

Press release

Ospitaletto, 2 August 2007

SABAF: SECOND QUARTER 2007 RESULTS APPROVED**STOCK OPTION PLAN FOR COMPANY DIRECTORS AND EMPLOYEES APPROVED**

- Q2 revenues €39.7 million (+11.1%); EBITDA €10.5 million (+0.3%); EBIT €7.6 million (-1.6%); net profit €4.2 million (-1.5%)
- H1 revenues €79.6 million (+14%); EBITDA €21.2 million (+4.6%); EBIT €15.6 million (+4.8%); net profit €8.9 million (+4.8%)
- Forecasts for 2007 confirmed: turnover up by around 15%, EBIT at 19% of sales
- Approval of the stock option plan for two directors and 26 employees of the Company and the increase in capital to service the Plan
- Alberto Bartoli is appointed to fill the role of Company Accounting Document Drafting Officer

The General Meeting of Shareholders and the Board of Directors of Sabaf S.p.A. met today and the resolutions taken are reported below.

Quarterly report at 30 June 2007

The Board of Directors approved the quarterly report at 30 June 2007.

In the second quarter of 2007, the Sabaf Group maintained a rate of growth in sales of over 10%, slightly lower than the pace of the first quarter of the year, mainly due to the attenuated activity on the European market. Profitability remained at levels in line with expectations, although less than the same period a year earlier and less than the first quarter 2007, chiefly due to the start-up costs of light alloy valve production and transfer of the Brazilian factory to its new location, considered more suited to the growing demand of the South American market.

Second Quarter 2007 results

In Q2 2007, sales revenues totalled €39.7 million, marking a +11.1% increase vs. €35.7 million in the second quarter of 2006. Around 8% of this growth was accounted for by an increase in average selling prices, with the remainder due to an increase in volumes and a change in product mix. Lower demand with respect to the second quarter of 2006 has led to moderate growth in sales on the Italian market and falls in the other Western European markets. After a slow start to the year, the Turkish market showed good recovery, swinging back up to the expected growth rates (sales at € 3.6 million, 30% higher than the Q2 2006). Expansion on the international markets continued according to plan: sales outside of Europe now exceed 25% of total sales. Positive results were confirmed in the second quarter in South America and Africa in particular.

In the second quarter 2007, profits were influenced by the start-up costs of the light alloy valve production plant: the use of new systems which are to be optimized and fairly unstable demand have made it impossible to attain the levels of efficiency expected at full operation. The income statement for the quarter was also affected by transfer of production in Brazil from the Guarulhos facility to the new site in Jundiai, which began operating in June. This relocation has led to non-recurring charges for approximately €200,000. EBITDA for the period was €10.5 million (26.4% of revenues), up by 0.3% from the €10.4 million posted in the second quarter of 2006. EBIT for the quarter amounted to €7.6 million, representing 19.1% of sales, down by 1.6% compared to €7.7 million in the same quarter of 2006. The Group posted a net profit of €4.2 million, down 1.5% on the €4.3 million in Q2 2006.

First Half 2007 Results

In the first six months of 2007, revenues came to €79.6 million, up by 14% compared to the same period in 2006; EBITDA was €21.2 million (equal to 26.6% of sales, improving by 4.6%) EBIT reached €15.6 million, with an increase of 4.8% and net profit was €8.9 million (+4.8% vs. H1 2006).



Investments, working capital and financial position

Investments in the second quarter of 2007 were equal to €8.2 million (€13.4 million in the first half). This amount included €3 million in investments for building staff apartments that were sold in July to Company employees and were recorded in the consolidated balance sheet with non-current assets held for sale.

In Q2, working capital posted a negative sign for €8.8 million, to a large extent caused by the increase in trade receivables and inventories.

At 30 June 2007, the balance sheet showed consolidated net equity of €91.3 million and net debt of €29.4 million (respectively €89.8 million and €11.4 million at 31 December 2006). The greatest debt, in addition to the effects of investment and the progress of working capital described previously, is a result of the distribution of dividends of €8.1 million.

Events after period-end and current year's outlook

Directors feel that the slight deceleration in growth in the second half year is temporary and confirm their expectations that turnover will increase 15% and operating profitability (EBIT %) will be approximately 19%, which will continue to be influenced, in the second part of the year, by start-up costs of light alloy valves. 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.

