

Press release

Ospitaletto, November 14th 2005

SABAF: APPROVAL OF INTERIM RESULTS AS OF SEPTEMBER 30TH 2005

- Results for 3rd quarter 2005: sales revenues of € 28.3 million (+3.4%); EBITDA of € 7.9 million (+1.6%); EBIT of € 5.2 million (+2.8%); net profit of € 3.0 million (+4.4%)
- Results for first 9 months: sales revenues of € 87.6 million (-4.5%); EBITDA of € 24.6 million (-6.5%); EBIT of € 16.6 million (-9.2%) and net profit of € 10.0 million (-5.4%)
- Net financial debt of € 13.1 million as at September 30th 2005 (€ 19.8 million as at June 30th)
- Full-year sales and earnings expected to be in line with 2004
- Forecasts for 2006: sales revenues at least 10% higher, EBIT between 19% and 20% of sales

The Board of Directors of Sabaf SpA met today in Ospitaletto to approve the third-quarter interim report as at September 30th 2005, prepared under IAS/IFRS. The prior year comparative figures have been prepared using the same standards.

Results for 3rd quarter 2005

After two quarters in decline, the Sabaf Group has managed to boost its sales and profits in the third quarter of 2005 (3Q05).

Sales revenues amounted to € 28.3 million (mn) in the period, an improvement of 3.4% on the figure of € 27.4 mn in 3Q04. The strategic agreements made with Turkish and North American manufacturers made a significant contribution to this recovery. More specifically, sales in Turkey increased 136% on 3Q04 to € 3.4 mn (12% of the total). Sales also recovered on the Italian market with double-digit growth, bearing witness to the excellent competitiveness of many domestic producers in an international context that continues to be generally weak. Certain specific markets outside Europe (particularly Colombia and South Korea) continued to be extremely sluggish - like in previous quarters - affecting the overall results for the period. The breakdown of sales between the various product lines does not report any particularly significant variances.

EBITDA for the period amounted to € 7.9 mn, staying basically in line with the figure of € 7.8 mn reported in 3Q04. The EBITDA margin was 28.0% of sales. EBIT for the quarter was € 5.2 mn (up by 2.8% vs. € 5.0 mn in 3Q04). The EBIT margin for the quarter was 18.2% of sales. Consolidated net profit totalled € 3.0 mn, up 4.4% vs. € 2.9 mn in 3Q04. Although margins for the period continued to be high, they have not yet benefited from the improved competitiveness guaranteed in the future by the new generation of lightweight alloy valves. In fact, production is still in its start-up phase and will be optimised and increasingly automated over coming months.

Results for first nine months of 2005

The first nine months of 2005 (9M05) closed with sales revenues of € 87.6 mn, down 4.5% on the same period in 2004. EBITDA was 6.5% down on 9M04 at € 24.6 mn, representing 28.1% of sales. EBIT was 9.2% lower at € 16.6 mn, while net profit was 5.4% down on the same period of last year at €10.0 mn.





Net financial debt and investments

The balance sheet at September 30th 2005 reported € 85.0 mn in consolidated equity and € 13.1 mn in net financial debt (€ 81.6 mn and € 19.8 mn at June 30th 2005). Investments in the quarter amounted to € 1.4 mn (€ 7.4 mn in the first nine months of 2005).

Forecasts for the current year

The excellent sales performance in October (€ 11.9 mn, +12% on October 2004) and the order book for November and December will make it possible for full-year sales to stay in line with those of 2004 (€ 120.5 mn). The increased level of activity should help improve margins relative to the first nine months of the year and confirm earnings in line with those of last year.

Forecasts for 2006

In view of the supply agreements made and the considerable interest expressed by its core markets in the new valve and burner models, management believes that it will be possible to increase sales in 2006 by at least 10% on 2005. The larger volume of sales, combined with a better distribution of the customer portfolio, should help raise the EBIT margin to between 19% and 20% of sales.

These forecasts assume that no unpredictable events alter the economic situation. If the economic situation were to undergo significant changes, the actual results could differ from forecasts.

The quarterly results will be presented to the financial community at 2.30 pm CET today, November 14th 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 39400100
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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 kitchen and domestic gas cooking appliances.

Its product range 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 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.

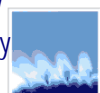
The Sabaf Group has some 500 employees. It operates via the direct parent company SABAF SpA and the subsidiaries Faringosi-Hinges – leader in the production of oven and dishwasher hinges – and Sabaf do Brasil – active in production of burners for the Latin American market. Sabaf is also present in the 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.



