



SIT spa

PRESS RELEASE

**SIT'S BOARD OF DIRECTORS APPROVES 2018 CONSOLIDATED RESULTS:
CONSOLIDATED REVENUES OF EURO 359.7 MILLION (+11.0%, +12.0% AT SAME EXCHANGE RATES)
CONSOLIDATED ADJUSTED EBITDA OF EURO 50.4 MILLION (+9.9%, 14.0% ON REVENUES)
CONSOLIDATED NET PROFIT OF EURO 24.3 MILLION**

- *Consolidated revenues of Euro 359.7 million, with organic growth of 11.0% on Euro 324.0 million for 2017. 2018 growth was 12.0% on 2017 at same exchange rates;*
- *Heating Division: sales of Euro 287.0 million (+4.7% on Euro 274.0 million for 2017), thanks to the European and North American markets, respectively up 6.5% and 11.3% on the previous year;*
- *Smart Gas Metering Division revenues of Euro 72.1 million (+45.9% on Euro 49.5 million in 2017), confirming SIT's position as an Italian market leader;*
- *Consolidated Adjusted EBITDA of Euro 50.4 million, up 9.9% on Euro 45.8 million in 2017, a 14.0% revenue margin thanks to the improvement in the second half of the year and the entry into service of production investments rolled out during the year;*
- *Capex of Euro 30.0 million. The main one-off investments concerned the Heating Division, with production capacity expanded by approx. 30%, alongside the improvements at the Rovigo facility and the insourcing of logistics to reduce operating risks and improve the efficiency and the customer service level;*
- *Consolidated net profit of Euro 24.3 million (6.7% margin), after financial charges of Euro 4.8 million and financial income of Euro 13.3 million - the latter mainly due to the market value of the Warrants and the Performance Shares issued by the Company;*
- *Adjusted consolidated net profit of Euro 19.4 million, up 34.6% on Euro 14.4 million in the previous year (respectively a 5.4% and 4.5% margin);*
- *The consolidated net financial debt amounted to Euro 71.3 million at December 31, 2018 (Euro 65.1 million at December 31, 2017);*
- *Proposed distribution of a dividend of Euro 0.28 per share.*



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Padua, March 22, 2019

I - STATUTORY FINANCIAL STATEMENTS OF SIT S.P.A. AND CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2018 APPROVED.

The Board of Directors of SIT S.p.A. ("**SIT**" or the "**Company**"), listed on the main segment of the Italian Stock Exchange (MTA), has approved the statutory financial statements at December 31, 2018, which confirm major organic growth - in line with the Company's development plan covering all operating segments.

SIT reports for 2018 consolidated revenues of Euro 359.7 million, up 11.0% on the previous year. Adjusted EBITDA of Euro 50.4 million grew 9.9% on 2017 (Euro 45.8 million).

The consolidated net profit was Euro 24.3 million, representing a 6.7% margin. The adjusted net profit, calculated net of non-recurring charges and income (both operating and financial) and of the relative tax effects, was Euro 19.4 million, compared to Euro 14.4 million in the previous year, up 34.6% and with the margin improving from 4.5% to 5.4%.

"The 2018 results report strong revenue and earnings growth and are in fact ahead of our expectations on initially listing on the stock market. Improved performances were apparent both domestically and internationally. Investments have significantly boosted Group's global production capacity and further streamlined our industrial and logistics structure, with tangible effects already from the second half of the year. The new managerial structure to build the SIT which we envision is fully in place".

stated Federico de Stefani, Chairman and Chief Executive Officer of SIT.



