



Press release

Ospitaletto, 1 August 2003

Sabaf: economic situation checks growth

Progress on international markets makes up for slowing demand in Europe

Quarterly report as of 30 June 2003

Meeting today in Ospitaletto, the Board of Directors of Sabaf S.p.A. approved the quarterly report as of 30 June 2003.

The second quarter of 2003 was affected by a further worsening in the macroeconomic situation. This has prevented the Group from achieving its growth targets, with a consequent impact on earnings.

Income from sales amounts to 26.1 million euro, staying unchanged relative to the second quarter of 2002. The European market has shown clear signs of decline, particularly reflecting the weakness of domestic demand. Furthermore, the second quarter has seen a clear emergence of difficulties by Italian cooking appliance manufacturers exposed to the dollar zone. As a result, Sabaf's sales in Italy have fallen by 8.5%. However, despite this bleak situation, Sabaf has maintained its market share in Italy and Europe, while the growth in direct sales to markets outside Europe has continued apace (+37.2%).

Value added is equal to 43.6% of sales, compared with 44.5% in the second quarter of 2002, while EBITDA has reached 7.3 million euro, representing 28.1% of sales, down from 7.5 million euro in the second quarter of 2002 (28.9% of sales). Second quarter EBITA amounts to 4.5 million euro, representing 17.3% of sales, down by 9.2% on the figure of 5.0 million euro reported in the same quarter of 2002. Profit before taxes amounts to 3.8 million euro, down 12.9% from 4.4 million euro in the second quarter of 2002. Profitability for the quarter has been affected by the flat state of sales and the resultant higher proportion of overheads to be absorbed, especially depreciation and amortization charges.

This means that the first half of the year closes with revenues of 53.8 million euro (a 3.2% improvement on the first half of 2002), EBITDA of 15.3 million euro (28.5% of sales, up by 1%), EBITA of 9.7 million euro (down by 4.3%) and profit before taxes of 8.4 million euro (down by 7.9%).

The financial position reveals total fixed assets of 77.1 million euro and net working capital of 27.8 million euro. The increase in net working capital reflects seasonal payments of income taxes and dividends. Net capital employed has been financed by consolidated shareholders' equity of 67.4 million euro and net debt of 26.3 million euro.

"The industry sector continues to report a high degree of volatility and discontinuity and signs of a second half recovery are not apparent as things stand." - stated Angelo Bettinzoli, Sabaf's Managing Director- "As a result, even though several new products will start to be marketed in the second half, the Group's goal, set at the start of the year, of achieving double-digit revenue growth once again in 2003, no longer appears viable. The lower growth in sales will continue to have a negative impact on operating profitability, which is likely to be slightly lower than in 2002."

The half year results will be presented to the financial community in Milan at 17.00 hours on 18 September in the offices of Borsa Italiana and in London on 25 September as part of a presentation of companies listed in the STAR segment.



*2002 Social Report*

The Board of Directors also approved the draft version of the 2002 Social Report.

Sabaf's social report, now in its third edition, contains several important new additions in terms of contents and methodology, bringing it into line with best international practice. Amongst other things, it contains further improvements in the system of social accountability, to which a specific section is now dedicated, an analysis of intellectual capital and an expansion of the section on environmental performance. Sabaf has decided to published the draft version of its 2002 Social Report on its website before its official presentation, which is scheduled for September. The idea of this "virtual preview" is to gather observations or suggestions for improvement which will be included in the final version.

Two discussion panels with representatives from the various categories of stakeholder will be held in the company's registered offices in Ospitaletto (Brescia) and the offices of Borsa Italiana in Milan at 17.00 hours on 11 September 2003 and at 15.00 hours on 18 September 2003 respectively. In order to foster discussion, the panels will be open to a limited number of participants. Those interested may book by sending the company an e-mail confirming their participation.

For additional information contact:

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Appendices: Reclassified Consolidated Balance Sheet and Income Statement

Founded in the early 1950s, SABAF has grown steadily to become the principal producer in Italy and one of the top producers in the world of components for gas cookers and domestic gas cooking appliances.

Its three main product lines are: valves, thermostats and burners, all of which are used in gas cooking appliances. Technological know-how, flexibility in production and the ability to offer a wide range of components - which are also designed according to the needs of individual manufacturers of cookers, hobs and built-in ovens, and comply with the specific characteristics of the various markets in which they are sold - are SABAF's fundamental strengths, in a highly specialized sector, where demand is constantly changing and increasingly focused on products that guarantee absolute reliability and safety.

The Sabaf Group has around 500 employees, operating through the parent company SABAF S.p.A. and two subsidiaries: Faringosi Hinges, a leading manufacturer of oven and dishwasher hinges, and Sabaf do Brasil, a producer of burners for the South American market. Sabaf also has a presence in China through its representative office in Shanghai.

