

The SABAF logo features the word "SABAF" in a bold, blue, sans-serif font with a registered trademark symbol (®) to the right. The text is set against a bright yellow rectangular background.

TECHNOLOGY AND SAFETY

STAR COMPANIES PRESENTATION

London

23rd - 24th September 2004

Sabaf and the sector – overview 2004

- ❑ The market is consolidating the recovery started in Q4 2003, thanks to an improved international macroeconomic picture

- ❑ All product lines are contributing to growth
- ❑ Gains in simple valves market share
- ❑ Average prices declining 2-3% compared to the previous year
- ❑ Profitability is increasing more than sales thanks to internal efficiency (productivity gains and economies of scale)

- ❑ Still non significant contribution to sales from new product lines
- ❑ Limited contribution to growth from the agreement with Arcelik
- ❑ Limited contribution to growth from the North American market

- ❑ Capex concentrated in the first half of the year

Sales by country

<u>Country</u>	<u>1st half 2004</u>		<u>1st half 2003</u>		<u>1st half 2002</u>		<u>1st half 2001</u>		<u>1st half 2000</u>		<u>% change</u>	<u>CAGR</u>
											<u>2004 VS.</u>	<u>2000-</u>
											<u>2003</u>	<u>2004</u>
ITALY	32,244	50,1%	25,754	47,8%	26,407	50,6%	22,914	54,2%	19,489	53,8%	+25%	+11%
POLAND	6,370	9,9%	5,632	10,5%	5,787	11,1%	3,349	7,9%	4,588	12,7%	+13%	+7%
SPAIN	4,039	6,3%	3,777	7,0%	3,874	7,4%	3,167	7,5%	3,173	8,8%	+7%	+5%
UK	3,489	5,4%	1,890	3,5%	2,622	5,0%	2,008	4,7%	2,529	7,0%	+85%	+7%
SOUTH KOREA	3,057	4,8%	5,048	9,4%	3,118	6,0%	1,581	3,7%	0,854	2,4%	-39%	+29%
TURKEY	2,693	4,2%	1,667	3,1%	1,092	2,1%	0,710	1,7%	1,019	2,8%	+62%	+21%
BRAZIL	1,635	2,5%	1,133	2,1%	0,965	1,9%	0,665	1,6%	0,465	1,3%	+44%	+29%
CHINA	0,949	1,5%	0,478	0,9%	0,411	0,8%	1,134	2,7%	0,535	1,5%	+99%	+12%
OTHERS	9,825	15,3%	8,457	15,7%	7,885	15,1%	6,758	16,0%	3,598	9,9%	+16%	+22%
TOTAL	64,301	100,0%	53,836	100,0%	52,161	100,0%	42,288	100,0%	36,250	100,0%	+19%	+12%

Developments in the Turkish market

- ❑ Turkey is acquiring a dominant position in the production of domestic appliances at an international level, especially on cooking, segment with high content of labour
- ❑ Sales growing by 62% in 1H 2004 vs. 1H 2003

- ❑ At the beginning of 2004, Sabaf signed a three-year agreement with Arcelik, one of the leading and most dynamic players in the European domestic appliance market
- ❑ In the three-year period 2004-2006 Arcelik will gradually adopt Sabaf components (burners, valves and thermostats) for its whole gas cooking range, for an estimated value of between 16 and 20 million euro
- ❑ The launch of new models has been slightly postponed –expected sales in 2004 amounting to 1 mn euro

Developments in the US market

- The most important local competitor, Harper Wyman, filed for Chapter 11 in April 2004. In July 2004 the company was acquired for 7.5 mn \$ by Burner Systems International, a group already controlling Sourdillon.
- Sabaf is already taking benefit from this situation – first sales to US customers and increasing interest in innovative European solutions
- GE-Mabe has just introduced in the new free standing range – Eclipse – Sabaf mini triple ring of flame burner controlled by FFD Sabaf gas valve. Production starting Q1 2005

Further medium term developments

- **New appliance manufacturers in emerging countries**

Sabaf is the only global supplier able to offer international experience and complete product range in developing cookers compliant to European and American standards

