

SABAF: RESULTS AT 30 JUNE 2022 WERE APPROVED

➤ **CONSOLIDATED RESULTS FOR THE FIRST HALF OF 2022**

REVENUE: €145.7 million (€137.7 million in the first half of 2021), +5.8%

EBITDA: €26.9 million (€32.2 million in the first half of 2021), -16.5%

EBITDA/REVENUE: 18.5% (23.4 % in the first half of 2021)

EBIT: €18 million (€24 million in the first half of 2021), -24.7%

NET PROFIT: €13 million (€16.7 million in the first half-year of 2021), -22,3%

➤ **CONSOLIDATED RESULTS FOR Q2 2022**

REVENUE: €74.8 million (€72.8 million in the second quarter of 2021), +2.7%

EBITDA: €13.9 million (€17.1 million in the second quarter of 2021), -18.8%

EBITDA/REVENUE: 18.5% (23.4 % in the second quarter of 2021)

EBIT: €9 million (€12.9 million in the second quarter of 2021), -30.8%

NET PROFIT: €5.6 million (€8.3 million in the second quarter of 2021), -33%

“The first half of 2022 ended with results in line with expectations. In a macroeconomic scenario that gradually deteriorated - also due to the continuing conflict between Russia and Ukraine - and characterised by strong inflationary tensions, the Sabaf Group recorded further growth in sales compared to the record levels of the first half of 2021. Profitability, despite the strong impact of rising energy and raw materials costs, remained at historically excellent levels”, Pietro Iotti, Chief Executive Officer, declared. “The implementation of the Business Plan continues and an increasing diversification of the business was confirmed: in the first half-year, the revenues of the Gas, Hinges and Electronics divisions accounted for 63%, 28% and 9% of the total. The entry into the electromagnetic induction cooking industry announced at the end of May is attracting an increasing market interest; we are accelerating the prototyping, testing and industrialisation phases with the aim of starting sales as early as the first half of 2023. International projects also continue apace: in June, production of gas components started in India, while the new plant in Mexico will be completed by the end of the year. Further opportunities for growth through acquisitions also continue to be analysed”.

The Board of Directors of Sabaf S.p.A. met today in Ospitaletto to approve the Half-Yearly Report at 30 June 2022.

Consolidated results for the first half of 2022

Revenue was €145.7 million in the first half-year, an increase of 5.8% versus the figure of €137.7 million in the corresponding period of the previous year. The best results were achieved in North America, up by 53% to €23.9 million, thanks to the start of new hinge supplies and to the increase in market share in gas components. On the other hand, there was a decrease in sales in South America (€18.1 million, -15.7%) and in Asia (€6.1 million, -25.8%) related to the negative economic situation in the main countries (Brazil and China). The European market (€50.8 million, +3.9%) and the Turkish market (€36.7 million, +9.2%) confirmed a positive trend. In terms of products, Hinges (€40.7 million, +39.8%) and Electronics (€13.6 million, +18.4%) showed significant growth rates, while Gas Components recorded a decline (€91.4 million, -5.9%).

Increases in sales prices (+9.3%) largely offset the increase in raw materials and energy costs. The production volumes normalized compared to the exceptional peaks registered in the first half of 2021. EBITDA for the first half of 2022 was €26.9 million (18.5% of turnover, -18.8% compared to €32.2 million in the same period of 2021, equal to 23.4% of sales, a half-year in which the effects of increased costs of materials and energy were still limited). EBIT was €18 million (12.4% of sales) compared to €24 million in the first half of 2021.

Profit before taxes amounted to €14.1 million in the first half of 2022 (€22.1 million in the first half of 2021) and net profit was €13 million (€16.7 million in the first half of 2021).

Investments, working capital and net financial position

In the first half-year, investments of €12 million were made (€16.2 million in the first half of 2022), including those for:

- entering into the electromagnetic induction cooking sector;
- increasing the production capacity of the Electronics Division in Manisa (Turkey);
- producing hinges in Turkey;
- starting the production of gas components in India;
- constructing a new production plant in San Luis de Potosi (Mexico).

