2022 ANNUAL FINANCIAL REPORT

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SABAF GROUP

REPORT ON OPERATIONS

Business and Financial situation of the Group

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

The Sabaf Group ended the 2022 financial year with sales revenue of €253.1 million, down 3.9% (-4.9% on a like-for-like basis) compared to €263.3 million in 2021, the company's historic record year. The household appliance market continued its positive trend in the first half of 2022, but then experienced a sharp downturn in the second half of the year, accentuated by a sharp decline in our customer inventories.

Sales prices in 2022 were 8.4% higher than in 2021, largely offsetting considerable increases in the purchase prices of the main raw materials (aluminium alloys, steel and brass), electricity and gas.

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

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

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

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

The geographical breakdown of revenues is shown below:

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

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

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

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

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

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

(€/000)	**31/12/2022**	**31/12/2021**
Non-current assets	*171,276*	*130,093*
Short-term assets[2]	134,709	141,494
Short-term liabilities[3]	(55,329)	(72,863)
Working capital[4]	*79,380*	*68,631*
Provisions for risks and charges, Post-employment benefits, deferred taxes	*(10,128)*	*(8,681)*
Net invested capital	**240,528**	**190,043**
Short-term net financial position	(6,030)	18,897
Medium/long-term net financial position	(78,336)	(86,504)
Net financial debt	**(84,366)**	**(67,607)**
Shareholders' equity	**156,162**	**122,436**

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

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

In 2022, the Group generated operating cash flow of €24.3 million (€23.2 million in 2021). At 31 December 2022, the impact of the net working capital on revenue was 31.4% compared to 26.1% at 31 December 2021.
In 2022, in line with the Business Plan, the Group invested €20.9 million (€23.8 million in 2021). This is mainly a non-recurring investment, aimed at expanding the international production footprint:

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

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

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

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

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

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

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

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

Economic and financial indicators

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

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

Risk Factors

Risks related to the conflict between Russia and Ukraine

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

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

Climate change and energy transition

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

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

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

Risks of external context

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

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

Strategic risks

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

Operational risks

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

Legal and compliance risks

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

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

Performance of the sector

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

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

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

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

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

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

The presence of Sabaf in Turkey, the country that represents the main production hub of household appliances at European level, is of particular importance: over the years, local industry attracted heavy foreign investments and favoured the growth of important manufacturers. In this context, the Sabaf Group created a production plant in Turkey in 2012 that realises today 10% of total production. In 2018, the Group also acquired 100% of Okida Elektronik, a leader in Turkey in the design, manufacture and sale of electronic control boards for household appliances. In 2021, Sabaf opened a new plant in Turkey to increase production capacity for electronic components. Production of hinges for dishwashers for customers with production sites in Turkey was also started in 2022. In 2022, Turkey represented 20% of the Group's production and 26% of its total sales. The Turkish market is estimated to represent around 5% of the final destination of Sabaf components. In consideration of the strategic importance of this Country, the management assessed the risks that could arise from any difficulties/impossibilities of operating in Turkey and envisaged actions to mitigate this risk.

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

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

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

Financial risks

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

- **Commodity price volatility**: A significant portion of the Group’s purchase costs is represented by aluminium, steel and brass. Metal prices rose sharply during 2022, forcing the Group to renegotiate sales prices several times to compensate for the increase in costs. Based on market conditions and contractual agreements, the Group may not be able to pass on changes in raw material prices to customers in a timely and/or complete manner, with consequent effects on margins.
- **Increase in energy costs**: some of the Group's production processes, such as the die-casting of aluminium parts and the enamelling of burner covers, use gas as an energy source. Other production facilities absorb significant electricity consumption. Rising energy costs, exacerbated by the Russia-Ukraine conflict, can have a significant impact on margins. In order to mitigate this risk, the Group is constantly evaluating possible actions to contain energy consumption, including by improving the efficiency of the most energy-intensive plants.
- **Exchange rate fluctuation**: the Group carries out transactions primarily in euro; however, transactions also take place in other currencies, such as the U.S. dollar, the Brazilian real, the Turkish lira and the Chinese renminbi. in particular, since turnover in US dollars accounted for 19.9% of consolidated turnover, the possible depreciation against the euro and the real could lead to a loss in competitiveness on the markets in which sales are made in that currency (mainly South and North America). Moreover, the net value of assets and liabilities in foreign subsidiaries constitutes an investment in foreign currency, which generates a translation difference on consolidation of the Group, with an impact on the comprehensive income statement and the financial position.
- **Trade receivable**: the high concentration of turnover on a small number of customers generates a concentration of the respective trade receivables, with a resulting increase in the negative impact on economic and financial results in the event of insolvency of any one of them.

For more information on financial risks and the related management methods, see Note 38 of the consolidated financial statements as regards disclosure for the purposes of IFRS 7.

Research and Development

The most important research and development projects carried out in 2022 were as follows:

Gas parts

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

Hinges

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

Electronic components

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

Induction

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

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

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

Disclosure of non-financial information

Starting from 2017, the Sabaf Group publishes the consolidated disclosure of non-financial information required by Legislative Decree no. 254/2016 in a report separate from this Report on Operations. The disclosure of non-financial information provides all the information needed to ensure understanding of the Group's activities, performance, results and impact, with particular reference to environmental, social and personnel issues,

respect for human rights and the fight against active and passive corruption, which are relevant considering the Group's activities and characteristics.
The disclosure of non-financial information is included in the same file in which the Annual Financial Statement is published.
It should be noted that since 2005, the Sabaf Group has drawn up an Annual Report on its economic, social and environmental sustainability performance.

Personnel
In 2022, the Sabaf Group suffered no on-the-job deaths or serious accidents that led to serious or very serious injuries to staff for which the Group was definitively held responsible, nor was it held responsible for occupational illnesses of employees or former employees, or causes of mobbing.
For all other information, please refer to the Disclosure of non-financial information.

Environment
In 2022 there was no:
- damage caused to the environment for which the Group was held definitively responsible;
- definitive fines or penalties imposed on the Group for environmental crimes or damage.

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

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

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

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

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

Derivative financial instruments
For the comments on this item, please see Note 38 of the consolidated financial statements.

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

Management and coordination
Sabaf S.p.A. is not subject to management and coordination by other companies.
Sabaf S.p.A. exercises management and coordination activities over its Italian subsidiaries, Faringosi Hinges s.r.l., A.R.C. s.r.l., C.M.I. s.r.l., C.G.D. s.r.l., P.G.A. s.r.l. and PGA2.0 s.r.l.

Intra-group transactions and related-party transactions
The relationships between the Group companies, including those with the parent company, are regulated under market conditions, as well as the relationships with related parties, defined in accordance with the accounting standard IAS 24. The details of intra-group transactions and other related-party transactions are given in Note 39 of the consolidated financial statements and in Note 38 of the separate financial statements of Sabaf S.p.A.

Business outlook
The first weeks of 2023 show a gradually improving trend in sales and orders. The destocking that characterised the second half of 2022 is over now, although sales in the first half of the year will remain lower than the record levels of early 2022. The Group expects a recovery in profitability made possible by the recovery in production volumes, lower energy and raw material prices, measures to reduce energy consumption.
Product diversification and internationalisation initiatives continue as planned. These will help to improve the Group's economic performance and ensure sustainable growth in the medium and long term. Specifically:

- efforts have been stepped up to develop induction cooking components (first deliveries are imminent);
- the technical and commercial integration of P.G.A. continues with the aim of strengthening its presence in the smart appliances and IoT sector for household appliances;
- the ramp-up of the production of gas components in India continues;
- construction of the plant in Mexico is nearing completion, where production of burners highly anticipated by the North American market will begin;

- at the Ospitaletto plant, work is about to start on a photovoltaic system that, with an installed capacity of 2 MW, will cover a significant portion of the plant's energy requirements.

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

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

The reclassification based on financial criteria is illustrated below:

(€/000)	**31/12/2022**	**31/12/2021**
Non-current assets [7]	*170,151*	*142,549*
Non-current financial assets	*10,972*	*10,708*
Short-term assets[8]	61,496	82,572
Short-term liabilities[9]	(30,296)	(46,453)
Working capital[10]	*31,200*	*36,119*
Provisions for risks and charges, Post-employment benefits, deferred taxes	*(2,664)*	*(2,954)*
Net invested capital	**209,659**	**186,422**
Short-term net financial position	(22,298)	10,502
Medium/long-term net financial position	(76,336)	(82,515)
Total financial debt[11]	**(98,634)**	**(72,013)**
Shareholders' equity	**111,025**	**114,409**

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

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

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

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

The investments of the financial year were used:

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

At 31 December 2022, working capital stood at €31.2 million compared with €36.1 million at the end of the previous year: its percentage impact on turnover stood at 26.2% from 25.1% at the end of 2021.

The net financial debt was €98.6 million, compared with €72 million at 31 December 2021.

At the end of the year, shareholders' equity amounted to €111 million, compared with €114.4 million in 2021. The ratio between the net financial debt and the shareholders' equity was 89%; it was 63% at the end of 2021.

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

Pursuant to the CONSOB memorandum of 28 July 2006, a reconciliation statement of the result of the 2022 financial year and Group shareholders' equity at 31 December 2022 with the same values of the parent company Sabaf S.p.A. is given below:

Description	31/12/2022 Profit for the year	31/12/2022 Shareholders' equity	31/12/2021 Profit for the year	31/12/2021 Shareholders' equity
Profit and shareholders' equity of parent company Sabaf S.p.A.	**2,247**	**111,025**	**10,044**	**114,409**
Equity and consolidated company results	19,541	132,974	15,008	96,538
Derecognition of the carrying value of consolidated equity investments	722	(110,465)	300	(86,089)
Monetary revaluation - hyperinflation (IAS 29)	(6,077)	25,729	-	-
Put options on minorities	-	-	438	-
Intercompany eliminations	(1,176)	(3,013)	(1,250)	(2,414)
Other adjustments	(8)	(88)	143	(8)
Minority interests	-	-	(780)	(911)
Profit and shareholders' equity attributable to the Group	**15,249**	**156,162**	**23,903**	**121,525**

Proposal for allocation of 2022 profit

As we thank our employees, the Board of Statutory Auditors, the independent auditors and the Supervisory Authorities for their effective collaboration, we ask the shareholders to approve the financial statements for the year ended 31 December 2022, with the proposal to allocate the profit for the year of €2,246,997 entirely to the Extraordinary Reserve.

CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2022

SABAF S.p.A.
Via dei Carpini, 1 – OSPITALETTO (BS) Italy
Share capital €11,533,450 fully paid in
www.sabafgroup.com

GROUP STRUCTURE AND CORPORATE BODIES

Group structure

Parent company

SABAF S.p.A.

Subsidiaries and equity interest pertaining to the Group

Companies consolidated on a line-by-line basis	
Faringosi Hinges s.r.l.	100%
Sabaf do Brasil Ltda.	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%
Sabaf India Private Limited	100%
Sabaf Mexico Appliance Components S.A. de c.v.	100%
C.M.I. s.r.l.	100%
C.G.D. s.r.l.	100%
P.G.A. s.r.l.	100%
PGA2.0 s.r.l.	100%

Board of Directors

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

(*) independent directors

Board of Statutory Auditors

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

Independent Auditors

EY S.p.A.

Consolidated statement of financial position

(€/000)	Notes	31/12/2022	31/12/2021
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	**1**	99,605	82,407
Investment property	**2**	983	2,311
Intangible assets	**4**	54,168	35,553
Equity investments	**5**	97	83
Non-current receivables	**6**	2,752	1,100
Deferred tax assets	**22**	13,145	8,639
Total non-current assets		**170,750**	**130,093**
CURRENT ASSETS			
Inventories	**7**	64,426	64,153
Trade receivables	**8**	59,159	68,040
Tax receivables	**9**	8,214	6,165
Other current receivables	**10**	2,910	3,136
Current financial assets	**11**	2,497	1,172
Cash and cash equivalents	**12**	20,923	43,649
Total current assets		**158,129**	**186,315**
ASSETS HELD FOR SALE	**3**	**526**	**0**
TOTAL ASSETS		**329,405**	**316,408**
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	**13**	11,533	11,533
Retained earnings, Other reserves	**14**	129,380	86,089
Profit for the year		15,249	23,903
Total equity interest of the Group		156,162	*121,525*
Minority interests		-	*911*
Total shareholders' equity		**156,162**	**122,436**
NON-CURRENT LIABILITIES			
Loans	**15**	78,336	86,504
Post-employment benefit and retirement provisions	**17**	3,661	3,408
Provisions for risks and charges	**18**	639	1,334
Deferred tax liabilities	**22**	5,828	3,939
Total non-current liabilities		**88,464**	**95,185**
CURRENT LIABILITIES			
Loans	**15**	28,876	24,405
Other financial liabilities	**16**	574	1,519
Trade payables	**19**	39,628	54,837
Tax payables	**20**	2,545	4,951
Other payables	**21**	13,156	13,075
Total current liabilities		**84,779**	**98,787**
LIABILITIES HELD FOR SALE		**0**	**0**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**329,405**	**316,408**

Consolidated income statement

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

Consolidated statement of comprehensive income

(€/000)	2022	2021
PROFIT FOR THE YEAR	**15,249**	**24,683**
Total profits/losses that will not be subsequently reclassified under profit (loss) for the year		
Actuarial evaluation of post-employment benefit	254	26
Tax effect	(61)	(6)
	193	20
Total profits/losses that will be subsequently reclassified under profit (loss) for the year		
Forex differences due to translation of financial statements in foreign currencies	(8,660)	(14,552)
Hedge accounting for derivative financial instruments	151	(398)
Total other profits/(losses) net of taxes for the year	**(8,316)**	**(14,930)**
TOTAL PROFIT	**6,933**	**9,753**
of which:		
Net profit for the period attributable to minority interests	-	780
Total profits/losses that will be subsequently reclassified under profit (loss) for the year	-	-
Total profit attributable to minority interests	**0**	**780**
TOTAL PROFIT ATTRIBUTABLE TO THE GROUP	**6,933**	**8,973**

Statement of changes in consolidated shareholders’ equity

(€/000)	Share capital	Share premium reserve	Legal reserve	Treasury shares	Translation reserve	Post-employment benefit discounting reserve	Other reserves	Profit for the year	Total Group shareholders' equity	Minority interests	Total shareholders’ equity
Balance at 31 December 2020	**11,533**	**10,002**	**2,307**	**(4,341)**	**(31,503)**	**(541)**	**111,580**	**13,961**	**112,998**	**4,809**	**117,807**
Allocation of 2020 profit											
- carried forward							7,789	(7,789)			
- dividends								(6,172)	(6,172)		(6,172)
IFRS 2 measurement stock grant plan							805		805		805
Treasury share transactions				438			(438)				
Change in the scope of consolidation							4,909		4,909	(4,678)	231
Other changes							12		12		12
Total profit at 31 December 2021					(14,552)	20	(398)	23,903	8,973	780	9,753
Balance at 31 December 2021	**11,533**	**10,002**	**2,307**	**(3,903)**	**(46,055)**	**(521)**	**124,259**	**23,903**	**121,525**	**911**	**122,436**
Monetary revaluation - hyperinflation (IAS 29)							11,402		11,402		11,402
Balance at 1 January 2022 restated	**11,533**	**10,002**	**2,307**	**(3,903)**	**(46,055)**	**(521)**	**135,661**	**23,903**	**132,927**	**911**	**133,838**
Allocation of 2021 profit											
- carried forward							17,145	(17,145)	0		0
- dividends								(6,758)	(6,758)		(6,758)
IFRS 2 measurement stock grant plan							1,134		1,134		1,134
Treasury share transactions				682			(875)		(193)		(193)
Change in the scope of consolidation							784		784	(911)	(127)
Monetary revaluation - hyperinflation (IAS 29)							21,346		21,346		21,346
Other changes							(11)		(11)		(11)
Total profit at 31 December 2022					(8,660)	193	151	15,249	6,933		6,933
Balance at 31 December 2022	**11,533**	**10,002**	**2,307**	**(3,221)**	**(54,715)**	**(328)**	**175,335**	**15,249**	**156,162**	**0**	**156,162**

Consolidated statement of cash flows

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

Explanatory Notes

ACCOUNTING STANDARDS

Statement of compliance and basis of presentation

The consolidated financial statements of the Sabaf Group for the 2022 financial year have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. Reference to IFRS also includes all current International Accounting Standards (IAS). They have been prepared in euro, the currency of the economies in which the Group mainly operates, rounding to the nearest thousand, and are compared with the previous year's consolidated financial statements prepared in accordance with the same standards, except for IAS 29, which has been applied from 2022 onwards to the financial statements of the Turkish subsidiaries (for further details, please refer to the specific paragraph Hyperinflation – Turkey: application of IAS 29). They consist of the statement of financial position, the income statement, the statement of changes in shareholders' equity, the statement of cash flows and these explanatory notes. The financial statements have been prepared on a historical cost basis except for some revaluations of property, plant and equipment undertaken in previous years, and are considered a going concern. The Group assessed that it is a going concern (as defined by paragraphs 25 and 26 of IAS 1 and by Article 2423 bis of the Italian Civil Code), also due to the strong competitive position, high profitability and solidity of the financial structure.

Financial statements

The Group has adopted the following formats:

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

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

Scope of consolidation

The scope of consolidation at 31 December 2022 comprises the parent company Sabaf S.p.A. and the following companies controlled by Sabaf S.p.A.:

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

- Sabaf India Private Limited
- Sabaf Mexico Appliance Components S.A. de c.v.
- C.M.I. s.r.l.
- C.G.D. s.r.l.
- P.G.A. s.r.l.
- PGA2.0 s.r.l.

