31.12.2021	Change
For income tax	4,515	1,104	3,411
for VAT	546	359	187
Total	**5,061**	**1,463**	**3,598**

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 2022, income tax receivables include:

- the receivable from the subsidiary C.M.I. s.r.l. amounting to €682 thousand
- the receivable from the subsidiary Faringosi Hinges s.r.l. amounting to €266 thousand
- the receivable from the subsidiary A.R.C. s.r.l. amounting to €260 thousand,

relating to the balance of the 2022 income taxes transferred by the subsidiaries 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:

- €1.496 million of receivables for investments in capital equipment referred to Decree Law 160/2019, Budget Law 178/2020 and Budget Law 234/2021
- unused tax credits for energy-intensive and gas-intensive companies of €718 thousand
- receivables for higher payments on account paid in 2022, specifically IRES for €900 thousand and IRAP for €94 thousand.

11. OTHER CURRENT RECEIVABLES

	31.12.2022	31.12.2021	Change
Credits to be received from suppliers	685	1,240	(555)
Advances to suppliers	113	426	(313)
Due from INAIL	0	5	(5)
Other	411	258	153
Total	**1,209**	**1,929**	**(720)**

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 2022 to a smaller extent than in the previous year.

12. CURRENT FINANCIAL ASSETS

	31.12.2022	31.12.2021	Change
Restricted bank accounts	-	1,173	(1,173)
Financial receivables from subsidiaries	1,300	-	1,300
Interest rate derivatives	1,601	-	1,601
Total	**2,901**	**1,173**	**1,728**

In 2022, the term deposit of €1.173 million for the portion of the price not yet paid to the sellers of the C.M.I. equity investment and deposited as collateral in accordance with the terms of the C.M.I. acquisition agreement was paid.

At 31 December 2022, financial receivables from subsidiaries consist of:
- an interest-bearing loan of €1 million granted to C.M.I. s.r.l.
- an interest-bearing loan of €300 thousand to C.G.D. s.r.l.
- as part of the coordination of the Group's financial management.

At 31 December 2022, the Company has in place five interest rate swap (IRS) contracts for amounts and maturities coinciding with six unsecured loans that are being amortised, whose residual value at 31 December 2022 is €24,640 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 "Fair Value through profit or loss", with "Financial income" as a balancing entry.

13. CASH AND CASH EQUIVALENTS

The item Cash and cash equivalents, equal to €2,604 thousand at 31 December 2022 (€29,733 thousand at 31 December 2021), refers almost exclusively to bank current account balances. Please refer to the Statement of Cash Flows for an analysis of changes in liquidity during the year.

14. 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 2022, the structure of the share capital is shown in the table below.

	No. of shares	% of share capital	Rights and obligations
Ordinary shares	7,915,422	68.63%	–
Ordinary shares with increased vote	3,618,028	31.37%	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.

15. 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 2022, 79,128 ordinary shares of the Company were allocated and transferred to the beneficiaries of Cluster 2, through the use of shares already available to the issuer.

Moreover, during the financial year:

- 81,321 treasury shares were purchased at an average price of €22.89 per share;
- 99,132 treasury shares were sold as part of the acquisition of 100% of the capital of P.G.A. s.r.l. on 3 October 2022, for which 25% of the price was paid in shares.

At 31 December 2022, the Company is the owner of 214,683 treasury shares (1.86% of the share capital), reported in the financial statements as an adjustment to shareholders' equity at a weighted average unit value of €14.990 (the closing stock market price of the Share at 31 December 2022 was €16.689). There were 11,318,587 outstanding shares at 31 December 2022 (11,221,648 at 31 December 2021).

The item "Retained earnings, Other reserves" amounting to €97,245 thousand included as at 31 December 2022:

- the stock grant reserve of €1,939 thousand, which included the measurement at 31 December 2022 of the fair value of rights assigned to receive shares of the Parent Company relating to the 2021 – 2023 Stock Grant Plan, medium- and long-term incentive plan for directors and employees of the Sabaf Group, for the details of which reference is made to Note 46;
- the Hedge Accounting reserve, negative for €14 thousand. 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 2021	(71)
Change during the period	57
Value at 31 December 2022	**(14)**

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 38, in the paragraph Foreign exchange risk management.

16. LOANS

	31.12.2022			31.12.2021		
	Current	Non-current	Total	Current	Non-current	Total
Bond issue	-	29,685	29,685	-	29,649	29,649
Unsecured loans	18,348	45,457	63,805	16,732	51,410	68,142
Leases	473	1,194	1,667	437	1,456	1,893
Short-term bank loans	8,421	-	8,421	1,841	-	1,841
Total	**27,242**	**76,336**	**103,578**	**19,010**	**82,515**	**101,525**

In December 2021, Sabaf S.p.A. issued a €30 million bond fully subscribed by PRICOA with a maturity of 10 years, an average life of 8 years and a fixed coupon of 1.85% per year. The loan has the following covenants, defined with reference to the Group consolidated figures widely complied with at 31 December 2022 and for which, according to the Group's business plan, compliance is also expected in subsequent years:

- commitment to maintain a ratio of net financial debt to shareholders' equity of less than 1.5;
- commitment to maintain a ratio of net financial debt to EBITDA of less than 3;
- commitment to maintain a ratio of EBITDA to net financial position of more than 4.

During the year, the Company took out a new unsecured loan of €13 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 2022 equal to €49.9 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 2022 equal to €40.4 million)

widely complied with at 31 December 2022 and for which, according to the Group's business plan, compliance is also expected in subsequent years.

All bank loans are denominated in euro.

To manage interest rate risk, some unsecured loans (with a total residual value of €51.450 million at 31 December 2022) are either fixed-rate or hedged by IRS.

