Press release

Ospitaletto, 10 May 2005

SABAF: FIRST QUARTER 2005 RESULTS APPROVED

- **1Q05 results: revenues €29.6 million (-6.4%), EBITDA €8.6 million (-6.6%), EBITA €5.8 million (-10.2%), pre-tax profit €5.5 million (-13.4%)**
- **Net debt €14 million (17.9 million at 31st December 2004)**
- **For the full year sales forecast of between € 121 million and € 127 million (0 – +5% increase YOY)**

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At today's meeting in Ospitaletto, the Board of Directors of **Sabaf S.p.A.** has approved the figures for the quarter ended 31 March 2005.

First quarter results

In 1Q05 the Sabaf Group suffered the effects of the weak phase of the domestic appliance sector, not offset by new commercial and manufacturing developments, the effects of which are expected to emerge in the second part of the year and in 2006.

In the period in question sales revenues amounted to € 29.6 million (mn) vs. € 31.7 mn in 1Q04 (-6.4%). The reduction of sales was ascribable to sluggish demand, both in Europe and in the other main markets in which the group is active (headed by South Korea and Latin America). The more than proportion reduction in sales of burners, compared with other product categories, reflected the more accentuated shrinkage of markets where the group is present mainly with these components.

Efficiencies made possible by investments made in the recent past, together with greater insourcing of some production phases – and to the entire organisation’s ability to react to the changed sector environment – nevertheless enabled us to maintain levels of profitability close to those of 1Q04 and slightly better than those of FY2004.

EBITDA totalled € 8.6 mn (-6.6% vs. 1Q04) whilst EBITA (EBIT before goodwill amortisation) amounted to € 5.8 mn (down by –10.2% vs. the pro-forma figure of € 6.4 mn in 1Q04). EBITDA margin was 28.9% on sales (vs. 29.0% in 1Q04) whilst EBITA margin was 19.5% (vs. 20.3% on a pro-forma basis in 1Q04). There were no net financial charges in 1Q05 (vs. net charges of € -161,000 in 1Q04) as a result of lower debt and partial depreciation of the euro vs. the USD compared with December 31st 2004, leading to posting of foreign-exchange gains of € 127,000. Pre-tax profit amounted to € 5.5 mn, down by –13.4% vs. the pro-forma figure of € 6.4 mn in 1Q04, which included non-recurrent income of € 339,000.

As at March 31st 2005 financial status featured net fixed assets of € 83.5 mn and net working capital (including debts vis-à-vis shareholders for dividends of € 5.4 mn) of € 20.7 mn.

Investments in tangible fixed assets in the first quarter totalled some € 2 mn.

Uses were funded by consolidated shareholders’ equity (before tax for the period) of € 77.2 mn and net financial debt of € 14 mn.

Forecasts for the year

The second quarter will presumably not show any improvement in sales performance. Limited visibility and the absence, at present, of any signs of positive reversal of market trends lead us to be extremely prudent as regards the full-year outlook, notwithstanding the specific contribution expected in the second half from commercial agreements reached, in particular with Arcelik and Whirlpool. If the macroeconomic scenario remains unchanged, for FY2005 it is possible to forecast achievement of sales of between € 121 mn and € 127 mn, with an increase of between 0% and 5% YoY. In a similar scenario, the increases in commodity costs over 2004, which have only been partly passed on to selling prices, cannot be absorbed by greater economies of scale. Nevertheless, we forecast that the higher levels of efficiency that we have reached will continue to offset such effect. If the economic situation were instead to change, actual figures could diverge from forecast data.

Transition to IAS/IFRS

As regards introduction of the new international accounting standards (IAS/IFRS), the Sabaf Group advises that it will apply IAS/IFRS as from its First-Half Interim Report for the 6-month period ending on June 30th 2005. As at today's date work is being completed on quantification of alignment of initial consolidated balances as at the switch date (January 1st 2004) and on the restatement of consolidated income statements and balance sheets as at December 31st 2004 and June 30th 2004 necessary for the purposes of comparison. The independent auditor will be officially given the specific assignment of auditing data emerging from the switch process. On a provisional and not exhaustive basis, we note that the main effect on the Sabaf Group's 2005 consolidated income statement will be the disappearance of amortisation, amounting to some € 930,000, of goodwill, the residual value of which will not longer undergo systematic straight-line amortisation, but will be subjected to annual verification, i.e. to impairment testing.

Quarterly results will be illustrated to the financial community at 2.30 pm CET today, May 10th 2005, 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 built-in hobs and ovens and aligned with the specific characteristics of its core markets – are Sabaf's key strengths in a sector featuring major specialization, constantly evolving demand and an ever-increasing orientation towards products assuring total reliability and safety.

