

SIT BoD approves 2022 consolidated results Boost in sales in Q4 provide-better than-expected performances

Highlights

In 2022, SIT returned:

- **Consolidated revenues** of Euro 393.3 million (+3.4% on 2021);
- **Heating Division sales** of Euro 315.3 million (+5.7% on 2021);
- **Metering Division sales** of Euro 72.5 million (-5.7% on 2021), including Smart Gas Metering sales of Euro 48.4 million (-15.4%) and Water Metering sales of Euro 24.2 million (+22.2%);
- **Consolidated Adjusted EBITDA** of Euro 47.1 million (-8.0% on the previous year), a 12.0% revenue margin;
- **Adjusted consolidated net profit** of Euro 10.9 million (2.8% margin), compared to Euro 16.3 million in 2021 (4.3% margin);
- **Operating cash flow** of Euro -13.1 million, after investments of Euro 26.9 million;
- **Net financial position** of Euro 130.5 million (Euro 106.7 million at end of 2021).

The Q4 2022 results report:

- **Consolidated revenues** of Euro 102.9 million (+9.1% on Q4 2021);
- **Heating Division Sales** of Euro 80.5 million (+4.1% on Q4 2021);
- **Metering Division Sales** of Euro 21.1 million (+41.7% on Q4 2021), including Smart Gas Metering sales of Euro 15.4 million (+47.2%) and Water Metering sales of Euro 5.8 million (+28.7%);
- **Consolidated adjusted EBITDA** of Euro 11.5 million (+24.2% on 2021) 11.2% revenue margin (9.8% in Q4 2021).

Shareholders' Meeting called for May 3, 2023.

Padua, March 21, 2023 - 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 Chairperson and Chief Executive Officer, approved the 2022 consolidated results.

Federico de Stefani, Chairperson and Chief Executive Officer of SIT stated:

"We are today very pleased to approve the better-than-expected results for 2022, a year which featured major geopolitical events and significant changes to the global economic and financial environment, such as re-emerging inflation, component shortages, energy market uncertainties and the sudden rise in interest rates. All these events have led to a focus among enterprises on their global supply chain structures and operating risk management policies.

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In such a challenging 2022, SIT further committed to its sustainable growth strategies, balancing short-term volatility with its innovation goals and supporting customers seeking energy efficiency and emission-cutting solutions. Major investment has therefore been deployed in R&D and for new laboratories, while we have sought to establish high-value partnerships and synergies in areas such as new smart water meters and controlled mechanical ventilation applications.

2023 also began amid a cloud of uncertainty and to which we bring the same vision and ability to adapt to changing scenarios, confident of the leading role that SIT will play in managing the energy transition towards sustainable development”.

KEY FINANCIALS

(Euro.000)	FY 22	%	FY 21	%	change %
Revenues from contracts with customers	393,305	100.0%	380,521	100.0%	3.4%
Adjusted EBITDA	47,099	12.0%	51,215	13.5%	-8.0%
EBITDA	38,209	9.7%	51,215	13.5%	-25.4%
Adjusted EBIT	19,447	4.9%	24,330	6.4%	-20.1%
EBIT	10,557	2.7%	24,330	6.4%	-56.6%
Result before taxes (EBT)	13,568	3.4%	11,706	3.1%	15.9%
Net Profit	11,213	2.9%	8,243	2.2%	36.0%
Adjusted Net Profit	10,898	2.8%	16,311	4.3%	-33.2%
Cash flow from operating activities	(13,145)		27,198		

(Euro.000)	31/12/2022	31/12/2021
Net financial debt	130,501	106,729
Net trade working capital	73,752	45,423
Net trade working capital/Revenues	18.8%	11.9%

Sales performance

Consolidated Revenues by Division

(Euro.000)	2022	%	2021	%	diff	diff %
Heating	315,338	80.2%	298,251	78.4%	17,087	5.7%
Metering	72,516	18.4%	76,913	20.2%	(4,397)	(5.7%)
Total sales	387,854	98.6%	375,164	98.6%	12,689	3.4%
Other revenues	5,451	1.4%	5,357	1.4%	94	1.8%
Total sales	393,305	100%	380,521	100%	12,784	3.4%

Consolidated Revenues by Geographic Area

(Euro.000)	2022	%	2021	%	diff	change %
Italy	99,452	25.3%	106,992	28.1%	(7,540)	(7.1%)
Europe (excluding Italy)	169,396	43.1%	167,497	44.0%	1,899	1.2%
The Americas	85,481	21.7%	74,241	19.5%	11,240	15.1%
Asia/Pacific	38,976	9.9%	31,791	8.4%	7,185	22.6%
Total sales	393,305	100%	380,521	100%	12,784	3.4%

2022 consolidated revenues were Euro 393.3 million, up 3.4% on 2021 (Euro 380.5 million). In the fourth quarter of 2022, consolidated revenues totalled Euro 102.9 million, up 9.1% on the same period of the previous year (Euro 94.3 million).