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

Lease liabilities at 1 January 2021	**2,107**
New agreements signed during 2021	275
Repayments during 2021	(489)
Lease liabilities at 31 December 2021	**1,893**
New agreements signed during 2022	313
Repayments during 2022	(524)
Lease liabilities at 31 December 2022	**1,682**

Note 38 provides information on financial risks, pursuant to IFRS 7.

17. OTHER FINANCIAL LIABILITIES

	31.12.2022		31.12.2021	
	Current	Non-current	Current	Non-current
Payables to former P.G.A. shareholders	371	175	-	-
Payables to former C.M.I. shareholders	-	-	1,173	-
Derivative instruments on interest rates	-	-	72	-
Currency derivatives	15	-	149	-
Total	**386**	**175**	**1,394**	**-**

The payable to former P.G.A. shareholders refers to price adjustments following the completion of the acquisition and determined in accordance with contractual provisions.

The payable to C.M.I. shareholders, which amounted to €1,173 thousand at 31 December 2021 and related to the portion of the price not yet paid to the Chinese group Guandong Xingye Investment, seller of C.M.I., was paid in 2022.

18. POST-EMPLOYMENT BENEFIT

At 31 December 2021	**1,780**
Financial expenses	36
Payments made	(58)
Tax effect	(170)
At 31 December 2022	**1,588**

Actuarial gains or losses are recognised 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		
	31.12.2022	31.12.2021
Discount rate	3.62%	0.40%
Inflation	3%	1.30%

Demographic theory		
	31.12.2022	31.12.2021
Mortality rate	IPS55 ANIA	IPS55 ANIA
Disability rate	INPS 2000	INPS 2000
Staff turnover	6%	7%
Advance payouts	1.50% per year	2% per year
Retirement age	Pursuant to legislation in force on 31 December 2022	Pursuant to legislation in force at 31 December 2021

19. PROVISIONS FOR RISKS AND CHARGES

	31.12.2021	Provisions	Utilisation	31.12.2022
Provision for agents' indemnities	245	9	(6)	248
Product guarantee fund	60	23	(23)	60
Provision for tax risks	500	-	(500)	-
Provision for legal risks	46	-	-	46
Total	**851**	**32**	**(529)**	**354**

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 and, if necessary, is adjusted at the end of the financial year on the basis of analyses carried out and past experience.

Following the settlement of a tax dispute, in the first half of 2022, the provision for risks and charges in which a specific provision of the same amount was recognised, was used in the amount of €500 thousand.
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.

20. TRADE PAYABLES

	31.12.2022	31.12.2021	Change
Total	**21,168**	**33,678**	**(12,150)**

The decrease in trade payables is related to the decline in production volumes in the second half of the year.
Average payment terms did not change versus the previous year. At 31 December 2022, there were no overdue payables of a significant amount and the Company did not receive any injunctions for overdue payables.

21. TAX PAYABLES

	31.12.2022	31.12.2021	Change
To inland revenue for income tax	6	2,703	(2,697)
To subsidiaries for income tax	24	55	(31)
To inland revenue for IRPEF tax deductions	592	616	(24)
Total	**622**	**3,374**	**(2,752)**

More details on income tax payables can be found in Note 35.

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 2022, payables to subsidiaries for income taxes refer to tax advances received from the subsidiary CGD s.r.l.
Payables for IRPEF tax deductions, relating to employment and self-employment, were duly paid at maturity.

22. OTHER CURRENT PAYABLES

	31.12.2022	31.12.2021	Change
To employees	3,857	5,095	(1,238)
To social security institutions	1,987	2,238	(251)
Advances from customers	273	1,200	(927)
To agents	140	216	(76)
Other current payables	2,249	652	1,597
Total	**8,506**	**9,401**	**(895)**

At the beginning of 2023, 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, of which €1,564 thousand refer to the accrual basis of accounting of tax benefits driving from investments in capital goods referred to Decree Law 160/2019, Budget Law 178/2020 and Budget Law 234/2021.

23. DEFERRED TAX ASSETS AND LIABILITIES

	31.12.2022	31.12.2021	Change
Deferred tax assets	3,048	3,323	(275)
Deferred tax liabilities	(721)	(324)	(397)
Net position	**2,327**	**2,999**	**(672)**

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	Actuarial evaluation of post-employment benefit	Other temporary differences	Total
At 31 December 2020	**927**	**878**	**45**	**1,240**	**176**	**396**	**3,662**
Through profit or loss	(184)	(131)	(10)	(177)	-	(160)	(662)
In shareholders' equity	-	-	-	-	(1)	-	(1)
At 31 December 2021	**743**	**747**	**35**	**1,063**	**175**	**236**	**2,999**
Through profit or loss	(278)	309	(420)	(177)	-	(67)	(633)
In shareholders' equity	-	-	2	-	(41)	-	(39)
At 31 December 2022	**465**	**1,056**	**(383)**	**886**	**134**	**169**	**2,327**

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.

24. TOTAL FINANCIAL DEBT

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

	31.12.2022	31.12.2021	Change
A. Cash	2,604	29,733	(27,129)
B. Cash equivalents	-	-	-
C. Other current financial assets	2,901	1,173	1,728
D. Liquidity (A+B+C)	**5,505**	**30,906**	**(25,401)**
E. Current financial payable	8,982	3,235	5,747
F. Current portion of non-current financial debt	18,821	17,169	1,652
G. Current financial debt (E+F)	**27,803**	**20,404**	**7,399**
H. Net current financial debt (G-D)	**22,298**	**(10,502)**	**32,800**
I. Non-current financial payable	46,651	52,866	(6,215)
J. Debt instruments	29,685	29,649	36
K. Trade payables and other non-current payables	-	-	-
L. Non-current financial debt (I+J+K)	**76,336**	**82,515**	**(6,179)**
M. Total financial debt (H+L)	**98,634**	**72,013**	**26,621**

The statement of cash flows, which shows the changes in cash and cash equivalents (sum of letters A. and B. of this statement), describes in detail the cash flows that led to the change in the net financial debt.

