



**SABAF®**

TECHNOLOGY AND SAFETY

*UBM Small Caps Conference*

*Milan*

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# Sabaf and the sector – overview nine months 2006



Sales at € 102.4 mn – up by 16.9% thanks to:

- Developments towards new markets and customers
  - High growth in Turkey, Middle East, North Africa, South America
- Improved relations with some consolidated customers
- New products
  - Light alloy valves without FFD
  - Special hinge for Whirlpool US washing machine
- Good performance of the reference market compared to 2005
  - 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 20.6% - up by 27.5% thanks to:

- Improved customer mix
- New products
- Operational leverage

FY 2006 expected sales increase = 14% (€ 138 mn)

FY 2006 expected EBIT between 20% and 21% (€ 27.6 - 29 mn)

# Hedging on raw materials



- The main raw materials the Group utilizes are:
  - aluminium alloys- 10% (\*) of total costs of products
  - brass (copper and zinc alloy) - 7%(\*) of total costs of products
  - iron/steel - 6%(\*) of total costs 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)
- We are currently evaluating 2007 hedging opportunities

(\*) estimate for 2006, including the effect of hedging

# Income statement

€x 000	<u>9M 06</u>		<u>9M 05</u>		var. %	<u>FY2005</u>	
<b>SALES</b>	<b>102,383</b>	<b>100.0%</b>	<b>87,617</b>	<b>100.0%</b>	<b>16.9%</b>	<b>121,014</b>	<b>100.0%</b>
Materials	(43,325)	-42.3%	(34,288)	-39.1%		(46,722)	-38.6%
Payroll	(18,031)	-17.6%	(15,400)	-17.6%		(21,000)	-17.4%
Change in stock	5,607	5.5%	57	0.1%		(235)	-0.2%
Other operating costs/income	(17,226)	-16.8%	(13,402)	-15.3%		(18,718)	-15.5%
<b>EBITDA</b>	<b><u>29,408</u></b>	<b>28.7%</b>	<b><u>24,584</u></b>	<b>28.1%</b>	<b>19.6%</b>	<b><u>34,339</u></b>	<b>28.4%</b>
Depreciation	(8,304)	-8.1%	(8,134)	-9.3%		(11,006)	-9.1%
Gains/losses on fixed assets	33	0.0%	130	0.1%		126	0.1%
<b>EBIT</b>	<b><u>21,137</u></b>	<b>20.6%</b>	<b><u>16,580</u></b>	<b>18.9%</b>	<b>27.5%</b>	<b><u>23,459</u></b>	<b>19.4%</b>
Net financial expense	(592)	-0.6%	(489)	-0.6%		(853)	-0.7%
Foreign exchange gains/losses	(193)	-0.2%	507	0.6%		535	0.4%
<b>EBT</b>	<b><u>20,352</u></b>	<b>19.9%</b>	<b><u>16,598</u></b>	<b>18.9%</b>	<b>22.6%</b>	<b><u>23,141</u></b>	<b>19.1%</b>
Income taxes	(8,218)	-8.0%	(6,642)	-7.6%		(9,188)	-7.6%
Minorities	0		0			0	
<b>NET INCOME</b>	<b><u>12,134</u></b>	<b>11.9%</b>	<b><u>9,956</u></b>	<b>11.4%</b>	<b>21.9%</b>	<b><u>13,953</u></b>	<b>11.5%</b>

# Financial position



<i>€ x 1000</i>	30.09.06	31.12.05	30.09.05
Fixed assets	87,136	85,062	86,149
Net working capital	21,252	25,545	24,076
Financial assets (*)	2,450	2,818	-
<b>Capital Employed</b>	<b>110,838</b>	<b>113,425</b>	<b>110,225</b>
Equity	99,094	90,767	85,049
Reserves for risks/net deferred tax	14,136	13,730	12,038
Net debt	(2,392 )	8,928	13,138
<b>Sources of finance</b>	<b>110,838</b>	<b>113,425</b>	<b>110,225</b>