Heating Division

Heating Division sales in 2022 amounted to Euro 315.3 million, +5.7% compared to Euro 298.3 million in 2021 (+2.4% at like-for-like exchange rates). In the fourth quarter, the division's core sales rose 4.1% to Euro 80.5 million, compared with Euro 77.4 million in the same period of 2021.

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

(Euro.000)	2022	%	2021	%	diff	change %
Italy	56,116	17.8%	55,682	18.7%	434	0.8%
Europe (excluding Italy)	138,022	43.8%	140,078	47.0%	(2,056)	(1.5%)
The Americas	82,839	26.3%	72,025	24.1%	10,814	15.0%
Asia/Pacific	38,361	12.2%	30,467	10.2%	7,894	25.9%
Total sales	315,338	100%	298,251	100%	17,087	5.7%

Italian sales were substantially in line with 2021 at Euro 56.1 million (Euro 55.7 million in the previous year). The Catering segment performed strongly with growth of Euro 1.4 million, (+34.7%), while Direct Heating sales rose Euro 0.6 million (+8.1%), thanks particularly to Space Heaters; Central Heating saw a contraction of Euro 1.8 million (-5.3%), particularly due to the contraction of Integrated Systems (Euro -1.9 million, -45.1%) and electronics (Euro -0.6 million); Fans grew Euro 1.0 million

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overall (+12.1%), recovering the delays suffered in the initial months of the year due to component shortages.

Sales in **Europe (excluding Italy)** in 2022 decreased Euro 2.1 million (-1.5%) on the previous year. The Central Heating segment in Turkey, the top shipping market with 12.1% of division sales, grew 7.9% on 2021, particularly in the Central Heating segment, while the UK, accounting for 6.4% of division sales, contracted 9.5% in the Central Heating segment, mainly due to the family of Flues products. Central European remains strong, thanks to the introduction of new products, up Euro 3.9 million on 2021 (+8.1%).

Sales in the **Americas** rose 15.0% (+3.6% at like-for-like exchange rates), thanks to fireplaces growth of Euro 5.9 million (+15.6%) and the Central Heating electronics performance, which reported growth of Euro 5.1 million (+50%) on 2021; the Storage Water Heating applications contracted 12.3% (Euro 2.7 million).

Asia/Pacific sales were up 25.9% (+20.0% at like-for-like exchange rates) to Euro 38.4 million (Euro 30.5 million in 2021). Growth was reported in China (7.6% of the division), up 22.7% (+Euro 4.4 million) as a result of the Central Heating retail market recovery, and in Australia - improving Euro 1.1 million (+15.7%).

Metering Division

Metering Division sales were Euro 72.5 million (Euro 76.9 million, reducing 5.7% on the previous year).

In 2022, sales in the **Smart Gas Metering** sector totalled Euro 48.4 million, reducing 15.4% on 2021. This performance reflects the curve for the initial installation of smart meters on the Italian market, of which more than 80% have now been replaced. Sales in Italy accounted for 92.5% of the total, while overseas sales accounted for 7.5% (from Greece, Central Europe, the UK and India).

Water Metering sales totalled Euro 24.2 million, up 22.2% on 2021. Portugal accounts for 24.6% of sales, Spain for 30.0%, the rest of Europe for 32.5% and America and Asia respectively for 7.0% and 6.0%.

Operating performance

2022 **consolidated revenues** were Euro 393.3 million, increasing 3.4% on 2021 (Euro 380.5 million).

Non-recurring costs of Euro 8.9 million were provisioned in 2022, mainly referred to the out-of-court settlement agreed in the initial months of 2023 with a customer with regards to a dispute concerning our supplier.

2022 Consolidated **Adjusted EBITDA** was Euro 47.1 million (12.0% revenue margin), decreasing 8.0% on Euro 51.2 million (13.5% margin) in 2021.

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The impact of volumes is negative for Euro 8.5 million, while the net contribution of prices is positive for Euro 9.4 million, as the increased cost of components and raw materials (and partly of processing costs) was transferred to the market. **Operating costs** increased Euro 5.9 million, particularly due to the impact of logistics and transport costs (increasing by approx. Euro 3.0 million) and higher R&D and production costs. EBITDA benefitted from exchange gains of Euro 1.6 million.

2022 EBIT totalled Euro 10.6 million (2.7% margin), after amortisation, depreciation and write-downs of Euro 27.8 million, with Adjusted EBIT of Euro 19.4 million (4.9% margin). EBIT in 2021 was Euro 24.3 million (6.4% margin).

Net financial income of Euro 4.5 million was reported in 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 amount to Euro 4.2 million (1.1% of revenues), compared to Euro 3.7 million in the previous year (1.0% of revenues).

