

SABAF: THIRD-QUARTER 2022 RESULTS APPROVED**STRONG CASH GENERATION
DESPITE THE IMPACT OF INFLATION AND ENERGY COSTS****➤ CONSOLIDATED RESULTS IN JANUARY – SEPTEMBER 2022****REVENUE:** € 201.6 million (€ 200.8 million in the same period of 2021), +0.4%**EBITDA:** € 33.5 million (€44.2 million in the same period of 2021), -24.3%**EBITDA/REVENUE : 16.6%** (22% in the same period of 2021)**EBIT:** € 20 million (€ 31.6 million in the same period of 2021), -36.6%**NET PROFIT:** € 13.1 million (€ 23.3 million in the same period of 2021), -43.7%**FINANCIAL DEBT AT 30 SEPTEMBER 2022:** € 78.8 million (€ 94.8 million at 30 June 2022)**➤ CONSOLIDATED RESULTS FOR Q3 2022****REVENUE:** € 55.9 million (€ 63.1 million in the third quarter of 2021), -11.4%**EBITDA:** € 6.6 million (€12 million in the third quarter of 2021), -45.2%**EBITDA/REVENUE: 11.7%** (19 % in the third quarter of 2021)**EBIT:** € 2 million (€ 7.6 million in the third quarter of 2021), -74%**NET PROFIT:** € 0.1 thousand (€ 6.5 million in the third quarter of 2021)**Positive FREE CASH FLOW** of € 16.8 million (€ -2.4 million in the third quarter of 2021)**➤ OUTLOOK**

- Sales ranging from € 253 to € 256 million are expected for the entire 2022 financial year (€ 263.3 million in 2021)
- In 2023, a significant contribution is expected from strategic projects to diversify the product range and internationalise production and from the efficiency measures already adopted

“After two years of strong growth, the household appliances market is showing a slowdown, compounded by a reduction in stocks in the production and distribution chain. In the quarter, despite the impact on margins of the exceptional increase in energy costs, Sabaf was able to generate a significant cash flow”, Pietro Iotti, Chief Executive Officer, commented.

“The Group continues its growth strategy with determination, we are accelerating projects to expand product diversification, internationalisation and production processes efficiency.

Sales of induction cooking components (which are receiving extremely favourable feedback from operators) will begin in 2023 and the production start-up of the plant in Mexico is planned for the first quarter, a few months after the successful start-up of the Indian plant.

We will further develop the business of P.G.A., a recently acquired company, by integrating it into Sabaf's sales network, strengthening its presence in the smart appliances and IoT sector for household appliances”.

The Board of Directors of Sabaf S.p.A. met today in Ospitaletto to approve the Interim Management Statement at 30 September 2022.

Consolidated results for Q3 2022

In the third quarter of 2022, the Sabaf Group reported sales revenue of €55.9 million, a decrease of 11.4% versus the figure of €63.1 million in the third quarter of 2021.

During the quarter, unfavourable macroeconomic conditions led to a marked slowdown in demand in the reference market, accentuated by destocking phenomenon along the entire production and distribution chain. The most impacted geographical area was Europe (with sales of €17.5 million, -21.7%), where the conflict between Russia and Ukraine generates the greatest economic tensions for companies and households. On the other hand, the positive trend of sales in North America - where the Group recorded revenues of €8.9 million (+17.4%) - was confirmed thanks to the growing contribution of projects recently started with some primary customers and for which a further progress is expected in the near future. Demand remained stable in Africa and the Middle East, while the phase of extremely weakness in South American market continues.

The exceptional energy costs increase (+78% of electric energy costs vs. -23% of consumption; +81% of gas costs vs. -30% of consumption), the costs of raw materials at a very high level (also due to the consumption of stocks purchased in the first half-year) and the drop in production volumes affected profitability in the period. EBITDA for the third quarter of 2022 was €6.6 million (or 11.7% of sales) down by 45.2% compared to €12 million (19% of sales) of the third quarter of 2021. EBIT was €2 million (3.5% of turnover), 74% lower than the €7.6 million recorded in the same quarter of 2021 (12.1% of turnover). Net profit for the period was €0.1 million (€6.5 million in the third quarter of 2021).

