

SIT, consolidated revenues of Euro 242 million in Q3 2023.

Strong performance of Metering, +24% to Euro 64.0 million

Highlights

In the first nine months of 2023, SIT achieved:

- **Consolidated revenues** of Euro 242.1 million (-16.6% compared to the first nine months of 2022);
- **Sales of the Heating & Ventilation Division** of Euro 176.1 million (-25.0% compared to the same period of 2022);
- **Sales of the Metering Division of Euro** of Euro 64.0 million (+24.4% compared to the same period of 2022), of which Smart Gas Metering for Euro 44.5 million (+34.7%) and Water Metering for Euro 19.5 million (+5.9%);
- **Consolidated adjusted EBITDA** of Euro 21.9 million (-38.4% compared to the same period of 2022);
- **Consolidated adjusted net profit** of Euro 0.9 million, 0.4% of revenues, compared to Euro 8.2 million in the first nine months of 2022, equal to 2.8% of revenues;
- **Impairment of Heating & Ventilation goodwill** of Euro 17.0 million in light of the expected macrotrend in the sector;
- **Consolidated net profit** of Euro -19.4 million compared to Euro 10.5 million in the first nine months of 2022;
- **Cash flow from operation** for the first nine months of 2023 amounted to Euro -22.3 million after investments of Euro 16.6 million;
- **Net financial position** of Euro 159.0 million (Euro 138.7 million at September 30, 2022).

In the third quarter of 2023, the results are:

- **Consolidated revenues** of Euro 75.2 million, -21.4% compared to the same quarter of 2022;
- **Sales of the Heating & Ventilation Division of Euro** 52.7 million, -31.5% compared to the third quarter of 2022;
- **Metering Division sales** of Euro 21.6 million, +25.2% compared to the third quarter of 2022, of which Smart Gas Metering sales of Euro 14.9 million (+31.9%) and Water Metering of Euro 6.7 million (+12.2%).

Padova, 9 November 2023 - The Board of Directors of **SIT S.p.A.**, a company listed on the Euronext Milan segment of the Italian Stock Exchange, at today's meeting chaired by **Federico de' Stefani**, **Chairman and Chief Executive Officer of SIT**, approved the consolidated results for the first nine months of 2023.

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Federico de' Stefani, Chairman and CEO of SIT, commented:

"The third quarter of 2023 confirms the fundamental trends of the sectors in which we operate. In the first 9 months of the year, the performance of the Metering Division was particularly strong, with year-on-year growth of close to 25%. This is thanks to the group's good positioning in the Italian market, the new development projects of the Smart Gas Metering division and the positive quarterly results of Water Metering.

In order to improve profitability levels, the group is implementing its cost containment strategies, which are largely structural. We expect results in this regard starting from 2024, but we can already observe partial improvements given by the actions activated so far. Part of this programme is the start of the negotiation procedure for the downsizing of our production facilities in the Netherlands.

Finally, on the R&D front, we are working on various projects, including international ones, which will allow the group to enter segments that are not yet covered, including heat pumps".

KEY FINANCIALS

(Euro.000)	9M 23	%	9M 22	%	diff%
Revenues from contracts with customers	242.097	100.0%	290.384	100.0%	(16.6%)
EBITDA adjusted	21.939	9.1%	35.593	12.3%	(38.4%)
EBITDA	20.038	8.3%	26.768	9.2%	(25.1%)
EBIT adjusted	1.194	0.5%	15.370	5.3%	(92.2%)
EBIT	(20.207)	(8.3%)	6.545	2.3%	-
EBT	(24.850)	(10.3%)	11.440	3.9%	-
Net income adjusted	882	0.4%	8.246	2.8%	(89.3%)
Net income	(19.379)	(8.0%)	10.479	3.6%	-
Cash flow from operating activities	(22.276)		(28.281)		

