



SIT spa

PRESS RELEASE

SIT BOD APPROVES 2019 HALF-YEAR RESULTS
2019H1 CONSOLIDATED REVENUES OF EURO 167.2 MILLION (-4.6%)
CONSOLIDATED EBITDA OF EURO 21.1 MILLION (+5.5%, 12.6% MARGIN)
CONSOLIDATED NET PROFIT OF EURO 4.5 MILLION

- *H1 2019 consolidated revenues of Euro 167.2 million, contracting 4.6% on Euro 175.4 million in H1 2018.*
- *Heating Division: sales of Euro 123.1 million, -12.8% on Euro 141.2 million in 2018, mainly due to change in regulation in selected areas such as Turkey (-10.1 million Euro) and China (-2.7 million Euro) and to the latter export related areas. The American market continues to grow significantly (+16.1%)*
- *Smart Gas Metering Division: sales of Euro 42.4 million, up 29.6% on Euro 32.7 million in H1 2018*
- *Consolidated EBITDA of Euro 21.1 million (12.6% margin), growth of 5.5% over Euro 20.0 million in H1 2018 (11.4% margin), including impact from initial application of IFRS 16 of +Euro 1.3 million*
- *Consolidated net profit of Euro 4.5 million (2.7% margin), decreasing Euro 3.9 million on H1 2018*
- *Net financial debt at June 30, 2019 of Euro 87.6 million, compared to Euro 78.4 million at December 31, 2018, including the impact from initial recognition of IFRS 16, respectively of Euro 6.8 million and Euro 7.1 million*
- *Operating cash flow of Euro +0.5 million was generated in the first half of 2019, after net capex of Euro 7.7 million, against the absorption of operating cash in H1 2018 of Euro 8.4 million, after net investments of Euro 11.6 million*
- *Under preparation by the Management Team the definition of strategic scenarios that will focus particularly on innovation projects and new product development.*



Padua, September 12, 2019

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 H1 2019 results, reporting consolidated revenues of Euro 167.2 million, compared to Euro 175.4 million in the first half of 2018 (contracting 4.6%, 5,7% at same forex rates. EBITDA of Euro 21.1 million was up 5.5% over the same period of 2018 (Euro 20.0 million); H1 2019 EBIT was Euro 10.1 million (6.0% margin), against Euro 11.0 million in the same period of the previous year (6.3% margin).

The H1 2019 consolidated net profit amounted to Euro 4.5 million, a 2.7% margin - decreasing on 4.8% on H1 2018.

The results highlight the different performances of the two Divisions over the first half of 2019, as indicated by the Chairman and Chief Executive officer of SIT Federico de’ Stefani:

“After 5 years of compound annual average growth of 3.6% (4.8% over the last 3 years) for SIT’s heating segment, 2019 performance will be affected by uncertainties in macro-economic environment and by regulatory changes in some countries, with an impact on expected full year CAGR. During the first half of 2019, the Heating Division showed an important growth on the American market but suffered in contraction on regulated market such as China and Turkey as well as the economic downturn in some European countries.

The Smart Gas Metering Division performance” said de’ Stefani “confirmed the outlook for the Italian market, with revenues in the first half of 2019 up 29.6% over the same period of 2018. The backlog at June 30, 2019 supports the excellent 2019 prospects for the Division.

With the support of the new Management Team, we are in the process of defining strategic scenarios that will focus particularly on innovation projects and new product development”.

KEY FINANCIALS

(Euro.000)	1H 2019	%	1H 2018	%	%change
Revenues from contracts with customers	167,243	100.0%	175,391	100.0%	-4.6%
EBITDA	20,126	12.6%	20,026	11.4%	5.5%
EBIT	10,095	6.0%	10,984	6.3%	-8.1%
Net profit/(loss) for the period	4,524	2.7%	8,417	4.8%	-46.3%
Operating cash flows	0.477		-8.417		

(Euro.000)	30/06/2019	31/12/2018	30/06/2018
Net financial position ⁽¹⁾	87,581	78,479	80,867
Trade net working capital	36,903	29,473	36,082
Net trade working capital/Revenues	10.9%	8.2%	10.2%

(1) Net financial debt includes impact from initial application of IFRS 16 of Euro 6,805 thousand at 30/6/2019 and Euro 7,144 thousand at 31/12/2018



H1 2019 revenues were Euro 167.2 million, decreasing 4.6% over the first half of 2018 (Euro 175.4 million).

