

Press release

Ospitaletto, 4 August 2011

SABAF: FIRST-HALF 2011 RESULTS APPROVED

- In the first half of 2011, Sabaf booked revenue of €77.5 million (-0.3%); EBITDA of €16.4 million (-22.2%); EBIT of €10.3 million (-31.1%); net profit of €6.4 million (-36%)
- In the second quarter, revenue was €37.2 million (-11.8%); EBITDA €7.1 million (-38.3%); EBIT €4 million (-51.6%); net profit €2.6 million (-52.2%)
- For the whole of 2011, Sabaf forecasts sales growth of 2-4% and an EBITDA margin of 21-22%

The Board of Directors of Sabaf S.p.A. met today in Ospitaletto to approve the interim report at 30 June 2011.

First-half 2011 consolidated results

The Sabaf Group reported revenue of €77.5 million in the first half of 2011, broadly unchanged (-0.3%) vs. the corresponding period a year earlier.

Sales performance varied in the main areas in which the Group operates: in Italy and in other Western European countries, the market remained stagnant, while in Eastern Europe, sales registered double-digit growth. Sales in Africa and in Asia were much lower than in the first half of 2010, partly because of the instability that affected some of the markets in these areas. In South America, sales figures were in line with those for the first half of 2010, a period marked by a boom in demand, while the market in North America registered a significant decline.

A breakdown of sales by product category shows a further shift in demand from brass valves to light alloy valves.

In the first six months of 2011, EBITDA came to €16.4 million (21.2% of sales, down by 22.2% compared with €21.1 million in the same period in 2010); EBIT was €10.3 million (or 13.3% of sales, down 31.1% compared with €14.9 million in the first half of 2010). Profitability was affected by the rise in commodity prices (particularly favourable in the first half of 2010), which it was only partly possible to pass on to sales prices, and to a lesser extent, the weakness of the dollar against the euro and the Brazilian real. Furthermore, during the first half, service costs of €1.6 million were booked relating to equalisation payments on electricity consumption, relating to an error in the recording of consumption by the supplier in previous years. Adjusted for these non-recurring charges, EBITDA was €18 million in the first half, or 23.3% of sales, and EBIT was €11.9 million, corresponding to 15.3% of sales.

Pre-tax income amounted to €9.7 million in H1 2011 (€14.1 million in H1 2010), and net profit was €6.4 million (€10.1 million in H1 2010, down by 36%).

As of 30 June 2011, the Group had consolidated shareholders' equity of €118.3 million and net debt of €18.2 million, compared with €121.8 million and €12.5 million respectively at 31 December 2010.

Investments in the first half of 2011 totalled €7.6 million (€7.8 million in the first half of 2010), mainly for the purchase and production of machinery and equipment for new products.

*Consolidated results for the second quarter 2011*

In the second quarter of 2011, sales revenue totalled €37.2 million, an 11.8% decrease vs. the second quarter of 2010. This fall was due to two distinct factors:

- lower sales in the North African and Middle Eastern markets, areas affected by an unstable political environment and in which revenue is often subject to significant variations over twelve months;
- the slowdown in demand on the Italian market and the other main Western European markets, from April onwards.

As well as the factors mentioned above in the section on the first-half performance, lower operating leverage also contributed to a decline in profitability. Second-quarter EBITDA was €7.1 million, equivalent to 19.1% of sales (-38.3% versus €11.6 million in 2Q 2010, when it was 27.4% of sales), and EBIT was €4 million, equivalent to 10.8% of sales (-51.6% versus €8.3 million in 2Q 2010, when it was 19.6% of sales). Net profit for the period was €2.6 million, 52.2% lower than the figure of €5.5 million for 2Q 2010.

Outlook for 2011

As previously announced, in light of the actual sales figures for the first half and the ongoing uncertainty in demand, at the beginning of July the management has revised down its growth forecast for FY 2011, which is now set at between 2% and 4% (previous forecasts put growth at around 10%).

The lower sales expected will also have an impact on profitability, owing to less use of operating leverage. In 2011 the management forecasts an EBITDA margin of between 21% and 22% (versus an EBITDA margin of 23-24% in previous forecasts).

