Press release

Ospitaletto, 13 May 2008

SABAF: RESULTS FOR THE FIRST QUARTER 2008 APPROVED

- In the first quarter 2008, revenues at €44.7 million (+11.8%); EBITDA at €9.7 million (-9.6%); EBIT at €6.8 million (-15.9%); net profit of €3.9 million (-16.2%)
- Net financial debt at 31 March 2008 equal to €18.2 million (€22.8 million at 31 December 2007)
- Forecasts for 2008 confirmed: sales at €170-175 million, EBIT at 17% of sales

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The Board of Directors of Sabaf S.p.A. met in Ospitaletto today to approve the quarterly report at 31 March 2008.

Consolidated results for the first quarter 2008

Thanks to the product innovation and ongoing internationalisation of business, during the first quarter the Sabaf Group confirmed a steady growth rate and further strengthened its leadership in the sector. In line with expectations, margins during the quarter were still conditioned by the additional costs of producing light alloy valves, but had recovered in relation to the fourth quarter 2007.

During the quarter, sales revenues amounted to €44.7 million, up 11.8% on the €40 million of the first quarter 2007. The growth in sales is the result of the higher sales volumes, while average prices were slightly down on the first quarter 2007. Sales in Italy grew by 4.1% to €20.4 million, in a market where the economic situation has worsened since 2007. Sales in Western Europe (€3.7 million, -18.3%) were significantly affected, both by the weakness of the market, and by the relocation of the production of kitchens and worktops to Eastern Europe, a sign of an increasingly more strategic market (€10.4 million, +63.9% during the quarter), both owing to the gradual transfer of multinational production to that area, and owing to the growing significance of Turkish clients. In the non-European markets, the excellent trend in the Latin American and African markets should be noted, while sales in Asia witnessed a temporary slowdown.

Valves have been the main contributor to the sales trend, both owing to the growing importance in Italy of safety valves, and thanks to the increases in market share made possible by the light alloy valves. Sales of standard burners have grown in line with the total, while sales of special versions are still down. While awaiting the introduction of new special models, there is still a weakness in the hinges segment.

Productivity was still affected by the start-up costs for the production of light alloy safety valves. EBITDA for the period amounted to €9.7 million, equal to 21.8% of sales, down 9.6% on the €10.8 million (26.9% of sales) reported in the first quarter 2007. EBIT amounted to €6.8 million, corresponding to 15.2% of sales, less than the 15.9% of €8.1 million in the same period of 2007 (20.2% of sales). Net profit amounted to €3.9 million, compared to €4.6 million during the first quarter 2007, down 16.2%.

Investments during the quarter amounted to €2.9 million. At 31 March 2008 the balance sheet showed consolidated net equity of €93.4 million and net financial debt, excluding the amount payable to shareholders for dividends of €8.1 million, of €18.2 million (€98.1 million and €22.8 million at 31 December 2007 respectively).

Forecasts for the current year

The directors confirm the forecast of consolidated sales between €170 and €175 million and EBIT of 17% for 2008, at the same level as 2007. These assumptions take into consideration a macroeconomic scenario not affected by unforeseeable events. Should the economic situation undergo significant changes, however, the final values could differ from the figures forecast.

Option to apply substitute taxation to previous off-balance-sheet deductions

Article 1 section 48 of the Finance Act 2008 granted taxpayers the right to cancel the tax relevance of the off-balance-sheet deductions made in previous years in relation to amortisation and depreciation, provisions and value adjustments, by subjecting these deductions to substitute tax. Sabaf S.p.A. and Faringosi Hinges s.r.l. intend to use this option, allowing them to release previous off-balance-sheet deductions of some €17.7 million (mainly accelerated depreciation), for which deferred taxes of around €5.5 million had been entered in the financial statements at 31 December 2007. The substitute tax payable amounts to around €2.5 million, payable in three annual instalments. Consequently, the 2008 income statement will show taxes reduced by around €3 million. This benefit has not been taken into consideration in determining taxes for the first quarter 2008.

