2023 ANNUAL FINANCIAL REPORT

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SABAF GROUP

REPORT ON OPERATIONS

The Group's economic performance

This section illustrates and comments on the Group's economic results on a normalised basis, i.e. adjusted for the effects of

- the application of IAS 29 - the hyperinflation accounting standard - with reference to the financial statements of the subsidiary Sabaf Turkey;
- start-up costs: the results have been restated to exclude the costs incurred by the Sabaf Group for the start-up of the Indian and Mexican plants and the entry into induction cooking.

This representation allows a better understanding of the Group's economic performance and a more accurate comparison with the previous period.
The reconciliation for each item in the income statement between the carrying values and the normalised values is attached to this Report.

	2023	2022	2023-2022 change	% change
Sales revenue	237,949	253,053	(15,104)	*-6.0%*
Hyperinflation – Turkey	1,160	(1,091)		
Start-up revenue	(23)	-		
Normalised revenue	**239,086**	**251,962**	**(12,876)**	***-5.1%***
EBITDA	29,612	40,092	(10,480)	*-26.1%*
EBTIDA %	*12.4*	*15.8*		
Start-up costs	2,649	704		
Hyperinflation – Turkey	786	(4,469)		
Normalised EBITDA	**33,047**	**36,327**	**(3,280)**	***-9.0%***
Normalised EBITDA%	***13.8***	***14.4***		
EBIT	11,062	21,887	(10,825)	*-49.5%*
EBIT %	*4.6*	*8.6*		
Start-up costs	3,724	820		
Hyperinflation – Turkey	2,710	(2,838)		
Normalised EBIT	**17,496**	**19,869**	**(2,373)**	***-11.9%***
Normalised EBIT%	***7.3***	***7.9***		
Group net result	3,103	15,249	(12,146)	*-79.7%*
Net result %	*1.3*	*6.0*		
Start-up costs	3,530	756		
Hyperinflation – Turkey	7,521	6,077		
Normalised result of the Group	**14,154**	**22,082**	**(7,928)**	***-35.9%***
Normalised result %	***5.9***	***8.8***		

The Sabaf Group ended the 2023 financial year with normalised sales revenue of €239.1 million, down 5.1% (-12.9% on a like-for-like basis) compared to €252 million in 2022. 2023 was characterised by a significant economic weakness in the household appliance sector, most evident in European markets where demand was estimated to be more than 10% below average volumes. Geographical diversification and the contribution of recent acquisitions limited the decline in sales compared with 2022, which was characterised by a dynamic first half-year and a sudden drop in demand in the second half-year.

Average sales prices in 2023 were essentially unaltered from 2022.

In 2023, the Group continued to work on operational efficiency and cost containment, even at reduced activity levels. The decline in sales also impacted operating profitability: normalised EBITDA was €33 million (13.8% of turnover), down 9% from €36.3 million in 2022 (14.4% of turnover): normalised EBIT was €17.5 million (7.3% of turnover) compared to €19.9 million in 2022 (7.9% of turnover). Normalised net profit was €14.2 million (5.9% of sales) compared to €22.1 million (8.8% of sales) in 2022.

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

Normalised revenue	**2023**	*%*	**2022**	*%*	*% change*
Gas parts	144,010	*60.2%*	157,983	*62.7%*	-8.8%
Hinges	70,410	*29.4%*	68,604	*27.2%*	+2.6%
Electronic components	24,666	*10.3%*	25,375	*10.1%*	-2.8%
Total	**239,086**	***100%***	**251,962**	***100%***	**-5.1%**

The geographical breakdown of normalised revenues is shown below:

Normalised revenue	**2023**	%	**2022**	%	*% change*
Europe (excluding Turkey)	71,734	30.0%	87,142	34.6%	-17.7%
Turkey	63,419	26.5%	65,994	26.2%	-3.9%
North America	47,697	19.9%	39,749	15.8%	+20.0%
South America	27,858	11.7%	28,481	11.3%	-2.2%
Africa and Middle East	17,762	7.4%	19,078	7.6%	-6.9%
Asia and Oceania	10,616	4.4%	11,518	4.6%	-7.8%
Total	**239,086**	***100%***	**251,962**	**100%**	**-5.1%**

The impact of normalised labour cost on revenues increased from 19.7% in 2022 to 24.2% in 2023. The increase was affected not only by the decline in sales, but also by the inflationary dynamics in 2023.

Despite the increase in interest rates, the impact of normalised net financial expenses on turnover remained low (1.4%); during the year, the Group recognised in the income statement normalised negative forex differences of €2.2 million (€0.3 million of negative forex differences were recognised in 2022).

In 2023, the Group recognised normalised income of €2.4 million under Income Taxes, mainly related to tax benefits on investments made.

Statement of financial position and cash flows

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

(€/000)	**31/12/2023**	**31/12/2022**
Non-current assets	*181,167*	*171,276*
Short-term assets[2]	133,401	134,709
Short-term liabilities[3]	(61,553)	(55,329)
Working capital[4]	*71,848*	*79,380*
Provisions for risks and charges, post-employment benefit, deferred taxes, other non-current payables	*(9,477)*	*(10,128)*
Net invested capital	**243,538**	**240,528**
Short-term net financial position	20,118	(6,030)
Medium/long-term net financial position	(93,268)	(78,336)
Net financial debt	**(73,150)**	**(84,366)**
Shareholders' equity	**170,388**	**156,162**

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

(€/000)	**2023**	**2022**
Opening liquidity	***20,923***	***43,649***
Operating cash flow	*39,852*	*24,293*
Cash flow from investments	*(16,942)*	*(20,856)*
Free cash flow	22,910	3,437
Cash flow from financing activities	(14,670)	(16,886)
Share capital increase	17,312	-
Acquisitions	(9,108)	(5,045)
Foreign exchange differences	(1,014)	(4,232)
Cash flow for the period	**15,430**	**(22,726)**
Closing liquidity	***36,353***	***20,923***

[1] Net financial debt and liquidity shown in the tables below are defined in compliance with the net financial position detailed in Note 24 of the consolidated financial statements, as required by CONSOB memorandum of 28 July 2006

[2] Sum of Inventories, Trade receivables, Tax receivables and Other current receivables

[3] Sum of Trade payables, Tax payables and Other liabilities

[4] Difference between short-term assets and short-term liabilities

In 2023, the Group generated operating cash flow of €39.9 million (€24.3 million in 2022). At 31 December 2023, the impact of the net working capital on revenue was 30.2% compared to 31.4% at 31 December 2022[5].

In 2023, in line with the Budget, the net investments of the Group amounted to €16.9 million (€20.9 million in 2022). The main investments were aimed at:

- expanding the international production footprint; in this respect, in Mexico, the work on the construction of the plant in San Luis de Potosi was completed;
- product innovation, including the development of components for induction cooking;
- industrialising new products;
- optimising the efficiency and automation of production processes.

In 2023, the positive free cash flow[6] generated by the Sabaf Group was €22.9 million (€3.4 million in 2022).

The acquisition of MEC and the share capital increase

On 14 July 2023, Sabaf S.p.A. completed the acquisition of 51% of Mansfield Engineered Components LLC ("MEC"), a US company based in Mansfield (Ohio) and the leading North American manufacturer of hinges for household appliances (mainly ovens, washing machines and refrigerators), designed and manufactured to meet the high-quality levels and demanding standards required by the US market. Our direct presence in the United States, together with Sabaf Mexico, which has recently started the production of burners, will allow us to consolidate relations with large American players, with which the Sabaf Group has excellent business relations and which are MEC's historical customers.
MEC integrates with the other companies of the Group, expanding the range of innovative products of its four divisions: gas, hinges, electronics and induction. The transaction is part of our expansion and diversification path outlined in the 2021-2023 Business Plan, aimed at positioning Sabaf as an operator capable of offering a wide range of high-tech components that are increasingly synergistic, thanks also to the potential offered by electronics.

In connection with the acquisition of MEC, on 14 July 2023, Sabaf's Board of Directors exercised the proxy granted by the Shareholders' Meeting on 4 May 2020, resolving on a reserved capital increase for a nominal amount of €1,153,345, corresponding to 10% of the share capital, with the exclusion of the right of option pursuant to Article 2441, fourth paragraph, second sentence of the Italian Civil Code, through the issue of 1,153,345 new ordinary shares with a par value of €1.00. The newly issued shares were offered as part of a reserved placement and fully subscribed by Montinvest s.r.l., a company controlled by Fulvio Montipò (Founder and Chairman of Interpump Group S.p.A.), whose unquestionable entrepreneurial experience makes him the ideal partner for Sabaf.

[5] At 31 December 2023, the impact of the net working capital to pro-forma revenue (i.e. including the contribution of the acquisition of MEC for the whole of 2023) is 28.2%.
[6] Free cash flow is the difference between Cash Flows from operations and Net investments.

The issue price of the new shares, including the share premium, was determined at €15.01 per share, equal to the average stock market price of Sabaf share recorded in June, increased by a premium of €0.52 per share (and therefore for a total value of €17,311,708). The capital increase took place on 20 July 2023.

Total financial debt

At 31 December 2023, net financial debt, including the acquisition of MEC, was €73.2 million (€84.4 million at 31 December 2022). The change in net financial debt is summarised in the table below:

Net financial debt at 31 December 2022	*(84,366)*
Free cash flow	22,910
MEC acquisition	(10,654)
MEC put option recognition	(11,721)
PGA acquisition	(783)
Share capital increase	17,312
Buy-back of shares	(462)
Financial liabilities IFRS 16 - new contracts entered into in 2023	(3,097)
Change in fair value of derivative financial instruments	(668)
Change in financial assets	(605)
Foreign exchange differences and other changes	(1,016)
Net financial debt at 31 December 2023	***(73,150)***

Shareholders' equity totalled €170.4 million at 31 December 2023; the ratio between the net financial debt and the shareholders' equity was 0.43 versus 0.54 in 2022.

Economic and financial indicators

	2023		**2022**	
		pro-forma[7]		pro-forma[7]
Change in turnover	-6.0%	-13.8%	-3.9%	-4.9%
ROCE (return on capital employed)	4.54%		9.10%	
Net debt/EBITDA	2.47		2.10	
Net debt/equity ratio	42.9%		54.0%	
Market capitalisation (31/12)/equity ratio	1.40		1.23	

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

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

Risk Factors

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:

- the 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;
- the concentration of the end markets: as a result of mergers and acquisitions, customers have acquired bargaining power;
- the stagnation of demand in mature markets (i.e. Europe) and the growing importance of markets in emerging Countries, characterised by different sales conditions and a more unstable macro-economic environment;
- increasing competition and competition from alternative products to gas cooking.

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.

Risks associated with the conflicts in Ukraine and the Middle East

In relation to the conflict between Ukraine and Russia, note that the Group has an insignificant direct exposure to the markets of Russia, Belarus and Ukraine. However, these are markets supplied by some of the Sabaf Group's customers, who are exposed to these markets to varying degrees. The conflict led to an increase in the cost of raw materials and energy, which had a significant impact on the global economy and on the recovery of inflation, which prompted Western central banks to raise interest rates. Inflationary tensions largely receded in the second half of 2023.

In October 2023, the war that broke out between Israel and Hamas further increased global geopolitical tensions. With regard to this conflict, the Group does not recognise any significant risks since it does not operate in the territories involved in the war; however, costs and intercontinental transport times have increased due to transit difficulties in the Red Sea, which do not have a significant impact on the Group's business at present.

In general, the economic recovery that characterised the early post-pandemic period has come to an end and the short to medium term outlook remains uncertain and difficult to assess, with the possibility of a continuation of a weak macroeconomic situation. The Group continuously monitors the macroeconomic environment and its impact on the business.

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, Sabaf built a factory in Turkey in 2012 for the production of gas components. In 2018, the Group 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 and, in 2022, the production of hinges for dishwashers for customers with production sites in Turkey also started. In 2023, Turkey represented 26% of the Group's production and of its total sales. The Turkish domestic market is estimated to represent around 5% of the final destination of Sabaf components, with the remainder being exported household appliances. In consideration of the strategic importance of this Country, the management assessed, in addition to the risks connected with the macroeconomic situation, the risks that could arise from any difficulties/impossibilities of operating in Turkey and envisaged actions to mitigate this risk.

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, the prices of which can be exposed to high volatility. 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. The Group's profitability might be impacted if it is unable to pass on to customers any significant increases in energy costs in a timely and/or complete manner. In order to mitigate this risk, the Group can enter into fixed-price electricity supply contracts and 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, the Chinese renminbi, the Indian rupee. in particular, since turnover in US dollars accounted for 25% of consolidated turnover, the possible depreciation against the euro, the Turkish lira and the Brazilian 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. The sales prices of the Turkish subsidiary are exclusively denominated in euro or US dollars; those of the Brazilian subsidiary are denominated in Brazilian real for domestic sales and in US dollars for exports.
- **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 payment delays or insolvency.

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.

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.

The Group is aware of the ongoing trend at European level to reduce the use of gas as part of the general decarbonisation strategy, with consequent effects also on the market in which it operates. In particular. the evolution of demand in Europe is linked to certain elements regarded as rewarding by consumers: the high efficiency of induction cooking, the speed of cooking, the ease of cleaning, and the perceived greater safety. There is also a widespread perception that the environmental impact of induction 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. In fact, authoritative studies show that, given the current electricity production mix, the total CO_2 emissions over the life cycle of an induction hob are more than 50% higher than the total emissions of a gas hob. On the other hand, in the medium to long term, energy transition policies aimed at reducing fossil fuel production and promoting renewable energies will change the energy mix, reducing the environmental footprint of induction cooking appliances.

Against this backdrop, the Sabaf Group has long since embarked on a policy of organic and outward investment, aimed at:

- expanding its product range, reducing the proportion of sales revenue from gas components from over 90% to less than 60%;
- expanding its production presence and share in non-European markets, particularly in those regions where demand for gas cooking appliances is expected to grow in the long term.

In addition, the Group has 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, enabling the Group to cover all cooking technologies: gas, traditional electric and induction.

Finally, the Sabaf Group is involved in various experimental projects aimed at testing the feasibility of using hydrogen to replace or together with natural gas (methane) in gas appliances. Sabaf has already produced burners that can work properly on 100% hydrogen-fuelled cookers and hobs.

Research and Development

The most important research and development projects carried out in 2023 were as follows:

Gas parts

- the feasibility study for a new square-ramp special valve for the North American and Far Eastern markets was concluded
- an adapter for existing valves was developed and validated by customers to make them usable in the Egyptian market
- burners were industrialised for the Mexican market
- the feasibility study of two new components for the HVAC sector, specifically for domestic boilers, was concluded
- a feasibility study of a new automotive component was launched

Hinges

- a system was integrated into the standard dishwasher product to increase the door balancing range
- a new low-cost hinge for oven doors was designed
- a new hinge model for dishwashers with an adjustment system was developed
- an innovative balancing system was designed
- a new soft close hinge design was designed for large oven doors

Electronic components

- a new electronic control platform for microwave ovens was developed
- IOT solutions for the electronic control of household appliances are being developed
- a new cost-effective solution was developed for the electronic control of multifunctional and pyrolytic ovens

Induction

- product platforms offering over many combinations of inductor, coil size and user interface are being completed and certified, with the aim of providing a modular and customisable 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 €2,249,000 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. 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 2023, 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 2023 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.

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 2023.

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. and P.G.A. 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 39 of the separate financial statements of Sabaf S.p.A.

Business outlook
The beginning of 2024 is characterised by a very positive business trend. Based on the sales to date and the order book, we expect double-digit sales growth in the first quarter compared to the same period last year. The recovery in production volumes will help to improve profitability.
The technical and commercial synergies with the recently acquired companies (PGA and MEC), the product diversification initiatives (particularly in the induction cooking components segment) and internationalisation (with the activities of the new production plants in India and Mexico) continue according to plan and will contribute to the 2024 results and ensure the Group's sustainable growth in the medium and long term.

Business and financial situation of Sabaf S.p.A.

(€/000)	2023	2022	Change	% Change
Sales revenue	99,482	119,090	(19,608)	-16.5%
EBITDA	5,518	8,518	(3,000)	-35.2%
EBIT	(1,814)	790	(2,604)	-329.6%
Pre-tax profit (EBT)	1,123	1,722	(599)	-34.8%
Net Profit	3,504	2,247	1,257	+55.9%

The financial year 2023, which was affected by significant economic weakness in the household appliance market, ended with sales of €99.5 million, 16.5% lower than in 2022. In 2023, Sabaf S.p.A. recognised dividend income in the amount of €6 million received from Italian subsidiaries.

The reclassification based on financial criteria is illustrated below:

(€/000)	31/12/2023	31/12/2022
Non-current assets [8]	*179,655*	*170,151*
Non-current financial assets	*16,386*	*10,972*
Short-term assets[9]	57,971	61,496
Short-term liabilities[10]	(34,229)	(30,296)
Working capital[11]	*23,742*	*31,200*
Provisions for risks and charges, Post-employment benefits, deferred taxes	*(2,420)*	*(2,664)*
Net invested capital	**217,363**	**209,659**
Short-term net financial position	(9,108)	(22,298)
Medium/long-term net financial position	(76,313)	(76,336)
Total financial debt[12]	**(85,421)**	**(98,634)**
Shareholders' equity	**131,942**	**111,025**

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

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

(€/000)	**2023**	**2022**
Opening liquidity	***2,604***	***29,733***
Operating cash flow	*13,437*	*14,096*
Cash flow from investments (net of divestments)	*(16,890)*	*(33,836)*
Free cash flow	(3,453)	(19,740)
Cash flow from financing activities	14,748	(7,389)
Cash flow for the period	**11,295**	**(27,129)**
Closing liquidity	***13,899***	***2,604***

At 31 December 2023, working capital stood at €23.7 million compared with €31.2 million at the end of the previous year: its percentage impact on turnover stood at 23.9% from 26.2% at the end of 2022.

The net financial debt was €85.4 million, compared with €98.6 million at 31 December 2022.

At the end of the year, shareholders' equity amounted to €131.9 million, compared with €111 million in 2022. The ratio between the net financial debt and the shareholders' equity was 65%; it was 89% at the end of 2022.

