ANNUAL REPORT 2023

INFORME ANUAL

RAPPORTO ANNUALE

年年度报告

RELATÓRIO ANUAL

RAPPORTO ANNUALE

RAPORT ROCZNY

年年度报告

FAALIYET RAPORU

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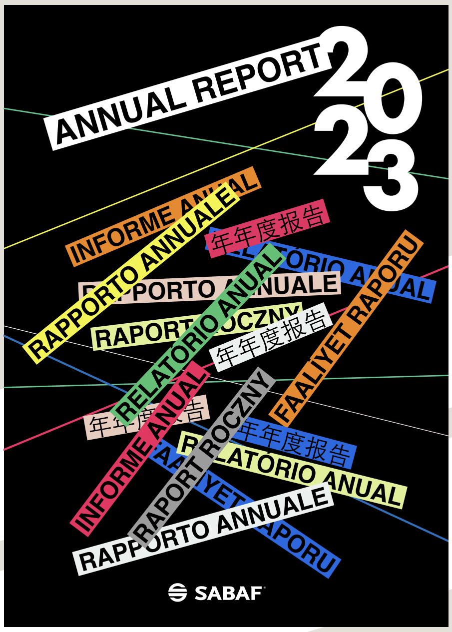
SABAF®

SABAF®

ANNUAL REPORT **2023**

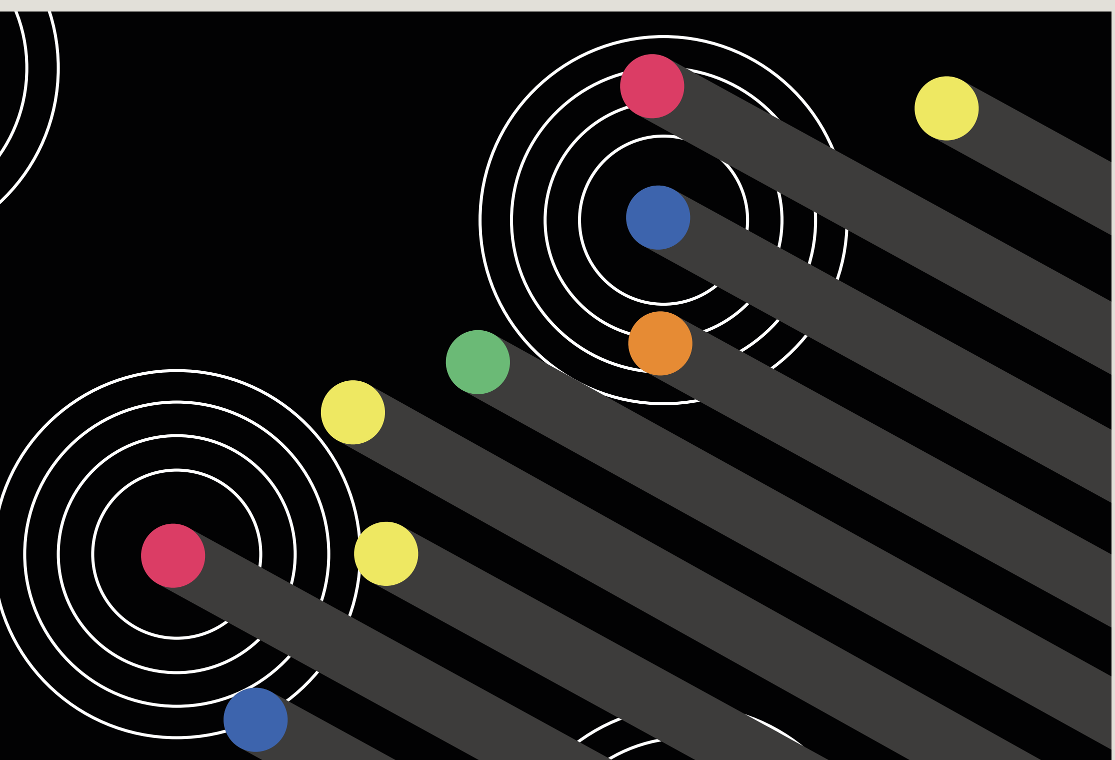


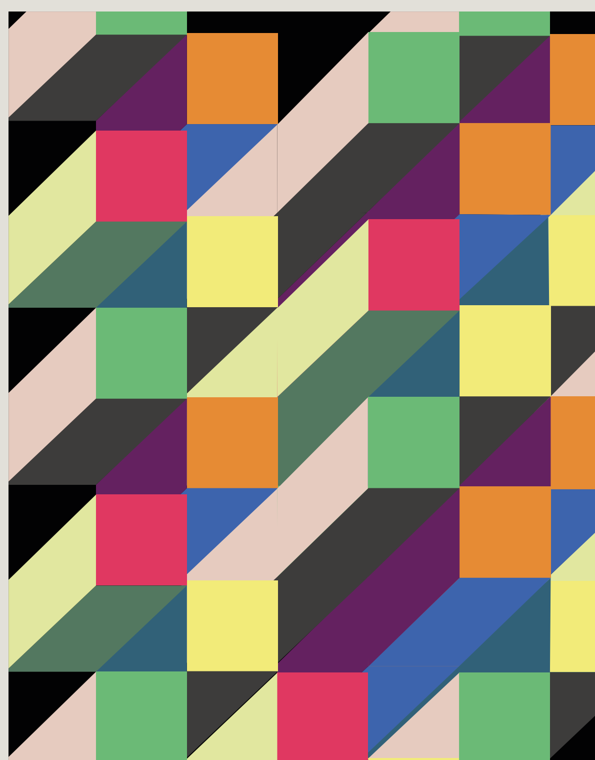
CREATIVE CONCEPT

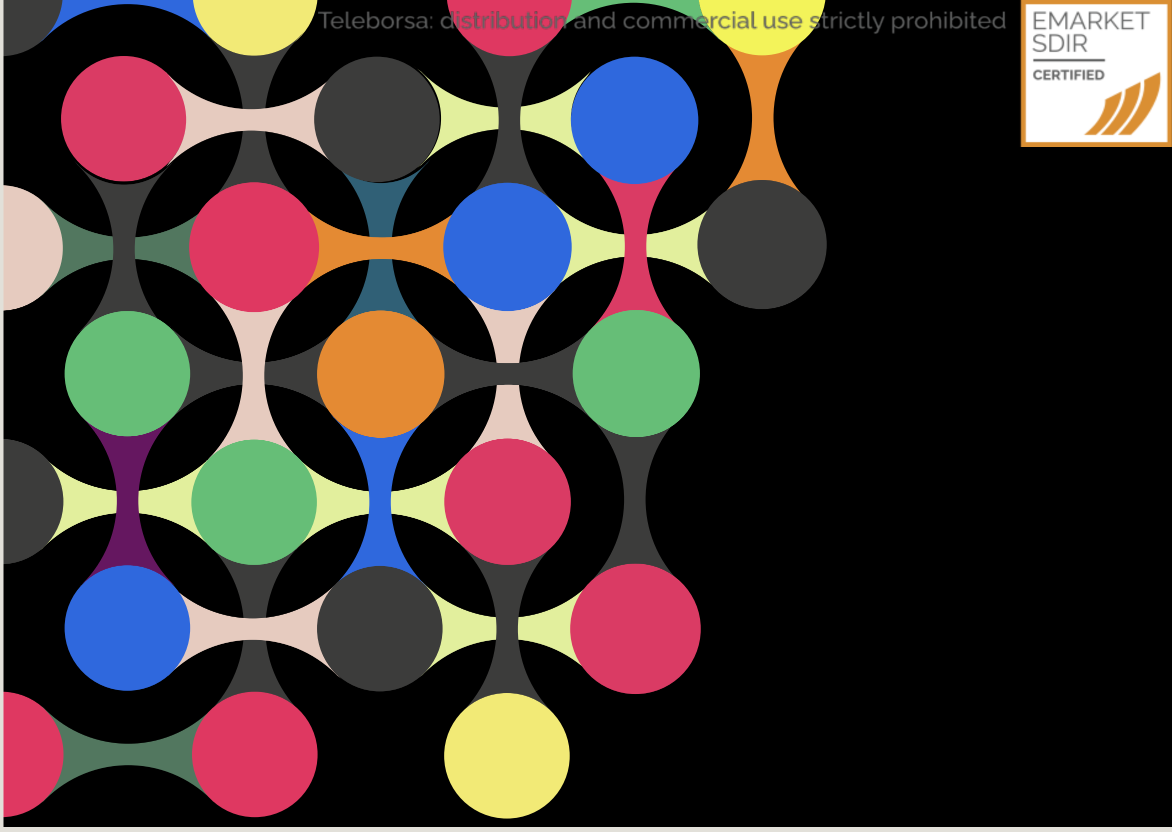
Sabaf 2023 Annual Report's creative concept is inspired by the theme of "Connections", seen as relationships between the people belonging to the Group in the different countries of the world where we are present. These connections are expressed on the cover through the overlapping of the title, translated in each of the languages those people speak, and in the internal separators, through multicoloured graphic compositions.

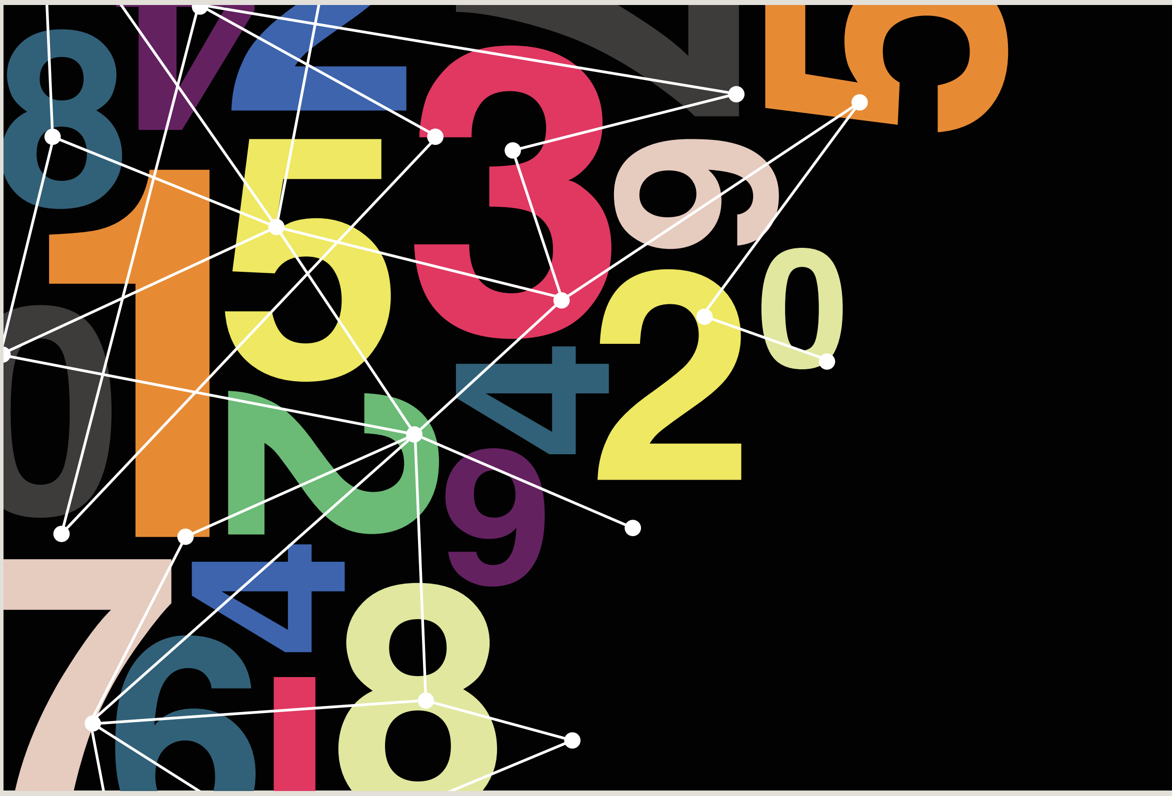
A vital explosion, a cultural melting pot from which new energy for the future will come.

ALL CREATIVE









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INTRODUCTION TO THE ANNUAL REPORT 2023

The publication of the Annual Report of the Sabaf Group, now in its nineteenth edition, confirms the Group's commitment, undertaken since 2005, to an integrated report on its economic, social, and environmental performance.

Sabaf, one of the first international-level companies to embrace the trend of integrated reporting, intends to continue along this path, aware that integrated, complete and transparent reporting can benefit both the companies, through a better understanding of the structure of the strategy and greater internal cohesion, and the community of investors, which can thus more clearly understand the connection between strategy, governance and Company performance.

The Annual Report provides an overview of the Group's business model and the process of creating corporate value. The business model and the main results achieved (summary of key performance indicators) are presented from the standpoint of the capital employed (financial; social and relational; human; intellectual, infrastructural, and natural) to create value over time, thereby generating results for the business, with positive impacts on the community and on stakeholders as a whole. "Non-financial indicators" include the results achieved in managing and enhancing intangible capital, the main driver that allows monitoring the ability of the Company's strategy to create value in a perspective of medium/long-term sustainability.

On 30 December 2016, Legislative Decree no. 254 came into force, which, in implementation of Directive 2014/95/EU on non-financial and diversity information, requires relevant public interest entities ("PIEs") to disclose non-financial and diversity information starting from the 2017 financial statements. Therefore, as a PIE, Sabaf has prepared, for the seventh year, the Consolidated Disclosure of Non-Financial Information which describes the main policies applied by the Company, its management models, the risks, the activities carried out by the Group in 2023 and the related performance indicators covering the topics set out in the Legislative Decree no. 254/2016 (environmental, social, personnel-related, respect for human rights, anti-corruption) in order to ensure an understanding of the Company's operations, performance, results and impacts.

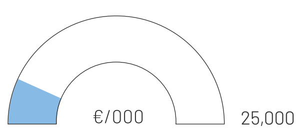
Summary of key performance indicators (KPIs)

ECONOMIC CAPITAL

		2023	2022	2021
SALES REVENUES	€/000	237,949	253,053	263,259
EBITDA	€/000	29,612	40,092	54,140
EBIT	€/000	11,062	21,887	37,508
PRE-TAX PROFIT (LOSS)	€/000	(6)	12,209	29,680
NET PROFIT	€/000	3,103	15,249	23,903
WORKING CAPITAL	€/000	71,848	79,380	68,631
INVESTED CAPITAL	€/000	243,538	240,528	190,043
SHAREHOLDERS' EQUITY	€/000	170,388	156,162	122,436
NET FINANCIAL DEBT	€/000	73,150	84,366	67,607
RETURN ON INVESTED CAPITAL (EBIT/INVESTED CAPITAL)	%	4.5	9.1	19.7
DIVIDENDS PAID OUT	€/000	0	6,690	6,172

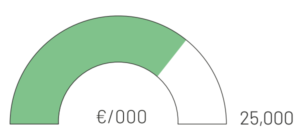
Net profit

2023



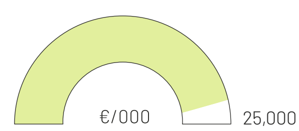
3,103

2022



15,249

2021



23,903

HUMAN CAPITAL

	TOTAL EMPLOYEES (no.)	TOTAL EMPLOYEES (% ♂)	TOTAL EMPLOYEES (% ♀)	AVERAGE AGE OF PERSONNEL (total age of employees/ total employees at 31.12) (YEARS)	LEVEL OF EDUCATION (number of university and high school graduates/ total employees at 31.12) (%)	EMPLOYEE TURNOVER (departures/ employees at 31.12) (%)	EMPLOYEE TURNOVER (departures/ men at 31.12) (% ♂)	EMPLOYEE TURNOVER (departures/ women at 31.12) (% ♀)
2023	1,318	59.9	40.1	40.3	60.1	24.1	23.8	24.6
2022	1,238	59.5	40.5	40.3	65.1	22.7	25.6	18.4
2021	1,278	60.9	39.1	39.5	64.4	17.7	21.9	11.2

	TRAINING HOURS PER EMPLOYEE (training hours/total employees at 31.12) (h)	INVESTMENTS IN TRAINING OF EMPLOYEES/TURNOVER (%)
2023	28.4	0.33
2022	23.1	0.39
2021	17.4	0.27

	HOURS OF STRIKE FOR INTERNAL CAUSES (h)	TOTAL WORK-RELATED INJURY RATE (number of work-related injuries x 1,000,000/total hours worked)
2023	0	6.94
2022	0	8.16
2021	39	15.59

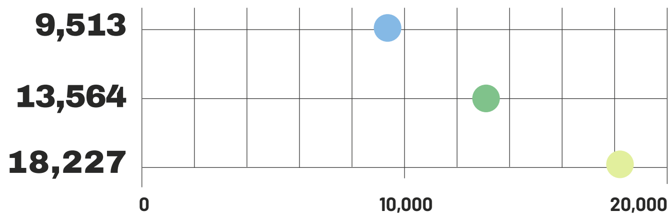
	INJURY LOST DAY RATE (lost days x 1,000 / hours worked)	JOBS CREATED (LOST) (no.)
2023	0.14	35
2022	0.13	(40)
2021	0.26	110

RELATIONAL CAPITAL

2023 | 2022 | 2021

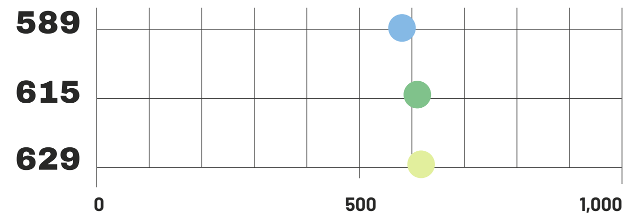
VALUE OF GOODS AND SERVICES OUTSOURCED

€/000



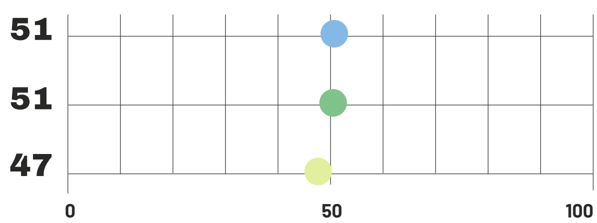
AVERAGE TURNOVER PER CUSTOMER
(total turnover/number of customers)

€/000



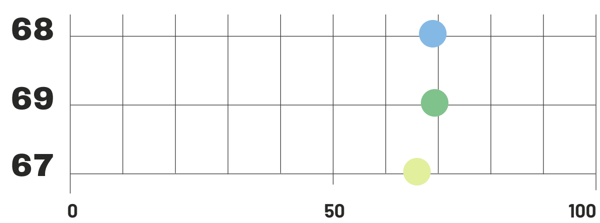
PERCENTAGE OF TOP 10 CUSTOMERS

%



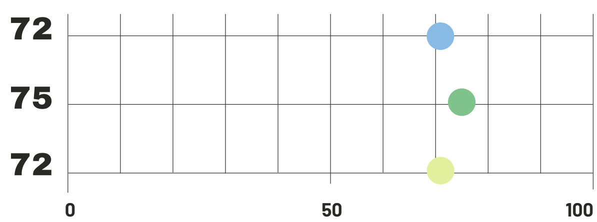
PERCENTAGE OF TOP 20 CUSTOMERS

%



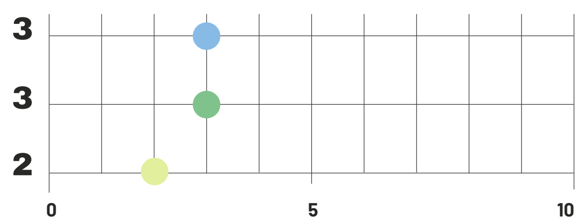
CERTIFIED SUPPLIER TURNOVER
(certified supplier turnover/purchases)

%



NUMBER OF ANALYSTS WHO CONSTANTLY FOLLOW THE SECURITY

no.

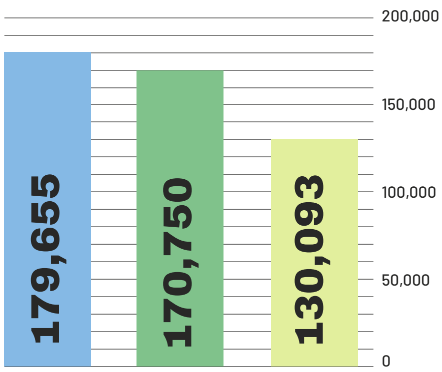


PRODUCTIVE CAPITAL

2023 | 2022 | 2021

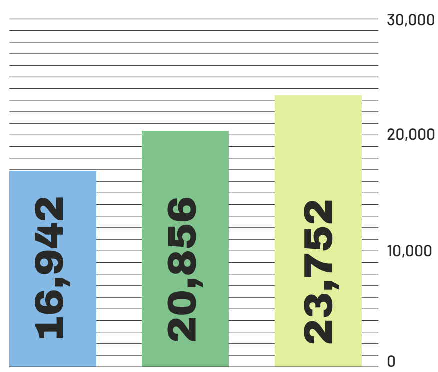
FIXED ASSETS

€/000



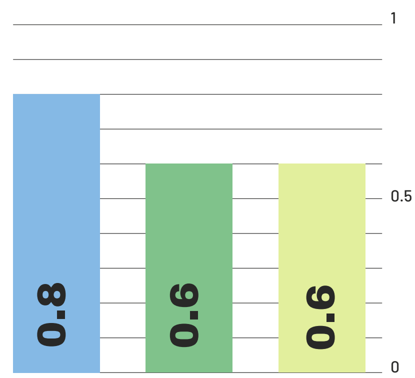
TOTAL NET INVESTMENTS

€/000



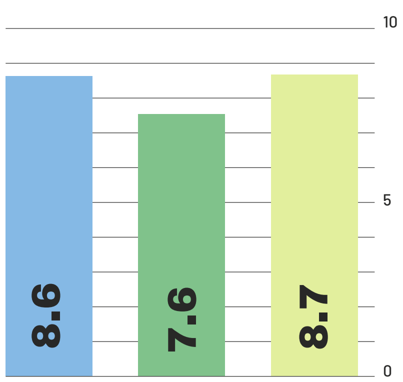
IT COSTS (investments + operating costs)/ TURNOVER

%



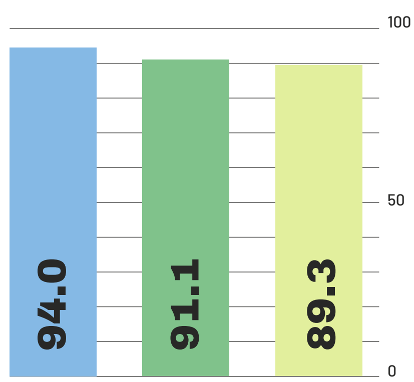
REAL INVESTMENT/ TURNOVER

%



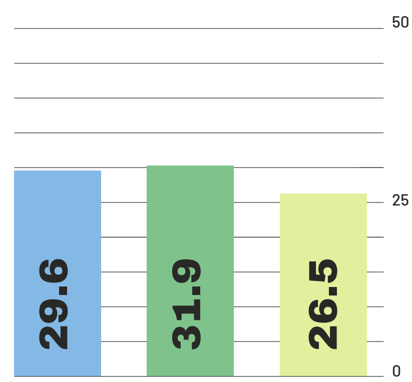
QUANTITIES SOLD OF LIGHT ALLOY VALVES ON TOTAL VALVES AND THERMOSTATS

%



QUANTITIES SOLD OF HIGH ENERGY EFFICIENCY BURNERS ON TOTAL BURNERS

%



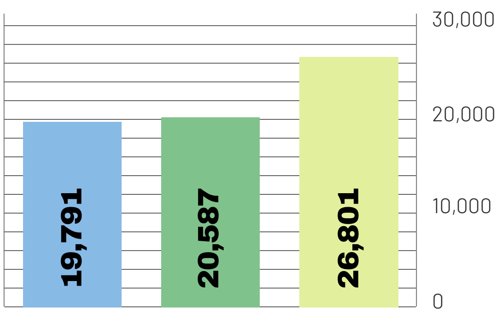
ENVIRONMENTAL CAPITAL

2023 | 2022 | 2021

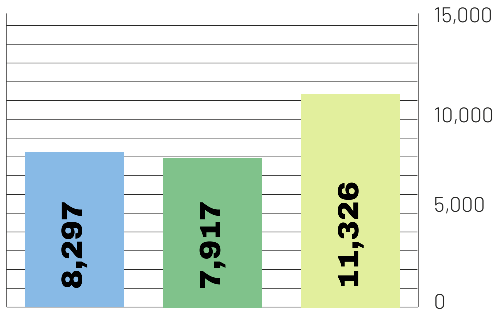
Materials used

t

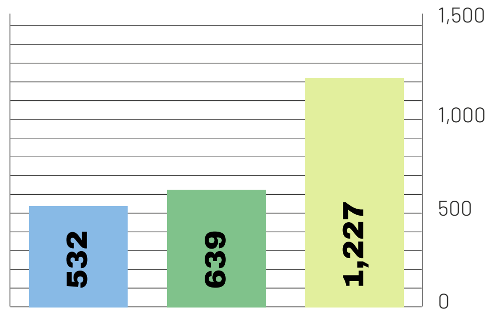
Steel



Aluminium alloys



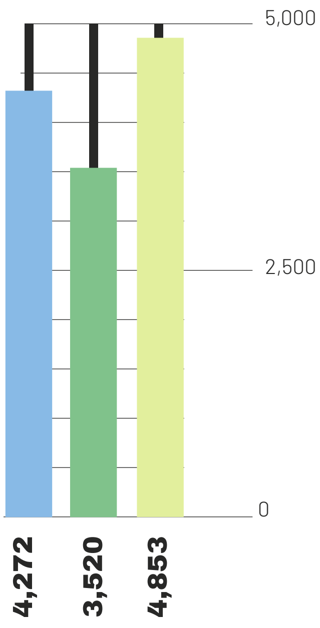
Brass



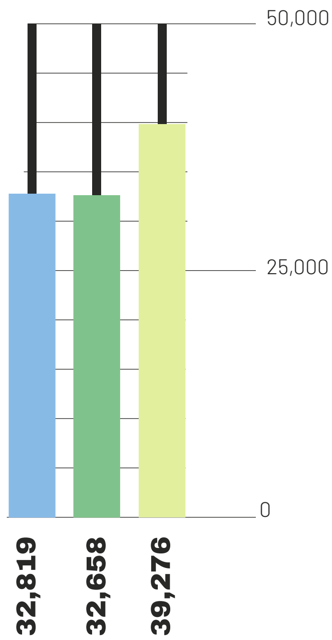
Electricity consumption

MWh

From renewable sources

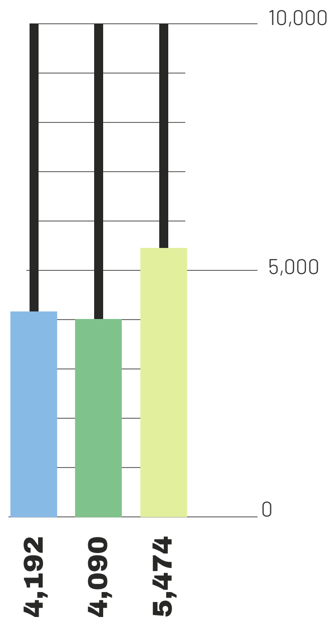


From non-renewable sources



Natural gas consumption

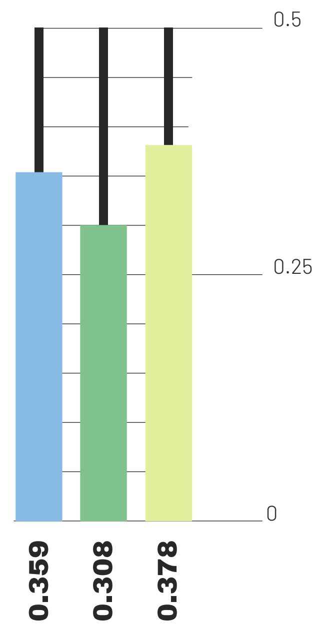
m³x1,000



Energy intensity

(kWh/turnover)

kWh/€

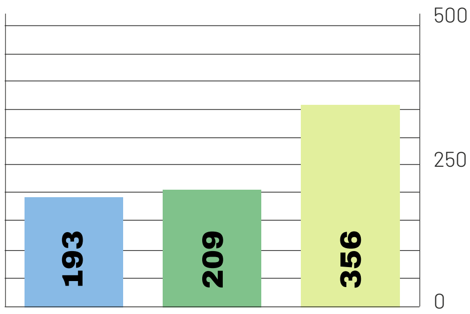


2023 | **2022** | **2021**

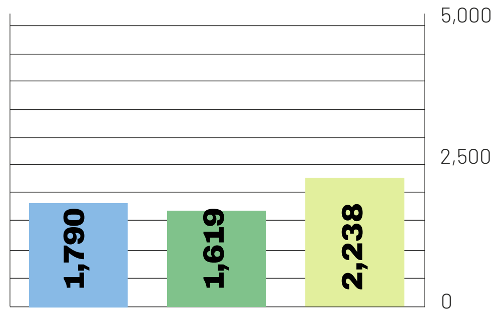
Waste by type[1]

t

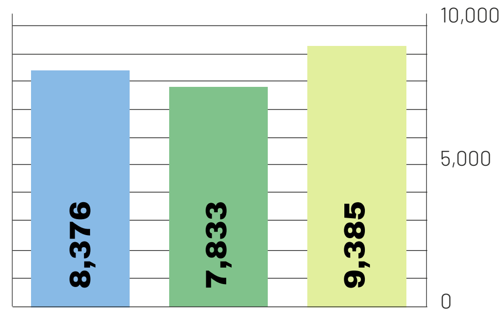
Similar to urban



Hazardous

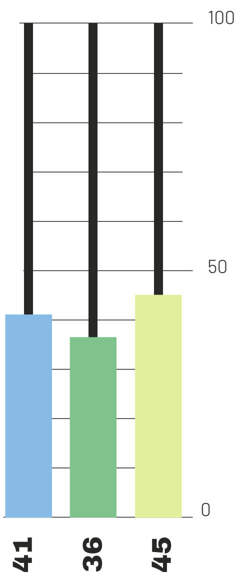


Non-hazardous



Total waste/ Generated economic value

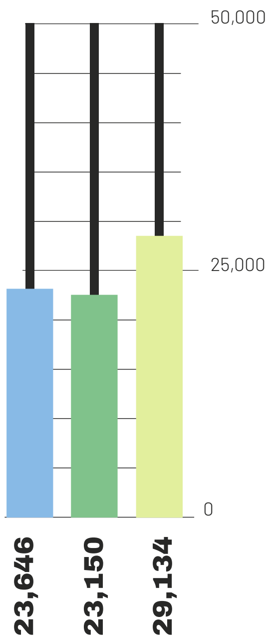
kg in €/000



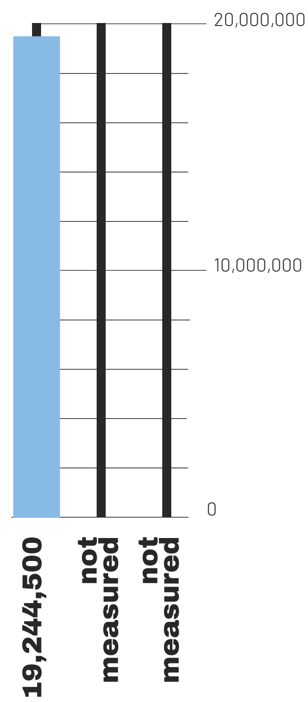
CO_2 emissions

tCO_{2eq}

Scope 1 + Scope 2 market-based



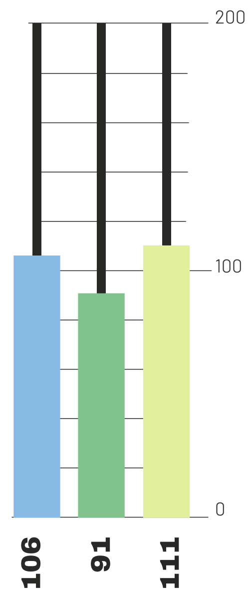
Scope 3



Intensity of CO_2 emissions

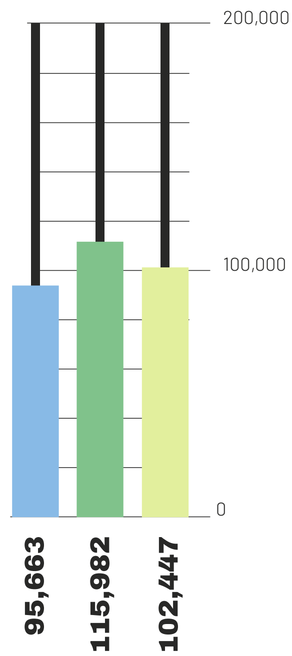
(scope 1 and scope 2 market-based emissions/turnover)

tCO_{2eq}/millions of €



Water withdrawal[2]

m^3



[1] The indicator does not include the data relating to the Polish branch of C.M.I. s.r.l.
[2] The indicator does not include the data relating to C.G.D. s.r.l.

INTELLECTUAL CAPITAL

	2023	2022	2021
Capitalised investments in research and development (€/000)	2,249	2,506	1,770
Hours dedicated to the development of new products/hours worked (%)	3.5	3.1	3.1
Hours dedicated to process engineering/ hours worked (hours dedicated to orders for the construction of new machines for new products or to increase production capacity/total hours worked) (%)	1.8	2.3	1.7
Investments in intangible assets/turnover (%)	1.1	1.2	0.8
Value of waste/turnover (production waste/turnover) (%)	0.58	0.47	0.48
Impact of quality costs/turnover (charges and returns from customers/turnover) (%)	0.09	0.07	0.05
Number of samples for customers (no.)	2,418	3,232	5,571

Products and markets

Historically, the Sabaf Group is one of the world's leading manufacturers of components for household gas cooking appliances, with a market share of about 40% in Europe and over 10% worldwide. In recent years, through a policy of organic investments and through acquisitions, the Group expanded its product range and is now active in the following segments of the household appliance market:

- gas parts;
- hinges;
- electronic components.

In 2022, the Group announced its entry into the **induction** cooking components market. Sabaf thus is present in all cooking technologies: gas, traditional electric and induction. The entry into the induction cooking industry is the result of an important investment plan developed by the Group via a dedicated project team based in Italy. Leveraging a 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 unveiled in the second half of 2022, while the first sales are expected for the first half of 2024.
The reference market of the Sabaf Group is represented by manufacturers of household appliances. The range also includes products for the professional sector.

THE PRODUCT RANGE

GAS PARTS

Valves: they regulate the flow of gas to the covered (of the oven or grill) or uncovered burners.

Burners: by mixing the gas with air and burning the gases used, they produce one or more flame rings.

Accessories: include spark plugs, microswitches, injectors and other components to complete the range.

HINGES

They allow movement and balancing when opening and closing the oven door, washing machine door or dishwasher door.

ELECTRONIC COMPONENTS

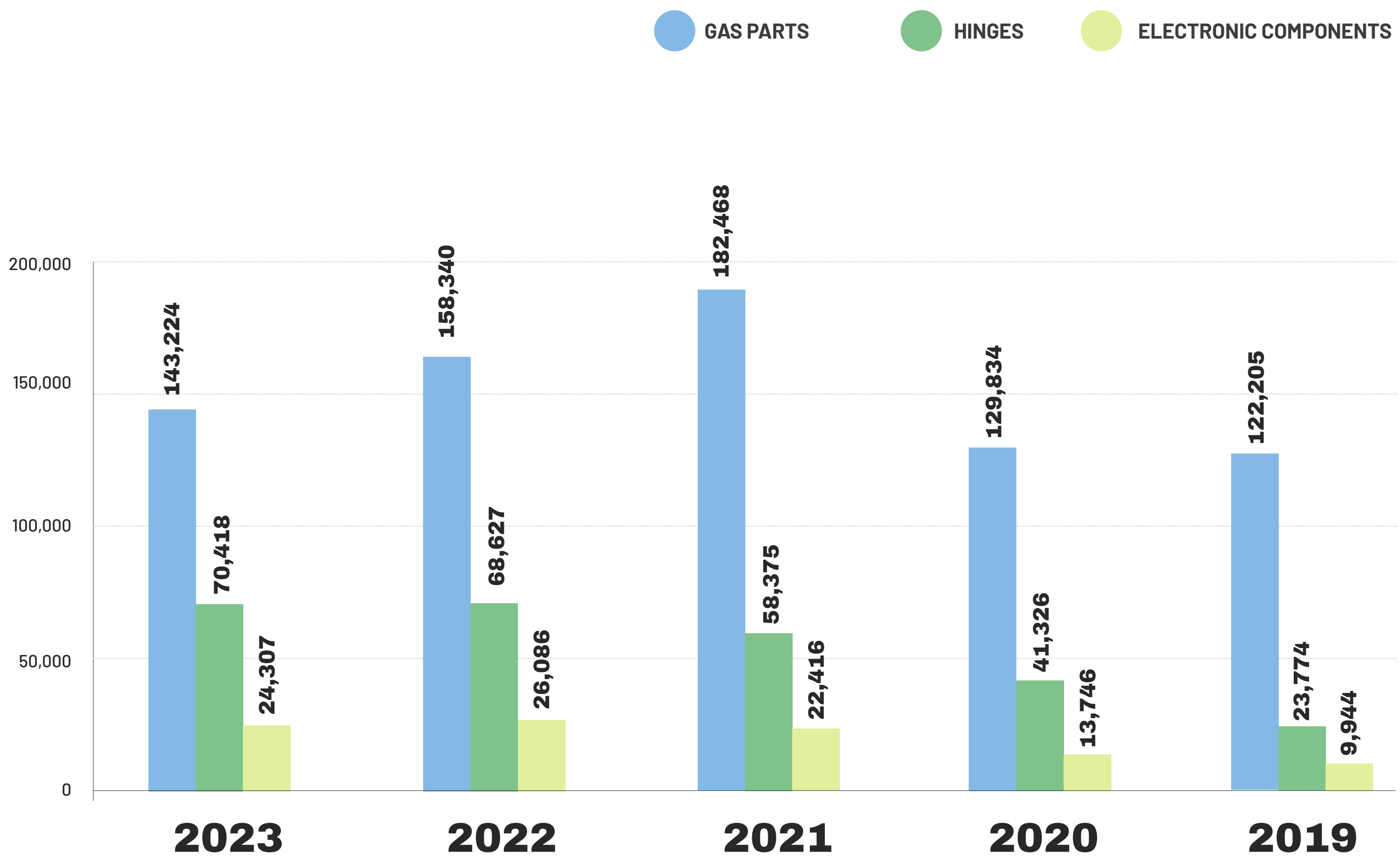
Electronic control boards, timers and display and power units for ovens, refrigerators, freezers, hoods and other products.

INDUCTION

Complete kits including all components for hob operation.

SALES BY DIVISION

(€/000)



THE INDUSTRIAL FOOTPRINT

SABAF S.P.A.
Valves and thermostats
Standard burners
Special burners
Induction
REVENUE € 99.5 MILLION
510 EMPLOYEES

A.R.C. S.R.L.
Professional burners
REVENUE € 5.3 MILLION
19 EMPLOYEES

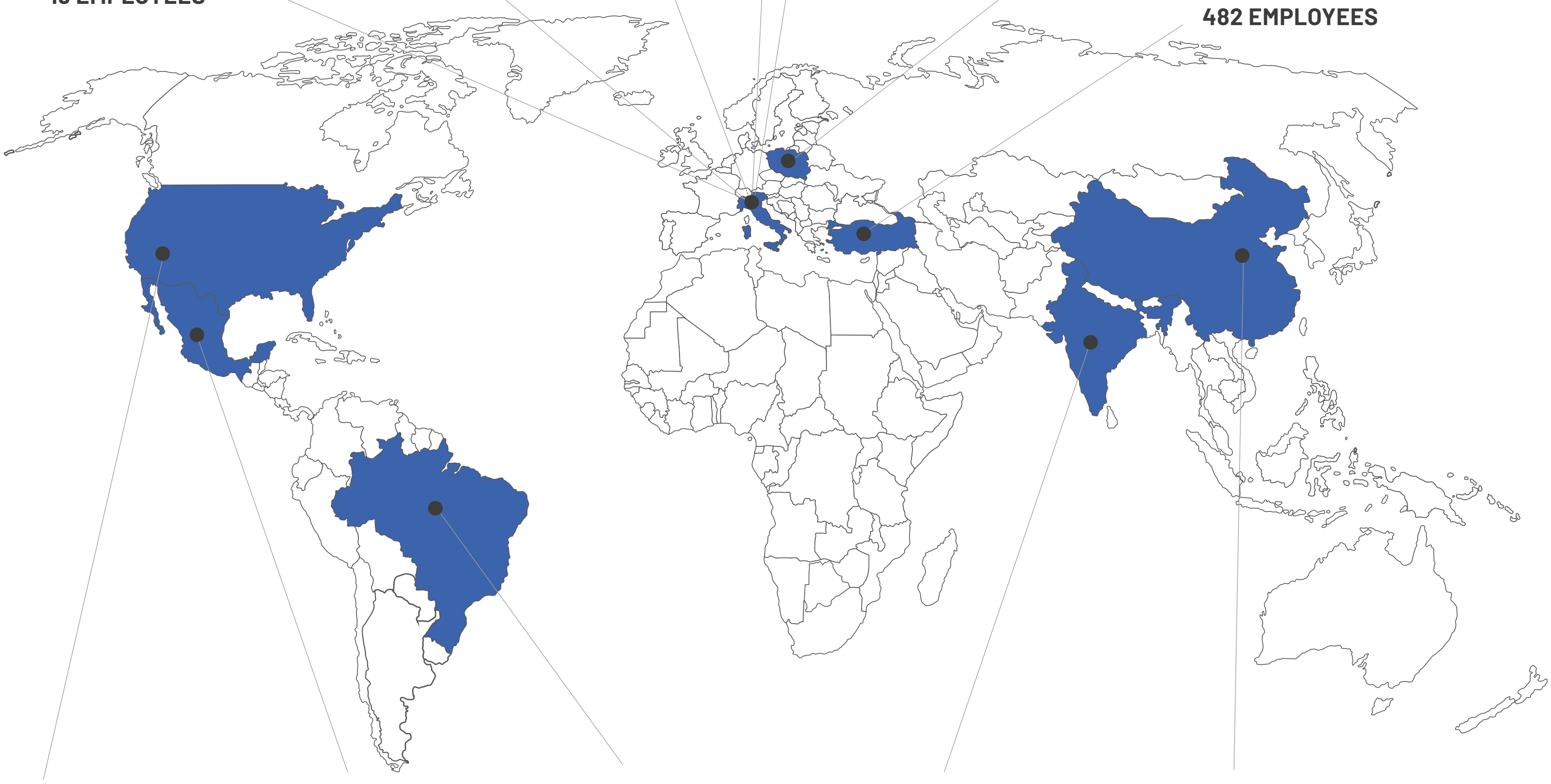
FARINGOSI HINGES S.R.L.
Oven and dishwasher hinges
REVENUE € 13.7 MILLION
47 EMPLOYEES

C.M.I. ITALY
Oven and dishwasher hinges
REVENUE € 37.1 MILLION
138 EMPLOYEES

P.G.A. S.R.L.
Electronics for household appliances
REVENUE € 6.4 MILLION
46 EMPLOYEES

C.M.I. POLISH BRANCH
Dishwasher hinges
REVENUE € 15.8 MILLION
66 EMPLOYEES

SABAF TURKEY
Burners, valves, hinges and electronics
REVENUE € 65.1 MILLION
482 EMPLOYEES



MEC
Oven, dishwasher and refrigerator hinges
REVENUE € 14.6 MILLION
180 EMPLOYEES

SABAF MEXICO
Burners and hinges
25 EMPLOYEES

SABAF DO BRASIL
Standard burners
Special burners
REVENUE € 16.5 MILLION
97 EMPLOYEES

SABAF INDIA
Valves and burners
REVENUE € 1.2 MILLION
22 EMPLOYEES

SABAF CHINA
Wok burners
REVENUE € 1.7 MILLION
9 EMPLOYEES

€ **237.9**
million

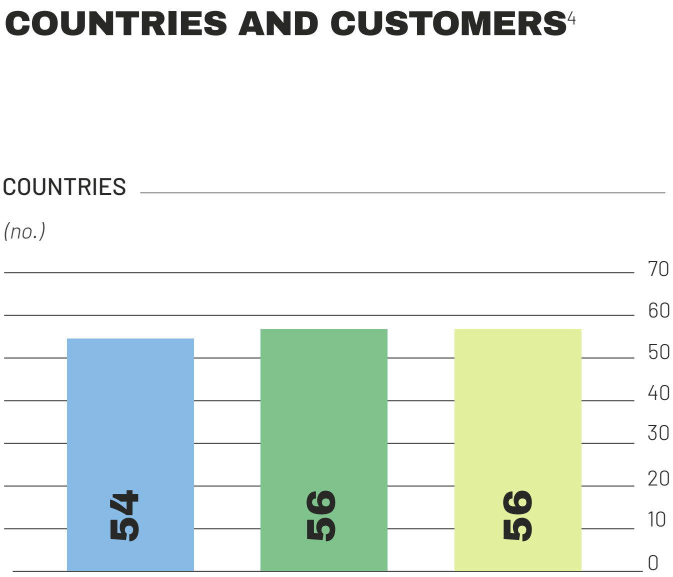
2023
GROUP TURNOVER

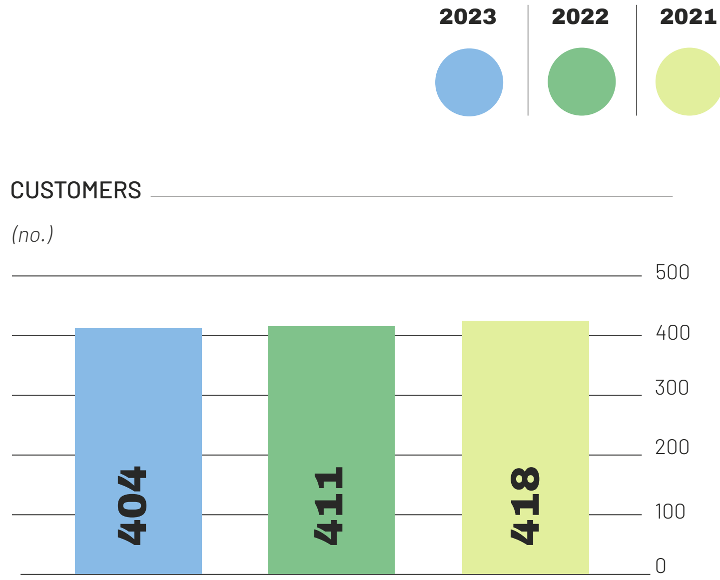
1,641
employees

EMPLOYEES OF THE GROUP
AT 31/12/2023[3]

[3] Including agency workers and interns.

COUNTRIES AND CUSTOMERS[4]





In line with the applicable commercial policies, most of the active commercial transactions are characterised by long-standing relations that developed over the years. There are 41 customers with annual turnover of more than €1 million (43 in 2022). The distribution by class of turnover is as follows:

(no.)	2023	2022	2021
> € 5,000,000	12	14	15
from € 1,000,001 to € 5,000,000	29	29	33
from € 500,001 to € 1,000,000	24	19	18
from € 100,001 to € 500,000	64	74	81
< € 100,000	275	275	271
Total customers	**404**	**411**	**418**

[4] Data processed considering customers with sales above €1,000.

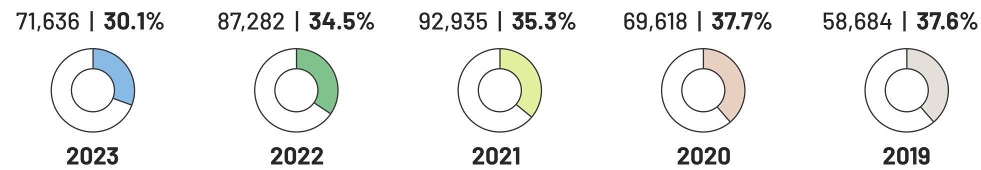
SABAF'S INTERNATIONAL DEVELOPMENT: CHALLENGES AND OPPORTUNITIES

ANALYSIS OF THE SCENARIO

PERFORMANCE FIGURES [5]

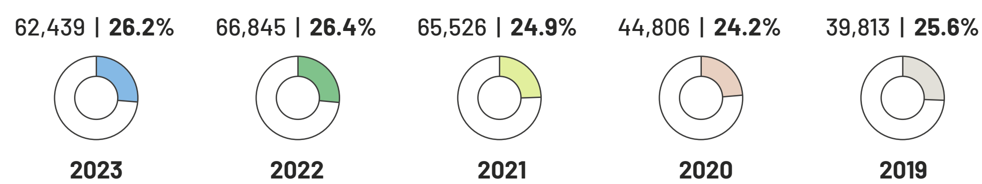
EUROPE (EXCLUDING TURKEY)

Europe has historically been the Sabaf Group's main market. European household appliance production is characterised by high quality, innovative contents - especially in terms of digitalisation and energy efficiency - and design. Therefore, the demand for components is also increasingly characterised by more technological and higher performance goods.



TURKEY

Turkey is the main production hub of household appliances for the European market. In this context, the opening of a production plant in 2012 and the acquisition of Okida Elektronik (September 2018) were key elements in support of the growth strategy. 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 2023, Turkey accounted for 26% of the Group's production and total sales. The Turkish domestic market accounts for approximately 5% of the final destination of Sabaf components. The residual percentage refers to exported household appliances.



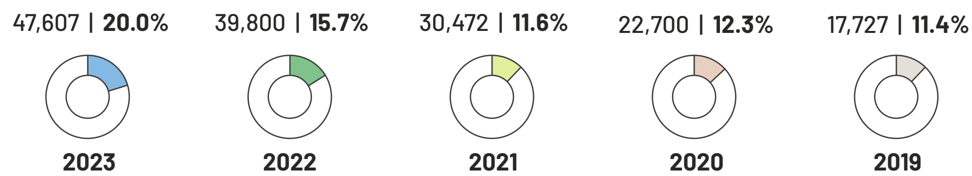
[5] Sales by geographical area (€/000) and percentage impact on Group sales.

ANALYSIS OF THE SCENARIO

PERFORMANCE FIGURES

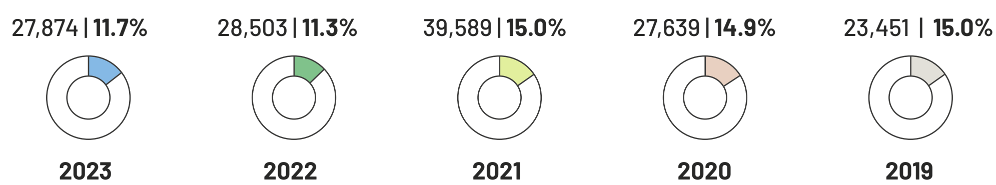
NORTH AMERICA

Sabaf Group sales and market share in North America have been growing steadily in recent years, also thanks to the development of products co-designed with major customers.
In 2021, the Group acquired a plot of land in San Luis de Potosí (Mexico), where the construction of a plant for the production of burners was completed in 2023. This plant will become operative in the first half of 2024.
In July 2023, Sabaf S.p.A. completed the acquisition of 51% of Mansfield Engineered Components LLC ("MEC"), a US company based in Mansfield (Ohio) and the leading North American manufacturer of hinges for household appliances (mainly ovens, washing machines and refrigerators), designed and manufactured to meet the high quality levels and demanding standards required by the US market.
Its direct foothold in North America results in shorter time and lower logistics costs. Furthermore, the relationships with large US players, with which the Sabaf Group already has excellent business contacts and which are long-standing MEC customers, can be further strengthened.



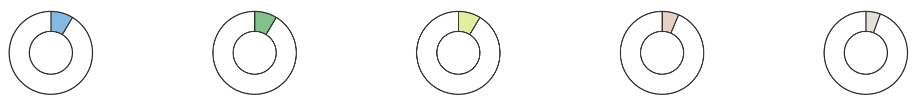
SOUTH AMERICA

Sabaf has a well-established presence in Brazil (one plant has been operational since 2001).
The Sabaf Group believes that the development potential of this area is extremely interesting, considering the significant size of the market and the demographic growth trends.
The product range for the local market was recently expanded, with the production of special burners in Brazil, also to meet the specific nature of demand.
Other markets of great interest to the Group are those in the Andean area.



AFRICA AND MIDDLE EAST

Sabaf has a long-standing presence and reputation in the Middle East and Africa.
The Group considers the Middle East and Africa among the most promising markets in the medium term, also in view of demographic trends and the growing rate of urbanisation.



2023	2022	2021	2020	2019
17,718 | **7.5%**	19,098 | **7.5%**	19,614 | **7.5%**	12,040 | **6.5%**	7,050 | **4.5%**

ASIA AND OCEANIA

The Indian market offers significant potential: indeed, the household appliance market is developing rapidly. With respect to the cooking sector in particular, the population that will have access to gas as an energy source (replacing traditional sources such as charcoal or other biomass) is expected to grow steadily. In 2022, Sabaf was the first western manufacturer to invest directly in gas cooking components, starting the production of valves and burners in Hosur (Tamil Nadu).
China, with its production of more than 30 million hobs per year, is the most important market in the world. The Group aims to establish partnerships with major Chinese customers.

2023	2022	2021	2020	2019
10,675 | **4.5%**	11,525 | **4.6%**	15,123 | **5.7%**	8,103 | **4.4%**	9,198 | **5.9%**

CONSOLIDATED DISCLOSURE OF NON-FINANCIAL INFORMATION 2023

(prepared pursuant to Article 4 of Legislative Decree no.254/2016 as subsequently amended and integrated)

Methodological note

PREPARATION CRITERIA

The Sabaf Group's Consolidated Disclosure of Non-Financial Information (the "Disclosure" or the "NFD"), prepared in accordance with Article 4 of Legislative Decree no. 254/2016 as subsequently amended and integrated (the "Decree"), provides information (policies applied, risks and related management methods, management models and performance indicators) on environmental, social, personnel-related, human rights and anti-corruption issues, necessary to ensure an understanding of the Group's operations, its performance, results and impact. Each section also describes the main risks, generated or suffered, related to the above issues and deriving from the Group's activities.
The Sabaf Group identified the GRI Sustainability Reporting Standards (the "GRI Standards") published by the Global Reporting Initiative ("GRI") as the "reference standard" for fulfilling the requirements of Legislative Decree no. 254/2016. Indeed, the GRI are the most widely recognised and internationally disseminated Guidelines. Since 2022 Sabaf has been applying the GRI Standards published in 2021, which updated the drafting process, general disclosures and the process for identifying and evaluating material topics: GRI 1 Foundation; GRI 2: General Disclosures and GRI 3 Material Topics. This Disclosure has been prepared under the "in accordance" reporting option and, similarly to the Financial Disclosure, covers the period from 1 January 2023 to 31 December 2023. The process of defining the content and determining the material topics, also in relation to the areas envisaged by the Decree, was based on the principles envisaged by GRI Standards (accuracy, balance, clarity, comparability, completeness, sustainability context, timeliness, and verifiability). Specifically, the material topics were identified by conducting a materiality analysis in accordance with GRI 3: Material Topics 2021. The analysis was conducted by involving the Company's managers and stakeholders in order to assess the positive and negative, potential and actual impacts of the Sabaf Group and identify material topics. The GRI Content Index included at the bottom of the Disclosure facilitates the retrieval of information.
With respect to reporting standards, the Sabaf Group has embarked on the process of aligning its Consolidated Disclosure of Non-Financial Information with the new requirements of the Corporate Sustainability Reporting Directive, which became effective on 5 January 2023 and which the Group plans to implement in 2024.
This Disclosure, which is prepared annually, was approved by the Board of Directors on 19 March 2024 and, in accordance with one of the options envisaged by Article 5 of Legislative Decree no. 254/2016, it constitutes a separate report from the Report on operations. Moreover, this Disclosure is subject to a limited assurance engagement carried out in accordance with ISAE 3000 Revised by the independent auditors EY S.p.A., which were appointed to audit the Group's financial statements, except for that set out in the "EU Taxonomy" section. The quantitative indicators which do not refer to any general or topic-specific disclosure of the GRI Standards, shown in the pages indicated in the GRI Content Index, were not covered by the limited assurance engagement carried out by EY S.p.A.

The Consolidated Disclosure of Non-Financial Information was published on the website **www.sabafgroup.com** on 29 March 2024. For further information on this Disclosure, please contact **info@sabaf.it**.

REPORTING BOUNDARY

The reporting boundary of qualitative and quantitative data and information provided in the Consolidated Disclosure of Non-Financial Information of the Sabaf Group refers to the performance of the Sabaf Group (the "Group" or "Sabaf") for the year ended 31 December 2023 and includes all companies consolidated on a line-by-line basis, except for:

- Sabaf Mexico, a newco that did not make any sales until 2023;
- Mansfield Engineered Components LLC ("MEC"), acquired on 14 July 2023;
- Sabaf US and Sabaf America which do not perform trade or manufacturing activities and are irrelevant for NFD purposes.

The economic and financial figures provided in the Introduction and in the NFD include all companies in which Sabaf S.p.A. holds a controlling interest in accordance with the Consolidated Financial Statements at 31 December 2023.

In 2023, Okida Elektronik Sanayi ve Ticaret A.S. (Okida) was merged into Sabaf Beyaz Esya Parcalari Sanayi ve Ticaret Limited Sirketi (Sabaf Turkey). Therefore, in the 2023 NFD, the data and information pertaining to Sabaf Turkey also include those of Okida.

REPORTING PROCESS

In 2019, the Board of Directors of Sabaf S.p.A. approved a procedure to report non-financial information. The procedure defines the phases, activities, timing, roles and responsibilities for the management of the reporting process and for the definition, collection and validation of data and other content of the Disclosure.
The procedure, which has been applied for the preparation of this Disclosure, envisages the involvement of the Parent's management ("group data owners") and the representatives of all subsidiaries ("subsidiary data owners"), who are responsible for the relevant areas and the related data and information covered by the Group's non-financial reporting.
In particular, the data and information included in this Disclosure derive from the Company information system used for the Group's management and accounting process and from a non-financial reporting system (data collection package) specifically implemented to meet the requirements of Legislative Decree no. 254/2016 and the GRI Standards. In order to ensure the reliability of the information contained in the Disclosure, directly measurable quantities have been included, limiting the use of estimates as much as possible. Calculations are based on the best information available or on sample surveys. The estimated quantities are clearly indicated as such. The economic and financial data and information are derived from the Consolidated Financial Statements at 31 December 2023.

Letter from the Chief Executive Officer to stakeholders

Dear shareholders and stakeholders,

In 2023, the household appliance market was characterised by a combination of cyclical and structural trends that tested the strategy and robustness of manufacturers and component suppliers.

Demand, especially in the first part of the year, remained weak, in line with the trends that characterised the second half of the previous year, when the strong, abnormal post-pandemic boost had worn off. The key manufacturers (Sabaf's customers) continued to reduce their stocks until approximately the middle of the year. Since then, signs of a turnaround have begun to appear, which will be discussed further on in this letter. Furthermore, 2023 confirmed that a new concentration of manufacturers is underway, with Eastern groups playing an active role.

The Sabaf Group reacted well to the weak economy and proved its competitive resilience in the current market scenario. Diversification of supply, global operations, flexibility and commercial capacity enabled us to mitigate the impact of the slowdown in demand and maintain a largely positive profit margin in 2023.

With respect to structural trends, the ongoing consolidation in the household appliances market confirms the success of Sabaf's strategic decisions over the past few years. By strengthening and promoting the internationalisation of our production structure we are now in a position to meet the suppliers' expectations of today's large global manufacturers and we can cope with high demands, economic-financial solidity and proximity to their production facilities. Today, Sabaf is one of the few Italian component manufacturers which can serve the large global manufacturers of household appliances and is the only one covering all cooking technologies.

With respect to operations, in 2023, significant actions were taken in all three strategic areas of the business plan: expansion and diversification of the range offered (including through acquisitions); development of synergies between Group companies; and strengthening the global industrial footprint.

In July, Sabaf acquired 51% of Mansfield Engineered Components LLC ("MEC"), a US Company based in Mansfield (Ohio) and the leading North American manufacturer of hinges for household appliances (mainly ovens, washing machines and refrigerators), designed and manufactured to meet the high quality levels required by the US market. Sabaf also signed an option to purchase the remaining 49% interest held by the founding partners in the next few years.

This is the fourth acquisition made by the Group since 2018, following those of Okida (Turkey), C.M.I. and P.G.A. (Italy) As a result of these transactions, Sabaf increased its turnover by more than 60% (from €150.6 million in 2018 to €238 million in 2023) and reduced the impact of gas cooking components from 90% in 2018 to 60% in 2023.

The acquisition of MEC was financed by means of a reserved capital increase equal to 10% of the share capital, which was entirely subscribed by Montinvest s.r.l., a subsidiary of Fulvio Montipò (founder and Chairman of Interpump Group S.p.A.), a highly successful and experienced entrepreneur and an ideal partner for Sabaf.

Sabaf, which already manufactures hinges for household appliances through the subsidiaries C.M.I. s.r.l. and Faringosi Hinges s.r.l., has become the leading manufacturer in western nations.

This transaction also increased the weight percentage of North America in the Group's turnover, which is expected to exceed 25% in 2024. Thanks to its direct foothold in the US, as well as in Mexico, the Group will strengthen its contacts with large US manufacturers, which are long-standing customers of MEC and also customers of Sabaf.