COMMENTS ON KEY INCOME STATEMENT ITEMS

25. REVENUE

In 2022, sales revenue amounted to €119,090 thousand, 17.3% lower than the €144,034 thousand in 2021.

REVENUE BY GEOGRAPHICAL AREA

	2022	%	2021	%	% change
Europe (excluding Turkey)	39,496	33.2%	48,788	33.9%	-19.0%
Turkey	30,470	25.6%	35,496	24.6%	-14.2%
North America	11,136	9.4%	10,088	7.0%	+10.4%
South America	13,600	11.4%	20,688	14.4%	-34.3%
Africa and Middle East	16,890	14.2%	16,930	11.8%	-0.2%
Asia and Oceania	7,498	6.3%	12,044	8.4%	-37.7%
Total	**119,090**	**100%**	**144,034**	**100%**	**-17.3%**

REVENUE BY PRODUCT FAMILY

	2022	%	2021	%	% change
Valves and thermostats	48,917	41.1%	60,006	41.7%	-18.5%
Burners	51,992	43.7%	63,959	44.4%	-18.7%
Accessories and other revenues	18,181	15.3%	20,069	13.9%	-9.4%
Total	**119,090**	**100%**	**144,034**	**100%**	**-17.3%**

After an extraordinarily positive 2021 for the Company and its market, demand progressively deteriorated in 2022, with the downturn becoming more pronounced in the second half of the year. The only geographical area that maintained a positive revenue trend was North America, also supported by the development of business relations with main sector players.
Average sales prices in 2022 were approximately 10% higher than in 2021, largely offsetting considerable increases in the purchase prices of the main raw materials (aluminium alloys, steel and brass), electricity and gas.

26. OTHER INCOME

	2022	2021	Change
Sale of trimmings	2,430	2,696	(266)
Services to subsidiaries	2,159	1,295	864
Royalties to subsidiaries	305	213	92
Contingent income	280	307	(27)
Rental income	122	123	(1)
Use of provisions for risks and charges	29	1	28
Other income	1,186	1,560	(374)
Total	**6,511**	**6,195**	**316**

Services to subsidiaries refer to administrative, commercial and technical services provided within the scope of the Group.
In 2022, other income includes €416 thousand of benefits granted as tax credits for investments made in 2022 (Law 160/2019 paragraphs 184 to 196, Law 178/2020 and Law 234/2021).

27. MATERIALS

	2022	2021	Change
Commodities and outsourced components	48,071	66,870	(18,799)
Consumables	4,900	5,252	(352)
Total	**52,971**	**72,122**	**(19,151)**

The reduction in purchases is related to the decrease in business volumes, while the unit prices of the main raw materials (aluminium alloys, steel and brass) increased significantly and on average by about 20% compared to the previous year.

28. COSTS FOR SERVICES

	2022	2021	Change
Outsourced processing	7,660	12,701	(5,041)
Electricity and natural gas	6,889	6,092	797
Maintenance	3,789	4,975	(1,186)
Advisory services	2,750	2,421	329
Transport and export expenses	2,189	2,475	(286)
Directors' fees	442	477	(35)
Insurance	611	541	70
Commissions	633	770	(137)
Travel expenses and allowances	431	136	295
Waste disposal	424	539	(115)
Canteen	279	325	(46)
Temporary agency workers	399	487	(88)
Other costs	2,133	2,315	(182)
Total	**28,629**	**34,254**	**(5,625)**

The main outsourced processing carried out by the Company include aluminium die-casting, hot moulding of brass and some mechanical processing and assembly. As a result of lower activity levels compared to the previous year, some production stages that had been outsourced to external suppliers in 2021 to cope with peaks in demand were internalised.

The increase in energy costs was due to the exceptional increase in electricity and gas prices. The Company estimated that the impact of this increase, on a like-for-like basis compared to the previous year, amounted to €2.5 million in higher charges.

29. PERSONNEL COSTS

	2022	2021	Change
Salaries and wages	18,199	20,670	(2,471)
Social Security costs	5,779	6,433	(654)
Temporary agency workers	3,819	5,229	(1,410)
Post-employment benefit and other costs	1,644	1,643	1
Stock grant plan	1,134	805	329
Total	**30,575**	**34,780**	**(4,205)**

Average of the Company headcount at 31 December 2022 totalled 461 employees (324 blue-collars, 122 white-collars and supervisors, 15 managers), compared with 473 in 2021(335 blue-collars, 125 white-collars and supervisors, 13 managers). The number of temporary staff with temporary work contract was 68 at 31 December 2022 (115 at the end of 2021).

The item "Stock Grant Plan" included the measurement at 31 December 2022 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 46.

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30. OTHER OPERATING COSTS

	2022	2021	Change
Non-income related taxes and duties	379	375	4
Losses and write-downs of trade receivables	0	100	(100)
Contingent liabilities	173	53	120
Other provisions	32	28	4
Other operating expenses	317	172	145
Total	**901**	**728**	**173**

Non-income taxes mainly include IMU, TASI and the tax for the disposal of urban solid waste. Other provisions refer to the allocations to provisions for risks described in Note 19.

31. FINANCIAL INCOME

	2022	2021	Change
Interests receivable from banks	5	1	4
Interests receivable from loans	309	255	54
IRS spreads receivable	1,626	-	1,626
Other financial income	34	63	(29)
Total	**1,974**	**319**	**1,655**

32. FINANCIAL EXPENSES

	2022	2021	Change
Interest paid to banks	1,157	322	835
Banking expenses	149	177	(28)
Other financial expense	267	31	236
Total	**1,573**	**530**	**1,043**

Other financial expenses include €101 thousand for the discounting of the receivable from the former shareholders of P.G.A. s.r.l. described in Note 6.