Consolidated Financial Highlights

Euro.000	2018	%	2017	%	change	change %
Revenues from contracts with customers	359,688	100.0%	323,958	100.0%	35,730	11.0%
EBITDA ⁽¹⁾	43,821	12.2%	44,093	13.6%	(272)	-0.6%
Adjusted EBITDA ⁽²⁾	50,392	14.0%	45,847	14.2%	4,545	9.9%
EBIT	23,955	6.7%	25,171	7.8%	(1,216)	-4.8%
Adjusted EBIT ⁽²⁾	30,526	8.5%	26,924	8.3%	3,601	13.4%
Adjusted net profit for the year ⁽²⁾	19,447	5.4%	14,446	4.5%	5,002	34.6%
Net profit/(loss) for the year	24,265	6.7%	(23,327)	-7.2%	47,592	-

⁽¹⁾ EBITDA is the operating result (EBIT) before amortisation, depreciation and write-downs, net of the doubtful debt provision

⁽²⁾ Adjusted EBITDA is EBITDA net of non-recurring income and charges. The adjusted net profit includes also the effect of non-recurring financial charges and income, net of the relative tax effect. The main adjustments concern the settlement and incentive costs for the mutual resolution of employment of the general manager and the stock market listing costs. Reference should be made to the Annex for further details on non-recurring transactions.

Euro.000	2018	2017	change
Cash flow from operating activities	3,215	24,245	(21,030)
Cash flow from investing activities	29,867	17,331	12,536
Net trade working capital (NTWC)	29,473	21,889	7,584
NTWC/Revenues	8.2%	6.8%	1.4%
Net financial debt	71,335	65,105	6,230
Net financial debt/ Adjusted EBITDA	1.42	1.42	-

Revenues

Consolidated revenues for 2018FY were Euro 359.7 million, with organic growth of 11.0% on 2017FY (Euro 324.0 million). At same exchange rates, 2018FY growth was 12.0% on the previous year.

Euro.000	2018FY	%	2017FY	%	change	change %
Heating	287,001	79.8%	273,997	84.6%	13,004	4.7%
Smart Gas Metering	72,147	20.1%	49,459	15.3%	22,688	45.9%
Total product sales	359,148	99.8%	323,456	99.8%	35,692	11.0%
Revenues from services	540	0.2%	502	0.2%	38	7.6%
Total revenues	359,688	100%	323,958	100%	35,730	11.0%

Heating Division sales amounted to Euro 287.0 million, up 4.7% on the previous year, thanks to the European and American market performances which respectively grew 6.5% and 11.3%, with the latter up 15.8% at same exchange rates.

On the American market - which represents approx. 20% of divisional core sales - the improvement follows increased Storage Water Heating market share thanks to the renewal of a long-term contract with one of the Group's main customers. In Europe, Turkey which represents 13.5% of divisional core sales, is down 3.3% vs 2017FY after regulatory changes (E.r.P. – Energy Related Products directive adoption) gave boost to last year sales; sales growth was reported in the Netherlands (+Euro 4.5 million), Russia (+Euro 3.4 million) and Italy (+Euro 2.5 million) - respectively up 26.9%, 36.7% and 4.7% on the previous year.

China (6.1% of division sales) saw sales decline 18.7% as the government incentive plan (“coal to gas policy”), fully effective in 2017, was temporarily suspended for a large part of 2018.



In 2018, the Smart Gas Metering Division generated revenues of Euro 72.1 million, an increase of 45.9% compared to Euro 49.5 million in 2017. This confirms the development of the residential meters' roll-out and SIT's competitive position on the Italian market.

Operating and financial results

The Group's 2018 Adjusted EBITDA amounted to Euro 50.4 million, up 9.9% over 2017 (Euro 45.8 million). Adjusted EBITDA improved in the second part of the year as accelerated capex plan was deployed and became effective while negotiation and streamlining of operations were introduced.

The Adjusted EBITDA margin decreased from 14.2% in 2017 to 14.0% in 2018, due to the additional costs deriving from the production capacity limits reached by the Heating Division in the initial part of the year and due to the additional accrual for risks and warranty provision in Smart Gas Metering Division in line with the significant growth of the meter installed base.

2018 Adjusted EBIT of Euro 30.5 million, compared to Euro 26.9 million in 2017, increasing 13.4% in comparison to a revenue increase of 11.0%.

Financial charges amounted to Euro 4.8 million. Financial income of Euro 13.3 million relates respectively for Euro 9.5 and 3.2 million to the change in the market value of the Warrants and the Performance Shares issued by the Company.