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 2023 financial year and Group shareholders' equity at 31 December 2023 with the same values of the parent company Sabaf S.p.A. is given below:

	31/12/2023		31/12/2022	
Description	Profit for the year	Shareholders' equity	Profit for the year	Shareholders' equity
Profit and shareholders' equity of parent company Sabaf S.p.A.	**3,504**	**131,942**	**2,247**	**111,025**
Equity and consolidated company results	13,297	124,424	19,541	132,974
Derecognition of the carrying value of consolidated equity investments	1,000	(103,854)	722	(110,465)
Monetary revaluation - hyperinflation (IAS 29)	(7,521)	32,742	(6,077)	25,729
Put options on minorities	(855)	(11,721)	-	-
Intercompany eliminations	(5,962)	(2,975)	(1,176)	(3,013)
Other adjustments	(83)	(170)	(8)	(88)
Minority interests	(277)	(8,293)	-	-
Profit and shareholders' equity attributable to the Group	**3,103**	**162,095**	**15,249**	**156,162**

Use of the longer time limit for calling the shareholders' meeting

Pursuant to the second paragraph of Article 2364 of the Italian Civil Code, in consideration of the need to consolidate the financial statements of Group companies and to prepare all supporting documentation, the directors intend to use the longer time limits granted to companies required to prepare the consolidated financial statements for calling the ordinary shareholders' meeting to approve the 2023 financial statements. The shareholders' meeting must also resolve on the election of the members of the administration and control bodies and must therefore be convened at least 40 days in advance pursuant to Article 125-*bis* of the TUF. The Shareholders' Meeting will be convened (single call) on 8 May 2024.

Proposal for allocation of 2023 profit

As we thank our employees, the Board of Statutory Auditors, the Independent Auditors and the supervisory authorities for their invaluable cooperation, we would kindly ask the shareholders to approve the financial statements ended 31 December 2023 with a profit for the year of € 3,503,797.

The Board of Directors proposes to distribute an ordinary dividend of € 0.54 per share to the shareholders, with the exclusion of the treasury shares on the ex-date, by distributing the entire profit for 2023 and, for the residual part, by distributing a portion of the extraordinary reserve. The dividend is scheduled for payment on 29 May 2024 (ex-date 27 May and record date 28 May 2024).

Annexes to the Report on Operations

Reconciliation of the consolidated income statement at 31 December 2023

(€/000)	**2023**	**IAS29 effect**	**Start-up effect**	**Normalised 2023**
INCOME STATEMENT COMPONENTS				
OPERATING REVENUE AND INCOME				
Revenue	237,949	1,160	(23)	239,086
Other income	9,056	19	(39)	9,036
Total operating revenue and income	**247,005**	**1,179**	**(62)**	**248,122**
OPERATING COSTS				
Materials	(112,684)	122	83	(112,479)
Change in inventories	(3,433)	(102)	6	(3,529)
Services	(44,923)	(204)	2,081	(43,046)
Personnel costs	(58,160)	(188)	539	(57,809)
Other operating costs	(1,735)	(21)	2	(1,754)
Costs for capitalised in-house work	3,542	-	-	3,542
Total operating costs	**(217,393)**	**(393)**	**2,711**	**(215,075)**
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS	**29,612**	**786**	**2,649**	**33,047**
Depreciations and amortisation	(20,066)	1,920	1,075	(17,071)
Capital gains on disposals of non-current assets	1,516	4	-	1,520
Value adjustments of non-current assets	-	-	-	-
EBIT	**11,062**	**2,710**	**3,724**	**17,496**
Financial income	1,815	110	-	1,925
Financial expenses	(5,248)	(11)	-	(5,259)
Net income/(charges) from hyperinflation	(5,276)	5,276	-	-
Exchange rate gains and losses	(2,359)	190	-	(2,169)
Profits and losses from equity investments	-	-	-	-
PROFIT BEFORE TAXES	**(6)**	**8,275**	**3,724**	**11,993**
Income taxes	3,386	(754)	(194)	2,438
PROFIT FOR THE YEAR	**3,380**	**7,521**	**3,530**	**14,431**
of which:				
Minority interests	277	-	-	277
PROFIT ATTRIBUTABLE TO THE GROUP	**3,103**	**7,521**	**3,530**	**14,154**

Reconciliation of the consolidated income statement at 31 December 2022

(€/000)	2022	IAS29 effect	Start-up effect	Normalised 2022
INCOME STATEMENT COMPONENTS				
OPERATING REVENUE AND INCOME				
Revenue	253,053	(1,091)	-	251,962
Other income	10,188	(58)	-	10,130
Total operating revenue and income	**263,241**	**(1,149)**	**-**	**262,092**
OPERATING COSTS				
Materials	(124,331)	(2,417)	83	(126,665)
Change in inventories	(513)	(755)	-	(1,268)
Services	(50,180)	(202)	436	(49,946)
Personnel costs	(49,926)	53	89	(49,784)
Other operating costs	(1,631)	1	96	(1,534)
Costs for capitalised in-house work	3,432	-	-	3,432
Total operating costs	**(223,149)**	**(3,320)**	**704**	**(225,765)**
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS	**40,092**	**(4,469)**	**704**	**36,327**
Depreciations and amortisation	(18,267)	1,620	116	(16,531)
Capital gains on disposals of non-current assets	251	11	-	262
Value adjustments of non-current assets	(189)	-	-	(189)
EBIT	**21,887**	**(2,838)**	**820**	**19,869**
Financial income	1,917	(2)	-	1,915
Financial expenses	(2,009)	(38)	-	(2,047)
Net income/(charges) from hyperinflation	(9,023)	9,023	-	-
Exchange rate gains and losses	(515)	216	-	(299)
Profits and losses from equity investments	(48)	-	-	(48)
PROFIT BEFORE TAXES	**12,209**	**6,361**	**820**	**19,390**
Income taxes	3,040	(284)	(64)	2,692
PROFIT FOR THE YEAR	**15,249**	**6,077**	**756**	**22,082**
of which:				
Minority interests	-	-	-	-
PROFIT ATTRIBUTABLE TO THE GROUP	**15,249**	**6,077**	**756**	**22,082**

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2023

SABAF S.p.A.
Via dei Carpini, 1 – OSPITALETTO (BS) Italy
Share capital €12,686,795 fully paid in
www.sabafgroup.com

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. (Sabaf Brazil)	100%
Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki (Sabaf Turkey)	100%
Sabaf Appliance Components (Kunshan) Co., Ltd. (Sabaf China)	100%
Sabaf US Corp. (Sabaf US)	100%
A.R.C. s.r.l.	100%
Sabaf India Private Limited (Sabaf India)	100%
Sabaf Mexico Appliance Components S.A. de c.v. (Sabaf Mexico)	100%
C.M.I. s.r.l.	100%
C.G.D. s.r.l.	100%
P.G.A s.r.l.	100%
Sabaf America Inc. (Sabaf America)	100%
Mansfield Engineered Components LLC (MEC)	51%

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	31/12/2023	31/12/2022
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	**1**	108,741	99,605
Investment property	**2**	691	983
Intangible assets	**4**	57,231	54,168
Equity investments	**5**	95	97
Non-current receivables	**6**	1,094	2,752
Deferred tax assets	**23**	13,315	13,145
Total non-current assets		**181,167**	**170,750**
CURRENT ASSETS			
Inventories	**7**	61,985	64,426
Trade receivables	**8**	55,826	59,159
Tax receivables	**9**	11,722	8,214
Other current receivables	**10**	3,868	2,910
Current financial assets	**11**	7,257	2,497
Cash and cash equivalents	**12**	36,353	20,923
Total current assets		**177,011**	**158,129**
ASSETS HELD FOR SALE	**3**	**-**	**526**
TOTAL ASSETS		**358,178**	**329,405**
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	**13**	12,687	11,533
Retained earnings, Other reserves	**14**	97,656	96,632
IAS 29 reserve		48,649	32,748
Profit for the year		3,103	15,249
Total equity interest of the Group		162,095	156,162
Minority interests		8,293	-
Total shareholders' equity		**170,388**	**156,162**
NON-CURRENT LIABILITIES			
Loans	**15**	81,547	78,336
Other financial liabilities	**16**	11,721	-
Post-employment benefit and retirement provisions	**17**	3,805	3,661
Provisions for risks and charges	**18**	353	639
Deferred tax liabilities	**23**	5,136	5,828
Other non-current payables	**19**	183	-
Total non-current liabilities		**102,745**	**88,464**
CURRENT LIABILITIES			
Loans	**15**	23,317	28,876
Other financial liabilities	**16**	175	574
Trade payables	**20**	42,521	39,628
Tax payables	**21**	3,025	2,545
Other payables	**22**	16,007	13,156
Total current liabilities		**85,045**	**84,779**
LIABILITIES HELD FOR SALE		**-**	**-**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**358,178**	**329,405**

Consolidated income statement

(€/000)	Notes	2023	2022
INCOME STATEMENT COMPONENTS			
OPERATING REVENUE AND INCOME			
Revenue	**25**	237,949	253,053
Other income	**26**	9,056	10,188
Total operating revenue and income		**247,005**	**263,241**
OPERATING COSTS			
Materials	**27**	(112,684)	(124,331)
Change in inventories		(3,433)	(513)
Services	**28**	(44,923)	(50,180)
Personnel costs	**29**	(58,160)	(49,926)
Other operating costs	**30**	(1,735)	(1,631)
Costs for capitalised in-house work		3,542	3,432
Total operating costs		**(217,393)**	**(223,149)**
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS		**29,612**	**40,092**
Depreciations and amortisation	**1, 2, 4**	(20,066)	(18,267)
Capital gains on disposals of non-current assets		1,516	251
Value adjustments of non-current assets		-	(189)
EBIT		**11,062**	**21,887**
Financial income	**31**	1,815	1,917
Financial expenses	**32**	(5,248)	(2,009)
Net income/(charges) from hyperinflation	**32**	(5,276)	(9,023)
Exchange rate gains and losses	**33**	(2,359)	(515)
Profits and losses from equity investments		-	(48)
PROFIT BEFORE TAXES		**(6)**	**12,209**
Income taxes	**34**	3,386	3,040
PROFIT FOR THE YEAR		**3,380**	**15,249**
of which:			
Minority interests		277	-
PROFIT ATTRIBUTABLE TO THE GROUP		**3,103**	**15,249**
EARNINGS PER SHARE (EPS)	**35**		
Base (€)		**0.263**	**1.355**
Diluted (€)		**0.263**	**1.355**

Consolidated statement of comprehensive income

(€/000)	2023	2022
PROFIT FOR THE YEAR	**3,380**	**15,249**
Total profits/losses that will not be subsequently reclassified under profit (loss) for the year		
Actuarial evaluation of post-employment benefit	(48)	254
Tax effect	11	(61)
	(37)	193
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	(25,713)	(8,660)
Hedge accounting for derivative financial instruments	76	151
Total other profits/(losses) net of taxes for the year	**(25,674)**	**(8,316)**
TOTAL PROFIT	**(22,294)**	**6,933**
of which:		
Net profit for the period attributable to minority interests	277	-
Total profits/losses that will be subsequently reclassified under profit (loss) for the year	-	-
Total profit attributable to minority interests	**277**	**-**
TOTAL PROFIT ATTRIBUTABLE TO THE GROUP	**(22,571)**	**6,933**

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 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)	-		-
- 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)
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**	**-**	**156,162**
Allocation of 2022 profit											
- carried forward							15,249	(15,249)	-		-
Share capital increase	1,154	16,158							17,312		17,312
IFRS 2 measurement stock grant plan							543		543		543
Treasury share transactions				(462)					(462)		(462)
Change in the scope of consolidation									-	8,016	8,016
Put options on minorities							(10,866)		(10,866)		(10,866)
Monetary revaluation - hyperinflation (IAS 29)							21,978		21,978		21,978
Other changes							(1)		(1)		(1)
Total profit at 31 December 2023					(25,713)	(37)	76	3,103	(22,571)	277	(22,294)
Balance at 31 December 2023	**12,687**	**26,160**	**2,307**	**(3,683)**	**(80,428)**	**(365)**	**202,314**	**3,103**	**162,095**	**8,293**	**170,388**

Consolidated statement of cash flows

	2023	2022
Cash and cash equivalents at beginning of year	***20,923***	***43,649***
Profit for the year	3,380	15,249
Adjustments for:		
- Depreciations and amortisation	20,066	18,267
- Write-downs of non-current assets	-	189
- Realised gains/losses	(1,516)	(251)
- Valuation of the stock grant plan	543	1,134
- Profits and losses from equity investments	-	48
- Monetary revaluation IAS 29	7,521	6,077
- Net financial income and expenses	2,164	(1,783)
- Income tax	(3,386)	(2,472)
Change in post-employment benefit	107	(197)
Change in risk provisions	(204)	(860)
Change in trade receivables	*7,375*	*10,312*
Change in inventories	*4,079*	*3,890*
Change in trade payables	*2,438*	*(17,156)*
Change in net working capital	13,892	(2,954)
Change in other receivables and payables, deferred taxes	2,528	1,430
Payment of taxes	(3,763)	(7,733)
Payment of financial expenses	(3,405)	(2,097)
Collection of financial income	1,925	246
Cash flows from operations	**39,852**	**24,293**
Investments in non-current assets		
- intangible	(2,714)	(3,153)
- tangible	(16,802)	(19,152)
- financial	2	-
Disposal of non-current assets	2,572	1,449
Cash flow absorbed by investments	**(16,942)**	**(20,856)**
Free cash flow	**22,910**	**3,437**
Repayment of loans	(33,671)	(37,955)
Raising of loans	25,552	29,236
Short-term financial assets	(6,089)	385
Purchase/sale of treasury shares	(462)	(1,862)
Payment of dividends	-	(6,690)
Cash flow absorbed by financing activities	**(14,670)**	**(16,886)**
Mansfield (MEC) acquisition	(8,325)	-
Acquisition of P.G.A.	(783)	(4,948)
Share capital increase	17,312	-
ARC Handan Consolidation/Deconsolidation	-	(97)
Foreign exchange differences	(1,014)	(4,232)
Net cash flows for the year	**15,430**	**(22,726)**
Cash and cash equivalents at end of year (Note 12)	***36,353***	***20,923***

Explanatory Notes

ACCOUNTING STANDARDS

Statement of compliance and basis of presentation

The consolidated financial statements of the Sabaf group for the 2023 financial years have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. Reference to IFRS also includes all current International Accounting Standards (IAS). The financial statements have been prepared in euro, the current currency in the economies in which the Group mainly operates, rounding amounts to the nearest thousand, and are compared with consolidated financial statements for the previous year, prepared according to the same standards. They consist of the statement of financial position, the income statement, the statement of changes in shareholders' equity, the statement of cash flows and these explanatory notes. The financial statements have been prepared on a historical cost basis except for some revaluations of property, plant and equipment undertaken in previous years, and are considered a going concern going concern basis; with reference to the latter principle. the Group assessed that it is a going concern in accordance with paragraphs 25 and 26 of IAS 1 and Art. 2423 bis of the Italian Civil Code, also due to the strong competitive position, positive 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 2023, modified from the previous year, comprises the parent company Sabaf S.p.A. and the following companies controlled by Sabaf S.p.A.:
- Faringosi Hinges s.r.l.
- Sabaf do Brasil Ltda.
- Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki (Sabaf Turkey)
- Sabaf Appliance Components (Kunshan) Co., Ltd.
- A.R.C. s.r.l.
- 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.
- Sabaf America Inc.
- Mansfield Engineered Components LLC

In July 2023, Sabaf S.p.A. finalised the purchase of a 51% stake in the US company Mansfield Engineered Components LLC (MEC) through its subsidiary Sabaf America Inc., a company incorporated on 28 June 2023. MEC's results of operations were consolidated for the second half of 2023 only.

In the course of 2023, the merger through incorporation of PGA2.0 s.r.l. into P.G.A. S.r.l. and of Okida Elektronik Sanayi Ve Ticaret A.S. (Okida) into Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki (Sabaf Turkey) took place.

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

On 14 July 2023, Sabaf acquired 51% of Mansfield Engineered Components LLC ("MEC"), a US company based in Mansfield (Ohio) and the leading North American manufacturer of hinges for household appliances (mainly ovens, washing machines and refrigerators), designed and manufactured to meet the high-quality levels and demanding standards required by the US market. The allocation of the price paid for the acquisition of MEC on the net assets acquired (Purchase Price Allocation), pursuant to IFRS 3 revised, will be completed within twelve months from the date of acquisition. The provisional effects of this operation are shown in the following table:

	Original values at 14.07.2023	Purchase Price Allocation and Adjustments	Fair value of assets and liabilities acquired
Assets			
Property, plant and equipment and intangible assets	4,395	2,473	6,868
Inventories	6,580	-	6,580
Trade receivables	7,909	-	7,909
Other receivables	201	-	201
Cash and cash equivalents	800	-	800
Total Assets	**19,886**	**2,473**	**22,359**
Liabilities			
Deferred tax liabilities	-	(692)	(692)
Financial payables	(2,330)	-	(2,330)
Trade payables	(1,446)	-	(1,446)
Other payables	(1,530)	-	(1,530)
Total liabilities	**(5,306)**	**(692)**	**(5,999)**
Value of net assets acquired	**14,580**	**1,780**	**16,360**
% relating to the Sabaf Group (51%) (a)			8,344
Total cost of acquisition (b)			(9,125)
Goodwill deriving from acquisition (c = b-a)			781
Forex differences			12
Goodwill at 31 December 2023			**793**
Acquired cash and cash equivalents (d)			800
Total net cash outlay (b-d)			**(8,325)**

The acquisition price was determined on the basis of a company appraisal (Enterprise Value) of $21 million. As part of the acquisition, a call option in favour of Sabaf for the remaining 49% of the share capital, exercisable in 2028, and a put option in favour of the minority shareholders, exercisable from 2025 to 2028, were subscribed. The valuation of the residual share will be based on an Enterprise Value equal to 8 times MEC's average EBITDA of the two financial statements preceding the date of exercise of the relevant option, adjusted for the net financial position at that date.
Pursuant to the provisions of IAS 32, the assignment of an option to sell (put option) in the terms described above required the initial recognition of a liability corresponding to the estimated redemption value, expected at the time of any exercise of the option: to this end, a financial liability of € 11.7 million was recognised in the consolidated financial statements. For further details, refer to Note 16.

