

Press release

Ospitaletto, 13 November 2012

SABAF: THIRD-QUARTER 2012 RESULTS APPROVED

- In the third quarter, the Group earned revenue of €30.2 million (-16%); EBITDA of €5.6 million (-25.3%); EBIT of €2.4 million (-44.6%); net profit of €1.1 million (-57.8%)
- In the first nine months of 2012, Sabaf reported revenue of €99.9 million (-11.9%); EBITDA of €16.9 million (-29.1%); EBIT of €7.3 million (-50%); net profit of €3.6 million (-60.2%)
- For the whole of 2012, Sabaf forecasts sales of €132 million (-12% versus 2011) and an EBIT margin in line with that of the first nine months

The Board of Directors of Sabaf S.p.A. met today in Ospitaletto to approve the Interim Operating Report at 30 September 2012.

In 3Q 2012, the Sabaf Group booked sales revenue of €30.2 million, a decrease of 16% compared with the figure of €35.9 million registered in 3Q 2011. In the third quarter, results were again heavily affected by the weakness of the European market, where the Group posted a drop in sales of 24% in Italy, 34% in Western Europe and 14% in Eastern Europe. In the current recessionary scenario, two important Italian clients experiencing financial difficulties suspended production during the year, which had an impact on our market share in Italy. The positive trend on the South American market was confirmed (+5.6% in 3Q 2012), albeit with lower growth rates than in the first half of the year. The results achieved in Africa (+17%) were also positive, while 3Q sales in Asia and North America declined by 26% and 14% respectively.

All product families registered a decline in sales, with those of light alloy valves holding up better than those of brass valves, which are gradually being replaced by more innovative products. Sales of hinges again registered a very negative trend, with a fall of 28%.

The low levels of activity and the higher incidence of structural costs continued to heavily affect profitability. To limit these effects, the Group launched initiatives during the period to curb costs, including the use of government-subsidised temporary lay-off benefits. In the third quarter, it allocated a further €0.4 million to the doubtful account provision, after already having set aside €1 million to the provision in the first half.

EBITDA was €5.6 million in 3Q 2012, equal to 18.4% of sales, down by 25.3% compared to the €7.4 million (20.7% of sales) registered in 3Q 2011. EBIT was €2.4 million, equal to 7.9% of sales and down by 44.6% compared with the figure of €4.3 million for the same period last year (11.9% of sales). Pre-tax profit was €1.9 million, down by 56.1% compared with €3.9 million in 3Q 2011, and net profit for the period was €1.1 million, compared with €2.7 million in 3Q 2011 (-60.2%).

In the first nine months of 2012, revenue came to €99.9 million, a fall of 11.9% compared to the same period in 2011; EBITDA was €16.9 million (accounting for 16.9% of sales, a drop of 29.1%), EBIT reached €7.3 million (accounting for 7.3% of sales, down by 50% on last year) and net profit was €3.6 million (-60.2% vs. the first nine months of 2011).

Quarter investments were €4.1 million, bringing total investments since the start of the year to €11.4 million (€10.4 million in the first nine months of 2011). As at 30 September, net financial debt was €23.4 million (€22.9 million at 30 June 2012), while shareholders' equity amounted to €116.6 million.

The installation and testing of burner production lines at Sabaf Turkey is proceeding according to plan: production began in November, with the first sales expected from January 2013.



In light of the actual sales figures for the third quarter and the ongoing uncertainty in demand, the management forecasts sales of €132 million for the full year, 12% lower than in 2011 (previous forecasts pointed to a drop of 10%). Stripping out non-recurring items, the EBIT margin for the full year is expected to be in line with that of the first nine months, at 7.3% (previous forecasts put the EBIT margin at 7%).

The Group is currently negotiating with its main clients for 2013; at this time, it's not possible to make quantity forecasts for the next year.

Today at 3 p.m. CET there will be a conference call to illustrate the third-quarter 2012 results to financial analysts and institutional investors (call +39 02-8020911).

The Interim Operating Report for 3Q 2012, which has not been independently audited, is available in the Investor Relations section of the website www.sabaf.it.

Pursuant to Article 154-bis, paragraph 2 of the Italian Consolidated Finance Act (Testo Unico della Finanza), the company's Financial Reporting Officer Gianluca Beschi declares that the financial disclosure contained in this press release corresponds to the company's records, books and accounting entries.

