

SABAF S.p.A.

SEPARATE FINANCIAL STATEMENT

AT 31 DECEMBER 2020

CORPORATE BODIES

Board of Directors

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

(*) Independent directors

Board of Statutory Auditors

Chairman	Alessandra Tronconi
Statutory Auditor	Luisa Anselmi
Statutory Auditor	Mauro Vivenzi

Independent Auditors

EY S.p.A.

Statement of financial position

(in €)

NOTES 31/12/2020 31/12/2019

ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	1	48,662,264	51,470,506
Investment property	2	3,252,696	3,975,991
Intangible assets	3	2,315,819	2,452,857
Equity investments	4	65,524,289	57,950,775
Non-current financial assets	5	5,537,324	5,340,310
- of which from related parties	35	5,537,324	5,280,310
Non-current receivables		31,421	19,871
Deferred tax assets	21	3,891,955	4,276,366
Total non-current assets		129,215,768	125,486,676
CURRENT ASSETS			
Inventories	6	21,512,333	19,862,180
Trade receivables	7	45,024,596	28,563,314
- of which from related parties	35	16,048,130	9,094,290
Tax receivables	8	1,254,041	1,736,169
- of which from related parties	35	316,208	0
Other current receivables	9	1,947,372	588,494
Current financial assets	10	1,359,993	2,832,998
- of which from related parties	35	0	1,600,000
Cash and cash equivalents	11	1,594,861	8,343,105
Total current assets		72,693,196	61,926,260
ASSETS HELD FOR SALE		0	0
TOTAL ASSETS		201,908,964	187,412,936
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	12	11,533,450	11,533,450
Retained earnings, Other reserves		91,985,093	93,399,901
Profit for the year		6,409,674	3,821,876
Total shareholders' equity		109,928,218	108,755,227
NON-CURRENT LIABILITIES			
Loans	14	26,891,000	35,485,756
Other financial liabilities	15	0	1,233,000
Post-employment benefit and retirement provisions	16	1,929,190	2,064,001
Provisions for risks and charges	17	853,650	1,064,482
Deferred tax liabilities	21	230,450	1,733,755
Total non-current liabilities		29,904,290	41,580,994
CURRENT LIABILITIES			
Loans	14	23,996,484	13,994,308
Other financial liabilities	15	1,560,111	331,505
Trade payables	18	26,204,071	15,734,266
- of which to related parties	35	1,074,716	761,431
Tax payables	19	2,458,942	695,008
- of which to related parties	35	350,721	74,375
Other payables	20	7,856,847	6,321,628
Total current liabilities		48,646,143	37,076,715
LIABILITIES HELD FOR SALE		0	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		201,908,964	187,412,936

Income statement

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

Comprehensive income statement

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

Statement of changes in shareholders' equity

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

Statement of Cash Flows

<i>(€/000)</i>	2020 FY	2019 FY
<i>Cash and cash equivalents at beginning of year</i>	8,343	2,169¹
Profit for the year	6,410	3,822
Adjustments for:		
- Depreciations and amortisation	9,414	9,809
- Realised gains	(965)	(130)
- Write-downs of non-current assets	761	500
- Profits and losses from equity investments	(609)	(1,358)
- Valuation of the stock grant plan	657	681
- Net financial income and expenses	516	605
- Non-monetary foreign exchange differences	(199)	34
- Income tax	(106)	(131)
Change in post-employment benefit	(166)	(94)
Change in risk provisions	569	(24)
<i>Change in trade receivables</i>	<i>(16,461)</i>	<i>6,610</i>
<i>Change in inventories</i>	<i>(1,650)</i>	<i>6,766</i>
<i>Change in trade payables</i>	<i>10,470</i>	<i>185</i>
Change in net working capital	(7,642)	13,561
Change in other receivables and payables, deferred taxes	1,599	1,325
Payment of taxes	(141)	(339)
Payment of financial expenses	(710)	(790)
Collection of financial income	201	211
Cash flows from operations	9,590	27,682
Investments in non-current assets		
- intangible	(383)	(494)
- tangible	(7,652)	(6,622)
- financial	(8,974)	(12,314)
Disposal of non-current assets	3,628	1,527
Cash flow absorbed by investments	(13,381)	(17,903)
Free cash flow	(3,791)	9,779
Repayment of loans	(11,982)	(17,376)
Raising of loans	12,811	13,057
Change in financial assets	1,602	2,270
Purchase/Sale of treasury shares	(2,073)	3,146
Payment of dividends	(3,924)	(6,060)
Collection of dividends	609	1,358
Cash flow absorbed by financing activities	(2,957)	(3,605)
<i>Total cash flows</i>	(6,748)	6,174
<i>Cash and cash equivalents at end of year (Note 11)</i>	1,595	8,343

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

EXPLANATORY NOTES

ACCOUNTING STANDARDS

Statement of compliance and basis of presentation

The separate financial statements of Sabaf S.p.A. for the financial year 2020 have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union. Reference to IFRS also includes all current International Accounting Standards (IAS).

The separate financial statements are drawn up in euro, which is the currency in the economy in which the Company operates. The income statement, the comprehensive income statement and the statement of financial position schedules are prepared in euro, while the statement of cash flows, the statement of changes in shareholders' equity and the values reported in the explanatory notes are in thousands of euro.

