

Press release

Lumezzane (BS), March 3rd, 1999

Published pre-final data referring to fiscal year 1998

SABAF: sales +11,3%
Net income grows by 18,2%
Cash flow at 23.6% of sales

Capital expenditure of 28 bn Lire in 1998

Sabaf SpA, the Italian company among the world leaders in the manufacture of components for gas cooking appliances, has published today pre-final consolidated data referring to 1998

The fiscal year closed with consolidated sales growing to 97.2 bn Lire from 87.3 bn Lire recorded in 1997 (+11.3%). Operating income rose from 18.5 bn Lire in 1997 to 19.3 bn Lire in 1998, after amortisation and depreciation for 10.2 bn Lire linked too to the huge capital expenditure undertaken during the year – maintaining a high return on sales, equal to 20%.

Consolidated net income reached 10.9 bn Lire, increasing by 18.2% compared with 9.2 bn Lire in 1997, thanks also to the reduction in financial costs as a result of the floatation on the Italian Stock Exchange. Consolidated cash flow* reached 23.0 bn Lire, compared to 19.9 bn Lire in 1997, and stands at 23.6% of sales..

As far as capital expenditure is concerned, about 28 bn Lire were addressed to the increase of production capacity and flexibility in the factories in Ospitaletto and Lumezzane. In detail, Sabaf introduced new die-casting centres and installed new assembly lines characterised by high productivity. Automation of mechanical operations was also strengthened.

“During last year,” declared Angelo Bettinzoli, Managing Director of Sabaf, “we achieved very satisfactory results. We have increased our production capacity in order to cope with the increased demand for components, both valves and thermostats, with and without safety device; and, above all, the new Series II burners launched last year, which have been an extraordinary commercial success.”

Cash flow is defined as the sum of net income, depreciation and amortisation and deferred tax.

“Furthermore,” continued Angelo Bettinzoli, “we have consolidated our market share in Italy and Europe and continued the penetration into extra-European markets, like China, the Middle East, Argentina and Columbia”.

“As regards sales in the first two months in 1999,” added Angelo Bettinzoli, “we recorded a significant recovery of the market compared to the last months of 1998, which closed with a falling-off in demand, linked to the general feeling of uncertainty of international markets”.

During the current year Sabaf intends to continue to widen the offered range of products and models and increase production flexibility to meet the different needs, both functional and aesthetic, of manufacturers of domestic gas appliances operating in the international markets. In particular, at **Domotechnica** - the main exhibition of the appliance industry in Europe, which has just concluded - Sabaf presented new models of burners and a new valve with safety device for gas hobs, and initiated important contacts with major multinational groups in the industry.

The Board of Directors will meet on 19th March, 1999 to examine the 1998 financial statements.