HALF-YEAR FINANCIAL REPORT
AT JUNE 30, 2019

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CORPORATE INFORMATION

Parent Company Registered Office

Sit S.p.A.

Viale dell'Industria, 31/33

35129 Padua – Italy

www.sitgroup.it

Parent Company Legal Details

Share capital approved Euro 96,151,920.60

Share Capital subscribed and paid-in Euro 96,151,920.60

Tax and Padua Companies Registration Office No. 0485520287

Operating branches

Viale dell'Industria, 31 – 35129 Padua – Italy

Viale A. Grandi, 6 – 45100 Rovigo – Italy

Viale A. Grandi, 11 – 45100 Rovigo – Italy

Via Grazia Deledda 10/12 - 62010 Montecassiano - Italy

SIT and subsidiaries

DIRECTORS' REPORT

COMPOSITION OF THE CORPORATE BOARDS

Board of Directors*

Federico de Stefani	*Chairman and Chief Executive Officer****
Chiara de Stefani	*Director*
Attilio Francesco Arietti	*Director*
Fabio Buttignon	*Director*
Giovanni Cavallini	*Director*
Bruno Pavesi	*Director*
Franco Stevanato**	*Independent Director*
Antonio Campo Dall'Orto**	*Independent Director*
Bettina Campedelli **	*Independent Director and "Lead Independent Director"*

Board of Statutory Auditors*

Saverio Bozzolan	*Chairman*
Ivano Pelassa	*Statutory Auditor*
Loredana Anna Conidi	*Statutory Auditor*
Giulia Chiarella	*Alternate Auditor*
Barbara Russo	*Alternate Auditor*

Independent Audit Firm

Deloitte & Touche S.p.A.

Internal Control, Risks and Sustainability Committee

Bettina Campedelli **	Chairperson
Chiara de Stefani	Member
Franco Stevanato **	Member

Related Parties Committee

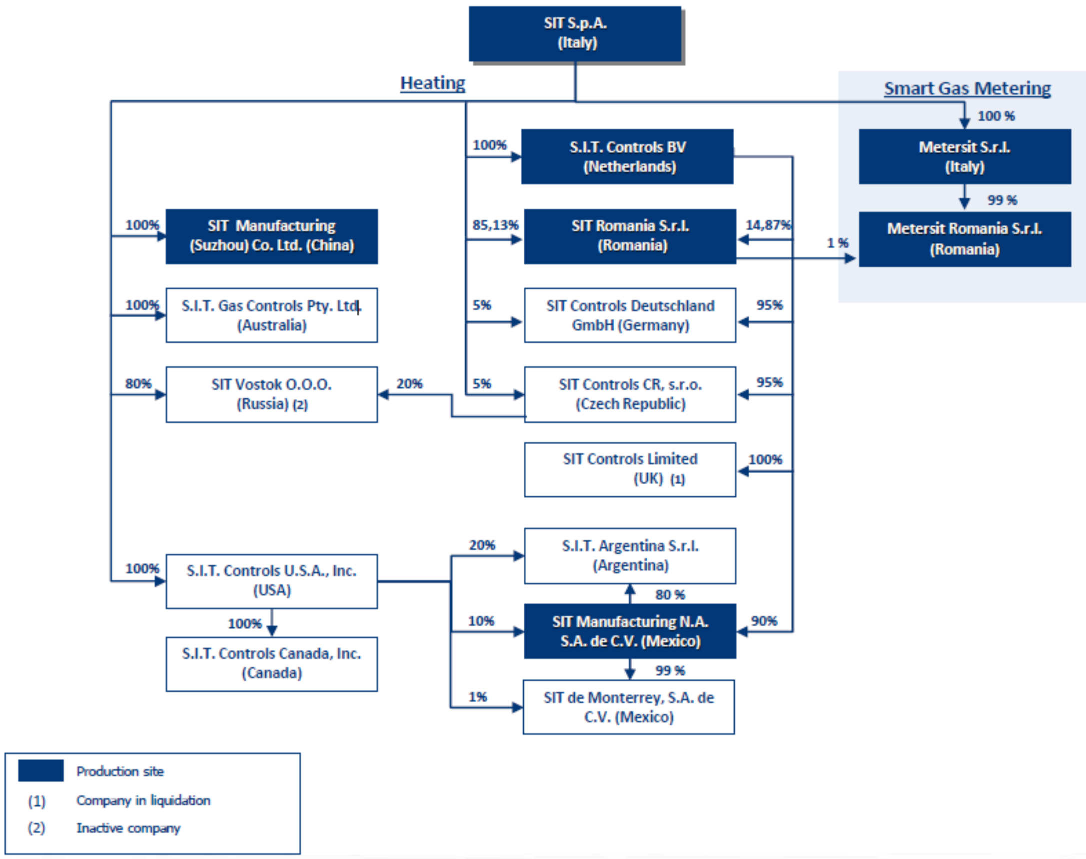
Bettina Campedelli **	Chairperson
Giovanni Cavallini	Member
Franco Stevanato**	Member

Remuneration Committee

Antonio Campo Dall'Orto **	Chairman
Chiara de Stefani	Member
Franco Stevanato**	Member

* The Board of Directors and the Board of Statutory Auditors were appointed by the Shareholders' Meeting of July 10, 2017 and remain in office until the approval of the 2019 Annual Accounts. The Director Bettina Campedelli and the Director Antonio Campo Dall'Orto were appointed by the Shareholders' Meeting of April 24, 2019 and remain in office until the approval of the 2019 Annual Accounts. The Statutory Auditor Anna Loredana Conidi and the Alternate Auditor Barbara Russo were appointed by the Shareholders' Meeting of April 26, 2018 and remain in office until the approval of the 2019 Annual Accounts.
** Independent directors.
*** In relation to the nature of the powers conferred, reference should be made to the 2018 Governance Report

GROUP STRUCTURE



The SIT Group

The SIT Group develops and manufactures high-precision instruments for the measurement of consumption and the safety, comfort and performance of domestic gas appliances.

The Group comprises two divisions:

- Heating: produces and distributes components and systems for the control, regulation and safety of gas-based domestic heating and cooking and catering equipment and home appliances.
- Smart Gas Metering: manufactures and distributes smart gas meters which more accurately measure consumption and feature control and safety (including remote) functionality.

The Group operates in the Heating sector through the following companies:

- SIT S.p.A is the parent company of the SIT Group and undertakes R&D and commercial and sales operations, while also providing a range of industrial and support services to the manufacturing and distribution companies. SIT has a number of production units involved in precise machining, fitting and assembly for the manufacturing of mechanical controls, integrated systems, electric fans and smoke exhaust kits;
- SIT Controls B.V. (Netherlands) produces electronic safety and control boards for heating appliances for the European market and, in particular, condensing boilers for the Central Heating market. It distributes the products of other Group companies to local customers;
- SIT Controls Deutschland GmbH (Germany) is a sales agent for a number of Group companies;
- SIT Controls CR s.r.o. (Czech Republic) is a sales agent for a number of Group companies;
- SIT Romania S.r.l. (Romania), based in Brasov in Romania, is engaged in the assembly and testing of mechanical controls, electric fans and integrated domestic gas appliance control systems.
- SIT Manufacturing N.A.S.A. de C.V. (Mexico) is a specialised Direct Heating and Storage Water Heating systems manufacturing facility, principally for the American and local markets. The company mainly works with end-customers, using the agency services provided by SIT Controls U.S.A. Inc., while on the Australian and Asian markets using local Group companies/distribution entities;
- SIT de Monterrey S.A de C.V. (Mexico) provides services to the parent company SIT Manufacturing N.A.S.A. de C.V.;
- SIT Controls U.S.A. Inc. (USA) is a sales agent for Group products on the US market;
- SIT Controls Canada Inc. (Canada) is a sub-agent of SIT Controls USA on the Canadian market;

- SIT Gas Controls Pty Ltd, based in Melbourne (Australia), oversees the distribution of SIT products on the local market and some countries in the region;
- SIT Manufacturing Suzhou Co. Ltd (China) is a manufacturer of mechanical controls, satisfying local market demand - both in terms of local customers and the local branches of European manufacturers. The company distributes its own products and those of other Group companies on the local market;
- SIT (Argentina) S.r.l. manages the import of SIT products into the region.

SIT Vostok O.O.O., with registered office in Russia, is inactive and SIT Controls (UK) Limited, with registered office in the United Kingdom, has concluded its liquidation and is completing the requirements for its formal cancellation.

The Group operates in the Smart Gas Metering segment through Metersit S.r.l. and Metersit Romania S.r.l.

The former, located in Padua, is involved in the design, manufacturing and sale of new generation remote gas meters, while Metersit Romania S.r.l., based in Brasov in Romania, is a manufacturing facility for the direct parent company Metersit S.r.l..

SIT exercises management and co-ordination activities over the subsidiaries directly and indirectly held.

The results highlight the different performances of the two Divisions over the first half of 2019, as indicated by the Chairman and Chief Executive officer of SIT Federico de' Stefani:

"After 5 years of compound annual average growth of 3.6% (4.8% over the last 3 years) for SIT's heating segment, 2019 performance will be affected by uncertainties in macro-economic environment and by regulatory changes in some countries, with an impact on expected full year CAGR. During the first half of 2019, the Heating Division showed an important growth on the American market but suffered in contraction on regulated market such as China and Turkey as well as the economic downturn in some European countries.

The Smart Gas Metering Division performance" said de' Stefani "confirmed the outlook for the Italian market, with revenues in the first half of 2019 up 29.6% over the same period of 2018. The backlog at June 30, 2019 supports the excellent 2019 prospects for the Division.

With the support of the new Management Team, we are in the process of defining strategic scenarios that will focus particularly on innovation projects and new product development".

FINANCIAL HIGHLIGHTS

The following tables report the adjusted or reclassified figures and alternative performance indicators not expressly used by international accounting standards IFRS, whose definitions and calculation methods are described in the paragraph below. These alternative performance indicators are in addition subsequently reconciled with the financial statements.

(Euro.000)

Financials	2019 H1	%	2018 H1	%	change	change %
Revenues from contracts with customers	167,243	100.0%	175,391	100.0%	(8,148)	-4.6%
EBITDA	21,126	12.6%	20,026	11.4%	1,100	5.5%
EBITDA adjusted	21,714	13.0%	23,352	13.3%	(1,638)	-7.0%
EBITDA adjusted ante IFRS16	20,441	12.2%	23,352	13.3%	(2,911)	-12.5%
EBIT	10,095	6.0%	10,984	6.3%	(889)	-8.1%
EBIT adjusted	10,684	6.4%	14,309	8.2%	(3,626)	-25.3%
Financial charges	(3,365)	-2.0%	(2,318)	-1.3%	(1,047)	-45.2%
Financial income	255	0.2%	2,975	1.7%	(2,720)	-91.4%
Net financial (charges) /income adjusted	(1,962)	-1.2%	(1,866)	-1.1%	(96)	5.1%
Result before taxes (EBT)	6,418	3.8%	11,360	6.5%	(4,942)	-43.5%
Result before taxes adjusted (EBT)	8,155	4.9%	12,162	6.9%	(4,008)	-33.0%
Net profit/(loss) for the period	4,524	2.7%	8,417	4.8%	(3,893)	-46.3%
Adjusted net profit for the period	5,821	3.5%	8,897	5.1%	(3,076)	-34.6%

(Euro.000)

Balance Sheet	30/06/2019	31/12/2018	30/06/2018
Net capital employed	223,031	208,025	211,219
Shareholders' Equity	131,272	125,403	108,834
Net Financial Position	(87,581)	(71,334)	(80,867)
Adjusted Net Financial Position	(80,776)	(71,334)	(80,867)
Financial Liabilities for Performance Shares	-	(8,260)	(10,650)
Financial liabilities for Warrants	(4,177)	(3,028)	(10,867)
Net trade working capital	36,903	29,473	36,082

Key performance indicators	30/06/2019	31/12/2018	30/06/2018
ROIC (1)	13.4%	17.8%	15.7%
Net trade working capital/Revenues (3)	10,9%	8,2%	10,2%
Net financial position/Shareholders' equity	0.67	0.57	0.74
Net financial position/ EBITDA adjusted (2)	1.79	1.41	1.70

(1) ROIC is the ratio between Adjusted EBITA over the last 12 months and Capital Employed at year-end;
(2) Last 12 months;
(3) Annualized.