A burner production plant in San Luis Potosí, central Mexico, became operative in 2023 to serve the North American market. The new plant follows that opened in India in 2022 to produce gas cooking valves and burners. There are now 15 production plants (six in Italy, nine abroad) with a total of 1,641 employees. The progress of our globalisation does not alter the fundamental role of the Ospitaletto site, which remains our key plant and the heart of our know-how and professional skills.

2023 was also characterised by highly innovative research and development activities in the Group's four divisions (induction, electronics, hinges and gas). A team of more than 90 electronic and mechanical engineers working in the various Group companies focus on the development of new projects. The aim is to increase the quality and competitiveness of products: high-efficiency burners with lower CO_2 emissions, hydrogen-powered burners and hinges with greater functionality.

In 2023, the development of the induction cooking project continued in line with the business plan. The component offer is attracting the interest of the market and the first orders from several customers.

Sabaf also began to extend its operations into certain electronics sectors not strictly related to the household appliance sector (e.g., electro-medical and home care appliances), in line with its goal of becoming a smart appliances (IoT) operator, in addition to its traditional focus on gas cooking components.

The focus on conforming the development strategy and organisation to ESG principles remains a priority. As a matter of fact, sustainability has been the guiding principle in every area of Sabaf's operations for years now, sometimes even ahead of the market. Sabaf complies with international best practices in many areas: emissions reduction, energy efficiency, occupational safety, health prevention and support for the communities in the areas where the Company operates. In 2023, the pursuit of the sustainability goals set out in the business plan continued in relation to safety, training and CO_2 emissions reduction.

In 2023, for the fifth consecutive year, Sabaf was among the winners of the Best Managed Companies Award, given by Deloitte Private to Italian business excellences. This award further confirms the high level of professionalism achieved by the entire organisation. The Best Managed Companies were selected by an independent jury, made up of experts from the Italian institutional and academic world, who assessed several parameters: strategy; skills and innovation; commitment and corporate culture; governance and performance measurement; sustainability; supply chain; globalisation.

Finally, with respect to 2024, as mentioned at the beginning of this letter, since the second half of 2023, the market has seen a turnaround with orders picking up and gradually gaining strength, reaching double-digit growth in the first two months of 2024, a trend that had not been seen for quite some time. In 2024, the components for electromagnetic induction will further boost revenue growth. The Group entered this segment in 2022: the preparatory work carried out so far, including commercial work, is about to generate the first significant results. Synergies are also expected between the Group companies and a significant increase in the operation of the new production plants in India and Mexico. In short, we have good reasons to be optimistic about achieving the ambitious sales and profitability goals set for the year.

Pietro Iotti

Business model, strategic approach and sustainable creation of value

STRATEGIC APPROACH AND CREATION OF VALUE

SUSTAINABLE VALUE CREATION

For the Sabaf Group, respect for business ethics and socially responsible behaviour are the fundamental elements of its business model. Accordingly, the Group developed a strategy and a governance model that can guarantee sustainable success over time.

The Sabaf Group is aware that sustainable success depends on the degree of harmony and the sharing of values with its stakeholders: compliance with common values increases mutual trust, encourages the development of common knowledge, and therefore contributes to the containment of transaction costs and control costs; in essence, it benefits the Group and all its stakeholders.

VALUES, VISION AND MISSION

Sabaf takes People as its original value and therefore as the fundamental criterion of every choice: this results in an entrepreneurial vision that ensures dignity and freedom to the People within shared rules of behaviour. People's central role is a universal value, i.e., a hyper-standard applicable without differences in time and space. In compliance with this universal value, the Sabaf Group operates by promoting cultural diversity through the criterion of equity in space and time. Such a moral commitment implies an a priori renunciation of all choices that do not respect the physical, cultural and moral integrity of People, even if such decisions can be efficient, economically convenient and legally acceptable. Respecting the value of People means that, first of all, the dimension of the category of Being in relation to Doing and Having is the overriding consideration, and therefore implies the protection and enhancement of the "essential" manifestations expressing the fullness of People.

The Charter of Values of Sabaf

The Charter of Values of Sabaf, approved by the Board of Directors, is available on the website **www.sabafgroup.com** under the section Sustainability - Sustainability at Sabaf.
The Charter of Values is the governance tool through which the Sabaf Group clearly explains the Company's values, standards of behaviour and commitments in relations with its stakeholders – employees, shareholders, customers, suppliers, lenders, competitors, the Public Administration, the community and the environment.
The spirit of the Charter is to reconcile the principles of economic management with ethics based on the central role of People, as an essential condition for the sustainable success of business in the long term. Sustainable success, intended as the ability to combine at the same time:

- **economic sustainability**, i.e., operate in such a way that Company choices increase the value of the Company not only in the short term but above all are able to guarantee business continuity in the long term through the application of an advanced model of corporate governance;
- **social sustainability**, i.e., promote ethical behaviour in business and reconcile the legitimate expectations of the various stakeholders in accordance with common shared values;
- **environmental sustainability**, i.e., produce by minimising the direct and indirect environmental impacts of its production activities to preserve the natural environment for the benefit of future generations in compliance with current laws on the subject.

The Charter aims to give a vision of ethics, focusing mainly on positive and just actions to be taken and not only on incorrect behaviour to be avoided. This vision is the basis for a positive use of freedom by decision-makers, where ethical references guide decisions in a manner consistent with the Group's culture of social responsibility. The Sabaf Group aims to develop a process based on empowering people within shared rules of behaviour with which to voluntarily comply.

According to this approach, it is still imperative to comply absolutely with the law and regulations in force in Italy and in the other countries where the Group operates, as well as with all the internal regulations of the Group and the values declared in the Charter.

The Charter of Values is also a reference document with respect to the Organisation, Management and Control Model pursuant to Legislative Decree no. 231/2001. Therefore, it sets out a series of general rules of conduct that Group employees are required to abide by.

Any stakeholder of the Sabaf Group can report cases of alleged non-compliance with the Charter by sending a written, non-anonymous description to Sabaf S.p.A.'s Internal Audit Department.
The Internal Audit Department takes appropriate measures to protect the reporting parties from any type of retaliation, discrimination, penalisation or any consequence resulting therefrom, ensuring them confidentiality on their identity, without prejudice to law obligations and the protection of the rights of the Company or of persons accused wrongly and/or in bad faith.

The Internal Audit Department considers all reports of violations received or non-compliance with the Charter identified in the course of its activities and informs:
- the Supervisory Body of the relevant Company, if the violation is relevant to the topics covered by Legislative Decree no. 231/2001;
- the Board of Directors, if the violation is particularly serious or involves top management or the directors of the Company.

No reports of violations or non-compliance were received during 2023.

With a view to initiating the appropriate procedure against the person responsible for the violation, in accordance with the existing disciplinary system, the Internal Audit Department reports to the person's line manager and to the Human Resources Department any violations of the Charter discovered in the course of its activities or reported by other corporate departments (after verifying their validity).

The values, rules of conduct and commitments set out in the Charter of Values are communicated to employees and integrated into the corporate culture.

Table summarising Sabaf Group policies by topics pursuant to Legislative Decree no. 254/2016 as subsequently amended and supplemented

Topic under Legislative Decree no. 254/2016	Reference policies
ENVIRONMENT	
Basic principles • Raise staff awareness and train the personnel to promote environmental awareness • Minimise direct and indirect environmental impacts • Adopt a precautionary approach to environmental impacts • Encourage the development and diffusion of environmentally friendly technologies and products • Define environmental objectives and improvement programmes • Search for the right balance between economic objectives and environmental sustainability	• Charter of Values • Manual of the Integrated Management System of Health and Safety, Environment and Energy in compliance with ISO 14001, ISO 50001 and ISO 45001 standards
HUMAN RIGHTS	
Basic principles • Adopt socially responsible behaviour • Promote respect for the fundamental human rights of workers in all countries where the Group operates • Avoid all forms of discrimination and favouritism in respect of employment and occupation • Enhance and respect diversity	• Charter of Values
PERSONNEL	
Basic principles • Encourage continuous learning, professional growth and knowledge sharing • Provide clear and transparent information on the tasks to be carried out and the position held • Encourage teamwork and the dissemination of creativity in order to allow the full expression of individual skills • Adopt criteria of merit and competence in employment relationships • Encourage the involvement and satisfaction of all the personnel	• Charter of Values
PERSONNEL/HEALTH AND SAFETY	
Basic principles • Achieve working standards that guarantee health and maximum safety, also through the upgrading and continuous improvement of workplaces • Minimise any form of exposure to risks at work • Disseminate the culture of risk prevention through systematic and effective training • Promote the protection not only of oneself, but also of colleagues and third parties • Encourage the diffusion of products with security systems	• Charter of Values • Manual of the Integrated Management System of Health and Safety, Environment and Energy in compliance with ISO 14001, ISO 50001 and ISO 45001 standards
ANTI-CORRUPTION	
Basic principles • Raise awareness among all those who work for Sabaf so that they behave correctly and transparently in the performance of their activities • Comply with local anti-corruption regulations	• Group Anti-corruption Policy • Organisation, Management and Control Model pursuant to Legislative Decree no. 231/2001 • Whistleblowing procedure
SOCIAL/SUPPLY CHAIN	
Basic principles • Ensure absolute impartiality in the choice of suppliers • Establish long-term relationships based on fairness in negotiations, integrity and contractual fairness	• Charter of Values

The Charter of Values and the Anti-corruption Policy are applied and disseminated in all Group companies.

Sabaf S.p.A. has an Integrated Management System of Health and Safety which is ISO 45001, ISO 14001 and ISO 50001 certified.

Faringosi Hinges s.r.l., C.G.D. s.r.l. and C.M.I. s.r.l. have a Management System of Health and Safety that is ISO 45001 certified.

Sabaf Turkey and C.M.I. s.r.l. have an ISO 14001-certified Environmental Management System.

In any case, the ISO 14001, ISO 45001 and ISO 50001 standards are sources of reference and inspiration for the entire Group.

The Organisation, Management and Control Model pursuant to Legislative Decree no. 231/2001 has been adopted by Sabaf S.p.A., Faringosi Hinges s.r.l. and, to the extent of Occupational Health and Safety issues, by C.G.D. s.r.l. and C.M.I. s.r.l.

VISION

Combine business decisions and results with ethical values by going beyond family capitalism and opting for a managerial rationale oriented not only towards the creation of value but also towards the respect of values.

MISSION

Consolidate the technological and market leadership in the design, production and distribution of the entire range of components for household appliances through constant attention to innovation, safety and the enhancement of internal expertise.
Associate the growth of company services with social and environmental sustainability, promoting an open dialogue with the legitimate expectations of stakeholders.

BUSINESS MODEL

STRATEGIC PILLARS OF SABAF'S BUSINESS MODEL

In line with its shared values and mission, Sabaf believes that there is a successful industrial and cultural model to be consolidated both through organic growth and growth through acquisitions. The Group believes that its business model - oriented towards long-term sustainability and characterised by a high level of verticalization of production and production facilities close to the main markets - is adequate to face future challenges and new scenarios.

The distinctive features of the Sabaf model are set out below.

Innovation
Innovation represents one of the essential elements of Sabaf's industrial model and one of its main strategic levers. Thanks to continuous innovation, the Group has managed to achieve excellent results, identifying technological and production solutions that are among the most advanced and effective currently available and establishing a virtuous circle of continuous improvement of processes and products, until acquiring technological competence with characteristics that are difficult to match for competitors. The know-how acquired over the years in the development and internal production of machinery, tools and moulds, which is integrated with synergy with the know-how in the development and production of our products, represents the main critical success factor of the Group. With the acquisition of Okida and the more recent acquisition of P.G.A., Sabaf has also acquired a strong electronic know-how that, together with the traditional and strong mechanical skills, further expanded the business spaces for the Group.
The investments in innovation allowed the Group to become a world leader in a highly specialised sector. The production sites in Italy and abroad are designed to guarantee production according to the highest levels of technology available today and represent a cutting-edge model both for environmental protection and safety of the employees.

Eco-efficiency
Sabaf's product innovation strategy gives priority to the search for improved environmental performance. Attention to environmental issues is reflected both in innovative production processes that have a lower energy impact in the manufacture of products, and for what concerns gas parts, in the design of eco-efficient products during their daily use. The innovation efforts in this area are focused on the development of burners that reduce fuel consumption (natural gas or GPL) and emissions (carbon dioxide and carbon monoxide, in particular) in users. In line with its energy transition policy, the Group has also embarked on a major investment plan to enter the electromagnetic induction cooking sector. Sabaf is also involved in experimental projects and feasibility studies for the use of hydrogen as an alternative fuel to natural gas and GPL for domestic and professional cooking appliances.

Safety
Safety has always been one of the essential elements of Sabaf's business project. Safety for Sabaf is not just a matter of complying with existing standards but a management philosophy oriented towards the continuous improvement of its performance, in order to guarantee the end user an increasingly safe product. In addition to investing in research and development of new products, the Group has chosen to play an active role in disseminating a safety culture: Sabaf has long been promoting the introduction of regulations worldwide - in the various institutional venues - that make it compulsory to adopt products with thermoelectric safety devices. Sabaf also promoted the ban on the use of zamak (zinc and aluminium alloy) for the production of gas valves for cooking, in consideration of the intrinsic danger. To date, the use of zamak is still permitted in Brazil, Mexico and other South American countries, limiting business opportunities in the valves segment for Sabaf.

Success on international markets and partnerships with multinational groups
Sabaf pursues its growth through its success in international markets by trying to replicate its industrial model in emerging countries with due consideration of local culture.
In line with its reference values and mission, the Group operates in emerging countries in full respect of human rights and the environment and in compliance with the United Nations Code of Conduct for Transnational Corporations. This choice is driven by the awareness that only by operating in a socially responsible way it is possible to ensure long-term development of industrial experience in emerging markets.
The Group also intends to further strengthen its collaboration with customers and its position as main supplier of a complete range of products in the cooking components market, also thanks to its ability to adapt production processes to specific customer needs and provide an increasingly wide range of products.
In relations with large household appliance groups, the reliability of partners along the supply chain is more than ever an essential requirement. The presence of production facilities in all strategic geographical areas, the ability to react immediately to sudden changes in macroeconomic scenarios and financial solidity put the Sabaf Group in a favourable position compared to smaller, less structured competitors.

Widening the range of components and development through acquisitions
The continuous expansion of the range aims to increase customer loyalty through the widest satisfaction of market requirements. The possibility of offering a complete range of components is an additional distinguishing feature for Sabaf compared to its competitors. In order to sustain a dynamic growth path, the Group is extending its product range to other components for household appliances.

This expansion is pursued both through internal research and through growth through acquisitions. For example, the acquisition of A.R.C. s.r.l. in 2016, a company which operates in the professional cooking sector, of Okida in 2018 and P.G.A. in 2022, which are active in the design and production of electronic components for household appliances, the C.M.I. Group in 2019 and MEC in 2023, which design and produce hinges for ovens and dishwashers. The entry into the induction cooking components sector is another strategically important project for which Sabaf put together a dedicated development team and which also draws on the expertise of Okida and P.G.A.

Enhancement of intangible assets and of its intellectual capital

Sabaf carefully monitors and increases the value of its intangible assets: the high technical and professional competence of the people who work there, the image synonymous with quality and reliability, the reputation of a company attentive to social and environmental issues and the requirements of its stakeholders. The promotion of the idea of work and relations with stakeholders as a passion for a project based on common values in which everyone can recognise themselves symmetrically represents not only a moral commitment, but the real guarantee of enhancement of intangible assets. In this perspective, the sharing of values represents the link between the promotion of a corporate culture oriented towards social responsibility and the enhancement of its intellectual capital.

Business model

1

ECONOMIC CAPITAL

- Net financial debt **€73,150,000**
- Shareholders' Equity **€170,388,000**
- Invested capital **€243,538,000**
- Market capitalisation at 31 December / Shareholders' Equity **1.40**

- Sales revenue **-6.0%**
- EBITDA as a percentage of sales **12.4%**

2

HUMAN CAPITAL

- Employees **1,436** (including agency workers and trainees)
- Advanced education: percentage of university and high school graduates **60.1%**
- Training hours per employee **28.4**
- Investments in training on turnover **0.33%**

- No. of hires **353**
- Leaving turnover **24.13%**
- Strike hours on hours worked **0.08%**
- Recordable work-related injury rate **6.94**
- Injury lost day rate **0.14**

3

RELATIONAL CAPITAL

- Turnover from the top 10 customers **51%**
- No. of customers (with sales over €1,000) **404**

- Average turnover per customer **€589,000**
- No. of samples for customers **2,418**

4

PRODUCTIVE CAPITAL

- Production sites **15**
- Real investment on turnover **8.6%**
- Value of property, plant and equipment **€109,432,000**

- Burners sold **no. of parts 28,518,968**
- High efficiency burners **29.6%**
- Valves and thermostats sold **no. of parts 17,337,693**
- Light alloy valves and thermostats sold **94%**

5

ENVIRONMENTAL CAPITAL

- Steel **19,791 t**
- Aluminium alloys **8,297 t**
- Brass **532 t**
- Electricity consumed **37,091 MWh** (of which **4,272 MWh** from renewable sources)
- Natural gas consumed **4,192,000 m³**
- Water withdrawal **95,663 m³**

- Waste (kg) on economic value generated by the Group (€/1,000) **41**
- CO_2 emissions Scope 1+Scope 2 market-based **23,646 tCO_{2eq}**
- CO_2 emissions Scope 3 **19,244,500 tCO_{2eq}**

6

INTELLECTUAL CAPITAL

- Hours dedicated to the development of new products **3.5%**
- Hours dedicated to process engineering **1.8%**

- No. of patents **81**
- Capitalised investments in research and development **€2,249,000**

GENERATED AND DISTRIBUTED ECONOMIC VALUE

The analysis of the determination and distribution of economic value among stakeholders, prepared in accordance with the indications of the GRI is shown below.
The table was prepared distinguishing between three levels of economic value. The generated one, the distributed one and the one retained by the Group. The economic value represents the overall wealth created by Sabaf, which is then distributed among the various stakeholders: suppliers (operating costs), employees, lenders, shareholders, the Public Administration and community (external donations).

(€/000)	2023	2022	2021	Δ 2023-2022
ECONOMIC VALUE GENERATED BY THE GROUP	**251,355**	**268,082**	**267,918**	**(16,727)**
Revenue	237,949	253,053	263,259	(15,104)
Other income	8,926	10,182	8,649	(1,256)
Financial income	1,815	1,917	750	(102)
Value adjustments	3,542	3,432	2,525	110
Bad debt provision	(34)	(1)	(103)	(33)
Exchange rate differences	(2,359)	(515)	(7,399)	(1,844)
Income/expenses from the sale of property, plant and equipment and intangible assets	1,516	251	237	1,265
Adjustments to property, plant and equipment and intangible assets	0	(189)	0	189
Profits/losses from equity investments	0	(48)	0	48
ECONOMIC VALUE DISTRIBUTED BY THE GROUP	**227,946**	**241,281**	**232,521**	**(13,335)**
Remuneration of suppliers	162,613	176,493	166,164	(13,880)
Remuneration of employees	58,160	49,926	53,964	8,234
Remuneration of lenders	10,524	11,032	1,179	(508)
Remuneration of shareholders	0	6,758	6,172	(6,758)
Remuneration of the Public Administration[1]	(3,386)	(3,040)	4,997	(346)
External donations	35	112	45	(77)
ECONOMIC VALUE RETAINED BY THE GROUP	**23,409**	**26,801**	**35,397**	**(3,392)**
Amortisation/depreciation	20,066	18,267	16,869	1,799
Provisions	93	49	29	44
Use of provisions	(130)	(6)	(12)	(124)
Reserves	3,380	8,491	18,511	(5,111)

[1] Including deferred taxes.

GOVERNANCE OF SOCIAL RESPONSIBILITY AND STAKEHOLDER ENGAGEMENT

SOCIAL RESPONSIBILITY IN BUSINESS PROCESSES

To transform the values and principles of sustainable development into intervention choices and management activities, Sabaf applies a structured methodology, the key factors of which are as follows:

SHARING VALUES, MISSION AND **SUSTAINABILITY STRATEGY**

TRAINING AND **COMMUNICATION**

AN **INTERNAL CONTROL SYSTEM** CAPABLE OF MONITORING RISKS (INCLUDING SOCIAL, ENVIRONMENTAL AND REPUTATIONAL RISKS) AND CHECKING THE IMPLEMENTATION OF COMMITMENTS VIS-À-VIS STAKEHOLDERS

KEY PERFORMANCE INDICATORS (KPIs), WHICH CAN MONITOR ECONOMIC, SOCIAL AND ENVIRONMENTAL PERFORMANCE

A CLEAR AND COMPREHENSIVE **REPORTING SYSTEM**, WHICH CAN EFFECTIVELY INFORM DIFFERENT STAKEHOLDERS' CATEGORIES

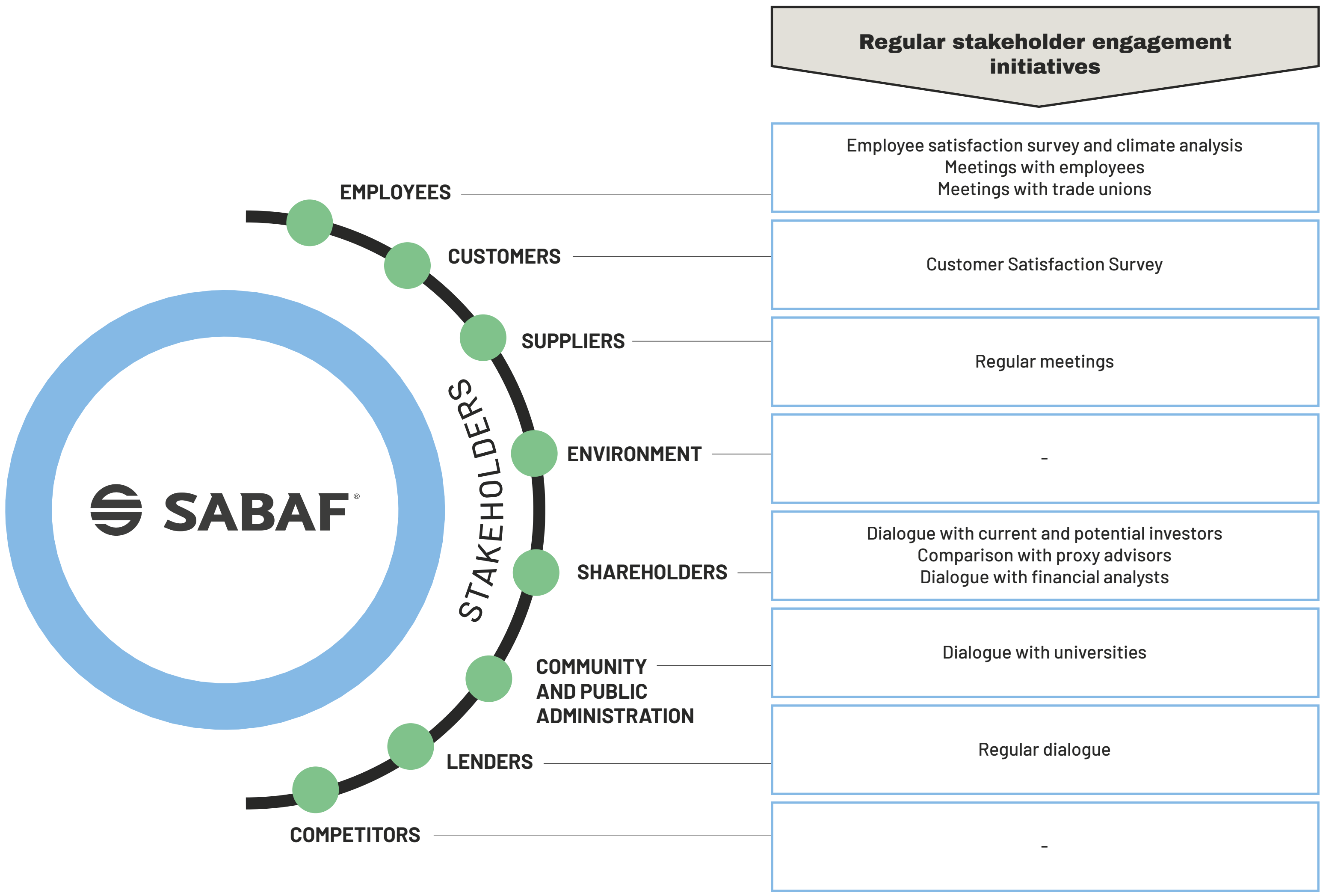
A **STAKEHOLDER ENGAGEMENT SYSTEM**, TO COMPARE WITH THE EXPECTATIONS OF ALL STAKEHOLDERS AND RECEIVE USEFUL FEEDBACK FOR CONTINUOUS IMPROVEMENT

THE PRECAUTIONARY APPROACH

The awareness of the social and environmental aspects that accompany the Group's activities, together with the importance of a cooperative approach with stakeholders and the Group's good reputation, has led Sabaf to adopt a **precautionary approach** in managing the economic, social and environmental variables that it has to deal with on a daily basis. To this end, the Group analysed specifically the main risks of the different operating dimensions.
Detailed information on the internal control system and on the risk management system is provided in the next paragraph "Corporate Governance, Risk Management and Compliance".

STAKEHOLDER ENGAGEMENT

Sabaf is committed to constantly strengthening the social value of its business activities through careful management of relations with stakeholders. The Group intends to establish an open and transparent dialogue, encouraging opportunities for discussion in order to identify lawful expectations, increase trust in the Group, manage risks and identify new opportunities.



The identification of stakeholders is an essential starting point for defining social and environmental reporting processes. The "stakeholder map" provides a summary representation of Sabaf's main stakeholders, identified on the basis of their business characteristics, the characteristic aspects of the market and the intensity of their relations with the latter.

Stakeholder engagement is one of the key steps in the relevant materiality analysis for non-financial topics subject to reporting in the Disclosure. At this stage, employees, customers, suppliers, investors, lenders and financial analysts, environmental and community representatives are selected on the basis of their qualifications and relevance as stakeholders and asked to provide an assessment of each impact related to the topics for which they are responsible.

The additional initiatives for involving each stakeholder that are carried out periodically are described in the image above (generally every two or three years). The relevant issues arising from these activities are reported in the following paragraphs.

Sabaf complies with the Code of Conduct of APPLiA Europe

Sabaf complies with the code of conduct of APPLiA Europe, an association of manufacturers of household appliances representing companies in the household appliances industry.

The **Code of Conduct** confirms the commitment of the European household appliance industry to **ethical and fair behaviour**. The Code aims to promote fair and sustainable standards in **working conditions** and **environmental protection** to support **fair competition** in **global markets**.

The manufacturers complying with the Code **voluntarily** undertake to implement decent working conditions, which include compliance with common standards regarding:

- **MINIMUM AGE**
- **WORKING HOURS**
- **HYGIENE AND SAFETY CONDITIONS**
- **RESPECT FOR FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING**
- **RESPECT FOR ENVIRONMENTAL STANDARDS**

The signatory companies also undertake to **raise awareness** among their **suppliers** of the principles of the Code of Conduct and encourage them to pursue them. They also require that the same principles be proposed to the whole supply chain through the latter.

The Annual Report of Sabaf is also the tool through which the Group reports year by year on the practical implementation of the principles of the Code and the progress achieved, as specifically required of the companies complying with it.

Sabaf complies with the Global Compact

In 2004, Sabaf complied formally with the Global Compact, the United Nations initiative for companies that commit to upholding and promoting the ten universally accepted principles of human rights, labour rights, environmental protection and anti-corruption. By signing the CEO Statement of Continued Support and by publishing the Communication on Progress 2023 (CoP) and the 2023 Annual Report, we renew our commitment to making the Global Compact and its principles an integral part of our strategy, culture and day-to-day operations, and we also commit to explicitly declare our commitment to all employees, partners, customers and the general public. The Consolidated Disclosure of Non-Financial Information sets out in detail the actions taken by the Sabaf Group in support of the ten principles.

THE 10 PRINCIPLES OF THE GLOBAL COMPACT

HUMAN RIGHTS	I	Businesses should support and respect the protection of internationally proclaimed human rights; and
	II	make sure that they are not - even if indirectly - complicit in human rights abuses.
LABOUR	III	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
	IV	The elimination of all forms of forced and compulsory labour.
	V	The effective abolition of child labour.
	VI	The elimination of discrimination in respect of employment and occupation.
ENVIRONMENT	VII	Businesses should support a precautionary approach to environmental challenges and
	VIII	undertake initiatives to promote greater environmental responsibility; and
	IX	encourage the development and diffusion of environmentally friendly technologies.
ANTI-CORRUPTION	X	Businesses should work against corruption in all its forms, including extortion and bribery.

MATERIALITY ANALYSIS

The GRI Standards require that the content of the Consolidated Disclosure of Non-Financial Information be identified based on a materiality analysis. In compliance with the GRI Standards, since 2014 Sabaf has started a process to identify the material topics to be reported, i.e., those topics that have the most significant impact of an organisation on the economy, the environment and people.
In accordance with the GRI Universal Standards 2021 and in order to align this document with the recent regulatory developments in sustainability reporting, during the year, the materiality process was revised and updated as described below.

1. Understanding the context of the organisation and drawing up the Long List of potential topics

Starting from the material topics identified in previous reporting periods, as well as following an analysis of the internal and external context that considered the sector-related scope of reference, a Long List of ESG topics potentially relevant to the Sabaf Group was defined. The identified topics were adjusted by considering, on a preliminary basis, the topics and sub-topics covered by the European Sustainability Reporting Standards (ESRS) Sector Agnostic of the Corporate Sustainability Reporting Directive, which were published in July 2023 and which Sabaf will report starting from 2025.

2. Definition of impacts

For each potentially relevant topic, the organisation's impacts(positive and negative, actual and potential) were defined as the effects it has or could have on the economy, the environment and people, including effects on human rights, as a result of its operations or business relations. The impacts, associated individually with a specific ESG topic, reflect an analysis that focused, in particular, on the sector in which the Company operates, its operations and the activities that impact the value chain.

3. Assessment of impacts

As part of stakeholder engagement, the impacts identified were subject to the assessment by internal and external stakeholders. Specifically, at this stage, top management, employees, customers, suppliers, investors, lenders and financial analysts, environmental and community representatives are selected on the basis of their qualifications and relevance as stakeholders and asked to provide an assessment of each impact related to the topics for which they are responsible. The assessment was carried out in accordance with the guidelines published by the GRI Standards, i.e., considering two main criteria:

- Likelihood, i.e., the chance of the impact happening;
- Severity, i.e, the severity of an impact should it happen. The assessment of the severity also considered:
  - the scale, i.e., how grave the impact is;
  - the scope, i.e., how widespread the impact is;
  - irremediable character, i.e., how hard it is to counteract or make good the resulting harm.

For each impact, stakeholders were invited to express, via a specific survey accompanied by specific guidelines, a score from 1 to 5 relating to the above criteria (Likelihood and Severity).

4. Short list of material topics

The score obtained for each impact was analysed in order to obtain, starting from the assessments of individual stakeholders, a score associated with each topic. The topics were then sorted by score and finally included in the Short List of Sabaf's material topics.

The updated list of Sabaf's material topics and the related impacts by ESRS topic is shown below. Sabaf S.p.A.'s Board of Directors approved the following list of material topics on 20 February 2024.

Scope of Legislative Decree no. 254/16	GRI Standards	Material topic	Impacts	Potential/actual
Environment	GRI 3: Material Topics 2021 GRI 302: Energy 2016 GRI 305: Emissions 2016	**Climate change**	Contribution to climate change by producing GHG emissions during business operations and/or along the value chain.	Actual
			Offering of products that produce GHG emissions during their use.	Actual
			Use of non-renewable energy sources with emission impact to carry out business operations.	Actual
			Possible inefficient use of energy resources and lack of supervision and consumption efficiency.	Potential
			Introduction of business solutions that reduce the greenhouse gas emissions of products during the use phase.	Actual
	GRI 3: Material Topics 2021 GRI 301: Materials 2016 GRI 306: Waste 2020	**Circular economy**	Generation of waste during the performance of business operations and along the value chain.	Actual
			Recovery, recycle and/or reuse of waste materials in business operations and along the value chain, thereby reducing waste and the sourcing of virgin raw materials.	Actual
			Selection of raw materials that conform to a circular business model, such as non-virgin materials from recovery and/or recycling.	Actual
Personnel management Human rights	GRI 2: General Disclosures 2021 GRI 3: Material Topics 2021 GRI 202: Market Presence 2016 GRI 401: Employment 2016 GRI 402: Labour/ management relations 2016	**Working conditions**	Offering of stable employment contracts, including through dialogue with trade union representatives, and implementation of remuneration policies focusing on the economic and professional satisfaction of employees.	Actual
			Employment contracts and wage policies that do not guarantee adequate working conditions in the areas controlled by the Group.	Potential
			Presence of a corporate culture that promotes the well-being of employees and enables work-life balance.	Actual
			Any incidents of violation of workers' rights and/or working conditions.	Potential
	GRI 3: Material Topics 2021 GRI 403: Occupational health and safety 2018	**Health and safety**	Occurrence of incidents and work-related ill health	Actual
			Adoption of voluntary measures to protect the health and safety of workers and dissemination of a corporate culture that promotes care and awareness.	Actual
	GRI 3: Material Topics 2021 GRI 405: Diversity and Equal Opportunity 2016 GRI 406: Non-discrimination 2016	**Equal treatment and opportunities for all**	Adoption of a corporate culture that protects and promotes gender equality, inclusiveness, non-discrimination and cultural integration.	Actual
			Any incidents of discrimination based on gender, sexual, religious and/or political orientation, ethnic origin or social and personal conditions.	Potential
	GRI 404: Training and Education 2016	**Training and skills development**	Improvement of employees' personal and professional skills by adopting training plans and initiatives.	Actual
	GRI 3: Material Topics 2021	**Other work-related rights**	Adoption of corporate policies to comply with and monitor the protection of human rights in the organisation's companies.	Actual
			Any incidents of human rights violations (e.g., child labour and/or forced labour) in the organisation's companies.	Potential

Scope of Legislative Decree no. 254/16	GRI Standards	Material topic	Impacts	Potential/actual
Human rights Social	GRI 3: Material Topics 2021 GRI 414: Supplier Social Assessment 2016	**Workers in the value chain**	Adoption of control measures that safeguard the working conditions of workers along the value chain, including respect for human rights, health and safety and adequate remuneration.	Actual
			Possible lack of safeguards to monitor and protect the working conditions of employees in the value chain, including respect for human rights, health and safety and adequate remuneration.	Potential
			Dissemination of a responsible culture that promotes the well-being of workers along the value chain.	Actual
			Dissemination of a responsible culture that protects and promotes gender equality, inclusiveness, non-discrimination and cultural integration along the value chain.	Actual
Social	GRI 3: Material Topics 2021 GRI 201: Economic performance 2016	**Affected communities**	Creation of jobs and distribute economic value in the affected areas that have a positive impact on local communities.	Actual
			Collaboration with local universities, institutions and associations, contributing to the growth of local communities.	Actual
	GRI 3: Material Topics 2021 GRI 416: Customer Health and Safety 2016	**Consumers and end-users**	Adoption of safeguards and procedures to ensure high standards of product safety.	Actual
			Incidents caused by product defects and/or malfunctions that may affect the safety of end consumers.	Potential
Social Anti-corruption	GRI 2: General Disclosures 2021 GRI 3: Material Topics 2021 GRI 205: Anti-Corruption 2016 GRI 206: Anti-Competitive Behaviour 2016 GRI 207: Tax 2019	**Business conduct**	Existence of corporate policies that promote and disseminate an ethical and responsible corporate culture.	Actual
			Any damage to the market and stakeholders related to non-compliance with applicable regulations and the organisation's failure to adopt ethical principles.	Potential
			Possible incidents of corruption.	Potential
			Adoption of effective whistleblowing procedures and procedures that safeguard the anonymity of whistleblowers.	Actual
			Partnerships based on principles of collaboration and transparency that contribute to market enrichment and facilitate the achievement of sustainability goals.	Actual

Corporate Governance, Risk Management and Compliance

CORPORATE GOVERNANCE

OVERVIEW

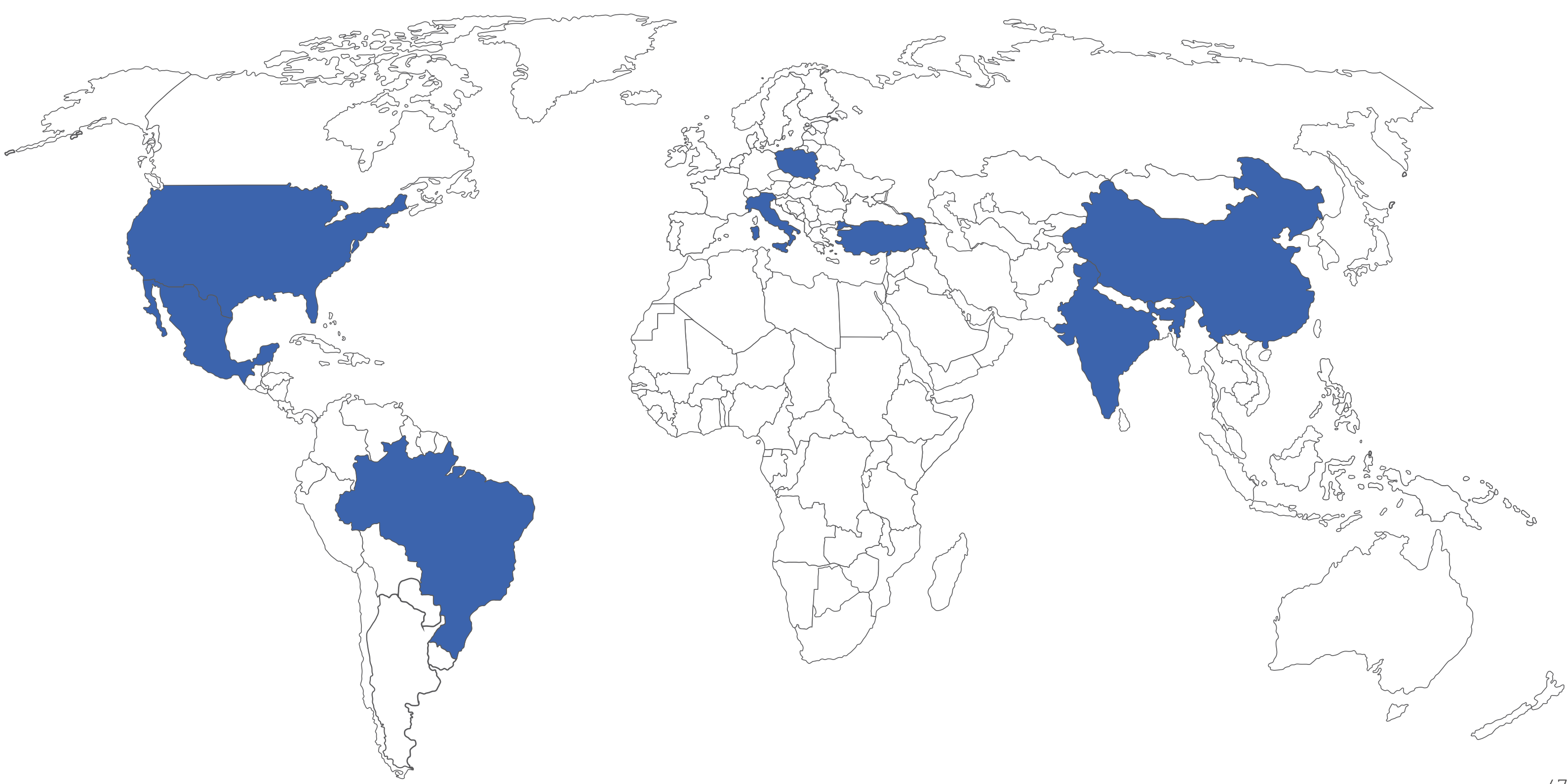
Since its listing on the stock exchange in 1998, the corporate governance model of Sabaf has been based on a strict separation between the shareholding structure and management of the Company and of the Group.

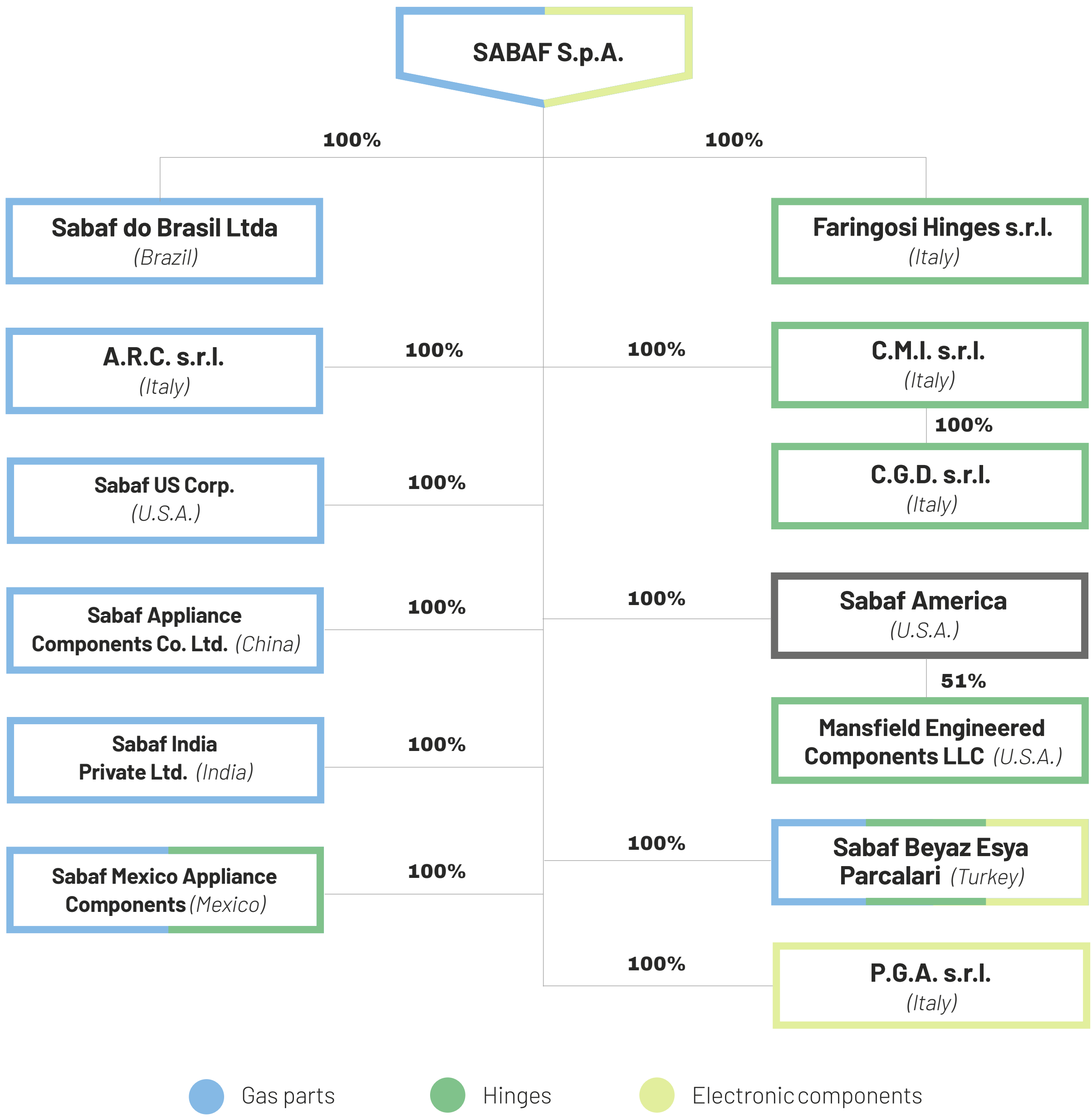
Sabaf is committed to maintaining a system of governance aligned with the recommendations and best practice. The Company has welcomed the new Corporate Governance Code, fully agrees with its innovations and has taken action on its own model to fully implement the Code.

This section highlights the choices made by Sabaf and the peculiarities of its governance system. Where possible, a comparison with other listed companies is also provided, using the information collected by Assonime in its document "Report on Corporate Governance in Italy: the implementation of the Italian Corporate Governance Code (2023)", published in February 2024 and concerning the Corporate Governance reports for 2022 of 202 listed Italian companies. The benchmark used below takes into account, where available, a panel of "non-financial" companies only.

An analysis of the characteristics and functioning of the Board of Directors is also provided in comparison with the top 100 Italian listed companies (industrial and financial) and with the main European and non-European countries, based on data published by Spencer Stuart in the analysis "Boards around the world".

GROUP STRUCTURE





Sabaf Group companies are active in the following business segments.

GAS PARTS

- Sabaf S.p.A., valves and burners
- Sabaf Brazil, burners
- Sabaf Turkey, valves and burners
- Sabaf China, burners
- A.R.C. s.r.l., professional burners
- Sabaf India, valves and burners
- Sabaf Mexico, burners (start of production scheduled for 2024)

ELECTRONIC COMPONENTS

- Sabaf Turkey, electronic control boards, timers, display and power units for ovens, hoods, vacuum cleaners, refrigerators and freezers
- P.G.A., electronic control boards for household appliances: hoods, refrigeration, air quality control and water supply, IoT

HINGES FOR HOUSEHOLD APPLIANCES

- Faringosi Hinges s.r.l.
- C.M.I. Group
- Sabaf Turkey
- MEC

INDUCTION COMPONENTS (START OF PRODUCTION IN 2024)

- Sabaf S.p.A.
- Sabaf Turkey
- P.G.A.

Sabaf US Corp. exclusively provides sales support services to other Group companies. Sabaf America Inc. was set up to complete the acquisition of Mansfield Engineered Components LLC ("MEC") on 14 July 2023.

THE GOVERNANCE STRUCTURE

Sabaf adopted a **traditional** model of management and control, characterised by the presence of:

- **Shareholders' Meetings** (ordinary and extraordinary) called to pass resolutions pursuant to the laws in force and the Company's Articles of Association;

- **the Board of Statutory Auditors** in charge of supervising: **(i)** compliance with the law in force and the Company's Memorandum of Association, as well as compliance with the principles of proper administration in the performance of the Company's activities; **(ii)** the adequacy of the Company's organisational structure, internal control and risk management system and administrative and accounting system; **(iii)** how the corporate governance rules set forth in the Corporate Governance Code are effectively implemented; **(iv)** risk management; **(v)** the statutory audit and the independence of the independent auditor;

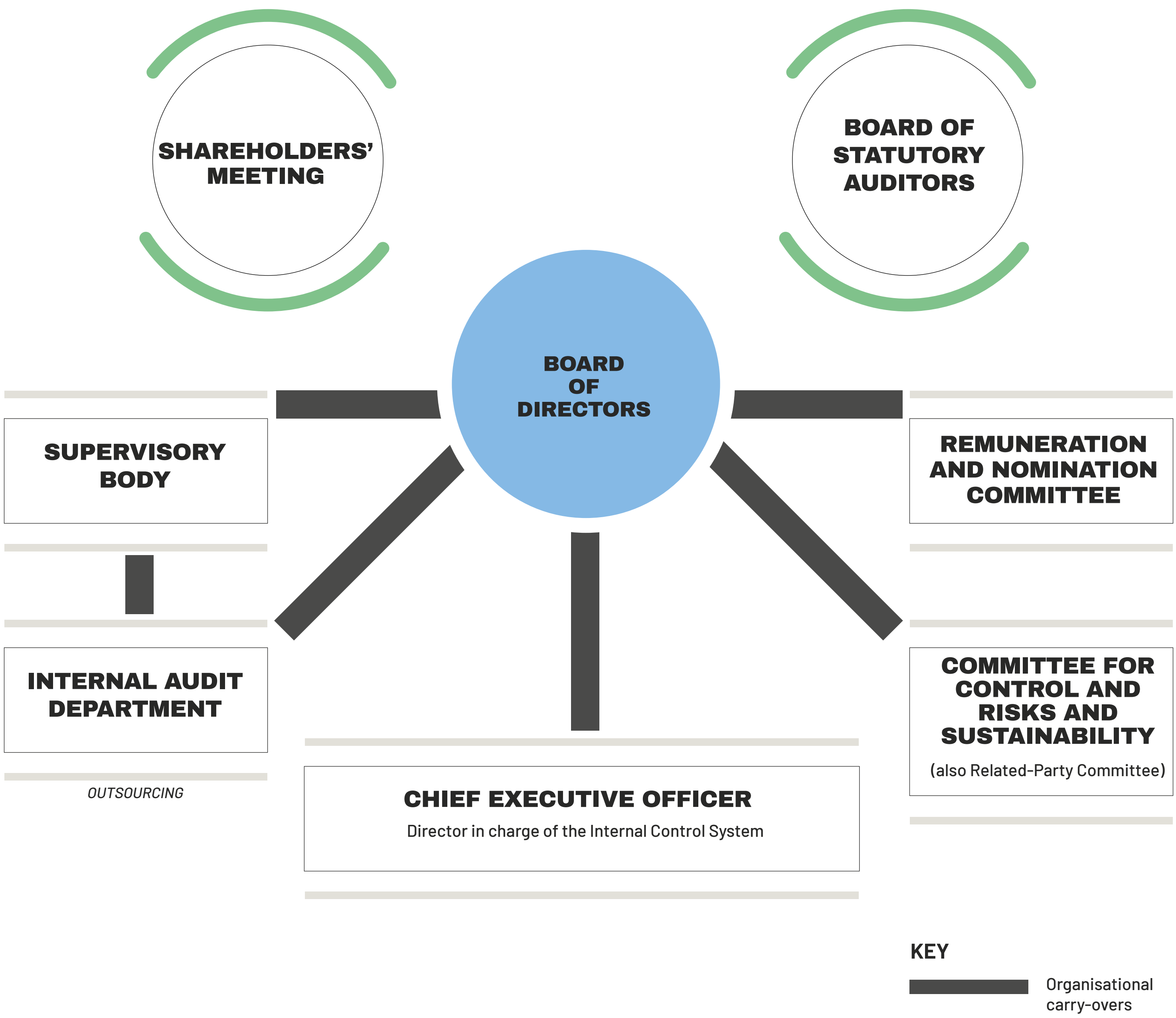
- the **Board of Directors**, in charge of the Company administration and its operations.

In accordance with the provisions of the Corporate Governance Code the Company complies with, this model is supplemented by:

a) the Committees set up by the Board of Directors within its members, each one with proposal and advisory functions on specific matters and without decision-making powers, such as:
   - the **Committee for Control and Risks and Sustainability**, that also takes on the functions of the Related-Party Committee;
   - the **Remuneration and Nomination Committee** that takes on the functions envisaged for the Remuneration Committee and integrates them with those relating to the appointment and composition of the control bodies indicated by the Code;

b) the **Internal Audit Department** in charge of checking the operation and adequacy of the internal control and risk management system.

Finally, the Group's administration and control model is completed by the **Supervisory Body**, set up following the adoption of the Organisation, Management and Control Model pursuant to Legislative Decree no. 231/2001, adopted by Sabaf since 2006.



BOARD OF DIRECTORS GUIDELINES ON THE QUANTITATIVE AND QUALITATIVE COMPOSITION OF THE BOARD OF DIRECTORS

In view of the renewal of its corporate bodies, on 20 February 2024, the Board of Directors of Sabaf S.p.A., at the suggestion of the Remuneration and Nomination Committee, approved the "Board of Directors' guidelines on the optimal quantitative and qualitative composition of the Board of Directors for the 2024-2026 three-year period", taking into account the Articles of Association and the results of the BoD Self-assessment approved on 19 December 2023. This document sets out the Company's indication on the characteristics considered functional to ensuring an optimal composition of the Board of Directors, with the aim of guiding the names put forward during the renewal stage, so that the benefits that can derive from a balanced composition of the Board are taken into consideration. It sets out the characteristics and factors considered necessary for the BoD to be able to carry out its assigned tasks more efficiently, take decisions thanks to the contribution of a number of qualified points of view and examine the issues under discussion from different perspectives, also within the framework of the internal board committees established from time to time.

With respect to the composition of the Board, the document outlines the following characteristics:

NUMBER OF MEMBERS

NUMBER OF INDEPENDENT AND NON-EXECUTIVE DIRECTORS

GENDER EQUALITY

TRAINING AND PROFESSIONAL EXPERIENCE

AGE AND SENIORITY IN OFFICE

TIME AVAILABILITY AND NUMBER OF OFFICES HELD

Furthermore, there are specific requirements for the positions of Chair of the Board of Directors, Chief Executive Officer and Executive Directors and Independent Directors.

The "Board of Directors' guidelines on the optimal quantitative and qualitative composition of the Board of Directors for the 2024-2026 three-year period" is published on the Group's website and described in the Report on Corporate Governance and ownership structure.

BOARD OF DIRECTORS

The Board of Directors currently in office, appointed by the Shareholders' Meeting on 6 May 2021 for the period 2021-2023, is composed of 9 members[2], including:

- 2 executive directors;
- 3 non-executive directors;
- 4 non-executive and independent directors.

NON- EXECUTIVE DIRECTORS

OFFICE	MEMBERS
Chairman	Claudio Bulgarelli

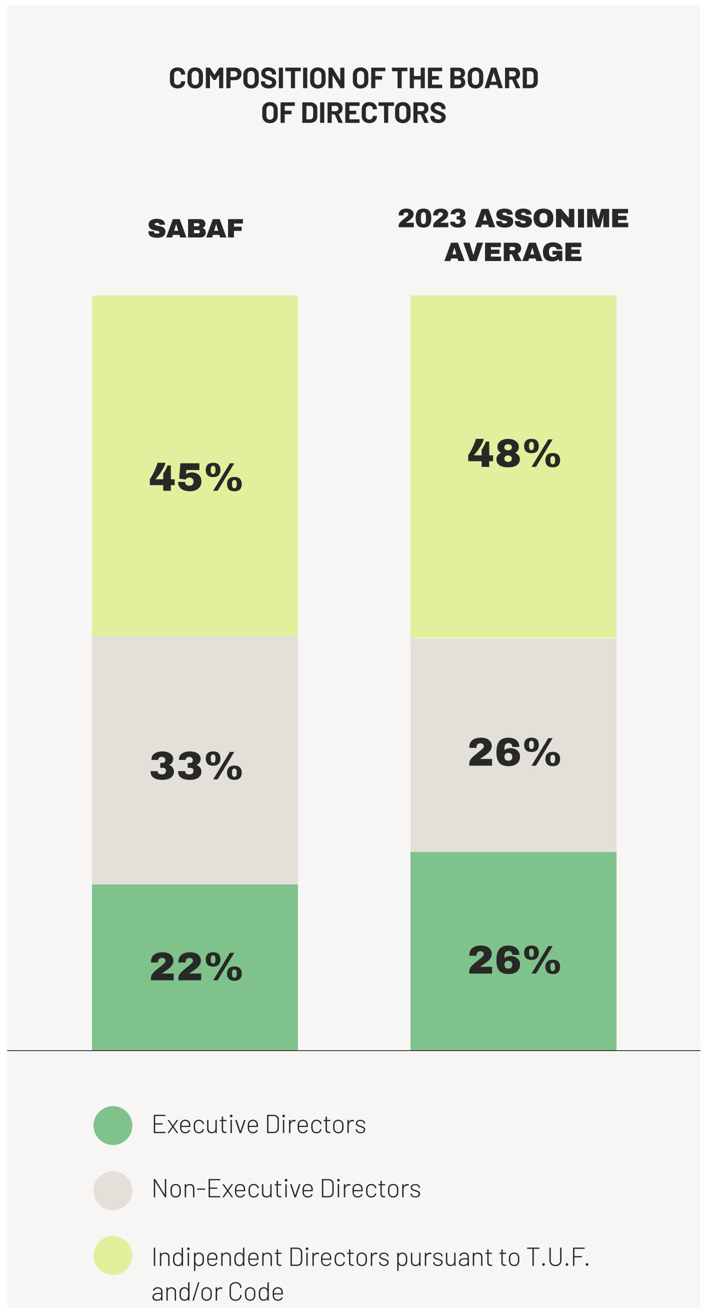
EXECUTIVE DIRECTORS

OFFICE	MEMBERS
Chief Executive Officer	Pietro Iotti
Executive Director	Gianluca Beschi

NON- EXECUTIVE DIRECTORS

OFFICE	MEMBERS
Vice Chairman	Nicla Picchi *LEAD INDEPENDENT DIRECTOR*
Director	Daniela Toscani
Director	Stefania Triva
Director	Carlo Scarpa
Director	Alessandro Potestà
Director	Cinzia Saleri

INDIPENDENT DIRECTORS pursuant to T.U.F. and/or Code



[2] The Curriculum Vitae of each Member is available on the Group's website.

COMPOSITION OF THE BOARD OF DIRECTORS

CLAUDIO BULGARELLI
Chairman

Degree in Mechanical Engineering, entrepreneur, chairman of Fintel srl , joined the BoD of Sabaf in 2018.

NICLA PICCHI
Vice Chairman

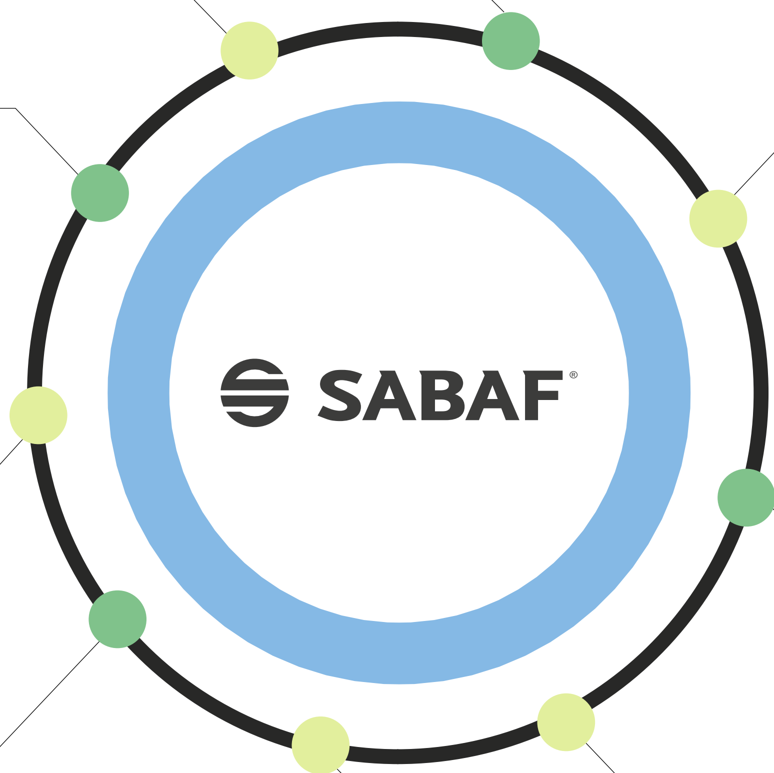
Degree in Law, Partner of Studio Picchi & Associati where she works as a lawyer. In Sabaf since 2006, she is also Chairman of SB 231 of Sabaf S.p.A. and of the subsidiary Faringosi-Hinges. She has been chairman of the Control and Risk and Sustainibility Committee since 2015.

PIETRO IOTTI
Chief Executive Officer

Mechanical Engineer, holds positions of increasing responsibility in several industrial companies. In Sabaf since 2017, he holds the position of Chief Executive Officer.

CINZIA SALERI
Director

Chairman of the Board of Directors of Cinzia Saleri S.a.p.A. and already director of Sabaf S.p.A. in the period from 2012 to 2018.



DANIELA TOSCANI
Director

Degree in business finance, she has gained many professional experiences in the field of finance and held positions of increasing responsibility in many financial and industrial companies; she joined the BoD of Sabaf in 2018.

CARLO SCARPA
Director

He is a university professor of economics, joined the BoD of Sabaf in 2019.

GIANLUCA BESCHI
Executive Director

Certified public accountant, at Sabaf since 1997 as Investor Relations Manager and Head of Management Control. He has been holding the position of Director of Administration, Finance and Control since 2012.

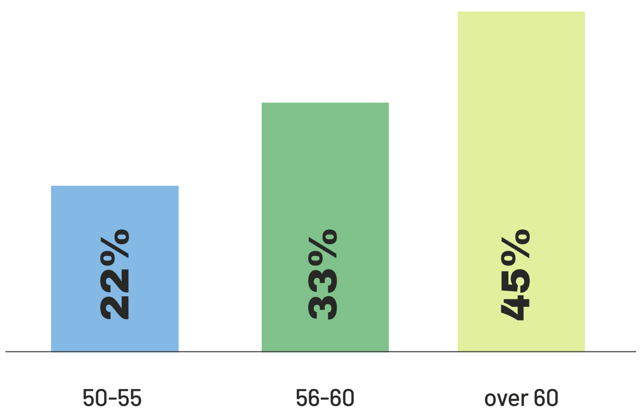
STEFANIA TRIVA
Director

Entrepreneur, since 2014 she has been holding the position of Chairman and CEO of Copan Italia S.p.A., she joined the BoD of Sabaf in 2018.

ALESSANDRO POTESTÀ
Director

Degree in Economics and Commerce, he held management positions in investments and Corporate Development. Today, he is Senior Portfolio Manager at Quaestio Capital Management SGR S.p.A.

