

The SABAF logo is displayed in a bold, dark blue, sans-serif font within a yellow rectangular box. The background of the entire slide is a blue gradient with a central image of a water droplet creating concentric ripples.

**SABAF**

TECHNOLOGY AND SAFETY

London - 3 March 2010  
Edinburgh - 4 March 2010

Eco Efficienza  
e Tecno Design



# Business model & strategy

# Business model

- Among few players, Sabaf keeps a strong leadership and aims to widen the gap towards the competitors
- Competitive advantage based on:
  - Product and process know-how
  - Process automation
  - Economies of scale
- The industry grows faster than the appliance market, thanks 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 past 8 years
- > 10% of workforce employed in R&D and Equipment Departments

# Strategy 2 – Enhance market leadership

We aim to:

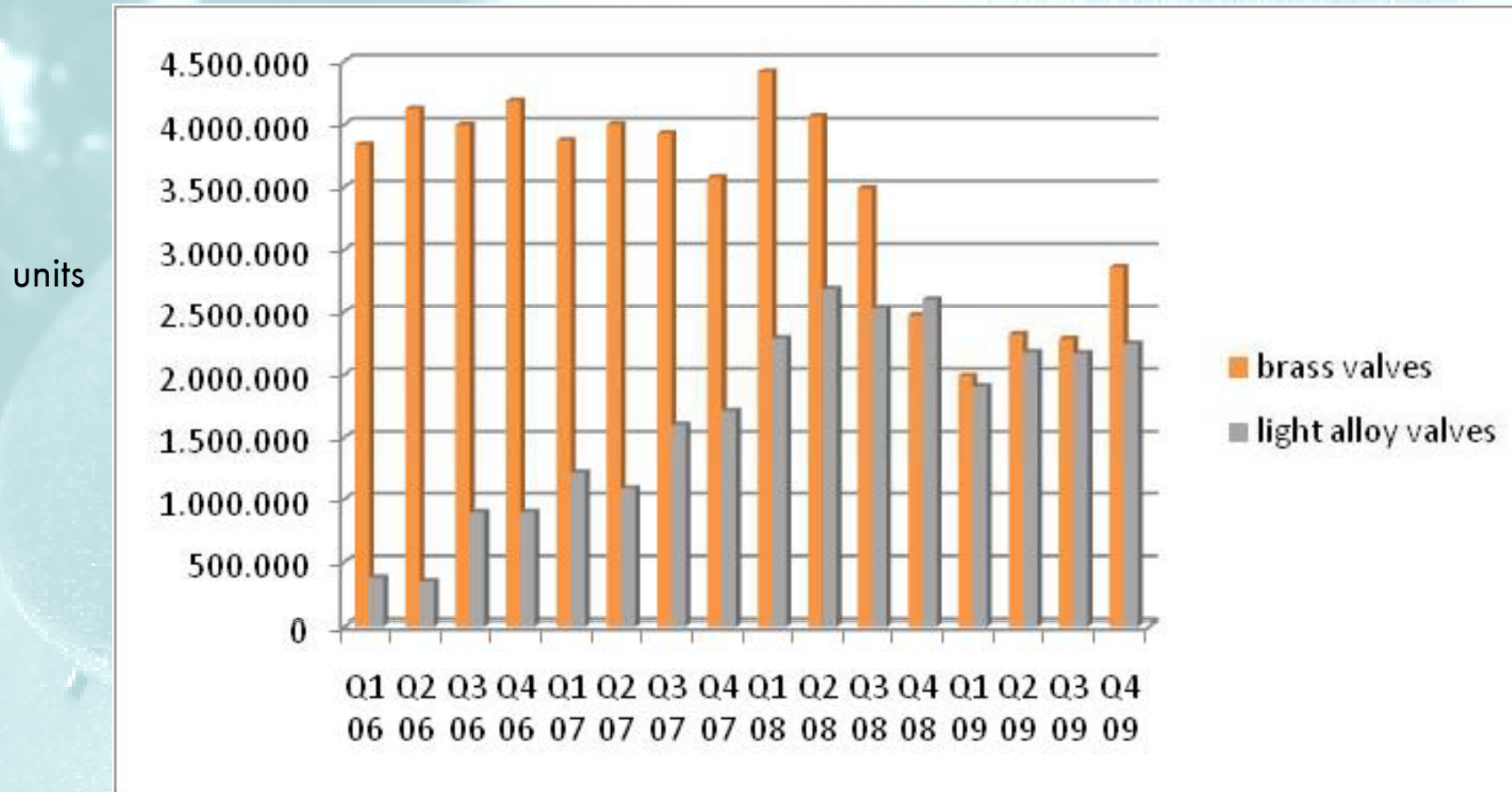
- Further increase market share in Europe (today around 50%)
- Catch huge opportunities outside Europe
- Build long term partnerships together with clients
- Optimise the customer base