33. EXCHANGE RATE GAINS AND LOSSES

In 2022, the Company reported net foreign exchange gains of €354 thousand (net gains of €427 thousand in 2021) due to the gradual strengthening of the dollar against the euro during the year.

34. PROFITS AND LOSSES FROM EQUITY INVESTMENTS

	2022	2021	Change
Dividends received from Okida Elektronik	178	176	2
Total	**178**	**176**	**2**

35. INCOME TAXES

	2022	2021	Change
Current taxes	(1,015)	2,961	(3,976)
Deferred tax assets and liabilities	633	662	(29)
Taxes related to previous financial years	(159)	36	(195)
Taxes on foreign dividends	16	24	(8)
Provision for tax risks	-	500	(500)
Total	**(525)**	**4,183**	**(4,708)**

Negative taxes related to the tax loss for the 2022 tax year are recognised in current taxes for 2022.

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:

	2022	2021
Theoretical income tax	413	3,414
Taxes related to previous financial years	(71)	28
Tax effect of dividends from investee companies	(25)	(16)
"Iper and Superammortamento" tax benefit	(603)	(641)
Permanent tax differences	196	74
Tax effect on tax credit for energy-intensive and gas-intensive companies	(505)	-
Tax credit on sanitisation costs	-	(14)
Provision for tax risks	-	500
IRES (current and deferred)	**(595)**	**3,345**
IRAP (current and deferred)	**70**	**838**
Total	**(525)**	**4,183**

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.

36. DIVIDENDS

On 1 June 2022, shareholders were paid an ordinary dividend of €0.60 per share (total dividends of €6,616 thousand in implementation of the shareholders' resolution of 28 April 2022.

For the current financial year, the Directors have proposed not to distribute dividends to shareholders.

37. 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.

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38. 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.

	31.12.2022	31.12.2021
Financial assets		
Amortised cost		
Cash and cash equivalents	2,604	29,733
Trade receivables and other receivables	29,523	46,991
Non-current loans	10,376	10,708
Other financial assets	1,300	1,173
Fair Value through profit or loss		
Derivatives cash flow hedges (on interest rates)	1,601	-
Financial liabilities		
Amortised cost		
Loans	103,578	101,525
Other financial liabilities	547	1,173
Trade payables	21,168	33,545
Fair Value through profit or loss		
Derivatives cash flow hedges (on interest rates)	-	149
Hedge accounting		
Derivatives cash flow hedges (on currency)	14	71

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 in 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 42% 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 13.3% of total turnover in 2022, 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 2022, there is a forward sales contract for $500 thousand maturing in March 2023, at an exchange rate of 1.0792. 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.

(amounts in €/000)	2022
Reduction in financial assets	-
Increase in current financial liabilities	(57)
Adjustment to the Cash Flow Hedge reserve (equity reserve)	58
Negative impact through profit or loss	383

Company	Counterparty	Instrument	Maturity	Currency	Notional	Fair value hierarchy
Sabaf S.p.A.	MPS	Forward	31/03/2023	USD	1,000,000	2

Sensitivity analysis

With reference to financial assets and liabilities in US dollars at 31 December 2022, a hypothetical and immediate revaluation of 10% of euro against the dollar would have led to a loss of €410 thousand.

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 2022, IRS totalling €24.6 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.

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

Company	Counterparty	Instrument	Maturity	Currency	Notional	Fair value hierarchy
Sabaf S.p.A.	MPS	IRS	30/06/2023	EUR	500,000	2
	Intesa Sanpaolo		15/06/2024		3,600,000	
	Intesa Sanpaolo		15/06/2024		1,110,000	
	Crédit Agricole		30/06/2025		6,600,000	
	Mediobanca		28/04/2027		12,830,000	

Sensitivity analysis

Considering the IRS in place, at the end of 2022 almost 80% of the Company's gross financial debt was at a fixed rate.

With reference to financial liabilities at variable rate at 31 December 2022, a hypothetical and immediate increase of 1% of interest rates would have led to a loss of €210 thousand.

Commodity price risk management

A significant portion of the Company's purchase costs is represented by aluminium, steel and brass. Metal prices rose sharply during 2022, forcing the Company to renegotiate sales prices several times to compensate for the increase in costs. Based on market conditions and contractual agreements, the Company may not be able to pass on changes in raw material prices to customers in a timely and/or complete manner, with consequent effects on margins. The Company also 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 2022 and 2021, the Company did not use financial derivatives on commodities.

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 2022 of 54.0%, net financial debt/EBITDA of 2.10) 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 2022 and 31 December 2021 is shown below.

At 31 December 2022	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	64,643	67,622	2,207	17,536	47,879	-
Bond issue	29,685	33,939	-	563	8,251	25,125
Short-term bank loans	8,420	8,420	921	7,499	-	-
Payables to former P.G.A. shareholders	547	547	372	-	175	-
Total financial payables	**103,259**	**110,528**	**3,128**	**25,598**	**56,305**	**25,125**
Trade payables	21,168	21,168	19,329	1,839	-	-
Total	**124,427**	**131,696**	**22,829**	**27,437**	**56,305**	**25,125**

At 31 December 2021	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	70,035	71,469	1,819	15,830	47,984	5,836
Bond issue	29,649	34,440	-	555	2,220	31,665
Short-term bank loans	2,062	2,062	2,062	-	-	-
Payables to C.M.I. shareholders	1,173	1,173	-	1,173	-	-
Total financial payables	**102,919**	**109,144**	**3,881**	**17,558**	**50,204**	**37,501**
Trade payables	33,678	33,678	30,896	2,782	-	-
Total	**136,597**	**142,822**	**34,777**	**20,340**	**50,204**	**37,501**

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 measured at fair value at 31 December 2022, by hierarchical level of fair value assessment.

