PRESS RELEASE

# SIT leaves the "pandemic" half-year behind: Heating business resilient, while margin holds up. H2 2020 consolidated revenues forecast to be in line with H2 2019.

*Margin recovery, Heating division rebound to pre-COVID levels and new strategic initiatives will drive Group over coming months.*

*Chairman and CEO Federico de' Stefani: "The pandemic has not dampened our desire to grow".*

**SIT in H1 2020 returned:**

- Consolidated revenues of Euro 133.4 million (-20.3% on H1 2019);
- Heating Division sales of Euro 104.7 million (-15.0% on H1 2019);
- Smart Gas Metering Division sales of Euro 27.2 million (-36.0% on H1 2019);
- Consolidated EBITDA of Euro 15.2 million (-28.3% on H1 2019);
- Consolidated Net Profit of Euro 3.8 million (-15.5% on H1 2019);
- Net financial position at June 30, 2020 of Euro 88.9 million (Euro 78.4 million at end of 2019).

**Q2 2020 reports:**

- Consolidated revenues of Euro 59.9 million (-30.9% on Q2 2019);
- Heating Division sales of Euro 48.3 million (-20.8% on Q2 2019);
- Smart Gas Metering Division sales of Euro 10.8 million (-56.4% on Q2 2019);
- Consolidated EBITDA of Euro 6.2 million (-27.8% on Q2 2019).

**Main period developments:**

- In the first half of the year, the gas boilers market in the main European countries declined 16.7% on H1 [1]2019, -27.3% in the second quarter alone;
- In the second quarter, although ensuring business continuity and maintaining strong customer and supplier relations, SIT was impacted by the Coronavirus lockdown - reporting a revenue contraction of approx. 30% compared to the same quarter of the previous year;
- Cost-cutting and timely flexibility measures in the quarter contained the impact on operating margins, with EBITDA decreasing 27.8% on the same period of the previous year;
- Amid the general uncertainty caused by COVID, SIT obtained from the banks new unsecured lending, totalling Euro 35.5 million.

[1] Source: EHI – European Heating Industry.

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**Padua, September 28, 2020**

The Board of Directors of SIT S.p.A., listed on the main market of the Italian Stock Exchange, in a meeting today presided over by Federico de' Stefani, the Chairman and Chief Executive Officer, approved the consolidated H1 2020 results.

*"We are leaving behind a truly unpredictable and difficult six months, handled in an exemplary manner by the entire management team, as in fact has been explicitly acknowledged by our top customers" stated* ***Federico de' Stefani, Chairman and CEO of SIT S.p.A..*** *The climate has now decisively changed and we have begun to bring revenues and margins back to pre-pandemic levels. While on the one hand we dealt with the contingent situation in the period, on the other we never lost sight of our strategic planning, working closely on M&A's.". In this regard, in July we announced the new production facility in Tunisia that will strengthen SIT's positioning and competitiveness."*

## KEY FINANCIALS

| (Euro.000) | 1H 2020 | % | 1H 2019 | % | diff | diff % |
|---|---|---|---|---|---|---|
| Revenues from contracts with customers | 133,357 | 100.0% | 167,243 | 100.0% | -33,886 | -20.3% |
| EBITDA | 15,155 | 11.4% | 21,126 | 12.6% | -5,971 | -28.3% |
| EBIT | 3,779 | 2.8% | 10,095 | 6.0% | -6,316 | -62.6% |
| Result before taxes (EBT) | 3,631 | 2.7% | 6,418 | 3.8% | -2,787 | -43.4% |
| Net profit/(loss) of the period | 3,822 | 2.9% | 4,524 | 2.7% | -702 | -15.5% |
| Cash flow from operating & investing activities | -1,938 | | 477 | | -2,415 | |

| (Euro.000) | 30/06/2020 | 31/12/2019 | 30/06/2019 |
|---|---|---|---|
| Net Financial Position | -88,850 | -78,379 | -87,581 |
| Net trade working capital | 43,073 | 34,971 | 36,903 |
| Net trade working capital/Revenues (1) | 16.1% | 9.9% | 10.9% |

(1) Annualized

H1 2020 consolidated revenues were Euro 133.4 million, decreasing 20.3% over the first half of 2020 (Euro 167.2 million).