(Euro.000)	1H 2019	%	1H 2018	%	Change%
Heating	123,107	73.6%	141,177	80.5%	-12.8%
Smart Gas Metering	42,431	25.4%	32,742	18.7%	29.6%
Total business sales	165,538	99.0%	173,919	99.2%	-4.8%
Other revenues	1,706	1.0%	1,472	0.8%	15.9%
Total revenues	167,243	100.0%	175,391	100.0%	-4.6%

Heating Division sales of Euro 123.1 million were down 12.8% on the previous year, mainly due to the decline on the European and Asian markets and only partially offset by the good US market performance - expanding 16.1% (+8.5% at like-for-like exchange rates).

On the American market - which represents approx. 23.5% of division sales - the improvement follows greater Storage Water Heating market share, thanks to the renewal of a long-term contract with one of the Group's main customers, in addition to stronger electronic control sales on the Direct Heating market.

Sales in Europe were down 17.8% on the first half of 2018, impacted by - in addition to the general economic environment - change in regulations introduced in some countries. In particular, Turkey, representing 9.6% of division sales, contracted 46.1% over the same period of 2018, in which the E.r.P - Energy Related Products directive was implemented, supporting sales in the first half of the previous year in spite of the difficult local economic environment. Positive results in United Kingdom (9.4% of division sales), up 1.9% over the same period of the previous year as a result of the Brexit effect.

Italy, representing 20.7% of divisional sales, contracted 10.1% over the same period of 2018, also due to the significant slow down of the incentives introduced by the Chinese government ("coal to gas policy") - in place in 2018.

China (5.0% of division sales) saw sales decline of 30.9%.

In H1 2019, the **Smart Gas Metering Division** generated revenues of Euro 42.4 million, an increase of 29.6% compared to Euro 32.7 million in H1 2018. This confirms the development of the residential meters' roll-out and SIT's competitive position on the Italian market.

In terms of products, sales for Residential Meters amounted to Euro 40.0 million (93.4% of total sales), while sales for Commercial & Industrial Meters amounted to Euro 2.2 million. In the first half of 2018, these were respectively Euro 31.7 million (96.2% of the total) and Euro 1.0 million, with the latter up over 100% following the introduction of a new product platform. H1 2019 revenues were all substantially generated on the domestic market.

Purchase costs of raw materials and consumables, including changes in inventories, amounted to Euro 90.0 million (53.8% of revenues, compared to 52.6% in the first half of 2018), due to the increase in transformation costs, only partially offset by the reduction in purchase prices.

Service costs, amounting to Euro 20.3 million, account for 12.2% of revenues compared to 13.1% in H1 2018 (Euro 23.0 million). The decrease in costs is a combined effect of the streamlining measures undertaken by the Group mainly regarding outsourcing (approx. Euro 1.2 million) and transport



(approx. Euro 1.0 million); in addition, the accounting effect relating to the initial application of IFRS 16 reduced rental and leasing costs by approx. Euro 1.1 million.

Personnel expenses of Euro 35.7 million accounted for 21.4% of revenues (22.2% in the first half of 2018), decreasing Euro 3.2 million due mainly to the non-recurring charges in 2018 of Euro 2.5 million for the contract resolution of the general manager, and for the reduced volumes, which resulted in a lesser recourse to temporary staff (Euro 1.7 million).

Amortisation and depreciation rose Euro 1.9 million, +21.1% on the same period of the previous year, due to the entry into service of the investments made in 2018, in addition to the impact from the initial application of IFRS 16.

Other charges and income include non-recurring income for Euro 0.7 million relating to an insurance reimbursement.

EBITDA, including the initial application of IFRS 16 for +Euro 1.3 million, was Euro 21.1 million, up 5.5% on the same period in 2018 (Euro 20.0 million). In the first half of 2018, non-recurring costs totalling Euro 3.3 million were incurred (of which Euro 2.5 million for personnel relating to the settlement with the general manager and Euro 0.9 million for the transition from the AIM market to the MTA segment), while in the first half of 2019 non-recurring costs amounted to Euro 0.6 million.

Group EBIT therefore decreased from Euro 11.0 million in H1 2018 to Euro 10.1 million in 2019, after amortisation and depreciation of Euro 11.1 million, of which Euro 3.1 million on the amortisation of the Purchase Price Allocation consequent to the acquisition of SIT La Precisa S.p.A in 2014 and Euro 1.0 million due to the initial application of IFRS 16.

Financial charges in the first half of 2019 totalled Euro 3.4 million (Euro 2.3 million in the first half of 2018) and include the decrease in the fair value of the Warrants issued by the company for Euro 1.1 million. Financial income of Euro 0.3 million decreased over the first half of 2018 (Euro 3.0 million). In H1 2018, financial income included the increase in the fair value of the Performance Shares (Euro 0.8 million) and of the Warrants issued by the company (for Euro 1.7 million).