Sabaf has been listed on the Italian Stock Exchange since 24 March 1998 and since April 2001 it has belonged to STAR (Segmento Titoli con Alti Requisiti or High Standards Securities Segment).



Reclassified Consolidated Balance Sheet

<i>in thousands of euro</i>	30.06.2003	31.03.2003	31.12.2002
A.	FIXED ASSETS		
	7,548	7,862	6,164
	Intangible fixed assets		
	69,237	70,132	71,567
	Tangible fixed assets		
	327	364	369
	Financial fixed assets		
	77,112	78,358	78,100
	Total fixed assets		
B.	NET WORKING CAPITAL		
	14,115	14,404	14,700
	Inventories		
	29,342	31,036	29,116
	Trade receivables		
	7,277	5,186	5,873
	Other assets		
	(18,695)	(18,250)	(22,568)
	Trade payables		
	(4,217)	(8,631)	(4,100)
	Other liabilities		
	27,822	23,745	23,021
	Total net working capital		
C.	CAPITAL EMPLOYED		
	104,934	102,103	101,121
	LESS OPERATING LIABILITIES (A+B)		
D.	RESERVES FOR RISKS AND CONTINGENCIES AND SEVERANCE INDEMNITIES		
	(11,206)	(11,309)	(11,366)
E.	NET CAPITAL EMPLOYED (C-D)		
	93,728	90,794	89,755
	Funded by:		
F.	SHAREHOLDERS' EQUITY (including minority interests and profit before taxes for the period)		
	67,433	63,630	63,865
G.	NET DEBT		
	15,177	15,895	16,055
	Medium/long-term debt		
	15,177	15,895	16,055
	Net medium/long-term debt		
	14,968	15,059	13,702
	Short-term debt		
	(3,850)	(3,790)	(3,867)
	Cash and banks		
	11,118	11,269	9,835
	Net short-term debt		
	26,295	27,164	25,890
	Total net debt		
H.	TOTAL SOURCES OF FUNDING (F+G)		
	93,728	90,794	89,755



Reclassified Consolidated Income Statement

<i>in thousands of euro</i>	<i>2nd quarter 2003</i>		<i>2nd quarter 2002</i>		<i>1st half 2003</i>		<i>1st half 2002</i>	
INCOME FROM SALES AND SERVICES	26,066	100.0%	26,039	100.0%	53,836	100.0%	52,161	100.0%
Change in inventories of work in progress and semifinished and finished products	(60)	-0.2%	1,147	4.4%	(526)	-1.0%	1,299	2.5%
Increase in fixed assets built internally	107	0.4%	62	0.2%	207	0.4%	109	0.2%
Other revenues	347	1.3%	159	0.6%	488	0.9%	363	0.7%
VALUE OF PRODUCTION	26,460	101.5%	27,407	105.3%	54,005	100.3%	53,932	103.4%
Cost of raw materials and external services	(15,107)	-58.0%	(15,819)	-60.8%	(30,457)	-56.6%	(30,534)	-58.5%
VALUE ADDED	11,353	43.6%	11,588	44.5%	23,548	43.7%	23,398	44.9%
Payroll and related expenses	(4,021)	-15.4%	(4,063)	-15.6%	(8,219)	-15.3%	(8,214)	-15.7%
EBITDA	7,332	28.1%	7,525	28.9%	15,329	28.5%	15,184	29.1%
Amortization, depreciation and writedowns	(2,666)	-10.2%	(2,447)	-9.4%	(5,348)	-9.9%	(4,820)	-9.2%
Provisions for risks and contingencies	(14)	-0.1%	(10)	0.0%	(22)	0.0%	(16)	0.0%
Other operating expenses	(135)	-0.5%	(96)	-0.4%	(214)	-0.4%	(161)	-0.3%
EBITA	4,517	17.3%	4,972	19.1%	9,745	18.1%	10,187	19.5%
Amortization of goodwill	(234)	-0.9%	(170)	-0.7%	(467)	-0.9%	(340)	-0.7%
Net financial income (expenses)	(500)	-1.9%	(449)	-1.7%	(916)	-1.7%	(813)	-1.6%
Writedown (revaluation) of financial assets	5	0.0%	0	-0.1%	0	0.0%	47	0.1%
PROFIT BEFORE TAXATION AND NON-RECURRING ITEMS	3,788	14.5%	4,353	16.7%	8,362	15.5%	9,081	17.4%
Non-recurring income (expenses)	1	0.0%	0	0.0%	2	0.0%	2	0.0%
PROFIT BEFORE TAXATION AND MINORITY INTERESTS	3,789	14.5%	4,353	16.7%	8,364	15.5%	9,083	17.4%