As a result of the line-by-line consolidation of MEC, minority interests totalling € 8.293 million were recognised in the consolidated shareholders' equity, as illustrated in the statement of changes in consolidated shareholders' equity.

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 €2.048 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 12.1%
    - g growth rate of 2.10%

- **Know How**: fair value of € 0.425 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 0.6%
    - economic useful life of 7 years
    - discount rate of 12.1%
    - g growth rate of 2.10%

The related tax effect was recognised on the fair value of the intangible assets identified above (recognition of deferred taxes of €0.692 million).

In the period for which the Group held control (14 July 2023 - 31 December 2023), MEC achieved sales revenue of € 14.6 million and a net profit of €0.57 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 period, 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 31/12/2023	Average exchange rate 2023	Exchange rate in effect at 31/12/2022	Average exchange rate 2022
Brazilian real	5.36180	5.40101	5.6386	5.43990
Turkish lira	32.6531	25.75970	19.9649	17.40879
Chinese renminbi	7.85090	7.66002	7.35820	7.07880
US Dollar	1.10500	1.08188	1.06660	1.05305
Indian Rupee	91.90450	89.30011	88.1710	82.68640
Mexican peso	18.72310	19.18301	20.8560	21.18690

With reference to the US dollar, the average exchange rate for the consolidation period of the Group's US companies (1 July - 31 December 2023) was used.

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 2023, 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 5.15% on 31 December 2023 and 3.29% on 31 December 2022. 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).

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.

Cancellation

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.

Cancellation
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 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.

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, climate-related issues have not had a significant impact on the opinions and estimates used in preparing these Consolidated Financial Statements. The Group continues to closely monitor ongoing developments and changes, such as new climate-related regulations and legislation.

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

New accounting standards

IFRS 17 “Insurance Contracts”

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a new accounting standard on insurance contracts regulating recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts regardless of the type of entity that issues them, and to certain guarantees and financial instruments with discretionary participation features; there are some exceptions to the scope of application. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements of IFRS 4, which are largely based on the maintenance of previous local accounting standards, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.
IFRS 17, effective for financial years beginning on or after 1 January 2023, requires the presentation of comparative balances. Early application is permitted, if the entity also adopted IFRS 9 and IFRS 15 on or before the date of first-time application of IFRS 17. These changes had no impact on the Group’s consolidated financial statements.

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 had no impact on the Group’s consolidated financial statements.

Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2

Amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements*, provide guidance to help entities apply significant judgements to the disclosure of accounting standards. The requirement for entities to disclose their "significant" accounting standards is replaced by a requirement to disclose their "material" accounting standards. The changes had an impact on the Group's disclosure of accounting standards, though not on the measurement, recognition and presentation of items in the Group's consolidated financial statements.

Amendments to IAS 12 "Deferred Taxes on Assets and Liabilities Arising from a Single Transaction"

The amendments to IAS 12 Income Taxes narrow the scope of the exception to initial recognition so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning liabilities. The changes had no impact on the Group’s consolidated financial statements.

Amendments to IAS 12 "International Tax Reform - Pillar Two Model Rules"
On 23 May 2023, the IASB published an amendment called "Amendments to IAS 12 Income taxes: International Tax Reform - Pillar Two Model Rules". The document introduces a temporary exception from recognition and disclosure requirements for deferred tax assets and liabilities related to Pillar Two Model Rules and provides for specific disclosure requirements for entities affected by the related International Tax Reform. The document provides for the immediate application of the temporary exception, while the disclosure requirements will only apply to annual financial statements beginning on or after 1 January 2023, but not to interim financial statements ending before 31 December 2023. Since its revenues are lower than €750 million per year, the Group is excluded from the scope of application of the Pillar Two rules. Therefore, the amendments to IAS 12 have no impact on the Group's consolidated financial statements.

Principles enacted but not yet in force

Amendments to IFRS 16: "*Lease Liability in a Sale and Leaseback*"
In September 2022, the IASB issued an amendment to IFRS 16 to specify the requirements that a seller-lessor uses in measuring the lease liability arising from a sale and leaseback transaction, to ensure that the seller-lessor does not recognise gain or loss with respect to the right of use retained by the lessor.
The amendments are effective for financial years beginning on or after 1 January 2024 and are to be applied retrospectively to all sale and leaseback transactions entered into after the first-time application of IFRS 16. Early application is permitted and disclosure of this fact is required.
These changes are not expected to have a material impact on the Group's financial statements.

Amendments to IAS 1: "Classification of Liabilities as Current or Non-current"
In January 2020 and October 2022, the IASB issued some 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. 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. In addition, a requirement has been introduced to disclose when a liability arising from a loan agreement is classified as non-current, and the entity's right to postpone is conditional on compliance with covenants within twelve months. The amendments will be effective for financial years beginning on or after 1 January 20234 and must be applied retrospectively. The Group is currently assessing what impact these changes will have on the current situation.

Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"
In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures, to clarify the characteristics of reverse factoring agreements and request further disclosure of such agreements. The disclosure requirements included in the amendments are intended to assist users of financial statements in understanding the effects on an entity's liabilities, cash flows and exposure to liquidity risk of reverse factoring arrangements. The amendments will be effective for

financial years beginning on or after 1 January 2024. Early application is permitted and disclosure of this fact is required. These changes are not expected to have a material impact on the Group's financial statements.

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, starting with the consolidated financial statements as at 31 December 2022, IAS 29 was applied with reference to the parent company's subsidiaries in Turkey, Sabaf Turkey and Okida. With respect to the consolidated financial statements at 31 December 2023, following the merger by incorporation of Okida into Sabaf Turkey, IAS 29 was only applied with reference to the subsidiary Sabaf Turkey.

The cumulative levels of general consumer price indices are shown below:

Consumer price index	Value at 31/12/2022	Value at 31/12/2023	Change
TURKSTAT	1,128.45	1,859.38	+64.77%

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 financial statements of Sabaf Turkey were redetermined before being included in the Group's consolidated financial statements. In particular, the effect related to the re-measurement of non-monetary assets and liabilities, equity items and income statement items, net of the related tax effect, was recognised in a separate item in the income statement under financial income and expenses. The related tax effect was recognised, instead, in taxes for the period. On consolidation, as required by IAS 21, the restated financial statements were converted using the final exchange rate in order to restore the amounts to current values.

Effects of the application of the hyperinflation on the Consolidated Statement of Financial Position

(€/000)	31/12/2023	Hyperinflation effect	31/12/2023 with Hyperinflation effect
Total non-current assets	150,032	31,135	181,167
Total current assets	175,321	1,690	177,011
Total assets	325,353	32,825	358,178
Total shareholders’ equity	137,647	32,741	170,388
Total non-current liabilities	102,661	84	102,745
Total current liabilities	85,045	-	85,045
Total liabilities and shareholders' equity	325,353	32,825	358,178

Effects of the application of the hyperinflation on the consolidated Income Statement

(€/000)	**12M 2023**	**Hyperinflation Effect**	**12m 2023 with hyperinflation effect**
Operating revenue and income	248,184	(1,179)	247,005
Operating costs	(217,786)	393	(217,393)
Operating profit before depreciation & amortisation, capital gains/losses and write-downs/write-backs of non-current assets (EBITDA)	30,398	(786)	29,612
EBIT	13,772	(2,710)	11,062
Profit before taxes	8,269	(8,275)	(6)
Income taxes	2,632	754	3,386
Minority interests	277	-	277
Profit attributable to the Group	10,624	(7,521)	3,103

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 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**
Increases	5,999	7,992	3,345	3,163	20,499
Disposals	(450)	(2,273)	(563)	-	(3,286)
Change in the scope of consolidation	2,330	6,253	586	35	9,204
Reclassifications	3,664	3,383	710	(7,906)	(149)
Monetary revaluation (IAS 29)	2,497	8,250	2,860	-	13,607
Forex differences	(2,217)	(6,739)	(2,358)	(23)	(11,337)
At 31 December 2023	**78,499**	**268,476**	**71,238**	**4,498**	**422,711**
Accumulated amortisation					
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**
Depreciations for the year	2,720	9,993	4,146	-	16,859
Derecognition due to disposal	(295)	(2,087)	(360)	-	(2,742)
Change in the scope of consolidation	-	4,351	457	-	4,808
Reclassifications	(54)	(5)	(114)	-	(173)
Monetary revaluation (IAS 29)	978	3,269	1,410	-	5,657
Forex differences	(950)	(2,843)	(1,214)	-	(5,007)
At 31 December 2023	**32,829**	**220,464**	**60,677**	**-**	**313,970**
Net carrying value					
At 31 December 2022	**36,246**	**43,824**	**10,306**	**9,229**	**99,605**
At 31 December 2023	**45,670**	**48,012**	**10,561**	**4,498**	**108,741**

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

	31/12/2023	31/12/2022	Change
Land	9,560	9,465	95
Industrial buildings	36,110	26,781	9,329
Total	**45,670**	**36,246**	**9,424**

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 2022	**1,247**	**163**	**800**	**2,210**
Increases	3,085	-	442	3,527
Monetary revaluation (IAS 29)	284	-	-	284
Change in the scope of consolidation	2,039	-	-	2,039
Depreciations and amortisation	(766)	(115)	(371)	(1,252)
Decreases	(376)	-	(16)	(392)
Foreign exchange differences	(236)	-	1	(235)
At 31 December 2023	**5,277**	**48**	**856**	**6,181**

The main investments of the financial year were aimed at:

- expanding the international production footprint; in this respect, in Mexico, the work on the construction of the plant in San Luis de Potosi was completed.
- industrialising new products;
- optimising the efficiency and automation of production processes.

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 2023, the Group identified 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, with the exception of assets relating to cash-generating units to which assets with an indefinite useful life are allocated, for which the entire capital employed was submitted to impairment testing. Please refer to Note 4 for further details.

2. INVESTMENT PROPERTY

Cost	
At 31 December 2021	**10,177**
Increases	144
Disposals	(1,381)
Reclassifications	(6,675)
At 31 December 2022	**2,265**
Increases	117
Disposals	(583)
Reclassifications	(28)
At 31 December 2023	**1,771**

Depreciations and write-downs	
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**
Increases	105
Disposals	(307)
Reclassifications	-
At 31 December 2023	**1,080**

Net carrying value	
At 31 December 2022	**2,311**
At 31 December 2023	**691**

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

	Investment property
1 January 2023	**108**
Increases	117
Decreases	(102)
Depreciations and amortisation	(43)
At 31 December 2023	**80**

The item Investment property includes non-operating buildings owned by the Group: these are mainly properties for residential use, held for rental. Disposals during the period, amounting to €276 thousand, resulted in capital gains totalling €78 thousand.

At 31 December 2023, 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 at 31 December 2022 included the net carrying value of the Parent Company's former production plant located in Lumezzane (Brescia) amounting to €529 thousand. In July 2023, the property was sold to a third party for a consideration of €1,950 thousand, realising a capital gain of €1,421 thousand.

4. INTANGIBLE ASSETS

	Goodwill	Patents and software	Development costs	Other intangible assets	Total
Cost					
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**
Increases	-	431	2,249	33	2,713
Decreases	-	-	-	-	-
Change in the scope of consolidation	1,564	-	-	2,473	4,037
Reclassifications	-	147	(337)	(178)	(368)
Monetary revaluation (IAS 29)	6,466	260	-	3,819	10,545
Forex differences	(6,648)	(242)	(3)	(3,687)	(10,580)
At 31 December 2023	**33,560**	**11,444**	**12,143**	**31,209**	**88,356**
Amortisation/Write-downs					
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**
Depreciations for the year	-	466	696	2,110	3,272
Decreases	-	-	-	-	-
Change in the scope of consolidation	-	-	-	-	-
Reclassifications	-	-	-	-	-
Monetary revaluation (IAS 29)	-	221	-	1,167	1,388
Forex differences	-	(205)	-	(1,171)	(1,376)
At 31 December 2023	**4,546**	**10,254**	**6,046**	**10,279**	**31,125**
Net carrying value					
At 31 December 2022	**27,632**	**1,076**	**4,884**	**20,576**	**54,168**
At 31 December 2023	**29,014**	**1,190**	**6,097**	**20,930**	**57,231**

Goodwill

Pursuant to IAS 36, goodwill is allocated to different cash-generating units ("CGUs"), which are identified on the basis of operating segments, according to geographic logics and corresponding to the businesses being acquired. Below are the CGUs to which the goodwill was allocated:

CGU	31/12/2022	First consolidation	Price adjustments	Revaluation IAS29	Forex differences	31/12/2023
Professional burners	1,770	-	-	-	-	1,770
Electronic components	16,641	-	-	6,466	(6,660)	16,447
P.G.A. electronic components	1,127	-	783	-	-	1,910
Hinges	4,414	-	-	-	-	4,414
C.M.I. hinges	3,680	-	-	-	-	3,680
MEC hinges	-	781	-	-	12	793
Total	27,632	781	783	6,466	(6,648)	29,014

The relative change in goodwill allocated to the P.G.A. electronic components CGU, equal to €783 thousand, refers to price adjustments after the completion of acquisition and determined, in accordance with the contract, on the basis of the subsidiary's final results for 2022.

The Group verifies the ability to recover goodwill ("Impairment test") 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 main assumptions used to determine the value of use of the different CGUs refer a) to the financial flows deriving from company business plans, b) to the discount rate and c) to the long-term growth rate.

Determining cash flows

The management defined a single plan for each CGU with respect to the 2024-2026 period, which represents the best estimate of the expected trend in operations, based on corporate strategies and the growth indices of the specific sector and reference markets. In particular, the forecasts for the first year of the forecast plan (2024) were developed based on the Group's 2024 budget, approved by the Parent Company's Board of Directors on 19 December 2023; the forecasts for the next two years (2025 and 2026) were determined analytically while preparing the Group's 2024 - 2026 Business Plan, approved by the Parent Company's Board of Directors on 19 March 2024. The multi-year plans of each CGU were submitted for approval to the Boards of Directors of the Group companies to which each CGU belongs.

Revenues were estimated on the basis of information obtained from customers and on the basis of management's expectations regarding the trend of the reference market, which expect a moderate recovery from the weak phase that characterised 2023. The contribution from revenues from new products already developed, weighted by the likelihood of their success, was also estimated. The plans were prepared under the assumption of substantially unchanged raw material prices, in view of the proven historical ability of CGUs to pass on changes in material costs to selling prices. Estimates of revenues and profitability incorporate elements of caution to reflect geopolitical and macroeconomic uncertainty. It should be noted that the CGUs to which intangible assets with an indefinite useful life are allocated are not exposed to significant transitional climatic risks, that energy costs have an extremely low incidence compared to the industrial cost of products, and that the related production processes do not directly use fossil fuels (gas) as an energy source.

The business plans consider only real growth, do not take into account expected inflation, and have been prepared in Euro, i.e. the currency in which - with the exception of MEC - the sales lists and main operating costs of the CGUs are denominated. The business plan of MEC, which operates in dollars, was prepared under the assumption of a stable euro/dollar exchange rate. Furthermore, with reference to the "Electronic Components" CGU, the plan does not take into account the accounting effects of IAS 29 (hyperinflation).

Lastly, cash flows for the 2024-2026 period were augmented by the so-called terminal value, which expresses the operating flows that the CGU is expected to generate from the fourth year to infinity and determined based on the perpetual income.

Discount rate

The discount rate used to discount expected future cash flows was determined for each CGU, just like in the previous year, and is represented by the weighted average cost of capital (WACC), which reflects the current market valuation of the time value of money for the period considered and the specific risks of the Group companies and their reference sectors.

Long-term growth rate

In addition to the flows expected for the 2024-2026 period, which are explicitly forecasted, there is also the so-called Perpetuity, representing the Terminal Value. This was determined, according to the same logics adopted in the previous year, using a long-term growth rate (g-rate), specific to each CGU, reflecting the growth potential of the area in question.

The table below shows the main basic assumptions used in performing the impairment test.

CGU	Discount rate (WACC) %	Long-term growth rate (g-rate)	Cash flow horizon	Terminal Value calculation method
Professional burners	11.09%	2.00%	3 years old	Perpetual instalment
Electronic components	15.69%	2.50%	3 years old	Perpetual instalment
P.G.A. electronic components	10.94%	2.50%	3 years old	Perpetual instalment
Hinges	11.84%	2.00%	3 years old	Perpetual instalment
C.M.I. hinges	11.45%	2.00%	3 years old	Perpetual instalment
MEC hinges	10.99%	2.30%	3 years old	Perpetual instalment

Please find below the main changes in the discount rate compared to the impairment carried out when preparing the consolidated financial statements at 31 December 2022:

- Professional burners: WACC is 11.09% (11.19% at 31 December 2022), the change from the previous year is mainly due to the reduction in the risk-free rate and the equity market risk premium;
- Electronic components: WACC is 15.69% (16.81% at 31 December 2022), the change from the previous year is mainly due to the reduction in the cost of debt, the risk-free rate and the equity market risk premium;
- P.G.A. electronic components: WACC is 10.94% (10.88% at 31 December 2022), essentially unchanged from the previous year;
- Hinges: WACC is 11.84% (11.65% at 31 December 2022), the change from the previous year is mainly due to the increase in the cost of debt and the risk-free rate;
- C.M.I. hinges: WACC is 11.45% (11.66% at 31 December 2022), the change from the previous year is mainly due to the reduction in the risk-free rate and the equity market risk premium;

The impairment tests carried out according to the methods described above and approved by the Board of Directors on 20 February 2024, with the opinion of the Control, Risk and Sustainability Committee, did not reveal any impairment losses, as the recoverable value of the CGUs at 31 December 2023 was higher than the corresponding net invested capital (carrying amount).

To complete the analysis, the following activities were carried out:
- a sensitivity analysis aimed at verifying the recoverability of goodwill against changes in the basic assumptions used to determine discounted cash flows. In particular, the following table shows the WACC, g-rate and EBITDA that would lead to an impairment loss, keeping all other basic assumptions unchanged:

	Break-even values in a "steady case" situation		
Sensitivity analysis	WACC	g-rate	EBITDA
Professional burners	18.2%	n/a	-38.4%
Electronic components	16.6%	1.25%	-6.9%
P.G.A. electronic components	13.2%	0%	-22.6%
Hinges	22.9%	n/a	-46.0%
C.M.I. hinges	28.0%	n/a	-52.0%
MEC hinges	12.8%	0.2%	-10.5%

- the verification of the recoverability of goodwill against possible upward and downward 50 bps changes in WACC and 25 bps changes in the g-rate;
- the verification of the recoverability of goodwill against possible 10% and 20% downward changes in EBITDA.

