



Press release

Ospitaletto, September 27th 2005

SABAF: APPROVAL OF INTERIM RESULTS AS AT JUNE 30TH 2005

- Results of 1st Half 2005: sales revenues of € 59.3 million (-7.8%); EBITDA of € 16.6 million (-9.9%); EBIT of € 11.4 million (-13.7%); net profit of € 6.9 million (-9.1%)
- Net financial debt of € 19.7 million (€ 17.6 million as at December 31st 2004)
- Full-year sales and profitability expected to be in line with 2004

The Board of Directors of Sabaf SpA met today in Ospitaletto to approve the first-half interim report as at June 30th 2005, prepared according to the international IAS/IFRS standards for the first same. Comparative figures for the 2004 first half and full year were calculated according to the same standards.

2005 1st-Half Results

In the first half of 2005 (1H05) the Sabaf Group suffered the effects of the weak phase of the domestic appliance sector, not yet offset by new commercial and manufacturing developments, the effects of which are expected to emerge in the second part of the year and in 2006.

In the period in question sales revenues amounted to € 59.3 million (mn) vs. € 64.3 mn in 1H04. The reduction of sales was ascribable to sluggish demand, both in Europe and in the other main markets in which the group is active (headed by South Korea and Latin America). Going markedly against this current was the trend of sales in the Turkish market, which rose to € 3.4 mn (+25% vs. 1H04) by virtue of the strategic agreement signed with the Arcelik group.

Efficiencies made possible by investments made in the recent past, together with greater insourcing of some production phases - and to the entire organisation's ability to react to the changed sector environment - nevertheless enabled us to maintain levels of profitability close to those of 1H04 and in line with those of FY2004.

EBITDA for the period amounted to € 16.6 mn (-9.9% vs. 1H04) whilst EBIT amounted to € 11.4 mn (down by -13.7% vs. € 13.2 mn in 1H04). EBITDA margin was 28.1% on sales (28.7% in 1H04) whilst EBIT margin was 19.3% (20.6% in 1H04). Consolidated net profit totalled € 6.9 mn, with a downturn of -9.1% vs. € 7.6 mn in 1H04).

Investments in the period totalled some € 6.8 mn.

Net capital employed was financed by consolidated net equity of € 81.6 mn (€ 80.0 mn as at December 31st 2004) and by net financial debt of € 19.7 mn (€ 17.6 mn as at December 31st 2004).





TECHNOLOGY AND SAFETY

<http://www.sabaf.it> - sabaf@sabaf.it

Forecasts for the current year

During the third quarter (3Q05) the Group operated at levels showing significant recovery, mainly due to the effect of the start of sales of new products - extremely innovative - and of larger orders coming from the Turkish market. It is thus thought possible to end 3Q05 with revenues slightly higher than in 3Q04, when sales totalled € 27.4 mn. The Group's management believes that this trend will probably strengthen further during the last quarter. It therefore confirms the full-year target of sales and profitability in line with those of 2004.

If the economic situation were to change, actual figures could differ from forecasts.

First-half results will be illustrated to the financial community at 2.30 pm CET today, September 27th 2005, during a conference call (please call the number +39 802 09 11 a few minutes before the conference call is due to start).

Attachments: consolidated financial statements

For further information:

Investor Relations Gianluca Beschi tel. +39 030 6843236 gianluca.beschi@sabaf.it www.sabaf.it	Press Office <i>Power Emprise</i> Cosimo Pastore - Rossana Pastore tel. +39 02 48102255
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Founded in the early 1950s, SABAF has grown constantly to become today the main producer in Italy - and one of the leading world producers - of components for kitchens and domestic gas cooking appliances.

Its product offering features three main lines: valves, thermostats, and burners, essential components for gas cooking appliances. Sabaf's strong technological know-how, manufacturing flexibility, and its ability to offer a vast range of components - also tailor-made to meet the requirements of individual manufacturers of cookers and of built-in hobs and ovens - that are also aligned with the specific characteristics of its core markets - are Sabaf's key strengths in a sector featuring major specialisation, constantly evolving demand and an ever-increasing orientation towards products assuring total reliability and safety.

The Sabaf Group has some 500 employees. It operates via the direct parent company SABAF SpA and the subsidiaries Faringosi-Hinges - leader in the production of oven and washing-machine hinges - and Sabaf do Brasil - active in production of burners for the Latin American market. Sabaf is also present in the People's Republic of China via a contact office located in Shanghai.

Sabaf has been listed on the Borsa Italiana market since March 24th 1998 and entered the high-quality/small-medium cap segment (STAR - Segmento Titoli con Alti Requisiti) in April 2001.



