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PRESS RELEASE

SIT: Board of Directors approved financial results for the 9 months 2022

SIT reports for 9M 2022:

- **Consolidated revenues** of Euro 290.4 million (+1.5% on 9M 2021);
- **Heating Division sales** of Euro 234.8 million (+6.3% on 9M 2021);
- **Metering Division sales** of Euro 51.4 million (-17.1% on 9M 2021);
- **Consolidated Net Profit** of Euro 10.5 million (+15.2% on 9M 2021);
- **Net financial position** at September 30, 2022 of Euro 138.7 million (Euro 123.6 million at September 30, 2021).

Q3 2022 reports:

- **Consolidated revenues** of Euro 95.7 million (in line with Q3 2021);
- **Heating Division sales** of Euro 77.0 million (+1.0% on Q3 2021);
- **Metering Division sales** of Euro 17.3 million (-8.4% on Q3 2021);



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Padua, November 3, 2022

The Board of Directors of SIT S.p.A., listed on the Euronext Milan segment of the Italian Stock Exchange, in a meeting today presided over by Federico de' Stefani, the Chairman and Chief Executive Officer, approved the consolidated 9M 2022 results.

"The nine month figures reflect the slowdown on our markets across a large part of Europe" stated Federico de' Stefani, Chairman and CEO of SIT, who continues "We - the market leaders - have certainly suffered while demand volatility has lowered our expected results. In preparation of the winter season, we have implemented a procurement policy that allows us to respond quickly to increasingly unstable demand, while guaranteeing service to our customers. We continue to be focused on offering innovative, efficient, safe and high quality solutions.

We expect that inflation in 2023 may have a significant impact on both our costs and revenues. We have seen exciting developments in the water metering sector and generally expect to participate in new major tenders on both the domestic and international markets. We also expect next year to benefit from the broader product portfolio brought on stream through R&D and consequently greater market share".

KEY FINANCIALS

(Euro.000)	9M 22	%	9M 21	%	change	change %
Revenues from contracts with customers	290,384	100.0%	286,203	100.0%	4,181	1.5%
Adjusted EBITDA	35,594	12.3%	41,954	14.7%	-6,360	-15.2%
EBITDA	26,769	9.2%	41,954	14.7%	-15,185	-36.2%
Adjusted EBIT	15,370	5.3%	23,059	8.1%	-7,689	-33.3%
EBIT	6,545	2.3%	23,059	8.1%	-16,514	-71.6%
Result before taxes (EBT)	11,440	3.9%	12,030	4.2%	-590	-4.9%
Net result	10,479	3.6%	9,100	3.2%	1,379	15.2%
Net Profit/(loss) for the period adjusted	8,246	2.8%	15,768	5.5%	-7,522	-47.7%
Cash flow from operating activities	-28,281		6,999			

(Euro.000)	30/09/2022	31/12/2021	30/09/2021
Net financial debt	138,686	106,729	123,602
Net trade working capital	81,026	45,423	61,927
Net trade working capital/Revenues	20.9%	11.9%	16.2%



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Operating performance

Consolidated Revenues by Division

(Euro.000)	9M 22	%	9M 21	%	diff	diff %
Heating	234,798	80.9%	220,887	77.2%	13,912	6.3%
Metering	51,400	17.7%	62,006	21.7%	(10,606)	(17.1%)
Total sales	286,198	98.6%	282,893	98.8%	3,305	1.2%
Other revenues	4,186	1.4%	3,310	1.2%	876	26.5%
Total revenues	290,384	100%	286,203	100%	4,181	1.5%

Consolidated Revenues by Geographic Area

(Euro.000)	9M 22	%	9M 21	%	diff	change
Italy	66,913	23.0%	89,676	31.3%	(22,763)	(25.4%)
Europe (excluding Italy)	132,180	45.5%	120,349	42.1%	11,831	9.8%
The Americas	62,604	21.6%	52,559	18.4%	10,044	19.1%
Asia/Pacific	28,687	9.9%	23,619	8.3%	5,068	21.5%
Total revenues	290,384	100%	286,203	100%	4,181	1.5%

9M 2022 consolidated revenues were Euro 290.4 million, increasing 1.5% on the same period of 2021 (Euro 286.2 million).

Heating Division sales for first nine months of 2022 amounted to Euro 234.8 million, +6.3% on Euro 220.9 million in the same period of 2021 (+2.9% at like-for-like exchange rates). In the third quarter of 2022, core division sales totalled Euro 77.0 million, up 1% on Q3 2021.

