

Press release

Ospitaletto, 14 February 2006

## SABAF: 4Q05 RESULTS APPROVED

- Revenues €33.4 mn (+15.9%); EBITDA €9.8 mn (+26.9%); EBIT €6.9 mn (+38.6%); net profit €4 mn (+64.7%)
- For FY 2005: revenues €121 mn (+0.4%); EBITDA €34.3 mn (+1.1%); EBIT €23.5 mn (+1.0%) and net profit €14 mn (+7.8%)
- Net debt at 31 December 2005 €8.9 mn (€13.1 mn at 30 September)
- Forecasts for 2006 confirmed: revenues up at least 10%, EBIT 19%-20% of sales

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The Board of Directors of Sabaf S.p.A. met today in Ospitaletto to approve the quarterly report at 31 December 2005, prepared according to IAS/IFRS. Comparative figures were also determined on the basis of those standards.

During the fourth quarter of 2005 the Sabaf Group achieved record sales and profits, thanks to recent commercial agreements, the growing contribution of new products and the strong upswing in the domestic market. The excellent 4Q results more than compensated for the decline in sales and margins during the first nine months, allowing the group to close an especially hard year for the sector with progress on every front.

### 4Q05 results

In the period in question, sales revenues totalled €33.4 million, growing by +15.9% vs. €28.8 million in the fourth quarter of 2004. In addition to superb sales growth in Italy (+17.8%), revenues soared in Turkey (+70% to €2.7 million), a market Sabaf views as strategically significant for the medium term. Results were also excellent in North America, Latin America (thanks to increased business at the Brazilian plant), and North Africa. All product families enjoyed double-digit sales growth compared with 4Q04, partly as a result of how new product lines drive sales of more traditional goods.

EBITDA for the period was €9.8 million (29.2% of revenues), up from €7.7 million for the fourth quarter of the previous year (+26.9%). EBIT for the quarter came to €6.9 million, or 20.6% of revenues, an increase of 38.6% on corresponding EBIT in 2004 of €5 million. The pre-tax profit amounted to €4 million, up from €2.4 million in 4Q04, showing 64.7% growth. Margins benefitted from higher business volumes and thus the greater use of operating leverage.

### Results for full-year 2005

The year closed with revenues of €121 million, an increase of 0.4% on 2004. EBITDA was €34.3 million (28.4% of sales, +1.1%), EBIT €23.5 million (19.4% of revenues, +1.0%), and the net profit €14 million, compared with €12.9 million the previous year (+7.8%).



### Net debt and capital investments

At 31 December 2005 the balance sheet showed consolidated net equity of €90.8 million and net debt of €8.9 million (respectively €85.0 million and €13.1 million at 30 September 2005). Investments amounted to €1.8 million in the fourth quarter and €9.3 million for all of 2005.

*"Results for 2005 and a brilliant fourth-quarter performance prove Sabaf's mastery of all its activities along a complex value chain," comments Angelo Bettinzoli, CEO of Sabaf S.p.A. "Once again, the components of the business have worked synergistically to achieve better and better results. Our industrial strategies—geared toward developing products with even more sophisticated process technology—and our commercial strategies—to extend our reach abroad and improve the customer mix—provide a solid basis for further improvement in coming years."*

### Outlook for 2006

For 2006, management confirms its forecasts of at least 10% revenue growth with respect to 2005 and EBIT of 19-20% of sales. Those figures are backed by supply agreements in force and by the considerable interest shown by all markets in Sabaf's new models of burners and valves.

This hypothesis is based on a macro economic scenario that is not affected by unforeseen events. If the economic situation were instead to change significantly, actual figures might diverge from forecasts.

### Attached: consolidated financial statements

For further information:

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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 built-in hobs and ovens and aligned with the specific characteristics of its core markets – are Sabaf's key strengths in a sector featuring major specialization, constantly evolving demand and an ever-increasing orientation towards products assuring total reliability and safety.

The Sabaf Group has a workforce of about 500 at the parent company Sabaf S.p.A. and at its two subsidiaries, Faringosi-Hinges (a leading maker of hinges for ovens and dishwashers) and Sabaf do Brasil (a producer of burners for the South American market). Sabaf also does business in China through a representative office in Shanghai.

