

The SABAF logo consists of the word "SABAF" in a bold, blue, sans-serif font with a registered trademark symbol (®) to the right. The text is set against a bright yellow rectangular background.

**SABAF®**

The text "TECHNOLOGY AND SAFETY" is written in a blue, sans-serif font, all-caps, and is centered within a white rectangular box with a thin grey border.

TECHNOLOGY AND SAFETY

*LONDON  
STAR CONFERENCE*

*9 October 2008*

# 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

# 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 15% 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

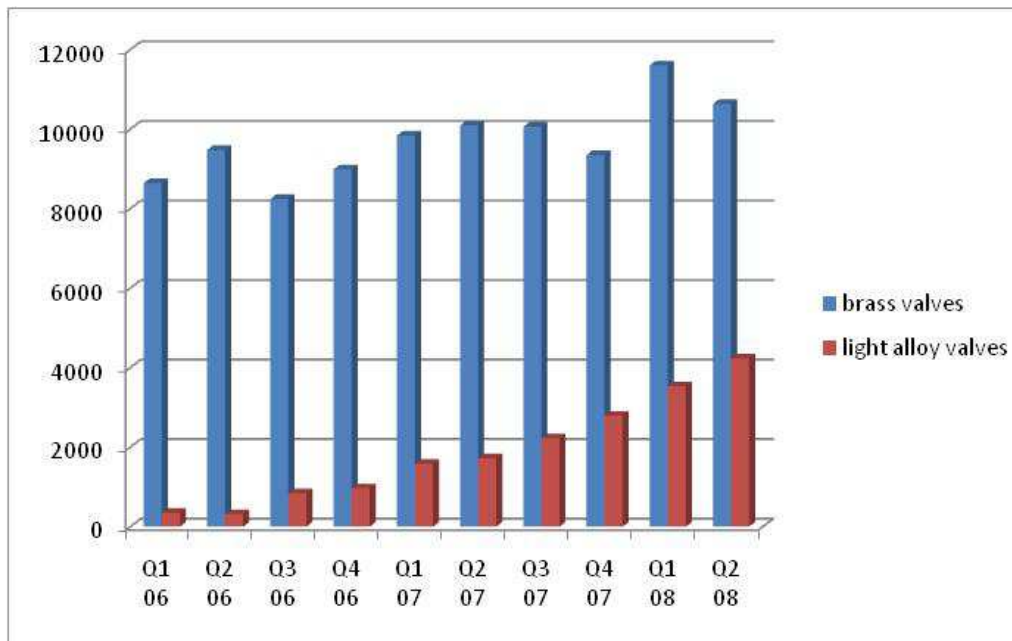


- Sole provider of the full range of components
- We have the most innovative and advanced product portfolio
- Starting from 2006 we have introduced a new generation of valves in aluminium

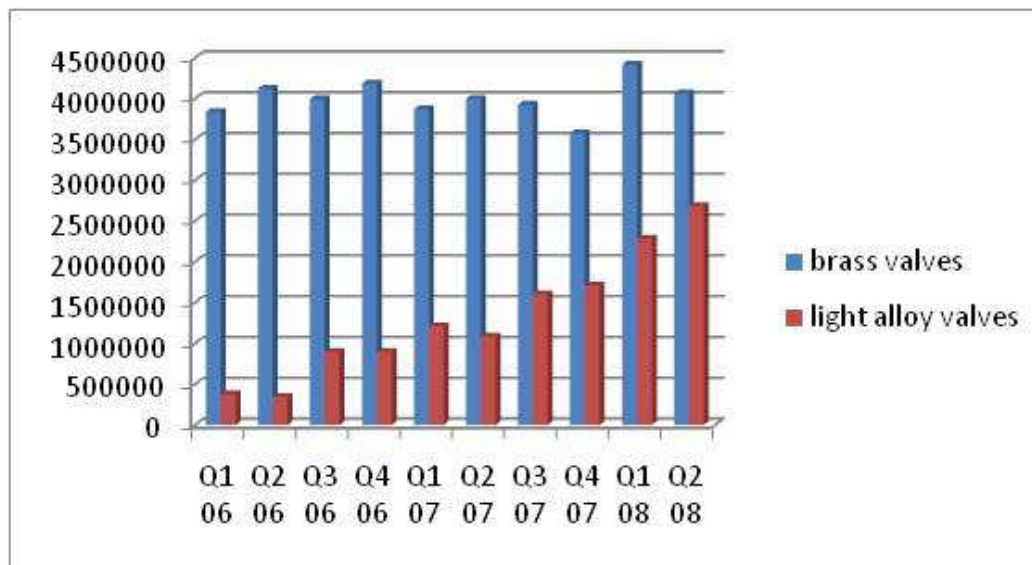
	Brass valves	Aluminium alloy valves
<i>Product performance</i>		progressive flow rate
<i>Production process</i>		Hot pressing eliminated Sophisticated machining technology Higher process rhythm in high value operations
<i>Weight of finished product (g) *</i>	73,2	31,1
<i>Raw material price Jan 06 to Sep 08 (in €)</i>	+40%	+7%
<i>Lead content (g) *</i>	2,24	0,30
<i>Energy content (kwh/unit) *</i>	0,303	0,218

