SABAF®

TECHNOLOGY AND SAFETY

MEETING WITH THE FINANCIAL COMMUNITY

Milan

March 2nd and 3rd, 2005

Sabaf and its industry – a quick look at 2004

- The growth and profitability targets declared at the beginning of the year have been achieved
- Phase of strong expansion during the first half of the year and sudden turnabout in the last quarter

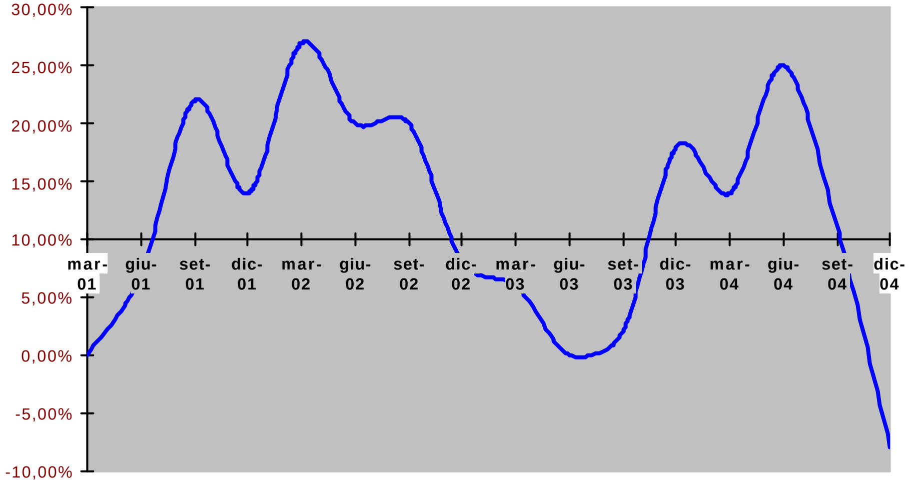
- All product lines have contributed to growth
- Mostly, Sabaf has gained market share in simple valves

- Average selling prices have been 2-3% lower in comparison with 2003
- Increase in raw material costs has been neutralized by hedging operations (except for steel)

- Contribution of new product lines to sales has not been meaningful
- Contribution of Arcelik agreement to growth has been limited
- First sales (euro 1 mn) on North American market

- Extraordinary capital expenditure to start up production of light alloy valves

Quarterly change in sales (Q n / Q n-1) – same consolidation area



- During the last 3 years demand has shown a cyclic trend previously unknown
- Causes: shorter lead-times on production-distribution chain, destocking, uncertainty, currency fluctuations
- Fluctuations tend to be shorter and stronger
- Sabaf confirms a yearly organic growth trend higher than 10%

Sales by country – customer concentration

	Country	2004		2003		2002		2001		2004 VS. 2003	2004 VS. 2001
1	*ITALY*	58,651	*48,7%*	52,835	*48,0%*	49,930	*48,4%*	45,428	*52,0%*	+ 11%	+ 29%
2	*POLAND*	14,175	*11,8%*	13,088	*11,9%*	12,699	*12,3%*	9,898	*11,3%*	+ 8%	+ 43%
3	*SPAIN*	7,363	*6,1%*	7,604	*6,9%*	7,325	*7,1%*	6,132	*7,0%*	- 3%	+ 20%
4	*UK*	6,657	*5,5%*	4,686	*4,3%*	4,644	*4,5%*	4,441	*5,1%*	+ 42%	+ 50%
5	*TURKEY*	5,709	*4,7%*	4,480	*4,1%*	2,428	*2,4%*	1,965	*2,2%*	+ 27%	+ 191%
6	*SOUTH KOREA*	4,776	*4,0%*	7,709	*7,0%*	7,086	*6,9%*	3,637	*4,2%*	- 38%	+ 31%
7	*BRAZIL*	3,054	*2,5%*	2,583	*2,3%*	2,255	*2,2%*	1,363	*1,6%*	+ 18%	+ 124%
8	*CHINA*	1,745	*1,4%*	1,095	*1,0%*	0,842	*0,8%*	1,886	*2,2%*	+ 59%	- 7%
9	*AUSTRALIA*	1,649	*1,4%*	1,423	*1,3%*	2,115	*2,0%*	1,186	*1,4%*	+ 16%	+ 39%
10	*COLUMBIA*	1,332	*1,1%*	0,656	*0,6%*	0,636	*0,6%*	0,526	*0,6%*	+ 103%	+ 153%
11	*SYRIA*	1,060	*0,9%*	0,454	*0,4%*	0,067	*0,1%*	0,095	*0,1%*	+ 133%	+ 1016%
12	*IRAN*	0,964	*0,8%*	1,546	*1,4%*	0,455	*0,4%*	0,415	*0,5%*	- 38%	+ 132%
13	*FRANCE*	0,739	*0,6%*	1,775	*1,6%*	2,292	*2,2%*	2,232	*2,6%*	- 58%	- 67%
	OTHERS	15,417	*12,8%*	13,860	*12,6%*	13,263	*15,5%*	10,901	*16,0%*	+ 34%	+ 41%
	TOTAL	120,528	*100,0%*	110,019	*100,0%*	103,223	*100,0%*	87,363	*100,0%*	+ 10%	+38%