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



## Consolidated balance sheet

(€ '000)	31.12.05	30.09.05	31.12.04
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Tangible fixed assets	76,830	77,951	78,758
Intangible assets	7,659	7,570	7,329
Equity investments	32	47	47
Non-current receivables	541	581	208
Deferred tax assets (prepaid taxes)	1,152	1,190	1,324
Total non-current assets	86,214	87,339	87,666
<b>CURRENT ASSETS</b>			
Inventories	15,709	16,020	15,846
Trade receivables	36,064	33,961	31,255
Tax receivables	1,533	975	298
Other current receivables	563	648	284
Current financial assets	2,818	156	234
Cash and cash equivalents	12,535	13,358	9,607
Total current assets	69,222	65,118	57,524
<b>TOTAL ASSETS</b>	<b>155,436</b>	<b>152,457</b>	<b>145,190</b>
<b>NET EQUITY AND LIABILITIES</b>			
<b>NET SHAREHOLDERS' EQUITY</b>			
Share capital	11,333	11,333	11,333
Retained earnings, other reserves	65,481	63,760	55,682
Net profit for the year	13,953	9,956	12,950
Total equity attributable to group parent company	90,767	85,049	79,965
Minority interests	0	0	0
Total shareholders' equity	90,767	85,049	79,965
<b>NON-CURRENT LIABILITIES</b>			
Loans	18,101	22,035	24,287
Employee severance indemnity and retirement reserves	3,802	3,662	3,467
Reserves for risks and contingencies	1,478	1,494	2,251
Deferred tax liabilities	9,602	8,072	7,414
Total non-current liabilities	32,983	35,263	37,419
<b>CURRENT LIABILITIES</b>			
Loans	3,362	4,461	3,199
Trade payables	23,177	20,276	19,291
Tax payables	769	2,861	1,979
Other payables	4,378	4,547	3,337
Total current liabilities	31,686	32,145	27,806
<b>TOTAL LIABILITIES &amp; NET EQUITY</b>	<b>155,436</b>	<b>152,457</b>	<b>145,190</b>



