2021 ANNUAL
FINANCIAL REPORT

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SABAF GROUP

REPORT ON OPERATIONS

Business and Financial situation of the Group

(€/000)	**2021**	**%**	**2020**	**%**	2021-2020 change	% change
Sales revenue	263,259	100%	184,906	100%	78,353	+42.4%
EBITDA	54,140	20.6%	37,097	20.1%	17,043	+45.9%
EBIT	37,508	14.2%	20,093	10.9%	17,415	+86.7%
Pre-tax profit	29,680	11.3%	14,509	7.8%	15,171	+104.6%
Profit attributable to the Group	23,903	9.1%	13,961	7.6%	9,942	+71.2%
Basic earnings per share (€)	2.132		1.240		0.892	+71.9%
Diluted earnings per share (€)	2.132		1.240		0.892	+71.9%

The Sabaf Group ended the 2021 financial year with a record high revenue of €263 million, up 42.4% from €184.9 million in 2020.

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

In 2021, demand was solid in all markets, with particularly high peaks in the first half of the year. In a highly dynamic environment, the Sabaf Group was able to react promptly and always guarantee the continuity and reliability of supplies to customers.

Average sales prices in 2021 were 3% higher than in 2020, largely offsetting considerable increases in the purchase prices of the main raw materials (aluminium alloys, steel and brass), electricity and gas.

Higher volumes and a high level of capacity utilisation further improved profitability: EBITDA was €54.1 million (20.6% of turnover), up 45.9% compared to €37.1 million last year (20.1% of turnover) and EBIT was €37.5 million (14.2% of turnover) with an 86.7% increase compared to €20.1 million in 2020. The net profit for 2021 was €23.9 million, up by 71.2% compared to the figure of €14 million in 2020.

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

	2021	%	2020	%	% change
Gas parts	182,468	*69.3%*	129,834	*70.2%*	+40.5%
Hinges	58,375	*22.3%*	41,326	*22.3%*	+41.3%
Electronic components	22,416	*7.4%*	13,746	*7.4%*	+63.1%
Total	**263,259**	***100%***	**184,906**	***100%***	**+42.4%**

In 2021, the increase in sales of electronic components was also particularly significant, continuing to benefit from cross-selling with the traditional products in the Group's portfolio and from the strong drive to develop new components.

The geographical breakdown of revenues is shown below:

	2021	%	2020	%	% change
Europe (excluding Turkey)	92,935	*35.3%*	69,618	*37.7%*	+33.5%
Turkey	65,526	*24.9%*	44,806	*24.2%*	+46.2%
North America	30,472	*11.6%*	22,700	*12.3%*	+34.2%
South America	39,589	*15.0%*	27,639	*14.9%*	+43.2%
Africa and Middle East	19,614	*7.5%*	12,177	*6.6%*	+61.1%
Asia and Oceania	15,123	*5.7%*	7,966	*4.3%*	+89.8%
Total	**263,259**	***100%***	**184,906**	***100%***	**+42.4%**

The increase in sales was very strong in all geographical areas, with peaks in Asia, Africa and the Middle East, indicating an increasingly global presence of our Group.

The impact of labour cost on sales decreased from 23.6% in 2020 to 20.5% in 2021.

Net finance expense as a percentage of turnover was extremely minimal, also in view of the low interest rates. During the year, the Group recognised in the income statement negative forex differences of €7.4 million, mainly due to fluctuations in exchange rates with the Turkish lira (€4.8 million of negative forex differences were recognised in 2020).

In 2021, the Group recognised positive income taxes of €5 million with a tax rate of 16.8%. The main impacts on the tax rate are shown in Note 32 to the consolidated financial statements.

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

(€/000)	**31/12/2021**	**31/12/2020**
Non-current assets	*130,093*	*131,543*
Short-term assets[2]	141,494	108,246
Short-term liabilities[3]	(72,863)	(56,017)
Working capital[4]	*68,631*	*52,229*
Provisions for risks and charges, Post-employment benefits, deferred taxes	*(8,681)*	*(9,643)*
Net invested capital	**190,043**	**174,129**
Short-term net financial position	18,897	(24,169)
Medium/long-term net financial position	(86,504)	(32,153)
Net financial debt	**(67,607)**	**(56,322)**
Shareholders' equity	**122,436**	**117,807**

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

(€/000)	**2021**	**2020**
Opening liquidity	***13,318***	***18,687***
Operating cash flow	*23,216*	*25,067*
Cash flow from investments	*(23,752)*	*(17,296)*
Free cash flow	(536)	7,771
Cash flow from financing activities	41,233	(8,133)
Acquisitions	(6,296)	(3,063)
Foreign exchange differences	(4,070)	(1,944)
Cash flow for the period	**30,331**	**(5,369)**
Closing liquidity	***43,649***	***13,318***

In 2021, the Group generated an operating cash flow of €23.2 million (€25.1 million in 2020). The higher levels of activity and the increase in the price of materials led to an increase in working capital, which stood at €68.6 million at 31 December 2021, compared to €52.2 million at the end of 2020: moreover, its impact on turnover decreased to 26.1% compared to 28.2% in 2020.

[1] Net financial debt and liquidity shown in the tables below are defined in compliance with the net financial position detailed in Note 22 of the consolidated financial statements, as required by CONSOB memorandum of 28 July 2006

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

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

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

In 2021, the Sabaf Group made net organic investments of €23.8 million (€17.3 million in 2020). During the period, key investments were made:

- in Turkey, where the production capacity of the Electronics Division was doubled and production lines for gas valves and hinges for dishwashers were set up;
- in India, where the production of gas components (valves and burners) is about to start);
- in Mexico, where work began on the construction of a new plant in San Luis de Potosi.

During the financial year, the Group paid dividends for €6.2 million, no treasury shares were purchased.

At 31 December 2021, the net financial debt was €67.6 million, compared with €56.3 million on 31 December 2020. The change in net financial debt during the year is summarised in the table below:

Net financial debt at 31 December 2020	***(56,322)***
Free cash flow	(536)
Dividends paid out	(6,172)
Buy-back of shares	-
Put options on minority interests – outlay lower than the recognised financial liabilities	438
Financial liabilities IFRS 16 - new contracts entered into in 2021	(954)
Change in fair value of derivative financial instruments	(83)
Change in the scope of consolidation	97
Foreign exchange differences and other changes	(4,075)
Net financial debt at 31 December 2021	***(67,607)***

At 31 December 2021, shareholders' equity amounted to €122.4 thousand; the ratio between the net financial debt and the shareholders' equity was 0.55 versus 0.48 in 2020.

Economic and financial indicators

	2021		**2020**	
		pro-forma[1]		pro-forma[1]
Change in turnover	+42.4%	+42.3%	+18.6%	+8.4%
ROCE (return on capital employed)	19.7%		11.5%	
Net debt/EBITDA	1.25		1.52	
Net debt/equity ratio	55%		48%	
Market capitalisation (31/12)/equity ratio	2.26		1.49	

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

1 The change in pro-forma turnover is calculated on a like-for-like basis.

Risk Factors

Risks related to coronavirus pandemic
In 2021, the coronavirus pandemic continued to directly and indirectly affect the company's activities. Since the outbreak of the pandemic, the Group Sabaf has promptly implemented several counteracting and mitigating actions to minimise the impact on the business. Although the most critical phase of the pandemic now seems to be over, all controls continue to be activated, and any elements that may change the following risk factors are constantly monitored:

- risks related to the health of people;
- the risk arising from possible local or national new lockdowns, with the consequent impossibility of guaranteeing the continuity of the company's activities;
- the risk arising from a temporary reduction in personnel availability;
- risks related to supplier reliability and possible interruptions in the supply chain;
- risks related to violent fluctuations in demand and failure to comply with contractual agreements with customers.

Risks related to the conflict between Russia and Ukraine
In relation to the recent conflict between Ukraine and Russia, note that the Group has an insignificant direct exposure to the markets of Russia, Belarus and Ukraine. However, these are markets supplied by some of the Sabaf Group's customers, who are exposed to varying degrees in terms of market access and changes in consumer behaviour.
The outbreak of the conflict immediately led to severe tensions in the prices of electricity, gas and raw materials used by the Group. Should the situation not be resolved rapidly, these factors could significantly affect demand and, more generally, the performance of the sector in which the Group operates, especially in Europe.
The repercussions on the macroeconomic system are not quantifiable in that they are related to future developments of the conflict, which are currently unpredictable.

As part of its periodic risk assessment process, the Group identified and assessed the following main risks:

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

Strategic risks
Strategic risks that could negatively impact Sabaf's medium-term performance, including, for example, risks related to low profitability of certain product lines, the risks arising from the mismatch between market needs and product innovation and the loss of business opportunities in the Chinese market.

Operational risks
Risks of suffering losses due to inadequate or malfunctioning processes, human resources and information systems. This category includes financial risks (e.g. losses deriving from the volatility of the price of raw materials and from fluctuations in exchange rates), risks related to production processes (e.g. product liability, saturation level of production capacity), organisational risks (e.g. loss of key staff and expertise and/or the difficulty of replacing them) and Information Technology risks.

Legal and compliance risks
Risks related to Sabaf's contractual liabilities and compliance with the regulations applicable to the Group, including: Legislative Decree 231/2001, Law 262/2005, HSE regulations, regulations applicable to listed companies, tax regulations, labour regulations, international trade regulations and intellectual property regulations.

The main risks are described in detail below as well as the relevant risk management actions that are currently being implemented.

Performance of the sector
The Group's financial position, results and cash flows are affected by several factors related to the performance of the sector, including:

- general macro-economic performance: the household appliance market is affected by macro-economic factors such as gross domestic product, consumer and business confidence, interest rate trend, the cost of raw materials, the unemployment rate and the ease of access to credit;
- concentration of the end markets: as a result of mergers and acquisitions, customers have acquired bargaining power;
- stagnation of demand in mature markets (i.e. Europe) in favour of growth in emerging Countries, characterised by different sales conditions and a more unstable macro-economic environment;
- increasing competition, which in some cases imposes aggressive pricing policies.

To cope with this situation, the Group aims to retain and reinforce its leadership position wherever possible through:

- the maintenance of high quality and safety standards, which make it possible to differentiate the product through the use of resources and implementation of production processes that are not easily sustainable by competitors;
- development of new products characterised by superior performance compared with market standards, and tailored to the needs of the customer;
- strengthening of business relations with the main players in the sector;
- diversification of commercial investments in growing and emerging markets with local commercial and productive investments;
- entry into new segments / business sectors.

Instability of Emerging countries in which the Group operates
The Group is exposed to risks related to (political, economic, tax, regulatory) instability in some emerging countries where it produces or sells. Any embargoes or major political or economic instability, or changes in the regulatory and/or local law systems, or new tariffs or taxes imposed could negatively affect a portion of Group turnover and the related profitability.

Sabaf has taken the following measures to mitigate the above risk factors:

- diversifying investments at international level, setting different strategic priorities that, in addition to business opportunities, also consider the different associated risk profiles;
- monitoring of the economic and social performance of the target countries, also through a local network of agents and collaborators;
- timely assessment of (potential) impacts of any business interruption on the markets of Emerging countries;
- adoption of contractual sales conditions that protect the Group (e.g. insuring business loans or advance payments).

The presence of Sabaf in Turkey, the country that represents the main production hub of household appliances at European level, is of particular importance: over the years, local industry attracted heavy foreign investments and favoured the growth of important manufacturers. In this context, the Sabaf Group created a production plant in Turkey in 2012 that realises today 10% of total production. In 2018, the Group also acquired 100% of Okida Elektronik, a leader in Turkey in the design, manufacture and sale of electronic control boards for household appliances. In 2021 the Group opened a new plant in Turkey. In 2021, Turkey represented 18% of the Group's production and 25% of its total sales. The Turkish market is estimated to represent around 5% of the final destination of Sabaf components. In consideration of the strategic importance of this Country, the management assessed the risks that could arise from any difficulties/impossibilities of operating in Turkey and envisaged actions to mitigate this risk.

Product competition

The Sabaf Group is mainly active in the production of gas cooking components (valves and burners); therefore, there is the risk of not correctly assessing the threats and opportunities deriving from the competition of alternative products (such as electric cooking), with the consequence of not adequately making use of any market opportunities and/or suffering from negative impacts on margins and turnover.

In recent years, the Group carried out strategic operations aimed at reducing the dependence of its business on the gas cooking sector, concluding significant acquisitions of companies operating in related sectors.

The Group has recently undertaken a strategic development plan to extend its product range, setting up a dedicated project team in Italy. Research and development also benefits from the expertise derived from the acquisition of Okida, a Turkish leader in electronic components.

Loss of business opportunities in the Chinese market

With a production of over 20 million hobs per year, China is one of the world's most important markets. After many years of commercial presence only, in 2015 Sabaf started a small production unit, which still does not guarantee an adequate economic return.

The Group is reviewing its strategy for approaching the Chinese market and intends to:

- implement shortly a plan suitable for using growth opportunities offered by the local market;
- continue to develop product lines in accordance with the needs of the Chinese market and in compliance with local regulations;

- adopt and maintain a quality-price mix in line with the expectations of potential local customers.

Financial risks
The Sabaf Group is exposed to a series of financial risks, due to:

- **Commodity price volatility**: A significant portion of the Group's purchase costs is represented by aluminium, steel and brass. Metal prices rose sharply during 2021, forcing the Group to renegotiate sales prices several times to compensate for the increase in costs. Based on market conditions and contractual agreements, the Group may not be able to pass on changes in raw material prices to customers in a timely and/or complete manner, with consequent effects on margins.
- **Increase in energy costs**: Some of the Group's production processes, such as the die-casting of aluminium parts and the enamelling of burner covers, use gas as an energy source. Other production facilities absorb significant electricity consumption. The increase in energy costs can significantly affect margins. In order to mitigate this risk, the Group is constantly evaluating possible actions to contain energy consumption, including by improving the efficiency of the most energy-intensive plants.
- **Exchange rate fluctuation**: The Group carries out transactions primarily in euro; however, transactions also take place in other currencies, such as the U.S. dollar, the Brazilian real, the Turkish lira and the Chinese renminbi. in particular, since turnover in US dollars accounted for 18.6% of consolidated turnover, the possible depreciation against the euro and the real could lead to a loss in competitiveness on the markets in which sales are made in that currency (mainly South and North America). Moreover, the net value of assets and liabilities in foreign subsidiaries constitutes an investment in foreign currency, which generates a translation difference on consolidation of the Group, with an impact on the comprehensive income statement and the financial position.
- **Trade receivable**: The high concentration of turnover on a small number of customers generates a concentration of the respective trade receivables, with a resulting increase in the negative impact on economic and financial results in the event of insolvency of any one of them.

For more information on financial risks and the related management methods, see Note 36 of the consolidated financial statements as regards disclosure for the purposes of IFRS 7.

Research and Development

In 2021, the Sabaf Group set up a dedicated team to develop new solutions for home cooking, with the aim of creating innovative products that meet the needs of manufacturers of household appliances and new consumer trends.

The most innovative projects in 2021 include the development and prototyping of burners capable of operating with 100% hydrogen (replacing methane), both in domestic cooking appliances and for the professional sector. In this context, the Sabaf Group is participating as a strategic supplier in the Hy4Heat project, funded by BEIS (Department for Business, Energy & Industrial Strategy), the UK Department for Business, Energy and Industrial Strategy. The Hy4Heat project aims to determine whether it is technically possible, safe and cost-effective to replace natural gas (methane) with 100% hydrogen in residential and commercial buildings and gas appliances.

The other most important research and development projects carried out in 2021 were as follows:

Gas parts

- the study for a 4kw multi-cone burner, based on the existing platform, was launched
- burners for the US market and new customised burners were developed
- two special versions of mini triple ring burners were developed for the South American market
- a new snap-in catenary was developed and industrialised
- *premium flame taps were developed* for kitchens

Hinges

- the development of motorised hinges for built-in ovens continued;
- new hinge platforms for dishwashers were developed for strategic customers.
- a new hidden hinge for oven doors (in standard and dual soft versions) was designed for the global platform of a major customer
- a soft-close hinge for top-loading washing machines was industrialised

Electronic components

- a control platform for gas cookers with a touch interface was developed;
- controls were developed for glass ceramic cooking with class B certification;
- a timer platform compatible with North American market regulations was developed.

The improvement in production processes continued throughout the Group, also in order to minimise set-up times and make production more flexible. The Group also develops and manufactures its own machinery, equipment and moulds.

Development costs to the tune of €1,770,000 were capitalised, as all the conditions set by international accounting standards were met; in other cases, they were charged to the income statement.

Disclosure of non-financial information

Starting from 2017, the Sabaf Group publishes the consolidated disclosure of non-financial information required by Legislative Decree no. 254/2016 in a report separate from this Report on Operations. The disclosure of non-financial information provides all the information needed to ensure understanding of the Group's activities, performance, results and impact, with particular reference to environmental, social and personnel issues, respect for human rights and the fight against active and passive corruption, which are relevant considering the Group's activities and characteristics.
The disclosure of non-financial information is included in the same file in which the report on operations, the consolidated financial statements, the separate financial statements of the parent company Sabaf S.p.A. and the remuneration report are published.
It should be noted that since 2005, the Sabaf Group has drawn up an Annual Report on its economic, social and environmental sustainability performance.

Personnel

In 2021, the Sabaf Group suffered no on-the-job deaths or serious accidents that led to serious or very serious injuries to staff for which the Group was definitively held responsible, nor was

it held responsible for occupational illnesses of employees or former employees, or causes of mobbing.
For all other information, please refer to the Disclosure of non-financial information.

Environment
In 2021 there was no:
- damage caused to the environment for which the Group was held definitively responsible;
- definitive fines or penalties imposed on the Group for environmental crimes or damage.

For all other information, please refer to the Disclosure of non-financial information.

Corporate Governance
For a complete description of the corporate governance system of the Sabaf Group, see the report on corporate governance and on the ownership structure, available in the Investor Relations section of the company website.

Internal Control System on Financial Reporting
The internal control system on financial reporting is described in detail in the report on corporate governance and on ownership structure.
With reference to the "conditions for listing shares of parent companies set up and regulated by the law of states not belonging to the European Union" pursuant to articles 36 and 39 of the Market Regulations, the Company and its subsidiaries have administrative and accounting systems that can provide the public with the accounting situations prepared for drafting the consolidated report of the companies that fall within the scope of this regulation and can regularly supply management and the auditors of the Parent Company with the data necessary for drafting the consolidated financial statements. The Sabaf Group has also set up an effective information flow to the independent auditor as well as continuous information on the composition of the corporate bodies of the subsidiaries, together with information on the offices held, and requires the systematic and centralised gathering as well as regular updates of the formal documents relating to the articles of association and granting of powers to corporate bodies. The conditions exist as required by article 36, letters a), b) and c) of the Market Regulations issued by CONSOB.

Model 231
The Organisation, Management and Control Model, adopted pursuant to Legislative Decree 231/2001, is described in the report on company governance and on the ownership structure, which should be reviewed for reference.

Personal data protection
Sabaf S.p.A. has an Organisational Model for the management and protection of personal data consistent with the provisions of European Regulation 2016/679 (General Data Protection Regulation - GDPR). Specific projects are implemented or are being implemented for all Group companies for which the GDPR is applicable.

Derivative financial instruments
For the comments on this item, please see Note 36 of the consolidated financial statements.

Atypical or unusual transactions

Sabaf Group companies did not execute any unusual or atypical transactions in 2021.

Management and coordination

Sabaf S.p.A. is not subject to management and coordination by other companies.
Sabaf S.p.A. exercises management and coordination activities over its Italian subsidiaries, Faringosi Hinges s.r.l., A.R.C. s.r.l., C.M.I. s.r.l. and C.G.D. s.r.l.

Intra-group transactions and related-party transactions

The relationships between the Group companies, including those with the parent company, are regulated under market conditions, as well as the relationships with related parties, defined in accordance with the accounting standard IAS 24. The details of intra-group transactions and other related-party transactions are given in Note 37 of the consolidated financial statements and in Note 35 of the separate financial statements of Sabaf S.p.A.

Business outlook

In the first weeks of 2022, demand remained strong in many of the Group's major markets and sales order flow was good. This trend is expected to continue in the coming months, also supported by the gradual increase in supplies related to new orders. For the whole of 2022, the Sabaf Group expects to achieve revenues ranging from €275 to €280 million, up by 5%-6% on 2021.

The Group acted promptly to counteract the effects of the increases in energy and raw materials: further increases in sales prices were negotiated and actions were taken to contain energy consumption, also by increasing the efficiency of the most energy-consuming plants. Strategies to mitigate currency risk were also defined. In this way, the Group believes it will be able to maintain excellent profitability in line with historical averages.

These assumptions do not take into account the potential impacts of the recent conflict between Ukraine and Russia, which are currently not quantifiable as they are related to future developments in the conflict, the outcome of which cannot be determined. Although the Group has a non-significant direct exposure to the markets of Russia, Belarus and Ukraine, it is exposed to indirect effects on the price trends of raw materials, electricity and gas, the supply chain and final demand.

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

(€/000)	2021	2020	Change	% change
Sales revenue	144,034	102,583	41,451	+40.4%
EBITDA	23,078	15,820	7,258	+45.9%
EBIT	13,837	6,610	7,227	+109.3%
Pre-tax profit (EBT)	14,227	6,304	7,923	+125.7%
Net Profit	10,044	6,410	3,634	+56.7%

The reclassification based on financial criteria is illustrated below:

(€/000)	31/12/2021	31/12/2020
Non-current assets [1]	*142,549*	*123,679*
Non-current financial assets	*10,708*	*5,537*
Short-term assets[2]	82,572	69,738
Short-term liabilities[3]	(46,453)	(36,520)
Working capital[4]	*36,119*	*33,218*
Provisions for risks and charges, Post-employment benefits, deferred taxes	*(2,954)*	*(3,013)*
Net invested capital	**186,422**	**159,421**
Short-term net financial position	10,502	(22,602)
Medium/long-term net financial position	(82,515)	(26,891)
Total financial debt[5]	**(72,013)**	**(49,493)**
Shareholders' equity	**114,409**	**109,928**

1 Excluding Financial assets
2 Sum of Inventories, Trade receivables, Tax receivables and Other current receivables
3 Sum of Trade payables, Tax payables and Other liabilities
4 Difference between short-term assets and short-term liabilities
5 Determined in accordance with Consob Communication of 28 July 2006 (Note 22 of the separate financial statements)

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

(€/000)	**2021**	**2020**
Opening liquidity	***1,595***	***8,343***
Operating cash flow	*17,187*	*9,590*
Cash flow from investments	*(28,407)*	*(13,381)*
Free cash flow	(11,220)	(3,791)
Cash flow from financing activities	39,358	(2,957)
Cash flow for the period	**28,138**	**(6,748)**
Closing liquidity	***29,733***	***1,595***

The 2021 financial year ended with a turnover 40.4% higher than in 2021, thanks to a very strong demand, increased portions on certain strategic customers and increases in sales prices.

The investments of the financial year were mainly used:

- for €9.1 million for tangible assets (plant, machinery, equipment);
- for €12.9 million to subscribe to capital increases in subsidiaries, in order to financially support their development plans;
- for increasing the shareholdings in subsidiaries by €6.4 million.

At 31 December 2021, working capital stood at €36.1 million compared with €33.2 million at the end of the previous year: its percentage impact on turnover stood at 25.1% from 32.4% at the end of 2020.

