

SABAF®

TECHNOLOGY AND SAFETY

PARIS

18 November 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

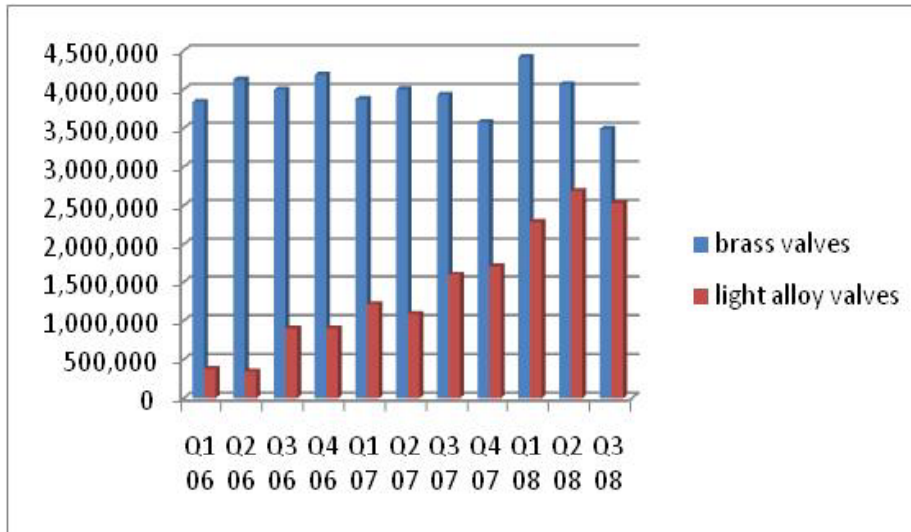
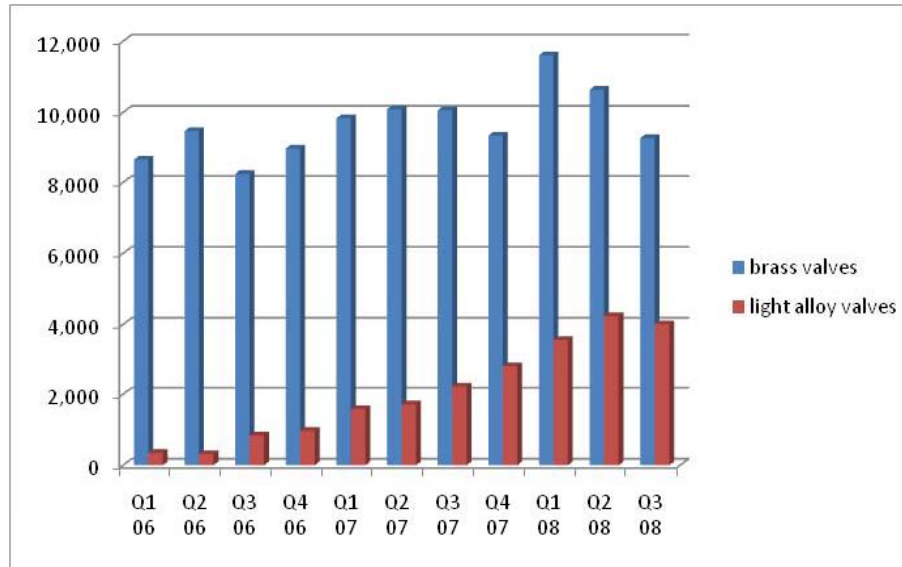


- Sole provider of the full range of components
- We have the most innovative and advanced product portfolio
- Starting from 2006 we have introduced a new generation of valves in aluminium

	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>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



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>Q3 08</u>		<u>Q3 07</u>		<i>var. %</i>	<u>9M 08</u>		<u>9M 07</u>		<i>chg %</i>
SALES	40,699	100.0%	38,878	100.0%	4.7%	129,001	100.0%	118,511	100.0%	8.9%
Materials	(17,912)	-44.0%	(17,196)	-44.2%		(57,793)	-44.8%	(54,215)	-45.7%	
Payroll	(7,208)	-17.7%	(6,410)	-16.5%		(23,274)	-18.0%	(19,750)	-16.7%	
Change in stock	598	1.5%	(428)	-1.1%		1,767	1.4%	5,225	4.4%	
Other operating costs/income	(6,610)	-16.2%	(5,603)	-14.4%		(20,924)	-16.2%	(19,421)	-16.4%	
Write off of trade receivables	(1,200)	-2.9%	0	0.0%		(1,700)	-1.3%	0	0.0%	
EBITDA	<u>8,367</u>	20.6%	<u>9,241</u>	23.8%	-9.5%	<u>27,077</u>	21.0%	<u>30,350</u>	25.6%	-10.8%
Depreciation	(3,023)	-7.4%	(3,070)	-7.9%		(8,991)	-7.0%	(8,593)	-7.3%	
Gains/losses on fixed assets	(3)	0.0%	(54)	-0.1%		6	0.0%	(111)	-0.1%	
EBIT	<u>5,341</u>	13.1%	<u>6,117</u>	15.7%	-12.7%	<u>18,092</u>	14.0%	<u>21,646</u>	18.3%	-16.4%
Net financial expense	(552)	-1.4%	(531)	-1.4%		(1,470)	-1.1%	(1,252)	-1.1%	
Foreign exchange gains/losses	434	1.1%	(179)	-0.5%		162	0.1%	(231)	-0.2%	
EBT	<u>5,223</u>	12.8%	<u>5,407</u>	13.9%	-3.4%	<u>16,784</u>	13.0%	<u>20,163</u>	17.0%	-16.8%
Income taxes	(1,617)	-4.0%	(2,230)	-5.7%		(3,097)	-2.4%	(8,224)	-6.9%	
Minorities	0		0			0		0		
NET INCOME	<u>3,606</u>	8.9%	<u>3,177</u>	8.2%	13.5%	<u>13,687</u>	10.6%	<u>11,939</u>	10.1%	14.6%