The financial statements have been prepared on a historical cost basis except for some revaluations of property, plant and equipment undertaken in previous years, and are considered a going concern. With reference to this assumption, the Company assessed that it is a going concern (as defined by paragraphs 25 and 26 of IAS 1), also due to the strong competitive position, high profitability and solidity of the financial structure.

Sabaf S.p.A., as the Parent Company, also prepared the consolidated financial statements of the Sabaf Group at 31 December 2020.

Financial statements

The Company adopted the following formats:

- current and non-current assets and current and non-current liabilities are stated separately in the statement of the financial position;
- an income statement that expresses costs using a classification based on the nature of each item;
- a comprehensive income statement that expresses revenue and expense items not recognised in profit for the year as required or permitted by IFRS;
- a statement of cash flows that presents cash flows originating from operating activity, using the indirect method.

Use of these formats permits the most meaningful representation of the Company's capital, business and financial status.

Accounting policies

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

Property, plant and equipment

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

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

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

Ordinary maintenance costs are expensed in the year in which they are incurred; costs that increase the asset value or useful working life are capitalised and depreciated according to the residual possibility of utilisation of the assets to which they refer.

Land is not depreciated.

Adoption of the accounting standard IFRS 16 “Leases”

The Company applied IFRS 16 from 1 January 2019 by using the amended retrospective approach.

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

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

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

Investment property

Investment property is valued at cost, including revaluations undertaken in the past based on monetary revaluation rules or pursuant to company mergers.

The depreciation is calculated based on the estimated useful life, considered to be 33 years.

If the recoverable amount of the investment property – determined based on the market value of the properties – is estimated to be lower than its carrying value, the asset’s carrying value is reduced to the lower recoverable amount, recognising impairment in the income statement.

When there is no longer any reason for a write-down to be maintained, the carrying value of the asset (or cash generating unit) is increased to the new value stemming from the estimate of its recoverable amount – but not beyond the net carrying value that the asset would have had if it had not been written down for impairment. Reversal of impairment loss is recognised in the income statement.

Intangible assets

As established by IAS 38, intangible assets acquired or internally produced are recognised as assets when it is probable that use of the asset will generate future economic benefits and when asset cost can be measured reliably. If it is considered that these future economic benefits will not be generated, the development costs are written down in the year in which this is ascertained.

Such assets are measured at purchase or production cost and - if the assets concerned have a finite useful life - are amortised on a straight-line basis over their estimated useful life.

The useful life of projects for which development costs are capitalised is estimated to be 10 years.

The SAP management system is amortised over five years.

Equity investments

Equity investments in subsidiaries, associates and joint-ventures are stated in the accounts at cost. In accordance with IAS 36, the value recognised in the financial statements is subject to an impairment test if there are indications of possible impairment.

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

Impairment

At each end of the reporting period, Sabaf S.p.A. reviews the carrying value of its property, plant and equipment, intangible assets and equity investments to determine whether there are signs of impairment of these assets. If there is any such indication, the recoverable amount of said assets is estimated so as to determine the total of the write-down. If it is not possible to estimate the recoverable amount individually, the Company estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs. In particular, the recoverable amount of the cash generating units (which generally coincide with the legal entity to which the capitalised assets refer) is verified by determining the value of use. The recoverable amount is the higher of the net selling price and value of use. In measuring the value of use, future cash flows net of taxes, estimated based on past experience, are discounted to their present value using a pre-tax rate that reflects current market valuations of the present cost of money and specific asset risk. The main assumptions used for calculating the value of use concern the discount rate, growth rate, expected changes in selling prices and cost trends during the period used for the calculation. The growth rates adopted are based on future market expectations in the relevant sector. Changes in the sales prices are based on past experience and on the expected future changes in the market. The Company prepares operating cash flow forecasts based on the most recent budgets approved by the Boards of Directors of the investees, draws up four-year forecasts and determines the terminal value (current value of perpetual income), which expresses the medium- and long- term operating flows in the specific sector.

Furthermore, the Company checks the recoverable amount of its investees at least once a year when the separate financial statements are prepared.

If the recoverable amount of an asset (or CGU) is estimated to be lower than its carrying value, the asset's carrying value is reduced to the lower recoverable amount, recognising impairment of value in the income statement.

When there is no longer any reason for a write-down to be maintained, the carrying value of the

asset (or cash generating unit) is increased to the new value stemming from the estimate of its recoverable amount – but not beyond the net carrying value that the asset would have had if it had not been written down for impairment. Reversal of impairment loss is recognised in the income statement.

Inventories

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

Trade receivables and other financial assets

Initial recognition

Upon initial recognition, financial assets are classified, as the case may be, on the basis of subsequent measurement methods, i.e. at amortised cost, at fair value recognised in other comprehensive income (OCI) and at fair value recognised in the income statement.

The classification of financial assets at initial recognition depends on the characteristics of the contractual cash flows of the financial assets and on the business model that the Company uses to manage them.

Trade receivables that do not contain a significant financing component are valued at the transaction price determined in accordance with IFRS 15. See the “Revenue from Contracts with Customers” paragraph.

Other financial assets are recorded at fair value plus, in the case of a financial asset not at fair value recognised in the income statement, transaction costs.

For a financial asset to be classified and measured at amortised cost or at fair value recognised in OCI, it must generate cash flows that depend solely on the principal and interest on the amount of principal to be repaid (known as ‘solely payments of principal and interest (SPPI)’).

This measurement is referred to as the SPPI test and is carried out at the instrument level.