The net financial debt was €72 million, compared with €49.5 million at 31 December 2020.

At the end of the year, shareholders' equity amounted to €114.4 million, compared with €109.9 million in 2020. The ratio between the net financial debt and the shareholders' equity was 63%; it was 45% at the end of 2020.

Reconciliation between parent company and consolidated shareholders' equity and net profit for the period

Pursuant to the CONSOB memorandum of 28 July 2006, a reconciliation statement of the result of the 2021 financial year and Group shareholders' equity at 31 December 2021 with the same values of the parent company Sabaf S.p.A. is given below:

Description	31/12/2021 Profit for the year	31/12/2021 Shareholders' equity	31/12/2020 Profit for the year	31/12/2020 Shareholders' equity
Profit and shareholders' equity of parent company Sabaf S.p.A.	**10,044**	**114,409**	**6,410**	**109,928**
Equity and consolidated company results	15,008	96,538	8,734	90,566
Derecognition of the carrying value of consolidated equity investments	300	(86,089)	620	(73,816)
Put options on minorities	438	0	456	(6,831)
Intercompany eliminations	(1,250)	(2,414)	(1,758)	(1,778)
Other adjustments	143	(8)	(103)	(262)
Minority interests	(780)	(911)	(398)	(4,809)
Profit and shareholders' equity attributable to the Group	**23,903**	**121,525**	**13,961**	**112,998**

Proposal for allocation of 2021 profit

As we thank our employees, the Board of Statutory Auditors, the independent auditors and the Supervisory Authorities for their effective collaboration, we ask the shareholders to approve the financial statements for the year ended 31 December 2021, with the proposal to allocate the profit for the year of €10,043,877 in the following manner:

- a dividend of €0.60 per share to be paid to shareholders as from 1 June 2022 (ex-date 30 May 2022 and record date 31 May 2022). With regard to treasury shares, we ask you to allocate an amount corresponding to the dividend on the shares held in portfolio on the ex-date to the Extraordinary Reserve;
- the remainder to the Extraordinary Reserve.

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2021

GROUP STRUCTURE AND CORPORATE BODIES

Group structure

Parent company

SABAF S.p.A.

Subsidiaries and equity interest pertaining to the Group

<u>Companies consolidated on a line-by-line basis</u>	
Faringosi Hinges s.r.l.	100%
Sabaf do Brasil Ltda.	100%
Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki (Sabaf Turkey)	100%
Sabaf Appliance Components (Kunshan) Co., Ltd.	100%
Okida Elektronik Sanayi ve Tickaret A.S	100%
Sabaf US Corp.	100%
A.R.C. s.r.l.	100%
Handan A.R.C. Burners Co., Ltd.	51%
Sabaf India Private Limited	100%
Sabaf Mexico Appliance Components S.A. de c.v.	100%
C.M.I. s.r.l.	100%
C.G.D. s.r.l.	100%

Honorary Chairman Giuseppe Saleri

Board of Directors

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

(*) independent directors

Board of Statutory Auditors

Chairman	Alessandra Tronconi
Statutory Auditor	Maria Alessandra Zunino de Pignier
Statutory Auditor	Mauro Vivenzi

Independent Auditors

EY S.p.A.

Consolidated statement of financial position

(€/000)	Notes	31/12/2021	31/12/2020
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	**1**	82,407	76,507
Investment property	**2**	2,311	3,253
Intangible assets	**3**	35,553	43,017
Equity investments	**4**	83	173
Non-current receivables	**5**	1,100	518
Deferred tax assets	**21**	8,639	8,075
Total non-current assets		**130,093**	**131,543**
CURRENT ASSETS			
Inventories	**6**	64,153	39,224
Trade receivables	**7**	68,040	63,436
Tax receivables	**8**	6,165	2,419
Other current receivables	**9**	3,136	3,167
Current financial assets	**10**	1,172	1,495
Cash and cash equivalents	**11**	43,649	13,318
Total current assets		**186,315**	**123,059**
ASSETS HELD FOR SALE		**0**	**0**
TOTAL ASSETS		**316,408**	**254,602**
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	**12**	11,533	11,533
Retained earnings, Other reserves	**13**	86,089	87,504
Profit for the year		23,903	13,961
Total equity interest of the Group		*121,525*	*112,998*
Minority interests		*911*	*4,809*
Total shareholders' equity		**122,436**	**117,807**
NON-CURRENT LIABILITIES			
Loans	**14**	86,504	32,153
Post-employment benefit and retirement provisions	**16**	3,408	3,513
Provisions for risks and charges	**17**	1,334	1,433
Deferred tax liabilities	**21**	3,939	4,697
Total non-current liabilities		**95,185**	**41,796**
CURRENT LIABILITIES			
Loans	**14**	24,405	30,493
Other financial liabilities	**15**	1,519	8,489
Trade payables	**18**	54,837	41,773
Tax payables	**19**	4,951	3,287
Other payables	**20**	13,075	10,957
Total current liabilities		**98,787**	**94,999**
LIABILITIES HELD FOR SALE		**0**	**0**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**316,408**	**254,602**

Consolidated income statement

(€/000)	Notes	2021	2020
INCOME STATEMENT COMPONENTS			
OPERATING REVENUE AND INCOME			
Revenue	**23**	263,259	184,906
Other income	**24**	8,661	7,194
Total operating revenue and income		**271,920**	**192,100**
OPERATING COSTS			
Materials	**25**	(142,355)	(82,966)
Change in inventories		29,922	6,406
Services	**26**	(52,377)	(34,264)
Personnel costs	**27**	(53,964)	(43,700)
Other operating costs	**28**	(1,531)	(1,981)
Costs for capitalised in-house work		2,525	1,502
Total operating costs		**(217,780)**	**(155,003)**
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS		**54,140**	**37,097**
Depreciations and amortisation	**1, 2, 3**	(16,869)	(16,968)
Capital gains on disposals of non-current assets		237	105
Value adjustments of non-current assets		0	(141)
EBIT		**37,508**	**20,093**
Financial income	**29**	750	1,366
Financial expenses	**30**	(1,179)	(2,146)
Exchange rate gains and losses	**31**	(7,399)	(4,812)
Profits and losses from equity investments	**4**	0	8
PROFIT BEFORE TAXES		**29,680**	**14,509**
Income taxes	**32**	(4,997)	(149)
PROFIT FOR THE YEAR		**24,683**	**14,360**
of which:			
Minority interests		780	399
PROFIT ATTRIBUTABLE TO THE GROUP		**23,903**	**13,961**
EARNINGS PER SHARE (EPS)	**33**		
Base (€)		**2.132**	**1.240**
Diluted (€)		**2.132**	**1.240**

Consolidated statement of comprehensive income

(€/000)	**2021**	**2020**
PROFIT FOR THE YEAR	**24,683**	**14,360**
Total profits/losses that will not be subsequently reclassified under profit (loss) for the year		
Actuarial evaluation of post-employment benefit	26	16
Tax effect	(6)	(3)
	20	13
Total profits/losses that will be subsequently reclassified under profit (loss) for the year		
Forex differences due to translation of financial statements in foreign currencies	(14,552)	(12,564)
Hedge accounting for derivative financial instruments	(398)	0
Total other profits/(losses) net of taxes for the year	**(14,930)**	**(12,551)**
TOTAL PROFIT	**9,753**	**1,809**
of which:		
Net profit for the period attributable to minority interests	780	399
Total profits/losses that will be subsequently reclassified under profit (loss) for the year	0	8
Total profit attributable to minority interests	**780**	**407**
TOTAL PROFIT ATTRIBUTABLE TO THE GROUP	**8,973**	**1,402**

Statement of changes in consolidated shareholders’ equity

(€/000)	Share capital	Share premium reserve	Legal reserve	Treasury shares	Translation reserve	Post-employment benefit discounting reserve	Other reserves	Profit for the year	Total Group shareholders' equity	Minority interests	Total shareholders’ equity
Balance at 31 December 2019	**11,533**	**10,002**	**2,307**	**(2,268)**	**(18,939)**	**(546)**	**102,024**	**9,915**	**114,028**	**7,077**	**121,105**
Allocation of 2019 profit											
- carried forward							9,915	(9,915)	0		0
IFRS 2 measurement stock grant plan							658		658		658
Hedge accounting for derivatives							240		240	7	247
Purchase of treasury shares				(2,073)					(2,073)		(2,073)
Change in the scope of consolidation							2,657		2,657	(2,657)	0
Dividends paid out							(3,924)		(3,924)		(3,924)
Other changes							10		10	(25)	(15)
Total profit at 31 December 2020					(12,564)	5		13,961	1,402	407	1,809
Balance at 31 December 2020	**11,533**	**10,002**	**2,307**	**(4,341)**	**(31,503)**	**(541)**	**111,580**	**13,961**	**112,998**	**4,809**	**117,807**
Allocation of 2020 profit											
- carried forward							7,789	(7,789)	0		0
- dividends paid out								(6,172)	(6,172)		(6,172)
IFRS 2 measurement stock grant plan							805		805		805
Treasury share transactions				438			(438)		0		0
Change in the scope of consolidation							4,909		4,909	(4,678)	231
Other changes							12		12		12
Total profit at 31 December 2021					(14,552)	20	(398)	23,903	8,973	780	9,753
Balance at 31 December 2021	**11,533**	**10,002**	**2,307**	**(3,903)**	**(46,055)**	**(521)**	**124,259**	**23,903**	**121,525**	**911**	**122,436**

Consolidated statement of cash flows

	2021	2020
Cash and cash equivalents at beginning of year	***13,318***	***18,687***
Profit for the year	24,683	14,360
Adjustments for:		
- Depreciations and amortisation	16,869	16,968
- Write-downs of non-current assets	0	141
- Realised gains/losses	(237)	(105)
- Valuation of the stock grant plan	805	658
- Profits and losses from equity investments	0	(8)
- Net financial income and expenses	429	780
- Income tax	4,997	149
Change in post-employment benefit	(85)	(180)
Change in risk provisions	(99)	438
Change in trade receivables	*(4,604)*	*(16,507)*
Change in inventories	*(24,929)*	*(3,881)*
Change in trade payables	*13,064*	*14,213*
Change in net working capital	(16,469)	(6,175)
Change in other receivables and payables, deferred taxes	(1,515)	2,115
Payment of taxes	(5,296)	(2,999)
Payment of financial expenses	(1,167)	(1,235)
Collection of financial income	301	160
Cash flows from operations	**23,216**	**25,067**
Investments in non-current assets		
- intangible	(2,106)	(1,097)
- tangible	(22,803)	(16,623)
- financial	0	(50)
Disposal of non-current assets	1,157	474
Cash flow absorbed by investments	**(23,752)**	**(17,296)**
Free cash flow	**(536)**	**7,771**
Repayment of loans	(47,381)	(18,413)
Raising of loans	94,726	16,216
Short-term financial assets	60	60
Purchase/sale of treasury shares	0	(2,073)
Payment of dividends	(6,172)	(3,924)
Cash flow absorbed by financing activities	**41,233**	**(8,133)**
A.R.C. acquisition	(1,650)	0
C.M.I. acquisition	(4,743)	(3,063)
ARC Handan consolidation	97	0
Foreign exchange differences	(4,070)	(1,944)
Net cash flows for the year	**30,331**	**(5,369)**
Cash and cash equivalents at end of year (Note 10 and 11)	***43,649***	***13,318***

Explanatory Notes

ACCOUNTING STANDARDS

Statement of compliance and basis of presentation

The consolidated financial statements of the Sabaf Group for the 2021 financial year have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. Reference to IFRS also includes all current International Accounting Standards (IAS). The financial statements have been prepared in euro, the current currency in the economies in which the Group mainly operates, rounding amounts to the nearest thousand, and are compared with consolidated financial statements for the previous year, prepared according to the same standards. They consist of the statement of financial position, the income statement, the statement of changes in shareholders' equity, the statement of cash flows and these explanatory notes. The financial statements have been prepared on a historical cost basis except for some revaluations of property, plant and equipment undertaken in previous years, and are considered a going concern. The Group assessed that it is a going concern (as defined by paragraphs 25 and 26 of IAS 1 and by Art. 2423 bis of the Italian Civil Code), also due to the strong competitive position, high profitability and solidity of the financial structure.

Financial statements

The Group has adopted the following formats:

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

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

Scope of consolidation

The scope of consolidation at 31 December 2021 comprises the parent company Sabaf S.p.A. and the following companies controlled by Sabaf S.p.A.:

- Faringosi Hinges s.r.l.
- Sabaf do Brasil Ltda.
- Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki (Sabaf Turkey)
- Sabaf Appliance Components (Kunshan) Co., Ltd.
- A.R.C. s.r.l.
- Handan ARC Burners Co. Ltd.
- Okida Elektronik Sanayi ve Tickaret A.S
- Sabaf U.S.

- Sabaf India Private Limited
- Sabaf Mexico Appliance Components S.A. de c.v.
- C.M.I. s.r.l.
- C.G.D. s.r.l.

Compared to the consolidated financial statements at 31 December 2020, the companies Sabaf Mexico Appliance Components, in which Sabaf S.p.A. made a capital contribution of €3,128 thousand during 2021, and Handan A.R.C. Burners Co. Ltd, a company indirectly held through A.R.C. s.r.l. and previously measured at equity, in which the Group acquired control of 51% during 2021 following the purchase of an additional 30% of the share capital of A.R.C. as described in the following paragraph, are consolidated on a line-by-line basis.

In October 2021, Sabaf S.p.A. completed the acquisition of 30% of the capital of A.R.C. s.r.l., in execution of the agreement signed between the parties in 2016, when Sabaf had acquired the 70% of A.R.C. As a result of this transaction Sabaf now holds 100% of A.R.C. In November 2021, Sabaf S.p.A. also completed the acquisition of 15.75% of the share capital of C.M.I. s.r.l. by the minority shareholder Starfire s.r.l. (Guandong Xingye Investment Group). Sabaf S.p.A. had acquired 68.5% of C.M.I. in July 2019 and a further 15.75% stake in September 2020. As a result of this transaction Sabaf now holds 100% of C.M.I..
On 31 December 2021, the merger through incorporation of C.M.I. Polska Sp. Z.o.o. into C.M.I. s.r.l. became effective. This transaction did not affect the scope of consolidation or other elements of these consolidated financial statements.

The companies in which Sabaf S.p.A. simultaneously possess the following three elements are considered subsidiaries: (a) power over the company; (b) exposure or rights to variable returns resulting from involvement therein; (c) ability to affect the size of these returns by exercising power. Subsidiaries are consolidated from the date on which control begins until the date on which control ceases.

Consolidation criteria

The data used for consolidation have been taken from the income statements and statements of financial position prepared by the directors of the individual subsidiary companies. These figures have been appropriately amended and restated, when necessary, to align them with international accounting standards and with uniform group-wide classification criteria.

The criteria applied for consolidation are as follows:

a) assets and liabilities, income and costs in financial statements consolidated on a line-by-line basis are incorporated into the Group financial statements, regardless of the entity of the equity interest concerned. Moreover, the carrying value of equity interests is derecognised against the shareholders' equity relating to investee companies;
b) positive differences arising from elimination of equity investments against the carrying value of shareholders' equity at the date of first-time consolidation are attributed to the higher values of assets and liabilities when possible and, for the remainder, to goodwill. In accordance with the provisions of IFRS 3, since 1

January 2004, the Group has not amortised goodwill and instead subjects it to impairment testing;

c) payable/receivable and cost/revenue items between consolidated companies and profits/losses arising from intercompany transactions are derecognised;

d) the portion of shareholders' equity and net profit for the period pertaining to minority shareholders is posted in specific items of the balance sheet and income statement.

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

Separate financial statements of each company belonging to the Group are prepared in the currency of the country in which that company operates (functional currency). For the purposes of the consolidated financial statements, the financial statement of each foreign entity is expressed in euro, which is the Group's functional currency and the reporting currency for the consolidated financial statements.
Balance sheet items in accounts expressed in currencies other than euro are converted by applying current end-of-year exchange rates.
Income statement items are converted at average exchange rates for the year.
Foreign exchange differences arising from the comparison between opening shareholders' equity converted at current exchange rates and at historical exchange rates, together with the difference between the net result expressed at average and current exchange rates, are allocated to "Other Reserves" in shareholders' equity.
The exchange rates used for conversion into euro of the financial statements of the foreign subsidiaries, prepared in local currency, are shown in the following table:

Description of currency	Exchange rate in effect at 31/12/2021	Average exchange rate 2021	Exchange rate in effect at 31/12/2020	Average exchange rate 2020
Brazilian real	6.3101	6.3778	6.3735	5.8929
Turkish lira	15.233	10.510	9.1131	8.0548
Chinese renminbi	7.1947	7.6271	8.0225	7.8664
Polish Zloty	4.5969	4.5651	4.5597	4.4431
Indian Rupee	84.229	87.439	89.660	84.638
Mexican peso	23.143	23.985	-	-

Segment reporting

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

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

Accounting policies

The accounting standards and policies applied for the preparation of the consolidated financial statements at 31 December 2021, unchanged versus the previous year, are shown below:

Property, plant and equipment
These are recognised at purchase or manufacturing cost. The cost includes directly chargeable ancillary costs. These costs also include revaluations undertaken in the past based on monetary revaluation rules or pursuant to company mergers. Depreciation is calculated according to rates deemed appropriate to spread the carrying value of tangible assets over their useful working life. Estimated useful working life in years, unchanged compared to previous financial years, is as follows:

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

Ordinary maintenance costs are expensed in the year in which they are incurred; costs that increase the asset value or useful working life are capitalised and depreciated according to the residual possibility of utilisation of the assets to which they refer.
Land is not depreciated.

Leased assets
The Group assesses at the time of signing an agreement whether it is, or contains, a lease, or if the contract gives the right to control the use of an identified asset for a period of time in exchange for a consideration.
The Group adopts a single recognition and measurement model for all leases according to which the assets acquired relating to the right of use are shown under assets at purchase value less depreciation, any impairment losses and adjusted for any re-measurement of lease liabilities.
Assets are depreciated on a straight-line basis from the starting date of the agreement until the end of the useful life of the asset or the end of the lease agreement, whichever comes first. Set against recognition of such assets, the amounts payable to the lessor, are posted among short- and medium-/long-term payables, by measuring them at the present value of the lease payments not yet made. Moreover, financial charges pertaining to the period are charged to the income statement.

Adoption of the accounting standard IFRS 16 "Leases"
The Group applied IFRS 16 from 1 January 2019 by using the amended retrospective approach.
When evaluating the lease liabilities, the Group discounted the payments due for the lease using the incremental borrowing rate, the weighted average of which was 3.86% on 31 December 2021 and 2.52% on 31 December 2020. The rate was defined taking also

account of the currency in which the lease agreements are denominated and the country in which the leased asset is located.

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

Goodwill

Goodwill is the difference between the purchase price and fair value of investee companies' identifiable assets and liabilities on the date of acquisition.
As regards acquisitions completed prior to the date of IFRS adoption, the Sabaf Group has used the option provided by IFRS 1 to refrain from applying IFRS 3 – concerning business combinations – to acquisitions that took place prior to the transition date.
Consequently, goodwill arising in relation to past acquisitions has not been recalculated and has been posted in accordance with Italian GAAPs, net of amortisation reported up to 31 December 2003 and any losses caused by a permanent value impairment.
After the transition date, goodwill – as an intangible asset with an indefinite useful life – is not amortised but subjected annually to impairment testing to check for value loss, or more frequently if there are signs that the asset may have suffered impairment (impairment test).

Equity investments in associates and joint ventures

An associated company is a company on which the Group exercises significant influence. Significant influence is the power to participate in determining the financial and operational policies of the associated company without having control or joint control over it. A joint venture is a joint control agreement in which the parties holding the joint control have rights on the net assets of the agreement.
The Group's equity investment in associates and joint ventures is measured using the equity method: the equity investment is initially entered at cost, subsequently, the carrying value of the equity investment is increased or decreased to reflect the investor's share of the investee's profits and losses realised after the acquisition date.
Goodwill pertaining to the associated company or joint venture is included at the carrying value of the equity investment and is not subject to individual assessment of impairment).

Other intangible assets

As established by IAS 38, other intangible assets acquired or internally produced are recognised as assets when it is probable that use of the asset will generate future economic benefits and when asset cost can be measured reliably. If it is considered that these future economic benefits will not be generated, the development costs are written down in the year in which this is ascertained.
Such assets are measured at purchase or production cost and - if the assets concerned have a finite useful life - are amortised on a straight-line basis over their estimated useful life. Estimated useful working life in years, unchanged compared to previous financial years, is as follows:

Customer relationship	15
Brand	15
Patents	9
Know-how	7

Development costs	10
Software	3 - 5

Impairment

At each end of reporting period, the Group reviews the carrying value of its tangible and intangible assets to determine whether there are signs of impairment losses of these assets. If there is any such indication, the recoverable amount of said assets is estimated so as to determine the total of the write-down. If it is not possible to estimate recoverable amount individually, the Group estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs.

In particular, the recoverable amount of the cash generating units (which generally coincide with the legal entity to which the capitalised assets refer) is verified by determining the value of use. The recoverable amount is the higher of the net selling price and value of use. In measuring the value of use, future cash flows net of taxes, estimated based on past experience, are discounted to their present value using a pre-tax rate that reflects current market valuations of the present cost of money and specific asset risk. The main assumptions used for calculating the value of use concern the discount rate, growth rate, expected changes in selling prices and cost trends during the period used for the calculation. The growth rates adopted are based on future market expectations in the relevant sector. Changes in the sales prices are based on past experience and on the expected future changes in the market. The Group prepares operating cash flow forecasts based on the most recent budgets approved by the Board of Directors of the consolidated companies, draws up the forecasts for the coming years and determines the terminal value (current value of perpetual income), which expresses the medium- and long-term operating flows in the specific sector.

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

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

Investment property

As allowed by IAS 40, non-operating buildings and constructions are assessed at cost net of depreciation and losses due to cumulative impairment. The depreciation criterion applied is the asset's estimated useful life, which is considered to be 33 years. If the recoverable amount of the investment property – determined based on the market value of the properties – is estimated to be lower than its carrying value, the asset's carrying value is reduced to the lower recoverable amount, recognising impairment in the income statement.

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

Equity investments and non-current receivables
Equity investments in companies other than subsidiaries, associates and joint ventures are classified as financial assets measured at fair value, which normally corresponds to the transaction price including directly attributable transaction costs. Subsequent changes in fair value are recognised through profit or loss (FVPL) or, if the option is exercised in accordance with the standard, in Other comprehensive income (FVOCI) under the heading "Instrument reserve at FVOCI". Non-current receivables are stated at their presumed realisable value.

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

Trade receivables and other financial assets
Initial recognition
Upon initial recognition, financial assets are classified, as the case may be, on the basis of subsequent measurement methods, i.e. at amortised cost, at fair value recognised in other comprehensive income (OCI) and at fair value through profit or loss.
The classification of financial assets at initial recognition depends on the characteristics of the contractual cash flows of the financial assets and on the business model that the Group uses to manage them.
Trade receivables that do not contain a significant financing component are valued at the transaction price determined in accordance with IFRS 15. See the “Revenue from Contracts with Customers” paragraph.
Other financial assets are recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.
For a financial asset to be classified and measured at amortised cost or at fair value recognised in OCI, it must generate cash flows that depend solely on the principal and interest on the amount of principal to be repaid (known as "solely payments of principal and interest (SPPI)"). This measurement is referred to as the SPPI test and is carried out at the instrument level.