Alternative performance indicators

In application of Consob Communication of December 3, 2015, which enacts in Italy the guidelines on Alternative Performance Indicators (API) issued by the European Securities and Markets Authority (ESMA), the criteria utilised for their calculation are illustrated below.

These indicators describe the economic/financial performances of the Group on the basis of indices not expressly contained within IFRS (International Financial Reporting Standard). It is considered that these indicators ensure a better comparability over time of results, although they do not replace the results determined by the application of international accounting standards IFRS described in the Explanatory Notes. We list below the principal API's presented in the Directors' Report and a summary description of their relative composition, as well as the reconciliation with the financial statements:

- Adjusted EBITDA is the EBITDA (EBIT plus amortisation, depreciation and write-downs, net of doubtful debt provisions) net of non-recurring transactions or rather all those atypical, unusual or transactions which do not repeat frequently in the normal course of business activities, undertaken with related or third parties, which may have a significant impact on the financial results of the Group. The following table presents a reconciliation with the financial statements:

(Euro.000)

Reconciliation of EBITDA adjusted	1H 2019	1H 2018
EBIT	**10,095**	**10,984**
Depreciation, amortization and write-downs	11,122	9,179
Write-downs	(92)	(137)
EBITDA	**21,126**	**20,026**
Relocation of production to Rovigo	762	-
Insurance reimbursement	(776)	-
Personnel expense	-	2,452
Listing charges	-	921
Accrual to cost for guarantees	245	-
Chairman's extraordinary emolument	377	-
Other	(21)	(48)
Total non-recurring operating charges (income)	**588**	**3,325**
Adjusted EBITDA	**21,714**	**23,352**

(1) The *Transfer production lines to Rovigo* account concerns the costs directly associated with the transfer and relative installation of the workshop unit production lines from the Padua headquarters to the new Rovigo production and logistics hub.

(2) *Insurance reimbursements* concern the indemnity issued following the fire at the Rovigo manufacturing facility.

(3) *Personnel expenses* include the settlement and incentive costs for the mutual resolution of employment of the general manager, including legal expenses.

(4) The *Adjustment to sureties* concerns the cost for sureties issued in the interest of the subsidiary Metersit S.r.l. within the scope of the tenders won by the Smart Gas Metering Division in previous years, recognised according to the revenue matching principle.

(5) *Chairperson's variable remuneration* concerns the variable bonus awarded to the Chairperson on the initial listing on the AIM market, whose maturation is subject to achievement of the objectives calculated on the basis of SIT's performance over financial years 2017, 2018 and 2019. For further details, reference should be made to that outlined below and in the Explanatory Notes at Note 39.

- EBITA is the operating result, net of amortisation on the gains allocated to Group intangible assets following the business combination (Purchase Price Allocation or PPA) consequent to the acquisition of SIT La Precisa S.p.A in 2014;
- Adjusted EBIT is defined as the operating result, net of non-recurring income and charges. The reconciliation, with indication of the non-recurring charges and income, is presented in the following table:

(Euro.000)

Reconciliation of EBIT adjusted	1H 2019	1H 2018
EBIT	**10,095**	**10,984**
Relocation of production to Rovigo	762	-
Insurance reimbursement	(776)	-
Personnel expense	-	2,452
Listing charges	-	921
Accrual to cost for guarantees	245	-
Chairman's extraordinary emolument	377	-
Other	(21)	(48)
Total non-recurring operating charges (income)	**588**	**3,325**
EBIT adjusted	**10,684**	**14,309**

For a description of the individual adjustment items, reference should be made to the adjusted EBITDA reconciliation table.

- Adjusted financial charges are financial charges, net of the fair value changes to the Warrants and Performance Shares issued during the company's AIM listing in 2017. The reconciliation is presented below:

(Euro.000)

Reconciliation of adjusted Net financial (charges)/income	1H 2019	1H 2018
Financial charges	**(3,365)**	**(2,318)**
Changes in Warrants fair value	1,149	-
Adjusted Financial charges	**(2,217)**	**(2,318)**
Financial income	**255**	**2,975**
Changes on Performance Shares fair value	-	(850)
Changes on Warrants fair value	-	(1,673)
Financial income adjusted	**255**	**452**
Adjusted net financial (charges)/income	**(1,962)**	**(1,866)**

- Adjusted EBT is the result before non-recurring transactions. The reconciliation is presented below:

(Euro.000)

Reconciliation of EBT adjusted	1H 2019	1H 2018
Profit/(loss) before taxes	**6,418**	**11,360**
Relocation of production to Rovigo	762	-
Insurance reimbursement	(776)	-
Personnel expense	-	2,452
Listing charges	-	921
Accrual to cost for guarantees	245	-
Chairman's extraordinary emolument	377	-
Other	(21)	(48)
Total non-recurring operating charges (income)	**588**	**3,325**
Change in fair value on Performance Shares	-	(850)
Change in fair value on Warrants	1,149	(1,673)
Non-recurring net financial charges (income)	**1,149**	**(2,523)**
Adjusted result before taxes (EBT)	**8,155**	**12,162**

- Adjusted net result is the net result for the period, net of non-recurring transactions and the relative fiscal effect. The reconciliation is presented below:

(Euro.000)

Reconciliation of net profit/(loss) for the period	1H 2019	1H 2018
Net profit/(loss) for the period	**4,524**	**8,417**
Relocation of production to Rovigo	550	-
Insurance reimbursement	(559)	-
Personnel expense	-	1,768
Listing charges	-	664
Accrual to cost for guarantees	177	-
Chairman's extraordinary emolument	272	-
Other	(15)	(34)
Total non-recurring operating charges (income)	**424**	**2,398**
Change in fair value on Performance Shares	-	(646)
Change in fair value on Warrants	873	(1,271)
Non-recurring net financial charges (income)	**873**	**(1,917)**
Adjusted net profit for the period	**5,821**	**8,897**

For a description of the individual adjustment items of an operating nature, reference should be made to the adjusted EBITDA reconciliation table.

- Net capital employed and net commercial working capital are calculated considering the accounts presented in the following table:

(Euro.000)

Riconciliazione del capitale investito netto	30/06/2019	31/12/2018	30/06/2018
Goodwill	78,138	78,138	78,138
Other intangible assets	62,682	66,111	69,738
Property, plant & equipment	73,098	65,169	53,939
Investments in other companies	54	54	54
Non-current financial assets	1,541	1,544	1,545
Fixed assets (A)	**215,513**	**211,017**	**203,414**
Inventories	62,402	52,230	59,108
Trade receivables	52,315	52,038	58,708
Trade payables	(77,814)	(74,795)	(81,734)
Trade net working capital (B)	**36,903**	**29,473**	**36,082**
Other current liabilities	9,697	9,102	9,654
Tax receivables	4,216	3,565	3,496
Other current liabilities	(15,146)	(17,088)	(18,967)
Tax payables	(5,323)	(6,107)	(1,143)
Other current assets, liabilities and taxes (C)	**(6,556)**	**(10,529)**	**(6,960)**
Net Working Capital (B + C)	**30,347**	**18,944**	**29,122**
Deferred tax assets	5,885	7,482	8,044
Provisions for risks and charges	(4,260)	(4,492)	(3,081)
Post-employment benefit provision	(5,911)	(5,908)	(6,356)
Other non-current liabilities	(1,167)	(758)	(703)
Deferred tax liabilities	(17,376)	(18,260)	(19,221)
Other non-current liabilities, assets and provisions (D)	**(22,829)**	**(21,936)**	**(21,317)**
Net capital employed (A + B + C + D)	**223,031**	**208,025**	**211,219**

- The adjusted net financial position is calculated by subtracting the finance lease payable arising from application of IFRS 16 from the net financial debt calculated according to the indications of Consob Communication of July 28, 2006 and without considering the financial payable for Warrants and Performances Shares, as these items do not result in a financial outlay.

(Euro.000)

Reconciliation of net financial position	30/06/2019	31/12/2018	30/06/2018
A. Cash	23	21	21
B. Cash equivalent	34,957	55,473	48,983
C. Held-for-trading securities	-	-	-
D. Liquidity (A) + (B) + (C)	**34,980**	**55,494**	**49,005**
E. Current financial receivables	**41**	**97**	**250**
F. Current bank debt	57	60	358
G. Short-term loans and borrowings	17,886	16,197	13,821
H. Other current financial liabilities	3,895	5,228	2,480
I. Current financial liabilities (F)+(G)+(H)	**21,838**	**21,485**	**16,659**
J. Net current financial liabilities (I) – (E) – (D)	**(13,183)**	**(34,106)**	**(32,596)**
K. Medium/long-term loans and borrowings	94,857	104,730	112,887
L. Bonds issued	-	-	-
M. Other non-current financial liabilities	5,908	710	576
N. Non-current financial liabilities (K) + (L) + (M)	**100,764**	**105,440**	**113,463**
O. Net financial position (J) + (N)	**87,581**	**71,334**	**80,867**
IFRS 16 - Leases	(6,805)	-	-
Net financial position adjusted	**80,776**	**71,334**	**80,867**

GENERAL OVERVIEW

Economic overview

Risks continued to threaten the global economic outlook in the first half of 2019. They stem from ongoing international trade tensions and the slowdown in China. The published economic indicators appear to confirm this picture for the entire 2019.

US growth slowed in the second quarter of the year, although growing 2.1% on the back of strong consumer spending numbers, which account for over two-thirds of economic output. Trade has been impacted by the tensions and increased overseas fragility, with exports down 5.2%.

The Chinese economy grew 6.2% in the second quarter, newly slowing after the 6.4% expansion in the initial three months of the year and the 6.6% for the full year 2018. This growth however remains in line with the government's 2019 objective, fixed at "between 6% and 6.5%" and despite the fact that the outcome to the trade negotiations between the US and China remains highly uncertain.

Eurozone GDP growth in Q2 2019 was 0.2% over the preceding quarter (+1.1% on the same quarter of the previous year). Economic activity is still weak and subject to downside risks, with inflation remaining at modest values. Uncertainties remain regarding the timing and conditions for the United Kingdom's departure from the European Union.

With regards to the Italian economy, in Q2 2019 the period of substantial stagnation evident since the second quarter of the previous year continued. After the very slight contraction in the second half of 2018 and the marginal recovery in the first quarter of 2019, GDP in the second quarter of 2019 was flat. The weakness of the industrial cycle resulting from the persistent trade tensions is considered to have been primarily responsible for this outcome. The uncertainties surrounding the global outlook are reflected in the lack of confidence among businesses regarding overseas orders.

For the Italian mechanical engineering industry, the slowdown in the second half of 2018 continued also into the first half of 2019. Export-focused metalwork manufacturing grew 1.3% in terms of direct flows to European Union countries, while exports to the rest of the world contracted 0.7%. The EU market results were driven by the United Kingdom (+17.8%) - likely in view of expected procurement difficulties following the country's exit from the common market.

Significant events in the period

No significant events are reported for the period.

SALES OVERVIEW

The SIT Group comprises two Divisions:

- Heating, which develops and manufactures systems for the safety, comfort and performance of gas appliances.
- Smart Gas Metering, which develops and manufactures gas meters, also with remote control, consumption measurement, reading and communication functions.

