Press release Ospitaletto, 13 November 2006

SABAF: THIRD QUARTER 2006 RESULTS APPROVED

- 3Q 2006 revenues €32.5 million (+14.8%); EBITDA €9.1 million (+15%); EBIT €6.2 million (+20.5%); net profit €3.7 million (+20%)
- 9M 2006 revenues €102.4 million (+16.9%); EBITDA €29.4 million (+19.6%); EBIT €21.1 (+27.5%); net profit €12.1 million (+21.9%)
- Outlook for 2006: sales to increase by 14%, EBIT between 20% and 21%
- Preliminary indications for 2007: sales to increase by more than 10%, EBIT% to be slightly lower
- Collaboration agreement with Nardi Elettrodomestici for the three-year period 2007 - 2009

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

During the third quarter of 2006, Sabaf Group confirmed the positive operating developments seen in the first six months of the year. In an economic climate that continues to be favourable, the double-digit growth in sales guaranteed the acceleration of commercial developments, in particular in non-European markets. Profits for the third quarter of 2006 remained higher than those for the same period in 2005.

3Q 2006 consolidated results

In 3Q 2006, sales revenues totalled €32.5 million, marking a +14.8% increase vs. €28.3 million in the third quarter of 2005. As regards sales, while the Italian market has remained buoyant (+7%), sales in the other main European markets, and on the Polish market in particular, showed a downturn compared to the third quarter of 2005. The Group continued to make progress in Turkey (sales of €3.7 million in the quarter, i.e. 11.5% of total sales, an increase of 10% over 3Q 2005 and 36% over 2Q 2006). However, the best results were achieved internationally: sales in non-European markets reached €8 million, more than double those of third quarter 2005, and, again, also in this quarter, growth was more sustained in the Middle East, North Africa and Latin America.

EBITDA for the quarter came to €9.1 million, (28.1% of revenues), up by 15% from the €7.9 million posted in the third quarter of 2005. EBIT for the quarter was €6.2 million, accounting for 19.1% of sales, up by 20.5% compared to €5.2 million in the same quarter of 2005. Net profit amounted to €3.7 million, up from €3.0 million in 3Q 2005, an increase of 20%.

Average sale prices did not post significant changes on 2005, while increases in the costs of commodities were largely mitigated by the hedge contracts signed.

9M 2006 consolidated results

In the first nine months of 2006, revenues came to €102.4 million, up by 16.9% compared to the same period in 2005; EBITDA was €29.4 million (or 28.7% of sales, an improvement of 19.6%), EBIT reached €21.1 million, increasing by 27.5% and net profit was €12.1 million (+21.9% vs. the first nine months of 2005).

Net financial position and capital investments

At 30 September 2006 the balance sheet showed consolidated equity of €99.1 million and a positive net financial position of €2.4 million (equity of €90.8 million and net debt of €8.9 million at 31 December 2005). Investments of the third quarter 2006 were equal to approximately €2.6 million (€10.4 million in the first nine months of the year).

Outlook for 2006

For FY2006 as a whole, the directors expect sales to increase by approximately 14% and EBIT margin to be between 20% and 21% of sales (the previous forecasts expected sales to increase by between 12% and 14% and EBIT to be between 20% and 21%).

Preliminary indications for 2007

Key commercial negotiations for next year are currently underway; as a consequence, the directors do not yet have all the information needed to formulate accurate forecasts for 2007. Based on the data currently available, in 2007 the directors predict sales will post an increase similar to 2006. They also believe that high price rises in commodities will, mostly but not entirely, be transferred onto sale prices in 2007. Therefore, EBIT% in 2007 is expected to be slightly lower than that in 2006.

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.

