SABAF®

TECHNOLOGY AND SAFETY

STAR COMPANIES PRESENTATION

London

27th - 28th October 2006

Sabaf and the sector – overview First Half 2006

Sales at € 69.9 mn - up by 17.9% thanks to:

- Developments towards new markets and customers
  - High growth in Turkey, Middle East, North Africa
- Improved relations with some consolidated customers
- New products
  - Light alloy valves without FFD
  - Special hinge for Whirlpool washing machine
- Good performance of the reference market compared to 1H 05
  - Strong recovery of Italian manufacturers exporting out of Europe
  - Partial recovery of the South Korean market
- Pricing / hedging strategy
  - Hedging on raw material made possible to limit price increase

EBIT at 21.4% of sales - up by 30.6% thanks to:

- Improved customer mix
- New products
- Operational leverage

FY sales increase expected between 12% and 14% (€ 135 -138 mn)

FY EBIT expected between 20% and 21% of sales

Hedging on raw materials and currencies

- The main raw materials the Group utilizes are:
  - aluminium alloys – 10% of total cost of products
  - brass (copper and zinc alloy) – 7% of total cost of products
  - iron/steel – 6% of total cost of products
- 2006 expected supply of raw material have been 100% hedged through future contracts on copper (3410 $/ton), zinc (1561 $/ton) and aluminium (2000 $/ton)
- Average raw materials cost increase 2006 vs. 2005 - considering hedging effects – around 14%

- USD denominated sales represent about 10% of total sales
- 50% of 2006 USD expected sales hedged at EURUSD 1.225

Income statement

€ x 000	1H06		1H05		var. %	FY2005	
SALES	**69,856**	**100.0%**	**59,272**	**100.0%**	**17.9%**	**121,014**	**100.0%**
Materials	(29,498)	-42.2%	(22,080)	-37.3%		(46,722)	-38.6%
Payroll	(12,515)	-17.9%	(10,407)	-17.6%		(21,000)	-17.4%
Change in stock	4,393	6.3%	(1,091)	-1.8%		(235)	-0.2%
Other operating costs/income	(11,954)	-17.1%	(9,045)	-15.3%		(18,718)	-15.5%
EBITDA	**20,282**	**29.0%**	**16,649**	**28.1%**	**21.8%**	**34,339**	**28.4%**
Depreciation	(5,366)	-7.7%	(5,335)	-9.0%		(11,006)	-9.1%
Gains/losses on fixed assets	11	0.0%	114	0.2%		126	0.1%
EBIT	**14,927**	**21.4%**	**11,428**	**19.3%**	**30.6%**	**23,459**	**19.4%**
Net financial expense	(404)	-0.6%	(288)	-0.5%		(853)	-0.7%
Foreign exchange gains/losses	(203)	-0.3%	496	0.8%		535	0.4%
EBT	**14,320**	**20.5%**	**11,636**	**19.6%**	**23.1%**	**23,141**	**19.1%**
Income taxes	(5,848)	-8.4%	(4,730)	-8.0%		(9,188)	-7.6%
Minorities	0		0			0	
NET INCOME	**8,472**	**12.1%**	**6,906**	**11.7%**	**22.7%**	**13,953**	**11.5%**
EPS	**0.748**		**0.609**			**1.231**	

Financial position

€ x 1000	30.06.06	31.12.05	30.06.05
Fixed assets	87,542	85,062	87,582
Net working capital	21,548	25,545	25,518
Financial assets (*)	5,768	2,818	92
Capital Employed	114,858	113,425	113,192
Equity	94,332	90,767	81,641
Reserves for risks/net deferred tax	15,267	13,730	11,765
Net debt	5,259	8,928	19,786
Sources of finance	114,858	113,425	113,192

(*) MTM on hedging financial instruments

Cash flow statement

€ x 1000		1H06		1H05		FY05
Net profit		8,472		6,906		13,953
Depreciation		5,366		5,335		11,006
Other non-monetary costs/income		1,526		(182)		1,796
Change in inventory	(4,375)		1,023		137	
Change in trade receivables	(2,151)		(3,964)		(4,809)	
Change in trade payables	6,451		441		3,886	
Change in other current non financial assets/liabilities	4,072		58		(1,683)	
Change in net working capital		3,997		(2,442)		(2,469)
Operating cash flow		19,361		9,617		24,286
Investments		(7,941)		(6,778)		(10,155)
Disposals		15		759		1,134
Free cash flow		**11,435**		**3,598**		**15,265**
Change in long-term financial assets/liabilities		(4,541)		(2,013)		(9,103)
Dividends		(6,791)		(5,434)		(5,434)
Other changes in equity		1,992		149		2,037
Cash flow		2,095		(3,700)		2,765

