Press release

Ospitaletto, 11 November 2008

# SABAF: THIRD QUARTER 2008 RESULTS APPROVED

- **Third quarter revenues €40.7 million (+4.7%); EBITDA €8.4 million (-9.5%); EBIT €5.3 million (-12.7%); net profit €3.6 million (+13.5%)**
- **9M revenues €129 million (+8.9%); EBITDA €27.1 million (-10.8%); EBIT €18.1 million (-16.4%); net profit €13.7 million (+14.6%)**
- **Forecast for 2008: revenues €168 million, EBIT margin 14-14.5%**

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The Board of Directors of Sabaf S.p.A. met today in Ospitaletto to approve the interim management statement at 30 September 2008.

*Q3 2008 consolidated results*

In the third quarter of 2008, sales revenues totalled €40.7 million, marking a 4.7% increase vs. €38.9 million in the third quarter of 2007. The increase is due wholly to sales volumes, while average prices were slightly lower than in the third quarter of last year.

The Italian market showed further weakness during the quarter (-1.7%) and difficulties persisted for the other markets of Western Europe (-10.9%), but growth remained strong in Eastern Europe (+19.1%). On the other continents, the trends that appeared early in the year held steady, with significant sales growth in South America and Africa and a marked decline in Asia.

Sales of brass valves went down, but this was more than offset by an 80.5% increase in sales of light alloy valves, which continue to gain market shares in line with expectations. Sales of burners in general rose moderately, and special burners showed a small decline, lower than last six months. Hinges were also on the rise, after several quarters of falling sales.

EBITDA for the quarter came to €8.4 million (20.6% of revenues), down 9.5% from the €9.2 million posted in the third quarter of 2007. The main reason for the decrease was the write-down of trade receivables by €1.2 million. This write-down, following the write-down of €500,000 at 30 June 2008, is meant primarily to cover doubtful accounts with the Antonio Merloni Group, in receivership since October 2008. Correcting for this non-recurring factor, EBITDA for the third quarter would have come to €9.6 million (23.5% of revenues), demonstrating improved productivity especially in the production of light alloy valves.

EBIT for the quarter was €5.3 million, or 13.1% of sales, a reduction of 12.7% compared to €6.1 million in the same quarter of 2007. Excluding the receivables write-down, EBIT would have amounted to €6.5 million or 16.1% of sales.

Net foreign exchange gains of €434,000 (versus net losses of €179,000 in Q3 2007) and a lower tax charge led to a net profit of €3.6 million, compared with €3.2 million for the third quarter of last year (+13.5%).

*9M 2008 consolidated results*

In the first nine months of 2008, revenues came to €129 million, up by 8.9% compared to the same period in 2007; EBITDA was €27.1 million (or 21% of sales, a decline of 10.8%), EBIT reached €18.1 million, decreasing by 16.4% and net profit was €13.7 million (+14.6% vs. the first nine months of 2007).

*Equity and cash flow*

Investments in the third quarter of 2008 totalled €2.1 million. Net investments in the first nine months of the year amounted to €9.3 million (€14.3 million in the first nine months of 2007).

During the quarter, working capital increased by €6.1 million, reflecting an increase of €3.7 million in trade receivables and a decrease of €3.8 million in trade payables.

At 30 September 2008 the balance sheet showed consolidated equity of €103.2 million and a net debt of €30.5 million (equity of €98.1 million and net debt of €22.8 million at 31 December 2007).

*Business outlook*

Since October, the market has accentuated the slowdown seen in previous quarters, and our major customers are slashing production. As a result, we can expect to close the year with sales of around €168 million and an EBIT margin of 14-14.5%. Previous forecasts, which did not consider the €1.2 million in doubtful account write-downs charged in the third quarter, called for sales of €170-175 million and an EBIT margin of 15%.

A lack of information on future orders from many customers and the instability of the markets make it impossible to reach a forecast for 2009.

*At 3:00 p.m. today there will be a conference call to describe the results for the third quarter and the first nine months of 2008 to financial analysts and institutional investors (call +39 02-8020911).*

*The interim management statement at 30 September 2008 (unaudited), which acknowledges satisfaction of the conditions stated in Art. 36 of CONSOB's Market Regulations, is available in the Investor Relations section at www.sabaf.it.*

*Pursuant to Article 154-bis, paragraph 2 of the Consolidated Finance Act, financial reporting officer Alberto Bartoli declares that all figures contained in this press release correspond to the company's records, books and accounting entries.*

*The restated income statement, balance sheet, statement of financial position, and cash flow statement are attached.*