Attachments include the balance sheet, income statement, net financial position and cash flow statement.

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 builtin 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.

Sabaf is also present through subsidiaries in the People's Republic of China, Mexico and the United States.

Consolidated statement of financial position

	30.09.2012	31.12.2011	30.09.2011
<i>(in thousands of euro)</i>			
ASSETS			
NON-CURRENT ASSETS			
Property, plant, and equipment	82,085	80,769	79,454
Investment property	7,452	7,626	7,684
Intangible assets	8,947	9,082	10,204
Equity investments	787	810	905
Non-current receivables	166	168	152
Deferred tax assets (prepaid taxes)	4,378	3,855	2,022
Total non-current assets	103,815	102,310	100,421
CURRENT ASSETS			
Inventories	26,090	26,883	27,532
Trade receivables	37,842	42,774	44,875
Tax receivables	1,827	2,512	1,979
Other current receivables	1,565	595	744
Cash and cash equivalents	5,439	14,208	6,390
Total current assets	72,763	86,972	81,520
TOTAL ASSETS	176,578	189,282	181,941
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	11,533	11,533	11,533
Retained earnings, other reserves	101,422	99,515	99,044
Net profit for period	3,635	10,775	9,141
<i>Total equity attributable to the Group parent company</i>	<i>116,590</i>	<i>121,823</i>	<i>119,718</i>
<i>Minority interest</i>	<i>0</i>	<i>0</i>	<i>0</i>
Total shareholders' equity	116,590	121,823	119,718
NON-CURRENT LIABILITIES			
Loans	6,065	11,939	12,167
Post-employment benefit reserve (TFR) and retirement reserves	2,441	2,509	2,535
Provisions for risks and contingencies	665	731	761
Deferred tax	370	366	341
Total non-current liabilities	9,541	15,545	15,804
CURRENT LIABILITIES			
Loans	22,729	17,032	14,966
Other financial liabilities	46	33	32
Trade payables	19,930	27,808	22,833
Tax payables	923	803	1,613
Other liabilities	6,819	6,238	6,975
Total current liabilities	50,447	51,914	46,419
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	176,578	189,282	181,941

Consolidated income statement

	3Q 2012		3Q 2011		9M 2012		9M 2011	
<i>(in thousands of euro)</i>								
CONTINUING OPERATIONS								
OPERATING REVENUE AND INCOME								
Revenue	30,185	100.0%	35,924	100.0%	99,900	100.0%	113,393	100.0%
Other income	909	3.0%	1,215	3.4%	2,790	2.8%	3,967	3.5%
Total operating revenue and income	31,094	103.0%	37,139	103.4%	102,690	102.8%	117,360	103.5%
OPERATING COSTS								
Materials	(10,616)	-35.2%	(13,048)	-36.3%	(37,378)	-37.4%	(45,710)	-40.3%
Change in inventories	(828)	-2.7%	(1,891)	-5.3%	(713)	-0.7%	1,621	1.4%
Services	(7,126)	-23.6%	(7,545)	-21.0%	(24,146)	-24.2%	(26,122)	-23.0%
Payroll costs	(6,611)	-21.9%	(6,979)	-19.4%	(22,333)	-22.4%	(23,107)	-20.4%
Other operating costs	(582)	-1.9%	(451)	-1.3%	(1,977)	-2.0%	(910)	-0.8%
Costs for capitalised in-house work	233	0.8%	219	0.6%	784	0.8%	740	0.7%
Total operating cost	(25,530)	-84.6%	(29,695)	-82.7%	(85,763)	-85.8%	(93,488)	-82.4%
OPERATING PROFIT BEFORE DEPRECIATION & AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)								
	5,564	18.4%	7,444	20.7%	16,927	16.9%	23,872	21.1%
Depreciation and amortisation	(3,157)	-10.5%	(3,152)	-8.8%	(9,621)	-9.6%	(9,318)	-8.2%
Capital gains/(losses) on disposal of non-current assets	(31)	-0.1%	0	0.0%	(27)	0.0%	4	0.0%
Write-downs/write-backs of non-current assets	0	0.0%	0	0.0%	0	0.0%	0	0.0%
OPERATING PROFIT (EBIT)								
	2,376	7.9%	4,292	11.9%	7,279	7.3%	14,558	12.8%
Financial income	50	0.2%	53	0.1%	171	0.2%	100	0.1%
Financial expenses	(265)	-0.9%	(346)	-1.0%	(927)	-0.9%	(995)	-0.9%
Foreign exchange gains/losses	(122)	-0.4%	60	0.2%	(218)	-0.2%	220	0.2%
Profits and losses from equity investments	(123)	-0.4%	(118)	-0.3%	(320)	-0.3%	(261)	-0.2%
PRE-TAX PROFIT								
	1,916	6.3%	3,941	11.0%	5,985	6.0%	13,622	12.0%
Income tax	(772)	-2.6%	(1,233)	-3.4%	(2,350)	-2.4%	(4,481)	-4.0%
Minority interests	0	0.0%	0	0.0%	0	0.0%	0	0.0%
NET PROFIT FOR PERIOD								
	1,144	3.8%	2,708	7.5%	3,635	3.6%	9,141	8.1%