Revenues by Division

(Euro.000)	1H 2019	%	1H 2018	%	change	change in %
Heating	123,107	73.6%	141,177	80.5%	(18,070)	-12.8%
Smart Gas Metering	42,431	25.4%	32,742	18.7%	9,689	29.6%
Total business sales	165,538	99.0%	173,919	99.2%	(8,381)	-4.8%
Other revenues	1,706	1.0%	1,472	0.8%	234	15.9%
Total revenues	**167,243**	**100.0%**	**175,391**	**100.0%**	**(8,148)**	**-4.6%**

Revenues by Region

(Euro.000)	1H 2019	%	1H 2018	%	change	Change in %
Italy	65,181	39.0%	59,863	34.1%	5,318	8.9%
Europe (excluding Italy)	61,541	36.8%	75,997	43.3%	(14,456)	-19.0%
America	29,113	17.4%	25,032	14.3%	4,081	16.3%
Asia/Pacific	11,408	6.8%	14,499	8.3%	(3,091)	-21.3%
Total revenues	**167,243**	**100.0%**	**175,391**	**100.0%**	**(8,148)**	**-4.6%**

H1 2019 revenues were Euro 167.2 million, decreasing 4.6% (Euro 8.1 million) over the first half of 2018 (Euro 175.4 million).

Heating Division

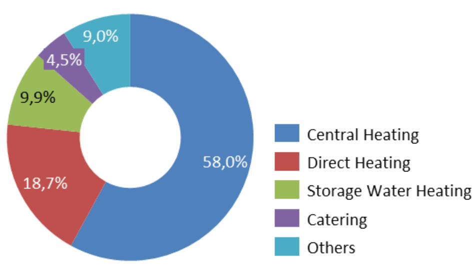
Heating Division revenues of Euro 123.1 million were down 12.8% on the previous year, mainly due to the decline on the European and Asian markets and only partially offset by the good US market performance - expanding 16.1% (+8.5% at like-for-like exchange rates).

On the American market - which represents approx. 23.5% of core division sales - the improvement follows greater Storage Water Heating market share, thanks to the renewal of a long-term contract with one of the Group's main customers, in addition to stronger electronic control sales on the Direct Heating market.

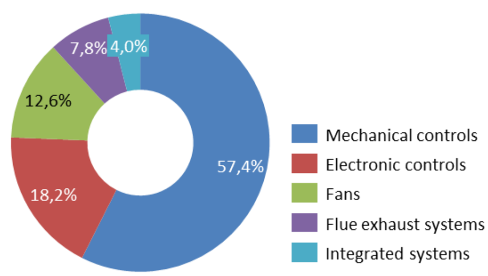
Core sales in Europe were down 17.8% on the first half of 2018, impacted by - in addition to the general economic environment - also the regulations introduced in a number of countries, whose benefit on sales was absent in 2019. In particular, Turkey, representing 9.6% of division sales, contracted 46.1% over the same period of 2018, in which the E.r.P – Energy Related Products directive was implemented, supporting sales in the first half of the previous year in spite of the challenging local economic environment.
Italian sales, representing 20.7% of the division total, contracted 10.1% over the same period of 2018, also due to the suspension of the incentives programme introduced by the Chinese government ("coal to gas policy") - in place in 2018 and subsequently suspended - which boosted sales to Italian OEM's.
The other European countries were impacted by the general economic environment described above and reported a contraction, with the exception of the United Kingdom (9.4% of division sales), up 1.9% over the same period of the previous year as a result of the Brexit effect.
China (5.0% of division sales) saw core sales decline 30.9% as the government incentive plan ("coal to gas policy"), operational in the initial months of 2018, is still temporarily suspended.

H1 2019 core sales by application segment and product line are reported below:

Application



Product line



In relation to the main clients of the Heating Division, 41.0% of annual revenues are with the leading 5 clients - with which the Group has consolidated long-term commercial relationships.

Smart Gas Metering Division

In H1 2019, the Smart Gas Metering Division generated revenues of Euro 42.4 million, an increase of 29.6% compared to Euro 32.7 million in H1 2018. This confirms the development of the residential meters' roll-out and SIT's competitive position on the Italian market.
In terms of products, sales for Residential Meters amounted to Euro 40.0 million (93.4% of total sales), while sales for Commercial & Industrial Meters amounted to Euro 2.2 million. In the first half of 2018,

these were respectively Euro 31.7 million (96.2% of the total) and Euro 1.0 million, with the latter up over 100% following the entry into production of the new product platform. H1 2019 revenues were all substantially generated on the domestic market.

In terms of the Smart Gas Metering Division's main clients, 87.4% of division revenues for the period were from the top 3 clients, due to the significant concentration in the gas distribution sector.

OPERATING PERFORMANCE

Economic performance

H1 2019 revenues were Euro 167.2 million, decreasing 4.6% (Euro 8.1 million) over the first half of 2018 (Euro 175.4 million). At like-for-like exchange rates, revenues declined 5.7% compared to the first half of 2018.

Purchase costs of raw materials and consumables, including changes in inventories, amounted to Euro 90.0 million (53.8% of revenues, compared to 52.6% in the first half of 2018), due to the increase in transformation costs, only partially offset by the reduction in purchase prices.

Service costs, amounting to Euro 20.3 million, account for 12.2% of revenues compared to 13.1% in H1 2018 (Euro 23.0 million). The decrease in costs is a combined effect of the streamlining measures undertaken by the Group mainly regarding outsourcing (approx. Euro 1.2 million) and transport (approx. Euro 1.0 million), also due to the lack of demand for urgent shipments, evident amid the peak demand emerging in 2018; in addition, the accounting effect relating to the initial application of IFRS 16 reduced rental costs by approx. Euro 1.1 million.

Personnel expenses of Euro 35.7 million accounted for 21.4% of revenues (22.2% in the first half of 2018), decreasing Euro 3.2 million, mainly due to the non-recurring charges in 2018 of Euro 2.5 million for the settlement and incentives for the mutual resolution of the employment of the previous general manager and the reduced volumes, which resulted in a lesser recourse to temporary staff (Euro 1.7 million).

Amortisation and depreciation rose Euro 1.9 million, +21.2% on the same period of the previous year, due to the entry into service of the investments made in 2018, in addition to the impact from the initial application of IFRS 16.

Other charges and income include non-recurring income for Euro 0.7 million relating to an insurance payment.

Adjusted EBITDA was Euro 21.7 million, decreasing 7.0% on the same period of 2018 (Euro 23.4 million), mainly due to the lower sales volumes of the Heating Division, as previously described, only partially offset by improved Smart Gas Metering sales.

Adjusted H1 2019 EBIT was Euro 10.7 million, compared to Euro 14.3 million in the same period of 2018 (-25.3%).

Group EBIT therefore decreased from Euro 11.0 million in H1 2018 to Euro 10.1 million in 2019, after amortisation and depreciation of Euro 11.1 million, of which Euro 3.1 million the amortisation and depreciation on the gains allocated to the intangible and tangible assets of the Group following the Purchase Price Allocation consequent to the acquisition of SIT La Precisa S.p.A in 2014 and Euro 1.0 million due to the initial application of IFRS 16, with effect from January 1, 2019 and in relation to which reference should be made to the Explanatory Notes for further details.

Financial charges in the first half of 2019 totalled Euro 3.4 million (Euro 2.3 million in the first half of 2018) and include the decrease in the fair value of the Warrants issued by the company for Euro 1.1 million. Financial income of Euro 0.3 million decreased over the first half of 2018 (Euro 3.0 million). In this regard, in H1 2018, financial income included the increase in the fair value concerning the market movements of the Performance Shares (Euro 0.8 million) and of the Warrants issued by the company (for Euro 1.7 million).

Adjusted net financial charges, neutralising the above changes in the fair value, in H1 2019 amounted to Euro 2.0 million, increasing 5.1% on Euro 1.9 million in H1 2018.

Adjusted net profit, calculated net of non-recurring charges and income (both operating and financial) and net of the tax effects, amounting to Euro 5.8 million, was down 34.6% versus the previous year, with the margin decreasing from 5.1% to 3.5%.

The net profit in the first half of 2019 amounted to Euro 4.5 million, compared to Euro 8.4 million in the first half of 2018.

Cash Flow performance

At June 30, 2019, the net financial debt was Euro 87.6 million, compared to Euro 80.9 million at June 30, 2018, increasing Euro 6.7 million and including the impact from the initial application of IFRS 16 of Euro 6.8 million.

The movements in the net financial position are reported below:

(Euro.000)	1H 2019	1H 2018
Cash flow from current activities (A)	**23,021**	**24,506**
Change in inventories	(10,573)	(21,515)
Change in trade receivables	(369)	(6,721)
Change in trade payables	3,021	13,367
Change in current assets, liabilities and taxes	(6,882)	(6,453)
Cash flow generated (absorbed) from Working Capital (B)	**(14,803)**	**(21,322)**
CASH FLOW FROM OPERATING ACTIVITIES (A + B)	**8,218**	**3,184**
Cash flow from investing activities (C)	**(7,741)**	**(11,601)**
CASH FLOW FROM OPERATING & INVESTING ACTIVITIES (A + B + C)	**477**	**(8,417)**
Interest paid	(1,623)	(1,725)
Change in accrued interest on loans including PIK	(8)	9
Amortized cost	(254)	(266)
FV change of derivatives	(609)	(201)
Change in translation reserve	789	821
Change in shareholders' equity and acquisition treasury	(349)	3
Dividends	(6,969)	(5,986)
IFRS 16	(556)	0
Change in net financial position	**(9,102)**	**(15,762)**
Opening net financial position (1)	**78,479**	**65,105**
Closing net financial position (1)	**87,581**	**80,867**

(1) The Group's net financial debt is calculated by not considering the financial liabilities for Warrants and the Performance Shares, as not involving any financial outlay. The opening net financial debt at 1.1.2019 was in addition adjusted for Euro 7,144 thousand to take account of the impact from the initial application of IFRS 16.

Operating cash flows of Euro 23.0 million were generated in H1 2019, compared to Euro 24.5 million in the same period of 2018.

The cash flows absorbed by working capital in the first half of 2019 amounted to Euro 14.8 million, compared to Euro 21.3 million in the same period of 2018. In the first half of 2019, inventories absorbed Euro 10.6 million, partly due to the seasonality of the Heating business and partly the level of Smart Gas Metering order acquisitions. In the first half of 2018, the absorption from changes in inventories was Euro 21.5 million, both due to the exceptionally low level of Heating inventory at 31.12.2017 and the sales outlook for the second half of 2018, which continues to be impacted by the Chinese market outlook. Trade receivables in the first half of 2019 absorbed cash of Euro 0.4 million, while in the same period of 2018 absorbing Euro 6.7 million due to the existence at that date of a significant level of overdue receivables which were subsequently recovered. Trade payable movements in the first half of 2019 generated cash of Euro 3.0 million, compared to Euro 13.4 million in 2018, due to the above-stated purchases and the timing of investments to expand production capacity in the period.

Cash flows from investing activities absorbed Euro 7.7 million in the first half of 2019, compared to Euro 11.6 million in the same period in the previous year.

Operating cash flows after investments generated Euro 0.5 million in H1 2019, while absorbing Euro 8.4 million in H1 2018.

Among the financing activity cash flows, we indicate the payment of interest for Euro 1.6 million (Euro 1.7 million in H1 2018), the payment of dividends for Euro 7.0 million (Euro 6.0 million in the first half of 2018) and the impact of the new operating lease contracts in accordance with IFRS 16 for Euro 0.6 million.

Investments

In H1 2019, the SIT Group invested a total of Euro 7.9 million, of which Euro 7.4 million (93.2 % of the total) in the Heating Division and Euro 0.5 million (6.8% of the total) in the Smart Gas Metering Division. These amounts in the first half of 2018 were respectively Euro 10.1 million, Euro 9.0 million and Euro 1.2 million (a reduction therefore in 2019 of 22.1%, 17.9% and 54.0%), due to the timing of investments in production capacity during 2018.

