Press release

Ospitaletto, 18 September 2007

SABAF: APPROVAL OF INTERIM RESULTS AS AT JUNE 30TH 2007

- First half 2007 results: revenues €79.6 million (+14%); EBITDA €21.1 million (+4.1%); EBIT €15.5 million (+4%); net profit €8.8 million (+3.4%)
- Net financial debt of €29.4 million (€11.4 million as at December 31st 2006)
- For FY 2007, forecasts confirmed for sales growth of 15% and EBIT at 19% of sales

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The Board of Directors of Sabaf S.p.A. met today in Ospitaletto to approve the Interim report as at June 30th 2007.

Sabaf Group performed well in the first half of 2007, continuing to benefit from a healthy economic climate, new products and the increasingly global nature of the business. Earnings margins, although down with respect to 2006, have remained satisfactory and in line with forecasts.

In the period in question, sales revenues amounted to €79.6 million against €69.9 million in the first half of 2007 (+14%). The rise in average selling prices was responsible for an 8% increase in revenues, with the remainder due to higher volumes and changes in the product mix. With demand less vibrant than in 1H06, sales volumes were essentially stable in Italy and there was a dip in quantities sold in the other markets of Western Europe. The Turkish market, after a weak start to the year, made a prompt recovery during the second quarter. International expansion proceeded according to plans: sales outside Europe now account for nearly 25% of the total (20% in the 1H06 and 15% in 1H05). Results were especially solid in Latin America, thanks in part to the investments made to expand and verticalize production in Brazil, and in Africa, due primarily to a major sales agreement with an Egyptian customer.

Growth was fuelled equally by valves & thermostats and burners, while the hinge business is still in difficulty due to the loss of an important customer. Of particular note is the increase in sales of light alloy valves, which have also been sold with thermoelectric safety devices since the start of 2007. In the first half of the year, light alloy valves accounted for more than 14% of total valve sales, up from 3.5% in 1H06.

During the period, profitability was affected by start-up costs for the plant where light alloy valves will be produced; the use of not-yet-optimized plants and a demand that is not yet stable have prevented Sabaf from achieving the efficiency standards expected once these operations are fully up and running. Earnings for the half-year were also limited by the transfer of Brazilian manufacturing from the Guarulhos plant to the new site in Jundiaì, which took place in June. EBITDA in the first half of 2007 was €21.1 million (26.5% of sales, improving by 4.1% compared to the same period in 2006) and EBIT reached €15.5 million (19.5% of sales, improving by 4% vs. €14.9 million in the first half of 2006, when it accounted for 21.4% of sales). Net profit was equal to €8.8 million (+3.4% compared to the first half 2006).

Investments of the first half 2007 were approximately €13.4 million (€7.9 million in the first half 2006 and €15.9 million in 2006). Most investments went toward building new production capacity for light alloy valves with safety devices. Sabaf spent €3 million for the construction of apartments, which in July were sold to employees of the Group, and which are therefore listed as non-current assets held for sale in the consolidated balance sheet.

During the half-year, the change in working capital was a negative €11.4 million, due largely to the increase in trade receivables.

At 30 June 2007, the balance sheet showed consolidated net equity of €91.2 million and net debt of €29.4 million (respectively €89.8 million and €11.4 million at 31 December 2006). The reason for the increase in debt, aside from investments and the trend in working capital mentioned above, is the payment of €8.1 million in dividends.

For FY 2007, the directors confirm forecasts of a 15% increase in sales and EBIT of around 19%, with the latter still weighed down during the second half by start-up costs for the production 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.

Pursuant to 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.

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Attachments: consolidated financial statements. Figures currently being audited. The external auditors' report to the interim financial statements at 30 June 2007 will be published as soon as it is available.

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 has a workforce of about 500 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.
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)	30/06/2007	31/12/2006	30/06/2006
ASSETS			
NON-CURRENT ASSETS			
Tangible assets (property, plant, and equipment)	84,778	80,461	79,009
Intangible assets	8,661	8,359	7,859
Equity investments	383	192	116
Non-current receivables	477	504	558
Deferred tax assets (prepaid taxes)	1,066	888	1,371
Total non-current assets	**95,365**	**90,404**	**88,913**
CURRENT ASSETS			
Inventories	26,890	21,077	20,084
Trade receivables	47,995	38,804	38,215
Tax receivables	1,094	1,241	672
Other current receivables	987	399	631
Current financial assets	103	1	5,768
Cash and cash equivalents	3,227	10,278	14,482
Total current assets	**80,296**	**71,800**	**79,852**
Non-current assets available for sale	3,000	0	0
TOTAL ASSETS	178,661	162,204	168,765
SHAREHOLDERS' EQUITY & LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	11,533	11,533	11,333
Retained earnings, other reserves	70,931	62,154	74,527
Net profit for period	8,762	16,078	8,472
Total equity attributable to group parent company	*91,226*	*89,765*	*94,332*
Minority interest	*0*	*0*	*0*
Total shareholders' equity	**91,226**	**89,765**	**94,332**
NON-CURRENT LIABILITIES			
Borrowing	13,318	14,920	16,527
Post-employment benefit obligations and retirement reserves	3,725	3,939	3,827
Funds for risks and charges	1,153	1,070	1,763
Deferred taxes	9,416	9,341	11,048
Total non-current liabilities	**27,612**	**29,270**	**33,165**
CURRENT LIABILITIES			
Borrowing	19,350	6,739	3,214
Trade payables	31,969	29,109	29,628
Tax payables	2,637	2,775	3,051
Other payables	5,867	4,546	5,375
Total current liabilities	**59,823**	**43,169**	**41,268**
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	178,661	162,204	168,765

