Press release Ospitaletto, 6 August 2009

SABAF: FIRST HALF 2009 RESULTS APPROVED

- **In the first half 2009, Sabaf earned revenue of €57.4 million (-33.5%); EBITDA of €9.7 million (-48%); EBIT of €3.7 million (-70.8%); net profit of €3.1 million (-69.2%)**
- **In the second quarter, the Group earned revenue of €31.3 million (-26.4%); EBITDA of €6.6 million (-26.9%); EBIT of €3.5 million (-40.5%); net profit of €3.4 million (-44.8%)**
- **Sabaf has forecast sales of approximately €120 million for FY2009 (-26%)**

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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 2009.

First half 2009 consolidated results

The Sabaf Group reported revenues of €57.4 million in the first half of 2009, posting a decrease of 33.5% vs. the corresponding period a year earlier.

The drop in revenue was due largely to lower volumes resulting from a generalised decline in demand. The Group estimates that it has maintained a substantially stable market share on the main markets on which it operates. Average sale prices were off by 4% versus the first half of 2008.

In Europe, the drop in sales exceeded 30% in all geographical areas (Italy, Western Europe, and Eastern Europe) and reflected the widespread decline in operations of appliances manufacturers. As regards the non-European nations, the negative performance of the first half reflects an extremely weak onset to the year, partly influenced by the fact that many manufacturers needed to dramatically cut inventories. Only the North American market stands at a level of sales in line with sales in the first half of 2008, but still very low.

The decrease in sales is common to all the product families; only light alloy valves, a family that is gradually earning market shares, have shown a decrease of less than 10%.

In an extremely difficult context, the Group has successfully put measures in place that have allowed it to attain satisfactory results. Improvements in productivity, especially for light alloy valves, and a careful policy of purchasing raw materials and management of stock have allowed the Group to partially offset the inevitable higher impact of structural costs on total sales. Several actions have limited operating costs. One such measure was the Group making use of ordinary subsidised temporary lay-offs until May, which brought savings of €800 thousand, and greater insourcing of burner die casting. In the first six months of 2009, EBITDA came to €9.7 million (accounting for 16.9% of sales, down by 48% on the same period in 2008); EBIT was €3.7 million (or 6.5% of sales, down 70.8% compared with the €12.8 million in the first half of 2008, when it represented 14.8% of sales).

Pre-tax profit amounted to €2.8 million in H1 2009 (€11.6 million in H1 2008) while net profit was €3.1 million (€10.1 million at H1 2008, down by 69.2%). In both periods, non-recurring benefits were posted with income taxes, respectively for €1.5 million and €3 million.

At 30 June 2009, the statement of financial position showed consolidated net equity of €99.7 million and net debt of €30 million (respectively €103.3 million and €29.7 million at 31 December 2008).

Investments in the first half of 2009 came to €6.8 million (€6.9 million in the first half of 2008), allocated chiefly to production of machinery and equipment for new products, soon to be introduced onto the market.

Consolidated results for the second quarter 2009

In the second quarter of 2009, sales revenues totalled €31.3 million, marking a 26.4% decrease vs. the second quarter of 2008. In spite of the overall weak demand, May seemed to mark the end of the inventory reductions along the entire production chain, which had strongly influenced the first quarter. An upswing in demand was reported in Asia and especially in South America, thanks to the exceptional performance of appliance consumption in Brazil, driven by government incentives. As regards distribution per product family, there was a less marked decrease in light alloy valves and special burners remained at good levels.

All the measures described above and a smaller drop in sales have allowed the Group to earn significantly higher profits than the first quarter. EBITDA in the quarter came to €6.6 million (accounting for 21% of sales, down by 26.9% versus the €9 million in the second quarter of 2008, when it accounted for 21.1% of sales); EBIT was €3.5 million (or 11.3% of sales, down 40.5% compared with the €6 million in the second quarter of 2008, when it represented 14% of sales). Pursuant to the tax option adopted, as described above, net profits for the period came to €3.4 million, falling by 44.8% versus the €6.2 million in the second quarter 2008.