AVERAGE AGE OF DIRECTORS



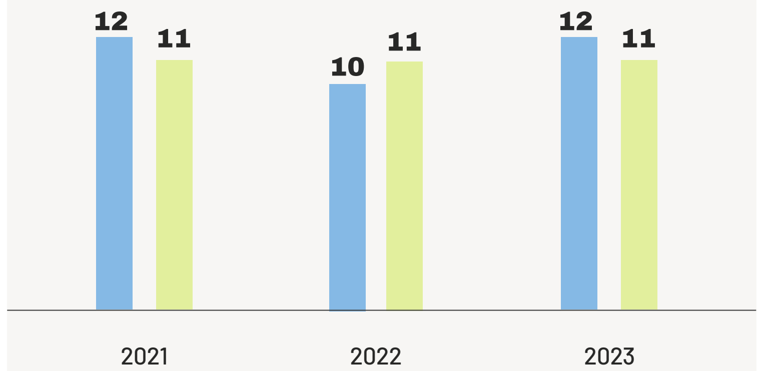
Overall average age
Sabaf 62 years old *vs* Assonime 57 years old

55% of the current board members are between 50 and 60 years old. The average age is higher than the average of Assonime sample (62 vs. 57 years).

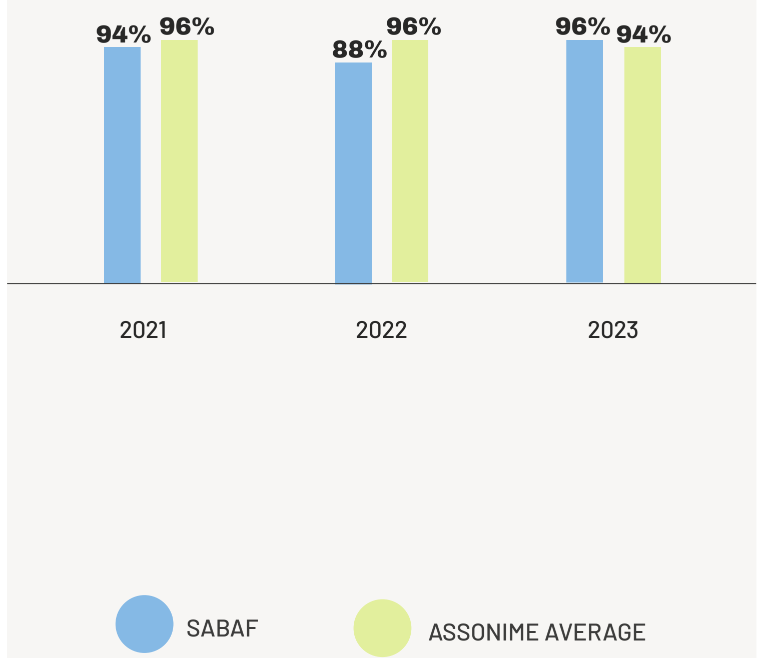
In 2023, the Board of Sabaf met 12 times (slightly above Assonime average), with an average attendance rate of 96%. In general, the attendance of Sabaf directors at Board meetings in the last three years (93% on average) is slightly below than that of Assonime panel (95%).

The meetings were attended by the Board of Statutory Auditors and - regularly - the managers of Sabaf, who were invited to report on specific issues on the agenda.

NUMBER OF MEETINGS
(2021-2023)

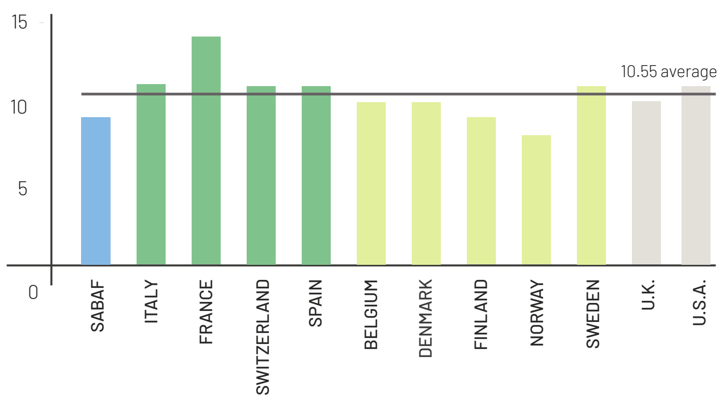


AVERANGE ATTENDACE AT THE MEETINGS
(2021-2023)[3]

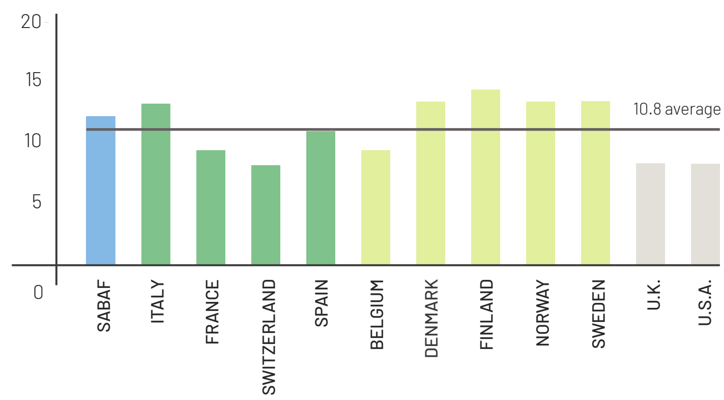


[3] Assonime panel including financial companies.

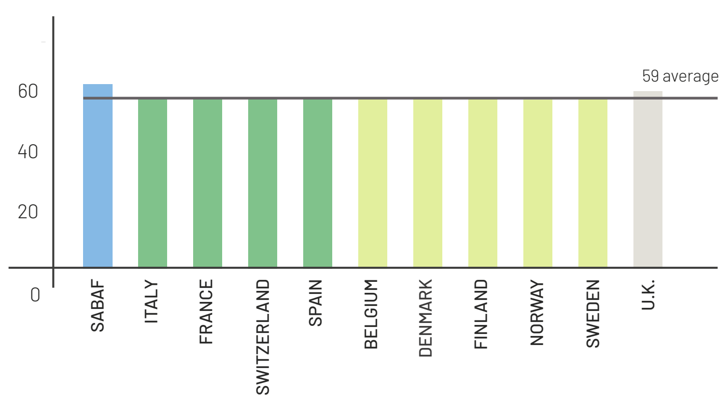
AVERAGE SIZE OF THE BoD



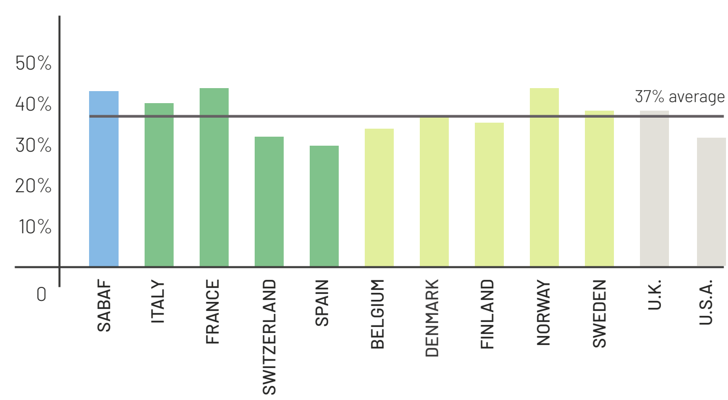
AVERAGE NUMBER OF MEETINGS OF THE BoD



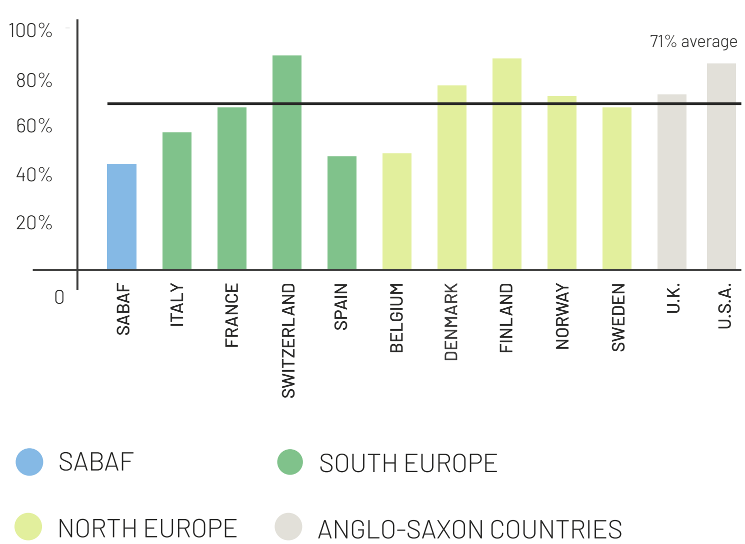
AVERAGE AGE OF NON-EXCUTIVE DIRECTORS



PERCENTAGE OF WOMAN IN THE BoD



PERCENTAGE OF INDIPENDENT DIRECTORS IN THE BoD



Source: Spencer Stuart, Board Governance: International Comparison Chart, March 2022

The comparison was made using the data published by Spencer Stuart in the analysis "Board Governance: International Comparison Chart" published in March 2022.[4]

SELF-ASSESSMENT OF DIRECTORS

The Board of Directors of the Company, in order to periodically assess the effectiveness of its activities and the contribution made by its individual members, opts, with respect to possible approaches to assessment, for the self-assessment of individual Directors through the distribution, compilation, collection and processing of questionnaires and the subsequent discussion in the Board of Directors of the results obtained, in order to identify any elements for improvement. The Operating Guidelines of Sabaf S.p.A.'s Corporate Governance Manual regulate this process, under which the board's contribution to defining the company's strategy is also assessed.
Consistent with the provisions of the Corporate Governance Code and the Corporate Governance Manual, which envisage that the self-assessment of the Board of Directors is to be carried out at least every three years, the Company's Board of Directors carried out its last self-assessment in 2023. For further information, please refer to the Report on Corporate Governance and Ownership Structure available on the Group's website under Investors - Corporate Governance.

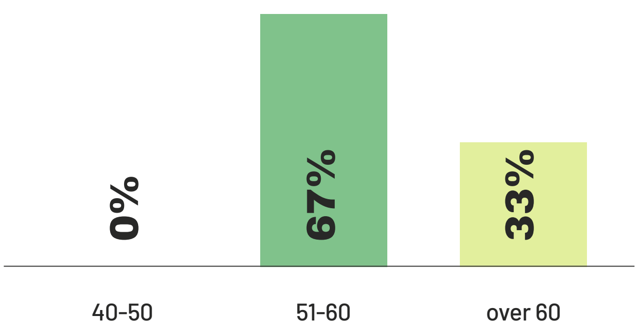
[4] https://www.spencerstuart.com/research-and-insight/international-comparison-chart

BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors, appointed by the Shareholders' Meeting on 6 May 2021 for the period 2021 to 2023, is composed of 3 members[5] with an average age of 62 years (higher than Assonime average of 57 years). The Chairman of the Board of Statutory Auditors is the expression of the minority list.

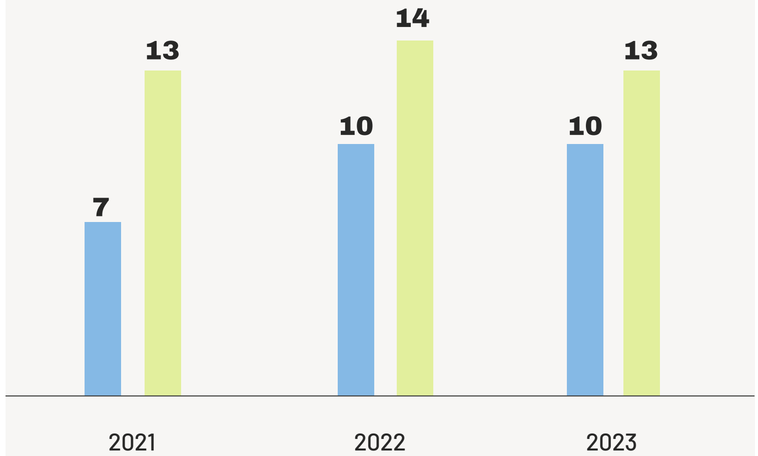
OFFICE	MEMBERS
Chairman	**Alessandra Tronconi**
Statutory Auditor	**Mauro Vivenzi**
Statutory Auditor	**Maria Alessandra Zunino de Pignier**

AVERAGE AGE OF STATUTORY AUDITORS

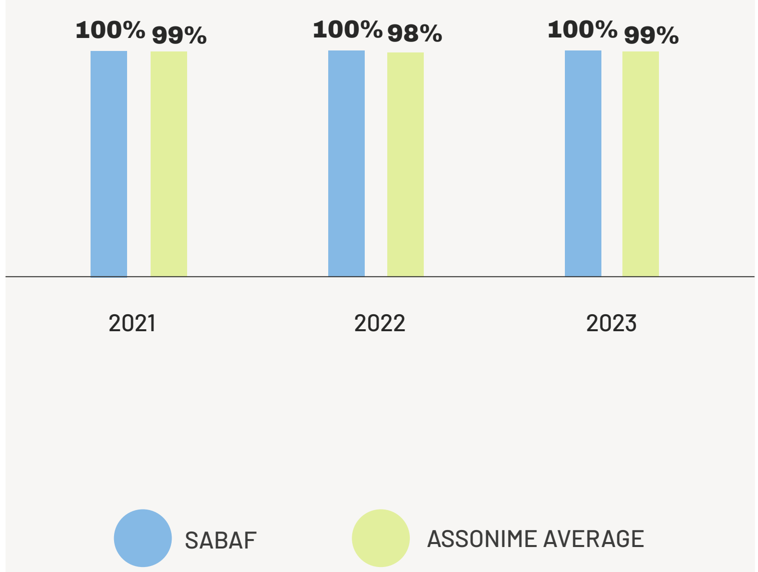


Overall average age
Sabaf 61.7 years old *vs* Assonime 57 years old

NUMBER OF MEETINGS
(2021-2023)



AVERAGE ATTENDACE AT THE MEETINGS
(2021-2023)[6]



The Board of Statutory Auditors of Sabaf met on average 9 times in the last three years (10 meetings in 2023), a number of times lower than the average number of meetings of Assonime sample (13.3 meetings in the three-year period).
The attendance of members at meetings was 100% in the period 2021 to 2023, higher than that of other listed companies of the research.
In general, the commitment of the Board of Statutory Auditors of Sabaf is achieved not only by carrying out checks and attending the periodic meetings required by law, but also by involving all members in the meetings of the Board of Directors, of the Committee for Control and Risks and Sustainability and of the Remuneration and Nomination Committee, in the half-yearly collective meetings with the Control Bodies and individual meetings with the independent auditors.

[5] The Curriculum Vitae of each statutory auditor is available on the Group's website.
[6] Assonime panel including financial companies.

COMMITTEE FOR CONTROL AND RISKS AND SUSTAINABILITY

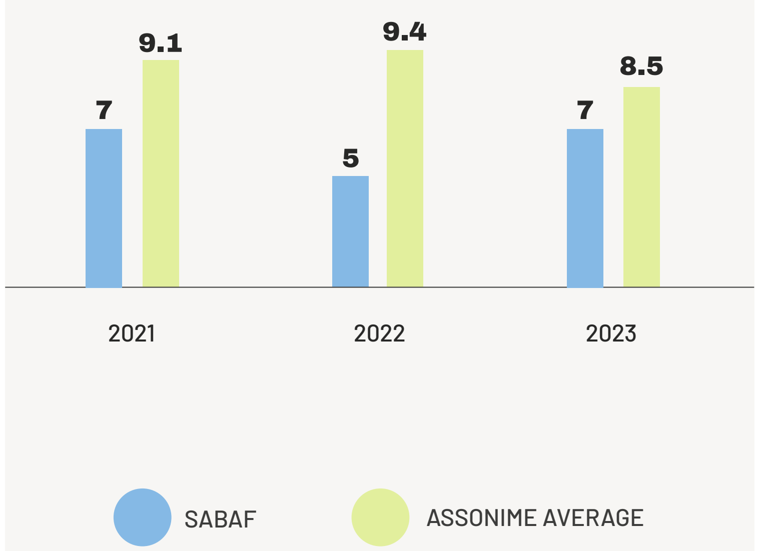
The Committee for Control and Risks and Sustainability currently in office, set up within the Board, consists of 3 members.

In line with the choice made by about 64% of Assonime panel (referring only to the CRC), the CCRS of Sabaf is made up exclusively of independent directors.

The Committee was also assigned the functions pertaining to the Related-Party Committee.

OFFICE	MEMBERS
Chairman	**Nicla Picchi**
Member	**Daniela Toscani**
Member	**Carlo Scarpa**

NUMBER OF MEETINGS
(2021-2023)[7]



The Committee met on average 6.3 times in the last three years (7 meetings in 2023), a number of times lower than the average number of meetings of Assonime sample (9.0 meetings on average).

In 2023, the Committee, among other things:

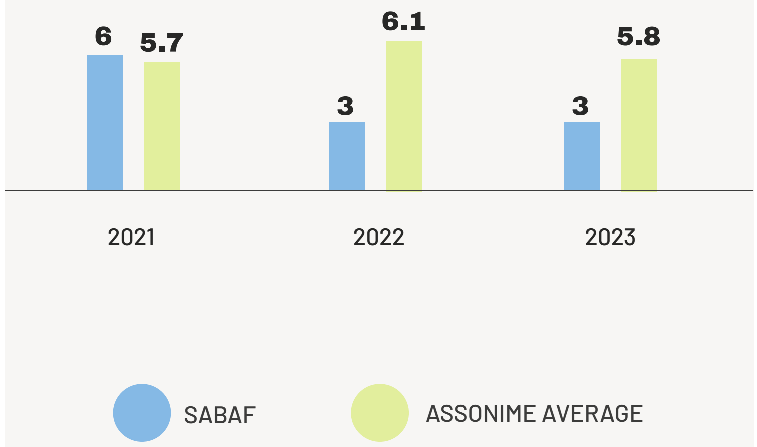
- evaluated, together with the Financial Reporting Officer and the auditors, the correct application of the accounting standards;
- analysed the results of the risk assessment conducted at the end of 2023 and the consequent 2024 Audit Plan Proposal;
- analysed the results of the Internal Audit operations carried out during the year;
- made considerations regarding sustainability issues, in particular with reference to:
  - the Group's methodological approach to managing and reporting on sustainability issues;
  - current and future legal requirements (CSRD, European Taxonomy Regulation, Carbon Border Adjustment Mechanism (CBAM));
- identification of a consultant to assist the Company: a) in defining a timetable of activities required to comply with the "Corporate Sustainability Reporting Directive"; b) in defining the sustainability path and strategy, activities that will include the preparation of a Transition plan for climate change mitigation, also with the aim of integrating the ESG strategy into the business plan.

[7] Assonime panel including financial companies and referred only to the Control and Risks Committee.

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee, set up within the Board, comprises three non-executive members, the majority of them independent (in line with the choice made by 60% of Assonime panel), with the knowledge and experience in accounting, finance and remuneration policies that is deemed adequate by the Board of Directors.

NUMBER OF MEETINGS
(2021-2023)[8]



OFFICE	MEMBERS
Chairman	**Daniela Toscani**
Member	**Stefania Triva**
Member	**Alessandro Potestà**

In the last three years, the Committee met fewer times than Assonime average (4 vs 5.9). In particular, in 2023, the Committee met three times.

In 2023, the Committee, among other things:

- analysed the final results of the managerial incentive plan (MBO) for the 2021 and prepared the managerial incentive plan for 2022, approved by the Board of Directors on 21 March 2023;
- analysed the preliminary report on the long-term incentive plan (the "LTIP") for directors and employees of the Company and its subsidiaries through the free allocation of shares (the "Stock Grant Plan"), approved by the Board of Directors on 13 May 2021. For further details, reference should be made to the 2023 Report on Remuneration, available on the Company's website at www.sabafgroup.com, under the section "Investors - Corporate Governance",

[8] Assonime panel including financial companies and referred only to the Remuneration Committee.

GOVERNANCE OF SUSTAINABILITY

Sabaf has always believed that **social and environmental topics** are an integral part of the Group's strategy and, as such, are the **responsibility of the Board of Directors**.

With reference to the governance of these topics, at the meeting of the Board of Directors on 6 May 2021, it was confirmed that the criteria for implementing Corporate Social Responsibility ("CSR") are the responsibility of the Board. At the same meeting, the Board of Directors set up a Board committee, the **Committee for Control and Risks and Sustainability**, which, with reference to sustainability issues, has the task of:

- supporting the Board of Directors in the analysis of issues relevant to the Company and the Group, promoting a policy that integrates sustainability into business processes in order to ensure the creation of sustainable value over time for shareholders and all other stakeholders;
- promoting the dissemination of the culture of sustainability among all stakeholders;
- assessing the environmental, economic and social impacts of business activities;
- expressing opinions on the annual and multi-year sustainability targets to be achieved;
- expressing opinions on the initiatives and programmes promoted by the Company and the Group in terms of corporate social responsibility;
- assessing the suitability of periodic information to correctly represent the Company's business model, strategies, the impact of its activities and the performance achieved;
- examining the contents of periodic non-financial information;

All Sabaf employees, as part of their responsibilities and competences, are required to implement the Group's sustainability strategy every day in the performance of their activities.

INDUCTION PROGRAMME

In 2023, the members of the Committee for Control and Risks and Sustainability were involved in ESG-related induction activities. Specifically, the Company invited consultants to describe the current legislative framework and the recent and forthcoming regulations, such as the Corporate Sustainability Reporting Directive (CSRD), the European Taxonomy Regulation and the Carbon Border Adjustment Mechanism (CBAM).

INTERNAL AUDIT AND SUPERVISORY BODY

INTERNAL AUDIT

On 25 June 2019, the Board of Directors, upon the proposal of the Director in charge of the Internal Control and Risk Management System, entrusted the responsibility for the Group Internal Audit Department for the period from 1 July 2019 to 31 December 2021 to PricewaterhouseCoopers Advisory S.p.A. (PwC), identifying Giuseppe Garzillo, a partner of the company, as the Head of the department. On 16 December 2021, the Board of Directors, subject to the favourable opinion of the Control and Risk Committee and after hearing the Board of Statutory Auditors, renewed the appointment of PwC for the three-year period 2022 to 2024 and confirmed Mr. Garzillo as Head of Internal Audit.

The Head of Internal Audit reports hierarchically to the Board of Directors, which approves the Work Plan.

SUPERVISORY BODY

The Supervisory Body, appointed on 6 May 2021 by the Board of Directors for the three-year period 2021 to 2024, comprises Nicla Picchi, independent director and Vice Chairman of the Company, and Giuseppe Garzillo, Head of Internal Audit.

OFFICE	MEMBERS
Chairman	**Nicla Picchi**
Member	**Giuseppe Garzillo**

Also a member of the Board of Directors, as **independent director (Vice Chairman).**

Also **Head of Internal Audit Department**. Representative of the Company that manages Internal Audit activities on an outsourcing basis.

During 2023, the Supervisory Body of Sabaf met 6 times, asking the Company's management to attend the meetings in order to carry out in-depth analyses on specific aspects.

CONFLICTS OF INTEREST

The Board of Directors adopted a Guideline setting out the procedures for the approval and implementation of transactions carried out by the Company and its subsidiaries in which a director has an interest, in order to:

- regulate the operating procedures suitable for facilitating the identification and appropriate management of situations in which a director has an interest, potential or otherwise, on its own behalf or on behalf of third parties, which is not only conflicting but also competing with the Company's interest;
- ensure that these transactions are carried out in a transparent manner and in compliance with the criteria of correctness in form and in substance.

In the presence of a director's interest:

- if the transaction is subject to the approval of the Board of Directors, the Director with such an interest must immediately and fully inform the Board prior to the commencement of the Board's discussion, specifying the nature, terms, origin and extent of the underlying interest (even if potential or on behalf of third parties) and must leave the Board meeting at the time of the discussion and any subsequent resolution;
- if the transaction falls within the powers of the Chief Executive Officer who has an interest in the transaction, the latter shall refrain from carrying it out and submit it to the Sabaf Board for approval.

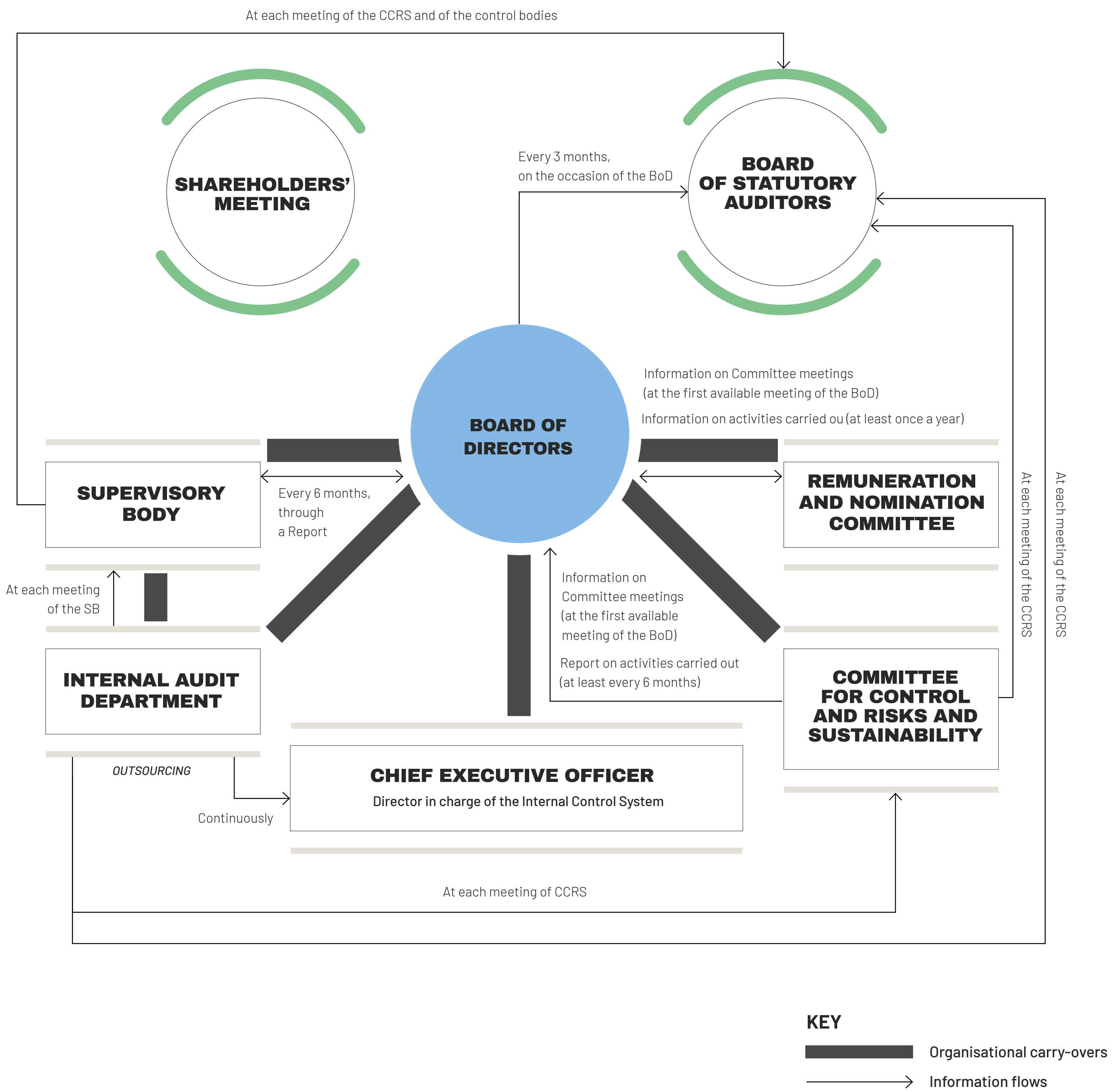
In both cases, the resolution of the Board of Directors must contain an adequate justification of the reasons and the benefits of the transaction for the Company.

If the existence of the director's interest, potential or otherwise, constitutes a Related Party transaction, the provisions of the Procedure regulating related-party transactions, published on the website www.sabafgroup.com apply.

INFORMATION FLOWS

The administration and control model of Sabaf operates through a **network of** periodic and systematic **information flows** between the various corporate bodies.
Each body, according to the timing and methods defined by the Articles of Association, the Governance Model and other internal documents, reports to the functionally superior body on the activities carried out in the reference period and those planned for the following period, any observations noted and suggested actions.

Information flows within the governance structure



RISK MANAGEMENT

As part of its business, Sabaf defines its strategic and operational objectives and identifies, assesses and manages risks that could prevent the achievement of these objectives.

In recent years, Sabaf has gradually moved closer to the concepts of risk assessment and risk management, developing a structured process of periodic identification, assessment and management of risks, defined and formalised in a Guideline of the Corporate Governance Manual.

The risk management process includes all the material topics identified by the Group as part of the materiality analysis carried out in accordance with the provisions of the GRI Standards.

The Guidelines define the roles and responsibilities of the risk assessment and risk management processes, indicating the parties to be involved, the frequency of the process and the assessment scales.
The most recent risk assessment activity, coordinated by the Internal Audit Department and aimed at updating the risk assessment, was carried out in September and October 2023.
The identification of risks was carried out according to a structured approach that involved the following steps:

- conducting specific interviews with the front lines and the Chief Executive Officer - risk owner/process owner;
- sharing of risk assessment documents drawn up after meetings with risk owner/process owner;
- identification of the universe of risks considered relevant for the Group;
- identification of top risks;
- prior examination of the risk assessment by the Control and Risk Committee;
- approval of the Board of Directors.

All risks were investigated in terms of initial impact and probability, inherent risk and, taking into account existing mitigation measures, residual risk. The result of this analysis was represented within specific "heat maps" representing the risks in terms of "residual risk" and "current level of control".

	SEVERITY RATE			
SEVERITY DRIVERS	**MINOR** 1	**MODERATE** 2	**SIGNIFICANT** 3	**CATASTROPHIC** 4
Economic and Financial (EBITDA %)	**< €0.5 million**	**between €0.5 and €2 million**	**between €2 and €5 million**	**> €5 million**
HSE	Limited or negligible temporary impact on health and safety and/or the environment (minor environmental damage)	Moderate impacts/damage on health and safety and/or the environment (recoverable environmental damage)	Serious impacts/damage on health and safety and/or the environment (critical environmental damage)	Very serious impacts/damage on health and safety and/or the environment (catastrophic pollution)
REPUTATIONAL	Insignificant or small impacts on the level of trust of stakeholders	Moderate impacts on the level of trust of stakeholders but requiring targeted action by the company	Significant impacts on the level of trust of stakeholders requiring action by the company	Trust of key stakeholders significantly compromised with need for immediate action
OPERATIONAL	No impact on business processes and/or customer relations	Low impacts on: i) efficiency/continuity of one or more non-critical business processes and/or ii) relations with customers other than "key accounts"	Significant impacts on: i) efficiency/continuity of one or more key business processes and/or ii) relations with key customers (key account)	Critical impacts on: i) efficiency/continuity of business and/or ii) relations with key customers (key account)

	FREQUENCY RATE			
FREQUENCY DRIVERS	**RARE** 1	**UNLIKELY** 2	**POSSIBLE** 3	**LIKELY** 4
Probability of occurrence in the following three years	**< 5%**	**from 5% to 25%**	**from 25% to 50%**	**> 50%**
Frequency of occurrence	Event never occurred in the past and considered unlikely	Event occurred in the past and considered not very likely	Event occurred in the past and considered likely	Event occurred (several times) in the past/recently

	LEVEL OF CONTROL			
LEVEL OF CONTROL	**OPTIMAL** 1	**ADEQUATE (WITH POSSIBLE ROOM FOR IMPROVEMENT)** 2	**TO BE STRENGTHENED** 3	**LACKING/NON-EXISTENT** 4
Description	In line with best practices and best in class	There are policies, procedures and/or operating instructions. However, there is still room for improvement	Processes are not structured and are based on the skills of the individuals involved	Lack of controls, policies, procedures and organisational structures to manage and address risks/opportunities
% of reduction of inherent risk	75-90%	50-75%	30-50%	0-30%

The risks related to the topics covered by Legislative Decree no. 254/2016 are described in this document, under the different chapters. For further details on risk factors, please also refer to the Report on Operations.

COMPLIANCE

INTEGRATED COMPLIANCE

INTERNAL CONTROL SYSTEM

The risk management activity carried out by Sabaf also takes into account compliance requirements in order to achieve the Company's objectives.
The internal control system is based on the following elements:
- organisation of the **internal control and risk management system**;
- procedures and mechanisms for the concrete implementation of the **control principles**;
- **continuous verification and monitoring processes** carried out at various levels of the organisation, both within the Company processes and through independent structures.

In particular, Sabaf prepares an integrated and risk-based Audit Plan, broken down according to specific control objectives (operational risks, compliance risks with Law 262/2005, Legislative Decree 231/2001, GDPS, security of Company information systems, etc.). The execution of the interventions is assigned, in outsourcing, to a single structure, the Internal Audit, in turn responsible for reporting the results of the activities carried out to the competent control bodies.

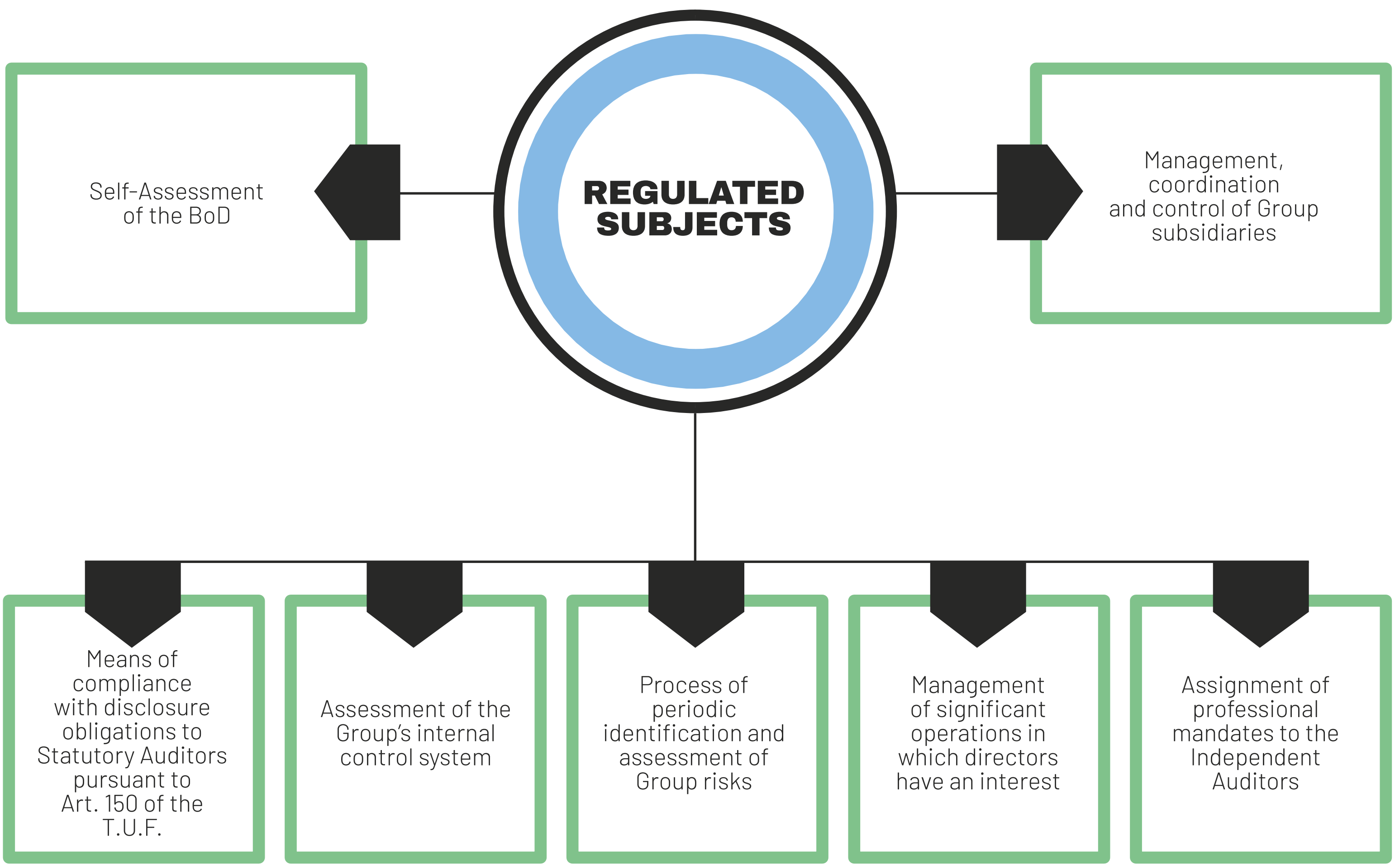
All this translates into an **integrated compliance** culture and tools.

INTEGRATED COMPLIANCE AND THE CORPORATE GOVERNANCE MANUAL

Following compliance with the Corporate Governance Code and in order to adopt the good governance practices sponsored in this document in its processes, Sabaf adopted a **Corporate Governance Manual**[9] that regulates principles, rules and operating procedures.

This Manual, adopted by Board resolution of 19 December 2006, was updated several times over the years in order to reflect new laws and regulations in Corporate Governance, as well as the best practices adopted by the Company over time. The Manual includes some operating guidelines, also approved by the Board of Directors, prepared for the purposes of duly performing the activities pertaining to Sabaf's management and control bodies.

OPERATING GUIDELINES



[9] The latest version of the document in accordance with the provisions of the Corporate Governance Code, approved by the Board of Directors on 16 December 2021, is available on the Company website, at www.sabafgroup.com under the Investors - Corporate Governance section.

INTEGRATED COMPLIANCE AND LEGISLATIVE DECREE NO. 231/2001

In 2006, Sabaf S.p.A. adopted the **Organisation**, **Management and Control Model**, **as suggested by Legislative Decree 231/2001**[10], aimed at preventing the commission of specific types of offences by employees and/or employees in the interest or for the benefit of the Company.

In the following years, the Company, under the supervision of the Supervisory Body, promptly responded to the need to adapt the Model and the control structure to the regulatory changes that had occurred from time to time.

The Company entrusts the Supervisory Body with the task of assessing the adequacy of the Model itself, i.e. its real capacity to prevent offences as well as to supervise the operation and correct observance of the adopted protocols.

In 2008, the subsidiary Faringosi Hinges s.r.l. also adopted Model 231 and appointed the SB, ensuring, in line with the Parent Company, its proper updating and effective operation.

In 2019 and in 2021, C.G.D. and C.M.I. respectively adopted their own Model 231, limited to the management of issues related to occupational health and safety.

Activities carried out in 2023

In 2023, the Body:

- verified the effectiveness of the Model, both through checks carried out by Internal Audit and by interviewing the personnel involved in sensitive activities;
- carried out the updating and collection of flows in patent management;
- carried out the updating and collection of flows in HSE;
- carried out in-depth studies on the whistleblowing process in the light of the new regulations and made proposals to strengthen this process;
- held periodic consultation meetings with Company management in order to analyse certain issues relating to the management of personnel and related information flows, the environment and occupational health and safety matters in the workplace, as well as issues subject to audits during the year.

[10] The latest version of the document, approved by the Board of Directors on 13 May 2021, is available on the Company website, at www.sabafgroup.com under the Investors - Corporate Governance section.

INTEGRATED COMPLIANCE AND ANTI-CORRUPTION

The Sabaf Group, aware of the negative effects of corrupt practices in business management, is committed to **preventing and combating** the occurrence of crimes during the performance of its operations.

Risk analysis and assessment in case of violation of anti-corruption regulations is included in the annual **Risk Assessment** process.

Sabaf is committed to preventing unlawful behaviour by disseminating the contents of its **Charter of Values** and of the **Organisation, Management and Control Model pursuant to Legislative Decree 231/2001** (adopted by Sabaf S.p.A. and Faringosi-Hinges s.r.l. and , limited to the part concerning Health and Safety at Work, by C.M.I. s.r.l. and C.G.D. s.r.l.).

As further confirmation of its commitment to fight against unlawful behaviour, during 2018, Sabaf adopted a **Group Anti-Corruption Policy.** The provisions and guidelines set out in the Policy are intended to **promote the highest ethical standards in all business relationships** in line with national and international best practices.
The Anti-Corruption Policy **applies globally to Sabaf, to the Group's subsidiaries and to all of their employees**.

The Anti-Corruption Policy identifies some **general principles of behaviour** (prohibited obligations and behaviour), applicable to all Recipients. Based on activities carried out by Sabaf and inspired by international best practices, **rules of behaviour have been developed in the following main areas assessed as potentially exposed to risks of corruption**:
- trade relations with intermediaries and agents;
- trade relations with customers, suppliers and other third parties;
- relations with trade unions and political organisations;
- human resource management;
- management of gifts and presents, entertainment expenses, donations and sponsorships;
- accounting and financial procedures and controls.

There were no instances of corruption during the three-year period from 2021 to 2023.

WHISTLEBLOWING

In 2023, Sabaf S.p.A. and some of its subsidiaries set up a special channel to report crimes and irregularities, introducing an enhanced mechanism to protect those willing to report improper conduct that has come to their attention as part of their work.

A specific tool is available to be used for reporting breaches such as:
- predicate crimes under Legislative Decree no. 231/2001;
- further crimes covered by Law Decree no. 24/2023.

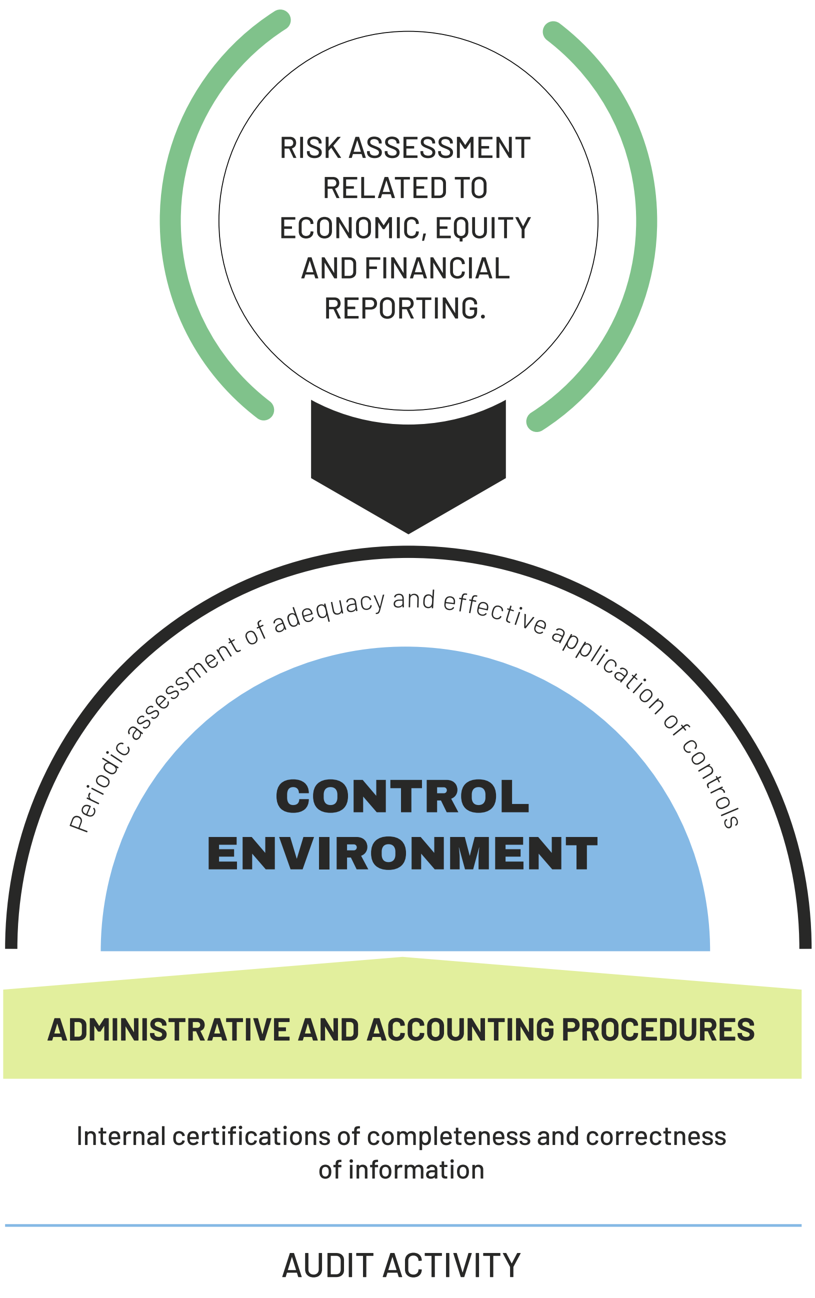
The whistleblowing channel guarantees the confidentiality and privacy of both the reporting person and the content of the report, and underlines Sabaf's commitment to promoting an ethical, transparent and accountable working environment.

INTEGRATED COMPLIANCE AND LAW 262/2005

Sabaf considers the Internal Control and Risk Management System for financial information an integral part of its risk management system.
In this regard, Sabaf has integrated the activities relating to the management of the internal control system on financial reporting into its Audit and Compliance process since 2008.

The Group defined its own **Accounting Control Model**, approved for the first time by the Board of Directors on 12 February 2008, subsequently revised and updated.

ELEMENTS CHARACTERISING THE ACCOUNTING CONTROL MODEL



COMPLIANCE WITH LAWS AND REGULATIONS

There were no significant instances of non-compliance with laws and regulations in 2023.

Sabaf and employees

RISKS

The management of relations with the employees of the Sabaf Group cannot disregard the identification, assessment and management of potential risks. The relevant risk categories in this area are set out below.

Strategic risks, which could affect the achievement of the Group's development objectives, such as the lack of adequate skills, the loss of key resources or the difficulty of replacing them.

Legal and compliance risks, related to contractual liabilities, compliance with the regulations applicable to the Group and the commitments set out in the Charter of Values, such as the correct application of labour contracts in force in the various countries in which the Group operates, health and safety regulations, compliance with the criteria of fairness and impartiality in the management of human resources.

Operational risks, which may lead to malfunctions in the performance of current activities, such as high turnover or conflicting industrial relations.

The Sabaf Group implements structured policies and defines centrally coordinated guidelines in the following areas:

- selection and recruitment of personnel;
- training;
- health and safety;
- internal communication;
- remuneration and incentive systems;
- company welfare;
- industrial relations.

To this end, the Group's organisational structure includes the positions of Global Group HR Director and Group HSE Manager.

The combination of these systems and policies enables the Group to have an adequate control of the risks related to the management of relations with employees.

The following paragraphs outline, for each of these topics, the characteristics of the "Sabaf model" and the performance achieved.

PERSONNEL MANAGEMENT POLICY

The commitment to social responsibility and the protection of workers' health and safety are strategic elements for the Sabaf Group and the compliance with labour standards that guarantee respect for human rights, health and maximum safety is an essential paradigm.
The Group is committed to pursuing the following objectives, which are also set out in the Charter of Values:

- promote respect for the fundamental human rights of workers in all countries where the Group operates, as identified in the principles established in the Global Compact and in the Code of Conduct of APPLiA Europe (European association of household appliances), relating to child labour, forced and compulsory labour, occupational health and safety, freedom of association and right to collective bargaining, discrimination, disciplinary procedures, working hours and remuneration criteria;
- carry out their activities by creating a group of motivated people who can operate in a work environment that encourages and rewards fairness and respect for others;
- produce profits without ever losing sight of the respect for the rights of its workers;
- identify and analyse potential hazards and risks in business processes, in order to make workplaces safer and more comfortable;
- avoid any form of discrimination and favouritism during the recruitment phase of personnel, whose selection must be made on the basis of the applicants' profiles meeting the company's requirements;
- value and respect diversity, avoiding any form of discrimination in career advancement on the grounds of gender, sexual orientation, age, nationality, state of health, political opinions, race and religious beliefs at all stages of the employment relationship;
- adopt criteria of merit and competence in employment relationships, based also on the achievement of collective and personal objectives;
- avoid all forms of harassment of workers;
- enhance the contribution of human capital in decision-making processes, encouraging continuous learning, professional growth and knowledge sharing;
- provide clear and transparent information on the tasks to be carried out and the position held, the performance of the Group and market developments;
- establish a responsible and constructive dialogue with trade unions, fostering a climate of mutual trust in compliance with the principles of fairness and transparency, respecting their roles.

During 2023, no episodes of discrimination were observed, no transactions/activities with a high risk of recourse to child labour and forced or compulsory labour or with a high risk of violation of the right of workers to exercise their freedom of association and collective bargaining were identified.

THE PEOPLE OF THE SABAF GROUP

The Sabaf Group had 1,318 employees at 31 December 2023 compared to 1,238 at the end of 2022. Employees are up 80 units compared to the previous year (+6.46%). Of these, 47 refer to the inclusion of P.G.A. and Sabaf India in the reporting boundary.

	31.12.2023			31.12.2022			31.12.2021		
Breakdown of employees by gender and by geographical area (no.)	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
Sabaf S.p.A. (Ospitaletto, Brescia - Italy)	292	162	**454**	298	163	**461**	309	164	**473**
Faringosi Hinges s.r.l. (Bareggio, Milan - Italy)	19	23	**42**	20	23	**43**	22	23	**45**
A.R.C. s.r.l. (Campodarsego, Padua - Italy)	14	5	**19**	14	5	**19**	16	5	**21**
C.M.I. s.r.l. (Valsamoggia, Bologna – Italy)	32	53	**85**	30	56	**86**	31	53	**84**
C.G.D. s.r.l. (Valsamoggia, Bologna – Italy)	39	4	**43**	40	3	**43**	41	3	**44**
P.G.A. s.r.l. (Fabriano, Ancona – Italy)	18	16	**34**	-	-	**-**	-	-	**-**
TOTAL ITALY	**414**	**263**	**677**	**402**	**250**	**652**	**419**	**248**	**667**
C.M.I. s.r.l. - Polish branch (Myszków, Poland)	19	28	**47**	17	30	**47**	19	26	**45**
TOTAL POLAND	**19**	**28**	**47**	**17**	**30**	**47**	**19**	**26**	**45**
Sabaf Brazil (Jundiaí, São Paulo - Brazil)	77	16	**93**	60	15	**75**	94	18	**112**
TOTAL BRAZIL	**77**	**16**	**93**	**60**	**15**	**75**	**94**	**18**	**112**
Sabaf Turkey (Manisa - Turkey)	263	218	**481**	150	104	**254**	144	94	**238**
Okida (Esenyurt/Istanbul – Turkey)	-	-	**-**	103	99	**202**	97	112	**209**
TOTAL TURKEY	**263**	**218**	**481**	**253**	**203**	**456**	**241**	**206**	**447**
Sabaf China (Kunshan, Jiangsu Province – China)	4	3	**7**	5	3	**8**	5	2	**7**
TOTAL CHINA	**4**	**3**	**7**	**5**	**3**	**8**	**5**	**2**	**7**
Sabaf India (Hosur, Tamil Nadu - India)	13	0	**13**	-	-	**-**	-	-	**-**
TOTAL INDIA	**13**	**0**	**13**	**-**	**-**	**-**	**-**	**-**	**-**
GROUP TOTAL	**790**	**528**	**1,318**	**737**	**501**	**1,238**	**778**	**500**	**1,278**

With respect to the types of contract adopted, at 31 December 2023, there were 1,314 employees with permanent contracts equal to 99.7% of the total (99.5% at the end of 2022) and 4 employees with a fixed-term contract, equal to 0.3% of the total (0.5% at the end of 2022).

GROUP

	31.12.2023			31.12.2022			31.12.2021		
(no.)	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
Permanent	788	526	**1,314**	733	499	**1,232**	770	498	**1,268**
Fixed term	2	2	**4**	4	2	**6**	8	2	**10**
Non-guaranteed hours	0	0	**0**	0	0	**0**	0	0	**0**
GROUP TOTAL	**790**	**528**	**1,318**	**737**	**501**	**1,238**	**778**	**500**	**1,278**

ITALY (Sabaf S.p.A., Faringosi, A.R.C., C.M.I., C.G.D., P.G.A.)

	31.12.2023			31.12.2022			31.12.2021		
(no.)	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
Permanent	412	262	**674**	399	249	**648**	412	246	**658**
Fixed term	2	1	**3**	3	1	**4**	7	2	**9**
Non-guaranteed hours	0	0	**0**	0	0	**0**	0	0	**0**
TOTAL	**414**	**263**	**677**	**402**	**250**	**652**	**419**	**248**	**667**

POLAND (C.M.I. - POLISH BRANCH)

	31.12.2023			31.12.2022			31.12.2021		
(no.)	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
Permanent	19	28	**47**	17	30	**47**	19	26	**45**
Fixed term	0	0	**0**	0	0	**0**	0	0	**0**
Non-guaranteed hours	0	0	**0**	0	0	**0**	0	0	**0**
TOTAL	**19**	**28**	**47**	**17**	**30**	**47**	**19**	**26**	**45**

BRAZIL (Sabaf Brazil)

	31.12.2023			31.12.2022			31.12.2021		
(no.)	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
Permanent	77	16	**93**	60	15	**75**	94	18	**112**
Fixed term	0	0	**0**	0	0	**0**	0	0	**0**
Non-guaranteed hours	0	0	**0**	0	0	**0**	0	0	**0**
TOTAL	**77**	**16**	**93**	**60**	**15**	**75**	**94**	**18**	**112**

TURKEY (Sabaf Turkey and Okida)

	31.12.2023			31.12.2022			31.12.2021		
(no.)	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
Permanent	263	218	**481**	253	203	**456**	241	206	**447**
Fixed term	0	0	**0**	0	0	**0**	0	0	**0**
Non-guaranteed hours	0	0	**0**	0	0	**0**	0	0	**0**
TOTAL	**263**	**218**	**481**	**253**	**203**	**456**	**241**	**206**	**447**

CHINA (Sabaf China)

	31.12.2023			31.12.2022			31.12.2021		
(no.)	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
Permanent	4	2	**6**	4	2	**6**	4	2	**6**
Fixed term	0	1	**1**	1	1	**2**	1	0	**1**
Non-guaranteed hours	0	0	**0**	0	0	**0**	0	0	**0**
TOTAL	**4**	**3**	**7**	**5**	**3**	**8**	**5**	**2**	**7**

INDIA (Sabaf India)

(no.)	31.12.2023			31.12.2022			31.12.2021		
	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
Permanent	13	0	**13**	-	-	**-**	-	-	**-**
Fixed term	0	0	**0**	-	-	**-**	-	-	**-**
Non-guaranteed hours	0	0	**0**	-	-	**-**	-	-	**-**
TOTAL	**13**	**0**	**13**	**-**	**-**	**-**	**-**	**-**	**-**

WORKERS WHO ARE NOT EMPLOYEES (agency workers or similar and interns)

(no.)	31.12.2023	31.12.2022	31.12.2021
Agency workers	117	115	198
Interns	1	3	11

In 2023, the Group also employed 762 people who carried out contract work at the premises of the Group.

BREAKDOWN OF PERSONNEL BY AGE[11]

(%)	31.12.2023	31.12.2022	31.12.2021
< 30 years old	15.8	16.6	20.2
30 – 50 years	67.3	67.1	63.7
over 50 years	16.9	16.3	16.1
TOTAL	**100.0**	**100.0**	**100.0**

The age of the youngest employees in the Group is 19 years old for Italy, 20 years old for Poland, 20 years old for Turkey, 17 years old for Brazil, 35 years old for China and 30 years old for India.

BREAKDOWN OF THE PERSONNEL BY LENGTH OF SERVICE

(%)	31.12.2023	31.12.2022	31.12.2021
< 5 years old	46.7	46.9	48.4
6 – 10 years	11.8	10.4	9.9
11 – 20 years	22.9	25.9	27.9
over 20 years	18.6	16.8	13.8
TOTAL	**100.0**	**100.0**	**100.0**

Sabaf is aware of the fundamental importance of having a stable and qualified workforce that is a key factor in maintaining its competitive edge.

[11] For consistency with the table "Percentage distribution of employment by category, age and gender" and in accordance with the forthcoming standard ESRS S1-9, in the 2023 NFD, the age brackets shown in the table and in the following pages were changed from 4 to 3 and the 2022 and 2021 figures were restated accordingly.

RECRUITMENT POLICY

In order to attract the best resources, the recruitment policy aims to ensure equal opportunities for all candidates, avoiding any kind of discrimination. The selection procedure requires, inter alia:

- the selection process to be carried out in at least two stages with two different representatives;
- that at least two applicants be assessed for each position.

The assessment of the applicants is based on their skills, training, previous experience, expectations and potential, tailoring them to the specific needs of the company.

BREAKDOWN BY QUALIFICATION

(%)	31.12.2023	31.12.2022	31.12.2021
Degree	15.0	16.7	16.0
High school leaving diploma	45.1	48.4	48.4
Middle school leaving certificate	37.6	32.2	33.1
Elementary school leaving certificate	2.3	2.7	2.5
TOTAL	**100.0**	**100.0**	**100.0**

CHANGE IN PERSONNEL IN THE THREE-YEAR PERIOD BY AGE AND GENDER

GROUP - HIRES (H) AND TURNOVER (T)

(no.)		2023		2022		2021	
		H	T	H	T	H	T
♀	< 30 years old	56	43	33	25	36	19
	30-50 years old	82	81	58	59	71	34
	> 50 years old	3	6	1	8	5	3
TOTAL WOMEN		**141**	**130**	**92**	**92**	**112**	**56**
♂	< 30 years old	103	87	74	75	130	85
	30-50 years old	101	85	70	99	88	73
	> 50 years old	8	16	5	15	6	12
TOTAL MEN		**212**	**188**	**149**	**189**	**224**	**170**
TOTAL		**353**	**318**	**241**	**281**	**336**	**226**

RATES OF EMPLOYEE HIRE (H) AND TURNOVER (T) BY GEOGRAPHICAL AREA, AGE GROUP AND GENDER[12]

GROUP

(%)		2023		2022		2021	
		H	T	H	T	H	T
♀	< 30 years old	10.61	8.14	6.59	4.99	7.20	3.80
	30-50 years old	15.53	15.34	11.58	11.78	14.20	6.80
	> 50 years old	0.57	1.14	0.20	1.60	1.00	0.60
TOTAL WOMEN		**26.71**	**24.62**	**18.37**	**18.37**	**22.40**	**11.20**
♂	< 30 years old	13.04	11.01	10.04	10.18	16.71	10.93
	30-50 years old	12.78	10.76	9.50	13.43	11.31	9.38
	> 50 years old	1.01	2.03	0.68	2.04	0.77	1.54
TOTAL MEN		**26.83**	**23.80**	**20.22**	**25.65**	**28.79**	**21.85**
TOTAL		**26.78**	**24.13**	**19.47**	**22.70**	**26.29**	**17.68**

ITALY (SABAF S.P.A., FARINGOSI, A.R.C., C.M.I., C.G.D., P.G.A.)

(%)		2023		2022		2021	
		H	T	H	T	H	T
♀	< 30 years old	0.38	0.76	1.60	0.40	0.81	0.00
	30-50 years old	1.52	1.90	2.80	1.60	2.82	3.63
	> 50 years old	0.76	1.14	0.00	1.60	0.40	1.21
TOTAL WOMEN		**2.66**	**3.80**	**4.40**	**3.60**	**4.03**	**4.84**
♂	< 30 years old	2.42	0.97	1.74	1.74	3.10	0.95
	30-50 years old	1.93	3.86	3.98	5.47	3.58	3.34
	> 50 years old	1.93	3.14	0.75	3.48	0.48	2.15
TOTAL MEN		**6.28**	**7.97**	**6.47**	**10.69**	**7.16**	**6.44**
TOTAL		**4.87**	**6.35**	**5.67**	**7.98**	**6.00**	**5.85**

[12] The total hiring (turnover) rate is calculated as the ratio of the number of employees hired (departed) to the number of employees at 31 December. The hiring (turnover) rate by gender is calculated as the ratio of the number of employees hired (departed) in the specific gender category to the number of employees at 31 December in the same gender category.