# Strategy 3 – Product innovation

- Sabaf is the sole provider of the full range of components for gas cooking appliances
- We have the most innovative and advanced product portfolio
- Strong focus on power efficiency, common to all new products
- Product innovation aims to increase the barriers towards competitors
  - Technology not available to others
  - Continuous cost reduction
  - New patents
- Research for a higher value product mix



# The introduction of light alloy valves



# Compulsory safety in EU

- 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"* will be compulsory for all gas cooking appliances sold in Europe starting from 1<sup>st</sup> April 2010 (standard EN 30-1-1)
- Production switch from simple to safety valves is accelerating
- Positive effect on top line and profitability



2009 results



# Quarterly income statement

€ x 000	<u>Q4 09</u>		<u>Q3 09</u>		<u>Q2 09</u>		<u>Q1 09</u>	
<b>SALES</b>	<b>37,676</b>	<b>100.0%</b>	<b>32,048</b>	<b>100.0%</b>	<b>31,335</b>	<b>100.0%</b>	<b>26,029</b>	<b>100.0%</b>
Materials	(13,018)	-34.6%	(11,047)	-34.5%	(10,084)	-32.2%	(6,684)	-25.7%
Payroll	(7,434)	-19.7%	(6,422)	-20.0%	(6,814)	-21.7%	(5,768)	-22.2%
Change in stock	146	0.4%	1,036	3.2%	(2,282)	-7.3%	(5,752)	-22.1%
Other operating costs/income	(7,348)	-19.5%	(6,842)	-21.3%	(5,580)	-17.8%	(4,677)	-18.0%
<b>EBITDA</b>	<b><u>10,022</u></b>	<b>26.6%</b>	<b><u>8,773</u></b>	<b>27.4%</b>	<b><u>6,575</u></b>	<b>21.0%</b>	<b><u>3,148</u></b>	<b>12.1%</b>
Depreciation	(3,144)	-8.3%	(3,155)	-9.8%	(3,032)	-9.7%	(2,964)	-11.4%
Gains/losses on fixed assets	4	0.0%	(10)	0.0%	1	0.0%	0	0.0%
<b>EBIT</b>	<b><u>6,882</u></b>	<b>18.3%</b>	<b><u>5,608</u></b>	<b>17.5%</b>	<b><u>3,544</u></b>	<b>11.3%</b>	<b><u>184</u></b>	<b>0.7%</b>
Net financial expense	(423)	-1.1%	(244)	-0.8%	(293)	-0.9%	(377)	-1.4%
Foreign exchange gains/losses	12	0.0%	(131)	-0.4%	(63)	-0.2%	(151)	-0.6%
<b>EBT</b>	<b><u>6,471</u></b>	<b>17.2%</b>	<b><u>5,233</u></b>	<b>16.3%</b>	<b><u>3,188</u></b>	<b>10.2%</b>	<b><u>(344)</u></b>	<b>-1.3%</b>
Income taxes	(1,701)	-4.5%	(1,527)	-4.8%	232	0.7%	31	0.1%
Minorities	0		0		0		0	
<b>NET INCOME</b>	<b><u>4,770</u></b>	<b>12.7%</b>	<b><u>3,706</u></b>	<b>11.6%</b>	<b><u>3,420</u></b>	<b>10.9%</b>	<b><u>(313)</u></b>	<b>-1.2%</b>
EPS	0.414		0.321		0.297		(0.027)	

# FY income statement

€ x 000	FY 09		FY 08		FY 07	
<b>SALES</b>	<b>127,088</b>	<b>100.0%</b>	<b>161,984</b>	<b>100.0%</b>	<b>154,166</b>	<b>100.0%</b>
Materials	(40,833)	-32.1%	(65,870)	-40.7%	(66,604)	-43.2%
Payroll	(26,438)	-20.8%	(30,094)	-18.6%	(27,146)	-17.6%
Change in stock	(6,852)	-5.4%	208	0.1%	6,735	4.4%
Other operating costs/income	(24,447)	-19.2%	(32,992)	-20.4%	(28,620)	-18.6%
<b>EBITDA</b>	<b>28,518</b>	<b>22.4%</b>	<b>33,236</b>	<b>20.5%</b>	<b>38,531</b>	<b>25.0%</b>
Depreciation	(12,295)	-9.7%	(11,937)	-7.4%	(11,574)	-7.5%
Gains/losses on fixed assets	(5)	0.0%	(108)	-0.1%	(107)	-0.1%
<b>EBIT</b>	<b>16,218</b>	<b>12.8%</b>	<b>21,191</b>	<b>13.1%</b>	<b>26,850</b>	<b>17.4%</b>
Net financial expense	(1,337)	-1.1%	(2,087)	-1.3%	(1,768)	-1.1%
Foreign exchange gains/losses	(333)	-0.3%	393	0.2%	(319)	-0.2%
<b>EBT</b>	<b>14,548</b>	<b>11.4%</b>	<b>19,497</b>	<b>12.0%</b>	<b>24,763</b>	<b>16.1%</b>
Income taxes	(2,965)	-2.3%	(4,087)	-2.5%	(8,935)	-5.8%
Minorities	0		0		0	
<b>NET INCOME</b>	<b>11,583</b>	<b>9.1%</b>	<b>15,410</b>	<b>9.5%</b>	<b>15,828</b>	<b>10.3%</b>
EPS	1.004		1.336		1.372	