The pre-tax profit was Euro 13.6 million (3.4% revenue margin), compared to Euro 11.7 million (3.1% margin) in 2021.

The net profit was Euro 11.2 million (2.9% margin), compared to Euro 8.2 million in 2021, which included the positive impact of the extraordinary tax income of Euro 1.8 million relating to the Patent Box.

Net of non-recurring charges and income, **the adjusted net profit** in 2022 was Euro 10.9 million, compared to Euro 16.3 million in the previous year (2.8% and 4.3% margin respectively).

Cash Flow performance

The **net financial debt** at December 31, 2022 was Euro 130.5 million, compared to Euro 106.7 million at December 31, 2021.

The movements in the net financial position are reported below:

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(Euro.000)	FY 22	FY 21
Cash flow from current activities (A)	46,372	52,177
Change in inventories	(19,730)	(13,036)
Change in trade receivables	(6,715)	9,910
Change in trade payables	(675)	7,890
Change in other current assets and liabilities and for taxes	(5,514)	(3,685)
Cash flow from changes in Working Capital (B)	(32,634)	1,079
CASH FLOW FROM OPERATING ACTIVITIES (A + B)	13,738	53,256
Cash flow from investing activities (C)	(26,883)	(26,058)
CASH FLOW FROM OPERATING & INVESTING ACTIVITIES (A + B + C)	(13,145)	27,198
Interest	(3,327)	(3,666)
Dividends	(7,299)	(6,890)
Acquisition of treasury shares	(599)	(3,912)
Equity changes	857	44
FV derivative changes	2,062	562
IFRS 16	(1,963)	(2,991)
Other	(360)	(1,053)
Change in net financial position	(23,774)	9,292
Opening net financial position	106,729	116,021
Closing net financial position	130,503	106,729

Cash flows from operating activities of Euro 46.4 million were generated in the year, with an absorption as a result of the increase in working capital of Euro 32.6 million, of which Euro 19.7 million due to increased inventories on the basis of the electronic component procurement policy to offset the impact of shortages and maintain service to customers. Change in trade receivables, equal to Euro -6.7 million, reflects the increase of revenues in the Q4 2022, especially in the Smart Gas Metering Division.

Investing activities absorbed cash of Euro 26.9 million, compared to Euro 26.1 million in the previous year. Major investments include the construction of the company's new laboratories and headquarters in Padua.

Cash flows from operating activities after investments of Euro 13.1 million were therefore absorbed, compared to a generation of Euro 27.2 million in 2021.

Financing activity cash flows in the year included interest of Euro 3.3 million and dividends of Euro 7.3 million, in addition to the purchase of treasury shares for Euro 0.6 million; the IFRS 16 impact was Euro 2.0 million, while the fair value of hedging derivatives improved Euro 2.1 million.

The **net financial position** at December 31, 2022 was Euro 130.5 million, increasing Euro 23.8 million on December 31, 2021 (Euro 106.7 million).

Allocation of profit of the year

The Board of Directors of SIT S.p.A. resolved to propose to the Shareholders' Meeting to allocate part of the profit for the year, equal to Euro 14.385.360,24 to the extraordinary reserve, to reclassify the

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reserve for unrealized foreign exchange gains, equal to Euro 496.578,91, to extraordinary reserve and to release the reserve for the first application of IAS/IFRS equal to Euro 31.680,93 and reclassify this amount to the extraordinary reserve.

Subsequent events

There were no significant events subsequent to the fourth quarter of 2022.

Outlook

The first months of 2023 confirm the impact of external factors that are affecting the possibility of making reliable forecasts of yearly sales trends

The safety procurement strategies occurred in 2022 in the Heating market supply chains resulted in high inventory levels, whose destocking timing cannot be predicted at the moment

Geographically, expectations in some areas are positive while uncertainty remains in the markets directly and indirectly affected by the Russia/Ukraine conflict

During the year, the planned production footprint will become fully operational from which an improvement in performances are expected, with greater contribution of the Tunisian plant

SIT fundamentals are positive given the proactive role in the opportunities provided by the energy transition

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 year are available on the website www.sitcorporate.it in the Investor Relations section.

Today at 4PM CET, SIT management will hold a conference call to present to the financial community and the press the 2022 consolidated results. You may participate in the conference call by connecting to the following link: <https://meet.google.com/aeq-rcrw-fsu>

The support documentation shall be published in the "Investor Relations" section on the company website (www.sitcorporate.it) before the conference call.

