



**SABAF®**

TECHNOLOGY AND SAFETY

*Scandinavian Roadshow  
13 -15 December 2006*

# Sabaf and its sector



- Among few players, Sabaf keeps a strong leadership, widening the gap towards the competitors
- Automation, technical competence and economies of scale are basic needs to be on the market
- Growing industry, due to:
  - Higher technical complexity and increasing value of the components
  - Outsourcing from household manufacturers
  - Growing need for safety and efficiency
  - Attention to environmental matters
- European cooking model will become the international standard

# Strategy 1 – Enhance technological leadership



- We will focus on organic growth
- We will keep full control of the production process
  - Unique know how in joint product and process engineering
  - High degree of vertical integration
  - Our products set the standard for the market
- Internal engineering and construction of technical assets not available on the market
  - Special, personalized machinery
  - Robotic die-casting and automated equipment
  - High precision and high performance tools
- Average capex at 20% of sales in the last 8 years
- > 10% of workforce employed in R&D and Equipment Departments

# Strategy 2 – Enhance market leadership



We aim to:

- Further increase market share in Europe (today around 50%)
- Catch huge opportunities outside Europe
- Build long term partnerships together with clients
- Optimise the customer base

# Strategy 3 – Product innovation



- Sole provider of the full range of components
- We have the most innovative and advanced product portfolio
- New generation of valves in light alloy

|  | Brass valves | Aluminium alloy valves  |
|--|--------------|---|
| <i>Product performance</i>                 |              | progressive flow rate   |
| <i>Production process</i>                  |              | Hot pressing eliminated<br>Sophisticated machining technology<br>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

# Strategy 4 – Central role of people



- Unique know-how arising from 50 years presence in the business
- Constant attention to professional training; tutoring
- Top management with the company for a long period
- Separation between ownership and management
- Best practices in corporate governance
- CSR as part of a strategic process seeking continuous improvement in corporate culture

# 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)

# 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><br><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

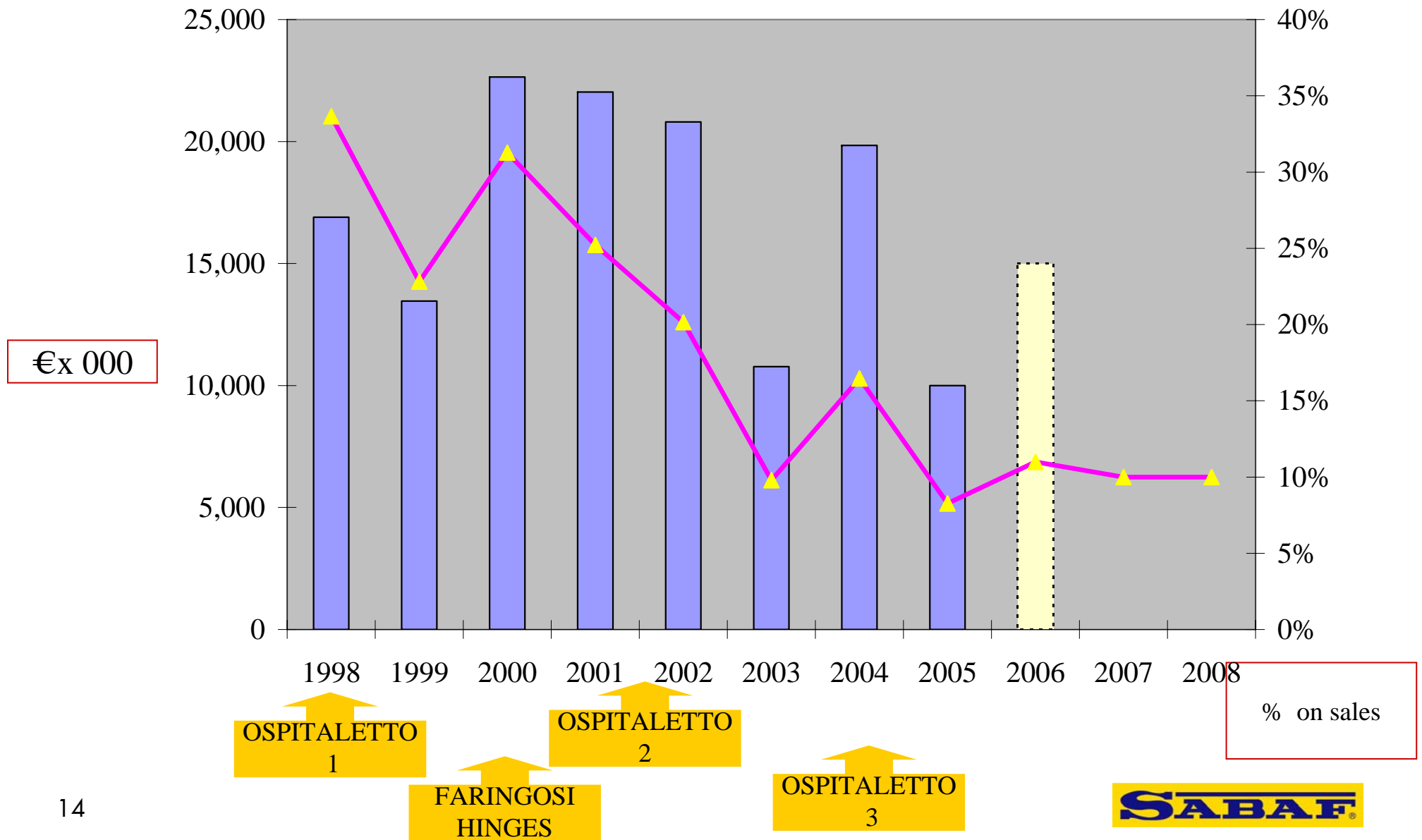
## US

- 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

# 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.



# 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](mailto:gianluca.beschi@sabaf.it)