	2004	2003	2002	2001
first 10 customers	53%	54%	56%	51%
first 20 customers	70%	71%	74%	68%

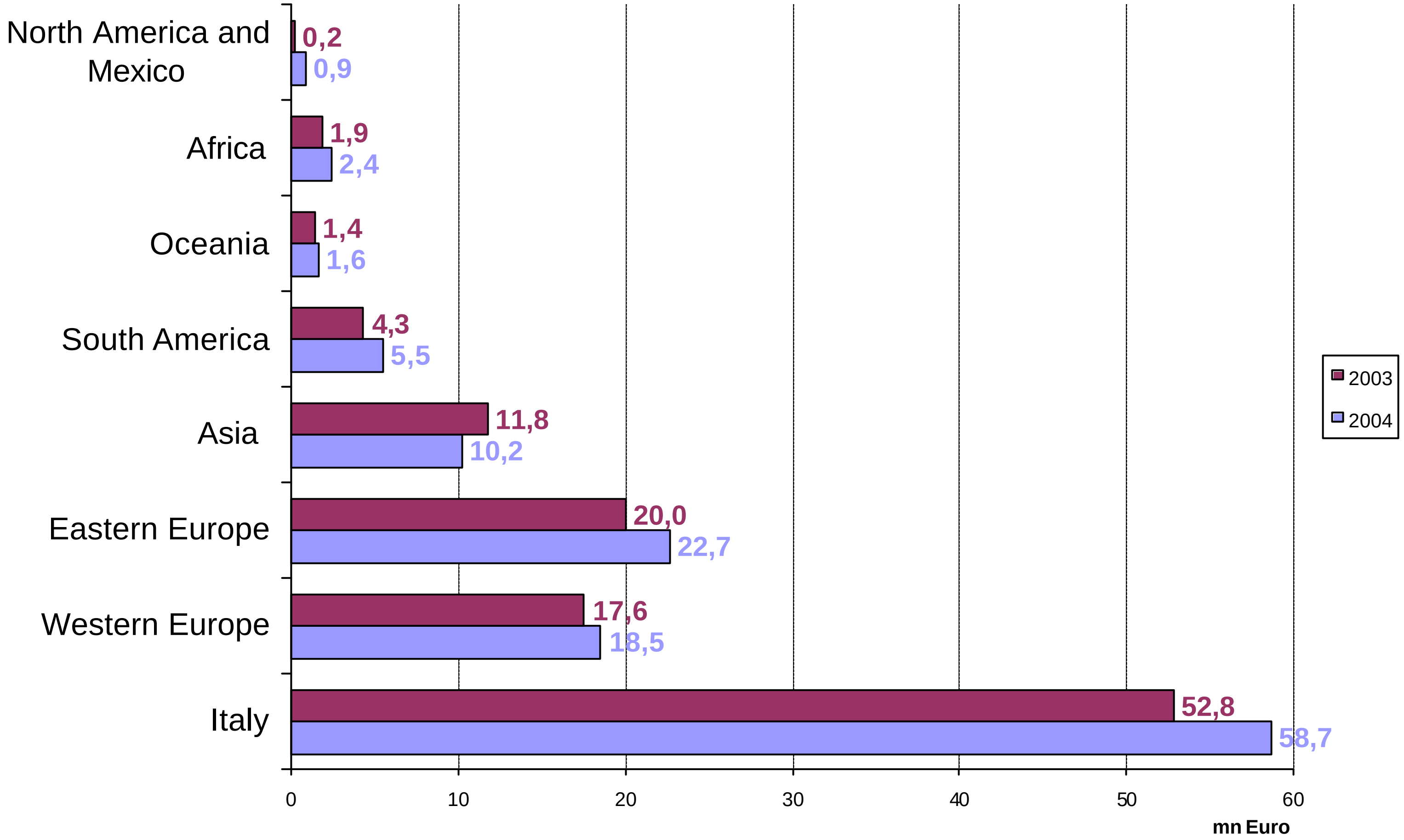
Trend of sales by area

- Sales in Western Europe (especially in France and Spain) tend to be substituted by sales in Eastern Europe (Poland, Turkey) because of:
  - Delocalization of part of production by multinational groups
  - High competitiveness of local manufacturers
  - Strong growth of internal demand (especially in Turkey)