Partnership with Nardi Elettrodomestici

Sabaf has signed an agreement with Nardi Elettrodomestici S.p.A. to supply it with 100% of its requirements in terms of burners, valves and thermostats for the three-year period 2007 – 2009. The total value of the agreement for the whole period is estimated to be in the region of €12 million to €13.5 million (against sales of around €2.8 million in 2006). With this agreement Sabaf and Nardi Elettrodomestici intend to put in place a strategic partnership aimed at continually improving the competitiveness of the final product. They hope to do so by progressively enhancing the quality of the services and products and thanks to Sabaf's skill in developing new components to meet the technical and aesthetic requirements of Nardi Elettrodomestici. "*The agreement has particular strategic importance for Sabaf both because of Nardi Elettrodomestici's high industrial and commercial profile, and because it enables us to consolidate our market share*" declared Angelo Bettinzoli, Chief Executive Officer of Sabaf S.p.A.

The results will be announced to the financial community at 2.15 pm CET today, 13 November 2006, during a conference call (call +39 (0)2 802 09 11 a few minutes before the conference is due to start).

Attachments: consolidated accounting schedules, not audited.

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 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 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)	30/09/2006	30/06/2006	31/12/2005
ASSETS			
NON-CURRENT ASSETS			
Tangible assets (property, plant, and equipment)	78,641	79,009	76,830
Intangible assets	7,871	7,859	7,659
Equity investments	116	116	32
Non-current receivables	508	558	541
Deferred tax assets (prepaid taxes)	1.309	1,371	1,152
Total non-current assets	88,445	88,913	86,214
CURRENT ASSETS			
Inventories	21,309	20,084	15,709
Trade receivables	35,407	38,215	36,064
Tax receivables	1,063	672	1,533
Other current receivables	538	631	563
Current financial assets	2,450	5.768	2,818
Cash and cash equivalents	21,880	14,482	12,535
Total current assets	82,647	79,852	69,222
TOTAL ASSETS	171,092	168,765	155,436
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11,533	11,333	11,333
Retained earnings, other reserves	75,427	74,527	65,481
Net profit for period	12,134	8,472	13,953
Total equity attributable to group parent company	*99,094*	*94,332*	*90,767*
Minority interest	*0*	*0*	*0*
Total equity	99,094	94,332	90,767
NON-CURRENT LIABILITIES			
Borrowing	16,179	16,527	18,101
Post-employment benefit obligations and retirement reserves	3,945	3,827	3,802
Reserves for risks and contingencies	1,669	1,763	1,478
Deferred tax liabilities	9,831	11,048	9,602
Total non-current liabilities	31,624	33,165	32,983
CURRENT LIABILITIES			
Loans	3,309	3,214	3,362
Trade payables	26,758	29,628	23,177
Tax payables	5,376	3,051	769
Unclaimed dividends	0	0	0
Other liabilities	4,931	5,375	4,378
Total current liabilities	40,374	41,268	31,686
TOTAL LIABILITIES & EQUITY	171,092	168,765	155,436