In the Heating division, the main investments in 2019 related to the replacement of plant and of the die-cast mould equipment (Euro 3.6 million, 48.3% of the Division's total) and the expanded production capacity (Euro 0.9 million, equal to 11.6%).

In addition, Euro 1.8 million (24.5% of the Division's total) was invested in industrial buildings, which principally concerned the production sites at Rovigo.

Euro 0.6 million (8.4% of the Division's total) refers to the acquisition of industrial and laboratory equipment, while the remainder (Euro 0.5 million, equal to 7.2% of the Division's total) refers to investments for product development and customisation.

Investment in Smart Gas Metering was essentially for the increase in production capacity (Euro 0.2 million or 45.3% of the Division's total) at the Italian plant. The remainder refers to industrial and laboratory equipment for Euro 0.2 million (33.5% of the Division's total) and product development and innovation (Euro 0.1 million, 21.2% of the Division's total).

RISK MANAGEMENT POLICY

The effective management of risk is a key factor in maintaining the Group's value over time.

With the objective in mind of protecting and growing the value of the company, together with the need for greater transparency and risk management according to internationally recognised approaches, the company undertook an Enterprise Risk Management process at both Group Divisions.

In this context, in H1 2019 the Enterprise Risk Management was consolidated as an operating instrument which, through organisational structures and specific rules and procedures for the identification, measurement, management and monitoring of the main risks, supports consistent business conduct in line with the objectives established by the Board of Directors and the undertaking of decisions in line with the risk propensity, in addition to creating a greater general awareness of risks, legal compliance and company values.

In this environment, the *Enterprise Risk Management* activities overseen and coordinated by the Group's Governance & Legal Department are complementary to those performed by the Sustainability Committee and the Supervisory Board.

In line with best international practice, the SIT Group adopts the following classification of risks:

- External risks;
- Strategic risks;
- Operating risks;
- Financial risks.

External risks

Country Risk

Due to its international presence, the SIT Group is exposed to Country risk i.e. the risk of changes to the political and socio-economic conditions of particular regions. This risk is however mitigated by the adoption of a business diversification policy by product and region, therefore balancing the risk at Group level.

Strategic risks

INNOVATION

The SIT Group operates in a highly-competitive market featuring significant product technological innovation and competing with major multinational groups.

SIT is therefore exposed to risks related to technological evolution and its capacity to correctly interpret market demands and convert them into innovative and technologically reliable products which are competitively priced for the end customer. In order to maintain a competitive advantage, SIT invests heavily in R&D, both with regard to existing technologies and new applications. The major recent project involving the construction of new research laboratories and the partnerships with leading universities are driven by this reality.

Operating risks

Supply Chain

Supply chain risks arise from the potential procurement difficulties for certain components amid possible increased global demand. The company has closely assessed the possibility of fixing the procurement of these components to offset this risk. SIT in addition continued in H1 2019 to pursue a contractual coverage policy with suppliers in order to enable more transparent and clearer relationships with suppliers. The company's requirement for Suppliers and third-party intermediaries to comply with its Ethics Code falls within this Policy. Finally, the policy of identifying alternative suppliers in order to offset business interruption risks from supply concentration was stepped up.

Business Interruption

For the mitigation of the risk related to the availability of production facilities and their continued operation, loss prevention activities (business continuity procedures) have been executed in order to reduce risk factors in terms of the probability of occurrence and to establish protections to limit their impact. Business interruption mitigation measures were taken for the supply of components through a diversification of suppliers, the creation of consignment stocks and the use, where possible, of suppliers close to production plant.

In terms however of service interruption risk linked to IT system performance following the occurrence of natural catastrophic events or hacking, the Group updated its anti-virus software in order to fend off cyber-attacks and strengthen its firewall network. Vulnerability assessments and penetration tests are also carried out regularly. Last but not least, the servers were transferred to specialised centres to offset the risk of data loss and removal on the one hand and, on the other to guarantee quick and certain timeframes for recovery and restart where incidents occur.

Product quality

SIT considers of fundamental importance the risk related to the marketing of products, in terms of quality and safety. The Group has since its foundation been committed to mitigate this risk through controls on quality and internal production processes and on suppliers, in addition to prevention of errors. These latter were undertaken to order to anticipate problems arising through utilising specific Robust Design methodologies such as Failure Mode & Effect Analysis (FMEA), Quality Function Deployment (QFD), and Advanced Product Quality Planning (APQP).

Environment, health and security

For the SIT group, a focus on the environment and on workplace safety is a shared and central value which has guided the Group's strategic, production and organisational choices.

Over the years, the SIT Group has carried out significant human resource, organisational and technical and economic project investment, circulating a clear Environmental Policy.

The production process – both in Italy and abroad – is constantly monitored in order to minimise the environmental impact and/or risk relating to the use of products or production facilities in a way that has repercussions for humans and the environment both as regards internal working aspects and the conditions of the area surrounding operating facilities – all in strict accordance with applicable legislation.

In terms of environment matters, the Group obtained the ISO 14001/2004 environmental certificate for the Brasov (Romania), Monterrey (Mexico) and Rovigo facilities. At these facilities, for the purposes of calculating atmospheric CO2 emissions, the layout of the air conditioning and cooling systems serving the equipment and installations at the Group's Italian facilities was confirmed by the competent authorities (ISPRA). This monitoring will also assume, for all of the facilities of the Group, increasing importance within the framework of non-financial reporting pursuant to Legislative Decree No. 254/16.

The industrial operations of SIT do not fall within the classification of dangerous industries and therefore there are no significant workplace safety problems; these situations are however duly managed in compliance with the applicable regulations (Legislative Decree 81/08 - Consolidated Safety Act). On a half-yearly basis, the Safety Plan is drawn up which describes for each Italian industrial site the activities carried out in relation to the existing regulations and establishes objectives to be achieved in the subsequent three-year period. Contemporaneously, for the Italian facilities, the Safety Audit document is also issued concerning the previous half-year.

In recent years, thanks to the continual application of increasingly modern and efficient technical safety rules, the number of accidents has been reduced. This allows the Italian production units to request a reduction in the INAIL rate, which was attained also in 2018 and each year since 2011.

In recent years, by order of the Municipality of Padua and in agreement with the local control authorities and after verifying the state of the asbestos at the SIT facility in Padua, actions were undertaken to completely remove this material.

Finally, information and training in H1 2019 continued in compliance with the State-Regions agreement. Refresher courses on subjects such as first aid, fire prevention, etc., were held at all plants.

Legal & Compliance

SIT is exposed to the risk of delayed compliance with newly issued sector and market laws and regulations. In order to mitigate this risk, each compliance function continuously oversees the development of the regulatory framework through ongoing legislative updating and analysis and, where necessary, utilises outside consultants.

Alongside the listing on the main segment of the Italian Stock Exchange on November 28, 2018, SIT completed the structuring of its corporate governance in line with applicable regulations, both in terms of roles, responsibilities and committees and with regards to procedures and policies, in order to also ensure the taking of shared strategic decisions, transparency and parity of information.

In relation to disputes, the Governance & Legal Department periodically monitors the development of potential disputes or those in place and establishes the strategy to be followed and the most appropriate management actions, involving in this regard the relevant company departments. In relation to these risks and the related economic effects, appropriate assessments are carried out together with the Finance Department.

The Company updated its Code of Ethics and Organisation, Management and Control Model pursuant to Legislative Decree No. 231/01 with the aim of reinforcing its policy, following its IPO, of pursuing a management style inspired by the utmost transparency and integrity, sensitive to the governance and internal control issues discussed above.

Particular attention was placed on compliance requirements, regulatory provisions and best practices, both with regards to company documents and internal and external relations.

The Supervisory Board met periodically, while the Board of Directors will be informed upon their activities through the Half-Year Report.

PERSONAL DATA PROCESSING COMPLIANCE

In the past, the Group companies have adopted specific and appropriate organisational and technical measures for the security of personal data based on Legs. Decree 196/03 (Personal data protection act), as described in the annual Personal Data Protection Code. In 2019, the SIT Group advanced further the project (begun in 2017) to align with the General Data Protection Regulation, the new Regulation No 2016/679 of the European Parliament of April 27, 2016 on the protection of personal data, to be completed by May 2018, adjusting policies, procedures, instruments and internal and external documents.

INSURANCE COVERAGE

In compliance with the Group insurance management policies, the Company, in partnership with its insurance broker, carried out an extensive assessment of the types of significant risk and the range of insurance coverage available on the market. Specifically, in coverage of all Group companies, insurance policies were signed for personal injury and/or property liability from the malfunctioning of products; the liability of Directors, Statutory Auditors, Executives and Managers; damage to company property, including damage from the interruption to production, in addition to goods, also during transport and finally injury to Employees in the exercise of their duties.

PLANNING AND REPORTING

In order to prepare accurate and reliable earnings and financial disclosure, the SAP IT system was updated both for transactional management and statutory operating reporting with the latest releases available, therefore improving the Internal Control System, in addition to the quality, timing and comparability of the data of the various consolidated entities.

Financial Risks

The Group through its operating activities is exposed to financial risks, in particular:

- Market risk, with particular reference to (i) currency risk deriving from operations and transactions in currencies other than the functional currency of the companies and of the Group; (ii) interest rate risk deriving from fluctuations in market interest rates; (iii) price risk deriving from changes in market prices of certain raw materials utilised by the Group in its production processes;
- Credit risk, concerning commercial transactions with its customers;
- Liquidity risk, related to the availability of financial resources and access to the credit market;

In relation to market risk, the SIT Group has issued the following Group policies approved by the Board of Directors of the Company:

- Foreign exchange risk management policy;
- Group Interest rate risk management policy;
- Company Policy to manage Group liquidity.

The scope of these policies is to govern, within a shared framework, the management approach, the objectives, the roles, the responsibilities and the operating limits of the financial risk management activities.

In this regard, the Group has centralised in the parent company SIT S.p.a. the management of the financial risks of the subsidiaries, coordinating the Group processes, operating mechanisms and the relative organisational procedures.

Currency risk

The SIT Group is exposed to the risk of fluctuation of exchange rates since it operates in an international context in which transactions are undertaken in currencies other than the functional currencies of the individual investees or the Group's functional currency (the Euro). The Group's exposure to foreign exchange risk is therefore a consequence of the geographical distribution of the markets in which it sells its products, the location of its production facilities and the use of sources of procurement denominated in other currencies.

The main items of the financial statements exposed to foreign exchange risk are:

- Costs and revenues relating to purchases and sales of products and services transacted in a currency other than the functional currency of the investee or the Group;
- Operating costs and revenues attributable to the conduct of business in countries that use currencies other than the Euro;
- Trade receivables and payables referring to the deferral of payment granted in settling the transactions set out in points (i) and (ii) above and any other items of working capital denominated in currencies other than the functional currency.
- Debt (or deposits) in a currency other than the functional currency. As a matter of course, the debt of investees is denominated in their functional currency. However, where debt is denominated in a currency other than the accounting currency, foreign exchange risk is managed

in accordance with the guidelines of the aforementioned policy;

- Equity investments: equity investments are exposed to foreign exchange translation risk as a consequence of the translation into Euro of the financial statements of investees. Given the strategic nature of the equity investments held by SIT S.p.A., it is the Group's policy not to undertake hedging of the foreign exchange risk associated with net investments in foreign operations;
- Dividends: any dividends distributed by international investees denominated in a currency other than the Euro are exposed to foreign exchange risk from the date on which they are approved until the date on which they are paid. The foreign exchange risk resulting from such exposure is managed according to the guidelines set out in the aforementioned policy.

