

Press Release

Ospitaletto (BS), November 12th 2004

**SABAF: REVENUES RISE TO € 27.4 MILLION (+10.5%)
AND PRE-TAX PROFIT TO € 4.4 MILLION (+10.2%)
IN 3rd QUARTER OF 2004**

Contract with Whirlpool to supply hinges for washing machines in the North American market

The Board of Directors of **Sabaf SpA**, which met today in Ospitaletto (Brescia), has approved figures for the third quarter of 2004.

Results for the third quarter of 2004

In a reference market that is losing the positive trend that characterised the first half of 2004, the Sabaf Group was again successful in maintaining a growth rate in excess of 10% in the third quarter and high margins that, thanks to the hedging strategies that were activated, were not negatively affected by increases in raw material costs.

The sales revenues for the period totalled € 27.4 million, up by 10.5% compared to € 24.8 million in the third quarter 2003. The European markets continued to progress with respect to the same period of 2003, but the growth rates were lower than in the first half of the year. Sales in non-European markets, where Sabaf continues to gain market share, are still developing decisively.

The added value was 46.7% of sales, compared to 46.2% for the third quarter 2003, while the gross operating margin reached € 8.1 million, equal to 29.7%, an increase of 10.9% compared to € 7.3 million in the third quarter 2003 (29.6% of turnover). The operating profit for the quarter before amortising goodwill and net of a non-recurring allocation of € 250,000 to the provision for legal liabilities was € 4.7 million, equal to 17.2% of turnover, an increase of 5.5% with respect to € 4.5 million in 2003. Pre-tax profit was € 4.4 million, compared with € 4.0 million in the third quarter 2003, an increase of 10.2%.

Results for the first nine months of 2004

Revenues for the first nine months of 2004 totalled € 91.7 million, up by 16.6% with respect to the same period of 2003, the gross operating margin was € 27.0 million (29.4%, an increase of 19%), operating profit reached € 17.4 million, an improvement of 22.2% and the pre-tax profit was € 16.4 million (+33.1% compared to the same period last year).

Financial status

The financial status showed net fixed assets of € 84 million (75.7 million at 30th September 2003) and net working capital of € 27.8 million (€ 28.6 million at 30th September 2003). Uses were funded by consolidated net equity (gross of minority interests and income tax for the period) of € 81.2 million and net financial debt of € 18.6 million.

Supply agreement with Whirlpool

The Sabaf Group - through its subsidiary Faringosi Hinges - and Whirlpool signed a three-year contract for the design and supply of special hinges for a new washing machine model destined for the North American market and to be produced by Whirlpool Mexico. Sales, which can be estimated at a total value of about € 7 million, will commence in the second half of 2005 and will reach capacity in 2006. The project, which will considerably enhance Faringosi Hinges' presence in the washing machine segment, is the most important agreement that the Sabaf Group has concluded with Whirlpool to date.





Increase up to 100% of the holding in Sabaf do Brasil

Sabaf acquired the minority interest of 45% in the subsidiary Sabaf do Brasil Ltda for € 104,000, increasing its holding to 100%. The book value at 30th September 2004 of the net equity acquired was a negative figure of € 127,000. The acquisition is a preliminary to development of production in Brasil. During 2005 die-casting of the burners for the purpose of completing the vertical integration of the production cycle will commence; the estimated investment is about € 1 million.

Forecasts for the fourth quarter

During the fourth quarter the cyclical situation of the reference market is showing manifest symptoms of a slow-down, following weakness in domestic demand and further devaluation of the dollar against the Euro. The activity levels of Italian manufacturers of cooking equipment in particular, appear to be clearly down compared with the fourth quarter of 2003. Notwithstanding the fact that the Sabaf Group has not lost market share, the estimated sales revenues for the fourth quarter are about € 29 million, a fall of about 8% with respect to the same period of 2003. The estimated turnover for the entire 2004 financial year is nevertheless about € 121 million, corresponding to an increase of 10% compared with 2003. The anticipated profitability for 2004 at all levels exceeds the results achieved in 2003, in which year the gross operating margin was 29.0% of turnover, the operating profit before amortisation of goodwill was 18.4% and net profit 9.3%.

Forecasts for 2005

The current weak cycle of the sector suggests a difficult market situation for the first few months of 2005 and a subsequent progressive improvement.

The Sabaf Group anticipates that the lower levels of activity from established customers could be more than compensated by increased sales in the Turkish and North American markets (as a consequence of the supply agreements concluded during 2004) and sales of new models of valves and burners. The growth rates anticipated for the first half-year are however very moderate, while in the second half of the year a return to two-figure growth is foreseeable.

This hypothesis is based on a macro economic scenario that is not affected by unforeseen events. If the economic situation were instead to change significantly, the final year-end figures might diverge from forecasts.

Quarterly results will be illustrated to the financial community at 2.30 pm CET today, November 12th 2004, during a conference call in Italian language (please call the number +39 802 09 11 a few minutes before the call is due to start).