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

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

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

Consolidation criteria

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

The criteria applied for consolidation are as follows:

a) Assets and liabilities, income and costs in financial statements consolidated on a line-by-line basis are incorporated into the Group financial statements, regardless of the entity of the equity interest concerned. Moreover, the carrying value of equity interests is derecognised against the shareholders’ equity relating to investee companies;
b) positive differences arising from elimination of equity investments against the carrying value of shareholders’ equity at the date of first-time consolidation are attributed to the higher values of assets and liabilities when possible and, for the remainder, to goodwill. In accordance with the provisions of IFRS 3, since 1 January 2004, the Group has not amortised goodwill and instead subjects it to impairment testing;
c) payable/receivable and cost/revenue items between consolidated companies and profits/losses arising from intercompany transactions are derecognised;

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

Information related to IFRS 3

As at 3 October 2022, the P.G.A. Group[12], which has been active for more than 25 years in the field of design and assembly of electronic control boards for the household appliances sector, was consolidated. The Report on Operations describes the purpose of the transaction and the expected synergies.
The allocation of the price paid for the acquisition of the P.G.A. Group on the net assets acquired (Purchase Price Allocation) was completed during 2022. Specifically, in accordance with IFRS 3 revised, the fair value of assets, liabilities and contingent liabilities was recognised at the acquisition date, the effects of which are shown in the table below:

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

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

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

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

- Customer Relationship: fair value of €4.266 million determined using the "Multi-period Excess Earnings" method, taking the following parameters as reference:
    - revenue relating to customers with whom there is a strong technical and commercial relationship
    - profitability in line with the historical average
    - economic useful life of 15 years
    - discount rate of 11.91%
    - g growth rate of 1.80%

- **Patents**: fair value of €0.275 million determined using the "Relief from Royalty" method, taking the following parameters as reference:
    - revenues from products covered by patents at the valuation date
    - royalty rate equal to 3.5%
    - economic useful life of 4 years
    - discount rate of 11.41%
    - g growth rate of 1.80%

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

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

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

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

Separate financial statements of each company belonging to the Group are prepared in the currency of the country in which that company operates (functional currency). For the purposes of the consolidated financial statements, the financial statement of each foreign entity is expressed in euro, which is the Group's functional currency and the reporting currency for the consolidated financial statements.
Balance sheet items in accounts expressed in currencies other than euro are converted by applying current end-of-year exchange rates.

Income statement items are converted at average exchange rates for the year, with the exception of the financial statements of companies operating in hyperinflationary economies whose income statements are converted by applying the end-of-year exchange rate as required by IAS 21 paragraph 42.b.
Foreign exchange differences arising from the comparison between opening shareholders' equity converted at current exchange rates and at historical exchange rates, together with the difference between the net result expressed at average and current exchange rates, are allocated to "Other Reserves" in shareholders' equity.
The exchange rates used for conversion into euro of the financial statements of the foreign subsidiaries, prepared in local currency, are shown in the following table:

Description of currency	Exchange rate in effect at 31/12/2022	Average exchange rate 2022	Exchange rate in effect at 31/12/2021	Average exchange rate 2021
Brazilian real	5.6386	5.4399	6.3101	6.3778
Turkish lira	19.9649	n/a	15.233	10.510
Chinese renminbi	7.3582	7.0788	7.1947	7.6271
US Dollar	1.0666	1.05305	1.1326	1.18275
Polish Zloty	n/a	n/a	4.5969	4.5651
Indian Rupee	88.1710	82.6864	84.229	87.439
Mexican peso	20.8560	21.1869	23.143	23.985

Segment reporting

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

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

Accounting policies

The accounting standards and policies applied for the preparation of the consolidated financial statements at 31 December 2022, unchanged versus the previous year, are shown below:

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

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

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

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

Adoption of the accounting standard IFRS 16 "Leases"
The Group applied IFRS 16 from 1 January 2019 by using the amended retrospective approach.
When evaluating the lease liabilities, the Group discounted the payments due for the lease using the incremental borrowing rate, the weighted average of which was 3.29% on 31 December 2022 and 3.86% on 31 December 2021. The rate was defined taking also

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

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

Assets held for sale

The Group classifies non-current assets as held for sale if their carrying value will be recovered mainly through a sale transaction, rather than through continuing use. These non-current assets classified as held for sale are measured at the lower of their carrying value and their fair value less costs to sell. Selling costs are the additional costs directly attributable to the sale, excluding financial expenses and taxes.

The condition for classification as held for sale is only met when the sale is highly probable and the asset is available for immediate sale in its present condition. The actions required to complete the sale should indicate that significant changes to the sale are unlikely or that the sale will be cancelled. Management must be committed to the sale, which should be completed within one year from the date of classification.

Depreciation of property, plant and equipment and amortisation of intangible assets stops when they are classified as available for sale.

Assets and liabilities classified as held for sale are presented separately among the items in the financial statements.

Goodwill

Goodwill is the difference between the purchase price and fair value of investee companies' identifiable assets and liabilities on the date of acquisition.

As regards acquisitions completed prior to the date of IFRS adoption, the Sabaf Group has used the option provided by IFRS 1 to refrain from applying IFRS 3 – concerning business combinations – to acquisitions that took place prior to the transition date.

Consequently, goodwill arising in relation to past acquisitions has not been recalculated and has been posted in accordance with Italian GAAPs, net of amortisation reported up to 31 December 2003 and any losses caused by a permanent value impairment.

After the transition date, goodwill – as an intangible asset with an indefinite useful life – is not amortised but subjected annually to impairment testing to check for value loss, or more frequently if there are signs that the asset may have suffered impairment (impairment test).

Equity investments in associates and joint ventures

An associated company is a company on which the Group exercises significant influence. Significant influence is the power to participate in determining the financial and operational policies of the associated company without having control or joint control over it. A joint venture is a joint control agreement in which the parties holding the joint control have rights on the net assets of the agreement.

The Group's equity investment in associates and joint ventures is measured using the equity method: the equity investment is initially entered at cost, subsequently, the carrying

value of the equity investment is increased or decreased to reflect the investor's share of the investee's profits and losses realised after the acquisition date.
Goodwill pertaining to the associated company or joint venture is included at the carrying value of the equity investment and is not subject to individual assessment of impairment).

Other intangible assets

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

Customer relationship	15
Brand	15
Patents	9
Know-how	7
Development costs	10
Software	3 - 5

Impairment

At each end of reporting period, the Group reviews the carrying value of its tangible and intangible assets to determine whether there are signs of impairment losses of these assets. If there is any such indication, the recoverable amount of said assets is estimated so as to determine the total of the write-down. If it is not possible to estimate recoverable amount individually, the Group estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs.
In particular, the recoverable amount of the cash generating units (which generally coincide with the legal entity to which the capitalised assets refer) is verified by determining the value of use. The recoverable amount is the higher of the net selling price and value of use. In measuring the value of use, future cash flows net of taxes, estimated based on past experience, are discounted to their present value using a pre-tax rate that reflects current market valuations of the present cost of money and specific asset risk. The main assumptions used for calculating the value of use concern the discount rate, growth rate, expected changes in selling prices and cost trends during the period used for the calculation. The growth rates adopted are based on future market expectations in the relevant sector. Changes in the sales prices are based on past experience and on the expected future changes in the market. The Group prepares operating cash flow forecasts based on the most recent budgets approved by the Board of Directors of the consolidated companies, draws up the forecasts for the coming years and determines the terminal value (current value of perpetual income), which expresses the medium- and long-term operating flows in the specific sector.
If the recoverable amount of an asset (or CGU) is estimated to be lower than its carrying value, the asset’s carrying value is reduced to the lower recoverable amount, recognising impairment in the income statement.
When there is no longer any reason for a write-down to be maintained, the carrying value

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

Investment property

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

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

Equity investments and non-current receivables

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

Inventories

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

Trade receivables and other financial assets

Initial recognition

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

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

Trade receivables that do not contain a significant financing component are valued at the transaction price determined in accordance with IFRS 15. See the “Revenue from Contracts with Customers” paragraph.
Other financial assets are recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.
For a financial asset to be classified and measured at amortised cost or at fair value recognised in OCI, it must generate cash flows that depend solely on the principal and interest on the amount of principal to be repaid (known as "solely payments of principal and interest (SPPI)"). This measurement is referred to as the SPPI test and is carried out at the instrument level.

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

Financial assets at amortised cost (debt instruments)
This category is the most important for the Group. The Group measures the financial assets at amortised cost if both of the following requirements are met:

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

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

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

Derecognition

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

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

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

Provisions for risks and charges

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

Post-employment benefit

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

Trade payables and other financial liabilities

Initial recognition

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Loans and payables

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

Derecognition

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

Policy for conversion of foreign currency items

Receivables and payables originally expressed in foreign currencies are converted into euro at the exchange rates in force on the date of the transactions originating them. Forex differences realised upon collection of receivables and payment of payables in foreign

currency are posted in the income statement. Income and costs relating to foreign-currency transactions are converted at the rate in force on the transaction date.
At year-end, assets and liabilities expressed in foreign currencies, with the exception of non-current items, are posted at the spot exchange rate in force at the end of the reporting period and related foreign exchange gains and losses are posted in the income statement. If conversion generates a net gain, this value constitutes a non-distributable reserve until it is effectively realised.

Derivative instruments and hedge accounting
The Group's business is exposed to financial risks relating to changes in exchange rates, commodity prices and interest rates. The company uses derivative instruments (mainly forward contracts on currencies and commodity options) to hedge risks stemming from changes in foreign currencies relating to irrevocable commitments or to planned future transactions.
Derivatives are initially recognised at cost and are then adjusted to fair value on subsequent closing dates.
Changes in the fair value of derivatives designated and recognised as effective for hedging future cash flows relating to the Group's contractual commitments and planned transactions are recognised directly in shareholders' equity, while the ineffective portion is immediately posted in the income statement. If the contractual commitments or planned transactions materialise in the recognition of assets or liabilities, when such assets or liabilities are recognised, the gains or losses on the derivative that were directly recognised in equity are factored back into the initial valuation of the cost of acquisition or carrying value of the asset or liability. For cash flow hedges that do not lead to recognition of assets or liabilities, the amounts that were directly recognised in equity are included in the income statement in the same period when the contractual commitment or planned transaction hedged impacts profit and loss – for example, when a planned sale actually takes place.
For effective hedges of exposure to changes in fair value, the item hedged is adjusted for the changes in fair value attributable to the risk hedged and recognised in the income statement. Gains and losses stemming from the derivative's valuation are also posted in the income statement.
Changes in the fair value of derivatives not designated as hedging instruments are recognised in the income statement in the period when they occur.
Hedge accounting is discontinued when the hedging instrument expires, is sold or is exercised, or when it no longer qualifies as a hedge. At this time, the cumulative gains or losses of the hedging instrument recognised in equity are kept in the latter until the planned transaction actually takes place. If the transaction hedged is not expected to take place, cumulative gains or losses recognised directly in equity are transferred to the year's income statement.
Embedded derivatives included in other financial instruments or contracts are treated as separate derivatives when their risks and characteristics are not strictly related to those of their host contracts and the latter are not measured at fair value with posting of related gains and losses in the income statement.

Revenue from contracts with customers
The Group is engaged in the supply of components for household appliances (mainly gas parts, such as valves and burners, hinges and electronic components).

Revenue from contracts with customers is recognised when control of the goods is transferred to the customer for an amount that reflects the consideration that the Group expects to receive in exchange for the goods. The control of the goods passes to the customer according to the terms of return defined with the customer. The usual extended payment terms range from 30 to 120 days from shipment; the Group believes that the price does not include significant financing components.
The guarantees provided for in the contracts with customers are of a general nature and not extended and are accounted for in accordance with IAS 37.

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

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

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

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

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

Equity-settled transactions

Some Group employees receive part of the remuneration in the form of share-based payments, therefore employees provide services in exchange for shares ("equity-settled transactions"). The cost of equity-settled transactions is determined by the fair value at the date on which the assignment is made using an appropriate measurement method, as explained in more detail in Note 40.

This cost, together with the corresponding increase in shareholders' equity, is recognised under personnel costs (Note 28) over the period in which the conditions relating to the achievement of objectives and/or the provision of the service are met. The cumulative costs recognised for such transactions at the end of each reporting period up to the vesting date are commensurate with the expiry of the vesting period and the best estimate of the number of equity instruments that will actually vest.

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

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

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

Earnings per share

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

Use of estimates

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

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

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

Provisions for inventory obsolescence and inventory write-downs at their expected sale value
Inventories subject to obsolescence and slow turnover are systematically measured and written down if their recoverable value is less than their carrying value. Write-downs are calculated based on management assumptions and estimates, resulting from experience and historical results.
If the expected sale value is less than the purchase or production cost, inventories of finished goods are written down to market value, estimated on the basis of current selling prices.

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

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

Income taxes
The Group is subject to different bodies of tax legislation on income. Determining liabilities for Group taxes requires the use of management valuations in relation to transactions whose tax implications are not certain at the end of the reporting period. Furthermore, the valuation of deferred taxes is based on income expectations for future years; the valuation

of expected income depends on factors that might change over time and have a significant effect on the valuation of deferred tax assets.

Other provisions

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

Climate change

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

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

New accounting standards

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

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

Amendments to IAS 16 *"Property, Plant and Equipment"*

The purpose of the amendments is not to allow the deduction from the cost of property, plant and equipment of the amount received from the sale of goods produced in the test phase of the asset. These sales revenues and related production costs will therefore be recognised in the income statement. These changes had no impact on the Group's consolidated financial statements.

Amendments to IFRS 1 *"First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter"*

The amendment allows a subsidiary that chooses to apply paragraph D16(a) of IFRS 1 to account for cumulative translation differences on the basis of the amounts recognised by the parent company, taking into account the parent's date of transition to IFRSs. This amendment had no impact on the Group's consolidated financial statements as the Group is not a first-time adopter.

Amendments to IFRS 3 *"Reference to the Conceptual Framework"*

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

Amendments to IFRS 9 *"Financial Instruments"*

the amendments clarify what fees can be included in measuring whether the terms of a new financial liability (or changes to an existing financial liability) are materially different from the terms of the original financial liability. This amendment had no impact on the

Group's consolidated financial statements in that there were no changes in the Group's financial liabilities during the year.

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

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

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

Amendments to IAS 1 ***"Classification of Liabilities as Current or Non-current"***
In January 2020, the 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 IAS 8 "*Definition of accounting estimates*"
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of "accounting estimates". The amendments clarify the distinction between changes in accounting standards and changes in accounting policies and corrections of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for financial years beginning on or after 1 January 2023 and apply to changes in accounting standards and changes in accounting estimates that occur on or after the beginning of that period. Early application is permitted provided that this fact is disclosed.
The changes are not expected to have a significant impact on the Group.

Amendments to IAS 1 and IFRS Practice Statement 2 "*Disclosure of Accounting Standards*"

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

The Group is currently assessing the impact of the amendments to determine the effect they will have on the Group's disclosure of accounting standards.

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

In May 2021, the IASB issued amendments to IAS 12 that narrow the scope of the initial recognition exception in IAS 12, which no longer applies to transactions that give rise to both taxable and deductible temporary differences.

Amendments are to be applied to transactions occurring after or at the beginning of the comparative period presented. In addition, deferred tax assets (if sufficient taxable income is available) and deferred tax liabilities are recognised at the beginning of the comparative period for all deductible and taxable temporary differences relating to leases and provisions for restoration.

The Group is currently assessing the impact of these changes.

Hyperinflation – Turkey: application of IAS 29

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

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

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

Consumer price index	Value at 31/12/2021	Value at 31/12/2022	Change
TURKSTAT	686.95	1,128.45	+64.27%

Consumer price index	Value at 01/01/2003	Value at 31/12/2021	Change
TURKSTAT	100	686.95	+586.95%

Accounting effects

The accounting effects of the restatement were recognised as follows.

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

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

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

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

Consolidated statement of financial position *(€/000)*	**31/12/2022**	**Hyperinflation effect**	**31/12/2022 with Hyperinflation effect**
Total non-current assets	145,930	24,820	170,750
Total current assets	156,713	1,416	158,129
Available-for-sale non-current assets	526	-	526
Total Assets	303,169	26,236	329,405
Total shareholders' equity	130,433	25,729	156,162
Total non-current liabilities	87,957	507	88,464
Total current liabilities	84,779	-	84,779
Total liabilities and shareholders' equity	303,169	26,236	329,405

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

Comments on significant balance sheet items

1. PROPERTY, PLANT AND EQUIPMENT

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

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

	31/12/2022	**31/12/2021**	**Change**
Land	9,465	8,613	852
Industrial buildings	26,781	24,614	2,167
Total	**36,246**	**33,227**	**3,019**

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

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

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

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

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

At 31 December 2022, the Group found no endogenous or exogenous indicators of impairment of its property, plant and equipment. As a result, the value of property, plant and equipment was not submitted to impairment testing.

2. INVESTMENT PROPERTY

Cost	
At 31 December 2020	**11,284**
Increases	-
Disposals	(1,107)
At 31 December 2021	**10,177**
Increases	144
Disposals	(1,381)
Reclassifications	(6,675)
At 31 December 2022	**2,265**
Depreciations and write-downs	
At 31 December 2020	**8,031**
Depreciations for the year	369
Write-downs for the year	-
Derecognition due to disposal	(534)
At 31 December 2021	**7,866**
Depreciations for the year	299
Derecognition due to disposal	(734)
Reclassifications	(6,149)
At 31 December 2022	**1,282**

Net carrying value	
At 31 December 2021	983
At 31 December 2022	2,311

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

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

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

The item Investment property includes non-operating buildings owned by the Group: these are mainly properties for residential use, held for rental or sale. Disposals during the period resulted in capital gains totalling €243 thousand.

At 31 December 2022, the Group found no other endogenous or exogenous indicators of impairment of its investment property. As a result, the value of investment property was not submitted to impairment testing.

3. ASSETS HELD FOR SALE

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

4. INTANGIBLE ASSETS

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

Goodwill

Goodwill recognised at 31 December 2022 is allocated:
- to the “Hinges” (CGU) cash generating units of €4.414 million;
- to the “Professional burners” CGU of €1.770 million;
- for €16.641 million to the “Electronic components” CGU;
- for €1.127 million to the “P.G.A. Electronic components” CGU;
- to the “C.M.I. hinges” CGU of €3.680 million.

The Group verifies the ability to recover goodwill at least once a year or more frequently if there are indications of impairment. Recoverable amount is determined through value of use, by discounting expected cash flows.
The management defined a single plan for each CGU that represents the normal and expected scenario, with reference to the period from 2023 to 2027, and which was used to

develop the impairment tests. The development of forward plans and the calculation of the value in use were carried out following an in-depth analysis that also considered the impact on profitability of the increase in purchase costs and the possibility of transferring this increase to sales prices. The recoverable amount of each CGU, determined on the basis of this plan, was subjected to stress tests and sensitivity analyses.