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

Financial assets at amortised cost (debt instruments)
This category is the most important for the Group. The Group measures the financial assets at amortised cost if both of the following requirements are met:
- the financial asset is held as part of a business model whose objective is to hold financial assets for the purpose of collecting contractual cash flows and

- the contractual terms of the financial asset envisage, at certain dates, cash flows represented solely by payments of principal and interest on the amount of principal to be repaid.

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

Financial assets at fair value through profit or loss
This category includes all assets held for trading, assets designated at initial recognition as financial assets measured at fair value with changes recognised in the income statement, or financial assets that must be measured at fair value. Assets held for trading are all those assets acquired for sale or repurchase in the short term. Derivatives, separated or otherwise, are classified as financial instruments held for trading, unless they are designated as effective hedging instruments. Financial assets with cash flows that are not represented solely by principal and interest payments are classified and measured at fair value through profit or loss, regardless of the business model. Financial instruments at fair value with changes recognised in the income statement are recognised in the statement of financial position at fair value and net changes in fair value are recognised in the income statement.
This category includes derivative instruments.
The Group does not hold financial assets at fair value recognised in other comprehensive income with reclassification of cumulative gains and losses or financial assets recognised in other comprehensive income without reversal of cumulative gains and losses upon derecognition.

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

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

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

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

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

Trade payables and other financial liabilities
Initial recognition
All financial liabilities are initially recognised at fair value, in addition to directly attributable transaction costs in case of mortgages, loans and payables.
The Company's financial liabilities include trade payables and other payables, mortgages and loans, including current account overdrafts and derivative financial instruments.

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

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

Financial liabilities are designated at fair value with changes recognised in the income statement from the date of initial recognition, only if the criteria of IFRS 9 are met.

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

Derecognition
A financial liability is derecognised when the obligation underlying the liability is discharged, cancelled or fulfilled. If an existing financial liability is replaced by another from the same lender, at substantially different conditions, or if the conditions of an existing liability are substantially changed, this replacement or change is treated as a derecognition of the original liability accompanied by the recognition of a new liability, with any differences between the carrying values recognised in the income statement.

Policy for conversion of foreign currency items
Receivables and payables originally expressed in foreign currencies are converted into euro at the exchange rates in force on the date of the transactions originating them. Forex differences realised upon collection of receivables and payment of payables in foreign currency are posted in the income statement. Income and costs relating to foreign-currency transactions are converted at the rate in force on the transaction date.
At year-end, assets and liabilities expressed in foreign currencies, with the exception of non-current items, are posted at the spot exchange rate in force at the end of the reporting period and related foreign exchange gains and losses are posted in the income statement. If conversion generates a net gain, this value constitutes a non-distributable reserve until it is effectively realised.

Derivative instruments and hedge accounting
The Group's business is exposed to financial risks relating to changes in exchange rates, commodity prices and interest rates. The company uses derivative instruments (mainly forward contracts on currencies and commodity options) to hedge risks stemming from changes in foreign currencies relating to irrevocable commitments or to planned future transactions.
Derivatives are initially recognised at cost and are then adjusted to fair value on subsequent closing dates.
Changes in the fair value of derivatives designated and recognised as effective for hedging future cash flows relating to the Group's contractual commitments and planned transactions are recognised directly in shareholders' equity, while the ineffective portion is immediately posted in the income statement. If the contractual commitments or planned transactions materialise in the recognition of assets or liabilities, when such assets or liabilities are recognised, the gains or losses on the derivative that were directly recognised in equity are factored back into the initial valuation of the cost of acquisition or carrying

value of the asset or liability. For cash flow hedges that do not lead to recognition of assets or liabilities, the amounts that were directly recognised in equity are included in the income statement in the same period when the contractual commitment or planned transaction hedged impacts profit and loss – for example, when a planned sale actually takes place.
For effective hedges of exposure to changes in fair value, the item hedged is adjusted for the changes in fair value attributable to the risk hedged and recognised in the income statement. Gains and losses stemming from the derivative's valuation are also posted in the income statement.
Changes in the fair value of derivatives not designated as hedging instruments are recognised in the income statement in the period when they occur.
Hedge accounting is discontinued when the hedging instrument expires, is sold or is exercised, or when it no longer qualifies as a hedge. At this time, the cumulative gains or losses of the hedging instrument recognised in equity are kept in the latter until the planned transaction actually takes place. If the transaction hedged is not expected to take place, cumulative gains or losses recognised directly in equity are transferred to the year's income statement.
Embedded derivatives included in other financial instruments or contracts are treated as separate derivatives when their risks and characteristics are not strictly related to those of their host contracts and the latter are not measured at fair value with posting of related gains and losses in the income statement.

Revenue from contracts with customers
The Group is engaged in the supply of components for household appliances (mainly gas parts, such as valves and burners, hinges and electronic components).
Revenue from contracts with customers is recognised when control of the goods is transferred to the customer for an amount that reflects the consideration that the Group expects to receive in exchange for the goods. The control of the goods passes to the customer according to the terms of return defined with the customer. The usual extended payment terms range from 30 to 120 days from shipment; the Group believes that the price does not include significant financing components.
The guarantees provided for in the contracts with customers are of a general nature and not extended and are accounted for in accordance with IAS 37.

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

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

Income taxes for the year
Income taxes include all taxes calculated on the Group's taxable income. Income taxes are directly recognised in the income statement, with the exception of those concerning items directly debited or credited to shareholders' equity, in which case the tax effect is recognised directly in shareholders' equity. Other taxes not relating to income, such as

property taxes, are included among operating expenses. Deferred taxes are provisioned in accordance with the global liability provisioning method. They are calculated on all temporary differences emerging between the taxable base of an asset and liability and its book value in the consolidated financial statements, with the exception of goodwill that is not tax-deductible and of differences stemming from investments in subsidiaries for which cancellation is not envisaged in the foreseeable future. Deferred tax assets on unused tax losses and tax credits carried forward are recognised to the extent that it is probable that future taxable income will be available against which they can be recovered. Current and deferred tax assets and liabilities are offset when income taxes are levied by the same tax authority and when there is a legal right to settle on a net basis. Deferred tax assets and liabilities are measured using the tax rates that are expected to be applicable, according to the respective regulations of the countries where the Group operates, in the years when temporary differences will be realised or settled.

Dividends

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

Treasury shares

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

Equity-settled transactions

Some Group employees receive part of the remuneration in the form of share-based payments, therefore employees provide services in exchange for shares ("equity-settled transactions"). The cost of equity-settled transactions is determined by the fair value at the date on which the assignment is made using an appropriate measurement method, as explained in more detail in Note 38.

This cost, together with the corresponding increase in shareholders' equity, is recognised 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.

Earnings per share
Basic EPS is calculated by dividing the profit or loss attributable to the direct parent company’s shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit or loss attributable to the direct parent company’s shareholders by the weighted average number of shares outstanding, adjusted to take into account the effects of all potential ordinary shares with a dilutive effect.

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

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

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

Provisions for inventory obsolescence
Inventories subject to obsolescence and slow turnover are systematically valued, and written down if their recoverable amount 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 significant effects on liabilities for pension benefits.

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

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

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

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

COVID-19 pandemic
Management has reviewed the Group's exposure to the effects of the COVID-19 pandemic and its impact on the Group's financial position, results and cash flows, especially with regard to the recoverability of the value of intangible assets, the measurement of receivables, the measurement of inventories and the management of financial risks, with a special reference to credit and liquidity risks. The analysis carried out did not reveal any critical situations and the factors related to the COVID-19 pandemic did not have a significant impact on the judgements and estimates used in preparing these Consolidated Financial Statements.

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

New accounting standards

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

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

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

The amendments to the principles outlined provide a number of expedients, applicable to all hedging relationships directly affected by the interest rate benchmark reform, i.e., if the reform generates uncertainties about the timing and/or amount of cash flows based on benchmarks of the hedged item or hedging instrument. These changes had no impact on the Group's consolidated financial statements.

Amendment to IFRS16: Covid-19-Related Rent Concessions beyond 30 June 2021

On 31 March 2021, the IASB issued the document *"Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)"* by which it extends by one year the period of application of the amendment to IFRS 16, issued in 2020, relating to the accounting for facilities granted to lessees due to Covid-19. These changes that apply as from 1 April 2021 had no impact on the Group's consolidated financial statements.

IFRS and IFRIC accounting standard, amendments approved by the European Union, not yet universally applicable and not adopted early by the Group at 31 December 2021

IFRS 17 "Insurance Contracts"

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new standard on insurance contracts covering recognition and measurement, presentation and disclosure. The overall objective of IFRS 17 is to present an accounting model for insurance contracts that is more useful and consistent for insurers. This principle does not apply to the Group.

Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"

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

Amendments to IFRS 3 "Business Combinations"

The amendments are intended to update a reference in IFRS 3 to the previous version of the IASB's Conceptual Framework (1989 Framework) without affecting the requirements of the standard.

Amendments to IAS 16 "Property, Plant and Equipment"

The purpose of the amendments is not to allow the deduction from the cost of property, plant and equipment of the amount received from the sale of goods produced in the test phase of the asset. These sales revenues and related production costs will therefore be recognised in the income statement.

Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"

The amendment clarifies that all costs directly attributable to the contract must be taken into account when estimating the possible onerousness of a contract. Accordingly, the assessment of whether a contract is onerous includes not only incremental costs (such as the cost of direct material used in processing), but also all costs that the enterprise cannot avoid because it has entered into the contract (such as, for example, the share of depreciation of machinery used for the performance of the contract).

Amendments to "Annual Improvements 2018-2020"

The amendments include amendments to the following principles:

- IFRS 1 *"First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter":* the amendment allows a subsidiary that chooses to apply paragraph D16(a) of IFRS 1 to account for cumulative translation differences on the basis of the amounts recognised by the parent company, taking into account the parent's date of transition to IFRSs;
- IFRS 9 "*Financial Instruments*": the amendments clarify what fees can be included in measuring whether the terms of a new financial liability (or changes to an existing financial liability) are materially different from the terms of the original financial liability;
- IAS 41 *"Agriculture"*: the amendment removes the requirement to exclude cash flows arising from taxation when measuring the fair value of assets within the scope of IAS 41;
- IFRS 16 *"Leases"*: amendments to illustrative example no. 13.

All amendments will enter into force on 1 January 2022. Following the adoption of these amendments, the directors do not expect a significant effect on the Group's consolidated financial statements.

Comments on significant balance sheet items

1. PROPERTY, PLANT AND EQUIPMENT

	Property	Plant and equipment	Other assets	Assets under construction	Total
Cost					
At 31 December 2019	**56,074**	**215,631**	**53,428**	**3,164**	**328,297**
Increases	1,591	7,658	4,190	4,508	17,947
Disposals	-	(1,451)	(218)	-	(1,669)
Change in the scope of consolidation	1,575	-	4	-	1,579
Reclassifications	(518)	1,709	277	(2,834)	(1,366)
Forex differences	(1,496)	(3,955)	(1,804)	(303)	(7,558)
At 31 December 2020	**57,226**	**219,592**	**55,877**	**4,535**	**337,230**
Increases	1,589	11,097	4,421	5,120	22,227
Disposals	(48)	(1,366)	(398)	(596)	(2,408)
Change in the scope of consolidation	942	83	-	1,531	2,556
Reclassifications	375	2,092	18	(3,480)	(995)
Forex differences	(654)	(3,201)	(1,089)	(474)	(5,418)
At 31 December 2021	**59,430**	**228,297**	**58,829**	**6,636**	**353,192**
Accumulated depreciations					
At 31 December 2019	**22,779**	**183,664**	**45,969**	**-**	**252,412**
Depreciations for the year	2,321	8,696	2,909	-	13,926
Disposals	-	(1,422)	(81)	-	(1,503)
Reclassifications	(530)	184	(43)	-	(389)
Forex differences	(423)	(2,184)	(1,116)	-	(3,723)
At 31 December 2020	**24,147**	**188,938**	**47,638**	**-**	**260,723**
Depreciations for the year	2,367	8,457	3,290	-	14,114
Disposals	(14)	(1,462)	(319)	-	(1,795)
Reclassifications	-	(116)	3	-	(113)
Forex differences	(297)	(1,287)	(560)	-	(2,144)
At 31 December 2021	**26,203**	**194,530**	**50,052**	**-**	**270,785**
Net carrying value					
At 31 December 2021	**33,227**	**33,767**	**8,777**	**6,636**	**82,407**
At 31 December 2020	**33,079**	**30,654**	**8,239**	**4,535**	**76,507**

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

	31/12/2021	**31/12/2020**	**Change**
Land	8,613	7,675	938
Industrial buildings	24,614	25,404	(790)
Total	**33,227**	**33,079**	**148**

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 2021	**2,447**	**340**	**826**	**3,613**
Increases	414	104	681	1,199
Depreciations	(595)	(241)	(575)	(1,411)
Decreases	(47)	-	-	(47)
Foreign exchange differences	2	-	-	2
At 31 December 2021	**2,221**	**203**	**932**	**3,356**

The main investments of the financial year were allocated to:

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

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

At 31 December 2021, the Group found no endogenous or exogenous indicators of impairment of its property, plant and equipment. As a result, the value of property, plant and equipment was not submitted to impairment testing.

2. INVESTMENT PROPERTY

Cost	
At 31 December 2019	**11,836**
Increases	-
Disposals	(552)
At 31 December 2020	**11,284**
Increases	-
Disposals	(1,107)
At 31 December 2021	**10,177**
Depreciations and write-downs	
At 31 December 2019	**7,860**
Depreciations for the year	416
Write-downs for the year	-
Derecognition due to disposal	(245)
At 31 December 2020	**8,031**
Depreciations for the year	369
Write-downs for the year	-
Derecognition due to disposal	(534)
At 31 December 2021	**7,866**

Net carrying value	
At 31 December 2021	2,311
At 31 December 2020	3,253

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

	Investment property
1 January 2021	**38**
Increases	-
Decreases	(35)
Depreciations	-
Foreign exchange differences	-
At 31 December 2021	**3**

The item Investment property includes non-operating buildings owned by the Group: these are mainly properties for residential use, held for rental or sale. Disposals during the period resulted in capital gains totalling €109 thousand.

At 31 December 2021, the Group found no other endogenous or exogenous indicators of impairment of its investment property. As a result, the value of investment property was not submitted to impairment testing.

3. INTANGIBLE ASSETS

	Goodwill	Patents and software	Development costs	Other intangible assets	Total
Cost					
At 31 December 2019	**31,615**	**8,962**	**6,728**	**24,959**	**72,264**
Increases	-	547	465	85	1,097
Decreases	-	1	-	(1)	-
Change in the scope of consolidation	-	1	-	-	1
Reclassifications	-	33	(607)	(786)	(1,360)
Forex differences	(4,501)	(143)	-	(2,658)	(7,302)
At 31 December 2020	**27,114**	**9,401**	**6,586**	**21,599**	**64,700**
Increases	-	420	1,770	44	2,234
Decreases	-	(2)	-	(3)	(5)
Reclassifications	-	(70)	(58)	-	(128)
Forex differences	(4,978)	(164)	-	(2,939)	(8,081)
At 31 December 2021	**22,136**	**9,585**	**8,298**	**18,701**	**58,720**
Amortisation/Write-downs					
At 31 December 2019	**4,546**	**8,179**	**4,338**	**3,533**	**20,596**
Amortisation for the year	-	480	431	1,723	2,634
Decreases	-	-	-	-	-
Change in the scope of consolidation	-	-	-	-	-
Reclassifications	-	(18)	(344)	(781)	(1,143)
Forex differences	-	(68)	-	(336)	(404)
At 31 December 2020	**4,546**	**8,573**	**4,425**	**4,139**	**21,683**
Amortisation for the year	-	419	375	1,553	2,347
Decreases	-	-	-	-	-
Change in the scope of consolidation	-	-	-	-	-
Reclassifications	-	(93)	-	-	(93)
Forex differences	-	(112)	-	(658)	(770)
At 31 December 2021	**4,546**	**8,787**	**4,800**	**5,034**	**23,167**
Net carrying value					
At 31 December 2021	**17,590**	**798**	**3,498**	**13,667**	**35,553**
At 31 December 2020	**22,568**	**828**	**2,161**	**17,460**	**43,017**

Goodwill

Goodwill recognised at 31 December 2021 is allocated:
- to the "Hinges" (CGU) cash generating units of €4.414 million;
- to the "Professional burners" CGU of €1.770 million;
- to the "Electronic components" CGU of €7.726 million;
- to the "C.M.I. hinges" CGU of €3.680 million.

The Group verifies the ability to recover goodwill at least once a year or more frequently if there are indications of impairment. Recoverable amount is determined through value of use, by discounting expected cash flows.
The management defined a single plan for each CGU (approved by the Board of Directors) that represents the normal and expected scenario, with reference to the period from 2022 to 2026, and which was used to develop the impairment tests. The development of forward plans and the calculation of the value in use were carried out following an in-depth analysis that also considered the impact on profitability of the increase in purchase costs and the possibility of transferring this increase to sales prices. The recoverable amount of each

CGU, determined on the basis of this plan, was subjected to stress tests and sensitivity analyses that also took into account economic parameters and as a result of which positive results emerged.

Goodwill allocated to the Hinges CGU
In 2021, the Hinges CGU achieved positive results - in terms of sales and profitability - both compared to the previous year and compared to the budget. The 2022-2026 forward plan envisages a further increase in sales at moderate growth rates.
At 31 December 2021, the Group tested - with the support of independent experts - the carrying value of its CGU Hinges for impairment, determining its recoverable amount, considered to be equivalent to its usable value, by discounting expected future cash flow in the forward plan drafted by the management. Cash flows for the period from 2022 to 2026 were augmented by the terminal value, which expresses the operating flows that the CGU is expected to generate from the sixth year to infinity and determined based on the perpetual income. The value of use was calculated based on a discount rate (wacc) of 10.11% (8.62% in the impairment test carried out while preparing the consolidated financial statements at 31 December 2020) and a growth rate (g) of 2%, unchanged from the 2020 impairment test.

The recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €15.497 million, compared with a carrying value of the assets allocated to the Hinges unit of €14.294 million; consequently, the value recognised for goodwill at 31 December 2021 was deemed recoverable.

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

(€/000)					
			growth rate		
discount rate	**1.50%**	**1.75%**	**2.00%**	**2.25%**	**2.50%**
9.11%	16,750	17,163	17,605	18,079	18,590
9.61%	15,746	16,102	16,482	16,888	17,322
10.11%	14,858	15,168	15,497	15,847	16,220
10.61%	14,068	14,339	14,626	14,931	15,254
11.11%	13,359	13,598	13,851	14,117	14,400

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

	EBITDA		
	According to the plan	*-10%*	*-20%*
(€/000)	15,497	13,567	11,638

It was found that under most of the assumptions presented above, which consider changes in the discount rate, growth rate and EBITDA, the recoverable amount of the CGU is higher than its carrying value.

Goodwill allocated to the Professional burners CGU

The Professional Burners CGU performed well during the 2021 financial year in terms of both turnover and profitability. The 2022-2026 forward plan envisages a further increase in sales at moderate growth rates and almost stable margins. At 31 December 2021, the Group tested - with the support of independent experts - the carrying value of its Professional burners CGU for impairment, determining its recoverable amount, considered to be equivalent to its usable value, by discounting expected future cash flow in the forward plan drafted at the beginning of 2022. Cash flows for the period from 2022 to 2026 were augmented by the so-called terminal value, which expresses the operating flows that the CGU is expected to generate from the sixth year to infinity and determined based on the perpetual income. The value of use was calculated based on a discount rate (wacc) of 6.93% (6.76% in the impairment test carried out while preparing the consolidated financial statements at 31 December 2020) and a growth rate (g) of 2%, unchanged with respect to the 2020 impairment test, considered by management to be the best estimate of the CGU's growth assumptions, considering the sector in which it operates and in line with the growth rate of other Italian CGUs.

The recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €19.071 million, compared with a carrying value of the assets allocated to the Professional burners unit of €5.131 million (including minority interests); consequently, the value recognised for goodwill at 31 December 2021 was deemed recoverable.

Sensitivity analysis

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

(€/000)					
	growth rate				
discount rate	**1.50%**	**1.75%**	**2.00%**	**2.25%**	**2.50%**
5.93%	21,726	22,879	24,179	25,655	27,347
6.43%	19,417	20,325	21,336	22,467	23,743
6.93%	17,535	18,266	19,071	19,962	20,954
7.43%	15,972	16,571	17,226	17,943	18,734
7.93%	14,654	15,152	15,693	16,281	16,923

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

	EBITDA		
	According to the plan	*-10%*	*-20%*
(€/000)	19,071	16,634	14,197

Goodwill allocated to the Electronic components CGU

The Electronic Components CGU performed extremely well in 2021.

At 31 December 2021, the Group tested - with the support of independent experts - the carrying value of its CGU Electronic components for impairment, determining its recoverable amount, considered to be equivalent to its usable value, by discounting expected future cash flow in the forward plan drafted by the management. Cash flows for the period from 2022 to 2026 were augmented by the terminal value, which expresses the operating flows that the CGU is expected to generate from the fifth year to infinity and determined based on the perpetual income. The value of use was calculated based on a discount rate (wacc) of 15.21% (14.18% in the impairment test carried out while preparing the consolidated financial statements at 31 December 2020) and a growth rate (g) of 2.50%, unchanged from the 2020 impairment test.

The recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €51.556 million, compared with a carrying value of the assets allocated to the Electronic components unit of €18.705 million; consequently, the value recognised for goodwill at 31 December 2021 was deemed recoverable.

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

(€/000)					
			growth rate		
discount rate	**2.00%**	**2.25%**	**2.50%**	**2.75%**	**3.00%**
14.21%	54,611	55,388	56,198	57,043	57,925
14.71%	52,345	53,049	53,781	54,544	55,340
15.21%	50,252	50,892	51,556	52,248	52,968
15.71%	48,314	48,897	49,502	50,131	50,784
16.21%	46,513	47,047	47,599	48,173	48,768

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

	EBITDA		
	According to the plan	*-10%*	*-20%*
(€/000)	51,556	45,676	39,796

<u>Goodwill allocated to the C.M.I. Hinges CGU</u>
The Hinges C.M.I. CGU recognised a strong increase in turnover in 2021 compared to the previous year. The positive trend is expected to continue for the period from 2022 to 2026, which forecasts further sales at moderate growth rates.
At 31 December 2021, the Group tested - with the support of independent experts - the carrying value of its CGU Hinges C.M.I. for impairment, determining its recoverable amount, considered to be equivalent to its usable value, by discounting expected future cash flow in the forward plan drafted by the management. Cash flows for the period from 2022 to 2026 were augmented by the terminal value, which expresses the operating flows that the CGU is expected to generate from the third year to infinity and determined based on the perpetual income. The value of use was calculated based on a discount rate (wacc)

of 11.31% (9.87% in the impairment test carried out while preparing the consolidated financial statements at 31 December 2020) and a growth rate (g) of 2%, unchanged with respect to the 2020 impairment test, considered by management to be the best estimate of the CGU's growth assumptions, considering the sector in which it operates and in line with the growth rate of other Italian CGUs.

The recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €57.700 million, compared with a carrying value of the assets allocated to the C.M.I. Hinges unit of €29.313 million; consequently, the value recognised for goodwill at 31 December 2021 was deemed recoverable.

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

(€/000)					
			growth rate		
discount rate	**1.50%**	**1.75%**	**2.00%**	**2.25%**	**2.50%**
10.31%	62,424	63,900	65,465	67,128	68,896
10.81%	58,694	59,990	61,387	62,810	64,347
11.31%	55,349	56,494	57,700	58,974	60,319
11.81%	52,333	53,350	54,419	55,544	56,729
12.31%	49,600	50,508	51,460	52,459	53,509

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

	EBITDA		
	According to the plan	-10%	-20%
(€/000)	57,700	52,378	43,693

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

Development costs
In 2021, the Sabaf Group set up a dedicated team to develop new solutions for home cooking, with the aim of creating innovative products that meet manufacturers' needs and new consumer trends. This is a strategically important innovation that allows Sabaf to enter a fast-growing segment.
Development activities continued in the Gas Components, Hinges and Electronics divisions, which are described in the Report on Operations.
Increases in development costs include projects in progress and therefore not subject to amortisation.

With regard to patents, software and development costs, no internal and external indicators that would necessitate an impairment test were identified.

Other intangible assets
The other intangible assets recognised in these consolidated financial statements mainly derive from the Purchase Price Allocation carried out following the acquisition of Okida Elektronik in September 2018, and of C.M.I. S.r.l., in July 2019.

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

	31/12/2021	31/12/2020	Change
Customer Relationship	6,301	8,775	(2,474)
Brand	3,877	4,459	(582)
Know-how	236	503	(267)
Patents	3,038	3,498	(460)
Other	215	225	(10)
Total	**13,667**	**17,460**	**(3,793)**

At 31 December 2021, the recoverability of the amount of other intangible assets was verified as part of the impairment test of the related goodwill described in the previous paragraph.

4. EQUITY INVESTMENTS

	31/12/2021	31/12/2020	Changes
Handan ARC Burners Co.	-	89	(89)
Other equity investments	83	84	(1)
Total	**83**	**173**	**(90)**

The investment in Handan A.R.C. Burners Co. Ltd., held through A.R.C. s.r.l. and previously measured using the equity method, is related to a Chinese joint venture set up with the aim to produce and market in China burners for professional cooking. During 2021, the Group's share increased from 35.7% to 51%, following the acquisition of an additional 30% of the share capital of A.R.C., therefore as from this financial year Handan A.R.C. Burners Co. Ltd is consolidated on a line-by-line basis.

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

5. NON-CURRENT RECEIVABLES

	31/12/2021	31/12/2020	Change
Tax receivables	985	392	593
Guarantee deposits	115	112	3
Other	-	14	(14)
Total	**1,100**	**518**	**582**

Tax receivables relate to indirect taxes expected to be recovered after 31 December 2022.

6. INVENTORIES

	31/12/2021	31/12/2020	Change
Raw Materials	26,771	16,859	9,912
Semi-processed goods	15,133	10,414	4,719
Finished products	25,646	15,056	10,590
Provision for inventory write-downs	(3,397)	(3,105)	(292)
Total	**64,153**	**39,224**	**24,929**

The value of final inventories at 31 December 2021 increased compared to the end of the previous year to meet the higher volumes of activity. Moreover, in addition to the inflationary effect of the significant increases in metal prices, the Group raised the level of safety stocks to ensure continuity of production in a particularly turbulent scenario.
The provision for write-downs is mainly allocated for hedging the obsolescence risk. At the end of the financial year, the appropriation is adjusted based on specific analyses carried out on slow-moving and non-moving products. The following table shows the changes in the Provision for inventory write-downs during the current financial year:

31/12/2020	**3,105**
Provisions	696
Utilisation	(223)
Forex differences	(181)
31/12/2021	**3,397**

7. TRADE RECEIVABLES

	31/12/2021	31/12/2020	Change
Total trade receivables	69,139	64,525	4,614
Bad debt provision	(1,099)	(1,089)	(10)
Net total	**68,040**	**63,436**	**4,604**

Trade receivables at 31 December 2021 were higher than the balance at the end of 2020 subsequent to higher sales during the financial year. There were no significant changes in the payment terms agreed with customers.
The amount of trade receivables recognised in the financial statements includes approximately €24.3 million in insured receivables (€23.9 million at 31 December 2020).
Receivables assigned to factors without recourse (€8.398 thousand at 31 December 2021, €9.204 thousand at 31 December 2020) are derecognised from the Statement of Financial Position in that the reference contract provides for the assignment of ownership of the receivables, together with ownership of the cash flows generated by the receivable, as well as of all risks and benefits, to the assignee.

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

	31/12/2021	31/12/2020	Change
Current receivables (not past due)	60,358	58,143	2,215
Outstanding up to 30 days	4,132	3,278	854
Outstanding from 30 to 60 days	1,290	1,249	41
Outstanding from 60 to 90 days	794	438	356
Outstanding for more than 90 days	2,565	1,417	1,148
Total	**69,139**	**64,525**	**4,614**

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:

31/12/2020	**1,089**
Provisions	100
Utilisation	(8)
Forex differences	(82)
31/12/2021	**1,099**

8. TAX RECEIVABLES

	31/12/2021	31/12/2020	Change
For income tax	1,395	1,179	216
For VAT and other sales taxes	4,751	1,195	3,556
Other tax credits	19	45	(26)
Total	**6,165**	**2,419**	**3,746**

At 31 December 2021, income tax receivables include:

- €801 thousand relating to the tax credit for investments in capital goods referred to in Law Decree 160/2019;
- €155 thousand relating to the tax credit for research and development referred to in Law Decree 160/2019;

The increase in receivables for VAT and other sales taxes is related to the strong growth in business volumes, which fully eroded the possibility of making tax-free purchases. The Group believes it will be able to recover this receivable in the first months of 2022.

9. OTHER CURRENT RECEIVABLES

	31/12/2021	31/12/2020	Change
Credits to be received from suppliers	1,267	669	598
Advances to suppliers	859	1,032	(173)
Accrued income and prepaid expenses	476	487	(11)
Other	534	979	(445)
Total	**3,136**	**3,167**	**(31)**

Credits to be received from suppliers mainly refer to bonuses paid to the Group for the attainment of purchasing objectives, which were achieved in 2021 to a greater extent than in the previous year.

10. FINANCIAL ASSETS

	31/12/2021		31/12/2020	
	Current	**Non-current**	**Current**	**Non-current**
Restricted bank accounts	1,172	-	1,233	-
Currency derivatives	-	-	262	-
Total	**1,172**	**0**	**1,495**	**0**

At 31 December 2021, a term deposit of €1,172 thousand, due by 2022, for the portion of the price not yet paid to the sellers of the C.M.I. equity investment and deposited as collateral in accordance with the terms of the C.M.I. acquisition agreement (Note 15).

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents, which amounted to €43,649 thousand at 31 December 2021 (€13,318 thousand at 31 December 2020) consisted of bank current account balances of €43.2 million (€12.8 million at 31 December 2020) and investments in liquidity of €432 thousand (€516 thousand at 31 December 2020). Changes in the cash and cash equivalents are analysed in the statement cash flows.

12. SHARE CAPITAL

The parent company's share capital consists of 11,533,450 shares with a par value of €1.00 each. The share capital paid in and subscribed did not change during the year.
At 31 December 2021, the structure of the share capital is shown in the table below.

	No. of shares	**% of share capital**	**Rights and obligations**
Ordinary shares	8,376,760	72.63%	-
Ordinary shares with increased vote	3,156,690	27.37%	Two voting rights per share
TOTAL	***11,533,450***	***100%***	

With the exception of the right to increased vote, there are no rights, privileges or restrictions on the shares of the Parent Company. The availability of the Parent Company's reserves is indicated in the separate financial statements of Sabaf S.p.A.

13. TREASURY SHARES AND OTHER RESERVES

Treasury shares

With regard to the 2018 - 2020 Stock Grant Plan, following the expiry of the three-year vesting period, during the first half of 2021, 34,946 ordinary shares of Sabaf S.p.A. were allocated and transferred to the beneficiaries of Cluster 1, through the use of shares already available to the issuer.
No other transactions on treasury shares were carried out during the year.

At 31 December 2021, the Parent company is the lawful owner of 311,802 treasury shares (2.703% of the share capital), reported in the financial statements as an adjustment to shareholders' equity at a weighted average unit value of €12.52 (the closing stock market price of the Share at 31 December 2021 was €24.00). Further to what was reported in the Interim Management Statement at 31 December 2021 published on 10 February 2022, it is confirmed that Sabaf S.p.A. recovered the full availability of 311,802 treasury shares on 1 March 2022.

There were 11,221,648 outstanding shares at 31 December 2021 (11,186,702 at 31 December 2020).

Stock grant reserve

The item "Retained earnings, other reserves" of €86,089 thousand included, at 31 December 2021, the stock grant reserve of €1,701 thousand, which included the measurement at 31 December 2021 of the fair value of rights assigned to receive shares of the Parent Company relating to the following medium- and long-term incentive plans for directors and employees of the Sabaf Group:

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

For details of the Stock Grant Plan, refer to Note 38.

Cash Flow Hedge reserve

The following table shows the change in the Cash Flow Hedge reserve related to the application of IFRS 9 on derivative contracts and referring to the recognition in net equity of the effective part of the derivative contracts signed to hedge the foreign exchange rate risk for which the Group applies hedge accounting.

Value at 31 December 2020	**247**
Change during the period	(398)
Value at 31 December 2021	**(151)**

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 36, in the paragraph Foreign exchange risk management.

14. LOANS

	31/12/2021			31/12/2020		
	Current	Non-current	Total	Current	Non-current	Total
Bond issue	-	29,649	29,649	-	-	-
Unsecured loans	19,044	53,913	72,957	15,801	28,647	44,448
Short-term bank loans	1,769	-	1,769	8,630	-	8,630
Advances on bank receipts or invoices	2,263	-	2,263	4,668	-	4,668
Leases	1,329	2,942	4,271	1,390	3,506	4,896
Interest payable	-	-	-	4	-	4
Total	**24,405**	**86,504**	**110,909**	**30,493**	**32,153**	**62,646**

In December 2021, Sabaf S.p.A. issued a €30 million bond fully subscribed by PRICOA with a maturity of 10 years, an average life of 8 years and a fixed coupon of 1.85% per year. This issue enabled Sabaf to diversify its sources of financing, improve financial flexibility and significantly lengthen the average duration of its debt. The loan described has the following covenants, defined with reference to the consolidated financial statements at the end of each reporting period, widely complied with at 31 December 2021 and for which, according to the Group's business plan, compliance is also expected in subsequent years:

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

During the year, the Group took out new unsecured loans for a total of €46 million to finance the investments made. 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 debt to shareholders' equity of less than 1 (residual amount of the loans at 31 December 2021 equal to €47.8 million);
- commitment to maintain a ratio of net financial debt to EBITDA of less than 2.5 (residual amount of the loans at 31 December 2021 equal to €56.8 million).

widely complied with at 31 December 2021 and for which, according to the Group'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 consolidated financial statements include the negative fair value of the IRSs hedging rate risks of unsecured loans pending, for residual notional amounts of approximately €37.5 million and expiry until 31 December 2027. Financial expenses were recognised in the income statement with a balancing entry.

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

Lease liabilities at 31 December 2019	**4,528**
New agreements signed during 2020	1,706
Repayments during 2020	(1,400)
Forex differences	(64)
Lease liabilities at 31 December 2020	**4,896**
New agreements signed during 2021	954
Repayments during 2021	(1,581)
Forex differences	2
Lease liabilities at 31 December 2021	**4,271**

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

15. OTHER FINANCIAL LIABILITIES

	31/12/2021		**31/12/2020**	
	Current	Non-current	Current	Non-current
Option on A.R.C. minorities	-	-	1,581	-
Option on C.M.I. minorities	-	-	5,250	-
Payables to A.R.C. shareholders	-	-	60	-
Payables to C.M.I. shareholders	1,173	-	1,173	-
Derivative instruments on interest rates	190	-	425	-
Currency derivatives	156	-	-	-
Total	**1,519**	**-**	**8,489**	**-**

At 31 December 2020, financial liabilities were recognised for options on minorities amounting to €6,831 thousand and relating to the accounting, in accordance with IAS 32, of call/put options subscribed in the context of the acquisition of A.R.C. s.r.l. (carried out in June 2016) and C.M.I. s.r.l. (carried out in June 2019), i.e. options to purchase by Sabaf and to sell by the minority shareholders, for the remaining shares of the share capital at contractually defined strike prices on the basis of income and financial parameters reported by the subsidiaries.
At 31 December 2021, both options were exercised, in particular:

- in October 2021, Sabaf S.p.A. completed the purchase of 30% of the capital of A.R.C. s.r.l., from Loris Gasparini for a consideration of €1,650 thousand. The difference with respect to the value of the financial liability recognised at 31 December 2020 amounting to €69 thousand, in accordance with IAS 39, was allocated to financial expenses. As a result of the transaction, Sabaf S.p.A. now holds 100% of A.R.C. s.r.l.;
- in November 2021, 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 second put option by the minority shareholder Starfire s.r.l. (Guandong Xingye Investment Group). The fee was €4,743 thousand. The difference with respect to the value of the financial liability recognised at 31 December 2020 amounting to €507 thousand, in accordance with IAS 39, was allocated to financial income. As a result of this transaction, Sabaf S.p.A. now holds 100% of C.M.I. s.r.l..

The payable to the C.M.I. of €1.173 thousand at 31 December 2021 is related to the part of the price still to be paid to the sellers, which was deposited on a non-interest-bearing restricted account and will be released in favour of the sellers in accordance with contractual agreements and guarantees issued by the sellers.

Currency derivatives refer to forward sales contracts recognised using hedge accounting. These financial instruments are broken down in Note 36 - Forex risk management

At 31 December 2021, the Group has in place six interest rate swap (IRS) contracts for amounts and maturities coinciding with six unsecured loans that are being amortised, whose residual value at 31 December 2021 is €33,350 thousand. The contracts have not been designated as capital flow hedges and are therefore at their fair value through profit and loss, and recognised in the items “Financial assets” or “Other financial liabilities”.

16. POST-EMPLOYMENT BENEFIT AND RETIREMENT PROVISIONS

	Post-employment benefit
At 31 December 2020	**3,513**
Provisions	220
Financial expenses	7
Payments made	(226)
Tax effect	20
Change in the scope of consolidation	-
Forex differences	(126)
At 31 December 2021	**3,408**

Following the revision of IAS 19 - Employee benefits, from 1 January 2013, all actuarial gains or losses are recognised immediately in the comprehensive income statement *("Other comprehensive income")* under the item "Actuarial income and losses".

Post-employment benefits are calculated as follows:

Financial assumptions

	31/12/2021	**31/12/2020**
Discount rate	0.40%	0.23%
Inflation	1.30%	1.00%

Demographic theory

	31/12/2021	**31/12/2020**
Mortality rate	IPS55 ANIA	IPS55 ANIA
Disability rate	INPS 2000	INPS 2000
Staff turnover	3% - 8%	3% - 6%
Advance payouts	2% - 4%	5% - 6% per year
Retirement age	Pursuant to legislation in force at 31 December 2021	Pursuant to legislation in force at 31 December 2020

17. PROVISIONS FOR RISKS AND CHARGES

	31/12/2020	Provi sions	Utilisation	Exchange rate differences	31/12/2021
Provision for agents' indemnities	221	29	(1)	-	249
Product guarantee fund	60	-	-	-	60
Provision for legal risks	970	-	(550)	(4)	416
Other provisions for risks and charges	182	500	-	(73)	609
Total	**1,433**	**529**	**(551)**	**(77)**	**1,334**

The provision for agents' indemnities covers amounts payable to agents if the Group terminates the agency relationship.
The product guarantee fund covers the risk of returns or charges by customers for products already sold and, if necessary, is adjusted at the end of the financial year on the basis of analyses carried out and past experience.
With regard to the provision for legal risks, note that, at the end of the 2020 financial year, a provision of €500 thousand had been recognised in relation to a patent dispute, for which a settlement was reached with the counterparty at the beginning of 2021. During 2021, the corresponding use of the provision was therefore recognised, against payment.
Note also that following the process of allocating the price paid for the acquisition of the C.M.I. Group on the net assets acquired (Purchase Price Allocation), completed during 2019, a provision for legal risks with a residual value of €328 thousand was recognised.
At 31 December 2021, a provision of €500 thousand was recognised under Other provisions for risks and charges, expressing the best estimate of the liability following the results of a tax audit on the Parent Company for the years from 2016 to 2018.
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

	31/12/2021	31/12/2020	Change
Total	**54,837**	**41,773**	**13,064**

The increase in trade payables is related to higher production volumes of the year. Average payment terms did not change versus the previous year. At 31 December 2021, there were no overdue payables of a significant amount and the Group did not receive any injunctions for overdue payables.

19. TAX PAYABLES

	31/12/2021	31/12/2020	Change
For income tax	3,450	1,923	1,527
Withholding taxes	954	1,029	(75)
Other tax payables	547	335	212
Total	**4,951**	**3,287**	**1,664**

The income tax payables refer to the taxes for the year, for the portion exceeding the advances paid.

20. OTHER CURRENT PAYABLES

	31/12/2021	31/12/2020	Change
To employees	6,706	5,848	858
To social security institutions	2,844	2,679	165
To agents	283	286	(3)
Advances from customers	1,694	1,210	484
Other current payables	1,548	934	614
Total	**13,075**	**10,957**	**2,118**

At the beginning of 2022, payables due to employees and social security institutions were paid in accordance with the scheduled expiry dates.
Other current payables include accrued liabilities and deferred income.

21. DEFERRED TAX ASSETS AND LIABILITIES

	31/12/2021	31/12/2020	Change
Deferred tax assets	8,639	8,075	564
Deferred tax liabilities	(3,939)	(4,697)	758
Net position	**4,700**	**3,378**	**1,372**

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

	Non-current tangible and intangible assets	Provisions, value adjustments	Fair value of derivative instruments	Good will	Tax incentives	Tax losses	Actuarial evaluation of post-employment benefit	Other temporary differences	Total
31/12/2020	**(3,461)**	**1,397**	**46**	**1,240**	**2,645**	**396**	**208**	**907**	**3,378**
Through profit or loss	1,389	(107)	(11)	(177)	1,455	612	0	(194)	2,967
In shareholders' equity	0	0	0	0	0	0	(16)	0	(16)
Forex differences	160	(12)	0	0	(1,514)	(264)	0	1	(1,629)
31/12/2021	**(1,912)**	**1,278**	**35**	**1,063**	**2,586**	**744**	**192**	**714**	**4,700**

Deferred tax assets recognised in the income statement in respect of "Non-current tangible and intangible assets" included €1,161 thousand in these consolidated financial statements as a result of the revaluation for tax purposes of the tangible assets of the Group's Turkish companies. The exercise of the revaluation option results in a substitute tax of approximately €106 thousand, which is accounted for in current taxes for the year.
Deferred tax assets relating to goodwill refer to the exemption of the value of the

investment in Faringosi Hinges s.r.l. made in 2011 pursuant to Law Decree 98/2011, deductible in ten instalments starting in 2018.
Deferred tax assets relating to tax incentives are commensurate to investments made in Turkey, for which the Group will benefit from a reduction in the effective tax rate in future years.

22. TOTAL FINANCIAL DEBT

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

		31/12/2021	31/12/2020	Change
A.	Cash	43,217	12,802	(443)
B.	Cash equivalents	432	516	45
C.	Other current financial assets	1,172	1,495	(320)
D.	**Liquidity (A+B+C)**	**44,821**	**14,813**	**(718)**
E.	Current financial payable	5,551	23,181	6,961
F.	Current portion of non-current financial debt	20,373	15,801	1,391
G.	**Current financial debt (E+F)**	**25,924**	**38,982**	**8,352**
H.	**Net current financial debt (G-D)**	**(18,897)**	**24,169**	**9,070**
I.	Non-current financial payable	56,855	32,153	5,734
J.	Debt instruments	29,649	-	-
K.	Trade payables and other non-current payables	-	-	-
L.	**Non-current financial debt (I+J+K)**	**86,504**	**32,153**	**5,734**
M.	**Total financial debt (H+L)**	**67,607**	**56,322**	**14,804**

The consolidated statement of cash flows, which shows the changes in cash and cash equivalents (sum of letters A. and B. of this statement), describes in detail the cash flows that led to the change in the net financial debt. In particular, as can be seen from the Consolidated Statement of Cash Flows, the increase in net financial debt in the period is mainly attributable to:

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

Comments on key income statement items

23. REVENUE

In 2021, sales revenue totalled €263,259 thousand, up by €78,353 thousand (+42.4%) compared with 2020.

Revenue by geographical area

	2021	%	2020	%	% change
Europe (excluding Turkey)	92,935	*35.3%*	69,618	*37.7%*	*+33.5%*
Turkey	65,526	*24.9%*	44,806	*24.2%*	*+46.2%*
North America	30,472	*11.6%*	22,700	*12.3%*	*+34.2%*
South America	39,589	*15.0%*	27,639	*14.9%*	*+43.2%*
Africa and Middle East	19,614	*7.5%*	12,177	*6.6%*	*+61.1%*
Asia and Oceania	15,123	*5.7%*	7,966	*4.3%*	*+89.8%*
	263,259	***100%***	**184,906**	***100%***	***+42.4%***

Revenue by product family

	2021	%	2020	%	% change
Gas parts	182,468	*69.3%*	129,834	*70.2%*	*+40.5%*
Hinges	58,375	*22.2%*	41,326	*22.3%*	*+41.3%*
Electronic components	22,416	*8.5%*	13,746	*7.4%*	*+63.1%*
Total	**263,259**	***100%***	**184,906**	***100%***	***+42.4%***

In 2021, demand was solid in all markets, with particularly high peaks in the first half of the year. The increase in sales was very strong in all geographical areas, with peaks in Asia, Africa and the Middle East, indicating an increasingly global presence of our Group. In 2021, the increase in sales of electronic components was also particularly significant, continuing to benefit from cross-selling with the traditional products in the Group's portfolio and from the strong drive to develop new components.

Average sales prices in 2021 were 3% higher than in 2020.

24. OTHER INCOME

	2021	2020	Change
Sale of trimmings	5,546	2,909	2,637
Contingent income	374	999	(625)
Rental income	123	121	2
Use of provisions for risks and charges	12	94	(82)
Other income	2,606	3,071	(465)
Total	**8,661**	**7,194**	**1,467**

Other income mainly included: €1,234 thousand revenue from the sale of moulds and equipment, tax credits for investments in capital goods and for research and development of €356 thousand, Turkish public contributions of €332 thousand, referred to incentives for the hiring personnel, and €133 thousand related to the production of energy through photovoltaic plants.

25. MATERIALS

	2021	2020	Change
Commodities and outsourced components	132,143	75,443	56,700
Consumables	10,212	7,523	2,689
Total	**142,355**	**82,966**	**59,389**

In 2021, the Group faced violent increases in the costs of its main raw materials (aluminium alloys, steel and brass), with a negative impact estimated at 6.2% of sales.