\* simple valves

# The introduction of light alloy valves



EUR x 000



units

# 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

# 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 the short term, introducing compulsory safety, Meanwhile, national legislations are evolving:

- Germany, France, Italy, Great Britain, Ireland standards are already requiring the presence of the flame supervision device



# Income statement

€ x 000	<u>H1 08</u>		<u>H1 07</u>		var %	<u>FY 07</u>	
<b>SALES</b>	88,302	100.0%	79,633	100.0%	10.9%	158,091	100.0%
Materials	(39,881)	-45.2%	(37,019)	-46.5%		(72,511)	-45.9%
Payroll	(16,066)	-18.2%	(13,340)	-16.8%		(27,146)	-17.2%
Change in stock	1,169	1.3%	5,653	7.1%		6,735	4.3%
Other operating costs/income	(14,814)	-16.8%	(13,818)	-17.4%		(26,638)	-16.8%
<b>EBITDA</b>	<u>18,710</u>	21.2%	<u>21,109</u>	26.5%	-11.4%	<u>38,531</u>	24.4%
Depreciation	(5,968)	-6.8%	(5,523)	-6.9%		(11,574)	-7.3%
Gains/losses on fixed assets	9	0.0%	(57)	-0.1%		(107)	-0.1%
<b>EBIT</b>	<u>12,751</u>	14.4%	<u>15,529</u>	19.5%	-17.9%	<u>26,850</u>	17.0%
Net financial expense	(918)	-1.0%	(721)	-0.9%		(1,768)	-1.1%
Foreign exchange gains/losses	(272)	-0.3%	(52)	-0.1%		(319)	-0.2%
<b>EBT</b>	<u>11,561</u>	13.1%	<u>14,756</u>	18.5%	-21.7%	<u>24,763</u>	15.7%
Income taxes	(1,480)	-1.7%	(5,994)	-7.5%		(8,935)	-5.7%
Minorities	0		0			0	
<b>NET INCOME</b>	<u>10,081</u>	11.4%	<u>8,762</u>	11.0%	15.1%	<u>15,828</u>	10.0%

# Effects on margins first half 2008



	H1 2008	Q2 2008	Q1 2008
Selling prices	-2.0%	-2.5%	-1.5%
Exchange rate	-0.5%	-0.5%	-0.5%
Product mix	-0.3%	-0.3%	-0.3%
Write-down of trade receivables	-0.6%	-1.1%	0.0%
One-off personnel costs	-0.2%	-0.5%	0.0%
<b>TOTAL</b>	<b>-3.6%</b>	<b>-4.9%</b>	<b>-2.3%</b>

# Balance sheet



<i>€ x 1000</i>	30-Jun-08	31-Dec-07
Fixed assets	98,409	97,140
Net working capital	37,508	37,051
Financial assets	-	-
<b>Capital Employed</b>	<b>135,917</b>	<b>134,191</b>
Equity	100,495	98,121
Deferred taxes	3,460	8,944
Reserves for risks and severance indemnity	3,978	4,316
Dividends payable	-	-
Net debt	28,014	22,810
<b>Sources of finance</b>	<b>135,947</b>	<b>134,191</b>

