

Press release

Ospitaletto, 13 February 2007

## SABAF: FOURTH QUARTER 2006 RESULTS APPROVED

- 4Q revenues €35.9 million (+7.4%); EBITDA €9.8 million (+0.7%); EBIT €7.1 million (+3.3%); net profit €3.9 million (-0.1%)
- FY2006 revenues €138.3 million (+14.3%); EBITDA €39.2 million (+14.2%); EBIT €28.2 million (+20.4%); net profit €16.1 million (+15.2%)
- Net debt €11.4 million at 31 December 2006 (€8.9 million at 31 December 2005)
- Outlook for 2007: sales to increase by about 15%, EBIT 19% of sales

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The Board of Directors of Sabaf S.p.A. met today in Ospitaletto to approve the quarterly report as at 31 December 2006.

During the fourth quarter of 2006, the Sabaf Group confirmed the positive business performance which characterized the whole financial year. In an economic climate that continues to be favourable, the commercial agreements signed in Italy and the non-European markets, along with a portfolio of extremely innovative products, have contributed to continuing growth.

### *4Q 2006 consolidated results*

In the period in question, sales revenues totalled €35.9 million, growing by +7.4% vs. €33.4 million in the fourth quarter of 2005, making for a particularly positive result. The Italian market remained buoyant in the last quarter (+14% compared to the same period in 2005), whilst other Western European markets had more limited progress, though they nevertheless registered moderate growth (+3% in the quarter). As a result of differing developments in commercial relationships, the important Polish and Turkish markets confirmed the contrasting trends highlighted in preceding months, with respective sales of €2.3 million (-29%) and €3.3 million (+25%). The fourth quarter also saw significant progress in sales on all non-European markets, with the exception of Asia.

The products which made the biggest contribution to growth in the quarter were simple valves (thanks to ever-increasing sales of light-alloy valves) and burners, while sales of thermostats and hinges showed a downturn.

Profits for the period were partly affected by the cost of launching production of light-alloy safety valves. In particular, high demand for light-alloy valves in 2007 meant that the process of setting up and converting production lines had to be accelerated.

EBITDA for the period was €9.8 million, i.e. 27.4% of sales, substantially unchanged with respect to the fourth quarter of 2005. EBIT for the quarter was €7.1 million, accounting for 19.8% of sales, up by 3.3% compared to €6.9 million in the same quarter of 2005. The pre-tax profit amounted to €3.9 million, up from €4.0 million in 4Q05.

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.





#### Results for full-year 2006

FY2006 closed with revenues of €138.3 million, up by 14.3% compared with FY2005, EBITDA was €39.2 million (28.4%, improving by 14.2%), EBIT reached €28.2 million (20.4% of sales, an increase of 20.4% on 2005) and net profit was €16.1 million (+15.2% compared with €14 million the previous year).

#### Net financial position and capital investments

At 31 December 2006 the balance sheet showed consolidated equity of €89.8 million and a positive net financial position of €11.4 million (equity of €90.8 million and net debt of €8.9 million at 31 December 2005).

Net investments equalled €5.1 million in the fourth quarter and €15.5 million for all of 2006 (€9 million for 2005).

#### Outlook for 2007

Based on the commercial agreements signed, in 2007 the directors predict sales will increase by more than 15%, with around half of that coming from the increase in average sales prices and the other half from higher volumes. They also believe that rises in sales prices will make it possible to recover most, but not all, of the higher costs for raw materials. In addition, the shift in production from brass valves to new, light-alloy models, will temporarily lead to additional costs, due to the need to duplicate some production services and the impossibility of guaranteeing full efficiency in the plants. EBIT in 2007 is expected to be around 19%.

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 3.00 pm CET today, 13 February 2007, during a conference call (call +39 802 09 11 a few minutes before the conference is due to start).