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

- the financial asset is held as part of a business model whose objective is to hold financial assets for the purpose of collecting contractual cash flows
and
- the contractual terms of the financial asset envisage, at certain dates, cash flows represented solely by payments of principal and interest on the amount of principal to be repaid.

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

Financial assets at amortised cost of the Company include trade receivables.

Financial assets at fair value through profit or loss

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

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

Derecognition

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

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

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

Provisions for risks and charges

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

Post-employment benefit

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

Trade payables and other financial liabilities

Initial recognition

All financial liabilities are initially recognised at fair value, in addition to directly attributable transaction costs in case of mortgages, loans and payables.

The Company's financial liabilities include trade payables and other payables, mortgages and loans, including current account overdrafts and derivative financial instruments.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Loans and payables

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

Derecognition

A financial liability is derecognised when the obligation underlying the liability is discharged, cancelled or fulfilled. If an existing financial liability is replaced by another from the same lender, at substantially different conditions, or if the conditions of an existing liability are substantially

changed, this replacement or change is treated as a derecognition of the original liability accompanied by the recognition of a new liability, with any differences between the carrying values recognised in the income statement.

Policy for conversion of foreign currency items

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

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

Derivative instruments and hedge accounting

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

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

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

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

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

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

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

Revenue recognition

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

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

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

Financial income

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

Financial expenses

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

Income taxes for the year

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

Dividends

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

Treasury shares

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

Equity-settled transactions

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

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

with the expiry of the vesting period and the best estimate of the number of equity instruments that will actually vest.

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

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

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

Use of estimates

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

Recoverability of value of tangible and intangible assets and investments

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

Provisions for bad debts

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

Provisions for inventory obsolescence

Inventories subject to obsolescence and slow turnover are systematically measured and written down if their recoverable value is less than their carrying value. Write-downs are calculated

based on management assumptions and estimates, resulting from experience and historical results.

Employee benefits

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

Share-based payments

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

Income taxes

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

Other provisions

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

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

New accounting standards

Accounting standards, amendments and interpretations applicable from 1 January 2020

- Amendments to **IFRS 3 “Definition of a Business”**. The amendments were introduced to support entities in determining whether or not a set of assets acquired constitutes a business. To be considered a business, an integrated set of assets and goods must include at least one input and one underlying process that contribute significantly to the ability to create an output. Moreover, a business can exist without including all of the inputs and processes needed to create outputs.
- Amendments to **IFRS 7, IFRS 9 and IAS 39 “Interest rate benchmark reform”**. The amendments to the standards provide a number of practical expedients that apply to hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform generates uncertainties about the timing and/or amount of cash flows based on benchmarks of the hedged item or hedging instrument. These amendments have no impact on the Company's financial statements.
- Amendments to **IAS 1 and IAS 8 “Definition of Material”**. The amendments provide a new definition of materiality, which states that information is material if, as a result of its omission, or as a result of its incorrect or incomprehensible presentation, one could reasonably expect to influence the decisions that the main users of the financial statements would make on the basis of the financial information contained therein. These amendments had no impact on the separate financial statements and are not expected to have any future impact on the Company.
- Amendment to **IFRS 16 Covid-19 Related Rent Concessions**. On 28 May 2020, the IASB published an amendment to IFRS 16, which allows a lessee not to apply the requirements in IFRS 16 on the accounting effects of contractual changes for lease reductions granted by lessors as a direct result of the Covid-19 outbreak. The amendment introduces a practical expedient whereby a lessee may choose not to assess whether a reduction in lease payments constitutes a contractual change. A lessee that chooses to use this expedient recognises these reductions as if they were not contractual changes for the purpose of IFRS 16. These amendments had no impact on the Company's separate financial statements.

Comments on the main items of the statement of financial position

1. PROPERTY, PLANT AND EQUIPMENT

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

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

	31/12/2020	31/12/2019	Change
Land	5,404	5,404	-
Industrial buildings	18,521	19,389	(868)
Total	23,925	24,793	(868)

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

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

The main investments in the financial year were aimed at industrialising new products to significantly increase shares with certain strategic customers.

Investments in maintenance and replacement, so that production equipment is kept constantly up to date and efficient, are systematic.

Decreases mainly relate to the disposal of machinery to other companies of the Sabaf Group. Assets under construction include machinery under construction and advance payments to suppliers of capital equipment.

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

2. INVESTMENT PROPERTY

Cost	
At 31 December 2018	6,675
Increases	-
Sabaf Immobiliare merger	5,052
IFRS 16 assets	108
Disposals	-
At 31 December 2019	11,835
Increases	-
Disposals	(552)
At 31 December 2020	11,283
Accumulated depreciations	
At 31 December 2018	5,413
Depreciations for the year	429
Sabaf Immobiliare merger	2,017
At 31 December 2019	7,859
Depreciations for the year	420
Derecognition due to disposal	(249)
At 31 December 2020	8,030
Net carrying value	
At 31 December 2020	3,253
At 31 December 2019	3,976

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

	Investment property
1 January 2020	73
Depreciations	(35)
At 31 December 2020	38

This item includes non-operating buildings owned by the Company. Disposals during the period resulted in a capital gain of approximately €56,000.