# Net financial position

€ x 1000	30-Jun-08	31-Dec-07
Cash	19	16
Positive bank current accounts	5,068	7,246
<b>Total cash</b>	<b>5,087</b>	<b>7,262</b>
Current bank overdrafts (1)	19,776	15,137
Current portion of mortgages and leasing	1,986	2,628
<b>Current financial debt</b>	<b>21,762</b>	<b>17,765</b>
Mortgages (2)	6,647	6,990
Financial leasing (3)	4,692	5,317
<b>Non-current financial debt</b>	<b>11,339</b>	<b>12,307</b>
<b>Net financial debt</b>	<b>28,014</b>	<b>22,810</b>

(1) Euribor 1m + 0.80%

(2) Euribor 6m + 0.90%

(3) Euribor 3m + 1.05%

# Cash flow statement

€ x 1000	H1 08	H1 07	FY 07
Net profit	10,081	8,762	15,828
Depreciation	5,968	5,523	11,574
Other non-monetary costs/income	(5,985)	(177)	(911)
Change in net working capital			
change in inventories	(1,227)	(5,813)	(6,858)
change in receivables	(2,842)	(9,191)	(7,919)
change in payables	274	2,860	4,573
other changes in current assets/liabilities	3,308	742	(1,756)
	(487)	(11,402)	(11,960)
<b>Operating cash flow</b>	<b>9,577</b>	<b>2,706</b>	<b>14,531</b>
Investments, net of disposals	(7,138)	(13,391)	(18,740)
<b>Free cash flow</b>	<b>2,439</b>	<b>(10,685)</b>	<b>(4,209)</b>
Change in long-term financial assets/liabilities	(904)	(1,677)	(2,361)
Dividends	(8,073)	(8,073)	(8,073)
Other changes in equity	366	773	601
<b>Cash flow</b>	<b>(6,172)</b>	<b>(19,662)</b>	<b>(14,042)</b>

# Sales by area

<u>Area</u>	<u>H1 08</u>		<u>H1 07</u>		<u>VAR %</u>	<u>FY 07</u>	
ITALY	41,546	47.0%	38,623	48.5%	+ 7.6%	74,039	46.8%
W. EUROPE	7,347	8.3%	8,262	10.4%	- 11.1%	15,480	9.8%
E. EUROPE & TURKEY	20,323	23.0%	13,304	16.7%	+ 52.8%	29,143	18.4%
ASIA	4,946	5.6%	6,969	8.8%	- 29.0%	13,970	8.8%
SOUTH AMERICA	6,606	7.5%	4,946	6.2%	+ 33.6%	9,975	6.3%
AFRICA	5,722	6.5%	4,592	5.8%	+ 24.6%	10,387	6.6%
NORTH AMERICA	1,661	1.9%	2,668	3.4%	- 37.7%	4,517	2.9%
OCEANIA	151	0.2%	269	0.3%	- 43.9%	580	0.4%
<b>TOTAL SALES</b>	<b>88,302</b>	<b>100.0%</b>	<b>79,633</b>	<b>100.0%</b>	<b>+ 10.9%</b>	<b>158,091</b>	<b>100.0%</b>