POLAND (C.M.I. - POLISH BRANCH)

(%)		2023		2022		2021	
		H	T	H	T	H	T
♀	< 30 years old	3.57	3.57	3.33	0.00	0.00	0.00
	30-50 years old	10.71	21.43	16.67	6.67	7.69	7.69
	> 50 years old	3.57	0.00	3.33	3.33	3.85	0.00
TOTAL WOMEN		**17.85**	**25.00**	**23.33**	**10.00**	**11.54**	**7.69**
♂	< 30 years old	10.53	0.00	0.00	11.76	10.53	10.53
	30-50 years old	5.26	5.26	5.88	5.88	5.26	5.26
	> 50 years old	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL MEN		**15.79**	**5.26**	**5.88**	**17.64**	**15.79**	**15.79**
TOTAL		**17.02**	**17.02**	**17.02**	**12.77**	**13.33**	**11.11**

BRAZIL (SABAF BRAZIL)

(%)		2023		2022		2021	
		H	T	H	T	H	T
♀	< 30 years old	12.50	12.50	6.67	6.67	5.56	0.00
	30-50 years old	18.75	12.50	0.00	26.67	27.78	11.11
	> 50 years old	0.00	0.00	0.00	0.00	5.56	0.00
TOTAL WOMEN		**31.25**	**25.00**	**6.67**	**33.34**	**38.90**	**11.11**
♂	< 30 years old	22.08	14.29	6.67	30.00	38.30	23.40
	30-50 years old	19.48	2.60	3.33	35.00	22.34	15.96
	> 50 years old	0.00	2.60	1.67	1.67	1.06	1.06
TOTAL MEN		**41.56**	**19.49**	**11.67**	**66.67**	**61.70**	**40.42**
TOTAL		**39.78**	**20.43**	**10.67**	**60.00**	**58.04**	**35.71**

TURKEY (SABAF TURKEY AND OKIDA)

(%)		2023		2022		2021	
		H	T	H	T	H	T
♀	< 30 years old	23.85	17.43	13.30	11.33	16.02	9.22
	30-50 years old	33.03	31.19	22.17	24.14	27.67	10.19
	> 50 years old	0.00	1.38	0.00	1.48	0.97	0.00
TOTAL WOMEN		**56.88**	**50.00**	**35.47**	**36.95**	**44.66**	**19.41**
♂	< 30 years old	28.14	27.38	24.90	18.97	32.78	23.65
	30-50 years old	28.14	25.10	19.76	21.34	21.16	17.43
	> 50 years old	0.00	0.00	0.40	0.00	1.24	0.83
TOTAL MEN		**56.28**	**52.48**	**45.06**	**40.31**	**55.18**	**41.91**
TOTAL		**56.55**	**51.35**	**40.79**	**38.82**	**50.34**	**31.54**

CHINA (SABAF CHINA)

(%)		2023		2022		2021	
		H	T	H	T	H	T
♀	< 30 years old	0.00	0.00	0.00	0.00	0.00	0.00
	30-50 years old	0.00	0.00	33.33	0.00	0.00	0.00
	> 50 years old	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL WOMEN		**0.00**	**0.00**	**33.33**	**0.00**	**0.00**	**0.00**
♂	< 30 years old	0.00	0.00	0.00	0.00	0.00	0.00
	30-50 years old	0.00	0.00	20.00	20.00	0.00	20.00
	> 50 years old	0.00	25.00	0.00	0.00	0.00	0.00
TOTAL MEN		**0.00**	**25.00**	**20.00**	**20.00**	**0.00**	**20.00**
TOTAL		**0.00**	**14.29**	**25.00**	**12.50**	**0.00**	**14.29**

INDIA (SABAF INDIA)

(%)		2023		2022		2021	
		H	T	H	T	H	T
♀	< 30 years old	0.00	0.00	-	-	-	-
	30-50 years old	0.00	0.00	-	-	-	-
	> 50 years old	0.00	0.00	-	-	-	-
TOTAL WOMEN		**0.00**	**0.00**	**-**	**-**	**-**	**-**
♂	< 30 years old	0.00	0.00	-	-	-	-
	30-50 years old	23.08	0.00	-	-	-	-
	> 50 years old	0.00	0.00	-	-	-	-
TOTAL MEN		**23.08**	**0.00**	**-**	**-**	**-**	**-**
TOTAL		**23.08**	**0.00**	**-**	**-**	**-**	**-**

PERSONNEL TRAINING

Within the Sabaf Group, the professional growth of employees is supported by continuous training.
The Group Human Resources Department, having consulted the relevant heads and gathered the training requirements, prepares an annual training plan on the basis of which the specific courses to be carried out are planned.

	2023			2022			2021		
(hours)	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
Training for new employees, apprentices, training contracts	6,906	906	**7,812**	3,947	735	**4,682**	2,112	463	**2,575**
Technical training and information systems	6,254	1,468	**7,722**	2,109	583	**2,692**	3,671	1,040	**4,711**
Quality, safety, environment, energy and social responsibility	11,542	6,378	**17,920**	7,930	4,794	**12,724**	6,519	2,486	**9,005**
Administration and organisation	242	161	**403**	724	288	**1,012**	752	412	**1,164**
Foreign languages	1,370	535	**1,905**	1,746	931	**2,677**	1,447	959	**2,406**
Other (e.g. lean philosophy/production/office)	1,024	646	**1,670**	2,872	1,975	**4,847**	1,529	889	**2,418**
TOTAL HOURS OF TRAINING RECEIVED	**27,338**	**10,094**	**37,432**	**19,328**	**9,306**	**28,634**	**16,030**	**6,249**	**22,279**
Hours of training provided by internal trainers [13]	9,011	447	**9,458**	7,628	789	**8,417**	1,677	273	**1,950**
TOTAL	**36,349**	**10,541**	**46,890**	**26,956**	**10,095**	**37,051**	**17,707**	**6,522**	**24,229**

In 2023, 37,432 hours of training were provided to employees (28,634 in 2022). In addition to this, 4,667 hours of training were received by agency workers (6,375 in 2022).

AVERAGE HOURS OF TRAINING PER CAPITA RECEIVED BY CATEGORY

	2023			2022			2021		
(hours)	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
Blue collars	37.9	17.7	**29.1**	22.7	15.6	**19.6**	18.2	7.6	**13.8**
White collars and middle managers	26.8	24.9	**26.2**	36.7	31.0	**34.8**	29.2	34.8	**31.0**
Managers	30.4	14.0	**28.2**	14.3	4.1	**12.9**	11.6	11.1	**11.6**
TOTAL EMPLOYEES	**34.6**	**19.1**	**28.4**	**26.2**	**18.6**	**23.1**	**20.6**	**12.5**	**17.4**
Agency workers	56.2	12.9	**39.9**	61.9	38.6	**55.4**	**44.4**	**32.5**	**39.7**
TOTAL PERSONNEL	**36.4**	**18.6**	**29.3**	**29.8**	**19.8**	**25.9**	**23.8**	**15.2**	**20.4**

The difference in training hours provided by gender is related to the tasks carried out.
In 2023, the total cost incurred for training activities of Group personnel was approximately €630,000 (roughly €800,000 in 2022). In addition, there were training costs for agency workers, which, in 2023, amounted to around €100,000 (roughly €190,000 in 2022).

INTERNAL COMMUNICATION

With the aim of developing a dialogue and continuous involvement between the company and its employees, Sabaf organises meetings and sharing sessions in which the results of projects to improve quality, efficiency and productivity are presented.
The HR representatives provide assistance to all Group employees on matters relating to the employment relationship.
The focus on internal communication uses, among other things, advanced tools that can reach all employees, such as a dedicated portal and electronic bulletin boards.
Systematic meetings in the various departments promote communication and involvement of personnel.

[13] Including training given to agency workers.

DIVERSITY AND EQUAL OPPORTUNITIES

Sabaf is constantly committed to ensuring equal opportunities for women employees who, at the end of 2023, accounted for 40.1% of the workforce (40.5% in 2022).

PERCENTAGE DISTRIBUTION OF EMPLOYMENT BY GENDER

	31.12.2023		31.12.2022		31.12.2021	
	no.	%	no.	%	no.	%
♂	790	59.9	737	59.5	778	60.9
♀	528	40.1	501	40.5	500	39.1
TOTAL	**1,318**	**100.0**	**1,238**	**100.0**	**1,278**	**100.0**

PERCENTAGE DISTRIBUTION OF EMPLOYMENT BY CONTRACT, GENDER AND GEOGRAPHICAL AREA

The Group, in accordance with the organisational and production requirements, is attentive to the family requirements of its employees. To date, most of the demands for reduced working time made by workers have been met.

GROUP

		31.12.2023		31.12.2022		31.12.2021	
		no.	%	no.	%	no.	%
Full-time	♂	788	59.8	733	59.2	776	60.7
	♀	476	36.1	444	35.9	446	34.9
	♂♀	**1,264**	**95.9**	**1.177**	**95.1**	**1,222**	**95.6**
Part-time	♂	2	0.2	4	0.3	2	0.2
	♀	52	3.9	57	4.6	54	4.2
	♂♀	**54**	**4.1**	**61**	**4.9**	**56**	**4.4**
TOTAL		**1,318**	**100.0**	**1,238**	**100.0**	**1,278**	**100.0**

ITALY (SABAF S.P.A., FARINGOSI, A.R.C., C.M.I., C.G.D., P.G.A.)

(no.)		31.12.2023	31.12.2022	31.12.2021
Full-time	♂	412	398	417
	♀	211	193	194
	♂♀	**623**	**591**	**611**
Part-time	♂	2	4	2
	♀	52	57	54
	♂♀	**54**	**61**	**56**
TOTAL		**677**	**652**	**667**

POLAND (C.M.I. - POLISH BRANCH)

(no.)		31.12.2023	31.12.2022	31.12.2021
Full-time	♂	19	17	19
	♀	28	30	26
	♂♀	**47**	**47**	**45**
Part-time	♂	0	0	0
	♀	0	0	0
	♂♀	**0**	**0**	**0**
TOTAL		**47**	**47**	**45**

BRAZIL (SABAF BRAZIL)

(no.)		31.12.2023	31.12.2022	31.12.2021
Full-time	♂	77	60	94
	♀	16	15	18
	♂♀	**93**	**75**	**112**
Part-time	♂	0	0	0
	♀	0	0	0
	♂♀	**0**	**0**	**0**
TOTAL		**93**	**75**	**112**

TURKEY (SABAF TURKEY AND OKIDA)

(no.)		31.12.2023	31.12.2022	31.12.2021
Full-time	♂	263	253	241
	♀	218	203	206
	♂♀	**481**	**456**	**447**
Part-time	♂	0	0	0
	♀	0	0	0
	♂♀	**0**	**0**	**0**
TOTAL		**481**	**456**	**447**

CHINA (SABAF CHINA)

(no.)		31.12.2023	31.12.2022	31.12.2021
Full-time	♂	4	5	5
	♀	3	3	2
	♂♀	**7**	**8**	**7**
Part-time	♂	0	0	0
	♀	0	0	0
	♂♀	**0**	**0**	**0**
TOTAL		**7**	**8**	**7**

INDIA (SABAF INDIA)

(no.)		31.12.2023	31.12.2022	31.12.2021
Full-time	♂	13	-	-
	♀	0	-	-
	♂♀	**13**	**-**	**-**
Part-time	♂	0	-	-
	♀	0	-	-
	♂♀	**0**	**-**	**-**
TOTAL		**13**	**-**	**-**

PERCENTAGE DISTRIBUTION OF EMPLOYMENT BY CATEGORY, AGE AND GENDER

		31.12.2023			31.12.2022			31.12.2021		
(%)		♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
Managers	< 30 years old	0.0	0.0	**0.0**	0.0	0.0	**0.0**	0.0	0.0	**0.0**
	from 30 to 50 years old	0.6	0.1	**0.7**	0.4	0.1	**0.5**	0.4	0.0	**0.4**
	over 50 years old	0.9	0.2	**1.1**	1.1	0.2	**1.3**	1.0	0.2	**1.2**
	TOTAL	**1.5**	**0.3**	**1.8**	**1.5**	**0.3**	**1.8**	**1.4**	**0.2**	**1.6**
White collars and middle managers	< 30 years old	2.8	1.3	**4.1**	3.0	1.6	**4.6**	2.4	1.2	**3.7**
	from 30 to 50 years old	11.1	5.6	**16.7**	10.1	5.9	**16.0**	9.5	4.8	**14.3**
	over 50 years old	2.7	0.9	**3.6**	2.3	1.0	**3.3**	2.4	1.0	**3.3**
	TOTAL	**16.6**	**7.8**	**24.4**	**15.4**	**8.5**	**23.9**	**14.3**	**7.0**	**21.3**
Blue collars	< 30 years old	7.7	4.0	**11.7**	8.0	4.0	**12.0**	11.1	5.4	**16.5**
	from 30 to 50 years old	26.8	23.1	**49.9**	27.6	23.0	**50.6**	27.0	22.0	**49.0**
	over 50 years old	7.3	4.9	**12.2**	7.0	4.7	**11.7**	7.1	4.5	**11.6**
	TOTAL	**41.8**	**32.0**	**73.8**	**42.6**	**31.7**	**74.3**	**45.2**	**31.9**	**77.1**
TOTAL	**< 30 years old**	**10.5**	**5.3**	**15.8**	**11.0**	**5.6**	**16.6**	**13.5**	**6.6**	**20.2**
	from 30 to 50 years old	**38.5**	**28.8**	**67.3**	**38.1**	**29.0**	**67.1**	**36.9**	**26.8**	**63.7**
	over 50 years old	**10.9**	**6.0**	**16.9**	**10.4**	**5.9**	**16.3**	**10.5**	**5.7**	**16.1**
	TOTAL	**59.9**	**40.1**	**100.0**	**59.5**	**40.5**	**100.0**	**60.9**	**39.1**	**100**

REMUNERATION, INCENTIVE AND ENHANCEMENT SYSTEMS

All Group companies apply local national contracts, supplemented with any best deals. It is estimated that, in the last three years, more than 60% of the Group's employees were covered by collective agreements[14].
The employees of Sabaf S.p.A., Faringosi Hinges s.r.l., C.M.I. s.r.l., C.G.D. s.r.l., A.R.C. s.r.l. and P.G.A. s.r.l. are covered by the national collective agreement for the metalworking industry.
In Sabaf S.p.A., this agreement is supplemented by second-level bargaining, which includes:

- contractual minimum;
- company welfare from National Collective Labour Agreement;
- productivity or personal bonuses per level;
- production bonus per level;
- fixed performance bonus (part of which includes part of the previous variable bonus) for all levels;
- variable performance bonus that is the same for all levels.

Pursuant to the agreement to renew the national collective bargaining agreement of 5 February 2021 for the metalworking industry, in 2023, Confindustria and the trade unions approved the annual adjustment of contractual minimum amount on the basis of the trend of the harmonised consumer price index for European Union countries (HICP), net of imported energy, at 6.6%. With respect to this increase, the companies may opt to absorb the individual allowance over basic pay. Given the extraordinary inflation trend recorded in 2022, as a sign of tangible support for employees, all Italian companies of the Sabaf Group opted not to absorb the individual allowance, which was paid out in full.

As from 2019, Sabaf S.p.A. and Faringosi Hinges have launched a new corporate welfare platform (Edenred), which has been very well received by employees. The platform has also been extended to C.M.I. and C.G.D. as from 2020.
The Group believes that a fundamental element of the valuation system is represented by the training opportunities provided.

[14] For Italy, the percentage is 100%.

REMUNERATION OF DIRECTORS AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

The Board of Directors, at the suggestion of the Remuneration and Nomination Committee, defines the policy for the remuneration of directors and managers with strategic responsibilities. This policy is submitted by the Board to the approval of the Shareholders' Meeting.
In 2023, the remuneration policy for directors and executives with strategic responsibilities approved by the Shareholders' Meeting of 6 May 2021 and covering the three-year period from 2021 to 2023 remained in force, unchanged from the previous year. At its meeting on 19 March 2024, the Board of Directors, at the suggestion of the Remuneration and Nomination Committee, approved the Company's new "General Remuneration Policy" covering the three-year period from 2024 to 2026, which will be submitted for approval at the Shareholders' Meeting. The Remuneration Policy for directors and executives with strategic responsibilities is available at www.sabafgroup.com.
The remuneration policy envisages the structuring of the remuneration of executive directors and executives with strategic responsibilities in such a way that it is significantly made up of variable remuneration, including financial instruments: (i) whose payment is conditional on the achievement of common targets (in particular, Group EBITDA and EBIT) and individual targets, not only of an economic-financial nature, but also of a technical-productive and/or socio-environmental nature; (ii) subject, in part, to adequate retention and deferral mechanisms. The objectives to which the disbursement of significant portions of variable remuneration is conditioned are structured in such a way as to prevent them from being achieved through short-term management choices that would potentially undermine the sustainability and/or the Company's ability to generate profit in the long term. In this context, the policy aims to encourage the achievement of the strategic objectives set out in the business plans in force and to create long-term value for stakeholders, also in line with the principles of corporate social responsibility.
The Report on remuneration describes each of the items that make up the remuneration, showing their consistency with the Policy, and details of the remuneration paid.

LONG-TERM INCENTIVE (LTI)

A long-term incentive plan (stock grant plan) was introduced in 2018, which envisages the free allocation of shares to parties (directors and employees) who hold or will hold key positions for Sabaf S.p.A. and its subsidiaries.
In 2021, the shareholders' meeting approved a long-term incentive plan, linked to the economic-financial and sustainability objectives set out in the 2021-2023 business plan. The socio-environmental sustainability objectives were defined with reference to the issues that the materiality analysis carried out at the end of 2020 has highlighted as being of greatest relevance to Sabaf and its stakeholders:

MATERIAL TOPIC	KPI	IMPACT ON THE LTI PLAN
Emissions into the atmosphere	CO_2 emissions Scope 1 + Scope 2 market-based/Revenue	15%
Development of resources and skills	Hours of training per capita (by collaborator)	5%
Health and safety of personnel	Summary indicator of work-related injuries (work-related injury rate x injury lost day rate x 100)	5%

KPI	Unit of measurement	ACTUAL 2020	2021 OBJECTIVE	ACTUAL 2021	2022 OBJECTIVE	ACTUAL 2022	2023 OBJECTIVE	ACTUAL 2023
CO_2 emissions	tCO_{2eq}/millions of Euro	132	126	111	120	91	114	108
Hours of training	h	13.9	11	20.4	13	25.9	15	29.3
Summary indicator of work-related injuries	-	177	140	405	120	106	100	127.6

The 2023 Report on remuneration, available on the Company's website www.sabafgroup.com, under the section "Investors - Corporate Governance", sets out further details of the LTI Plan.

MANAGEMENT BY OBJECTIVES (MBO)

A Group-wide incentive system linked to collective and individual objectives (MBOs) is in place, involving managers and other employees with managerial responsibilities. In 2023, this incentive system involved 73 employees of the Group (64 men and 9 women). The operating mechanisms of the MBO system are described in the Remuneration report.

Quality of Production Flow (QPF) Award

With the aim of rewarding the contribution of personnel to the achievement of company objectives, as from 2016 Sabaf S.p.A. introduced an incentive system related to quality objectives (reduction of waste and rework), production efficiency and precision in carrying out projects.
In 2023, improvement targets in these areas were set for 116 people involved in relevant business processes.

(no.)	White collars	Blue collars	TOTAL
♂	44	61	**105**
♀	4	7	**11**
TOTAL	**48**	**68**	**116**

In addition to being a tool for steering towards challenging objectives (705 objectives were assigned, achieved or exceeded in 72% of cases), the QPF award stimulated teamwork and favoured the sharing of short- and medium-long term development plans at all company levels.

Variable Performance Bonus (VPB)

The supplementary company contract of Sabaf S.p.A. envisages a variable performance bonus for all employees, also based on quality and productivity indicators, which also in 2023 could be enjoyed in the form of company welfare. In consideration of the results achieved, the VPB is 91.96% above target in 2023.

Faringosi Hinges has a VPB agreement in place for the three-year period 2021 to 2023, with the possibility of converting all or part of the bonus achieved into company welfare. The VPB is 90% above target in 2023.

C.M.I. has a VPB agreement in place for the three-year period 2023 to 2025, with the possibility of converting all or part of the bonus achieved into company welfare. The VPB is 88.19% above target in 2023.

In 2023, at C.G.D., a VPB agreement was established for the first time, shared with trade union representatives and valid for the three-year period 2023 to 2025, with the possibility of converting all or part of the bonus achieved into company welfare. The VPB is 100% above target in 2023.

The forms of social security in force for all Group employees are those envisaged by the regulations in force in the various Countries in which the Group operates.

RATIO OF MAXIMUM ANNUAL TOTAL COMPENSATION TO MEDIAN ANNUAL TOTAL COMPENSATION[15]

	2023	2022	2021
Ratio of maximum compensation to median compensation	20	45	34
Ratio of maximum compensation increase to median compensation increase	-	7	n.a.

RATIO BETWEEN THE STANDARD ENTRY LEVEL WAGE BY GENDER PAID BY GROUP COMPANIES AND THE LOCAL MINIMUM WAGE PROVIDED FOR IN THE CONTRACTS

MINIMUM INCREASE (%)	2023		2022		2021	
	♂	♀	♂	♀	♂	♀
Sabaf S.p.A.	28%	28%	29%	29%	29%	29%
Faringosi Hinges s.r.l.	3%	3%	3%	3%	3%	3%
A.R.C. s.r.l.	0%	0%	0%	0%	0%	0%
C.M.I. s.r.l.	2%	2%	2%	2%	2%	2%
C.G.D. s.r.l.	0%	0%	0%	0%	0%	0%
P.G.A s.r.l.	0%	0%	-	-	-	-
C.M.I. Polish branch	1%	1%	9%	9%	2%	2%
Sabaf Turkey	8%	8%	14%	14%	15%	15%
Okida	-	-	0%	0%	0%	0%
Sabaf Brazil	20%	20%	9%	9%	14%	14%
Sabaf China	75%	75%	75%	75%	19%	19%
Sabaf India[16]	8%	-	-	-	-	-

The Group has procedures in place to systematically check the regular contribution of suppliers and contractors and the correct hiring of their employees.

RATIO OF AVERAGE REMUNERATION OF FEMALE PERSONNEL TO AVERAGE REMUNERATION OF MALE PERSONNEL[17]

(%)	2023	2022	2021
White-collars, middle managers and managers	82%	80%	82%
Blue Collars	90%	89%	87%

[15] The remuneration used as a reference is that of the Chief Executive Officer and includes the gross fixed component and the gross variable short-term and long-term components (including the value of shares granted during the year and related to the 2018-2020 LTI plan). No employees among those reported in Disclosure 2-7 were excluded and no full-time equivalent rates of pay were used for part-time employees. The figure for the ratio of maximum remuneration increase to median remuneration increase is not available for 2021 as it is based on data not covered by the reporting period. In 2023, the maximum remuneration decreased by 57% compared to 2022 (when it included a long-term incentive component). In 2023, the median remuneration remained essentially the same as in 2022.

[16] Sabaf India had no female employees at 31 December 2023.

[17] Calculated on basic remuneration. The indicator does not include Sabaf India, which had no female employees at 31 December 2023, and, limited to the "Blue collars" category, Sabaf China, which had no women among its blue collars at year end.

OCCUPATIONAL HEALTH AND SAFETY AND WORKING ENVIRONMENT

RISKS

The Health & Safety risks to which Sabaf and contractors' personnel are exposed are related to the processes at the various sites where the business is carried out. In general, the main risks to workers' health and safety are:

- risks with high associated damage (falls from a height, work in confined spaces);
- the risks resulting from the presence of aluminium casting departments (burn, exposure to high temperatures);
- typical risks in metalworking companies, such as cuts and bruises.

The Group is also exposed to the compliance risk, resulting from any failure to adopt measures to bring its procedures and operations into line with current health and safety regulations.

RISK MANAGEMENT

The Sabaf Group formally defines the responsibilities, criteria and operating procedures for identifying and planning prevention measures to eliminate and/or mitigate risks, as part of a system that allows the level of safety and hygiene to be optimised and constantly improved through preventive actions.

As from 2019, the function of Group HSE Manager was established with the aim of coordinating the management of Health, Safety and Environment of all companies based on a common policy.

The occupational health and safety management systems of Group companies are structured according to a risk-based approach.

Prevention and reduction of risk levels are based on the following factors.

- **Effective training:** all training courses are planned and managed by internal personnel and/or external trainers, with a propensity to teach and with strong experience in the reference sector (first aid, fire-fighting, work at height, etc.). Job-specific training courses have been designed with a focus on the simulation of real cases and actual experiences, in order to make training meetings more effective. The approach to training aims to overcome the compulsory approach to encourage the active participation of all employees.

- **Cutting-edge plants:** continuous investment in increasingly modern and technologically advanced machinery reduced the levels of risk related to ergonomics and manual handling of loads and improved the systems to protect against physical risks.

- **Organisation:** the strong involvement and constant training of department heads and their awareness of obligations and responsibilities led to a clear improvement in all aspects of Health and Safety.

In the Group companies based in Italy (Sabaf S.p.A., Faringosi Hinges s.r.l., A.R.C. s.r.l., C.M.I. s.r.l., C.G.D. s.r.l. and P.G.A. s.r.l.), the risk assessment is carried out by the Employer through the collaboration of the Occupational Health and Safety Officer and the Company Physician, with the participation of all responsible parties (managers and representatives). The involvement of workers is envisaged, both through periodic meetings with safety representatives and the obligation to report possible additional risks. Equivalent systems, applied in accordance with applicable laws, are in place at the foreign offices.

In Sabaf S.p.A., Faringosi Hinges s.r.l., C.M.I. s.r.l. and C.G.D. s.r.l., the health and safety management system has been certified according to ISO 45001 since 2017, 2021, 2022 and 2020, respectively.

The management systems of the other Group companies are not certified. Moreover, the coordination at central level directs all companies towards a shared approach and methodology. For example, the support management system used at Sabaf S.p.A. has been gradually extended to its main subsidiaries (Faringosi Hinges, A.R.C., Sabaf Brazil, Sabaf Turkey, C.M.I.).

EMPLOYEES

NUMBER AND DURATION OF WORK-RELATED INJURIES	2023	2022	2021
Hours worked	2,304,029	2,205,632	2,308,816
Near misses/Medical treatments without lost days	42	40	47
Recordable work-related injuries[18] (absence < 6 months) - excluding fatalities	16	18	35
of which commuting incidents [19]	*0*	*0*	*0*
High-consequence work-related injury (absence > 6 months) - excluding fatalities	0	0	1
of which commuting incidents	*0*	*0*	*0*
Fatalities as a result of work-related injury	0	0	0
of which commuting incidents	*0*	*0*	*0*
Days lost due to work-related injury	327	283	610
Total work-related injuries - including fatalities	16	18	36
of which commuting incidents	*0*	*0*	*0*

WORK-RELATED INJURY RATE (number of injuries x 1,000,000/hours worked)	2023	2022	2021
Recordable work-related injury rate	*6.94*	*8.16*	*15.16*
High-consequence work-related injury rate	*0.00*	*0.00*	*0.43*
Fatalities rate as a result of work-related injuries	*0.00*	*0.00*	*0.00*
Total work-related injury rate	6.94	8.16	15.59

INJURY LOST DAY RATE (days of absence x 1,000/hours worked)	2023	2022	2021
Rate based on high-consequence work-related injury	0.14	0.13	0.26

In 2023, the work-related injury rate improved and the injury lost day rate at 31 December 2023 was stable compared to the previous year[20]. The most common injuries are bruises and cuts.

[18] Recordable work-related injury includes any occupational injury, including fatal injury, that occurs to a person during or as a result of work, resulting in absence from work for less than 6 months, alternative activities or medical treatment.
[19] Only if transport has been organised by the organisation and the transfers have taken place within working hours.
[20] At 31 December 2023, two work-related injuries were pending. Therefore, since the absence from work continued in 2024, the days lost and the 2023 injury lost day rate will be recalculated.

EXTERNAL WORKERS

NUMBER AND DURATION OF WORK-RELATED INJURIES	2023	2022	2021
Hours worked	525,194	329,864	460,135
Recordable work-related injuries[21] (absence < 6 months) - excluding fatalities	3	5	7
of which commuting incidents[22]	*0*	*0*	*0*
High-consequence work-related injury (absence > 6 months) - excluding fatalities	0	0	0
of which commuting incidents	*0*	*0*	*0*
Fatalities as a result of work-related injury	0	0	0
of which commuting incidents	*0*	*0*	*0*
Days lost due to work-related injury	17	42	76
Total work-related injuries - including fatalities	3	5	7
of which commuting incidents	*0*	*0*	*0*

WORK-RELATED INJURY RATE (number of injuries x 1,000,000/hours worked)	2023	2022	2021
Recordable work-related injury rate	*5.71*	*15.16*	*15.21*
High-consequence work-related injury rate	*0.00*	*0.00*	*0.00*
Fatalities rate as a result of work-related injuries	*0.00*	*0.00*	*0.00*
Total work-related injury rate	5.71	15.16	15.21

INJURY LOST DAY RATE (days of absence x 1,000/hours worked)	2023	2022	2021
Rate based on high-consequence work-related injury	0.03	0.13	0.17

No instances of occupational disease were reported at Group level in 2023.
In compliance with the laws in force, Group companies prepared and implemented health supervisory plans for employees, with health inspections aimed at the specific risks of the work activities carried out.

USE OF DANGEROUS SUBSTANCES

Only materials that fully comply with the requirements of Directive 2011/65/EU (RoHS Directive) which tends to limit the use of hazardous substances such as lead, mercury, cadmium and hexavalent chromium are used for production.

[21] Recordable injury includes any occupational injury, including fatal injury, that occurs to a person during or as a result of work, resulting in absence from work for less than 6 months, alternative activities or medical treatment.
[22] Only if transport has been organised by the organisation and the transfers have taken place within working hours.

Sabaf promotes health and safety

The "People First!" project

"People First!" is the project promoted by Confindustria Brescia to strengthen the culture of health and safety in the province. The project, unveiled in April 2023, aims to empower as many players as possible by promoting a widespread sense of responsibility on this issue: HR managers, safety officers, academics, trade unions and schools (starting with primary schools).

In order to launch the project, Confindustria Brescia brought together member companies, local entrepreneurs and training experts. Fourteen companies - including Sabaf - with a total of more than 6,000 employees - joined the initiative and became safety ambassadors, organising safety communication campaigns and opening the doors of their plants to describe the good practices they have adopted.

The project is based on three streams: training (primarily, prevention and safety trainers), technology applied to safety and virtuous company management systems.

The aim of the meetings is to develop cross-cutting and systemic proposed improvements in all areas of individual protection.

As a matter of fact, the project also covers operational streams which focus on the implementation of:

- safety training and refresher courses;
- diversity and inclusion policies;
- corporate welfare measures and work-life balance initiatives;
- technological innovation measures applied to safety;
- virtuous business management systems.

The first meeting took place at Sabaf's Ospitaletto headquarters on 20 April 2023, hosting the representatives of the companies comprising Confindustria Brescia Safety Observatory and 10 other member companies.

The Milan-based Cattolica University also joined the project by training company experts on innovative methods.

Health and Well-being Prevention Campaign

Sabaf is on the side of women in the fight against breast cancer, a silent disease that led to 55,900 new breast cancer diagnoses in Italy in 2023[23]. Early diagnosis can actually save lives. For this reason, Sabaf promoted a company welfare project in collaboration with the ESA association, which has been promoting breast cancer prevention activities for years by raising awareness among women of the value of mammography screening as a tool for possible early diagnosis and therefore treatment of the disease.

In November 2022, Sabaf organised an information session with medical specialists for its employees and, in early 2023, offered a completely free breast check-up to all women in the company between the ages of 25 and 49.

A similar project was implemented in October 2022 at one of the Turkish sites which is scheduled to run every two years.

INDUSTRIAL RELATIONS

Sabaf complies with the labour laws of the various countries and the conventions of International Labour Organisation (ILO) on Workers' Rights (freedom of association and collective bargaining, consultation, right to strike, etc.), systematically promoting dialogue between the parties and seeking an adequate level of agreement and sharing of company strategies by the personnel.

In case of organisational changes, with regard to the minimum notice period, the Group complies with the provisions of the law and the reference contracts of the various countries.

In March 2022, the second level company agreement of Sabaf S.p.A. was renewed, valid until 31 December 2024.

The key points of this agreement are set below:

- the sharing between the company and trade unions and Unitary Union Representative Body of priorities on which to channel resources and energy in the coming years (producing quality, creating and maintaining efficiency, becoming more flexible);
- sharing objectives also through the responsible involvement of personnel;
- maintaining fair and transparent industrial relations while respecting individual roles;
- the establishment of working groups with the aim of improving the involvement of personnel at all levels;
- the continuation of the payment of a variable part of remuneration, the payment of which is related to measurable and verifiable quality and efficiency indicators; these data will continue to be disseminated and made transparent;
- the possibility of converting all or part of the variable performance bonus (VPB) into welfare;
- attention to the individual and family well-being of personnel through targeted policies (working hours, leave, etc.);
- a renewed commitment to ever more efficient solutions and targeted training programmes to maintain the already optimal level of health and safety for all employees.

In the Group companies, at 31 December 2023, 180 employees, or 13.7% of the total, were members of trade unions (in 2022, 153 employees, or 12.4% of the total, were members).

Hours of participation in trade union activities during 2023 amounted to 0.23% of the hours worked (0.17% in 2022).

[23] Data source: www.epicentro.iss.it/tumori/aggiornamenti

PARTICIPATION IN TRADE UNION ACTIVITIES	2023	2022	2021	BENCHMARK[24]
Meeting				
Number of hours	1,493	862	1,537	
Percentage over hours worked	0.06	0.04	0.07	
Number of hours per capita	1.1	0.7	1.2	2.0
Leave for trade union duties				
Number of hours	1,839	1,921	1,766	
Percentage over hours worked	0.08	0.09	0.08	
Number of hours per capita	1.4	1.6	1.4	
Strike				
Number of hours	1,904	1,016	2,196	
Percentage over hours worked	0.08	0.05	0.10	
Number of hours per capita	1.4	0.8	1.7	4.5
TOTAL				
Number of hours	5,237	3,798	5,499	
Percentage over hours worked	0.23	0.17	0.24	
Number of hours per capita	4.0	3.1	4.3	

All strikes called in 2023 related to public issues and never to specific company issues.
In 2023, the Group's Italian companies made use of the temporary unemployment fund for 14,024 hours (1.2% of hours worked) and the solidarity contract for 20,315 hours (1.8% of hours worked).

BUSINESS CLIMATE ANALYSIS

The Group conducts a business climate analysis every three years. Between July and October 2021, a climate analysis called "Conoscere e Ascoltare" (Knowing and Listening) was carried out in Sabaf S.p.A., C.M.I. (in Italy and Poland), C.G.D. and Faringosi Hinges.
The attendance was very high (601 total participants) and allowed people to express their perceptions of the key elements of their working life in our Group in a frank and direct manner.
The summary of the results reveals an undoubtedly positive and encouraging picture.
Among the elements of working life on which more than 70% of people expressed a positive perception are safety issues, the sense of belonging and pride in their company, and the canteen.
Furthermore, the expertise deemed appropriate to one's job and the relationship with one's colleagues are the real treasures of living in the company, which contribute concretely to the foundation of the business climate in the Sabaf Group.
The results also give us an indication of the elements that people perceive as needing improvement, including the chapter on Training, Evaluation and Incentives and that on Information and Communication.

Sabaf Turkey and Okida are a GREAT PLACE TO WORK®

In January 2023, Sabaf Turkey and Okida were awarded the Great Place to Work ® certification, proving that the Turkish companies of the Sabaf Group are excellent workplaces, attentive to people's well-being and able to attract talent, increase employee motivation and improve employer branding. The Great Place to Work® model puts people at the centre of every process, because a "great place to work" is "an environment where employees believe in the people they work for, take pride in what they do, and feel good about their colleagues".

The GPTW® model measures the working climate on the basis of 5 aspects:
- CREDIBILITY - Two-way Communication, Competence, Integrity
- RESPECT - Professional Development, Involvement, Care
- EQUITY - Fairness of treatment, Impartiality, Justice
- ORGANISATION - Individual work, Work group, Corporate image
- COHESION - Confidence, Hospitality, Collaboration

DISPUTES

At 31 December 2023, a number of minor disputes with some former employees were outstanding.

[24] FEDERMECCANICA, *L'industria metalmeccanica in cifre (September 2023) – Ore pro-capite di assenza dal lavoro (2021)*, https://www.federmeccanica.it/centro-studi/industria-metalmeccanica.html

Sabaf and environment

RISKS

Environmental issues are managed through a risk-based approach, in line with the UNI EN ISO 14001:2015 standard. The relevant risk categories are set out below.

Risks of external context (environmental sustainability), concerning climate change and the objectives of protecting the environment and the territory, through the reduction of environmental impacts and the containment of the use of natural and energy resources. These impacts are considered from the product design stage, through the different stages of its implementation and from a perspective that considers the whole life cycle of the product. 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 (see, in particular, the following sections on "Product and process Innovation and environmental sustainability" and "Climate change and decarbonisation").

Strategic risks, including collaboration with strategic service providers with potential environmental risk (waste collection and disposal, cleaning services, maintenances).

Legal and compliance risks, related to compliance with law requirements (authorisations and compliance obligations) and requests of local institutions, also with regard to reporting obligations.

The following paragraph describes how these risks are managed.

HEALTH AND SAFETY, ENVIRONMENTAL AND ENERGY POLICY

PROGRAMME AND OBJECTIVES

The Group is committed to the following objectives:
- the prevention of pollution and rationalisation of the use of energy through the continuous improvement of its processes and products;
- the efficiency in the use of natural and energy resources during production, with a special reference to water and energy consumption;
- the reduction of the quantity of waste produced and the improvement of its quality in terms of hazardousness and recoverability.

Sabaf S.p.A. adopted and maintains an Integrated Management System of Health and Safety, Environment and Energy (EHS&En) that, by integrating with the other Management Systems operating within the company, is an effective means of pursuing a constant reduction in risks, environmental impacts and energy consumption through the following instruments:
- the prior assessment of EHS&En aspects in all company processes, with particular focus on design, production processes and purchases;
- maintaining full compliance with current law requirements, proactively using them as elements of continuous process monitoring;
- a training and information system involving all employees and collaborators.

Since 2003, the Environmental Management System of the Ospitaletto production site (which covers approximately 45% of the Group's total production) has been certified in compliance with ISO 14001. Sabaf Turkey's production sites were certified ISO 14001 compliant in 2022 (gas and hinge division plant) and in 2023 (electronics division plant). C.M.I. s.r.l.'s production site was ISO 14001 certified in 2023.

In 2015, the Energy Management System implemented at the Ospitaletto site was certified in compliance with the ISO 50001 standard.

In 2008, Sabaf S.p.A. obtained the Integrated Environmental Authorisation (IPPC) from the Lombardy Region pursuant to Legislative Decree no. 59 of 18 February 2005.

Sabaf's HSE function coordinates the management of environmental issues for all the Group's production sites.

PRODUCT AND PROCESS INNOVATION AND ENVIRONMENTAL SUSTAINABILITY

Cooking technologies and environmental sustainability

About 30% of the people on our planet, i.e., 2.5 billion people, rely on solid fuels (wood, coal, dried dung, crop residues) for cooking. This population is mainly concentrated in Sub-Saharan Africa, where the unavailability of clean fuels affects 82% of the population. Furthermore, Central Asia, India, China, South-East Asia and Latin America also have significant percentages. In addition to being harmful to the environment, pollution from traditional fuels has major consequences for the health of users and households.

The other 5.5 billion people cook using fossil fuels (mainly natural and LPG) or electricity.

While it is clear that the use of solid fuels is the most harmful to the environment, there is a widespread perception that the environmental impact of electric cooking is less than that of gas cooking.

Actually, the measurement of environmental impact cannot be separated from the consideration of the electricity production mix (fossil fuels, renewables, nuclear). An authoritative study shows that, given the electricity production mix in Italy, the total CO_2 emissions over the life cycle of an induction hob are 1,590 kg, more than 50% higher than the total emissions of a gas hob (1,050 kg).[25]

Another in-depth study[26] has recently conducted an impact analysis of different cooking technologies, according to scientific standards (ReCiPe 2016 and PEF). In a nutshell, the analysis covered 18 impact categories, which were then reduced to a single point value (OWDS - Overall Weighted Damage Score). The OWDS was the highest in the case of coal-fired cooking appliances (118) and the lowest for LPG and natural gas appliances (5 and 5.2 respectively). Electric cooking appliances, with an OWDS of 8.6, have 174% of the environmental impact of gas hobs.

With respect to sustainable development, reducing the environmental impact of cooking food will necessarily require a two-pronged strategy:

- promote access to lower impact energy sources for the population still using solid fuels;
- favour electric cooking only where and when the energy production mix is characterised by a predominantly green energy component.

The Sabaf Group's business development path is consistent with the ecological transition plans. On the one hand, the growing presence on international markets, including through the recent start-up of a factory for the production of gas cooking components in India, may contribute to the spread of gas cooking appliances in emerging countries, replacing traditional forms of cooking with a high environmental impact. The Group's investments to enter the sector of components for induction cooking, the most efficient form of electric cooking, the spread of which is constantly growing in the European market, is equally strategic.

[25] https://www.sciencedirect.com/science/article/abs/pii/S0959652618308011
Journal of Cleaner production - «Comparative life cycle assessment of cooking appliances in Italian kitchens», 2018
Claudio Favi [a], Michele Germani [b], Daniele Landi [b], Marco Mengarelli [c], Marta Rossi [b]
[a] Università degli Studi di Parma [b] Università Politecnica delle Marche [c] Energy Research Institute, Nanyang Technological University
[26] https://www.itjfs.com/index.php/ijfs/article/view/2170
Italian Journal of Food Science, 2022 – *Environmental impact of the main household cooking systems – A survey*, 2022 Alessio Cimini e Mauro Moresi, Università della Tuscia

A possible revolution - Hydrogen burners

The Sabaf Group actively participates in a number of experimental projects aimed at assessing the feasibility of using hydrogen to replace natural gas (methane) as a power source for gas cooking appliances.
The Group designed burners capable of operating with 100% hydrogen, and subsequent laboratory tests and prototypes have confirmed the technical feasibility of such products.
The main projects involving Sabaf include:

- the UK government-sponsored Hy4Heat project, which successfully ended in 2022;
- a pilot project in cooperation with the Colombian customer Industrias Haceb, for which Sabaf obtained the European Union's LCBA (Low Carbon and Circular Economy Business Action) Sustainability certification.

The real possibility of using hydrogen on a large scale as a fuel source still has to overcome major technological challenges, both in terms of production and distribution.
One solution that may be implemented relatively quickly entails the use of a mixture of natural gas and hydrogen via the existing distribution network.

HIGH EFFICIENCY BURNERS

For many years, the Sabaf Group has been at the forefront in offering gas burners that are characterised by yields higher than standard burners.
In the range of standard single ring flame sizes, since the beginning of 2000 Sabaf has introduced four series of burners (Series III, AE, AEO and HE) to the market, all of which guarantee high energy efficiency, with an efficiency of up to 68%.
The DCC series of special burners was introduced in the range of special burners: they are characterised by an energy efficiency of over 60%, the highest available on the market today for multiple flame ring burners. Moreover, DCC burners with a brass flame-spreader ring and efficiency of more than 68% were produced specifically for the Chinese market, the top of what is currently available on that market.
High efficiency burners account for 30% of the total burners produced.

LIGHT ALLOY VALVES

The production of aluminium alloy valves has several advantages compared to the production of brass valves: elimination of the hot moulding phase of brass, lower lead content in the product, lower weight and consequent reduction in consumption for packaging and transport. Light alloy valves currently account for 94% of the valves produced by the Sabaf Group.

METAL WASHING

In the production process of valves and burners, it is essential to wash metals in several stages. Since 2013, Sabaf S.p.A. has been using a washing system based on a modified alcohol, a solvent that is redistillable (and therefore recyclable) due to its properties. The environmental impact and operating costs of this solvent have been substantially eliminated, as well as the emissions and production of special waste.
This efficient and sustainable technology is also used at production sites in Brazil, Turkey and India.

ENVIRONMENTAL IMPACT

CDP

Aware of the value of complete and transparent disclosure, in 2023, Sabaf joined for the fourth consecutive year the **Climate Change** and **Water programmes** of **CDP**, an international non-profit organisation that provides businesses, local authorities and governments with a system to measure, track, manage and share information on the environment globally.
In particular, companies are required to participate in an annual survey on the impact of their activities on the environment, the management of their environmental risks and the results achieved.
The aim is to make environmental performance central to business and investment decisions by leveraging information transparency.
In its fourth year of participation, Sabaf received a C-rating in the Climate Change section on a scale ranging from A to F.

MATERIALS USED AND RECYCLABILITY OF PRODUCTS

Sabaf products can be easily recycled because they are made almost entirely of brass, aluminium alloys, copper and steel.

(t)	2023 consumption	2022 consumption	2021 consumption
RAW MATERIALS			
Steel	19,791	20,587	26,801
Aluminium alloys	8,297	7,917	11,326
Brass	532	639	1,227
Enamel	353	301	289
Stainless steel	19	50	139
Solder (tin)	9	8	not measured
Zamak	6	6	12
Plastic	5	not measured	not measured
Cast Iron	0	168	144
Copper	0	6	7
Bronze	0	1	1
ASSOCIATED PROCESS MATERIALS			
Release agent for foundry	136	not measured	not measured
Blasting grit	81	not measured	not measured
Lubricants for production machinery	51	not measured	not measured
COMPONENTS			
Electronic components	537	not measured	not measured
Springs	317	not measured	not measured
Thermoelectric safety components	120	not measured	not measured
Cast iron components	108	not measured	not measured
Brass components	92	not measured	not measured
Aluminium alloy components	1	not measured	not measured
PACKAGING MATERIALS			
Wood	1,140	813	935
Cardboard	722	744	1,019
Plastic	279	282	281

34% of steel, 75% of aluminium alloys and 99% of brass used in 2023 are produced by scrap recovery; the remaining 66% of steel and 25% of aluminium alloys are produced from ore.

The Group estimates that at least 70% of the cardboard and 100% of the plastic used for packaging comes from recycling. Cardboard and wood are renewable materials.

Sabaf products fully comply with the requirements of Directive 2011/65/EU (RoHS Directive) which tends to limit the use of hazardous substances such as lead in the production of electrical and electronic equipment.

Moreover, Sabaf products fully comply with the requirements of Directive 2000/53/EC (End of Life Vehicles), i.e., the heavy metal content (lead, mercury, cadmium, hexavalent chromium) is below the limits imposed by the Directive and/or any exemptions.

With respect to the REACH Regulation (Regulation no. 1907/2006 of 18 December 2006), Sabaf is a downstream user of substances and preparations. The products supplied by Sabaf are classified as articles that do not give rise to the intentional emission of substances during normal use, therefore there is no registration of the substances contained in them. Sabaf involved the suppliers to ensure that they fully comply with REACH Regulation and to obtain confirmation that they meet their obligations to pre-register and register the substances or preparations they use. The data collected was used to complete the SCIP (Substances of Concern In Products) database as per the provisions of the ECHA agency.

ENERGY SOURCES[27]

		2023 consumption	2022 consumption	2021 consumption
Electricity				
from renewable sources	*MWh*	*4,272*	*3,520*	*4,853*
from non-renewable sources	*MWh*	*32,819*	*32,658*	*39,276*
Natural gas	m^3x1,000	4,192	4,090	5,474
Diesel fuel	lx1,000	78	86	79
Gasoline	lx1,000	30	15	12
GPL	lx1,000	0.04	0.10	0.10
Butane	lx1,000	0.04	not measured	not measured
Acetylene	lx1,000	0.01	not measured	not measured
TOTAL CONSUMPTION	**GJ**	**288,952**	**280,571**	**358,285**

The main sources used are:

- electricity, for all the equipment with electric power supply present, whether functional or not to the production process, which covers about 46% of the total energy requirement;
- natural gas, related to the operation of both production plants (foundry furnaces, washing burners, enamel kilns) and service plants (heating), which covers about 52% of total energy requirements.

Electricity from renewable sources is produced by a photovoltaic plant in operation at C.M.I. (106 MWh in 2023; 63 MWh in 2022; 151 MWh in 2021) or comes from the purchase of I-REC certificates (4,166 MWh in 2023; 3,457 MWh in 2022; 4,702 MWh in 2021).

ENERGY INTENSITY

(kWh on turnover in €)	2023	2022	2021
Energy intensity	0.359	0.308	0.378

WATER

Water withdrawal (m^3)	2023	2022	2021
from waterworks	**57,867**	**71,982**	**69,109**
of which freshwater	*57,867*	*71,982*	*69,109*
of which other water	*0*	*0*	*0*
from well	**37,054**	**43,536**	**30,630**
of which freshwater	*37,054*	*43,536*	*30,630*
of which other water	*0*	*0*	*0*
rainwater	**742**	**464**	**2,708**
of which freshwater	*0*	*0*	*0*
of which other water	*742*	*464*	*2,708*
TOTAL[28]	**95,663**	**115,982**	**102,447**

[27] Updated factors published in 2021, 2022 and 2023, respectively, by the Department for Environment, Food and Rural Affairs (DEFRA) were used to calculate consumption.
[28] The indicator does not include data relating to C.G.D. s.r.l.

All the water used in the production processes by Group companies is destined for disposal or internal recycling for reuse in company processes: as a consequence, there is no industrial waste water.

The water used in the die-casting and enamelling processes at the plant of Ospitaletto, at the end of the production processes, is treated in chemical/physical concentration plants that make it possible to significantly reduce the quantities of water required and waste produced. A concentration plant is also in operation at the Brazilian production site (since 2019) and at the Turkish production site (since 2023).

At the Ospitaletto plant, there is a plant for the collection of rainwater intended for use in industrial activities. In 2023, 742 m^3 were collected (464 m^3 in 2022).

WASTE

Trimmings and waste from the production process are identified and collected separately for recycling or disposal. The risers deriving from aluminium die-casting are intended for direct reuse. Waste, broken down by type and method of disposal, is summarised below[29].

	2023 (t)	Incidence (%)	2022 (t)	Incidence (%)	2021 (t)	Incidence (%)
Similar to urban	**193**	**1.9**	**209**	**2.2**	**356**	**3.0**
Total hazardous	**1,790**	**17.3**	**1,618**	**16.7**	**2,238**	**18.7**
- reuse	*0*	*0.0*	*73*	*0.7*	*185*	*1.5*
- recycling	*1*	*0.0*	*46*	*0.5*	*67*	*0.6*
- recovery	*406*	*3.9*	-	-	-	-
- incineration	*0*	*0.0*	*1,222*	*12.6*	*1,421*	*11.9*
- disposal by physical-chemical treatment	*989*	*9.6*	-	-	-	-
- temporary storage prior to disposal	*394*	*3.8*	*268*	*2.8*	*147*	*1.2*
- other[30]	*0*	*0.0*	*9*	*0.1*	*418*	*3.5*
Total non-hazardous	**8,376**	**80.8**	**7,833**	**81.1**	**9,385**	**78.3**
- reuse	*0*	*0.0*	*3,659*	*37.9*	*4,725*	*39.4*
- recycling	*3,371*	*32.5*	*2,478*	*25.6*	*2,427*	*20.3*
- recovery	*4,593*	*44.3*	*99*	*1.0*	*68*	*0.6*
- incineration	*0*	*0.0*	*392*	*4.1*	*856*	*7.0*
- disposal by physical-chemical treatment	*328*	*3.2*	-	-	-	-
- temporary storage prior to disposal	*3*	*0.0*	*1,151*	*11.9*	*1,266*	*10.6*
- other[30]	*81*	*0.8*	*54*	*0.6*	*43*	*0.4*
Total waste	**10,359**	**100.0**	**9,660**	**100.0**	**11,979**	**100.0**

[29] The data do not include the Polish branch of C.M.I.
[30] Includes landfill disposal.

The breakdown of waste by composition is given below:

		2023 (t)	Incidence (%)	2022 (t)	Incidence (%)	2021 (t)	Incidence (%)
Metals		7,243	69.9	6,974	72.2	8,042	67.1
Liquid waste		1,658	16.0	1,551	16.1	2,611	21.8
Sludge and powdery waste		635	6.1	437	4.5	433	3.6
Packaging waste	Plastic	76	0.7	71	0.7	68	0.6
	Cardboard and paper	129	1.3	123	1.3	152	1.3
	Wood	211	2.0	212	2.2	297	2.5
Waste from electrical and electronic equipment		15	0.2	-	-	-	-
Other[31]		392	3.8	292	3.0	376	3.1
Total waste		**10,359**	**100.0**	**9,660**	**100.0**	**11,979**	**100.0**

	2023	2022	2021
Economic value generated by the Group *(€/000)*	251,355	268,082	267,918
Total hazardous waste/Generated economic value *(kg in €/000)*	7	6	8
Total waste/Generated economic value *(kg in €/000)*	41	36	45

The Group continues its efforts to reduce the production of special hazardous waste, also by purchasing raw materials and substances that are already not hazardous originally.

No significant spills occurred in 2023.

EMISSIONS INTO THE ATMOSPHERE

A large part of atmospheric emissions of the Sabaf Group derives from activities defined as "negligible pollution".

- Three production processes are carried out at Sabaf S.p.A:
  - The production of the components that make up the burners (nozzle holder sumps and flame spreaders) involves the casting and subsequent die-casting of the aluminium alloy, sandblasting of the pieces, a series of mechanical processes with removal of material, washing of some components, assembly and testing. This production process results in the emission of negligible amounts of oily mists, as well as dust and carbon dioxide;
  - The production of burner covers, where steel is used as raw material, which is submitted to blanking and minting. The semi-finished covers are then used for washing, sandblasting, application and firing of enamel, a process that generates the emission of dust;
  - The production of valves and thermostats, in which mainly aluminium alloy, brass bars and moulded bodies and, to a much lesser extent, steel bars are used as raw materials. The production cycle is divided into the following phases: mechanical machining with removal of material, washing of semi-finished products and components obtained in this way, finishing of the coupling surface of bodies and masks with a diamond tool, assembly and final inspection of the finished product. This process generates negligible oily mists.
- The entire burner production process is carried out at Sabaf Brazil and Sabaf Turkey. An analysis of the internal process shows that there are no significant emissions.
- In Faringosi Hinges s.r.l., in the companies of the C.M.I. Group and in Sabaf Turkey, steel is used as the main raw material for the production of hinges, and is subjected to a series of mechanical processing and assembly that do not involve any significant emissions.
- In A.R.C, professional burners are produced through mechanical processing and assembly, no significant emissions are recorded.
- Sabaf India and Sabaf China carry out mechanical processing and burner assembly operations. Emissions are completely negligible.
- Electronic components (boards, timers, etc.) are assembled in Sabaf Turkey and P.G.A. The production activity generates negligible emissions.

The efficiency level of the filtration systems is ensured through their regular maintenance and the regular monitoring of all emissions. Monitoring in 2023 showed that all emissions complied with the limits imposed by the law.

[31] Urban waste, bulky waste, mixed material packaging, toners.

The use of natural gas to power melting furnaces results in the emission of NO_X and SO_X into the atmosphere; however, these emissions are not significant. Sabaf does not currently contain any substances that damage the atmospheric ozone layer, with the exception of the refrigerant used in some air conditioners, which is managed in compliance with the reference standards.

CLIMATE CHANGE AND DECARBONISATION

The Sabaf Group has set a CO_2 intensity reduction target for the time horizon (3 years) of the 2021-2023 business plan. The CO_2 emission intensity reduction targets set for the 2021-2023 three-year period refer only to Scope 1 and Scope 2 emissions, which the Group has been monitoring and disclosing since 2006.
The emission intensity reduction targets were defined by considering exclusively the effects of the following actions, included in the 2021-2023 business plan and falling within the Group's direct decision-making competence:

- purchasing a share of electricity from renewable sources;
- optimising the use of energy-intensive business equipment (such as air compressors);
- using efficiently melting and enamelling kilns (which are the main facilities that consume natural gas as an energy source in the Company's production processes);
- using hybrid or fuel-efficient vehicles;
- optimising energy consumption for heating during the winter season;
- installing photovoltaic systems.

At the time the 2021-2023 business plan was drawn up, Sabaf had not yet calculated the Group's emissions along the entire value chain (Scope 3 emissions). In fact, this project only started in 2022. Consequently, Sabaf has not (nor could it have) defined a scientifically based absolute GHG emission reduction target and/or one that is consistent with the Paris Agreement's goal of limiting global warming to 1.5°C and achieving climate neutrality in 2050.

In order to address stakeholder demands and the new regulations on climate and sustainability reporting, in 2023, the Group embarked on a specific path related to carbon management and climate change mitigation. This path includes identifying specific decarbonisation levers and the consequent definition of a strategy for reducing emissions according to the main international initiatives and standards.

SCOPE 1 AND SCOPE 2 EMISSIONS

CO_2 EMISSIONS [32]		2023	2022	2021
Scope 1 (direct emissions)	tCO_{2eq}	**8,937**	**8,546**	**11,493**
- from refrigerant gases	tCO_{2eq}	*140*	*49*	*231*
- from fuel consumption	tCO_2	*8,797*	*8,497*	*11,262*
Scope 2 (indirect emissions) - location based	tCO_2	**12,107**	**11,822**	**14,150**
Scope 2 (indirect emissions) - market based	tCO_2	**14,709**	**14,604**	**17,641**
Total emissions Scope 1+2 location based	tCO_{2eq}	**21,044**	**20,368**	**25,643**
Total emissions scope 1+2 market based	tCO_{2eq}	**23,646**	**23,150**	**29,134**

INTENSITY OF CO_2 EMISSIONS *(tCO_{2eq} on turnover in millions of €)*	2023	2022	2021
Emission intensity (scope 1 and 2 market-based)	106	91	111

[32] The factors used to calculate emissions are as follows:
- 2021: Scope 1 fuels and F-GAS: Defra 2021 where available, otherwise Ispra 2016 - Scope 2 location-based:. Terna 2019 - Scope 2 market-based:. AIB 2020 where available, otherwise Terna 2019;
- 2022: Scope 1 fuels and F-GAS: Defra 2022 where available, otherwise Ispra 2016 - Scope 2 location-based:. Terna 2019 - Scope 2 market-based:. AIB 2021 where available, otherwise Terna 2019;
- 2023: Scope 1 fuels and F-GAS: Defra 2023 where available, otherwise Ispra 2016 - Scope 2 location-based:. Terna 2019 - Scope 2 market-based:. AIB 2022 where available, otherwise Terna 2019.

The increase in refrigerant gas emissions in 2023 was due to the recharging and maintenance of air conditioning systems.

SCOPE 3 EMISSIONS

In 2023, the Group analysed and measured the emissions produced along the value chain (Scope 3 emissions). The analysis made it possible to report for the first time, in a comprehensive manner, the emissions related to 11 relevant Scope 3 categories, i.e., categories 1, 2, 3, 4, 5, 6, 7, 9, 11, 12 and 13 (see the table "Scope 3").

Identification of the relevant categories

Taking into account the Group's activities and the industry best practices and information provided by reference peers, the Scope 3 categories relevant to the Group were first identified.

The following categories were excluded as they do not apply to the Sabaf Group: category 8 (Upstream Leased Assets), category 10 (Processing of Sold Products), category 14 (Franchises) and category 15 (Investments).

The results of the calculation show that Scope 3 emissions make up 99.9% of the Group's total emissions (Scope 1, Scope 2, Scope 3). Furthermore, Category 11 alone accounts for 99.3% of the Group's Scope 3 emissions.

Calculation methodology

The data necessary to calculate the Scope 3 emissions of the relevant categories were collected for all companies in the NFD's reporting boundary. For each Scope 3 category, the methodology that ensures the highest calculation accuracy was used, in line with the quality of the data obtained, following the GHG Protocol guidelines. Specifically, the following methodological approaches were used:

- Average-data method for category 1 (Purchased Goods and Services), category 3 (Fuel- and Energy-Related Activities), category 5 (Waste Generated in Operations), category 12 (End-of-Life Treatment of Sold Products) and category 13 (Downstream Leased Assets), if physical data, such as weights and volumes, could be retrieved;
- Distance-based for category 4 (Upstream Transportation and Distribution), category 9 (Downstream Transportation and Distribution) and categories 6 and 7 (Business Travel and Employee Commuting), if the distances travelled could be calculated;
- Spend-based for category 1 (Purchased Goods and Services) and category 2 (Capital Goods), if only economic data were available.

Specific attention was paid to category 11 (Use of Sold Products), which required specific investigations in order to assess the impact of these emissions along the value chain. The Group manufactures components (intermediate products) for installation in domestic appliances, including burners for gas cooking appliances. The finished product (the hob or free-standing cooker) generates emissions during use by the end user by burning natural gas or LPG to produce the heat needed for cooking. Emissions are calculated based on a number of factors, including burner design, hob shape, grill shape and height, pan type, gas type, etc., which are largely beyond the Group's control. As a result of the investigations carried out , the Group decided to report the emissions relating to the use of sold products (category 11) based on the use of cooking appliances on which Sabaf burners are installed.

In order to calculate emissions, the physical data obtained from estimates of the average amount of gas required for boiling water and subsequent cooking of the pasta were used.

To this end, the following assumptions were made:

- the useful life of a gas cooking appliance was estimated at 20 years[34] (using documentation from the LCA analysis of a gas cooking appliance and the average useful life of a kitchen in Italy);
- it was estimated that one meal a day is consumed at home, for about 340 days a year;
- two separate phases were determined for calculation purposes, one for reaching the boiling temperature of the water, the other for cooking pasta;
- the cooking time of pasta was estimated at 10 minutes;
- the initial water temperature was estimated at 25°C;
- once the boiling temperature of the water is reached, the amount of gas used to cook pasta is 60% of the burner peak value;
- the amount of water used to cook the meal varies depending on the power (and therefore the size) of the burner, (several litres of water were considered, depending on the power of the burner, in accordance with the procedures of the Water Boiling Test ("WBT"), which includes 5l and 2.5l as standard. Subsequently, 5l were allocated to the 5kW burner, 2.5l to the intermediate 3kW burner and 1l to the auxiliary 1kW burner. The intermediate powers were assigned to linearly graduated litres).