The Sabaf Group has a total workforce of about 500 at the parent company Sabaf S.p.A. and at its two subsidiaries, Faringosi-Hinges (a leading maker of hinges for ovens and dishwashers) and Sabaf do Brasil (a producer of burners for the South American market). Sabaf also does business in China through a representative office in Shanghai.

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

RECLASSIFIED CONSOLIDATED BALANCE SHEET

	Amounts in € '000	31.03.2005	31.12.2004	31.03.2004 pro-forma
A.	FIXED ASSETS			
	Intangible fixed assets	5,875	6,138	6,717
	Tangible fixed assets	77,219	77,877	71,507
	Financial fixed assets	403	212	207
	Total fixed assets	**83,497**	**84,227**	**78,431**
B.	NET WORKING CAPITAL			
	Inventories	15,335	15,846	15,583
	Trade receivables	33,658	31,253	36,246
	Other assets	2,046	1,477	2,101
	Trade payables	(18,840)	(19,467)	(24,709)
	Other liabilities	(11,449)	(5,141)	(8,896)
	Total net working capital	**20,750**	**23,968**	**20,325**
C.	CAPITAL EMPLOYED LESS OPERATING LIABILITIES (A+B)	104,247	108,195	98,756
D.	RESERVES FOR RISKS & CONTINGENCIES AND SEVERANCE INDEMNITIES	(13,122)	(13,242)	(11,777)
E.	NET CAPITAL EMPLOYED (C-D)	91,125	94,953	86,979
	Funded by:			
F.	SHAREHOLDER EQUITY (including minority interests and the period's pre-tax result)	77,154	77,074	71,186
G.	NET DEBT			
	Medium-/long-term financial debt	24,751	24,287	22,739
	Net medium/long-term debt	**24,751**	**24,287**	**22,739**
	Short-term financial debt	3,202	3,199	3,392
	Cash & banks	(13,982)	(9,607)	(10,338)
	Net short-term financial debt	**(10,780)**	**(6,408)**	**(6,946)**
	Total net debt	**13,971**	**17,879**	**15,793**
H.	TOTAL SOURCES OF FUNDING (F+G)	91,125	94,953	86,979

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

Amounts in € '000	*1st Quarter 2005*		*1st Quarter 2004 pro-forma*		*FY 2004*	
INCOME FROM SALES AND SERVICES	29,665	*100.0%*	31,695	*100.0%*	120,527	*100.0%*
Changes in inventories of work in progress and of semi-finished and finished products	(493)	*-1.7%*	904	*2.8%*	931	*0.8%*
Increase in fixed assets built internally	207	*0.7%*	185	*0.6%*	652	*0.5%*
Other revenues and income	258	*0.9%*	98	*0.3%*	680	*0.6%*
PRODUCTION VALUE	29,637	*99.9%*	32,882	*103.7%*	122,790	*101.9%*
Cost of materials & outside services	(15,970)	*-53.8%*	(18,472)	*-58.3%*	(67,630)	*-56.1%*
VALUE ADDED	13,667	*46.1%*	14,410	*45.5%*	55,160	*45.8%*
Payroll costs and related expenses	(5,091)	*-17.2%*	(5,227)	*-16.5%*	(20,388)	*-16.9%*
EBITDA	8,576	*28.9%*	9,183	*29.0%*	34,772	*28.9%*
Amortisation, depreciation and write-downs	(2,676)	*-9.0%*	(2,592)	*-8.2%*	(11,024)	*-9.2%*
Provisions for risks and contingencies	(33)	*-0.1%*	(66)	*-0.2%*	(600)	*-0.5%*
Other operating costs	(97)	*-0.3%*	(101)	*-0.3%*	(366)	*-0.3%*
EBITA	5,770	*19.5%*	6,424	*20.3%*	22,782	*18.9%*
Goodwill amortisation	(233)	*-0.8%*	(233)	*-0.7%*	(934)	*-0.8%*
Net financial income (charges)	7	*-0.0%*	(161)	*-0.5%*	(879)	*-0.7%*
Write-up (write-down) of financial assets	(25)	*-0.1%*	4	*0.0%*	4	*0.0%*
PROFIT BEFORE TAX AND NON-RECURRENT ITEMS	5,519	*18.6%*	6,034	*19.0%*	20,973	*17.4%*
Non-recurrent income (expenses)	0	*0.0%*	339	*1.1%*	339	*0.3%*
PRE-TAX PROFIT BEFORE MINORITY INTERESTS	5,519	*18.6%*	6,373	*20.1%*	21,312	*17.7%*