

SIT, consolidated revenues of Euro 166.9 million in H1 2023.

Metering business grows 24% to Euro 42.4 million

Highlights

SIT in H1 2023 returned:

- **Consolidated revenues** of Euro 166.9 million (-14.3% on H1 2022);
- **Heating&Ventilation Division sales** of Euro 123.4 million (-21.8% on H1 2022);
- **Metering Division Sales** of Euro 42.4 million (+24.1% on H1 2022), including Smart Gas Metering sales of Euro 29.5 million (+36.2%) and Water Metering sales of Euro 12.8 million (+2.9%);
- **Consolidated Adjusted EBITDA** of Euro 14.5 million (-39.2% on H1 2022);
- **Consolidated adjusted net profit** of Euro 1.6 million (1.0% margin), compared to Euro 6.2 million in H1 2022 (3.2% margin);
- **Write-down of Heating & Ventilation goodwill** for Euro 17.0 million based on sector outlook;
- **Consolidated net result** reports a loss of Euro 18.2 million (profit of Euro 14.2 million in H1 2022);
- **Operating cash flow** of Euro -12.5 million in H1 2023, after investments of Euro 11.3 million;
- **Net financial position** of Euro 146.4 million (Euro 122.6 million at June 30, 2022).

Q2 2023 reports:

- **Consolidated revenues** of Euro 83.3 million (-17.4% on Q2 2022);
- **Heating & Ventilation Division sales** of Euro 60.7 million, -25.8% on Q2 2022;
- **Metering Division sales** of Euro 22.0 million (+24.9% on Q2 2022), including Smart Gas Metering sales of Euro 15.8 million (+39.1%) and Water Metering sales of Euro 6.1 million (-1.2%);

Padua, September 29, 2023 – Today the Board of Directors of SIT S.p.A., listed on the Euronext Milan segment of the Italian Stock Exchange, in a meeting presided over by Federico de' Stefani, the Chairperson and Chief Executive Officer, approved the consolidated H1 2023 results.

Federico de' Stefani, Chairperson and CEO of SIT stated:

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“The first half-year figures reflect substantially divergent performances for each of the Group’s two business areas. While the Metering division saw sustained growth, the historic core business slowed significantly. This performance should be considered in view of end Heating market developments: the significant cut in green building incentives - mainly the so-called ‘superbonus’ - the consecutive boiler regulation announcements leading to the “boiler ban”, which has now entirely been called into question, alongside the high levels of inflation and interest rates, have impacted consumption and therefore consumer demand. These developments have extended supply chain destocking timeframes more than expected, with heat pump timeframes, for example, now as long as those for boilers.

The Metering business confirms growth for the first six months and going forward. We are currently working on a number of projects with major impact to drive international expansion and value generation.

SIT’s Management is focused on introducing cost containment measures, including on overheads, with results to emerge from 2024, and on positioning the Group in the higher growth potential and cash generation segments.”

KEY FINANCIALS

(Euro.000)	H1 2023	%	H1 2022	%	Diff%
Revenues from contracts with customers	166.875	100,0%	194.722	100.0%	-14,3%
EBITDA	13.232	7,9%	23.831	12.2%	-44,5%
EBITDA adjusted	14.485	8,7%	23.831	12.2%	-39,2%
EBIT	(19.957)	-12,0%	10.507	5.4%	-289,9%
EBIT adjusted	797	0,5%	10.507	5.4%	-92,4%
Net Profit/(loss) for the period	(18.150)	-10,9%	14.224	7.3%	-227,6%
Net Profit/(loss) for the period adjusted	1.644	1,0%	6.166	3.2%	-73,3%
Cash flow from operating activities	(12.531)		(9.936)		

(Euro.000)	30/06/2023	31/12/2022	30/06/2022
Net financial position	(146.446)	(130.501)	(122.617)
Net trade working capital	74.932	73.752	62.814
Net trade working capital/Revenues	20,5%	18,8%	16,0%