Goodwill allocated to the Hinges CGU

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

At 31 December 2022, the Group tested - with the support of independent experts - the carrying value of its CGU Hinges for impairment, determining its recoverable amount, considered to be equivalent to its usable value, by discounting expected future cash flow in the forward plan drafted by the management. Cash flows for the period from 2023 to 2027 were augmented by the terminal value, which expresses the operating flows that the CGU is expected to generate from the sixth year to infinity and determined based on the perpetual income. The value of use was calculated based on a discount rate (wacc) of 11.65% (10.11% in the impairment test carried out while preparing the consolidated financial statements at 31 December 2021) and a growth rate (g) of 2%, unchanged from the 2021 impairment test.

The recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €16.245 million, compared with a carrying value of the assets allocated to the Hinges unit of €10.301 million; consequently, the value recognised for goodwill at 31 December 2022 was deemed recoverable.

Sensitivity analysis

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

(€/000)					
			growth rate		
discount rate	**1.50%**	**1.75%**	**2.00%**	**2.25%**	**2.50%**
10.65%	17,328	17,645	17,981	18,337	18,715
11.15%	16,491	16,771	17,066	17,378	17,708
11.65%	15,735	15,984	16,245	16,520	16,810
12.15%	15,050	15,272	15,504	15,748	16,004
12.65%	14,426	14,624	14,831	15,049	15,277

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

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

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

Goodwill allocated to the Professional burners CGU

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

At 31 December 2022, the Group tested - with the support of independent experts - the carrying value of its Professional burners CGU for impairment, determining its recoverable amount, considered to be equivalent to its usable value, by discounting expected future cash flow in the forward plan drafted at the beginning of 2023. Cash flows for the period from 2023 to 2027 were augmented by the terminal value, which expresses the operating flows that the CGU is expected to generate from the sixth year to infinity and determined based on the perpetual income. The value of use was calculated based on a discount rate (wacc) of 11.19% (6.93% in the impairment test carried out while preparing the consolidated financial statements at 31 December 2021) and a growth rate (g) of 2%, unchanged with respect to the 2021 impairment test, considered by management to be the best estimate of the CGU's growth assumptions, considering the sector in which it operates and in line with the growth rate of other Italian CGUs.

The recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €6.743 million, compared with a carrying value of the assets allocated to the Professional burners unit of €5.373 million (including minority interests); consequently, the value recognised for goodwill at 31 December 2022 was deemed recoverable.

Sensitivity analysis

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

(€/000)					
			growth rate		
discount rate	**1.50%**	**1.75%**	**2.00%**	**2.25%**	**2.50%**
10.19%	7,270	7,435	7,610	7,796	5,635
10.69%	6,854	6,999	7,151	7,314	7,485
11.19%	6,481	6,608	6,743	6,885	7,035
11.69%	6,145	6,258	6,377	6,502	6,634
12.19%	5,840	5,941	6,047	6,158	6,275

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

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

Goodwill allocated to the Electronic components CGU

The Electronic Components CGU performed extremely well in 2022.

At 31 December 2022, the Group tested - with the support of independent experts - the carrying value of its CGU Electronic components for impairment, determining its recoverable amount, considered to be equivalent to its usable value, by discounting expected future cash flow in the forward plan drafted by the management. Cash flows for the period from 2023 to 2027 were augmented by the terminal value, which expresses the operating flows that the CGU is expected to generate from the fifth year to infinity and determined based on the perpetual income. The value of use was calculated based on a discount rate (wacc) of 16.81% (15.21% in the impairment test carried out while preparing the consolidated financial statements at 31 December 2021) and a growth rate (g) of 2.50%, unchanged from the 2021 impairment test.

The recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €44.400 million, compared with a carrying value of the assets allocated to the Electronic components unit of €36.660 million; consequently, the value recognised for goodwill at 31 December 2022 was deemed recoverable.

Sensitivity analysis

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

(€/000)					
	growth rate				
discount rate	**2.00%**	**2.25%**	**2.50%**	**2.75%**	**3.00%**
15.81%	46,646	47,160	47,694	48,248	48,824
16.31%	45,029	45,500	45,987	46,493	47,018
16.81%	43,521	43,953	44,400	44,863	45,342
17.31%	42,112	42,509	42,920	43,344	43,783
17.81%	40,793	41,159	41,536	41,926	42,330

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

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

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

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

At 31 December 2022, the Group tested - with the support of independent experts - the carrying value of its CGU Hinges C.M.I. for impairment, determining its recoverable amount, considered to be equivalent to its usable value, by discounting expected future cash flow in the forward plan drafted by the management. Cash flows for the period from

2023 to 2027 were augmented by the terminal value, which expresses the operating flows that the CGU is expected to generate from the third year to infinity and determined based on the perpetual income. The value of use was calculated based on a discount rate (wacc) of 11.66% (11.31% in the impairment test carried out while preparing the consolidated financial statements at 31 December 2021) and a growth rate (g) of 2%, unchanged with respect to the 2021 impairment test, considered by management to be the best estimate of the CGU's growth assumptions, considering the sector in which it operates and in line with the growth rate of other Italian CGUs.

The recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €50.590 million, compared with a carrying value of the assets allocated to the C.M.I. Hinges unit of €25.734 million; consequently, the value recognised for goodwill at 31 December 2022 was deemed recoverable.

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

(€/000)					
			growth rate		
discount rate	**1.50%**	**1.75%**	**2.00%**	**2.25%**	**2.50%**
10.66%	54,242	55,340	56,501	57,732	59,037
11.16%	51,395	52,363	53,384	54,462	55,602
11.66%	48,829	49,687	50,590	51,541	52,544
12.16%	46,505	47,270	48,072	48,916	49,802
12.66%	44,390	45,075	45,792	46,543	47,332

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

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

Goodwill allocated to the "P.G.A. Electronic components" CGU
At 31 December 2022, the Group tested the carrying value of its P.G.A. Electronic components for impairment, determining its recoverable amount, considered to be equivalent to its value of use, by discounting expected future cash flows in the forward plan prepared by the management. Cash flows for the period from 2023 to 2025 were augmented by the terminal value, which expresses the operating flows that the CGU is expected to generate from the third year to infinity and determined based on the perpetual income. The value of use was calculated based on a discount rate (WACC) of 10.88% and a growth rate (g) of 2%, representative of expected future growth rates for the reference market.

The recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €15.569 million, compared with a carrying value of the assets allocated to the P.G.A. Electronic components of €10.222 million; consequently, the value recognised for goodwill at 31 December 2022 was deemed recoverable.

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

(€/000)					
			growth rate		
discount rate	**1.50%**	**1.75%**	**2.00%**	**2.25%**	**2.50%**
9.88%	16,651	17,090	17,558	18,056	18,588
10.38%	15,707	16,094	16,504	16,940	17,403
10.88%	14,863	15,206	15,569	15,953	16,359
11.38%	14,105	14,411	14,734	15,074	15,433
11.88%	13,420	13,694	13,983	14,286	14,606

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

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

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

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

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

Other intangible assets
The other intangible assets recognised in these consolidated financial statements mainly result from the Purchase Price Allocation carried out following the acquisition of Okida Elektronik in September 2018, the acquisition of C.M.I. S.r.l. in July 2019 and P.G.A. in October 2022.

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

	31/12/2022	31/12/2021	Change
Customer Relationship	13,000	6,301	6,699
Brand	3,807	3,877	(70)
Know-how	577	236	341
Patents	2,835	3,038	(203)
Other	357	215	142
Total	**20,576**	**13,667**	**6,909**

At 31 December 2022, the recoverability of the amount of other intangible assets was verified as part of the impairment test of the related goodwill described in the previous paragraph.

5. EQUITY INVESTMENTS

	31/12/2021	Change scope of consolidation	31/12/2022
Other equity investments	83	14	97
Total	**83**	**14**	**97**

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

6. NON-CURRENT RECEIVABLES

	31/12/2022	31/12/2021	Change
Tax receivables	2,057	985	1,072
Guarantee deposits	98	115	(17)
Receivables from former P.G.A. shareholders	597	-	597
Total	**2,752**	**1,100**	**1,652**

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

7. INVENTORIES

	31/12/2022	31/12/2021	Change
Raw Materials	31,068	26,771	4,297
Semi-processed goods	16,403	15,133	1,270
Finished products	23,771	25,646	(1,875)
Provision for inventory write-downs	(6,816)	(3,397)	(3,419)
Total	**64,426**	**64,153**	**273**

The value of final inventories at 31 December 2022 increased compared to the previous year due to the inflationary effect caused by the increase in the prices of raw materials and as a result of the monetary revaluation carried out in application of IAS 29 for hyperinflation in Turkey (of €1,416 thousand). On the other hand, the volumes of products in stock showed a decline.
At 31 December 2022, the value of inventories was adjusted based on an improved estimate of the idle capacity and obsolescence risk, measured by analysing slow and non-moving inventory. The following table shows the changes in the Provision for inventory write-downs during the current financial year:

31/12/2021	**3,397**
Provisions	3,018
Utilisation	(164)
Monetary revaluation (IAS 29)	323
Change in the scope of consolidation	300
Forex differences	(58)
31/12/2022	**6,816**

8. TRADE RECEIVABLES

	31/12/2022	31/12/2021	Change
Total trade receivables	59,999	69,139	(9,140)
Bad debt provision	(840)	(1,099)	259
Net total	**59,159**	**68,040**	**(8,881)**

Trade receivables at 31 December 2022 were lower than the balance at the end of 2021 as a result of the decline in sales in the last part of the year. There were no significant changes in the payment terms agreed with customers.
The amount of trade receivables recognised in the financial statements includes approximately €25.7 million in insured receivables (€24.3 million at 31 December 2021).

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

	31/12/2022	31/12/2021	Change
Current receivables (not past due)	45,199	60,358	(15,159)
Outstanding up to 30 days	6,947	4,132	2,815
Outstanding from 30 to 60 days	4,020	1,290	2,730
Outstanding from 60 to 90 days	1,416	794	622
Outstanding for more than 90 days	2,417	2,565	(148)
Total	**59,999**	**69,139**	**(9,140)**

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

31/12/2021	**1,099**
Provisions	-
Utilisation	(296)
Change in the scope of consolidation	23
Forex differences	14
31/12/2022	**840**

9. TAX RECEIVABLES

	31/12/2022	31/12/2021	Change
For income tax	5,061	1,395	3,666
For VAT and other sales taxes	3,144	4,751	(1,607)
Other tax credits	9	19	(10)
Total	**8,214**	**6,165**	**2,049**

At 31 December 2022, income tax receivables mainly include:

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

10. OTHER CURRENT RECEIVABLES

	31/12/2022	31/12/2021	Change
Credits to be received from suppliers	706	1,267	(561)
Advances to suppliers	1,376	859	517
Accrued income and prepaid expenses	660	476	184
Other	168	534	(366)
Total	**2,910**	**3,136**	**(226)**

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

11. FINANCIAL ASSETS

	31/12/2022		31/12/2021	
	Current	**Non-current**	**Current**	**Non-current**
Restricted bank accounts	786	-	1,172	-
Derivative instruments on interest rates	1,711	-	-	-
Total	**2,497**	**-**	**1,172**	**0**

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

At 31 December 2022, the Group has in place eight interest rate swap (IRS) contracts for amounts and maturities coinciding with six unsecured loans that are being amortised, whose residual value at 31 December 2022 is €27,130 thousand. The contracts have not been designated as capital flow hedges and are therefore at their fair value through profit and loss, and recognised in the items “Fair Value through profit or loss”, with "Financial income" as a balancing entry.

12. CASH AND CASH EQUIVALENTS

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

13. SHARE CAPITAL

The parent company’s share capital consists of 11,533,450 shares with a par value of €1.00 each. The share capital paid in and subscribed did not change during the year. At 31 December 2022, the structure of the share capital is shown in the table below.

	No. of shares	**% of share capital**	**Rights and obligations**
Ordinary shares	7,915,422	68.63%	-
Ordinary shares with increased vote	3,618,028	31.37%	Two voting rights per share
TOTAL	***11,533,450***	***100%***	

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

14. TREASURY SHARES AND OTHER RESERVES

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

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

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

December 2022 was €16.69). There were 11,318,587 outstanding shares at 31 December 2022.

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

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

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

The characteristics of the derivative financial instruments that gave rise to the Cash Flow Hedge reserve and the accounting effects on other items in the financial statements are broken down in Note 38, in the paragraph Foreign exchange risk management.

15. LOANS

	31/12/2022			**31/12/2021**		
	Current	Non-current	Total	Current	Non-current	Total
Bond issue	-	29,685	29,685	-	29,649	29,649
Unsecured loans	21,613	46,595	68,208	19,044	53,913	72,957
Short-term bank loans	5,308	-	5,308	1,769	-	1,769
Advances on bank receipts or invoices	921	-	921	2,263	-	2,263
Leases	1,032	2,056	3,088	1,329	2,942	4,271
Interest payable	2	-	2	-	-	-
Total	**28,876**	**78,336**	**107,212**	**24,405**	**86,504**	**110,909**

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

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

During the year, the Group took out new unsecured loans for a total of €13 million to finance the investments made. All loans are signed with an original maturity of 5 years and are repayable in instalments.
Some of the outstanding unsecured loans have covenants, defined with reference to the consolidated financial statements at the end of the reporting period, as specified below:

- commitment to maintain a ratio of net financial debt to shareholders' equity of less than 1 (residual amount of the loans at 31 December 2022 equal to €49.9 million);
- commitment to maintain a ratio of net financial debt to EBITDA of less than 2.5 (residual amount of the loans at 31 December 2022 equal to €40.4 million);
- commitment to maintain a ratio of net financial debt to EBITDA of less than 3 (residual amount of the loans at 31 December 2022 equal to €16.1 million);

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

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

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

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

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

16. OTHER FINANCIAL LIABILITIES

	31/12/2022		**31/12/2021**	
	Current	Non-current	Current	Non-current
Payables to former P.G.A. shareholders	546	-	-	-
Payables to C.M.I. shareholders	-	-	1,173	-
Derivative instruments on interest rates	-	-	190	-
Currency derivatives	28	-	156	-
Total	**574**	**-**	**1,519**	**-**

Currency derivatives refer to forward sales contracts recognised using hedge accounting. These financial instruments are broken down in Note 38 - Forex risk management.
The payable to former P.G.A. shareholders refers to price adjustments following the completion of the acquisition and determined in accordance with contractual provisions.

The payable to C.M.I. shareholders, which amounted to €1,173 thousand at 31 December 2021 and related to the portion of the price not yet paid to the sellers of the C.M.I. shareholding, was paid in 2022.

17. POST-EMPLOYMENT BENEFIT AND RETIREMENT PROVISIONS

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

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

Post-employment benefits are calculated as follows:

Financial assumptions

	31/12/2022	**31/12/2021**
Discount rate	3% - 3.7%	0.40%
Inflation	3%	1.30%

Demographic theory

	31/12/2022	**31/12/2021**
Mortality rate	IPS 55 ANIA	IPS 55 ANIA
Disability rate	INPS 2000	INPS 2000
Staff turnover	3% - 10%	3% - 8%
Advance payouts	1% - 5%	2% - 4%
Retirement age	Pursuant to legislation in force at 31 December 2022	Pursuant to legislation in force at 31 December 2021

18. PROVISIONS FOR RISKS AND CHARGES

	31/12/2021	Provi sions	Utilisation	Change in the scope of consolidation	Forex differences	31/12/2022
Provision for agents' indemnities	249	8	(5)	-	-	252
Product guarantee fund	60	23	(23)	-	-	60
Provision for legal risks	416	13	(358)	-	6	77
Provision for tax risks	500	-	(500)	-	-	-
Other provisions for risks and charges	109	-	-	165	(24)	250
Total	**1,334**	**21**	**(863)**	**165**	**(18)**	**639**

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

The product guarantee fund covers the risk of returns or charges by customers for products already sold.

Uses of the provision for legal risks refer, for €328 thousand, to the settlement of a legal dispute of the C.M.I. Group. The relevant provision was recognised as part of the Purchase Price Allocation process carried out following the acquisition of C.M.I.

Following the settlement of a tax dispute, in 2022, the provision for tax risks in which a specific provision of the same amount was recognised, was used in the amount of €500 thousand.

Other provisions for risks and charges, recognised as part of the Purchase Price Allocation following the acquisitions of Okida Elektronik and of the P.G.A. Group, reflect the fair value of the potential liabilities of the acquired entities.
The provisions for risks, which represent the estimate of future payments made based on historical experience, have not been discounted because the effect is considered negligible.

19. TRADE PAYABLES

	31/12/2022	31/12/2021	Change
Total	**39,628**	**54,837**	**(15,209)**

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

20. TAX PAYABLES

	31/12/2022	31/12/2021	Change
For income tax	235	3,450	(3,215)
Withholding taxes	1,059	954	105
Other tax payables	1,251	547	704
Total	**2,545**	**4,951**	**(2,406)**

21. OTHER CURRENT PAYABLES

	31/12/2022	31/12/2021	Change
To employees	5,553	6,706	(1,153)
To social security institutions	2,781	2,844	(63)
To agents	164	283	(119)
Advances from customers	522	1,694	(1,172)
Other current payables	4,136	1,548	2,588
Total	**13,156**	**13,075**	**81**

At the beginning of 2022, payables due to employees and social security institutions were paid in accordance with the scheduled expiry dates.
Other current payables include accrued liabilities and deferred income totalling €3,882 thousand.

22. DEFERRED TAX ASSETS AND LIABILITIES

	31/12/2022	31/12/2021	Change
Deferred tax assets	13,145	8,639	4,506
Deferred tax liabilities	(5,828)	(3,939)	(1,889)
Net position	**7,317**	**4,700**	**2,617**

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

	Non-current tangible and intangible assets	Provisions, value adjustments	Fair value of derivative instruments	Good will	Tax incentives	Tax losses	Actuarial evaluation of post-employment benefit	Hyperinflation effects	Other temporary differences	Total
31/12/2021	**(1,912)**	**1,278**	**35**	**1,063**	**2,586**	**744**	**192**	**0**	**714**	**4,700**
Through profit or loss	2,983	302	(420)	(177)	1,459	649	0	284	(148)	4,932
In shareholders' equity	(1,290)	0	3	0	0	0	(81)	(261)	0	(1,629)
Forex differences	30	10	0	0	(613)	(133)	0	0	20	(686)
31/12/2022	**(188)**	**1,590**	**(382)**	**886**	**3,432**	**1,260**	**111**	**23**	**586**	**7,317**

Deferred tax assets recognised in the income statement in respect of "Non-current tangible

and intangible assets" included €3,734 thousand in these consolidated financial statements as a result of the revaluation for tax purposes of the tangible assets of the Group's Turkish companies. The exercise of the revaluation option resulted in a substitute tax of approximately €69 thousand, which is accounted for in current taxes for the year.
Deferred tax assets relating to goodwill refer to the exemption of the value of the investment in Faringosi Hinges s.r.l. made in 2011 pursuant to Italian law Decree 98/2011, deductible in ten instalments starting in 2018.
Deferred tax assets relating to tax incentives are commensurate to investments made in Turkey, for which the Group will benefit from a direct tax deduction.
At the end of the financial year, the taxation of the Group's Turkish companies was adjusted to 20% tax rate, recognising tax expenses of €391 thousand in profit or loss.

