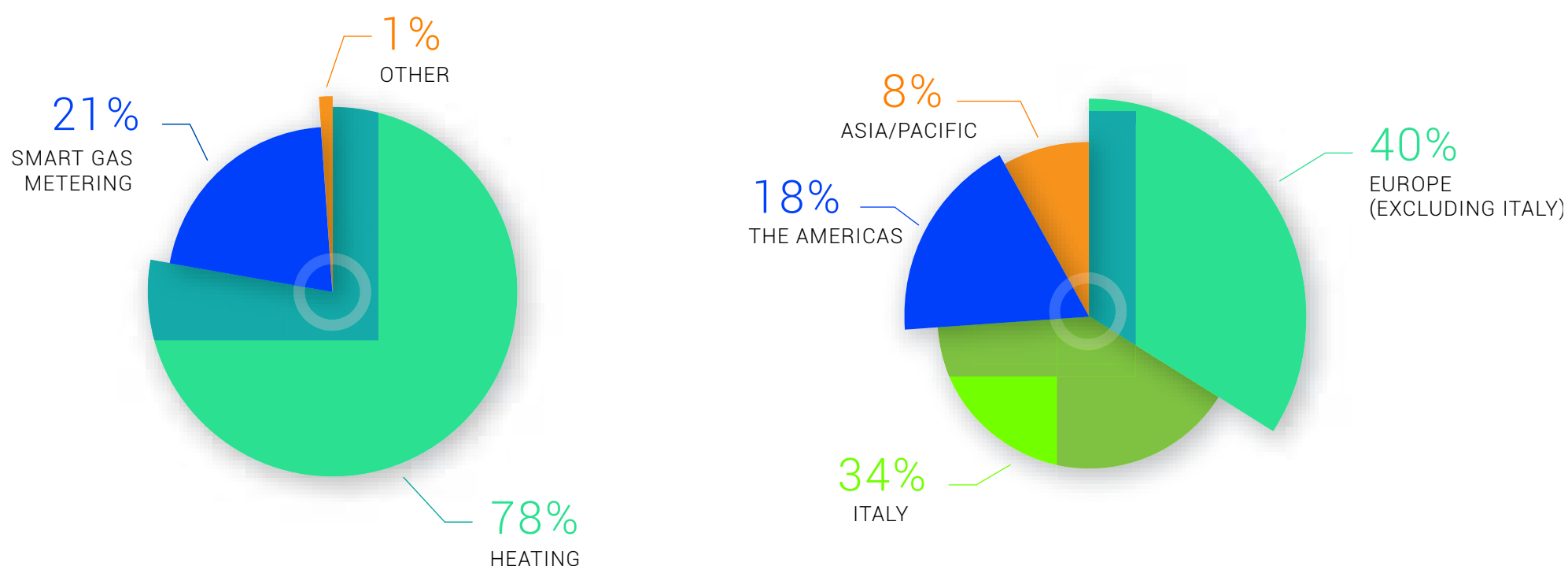


ECONOMIC SUSTAINABILITY

CREATION OF VALUE FOR STAKEHOLDERS CUSTOMER SATISFACTION

2020 consolidated revenues were Euro 320.7 million, decreasing 8.9% on 2019 (Euro 352.2 million). Revenues were impacted in the year by COVID-19, with a 20% contraction in H1 on the previous year, although the performance normalized from Q3 (-2%) and particularly in Q4 (+4.9%).

We report below a breakdown of 2020 sales by division and geographical area (in percent):



Heating Division

Heating Division sales amounted to Euro 249.0 million, -4.2% year-on-year (-3.5% at like-for-like exchange rates), with growth in the final quarter of 7.8% (9.9% at like-for-like exchange rates), confirming the impact of customer restocking and the positive effects of incentives provided by various countries during the year.