Effects on margins 2008 vs. 2007



	9M 2008	Q3 2008	Q2 2008	Q1 2008
EBITDA 2007	25.6%	23.8%	26.1%	26.9%
EBITDA 2008	21.0%	20.6%	20.6%	21.8%
	-4.6%	-3.2%	-5.5%	-5.1%
Selling prices	-1.4%	-0.3%	-2.5%	-1.5%
Exchange rate	-0.3%	0.0%	-0.5%	-0.5%
Product mix	-0.2%	0.0%	-0.3%	-0.3%
Write-down of trade receivables	-1.3%	-2.9%	-1.1%	0.0%
One-off personnel costs	-0.2%	0.0%	-0.5%	0.0%
Other effects	-1.1%	0.0%	-0.6%	-2.8%
TOTAL	-4.6%	-3.2%	-5.5%	-5.1%

Balance sheet



<i>€ x 1000</i>	30-Sep-08	31-Dec-07
Fixed assets	97,216	97,140
Net working capital	43,638	37,051
Financial assets	-	-
Capital Employed	140,854	134,191
Equity	103,156	98,121
Deferred taxes	3,426	8,944
Reserves for risks and severance indemnity	3,814	4,316
Dividends payable	-	-
Net debt	30,458	22,810
Sources of finance	140,854	134,191

Net financial position



<i>(€'000)</i>	30 Sept. 2008	30 June 2008	31 Dec. 2007
A. Cash	14	19	16
B. Positive balances of bank current accounts	5,121	5,068	7,246
C. Other cash equivalents	0	0	0
D. Cash and cash equivalents (A+B+C)	5,135	5,087	7,262
E. Current bank borrowings (1)	20,706	19,776	15,137
F. Current portion of long-term debt	1,935	1,986	2,628
G. Other current payables	0	0	0
H. Current financial debt (E+F+G)	22,641	21,762	17,765
I. Current net financial debt (H-D)	17,506	16,675	10,503
J. Non-current bank borrowings (2)	6,647	6,647	6,990
K. Other non-current financial debt (3)	6,305	4,692	5,317
L. Non-current financial debt (J+K)	12,952	11,339	12,307
M. Net financial debt (L+I)	30,458	28,014	22,810

(1) Euribor 1m + 0.80%

(2) Euribor 6m + 0.90%

(3) Euribor 3m + 1.05%

Cash flow statement



€ x 1000	9M 08	9M 07	FY 07
Net profit	13,687	11,939	15,828
Depreciation	8,991	8,593	11,574
Other non-monetary costs/income	(5,876)	(208)	(911)
Change in net working capital			
change in inventories	(1,702)	(5,371)	(6,858)
change in receivables	(6,510)	(7,832)	(7,919)
change in payables	(3,589)	1,079	4,573
other changes in current assets/liabilities	5,214	2,905	(1,756)
	(6,587)	(9,219)	(11,960)
Operating cash flow	10,215	11,105	14,531
Investments, net of disposals	(9,280)	(14,270)	(18,740)
Free cash flow	935	(3,165)	(4,209)
Change in long-term financial assets/liabilities	714	(527)	(2,361)
Dividends	(8,073)	(8,073)	(8,073)
Other changes in equity	(579)	791	601
Cash flow	(7,003)	(10,974)	(14,042)

Sales by area

<u>Area</u>	<u>9M 08</u>		<u>9M 07</u>		<u>VAR %</u>
ITALY	57,684	44.7%	55,044	46.4%	+ 4.8%
W. EUROPE	10,379	8.0%	11,666	9.8%	- 11.0%
E. EUROPE & TURKEY	29,830	23.1%	21,289	18.0%	+ 40.1%
ASIA	7,576	5.9%	11,278	9.5%	- 32.8%
SOUTH AMERICA	10,590	8.2%	7,343	6.2%	+ 44.2%
AFRICA	10,055	7.8%	7,806	6.6%	+ 28.8%
NORTH AMERICA	2,583	2.0%	3,718	3.1%	- 30.5%
OCEANIA	304	0.2%	367	0.3%	- 17.2%
TOTAL SALES	129,001	100.0%	118,511	100.0%	+ 8.9%