SIT, through its Heating and Metering divisions, 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

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in Italy, Mexico, the Netherlands, Romania, China, Tunisia and Portugal, in addition to a commercial structure covering all global markets. SIT has signed up to the United Nations' Global Compact and its principles that promote doing business in a responsible way. 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

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Annex 1
BALANCE SHEET

(Euro.000)	31/12/2022	31/12/2021
Goodwill	87.946	87.946
Other intangible assets	55.276	61.611
Property, plant & equipment	106.103	98.039
Investments in other companies	630	325
Non-current financial assets	5.186	2.139
Deferred tax assets	10.492	7.897
Non-current assets	265.633	257.957
Inventories	91.352	70.123
Trade receivables	63.800	56.052
Other current assets	12.597	15.745
Tax receivables	2.281	2.965
Other current financial assets	6.269	527
Cash and cash equivalents	23.535	46.667
Current assets	199.833	192.079
Total assets	465.466	450.036
Share capital	96.162	96.162
Total Reserves	58.120	49.271
Net profit/(loss)	11.213	8.243
Minority interest net equity	-	-
Shareholders' Equity	165.495	153.676
Medium/long-term loans and borrowings	77.968	74.540
Other non-current financial liabilities and derivative financial instruments	53.553	54.625
Provisions for risks and charges	13.844	4.941
Post-employment benefit provision	5.093	5.762
Other non-current liabilities	4	61
Deferred tax liabilities	15.005	15.743
Non-current liabilities	165.467	155.672
Short-term loans and borrowings	23.551	19.770
Other current financial liabilities and derivative financial instruments	5.235	4.988
Trade payables	81.400	80.752
Other current liabilities	23.113	23.163
Financial instruments for Warrants	0	8.748
Tax payables	1.205	3.267
Current liabilities	134.504	140.688
Total Liabilities	299.971	296.360
Total Shareholders' Equity and Liabilities	465.466	450.036

Annex 2
INCOME STATEMENT

(Euro.000)	2022	2021
Revenues from sales and services	393.305	380.521
Raw materials, ancillaries, consumables and goods	233.573	210.685
Change in inventories	(19.886)	(11.286)
Service costs	52.301	48.424
Personnel expense	80.182	81.990
Depreciation, amortisation and write-downs	27.771	26.897
Provisions	8.722	(83)
Other charges (income)	85	(436)
EBIT	10.557	24.330
Investment income/(charges)	(166)	31
Financial income	9.263	395
Financial charges	(4.760)	(14.074)
Net exchange gains (losses)	(1.326)	1.024
Impairments on financial assets	-	-
Profit/(loss) before taxes	13.568	11.706
Income taxes	(2.355)	(3.462)
Net profit/(loss) for the period	11.213	8.243
Minority interest result	-	-
Group net profit/(loss)	11.213	8.243

Annex 3
CASH FLOW STATEMENT

(Euro.000)	2022	2021
Net profit/(loss)	11.213	8.243
Amortisation & depreciation	27.652	26.885
Non-cash adjustments	9.669	(59)
Income taxes	2.356	3.462
Net financial charges/(income)	(4.518)	13.646
CASH FLOW FROM CURRENT ACTIVITIES (A)	46.372	52.177
<i>Changes in assets and liabilities:</i>		
Inventories	(19.730)	(13.036)
Trade receivables	(6.715)	9.910
Trade payables	(675)	7.890
Other assets and liabilities	1.185	2.790
Income taxes paid	(6.699)	(6.475)
CASH FLOW GENERATED (ABSORBED) FROM CHANGES IN WORKING CAPITAL (B)	(32.634)	1.079
CASH FLOW FROM OPERATING ACTIVITIES (A + B)	13.738	53.256
<i>Investing activities:</i>		
Investments in property, plant & equipment	(24.823)	(22.701)
Other changes in property, plant & equipment	335	340
Investments in intangible assets	(1.986)	(4.225)
Other changes in financial assets	0	9
Investments in financial assets	(409)	0
Other changes in financial assets	0	(35)
Other changes in current financial assets	(3.450)	626
Acquisition of a subsidiary, net of cash acquired	0	(72)
CASH FLOW FROM INVESTING ACTIVITIES (C)	(30.333)	(26.058)
CASH FLOW FROM OPERATING & INVESTING ACTIVITIES (A + B + C)	(16.595)	27.198
<i>Financing activities:</i>		
Interest paid	(3.275)	(3.566)
Repayment of non-current financial payables	(21.000)	(139.060)
Increase (decrease) current financial payables	2.756	(198)
Increase (decrease) other financial payables	(2.977)	(2.759)
New financing	25.000	133.482
Dividend payments	(7.299)	(6.890)
Capital increase	0	10
Own shares	(599)	(3.922)
CASH FLOW FROM FINANCING ACTIVITIES (D)	(7.394)	(22.903)
Change in translation reserve	857	44
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)	(23.132)	4.339
Cash & cash equivalents at beginning of the year	46.667	42.328
Increase/(decrease) in cash and cash equivalents	(23.132)	4.339
Cash & cash equivalents at end of the year	23.535	46.667