

SABAF®

TECHNOLOGY AND SAFETY

UK ROADSHOW 2008
London February 28th
Edinburgh February 29th

Sabaf and its sector - overview 2007



Sales at € 158.1 mn - up by 14.3%

- Half price effect (in order to pass through the increase in costs of raw materials)
- Half volume effect
 - Higher penetration in emerging countries (Middle East, North Africa, South America)
 - Increase in valves market share, supported by light alloy valves

EBITDA at 38.5 mn - down by 1.8%

- Margins squeezed by start-up and temporary inefficiencies of the new production of aluminium valves
- Aggressive selling prices of light alloy valves
- Non recurring costs due to the transfer of the Brazilian plant

Income statement

€x 000	FY 07		FY 06		chg %
SALES	158,091	100.0%	138,263	100.0%	14.3%
Materials	(72,511)	-45.9%	(57,794)	-41.8%	
Payroll	(27,146)	-17.2%	(24,087)	-17.4%	
Change in stock	6,735	4.3%	5,410	3.9%	
Other operating costs/income	(26,638)	-16.8%	(22,562)	-16.3%	
EBITDA	38,531	24.4%	39,230	28.4%	-1.8%
Depreciation	(11,574)	-7.3%	(11,018)	-8.0%	
Gains/losses on fixed assets	(107)	-0.1%	29	0.0%	
EBIT	26,850	17.0%	28,241	20.4%	-4.9%
Net financial expense	(1,768)	-1.1%	(788)	-0.6%	
Foreign exchange gains/losses	(319)	-0.2%	(369)	-0.3%	
EBT	24,763	15.7%	27,084	19.6%	-8.6%
Income taxes	(8,935)	-5.7%	(11,006)	-8.0%	
Minorities	0		0		
NET INCOME	15,828	10.0%	16,078	11.6%	-1.6%
3 EPS	1.372		1.394		-1.6%

Financial position

<i>€ x 1000</i>	31-Dec-07	31-Dec-06
Fixed assets	96,324	89,516
Net working capital	37,051	25,091
Financial assets	-	1
Capital Employed	133,375	114,608
Equity	98,121	89,765
Net deferred taxes	8,128	8,453
Reserves for risks and severance indemnity	4,316	5,009
Net debt	22,810	11,381
Sources of finance	133,375	114,608

Cash flow statement

€ x 1000	FY 07	FY 06
Net profit	15,828	16,078
Depreciation	11,574	11,018
Other non-monetary costs/income	(911)	(297)
Change in net working capital		
change in inventories	(6,858)	(5,368)
change in receivables	(7,919)	(2,740)
change in payables	4,573	5,932
other changes in current assets/liabilities	(1,756)	2,630
	<u>(11,960)</u>	<u>454</u>
Operating cash flow	14,531	27,253
Investments, net of disposals	(18,740)	(15,480)
Free cash flow	(4,209)	11,773
Change in long-term financial assets/liabilities	(2,361)	(327)
Dividends	(8,073)	(18,325)
Other changes in equity	601	1,245
Cash flow	(14,042)	(5,634)