Sales performance

Consolidated Revenues by Division

(Euro.000)	H1 23	%	H1 22	%	diff	diff %
Heating & Ventilation	123.359	73,9%	157.836	81,1%	(34.477)	(21,8%)
Metering	42.350	25,4%	34.136	17,5%	8.214	24,1%
Total sales	165.709	99,3%	191.972	98,6%	(26.263)	(13,7%)
Other revenues	1.166	0,7%	2.750	1,4%	(1.584)	(57,6%)
Total revenues	166.875	100%	194.722	100%	(27.848)	(14,3%)

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Consolidated Revenues by Region

(Euro.000)	H1 23	%	H1 22	%	diff	diff %
Italy	50.895	30,5%	50.747	26,1%	147	0,3%
Europe (excluding Italy)	78.090	46,8%	82.423	42,3%	(4.332)	(5,3%)
The Americas	23.868	14,3%	43.383	22,3%	(19.515)	(45,0%)
Asia/Pacific	14.022	8,4%	18.169	9,3%	(4.147)	(22,8%)
Total revenues	166.875	100,0%	194.722	100,0%	(27.847)	(14,3%)

H1 2023 consolidated revenues were Euro 166.9 million, decreasing 14.3% on the same period of 2022 (Euro 194.7 million).

Heating & Ventilation Division

Heating & Ventilation Division sales in H1 2023 totalled Euro 123.4 million, -21.8% on Euro 157.8 million for the same period of 2022 (-21.8% also at like-for-like exchange rates).

The Division in the second quarter returned sales of Euro 60.7 million, decreasing 25.8% on Q2 of the previous year (Euro 81.8 million).

The Heating consumer market significantly contracted in the second quarter of 2023. All application technologies, both boilers and heat pumps, were affected by this development, which in the quarter saw a contraction of 17.3% on the same period of the previous year, with boilers down 19.8% (See *EHI – European Heating Industry, H1 market statistics*). The underlying reasons stem from the uncertain legislative framework both in terms of energy transition incentives and regarding the effect of announcements on future restrictions on certain technologies such as gas boilers. The impact of inflation and high interest rates on household spending capacity also had an impact.

Against this market backdrop, SIT's customers are still operating with substantial stock levels due to the 2022 demand dynamics and those built up in the past to deal with supply chain uncertainties (particularly for electronics).

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

(Euro.000)	H1 23	%	H1 22	%	diff	change %
Italy	21,593	17,5%	29,941	19,0%	(8,349)	(27,9%)
Europe (excluding Italy)	64,130	52,0%	67,655	42,9%	(3,526)	(5,2%)
The Americas	22,805	18,5%	41,960	26,5%	(19,155)	(45,7%)
Asia/Pacific	14,832	12,0%	18,279	11,6%	(3,447)	(18,9%)
Total revenues	123,359	100%	157,836	100%	(34,477)	(21,8%)

Italian sales decreased 27.9% on the first half of 2022. This contraction was seen across all the main products and reflects the changes to sector incentives, in addition to the slowdown of the home renovation market. We highlight the particularly weak performance of the Pellet Stoves applications (-70%) in the Direct Heating segment, which in 2022 benefited from the significant increase in the price of the gas.

Sales in Europe (excluding Italy) decreased Euro 3.5 million in H1 2023 (-5.2%) on the same period of the previous year. Turkey, the top shipping market with 18.9% of division sales, grew 51.3%

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(Euro 7.9 million), particularly thanks to Fans for Central Heating applications, impacted by supplier difficulties in H1 2022; the UK, with 8.1% of division sales, grew 5.2% on H1 2022, thanks to the strong second quarter performance (+14.8%), particularly for flues. The Central Europe result was substantially in line with the division as a whole (-22.5%), with Heat Recovery Units sales up Euro 1.7 million, +34% on the same period of 2022.

Sales in the Americas contracted 45.7% (-46.8% at like-for-like exchange rates). The reduction affected Water Heating Storage for Euro 8.0 million, while the Direct Heating applications of fireplaces (-Euro 11.3 million, -52.5%) were impacted by the poor new constructions performance to which this segment is linked.

