



SIT spa

PRESS RELEASE

IN 2017 SIT RECORDED A SIGNIFICANT ORGANIC GROWTH IN LINE WITH THE COMPANY'S DEVELOPMENT PROJECTS

- *2017 revenues of Euro 324,0 million, are +12,4% related to organic growth versus 2016 revenues of Euro 288,1 million. At same forex rates, 2017 revenue growth is +13,2 % compared to 2016*
- *Heating Division: revenues of Euro 274,0 million (+9,7 % versus 2016 Euro 249,8 million) driven by emerging markets China and Turkey*
- *Smart Gas Metering Division: revenues of Euro 49,5 million (+31,1%, versus 2016 Euro 37,7 million) confirm SIT's competitive position in the Italian market*
- *EBITDA Adjusted of Euro 45,8 million, with an organic growth of 2,7% versus 2016 of Euro 44,6 million, lower than the increase in revenues, suffering extra costs due to the strong increase in demand*
- *Accelerated capex plan for over 15 million Euro was launched to increase capacity output of approx. 30% to restore regular deliveries and production efficiencies and satisfy the increasing market demand. Planned capex will progressively become effective starting from second half of 2018*
- *Adjusted Net income of Euro 8,0 million with an increase of 6,3 million Euro, +365% versus 2016 of Euro 1,7 million confirms positive effects of post listing capital structure and improved conditions on new financing facilities*
- *Net financial position at December 31, 2017 of Euro 65,1 million versus Euro 124,8 million at December 31, 2016*
- *2017 cash flow from operations of Euro 24,2 million after capex of Euro 17,3 million.*
- *Mandate to the Chairman to call the Shareholder Meeting for April 26, 2018*
- *Proposal of a dividend distribution of Euro 0,25 per share correspondent to the present date to Euro 5.985.566*



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Padova, March 20, 2018

I – APPROVAL OF SIT S.P.A DRAFT FINANCIAL STATEMENTS AND DRAFT CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

The Board of Directors of SIT S.p.A. (“SIT” or the “Company”), ISIN code IT0005262149, listed on the AIM Italia segment of the Italian Stock Exchange, has approved the 2017 draft Consolidated Financial Statements recording a significant organic growth in line with the development projects for all the Company's business lines.

In 2017 SIT has totaled sales for 324,0 million Euro, with an increase of 12,4% versus previous year. Adjusted EBITDA is equal to 45,8 million Euro, up 2,7% against 2016 (44,6 million Euro). Net income, Adjusted for the fair value accounting effects of the reverse merger with the SPAC Industrial Stars of Italy 2, is 8,0 million Euro with an increase of 6,3 million Euro (+365%) versus last year.

"During 2017 - underlined SIT Executive Chairman Federico de' Stefani - our Group achieved more than satisfactory results in terms of both revenues and operating profits. Such positive outcome enables us to be optimistic about the coming months. Thanks to this additional performance SIT achieved in 2017 a compound annual growth rate for the last 5 years of 7,7% in terms of revenues and 8,7% in terms of EBITDA Adjusted. We are confident in implementing an important capex plan in the second half of this year, in order to increase our production capacity by 30%, to satisfy, among others, the growing Chinese demand, that has become the world's leading market for domestic boilers. While 2017 was the year of our Company's listing on the AIM segment of the Italian Stock Exchange - following the merger with the Spac Industrial Stars of Italy 2 -, we are confident to conclude in the next months the transition to the main Italian Stock Exchange (Mercato Telematico Azionario), ensuring to our projects and results wider visibility towards markets and investors".



KEY FINANCIALS

| (Euro.000) | 2017 | % | 2016 | % | diff% |
|----------------------------------|----------|--------|---------|--------|-------|
| Revenues | 323.958 | 100,0% | 288.138 | 100,0% | 12,4% |
| EBITDA Adjusted ¹ | 45.847 | 14,2% | 44.622 | 15,5% | 2,7% |
| EBITDA | 44.093 | 13,6% | 43.212 | 15,0% | 2,0% |
| EBITA | 31.446 | 9,7% | 29.752 | 10,3% | 5,7% |
| EBIT | 25.171 | 7,8% | 23.477 | 8,1% | 7,2% |
| Net Income Adjusted ² | 7.994 | 2,5% | 1.720 | 0,6% | 365% |
| Net Income | (23.327) | -7,2% | 1.720 | 0,6% | n/a |
| Net Income of the Group | (23.327) | -7,2% | 1.740 | 0,6% | n/a |
| Cash flow from operations | 24.228 | | 40.697 | | |
| Net financial position | 65.105 | | 124.773 | | |