*Attached: consolidated accounting schedules, not independently 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 600 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)	31/12/2006	30/09/2006	31/12/2005
<b>ASSETS</b>			
NON-CURRENT ASSETS			
Tangible assets (property, plant, and equipment)	80,461	78,641	76,830
Intangible assets	8,359	7,871	7,659
Equity investments	192	116	32
Non-current receivables	504	508	541
Deferred tax assets (prepaid taxes)	825	1,309	1,152
<b>Total non-current assets</b>	<b>90,341</b>	<b>88,445</b>	<b>86,214</b>
CURRENT ASSETS			
Inventories	21,077	21,309	15,709
Trade receivables	38,804	35,407	36,064
Tax receivables	1,241	1,063	1,533
Other current receivables	399	538	563
Current financial assets	1	2,450	2,818
Cash and cash equivalents	10,278	21,880	12,535
<b>Total current assets</b>	<b>71,800</b>	<b>82,647</b>	<b>69,222</b>
<b>TOTAL ASSETS</b>	<b>162,141</b>	<b>171,092</b>	<b>155,436</b>
<b>EQUITY AND LIABILITIES</b>			
EQUITY			
Share capital	11,533	11,533	11,333
Retained earnings, other reserves	62,154	75,427	65,481
Net profit for period	16,078	12,134	13,953
<i>Total equity attributable to group parent company</i>	<i>89,765</i>	<i>99,094</i>	<i>90,767</i>
<i>Minority interest</i>	<i>0</i>	<i>0</i>	<i>0</i>
<b>Total shareholders' equity</b>	<b>89,765</b>	<b>99,094</b>	<b>90,767</b>
NON-CURRENT LIABILITIES			
Borrowing	14,920	16,179	18,101
Post-employment benefit obligations and retirement reserves	3,939	3,945	3,802
Reserves for risks and contingencies	1,070	1,669	1,478
Deferred tax liabilities	9,341	9,831	9,602
<b>Total non-current liabilities</b>	<b>29,270</b>	<b>31,624</b>	<b>32,983</b>
CURRENT LIABILITIES			
Loans	6,739	3,309	3,362
Trade payables	29,109	26,758	23,177
Tax payables	2,712	5,376	769
Unclaimed dividends	0	0	0
Other liabilities	4,546	4,931	4,378
<b>Total current liabilities</b>	<b>43,106</b>	<b>40,374</b>	<b>31,686</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>162,141</b>	<b>171,092</b>	<b>155,436</b>



## Consolidated Income Statement

	4Q 2006		4Q 2005		12M 2006		12M 2005	
<i>(€'000)</i>								
<b>CONTINUING OPERATIONS</b>								
OPERATING REVENUES AND INCOME								
Revenues	35,880	100.0%	33,397	100.0%	138,263	100.0%	121,014	100.0%
Other operating income	994	2.8%	147	0.4%	1,637	1.2%	911	0.8%
<b>Total operating revenues and income</b>	<b>36,874</b>	<b>102.8%</b>	<b>33,544</b>	<b>100.4%</b>	<b>139,900</b>	<b>101.2%</b>	<b>121,925</b>	<b>100.8%</b>
OPERATING COSTS								
Materials	(14,469)	-40.3%	(12,434)	-37.2%	(57,794)	-41.8%	(46,722)	-38.6%
Change in inventories	(197)	-0.5%	(292)	-0.9%	5,410	3.9%	(235)	-0.2%
Services	(6,444)	-18.0%	(5,624)	-16.8%	(24,116)	-17.4%	(20,043)	-16.6%
Payroll costs	(6,056)	-16.9%	(5,600)	-16.8%	(24,087)	-17.4%	(21,000)	-17.4%
Other operating costs	(128)	-0.4%	(124)	-0.4%	(897)	-0.6%	(540)	-0.4%
Costs for capitalised in-house work	242	0.7%	285	0.9%	814	0.6%	954	0.8%
<b>Total operating cost</b>	<b>(27,052)</b>	<b>-75.4%</b>	<b>(23,789)</b>	<b>-71.2%</b>	<b>(100,670)</b>	<b>-72.8%</b>	<b>(87,586)</b>	<b>-72.4%</b>
<b>OPERATING PROFIT BEFORE DEPRECIATION &amp; AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)</b>								
	<b>9,822</b>	<b>27.4%</b>	<b>9,755</b>	<b>29.2%</b>	<b>39,230</b>	<b>28.4%</b>	<b>34,339</b>	<b>28.4%</b>
Depreciation and amortization	(2,714)	-7.6%	(2,872)	-8.6%	(11,018)	-8.0%	(11,006)	-9.1%
Capital gains/(losses) on disposal of non-current assets	(4)	0.0%	(29)	-0.1%	29	0.0%	126	0.1%
Write-downs/write-backs of non-current assets	0	0.0%	25	0.1%	0	0.0%	0	0.0%
<b>OPERATING PROFIT (EBIT)</b>								
	<b>7,104</b>	<b>19.8%</b>	<b>6,879</b>	<b>20.6%</b>	<b>28,241</b>	<b>20.4%</b>	<b>23,459</b>	<b>19.4%</b>
Finance income	137	0.4%	86	0.2%	443	0.3%	251	0.2%
Finance expenses	(333)	-0.9%	(450)	-1.3%	(1,231)	-0.9%	(1,104)	-0.9%
Foreign-exchange gains/(losses)	(176)	-0.5%	28	0.1%	(369)	-0.3%	535	0.4%
Profits and losses from equity investments	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>PRE-TAX PROFIT</b>								
	<b>6,732</b>	<b>18.8%</b>	<b>6,543</b>	<b>19.6%</b>	<b>27,084</b>	<b>19.6%</b>	<b>23,141</b>	<b>19.1%</b>
Income tax	(2,788)	-7.8%	(2,546)	-7.6%	(11,006)	-8.0%	(9,188)	-7.6%
Minority interests	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>NET PROFIT FOR PERIOD</b>								
	<b>3,944</b>	<b>11.0%</b>	<b>3,997</b>	<b>12.0%</b>	<b>16,078</b>	<b>11.6%</b>	<b>13,953</b>	<b>11.5%</b>