Asia/Pacific contracted 18.9% (-15.6% at like-for-like exchange rates), with sales of Euro 14.8 million in the period (Euro 18.3 million in H1 2022). Chinese sales in the second quarter contracted 8.2% on the same period of 2022, resulting in a 16.5% reduction in sales for the first half of the year to Euro 9.0 million (7.3% of division sales). Australia in the first half of 2023 reported sales of Euro 3.3 million, decreasing 21.1% in view of the general sector and economic performance.

Metering Division

Metering Division sales were Euro 42.4 million (Euro 34.1 million, growing 24.1% on the same period of the previous year).

In H1 2023, **sales in the Smart Gas Metering sector** totaled Euro 29.5 million, increasing 36.2% on the first half of 2022. The performance was due to the Group's strong positioning on the Italian market and the new development and replacement projects launched by the major clients. Sales in Italy accounted for 94.0% of the total, while overseas sales accounted for 6.0% (from Greece and Central Europe).

Water Metering sales totalled Euro 12.8 million, up 2.9% on H1 2022. Portugal accounts for 17.3% of sales, Spain for 35.6%, the rest of Europe for 36.3% and America and Asia respectively for 7.7% and 2.8%.

Operating performance

H1 2023 **consolidated revenues** were Euro 166.9 million, decreasing 14.3% on the same period of 2022 (Euro 194.7 million).

Adjusted EBITDA of Euro 14.5 million decreased 39.2% on the same period of the previous year (Euro 23.8 million) and was impacted by volumes, particularly in the Heating & Ventilation division, which was only partially offset by the Metering division and the cost streamlining and containment actions.

EBIT net of non-recurring charges and the write-down of assets (Adjusted EBIT) was Euro 0.8 million (0.5% of revenues), compared to Euro 10.5 million (5.4% of revenues) in H1 2022.

The write-down of goodwill of Euro 17.0 million was made in view of the trend and the outlook for the use of domestic gas boilers as a result of the energy transition.

Group EBIT was particularly impacted by the write-down from the impairment test and reduced from a profit of Euro 10.5 million for the first half of 2022 to a loss of Euro 20.0 million for the first half of 2023.

Net financial charges in the first half of 2023 totalled Euro 3.1 million, compared to net financial income of Euro 6.3 million for the same period of the previous year. This was impacted in the first

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half of 2022 by the change in the fair value based on the market value of the Warrants, which resulted in financial income of Euro 8.1 million.

Adjusted net financial charges, net therefore of the above-stated non-recurring components, in H1 2023 totalled Euro 3.1 million, compared to Euro 1.8 million in the same period of the previous year.

Income taxes were a net positive amount of Euro 4.7 million and reflect the accrual of deferred tax assets deriving from the recoverable tax losses matured by a number of overseas companies.

The **net result** for the period was a loss of Euro 18.2 million, compared to a profit of Euro 14.2 million for the same period of 2022.

The **adjusted net result**, net of the non-recurring effects and write-downs of assets described above, was Euro 1.6 million (1.0% margin), compared to Euro 6.2 million (3.2%) in the same period of 2022.

Cash Flow performance

The **net financial debt** at June 30, 2023 was Euro 146.4 million, compared to Euro 130.5 million at December 31, 2022 and Euro 122.6 million at June 30, 2022.

The movements in the net financial position are reported below:

(Euro.000)	H1 23	H1 22
Cash flow from current activities (A)	15.175	24.452
Change in inventory	(5.892)	(26.344)
Change in account receivables	12.285	(6.527)
Change in account payables	(5.845)	16.540
Other changes in working capital and taxes	(16.950)	(6.337)
Cash flow generated (absorbed) from Working Capital (B)	(16.402)	(22.669)
CASH FLOW FROM OPERATING ACTIVITIES (A + B)	(1.227)	1.783
Cash flow from investing activities (C)	(11.304)	(11.719)
CASH FLOW FROM OPERATING & INVESTING ACTIVITIES (A + B + C)	(12.531)	(9.936)
Changes in interests paid or accrued	(3.206)	(1.438)
Change in MTM and amortized cost	446	799
Change in translation reserve	(1.083)	758
Other cash flows from current financial assets	891	2.300
Equity changes	-	(470)
Dividends paid	-	(7.299)
IFRS 16	(458)	(603)
Change in net financial position	(15.941)	(15.888)
Opening net financial position	130.503	106.729
Closing net financial position	146.444	122.617

Operating cash flows of Euro 15.2 million were generated in the first half of 2023, compared to Euro 24.5 million in the same period of 2022.