## Consolidated income statement

(€ '000)	4th quarter 2005		4th quarter 2004		12 months 2005		12 months 2004	
<b>CONTINUING OPERATIONS</b>								
<b>OPERATING REVENUES AND INCOME</b>								
Revenues	33,397	100.0%	28,826	100.0%	121,014	100.0%	120,527	100.0%
Other operating income	147	0.4%	118	0.4%	911	0.8%	586	0.5%
<b>Total operating revenues and income</b>	<b>33,544</b>	<b>100.4%</b>	<b>28,944</b>	<b>100.4%</b>	<b>121,925</b>	<b>100.8%</b>	<b>121,113</b>	<b>100.5%</b>
<b>OPERATING COSTS</b>								
Materials	(12,434)	-37.2%	(10,230)	-35.5%	(46,722)	-38.6%	(46,994)	-39.0%
Change in inventories	(292)	-0.9%	(1,210)	-4.2%	(235)	-0.2%	1,176	1.0%
Services	(5,624)	-16.8%	(4,956)	-17.2%	(20,043)	-16.6%	(20,911)	-17.3%
Payroll costs	(5,600)	-16.8%	(4,995)	-17.3%	(21,000)	-17.4%	(20,308)	-16.8%
Other operating costs	(124)	-0.4%	(183)	-0.6%	(540)	-0.4%	(1,055)	-0.9%
Costs for capitalised in-house work	285	0.9%	319	1.1%	954	0.8%	956	0.8%
<b>Total operating costs</b>	<b>(23,789)</b>	<b>-71.2%</b>	<b>(21,255)</b>	<b>-73.7%</b>	<b>(87,586)</b>	<b>-72.4%</b>	<b>(87,136)</b>	<b>-72.3%</b>
<b>OPERATING PROFIT BEFORE DEPRECIATION &amp; AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)</b>								
	<b>9,755</b>	<b>29.2%</b>	<b>7,689</b>	<b>26.7%</b>	<b>34,339</b>	<b>28.4%</b>	<b>33,977</b>	<b>28.2%</b>
Depreciation and amortisation	(2,872)	-8.6%	(2,751)	-9.5%	(11,006)	-9.1%	(10,815)	-9.0%
Capital gains/(losses) on disposal of non-current assets	(29)	-0.1%	27	0.1%	126	0.1%	56	0.0%
Write-downs/write-backs of non-current assets	25	0.1%	0	0.0%	0	0.0%	0	0.0%
<b>OPERATING PROFIT (EBIT)</b>								
	<b>6,879</b>	<b>20.6%</b>	<b>4,965</b>	<b>17.2%</b>	<b>23,459</b>	<b>19.4%</b>	<b>23,218</b>	<b>19.3%</b>
Financial income	86	0.2%	50	0.2%	251	0.2%	133	0.1%
Financial expenses	(450)	-1.3%	(234)	-0.8%	(1,104)	-0.9%	(947)	-0.8%
Foreign exchange gains/(losses)	28	0.1%	(184)	-0.6%	535	0.4%	(83)	-0.1%
Profits and losses from equity investments	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>PRE-TAX PROFIT</b>								
	<b>6,543</b>	<b>19.6%</b>	<b>4,597</b>	<b>15.9%</b>	<b>23,141</b>	<b>19.1%</b>	<b>22,321</b>	<b>18.5%</b>
Income taxes	(2,546)	-7.6%	(2,185)	-7.6%	(9,188)	-7.6%	(9,371)	-7.8%
Minority interests	0	0.0%	16	0.0%	0	0.0%	0	0.0%
<b>NET PROFIT FOR THE PERIOD</b>								
	<b>3,997</b>	<b>12.0%</b>	<b>2,428</b>	<b>8.4%</b>	<b>13,953</b>	<b>11.5%</b>	<b>12,950</b>	<b>10.7%</b>



## Consolidated cash flow statement

(€ '000)	4th quarter 2005	4th quarter 2004	12 months 2005	12 months 2004
<b>OPENING NET DEBT</b>	<b>(13,138)</b>	<b>(18,563)</b>	<b>(17,879)</b>	<b>(20,077)</b>
of which:				
<i>OPENING NET LONG-TERM FINANCIAL POSITION</i>	<i>(22,035)</i>	<i>(25,962)</i>	<i>(24,287)</i>	<i>(22,422)</i>
<i>OPENING NET SHORT-TERM FINANCIAL POSITION</i>	<i>8,897</i>	<i>7,399</i>	<i>6,408</i>	<i>2,345</i>
Net profit for the year before minority interests	3,997	2,412	13,953	12,950
Depreciation and amortisation	2,872	2,751	11,006	10,815
Other non-monetary items	1,696	574	1,796	1,408
Change in net working capital	(1,625)	(2,388)	(2,469)	1,007
<b>Operating cash flow</b>	<b>6,940</b>	<b>3,349</b>	<b>24,286</b>	<b>26,180</b>
Investments, net	(1,829)	(2,863)	(9,267)	(20,082)
Change in financial assets and loans (non-current)	(6,556)	(1,376)	(9,103)	1,960
Dividend distribution	0	0	(5,434)	(4,528)
Other changes in net equity	1,721	(101)	2,283	533
<b>CASH FLOW FOR THE PERIOD</b>	<b>276</b>	<b>(991)</b>	<b>2,765</b>	<b>4,063</b>
<i>CLOSING NET SHORT-TERM FINANCIAL POSITION</i>	<i>9,173</i>	<i>6,408</i>	<i>9,173</i>	<i>6,408</i>
<i>CLOSING NET LONG-TERM FINANCIAL POSITION</i>	<i>(18,101)</i>	<i>(24,287)</i>	<i>(18,101)</i>	<i>(24,287)</i>
<b>CLOSING NET DEBT</b>	<b>(8,928)</b>	<b>(17,879)</b>	<b>(8,928)</b>	<b>(17,879)</b>