| (Euro.000) | 1H 2020 | % | 1H 2019 | % | diff | diff % |
|---|---|---|---|---|---|---|
| Heating | 104,668 | 78.5% | 123,107 | 73.6% | -18,439 | -15.0% |
| Smart Gas Metering | 27,152 | 20.4% | 42,431 | 25.4% | -15,279 | -36.0% |
| Total business revenues | 131,820 | 98.8% | 165,538 | 99.0% | -33,718 | -20.4% |
| Other revenues | 1,537 | 1.2% | 1,706 | 1.0% | -169 | -9.9% |
| **Total revenues** | **133,357** | **100.0%** | **167,243** | **100.0%** | **-33,887** | **-20.3%** |

**Heating Division** sales amounted to Euro 104.7 million, compared to Euro 123.1 million (-15.0% compared to H1 2019).

The geographic distribution of Heating Division sales was as follows:

| (Euro.000) | 1H 2020 | % | 1H 2019 | % | diff | diff % |
|---|---|---|---|---|---|---|
| Italy | 18,664 | 17.8% | 25,504 | 20.7% | -6,840 | -26.8% |
| Europe (excluding Italy) | 50,903 | 48.6% | 57,372 | 46.6% | -6,471 | -11.3% |
| The Americas | 24,477 | 23.4% | 28,960 | 23.5% | -4,481 | -15.5% |
| Asia/Pacific | 10,624 | 10.2% | 11,271 | 9.2% | -647 | -5.7% |
| **Total revenues** | **104,668** | **100.0%** | **123,107** | **100.0%** | **-18,439** | **-15.0%** |

The drop in sales in the period was particularly evident in **Italy** (which accounts for 17.8% of division sales), reporting a 26.8% decline due to the severity of the lockdown impact on some of the major Italian customers and in view of a section of the customer base operating in sectors such as pallet stoves and catering applications.

**Europe** (excluding Italy) accounts for 48.6% of division sales and in H1 2020 reported an 11.3% contraction (Euro 6.5 million), of which nearly 50% relating to the UK market, down 32.2% on the same period of the previous year.

Also in Europe, sales in Turkey - 10.9% of Heating business sales - decreased 3.8% on H1 2019. Other central European markets saw growth following the introduction of new product platforms by customers and end-market growth.

On the **American market**, sales declined 15.5% in the first half of 2020 (-17.4% at like-for-like exchange rates), which - in addition to the COVID-related uncertainties (particularly for the fireplace market) - reflects the particularly mild winter season.

**Asia/Pacific,** which in the period was down Euro 0.6 million (-5.7%), saw a recovery in the second quarter (Euro +0.7 million, +11.9%), thanks to the partial pick up in China on the first quarter (now in line with the 2019 performance) and the rebound of the Middle Eastern markets (Euro +1.0 million). The **Australian market** was also impacted in the period (Euro -0.3 million, -8.9%).

**Smart Gas Metering** Division sales in H1 2020 of Euro 27.2 million were down 36.0% on Euro 42.4 million in H1 2019. Sales in the second quarter totalled Euro 10.8 million, declining 56.4%, due to slowing installations in Italy caused by the lockdown, which require the physical presence of personnel. H1 2020 revenues were all substantially generated on the domestic market.

In terms of products, period sales for residential meters amounted to Euro 25.4 million (93.4% of total sales), while sales for commercial & industrial meters amounted to Euro 1.6 million.

In terms of costs, the purchase of raw materials and consumables, including changes in inventories, was Euro 68.3 million, accounting for 51.2% of revenues, compared to 53.8% in the same period of 2019, demonstrating the Group’s prompt and effective capacity to optimise costs amid the temporary shutdown of production during the lockdown.

Service costs of Euro 17.6 million decreased 13.7% compared to the same period of the previous year, accounting for a substantially similar proportion of revenues compared with the first half of 2019. Personnel expense in the first half of 2020 was Euro 31.5 million, accounting for 23.6% of revenues (21.4% in the same period of the previous year), decreasing Euro 4.2 million, thanks to the recourse to the social security schemes made available for the COVID emergency and the absence of the MBO accrual in the first half of 2020.

Amortisation, depreciation and write-downs totalled Euro 11.6 million, in line with the same period of the previous year (Euro +0.4 million) due to the temporary deferment of investments scheduled for H1 2020 due to the COVID emergency.