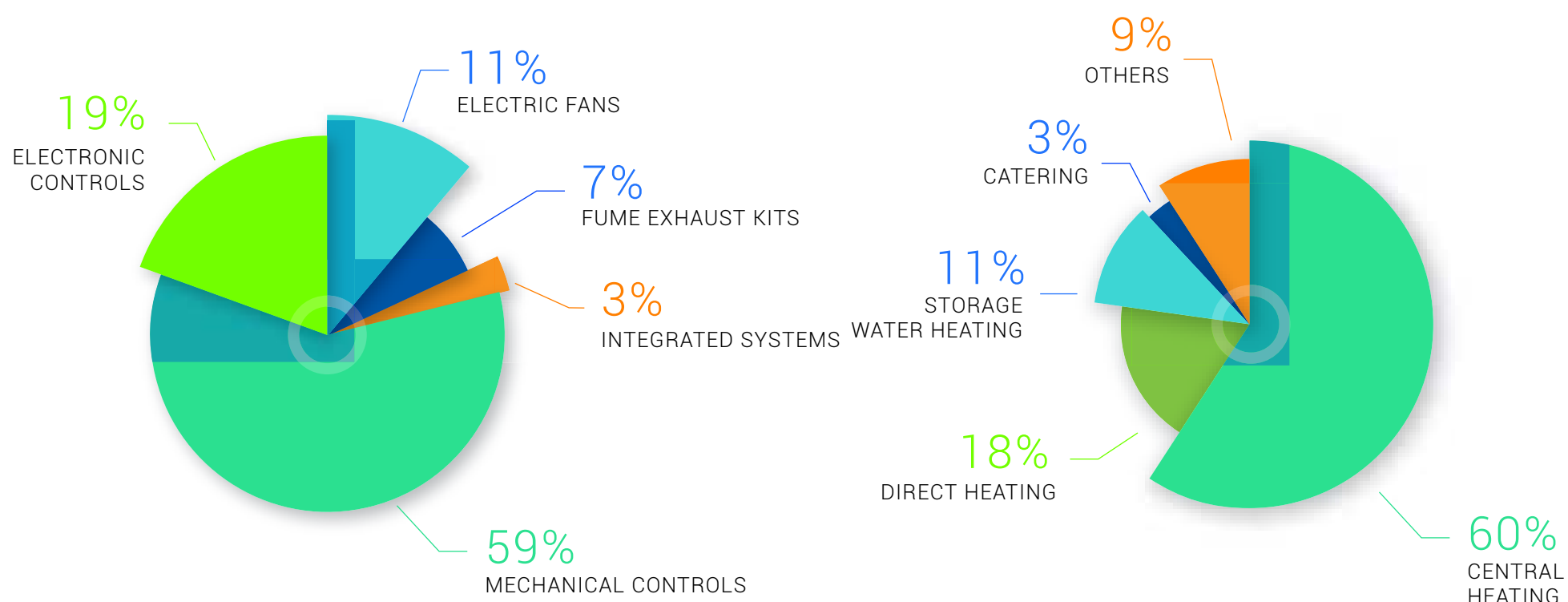
The 2020 results were notably impacted by the Italian market, (which accounts for 17.6% of divisional sales) which contracted 13.6% following the particularly severe lockdown in the early part of the year and the associated drop in Catering sector sales (-35.4%) and for Direct Heating applications such as pellet stoves (-50.7%).

Europe (excluding Italy) represents 48.3% of divisional sales and saw substantial stability in 2020. The poor performance in a number of areas particularly hit by the pandemic, such as the UK (-10.1%, -Euro 2.4 million) was offset by the recovery in Turkey (+11.2%, +Euro 3.0 million), with multinationals driving Central Heating demand. A number of central European markets performed well thanks to the introduction of new products and end-market demand.

Sales in the Americas (which account for 23.3% of the divisional total) contracted 5.5% (-3.5% at like-for-like exchange rates), with the growth for Storage Water Heating applications (+12.4%) offset by District Heating applications (-24.1%) and in particular fireplaces, whose consumption is more discretionary and was therefore impacted by the lockdown.

The year-on-year performance in Asia/Pacific (10.8% of divisional sales) was substantially stable, with China (5.9% of the division) reporting a 2.5% contraction (down approx. Euro 0.4 million on the previous year).

Among the main product families, the largest declines were seen in Electronic Controls (-8.0%, Euro 4.1 million), mainly for Direct Heating applications linked to US fireplaces and Mechanical Controls (-1.8%, Euro 2.7 million) and Smoke Exhaust Kits (-10.2%, Euro 2.1 million). At the application segment level, Central Heating accounted for 59.6% of division sales, a decline of 2.5% on the previous year, while Storage Water Heating (11.0% of the division) was up by 12.4%, driven by growth on the American market.