(Euro.000)	30/09/2023	31/12/2022	30/09/2022
Net financial debt	158.963	130.501	138.687
Net trade working capital	85.247	73.752	81.026
Net trade working capital/Revenues	26.3%	18.8%	20.9%

Sales performance

Consolidated Revenues by Division

(Euro.000)	9M 23	%	9M 22	%	diff	diff %
Heating & Ventilation	176.096	72.7%	234.798	80.9%	(58.702)	(25.0%)
Metering	63.958	26.4%	51.400	17.7%	12.558	24.4%
Total sales	240.054	99.2%	286.198	98.6%	(46.144)	(16.1%)
Other revenues	2.043	0.8%	4.186	1.4%	(2.144)	(51.2%)
Total revenues	242.097	100%	290.384	100%	(48.287)	(16.6%)

Consolidated Revenues by Region

(Euro.000)	9M 23	%	9M 22	%	diff	diff %
Italy	73.509	30.4%	66.913	23.0%	6.596	9.9%
Europe (excluding Italy)	112.607	46.5%	132.180	45.5%	(19.573)	(14.8%)
The Americas	34.065	14.1%	62.604	21.6%	(28.539)	(45.6%)
Asia/Pacific	21.916	9.1%	28.687	9.9%	(6.771)	(23.6%)
Total revenues	242.097	100%	290.384	100%	(48.287)	(16.6%)

Consolidated revenues for the first nine months of 2023 amounted to Euro 242.1 million, with a decrease of 16.6% compared to the same period of 2022 (Euro 290.4 million).

Heating & Ventilation Division

Sales of the Heating & Ventilation Division in the first nine months of 2023 amounted to Euro 176.1 million, -25.0% compared to Euro 234.8 million in the same period of 2022 (-24.4% at constant exchange rates).

Also in the third quarter of 2023, the Heating end market was in sharp contraction compared to the previous year, due both to the interruption of sector incentives and the uncertainty of the legislative framework relating to gas appliances. The impact of inflation and high interest rates on the spending power of households also contributed to the contraction.

In this market context, SIT customers are operating with stock levels that are still consistent because of the 2022 demand dynamics and established in the past to cope with the uncertainties arising in the supply chain, especially in electronics.

The following table shows sales breakdown by geography of the Heating & Ventilation Division according to management accounting criteria:

(Euro.000)	9M 23	%	9M 22	%	diff	diff %
Italy	28.527	16.2%	45.092	19.2%	(16.565)	(36.7%)
Europe (excluding Italy)	92.003	52.2%	101.046	43.0%	(9.043)	(8.9%)
The Americas	32.476	18.4%	59.846	25.5%	(27.370)	(45.7%)
Asia/Pacific	23.090	13.1%	28.814	12.3%	(5.724)	(19.9%)
Total revenues	176.096	100%	234.798	100%	(58.702)	(25.0%)

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Sales in Italy decreased by 36.7% compared to the same period of 2022. This trend affected all the main product families and was driven by changes in sector incentives as well as the slowdown in home renovations. It is worth noting the particularly negative trend in the Direct Heating segment, of applications for Pellet Stoves (-76.0%) which in 2022 had benefited from the sharp increase in gas prices.

As far as **Europe, excluding Italy**, is concerned in the first nine months of 2023 there was a reduction in sales of Euro 9.0 million, equal to 8.9% compared to the same period of the previous year. Turkey, the leading shipping market with 18.9% of divisional sales, recorded a growth trend of 32.9% equal to Euro 8.3 million, mainly thanks to Fans for Central Heating applications, that were penalized by supply problems in the same period of 2022. UK, 8.1% of divisional sales, marks a trend in the first nine months of 2023 substantially in line with the same period of 2022, noting a different trend between product families with a growth of Euro 2.0 million (+29.4%) in Flues compared to the same period of 2022. As for Central Europe, the overall trend in the period was in line with the Division (-28.1%), with sales of Heat Recovery Units increasing by Euro 1.1 million, +13.8% compared to the same period of 2022.

