

Press release

Lumezzane (BS), 19th March 1999

The Board of Directors has approved 1998 draft financial statements

SABAF: Pay-out at 45% of net income

Net income +18,2% at 10,9 bn Lire
First dividend 450 Lire

The Board of Directors of Sabaf SpA, the Italian company among the world leader manufacturers of components for domestic gas cooking appliances, has examined today the draft financial statements referring to fiscal year 1998, which will be submitted for approval at the next shareholders' meeting.

The Group closed the fiscal year with a pre-tax income of 18.8 bn Lire, showing an increase of 12.6% compared to 16.7 bn Lire in 1997, and a net income of 10.9 bn Lire, 18,2% higher than 1997 (9.2 bn Lire), also thanks to a reduction, linked to the quotation on the Stock Exchange in financial expense. Consolidated cash flow* reached 22.9 bn Lire, compared to 20.0 bn Lire in 1997, and is equal to 23.6% of sales.

Sales grew by 11.3%, reaching 97.2 bn Lire, against 87.3 bn Lire recorded in 1997. Consolidated gross profit and operating income kept a high rate on value of production, respectively equal to 31.4% and 19.9%. In detail, gross profit stood at 30.4 bn Lire, growing from 29.2 bn Lire in 1997, and operating income stood at 19.3 bn Lire, compared with 18.5 bn Lire of the previous year, after depreciation and amortization of 10.2 bn Lire, linked to huge investments (approximately 28 bn Lire) during the year, aimed at enhancing flexibility and production capacity in the Lumezzane and Ospitaletto plants.

The Group's financial situation shows a consolidated shareholders' equity of 71.0 bn Lire, against 33.3 bn Lire in 1998 and net financial indebtedness of 495 mn Lire, against 10.2 bn Lire as of 31st December, 1998.

* Cash flow is the sum of net income, depreciation and amortization and deferred tax provision.

With reference to the figures of Sabaf S.p.A., the holding company, sales reached 97.2 bn Lire (87.3 bn Lire in 1997). Gross margin was 27,5 bn Lire (27.2 bn Lire in the previous year) and operating income was 13.9 bn Lire (14.5 bn Lire in 1997), after depreciation and amortization for 12.8 bn Lire, linked to the high volume of capital expenditure during the year.

Pre-tax income was equal to 13.7 bn Lire (12.9 bn Lire in 1997), while net income reached 7.7 bn Lire (6.9 bn Lire the previous year). Cash flow was equal to 20.3 bn Lire (18.2 bn Lire in 1997).

“The growth recorded in 1998” Angelo Bettinzoli, Sabaf’s Managing Director, declared “is the result of an effective productive and commercial strategy, which drove Sabaf to increase its market shares and to establish new strategic partnership relations with major gas cooking appliance manufacturers operating in international markets.”

“A wider product range, as well as the increase of production capacity obtained during the year, allowed Sabaf to take full advantage of market opportunities, arising from a growing demand for high quality components. In fact, we are observing a tendency of appliance manufacturers to outsource the production of components to highly specialised companies, like Sabaf, in order to gain competitiveness and efficiency, even in the periods when demand for finished products is less dynamic”.

Considering the Group’s net income data, the Board of Directors has decided to submit to the shareholders, who will meet on next 29th April, a gross dividend of 450 Lire per share, payable from 17th May.

RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME

	1998		1997	
	<i>Lit./mln.</i>	<i>Euro/000</i>	<i>Lit./mln.</i>	<i>Euro/000</i>
A. SALES REVENUES	97,199	50,199	87,343	45,109
Change in inventories of semifinished and finished products	(1,575)	(813)	3,889	2,009
Increase in assets built internally	771	398	892	461
Other revenues	350	181	171	88
B. VALUE OF PRODUCTION	96,745	49,965	92,295	47,667
Materials consumed and services	(46,014)	(23,764)	(43,632)	(22,534)
C. VALUE ADDED	50,731	26,201	48,663	25,133
Cost of labour	(20,332)	(10,501)	(19,458)	(10,049)
D. GROSS OPERATING PROFIT	30,399	15,700	29,205	15,084
Amortization, depreciation and writedowns	(10,282)	(5,310)	(9,400)	(4,855)
Provision to risk reserves	0	0	0	0
Other operating expenses	(819)	(423)	(1,273)	(657)
E. NET OPERATING PROFIT	19,298	9,967	18,532	9,572
Net financial expense	(325)	(168)	(1,824)	(942)
Writedowns of financial investments	(144)	(74)	0	0
F. PROFIT FROM ORDINARY OPERATIONS	18,829	9,725	16,708	8,630
Net non recurring expenses	(8)	(4)	0	0
G. PROFIT BEFORE TAXATION	18,821	9,721	16,708	8,630
Income taxes for the year	(7,886)	(4,073)	(7,458)	(3,852)
H. NET PROFIT FOR THE YEAR	10,935	5,648	9,250	4,778
I. Minority interest in net profit	(1)	(1)	(1)	(1)
L. GROUP'S PORTION OF NET PROFIT	10,934	5,647	9,249	4,777

