

**SABAF®**

TECHNOLOGY AND SAFETY

*Milan*

*27th February 2003*

# *Distinctive issues*

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- ▣ Sabaf represents a special case of sum of competencies, spread at all the levels of our organisation
  
- ▣ Sabaf has gradually conquered the activities which add value, with special reference to:
  - ▢ the selection and the training of human resources
  - ▢ the engineering and construction of
    - special machinery
    - high performance moulds for robotic die-casting
    - high speed precision tools
  - ▢ the design, engineering and production of components.

# *The reference market*

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## **Potential annual demand of gas cooking appliances and minimum value of the components market**

|                       | mn appliances |             | mn Euro    |             |
|-----------------------|---------------|-------------|------------|-------------|
| Europe (EU and extra) | <b>6</b>      | <i>7%</i>   | <b>200</b> | <i>21%</i>  |
| North America         | <b>4</b>      | <i>5%</i>   | <b>160</b> | <i>17%</i>  |
| South America         | <b>7</b>      | <i>8%</i>   | <b>80</b>  | <i>8%</i>   |
| ex Soviet Union       | <b>4</b>      | <i>5%</i>   | <b>70</b>  | <i>7%</i>   |
| Asia and Oceania      | <b>60</b>     | <i>71%</i>  | <b>415</b> | <i>44%</i>  |
| Africa                | <b>3</b>      | <i>4%</i>   | <b>25</b>  | <i>3%</i>   |
|                       | <b>84</b>     | <i>100%</i> | <b>950</b> | <i>100%</i> |

Source: Sabaf

## *Sales by country*

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|    | <u>Country</u> | <u>2002</u> |        | <u>2001</u> |        | <u>% change</u> |
|----|----------------|-------------|--------|-------------|--------|-----------------|
| 1  | ITALY          | 49.930      | 48,4%  | 45.428      | 52,0%  | +9,9%           |
| 2  | POLAND         | 12.699      | 12,3%  | 9.898       | 11,3%  | +28,3%          |
| 3  | SPAIN          | 7.325       | 7,1%   | 6.132       | 7,0%   | +19,5%          |
| 4  | SOUTH KOREA    | 7.086       | 6,9%   | 3.637       | 4,2%   | +94,8%          |
| 5  | UK             | 4.644       | 4,5%   | 4.441       | 5,1%   | +4,6%           |
| 6  | TURKEY         | 2.428       | 2,4%   | 1.965       | 2,2%   | +23,6%          |
| 7  | FRANCE         | 2.292       | 2,2%   | 2.232       | 2,6%   | +2,7%           |
| 8  | BRAZIL         | 2.255       | 2,2%   | 1.363       | 1,6%   | +65,4%          |
| 9  | AUSTRALIA      | 2.115       | 2,0%   | 1.186       | 1,4%   | +78,3%          |
| 10 | PORTUGAL       | 1.692       | 1,6%   | 2.432       | 2,8%   | -30,4%          |
|    | OTHERS         | 10.757      | 10,4%  | 8.649       | 9,9%   | +24,4%          |
|    | TOTAL          | 103.223     | 100,0% | 87.363      | 100,0% | +18,2%          |

# *Sabaf and our industry – 2002 overview*

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- ❑ Reference market -1.5% \*- Sabaf +18%
- ❑ Main competitors expected with flat or decreasing sales
- ❑ Competitors ROS between 0% and 4% in 2001
- ❑ Technical and performance gap continues to widen
- ❑ Competitors are followers on new products – we aim to shorten the life cycle of their products

\* Sabaf estimate

## *Developments on processes*

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Thanks to 2002-2003 investments we will:

- ❑ Triple production capacity on safety valves for hobs
- ❑ Double production capacity and automate the calibration phase on thermostats
- ❑ Take in-house the coining of burner lids
- ❑ Double in-house production capacity of enamelling burner lids
- ❑ Manufacture in large series the 4.5 kw *dual* burner and the *dual* safety valve
- ❑ Be able to start production by the end of the year of light alloy valve

# *Developments on products*

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## *Products already engineered*

- ❑ Dual burner – sales starting in 2nd half 2003
- ❑ New hinges for dishwashers - sales starting in 2nd half 2003
- ❑ Aluminium valve – sales starting in 4th quarter 2003

## *New products, now under development*

- ❑ Series III burner
- ❑ *Simmer* burner
- ❑ Burner with pan sensor

# *Business risks*

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Risk # 1 Competitiveness on standard products, not protected by specific know-how or patents

Answer # 1 – COST LEADERSHIP

- a) We take in-house and automate the phases of the process previously outsourced to generalist suppliers (coining and enameling of burner lids)
- b) We increase process efficiency (higher number of cavities in the moulds, high speed machines)

Answer # 2 – PRODUCT DIVERSIFICATION

- a) New products for high range hobs and cookers, to be produced in low-middle series
- b) Custom (exclusive) components for best clients



# *Business risks*

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## Risk # 2 Concentration of customer base in Europe

### Answer # 1 – NEW MARKETS

- a) The European model as standard for international markets
- b) New products for the specific needs of new markets (US, Far East)

### Answer # 2 – NEW CUSTOMERS

43 brand new customers in 2002

Sales from new customers in 2002: 8% of total sales

# *Operations in Brazil*

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## □ Sabaf do Brasil 2002 results