23. TOTAL FINANCIAL DEBT

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

		31/12/2022	31/12/2021	Change
A.	Cash	20,832	43,217	(22,385)
B.	Cash equivalents	91	432	(341)
C.	Other current financial assets	2,497	1,172	1,325
D.	**Liquidity (A+B+C)**	**23,420**	**44,821**	**(21,401)**
E.	Current financial payable	8,098	5,551	2,547
F.	Current portion of non-current financial debt	21,352	20,373	979
G.	**Current financial debt (E+F)**	**29,450**	**25,924**	**3,526**
H.	**Net current financial debt (G-D)**	**6,030**	**(18,897)**	**24,927**
I.	Non-current financial payable	48,651	56,855	(8,204)
J.	Debt instruments	29,685	29,649	36
K.	Trade payables and other non-current payables	-	-	-
L.	**Non-current financial debt (I+J+K)**	**78,336**	**86,504**	**(8,168)**
M.	**Total financial debt (H+L)**	**84,366**	**67,607**	**16,759**

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

- the change in net working capital
- the investments made
- profits distributed to shareholders
- acquisition of P.G.A. S.r.l.

Comments on key income statement items

24. REVENUE

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

Revenue by geographical area

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

Revenue by product family

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

After an exceptionally positive 2021 for the Group and its market, demand gradually deteriorated in 2022, with the downturn becoming more pronounced in the second half of the year. The only geographical areas that maintained a positive revenue trend were Turkey and North America partly due to the development of business relations with major industry players.
Average sales prices in 2022 were 8.4% higher than in 2021, largely offsetting considerable increases in the purchase prices of the raw materials, electricity and gas.

25. OTHER INCOME

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

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

26. PURCHASES OF MATERIALS

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

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

27. COSTS FOR SERVICES

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

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

28. PERSONNEL COSTS

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

The number of Group employees was 1,238 at 31 December 2022 (1,278 at 31 December 2021).
The number of temporary staff was 115 at 31 December 2022 (198 at 31 December 2021).
The item "Stock Grant Plan" included the measurement at 31 December 2022 of the fair value of options to the allocation of shares of the Parent Company assigned to Group employees. For details of the Stock Grant Plan, refer to Note 40.

29. OTHER OPERATING COSTS

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

Non-income taxes chiefly relate to property tax.

30. FINANCIAL INCOME

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

31. EXPENSES FROM HYPERINFLATION/FINANCIAL EXPENSES

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

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

32. EXCHANGE RATE GAINS AND LOSSES

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

33. PROFITS AND LOSSES FROM EQUITY INVESTMENTS

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

34. INCOME TAXES

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

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

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

Theoretical taxes were calculated applying the current corporate income tax (IRES) rate, i.e. 24%, to the pre-tax result. IRAP is not taken into account for the purpose of

reconciliation because, as it is a tax with a different assessment basis from pre-tax profit, it would generate distorting effects.
In these consolidated financial statements, the Group recognised:
- the tax benefits relating to "Superammortamento" (Super amortisation) and "Iperammortamento" (Hyper amortisation), related to the investments made in Italy, amounting to €749 thousand (€844 thousand in 2021);
- the tax benefits deriving from the investments made in Italy amounting to €1,491 thousand (€1,963 thousand in 2021);
- the tax benefit from untaxed government grants to the Group's Italian companies for electricity and gas consumption amounted to €515 thousand;

35. EARNINGS PER SHARE

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

Earnings

(€/000)	**2022**	**2021**
Profit for the year	15,249	23,903

Number of shares

	2022	**2021**
Weighted average number of ordinary shares for determining basic earnings per share	11,255,384	11,209,078
Dilutive effect from potential ordinary shares	-	-
Weighted average number of ordinary shares for determining diluted earnings per share	11,255,384	11,209,078

Earnings per share

(in €)	**2022**	**2021**
Basic earnings per share	1.355	2.132
Diluted earnings per share	1.355	2.132

Basic earnings per share are calculated on the average number of outstanding shares minus treasury shares, equal to 278,066 in 2022 (324,372 in 2021).
Diluted earnings per share are calculated taking into account any shares approved but not yet subscribed.

36. DIVIDENDS

On 1 June 2022, shareholders were paid an ordinary dividend of €0.60 per share (total dividends of €6,616 thousand in implementation of the shareholders' resolution of 28 April 2022.
For the current financial year, the Directors have proposed not to distribute dividends to shareholders.

37. INFORMATION BY BUSINESS SEGMENT

Information by business segment for 2022 and 2021 is provided below

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

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

38. INFORMATION ON FINANCIAL RISK

Categories of financial instruments

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

	31/12/2022	**31/12/2021**
Financial assets		
Amortised cost		
Cash and cash equivalents	20,923	43,649
Term bank deposits	786	1,172
Trade receivables and other receivables	64,821	72,276
Fair Value through profit or loss		
Derivatives to hedge cash flows	1,710	-
Hedge accounting		
Derivatives to hedge cash flows	-	262

Financial liabilities		
Amortised cost		
Loans	107,212	110,909
Other financial liabilities	546	1,173
Trade payables	39,628	54,837
Fair Value through profit or loss		
Derivatives to hedge cash flows	-	190
Hedge accounting		
Derivatives to hedge cash flows	28	156

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

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

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

Credit risk management

Trade receivables involve producers of domestic appliances, multinational groups and smaller manufacturers in a few or single markets. The Group assesses the creditworthiness of all its customers at the start of supply and systemically at least on an annual basis. After this assessment, each customer is assigned a credit limit.
The Group factors receivables with factoring companies based on without recourse agreements, thereby transferring the related risk.
A credit insurance policy is in place, which guarantees cover for approximately 43% of trade receivables.
Credit risk relating to customers operating in emerging economies is generally attenuated by the expectation of revenue through letters of credit.

Forex risk management

The key currencies other than the euro to which the Group is exposed are the US dollar, the Brazilian real and the Turkish lira, in relation to sales made in dollars (chiefly on some Asian and American markets) and the production units in Brazil and Turkey. Sales in US dollars represented 19.9% of total turnover in 2022, while purchases in dollars represented 5.4% of total turnover. During the year, operations in dollars were partially hedged through forward sales contracts. At 31 December 2022, the Group had in place forward sales contracts of USD 3.5 million, maturing in April 2023 at an average exchange rate of 1.06251. With reference to these contracts, the Group applies hedge accounting, checking compliance with IFRS 9.

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

(amounts in €/000)	**2022**
Reduction in financial assets	(37)
Increase in current financial liabilities	(129)
Adjustment to the Cash Flow Hedge reserve (equity reserve)	147
Negative impact through profit or loss	899

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

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

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

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

Net value of assets and liabilities in foreign subsidiaries
The net value of assets and liabilities in foreign subsidiaries constitutes an investment in foreign currency, which generates a translation difference on consolidation of the Group, with an impact on the comprehensive income statement and the financial position. The table below shows the impact on the Group's equity of a 10% increase or decrease in the value of each currency against the euro at the end of 2022:

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

Interest rate risk management

Owing to the current trend in interest rates, the Group favours fixed-rate indebtedness: medium to long-term loans originated at a variable rate are converted to a fixed rate by entering into interest rate swaps (IRS) when the loan is opened. At 31 December 2022, IRS totalling €27.3 million were in place, mirrored in mortgages with the same residual debt, through which the Group transformed the floating rate of the mortgages into fixed rate. The derivative contracts were not designated as a cash flow hedge and were therefore recognised using the "fair value through profit or loss" method.

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

Company	Counterparty	Instrument	Maturity	Value date	Notional	Fair value hierarchy
Sabaf S.p.A.	MPS	IRS	30/06/2023	EUR	500,000	2
	Intesa Sanpaolo		15/06/2024		3,600,000	
	Intesa Sanpaolo		15/06/2024		1,110,000	
	Crédit Agricole		30/06/2025		6,600,000	
	Mediobanca		28/04/2027		12,830,000	
P.G.A. s.r.l.	Intesa Sanpaolo		31/03/2023		642,168	
	Intesa Sanpaolo		29/07/2025		446,684	
Sabaf Turkey	Intesa Sanpaolo		17/06/2024		2,490,000	

Sensitivity analysis

Considering the IRS in place, at the end of 2022 almost 81% of the Company's gross financial debt was at a fixed rate.

With reference to financial liabilities at variable rate at 31 December 2022, a hypothetical and immediate 1% increase in interest rates would have led to a loss of €202 thousand.

Commodity price risk management

A significant portion of the Group's purchase costs is represented by aluminium, steel and brass. Metal prices rose sharply during 2022, forcing the Group to renegotiate sales prices several times to compensate for the increase in costs. Based on market conditions and contractual agreements, the Group may not be able to pass on changes in raw material prices to customers in a timely and/or complete manner, with consequent effects on margins. The Group also protects itself from the risk of changes in the price of aluminium, steel and brass with supply contracts signed with suppliers for delivery up to twelve months in advance or, alternatively, with derivative financial instruments. In 2022 and 2021, the Group did not use financial derivatives on commodities.

Liquidity risk management

The Group operates with a debt ratio considered physiological (net financial debt/shareholders' equity at 31 December 2022 of 54.0%, net financial debt/EBITDA of 2.10) and has unused short-term lines of credit. To minimise the risk of liquidity, the Administration and Finance Department:

- maintains a correct balance of net financial debt, financing investments with capital and with medium to long-term debt.
- verifies systematically that the short-term accrued cash flows (amounts received from customers and other income) are expected to accommodate the deferred cash flows (short-term financial debt, payments to suppliers and other outgoings);
- regularly assesses expected financial needs in order to promptly take any corrective measures.

An analysis by expiry date of financial payables at 31 December 2022 and 31 December 2021 is shown below:

At 31 December 2022

	Carrying value	Contractual cash flows	Within 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Short-term bank loans	6,259	6,259	6,259	-	-	-
Unsecured loans	68,208	72,363	2,544	19,576	49,149	1,094
Bond issue	29,685	33,939	-	563	8,251	25,125
Finance leases	3,088	3,135	326	740	1,880	189
Due to P.G.A. shareholders	546	546	371	-	175	-
Total financial payables	**107,786**	**116,242**	**9,500**	**20,879**	**59,455**	**26,408**
Trade payables	39,628	39,628	36,092	3,536	-	-
Total	**147,414**	**155,870**	**45,592**	**24,415**	**59,455**	**26,408**

At 31 December 2021

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

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

Hierarchical levels of fair value assessment

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

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

The following table shows the financial assets and liabilities valued at fair value at 31 December 2022, by hierarchical level of fair value assessment.

	Level 1	Level 2	Level 3	Total
Other financial assets (derivatives on interest rates)	-	1,710	-	1,710
Total liabilities	**-**	**1,710**	**-**	**1,710**

39. RELATED PARTY TRANSACTIONS

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

Impact of related-party transactions on balance sheet items

	Total 2022	Non-consolidated subsidiaries	Other related parties	Total related parties	Impact on the total
Trade payables	39,628	-	1	1	0.00%

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

Impact of related-party transactions on income statement items

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

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

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

Fees to directors, statutory auditors and executives with strategic responsibilities

Please see the 2022 Report on Remuneration for this information.

40. SHARE-BASED PAYMENTS

A plan for the free allocation of shares, approved by the Shareholders' Meeting of 6 May 2021, is in place; The related Regulations were approved by the Board of Directors on 13 May 2021.

Purpose

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

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

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

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

Accounting impacts and *Fair Value measurement methods*
In connection with this Plan, €1,134 (Note 28) were recognised in personnel costs during the year, an equity reserve of the same amount (Note 14) was recognised as a balancing entry.
In line with the date on which the beneficiaries became aware of the assignment of the rights and terms of the plan, the grant date was set at 13 May 2021.

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

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

Based on the exercise right at the different dates established by the Plan Regulations and on the estimate of the expected probability of achieving the objectives for each reference period, the unitary fair value at 31 December 2022 was determined as follows:

<table>
<tr><td rowspan="2">Rights relating to business objectives measured on ROCE</td><td>Total value on ROCE</td><td>13.74</td><td rowspan="2">Fair Value</td><td rowspan="2">4.81</td></tr>
<tr><td>Rights on ROCE</td><td>35%</td></tr>
</table>

Rights relating to business objectives measured EBITDA	Total value on EBITDA	15.92	Fair Value	6.37
	Rights on EBITDA	40%		

Rights relating to ESG objectives measured on personnel training	Total value on “Personnel training”	20.41	Fair Value	1.02
	Rights on “Personnel training”	5%		

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

Rights relating to ESG objectives measured on emissions reduction	Total value on “Emission reduction”	20.41	Fair Value	3.06
	Rights on “Emission reduction”	15%		

Fair value per share	15.65

41. CAPITAL MANAGEMENT

For the purposes of managing the Group's capital, it has been defined that this includes the issued share capital, the share premium reserve and all other capital reserves attributable to the shareholders of the Parent Company. The main objective of capital management is to maximise the value for shareholders. In order to maintain or correct its financial structure, the Group may intervene in dividends paid to shareholders, purchase its own shares, redeem capital to shareholders or issue new shares. The Group controls equity using a gearing ratio consisting of the ratio of net financial debt (as defined in Note 23) to shareholders’ equity. The Group's policy is to keep this ratio below 1. In order to achieve this objective, the management of the Group's capital aims, among other things, to ensure that the covenants, linked to loans, which define the capital structure requirements, are complied with. Violations of covenants would allow the lenders to demand immediate repayment of loans (Note 15). During the current financial year, there were no breaches of the covenants linked to loans.
In the years ended 31 December 2022 and 2021, no changes were made to the objectives, policies and procedures for capital management.

42. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

Pursuant to the Consob memorandum of 28 July 2006, the Group declares that no significant non-recurring events or transactions, as defined by the memorandum, took place in 2022.

43. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There were no important events after the 2022 reporting period.

44. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

Pursuant to CONSOB memorandum of 28 July 2006, the Group declares that no atypical and/or unusual transactions as defined by the CONSOB memorandum were carried out during 2022.

45. COMMITMENTS

Guarantees issued

The Sabaf Group has issued sureties to guarantee consumer and mortgage loans granted by banks to Group employees for a total of €2,855 thousand (€3,443 thousand at 31 December 2021).

46. SCOPE OF CONSOLIDATION AND SIGNIFICANT EQUITY INVESTMENTS

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

Company name	Registered offices	Share capital	Shareholders	% ownership
Faringosi Hinges s.r.l.	Ospitaletto (BS)	EUR 90,000	Sabaf S.p.A.	100%
Sabaf do Brasil Ltda	Jundiaí - São Paulo (Brazil)	BRL 53,348,061	Sabaf S.p.A.	100%
Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki (Sabaf Turkey)	Manisa (Turkey)	TRY 340,000,000	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)	CNY 69,951,149	Sabaf S.p.A.	100%
Sabaf US Corp.	Plainfield (USA)	USD 200,000	Sabaf S.p.A.	100%
Sabaf India Private Limited	Bangalore (India)	INR 224,692,120	Sabaf S.p.A.	100%
A.R.C. s.r.l.	Campodarsego (PD)	EUR 45,000	Sabaf S.p.A.	100%
Sabaf Mexico Appliance Components	San Louis Potosì (Mexico)	PESOS 141,003,832	Sabaf S.p.A.	100%
C.M.I. Cerniere Meccaniche Industriali s.r.l.	Valsamoggia (BO)	EUR 1,000,000	Sabaf S.p.A.	100%
C.G.D. s.r.l.	Valsamoggia (BO)	EUR 26,000	C.M.I. s.r.l.	100%
P.G.A. s.r.l.	Fabriano (AN)	EUR 100,000	Sabaf S.p.A.	100%
PGA2.0 s.r.l.	Fabriano (AN)	EUR 10,000	P.G.A. s.r.l.	100%

47. GENERAL INFORMATION ON THE PARENT COMPANY

Name of the parent company:	Sabaf S.p.A.	
Legal status:	Joint-stock company (S.p.A.)	
Domicile of entity:	Italy	
Registered and administrative office:	Via dei Carpini, 1 – 25035 Ospitaletto (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 Article 149-*duodecies* of the CONSOB Issuers' Regulation

The following table, prepared pursuant to Art. 149-*duodecies* of the CONSOB Issuers' Regulation, shows fees relating to 2022 for auditing and for services other than auditing provided by the Independent Auditors and their network.

(in thousands of Euro)	**Party providing the service**	**Recipient**	**Fees pertaining to the 2022 financial year**
	EY S.p.A.	Parent company	41
Audit	EY S.p.A.	Italian subsidiaries	39
	EY network	Foreign subsidiaries	55
Other services	EY S.p.A.	Parent company	35 (1)
	EY S.p.A.	Italian subsidiaries	5 (2)
Total			***175***

(1) Auditing procedures agreement relating to interim management reports; limited review of Disclosure of non-financial information.
(2) Certification of tax credit for research and development and training 4.0.

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

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

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

of the administrative and accounting procedures for the formation of the consolidated financial statements during the 2022 financial year.

They also certify that:

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

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

Ospitaletto, 21 March 2023

Chief Executive Officer
Pietro Iotti

The Financial Reporting Officer
Gianluca Beschi

SABAF S.p.A.

SEPARATE FINANCIAL STATEMENTS

AT 31 DECEMBER 2022

CORPORATE BODIES

Board of Directors

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

(*) Independent directors

Board of Statutory Auditors

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

Independent Auditors

EY S.p.A.