H1 2020 EBITDA was Euro 15.2 million, compared to Euro 21.1 million in the previous year (respectively a 11.4% and 12.6% margin). The reduction in EBITDA reflects the general contraction in sales volumes during the lockdown and the partial absorption of period production and operating costs.

H1 2020 EBIT was Euro 3.8 million, compared to Euro 10.1 million in H1 2019 (respectively 2.8% and 6.0% margin).

Net financial charges in H1 2020 totalled Euro 1.4 million, decreasing Euro 1.7 million on the same period of 2019 (Euro 3.2 million). This account reflects the change in value of the Warrants issued by the company, which in the period generated net income of Euro 1.4 million.

The profit before taxes of Euro 3.6 million (2.7% of sales) includes exchange gains of Euro 1.3 million.

Income taxes in the first half of 2020 were a positive Euro 0.2 million, compared to a charge of Euro 1.9 million in the same period of 2019. The figure includes the deferred tax effect in the period, in addition to tax supports under the Relaunch Decree.

The net profit for the period was Euro 3.8 million (2.9% margin), compared to Euro 4.5 million (2.7% margin in H1 2019). The second quarter reported substantial break-even.

The net financial debt at June 30, 2020 was Euro 88.9 million, compared to Euro 78.4 million at December 31, 2019. Cash flows in the period were as follows:

| **(Euro.000)** | **1H 2020** | **1H 2019** |
|---|---|---|
| Cash flow from current activities (A) | 16,119 | 23,021 |
| Cash flow generated (absorbed) from Working Capital (B) | -13,962 | -14,803 |
| **CASH FLOW FROM OPERATING ACTIVITIES (A + B)** | **2,157** | **8,218** |
| Cash flow from investing activities (C) | -4,095 | -7,741 |
| **CASH FLOW FROM OPERATING & INVESTING ACTIVITIES (A + B + C)** | **-1,938** | **477** |
| Interest paid | -1,406 | -1,623 |
| Change in accrued interest on loans | - | -8 |
| Amortised cost | -324 | -254 |
| FV change of derivatives | 274 | -609 |
| Change in translation reserve | -2,827 | 789 |
| Change in shareholders’ equity and acquisition treasury | -129 | -349 |
| Dividends | -3,476 | -6,969 |
| IFRS 16 | -645 | -556 |
| **Change in net financial position** | **-10,471** | **-9,102** |
| | | |
| **Opening net financial position** (1), (2) | **78,379** | **78,479** |
| **Closing net financial position** (2) | **88,850** | **87,581** |

(1) The opening net financial debt at 1.1.2019 was adjusted for Euro 7,144 thousand to take account of the impact from the initial application of IFRS 16.

(2) The Group’s net financial position does not consider the financial liabilities for Warrants, as these items will not involve any financial outlay.

In the first half of 2020, operating cash flows of Euro 16.1 million were generated, compared to Euro 23.0 million in the same period of 2019, substantially as a result of the decrease in EBITDA over the two periods of Euro 6.0 million.

Cash flows absorbed by changes in working capital amount to Euro 14.0 million, compared to Euro 14.8 million in H1 2019. This movement, in addition to reflecting reduced operations in the period, includes the increase in inventories of Euro 12.1 million from the beginning of the year, compared to Euro 10.6 million in the same period of 2019, required to satisfy the seasonality of sales through the procurement of sub-assembly components and production.

Cash investments in the first half of 2020 totalled Euro 4.1 million, compared to Euro 7.7 million in the first half of 2019. This reduction is due to the temporary suspension of certain projects during the lockdown.

Operating cash flows after investments therefore absorbed Euro 2.0 million, compared to Euro 0.5 million in the previous year.

Among the financing activity cash flows, in H1 2020 we indicate the payment of interest for Euro 1.4 million (Euro 1.6 million in H1 2019) and the payment of dividends for Euro 3.5 million (Euro 7.0 million in H1 2019), a reduction made in view of the COVID emergency related uncertainties.

The increase in the net financial debt in the first half of 2020 was therefore Euro 10.5 million, compared to Euro 9.1 million in the same period of 2019.