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

3. INTANGIBLE ASSETS

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

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

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

4. EQUITY INVESTMENTS

	31/12/2020	31/12/2019	Change
In subsidiaries	65,441	57,917	7,524
Other equity investments	83	34	49
Total	65,524	57,951	7,573

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

Historical cost	Sabaf Immobiliare	Faringosi Hinges	Sabaf do Brasil	Sabaf U.S.	Sabaf Appliance Components (China)	Sabaf A.C. Kunshan (China)	Sabaf Turkey	A.R.C. s.r.l.	Okida	C.M.I. s.r.l.	Sabaf India	Total
31/12/2018	13,475	10,329	8,469	139	4,400	200	12,005	4,800	8,698	-	-	62,515
Purchase	-	-	-	-	-	-	-	-	84	13,392	-	13,476
Share capital increase	-	-	-	-	500	-	-	-	-	-	-	500
Liquidation	-	-	-	-	-	(200)	-	-	-	-	-	(200)
Merger	(13,475)	-	-	-	-	-	-	-	-	-	-	(13,475)
31/12/2019	0	10,329	8,469	139	4,900	0	12,005	4,800	8,782	13,392	-	62,816
Purchase	-	-	-	-	-	-	-	-	-	3,063	20	3,083
Share capital increase	-	-	1,092	-	3,000	-	-	-	-	-	1,750	5,842
31/12/2020	0	10,329	9,561	139	7,900	0	12,005	4,800	8,782	16,455	1,770	71,741

Provision for write-downs

31/12/2018	0	0	0	0	4,400	0	0	0	0	0	0	4,400
Write-downs	-	-	-	-	500	-	-	-	-	-	-	500
31/12/2019	0	0	0	0	4,900	0	0	0	0	0	0	4,900
Write-downs	-	-	-	-	1,400	-	-	-	-	-	-	1,400
31/12/2020	0	0	0	0	6,300	0	0	0	0	0	0	6,300

Net carrying value

31/12/2020	0	10,329	9,561	139	1,600	0	12,005	4,800	8,782	16,455	1,770	65,441
31/12/2019	0	10,329	8,469	139	0	0	12,005	4,800	8,782	13,392	0	57,916

Portion of shareholders' equity (calculated in compliance with IFRS)

31/12/2020	0	7,462	10,561	108	1,597	0	19,534	4,349	3,294	7,763	1,671	56,339
31/12/2019	0	7,319	11,524	(51)	(772)	0	25,109	3,965	1,785	5,103	0	53,982

Difference between shareholders' equity and carrying value

31/12/2020	0	(2,867)	1,000	(31)	(3)	0	7,529	(451)	(5,488)	(8,692)	(99)	(9,102)
31/12/2019	0	(3,010)	3,055	(190)	(772)	0	13,104	(835)	(6,997)	(8,289)	0	(3,934)

Faringosi Hinges s.r.l.

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

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

Cash flows for the period from 2021 to 2025 were augmented by the terminal value, which expresses the operating flows that the investee is expected to generate from the sixth year to infinity and determined based on the perpetual income. The value of use was calculated based on a discount rate (WACC) of 8.62% (9.54% in the impairment test carried out while preparing the separate financial statements at 31 December 2019) and a growth rate (g) of 2%, unchanged from the 2019 impairment test.

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

Sensitivity analysis

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

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

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

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

Sabaf do Brasil

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

Sabaf U.S.

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

The difference between the carrying value and the shareholders' equity of the investee is attributable to the non-durable losses taking into consideration expected development on the North American market.

Sabaf Appliance Components

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

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

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

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

In June 2016, the Company acquired the controlling share (70%) of A.R.C. s.r.l., leading company in the production of burners for professional cooking. The transaction allowed Sabaf to enter into a new sector, contiguous with the traditional sector of components for household gas cooking appliances, and to enhance the consolidated international presence of the Sabaf Group. A.R.C. s.r.l. recorded negative effects as a result of the pandemic on the 2020 financial year due to the closures of restaurant and hotel premises in 2020, but managed to maintain a positive economic result.

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

Cash flows for the period from 2021 to 2025 were augmented by the terminal value, which expresses the operating flows that the investee is expected to generate from the fourth year to infinity and determined based on the perpetual income. The value of use was calculated based on a discount rate (WACC) of 6.76% (6.07% in the impairment test carried out while preparing the Separate financial statements at 31 December 2019) and a growth rate (g) of 2% (1.50% in the impairment test carried out while preparing the separate financial statements at 31 December 2019).

The portion pertaining to Sabaf S.p.A. of the recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €8.796 million (70% of total

recoverable amount), compared with a carrying value of the equity investment of €4.8 million; consequently, the carrying value recorded for equity investment at 31 December 2020 was deemed recoverable.

Sensitivity analysis

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

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

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

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

As part of the acquisition of 70% of A.R.C. S.r.l., Sabaf S.p.A. signed with Loris Gasparini (current minority shareholder by 30% of A.R.C.) an agreement that aimed to regulate Gasparini's right to leave A.R.C. and the interest of Sabaf to acquire 100% of the shares after expiry of the term of five years from the signing of the purchase agreement of 24 June 2016, by signing specific option agreements. Therefore, the agreement envisaged specific options to purchase (by Sabaf) and sell (by Gasparini) exercisable as from 24 June 2021, the remaining shares of 30% of A.R.C., with strike prices contractually defined on the basis of final income parameters from A.R.C. at 31 December 2020.