Sales in **America** fell by 45.7% (exchange rate impact is not material). The reduction affected Storage Water Heating applications for Euro 8.6 million, while Direct Heating applications for fireplaces (-18.8 million Euros, -56.4%) were affected by the negative trend of new buildings to which this segment is related.

Sales in the **Asia/Pacific area** decreased by 19.9% (-14.8% on a like-for-like exchange rate basis) to Euro 23.1 million in the nine months compared to Euro 28.8 million in the same period of 2022. As for China, sales in the third quarter decreased by 12.9% compared to the same period of 2022, bringing sales for the nine months to -15.1% (-8.6% on a like-for-like exchange rate basis). In the first nine months of 2023, Australia recorded sales of Euro 4.8 million, down 28.3% (23.3% at constant exchange rates).

Metering Division

Sales in the Metering Division amounted to Euro 64.0 million compared to Euro 51.4 million, with an increase of 24.4% compared to the same period of the previous year.

In the first nine months of 2023, **sales in the Smart Gas Metering** segment amounted to Euro 44.5 million, up 34.7% compared to the first nine months of 2022. The performance is due to the group's good positioning in the Italian market and the new development and replacement projects launched by its main customers. Sales in Italy accounted for 95.8% of the total, while sales abroad, equal to 4.2% of the total, were made in Greece and Central Europe.

Sales in Water Metering amounted to Euro 19.5 million, up 5.9% compared to the first nine months of 2022. Sales were achieved in Portugal (18.6%), Spain (38.4%), the rest of Europe (32.2%) and America and Asia (7.6% and 3.0% respectively).

Economic performance

Consolidated revenues for the first nine months of 2023 amounted to Euro 242.1 million, recording a decrease of 16.6% compared to the same period of 2022 (Euro 290.4 million).

Adjusted EBITDA amounted to Euro 21.9 million, down 38.4% compared to the same period of the previous year (Euro 35.6 million) and was affected by the volume effect, especially in the Heating &

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Ventilation division, only partially offset by the Metering division and by efficiency and cost containment measures.

Adjusted EBIT is equal to Euro 1.2 million (0.5% of revenues) compared to Euro 15.4 million (5.3% of revenues) in the first nine months of 2022.

The goodwill impairment of Euro 17.0 million, already reported in the half-year financial statements, was carried out considering the trend and scenarios envisaged in the use of gas appliances in domestic heating as a result of the energy transition.

The group's **operating result (EBIT)** was particularly affected by the impairment test and went from Euro 6.5 million in the first nine months of 2022 to Euro -20.2 million in the first nine months of 2023.

Net financial expense for the first nine months of 2023 amounted to Euro 5.2 million compared to net financial income of Euro 6.5 million in the same period of the previous year. It should be noted that in the first nine months of 2022 the amount was influenced by the change in fair value deriving from the market value of the Warrants, which resulted in a financial gain of Euro 8.7 million.

Adjusted net financial expense, net of the non-recurring items, amounted to Euro 5.2 million in the first nine months of 2023, compared to Euro 2.2 million in the same period of the previous year.

Taxes for the period amounted to Euro 5.5 million and reflect the accrual of deferred tax assets deriving from recoverable tax losses accounted by certain foreign companies.

The **net result** for the period amounted to a loss of Euro 19.4 million compared to a profit of Euro 10.5 million in the same period of 2022.

The **adjusted net result**, net of non-recurring effects and write-downs of assets described above, amounted to Euro 0.9 million (0.4% of revenues) compared to Euro 8.2 million (2.8%) in the same period of 2022.

Financial performance

As of September 30, 2023, net financial debt amounted to Euro 159.0 million compared to Euro 130.5 million as of December 31, 2022 and Euro 138.7 million as of September 30, 2022.