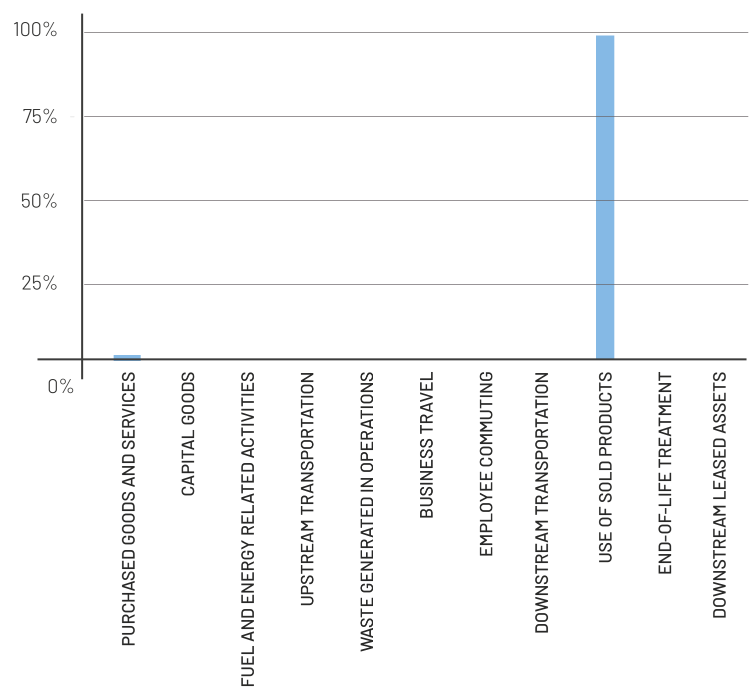
The DEFRA 2023 conversion factors and the coefficients derived from the UNFCCC National Standard Parameters for 2023 (Lower Heating Value) were used for calculation purposes. After calculating the emissions for individual burners, the figures obtained were multiplied by the number of products sold in order to obtain the total value of emissions for category 11 reporting purposes.

[33] *Corporate Value Chain (Scope 3) Accounting and Reporting Standard*, Supplement to the GHG Protocol Corporate Accounting and Reporting Standard.
Technical Guidance for Calculating Scope 3 Emissions, Supplement to the Corporate Value Chain (Scope 3) Accounting & Reporting Standard.

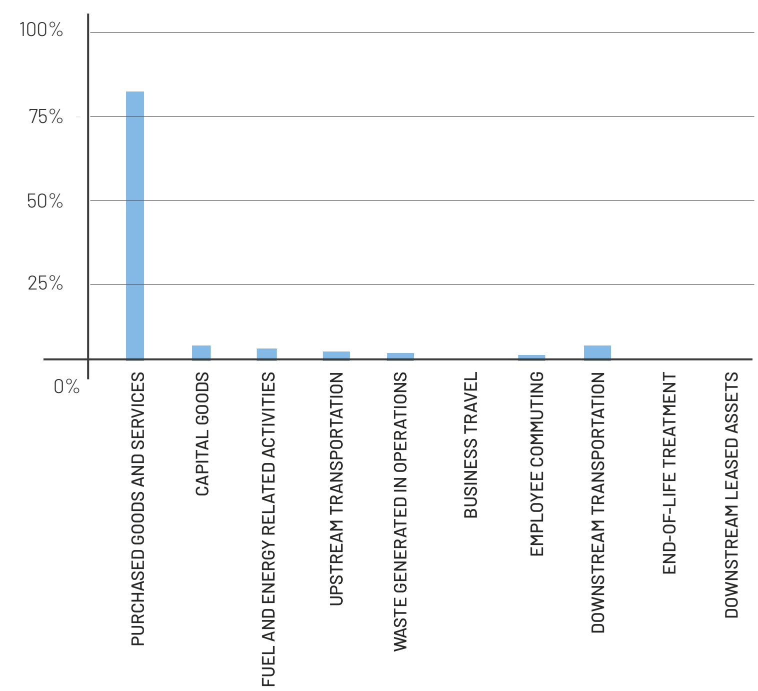
[34] https://www.sciencedirect.com/science/article/abs/pii/S0959652618308011

SCOPE 3 (INDIRECT EMISSIONS GENERATED ALONG THE VALUE CHAIN)		2023
Total	**tCO_{2eq}**	**19,244,500**
Cat. 1 - Purchased Goods and Services	tCO_{2eq}	116,215
Cat. 2 - Capital Goods	tCO_{2eq}	6,097
Cat. 3 - Fuel- and Energy-Related Activities (not included in Scope 1 and 2)	tCO_{2eq}	5,601
Cat. 4 - Upstream Transportation and Distribution	tCO_{2eq}	3,684
Cat. 5 - Waste Generated in Operations	tCO_{2eq}	1,092
Cat. 6 - Business Travel	tCO_{2eq}	619
Cat. 7 - Employee Commuting	tCO_{2eq}	2,290
Cat. 9 - Downstream Transportation and Distribution	tCO_{2eq}	6,106
Cat. 11 - Use of Sold Products	tCO_{2eq}	19,102,012
Cat. 12 - End-of-Life Treatment of Sold Products	tCO_{2eq}	651
Cat. 13 - Downstream Leased Assets	tCO_{2eq}	133

SCOPE 3 EMISSIONS - % BY CATEGORY



SCOPE 3 EMISSIONS - % BY CATEGORY (EXCLUDING CAT.11)



The results of the calculation show that Scope 3 emissions make up 99.9% of the Group's total emissions (Scope 1, Scope 2, Scope 3). Category 11 accounts for 99.3% of the Group's Scope 3 emissions.

DISPUTES

Over the three-year period from 2021 to 2023, the Group did not suffer any sanctions related to environmental compliance and no dispute is pending at 31 December 2023.

Sabaf, the management of product quality and customer relations

RISKS

The UNI EN ISO 9001:2015 standard with which Sabaf complies, introduces the concept of a "risk-based approach", which is fundamental for planning the Quality Management System. The relevant risk categories in this area are set out below.

Strategic risks, including intellectual property protection (there is a risk that some Group products, even if under patent protection, may be copied by competitors) and collaboration with critical suppliers.

Legal and compliance risks, relating to non-compliance with product regulations: Sabaf operates in international markets governed by different laws and regulations. The product must therefore comply with the mandatory and voluntary requirements and the organisation must be able to show this consistency to the certification bodies responsible for control.

Business continuity risks: risk of non-delivery to customers due to stoppages for reasons of force majeure (unavailability of raw materials or components, critical logistics and transport issues, production stoppages or delays, lockdowns).

QUALITY MANAGEMENT POLICY

The Quality Management System has the aim of enabling the achievement of the following objectives:

- increasing customer satisfaction by understanding and meeting their present and future requirements;
- continuous improvement of processes and products, also aimed at protecting the environment and the safety of employees;
- involvement of partners and suppliers in the continuous improvement process, favouring the "comakership" logic;
- valuation of human resources;
- improvement of business performance and of the quality management system based on risk-based thinking";
- meet the mandatory requirements applicable to the products (laws and regulations).

In order to contribute consistently to the pursuit of these objectives, the Sabaf Group undertakes a series of commitments explicitly stated in the Charter of Values:

- to act with transparency, correctness and contractual fairness;
- to communicate product information in a clear and transparent manner;
- to adopt a professional and helpful behaviour towards customers;
- not to give gifts to customers that exceed normal courtesy practices and that may tend to influence their objective assessment of the product;
- to guarantee high quality standards of the offered products;
- to ensure constant attention in technological research in order to offer innovative products;
- to collaborate with customer companies to ensure that the end user is fully confident in using the products;
- to promote social responsibility actions throughout the production chain;
- to listen to customers' requirements through constant monitoring of customer satisfaction and complaints, if any;
- to inform customers of potential risks related to the use of products, as well as the related environmental impact.

Group companies that have obtained quality certification according to the ISO 9001 standard

COMPANY	YEAR OF FIRST CERTIFICATION
Sabaf S.p.A.	1993
Faringosi Hinges s.r.l.	2001
C.G.D. s.r.l.	2002
C.M.I. s.r.l.	2003
Sabaf Turkey (Istanbul plant)	2005
Sabaf Brazil	2008
P.G.A s.r.l.	2013
Sabaf Turkey (Manisa plant)	2015
Sabaf Turkey (Manisa plant, electronics division)	2022
C.M.I. s.r.l. - Polish branch	2022
Sabaf India	2022

During 2023, the Quality Management System was constantly monitored and maintained to ensure the correct implementation and compliance with the requirements of the ISO 9001 standard.
As part of the internal audit plan for 2023, a total of 26 functional areas of offices and production departments were checked at the Ospitaletto plant, 14 at Sabaf Brazil, 15 at Sabaf Turkey and 12 at Sabaf India. The results of these checks did not reveal any critical aspects of the system, which therefore fully complies with the regulations.
With respect to third-party inspections of the Quality Management System, annual inspections were carried out in 2023 at all certified plants, except for that in Turkey, for which the next inspection is scheduled for 2024. The activities were successfully concluded, confirming the adequacy of the System and the maintenance of the ISO 9001 certification.
In 2023, Sabaf S.p.A.'s ISO 9001 certificate was extended to the plant in Mexico.

CUSTOMER HEALTH AND SAFETY

Sabaf protects the health of consumers by checking that the materials that make up its products comply with the international directives in force (REACH and RoHS directives and completion of the SCIP database).
To ensure the safe operation of valves, thermostats and burners, Sabaf carries out leak tests on 100% of its production.
Valves and thermostats are also certified by third parties that guarantee compliance with the operating and safety requirements required to be marketed on the world market.
The electronic components are also certified in accordance with the operating and safety regulations in force in the markets in which they are sold, and only use components that comply with the REACH and RoHS directives.
Hinges do not pose a significant risk to consumer safety.
During the reporting period, there were no instances of non-compliance with regulations regarding the health and safety impacts of products.

CUSTOMER SATISFACTION

The customer satisfaction survey, carried out every two years, is part of the stakeholder engagement activities that Sabaf undertakes in order to constantly improve the quality of the services offered and to respond to customer expectations.
The last survey was carried out between the end of 2023 and early 2024 by means of a questionnaire sent to the 20 largest customers via an online survey. The survey confirmed the positive opinion of customers by pointing out that the quality and the innovation of its products and its timeliness, professionalism and competence in technical and commercial assistance are among its strong points.

CUSTOMER COMPLAINT HANDLING

Sabaf systematically handles all complaints from customers. A specific process is in place and envisages:
- analysis of the alleged defect to assess its validity;
- identification of the causes of the defect;
- corrective actions necessary to prevent or limit the recurrence of the problem;
- customer feedback through 8D reports (quality management tool that enables a cross-functional team to determine the causes of problems and provide effective solutions).

DISPUTES

With the exception of actions to recover non-performing loans, there is no dispute with customers at 31 December 2023.

Sabaf and supply chain management

RISKS

The supply chain presents different types of risks, which must be assessed and monitored in order to limit the possibility of damage to the companies of the Group.

Risks of external context. Considering that a significant (although not predominant) portion of purchases takes place on international markets, the Group monitors and manages the risk of instability in supplier Countries.

Strategic risks related to a socially responsible approach along the supply chain (quality of supply, respect for human rights and protection of workers, respect for the environment, energy consumption). The definition of the criticality level, especially environmental and social, derives from a risk assessment that takes into account the type of process, product or service provided and the geographical location of the supplier.

Operational risks, manly related to:
- the continuity of supplies;
- the change in prices of raw materials, electricity and gas.

SUPPLY CHAIN MANAGEMENT POLICY

All Group companies comply with the principles of conduct defined in the Charter of Values in managing relations with suppliers.
The Group is gradually implementing a purchasing management policy valid for all Group companies. Relations with suppliers of all Group companies are managed on the basis of uniform procedures. With respect to suppliers' management of quality, environmental and social responsibility parameters, where the law in force already requires Sabaf to meet the minimum requirements, the risk for Sabaf is deemed lower, otherwise periodic audits are carried out.

In 2023, class A and B suppliers were analysed, covering 95% of the expenditure[35]. 77 potentially critically suppliers were identified. Forty audits were conducted without identifying any critical non-conformities, but only remarks. In connection with non-critical non-compliances, the suppliers were asked to take appropriate action. A contract was terminated due to significant weaknesses affecting the quality of supplies.

RELATIONS WITH SUPPLIERS AND CONTRACTUAL CONDITIONS

The Group's strategic suppliers are represented by:

- suppliers of raw materials, such as steel alloys and non-ferrous metals (mainly aluminium and brass); these are generally international large groups;
- suppliers of electronic components;
- suppliers of other components that are assembled into products manufactured by the Group;
- suppliers of machinery and equipment, with whom the Group has strong long-term relationships;
- various types of service providers.

Relations with suppliers are based on long-term collaboration and on fairness in negotiations, integrity and contractual fairness and the sharing of growth strategies.
Sabaf guarantees absolute impartiality in the choice of suppliers and undertakes to strictly comply with the agreed payment terms. Very short payment terms are agreed for artisan and less structured suppliers (mainly 30 days).
Sabaf requires its suppliers to be able to renew themselves technologically, so that the best quality/price ratios can always be proposed, and favours suppliers who have obtained or are obtaining Quality and Environmental System certifications.
In 2023, the turnover of Sabaf Group's suppliers with a Certified Quality System was equal to 72% of the total (75% in 2022).

[35] The valuation covers suppliers with an average annual turnover to Sabaf of more than €5,000 over the previous three years. The remaining suppliers are deemed not significant.

PURCHASE ANALYSIS

As shown in the table below, the Sabaf Group aims to encourage development in the area in which it operates and, therefore, in selecting suppliers, favours local companies[36].

% domestic purchases	2023	2022	2021
Sabaf S.p.A.	78%	79%	78%
Faringosi Hinges	99%	99%	99%
A.R.C.	89%	85%	85%
C.M.I. Group	97%	98%	98%
P.G.A.	83%	-	-
Sabaf Turkey	74%	67%	66%
Okida	-	69%	65%
Sabaf Brazil	93%	95%	95%
Sabaf China	100%	100%	100%
Sabaf India	96%	-	-

DISPUTES

At 31 December 2023, there were no outstanding disputes with suppliers.

[36] A local supplier is a supplier based in the same country as each Sabaf Group Company. The figures in the table do not consider intragroup supplies. Figures were translated into euro at the average exchange rates for the year.

Sabaf, Public Administration and Community

RELATIONS WITH THE PUBLIC ADMINISTRATION

Sabaf has always had an open dialogue with the authorities in every local community in which it is present, in order to promote shared and sustainable industrial development, with positive repercussions for local communities.

APPROACH TO TAX

The Group, in line with the principles defined in the Charter of Values, acts according to the values of honesty, moral integrity, transparency and fairness also in the management of its tax activity. The Group also believes that the contribution from taxes paid is an important channel through which it can participate in the economic and social development of the countries in which it operates. For this reason, the Group pays attention to the compliance with tax regulations and therefore acts responsibly in the jurisdictions in which it is present.

Therefore, acting responsibly in terms of tax is for the Group a behaviour also oriented towards the protection of the company's assets and the creation of value in the medium-long term.

The Administration and Finance Department is responsible for managing tax issues. The Group has not defined a formal tax strategy at Group level and individual companies operate in accordance with local tax regulations.

To date, the Group has no formalised tax governance. Responsibility for compliance lies with the Administration and Finance functions of each subsidiary, while the Administration and Finance Department of the Parent performs a supervisory, guidance and coordination function with regard to intragroup relations.
Tax risks are analysed and managed in accordance with the company's overall Enterprise Risk Management model.

To date, the Group has not received any requests from its stakeholders regarding tax issues. Should they arrive, they will be dealt with by the corporate functions in charge of compliance on this matter.

Relations with tax authorities are based on the principles of fairness and full compliance with the different regulations applicable in the countries where the Group operates. The Group does not engage in tax advocacy activities.

REPORTING BY COUNTRY[37]

TAXES – 2023 COUNTRY-BY-COUNTRY REPORTING

(€/000)	ITALY	BRAZIL	TURKEY	CHINA	U.S.A.	INDIA	MEXICO	POLAND[38]	TOTAL BEFORE CONSOLIDATION	CONSOLIDATION ADJUSTMENTS	TOTAL CONSOLIDATED FINANCIAL STATEMENTS
Number of employees	677	93	481	7	180	13	25	47	*1,523*	-	*1,523*
Property, plant and equipment other than cash and cash equivalents	294,839	22,758	72,039	2,897	18,298	8,870	6,626	4,706	*431,033*	(166,439)	*264,594*
Sales to third parties	128,907	16,487	60,292	1,077	14,615	1,137	-	15,434	*237,949*	-	*237,949*
Intra-group revenues to other jurisdictions	30,581	-	4,826	586	277	27	-	398	*36,695*	(36,695)	-
Pre-tax profit (loss)	4,445	1,560	(3,276)	(929)	461	(1,311)	(1,724)	1,083	*309*	(315)	*(6)*
Income taxes paid	375	532	2,443	-	126	-	-	286	*3,762*	-	*3,762*
Income taxes for the year (A)	(555)	429	367	-	132	-	-	317	*690*	-	*690*
Differences between the theoretical tax charge and the tax charge recognised in the financial statements (B)	1,623	101	(1,104)	(223)	(7)	(315)	(414)	(122)	*(461)*	-	*(461)*
Theoretical income tax (C) = (A)+(B)	*1,068*	*530*	*(737)*	*(223)*	*125*	*(315)*	*(414)*	*195*	*229*	-	*229*
Effect of permanent tax differences (D)	(30)	2	-	-	-	-	-	-	*(28)*	-	*(28)*
Other changes (E)	(2,868)	-	(3,007)	223	(135)	315	414	-	*(5,058)*	-	*(5,058)*
Income taxes recognised in the financial statements, excluding IRAP (corporate income tax) and substitute taxes (current) (F) = (C)+(D)+(E)	*(1,830)*	*532*	*(3,744)*	-	*(10)*	-	-	*195*	*(4,857)*	*1,229*	*(3,628)*
IRAP (current) (G)	242	-	-	-	-	-	-	-	*242*	-	*242*
***Total* (H) = (F) + (G)**	*(1,588)*	*532*	*(3,744)*	-	*(10)*	-	-	*195*	*(4,615)*	*1,229*	*(3,386)*

[37] The names and main activities carried out by Group companies are listed in the paragraph "Corporate Governance, Risk Management and Compliance" of this document.
[38] CMI Polska z.o.o. was merged into C.M.I. Cerniere Meccaniche Industriali s.r.l. on 31 December 2021.

TAXES – 2022 COUNTRY-BY-COUNTRY REPORTING

(€/000)	ITALY	BRAZIL	TURKEY	CHINA	U.S.A.	INDIA	MEXICO	POLAND[39]	*TOTAL BEFORE CONSOLIDATION*	CONSOLIDATION ADJUSTMENTS	*TOTAL CONSOLIDATED FINANCIAL STATEMENTS*
Number of employees	652	75	456	8	-	-	-	47	*1,238*	-	*1,238*
Property, plant and equipment other than cash and cash equivalents	297,497	20,656	89,047	3,641	-	5,826	6,154	3,088	*425,909*	(171,595)	*254,314*
Sales to third parties	166,872	12,522	60,101	1,491	-	526	-	11,541	*253,053*	-	*253,053*
Intra-group revenues to other jurisdictions	25,669	-	3,270	1,398	285	-	-	980	*31,602*	(31,602)	-
Pre-tax profit (loss)	9,735	349	2,894	(762)	(26)	(366)	(194)	516	*12,146*	63	*12,209*
Income taxes paid	4,707	104	2,845	-	-	-	-	77	*7,733*	-	*7,733*
Income taxes for the year (A)	1,280	-	723	-	-	-	-	77	*2,080*	-	*2,080*
Differences between the theoretical tax charge and the tax charge recognised in the financial statements (B)	1,056	119	(143)	(183)	(6)	(88)	(47)	47	*755*	-	*755*
Theoretical income tax (C) = (A)+(B)	*2,336*	*119*	*580*	*(183)*	*(6)*	*(88)*	*(47)*	*124*	*2,835*	-	*2,835*
Effect of permanent tax differences (D)	215	7	-	-	-	-	-	-	*222*	-	*222*
Other changes (E)	(1,645)	-	(5,170)	183	6	88	47	(31)	*(6,522)*	-	*(6,522)*
***Income taxes recognised in the financial statements, excluding IRAP (corporate income tax) and substitute taxes (current)* (F) = (C)+(D)+(E)**	*906*	*126*	*(4,590)*	-	-	-	-	*93*	*(3,465)*	*(55)*	*(3,520)*
IRAP (current) (G)	480	-	-	-	-	-	-	-	*480*	-	*480*
***Total* (H) = (F) + (G)**	*1,386*	*126*	*(4,590)*	-	-	-	-	*93*	*(2,985)*	*(55)*	*(3,040)*

[39] CMI Polska z.o.o. was merged into C.M.I. Cerniere Meccaniche Industriali s.r.l. on 31 December 2021.

TAXES – 2021 COUNTRY-BY-COUNTRY REPORTING

(€/000)	ITALY	BRAZIL	TURKEY	CHINA	U.S.A.	INDIA	MEXICO	POLAND[40]	*TOTAL BEFORE CONSOLIDATION*	CONSOLIDATION ADJUSTMENTS	*TOTAL CONSOLIDATED FINANCIAL STATEMENTS*
Number of employees	667	112	447	7	-	-	-	45	*1,278*	-	*1,278*
Property, plant and equipment other than cash and cash equivalents	196,850	19,866	40,328	2,983	-	1,850	2,803	4,432	*269,112*	(31,989)	*237,123*
Sales to third parties	178,071	16,632	56,138	1,817	-	-	-	10,601	*263,259*	-	*263,259*
Intra-group revenues to other jurisdictions	26,873	-	3,191	212	254	-	-	768	*31,298*	(31,298)	-
Pre-tax profit (loss)	22,438	2,080	6,392	(446)	40	(57)	(134)	746	*31,059*	(1,379)	*29,680*
Income taxes paid	1,907	694	2,550	-	-	-	-	145	*5,296*	-	*5,296*
Income taxes for the year (A)	4,943	710	1,819	-	-	-	-	145	*7,617*	-	*7,617*
Differences between the theoretical tax charge and the tax charge recognised in the financial statements (B)	441	(3)	(221)	-	-	-	-	(11)	*206*	-	*206*
Theoretical income tax (C) = (A)+(B)	*5,384*	*707*	*1,598*	*(105)*	-	-	-	*134*	*7,718*	-	*7,718*
Effect of permanent tax differences (D)	198	(13)	-	-	-	-	-	-	*185*	-	*185*
Other changes (E)	(2,158)	-	(2,107)	105	-	-	-	11	*(4,149)*	-	*(4,149)*
Income taxes recognised in the financial statements, excluding IRAP (corporate income tax) and substitute taxes (current) (F) = (C)+(D)+(E)	*3,424*	*694*	*(509)*	-	-	-	-	*145*	*3,754*	*32*	*3,786*
IRAP (current) (G)	1,211	-	-	-	-	-	-	-	*1,211*	-	*1,211*
***Total* (H) = (F) + (G)**	*4,635*	*694*	*(509)*	-	-	-	-	*145*	*4,965*	*32*	*4,997*

[40] CMI Polska z.o.o. was merged into C.M.I. Cerniere Meccaniche Industriali s.r.l. on 31 December 2021.

RELATIONS WITH INDUSTRIAL ASSOCIATIONS

Sabaf S.p.A. is one of the founders of **APPLiA Italia**, the association that develops and coordinates in Italy the study activities promoted at European level by APPLiA – Home Appliance Europe with the related scientific, legal and institutional implications in the household appliances sector.
Sabaf S.p.A. has been a member of Confindustria Brescia since 2014.

RELATIONS WITH UNIVERSITIES AND THE STUDENT WORLD

Sabaf S.p.A. organises company visits for groups of students. Group representatives frequently give company presentations at universities on sustainability issues and other relevant topics.

CHARITABLE INITIATIVES AND DONATIONS

The values that the Sabaf Group embraces are those of peace and brotherhood between people.

On 6 February 2023, a 7.9 magnitude earthquake struck south-east Turkey and northern Syria. Tens of thousands of people lost their lives or were injured. Due to the devastating collapses, survivors had to cope with the cold, lack of food, drinking water and electricity. The work of the rescuers was complicated by the damage to the road network.
The Sabaf Group took steps to immediately contribute to humanitarian aid by collecting primary need goods at the Group's Turkish offices (unaffected by the earthquake) and by collecting funds at the Italian companies. Sabaf, in turn, contributed an amount equal to twice the amount donated by its employees. The funds were earmarked for the Koc Group's "Container City Project" programme to purchase emergency accommodation units for people who lost their homes in the earthquake.

In June 2023, Sabaf signed the Ukraine Business Compact to support the country's economic recovery. The initiative was launched by the UK and Ukrainian governments at the Ukraine Recovery Conference - URC 23 held in London on 21 and 22 June 2023. This statement confirms international business support for the reconstruction and recovery of Ukraine in order to create an agile and resilient economic system and emerge from the conflict as a stronger and more prosperous country. By committing to the principles outlined in the document, the signatory companies declared their support for the cause and their willingness to engage in future trade, investment opportunities and peer-to-peer skills sharing.

In 2022, Sabaf joined the project to co-finance for six years the Chair of Associate Professor of Anaesthesiology in the new School of Specialisation in Medicine and Palliative Care at the University of Brescia (contribution of €50,000 per year). Sabaf is thus supporting an important postgraduate training programme in the city of Brescia, which is of great value to the entire community.
The Postgraduate School of Palliative Care, one of the first in Italy, was opened in November 2022. Furthermore, teaching medicine for surgery students and research projects began. The aim is to promote the culture of palliative care among young people and expand into the paediatric field, developing a reference centre in eastern Lombardy.
The results of the first year of activity of the new complex structure of Palliative Care and ADI of the Asst Spedali Civili of Brescia are encouraging: the Postgraduate School of Palliative Care has involved students and specialists from the most diverse medical areas and offered a wide range of care, from adult to paediatric, including pain therapy and home care.

The Group's ongoing humanitarian initiatives include:
- support for the ANT Foundation, which provides free specialist medical home-care to cancer patients and cancer prevention activities;
- support for the *Associazione Volontari per il Servizio Internazionale* (AVSI), a non-profit, non-governmental organisation engaged in international development aid projects. The donations are used to provide long-distance support to twenty children living in various countries around the world.

DISPUTES

At the beginning of 2023, a tax dispute in Sabaf Turkey was resolved. There was no charge to the Group as a result of the unfavourable outcome.
There are no other significant disputes with Public Bodies or other representatives of the community.

Sabaf and shareholders

THE COMPOSITION OF THE SHARE CAPITAL

On 14 July 2023, as part of the acquisition of control over MEC, the Board of Directors of Sabaf approved a reserved capital increase for a nominal amount of €1,153,345, equal to 10% of the share capital, by issuing a maximum of 1,153,345 new ordinary shares with a par value of €1.00. The newly issued shares were offered as part of a reserved placement and fully subscribed by Montinvest s.r.l. The capital increase took place on 20 July 2023.

At the approval date of this document (19 March 2024), the share capital of Sabaf S.p.A., fully subscribed and paid-up, amounted to €12,686,795, consisting of 12,686,795 ordinary shares with a par value of €1.00 each. A total of 6,127,517 shares acquired voting rights (two votes for each share).

	NO. OF SHARES MAKING UP THE SHARE CAPITAL	NUMBER OF VOTING RIGHTS
TOTAL	**12,686,795**	**18,814,312**
of which:		
ordinary shares IT0001042610	6,559,278	6,559,278
ordinary shares with increased vote IT0005253338	6,127,517	12,255,034

The shareholders entered in the shareholders' register at 9 January 2024 were 1,931, of whom:

- 1,619 own up to 1,000 shares;
- 206 own 1,001 to 5,000 shares;
- 30 own 5,001 to 10,000 shares;
- 76 own over 10,000 shares.

21.29% of the share capital is held by shareholders resident abroad.

RELEVANT SHAREHOLDERS				
SHAREHOLDER	**NUMBER OF SHARES**	**% OF SHARE CAPITAL**	**VOTING RIGHTS**	**% HELD**
CINZIA SALERI S.a.p.A.	2,340,644	18.45%	4,681,288	24.88%
QUAESTIO CAPITAL MANAGEMENT SGR S.p.A.	2,306,690	18.18%	4,613,380	24.52%
MONTINVEST s.r.l.	1,160,000	9.14%	1,160,000	6.16%
FINTEL s.r.l.	898,722	7.08%	1,748,722	9.29%
PALOMA RHEEM INVESTMENTS, INC.	570,345	4.50%	1,031,683	5.48%

There are no other shareholders other than those highlighted above with a shareholding of more than 5%.

INVESTOR RELATIONS AND FINANCIAL ANALYSTS

Since its listing on the Stock Exchange (1998), the Company has attached strategic importance to financial communication, which is based on the principles of fairness, transparency and continuity, in the belief that this approach allows investors to correctly evaluate the Company.

In this perspective, Sabaf guarantees maximum willingness to engage in dialogue with financial analysts, institutional investors and proxy advisors. On 10 February 2022, the Company adopted the Policy for the management of the dialogue with the investors, which regulates the opportunities for communication and attendance for all Investors that require contact with the Board of Directors on the following matters:

- corporate governance system;
- remuneration policies;
- internal control and risk management system;
- strategic and industrial plans of the Company;
- strategic guidelines and policies on environmental and social sustainability.

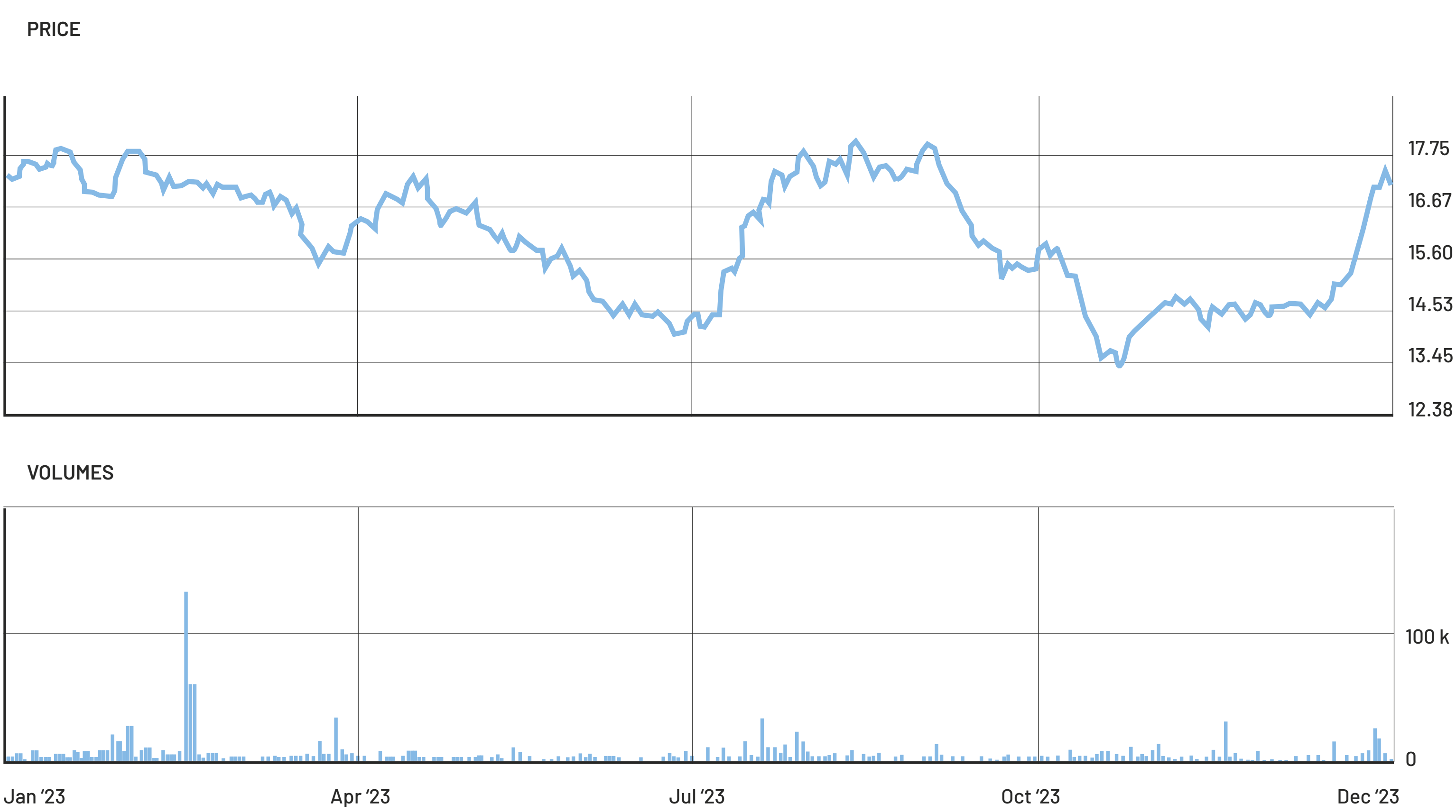
The Policy entrusts the management of the dialogue with investors to the Chairman, the Chief Executive Officer and the CFO, also severally.

In 2023, the Company participated in the Star Conference in March. The Company met with institutional investors as part of other roadshows organised in Milan, Frankfurt, Vienna and Paris.

REMUNERATION OF SHAREHOLDERS AND SHARE PERFORMANCE

In 2023, the Sabaf share recorded the highest official price on 1 February (€17.958) and the lowest on 17 October (€13.510). The average volume traded was 5,218 shares per day, equal to an average value of €85,256 (€223,623 in 2022).

2023 PERFORMANCE OF SABAF SHARES (PRICE AND VOLUMES TRADED)



SABAF VS. FTSE ITALIA STAR INDEX

In 2023, the Company did not distribute any dividends to shareholders as it decided to use the funds to continue its growth path, also externally.

ESG INVESTMENT

ESG (Environment, Social, Governance) criteria are increasingly important parameters for the screening and selection of investments by investors. Also through the preparation of this Disclosure, Sabaf strives to ensure maximum transparency on its sustainability strategy, social and environmental performance and level of alignment with best practices in terms of governance.

DISPUTES

There is no dispute with shareholders.

Sabaf and lenders

At 31 December 2023, the net financial debt was €73.2 million, compared with €84.4 million on 31 December 2022. The ratio between the net financial debt and EBITDA was 2.47 versus 2.10 at 31 December 2022.

RELATIONS WITH CREDIT INSTITUTIONS

Relations with banks have always been based on maximum transparency. Relations with institutions that are able to support the Group in all its financial needs and to propose solutions in a timely manner to meet specific needs are privileged.

OTHER LENDERS

In 2021, Sabaf S.p.A. issued a €30 million bond fully subscribed by PRICOA with a maturity of 10 years and an average life of 8 years. This issue enabled the Group to diversify its sources of financing, improve financial flexibility and significantly lengthen the average duration of its debt.

DISPUTES

There is no dispute with lenders.

Sabaf and competitors

TRENDS IN THE COOKING APPLIANCE MANUFACTURER SECTOR

The household appliance industry shows the following trends.

- **Concentration**, with a small number of large players operating on a global scale. This trend is less evident for cooking appliances than for other household appliances: in the cooking sector, in fact, design and aesthetics on the one hand and the lower intensity of investments on the other allow the success of even small and highly innovative producers.
- **Internationalisation of production**, increasingly relocated to countries with low labour costs.
- **Outsourcing the design and production of components** to highly specialised suppliers who, like Sabaf, are active in the main global markets and are able to provide a range of products that meets the specific requirements of different markets.

MAIN ITALIAN AND INTERNATIONAL COMPETITORS

In Europe, Sabaf estimates that it has a market share of about 40% in the sector of gas parts. The world market share is over 10%. The Sabaf Group is also a world leader in hinges for oven doors and dishwashers. Sabaf's main competitors on the international market are Copreci, E.G.O. and Robertshaw.
Copreci is a cooperative located in Spain in the Basque Country, part of Mondragon Cooperative Corporation and represents Sabaf's main competitor in terms of valves and thermostats.
E.G.O. is a major manufacturer of electronic components for household appliances based in Germany. In 2013, it acquired Defendi Italy (now E.G.O. Italy), a company mainly active in the production of burners in Italy and Brazil.
Robertshaw produces a wide range of components for household appliances and has a leading position in the North American market, particularly with respect to gas parts.

Main Italian and international competitors

	VALVES AND THERMOSTATS	BURNERS	HINGES	ELECTRONIC COMPONENTS
SABAF GROUP	●	●	●	●
Copreci (Spain)	●			●
E.G.O. (Germany, Italy)		●		●
Robertshaw (U.S.A.)[41]	●	●		●
Somipress (Italy)		●		
Nuova Star (Italy)			●	

2021 and 2022 economic data of the main Italian competitors[42]

	2022			2021		
(€/000)	SALES	EBIT	NET PROFIT (LOSS)	SALES	EBIT	NET PROFIT (LOSS)
SABAF GROUP	**253,053**	**21,887**	**15,249**	**263,259**	**37,508**	**23,903**
E.G.O. Italy	38,466	(673)	(1,303)	49,814	1,127	1,246
Somigroup Group	29,176	(758)	(516)	31,375	1,633	1,554
Nuova Star	49,858	1,253	1,019	59,844	2,751	2,628

Sabaf firmly believes that competition between companies promotes both an effective economy and sustainable growth. In making business decisions, Sabaf also takes into account the risk of behaviour that is detrimental to free competition. Currently, the Group has not adopted a formalised policy aimed at preventing anti-competitive behaviour. According to the information available, there is no evidence of anti-competitive behaviour or infringement of antitrust regulations.

DISPUTES

At 31 December 2023:

- there is a dispute pending against a competitor following an alleged violation of one of our patents;
- there are two disputes brought by competitors due to alleged violations of patents.

[41] In February 2024, Robertshaw US Holding Corporation filed for Chapter 11 protection from creditors as part of a financial restructuring process.
[42] Sabaf processing from the financial statements of the various companies. Latest available data.

EU Taxonomy

Regulation (EU) 2020/852 ("EU Taxonomy") is part of the European Union's initiatives in favour of sustainable finance and aims to provide investors and the market with a framework of sustainability metrics. The EU Taxonomy focuses on the identification of environmentally sustainable economic activities, defined as those economic activities that make a substantial contribution to at least one of the EU's climate and environmental objectives, while at the same time not significantly harming any of these objectives and meeting minimum safeguards.

In particular, the aim of the EU Taxonomy is to steer investments towards sustainable solutions, also in order to pursue the provisions of the European Green Deal, by identifying six environmental and climate objectives:

1. Climate change mitigation;
2. Climate change adaptation;
3. Sustainable use and protection of water and marine resources;
4. Transition to a circular economy;
5. Pollution prevention and control;
6. Protection and restoration of biodiversity and ecosystems.

On 27 June 2023, the regulatory framework for the EU Taxonomy was supplemented with two new Delegated Acts, Delegated Regulation (EU) 2023/2485, amending Climate Delegated Act, and Delegated Regulation (EU) 2023/2486 ("Environmental Delegated Act"), both effective as of 17 July 2023. The first Delegated Act introduces new economic activities under Regulation (EU) 2021/2139 ("Climate Delegated Act"), which determines the eligibility criteria for certain economic activities relating to the first two of the six environmental objectives, as well as the technical screening criteria for determining if these activities are Taxonomy-aligned. The second Delegated Act establishes the technical screening criteria for the other four environmental objectives and, in turn, amends Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities.

According to the Taxonomy, undertakings which are subject to the obligation to publish a non-financial statement or a consolidated non-financial statement shall disclose the following: (i) the proportion of their turnover derived from products or services associated with economic activities that qualify as environmentally sustainable under the Taxonomy and the (ii) the proportion of capital expenditure and the proportion of operating expenditure related to asses or processes associated with economic activities that qualify as environmentally sustainable under the Taxonomy.

These indicators must be reported for both "Taxonomy-eligible" economic activities, i.e., "eligible" activities that could potentially contribute to the achievement of environmental objectives, and "Taxonomy-aligned" economic activities, i.e., the activities "aligned" to the Taxonomy, which actually contribute to the achievement of taxonomy objectives.

As described in Delegated Regulation (EU) 2021/2178, an economic activity is Taxonomy-aligned if it complies with the requirements laid down in Article 3 of Regulation 2020/852, i.e., if it gives a substantial contribution to at least one of the above-mentioned climate and environmental objectives in accordance with the technical screening criteria set by the Commission, while at the same time does not significantly harm the remaining objectives and it meets minimum safeguards.

With respect to the taxonomy reporting of the year, non-financial undertakings must disclose eligible economic activities for all six taxonomy-related objectives and the alignment of certain activities for the first two objectives. Starting from 2024, the reporting obligation covering both Taxonomy-eligible and aligned economic activities will be extended to all six objectives of the Taxonomy.

THE SABAF GROUP'S CONTRIBUTION

The Sabaf Group immediately began analysing the regulations in order to understand their potential impact on the reporting process on its Consolidated Disclosure of Non-Financial Information.

Based on the NACE code, the Delegated Acts of the EU Taxonomy Regulation identify Sabaf's activity as "Manufacture of energy efficiency equipment for buildings", within the scope of climate change mitigation and adaptation objectives. However, after further investigations into the relevant technical screening criteria and based on the decision to adopt a prudential approach, the Group opted not to consider this activity as "Taxonomy eligible". Indeed, Sabaf manufactures "key components" of household appliances that fall within the scope of the above-mentioned activity. The criteria set out in the Delegated Acts allow for alignment (or eligibility, in the case of the adaptation objective) if the key components are installed on appliances that fall into the two highest energy efficiency classes, in accordance with Regulation (EU) 2017/1369 of the European Parliament and of the Council. However, to date, energy labelling is not applicable for certain categories of household appliances (such as gas hobs), nor can the Group obtain information on the energy class of the appliances for which its components are intended. Moreover, the Delegated Acts do not provide a specific definition of "key components", making the case for Sabaf's products questionable. Furthermore, the Sabaf Group is known for its strong product innovation ability, which also aims at improving the energy efficiency of household appliances. Sabaf's gas hob and cooker burners, for example, boost efficiencies that on average exceed conventional and industry-standards envisaged by sector regulations.

Furthermore, Sabaf checked whether the sale of electronic boards could qualify as an eligible activity "1.2 Manufacture of electrical and electronic equipment", as part of the transition to a circular economy. Since electronic boards are a component of a piece of electronic equipment and that the description of activity 1.2 does not include "components", the Company decided not to consider the turnover derived from the sale of electronic boards as Taxonomy eligible.

Sabaf may revise this critical analysis in the next few years based on possible regulatory developments and clarifications to the Regulation.

The non-identification or reduced identification of turnover derived from "eligible" economic activities is not an indicator of an undertaking's environmental performance, as also confirmed by the Platform on Sustainable Finance, a body established under Article 20 of Regulation (EU) 2020/852 with advisory and support functions in favour of the European Commission on Taxonomy[43].

The Group has identified small amounts related to secondary activities and projects, identifying activities "3.2. Manufacture of equipment for the production and use of hydrogen" and "4.1. Electricity generation using solar photovoltaic technology" as "eligible" under the climate change mitigation objective. The first activity relates to the experimental development of 100% hydrogen-fuelled burners. The second activity refers to a proprietary photovoltaic plant operating at the subsidiary C.M.I.'s plant, for turnover derived from the portion of electricity fed into the grid. The amounts related to these activities are shown in the tables below pursuant to Delegated Regulation 2021/2178 of the European Commission. Sabaf checked that activities 3.2 and 4.1 of the climate change mitigation objective complied with the criteria set out in Article 3 of Regulation (EU) 2020/852 and the related technical screening criteria as per the delegated acts.

Accordingly, it concluded that these activities were only eligible for 2023 since not all the alignment requirements were met.

The Sabaf Group will continue to monitor the evolution of energy labelling and European taxonomy regulations, as the publication of further regulations specific to its business may allow it to enhance its contribution in the future.

[43] In the document *Platform considerations on voluntary information as part of Taxonomy-eligibility reporting* presented as an annex to the European Commission's FAQs published in December 2021 it is stated that *"Eligibility is not an indicator of environmental performance; it is an indicator that an activity is in scope for testing and has the potential to be Taxonomy-aligned"*.

Template - Proportion of turnover from products or services associated with Taxonomy-aligned economic activities - disclosure covering year 2023

2023 financial year	2023			Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")									
Economic activities	Code	Absolute turnover	Proportion of turnover (2023)	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	**Taxonomy-aligned (A.1.) or Taxonomy-eligible (A.2) proportion of turnover (2022)**	Category (enabling activity)	Category (transitional activity)
		€/000	%	Yes; No; N/E	Yes; No; N/E	Yes; No; N/E	Yes; No; N/E	Yes; No; N/E	Yes; No; N/E	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0.00 %**	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	No	No	No	No	No	No	No	**0.00%**		
of which enabling		**0**	**0.00%**	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	No	No	No	No	No	No	No	**0.00%**	E	
of which transitional		**0**	**0.00%**	0.0 %						No	No	No	No	No	No	No	**0.00%**		T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				E; N/E	E; N/E	E; N/E	E; N/E	E; N/E	E; N/E	Optional							%		
Electricity generation using solar photovoltaic technology	CCM 4.1	33	0.0%	E	N/E	N/E	N/E	N/E	N/E								**0.0%**		
Turnover of Taxonomy-eligible activities but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**33**	**0.0%**	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %								**0.0%**		
Total (A.1 + A.2)		**33**	**0.0%**	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %								**0.0%**		
B. TAXONOMY NON-ELIGIBLE ACTIVITES																			
Turnover of Taxonomy-non-eligible activities (B)		**246,972**	**100.0%**																
Total (A + B)		**247,005**	**100.0%**																

Template - Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities - disclosure covering year 2023

2023 financial year	2023			Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")									
Economic activities	Code	Absolute CapEx	Proportion of CaxEx (2023)	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	**Taxonomy-aligned (A.1) or Taxonomy-eligible proportion of CapEx (A.2) (2022)**	Category (enabling activity)	Category (transitional activity)
		€/000	*%*	*Yes; No; N/E*	*Yes; No; N/E*	*Yes; No; N/E*	*Yes; No; N/E*	*Yes; No; N/E*	*Yes; No; N/E*	*Yes/ No*	*Yes/ No*	*Yes/ No*	*Yes/ No*	*Yes/ No*	*Yes/ No*	*Yes/ No*	*%*	*E*	*T*
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0.00 %**	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	No	No	No	No	No	No	No	**0.00%**		
of which enabling		**0**	**0.00%**	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	No	No	No	No	No	No	No	**0.00%**	E	
of which transitional		**0**	**0.00%**	0.0 %						No	No	No	No	No	No	No	**0.00%**		T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				E; N/E	*E; N/E*	*E; N/E*	*E; N/E*	*E; N/E*	*E; N/E*	*Optional*							*%*		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**0**	**0.0%**	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %								**0.0%**		
Total (A.1 + A.2)		**0**	**0.0%**	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %								**0.0%**		
B. TAXONOMY NON-ELIGIBLE ACTIVITES																			
CapEx of Taxonomy non-eligible activities (B)		**36,570**	**100.0%**																
Total (A + B)		**36,570**	**100.0%**																

Template - Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities - disclosure covering year 2023

2023 financial year	2023			Substantial contribution criteria						DNSH criteria ("Does not significantly harm")									
Economic activities	Code	Absolute OpEx	Proportion of OpEx (2023)	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	**Taxonomy-aligned (A.1) or Taxonomy-eligible (A.2) proportion of OpEx, 2022**	Category (enabling activity)	Category (transitional activity)
		€/000	%	Yes; No; N/E	Yes; No; N/E	Yes; No; N/E	Yes; No; N/E	Yes; No; N/E	Yes; No; N/E	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	%	E	T
A. TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES																			
A.1 Environmentally sustainable activities (taxonomy-aligned)																			
Operating expenses of environmentally sustainable activities (taxonomy-aligned) (A.1)		**0**	**0.00 %**	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	No	No	No	No	No	No	No	**0.00%**		
of which enabling		**0**	**0.00%**	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	No	No	No	No	No	No	No	**0.00%**	E	
of which transitional		**0**	**0.00%**	0.0 %						No	No	No	No	No	No	No	**0.00%**		T
A.2 Taxonomy-eligible activities but not environmentally sustainable (activities not aligned to the taxonomy)																			
				E; N/E	E; N/E	E; N/E	E; N/E	E; N/E	E; N/E	Optional							%		
Manufacture of equipment for the production and use of hydrogen	CCM 3.2	75	1.0%	E	N/E	N/E	N/E	N/E	N/E								**0.0%**		
Operating expenses of Taxonomy-eligible activities but not environmentally sustainable (activities not aligned with the taxonomy) (A.2)		**75**	**1.0%**	1.0%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %								**0.0%**		
Total (A.1 + A.2)		**75**	**1.0%**	1.0%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %								**0.0%**		
B. TAXONOMY NON-ELIGIBLE ACTIVITES																			
OpEx of Taxonomy non-eligible activities (B)		**7,614**	**99.0%**																
Total (A + B)		**7,689**	**100.0%**																

Table summarising the proportion of Taxonomy-aligned and Taxonomy-eligible economic activities

	Turnover	CapEx	OpEx
Aligned	0.00%	0.00%	0.00%
Eligible	0.01%	0.00%	0.97%
of which			
CCM 4.1	0.01%	0.00%	0.00%
CCM 3.2	0.00%	0.00%	0.97%
Non-eligible and not aligned	99.99%	100.00%	99.03%

Multi-objective template

	Proportion of turnover/Total turnover	
	Taxonomy-aligned by objective	Taxonomy-eligible by objective
CCM	0%	0%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

	Proportion of CapEx/Total CapEx	
	Taxonomy-aligned by objective	Taxonomy-eligible by objective
CCM	0%	0%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

	Proportion of total OpEx/Total OpEx	
	Taxonomy-aligned by objective	Taxonomy-eligible by objective
CCM	0%	1%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

ANNEX XII OF REGULATION 2022/1214

Regulation (EU) 2022/1214, which amends Delegated (EU) Regulation 2021/2139, introduces a template to report on nuclear energy and fossil gas related activities. The Sabaf Group conducted an audit without identifying any nuclear energy and fossil gas related activities.

Template 1 - Nuclear and fossil gas related activitie

	Nuclear energy related activities	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gas related activities	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/ cool using fossil gaseous fuels.	NO

EUROPEAN TAXONOMY: METHODOLOGICAL NOTE

Under the Taxonomy, the Group's Taxonomy-aligned and/or Taxonomy-eligible economic activities must be presented through three key performance indicators ("KPIs") in accordance with the specifications set forth in Article 8 of the Delegated Regulation:
- Turnover;
- Capital expenditure ("CapEx");
- Operating expenses ("OpEx").

TURNOVER

The numerator of the KPI consists of the Taxonomy-eligible and Taxonomy-aligned turnover. The denominator of the KPI consists of the Group's total net turnover as per the 2023 consolidated income statement and in accordance with IAS 1.82 (a): reference should be made to the Consolidated Financial Statements included in the Group's annual report for more additional information.

CAPEX

Under the EU Taxonomy, capital expenditure (CapEx) is classified as additions to tangible and intangible assets and right-of-use assets during the financial year, before amortisation/depreciation, write-downs and write-backs. It also includes additions to tangible and intangible assets resulting from company mergers.
The numerator of the KPI considers the share of capital expenditure related to eligible activities, possibly aligned, while the denominator is the total of such expenditure. According to the EU Taxonomy, CapEx may include:
- Capital expenditure related to assets or processes that are associated with Taxonomy-eligible/aligned economic activities (category as per par. 1.1.2.2. Annex I Delegated Act Art. 8);
- Capital expenditures that is part of a plan to expand Taxonomy-aligned economic activities or to allow Taxonomy-eligible economic activities to become Taxonomy-aligned ("CapEx plan") under the conditions set out in the second subparagraph of point 1.1.2.2. of Annex I Delegated Act Art. 8;
- Capital expenditure related to the purchase of output from Taxonomy-eligible economic activities and individual measures enabling the Group's activities to become low-carbon or to lead to greenhouse gas reductions (Category C as per par. 1.1.2.2. Annex I Delegated Act Art. 8).

The additions attributable to acquisitions through business combinations and expenses incurred as part of a CapEx plan referred to in point 1.1.2. of Annex I of Delegated Regulation (EU) 2021/2178 and expenses recognised in accordance with IFRS 16 Leases and IAS 40 Investment Property were considered.
Finally, there are no CapExs attributable to IAS 41 Agriculture.

OPEX

Under Regulation (EU) 2021/2178, operating expenses are considered as direct non-capitalised costs that relate to building renovation measures, research and development, short-term lease and maintenance and repair. In addition, any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by the undertaking or third party to whom activities are outsourced, fall within the same scope. Non-capitalised costs that represent research that were recognised in the income statement were also identified. The method used to identify Sabaf Group's operating expenses involves analysing all accounts comprising the management accounting system, identifying all items pertaining to the above categories.

GRI Content Index

Statement of use	Sabaf S.p.A. has reported in accordance with the GRI Standards for the period 01/01/2023-31/12/2023.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	Not currently available

GRI STANDARD	DISCLOSURE	PAGE/NOTE
GENERAL DISCLOSURES		
GRI 2: General Disclosures 2021	2-1 Organizational details	SABAF S.p.A. Via dei Carpini, 1 – 25035 Ospitaletto (BS) – Italy SABAF S.p.A. is a company listed on the Milan Stock Exchange. The countries in which the Sabaf Group operates and which are relevant to the topics discussed in this Disclosure are: Italy, Poland, Brazil, Turkey, China and India.
	2-2 Entities included in the organization's sustainability reporting	p. 28
	2-3 Reporting period, frequency and contact point	p. 28
	2-4 Restatements of information	Not applicable
	2-5 External assurance	pp. 123-125
	2-6 Activities, value chain and other business relationships	pp. 19-25, 100-101
	2-7 Employees	pp. 69-71, 77-78
	2-8 Workers who are not employees	p. 71
	2-9 Governance structure and composition	pp. 47-60
	2-10 Nomination and selection of the highest governance body	p. 50
	2-11 Chair of the highest governance body	p. 51
	2-12 Role of the highest governance body in overseeing the management of impacts	p. 58
	2-13 Delegation of responsibility for managing impacts	p. 58
	2-14 Role of the highest governance body in sustainability reporting	pp. 28, 58
	2-15 Conflicts of interest	p. 59
	2-16 Communication of critical concerns	pp. 32, 66
	2-17 Collective knowledge of the highest governance body	p. 58
	2-18 Evaluation of the performance of the highest governance body	p. 54
	2-19 Remuneration policies	pp. 79-80
	2-20 Process to determine remuneration	pp. 79-80
	2-21 Annual total compensation ratio	p. 82
	2-22 Statement on sustainable development strategy	pp. 29-30
	2-23 Policy commitments	pp. 31-43
	2-24 Embedding policy commitments	pp. 31-34, 40, 58
	2-25 Processes to remediate negative impacts	pp. 32, 40, 66
	2-26 Mechanisms for seeking advice and raising concerns	pp. 32, 66
	2-27 Compliance with laws and regulations	p. 67
	2-28 Membership associations	pp. 42, 43, 106
	2-29 Approach to stakeholder engagement	pp. 40-41
	2-30 Collective bargaining agreements	p. 79

GRI STANDARD	DISCLOSURE	PAGE/NOTE
DISCLOSURES RELATED TO MATERIAL TOPICS		
GRI 3: Material Topics 2021	3-1 Process to determine material topics	p. 44
	3-2 List of material topics	pp. 45-46
Economic Performance		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 39, 40, 61-62
GRI 201: Economic performance 2016	201-1 Direct economic value generated and distributed	p. 39
Market Presence		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 40, 61-62, 79-82
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	p. 82
Anti-corruption		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 40, 61-62, 66
GRI 205: Anti-Corruption 2016	205-3 Confirmed incidents of corruption and actions taken	pp. 66
Anti-Competitive Behaviour 2016		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 40, 61-62, 111
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	p. 111
Tax		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 40, 61-62, 102
GRI 207: Tax 2019	207-1 Approach to tax	p. 102
	207-2 Tax governance, control, and risk management	p. 102
	207-3 Stakeholder engagement and management of concerns related to tax	p. 102
	207-4 Country-by-country reporting	pp. 103-105
Materials		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 40, 61-62, 88, 91
GRI 301: Materials 2016	301-1 Materials used by weight or volume	pp. 91
Energy		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 40, 61-62, 88, 92
GRI 302: Energy 2016	302-1 Energy consumption within the organization	p. 92
	302-3 Energy intensity	p. 92

GRI STANDARD	DISCLOSURE	PAGE/NOTE
Emissions		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 40, 61-62, 88-90, 94-97
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	p. 95
	305-2 Energy indirect (Scope 2) GHG emissions	p. 95
	305-3 Other indirect (Scope 3) GHG emissions	p. 96-97
	305-4 GHG emissions intensity	p. 95
Waste		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 40, 61-62, 88-90, 93-94
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	pp. 93-94
	306-2 Management of significant waste-related impacts	pp. 93-94
	306-3 Waste generated	pp. 93-94
Employment		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 40, 61-62, 68, 72
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	pp. 72-75
Labor/Management Relations		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 40, 61-62, 68, 86-87
402: Labour/ management relations 2016	402-1 Minimum notice periods regarding operational changes	p. 86
Occupational Health and Safety		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 40, 61-62, 68, 83-86
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	pp. 83-86
	403-2 Hazard identification, risk assessment, and incident investigation	pp. 83-86
	403-3 Occupational health services	pp. 83-86
	403-4 Worker participation, consultation, and communication on occupational health and safety	pp. 83-86
	403-5 Worker training on occupational health and safety	pp. 83-86
	403-6 Promotion of worker health	pp. 83-86
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	pp. 83-86
	403-9 Work-related injuries	pp. 84-85

GRI STANDARD	DISCLOSURE	PAGE/NOTE
Training and Education		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 40, 61-62, 68, 76
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	p. 76
Diversity and Equal Opportunity		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 40, 50, 61-62, 68, 77-79
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	pp. 52-57, 77-79
Non-discrimination		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 40, 61-62, 68
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	p. 68
Supplier Social Assessment		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 40, 61-62, 100-101
GRI 414: Supplier Social Assessment 2016	414-2 Negative social impacts in the supply chain and actions taken	p. 100
Customer Health and Safety		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 40, 61-62, 98-99
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	p. 99
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	p. 99
TOPICS NOT COVERED BY SPECIFIC STANDARDS		
Other work-related rights		
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 40, 61-62, 68

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Independent auditors' report on the consolidated disclosure of non-financial information in accordance with Article 3, par. 10, of Legislative Decree 254/2016 and with Article 5 of CONSOB Regulation adopted with Resolution n. 20267 of January 18, 2018

(Translation from the original Italian text)

To the Board of Directors of
Sabaf S.p.A.

We have been appointed to perform a limited assurance engagement pursuant to Article 3, paragraph 10, of Legislative Decree 30 December 2016, n. 254 (hereinafter "Decree") and article 5 of CONSOB Regulation adopted with Resolution 20267/2018, on the consolidated disclosure of non-financial information of Sabaf S.p.A. and its subsidiaries (hereinafter the "Group" or "Sabaf Group") for the year ended on 31st December 2023 in accordance with article 4 of the Decree and approved by the Board of Directors on 19th March 2024 (hereinafter "NFD").

Our limited assurance engagement does not cover the information included in the paragraph "*European Taxonomy*" of the NFD, that are required by art. 8 of the European Regulation 2020/852.

Responsibilities of Directors and Board of Statutory Auditors for the NFD

The Directors are responsible for the preparation of the NFD in accordance with the requirements of articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" defined by GRI – Global Reporting Initiative (hereinafter "GRI Standards"), identified by them as a reporting standard.

The Directors are also responsible, within the terms provided by law, for that part of internal control that they consider necessary in order to allow the preparation of the NFD that is free from material misstatements caused by fraud or not intentional behaviors or events.

The Directors are also responsible for identifying the contents of the NFD within the matters mentioned in article 3, par. 1, of the Decree, considering the business and the characteristics of the Group and to the extent deemed necessary to ensure the understanding of the Group's business, its performance, its results and its impact.

The Directors are also responsible for defining the Group's management and organization business model, as well as with reference to the matters identified and reported in the NFD, for the policies applied by the Group and for identifying and managing the risks generated or incurred by the Group.

The Board of Statutory Auditors is responsible, within the terms provided by the law, for overseeing the compliance with the requirements of the Decree.

Auditors' independence and quality control

We are independent in accordance with the ethics and independence principles of the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by International Ethics Standards Board for Accountants, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior. Our audit firm applies the International Standard on Quality Control 1 (ISQC

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Italia 1) and, as a result, maintains a quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

Auditors' responsibility

It is our responsibility to express, on the basis of the procedures performed, a conclusion about the compliance of the NFD with the requirements of the Decree and of the GRI Standards. Our work has been performed in accordance with the principle of "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. This principle requires the planning and execution of work in order to obtain a limited assurance that the NFD is free from material misstatements. Therefore, the extent of work performed in our examination was lower than that required for a full examination according to the ISAE 3000 Revised ("reasonable assurance engagement") and, hence, it does not provide assurance that we have become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

The procedures performed on the NFD were based on our professional judgment and included inquiries, primarily with company's personnel responsible for the preparation of the information included in the NFD, documents analysis, recalculations and other procedures in order to obtain evidences considered appropriate.

In particular, we have performed the following procedures:

1. analysis of the relevant matters in relation to the activities and characteristics of the Group reported in the NFD, in order to assess the reasonableness of the selection process applied in accordance with the provisions of article 3 of the Decree and considering the reporting standard applied;
2. analysis and evaluation of the criteria for identifying the consolidation area, in order to evaluate its compliance with the provisions of the Decree;
3. comparison of the economic and financial data and information included in the NFD with those included in the Sabaf Group's consolidated financial statements;
4. understanding of the following aspects:
    - Group's management and organization business model, with reference to the management of the matters indicated in the article 3 of the Decree;
    - policies adopted by the Group related to the matters indicated in the article 3 of the Decree, results achieved and related key performance indicators;
    - main risks, generated or suffered related to the matters indicated in the article 3 of the Decree.