(\*) MTM on hedging financial instruments

# Cash flow statement



€ x 1000	9M 06	9M 05	FY05
Net profit	12,134	9,956	13,953
Depreciation	8,304	8,134	11,006
Other non-monetary costs/income	373	100	1,796
Change in inventory	(5,600)	(174)	137
Change in trade receivables	657	(2,706)	(4,809)
Change in trade payables	3,581	985	3,886
Change in other current non financial assets/liabilities	5,655	1,051	(1,683)
Change in net working capital	4,293	(844)	(2,469)
<b>Operating cash flow</b>	<b>25,104</b>	<b>17,346</b>	<b>24,286</b>
Investments, net of disposals	(10,378)	(7,438)	(9,021)
<b>Free cash flow</b>	<b>14,726</b>	<b>9,908</b>	<b>15,265</b>
Change in long-term financial assets/liabilities	(1,521)	(2,547)	(9,103)
Dividends	(6,792)	(5,434)	(5,434)
Other changes in equity	2,985	562	2,037
<b>Cash flow</b>	<b>9,398</b>	<b>2,489</b>	<b>2,765</b>

# Special dividend



- € 1 per share paid on November 6th
- 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

<u>Area</u>	<u>9M 06</u>		<u>9M 05</u>		<u>9M 06 VS.</u> <u>9M 05</u>	<u>FY 05</u>	
ITALY	50,529	49,4%	45,111	51,5%	+ 12,0%	61,344	50,7%
W. EUROPE	11,716	11,4%	11,654	13,3%	+ 0,5%	15,502	12,8%
E. EUROPE & TURKEY	18,408	18,0%	18,330	20,9%	+ 0,4%	25,022	20,7%
ASIA	7,732	7,6%	5,641	6,4%	+ 37,1%	8,035	6,6%
SOUTH AMERICA	6,074	5,9%	3,187	3,6%	+ 90,6%	4,878	4,0%
AFRICA	3,973	3,9%	1,672	1,9%	+ 137,6%	3,082	2,5%
NORTH AMERICA	3,309	3,2%	1,102	1,3%	+ 200,3%	2,061	1,7%
OCEANIA	0,642	0,6%	0,920	1,1%	- 30,2%	1,090	0,9%
<b>TOTAL</b>	<b>102,383</b>	<b>100,0%</b>	<b>87,617</b>	<b>100,0%</b>	<b>+ 16,9%</b>	<b>121,014</b>	<b>100,0%</b>
	<b>21,730</b>	<b>21,2%</b>	<b>12,522</b>	<b>14,3%</b>	<b>+ 73,5%</b>		



# Mid-term strategic lines of development



## TURKEY

- Turkey might become the first European appliance manufacturer
- Sales at € 9.2mn in 9M 2006, up by 35%
- Relationships with Arcelik and Vestel are 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

## SOUTH AMERICA

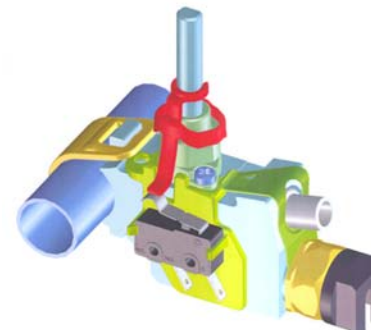
- Sales at € 9.2mn in 9M 2006, up by 91%
- New plant in Brasil starting from Spring 2007
- Special products (valves and burners) to enter the mass market