In order to reduce foreign exchange risk at the Group level, as a matter of general policy SIT S.p.A. undertakes natural hedging, setting off opposing exposures with related risk profiles against one another. In the Group's operations, exposure to foreign exchange risk arises annually when the prices of purchase and sale are set, which is when the exchange rates used in the budget are also determined.

The Group regularly assesses its exposure to foreign exchange risk and manages the resulting net risk through the use of derivative and non-derivative financial instruments. Such financial instruments are used solely to manage the exposure resulting from expected cash flows and assets and liabilities (hedging activities).

Speculative activity is not permitted.

Despite the existence of these policies and compliance with foreign exchange risk management procedures aimed at mitigating and hedging risk, abrupt fluctuations in exchange rates could nonetheless have an adverse impact on the SIT Group's business, financial performance, financial position, operating results and outlook.

In H1 2019, the nature and the structure of the exposure and the Group monitoring and control policies did not change substantially compared to the same period in the previous year.

The table below shows the value in Euro thousands, at the average exchange rate for the period, respectively of revenues and purchase cost of raw materials, consumable materials and goods, broken down by currency.

Total revenues by currency

(Euro.000)	1H 2019	% Revenues	1H 2018	% Revenues
EUR	128,765	77%	138,506	79%
USD	27,838	17%	23,194	13%
CNY	5,560	3%	8,521	5%
AUD	2,750	2%	3,204	2%
MXN	1,843	1%	1,464	1%
GBP	473	0%	460	0%
Other	14	0%	42	0%
Total	**167,243**	**100%**	**175,391**	**100%**

Total raw materials, ancillaries, consumables and goods by currency:

(Euro.000)	1H 2019	% Costs	1H 2018	% Costs
EUR	71,571	72%	82,152	73%
USD	22,195	22%	24,436	22%
CHF	4,198	4%	3,972	4%
CNY	1,004	1%	1,282	1%
RON	807	1%	1,246	1%
MXN	156	0%	45	0%
AUD	16	0%	22	0%
Other	1	0%	3	0%
Total	**99,948**	**100%**	**113,158**	**100%**

During H1 2019, in line with the Company Policy on currency risk management of the Group, the company undertook financial hedging operations principally against net exposures in ADU, GBP and CHF. In relation to the exposure in CNY, given the significant variance of the revenues on the Chinese market compared to 2018's budget, the hedges were extended to 2019.

The currency hedging transactions at the reporting date and their fair values are shown in the Explanatory Notes.

The Group net debt is entirely in Euro, while the breakdown of the amounts held in non-restricted bank current accounts in foreign currencies is shown in the table below:

(Euro.000)	30/06/2019
Currency	
Euro	19,557
USD	13,453
CNY	1,245
AUD	208
Other	448
Total	**34,911**

With reference to these accounts in the financial statements, the potential loss deriving from a hypothetical unfavourable change in the exchange rate of the Euro equal to 10% would have a negative effect of Euro 1,535 thousand, without considering in this sensitivity analysis the effect of the hedging.

Interest Rate Risk

The SIT Group is exposed to the risk associated with the fluctuation of market interest rates, since it has assets and liabilities that are sensitive to changes in market interest rates.

SIT management regularly assesses the exposure of the Group to interest rate risk and manages these risks also through the use of derivative financial instruments, in compliance with the company financial risk management policies. Under these policies, utilisable financial instruments have been undertaken, while no type of speculative activity is permitted.

Despite the existence of these policies and compliance with the interest rate risk management procedures established in such policies, aimed at mitigating and hedging risk, abrupt fluctuations in interest rates could nonetheless have an adverse impact on the SIT Group's business, financial performance, financial position, operating results and outlook.

At the reporting date, the Group has only one loan for a nominal capital amount of Euro 114,412 thousand. This loan provides for a variable interest rate indexed to the Euribor at 6 months. The company has in place on this loan interest rate swaps for a total notional amount of Euro 105,090 thousand, equal to 91.85% of the underlying value.

The details and fair values of the hedging transactions outstanding as at the reporting date are presented in the notes.

SENSITIVITY ANALYSIS

At parity of other conditions, the effects deriving from a hypothetical increase of 100 basis points of the variable interest rate would result in an increase in financial charge for SIT for H1 2019 of Euro 50 thousand, taking into account the hedging in the period. The same simulation for the same period in the previous year, also taking into account the hedging in place, would have resulted in an increase in financial charges of Euro 55 thousand.

Risk of raw material price fluctuations

The SIT Group's production costs are influenced by the prices of various raw materials, such as copper and aluminium, through both the direct purchase of the materials in question and the effect of fluctuations of the cost of purchasing such materials on the cost of purchasing components and semi-finished goods that contain significant amounts of the materials concerned.

In order to mitigate these risks, the SIT Group constantly monitors the availability of raw materials on the market and the trends in the price of such materials, with the aim of promptly identifying any shortages and taking the resultant action appropriate to ensuring the needed production capacity and keeping its production costs competitive. The Group also enters into agreements hedging against the risk of fluctuations of raw materials prices, where deemed appropriate in the light of projections.

However, there remains a possibility that a hypothetical shortage and/or material fluctuations of the price of purchasing the materials concerned could in future have an adverse effect on the Group's business, financial performance, financial position, operating results and outlook.

During 2019 the structure and nature of the exposure to the risk of fluctuation of raw materials prices and the monitoring and supervision policies adopted by the Group did not change substantially with respect to the previous year.

The details and fair values of the hedging transactions outstanding as at the reporting date are presented in the notes.

Credit risk

The credit risk deriving from normal Company operations with commercial counterparties is managed and controlled within the procedures for the allocation and monitoring of client credit standings, in order to ensure sales are made to reliable and solvent clients. The Parent Company coordinates the credit management process for all Group companies through periodic reporting and meetings. This process is based on available information regarding the solvency of clients in view of past performance, according to credit limits set for each client. In addition, the maturity of trade receivables is monitored on an ongoing basis throughout the year in order to anticipate and promptly intervene on credit positions which present greater risk levels.

At the reporting date, there are no significant concentrations of credit risk.

For further information on the composition of receivables, reference should be made to the Explanatory Notes.

Liquidity risk

Liquidity risk may arise from difficulties in sourcing at appropriate conditions and timeframes the funding necessary for Company and Group operations.

In relation to liquidity risk, considering the nature of the business and historic operating cash flows, the Group does not present particular risks related to the sourcing of funding.

In this regard, SIT continually monitors risks in order to offset any impacts and undertake appropriate corrective actions. The Group adopted the following policies and processes aimed at optimising the management of financial resources, reducing the liquidity risk:

- maintenance of an adequate level of liquidity;
- obtaining of adequate credit lines;
- monitoring of future liquidity conditions with the support of internal company planning processes.

The cash flows, financial requirements and availability of temporary liquidity of the Group are monitored and managed centrally by the Parent Company SIT, which carried out the Group Treasury Management and Financial Coordination to ensure an effective and efficient management of financial resources.

As is customary in transactions of this sort, the aforementioned SIT loan agreement includes covenants based on items of the financial statements, to be verified on a semi-annual basis. Failure to comply with these covenants would trigger the acceleration clause in respect of the Company. The financial covenants in this contract are (i) ratio between net financial position and EBITDA and (ii) ratio between EBITDA and net financial charges, all amounts to be calculated in accordance with the definitions within the contract. As at June 30, 2019, the covenants had been fully complied with.

INTER-COMPANY AND RELATED PARTY TRANSACTIONS

SIT is a company incorporated in Italy at the Padua Companies Registration Office.

SIT exercises direction and coordination in accordance with Article 2497 and subsequent of the Civil Code over its Italian subsidiary. It is not subject to management and coordination, pursuant to Articles 2497 and subsequent of the Italian Civil Code, by the holding company, SIT Technologies S.p.A.

The transactions with related parties, including inter-company transactions, are not atypical or unusual and form part of the ordinary business activities of the companies of the Group.

These transactions are regulated at market conditions, i.e. the conditions that would be applied between two independent parties, and are undertaken in the interests of the Group.

The loan extended by the Parent Company to the subsidiary Metersit S.r.l. with a nominal capital value as at the reporting date of Euro 7,500 thousand within the framework of an interest-free line of credit of a total of Euro 15,000 thousand represents an exception. It should be noted that this loan has been accounted for in the separate financial statements of the Parent Company according to the amortised cost method, which involves recognising an implicit interest rate.

The Board of Directors of SIT approved a related parties transaction policy, in application of legislation enacting European community provisions and Article 10 of the Regulations adopted by Consob with Resolution No. 17221 of March 12, 2010, later amended by Resolution No. 17389 of June 23, 2010, published in the Corporate Governance section of the website www.sitgroup.it.

Reference should be made to the Explanatory Notes for details of the transactions with parent companies and companies subject to the control of this latter, related party transactions and inter-company transactions.

We report that on January 15, 2018, the Board of Directors, subject to the positive completion of the procedure by the Related Parties Committee, approved the allocation to the Chairman and the Chief Executive Officer Federico de Stefani of an extraordinary gross variable emolument, quantifiable in a range between Euro 1.3 million and Euro 2.6 million, which matures in line with the achievement of the objectives to be calculated based on the performance of SIT in 2017, 2018 and 2019. The emolument shall be calculated based on a component related to the performance of the SIT share price in the period under consideration and of a corrective amount related to the company performance. While reference should be made to the Explanatory Notes for the method of the calculation of these components, we indicate that in H1 2019 the cost matured was Euro 377 thousand, recognised under non-recurring service costs which increases the current liability at June 30, 2019 totalling Euro 1,131 thousand.

Simultaneous to the merger operation in 2017, SIT S.p.A. issued 5,350,000 Warrants of which 300,000 assigned to the holding company Sit Technologies S.p.A., whose conversion is governed by the Warrant Regulation, as described in the Explanatory Notes.

Finally, SIT Immobiliare S.p.A., SIT Technologies S.p.A. and MeteRSit S.r.l. elected to participate in the national tax consolidation procedure for 2016-2018. The parties to this scheme, which is governed by Legislative Decree No. 344 of December 12, 2003, and in particular by Articles 117 to 129 of the Consolidated Income Tax Law, are SIT Immobiliare S.p.A. as the consolidating entity and the other companies as consolidated entities, as approved by their respective governing bodies. The consolidated tax arrangement for the 2019-2021 three-year period is expected to be renewed by the deadline set out for the presentation of the 2019 Tax Return.

TREASURY SHARES

At June 30, 2019, the company held 118,009 treasury shares without nominal value, equal to 0.47% of the share capital, of which 41,881 acquired in H1 2019.

OUTLOOK

The positive outlook for the Smart Gas Metering segment is confirmed for 2019, supported also by the significant order backlog.

In the Heating Division, in the second half of the current year, sales volumes are expected to partially recover the performance recorded in 2019H1 that, however, will not allow to reach the sales accounted in the previous full year.