Attachments: consolidated financial statements

For further information:

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Founded in the early 1950s, SABAF has grown constantly to become today the main producer in Italy - and one of the leading world producers - of components for kitchens and domestic gas cooking appliances.

Its product offering features three main lines: valves, thermostats, and burners, essential components for gas cooking appliances. Sabaf's strong technological know-how, manufacturing flexibility, and its ability to offer a vast range of components - also tailor-made to meet the requirements of individual manufacturers of cookers and of built-in hobs and ovens - that are also aligned 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 some 500 employees. It operates via the parent company SABAF SpA and the subsidiaries Faringosi- Hinges - leader in the production of oven and washing-machine 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.

Sabaf has been listed on the Borsa Italiana market since March 24th 1998 and entered the high-quality/small-medium cap segment (STAR - Segmento Titoli con Alti Requisiti) in April 2001.



Reclassified Consolidated Balance Sheet and Financial Position

<i>Amounts in € '000</i>	30.09.2004	30.06.2004	31.12.2003
A. FIXED ASSETS			
Intangible fixed assets	6,186	6,398	6,925
Tangible fixed assets	77,682	77,920	69,241
Financial fixed assets	176	182	218
Total fixed assets	84,044	84,500	76,384
B. NET WORKING CAPITAL			
Inventories	17,062	16,681	14,328
Trade receivables	29,883	38,333	33,055
Other assets	4,469	4,915	2,366
Trade payables	(19,284)	(29,143)	(20,981)
Other liabilities	(4,338)	(4,676)	(4,164)
Total net working capital	27,792	26,110	24,604
C. CAPITAL EMPLOYED			
LESS: NET LIABILITIES (A+B)	111,836	110,610	100,988
D. PROVISIONS FOR LIABILITIES, CHARGES AND SEVERANCE INDEMNITIES	(12,039)	(11,718)	(11,598)
E. NET CAPITAL EMPLOYED (C-D)	99,797	98,892	89,390
Funded by:			
F. SHAREHOLDERS' EQUITY (including minority interests and the period's pre-tax result)	81,227	76,870	69,322
G. NET DEBT			
Medium/long-term financial debt	25,965	24,556	22,413
Net medium/long-term debt	25,965	24,556	22,413
Short-term financial debt	3,440	3,675	3,458
Cash & cash equivalents	(10,835)	(6,209)	(5,803)
Net short-term debt	(7,395)	(2,534)	(2,345)
Total net debt	18,570	22,022	20,068
H. TOTAL SOURCES OF FUNDING (F+G)	99,797	98,892	89,390

Reclassified Consolidated Income Statement

Amounts in € '000	01.07-30.09.2004		01.07-30.09.2003		01.07-30.09.2004		01.07-30.09.2003	
INCOME FROM SALES & SERVICES	27,400	100.0%	24,792	100.0%	91,701	100.0%	78,628	100.0%
Var. inventories of work in progress, semi-finished and finished products	777	2.8%	(247)	-1.0%	2,449	2.7%	(773)	-1.0%
Increase in fixed assets built internally	95	0.4%	91	0.4%	430	0.4%	298	0.4%
Other revenues and income	286	-1.0%	155	0.6%	534	0.6%	643	0.8%
PRODUCTION VALUE	28,558	104.2%	24,791	100.0%	95,114	103.7%	78,796	100.2%
Cost of materials and outside services	(15,771)	-57.6%	(13,336)	-53.8%	(52,766)	-57.5%	(43,131)	-54.9%
VALUE ADDED	12,787	46.7%	11,455	46.2%	42,348	46.2%	35,665	45.4%
Payroll costs and related expenses	(4,655)	-17.0%	(4,123)	-16.6%	(15,368)	-16.8%	(13,004)	-16.5%
EBITDA	8,132	29.7%	7,332	29.6%	26,980	29.4%	22,661	28.8%
Amortisation, depreciation and write-downs	(3,022)	-11.0%	(2,748)	-11.1%	(8,824)	-9.6%	(8,096)	-10.3%
Allocation to provisions for liabilities and charges	(269)	-1.0%	(15)	-0.1%	(418)	-0.4%	(37)	0.0%
Other operating costs	(124)	-0.5%	(96)	-0.4%	(357)	-0.4%	(310)	-0.4%
EBITA	4,717	17.2%	4,473	18.0%	17,381	19.0%	14,218	18.1%
Goodwill amortisation	(234)	-0.8%	(233)	-0.9%	(700)	-0.8%	(700)	-0.9%
Net financial income (expenses)	(1111)	-0.4%	(273)	-1.1%	(612)	-0.7%	(1,189)	-1.5%
Write-up (down) of financial assets	0	0.0%	(3)	0.0%	4	0.0%	(3)	0.0%
PROFIT BEFORE TAX AND NON-RECURRENT ITEMS	4,372	16.0%	3,964	16.0%	16,073	17.5%	12,326	15.7%
Non-recurrent income/(loss)	0	0.0%	3	0.0%	339	0.4%	5	0.0%
PRE-TAX PROFIT BEFORE MINORITY INTERESTS	4,372	16.0%	3,967	16.0%	16,412	17.9%	12,331	15.7%