In the first half of 2020, against the uncertainties caused by the COVID emergency, the company obtained unsecured new funding from the banks to support company liquidity for a total of Euro 35.5 million, with Euro 25.5 million disbursed in the period.

**Subsequent events and outlook**

The COVID emergency and the uncertainties surrounding the developing Italian and global situation continues to be a major focus for the Group - both in terms of managing personnel and workspaces and with regards to the business impacts.

An inter-departmental task force launched at the start of the year monitors and manages the COVID impact on the organisation and on operations/projects. Safety measures and compliant conduct has been adopted at all facilities and offices globally, in accordance with government measures.

The operating forecasts for the second half of the year in this environment depend on the possible further impact of the health emergency and, particularly, any new lockdown, which is currently unpredictable.

Our current estimates - which do not take account of any new lockdown - for the second half of the year indicate consolidated revenues in line with the second half of 2019. In particular, we highlight the recovery of the Heating division, improving on initial forecasts, which has regained some of the ground lost in the first half of the year, confirming this business's resilience even against this unpredictable and extraordinary situation. In view of the improvement forecast for the second half of the year therefore, Group consolidated revenues are expected to see a low double-digit decline on 2019.

The annual EBITDA margin is expected to come in slightly down on 2019, thanks to a recovery on the basis of the volumes and efficiencies which are reasonably expected to emerge in the second part of 2020.

Investments shall pick up from the second half of 2020, following the postponement of non-core projects and initiatives during the lockdown and the slowdown to operations as a result of the pandemic, with total investment in the year estimated at approx. Euro 15 million.

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**Declaration of the manager responsible for the preparation of the Company's accounts**

The manager responsible for the preparation of the Company's accounts, Paul Fogolin, hereby declares, as per article 154-bis, paragraph 2, of the "Testo Unico della Finanza", that all information related to the Company's accounts contained in this press release are fairly representing the accounts and the books of the Company.

This press release and the results presentation for H1 2020 are available on the website www.sitcorporate.it/en/in the Investor Relations section.

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The SIT Group, through its two divisions Heating and Smart Gas Metering, creates intelligent solutions for the control of environmental conditions and consumption measurement for a more sustainable world. A market-leading multinational company, listed on the MTA segment of Borsa Italiana, SIT aims to be the number one sustainable partner for energy and climate control solutions for its customers, focusing on experimentation and the use of alternative gases with low environmental profiles. The Group has production sites in Italy, Mexico, the Netherlands, Romania, China and Tunisia, in addition to a commercial structure covering all global markets.

**SIT spa**

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# Annex 1
## BALANCE SHEET

| (Euro.000) | 30/06/2020 | 31/12/2019 |
|---|---|---|
| Goodwill | 78,138 | 78,138 |
| Other intangible assets | 55,782 | 59,125 |
| Property, plant & equipment | 76,422 | 79,317 |
| Investments in other companies | 54 | 54 |
| Non-current financial assets | 382 | 1,531 |
| Deferred tax assets | 5,343 | 5,167 |
| **Non-current assets** | **216,121** | **223,332** |
| Inventories | 61,409 | 51,126 |
| Trade receivables | 41,352 | 57,176 |
| Other current assets | 12,674 | 10,133 |
| Tax receivables | 4,158 | 4,770 |
| Other current financial assets | 86 | 23 |
| Cash and cash equivalents | 41,055 | 34,064 |
| **Current assets** | **160,734** | **157,292** |
| **Total assets** | **376,855** | **380,624** |
| | | |
| Share capital | 96,152 | 96,152 |
| Total Reserves | 42,471 | 31,486 |
| Net profit/(loss) | 3,822 | 19,928 |
| Minority interest net equity | - | - |
| **Shareholders' Equity** | **142,445** | **147,566** |
| | | |
| Medium/long-term loans and borrowings | 87,242 | 85,029 |
| Other non-current financial liabilities and derivative financial instruments | 4,213 | 4,138 |
| Provisions for risks and charges | 4,278 | 4,142 |
| Post-employment benefit provision | 5,930 | 6,201 |
| Other non-current liabilities | 18 | 4 |
| Deferred tax liabilities | 15,393 | 16,370 |
| **Non-current liabilities** | **117,074** | **115,884** |
| Short-term loans and borrowings | 35,754 | 19,730 |
| Other current financial liabilities and derivative financial instruments | 2,782 | 3,588 |
| Trade payables | 59,688 | 73,331 |
| Other current liabilities | 14,858 | 15,957 |
| Financial instruments for Warrants | 1,306 | 1,567 |
| Tax payables | 2,948 | 3,001 |
| **Current liabilities** | **117,336** | **117,174** |
| **Total Liabilities** | **234,409** | **233,058** |
| | | |
| **Total Shareholders' Equity and Liabilities** | **376,855** | **380,624** |

