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A weak 4th quarter: sales –8.2%, pre-tax profit –10.9%

SABAF: IN FY2004 REVENUES OF € 120.5 MILLION (+9,6%) PRE-TAX PROFIT OF € 21.3 MILLION (+19.5%)

- **4th quarter, 2004: revenues of € 28.8 million (-8.2%); EBITDA of € 7.9 million (-14.5%); EBITA of € 5.4 million (-11.0%); and pre-tax profit of € 4.9 million (-10.9%)**
- **FY2004: revenues of € 120.5 million (+9.6%); EBITDA of € 34.9 million (+9.3%); EBITA of € 22.8 million (+12.3%); and pre-tax profit of € 21.3 million (+19.5%)**
- **Net debt as at 31/12/2004 = € -17.9 million (vs. € -20.1 million as at 31/12/2003)**
- **Very moderate growth expected in first half of 2005 followed by a return to double-digit growth in the second half**

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The Board of Directors of Sabaf SpA, which met today in Ospitaletto, has reviewed consolidated figures for the fourth quarter of 2004 (4Q04) and preliminary figures for FY2004 consolidated year-end accounts.

4Q04 Results

In 4Q04 the market of reference brusquely reversed the positive trend featured in previous quarters, influenced by generally sluggish consumer spending and by the euro's major appreciation versus the US dollar.
In the period in question sales revenues totalled € 28.8 million (mn), down by –8.2% vs. € 31.4 mn in 4Q03. The decrease in demand was common to all the main markets in which the group is active and involved all products. The group believes that these lower levels of business were totally ascribable to a contingent general downturn in demand and that it did not lose market share either vs. 4Q03 or vs. the first nine months of 2004 (9M04).

Notwithstanding the hedging strategies implemented, which made it possible to minimise the negative impact of the increase in raw materials' costs, margins were affected by the lower levels of production and consequently lower absorption of overhead costs. Value added was 44.9% on sales, compared with 46.5% in 4Q03, whilst EBITDA amounted to € 7.9 mn, with a 27.5% margin, down by –14.5% vs. € 9.3 mn in 4Q03 (29.6% on sales). Recalculation of some machinery items' useful life led to a reduction of € 783,000 in depreciation costs. Consequently, depreciation & amortisation costs in the quarter amounted to € 2.3 mn vs. € 3.1 mn in 4Q03. EBITA (i.e. EBIT before goodwill amortisation) in the quarter totalled € 5.4 mn, with an 18.7% margin on sales, down by 11% vs. € 6.1 mn in 4Q03. Pre-tax profit amounted to € 4.9 mn, as opposed to € 5.5 mn in 4Q03, with a decrease of –10.9% YoY.

FY2004 Results

In FY2004 revenues totalled € 120.5 mn, growing by +9.6% over 2003. EBITDA amounted to € 34.9 mn (up by +9.3% YoY, with a 29.0% margin on sales), EBITA reached € 22.8 mn, progressing by +12.3% YoY, and pre-tax profit totalled € 21.3 mn (+19.5% YoY).

Financial status

As at December 31st 2004 financial status showed net fixed assets of € 84.2 mn (€ 76.4 mn as at December 31st 2003) and net working capital – including income-tax payments on account for the year of € 7.2 mn – of € 32.3 mn (€ 24.6 mn as at December 31st 2003 net of tax payments on account). Uses were funded by consolidated shareholders' equity (gross of minority interests and of income tax for the period) of € 86.3 mn and net financial debt of € 17.9 mn (vs. debt of € 20.1 mn as at December 31st 2003).

Current year's outlook

The present weak phase of the sector points to a difficult market situation in the first months of 2005 and subsequent progressive improvement.
For the Sabaf Group it is possible to assume that the lower levels of business expected from established customers will be more than offset by higher sales to the Turkish and North American markets (as a result of the supply agreements concluded during 2004) and by sales of new models of valves and burners. First-half growth rates are in any case expected to be very moderate. It is therefore foreseeable that it will not be possible for increases in raw material costs versus the start of 2004 - which have been only partly passed on to selling prices – to be absorbed by greater economies of scale, thus impacting profitability in the first part of the year. Conversely, in the second part of the year a return to double-digit growth is foreseeable.
These forecasts assume a macroeconomic scenario not influenced by unpredictable events. If the economic situation were instead to change significantly, actual figures might diverge from forecasts.

Sabaf will illustrate its corporate results and future strategies on March 3rd 2005 at 9 a.m. CET at Palazzo delle Stelline, Corso Magenta 61 in Milan, as part of the presentation of STAR (high quality small/mid cap) companies organised by Borsa Italiana SpA.

The Board of Directors will meet to review 2004 year-end financial statements on March 15th 2005.