Consolidated Balance Sheet

(€ '000)	30.09.2005	30.06.2005	31.12.2004
ASSETS			
NON-CURRENT ASSETS			
Tangible assets (property, plant, and equipment)	77,951	79,486	78,758
Intangible assets	7,570	7,479	7,329
Equity investments	47	47	47
Non-current receivables	581	570	208
Deferred tax assets (prepaid taxes)	1,190	1,249	1,324
Total non-current assets	87,339	88,831	87,666
CURRENT ASSETS			
Inventories	16,020	14,823	15,846
Trade receivables	33,961	35,219	31,255
Tax receivables	975	327	298
Other current receivables	648	826	284
Current financial assets	156	92	234
Cash and cash equivalents	13,358	7,013	9,607
Total current assets	65,118	58,300	57,524
TOTAL ASSETS	152,457	147,131	145,190
EQUITY & LIABILITIES			
EQUITY			
Share capital	11,333	11,333	11,333
Retained earnings, other reserves	63,760	63,402	55,682
Net profit for period	9,956	6,906	12,950
Total equity attributable to group parent company	85,049	81,641	79,965
Minority interests	0	0	0
Total equity	85,049	81,641	79,965
NON-CURRENT LIABILITIES			
Loans	22,035	22,494	24,287
Employee severance indemnity and retirement reserves	3,662	3,609	3,467
Reserves for risks and contingencies	1,494	1,721	2,251
Deferred taxes	8,072	7,684	7,414
Total non-current liabilities	35,263	35,508	37,419
CURRENT LIABILITIES			
Loans	4,461	4,305	3,199
Trade payables	20,276	19,732	19,291
Tax payables	2,861	1,234	1,979
Other payables	4,547	4,711	3,337
Total current liabilities	32,145	29,982	27,806
TOTAL LIABILITIES & EQUITY	152,457	147,131	145,190



Consolidated Income Statement

(€ '000)	3Q05		3Q04		9M05		9M04	
CONTINUING OPERATIONS								
OPERATING REVENUES AND INCOME								
Revenues	28,345	100.0%	27,400	100.0%	87,617	100.0%	91,701	100.0%
Other income	353	1.2%	283	1.0%	764	0.9%	468	0.5%
Total operating revenues and income	28,698	101.2%	27,683	101.0%	88,381	100.9%	92,169	100.5%
OPERATING COSTS								
Materials	(12,208)	-43.0%	(10,526)	-38.4%	(34,288)	-39.1%	(36,764)	-40.1%
Change in inventories	1,148	4.1%	352	1.3%	57	0.1%	2,386	2.6%
Services	(4,792)	-16.9%	(4,824)	-17.6%	(14,419)	-16.5%	(15,955)	-17.4%
Payroll costs	(4,993)	-17.6%	(4,626)	-16.9%	(15,400)	-17.6%	(15,313)	-16.7%
Other operating costs	(88)	-0.3%	(400)	-1.4%	(416)	-0.5%	(872)	-0.9%
Costs for capitalised in-house work	170	0.6%	149	0.5%	669	0.8%	637	0.7%
Total operating costs	(20,763)	-73.2%	(19,875)	-72.5%	(63,797)	-72.8%	(65,881)	-71.8%
OPERATING PROFIT BEFORE DEPRECIATION & AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)								
	7,935	28.0%	7,808	28.5%	24,584	28.1%	26,288	28.7%
Depreciation and amortisation	(2,799)	-9.9%	(2,794)	-10.2%	(8,134)	-9.3%	(8,064)	-8.8%
Capital gains/(losses) on disposal of non-current assets	16	0.1%	(1)	0.0%	155	0.1%	29	0.0%
Write-downs/write-backs of non-current assets	0	0.0%	0	0.0%	(25)	0.0%	0	0.0%
OPERATING PROFIT (EBIT)								
	5,152	18.2%	5,013	18.3%	16,580	18.9%	18,253	19.9%
Financial income	48	0.2%	23	0.1%	165	0.2%	83	0.1%
Financial expenses	(249)	-0.9%	(185)	-0.7%	(654)	-0.8%	(713)	-0.8%
Foreign exchange gains/(losses)	11	0.0%	91	0.3%	507	0.6%	101	0.1%
Profits and losses from equity investments	0	0.0%	0	0.0%	0	0.0%	0	0.0%
PRE-TAX PROFIT								
	4,962	17.5%	4,942	18.0%	16,598	18.9%	17,724	19.3%
Income tax	(1,912)	-6.7%	(1,961)	-7.1%	(6,642)	-7.5%	(7,186)	-7.8%
Minority interests	0	0.0%	(60)	-0.2%	0	0.0%	(16)	0.0%
NET PROFIT FOR PERIOD								
	3,050	10.8%	2,921	10.7%	9,956	11.4%	10,522	11.5%



Consolidated Cash Flow Statement

(€ '000)	3Q05	3Q04	9M05	9M04
OPENING NET FINANCIAL DEBT	(19,786)	(22,006)	(17,879)	(20,079)
of which:				
<i>OPENING NET M/L TERM FINANCIAL DEBT</i>	<i>(22,494)</i>	<i>(24,556)</i>	<i>(24,287)</i>	<i>(22,422)</i>
OPENING NET SHORT-TERM FINANCIAL POSITION	2,708	2,550	6,408	2,343
Net profit for the period before minority interests	3,050	2,981	9,956	10,538
Depreciation and amortisation	2,799	2,794	8,134	8,064
Other non-monetary items	282	573	100	834
Change in net working capital	1,598	(158)	(844)	3,395
Operating cash flow	7,729	6,190	17,346	22,831
Net investment	(1,419)	(2,771)	(7,438)	(17,219)
Change in financing activities and non-current loans	(534)	1,220	(2,547)	3,336
Dividend distribution	0	0	(5,434)	(4,528)
Other changes in equity	413	208	562	634
CASH FLOW DURING THE PERIOD	6,189	4,847	2,489	5,054
NET SHORT-TERM FINANCIAL POSITION	8,897	7,397	8,897	7,397
<i>CLOSING NET M/L TERM FINANCIAL DEBT</i>	<i>(22,035)</i>	<i>(25,962)</i>	<i>(22,035)</i>	<i>(25,962)</i>
CLOSING NET FINANCIAL DEBT	(13,138)	(18,565)	(13,138)	(18,565)