The results will be announced to the financial community at 3.00 pm CET today, 13 May 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)	31.03.2008	31.12.2007	31.03.2007
ASSETS			
NON-CURRENT ASSETS			
Tangible assets (property, plant and equipment)	86,204	86,515	82,715
Intangible assets	9,217	9,137	8,588
Equity investments	614	419	192
Non-current receivables	257	253	489
Deferred tax assets (prepaid taxes)	879	816	884
Total non-current assets	97,171	97,140	92,868
CURRENT ASSETS			
Inventories	26,826	27,935	24,625
Trade receivables	46,097	46,723	42,967
Tax receivables	1,780	1,520	1,066
Other current receivables	935	490	932
Current financial assets	0	0	94
Cash and cash equivalents	7,371	7,262	10,909
Total current assets	83,009	83,930	80,593
TOTAL ASSETS	180,180	181,070	173,461
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11,533	11,533	11,533
Retained earnings, other reserves	78,007	70,760	70,502
Net profit for the period	3,880	15,828	4,632
Total equity attributable to group parent company	*93,420*	*98,121*	86,667
Minority interests	*0*	*0*	0
Total shareholders' equity	93,420	98,121	86,667
NON-CURRENT LIABILITIES			
Loans	11,967	12,307	14,588
Post-employment benefit obligations and retirement reserves	3,295	3,581	3,925
Reserves for risks and contingencies	717	735	1,167
Deferred tax liabilities	8,966	8,944	9,443
Total non-current liabilities	24,945	25,567	29,123
CURRENT LIABILITIES			
Loans	13,583	17,765	7,739
Trade payables	31,702	33,682	31,099
Taxes payable	2,788	905	5,572
Unclaimed dividends	8,073	0	8,073
Other liabilities	5,669	5,030	5,188
Total current liabilities	61,815	57,382	57,671
TOTAL EQUITY AND LIABILITIES	180.180	181.070	173.461

Consolidated Income Statement

(€'000)	1Q 2008		1Q 2007		12M 2007	
CONTINUING OPERATIONS						
OPERATING REVENUES AND INCOME						
Revenues	44,672	*100.0%*	39,973	*100.0%*	158,091	*100.0%*
Other operating income	112	*0.3%*	287	*0.7%*	1,027	*0.6%*
Total operating revenues and income	44,784	*100.3%*	40,260	*100.7%*	159,118	*100.6%*
OPERATING COSTS						
Materials	(18,951)	*-42.4%*	(18,757)	*-46.9%*	(72,511)	*-45.9%*
Change in inventories	(1,026)	*-2.3%*	3,486	*8.7%*	6,735	*4.3%*
Services	(7,228)	*-16.2%*	(7,290)	*-18.2%*	(27,590)	*-17.5%*
Payroll costs	(7,861)	*-17.6%*	(6,781)	*-17.0%*	(27,146)	*-17.2%*
Other operating costs	(172)	*-0.4%*	(385)	*-1.0%*	(723)	*-0.5%*
Costs for capitalised in-house work	174	*0.4%*	223	*0.6%*	648	*0.4%*
Total operating costs	(35,064)	*-78.5%*	(29,504)	*-73.8%*	(120,587)	*-76.3%*
OPERATING PROFIT BEFORE DEPRECIATION & AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)	9,720	*21.8%*	10,756	*26.9%*	38,531	*24.4%*
Depreciation & amortisation	(2,930)	*-6.6%*	(2,677)	*-6.7%*	(11,574)	*-7.3%*
Capital gains/(losses) on disposal of non-current assets	2	*0.0%*	(4)	*0.0%*	(31)	*0.0%*
Write-downs/write-backs of non-current assets	0	*0.0%*	0	*0.0%*	(76)	*0.0%*
OPERATING PROFIT (EBIT)	6,792	*15.2%*	8,075	*20.2%*	26,850	*17.0%*
Financial income	67	*0.1%*	138	*0.3%*	358	*0.2%*
Finance expense	(482)	*-1.1%*	(410)	*-1.0%*	(2,126)	*-1.3%*
Foreign-exchange gains/(losses)	(263)	*-0.6%*	(24)	*-0.1%*	(319)	*-0.2%*
Profits and losses from equity investments	0		0	*0.0%*	0	*0.0%*
PRE-TAX PROFIT	6,114	*13.7%*	7,779	*19.5%*	24,763	*15.7%*
Income taxes	(2,234)	*-5.0%*	(3,147)	*-7.9%*	(8,935)	*-5.7%*
Minority interests	0	*0.0%*	0	*0.0%*	0	*0.0%*
NET PROFIT FOR THE PERIOD	3,880	*8.7%*	4,632	*11.6%*	15,828	*10.0%*