Statement of financial position

(in €)	NOTES	31/12/2022	31/12/2021
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	**1**	47,621,810	48,593,970
Investment property	**2**	983,333	2,311,476
Intangible assets	**4**	5,429,576	3,778,108
Equity investments	**5**	112,505,434	84,512,138
Non-current financial assets	**6**	10,375,117	10,707,311
- of which from related parties	**39**	*10,375,117*	*10,707,311*
Non-current receivables	**7**	634,348	31,852
Deferred tax assets	**23**	3,047,631	3,322,620
Total non-current assets		**180,597,248**	**153,257,475**
CURRENT ASSETS			
Inventories	**8**	26,911,220	33,985,939
Trade receivables	**9**	28,315,040	45,194,276
- of which from related parties	**39**	*8,108,979*	*15,210,599*
Tax receivables	**10**	5,060,805	1,462,789
- of which from related parties	**39**	*1,208,542*	*766,557*
Other current receivables	**11**	1,208,792	1,929,121
Current financial assets	**12**	2,901,373	1,172,947
- of which from related parties	**39**	*1,300,000*	*0*
Cash and cash equivalents	**13**	2,604,007	29,733,148
Total current assets		**67,001,238**	**113,478,220**
ASSETS HELD FOR SALE	**3**	**525,660**	**0**
TOTAL ASSETS		**248,124,145**	**266,735,695**
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	**14**	11,533,450	11,533,450
Retained earnings, Other reserves		97,244,927	92,831,829
Profit for the year		2,246,997	10,043,877
Total shareholders' equity		**111,025,374**	**114,409,156**
NON-CURRENT LIABILITIES			
Loans	**16**	76,336,237	82,515,298
Post-employment benefit and retirement provisions	**18**	1,587,836	1,779,634
Provisions for risks and charges	**19**	354,595	851,081
Deferred tax liabilities	**23**	721,195	323,942
Total non-current liabilities		**78,999,863**	**85,469,955**
CURRENT LIABILITIES			
Loans	**16**	27,241,978	19,010,029
- of which from related parties	**39**	*2,500,000*	*0*
Other financial liabilities	**17**	561,117	1,393,611
Trade payables	**20**	21,167,682	33,677,766
- of which from related parties	**39**	*1,056,744*	*1,533,149*
Tax payables	**21**	621,929	3,374,435
- of which from related parties	**39**	*24,397*	*54,720*
Other payables	**22**	8,506,203	9,400,743
Total current liabilities		**58,098,908**	**66,856,584**
LIABILITIES HELD FOR SALE		**0**	**0**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**248,124,145**	**266,735,695**

Income statement

(in €)	NOTES	2022	2021
INCOME STATEMENT COMPONENTS			
OPERATING REVENUE AND INCOME			
Revenue	**25**	119,089,523	144,033,787
- of which from related parties	**39**	*17,099,638*	*20,212,450*
Other income	**26**	6,511,215	6,195,079
- of which from related parties	**39**	*2,921,090*	*2,029,702*
Total operating revenue and income		**125,600,738**	**150,228,866**
OPERATING COSTS			
Materials	**27**	(52,970,888)	(72,122,067)
- of which from related parties	**39**	(3,249,022)	*(3,315,935)*
Change in inventories		(7,074,719)	12,473,605
Services	**28**	(28,629,203)	(34,254,138)
- of which to related parties	**39**	*(420,521)*	*(446,675)*
Personnel costs	**29**	(30,575,199)	(34,780,110)
Other operating costs	**30**	(900,987)	(727,503)
Costs for capitalised in-house work		3,068,203	2,259,389
Total operating costs		**(117,082,793)**	**(127,150,823)**
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTI CAPITAL GAINS/LOSSES, WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS		**8,517,946**	**23,078,043**
Depreciations and amortisation	**1,2,3,4**	(8,485,132)	(9,179,378)
Capital gains/(losses) on disposal of non-current assets		1,565,126	238,136
- of which to related parties	**39**	*1,362,808*	*110,367*
Write-downs/write-backs of non-current assets	**5**	(808,000)	(300,000)
- of which to related parties	**39**	*(808,000)*	*(300,000)*
EBIT		**789,939**	**13,836,801**
Financial income	**31**	1,973,664	318,425
- of which to related parties	**39**	*309,025*	*255,441*
Financial expenses	**32**	(1,573,474)	(530,464)
Exchange rate gains and losses	**33**	353,659	426,824
Profits and losses from equity investments	**34**	177,833	175,504
- of which to related parties		*177,833*	*175,504*
PROFIT BEFORE TAXES		**1,721,620**	**14,227,088**
Income taxes	**35**	525,377	(4,183,212)
PROFIT FOR THE YEAR		**2,246,997**	**10,043,877**

Comprehensive income statement

(in €)	2022	2021
PROFIT FOR THE YEAR	**2,246,997**	**10,043,877**
Total profits/losses that will not be subsequently reclassified under profit (loss) for the year		
Actuarial evaluation of post-employment benefit	169,215	3,334
Tax effect	(40,612)	(800)
	128,603	2,534
Total profits/losses that will not be subsequently reclassified under profit (loss) for the year		
Hedge accounting for derivative financial instruments	57,857	(198,499)
Total other profits/(losses) net of taxes for the year	**186,460**	**(195,965)**
TOTAL PROFIT	**2,433,457**	**9,847,912**

Statement of changes in shareholders' equity

(€/000)	Share Capital	Share premium reserve	Legal reserve	Treasury shares	Actuarial evaluation of post-employment benefit provision	Other reserves	Profit for the year	Total shareholders' equity
Balance at 31 December 2020	**11,533**	**10,002**	**2,307**	**(4,341)**	**(529)**	**84,547**	**6,409**	**109,928**
Allocation of 2020 profit:								
- Payment of dividends							(6,172)	(6,172)
- to the extraordinary reserve						237	(237)	0
Stock grant plan (IFRS 2)						805		805
Treasury share transactions				437		(437)		0
Total profit at 31 December 2021					2	(198)	10,044	9,848
Balance at 31 December 2021	**11,533**	**10,002**	**2,307**	**(3,904)**	**(526)**	**84,953**	**10,044**	**114,409**
Allocation of 2021 profit:								
- Payment of dividends							(6,758)	(6,758)
- to the extraordinary reserve						3,286	(3,286)	0
Stock grant plan (IFRS 2)						1,134		1,134
Treasury share transactions				682		(875)		(193)
Total profit at 31 December 2022					128	58	2,247	2,433
Balance at 31 December 2022	**11,533**	**10,002**	**2,307**	**(3,222)**	**(399)**	**88,557**	**2,247**	**111,025**

Statement of Cash Flows

(€/000)	**2022 FY**	**2021 FY**
Cash and cash equivalents at beginning of year	**29,733**	**1,595**
Profit for the year	2,247	10,044
Adjustments for:		
- Depreciations and amortisation	8,485	9,179
- Realised gains	(1,565)	(238)
- Write-downs of non-current assets	808	300
- Profits and losses from equity investments	(178)	(176)
- Valuation of the stock grant plan	1,134	805
- Net financial income and expenses	(400)	212
- Non-monetary foreign exchange differences	(361)	(340)
- Income tax	(525)	4,183
Change in post-employment benefit	(63)	(147)
Change in risk provisions	(496)	3
Change in trade receivables	*16,879*	*(170)*
Change in inventories	*7,075*	*(12,474)*
Change in trade payables	*(12,510)*	*7,474*
Change in net working capital	11,444	(5,170)
Change in other receivables and payables, deferred taxes	(973)	487
Payment of taxes	(4,360)	(1,738)
Payment of financial expenses	(1,472)	(530)
Collection of financial income	372	318
Cash flows from operations	**14,097**	**17,187**
Investments in non-current assets		
- intangible	(2,749)	(1,934)
- tangible	(8,435)	(9,288)
- financial	(27,284)	(19,288)
Disposal of non-current assets	4,632	2,103
Cash flow absorbed by investments	**(33,836)**	**(28,407)**
Free cash flow	**(19,739)**	**(11,220)**
Repayment of loans	(19,368)	(23,032)
Raising of loans	19,728	73,229
Change in financial assets	624	(4,842)
Purchase/Sale of treasury shares	(1,862)	-
Payment of dividends	(6,690)	(6,172)
Collection of dividends	178	175
Cash flow absorbed by financing activities	**(7,390)**	**39,358**
Total cash flows	**(27,129)**	**28,138**
Cash and cash equivalents at end of year (Note 13)	**2,604**	**29,733**

EXPLANATORY NOTES

ACCOUNTING STANDARDS

Statement of compliance and basis of presentation

The separate financial statements of Sabaf S.p.A. for the financial year 2022 have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union. Reference to IFRS also includes all current International Accounting Standards (IAS).
The separate financial statements are drawn up in euro, which is the currency in the economy in which the Company operates. The income statement, the comprehensive income statement and the statement of financial position schedules are prepared in euro, while the statement of cash flows, the statement of changes in shareholders' equity and the values reported in the explanatory notes are in thousands of euro.
The financial statements have been prepared on a historical cost basis except for some revaluations of property, plant and equipment undertaken in previous years, and are considered a going concern. With reference to this assumption, the Company assessed that it is a going concern (as defined by paragraphs 25 and 26 of IAS 1), also due to the strong competitive position, high profitability and solidity of the financial structure.
Sabaf S.p.A., as the Parent Company, also prepared the consolidated financial statements of the Sabaf Group at 31 December 2022.

Financial statements

The Company adopted the following formats:

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

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

Accounting policies

The accounting standards and policies applied for the preparation of the separate financial statements at 31 December 2022, unchanged versus the previous year, are shown below:

Property, plant and equipment

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

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

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

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

Adoption of the accounting standard IFRS 16 "Leases"

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

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

When evaluating the lease liabilities, Sabaf S.p.A. discounted the payments due for the lease using the incremental borrowing rate, the weighted average of which was 1.5% on 31 December 2022.

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

Assets held for sale

The Company classifies non-current assets as held for sale if their carrying value will be recovered mainly through a sale transaction, rather than through their continued use. These non-current assets classified as held for sale are measured at the lower of their carrying value and their fair value less costs to sell. Selling costs are the additional costs directly attributable to the sale, excluding financial expenses and taxes.

The condition for classification as held for sale is only met when the sale is highly probable and the asset is available for immediate sale in its present condition. The actions required to complete the sale should indicate that significant changes to the sale are unlikely or that the sale will be cancelled. Management must be committed to the sale, which should be completed within one year from the date of classification.

Depreciation of property, plant and equipment and amortisation of intangible assets stops when they are classified as available for sale.

Assets and liabilities classified as held for sale are presented separately in the financial statements.

Investment property

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

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

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

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

Intangible assets

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

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

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

The SAP management system is amortised over five years.

Equity investments

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

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

Impairment

At each end of the reporting period, Sabaf S.p.A. reviews the carrying value of its property, plant and equipment, intangible assets and equity investments to determine whether there are signs of impairment of these assets. If there is any such indication, the recoverable amount of said assets is estimated so as to determine the total of the write-down. If it is not possible to estimate the recoverable amount individually, the Company estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs. In particular, the recoverable amount of the cash generating units (which generally coincide with the legal entity to which the capitalised assets refer) is verified by determining the value of use. The recoverable amount is the higher of the net selling price and value of use. In measuring the value of use, future cash flows net of taxes, estimated based on past experience, are discounted to their present value using a pre-tax rate that reflects current market valuations of the present cost of money and specific asset risk. The main assumptions used for calculating the value of use concern the discount rate, growth rate, expected changes in selling prices and cost trends during the period used for the calculation. The growth rates adopted are based on future market expectations in the relevant sector. Changes in the sales prices are based on past experience and on the expected future changes in the market. The Company prepares operating cash flow forecasts based on the most recent budgets approved by the Boards of Directors of the investees, draws up four-year forecasts and determines the terminal value (current value of perpetual income), which expresses the medium- and long-term operating flows in the specific sector.
Furthermore, the Company checks the recoverable amount of its investees at least once a year when the separate financial statements are prepared.
If the recoverable amount of an asset (or CGU) is estimated to be lower than its carrying value, the asset's carrying value is reduced to the lower recoverable amount, recognising impairment of value in the income statement.
When there is no longer any reason for a write-down to be maintained, the carrying value of the asset (or cash generating unit) is increased to the new value stemming from the estimate of its recoverable amount – but not beyond the net carrying value that the asset would have had if it had not been written down for impairment. Reversal of impairment loss is recognised in the income statement.

Inventories

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

Trade receivables and other financial assets

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

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

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

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

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

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

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

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

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

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

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

Trade payables and other financial liabilities

Initial recognition

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Loans and payables

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

Derecognition

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

Policy for conversion of foreign currency items

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

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

Derivative instruments and hedge accounting

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

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

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

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

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

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

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

Revenue recognition

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

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

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

Financial income

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

Financial expenses

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

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

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

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

Equity-settled transactions
Some of the Company employees receive part of the remuneration in the form of share-based payments, therefore employees provide services in exchange for shares ("equity-settled transactions"). The cost of equity-settled transactions is determined by the fair value at the date on which the assignment is made using an appropriate measurement method, as explained in more detail in Note 46.
This cost, together with the corresponding increase in shareholders' equity, is recognised under personnel costs (Note 29) over the period in which the conditions relating to the achievement of objectives and/or the provision of the service are met. The cumulative costs recognised for such transactions at the end of each reporting period up to the vesting date are commensurate with the expiry of the vesting period and the best estimate of the number of equity instruments that will actually vest.
Service or performance conditions are not taken into account when defining the fair value of the plan at the assignment date. However, the probability of these conditions being met is taken into account when defining the best estimate of the number of equity instruments that will vest. Market conditions are reflected in the fair value at the assignment date. Any other condition related to the plan that does not involve a service obligation is not considered to be a vesting condition. Non-vesting conditions are reflected in the fair value of the plan and result in the immediate recognition of the cost of the plan, unless there are also service or performance conditions.
No cost is recognised for rights that do not vest in that the performance and/or service conditions are not met. When the rights include a market condition or a non-vesting condition, these are treated as if they had vested regardless of whether the market conditions or other non-

vesting conditions to which they are subject are met or not, it being understood that all other performance and/or service conditions must be met.
If the conditions of the plan are changed, the minimum cost to be recognised is the fair value at the assignment date in the absence of the change in the plan itself, on the assumption that the original conditions of the plan are met. Moreover, a cost is recognised for each change that results in an increase in total fair value of the payment plan, or that is in any case favourable for employees; this cost is measured with reference to the date of change. When a plan is cancelled, any remaining element of the plan's fair value is immediately expensed to the income statement.

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

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

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

Provisions for inventory obsolescence and inventory write-downs at their expected sale value
Inventories subject to obsolescence and slow turnover are systematically measured and written down if their recoverable value is less than their carrying value. Write-downs are calculated based on management assumptions and estimates, resulting from experience and historical results.
If the expected sale value is less than the purchase or production cost, inventories of finished goods are written down to market value, estimated on the basis of current selling prices.

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

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

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

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

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

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

New accounting standards

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

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

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

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

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

Amendments to IAS 41 “Agriculture”
The amendment removes the requirement to exclude cash flows arising from taxation when measuring the fair value of assets within the scope of IAS 41. This amendment had no impact on the Company's separate financial statements in that the Company does not have any assets to which IAS 41 applies.

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

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

Amendments to IAS 1 *“Classification of Liabilities as Current or Non-current”*
In January 2020, the 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 company is assessing the impact of the changes on the current situation.

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

Amendments to IAS 1 and IFRS Practice Statement 2 "*Disclosure of Accounting Standards*"
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to the disclosure of accounting standards. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023. Earlier application is permitted. Since the amendments to PS 2 provide non-mandatory guidance on the application

of the definition of materiality to the disclosure of accounting standards, there is no need for an effective date for these amendments.
The Company is currently assessing the impact of the amendments to determine the effect they will have on the Company's disclosure of accounting standards.

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

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

Comments on the main items of the statement of financial position

1. PROPERTY, PLANT AND EQUIPMENT

	Property	Plant and equipment	Other assets	Assets under construction	Total
Cost					
At 31 December 2020	**43,668**	**175,493**	**38,059**	**2,522**	**259,742**
Increases	571	3,877	2,016	3,005	9,469
Disposals	-	(1,694)	(404)	-	(2,098)
Reclassification	223	1,108	38	(1,676)	(307)
At 31 December 2021	**44,462**	**178,784**	**39,709**	**3,851**	**266,806**
Increases	51	1,501	1,593	5,906	9,051
Disposals	-	(6,345)	(755)	-	(7,100)
Reclassification	240	6,099	185	(6,664)	(140)
At 31 December 2022	**44,753**	**180,039**	**40,732**	**3,093**	**268,617**
Accumulated depreciation	**18,531**	**154,288**	**33,084**	**-**	**205,903**
At 31 December 2020	**19,743**	**156,796**	**34,541**	**-**	**211,080**
Depreciations for the year	1,258	5,558	1,562	-	8,378
Derecognition due to disposal	-	(1,151)	(95)	-	(1,246)
At 31 December 2021	**21,001**	**161,203**	**36,008**	**-**	**218,212**
Depreciations for the year	1,183	4,928	1,538	-	7,649
Derecognition due to disposal	-	(4,558)	(308)	-	(4,866)
At 31 December 2022	**22,184**	**161,573**	**37,238**	**-**	**220,995**
Net carrying value					
At 31 December 2022	22,569	18,466	3,494	3,093	47,622
At 31 December 2021	23,461	17,581	3,701	3,851	48,594

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

	31/12/2022	**31/12/2021**	**Change**
Land	5,404	5,404	-
Industrial buildings	17,165	18,057	(892)
Total	**22,569**	**23,461**	**(892)**

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

	Property	Plant and equipment	Other assets	Total
1 January 2022	**212**	**-**	**674**	**887**
Increases	-	-	169	169
Depreciations and amortisation	(43)	-	(282)	(325)
At 31 December 2022	**169**	**-**	**561**	**730**

The main investments during the year were aimed at keeping the production equipment up to date and fully operational.

Decreases mainly relate to the disposal of machinery to other companies of the Sabaf Group. Assets under construction include machinery under construction and advance payments to suppliers of capital equipment.
At 31 December 2022, the Company found no endogenous or exogenous indicators of impairment of its property, plant and equipment. As a result, the value of property, plant and equipment was not submitted to impairment testing.

