Press release Ospitaletto, 7 August 2008

SABAF: FIRST HALF 2008 RESULTS APPROVED

- **In the first half 2008: revenues € 88.3 million (+10.9%); EBITDA € 18.7 million (-11.4%); EBIT € 12.8 million (-17.9%); net profit € 10.1 million (+15.1%)**
- **In the second quarter: revenues € 43.6 million (+10%); EBITDA € 9 million (-13.2%); EBIT € 6 million (-20.1%); net profit € 6.2 million (+50.1%)**
- **Forecasts for 2008: sales projected to reach € 170-175 million, EBIT 15% of sales**

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The Board of Directors of Sabaf S.p.A. met today in Ospitaletto to approve the Interim Report at 30 June 2008.

Consolidated results for the first half 2008

In the first half of 2008 the Sabaf Group sales revenues totalled € 88.3 million, reporting an increase of 10.9% vs. the corresponding period a year earlier. The increase in revenue was achieved exclusively through higher sales volumes since average sale prices slipped approximately 2% and the change in the exchange rate negatively affected sales by 0.5%.

Despite the weakness on the domestic market, sales in Italy increased by 7.6% to € 41.5 million.
Sales in Western Europe waned (€7.3 million, - 11.1%), partly due to several Sabaf customers moving production facilities elsewhere. However, Eastern Europe represents an increasingly strategic market (€ 20.3 million, +52.8% in the half year), both because large companies are gradually shifting production to this area and because the Turkish market is gaining importance. As regards non-European countries, the South American and African markets continued to show strong performance, while sales in Asia posted a significant slowdown. Sales in North America dropped sharply due to the crisis on the US market, which was aggravated by the deterioration of the US currency.

The valves and thermostats product family contributed the most to growth (+ 22.1% to €39.9 million), mainly due to the increased use of light–alloy valves. Sales of burners, totalling € 34.4 million, reported a 1.7% increase on the first half of 2007. The mix of sales within the burners segment was negatively affected in terms of profitability: sales of standard burners were up (revenue + 5.6%), while sales of special burners were down (-7.4%) caused by the momentary inability to increase market shares. The worsening of the sales mix of Sabaf burners caused a negative effect on profits, equal to 0.3% of total sales.

The aggressive price policy implemented to increase market shares, the less profitable product mix, and the effects of the foreign exchange combined to cause profits to fall compared with the same period in 2007. In the first six months of 2008, EBITDA came to €18.7 million (accounting for 21.2% of sales, down by 11.4% on the same period in 2007); EBIT amounted to € 12.8 million (or 14.4% of sales, down 17.9% compared with the € 15.5 million in the first half of 2007, when it represented 19.5% of sales).

In the first half year, Sabaf continued to improve and perfect its new light alloy valve production processes. To date, most of the actions have been completed and the improvements achieved in production efficiency are essentially in line with the objectives set for the first half.

Operating costs in the first six months included a € 500,000 write-down of trade receivables made to offset the symptoms of financial distress perceived with some customers. This write-down had a negative impact on EBITDA% of 0.7%.

Income taxes in the half year amounted to € 1.5 million, against € 6 million in the first half of 2007. Since Sabaf took advantage of the ability to subject previous off-balance sheet deductions to substitute tax, as allowed by the Finance Bill 2008, the Group booked an extraordinary tax benefit of approximately € 3 million in the half year. As a result, net profit amounted to € 10.1 million (+15.1% vs the first half year 2007). The effective tax rate of 12.8% at 30 June 2008, as a result of this operation, will increase to approximately 24% at the end of the year, compared to 36.1% in 2007.

At 30 June 2008, the balance sheet showed consolidated net equity of €100.5 million and net debt of €28 million (respectively €98.1 million and €22.8 million at 31 December 2007).

Net working capital remained essentially unchanged versus 30 June 2007 and 31 December 2007. On an annual basis, working capital as a percentage of revenue was 21.3%.

Investments in the first half 2008 were approximately €7.1 million (€18.7 million in all of 2007). Most investments were earmarked for completing the new production lines for light alloy valves and increasing burner production capacity.