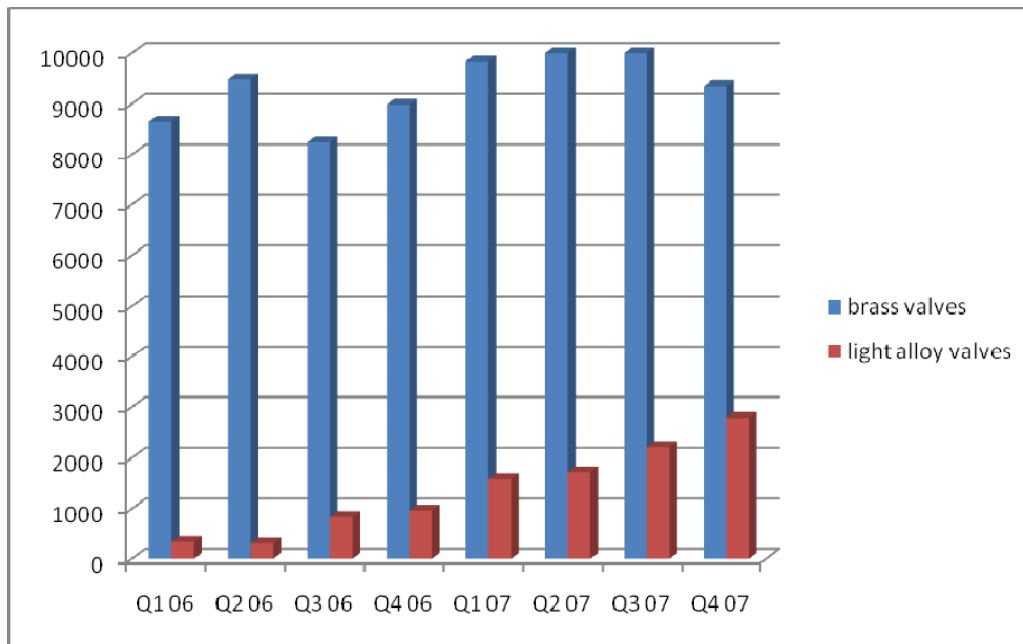
Sales by area



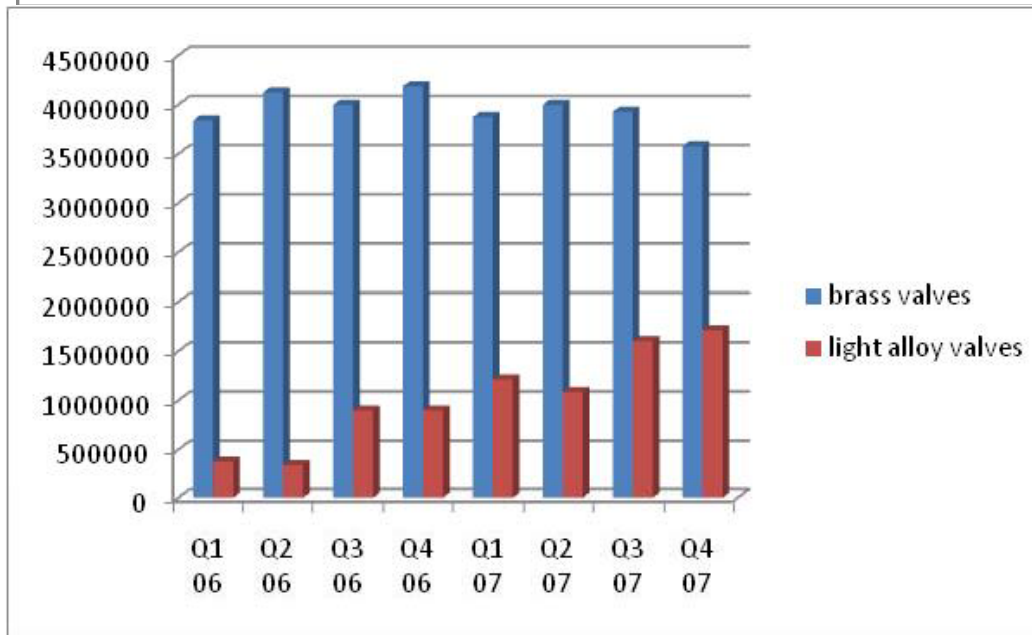
<u>Area</u>	<u>FY 07</u>		<u>FY 06</u>		<u>07 VS. 06</u>	<u>CAGR</u> <u>02-07</u>
ITALY	74,039	46.8%	69,010	49.9%	+ 7.3%	+ 8.2%
W. EUROPE	15,480	9.8%	15,680	11.3%	- 1.3%	- 3.2%
E. EUROPE & TURKEY	29,143	18.4%	24,675	17.8%	+ 18.1%	+ 11.0%
ASIA	13,970	8.8%	9,268	6.7%	+ 50.7%	+ 8.1%
SOUTH AMERICA	9,975	6.3%	8,253	6.0%	+ 20.9%	+ 17.8%
AFRICA	10,387	6.6%	5,843	4.2%	+ 77.8%	+ 44.5%
NORTH AMERICA	4,517	2.9%	4,666	3.4%	- 3.2%	+ 103.3%
OCEANIA	580	0.4%	868	0.6%	- 33.2%	- 22.8%
TOTAL SALES	158,091	100.0%	138,263	100.0%	+ 14.3%	+ 8.9%
	39,429	24.9%	28,898	20.9%	+ 36.4%	