At 30 June 2022, net working capital amounted to €102.6 million, compared to €68.6 million at the end of 2021. The factors that generated the increase in working capital are as follows:

- the increase in trade receivables of €22.1 million due to the different seasonal trend of sales (revenues of €74.8 million in the second quarter of 2022 compared to €62.5 million in the fourth quarter of 2021) and the temporary deferral of some collections;
- an increase in inventories of €8.8 million due to the inflationary effect of the increase in the raw materials prices and the opportunity to maintain a high safety stock in a period characterised by uncertainty in the availability of critical materials;
- the payment, at 30 June 2022, of income taxes of €4.4 million.

At 30 June 2022, the impact of the net working capital on sales is 35.2% (26.1% at the end of 2021); in the second half of the year, the figure is expected to normalise to values in line with the historical average of less than 30% of sales.

In June 2022, Sabaf S.p.A. distributed dividends of €6.7 million (€0.60 per share), in implementation of the shareholders' resolution of 28 April 2022 (€6.2 million dividends paid in 2021). During the first half-year, 48,852 treasury shares were purchased for a value of €1.2 million.

At 30 June 2022, the net financial debt was €94.8 million, compared with €67.6 million on 31 December 2021. Consolidated shareholders' equity attributable to the Group amounted to €153.5 million. The ratio of net financial debt to annualised EBITDA is 1.8.

Consolidated results for q2 2022

In the second quarter, the Group recorded sales of €74.8 million, up by 2.7% compared to the second quarter of 2021. EBITDA was €13.9 million, equal to 18.5% of turnover (-18.8% versus €17 million in the second quarter of 2021, when it was 23.4% of turnover), and EBIT was €9 million, equivalent to 12% of turnover (-30.8% versus €12.9 million in the second quarter of 2021, when it was 17.8% of turnover). Net profit for the period was €5.6 million, compared to €8.3 million for the second quarter of 2021.

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.

In the Half-Yearly Report at 30 June 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 half 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 30/06/2022	Change
TURKSTAT	686.95	977.90	+42.35%

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

The impacts of hyperinflation on the Statement of Financial Position at 30 June 2022 and the Income Statement for the first half of 2022 are enclosed herewith.

Forecasts for the rest of the year

The recently concluded supply agreements on a global scale with some of the main players in the sector will continue to support the growth trend in sales in the coming months and lead to confirm the forecasts for the full year 2022 previously released.

However, the climate of uncertainty fuelled by inflationary pressures, less accommodative monetary policies and the continuing conflict between Russia and Ukraine is weakening the reference market and limiting visibility into the second half of the year.

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

*The results will be presented to the financial community at **4.00 p.m.** today, 4 August 2022, during a conference call (call 02 805 88 11 a few minutes before the scheduled start).*

The Half-Yearly Report at 30 June 2022 will be made available to the public in accordance with and within the time limits prescribed by the law.

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.

Annexes: consolidated financial statements

For further information:

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<p><i>Founded in the early fifties, Sabaf has grown consistently over the years to become today, by means of the Group of the same name, the key manufacturer in Italy – and one of the leading producers in the world of components for household appliances. Today, the Sabaf Group has more than 1,400 employees. It is active, through its parent company Sabaf S.p.A. and the subsidiaries Sabaf do Brasil, Sabaf Turkey and Sabaf China, in the production of valves, gas thermostats and domestic burners, A.R.C., in the production of burners for professional cooking, Faringosi Hinges and C.M.I., in the production of oven and dishwasher hinges, Okida, operating in the field of electronic components. Technological expertise, manufacturing flexibility and the ability to offer a vast range of components – tailor-made to meet the requirements of individual customers and in line with the specific characteristics of its core markets – are the Group's key strengths in a sector featuring major specialisation, constantly evolving demand and an ever-increasing orientation towards products assuring total reliability and safety.</i></p>	