	Level 1	Level 2	Level 3	Total
Other financial liabilities (interest rate derivatives)	-	1,601	-	1,601
Total assets and liabilities at fair value	**-**	**1,601**	**-**	**1,601**

39. 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 2022	Subsidiaries	Other related parties	Total related parties	Impact on the total
Non-current financial assets	10,375	10,375	-	10,375	100%
Trade receivables	28,315	8,109	-	8,109	28.64%
Tax receivables	5,061	1,209	-	1,209	23.89%
Current financial assets	2,901	1,300	-	1,300	44.81%
Short-term financial payables	27,242	2,500	-	2,500	9.18%
Trade payables	21,168	1,057	5	1,062	5.02%
Tax payables	622	24	-	24	3.86%

	Total 2021	Subsidiaries	Other related parties	Total related parties	Impact on the total
Non-current financial assets	10,708	10,708	-	10,708	100%
Trade receivables	45,194	15,211	-	15,211	33.66%
Tax receivables	1,463	767	-	767	52.43%
Trade payables	33,678	1,533	4	1,537	4.56%
Tax payables	3,374	55	-	55	1.63%

IMPACT OF RELATED-PARTY TRANSACTIONS ON INCOME STATEMENT ITEMS

	Total 2022	Subsidiaries	Other related parties	Total related parties	Impact on the total
Revenue	119,090	17,100	-	17,100	14.36%
Other income	6,511	2,921	-	2,921	44.86%
Materials	52,971	3,249	-	3,249	6.13%
Services	28,629	421	24	445	1.55%
Capital gains on non-current assets	1,565	1,362	-	1,362	87.03%
Financial income	1,973	309	-	309	15.66%
Financial expenses	1,573	10	-	10	0.64%

	Total 2021	Subsidiaries	Other related parties	Total related parties	Impact on the total
Revenue	144,034	20,212	-	20,212	14.03%
Other income	6,195	2,030	-	2,030	32.77%
Materials	72,122	3,316	-	3,316	4.60%
Services	34,254	447	21	468	1.37%
Capital gains on non-current assets	238	110	-	110	46.22%
Financial income	318	255	-	255	80.19%

Relations with subsidiaries mainly consist of:

- trade relations, relating to the purchase and sale of semi-processed goods or finished products;
- sales of machinery, 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, which are of minor importance, are regulated by specific contracts regulated at arm's length conditions.

40. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

Pursuant to the Consob memorandum of 28 July 2006, the Group declares that no significant non-recurring events or transactions, as defined by the memorandum, took place in 2022.

41. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There were no important events after the 2022 reporting period.

42. 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 carried out during 2022.

43. SECONDARY OFFICES AND LOCAL UNITS

The Company has two other active local units in addition to the registered office in Ospitaletto (Brescia):

- Lumezzane (Brescia);
- Busto Arsizio (Varese).

44. COMMITMENTS

Guarantees issued
Sabaf S.p.A. also issued sureties to guarantee mortgage loans granted by banks to employees for a total of €2,855 thousand (€3,443 thousand at 31 December 2021).

45. 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.

46. SHARE-BASED PAYMENTS

A plan for the free allocation of shares, approved by the Shareholders' Meeting of 6 May 2021, is in place; the related Regulations were approved by the Board of Directors on 13 May 2021.

Purpose
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 and sustainability of the Company and of the Group.

Subject matter
The subject-matter of the Plan is the free allocation to the Beneficiaries of a maximum of 260,000 Options, 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 business targets related to the ROI and EBITDA and social and environmental targets.

Beneficiaries
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 2021 - 2023 Business Plan. A total of 226,000 Rights were allocated to the Beneficiaries already identified.

Deadline
The 2021 - 2023 Plan expires on 31 December 2024.

Accounting impacts and Fair Value measurement methods
In connection with this Plan, €1,134 (Note 28) were recognised in personnel costs during the year, an equity reserve of the same amount (Note 14) was recognised as a balancing entry.
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 13 May 2021.

The main assumptions made at the beginning of the vesting period and the methods for determining the fair value at the end of the reporting period are illustrated below. The following economic and financial parameters were taken into account in determining the fair value per share at the start of the vesting period:

Share price on grant date adjusted for dividends	23.09
Dividend yield	2.60%
Expected volatility per year	28%
Interest rate per year	-0.40%

Based on the exercise right at the different dates established by the Plan Regulations and on the estimate of the expected probability of achieving the objectives for each reference period, the unitary fair value at 31 December 2022 was determined as follows:

Rights relating to business objectives measured on ROCE			
Total value on ROCE	13.74	fair value	4.81
Rights on ROCE	35%		

Rights relating to business objectives measured EBITDA			
Total value on EBITDA	15.92	fair value	6.37
Rights on EBITDA	40%		

Rights relating to ESG objectives measured on personnel training			
Total value on “Personnel training”	20.41	fair value	1.02
Rights on “Personnel training”	5%		

Rights relating to ESG objectives measured on safety indicator			
Total value on “Safety indicator”	7.82	fair value	0.39
Rights on “Safety indicator”	5%		

Rights relating to ESG objectives measured on emissions reduction			
Total value on “Emission reduction”	20.41	fair value	3.06
Rights on “Emission reduction”	15%		

Fair value per share	15.65

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)	1,170	Italian State
Energy-intensive contributions	1,388	Italian State
Total	**2,558**	

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, 2021 Budget Law, Law 178/2020.

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.