In 2017 SIT accounted revenues for 324,0 million Euro, with an organic growth of 12,4% (+35,8 million Euro) versus previous year (Euro 288,1 million Euro). On a same forex base 2017 growth is +13,2 % versus last year.

| (Euro.000) | 2017 | % | 2016 | % | diff | diff % |
|-----------------------|----------------|-------------|----------------|-------------|---------------|--------------|
| Heating | 273.997 | 84,6% | 249.790 | 86,7% | 24.207 | 9,7% |
| Smart Gas Metering | 49.459 | 15,3% | 37.740 | 13,1% | 11.719 | 31,1% |
| Product sales | 323.455 | 99,9% | 287.530 | 99,8% | 35.925 | 12,5% |
| Service sales | 502 | 0,1% | 608 | 0,2% | (106) | -17,4% |
| Total revenues | 323.958 | 100% | 288.138 | 100% | 35.820 | 12,4% |

Revenues of the Heating Division are Euro 274,0 million, up +9,7 % (+24,2 million Euro) versus 2016 (Euro 249,8 million).

The main markets that have driven growth are China (+36,7%) due to the transition so called "from coal to gas" of energy sources and Turkey (+26,6%) thanks to strict regulation introduction changes (ErP – Energy Related Products directive adoption) plus the demand by important OEMs located in the country.

The Smart Gas Metering Division posted 2017 revenues of Euro 49,5 million with a 31,1% increase versus 2016 revenues of 37,7 million Euro. The 2017 sales confirmed the ongoing trend in the

¹ Adjusted for non-recurring income and charges. In 2017 non-recurring operating charges are equal to Euro 1.754 thousand, of which Euro 820 thousand refer to costs of the AIM Italia listing and Euro 954 thousand are one off bonuses to employees for the listing project, plus minor items. In 2016 non-recurring items equal Euro 1.410 thousand of which Euro 1.128 thousand due to restructuring costs and the remaining are other charges and income for net amount of Euro 282 thousand.

² Adjusted for non-recurring, non-cash, only accounting charges due to *Fair Value* accounting of the reverse merger with SPAC Industrial Stars of Italy 2, effective from July 20, 2017. The amount is equal to Euro 31.321 thousand calculated as the difference between the market value of SIT shares on the merger date and the *Fair Value* of the SPAC's assets and liabilities incorporated by SIT. The item is accounted in financial charges and has a related reserve in equity.



massive rollout implementation of the Residential smart gas meters and SIT's competitive position in the Italian market.

2017 Adjusted EBITDA is equal to 45,8 million Euro, up 2,7% versus 2016 (Euro 44,6 million). Trend in 2017 Adjusted EBITDA, lower than the revenue increase, suffering the extra costs and temporary inefficiencies due to production capacity constraints following the strong increase in demand in certain product families.

Extra costs in Service costs are related to urgent deliveries by air freight to reduce lead time to customers while alternative routings in manufacturing, less efficient than standard processes, have negative impact on Personnel expenses. Higher sales volumes to certain customers have increased rebates and quantity related discounts as established in client contracts. Conservative provisions on potential quality claims by certain customers and penalties for delivery delays have been accounted for.

External factors that have negative impact on 2017 Adjusted EBITDA versus 2016 are forex rates that account for net -1,0 million Euro. On the same forex rate, 2017 Adjusted EBITDA would be Euro 46,8 million (with an increase of 4,9% versus previous year).

Due to increase in volumes SIT has launched an accelerated capex plan for over 15 million Euro to increase capacity output of approx. 30% opening bottle necks to restore regular deliveries and production efficiencies. Planned capex will progressively become effective starting from the second half of 2018.

2017 EBIT is equal to Euro 25,2 million versus Euro 23,5 million of 2016 with an increase of 7,2%.

2017 Adjusted Net income of Euro 8,0 million with an increase of 6,3 million Euro, +365% versus 2016 of Euro 1,7 million confirms positive effects of post listing capital structure and improved conditions on new financing facilities. During 2017, existing shareholder loan was completely reimbursed without penalties and existing senior financial agreement was refinanced with new senior facilities, without security package, that have improved economic conditions.