The change in the net financial position is shown in the table below:

Euro.000	9M 23	9M 22
Cash flow from current activities (A)	22.287	33.880
Change in inventory	(5.116)	(28.790)
Change in account receivables	14.344	(4.224)
Change in account payables	(18.945)	(954)
Other changes in working capital and taxes	(18.226)	(7.104)
Cash flow generated (absorbed) from Working Capital (B)	(27.943)	(41.072)
CASH FLOW FROM OPERATING ACTIVITIES (A+B)	(5.656)	(7.192)
Cash flow from investing activities (C)	(16.620)	(21.089)
CASH FLOW FROM OPERATING & INVESTING ACTIVITIES (A+B+C)	(22.276)	(28.281)
Changes in interests paid or accrued	(5.236)	(1.617)
Change in MTM and amortized cost	240	1.230
Change in translation reserve	(1.469)	1.215
Other cash flows from current financial assets	913	3.450
Dividends paid	-	(7.299)
IFRS 16	(632)	(655)

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Change in net financial position	(28.460)	(31.958)
Opening net financial position	130.501	106.729
Closing net financial position	158.963	138.687

Cash flows for the first nine months of 2023 show the generation from current activities of Euro 22.3 million, compared to Euro 33.9 million in the same period of 2022.

In the first nine months of 2023, **the absorption of working capital** amounted to Euro 27.9 million compared to Euro 41.1 million. It should be noted that in the first quarter of 2023 settlement took place following the agreement reached during the third quarter of 2022 for the non-recurring dispute with a customer.

With regard to **trade working capital**, in the first nine months of 2023 there was a cash absorption of Euro 9.7 million, partly due to the increase in inventories in Smart Gas Metering to meet the order book in the second half of the year, and partly due to the reduction in the volumes of activities recorded in Heating & Ventilation in both trade receivables and payables. In the same period of 2022, the trend in trade working capital had recorded an absorption of Euro 34.0 million, mainly due to the trend in inventories for the expected sales volumes in Heating & Ventilation.

Investment flows amounted to Euro 16.6 million compared to Euro 21.1 million in the same period of 2022.

Cash flows from operations after investments therefore amounted to Euro -22.3 million compared to Euro -29.3 million in the same period of previous year.

Financial cash flows included interest of Euro 5.2 million in the period compared to Euro 1.6 million in the same period of 2022.

Significant events occurred after the closing of the reporting period.

The Company informs that today the Dutch subsidiary has begun the formal request to the competent employee participation body for consultation regarding the downsizing of the local production facility. The timing of the procedure will be defined according to local legislation while the overall project is expected to be completed in the first half of 2024.

Business Outlook

The Company confirms the 2023 outlook provided in the financial results reporting for the first half of 2023. Smart Gas Metering will maintain double-digit growth (20% ≈ 25%) while Water Metering is expected to grow between 10% and 15%. Considering the market trends in the Heating sector (such as uncertain regulation, the cancellation of incentives, the impact of inflation and high rates on the spending power of households) and the consequent excess stock in the whole value chain that makes destocking longer than expected, it is forecasted that the Heating & Ventilation division will record a reduction compared to the previous year between 25% and 30%.

At a consolidated level, the sales trend in the year compared to the previous year is expected to fall between 18% and 21%.

Adjusted EBITDA as at 31.12.2023 is expected to be between 9 and 10%. Net financial debt is forecasted in line with the first half of 2023, amounting to approximately Euro 150.0 million.

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 3PM CET, SIT management will hold a **conference call** to present to the financial community and the press the Q3 2023 consolidated results. You may participate in the conference call by connecting to the following link: <https://rb.gy/gru7jw>