With reference to the "Electronic components" CGU, sensitivity analyses show a delta between recoverable value and net invested capital ranging from +€6.3 million to -€4.9 million. For the "MEC Hinges" CGU, the difference between recoverable value and net invested capital ranges from +€ 6.4 million to -€3.4 million. With reference to the other CGUs submitted to impairment testing, none of the scenarios covered by the sensitivity analysis showed a recoverable value lower than the carrying value.

Lastly, in examining possible indicators of impairment, the Group also took into consideration the relationship between stock market capitalisation (€218.3 million) and the carrying value of the Group's equity at 31 December 2023 (€162.1 million), which shows a largely positive difference.

Patents and software

The main software investments are related to the extension of the application and corporate scope of the Group management system (SAP) and to the implementation of a management system in the HR field.

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. Sales are scheduled to start in 2024.
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 derive from the Purchase Price Allocation carried out following the acquisition of Okida Elektronik in September 2018, of C.M.I. S.r.l. in July 2019, of P.G.A. in October 2022 and of MEC in July 2023.

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

	31/12/2023	**31/12/2022**	**Change**
Customer Relationship	15,090	13,000	2,090
Brand	2,947	3,807	(860)
Know-how	400	577	(177)
Patents	2,306	2,835	(529)
Other	187	357	(170)
Total	**20,930**	**20,576**	**354**

At 31 December 2023, 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

	31/12/2023	31/12/2022	Change
Other equity investments	95	97	(2)
Total	**95**	**97**	**(2)**

6. NON-CURRENT RECEIVABLES

	31/12/2023	31/12/2022	Change
Tax receivables	287	2,057	(1,770)
Guarantee deposits	187	98	89
Receivables from former P.G.A. shareholders	620	597	23
Total	**1,094**	**2,752**	**(1,658)**

Tax receivables relate to indirect taxes expected to be recovered after 31 December 2024. Receivables from former P.G.A. Shareholders, already determined by the parties and discounted, refer to compensation obligations envisaged upon the occurrence of certain events (liabilities incurred by P.G.A.) regulated by the acquisition agreement.

7. INVENTORIES

	31/12/2023	31/12/2022	Change
Raw Materials	29,084	31,068	(1,984)
Semi-processed goods	15,410	16,403	(993)
Finished products	22,920	23,771	(851)
Provision for inventory write-downs	(5,429)	(6,816)	1,387
Total	**61,985**	**64,426**	**(2,441)**

The value of final inventories at 31 December 2023 was lower than the previous year as a result of lower average costs and a decrease in the volume of stock.
At 31 December 2023, 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:

31/12/2022	**6,816**
Provisions	914
Utilisation	(1,512)
Monetary revaluation (IAS 29)	48
Change in the scope of consolidation	7
Forex differences	(844)
31/12/2023	**5,429**

8. TRADE RECEIVABLES

	31/12/2023	31/12/2022	Change
Total trade receivables	56,661	59,999	(3,338)
Bad debt provision	(835)	(840)	5
Net total	**55,826**	**59,159**	**(3,333)**

The amount of trade receivables at 30 December 2023 was lower than the balance at the end of 2022 as a result of the reduction in the average collection period, which was also achieved due to an increased assignment without recourse of receivables to factors. There were no significant changes in the payment terms agreed with customers.
The amount of trade receivables recognised in the financial statements includes approximately €26.8 million in insured receivables (€25.7 million at 31 December 2022).

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

	31/12/2023	31/12/2022	Change
Current receivables (not past due)	42,395	45,199	(2,804)
Outstanding up to 30 days	8,356	6,947	1,409
Outstanding from 30 to 60 days	3,099	4,020	(921)
Outstanding from 60 to 90 days	911	1,416	(505)
Outstanding for more than 90 days	1,900	2,417	(517)
Total	**56,661**	**59,999**	**(3,338)**

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

31/12/2022	**840**
Provisions	34
Utilisation	(34)
Change in the scope of consolidation	-
Forex differences	(5)
31/12/2023	**835**

9. TAX RECEIVABLES

	31/12/2023	31/12/2022	Change
For income tax	7,186	5,061	2,125
For VAT and other sales taxes	4,536	3,144	1,392
Other tax credits	0	9	(9)
Total	**11,722**	**8,214**	**3,508**

At 31 December 2023 income tax receivables mainly include:

- €3,119 thousand relating to the tax credit for investments in capital goods;
- €482 thousand relating to the tax credit for research and development;
- €635 thousand related to the "Patent Box" tax credit for the years 2020 and 2021, following the prior agreement signed with the Tax Authorities during the year;
- payments on account paid during 2023: IRES for €521 thousand and IRAP for €75 thousand.

10. OTHER CURRENT RECEIVABLES

	31/12/2023	31/12/2022	Change
Advances to suppliers	1,866	1,376	490
Credits to be received from suppliers	943	706	237
Accrued income and prepaid expenses	858	660	198
Other	201	168	33
Total	**3,868**	**2,910**	**958**

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

11. FINANCIAL ASSETS

	31/12/2023		31/12/2022	
	Current	Non-current	Current	Non-current
Time deposit accounts	6,254	-	786	-
Derivative instruments	1,003	-	1,711	-
Total	**7,257**	**-**	**2,497**	**-**

The change in time deposit accounts relates to the taking out of time deposits by certain foreign subsidiaries; these are temporary investments of liquidity in excess of normal operations at better yields than ordinary deposits.
Derivatives refer, for €126 thousand, to forward sales contracts in US dollars recognised using hedge accounting - the details of which are illustrated in Note 38 "Foreign exchange risk management" - and, for €877 thousand, to six interest rate swap (IRS) contracts for amounts and maturities coinciding with six unsecured loans that are being amortised, whose residual value at 31 December 2023 is €17,339 thousand. The interest rate swap 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

The item Cash and cash equivalents, equal to €36,353 thousand at 31 December 2023 (€20,923 thousand at 31 December 2022), refers to cash and bank current account balances. Changes in the cash and cash equivalents are analysed in the statement cash flows.

13. SHARE CAPITAL

In connection with the acquisition of Mansfield (MEC), on 14 July 2023, Sabaf's Board of Directors exercised the proxy granted by the Shareholders' Meeting on 4 May 2020, resolving on a reserved capital increase, through splitting shares and against payment, for a nominal amount of €1,153,345, corresponding to 10% of the share capital, with the exclusion of the right of option pursuant to Article 2441, fourth paragraph, second sentence of the Italian Civil Code, through the issue of 1,153,345 new ordinary shares with a par value of €1.00. The newly issued shares were offered for subscription as part of a reserved placement.
The issue price of the new shares, including the share premium, was determined at €15.01 per share, equal to the average stock market price of Sabaf share recorded in June, increased by a premium of €0.52 per share (and therefore for a total value of €17,311,708.45).
The capital increase took place on 20 July 2023. Following the full subscription of the new shares, the post-capital increase share capital amounts to €12,686,795.

At 31 December 2023, the structure of the share capital is shown in the table below.

	No. of shares	% of share capital	Rights and obligations
Ordinary shares	6,559,278	51.70%	-
Ordinary shares with increased vote	6,127,518	48.30%	Two voting rights per share
TOTAL	***12,686,795***	***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
In the course of the year, 27,100 treasury shares were acquired at an average unit price of €17.05, while none were sold.
At 31 December 2023, Sabaf S.p.A. held 241,963 treasury shares (1.907% of the share capital), reported in the financial statements as an adjustment to shareholders’ equity at a weighted average unit value of €15.22 (the closing stock market price of the Share at 31 December 2023 was €17.36). There were 12,444,832 outstanding shares at 31 December 2023.

Stock grant reserve
Items "Retained earnings, other reserves" of €146,303 thousand included, at 31 December 2023, the stock grant reserve of €2,481 thousand, which included the measurement at 31 December 2023 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 2022	**(2)**
Change during the period	76
Value at 31 December 2023	**74**

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

	31/12/2023			**31/12/2022**		
	Current	Non-current	Total	Current	Non-current	Total
Bond issue	-	29,720	29,720	-	29,685	29,685
Unsecured loans	21,261	46,748	68,009	21,613	46,595	68,208
Short-term bank loans	-	-	-	5,308	-	5,308
Advances on bank receipts or invoices	155	-	155	921	-	921
Leases	1,660	5,079	6,739	1,032	2,056	3,088
Interest payable	241	-	241	2	-	2
Total	**23,317**	**81,547**	**104,864**	**28,876**	**78,336**	**107,212**

In 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 some covenants, defined with reference to the consolidated financial statements at the end of each reporting period, all complied with at 31 December 2023 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 no more than 1.5;
- commitment to maintain a ratio of net financial debt to EBITDA of no more 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 €23 million to finance the investments made. All loans were signed with an original maturity of 4 or 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 no more than 1 (residual amount of the loans at 31 December 2023 equal to €48 million);

- commitment to maintain a ratio of net financial debt to EBITDA of no more than 3 (residual amount of the loans at 31 December 2023 equal to €59.4 million);
- commitment to maintain a ratio of net financial debt to EBITDA of no more than 2.5 (residual amount of the loans at 31 December 2023 equal to €0.8 million);

complied with at 31 December 2023 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 €37,737 thousand at 31 December 2023) are either fixed-rate or hedged by IRS. On the other hand, the residual value of unsecured loans taken out at a variable rate and not covered by the IRS was €30,272 thousand.

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

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**
New agreements signed during 2023	5,283
Repayments during 2023	(1,462)
Forex differences	(170)
Lease liabilities at 31 December 2023	**6,739**

The value of lease liabilities at 31 December 2023 includes €6,033 thousand in operating leases and €706 thousand in finance leases, all recognised in accordance with IFRS16. Note 38 provides information on financial risks, pursuant to IFRS 7.

16. OTHER FINANCIAL LIABILITIES

	31/12/2023		**31/12/2022**	
	Current	Non-current	Current	Non-current
Option on MEC minorities	-	11,721	-	-
Payables to former P.G.A. shareholders	175	-	546	-
Currency derivatives	-	-	28	-
Total	**175**	**11,721**	**574**	**-**

As part of the acquisition of MEC, a call option in favour of Sabaf for the remaining 49% of the share capital, exercisable from 2028, and a put option in favour of the minority shareholders, exercisable from 2025 to 2028, were subscribed. The valuation of the residual share will be based on an Enterprise Value equal to 8 times MEC's average EBITDA of the two financial statements preceding the date of exercise of the relevant option, adjusted for the net financial position at that date.

The assignment of an option to sell (put option) in the terms described above required the recognition of a liability corresponding to the estimated redemption value, expected at the time of any exercise of the option. To this end, a financial liability of €11,721 million was recognised in the consolidated financial statements, of which

- €10,866 thousand deriving from the recognition of the financial liability at the time of the acquisition; an equity reserve was recognised as a balancing entry;
- €855 thousand deriving from the updated valuation of the outlay estimate, based on MEC's results forecast in the subsidiary's business plan drawn up at the beginning of 2024. Financial expenses were recognised as a balancing entry.

Payables to former P.G.A. shareholders, amounting to €175 thousand, refer to price adjustments after the completion of acquisition, linked to the achievement of certain targets in accordance with the contract ("earn-out").

17. POST-EMPLOYMENT BENEFIT AND RETIREMENT PROVISIONS

	Post-employment benefit
At 31 December 2022	**3,661**
Provisions	389
Financial expenses	107
Payments made	(269)
Tax effect	48
Forex differences	(131)
At 31 December 2023	**3,805**

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	**31/12/2023**	**31/12/2022**
Discount rate	3% - 3.2%	3% - 3.7%
Inflation	2.5%	3%

Demographic theory	**31/12/2023**	**31/12/2022**
Mortality rate	IPS55 ANIA	IPS55 ANIA
Disability rate	INPS 2000	INPS 2000
Staff turnover	4% - 10%	3% - 10%
Advance payouts	1% - 3%	1% - 5%
Retirement age	Pursuant to legislation in force at 31 December 2023	Pursuant to legislation in force at 31 December 2022

The sensitivity analyses performed to account for any changes in actuarial assumptions did not reveal any significant changes in the liability.

18. PROVISIONS FOR RISKS AND CHARGES

	31/12/2022	Provisions	Utilisation	Forex differences	31/12/2023
Provision for agents' indemnities	252	1	(57)	-	196
Product guarantee fund	60	72	(72)	-	60
Provision for legal risks	77	20	(3)	3	97
Other provisions for risks and charges	250	-	(216)	(34)	-
Total	**639**	**93**	**(348)**	**(31)**	**353**

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. In 2023, a competitor filed a lawsuit against Sabaf S.p.A. for alleged patent infringement. The litigation is at a preliminary stage, and based on an initial analysis, the Directors believe that the competitor's claims are groundless and therefore no provisions for risks have been recognised in these consolidated financial statements.
Utilisations of other provisions for risks refer, for €51 thousand, to the elimination of contingent liabilities recognised as part of the Purchase Price Allocation following the acquisition of Okida Elektronik and, for €165 thousand, to the elimination of contingent liabilities recognised as part of the Purchase Price Allocation following the acquisition of P.G.A., as a result of the settlement agreement.
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.

19. OTHER NON-CURRENT LIABILITIES

	31/12/2023	31/12/2022	Change
Total	**183**	**-**	**183**

Other non-current liabilities refer to payables to the tax authorities, to be paid in 2025 and 2026.

20. TRADE PAYABLES

	31/12/2023	31/12/2022	Change
Total	**42,521**	**39,628**	**2,893**

Average payment terms did not change versus the previous year. At 31 December 2023, there were no overdue payables of a significant amount and the Group did not receive any injunctions for overdue payables.

21. TAX PAYABLES

	31/12/2023	31/12/2022	Change
For income tax	704	235	469
Withholding taxes	968	1,059	(91)
Other tax payables	1,352	1,251	101
Total	**3,025**	**2,545**	**480**

22. OTHER CURRENT PAYABLES

	31/12/2023	31/12/2022	Change
To employees	6,452	5,553	899
To social security institutions	3,430	2,781	649
To agents	158	164	(6)
Advances from customers	385	522	(137)
Other current payables	5,584	4,136	1,446
Total	**16,007**	**13,156**	**2,851**

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 totalling €5,479 thousand.

23. DEFERRED TAX ASSETS AND LIABILITIES

	31/12/2023	31/12/2022	Change
Deferred tax assets	13,315	13,145	170
Deferred tax liabilities	(5,136)	(5,828)	692
Net position	**8,179**	**7,317**	**862**

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 adjustments	Fair value of derivative instruments	Goodwill	Tax incentives	Tax losses	Actuarial evaluation of post-employment benefit	Hyperinflation effects	Other temporary differences	Total
31/12/2022	**(188)**	**1,590**	**(382)**	**886**	**3,432**	**1,260**	**111**	**23**	**585**	**7,317**
Through profit or loss	1,858	(200)	178	(177)	1,182	(451)	0	1,512	469	4,371
In shareholders' equity	(718)	0	(18)	0	0	0	10	0	0	(726)
Forex differences	(1,092)	5	0	0	(1,333)	(342)	0	(2)	(19)	(2,783)
31/12/2023	**(140)**	**1,395**	**(222)**	**709**	**3,281**	**467**	**121**	**1,533**	**1,035**	**8,179**

Deferred tax assets recognised in the income statement in respect of "Non-current tangible and intangible assets" included €1,617 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.
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 the 2018 financial year.
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. The reduction in deferred tax assets related to tax losses is the result of their offsetting against tax profits for the year.
At the end of the financial year, the taxation of the Group's Turkish companies was adjusted to 22.5% tax rate, recognising tax income of €868 thousand in profit or loss.

24. 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:

		31/12/2023	31/12/2022	Change
A.	Cash	36,353	20,832	15,401
B.	Cash equivalents	-	91	(91)
C.	Other current financial assets	7,257	2,497	4,760
D.	**Liquidity (A+B+C)**	**43,610**	**23,420**	**20,070**
E.	Current financial payable	1,799	8,098	(6,299)
F.	Current portion of non-current financial debt	21,693	21,352	341
G.	**Current financial debt (E+F)**	**23,492**	**29,450**	**(5,958)**
H.	**Net current financial debt (G-D)**	**(20,118)**	**6,030**	**(26,028)**
I.	Non-current financial payable	63,548	48,651	14,897
J.	Debt instruments	29,720	29,685	35
K.	Trade payables and other non-current payables	-	-	-
L.	**Non-current financial debt (I+J+K)**	**93,268**	**78,336**	**14,932**
M.	**Total financial debt (H+L)**	**73,150**	**84,366**	**(11,096)**

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 decrease in net financial debt in the period is mainly attributable to the cash flows generated by operations, also through the reduction in net working capital.

Comments on key income statement items

The income statement items discussed below, as already indicated in the "Scope of Consolidation" paragraph of these Notes, include the contribution of Mansfield Engineered Components LLC as of 1 July 2023, the accounting reference date closest to the acquisition date (14 July 2023).

25. REVENUE

In 2023, sales revenue totalled €237,949 thousand, down by €15,104 thousand (-6%) compared with 2022 (-13.8% on a like-for-like basis).

Revenue by geographical area

Revenue	**2023**	*%*	**2022**	*%*	*% change*
Europe (excluding Turkey)	71,636	30.1%	87,282	34.5%	-17.9%
Turkey	62,439	26.2%	66,845	26.4%	-6.6%
North America	47,607	20.0%	39,800	15.7%	+19.6%
South America	27,874	11.7%	28,503	11.3%	-2.2%
Africa and Middle East	17,718	7.4%	19,098	7.5%	-7.2%
Asia and Oceania	10,675	4.5%	11,525	4.6%	-7.4%
Total	**237,949**	***100%***	**253,053**	**100%**	**-6.0%**

Revenue by product family

Revenue	**2023**	*%*	**2022**	*%*	*% change*
Gas parts	143,224	*60.2%*	158,340	*62.6%*	-9.5%
Hinges	70,418	*29.6%*	68,627	*27.1%*	+2.6%
Electronic components	24,307	*10.25%*	26,086	*10.3%*	-6.8%
Total	**237,949**	***100%***	**253,053**	***100%***	**-6.0%**

The year 2023 was characterised by marked economic weakness in the household appliance sector, which was most evident in European markets. Geographical diversification and the contribution of recent acquisitions limited the decline in sales compared with 2022, which was characterised by a dynamic first half-year and a sudden drop in demand in the second half-year.
The average sales prices of 2023 remained essentially in line with those of 2022.