Stock Option Plan

Meeting in an ordinary session, the General Meeting of Shareholders approved the stock option plan for Company directors and employees (the "Plan") and, in the extraordinary session, the respective increase in capital to service the plan.

The Plan is extended to the C.E.O., Angelo Bettinzoli, the C.F.O. Alberto Bartoli, and 26 other employees of the Company. The C.E.O. has been assigned 132,000 options, Mr. Bartoli 45,000 options and the other 26 employees, identified by the Board of Directors among Company directors, middle management, and employees, have been assigned a total of 423,000 options. The 600,000 options give the holders subscription rights to the same number of newly-issued ordinary Company shares, arising from the increase in reserved capital deliberated by the General Meeting of Shareholders. Assignment of options is free of charge, while exercise and subscription of the shares is in exchange for payment of a price equal to the arithmetic average of the reference price of the Company shares in the period between the date of assignment of the options to the individual beneficiaries and the same day of the previous calendar month. In compliance with tax provisions regarding stock options, the Plan also foresees that: (i) the options can be exercised only after the end of the third year subsequent to assignment of the shares, i.e. at any time between 3 August 2010 and 2 December 2010; and (ii) a number of shares corresponding to an investment of an amount equal to the difference between the value of the Company's ordinary shares at the date of exercise of the options and the exercise price paid by the beneficiary cannot be transferred by the beneficiary for the next five years. Furthermore, the terms and conditions of the Plan are described in the prospectus pursuant to Art. 84-bis of Consob Regulation no. 11971, drafted by the Board of Directors and disclosed to the market on 26 June 2007. In the appendix to this report is the additional information not included in the prospectus, as it was not yet available at this date.

Following approval of the Plan, the General Meeting of Shareholders, in the extraordinary session, approved the increase in share capital from €11,533,450.00 to up to €12,133,450.00, by issue of up to 600,000 ordinary Company shares of a par value of €1 each to service the Plan, therefore, excluding the option right, in accordance with Article 2441, section 4, item 2, of the Italian Civil Code, and in accordance with Article 5 of the Articles of Association. Subsequent to the General Meeting, the Board of Directors of the Company: (i) approved the regulations of the Plan; (ii) set at €27.64 the exercise price of the options for subscription of the shares arising from the increase in capital, equal to the arithmetic average of the reference prices of the Company shares from 2 July to 2 August 2007; and (iii) named the 26 employees beneficiaries of the options, while also laying down the number of shares to assign to each employee.





Appointment of the Company Accounting Document Drafting Officer.

The Board of Directors appointed the Chief Financial Officer, Mr. Alberto Bartoli, to fill the role of Company Accounting Document Drafting Officer, in accordance with Art. 154-bis of Leg. Decree 58/1998. His appointment was finalized subject to approval of the Board of Auditors and in compliance with the requirements of professionalism laid down by the Articles of Association. The Board of Directors granted the Company Accounting Document Drafting Officer the powers and means necessary to fulfil his duties.

Confirmation of the independence of directors

The Board of Directors also confirmed that its members, Salvatore Bragantini, Raffaele Ghedini, Alberto Federico Giua, Franco Carlo Papa and Flavio Pasotti, still possess the requirements of independence based on the criteria of application of Article 3 of the Code of Conduct of Listed Companies.

Appendices:

- *unaudited consolidated financial statements*
- *Table 1, schedule 7 of Appendix 3A of the Issuers' Regulations, incorporated with the information not available at the date of preparation of the prospectus*

For further information:

Investor Relations Gianluca Beschi tel. +39 030 6843236 gianluca.beschi@sabaf.it www.sabaf.it	Press Office Power Emprise -tel. +39 02 39400100 Cosimo Pastore - +39 335 213305 cosimopastore@poweremprise.com Rossana Pastore - +39 349 2408127 rossanapastore@poweremprise.com
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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 has a workforce of about 600 at the parent company Sabaf S.p.A. It operates via the 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 Latin American market. Sabaf is also present in the People's Republic of China via a contact office located in Shanghai.



