



# SITspa

PRESS RELEASE

## **SIT S.p.A. approves 2019 results and proposes dividend of Euro 0.14 per share to the Shareholders' Meeting**

*Chairman and CEO Federico de' Stefani: "We want to stand alongside companies and be leaders in the future of energy."*

*SIT reports for 2019:*

- *Consolidated revenues of Euro 352.2 million (-2.1%)*
- *Heating Division sales of Euro 260.0 million (-8.6%)*
- *Smart Gas Metering Division sales of Euro 88.6 million (+23.1%)*
- *Consolidated EBITDA of Euro 48.7 million (+11.2%), including impact from initial application of IFRS 16 of +Euro 2.2 million*
- *Consolidated net profit of Euro 19.9 million (-17.9%), with a tax rate benefitting from extraordinary tax income of Euro 3.7 million*

*For Q4 2019, the following are reported:*

- *Consolidated revenues of Euro 89.4 million (-0.9%)*
- *Heating Division sales of Euro 69.3 million (-6.7%)*
- *Smart Gas Metering Division sales of Euro 19.1 million (+25.7%)*
- *Consolidated EBITDA of Euro 11.6 million (+27.5%), including impact from initial application of IFRS 16 of +Euro 0.5 million*
- *Consolidated Net Financial Position at December 31, 2019 of Euro 78.4 million, including impact from initial application of IFRS 16 of Euro 5.7 million*
- *Investments in the year of Euro 23.0 million*

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**Padua, March 26, 2020**

The Board of Directors of SIT S.p.A. ("**SIT**" or the "**Company**"), listed on the main market of the Italian Stock Exchange, in a meeting today presided over by the Chairman and Chief Executive Officer Federico de' Stefani, approved the consolidated 2019 results.



“In 2019, the SIT Group achieved significant goals, thanks to the hard work of all those involved with it. Their professionalism enabled us to take on and overcome the challenges that the market lays at our door every day”, said **Federico de Stefani, Chairman and Chief Executive Officer of SIT S.p.A.** “Throughout the year, SIT worked hard to grow alongside the communities in which it operates, always conscious that its ultimate aim is to create value for all its stakeholders. This means placing operating results alongside ethical performance, prioritising the creation of high-quality products and awareness of the social and environmental impact of its work. Creating value through work is part of our DNA, both for the business itself and for all those who form part of its social, economic and production ecosystems. This is why we feel it necessary to underline this philosophy through an update to our mission, vision and values.

This is a time of great uncertainty. The Coronavirus emergency is putting our country, our health and economic systems and the fabric of Italian business in grave danger. Especially during this critical period, our share price does not reflect the value that we have shown we can create, which is the value of a market leader, of a company that is always capable of demonstrating its solidity.

For SIT, the future after Covid-19 is fraught with challenges and opportunities: how to create growth opportunities, how to manage energy transition, market dynamics, digital transformation and evolution in the ways we work, the places we work from, and the tools we use. SIT remains. This pandemic doesn't dent, and nor will it, our ambition to be the leading partner in energy and climate control solutions.”

## KEY FINANCIALS

(Euro.000)	2019	%	2018	%	diff%
Revenues from contracts with customers	352,207	100.0%	359,688	100.0%	-2.1%
EBITDA	48,739	13.8%	43,821	12.2%	11.2%
EBIT	24,734	7.0%	23,955	6.7%	3.3%
Net profit/(loss)	19,928	5.7%	24,265	6.7%	-17.9%
Operating cash flows	9,992		3,215		

(Euro.000)	31/12/2019	31/12/2018
Net Financial Position <sup>(1)</sup>	78,397	71,334
Net trade working capital	34,971	29,473
Net trade working capital/Revenues	9.9%	8.2%

<sup>(1)</sup> At 31.12.2019, Net financial debt includes impact from initial application of IFRS 16 of Euro 5,707 thousand.

2019 consolidated revenues were Euro 352.2 million, decreasing 2.1% on 2018 (Euro 359.7 million).



Q4 revenues were Euro 89.4 million, decreasing 0.9% on the previous year. The consolidated sales figures reflect different trends within the two Divisions.