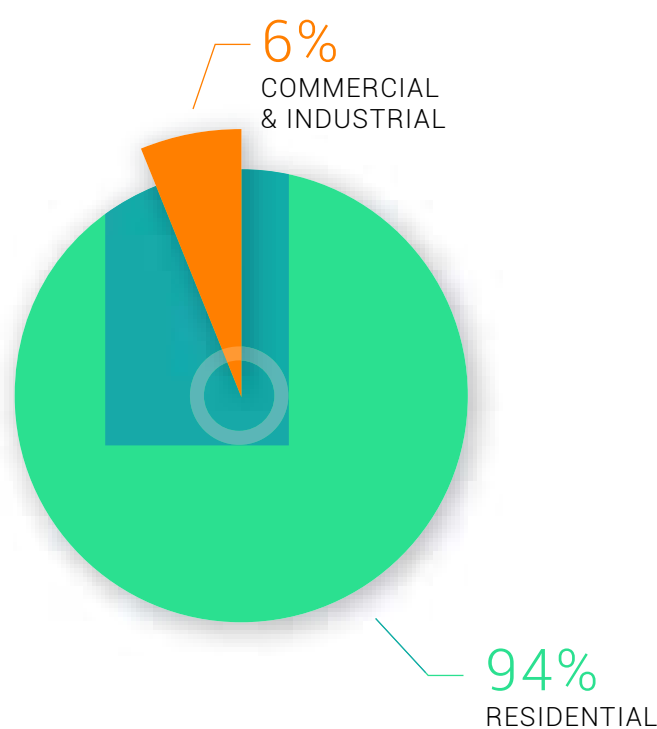
In relation to the main customers of the Heating Division, 41.6% of 2020 sales were on the top five customers, essentially in line with the level of the previous year.

Smart Gas Metering Division

In 2020, the Smart Gas Metering Division generated revenues of Euro 68.6 million, down 22.6% on Euro 88.6 million in 2019. Sales contracted 5.5% in Q4.

The performance, substantially in line with expectations as the rollout on the Italian market is gradually completed (estimated at 75-80%), closely reflected the COVID impact on the overseas commercial development target markets, the UK and India, which were severely held back by the pandemic.

In terms of products, sales for Residential Meters totaled Euro 64.6 million (94.1% of total sales), while sales for Commercial & Industrial Meters amounted to Euro 3.8 million. In 2019, sales were Euro 84.5 million and Euro 3.8 million respectively. 2020 revenues were all substantially generated on the domestic market.