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 p.m. CET today, 4 August 2011, during a conference call (call +39 (0)2 802 09 11 a few minutes before the conference is due to start).

The Interim report at 30 June 2011 will be made available to the public at the company's registered headquarters and Borsa Italiana SpA, as from 5 August 2011. It will also be published on the company's website (www.sabaf.it) the same day.

Pursuant to Section 2, Art. 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.

Annexes: unaudited 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.

The product range features four main categories: valves, thermostats and burners for gas 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 has some 700 employees. It operates through its direct parent company Sabaf SpA and the subsidiaries Faringosi-Hinges - leader in the production of oven and dishwasher hinges - and Sabaf do Brasil - active in production of burners for the South American market.

The Sabaf Group has also non-production subsidiaries in Mexico, USA and China.

Consolidated statement of financial position

	30.06.2011	31.12.2010
<i>(in thousands of Euro)</i>		
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	80,420	79,070
Investment property	7,742	7,859
Intangible assets	10,312	10,409
Equity investments	1,006	964
Non-current receivables	163	140
Deferred tax assets (prepaid taxes)	2,127	2,190
Total non-current assets	101,770	100,632
CURRENT ASSETS		
Inventories	29,567	26,082
Trade receivables	46,339	43,755
Tax receivables	1,836	1,304
Other current receivables	1,055	776
Cash and cash equivalents	9,229	9,769
Total current assets	88,026	81,686
TOTAL ASSETS	189,796	182,318
SHAREHOLDERS' EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Share capital	11,533	11,533
Retained earnings, other reserves	100,362	93,446
Net profit for period	6,433	16,867
<i>Total equity attributable to the Group parent company</i>	<i>118,328</i>	<i>121,846</i>
<i>Minority interest</i>	<i>0</i>	<i>0</i>
Total shareholders' equity	118,328	121,846
NON-CURRENT LIABILITIES		
Loans	13,453	16,416
Staff severance fund (TFR) and retirement reserves	2,572	2,627
General provisions	711	767
Deferred tax	288	323
Total non-current liabilities	17,024	20,133
CURRENT LIABILITIES		
Loans	13,967	5,843
Other current payables	2	55
Trade payables	27,960	24,185
Tax payables	5,307	3,485
Other liabilities	7,208	6,771
Total current liabilities	54,444	40,339
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	189,796	182,318

Consolidated income statement

	Q2 2011	Q2 2010	H1 2011	H1 2010
<i>(in thousands of Euro)</i>				
OPERATING REVENUE AND INCOME				
Revenue	37,216	42,176	77,469	77,725
Other income	1,323	1,481	2,752	2,365
Total operating revenue and income	38,539	43,657	80,221	80,090
OPERATING COSTS				
Materials	(15,328)	(16,861)	(32,662)	(31,728)
Change in inventories	1,094	1,901	3,512	5,981
Services	(9,354)	(8,564)	(18,577)	(16,317)
Payroll costs	(8,009)	(8,200)	(16,128)	(16,318)
Other operating costs	(62)	(629)	(459)	(1,049)
Costs for capitalised in-house work	244	251	521	455
Total operating cost	(31,415)	(32,102)	(63,793)	(58,976)
OPERATING PROFIT BEFORE DEPRECIATION & AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)				
	7,124	11,555	16,428	21,114
Depreciation and amortisation	(3,120)	(3,084)	(6,166)	(6,042)
Capital gains/(losses) on disposal of non-current assets	3	2	4	22
Write-downs/write-backs of non-current assets	0	(193)	0	(193)
OPERATING PROFIT (EBIT)				
	4,007	8,280	10,266	14,901
Financial income	22	45	47	87
Financial expenses	(358)	(400)	(649)	(618)
Foreign exchange gains/losses	335	233	160	275
Profits and losses from equity investments	(55)	(499)	(143)	(499)
PRE-TAX PROFIT				
	3,951	7,659	9,681	14,146
Income tax	(1,303)	(2,118)	(3,248)	(4,087)
Minority interests	0	0	0	0
NET PROFIT FOR PERIOD				
	2,648	5,541	6,433	10,059