SABAF SpA • Via dei Carpini, 1 • 25035
Ospitaletto (Brescia) • Italy
Tel. + 39 030 6843001 • Fax + 39 030 6848249 •
Share capital: € 11,333,500 fully paid in



CONSOLIDATED BALANCE SHEET

	30.06.2005	31.12.2004	30.06.2004
<i>(€ '000)</i>			
ASSETS			
NON-CURRENT ASSETS			
Tangible assets (property, plant, and equipment)	79,486	78,758	78,993
Intangible assets	7,479	7,329	6,949
Equity investments	47	47	47
Non-current receivables	570	208	168
Deferred tax assets (prepaid taxes)	1,249	1,324	1,372
Total non-current assets	88,831	87,666	87,529
CURRENT ASSETS			
Inventories	14,823	15,846	16,681
Trade receivables	35,219	31,255	38,333
Tax receivables	327	298	796
Other current receivables	826	284	696
Current financial assets	92	234	388
Cash and cash equivalents	7,013	9,607	6,209
Total current assets	58,300	57,524	63,103
TOTAL ASSETS	147,131	145,190	150,632
NET EQUITY & LIABILITIES			
NET SHAREHOLDERS' EQUITY			
Share capital	11,333	11,333	11,333
Retained earnings, other reserves	63,402	55,682	55,707
Net profit for year	6,906	12,950	7,601
<i>Total equity attributable to group parent company</i>	<i>81,641</i>	<i>79,965</i>	<i>74,641</i>
<i>Minority interests</i>	<i>0</i>	<i>0</i>	<i>(177)</i>
Total net shareholders' equity	81,641	79,965	74,464
NON-CURRENT LIABILITIES			
Loans	22,494	24,287	24,556
Employee severance indemnity and retirement reserves	3,609	3,467	3,259
Reserves for risks and contingencies	1,721	2,251	1,880
Deferred tax liabilities	7,684	7,414	6,838
Total non-current liabilities	35,508	37,419	36,533
CURRENT LIABILITIES			
Loans	4,305	3,199	3,659
Trade payables	19,732	19,291	29,102
Tax payables	1,234	1,979	2,514
Other payables	4,711	3,337	4,360
Total current liabilities	29,982	27,806	39,635
TOTAL LIABILITIES & NET EQUITY	147,131	145,190	150,632



CONSOLIDATED INCOME STATEMENT

(€ '000)	1st Half 2005	1st Half 2004	FY2004
CONTINUING OPERATIONS			
OPERATING REVENUES AND INCOME			
Revenues	59,272	64,301	120,527
Other operating income	411	185	586
Total operating revenues and income	59,683	64,486	121,113
OPERATING COSTS			
Materials	(22,080)	(26,238)	(46,994)
Change in inventories	(1,091)	2,034	1,176
Services	(9,627)	(11,131)	(20,911)
Payroll costs	(10,407)	(10,687)	(20,308)
Other operating costs	(328)	(472)	(1,055)
Costs for capitalised in-house work	499	488	956
Total operating cost	(43,034)	(46,006)	(87,136)
OPERATING PROFIT BEFORE DEPRECIATION & AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)			
	16,649	18,480	33,977
Depreciation and amortisation	(5,335)	(5,270)	(10,815)
Capital gains/(losses) on disposal of non-current assets	139	30	56
Write-downs/write-backs of non-current assets	(25)	0	0
OPERATING PROFIT (EBIT)			
	11,428	13,240	23,218
Financial income	117	60	133
Financial expenses	(405)	(528)	(947)
Foreign exchange gains/(losses)	496	10	(83)
Profits and losses from equity investments	0	0	0
PRE-TAX PROFIT			
	11,636	12,782	22,321
Income tax	(4,730)	(5,225)	(9,371)
Minority interests	0	44	0
NET PROFIT FOR PERIOD			
	6,906	7,601	12,950



CONSOLIDATED CASH FLOW STATEMENT

(€ '000)	30.06.2005	31.12.2004
A. OPENING NET SHORT-TERM FINANCIAL POSITION	6,408	2,345
B. CASH FLOW FROM OPERATIONS		
Net profit for the year before minority interests	6,906	12,950
Depreciation and amortisation	5,335	10,815
Change in deferred tax assets and liabilities	345	846
Capital (gains)/losses on asset disposal	(139)	(86)
(Write-up)/write-downs of non-current assets	0	0
Net change in employee severance indemnity reserve	142	281
Net change in reserve for risks and contingencies	(530)	367
	<u>12,059</u>	<u>25,173</u>
<i>Change in net working capital</i>		
Inventories	1,023	(1,180)
Trade receivables	(3,964)	1,800
Trade payables	441	(1,600)
Other receivables and payables	58	1,987
	<u>(2,442)</u>	<u>1,007</u>
Operating cash flow	9,617	26,180
C. CASH FLOW FROM INVESTMENT ACTIVITIES		
Investments in non-current assets:		
Intangible	(271)	(783)
Tangible	(6,507)	(19,515)
Financial	0	0
Proceeds from disposal and retirement of fixed assets	759	216
TOTAL	(6,019)	(20,082)
D. CASH FLOW FROM FINANCING ACTIVITIES		
New loans (medium-/long-term portion)	1,096	7,941
Repayment of loans and transfer of current portion of long-term loans to current liabilities	(2,889)	(6,077)
Change in non-current financial receivables	(362)	119
Change in current financial assets	142	(23)
TOTAL	(2,013)	1,960
E. CHANGE IN NET EQUITY		
Change in stock option reserve	84	168
Change in fair value reserve	(152)	(38)
Change in treasury stock	(72)	244
Acquisition of 45% of Sabaf do Brasil (fraction of net equity)	0	140
Other changes in net equity	289	19
Dividend distribution	(5,434)	(4,528)
TOTAL	(5,285)	(3,995)
F. CASH FLOW DURING THE PERIOD (B+C+D+E)	(3,700)	4,063
G. CLOSING NET SHORT-TERM FINANCIAL POSITION (A+F)	2,708	6,408
<i>consisting of: Cash and cash equivalents</i>	<i>7,013</i>	<i>9,607</i>
<i>Current borrowing</i>	<i>(4,305)</i>	<i>(3,199)</i>

