

SABAF S.P.A.

Ospitaletto (BS) Via dei Carpini 1

Share Capital: Euro 11,533,450, fully paid-up

Companies Register of Brescia and Tax ID no. 03244470179

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STATUTORY AUDITORS' REPORT ON THE
FINANCIAL STATEMENTS AT 31 DECEMBER 2007

Shareholders,

SABAF S.p.A. is a publicly-traded company listed on Borsa Italiana. As a result, and pursuant to Leg. Decree 58 of 24 February 1998 and the current Articles of Association, SABAF is required to submit its accounts and financial statements to the audit and approval of an independent auditor.

The Statutory Auditors' Report was prepared in accordance with the provisions above as well as CONSOB memoranda relating to listed companies.

We have verified the global layout of the financial statements and general compliance with the law relating to its formation and structure and given our approval to stating research and development costs of €216,000 under intangible assets.

The financial statements relating to the year ended 31 December 2007 show a profit of €15.666 million after deducting current income taxes and deferred tax assets and liabilities of a total of €8.491 million.

In accordance with Article 81-ter of CONSOB Regulation no. 11971 of 14 May 1999 as amended, the Financial Reporting Officer has

issued his certification of the veracity of the consolidated and statutory financial statements.

SABAF S.p.A. has strictly followed the Self-Governance Code prepared by the Committee for Corporate Governance of Listed Companies, and therefore, has set up Internal Control and Compensation Committees.

We found the composition of the Board of Directors to be balanced, including an appropriate number of "independent" directors, some of whom are also members of the Internal Control and Compensation Committees.

The Company has prepared a Corporate Governance Report.

The Board of Statutory Auditors was correctly informed about the most significant transactions executed by the Board of Directors of SABAF S.p.A. in the past year, including news and data reported during the meetings of the Board, at which the Statutory Auditors have always been in attendance, as well as in direct meetings with the Chief Financial Officer and the Investor Relations Officer.

The Board of Directors has reported on these transactions in its Report on Operations, to which we refer you for more information.

We feel reasonably certain that the actions taken comply with the law and the Company's Articles of Association and were not manifestly imprudent, risky, or in potential conflict of interest or violation of the resolutions taken by the General Meeting, nor would they in any way compromise the integrity of the Company's assets.

The Board of Statutory Auditors did not find the existence of atypical or unusual transactions posted with Group companies or related parties or any transactions that might significantly affect the business or financial position of the Company or its relations with Group companies.

The Report on Operations reiterates the absence of atypical or unusual transactions.

Intercompany operations and transactions with related parties are described in the Report on Operations, with details on the characteristics of the transactions and their economic effects given in the Explanatory Notes.

Note especially that the Company has entered into specific agreements with Subsidiaries on setting infragroup transfer prices, according to criteria that appear to be correct and in compliance with the economic needs and independence of each company.

It should be noted that Giuseppe Saleri SAPA, the ultimate parent company of SABAF, does not exercise any direction and coordination activity over SABAF.

In contrast, SABAF S.p.A., as the parent company, exercises direction and coordination activity over its subsidiaries.

The independent auditors AGN SERCA S.n.c. prepared a report on the financial year in progress, in accordance with Article 156 of Leg. Decree 58/1998. The Board of Statutory Auditors notes that its report, dated 31 March 2008, does not contain any reference or findings worthy of disclosure.

During the year, no reports were filed to the Board of Statutory Auditors pursuant to Article 2408 of the Italian Civil Code.

The Board of Statutory Auditors is not aware of any petitions.

The independent auditor AGN SERCA S.n.c. was granted the audit assignment as defined by Article 154 of Leg. Decree 58/98 for which SABAF paid the contractual amount of € 53,500 (plus cost of living (ISTAT) adjustments, out-of-pocket expenses and VAT).

Specifically, AGN SERCA received € 24,200 for auditing the statutory accounts and € 4,000 for the consolidated financial accounts, € 5,900 for periodic checks, € 7,700 for the accounting audit and the consolidated interim report and € 11,700 for the limited audit of the quarterly reports.

Furthermore, AGN SERCA has received €1,000 plus VAT for drafting the mandatory opinion on the criteria of formation of the strike price of the stock option plan.

In order to certify any assignments granted to individuals related by continuous relationships to the independent auditors engaged and the related costs, AGN Serca directly surveyed the individuals linked to it with these types of relationships.