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## Annex 2
## INCOME STATEMENT

| (Euro.000) | 1H 2020 | 1H 2019 |
|---|---|---|
| **Revenues from sales and services** | **133,357** | **167,243** |
| Raw materials, ancillaries, consumables and goods | 80,728 | 99,945 |
| Change in inventories | (12,457) | (9,969) |
| Service costs | 17,553 | 20,343 |
| Personnel expense | 31,508 | 35,709 |
| Depreciation, amortisation and write-downs | 11,562 | 11,122 |
| Provisions | 299 | 224 |
| Other charges (income) | 385 | (228) |
| **EBIT** | **3,779** | **10,095** |
| Investment income/(charges) | - | - |
| Financial income | 461 | 255 |
| Financial charges | (1,866) | (3,365) |
| Net exchange gains (losses) | 1,257 | (567) |
| Impairments on financial assets | - | - |
| **Profit/(loss) before taxes** | **3,631** | **6,418** |
| Income taxes | 191 | (1,894) |
| **Net profit/(loss) for the period** | **3,822** | **4,524** |
| **Minority interest result** | - | - |
| **Group net profit/(loss)** | **3,822** | **4,524** |

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## Annex 3
## CASH FLOW STATEMENT

| (Euro.000) | 1H 2020 | 1H 2019 |
|---|---|---|
| Net profit/(loss) | 3,822 | 4,524 |
| Amortisation & depreciation | 11,376 | 11,030 |
| Non-cash adjustments | -291 | 2,463 |
| Income taxes | -191 | 1,894 |
| Net financial charges/(income) | 1,403 | 3,110 |
| **CASH FLOW FROM CURRENT ACTIVITIES (A)** | **16,119** | **23,021** |
| | | |
| ***Changes in assets and liabilities:*** | | |
| Inventories | -12,126 | -10,573 |
| Trade receivables | 14,445 | -369 |
| Trade payables | -10,980 | 3,021 |
| Other assets and liabilities | -3,667 | -5,085 |
| Income taxes paid | -1,634 | -1,797 |
| **CASH FLOW GENERATED (ABSORBED) FROM CHANGES IN WORKING CAPITAL (B)** | **-13,962** | **-14,803** |
| | | |
| **CASH FLOW FROM OPERATING ACTIVITIES (A + B)** | **2,157** | **8,218** |
| | | |
| ***Investing activities:*** | | |
| Investments in property, plant & equipment | -5,023 | -7,514 |
| Other changes in property, plant & equipment | 6 | 69 |
| Investments in intangible assets | -227 | -299 |
| Other changes in financial assets | 1,149 | 3 |
| **CASH FLOW FROM INVESTING ACTIVITIES (C)** | **-4,095** | **-7,741** |
| | | |
| **CASH FLOW FROM OPERATING & INVESTING ACTIVITIES (A + B + C)** | **-1,938** | **477** |
| | | |
| ***Financing activities:*** | | |
| Interest paid | -1,406 | -1,623 |
| Repayment of non-current financial payables | -10,125 | -8,437 |
| Increase (decrease) current financial payables | 2,347 | -3,506 |
| Increase (decrease) other financial payables | -956 | -896 |
| New finance | 25,500 | - |
| Dividend payments | -3,476 | -6,969 |
| Own shares | -129 | -349 |
| Change in translation reserve | -2,827 | 789 |
| **CASH FLOW FROM FINANCING ACTIVITIES (D)** | **8,928** | **-20,991** |
| | | |
| **INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)** | **6,990** | **-20,514** |
| | | |
| **Cash & cash equivalents at beginning of the year** | **34,065** | **55,494** |
| Increase/(decrease) in cash and cash equivalents | 6,990 | -20,514 |
| **Cash & cash equivalents at end of the year** | **41,055** | **34,980** |