



SABAF®

**INTERIM MANAGEMENT
STATEMENT**

AT 31 DECEMBER 2020

SABAF S.p.A.
Via dei Carpini, 1 – OSPITALETTO (BS) ITALY
Fully paid-in share capital: € 11,533,450
www.sabaf.it

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Group structure and corporate officers

Parent company

SABAF S.p.A.

Subsidiaries and equity interest attributable to the Group

Companies consolidated on a line-by-line basis

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

Companies consolidated using the equity method

Handan ARC Burners Co., Ltd.	China	35.7%
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Board of Directors

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

(*) independent directors

Board of Statutory Auditors

Chairman	Alessandra Tronconi
Statutory Auditor	Luisa Anselmi
Statutory Auditor	Mauro Vivenzi

Consolidated statement of financial position

31/12/2020 30/09/2020 31/12/2019

(€/000)

ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	76,507	74,482	75,885
Investment property	3,253	3,458	3,976
Intangible assets	43,017	43,817	51,668
Equity investments	173	161	115
Financial assets	0	0	60
Non-current receivables	518	444	297
Deferred tax assets	8,075	7,079	6,505
Total non-current assets	131,543	129,441	138,506
CURRENT ASSETS			
Inventories	39,224	36,585	35,343
Trade receivables	63,436	54,431	46,929
Tax receivables	2,419	2,095	4,458
Other current receivables	3,167	2,258	1,459
Financial assets	1,495	1,337	1,266
Cash and cash equivalents	13,318	9,144	18,687
Total current assets	123,059	105,850	108,142
ASSETS HELD FOR SALE	0	0	0
TOTAL ASSETS	254,602	235,291	246,648
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	11,533	11,533	11,533
Retained earnings, Other reserves	87,504	87,220	92,580
Net profit for the period	13,961	4,245	9,915
<i>Total equity interest attributable to the Parent Company</i>	<i>112,998</i>	<i>102,998</i>	<i>114,028</i>
<i>Minority interests</i>	<i>4,809</i>	<i>4,620</i>	<i>7,077</i>
Total shareholders' equity	117,807	107,618	121,105
NON-CURRENT LIABILITIES			
Loans	32,153	37,598	44,046
Other financial liabilities	0	0	7,383
Post-employment benefit and retirement provisions	3,513	3,581	3,698
Provisions for risks and charges	1,433	914	995
Deferred tax liabilities	4,697	6,269	7,273
Total non-current liabilities	41,796	48,362	63,395
CURRENT LIABILITIES			
Loans	29,098	24,949	19,015
Other financial liabilities	9,884	11,535	4,637
Trade payables	41,773	29,900	27,560
Tax payables	3,287	2,053	1,802
Other payables	10,957	10,874	9,134
Total current liabilities	94,999	79,311	62,148
LIABILITIES HELD FOR SALE	0	0	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	254,602	235,291	246,648

