



SITspa

PRESS RELEASE

2018H1 REVENUES: EURO 175,4 MILLION (+17,6%)

EBITDA ADJUSTED: EURO 23,4 MILLION (+8,1%, +13,4% AT SAME FOREX RATES)

NET INCOME: EURO 8,4 MILLION (+7,5 MILLION)

NEW ENTRIES REINFORCE MANAGEMENT TEAM

- *2018H1 revenues of Euro 175,4 million, are +17,6% all organic growth versus 2017H1 revenues of Euro 149,1 million. At same forex rates, 2018H1 revenue growth is +20,4% compared to 2017H1*
- *Heating Division: revenues of Euro 142,3 million (+10,3% versus 2017H1 of Euro 129,0 million) driven by European and North American markets*
- *Smart Gas Metering Division: revenues of Euro 32,9 million (+65,0%, versus 2017H1 of Euro 20,0 million) confirm SIT's competitive position in the Italian market*
- *EBITDA Adjusted of Euro 23,4 million, with an organic growth of 8,1% (+13,4% at same forex rates) versus 2017H1 of Euro 21,6 million, falling short of revenue growth due to additional costs incurred to support the significant increase in demand*
- *The capex launched to increase production capacity and remove main bottlenecks, planned for Euro 16 million in 2018, are proceeding on schedule and will become fully effective in 2018H2*
- *Net Income of Euro 8,4 million, up 7,5 million Euro versus same period of previous year, reflecting the improved post-listing financial structure and the better conditions on new funding facilities*
- *Net financial position at June 30, 2018 of Euro 80,9 million, compared to Euro 65,1 million at December 31, 2017*
- *2018H1 Operating cash flow is Euro -8,4 million versus Euro +4,4 million in 2017H1*
- *Management Team is reinforced with the introduction of two new managers bringing extensive international automotive sector experience*



Padova, September 10, 2018

2018H1 results.

The Board of Directors of SIT S.p.A. ("**SIT**" or the "**Company**"), listed on the AIM Italia segment of the Italian Stock Exchange, ISIN code IT0005262149, at today's meeting chaired by Mr. Federico de' Stefani reviewed and approved the Group's 2018 Half-Year Report.

The results confirm the consistent growth made by the Company in terms of sales, operating earnings and net profit.

"Our Group in the first half of 2018 continued to grow in line with expectations thanks to the contribution of both businesses. We are working to tap into the development opportunities available on the international markets also for our Smart Gas Metering business" - stated SIT's Chairman and CEO Federico de' Stefani.

"Further supporting our operations in the second half of the year, the initial benefits of the investment plan targeting a 30% improvement in production capacity are expected to emerge and deliver even greater market penetration. We can also count on the support of two new managers of extensive expertise and proven experience, Giulio Prandi and Tomaso Valdinoci, taking role in the key positions of Chief Operating Officer and Chief Product Officer. Listing on the main market remains among our short-term objectives" - concluded de' Stefani.

KEY FINANCIALS

| (Euro thousands) | 2018H1 | % | 2017H1 | % | change % |
|------------------------------|------------------|--------|-------------------|---------------|----------|
| Revenues | 175.391 | 100,0% | 149.124 | 100,0% | 17,6% |
| Adjusted EBITDA ¹ | 23.352 | 13,3% | 21.599 | 14,5% | 8,1% |
| EBITDA | 20.026 | 11,4% | 21.609 | 14,5% | -7,3% |
| EBITA | 14.122 | 8,1% | 15.658 | 10,5% | -9,8% |
| EBIT | 10.984 | 6,3% | 12.521 | 8,4% | -12,3% |
| Net Income | 8.417 | 4,8% | 912 | 0,6% | 822,9% |
| Cash flow from operations | (8.417) | | 4.370 | | |
| | 30.6.2018 | | 31.12.2017 | change | |
| Net Financial Position | 80.867 | | 65.105 | 15.762 | |

¹Adjusted EBITDA is EBITDA net of non-recurring income and charges. Non-recurring charges in 2018H1 amounted to Euro 3.326 thousand, of which Euro 2.452 thousand consisting of severance package following the mutual resolution of the General Manager's contract, Euro 922 thousand of service costs, mostly related to translisting project to MTA market, finally asset disposal gains of Euro 48 thousand. In the first half of 2017, net non-recurring charges amounted to Euro 10 thousand net, of which Euro 51 thousand of personnel costs and Euro 61 thousand asset disposal gains.