(Euro.000)	2019	%	2018	%	diff %
Heating	260,026	73.8%	284,543	79.1%	-8.6%
Smart Gas Metering	88,625	25.2%	71,966	20.0%	23.1%
Total business sales	348,651	99.0%	356,509	99.1%	-2.2%
Other revenues	3,556	1.0%	3,179	0.9%	11.9%
<b>Total revenues</b>	<b>352,207</b>	<b>100.0%</b>	<b>359,688</b>	<b>100.0%</b>	<b>-2.1%</b>

Heating Division sales of Euro 260.0 million were down 8.6% on the previous year (-6.7% in Q4) mainly due to the decline on the European and Asian markets and only partially offset by the good US market performance - expanding 12.0% (+6.6% at like-for-like exchange rates).

On the American market - which represents approx. 23.6% of division sales - the improvement follows greater Storage Water Heating market share, thanks to the renewal of a long-term contract with a major sector customer and a stronger electronics performance on the Direct Heating market.

In Europe - which, excluding Italy, accounts for 46.5% of divisional sales - 2019 is down 15.0%, while Q4 2019 shows a slight decrease of 10.4% compared to the same period of 2018. This reduction affected all markets, but especially Turkey - accounting for 10.1% of divisional sales - which recorded a decrease of 31.1% (-18.7% in Q4). This was due to the absence of the E.r.P (Energy Related Products) regulation, which had supported sales in H1 2018.

Italy (19.6% of divisional sales) contracted 7.7% compared to the previous year (Q4 consistent with 2018), indirectly reflecting the suspension of the incentives programme introduced by the Chinese government ("coal to gas policy") - in place in early 2018 - as well as the slowdown on the local market.

China (5.8% of division sales) reported a contraction of 12.8% in 2019 compared to the previous year, while Q4 was consistent with 2018.

In 2019, the Smart Gas Metering Division generated revenues of Euro 88.6 million, an increase of 23.1% compared to Euro 72.0 million in 2018. In Q4 alone, sales were up 25.7%.

In terms of products, sales for Residential Meters amounted to Euro 84.5 million (95.4% of total sales), while sales for Commercial & Industrial Meters amounted to Euro 3.8 million. In 2018, these were respectively Euro 70.0 million (+20.8%) and Euro 1.8 million, with the latter up 107.3% following the entry into production of the second-generation product previously launched in the Residential segment. 2019 revenues were all substantially generated on the domestic market.

Purchase costs of raw materials and consumables, including changes in inventories, amounted to Euro 194.9 million (55.3% of revenues, compared to 54.0% in 2018), due to the increase in transformation costs, only partially offset by the reduction in purchase prices.



Service costs, amounting to Euro 38.9 million, account for 11.0% of revenues, compared to 12.4% in 2018 (Euro 44.5 million). This decrease is a combined effect of the streamlining measures undertaken in 2019 regarding outsourcing (approx. Euro 1.6 million); a reduction in transport costs (approx. Euro 1.2 million); non-recurring costs associated with the transition to the MTA market in 2018 (1.2 million); the accounting effect relating to the initial application of IFRS 16, which reduced rental costs by approx. Euro 2.2 million.

Personnel expenses of Euro 69.4 million accounted for 19.7% of revenues (20.5% in 2018), decreasing Euro 4.2 million, due mainly to the non-recurring charges in 2018 of Euro 2.5 million for the mutual resolution of the employment of the general manager and the reduced volumes, which resulted in a lesser recourse to temporary staff (Euro 3.2 million).

Amortisation and depreciation of Euro 24.1 million rose Euro 4.1 million, +20.3% on the same period of the previous year, due to the entry into service of the investments made in 2018 (for approx. Euro 3.7 million), in addition to the impact of the initial application of IFRS 16 (Euro 2.1 million). Also recognised are non-recurring write-downs of assets for Euro 0.7 million due to changes in their use.

The provision for risks recorded a value of Euro 138 thousand in 2019, compared to Euro 2.1 million in 2018. The item is affected by a reduction of Euro 463 thousand deriving from an updated percentage based on an assessment and analysis of returns for defects, and a reduction of Euro 412 thousand for unfulfilled obligations to clients for contractually-required potential compensation.