Details of financial charges are reported in the following table:

| Euro.000 | 2017 | 2016 | diff |
|--|---------------|---------------|----------------|
| Net financial charges - Reported | 46.968 | 19.722 | 27.246 |
| Fair value accounting effect of merger | 31.321 | - | |
| Net financial charges - Adjusted | 15.647 | 19.722 | (4.075) |
| Reported financial charges include: | | | |
| <i>Write off of amortized cost</i> | <i>7.509</i> | <i>4.289</i> | |
| <i>Unwinding of interest rate swaps</i> | <i>1.989</i> | - | |
| Net financial charges – normalized* | 6.149 | 15.433 | (9.284) |

(*) reported financial charges reflect one off charges due to 2016 and 2017 reimbursements

2017 Net loss of Euro 23,3 million is due to non-recurring, non-cash, accounting charges (Euro (31,3 million), for the fair value accounting of the reverse merger with SPAC Industrial Stars of



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Italy 2, effective from July 20, 2017. The amount is calculated as the difference between the market value of SIT shares on the merger date and the fair value of the SPAC's assets and liabilities incorporated by SIT. The item is accounted in financial charges and has a related reserve in equity.

2017 cash flow from operations is equal to Euro 24,2 million after capex of Euro 17,3 million. Current cash flow is equal to 48,1 million Euro while changes in working capital burns cash for 6,5 million Euro due to increase in Account Receivables because of the end of period growth in sales.

Net financial position at December 31, 2017 stands at Euro 65,1 million versus Euro 124,8 million at December 31, 2016 with an improvement of 59,7 million Euro.

II - DIVIDEND

The Board of Directors will propose the distribution of a gross dividend of Euro 0,25 for each of the shares currently in circulation (excluding treasury shares) for a total amount of Euro 5.985.566. The dividend will be paid with coupon, record and payment date respectively of May 7, 8 and 9 2018.

III – CALL OF SIT SHAREHOLDERS MEETING FOR APPROVAL OF 2017 FINANCIAL STATEMENTS

The Board of Directors gave mandate to the Chairman to call on April 26, 2018, the Shareholders Meeting to discuss and consider, among others, the approval of the 2017 Financial Statements.

Complete notice of the Shareholders Meeting call, in addition to the Board of Directors report on the agenda of the Shareholders Meeting and all mandatory documentation required by law will be made available c/o the Company and on the company website www.sitgroup.it, at the following section \Investor Relations\Shareholder meeting\.

IV – SUSPENSION OF THE EXERCISE OF THE SIT S.P.A.'S WARRANTS

We also inform SIT Warrant's owners that as a result of the resolution of the call of the Ordinary Shareholder's meeting to approve SIT S.p.A.'s Financial Statements at December 31st, 2017, in compliance with the article 3.6 of the SIT S.p.A.'s Warrant Regulation, the exercise of the SIT Warrants is suspended from the March 20th, 2018 (excluded) up to the day of the Shareholder's Meeting (included), and in any case up to the day of the coupon date resolved by the Shareholder's Meeting (excluded).



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SIT develops and manufactures measuring devices and systems for the safety, comfort and performance of domestic gas equipment and collective catering facilities. SIT also operates in the Smart Gas Metering business, producing a new generation of remotely controlled meters with real-time consumption reading and communication.

SIT is a Group composed of Production Companies located in Italy, Mexico, Holland, Romania and China, as well as a worldwide commercial network which covers all the markets of reference.

Sit S.p.A.

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ANNEX 1 - UNAUDITED BALANCE SHEET

| Euro.000 | 31/12/2017 | 31/12/2016 |
|--|----------------|----------------|
| Goodwill | 78.138 | 78.138 |
| Other intangible assets | 73.286 | 80.715 |
| Property, plant & equipment | 47.778 | 41.913 |
| Investments | 54 | 156 |
| Non-current financial assets | 1.551 | 1.554 |
| Deferred tax assets | 8.742 | 7.505 |
| Non-current assets | 209.549 | 209.981 |
| Inventories | 38.130 | 38.490 |
| Trade receivables | 52.126 | 44.660 |
| Other current assets | 6.282 | 4.585 |
| Tax receivables | 3.023 | 2.370 |
| Other current financial assets | 735 | 383 |
| Cash and cash equivalents | 70.024 | 33.828 |
| Current assets | 170.320 | 124.316 |
| Total assets | 379.869 | 334.297 |
| Share capital | 96.149 | 73.579 |
| Reserves | 32.931 | (6.056) |
| Group net profit | (23.327) | 1.740 |
| Minority interest net equity | - | - |
| Shareholders' Equity | 105.753 | 69.263 |
| Medium/long-term loans and borrowings | 121.060 | 110.056 |
| Other non-current financial liabilities and derivative financial instruments | 288 | 32.745 |
| Provisions for risks and charges | 2.897 | 2.679 |
| Post-employment benefit provision | 6.358 | 6.036 |
| Other non-current liabilities | 506 | 5 |
| Performance Shares financial liabilities | 11.500 | - |
| Deferred tax liabilities | 20.276 | 22.225 |
| Non-current liabilities | 162.885 | 173.746 |
| Short-term loans and borrowings | 11.537 | 10.126 |
| Other current financial liabilities and derivative financial instruments | 2.979 | 6.057 |
| Trade payables | 68.367 | 59.965 |
| Other current liabilities | 14.792 | 14.406 |
| Warrant financial liabilities | 12.551 | - |
| Tax payables | 1.005 | 734 |
| Current liabilities | 111.231 | 91.288 |
| Total liabilities | 274.116 | 265.034 |
| Total Shareholders' Equity and Liabilities | 379.869 | 334.297 |