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

Okida Elektronik Sanayi Limited Sirket

In 2018, the Company directly acquired 30% of Okida Elektronik (the remaining 70% was acquired through the subsidiary Sabaf Turkey). Okida is a leader in Turkey in the design and manufacture of electronic components for household appliances (mainly ovens and hoods); the transaction allowed Sabaf to enter into a new sector, contiguous with the traditional sector of components for household gas cooking appliances. Okida Elektronik performed extremely well in 2020.

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

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

Sensitivity analysis

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

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

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

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

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

In July 2019, the Company acquired 68.5% of C.M.I. s.r.l., one of the main players in the design, production and sale of hinges for household appliances. The acquisition of C.M.I. s.r.l. allowed Sabaf to achieve a leadership position on a global scale in the hinge sector, proposing itself also in this area as a reference partner for all manufacturers of household appliances. In September 2020, Sabaf S.p.A. also completed the acquisition of 15.75% of the share capital of C.M.I. s.r.l.,

following the exercise of the first put option by the minority shareholder. The fee was €3,063,000. As a result of the transaction, Sabaf S.p.A. now holds 84.25% of the share capital of C.M.I. s.r.l.

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

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

Sensitivity analysis

The recoverable amount of the equity investment was subjected to stress tests and sensitivity analyses that also took into account economic parameters and as a result of which positive results emerged.

The table below shows the changes in recoverable amount depending on changes in the WACC discount rate and growth factor g:

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

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

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

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

Sabaf India Private Limited

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

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

5. NON-CURRENT FINANCIAL ASSETS

	31/12/2020	31/12/2019	Change
Financial receivables from subsidiaries	5,537	5,280	257
Restricted bank account	0	60	(60)
Total	5,537	5,340	197

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

- an interest-bearing loan of USD 2.5 million (€2.037 million at the end-of-year exchange rate), granted to the subsidiary Sabaf do Brasil with the aim of optimising the Group's exposure to foreign exchange rate risk with maturity March 2021;
- an interest-bearing loan of €3.5 million to the subsidiary Sabaf Turkey, disbursed during 2018 as part of the coordination of the Group's financial management, with maturity in August 2021. These loans were classified as non-current assets in these separate financial statements in that the Company considers it probable that they will be renewed at maturity.

6. INVENTORIES

	31/12/2020	31/12/2019	Change
Raw Materials	9,062	7,248	1,814
Semi-processed goods	6,812	6,071	741
Finished products	7,374	7,833	(459)
Provision for inventory write-downs	(1,736)	(1,290)	(446)
Total	21,512	19,862	1,650

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

31/12/2019	1,290
Provisions	466
Utilisation	(20)
31/12/2020	1,736

7. TRADE RECEIVABLES

	31/12/2020	31/12/2019	Change
Trade receivables from third parties	29,477	20,319	9,158
Trade receivables from subsidiaries	16,048	9,094	6,954
Bad debt provision	(500)	(850)	350
Net total	45,025	28,563	16,462

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

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

Receivables assigned to factors without recourse are derecognised from the Statement of Financial Position in that the reference contract provides for the assignment of ownership of the receivables, together with ownership of the cash flows generated by the receivable, as well as of all risks and benefits, to the assignee.

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

	31/12/2020	31/12/2019	Change
Current receivables (not past due)	27,784	17,395	10,389
Outstanding up to 30 days	1,026	1,275	(249)
Outstanding from 30 to 60 days	315	513	(198)
Outstanding from 60 to 90 days	100	568	(468)
Outstanding for more than 90 days	252	568	(316)
Total	29,477	20,319	9,158

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

	31/12/2019	Provisions	Utilisation	31/12/2020
Bad debt provision	850	89	(439)	500

8. TAX RECEIVABLES

	31/12/2020	31/12/2019	Change
For income tax	1,119	1,323	(204)
for VAT	135	413	(278)
Total	1,254	1,736	(482)

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

At 31 December 2020, income tax receivables include

- €427,000 (€607,000 at 31 December 2019) for the residual amount of the receivable originating from the full deduction from IRES of IRAP relating to expenses incurred for employees and similar for the period from 2009 to 2011 (Italian Decree Law 201/2011). During 2020, the Company received a partial refund of €180,000

- the receivable from the subsidiary C.M.I. s.r.l. amounting to €316,000, relating to the balance of the 2020 income taxes transferred by the subsidiary to the consolidating company Sabaf S.p.A., in accordance with the provisions of the tax regulations relating to the national tax consolidation and the tax consolidation contracts entered into between the parties.

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

9. OTHER CURRENT RECEIVABLES

	31/12/2020	31/12/2019	Change
Credits to be received from suppliers	658	127	531
Advances to suppliers	431	104	327
Due from INAIL	42	31	11
Other	816	326	490
Total	1,947	588	1,359

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

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

10. CURRENT FINANCIAL ASSETS

	31/12/2020	31/12/2019	Change
Financial receivables from subsidiaries	-	1,600	(1,600)
Restricted bank accounts	1,233	1,233	-
Currency derivatives	127	-	127
Total	1,360	2,833	(1,473)

At 31 December 2020, the following were taken out:

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

- a term deposit of €1.173 million, due in 2021, for the portion of the price not yet paid to the sellers of the C.M.I. equity investment and deposited as collateral in accordance with the terms of the C.M.I. acquisition agreement.

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

11. CASH AND CASH EQUIVALENTS

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

12. SHARE CAPITAL

The Company's share capital consists of 11,533,450 shares with a par value of €1.00 each. The share capital paid in and subscribed did not change during the year.