Consolidated statement of cash flows

	H1 2011	H1 2010
<i>Cash and cash equivalents at beginning of period</i>	<i>9,769</i>	9,154
Net profit/(loss) for period	6,433	10,059
Adjustments for:		
- Depreciation and amortisation for the period	6,166	6,042
- Realised gains/losses	(4)	(22)
Write-downs/write-backs of non-current assets	0	193
- Profits and losses from equity investments	143	499
- Financial income and expenses	562	531
- Income tax	3,248	4,087
Change in staff severance fund	(55)	(179)
Change in general provisions	(56)	(89)
<i>Change in trade receivables</i>	<i>(2,584)</i>	<i>(5,150)</i>
<i>Change in inventories</i>	<i>(3,485)</i>	<i>(5,984)</i>
<i>Change in trade payables</i>	<i>3,775</i>	<i>6,873</i>
Change in net working capital	(2,294)	(4,261)
Change in other receivables and payables, deferred tax liabilities	(532)	581
Payment of taxes	(1,219)	(1,440)
Payment of financial expenses	(609)	(618)
Collection of financial income	47	87
Cash flow from operations	11,830	15,470
Investments in non-current assets		
- Intangible	(375)	(339)
- tangible	(7,184)	(7,464)
- financial	(200)	(150)
Disposal of non-current assets	116	274
Cash flow from investments	(7,643)	(7,679)
Repayment of loans	(2,956)	(3,070)
New loans	8,064	1,500
Payment of dividends	(9,201)	(5,750)
Cash flow from financing activity	(4,093)	(7,320)
Foreign exchange differences	(634)	775
<i>Net financial flows for the period</i>	<i>(540)</i>	<i>1,246</i>
<i>Cash and cash equivalents at end of period</i>	<i>9,229</i>	<i>10,400</i>
Current net financial debt	13,969	7,505
Non-current financial debt	13,453	19,352
Net financial debt	18,193	16,457

Geographical breakdown of sales

<i>in thousands of Euro</i>	Q2 2011	Q2 2010	Change %	H1 2011	H1 2010	Change %	FY 2010
Italy	16,217	17,000	-4.6%	32,041	32,035	0.0%	61,648
Western Europe	2,782	2,806	-0.9%	6,150	6,073	+1.3%	11,561
Eastern Europe	9,133	8,008	+14.0%	19,089	15,953	+19.7%	32,553
Asia and Oceania	1,300	6,056	-78.5%	5,269	7,622	-30.9%	15,476
South America	5,435	4,815	+12.9%	9,842	9,640	+2.1%	17,467
Africa	1,609	1,884	-14.6%	3,268	3,551	-8.0%	7,056
US, Canada & Mexico	740	1,607	-54.0%	1,810	2,847	-36.4%	5,136
Total	37,216	42,176	-11.8%	77,469	77,725	-0.3%	150,897

Sales breakdown by product category

<i>in thousands of Euro</i>	Q2 2011	Q2 2010	Change %	H1 2011	H1 2010	Change %	FY 2010
Brass valves	6,517	9,148	-28.8%	15,162	16,253	-6.7%	31,788
Light alloy valves	6,138	5,358	+14.6%	11,962	10,025	+19.3%	20,027
Thermostats	3,727	4,254	-12.4%	7,210	7,999	-9.9%	14,829
Standard burners	10,237	10,888	-6.0%	20,872	21,034	-0.8%	41,405
Special burners	5,461	6,506	-16.1%	11,423	11,089	+3.0%	21,097
Accessories	2,684	3,090	-13.1%	5,931	5,677	+4.5%	10,959
<i>Total gas components</i>	<i>34,764</i>	<i>39,244</i>	<i>-11.4%</i>	<i>72,560</i>	<i>72,077</i>	<i>+0.7%</i>	<i>140,105</i>
<i>Hinges</i>	<i>2,452</i>	<i>2,932</i>	<i>-16.4%</i>	<i>4,909</i>	<i>5,648</i>	<i>-13.1%</i>	<i>10,792</i>
Total	37,216	42,176	-11.8%	77,469	77,725	-0.3%	150,897