Adjusted net financial charges total Euro 4.3 million, reducing over 50% versus Euro 8.7 million in 2017, due to improved conditions on the new post-listing senior financial facility.

Adjusted net profit, calculated net of non-recurring charges and income (both operating and financial) and net of the tax effects, amounting to Euro 19.4 million, was up 34.6% versus the previous year, with the margin increasing from 4.5% to 5.4%.

2018 reported net profit was Euro 24.3 million.

Operating cash flows amounted to Euro 3.2 million, compared to Euro 24.2 million in the previous year. This follows the increase in investments in 2018 to Euro 30.0 million (Euro 17.3 million in 2017). The main one-off investments concerned the Heating Division, with production capacity expanded by approx. 30%, alongside the improvements at the Rovigo facility where the residual production activity at Padua was also concentrated, in addition to logistics hub insourcing, previously managed by a third party provider, in order to reduce operating risks and improve the efficiency and customer service level.

Operating cash flows were impacted also by the increase in working capital, which in 2018 absorbed Euro 15.1 million, compared to Euro 6.5 million in the previous year. This change is mainly due to inventory which increased Euro 14.2 million compared to the end of 2017, date at which the exceptional level of market demand resulted in an extremely low level of inventory.

The net financial debt at December 31, 2018 was Euro 71.3 million, while amounting to Euro 65.1 million at December 31, 2017. The ratio between net financial debt and Adjusted EBITDA remains unchanged at 1.42x.

Outlook

The positive outlook for the Smart Gas Metering segment is confirmed for 2019, supported also by the major order backlog while, for the Heating Division, volumes are expected to contract slightly on the previous year, partly due to general economic conditions.



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In this overall environment and in the absence of significant changes in the general economy, the Group expects to substantially maintain revenue and margin levels.

II – DIVIDEND

The Board of Directors of SIT S.p.A. approved the proposal to the Shareholders' Meeting of a gross dividend of Euro 0.28 per share in circulation (excluding treasury shares), payable from May 15, 2019 ("payment date"), with dividend coupon of May 13, 2019 ("ex date") and record date of May 14, 2019, for a total amount - currently - of Euro 6,690,308.

Declaration of the executive officer for financial reporting

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.

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

SIT S.p.A.

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Annex 1- UNAUDITED

CONSOLIDATED BALANCE SHEET

(Euro thousands)	31/12/2018	31/12/2017
Goodwill	78,138	78,138
Other intangible assets	66,111	73,286
Property, plant & equipment	65,169	47,778
Investments in other companies	54	54
Non-current financial assets	1,544	1,551
Deferred tax assets	7,482	8,742
Non-current assets	218,498	209,549
Inventories	52,230	38,130
Trade receivables	52,038	52,126
Other current assets	9,102	6,282
Tax receivables	3,565	3,023
Other current financial assets	97	735
Cash and cash equivalents	55,494	70,024
Current assets	172,526	170,320
Total assets	391,024	379,869
Share capital	96,152	96,150
Total Reserves	4,986	32,930
Net profit/(loss)	24,265	(23,327)
Minority interest net equity	-	-
Shareholders' Equity	125,403	105,753
Medium/long-term loans and borrowings	104,730	121,060
Other non-current financial liabilities and derivative financial instruments	710	288
Provisions for risks and charges	4,492	2,897
Post-employment benefit provision	5,908	6,358
Other non-current liabilities	758	506
Financial instruments for Shares	0	11,500
Deferred tax liabilities	18,260	20,276
Non-current liabilities	134,858	162,885
Short-term loans and borrowings	16,257	11,537
Other current financial liabilities and derivative financial instruments	5,228	2,979
Trade payables	74,795	68,367
Other current liabilities	17,088	14,792
Short-term financial instruments for Performance Shares	8,260	0
Financial instruments for Warrants	3,028	12,551
Tax payables	6,107	1,005
Current liabilities	130,763	111,231
Total Liabilities	265,621	274,116
Total Shareholders' Equity and Liabilities	391,024	379,869