26. OTHER INCOME

	2023	**2022**	**Change**
Sale of trimmings	4,921	5,711	(790)
Contingent income	971	554	417
Rental income	78	122	(44)
Use of provisions for risks and charges	130	6	124
Other income	2,956	3,795	(839)
Total	**9,056**	**10,188**	**(1,132)**

In 2023, other income mainly included: tax credits for investments in capital goods and for research and development of €1,150 thousand, proceeds from the sale of moulds and equipment of €782 thousand, Turkish government grants of €344 thousand referring to incentives for hiring personnel, insurance compensation of €68 thousand and the production of energy through photovoltaic plants of €33 thousand.

27. PURCHASES OF MATERIALS

	2023	2022	Change
Commodities and outsourced components	103,486	115,410	(11,924)
Consumables	9,198	8,921	277
Total	**112,684**	**124,331**	**(11,647)**

The reduction in purchases is related both to the decrease in business volumes and to the reduction in the unit prices of the main raw materials (aluminium alloys, steel and brass).

28. COSTS FOR SERVICES

	2023	2022	Change
Outsourced processing	9,513	13,680	(4,167)
Natural gas and power	7,762	11,359	(3,597)
Maintenance	6,879	7,040	(161)
Transport	4,328	4,433	(105)
Advisory services	4,109	3,232	877
Travel expenses and allowances	946	700	246
Commissions	1,183	994	189
Directors' fees	1,161	861	300
Insurance	1,135	864	271
Canteen	1,000	796	204
Other costs	6,907	6,221	686
Total	**44,923**	**50,180**	**(5,257)**

The main outsourced processing includes hot moulding of brass and steel blanking as well as some mechanical processing and assembly.
Energy and gas costs are posted net of tax benefits related to public contributions for electricity and gas consumption, amounting to €675 thousand.
The increase in costs for advisory services is related to the extraordinary transactions (acquisition of MEC and capital increase) carried out during the year.
Other costs included expenses for the registration of patents, waste disposal, cleaning, leasing third-party assets and other minor charges.

29. PERSONNEL COSTS

	2023	2022	Change
Salaries and wages	38,959	31,750	7,209
Social Security costs	11,442	9,685	1,757
Temporary agency workers	4,196	5,617	(1,421)
Post-employment benefit and other costs	3,020	1,740	1,280
Stock grant plan	543	1,134	(591)
Total	**58,160**	**49,926**	**8,234**

The number of Group employees at 31.12.2023 was 1,641 (1,238 at 31.12.2022) and the number of temporary agency workers was 117 (115 at 31.12.2022). The increase in the number of employees compared to the previous year was 402, of which 180 following the acquisition of MEC. The increase in personnel costs, compared to the previous year, is mainly due to the change in the scope of consolidation, as well as the inflationary dynamics in 2023, with particular reference to the Turkish subsidiary.
The item "Stock Grant Plan" included the measurement at 31 December 2023 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.

30. OTHER OPERATING COSTS

	2023	2022	Change
Non-income taxes	603	729	(126)
Other operating expenses	598	614	(16)
Contingent liabilities	407	238	169
Losses and write-downs of trade receivables	34	1	33
Provisions for risks	20	21	(1)
Other provisions	73	28	45
Total	**1,735**	**1,631**	**104**

Non-income taxes chiefly relate to property tax.

31. FINANCIAL INCOME

	2023	2022	Change
Interest from time deposit	1,225	-	1,225
Interest rate derivatives	32	1,753	(1,721)
Interest from bank current accounts	260	154	106
Other financial income	298	10	288
Total	**1,815**	**1,917**	**(102)**

Interest from time deposit, equal to €1,225 thousand, refers to interest income accrued on time deposit accounts of some foreign subsidiaries; these are temporary investments of liquidity in excess of normal operations at better yields than ordinary deposits.

32. EXPENSES FROM HYPERINFLATION/FINANCIAL EXPENSES

	2023	2022	Change
Expenses from hyperinflation	**5,276**	**9,023**	**(3,747)**
Interest paid to banks	3,453	1,340	2,113
Interest paid on finance lease contracts	219	105	114
Banking expenses	340	222	118
MEC option valuation adjustment (Note 16)	855	-	855
Other financial expense	381	342	39
Financial expenses	**5,248**	**2,009**	**3,239**

As from 2022, the effect of inflation accounting on the Turkish subsidiaries, which impacted some financial statement items and resulted in total expenses of € 5,276 thousand, was reflected in the financial statements. For an appropriate and thorough analysis, please refer to the specific paragraph in the Explanatory Notes to these Financial Statements. The effects of applying IAS 29 for each item in the consolidated income statement are also shown in the annex to the Report on Operations.

33. EXCHANGE RATE GAINS AND LOSSES

In 2023, the Group reported net foreign exchange losses of €2,359 thousand, versus net losses of €515 thousand in 2022. The main portion of 2023 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.

34. INCOME TAXES

	2023	2022	Change
Current taxes for the year	690	2,080	(1,390)
Deferred tax assets and liabilities	(4,371)	(4,932)	561
Taxes related to previous financial years	295	(188)	483
Total	**(3,386)**	**(3,040)**	**(346)**

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:

	2023	2022
Theoretical income tax	136	2,909
Permanent tax differences	(268)	18
Taxes related to previous financial years	(15)	(158)
Tax effect from different foreign tax rates	169	(112)
Effect of non-recoverable tax losses	959	324
“Energy intensive contribution” tax benefit	(165)	(515)
“Super and Iperammortamento” tax benefit	(631)	(749)
ACE tax benefit	(75)	(285)
Patent Box benefit	(635)	-

Revaluation of fixed assets in Turkey	(975)	(3,661)
Tax incentives for investments in Turkey	(1,182)	(1,839)
Other differences	(946)	479
Income taxes booked in the accounts, excluding IRAP and withholding taxes (current and deferred)	**(3,628)**	**(3,589)**
IRAP (current and deferred)	242	480
Substitute tax on realignment of property values	-	69
Total	**3,386**	**3,040**

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 €631 thousand (€749 thousand in 2022);
- the tax benefits deriving from the investments made in Italy amounting to €1,182 thousand (€1,839 thousand in 2022);
- the tax benefits deriving from the Patent Box for the years 2020 and 2021, amounting to €635 thousand, following the prior agreement signed with the Tax Authorities in 2023;
- the tax benefits deriving from the tax exemption on government grants for electricity and gas consumption, amounting to €165 thousand (€515 thousand in 2022).

35. EARNINGS PER SHARE

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

Earnings

(€/000)	**2023**	**2022**
Profit for the year	3,103	15,249

Number of shares

	2023	**2022**
Weighted average number of ordinary shares for determining basic earnings per share	11,812,152	11,255,384
Dilutive effect from potential ordinary shares	-	-
Weighted average number of ordinary shares for determining diluted earnings per share	11,812,152	11,255,384

Earnings per share

(in €)	**2023**	**2022**
Basic earnings per share	0.263	1.355
Diluted earnings per share	0.263	1.355

Basic earnings per share are calculated on the average number of outstanding shares minus the average number of treasury shares, equal to 238,941 in 2023 (278,066 in 2022). Diluted earnings per share are calculated taking into account any shares approved but not yet subscribed.

36. DIVIDENDS

No dividends were paid out during 2023. With regard to the current year, the Directors have recommended payment of a dividend of €0.54 per share, subject to approval of shareholders in the annual Shareholders' Meeting and therefore not included under liabilities in these financial statements. The dividend proposed is scheduled for payment on 29 May 2024 (ex-date 27 May and record date 28 May).

37. INFORMATION BY BUSINESS SEGMENT

Information by business segment for 2023 and 2022 is provided below

	2023 FY				
	Gas parts (household and professional)	**Hinges**	**Electronic components**	**Unallocated Revenues and Costs**	**Total**
Sales	144,010	70,410	24,689	(1,160)	**237,949**
Ebit	8,942	5,188	3,834	(6,902)	**11,062**

	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**

Unallocated revenues and costs refer to auxiliary or common activities, such as overhead costs, which cannot be allocated to individual business segments.

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:

Financial assets	**31/12/2023**	**31/12/2022**
Amortised cost		
Cash and cash equivalents	36,353	20,923
Term bank deposits	6,254	786
Trade receivables and other receivables	59,694	64,821
Fair value through profit or loss		
Derivatives to hedge cash flows	877	1,710

Hedge accounting		
Derivatives to hedge cash flows	126	-

Financial liabilities		
Amortised cost		
Loans	104,864	107,212
Other financial liabilities	175	546
Trade payables	42,521	39,628
Fair value through profit or loss		
Derivatives to hedge cash flows	11,721	-
Hedge accounting		
Derivatives to hedge cash flows	-	28

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 engage in 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. The procedure adopted for credit management includes, inter alia:

- the assignment of a specific credit limit for each customer;
- weekly verification of receivables overdue;
- the sending of payment reminders on a monthly basis;
- the definition of a time limit after credit expiry beyond which deliveries are blocked (no deliveries and no confirmation of new orders).

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 50% 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. The sales prices of the Turkish subsidiary are exclusively denominated in euro or US dollars; those of the Brazilian subsidiary are denominated in Brazilian real for domestic sales and in US dollars for exports. Sales in US dollars represented 25% of total turnover in 2023, while purchases in dollars represented 7% of total turnover. During the year, operations in dollars were partially hedged through forward sales contracts. At 31 December 2023, the Group had in place forward sales contracts of USD 3.5 million, maturing in December 2024 at an average exchange rate of 1.06721. 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)	**2023**
Increase in financial assets	90
Reduction in financial liabilities	28
Adjustment to the Cash Flow Hedge reserve (equity reserve)	76
Positive impact through profit or loss	29

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

Exchange rate risk management: cash flow hedge in accordance with IFRS 9 on commercial transactions

Company	**Counterparty**	**Instrument**	**Maturity**	**Value date**	**Notional**	**Fair value hierarchy**
Faringosi Hinges s.r.l.	BPER Banca	Forward	28/03/2024	USD	500,000	2
			27/06/2024		500,000	
			30/09/2024		500,000	
			31/12/2024		500,000	
C.M.I. S.r.l.	BPER Banca	Forward	03/01/2024	USD	750,000	
			03/04/2024		750,000	

Sensitivity analysis

With reference to financial assets and liabilities in US dollars at 31 December 2023, a hypothetical and immediate revaluation of 10% of euro against the dollar would have led to a loss of €1,843 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 2023:

Value date	Effect on Group Shareholders' Equity	
Brazilian real	+/-	1,796
Turkish lira	+/-	6,428
Mexican peso	+/-	1,094
Indian Rupee	+/-	574
Chinese renminbi	+/-	45
US Dollar	+/-	1,112
Total	**+/-**	**11,049**

Interest rate risk management

Excluding the financial liabilities related to the put option on minorities and leases, at the end of 2023, approximately 68% of the Group's gross financial debt was at a fixed rate or converted to a fixed rate by entering into interest rate swaps (IRS) when the loan was opened. As 31 December 2023, IRS totalling €17.3 million were in place, mirrored in loans with the same residual debt. 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	Value date	Notional	Fair value hierarchy
Sabaf S.p.A.	Intesa Sanpaolo	IRS	15/06/2024	EUR	1,200,000	2
	Intesa Sanpaolo		15/06/2024		370,000	
	Crédit Agricole		30/06/2025		4,200,000	
	Mediobanca		28/04/2027		10,660,000	
P.G.A. S.r.l.	Intesa Sanpaolo		29/07/2025		78,743	
Sabaf Turkey	Intesa Sanpaolo		17/06/2024		830,000	

Sensitivity analysis

With reference to financial liabilities at variable rate at 31 December 2023, a hypothetical and immediate 1% increase in interest rates would have led to a loss of €374 thousand.

Commodity price risk management

A significant portion of the Group's purchase costs is represented by aluminium, steel and brass. 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 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 2023 and 2022, 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 2023 of 42.9%, net financial debt/EBITDA of

2.47) 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 2023 and 31 December 2022 is shown below:

At 31 December 2023

	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	396	396	396	-	-	-
Unsecured loans	68,009	73,234	2,370	21,158	49,574	131
Bond issue	29,720	34,680	-	780	14,964	18,936
Finance leases	6,739	7,539	493	1,454	5,298	294
MEC option	11,721	11,721	-	-	11,721	-
Due to P.G.A. shareholders	175	175	-	-	175	-
Total financial payables	**116,760**	**127,745**	**3,259**	**23,392**	**81,732**	**19,361**
Trade payables	42,521	42,521	36,999	5,516	5	-
Total	**159,281**	**170,266**	**40,258**	**28,908**	**81,737**	**19,361**

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
Payables to C.M.I. 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**

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 2023, by hierarchical level of fair value assessment.

	Level 1	**Level 2**	**Level 3**	**Total**
Other financial assets (derivatives on interest rates)	-	877	-	877
Total assets	**-**	**877**	**-**	**877**
Other financial liabilities (MEC put option)	-	-	11,721	11,721
Total liabilities	**-**	**-**	**11,721**	**11,721**

With reference to the financial liability related to the put option in favor of the minority shareholders of MEC, a sensitivity analysis was carried out aimed at verifying the impacts deriving from any changes in the discount rate and in the exchange rate. In particular, following increases/decreases of 0.5% in the discount rate and increases/decreases of 10% in the exchange rate, the value of the put option is subject to variations of between +€1.7 million and -€1.4 million.

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 2023	**Non-consolidated subsidiaries**	**Other related parties**	**Total related parties**	**Impact on the total**
Trade payables	42,521	-	4	4	0.00%
	Total 2022	**Non-consolidated subsidiaries**	**Other related parties**	**Total related parties**	**Impact on the total**
Trade payables	(39,628)	-	(29)	(29)	0.07%

Impact of related-party transactions on income statement items

	Total 2023	**Non-consolidated subsidiaries**	**Other related parties**	**Total related parties**	**Impact on the total**
Services	(44,923)	-	(27)	(27)	0.05%
	Total 2022	**Non-consolidated subsidiaries**	**Other related parties**	**Total related parties**	**Impact on the total**
Services	(50,180)	-	(27)	(27)	0.05%

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 2023 Report on Remuneration for this information.

40. SHARE-BASED PAYMENTS

A free stock grant plan is in place, which was approved by the Shareholders' Meeting on 6 May 2021; the relevant 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, €543 (Note 29) 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 2023 was determined as follows:

Rights relating to objectives measured on ROI	Total value on ROI	10.89	Fair Value	3.81
	Rights on ROI	35%		

Rights relating to objectives measured on EBITDA	Total value on EBITDA	12.75	Fair Value	5.10
	Rights on EBITDA	40%		

Rights relating to ESG objectives measured on personal training	Total value on "Personal training"	20.41	Fair Value	1.02
	Rights on "Personal 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 reduction of emissions.	Total value on "Reduction of emissions"	20.41	Fair Value	3.06
	Rights on "Reduction of emissions"	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 24) 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 2023 and 2022, 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 2023.

43. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There were no important events after the 2023 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 2023.

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 €2,293 thousand (€2,855 thousand at 31 December 2022).

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	Jundiaì - São Paulo (Brazil)	BRL 53,348,061	Sabaf S.p.A.	100%
Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki (Sabaf Turkey)	Manisa (Turkey)	TRY 733,204,951	Sabaf S.p.A.	100%
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%
Sabaf America Inc.	Delaware (USA)	USD 4,000,000	Sabaf S.p.A.	100%
Mansfield Engineered Components LLC (MEC)	Mansfield (USA)	USD 2,823,248	Sabaf America	51%

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 (BS) - Italy
Main place of business:	Via dei Carpini, 1 – 25035 Ospitaletto (BS) - Italy
Country of registration:	Italy
Contacts:	Tel: +39 030 - 6843001 Fax: +39 030 - 6848249 Email: info@sabaf.it Website: www.sabafgroup.com
Tax information:	REA Brescia 347512 Tax code 03244470179 VAT number 01786910982

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. 41 5/96, 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 2023 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 2023 financial year**
	EY S.p.A.	Parent company	59
Audit	EY S.p.A.	Italian subsidiaries	33
	EY network	Foreign subsidiaries	65
Other services	EY S.p.A.	Parent company	83(1)
	EY S.p.A.	Italian subsidiaries	-
Total			***240***

(1) Auditing procedures agreement relating to interim management reports; limited review of Disclosure of non-financial information, fairness opinion for capital increase of 2023.

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 2023 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, 19 March 2024

Chief Executive Officer	**The Financial Reporting Officer**
Pietro Iotti	Gianluca Beschi

SABAF S.p.A.

SEPARATE FINANCIAL STATEMENTS

AT 31 DECEMBER 2023

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	Alessandra Zunino de Pignier
Statutory Auditor	Mauro Vivenzi

Independent Auditors

EY S.p.A.