Consolidated Balance Sheet

(€'000)	30.06.2007	31.03.2007	31.12.2006
ASSETS			
NON-CURRENT ASSETS			
Tangible assets (property, plant, and equipment)	84,778	82,715	80,461
Intangible assets	8,661	8,588	8,359
Equity investments	383	192	192
Non-current receivables	477	489	504
Deferred tax assets (prepaid taxes)	1,080	884	888
Total non-current assets	95,379	92,868	90,404
CURRENT ASSETS			
Inventories	26,890	24,625	21,077
Trade receivables	47,995	42,967	38,804
Tax receivables	1,179	1,066	1,241
Other current receivables	987	932	399
Current financial assets	103	94	1
Cash and cash equivalents	1,565	10,909	10,278
Total current assets	78,719	80,593	71,800
Non-current assets available for sale	3,000	0	0
TOTAL ASSETS	177,098	173,461	162,204
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11,533	11,533	11,533
Retained earnings, other reserves	70,931	70,502	62,154
Net profit for period	8,879	4,632	16,078
Total equity attributable to group parent	91,343	86,667	89,765
Minority interest	0	0	0
Total shareholders' equity	91,343	86,667	89,765
NON-CURRENT LIABILITIES			
Loans	13,318	14,588	14,920
Post-employment benefit obligations and	3,514	3,925	3,939
Reserves for risks and contingencies	1,153	1,167	1,070
Deferred income tax	9,522	9,443	9,341
Total non-current liabilities	27,507	29,123	29,270
CURRENT LIABILITIES			
Loans	17,688	7,739	6,739
Trade payables	31,969	31,099	29,109
Tax payables	2,724	5,572	2,775
Unclaimed dividends	0	8,073	0
Other liabilities	5,867	5,188	4,546
Total current liabilities	58,248	57,671	43,169
TOTAL LIABILITIES & EQUITY	177,098	173,461	162,204



Consolidated Income Statement

	Q2 2007		Q2 2006		H1 2007		H1 2006	
<i>(€'000)</i>								
CONTINUING OPERATIONS								
OPERATING REVENUES AND INCOME								
Revenues	39,660	100.0%	35,686	100.0%	79,633	100.0%	69,856	100.0%
Other operating income	172	0.4%	125	0.4%	459	0.6%	275	0.4%
Total operating revenues and income	39,832	100.4%	35,811	100.4%	80,092	100.6%	70,131	100.4%
OPERATING COSTS								
Materials	(18,262)	-46.0%	(15,166)	-42.5%	(37,019)	-46.5%	(29,498)	-42.2%
Change in inventories	2,167	5.5%	2,345	6.6%	5,653	7.1%	4,393	6.3%
Services	(6,801)	-17.1%	(6,057)	-17.0%	(14,091)	-17.7%	(12,023)	-17.2%
Payroll costs	(6,446)	-16.3%	(6,260)	-17.5%	(13,227)	-16.6%	(12,515)	-17.9%
Other operating costs	(197)	-0.5%	(447)	-1.3%	(582)	-0.7%	(620)	-0.9%
Costs for capitalised in-house work	173	0.4%	211	0.6%	396	-0.5%	414	0.6%
Total operating cost	(29,366)	-74.0%	(25,374)	-71.1%	(58,870)	-73.9%	(49,849)	-71.4%
OPERATING PROFIT BEFORE DEPRECIATION & AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)								
	10,466	26.4%	10,437	29.2%	21,222	26.6%	20,282	29.0%
Depreciation and amortisation	(2,846)	-7.2%	(2,756)	-7.7%	(5,523)	-6.9%	(5,366)	-7.7%
Capital gains/(losses) on disposal of non-current assets	16	0.0%	9	0.0%	12	0.0%	11	0.0%
Write-downs/write-backs of non-current assets	(69)	-0.1%	0	0.0%	(69)	-0.1%	0	0.0%
OPERATING PROFIT (EBIT)								
	7,567	19.1%	7,690	21.5%	15,642	19.6%	14,927	21.4%
Finance income	50	-0.1%	101	0.3%	188	0.2%	175	0.3%
Finance expenses	(401)	-1.0%	(299)	-0.8%	(811)	-1.0%	(579)	-0.8%
Foreign-exchange gains/(losses)	(28)	-0.1%	(127)	0.4%	(52)	-0.1%	(203)	0.3%
PRE-TAX PROFIT								
	7,188	18.1%	7,365	20.6%	14,967	18.8%	14,320	20.5%
Income tax	(2,941)	-7.4%	(3,052)	-8.6%	(6,088)	-7.6%	(5,848)	-8.4%
Minority interests	0	0.0%	0	0.0%	0	0.0%	0	0.0%
NET PROFIT FOR PERIOD								
	4,247	10.7%	4,313	12.1%	8,879	11.2%	8,472	12.1%