Consolidated results for the second quarter 2008

In the second quarter of 2008, sales revenues totalled € 43.6 million, marking a 10% increase vs. the same quarter of 2007. Despite the weakness in the domestic market, there was a double-digit increase in sales in Italy (11.1%), other Western European markets reported a modest slowdown (-2.4%) and Eastern Europe reported another quarter of very robust growth (+42.6% to € 9.9 million). Among the non-European markets, Africa and South America performed well, although sales were slightly less energetic than in the first quarter, while sales in Asia and North America continued to slide.

Looking at sales distribution by product family, the results show that growth was driven largely by valves and thermostats (+19.1%), while sales of burners and hinges dipped slightly.

In the quarter, profits were influenced by the same factors explained above for the first half performance. Average sale prices shrank compared with the first quarter, partly due to sales being concentrated with the larger customers. The € 500,000 write-down made to receivables, described above, was booked entirely in the second quarter.

EBITDA in Q2 came to € 9 million (-13.2% versus Q2 2007) and EBIT stood at € 6 million (-20.1% on the same period in 2007). Following Sabaf's adoption of the new tax option, as described above, a tax income was booked for € 0.8 million and net profits in the quarter came to € 6.2 million, showing a 50.1% improvement versus the € 4.1 million in the second quarter 2007.

Current year's outlook

The economic framework in which the Group has to operate in the second half is characterised by uncertainty and the risks associated with the faltering western markets. Italians and other Western European consumers have been steadily reducing their spending on large home appliances. Not only could this situation hinder growth but it also exposes our customers to a more difficult competitive climate, with the consequent increased risk of insolvency. Fortunately, the economy is picking up speed on the other key markets where the Group operates (Eastern Europe, South America, and Africa) and we expect positive performance for the remainder of 2008. The key Middle Eastern markets continue to be exposed to the risks associated with political instability.

The latter half of the year will be characterised by a significant increase in the cost of steel, a commodity that cannot be hedged. While contracts with customers are not index-linked to commodities prices, the Group expects to transfer most of cost increases to sale prices. As regards the other main commodities, the Group has fixed the purchase price of aluminium and brass for most of its needs until the end of 2008.

After careful examination of the combined impact of these phenomena on the demand for Group products and on operating results, directors reaffirm the objective of reaching sales between € 170 and €175 million for the entire year (+ 7% - 10% versus 2007). Operating profitability is projected to improve in the second half of the year, especially due to the gradual improvements in productivity of light alloy valves, but it will continue to be negatively impacted by the key factors that influenced the first half and overall market weakness. For the full year 2008, directors expect EBIT to account for approximately 15% of sales (the last forecast had forecast EBIT at 17%).

These expectations are based on the assumption that no unforeseeable macro-economic changes occur. If the economic situation were to change significantly, actual figures might diverge from forecasts.

Other information

As regards the press release published on 18 July 2008, in which Sabaf announced that it was initiating a plan to purchase treasury shares in execution of the AGM resolution of 29 April 2008, directors inform that no treasury shares have been acquired to date.

Sabaf's Sales Director, Luca Salvi, left the Group in July 2008. His duties were temporarily taken over by the Chief Executive Officer, Angelo Bettinzoli.

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The results will be announced to the financial community at 3.00 p.m. CET today, 7 August 2008, during a conference call (call +39 (0)2 802 09 11 a few minutes before the conference is due to start).

The Interim report at 30 June 2008 will be available to the public at the company's registered headquarters and c/o Borsa Italiana SpA, as from 8 August 2008. It will also be published on the company's web site (www.sabaf.it) the same day.

Pursuant to Section 2, 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: Consolidated accounting schedules

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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 employs some 700 employees and operates via the parent company SABAF S.p.A. and its subsidiaries Faringosi- Hinges – leader in oven and washing-machine hinge production – and Sabaf do Brasil – active in production of burners for the South American market. Sabaf is also present in the People's Republic of China via a contact office located in Shanghai.

