

Economic Sustainability

On November 28, 2018, trading began of SIT's ordinary shares and warrants on the main index of the Italian Stock Exchange (Mercato Telematico Azionario) ("MTA"), organised and managed by Borsa Italiana. Trading began following communication No. 0485808/18 of November 22, 2018 in which the Stock Market regulator - CONSOB approved the information prospectus and the provisions issued by the Italian Stock Exchange on November 20 and 26, 2018 with which it approved respectively the admission for trading of the shares and of the warrants of the Company and the commencement date of trading.

This process completes the transfer from the AIM Italia market to the MTA market which the company began following approval by the Shareholders' Meeting of December 18, 2017, with the objective to provide greater visibility (both for strategic partners and institutional investors) and to improve the share's liquidity and access to a broader equity market considering the greater number of listed companies and investors active on this market.

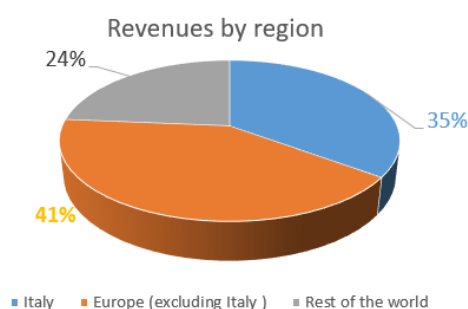
On the business performance front, the year 2018 again saw strong growth in revenues compared to the previous year with the Group reporting growth of 11.0% (+12.0% at same exchange rates).

Heating growth was 4.7%, supported by the European and American markets and was substantially across all of the main product families. During the year, the investment programme was completed in order to increase the production capacity and remove the principal bottlenecks which in the second part of 2017 and the first half of 2018 negatively impacted the division's performance. These investments, amounting to approx. Euro 13.3 million, were completed and entered into full production on schedule in the third quarter of 2018.

The activities surrounding the construction of the Rovigo logistics hub and the consequent bringing in-house of warehousing and shipping, previously managed by an outside specialist, followed the plan with the start-up of the new unit in the third quarter of the year.

The Smart Gas Metering Division also continued to acquire new orders in 2018 and consolidate its market position. In 2018, revenues amounted to Euro 72.1 million, up 45.9% on Euro 49.5 million in 2017. At the reporting date, the order portfolio stood at approximately Euro 44.4 million, scheduled for delivery in 2019.

In geographical terms, the Group received approximately 35%, or Euro 126.131 million, of its total turnover from Italy. Of the remaining Euro 233.557 million, around 41% and 24% are respectively attributable to the rest of Europe (excluding Italy) and the other countries in which the Group operates⁶.



⁶ The Rest of the world includes the Americas and Asia/Pacific.

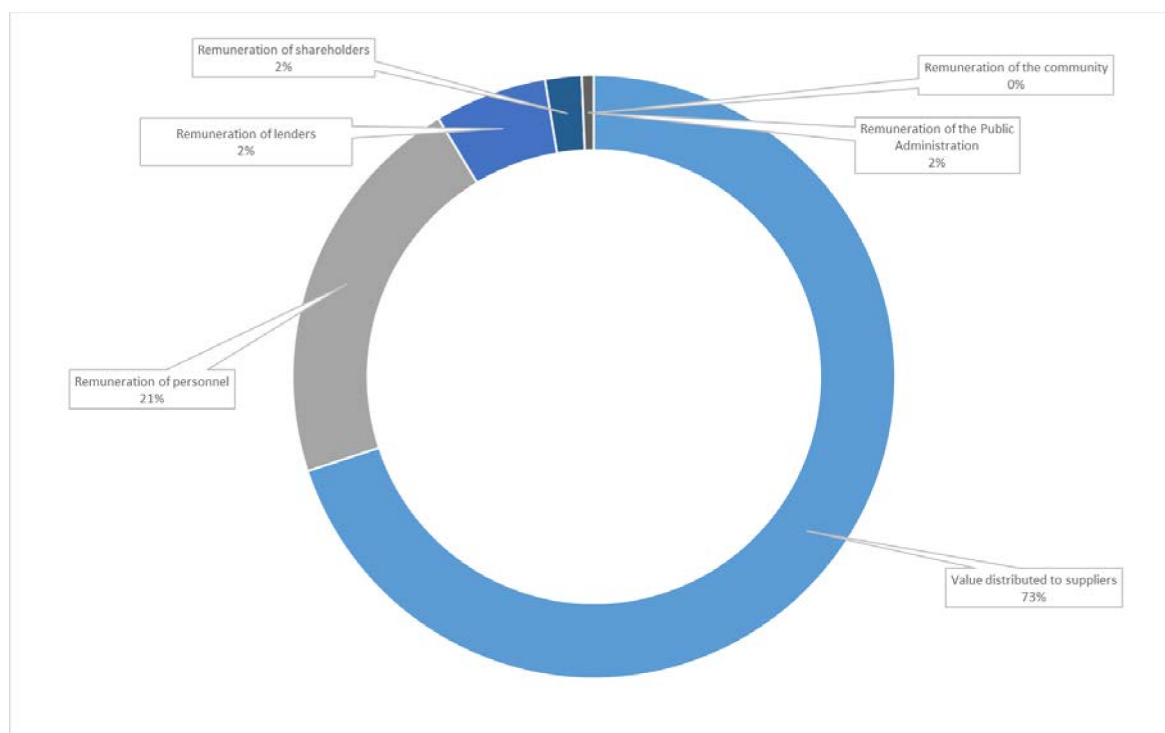
Creation of value for stakeholder

The economic value generated by the Group, and consequently distributed to stakeholder, 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, other revenues) net of amortization and write-downs, and from the distributed value, in various forms, to Group stakeholder.

The calculation is based on the income statement used in the Group's consolidated financial statements at December 31, 2018.

Thus, in 2018, SIT Group generated an economic value amounting to Euro 385.599 million, redistributed to the communities, personnel, public administrations, suppliers and lenders.

Value distributed to the stakeholder



Economic value directly generated and distributed (in Euro thousands)	2018
(A) Economic value directly generated	385,599
(B) Economic value distributed	345,939
(A-B) Economic value withheld	39,660

Economic value distributed (in thousands of Euro)	
Personnel remuneration	73,676
Personnel expense	73,676
Remuneration of suppliers	252,948
Raw materials, ancillaries, consumables and goods	208,493
Service costs	44,455
Remuneration of lenders	4,798
Financial expenses	4,798
Remuneration of directors	6,690
Distribution of profits for the year ⁷	6,690
Remuneration of the Public Administration	7,806
Income taxes	7,806
Remuneration of the Communities	18
Donations, sponsorship and communication	18
Total economic value distributed	345,939

⁷ Proposed distribution of dividends on 2018's profit according to the financial statements approved on March 22, 2019.