Net financial charges, adjusted of the above changes in fair value, in H1 2019 amounted to Euro 2.0 million, increasing 5.1% on Euro 1.9 million in H1 2018.

The net profit in the first half of 2019 amounted to Euro 4.5 million, compared to Euro 8.4 million in the first half of 2018.

In terms of cash flow, in the first half of 2019 operating cash flow after investments was Euro +0.5 million, compared to Euro -8.4 million in H1 2018.

This trend is due to (i) the generation of cash flow from current activities in the first half of 2019 of Euro 23.0 million, compared to Euro 24.5 million in the same period of 2018, (ii) working capital management which in the first half of the year absorbed Euro 14.8 million, compared to Euro 21.3 million in the first half of 2018 and (iii) investment activities which absorbed Euro 7.7 million, compared to 11.6 million in the same period of 2018.

In the first half of 2019, inventories absorbed Euro 10.6 million, partly due to the seasonality of the Heating business and partly to the level of Smart Gas Metering order backlog. In the first half of 2018, the absorption from changes in inventories was Euro 21.5 million, both due to the exceptionally low level of Heating inventory at 31.12.2017 and the sales outlook for the second half of 2018, which was impacted by the Chinese market outlook.



Among the financing activity cash flows, we indicate the payment of interest for Euro 1.6 million (Euro 1.7 million in H1 2018), the payment of dividends for Euro 7.0 million (Euro 6.0 million in the first half of 2018) and the impact of the new operating lease contracts in accordance with IFRS 16 for Euro 0.6 million.

As reported in the statement below, the movement in the net financial debt in the first half of 2019 was Euro 9.1 million, compared to Euro 15.8 million in the first half of 2018.

(Euro.000)	1H 2019	1H 2018
Cash flow from current activities (A)	23,021	24,506
Change in inventories	(10,573)	(21,515)
Change in trade receivables	(369)	(6,721)
Change in trade payables	3,021	13,367
Change in their current assets, liabilities and taxes	(6,882)	(6,453)
Cash flow generated (absorbed) from Working Capital (B)	(14,803)	(21,322)
CASH FLOW FROM OPERATING ACTIVITIES (A + B)	8,218	3,184
Cash flow from investing activities (C)	(7,741)	(11,601)
CASH FLOW FROM OPERATING AND INVESTING ACTIVITIES (A + B + C)	477	(8,417)
Interest paid	(1,623)	(1,725)
Change in accrued interest on loans including PIK	(8)	9
Amortised cost	(254)	(266)
FV change of derivatives	(609)	(201)
Change in translation reserve	789	821
Change in shareholders' equity and acquisition treasury	(349)	3
Dividends	(6,969)	(5,986)
IFRS 16	(556)	0
Change in net financial position	(9,102)	(15,762)
Opening net financial position	78,479	65,105
Closing net financial position ⁽¹⁾	87,581	80,867

⁽¹⁾ Net financial debt includes Euro 7,144 thousand at 1.1.2019 and Euro 6,805 thousand at 30.6.2019 for initial application of IFRS 16.

The 2019 Consolidated Half-Year Report, in addition to the documents outlining the period results, will be available on the company website at www.sitgroup.it in the Investor Relations - Financial Disclosure section, according to the means established by applicable regulation.

Outlook

The positive outlook for the Smart Gas Metering segment is confirmed for 2019, supported also by the significant order backlog.

In the Heating Division, in the second half of the current year, sales volumes are expected to partially recover the performance recorded in 2019H1 that, however, will not allow to reach the sales accounted in the previous full year.

Declaration of the executive officer for financial reporting



SITspa

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.