The independent auditor informed that in relation to its present-day organizational structure, no other entities can be considered to form a "network" with it, as defined in accordance with Article 149-bis section 2 of the Issuers' Regulation.

In light of all these matters, the Board of Statutory Auditors feels that no critical aspects have emerged regarding the independence of the

Auditors.

In the year in progress, the Board of Statutory Auditors supplied the opinions and remarks where necessary as set forth by law. The contents of these opinions did not conflict with the resolutions subsequently taken by the Board of Directors.

In the year 2007, the activities of the Board of Statutory Auditors included five board meetings.

Furthermore, the Board of Statutory Auditors attended all three General Meetings and was always present at the eight meetings of the Board of Directors and, furthermore, attended four meetings of the Internal Control Committee and three meetings of the Compensation Committee.

In performing its mandate, the Board of Statutory Auditors gained knowledge of, and oversaw, for matters for which it is responsible, observance of principles of proper management, via direct observation, gathering of information from the heads of the administrative function and from managers of specific functional areas, as well as via meetings with the officially appointed independent auditor in order to exchange relevant data and information. From the activities performed, the Board of Statutory Auditors has obtained confirmation of observance of principles of proper management.

The Board of Statutory Auditors acquired knowledge of and supervised the adequacy of the organizational structure of the Company, including in relation to the plan of constant harmonization with other Group companies.

The Board of Statutory Auditors has approved the adequacy of the internal control system by gathering information through meetings with the persons in charge.

The Board acknowledges the start-up of the work of implementation of the internal control system with regard in particular to the Brazilian subsidiary.

The Statutory Auditors evaluated and monitored the adequacy of the administrative & accounting systems, especially the reliability of the accounting system to correctly represent company operations. We did this by obtaining information from the Financial Reporting Officer and the officers in the areas involved, examining company documents and analyzing the results of the work performed by the independent auditor.

The instructions given by the Company to the subsidiaries appear to be adequate.

No facts emerged during the meetings with counterparts at the subsidiaries which needed to be mentioned in this report.

In accordance with Article 15, section 2 of Leg. Decree 58/1998, meetings with the independent auditors did not result in facts emerging which needed to be mentioned in this report.

During the course of the supervisory activities, as described above, the Board of Statutory Auditors can attest that no facts emerged which needed to be reported on or mentioned in this report.

On 2 August 2007, the General Meeting approved the increase in share capital from €1,533,450 to €2,133,450, through issue of up to 600,000 ordinary SABAF shares of the nominal value of €1 each to

service the stock option plan.

The financial statements of the year ended 31 December 2007 are governed by the EC regulation 1606/2002 relating to application of the international accounting standards (IAS/IFRS) as in the previous year.

We verified the work of the Supervisory Body as required by Leg. Decree 231/2001.

The Security Planning Document was updated as required by Leg. Decree 196/2003 for the year 2007.

With reference to the provision regarding "confidential information" better known as "market abuse", the Company has set up the necessary tools, according to Article 115-bis of Leg. Decree 58/1998 which sets forth the requirement to keep records of the persons who have access to said confidential information.

The Company has implemented an Internal Dealing Regulation, for the effects under Article 114, section VII of Leg. Decree 58/1998.

SABAF has prepared the "social report" which contains information on its social and environmental performance, as well as its economic performance. The Board of Statutory Auditors can express a positive opinion on this addition to the financial statements, with a view to Company management marked by respect for sustainable development.

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Through the activities performed, the Board of Auditors has ascertained observance of the law and the Articles of Association and respect for the precepts of good management and feels confident in approving the financial statements and the Report on Operations.

Taking into account net profit earned in 2007 of €15,666,331 the Board of Directors recommends allocating € 8,073,415 as a dividend, corresponding to €0.70 per share, and the remainder to the extraordinary reserve.

The Board of Statutory Auditors feels that this recommendation is appropriate with the results achieved and the Income Statement and Balance Sheet and with the future outlook for the Company and the Group, in compliance with the law.

Ospitaletto, 4 April 2008

The Board of Statutory Auditors

(Mr. Italo Lucchini - Chairman)

(Mr. Eugenio Ballerino – Standing Statutory Auditor)

(Mr. Giovannimaria Seccamani Mazzoli – Standing Statutory Auditor)