Other charges and income, totalling Euro 53 thousand, include non-recurring income for Euro 0.7 million relating to an insurance payment.

EBITDA, including the initial application of IFRS 16 for +Euro 2.2 million, was Euro 48.7 million, up 11.2% on 2018 (Euro 43.8 million). It should be noted that in 2018, non-recurring costs totalling Euro 6.8 million were incurred (of which Euro 2.7 million for personnel relating to the settlement with the General Manager and Euro 2.4 million for the transition from the AIM market to the main MTA segment), while in the same period of 2019 non-recurring transactions resulted in net income of Euro 0.4 million.

Group EBIT therefore increased from Euro 24.0 million in 2018 to Euro 24.7 million in 2019 (+3.3%), accounting for 7.0% of revenues, up from 6.7%.

Financial charges in 2019 amounted to Euro 4.2 million, down from Euro 4.8 million in 2018. Financial income of Euro 2.0 million decreased compared to the previous year (Euro 13.3 million). This financial income included the changes in fair value, which for 2018 was positive in relation to the market movements of Performance Shares (Euro 3.2 million) and of the Warrants issued by the company (Euro 9.5 million, compared to Euro 1.5 million for 2019).

Adjusted net financial charges, net of the aforementioned changes in fair value, were Euro 3.6 million in 2019, decreasing from Euro 4.3 million in 2018.

Income taxes amounted to Euro 1.4 million, compared to Euro 7.8 million in 2018. In the third quarter of 2019, the company was notified of the favourable outcome to the appeal presented to the Tax Agency regarding the tax treatment of the fair value change concerning the Warrants and the Performance shares in financial years 2017 and 2018. Consequently, the relative non-recurring tax income of Euro 3.7 million was recorded.



The net profit in the period was Euro 19.9 million (Euro 24.3 million in 2018).

The adjusted net profit in 2019, net of the above non-recurring effects, was Euro 14.9 million, compared to Euro 19.6 million in 2018 (respectively a 4.2% and 5.4% revenue margin).

At December 31, 2019, net financial debt was Euro 78.4 million (it includes the impact from the IFRS 16 adoption of Euro 5.7 million) compared to Euro 71.3 million at December 31, 2018.

The movements in the net financial position are reported below:

<b>(Euro.000)</b>	<b>2019</b>	<b>2018</b>
Cash flow from current activities (A)	48,941	48,138
Cash flow generated (absorbed) from Working Capital (B)	-15,999	-15,056
<b>CASH FLOW FROM OPERATING ACTIVITIES (A + B)</b>	<b>32,942</b>	<b>33,082</b>
Cash flow from investing activities (C)	-22,950	-29,867
<b>CASH FLOW FROM OPERATING AND INVESTING ACTIVITIES (A + B + C)</b>	<b>9,992</b>	<b>3,215</b>
Interest paid	-2,816	-3,657
Change in accrued interest on loans	-	13
Amortised cost	-605	-559
FV change of derivatives	76	-368
Change in translation reserve	1,838	1,201
Change in shareholders' equity and acquisition treasury	-685	-89
Dividends	-6,969	-5,986
IFRS 16	-731	
<b>Change in net financial position</b>	<b>100</b>	<b>-6,230</b>
<b>Opening net financial position</b>	<b>78,479</b>	<b>65,105</b>
<b>Closing net financial position</b>	<b>78,379</b>	<b>71,335</b>

2019 operating cash flows amounted to Euro 48.9 million, substantially consistent with last year's figure.

Cash flows absorbed by changes in working capital amount to Euro 15.9 million - also consistent with 2018.

Cash investments in 2019 totalled Euro 23.0 million, compared to Euro 29.9 million in 2018.

Operating cash flows after investments therefore amounted to Euro 10.0 million, compared to Euro 3.2 million in the previous year.

Among the financing activity cash flows, in 2019 we indicate the payment of interest for Euro 2.8 million (Euro 3.7 million in 2018), and the payment of dividends in 2019 of Euro 7.0 million (Euro 6.0 million in 2018).



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The 2019 Results summary, in addition to the documents outlining the period results, are available on the company website at [www.sitgroup.it](http://www.sitgroup.it) in the Investor Relations - Financial Results section, according to the methods established by applicable regulation.