Annex 1- UNAUDITED

CONSOLIDATED INCOME STATEMENT

(Euro thousands)	2018	2017
Revenues from sales and services	359,688	323,958
Raw materials, ancillaries, consumables and goods	208,493	176,274
Change in inventories	(14,139)	(733)
Service costs	44,462	37,583
Personnel expenses	73,677	65,491
Depreciation, amortisation and write-downs	20,024	19,045
Provisions	2,062	885
Other charges (income)	1,154	242
EBIT	23,955	25,171
Investment income/(charges)	(78)	-
Financial income	13,285	2,892
Financial charges	(4,798)	(49,759)
Net exchange gains (losses)	(292)	435
Impairments on financial assets	-	(101)
Profit/(loss) before taxes	32,072	(21,362)
Income taxes	(7,807)	(1,965)
Net profit/(loss) for the year	24,265	(23,327)
Minority interest result	-	-
Group net profit/(loss)	24,265	(23,327)

RECONCILIATION OF NON-RECURRING CHARGES AND INCOME

Non-recurring charges and income	2018		2017	
	EBITDA	Net Profit	EBITDA	Net Profit
	43,821	24,265	44,093	(23,327)
Personnel expense	2,694	1,942	-	-
Listing charges	2,404	1,733	1,769	1,275
Accrual to product warranty provision	683	493	-	-
Charges from merger with ISI2	492	492	-	-
Other	298	215	(16)	(11)
Total non-recurring operating charges (income)	6,571	4,875	1,753	1,264
Adjusted EBITDA	50,392	-	45,847	-
Effect deriving from merger with ISI2	-	-	-	31,321
Financial charges concerning refinancing transaction	-	-	-	7,218
Change fair value on Performance Shares	-	(2,463)	-	-
Change fair value on Warrants	-	(7,229)	-	(2,031)
Non-recurring net financial charges (income)	-	(9,692)	-	36,509
Adjusted net profit for the year	-	19,447	-	14,446



Annex 1 - UNAUDITED

CONSOLIDATED CASH FLOW STATEMENT

(Euro thousands)	2018	2017
Net profit/(loss)	24,265	(23,327)
Amortisation & depreciation	19,866	18,922
Non-cash adjustments	4,610	3,662
Income taxes	7,807	1,965
Net financial charges/(income)	(8,410)	46,868
CASH FLOW FROM CURRENT OPERATIONS (A)	48,138	48,090
Changes in assets and liabilities:		
Inventories	(14,205)	421
Trade receivables	(70)	(7,590)
Trade payables	6,428	8,939
Other assets and liabilities	(3,212)	(4,805)
Income taxes paid	(3,997)	(3,479)
CASH FLOW ABSORBED FROM CHANGES IN WORKING CAPITAL (B)	(15,056)	(6,514)
Investing activities:		
Investments in property, plant & equipment	(28,703)	(16,107)
Other changes in property, plant & equipment	106	399
Investments in intangible assets	(1,277)	(1,628)
Other changes in financial assets	7	5
CASH FLOW FROM INVESTING ACTIVITIES (C)	(29,867)	(17,331)
CASH FLOW FROM OPERATING ACTIVITIES (A + B + C)	3,215	24,245
Financing activities:		
Interest paid	(3,657)	(11,116)
Repayment of non-current financial payables	(12,150)	(126,333)
Increase (decrease) current financial payables	2,211	(2,025)
New loans	-	132,206
Shareholder loans	-	(24,541)
(Increase) decrease in financial receivables from parent company	674	(361)
(Increase) decrease in financial receivables from companies under control of parent company	51	19
Dividend payments	(5,986)	-
Paid-in share capital increase	2	-
Treasury shares	(91)	(661)
Change in translation reserve	1,201	(3,644)
Liquidity from merger	-	48,407
CASH FLOW FROM FINANCING ACTIVITIES (D)	(17,745)	11,951
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)	(14,530)	36,196
Cash & cash equivalents at beginning of the year	70,024	33,828
Increase/(decrease) in cash and cash equivalents	(14,530)	36,196
Cash & cash equivalents at end of the year	55,494	70,024