Statement of financial position

(in €)	NOTES	31/12/2023	31/12/2022
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	**1**	43,641,088	47,621,810
Investment property	**2**	691,201	983,333
Intangible assets	**4**	6,584,238	5,429,576
Equity investments	**5**	126,074,562	112,505,434
Non-current financial assets	**6**	15,734,371	10,375,117
- of which from related parties	**39**	*15,734,371*	*10,375,117*
Non-current receivables	**7**	651,913	634,348
Deferred tax assets	**23**	2,664,226	3,047,631
Total non-current assets		**196,041,599**	**180,597,248**
CURRENT ASSETS			
Inventories	**8**	21,836,419	26,911,220
Trade receivables	**9**	28,705,680	28,315,040
- of which from related parties	**39**	*15,393,271*	*8,108,979*
Tax receivables	**10**	6,030,934	5,060,805
- of which from related parties	**39**	*241,331*	*1,208,542*
Other current receivables	**11**	1,398,665	1,208,792
Current financial assets	**12**	859,797	2,901,373
- of which from related parties	**39**	*0*	*1,300,000*
Cash and cash equivalents	**13**	13,899,318	2,604,007
Total current assets		**72,730,813**	**67,001,238**
ASSETS HELD FOR SALE	**3**	**0**	**525,660**
TOTAL ASSETS		**268,772,412**	**248,124,145**
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	**14**	12,686,795	11,533,450
Retained earnings, Other reserves		115,751,085	97,244,927
Profit for the year		3,503,797	2,246,997
Total shareholders' equity		**131,941,677**	**111,025,374**
NON-CURRENT LIABILITIES			
Loans	**16**	76,312,511	76,336,237
Post-employment benefit and retirement provisions	**18**	1,574,371	1,587,836
Provisions for risks and charges	**19**	297,248	354,595
Deferred tax liabilities	**23**	549,721	721,195
Total non-current liabilities		**78,733,851**	**78,999,863**
CURRENT LIABILITIES			
Loans	**16**	23,692,542	27,241,978
- of which from related parties	**39**	*3,000,000*	*2,500,000*
Other financial liabilities	**17**	175,000	561,117
Trade payables	**20**	22,605,272	21,167,682
- of which from related parties	**39**	*1,185,573*	*1,056,744*
Tax payables	**21**	1,484,669	621,929
- of which from related parties	**39**	*132,816*	*24,397*
Other payables	**22**	10,139,401	8,506,203
Total current liabilities		**58,096,884**	**58,098,908**
LIABILITIES HELD FOR SALE		**0**	**0**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**268,772,412**	**248,124,145**

Income statement

(in €)	NOTES	2023	2022
INCOME STATEMENT COMPONENTS			
OPERATING REVENUE AND INCOME			
Revenue	25	99,481,864	119,089,523
- of which from related parties	39	*19,892,042*	*17,099,638*
Other income	26	7,220,233	6,511,215
- of which from related parties	39	*3,206,776*	*2,921,090*
Total operating revenue and income		**106,702,097**	**125,600,738**
OPERATING COSTS			
Materials	27	(45,935,312)	(52,970,888)
- of which to related parties	39	*(3,095,049)*	*(3,249,022)*
Change in inventories		(5,074,801)	(7,074,719)
Services	28	(22,123,910)	(28,629,203)
- of which to related parties	39	*(447,295)*	*(420,521)*
Personnel costs	29	(30,072,064)	(30,575,199)
Other operating costs	30	(1,102,203)	(900,987)
Costs for capitalised in-house work		3,123,763	3,068,203
Total operating costs		**(101,184,527)**	**(117,082,793)**
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION, CAPITAL GAINS/LOSSES, WRITE-DOWNS/WRITE-BAC OF NON-CURRENT ASSETS		**5,517,571**	**8,517,946**
Depreciations and amortisation	1,2,3,4	(8,198,888)	(8,485,132)
Capital gains/(losses) on disposal of non-current assets		1,867,189	1,565,126
- of which to related parties	39	*336,097*	*1,362,808*
Write-downs/write-backs of non-current assets	5	(1,000,000)	(808,000)
- of which to related parties	39	*(1,000,000)*	*(808,000)*
EBIT		**(1,814,128)**	**789,939**
Financial income	31	574,700	1,973,664
- of which to related parties	39	*415,764*	*309,025*
Financial expenses	32	(3,466,228)	(1,573,474)
- of which to related parties		*(113,428)*	*(9,518)*
Exchange rate gains and losses	33	(170,993)	353,659
Profits and losses from equity investments	34	6,000,000	177,833
- of which to related parties		*6,000,000*	*177,833*
PROFIT BEFORE TAXES		**1,123,351**	**1,721,620**
Income taxes	35	2,380,446	525,377
PROFIT FOR THE YEAR		**3,503,797**	**2,246,997**

Comprehensive income statement

(in €)	2023	2022
PROFIT FOR THE YEAR	**3,503,797**	**2,246,997**
Total profits/losses that will not be subsequently reclassified under profit (loss) for the year		
Actuarial evaluation of post-employment benefit	9,705	169,215
Tax effect	(2,329)	(40,612)
	7,376	128,603
Total profits/losses that will not be subsequently reclassified under profit (loss) for the year		
Hedge accounting for derivative financial instruments	13,596	57,857
Total other profits/(losses) net of taxes for the year	**20,972**	**186,460**
TOTAL PROFIT	**3,524,769**	**2,433,457**

Statement of changes in shareholders' equity

(€/000)	Share Capital	Share premium reserve	Legal Reserve	Treasury shares	Actuarial valuation of Post-employment benefit reserve	Other reserves	Profit for the year	Total shareholders' equity
Balance at 31 December 2021	**11,533**	**10,002**	**2,307**	**(3,904)**	**(526)**	**84,953**	**10,044**	**114,409**
Allocation of 2020 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 2021					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**
Allocation of 2021 profit:								
- Payment of dividends								
- to the extraordinary reserve						2,247	(2,247)	0
Share capital increase	1,154	16,158						17,312
Stock grant plan (IFRS 2)						543		543
Treasury share transactions				(462)				(462)
Total profit at 31 December 2022					7	13	3,504	3,524
Balance at 31 December 2023	**12,687**	**26,160**	**2,307**	**(3,684)**	**(392)**	**91,360**	**3,504**	**131,942**

Statement of Cash Flows

(€/000)	2023 FY	2022 FY
Cash and cash equivalents at beginning of year	**2,604**	**29,733**
Profit for the year	3,504	2,247
Adjustments for:		
- Depreciations and amortisation	8,199	8,485
- Realised gains	(1,867)	(1,565)
- Write-downs of non-current assets	1,000	808
- Profits and losses from equity investments	(6,000)	(178)
- Valuation of the stock grant plan	542	1,134
- Net financial income and expenses	2,891	(400)
- Non-monetary foreign exchange differences	(286)	(361)
- Income tax	(2,380)	(525)
Change in post-employment benefit	(6)	(63)
Change in risk provisions	(57)	(496)
Change in trade receivables	*(391)*	*16,879*
Change in inventories	*5,075*	*7,075*
Change in trade payables	*1,438*	*(12,510)*
Change in net working capital	6,122	11,444
Change in other receivables and payables, deferred taxes	3,926	(973)
Payment of taxes	0	(4,360)
Payment of financial expenses	(2,725)	(1,472)
Collection of financial income	575	372
Cash flows from operations	**13,437**	**14,097**
Investments in non-current assets		
- intangible	(2,367)	(2,749)
- tangible	(6,433)	(8,435)
- financial	(14,569)	(27,284)
Disposal of non-current assets	6,479	4,632
Cash flow absorbed by investments	**(16,890)**	**(33,836)**
Free cash flow	**(3,453)**	**(19,739)**
Repayment of loans	(30,415)	(19,368)
Raising of loans	26,087	19,728
Change in financial assets	(3,774)	624
Purchase/Sale of treasury shares	(462)	(1,862)
Payment of dividends	0	(6,690)
Share capital increase	17,312	0
Collection of dividends	6,000	178
Cash flow absorbed by financing activities	**(14,748)**	**(7,390)**
Total cash flows	**(11,295)**	**(27,129)**
Cash and cash equivalents at end of year (Note 13)	**13,899**	**2,604**

EXPLANATORY NOTES

ACCOUNTING STANDARDS

Statement of compliance and basis of presentation

The separate financial statements of Sabaf S.p.A. for the financial year 2023 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 of the Sabaf Group 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 2023.

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 2023, 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 1.78% on 31 December 2023.

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 are recognised in the income statement. 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, climate-related matters have not had a significant impact on the opinions and estimates used in preparing these Separate Financial Statements. The Company continues to closely monitor developments and changes taking place, such as new climate-related regulations and legislation.

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

New accounting standards

IFRS 17 “Insurance Contracts”

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a new accounting standard on insurance contracts regulating recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts regardless of the type of entity that issues them, and to certain guarantees and financial instruments with discretionary participation features; there are some exceptions to the scope of application.
The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements of IFRS 4, which are largely based on the maintenance of previous local accounting standards, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.
IFRS 17, effective for financial years beginning on or after 1 January 2023, requires the presentation of comparative balances. early application is permitted, if the entity also adopted IFRS 9 and IFRS 15 on or before the date of first-time application of IFRS 17. The adoption of this standard had no impact on the Company’s separate financial statements.

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. These amendments had no impact on the Company's separate financial statements.

Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2

Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance to help entities apply significant judgements to the disclosure of accounting standards. The requirement for entities to disclose their "significant" accounting standards is replaced by a requirement to disclose their "material" accounting standards. The amendments affected the disclosure of the Company's accounting standards but did not affect the measurement, recognition and presentation of items in the Company's separate financial statements.

Amendments to IAS 12 "Deferred Taxes on Assets and Liabilities Arising from a Single Transaction"

The amendments to IAS 12 Income Taxes narrow the scope of the exception to initial recognition so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning liabilities. These amendments had no impact on the Company's separate financial statements.

Amendments to IAS 12 "International Tax Reform - Pillar Two Model Rules"
On 23 May 2023, the IASB published an amendment called "Amendments to IAS 12 Income taxes: International Tax Reform - Pillar Two Model Rules". The document introduces a temporary exception from recognition and disclosure requirements for deferred tax assets and liabilities related to Pillar Two Model Rules and provides for specific disclosure requirements for entities affected by the related International Tax Reform. The document provides for the immediate application of the temporary exception, while the disclosure requirements will only apply to annual financial statements beginning on or after 1 January 2023, but not to interim financial statements ending before 31 December 2023. The Company with revenues of less than €750 million per year is excluded from the scope of the Pillar Two rules. Therefore, the amendments to IAS 12 have no impact on the Company's separate financial statements.

Standards issued but not yet in force

Amendments to IFRS 16: "*Lease Liability in a Sale and Leaseback*"
In September 2022, the IASB issued an amendment to IFRS 16 to specify the requirements that a selling lessor applies in measuring the lease liability arising from a sale and leaseback transaction to ensure that the selling lessor does not recognise a gain or loss in respect of the right of use retained by the lessor.
The amendments are effective for financial years beginning on or after 1 January 2024 and are to be applied retrospectively to all sale and leaseback transactions entered into after the date of first-time application of IFRS 16. Early application is permitted and disclosure of this fact is required.
These amendments are not expected to have a material impact on the Company's separate financial statements.

Amendments to IAS 1: "Classification of Liabilities as Current or Non-current"
In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 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, and that the classification is not affected by the likelihood that the entity will exercise its right to postpone. 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. Moreover, a requirement has been introduced to disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to postpone is conditional on compliance with covenants within twelve months. The amendments will be effective for financial years beginning on or after 1 January 2024 and must be applied retrospectively. The Company is currently assessing the impact of the changes on the current situation.

Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"
In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Additional information to clarify the characteristics of reverse factoring arrangements and to require further disclosure of such arrangements. The disclosure requirements included in the amendments are intended to assist users of financial statements in understanding the effects of reverse factoring arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments will be effective for financial years beginning on or after 1 January 2024. Early application is permitted and disclosure of this fact is required.

These amendments are not expected to have a material impact on the Company's financial statements.

Comments on the main items of the statement of financial position

1. PROPERTY, PLANT AND EQUIPMENT

	Property	Plant and equipment	Other assets	Assets under construction	Total
Cost					
At 31 December 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**
Increases	97	3,443	1,408	2,196	7,144
Disposals	-	(5,903)	(1,307)	-	(7,210)
Reclassification	29	1,332	474	(1,939)	(104)
At 31 December 2023	**44,879**	**178,911**	**41,307**	**3,350**	**268,447**
Accumulated depreciations					
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**
Depreciations for the year	1,190	4,604	1,410	-	7,204
Derecognition due to disposal	-	(2,998)	(408)	-	(3,406)
Reclassification	13	-	-	-	13
At 31 December 2023	**23,387**	**163,179**	**38,240**	**-**	**224,806**
Net carrying value					
At 31 December 2023	21,492	15,732	3,067	3,350	43,641
At 31 December 2022	22,569	18,466	3,494	3,093	47,622

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

	31/12/2023	**31/12/2022**	**Change**
Land	5,404	5,404	-
Industrial buildings	16,088	17,165	(1,077)
Total	**21,492**	**22,569**	**(1,077)**

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 2023	**108**	**-**	**561**	**669**
Increases	117	-	367	485
Decreases	(102)	-	(16)	(118)
Depreciations	(43)	-	(281)	(324)
At 31 December 2023	**80**	**-**	**631**	**712**

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. Overall, the disposals for the year generated a net capital gain of €811 thousand. Assets under construction include machinery under construction and advance payments to suppliers of capital equipment.
At 31 December 2023, 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 2021	**10,176**
Increases	144
Disposals	(1,380)
Reclassifications	(6,675)
At 31 December 2022	**2,265**
Increases	117
Disposals	(583)
Reclassifications	(28)
At 31 December 2023	**1,771**
Accumulated depreciations	
At 31 December 2021	**7,865**
Depreciations for the year	299
Derecognition due to disposal	(877)
Reclassifications	(6,149)
At 31 December 2022	**1,282**
Depreciations for the year	105
Derecognition due to disposal	(307)
At 31 December 2023	**1,080**
Net carrying value	
At 31 December 2023	691
At 31 December 2022	983

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

	Investment property
1 January 2023	108
Increase	117
Decrease	(102)
Depreciations	(43)
At 31 December 2023	**80**

The item Investment property includes non-operating buildings owned by the Company: these are mainly properties for residential use, held for rental. Disposals during the period of €276 thousand resulted in capital gains totalling €78 thousand.

At 31 December 2023, 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

The item at 31 December 2022 included the net carrying value of the Company's former production plant located in Lumezzane (Brescia) amounting to €526 thousand. In July 2023, the property was sold to a third party for a consideration of €1,950 thousand, making a capital gain of €1,424 thousand.

4. INTANGIBLE ASSETS

	Patents, know-how and software	Development costs	Other intangible assets	Total
Cost				
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**
Increases	146	2,213	9	2,368
Decreases	147	(345)	-	(198)
Reclassifications	(84)	(42)	-	(126)
At 31 December 2023	**7,790**	**11,303**	**667**	**19,760**
Amortisation and write-downs				
At 31 December 2021	**6,806**	**4,397**	**546**	**11,749**
Amortisation	221	315	1	537
Decreases	-	-	-	-
At 31 December 2022	**7,027**	**4,712**	**547**	**12,286**
Amortisation	245	643	2	890
Decreases	-	-	-	-
At 31 December 2023	**7,272**	**5,355**	**549**	**13,176**
Net carrying value				
At 31 December 2023	**518**	**5,948**	**118**	**6,584**
At 31 December 2022	**554**	**4,765**	**111**	**5,430**

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. Sales are scheduled to start in 2024.
Increases in development costs include projects in progress and therefore not subject to amortisation.

At 31 December 2023, 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

	31/12/2023	31/12/2022	Change
In subsidiaries	125,991	112,422	13,569
Other equity investments	83	83	-
Total	**126,074**	**112,505**	**13,569**

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

	Historical cost 31/12/2022	Purchases	Value adjustments	Changes due to merger	Share capital increase	**Historical cost 31/12/2023**	**Provision for write-downs 31/12/2022**	2023 changes	**Provision for write-downs 31/12/2023**
Sabaf do Brasil	**13,161**	-	-	-	-	**13,161**	**0**		**0**
Sabaf Turkey	**32,107**	-	-	8,782	-	**40,889**	**-**	-	**0**
Okida	**8,782**	-	-	(8,782)	-	**0**	**-**	-	**0**
Sabaf Appliance Components (China)	**8,900**	-	-	-	-	**8,900**	**(7,408)**	(1,000)	**(8,408)**
Sabaf India	**4,770**	-	-	-	3,800	**8,570**	**-**	-	**0**
Sabaf Mexico	**6,305**	-	-	0	6,484	**12,789**	**-**	-	**0**
Sabaf U.S.	**139**	-	-	-	-	**139**	**0**		**0**
Sabaf America	**0**	3,565	-	-	-	**3,565**	**-**	-	**0**
Faringosi Hinges	**10,329**	-	-	-	-	**10,329**	**0**		**0**
A.R.C.	**6,450**	-	-	-	-	**6,450**	**-**	-	**0**
C.M.I.	**21,044**	-	-	-	-	**21,044**	**-**	-	**0**
P.G.A.	**7,843**	-	720	-	-	**8,563**	**-**	-	**0**
Total	**119,830**	**3,565**	**720**	**0**	**10,284**	**134,399**	**(7,408)**	**(1,000)**	**(8,408)**

	Net book value 31/12/2022	Portion of shareholders' equity 31/12/2022	Difference between shareholders' equity and carrying value 31/12/2022	Net book value 31/12/2023	Portion of shareholders' equity 31/12/2023	Difference between shareholders' equity and carrying value 31/12/2023
Sabaf do Brasil	13,161	17,803	**4,642**	13,161	19,757	**6,596**
Sabaf Turkey*	32,107	52,559	**20,452**	40,889	62,712	**21,823**
Okida*	8,782	11,840	**3,058**	0	0	**0**
Sabaf Appliance Components (China)	1,492	1,493	**1**	492	493	**1**
Sabaf India	4,770	4,127	**(643)**	8,570	6,319	**(2,251)**
Sabaf Mexico	6,305	6,409	**104**	12,789	12,037	**(752)**
Sabaf U.S.	139	142	**3**	139	167	**28**
Sabaf America	0	0	**0**	3,565	3,619	**54**
Faringosi Hinges	10,329	9,850	**(479)**	10,329	8,071	**(2,258)**
A.R.C.	6,450	8,548	**2,098**	6,450	6,389	**(61)**
C.M.I.	21,044	19,344	**(1,700)**	21,044	21,736	**692**
P.G.A.	7,843	3,595	**(4,248)**	8,563	3,756	**(4,807)**
Total	**112,422**	**135,710**	**23,288**	**125,991**	**145,056**	**19,065**

* values determined in accordance with IAS 29 - Financial Reporting in Hyperinflationary Economies, applied to companies in Turkey as from 1 April 2022

Sabaf do Brasil

In 2023, Sabaf do Brasil achieved positive results and a significant improvement over the previous year. At 31 December 2023, Shareholders' equity (converted into euros at the end-of-year exchange rate) is significantly higher than the carrying amount of the equity investment.