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
first 10 customers	50%	47%	52%	53%	54%	56%
first 20 customers	70%	67%	71%	70%	71%	74%

The introduction of light alloy valves



EUR x 000



units x 000

Profitability of light alloy valves



Simple valves

- main goal: to build a higher barrier towards existing competitors and potential new entrants
- focused on gaining share in emerging markets (South America, Turkey)
- full-run profitability: low

Safety valves

- main goal: to gain further competitiveness through innovation
- focused on gaining share in the European market and in some emerging markets
- full-run profitability: in line with brass safety valves
- full-run expected by the end 2008 for safety valves for hobs, by the end of 2009 for safety valves for cookers

The Brazilian operations



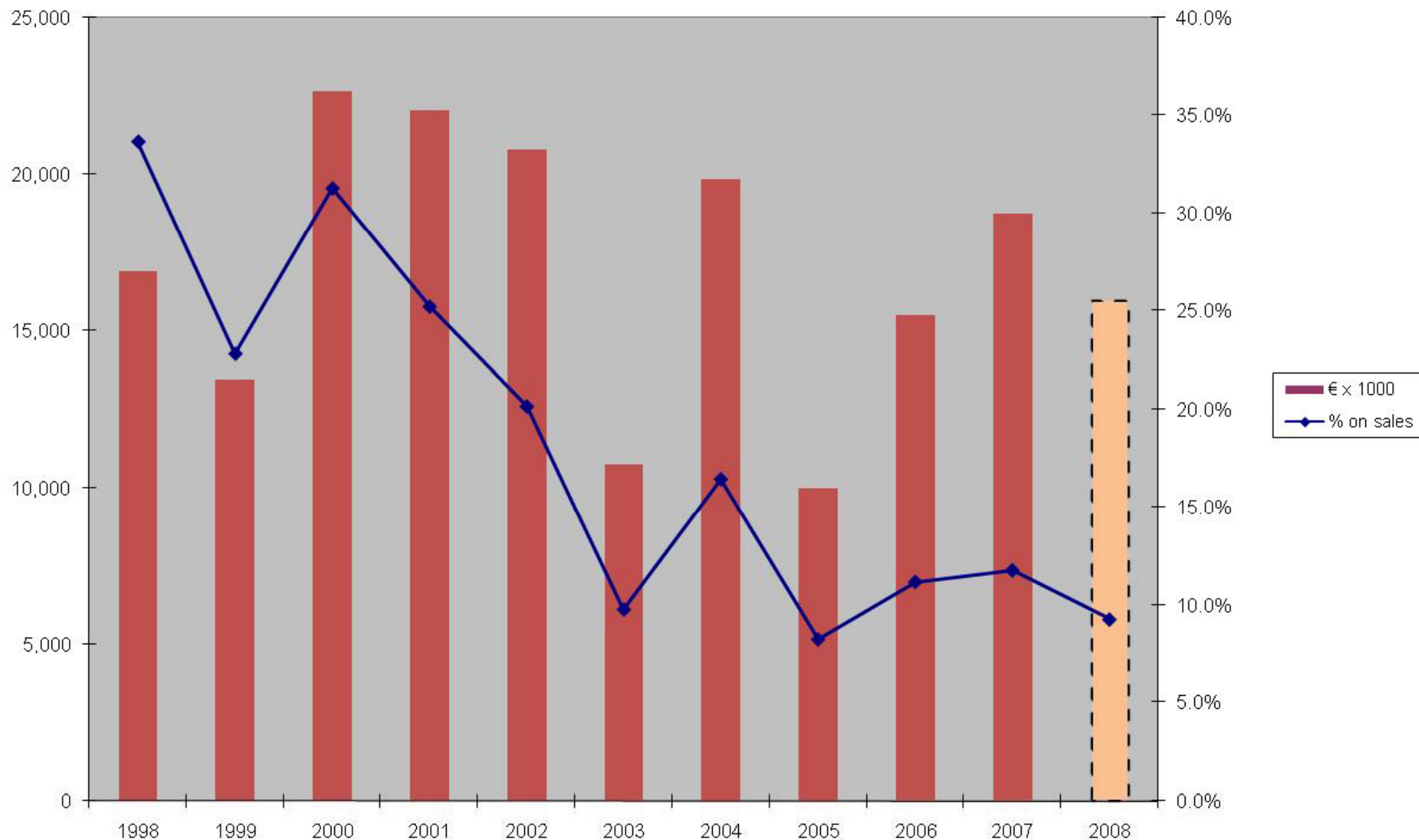
- In June 2007 we moved from the old site in Guarulhos to a new plant in Jundiaí. Capex for the new plant amounted to EUR 3 mn
- Sabaf do Brasil recorded sales of EUR 4.8 mn and suffered a loss of EUR 1.2 mn in 2007, mainly caused by non-recurring costs and by the devaluation of US \$ (60% of sales)
- All the production phases are now in-house, assuring higher quality, efficiency and reliability.