Padua, September 12, 2019

The Chairman of the Board of Directors

(Mr. Federico de' Stefani)

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

(Euro.000)	**Notes**	**30/06/2019**	**31/12/2018**
Goodwill	1	78,138	78,138
Other intangible assets	1	62,682	66,111
Property, plant & equipment	2	73,098	65,169
Investments in other companies	3	54	54
Non-current financial assets	4	1,541	1,544
Deferred tax assets	5	5,885	7,482
Non-current assets		**221,398**	**218,498**
Inventories	6	62,402	52,230
Trade receivables	7	52,315	52,038
Other current assets	8	9,697	9,102
Tax receivables	9	4,216	3,565
Other current financial assets	4	41	97
Cash and cash equivalents	10	34,980	55,494
Current assets		**163,651**	**172,526**
Total assets		**385,049**	**391,024**
Share capital	11	96,152	96,152
Total Reserves	12	30,596	4,986
Net profit/(loss)		4,524	24,265
Minority interest net equity		-	-
Shareholders' Equity		**131,272**	**125,403**
Medium/long-term loans and borrowings	13	94,857	104,730
Other non-current financial liabilities and derivative financial instruments	14	5,908	710
Provisions for risks and charges	15	4,260	4,492
Post-employment benefit provision	16	5,911	5,908
Other non-current liabilities	17	1,167	758
Deferred tax liabilities	18	17,376	18,260
Non-current liabilities		**129,479**	**134,858**
Short-term loans and borrowings	19	17,943	16,257
Other current financial liabilities and derivative financial instruments	20	3,895	5,228
Trade payables	21	77,814	74,795
Other current liabilities	22	15,146	17,088
Short-term financial instruments for Performance Shares	23	-	8,260
Financial instruments for Warrants	24	4,177	3,028
Tax payables	25	5,323	6,107
Current liabilities		**124,298**	**130,763**
Total Liabilities		**253,777**	**265,621**
Total Shareholders' Equity and Liabilities		**385,049**	**391,024**

CONSOLIDATED INCOME STATEMENT

(Euro.000)	**Notes**	**1H 2019**	**1H 2018**
Revenues from sales and services	**26**	**167,243**	**175,391**
Raw materials, ancillaries, consumables and goods	27	99,945	113,158
Change in inventories	27	(9,969)	(20,966)
Service costs	28	20,343	22,981
Personnel expense	29	35,709	38,867
Depreciation, amortisation and write-downs	30	11,122	9,179
Provisions	31	224	767
Other charges (income)	32	(228)	421
EBIT		**10,095**	**10,984**
Investment income/(charges)		-	(78)
Financial income	33	255	2,975
Financial charges	34	(3,365)	(2,318)
Net exchange gains (losses)	35	(567)	(203)
Profit/(loss) before taxes		**6,418**	**11,360**
Income taxes	36	(1,894)	(2,943)
Net profit/(loss) for the period		**4,524**	**8,417**
Minority interest result		**-**	-
Group net profit/(loss)		**4,524**	**8,417**

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(iEuro.000)	**1H 2019**	**1H 2018**
Net Profit/(loss)	**4,524**	**8,417**
Other comprehensive income statement items which may be subsequently reclassified to the profit/(loss) for the year, net of taxes		
Net change in cash flow hedge reserve	(533)	(238)
Income taxes	128	57
Total unrealised financial asset gains/(losses)	**(405)**	**(181)**
Translation of financial statements in currencies other than the Euro	828	821
Total other comprehensive income statement items which may be subsequently reclassified to the profit/(loss) for the year, net of taxes	**423**	**640**
Other comprehensive income statement items which may not be subsequently reclassified to the profit/(loss) for the year, net of taxes:		
Unrealised actuarial gains/(losses)	-	-
Income taxes	-	-
Total unrealised actuarial gains/(losses)	**-**	**-**
Total other comprehensive income statement items which may not be subsequently reclassified to the profit/(loss) for the year, net of taxes	**-**	**-**
Total other comprehensive income/(expense) for the year, net of taxes	**423**	**640**
Total comprehensive income/(expense)	**4,947**	**9,057**
Total comprehensive income/(expense) for the year attributable to:		
Parent company shareholders	4,947	9,057
Minority shareholders	-	-
Earnings per shares (EPS)		
EPS	0.1861	0.3516
Diluted EPS	0.1861	0.2516

CONSOLIDATED CASH FLOW STATEMENT

(Euro.000)	**Notes**	**1H 2019**	**1H 2018**
Net profit/(loss)		4,524	8,417
Amortisation & depreciation	30	11,030	9,042
Non-cash adjustments		2,463	4,683
Income taxes	36	1,894	2,943
Net financial charges/(income)		3,110	(579)
CASH FLOW FROM CURRENT ACTIVITIES (A)		**23,021**	**24,506**
Changes in assets and liabilities:			
Inventories	6	(10,573)	(21,515)
Trade receivables	7	(369)	(6,721)
Trade payables	21	3,021	13,367
Other assets and liabilities		(5,085)	(3,739)
Income taxes paid		(1,797)	(2,714)
CASH FLOW GENERATED (ABSORBED) FROM CHANGES IN WORKING CAPITAL (B)		**(14,803)**	**(21,322)**
CASH FLOW FROM OPERATING ACTIVITIES (A + B)		**8,218**	**3,184**
Investing activities:			
Investments in property, plant & equipment		(7,514)	(11,065)
Other changes in property, plant & equipment		69	66
Investments in intangible assets		(299)	(609)
Other changes in financial assets		3	7
CASH FLOW FROM INVESTING ACTIVITIES (C)		**(7,741)**	**(11,601)**
CASH FLOW FROM OPERATING & INVESTING ACTIVITIES (A + B + C)		**477**	**(8,417)**
Financing activities:			
Interest paid		(1,623)	(1,725)
Repayment of non-current financial payables	20	(8,437)	(6,075)
Increase (decrease) current financial payables		(3,506)	(366)
Increase (decrease) other financial payables		(896)	
(Increase) decrease in financial receivables from holding company	4	-	674
(Increase) decrease in financial receivables from companies under control of holding company	4	-	51
Dividend payments	12	(6,969)	(5,986)
Paid-in share capital increase	11	-	3
Own shares		(349)	-
Change in translation reserve	12	789	821
CASH FLOW FROM FINANCING ACTIVITIES (D)		**(20,991)**	**(12,603)**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)		**(20,514)**	**(21,020)**
Cash & cash equivalents at beginning of the year		**55,494**	**70,024**
Increase/(decrease) in cash and cash equivalents		(20,514)	(21,020)
Cash & cash equivalents at end of the year		**34,980**	**49,004**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

	Share capital	Share premium reserve	Treasury shares reserve	Legal reserve	Other reserves								Retained earnings / (Accumulated losses)	Net profit/(loss)	Group sharesholers' equity	Minority interest - capital and reserve	Total group and minority interest sharesholers' equity
					Traslation differences of foreign currencies	L.T.I. reserve	Cash flow hedge reserve	Capital payments	Actuarial reserve	Extraordinary reserve	Warrant reserve	Performance share reserve					
December 31, 2018	**96.152**	**10.360**	**(752)**	**19.230**	**(6.454)**	**175**	**(1.017)**	**18.817**	**(379)**	**1.491**	**(12.541)**	**(11.500)**	**(12.444)**	**24.265**	**125.403**	**0**	**125.403**
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**	**0**
First time adoption of IFRS 16	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**	**0**
January 1, 2019	**96.152**	**10.360**	**(752)**	**19.230**	**(6.454)**	**175**	**(1.017)**	**18.817**	**(379)**	**1.491**	**(12.541)**	**(11.500)**	**(12.444)**	**24.265**	**125.403**	**0**	**125.403**
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**	**0**
Allocation of 2018 result	0	0	0	0	0	0	0	0	0	0	9.513	3.240	11.512	(24.265)	0	**0**	**0**
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Total 2019 comprehensive income	**0**	**0**	**0**	**0**	**828**	**0**	**(405)**	**0**	**0**	**0**	**0**	**0**	**0**	**4.524**	**4.947**	**0**	**4.947**
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Transaction between shareholders	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Conversion of Performance Shares	0	0	0	0	0	0	0	0	0	0	0	8.260	0	0	8.260	0	**8.260**
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Dividends	0	0	0	0	0	0	0	(2.202)	0	0	0	0	(4.767)	0	(6.969)	0	**(6.969)**
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Other movements	0	0	0	0	0	0	0	0	0	0	0	0	(19)	0	(19)	0	**(19)**
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Acquisition of treasury shares	0	0	(349)	0	0	0	0	0	0	0	0	0	0	0	(349)	0	**(349)**
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Reclassifications	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
June 30, 2019	**96.152**	**10.360**	**(1.101)**	**19.230**	**(5.626)**	**175**	**(1.422)**	**16.615**	**(379)**	**1.491**	**(3.028)**	**0**	**(5.718)**	**4.524**	**131.273**	**0**	**131.273**

For further details on the breakdown of shareholders' equity, reference should be made to Notes 11 and 12 of the Explanatory Notes.

SIT and subsidiaries

EXPLANATORY NOTES

GENERAL INFORMATION

SIT S.p.A. (hereinafter, the Parent Company, SIT or the Company), based in Padua and whose shares are listed on the MTA market managed by the Italian Stock Exchange. The company is entered in the Companies Register of Padua at No. 04805520287 with registered office in Viale dell'Industria No. 31/33, Padua (PD).

The company develops, manufactures and sells safety, control and comfort systems and high-performance gas equipment, principally for domestic use such as boilers, stoves, and water heaters, in addition to gas meters, equipped also with remote control, consumption measurement, reading and communication functionalities.

The consolidated half-year financial report of the SIT Group for the period between January 1, 2019 and June 30, 2019 was approved by the Board of Directors, who also approved its publication with motion of September 12, 2019.

ACCOUNTING PRINCIPLES

The condensed consolidated half-year financial statements of the SIT Group at June 30, 2019 were prepared in accordance with the international accounting standards (IFRS/IAS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union, including all interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

These consolidated half-year financial statements were prepared in accordance “IAS 34 Interim Financial Reporting” and therefore do not include all the information published in the consolidated annual report and must be read together with the consolidated annual financial statements at December 31, 2018.

The accounting standards applied for the preparation of the consolidated financial statements at June 30, 2019 are the same as those adopted for the consolidated financial statements at December 31, 2018, except for *IFRS16 - Leases*, applicable from January 1, 2019, as described in greater detail below.

New standards, amendments and interpretations applied from January 1, 2019

IFRS16 - Leases

On January 13, 2016, the IASB published the new standard IFRS 16 - Leases, which replaced IAS 17 – Leases, as well as the interpretations IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Application of the standard is mandatory from January 1, 2019. This new standard proposes substantial changes to the accounting treatment of leasing agreements in the financial statements of the lessee, introducing a criterion based on the control (right of use) of an asset to distinguish leasing contracts from service contracts. Key elements are distinguished such as the identification of the asset, the right of replacement of the asset, the right to obtain substantially all the economic benefits from the use of the asset and, lastly, the right to use the asset underlying the contract.
At the initial date of the leasing contract, the lessee records a liability against the lease payments (i.e. the leasing liability) and an asset which represents the right of use of the underlying asset for the duration of the contract (i.e. the right-of-use). Lessees must record separately the interest expense on the leasing liability and the amortisation on the right of use. The standard contains two exemptions for recognition by lessees: leasing of “low value” assets (for example, personal computers) and short-term lease contracts (leasing contracts for a period below or equal to 12 months).
The lessees must also reconsider the amount of the leasing liability on the occurrence of certain events (for example, a change in the duration of the lease, a change in future lease payments deriving from a change in an index or interest rate utilised to determine these payments). In general, the lessee will record the difference in the amount of the leasing liability as an adjustment to the right of use.

TRANSITION TO IFRS 16

The Group has elected to apply the standard retrospectively and therefore to recognise the cumulative effect of the application of the standard in shareholders’ equity at January 1, 2019 (not restating the 2018 comparative figures), in accordance with IFRS 16:P7-P13. In particular, with regard to lease contracts previously classified as operating leases, the Group recognised the following:

- a financial liability, at the present value of the residual future payments at the transition date, discounted according to the incremental borrowing rate applicable to each contract at the transition date;
- a right of use equal to the value of the financial liability at the transition date, net of any prepayments and accruals associated with the lease carried in the balance sheet at the reporting date of these financial statements.

The Group balance sheet includes the assets comprising the right-of-use in the same account in which they would be presented where owned.
Similarly, the Group includes the liabilities from lease contracts in the account “Other current financial liabilities and derivative financial instruments” or “Other non-current financial liabilities and derivative financial instruments” according to the conclusion of the obligation.