26. COSTS FOR SERVICES

	2021	2020	Change
Outsourced processing	18,689	11,094	7,595
Natural gas and power	8,536	4,380	4,156
Maintenance	7,972	5,920	2,052
Transport	4,658	2,986	1,672
Advisory services	2,856	2,320	536
Travel expenses and allowances	292	219	73
Commissions	1,144	835	309
Directors’ fees	829	693	136
Insurance	727	694	33
Canteen	797	560	237
Other costs	5,877	4,563	1,314
Total	**52,377**	**34,264**	**18,113**

The main outsourced processing includes aluminium die-casting, hot moulding of brass and steel blanking as well as some mechanical processing and assembly. The increase in costs for outsourced processing reflects the increased use of subcontracting to cope with peaks in demand.
The increase in energy costs resulted, in addition to the increase in production volumes, from the extraordinary and sudden increase in electricity and gas prices in the second half of the year, which led to higher charges of €3.4 million.
Other costs included expenses for the registration of patents, waste disposal, cleaning, leasing third-party assets and other minor charges.

27. PERSONNEL COSTS

	2021	2020	Change
Salaries and wages	32,749	29,048	3,701
Social Security costs	10,175	8,831	1,344
Temporary agency workers	7,596	2,869	4,727
Post-employment benefit and other costs	2,639	2,294	345
Stock grant plan	805	658	147
Total	**53,964**	**43,700**	**10,264**

The number of Group employees was 1,278 at 31 December 2021 (1,168 at 31 December 2020).
The number of temporary staff was 198 at 31 December 2021 (155 at 31 December 2020).

The item "Stock Grant Plan" included the measurement at 31 December 2021 of the fair value of options to the allocation of shares of the Parent Company assigned to Group employees. For details of the Stock Grant Plan, refer to Note 38.

28. OTHER OPERATING COSTS

	2021	2020	Change
Non-income taxes	651	692	(41)
Other operating expenses	694	524	170
Contingent liabilities	54	36	18
Losses and write-downs of trade receivables	103	118	(15)
Provisions for risks	-	576	(576)
Other provisions	29	35	(6)
Total	**1,531**	**1,981**	**(450)**

Non-income taxes chiefly relate to property tax.

29. FINANCIAL INCOME

	2021	2020	Change
Exercise of the C.M.I. put option (Note 15)	507	1,137	(630)
Adjustment to the fair value of the A.R.C. option	-	69	(69)
Interest from bank current accounts	227	155	72
Other financial income	16	5	11
Total	**750**	**1,366**	**(616)**

Financial income includes €507 thousand related to the difference between the fee actually paid and the carrying value of the second put option on the remaining 15.75% share of C.M.I. s.r.l. (Note 15).

30. FINANCIAL EXPENSES

	2021	2020	Change
Interest paid to banks	598	1,002	(404)
Interest paid on finance lease contracts	138	112	26
Banking expenses	302	251	51
Exercise of A.R.C. option (Note 15)	69	-	69
Adjustment to the Fair value of the C.M.I. option	-	750	(750)
Other financial expense	72	31	41
Total	**1,179**	**2,146**	**(967)**

Financial expenses include €69 thousand related to the difference between the carrying value of the put option related to the purchase of the remaining 30% share of A.R.C. s.r.l. and the fee actually paid (Note 15).

Interest paid to banks includes IRS spreads payable that hedge interest rate risks (Note 36).

31. EXCHANGE RATE GAINS AND LOSSES

In 2021, the Group reported net foreign exchange losses of €7,399 thousand, versus net losses of €4,812 thousand in 2020. The main portion of 2021 foreign exchange losses reflect the sudden devaluation of the Turkish lira and arise from the translation into lira (the currency in which the financial statements of the Group's Turkish companies are prepared) of trade and financial payables denominated in euro.

32. INCOME TAXES

	2021	2020	Change
Current taxes for the year	7,617	3,641	3,976
Deferred tax assets and liabilities	(2,967)	(4,259)	1,292
Taxes related to previous financial years	347	767	(420)
Total	**4,997**	**149**	**4,848**

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:

	2021	2020
Theoretical income tax	7,411	3,735
Permanent tax differences	113	(192)
Taxes related to previous financial years	(151)	767
Tax effect from different foreign tax rates	227	97
Effect of non-recoverable tax losses	105	150
“Patent box” tax benefit	-	-
“Super and Iperammortamento” tax benefit	(844)	(812)
ACE tax benefit	(375)	-
Realignment between carrying values and tax values of properties (Note 21)	-	(1,360)
Revaluation of carrying values of fixed assets in Turkey	(1,161)	-
Tax incentives for investments in Turkey	(1,963)	(2,432)
Other differences	(164)	(441)
Income taxes booked in the accounts, excluding IRAP and withholding taxes (current and deferred)	**3,198**	**(488)**
IRAP (current and deferred)	1,211	518
Substitute tax on realignment of property values	106	163
Provision for tax risks	500	0
Tax credit on sanitisation costs	(18)	(44)
Total	**4,997**	**149**

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

In these consolidated financial statements, the Group recognised:

- the tax benefits relating to "Superammortamento" (Super amortisation) and "Iperammortamento" (Hyper amortisation), related to the investments made in Italy, amounting to €844 thousand (€812 thousand in 2020);

- the tax benefits deriving from the investments made in Italy amounting to €1,963 thousand (€2,432 thousand in 2020).

33. EARNINGS PER SHARE

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

Earnings

(€/000)	**2021**	**2020**
Profit for the year	23,903	13,961

Number of shares

	2021	**2020**
Weighted average number of ordinary shares for determining basic earnings per share	11,209,078	11,260,791
Dilutive effect from potential ordinary shares	-	-
Weighted average number of ordinary shares for determining diluted earnings per share	11,209,078	11,260,791

Earnings per share

(in €)	**2021**	**2020**
Basic earnings per share	2.132	1.240
Diluted earnings per share	2.132	1.240

Basic earnings per share are calculated on the average number of outstanding shares minus treasury shares, equal to 324,372 in 2021 (272,659 in 2020).
Diluted earnings per share are calculated taking into account any shares approved but not yet subscribed.

34. DIVIDENDS

On 2 June 2021, shareholders were paid an ordinary dividend of €0.55 per share (total dividends of €6,172 thousand).
The Directors have recommended payment of a dividend of €0.60 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 1 June 2022 (ex-date 30 May and record date 31 May).

35. INFORMATION BY BUSINESS SEGMENT

Information by business segment for 2021 and 2020 is provided below

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

	2020 FY			
	Gas parts (household and professional)	Hinges	Electronic components	Total
Sales	129,864	41,078	13,964	**184,906**
Ebit	12,683	2,999	4,411	**20,093**

36. INFORMATION ON FINANCIAL RISK

Categories of financial instruments

In accordance with IFRS 7, a breakdown of the financial instruments is shown below, among the categories set forth in IAS 39:

	31/12/2021	31/12/2020
Financial assets		
Amortised cost		
Cash and cash equivalents	43,649	13,318
Term bank deposits	1,172	1,233
Trade receivables and other receivables	72,276	67,121
Hedge accounting		
Derivatives to hedge cash flows	-	262

Financial liabilities		
Amortised cost		
Loans	110,909	62,646
Other financial liabilities	1,173	1,233
Trade payables	54,837	41,773
Fair Value through profit or loss		
Put option on A.R.C. (Note 15)	-	1,581
C.M.I. put option (Note 15)	-	5,250
Derivatives to hedge cash flows	190	425
Hedge accounting		
Derivatives to hedge cash flows	156	262

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

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

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

Credit risk management
Trade receivables involve producers of domestic appliances, multinational groups and smaller manufacturers in a few or single markets. The Group assesses the creditworthiness of all its customers at the start of supply and systemically at least on an annual basis. After this assessment, each customer is assigned a credit limit.
The Group factors receivables with factoring companies based on without recourse agreements, thereby transferring the related risk.
A credit insurance policy is in place, which guarantees cover for approximately 35% of trade receivables.
Credit risk relating to customers operating in emerging economies is generally attenuated by the expectation of revenue through letters of credit.

Forex risk management
The key currencies other than the euro to which the Group is exposed are the US dollar, the Brazilian real and the Turkish lira, in relation to sales made in dollars (chiefly on some Asian and American markets) and the production units in Brazil and Turkey. Sales in US dollars represented 18.6% of total turnover in 2021, while purchases in dollars represented 4.8% of total turnover. During the year, operations in dollars were partially hedged through forward sales contracts. At 31 December 2021, the Group had in place forward sales contracts of USD 8 million, maturing in December 2022 at an average exchange rate of 1.1615. With reference to these contracts, the Group applies hedge accounting, checking compliance with IFRS 9.

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

(amounts in €/000)	**2021**
Reduction in financial assets	(262)
Increase in current financial liabilities	(156)
Adjustment to the Cash Flow Hedge reserve (equity reserve)	398
Negative impact through profit or loss	20

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

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

Company	Counterparty	Instrument	Maturity	Value date	Notional	Fair value hierarchy
Sabaf S.p.A.	Unicredit	Forward	28/03/2022	USD	500,000	2
			27/06/2022		500,000	
			28/06/2022		500,000	
			27/09/2022		500,000	
			27/12/2022		500,000	
Faringosi Hinges s.r.l.	BPER Banca	Forward	28/03/2022	USD	500,000	
			28/06/2022		500,000	
			28/09/2022		500,000	
C.M.I. s.r.l.	BPER Banca	Forward	05/01/2022	USD	500,000	
			10/01/2022		500,000	
			06/04/2022		1,000,000	
			06/07/2022		1,500,000	

Sensitivity analysis
With reference to financial assets and liabilities in US dollars at 31 December 2021, a hypothetical and immediate revaluation of 10% of euro against the dollar would have led to a loss of €1,515 thousand.

Net value of assets and liabilities in foreign subsidiaries
The net value of assets and liabilities in foreign subsidiaries constitutes an investment in foreign currency, which generates a translation difference on consolidation of the Group, with an impact on the comprehensive income statement and the financial position. A 10% upward or downward change in the value of each currency against the euro would affect the Group's equity by approximately +/- €5.5 million at the end of 2021.

Interest rate risk management
Owing to the current trend in interest rates, the Group favours fixed-rate indebtedness: medium to long-term loans originated at a variable rate are converted to a fixed rate by entering into interest rate swaps (IRS) when the loan is opened. At 31 December 2021, IRS totalling €37.5 million were in place, mirrored in mortgages with the same residual debt, through which the Group transformed the floating rate of the mortgages into fixed rate. The derivative contracts were not designated as a cash flow hedge and were therefore recognised using the "fair value through profit or loss" method.

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

Company	Counterparty	Instrument	Maturity	Value date	Notional	Fair value hierarchy
Sabaf S.p.A.	MPS	IRS	30/06/2023	EUR	1,500,000	2
	Intesa Sanpaolo		15/06/2024		6,000,000	
	Intesa Sanpaolo		15/06/2024		1,850,000	
	Crédit Agricole		30/06/2025		9,000,000	
	Mediobanca		28/04/2027		15,000,000	
Sabaf Turkey	Intesa Sanpaolo		17/06/2024		4,150,000	

Sensitivity analysis
Considering the IRS in place, at the end of 2021 almost all of the Group's financial debt was at a fixed rate. Therefore, at 31 December 2021 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 Group’s purchase costs is represented by aluminium, steel and brass. Metal prices rose sharply during 2021, forcing the Group to renegotiate sales prices several times to compensate for the increase in costs. Based on market conditions and contractual agreements, the Group may not be able to pass on changes in raw material prices to customers in a timely and/or complete manner, with consequent effects on margins. The Group also protects itself from the risk of changes in the price of aluminium, steel and brass with supply contracts signed with suppliers for delivery up to twelve months in advance or, alternatively, with derivative financial instruments. In 2021 and 2020, the Group did not use financial derivatives on commodities.

Liquidity risk management
The Group operates with a debt ratio considered physiological (net financial debt / shareholders' equity at 31 December 2021 of 55.2%, net financial debt / EBITDA of 1.25) 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 2021 and 31 December 2020 is shown below:

At 31 December 2021

	Carrying value	Contractual cash flows	Within 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Short-term bank loans	4,378	4,378	4,378	-	-	-
Unsecured loans	72,957	74,574	1,906	17,720	49,273	5,675
Bond issues	29,649	34,440	-	555	2,220	31,665
Finance leases	4,271	4,766	361	1,058	2,793	554
Payables to C.M.I. shareholders	1,173	1,173	-	1,173	-	-
Total financial payables	**112,428**	**119,331**	**6,645**	**20,506**	**54,286**	**37,894**
Trade payables	54,837	54,837	51,218	3,619	-	-
Total	**167,265**	**174,168**	**57,863**	**24,125**	**54,286**	**37,894**

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
Short-term bank loans	13,727	13,727	13,727	-	-	-
Unsecured loans	44,448	45,211	2,074	14,022	29,115	-
Finance leases	4,896	5,143	383	1,125	3,206	429
Payables to A.R.C. shareholders	60	60	-	60	-	-
Payables to C.M.I. shareholders	1,173	1,173	-	1,173	-	-
A.R.C. option	1,581	1,581	-	1,581	-	-
C.M.I. option	5,250	5,250	-	5,250	-	-
Total financial payables	**71,135**	**72,145**	**16,184**	**23,211**	**32,321**	**429**
Trade payables	41,773	41,773	38,503	3,270	-	-
Total	**112,908**	**113,918**	**54,687**	**26,481**	**32,321**	**429**

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

Hierarchical levels of fair value assessment

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

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

The following table shows the financial assets and liabilities valued at fair value at 31 December 2021, by hierarchical level of fair value assessment.

	Level 1	Level 2	Level 3	Total
Other financial liabilities (interest rate derivatives)	-	190	-	190
Total liabilities	**-**	**190**	**-**	**190**

37. RELATED-PARTY TRANSACTIONS

Transactions between consolidated companies were derecognised from the consolidated financial statements and are not reported in these notes. The table below illustrates the impact of all transactions between the Group and other related parties on the balance sheet and income statement.

Impact of related-party transactions on balance sheet items

	Total 2021	Non-consolidated subsidiaries	Other related parties	Total related parties	Impact on the total
Trade payables	54,837	-	4	4	0.01%
	Total 2020	**Non-consolidated subsidiaries**	**Other related parties**	**Total related parties**	**Impact on the total**
Trade payables	41,773	-	4	4	0.01%

Impact of related-party transactions on income statement items

	Total 2021	Non-consolidated subsidiaries	Other related parties	Total related parties	Impact on the total
Services	(52,377)	-	(22)	(22)	0.04%
	Total 2020	**Non-consolidated subsidiaries**	**Other related parties**	**Total related parties**	**Impact on the total**
Services	(34,264)	-	(22)	(22)	0.06%

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

Fees to directors, statutory auditors and executives with strategic responsibilities

Please see the 2021 Report on Remuneration for this information.

38. SHARE-BASED PAYMENTS

Two stock grant plans are in place, namely the 2018 - 2020 Stock Grant Plan and the 2021 - 2023 Stock Grant Plan. The Plans aim to promote and pursue the involvement of the beneficiaries whose activities are considered relevant for the implementation of the contents and the achievement of the objectives set out in the Business Plan, foster loyalty development and motivation of managers, by increasing their entrepreneurial approach as well as align the interests of management with those of the Company's shareholders more closely, with a view to encouraging the achievement of significant results in the economic and asset growth and sustainability of the Company and of the Group.

2018 – 2020 Stock Grant Plan

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 on 14 May 2019.

Subject matter

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 relevant 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 of the business objectives related to the ROI, EBITDA and TSR indicators and, for a share not exceeding 30%, of individual objectives, on a progressive basis;

Beneficiaries

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

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

Deadline

The 2018 - 2020 Plan expires on 31 December 2022.

Rights accrued and allocation of shares

With reference to Cluster 1, based on the level of achievement of the objectives and the other conditions set out in the Plan, 34,946 rights accrued, therefore 34,946 shares have been allocated to the Beneficiaries during 2021.

With regard to Cluster 2, based on the level of achievement of the objectives set out in the Plan, 114,074 rights accrued. The allocation of the relevant shares will be made during 2022 and is conditional on the continuation of the employment relationship with the Beneficiaries at the date of approval of the financial statements for the year 2021 of Sabaf S.p.A..

Accounting impacts and *Fair Value measurement methods*

The Group's shareholders' equity includes the Stock Grant reserve (Note 13), which includes €896 thousand for the fair value measurement of the Rights assigned to Cluster 2 beneficiaries. Please see the explanatory notes to the consolidated financial statements at 31 December 2020 for an explanation of how to determine the fair value of these rights.

2021 – 2023 Stock Grant Plan

The plan was approved by the Shareholders' Meeting on 6 May 2021 and the related Regulations by the Board of Directors on 13 May 2021.

Subject matter

The subject-matter of the Plan is the free allocation to the Beneficiaries of a maximum of 260,000 Options, each of which entitles them to receive free of charge, under the terms and conditions provided for by the Regulations of the relevant Plan, 1 Sabaf S.p.A. Share.
The free allocation of Sabaf S.p.A. shares is conditional on the achievement, in whole or in part, with progressiveness, of the business targets related to the ROI and EBITDA and social and environmental targets.

Beneficiaries

The Plan is intended for persons who hold or will hold key positions in the Company and/or its Subsidiaries, with reference to the implementation of the contents and the achievement of the objectives of the 2021 - 2023 Business Plan. A total of 226,000 Rights were allocated to the Beneficiaries already identified.

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

Accounting impacts and *Fair Value measurement methods*
In connection with this Plan, €805 (Note 27) were recognised in personnel costs during the year (Note 27), an equity reserve of the same amount (Note 13) was recognised as a balancing entry.
In line with the date on which the beneficiaries became aware of the assignment of the rights and terms of the plan, the grant date was set at 13 May 2021.

The main assumptions made at the beginning of the vesting period and the methods for determining the fair value at the end of the reporting period are illustrated below. The following economic and financial parameters were taken into account in determining the fair value per share at the start of the vesting period:

Share price on grant date adjusted for dividends	23.09
Dividend yield	2.60%
Expected volatility per year	28%
Interest rate per year	-0.40%

Based on the exercise right at the different dates established by the Plan Regulations and on the estimate of the expected probability of achieving the objectives for each reference period, the unitary fair value at 31 December 2021 was determined as follows:

Rights relating to business objectives measured on ROI	Total value on ROI	15.82	Fair Value	5.54
	Rights on ROI	35%		

Rights relating to business objectives measured on EBITDA	Total value on EBITDA	16.43	Fair Value	6.57
	Rights on EBITDA	40%		

Rights relating to ESG objectives measured on personell training	Total value on "Personell training"	20.41	Fair Value	1.02
	Rights on "Personell training"	5%		

Rights relating to ESG objectives measured on safety indicator	Total value on "Safety indicator"	7.82	Fair Value	0.39
	Rights on "Safety indicator"	5%		

Rights relating to ESG objectives measured on emissions reduction	Total value on "Emissions reduction"	20.41	Fair Value	3.06
	Rights on "Emissions reduction"	15%		

Fair value per share	16.58

39. CAPITAL MANAGEMENT

For the purposes of managing the Group's capital, it has been defined that this includes the issued share capital, the share premium reserve and all other capital reserves attributable to the shareholders of the Parent Company. The main objective of capital management is to maximise the value for shareholders. In order to maintain or correct its financial structure, the Group may intervene in dividends paid to shareholders, purchase its own shares, redeem capital to shareholders or issue new shares. The Group controls equity using a gearing ratio consisting of the ratio of net financial debt (as defined in Note 22) to shareholders' equity. The Group's policy is to keep this ratio below 1. In order to achieve this objective, the management of the Group's capital aims, among other things, to ensure that the covenants, linked to loans, which define the capital structure requirements, are complied with. Violations of covenants would allow the lenders to demand immediate repayment of loans (Note 14). During the current financial year, there were no breaches of the covenants linked to loans.
In the years ended 31 December 2021 and 2020, no changes were made to the objectives, policies and procedures for capital management

40. 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:

	Group shareholders' equity	Group net profit	Net financial debt	Cash flows
Financial statement values (A)	**121,525**	**23,903**	**67,607**	**30,331**
Revaluation of tax values of properties (a)	(728)	(1,055)	0	0
Recognition of tax benefits on investments made in Turkey (b)	(1,512)	(1,963)	(508)	(508)
Provision for tax risks (c)	500	500	0	0
Total non-recurring operations (B)	*(1,740)*	*(2,518)*	*(508)*	*(508)*
Financial statement notional value (A+B)	**119,785**	**21,385**	**67,099**	**29,823**

In these consolidated financial statements, the Group recognised under income taxes:

a) a non-recurring income of €801 thousand following the revaluation for tax purposes of the tangible assets of the Group's Turkish companies. The exercise of the revaluation option results in a substitute tax of approximately €73 thousand, which is accounted for in current taxes for the year (Note 31)

b) a non-recurring income of €1,963 thousand relating to the tax benefits arising from investments made in Turkey (Note 31)

c) a provision for tax risks of €500 thousand against potential tax liabilities (Note 17 and Note 28)

41. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The recent conflict between Ukraine and Russia led to a sudden change in the global economic scenario. Although the Group has a non-significant direct exposure to the markets of Russia, Belarus and Ukraine, it is exposed to indirect effects on the price trends of raw materials, electricity and gas, the supply chain and final demand. To date, these effects are not quantifiable as they are related to future developments in the conflict, the outcome of which cannot be determined.

42. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

Pursuant to CONSOB memorandum of 28 July 2006, the Group declares that no atypical and/or unusual transactions as defined by the CONSOB memorandum were executed during 2021.

43. COMMITMENTS

Guarantees issued

The Sabaf Group has issued sureties to guarantee consumer and mortgage loans granted by banks to Group employees for a total of €3,443 thousand (€3,632 thousand at 31 December 2020).