Working capital of Euro 16.4 million was absorbed in the first half of 2023, compared to Euro 22.7 million. We highlight in the first quarter of 2023 the outlay following the agreement reached in Q3 2022 in terms of the non-recurring dispute with a customer.

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Commercial working capital in the first half of 2023 was substantially in line with the beginning of the year, with Smart Gas Metering inventories increasing to deal with the backlog in the second half of the year, while other commercial working capital items have developed in line with the reducing Heating & Ventilation segment volumes. In the same period of 2022, commercial working capital absorbed Euro 16.3 million, particularly in terms of Heating & Ventilation inventories as a result of the expected sales volumes.

Investing activities absorbed cash of Euro 11.3 million, compared to Euro 11.7 million in 2022.

Cash flows from operating activities after investments of Euro 12.5 million were therefore absorbed in the period, compared to an absorption of Euro 9.9 million in the preceding period.

In terms of **financial activities cash flows**, we highlight in the period interest of Euro 3.2 million, compared to Euro 1.4 million in the same period of 2022.

In view of the financial results for the period, SIT drew up a prior waiver request for its main lenders in terms of the June 30, 2023 covenants regarding the net financial position on EBITDA. This waiver was granted with acceptance letter dated June 30, 2023.

Subsequent events

SIT in July announced the incorporation of the company Hybitat S.r.l. with the goal of creating an innovative hydrogen generation and storage system for residential use. The initiative, with SIT having a 20% stake, is undertaken with a technology partner, e-Novia, listed on the Euronext Milan and operating in the sustainable mobility sector, with expertise in deep tech innovation and which holds a 20% stake as well, alongside other expert key technology operators.

Electricity storage is a crucial element in creating a more sustainable economy; by 2040 the total potential market for Long Duration Energy Storage may equate to 10% of all electricity consumed.

Outlook

In terms of the outlook, typical Heating & Ventilation sector seasonality shall not be apparent in the remaining part of 2023 and for which a further significant slowdown is expected.

The good growth outlook for the Smart Gas Metering sector of the Metering division is confirmed, benefiting from a strong competitive positioning on the domestic market, while the Water Metering growth in the first half of 2023 is expected to slow slightly on expectations, although with 10-15% growth forecast on the previous year.

At consolidated level, the sales forecasts are expected to be further reduced on the first half of the year.

In terms of margins, the operating costs and general expenses streamlining and containment actions are being implemented also through structural operations on the organization whose impacts shall materialise from 2024. The EBITDA margin net of non-recurring transactions is expected to be lower than double-digits for the current year.

The net financial position at December 31, 2023 is expected to be substantially in line with June 30, 2023.

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/en in the Investor Relations section.

Today at 4PM CEST, SIT management will hold a **conference call** to present to the financial community and the press the Q1 2023 consolidated results. You may participate in the conference call by connecting to the following link: <https://shorturl.at/dfiKV>