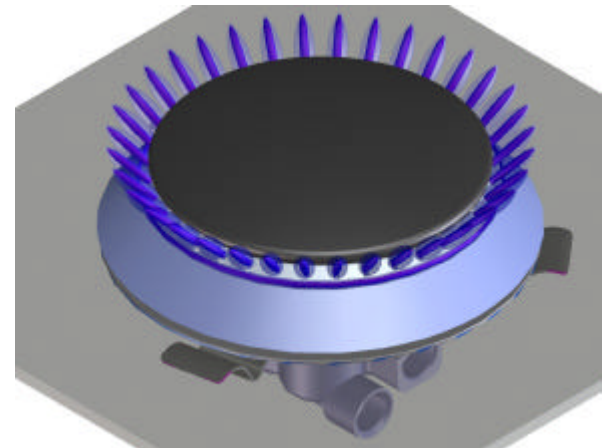
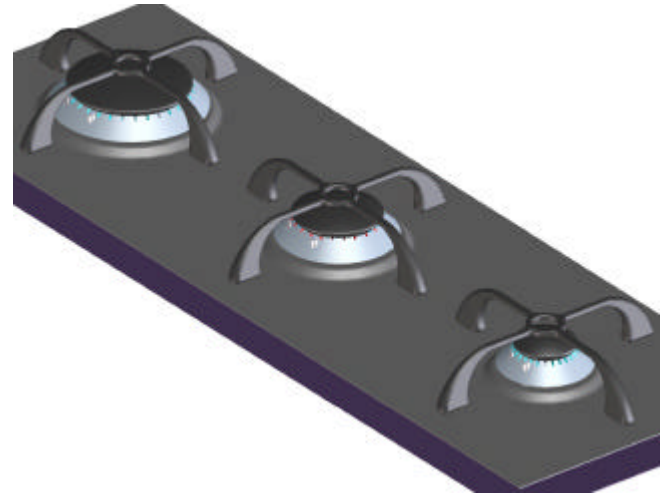
- **Russia will make safety in the ovens compulsory from 2005**

Sabaf could benefit from its leadership in thermostats – well known in Russia - and from the new progressive safety valve specifically studied for oven control

- **Ireland to launch safety valve compulsory on top burners**

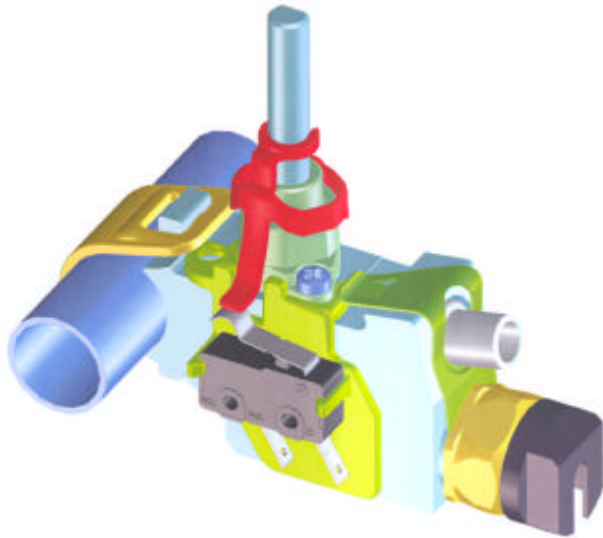
Sabaf Series III - Next burner generation

- ❑ The intensive of carbon per kwh used is 0.05 kg/kwh in gas cooking with traditional burners and 0.12 kg/kwh in electric cooking.
- ❑ Sabaf Series III burner features 25% higher efficiency levels than traditional burners
- ❑ A worldwide spread of Sabaf Series III burner will contribute to significantly reduce the greenhouse gas emissions caused by cooking
- ❑ Besides the lower environmental impact, the higher efficiency reduces the cost of use and the time needed for cooking
- ❑ A new burner concept, modular (three sizes for four different outputs with a higher turn-down rate) and extremely flexible (can be fitted on gas-on-glass, porcelain enamelled or stainless steel cook tops and ranges)
- ❑ New features in terms of aesthetic, fixing system and cleaning possibilities
- ❑ Samples in January 2005, sales from September 2005



Sabaf light alloy valves - Next valve generation

- ▣ Featured by the progressive flow rate and by a simpler (hot pressing eliminated), but exclusive and highly automated production process
- ▣ Reduction of production costs



Simple valves

first sales in 1H 2004
1.5 mn units targeted for 2005

Safety valves

end of prototypes by 2004 year end
machinery construction during 2005
first sales in 2006