The following table shows the impact of the adoption of IFRS 16 at the transition date:

IFRS 16 impacts at the transition date

(Euro.000)	01/01/2019
Assets	
Non-current assets	
“Right of use” land and buildings	2,954
“Right of use” other assets	4,190
Total	**7,144**
SHAREHOLDERS’ EQUITY AND LIABILITIES	
Non-current liabilities	
Non-current leasing liabilities	5,214
Current liabilities	
Current leasing liabilities	1,930
Total	**7,144**
Shareholders’ Equity	-
Retained earnings	-

We report that the weighted average incremental borrowing rate applied to the financial liabilities recorded at January 1, 2019 was approx. 2.5%.

In adopting IFRS 16, the Group opted for the exemption permitted under paragraph IFRS 16:5(a) in respect of short-term leases - for example for the following categories of assets:

- personal computer;
- printers;

- photocopiers.

Likewise, the Group opted for the exemption permitted under IFRS 16:5(B) with regard to lease contracts for which the underlying asset qualifies as a "low-value asset" (i.e., the asset underlying the lease contract does not exceed Euro 5,000 when new). The contracts for which the exemption has been applied primarily fall within the following categories:

- Computers, telephones and tablets;
- Printers;
- Other electronic devices;
- Furniture and fittings.

For such contracts, the introduction of IFRS 16 entailed the recognition of the financial liability associated with the lease and relevant right of use. Rather, the lease payments are taken to the income statement on a straight-line basis over the term of the relevant contracts.

With regard to the transition rules, the Group opted for the following practical expedients available in the event of the selection of the modified retrospective transition method:

- Classification of contracts set to expire within 12 months of the transition date as short-term leases. The lease payments for such contracts will be taken to the income statement on a straight-line basis;
- Use of the information available at the transition date to determine the lease term, with particular regard to the exercise of extension and early termination options.

The transition to IFRS 16 introduces some elements of professional judgment that entail the definition of certain accounting policies and the use of assumptions and estimates with regard to the lease term and the definition of the incremental borrowing rate. The main such assumptions and estimates are summarized below:

- Lease term. The identification of the lease term is a very important issue since the form, legislation and commercial practices of property lease contracts vary considerably from one jurisdiction to another. On the basis of its historical experience, the Group has adopted the accounting policy of including not only the period that cannot be cancelled, but also the first contractual extension where such depends solely on the Group. For contracts with automatic extensions for an annual (or shorter) period, the Group has adopted the accounting policy of estimating the lease term based on the historical evidence and the assessment of the extension period as "reasonably certain" given significant penalties, in the broad meaning of the term, for the lessor in terminating the contract. In cases of property lease contracts with multi-year extensions at the discretion of both parties, the

Group has assessed the specific facts and circumstances, together with the penalties, broadly construed, associated with a potential termination of the contract.

- Definition of the incremental borrowing rate. Since most lease contracts entered into by the Group do not include an implicit interest rate, the discount rate to be applied to future lease payments has been taken as the risk-free rate in each country in which the contracts were entered into, with maturities commensurate with the term of the specific lease contract, plus the specific credit spread of the Group.

RECONCILIATION WITH THE LEASE COMMITMENTS

In order to illustrate the impacts from the initial application of the standard, the following table reconciles future commitments regarding lease contracts and the impact from the adoption of IFRS 16 at January 1, 2019.

Reconciliation commitments for leases – IFRS16

(Euro.000)	**01/01/19**
Gross value of the liability deriving from lease contracts at December 31, 2018	**7,907**
Finance leases at December 31, 2018	-
Effect relating to contracts classified as short-term leases	(29)
Effect relating to contracts classified as low value assets	(238)
Effect relating to the service component included in the lease contract	-
Other	-
Liability deriving from lease contracts at 1.1.2019 - – not actualized	**7,640**
Discounting	(496)
Financial liability from lease contracts at 1.1.2019	**7,144**
Present value of the finance leases at December 31, 2018	-
Financial liability deriving from operating lease contracts - IFRS16	**7,144**

The Explanatory Notes provide further details on the financial statement impacts from application of the standard. Reference should be made in this regard to Note 37 *Lease contracts* and the additional references within the document.

Other amendments and interpretations applied from January 1, 2019

The following amendments and interpretations applied from January 1, 2019 did not have an impact on the Group condensed consolidated financial statements.

IFRIC 23 - Uncertainty over Income Tax Treatments

The IASB published the interpretation IFRIC 23 “Uncertainty over Income Tax Treatments” on June 7, 2017. The interpretation deals with uncertainties on the tax treatment to be adopted for income taxes. In particular, the interpretation requires an entity to analyse uncertain tax treatments (individually or collectively, depending on their characteristics), always assuming that the tax authority will examine the tax position in question, with access to all relevant information. Where the entity deems it improbable that the tax authority will accept the tax treatment adopted, the entity must reflect the uncertainty in the measurement of its current and deferred income taxes. In addition, the document does not contain any new disclosure obligations, but underlines that an entity must establish whether it will be necessary to provide information on considerations made by management and the relative uncertainty concerning the accounting of income taxes, in accordance with IAS 1.

The directors have assessed the possible uncertainties on the tax treatment of the main financial statement items, also in view of the applications in course with the Tax Agency concerning specific cases, whose interpretation under the tax rules can give rise to doubts.

No additional uncertain or significant tax treatments emerged from the analyses carried out which would require a restatement of the assessable income, of the tax rates applied or of the unutilised tax receivables, also from changes to events or circumstances occurring subsequently.

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

On October 12, 2017, the IASB published the above-stated document which clarifies the need to apply IFRS 9, including the impairment requirements, to other long-term interests in associates and joint ventures for which the equity method is not applied.

The directors concluded that the circumstances are not applicable to the SIT Group and consequently no significant effects were recognised to the condensed consolidated half-year financial statements.

IFRS 9 Prepayment Features with Negative Compensation

On October 12, 2017, the IASB published this amendment to IFRS 9. The document specifies that instruments which provide for an advance repayment could comply with the Solely Payments of Principal and Interest ("SPPI") test also in the case where the "reasonable additional compensation" to be paid in the event of advance repayment is a "negative compensation" for the lender.

The directors concluded that the circumstances are not applicable to the SIT Group and consequently no significant effects were recognised to the condensed consolidated half-year financial statements.

Annual Improvements to IFRSs 2015-2017 Cycle

On December 12, 2017, the IASB published the document which reflects the amendments to some standards within the annual improvements process. The principal changes relate to:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: the amendment clarifies that when an entity obtains control a business which represents a joint operation, it must remeasure its previous holding in the business. This process however is not required in relation to obtaining joint control.
- IAS 12 Income Taxes: The amendment clarifies that all the tax effects related to dividends (including the payments on financial instruments classified within equity) must be recognised in line with the transaction which generated these profits (profit or loss, OCI or net equity).
- IAS 23 Borrowing costs: the amendment clarifies that in the case of loans which remain in place even after the qualifying asset is ready for use or for sale, these become part of the overall financing utilised to calculate the borrowing costs.

The directors concluded that the above circumstances are not applicable to the SIT Group and consequently no significant effects were recognised to the condensed consolidated half-year financial statements.

Plant Amendment, Curtailment or Settlement (Amendments to IAS 19)

On February 7, 2018, the IASB published this document which clarifies how an entity must recognise a change (i.e. a curtailment or a settlement) of a defined benefit plan. The amendments require the entity to update their assumptions and remeasure the net liability or asset from the plan. The amendments clarify that after the occurrence of this event, an entity utilises updated assumptions to measure the current service cost and interest for the remainder of the period.

The directors concluded that the circumstances are not applicable to the SIT Group and consequently no significant effects were recognised to the condensed consolidated half-year financial statements.

IFRS standards, amendments and interpretations not yet endorsed by the European Union

At the reporting date, the relevant bodies of the European Union had not yet concluded the process necessary for the implementation of the amendments and standards described below.

Definition of a Business (Amendments to IFRS 3)

On October 22, 2018, the IASB published this document which provides clarification regarding the definition of business for the purposes of the proper application of IFRS 3. In particular, the amendment clarifies that while a business normally yields an output, the existence of an output is not strictly necessary to identify a business when there is an integrated set of activities and assets. However, in order to meet the definition of a business, an integrated set of activities and assets must include, at minimum, an input and a substantial process that together contribute significantly to the capacity to create output. For this purpose, the IASB has replaced the term “capacity to create output” with “capacity to contribute to the creation of output” to clarify that a business may exist even without all the inputs and processes necessary to create an output.

The amendment also introduced an optional test (“concentration test”) for an entity to determine whether a set of activities and assets acquired is not a business. If the test yields a positive result, the set of activities and assets acquired does not constitute a business and the Standard does not require further verification. If the test yields a negative result, the entity must conduct additional analyses of the activities and assets acquired to identify the presence of a business. To this end, the amendment adds numerous examples illustrating IFRS 3 with the aim of ensuring an understanding of the practical application of the new definition of a business in specific cases. The amendments apply to all business combinations and acquisitions of activities after January 1, 2020, although advance application is permitted.

Considering that the amendment will be applied to any new acquisitions concluded with effect from January 1, 2020, any effects will be recognized in the consolidated financial statements as at and for years ending after that date.

Definition of Material (Amendments to IAS 1 and IAS 8)

On October 31, 2018, the IASB published this document which modified the definition of "material" in IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. The amendment aims to provide a more specific definition of "material" and introduce the concept of "obscured information" alongside the concepts of omitted or misstated information previously included in the two amended Standards. The amendment clarifies that information is obscured if it is described in a way that results in an effect for the primary users of the financial statements similar to that which would have resulted if the information in question had been omitted or misstated.

The amendments resulting from the document apply to all transactions after January 1, 2020.

The directors do not expect this amendment to have a significant impact on the Group condensed consolidated half-year financial statements.

IFRS 10 and IAS 28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture

On September 11, 2014, the IASB published this amendment to *IFRS 10 and to IAS 28* to resolve the current conflict between IAS 28 and IFRS 10.

According to IAS 28, the profit or loss from the sale or conferment of a non-monetary asset to a joint venture or associate in exchange for a share of the capital of this latter is limited to the share held in the joint venture or associate by external investors to the transaction. On the other hand, IFRS 10 provides for the recognition of the entire profit or loss in the case of loss of control of a subsidiary, also if the entity continues to hold a non-controlling holding, including also upon the sale or conferment of a subsidiary to a joint venture or associate. The amendments introduced establish that for the disposal/conferment of an asset or of a subsidiary to a joint venture or associated company, the amount of profit or loss to be recognized to the financial statements of the disposing company/conferring company depends on whether the asset or the subsidiary disposed of/conferred constitutes a business, in the definition established by IFRS 3. In the case in which the assets or the subsidiary disposed of/conferred represents a business, the entity should recognize the profit or the loss on the entire share previously held; while, in the contrary case, the share of the profit or loss concerning the stake still held by the entity should be eliminated. Currently, the IASB has suspended the application of this amendment.

The directors do not expect these amendments to have a significant impact on the Group condensed consolidated half-year financial statements.

