

SABAF: SECOND QUARTER 2006 RESULTS APPROVED

- Q2 revenues € 35.7 million (+20.5%); EBITDA € 10.4 million (+26.9%); EBIT € 7.7 million (+37.9%); net profit € 4.3 million (+22.9%)
- H1 revenues € 69.9 million (+17.9%); EBITDA € 20.3 million (+21.8%); EBIT € 14.9 million (+30.6%); net profit € 8.5 million (+22.7%)
- Net financial debt € 5.3 million at 30 June 2006
- Forecast 2006 revised: sales expected to rise by 12-14%, EBIT between 20% and 21%
- Internal Organisational Model pursuant to Legislative Decree 231/2001 adopted

The Board of Directors of Sabaf S.p.A. met today in Ospitaletto to approve the quarterly report as at 30 June 2006.

During the second quarter of 2006, Sabaf Group stepped up the pace of growth posted in the first quarter. The commercial developments toward acquiring new customers and markets and introduction of innovative products were coupled with the positive economic performance of the reference market. The good performance of sales, optimization of the customer portfolio and the success met by new products have further contributed to improving profitability year over year and compared to the first quarter 2006.

Q2 2006 consolidated results

In the quarter in question, sales revenues totalled €35.7 million, marking a +20.5% increase vs. €29.6 million in the second quarter of 2005. All the main European markets, except for Poland, reported improvements in sales. Turkey confirmed as a key player in the second quarter, reporting a 61% rise in sales to €2.7 million. Sabaf considers it a strategic market in the medium term. International sales are gaining importance, as revenues on non-European markets exceeded 23% of the total. Especially positive data was reported in North America and Africa, with a substantial upswing in Asia. In this latter geographic area, the Korean and Chinese markets bolstered past improvements in sales and major developments took place on the Middle Eastern markets. All the product families have contributed to the growth, but the highest increases were posted in simple valves and hinges, due to introduction of new products.

EBITDA for the period was €10.4 million (29.2% of revenues), up by 26.9% from the €8.2 million posted in the second quarter of 2005. EBIT for the quarter came to € 7.7 million, accounting for 21.5% of sales, up by 37.9% compared to € 5.6 million in the same quarter of 2005. Net profit amounted to € 4.3 million, up from € 3.5 million in Q2 2005, posting 22.9% growth.

Average sale prices did not post significant changes on 2005. In the second quarter, increases in the costs of commodities were largely mitigated by the hedge contracts signed, while higher levels of business made it possible to absorb fixed costs, especially depreciation.

H1 2006 consolidated results

In the first six months of 2006, revenues came to € 69.9 million, up by 17.9% compared to the same period in 2005; EBITDA was € 20.3 million (equal to 29.0% of sales, improving by 21.8%) EBIT reached €14.9 million, with an increase of 30.6% and net profit was € 8.5 million (+22.7% vs. H1 2005).





Net debt and capital investments

At 30 June 2006, the balance sheet showed consolidated equity of € 94.3 million and net debt of € 5.3 million (respectively € 90.8 million and € 8.9 million as at 31 December 2005).

Investments in the second quarter came to € 4.8 million (€ 7.8 million in the first half of the year).

Outlook for 2006

The results of the first half and the positive market response to its products have led Sabaf to revise its forecasts for the year 2006. Directors expect sales to increase by between 12% and 14% and EBIT margin to be between 20% and 21% of sales (previous forecasts expected sales to increase by at least 10% and EBIT between 19% and 20%). These targets assume a macroeconomic scenario not affected by unpredictable events. If the economic situation were to change significantly, actual figures might diverge from forecasts.

The results will be announced to the financial community at 2.30 pm CET today, 2 August 2006, during a conference call (call +39 802 09 11 a few minutes before the conference is due to start).

Adoption of Internal Organisational Model pursuant to Legislative Decree 231/2001

The Board of Directors approved the adoption of the Internal Organisational Model pursuant to Legislative Decree 231/2001 and appointed the Supervisory Body.

Attachments: consolidated financial statements

For further information:

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Founded in the early 1950s, SABAF has grown consistently over the years to become the key manufacturer in Italy – and one of the leading in the world – of components for kitchens and domestic gas cooking appliances.

Its product offering features four main lines: valves, thermostats and burners for gas cooking appliances and hinges for ovens, washing machines and dishwashers.

Unparalleled technological expertise, manufacturing flexibility, and the ability to offer a vast range of components – tailor-made to meet the requirements of individual manufacturers of cookers and built-in hobs and ovens and in line 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 employs some 500 employees and operates via the parent company SABAF S.p.A. and its subsidiaries Faringosi- Hinges – leader in oven and washing-machine hinge production – and Sabaf do Brasil – active in production of burners for the South 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)	30/06/2006	31/03/2006	31/12/2005
ASSETS			
NON-CURRENT ASSETS			
Tangible assets (property, plant & equipment)	79,009	77,059	76,830
Intangible assets	7,859	7,779	7,659
Equity investments	116	116	32
Non-current receivables	558	526	541
Deferred tax assets (prepaid taxes)	1,450	1,167	1,152
Total non-current assets	88,992	86,647	86,214
CURRENT ASSETS			
Inventories	20,084	17,787	15,709
Trade receivables	38,215	35,172	36,064
Tax receivables	672	403	1,533
Other current receivables	631	870	563
Current financial assets	5,768	3,853	2,818
Cash and cash equivalents	14,482	19,907	12,535
Total current assets	79,852	77,992	69,222
TOTAL ASSETS	168,844	164,639	155,436
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11,333	11,333	11,333
Retained earnings, other reserves	74,527	73,496	65,481
Net profit for period	8,472	4,159	13,953
Total equity attributable to group parent company	94,332	88,988	90,767
Minority interests	0	0	0
Total shareholders' equity	94,332	88,988	90,767
NON-CURRENT LIABILITIES			
Financing	16,527	17,777	18,101
Post-employment benefit obligations and retirement reserves	3,827	3,786	3,802
Reserves for risks and contingencies	1,763	1,501	1,478
Deferred tax liabilities	10,990	10,113	9,602
Total non-current liabilities	33,107	33,177	32,983
CURRENT LIABILITIES			
Loans	3,214	3,374	3,362
Trade payables	29,628	25,224	23,177
Tax payables	3,188	2,612	769
Unclaimed dividends	0	6,792	0
Other liabilities	5,375	4,472	4,378
Total current liabilities	41,405	42,474	31,686
TOTAL LIABILITIES & EQUITY	168,844	164,639	155,436