LIST OF EQUITY INVESTMENTS IN SUBSIDIARIES[2]

Company name	Registered offices	Share capital at 31 December 2022	Shareholders	% of ownership	Shareholders' equity at 31 December 2022	2022 profit (loss)
Faringosi Hinges s.r.l.	Ospitaletto (BS)	EUR 90,000	Sabaf S.p.A.	100%	EUR 9,850,116	EUR 1,351,208
Sabaf do Brasil Ltda.	Jundiaì (Brazil)	BRL 53,348,061	Sabaf S.p.A.	100%	BRL 99,469,722	BRL 300,837
Sabaf US Corp.	Plainfield (USA)	USD 200,000	Sabaf S.p.A.	100%	USD 151,957	USD -27,413
Sabaf Appliance Components (Kunshan) Co., Ltd.	Kunshan (China)	CNY 69,951,149	Sabaf S.p.A.	100%	CNY 11,561,705	CNY -5,802,098
Sabaf Beyaz Esya Parcalari Sanayi ve Ticaret Limited Sirketi	Manisa (Turkey)	TRY 340,000,000	Sabaf S.p.A.	100%	TRY 717,338,843	TRY -48,720,949
A.R.C. s.r.l.	Campodarsego (PD)	EUR 45,000	Sabaf S.p.A.	100%	EUR 8,714,300	EUR 1,049,144
Okida Elektronik Sanayi ve Ticaret A.S.	Manisa (Turkey)	TRY 5,000,000	Sabaf S.p.A. Sabaf Beyaz Esya Parcalari Sanayi ve Ticaret Limited Sirketi	30% 70%	TRY 342,298,381	TRY 122,646,519
Sabaf Mexico Appliance Components	San Louis Potosì (Mexico)	PESOS 141,003,832	Sabaf S.p.A.	100%	PESOS 130,209,351	PESOS -7,283,441
C.M.I s.r.l.	Valsamoggia (BO)	EUR 1,000,000	Sabaf S.p.A.	100%	EUR 19,357,996	EUR 3,828,124
C.G.D. s.r.l.	Valsamoggia (BO)	EUR 26,000	C.M.I s.r.l.	100%	EUR 1,236,930	EUR 186,785
Sabaf India Private Limited	Bangalore (India)	INR 224,692,120	Sabaf S.p.A.	100%	INR 235,558,330*	INR -6,404,977*
P.G.A. s.r.l.	Fabriano (AN)	EUR 100,000	Sabaf S.p.A.	100%	EUR 3,681,351	EUR 799,172
P.G.A.2.0 s.r.l.	Fabriano (AN)	EUR 10,000	P.G.A. s.r.l.	100%	EUR 109,674	EUR 410,195

* The values shown for Sabaf India Private Limited refer to 31 March 2022, the local reporting date.

OTHER SIGNIFICANT EQUITY INVESTMENTS

None.

[2] 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	76,901	A, B, C	76,901	0
Revaluation reserve, Italian Law Decree 104/20	4,873	A, B	4,873	4,727
Valuation reserve:				
Post-employment benefit actuarial provision	(397)		0	0
Reserve for stock grant plan	1,939		0	0
Hedge accounting reserve	(14)		0	0
Total	**97,245**		**93,410**	**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 2022

		Gross value	Cumulative depreciation	Net value
Non-current assets held for sale	Law 72/1983	137	(137)	0
	1989 merger	516	(516)	0
	Law 413/1991	17	(16)	1
	1994 merger	1,320	(1,108)	212
	Law 342/2000	2,870	(2,798)	72
		4,860	**(4,575)**	**285**
Plant and equipment	Law 576/1975	180	(180)	0
	Law 72/1983	2,180	(2,180)	0
	1989 merger	6,140	(6,140)	0
	1994 merger	6,820	(6,820)	0
		15,320	**(15,320)**	**0**
Industrial and commercial equipment	Law 72/1983	161	(161)	0
Other assets	Law 72/1983	50	(50)	0
Total		**20,391**	**(20,106)**	**285**

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)**	**Tax information**	**REA Brescia 347512**
Contacts	**Tel: +39 030 - 6843001**		**Tax Code 03244470179**
	Fax: +39 030 - 6848249		**VAT Number 01786910982**
	E-mail: info@sabaf.it		
	Web site: www.sabaf.it		

APPENDIX

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

The following table, prepared pursuant to Art. 149-duodecies of the CONSOB Issuers' Regulation, shows fees relating to 2022 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 2022 financial year
Audit	EY S.p.A.	41
Certification services	EY S.p.A.	-
Other audit services	EY S.p.A.	35[3]
Total		**75**

[3] 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 2022 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, 21 March 2023

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 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, 2022, and the income statement, the comprehensive income statement, the statement of changes in shareholders' equity and the statement of cash flows 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, 2022, 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.

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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, 2022 amounted to Euro 112,5 million. The most significant investments are: - Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited: Euro 32,1 million; - C.M.I. S.r.l.: Euro 21 million; - Sabaf do Brasil: Euro 13,2 million; - Faringosi Hinges S.p.A.: Euro 10,3 million; - Okida Elektronik Sanayi Limited Sirket: Euro 8,7 million; - P.G.A. S.r.l.: Euro 7,8 million; - A.R.C. S.r.l.: Euro 6,5 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 "5 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 2023-2027 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 on the compliance with Delegated Regulation (EU) 2019/815

The Directors of Sabaf S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) (the "Delegated Regulation") to the financial statements, to be included in the annual financial report.

We have performed the procedures required under auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the financial statements at December 31, 2022 with the provisions of the Delegated Regulation.

In our opinion, the financial statements have been prepared in the XHTML format in compliance with the provisions of the Delegated Regulation.

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative

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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, 2022, 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, 2022 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, 2022 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.

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.

Brescia, April 4, 2023

EY S.p.A.
Signed by: Marco Malaguti, Auditor

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

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 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.
First of all, note that the Board of Directors called the Shareholders' Meeting for the approval of the financial statements for the year 2022 on 28 April 2023 and, therefore, within the term of one hundred and twenty days pursuant to Article 2364 of the Italian Civil Code. Note that the financial statement report was made available to the public in accordance with the terms of Art. 154-ter of the T.U.F.
During the year ended 31 December 2022 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, as well as by the provisions contained in Art. 19 of Italian 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 Financial Statements are also in XHTML - ESEF format in compliance with Legislative Decree No. 25 of 15 February 2016 implementing EU Directive 2013/50.

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 2022.