# Balance sheet



<i>€ x 1000</i>	31-Dec-09	31-Dec-08	31-Dec-07
Fixed assets	99,038	98,019	97,140
Net working capital	33,191	41,843	37,051
<b>Capital Employed</b>	<b>132,229</b>	<b>139,862</b>	<b>134,191</b>
Equity	109,133	103,261	98,121
Deferred taxes	240	2,892	8,944
Reserves for risks and severance indemnity	3,695	4,053	4,316
Net debt	19,161	29,656	22,810
<b>Sources of finance</b>	<b>132,229</b>	<b>139,862</b>	<b>134,191</b>

# Net financial position

<i>(€'000)</i>	31Dec 09	31Dec 08	31Dec 07
A. Cash	14	13	16
B. Positive bank current accounts	7,123	10,749	7,246
C. Other liquidities	2,017	467	0
D. Cash and cash equivalents (A+B+C)	9,154	11,229	7,262
E. Current bank overdrafts	177	14,128	15,137
F. Current portion of non-current debt	5,864	3,992	2,628
G. Other current payables	4	176	0
H. Current financial debt (E+F+G)	6,045	18,296	17,765
I. Current net financial debt (H-D)	(3,109)	7,067	10,503
J. Non-current bank payables	16,845	16,203	6,990
K. Other non-current financial debts	5,425	6,386	5,317
L. Non-current financial debt (J+K)	22,270	22,589	12,307
M. Net financial debt (L+I)	19,161	29,656	22,810



# Cash flow statement

€ x 1000	FY 09	FY 08	FY 07
Net profit	11,583	15,410	15,828
Depreciation	12,295	11,937	11,574
Other non-monetary costs/income	(2,978 )	(6,249 )	(911 )
Change in net working capital			
change in inventories	6,446	42	(6,858 )
change in receivables	1,510	4,645	(7,919 )
change in payables	373	(8,465 )	4,573
other changes in current assets/liabilities	323	(1,417 )	(1,756 )
	8,652	(5,195 )	(11,960 )
<b>Operating cash flow</b>	<b>29,552</b>	<b>15,903</b>	<b>14,531</b>
Investments, net of disposals	(11,864 )	(12,556 )	(18,740 )
<b>Free cash flow</b>	<b>17,688</b>	<b>3,347</b>	<b>(4,209)</b>
Change in long-term financial assets/liabilities	(369 )	10,359	(2,361 )
Dividends	(8,050 )	(8,073 )	(8,073 )
Forex and other changes in equity	907	(2,197 )	601
<b>Cash flow</b>	<b>10,176</b>	<b>3,436</b>	<b>(14,042)</b>