### **Events subsequent to the year-end and outlook**

In response to the Covid-19 health crisis, which has spread globally since the beginning of the year, the Company has put in place a series of measures to ensure that business continues as normal, and simultaneously to guarantee the workplace health and safety of all its staff and collaborators. The measures adopted have been the subject of continuous monitoring, which has been carried out in close collaboration with the main facilities in Italy and abroad.

Until the issuance of the Prime Ministerial Decree of March 22, 2020, despite sub-optimal conditions, the Company ensured that its business continued as usual. This involved redefining operations within its plants, and managing relations with its customers and its Italian and international supply chains in the best possible way. Some delays occurred in component deliveries from Italian suppliers and in internal logistical operations to and from Italian and international facilities. These were chiefly due to transport limitations, but did not impinge materially on production continuity.

Since the aforementioned Decree came into force, the Company has adhered to its provisions. These include the cessation of all non-essential production in Italy from March 23/25.

These continuing restrictions may also have an impact on the operational continuity of facilities outside Italy, as these are highly integrated into the Group's production chain and their production is therefore difficult to interchange. Foreign governments may also choose to adopt the measures currently in place in Italy, partially or fully suspending production activity. To reduce this risk, Italian facilities have as far as possible brought forward their supplies to foreign plants, in order to avoid non-imposed production stoppages. Likewise, foreign facilities have accelerated some supplies to Italy (components and semi-finished products) and to end customers (finished products).

The continuing global health emergency and the stringent measures taken by many national governments to counter its further spread are affecting economic growth prospects, and are likely to have repercussions on the Italian and international outlooks.

This context of uncertainty, combined with the restrictive measures progressively adopted by national governments, could lead to a delay in planned implementations, which would have an inevitable impact on the Group's revenues and operating results. The Company has therefore already implemented a series of measures aimed at mitigating the impact of this risk by appropriately rescheduling the launch of new non-strategic investment projects and initiatives while waiting for the overall situation to stabilise.

At present, however, it is impossible to predict how this situation will play out, and nor is it possible to determine the possible impacts that could give rise to adjustments to the carrying amounts of the Group's assets and liabilities.



# SITspa

## **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.

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The SIT Group, through its two divisions Heating and Smart Gas Metering, creates intelligent solutions that manage climate control and measure consumption for a more sustainable world. A market-leading multinational company, listed on the MTA segment of the Italian Stock Exchange (Borsa Italiana), SIT aims to be the number one sustainable partner for control solutions for its customers, focusing on experimentation and the use of alternative gases with low environmental profiles. The Group comprises production companies located in Italy, Mexico, the Netherlands, Romania and China, in addition to a commercial and distribution structure covering all global markets.

### ***Investor Relation***

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## Annex 1- UNAUDITED BALANCE SHEET

(Euro.000)	31/12/19	31/12/18
Goodwill	78,138	78,138
Other intangible assets	59,125	66,111
Property, plant & equipment	79,317	65,169
Investments in other companies	54	54
Non-current financial assets	1,531	1,544
Deferred tax assets	5,167	7,482
<b>Non-current assets</b>	<b>223,332</b>	<b>218,498</b>
Inventories	51,126	52,230
Trade receivables	57,176	52,038
Other current assets	10,133	9,102
Tax receivables	4,770	3,565
Other current financial assets	23	97
Cash and cash equivalents	34,064	55,494
<b>Current assets</b>	<b>157,292</b>	<b>172,526</b>
<b>Total assets</b>	<b>380,624</b>	<b>391,024</b>
Share capital	96,152	96,152
Total Reserves	31,486	4,986
Net profit/(loss)	19,928	24,265
Minority interest net equity	-	-
<b>Shareholders' Equity</b>	<b>147,566</b>	<b>125,403</b>
Medium/long-term loans and borrowings	85,029	104,730
Other non-current financial liabilities and derivative financial instruments	4,138	710
Provisions for risks and charges	4,142	4,492
Post-employment benefit provision	6,201	5,908
Other non-current liabilities	4	758
Financial instruments for Performance Shares	-	-
Deferred tax liabilities	16,370	18,260
<b>Non-current liabilities</b>	<b>115,884</b>	<b>134,858</b>
Short-term loans and borrowings	19,730	16,257
Other current financial liabilities and derivative financial instruments	3,588	5,228
Trade payables	73,331	74,795
Other current liabilities	15,957	17,088
Short-term financial instruments for Performance Shares	-	8,260
Financial instruments for Warrants	1,567	3,028
Tax payables	3,001	6,107
<b>Current liabilities</b>	<b>117,174</b>	<b>130,763</b>
<b>Total Liabilities</b>	<b>233,058</b>	<b>265,621</b>
<b>Total Shareholders' Equity and Liabilities</b>	<b>380,624</b>	<b>391,024</b>