At 31 December 2020, the structure of the share capital is shown in the table below.

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

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

13. TREASURY SHARES AND OTHER RESERVES

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

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

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

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

and referring to the recognition in net equity of the effective part of the derivative contracts signed to hedge the foreign exchange rate risk for which the Company applies hedge accounting.

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

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

14. LOANS

	31/12/2020			31/12/2019		
	Current	Non-current	Total	Current	Non-current	Total
Leases	161	990	1,152	297	1,750	2,047
Unsecured loans	13,269	25,900	39,169	11,904	33,736	45,640
Short-term bank loans	10,567	-	10,567	1,793	-	1,793
Total	23,997	26,890	50,887	13,994	35,486	49,480

During the year, the Company took out a new unsecured loan of €3 million. All loans are signed with an original maturity of ranging from 5 to 6 years and are repayable in instalments. Some of the outstanding unsecured loans have covenants, defined with reference to the consolidated financial statements at the end of the reporting period, as specified below:

- commitment to maintain a ratio of net financial position to shareholders' equity of less than 1 (residual amount of the loans at 31 December 2020 equal to €14 million)
- commitment to maintain a ratio of net financial position to EBITDA of less than 2.5 (residual amount of the loans at 31 December 2020 equal to €25.4 million)

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

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

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

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

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

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

15. OTHER FINANCIAL LIABILITIES

	31/12/2020		31/12/2019	
	Current	Non-current	Current	Non-current
Payables to A.R.C. shareholders	60	-	60	60
Payables to C.M.I. shareholders	1,173	-	-	1,173
Derivative instruments on interest rates	327	-	271	-
Total	1,560	-	331	1,233

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

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

16. Post-employment benefit

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

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

Post-employment benefits are calculated as follows:

Financial assumptions

	31/12/2020	31/12/2019
Discount rate	0.23%	0.40%
Inflation	1.00%	1.20%

Demographic theory

	31/12/2020	31/12/2019
Mortality rate	IPS55 ANIA	IPS55 ANIA
Disability rate	INPS 2000	INPS 2000
Staff turnover	6%	6%
Advance payouts	5% per year	5% per year
Retirement age	pursuant to legislation in force on 31 December 2020	pursuant to legislation in force on 31 December 2019

17. PROVISIONS FOR RISKS AND CHARGES

	31/12/2019	Provisions	Utilisation	31/12/2020
Provision for agents' indemnities	198	26	(6)	218
Product guarantee fund	60	8	(8)	60
Provision for risks on equity investments	780	-	(780)	-
Provision for legal risks	26	550	-	576
Total	1,064	584	(794)	854

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

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

The provision for risks on equity investments set aside in previous years against the negative shareholders' equity of the Chinese subsidiary Sabaf Appliance Components was reduced to zero following the capital increase carried out in 2020 (Note 4).

The provision for legal risks was adjusted to reflect the outstanding disputes. The 2020 appropriation was entered in the amount of €500,000 for a patent dispute for which a settlement was reached with the counterparty at the beginning of 2021. The remaining amount set aside refers to smaller disputes.

The provisions for risks, which represent the estimate of future payments made based on historical experience, have not been discounted because the effect is considered negligible.

18. TRADE PAYABLES

	31/12/2020	31/12/2019	Change
Total	26,204	15,734	10,470

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

19. TAX PAYABLES

	31/12/2020	31/12/2019	Change
To inland revenue for income tax	1,433	-	1,433
To subsidiaries for income tax	276	-	276
To inland revenue for IRPEF tax deductions	676	621	55
Other tax payables	74	74	-
Total	2,459	695	1,764

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

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

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

20. OTHER CURRENT PAYABLES

	31/12/2020	31/12/2019	Change
To employees	4,259	3,697	562
To social security institutions	2,094	1,806	288
Advances from customers	858	165	693
To agents	231	193	38
Other current payables	415	461	(46)
Total	7,857	6,322	1,535

At the beginning of 2021, payables due to employees and social security institutions were paid in accordance with the scheduled expiry dates.

Other current payables include accrued liabilities and deferred income.

21. DEFERRED TAX ASSETS AND LIABILITIES

	31/12/2020	31/12/2019
Deferred tax assets	3,892	4,276
Deferred tax liabilities	(230)	(1,734)
Net position	3,662	2,542

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

	Amortisation and leasing	Provisions and value adjustments	Fair value of derivative instruments	Goodwill	Tax loss	Actuarial evaluation of post-employment benefit	Other temporary differences	Total
At 31/12/2018	416	874	55	1,771	-	153	96	3,365
Through profit or loss	219	22	10	(354)	419	-	(43)	273
To shareholders' equity	(1,111)	-	-	-	-	15	-	(1,096)
At 31/12/2019	(476)	896	65	1,417	419	168	53	2,542
Through profit or loss	1,403	(18)	(20)	(177)	(419)	-	343	1,112
To shareholders' equity	-	-	-	-	-	8	-	8
At 31/12/2020	927	878	45	1,240	0	176	396	3,662