Consolidated Income Statement

	Q4 2020		Q4 2019		12M 2020		12M 2019	
(€/000)								
INCOME STATEMENT COMPONENTS								
OPERATING REVENUE AND INCOME								
Revenue	59,461	100.0%	40,671	100.0%	184,906	100.0%	155,923	100.0%
Other income	4,158	7.0%	1,393	3.4%	7,194	3.9%	3,621	2.3%
Total operating revenue and income	63,619	107.0%	42,064	103.4%	192,100	103.9%	159,544	102.3%
OPERATING COSTS								
Materials	(26,528)	-44.6%	(15,401)	-37.9%	(82,966)	-44.9%	(57,464)	-36.9%
Change in inventories	2,712	4.6%	(1,961)	-4.8%	6,406	3.5%	(8,617)	-5.5%
Services	(11,543)	-19.4%	(7,786)	-19.1%	(34,264)	-18.5%	(29,488)	-18.9%
Personnel costs	(13,215)	-22.2%	(10,498)	-25.8%	(43,700)	-23.6%	(37,103)	-23.8%
Other operating costs	(895)	-1.5%	(187)	-0.5%	(1,981)	-1.1%	(1,698)	-1.1%
Costs for capitalised in-house work	75	0.1%	356	0.9%	1,502	0.8%	1,859	1.2%
Total operating costs	(49,394)	-83.1%	(35,477)	-87.2%	(155,003)	-83.8%	(132,511)	-85.0%
OPERATING PROFIT BEFORE DEPRECIATION & AMORTISATION, CAPITAL GAINS/LOSSES AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)								
	14,225	23.9%	6,587	16.2%	37,097	20.1%	27,033	17.3%
Depreciations and amortisation	(4,263)	-7.2%	(4,446)	-10.9%	(16,968)	-9.2%	(15,183)	-9.7%
Capital gains/(losses) on disposals of non-current assets	45	0.1%	2	0.0%	105	0.1%	46	0.0%
Write-downs/write-backs of non-current assets	(141)	-0.2%	0	0.0%	(141)	-0.1%	0	0.0%
OPERATING PROFIT (EBIT)								
	9,866	16.6%	2,143	5.3%	20,093	10.9%	11,896	7.6%
Financial income	(235)	-0.4%	356	0.9%	1,366	0.7%	638	0.4%
Financial expenses	(1,004)	-1.7%	(92)	-0.2%	(2,146)	-1.2%	(1,339)	-0.9%
Exchange rate gains and losses	29	0.0%	(1,230)	-3.0%	(4,812)	-2.6%	(1,380)	-0.9%
Profits and losses from equity investments	39	0.1%	(39)	-0.1%	8	0.0%	(39)	0.0%
PROFIT BEFORE TAXES								
	8,695	14.6%	1,138	2.8%	14,509	7.8%	9,776	6.3%
Income taxes	1,200	2.0%	2,037	5.0%	(149)	-0.1%	407	0.3%
NET PROFIT FOR THE PERIOD								
	9,895	16.6%	3,175	7.8%	14,360	7.8%	10,183	6.5%
of which:								
Profit attributable to minority interests	179	0.3%	52	0.1%	399	0.2%	268	0.2%
PROFIT ATTRIBUTABLE TO THE GROUP	9,716	16.3%	3,123	7.7%	13,961	7.6%	9,915	6.4%

Consolidated statement of comprehensive income

<i>(€/000)</i>	Q4 2020	Q4 2019	12M 2020	12M 2019
NET PROFIT FOR THE PERIOD	9,895	3,175	14,360	10,183
<i>Total profits/losses that will not be subsequently restated under profit (loss) for the period:</i>				
Actuarial evaluation of post-employment benefit	16	(26)	16	(26)
Tax effect	(3)	6	(3)	6
	13	(20)	13	(20)
<i>Total profits/losses that will be subsequently reclassified under profit (loss) for the period:</i>				
Forex differences due to translation of financial statements in foreign currencies	(330)	(2,706)	(12,564)	(3,323)
Total other profits/(losses) net of taxes for the year	(317)	(2,726)	(12,551)	(3,343)
TOTAL PROFIT	9,578	449	1,809	6,840
of which				
Net profit for the period attributable to minority interests	179	52	399	268
<i>Total profits/losses that will not be subsequently restated under profit (loss) for the period</i>				
	8	0	8	0
Total profit attributable to minority interests	187	52	407	268
TOTAL PROFIT ATTRIBUTABLE TO THE GROUP	9,391	397	1,402	6,572

