Press release

Ospitaletto, 12 February 2008

SABAF: FOURTH QUARTER 2007 RESULTS APPROVED

- 4Q 2007 revenues €39.6 million (+10.3%); EBITDA €8.2 million (-16.7%); EBIT €5.2 million (-26.7%); net profit €3.9 million (-1.4%)
- 12M 2007 revenues €158.1 million (+14.3%); EBITDA €38.5 million (-1.8%); EBIT €26.8 million (-4.9%); net profit €15.8 million (-1.5%)
- Net financial debt as at 31 December 2007 totalled €22.8 million (€11.4 million as at 31 December 2006)
- Outlook for 2008: sales of €170-175 million with EBIT at 17% of sales

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The Board of Directors of Sabaf S.p.A. met today in Ospitaletto to approve the quarterly report as at 31 December 2007.

Fourth quarter 2007 consolidated results

In the fourth quarter of 2007, sales revenues totalled €39.6 million, growing by 10.3% vs. €35.9 million in the fourth quarter of 2006. Of the total increase, about 3% stems from greater volumes and approximately 7% from higher average prices. Demand grew even weaker in Italy and the rest of western Europe, but continued to grow in eastern Europe, partly as a result of the delocalisation of appliance manufacturing by multinationals. In the fourth quarter, the fastest growth rates were reported once again in the emerging markets (Asia, Africa and Latin America), while sales in North America declined sharply.

Sales of valves and thermostats (+23.8%) far outpaced the growth rate for burners (+2%). This trend reflects Sabaf's increased share of the valve market, thanks to the introduction of light alloy valves.

The truckers' strike in Italy in the month of December prevented the delivery of around €1 million worth of products, but these revenues were recovered in January 2008.

EBITDA for the quarter came to €8.2 million (20.7% of revenues), down 16.7% from the €9.8 million posted in the fourth quarter of 2006. The decline in margins is due primarily to the cost of the start-up business in light alloy valves; because of the booming demand for valves with safety devices, exceeding expectations, Sabaf has resorted to a production process that has not yet been optimized. The fourth quarter was also marked by lower sales of the group's most profitable goods and by the negative performance of the Brazilian plant, where production is now being streamlined following the move to the new site in Jundiaì. Earnings were also hurt by the further devaluation of the dollar—in which some 7% of revenues are invoiced—with respect to the euro and the Brazilian real.

EBIT for the quarter was €5.2 million, or 13.1% of sales, a reduction of 26.7% compared to €7.1 million in the same quarter of 2006. The net profit stood at €3.9 million, essentially unchanged with respect to the final quarter of 2006. Taxes for the quarter were reduced by around €1.5 million thanks to the recalculation of deferred tax liabilities on the basis of the new rates taking effect in Italy as from 2008.

FY 2007 consolidated results

For full-year 2007, revenues came to €158.1 million, up by 14.3% compared with the same period in 2006. EBITDA was €38.5 million (24.4% of sales, declining by 1.8%), EBIT came to €26.9 million, a decrease of 4.9%, and the net profit totalled €15.8 million (-1.5% vs. FY 2006).

Financial position and investments

At 31 December 2007 the balance sheet showed consolidated equity of €98.1 million and net debt of €22.8 million (equity of €89.8 million and net debt of €11.4 million at the close of 2006).

Investments for the fourth quarter of 2007 came to €4.5 million, and totalled €18.7 million for the entire year (€15.5 million in 2006).

Outlook for 2008

As of this writing, demand from customers has shown no significant sign of slowing down. On the basis of agreements reached and negotiations in course, in 2008 the group expects to gain an even larger share of the valve market. In the first half of the year, profitability will remain influenced by the need to complete the specific production lines for aluminium valves. The directors expect to see total revenues of €170-175 million in 2008, and an EBIT margin of around 17%. Investments planned for the year amount to approximately €16 million.

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 pm CET today, 12 February 2008, during a conference call (call +39 (0)2 802 09 11 a few minutes before the conference is due to start).

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.