Consolidated cash flow statement

<i>(in thousands of euro)</i>	3Q 2012	3Q 2011	9M 2012	9M 2011
<i>Cash and cash equivalents at beginning of period</i>	5,963	9,229	14,208	9,769
Net profit/(loss) for period	1,144	2,708	3,635	9,141
Adjustments for:				
- Depreciation and amortisation for the period	3,157	3,152	9,621	9,318
- Realised gains/losses	31	0	27	(4)
- Profits and losses from equity investments	123	118	320	261
- Financial income and expenses	215	273	756	835
- Income tax	772	1,233	2,350	4,481
Payment of post-employment benefit reserve	(28)	(37)	(140)	(92)
Change in general provisions	(19)	50	(66)	(6)
<i>Change in trade receivables</i>	4,142	1,464	4,932	(1,120)
<i>Change in inventories</i>	817	2,035	793	(1,450)
<i>Change in trade payables</i>	(3,599)	(5,127)	(7,878)	(1,352)
Change in net working capital	1,360	(1,628)	(2,153)	(3,922)
Change in other receivables and payables, deferred tax liabilities	(656)	(44)	(816)	(576)
Payment of taxes	(1,305)	(4,804)	(1,635)	(6,023)
Payment of financial expenses	(241)	(326)	(855)	(935)
Collection of financial income	50	53	171	100
<i>Cash flow from operations</i>	4,603	748	11,215	12,578
<i>Net investments</i>	(4,081)	(2,741)	(11,447)	(10,384)
Repayment of loans	(2,520)	(1,220)	(10,162)	(4,176)
New loans	2,546	964	9,998	9,028
Acquisition own shares	(820)	0	(944)	0
Payment of dividends	0	0	(6,900)	(9,201)
<i>Cash flow from operations</i>	(794)	(256)	(8,008)	(4,349)
Foreign exchange differences	(252)	(590)	(529)	(1,224)
<i>Net financial flows for the period</i>	(524)	(2,839)	(8,769)	(3,379)
<i>Cash and cash equivalents at end of period</i>	5,439	6,390	5,439	6,390
Current net financial debt	22,775	14,998	22,775	14,998
Non-current financial debt	6,065	12,167	6,065	12,167
<i>Net financial debt</i>	23,401	20,775	23,401	20,775

Consolidated net financial position

<i>(in thousands of euro)</i>	30.09.2012	31.12.2011	30.09.2011
A. Cash	10	8	8
B. Positive balances of unrestricted bank accounts	2,084	11,868	3,902
C. Other liquidities	3,345	2,332	2,480
D. Cash and cash equivalents (A+B+C)	5,439	14,208	6,390
E. Current bank overdrafts	18,031	8,546	8,995
F. Current portion of non-current debt	4,698	8,486	5,971
G. Other current financial payables	46	33	32
H. Current financial debt (E+F+G)	22,775	17,065	14,998
I. Current net financial debt (H-D)	17,336	2,857	8,608
J. Non-current bank payables	3,860	9,051	8,954
K. Other non-current financial payables	2,205	2,888	3,213
L. Non-current financial debt (J+K)	6,065	11,939	12,167
M. Net financial debt (L+I)	23,401	14,796	20,775