Consolidated Income Statement

	Q2 2006		Q2 2005		H1 2006		H1 2005	
<i>(€ '000)</i>								
CONTINUING OPERATIONS								
OPERATING REVENUES AND INCOME								
Revenues	35,686	100.0%	29,607	100.0%	69,856	100.0%	59,272	100.0%
Other operating income	125	0.4%	245	0.8%	275	0.4%	411	0.7%
Total operating revenues and income	35,811	100.4%	29,852	100.8%	70,131	100.4%	59,683	100.7%
OPERATING COSTS								
Materials	(15,166)	-42.5%	(11,034)	-37.3%	(29,498)	-42.2%	(22,080)	-37.3%
Change in inventories	2,345	6.6%	(560)	-1.9%	4,393	6.3%	(1,091)	-1.8%
Services	(6,057)	-17.0%	(4,767)	-16.1%	(12,023)	-17.2%	(9,627)	-16.2%
Payroll costs	(6,260)	-17.5%	(5,290)	-17.9%	(12,515)	-17.9%	(10,407)	-17.6%
Other operating costs	(447)	-1.3%	(217)	-0.7%	(620)	-0.9%	(328)	-0.6%
Costs for capitalised in-house work	211	0.6%	243	0.8%	414	0.6%	499	0.8%
Total operating cost	(25,374)	-71.1%	(21,625)	-73.0%	(49,849)	-71.4%	(43,034)	-72.6%
OPERATING PROFIT BEFORE DEPRECIATION & AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)								
	10,437	29.2%	8,227	27.8%	20,282	29.0%	16,649	28.1%
Depreciation and amortization	(2,756)	-7.7%	(2,701)	-9.1%	(5,366)	-7.7%	(5,335)	-9.0%
Capital gains/(losses) on disposal of non-current assets	9	0.0%	50	0.2%	11	0.0%	139	0.2%
Write-downs/write-backs of non-current assets	0	0.0%	0	0.0%	0	0.0%	(25)	0.0%
OPERATING PROFIT (EBIT)								
	7,690	21.5%	5,576	18.8%	14,927	21.4%	11,428	19.3%
Finance income	101	0.3%	67	0.2%	175	0.3%	117	0.2%
Finance expense	(299)	-0.8%	(206)	-0.7%	(579)	-0.8%	(405)	-0.7%
Foreign exchange gains/(losses)	(127)	-0.4%	370	1.2%	(203)	-0.3%	496	0.8%
Profits and losses from equity investments	0		0		0		0	
PRE-TAX PROFIT								
	7,365	20.6%	5,807	19.6%	14,320	20.5%	11,636	19.6%
Income tax	(3,052)	-8.6%	(2,298)	-7.8%	(5,848)	-8.4%	(4,730)	-8.0%
Minority interests	0	0.0%	0	0.0%	0	0.0%	0	0.0%
NET PROFIT FOR PERIOD								
	4,313	12.1%	3,509	11.9%	8,472	12.1%	6,906	11.7%

Consolidated Cash Flow Statement

	Q2 2006	Q2 2005	H1 2006	H1 2005
OPENING NET DEBT	(1,244)	(14,032)	(8,928)	(17,879)
of which:				
<i>OPENING NET LONG-TERM FINANCIAL POSITION</i>	(17,777)	(24,751)	(18,101)	(24,287)
<i>OPENING NET SHORT-TERM FINANCIAL POSITION</i>	16,533	10,719	9,173	6,408
Net profit for the year before minority interests	4,313	3,509	8,472	6,906
Depreciation and amortization	2,756	2,701	5,366	5,335
Other non-monetary items	888	(172)	1,389	(182)
Change in net working capital	513	(2,365)	4,134	(2,442)
Operating cash flow	8,470	3,673	19,361	9,617
Investments, net	(4,777)	(4,317)	(7,818)	(6,019)
Change in financial assets and loans (non-current)	(3,197)	(2,099)	(4,541)	(2,013)
Distribution of dividends	(6,792)	(5,434)	(6,792)	(5,434)
Other changes in equity	1,031	166	1,885	149
CASH FLOW FOR THE PERIOD	(5,265)	(8,011)	2,095	(3,700)
<i>CLOSING NET SHORT-TERM FINANCIAL POSITION</i>	11,268	2,708	11,268	2,708
<i>CLOSING NET LONG-TERM FINANCIAL POSITION</i>	(16,527)	(22,494)	(16,527)	(22,494)
CLOSING NET DEBT	(5,259)	(19,786)	(5,259)	(19,786)