Working capital, investments and financial debt

During the quarter, the Group acted to reduce working capital, which amounted to €85.2 million (31.7% of annualised revenue) at 30 September 2022, €17.4 million lower than €102.6 million at 30 June 2022 (35.2% of annualised revenue). The increase in working capital is mainly attributable to the reduction in trade receivables and inventories, implemented through procurement and production policies that balanced the objectives of containing costs and invested capital, ensuring continuity of supply and having adequate safety stocks.

Investments in the third quarter of 2022 amounted to €5.1 million, mainly for new plants in India and Mexico and the development of induction cooking components. Total investments in the first 9 months of 2022 amounted to €16.1 million (€19.5 million in the same period of 2021).

At 30 September 2022, net financial debt was €78.8 million, €16 million lower than €94.8 million at 30 June 2022. The financial debt included the present value of the lease and rental payments recognised in accordance with IFRS 16 for €2.6 million. At 30 September, consolidated shareholders' equity attributable to the Group amounted to €155.4 million.

Consolidated results in January-September 2022

In the first nine months of 2022, sales revenue totalled €201.6 million, up by 0.4% over the same period of 2021. EBITDA was €33.5 million (16.6% of turnover), down 24.3% compared to €44.2 million in 2021 (22% of turnover) and EBIT was €20 million (9.9% of turnover) with a 36.6% decrease. Net profit was €13.1 million (6.5% of sales), 43.7% lower than in the first nine months of 2021.

In the first nine months of 2022 all the sustainability targets set in the Business Plan have been met.

Hyperinflation – Turkey: application of IAS 29

As from 1 April 2022, the Turkish economy is considered hyperinflationary 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. The impacts of hyperinflation on the Statement of Financial Position at 30 September 2022 and the Income Statement for the first nine months of 2022 are enclosed herewith.

Outlook

In the current quarter, demand remains generally weak in the main markets in which the Group operates, although the impact of destocking seems to have worn off in recent weeks. Commodity and energy prices show a downward trend compared to recent peaks. For the whole of 2022, the Group expects to achieve sales of between €253 million and €256 million, including the consolidation of the fourth quarter results of the newly acquired P.G.A..

The Board of Directors confirms the worth of the internationalization and diversification path that the Group has undertaken and which has led, compared to the first 9 months of 2019, to an increase in turnover of 74.9% (from €115.3 million to €201.6 million) and in EBITDA of 63.6% (from €20.4 million to €33.5 million euro).

The Group is confident that the strategic projects launched in implementation of the Business Plan, aimed at diversifying the product range, increasing its international presence and at a substantial production processes efficiency, can significantly contribute to the growth and strengthening of its competitive position. Specifically, sales of induction cooking components (for which the Group has already signed some significant contracts) will start in 2023, and P.G.A. will be integrated into the Electronics Division. A few months after the successful start-up of the Indian plant, the production of gas components in Mexico will also be started and will contribute to further growth in the important North American market.

Today at **4.00 p.m.** CET there will be a conference call to illustrate the results of the third quarter of 2022 to financial analysts and institutional investors (please call the number +39 02 36213011 a few minutes before it begins).

The Interim Management Statement for Q3 2022, which has not been independently audited, is available in the Investor Relations section of the website www.sabafgroup.com. Pursuant to article 154-bis, paragraph 2 of the Italian Consolidated Finance Act (Testo Unico della Finanza), the Company's Financial Reporting Officer Gianluca Beschi declares that the financial disclosure contained in this press release corresponds to the Company's records, books and accounting entries.

Attachments include the statement of financial position, income statement, statement of cash flows, financial debt and a sales breakdown by product and geographical area.