Attachments: 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.
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 700. 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)	31.12.2007	30.09.2007	31.12.2006
ASSETS			
NON-CURRENT ASSETS			
Tangible assets (property, plant and equipment)	86,515	85,343	80,461
Intangible assets	9,137	8,816	8,359
Equity investments	419	419	192
Non-current receivables	253	462	504
Deferred tax assets (prepaid taxes)	816	721	888
Total non-current assets	97,140	95,761	90,404
CURRENT ASSETS			
Inventories	27,935	26,448	21,077
Trade receivables	46,723	46,636	38,804
Tax receivables	1,520	764	1,241
Other current receivables	490	721	399
Current financial assets	0	130	1
Cash and cash equivalents	7,262	9,589	10,278
Total current assets	83,930	84,288	71,800
Available-for-sale non-current assets	0	0	0
TOTAL ASSETS	181,070	180,049	162,204
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11,533	11,533	11,533
Retained earnings, other reserves	70,760	70,950	62,154
Net profit for the period	15,828	11,939	16,078
Total equity attributable to group parent company	*98,121*	*94,422*	*89,765*
Minority interests	*0*	*0*	*0*
Total shareholders' equity	98,121	94,422	89,765
NON-CURRENT LIABILITIES			
Loans	12,307	14,480	14,920
Post-employment benefit obligations and retirement reserves	3,581	3,602	3,939
Reserves for risks and contingencies	735	686	1,070
Deferred tax liabilities	8,944	9,576	9,341
Total non-current liabilities	25,567	28,344	29,270
CURRENT LIABILITIES			
Loans	17,765	17,024	6,739
Trade payables	33,682	30,188	29,109
Taxes payable	905	4,642	2,775
Unclaimed dividends	0	0	0
Other liabilities	5,030	5,429	4,546
Total current liabilities	57,382	57,283	43,169
TOTAL EQUITY AND LIABILITIES	181,070	180,049	162,204

Consolidated income statement

(€'000)	4Q 2007		4Q 2006		12M 2007		12M 2006	
CONTINUING OPERATIONS								
OPERATING REVENUES AND INCOME								
Revenues	39,580	*100.0%*	35,880	*100.0%*	158,091	*100.0%*	138,263	*100.0%*
Other operating income	148	*0.4%*	994	*2.8%*	1,027	*0.6%*	1,637	*1.2%*
Total operating revenues and income	39,728	*100.4%*	36,874	*102.8%*	159,118	*100.6%*	139,900	*101.2%*
OPERATING COSTS								
Materials	(18,296)	*-46.2%*	(14,469)	*-40.3%*	(72,511)	*-45.9%*	(57,794)	*-41.8%*
Change in inventories	1,510	*3.8%*	(197)	*-0.5%*	6,735	*4.3%*	5,410	*3.9%*
Services	(7,269)	*-18.4%*	(6,444)	*-18.0%*	(27,590)	*-17.5%*	(24,116)	*-17.4%*
Payroll costs	(7,396)	*-18.7%*	(6,056)	*-16.9%*	(27,146)	*-17.2%*	(24,087)	*-17.4%*
Other operating costs	(215)	*-0.5%*	(128)	*-0.4%*	(723)	*-0.5%*	(897)	*-0.6%*
Costs for capitalised in-house work	119	*0.3%*	242	*0.7%*	648	*0.4%*	814	*0.6%*
Total operating costs	(31,547)	*-79.7%*	(27,052)	*-75.4%*	(120,587)	*-76.3%*	(100,670)	*-72.8%*
OPERATING PROFIT BEFORE DEPRECIATION & AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)	8,181	*20.7%*	9,822	*27.4%*	38,531	*24.4%*	39,230	*28.4%*
Depreciation & amortisation	(2,981)	*-7.5%*	(2,714)	*-7.6%*	(11,574)	*-7.3%*	(11,018)	*-8.0%*
Capital gains/(losses) on disposal of non-current assets	3	*0.0%*	(4)	*0.0%*	(31)	*0.0%*	29	*0.0%*
Write-downs/write-backs of non-current assets	1	*0.0%*	0	*0.0%*	(76)	*0.0%*	0	*0.0%*
OPERATING PROFIT (EBIT)	5,204	*13.1%*	7,104	*19.8%*	26,850	*17.0%*	28,241	*20.4%*
Financial income	80	*0.2%*	137	*0.4%*	358	*0.2%*	443	*0.3%*
Finance expense	(596)	*-1.5%*	(333)	*-0.9%*	(2,126)	*-1.3%*	(1,231)	*-0.9%*
Foreign-exchange gains/(losses)	(88)	*-0.2%*	(176)	*-0.5%*	(319)	*-0.2%*	(369)	*-0.3%*
Profits and losses from equity investments	0	*0.0%*	0	*0.0%*	0	*0.0%*	0	*0.0%*
PRE-TAX PROFIT	4,600	*11.6%*	6,732	*18.8%*	24,763	*15.7%*	27,084	*19.6%*
Income taxes	(711)	*-1.8%*	(2,788)	*-7.8%*	(8,935)	*-5.7%*	(11,006)	*-8.0%*
Minority interests	0	*0.0%*	0	*0.0%*	0	*0.0%*	0	*0.0%*
NET PROFIT FOR THE PERIOD	3,889	*9.8%*	3,944	*11.0%*	15,828	*10.0%*	16,078	*11.6%*