2. INVESTMENT PROPERTY

Cost	
At 31 December 2020	**11,283**
Increases	-
Disposals	(1,107)
At 31 December 2021	**10,176**
Increases	144
Disposals	(1,380)
Reclassification	(6,675)
At 31 December 2022	**2,265**
Accumulated amortisation	
At 31 December 2020	**8,030**
Depreciations for the year	369
Derecognition due to disposal	(534)
At 31 December 2021	**7,865**
Depreciations for the year	299
Derecognition due to disposal	(733)
Reclassifications	(6,149)
At 31 December 2022	**1,282**
Net carrying value	
At 31 December 2022	983
At 31 December 2021	2,311

This item includes non-operating buildings owned by the Company. Disposals during the period resulted in a capital gain of approximately €243 thousand.

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

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

	Investment property
1 January 2022	3
Increase	144
Decrease	-
Depreciations and amortisation	(39)
At 31 December 2022	**108**

At 31 December 2022, the Company found no endogenous or exogenous indicators of impairment of its investment property. As a result, the value of investment property was not submitted to impairment testing.

3. ASSETS HELD FOR SALE

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

4. INTANGIBLE ASSETS

	Patents, know-how and software	Development costs	Other intangible assets	Total
Cost				
At 31 December 2020	**6,974**	**6,020**	**641**	**13,635**
Increases	250	1,679	4	1,933
Decreases	(2)	-	(3)	(5)
Reclassifications	22	(58)	-	(36)
At 31 December 2021	**7,244**	**7,641**	**642**	**15,527**
Increases	400	2,332	17	2,749
Decreases	79	(474)	-	(395)
Reclassifications	(142)	(22)	(1)	(165)
At 31 December 2022	**7,581**	**9,477**	**658**	**17,716**
Amortisation and write-downs				
At 31 December 2020	**6,664**	**4,109**	**546**	**11,319**
Depreciations and amortisation	142	288	-	430
Decreases	-	-	-	-
At 31 December 2021	**6,806**	**4,397**	**546**	**11,749**
Depreciations and amortisation	221	315	1	537
Decreases	-	-	-	-
At 31 December 2022	**7,027**	**4,712**	**547**	**12,286**
Net carrying value				
At 31 December 2022	**554**	**4,765**	**111**	**5,430**
At 31 December 2021	**438**	**3,244**	**96**	**3,778**

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

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

At 31 December 2022, the Company found no endogenous or exogenous indicators of impairment of its intangible assets. As a result, the value of property, plant and equipment was not submitted to impairment testing.

5. EQUITY INVESTMENTS

	31/12/2022	31/12/2021	Change
In subsidiaries	112,422	84,429	27,933
Other equity investments	83	83	-
Total	**112,505**	**84,512**	**27,933**

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

Historical cost	Faringosi Hinges	Sabaf do Brasil	Sabaf U.S.	Sabaf Appliance Components (China)	Sabaf Mexico	Sabaf Turkey	A.R.C.	Okida	C.M.I.	Sabaf India	P.G.A.	Total
31/12/2020	**10,329**	**9,561**	**139**	**7,900**	**0**	**12,005**	**4,800**	**8,782**	**16,455**	**1,770**	**-**	**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**
Purchase	-	-	-	-	-	-	-	-	-	-	7,843	7,843
Value adjustment									(154)			(154)
Share capital increase	-	-	-	1,000	3,177	14,935	-	-	-	2,000	-	21,112
31/12/22	**10,329**	**13,161**	**139**	**8,900**	**6,305**	**32,107**	**6,450**	**8,782**	**21,044**	**4,770**	**7,843**	**119,830**
Provision for write-downs												
31/12/2020	**0**	**0**	**0**	**6,300**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**6,300**
Write-downs	-	-	-	300	-	-	-	-	-	-	-	300
31/12/2021	**0**	**0**	**0**	**6,600**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**6,600**
Write-downs	-	-	-	808	-	-	-	-	-	-	-	808
31/12/22	**0**	**0**	**0**	**7,408**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**7,408**
Net carrying value												
31/12/22	**10,329**	**13,161**	**139**	**1,492**	**6,305**	**32,107**	**6,450**	**8,782**	**21,044**	**4,770**	**7,843**	**112,422**
31/12/2021	**10,329**	**13,161**	**139**	**1,300**	**3,128**	**17,172**	**6,450**	**8,782**	**21,198**	**2,770**		**84,429**
Portion of shareholders' equity (calculated in compliance with IFRS)												
31/12/22	**9,850**	**17,803**	**142**	**1,493**	**6,409**	**52,559***	**8,548**	**11,840***	**19,344**	**4,127**	**3,595**	**135,710**
31/12/2021	**8,462**	**15,716**	**158**	**1,317**	**3,092**	**15,396**	**7,371**	**2,961**	**15,503**	**2,755**	**0**	**72,731**
Difference between shareholders' equity and carrying value												
31/12/22	**(479)**	**4,642**	**3**	**1**	**104**	**20,452**	**2,098**	**3,058**	**(1,700)**	**(643)**	**(4,248)**	**23,288**
31/12/2021	**(1,867)**	**2,555**	**19**	**17**	**(36)**	**(1,776)**	**921**	**(5,821)**	**(5,695)**	**(15)**	**0**	**(11,698)**

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

Faringosi Hinges s.r.l.

In 2022, the Faringosi Hinges achieved positive results - in terms of sales and profitability - both compared to the previous year and compared to the budget. The 2023-2027 forward plan, prepared at the beginning of 2023, envisages a decrease in sales in 2023, a gradual recovery in the following years and the maintenance of good levels of profitability.

At 31 December 2022, Sabaf S.p.A. tested - with the support of independent experts - the carrying value of the equity investment for impairment, determining its recoverable amount, considered to be equivalent to its value of use plus available liquidity, by discounting expected future cash flows in the forward plan drafted by the management. Cash flows for the period from 2023 to 2027 were augmented by the terminal value, which expresses the operating flows that the investee is expected to generate from the sixth year to infinity and determined based on the perpetual income. The management prepared a single plan for each CGU that represents the normal expected scenario, with reference to the period from 2023 to 2027.

The development of forward plans and the calculation of the value in use were carried out following an in-depth analysis that also considered the impact on profitability of the increase in purchase costs and the possibility of transferring this increase to sales prices.

The value of use was calculated based on a discount rate (WACC) of 11.65% (10.11% in the impairment test carried out while preparing the separate financial statements at 31 December 2021) and a growth rate (g) of 2%, unchanged from the 2021 impairment test.

The recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €20.211 million, compared with a carrying value of the equity investment of €10.329 million; consequently, the amount recognised for equity investment at 31 December 2022 was deemed recoverable.

Sensitivity analysis

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

(€/000)					
			growth rate		
discount rate	**1.50%**	**1.75%**	**2.00%**	**2.25%**	**2.50%**
10.65%	21,294	21,611	21,947	22,303	22,681
11.15%	20,457	20,737	21,032	21,344	21,674
11.65%	19,701	19,950	20,211	20,486	20,776
12.15%	19,016	19,238	19,470	19,714	19,970
12.65%	18,392	18,590	18,797	19,015	19,243

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

	EBITDA		
	According to the plan	*-10%*	*-20%*
(€/000)	20,211	12,501	10,572

Sabaf do Brasil

In 2022, Sabaf do Brasil's results deteriorated as a result of the significant downturn in the reference market. A significant recovery is expected as early as 2023. At 31 December 2022, Shareholders' equity (converted into euros at the end-of-year exchange rate) is higher than the carrying amount of the equity investment.

Sabaf U.S.

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

Sabaf Appliance Components

Sabaf Appliance Components (Kunshan) Co., Ltd. has been producing burners for the Chinese market since 2015. Furthermore, the company has performed the function as distributor on the Chinese market of Sabaf products manufactured in Italy and Turkey. Low production volumes have not allowed the company to reach the break-even point. During the financial year, the equity investment was written down by €808 thousand against the loss of 2022 to bring it in line with shareholders' equity.

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

In 2022, Sabaf Turkey, a company active in the production of gas components and hinges, reported sales in line with the previous year and a decrease in profitability compared to the excellent results of 2021.

In view of the continuing hyperinflation in Turkey, at 31 December 2022, Sabaf S.p.A. tested for the first time - with the support of independent experts - the carrying value of the equity investment for impairment, determining its recoverable amount, considered to be equivalent to its value of use plus available liquidity, by discounting expected future cash flows in the forward plan drafted by the management. Cash flows for the period from 2023 to 2027 were augmented by the terminal value, which expresses the operating flows that the investee is expected to generate from the sixth year to infinity and determined based on the perpetual income. The management prepared a single plan for each CGU that represents the normal expected scenario, with reference to the period from 2023 to 2027.

The development of forward plans and the calculation of the value in use were carried out following an in-depth analysis that also considered the impact on profitability of the increase in purchase costs and the possibility of transferring this increase to sales prices.

The value of use was calculated based on a discount rate (WACC) of 16.27% and a growth rate (g) of 2.5%.

The recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €64,671 million, compared with a carrying value of the equity investment of €32.107 million; consequently, the amount recognised for equity investment at 31 December 2022 was deemed recoverable.

Sensitivity analysis

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

(€/000)	
	growth rate

discount rate	2.00%	2.25%	2.50%	2.75%	3.00%
15.27%	66,888	67,138	67,948	68,510	69,095
15.77%	65,281	65,756	66,248	66,759	67,290
16.27%	63,787	64,221	64,671	65,137	65,621
16.77%	62,394	62,792	63,204	63,630	64,072
17.27%	61,092	61,458	61,836	62,227	62,632

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

	EBITDA		
	According to the plan	*-10%*	*-20%*
(€/000)	64,671	58,113	52,968

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

A.R.C. s.r.l. performed very well during the 2022 financial year in terms of both turnover and profitability. The 2023-2027 forward plan envisages a decline in sales in 2023, a gradual recovery in the following years and the maintenance of a good level of profitability.
At 31 December 2022, Sabaf S.p.A. tested - with the support of independent experts - the carrying value of the equity investment for impairment, determining its recoverable amount, considered to be equivalent to its value of use plus available liquidity, by discounting expected future cash flows in the forward plan drafted by the management. Cash flows for the period from 2023 to 2027 were augmented by the terminal value, which expresses the operating flows that the investee is expected to generate from the sixth year to infinity and determined based on the perpetual income. The management prepared a single plan for each CGU that represents the normal expected scenario, with reference to the period from 2023 to 2027.
The development of forward plans and the calculation of the value in use were carried out following an in-depth analysis that also considered the impact on profitability of the increase in purchase costs and the possibility of transferring this increase to sales prices.
The value of use was calculated based on a discount rate (WACC) of 11.19% (6.93% in the impairment test carried out while preparing the Separate financial statements at 31 December 2021) and a growth rate (g) of 2% (unchanged from the impairment test carried out while preparing the separate financial statements at 31 December 2021).
The recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €11.688 million, compared with a carrying value of the equity investment of €6.450 million; consequently, the amount recognised for equity investment at 31 December 2022 was deemed recoverable.

Sensitivity analysis

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

(€/000)					
	growth rate				
discount rate	**1.50%**	**1.75%**	**2.00%**	**2.25%**	**2.50%**
10.19%	12,215	12,380	12,555	12,741	12,940
10.69%	11,889	11,944	12,096	12,259	12,430
11.19%	11,426	11,553	11,688	11,830	11,980
11.69%	11,090	11,203	11,322	11,447	11,579
12.19%	10,785	10,886	10,992	11,103	11,220

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

	EBITDA		
	According to the plan	*-10%*	*-20%*
(€/000)	11,688	10,768	9,848

Okida Elektronik Sanayi 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. Okida Elektronik performed extremely well also in 2022.

At 31 December 2022, the Company tested - with the support of independent experts - the carrying value of the equity investment for impairment, determining its recoverable amount considered to be equivalent to its value of use plus available liquidity, by discounting expected future cash flows in the forward plan drafted by the management. Cash flows for the period from 2023 to 2027 were augmented by the terminal value, which expresses the operating flows that the investee is expected to generate from the sixth year to infinity and determined based on the perpetual income. The management prepared a single plan for each CGU that represents the normal expected scenario, with reference to the period from 2023 to 2027.

The development of forward plans and the calculation of the value in use were carried out following an in-depth analysis that also considered the impact on profitability of the increase in purchase costs and the possibility of transferring this increase to sales prices. The value of use was calculated based on a discount rate (WACC) of 16.81% (15.21% in the impairment test carried out while preparing the separate financial statements at 31 December 2021) and a growth rate (g) of 2.50%, unchanged from the 2021 impairment test. The portion pertaining to Sabaf S.p.A. of the recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €13.867 million (30% of total equity value), compared with a carrying value of the equity investment of €8.782 million; consequently, the carrying value recognised for equity investment at 31 December 2022 was deemed recoverable.

Sensitivity analysis

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

(€/000)					
	growth rate				
discount rate	**2.00%**	**2.25**	**2.50%**	**2.75%**	**3.00%**
15.81%	14,541	14,695	14,855	15,022	15,194
16.31%	14,056	14,197	14,343	14,495	14,652
16.81%	13,603	13,733	13,867	14,006	14,150
17.31%	13,181	13,300	13,423	13,550	13,682
17.81%	12,785	12,895	13,008	13,125	13,246

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

	EBITDA		
	According to the plan	*-10%*	*-20%*
(€/000)	13,867	12,487	11,019

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

C.M.I. s.r.l. recognised a strong increase in turnover in 2022 compared to the previous year.
The 2023-2027 forward plan envisages a decline in sales in 2023, a gradual recovery in the following years and the maintenance of a good level of profitability.
At 31 December 2022, the Company tested - with the support of independent experts - the carrying value of the equity investment for impairment, determining its recoverable amount considered to be equivalent to its value of use plus available liquidity, by discounting expected future cash flows in the forward plan drafted by the management. Cash flows for the period from 2023 to 2027 were augmented by the terminal value, which expresses the operating flows that the investee is expected to generate from the sixth year to infinity and determined based on the perpetual income. The management prepared a single plan for each CGU that represents the normal expected scenario, with reference to the period from 2023 to 2027.
The development of forward plans and the calculation of the value in use were carried out following an in-depth analysis that also considered the impact on profitability of the increase in purchase costs and the possibility of transferring this increase to sales prices. The value of use was calculated based on a discount rate (WACC) of 11.66% (11.31% in the impairment test carried out while preparing the Separate financial statements at 31 December 2021) and a growth rate (g) of 2% (unchanged from that used for the impairment test carried out while preparing the separate financial statements at 31 December 2021).

The recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €52.133 million, compared with a carrying value of the equity investment of €21.044 million; consequently, the amount recognised for equity investment at 31 December 2022 was deemed recoverable.

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

(€/000)					
			growth rate		
discount rate	**1.50%**	**1.75%**	**2.00%**	**2.25%**	**2.50%**
10.66%	55,785	56,833	58,044	59,274	60,580
11.16%	52,938	53,906	54,927	56,005	57,145
11.66%	50,372	51,230	52,133	53,084	54,086
12.16%	48,048	48,813	49,615	50,458	51,345
12.66%	45,933	46,618	47,335	48,086	48,875

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

	EBITDA		
	According to the plan	-10%	-20%
(€/000)	52,133	50,334	41,649

Sabaf India Private Limited

Sabaf India started production of gas components in 2022 for the local market, which is expected to grow strongly in the coming years. The Group believes that the difference between the carrying value of the equity investment and shareholders' equity converted at the year-end exchange rate, mainly due to the depreciation of the rupee, can be recovered in the coming years with the achievement of positive income results.

Sabaf Mexico S.A. de C.V.

During the financial year 2021, a new company was established in San Luis Potos (Mexico), where a plot of land was acquired and construction work is in progress on a new plant to produce components for the North American market. Production is scheduled to start in the first half of 2023.

P.G.A. s.r.l.

In October 2022, the Company acquired 100% of P.G.A. S.r.l. (P.G.A.), a company based in Fabriano (AN) that has been active for over 25 years in the field of design and assembly of electronic control boards for the household appliances sector.

The carrying value of the equity investment, equal to €7,843 million, includes, in addition to the price paid at the date of the transaction, subsequent contractual price adjustments related to the valuation of the net financial position at the acquisition date, the achievement of economic performance targets ("earn-outs"), and accrued receivables from the former shareholders of P.G.A. related to the compensation obligations envisaged upon the occurrence of certain events (liabilities incurred by P.G.A.) regulated by the acquisition agreement.

At 31 December 2022, the Company tested - with the support of independent experts - the carrying value of the equity investment for impairment, determining its recoverable amount by discounting expected future cash flows in the forward plan drafted by the management. Cash flows for the period from 2023 to 2024 were augmented by the terminal value, which expresses the operating flows that the company is expected to generate from the third year to infinity and determined based on the perpetual income. The value of use was calculated based on a discount rate (WACC) of 10.88% and a growth rate (g) of 2%, representative of expected future growth rates for the reference market.

The recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €14.375 million, compared with a carrying value of the equity investment of €7,843 million; consequently, the amount recognised for equity investment at 31 December 2022 was deemed recoverable.

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

(€/000)					
	growth rate				
discount rate	**1.50%**	**1.75%**	**2.00%**	**2.25%**	**2.50%**
9.88%	15,457	15,896	16,364	16,862	17,393
10.38%	14,513	14,900	15,310	15,746	16,209
10.88%	13,669	14,012	14,375	14,759	15,165
11.38%	12,911	13,217	13,540	13,880	14,239
11.88%	12,226	12,500	12,789	13,092	13,412

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

	EBITDA		
	According to the plan	-10%	-20%
(€/000)	14,375	12,463	10,551

6. NON-CURRENT FINANCIAL ASSETS

	31/12/2022	31/12/2021	Change
Financial receivables from subsidiaries	10,375	10,707	(332)
Total	**10,375**	**10,707**	**(332)**

At 31 December 2022, financial receivables from subsidiaries consist of:

- an interest-bearing loan of USD 2 million (€1.875 million at the end-of-year exchange rate), granted to the subsidiary Sabaf do Brasil with the aim of optimising the Group's exposure to foreign exchange rate risk with maturity March 2023:
- an interest-bearing loan of €8.5 million to the subsidiary Sabaf Turkey, of which €3.5 million disbursed during 2018 and €5 million disbursed during 2021 as part of the coordination of the Group's financial management, with maturity in August 2024 and April 2024, respectively.

7. NON-CURRENT RECEIVABLES

	31/12/2022	31/12/2021	Change
Receivables from former P.G.A. shareholders	597	-	597
Guarantees	37	32	5
Total	**634**	**32**	**602**

Receivables from former P.G.A. shareholders refer to compensation obligations envisaged upon the occurrence of certain events (liabilities incurred by P.G.A.) regulated by the acquisition agreement.
These receivables, already accrued and agreed upon between the parties, were discounted. The effect of discounting was recorded under financial income (Note 31).