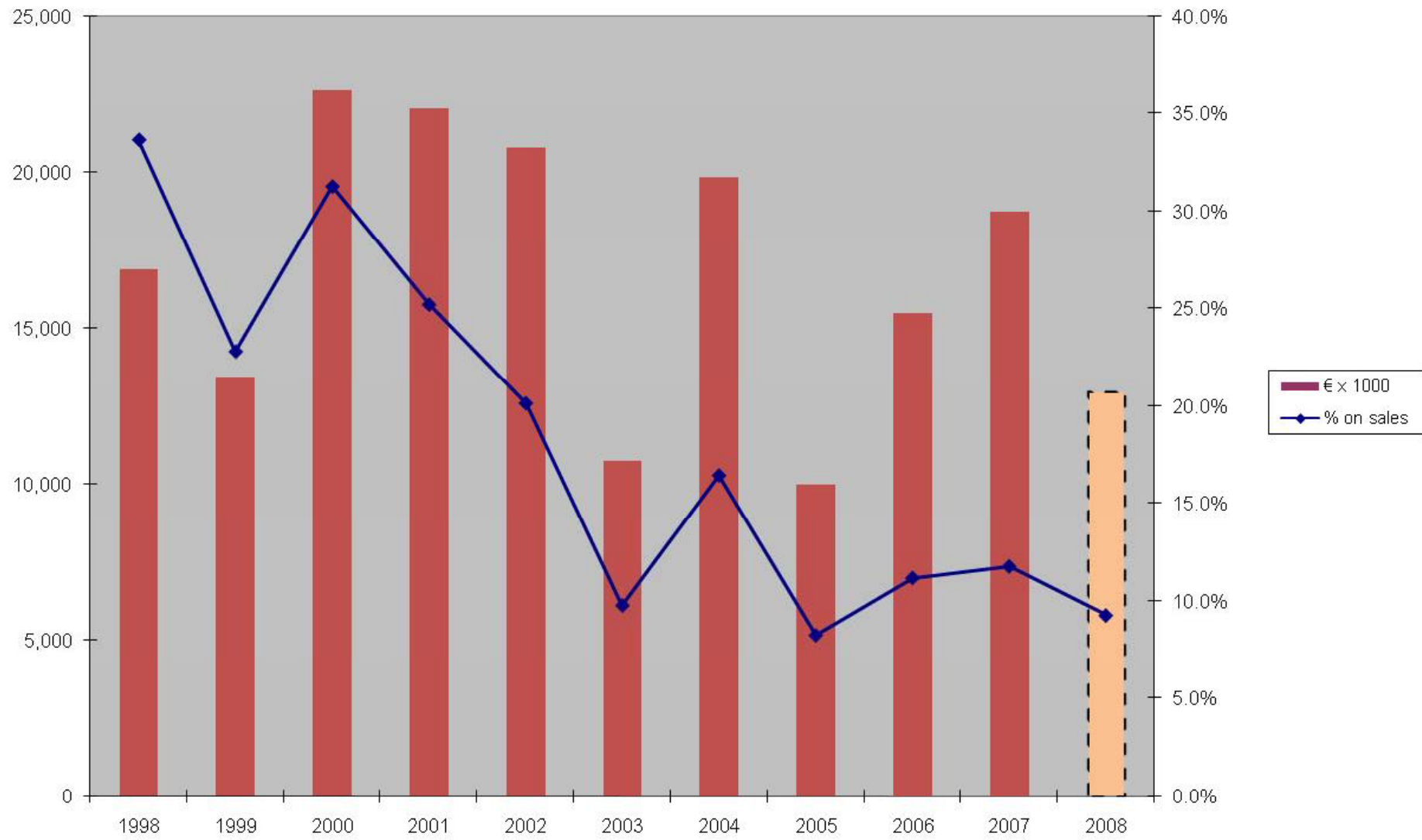
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<i>first 10 customers</i>	54%	50%	47%	52%	53%
<i>first 20 customers</i>	70%	70%	67%	71%	70%

Sales by product line



€ '000	9M 2008	9M 2007	Change %	FY 2007
Simple brass valves	7,831	9,098	-13.9%	11,665
Brass valves with safety devices	23,706	20,892	+13.5%	27,674
Light alloy valves (simple and with safety devices)	11,771	5,518	+113.3%	8,309
Thermostats	14,869	14,300	+4.0%	18,991
<i>Total valves and thermostats</i>	58,177	49,808	+16.8%	66,639
Standard burners	36,352	34,620	+5.0%	46,087
Special burners	13,863	14,666	-5.5%	18,919
<i>Total burners</i>	50,215	49,286	+1.9%	65,006
<i>Hinges</i>	8,030	8,034	-0.0%	10,751
<i>Accessories and other revenues</i>	12,579	11,383	+10.5%	15,695
Total	129,001	118,511	+8.9%	158,091

Capex 1998-2008e



Forecasts 2008



- Sales at EUR 168 mn (+6%)
- Growing share in valves both in Europe and worldwide
- EBIT at 14% - 14.5%
- Capex at about EUR13 mn
 - Completion of production lines for safety light alloy valves for cookers and for hobs
 - New capacity for burners production in Italy and Brazil

- A lack of information on future orders from many customers and the instability of the markets make it impossible to reach a forecast for 2009

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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