Extraordinary dividend

- Shareholders' meeting called on October 25th to approve the distribution of an extraordinary dividend
- € 1 per share to be paid on November 6
- Made possible by strong free cash flow generation during 2006
- Partial re-balance of financial structure to reduce average cost of capital
- No change in strategies, open even to acquisitions

Sales by area and customer concentration

Area	1H 06		1H 05		1H 06 VS. 1H 05	FY 05		FY 02		CAGR 02-05
ITALY	35.724	51.1%	31.275	52.8%	+ 14.2%	61.344	50.7%	49.930	48.4%	+ 7.1%
W. EUROPE	8.293	11.9%	7.948	13.4%	+ 4.3%	15.502	12.8%	18.190	17.6%	- 5.2%
E. EUROPE & TURKEY	12.063	17.3%	11.001	18.6%	+ 9.7%	25.022	20.7%	17.264	16.7%	+ 13.2%
ASIA	5.092	7.3%	4.269	7.2%	+ 19.3%	8.035	6.6%	9.465	9.2%	- 5.3%
SOUTH AMERICA	3.269	4.7%	2.570	4.3%	+ 27.2%	4.878	4.0%	4.404	4.3%	+ 3.5%
AFRICA	2.780	4.0%	1.176	2.0%	+ 136.4%	3.082	2.5%	1.646	1.6%	+ 23.3%
NORTH AMERICA	2.143	3.1%	0.599	1.0%	+ 257.8%	2.061	1.7%	0.130	0.1%	+ 151.2%
OCEANIA	0.492	0.7%	0.434	0.7%	+ 13.4%	1.090	0.9%	2.115	2.1%	- 19.8%
TOTAL	69.856	100.0%	59.272	100.0%	+ 17.9%	121.014	100.0%	103.144	100.0%	+ 5.5%
	13.776	19.7%	9.048	15.3%	+ 52.3%	2005		2002		
first 10 customers	49%		54%			52%		56%		
first 20 customers	70%		74%			71%		74%		

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Middle-term strategic lines of development

TURKEY

- Turkey might become the first European appliance manufacturer
- Sales at € 5.4mn in 1H 06, up 61%
- Relationships with Arcelik and Vestel is going on as expected
- Sales to new customers are increasing

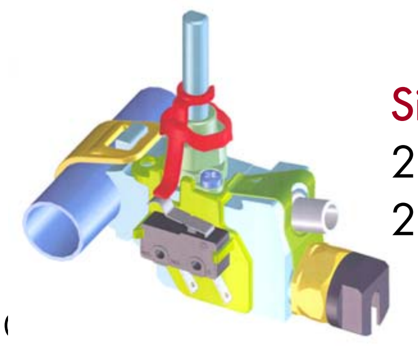
US

- The agreement with Whirlpool to supply hinges for washing machines represents the first important order from one of the American big players
- Start-up of production in Mexico will open new opportunities

Light alloy valves

	Brass valves	Aluminium alloy valves
Product performance		progressive flow rate
Production process		Hot pressing eliminated Sophisticated machining technology Higher process rhythm in high value operations
Weight of finished product (g) *	73.2	31.1
Raw material price Jan 04 to Sep 06	+230%	+50%
Lead content (g) *	2.24	0.30
Energy content (kwh/unit) *	0.303	0.218