2018H1 revenues of Euro 175,4 million show an organic growth of 17,6% (Euro 26,3 million) on 2017H1 (Euro 149,1 million). 2018H1 growth was 20,4% at same forex rates.

| (Euro thousands) | 2018H1 | % | 2017H1 | % | change | %change |
|-----------------------|----------------|---------------|----------------|---------------|---------------|--------------|
| Heating | 142.303 | 81,1% | 129.030 | 86,5% | 13.273 | 10,3% |
| Smart Gas Metering | 32.922 | 18,8% | 19.954 | 13,4% | 12.968 | 65,0% |
| Total product sales | 175.225 | 99,9% | 148.984 | 99,9% | 26.241 | 17,6% |
| Other revenues | 166 | 0,1% | 139 | 0,1% | 27 | 19,5% |
| Total revenues | 175.391 | 100,0% | 149.124 | 100,0% | 26.267 | 17,6% |

Heating Division sales amounted to Euro 142,3 million, up 10,3% on 2017H1 (Euro 129 million).

The fastest growing markets were mainly in Europe (+15,6%), including Turkish growth of 32,0% - partly following the introduction of new regulations (ErP – Energy Related Products directive). The American market also expanded (+7,4%, +22,2% at like-for-like exchange rates). The Chinese market slowed down versus first half of previous year (-6,6%), due to delays in infrastructure in gas network and lack of natural gas after the rapid growth in 2017 supported by government incentives, “*from coal to gas*” policy.

The Smart Gas Metering Division reported sales of Euro 32,9 million for 2018H1, up 65,0% on the same period of the previous year (Euro 20,0 million). This confirms the development stage of the Residential Meters’ roll-out and SIT’s competitive position on the Italian market.

2018H1 Group Adjusted EBITDA was Euro 23,4 million, increasing 8,1% on the same period of 2017 (Euro 21,6 million), with a 13,3% consolidated revenue margin (against 14,5% in the previous year). Adjusted EBITDA growth is weaker than that of revenues, impacted - alongside external factors such as forex rates and increase in raw material - by extra costs and inefficiencies due to limitations on production capacity for certain product families in the face of increased demand. The investments earmarked to expand production capacity and overcome the main bottlenecks are proceeding on schedule and will start operations in the second half of the year.

Commenting the main costs natures, Purchase of raw materials and consumables amount to Euro 113 million (64,5% of revenues increasing on 57,3% in 2017H1). Service costs of Euro 23,0 million account for 13,1% of revenues, increasing on the same period of the previous year (11,5%), also in view of the non-recurring costs incurred in 2018H1 of Euro 922 thousand, of which Euro 682 thousand concerning the translisting project to the MTA main stock market.

Personnel costs of Euro 38,9 million account for 22,1% of revenues (21,4% in the same period of previous year) and include non-recurring charges of Euro 2,5 million for the mutual resolution in August of the General Manager’s contract.

Group EBITA of Euro 14,1 million for 2018H1 compares to Euro 15,7 million in 2017H1.

Group EBIT, after amortizations, depreciations and write-downs of Euro 9,2 million and provisions of Euro 0,8 million, is in decrease from Euro 12,5 million in 2017H1 to Euro 11,0 million in 2018H1.



Net financial charges are described as follows:

| (Euro thousands) | 2018H1 | 2017H1 | change |
|--|----------------|----------------|--------------|
| Financial charges | (2.318) | (8.002) | 5.684 |
| Financial income | 2.975 | 101 | 2.874 |
| Financial income includes: | | | |
| <i>Profits on derivative financial instruments</i> | 2.523 | - | |
| <i>Other financial income</i> | 452 | 101 | |
| Net financial charges | 657 | (7.901) | 8.558 |

Financial charges in the first half period of 2018 of Euro 2,3 million compare to Euro 8 million in the same period of 2017, significantly lower due to an improved financial structure following the merger with the Industrial Stars of Italy 2 SPAC in 2017 and the consequent better conditions applied to the current debt facility. In addition, financial income of Euro 3,0 million for 2018H1 concerns the fair value accounting of the SIT Warrants and Performance Shares issued by the Company.