The following table presents Heating Division core sales by region according to management criteria:

(Euro.000)	9M 22	%	9M 21	%	diff	change %
Italy	45,092	19.2%	43,032	19.5%	2,060	4.8%
Europe (excluding Italy)	101,046	43.0%	104,705	47.4%	(3,658)	(3.5%)
The Americas	59,846	25.5%	51,046	23.1%	8,800	17.2%
Asia/Pacific	28,814	12.3%	22,105	10.0%	6,710	30.4%
Total sales	234,798	100%	220,887	100%	13,912	6.3%

Sales in Italy rose 4.8% on 9M 2021, thanks to strong demand in the Catering sector (Euro 1.7 million, +57.6%) and for Direct Heating, which rose Euro 0.7 million (+12.1%), on the basis of pellet stoves and space heaters. Central Heating reported a contraction of Euro 1.2 million (-4.4%), mainly due to flue systems.

Sales in Europe (excluding Italy) in the first nine months of 2022 decreased Euro 3.7 million (-3.5%) on the same period of the previous year. Turkey, the top shipping market with 10.7% of division sales, contracted 5.5% on 2021 and particularly the Central Heating segment due to the effect of OEM demand influenced by the market, while the UK, 6.0% of division sales, saw a 14.3% decrease for Central Heating - Flues and Mechanical controls - improving on the previous quarter due to the normalisation of the supply chain. Central Europe remains strong, thanks to the introduction of new products, up 12.8% on Q1 2021 (Euro 4.7 million).



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Sales in the Americas rose 17.2% (+5.2% at like-for-like exchange rates), thanks to fireplaces growth of Euro 6.1 million (+22.5%). Storage Water Heating applications in 9M 2022 decreased 6.5% (Euro 1.0 million). Central Heating applications grew Euro 4.2 million (+56.5%), particularly in electronics.

Asia/Pacific sales were up 30.4% to Euro 28.8 million (Euro 22.1 million in 9M 2021). Growth was reported in China (7.4% of the division), up 22.9%, with a Euro 3.2 million improvement in the retail market of the Central Heating segment and in Australia with an increase of Euro 1.2 million (+22.2%).

Among the main product families, Mechanical controls sales were up (+32.9%, Euro 13.1 million), as were Fans (+7.2%, Euro 2.0 million). Supply chain operating conditions improved for these categories; at the application segment level, Central Heating accounted for 58.8% of division sales, increasing 4.3%, while Direct Heating (20.1% of the division sales) rose 11.5% due to the strong fireplaces market in the USA and for applications sold in Italy.

Metering Division sales were Euro 51.4 million (Euro 62.0 million, reducing 17.1% on the same period of the previous year).

In 9M 2022, Smart Gas Metering sector sales totalled Euro 33.0 million, reducing 29.3% on 9M 2021. Sales in Italy accounted for 92.3% of the total, while overseas sales accounted for 7.7% (from Greece, Central Europe, the UK and India).

Water Metering sales totalled Euro 18.4 million, up 20.3% on 9M 2021. Portugal accounts for 23.6% of sales, Spain for 30.3%, the rest of Europe for 33.3% and America and Asia respectively for 6.7% and 6.1%.

In the third quarter of 2022 we have accrued Euro 8.8 million as a best estimate for settlement costs (including legal expenses) with a customer regarding a dispute concerning a supply.

Consolidated 9M 2022 **Adjusted EBITDA** was Euro 35.6 million (12.3% revenue margin), decreasing 15.2% on Euro 42.0 million (14.7% margin) in the first nine months of 2021.

The impact of volumes is negative for Euro 7.8 million, while the net contribution of prices is positive for Euro 4.5 million, as the increased cost of components and raw materials in the period, and partly those of processing costs, was transferred to the market. Operating costs increased Euro 6.0 million, particularly due to the impact of logistics and transport costs (increasing by approx. Euro 3.5 million) and increased R&D and production costs. EBITDA benefitted from exchange gains of Euro 2.7 million.

EBIT in 9M 2022 totalled Euro 6.5 million (2.3% margin), after amortisation, depreciation and write-downs of Euro 20.4 million, with Adjusted EBIT of Euro 15.4 million (5.3% margin). EBIT in 9M 2021 was Euro 23.1 million (8.1% margin).

Net financial income of Euro 6.5 million was reported in 9M 2022, due to the positive effect from the change in the fair value of the SIT warrants, settled in Q3, with a positive impact of Euro 8.7 million. Adjusted net financial charges totalled Euro 2.2 million (0.8% of revenues), reducing on the same period of the previous year (Euro 2.9 million, 1.0% of revenues).