Consolidated Net Financial Position

(€'000)	30.06.2007	31.03.2007	31.12.2006
A. Cash	20	13	13
B. Positive balances of non-binding bank current accounts	1,545	10,896	10,265
C. Other liquidities	0	0	0
D. Cash (A+B+C)	1,565	10,909	10,278
E. Current bank overdrafts	14,466	4,515	3,524
F. Current portion of the non-current debt	3,222	3,224	3,215
G. Other current payables	0	0	0
H. Current financial debt (E+F+G)	17,688	7,739	6,739
I. Current net financial debt (H-D)	16,123	(3,170)	(3,539)
J. Non-current bank payables	7,322	8,257	8,257
K. Non-current financial debts	5,996	6,331	6,663
L. Non-current financial debt (J+K)	13,318	14,588	14,920
M. Net financial debt (L+I)	29,441	11,418	11,381

Consolidated Cash Flow Statement

(€'000)	Q2 2007	Q2 2006	H1 2007	H1 2006
OPENING NET SHORT-TERM FINANCIAL POSITION	(3,170)	16,533	(3,539)	9,173
Net profit for the year before minority interests	4,247	4,313	8,879	8,472
Depreciation and amortisation	(2,846)	(2,756)	(5,523)	(5,366)
Other non-monetary items	489	888	(296)	1,389
Change in net working capital	(8,760)	513	(11,400)	4,134
Operating cash flow	(2,156)	8,470	2,706	19,361
Investments, net	(8,226)	(4,777)	(13,390)	(7,818)
Change in financial assets and loans (non-current)	(1,267)	(3,197)	(1,677)	(4,541)
Distribution of dividends	(8,073)	(6,792)	(8,073)	(6,792)
Other changes in equity	429	1,031	772	1,885
CASH FLOW FOR THE PERIOD	(19,293)	(5,265)	(19,662)	2,095
CLOSING NET SHORT-TERM FINANCIAL POSITION	(16,123)	11,268	(16,123)	11,268





Table 1, Schedule 7 of Appendix 3A of the Issuers' Regulations

Name or category	Qualification (indicated only for individuals reported by name)	BOX 2						
		Options (<i>option grant</i>)						
		Section 2 Newly assigned options based on the decision: <input type="checkbox"/> of the B.o.D. on proposal for the General Meeting <input checked="" type="checkbox"/> of the competent body for implementing Resolutions						
		General meeting resolution date	Description of the instrument	Number of finan. instruments underlying the options assigned to each individual or category	Date of assignment by the B.o.D. or competent body	Exercise price	Market price of the financial instruments at assignment	End date option
Angelo Bettinzoli	Chief Executive Officer	02/08/07	Options on ordinary shares of the Company (new issue)	132,000	c.b. 02/08/07 c.c.14/06/07	27.64	27.64	2 December 2010
Alberto Bartoli	Director, executive, Chief Financial Officer	02/08/07	idem	45,000	c.b. 02/08/07 c.c. 14/06/07	27.64	27.64	2 December 2010
Executives ex Art. 152-sexies, section 1, letter c)- c.2 (no. 2)		02/08/07	idem	83.000	B.o.D. 02/08/07	27.64	27.64	2 December 2010
Other executives (3)		02/08/07	idem	74.000	B.o.D. 02/08/07	27.64	27.64	2 December 2010
Middle management (7)		02/08/07	idem	120,000	B.o.D. 02/08/07	27.64	27.64	2 December 2010
White-collar employees (14)		02/08/07	idem	146,000	B.o.D. 02/08/07	27.64	27.64	2 December 2010