- Good growth of sales to Italian manufacturers, which can keep their competitiveness thanks to:
  - Wider product range
  - Specialization in the *built-in segment*
  - Brand strength

- Very satisfactory results on extra-European markets, in spite of dollar depreciation
  - Big engineering and commercial efforts to comply with local needs
  - Growth of internal demand (except South Korea)
  - Still limited market share

Sales by area



Income statement

€ x 000	2003		2004		var. %
SALES	110,019	100.0%	120,528	100.0%	+ 9.6%
VALUE OF PRODUCTION	110,761	100.7%	122,879	102.0%	+ 10.9%
Materials and services	(60,493)	-55.0%	(67,578)	-56.1%	+ 11.7%
Value added	50,268	45.7%	55,301	45.9%	+ 10.0%
Labour costs	(18,329)	-16.7%	(20,391)	-16.9%	+ 11.2%
EBITDA	31,939	29.0%	34,910	29.0%	+ 9.3%
Depreciation	(11,199)	-10.2%	(11,164)	-9.3%	-0.3%
Provisions/other	(459)	-0.4%	(967)	-0.8%	
EBITA	20,281	18.4%	22,779	18.9%	+ 12.3%
Goodwill amortization	(934)	-0.8%	(934)	-0.8%	+ 0.0%
Net financial expense	(1,528)	-1.4%	(876)	-0.7%	-42.7%
Extraordinary issues	7	0.0%	339	0.3%	
INCOME BEFORE TAXES	17,826	16.2%	21,308	17.7%	+ 19.5%

Financial position

€ x 1000	31.12.2003	31.12.2004	
Fixed assets	76,384	84,230	
Net working capital	24,604	32,295	(a)
Reserves	(11,598)	(12,388)	
Capital Employed	89,390	104,137	
Equity	69,322	86,261	(b)
Long term debt	22,413	24,287	
Net short term debt	(2,345)	(6,411)	
Sources of finance	89,390	104,137	

(a) including euro 8 mn income tax advances

(b) including pre-tax income

Cash flow

- Net debt has been reduced from euro 20 mn at 31st December 2003 to euro 18 mn at 31st December 2004. The detail is as follows:

Operating cash flow	+ 25.5 mn
Capex	- 19.0 mn
Dividends	- 4.5 mn
Change in net debt	- 2.0 mn

Capital expenditure

2004

- New 11,000 sqm plant to manufacture light alloy valves
- Production lines for light alloy simple valves (first step)
- Second enamelling line for burner lids
- Increase by 10% of production capacity in burner die-casting department
- Increase of production capacity in safety valves
- Automation of pre-assembling operations for valves and thermostats

- Productivity impact only partly visible on 2004 figures
- Total capex 2004: euro 19 mn, of which new plant euro 5 mn

2005

- Total expected capex 2005: euro 13 mn, mainly for production lines for light alloy simple and FFD valves

Potential impact from raw material price increase

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

- Raw material price increases have had an impact of +4% - +5% compared to 2004 actual average prices
- Average increase in selling prices 2005 vs. 2004 has been +2% - +3%
- Economies expected if sales increase by 10%: reduction of costs of products by 2%

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Main impacts on 2005 P&L arising from IAS adoption – hedging policy 2005 - other changes in accounting

- End of goodwill amortization on Faringosi – impairment test will be performed
- Accounting of stock options following IFRS 2
- Accounting of derivatives on raw materials and currencies following the *hedge accounting method*

- Hedging of 100% expected purchases of raw materials in 2005 by means of call options on brass (strike price 3500 $/ton) and aluminium (strike price 2080 $/ton)
- It is not possible to hedge the risk of increase in steel price, but we can revise price lists on steel components in case of further strong increases
- Hedging in the range euro/dollar 1,29 – 1,33 of 50% of sales denominated in US $ expected in 2005

- Revised useful life of die-casting and machining machinery starting from 2004: yearly depreciation reduced from 15.5% to 10%.