Forecasts 2008



- Sales at EUR 170 - 175 mn (+7.5% - +10.7%)
- Growing share in valves both in Europe and worldwide
- Prices down by 1% - 2%
- EBIT at 17%
 - In the first half, still affected by inefficiencies in the production process of safety light alloy valves
 - For the full year, affected by low capacity utilization of light alloy valves machinery
- Capex at about EUR16 mn
 - Completion of production lines for safety light alloy valves for cookers and for hobs
 - New capacity for burners production in Italy and Brazil

Capex 1998-2008e



Hedging on raw materials

COPPER - cost at 7% of sales in 2007

Hedging by physical purchases up to June 2008 at prices in line with our budget

ALUMINIUM – cost at 11% of sales in 2007

Hedging by physical purchases up to December 2008 at prices in line with our budget

STEEL– cost at 5% of sales in 2007

No hedging is possible. Purchase price for H1 2008 in line with our budget. Expected increase by more than 10% in H2 2008. Selling prices will be renegotiated consequently.

Compulsory safety in Europe



Flame supervision device *"a device which, under the influence of the flame on the detector element, holds open a supply of gas to the burner, and which shuts off this supply of gas in the event of extinction of the supervised flame"*

European legislation EN 30-1-1 is expected to be revised in **November 2008**, introducing compulsory safety. 1 year moratorium period, but **since then new products must be certificated under the new standard**

Meanwhile, national legislations are evolving:

- Ireland – compulsory safety from January 2007
- Great Britain – compulsory safety from January 2008 in houses of more than one floor
- Italy – compulsory safety from April 2008 (review of installation standard)

Opportunities in international markets – state of the art



- **CHINA**
 - Set up a new company in order to open a logistic platform by the end of 2008
 - We will supply Chinese manufacturers, also for cookers/hobs exported from China to near countries (South-East Asia)
 - Highly competitive, special products for the Chinese market still under development
- **BRAZIL / INDIA**
 - The project for a cheap aluminium valve is in stand-by due to the decrease of the price of zinc that makes the Brazilian/Mexican production of zinc alloy valves more competitive
- **RUSSIA**
 - First sales in 2008, rump-up expected in 2009

Stock price and main shareholders



- Giuseppe Saleri 56.4%
- Bestinver 5.2%
- Anna Pendoli 3.9%
- Sycomore 3.4%
- Robeco 2.6%
- Columbia Wanger 2.4%
- Others 26.1%

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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