The Income before taxes was therefore Euro 11,4 million, compared to Euro 3,0 million in 2017H1.

The 2018H1 net profit amounted to Euro 8,4 million, against Euro 0,9 million in 2017H1.

In the first half of 2018, Cash flow from operating activities was negative for Euro 8,4 million after capex of Euro 10,6 million. Cash flow from current operations of Euro 24,5 million was generated, while change in working capital absorbed cash for Euro 22,4 million. The sharp increase in market demand starting from the second half of 2017 required increase in inventory levels resulting in liquidity strains for certain clients. Consequently, the level of overdue Group receivables at June 30 2018 was particularly high and partially offset by non-recourse factoring of receivables.

Trend in overdue accounts receivables however is in significant improvement given that – at current date – the overdue amount is reduced.

The Net Financial Position at June 30, 2018 is Euro 80,9 million compared to Euro 65,1 million at December 31, 2017.

The Group Financial Statement at June 30 2018, will be made available on the company website www.sitgroup.it, at the following section \Investor Relations\ by the date required by law and market regulation.

New entries reinforce the SIT Management Team

SIT has renewed the appointment attributed to the Executive Chairman Mr. Federico de' Stefani confirming his powers as Chief Executive Officer.

In order to strengthen its organization and more effectively take advantage of market opportunities, the Company has reinforced the Management Team with two new important Directors with solid backgrounds and international experience in such a cutting-edge sector as the automotive industry.

Reporting to Executive Chairman and Chief Executive Officer Federico de' Stefani:



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- Mr. Giulio Prandi, nominated Chief Operating Officer, has advanced his career in the automotive component production sector at multi-facility enterprises as Isringhausen Italia, Dayco and Olsa.
- Mr. Tomaso Valdinoci, who will take role as Chief Product Officer with responsibility for strategic marketing and research & development, brings extensive experience from the consultancy firm Bain&Company, while in recent years has been involved in EMEA business development for all divisions of the CNH Industrial Group.

A new role of Digital Transformation Manager, also reporting to Mr. Federico de' Stefani, has been created to manage the migration of Company processes to enhance the opportunities provided by digital technologies.

SIT develops, produces and distributes components and systems for the control and safety of gas-based domestic heating and catering equipment. The Group operates in the Smart Gas Metering sector, producing new generation remote meters with real-time consumption readings and communication.

It comprises production companies located in Italy, Mexico, the Netherlands, Romania and China, in addition to a commercial and distribution structure covering all global markets.

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Annex 1 - UNAUDITED

BALANCE SHEET

| Euro.000 | 30/06/2018 | 31/12/2017 |
|--|-------------------|-------------------|
| Goodwill | 78,138 | 78,138 |
| Other intangible assets | 69,738 | 73,286 |
| Property, plant & equipment | 52,894 | 47,778 |
| Investments | 54 | 54 |
| Non-current financial assets | 1,545 | 1,551 |
| Deferred tax assets | 8,044 | 8,742 |
| Non-current assets | 210,413 | 209,549 |
| Inventories | 59,108 | 38,130 |
| Trade receivables | 58,708 | 52,126 |
| Other current assets | 10,699 | 6,282 |
| Tax receivables | 3,496 | 3,023 |
| Other current financial assets | 250 | 735 |
| Cash and cash equivalents | 49,004 | 70,024 |
| Current assets | 181,265 | 170,320 |
| Total assets | 391,678 | 379,869 |
| Share capital | 96,152 | 96,149 |
| Reserves | 4,265 | 32,931 |
| Group net profit | 8,417 | (23,327) |
| Minority interest net equity | - | - |
| Shareholders' Equity | 108,834 | 105,753 |
| Medium/long-term loans and borrowings | 112,887 | 121,060 |
| Other non-current financial liabilities and derivative financial instruments | 576 | 288 |
| Provisions for risks and charges | 3,081 | 2,897 |
| Post-employment benefit provision | 6,356 | 6,358 |
| Other non-current liabilities | 703 | 506 |
| Performance Shares financial liabilities | 10,650 | 11,500 |
| Deferred tax liabilities | 19,221 | 20,276 |
| Non-current liabilities | 153,474 | 162,885 |
| Short-term loans and borrowings | 14,179 | 11,537 |
| Other current financial liabilities and derivative financial instruments | 2,480 | 2,979 |
| Trade payables | 81,734 | 68,367 |
| Other current liabilities | 18,967 | 14,792 |
| Warrant financial liabilities | 10,867 | 12,551 |
| Tax payables | 1,143 | 1,005 |
| Current liabilities | 129,370 | 111,231 |
| Total liabilities | 282,844 | 274,116 |
| Total Shareholders' Equity and Liabilities | 391,678 | 379,869 |