RECLASSIFIED CONSOLIDATED BALANCE SHEET

	31.12.98		31.12.97	
	Lit./mln.	Euro/000	Lit./mln.	Euro/000
A. FIXED ASSET				
Intangible	2,105	1,087	608	314
Tangible	64,637	33,382	44,144	22,798
Financial	198	102	4	2
Total fixed assets	66,940	34,571	44,756	23,114
B. NET WORKING CAPITAL				
Inventories	10,920	5,640	12,913	6,669
Trade receivables	23,594	12,185	19,768	10,209
Other receivables	3,258	1,683	1,230	635
Trade payables	(16,641)	(8,594)	(16,272)	(8,404)
Reserves for risks and contingencies	(8,514)	(4,397)	(7,212)	(3,725)
Other payables	(4,287)	(2,214)	(6,563)	(3,390)
Net working capital	8,330	4,303	3,864	1,994
C. CAPITAL EMPLOYED (A+B)	75,270	38,874	48,620	25,108
D. SEVERANCE INDEMNITIES	(3,759)	(1,941)	(5,179)	(2,675)
E. <u>NET CAPITAL EMPLOYED (C-D)</u>	71,511	36,933	43,441	22,433
Financed by:				
F. GROUP'S PORTION OF SHAREHOLDERS' EQUITY	70,983	36,660	33,258	17,175
G. MINORITY INTEREST IN SHAREHOLDERS' EQUITY	33	17	31	16
H. NET FINANCIAL INDEBTNESS				
Medium and long-term debt	9,164	4,733	12,333	6,369
Medium and long-term receivables	(459)	(237)	(350)	(181)
Net medium and long-term debt	8,705	4,496	11,983	6,188
Net short-term borrowings	3,139	1,621	3,217	1,661
Cash and current financial assets	(11,349)	(5,861)	(5,048)	(2,607)
Net short-term cash	(8,210)	(4,240)	(1,831)	(946)
Net indebtness	495	256	10,152	5,242
I. <u>TOTAL SOURCES OF FINANCING (F+G+H)</u>	71,511	36,933	43,441	22,433

SABAF S.P.A RECLASSIFIED STATEMENT OF INCOME

	1998		1997	
	<i>Lit./mln.</i>	<i>Euro/000</i>	<i>Lit./mln.</i>	<i>Euro/000</i>
A. SALES REVENUES	97,199	50,199	87,343	45,109
Change in inventories of semifinished and finished products	(1,575)	(813)	3,889	2,009
Increase in assets built internally	771	398	892	461
Other revenues	365	189	169	87
B. VALUE OF PRODUCTION	96,760	49,973	92,293	47,666
Materials consumed and services	(48,956)	(25,284)	(45,677)	(23,590)
C. VALUE ADDED	47,804	24,689	46,616	24,076
Cost of labour	(20,328)	(10,499)	(19,456)	(10,048)
D. GROSS OPERATING PROFIT	27,476	14,190	27,160	14,028
Amortization, depreciation and writedowns	(12,781)	(6,601)	(11,424)	(5,900)
Provision to risk reserves	0	0	0	0
Other operating expenses	(787)	(406)	(1,197)	(618)
E. NET OPERATING PROFIT	13,908	7,183	14,539	7,510
Net financial income (expense)	188	97	(3,311)	(1,710)
Dividends from subsidiaries	-	-	2,009	1,038
Writedowns of financial investments	(374)	(193)	(252)	(130)
F. PROFIT FROM ORDINARY OPERATIONS	13,722	7,087	12,985	6,708
Net non recurring expenses	0	0	0	0
G. PROFIT BEFORE TAXATION	13,722	7,087	12,985	6,708
Income taxes for the year	(6,066)	(3,133)	(6,055)	(3,127)
H. NET PROFIT FOR THE YEAR	7,656	3,954	6,930	3,581

SABAF S.P.A RECLASSIFIED BALANCE SHEET

	31.12.1998		31.12.1997	
	Lit./mln.	Euro/000	Lit./mln.	Euro/000
A. FIXED ASSET				
Intangible	2,419	1,249	875	452
Tangible	36,411	18,805	26,833	13,858
Financial	974	503	1,010	522
Total fixed assets	39,804	20,557	28,718	14,832
B. NET WORKING CAPITAL				
Inventories	10,920	5,640	12,913	6,669
Trade receivables	23,595	12,186	19,768	10,209
Other receivables	13,455	6,949	3,224	1,665
Trade payables	(16,625)	(8,586)	(16,243)	(8,389)
Reserves for risks and contingencies	(3,930)	(2,030)	(4,376)	(2,260)
Other payables	(4,287)	(2,214)	(6,482)	(3,348)
Net working capital	23,128	11,945	8,804	4,546
C. CAPITAL EMPLOYED (A+B)	62,932	32,502	37,522	19,378
D. SEVERANCE INDEMNITIES	(3,759)	(1,941)	(5,179)	(2,675)
E. NET CAPITAL EMPLOYED (C-D)	59,173	30,561	32,343	16,703
Financed by:				
F. SHAREHOLDERS' EQUITY	64,465	33,294	30,012	15,499
G. NET FINANCIAL INDEBTNESS				
Medium and long-term debt	5,408	2,793	6,117	3,159
Medium and long-term receivables	(459)	(237)	(350)	(181)
Net medium and long-term debt	4,949	2,556	5,767	2,978
Net short-term borrowings	709	366	1,012	523
Cash and current financial assets	(10,950)	(5,655)	(4,448)	(2,297)
Net short-term cash	(10,241)	(5,289)	(3,436)	(1,774)
Net indebtness (cash)	(5,292)	(2,733)	2,331	1,204
H. TOTAL SOURCES OF FINANCING (F+G)	59,173	30,561	32,343	16,703