Statement of changes in consolidated shareholders' equity

<i>(€/000)</i>	Share capital	Share premium reserve	Legal reserve	Treasury shares	Translation reserve	Post-employment benefit discounting reserve	Other reserves	Profit for the year	Total Group shareholders' equity	Minority interests	Total shareholders' equity
Balance at 31 December 2018	11,533	10,002	2,307	(6,868)	(16,134)	(526)	101,774	15,614	117,702	1,644	119,346
Allocation of 2018 profit											
- dividends paid out								(6,060)	(6,060)		(6,060)
- carried forward							9,554	(9,554)			
IFRS 2 measurement stock grant plan							681		681		681
Sale of treasury shares				4,600			208		4,808		4,808
Change in the scope of consolidation							(981)		(981)	5,165	4,184
C.M.I. Group put option							(8,700)		(8,700)		(8,700)
Other changes					518		(512)		6		6
Total profit at 31 December 2019					(3,323)	(20)		9,915	6,572	268	6,840
Balance at 31 December 2019	11,533	10,002	2,307	(2,268)	(18,939)	(546)	102,024	9,915	114,028	7,077	121,105
Allocation of 2019 profit											
- carried forward							9,915	(9,915)			
IFRS 2 measurement stock grant plan							658		658		658
Hedge accounting for derivatives							240		240	7	247
Purchase of treasury shares				(2,073)					(2,073)		(2,073)
Change in the scope of consolidation							2,657		2,657	(2,657)	
Dividends paid out							(3,924)		(3,924)		(3,924)
Other changes							10		10	(25)	(15)
Total profit at 31 December 2020					(12,564)	5		13,961	1,402	407	1,809
Balance at 31 December 2020	11,533	10,002	2,307	(4,341)	(31,503)	(541)	111,580	13,961	112,998	4,809	117,807

Consolidated statement of cash flows

(€/000)	Q4 2020	Q4 2019	12M 2020	12M 2019
Cash and cash equivalents at beginning of period	9,144	11,002	18,687	13,426
Net profit/(loss) for the period	9,895	3,175	14,360	10,183
Adjustments for:				
- Depreciation and amortisation for the period	4,263	4,446	16,968	15,183
- Realised gains/losses	(45)	(2)	(105)	(46)
- Write-downs/write-backs of non-current assets	141	0	141	0
- Profits and losses from equity investments	(12)	39	(8)	39
- Financial income and expenses	1,239	(264)	780	701
- IFRS 2 measurement stock grant plan	713	247	658	681
- Income tax	(1,200)	(2,037)	149	(407)
Payment of post-employment benefit provision	(63)	237	(180)	300
Change in risk provisions	519	381	438	270
<i>Change in trade receivables</i>	<i>(9,005)</i>	<i>8,420</i>	<i>(16,507)</i>	<i>10,148</i>
<i>Change in inventories</i>	<i>(2,639)</i>	<i>2,298</i>	<i>(3,881)</i>	<i>9,090</i>
<i>Change in trade payables</i>	<i>11,873</i>	<i>1,408</i>	<i>14,213</i>	<i>(2,901)</i>
Change in net working capital	229	12,126	(6,175)	16,337
Change in other receivables and payables, deferred tax liabilities	(1,114)	2,109	2,072	1,344
Payment of taxes	(252)	(1,570)	(2,956)	(2,952)
Payment of financial expenses	(316)	(106)	(1,235)	(1,339)
Collection of financial income	67	356	160	638
Cash flows from operations	14,064	19,137	25,067	40,932
Net investments	(4,942)	(4,874)	(17,296)	(12,014)
Repayment of loans	(8,536)	(7,417)	(18,413)	(29,682)
New loans	8,313	(332)	16,216	18,271
Change in financial assets	0	(2,412)	60	978
Purchase/sale of treasury shares	(336)	3,146	(2,073)	3,146
Payment of dividends	(3,924)	0	(3,924)	(6,060)
Cash flows from financing activities	(4,482)	(7,015)	(8,133)	(13,347)
Okida acquisition	0	0	0	(317)
C.M.I. acquisition	0	0	(3,063)	(10,475)
Foreign exchange differences	(466)	437	(1,944)	482
Net cash flows for the period	4,174	7,685	(5,369)	5,261
Cash and cash equivalents at end of period	13,318	18,687	13,318	18,687
Current financial debt	37,487	22,386	37,487	22,386
Non-current financial debt	32,153	51,430	32,153	51,430
Net financial debt	56,322	55,128	56,322	55,128