8. INVENTORIES

	31/12/2022	31/12/2021	Change
Raw Materials	11,313	13,381	(2,068)
Semi-processed goods	7,941	9,400	(1,459)
Finished products	9,446	12,990	(3,544)
Provision for inventory write-downs	(1,789)	(1,785)	(4)
Total	**26,911**	**33,986**	**(7,075)**

The value of final inventories at 31 December 2022 decreased compared to the end of the previous year as a result of lower business volumes in the second half of the year.
The provision for write-downs is mainly allocated for hedging the obsolescence risk, quantified on the basis of specific analyses carried out at the end of the year on slow-moving and non-moving products, and refers to raw materials for €529 thousand, semi-finished products for €298 thousand and finished products for €962 thousand. The following table shows the changes in the Provision for inventory write-downs during the current financial year:

31/12/2021	**1,785**
Provisions	42
Utilisation	(38)
31/12/2022	**1,789**

9. TRADE RECEIVABLES

	31/12/2022	31/12/2021	Change
Trade receivables from third parties	**20,806**	**30,584**	**(9,778)**
Trade receivables from subsidiaries	8,109	15,210	(7,101)
Bad debt provision	(600)	(600)	0
Net total	**28,315**	**45,194**	**(16,879)**

At 31 December 2022, trade receivables included balances totalling USD 4,102 thousand, booked at the EUR/USD exchange rate in effect on 31 December 2022, equal to 1.0666. The amount of trade receivables recognised in the financial statements includes approximately €12 million in insured receivables (€13 million at 31 December 2021).
There were no significant changes in average payment terms agreed with customers.

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

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

	31/12/2022	31/12/2021	Change
Current receivables (not past due)	17,016	27,304	(10,288)
Outstanding up to 30 days	2,118	1,844	274
Outstanding from 30 to 60 days	769	348	421
Outstanding from 60 to 90 days	169	211	(42)
Outstanding for more than 90 days	734	877	(143)
Total	**20,806**	**30,584**	**(9,778)**

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

	31/12/2021	Provisions	Utilisation	31/12/2022
Bad debt provision	600	0	0	600

10. TAX RECEIVABLES

	31/12/2022	31/12/2021	Change
For income tax	4,515	1,104	3,411
for VAT	546	359	187
Total	**5,061**	**1,463**	**3,598**

In the 2020 financial year, the Company has been part of the national tax consolidation scheme pursuant to Articles 117/129 of the Unified Income Tax Law.
At 31 December 2022, income tax receivables include:
- the receivable from the subsidiary C.M.I. s.r.l. amounting to €682 thousand
- the receivable from the subsidiary Faringosi Hinges s.r.l amounting to €266 thousand
- the receivable from the subsidiary ARC s.r.l. amounting to €260 thousand,

relating to the balance of the 2022 income taxes transferred by the subsidiaries to the consolidating company Sabaf S.p.A., in accordance with the provisions of the tax regulations relating to the national tax consolidation and the tax consolidation contracts entered into between the parties.
Income tax receivables also include:
- €1.496 million of receivables for investments in capital equipment referred to Decree Law 160/2019, Budget Law 178/2020 and Budget Law 234/2021
- unused tax credits for energy-intensive and gas-intensive companies of €718 thousand
- receivables for higher payments on account paid in 2022, specifically IRES for €900 thousand and IRAP for €94 thousand.

11. OTHER CURRENT RECEIVABLES

	31/12/2022	31/12/2021	Change
Credits to be received from suppliers	685	1,240	(555)
Advances to suppliers	113	426	(313)
Due from INAIL	0	5	(5)
Other	411	258	153
Total	**1,209**	**1,929**	**(720)**

Credits to be received from suppliers mainly refer to bonuses paid to the Company for the attainment for the year purchasing objectives, which were achieved in 2022 to a smaller extent than in the previous year.

12. CURRENT FINANCIAL ASSETS

	31/12/2022	31/12/2021	Change
Restricted bank accounts	-	1,173	(1,173)
Financial receivables from subsidiaries	1,300	-	1,300
Interest rate derivatives	1,601	-	1,601
Total	**2,901**	**1,173**	**1,728**

In 2022, the term deposit of €1.173 million for the portion of the price not yet paid to the sellers of the C.M.I. equity investment and deposited as collateral in accordance with the terms of the C.M.I. acquisition agreement was paid.

At 31 December 2022, financial receivables from subsidiaries consist of:

- an interest-bearing loan of €1 million granted to C.M.I. s.r.l.
- an interest-bearing loan of €300 thousand to C.G.D. s.r.l.

as part of the coordination of the Group's financial management.

At 31 December 2022, the Company has in place five interest rate swap (IRS) contracts for amounts and maturities coinciding with six unsecured loans that are being amortised, whose residual value at 31 December 2022 is €24,640 thousand. The contracts have not been designated as capital flow hedges and are therefore at their fair value through profit and loss, and recognised in the items “Fair Value through profit or loss”, with "Financial income" as a balancing entry.

13. CASH AND CASH EQUIVALENTS

The item Cash and cash equivalents, equal to €2,604 thousand at 31 December 2022 (€29,733 thousand at 31 December 2021), refers almost exclusively to bank current account balances. Please refer to the Statement of Cash Flows for an analysis of changes in liquidity during the year.

14. SHARE CAPITAL

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

At 31 December 2022, the structure of the share capital is shown in the table below.

	No. of shares	% of share capital	Rights and obligations
Ordinary shares	7,915,422	68.63%	--
Ordinary shares with increased vote	3,618,028	31.37%	Two voting rights per share
TOTAL	***11,533,450***	***100%***	

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

15. TREASURY SHARES AND OTHER RESERVES

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

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

At 31 December 2022, the Company is the owner of 214,683 treasury shares (1.86% of the share capital), reported in the financial statements as an adjustment to shareholders' equity at a weighted average unit value of €14.990 (the closing stock market price of the Share at 31 December 2022 was €16.689). There were 11,318,587 outstanding shares at 31 December 2022 (11,221,648 at 31 December 2021).

The item "Retained earnings, Other reserves" amounting to €97,245 thousand included as at 31 December 2022:

- the stock grant reserve of €1,939 thousand, which included the measurement at 31 December 2022 of the fair value of rights assigned to receive shares of the Parent Company relating to the 2021 – 2023 Stock Grant Plan, medium- and long-term incentive plan for directors and employees of the Sabaf Group, for the details of which reference is made to Note 46;
- the *Hedge Accounting* reserve, negative for €14 thousand. The following table shows the change in the Cash flow hedge reserve related to the application of IFRS 9 on derivative contracts and referring to the recognition in net equity of the effective part of the derivative contracts signed to hedge the foreign exchange rate risk for which the Company applies hedge accounting.

Opening value at 31 December 2021	**(71)**
Change during the period	57
Value at 31 December 2022	**(14)**

The characteristics of the derivative financial instruments that gave rise to the cash flow hedge reserve and the accounting effects on other items in the financial statements are broken down in Note 38, in the paragraph Foreign exchange risk management

16. LOANS

	31/12/2022			31/12/2021		
	Current	Non-current	Total	Current	Non-current	Total
Bond issue	-	29,685	29,685	-	29,649	29,649
Unsecured loans	18,348	45,457	63,805	16,732	51,410	68,142
Leases	473	1,194	1,667	437	1,456	1,893
Short-term bank loans	8,421	-	8,421	1,841	-	1,841
Total	**27,242**	**76,336**	**103,578**	**19,010**	**82,515**	**101,525**

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

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

During the year, the Company took out a new unsecured loan of €13 million. All loans are signed with an original maturity of ranging from 5 to 6 years and are repayable in instalments.

Some of the outstanding unsecured loans have covenants, defined with reference to the consolidated financial statements at the end of the reporting period, as specified below:

- commitment to maintain a ratio of net financial position to shareholders' equity of less than 1 (residual amount of the loans at 31 December 2022 equal to €49.9 million)
- commitment to maintain a ratio of net financial position to EBITDA of less than 2.5 (residual amount of the loans at 31 December 2022 equal to €40.4 million)

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

All bank loans are denominated in euro.

To manage interest rate risk, some unsecured loans (with a total residual value of €51.450 million at 31 December 2022) are either fixed-rate or hedged by IRS.

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

Lease liabilities at 1 January 2021	**2,107**
New agreements signed during 2021	275
Repayments during 2021	(489)
Lease liabilities at 31 December 2021	**1,893**
New agreements signed during 2022	313
Repayments during 2022	(524)
Lease liabilities at 31 December 2022	**1,682**

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

17. OTHER FINANCIAL LIABILITIES

	31/12/2022		**31/12/2021**	
	Current	Non-current	Current	Non-current
Payables to former PGA shareholders	371	175	-	-
Payables to former C.M.I. shareholders	-	-	1,173	-
Derivative instruments on interest rates	-	-	72	-
Currency derivatives	15	-	149	-
Total	**386**	**175**	**1,394**	**-**

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

18. Post-employment benefit

At 31 December 2021	**1,780**
Financial expenses	36
Payments made	(58)
Tax effect	(170)
At 31 December 2022	**1,588**

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

Post-employment benefits are calculated as follows:

Financial assumptions

	31/12/2022	*31/12/2021*
Discount rate	3.62%	0.40%
Inflation	3%	1.30%

Demographic theory

	31/12/2022	*31/12/2021*
Mortality rate	IPS55 ANIA	IPS55 ANIA
Disability rate	INPS 2000	INPS 2000
Staff turnover	6%	7%
Advance payouts	1.50% per year	2% per year
Retirement age	pursuant to legislation in force on 31 December 2022	Pursuant to legislation in force at 31 December 2021

19. PROVISIONS FOR RISKS AND CHARGES

	31/12/2021	**Provisions**	**Utilisation**	**31/12/2022**
Provision for agents' indemnities	245	9	(6)	248
Product guarantee fund	60	23	(23)	60
Provision for tax risks	500	-	(500)	-
Provision for legal risks	46	-	-	46
Total	**851**	**32**	**(529)**	**354**

The provision for agents' indemnities covers amounts payable to agents if the Company terminates the agency relationship.
The product guarantee fund covers the risk of returns or charges by customers for products already sold and, if necessary, is adjusted at the end of the financial year on the basis of analyses carried out and past experience.
Following the settlement of a tax dispute, in the first half of 2022, the provision for risks and charges in which a specific provision of the same amount was recognised, was used in the amount of €500 thousand.
The provisions for risks, which represent the estimate of future payments made based on historical experience, have not been discounted because the effect is considered negligible.

20. TRADE PAYABLES

	31/12/2022	**31/12/2021**	**Change**
Total	**21,168**	**33,678**	**(12,150)**

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

21. TAX PAYABLES

	31/12/2022	31/12/2021	Change
To inland revenue for income tax	6	2,703	(2,697)
To subsidiaries for income tax	24	55	(31)
To inland revenue for IRPEF tax deductions	592	616	(24)
Total	**622**	**3,374**	**(2,752)**

More details on income tax payables can be found in Note 35.

In the 2020 financial year, the Company has been part of the national tax consolidation scheme pursuant to Articles 117/129 of the Unified Income Tax Law. At 31 December 2022, payables to subsidiaries for income taxes refer to tax advances received from the subsidiary CGD s.r.l.

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

22. OTHER CURRENT PAYABLES

	31/12/2022	31/12/2021	Change
To employees	3,857	5,095	(1,238)
To social security institutions	1,987	2,238	(251)
Advances from customers	273	1,200	(927)
To agents	140	216	(76)
Other current payables	2,249	652	1,597
Total	**8,506**	**9,401**	**(895)**

At the beginning of 2023, payables due to employees and social security institutions were paid in accordance with the scheduled expiry dates.
Other current payables include accrued liabilities and deferred income, of which €1,564 thousand refer to the accrual basis of accounting of tax benefits driving from investments in capital goods referred to Decree Law 160/2019, Budget Law 178/2020 and Budget Law 234/2021

23. DEFERRED TAX ASSETS AND LIABILITIES

	31/12/2022	31/12/2021	Change
Deferred tax assets	3,048	3,323	(275)
Deferred tax liabilities	(721)	(324)	(397)
Net position	**2,327**	**2,999**	**(672)**

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

	Amortisation and leasing	Provisions and value adjustments	Fair value of derivative instruments	Goodwill	Actuarial evaluation of post-employment benefit	Other temporary differences	Total
At 31 December 2020	**927**	**878**	**45**	**1,240**	**176**	**396**	**3,662**
Through profit or loss	(184)	(131)	(10)	(177)	-	(160)	(662)
In shareholders' equity	-	-	-	-	(1)	-	(1)
At 31 December 2021	**743**	**747**	**35**	**1,063**	**175**	**236**	**2,999**
Through profit or loss	(278)	309	(420)	(177)	-	(67)	(633)
In shareholders' equity	-	-	2	-	(41)	-	(39)
At 31 December 2022	**465**	**1,056**	**(383)**	**886**	**134**	**169**	**2,327**

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

24. TOTAL FINANCIAL DEBT

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

		31/12/2022	31/12/2021	Change
A.	Cash	**2,604**	**29,733**	**(27,129)**
B.	Cash equivalents	**-**	**-**	**-**
C.	Other current financial assets	**2,901**	**1,173**	**1,728**
D.	Liquidity (A+B+C)	**5,505**	**30,906**	**(25,401)**
E.	Current financial payable	**8,982**	**3,235**	**5,747**
F.	Current portion of non-current financial debt	**18,821**	**17,169**	**1,652**
G.	Current financial debt (E+F)	**27,803**	**20,404**	**7,399**
H.	Net current financial debt (G-D)	**22,298**	**(10,502)**	**32,800**
I.	Non-current financial payable	**46,651**	**52,866**	**(6215)**
J.	Debt instruments	**29,685**	**29,649**	**36**
K.	Trade payables and other non-current payables	**-**	**-**	**-**
L.	Non-current financial debt (I+J+K)	**76,336**	**82,515**	**(6,179)**
M.	Total financial debt (H+L)	**98,634**	**72,013**	**26,621**

The statement of cash flows, which shows the changes in cash and cash equivalents (sum of letters A. and B. of this statement), describes in detail the cash flows that led to the change in the net financial debt.

Comments on key income statement items

25. REVENUE

In 2022, sales revenue amounted to €119,090 thousand, 17.3% lower than the €144,034 thousand in 2021.

Revenue by geographical area

	2022	%	2021	%	% change
Europe (excluding Turkey)	39,496	33.2%	48,788	33.9%	*-19%*
Turkey	30,470	25.6%	35,496	24.6%	*-14.2%*
North America	11,136	9.4%	10,088	7.0%	*+10.4%*
South America	13,600	11.4%	20,688	14.4%	*-34.3%*
Africa and Middle East	16,890	14.2%	16,930	11.8%	*-0.2%*
Asia and Oceania	7,498	6.3%	12,044	8.4%	*-37.7%*
Total	**119,090**	**100%**	**144,034**	**100%**	***-17.3%***

Revenue by product family

	2022	%	2021	%	% change
Valves and thermostats	48,917	41.1%	60,006	41.7%	*-18.5%*
Burners	51,992	43.7%	63,959	44.4%	*-18.7%*
Accessories and other revenues	18,181	15.3%	20,069	13.9%	*-9.4%*
Total	**119,090**	**100%**	**144,034**	**100%**	***-17.3%***

After an extraordinarily positive 2021 for the Company and its market, demand progressively deteriorated in 2022, with the downturn becoming more pronounced in the second half of the year. The only geographical area that maintained a positive revenue trend was North America, also supported by the development of business relations with main sector players.
Average sales prices in 2022 were approximately 10% higher than in 2021, largely offsetting considerable increases in the purchase prices of the main raw materials (aluminium alloys, steel and brass), electricity and gas.

26. OTHER INCOME

	2022	2021	Change
Sale of trimmings	2,430	2,696	(266)
Services to subsidiaries	2,159	1,295	864
Royalties to subsidiaries	305	213	92
Contingent income	280	307	(27)
Rental income	122	123	(1)
Use of provisions for risks and charges	29	1	28
Other income	1,186	1,560	(374)
Total	**6,511**	**6,195**	**316**

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

In 2022, other income includes €416 thousand of benefits granted as tax credits for investments made in 2022 (Law 160/2019 paragraphs 184 to 196, Law 178/2020 and Law 234/2021).

27. MATERIALS

	2022	2021	Change
Commodities and outsourced components	48,071	66,870	(18,799)
Consumables	4,900	5,252	(352)
Total	**52,971**	**72,122**	**(19,151)**

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

28. COSTS FOR SERVICES

	2022	2021	Change
Outsourced processing	7,660	12,701	(5,041)
Electricity and natural gas	6,889	6,092	797
Maintenance	3,789	4,975	(1,186)
Advisory services	2,750	2,421	329
Transport and export expenses	2,189	2,475	(286)
Directors' fees	442	477	(35)
Insurance	611	541	70
Commissions	633	770	(137)
Travel expenses and allowances	431	136	295
Waste disposal	424	539	(115)
Canteen	279	325	(46)
Temporary agency workers	399	487	(88)
Other costs	2,133	2,315	(182)
Total	**28,629**	**34,254**	**(5,625)**

The main outsourced processing carried out by the Company include aluminium die-casting, hot moulding of brass and some mechanical processing and assembly. As a result of lower activity levels compared to the previous year, some production stages that had been outsourced to external suppliers in 2021 to cope with peaks in demand were internalised.
The increase in energy costs was due to the exceptional increase in electricity and gas prices. The Company estimated that the impact of this increase, on a like-for-like basis compared to the previous year, amounted to €2.5 million in higher charges.

29. PERSONNEL COSTS

	2022	2021	Change
Salaries and wages	18,199	20,670	(2,471)
Social Security costs	5,779	6,433	(654)
Temporary agency workers	3,819	5,229	(1,410)
Post-employment benefit and other costs	1,644	1,643	1
Stock grant plan	1,134	805	329
Total	**30,575**	**34,780**	**(4,205)**

Average of the Company headcount at 31 December 2022 totalled 461 employees (324 blue-collars, 122 white-collars and supervisors, 15 managers), compared with 473 in 2021 (335 blue-collars, 125 white-collars and supervisors, 13 managers). The number of temporary staff with temporary work contract was 68 at 31 December 2022 (115 at the end of 2021).
The item "Stock Grant Plan" included the measurement at 31 December 2022 of the fair value of the options to the allocation of Sabaf shares to employees. For details of the Stock Grant Plan, refer to Note 46.