44. SCOPE OF CONSOLIDATION AND SIGNIFICANT EQUITY INVESTMENTS

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

Company name	Registered offices	Share capital	Shareholders	% ownership
Faringosi Hinges s.r.l.	Ospitaletto (BS)	EUR 90,000	Sabaf S.p.A.	100%
Sabaf do Brasil Ltda	Jundiaí - São Paulo (Brazil)	BRL 53,348,061	Sabaf S.p.A.	100%
Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki (Sabaf Turkey)	Manisa (Turkey)	TRY 80,000,000	Sabaf S.p.A.	100%
Okida Elektronik Sanayi ve Tickaret A.S	Istanbul (Turkey)	TRY 5,000,000	Sabaf S.p.A. Sabaf Turkey	30% 70%
Sabaf Appliance Components Ltd.	Kunshan (China)	EUR 7,900,000	Sabaf S.p.A.	100%
Sabaf US Corp.	Plainfield (USA)	USD 200,000	Sabaf S.p.A.	100%
Sabaf India Private Limited	Bangalore (India)	INR 153,833,140	Sabaf S.p.A.	100%
A.R.C. s.r.l.	Campodarsego (PD)	EUR 45,000	Sabaf S.p.A.	100%
Handan ARC Burners Co., Ltd.	Handan (China)	RMB 3,000,000	A.R.C. s.r.l.	51%
Sabaf Mexico Appliance Components	San Louis Potosì (Mexico)	USD 3,650,000	Sabaf S.p.A.	100%
C.M.I. Cerniere Meccaniche Industriali s.r.l.	Valsamoggia (BO)	EUR 1,000,000	Sabaf S.p.A.	100%
C.G.D. s.r.l.	Valsamoggia (BO)	EUR 26,000	C.M.I. s.r.l.	100%

45. GENERAL INFORMATION ON THE PARENT COMPANY

Name of the parent company:	N/A	
Name of the parent company:	Sabaf S.p.A.	
Legal status:	Joint-stock company (S.p.A.)	
Domicile of entity:	Italy	
Registered and administrative office:	Via dei Carpini, 1 – 25035 Ospitaletto (BS) - Italy	
Main place of business:	Via dei Carpini, 1 – 25035 Ospitaletto (BS) - Italy	
Country of registration:	Italy	
Contacts:	Tel:	+39 030 - 6843001
	Fax:	+39 030 - 6848249
	E-mail:	info@sabaf.it
	Web site:	www.sabafgroup.com
Tax information:	REA Brescia	347512
	Tax Code	03244470179
	VAT number	01786910982

Type of business:
The purpose of the company is the design, production and sale of gas fittings and burners, thermostats, safety valves, other components and accessories for household appliances, as well as sanitary and plumbing fittings in general. The purpose of the company is also the design, construction and trade of machine tools, automation systems in general and related equipment, tools, as well as the provision of related maintenance, repair, support and business organisation services. The company, within the limits set by the relevant regulations in force, may carry out any other security, property, industrial and commercial transaction that is deemed necessary, appropriate or useful for the achievement of the company purpose. It may acquire shareholdings in other companies whose purpose is similar or related to its own as well as provide personal guarantees or collaterals including mortgages also for third parties' obligations provided that such activities do not take precedence over the company's business and are not carried out vis-à-vis the public and therefore within the limits and in the manner provided for by Legislative Decree No. 385/93; the company can perform the management and coordination function with regard to its subsidiaries, providing the organisational, technical, managerial and financial support and coordination deemed appropriate. However, the activities reserved to investment companies under Legislative Decree No. 41 5/96, and pursuant to the relevant provisions in force, are excluded.

Appendix

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

The following table, prepared pursuant to Art. 149-*duodecies* of the CONSOB Issuers' Regulation, shows fees relating to 2021 for auditing and for services other than auditing provided by the Independent Auditors and their network.

(in thousands of Euro)	**Party providing the service**	**Recipient**	**Fees pertaining to the 2021 financial year**
Audit	EY S.p.A.	Parent company	35
	EY S.p.A.	Italian subsidiaries	41
	EY network	Foreign subsidiaries	54
Other services	EY S.p.A.	Parent company	33 (1)
	EY S.p.A.	Italian subsidiaries	4 (2)
Total			***167***

(1) Auditing procedures agreement relating to interim management reports; limited review of Disclosure of non-financial information.
(2) Certification of IRES credit and tax credit for research and development.

Certification of the Consolidated Financial Statements, in accordance with Art. 154 bis of Legislative Decree 58/98

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

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

of the administrative and accounting procedures for the formation of the consolidated financial statements during the 2021 financial year.

They also certify that:

- the Consolidated financial statements:
  - were prepared in accordance with the international accounting policies recognised in the European Community in accordance with EC regulation 1606/2002 of the European Parliament and Council of 19 July 2002 and with the measures issued in implementation of Art. 9 of Legislative Decree 38/2005;
  - are consistent with accounting books and records;
  - provide a true and fair view of the operating results, financial position and cash flows of the issuer and of the companies included in the consolidation;

- the report on operations contains a reliable analysis of the performance and results of operations and the situation of the issuer and the companies included in the scope of consolidation, along with a description of the key risks and uncertainties to which they are exposed.

Ospitaletto, 22 March 2022

Chief Executive Officer
Pietro Iotti

The Financial Reporting Officer
Gianluca Beschi

SABAF S.p.A.

SEPARATE FINANCIAL STATEMENTS

AT 31 DECEMBER 2021

CORPORATE BODIES

Honorary Chairman	Giuseppe Saleri

Board of Directors

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

(*) Independent directors

Board of Statutory Auditors

Chairman	Alessandra Tronconi
Statutory Auditor	Alessandra Zunino de Pignier
Statutory Auditor	Mauro Vivenzi

Independent Auditors

EY S.p.A.

Statement of financial position

(in €)	NOTES	31/12/2021	31/12/2020
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	**1**	48,593,970	48,662,264
Investment property	**2**	2,311,476	3,252,696
Intangible assets	**3**	3,778,108	2,315,819
Equity investments	**4**	84,512,138	65,524,289
Non-current financial assets	**5**	10,707,311	5,537,324
- of which from related parties	**35**	*10,707,311*	*5,537,324*
Non-current receivables		31,853	31,421
Deferred tax assets	**21**	3,322,620	3,891,955
Total non-current assets		**153,257,475**	**129,215,768**
CURRENT ASSETS			
Inventories	**6**	33,985,939	21,512,333
Trade receivables	**7**	45,194,276	45,024,596
- of which from related parties	**35**	*15,210,599*	*16,048,130*
Tax receivables	**8**	1,462,789	1,254,041
- of which from related parties	**35**	*766,557*	*316,208*
Other current receivables	**9**	1,929,121	1,947,372
Current financial assets	**10**	1,172,947	1,359,993
Cash and cash equivalents	**11**	29,733,148	1,594,861
Total current assets		**113,478,220**	**72,693,196**
ASSETS HELD FOR SALE		**0**	**0**
TOTAL ASSETS		**266,735,695**	**201,908,964**
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	**12**	11,533,450	11,533,450
Retained earnings, Other reserves		92,831,829	91,985,093
Profit for the year		10,043,877	6,409,674
Total shareholders' equity		**114,409,156**	**109,928,218**
NON-CURRENT LIABILITIES			
Loans	**14**	82,515,298	26,891,000
Other financial liabilities	**15**	0	0
Post-employment benefit and retirement provisions	**16**	1,779,634	1,929,190
Provisions for risks and charges	**17**	851,081	853,650
Deferred tax liabilities	**21**	323,942	230,450
Total non-current liabilities		**85,469,955**	**29,904,290**
CURRENT LIABILITIES			
Loans	**14**	19,010,029	23,996,484
Other financial liabilities	**15**	1,393,611	1,560,111
Trade payables	**18**	33,677,766	26,204,071
- of which to related parties	**35**	*1,533,149*	*1,074,716*
Tax payables	**19**	3,374,435	2,458,942
- of which to related parties	**35**	*54,720*	*350,721*
Other payables	**20**	9,400,743	7,856,847
Total current liabilities		**66,856,584**	**48,646,143**
LIABILITIES HELD FOR SALE		**0**	**0**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**266,735,695**	**201,908,964**

Income statement

(in €)	NOTES	2021	2020
INCOME STATEMENT COMPONENTS			
OPERATING REVENUE AND INCOME			
Revenue	**23**	144,033,787	102,583,189
- of which from related parties	**35**	*20,212,450*	*15,221,230*
Other income	**24**	6,195,079	5,647,168
Total operating revenue and income		**150,228,866**	**108,230,357**
OPERATING COSTS			
Materials	**25**	(72,122,067)	(43,270,717)
- of which by related parties		*3,315,935*	*1,935,572*
Change in inventories		12,473,605	1,650,153
Services	**26**	(34,254,138)	(22,208,703)
- of which by related parties	**35**	*(446,675)*	*(457,769)*
Personnel costs	**27**	(34,780,110)	(28,567,152)
Other operating costs	**28**	(727,503)	(1,307,048)
Costs for capitalised in-house work		2,259,389	1,293,579
Total operating costs		**(127,150,823)**	**(92,409,888)**
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION, CAPITAL GAINS/LOSSES, WRITE-DOWNS/WRITE-BAC OF NON-CURRENT ASSETS		**23,078,043**	**15,820,469**
Depreciations and amortisation	**1,2,3**	(9,179,378)	(9,414,020)
Capital gains/(losses) on disposal of non-current assets		238,136	964,788
Write-downs/write-backs of non-current assets	**4**	(300,000)	(761,407)
- of which by related parties		*(300,000)*	*(620,000)*
EBIT		**13,836,801**	**6,609,830**
Financial income		318,425	201,591
- of which from related parties		*255,441*	*176,889*
Financial expenses	**29**	(530,464)	(717,703)
Exchange rate gains and losses	**30**	426,824	(398,970)
Profits and losses from equity investments	**31**	175,504	609,252
- of which from related parties		*175,504*	*609,252*
PROFIT BEFORE TAXES		**14,227,088**	**6,304,001**
Income taxes	**32**	(4,183,212)	105,674
PROFIT FOR THE YEAR		**10,043,877**	**6,409,674**

Comprehensive income statement

(in €)	2021	2020
PROFIT FOR THE YEAR	**10,043,877**	**6,409,674**
Total profits/losses that will not be subsequently reclassified under profit (loss) for the year		
Actuarial evaluation of post-employment benefit	3,334	(31,418)
Tax effect	(800)	7,540
Total profits/losses that will not be subsequently reclassified under profit (loss) for the year		
Hedge accounting for derivative financial instruments	(198,499)	0
Total other profits/(losses) net of taxes for the year	**(195,965)**	**(23,878)**
TOTAL PROFIT	**9,847,912**	**6,385,796**

Statement of changes in shareholders' equity

(€/000)	Share Capital	Share premium reserve	Legal reserve	Treasury shares	Actuarial evaluation of post-employment benefit provision	Other reserves	Profit for the year	Total shareholders' equity
Balance at 31 December 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**
Allocation of 2020 profit:								
- Payment of dividends							(6,172)	(6,172)
- to the extraordinary reserve						237	(237)	0
Stock grant plan (IFRS 2)						805		805
Treasury share transactions				437		(437)		0
Total profit at 31 December 2021					2	(198)	10,044	9,848
Balance at 31 December 2021	**11,533**	**10,002**	**2,307**	**(3,904)**	**(526)**	**84,953**	**10,044**	**114,409**

Statement of Cash Flows

(€/000)	**2021 FY**	**2020 FY**
Cash and cash equivalents at beginning of year	**1,595**	**8,343**
Profit for the year	10,044	6,410
Adjustments for:		
- Depreciations and amortisation	9,179	9,414
- Realised gains	(238)	(965)
- Write-downs of non-current assets	300	761
- Profits and losses from equity investments	(176)	(609)
- Valuation of the stock grant plan	805	657
- Net financial income and expenses	212	516
- Non-monetary foreign exchange differences	(340)	(199)
- Income tax	4,183	(106)
Change in post-employment benefit	(147)	(166)
Change in risk provisions	3	569
Change in trade receivables	*(170)*	*(16,461)*
Change in inventories	*(12,474)*	*(1,650)*
Change in trade payables	*7,474*	*10,470*
Change in net working capital	(5,170)	(7,642)
Change in other receivables and payables, deferred taxes	487	1,599
Payment of taxes	(1,738)	(141)
Payment of financial expenses	(530)	(710)
Collection of financial income	318	201
Cash flows from operations	**17,187**	**9,590**
Investments in non-current assets		
- intangible	(1,934)	(383)
- tangible	(9,288)	(7,652)
- financial	(19,288)	(8,974)
Disposal of non-current assets	2,103	3,628
Cash flow absorbed by investments	**(28,407)**	**(13,381)**
Free cash flow	**(11,220)**	**(3,791)**
Repayment of loans	(23,032)	(11,982)
Raising of loans	73,229	12,811
Change in financial assets	(4,842)	1,602
Purchase/Sale of treasury shares	-	(2,073)
Payment of dividends	(6,172)	(3,924)
Collection of dividends	175	609
Cash flow absorbed by financing activities	**39,358**	**(2,957)**
Total cash flows	**28,138**	**(6,748)**
Cash and cash equivalents at end of year (Note 11)	**29,733**	**1,595**

EXPLANATORY NOTES

ACCOUNTING STANDARDS

Statement of compliance and basis of presentation

The separate financial statements of Sabaf S.p.A. for the financial year 2021 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 2021.

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 2021, unchanged versus the previous year, are shown below:

Property, plant and equipment

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

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

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

Ordinary maintenance costs are expensed in the year in which they are incurred; costs that increase the asset value or useful working life are capitalised and depreciated according to the residual possibility of utilisation of the assets to which they refer.
Land is not depreciated.

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 2021 and on 31 December 2021.

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 recognised at fair value plus, in the case of a financial asset not at fair value recognised in the income statement, transaction costs.
For a financial asset to be classified and measured at amortised cost or at fair value recognised in OCI, it must generate cash flows that depend solely on the principal and interest on the amount of principal to be repaid (known as ‘solely payments of principal and interest (SPPI)’). This measurement is referred to as the SPPI test and is carried out at the instrument level.

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

Financial assets at amortised cost (debt instruments)
This category is the most important for the Company. The Company measures the financial assets at amortised cost if both of the following requirements are met:
- the financial asset is held as part of a business model whose objective is to hold financial assets for the purpose of collecting contractual cash flows
  and
- the contractual terms of the financial asset envisage, at certain dates, cash flows represented solely by payments of principal and interest on the amount of principal to be repaid.

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

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

The Company does not hold financial assets 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 Law no. 296 of 27 December 2006 and subsequent Decrees and Regulations issued during the first months of 2007. In the light of these changes, and, in particular, for companies with at least 50 employees, post-employment benefits must now be considered a defined-benefit plan only for the portions accruing before 1 January 2007 (and not yet paid as at the end of the reporting period). Conversely, portions accruing after that date are treated as defined-contribution plans.
Actuarial gains or losses are recognised immediately under "Other total profits/(losses)".

Trade payables and other financial liabilities
Initial recognition
All financial liabilities are initially recognised at fair value, in addition to directly attributable transaction costs in case of mortgages, loans and payables.
The Company's financial liabilities include trade payables and other payables, mortgages and loans, including current account overdrafts and derivative financial instruments.

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

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

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

Derecognition
A financial liability is derecognised when the obligation underlying the liability is discharged, cancelled or fulfilled. If an existing financial liability is replaced by another from the same lender,

at substantially different conditions, or if the conditions of an existing liability are substantially changed, this replacement or change is treated as a derecognition of the original liability accompanied by the recognition of a new liability, with any differences between the carrying values recognised in the income statement.

Policy for conversion of foreign currency items

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

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

Derivative instruments and hedge accounting

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

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

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

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

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

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

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

Revenue recognition
Revenue is recognised net of return sales, discounts, allowances and bonuses, as well as of the taxes directly associated with sale of goods and rendering of services.
Sales revenue is recognised when the company has transferred the significant risks and benefits associated with ownership of the goods and the amount of revenue can be reliably measured.
Revenues of a financial nature are recognised on an accrual basis.

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

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

Income taxes for the year
Income taxes include all taxes calculated on the Company’s taxable income. Income taxes are directly recognised in the income statement, with the exception of those concerning items directly debited or credited to shareholders’ equity, in which case the tax effect is recognised directly in shareholders’ equity. Other taxes not relating to income, such as property taxes, are included among operating expenses. Deferred taxes are provisioned in accordance with the global liability provisioning method. They are calculated on all temporary differences that emerge from the taxable base of an asset or liability and its 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 recognised 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.

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

COVID-19 pandemic
Management has reviewed the Company's exposure to the effects of the COVID-19 pandemic and its impact on the Company's financial position, results and cash flows, especially with regard to the recoverability of the value of intangible assets, the measurement of receivables, the measurement of inventories and the management of financial risks, with a special reference to credit and liquidity risks. The analysis carried out did not reveal any critical situations and the factors related to the COVID-19 pandemic did not have a significant impact on the opinions and estimates used in preparing these Separate Financial Statements.

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

New accounting standards

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

The Financial Stability Board released the report "Reforming Major Interest Rate Benchmarks" with recommendations to strengthen existing benchmark indexes, other potential interbank market-based benchmark rates and develop alternative near-risk-free benchmark rates. The European Parliament introduced a common framework to ensure the accuracy and integrity of these indexes.
Following this Regulation, the IASB published the Reform of benchmark indexes for determining interest rates in order to take into account the consequences of the reform on financial reporting and so that companies can continue to comply with the provisions assuming that the existing benchmark indexes are not changed as a result of the reform of interbank rates.
The amendments to the principles outlined provide a number of expedients, applicable to all hedging relationships directly affected by the interest rate benchmark reform, i.e., if the reform generates uncertainties about the timing and/or amount of cash flows based on benchmarks of the hedged item or hedging instrument. These amendments had no impact on the Company's separate financial statements.

Amendment to IFRS16: *Covid-19-Related Rent Concessions beyond 30 June 2021*

On 31 March 2021, the IASB issued the document *"Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)"* by which it extends by one year the period of application of the amendment to IFRS 16, issued in 2020, relating to the accounting for facilities granted to lessees due to Covid-19. These changes that apply as from 1 April 2021 had no impact on the Company's separate financial statements.

IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union, not yet universally applicable and not adopted early by the Company at 31 December 2021

IFRS 17 "*Insurance Contracts*"

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new standard on insurance contracts covering recognition and measurement, presentation and disclosure. The overall objective of IFRS 17 is to present an accounting model for insurance contracts that is more useful and consistent for insurers. This principle does not apply to the Group.

Amendments to IAS 1 *"Classification of Liabilities as Current or Non-current"*

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

Amendments to IFRS 3 ***"Business Combinations"***
The amendments are intended to update a reference in IFRS 3 to the previous version of the IASB's Conceptual Framework (1989 Framework) without affecting the requirements of the standard.

Amendments to IAS 16 ***"Property, Plant and Equipment"***
The purpose of the amendments is not to allow the deduction from the cost of property, plant and equipment of the amount received from the sale of goods produced in the test phase of the asset. These sales revenues and related production costs will therefore be recognised in the income statement.

Amendments to IAS 37 ***"Provisions, Contingent Liabilities and Contingent Assets"***
The amendment clarifies that all costs directly attributable to the contract must be taken into account when estimating the possible onerousness of a contract. Accordingly, the assessment of whether a contract is onerous includes not only incremental costs (such as the cost of direct material used in processing), but also all costs that the enterprise cannot avoid because it has entered into the contract (such as, for example, the share of depreciation of machinery used for the performance of the contract).

Amendments to ***"Annual Improvements 2018-2020"***
The amendments include amendments to the following principles:
- IFRS 1 *"First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter":* the amendment allows a subsidiary that chooses to apply paragraph D16(a) of IFRS 1 to account for cumulative translation differences on the basis of the amounts recognised by the parent company, taking into account the parent's date of transition to IFRSs;
- IFRS 9 "*Financial Instruments"*: the amendments clarify what fees can be included in measuring whether the terms of a new financial liability (or changes to an existing financial liability) are materially different from the terms of the original financial liability;
- IAS 41 *"Agriculture"*: the amendment removes the requirement to exclude cash flows arising from taxation when measuring the fair value of assets within the scope of IAS 41;
- IFRS 16 *"Leases"*: amendments to illustrative example no. 13.

All amendments will enter into force on 1 January 2022. Following the adoption of these amendments, the directors do not expect a significant effect 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 2019	**43,324**	**175,386**	**36,447**	**2,217**	**257,374**
Increases	344	3,566	2,481	2,717	9,108
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**
Increases	571	3,877	2,016	3,005	9,469
Disposals		(1,694)	(404)	-	(2,098)
Reclassification	223	1,108	38	(1,676)	(307)
At 31 December 2021	**44,462**	**178,784**	**39,709**	**3,851**	**266,806**

Accumulated depreciation	**18,531**	**154,288**	**33,084**	**-**	**205,903**
At 31 December 2019	1,212	5,758	1,526	-	8,496
Depreciations for the year	-	(3,391)	(69)	-	(3,460)
Derecognition due to disposal	-	141	-	-	141
At 31 December 2020	**19,743**	**156,796**	**34,541**	**-**	**211,080**
Depreciations for the year	1,258	5,558	1,562	-	8,378
Derecognition due to disposal	-	(1,151)	(95)	-	(1,246)
Write-downs	-	-	-	-	-
At 31 December 2021	**21,001**	**161,203**	**36,008**	**-**	**218,212**

Net carrying value					
At 31 December 2021	23,461	17,581	3,701	3,851	48,594
At 31 December 2020	23,925	18,697	3,518	2,522	48,662

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

	31/12/2021	**31/12/2020**	**Change**
Land	5,404	5,404	-
Industrial buildings	18,057	18,521	(464)
Total	**23,461**	**23,925**	(464)

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 2021	**256**	**-**	**665**	**921**
Increases	-	-	275	275
Depreciations	(44)	-	(266)	(310)
At 31 December 2021	**212**	**-**	**674**	**887**

The main investments in the financial year were aimed at adapting production capacity and 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 2021, 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 2019	**11,835**
Increases	-
Disposals	(552)
At 31 December 2020	**11,283**
Increases	-
Disposals	(1,107)
At 31 December 2021	**10,176**
Accumulated depreciations	
At 31 December 2019	**7,859**
Depreciations for the year	420
Derecognition due to disposal	(249)
At 31 December 2020	**8,030**
Depreciations for the year	369
Derecognition due to disposal	(534)
At 31 December 2021	**7,865**
Net carrying value	
At 31 December 2021	2,311
At 31 December 2020	3,253

This item includes non-operating buildings owned by the Company. Disposals during the period resulted in a capital gain of approximately €109 thousand.

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

	Investment property
1 January 2021	**38**
Depreciations	(35)
At 31 December 2021	**3**

At 31 December 2021, 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 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**
Increases	250	1,679	4	1,933
Decreases	(2)	-	(3)	(5)
Reclassifications	22	(58)	-	(36)
At 31 December 2021	**7,244**	**7,641**	**642**	**15,527**
Amortisation and write-downs				
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**
Amortisation	142	288	-	430
Decreases	-	-	-	-
At 31 December 2021	**6,806**	**4,397**	**546**	**11,749**
Net carrying value				
At 31 December 2021	**438**	**3,244**	**96**	**3,778**
At 31 December 2020	**310**	**1,911**	**95**	**2,316**

Intangible assets have a finite useful life and, as a result, are amortised throughout their life.

In 2021, the Company set up a dedicated team to develop new solutions for home cooking, with the aim of creating innovative products that meet the needs of manufacturers of household appliances and new consumer trends. Investments in the development of gas parts continued, mainly in relation to the expansion of the range of burners.
Increases in development costs include projects in progress and therefore not subject to amortisation.