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ANNEX 2 - UNAUDITED INCOME STATEMENT

| Euro.000 | 2017 | 2016 |
|---|-----------------|----------------|
| Revenues from sales and services | 323.958 | 288.138 |
| Purchase of raw materials, ancillaries, consumables and goods | 176.274 | 149.437 |
| Change in inventories | (733) | (347) |
| Service costs | 37.583 | 33.534 |
| Personnel expenses | 65.491 | 61.624 |
| Depreciation, amortization and write-downs | 19.045 | 19.977 |
| Provisions | 885 | 281 |
| Other charges (income) | 242 | 155 |
| EBIT | 25.171 | 23.477 |
| Investment income/(charges) | - | - |
| Financial income | 2.892 | 42 |
| Financial charges | (49.759) | (19.761) |
| Net exchange gains (losses) | 435 | 1.329 |
| Impairments on financial assets | (101) | (3) |
| Profit/(loss) before taxes | (21.362) | 5.084 |
| Income taxes | (1.965) | (3.364) |
| Net profit for the year | (23.327) | 1.720 |
| Minority interest result | - | (20) |
| Group net profit | (23.327) | 1.740 |



ANNEX 3 - UNAUDITED CASH FLOW STATEMENT

| Euro.000 | 2017 | 2016 |
|---|-----------------|-----------------|
| Net profit | (23.327) | 1.720 |
| Accessory acquisition costs | - | - |
| Amortization & Depreciation | 18.922 | 19.735 |
| Non-cash adjustments | 3.662 | 3.820 |
| Income taxes | 1.965 | 3.364 |
| Net interest | 46.868 | 19.719 |
| CASH FLOW FROM CURRENT OPERATIONS (A) | 48.090 | 48.358 |
| Changes in assets and liabilities: | | |
| Inventories | 421 | 654 |
| Trade receivables | (7.590) | (292) |
| Trade payables | 8.939 | 9.079 |
| Other assets and liabilities | (4.805) | (4.178) |
| Income taxes paid | (3.479) | (3.273) |
| CASH FLOW ABSORBED FROM CHANGES IN WORKING CAPITAL (B) | (6.514) | 1.990 |
| Investing activities: | | |
| Investments in property, plant & equipment | (16.107) | (8.220) |
| Other changes in property, plant & equipment | 399 | 445 |
| Investments in intangible assets | (1.628) | (1.267) |
| Other changes in intangible assets | - | 5 |
| Investments in financial assets | - | (122) |
| Other changes in financial assets | 5 | 8 |
| Acquisition or sale of subsidiaries or business units net of cash and | - | (500) |
| CASH FLOW FROM INVESTING ACTIVITIES (C) | (17.331) | (9.651) |
| CASH FLOW FROM OPERATING ACTIVITIES (A + B + C) | 24.245 | 40.697 |
| Financing activities: | | |
| Interest paid | (11.116) | (13.121) |
| Repayment non-current financial payables | (126.333) | (10.400) |
| Increase (decrease) current financial payables | (2.025) | (982) |
| New loans | 132.206 | 22.161 |
| Repayment shareholder loans | (24.541) | (25.000) |
| (Increase) decrease in financial receivables from holding company | (361) | (145) |
| (Increase) decrease in financial receivables from companies under | 19 | (70) |
| Treasury Shares | (661) | - |
| Translation reserve | (3.644) | (3.424) |
| Cash liquidity | 48.407 | - |
| CASH FLOW FROM FINANCING ACTIVITIES (D) | 11.951 | (30.981) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C) | 36.196 | 9.716 |
| Cash & cash equivalents at beginning of the year | 33.828 | 24.112 |
| Increase/(decrease) in cash and cash equivalents | 36.196 | 9.716 |
| Cash & cash equivalents at end of the year | 70.024 | 33.828 |