Consolidated net financial position

<i>(€/000)</i>	31/12/2020	30/09/2020	31/12/2019
A. Cash	13	19	19
B. Positive balances of unrestricted bank accounts	12,789	8,723	18,590
C. Other cash equivalents	516	402	79
D. Liquidity (A+B+C)	13,318	9,144	18,687
E. Current financial receivables	1,495	1,337	1,266
F. Current bank payables	13,297	7,625	3,313
G. Current portion of non-current debt	15,801	16,044	14,653
H. Other current financial payables	9,884	12,815	5,686
I. Current financial debt (F+G+H)	38,982	36,484	23,652
J. Net current financial debt (I-E-D)	24,169	26,003	3,698
K. Non-current bank payables	28,647	34,005	40,569
L. Other non-current financial payables	3,506	3,593	10,861
M. Non-current financial debt (K+L)	32,153	37,598	51,430
N. Net financial debt (J+M)	56,322	63,601	55,128

Explanatory notes

Accounting standards and scope of consolidation

The Interim Management Statement of the Sabaf Group at 31 December 2020 was prepared in pursuance of the Italian Stock-exchange regulations that establish the publication of interim management statements as one of the requirements for maintaining a listing in the STAR segment of the MTA (Electronic Stock Market).

This report does not contain the information required in accordance with IAS 34.

Accounting standards and policies are the same as those adopted for preparation of the consolidated financial statements at 31 December 2019, which should be consulted for reference. All the amounts contained in the statements included in this Interim Management Statement are expressed in thousands of euro.

We also draw attention to the following points:

- The Interim Management Statement was prepared according to the “discrete method of accounting” whereby the quarter in question is treated as a separate financial period. In this respect, the quarterly income statement reflects the income statement components pertaining to the period on an accrual basis;
- the financial statements used in the consolidation process are those prepared by the subsidiaries for the period ended 31 December 2020, adjusted to comply with Group accounting policies, where necessary;
- the parent company Sabaf S.p.A., the subsidiaries Faringosi Hinges, Sabaf Brazil, Sabaf Turkey, Sabaf China, A.R.C., Okida Elektronik, Sabaf U.S., Sabaf India and the companies of the C.M.I. Group (C.M.I., C.G.D. and C.M.I. Poland), in which Sabaf acquired control on 31 July 2019, were consolidated on a line-by-line basis. Note that in the Consolidated Income Statement, Consolidated Comprehensive Income Statement and Consolidated Statement of Cash Flows of this Report, the figures for the period from 1 January to 31 December 2019, shown for comparative purposes, and the results of operations of the C.M.I. Group only for the period for which the Sabaf Group held control were consolidated;

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

The Interim Management Statement at 31 December 2020 has not been independently audited.

Sales breakdown by geographical area (Euro x 1000)

<i>(amounts in €000)</i>	Q4 2020	Q4 2019	% change	12M 2020	12M 2019	% change
Italy	11,969	7,145	+67.5%	35,260	31,161	+13.2%
Western Europe	3,536	2,985	+18.5%	11,103	12,277	-9.6%
Eastern Europe	21,119	16,309	+29.5%	68,061	55,059	+23.6%
Middle East and Africa	3,522	1,097	+221.1%	12,040	7,050	+70.8%
Asia and Oceania	3,088	2,062	+49.8%	8,103	9,198	-11.9%
South America	9,469	5,629	+68.2%	27,639	23,451	+17.9%
North America and Mexico	6,758	5,444	+24.1%	22,700	17,727	+28.1%
Total	59,461	40,671	+46.2%	184,906	155,923	+18.6%

Sales breakdown by product category (Euro x 1000)

<i>(amounts in €000)</i>	Q4 2020	Q4 2019	% change	12M 2020	12M 2019	% change
<i>Gas parts</i>	42,314	27,885	+51.7%	129,834	122,205	+6.2%
<i>Hinges</i>	12,589	10,205	+23.4%	41,326	23,774	+73.8%
<i>Electronic components</i>	4,558	2,581	+76.6%	13,746	9,944	+38.2%
Total	59,461	40,671	+46.2%	184,906	155,923	+18.6%

Management Statement

Results of operations

The coronavirus pandemic, which so deeply affected the world in 2020, presented all organisations with new challenges: the ability to withstand and react immediately to unpredictable and rapidly changing scenarios was the critical success factor during this period.

Since the second half of 2020, the allocation of a greater share of consumers' budgets to household goods has led to a significant increase in the final demand for household appliances in all geographical areas, from which the Sabaf Group is also benefiting.