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/en/

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Annex 1
BALANCE SHEET

(Euro.000)	30/09/2023	31/12/2022
Goodwill	70.946	87.946
Other intangible assets	51.824	55.276
Property, plants and equipment	103.523	106.103
Investments	632	630
Non-current financial assets	4.015	5.186
Deferred tax assets	15.050	10.492
Non-current assets	245.990	265.633
Inventories	98.206	91.352
Trade receivables	50.281	63.800
Other current assets	17.922	12.597
Tax receivables	4.664	2.280
Other current assets	7.305	6.269
Cash and Cash Equivalents	17.178	23.535
Current assets	195.556	199.833
Total assets	441.546	465.466
Share capital	96.162	96.162
Total Reserves	71.672	58.120
Net Profit	(19.379)	11.213
Minority interests net equity	-	-
Shareholders' Equity	148.455	165.495
Medium/long-term loans and borrowings	68.982	77.968
Other non-current financial liabilities and derivative financial instruments	51.955	53.553
Provisions for risks and charges	7.829	13.844
Post-employment benefit provision	5.108	5.093
Other non-current liabilities	23	4
Deferred tax liabilities	13.365	15.005
Non-current liabilities	147.263	165.467
Short-term bank loans	56.589	23.551
Other current financial liabilities and derivative financial instruments	5.920	5.235
Trade payables	63.240	81.400
Other current liabilities	19.422	23.113
Financial instruments for Warrants	656	1.205
Tax payables	145.827	134.504
Current liabilities	293.091	299.971
Total Liabilities	68.982	77.968
Total Shareholders' Equity and Liabilities	441.546	465.466

Annex 2
INCOME STATEMENT

(Euro.000)	9M 2023	9M 2022
Revenues from sales and services	242.097	290.384
Raw materials, ancillaries, consumables and goods	133.308	183.510
Change in inventories	(5.719)	(29.289)
Services	34.909	40.228
Personnel expense	58.514	59.963
Depreciation, amortisation and write-downs	40.447	20.396
Provisions	463	8.381
Other charges (income)	383	650
EBIT	(20.207)	6.545
Investment income/(charges)	-	-
Financial income	543	9.274
Financial charges	(5.696)	(2.764)
Net exchange gains (losses)	510	(1.615)
Impairments on financial assets	-	-
Profit before taxes	(24.850)	11.440
Income taxes	5.471	(961)
Net profit for the year	(19.379)	10.479
Minority interest result	-	-
Group net profit	(19.379)	10.479

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Annex 3
CASH FLOW STATEMENT

(Euro.000)	2023/09	2022/09
Net profit	(19.379)	10.479
Amortisation & depreciation	40.245	20.223
Non-cash adjustments	1.739	8.730
Income taxes	(5.471)	960
Net financial charges/(income)	5.153	(6.512)
CASH FLOW FROM CURRENT ACTIVITIES (A)	22.287	33.880
<i>Changes in assets and liabilities:</i>		
Inventories	(5.116)	(28.790)
Trade receivables	14.344	(4.224)
Trade payables	(18.945)	(954)
Other assets and liabilities	(15.612)	(4.441)
Income taxes paid	(2.614)	(2.663)
CASH FLOW GENERATED (ABSORBED) FROM CHANGES IN WORKING CAPITAL (B)	(27.943)	(41.072)
CASH FLOW FROM OPERATING ACTIVITIES (A + B)	(5.656)	(7.192)
CASH FLOW FROM INVESTING ACTIVITIES (C)	(16.620)	(21.089)
CASH FLOW FROM OPERATING & INVESTING ACTIVITIES (A + B + C)	(22.276)	(28.281)
<i>Financing activities:</i>		
Interest paid	(4.472)	(1.617)
Repayment of non-current financial payables	(11.591)	(11.248)
Increase (decrease) current financial payables	25.727	2.153
Increase (decrease) other financial payables	(2.276)	(2.058)
New loans	10.000	25.000
Payment of dividends	-	(7.297)
Paid-in share capital increase	-	(537)
CASH FLOW FROM FINANCING ACTIVITIES (D)	17.388	4.395
Change in translation reserve	(1.469)	1.752
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)	(6.357)	(22.134)
Cash & cash equivalents at beginning of the year	23.535	46.667
Increase (decrease) in cash and cash equivalents	(6.357)	(22.134)
Cash & cash equivalents at end of the year	17.178	24.533