The Board of Statutory Auditors acquired the information necessary for the performance of the supervisory duties assigned to it by i) attending the meetings of the Board of Directors and the Board Committees, ii) the hearings of the Company's and the Group's management, iii) the exchange of information with the Independent Auditors and the Supervisory Body, iv) 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 6 May 2021 in the persons of Alessandra Tronconi (Chairman), Maria Alessandra Zunino de Pignier (Statutory Auditor), Mauro Giorgio Vivenzi (Statutory Auditor), as well as Christian Carini and Federico Pozzi (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 2023.

The appointment was made on the basis of two lists submitted by the Shareholders Cinzia Saleri S.A.p.A and Quaestio Capital SGR S.p.A. respectively, in compliance with the applicable law, regulatory and statutory provisions.

The composition of the Board of Statutory Auditors complies with the gender distribution criterion set forth in Art. 148 of the T.U.F.

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 provisions of the Corporate Governance Code applicable to independent directors.
This assessment was carried out again on 10 March 2022 as well as 14 March 2023 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.

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 the T.U.F., 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 Corporate Governance Code, as well as the Rules of Behaviour of the Board of Statutory Auditors of listed companies.

Moreover, as part of its functions, and in relation to the financial year in question, the Board of Statutory Auditors:

- attended all 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 lasting approximately 2 hours, and also attended all the meetings of the Board of Directors, as well as of the board committees (Control, Risk and Sustainability Committee, Remuneration and Nomination Committee). For the 2023 financial year, the Board of Statutory Auditors has already met on three occasions, namely on 14 February 2023, 14 March 2023 and today;
- supervised the adequacy of the reciprocal flow of information between SABAF and its subsidiaries pursuant to Art. 114, paragraph 2, of the T.U.F. in the light of 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.

Moreover, the Board of Statutory Auditors:

- 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. during which there were no significant data and/or information to be reported;
- had exchanges of information with corresponding control bodies (if any) of major subsidiary companies by SABAF 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 Recommendation 6 of the Corporate Governance Code, as part of the supervision of the procedures for effective implementation of the corporate governance rules and in accordance with Q. Rec. 6(2) of "The Q&A functional to the application of the Corporate Governance Code", 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.

Consistent with the provisions of the Corporate Governance Code and the Corporate Governance Manual, which envisage that the self-assessment of the Board of Directors by distributing, compiling, collecting and processing questionnaires (process coordinated by the Lead Independent Director) is to be carried out at least every three years, the Company's Board of Directors carried out its last self-assessment in 2021 and planned to carry out the next process close to the end of its term of office (approval of the 2023 financial statements).
The Board of Statutory Auditors 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 C.M.I. s.r.l. belonging to the SABAF Group.

With regard to the Financial Statements for the year ended 31 December 2022, the following is noted:

- the item "start-up and expansion costs", which we remind you can only be entered as an asset in the Balance Sheet with the prior consent of the Board of Statutory Auditors, pursuant to Article 2426, paragraph 1, point 5, of the Italian Civil Code, is not recognised;
- with regard to development costs with a multi-year use, there was an increase in 2022 of €2,332 thousand. The recognition was made with the prior consent of the Board of Statutory Auditors as envisaged by Article 2426, paragraph 1, point 5 of the Italian Civil Code. At the end of the 2022 reporting period, these costs totalled €4,765 thousand, an amount already net of the provision for amortisation totalling €4,712 thousand;
- the item "goodwill", which, we remind you, can only be entered as an asset in the Balance Sheet with the approval of the Board of Statutory Auditors, pursuant to Article 2426, paragraph 1, point 6, of the Italian Civil Code, has not been recognised.

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, in its role as an internal control and external audit committee of public interest entities, 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, Risk and Sustainability 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 is subject pursuant to Law no. 262/2005. In particular, the Board of Statutory Auditors acknowledged the Risk Assessment for 2022, as well as the periodic update on testing activities pursuant to Law no. 262/2005.

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 and the Consolidated Financial Statements for the year 2022 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 of Statutory Auditors also acknowledges that the Independent Auditors EY S.p.A. issued their opinions on the Consolidated Financial Statements and the Separate Financial Statements on 4th April 2023 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	135
Certification services	-
Other services	40
TOTAL	**175**

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, Risk and Sustainability Committee (also with functions of Committee for related-party transactions) attended by:

- members of the Control, Risk and Sustainability 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, Risk and Sustainability 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, Risk and Sustainability 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;
- 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 2022. Similarly, the Board of Statutory Auditors acknowledged the compliance with the provisions of Legislative Decree no. 231/2001 and the activity plan for 2022.

Following the activities carried out during the 2022 financial year, as detailed above, the Board of Statutory Auditors shared the positive assessment expressed by the Control, Risk and Sustainability 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 2022, with respect to which the Board of Statutory Auditors monitored compliance with the principles of proper management, are summarised below.

Consistent with the Business Plan approved on 23 March 2021, the Group also announced its entry into the induction cooking components market. It is a strategic initiative supported by a major research and development investment plan, for which a dedicated project team has been set up in Italy. The first prototypes were presented in the second half of 2022, with the company planning to start production no later than the first half of the current year.

Also in line with the Business Plan, the Group invested €20.9 million. This is mainly a non-recurring investment, aimed at expanding the international production footprint and carried out (i) in Turkey, where an integrated production line of hinges for dishwashers was started, (ii) in India, where the production of gas components (valves and burners) was undertaken and (iii) in Mexico, where a plot of land was purchased in San Luis Potosi for the construction of a plant to produce components for the North American market; production is expected to start in the first half of this year.

On 3 October 2022, the Company acquired 100% of the share capital of P.G.A. s.r.l. from Paolo and Andrea Cennimo, in performance of the agreement signed on 13 September 2022. As a result of this acquisition, the Company now holds 100% of the share capital of P.G.A. s.r.l.