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

SIT, through the Heating&Ventilation, Smart Gas Metering and Water Metering Business Units, 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 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)	30/06/2023	31/12/2022
Goodwill	70.946	87.946
Other intangible assets	52.929	55.276
Property, plants and equipment	104.015	106.103
Investments	630	630
Non-current financial assets	4.355	5.186
Deferred tax assets	15.486	10.492
Non-current assets	248.361	265.633
Inventories	98.933	91.352
Trade receivables	52.512	63.800
Other current assets	17.890	12.597
Tax receivables	2.635	2.280
Other current assets	7.030	6.269
Cash and Cash Equivalents	23.792	23.535
Current assets	202.792	199.833
Total assets	451.154	465.466
Share capital	96.162	96.162
Total Reserves	71.732	58.120
Net Profit	(18.150)	11.213
Minority interests net equity	-	-
Shareholders' Equity	149.744	165.495
Medium/long-term loans and borrowings	69.583	77.968
Other non-current financial liabilities and derivative financial instruments	52.479	53.553
Provisions for risks and charges	8.029	13.844
Post-employment benefit provision	5.046	5.093
Other non-current liabilities	18	4
Deferred tax liabilities	13.890	15.005
Non-current liabilities	149.045	165.467
Short-term bank loans	47.847	23.551
Other current financial liabilities and derivative financial instruments	7.359	5.235
Trade payables	76.513	81.400
Other current liabilities	20.138	23.113
Financial instruments for Warrants	-	0
Tax payables	508	1.205
Current liabilities	152.365	134.504
Total Liabilities	301.410	299.971
Total Shareholders' Equity and Liabilities	451.154	465.466

Annex 2
INCOME STATEMENT

(Euro.000)	H1 2023	H1 2022
Revenues from sales and services	166.875	194.722
Raw materials, ancillaries, consumables and goods	94.974	126.854
Change in inventories	(6.679)	(26.666)
Services	24.002	27.317
Personnel expense	40.463	42.543
Depreciation, amortisation and write-downs	33.405	13.334
Provisions	442	351
Other charges (income)	225	482
EBIT	(19.957)	10.507
Investment income/(charges)	-	-
Financial income	326	8.239
Financial charges	(3.456)	(1.960)
Net exchange gains (losses)	286	20
Impairments on financial assets	-	-
Profit before taxes	(22.801)	16.806
Income taxes	4.651	(2.582)
Net profit for the year	(18.150)	14.224
Minority interest result	-	-
Group net profit	(18.150)	14.224

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Annex 3
CASH FLOW STATEMENT

(Euro.000)	H1 2023	H1 2022
Net profit	(18.150)	14.224
Amortisation & depreciation	33.188	13.324
Non-cash adjustments	1.657	602
Income taxes	(4.651)	2.583
Net financial charges/(income)	3.131	(6.281)
CASH FLOW FROM CURRENT ACTIVITIES (A)	15.175	24.452
<i>Changes in assets and liabilities:</i>		
Inventories	(5.892)	(26.344)
Trade receivables	12.285	(6.527)
Trade payables	(5.845)	16.540
Other assets and liabilities	(14.629)	(3.469)
Income taxes paid	(2.321)	(2.868)
CASH FLOW GENERATED (ABSORBED) FROM CHANGES IN WORKING CAPITAL (B)	(16.402)	(22.669)
CASH FLOW FROM OPERATING ACTIVITIES (A + B)	(1.227)	1.783
<i>Investing activities:</i>		
Investments in property, plant & equipment	(8.892)	(9.374)
Other changes in property, plant & equipment	(2)	201
Investments in intangible assets	(1.525)	(246)
Other changes in intangible assets	-	-
Investments in financial assets	(91)	-
Other changes in financial assets	6	-
Other cash flows from current financial assets	(800)	(2.300)
CASH FLOW FROM INVESTING ACTIVITIES (C)	(11.304)	(11.719)
CASH FLOW FROM OPERATING & INVESTING ACTIVITIES (A + B + C)	(12.531)	(9.936)
<i>Financing activities:</i>		
Interest paid	(3.219)	(1.432)
Repayment of non-current financial payables	(10.982)	(9.998)
Increase (decrease) current financial payables	19.593	1.180
Increase (decrease) other financial payables	(1.521)	(1.373)
New loans	10.000	25.000
Payment of dividends	-	(7.294)
Paid-in share capital increase	-	(470)
CASH FLOW FROM FINANCING ACTIVITIES (D)	13.871	5.614
Change in translation reserve	(1.083)	758
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)	257	(3.564)
Cash & cash equivalents at beginning of the year	23.535	46.667
Increase (decrease) in cash and cash equivalents	257	(3.564)
Cash & cash equivalents at end of the year	23.792	43.103