Revenue amounted to €59.5 million in the fourth quarter, up 46.2% from €40.7 million in the same period of 2019. This is an unprecedented result in the Group's history to which the start of the supply of burners on a global scale to strategic customers and cross-selling between the gas and electronics divisions contributed significantly. The latter, in particular, recorded a 77% increase in sales in the fourth quarter of 2020.

To cope with the sudden increase in orders, the Group promptly implemented measures to increase and maximise production capacity. This resulted in a substantial improvement in profitability: EBITDA for the fourth quarter of 2020 was €14.2 million, or 23.9% of sales, up by 116% compared to the figure of €6.6 million in the fourth quarter of 2019 (16.2% of sales).

EBIT was €9.9 million or 16.6% of sales, and 360.4% higher than €2.1 million of the same quarter in 2019 (5.3% of sales). During the fourth quarter, the Group recognised an income tax of €1.2 million corresponding to the benefit arising from the realignment between the carrying value and the tax value of certain properties, in pursuance of Article 110 of Italian Legislative Decree 104 of 14 August 2020 (known as "Agosto" Decree). The net profit for the period was €9.7 million, up by 211.1% compared to the figure of €3.1 million in the fourth quarter of 2019.

In the whole of 2020, revenue totalled €184.9 million, up by 18.6% compared to €155.9 million in 2019 (+8.4% on a like-for-like consolidation scope). EBITDA was €37.1 million (20.1% of turnover), up 37.2% compared to €27 million last year (17.3% of turnover) and

EBIT was €20.1 million (10.9% of turnover) with a 68.9% increase compared to €11.9 million in 2019. The net profit for 2020 was €14 million, up by 40.8% compared to the figure of €9.9 million in 2019.

Free cash flow, investments and financial position

In the fourth quarter of 2020, the positive free cash flow¹ was €9.1 million.

During the same period, investments amounted to €5 million (€4.9 million in the fourth quarter of 2019), bringing total investments for the year to €17.3 million (€12 million in 2019). Investments in 2020 were mainly aimed at industrialising new products to significantly increase shares with certain strategic customers.

At 31 December 2020, net working capital² was €52.2 million with an impact on sales of 28.2%, down from 31.9% at 31 December 2019 when it amounted to €49.7 million.

At the end of 2020, net financial debt was €56.3 million compared to €63.6 million at 30 September 2020 and €55.1 million at 31 December 2019 against a shareholders' equity of €117.8 million. At 31 December 2020, net financial debt included financial liabilities related to put options granted on minority interests in subsidiaries of €6.8 million and the present value of lease and rental payments of €3.7 million, recognised in accordance with IFRS 16.

Significant non-recurring, atypical and/or unusual transactions

During the fourth quarter of 2020, the Group did not engage in significant transactions qualifying as non-recurring, atypical and/or unusual, as envisaged by the CONSOB communication of 28 July 2006.

Outlook

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

¹ Free cash flow is defined as the algebraic sum of cash flows from operations and from investment activities, as shown in the Statement of Cash Flows.

² Net working capital is the sum of Inventories, Trade receivables, Tax receivables, Other current receivables, Trade payables, Tax payables and Other liabilities.

Therefore, for the whole of 2021, it is believed that it will be possible to achieve revenue in excess of €200 million, up at least 8% on 2020. Furthermore, it is expected that the diversification of the Group's offer, the favourable trend in sales prices and the full utilisation of the production capacity will be able to balance the increase in the cost of raw materials and a possible unfavourable exchange rate trend, allowing the Group to maintain an operating profitability (EBITDA %) close to 20%.

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

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

The Financial Reporting Officer, Gianluca Beschi, declares that, pursuant to paragraph 2, Article 154-bis of Legislative Decree 58/1998 (Consolidated Finance Act), the accounting information contained in the Interim Management Statement at 31 December 2020 of Sabaf S.p.A. corresponds to the Company's records, books and accounting entries.

Ospitaletto (BS), 11 February 2021

Financial Reporting Officer

Gianluca Beschi