Sabaf Turkey and Okida

In 2023, in order to simplify the Group's organisational structure, Okida was merged into Sabaf Turkey, which directly held 70% of the shares (the remaining 30% were held by Sabaf S.p.A.). Consequently, the value of Sabaf S.p.A.'s equity investment in Okida was increased by the value of Sabaf Turkey's equity investment. At 31 December 2023, Shareholders' equity (converted into euros at the end-of-year exchange rate) is significantly higher than the carrying amount of the equity investment.

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 €1,000 thousand against the loss of 2023 to bring the value in line with shareholders' equity.

Sabaf India Private Limited

Sabaf India started production of gas components in 2023 for the local market, which is expected to grow strongly in the coming years. The difference between the carrying value of the equity investment and shareholders' equity converted at the year-end exchange rate is mainly due to the start-up costs and can be recovered in the coming years with the achievement of positive income results.

Sabaf Mexico S.A. de C.V.

In 2023, construction work was completed on a new plant to produce components for the North American market in San Luis Potosi (Mexico). Production is scheduled to start in the first half of 2024. The difference between the carrying value of the equity investment and shareholders' equity converted at the year-end exchange rate is mainly due to the start-up costs and can be recovered in the coming years with the achievement of positive income results.

Sabaf U.S.

Sabaf U.S. operates as a commercial support for North America.

Sabaf America

The company was established in 2023 as part of the acquisition of 51% of MEC, in which it directly holds an equity investment. The acquisition of MEC is described in the Report on Operations.

At 31 December 2023, the Company - with the support of independent experts - tested the carrying value of the equity investments in Faringosi Hinges, A.R.C., C.M.I., P.G.A. (which during the year incorporated P.G.A. 2.0 srl, previously a wholly-owned subsidiary) and MEC for impairment and determined their recoverable amount, which is determined through value of use, by discounting expected cash flows.

The main assumptions used to determine the value in use of the various equity investments are related to a) cash flows from the company's business plans, b) the discount rate and c) the long-term growth rate.

Determining cash flows
The management has defined a single plan for each investee, with reference to the period from 2024 to 2026, which represents the best estimate of the business outlook, based on the company's strategies and the growth indicators of its sector and reference markets. In particular, the forecasts for the first year of the forecast plan (2024) were developed on the basis of the 2024 budgets approved by the Board of Directors of the investees and Sabaf S.p.A. in December 2023; the forecasts for the next two years (2025 and 2026) were determined analytically as part of the process of preparing the Group's 2024 - 2026 Business Plan, approved by the Parent Company's Board of Directors on 19 March 2024. The multi-year plans of the individual investees were submitted to their respective Boards of Directors for approval.

Revenues were estimated on the basis of information obtained from customers and on the basis of management's expectations regarding the trend of the reference market, which anticipate a moderate recovery from the weak phase that characterised 2023. The contribution of revenues from new products already developed, weighted by their probability of success, was also estimated. The plans were prepared on the assumption that raw material prices will remain broadly unchanged, in consideration of the proven historical ability of the investees to pass on changes in the cost of materials to sales prices. Estimates of revenues and profitability incorporate elements of caution reflecting geopolitical and macroeconomic uncertainty. It should be noted that investees are not exposed to significant transitional climate risks, that energy costs are extremely low in relation to the industrial cost of the products and that the related production processes do not directly use fossil fuels (gas) as an energy source.

The business plans consider only real growth, do not take into account expected inflation and have been prepared in Euro, i.e. in the currency in which - with the exception of MEC - the sales prices and main operating costs of the investees are expressed. The business plan of MEC, which operates in dollars, was prepared on the assumption of a stable euro/dollar exchange rate.

Finally, cash flows for the period from 2024 to 2026 were augmented by the terminal value, which expresses the operating flows that each investee is expected to generate from the fourth year to infinity and determined based on the perpetual income.

Discount rate
As in the previous year, the discount rate used to discount the expected future cash flows was determined for each investee, and is represented by the weighted average cost of capital employed (WACC), which reflects the current market valuation of the time value of money for the period in question and the specific risks of the investees and their sectors.

Long-term growth rate
In addition to the flows expected for the period from 2024 to 2026, which are explicitly forecast, there is the Perpetuity flow, which is representative of the Terminal Value. This was determined, according to the same logic adopted in the previous year, using a long-term growth rate (g-rate), specific to each investee, which reflects the growth potential of the reference area.

The table below shows the key assumptions used in the impairment test.

	Discount rate (WACC) %	Long-term growth rate (g-rate)	Cash flow horizon	Terminal Value Calculation Method
Faringosi Hinges	11.84%	2.00%	3 years	Perpetual instalment
A.R.C.	11.09%	2.00%	3 years	Perpetual instalment
C.M.I.	11.45%	2.00%	3 years	Perpetual instalment
P.G.A.	10.94%	2.50%	3 years	Perpetual instalment
MEC	10.99%	2.30%	3 years	Perpetual instalment

We comment on the main changes in the discount rate compared to the impairment made when preparing the separate financial statements at 31 December 2022:

- Faringosi Hinges: The WACC is 11.84% (11.65% at 31 December 2022), the change compared to the previous year being mainly due to the increase in the cost of debt and the risk-free rate;
- A.R.C.: The WACC is 11.09% (11.19% at 31 December 2022), the change compared to last year being mainly due to the reduction in the risk-free rate and the equity market risk premium;
- C.M.I.: The WACC is 11.45% (11.66% at 31 December 2022), the change compared to last year being mainly due to the reduction in the risk-free rate and the equity market risk premium;
- P.G.A.: The WACC is 10.94% (10.88% at 31 December 2022).

The impairment tests carried out in the manner described above and approved by the Board of Directors on 20 February 2024, with the opinion of the Control, Risk and Sustainability Committee, did not reveal any impairment, as the recoverable amount of the equity investments at 31 December 2023 was higher than the corresponding net invested capital (carrying amount).

The following activities were carried out to complete the analysis:

- a sensitivity analysis to test the recoverability of equity investments against changes in the basic assumptions used to determine the discounted flows. In particular, the table below shows the WACC, g-rate and EBITDA that would result in an impairment if all other basic assumptions remained unchanged:

	Break-even values in a "steady case" situation		
Sensitivity analysis	WACC	g-rate	EBITDA
Faringosi Hinges	31.1%	n/a	-57.6%
A.R.C.	25.4%	n/a	-53.1%
C.M.I.	48.0%	n/a	64.0%
P.G.A.	13.1%	0.0%	-22.5%
MEC	13.0%	0.0%	-11.4%

- recoverability check of equity investments against possible increases and decreases of 50 bps in the WACC and 25 bps in the g-rate;
- recoverability check of equity investments against possible decreases of 10% and 20% of EBITDA.

With reference to the equity investment in MEC, sensitivity analyses show a delta between the recoverable amount and the carrying value of the equity investment ranging from +€3.4 million to -€1.6 million. For the other equity investments tested for impairment, none of the scenarios included in the sensitivity analysis resulted in a recoverable amount below the carrying value.

6. NON-CURRENT FINANCIAL ASSETS

	31/12/2023	31/12/2022	Change
Financial receivables from subsidiaries	15,734	10,375	5,359
Total	**15,734**	**10,375**	**5,359**

At 31 December 2023, financial receivables from subsidiaries consist of:

- an interest-bearing loan of USD 1.5 million (€1.357 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 September 2024:
- 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 October 2024 and May 2024, respectively;
- an interest-bearing loan of USD 6.494 million (€5.877 million at the end-of-year exchange rate), granted to the subsidiary Sabaf America as part of the acquisition of the equity investment in MEC, maturing in July 2033.

7. NON-CURRENT RECEIVABLES

	31/12/2023	31/12/2022	Change
Receivables from former P.G.A. shareholders	620	597	23
Guarantees	32	37	(5)
Total	**652**	**634**	**18**

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

	31/12/2023	31/12/2022	Change
Raw Materials	10,311	11,313	(1,002)
Semi-processed goods	6,077	7,941	(1,864)
Finished products	7,221	9,446	(2,225)
Provision for inventory write-downs	(1,773)	(1,789)	16
Total	**21,836**	**26,911**	**(5,075)**

The value of final inventories at 31 December 2023 decreased compared to the previous year as a result of the decrease in average costs and the decrease in the volume of products in stock. 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 €628 thousand, semi-finished products for €293 thousand and finished products for €852 thousand. The following table shows the changes in the Provision for inventory write-downs during the current financial year:

31/12/2022	**1,789**
Provisions	99
Utilisation	(115)
31/12/2023	**1,773**

9. TRADE RECEIVABLES

	31/12/2023	31/12/2022	Change
Trade receivables from third parties	13,913	20,806	(6,893)
Trade receivables from subsidiaries	15,393	8,109	7,194
Bad debt provision	(600)	(600)	0
Net total	**28,706**	**28,315**	**391**

At 31 December 2023, trade receivables included balances totalling USD 7,524 thousand, booked at the EUR/USD exchange rate in effect on 31 December 2023, equal to 1.105. The amount of trade receivables recognised in the financial statements includes approximately €12 million in insured receivables (€12 million at 31 December 2022).
The amount of trade receivables at 31 December 2023 decreased compared to the balance at the end of 2022 as a result of the reduction in the average collection period, which was also

achieved due to an increased assignment without recourse of receivables to factors. There were no significant changes in average payment terms agreed with customers.

The following table shows the breakdown of receivables from third parties by maturity date:

	31/12/2023	31/12/2022	Change
Current receivables (not past due)	10,410	17,016	(6,606)
Outstanding up to 30 days	1,753	2,118	(365)
Outstanding from 30 to 60 days	435	769	(334)
Outstanding from 60 to 90 days	364	169	195
Outstanding for more than 90 days	951	734	217
Total	**13,913**	**20,806**	**(6,895)**

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

	31/12/2022	Provisions	Utilisation	31/12/2023
Bad debt provision	600	30	(30)	600

10. TAX RECEIVABLES

	31/12/2023	31/12/2022	Change
For income tax	5,568	4,515	1,053
for VAT	462	546	(84)
Total	**6,030**	**5,061**	**969**

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 2023, income tax receivables include:
- the receivable from the subsidiary Faringosi Hinges s.r.l amounting to €150 thousand
- the receivable from the subsidiary A.R.C. s.r.l. amounting to €91 thousand

relating to the balance of the 2023 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:
- €1.832 million of receivables for investments in capital equipment referred to Decree Law 160/2019, Budget Law 178/2020 and Budget Law 234/2021;
- €635 thousand tax credit for "Patent Box" for the years 2020 and 2021, following the prior agreement signed with the Tax Authorities during the year;
- receivables for higher payments on account paid, specifically IRES for €2.919 million and IRAP for €256 thousand.

11. OTHER CURRENT RECEIVABLES

	31/12/2023	31/12/2022	Change
Credits to be received from suppliers	904	685	219
Advances to suppliers	101	113	(12)
Due from INAIL	18	-	18
Other	375	411	(36)
Total	**1,398**	**1,209**	**189**

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

12. CURRENT FINANCIAL ASSETS

	31/12/2023	31/12/2022	Change
Financial receivables from subsidiaries	-	1,300	(1,300)
Interest rate derivatives	860	1,601	(741)
Total	**860**	**2,901**	**(2,041)**

During 2023, current financial receivables from subsidiaries were collected.

At 31 December 2023, the Company has in place four interest rate swap (IRS) contracts for amounts and maturities coinciding with six unsecured loans that are being amortised, whose residual value at 31 December 2023 is €16,417 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 €13,899 thousand at 31 December 2023 (€2,604 thousand at 31 December 2022), 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

In connection with the acquisition of Mansfield (MEC), on 14 July 2023, the Board of Directors exercised the proxy granted by the Shareholders' Meeting on 4 May 2020, resolving on a reserved capital increase, partially subscribed and against payment, for a nominal amount of €1,153,345, corresponding to 10% of the share capital, with the exclusion of the right of option pursuant to Article 2441, fourth paragraph, second sentence of the Italian Civil Code, through the issue of 1,153,345 new ordinary shares with a par value of €1.00. The newly issued shares were offered for subscription as part of a reserved placement.

The issue price of the new shares, including the share premium, was determined at €15.01 per share, equal to the average stock market price of the Sabaf share recorded in June, increased by a premium of €0.52 per share (and therefore for a total value of €17,311,708.45).

The capital increase took place on 20 July 2023. Following the full subscription of the new shares, the post-Capital Increase share capital amounts to €12,686,795.

At 31 December 2023, the structure of the share capital is shown in the table below.

	No. of shares	% of share capital	Rights and obligations
Ordinary shares	6,559,278	51.70%	--
Ordinary shares with increased vote	6,127,518	48.30%	Two voting rights per share
TOTAL	***12,686,795***	***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

Treasury shares

During the year, 27,100 treasury shares were acquired at an average unit price of €17.05, while they have not been sold.

At 31 December 2023, Sabaf S.p.A. held 241,963 treasury shares (1.907% of the share capital), reported in the financial statements as an adjustment to shareholders' equity at a weighted average unit value of €15.22 (the closing stock market price of the Share at 31 December 2023 was €17.36). There were 12,444,832 outstanding shares at 31 December 2023.

Stock grant reserve

Items "Retained earnings, other reserves" of €115,751 thousand included, at 31 December 2023, the stock grant reserve of €2,481 thousand, which included the measurement at 31 December 2023 of the fair value of rights assigned to receive shares of the 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 Company applies hedge accounting.

Value at 31 December 2022	(14)
Change during the period	14
Value at 31 December 2023	0

16. LOANS

	31/12/2023			31/12/2022		
	Current	Non-current	Total	Current	Non-current	Total
Bond issue	-	29,720	29,720	-	29,685	29,685
Unsecured loans	20,032	45,534	65,566	18,348	45,457	63,805
Leases	460	1,059	1,519	473	1,194	1,667
Accruals for financial expenses and other short-term bank loans	200	-	200	5,921	-	5,921
Short-term loans from subsidiaries	3,000	-	3,000	2,500	-	2,500
Total	**23,692**	**76,313**	**100,005**	**27,242**	**76,336**	**103,578**

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 2023 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 or equal to 1.5;
- commitment to maintain a ratio of net financial debt to EBITDA of less than or equal to 3;
- commitment to maintain a ratio of EBITDA to net financial position of more than 4.

During the year, the Company took out new unsecured loans for a total of €23 million. All loans were signed with an original maturity of ranging from 4 to 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 or equal to 1 (residual amount of the loans at 31 December 2023 equal to €47.1 million);
- commitment to maintain a ratio of net financial debt to EBITDA of less than or equal to 3 (residual amount of the loans at 31 December 2023 equal to €59.4 million);
- commitment to maintain a ratio of net financial debt to EBITDA of less than or equal to 2.5 (residual amount of the loans at 31 December 2023 equal to €0.8 million);

complied with at 31 December 2023 and for which, according to the Group's business plan, compliance is also expected in subsequent years.
All bank loans are denominated in euro.

Short-term loans from subsidiaries were granted at market conditions as part of the optimisation of the Group's liquidity management.

To manage interest rate risk, some unsecured loans (with a total residual value of €35,615 thousand at 31 December 2023) are either fixed-rate or hedged by IRS. On the other hand, the residual value of unsecured loans taken out at a variable rate and not covered by the IRS was €29,951 thousand.

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

Lease liabilities at 1 January 2022	**1,893**
New agreements signed during 2022	313
Repayments during 2022	(524)
Lease liabilities at 31 December 2022	**1,682**
New agreements signed during 2023	485
Repayments during 2023	(648)
Lease liabilities at 31 December 2023	**1,519**

Note 38 provides information on financial risks, pursuant to IFRS 7.

17. OTHER FINANCIAL LIABILITIES

	31/12/2023		**31/12/2022**	
	Current	Non-current	Current	Non-current
Payables to former PGA shareholders	-	175	371	175
Currency derivatives	-	-	15	-
Total	**-**	**175**	**386**	**175**

The payable to former P.G.A. shareholders of €175 thousand refers to price adjustments following the completion of the acquisition, related to the achievement of certain targets in accordance with contractual provisions ("earn-out").

18. POST-EMPLOYMENT BENEFIT

At 31 December 2022	**1,588**
Financial expenses	53
Payments made	(57)
Tax effect	(10)
At 31 December 2023	**1,574**

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

	31/12/2023	*31/12/2022*
Discount rate	3.2%	3.62%
Inflation	2.5%	3%

Demographic theory

	31/12/2023	*31/12/2022*
Mortality rate	IPS55 ANIA	IPS55 ANIA
Disability rate	INPS 2000	INPS 2000
Staff turnover	5%	6%
Advance payouts	1.00% per year	1.50% per year
Retirement age	pursuant to legislation in force on 31 December 2023	pursuant to legislation in force on 31 December 2022

The sensitivity analyses carried out to take into account possible changes in actuarial assumptions did not reveal any significant changes in the liability.

19. PROVISIONS FOR RISKS AND CHARGES

	31/12/2022	**Provisions**	**Utilisation**	**31/12/2023**
Provision for agents' indemnities	248	-	(57)	191
Product guarantee fund	60	72	(72)	60
Provision for legal risks	46	-	-	46
Total	**354**	**72**	**(129)**	**297**

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. In 2023, a competitor filed a lawsuit against Sabaf S.p.A. for alleged patent infringement. The dispute is at a preliminary stage, and based on the initial analysis available, the Directors believe that the competitor's claims are unfounded and therefore no provisions for risks have been recognised in these separate financial statements.

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

	31/12/2023	**31/12/2022**	**Change**
Total	**22,605**	**21,168**	**1,437**

Average payment terms did not change versus the previous year.
At 31 December 2023, there were no overdue payables of a significant amount and the Company did not receive any injunctions for overdue payables.

21. TAX PAYABLES

	31/12/2023	31/12/2022	Change
To inland revenue for income tax	904	6	898
To subsidiaries for income tax	133	24	109
To inland revenue for IRPEF tax deductions	447	592	(145)
Total	**1,484**	**622**	**862**

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 2023, payables to subsidiaries for income taxes refer to tax advances received from the subsidiaries C.M.I. s.r.l. and CGD s.r.l.