Consolidated Balance Sheet

(€'000)	30.06.2008	31.12.2007	30.06.2007
ASSETS			
NON-CURRENT ASSETS			
Tangible assets (property, plant, and equipment)	86,969	86,515	84,778
Intangible assets	9,667	9,137	8,661
Equity investments	614	419	383
Non-current receivables	189	253	477
Deferred tax assets (prepaid taxes)	970	816	1,066
Total non-current assets	98,409	97,140	95,365
CURRENT ASSETS			
Inventories	29,162	27,935	26,890
Trade receivables	49,565	46,723	47,995
Tax receivables	1,404	1,520	1,094
Other current receivables	876	490	987
Current financial assets	0	0	103
Cash and cash equivalents	5,087	7,262	3,227
Total current assets	86,094	83,930	80,296
Non-current assets available for sale	0	0	3,000
TOTAL ASSETS	184,503	181,070	178,661
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11,533	11,533	11,533
Retained earnings, other reserves	78,881	70,760	70,931
Net profit for period	10,081	15,828	8,762
Total equity attributable to group parent company	*100,495*	*98,121*	*91,226*
Minority interest	*0*	*0*	*0*
Total equity	100,495	98,121	91,226
NON-CURRENT LIABILITIES			
Loans	11,339	12,307	13,318
Post-employment benefit obligations and retirement reserves	3,281	3,581	3,725
Reserves for risks and contingencies	697	735	1,153
Deferred tax liabilities	3,460	8,944	9,416
Total non-current liabilities	18,777	25,567	27,612
CURRENT LIABILITIES			
Loans	21,762	17,765	19,350
Trade payables	33,956	33,682	31,969
Tax payables	2,988	905	2,637
Other liabilities	6,525	5,030	5,867
Total current liabilities	65,231	57,382	59,823
TOTAL LIABILITIES & EQUITY	184,503	181,070	178,661

Consolidated Income Statement

(€'000)	Q2 2008	Q2 2007	1st Half 2008	1st half 2007
OPERATING REVENUE AND INCOME				
Revenue	43,630	39,660	88,302	79,633
Other operating income	194	172	306	459
Total operating revenue and income	43,824	39,832	88,608	80,092
OPERATING COSTS				
Materials	(20,930)	(18,262)	(39,881)	(37,019)
Change in inventories	2,195	2,167	1,169	5,653
Services	(7,427)	(6,801)	(14,655)	(14,091)
Payroll costs	(8,205)	(6,559)	(16,066)	(13,340)
Other operating costs	(640)	(197)	(812)	(582)
Costs for capitalised in-house work	173	173	347	396
Total operating cost	(34,834)	(29,479)	(69,898)	(58,983)
OPERATING PROFIT BEFORE DEPRECIATION & AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)	8,990	10,353	18,710	21,109
Depreciation and amortisation	(3,038)	(2,846)	(5,968)	(5,523)
Capital gains/(losses) on disposal of non-current assets	7	16	9	12
Write-downs/write-backs of non-current assets	0	(69)	0	(69)
OPERATING PROFIT (EBIT)	5,959	7,454	12,751	15,529
Finance income	15	50	82	188
Finance expenses	(518)	(499)	(1,000)	(909)
Foreign-exchange gains/(losses)	(9)	(28)	(272)	(52)
Profits and losses from equity investments	0	0	0	0
PRE-TAX PROFIT	5,447	6,977	11,561	14,756
Income tax	754	(2,847)	(1,480)	(5,994)
Minority interests	0	0	0	0
NET PROFIT FOR PERIOD	6,201	4,130	10,081	8,762