- ▣ Sales 1.0 mn euro
- ▣ Operating loss 0.1 mn euro
- ▣ Exchange difference loss 0.5 mn euro

## □ 2003 plans:

- ▣ Die-casting of burner cups and production of lids on site, to avoid duties and the risk of further devaluation of real
- ▣ We have committed with local authorities to invest to produce safety valves in Brazil, if safety in ovens becomes compulsory

# Income statement

| € x 1000                   | <u>01.10.02-31.12.02</u> |        | <u>01.10.01-31.12.01</u> |        | var. % | <u>01.01.02-31.12.02</u> |        | <u>01.01.01-31.12.01</u> |        | var. % |
|----------------------------|--------------------------|--------|--------------------------|--------|--------|--------------------------|--------|--------------------------|--------|--------|
| <b>SALES</b>               | 26.676                   | 100,0% | 24.789                   | 100,0% | 7,6%   | 103.223                  | 100,0% | 87.363                   | 100,0% | 18,2%  |
| <b>VALUE OF PRODUCTION</b> | 26.144                   | 98,0%  | 26.092                   | 105,3% | 0,2%   | 106.054                  | 102,7% | 90.345                   | 103,4% | 17,4%  |
| Materials and services     | (14.538)                 | -54,5% | (14.817)                 | -59,8% | -1,9%  | (60.540)                 | -58,6% | (50.725)                 | -58,1% | 19,3%  |
| <b>Value added</b>         | <u>11.606</u>            | 43,5%  | <u>11.275</u>            | 45,5%  | 2,9%   | <u>45.514</u>            | 44,1%  | <u>39.620</u>            | 45,4%  | 14,9%  |
| Labour cost                | (4.186)                  | -15,7% | (3.921)                  | -15,8% | 6,8%   | (15.957)                 | -15,5% | (14.624)                 | -16,7% | 9,1%   |
| <b>EBITDA</b>              | <u>7.420</u>             | 27,8%  | <u>7.354</u>             | 29,7%  | 0,9%   | <u>29.557</u>            | 28,6%  | <u>24.996</u>            | 28,6%  | 18,2%  |
| Depreciation               | (2.789)                  | -10,5% | (2.128)                  | -8,6%  | 31,1%  | (10.226)                 | -9,9%  | (8.043)                  | -9,2%  | 27,1%  |
| Provisions/other expenses  | (100)                    | -0,4%  | (654)                    | -2,6%  | -84,7% | (369)                    | -0,4%  | (921)                    | -1,1%  | -59,9% |
| <b>EBIT</b>                | <u>4.531</u>             | 17,0%  | <u>4.572</u>             | 18,4%  | -0,9%  | <u>18.962</u>            | 18,4%  | <u>16.032</u>            | 18,4%  | 18,3%  |
| Goodwill amortization      | (170)                    | -0,6%  | (174)                    | -0,7%  |        | (680)                    | -0,7%  | (680)                    | -0,8%  |        |
| Financial expense          | (268)                    | -1,0%  | (102)                    | -0,4%  |        | (1.634)                  | -1,6%  | (871)                    | -1,0%  |        |
| Extraordinary result       | 2                        | 0,0%   | 507                      | 2,0%   |        | 22                       | 0,0%   | 174                      | 0,2%   |        |
| <b>PRETAX INCOME</b>       | <u>4.095</u>             | 15,4%  | <u>4.803</u>             | 19,4%  | -14,7% | <u>16.670</u>            | 16,1%  | <u>14.655</u>            | 16,8%  | 13,7%  |

# *Financial situation*

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| <i>€ x 1000</i>         | <b>31.12.2002</b> | <b>30.09.2002</b> | <b>31.12.2001</b> |
|-------------------------|-------------------|-------------------|-------------------|
| <b>Fixed assets</b>     | 82.500            | 78.234            | 72.667            |
| <b>Working capital</b>  | 24.051            | 21.227            | 18.118            |
| <b>Reserves</b>         | (10.887 )         | (10.695 )         | (10.835 )         |
| <b>Capital employed</b> | 95.664            | 88.766            | 79.950            |
| <b>Equity</b>           | 70.265            | 66.150            | 62.214            |
| <b>Long term debt</b>   | 16.054            | 16.233            | 12.953            |
| <b>Short term debt</b>  | 9.345             | 6.383             | 4.783             |
| <b>Sources</b>          | 95.664            | 88.766            | 79.950            |

# Capex

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| € x 1000                    | 1998                 | 1999                 | 2000                 | 2001                 | 2002                 | 2003F                |
|-----------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Tangibles</b>            | <b>14,588</b>        | <b>11,676</b>        | <b>14,938</b>        | <b>21,473</b>        | <b>20,000</b>        | <b>9,000</b>         |
| <b>Intangibles/Goodwill</b> | <b>1,333</b>         | <b>0,209</b>         | <b>7,571</b>         | <b>0,313</b>         | <b>-</b>             | <b>2,600</b>         |
| <b>Total</b>                | <b><u>15,921</u></b> | <b><u>11,885</u></b> | <b><u>22,509</u></b> | <b><u>21,786</u></b> | <b><u>20,000</u></b> | <b><u>11,600</u></b> |

# Stock performance