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.*
*The product range features four main lines: valves, thermostats, 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 700 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 the production of burners for the South American market. Sabaf also operates in China via a contact office in Shanghai.*

# Consolidated Balance Sheet

| (€'000) | 30 Sept.2008 | 30 June 2008 | 31 Dec. 2007 |
|---|---|---|---|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant, and equipment | 85,683 | 86,969 | 86,515 |
| Intangible assets | 10,038 | 9,667 | 9,137 |
| Equity investments | 645 | 614 | 419 |
| Non-current receivables | 184 | 189 | 253 |
| Deferred tax assets (prepaid taxes) | 666 | 970 | 816 |
| Total non-current assets | 97,216 | 98,409 | 97,140 |
| CURRENT ASSETS | | | |
| Inventories | 29,637 | 29,162 | 27,935 |
| Trade receivables | 53,233 | 49,565 | 46,723 |
| Tax receivables | 1,121 | 1,404 | 1,520 |
| Other current receivables | 704 | 876 | 490 |
| Current financial assets | 0 | 0 | 0 |
| Cash and cash equivalents | 5,135 | 5,087 | 7,262 |
| Total current assets | 89,830 | 86,094 | 83,930 |
| Available-for-sale (AFS) financial assets | 0 | 0 | 0 |
| TOTAL ASSETS | 187,046 | 184,503 | 181,070 |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Share capital | 11,533 | 11,533 | 11,533 |
| Retained earnings, other reserves | 77,936 | 78,881 | 70,760 |
| Net profit for the period | 13,687 | 10,081 | 15,828 |
| *Total equity attributable to group parent company* | 103,156 | *100,495* | *98,121* |
| *Minority interest* | 0 | *0* | *0* |
| Total equity | 103,156 | 100,495 | 98,121 |
| NON-CURRENT LIABILITIES | | | |
| Loans | 12,952 | 11,339 | 12,307 |
| Post-employment benefit obligations and retirement reserves | 3,145 | 3,281 | 3,581 |
| General provisions | 669 | 697 | 735 |
| Deferred tax liabilities | 3,426 | 3,460 | 8,944 |
| Total non-current liabilities | 20,192 | 18,777 | 25,567 |
| CURRENT LIABILITIES | | | |
| Loans | 22,641 | 21,762 | 17,765 |
| Trade payables | 30,093 | 33,956 | 33,682 |
| Tax payables | 4,599 | 2,988 | 905 |
| Unclaimed dividends | 0 | 0 | 0 |
| Other liabilities | 6,365 | 6,525 | 5,030 |
| Total current liabilities | 63,698 | 65,231 | 57,382 |
| TOTAL EQUITY AND LIABILITIES | 187,046 | 184,503 | 181,070 |