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

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

22. NET FINANCIAL POSITION

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

	31/12/2020	31/12/2019	Change
A. Cash (Note 11)	9	8	1
B. Positive balances of unrestricted bank accounts (Note 11)	1,586	8,335	(6,749)
C. Other cash equivalents	-	-	-
D. Liquidity (A+B+C)	1,595	8,343	(6,748)
E. Current financial receivables	1,360	2,833	(1,473)
F. Current bank payables (Note 14)	10,567	1,793	8,774
G. Current portion of non-current debt (Note 14)	13,430	12,201	1,229
H. Other current financial payables (Note 15)	1,560	331	1,229
I. Current financial debt (F+G+H)	25,557	14,325	11,232
J. Net current financial debt (I-D-E)	22,602	3,149	19,453
K. Non-current bank payables (Note 14)	26,890	35,486	(8,596)
L. Other non-current financial payables	-	1,233	(1,233)
M. Non-current financial debt (K+L)	26,890	36,719	(9,829)
N. Net financial debt (J+M)	49,492	39,868	9,624

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

Comments on key income statement items

23. REVENUE

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

Revenue by geographical area

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

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

Revenue by product family

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

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

24. OTHER INCOME

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

Services to subsidiaries refer to administrative, commercial and technical services provided within the scope of the Group.

Contingent assets include €704,000 collected as a distribution to unsecured creditors from the extraordinary administration procedure of a former customer, the related receivable having been fully written down in previous years.

Other income includes €972,000 in insurance compensation received following a fire that occurred in May 2019 and €318,000 for the benefits granted as a tax credit for investments made in 2020 (Italian Law 160/2019 paragraphs 184 to 196).

25. MATERIALS

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

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

26. COSTS FOR SERVICES

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

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

27. PERSONNEL COSTS

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

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

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

28. OTHER OPERATING COSTS

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

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

29. FINANCIAL EXPENSES

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

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

30. EXCHANGE RATE GAINS AND LOSSES

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

31. PROFITS AND LOSSES FROM EQUITY INVESTMENTS

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

This item includes dividends received from investee companies.

32. INCOME TAXES

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

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

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

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

	2020	2019
Theoretical income tax	1,513	886
Taxes related to previous financial years	(127)	(25)
Tax effect of dividends from investee companies	(124)	(265)
“Patent box” tax effect	-	(306)
“Iper and Superammortamento” tax benefit	(694)	(581)
Realignment between carrying values and tax values of properties (Note 21)	(1,360)	-
Substitute tax on realignment of property values (Note 21)	146	0
Permanent tax differences	172	4
Other differences	2	(4)
Tax credit on sanitisation costs	(28)	0
IRES (current and deferred)	(500)	(291)
IRAP (current and deferred)	394	160
Total	(106)	(131)

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

No tax disputes were pending at 31 December 2020.

33. DIVIDENDS

On 14 October 2020, shareholders were paid a dividend of €0.35 per share (total dividends of €3,924,000).

The Directors have recommended payment of a dividend of €0.55 per share this year. This dividend is subject to approval of shareholders in the annual Shareholders’ Meeting and was not included under liabilities in these financial statements.

The dividend proposed is scheduled for payment on 2 June 2021 (ex-date 31 May and record date 1 June).

34. SEGMENT REPORTING

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

35. INFORMATION ON FINANCIAL RISK

Categories of financial instruments

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

	31/12/2020	31/12/2019
Financial assets		
<i>Amortised cost</i>		
Cash and cash equivalents	1,595	8,343
Trade receivables and other receivables	46,972	29,152
Non-current loans	5,537	5,340
Current loans	-	1,600
Other financial assets	1,360	1,293
<i>Hedge accounting</i>		
Derivatives cash flow hedges (on currency)	127	-
Financial liabilities		
<i>Fair Value through profit or loss</i>		
Derivatives cash flow hedges (on interest rates)	327	271
<i>Amortised cost</i>		
Loans	50,887	49,480
Other financial liabilities	1,233	1,293
Trade payables	26,204	15,734

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

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

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

Credit risk management

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

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

A credit insurance policy is in place, which guarantees cover for approximately 36% of trade receivables.

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

Forex risk management

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

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

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

Sensitivity analysis

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

Interest rate risk management

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

Sensitivity analysis

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

Commodity price risk management

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

Liquidity risk management

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

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

At 31 December 2020

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

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

At 31 December 2019

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

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

Hierarchical levels of fair value assessment

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

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

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

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

36. RELATIONS BETWEEN GROUP COMPANIES AND WITH RELATED PARTIES

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

Impact of related-party transactions or positions on statement of financial position items

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

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

Impact of related-party transactions on income statement items

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

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

Relations with subsidiaries mainly consist of:

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

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

37. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

Pursuant to CONSOB memorandum of 28 July 2006, the following section describes and comments on significant non-recurring events, the consequences of which are reflected in the economic, equity and financial results for the year:

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

In these separate financial statements, the Company recognised:

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

- c) among other operating revenues, a provision for legal risks of €500,000 for a patent dispute for which a settlement was reached with the counterparty at the beginning of 2021 (Note 17 and Note 28).

38. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

39. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

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

40. SECONDARY OFFICES AND LOCAL UNITS

The company has two other active local units in addition to Ospitaletto:

- Lumezzane (Brescia);
- Busto Arsizio (Varese).

41. COMMITMENTS

Guarantees issued

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

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

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

43. SHARE-BASED PAYMENTS

In order to adopt a medium and long-term incentive instrument for directors and employees of the Sabaf Group, on the proposal of the Remuneration and Nomination Committee, the Board of Directors prepared a specific free allocation plan of shares (the "Plan") with the characteristics described below.