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 communications were received from the Company's Control Bodies containing findings that, in the opinion of the Board of Statutory Auditors, should be noted in this Report;
- 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 2021-2023 Business Plan unanimously approved by the Board of Directors on 23 March 2021.

Supervisory activity on implementation of the corporate governance rules

The Board of Statutory Auditors, during the financial year ended 31 December 2022, 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. The Board also acknowledges that, on 16 December 2021, the Company's Board of Directors adopted the Corporate Governance Manual setting out the principles, rules and operating procedures to enable the Company to implement the recommendations of the Corporate Governance Code.
Moreover, compliance with the obligation on the part of SABAF to inform the market in its Report on corporate governance and own-

ership 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.

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 2022, 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 by the Company with the support of independent experts, in accordance with IAS 36, both on the value of the individual equity investments held in Faringosi Hinges s.r.l., A.R.C. s.r.l., C.M.I. s.r.l., P.G.A. s.r.l. and Okida Elektronik Sanayi ve Ticaret Anonim Şirketi, and on the value of goodwill allocated to the individual "Hinges", "Professional Burners", "Electronic Components" and "P.G.A. Electronic Components" CGUs. Moreover, due to the ongoing hyperinflation in Turkey, an impairment test was also carried out, for the first time, on the equity investment held in Sabaf Turkey (Sabaf Beyaz Esya Parcalari Sanayi ve Ticaret Limited Sirketi) at 31 December 2022. In this regard, note that the Independent Auditors, in their report, 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 has taken note of the procedures followed in relation to the impairment testing of goodwill and the aforementioned equity investments;
- in pursuance of CONSOB Communication 6064293 of 28 July 2006, the effects of the related party transactions are expressly indicated in the financial statements. Moreover, in pursuance of this Communication, in the Explanatory Notes, it is specified that during the year no transactions deriving from atypical and/or unusual operations were carried out and there were no significant non-recurring events or operations;
- 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 (to resolve on the second section pursuant to Art. 123-ter, paragraph 6, of the T.U.F.) and the Board of Statutory Auditors examined and approved the approach followed in preparing it.

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. on 4th April 2023. 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 the T.U.F.
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 3 August 2021 in order to implement the amendments made to the aforementioned Regulation by CONSOB Resolution No. 21624/2020.
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 RUSSIAN-UKRAINIAN CONFLICT

The Company acknowledged the situation and the risks related to the Russian-Ukrainian conflict in the Consolidated Financial Statements. The Group does not have significant direct exposure to the markets affected by the conflict or to sanctioned parties, however, markets supplied by customers, who have generally reduced their business in the countries concerned in 2022, with an indirect impact on Group sales that is difficult to quantify.
The conflict had a broad impact on the global economy, exacerbating price pressures and leading to a tightening of monetary policies, with obvious repercussions on the demand for consumer goods. For the Group, the most significant impacts are related to price increases for steel, aluminium, natural gas and electricity and rentals.

HYPERINFLATION – TURKEY

The Company acknowledged the situation related to hyperinflation in Turkey in the Consolidated Financial Statements.
As from 10 April 2022, the Turkish economy is considered and hyperinflationary economy in accordance with the criteria set out in "IAS 29 - Financial Reporting in Hyperinflationary Economies", i.e. following the assessment of qualitative and quantitative elements including the presence of a cumulative inflation rate greater than 100% over the previous three years.
Therefore, as from the financial statements at 31 December 2022, IAS 29 was concretely applied with reference to the Company's subsidiaries in Turkey: Sabaf Turkey (Sabaf Beyaz Esya Parcalari Sanayi ve Ticaret Limited Sirketi) and Okida (Okida Elektronik Sanayi ve Ticaret A.S.). In order to reflect the changes in the purchasing power of the Turkish lira at the end of the reporting period of 31 December 2022, the Group restated the value of non-monetary items, shareholders' equity and income statement account items of the investee companies in Turkey to the extent of their recoverable amount, applying the change in the general consumer price index to historical data.
The accounting effects of the restatement were recognised as follows.

1) The financial statements of the Turkish subsidiaries were restated before being included in the Consolidated Financial Statements of the Group:
   - the effect of the inflation adjustment until 31 December 2021 of non-monetary assets and liabilities and of shareholders' equity, net of the related tax effect, was recognised as a balancing entry to Other Reserves in shareholders' equity;
   - the effect related to the re-measurement of the same non-monetary items, shareholders' equity items and income statement items recognised in 2022 was recognised in a separate item in the income statement under financial income and expenses. The related tax effect was recognised in taxes for the period.
2) On consolidation, as required by IAS 21, these restated financial statements were converted using the final exchange rate in order to restore the amounts to current values.

In accordance with IAS 21 (paragraph 42.b), it was not necessary to restate the financial and economic data for the year 2021 for comparative purposes only, as the Group's functional currency does not belong to a hyperinflationary economy.

The first-time adoption of IAS 29 generated a positive adjustment (net of the related tax effect) recognised in shareholders' equity reserves in the Consolidated Financial Statements at 1 January 2022 of €11,402 thousand. Moreover, during 2022, the application of IAS 29 resulted in the recognition of a net financial expense (before tax) of €9,023 thousand.

PROPOSAL TO THE SHAREHOLDERS' MEETING

On 21 March 2023, the Board of Directors decided to propose to the Shareholders' Meeting that the Company's 2022 profit of 2,246,997 be allocated entirely to the Extraordinary Reserve.

The Board of Statutory Auditors expresses its favourable opinion for the approval of the Separate Financial Statements at 31 December 2022 and has no objections to make to the draft resolution presented by the Board of Directors as formulated in the Explanatory Notes and in the Directors' Report on Operations.

Ospitaletto, 5 April 2023

The Board of Statutory Auditors

Chairman
Alessandra Tronconi

Statutory Auditor
Maria Alessandra Zunino de Pignier

Statutory Auditor
Mauro Vivenzi

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