Consolidated Cash Flow Statement

		30.06.2008	31.12.2007	30.06.2007
A.	*OPENING NET SHORT-TERM FINANCIAL POSITION*	*(10,503)*	*3,539*	*3,539*
B.	CASH FLOW FOR THE PERIOD			
	Net profit for the year before minority interests	10,081	15,828	8,762
	Depreciation and amortisation	5,968	11,574	5,523
	Change in deferred tax assets and liabilities	(5,638)	(325)	(103)
	Capital (gains)/losses on asset disposal	(9)	31	(12)
	(Write-up)/write-downs of non-current assets	0	76	69
	Net change in post-employment benefit reserve	(300)	(358)	(214)
	Net change in reserve for risks and contingencies	(38)	(335)	83
		10,064	*26,491*	*14,108*
	Change in net working capital			
	Inventories	(1,227)	(6,858)	(5,813)
	Trade receivables	(2,842)	(7,919)	(9,191)
	Trade payables	274	4,573	2,860
	Other receivables and payables	3,308	(1,756)	742
		(487)	*(11,960)*	*(11,402)*
	Operating cash flow	9,577	14,531	2,706
C.	CASH FLOW FROM INVESTMENT ACTIVITIES			
	Investments in non-current assets:			
	intangible	(748)	(1,156)	(478)
	tangible	(6,340)	(17,426)	(9,762)
	financial	(195)	(227)	(191)
	Held for sale	0	0	(3,000)
	Proceeds from disposal and retirement of fixed assets	145	69	40
	total	(7,138)	(18,740)	(13,391)
D.	CASH FLOW FROM FINANCING ACTIVITIES			
	New loans (medium-/long-term portion)	0	1,500	0
	Repayment of loans and transfer of current portion of long-term loans to current liabilities	(968)	(4,113)	(1,602)
	Change in non-current financial receivables	64	251	27
	Change in current financial assets	0	1	(102)
	total	(904)	(2,361)	(1,677)
E.	CHANGE IN SHAREHOLDERS' EQUITY			
	Other changes in equity	366	601	773
	Distribution of dividends	(8,073)	(8,073)	(8,073)
	total	(7,707)	(7,472)	(7,300)
F.	CASH FLOW DURING THE PERIOD (B+C+D+E)	(6,172)	(14,042)	(19,662)
G.	*CLOSING NET SHORT-TERM FINANCIAL POSITION (A+F)*	*(16,675)*	*(10,503)*	*(16,123)*

Geographical breakdown of sales

€ '000	Q2 2008	Q2 2007	Change %	H1 2008	H1 2007	Change %	FY 2007
Italy	21,108	18,999	+11.1	41,546	38,623	+7.6	74,039
Western Europe	3,650	3,738	-2.4	7,347	8,262	-11.1	15,480
Eastern Europe	9,931	6,962	+42.6	20,323	13,304	+52.8	29,143
Asia	2,040	3,476	-41.3	4,946	6,969	-29.0	13,970
Latin America	2,924	2,740	+6.7	6,606	4,946	+33.6	9,975
Africa	3,006	2,490	+20.7	5,722	4,592	+24.6	10,387
North America & Mexico	884	1,213	-27.1	1,661	2,668	-37.7	4,517
Oceania	87	42	+107.1	151	269	-43.9	580
Total	43,630	39,660	+10.0	88,302	79,633	+10.9	158,091

Sales breakdown by product category

€ '000	Q2 2008	Q2 2007	Change %	H1 2008	H1 2007	Change %	FY 2007
Simple brass valves	2,643	3,139	-15.8	5,679	6,091	-6.8	11,665
Brass valves with safety devices	7,993	6,953	+15.0	16,561	13,840	+19.7	27,674
Light alloy valves (simple and with safety devices)	4,233	1,718	+146.4	7,766	3,299	+135.4	8,309
Thermostats	4,764	4,674	+1.9	9,921	9,482	+4.6	18,991
Total valves and thermostats	*19,633*	*16,484*	*+19.1*	*39,927*	*32,712*	*+22.1*	*66,639*
Standard burners	12,336	12,345	-0.1	25,021	23,699	+5.6	46,087
Special burners	4,420	4,709	-6.1	9,373	10,125	-7.4	18,919
Burners	*16,756*	*17,054*	*-1.7*	*34,394*	*33,824*	*+1.7*	*65,006*
Hinges	*2,869*	*2,925*	*-1.9*	*5,608*	*5,876*	*-4.6*	*10,751*
Accessories and other revenues	*4,372*	*3,197*	*+36.8*	*8,373*	*7,221*	*+16.0*	*15,695*
Total	43,630	39,660	+10.0	88,302	79,633	+10.9	158,091