For further information:

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<p><i>Founded in the early fifties, SABAF has grown consistently over the years to become the key manufacturer in Italy – and one of the leading producers in the world – of components for household appliances. The production is broken down into three main lines: gas cooking components (valves and burners), hinges and electronic components. Technological expertise, manufacturing flexibility, and the ability to offer a vast range of components – tailor-made to meet the requirements of individual manufacturers of cookers and built-in hobs and ovens and in line with the specific characteristics of its core markets – are Sabaf's key strengths in a sector featuring major specialisation, constantly evolving demand and an ever-increasing orientation towards products assuring total reliability and safety. The Sabaf Group has more than 1,500 employees. It operates through its parent company SABAF S.p.A. and the subsidiaries Sabaf do Brasil, Sabaf Turkey and Sabaf China, active in the production of domestic burners, A.R.C., which produces burners for professional cooking, and Faringosi Hinges and C.M.I., leader in the production of oven and dishwasher hinges, Okida and P.G.A., operating in the field of electronic components for household appliances.</i></p>	

Consolidated statement of financial position

	30/09/2022	31/12/2021	30/09/2021
<i>(€/000)</i>			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	97,090	82,407	84,607
Investment property	1,576	2,311	2,503
Intangible assets	49,198	35,553	40,596
Equity investments	83	83	175
Non-current receivables	1,397	1,100	871
Deferred tax assets	8,992	8,639	7,737
Total non-current assets	158,336	130,093	136,489
CURRENT ASSETS			
Inventories	68,093	64,153	63,404
Trade receivables	64,886	68,040	75,688
Tax receivables	6,195	6,165	3,821
Other current receivables	5,523	3,136	2,530
Financial assets	2,342	1,172	1,172
Cash and cash equivalents	34,516	43,649	15,313
Total current assets	181,555	186,315	161,928
ASSETS HELD FOR SALE	0	0	0
TOTAL ASSETS	339,891	316,408	298,417
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	11,533	11,533	11,533
Retained earnings, Other reserves	130,790	86,089	92,191
Net profit for the period	13,096	23,903	23,263
<i>Total equity interest pertaining to the Parent Company</i>	<i>155,419</i>	<i>121,525</i>	<i>126,987</i>
<i>Minority interests</i>	<i>-</i>	<i>911</i>	<i>5,585</i>
Total shareholders' equity	155,419	122,436	132,572
NON-CURRENT LIABILITIES			
Loans	85,988	86,504	36,999
Post-employment benefit and retirement provisions	3,630	3,408	3,496
Provisions for risks and charges	763	1,334	884
Deferred tax liabilities	5,074	3,939	4,353
Total non-current liabilities	95,455	95,185	45,732
CURRENT LIABILITIES			
Loans	28,746	24,405	45,092
Other financial liabilities	920	1,519	7,935
Trade payables	43,821	54,837	49,104
Tax payables	3,519	4,951	5,504
Other payables	12,011	13,075	12,478
Total current liabilities	89,017	98,787	120,113
LIABILITIES HELD FOR SALE	0	0	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	339,891	316,408	298,417