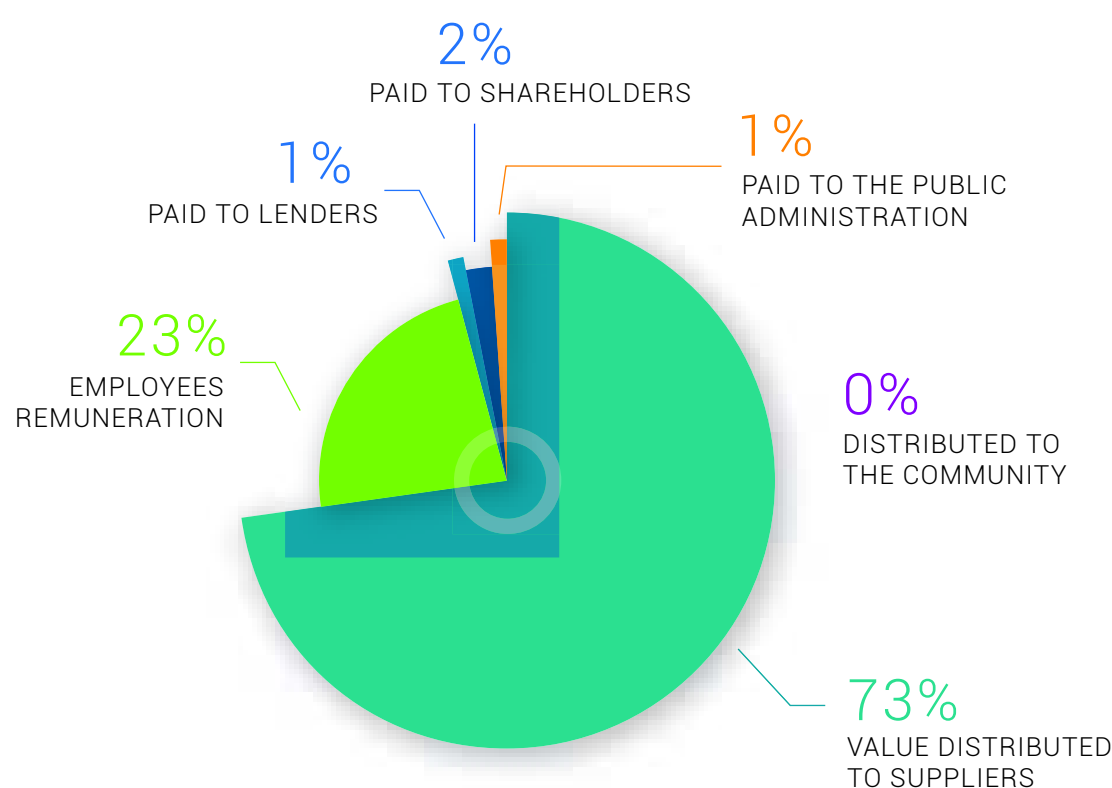
CREATION OF VALUE FOR STAKEHOLDERS

The economic value generated by the Group, and consequently distributed to stakeholders, derives from the calculation of generated and distributed value. This is determined for the reference period from the value generated from service and product sales and other income (e.g. financial income, etc.) net of amortization and write-downs, and from the distributed value, in various forms, to Group stakeholders.

The calculation is based on the income statement used in the Group's consolidated financial statements at December 31, 2020.

Thus, in 2020, SIT generated an economic value amounting to Euro 323.346 million, redistributed to shareholders, communities, personnel, public administrations, suppliers and lenders.

Below is a breakdown of the distribution of value to stakeholders⁷:



DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED (IN EURO THOUSANDS)

	2020	2019	2018
(A) Direct economic value generated	323,346	351,359	385,599
(B) Direct economic value distributed	292,253	310,684	345,939
(A-B) Economic value withheld	31,092	40,676	39,660

DIRECT ECONOMIC VALUE DISTRIBUTED (IN THOUSANDS OF EURO)

	2020	2019	2018
Employee remuneration	66,581	69,429	73,677
Labor costs	66,581	69,429	73,677
Distributed to suppliers	211,779	232,209	252,948
Raw materials, ancillaries, consumables and goods	173,696	193,328	208,493
Service costs	38,083	38,881	44,455
Paid to lenders	3,939	4,163	4,798
Financial charges	3,939	4,163	4,798
Paid to Shareholders	7,000	3,476	6,690
Distribution of profits for the year	7,000	3,476	6,690
Paid to the Public Administration	2,766	1,392	7,807
Income taxes	2,766	1,392	7,807
Distributed to the community	189	15	19
Donations, sponsorship and communication	189	15	19
Total economic value distributed	292,253	310,684	345,939

CUSTOMER SATISFACTION

Customer orientation is one of SIT's core values. Everyone at SIT seeks to meet and exceed customer expectations. The customer is the compass that guides our strategies, policies and actions.

As such, our customers are always the focus of our activities, from R&D, to production and the product delivery process.

Customer satisfaction pervades SIT's entire value chain. This translates into a desire to listen to and involve customer stakeholders in sales relationships, the design of new products, the customization of existing ones, and the improvement of production processes.

These policies seek to meet customer needs by reducing the time to market and offering maximum flexibility along the supply chain.

The Effective Sales project was launched in 2020 under the remit of the Heating Division's sales management activities, with the aim of improving customer service and collaboration in order to create future growth and success together. Sales teams were reshuffled depending on their expertise and regional proximity to customers.

Convinced that leveraging the local culture and language allows us to build stronger relationships, speed up communications, and facilitate the process of customizing our services and technology solutions, account managers in China, the US and Turkey were given greater responsibilities in order to allow for more efficient collaboration with local companies belonging to large global groups.

The project allowed SIT to reassess the workloads and duties of account managers. Based on its assessment, the Group reallocated customers to ensure workloads were more equally distributed. This move will enable account managers to improve customer service and dedicate more time to the identification of potential business opportunities.