# Consolidated income statement

| (€'000) | Q3 2008 | | Q3 2007 | | 9M 2008 | | 9M 2007 | |
|---|---|---|---|---|---|---|---|---|
| CONTINUING OPERATIONS | | | | | | | | |
| OPERATING REVENUES AND INCOME | | | | | | | | |
| Revenues | 40,699 | *100.0%* | 38,878 | *100.0%* | 129,001 | *100.0%* | 118,511 | *100.0%* |
| Other operating income | 185 | *0.5%* | 420 | *1.1%* | 491 | *0.4%* | 879 | *0.7%* |
| Total operating revenues and income | 40,884 | *100.5%* | 39,298 | *101.1%* | 129,492 | *100.4%* | 119,390 | *100.7%* |
| OPERATING COSTS | | | | | | | | |
| Materials | (17,912) | *-44.0%* | (17,196) | *-44.2%* | (57,793) | *-44.8%* | (54,215) | *-45.7%* |
| Change in inventories | 598 | *1.5%* | (428) | *-1.1%* | 1,767 | *1.4%* | 5,225 | *4.4%* |
| Services | (6,850) | *-16.8%* | (6,230) | *-16.0%* | (21,505) | *-16.7%* | (20,321) | *-17.1%* |
| Payroll costs | (7,208) | *-17.7%* | (6,410) | *-16.5%* | (23,274) | *-18.0%* | (19,750) | *-16.7%* |
| Other operating costs | (1,290) | *-3.2%* | 74 | *0.2%* | (2,102) | *-1.6%* | (508) | *-0.4%* |
| Costs for capitalised in-house work | 145 | *0.4%* | 133 | *0.3%* | 492 | *0.4%* | 529 | *0.4%* |
| Total operating cost | (32,517) | *-79.9%* | (30,057) | *-77.3%* | (102,415) | *-79.4%* | (89,040) | *-75.1%* |
| OPERATING PROFIT BEFORE DEPRECIATION & AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA) | 8,367 | *20.6%* | 9,241 | *23.8%* | 27,077 | *21.0%* | 30,350 | *25.6%* |
| Depreciation and amortisation | (3,023) | *-7.4%* | (3,070) | *-7.9%* | (8,991) | *-7.0%* | (8,593) | *-7.3%* |
| Capital gains/(losses) on disposal of non-current assets | (3) | *0.0%* | (46) | *-0.1%* | 6 | *0.0%* | (34) | *0.0%* |
| Write-downs/write-backs of non-current assets | 0 | *0.0%* | (8) | *0.0%* | 0 | *0.0%* | (77) | *-0.1%* |
| OPERATING PROFIT (EBIT) | 5,341 | *13.1%* | 6,117 | *15.7%* | 18,092 | *14.0%* | 21,646 | *18.3%* |
| Finance income | 54 | *0.1%* | 90 | *0.2%* | 136 | *0.1%* | 278 | *0.2%* |
| Finance expense | (606) | *-1.5%* | (621) | *-1.6%* | (1,606) | *-1.2%* | (1,530) | *-1.3%* |
| Foreign-exchange gains/(losses) | 434 | *1.1%* | (179) | *-0.5%* | 162 | *0.1%* | (231) | *-0.2%* |
| Profits and losses from equity investments | 0 | *0.0%* | 0 | *0.0%* | 0 | | 0 | *0.0%* |
| PRE-TAX PROFIT | 5,223 | *12.8%* | 5,407 | *13.9%* | 16,784 | *13.0%* | 20,163 | *17.0%* |
| Income tax | (1,617) | *-4.0%* | (2,230) | *-5.7%* | (3,097) | *-2.4%* | (8,224) | *-6.9%* |
| Minority interests | 0 | *0.0%* | 0 | *0.0%* | 0 | *0.0%* | 0 | *0.0%* |
| NET PROFIT FOR PERIOD | 3,606 | *8.9%* | 3,177 | *8.2%* | 13,687 | *10.6%* | 11,939 | *10.1%* |

# Consolidated Net Financial Position

| | (€'000) | 30 Sept. 2008 | 30 June 2008 | 31 Dec. 2007 |
|---|---|---|---|---|
| A. | Cash | 14 | 19 | 16 |
| B. | Positive balances of bank current accounts | 5,121 | 5,068 | 7,246 |
| C. | Other cash equivalents | 0 | 0 | 0 |
| D. | Cash and cash equivalents (A+B+C) | 5,135 | 5,087 | 7,262 |
| E. | Current bank borrowings | 20,706 | 19,776 | 15,137 |
| F. | Current portion of long-term debt | 1,935 | 1,986 | 2,628 |
| G. | Other current payables | 0 | 0 | 0 |
| H. | Current financial debt (E+F+G) | 22,641 | 21,762 | 17,765 |
| I. | Current net financial debt (H-D) | 17,506 | 16,675 | 10,503 |
| J. | Non-current bank borrowings | 6,647 | 6,647 | 6,990 |
| K. | Other non-current financial debt | 6,305 | 4,692 | 5,317 |
| L. | Non-current financial debt (J+K) | 12,952 | 11,339 | 12,307 |
| M. | Net financial debt (L+I) | 30,458 | 28,014 | 22,810 |

# Consolidated Cash Flow Statement

| *(€'000)* | Q3 2008 | Q3 2007 | 9M 2008 | 9M 2007 |
|---|---|---|---|---|
| *OPENING NET SHORT-TERM FINANCIAL POSITION* | *(16,675)* | *(16,123)* | *(10,503)* | *3,539* |
| Net profit for period | 3,606 | 3,177 | 13,687 | 11,939 |
| Depreciation and amortisation | 3,023 | 3,070 | 8,991 | 8,593 |
| Other non-monetary items | 109 | (31) | (5,876) | (208) |
| Change in net working capital | (6,100) | 2,183 | (6,587) | (9,219) |
| Operating cash flow | 638 | 8,399 | 10,215 | 11,105 |
| Investments, net | (2,142) | (879) | (9,280) | (14,270) |
| Change in financial assets and loans (non-current) | 1,618 | 1,150 | 714 | (527) |
| Distribution of dividends | 0 | 0 | (8,073) | (8,073) |
| Other changes in equity | (945) | 18 | (579) | 791 |
| CASH FLOW FOR THE PERIOD | (831) | 8,688 | (7,003) | (10,974) |
| *CLOSING NET SHORT-TERM FINANCIAL POSITION* | *(17,506)* | *(7,435)* | *(17,506)* | *(7,435)* |