* *simple valves*



Simple valves

2005: 0.8 mn units

2006e: 3 mn units

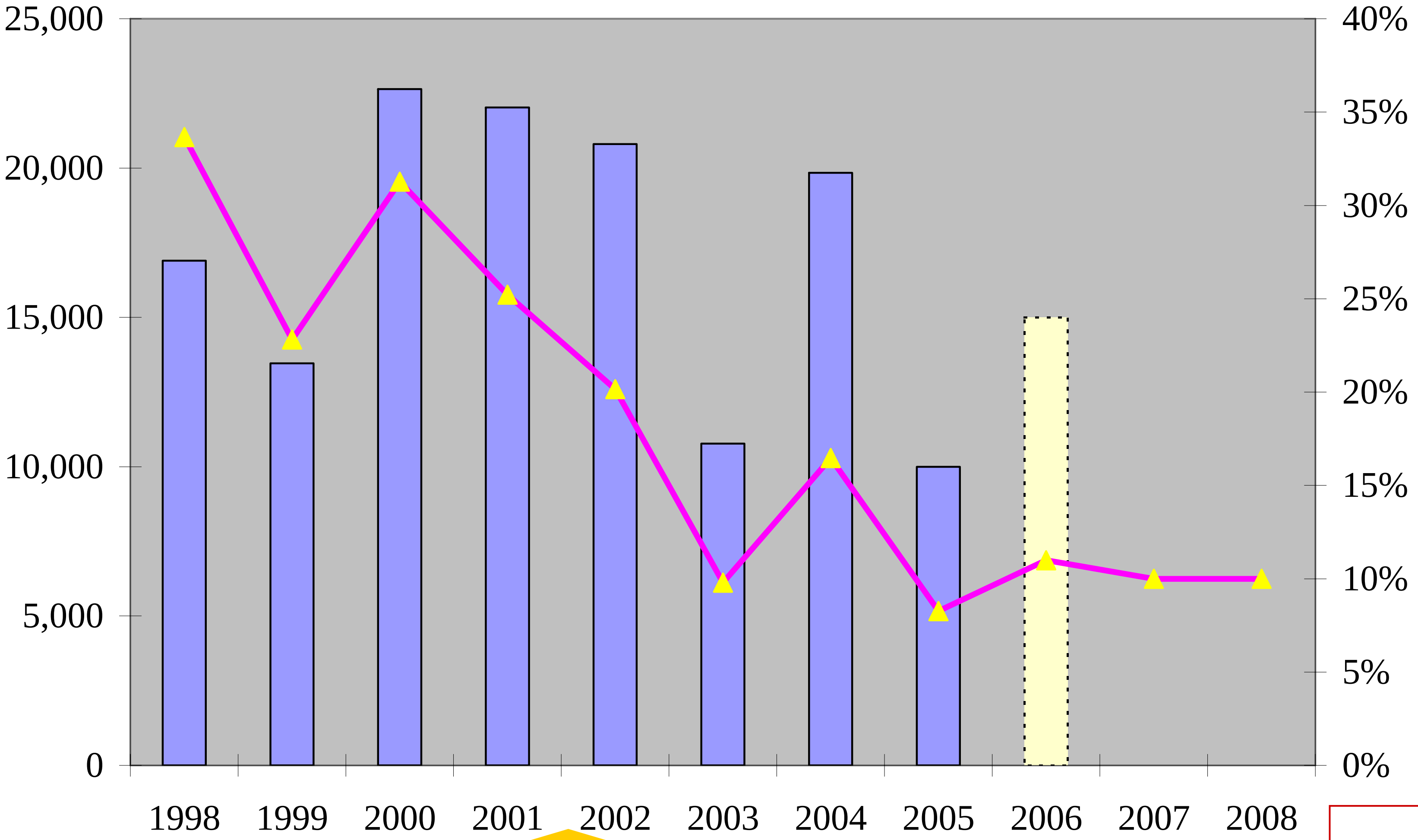
FFD valves

First half 2006: industrialization

Second half 2006: production and sales start up

Capex 1998-2006e

€ x 000



% on sales

OSPITALETTO 1

FARINGOSI HINGES

OSPITALETTO 2

OSPITALETTO 3

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Main investments 2006-2007

- Production line for light alloy simple valves – step 2 (high automation)
- Production line for light alloy safety valves for cookers
- Production line for light alloy safety valves for hobs
- Doubling of burner production capacity in Brazil
- New plant in Brazil starting in 1H 2007

Further growth opportunities

The goal of full industrial control over core activities has been reached. Sabaf can now analyse new growth opportunities

- In international markets
  - Sabaf will strongly enhance production capex in Brazil and Mexico
  - New products under development (two-way valve and *dual burner*) to enter the Chinese market with large volumes

- In contiguous sectors, even through acquisitions
  - Sabaf can use its knowledge, its technology, its means of production also out of the sector of gas cooking components
  - Technical resources to dedicate to new projects are available

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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