    With regard to these aspects, we obtained the documentation supporting the information contained in the NFD and performed the procedures described in item 5. a) below
5. understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the NFD.
    In particular, we have conducted interviews and discussions with the management of Sabaf S.p.A. and with the personnel of Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki

(Sabaf Turchia) and we have performed limited documentary evidence procedures, in order to collect information about the processes and procedures that support the collection, aggregation, processing and transmission of non-financial data and information to the management responsible for the preparation of the NFD.

Furthermore, for significant information, considering the Group activities and characteristics:

- at Group level
  a) with reference to the qualitative information included in the NFD, and in particular to the business model, policies implemented and main risks, we carried out inquiries and acquired supporting documentation to verify its consistency with the available evidence;
  b) with reference to quantitative information, we have performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct aggregation of data.

- for the Manisa and Istanbul, Turkey sites of Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki (Sabaf Turchia), that we have selected based on its activities, relevance to the consolidated performance indicators and location, we have carried out remote interviews during which we have had discussions with management and have obtained evidence about the appropriate application of the procedures and the calculation methods used to determine the indicators.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the NFD of the Sabaf Group for the year ended on 31st December 2023 has not been prepared, in all material aspects, in accordance with the requirements of articles 3 and 4 of the Decree and the GRI Standards.

Our conclusions on the NFD of the Sabaf Group does not refer to the information included in the paragraph "*European Taxonomy*" of the NFD, that are required by art. 8 of the European Regulation 2020/852.

Brescia, 28th March 2024

EY S.p.A.
Signed by: Marco Malaguti, Auditor

This report has been translated into the English language solely for the convenience of international readers.

REPORT ON OPERATIONS

THE GROUP'S ECONOMIC PERFORMANCE

This section illustrates and comments on the Group's economic results on a normalised basis, i.e. adjusted for the effects of

- the application of IAS 29 - the hyperinflation accounting standard - with reference to the financial statements of the subsidiary Sabaf Turkey;
- start-up costs: the results have been restated to exclude the costs incurred by the Sabaf Group for the start-up of the Indian and Mexican plants and the entry into induction cooking.

This representation allows a better understanding of the Group's economic performance and a more accurate comparison with the previous period.
The reconciliation for each item in the income statement between the carrying values and the normalised values is attached to this Report.

(€/000)	2023	2022	2023-2022 change	% change
Sales revenue	237,949	253,053	(15,104)	*-6.0%*
Hyperinflation – Turkey	1,160	(1,091)		
Start-up revenue	(23)	-		
Normalised revenue	**239,086**	**251,962**	**(12,876)**	**-5.1%**
EBITDA	29,612	40,092	(10,480)	*-26.1%*
EBTIDA %	*12.4*	*15.8*		
Start-up costs	2,649	704		
Hyperinflation – Turkey	786	(4,469)		
Normalised EBITDA	**33,047**	**36,327**	**(3,280)**	**-9.0%**
Normalised EBITDA%	***13.8***	***14.4***		
EBIT	11,062	21,887	(10,825)	*-49.5%*
EBIT %	*4.6*	*8.6*		
Start-up costs	3,724	820		
Hyperinflation – Turkey	2,710	(2,838)		
Normalised EBIT	**17,496**	**19,869**	**(2,373)**	**-11.9%**
Normalised EBIT%	***7.3***	***7.9***		
Group net result	3,103	15,249	(12,146)	*-79.7%*
Net result %	*1.3*	*6.0*		
Start-up costs	3,530	756		
Hyperinflation – Turkey	7,521	6,077		
Normalised result of the Group	**14,154**	**22,082**	**(7,928)**	**-35.9%**
Normalised result %	***5.9***	***8.8***		

The Sabaf Group ended the 2023 financial year with normalised sales revenue of €239.1 million, down 5.1% (-12.9% on a like-for-like basis) compared to €252 million in 2022. 2023 was characterised by a significant economic weakness in the household appliance sector, most evident in European markets where demand was estimated to be more than 10% below average volumes. Geographical diversification and the contribution of recent acquisitions limited the decline in sales compared with 2022, which was characterised by a dynamic first half-year and a sudden drop in demand in the second half-year.
Average sales prices in 2023 were essentially unaltered from 2022.

In 2023, the Group continued to work on operational efficiency and cost containment, even at reduced activity levels. The decline in sales also impacted operating profitability: normalised EBITDA was €33 million (13.8% of turnover), down 9% from €36.3 million in 2022 (14.4% of turnover): normalised EBIT was €17.5 million (7.3% of turnover) compared to €19.9 million in 2022 (7.9% of turnover). Normalised net profit was €14.2 million (5.9% of sales) compared to €22.1 million (8.8% of sales) in 2022.

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

Normalised revenue	2023	%	2022	%	% change
Gas parts	144,010	*60.2%*	157,983	*62.7%*	*-8.8%*
Hinges	70,410	*29.4%*	68,604	*27.2%*	*+2.6%*
Electronic components	24,666	*10.3%*	25,375	*10.1%*	*-2.8%*
Total	**239,086**	***100%***	**251,962**	***100%***	***-5.1%***

The geographical breakdown of normalised revenues is shown below:

Normalised revenue	2023	%	2022	%	% change
Europe (excluding Turkey)	71,734	*30.0%*	87,142	*34.6%*	*-17.7%*
Turkey	63,419	*26.5%*	65,994	*26.2%*	*-3.9%*
North America	47,697	*19.9%*	39,749	*15.8%*	*+20.0%*
South America	27,858	*11.7%*	28,481	*11.3%*	*-2.2%*
Africa and Middle East	17,762	*7.4%*	19,078	*7.6%*	*-6.9%*
Asia and Oceania	10,616	*4.4%*	11,518	*4.6%*	*-7.8%*
Total	**239,086**	***100%***	**251,962**	***100%***	***-5.1%***

The impact of normalised labour cost on revenues increased from 19.7% in 2022 to 24.2% in 2023. The increase was affected not only by the decline in sales, but also by the inflationary dynamics in 2023. Despite the increase in interest rates, the impact of normalised net financial expenses on turnover remained low (1.4%); during the year, the Group recognised in the income statement normalised negative forex differences of €2.2 million (€0.3 million of negative forex differences were recognised in 2022).
In 2023, the Group recognised normalised income of €2.4 million under Income Taxes, mainly related to tax benefits on investments made.

STATEMENT OF FINANCIAL POSITION AND CASH FLOWS

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

(€/000)	31.12.2023	31.12.2022
Non-current assets	*181,167*	*171,276*
Short-term assets[2]	133,401	134,709
Short-term liabilities[3]	(61,553)	(55,329)
Working capital[4]	*71,848*	*79,380*
Provisions for risks and charges, post-employment benefit, deferred taxes, other non-current payables	*(9,477)*	*(10,128)*
Net invested capital	**243,538**	**240,528**
Short-term net financial position	20,118	(6,030)
Medium/long-term net financial position	(93,268)	(78,336)
Net financial debt	**(73,150)**	**(84,366)**
Shareholders' equity	**170,388**	**156,162**

[1] Net financial debt and liquidity shown in the tables below are defined in compliance with the net financial position detailed in Note 24 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.

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

(€/000)	2023	2022
Opening liquidity	***20,923***	***43,649***
Operating cash flow	*39,852*	*24,293*
Cash flow from investments	*(16,942)*	*(20,856)*
Free cash flow	22,910	3,437
Cash flow from financing activities	(14,670)	(16,886)
Share capital increase	17,312	-
Acquisitions	(9,108)	(5,045)
Foreign exchange differences	(1,014)	(4,232)
Cash flow for the period	**15,430**	**(22,726)**
Closing liquidity	***36,353***	***20,923***

In 2023, the Group generated operating cash flow of €39.9 million (€24.3 million in 2022). At 31 December 2023, the impact of the net working capital on revenue was 30.2% compared to 31.4% at 31 December 2022[5].

In 2023, in line with the Budget, the net investments of the Group amounted to €16.9 million (€20.9 million in 2022). The main investments were aimed at:
- expanding the international production footprint; in this respect, in Mexico, the work on the construction of the plant in San Luis de Potosí was completed;
- product innovation, including the development of components for induction cooking;
- industrialising new products;
- optimising the efficiency and automation of production processes.

In 2023, the positive free cash flow[6] generated by the Sabaf Group was €22.9 million (€3.4 million in 2022).

THE ACQUISITION OF MEC AND THE SHARE CAPITAL INCREASE

On 14 July 2023, Sabaf S.p.A. completed the acquisition of 51% of Mansfield Engineered Components LLC ("MEC"), a US Company based in Mansfield (Ohio) and the leading North American manufacturer of hinges for household appliances (mainly ovens, washing machines and refrigerators), designed and manufactured to meet the high-quality levels and demanding standards required by the US market. Our direct presence in the United States, together with Sabaf Mexico, which has recently started the production of burners, will allow us to consolidate relations with large American players, with which the Sabaf Group has excellent business relations and which are MEC's historical customers.
MEC integrates with the other companies of the Group, expanding the range of innovative products of its four divisions: gas, hinges, electronics and induction. The transaction is part of our expansion and diversification path outlined in the 2021-2023 Business Plan, aimed at positioning Sabaf as an operator capable of offering a wide range of high-tech components that are increasingly synergistic, thanks also to the potential offered by electronics.

In connection with the acquisition of MEC, on 14 July 2023, Sabaf's Board of Directors exercised the proxy granted by the Shareholders' Meeting on 4 May 2020, resolving on a reserved capital increase for a nominal amount of €1,153,345, corresponding to 10% of the share capital, with the exclusion of the right of option pursuant to Article 2441, fourth paragraph, second sentence of the Italian Civil Code, through the issue of 1,153,345 new ordinary shares with a par value of €1.00. The newly issued shares were offered as part of a reserved placement and fully subscribed by Montinvest s.r.l., a Company controlled by Fulvio Montipò (Founder and Chairman of Interpump Group S.p.A.), whose unquestionable entrepreneurial experience makes him the ideal partner for Sabaf.
The issue price of the new shares, including the share premium, was determined at €15.01 per share, equal to the average stock market price of Sabaf share recorded in June, increased by a premium of €0.52 per share (and therefore for a total value of €17,311,708).
The capital increase took place on 20 July 2023.

[5] At 31 December 2023, the impact of the net working capital to pro-forma revenue (i.e. including the contribution of the acquisition of MEC for the whole of 2023) is 28.2%.
[6] Free cash flow is the difference between Cash Flows from operations and Net investments.

TOTAL FINANCIAL DEBT

At 31 December 2023, net financial debt, including the acquisition of MEC, was €73.2 million (€84.4 million at 31 December 2022). The change in net financial debt is summarised in the table below:

Net financial debt at 31 December 2022	***(84,366)***
Free cash flow	22,910
MEC acquisition	(10,654)
MEC put option recognition	(11,721)
P.G.A. acquisition	(783)
Share capital increase	17,312
Buy-back of shares	(462)
Financial liabilities IFRS 16 - new contracts entered into in 2023	(3,097)
Change in fair value of derivative financial instruments	(668)
Change in financial assets	(605)
Foreign exchange differences and other changes	(1,016)
Net financial debt at 31 December 2023	***(73,150)***

Shareholders' equity totalled €170.4 million at 31 December 2023; the ratio between the net financial debt and the shareholders' equity was 0.43 versus 0.54 in 2022.

ECONOMIC AND FINANCIAL INDICATORS

	2023		**2022**	
		pro forma[7]		pro forma[7]
Change in turnover	-6.0%	-13.8%	-3.9%	-4.9%
ROCE (return on capital employed)	4.54%		9.10%	
Net debt/EBITDA	2.47		2.10	
Net debt/equity ratio	42.9%		54.0%	
Market capitalisation (31/12)/equity ratio	1.40		1.23	

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

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

RISK FACTORS

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

Risks of external context

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

Strategic risks

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

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:

- the 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;
- the concentration of the end markets: as a result of mergers and acquisitions, customers have acquired bargaining power;
- the stagnation of demand in mature markets (i.e. Europe) and the growing importance of markets in emerging Countries, characterised by different sales conditions and a more unstable macro-economic environment;
- increasing competition and competition from alternative products to gas cooking.

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.

Risks associated with the conflicts in Ukraine and the Middle East

In relation to the conflict between Ukraine and Russia, note that the Group has an insignificant direct exposure to the markets of Russia, Belarus and Ukraine. However, these are markets supplied by some of the Sabaf Group's customers, who are exposed to these markets to varying degrees. The conflict led to an increase in the cost of raw materials and energy, which had a significant impact on the global economy and on the recovery of inflation, which prompted Western central banks to raise interest rates. Inflationary tensions largely receded in the second half of 2023.
In October 2023, the war that broke out between Israel and Hamas further increased global geopolitical tensions. With regard to this conflict, the Group does not recognise any significant risks since it does not operate in the territories involved in the war; however, costs and intercontinental transport times have increased due to transit difficulties in the Red Sea, which do not have a significant impact on the Group's business at present.
In general, the economic recovery that characterised the early post-pandemic period has come to an end and the short to medium term outlook remains uncertain and difficult to assess, with the possibility of a continuation of a weak macroeconomic situation. The Group continuously monitors the macroeconomic environment and its impact on the business.

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, Sabaf built a factory in Turkey in 2012 for the production of gas components. In 2018, the Group 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 and, in 2022, the production of hinges for dishwashers for customers with production sites in Turkey also started. In 2023, Turkey represented 26% of the Group's production and of its total sales. The Turkish domestic market is estimated to represent around 5% of the final destination of Sabaf components, with the remainder being exported household appliances. In consideration of the strategic importance of this Country, the management assessed, in addition to the risks connected with the macroeconomic situation, the risks that could arise from any difficulties/impossibilities of operating in Turkey and envisaged actions to mitigate this risk.

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, the prices of which can be exposed to high volatility. Based on market conditions and contractual agreements, the Group may not be able to pass on changes in raw material prices to customers in a timely and/or complete manner, with consequent effects on margins.
- **Increase in energy costs:** some of the Group's production processes, such as the die-casting of aluminium parts and the enamelling of burner covers, use gas as an energy source. Other production facilities absorb significant electricity consumption. The Group's profitability might be impacted if it is unable to pass on to customers any significant increases in energy costs in a timely and/or complete manner. In order to mitigate this risk, the Group can enter into fixed-price electricity supply contracts and 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, the Chinese renminbi, the Indian rupee. in particular, since turnover in US dollars accounted for 25% of consolidated turnover, the possible depreciation against the euro, the Turkish lira and the Brazilian 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. The sales prices of the Turkish subsidiary are exclusively denominated in euro or US dollars; those of the Brazilian subsidiary are denominated in Brazilian real for domestic sales and in US dollars for exports.
- **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 payment delays or insolvency.

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.

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.

The Group is aware of the ongoing trend at European level to reduce the use of gas as part of the general decarbonisation strategy, with consequent effects also on the market in which it operates. In particular. the evolution of demand in Europe is linked to certain elements regarded as rewarding by consumers: the high efficiency of induction cooking, the speed of cooking, the ease of cleaning, and the perceived greater safety. There is also a widespread perception that the environmental impact of induction cooking is lower than that of gas cooking. Actually, the measurement of environmental impact cannot be separated from the consideration of the electricity production mix. In fact, authoritative studies show that, given the current electricity production mix, the total CO_2 emissions over the life cycle of an induction hob are more than 50% higher than the total emissions of a gas hob. On the other hand, in the medium to long term, energy transition policies aimed at reducing fossil fuel production and promoting renewable energies will change the energy mix, reducing the environmental footprint of induction cooking appliances.

Against this backdrop, the Sabaf Group has long since embarked on a policy of organic and outward investment, aimed at:

- expanding its product range, reducing the proportion of sales revenue from gas components from over 90% to less than 60%;
- expanding its production presence and share in non-European markets, particularly in those regions where demand for gas cooking appliances is expected to grow in the long term.

In addition, the Group has 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, enabling the Group to cover all cooking technologies: gas, traditional electric and induction.

Finally, the Sabaf Group is involved in various experimental projects aimed at testing the feasibility of using hydrogen to replace or together with natural gas (methane) in gas appliances. Sabaf has already produced burners that can work properly on 100% hydrogen-fuelled cookers and hobs.

RESEARCH AND DEVELOPMENT

The most important research and development projects carried out in 2023 were as follows:

Gas parts

- the feasibility study for a new square-ramp special valve for the North American and Far Eastern markets was concluded
- an adapter for existing valves was developed and validated by customers to make them usable in the Egyptian market
- burners were industrialised for the Mexican market
- the feasibility study of two new components for the HVAC sector, specifically for domestic boilers, was concluded
- a feasibility study of a new automotive component was launched

Hinges

- a system was integrated into the standard dishwasher product to increase the door balancing range
- a new low-cost hinge for oven doors was designed
- a new hinge model for dishwashers with an adjustment system was developed
- an innovative balancing system was designed
- a new soft close hinge design was designed for large oven doors

Electronic components

- a new electronic control platform for microwave ovens was developed
- IOT solutions for the electronic control of household appliances are being developed
- a new cost-effective solution was developed for the electronic control of multifunctional and pyrolytic ovens

Induction

- product platforms offering over many combinations of inductor, coil size and user interface are being completed and certified, with the aim of providing a modular and customisable 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 €2,249,000 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. 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 2023, 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 2023 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.

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 2023.

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. and P.G.A. 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 39 of the Separate Financial Statements of Sabaf S.p.A.

BUSINESS OUTLOOK

The beginning of 2024 is characterised by a very positive business trend. Based on the sales to date and the order book, we expect double-digit sales growth in the first quarter compared to the same period last year. The recovery in production volumes will help to improve profitability.

The technical and commercial synergies with the recently acquired companies (P.G.A. and MEC), the product diversification initiatives (particularly in the induction cooking components segment) and internationalisation (with the activities of the new production plants in India and Mexico) continue according to plan and will contribute to the 2024 results and ensure the Group's sustainable growth in the medium and long term.

BUSINESS AND FINANCIAL SITUATION OF SABAF S.P.A.

(€/000)	2023	2022	Change	% Change
Sales revenue	99,482	119,090	*(19,608)*	*-16.5%*
EBITDA	5,518	8,518	*(3,000)*	*-35.2%*
EBIT	(1,814)	790	*(2,604)*	*-329.6%*
Pre-tax profit (EBT)	1,123	1,722	*(599)*	*-34.8%*
Net Profit	3,504	2,247	*1,257*	*+55.9%*

The financial year 2023, which was affected by significant economic weakness in the household appliance market, ended with sales of €99.5 million, 16.5% lower than in 2022.

In 2023, Sabaf S.p.A. recognised dividend income in the amount of €6 million received from Italian subsidiaries.

The reclassification based on financial criteria is illustrated below:

(€/000)	31.12.2023	31.12.2022
Non-current assets [8]	*179,655*	*170,151*
Non-current financial assets	*16,386*	*10,972*
Short-term assets[9]	57,971	61,496
Short-term liabilities[10]	(34,229)	(30,296)
Working capital [11]	*23,742*	*31,200*
Provisions for risks and charges, Post-employment benefits, deferred taxes	*(2,420)*	*(2,664)*
Net invested capital	**217,363**	**209,659**
Short-term net financial position	(9,108)	(22,298)
Medium/long-term net financial position	(76,313)	(76,336)
Total financial debt[12]	**(85,421)**	**(98,634)**
Shareholders' equity	**131,942**	**111,025**

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

(€/000)	2023	2022
Opening liquidity	***2,604***	***29,733***
Operating cash flow	*13,437*	*14,096*
Cash flow from investments (net of divestments)	*(16,890)*	*(33,836)*
Free cash flow	(3,453)	(19,740)
Cash flow from financing activities	14,748	(7,389)
Cash flow for the period	**11,295**	**(27,129)**
Closing liquidity	***13,899***	***2,604***

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

At 31 December 2023, working capital stood at €23.7 million compared with €31.2 million at the end of the previous year: its percentage impact on turnover stood at 23.9% from 26.2% at the end of 2022.
The net financial debt was €85.4 million, compared with €98.6 million at 31 December 2022.
At the end of the year, shareholders' equity amounted to €131.9 million, compared with €111 million in 2022. The ratio between the net financial debt and the shareholders' equity was 65%; it was 89% at the end of 2022.

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 2023 financial year and Group shareholders' equity at 31 December 2023 with the same values of the Parent Company Sabaf S.p.A. is given below:

	31.12.2023		31.12.2022	
Description	**Profit for the year**	**Shareholders' equity**	**Profit for the year**	**Shareholders' equity**
Profit and shareholders' equity of Parent Company Sabaf S.p.A.	**3,504**	**131,942**	**2,247**	**111,025**
Equity and consolidated company results	13,297	124,424	19,541	132,974
Derecognition of the carrying value of consolidated equity investments	1,000	(103,854)	722	(110,465)
Monetary revaluation - hyperinflation (IAS 29)	(7,521)	32,742	(6,077)	25,729
Put options on minorities	(855)	(11,721)	-	-
Intercompany eliminations	(5,962)	(2,975)	(1,176)	(3,013)
Other adjustments	(83)	(170)	(8)	(88)
Minority interests	(277)	(8,293)	-	-
Profit and shareholders' equity attributable to the Group	**3,103**	**162,095**	**15,249**	**156,162**

USE OF THE LONGER TIME LIMIT FOR CALLING THE SHAREHOLDERS' MEETING

Pursuant to the second paragraph of Article 2364 of the Italian Civil Code, in consideration of the need to consolidate the financial statements of Group companies and to prepare all supporting documentation, the directors intend to use the longer time limits granted to companies required to prepare the Consolidated Financial Statements for calling the ordinary shareholders' meeting to approve the 2023 financial statements. The shareholders' meeting must also resolve on the election of the members of the administration and control bodies and must therefore be convened at least 40 days in advance pursuant to Article 125-bis of the T.U.F. The Shareholders' Meeting will be convened (single call) on 8 May 2024.

Proposal for allocation of 2023 profit

As we thank our employees, the Board of Statutory Auditors, the Independent Auditors and the supervisory authorities for their invaluable cooperation, we would kindly ask the shareholders to approve the financial statements ended 31 December 2023 with a profit for the year of € 3,503,797.
The Board of Directors proposes to distribute an ordinary dividend of € 0.54 per share to the shareholders, with the exclusion of the treasury shares on the ex-date, by distributing the entire profit for 2023 and, for the residual part, by distributing a portion of the extraordinary reserve. The dividend is scheduled for payment on 29 May 2024 (ex-date 27 May and record date 28 May 2024).

Ospitaletto, 19 March 2024

The Board of Directors

ANNEXES TO THE REPORT ON OPERATIONS

RECONCILIATION OF THE CONSOLIDATED INCOME STATEMENT AT 31 DECEMBER 2023

(€/000)	2023	IAS 29 effect	Start-up effect	Normalised 2023
INCOME STATEMENT COMPONENTS				
OPERATING REVENUE AND INCOME				
Revenue	237,949	1,160	(23)	239,086
Other income	9,056	19	(39)	9,036
Total operating revenue and income	**247,005**	**1,179**	**(62)**	**248,122**
OPERATING COSTS				
Materials	(112,684)	122	83	(112,479)
Change in inventories	(3,433)	(102)	6	(3,529)
Services	(44,923)	(204)	2,081	(43,046)
Personnel costs	(58,160)	(188)	539	(57,809)
Other operating costs	(1,735)	(21)	2	(1,754)
Costs for capitalised in-house work	3,542	-	-	3,542
Total operating costs	**(217,393)**	**(393)**	**2,711**	**(215,075)**
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS	**29,612**	**786**	**2,649**	**33,047**
Depreciations and amortisation	(20,066)	1,920	1,075	(17,071)
Capital gains on disposals of non-current assets	1,516	4	-	1,520
Value adjustments of non-current assets	-	-	-	-
EBIT	**11,062**	**2,710**	**3,724**	**17,496**
Financial income	1,815	110	-	1,925
Financial expenses	(5,248)	(11)	-	(5,259)
Net income/(charges) from hyperinflation	(5,276)	5,276	-	-
Exchange rate gains and losses	(2,359)	190	-	(2,169)
Profits and losses from equity investments	-	-	-	-
PROFIT BEFORE TAXES	**(6)**	**8,275**	**3,724**	**11,993**
Income taxes	3,386	(754)	(194)	2,438
PROFIT FOR THE YEAR	**3,380**	**7,521**	**3,530**	**14,431**
of which:				
Minority interests	277	-	-	277
PROFIT ATTRIBUTABLE TO THE GROUP	**3,103**	**7,521**	**3,530**	**14,154**

RECONCILIATION OF THE CONSOLIDATED INCOME STATEMENT AT 31 DECEMBER 2022

(€/000)	2022	IAS 29 effect	Start-up effect	Normalised 2022
INCOME STATEMENT COMPONENTS				
OPERATING REVENUE AND INCOME				
Revenue	253,053	(1,091)	-	251,962
Other income	10,188	(58)	-	10,130
Total operating revenue and income	**263,241**	**(1,149)**	**-**	**262,092**
OPERATING COSTS				
Materials	(124,331)	(2,417)	83	(126,665)
Change in inventories	(513)	(755)	-	(1,268)
Services	(50,180)	(202)	436	(49,946)
Personnel costs	(49,926)	53	89	(49,784)
Other operating costs	(1,631)	1	96	(1,534)
Costs for capitalised in-house work	3,432	-	-	3,432
Total operating costs	**(223,149)**	**(3,320)**	**704**	**(225,765)**
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS	**40,092**	**(4,469)**	**704**	**36,327**
Depreciations and amortisation	(18,267)	1,620	116	(16,531)
Capital gains on disposals of non-current assets	251	11	-	262
Value adjustments of non-current assets	(189)	-	-	(189)
EBIT	**21,887**	**(2,838)**	**820**	**19,869**
Financial income	1,917	(2)	-	1,915
Financial expenses	(2,009)	(38)	-	(2,047)
Net income/(charges) from hyperinflation	(9,023)	9,023	-	-
Exchange rate gains and losses	(515)	216	-	(299)
Profits and losses from equity investments	(48)	-	-	(48)
PROFIT BEFORE TAXES	**12,209**	**6,361**	**820**	**19,390**
Income taxes	3,040	(284)	(64)	2,692
PROFIT FOR THE YEAR	**15,249**	**6,077**	**756**	**22,082**
of which:				
Minority interests	-	-	-	-
PROFIT ATTRIBUTABLE TO THE GROUP	**15,249**	**6,077**	**756**	**22,082**

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2023

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. (Sabaf Brazil)
100%

Sabaf Beyaz Esya Parcalari Sanayi ve Ticaret Limited Sirketi (Sabaf Turkey)
100%

Sabaf Appliance Components (Kunshan) Co., Ltd. (Sabaf China)
100%

Sabaf US Corp. (Sabaf US)
100%

A.R.C. s.r.l.
100%

Sabaf India Private Limited (Sabaf India)
100%

Sabaf Mexico Appliance Components S.A. de c.v. (Sabaf Mexico)
100%

C.M.I. s.r.l.
100%

C.G.D. s.r.l.
100%

P.G.A. s.r.l.
100%

Sabaf America Inc. (Sabaf America)
100%

Mansfield Engineered Components LLC (MEC)
51%

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	31.12.2023	31.12.2022
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	1	108,741	99,605
Investment property	2	691	983
Intangible assets	4	57,231	54,168
Equity investments	5	95	97
Non-current receivables	6	1,094	2,752
Deferred tax assets	23	13,315	13,145
TOTAL NON-CURRENT ASSETS		**181,167**	**170,750**
CURRENT ASSETS			
Inventories	7	61,985	64,426
Trade receivables	8	55,826	59,159
Tax receivables	9	11,722	8,214
Other current receivables	10	3,868	2,910
Current financial assets	11	7,257	2,497
Cash and cash equivalents	12	36,353	20,923
TOTAL CURRENT ASSETS		**177,011**	**158,129**
ASSETS HELD FOR SALE	3	-	526
TOTAL ASSETS		**358,178**	**329,405**

SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	13	12,687	11,533
Retained earnings, Other reserves	14	97,656	96,632
IAS 29 reserve		48,649	32,748
Profit for the year		3,103	15,249
Total equity interest of the Group		162,095	156,162
Minority interests		8,293	-
TOTAL SHAREHOLDERS' EQUITY		**170,388**	**156,162**
NON-CURRENT LIABILITIES			
Loans	15	81,547	78,336
Other financial liabilities	16	11,721	-
Post-employment benefit and retirement provisions	17	3,805	3,661
Provisions for risks and charges	18	353	639
Deferred tax liabilities	23	5,136	5,828
Other non-current payables	19	183	-
TOTAL NON-CURRENT LIABILITIES		**102,745**	**88,464**
CURRENT LIABILITIES			
Loans	15	23,317	28,876
Other financial liabilities	16	175	574
Trade payables	20	42,521	39,628
Tax payables	21	3,025	2,545
Other payables	22	16,007	13,156
TOTAL CURRENT LIABILITIES		**85,045**	**84,779**
LIABILITIES HELD FOR SALE		-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**358,178**	**329,405**

CONSOLIDATED INCOME STATEMENT

(€/000)	Notes	2023	2022
INCOME STATEMENT COMPONENTS			
OPERATING REVENUE AND INCOME			
Revenue	**25**	237,949	253,053
Other income	**26**	9,056	10,188
TOTAL OPERATING REVENUE AND INCOME		**247,005**	**263,241**
OPERATING COSTS			
Materials	**27**	(112,684)	(124,331)
Change in inventories		(3,433)	(513)
Services	**28**	(44,923)	(50,180)
Personnel costs	**29**	(58,160)	(49,926)
Other operating costs	**30**	(1,735)	(1,631)
Costs for capitalised in-house work		3,542	3,432
TOTAL OPERATING COSTS		**(217,393)**	**(223,149)**
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS		**29,612**	**40,092**
Depreciations and amortisation	**1, 2, 4**	(20,066)	(18,267)
Capital gains on disposals of non-current assets		1,516	251
Value adjustments of non-current assets		-	(189)
EBIT		**11,062**	**21,887**
Financial income	**31**	1,815	1,917
Financial expenses	**32**	(5,248)	(2,009)
Net income/(charges) from hyperinflation	**32**	(5,276)	(9,023)
Exchange rate gains and losses	**33**	(2,359)	(515)
Profits and losses from equity investments		-	(48)
PROFIT BEFORE TAXES		**(6)**	**12,209**
Income taxes	**34**	3,386	3,040
PROFIT FOR THE YEAR		**3,380**	**15,249**
of which:			
Minority interests		277	-
PROFIT ATTRIBUTABLE TO THE GROUP		**3,103**	**15,249**
EARNINGS PER SHARE (EPS)	**35**		
Base (€)		**0.263**	**1.355**
Diluted (€)		**0.263**	**1.355**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€/000)	2023	2022
PROFIT FOR THE YEAR	**3,380**	**15,249**
Total profits/losses that will not be subsequently reclassified under profit (loss) for the year		
Actuarial evaluation of post-employment benefit	(48)	254
Tax effect	11	(61)
	(37)	**193**
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	(25,713)	(8,660)
Hedge accounting for derivative financial instruments	76	151
TOTAL OTHER PROFITS/(LOSSES) NET OF TAXES FOR THE YEAR	**(25,674)**	**(8,316)**

TOTAL PROFIT	**(22,294)**	**6,933**
of which:		
Net profit for the period attributable to minority interests	277	-
Total profits/losses that will be subsequently reclassified under profit (loss) for the year	-	-
TOTAL PROFIT ATTRIBUTABLE TO MINORITY INTERESTS	**277**	**-**
TOTAL PROFIT ATTRIBUTABLE TO THE GROUP	**(22,571)**	**6,933**

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 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)	-		-
- 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**	**-**	**156,162**
Allocation of 2022 profit											
- carried forward							15,249	(15,249)	-		-
Share capital increase	1,154	16,158							17,312		17,312
IFRS 2 measurement stock grant plan							543		543		543
Treasury share transactions				(462)					(462)		(462)
Change in the scope of consolidation									-	8,016	8,016
Put options on minorities							(10,866)		(10,866)		(10,866)
Monetary revaluation - hyperinflation (IAS 29)							21,978		21,978		21,978
Other changes							(1)		(1)		(1)
Total profit at 31 December 2023					(25,713)	(37)	76	3,103	(22,571)	277	(22,294)
Balance at 31 December 2023	**12,687**	**26,160**	**2,307**	**(3,683)**	**(80,428)**	**(365)**	**202,314**	**3,103**	**162,095**	**8,293**	**170,388**

CONSOLIDATED STATEMENT OF CASH FLOWS

(€/000)	2023	2022
Cash and cash equivalents at beginning of year	***20,923***	***43,649***
Profit for the year	3,380	15,249
Adjustments for:		
- Depreciations and amortisation	20,066	18,267
- Write-downs of non-current assets	-	189
- Realised gains/losses	(1,516)	(251)
- Valuation of the stock grant plan	543	1,134
- Profits and losses from equity investments	-	48
- Monetary revaluation IAS 29	7,521	6,077
- Net financial income and expenses	2,164	(1,783)
- Income tax	(3,386)	(2,472)
Change in post-employment benefit	107	(197)
Change in risk provisions	(204)	(860)
Change in trade receivables	*7,375*	*10,312*
Change in inventories	*4,079*	*3,890*
Change in trade payables	*2,438*	*(17,156)*
Change in net working capital	13,892	(2,954)
Change in other receivables and payables, deferred taxes	2,528	1,430
Payment of taxes	(3,763)	(7,733)
Payment of financial expenses	(3,405)	(2,097)
Collection of financial income	1,925	246
Cash flows from operations	**39,852**	**24,293**
Investments in non-current assets		
- intangible	(2,714)	(3,153)
- tangible	(16,802)	(19,152)
- financial	2	-
Disposal of non-current assets	2,572	1,449
Cash flow absorbed by investments	**(16,942)**	**(20,856)**
Free Cash Flow	**22,910**	**3,437**
Repayment of loans	(33,671)	(37,955)
Raising of loans	25,552	29,236
Short-term financial assets	(6,089)	385
Purchase/sale of treasury shares	(462)	(1,862)
Payment of dividends	-	(6,690)
Cash flow absorbed by financing activities	**(14,670)**	**(16,886)**
Mansfield (MEC) acquisition	(8,325)	-
Acquisition of P.G.A.	(783)	(4,948)
Share capital increase	17,312	-
ARC Handan Consolidation/Deconsolidation	-	(97)
Foreign exchange differences	(1,014)	(4,232)
Net cash flows for the year	**15,430**	**(22,726)**
Cash and cash equivalents at end of year (Note 12)	***36,353***	***20,923***

Explanatory Notes

ACCOUNTING STANDARDS

STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

The Consolidated Financial Statements of the Sabaf group for the 2023 financial years have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. Reference to IFRS also includes all current International Accounting Standards (IAS). The financial statements have been prepared in euro, the current currency in the economies in which the Group mainly operates, rounding amounts to the nearest thousand, and are compared with Consolidated Financial Statements for the previous year, prepared according to the same standards. They consist of the statement of financial position, the income statement, the statement of changes in shareholders' equity, the statement of cash flows and these explanatory notes. The financial statements have been prepared on a historical cost basis except for some revaluations of property, plant and equipment undertaken in previous years, and are considered a going concern going concern basis; with reference to the latter principle. the Group assessed that it is a going concern in accordance with paragraphs 25 and 26 of IAS 1 and Art. 2423 bis of the Italian Civil Code, also due to the strong competitive position, positive 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 2023, modified from the previous year, 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 Sirketi (Sabaf Turkey)
- Sabaf Appliance Components (Kunshan) Co., Ltd.
- A.R.C. s.r.l.
- 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.
- Sabaf America Inc.
- Mansfield Engineered Components LLC

In July 2023, Sabaf S.p.A. finalised the purchase of a 51% stake in the US Company Mansfield Engineered Components LLC (MEC) through its subsidiary Sabaf America Inc., a Company incorporated on 28 June 2023. MEC's results of operations were consolidated for the second half of 2023 only.

In the course of 2023, the merger through incorporation of PGA2.0 s.r.l. into P.G.A. s.r.l. and of Okida Elektronik Sanayi ve Ticaret A.S. (Okida) into Sabaf Beyaz Esya Parcalari Sanayi ve Ticaret Limited Sirketi (Sabaf Turkey) took place.

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

On 14 July 2023, Sabaf acquired 51% of Mansfield Engineered Components LLC ("MEC"), a US Company based in Mansfield (Ohio) and the leading North American manufacturer of hinges for household appliances (mainly ovens, washing machines and refrigerators), designed and manufactured to meet the high-quality levels and demanding standards required by the US market. The allocation of the price paid for the acquisition of MEC on the net assets acquired (Purchase Price Allocation), pursuant to IFRS 3 revised, will be completed within twelve months from the date of acquisition. The provisional effects of this operation are shown in the following table:

	Original values at 14.07.2023	Purchase Price Allocation and Adjustments	Fair value of assets and liabilities acquired
ASSETS			
Property, plant and equipment and intangible assets	4,395	2,473	6,868
Inventories	6,580	-	6,580
Trade receivables	7,909	-	7,909
Other receivables	201	-	201
Cash and cash equivalents	800	-	800
TOTAL ASSETS	**19,886**	**2,473**	**22,359**
LIABILITIES			
Deferred tax liabilities	-	(692)	(692)
Financial payables	(2,330)	-	(2,330)
Trade payables	(1,446)	-	(1,446)
Other payables	(1,530)	-	(1,530)
TOTAL LIABILITIES	**(5,306)**	**(692)**	**(5,999)**
VALUE OF NET ASSETS ACQUIRED	**14,580**	**1,780**	**16,360**
% relating to the Sabaf Group (51%) (a)			8,344
Total cost of acquisition (b)			(9,125)
Goodwill deriving from acquisition (c = b-a)			781
Forex differences			12
Goodwill at 31 December 2023			**793**
Acquired cash and cash equivalents (d)			800
Total net cash outlay (b-d)			**(8,325)**

The acquisition price was determined on the basis of a Company appraisal (Enterprise Value) of $21 million. As part of the acquisition, a call option in favour of Sabaf for the remaining 49% of the share capital, exercisable in 2028, and a put option in favour of the minority shareholders, exercisable from 2025 to 2028, were subscribed. The valuation of the residual share will be based on an Enterprise Value equal to 8 times MEC's average EBITDA of the two financial statements preceding the date of exercise of the relevant option, adjusted for the net financial position at that date.

Pursuant to the provisions of IAS 32, the assignment of an option to sell (put option) in the terms described above required the initial recognition of a liability corresponding to the estimated redemption value, expected at the time of any exercise of the option: to this end, a financial liability of € 11.7 million was recognised in the Consolidated Financial Statements. For further details, refer to Note 16.

As a result of the line-by-line consolidation of MEC, minority interests totalling € 8.293 million were recognised in the consolidated shareholders' equity, as illustrated in the statement of changes in consolidated shareholders' equity.

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 €2.048 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 12.1%
  - g growth rate of 2.10%

- ***Know How***: fair value of € 0.425 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 0.6%
  - economic useful life of 7 years
  - discount rate of 12.1%
  - g growth rate of 2.10%

The related tax effect was recognised on the fair value of the intangible assets identified above (recognition of deferred taxes of €0.692 million).

In the period for which the Group held control (14 July 2023 - 31 December 2023), MEC achieved sales revenue of € 14.6 million and a net profit of €0.57 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 period, 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 31.12.2023	Average exchange rate 2023	Exchange rate in effect at 31.12.2022	Average exchange rate 2022
Brazilian real	5.36180	5.40101	5.6386	5.43990
Turkish lira	32.6531	25.75970	19.9649	17.40879
Chinese renminbi	7.85090	7.66002	7.35820	7.07880
US Dollar	1.10500	1.08188	1.06660	1.05305
Indian Rupee	91.90450	89.30011	88.1710	82.68640
Mexican peso	18.72310	19.18301	20.8560	21.18690

With reference to the US dollar, the average exchange rate for the consolidation period of the Group's US companies (1 July - 31 December 2023) was used.

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 2023, 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 5.15% on 31 December 2023 and 3.29% on 31 December 2022. 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).

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.

Cancellation

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.

Cancellation

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 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.

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, climate-related issues have not had a significant impact on the opinions and estimates used in preparing these Consolidated Financial Statements. The Group continues to closely monitor ongoing developments and changes, such as new climate-related regulations and legislation.

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

New accounting standards

IFRS 17 "Insurance Contracts"
In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a new accounting standard on insurance contracts regulating recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts regardless of the type of entity that issues them, and to certain guarantees and financial instruments with discretionary participation features; there are some exceptions to the scope of application.
The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements of IFRS 4, which are largely based on the maintenance of previous local accounting standards, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.
IFRS 17, effective for financial years beginning on or after 1 January 2023, requires the presentation of comparative balances. Early application is permitted, if the entity also adopted IFRS 9 and IFRS 15 on or before the date of first-time application of IFRS 17. These changes had no impact on the Group's Consolidated Financial Statements.

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 had no impact on the Group's Consolidated Financial Statements.

Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2
Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, provide guidance to help entities apply significant judgements to the disclosure of accounting standards. The requirement for entities to disclose their "significant" accounting standards is replaced by a requirement to disclose their "material" accounting standards. The changes had an impact on the Group's disclosure of accounting standards, though not on the measurement, recognition and presentation of items in the Group's Consolidated Financial Statements.

Amendments to IAS 12 "Deferred Taxes on Assets and Liabilities Arising from a Single Transaction"
The amendments to IAS 12 Income Taxes narrow the scope of the exception to initial recognition so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning liabilities. The changes had no impact on the Group's Consolidated Financial Statements.

Amendments to IAS 12 "International Tax Reform - Pillar Two Model Rules"

On 23 May 2023, the IASB published an amendment called "Amendments to IAS 12 Income taxes: International Tax Reform - Pillar Two Model Rules". The document introduces a temporary exception from recognition and disclosure requirements for deferred tax assets and liabilities related to Pillar Two Model Rules and provides for specific disclosure requirements for entities affected by the related International Tax Reform. The document provides for the immediate application of the temporary exception, while the disclosure requirements will only apply to annual financial statements beginning on or after 1 January 2023, but not to interim financial statements ending before 31 December 2023. Since its revenues are lower than €750 million per year, the Group is excluded from the scope of application of the Pillar Two rules. Therefore, the amendments to IAS 12 have no impact on the Group's Consolidated Financial Statements.

Principles enacted but not yet in force

Amendments to IFRS 16: "Lease Liability in a Sale and Leaseback"

In September 2022, the IASB issued an amendment to IFRS 16 to specify the requirements that a seller-lessor uses in measuring the lease liability arising from a sale and leaseback transaction, to ensure that the seller-lessor does not recognise gain or loss with respect to the right of use retained by the lessor.

The amendments are effective for financial years beginning on or after 1 January 2024 and are to be applied retrospectively to all sale and leaseback transactions entered into after the first-time application of IFRS 16. Early application is permitted and disclosure of this fact is required.

These changes are not expected to have a material impact on the Group's financial statements.

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

In January 2020 and October 2022, the IASB issued some 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. 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. In addition, a requirement has been introduced to disclose when a liability arising from a loan agreement is classified as non-current, and the entity's right to postpone is conditional on compliance with covenants within twelve months. The amendments will be effective for financial years beginning on or after 1 January 20234 and must be applied retrospectively. The Group is currently assessing what impact these changes will have on the current situation.

Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures, to clarify the characteristics of reverse factoring agreements and request further disclosure of such agreements. The disclosure requirements included in the amendments are intended to assist users of financial statements in understanding the effects on an entity's liabilities, cash flows and exposure to liquidity risk of reverse factoring arrangements. The amendments will be effective for financial years beginning on or after 1 January 2024. Early application is permitted and disclosure of this fact is required. These changes are not expected to have a material impact on the Group's financial statements.

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, starting with the Consolidated Financial Statements as at 31 December 2022, IAS 29 was applied with reference to the Parent Company's subsidiaries in Turkey, Sabaf Turkey and Okida. With respect to the Consolidated Financial Statements at 31 December 2023, following the merger by incorporation of Okida into Sabaf Turkey, IAS 29 was only applied with reference to the subsidiary Sabaf Turkey.

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

Consumer price index	Value at 31.12.2022	Value at 31.12.2023	Change
TURKSTAT	1,128.45	1,859.38	*+64.77%*

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 financial statements of Sabaf Turkey were redetermined before being included in the Group's Consolidated Financial Statements. In particular, the effect related to the re-measurement of non-monetary assets and liabilities, equity items and income statement items, net of the related tax effect, was recognised in a separate item in the income statement under financial income and expenses. The related tax effect was recognised, instead, in taxes for the period. On consolidation, as required by IAS 21, the restated financial statements were converted using the final exchange rate in order to restore the amounts to current values.

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

(€/000)	31.12.2023	Hyperinflation effect	31.12.2023 with Hyperinflation effect
Total non-current assets	150,032	31,135	181,167
Total current assets	175,321	1,690	177,011
TOTAL ASSETS	**325,353**	**32,825**	**358,178**
Total shareholders' equity	137,647	32,741	170,388
Total non-current liabilities	102,661	84	102,745
Total current liabilities	85,045	-	85,045
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**325,353**	**32,825**	**358,178**

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

(€/000)	12M 2023	Hyperinflation effect	12M 2023 with hyperinflation effect
Operating revenue and income	248,184	(1,179)	247,005
Operating costs	(217,786)	393	(217,393)
Operating profit before depreciation & amortisation, capital gains/losses and write-downs/write-backs of non-current assets (EBITDA)	30,398	(786)	29,612
EBIT	13,772	(2,710)	11,062
Profit before taxes	8,269	(8,275)	(6)
Income taxes	2,632	754	3,386
Minority interests	277	-	277
PROFIT ATTRIBUTABLE TO THE GROUP	**10,624**	**(7,521)**	**3,103**

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 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**
Increases	5,999	7,992	3,345	3,163	20,499
Disposals	(450)	(2,273)	(563)	-	(3,286)
Change in the scope of consolidation	2,330	6,253	586	35	9,204
Reclassifications	3,664	3,383	710	(7,906)	(149)
Monetary revaluation (IAS 29)	2,497	8,250	2,860	-	13,607
Forex differences	(2,217)	(6,739)	(2,358)	(23)	(11,337)
At 31 December 2023	**78,499**	**268,476**	**71,238**	**4,498**	**422,711**
ACCUMULATED AMORTISATION					
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**
Depreciations for the year	2,720	9,993	4,146	-	16,859
Derecognition due to disposal	(295)	(2,087)	(360)	-	(2,742)
Change in the scope of consolidation	-	4,351	457	-	4,808
Reclassifications	(54)	(5)	(114)	-	(173)
Monetary revaluation (IAS 29)	978	3,269	1,410	-	5,657
Forex differences	(950)	(2,843)	(1,214)	-	(5,007)
At 31 December 2023	**32,829**	**220,464**	**60,677**	**-**	**313,970**
NET CARRYING VALUE					
At 31 December 2022	**36,246**	**43,824**	**10,306**	**9,229**	**99,605**
At 31 December 2023	**45,670**	**48,012**	**10,561**	**4,498**	**108,741**

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

	31.12.2023	**31.12.2022**	**Change**
Land	9,560	9,465	95
Industrial buildings	36,110	26,781	9,329
Total	**45,670**	**36,246**	**9,424**

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 2022	**1,247**	**163**	**800**	**2,210**
Increases	3,085	-	442	3,527
Monetary revaluation (IAS 29)	284	-	-	284
Change in the scope of consolidation	2,039	-	-	2,039
Depreciations and amortisation	(766)	(115)	(371)	(1,252)
Decreases	(376)	-	(16)	(392)
Foreign exchange differences	(236)	-	1	(235)
At 31 December 2023	**5,277**	**48**	**856**	**6,181**

The main investments of the financial year were aimed at:
- expanding the international production footprint; in this respect, in Mexico, the work on the construction of the plant in San Luis de Potosí was completed.
- industrialising new products;
- optimising the efficiency and automation of production processes.

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 2023, the Group identified 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, with the exception of assets relating to cash-generating units to which assets with an indefinite useful life are allocated, for which the entire capital employed was submitted to impairment testing. Please refer to Note 4 for further details.

2. INVESTMENT PROPERTY

COST	
At 31 December 2021	**10,177**
Increases	144
Disposals	(1,381)
Reclassifications	(6,675)
At 31 December 2022	**2,265**
Increases	117
Disposals	(583)
Reclassifications	(28)
At 31 December 2023	**1,771**

DEPRECIATIONS AND WRITE-DOWNS	
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**
Increases	105
Disposals	(307)
Reclassifications	-
At 31 December 2023	**1,080**

NET CARRYING VALUE	
At 31 December 2022	**2,311**
At 31 December 2023	**691**

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

INVESTMENT PROPERTY	
1 January 2023	**108**
Increases	117
Decreases	(102)
Depreciations and amortisation	(43)
At 31 December 2023	**80**

The item Investment property includes non-operating buildings owned by the Group: these are mainly properties for residential use, held for rental. Disposals during the period, amounting to €276 thousand, resulted in capital gains totalling €78 thousand.

At 31 December 2023, 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 at 31 December 2022 included the net carrying value of the Parent Company's former production plant located in Lumezzane (Brescia) amounting to €529 thousand. In July 2023, the property was sold to a third party for a consideration of €1,950 thousand, realising a capital gain of €1,421 thousand.

4. INTANGIBLE ASSETS

	Goodwill	Patents and software	Development costs	Other intangible assets	Total
COST					
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**
Increases	-	431	2,249	33	2,713
Decreases	-	-	-	-	-
Change in the scope of consolidation	1,564	-	-	2,473	4,037
Reclassifications	-	147	(337)	(178)	(368)
Monetary revaluation (IAS 29)	6,466	260	-	3,819	10,545
Forex differences	(6,648)	(242)	(3)	(3,687)	(10,580)
At 31 December 2023	**33,560**	**11,444**	**12,143**	**31,209**	**88,356**

	Goodwill	Patents and software	Development costs	Other intangible assets	Total
AMORTISATION/WRITE-DOWNS					
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**
Depreciations for the year	-	466	696	2,110	3,272
Decreases	-	-	-	-	-
Change in the scope of consolidation	-	-	-	-	-
Reclassifications	-	-	-	-	-
Monetary revaluation (IAS 29)	-	221	-	1,167	1,388
Forex differences	-	(205)	-	(1,171)	(1,376)
At 31 December 2023	**4,546**	**10,254**	**6,046**	**10,279**	**31,125**

	Goodwill	Patents and software	Development costs	Other intangible assets	Total
NET CARRYING VALUE					
At 31 December 2022	**27,632**	**1,076**	**4,884**	**20,576**	**54,168**
At 31 December 2023	**29,014**	**1,190**	**6,097**	**20,930**	**57,231**

Goodwill

Pursuant to IAS 36, goodwill is allocated to different cash-generating units ("CGUs"), which are identified on the basis of operating segments, according to geographic logics and corresponding to the businesses being acquired. Below are the CGUs to which the goodwill was allocated:

CGU	31.12.2022	First consolidation	Price adjustments	Revaluation IAS 29	Forex differences	31.12.2023
Professional burners	1,770	-	-	-	-	1,770
Electronic components	16,641	-	-	6,466	(6,660)	16,447
P.G.A. electronic components	1,127	-	783	-	-	1,910
Hinges	4,414	-	-	-	-	4,414
C.M.I. hinges	3,680	-	-	-	-	3,680
MEC hinges	-	781	-	-	12	793
TOTAL	**27,632**	**781**	**783**	**6,466**	**(6,648)**	**29,014**

The relative change in goodwill allocated to the P.G.A. electronic components CGU, equal to €783 thousand, refers to price adjustments after the completion of acquisition and determined, in accordance with the contract, on the basis of the subsidiary's final results for 2022.

The Group verifies the ability to recover goodwill ("Impairment test") 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 main assumptions used to determine the value of use of the different CGUs refer a) to the financial flows deriving from company business plans, b) to the discount rate and c) to the long-term growth rate.

Determining cash flows

The management defined a single plan for each CGU with respect to the 2024-2026 period, which represents the best estimate of the expected trend in operations, based on corporate strategies and the growth indices of the specific sector and reference markets. In particular, the forecasts for the first year of the forecast plan (2024) were developed based on the Group's 2024 budget, approved by the Parent Company's Board of Directors on 19 December 2023; the forecasts for the next two years (2025 and 2026) were determined analytically while preparing the Group's 2024 - 2026 Business Plan, approved by the Parent Company's Board of Directors on 19 March 2024. The multi-year plans of each CGU were submitted for approval to the Boards of Directors of the Group companies to which each CGU belongs.

Revenues were estimated on the basis of information obtained from customers and on the basis of management's expectations regarding the trend of the reference market, which expect a moderate recovery from the weak phase that characterised 2023. The contribution from revenues from new products already developed, weighted by the likelihood of their success, was also estimated. The plans were prepared under the assumption of substantially unchanged raw material prices, in view of the proven historical ability of CGUs to pass on changes in material costs to selling prices. Estimates of revenues and profitability incorporate elements of caution to reflect geopolitical and macroeconomic uncertainty. It should be noted that the CGUs to which intangible assets with an indefinite useful life are allocated are not exposed to significant transitional climatic risks, that energy costs have an extremely low incidence compared to the industrial cost of products, and that the related production processes do not directly use fossil fuels (gas) as an energy source.

The business plans consider only real growth, do not take into account expected inflation, and have been prepared in Euro, i.e. the currency in which - with the exception of MEC - the sales lists and main operating costs of the CGUs are denominated. The business plan of MEC, which operates in dollars, was prepared under the assumption of a stable euro/dollar exchange rate. Furthermore, with reference to the "Electronic Components" CGU, the plan does not take into account the accounting effects of IAS 29 (hyperinflation).

Lastly, cash flows for the 2024-2026 period were augmented by the so-called terminal value, which expresses the operating flows that the CGU is expected to generate from the fourth year to infinity and determined based on the perpetual income.

Discount rate

The discount rate used to discount expected future cash flows was determined for each CGU, just like in the previous year, and is represented by the weighted average cost of capital (WACC), which reflects the current market valuation of the time value of money for the period considered and the specific risks of the Group companies and their reference sectors.

Long-term growth rate

In addition to the flows expected for the 2024-2026 period, which are explicitly forecasted, there is also the so-called Perpetuity, representing the Terminal Value. This was determined, according to the same logics adopted in the previous year, using a long-term growth rate (g-rate), specific to each CGU, reflecting the growth potential of the area in question.

The table below shows the main basic assumptions used in performing the impairment test.

CGU	Discount rate (WACC) %	Long-term growth rate (g-rate)	Cash flow horizon	Terminal Value calculation method
Professional burners	11.09%	2.00%	3 years old	Perpetual instalment
Electronic components	15.69%	2.50%	3 years old	Perpetual instalment
P.G.A. electronic components	10.94%	2.50%	3 years old	Perpetual instalment
Hinges	11.84%	2.00%	3 years old	Perpetual instalment
C.M.I. hinges	11.45%	2.00%	3 years old	Perpetual instalment
MEC hinges	10.99%	2.30%	3 years old	Perpetual instalment

Please find below the main changes in the discount rate compared to the impairment carried out when preparing the Consolidated Financial Statements at 31 December 2022:

- Professional burners: WACC is 11.09% (11.19% at 31 December 2022), the change from the previous year is mainly due to the reduction in the risk-free rate and the equity market risk premium;
- Electronic components: WACC is 15.69% (16.81% at 31 December 2022), the change from the previous year is mainly due to the reduction in the cost of debt, the risk-free rate and the equity market risk premium;
- P.G.A. electronic components: WACC is 10.94% (10.88% at 31 December 2022), essentially unchanged from the previous year;
- Hinges: WACC is 11.84% (11.65% at 31 December 2022), the change from the previous year is mainly due to the increase in the cost of debt and the risk-free rate;
- C.M.I. hinges: WACC is 11.45% (11.66% at 31 December 2022), the change from the previous year is mainly due to the reduction in the risk-free rate and the equity market risk premium.

The impairment tests carried out according to the methods described above and approved by the Board of Directors on 20 February 2024, with the opinion of the Control, Risk and Sustainability Committee, did not reveal any impairment losses, as the recoverable value of the CGUs at 31 December 2023 was higher than the corresponding net invested capital (carrying amount).

To complete the analysis, the following activities were carried out:

- a sensitivity analysis aimed at verifying the recoverability of goodwill against changes in the basic assumptions used to determine discounted cash flows. In particular, the following table shows the WACC, g-rate and EBITDA that would lead to an impairment loss, keeping all other basic assumptions unchanged:

	Break-even values in a "steady case" situation		
Sensitivity analysis	WACC	g-rate	EBITDA
Professional burners	18.2%	n/a	-38.4%
Electronic components	16.6%	1.25%	-6.9%
P.G.A. electronic components	13.2%	0%	-22.6%
Hinges	22.9%	n/a	-46.0%
C.M.I. hinges	28.0%	n/a	-52.0%
MEC hinges	12.8%	0.2%	-10.5%

- the verification of the recoverability of goodwill against possible upward and downward 50 bps changes in WACC and 25 bps changes in the g-rate;
- the verification of the recoverability of goodwill against possible 10% and 20% downward changes in EBITDA.

With reference to the "Electronic components" CGU, sensitivity analyses show a delta between recoverable value and net invested capital ranging from +€6.3 million to -€4.9 million. For the "MEC Hinges" CGU, the difference between recoverable value and net invested capital ranges from +€ 6.4 million to -€3.4 million. With reference to the other CGUs submitted to impairment testing, none of the scenarios covered by the sensitivity analysis showed a recoverable value lower than the carrying value.

Lastly, in examining possible indicators of impairment, the Group also took into consideration the relationship between stock market capitalisation (€218.3 million) and the carrying value of the Group's equity at 31 December 2023 (€162.1 million), which shows a largely positive difference.

Patents and software

The main software investments are related to the extension of the application and corporate scope of the Group management system (SAP) and to the implementation of a management system in the HR field.

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. Sales are scheduled to start in 2024.

Increases in development costs include projects in progress and therefore not subject to amortisation.
With regard to patents, software and development costs, no internal and external indicators that would necessitate an impairment test were identified.

Other intangible assets

The other intangible assets recognised in these Consolidated Financial Statements mainly derive from the Purchase Price Allocation carried out following the acquisition of Okida Elektronik in September 2018, of C.M.I. s.r.l. in July 2019, of P.G.A. in October 2022 and of MEC in July 2023.

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

	31.12.2023	31.12.2022	Change
Customer Relationship	15,090	13,000	2,090
Brand	2,947	3,807	(860)
Know-how	400	577	(177)
Patents	2,306	2,835	(529)
Other	187	357	(170)
Total	**20,930**	**20,576**	**354**

At 31 December 2023, 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

	31.12.2023	31.12.2022	Change
Other equity investments	95	97	(2)
Total	**95**	**97**	**(2)**

6. NON-CURRENT RECEIVABLES

	31.12.2023	31.12.2022	Change
Tax receivables	287	2,057	(1,770)
Guarantee deposits	187	98	89
Receivables from former P.G.A. shareholders	620	597	23
Total	**1,094**	**2,752**	**(1,658)**

Tax receivables relate to indirect taxes expected to be recovered after 31 December 2024.
Receivables from former P.G.A. Shareholders, already determined by the parties and discounted, refer to compensation obligations envisaged upon the occurrence of certain events (liabilities incurred by P.G.A.) regulated by the acquisition agreement.

7. INVENTORIES

	31.12.2023	31.12.2022	Change
Raw materials	29,084	31,068	(1,984)
Semi-processed goods	15,410	16,403	(993)
Finished products	22,920	23,771	(851)
Provision for inventory write-downs	(5,429)	(6,816)	1,387
Total	**61,985**	**64,426**	**(2,441)**

The value of final inventories at 31 December 2023 was lower than the previous year as a result of lower average costs and a decrease in the volume of stock.
At 31 December 2023, 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 table on the side shows the changes in the Provision for inventory write-downs during the current financial year:

31.12.2022	6,816
Provisions	914
Utilisation	(1,512)
Monetary revaluation (IAS 29)	48
Change in the scope of consolidation	7
Forex differences	(844)
31.12.2023	**5,429**

8. TRADE RECEIVABLES

	31.12.2023	31.12.2022	Change
Total trade receivables	56,661	59,999	(3,338)
Bad debt provision	(835)	(840)	5
Net total	**55,826**	**59,159**	**(3,333)**

The amount of trade receivables at 30 December 2023 was lower than the balance at the end of 2022 as a result of the reduction in the average collection period, which was also achieved due to an increased assignment without recourse of receivables to factors.

There were no significant changes in the payment terms agreed with customers.
The amount of trade receivables recognised in the financial statements includes approximately €26.8 million in insured receivables (€25.7 million at 31 December 2022).