## Annex 2- UNAUDITED INCOME STATEMENT

(Euro.000)	2019	2018
<b>Revenues from sales and services</b>	<b>352,207</b>	<b>359,688</b>
Raw materials, ancillaries, consumables and goods	193,328	208,493
Change in inventories	1,557	-14,139
Service costs	38,883	44,462
Personnel expense	69,429	73,677
Depreciation, amortisation and write-downs	24,085	20,024
Provisions	139	2,062
Other charges (income)	53	1,154
<b>EBIT</b>	<b>24,734</b>	<b>23,955</b>
Investment income/(charges)	-20	-78
Financial income	2,033	13,286
Financial charges	-4,163	-4,798
Net exchange gains (losses)	-1,263	-292
Impairments on financial assets	-	-
<b>Profit/(loss) before taxes</b>	<b>21,320</b>	<b>32,072</b>
Income taxes	-1,392	-7,807
<b>Net profit/(loss) for the period</b>	<b>19,928</b>	<b>24,265</b>
<b>Minority interest result</b>	<b>-</b>	<b>-</b>
<b>Group net profit/(loss)</b>	<b>19,928</b>	<b>24,265</b>



## Annex 3- UNAUDITED CASH FLOW STATEMENT

(Euro.000)	2019	2018
Net profit/(loss)	19,928	24,265
Amortisation & depreciation	24,007	19,866
Non-cash adjustments	1,474	4,610
Income taxes	1,392	7,807
Net financial charges/(income)	2,140	-8,410
<b>CASH FLOW FROM CURRENT ACTIVITIES (A)</b>	<b>48,941</b>	<b>48,138</b>
<b>Changes in assets and liabilities:</b>		
Inventories	1,009	-14,205
Trade receivables	-5,218	-70
Trade payables	-1,464	6,428
Other assets and liabilities	-5,507	-3,212
Income taxes paid	-4,894	-3,997
<b>CASH FLOW GENERATED (ABSORBED) FROM CHANGES IN WORKING CAPITAL (B)</b>	<b>-16,074</b>	<b>-15,056</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES (A + B)</b>	<b>32,867</b>	<b>33,082</b>
<b>Investing activities:</b>		
Investments in property, plant & equipment	-23,044	-28,703
Other changes in property, plant & equipment	824	106
Investments in intangible assets	-743	-1,277
Other changes in financial assets	13	7
<b>CASH FLOW FROM INVESTING ACTIVITIES (C)</b>	<b>-22,950</b>	<b>-29,867</b>
<b>CASH FLOW FROM OPERATING &amp; INVESTING ACTIVITIES (A + B + C)</b>	<b>9,917</b>	<b>3,215</b>
<b>Financing activities:</b>		
Interest paid	-2,741	-3,657
Repayment of non-current financial payables	-16,875	-12,150
Increase (decrease) current financial payables	-3,745	2,211
Increase (decrease) other financial payables	-2,169	
(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	-	2
Own shares	-685	-91
Change in translation reserve	1,838	1,201
<b>CASH FLOW FROM FINANCING ACTIVITIES (D)</b>	<b>-31,346</b>	<b>-17,745</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)</b>	<b>-21,429</b>	<b>-14,530</b>
<b>Cash &amp; cash equivalents at beginning of the year</b>	<b>55,494</b>	<b>70,024</b>
Increase/(decrease) in cash and cash equivalents	-21,429	-14,530
<b>Cash &amp; cash equivalents at end of the year</b>	<b>34,065</b>	<b>55,494</b>



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