30. OTHER OPERATING COSTS

	2022	2021	Change
Non-income related taxes and duties	379	375	4
Losses and write-downs of trade receivables	0	100	(100)
Contingent liabilities	173	53	120
Other provisions	32	28	4
Other operating expenses	317	172	145
Total	**901**	**728**	**173**

Non-income taxes mainly include IMU, TASI and the tax for the disposal of urban solid waste. Other provisions refer to the allocations to provisions for risks described in Note 19.

31. FINANCIAL INCOME

	2022	2021	Change
Interests receivable from banks	5	1	4
Interests receivable from loans	309	255	54
IRS spreads receivable	1,626	-	1,626
Other financial income	34	63	(29)
Total	**1,974**	**319**	**1,655**

32. FINANCIAL EXPENSES

	2022	2021	Change
Interest paid to banks	1,157	322	835
Banking expenses	149	177	(28)
Other financial expense	267	31	236
Total	**1,573**	**530**	**1,043**

Other financial expenses include €101 thousand for the discounting of the receivable from the former shareholders of P.G.A. s.r.l. described in Note 6.

33. EXCHANGE RATE GAINS AND LOSSES

In 2022, the Company reported net foreign exchange gains of €354 thousand (net gains of €427 thousand in 2021) due to the gradual strengthening of the dollar against the euro during the year.

34. PROFITS AND LOSSES FROM EQUITY INVESTMENTS

	2022	2021	Change
Dividends received from Okida Elektronik	178	176	2
Total	**178**	**176**	**2**

35. INCOME TAXES

	2022	2021	Change
Current taxes	(1,015)	2,961	(3,976)
Deferred tax assets and liabilities	633	662	(29)
Taxes related to previous financial years	(159)	36	(195)
Taxes on foreign dividends	16	24	(8)
Provision for tax risks	-	500	(500)
Total	**(525)**	**4,183**	**(4,708)**

Negative taxes related to the tax loss for the 2022 tax year are recognised in current taxes for 2022.

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

	2022	2021
Theoretical income tax	413	3,414
Taxes related to previous financial years	(71)	28
Tax effect of dividends from investee companies	(25)	(16)
“Iper and Superammortamento” tax benefit	(603)	(641)
Permanent tax differences	196	74
Tax effect on tax credit for energy-intensive and gas-intensive companies	(505)	
Tax credit on sanitisation costs	-	(14)
Provision for tax risks	-	500
IRES (current and deferred)	**(595)**	**3,345**
IRAP (current and deferred)	**70**	**838**
Total	**(525)**	**4,183**

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

36. DIVIDENDS

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

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

37. SEGMENT REPORTING

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

38. INFORMATION ON FINANCIAL RISK

Categories of financial instruments

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

	31/12/2022	31/12/2021
Financial assets		
Amortised cost		
Cash and cash equivalents	2,604	29,733
Trade receivables and other receivables	29,523	46,991
Non-current loans	10,376	10,708
Other financial assets	1,300	1,173
Fair Value through profit or loss		
Derivatives cash flow hedges (on interest rates)	1,601	-
Financial liabilities		
Amortised cost		
Loans	103,578	101,525
Other financial liabilities	547	1,173
Trade payables	21,168	33,545
Fair Value through profit or loss		
Derivatives cash flow hedges (on interest rates)	-	149
Hedge accounting		
Derivatives cash flow hedges (on currency)	14	71

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

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

Credit risk management

Trade receivables involve producers of domestic appliances, multinational groups and smaller manufacturers in a few or single markets. The Company assesses the creditworthiness of all its

customers at the start of supply and systemically at least on an annual basis. After this assessment, each customer is assigned a credit limit.
The Company factors receivables with factoring companies based on without recourse agreements, thereby transferring the related risk.
A credit insurance policy is in place, which guarantees cover for approximately 42% of trade receivables.
Credit risk relating to customers operating in emerging economies is generally attenuated by the expectation of revenue through letters of credit.

Forex risk management
The main exchange rate to which the Company is exposed is the euro/USD in relation to sales made in dollars (mainly in North America) and, to a lesser extent, to some purchases (mainly from Asian manufacturers). Sales in US dollars represented 13.3% of total turnover in 2022, while purchases in dollars represented 5% of total turnover. During the year, operations in dollars were partially hedged through forward sales contracts. At 31 December 2022, there is a forward sales contract for $500 thousand maturing in March 2023, at an exchange rate of 1.0792. With reference to these contracts, the Company applies hedge accounting, checking compliance with IFRS 9.

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

(amounts in €/000)	**2022**
Reduction in financial assets	-
Increase in current financial liabilities	(57)
Adjustment to the Cash Flow Hedge reserve (equity reserve)	58
Negative impact through profit or loss	383

Company	**Counterparty**	**Instrument**	**Maturity**	**Value date**	**Notional** (in thousands)	**Fair value hierarchy**
Sabaf S.p.A.	MPS	Forward	31/03/2023	USD	1,000,000	2

Sensitivity analysis
With reference to financial assets and liabilities in US dollars at 31 December 2022, a hypothetical and immediate revaluation of 10% of euro against the dollar would have led to a loss of €410 thousand.

Interest rate risk management
Owing to the current trend in interest rates, the Company favours fixed-rate indebtedness: medium to long-term loans originated at a variable rate are converted to a fixed rate by entering into interest rate swaps (IRS) at the same time as the loan is opened. At 31 December 2022, IRS totalling €24.6 million were in place, mirrored in mortgages with the same residual debt, through which the Company transformed the floating rate of the mortgages into fixed rate. The derivative contracts were not designated as a cash flow hedge and were therefore recognised using the "fair value through profit or loss" method.

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

Company	Counterparty	Instrument	Maturity	Value date	Notional	Fair value hierarchy
Sabaf S.p.A.	MPS	IRS	30/06/2023	EUR	500,000	2
	Intesa Sanpaolo		15/06/2024		3,600,000	
	Intesa Sanpaolo		15/06/2024		1,110,000	
	Crédit Agricole		30/06/2025		6,600,000	
	Mediobanca		28/04/2027		12,830,000	

Sensitivity analysis
Considering the IRS in place, at the end of 2022 almost 80% of the Company's gross financial debt was at a fixed rate.
With reference to financial liabilities at variable rate at 31 December 2022, a hypothetical and immediate increase of 1% of interest rates would have led to a loss of €210 thousand.

Commodity price risk management
A significant portion of the Company's purchase costs is represented by aluminium, steel and brass. Metal prices rose sharply during 2022, forcing the Company to renegotiate sales prices several times to compensate for the increase in costs. Based on market conditions and contractual agreements, the Company may not be able to pass on changes in raw material prices to customers in a timely and/or complete manner, with consequent effects on margins. The Company also protects itself from the risk of changes in the price of aluminium, steel and brass with supply contracts signed with suppliers for delivery up to twelve months in advance or, alternatively, with derivative financial instruments. In 2022 and 2021, the Company did not use financial derivatives on commodities.

Liquidity risk management
The management of liquidity and financial debt is coordinated at Group level. The Group operates with a debt ratio considered physiological (net financial debt/shareholders' equity at 31 December 2022 of 54.0%, net financial debt/EBITDA of 2.10) and has unused short-term lines of credit. To minimise the risk of liquidity, the Administration and Finance Department:
- maintains a correct balance of net financial debt, financing investments with capital and with medium to long-term debt;
- verifies systematically that the short-term accrued cash flows (amounts received from customers and other income) are expected to accommodate the deferred cash flows (short-term financial debt, payments to suppliers and other outgoings);
- regularly assesses expected financial needs in order to promptly take any corrective measures.

An analysis by expiry date of financial payables at 31 December 2022 and 31 December 2021 is shown below.

At 31 December 2022

	Carrying value	Contractual cash flows	Within 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Unsecured loans and leases	64,643	67,622	2,207	17,536	47,879	-
Bond issue	29,685	33,939	-	563	8,251	25,125
Short-term bank loans	8,420	8,420	921	7,499	-	-
Payables to former P.G.A. shareholders	547	547	372	-	175	-
Total financial payables	**103,259**	**110,528**	**3,128**	**25,598**	**56,305**	**25,125**
Trade payables	21,168	21,168	19,329	1,839	-	-
Total	**124,427**	**131,696**	**22,829**	**27,437**	**56,305**	**25,125**

At 31 December 2021

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

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

Hierarchical levels of fair value assessment

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

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

The following table shows the assets and liabilities measured at fair value at 31 December 2022, by hierarchical level of fair value assessment.

	Level 1	Level 2	Level 3	Total
Other financial liabilities (interest rate derivatives)	-	1,601	-	1,601
Total assets and liabilities at fair value	**-**	**1,601**	**-**	**1,601**

39. RELATIONS BETWEEN GROUP COMPANIES AND WITH RELATED PARTIES

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

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

	Total 2022	Subsidiaries	Other related parties	Total related parties	Impact on the total
Non-current financial assets	10,375	10,375	-	10,375	100%
Trade receivables	28,315	8,109	-	8,109	28.64%
Tax receivables	5,061	1,209	-	1,209	23.89%
Current financial assets	2,901	1,300	-	1,300	44.81%
Short-term financial payables	27,242	2,500	-	2,500	9.18%
Trade payables	21,168	1,057	5	1,062	5.02%
Tax payables	622	24	-	24	3.86%

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

Impact of related-party transactions on income statement items

	Total 2022	Subsidiaries	Other related parties	Total related parties	Impact on the total
Revenue	119,090	17,100	-	17,100	14.36%
Other income	6,511	2,921	-	2,921	44.86%
Materials	52,971	3,249	-	3,249	6.13%
Services	28,629	421	24	445	1.55%
Capital gains on non-current assets	1,565	1,362	-	1,362	87.03%
Financial income	1,973	309	-	309	15.66%
Financial expenses	1,573	10	-	10	0.64%

	Total 2021	Subsidiaries	Other related parties	Total related parties	Impact on the total
Revenue	144,034	20,212	-	20,212	14.03%
Other income	6,195	2,030	-	2,030	32.77%
Materials	72,122	3,316	-	3,316	4.60%
Services	34,254	447	21	468	1.37%
Capital gains on non-current assets	238	110	-	110	46.22%
Financial income	318	255	-	255	80.19%

Relations with subsidiaries mainly consist of:

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

Related-party transactions, which are of minor importance, are regulated by specific contracts regulated at arm's length conditions.

40. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

Pursuant to the Consob memorandum of 28 July 2006, the Group declares that no significant non-recurring events or transactions, as defined by the memorandum, took place in 2022.

41. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There were no important events after the 2022 reporting period.

42. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

Pursuant to CONSOB memorandum of 28 July 2006, the Company declares that no atypical and/or unusual transactions as defined by the CONSOB memorandum were carried out during 2022.

43. SECONDARY OFFICES AND LOCAL UNITS

The Company has two other active local units in addition to the registered office in Ospitaletto (Brescia):

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

44. COMMITMENTS

Guarantees issued

Sabaf S.p.A. also issued sureties to guarantee mortgage loans granted by banks to employees for a total of €2,855 thousand (€3,443 thousand at 31 December 2021).

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

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

46. SHARE-BASED PAYMENTS

A plan for the free allocation of shares, approved by the Shareholders' Meeting of 6 May 2021, is in place; The related Regulations were approved by the Board of Directors on 13 May 2021.

Purpose

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

Subject matter

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

Beneficiaries

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

Deadline

The 2021 - 2023 Plan expires on 31 December 2024.

Accounting impacts and *Fair Value measurement methods*

In connection with this Plan, €1,134 (Note 28) were recognised in personnel costs during the year, an equity reserve of the same amount (Note 14) was recognised as a balancing entry.
In line with the date on which the beneficiaries became aware of the assignment of the rights and terms of the plan, the grant date was set at 13 May 2021.

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

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

Based on the exercise right at the different dates established by the Plan Regulations and on the estimate of the expected probability of achieving the objectives for each reference period, the unitary fair value at 31 December 2022 was determined as follows:

Rights relating to business objectives measured on ROCE	Total value on ROCE	13.74	Fair Value	4.81
	Rights on ROCE	35%		

Rights relating to business objectives measured EBITDA	Total value on EBITDA	15.92	Fair Value	6.37
	Rights on EBITDA	40%		

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

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

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

Fair value per share	15.65

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

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

Statutory References	Contribution value	Disbursing Subject
Super/Iper ammortamento (Super/Hyper amortisation)	1,170	Italian State
Energy-intensive contributions	1,388	Italian State
Total	**2,558**	

Iperammortamento (Hyper amortisation): it allows an over-estimation for tax purposes of capital equipment to which "Industry 4.0" benefits are applicable, which differs according to the year of acquisition. The reference regulations are included in the Budget Laws from the year 2017 to the year 2020, 2021 Budget Law, Law 178/2020.

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

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

LIST OF EQUITY INVESTMENTS IN SUBSIDIARIES[13]

Company name	Registered offices	Share capital at 31 December 2022	Shareholders	% of ownership	Shareholders' equity at 31 December 2022	2022 profit (loss)
Faringosi Hinges s.r.l.	Ospitaletto (BS)	EUR 90,000	Sabaf S.p.A.	100%	EUR 9,850,116	EUR 1,351,208
Sabaf do Brasil Ltda	Jundiaì (Brazil)	BRL 53,348,061	Sabaf S.p.A.	100%	BRL 99,469,722	BRL 300,837
Sabaf US Corp.	Plainfield (USA)	USD 200,000	Sabaf S.p.A.	100%	USD 151,957	USD -27,413
Sabaf Appliance Components (Kunshan) Co., Ltd.	Kunshan (China)	CNY 69,951,149	Sabaf S.p.A.	100%	CNY -11,561,705	CNY -5,802,098
Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki	Manisa (Turkey)	TRY 340,000,000	Sabaf S.p.A.	100%	TRY 717,338,843	TRY -48,720,949
A.R.C. s.r.l.	Campodarsego (PD)	EUR 45,000	Sabaf S.p.A.	100%	EUR 8,714,300	EUR 1,049,144
Okida Elektronik Sanayi ve Tickaret A.S	Manisa (Turkey)	TRY 5,000,000	Sabaf S.p.A. Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki	30% 70%	TRY 342,298,381	TRY 122,646,519
Sabaf Mexico Appliance Components	San Louis Potosì (Mexico)	PESOS 141,003,832	Sabaf S.p.A.	100%	PESOS 130,209,351	PESOS -7,283,441
C.M.I s.r.l.	Valsamoggia (BO)	€1,000,000	Sabaf S.p.A.	100%	EUR 19,357,996	EUR 3,828,124
C.G.D. s.r.l.	Valsamoggia (BO)	EUR 26,000	C.M.I. s.r.l.	100%	EUR 1,236,930	EUR 186,785
Sabaf India Private Limited	Bangalore (India)	INR 224,692,120	Sabaf S.p.A.	100%	INR 235,558,330*	INR 6,404,977*
P.G.A. s.r.l.	Fabriano (AN)	EUR 100,000	Sabaf S.p.A.	100%	EUR 3,681,351	EUR 799,172
PGA2.0 s.r.l.	Fabriano (AN)	EUR 10,000	P.G.A. s.r.l.	100%	EUR 109,674	EUR 410,195

'* The values shown for Sabaf India Private Limited refer to 31 March 2022, the local reporting date

OTHER SIGNIFICANT EQUITY INVESTMENTS

None

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

ORIGIN, POSSIBILITY OF UTILISATION AND AVAILABILITY OF RESERVES

Description	Amount	Possibility of utilisation	Available share	Amount subject to taxation for the company in the case of distribution
Capital reserves:				
Share premium reserve	10,002	A, B, C	10,002	0
Revaluation reserve, Law 413/91	42	A, B, C	42	42
Revaluation reserve, Law 342/00	1,592	A, B, C	1,592	1,592
Retained earnings:				
Legal reserve	2,307	B	0	0
Other retained earnings	76,901	A, B, C	76,901	0
Revaluation reserve, Italian Law Decree 104/20	4,873	A, B	4,873	4,727
Valuation reserve:				
Post-employment benefit actuarial provision	(397)		0	0
Reserve for stock grant plan	1,939		0	0
Hedge accounting reserve	(14)		0	0
Total	97,245		93,410	6,361

Key:

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

STATEMENT OF REVALUATIONS

OF EQUITY ASSETS AT 31 December 2022

		Gross value	Cumulative depreciation	Net value
Non-current assets held for sale	Law 72/1983	137	(137)	0
	1989 merger	516	(516)	0
	Law 413/1991	17	(16)	1
	1994 merger	1,320	(1,108)	212
	Law 342/2000	2,870	(2,798)	72
		4,860	**(4,575)**	**285**
Plant and equipment	Law 576/75	180	(180)	0
	Law 72/1983	2,180	(2,180)	0
	1989 merger	6,140	(6,140)	0
	1994 merger	6,820	(6,820)	0
		15,320	**(15,320)**	**0**
Industrial and commercial equipment	Law 72/1983	**161**	**(161)**	**0**
Other assets	Law 72/1983	**50**	**(50)**	**0**
TOTAL		**20,391**	**(20,106)**	**285**

GENERAL INFORMATION

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

Registered and administrative office: Via dei Car pini, 1
25035 Ospitaletto (Brescia)

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	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 Article 149-*duodecies* of the CONSOB Issuers' Regulation

The following table, prepared pursuant to Art. 149-*duodecies* of the CONSOB Issuers' Regulation, shows fees relating to 2022 for auditing services and for services other than auditing provided by the Independent Auditors. No services were provided by entities belonging to the network.

(€/000)	Party providing the service	Fees pertaining to the 2022 financial year
Audit	EY S.p.A.	41
Certification services	EY S.p.A	---
Other audit services	EY S.p.A	35(1)
Total		*75*

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

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

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

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

of the administrative and accounting procedures for the formation of the separate financial statements during the 2022 financial year.

They also certify that:

- the separate financial statements:
    - were prepared in accordance with the international accounting policies recognised in the European Community in accordance with EC regulation 1606/2002 of the European Parliament and Council of 19 July 2002 and with the measures issued in implementation of Article 9 of Italian Legislative Decree 38/2005;
    - are consistent with accounting books and records;
    - provide a true and fair view of the financial position and performance of the issuer;

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

Ospitaletto, 21 March 2023

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