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

	31.12.2023	31.12.2022	Change
Current receivables (not past due)	42,395	45,199	(2,804)
Outstanding up to 30 days	8,356	6,947	1,409
Outstanding from 30 to 60 days	3,099	4,020	(921)
Outstanding from 60 to 90 days	911	1,416	(505)
Outstanding for more than 90 days	1,900	2,417	(517)
Total	**56,661**	**59,999**	**(3,338)**

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

31.12.2022	840
Provisions	34
Utilisation	(34)
Change in the scope of consolidation	-
Forex differences	(5)
31.12.2023	**835**

9. TAX RECEIVABLES

	31.12.2023	31.12.2022	Change
For income tax	7,186	5,061	2,125
For VAT and other sales taxes	4,536	3,144	1,392
Other tax credits	0	9	(9)
Total	**11,722**	**8,214**	**3,508**

At 31 December 2023 income tax receivables mainly include:
- €3,119 thousand relating to the tax credit for investments in capital goods;
- €482 thousand relating to the tax credit for research and development;
- €635 thousand related to the "Patent Box" tax credit for the years 2020 and 2021, following the prior agreement signed with the Tax Authorities during the year;
- payments on account paid during 2023: IRES for €521 thousand and IRAP for €75 thousand.

10. OTHER CURRENT RECEIVABLES

	31.12.2023	31.12.2022	Change
Advances to suppliers	1,866	1,376	490
Credits to be received from suppliers	943	706	237
Accrued income and prepaid expenses	858	660	198
Other	201	168	33
Total	**3,868**	**2,910**	**958**

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

11. FINANCIAL ASSETS

	31.12.2023		31.12.2022	
	Current	Non-current	Current	Non-current
Time deposit accounts	6,254	-	786	-
Derivative instruments	1,003	-	1,711	-
Total	**7,257**	**-**	**2,497**	**-**

The change in time deposit accounts relates to the taking out of time deposits by certain foreign subsidiaries; these are temporary investments of liquidity in excess of normal operations at better yields than ordinary deposits.
Derivatives refer, for €126 thousand, to forward sales contracts in US dollars recognised using hedge accounting - the details of which are illustrated in Note 38 "Foreign exchange risk management" - and, for €877 thousand, to six interest rate swap (IRS) contracts for amounts and maturities coinciding with six unsecured loans that are being amortised, whose residual value at 31 December 2023 is €17,339 thousand. The interest rate swap 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

The item Cash and cash equivalents, equal to €36,353 thousand at 31 December 2023 (€20,923 thousand at 31 December 2022), refers to cash and bank current account balances. Changes in the cash and cash equivalents are analysed in the statement cash flows.

13. SHARE CAPITAL

In connection with the acquisition of Mansfield (MEC), on 14 July 2023, Sabaf's Board of Directors exercised the proxy granted by the Shareholders' Meeting on 4 May 2020, resolving on a reserved capital increase, through splitting shares and against payment, for a nominal amount of €1,153,345, corresponding to 10% of the share capital, with the exclusion of the right of option pursuant to Article 2441, fourth paragraph, second sentence of the Italian Civil Code, through the issue of 1,153,345 new ordinary shares with a par value of €1.00. The newly issued shares were offered for subscription as part of a reserved placement.

The issue price of the new shares, including the share premium, was determined at €15.01 per share, equal to the average stock market price of Sabaf share recorded in June, increased by a premium of €0.52 per share (and therefore for a total value of €17,311,708.45).
The capital increase took place on 20 July 2023. Following the full subscription of the new shares, the post-capital increase share capital amounts to €12,686,795.

At 31 December 2023, the structure of the share capital is shown in the table below.

	No. of shares	% of share capital	Rights and obligations
Ordinary shares	6,559,278	51.70%	-
Ordinary shares with increased vote	6,127,518	48.30%	Two voting rights per share
Total	***12,686,795***	***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

In the course of the year, 27,100 treasury shares were acquired at an average unit price of €17.05, while none were sold.
At 31 December 2023, Sabaf S.p.A. held 241,963 treasury shares (1.907% of the share capital), reported in the financial statements as an adjustment to shareholders' equity at a weighted average unit value of €15.22 (the closing stock market price of the Share at 31 December 2023 was €17.36). There were 12,444,832 outstanding shares at 31 December 2023.

Stock grant reserve

Items "Retained earnings, other reserves" of €146,303 thousand included, at 31 December 2023, the stock grant reserve of €2,481 thousand, which included the measurement at 31 December 2023 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 2022	**(2)**
Change during the period	76
Value at 31 December 2023	**74**

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

	31.12.2023			31.12.2022		
	Current	Non-current	Total	Current	Non-current	Total
Bond issue	-	29,720	29,720	-	29,685	29,685
Unsecured loans	21,261	46,748	68,009	21,613	46,595	68,208
Short-term bank loans	-	-	-	5,308	-	5,308
Advances on bank receipts or invoices	155	-	155	921	-	921
Leases	1,660	5,079	6,739	1,032	2,056	3,088
Interest payable	241	-	241	2	-	2
Total	**23,317**	**81,547**	**104,864**	**28,876**	**78,336**	**107,212**

In 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 some covenants, defined with reference to the Consolidated Financial Statements at the end of each reporting period, all complied with at 31 December 2023 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 no more than 1.5;
- commitment to maintain a ratio of net financial debt to EBITDA of no more than 3;
- commitment to maintain a ratio of EBITDA to net financial expense of more than 4.

During the year, the Group took out new unsecured loans for a total of €23 million to finance the investments made. All loans were signed with an original maturity of 4 or 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 no more than 1 (residual amount of the loans at 31 December 2023 equal to €48 million);
- commitment to maintain a ratio of net financial debt to EBITDA of no more than 3 (residual amount of the loans at 31 December 2023 equal to €59.4 million);
- commitment to maintain a ratio of net financial debt to EBITDA of no more than 2.5 (residual amount of the loans at 31 December 2023 equal to €0.8 million);

complied with at 31 December 2023 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 €37,737 thousand at 31 December 2023) are either fixed-rate or hedged by IRS. On the other hand, the residual value of unsecured loans taken out at a variable rate and not covered by the IRS was €30,272 thousand.

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

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**
New agreements signed during 2023	5,283
Repayments during 2023	(1,462)
Forex differences	(170)
Lease liabilities at 31 December 2023	**6,739**

The value of lease liabilities at 31 December 2023 includes €6,033 thousand in operating leases and €706 thousand in finance leases, all recognised in accordance with IFRS 16. Note 38 provides information on financial risks, pursuant to IFRS 7.

16. OTHER FINANCIAL LIABILITIES

	31.12.2023		31.12.2022	
	Current	Non-current	Current	Non-current
Option on MEC minorities	-	11,721	-	-
Payables to former P.G.A. shareholders	175	-	546	-
Currency derivatives	-	-	28	-
Total	**175**	**11,721**	**574**	**-**

As part of the acquisition of MEC, a call option in favour of Sabaf for the remaining 49% of the share capital, exercisable from 2028, and a put option in favour of the minority shareholders, exercisable from 2025 to 2028, were subscribed. The valuation of the residual share will be based on an Enterprise Value equal to 8 times MEC's average EBITDA of the two financial statements preceding the date of exercise of the relevant option, adjusted for the net financial position at that date.

The assignment of an option to sell (put option) in the terms described above required the recognition of a liability corresponding to the estimated redemption value, expected at the time of any exercise of the option. To this end, a financial liability of €11,721 million was recognised in the Consolidated Financial Statements, of which

- €10,866 thousand deriving from the recognition of the financial liability at the time of the acquisition; an equity reserve was recognised as a balancing entry;

- €855 thousand deriving from the updated valuation of the outlay estimate, based on MEC's results forecast in the subsidiary's business plan drawn up at the beginning of 2024. Financial expenses were recognised as a balancing entry.

Payables to former P.G.A. shareholders, amounting to €175 thousand, refer to price adjustments after the completion of acquisition, linked to the achievement of certain targets in accordance with the contract ("earn-out").

17. POST-EMPLOYMENT BENEFIT AND RETIREMENT PROVISIONS

	Post-employment benefits
At 31 December 2022	**3,661**
Provisions	389
Financial expenses	107
Payments made	(269)
Tax effect	48
Forex differences	(131)
At 31 December 2023	**3,805**

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	**31.12.2023**	**31.12.2022**
Discount rate	3% - 3.2%	3% - 3.7%
Inflation	2.5%	3%

Demographic theory	**31.12.2023**	**31.12.2022**
Mortality rate	IPS55 ANIA	IPS55 ANIA
Disability rate	INPS 2000	INPS 2000
Staff turnover	4% - 10%	3% - 10%
Advance payouts	1% - 3%	1% - 5%
Retirement age	Pursuant to legislation in force at 31 December 2023	Pursuant to legislation in force at 31 December 2022

The sensitivity analyses performed to account for any changes in actuarial assumptions did not reveal any significant changes in the liability.

18. PROVISIONS FOR RISKS AND CHARGES

	31.12.2022	Provisions	Utilisation	Forex differences	31.12.2023
Provision for agents' indemnities	252	1	(57)	-	196
Product guarantee fund	60	72	(72)	-	60
Provision for legal risks	77	20	(3)	3	97
Other provisions for risks and charges	250	-	(216)	(34)	-
Total	**639**	**93**	**(348)**	**(31)**	**353**

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. In 2023, a competitor filed a lawsuit against Sabaf S.p.A. for alleged patent infringement. The litigation is at a preliminary stage, and based on an initial analysis, the Directors believe that the competitor's claims are groundless and therefore no provisions for risks have been recognised in these Consolidated Financial Statements.

Utilisations of other provisions for risks refer, for €51 thousand, to the elimination of contingent liabilities recognised as part of the Purchase Price Allocation following the acquisition of Okida Elektronik and, for €165 thousand, to the elimination of contingent liabilities recognised as part of the Purchase Price Allocation following the acquisition of P.G.A., as a result of the settlement agreement.
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. OTHER NON-CURRENT LIABILITIES

	31.12.2023	31.12.2022	Change
Total	**183**	**-**	**183**

Other non-current liabilities refer to payables to the tax authorities, to be paid in 2025 and 2026.

20. TRADE PAYABLES

	31.12.2023	31.12.2022	Change
Total	**42,521**	**39,628**	**2,893**

Average payment terms did not change versus the previous year. At 31 December 2023, there were no overdue payables of a significant amount and the Group did not receive any injunctions for overdue payables.

21. TAX PAYABLES

	31.12.2023	31.12.2022	Change
For income tax	704	235	469
Withholding taxes	968	1,059	(91)
Other tax payables	1,352	1,251	101
Total	**3,025**	**2,545**	**480**

22. OTHER CURRENT PAYABLES

	31.12.2023	31.12.2022	Change
To employees	6,452	5,553	899
To social security institutions	3,430	2,781	649
To agents	158	164	(6)
Advances from customers	385	522	(137)
Other current payables	5,584	4,136	1,446
Total	**16,007**	**13,156**	**2,851**

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 totalling €5,479 thousand.

23. DEFERRED TAX ASSETS AND LIABILITIES

	31.12.2023	31.12.2022	Change
Deferred tax assets	13,315	13,145	170
Deferred tax liabilities	(5,136)	(5,828)	692
Net position	**8,179**	**7,317**	**862**

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	Goodwill	Tax incentives	Tax losses	Actuarial evaluation of post-employment benefit	Hyperinflation effects	Other temporary differences	Total
31.12.2022	**(188)**	**1,590**	**(382)**	**886**	**3,432**	**1,260**	**111**	**23**	**585**	**7,317**
Through profit or loss	1,858	(200)	178	(177)	1,182	(451)	0	1,512	469	4,371
In shareholders' equity	(718)	0	(18)	0	0	0	10	0	0	(726)
Forex differences	(1,092)	5	0	0	(1,333)	(342)	0	(2)	(19)	(2,783)
31.12.2023	**(140)**	**1,395**	**(222)**	**709**	**3,281**	**467**	**121**	**1,533**	**1,035**	**8,179**

Deferred tax assets recognised in the income statement in respect of "Non-current tangible and intangible assets" included €1,617 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.

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 the 2018 financial year.

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. The reduction in deferred tax assets related to tax losses is the result of their offsetting against tax profits for the year.

At the end of the financial year, the taxation of the Group's Turkish companies was adjusted to 22.5% tax rate, recognising tax income of €868 thousand in profit or loss.

24. 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:

	31.12.2023	31.12.2022	Change
A. Cash	36,353	20,832	15,401
B. Cash equivalents	-	91	(91)
C. Other current financial assets	7,257	2,497	4,760
D. Liquidity (A+B+C)	**43,610**	**23,420**	**20,070**
E. Current financial payable	1,799	8,098	(6,299)
F. Current portion of non-current financial debt	21,693	21,352	341
G. Current financial debt (E+F)	**23,492**	**29,450**	**(5,958)**
H. Net current financial debt (G-D)	**(20,118)**	**6,030**	**(26,028)**
I. Non-current financial payable	63,548	48,651	14,897
J. Debt instruments	29,720	29,685	35
K. Trade payables and other non-current payables	-	-	-
L. Non-current financial debt (I+J+K)	**93,268**	**78,336**	**14,932**
M. Total financial debt (H+L)	**73,150**	**84,366**	**(11,096)**

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 decrease in net financial debt in the period is mainly attributable to the cash flows generated by operations, also through the reduction in net working capital.

COMMENTS ON KEY INCOME STATEMENT ITEMS

The income statement items discussed below, as already indicated in the "Scope of Consolidation" paragraph of these Notes, include the contribution of Mansfield Engineered Components LLC as of 1 July 2023, the accounting reference date closest to the acquisition date (14 July 2023).

25. REVENUE

In 2023, sales revenue totalled €237,949 thousand, down by €15,104 thousand (-6%) compared with 2022 (-13.8% on a like-for-like basis).

REVENUE BY GEOGRAPHICAL AREA

Revenue	2023	%	2022	%	% change
Europe (excluding Turkey)	71,636	*30.1%*	87,282	*34.5%*	*-17.9%*
Turkey	62,439	*26.2%*	66,845	*26.4%*	*-6.6%*
North America	47,607	*20.0%*	39,800	*15.7%*	*+19.6%*
South America	27,874	*11.7%*	28,503	*11.3%*	*-2.2%*
Africa and Middle East	17,718	*7.4%*	19,098	*7.5%*	*-7.2%*
Asia and Oceania	10,675	*4.5%*	11,525	*4.6%*	*-7.4%*
Total	**237,949**	***100%***	**253,053**	***100%***	***-6.0%***

REVENUE BY PRODUCT FAMILY

Revenue	2023	%	2022	%	% change
Gas parts	143,224	*60.2%*	158,340	*62.6%*	*-9.5%*
Hinges	70,418	*29.6%*	68,627	*27.1%*	*+2.6%*
Electronic components	24,307	*10.2%*	26,086	*10.3%*	*-6.8%*
Total	**237,949**	***100%***	**253,053**	***100%***	***-6.0%***

The year 2023 was characterised by marked economic weakness in the household appliance sector, which was most evident in European markets. Geographical diversification and the contribution of recent acquisitions limited the decline in sales compared with 2022, which was characterised by a dynamic first half-year and a sudden drop in demand in the second half-year.
The average sales prices of 2023 remained essentially in line with those of 2022.

26. OTHER INCOME

	2023	2022	Change
Sale of trimmings	4,921	5,711	(790)
Contingent income	971	554	417
Rental income	78	122	(44)
Use of provisions for risks and charges	130	6	124
Other income	2,956	3,795	(839)
Total	**9,056**	**10,188**	**(1,132)**

In 2023, other income mainly included: tax credits for investments in capital goods and for research and development of €1,150 thousand, proceeds from the sale of moulds and equipment of €782 thousand, Turkish government grants of €344 thousand referring to incentives for hiring personnel, insurance compensation of €68 thousand and the production of energy through photovoltaic plants of €33 thousand.

27. PURCHASES OF MATERIALS

	2023	2022	Change
Commodities and outsourced components	103,486	115,410	(11,924)
Consumables	9,198	8,921	277
Total	**112,684**	**124,331**	**(11,647)**

The reduction in purchases is related both to the decrease in business volumes and to the reduction in the unit prices of the main raw materials (aluminium alloys, steel and brass).

28. COSTS FOR SERVICES

	2023	2022	Change
Outsourced processing	9,513	13,680	(4,167)
Natural gas and power	7,762	11,359	(3,597)
Maintenance	6,879	7,040	(161)
Transport	4,328	4,433	(105)
Advisory services	4,109	3,232	877
Travel expenses and allowances	946	700	246
Commissions	1,183	994	189
Directors' fees	1,161	861	300
Insurance	1,135	864	271
Canteen	1,000	796	204
Other costs	6,907	6,221	686
Total	**44,923**	**50,180**	**(5,257)**

The main outsourced processing includes hot moulding of brass and steel blanking as well as some mechanical processing and assembly.
Energy and gas costs are posted net of tax benefits related to public contributions for electricity and gas consumption, amounting to €675 thousand.

The increase in costs for advisory services is related to the extraordinary transactions (acquisition of MEC and capital increase) carried out during the year.
Other costs included expenses for the registration of patents, waste disposal, cleaning, leasing third-party assets and other minor charges.

29. PERSONNEL COSTS

	2023	2022	Change
Salaries and wages	38,959	31,750	7,209
Social Security costs	11,442	9,685	1,757
Temporary agency workers	4,196	5,617	(1,421)
Post-employment benefit and other costs	3,020	1,740	1,280
Stock grant plan	543	1,134	(591)
Total	**58,160**	**49,926**	**8,234**

The number of Group employees at 31.12.2023 was 1,641 (1,238 at 31.12.2022) and the number of temporary agency workers was 117 (115 at 31.12.2022). The increase in the number of employees compared to the previous year was 402, of which 180 following the acquisition of MEC. The increase in personnel costs, compared to the previous year, is mainly due to the change in the scope of consolidation, as well as the inflationary dynamics in 2023, with particular reference to the Turkish subsidiary.
The item "Stock Grant Plan" included the measurement at 31 December 2023 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.

30. OTHER OPERATING COSTS

	2023	2022	Change
Non-income taxes	603	729	(126)
Other operating expenses	598	614	(16)
Contingent liabilities	407	238	169
Losses and write-downs of trade receivables	34	1	33
Provisions for risks	20	21	(1)
Other provisions	73	28	45
Total	**1,735**	**1,631**	**104**

Non-income taxes chiefly relate to property tax.

31. FINANCIAL INCOME

	2023	2022	Change
Interest from time deposit	1,225	-	1,225
Interest rate derivatives	32	1,753	(1,721)
Interest from bank current accounts	260	154	106
Other financial income	298	10	288
Total	**1,815**	**1,917**	**(102)**

Interest from time deposit, equal to €1,225 thousand, refers to interest income accrued on time deposit accounts of some foreign subsidiaries; these are temporary investments of liquidity in excess of normal operations at better yields than ordinary deposits.

32. EXPENSES FROM HYPERINFLATION/FINANCIAL EXPENSES

	2023	2022	Change
Expenses from hyperinflation	**5,276**	**9,023**	**(3,747)**
Interest paid to banks	3,453	1,340	2,113
Interest paid on finance lease contracts	219	105	114
Banking expenses	340	222	118
MEC option valuation adjustment (Note 16)	855	-	855
Other financial expense	381	342	39
Financial expenses	**5,248**	**2,009**	**3,239**

As from 2022, the effect of inflation accounting on the Turkish subsidiaries, which impacted some financial statement items and resulted in total expenses of € 5,276 thousand, was reflected in the financial statements. For an appropriate and thorough analysis, please refer to the specific paragraph in the Explanatory Notes to these Financial Statements. The effects of applying IAS 29 for each item in the consolidated income statement are also shown in the annex to the Report on Operations.

33. EXCHANGE RATE GAINS AND LOSSES

In 2023, the Group reported net foreign exchange losses of €2,359 thousand, versus net losses of €515 thousand in 2022. The main portion of 2023 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.

34. INCOME TAXES

	2023	2022	Change
Current taxes for the year	690	2,080	(1,390)
Deferred tax assets and liabilities	(4,371)	(4,932)	561
Taxes related to previous financial years	295	(188)	483
Total	**(3,386)**	**(3,040)**	**(346)**

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:

	2023	2022
Theoretical income tax	136	2,909
Permanent tax differences	(268)	18
Taxes related to previous financial years	(15)	(158)
Tax effect from different foreign tax rates	169	(112)
Effect of non-recoverable tax losses	959	324
"Energy intensive contribution" tax benefit	(165)	(515)
"Super and Iperammortamento" tax benefit	(631)	(749)
ACE tax benefit	(75)	(285)
Patent Box benefit	(635)	-
Revaluation of fixed assets in Turkey	(975)	(3,661)
Tax incentives for investments in Turkey	(1,182)	(1,839)
Other differences	(946)	479
Income taxes booked in the accounts, excluding IRAP and withholding taxes (current and deferred)	**(3,628)**	**(3,589)**
IRAP (current and deferred)	242	480
Substitute tax on realignment of property values	-	69
Total	**3,386**	**3,040**

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 €631 thousand (€749 thousand in 2022);
- the tax benefits deriving from the investments made in Italy amounting to €1,182 thousand (€1,839 thousand in 2022);
- the tax benefits deriving from the Patent Box for the years 2020 and 2021, amounting to €635 thousand, following the prior agreement signed with the Tax Authorities in 2023;
- the tax benefits deriving from the tax exemption on government grants for electricity and gas consumption, amounting to €165 thousand (€515 thousand in 2022).

35. EARNINGS PER SHARE

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

EARNINGS		
(€/000)	**2023**	**2022**
Profit for the year	3,103	15,249
NUMBER OF SHARES	**2023**	**2022**
Weighted average number of ordinary shares for determining basic earnings per share	11,812,152	11,255,384
Dilutive effect from potential ordinary shares	-	-
Weighted average number of ordinary shares for determining diluted earnings per share	11,812,152	11,255,384
EARNINGS PER SHARE		
(in €)	**2023**	**2022**
Basic earnings per share	0.263	1.355
Diluted earnings per share	0.263	1.355

Basic earnings per share are calculated on the average number of outstanding shares minus the average number of treasury shares, equal to 238,941 in 2023 (278,066 in 2022).

Diluted earnings per share are calculated taking into account any shares approved but not yet subscribed.

36. DIVIDENDS

No dividends were paid out during 2023. With regard to the current year, the Directors have recommended payment of a dividend of €0.54 per share, subject to approval of shareholders in the annual Shareholders' Meeting and therefore not included under liabilities in these financial statements. The dividend proposed is scheduled for payment on 29 May 2024 (ex-date 27 May and record date 28 May).

37. INFORMATION BY BUSINESS SEGMENT

Information by business segment for 2023 and 2022 is provided below

2023 FY					
	Gas parts (household and professional)	Hinges	Electronic components	Unallocated Revenues and Costs	Total
Sales	144,010	70,410	24,689	(1,160)	**237,949**
Ebit	8,942	5,188	3,834	(6,902)	**11,062**
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**

Unallocated revenues and costs refer to auxiliary or common activities, such as overhead costs, which cannot be allocated to individual business segments.

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:

	31.12.2023	31.12.2022
Financial assets		
Amortised cost		
Cash and cash equivalents	36,353	20,923
Term bank deposits	6,254	786
Trade receivables and other receivables	59,694	64,821
Fair value through profit or loss		
Derivatives to hedge cash flows	877	1,710
Hedge accounting		
Derivatives to hedge cash flows	126	-

Financial liabilities		
Amortised cost		
Loans	104,864	107,212
Other financial liabilities	175	546
Trade payables	42,521	39,628
Fair value through profit or loss		
Derivatives to hedge cash flows	11,721	-
Hedge accounting		
Derivatives to hedge cash flows	-	28

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 engage in 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. The procedure adopted for credit management includes, inter alia:

- the assignment of a specific credit limit for each customer;
- weekly verification of receivables overdue;
- the sending of payment reminders on a monthly basis;
- the definition of a time limit after credit expiry beyond which deliveries are blocked (no deliveries and no confirmation of new orders).

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 50% 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. The sales prices of the Turkish subsidiary are exclusively denominated in euro or US dollars; those of the Brazilian subsidiary are denominated in Brazilian real for domestic sales and in US dollars for exports. Sales in US dollars represented 25% of total turnover in 2023, while purchases in dollars represented 7% of total turnover. During the year, operations in dollars were partially hedged through forward sales contracts. At 31 December 2023, the Group had in place forward sales contracts of USD 3.5 million, maturing in December 2024 at an average exchange rate of 1.06721. 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)	2023
Increase in financial assets	90
Reduction in financial liabilities	28
Adjustment to the Cash Flow Hedge reserve (equity reserve)	76
Positive impact through profit or loss	29

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	Currency	Notional	Fair value hierarchy
Faringosi Hinges s.r.l.	BPER Banca	Forward	28/03/2024	USD	500,000	2
			27/06/2024		500,000	
			30/09/2024		500,000	
			31/12/2024		500,000	
C.M.I. s.r.l.	BPER Banca	Forward	03/01/2024	USD	750,000	
			03/04/2024		750,000	

Sensitivity analysis

With reference to financial assets and liabilities in US dollars at 31 December 2023, a hypothetical and immediate revaluation of 10% of euro against the dollar would have led to a loss of €1,843 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 on the side 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 2023:

Currency	Effect on Group Shareholders' Equity
Brazilian real	+/- 1,796
Turkish lira	+/- 6,428
Mexican peso	+/- 1,094
Indian Rupee	+/- 574
Chinese renminbi	+/- 45
US Dollar	+/- 1,112
Total	**+/- 11,049**

Interest rate risk management

Excluding the financial liabilities related to the put option on minorities and leases, at the end of 2023, approximately 68% of the Group's gross financial debt was at a fixed rate or converted to a fixed rate by entering into interest rate swaps (IRS) when the loan was opened. As 31 December 2023, IRS totalling €17.3 million were in place, mirrored in loans with the same residual debt. 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	Currency	Notional	Fair value hierarchy
Sabaf S.p.A.	Intesa Sanpaolo	IRS	15/06/2024	EUR	1,200,000	2
	Intesa Sanpaolo		15/06/2024		370,000	
	Crédit Agricole		30/06/2025		4,200,000	
	Mediobanca		28/04/2027		10,660,000	
P.G.A. s.r.l.	Intesa Sanpaolo		29/07/2025		78,743	
Sabaf Turkey	Intesa Sanpaolo		17/06/2024		830,000	

Sensitivity analysis

With reference to financial liabilities at variable rate at 31 December 2023, a hypothetical and immediate 1% increase in interest rates would have led to a loss of €374 thousand.

Commodity price risk management

A significant portion of the Group's purchase costs is represented by aluminium, steel and brass. 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 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 2023 and 2022, 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 2023 of 42.9%, net financial debt/EBITDA of 2.47) 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 2023 and 31 December 2022 is shown below:

At 31 December 2023	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	396	396	396	-	-	-
Unsecured loans	68,009	73,234	2,370	21,158	49,574	131
Bond issue	29,720	34,680	-	780	14,964	18,936
Finance leases	6,739	7,539	493	1,454	5,298	294
MEC option	11,721	11,721	-	-	11,721	-
Due to P.G.A. shareholders	175	175	-	-	175	-
Total financial payables	**116,760**	**127,745**	**3,259**	**23,392**	**81,732**	**19,361**
Trade payables	42,521	42,521	36,999	5,516	5	-
Total	**159,281**	**170,266**	**40,258**	**28,908**	**81,737**	**19,361**

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
Payables to C.M.I. 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**

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 2023, by hierarchical level of fair value assessment.

	Level 1	Level 2	Level 3	Total
Other financial assets (derivatives on interest rates)	-	877	-	877
Total assets	**-**	**877**	**-**	**877**
Other financial liabilities (MEC put option)	-	-	11,721	11,721
Total liabilities	**-**	-	**11,721**	**11,721**

With reference to the financial liability related to the put option in favor of the minority shareholders of MEC, a sensitivity analysis was carried out aimed at verifying the impacts deriving from any changes in the discount rate and in the exchange rate. In particular, following increases/decreases of 0.5% in the discount rate and increases/decreases of 10% in the exchange rate, the value of the put option is subject to variations of between +€1.7 million and -€1.4 million.

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 2023	Non-consolidated subsidiaries	Other related parties	Total related parties	Impact on the total
Trade payables	42,521	-	4	4	0.00%

	Total 2022	Non-consolidated subsidiaries	Other related parties	Total related parties	Impact on the total
Trade payables	(39,628)	-	(29)	(29)	0.07%

IMPACT OF RELATED-PARTY TRANSACTIONS ON INCOME STATEMENT ITEMS

	Total 2023	Non-consolidated subsidiaries	Other related parties	Total related parties	Impact on the total
Services	(44,923)	-	(27)	(27)	0.05%

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

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 2023 Report on Remuneration for this information.

40. SHARE-BASED PAYMENTS

A free stock grant plan is in place, which was approved by the Shareholders' Meeting on 6 May 2021; the relevant 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, €543 (Note 29) 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 on the side. 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 2023 was determined as follows:

RIGHTS RELATING TO OBJECTIVES MEASURED ON ROI	Total value on ROI	10.89	fair value	3.81
	Rights on ROI	35%		

RIGHTS RELATING TO OBJECTIVES MEASURED ON EBITDA	Total value on EBITDA	12.75	fair value	5.10
	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 REDUCTION OF EMISSIONS	Total value on "Reduction of emissions"	20.41	fair value	3.06
	Rights on "Reduction of emissions"	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 24) 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 2023 and 2022, 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 2023.

43. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There were no important events after the 2023 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 2023.

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 €2,293 thousand (€2,855 thousand at 31 December 2022).

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.	Jundiai - São Paulo (Brazil)	BRL 53,348,061	Sabaf S.p.A.	100%
Sabaf Beyaz Esya Parcalari Sanayi ve Ticaret Limited Sirketi (Sabaf Turkey)	Manisa (Turkey)	TRY 733,204,951	Sabaf S.p.A.	100%
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 Potosi (Mexico)	MXN 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%
Sabaf America Inc.	Delaware (USA)	USD 4,000,000	Sabaf S.p.A.	100%
Mansfield Engineered Components LLC (MEC)	Mansfield (USA)	USD 2,823,248	Sabaf America	51%

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**

Tax information	**R.E.A. Brescia 347512**
	Tax code 03244470179
	VAT number 01786910982

Contacts	**Tel: +39 030 - 6843001**
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	E-mail: info@sabaf.it
	Website: www.sabafgroup.com

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. 415/96, 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 2023 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 2023 financial year
Audit	EY S.p.A.	Parent Company	59
	EY S.p.A.	Italian subsidiaries	33
	EY network	Foreign subsidiaries	65
Other services	EY S.p.A.	Parent Company	83[1]
	EY S.p.A.	Italian subsidiaries	-
Total			***240***

[1] Auditing procedures agreement relating to interim management reports; limited review of Disclosure of Non-Financial Information, fairness opinion for capital increase of 2023.

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 2023 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, 19 March 2024

Chief Executive Officer	The Financial Reporting Officer
Pietro Iotti	Gianluca Beschi

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EY S.p.A.
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25126 Brescia

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Sabaf S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Sabaf Group (the Group), which comprise the consolidated statement of financial position as at December 31st 2023, and the consolidated statement of income, the consolidated statement of comprehensive income, consolidated statement of changes in the consolidated shareholder's equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31st 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Sabaf S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

EY S.p.A.
Sede Legale: Via Meravigli, 12 – 20123 Milano
Sede Secondaria: Via Lombardia, 31 – 00187 Roma
Capitale Sociale Euro 2.600.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. di Milano 606158 - P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998

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Key Audit Matters	Audit Responses
Valuation of the purchase price allocation related to Mansfield Engineered Components LLC. acquisition	
During the year 2023 the Group acquired the Mansfield Engineered Components LLC (below also MEC). The acquisition has been accounted for pursuant to IFRS 3, Business Combination, including the related purchase price allocation (hereinafter, "PPA"). The PPA is aimed to determine, at the acquisition date, the fair value of the identifiable assets and liabilities acquired. The fair value of such identified assets and liabilities has been estimated based on complex assumptions that, by their nature, required judgments from management. The PPA resulted in a residual goodwill. Considering the significance of the transaction and the amounts involved in the PPA, the complexity of the assumptions assumed in the calculation of the fair value of the acquired assets and liabilities, and the level of judgement exercised by management, we determined this area represents a key audit matter. The note "Information related to IFRS 3" of the consolidated financial statements as of December 31, 2023 include the description of the process followed by Group management and the impacts on the consolidated financial statements.	Our audit procedures in response to the key audit matter included, among others: (i) the analysis of the agreements signed within the MEC acquisition process and the assessment of the related accounting treatment adopted by Sabaf Group; (ii) the assessment of the valuation reports prepared by the external specialist who supported the Company in the calculation of the fair valuation of the assets and liabilities identified, and in the purchase price allocation process, (iii) the assessment of the key assumptions used by management in performing the aforementioned procedures. In performing our audit procedures, we involved EY internal valuation specialists who assisted us in the assessment of the key assumptions and methodology adopted by management. Lastly, we evaluated the appropriateness of the disclosures included in the explanatory notes of the consolidated financial statements.
Recoverability of goodwill	

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Goodwill at December 31, 2023 amounted to Euro 29 million, and was allocated to the following Group's Cash Generating Units (CGU):

- "Hinges" CGU for Euro 4,4 million;
- "Professional burners" CGU for Euro 1,8 million;
- "Electronic components" CGU for Euro 16,5 million;
- "Electronic components P.G.A." CGU for Euro 1,9 million;
- "CMI Hinges" CGU for Euro 3,7 million;
- "MEC Hinges" CGU for Euro 0,8 million

The processes and methodologies to valuate and determine the recoverable amount of each CGU, in terms of value in use, are based on complex assumptions that, due to their nature, imply the use of judgement by management, in particular with reference to the future cash flow forecasts in the period covered by the Group business plan, the assessment of the normalized cash flows used to estimate the terminal value and the long term growth and discount rates applied to the future cash flow forecasts.

Considering the level of judgement and complexity of the assumptions applied in estimating the recoverable amount of goodwill we determined that this area represents a key audit matter.

The disclosures related to the valuation of goodwill are included in paragraph "Goodwill" and in note "4 - Intangible Assets".

Our audit procedures in response to this key audit matter included, among others: (i) assessment of the process and key controls implemented by the Group in connection with the valuation of goodwill; (ii) assessment of the CGUs perimeter and the allocation of the carrying amounts of assets and liabilities to each CGU; (iii) assessment of the key assumptions underlying future cash flow forecasts; (iv) test of the consistency of the future cash flow forecasts allocated to each CGU against the 2024-2026 business plan; (v) assessment of the accuracy of cash flow projections as compared to historical results; (vi) assessment of the long term growth rates and discount rates.

In performing our analysis, we engaged our experts in valuation techniques, who have independently performed calculation and sensitivity analyses of key assumptions in order to determine any changes in assumptions that could materially impact the valuation of the recoverable amount.

Lastly, we evaluated the appropriateness of the disclosures included in the explanatory notes of the consolidated financial statements and the consistency of the related disclosure provided in the Report on Operations.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and,

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when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Sabaf S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated them all matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate relevant risks or the safeguard measures applied.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Sabaf S.p.A., in the general meeting held on May 8th 2018, engaged us to perform the audits of the consolidated financial statements for each of the years ending December 31st 2018 to December 31st 2026.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion on the compliance with Delegated Regulation (EU) 2019/815

The Directors of Sabaf S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) (the "Delegated Regulation") to the consolidated financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the consolidated financial statements as at December 31st 2023 with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements as at December 31st 2023 have been prepared in the XHTML format and have been marked-up, in all material aspects, in compliance with the provisions of the Delegated Regulation.

Due to certain technical limitations, some information included in the explanatory notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

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Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Sabaf S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Group Sabaf as at December 31st 2023, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Sabaf Group as at December 31st 2023 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Sabaf Group as at December 31st 2023 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Sabaf S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Brescia, 28 March 2024

EY S.p.A.
Signed by: Marco Malaguti, Auditor

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2023

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	Maria Alessandra Zunino de Pignier
Statutory Auditor	Mauro Vivenzi

Independent Auditors

EY S.p.A.

STATEMENT OF FINANCIAL POSITION

(in €)	Notes	31.12.2023	31.12.2022
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	1	43,641,088	47,621,810
Investment property	2	691,201	983,333
Intangible assets	4	6,584,238	5,429,576
Equity investments	5	126,074,562	112,505,434
Non-current financial assets	6	15,734,371	10,375,117
- of which from related parties	39	*15,734,371*	*10,375,117*
Non-current receivables	7	651,913	634,348
Deferred tax assets	23	2,664,226	3,047,631
TOTAL NON-CURRENT ASSETS		**196,041,599**	**180,597,248**
CURRENT ASSETS			
Inventories	8	21,836,419	26,911,220
Trade receivables	9	28,705,680	28,315,040
- of which from related parties	39	*15,393,271*	*8,108,979*
Tax receivables	10	6,030,934	5,060,805
- of which from related parties	39	*241,331*	*1,208,542*
Other current receivables	11	1,398,665	1,208,792
Current financial assets	12	859,797	2,901,373
- of which from related parties	39	*0*	*1,300,000*
Cash and cash equivalents	13	13,899,318	2,604,007
TOTAL CURRENT ASSETS		**72,730,813**	**67,001,238**
ASSETS HELD FOR SALE	3	0	525,660
TOTAL ASSETS		**268,772,412**	**248,124,145**

SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	14	12,686,795	11,533,450
Retained earnings, Other reserves		115,751,085	97,244,927
Profit for the year		3,503,797	2,246,997
TOTAL SHAREHOLDERS' EQUITY		**131,941,677**	**111,025,374**
NON-CURRENT LIABILITIES			
Loans	16	76,312,511	76,336,237
Post-employment benefit and retirement provisions	18	1,574,371	1,587,836
Provisions for risks and charges	19	297,248	354,595
Deferred tax liabilities	23	549,721	721,195
TOTAL NON-CURRENT LIABILITIES		**78,733,851**	**78,999,863**
CURRENT LIABILITIES			
Loans	16	23,692,542	27,241,978
- of which from related parties	39	*3,000,000*	*2,500,000*
Other financial liabilities	17	175,000	561,117
Trade payables	20	22,605,272	21,167,682
- of which from related parties	39	*1,185,573*	*1,056,744*
Tax payables	21	1,484,669	621,929
- of which from related parties	39	*132,816*	*24,397*
Other payables	22	10,139,401	8,506,203
TOTAL CURRENT LIABILITIES		**58,096,884**	**58,098,908**
LIABILITIES HELD FOR SALE		0	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**268,772,412**	**248,124,145**

INCOME STATEMENT

(in €)	Notes	2023	2022
INCOME STATEMENT COMPONENTS			
OPERATING REVENUE AND INCOME			
Revenue	25	99,481,864	119,089,523
- of which from related parties	39	*19,892,042*	*17,099,638*
Other income	26	7,220,233	6,511,215
- of which from related parties	39	*3,206,776*	*2,921,090*
TOTAL OPERATING REVENUE AND INCOME		**106,702,097**	**125,600,738**
OPERATING COSTS			
Materials	27	(45,935,312)	(52,970,888)
- of which to related parties	39	*(3,095,049)*	*(3,249,022)*
Change in inventories		(5,074,801)	(7,074,719)
Services	28	(22,123,910)	(28,629,203)
- of which to related parties	39	*(447,295)*	*(420,521)*
Personnel costs	29	(30,072,064)	(30,575,199)
Other operating costs	30	(1,102,203)	(900,987)
Costs for capitalised in-house work		3,123,763	3,068,203
TOTAL OPERATING COSTS		**(101,184,527)**	**(117,082,793)**
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION, CAPITAL GAINS/LOSSES, WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS		**5,517,571**	**8,517,946**
Depreciations and amortisation	1,2,3,4	(8,198,888)	(8,485,132)
Capital gains/(losses) on disposal of non-current assets		1,867,189	1,565,126
- of which to related parties	39	*336,097*	*1,362,808*
Write-downs/write-backs of non-current assets	5	(1,000,000)	(808,000)
- of which to related parties	39	*(1,000,000)*	*(808,000)*
EBIT		**(1,814,128)**	**789,939**
Financial income	31	574,700	1,973,664
- of which to related parties	39	*415,764*	*309,025*
Financial expenses	32	(3,466,228)	(1,573,474)
- of which to related parties		*(113,428)*	*(9,518)*
Exchange rate gains and losses	33	(170,993)	353,659
Profits and losses from equity investments	34	6,000,000	177,833
- of which to related parties		*6,000,000*	*177,833*
PROFIT BEFORE TAXES		**1,123,351**	**1,721,620**
Income taxes	35	2,380,446	525,377
PROFIT FOR THE YEAR		**3,503,797**	**2,246,997**

COMPREHENSIVE INCOME STATEMENT

(in €)	2023	2022
PROFIT FOR THE YEAR	**3,503,797**	**2,246,997**
Total profits/losses that will not be subsequently reclassified under profit (loss) for the year		
Actuarial evaluation of post-employment benefit	9,705	169,215
Tax effect	(2,329)	(40,612)
	7,376	**128,603**
Total profits/losses that will not be subsequently reclassified under profit (loss) for the year		
Hedge accounting for derivative financial instruments	13,596	57,857
TOTAL OTHER PROFITS/(LOSSES) NET OF TAXES FOR THE YEAR	**20,972**	**186,460**
TOTAL PROFIT	**3,524,769**	**2,433,457**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(€/000)	Share Capital	Share premium reserve	Legal Reserve	Treasury shares	Actuarial valuation of Post-employment benefit reserve	Other reserves	Profit for the year	Total shareholders' equity
Balance at 31 December 2021	**11,533**	**10,002**	**2,307**	**(3,904)**	**(526)**	**84,953**	**10,044**	**114,409**
Allocation of 2020 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 2021					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**
Allocation of 2021 profit:								
- payment of dividends								
- to the extraordinary reserve						2,247	(2,247)	0
Share capital increase	1,154	16,158						17,312
Stock grant plan (IFRS 2)						543		543
Treasury share transactions				(462)				(462)
Total profit at 31 December 2022					7	13	3,504	3,524
Balance at 31 December 2023	**12,687**	**26,160**	**2,307**	**(3,684)**	**(392)**	**91,360**	**3,504**	**131,942**

STATEMENT OF CASH FLOWS

(€/000)	2023 FY	2022 FY
Cash and cash equivalents at beginning of year	***2,604***	***29,733***
Profit for the year	3,504	2,247
Adjustments for:		
- Depreciations and amortisation	8,199	8,485
- Realised gains	(1,867)	(1,565)
- Write-downs of non-current assets	1,000	808
- Profits and losses from equity investments	(6,000)	(178)
- Valuation of the stock grant plan	542	1,134
- Net financial income and expenses	2,891	(400)
- Non-monetary foreign exchange differences	(286)	(361)
- Income tax	(2,380)	(525)
Change in post-employment benefit	(6)	(63)
Change in risk provisions	(57)	(496)
Change in trade receivables	*(391)*	*16,879*
Change in inventories	*5,075*	*7,075*
Change in trade payables	*1,438*	*(12,510)*
Change in net working capital	6,122	11,444
Change in other receivables and payables, deferred taxes	3,926	(973)
Payment of taxes	0	(4,360)
Payment of financial expenses	(2,725)	(1,472)
Collection of financial income	575	372
Cash flows from operations	**13,437**	**14,097**
Investments in non-current assets		
- intangible	(2,367)	(2,749)
- tangible	(6,433)	(8,435)
- financial	(14,569)	(27,284)
Disposal of non-current assets	6,479	4,632
Cash flow absorbed by investments	**(16,890)**	**(33,836)**
Free Cash Flow	**(3,453)**	**(19,739)**
Repayment of loans	(30,415)	(19,368)
Raising of loans	26,087	19,728
Change in financial assets	(3,774)	624
Purchase/Sale of treasury shares	(462)	(1,862)
Payment of dividends	0	(6,690)
Share capital increase	17,312	0
Collection of dividends	6,000	178
Cash flow absorbed by financing activities	**(14,748)**	**(7,390)**
Total cash flows	**(11,295)**	**(27,129)**
Cash and cash equivalents at end of year (Note 13)	***13,899***	***2,604***

Explanatory notes

ACCOUNTING STANDARDS

STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

The Separate Financial Statements of Sabaf S.p.A. for the financial year 2023 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 of the Sabaf Group 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 2023.

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 2023, 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 1.78% on 31 December 2023.

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 are recognised in the income statement. 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, climate-related matters have not had a significant impact on the opinions and estimates used in preparing these Separate Financial Statements. The Company continues to closely monitor developments and changes taking place, such as new climate-related regulations and legislation.

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

New accounting standards

IFRS 17 "Insurance Contracts"

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a new accounting standard on insurance contracts regulating recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts regardless of the type of entity that issues them, and to certain guarantees and financial instruments with discretionary participation features; there are some exceptions to the scope of application.

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements of IFRS 4, which are largely based on the maintenance of previous local accounting standards, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

IFRS 17, effective for financial years beginning on or after 1 January 2023, requires the presentation of comparative balances. early application is permitted, if the entity also adopted IFRS 9 and IFRS 15 on or before the date of first-time application of IFRS 17. The adoption of this standard had no impact on the Company's Separate Financial Statements.

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. These amendments had no impact on the Company's Separate Financial Statements.

Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2
Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance to help entities apply significant judgements to the disclosure of accounting standards. The requirement for entities to disclose their "significant" accounting standards is replaced by a requirement to disclose their "material" accounting standards. The amendments affected the disclosure of the Company's accounting standards but did not affect the measurement, recognition and presentation of items in the Company's Separate Financial Statements.

Amendments to IAS 12 "Deferred Taxes on Assets and Liabilities Arising from a Single Transaction"
The amendments to IAS 12 Income Taxes narrow the scope of the exception to initial recognition so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning liabilities. These amendments had no impact on the Company's Separate Financial Statements.

Amendments to IAS 12 "International Tax Reform - Pillar Two Model Rules"
On 23 May 2023, the IASB published an amendment called "Amendments to IAS 12 Income taxes: International Tax Reform - Pillar Two Model Rules". The document introduces a temporary exception from recognition and disclosure requirements for deferred tax assets and liabilities related to Pillar Two Model Rules and provides for specific disclosure requirements for entities affected by the related International Tax Reform. The document provides for the immediate application of the temporary exception, while the disclosure requirements will only apply to annual financial statements beginning on or after 1 January 2023, but not to interim financial statements ending before 31 December 2023. The Company with revenues of less than €750 million per year is excluded from the scope of the Pillar Two rules. Therefore, the amendments to IAS 12 have no impact on the Company's Separate Financial Statements.

Standards issued but not yet in force

Amendments to IFRS 16: "Lease Liability in a Sale and Leaseback"
In September 2022, the IASB issued an amendment to IFRS 16 to specify the requirements that a selling lessor applies in measuring the lease liability arising from a sale and leaseback transaction to ensure that the selling lessor does not recognise a gain or loss in respect of the right of use retained by the lessor.
The amendments are effective for financial years beginning on or after 1 January 2024 and are to be applied retrospectively to all sale and leaseback transactions entered into after the date of first-time application of IFRS 16. Early application is permitted and disclosure of this fact is required.
These amendments are not expected to have a material impact on the Company's Separate Financial Statements.

Amendments to IAS 1: "Classification of Liabilities as Current or Non-current"
In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 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, and that the classification is not affected by the likelihood that the entity will exercise its right to postpone. 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. Moreover, a requirement has been introduced to disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to postpone is conditional on compliance with covenants within twelve months. The amendments will be effective for financial years beginning on or after 1 January 2024 and must be applied retrospectively. The Company is currently assessing the impact of the changes on the current situation.

Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"
In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Additional information to clarify the characteristics of reverse factoring arrangements and to require further disclosure of such arrangements. The disclosure requirements included in the amendments are intended to assist users of financial statements in understanding the effects of reverse factoring arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments will be effective for financial years beginning on or after 1 January 2024. Early application is permitted and disclosure of this fact is required. These amendments are not expected to have a material impact on the Company's financial statements.

COMMENTS ON THE MAIN ITEMS OF THE STATEMENT OF FINANCIAL POSITION

1. PROPERTY, PLANT AND EQUIPMENT

	Property	Plant and equipment	Other assets	Assets under construction	Total
COST					
At 31 December 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**
Increases	97	3,443	1,408	2,196	7,144
Disposals	-	(5,903)	(1,307)	-	(7,210)
Reclassification	29	1,332	474	(1,939)	(104)
At 31 December 2023	**44,879**	**178,911**	**41,307**	**3,350**	**268,447**
ACCUMULATED DEPRECIATIONS					
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**
Depreciations for the year	1,190	4,604	1,410	-	7,204
Derecognition due to disposal	-	(2,998)	(408)	-	(3,406)
Reclassification	13	-	-	-	13
At 31 December 2023	**23,387**	**163,179**	**38,240**	**-**	**224,806**
NET CARRYING VALUE					
At 31 December 2023	**21,492**	**15,732**	**3,067**	**3,350**	**43,641**
At 31 December 2022	**22,569**	**18,466**	**3,494**	**3,093**	**47,622**

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

	31.12.2023	31.12.2022	Change
Land	5,404	5,404	-
Industrial buildings	16,088	17,165	(1,077)
Total	**21,492**	**22,569**	**(1,077)**

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 2023	**108**	**-**	**561**	**669**
Increases	117	-	367	485
Decreases	(102)	-	(16)	(118)
Depreciations	(43)	-	(281)	(324)
At 31 December 2023	**80**	**-**	**631**	**712**

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. Overall, the disposals for the year generated a net capital gain of €811 thousand. Assets under construction include machinery under construction and advance payments to suppliers of capital equipment.

At 31 December 2023, 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 2021	**10,176**
Increases	144
Disposals	(1,380)
Reclassifications	(6,675)
At 31 December 2022	**2,265**
Increases	117
Disposals	(583)
Reclassifications	(28)
At 31 December 2023	**1,771**

ACCUMULATED DEPRECIATIONS	
At 31 December 2021	**7,865**
Depreciations for the year	299
Derecognition due to disposal	(877)
Reclassifications	(6,149)
At 31 December 2022	**1,282**
Depreciations for the year	105
Derecognition due to disposal	(307)
At 31 December 2023	**1,080**

NET CARRYING VALUE	
At 31 December 2023	**691**
At 31 December 2022	**983**

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

INVESTMENT PROPERTY	
1 January 2023	**108**
Increase	117
Decrease	(102)
Depreciations	(43)
At 31 December 2023	**80**

The item Investment property includes non-operating buildings owned by the Company: these are mainly properties for residential use, held for rental. Disposals during the period of €276 thousand resulted in capital gains totalling €78 thousand.

At 31 December 2023, 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

The item at 31 December 2022 included the net carrying value of the Company's former production plant located in Lumezzane (Brescia) amounting to €526 thousand. In July 2023, the property was sold to a third party for a consideration of €1,950 thousand, making a capital gain of €1,424 thousand.

4. INTANGIBLE ASSETS

	Patents, know-how and software	Development costs	Other intangible assets	Total
COST				
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**
Increases	146	2,213	9	2,368
Decreases	147	(345)	-	(198)
Reclassifications	(84)	(42)	-	(126)
At 31 December 2023	**7,790**	**11,303**	**667**	**19,760**
AMORTISATION AND WRITE-DOWNS				
At 31 December 2021	**6,806**	**4,397**	**546**	**11,749**
Amortisation	221	315	1	537
Decreases	-	-	-	-
At 31 December 2022	**7,027**	**4,712**	**547**	**12,286**
Amortisation	245	643	2	890
Decreases	-	-	-	-
At 31 December 2023	**7,272**	**5,355**	**549**	**13,176**
NET CARRYING VALUE				
At 31 December 2023	**518**	**5,948**	**118**	**6,584**
At 31 December 2022	**554**	**4,765**	**111**	**5,430**

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. Sales are scheduled to start in 2024.

Increases in development costs include projects in progress and therefore not subject to amortisation.

At 31 December 2023, 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

	31.12.2023	31.12.2022	Change
In subsidiaries	125,991	112,422	13,569
Other equity investments	83	83	-
Total	**126,074**	**112,505**	**13,569**

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

	Historical cost 31.12.2022	Purchases	Value adjustments	Changes due to merger	Share capital increase	**Historical cost 31.12.2023**	**Provision for write-downs 31.12.2022**	2023 changes	**Provision for write-downs 31.12.2023**
Sabaf do Brasil	**13,161**	-	-	-	-	**13,161**	**0**	-	**0**
Sabaf Turkey	**32,107**	-	-	8,782	-	**40,889**	**-**	-	**0**
Okida	**8,782**	-	-	(8,782)	-	**0**	**-**	-	**0**
Sabaf Appliance Components (China)	**8,900**	-	-	-	-	**8,900**	**(7,408)**	(1,000)	**(8,408)**
Sabaf India	**4,770**	-	-	-	3,800	**8,570**	**-**	-	**0**
Sabaf Mexico	**6,305**	-	-	0	6,484	**12,789**	**-**	-	**0**
Sabaf U.S.	**139**	-	-	-	-	**139**	**0**	-	**0**
Sabaf America	**0**	3,565	-	-	-	**3,565**	**-**	-	**0**
Faringosi Hinges	**10,329**	-	-	-	-	**10,329**	**0**	-	**0**
A.R.C.	**6,450**	-	-	-	-	**6,450**	**-**	-	**0**
C.M.I.	**21,044**	-	-	-	-	**21,044**	**-**	-	**0**
P.G.A.	**7,843**	-	720	-	-	**8,563**	**-**	-	**0**
Total	**119,830**	**3,565**	**720**	**0**	**10,284**	**134,399**	**(7,408)**	**(1,000)**	**(8,408)**

	Net book value 31.12.2022	Portion of shareholders' equity 31.12.2022	**Difference between shareholders' equity and carrying value 31.12.2022**	Net book value 31.12.2023	Portion of shareholders' equity 31.12.2023	**Difference between shareholders' equity and carrying value 31.12.2023**
Sabaf do Brasil	13,161	17,803	**4,642**	13,161	19,757	**6,596**
Sabaf Turkey[1]	32,107	52,559	**20,452**	40,889	62,712	**21,823**
Okida[1]	8,782	11,840	**3,058**	0	0	**0**
Sabaf Appliance Components (China)	1,492	1,493	**1**	492	493	**1**
Sabaf India	4,770	4,127	**(643)**	8,570	6,319	**(2,251)**
Sabaf Mexico	6,305	6,409	**104**	12,789	12,037	**(752)**
Sabaf U.S.	139	142	**3**	139	167	**28**
Sabaf America	0	0	**0**	3,565	3,619	**54**
Faringosi Hinges	10,329	9,850	**(479)**	10,329	8,071	**(2,258)**
A.R.C.	6,450	8,548	**2,098**	6,450	6,389	**(61)**
C.M.I.	21,044	19,344	**(1,700)**	21,044	21,736	**692**
P.G.A.	7,843	3,595	**(4,248)**	8,563	3,756	**(4,807)**
Total	**112,422**	**135,710**	**23,288**	**125,991**	**145,056**	**19,065**

[1] Values determined in accordance with IAS 29 - Financial Reporting in Hyperinflationary Economies, applied to companies in Turkey as from 1 April 2022.

Sabaf do Brasil

In 2023, Sabaf do Brasil achieved positive results and a significant improvement over the previous year. At 31 December 2023, Shareholders' equity (converted into euros at the end-of-year exchange rate) is significantly higher than the carrying amount of the equity investment.

Sabaf Turkey and Okida

In 2023, in order to simplify the Group's organisational structure, Okida was merged into Sabaf Turkey, which directly held 70% of the shares (the remaining 30% were held by Sabaf S.p.A.). Consequently, the value of Sabaf S.p.A.'s equity investment in Okida was increased by the value of Sabaf Turkey's equity investment. At 31 December 2023, Shareholders' equity (converted into euros at the end-of-year exchange rate) is significantly higher than the carrying amount of the equity investment.

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 €1,000 thousand against the loss of 2023 to bring the value in line with shareholders' equity.

Sabaf India Private Limited

Sabaf India started production of gas components in 2023 for the local market, which is expected to grow strongly in the coming years. The difference between the carrying value of the equity investment and shareholders' equity converted at the year-end exchange rate is mainly due to the start-up costs and can be recovered in the coming years with the achievement of positive income results.

Sabaf Mexico S.A. de C.V.

In 2023, construction work was completed on a new plant to produce components for the North American market in San Luis Potosí (Mexico). Production is scheduled to start in the first half of 2024. The difference between the carrying value of the equity investment and shareholders' equity converted at the year-end exchange rate is mainly due to the start-up costs and can be recovered in the coming years with the achievement of positive income results.

Sabaf U.S.

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

Sabaf America

The Company was established in 2023 as part of the acquisition of 51% of MEC, in which it directly holds an equity investment. The acquisition of MEC is described in the Report on Operations.

At 31 December 2023, the Company - with the support of independent experts - tested the carrying value of the equity investments in Faringosi Hinges, A.R.C., C.M.I., P.G.A. (which during the year incorporated P.G.A. 2.0 srl, previously a wholly-owned subsidiary) and MEC for impairment and determined their recoverable amount, which is determined through value of use, by discounting expected cash flows.

The main assumptions used to determine the value in use of the various equity investments are related to a) cash flows from the Company's business plans, b) the discount rate and c) the long-term growth rate.

Determining cash flows

The management has defined a single plan for each investee, with reference to the period from 2024 to 2026, which represents the best estimate of the business outlook, based on the company's strategies and the growth indicators of its sector and reference markets. In particular, the forecasts for the first year of the forecast plan (2024) were developed on the basis of the 2024 budgets approved by the Board of Directors of the investees and Sabaf S.p.A. in December 2023; the forecasts for the next two years (2025 and 2026) were determined analytically as part of the process of preparing the Group's 2024 - 2026 Business Plan, approved by the Parent Company's Board of Directors on 19 March 2024. The multi-year plans of the individual investees were submitted to their respective Boards of Directors for approval.

Revenues were estimated on the basis of information obtained from customers and on the basis of management's expectations regarding the trend of the reference market, which anticipate a moderate recovery from the weak phase that characterised 2023. The contribution of revenues from new products already developed, weighted by their probability of success, was also estimated. The plans were prepared on the assumption that raw material prices will remain broadly unchanged, in consideration of the proven historical ability of the investees to pass on changes in the cost of materials to sales prices. Estimates of revenues and profitability incorporate elements of caution reflecting geopolitical and macroeconomic uncertainty. It should be noted that investees are not exposed to significant transitional climate risks, that energy costs are extremely low in relation to the industrial cost of the products and that the related production processes do not directly use fossil fuels (gas) as an energy source.

The business plans consider only real growth, do not take into account expected inflation and have been prepared in Euro, i.e. in the currency in which - with the exception of MEC - the sales prices and main operating costs of the investees are expressed. The business plan of MEC, which operates in dollars, was prepared on the assumption of a stable euro/dollar exchange rate.

Finally, cash flows for the period from 2024 to 2026 were augmented by the terminal value, which expresses the operating flows that each investee is expected to generate from the fourth year to infinity and determined based on the perpetual income.

Discount rate

As in the previous year, the discount rate used to discount the expected future cash flows was determined for each investee, and is represented by the weighted average cost of capital employed (WACC), which reflects the current market valuation of the time value of money for the period in question and the specific risks of the investees and their sectors.

Long-term growth rate

In addition to the flows expected for the period from 2024 to 2026, which are explicitly forecast, there is the Perpetuity flow, which is representative of the Terminal Value. This was determined, according to the same logic adopted in the previous year, using a long-term growth rate (g-rate), specific to each investee, which reflects the growth potential of the reference area.

The table below shows the key assumptions used in the impairment test.

	Discount rate (WACC) %	Long-term growth rate (g-rate)	Cash flow horizon	Terminal Value Calculation Method
Faringosi Hinges	11.84%	2.00%	3 years	Perpetual instalment
A.R.C.	11.09%	2.00%	3 years	Perpetual instalment
C.M.I.	11.45%	2.00%	3 years	Perpetual instalment
P.G.A.	10.94%	2.50%	3 years	Perpetual instalment
MEC	10.99%	2.30%	3 years	Perpetual instalment

We comment on the main changes in the discount rate compared to the impairment made when preparing the Separate Financial Statements at 31 December 2022:

- Faringosi Hinges: The WACC is 11.84% (11.65% at 31 December 2022), the change compared to the previous year being mainly due to the increase in the cost of debt and the risk-free rate;
- A.R.C.: The WACC is 11.09% (11.19% at 31 December 2022), the change compared to last year being mainly due to the reduction in the risk-free rate and the equity market risk premium;
- C.M.I.: The WACC is 11.45% (11.66% at 31 December 2022), the change compared to last year being mainly due to the reduction in the risk-free rate and the equity market risk premium;
- P.G.A.: The WACC is 10.94% (10.88% at 31 December 2022).

The impairment tests carried out in the manner described above and approved by the Board of Directors on 20 February 2024, with the opinion of the Control, Risk and Sustainability Committee, did not reveal any impairment, as the recoverable amount of the equity investments at 31 December 2023 was higher than the corresponding net invested capital (carrying amount).

The following activities were carried out to complete the analysis:

- a sensitivity analysis to test the recoverability of equity investments against changes in the basic assumptions used to determine the discounted flows. In particular, the table below shows the WACC, g-rate and EBITDA that would result in an impairment if all other basic assumptions remained unchanged:

	Break-even values in a "steady case" situation		
Sensitivity analysis	WACC	g-rate	EBITDA
Faringosi Hinges	31.1%	n/a	-57.6%
A.R.C.	25.4%	n/a	-53.1%
C.M.I.	48.0%	n/a	64.0%
P.G.A.	13.1%	0.0%	-22.5%
MEC	13.0%	0.0%	-11.4%

- recoverability check of equity investments against possible increases and decreases of 50 bps in the WACC and 25 bps in the g-rate;
- recoverability check of equity investments against possible decreases of 10% and 20% of EBITDA.

