



TECHNOLOGY AND SAFETY



London

20th September 2002

Introduction

- ❑ Among few players, Sabaf keeps a strong leadership, widening the gap towards competitors
- ❑ Automation, technical competence and economies of scale are basic needs to be the market
- ❑ Growing industry, due to:
 - ✓ Higher technical complexity and value of the components
 - ✓ Outsourcing from household manufacturers
 - ✓ Growing need for safety and efficiency
 - ✓ Attention to environmental matters
 - ✓ Strength of European appliance manufacturers
- ❑ European cooking model will become the international standard

Strategy 1 – Enhance technological leadership

- ❑ We will focus on organic growth
- ❑ We will keep full control of the production process
 - ✓ Unique know how in joint product and process engineering
 - ✓ High degree of verticalization
 - ✓ Our products set the standard for the market
- ❑ Internal engineering and construction of technical assets **not available on the market**
 - ✓ Special machinery
 - ✓ Robotic die-casting moulds and automated equipment
 - ✓ High precision and high performance tools
- ❑ 80 mn euro invested in the last 5 years
- ❑ 20% of workforce employed in R&D and Equipment Departments

Strategy 2 – Enhance market leadership

We aim to:

- ❑ Furtherly increase in market share in Europe (today around 50%)
- ❑ Catch huge opportunities outside Europe: 40% average sales growth each year
- ❑ Build long term partnerships together with clients (joint engineering and development of the products)
- ❑ Optimize the customer base
 - ✓ Portfolio broadly diversified: nearly 200 customers in more than 40 countries
 - ✓ Merloni is the first customer; first 10 customer account for 44% of total sales
 - ✓ First supplier of the “local champions”

Strategy 3 - Product innovation

- Sole provider of the full range of components
- We already have the most innovative and advanced product portfolio
- High value products to be launched in the next two years:
 - ✓ New triple ring burners
 - ✓ 4.5 kw dual triple ring burner
 - ✓ Two-ways safety valve
 - ✓ Extruded light-alloy progressive valve
 - ✓ Rapid calibration thermostat
 - ✓ Hinges for dishwashers



Strategy 4 – Central role of people

- ❑ Unique know-how arising from 50 years presence in the business
- ❑ Top management with the company for a long period
- ❑ Separation between ownership and management
- ❑ Constant attention to professional training; tutoring
- ❑ Social report as part of a strategic process seeking continuous improvement in the business culture

Process innovation – a new industrial site

- The Ospitaletto location will allow:
 - ✓ To complete the factory automation
 - ✓ To cut inefficiencies through layout rationalization
 - ✓ To work on three shifts if necessary
 - ✓ To develop new production capacity
 - ✓ To increase flexibility through a lean production

- During 2002 we will gradually complete the vertical production of burners, by taking in-house the manufacturing of coined iron components