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

22. OTHER CURRENT PAYABLES

	31/12/2023	31/12/2022	Change
To employees	4,335	3,857	478
To social security institutions	2,211	1,987	224
Advances from customers	69	273	(204)
To agents	105	140	(35)
Other current payables	3,419	2,249	1,170
Total	**10,139**	**8,506**	**1,633**

At the beginning of 2024, 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 €1,914 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

	31/12/2023	31/12/2022	Change
Deferred tax assets	2,664	3,048	(384)
Deferred tax liabilities	(550)	(721)	171
Net position	**2,114**	**2,327**	**(213)**

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 31/12/2021	**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 31/12/2022	**465**	**1,056**	**(383)**	**886**	**134**	**169**	**2,327**
Through profit or loss	(82)	(243)	178	(177)	-	114	(210)
In shareholders' equity	-	-	(1)	-	(2)	-	(3)
AT 31/12/2023	**383**	**813**	**(206)**	**709**	**132**	**283**	**2,114**

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:

		31/12/2023	31/12/2022	Change
A.	Cash	13,900	2,604	11,296
B.	Cash equivalents	-	-	-
C.	Other current financial assets	859	2,901	(2,042)
D.	Liquidity (A+B+C)	**14,759**	**5,505**	**9,254**
E.	Current financial payable	3,375	8,982	(5,807)
F.	Current portion of non-current financial debt	20,492	18,821	1,671
G.	Current financial debt (E+F)	**23,867**	**27,803**	**(3,936)**
H.	Net current financial debt (G-D)	**9,108**	**22,298**	**(13,190)**
I.	Non-current financial payable	46,593	46,651	(58)
J.	Debt instruments	29,720	29,685	35
K.	Trade payables and other non-current payables	-	-	-
L.	Non-current financial debt (I+J+K)	**76,313**	**76,336**	**(23)**
M.	Total financial debt (H+L)	**85,421**	**98,634**	**(13,213)**

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 2023, sales revenue amounted to €99,482 thousand, 16.5% lower than the €119,090 thousand in 2022, due to the significant economic weakness in the household appliance market.

Revenue by geographical area

	2023	%	2022	%	% change
Europe (excluding Turkey)	28,672	28.8%	39,496	33.2%	*-27.4%*
Turkey	31,035	31.2%	30,470	25.6%	*1.9%*
North America	6,649	6.7%	11,136	9.4%	*-40.3%*
South America	9,769	9.8%	13,600	11.4%	*-28.2%*
Africa and Middle East	14,431	14.5%	16,890	14.2%	*-14.6%*
Asia and Oceania	8,926	9.0%	7,498	6.3%	*19%*
Total	**99,482**	**100%**	**119,090**	**100%**	***-16.5%***

Revenue by product family

	2023	%	2022	%	% change
Valves and thermostats	40,216	40.4%	48,917	41.1%	*-17.8%*
Burners	45,038	45.3%	51,992	43.7%	*-13.4%*
Accessories and other revenues	14,228	14.3%	18,181	15.3%	*-21.7%*
Total	**99,482**	**100%**	**119,090**	**100%**	***-16.5%***

26. OTHER INCOME

	2023	2022	Change
Sale of trimmings	2,062	2,430	(368)
Services to subsidiaries	2,232	2,159	73
Royalties to subsidiaries	360	305	55
Contingent income	644	280	364
Rental income	78	122	(44)
Use of provisions for risks and charges	130	29	101
Other income	1,714	1,186	528
Total	**7,220**	**6,511**	**709**

Services to subsidiaries refer to administrative, commercial and technical services provided within the scope of the Group.
In 2023, other income includes €683 thousand of benefits granted as tax credits for investments made in 2023 and in previous years (Law 160/2019 paragraphs 184 to 196, Law 178/2020 and Law 234/2021).

27. PURCHASES OF MATERIALS

	2023	2022	Change
Commodities and outsourced components	41,568	48,071	(6,503)
Consumables	4,367	4,900	(533)
Total	**45,935**	**52,971**	**(7,036)**

The reduction in purchases is related both to the decrease in business volumes and to the decrease in unit prices of the main raw materials (aluminium alloys, steel and brass).

28. COSTS FOR SERVICES

	2023	2022	Change
Outsourced processing	5,577	7,660	(2,083)
Electricity and natural gas	3,879	6,889	(3,010)
Maintenance	3,212	3,789	(577)
Advisory services	2,866	2,750	116
Transport and export expenses	1,435	2,189	(754)
Directors' fees	407	442	(35)
Insurance	607	611	(4)
Commissions	488	633	(145)
Travel expenses and allowances	607	431	176
Waste disposal	390	424	(34)
Canteen	307	279	28
Temporary agency workers	293	399	(106)
Other costs	2,056	2,133	(77)
Total	**22,124**	**28,629**	**(6,505)**

The main outsourced processing carried out by the Company include hot moulding of brass and some mechanical processing and assembly.
Energy and gas costs are posted net of tax benefits related to public contributions for electricity and gas consumption, amounting to €640 thousand in 2023.
Other costs included expenses for the registration of patents, waste disposal, cleaning, leasing third-party assets and other minor charges.

29. PERSONNEL COSTS

	2023	2022	Change
Salaries and wages	18,975	18,199	776
Social Security costs	6,091	5,779	312
Temporary agency workers	2,518	3,819	(1,301)
Post-employment benefit and other costs	1,946	1,644	302
Stock grant plan	542	1,134	(592)
Total	**30,072**	**30,575**	**(503)**

Average of the Company headcount at 31 December 2023 totalled 454 employees (311 blue-collars, 128 white-collars and supervisors, 15 managers), compared with 473 in 2022 (324 blue-collars, 122 white-collars and supervisors, 15 managers). The number of temporary staff with temporary work contract was 56 at 31 December 2023 (68 at the end of 2022).

The item "Stock Grant Plan" included the measurement at 31 December 2023 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.

30. OTHER OPERATING COSTS

	2023	2022	Change
Non-income related taxes and duties	356	379	(23)
Losses and write-downs of trade receivables	30	0	30
Contingent liabilities	379	173	206
Other provisions	103	32	71
Other operating expenses	234	317	(83)
Total	**1,102**	**901**	**201**

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

	2023	2022	Change
Interests receivable from banks	125	5	120
Interests receivable from loans	450	309	141
IRS spreads receivable	-	1,626	(1,626)
Other financial income	-	34	(34)
Total	**575**	**1,974**	**(1,399)**

32. FINANCIAL EXPENSES

	2023	2022	Change
Interest paid to banks	2,952	1,157	1,795
Banking expenses	164	149	15
IRS spreads payable	80	-	80
Other financial expense	270	267	3
Total	**3,466**	**1,573**	**1,893**

33. EXCHANGE RATE GAINS AND LOSSES

In 2023, the Company reported net foreign exchange losses of €171 thousand, versus net gains of €354 thousand in 2022.

34. PROFITS AND LOSSES FROM EQUITY INVESTMENTS

	2023	2022	Change
Dividends received from Faringosi Hinges s.r.l.	3,000	-	3,000
Dividends received from A.R.C. s.r.l.	3,000	-	3,000
Dividends received from Okida Elektronik	-	178	(178)
Total	**6,000**	**178**	**5,822**

35. INCOME TAXES

	2023	2022	Change
Current taxes	(1,782)	(1,015)	(767)
Deferred tax assets and liabilities	210	633	(423)
Taxes related to previous financial years	(808)	(159)	(649)
Taxes on foreign dividends	-	16	(16)
Total	**(2,380)**	**(525)**	**(1,855)**

The tax income related to the tax loss for the 2023 tax year is recognised in current taxes for 2023.
Taxes related to previous years include the "Patent Box" for the years 2020 and 2021, following the prior agreement signed with the Tax Authorities during 2023.

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

	2023	2022
Theoretical income tax	270	413
Taxes related to previous financial years	(73)	(71)
Tax effect of dividends from investee companies	(1,368)	(25)
“Iper and Superammortamento” tax benefit	(558)	(603)
Permanent tax differences	194	196
Tax effect on tax credit for energy-intensive and gas-intensive companies	(153)	(505)
“Patent box” tax benefit	(635)	0
IRES (current and deferred)	**(2,323)**	**(595)**
IRAP (current and deferred)	**(57)**	**70**
Total	**(2,380)**	**(525)**

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

No dividends were paid out during 2023. The Directors have recommended payment of a dividend of €0.54 per share this year, subject to approval of shareholders in the annual Shareholders’ Meeting and therefore not included under liabilities in these financial statements. The dividend proposed is scheduled for payment on 29 May 2024 (ex-date 27 May and record date 28 May).

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.

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.

	31/12/2023	31/12/2022
Financial assets		
Amortised cost		
Cash and cash equivalents	13,900	2,604
Trade receivables and other receivables	30,104	29,523
Non-current loans	15,734	10,376
Other financial assets	-	1,300
Fair Value through profit or loss		
Derivatives cash flow hedges (on interest rates)	860	1,601
Financial liabilities		
Amortised cost		
Loans	100,005	103,578
Other financial liabilities	175	547
Trade payables	22,605	21,168
Hedge accounting		
Derivatives cash flow hedges (on currency)	-	14

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. The credit management procedure includes, among other things:

- assigning a specific credit limit to each customer;
- checking, on a weekly basis, receivables past due;
- sending payment reminders on a monthly basis;
- defining a time limit after which deliveries are blocked (impossibility of making deliveries and confirming new orders).

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 15.5% of total turnover in 2023, while purchases in dollars represented 5% of total turnover. During the year, operations in dollars were partially hedged through forward sales contracts.

Sensitivity analysis
With reference to financial assets and liabilities in US dollars at 31 December 2023, a hypothetical and immediate revaluation of 10% of euro against the dollar would have led to a loss of €1,418 thousand.

Interest rate risk management
Considering the IRS in place, at the end of 2023 almost 70% of the Company's gross financial debt was at a fixed rate. At 31 December 2023, IRS totalling €16.4 million were in place, mirrored in mortgages with the same residual debt, through which the Company transformed the floating rate of the mortgages into fixed rate. The derivative contracts were not designated as a cash flow hedge and were therefore recognised using the “fair value through profit or loss” method.

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

Company	Counterparty	Instrument	Maturity	Value date	Notional	Fair value hierarchy
	Intesa Sanpaolo	IRS	15/06/2024	EUR	1,200,000	2
	Intesa Sanpaolo		15/06/2024		370,000	
	Crédit Agricole		30/06/2025		4,200,000	
	Mediobanca		28/04/2027		10,660,000	

Sensitivity analysis
With reference to financial liabilities at variable rate at 31 December 2023, a hypothetical and immediate increase of 1% of interest rates would have led to a loss of €300 thousand.

Commodity price risk management

A significant portion of the Company's purchase costs is represented by aluminium, steel and brass. 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 2023 and 2022, 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 2023 of 42.9%, net financial debt/EBITDA of 2.47) 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 2023 and 31 December 2022 is shown below:

At 31 December 2023

	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	65,566	70,780	2,270	20,019	48,490	-
Bond issue	29,720	34,680	-	780	14,964	18,936
Finance leases	1,519	1,561	128	357	1,042	34
Short-term bank loans	3,200	3,000	200	3,000	-	-
Payables to former P.G.A. shareholders	175	175	-	-	175	-
Total financial payables	**100,180**	**110,196**	**2,598**	**24,156**	**64,671**	**18,970**
Trade payables	22,605	22,605	19,373	3,232	-	-
Total	**122,785**	**133,001**	**21,971**	**27,388**	**64,671**	**18,970**

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 C.M.I. 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**

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 2023, by hierarchical level of fair value assessment.

	Level 1	Level 2	Level 3	Total
Other financial assets (derivatives on interest rates)	-	860	-	860
Total assets and liabilities at fair value	**-**	**860**	**-**	**860**

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 2023	**Subsidiaries**	**Other related parties**	**Total related parties**	**Impact on the total**
Non-current financial assets	15,734	15,734	-	15,734	100%
Trade receivables	28,706	15,393	-	15,393	53.62%
Tax receivables	6,031	241	-	241	4.00%
Short-term financial payables	23,692	3,000	-	3,000	12.66%
Trade payables	22,605	1,186	5	1,192	5.27%
Tax payables	1,485	133	-	133	8.96%

	Total 2022	**Subsidiaries**	**Other related parties**	**Total related parties**	**Incidence 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%

Impact of related-party transactions on income statement items

	Total 2023	**Subsidiaries**	**Other related parties**	**Total related parties**	**Impact on the total**
Revenue	99,482	19,892	-	19,892	20.00%
Other income	7,220	3,207	-	3,207	44.42%
Materials	45,935	3,095	-	3,095	6.74%
Services	22,124	447	21	468	2.12%
Capital gains on non-current assets	1,867	336	-	336	18%
Financial income	575	416	-	416	72.35%
Financial expenses	3,466	113	-	113	3.26%

	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%

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 Company declares that no significant non-recurring events or transactions, as defined by the memorandum, took place in 2023.

41. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There were no important events after the 2023 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 another active local unit in addition to the registered office in Ospitaletto (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 €2,293 thousand (€2,855 thousand at 31 December 2022).

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 231,000 Rights were allocated to the Beneficiaries.

Deadline
The 2021 - 2023 Plan expires on 31 December 2024.

Accounting impacts and *Fair value measurement methods*
In connection with this Plan, €543 (Note 29) 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 2023 was determined as follows:

Rights relating to objectives measured on ROI	Total value on ROI	10.89	Fair Value	3.81
	Rights on ROI	35%		

Rights relating to objectives measured on EBITDA	Total value on EBITDA	12.75	Fair Value	5.10
	Rights on EBITDA	40%		

Rights relating to ESG objectives measured on personal training	Total value on "Personal training"	20.41	Fair Value	1.02
	Rights on "Personal 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 reduction of emissions.	Total value on "Reduction of emissions"	20.41	Fair Value	3.06
	Rights on "Reduction of emissions"	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
Energy-intensive contributions	1,379	Italian State
Super/Iper ammortamento (Super/Hyper amortisation)	720	Italian State
R&D Tax credit	34	Italian State
Total	**2,133**	

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

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.

Research and development activities: Contribution accessible with reference to Article 1, paragraphs 198-209 of Law no. 160 of 27 December 2019 and the Implementing Decree of the Ministry of Economic Development of 26 May 2020 ("Transition 4.0" Decree).

LIST OF EQUITY INVESTMENTS IN SUBSIDIARIES[1]

Company name	Registered offices	Share capital at 31 December 2023	Shareholders	% of ownership	Shareholders' equity at 31 December 2023	2023 profit (loss)
Faringosi Hinges s.r.l.	Ospitaletto (BS)	EUR 90,000	Sabaf S.p.A.	100%	EUR 8,071,051	EUR 1,155,904
Sabaf do Brasil Ltda	Jundiaì (Brazil)	BRL 53,348,061	Sabaf S.p.A.	100%	BRL 105,934,466	BRL 6,464,744
Sabaf US Corp.	Plainfield (USA)	USD 200,000	Sabaf S.p.A.	100%	USD 167,270	USD 32,866
Sabaf Appliance Components (Kunshan) Co., Ltd.	Kunshan (China)	CNY 69,951,149	Sabaf S.p.A.	100%	CNY 11,561,705	CNY 7,141,992
Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki	Manisa (Turkey)	TRY 733,204,951	Sabaf S.p.A.	100%	TRY 1,376,888,575	TRY 34,769,323
A.R.C. s.r.l.	Campodarsego (PD)	EUR 45,000	Sabaf S.p.A.	100%	EUR 6,469,512	EUR 755,212
Sabaf Mexico Appliance Components	San Louis Potosì (Mexico)	PESOS 141,003,832	Sabaf S.p.A.	100%	PESOS 225,228,516	PESOS -32,333,640
C.M.I s.r.l.	Valsamoggia (BO)	€1,000,000	Sabaf S.p.A.	100%	EUR 21,752,929	EUR 2,266,104
C.G.D. s.r.l.	Valsamoggia (BO)	EUR 26,000	C.M.I. s.r.l.	100%	EUR 1,550,011	EUR 313,080
Sabaf India Private Limited	Bangalore (India)	INR 224,692,120	Sabaf S.p.A.	100%	INR 558,405,301*	INR -49,608,051*
P.G.A s.r.l.	Fabriano (AN)	EUR 100,000	Sabaf S.p.A.	100%	EUR 3,756,072	EUR 21,918
Sabaf America Inc.	Delaware (USA)	USD 4,000,000	Sabaf S.p.A.	100%	USD 4,001,251	USD 1,251
Mansfield Engineered Components LLC(MEC)	Mansfield (USA)	USD 2,823,248	Sabaf America	51%	USD 16,824,033	USD 2,442,986

'* The values shown for Sabaf India Private Limited refer to 31 March 2023, the local reporting date

OTHER SIGNIFICANT EQUITY INVESTMENTS

None

[1] 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	26,160	A, B, C	26,160	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	78,686	A, B, C	76,901	0
Revaluation reserve, Law Decree 104/20	4,873	A, B	4,873	4,727
Valuation reserve:				
Post-employment benefit actuarial provision	(390)		0	0
Reserve for stock grant plan	2,481		0	0
Total	115,751		109,390	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 2023

		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	(1,153)	167
	Law 342/2000	2,870	(2,798)	72
		4,860	**(4,620)**	**240**
Plant and equipment	Law 576/75	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**	**(20,151)**	**240**

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 Car pini, 1 25035 Ospitaletto (Brescia)	
Contacts:	Tel:	+39 030 - 6843001
	Fax:	+39 030 - 6848249
	Email:	info@sabaf.it
	Web site:	http://www.sabaf.it
Tax information:	REA Brescia	347512
	Tax code	03244470179
	VAT NUMBER	01786910982

Appendix

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

The following table, prepared pursuant to 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 2023 financial year
Audit	EY S.p.A.	59
Certification services	EY S.p.A	---
Other audit services	EY S.p.A	83 (1)
Total		*142*

(1) Auditing procedures agreement relating to interim management reports; limited review of Disclosure of non-financial information, fairness opinion for 2023 capital increase.

Certification of Separate financial statements pursuant to Article 154-bis of 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 2023 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 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, 19 March 2024

Chief Executive Officer	**The Financial Reporting Officer**
Pietro Iotti	Gianluca Beschi