The Plan was approved by the Shareholders' Meeting on 8 May 2018 and the related Regulations by the Board of Directors on 15 May 2018, subsequently amended as resolved by the Board of Directors on 14 May 2019.

Purpose of the plan

The Plan aims to promote and pursue the involvement of the beneficiaries whose activities are considered relevant for the implementation of the contents and the achievement of the objectives set out in the Business Plan, foster loyalty development and motivation of managers, by increasing their entrepreneurial approach as well as align the interests of management with those of the Company's shareholders more closely, with a view to encouraging the achievement

of significant results in the economic and asset growth of the Company and of the Group.

Beneficiaries of the plan

The Plan is intended for persons who hold or will hold key positions in the Company and/or its Subsidiaries, with reference to the implementation of the contents and the achievement of the objectives of the 2018-2020 Business Plan. The Beneficiaries are divided into two groups:

- Cluster 1: Beneficiaries already identified in the Plan or who will be identified by the Board of Directors by 30 June 2018 on the Shareholders' Meeting authority.
- Cluster 2: Beneficiaries who will be identified by the Board of Directors from 1 July 2018 to 30 June 2019 on the Shareholders' Meeting authority.

The Board of Directors, in its meeting of 15 May 2018, identified the Beneficiaries of Cluster 1 of the Plan to whom a total of 185,600 options were assigned; and the Board of Directors in its meeting of 14 May 2019, identified the Beneficiaries of Cluster 2 of the Plan to whom a total of 184,400 options were assigned.

Subject-matter of the plan

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

The free allocation of Sabaf S.p.A. shares is conditional, among other things, on the achievement, in whole or in part, with progressiveness, of the business objectives related to the ROI, EBITDA and TSR indicators and Individual objectives, i.e. performance targets of each beneficiary determined by the Board of Directors at the suggestion of the Remuneration and Nomination Committee.

Deadline of the Plan

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

Fair Value measurement methods

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

Cluster 1

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

	2018	2019	2020	2018 - 2020
Share prices at the start of the vesting period	19.48	19.48	19.48	19.48
Expected probability of business objective achievement	35%	0%	35.0%	0%
Total value on ROI	3.07			
Rights on ROI	33.40%			
			Fair Value	1.03

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

	2018	2019	2020	
Share prices at the start of the vesting period	19.48	19.48	19.48	
Expected probability of business objective achievement	35%	0%	0%	
Total value on EBITDA	1.7			
Rights on EBITDA	33.30%			
			Fair Value	0.57

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

	2018	2019	2020	2018 - 2020
Share prices at the start of the vesting period	20.2	14.9	12.44	20.2
Risk free rate	-0.28%	-0.30%	-0.38%	-0.38%
Expected volatility	31%	18%	29%	29%
Dividend yield	0%	0%	0%	0%
Strike Price	22.61	17.39	14.51	28.34
Total value on TSR	7.57			
Rights on TSR	33.30%			
			Fair Value	2.52
Fair value per share				4.11

Cluster 2

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

	2019	2020	2019 - 2020
Share prices at the start of the vesting period	13.66	13.66	13.66
Expected probability of business objective achievement	0%	35.00%	0%
Total value on ROI	1.96		
Rights on ROI	23.38%		
Fair Value			0.46

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

	2019	2020
Share prices at the start of the vesting period	13.66	13.66
Expected probability of business objective achievement	0%	0%
Total value on EBITDA	0.00	
Rights on EBITDA	23.31%	
Fair Value		0.00

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

	2019	2020	2019 - 2020
Share prices at the start of the vesting period	14.9	12.44	14.9
Risk free rate	-0.30%	-0.38%	-0.38%
Expected volatility	18%	29%	29%
Dividend yield	0%	0%	0%
Strike Price	17.39	14.51	22.86
Total value on TSR	2.53		
Rights on TSR	23.31%		
Fair Value			0.59

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

	2019	2020
Share prices at the start of the vesting period	13.66	13.66
Expected probability of business objective achievement	93%	93%
Total value on individual objectives	12.70	
Rights on individual objectives	30.00%	
Fair Value		3.81
Fair Value per share		4.86

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

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

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

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

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

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

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

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

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

IN SUBSIDIARIES³

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

OTHER SIGNIFICANT EQUITY INVESTMENTS

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

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

ORIGIN, POSSIBILITY OF UTILISATION AND AVAILABILITY OF RESERVES

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

Key:

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

STATEMENT OF REVALUATIONS
OF EQUITY ASSETS AT 31 December 2020

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

GENERAL INFORMATION

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

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

(€/000)	Party providing the service	Fees pertaining to the 2020 financial year
Audit	EY S.p.A.	47
Certification services	EY S.p.A.	---
Other services	EY S.p.A.	42 ⁽¹⁾
<i>Total</i>		<i>89</i>

(1) auditing procedures agreement relating to interim management reports.

Certification of Separate financial statements pursuant to Article 154-bis of Italian Legislative Decree 58/98

Pietro Iotti, the Chief Executive Officer, and Gianluca Beschi, the Financial Reporting Officer of Sabaf S.p.A., have taken into account the requirements of Article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998 and can certify:

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

of the administrative and accounting procedures for the formation of the separate financial statements during the 2020 financial year.

They also certify that:

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

Ospitaletto, 23 March 2021

Chief Executive Officer
Pietro Iotti

The Financial Reporting Officer
Gianluca Beschi