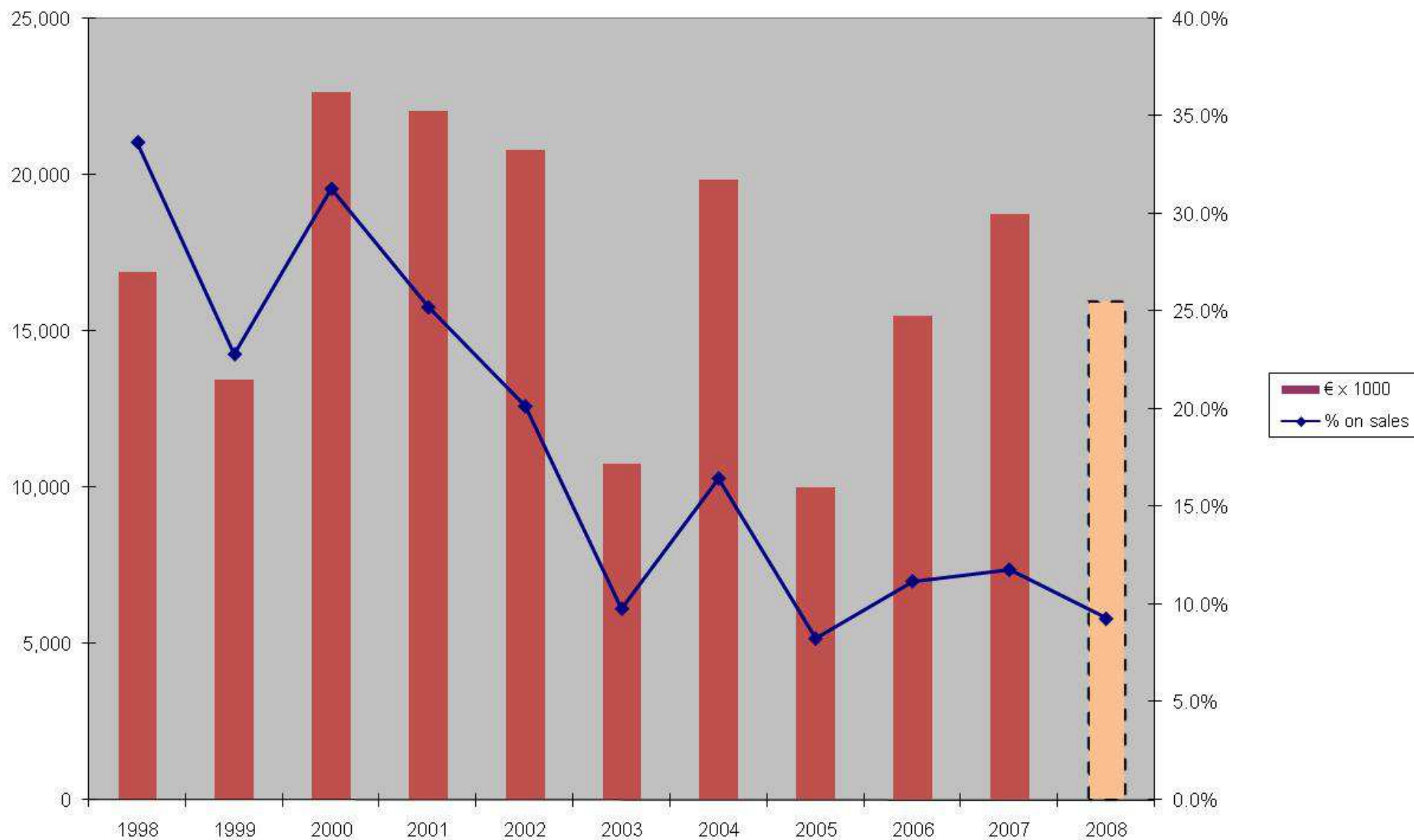
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<i>first 10 customers</i>	54%	50%	47%	52%	53%
<i>first 20 customers</i>	70%	70%	67%	71%	70%

# Sales by product line



€ '000	H1 2008	H1 2007	Change %	FY 2007
Simple brass valves	5,679	6,091	-6.8	11,665
Brass valves with safety devices	16,561	13,840	+19.7	27,674
Light alloy valves (simple and with safety devices)	7,766	3,299	+135.4	8,309
Thermostats	9,921	9,482	+4.6	18,991
<i>Total valves and thermostats</i>	<b>39,927</b>	<b>32,712</b>	<b>+22.1</b>	<b>66,639</b>
Standard burners	25,021	23,699	+5.6	46,087
Special burners	9,373	10,125	-7.4	18,919
<i>Total burners</i>	<b>34,394</b>	<b>33,824</b>	<b>+1.7</b>	<b>65,006</b>
<i>Hinges</i>	<b>5,608</b>	<b>5,876</b>	<b>-4.6</b>	<b>10,751</b>
<i>Accessories and other revenues</i>	<b>8,373</b>	<b>7,221</b>	<b>+16.0</b>	<b>15,695</b>
<b>Total</b>	<b>88,302</b>	<b>79,633</b>	<b>+10.9</b>	<b>158,091</b>

# Capex 1998-2008e





# Forecasts 2008



- Sales at EUR 170 - 175 mn (+7,5% - +10,7%)
- Growing share in valves both in Europe and worldwide
- EBIT at 15%
- 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

# 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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