Pre-tax profit was Euro 11.4 million (3.9% revenue margin), compared to Euro 12.0 million (4.2% margin) in the same period of 2021.

The net profit for the period was Euro 10.5 million (3.6% margin), compared to Euro 9.1 million in 9M 2021, which included the positive impact of the extraordinary tax income of Euro 1.8 million relating to the Patent Box.



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Net of non-recurring charges and income, the **adjusted net profit** in 9M 2022 was Euro 8.2 million, compared to Euro 15.8 million in the same period of the previous year (2.8% and 5.5% of revenues respectively).

Cash Flow performance

The net financial debt at September 30, 2022 was Euro 138.7 million, compared to Euro 123.6 million at September 30, 2021.

The movements in the net financial position are reported below:

(Euro.000)	9M 22	9M 21
Cash flow from current activities (A)	33,880	42,768
Change in inventories	(28,790)	(12,624)
Change in trade receivables	(4,224)	(1,022)
Change in trade payables	(954)	1,460
Change in other current assets and liabilities and for taxes	(7,104)	(3,971)
Cash flow from changes in working capital (B)	(41,072)	(16,158)
Cash flow from operating activities (A + B)	(7,192)	26,610
Cash flow from investing activities (C)	(21,089)	(19,611)
Cash flow from operating activities after investing activities (A + B + C)	(28,281)	6,999
Interest	(2,297)	(3,188)
Dividends	(7,299)	(6,890)
Acquisition of treasury shares	(537)	(2,173)
Equity changes	1,752	105
FV derivative changes	2,189	495
IFRS 16	(655)	(1,546)
Other	3,171	(1,385)
Change in net financial position	(31,957)	(7,581)
Opening net financial position	106,729	116,021
Closing net financial position	138,686	123,602

Cash flows from operating activities of Euro 33.9 million were generated in the first nine months of the year, with an absorption as a result of the increase in working capital of Euro 41.1 million, of which Euro 28.8 million due to increased inventories on the basis of the electronic component procurement policy to offset the impact of shortages and guarantee service to customers.

Investing activities absorbed cash of Euro 21.1 million, compared to Euro 19.6 million in the same period of the previous year.

Cash flows from operating activities after investments of Euro 28.3 million were therefore absorbed in the period, compared to a generation of Euro 7.0 million in 9M 2021.

Financing activity cash flows in the period included interest of Euro 2.3 million and dividends of Euro 7.3 million, in addition to the purchase of treasury shares for Euro 0.5 million; the IFRS 16 impact was Euro 0.7 million, while the fair value of hedging derivatives improved Euro 2.2 million.



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The net financial position at September 30, 2022 was Euro 138.7 million, increasing Euro 32.0 million on December 31, 2021 (Euro 106.7 million).

Subsequent events to the end of the period

There were no significant events subsequent to the end of third quarter.

Outlook

The performance in the third quarter confirmed the considerable market volatility, with a slowdown on the sales market, particularly in Europe. The backlog remains at high levels, but given the uncertainty, customers may delay orders and shipments planned for FY2022.

Therefore, forecast consolidated revenues for the present year may be at last year's levels, with an expected margin of slightly under 12% (Adjusted EBITDA).

Declaration of the manager responsible for the preparation of the Company's accounts

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. This press release and the results presentation for the period are available on the website www.sitcorporate.it in the Investor Relations section and will be presented to the market today at 3PM (CET). You can participate by clicking the following link: meet.google.com/obd-rngn-ncz

SIT, through its two divisions Heating and Metering, creates intelligent solutions for the control of environmental conditions and consumption measurement for a more sustainable world. A market-leading multinational company and listed on the Euronext Milan segment, SIT aims to be the number one sustainable partner for energy and climate control solutions for its customers, focusing on experimentation and the use of alternative gases with low environmental profiles. The Group has production sites in Italy, Mexico, the Netherlands, Romania, China, Tunisia and Portugal, in addition to a commercial structure covering all global markets. SIT is also a member of the [European Heating Industry](#) and of the [European Clean Hydrogen Alliance](#), in addition to the [Community Valore Acqua per l'Italia](#) ("Value Water for Italy Community") - www.sitcorporate.it