Outlook for 2009

While the drop in demand that had characterised the first four months of 2009 would seem to have subsided, the economic framework in which the Group has to operate in the second half is still characterised by uncertainties and risks associated with the flagging markets. Forecasts for the second half of the year are still limited and it is still difficult to make predictions. At the present time, the Group is waiting for sales to stay at the levels of the latest months (May, June, and July) and expects sales for the entire year to be €120 million (down by 26% versus 2008). Profitability is expected to improve versus the first half, mainly thanks to a higher level of business, but will continue to be negatively affected by weakness on the market.

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.

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The results will be announced to the financial community at 3.00 p.m. CET today, 6 August 2009, 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 2009 will be made available to the public at the company's registered headquarters and c/o Borsa Italiana SpA, as from 7 August 2009. It will also be published on the company's website (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: unaudited consolidated financial statements

For further information:

Investor Relations	Press Office
Gianluca Beschi	*Power Emprise* - tel. +39 02 39400100
tel. +39 030 6843236	Cosimo Pastore – +39 335 213305
gianluca.beschi@sabaf.it	cosimopastore@poweremprise.com
www.sabaf.it	Laura De Pinto - +39 349 2408113
	lauradepint@poweremprise.com
	Sara Pavesi - +39 340 648608
	sarapavesi@poweremprise.com

Statement of consolidated financial position

(€'000)	30.06.2009	31.12.2008
ASSETS		
NON-CURRENT ASSETS		
Property, plant, and equipment	77,907	76,308
Investment property	8,765	8,505
Intangible assets	10,524	10,366
Equity investments	1,184	645
Non-current receivables	116	176
Deferred tax assets (prepaid taxes)	1,228	1,261
Total non-current assets	**99,724**	**97,261**
CURRENT ASSETS		
Inventories	20,037	27,893
Trade receivables	37,973	42,078
Tax receivables	2,048	2,530
Other current receivables	3,055	2,684
Cash and cash equivalents	7,417	11,229
Total current assets	**70,530**	**86,414**
Non-current assets held for sale	378	758
TOTAL ASSETS	170,632	184,433
EQUITY AND LIABILITIES		
EQUITY		
Share capital	11,533	11,533
Retained earnings, other reserves	85,052	76,318
Net profit (loss) for period	3,107	15,410
Total equity attributable to group parent company	*99,692*	*103,261*
Minority interest	*0*	*0*
Total equity	**99,692**	**103,261**
NON-CURRENT LIABILITIES		
Loans	25,424	22,589
Post-employment benefit obligations and retirement reserves	2,886	3,007
General provisions	748	1,046
Deferred income tax	443	2,892
Total non-current liabilities	**29,501**	**29,534**
CURRENT LIABILITIES		
Loans	11,954	18,120
Other financial payables	72	176
Trade payables	20,445	25,217
Tax payables	2,688	2,593
Other liabilities	6,280	5,532
Total current liabilities	**41,439**	**51,638**
TOTAL LIABILITIES & EQUITY	170,632	184,433

Statement of Consolidated Income

(€'000)	Q2 2009	Q2 2008	Q1 2009	Q1 2008
OPERATING REVENUES AND INCOME				
Revenues	31,335	42,559	57,364	86,257
Other operating income	747	1,265	1,141	2,351
Total operating revenues and income	32,082	43,824	58,505	88,608
OPERATING COSTS				
Materials	(10,084)	(19,168)	(16,768)	(36,471)
Change in inventories	(2,282)	2,195	(8,034)	1,169
Services	(6,225)	(9,189)	(11,233)	(18,065)
Payroll costs	(6,814)	(8,205)	(12,582)	(16,066)
Other operating costs	(367)	(640)	(762)	(812)
Costs for capitalised in-house work	265	173	597	347
Total operating cost	(25,507)	(34,834)	(48,782)	(69,898)
OPERATING PROFIT BEFORE DEPRECIATION & AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)	6,575	8,990	9,723	18,710
Depreciation and amortisation	(3,032)	(3,038)	(5,996)	(5,968)
Capital gains/(losses) on disposal of non-current assets	1	7	1	9
Write-downs/write-backs of non-current assets	0	0	0	0
OPERATING PROFIT (EBIT)	3,544	5,959	3,728	12,751
Finance income	43	15	95	82
Finance expenses	(336)	(518)	(765)	(1,000)
Foreign-exchange gains/(losses)	(63)	(9)	(214)	(272)
Profits and losses from equity investments	0	0	0	0
PRE-TAX PROFIT	3,188	5,447	2,844	11,561
Income tax	232	754	263	(1,480)
Minority interests	0	0	0	0
NET PROFIT FOR PERIOD	3,420	6,201	3,107	10,081