Consolidated Income Statement

(€'000)	3Q 2006		3Q 2005		9M 2006		9M 2005	
CONTINUING OPERATIONS								
OPERATING REVENUES AND INCOME								
Revenues	32,527	*100.0%*	28,345	*100.0%*	102,383	*100.0%*	87,617	*100.0%*
Other operating income	368	*1.1%*	353	*1.2%*	643	*0.6%*	764	*0.9%*
Total operating revenues and income	32,895	*101.1%*	28,698	*101.2%*	103,026	*100.6%*	88,381	*100.9%*
OPERATING COSTS								
Materials	(13,827)	*-42.5%*	(12,208)	*-43.0%*	(43,325)	*-42.3%*	(34,288)	*-39.1%*
Change in inventories	1,214	*3.7%*	1,148	*4.1%*	5,607	*5.5%*	57	*0.1%*
Services	(5,649)	*-17.4%*	(4,792)	*-16.9%*	(17,672)	*-17.3%*	(14,419)	*-16.5%*
Payroll costs	(5,516)	*-17.0%*	(4,993)	*-17.6%*	(18,031)	*-17.6%*	(15,400)	*-17.6%*
Other operating costs	(149)	*-0.5%*	(88)	*-0.3%*	(769)	*-0.8%*	(416)	*-0.5%*
Costs for capitalised in-house work	158	*0.5%*	170	*0.6%*	572	*0.6%*	669	*0.8%*
Total operating cost	(23,769)	*-73.1%*	(20,763)	*-73.2%*	(73,618)	*-71.9%*	(63,797)	*-72.8%*
OPERATING PROFIT BEFORE DEPRECIATION & AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)	9,126	*28.1%*	7,935	*28.0%*	29,408	*28.7%*	24,584	*28.1%*
Depreciation and amortization	(2,938)	*-9.0%*	(2,799)	*-9.9%*	(8,304)	*-8.1%*	(8,134)	*-9.3%*
Capital gains/(losses) on disposal of non-current assets	22	*0.1%*	16	*0.1%*	33	*0.0%*	155	*0.1%*
Write-downs/write-backs of non-current assets	0	*0.0%*	0	*0.0%*	0	*0.0%*	(25)	*0.0%*
OPERATING PROFIT (EBIT)	6,210	*19.1%*	5,152	*18.2%*	21,137	*20.6%*	16,580	*18.9%*
Finance income	131	*0.4%*	48	*0.2%*	306	*0.3%*	165	*0.2%*
Finance expenses	(319)	*-1.0%*	(249)	*-0.9%*	(898)	*-0.9%*	(654)	*-0.8%*
Foreign-exchange gains/(losses)	10	*0.0%*	11	*0.0%*	(193)	*-0.2%*	507	*0.6%*
Profits and losses from equity investments	0	*0.0%*	0	*0.0%*	0	*0.0%*	0	*0.0%*
PRE-TAX PROFIT	6,032	*18.5%*	4,962	*17.5%*	20,352	*19.9%*	16,598	*18.9%*
Income tax	(2,370)	*-7.3%*	(1,912)	*-6.7%*	(8,218)	*-8.0%*	(6,642)	*-7.5%*
Minority interests	0	*0.0%*	0	*0.0%*	0	*0.0%*	0	*0.0%*
NET PROFIT FOR PERIOD	3,662	*11.3%*	3,050	*10.8%*	12,134	*11.9%*	9,956	*11.4%*

Consolidated Net Financial Position

	(€'000)	30/09/2006	30/06/2006	31/12/2005
A.	Cash	15	15	10
B.	Positive balances of non-binding bank current accounts	21,865	14,467	12,518
C.	Other liquidities	0	0	7
D.	Cash (A+B+C)	21,880	14,482	12,535
E.	Current bank overdrafts	0	0	36
F.	Current portion of the non-current debt	3,309	3,214	3,326
G.	Other current payables	0	0	0
H.	Current financial debt (E+F+G)	3,309	3,214	3,362
I.	Current net financial debt (H-D)	(18,571)	(11,268)	(9,173)
J.	Non-current bank payables	9,174	9,174	10,061
K.	Non-current financial debts	7,005	7,353	8,040
L.	Non-current financial debt (J+K)	16,179	16,527	18,101
M.	Net financial debt (L+I)	(2,392)	5,259	8,928

Consolidated Cash Flow Statement

(€'000)	3Q 2006	3Q 2005	9M 2006	9M 2005
OPENING NET SHORT-TERM FINANCIAL POSITION	*11,268*	*2,708*	*9,173*	*6,408*
Net profit for the year before minority interests	3,662	3,050	12,134	9,956
Depreciation and amortization	2,938	2,799	8,304	8,134
Other non-monetary items	(1,016)	282	373	100
Change in net working capital	159	1,598	4,293	(844)
Operating cash flow	5,743	7,729	25,104	17,346
Investments, net	(2,560)	(1,419)	(10,378)	(7,438)
Change in financial assets and loans (non-current)	3,020	(534)	(1,521)	(2,547)
Distribution of dividends	0	0	(6,792)	(5,434)
Other changes in equity	1,100	413	2,985	562
CASH FLOW FOR THE PERIOD	7,303	6,189	9,398	2,489
CLOSING NET SHORT-TERM FINANCIAL POSITION	*18,571*	*8,897*	*18,571*	*8,897*