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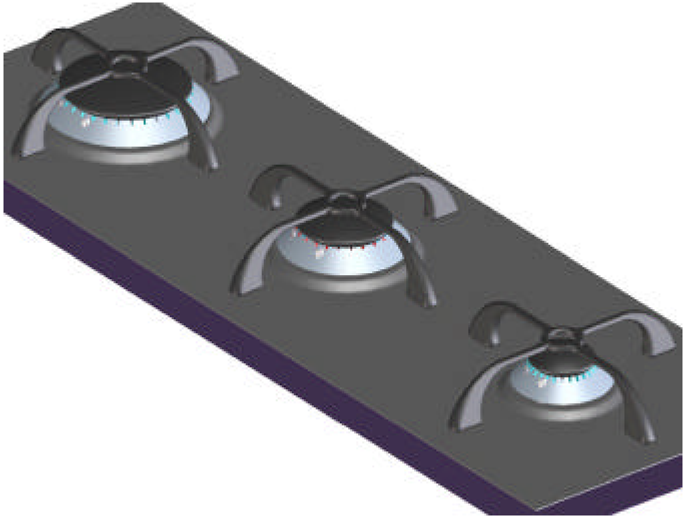
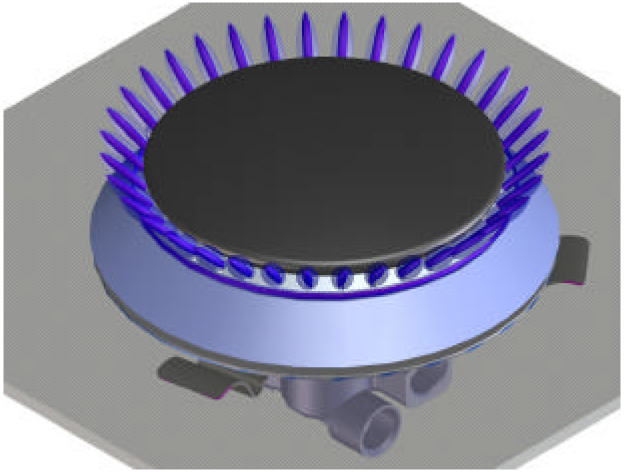
Sabaf Series III - Next burner generation

- 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 environmenttal 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





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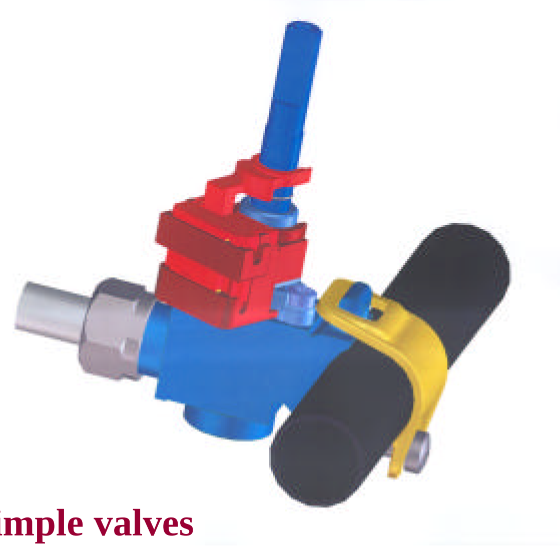
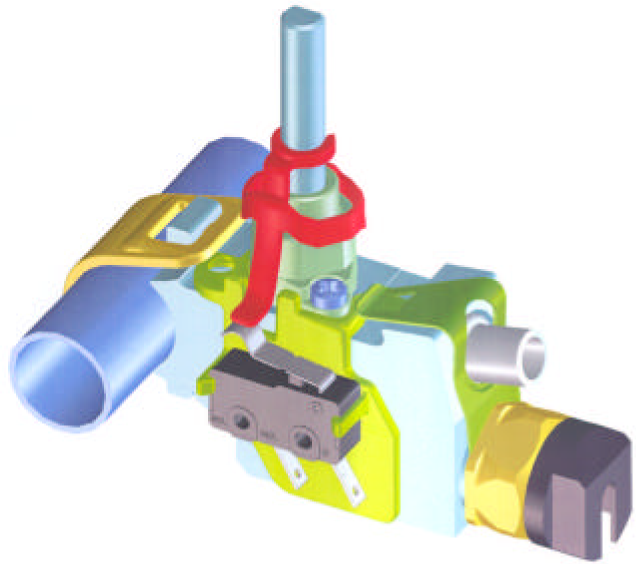
Sabaf light alloy valves - Next valve generation

- 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 2004
1 mn units targeted for 2005

Safety valves

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

Middle-term strategic lines of development

TURKEY

- Turkey is acquiring a dominant position at international level in appliance manufacturing, especially in cooking, a segment in which the content of labour is high (Arcelik has gained one point of market share in Europe during 2004)

US

- The agreement with Whirlpool to supply hinges for washing machines represents the first important order from one of the American big players

RUSSIA

- Oven safety devices being made compulsory can represent a big opportunity for Sabaf – Russian plants already use Sabaf technology to manufacture thermostats
- We are examining different options to enter this market

MIDDLE EAST

- This market adopts European type components, opportunities can arise from a more stable political situation

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.

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