Consolidated statement of financial position

<i>(€/000)</i>	30/06/2022	31/12/2021
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	95,015	82,407
Investment property	1,713	2,311
Intangible assets	48,563	35,553
Equity investments	83	83
Non-current financial assets	-	-
Non-current receivables	1,215	1,100
Deferred tax assets	8,004	8,639
Total non-current assets	154,593	130,093
CURRENT ASSETS		
Inventories	72,962	64,153
Trade receivables	90,189	68,040
Tax receivables	4,452	6,165
Other current receivables	5,556	3,136
Current financial assets	1,461	1,172
Cash and cash equivalents	12,343	43,649
Total current assets	186,963	186,315
ASSETS HELD FOR SALE	0	0
TOTAL ASSETS	341,556	316,408
SHAREHOLDERS' EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Share capital	11,533	11,533
Retained earnings, Other reserves	128,919	86,089
Profit for the year	13,008	23,903
<i>Total equity interest pertaining to the Parent Company</i>	<i>153,460</i>	<i>121,525</i>
<i>Minority interests</i>	<i>0</i>	<i>911</i>
Total shareholders' equity	153,460	122,436
NON-CURRENT LIABILITIES		
Loans	76,935	86,504
Post-employment benefit and retirement provisions	3,590	3,408
Provisions for risks and charges	813	1,334
Deferred tax liabilities	4,579	3,939
Total non-current liabilities	85,917	95,185
CURRENT LIABILITIES		
Loans	30,694	24,405
Other financial liabilities	968	1,519
Trade payables	55,867	54,837
Tax payables	1,678	4,951
Other payables	12,972	13,075
Total current liabilities	102,179	98,787
LIABILITIES HELD FOR SALE	0	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	341,556	316,408

Consolidated income statement

	Q2 2022	Q2 2021	H1 2022	H1 2021
<i>(€/000)</i>				
OPERATING REVENUE AND INCOME				
Revenue	74,832	72,840	145,684	137,665
Other income	2,078	2,597	4,663	4,485
Total operating revenue and income	76,910	75,437	150,347	142,150
OPERATING COSTS				
Materials	(37,859)	(39,199)	(77,195)	(76,146)
Change in inventories	1,405	8,810	7,348	20,345
Services	(13,612)	(14,231)	(27,647)	(26,517)
Personnel costs	(13,684)	(14,250)	(27,146)	(28,136)
Other operating costs	(284)	(111)	(728)	(815)
Costs for capitalised in-house work	986	620	1,907	1,303
Total operating costs	(63,048)	(58,361)	(123,461)	(109,966)
OPERATING PROFIT BEFORE DEPRECIATION & AMORTISATION, CAPITAL GAINS/LOSSES AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)				
	13,862	17,076	26,886	32,184
Depreciations and amortisation	(4,995)	(4,209)	(9,063)	(8,341)
Capital gains/(losses) on disposals of non-current assets	93	73	222	117
Write-downs/write-backs of non-current assets	0	0	0	0
OPERATING PROFIT (EBIT)				
	8,960	12,940	18,045	23,960
Financial income	588	51	1,117	551
Financial expenses	(495)	(317)	(786)	(528)
Net income/(expenses) from hyperinflation	(4,606)	0	(4,606)	0
Exchange rate gains and losses	473	(1,004)	347	(1,853)
Profits and losses from equity investments	0	(3)	(48)	(49)
PROFIT BEFORE TAXES				
	4,920	11,667	14,069	22,081
Income taxes	634	(3,122)	(1,061)	(4,768)
NET PROFIT FOR THE PERIOD				
	5,554	8,545	13,008	17,313
of which:				
Minority interests	0	252	0	564
PROFIT ATTRIBUTABLE TO THE GROUP				
	5,554	8,293	13,008	16,749

Consolidated statement of cash flows

	H1 2022	H1 2021
<i>Cash and cash equivalents at beginning of period</i>	43,649	13,318
Net profit/(loss) for the period	13,008	17,313
Adjustments for:		
- Depreciation and amortisation for the period	9,063	8,341
- Realised gains/losses	(222)	(117)
- Monetary revaluation IAS29	1,453	0
- Profits and losses from equity investments	48	49
- Financial income and expenses	878	(23)
- IFRS 2 measurement stock grant plan	789	155
- Income tax	1,061	4,768
Change in post-employment benefit	182	23
Change in risk provisions	(521)	(545)
<i>Change in trade receivables</i>	<i>(22,151)</i>	<i>(18,230)</i>
<i>Change in inventories</i>	<i>(6,037)</i>	<i>(19,511)</i>
<i>Change in trade payables</i>	<i>1,047</i>	<i>14,721</i>
Change in net working capital	(27,141)	(23,020)
Change in other receivables and payables, deferred taxes	779	1,103
Payment of taxes	(6,751)	(923)
Payment of financial expenses	(988)	(406)
Collection of financial income	153	111
Cash flows from operations	(8,209)	6,829
Investments in non-current assets		
- intangible	(1,475)	(1,004)
- tangible	(10,739)	(15,215)
- financial	0	0
Disposal of non-current assets	1,196	1,057
Cash flows from investment activities	(11,018)	(15,162)
Repayment of loans	(14,607)	(11,921)
New loans	9,621	25,349
Change in financial assets	672	117
Purchase of treasury shares	(1,189)	0
Payment of dividends	(6,690)	(6,172)
Cash flows from financing activities	(12,193)	7,373
Change in the scope of consolidation	(97)	0
Foreign exchange differences	211	562
Net cash flows for the period	(31,306)	(398)
<i>Cash and cash equivalents at end of period</i>	12,343	12,920