Markets – general trend

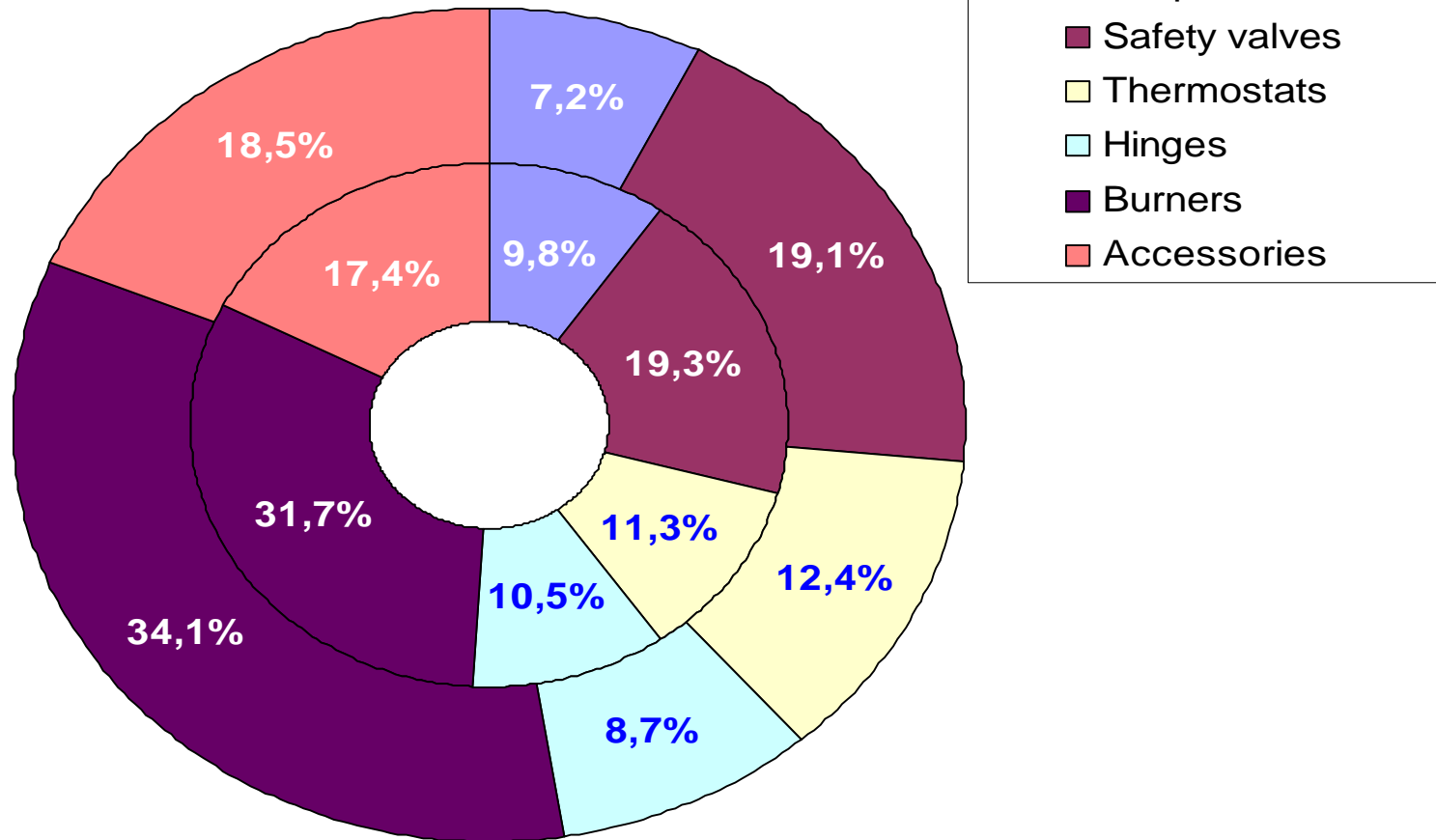
- Sales growth - qualitative features:
 - ✓ Growth of “historical” European customers and strong acceleration in extra European markets
 - ✓ Higher growth rates in high value products
 - ✓ Ability to catch market opportunities during the transfer period
- Sales to multinational groups growing less than average
- Growth mainly arising from:
 - ✓ Acquisition of market shares
 - ✓ Recovery on traditional SABAF markets, which were off in 1H 2001(Poland, Turkey, Australia)
 - ✓ Strong sales in Europe (Czech Rep.) and outside (South Korea, Iran, Ecuador) – New customers and new markets: Iran, Syria, Ecuador, Germany, Mexico (2% on total sale)
 - ✓ General higher requirements from all the markets (safe and efficient products; full service - from the idea to the after-sale)

Sales by country

	<u>Country</u>	<u>1st half 2002</u>		<u>1st half 2001</u>		<u>% change</u>
1	ITALY	26,407	50,6%	22,914	54,2%	+15,2%
2	POLAND	5,787	11,1%	3,349	7,9%	+72,8%
3	SPAIN	3,874	7,4%	3,167	7,5%	+22,3%
4	SOUTH KOREA	3,118	6,0%	1,581	3,7%	+97,2%
5	UK	2,622	5,0%	2,008	4,7%	+30,6%
6	FRANCE	1,235	2,4%	0,873	2,1%	+41,5%
7	TURKEY	1,092	2,1%	0,710	1,7%	+53,7%
8	PORTUGAL	1,008	1,9%	1,290	3,1%	-21,9%
9	BRAZIL	0,965	1,9%	0,665	1,6%	+45,2%
10	AUSTRALIA	0,862	1,7%	0,408	1,0%	+111,3%
	OTHERS	5,191	10,0%	5,321	12,6%	-2,5%
	TOTAL	52,161	100,0%	42,288	100,0%	+23,3%