At 31 December 2021, 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

	31/12/2021	31/12/2020	Change
In subsidiaries	84,429	65,441	18,988
Other equity investments	83	83	0
Total	**84,512**	**65,524**	**18,988**

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

Historical cost	Faringosi Hinges	Sabaf do Brasil	Sabaf U.S.	Sabaf Appliance Components (China)	Sabaf Mexico	Sabaf Turkey	A.R.C.	Okida	C.M.I.	Sabaf India	Total
31/12/2019	**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	**10,329**	**9,561**	**139**	**7,900**	**0**	**12,005**	**4,800**	**8,782**	**16,455**	**1,770**	**71,741**
Purchase	-	-	-	-	1	-	1,650	-	4,743	-	6,394
Share capital increase	-	3,600	-	-	3,127	5,167	-	-	-	1,000	12,894
31/12/2021	**10,329**	**13,161**	**139**	**7,900**	**3,128**	**17,172**	**6,450**	**8,782**	**21,198**	**2,770**	**91,029**
Provision for write-downs											
31/12/2019	**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**	**6,300**	**0**	**0**	**0**	**0**	**0**	**0**	**6,300**
Write-downs	-	-	-	300	-	-	-	-	-	-	300
31/12/2021	**0**	**0**	**0**	**6,600**	**0**	**0**	**0**	**0**	**0**	**0**	**6,600**
Net carrying value											
31/12/2021	**10,329**	**13,161**	**139**	**1,300**	**3,128**	**17,172**	**6,450**	**8,782**	**21,198**	**2,770**	**84,429**
31/12/2020	**10,329**	**9,561**	**139**	**1,600**	**0**	**12,005**	**4,800**	**8,782**	**16,455**	**1,770**	**65,441**
Portion of shareholders' equity (calculated in compliance with IFRS)											
31/12/2021	**8,462**	**15,716**	**158**	**1,317**	**3,092**	**15,396**	**7,371**	**2,961**	**15,503**	**2,755**	**72,731**
31/12/2020	**7,462**	**10,561**	**108**	**1,597**	**0**	**19,534**	**4,349**	**3,294**	**7,763**	**1,671**	**56,339**
Difference between shareholders' equity and carrying value											
31/12/2021	**(1,867)**	**2,555**	**19**	**17**	**(36)**	**(1,776)**	**921**	**(5,821)**	**(5,695)**	**(15)**	**(11,698)**
31/12/2020	**(2,867)**	**1,000**	**(31)**	**(3)**	**0**	**7,529**	**(451)**	**(5,488)**	**(8,692)**	**(99)**	**(9,102)**

Faringosi Hinges s.r.l.

In 2021, the Faringosi Hinges achieved positive results - in terms of sales and profitability - both compared to the previous year and compared to the budget. The 2022-2026 forward plan prepared at the beginning of 2022 envisages a further increase in sales at moderate growth rates.
At 31 December 2021, Sabaf S.p.A. tested - with the support of independent experts - the carrying value of the equity investment for impairment, determining its recoverable amount, considered to be equivalent to its value of use plus available liquidity, by discounting expected future cash flows in the forward plan drafted by the management. Cash flows for the period from 2022 to 2026 were augmented by the terminal value, which expresses the operating flows that the investee is expected to generate from the sixth year to infinity and determined based on the perpetual income. The management prepared a single plan for each CGU that represents the normal expected scenario, with reference to the period from 2022 to 2026.
The development of forward plans and the calculation of the value in use were carried out following an in-depth analysis that also considered the impact on profitability of the increase in purchase costs and the possibility of transferring this increase to sales prices.
The value of use was calculated based on a discount rate (WACC) of 10.11% (8.62% in the impairment test carried out while preparing the separate financial statements at 31 December 2020) and a growth rate (g) of 2%, unchanged from the 2020 impairment test.
The recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €14.431 million, compared with a carrying value of the equity investment of €10.329 million; consequently, the amount recognised for equity investment at 31 December 2021 was deemed recoverable.

Sensitivity analysis

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

(€/000)					
			growth rate		
discount rate	**1.50%**	**1.75%**	**2.00%**	**2.25%**	**2.50%**
9.11%	15,684	16,097	16,539	17,013	17,524
9.61%	14,680	15,036	15,416	15,822	16,256
10.11%	13,792	14,102	14,431	14,781	15,154
10.61%	13,002	13,273	13,560	13,865	14,188
11.11%	12,293	12,532	12,785	13,051	13,334

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

	EBITDA		
	According to the plan	*-10%*	*-20%*
(€/000)	14,431	12,501	10,572

Sabaf do Brasil

In 2021, 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. During the financial year, the shareholding was written down by €300 thousand against the loss of 2021.

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

In 2021, Sabaf Turkey, a company active in the production of gas parts, recorded a strong sales growth rate and a largely positive operating result. As a result of the strong devaluation of the Turkish lira, the company recorded exchange rate losses from the conversion of euro-denominated liabilities, which led to a negative net result.

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. In October 2021, Sabaf S.p.A. completed the acquisition of the remaining 30% of the share capital of A.R.C. s.r.l., following the exercise of the put option by the minority shareholder. The fee was €1,650 thousand. As a result of the transaction, Sabaf S.p.A. now holds 100% of the share capital of C.M.I. s.r.l.
A.R.C. s.r.l. performed well during the 2021 financial year in terms of both turnover and profitability. The 2022-2026 forward plan envisages a further increase in sales at moderate growth rates and almost stable margins.
At 31 December 2021, Sabaf S.p.A. tested - with the support of independent experts - the carrying value of the equity investment for impairment, determining its recoverable amount, considered to be equivalent to its value of use plus available liquidity, by discounting expected future cash flows in the forward plan drafted by the management. Cash flows for the period from 2022 to 2026 were augmented by the terminal value, which expresses the operating flows that the investee is expected to generate from the sixth year to infinity and determined based on the perpetual income. The management prepared a single plan for each CGU that represents the normal expected scenario, with reference to the period from 2022 to 2026.
The development of forward plans and the calculation of the value in use were carried out following an in-depth analysis that also considered the impact on profitability of the increase in purchase costs and the possibility of transferring this increase to sales prices.
The value of use was calculated based on a discount rate (WACC) of 6.93% (6.76% in the impairment test carried out while preparing the Separate financial statements at 31 December

2020) and a growth rate (g) of 2% (unchanged from the impairment test carried out while preparing the separate financial statements at 31 December 2020).
The recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €23.079 million, compared with a carrying value of the equity investment of €6.450 million; consequently, the amount recognised for equity investment at 31 December 2021 was deemed recoverable.

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

(€/000)					
	growth rate				
discount rate	**1.50%**	**1.75%**	**2.00%**	**2.25%**	**2.50%**
5.93%	25,734	26,887	28,187	29,663	31,355
6.43%	23,425	24,333	25,344	26,475	27,751
6.93%	21,543	22,274	23,079	23,970	24,962
7.43%	19,980	20,579	21,234	21,951	22,742
7.93%	18,662	19,160	19,701	20,289	20,931

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

	EBITDA		
	According to the plan	*-10%*	*-20%*
(€/000)	23,079	14,449	12,743

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 2021.
At 31 December 2021, the Company tested - with the support of independent experts - the carrying value of the equity investment for impairment, determining its recoverable amount considered to be equivalent to its value of use plus available liquidity, by discounting expected future cash flows in the forward plan drafted by the management. Cash flows for the period from 2022 to 2026 were augmented by the terminal value, which expresses the operating flows that the investee is expected to generate from the sixth year to infinity and determined based on the perpetual income. The management prepared a single plan for each CGU that represents the normal expected scenario, with reference to the period from 2022 to 2026.
The development of forward plans and the calculation of the value in use were carried out following an in-depth analysis that also considered the impact on profitability of the increase in purchase costs and the possibility of transferring this increase to sales prices. The value of use was calculated based on a discount rate (WACC) of 15.21% (14.18% in the impairment test

carried out while preparing the separate financial statements at 31 December 2020) and a growth rate (g) of 2.50%, unchanged from the 2020 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 €15.832 million (30% of total equity value), compared with a carrying value of the equity investment of €8.782 million; consequently, the carrying value recognised for equity investment at 31 December 2021 was deemed recoverable.

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

(€/000)					
	growth rate				
discount rate	**1.00%**	**1.25%**	**2.50%**	**1.75%**	**2.00%**
14.21%	16,748	16,981	17,224	17,477	17,742
14.71%	16,068	16,279	16,499	16,728	16,967
15.21%	15,440	15,632	15,832	16,039	16,255
15.71%	14,859	15,034	15,215	15,444	15,600
16.21%	14,319	14,479	14,645	14,817	14,995

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

	EBITDA		
	According to the plan	*-10%*	*-20%*
(€/000)	15,832	14,068	12,303

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. Sabaf S.p.A. had acquired a further 15.75% stake in September 2020. In November 2021, 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 second put option by the minority shareholder. The fee was €4,743 thousand. As a result of the transaction, Sabaf S.p.A. now holds 100% of the share capital of C.M.I. s.r.l..
C.M.I. s.r.l. recognised a strong increase in turnover in 2021 compared to the previous year. The positive trend is expected to continue for the period from 2022 to 2026, which forecasts further sales at moderate growth rates. At 31 December 2021, the Company tested - with the support of independent experts - the carrying value of the equity investment for impairment, determining its recoverable amount considered to be equivalent to its value of use plus available liquidity, by discounting expected future cash flows in the forward plan drafted by the management. Cash flows for the period from 2022 to 2026 were augmented by the terminal value, which expresses the operating flows that the investee is expected to generate from the sixth year to infinity and determined based on the perpetual income. The management prepared a single plan for each CGU that represents the normal expected scenario, with reference to the period from 2022 to 2026.

The development of forward plans and the calculation of the value in use were carried out following an in-depth analysis that also considered the impact on profitability of the increase in purchase costs and the possibility of transferring this increase to sales prices. The value of use was calculated based on a discount rate (WACC) of 11.31% (9.87% in the impairment test carried out while preparing the Separate financial statements at 31 December 2020) and a growth rate (g) of 2% (unchanged from that used for the impairment test carried out while preparing the separate financial statements at 31 December 2020).

The recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €55.656 million, compared with a carrying value of the equity investment of €21.198 million; consequently, the amount recognised for equity investment at 31 December 2021 was deemed recoverable.

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

(€/000)					
			growth rate		
discount rate	**1.00%**	**1.25%**	**2.00%**	**1.75%**	**2.00%**
10.31%	60,380	61,856	63,421	65,083	66,852
10.81%	56,649	57,946	59,316	60,766	62,303
11.31%	53,305	54,450	55,656	56,929	58,275
11.81%	50,289	51,306	52,375	53,499	54,685
12.31%	47,556	48,464	49,416	50,415	51,465

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

	EBITDA		
	According to the plan	-10%	-20%
(€/000)	55,656	50,334	41,649

Sabaf India Private Limited
During the 2020 financial year, a new company was set up in India with the aim of producing gas parts for the local market, where strong growth is expected in the coming years. The impacts of the pandemic caused a postponement in preparatory activities for the start of operations, which is expected during 2022.

Sabaf Mexico S.A. de C.V.
During the 2021 financial year, a new company was established in Mexico. A plot of land was acquired on which a new plant for the production of components for the North American market will be built in 2022.

5. NON-CURRENT FINANCIAL ASSETS

	31/12/2021	31/12/2020	Change
Financial receivables from subsidiaries	10,708	5,537	5,171
Total	**10,708**	**5,537**	**5,171**

At 31 December 2021, financial receivables from subsidiaries consist of:
- an interest-bearing loan of USD 2.5 million (€2.208 million at the end-of-year exchange rate), granted to the subsidiary Sabaf do Brasil with the aim of optimising the Group's exposure to foreign exchange rate risk with maturity March 2023;
- an interest-bearing loan of €8.5 million to the subsidiary Sabaf Turkey, of which €3.5 million disbursed during 2018 and €5 million disbursed during 2021 as part of the coordination of the Group's financial management, with maturity in August 2024 and April 2024, respectively.

6. INVENTORIES

	31/12/2021	31/12/2020	Change
Raw Materials	13,381	9,062	4,319
Semi-processed goods	9,400	6,812	2,588
Finished products	12,990	7,374	5,616
Provision for inventory write-downs	(1,785)	(1,736)	(49)
Total	**33,986**	**21,512**	**12,474**

The value of final inventories at 31 December 2021 increased compared to the end of the previous year to meet the higher volumes of activity. Moreover, in addition to the inflationary effect of the significant increases in metal prices, the Company raised the level of safety stocks to ensure continuity of production in a particularly turbulent scenario.
The provision for write-downs is mainly allocated for hedging the obsolescence risk, quantified on the basis of specific analyses carried out at the end of the year on slow-moving and non-moving products, and refers to raw materials for €487 thousand, semi-finished products for €328 thousand and finished products for €970 thousand. The following table shows the changes in the Provision for inventory write-downs during the current financial year:

31/12/2020	**1,736**
Provisions	297
Utilisation	(248)
31/12/2021	**1,785**

7. TRADE RECEIVABLES

	31/12/2021	31/12/2020	Change
Trade receivables from third parties	**30,584**	**29,477**	**1,107**
Trade receivables from subsidiaries	15,210	16,048	(838)
Bad debt provision	(600)	(500)	(100)
Net total	**45,194**	**45,025**	**169**

At 31 December 2021, trade receivables included balances totalling USD 6,985 thousand, booked at the EUR/USD exchange rate in effect on 31 December 2021, equal to 1.13260. The amount of trade receivables recognised in the financial statements includes approximately €13 million in insured receivables (€17 million at 31 December 2020).
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:

	31/12/2021	31/12/2020	Change
Current receivables (not past due)	27,304	27,784	(480)
Outstanding up to 30 days	1,844	1,026	818
Outstanding from 30 to 60 days	348	315	33
Outstanding from 60 to 90 days	211	100	111
Outstanding for more than 90 days	877	252	625
Total	**30,584**	**29,477**	**1,107**

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:

	31/12/2020	Provisions	Utilisation	31/12/2021
Bad debt provision	500	100	-	600

8. TAX RECEIVABLES

	31/12/2021	31/12/2020	Change
For income tax	1,104	1,119	(15)
for VAT	359	135	224
Total	**1,463**	**1,254**	**209**

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 2021, income tax receivables include:
- the receivable from the subsidiary C.M.I. s.r.l. amounting to €457 thousand
- the receivable from the subsidiary Faringosi Hinges s.r.l amounting to €155 thousand
- the receivable from the subsidiary A.R.C. s.r.l. amounting to €155 thousand,

relating to the balance of the 2021 income taxes transferred by the subsidiaries to the consolidating company Sabaf S.p.A., in accordance with the provisions of the tax regulations relating to the national tax consolidation and the tax consolidation contracts entered into between the parties.

Income tax receivables also include €352 thousand of receivables for investments in capital equipment referred to Decree Law 160/2019 and Budget Law 178/2020.

9. OTHER CURRENT RECEIVABLES

	31/12/2021	31/12/2020	Change
Credits to be received from suppliers	1,240	658	582
Advances to suppliers	426	431	(5)
Due from INAIL	5	42	(37)
Other	258	816	(558)
Total	**1,929**	**1,947**	**(18)**

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 2021 to a greater extent than in the previous year.

10. CURRENT FINANCIAL ASSETS

	31/12/2021	31/12/2020	Change
Restricted bank accounts	1,173	1,233	(60)
Currency derivatives	-	127	(127)
Total	**1,173**	**1,360**	**(187)**

At 31 December 2021, a term deposit of €1.173 million, due by 2022, 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.

11. CASH AND CASH EQUIVALENTS

The item Cash and cash equivalents, equal to €29,733 thousand at 31 December 2021 (€1,595 thousand at 31 December 2020), 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 2021, the structure of the share capital is shown in the table below.

	No. of shares	% of share capital	Rights and obligations
Ordinary shares	8,376,760	72.63%	--
Ordinary shares with increased vote	3,156,690	27.37%	Two voting rights per share
TOTAL	***11,533,450***	***100%***	

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

13. TREASURY SHARES AND OTHER RESERVES

With regard to the 2018 - 2020 Stock Grant Plan, following the expiry of the three-year vesting period, during the first half of 2021, 34,946 ordinary shares of the Company were allocated and transferred to the beneficiaries of Cluster 1, through the use of shares already available to the issuer.
No other transactions on treasury shares were carried out during the year.

At 31 December 2021, the Company is the lawful owner of 311,802 treasury shares (2.703% of the share capital), reported in the financial statements as an adjustment to shareholders' equity at a weighted average unit value of €12.52 (the closing stock market price of the Share at 31 December 2021 was €24.00). Further to what was reported in the Interim Management Statement at 31 December 2021 published on 10 February 2022, it is confirmed that the Company recovered the full availability of 311,802 treasury shares on 1 March 2022.

There were 11,221,648 outstanding shares at 31 December 2021 (11,186,702 at 31 December 2020).

The item "Retained earnings, other reserves" of €92,832 thousand included, at 31 December 2021:

- the stock grant reserve of €1,701 thousand, which included the measurement at 31 December 2021 of the fair value of rights assigned to receive Sabaf shares relating to the following medium- and long-term incentive plans:
  - 2018 - 2020 Stock Grant Plan, for rights related to Cluster 2 beneficiaries only;
  - 2021 – 2023 Stock Grant Plan.

  For details of the Stock Grant Plan, refer to Note 43;

- the hedge accounting reserve, negative for €71 thousand. The following table shows the change in the Cash Flow Hedge reserve related to the application of IFRS 9 on derivative contracts and referring to the recognition in net equity of the effective part of the derivative contracts signed to hedge the foreign exchange rate risk for which the Company applies hedge accounting.

Opening value at 31 December 2020	**127**
Change during the period	(198)
Value at 31 December 2021	**(71)**

  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

	31/12/2021			31/12/2020		
	Current	Non-current	Total	Current	Non-current	Total
Leases	437	1,456	1,893	474	1,633	2,107
Unsecured loans	16,732	81,059	97,791	12,956	25,258	38,214
Short-term bank loans	1,841	-	1,841	10,567	-	10,567
Total	**19,010**	**82,515**	**101,525**	**23,997**	**26,891**	**50,888**

In December 2021, Sabaf S.p.A. issued a €30 million bond fully subscribed by PRICOA with a maturity of 10 years, an average life of 8 years and a fixed coupon of 1.85% per year. This issue enabled the Company to diversify its sources of financing, improve financial flexibility and significantly lengthen the average duration of its debt. The loan described has the following covenants, defined with reference to the Group consolidated figures widely complied with at 31 December 2021 and for which, according to the Group's business plan, compliance is also expected in subsequent years:

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

During the year, the Company took out new unsecured loans for a total of €45 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 2021 equal to €47.8 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 2021 equal to €56.8 million)

widely complied with at 31 December 2021 and for which, according to the Group'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. In these separate financial statements, "Other financial liabilities" (Note 15) includes the negative fair value of the IRSs hedging rate risks of unsecured loans pending, for residual notional amounts of approximately €33.4 million and expiry until 30 June 2027. Financial expenses were recognised in the income statement with a balancing entry.

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

Lease liabilities at 1 January 2020	**2,047**
New agreements signed during 2020	515
Repayments during 2020	(455)
Lease liabilities at 31 December 2020	**2,107**
New agreements signed during 2021	275
Repayments during 2021	(489)
Lease liabilities at 31 December 2021	**1,893**

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

15. OTHER FINANCIAL LIABILITIES

	31/12/2021		**31/12/2020**	
	Current	Non-current	Current	Non-current
Payables to A.R.C. shareholders	-	-	60	-
Payables to C.M.I. shareholders	1,173	-	1,173	-
Derivative instruments on interest rates	72	-	327	-
Currency derivatives	149	-	-	
Total	**1,394**	**-**	**1,560**	**-**

The payable to C.M.I. shareholders of €1,173 thousand at 31 December 2021, maturing during 2022, 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.
Currency derivatives refer to forward sales contracts recognised using hedge accounting. These financial instruments are broken down in Note 35 - Forex risk management.

16. Post-employment benefit

At 31 December 2020	**1,929**
Financial expenses	4
Payments made	(150)
Tax effect	(3)
At 31 December 2021	**1,780**

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

Post-employment benefits are calculated as follows:

Financial assumptions

	31/12/2021	*31/12/2020*
Discount rate	0.40%	0.23%
Inflation	1.30%	1.00%

Demographic theory

	31/12/2021	*31/12/2020*
Mortality rate	IPS55 ANIA	IPS55 ANIA
Disability rate	INPS 2000	INPS 2000
Staff turnover	7%	6%
Advance payouts	2% per year	5% per year
Retirement age	Pursuant to legislation in force at 31 December 2021	pursuant to legislation in force on 31 December 2020

17. PROVISIONS FOR RISKS AND CHARGES

	31/12/2020	**Provisions**	**Utilisation**	**31/12/2021**
Provision for agents' indemnities	218	28	(1)	245
Product guarantee fund	60	-	-	60
Provision for tax risks	-	500	-	500
Provision for legal risks	576	-	(530)	46
Total	**854**	**528**	**(531)**	**851**

The provision for agents' indemnities covers amounts payable to agents if the Company terminates the agency relationship.
The product guarantee fund covers the risk of returns or charges by customers for products already sold and, if necessary, is adjusted at the end of the financial year on the basis of analyses carried out and past experience.
The fund was adjusted at the end of the year, on the basis of analyses conducted and past experience.
At 31 December 2021, a provision of €500 thousand was recognised in the provisions for tax, expressing the best estimate of the probable liability following the results of a tax audit on the Company for the years from 2016 to 2018.
With regard to the provision for legal risks, note that, at the end of the 2020 financial year, a provision of €500 thousand had been recognised in relation to a patent dispute, for which a settlement was reached with the counterparty at the beginning of 2021. During 2021, the corresponding use of the provision was therefore recognised, against payment.
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

	31/12/2021	31/12/2020	Change
Total	**33,678**	**26,204**	**7,474**

The increase in trade payables is related to higher production volumes of the year.
Average payment terms did not change versus the previous year. At 31 December 2021, there were no overdue payables of a significant amount and the Company did not receive any injunctions for overdue payables.

19. TAX PAYABLES

	31/12/2021	31/12/2020	Change
To inland revenue for income tax	2,703	1,433	1,270
To subsidiaries for income tax	55	276	(221)
To inland revenue for IRPEF tax deductions	616	676	(60)
Other tax payables	-	74	(74)
Total	**3,374**	**2,459**	**915**

Payables to inland revenue for income tax are related to IRES for €2,383 thousand and IRAP for €320 thousand.

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 2021, payables to subsidiaries for income taxes refer to tax advances received from the subsidiary CGD s.r.l..

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

20. OTHER CURRENT PAYABLES

	31/12/2021	31/12/2020	Change
To employees	5,095	4,259	836
To social security institutions	2,238	2,094	144
Advances from customers	1,200	858	342
To agents	216	231	(15)
Other current payables	652	415	237
Total	**9,401**	**7,857**	**1,544**

At the beginning of 2022, payables due to employees and social security institutions were paid in accordance with the scheduled expiry dates.
Other current payables include accrued liabilities and deferred income.

21. DEFERRED TAX ASSETS AND LIABILITIES

	31/12/2021	31/12/2020
Deferred tax assets	3,323	3,892
Deferred tax liabilities	(324)	(230)
Net position	**2,999**	**3,662**

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 31/12/2019	**(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**
Through profit or loss	(184)	(131)	(10)	(177)	-	-	(160)	(662)
To shareholders' equity	-	-	-	-	-	(1)	-	(1)
At 31/12/2021	**743**	**747**	**35**	**1,063**	**0**	**175**	**236**	**2,999**

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 Law Decree 98/2011, deductible in ten instalments starting in 2018.

22. TOTAL FINANCIAL DEBT

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

		31/12/2021	**31/12/2020**	**Change**
A.	Cash (Note 11)	8	9	(1)
B.	Positive balances of unrestricted bank accounts (Note 11)	29,725	1,586	28,139
C.	Other cash equivalents	-	-	-
D.	**Liquidity (A+B+C)**	**29,733**	**1,595**	**28,138**
E.	**Current financial receivables**	**1,173**	**1,360**	**(187)**
F.	Current bank payables (Note 14)	1,841	10,567	(8,726)
G.	Current portion of non-current debt (Note 14)	17,169	13,430	3,739
H.	Other current financial payables (Note 15)	1,394	1,560	(166)
I.	**Current financial debt (F+G+H)**	**20,404**	**25,557**	**(5,153)**
J.	**Net current financial debt (I-D-E)**	**(10,502)**	**22,602**	**(33,104)**
K.	Non-current bank payables (Note 14)	82,515	26,891	55,624
L.	Other non-current financial payables	-	-	-
M.	**Non-current financial debt (K+L)**	**82,515**	**26,891**	**55,624**
N.	**Net financial debt (J+M)**	**72,013**	**49,493**	**22,520**

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 2021, sales revenue totalled €144,033,787, up 40.4% from €102,583,189 in 2020.