http://www.sabaf.it - sabaf@sabaf.it

Statement of Consolidated Cash Flows

		Q1 2009	Q1 2008
A.	*OPENING NET SHORT-TERM FINANCIAL POSITION*	(7,067)	(10,503)
B.	CASH FLOW FROM OPERATIONS		
	Net profit for the year before minority interests	3,107	10,081
	Depreciation and amortisation	5,996	5,968
	Change in deferred tax assets and liabilities	(2,416)	(5,638)
	Capital (gains)/losses on asset disposal	(1)	(9)
	(Write-up)/write-downs of non-current assets	0	0
	Net change in post-employment benefit and retirement reserves	(121)	(300)
	Net change in reserve for risks and contingencies	(298)	(38)
		6,267	*10,064*
	Change in net working capital:		
	Inventories	7,856	(1,227)
	Trade receivables	4,105	(2,842)
	Trade payables	(4,772)	274
	Other receivables and payables	954	3,308
		8,143	*(487)*
	Operating cash flow	14,410	9,577
C.	CASH FLOW FROM INVESTMENT ACTIVITIES		
	Investments in non-current assets:		
	Intangible	(543)	(748)
	Tangible	(6,266)	(6,103)
	Financial	(539)	(195)
	Proceeds from disposal and retirement of fixed assets	46	145
	TOTAL	(7,302)	(6,901)
D.	CASH FLOW FROM FINANCING ACTIVITIES		
	New loans (medium-/long-term portion)	5,334	0
	Repayment of loans and transfer of current portion of long-term loans to current liabilities	(2,499)	(968)
	Change in non-current financial receivables	60	64
	Change in cash flow hedge reserve	121	0
	Acquisition of treasury shares	(261)	0
	Distribution of dividends	(8,050)	(8,073)
	TOTAL	(5,295)	(8,977)
E.	Currency exchange differences	645	129
F.	CASH FLOW DURING THE PERIOD (B+C+D+E)	2,458	(6,172)
G.	*CLOSING NET SHORT-TERM FINANCIAL POSITION (A+F)*	*(4,609)*	(16,675)

Sales by geographical area

Amounts in €'000	Q2 2009	Q2 2008	% change	Q1 2009	Q1 2008	% change	Performance in 2008
Italy	13,898	20,093	-30.8%	26,831	39,560	-32.2%	68,750
Rest of Western Europe	2,377	3,650	-34.9%	4,621	7,347	-37.1%	13,443
Eastern Europe	6,673	9,931	-32.8%	12,767	20,323	-37.2%	38,840
Asia	2,519	2,040	23.5%	4,054	4,946	-18.0%	11,350
Latin America	3,380	2,868	17.9%	5,442	6,547	-16.9%	13,378
Africa	1,522	3,006	-49.4%	1,933	5,722	-66.2%	12,390
USA, Canada & Mexico	934	884	5.7%	1,671	1,661	0.6%	3,309
Oceania	32	87	-63.2%	45	151	-70.2%	524
Total	31,335	42,559	-26.4%	57,364	86,257	-33.5%	161,984

Sales by product line

Amounts in €'000	Q2 2009	Q2 2008	% change	Q1 2009	Q1 2008	% change	Performance in 2008
Brass valves	6,770	10,636	-36.3%	12,918	22,240	-41.9%	39,188
Light alloy valves	3,747	4,233	-11.5%	7,100	7,766	-8.6%	15,923
Thermostats	3,121	4,764	-34.5%	5,185	9,921	-47.7%	18,948
Standard burners	9,091	12,336	-26.3%	16,587	25,021	-33.7%	46,818
Special burners	4,081	4,420	-7.7%	7,382	9,373	-21.2%	18,255
Accessories	2,323	3,301	-29.7%	3,840	6,328	-39.3%	12,435
Total gas components	*29,133*	*39,690*	-26.6%	*53,012*	*80,649*	-34.3%	*151,567*
Hinges	*2,202*	*2,869*	-23.2%	*4,352*	*5,608*	-22.4%	*10,417*
Total	31,335	42,559	-26.4%	57,364	86,257	-33.5%	161,984