Investor Relations

Paul Fogolin
E. paul.fogolin@sitgroup.it
T. +39 049 829 3111

Mara Di Giorgio
E. mara@twin.services
M +39 335 7737417

SIT Media Relations

Stefano Campolo
E. stefano@twin.services
M. +39 329 0894649

Tommaso Pesa
E. tommaso@twin.services
M. +39 347 0735670



SITspa

Alessandra Capuzzo
E. alessandra@twin.services
M. +39 333 5461162



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Annex 1

BALANCE SHEET

(Euro.000)	30/09/2022	31/12/2021
Goodwill	87,946	87,946
Other intangible assets	56,208	61,611
Property, plant and equipment	103,027	98,039
Equity investments	325	325
Non-current financial assets	5,360	2,139
Deferred tax assets	10,687	7,897
Non-current assets	263,553	257,957
Inventories	101,703	70,123
Trade receivables	61,684	56,052
Other current assets	14,490	15,745
Tax receivables	3,417	2,965
Other current financial assets	5,609	527
Cash and cash equivalents	24,533	46,667
Current assets	211,436	192,079
Total assets	474,989	450,036
Share capital	96,162	96,162
Total Reserves	59,007	49,271
Net Profit	10,479	8,243
Minority interest net equity	-	-
Shareholders' Equity	165,648	153,676
Medium/long-term loans and borrowings	88,298	74,540
Other non-current financial liabilities and derivative financial instruments	53,073	54,625
Provisions for risks and charges	13,403	4,941
Post-employment benefit provision	6,056	5,762
Other non-current liabilities	5	61
Deferred tax liabilities	15,182	15,743
Non-current liabilities	176,017	155,672
Short-term loans and borrowings	22,669	19,770
Other current financial liabilities and derivative financial instruments	4,789	4,988
Trade payables	82,361	80,752
Other current liabilities	20,121	23,163
Financial instruments for Warrants	-	8,748
Tax payables	3,385	3,267
Current liabilities	133,324	140,688
Total Liabilities	309,341	296,360
Total Shareholders' Equity and Liabilities	474,989	450,036



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Annex 2

INCOME STATEMENT

(Euro.000)	9M 2022	9M 2021
Revenues from sales and services	290,384	286,203
Raw materials, ancillaries, consumables and goods	183,510	160,459
Change in inventories	(29,289)	(12,576)
Service costs	40,228	35,681
Personnel expense	59,963	59,787
Depreciation, amortisation and write-downs	20,396	18,908
Provisions for risks	8,381	367
Other charges (income)	650	518
EBIT	6,545	23,059
Investment income/(charges)	-	-
Financial income	9,274	216
Financial charges	(2,764)	(11,710)
Net exchange gains (losses)	(1,615)	465
Impairments on financial assets	-	-
Profit before taxes	11,440	12,030
Income taxes	(961)	(2,930)
Net Profit for the period	10,479	9,100
Minority interest result	-	-
Group net profit	10,479	9,100



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Annex 3 CASH FLOW STATEMENT

(Euro.000)	9M 2022	9M 2021
Net profit for the period	10,479	9,100
Amortisation & depreciation	20,223	18,895
Non-cash adjustments	8,730	346
Income taxes	960	2,932
Net financial charges/(income)	(6,512)	11,496
CASH FLOW FROM CURRENT ACTIVITIES (A)	33,880	42,769
<i>Changes in assets and liabilities:</i>		
Inventories	(28,790)	(12,624)
Trade receivables	(4,224)	(1,022)
Trade payables	(954)	1,460
Other assets and liabilities	(4,441)	(918)
Income taxes paid	(2,663)	(3,054)
CASH FLOW GENERATED (ABSORBED) FROM CHANGES IN WORKING CAPITAL (B)	(41,072)	(16,158)
CASH FLOW FROM OPERATING ACTIVITIES (A + B)	(7,192)	26,611
CASH FLOW FROM INVESTING ACTIVITIES (C)	(21,089)	(19,612)
CASH FLOW FROM OPERATING & INVESTING ACTIVITIES (A + B + C)	(28,281)	6,999
<i>Financing activities:</i>		
Interest paid	(1,617)	(2,647)
Repayment of non-current financial payables	(11,248)	(127,205)
Increase (decrease) current financial payables	2,153	(594)
Increase (decrease) other financial payables	(2,058)	(1,777)
New financing	25,000	133,562
Dividend payments	(7,297)	(6,890)
Treasury shares	(537)	(2,173)
CASH FLOW FROM FINANCING ACTIVITIES (D)	4,395	(7,724)
Change in translation reserve	1,752	105
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)	(22,134)	(620)
Cash & cash equivalents at beginning of the period	46,667	42,328
Increase (decrease) in cash and cash equivalents	(22,134)	(620)
Cash & cash equivalents at end of the period	24,533	41,708