Investor Relations

T. +39 049 829 3111

Paul Fogolin

E. paul.fogolin@sitgroup.it

Mara Di Giorgio

E. SITInvestorRelations@sitgroup.it

Media relations SIT Spa

T. 02 7788871

Alessandro Pavesi

M. +39 342 533 8329

E. alessandro.pavesi@lifonti.it

Luca Ricci Maccarini

M. +39 349 766 8028

E. luca.maccarini@lifonti.it



Annex 1 - UNAUDITED

BALANCE SHEET

(Euro.000)	30/06/2019	31/12/2018
Goodwill	78,138	78,138
Other intangible assets	62,682	66,111
Property, plant & equipment	73,098	65,169
Investments in other companies	54	54
Non-current financial assets	1,541	1,544
Deferred tax assets	5,885	7,482
Non-current assets	221,398	218,498
Inventories	62,402	52,230
Trade receivables	52,315	52,038
Other current assets	9,697	9,102
Tax receivables	4,216	3,565
Other current financial assets	41	97
Cash and cash equivalents	34,980	55,494
Current assets	163,651	172,526
Total assets	385,049	391,024
Share capital	96,152	96,152
Total Reserves	30,596	4,986
Net profit/(loss)	4,524	24,265
Minority interest net equity	-	-
Shareholders' Equity	131,272	125,403
Medium/long-term loans and borrowings	94,857	104,730
Other non-current financial liabilities and derivative financial instruments	5,908	710
Provisions for risks and charges	4,260	4,492
Post-employment benefit provision	5,911	5,908
Other non-current liabilities	1,167	758
Deferred tax liabilities	17,376	18,260
Non-current liabilities	129,479	134,858
Short-term loans and borrowings	17,943	16,257
Other current financial liabilities and derivative financial instruments	3,895	5,228
Trade payables	77,814	74,795
Other current liabilities	15,146	17,088
Short-term financial instruments for Performance Shares	-	8,260
Financial instruments for Warrants	4,177	3,028
Tax payables	5,323	6,107
Current liabilities	124,298	130,763
Total Liabilities	253,777	265,621
Total Shareholders' Equity and Liabilities	385,049	391,024



SITspa

Annex 2 - UNAUDITED

INCOME STATEMENT

(Euro.000)	1H2019	1H2018
Revenues from sales and services	167,243	175,391
Raw materials, ancillaries, consumables and goods	99,945	113,158
Change in inventories	(9,969)	(20,966)
Service costs	20,343	22,981
Personnel expense	35,709	38,867
Depreciation, amortisation and write-downs	11,122	9,179
Provisions	224	767
Other charges (income)	(228)	421
EBIT	10,095	10,984
Investment income/(charges)	-	(78)
Financial income	255	2,975
Financial charges	(3,365)	(2,318)
Net exchange gains (losses)	(567)	(203)
Profit/(loss) before taxes	6,418	11,360
Income taxes	(1,894)	(2,943)
Net profit/(loss) for the period	4,524	8,417
	-	-
Group net profit	4,524	8,417



Annex 3 - UNAUDITED

CASH FLOW STATEMENT

(Euro 000)	1H 2019	1H 2018
Net profit/(loss)	4,524	8,417
Amortisation & depreciation	11,030	9,042
Non-cash adjustments	2,463	4,683
Income taxes	1,894	2,943
Net financial charges/(income)	3,110	(579)
CASH FLOW FROM CURRENT ACTIVITIES (A)	23,021	24,506
<i>Changes in assets and liabilities:</i>		
Inventories	(10,573)	(21,515)
Trade receivables	(369)	(6,721)
Trade payables	3,021	13,367
Other assets and liabilities	(5,085)	(3,739)
Income taxes paid	(1,797)	(2,714)
CASH FLOW GENERATED (ABSORBED) FROM CHANGES IN WORKING CAPITAL (B)	(14,803)	(21,322)
CASH FLOW FROM OPERATING ACTIVITIES (A + B)	8,218	3,184
<i>Investing activities:</i>		
Investments in property, plant & equipment	(7,514)	(11,065)
Other changes in property, plant & equipment	69	66
Investments in intangible assets	(299)	(609)
Other changes in financial assets	3	7
CASH FLOW FROM INVESTING ACTIVITIES (C)	(7,741)	(11,601)
CASH FLOW FROM OPERATING & INVESTING ACTIVITIES (A + B + C)	477	(8,417)
<i>Financing activities:</i>		
Interest paid	(1,623)	(1,725)
Repayment of non-current financial payables	(8,437)	(6,075)
Increase (decrease) current financial payables	(3,506)	(366)
Increase (decrease) other financial payables	(896)	-
(Increase) decrease in financial receivables from holding company	-	674
(Increase) decrease in financial receivables from companies under control of holding company	-	51
Dividend payments	(6,969)	(5,986)
Paid-in share capital increase	-	3
Own shares	(349)	-
Change in translation reserve	789	821
CASH FLOW FROM FINANCING ACTIVITIES (D)	(20,991)	(12,603)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)	(20,514)	(21,020)
Cash & cash equivalents at beginning of the year	55,494	70,024
Increase/(decrease) in cash and cash equivalents	(20,514)	(21,020)
Cash & cash equivalents at end of the year	34,980	49,004