Revenue by geographical area

	2021	%	2020	%	% change
Europe (excluding Turkey)	48,788	33.9%	38,724	37.7%	*+26.0%*
Turkey	35,496	24.6%	25,607	25.0%	*+38.6%*
North America	10,088	7.0%	7,792	7.6%	*+29.5%*
South America	20,688	14.4%	13,711	13.4%	*+50.9%*
Africa and Middle East	16,930	11.8%	10,415	10.2%	*+62.6%*
Asia and Oceania	12,044	8.4%	6,334	6.2%	*+90.1%*
Total	**144,034**	**100%**	**102,583**	**100%**	***+40.4%***

Revenue by product family

	2021	%	2020	%	% change
Valves and thermostats	60,006	41.7%	45,784	44.6%	*+31.1%*
Burners	63,959	44.4%	42,798	41.7%	*+49.4%*
Accessories and other revenues	20,069	13.9%	14,001	13.6%	*+43.3%*
Total	**144,034**	**100%**	**102,583**	**100%**	***+40.4%***

In 2021, demand was solid in all markets, with particularly high peaks in the first half of the year. The increase in sales was very strong in all geographical areas, with peaks in Asia, Africa and the Middle East, indicating an increasingly global presence.
Average sales prices in 2021 were 1.5% higher compared with 2020.

24. OTHER INCOME

	2021	2020	Change
Sale of trimmings	2,696	1,147	1,549
Services to subsidiaries	1,295	1,150	145
Royalties to subsidiaries	213	126	87
Contingent income	307	891	(584)
Rental income	123	121	2
Use of provisions for risks and charges	1	15	(14)
Other income	1,560	2,197	(637)
Total	**6,195**	**5,647**	**548**

Services to subsidiaries refer to administrative, commercial and technical services provided within the scope of the Group.
Other income includes €638 in revenue from the sale of moulds and equipment and €106 thousand in benefits granted as a tax credit for investments made in 2021 (Law 160/2019 paragraphs 184 to 196).

25. MATERIALS

	2021	2020	Change
Commodities and outsourced components	66,870	39,462	27,408
Consumables	5,252	3,809	1,443
Total	**72,122**	**43,271**	**28,851**

In 2021, the effective purchase prices of the main raw materials (aluminium alloys, steel and brass) were on average higher than in 2020, with a negative impact of 5.8% of sales.

26. COSTS FOR SERVICES

	2021	2020	Change
Outsourced processing	12,701	7,831	4,870
Electricity and natural gas	6,092	2,616	3,476
Maintenance	4,975	3,827	1,148
Advisory services	2,421	1,832	589
Transport and export expenses	2,475	1,420	1,055
Directors' fees	477	419	58
Insurance	541	536	5
Commissions	770	573	197
Travel expenses and allowances	136	122	14
Waste disposal	539	469	70
Canteen	325	251	74
Temporary agency workers	487	211	276
Other costs	2,315	2,102	213
Total	**34,254**	**22,209**	**12,045**

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.
The increase in energy costs resulted, in addition to the increase in production volumes, from the extraordinary and sudden increase in electricity and gas prices in the second half of the year.

27. PERSONNEL COSTS

	2021	2020	Change
Salaries and wages	20,670	18,744	1,926
Social Security costs	6,433	5,718	715
Temporary agency workers	5,229	2,002	3,227
Post-employment benefit and other costs	1,643	1,446	197
Stock grant plan	805	657	148
Total	**34,780**	**28,567**	**6,213**

Average of the Company headcount at 31 December 2021 totalled 473 employees (335 blue-collars, 125 white-collars and supervisors, 13 managers), compared with 480 in 2020 (345 blue-collars, 124 white-collars and supervisors, 11 managers). The number of temporary staff with temporary work contract was 115 at 31 December 2021 (82 at the end of 2020).

The item "Stock Grant Plan" included the measurement at 31 December 2021 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

	2021	2020	Change
Provisions for risks	-	558	(558)
Non-income related taxes and duties	375	413	(38)
Losses and write-downs of trade receivables	100	89	11
Contingent liabilities	53	36	17
Other provisions	28	26	2
Other operating expenses	172	185	(13)
Total	**728**	**1,307**	**(579)**

Non-income taxes mainly include IMU, TASI and the tax for the disposal of urban solid waste. Other provisions refer to the allocations to provisions for risks described in Note 17.

29. FINANCIAL EXPENSES

	2021	2020	Change
Interest paid to banks	322	543	(221)
Banking expenses	177	141	36
Other financial expense	31	34	(3)
Total	**530**	**718**	**(188)**

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

30. EXCHANGE RATE GAINS AND LOSSES

In 2021, the Company reported net foreign exchange profit of €427 thousand (net loss of €399 thousand in 2020) due to the gradual strengthening of the dollar against the euro during the year.

31. PROFITS AND LOSSES FROM EQUITY INVESTMENTS

	2021	2020	Change
Dividends received from Faringosi Hinges Srl	-	500	(500)
Dividends received from Okida Elektronik	176	109	67
Total	**176**	**609**	**(433)**

This item includes dividends received from investee companies.

32. INCOME TAXES

	2021	2020	Change
Current taxes	2,961	934	2,027
Deferred tax assets and liabilities	662	(1,112)	1,774
Taxes related to previous financial years	36	(89)	125
Substitute tax	-	146	(146)
Taxes on foreign dividends	24	15	9
Provision for tax risks	500	-	500
Total	**4,183**	**(106)**	**4,289**

Current taxes for 2021 are related to IRAP (€759 thousand) and IRES (€2,202 thousand).
With regard to the provision for tax risks, please refer to Note 17.

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:

	2021	2020
Theoretical income tax	3,414	1,513
Taxes related to previous financial years	28	(127)
Tax effect of dividends from investee companies	(16)	(124)
“Iper and Superammortamento” tax benefit	(641)	(694)
Realignment between carrying values and tax values of properties	-	(1,360)
Substitute tax on realignment of property values	-	146
Permanent tax differences	74	172
Other differences	-	2
Tax credit on sanitisation costs	(14)	(28)
Provision for tax risks	500	-
IRES (current and deferred)	**3,345**	**(500)**
IRAP (current and deferred)	**838**	**394**
Total	**4,183**	**(106)**

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.

33. DIVIDENDS

On 2 June 2021, shareholders were paid an ordinary dividend of €0.55 per share (total dividends of €6,172 thousand).
The Directors have recommended payment of an unchanged dividend of €0.60 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 1 June 2022 (ex-date 30 May and record date 31 May).

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.

	31/12/2021	31/12/2020
Financial assets		
Amortised cost		
Cash and cash equivalents	29,733	1,595
Trade receivables and other receivables	46,991	46,972
Non-current loans	10,708	5,537
Other financial assets	1,173	1,360
Hedge accounting		
Derivatives cash flow hedges (on currency)	-	127
Financial liabilities		
Fair Value through profit or loss		
Derivatives cash flow hedges (on interest rates)	149	327
Amortised cost		
Loans	101,525	50,887
Other financial liabilities	1,173	1,233
Trade payables	33,545	26,204
Hedge accounting		
Derivatives cash flow hedges (on currency)	71	-

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

It is part of Sabaf's policies to hedge exposure to changes in prices, exchange rates 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 38% 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 13.1% of total turnover in 2021, while purchases in dollars represented 4.3% of total turnover. During the year, operations in dollars were partially hedged through forward sales contracts. At 31 December 2021, the Group had in place forward sales contracts of USD 3 million, maturing in December 2022 at an average exchange rate of 1.1658. 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.

Company	Counterparty	Instrument	Maturity	Value date	Notional (in thousands)	Fair value hierarchy
Sabaf S.p.A.	Unicredit	Forward	28/03/2022	USD	1,000,000	2
			27/06/2022		500,000	
			28/06/2022		500,000	
			27/09/2022		500,000	
			27/12/2022		500,000	

Sensitivity analysis

With reference to financial assets and liabilities in US dollars at 31 December 2021, a hypothetical and immediate revaluation of 10% of euro against the dollar would have led to a loss of €466 thousand.

Interest rate risk management

Owing to the current trend in interest rates, the Company favours fixed-rate indebtedness: medium to long-term loans originated at a variable rate are converted to a fixed rate by entering into interest rate swaps (IRS) at the same time as the loan is opened. At 31 December 2021, IRS totalling €33.4 million were in place, mirrored in mortgages with the same residual debt, through which the Company transformed the floating rate of the mortgages into fixed rate. The derivative contracts were not designated as a cash flow hedge and were therefore recognised using the "fair value through profit or loss" method.

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

Company	Counterparty	Instrument	Maturity	Value date	Notional	Fair value hierarchy
Sabaf S.p.A.	MPS	IRS	30/06/2023	EUR	1,500,000	2
	Intesa Sanpaolo		15/06/2024		6,000,000	
	Intesa Sanpaolo		15/06/2024		1,850,000	
	Crédit Agricole		30/06/2025		9,000,000	
	Mediobanca		28/04/2027		15,000,000	

Sensitivity analysis

Considering the IRS in place, at the end of 2021 almost all of the Company's financial debt was at a fixed rate. Therefore, at 31 December 2021 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. Metal prices rose sharply during 2021, forcing the Company to renegotiate sales prices several times to compensate for the increase in costs. Based on market conditions and contractual agreements, the Company may not be able to pass on changes in raw material prices to customers in a timely and/or complete manner, with consequent effects on margins. The Company also protects itself from the risk of changes in the price of aluminium, steel and brass with supply contracts signed with suppliers for delivery up to twelve months in advance or, alternatively, with derivative financial instruments. In 2021 and 2020, the Company did not use financial derivatives on commodities.

Liquidity risk management

The management of liquidity and financial debt is coordinated at Group level. The Group operates with a debt ratio considered physiological (net financial debt / shareholders' equity at 31 December 2021 of 55.2%, net financial debt / EBITDA of 1.25) 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 2021 and 31 December 2020 is shown below.

At 31 December 2021

	Carrying value	Contractual cash flows	Within 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Unsecured loans and leases	70,035	71,469	1,819	15,830	47,984	5,836
Bond issue	29,649	34,440	-	555	2,220	31,665
Short-term bank loans	2,062	2,062	2,062	-	-	-
Payables to C.M.I. shareholders	1,173	1,173	-	1,173	-	-
Total financial payables	**102,919**	**109,144**	**3,881**	**17,558**	**50,204**	**37,501**
Trade payables	33,678	33,678	30,896	2,782	-	-
Total	**136,597**	**142,822**	**34,777**	**20,340**	**50,204**	**37,501**

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**

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 2021, by hierarchical level of fair value assessment.

	Level 1	Level 2	Level 3	Total
Other financial liabilities (interest rate derivatives)	-	149	-	149
Total assets and liabilities at fair value	**-**	**149**	**-**	**149**

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 2021	Subsidiaries	Other related parties	Total related parties	Impact on the total
Non-current financial assets	10,708	10,708	-	10,708	100%
Trade receivables	45,194	15,211	-	15,211	33.66%
Tax receivables	1,463	767	-	767	52.43%
Trade payables	33,678	1,533	4	1,537	4.56%
Tax payables	3,374	55	-	55	1.63%

	Total 2020	Subsidiaries	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%

Impact of related party transactions on income statement items

	Total 2021	Subsidiaries	Other related parties	Total related parties	Impact on the total
Revenue	144,034	20,212	-	20,212	14.03%
Other income	6,195	2,030	-	2,030	32.77%
Materials	72,122	3,316	-	3,316	4.60%
Services	34,254	447	21	468	1.37%
Capital gains on non-current assets	238	155	-	155	65.13%
Financial income	318	255	-	255	80.19%

	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	22,209	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%

Relations with subsidiaries mainly consist of:

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

Related party transactions 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)	**114,409**	**10,044**	**72,013**	**28,138**
Provision for tax risks	500	500	-	-
Total non-recurring operations (B)	*500*	*500*	-	-
Financial statement notional value (A + B)	**114,909**	**10,544**	**72,013**	**28,138**

In these separate financial statements, the Company recognised a provision for tax risks of €500 thousand against potential tax liabilities (Note 17 and Note 28).

38. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The recent conflict between Ukraine and Russia led to a sudden change in the global economic scenario. Although the Company has a non-significant direct exposure to the markets of Russia, Belarus and Ukraine, it is exposed to indirect effects on the price trends of raw materials, electricity and gas, the supply chain and final demand. To date, these effects are not quantifiable as they are related to future developments in the conflict, the outcome of which cannot be determined.

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 2021.

40. SECONDARY OFFICES AND LOCAL UNITS

The Company has two other active local units in addition to the registered office in Ospitaletto (Brescia):
- Lumezzane (Brescia);
- Busto Arsizio (Varese).

41. COMMITMENTS

Guarantees issued
Sabaf S.p.A. also issued sureties to guarantee mortgage loans granted by banks to employees for a total of €3,443 thousand (€3,632 thousand at 31 December 2020).

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

Two stock grant plans are in place, namely the 2018 - 2020 Stock Grant Plan and the 2021 - 2023 Stock Grant Plan. The Plans aim to promote and pursue the involvement of the beneficiaries whose activities are considered relevant for the implementation of the contents and the achievement of the objectives set out in the Business Plan, foster loyalty development and motivation of managers, by increasing their entrepreneurial approach as well as align the interests of management with those of the Company's shareholders more closely, with a view to encouraging the achievement of significant results in the economic and asset growth and sustainability of the Company and of the Group.

2018 – 2020 Stock Grant Plan
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 on 14 May 2019.

<u>Subject matter</u>
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 relevant 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 of the business objectives related to the ROI, EBITDA and TSR indicators and, for a share not exceeding 30%, of individual objectives, on a progressive basis;

<u>Beneficiaries</u>
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 were divided into two groups:
- Cluster 1: beneficiaries identified in the Plan or who will be identified by the Board of Directors by 30 June 2018 and to whom 185,600 rights have been allocated;
- Cluster 2: beneficiaries identified by the Board of Directors from 1 July 2018 to 30 June

2019 and to whom 184,400 rights have been allocated;

Deadline
The 2018 - 2020 Plan expires on 31 December 2022.

Rights accrued and allocation of shares
With reference to Cluster 1, based on the level of achievement of the objectives and the other conditions set out in the Plan, 34,946 rights accrued, therefore 34,946 shares have been allocated to the Beneficiaries during 2021.
With regard to Cluster 2, based on the level of achievement of the objectives set out in the Plan, 114,074 rights accrued. The allocation of the relevant shares will be made during 2022 and is conditional on the continuation of the employment relationship with the Beneficiaries at the date of approval of the financial statements for the year 2021 of Sabaf S.p.A.

Accounting impacts and Fair Value measurement methods
The Company's shareholders' equity includes the Stock Grant reserve (Note 13), which includes €896 thousand for the fair value measurement of the Rights assigned to Cluster 2 beneficiaries. Please see the explanatory notes to the consolidated financial statements at 31 December 2020 for an explanation of how to determine the fair value of these rights.

2021 – 2023 Stock Grant Plan
The plan was approved by the Shareholders' Meeting on 6 May 2021 and the related Regulations by the Board of Directors on 13 May 2021.

Subject matter
The subject-matter of the Plan is the free allocation to the Beneficiaries of a maximum of 260,000 Options, each of which entitles them to receive free of charge, under the terms and conditions provided for by the Regulations of the relevant Plan, 1 Sabaf S.p.A. Share.
The free allocation of Sabaf S.p.A. shares is conditional on the achievement, in whole or in part, with progressiveness, of the business targets related to the ROI and EBITDA and social and environmental targets.

Beneficiaries
The Plan is intended for persons who hold or will hold key positions in the Company and/or its Subsidiaries, with reference to the implementation of the contents and the achievement of the objectives of the 2021 - 2023 Business Plan. A total of 226,000 Rights were allocated to the Beneficiaries already identified.

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

Accounting impacts and Fair Value measurement methods
In connection with this Plan, €805 thousand (Note 27) were recognised in personnel costs during the year, an equity reserve of the same amount (Note 13) was recognised as a balancing entry.
In line with the date on which the beneficiaries became aware of the assignment of the rights and terms of the plan, the grant date was set at 13 May 2021.

The main assumptions made at the beginning of the vesting period and the methods for determining the fair value at the end of the reporting period are illustrated below. The following economic and financial parameters were taken into account in determining the fair value per share at the start of the vesting period:

Share price on grant date adjusted for dividends	23.09
Dividend yield	2.60%
Expected volatility per year	28%
Interest rate per year	-0.40%

Based on the exercise right at the different dates established by the Plan Regulations and on the estimate of the expected probability of achieving the objectives for each reference period, the unitary fair value at 31 December 2021 was determined as follows:

Rights relating to business objectives measured on ROI	Total value on ROI	15.82	Fair Value	5.54
	Rights on ROI	35%		

Rights relating to business objectives measured on EBITDA	Total value on EBITDA	16.43	Fair Value	6.57
	Rights on EBITDA	40%		

Rights relating to ESG objectives measured on personell training	Total value on "Personell training"	20.41	Fair Value	1.02
	Rights on "Personell training"	5%		

Rights relating to ESG objectives measured on safety indicator	Total value on "Safety indicator"	7.82	Fair Value	0.39
	Rights on "Safety indicator"	5%		

Rights relating to ESG objectives measured on emissions reduction	Total value on "Emissions reduction"	20.41	Fair Value	3.06
	Rights on "Emissions reduction"	15%		

Fair value per share	16.58

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

In compliance with the requirements of transparency and publicity envisaged pursuant to 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)	641	Italian State
Energy-intensive contributions	485	Italian State
Sanitisation credit	14	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 and Budget Law 2021, Law 178/2020.

Super ammortamento (Super amortisation): it allows an over-estimation for tax purposes of 130% or 140% of investments in new capital equipment; the reference regulations are contained in 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 June, July and August 2021 with reference to Art. 32 of Law Decree no. 73 of 25 May 2021.

LIST OF EQUITY INVESTMENTS IN SUBSIDIARIES[1]

Company name	Registered offices	Share capital at 31 December 2021	Shareholders	% of ownership	Shareholders' equity at 31 December 2021	2021 profit (loss)
Faringosi Hinges s.r.l.	Ospitaletto (BS)	EUR 90,000	Sabaf S.p.A.	100%	EUR 8,461,977	EUR 1,102,439
Sabaf do Brasil Ltda	Jundiaì (Brazil)	BRL 53,348,061	Sabaf S.p.A.	100%	BRL 99,168,885	BRL 8,840,503
Sabaf US Corp.	Plainfield (USA)	USD 200,000	Sabaf S.p.A.	100%	USD 179,369	46,748
Sabaf Appliance Components (Kunshan) Co., Ltd.	Kunshan (China)	EUR 7,900,000	Sabaf S.p.A.	100%	CNY 10,461,803	CNY -3,349,677
Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki	Manisa (Turkey)	TRY 80,000,000	Sabaf S.p.A.	100%	TRY 212,728,107	TRY 35,165,181
A.R.C. s.r.l.	Campodarsego (PD)	EUR 45,000	Sabaf S.p.A.	100%	EUR 7,665,156	EUR 883,555
Okida Elektronik Sanayi ve Tickaret A.S	Istanbul (Turkey)	TRY 5,000,000	Sabaf S.p.A. Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki	30% 70%	TRY 156,217,914	TRY 77,149,853
Sabaf Mexico Appliance Components	San Louis Potosì (Mexico)	USD 3,650,000	Sabaf S.p.A.	100%	PESOS 71,264,460	PESOS - 3,511,040
C.M.I s.r.l.	Valsamoggia (BO)	EUR 1,000,000	Sabaf S.p.A.	100%	EUR 15,503,588	EUR 3,962,079
C.G.D. s.r.l.	Valsamoggia (BO)	EUR 26,000	C.M.I. s.r.l.	100%	EUR 1,050,145	EUR 234,316
Sabaf India Private Limited	Bangalore (India)	INR 153,833,140	Sabaf S.p.A.	100%	INR 148,278,330*	INR -5,554,810*
Handan A.R.C. Burners Co., Ltd.	Handan (China)	RMB 3,000,000	A.R.C. s.r.l.	51%	RMB 1,860,639	RMB -68,027

'* The values shown for Sabaf India Private Limited refer to 31 March 2021, the local reporting date

OTHER SIGNIFICANT EQUITY INVESTMENTS

None

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

ORIGIN, POSSIBILITY OF UTILISATION AND AVAILABILITY OF RESERVES

Description	Amount	Possibility of utilisation	Available share	Amount subject to taxation for the company in the case of distribution
Capital reserves:				
Share premium reserve	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	72,912	A, B, C	72,912	0
Revaluation reserve, Law Decree 104/20	4,873	A, B	4,873	4,727
Valuation reserve:				
Post-employment benefit actuarial provision	(526)		0	0
Reserve for stock grant plan	1,701		0	0
Hedge accounting reserve	(71)		0	0
Total	92,832		89,421	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
Investment property	Law 72/1983	137	(137)	0
	1989 merger	516	(501)	15
	Law 413/1991	17	(17)	0
	1994 merger	1,320	(1,063)	257
	Law 342/2000	2,870	(2,712)	158
		4,860	**(4,430)**	**430**
Plant and equipment	Law 576/75	180	(180)	0
	Law 72/1983	2,180	(2,180)	0
	1989 merger	6,140	(6,140)	0
	1994 merger	6,820	(6,820)	0
		15,320	**(15,320)**	**0**
Industrial and commercial equipment	Law 72/1983	**161**	**(161)**	**0**
Other assets	Law 72/1983	**50**	**(50)**	**0**
TOTAL		**20,391**	**(19,961)**	**430**

GENERAL INFORMATION

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

Registered and administrative office:		Via dei Carpini, 1 25035 Ospitaletto (Brescia)
Contacts:	Tel:	+39 030 - 6843001
	Fax:	+39 030 - 6848249
	E-mail:	info@sabaf.it
	Web site:	http://www.sabaf.it
Tax information:		REA Brescia 347512
	Tax Code	03244470179
	VAT Number	01786910982

Appendix

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

The following table, prepared pursuant to Art. 149-*duodecies* of the CONSOB Issuers' Regulation, shows fees relating to 2021 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 2021 financial year
Audit	EY S.p.A.	35
Certification services	EY S.p.A	---
Other audit services	EY S.p.A	33 (1)
Total		*68*

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

Certification of Separate financial statements pursuant to Art. 154-bis of Legislative Decree 58/98

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

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

of the administrative and accounting procedures for the formation of the separate financial statements during the 2021 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 Art. 9 of Legislative Decree 38/2005;
    - are consistent with accounting books and records;
    - provide a true and fair view of the financial position and performance of the issuer;

- the report on operations contains a reliable analysis of the performance and results of operations and the situation at the issuer, along with a description of the key risks and uncertainties to which it is exposed.

Ospitaletto, 22 March 2022

Chief Executive Officer
Pietro Iotti

The Financial Reporting Officer
Gianluca Beschi