With reference to the equity investment in MEC, sensitivity analyses show a delta between the recoverable amount and the carrying value of the equity investment ranging from +€3.4 million to -€1.6 million. For the other equity investments tested for impairment, none of the scenarios included in the sensitivity analysis resulted in a recoverable amount below the carrying value.

6. NON-CURRENT FINANCIAL ASSETS

	31.12.2023	31.12.2022	Change
Financial receivables from subsidiaries	15,734	10,375	5,359
Total	**15,734**	**10,375**	**5,359**

At 31 December 2023, financial receivables from subsidiaries consist of:

- an interest-bearing loan of USD 1.5 million (€1.357 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 September 2024:
- 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 October 2024 and May 2024, respectively;
- an interest-bearing loan of USD 6.494 million (€5.877 million at the end-of-year exchange rate), granted to the subsidiary Sabaf America as part of the acquisition of the equity investment in MEC, maturing in July 2033.

7. NON-CURRENT RECEIVABLES

	31.12.2023	31.12.2022	Change
Receivables from former P.G.A. shareholders	620	597	23
Guarantees	32	37	(5)
Total	**652**	**634**	**18**

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

	31.12.2023	31.12.2022	Change
Raw materials	10,311	11,313	(1,002)
Semi-processed goods	6,077	7,941	(1,864)
Finished products	7,221	9,446	(2,225)
Provision for inventory write-downs	(1,773)	(1,789)	16
Total	**21,836**	**26,911**	**(5,075)**

The value of final inventories at 31 December 2023 decreased compared to the previous year as a result of the decrease in average costs and the decrease in the volume of products in stock.

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 €628 thousand, semi-finished products for €293 thousand and finished products for €852 thousand.

The following table shows the changes in the Provision for inventory write-downs during the current financial year:

31.12.2022	**1,789**
Provisions	99
Utilisation	(115)
31.12.2023	**1,773**

9. TRADE RECEIVABLES

	31.12.2023	31.12.2022	Change
Trade receivables from third parties	13,913	20,806	(6,893)
Trade receivables from subsidiaries	15,393	8,109	7,194
Bad debt provision	(600)	(600)	0
Net total	**28,706**	**28,315**	**391**

At 31 December 2023, trade receivables included balances totalling USD 7,524 thousand, booked at the EUR/USD exchange rate in effect on 31 December 2023, equal to 1.105. The amount of trade receivables recognised in the financial statements includes approximately €12 million in insured receivables (€12 million at 31 December 2022).

The amount of trade receivables at 31 December 2023 decreased compared to the balance at the end of 2022 as a result of the reduction in the average collection period, which was also achieved due to an increased assignment without recourse of receivables to factors. There were no significant changes in average payment terms agreed with customers.

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

	31.12.2023	31.12.2022	Change
Current receivables (not past due)	10,410	17,016	(6,606)
Outstanding up to 30 days	1,753	2,118	(365)
Outstanding from 30 to 60 days	435	769	(334)
Outstanding from 60 to 90 days	364	169	195
Outstanding for more than 90 days	951	734	217
Total	**13,913**	**20,806**	**(6,895)**

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

	31.12.2022	Provisions	Utilisation	31.12.2023
Bad debt provision	600	30	(30)	600

10. TAX RECEIVABLES

	31.12.2023	31.12.2022	Change
For income tax	5,568	4,515	1,053
for VAT	462	546	(84)
Total	**6,030**	**5,061**	**969**

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 2023, income tax receivables include:
- the receivable from the subsidiary Faringosi Hinges s.r.l. amounting to €150 thousand
- the receivable from the subsidiary A.R.C. s.r.l. amounting to €91 thousand

relating to the balance of the 2023 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:
- €1.832 million of receivables for investments in capital equipment referred to Decree Law 160/2019, Budget Law 178/2020 and Budget Law 234/2021;
- €635 thousand tax credit for "Patent Box" for the years 2020 and 2021, following the prior agreement signed with the Tax Authorities during the year;
- receivables for higher payments on account paid, specifically IRES for €2.919 million and IRAP for €256 thousand.

11. OTHER CURRENT RECEIVABLES

	31.12.2023	31.12.2022	Change
Credits to be received from suppliers	904	685	219
Advances to suppliers	101	113	(12)
Due from INAIL	18	-	18
Other	375	411	(36)
Total	**1,398**	**1,209**	**189**

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

12. CURRENT FINANCIAL ASSETS

	31.12.2023	31.12.2022	Change
Financial receivables from subsidiaries	-	1,300	(1,300)
Interest rate derivatives	860	1,601	(741)
Total	**860**	**2,901**	**(2,041)**

During 2023, current financial receivables from subsidiaries were collected.

At 31 December 2023, the Company has in place four interest rate swap (IRS) contracts for amounts and maturities coinciding with six unsecured loans that are being amortised, whose residual value at 31 December 2023 is €16,417 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 €13,899 thousand at 31 December 2023 (€2,604 thousand at 31 December 2022), 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

In connection with the acquisition of Mansfield (MEC), on 14 July 2023, the Board of Directors exercised the proxy granted by the Shareholders' Meeting on 4 May 2020, resolving on a reserved capital increase, partially subscribed and against payment, for a nominal amount of €1,153,345, corresponding to 10% of the share capital, with the exclusion of the right of option pursuant to Article 2441, fourth paragraph, second sentence of the Italian Civil Code, through the issue of 1,153,345 new ordinary shares with a par value of €1.00. The newly issued shares were offered for subscription as part of a reserved placement.

The issue price of the new shares, including the share premium, was determined at €15.01 per share, equal to the average stock market price of the Sabaf share recorded in June, increased by a premium of €0.52 per share (and therefore for a total value of €17,311,708.45).
The capital increase took place on 20 July 2023. Following the full subscription of the new shares, the post-Capital Increase share capital amounts to €12,686,795.
At 31 December 2023, the structure of the share capital is shown in the table below.

	No. of shares	% of share capital	Rights and obligations
Ordinary shares	6,559,278	51.70%	–
Ordinary shares with increased vote	6,127,518	48.30%	Two voting rights per share
Total	***12,686,795***	***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

Treasury shares

During the year, 27,100 treasury shares were acquired at an average unit price of €17.05, while they have not been sold.
At 31 December 2023, Sabaf S.p.A. held 241,963 treasury shares (1.907% of the share capital), reported in the financial statements as an adjustment to shareholders' equity at a weighted average unit value of €15.22 (the closing stock market price of the Share at 31 December 2023 was €17.36). There were 12,444,832 outstanding shares at 31 December 2023.

Stock grant reserve

Items "Retained earnings, other reserves" of €115,751 thousand included, at 31 December 2023, the stock grant reserve of €2,481 thousand, which included the measurement at 31 December 2023 of the fair value of rights assigned to receive shares of the 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 Company applies hedge accounting.

Value at 31 December 2022	**(14)**
Change during the period	14
Value at 31 December 2023	**0**

16. LOANS

	31.12.2023			31.12.2022		
	Current	Non-current	Total	Current	Non-current	Total
Bond issue	-	29,720	29,720	-	29,685	29,685
Unsecured loans	20,032	45,534	65,566	18,348	45,457	63,805
Leases	460	1,059	1,519	473	1,194	1,667
Accruals for financial expenses and other short-term bank loans	200	-	200	5,921	-	5,921
Short-term loans from subsidiaries	3,000	-	3,000	2,500	-	2,500
Total	**23,692**	**76,313**	**100,005**	**27,242**	**76,336**	**103,578**

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 2023 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 or equal to 1.5;
- commitment to maintain a ratio of net financial debt to EBITDA of less than or equal to 3;
- commitment to maintain a ratio of EBITDA to net financial expense of more than 4.

During the year, the Company took out new unsecured loans for a total of €23 million. All loans were signed with an original maturity of ranging from 4 to 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 or equal to 1 (residual amount of the loans at 31 December 2023 equal to €47.1 million);
- commitment to maintain a ratio of net financial debt to EBITDA of less than or equal to 3 (residual amount of the loans at 31 December 2023 equal to €59.4 million);
- commitment to maintain a ratio of net financial debt to EBITDA of less than or equal to 2.5 (residual amount of the loans at 31 December 2023 equal to €0.8 million);

complied with at 31 December 2023 and for which, according to the Group's business plan, compliance is also expected in subsequent years. All bank loans are denominated in euro.

Short-term loans from subsidiaries were granted at market conditions as part of the optimisation of the Group's liquidity management.

To manage interest rate risk, some unsecured loans (with a total residual value of €35,615 thousand at 31 December 2023) are either fixed-rate or hedged by IRS. On the other hand, the residual value of unsecured loans taken out at a variable rate and not covered by the IRS was €29,951 thousand.

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

Lease liabilities at 1 January 2022	**1,893**
New agreements signed during 2022	313
Repayments during 2022	(524)
Lease liabilities at 31 December 2022	**1,682**
New agreements signed during 2023	485
Repayments during 2023	(648)
Lease liabilities at 31 December 2023	**1,519**

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

17. OTHER FINANCIAL LIABILITIES

	31.12.2023		31.12.2022	
	Current	Non-current	Current	Non-current
Payables to former P.G.A. shareholders	-	175	371	175
Currency derivatives	-	-	15	-
Total	**-**	**175**	**386**	**175**

The payable to former P.G.A. shareholders of €175 thousand refers to price adjustments following the completion of the acquisition, related to the achievement of certain targets in accordance with contractual provisions ("earn-out").

18. POST-EMPLOYMENT BENEFIT

At 31 December 2022	**1,588**
Financial expenses	53
Payments made	(57)
Tax effect	(10)
At 31 December 2023	**1,574**

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		
	31.12.2023	31.12.2022
Discount rate	3.2%	3.62%
Inflation	2.5%	3%

Demographic theory		
	31.12.2023	31.12.2022
Mortality rate	IPS55 ANIA	IPS55 ANIA
Disability rate	INPS 2000	INPS 2000
Staff turnover	5%	6%
Advance payouts	1.00% per year	1.50% per year
Retirement age	pursuant to legislation in force on 31 December 2023	pursuant to legislation in force on 31 December 2022

The sensitivity analyses carried out to take into account possible changes in actuarial assumptions did not reveal any significant changes in the liability.

19. PROVISIONS FOR RISKS AND CHARGES

	31.12.2022	Provisions	Utilisation	31.12.2023
Provision for agents' indemnities	248	-	(57)	191
Product guarantee fund	60	72	(72)	60
Provision for legal risks	46	-	-	46
Total	**354**	**72**	**(129)**	**297**

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. In 2023, a competitor filed a lawsuit against Sabaf S.p.A. for alleged patent infringement. The dispute is at a preliminary stage, and based on the initial analysis available, the Directors believe that the competitor's claims are unfounded and therefore no provisions for risks have been recognised in these Separate Financial Statements.
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

	31.12.2023	31.12.2022	Change
Total	**22,605**	**21,168**	**1,437**

Average payment terms did not change versus the previous year.
At 31 December 2023, there were no overdue payables of a significant amount and the Company did not receive any injunctions for overdue payables.

21. TAX PAYABLES

	31.12.2023	31.12.2022	Change
To inland revenue for income tax	904	6	898
To subsidiaries for income tax	133	24	109
To inland revenue for IRPEF tax deductions	447	592	(145)
Total	**1,484**	**622**	**862**

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 2023, payables to subsidiaries for income taxes refer to tax advances received from the subsidiaries C.M.I. s.r.l. and CGD s.r.l.
Payables for IRPEF tax deductions, relating to employment and self-employment, were duly paid at maturity.

22. OTHER CURRENT PAYABLES

	31.12.2023	31.12.2022	Change
To employees	4,335	3,857	478
To social security institutions	2,211	1,987	224
Advances from customers	69	273	(204)
To agents	105	140	(35)
Other current payables	3,419	2,249	1,170
Total	**10,139**	**8,506**	**1,633**

At the beginning of 2024, 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 €1,914 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

	31.12.2023	31.12.2022	Change
Deferred tax assets	2,664	3,048	(384)
Deferred tax liabilities	(550)	(721)	171
Net position	**2,114**	**2,327**	**(213)**

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 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**
Through profit or loss	(82)	(243)	178	(177)	-	114	(210)
In shareholders' equity	-	-	(1)	-	(2)	-	(3)
At 31 December 2023	**383**	**813**	**(206)**	**709**	**132**	**283**	**2,114**

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:

	31.12.2023	31.12.2022	Change
A. Cash	13,900	2,604	11,296
B. Cash equivalents	-	-	-
C. Other current financial assets	859	2,901	(2,042)
D. Liquidity (A+B+C)	**14,759**	**5,505**	**9,254**
E. Current financial payable	3,375	8,982	(5,807)
F. Current portion of non-current financial debt	20,492	18,821	1,671
G. Current financial debt (E+F)	**23,867**	**27,803**	**(3,936)**
H. Net current financial debt (G-D)	**9,108**	**22,298**	**(13,190)**
I. Non-current financial payable	46,593	46,651	(58)
J. Debt instruments	29,720	29,685	35
K. Trade payables and other non-current payables	-	-	-
L. Non-current financial debt (I+J+K)	**76,313**	**76,336**	**(23)**
M. Total financial debt (H+L)	**85,421**	**98,634**	**(13,213)**

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 2023, sales revenue amounted to €99,482 thousand, 16.5% lower than the €119,090 thousand in 2022, due to the significant economic weakness in the household appliance market.

REVENUE BY GEOGRAPHICAL AREA

	2023	%	2022	%	% change
Europe (excluding Turkey)	28,672	*28.8%*	39,496	*33.2%*	*-27.4%*
Turkey	31,035	*31.2%*	30,470	*25.6%*	*1.9%*
North America	6,649	*6.7%*	11,136	*9.4%*	*-40.3%*
South America	9,769	*9.8%*	13,600	*11.4%*	*-28.2%*
Africa and Middle East	14,431	*14.5%*	16,890	*14.2%*	*-14.6%*
Asia and Oceania	8,926	*9.0%*	7,498	*6.3%*	*19%*
Total	**99,482**	***100%***	**119,090**	***100%***	***-16.5%***

REVENUE BY PRODUCT FAMILY

	2023	%	2022	%	% change
Valves and thermostats	40,216	*40.4%*	48,917	*41.1%*	*-17.8%*
Burners	45,038	*45.3%*	51,992	*43.7%*	*-13.4%*
Accessories and other revenues	14,228	*14.3%*	18,181	*15.3%*	*-21.7%*
Total	**99,482**	***100%***	**119,090**	***100%***	***-16.5%***

26. OTHER INCOME

	2023	2022	Change
Sale of trimmings	2,062	2,430	(368)
Services to subsidiaries	2,232	2,159	73
Royalties to subsidiaries	360	305	55
Contingent income	644	280	364
Rental income	78	122	(44)
Use of provisions for risks and charges	130	29	101
Other income	1,714	1,186	528
Total	**7,220**	**6,511**	**709**

Services to subsidiaries refer to administrative, commercial and technical services provided within the scope of the Group.
In 2023, other income includes €683 thousand of benefits granted as tax credits for investments made in 2023 and in previous years (Law 160/2019 paragraphs 184 to 196, Law 178/2020 and Law 234/2021).

27. PURCHASES OF MATERIALS

	2023	2022	Change
Commodities and outsourced components	41,568	48,071	(6,503)
Consumables	4,367	4,900	(533)
Total	**45,935**	**52,971**	**(7,036)**

The reduction in purchases is related both to the decrease in business volumes and to the decrease in unit prices of the main raw materials (aluminium alloys, steel and brass).

28. COSTS FOR SERVICES

	2023	2022	Change
Outsourced processing	5,577	7,660	(2,083)
Electricity and natural gas	3,879	6,889	(3,010)
Maintenance	3,212	3,789	(577)
Advisory services	2,866	2,750	116
Transport and export expenses	1,435	2,189	(754)
Directors' fees	407	442	(35)
Insurance	607	611	(4)
Commissions	488	633	(145)
Travel expenses and allowances	607	431	176
Waste disposal	390	424	(34)
Canteen	307	279	28
Temporary agency workers	293	399	(106)
Other costs	2,056	2,133	(77)
Total	**22,124**	**28,629**	**(6,505)**

The main outsourced processing carried out by the Company include hot moulding of brass and some mechanical processing and assembly.
Energy and gas costs are posted net of tax benefits related to public contributions for electricity and gas consumption, amounting to €640 thousand in 2023.
Other costs included expenses for the registration of patents, waste disposal, cleaning, leasing third-party assets and other minor charges.

29. PERSONNEL COSTS

	2023	2022	Change
Salaries and wages	18,975	18,199	776
Social Security costs	6,091	5,779	312
Temporary agency workers	2,518	3,819	(1,301)
Post-employment benefit and other costs	1,946	1,644	302
Stock grant plan	542	1,134	(592)
Total	**30,072**	**30,575**	**(503)**

Average of the Company headcount at 31 December 2023 totalled 454 employees (311 blue-collars, 128 white-collars and supervisors, 15 managers), compared with 473 in 2022 (324 blue-collars, 122 white-collars and supervisors, 15 managers). The number of temporary staff with temporary work contract was 56 at 31 December 2023 (68 at the end of 2022).

The item "Stock Grant Plan" included the measurement at 31 December 2023 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

	2023	2022	Change
Non-income related taxes and duties	356	379	(23)
Losses and write-downs of trade receivables	30	0	30
Contingent liabilities	379	173	206
Other provisions	103	32	71
Other operating expenses	234	317	(83)
Total	**1,102**	**901**	**201**

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

	2023	2022	Change
Interests receivable from banks	125	5	120
Interests receivable from loans	450	309	141
IRS spreads receivable	-	1,626	(1,626)
Other financial income	-	34	(34)
Total	**575**	**1,974**	**(1,399)**

32. FINANCIAL EXPENSES

	2023	2022	Change
Interest paid to banks	2,952	1,157	1,795
Banking expenses	164	149	15
IRS spreads payable	80	-	80
Other financial expense	270	267	3
Total	**3,466**	**1,573**	**1,893**

33. EXCHANGE RATE GAINS AND LOSSES

In 2023, the Company reported net foreign exchange losses of €171 thousand, versus net gains of €354 thousand in 2022.

34. PROFITS AND LOSSES FROM EQUITY INVESTMENTS

	2023	2022	Change
Dividends received from Faringosi Hinges s.r.l.	3,000	-	3,000
Dividends received from A.R.C. s.r.l.	3,000	-	3,000
Dividends received from Okida Elektronik	-	178	(178)
Total	**6,000**	**178**	**5,822**

35. INCOME TAXES

	2023	2022	Change
Current taxes	(1,782)	(1,015)	(767)
Deferred tax assets and liabilities	210	633	(423)
Taxes related to previous financial years	(808)	(159)	(649)
Taxes on foreign dividends	-	16	(16)
Total	**(2,380)**	**(525)**	**(1,855)**

The tax income related to the tax loss for the 2023 tax year is recognised in current taxes for 2023.
Taxes related to previous years include the "Patent Box" for the years 2020 and 2021, following the prior agreement signed with the Tax Authorities during 2023.

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

	2023	2022
Theoretical income tax	270	413
Taxes related to previous financial years	(73)	(71)
Tax effect of dividends from investee companies	(1,368)	(25)
"Iper and Superammortamento" tax benefit	(558)	(603)
Permanent tax differences	194	196
Tax effect on tax credit for energy-intensive and gas-intensive companies	(153)	(505)
"Patent box" tax benefit	(635)	0
IRES (current and deferred)	**(2,323)**	**(595)**
IRAP (current and deferred)	**(57)**	**70**
Total	**(2,380)**	**(525)**

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

No dividends were paid out during 2023. The Directors have recommended payment of a dividend of €0.54 per share this year, subject to approval of shareholders in the annual Shareholders' Meeting and therefore not included under liabilities in these financial statements. The dividend proposed is scheduled for payment on 29 May 2024 (ex-date 27 May and record date 28 May).

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.

	31.12.2023	31.12.2022
Financial assets		
Amortised cost		
Cash and cash equivalents	13,900	2,604
Trade receivables and other receivables	30,104	29,523
Non-current loans	15,734	10,376
Other financial assets	-	1,300
Fair Value through profit or loss		
Derivatives cash flow hedges (on interest rates)	860	1,601
Financial liabilities		
Amortised cost		
Loans	100,005	103,578
Other financial liabilities	175	547
Trade payables	22,605	21,168
Hedge accounting		
Derivatives cash flow hedges (on currency)	-	14

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. The credit management procedure includes, among other things:

- assigning a specific credit limit to each customer;
- checking, on a weekly basis, receivables past due;
- sending payment reminders on a monthly basis;
- defining a time limit after which deliveries are blocked (impossibility of making deliveries and confirming new orders).

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 15.5% of total turnover in 2023, while purchases in dollars represented 5% of total turnover. During the year, operations in dollars were partially hedged through forward sales contracts.

Sensitivity analysis

With reference to financial assets and liabilities in US dollars at 31 December 2023, a hypothetical and immediate revaluation of 10% of euro against the dollar would have led to a loss of €1,418 thousand.

Interest rate risk management

Considering the IRS in place, at the end of 2023 almost 70% of the Company's gross financial debt was at a fixed rate. At 31 December 2023, IRS totalling €16.4 million were in place, mirrored in mortgages with the same residual debt, through which the Company transformed the floating rate of the mortgages into fixed rate. The derivative contracts were not designated as a cash flow hedge and were therefore recognised using the "fair value through profit or loss" method.

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

Company	Counterparty	Instrument	Maturity	Currency	Notional	Fair value hierarchy
Sabaf S.p.A.	Intesa Sanpaolo	IRS	15/06/2024	EUR	1,200,000	2
	Intesa Sanpaolo		15/06/2024		370,000	
	Crédit Agricole		30/06/2025		4,200,000	
	Mediobanca		28/04/2027		10,660,000	

Sensitivity analysis

With reference to financial liabilities at variable rate at 31 December 2023, a hypothetical and immediate increase of 1% of interest rates would have led to a loss of €300 thousand.

Commodity price risk management

A significant portion of the Company's purchase costs is represented by aluminium, steel and brass. 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 2023 and 2022, 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 2023 of 42.9%, net financial debt/EBITDA of 2.47) 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 2023 and 31 December 2022 is shown below:

At 31 December 2023	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	65,566	70,780	2,270	20,019	48,490	-
Bond issue	29,720	34,680	-	780	14,964	18,936
Finance leases	1,519	1,561	128	357	1,042	34
Short-term bank loans	3,200	3,000	200	3,000	-	-
Payables to former P.G.A. shareholders	175	175	-	-	175	-
Total financial payables	**100,180**	**110,196**	**2,598**	**24,156**	**64,671**	**18,970**
Trade payables	22,605	22,605	19,373	3,232	-	-
Total	**122,785**	**133,001**	**21,971**	**27,388**	**64,671**	**18,970**

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 C.M.I. 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**

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 2023, by hierarchical level of fair value assessment.

	Level 1	Level 2	Level 3	Total
Other financial assets (derivatives on interest rates)	-	860	-	860
Total assets and liabilities at fair value	**-**	**860**	**-**	**860**

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 2023	Subsidiaries	Other related parties	Total related parties	Impact on the total
Non-current financial assets	15,734	15,734	-	15,734	100%
Trade receivables	28,706	15,393	-	15,393	53.62%
Tax receivables	6,031	241	-	241	4.00%
Short-term financial payables	23,692	3,000	-	3,000	12.66%
Trade payables	22,605	1,186	5	1,192	5.27%
Tax payables	1,485	133	-	133	8.96%

	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%

IMPACT OF RELATED-PARTY TRANSACTIONS ON INCOME STATEMENT ITEMS

	Total 2023	Subsidiaries	Other related parties	Total related parties	Impact on the total
Revenue	99,482	19,892	-	19,892	20.00%
Other income	7,220	3,207	-	3,207	44.42%
Materials	45,935	3,095	-	3,095	6.74%
Services	22,124	447	21	468	2.12%
Capital gains on non-current assets	1,867	336	-	336	18%
Financial income	575	416	-	416	72.35%
Financial expenses	3,466	113	-	113	3.26%

	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%

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 Company declares that no significant non-recurring events or transactions, as defined by the memorandum, took place in 2023.

41. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There were no important events after the 2023 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 another active local unit in addition to the registered office in Ospitaletto (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 €2,293 thousand (€2,855 thousand at 31 December 2022).

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 231,000 Rights were allocated to the Beneficiaries.

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

Accounting impacts and Fair value measurement methods
In connection with this Plan, €543 (Note 29) 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 2023 was determined as follows:

Rights relating to objectives measured on ROI			
Total value on ROI	10.89	Fair value	3.81
Rights on ROI	35%		

Rights relating to objectives measured on EBITDA			
Total value on EBITDA	12.75	Fair value	5.10
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 reduction of emissions			
Total value on "Reduction of emissions"	20.41	Fair value	3.06
Rights on "Reduction of emissions"	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
Energy-intensive contributions	1,379	Italian State
Super/Iper ammortamento (Super/ Hyper amortisation)	720	Italian State
R&D Tax credit	34	Italian State
Total	**2,133**	

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

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.

Research and development activities: contribution accessible with reference to Article 1, paragraphs 198-209 of Law no. 160 of 27 December 2019 and the Implementing Decree of the Ministry of Economic Development of 26 May 2020 ("Transition 4.0" Decree).

LIST OF EQUITY INVESTMENTS IN SUBSIDIARIES[2]

Company name	Registered offices	Share capital at 31 December 2023	Shareholders	% of ownership	Shareholders' equity at 31 December 2023	2023 profit (loss)
Faringosi Hinges s.r.l.	Ospitaletto (BS)	EUR 90,000	Sabaf S.p.A.	100%	EUR 8,071,051	EUR 1,155,904
Sabaf do Brasil Ltda.	Jundiai (Brazil)	BRL 53,348,061	Sabaf S.p.A.	100%	BRL 105,934,466	BRL 6,464,744
Sabaf US Corp.	Plainfield (USA)	USD 200,000	Sabaf S.p.A.	100%	USD 167,270	USD 32,866
Sabaf Appliance Components (Kunshan) Co., Ltd.	Kunshan (China)	CNY 69,951,149	Sabaf S.p.A.	100%	CNY 11,561,705	CNY -7,141,992
Sabaf Beyaz Esya Parcalari Sanayi ve Ticaret Limited Sirketi	Manisa (Turkey)	TRY 733,204,951	Sabaf S.p.A.	100%	TRY 1,376,888,575	TRY 34,769,323
A.R.C. s.r.l.	Campodarsego (PD)	EUR 45,000	Sabaf S.p.A.	100%	EUR 6,469,512	EUR 755,212
Sabaf Mexico Appliance Components	San Louis Potosí (Mexico)	MXN 141,003,832	Sabaf S.p.A.	100%	MXN 225,228,516	MXN -32,333,640
C.M.I s.r.l.	Valsamoggia (BO)	EUR 1,000,000	Sabaf S.p.A.	100%	EUR 21,752,929	EUR 2,266,104
C.G.D. s.r.l.	Valsamoggia (BO)	EUR 26,000	C.M.I. s.r.l.	100%	EUR 1,550,011	EUR 313,080
Sabaf India Private Limited	Bangalore (India)	INR 224,692,120	Sabaf S.p.A.	100%	INR 558,405,301*	INR -49,608,051*
P.G.A. s.r.l.	Fabriano (AN)	EUR 100,000	Sabaf S.p.A.	100%	EUR 3,756,072	EUR -21,918
Sabaf America Inc.	Delaware (USA)	USD 4,000,000	Sabaf S.p.A.	100%	USD 4,001,251	USD 1,251
Mansfield Engineered Components LLC (MEC)	Mansfield (USA)	USD 2,823,248	Sabaf America	51%	USD 16,824,033	USD 2,442,986

* The values shown for Sabaf India Private Limited refer to 31 March 2023, the local reporting date.

OTHER SIGNIFICANT EQUITY INVESTMENTS

None.

[2] 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	26,160	A, B, C	26,160	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	78,686	A, B, C	76,901	0
Revaluation reserve, Law Decree 104/20	4,873	A, B	4,873	4,727
Valuation reserve:				
Post-employment benefit actuarial provision	(390)		0	0
Reserve for stock grant plan	2,481		0	0
Total	**115,751**		**109,390**	**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 2023

		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	(1,153)	167
	Law 342/2000	2,870	(2,798)	72
		4,860	**(4,620)**	**240**
Plant and equipment	Law 576/1975	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**	**(20,151)**	**240**

GENERAL INFORMATION

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

Registered and administrative office	**Via dei Carpini, 1 - 25035 Ospitaletto (Brescia)**
Contacts	**Tel: +39 030 - 6843001**
	Fax: +39 030 - 6848249
	E-mail: info@sabaf.it
	Web site: www.sabaf.it

Tax information	**R.E.A. 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 2023 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 2023 financial year
Audit	EY S.p.A.	59
Certification services	EY S.p.A.	-
Other audit services	EY S.p.A.	83[3]
Total		**142**

[3] Auditing procedures agreement relating to interim management reports; limited review of Disclosure of Non-Financial Information, fairness opinion for 2023 capital increase.

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CERTIFICATION OF SEPARATE FINANCIAL STATEMENTS

pursuant to Article 154-bis of Legislative Decree 58/98

Pietro Iotti, the Chief Executive Officer, and Gianluca Beschi, the Financial Reporting Officer of Sabaf S.p.A., have taken into account the requirements of 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 2023 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 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, 19 March 2024

Chief Executive Officer	**The Financial Reporting Officer**
Pietro Iotti	Gianluca Beschi

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Sabaf S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sabaf S.p.A. (the Company), which comprise the statement of financial position as at December 31st 2023, and the statement of income, the statement of comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31st 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matter:

EY S.p.A.
Sede Legale: Via Meravigli, 12 – 20123 Milano
Sede Secondaria: Via Lombardia, 31 – 00187 Roma
Capitale Sociale Euro 2.600.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. di Milano 606158 - P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998

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Key Audit Matter	Audit Responses
Valuation of investments	
The balance of investments at December 31, 2023 amounted to Euro 126 million. The most significant investments are: - Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited: Euro 40,9 million; - C.M.I. S.r.l.: Euro 21 million; - Sabaf do Brasil: Euro 13,2 million; - Sabaf Mexico: Euro 12,8 million; - Faringosi Hinges S.p.A.: Euro 10,3 million; - Sabaf India: Euro 8,6 million; - P.G.A. S.r.l.: Euro 8,5 million; - A.R.C. S.r.l.: Euro 6,5 million. Management assesses the existence of impairment indicators on investments at least annually, in line with its strategy in managing each separate entity within the group and, if present, such investments are subject to an impairment test. The processes and methodologies to valuate and determine the recoverable amount of investments are based on complex assumptions that, due to their nature, imply the use of judgement by management, in particular with reference to the assumptions underlying future cash flow forecasts in the period covered by the business plan, the estimate of the terminal value and the calculation of the long-term growth and discount rates applied to the future cash flow forecasts. Considering the level of judgement and complexity of the assumptions applied in estimating the recoverable amount of investments, we determined that this area represents a key audit matter. The disclosures related to the valuation of investments are included in paragraph "Use of estimates" and in note "5 Equity Investments".	Our audit procedures in response to this key audit matter included, among others: (i) assessment of the process and key controls implemented by the Company in connection with the valuation of investments; (ii) assessment of the assumptions underlying future cash flow forecasts; (iii) test of the consistency of the investments future cash flow forecasts against the 2024-2026 business plan; (iv) assessment of the accuracy of cash flow projections as compared to historical results; (v) assessment of the long-term growth rates and discount rates. In performing our analysis, we engaged our experts in valuation techniques, who have independently performed calculation and sensitivity analyses of key assumptions in order to determine any changes in assumptions that could materially impact the valuation of the recoverable amount. Lastly, we evaluated the appropriateness of the disclosures included in the explanatory notes of the financial statements and the consistency of the related disclosure provided in the Report on Operations.

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Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements

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- or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated them all matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate relevant risks or the safeguard measures applied.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Sabaf S.p.A., in the general meeting held on May8th 2018, engaged us to perform the audits of the financial statements for each of the years ending December 31st 2018 to December 31st 2026 .

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion on the compliance with Delegated Regulation (EU) 2019/815

The Directors of Sabaf S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) (the "Delegated Regulation") to the financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the financial statements as at December 31st 2023 with the provisions of the Delegated Regulation.

In our opinion, the financial statements as at December 31st 2023 have been prepared in the XHTML format in compliance with the provisions of the Delegated Regulation.

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Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Sabaf S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Sabaf S.p.A. as at December 31st 2023, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of Sabaf S.p.A. as at December 31st 2023 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Sabaf S.p.A. as at December 31st 2023 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Sabaf S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Brescia, 28 March 2024

EY S.p.A.
Signed by: Marco Malaguti, Auditor

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING OF SABAF S.P.A.

in accordance with Art. 2429, paragraph 2 of the Italian Civil Code and Art. 153 of Legislative Decree no. 58/1998

To the Shareholders' Meeting of the Company SABAF S.p.A.

INTRODUCTION

The Board of Statutory Auditors of SABAF S.p.A. (hereinafter also "SABAF" or "Company"), pursuant to Art. 153 of Legislative Decree no. 58 of 1998 (hereinafter also T.U.F.) and Art. 2429, paragraph 2 of the Italian Civil Code, has to report to the Shareholders' Meeting called for the approval of the Financial Statements on the supervisory activity carried out during the financial year in the performance of its duties on any omissions and reprehensible facts if found and on the results of the financial year, as well as to formulate proposals related to the Financial Statements, the approval thereof and matters falling in its remit.
First, we note that the Board of Directors has called the Shareholders' Meeting on 8 May 2024 for the approval of the 2023 financial statements and, therefore, within the term of 180 days stated by Article 2364 of the Italian Civil Code, since the Company prepares the Consolidated Financial Statements. We Note that the financial statement report was made available to the public within the term stated by Art. 154-ter of the T.U.F. During the fiscal year ended 31 December 2023 and up to date, the Board of Statutory Auditors has carried out its supervisory activities in compliance with Law provisions, Rules of Behaviour of the Board of Statutory Auditors of listed companies issued by the Italian Board of Certified Public Accountants and Bookkeepers, the CONSOB provisions on corporate controls, the Corporate Governance Code, as well as by the provisions contained in Art. 19 of Italian Legislative Decree 39/2010.

The financial statements of SABAF were prepared in accordance with the IAS/IFRS international accounting standards issued by the International Accounting Standards Board (IASB) and approved by the European Union, as well as in accordance with the provisions issued by CONSOB in implementation of Art. 9, paragraph 3, of Legislative Decree 38/2005. The Financial Statements are also in XHTML - ESEF format in compliance with Legislative Decree No. 25 of 15 February 2016 implementing EU Directive 2013/50.

The Company's Financial Statements were prepared in accordance with the law and accompanied by the documents required by the Italian Civil Code and the T.U.F. Moreover, in accordance with law provisions, the Company prepared the Consolidated Financial Statements and the Consolidated Disclosure of Non-Financial Information for the year 2023.

The Board of Statutory Auditors acquired the information necessary for the performance of the supervisory duties assigned to it by i) attending the meetings of the Board of Directors and the Board Committees, ii) the hearings of the Company's and the Group's management, iii) the exchange of information with the Independent Auditors and the Supervisory Body, iv) the information acquired from the competent company structures, as well as through the additional control activities carried out.

APPOINTMENT AND INDEPENDENCE OF THE BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors in office at the date of this Report was appointed by the Shareholders' Meeting of 6 May 2021 in the persons of Alessandra Tronconi (Chairman), Maria Alessandra Zunino de Pignier (Statutory Auditor), Mauro Giorgio Vivenzi (Statutory Auditor), as well as Christian Carini and Federico Pozzi (Alternate Auditors). The control body remains in office for three financial years and will expire on the date of the Shareholders' Meeting called to approve the Financial Statements for the year 2023.

The appointment was made on the basis of two lists submitted by the Shareholders Cinzia Saleri S.A.p.A and Quaestio Capital SGR S.p.A. respectively, in compliance with the applicable law, regulatory and statutory provisions.

The composition of the Board of Statutory Auditors complies with the gender distribution criterion set forth in Art. 148 of the T.U.F.

At the time of its appointment, the Board of Statutory Auditors checked the existence of the independence requirement as part of the broader process of self-assessment of the control body pursuant to Standard Q.1.7 of the Rules of Behaviour of listed companies; the check was carried out on the basis of the criteria envisaged by the aforesaid Standards and by the provisions of the Corporate Governance Code applicable to independent directors.
This assessment was carried out again on 10 March 2022, 14 March 2023 and 12 March 2024 and consequently communicated to the Board of Directors, which disclosed it in the Report prepared pursuant to Art. 123-bis of the T.U.F.

SUPERVISION AND CONTROL OF THE BOARD OF STATUTORY AUDITORS

Supervisory activity on compliance with the law and articles of association

In carrying out its duties, the Board of Statutory Auditors carried out the supervisory activities required by Art. 2403 of the Italian Civil Code, Art. 149 of the T.U.F., Art. 19 of Legislative Decree No. 39/2010, CONSOB recommendations on corporate controls and the activities of the Board of Statutory Auditors and referring to the indications contained in the Corporate Governance Code, as well as the Rules of Behaviour of the Board of Statutory Auditors of listed companies.
Moreover, as part of its functions, and in relation to the financial year in question, the Board of Statutory Auditors:

- attended all the meetings of the Shareholders and Board of Directors, monitoring compliance with the statutory, legislative and regulatory provisions regulating the operation of the Company's bodies as well as compliance with the principles of proper management;

- supervised, for what of direct concern, the adequacy of the Company's organisational structure and compliance with the principles of proper management, through direct observation, gathering information from heads of the corporate functions and meetings with the Independent auditors to exchange data and information;
- assessed and supervised the adequacy of the internal control system and the administrative and accounting system, as well as its reliability in providing a fair presentation of operational transactions, through the information of the heads of the respective functions, the examination of company documents and the analysis of the results of the work carried out by the Independent Auditors;
- held 10 meetings lasting approximately 3 hours each, and also attended all the meetings of the Board of Directors, as well as of the board committees (Control, Risk and Sustainability Committee, Remuneration and Nomination Committee). For the 2024 financial year, the Board of Statutory Auditors has already met on five occasions, namely on 08 January 2024, 11 January 2024, 09 February 2024, 13 February 2024, 12 March 2024 and today;
- supervised the adequacy of the reciprocal flow of information between SABAF and its subsidiaries pursuant to Art. 114, paragraph 2, of the T.U.F. in the light of the instructions issued by the Company's management to Group companies;
- supervised compliance with the rules of "Market abuse", "Protection of savings" and "Internal Dealing", with a special reference to the processing of inside information and the procedure for the dissemination of statements and information to the public.

Moreover, the Board of Statutory Auditors:

- obtained from the Directors adequate information on the business carried on and major economic and financial operations carried out by the Company and its subsidiaries pursuant to Art. 150, paragraph 1 of the T.U.F. In this regard, the Board of Statutory Auditors paid special attention to the fact that the transactions approved and implemented complied with the law and the Articles of Association and were not imprudent or risky, in contrast with the resolutions adopted by the Shareholders' Meeting, in potential conflict of interest or such as to compromise the integrity of the Company's assets;
- held meetings with representatives of the Independent Auditors pursuant to Art. 150, paragraph 3 of the T.U.F. during which there were no significant data and/or information to be reported;
- had exchanges of information with corresponding control bodies (if any) of major subsidiary companies by SABAF pursuant to Art. 151, paragraph 1 and 2 of the T.U.F.;
- supervised the procedures for effective implementation of the corporate governance rules envisaged in the Corporate Governance Code complied with, as adequately represented in the Report on Corporate Governance and Ownership Structures, in compliance with Art. 124-ter of the T.U.F. and Art. 89-bis of the Issuers' Regulations;
- checked, in relation to the periodic assessment to be carried out pursuant to Recommendation 6 of the Corporate Governance Code, as part of the supervision of the procedures for effective implementation of the corporate governance rules and in accordance with Q. Rec. 6(2) of " The Q&A functional to the application of the Corporate Governance Code", the correct application of the assessment criteria and procedures adopted by the Board of Directors, with regard to the positive assessment of the independence of the Directors.

Consistent with the provisions of the Corporate Governance Code and the Corporate Governance Manual, which envisage that the self-assessment of the Board of Directors by distributing, compiling, collecting and processing questionnaires (process coordinated by the Lead Independent Director) is to be carried out at least every three years, the Company's Board of Directors carried out its last self-assessment in 2023.
The Board of Statutory Auditors also acknowledges that it has issued its consent, pursuant to Art. 5, paragraph 4, of Regulation (EU) 2014/537, to the provision by the Independent Auditors EY S.p.A. of services other than the external audit.

With regard to the Financial Statements for the year ended 31 December 2023, the following is noted:

- the item "start-up and expansion costs", which we remind you can only be entered as an asset in the Balance Sheet with the prior consent of the Board of Statutory Auditors, pursuant to Article 2426, paragraph 1, point 5, of the Italian Civil Code, is not recognised;
- with regard to development costs with a multi-year use, there was an increase in 2023 of €2,213 thousand. The recognition was made with the prior consent of the Board of Statutory Auditors as envisaged by Article 2426, paragraph 1, point 5 of the Italian Civil Code. At the end of the 2023 reporting period, these costs totalled €5,948 thousand, an amount already net of the provision for amortisation totalling €5,355 thousand;
- the item "goodwill", which, we remind you, can only be entered as an asset in the Balance Sheet with the approval of the Board of Statutory Auditors, pursuant to Article 2426, paragraph 1, point 6, of the Italian Civil Code, has not been recognised.

Supervisory activity on the adequacy of the administrative and accounting system and the auditing activity

Pursuant to Art. 19 of Legislative Decree 39/2010 (Consolidated External Audit Act), the Board of Statutory Auditors, in its role as an internal control and external audit committee of public interest entities, is required to supervise:
- the financial reporting process;
- the effectiveness of the internal control and risk management systems;
- the External audit of annual accounts and consolidated accounts;
- the independence of the Independent Auditors, specifically as far as the provision of non-audit services is concerned.

The Board of Statutory Auditors carried out its activities in collaboration with the Control, Risk and Sustainability Committee in order to coordinate their responsibilities and avoid overlapping of activities.

Financial reporting process

The Board of Statutory Auditors supervised the existence of rules and procedures relating to the process of formation and dissemination of financial information. In this regard, it should be noted that the Report on Corporate Governance and Ownership Structures illustrates how

the Group defined its Internal Control and Risk Management System in relation to the financial reporting process at the consolidated level. The Financial Reporting Officer is Gianluca Beschi. The Financial Reporting Officer is supported by the Internal Audit Department to check the operation of the administrative and accounting procedures through control testing.
The Board of Statutory Auditors acknowledges that it has received adequate information on the monitoring of business processes with an administrative and accounting impact within the Internal Control System. This activity was carried out both during the year in relation to the regular management reports, and during the closing of the accounts for the preparation of the Financial Statements, in compliance with the monitoring and certification requirements to which SABAF is subject pursuant to Law no. 262/2005. In particular, the Board of Statutory Auditors acknowledged the Risk Assessment for 2023, as well as the periodic update on testing activities pursuant to Law no. 262/2005.

The adequacy of the administrative and accounting system was also assessed through the acquisition of information from the heads of the respective departments and the analysis of the results of the work carried out by the Independent Auditors.
No particular critical issues or elements hindering the issue of the certification by the Financial Reporting Officer and by the Chief Executive Officer concerning the adequacy of the administrative and accounting procedures for the preparation of the Financial statements of SABAF and the Consolidated Financial Statements for the year 2023 emerged.

The Board of Statutory Auditors supervised compliance with the regulations related to the preparation and publication of the Half-Yearly Report and the Interim Management Reports, as well as the settings given to them and the correct application of the accounting standards, also using the information obtained from the Independent Auditors.

Furthermore, it is acknowledged that:
- the Independent Auditors appointed to carry out the external audit currently in office, EY S.p.A., were appointed for the 2018-2026 period at the Shareholders' Meeting held on 8 May 2018: the procedure for the appointment was carried out in compliance with the provisions of Art. 16 of Regulation (EU) 2014/537. The Board of Statutory Auditors in office at that time submitted to the Board of Directors a reasoned recommendation containing the name of two Independent Auditors suitable to replace the one that is due to expire, expressing preference for one of them. This recommendation was developed at the end of a detailed selection procedure that was carried out in compliance with the provisions contained in Regulation (EU) 2014/537;
- the Independent Auditors appointed to audit the company illustrated to the Board of Statutory Auditors the checks carried out and did not report any findings in the periodic meetings with the Board of Statutory Auditors;
- the Board of Statutory Auditors supervised the auditing of the annual and Consolidated Financial Statements, obtaining information and periodically discussing with the Independent Auditors.

In particular, all the main phases of the audit activity were illustrated to the Board of Statutory Auditors, including the identification of the risk areas, with a description of the related audit procedures adopted; moreover, the main accounting principles applied by SABAF have been followed.

The Board of Statutory Auditors also acknowledges that the Independent Auditors EY S.p.A. issued their opinions on the Consolidated Financial Statements and the Separate Financial Statements on 28 March 2024 and also issued on the same date the Additional Report to the Internal Control and Audit Committee pursuant to Article 11 of Regulation (EU) 2014/537.
The reports on the Separate Financial Statements and the Consolidated Financial Statements do not give rise to any observations or requests for information.
It is also acknowledged that the Independent Auditors expressed, in the reports mentioned above, a positive opinion with regard to consistency with the financial statements and compliance with the law with reference:
- to the Report on operations;
- to the information referred to in Art.123-bis, paragraph 4, Legislative Decree 58/98 contained in the Report on corporate governance and ownership structures.

In the audit work, a special attention was paid to the key aspects relating to the impairment test.
Moreover, the reports issued by the Independent Auditors do not reveal any significant shortcomings in the Company's internal control system for financial information and accounting system.
The Board of Statutory Auditors supervised the independence of the Independent Auditors EY S.p.A., verifying the type and extent of services other than auditing with reference to SABAF and its subsidiaries and obtaining explicit confirmation from the Independent Auditors that the independence requirement was met. The statement on independence has been included, pursuant to Art. 11, paragraph 2, letter a), of Regulation (EU) 2014/537, in the above-mentioned Additional Report.
The fees paid by the SABAF Group to the Independent Auditors and to the companies belonging to the network of the Independent Auditors themselves are as follows:

ASSETS	AMOUNT €/000
Audit of the Parent Company	59
Audit of the Italian subsidiaries	33
Audit of the foreign subsidiaries	65
Certification services	-
Other services	83
Total	**240**

In the light of the above, the Board of Statutory Auditors considers that the Independent Auditors EY S.p.A. meet the requirement of independence.

Supervisory activity on the adequacy of the internal control system and the organisational structure

The Board of Statutory Auditors assessed and supervised the adequacy of internal control and the effectiveness of the internal control and risk management systems. The Board of Statutory Auditors acknowledges that it has verified the most significant activities carried out by the overall internal control and risk management system by attending the meetings of the Control, Risk and Sustainability Committee (also with functions of Committee for related-party transactions) attended by:

- members of the Control, Risk and Sustainability Committee;
- members of the Board of Statutory Auditors;
- the Chief Executive Officer and director in charge of the internal control and risk management system;
- the Internal Audit department and its Head;
- the Financial Reporting Officer.

The Board of Statutory Auditors also acknowledges that it attended the periodic meetings among the Company's control bodies attended by:

- members of the Control, Risk and Sustainability Committee;
- members of the Board of Statutory Auditors;
- the Independent Auditors;
- the Chief Executive Officer and Director in charge of the internal control system;
- the Financial Reporting Officer;
- the Internal Audit department and its Head;
- the Supervisory Body.

In particular, as part of these activities, the Board of Statutory Auditors acknowledges that it has received and examined:

- the periodic reports on the activities carried out, prepared by the Control, Risk and Sustainability Committee and the Internal Audit department;
- the reports drawn up at the end of the verification and monitoring activities by the Internal Audit department, with the relative results, the recommended actions and the controls on the implementation of the aforesaid actions also in order to represent the management events;
- periodic updates on the development of the risk management process, the outcome of the monitoring and assessment activities carried out by Internal Audit and the objectives achieved.

The Board of Statutory Auditors then reviewed every six months the periodic reports on the activities carried out by the Supervisory Body and examined the activity plan and the budget allocated for 2023. Similarly, the Board of Statutory Auditors acknowledged the compliance with the provisions of Legislative Decree no. 231/2001 and the activity plan for 2023.

Following the activities carried out during the 2023 financial year, as detailed above, the Board of Statutory Auditors shared the positive assessment expressed by the Control, Risk and Sustainability Committee with regard to the adequacy of the Internal Control and Risk Management System.

Supervisory activity on compliance the principles of proper management

The main transactions carried out by the Company during 2023, with respect to which the Board of Statutory Auditors monitored compliance with the principles of proper management, are summarised below.

Consistent with the budget, the Group invested €16.9 million. This is mainly investment aimed at (i) expanding the international production footprint, where it should be noted that work on the construction of the San Luis Potosí plant in Mexico was completed; (ii) product innovation, including the development of components for induction cooking; (iii) industrialising new products; and (iv) optimising the efficiency and automation of production processes.

On 14 July 2023, Sabaf S.p.A. announced that, through its subsidiary Sabaf America Inc., it signed an agreement to purchase 51% of Mansfield Engineered Components LLC ("MEC"), a US company based in Mansfield (Ohio) and the leading North American manufacturer of hinges for household appliances (mainly ovens, washing machines and refrigerators).
In connection with the acquisition of MEC) on 14 July 2023, the Board of Directors exercised the proxy granted by the Shareholders' Meeting on 4 May 2020, resolving on a reserved capital increase for a nominal amount of €1,153,345, corresponding to 10% of the share capital, with the exclusion of the right of option pursuant to Article 2441, fourth paragraph, second sentence of the Italian Civil Code, through the issue of 1,153,345 new ordinary shares with a par value of €1.00. The newly issued shares were offered as part of a reserved placement and fully subscribed by Montinvest s.r.l., a company controlled by Fulvio Montipò.
The issue price of the new shares, including the share premium, was determined at €15.91 per share, equal to the average stock market price of the Sabaf share recorded in June, increased by a premium of €0.52 per share (and therefore for a total value of €17,311,708). The capital increase took place on 20 July 2023.

Following the supervision and control activities carried out during the year, the Board of Statutory Auditors can certify that:

- during the course of the activity carried out, no omissions, irregularities or reprehensible or significant facts that would require reporting to the control bodies or mention in this Report emerged;
- no reports were received by the Board of Statutory Auditors pursuant to Art. 2408 of the Italian Civil Code, nor has it received any complaints from third parties;
- no communications were received from the Company's Control Bodies containing findings that, in the opinion of the Board of Statutory Auditors, should be noted in this Report;
- no transactions have been identified with third parties, intra-group and/or related parties such as to highlight atypical and/or unusual profiles, in terms of content, nature, size and timing;
- all the transactions and management choices adopted are inspired by the principle of proper management and reasonableness, and comply with the 2021-2023 Business Plan unanimously approved by the Board of Directors on 23 March 2021.

Supervisory activity on implementation of the corporate governance rules

The Board of Statutory Auditors, during the financial year ended 31 December 2023, assessed the application of the corporate governance rules set out in the Corporate Governance Code and the relative level of compliance, also by analysing the Report on corporate governance and ownership structures and comparing its contents with what emerged during the general supervisory activity carried out during the year. The Board also acknowledges that, on 16 December 2021, the Company's Board of Directors adopted the Corporate Governance Manual setting out the principles, rules and operating procedures to enable the Company to implement the recommendations of the Corporate Governance Code.
Moreover, compliance with the obligation on the part of SABAF to inform the market in its Report on corporate governance and ownership structures of its level of compliance with the Code itself was assessed, also in accordance with the provisions of Art. 123-bis of the T.U.F. The Board of Statutory Auditors is of the opinion that the Report on corporate governance was prepared in accordance with the provisions of Art. 123-bis of the T.U.F. and the Corporate Governance Code and following the format made available by the Corporate Governance Committee of Borsa Italiana S.p.A.

Supervisory activities in relation to the Financial Statements, the Consolidated Financial Statements and the Consolidated Non-Financial Statement

With regard to the Separate Financial Statements for the year ended 31 December 2023, the Consolidated Financial Statements for the year ended on the same date and the related Report on operations, note the following:

- the Board of Statutory Auditors ascertained, through direct audits and information obtained from the Independent Auditors, compliance with law provisions regulating their formation, the layout of the Financial statements, the Consolidated Financial Statements and the Report on Operations, and the financial statement formats adopted, certifying the correct use of the accounting standards described in the explanatory notes and the Report on operations. In particular, the Board of Statutory Auditors analysed the results of the impairment test carried out by the Company with the support of independent experts, in accordance with IAS 36, both on the value of the individual equity investments held in Faringosi Hinges s.r.l., A.R.C. s.r.l., C.M.I. s.r.l., P.G.A. s.r.l. and MEC LLC and on the value of the goodwill allocated to the individual "Hinges", "Professional Burners", "Electronic Components" and "P.G.A. Electronic Components", "CMI" and "MEC Hinges". In this regard, note that the Independent Auditors, in their report, accurately described the audit procedures carried out with reference to the impairment test, as a "key aspect of the audit" of the financial statements. Therefore, the Board of Statutory Auditors has taken note of the procedures followed in relation to the impairment testing of goodwill and the aforementioned equity investments;
- in pursuance of CONSOB Communication 6064293 of 28 July 2006, the effects of the related party transactions are expressly indicated in the financial statements. Moreover, in pursuance of this Communication, in the Explanatory Notes, it is specified that during the year no transactions deriving from atypical and/or unusual operations were carried out and there were no significant non-recurring events or operations;
- the Financial statements are in keeping with the facts and information of which the Board of Statutory Auditors has become aware within its supervisory duties and its control and inspection powers;
- as far as the Board of Statutory Auditors is aware, the Directors, when preparing the financial statements, did not depart from the law provisions pursuant to Art. 2423, paragraph 5 of the Italian Civil Code;
- the Chief Executive Officer and the Financial Reporting Officer issued the certificate, pursuant to Art. 81-ter of CONSOB Regulation no. 11971/1999 as amended and Art. 154-bis of the T.U.F.;
- the Report on Operations complies with legal requirements and is consistent with the data and results of the Financial Statements; it provides the necessary information on the activities and significant transactions of which the Board of Statutory Auditors was informed during the year, on the main risks of the Company and its subsidiaries, on intra-group and related-party transactions, as well as on the process of adapting the corporate organisation to the principles of corporate governance, in accordance with the Corporate Governance Code for listed companies;
- pursuant to the provisions of Art. 123-ter of the T.U.F., the Remuneration Report is presented to the Shareholders' Meeting and the Board of Statutory Auditors examined and approved the approach followed in preparing it.

In relation to the presentation of the Consolidated Non-Financial Statement, the Board of Statutory Auditors, in compliance with Legislative Decree no. 254 of 30 December 2016, monitored the adequacy of the procedures, processes and structures governing the preparation, reporting, measurement and presentation of non-financial results and information. The Board of Statutory Auditors also supervised the performance of the preparatory activities for the preparation of the Non-Financial Statement as well as the compliance with the provisions set forth in Legislative Decree 254/2016, as part of the functions assigned to it by the regulations, also acquiring the certification issued by the appointed auditor EY S.p.A. on 28 March 2024, which specifies the procedures carried out and the information assumed and analysed by the auditor EY S.p.A. for the purpose of expressing its opinion. These activities, as also expressed in the report of EY S.p.A., did not give rise to any matters requiring disclosure in this report.

Supervisory activity on relationships with Subsidiaries

The Board of Statutory Auditors supervised the adequacy of the instructions given by the Company to the subsidiaries, in accordance with Art. 114, paragraph 2 of the T.U.F.
Periodic meetings with the management and the company in charge of Internal Audit did not reveal any critical elements to be reported in this report.
Finally, we acknowledged that to date no communications have been received from the Control Bodies of the Subsidiaries containing findings to be noted in this report.

Supervisory activity on related-party transactions

In relation to the provisions of Art. 2391-bis of the Italian Civil Code, the Board of Statutory Auditors acknowledges that the Board of Directors adopted a procedure for the regulation of Related-Party Transactions, whose main objective is to define the guidelines and criteria for identifying related-party transactions and setting out roles, responsibilities and operating methods so as to guarantee, for such transactions, adequate information transparency and the related procedural and substantial correctness.
That procedure was prepared in compliance with what was established by the CONSOB Regulation on Related Parties (no.17221 dated 12 March 2010 as amended) and was last updated by the Board of Directors on 3 August 2021 in order to implement the amendments made to the aforementioned Regulation by CONSOB Resolution No. 21624/2020.
The Board of Statutory Auditors supervised the effective application of the rules by the Company and has no observations to make in this regard in this Report.

PROPOSAL TO THE SHAREHOLDERS' MEETING

On 19 March 2024, the Board of Directors stated that the financial statements closed with a profit of €3,503,797. The Board of Directors proposes to distribute an ordinary dividend of €0.54 per share to the Shareholders, with the exclusion of the treasury shares on the ex-date, by distributing the entire profit for 2023 and, for the residual part, by distributing a portion of the Extraordinary Reserve.

The Board of Statutory Auditors expresses its favourable opinion for the approval of the Separate Financial Statements at 31 December 2023 and has no objections to make to the draft resolution presented by the Board of Directors as formulated in the Explanatory Notes and in the Directors' Report on Operations.

Ospitaletto, 29 March 2024

The Board of Statutory Auditors

Chairman
Alessandra Tronconi

Standing Auditor
Maria Alessandra Zunino de Pignier

Standing Auditor
Mauro Vivenzi

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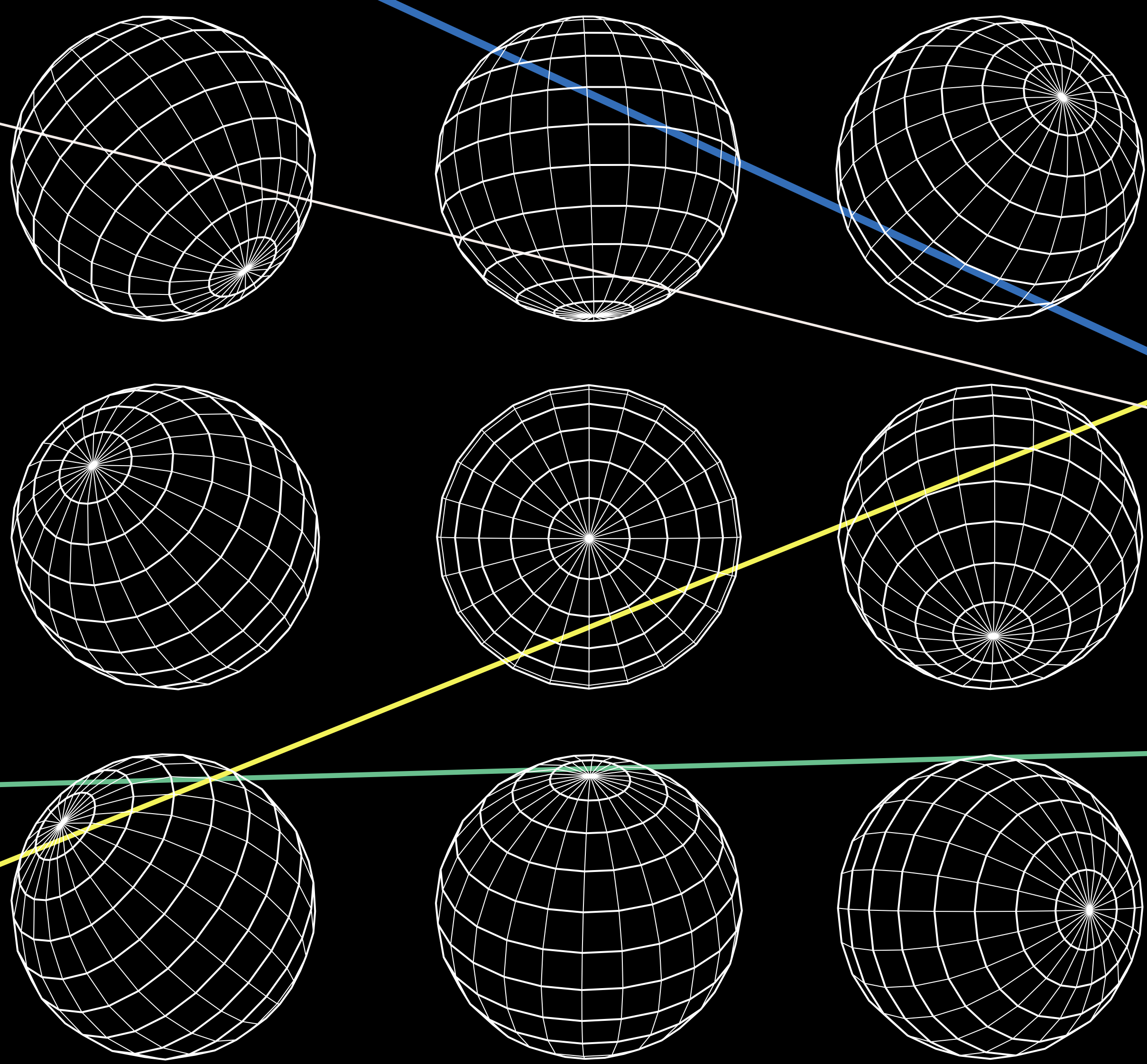

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