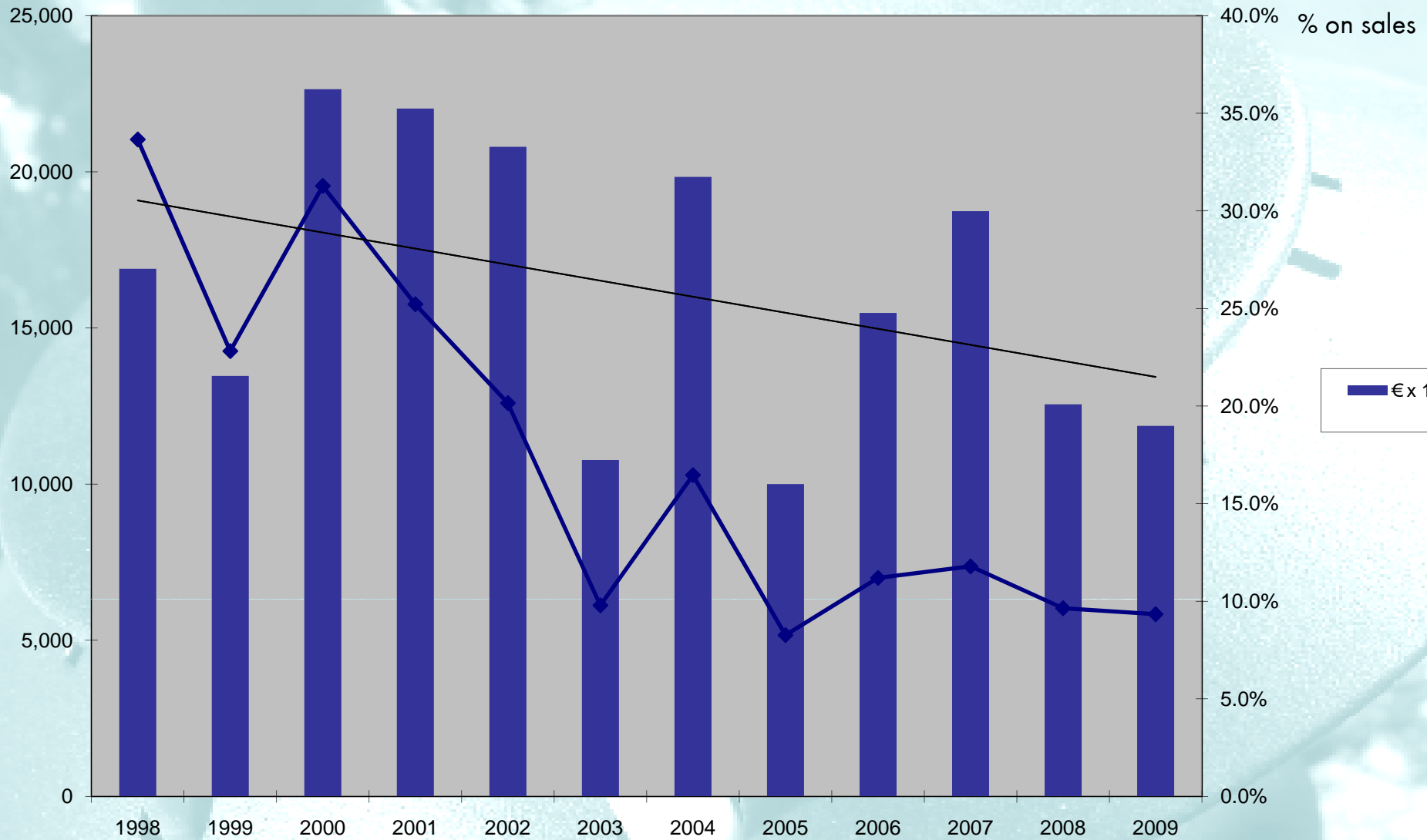
# Sales by product line

€ x 1000	2009	2008	2007	Change 09-08	Change 08-07
Brass valves	26,928	39,188	39,339	-31.3%	-0.4%
Light alloy valves	15,276	15,923	8,309	-4.1%	+91.6%
Thermostats	13,746	18,948	18,991	-27.5%	-0.2%
Standard burners	36,358	46,818	46,087	-22.3%	+1.6%
Special burners	17,173	18,255	18,919	-5.9%	-3.5%
Accessories	9,089	12,435	11,770	-26.9%	+5.6%
<i>Total gas components</i>	<i>118,570</i>	<i>151,567</i>	<i>143,415</i>	<i>-21.8%</i>	<i>+5.7%</i>
<i>Hinges</i>	<i>8,518</i>	<i>10,417</i>	10,751	-18.2%	-3.1%
<b>Total</b>	<b>127,088</b>	<b>161,984</b>	<b>154,166</b>	<b>-21.5%</b>	<b>+5.1%</b>

# Sales by geographical area

<i>€ x 1000</i>	2009	2008	2007	Change 09-08	Change 08-07
Italy	52,654	68,750	70,144	-23.4%	-2.0%
Western Europe	10,233	13,443	15,480	-23.9%	-13.2%
Eastern Europe	27,978	38,840	29,143	-28.0%	+33.3%
Asia	13,186	11,350	13,970	+16.2%	-19.1%
Latin America	13,473	13,378	9,945	+0.7%	+34.5%
Africa	6,107	12,390	10,387	-50.7%	+19.3%
US, Canada & Mexico	3,348	3,309	4,517	+1.2%	-26.7%
Oceania	109	524	580	-79.2%	-9.7%
<b>Total</b>	<b>127,088</b>	<b>161,984</b>	<b>154,166</b>	<b>-21.5%</b>	<b>+5.1%</b>

# Capex 1998 - 2009



# Preliminary comments on 2010

- Visibility in the core market still remains poor
- Orders and sales at the start of 2010 are confirming the slow but steady improvement seen in the second half of 2009
- A further improvement in product mix is expected in 2010
- Launch of new energy-efficient products
- Increasing demand for safety valves
- Management intends to recommend a dividend of €0.50 per share (€0.70 per share in 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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