Income statement

€mn	01.03-30.06.03		01.01.04-30.06.04		var. %	01.01.03-31.12.03	
SALES	53.836	100,0%	64.301	100,0%	+ 19,4%	110.019	100,0%
VALUE OF PRODUCTION	54.005	100,3%	66.556	103,5%	+ 23,2%	110.761	100,7%
Materials and services	(29.795)	-55,3%	(36.995)	-57,5%	+ 24,2%	(60.493)	-55,0%
Value added	<u>24.210</u>	45,0%	<u>29.561</u>	46,0%	+ 22,1%	<u>50.268</u>	45,7%
Labour costs	(8.881)	-16,5%	(10.713)	-16,7%	+ 20,6%	(18.329)	-16,7%
EBITDA	<u>15.329</u>	28,5%	<u>18.848</u>	29,3%	+ 23,0%	<u>31.939</u>	29,0%
Depreciation	(5.348)	-9,9%	(5.802)	-9,0%	+ 8,5%	(11.199)	-10,2%
Provisions/other	(236)	-0,4%	(382)	-0,6%		(459)	-0,4%
EBIT	<u>9.745</u>	18,1%	<u>12.664</u>	19,7%	+ 30,0%	<u>20.281</u>	18,4%
Goodwill amortization	(467)	-0,9%	(466)	-0,7%		(934)	-0,8%
Net financial expense	(916)	-1,7%	(497)	-0,8%		(1.528)	-1,4%
Extraordinary issues	2	0,0%	339	0,5%		7	0,0%
INCOME BEFORE TAXES	<u>8.364</u>	15,5%	<u>12.040</u>	18,7%	+ 44,0%	<u>17.826</u>	16,2%
Taxes	(3.696)	-6,9%	(5.089)	-7,9%		(7.569)	-6,9%
Minorities	(49)	-0,1%	44	0,1%		(32)	0,0%
NET INCOME	<u>4.619</u>	8,6%	<u>6.995</u>	10,9%	+ 51,4%	<u>10.225</u>	9,3%

Financial position

<i>€ mn</i>	30.06.2003	31.12.2003	30.06.2004
Fixed assets	77.112	76.384	84.501
Net working capital	24.331	24.604	21.160
Reserves	(11.411)	(11.598)	(11.859)
Capital Employed	90.032	89.390	93.802
Equity	63.737	69.322	71.780
Long term debt	15.177	22.413	24.556
Net short term debt	11.118	(2.345)	(2.534)
Sources of finance	90.032	89.390	93.802
Debt / equity	41%	29%	31%

Cash flow

- The net debt increased from Euro 20.0 million at December 31, 2003 to Euro 22.0 million at June 30, 2004. The breakdown is as follows:

▣ Operating Cash flow	+ 16.6 mn
▣ Investments	- 14.3 mn
▣ Change in own shares	+ 0.2 mn
▣ <u>Dividends paid</u>	- 4.5 mn
▣ Change in net debt	- 2.0 mn

Potential impact of raw material price increases

- The Group main raw materials are:
 - aluminium alloys – 10% of total cost of sales
 - brass (copper + zinc alloy) – 6% of total cost of sales
 - iron/steel – 6% of total cost of sales

- Cost increase 09/2004 vs. 09/2003 (in euro)
 - aluminium alloys + 6%
 - brass + 30%
 - iron/steel + 40%

- We hedged 80% of 2004 expected purchases of aluminium and brass and required price increases for 2H 2004 on iron components

- In 2005 we expect to pass through to customers part of cost increases and to absorb the remaining part thanks to higher volumes and productivity improvements

Disclaimer

Certain information included in this document is forward looking and is subject to important risks and uncertainties that could cause actual results to differ materially. The Company's business is in the domestic appliance industry, with special reference to the gas cooking sector, and its outlook is predominantly based on its interpretation of what it considers to be the key economic factors affecting this business. Forward-looking statements with regard to the Group's business involve a number of important factors that are subject to change, including: the many interrelated factors that affect consumer confidence and worldwide demand for durable goods; general economic conditions in the Group's markets; actions of competitors; commodity prices; interest rates and currency exchange rates; political and civil unrest; and other risks and uncertainties.

Contact

For further information, please contact our Investor Relations Department

Gianluca Beschi

SABAF S.p.A.

Via dei Carpini, 1

25035 Ospitaletto (Brescia)

Tel +39.030.6843236

Fax +39.030.6843250

gianluca.beschi@sabaf.it