Consolidated Income Statement

	Q3 2022		Q3 2021		9M 2022		9M 2021	
(€/000)								
INCOME STATEMENT COMPONENTS								
OPERATING REVENUE AND INCOME								
Revenue	55,939	100.0%	63,107	100.0%	201,623	100.0%	200,772	100.0%
Other income	1,810	3.2%	1,494	2.4%	6,473	3.2%	5,979	3.0%
Total operating revenue and income	57,749	103.2%	64,601	102.4%	208,096	103.2%	206,751	103.0%
OPERATING COSTS								
Materials	(25,789)	-46.1%	(33,041)	-52.4%	(102,984)	-51.1%	(109,187)	-54.4%
Change in inventories	(3,184)	-5.7%	4,783	7.6%	4,164	2.1%	25,128	12.5%
Services	(11,586)	-20.7%	(11,726)	-18.6%	(39,233)	-19.5%	(38,243)	-19.0%
Personnel costs	(11,170)	-20.0%	(12,786)	-20.3%	(38,316)	-19.0%	(40,922)	-20.4%
Other operating costs	(278)	-0.5%	(359)	-0.6%	(1,006)	-0.5%	(1,174)	-0.6%
Costs for capitalised in-house work	828	1.5%	513	0.8%	2,735	1.4%	1,816	0.9%
Total operating costs	(51,179)	-91.5%	(52,616)	-83.4%	(174,640)	-86.6%	(162,582)	-81.0%
OPERATING PROFIT BEFORE DEPRECIATION & AMORTISATION, CAPITAL GAINS/LOSSES AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)								
	6,570	11.7%	11,985	19.0%	33,456	16.6%	44,169	22.0%
Depreciations and amortisation	(4,611)	-8.2%	(4,377)	-6.9%	(13,674)	-6.8%	(12,718)	-6.3%
Capital gains/(losses) on disposals of non-current assets	20	0.0%	9	0.0%	242	0.1%	126	0.1%
OPERATING PROFIT (EBIT)	1,979	3.5%	7,617	12.1%	20,024	9.9%	31,577	15.7%
Financial income	626	1.1%	151	0.2%	1,743	0.9%	702	0.3%
Financial expenses	(406)	-0.7%	(263)	-0.4%	(1,192)	-0.6%	(791)	-0.4%
Net income/(expenses) from hyperinflation	(3,058)	-5.5%	-	0.0%	(7,664)	-3.8%	-	0.0%
Exchange rate gains and losses	823	1.5%	586	0.9%	1,170	0.6%	(1,267)	-0.6%
Profits and losses from equity investments	-	0.0%	11	0.0%	(48)	0.0%	(38)	0.0%
PROFIT BEFORE TAXES	(36)	-0.1%	8,102	12.8%	14,033	7.0%	30,183	15.0%
Income taxes	124	0.2%	(1,358)	-2.2%	(937)	-0.5%	(6,126)	-3.0%
NET PROFIT FOR THE PERIOD	88	0.2%	6,744	10.7%	13,096	6.5%	24,057	12.0%
of which:								
Profit attributable to minority interests	-	0.0%	230	0.4%	-	0.0%	794	0.4%
PROFIT ATTRIBUTABLE TO THE GROUP	88	0.2%	6,514	10.3%	13,096	6.5%	23,263	11.6%

Consolidated statement of cash flows

(€/000)	Q3 2022	Q3 2021	9M 2022	9M 2021
<i>Cash and cash equivalents at beginning of period</i>	12,343	12,920	43,649	13,318
Net profit/(loss) for the period	88	6,744	13,096	24,057
Adjustments for:				
- Depreciation and amortisation for the period	4,611	4,377	13,674	12,718
- Realised gains/losses	(20)	(9)	(242)	(126)
- Monetary revaluation IAS 29	2,465	-	3,918	-
- Financial income and expenses	(1,064)	112	(186)	89
- Profits and losses from equity investments	-	(11)	48	38
- IFRS 2 measurement stock grant plan	348	295	1,137	450
- Income tax	(124)	1,358	937	6,126
Payment of post-employment benefit provision	40	(40)	222	(17)
Change in risk provisions	(50)	(4)	(571)	(549)
<i>Change in trade receivables</i>	<i>25,303</i>	<i>5,978</i>	<i>3,152</i>	<i>(12,252)</i>
<i>Change in inventories</i>	<i>3,724</i>	<i>(4,669)</i>	<i>(2,313)</i>	<i>(24,180)</i>
<i>Change in trade payables</i>	<i>(12,046)</i>	<i>(7,390)</i>	<i>(10,999)</i>	<i>7,331</i>
Change in net working capital	16,981	(6,081)	(10,160)	(29,101)
Change in other receivables and payables, deferred taxes	(720)	(719)	59	384
Payment of taxes	(291)	(3,013)	(7,042)	(3,936)
Payment of financial expenses	(412)	(217)	(1,400)	(623)
Collection of financial income	5	166	158	277
Cash flows from operations	21,857	2,958	13,648	9,787
Net investments	(5,085)	(4,339)	(16,103)	(19,501)
Repayment of loans	(9,110)	(4,585)	(23,717)	(16,506)
New loans	16,011	9,335	25,632	34,684
Change in financial assets	(265)	(157)	407	(40)
Purchase/sale of treasury shares	(585)	-	(1,774)	-
Payment of dividends	-	-	(6,690)	(6,172)
Cash flows from financing activities	6,051	4,593	(6,142)	11,966
Change in the scope of consolidation	-	-	(97)	-
Foreign exchange differences	(650)	(819)	(439)	(257)
Net cash flows for the period	22,173	2,393	(9,133)	1,995
<i>Cash and cash equivalents at end of period</i>	<i>34,516</i>	<i>15,313</i>	<i>34,516</i>	<i>15,313</i>