Total financial debt

	30/06/2022	31/12/2021	Change
A. Cash	12,261	43,217	(30,956)
B. Cash equivalents	82	432	(350)
C. Other current financial assets	1,461	1,172	289
D. Liquidity (A+B+C)	13,804	44,821	(31,017)
E. Current financial payable	10,773	5,551	5,222
F. Current portion of non-current financial debt	20,889	20,373	516
G. Current financial debt (E+F)	31,662	25,924	5,738
H. Net current financial debt (G-D)	17,858	(18,897)	36,755
I. Non-current financial payable	47,268	56,855	(9,587)
J. Debt instruments	29,667	29,649	18
K. Trade payables and other non-current payables	-	-	-
L. Non-current financial debt (I+J+K)	76,935	86,504	(9,569)
M. Total financial debt (H+L)	94,793	67,607	27,186

Revenue by geographical area

<i>(€/000)</i>	Q2 2022 (*)	Q2 2021 (*)	% change	H1 2022	H1 2021	% change	2021 FY
Europe (excluding Turkey)	24,349	24,852	-2.0%	50,816	48,904	+3.9%	92,935
Turkey	18,978	17,354	+9.4%	36,725	33,630	+9.2%	65,526
North America	13,712	8,277	+65.7%	23,857	15,578	+53.1%	30,472
South America	9,310	11,531	-19.3%	18,053	21,421	-15.7%	39,589
Africa and Middle East	5,092	6,066	-16.1%	10,178	9,974	+2.0%	19,614
Asia and Oceania	3,391	4,760	-28.8%	6,055	8,158	-25.8%	15,123
Total	74,832	72,840	+2.7%	145,684	137,665	+5.8%	263,259

Revenue by product division

<i>(€/000)</i>	Q2 2022 (*)	Q2 2021 (*)	% change	H1 2022	H1 2021	% change	2021 FY
Gas parts	46,331	52,452	-11.7%	91,363	97,041	-5.9%	182,468
Hinges	21,202	14,795	+43.3%	40,698	29,114	+39.8%	58,375
Electronic components	7,299	5,593	+30.54%	13,623	11,510	+18.4%	22,416
Total	74,832	72,840	+2.7%	145,684	137,665	+5.8%	263,259

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

<u>Consolidated statement of financial position</u>	30/06/2022	Hyperinflation Effect	30/06/2022 with Hyperinflation effect
Total non-current assets	132,129	22,464	154,593
Total current assets	184,179	2,784	186,963
Total Assets	316,308	25,248	341,556
Total shareholders' equity	128,742	24,718	153,460
Total non-current liabilities	85,387	530	85,917
Total current liabilities	102,179	-	102,179
Total liabilities and shareholders' equity	316,308	25,248	341,556

Effects of the application of hyperinflation on the Consolidated Income Statement

Consolidated income statement	First half of 2022	Hyperinflation effect	First half of 2022 with Hyperinflation effect
Operating revenue and income	148,809	1,538	150,347
Total operating costs	(124,044)	583	(123,461)
Operating profit before depreciation & amortisation, capital gains/losses and write-downs/write-backs of non-current assets (EBITDA)	24,765	2,121	26,886
EBIT	16,734	1,311	18,045
Result before taxes	17,526	(3,457)	14,069
Income taxes	(3,065)	2,004	(1,061)
Profit for the year	14,461	(1,453)	13,008