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Annex 2 - UNAUDITED

INCOME STATEMENT

| Euro.000 | H1 2018 | H1 2017 |
|---|----------------|----------------|
| Revenues from contracts with customers | 175,391 | 149,124 |
| Purchase of raw materials, ancillaries, consumables and goods | 113,158 | 85,451 |
| Change in inventories | (20,966) | (7,779) |
| Service costs | 22,981 | 17,143 |
| Personnel expenses | 38,867 | 31,979 |
| Depreciation, amortization and write-downs | 9,179 | 9,118 |
| Provisions | 767 | 333 |
| Other charges (income) | 421 | 358 |
| EBIT | 10,984 | 12,521 |
| Investment income/(charges) | (78) | - |
| Financial income | 2,975 | 101 |
| Financial charges | (2,318) | (8,002) |
| Net exchange gains (losses) | (203) | (1,601) |
| Impairments on financial assets | - | - |
| Profit/(loss) before taxes | 11,360 | 3,019 |
| Income taxes | (2,943) | (2,107) |
| Net profit for the year | 8,417 | 912 |
| Minority interest result | - | - |
| Group net profit | 8,417 | 912 |



Annex 3 - UNAUDITED

CASH FLOW STATEMENT

| Euro.000 | H1 2018 | H1 2017 |
|--|-----------------|-----------------|
| Net profit | 8,417 | 912 |
| Accessory acquisition costs | - | - |
| Amortization & Depreciation | 9,042 | 9,089 |
| Non-cash adjustments | 4,683 | 1,568 |
| Income taxes | 2,943 | 2,107 |
| Net interest | (579) | 7,900 |
| CASH FLOW FROM CURRENT OPERATIONS (A) | 24,506 | 21,575 |
| <i>Changes in assets and liabilities:</i> | | |
| Inventories | (21,515) | (7,496) |
| Trade receivables | (6,721) | 698 |
| Trade payables | 13,367 | 1,856 |
| Other assets and liabilities | (4,784) | (4,992) |
| Income taxes paid | (2,714) | (2,102) |
| CASH FLOW ABSORBED FROM CHANGES IN WORKING CAPITAL (B) | (22,367) | (12,185) |
| <i>Investing activities:</i> | | |
| Investments in property, plant & equipment | (10,790) | (4,348) |
| Other changes in property, plant & equipment | 838 | 6 |
| Investments in intangible assets | (610) | (690) |
| Other changes in intangible assets | - | - |
| Investments in financial assets | 6 | 12 |
| Acquisition or sale of subsidiaries or business units net of cash and cash | - | - |
| CASH FLOW FROM INVESTING ACTIVITIES (C) | (10,556) | (5,020) |
| CASH FLOW FROM OPERATING ACTIVITIES (A + B + C) | (8,417) | 4,370 |
| <i>Financing activities:</i> | | |
| Interest paid | (1,725) | (5,788) |
| Repayment non-current financial payables | (6,075) | (5,000) |
| Increase (decrease) current financial payables | (366) | (2,479) |
| New loans | - | - |
| Repayment shareholder loans | - | - |
| (Increase) decrease in financial receivables from holding company | 674 | (84) |
| (Increase) decrease in financial receivables from companies under control of | 51 | - |
| Payment of dividends | (5,986) | - |
| Capital increase payment | 3 | - |
| Translation reserve | 821 | 722 |
| CASH FLOW FROM FINANCING ACTIVITIES (D) | (12,603) | (12,629) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D) | (21,020) | (8,259) |
| Cash & cash equivalents at beginning of the year | 70,024 | 33,828 |
| Increase/(decrease) in cash and cash equivalents | (21,020) | (8,259) |
| Cash & cash equivalents at end of the year | 49,004 | 25,569 |