Total financial debt

<i>(€/000)</i>		30/09/2022	31/12/2021	30/09/2021
A.	Cash	33,870	43,217	15,043
B.	Cash equivalents	646	432	270
C.	Other current financial assets	2,342	1,172	1,172
D.	Liquidity (A+B+C)	36,858	44,821	16,485
E.	Current financial payable	7,033	5,551	33,526
F.	Current portion of non-current financial debt	22,633	20,373	18,328
G.	Current financial debt (E+F)	29,666	25,924	51,854
H.	Net current financial debt (G-D)	(7,192)	(18,897)	35,369
I.	Non-current financial payable	56,312	56,855	38,172
J.	Debt instruments	29,676	29,649	-
K.	Trade payables and other non-current payables	-	-	-
L.	Non-current financial debt (I+J+K)	85,988	86,504	38,172
M.	Total financial debt (H+L)	78,796	67,607	73,541

Sales by geographical area

<i>(€/000)</i>	Q3 2022	Q3 2021	% change	9m 2022	9m 2021	% change	2021 FY
Europe (excluding Turkey)	17,471	22,311	-21.7%	68,287	71,215	-4.1%	92,935
Turkey	14,894	15,699	-5.1%	51,619	49,329	+4.6%	65,526
North America	8,873	7,556	+17.4%	32,730	23,134	+41.5%	30,472
South America	6,184	9,031	-31.5%	24,237	30,452	-20.4%	39,589
Africa and Middle East	5,231	5,132	+1.9%	15,409	15,106	+2.0%	19,614
Asia and Oceania	3,286	3,378	-2.7%	9,341	11,536	-19.0%	15,123
Total	55,939	63,107	-11.4%	201,623	200,772	+0.4%	263,259

Sales by product line

<i>(€/000)</i>	Q3 2022	Q3 2021	% change	9m 2022	9m 2021	% change	2021 FY
Gas parts	35,307	43,973	-19.7%	126,670	141,014	-10.2%	182,468
Hinges	15,053	13,888	+8.4%	55,751	43,002	+29.6%	58,375
Electronic components	5,579	5,246	+6.3%	19,202	16,756	+14.6%	22,416
Total	55,939	63,107	-11.4%	201,623	200,772	+0.4%	263,259

Hyperinflation – Turkey: application of IAS 29

In the Interim Management Statement at 30 September 2022, IAS 29 was applied with reference to the subsidiaries Sabaf Turkey and Okida. The effect related to the re-measurement of non-monetary assets and liabilities, equity items and income statement items in the first nine months of 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.

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

Consumer price index	Value at 31/12/2021	Value at 30/09/2022	Change
TURKSTAT	686.95	1,046.89	+52.40%

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

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

Consolidated statement of financial position (€/000)	30/09/2022	Hyperinflation effect	30/09/2022 with Hyperinflation effect
Total non-current assets	134,423	23,913	158,336
Total current assets	179,916	1,639	181,555
Total Assets	314,339	25,552	339,891
Total shareholders' equity	130,718	24,701	155,419
Total non-current liabilities	94,604	851	95,455
Total current liabilities	89,017	-	89,017
Total liabilities and shareholders' equity	314,339	25,552	339,891

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

Consolidated income statement (€/000)	First nine months of 2022	Hyperinflation effect	First nine months of 2022 with Hyperinflation effect
Operating revenue and income	205,268	2,828	208,096
Operating costs	(175,479)	839	(174,640)
Operating profit before depreciation & amortisation, capital gains/losses and write-downs/write-backs of non-current assets (EBITDA)	29,789	3,667	33,456
EBIT	17,674	2,350	20,024
Result before taxes	19,607	(5,574)	14,033
Income taxes	(2,593)	1,656	(937)
Profit for the year	17,014	(3,918)	13,096