Consolidated income statement

(€'000)	30/06/2007	30/06/2006	31/12/2006
CONTINUING OPERATIONS			
OPERATING REVENUES AND INCOME			
Revenues	79,633	69,856	138,263
Other operating income	459	275	1,637
Total operating revenues and income	80,092	70,131	139,900
OPERATING COSTS			
Materials	(37,019)	(29,498)	(57,794)
Change in inventories	5,653	4,393	5,410
Services	(14,091)	(12,023)	(24,116)
Payroll costs	(13,340)	(12,515)	(24,087)
Other operating costs	(582)	(620)	(897)
Costs for capitalised in-house work	396	414	814
Total operating cost	(58,983)	(49,849)	(100,670)
OPERATING PROFIT BEFORE DEPRECIATION & AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)	21,109	20,282	39,230
Amortisation	(5,523)	(5,366)	(11,018)
Capital gains/(losses) on disposal of non-current assets	12	11	29
Write-downs/write-backs of non-current assets	(69)	0	0
EBIT	15,529	14,927	28,241
Finance income	188	175	443
Finance expenses	(909)	(579)	(1,231)
Foreign-exchange gains and losses	(52)	(203)	(369)
Profits and losses from equity investments	0	0	0
PRE-TAX PROFIT	14,756	14,320	27,084
Income tax	(5,994)	(5,848)	(11,006)
Minority interest	0	0	0
NET PROFIT FOR PERIOD	8,762	8,472	16,078
EARNINGS PER SHARE (EPS)			
Base	€ 0.760	€ 0.748	€ 1.394
Diluted	€ 0.760	€ 0.743	€ 1.395

Consolidated statement of cash flows

		30/06/2007	30/06/2006	31/12/2006
A.	*OPENING NET SHORT-TERM FINANCIAL POSITION*	*3,539*	*9,173*	*9,173*
B.	CASH FLOW FROM OPERATIONS			
	Net profit for the year before minority interest	8,762	8,472	16,078
	Depreciation and amortisation	5,523	5,366	11,018
	Change in deferred tax assets and liabilities	(103)	1,227	3
	Capital (gains)/losses on asset disposal	(12)	(11)	(29)
	(Write-up)/write-downs of non-current assets	69	0	0
	Net change in post-employment benefit reserve	(214)	25	137
	Net change in reserve for risks and contingencies	83	285	(408)
		14,108	*15,364*	*26,799*
	Change in net working capital			
	Inventories	(5,813)	(4,375)	(5,368)
	Trade receivables	(9,191)	(2,151)	(2,740)
	Trade payables	2,860	6,451	5,932
	Other receivables and payables	742	4,072	2,630
		(11,402)	*3,997*	*454*
	Operating cash flow	2,706	19,361	27,253
C.	CASH FLOW FROM INVESTMENT ACTIVITIES			
	Investments in non-current assets:			
	Intangible	(478)	(356)	(1,019)
	Tangible	(9,762)	(7,501)	(14,685)
	Financial	(191)	(84)	(160)
	Available for sale	(3,000)	0	0
	Proceeds from disposal and retirement of fixed assets	40	15	384
	TOTAL	(13,391)	(7,926)	(15,480)
D.	CASH FLOW FROM FINANCING ACTIVITIES			
	New borrowings (medium-/long-term portion)	0	0	0
	Repayment of loans and transfer of current portion of long-term loans to current liabilities	(1,602)	(1,574)	(3,181)
	Change in non-current financial receivables	27	(17)	37
	Change in current financial assets	(102)	(2,950)	2,817
	TOTAL	(1,677)	(4,541)	(327)
E.	CHANGE IN SHAREHOLDERS' EQUITY			
	Change in stock option reserve	0	56	56
	Change in fair value reserve	65	1,850	(1,767)
	Change in treasury shares	0	42	307
	Share capital increase	0	0	2,875
	Other changes in shareholders' equity	708	44	(226)
	Distribution of dividends	(8,073)	(6,791)	(18,325)
	TOTAL	(7,300)	(4,799)	(17,080)
F.	CASH FLOW DURING THE PERIOD (B+C+D+E)	(19,662)	2,095	(5,634)
G.	*CLOSING NET SHORT-TERM FINANCIAL POSITION (A+F)*	*(16,123)*	*11,268*	*3,539*