Attachments: consolidated financial statements

For further information:

Investor Relations	**Press Office**
Gianluca Beschi	*Power Emprise*
tel. +39 030 6843236	Cosimo Pastore - Rossana Pastore
gianluca.beschi@sabaf.it www.sabaf.it	tel. +39 02 39400100

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 various 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

	Amounts in € '000	31.12.2004	30.09.2004	31.12.2003
A.	FIXED ASSETS			
	Intangible fixed assets	6,137	6,186	6,925
	Tangible fixed assets	77,878	77,682	69,241
	Financial fixed assets	215	176	218
	Total fixed assets	**84,230**	**84,044**	**76,384**
B.	NET WORKING CAPITAL			
	Inventories	15,849	17,062	14,328
	Trade receivables	31,254	29,883	33,055
	Other assets	8,570	4,469	2,366
	Trade payables	(19,499)	(19,284)	(20,981)
	Other liabilities	(3,879)	(4,338)	(4,164)
	Total net working capital	**32,295**	**27,792**	**24,604**
C.	CAPITAL EMPLOYED LESS OPERATING LIABILITIES (A+B)	116,525	111,836	100,988
D.	PROVISIONS FOR LIABILITIES & CHARGES AND SEVERANCE INDEMNITIES	(12,388)	(12,039)	(11,598)
E.	NET CAPITAL EMPLOYED (C-D)	104,137	99,797	89,390
	Funded by:			
F.	**SHAREHOLDER S' EQUITY (including minority interests and the period's pre-tax result)**	**86,261**	**81,227**	**69,322**
G.	NET DEBT			
	Medium-/long-term financial debt	24,287	25,965	22,413
	Net medium/long-term debt	**24,287**	**25,965**	**22,413**
	Short-term financial debt	3,196	3,440	3,458
	Cash & banks	(9,607)	(10,835)	(5,803)
	Net short-term financial debt	**(6,411)**	**(7,395)**	**(2,345)**
	Total net debt	**17,876**	**18,570**	**20,068**
H.	TOTAL SOURCES OF FUNDING (F+G)	104,137	99,797	89,390

Reclassified Consolidated Income Statement

Amounts in € '000	*4th Quarter 2004*		*4th Quarter 2003*		*Full Year 2004*		*Full Year 2003*	
INCOME FROM SALES & SERVICES	28,827	*100.0%*	31,391	*100.0%*	120,528	*100.0%*	110,019	*100.0%*
Changes in inventories of work in progress and of semi-finished and finished products	(1,563)	*-5.4%*	268	*0.8%*	886	*0.7%*	(505)	*-0.5%*
Increase in fixed assets built internally	222	*0.7%*	126	*0.4%*	652	*0.6%*	424	*0.4%*
Other revenues	279	*1.0%*	177	*0.6%*	813	*0.7%*	823	*0.8%*
PRODUCTION VALUE	27,765	*96.3%*	31,962	*101.8%*	122,879	*102.0%*	110,761	*100.7%*
Cost of materials and outside services	(14,812)	*-51.4%*	(17,359)	*-55.3%*	(67,578)	*-56.1%*	(60,493)	*-55.0%*
VALUE ADDED	12,953	*44.9%*	14,603	*46.5%*	55,301	*45.9%*	50,268	*45.7%*
Payroll costs and related expenses	(5,023)	*-17.4%*	(5,325)	*-17.0%*	(20,391)	*-16.9%*	(18,329)	*-16.7%*
EBITDA	7,930	*27.5%*	9,278	*29.6%*	34,910	*29.0%*	31,939	*29.0%*
Amortisation, depreciation and write-downs	(2,340)	*-8.1%*	(3,104)	*-9.9%*	(11,164)	*-9.3%*	(11,199)	*-10.2%*
Allocation to provisions for liabilities and charges	(182)	*-0.7%*	(19)	*-0.1%*	(600)	*-0.5%*	(56)	*-0.0%*
Other operating costs	(10)	*-0.0%*	(95)	*-0.3%*	(367)	*-0.3%*	(403)	*-0.4%*
EBITA	5,398	*18.7%*	6,060	*19.3%*	22,779	*18.9%*	20,281	*18.4%*
Goodwill amortisation	(234)	*-0.8%*	(234)	*-0.8%*	(934)	*-0.8%*	(934)	*-0.8%*
Net financial income (expenses)	(268)	*-0.9%*	(298)	*-0.9%*	(880)	*-0.7%*	(1,488)	*-1.4%*
Write-up (write-down) of financial assets	0	*0.0%*	(37)	*-0.1%*	4	*0.0%*	(40)	*-0.0%*
PROFIT BEFORE TAX AND NONRECURRENT ITEMS	4,896	*17.0%*	5,491	*17.5%*	20,969	*17.4%*	17,819	*16.2%*
Non-recurrent income/(loss)	0	*0.0%*	2	*0.0%*	339	*0.3%*	7	*0.0%*
PRE-TAX PROFIT BEFORE MINORITY INTERESTS	4,896	*17.0%*	5,493	*17.5%*	21,308	*17.7%*	17,826	*16.2%*

SABAF SpA • Via dei Carpini, 1 • 25035 Ospitaletto (Brescia) • Italy
Tel. + 39 030 6843001 • Fax + 39 030 6848249 • Share capital: € 11,333,500 fully paid in