# Light alloy valves

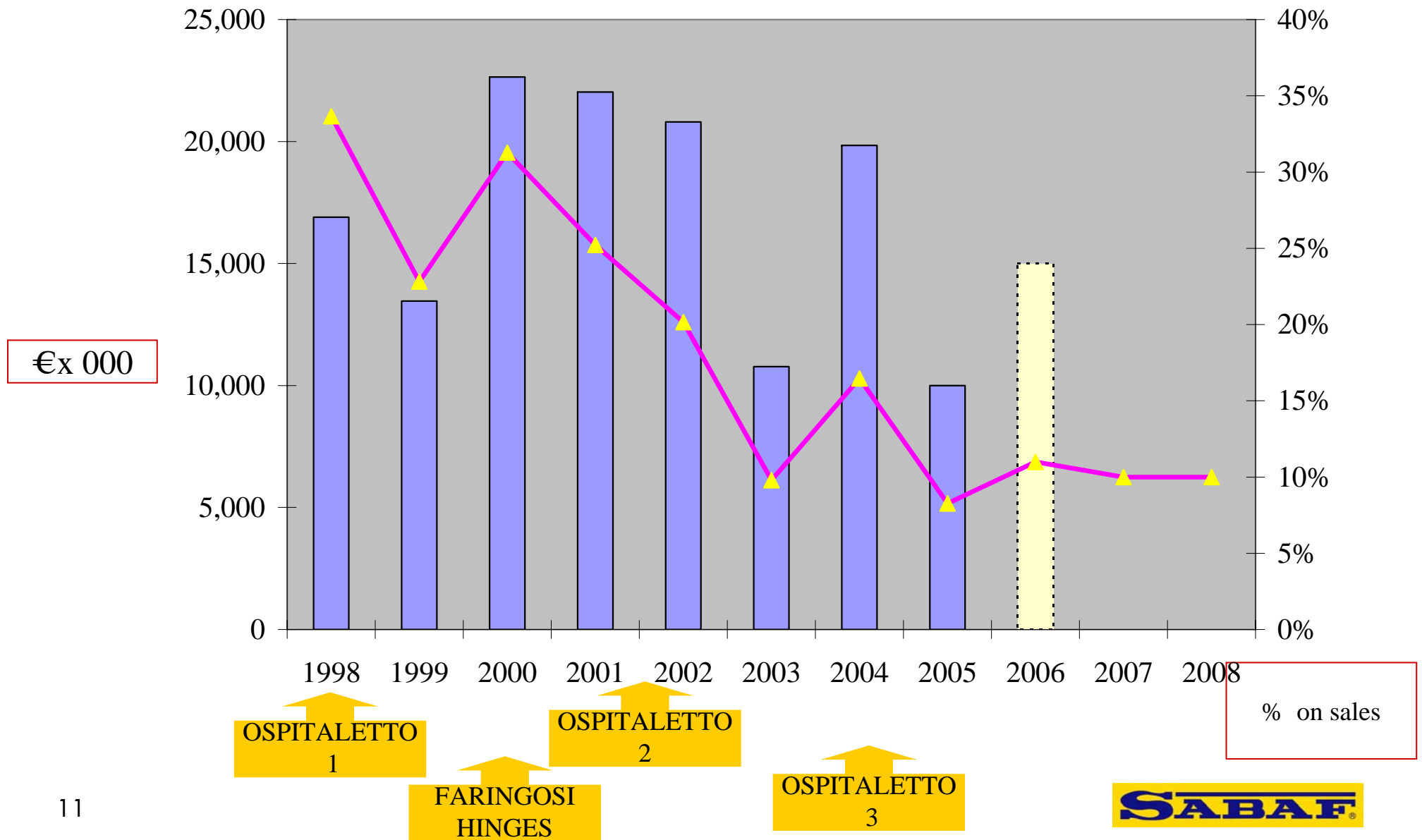


	Brass valves	Aluminium alloy valves
<i>Product performance</i>		progressive flow rate
<i>Production process</i>		Hot pressing eliminated Sophisticated machining technology Higher process rhythm in high value operations
<i>Weight of finished product (g) *</i>	73.2	31.1
<b>Raw material price Jan 04 to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

\* simple valves



# Capex 1998-2006e



# 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 and in-sourcing of burner production capacity in Brazil
- New plant in Brazil starting in 1H 2007

# 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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