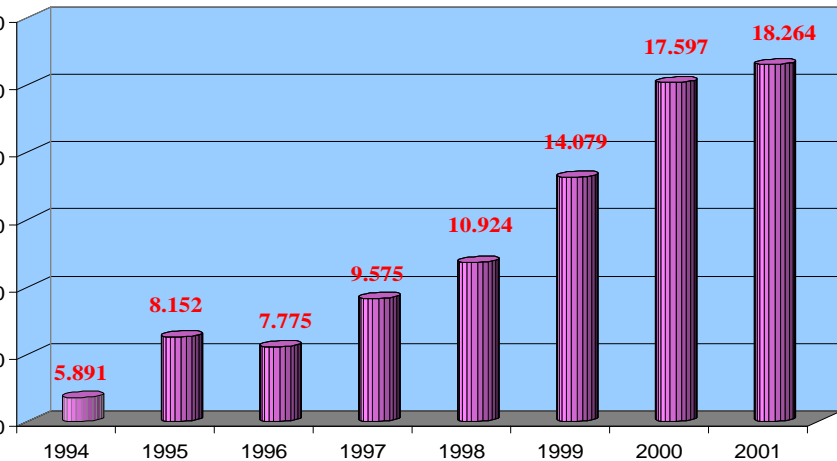
Sales by product

**Incidence 1Q 01 - 1Q 02 by product
(internal ring 2001 - external ring 2002)**

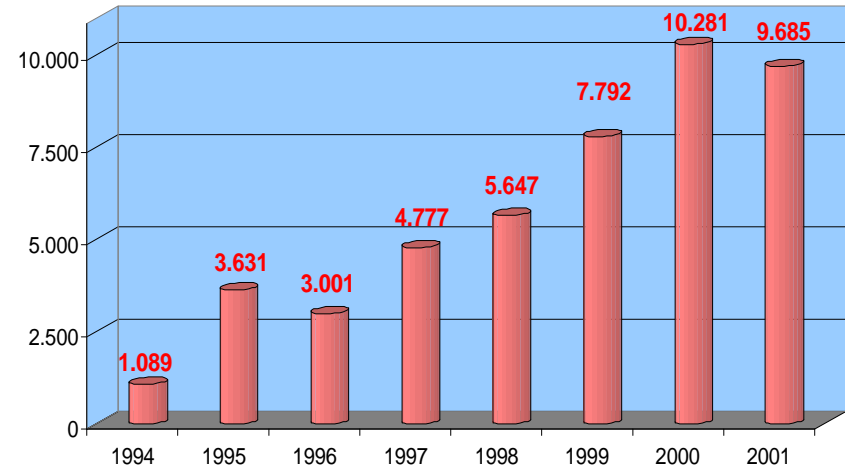


Financials

- ❑ Sales - organic CAGR 1998-2002E: +17%
- ❑ Focus on quality of results: EBIT margin always in the range 18-23% (19.5% in 1H '02)
- ❑ High visibility of markets dynamics



Cash flow



Net income

Income statement

€x 1000	<u>1H '02</u>		<u>1H '01</u>		var. %
SALES	52.161	100,0%	42.288	100,0%	+ 23,3%
VALUE OF PRODUCTION	53.932	103,4%	43.809	103,6%	+ 23,1%
Materials and services	(30.534)	-58,5%	(24.467)	-57,9%	+ 24,8%
Value added	23.398	44,9%	19.342	45,7%	+ 21,0%
Labour costs	(8.214)	-15,7%	(7.352)	-17,4%	+ 11,7%
EBITDA	15.184	29,1%	11.990	28,4%	+ 26,6%
Depreciation	(4.820)	-9,2%	(3.810)	-9,0%	+ 26,5%
Provisions/other	(177)	-0,3%	(193)	-0,5%	- 8,3%
EBIT	10.187	19,5%	7.987	18,9%	+ 27,5%
Goodwill amortization	(340)	-0,7%	(337)	-0,8%	+ 0,9%
Net financial expense	(766)	-1,5%	(278)	-0,7%	+ 175,5%
Extraordinary issues	2	0,0%	162	0,4%	- 98,8%
INCOME BEFORE TAXES	9.083	17,4%	7.534	17,8%	+ 20,6%
Taxes	(4.211)	-8,1%	(2.418)	-4,6%	+ 74,2%
Minorities	82	0,2%	(80)	-0,2%	
NET INCOME	4.954	9,5%	5.036	11,9%	- 1,6%

Financial position

<i>€ x 1000</i>	30.06.2002	31.12.2001	30.06.2001
Fixed assets	78.206	72.667	61.032
Net working capital	15.729	13.147	13.677
Reserves	(10.847)	(10.835)	(10.369)
Capital Employed	83.088	74.979	64.340
Equity	58.436	57.243	50.921
Long term debt	16.440	12.953	9.645
Net short term debt	8.212	4.783	3.774
Sources of finance	83.088	74.979	64.340

year-end forecasts

- ❑ Sales target for the whole year at 103 mn euro
(+18% YoY, same scope of consolidation)
- ❑ Operating profitability expected to improve compared to 2001