Finally, the Group has implemented a CRM platform (Sales Force), which guarantees full visibility of SIT's sales activities. The platform applies to the Sales, Marketing and R&D teams and allows SIT to measure and consequently improve its customer service in terms of punctual offer presentations and accurate technical solutions.

Customer satisfaction policies also guide the actions of the Metering Division in three specific areas:

1. Compliance with the delivery date agreed with the customer;
2. Geographical proximity to customers;
3. Product development in line with the customer's sustainability policies.

7) The "distribution of profits in the year" is based on the expected distribution of a dividend equal to Euro 0.28 per share, the approval of which will be submitted to the Shareholders' Meeting scheduled for April 29, 2021. For more details on "donations, sponsorships and collaborations", please refer to the paragraph entitled "SIT's support for local communities".

These objectives have been translated into the following actions and results:

- 1) In 2020 – a particularly difficult year due to the COVID-19 – MeterRSit kept its production lines operational at all times, providing continuous supplies to customers who, in turn, were called upon to ensure new products were installed at the end user's premises on time. MeterRSit was able to stay operational thanks to its ability to guarantee workers extremely safe conditions with respect to the risk of infection.
- 2) During 2020, MeterRSit analyzed the option of opening one subsidiary in the UK and one in India, which are the two main markets MeterRSit intends to target for its overseas expansion. The COVID situation forced action on this point to be postponed until 2021.
- 3) During 2020, MeterRSit obtained a Kiwa Environmental Product Declaration for its residential G4 & G6 product family, according to ISO 14025. (EPD-MeterRSit-95-EN). An Environmental Product Declaration (EPD) is an independently verified and registered document that communicates transparent and comparable information on the environmental impact of a product's life cycle. This is the first certification of its kind to be issued to a company in Italy's gas meter sector. This activity was carried out as part of a recent tender launched by a major customer in 2019.

EcoVadis Assessment

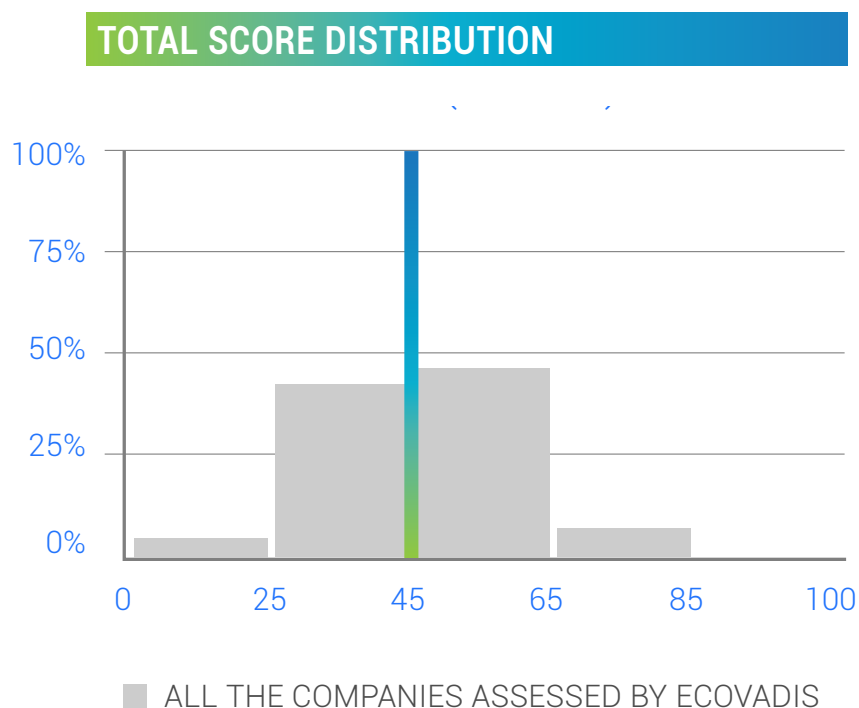
On the initiative of one of its main customers, in 2020, SIT's performance was evaluated in terms of its Corporate Social Responsibility using the EcoVadis⁸ platform.

The assessment involved all main company departments and resulted in a bronze score of 45 points. This score places SIT in the average band of companies in its sector and is a further incentive for continuous improvement.



45/100

48° percentile



8) For further information, please consult: <https://ecovadis.com/>