Consolidation scope and method and conversion of financial statements expressed in currencies other than the Group functional currency (Euro)

All the following companies are included in the financial statements according to the line-by-line method, which provides for the full inclusion of all of the financial statement line items, without considering the shareholding:

Company	Country	Registered office	Currency	Share capital (in units of local currency)	% held
SIT S.p.A.	Italy	Padua	EUR	96,151,921	100
Metersit S.r.l.	Italy	Padua	EUR	1,129,681	100
S.C. Metersit Romania S.r.l.	Romania	Brasov	RON	2,231,650	100
SIT Controls BV	Netherlands	Hoogeveen	EUR	46,000	100
SIT Gas Controls Pty Ltd	Australia	Mulgrave	AUD	100,000	100
SIT Controls USA Inc.	USA	Charlotte	USD	50,000	100
SIT Controls Deutschland GmbH	Germany	Arnsberg	EUR	51,129	100
SIT Controls CR, S.r.o.	Czech Republic	Brno	CSK	1,500,000	100
SIT Manufacturing N.A. Sa de CV	Mexico	Monterrey	MXN	172,046,704	100
SIT de Monterrey N.A. SA de CV	Mexico	Monterrey	MXN	50,000	100
SIT Controls Canada Inc.	Canada	Ontario	CAD	1	100
SIT Vostok O.O.O.in liquidazione	Russia	Moscow	RUB	2,597,000	100
SIT Shanghai Trading Co. Ltd in liquidazione	China	Shanghai	EUR	100,000	100
S.C. SIT Romania S.r.l.	Romania	Brasov	EUR	2,165,625	100
SIT Manufacturing (Suzhou) Co. Ltd	China	Suzhou	EUR	2,600,000	100
SIT Argentina S.r.l.	Argentina	Santa Fe	ARS	90,000	100

The only controlling holding which is not fully consolidated is the inactive company SIT Controls (UK) Limited, with registered office in the United Kingdom. This company is excluded from the consolidation scope on the basis of the fact that it has concluded its liquidation and is finalising the requirements for its formal cancellation.

The table below presents the exchange rates utilised for the conversion of the financial statements in currencies other than the Group functional currency (Euro).

Euro/Currency	30.06.2019	H1 2019 average	31.12.2018	2018 average	30.06.2018	H1 2018 average
Mexican Peso	21.8201	21.6543	22.4921	22.7054	22.8817	23.085
Argentinean Peso	48.5678	46.8002	43.1593	32.9094	32.7048	26.0382
Romanian Leu	4.7343	4.7418	4.6635	4.6540	4.6631	4.6543
US Dollar	1.138	1.1298	1.1450	1.1810	1.1658	1.2104
Canadian Dollar	1.4893	1.5069	1.5605	1.5294	1.5442	1.5457
Czech Crown	25.447	25.6845	25.7240	25.6470	26.02	25.5005
Australian Dollar	1.6244	1.6003	1.6220	1.5797	1.5787	1.5688
Chinese Yuan	7.8185	7.6678	7.8751	7.8081	7.717	7.7086

COMMENTS ON THE MAIN ITEMS OF THE CONSOLIDATED BALANCE SHEET

Non-current assets

Note 1: Goodwill and Other intangible assets

(Euro.000)	Balance at Dec. 31, 18	Increases	Disposals	Amortisation	Other movements	Balance at Jun. 30, 19
Goodwill	**78,138**	-	-	-	-	**78,138**
Development Costs	161	-	-	(81)	-	81
Patent rights	16,504	35	-	(1,432)	54	15,161
Concessions, licences and trademarks	18,430	-	-	(602)	-	17,828
Other Intangible assets	30,247	94	-	(1,614)	198	28,926
Assets in progress and advances	769	170	-	-	(252)	687
Total other intangible assets	**66,111**	**299**	**-**	**(3,728)**	**-**	**62,682**
Total goodwill and other intangible	**144,249**	**299**	**-**	**(3,728)**	**-**	**140,820**

GOODWILL

The account totals Euro 78,138 thousand at June 30, 2019 and was recognised following the acquisition of the Group company SIT La Precisa S.p.A. on May 2, 2014. As per IFRS 3 Business combinations, on acquisition the assets and liabilities of the Group were measured at fair value at the acquisition date. The excess between the consideration of the transaction (Euro 201,553 thousand) and the fair value of the assets and liabilities acquired was allocated (where possible) to identifiable assets. The difference between the total payment of the acquisition and the fair value of the assets, liabilities and contingent liabilities acquired was recorded under goodwill as a residual amount.

DEVELOPMENT COSTS

The account includes product development expenses, both internal and external, on the basis of precise reporting and restated considering the economic life of the associated products as per the IAS 38 required approach.

PATENTS AND INTELLECTUAL PROPERTY RIGHTS

This includes the non-patented technical/production and technological know-how of the Heating and Smart Gas Metering sector identified within the Business Combination of May 2014, for an original amount of Euro 25,322 thousand. This corresponds to the allocation of the excess of the price paid over the consolidated net equity carrying amounts, based on an independent expert's opinion.
The movement in the period mainly concerns amortisation.

CONCESSIONS, LICENSES, TRADEMARKS

The amount of Euro 17,828 thousand is mainly attributable to the value of the "SIT" and "Metersit" brands identified for an original total amount of Euro 23,995 thousand as part of the merger of the company SIT La Precisa S.p.A. on May 2, 2014; these values were calculated with the support of an independent experts' valuation report.
The movement in the period concerns amortisation in the period.

OTHER INTANGIBLE ASSETS

This account mainly includes the residual value of the customer relationship identified as part of the acquisition of SIT La Precisa S.p.A. on May 2, 2014, whose Fair Value was originally determined at Euro 42,690 thousand; this value was calculated on the basis of independent experts' valuation report. The customer relationship's residual value at June 30, 2019 amounted to Euro 27,986 thousand.
This account finally includes the costs incurred for the installation of the new SAP operating system, in addition to those for the acquisition of the Piteco Evolution centralised treasury operating package.
The movement in the period mainly concerns amortisation.

IMPAIRMENT TEST

Goodwill arising from a business combination is not amortised as considered an intangible asset of indefinite useful life, but subject to an impairment test at least annually to identify any loss in value.

In order to verify any impairments to goodwill or other intangible assets, a comparison was made at December 31, 2018 of the recoverable values of the two identified Group CGU's (Heating Division and Smart Gas Metering Division) with their respective carrying amounts, including allocated goodwill.

The recoverable value of the two CGU's, in the absence of a reliable market value, was calculated according to the Discounted Cash Flow method on the basis of its value in use, i.e. the present value of future operating cash flows from continuous use of the asset, following application of a discount rate representative of the cost of capital.

Currently, compared to the last impairment test undertaken, no elements indicating that the assumptions and parameters used for the impairment test should be revised have emerged.

For further exploration, reference should be made to the Explanatory Notes to the financial statements at December 31, 2018.

Note 2: Property, plant & equipment

The movements in property, plant and equipment in H1 2019 are summarised below.

(Euro.000)	Historical cost at Dec. 31, 18	Accumulated depreciation at Dec. 31, 18	Balance at Dec. 31, 18	"Right of use" IFRS 16 at 1.1.2019[1]	Historical cost at June 30, 19	Accumulated depreciation at June 30,19	Balance at June 30, 19	Of which "Right of use" IFRS 16[2]
Land & Buildings	36,483	(19,227)	17,256	2,954	39,559	(20,122)	19,437	2,508
Plant and machinery	129,704	(102,418)	27,286	-	133,842	(104,016)	29,825	-
Industrial and commercial equipment	74,646	(67,123)	7,522	2,019	77,947	(68,827)	9,120	2,116
Other assets	7,554	(6,074)	1,479	2,171	9,929	(6,410)	3,519	2,017
Assets in progress and advances	11,624	-	11,624	-	11,196	-	11,196	-
Total property, plant and equipment	**260,010**	**(194,842)**	**65,169**	**7,144**	**272,474**	**(199,376)**	**73,098**	**6,641**

1) The disclosure concerning the effects on the opening balances is contained in the "Accounting standards, amendments and interpretations applied from January 1, 2019 - IFRS 16 - Leases" paragraph.

2) The disclosure concerning leased assets recognised according to IFRS 16 is presented in note 37.

The following tables outline the changes in the historic cost and accumulated depreciation in H1 2019 by category.

HISTORIC COST

(Euro.000)	Historical cost at Dec. 31, 18	"Right of use" IFRS 16[1] at 1.1.2019	Historical cost at 1.1.2019	Increases	Disposals	Other movements	Translation difference	Historical cost at June 30, 19	Of which "Right of use" IFRS 16
Land and buildings	36,483	2,954	39,437	64	-88	86	61	39,560	2,965
Plant and machinery	129,704	-	129,704	2,903	-1,679	2,736	177	133,841	-
Industrial and commercial equipment	74,646	2,019	76,665	1,194	-1,269	1,299	58	77,947	2,563
Other assets	7,554	2,171	9,725	84	-61	57	25	9,930	2,171
Assets in progress and advances	11,624	-	11,624	3,725	-	-4,178	25	11,196	-
Total property, plant and equipment [1]	**260,011**	**7,144**	**267,155**	**8,070**	**-3,097**	**0**	**346**	**272,474**	**7,699**

1) The disclosure concerning the effects on the opening balances is contained in the "Accounting standards, amendments and interpretations applied from January 1, 2019 - IFRS 16 - Leases" paragraph.

The increases in the period refer principally to plant, machinery and moulds for the development and manufacturing of new products, in addition to refurbishment and efficiency and production technology improvements.

The account includes the effect from the initial application of IFRS 16 regarding lease contracts in place between the Group companies. For further information, reference should be made to note 37.

The decreases in the period are due to disposals and sales of property, plant and equipment, largely already depreciated.

Other movements include amounts which at December 31, 2018 were in progress and which in 2019 became fixed assets to be depreciated.

ACCUMULATED DEPRECIATION

(Euro.000)	Accumulated depreciation at Dec. 31, 18	Of which "Right of use" IFRS 16	Accumulated depreciation at 1.1.2019	Depreciation	Disposals	Other movements	Translation difference	Balance at June 30, 19	Of which "Right of use" IFRS 16[1]
Acc. Deprec. Land & Buildings	(19,227)	-	(19,227)	(917)	88	-	(66)	(20,122)	(457)
Acc. Deprec. Plant and machinery	(102,418)	-	(102,418)	(3,095)	1,681	-	(184)	(104,016)	-
Acc. Deprec. Industrial and commercial equipment	(67,123)	-	(67,123)	(2,916)	1,248	-	(35)	(68,827)	(447)
Acc. Deprec. Other assets	(6,074)		(6,074)	(372)	59	-	(23)	(6,410)	(154)
Total accumulated depreciation [1]	**(194,842)**	**-**	**(194,842)**	**(7,301)**	**3,076**	**-**	**(308)**	**(199,376)**	**(1,058)**

1) The disclosure concerning leased assets recognised according to IFRS 16 is presented in Note 37.

Property, plant and equipment were depreciated at June 30, 2019 at the following rates:

	Rate
Land and buildings	50.87%
Plant and machinery	77.72%
Industrial and commercial equipment	88.30%
Other assets	64.56%

Note 3: Investments

The following table reports the movements in H1 2019 in the investments account.

(Euro.000)

Investments	Balance 31/12/2018	Increases in the year	Decreases in the year	Other changes	Balance 30/06/2019
Investee					
CFM	-	-		-	-
Immobiliare Golf Montecchia	28	-	-	-	28
Fondazione ABO in liquidation	6	-	-	-	6
Italmed Llc.	378	-	-	-	378
Cyrus Intersoft Inc.	366	-	-	-	366
Infracom S.p.A.	522	-	-	-	522
SAPI immobiliare	4	-	-	-	4
Immobiliare Polesana (formerly IMER)	1	-	-	-	1
Other minor	1	-	-	-	1
Fondazione ABO in liq. write-down prov.	(6)	-	-	-	(6)
Italmed Llc. write-down prov..	(378)	-	-	-	(378)
Cyrus Intersoft Inc. write-down prov.	(366)	-	-	-	(366)
Infracom S.p.A. write-down prov.	(502)	-	-	-	(502)
Total investments	**54**	**0**	**0**	**0**	**54**

Note 4: Current and non-current financial assets

The breakdown of financial assets at June 30, 2019 is as follows:

(Euro.000)

Current and non-current financial assets	30-giu-19	31-dic-18
Guarantee deposits	207	210
Restricted deposit account	1,325	1,325
Other receivables	9	9
Non-current financial assets	**1,541**	**1,544**
Derivative financial instruments	41	97
Other current financial assets	**41**	**97**

The main accounts are commented upon below.

RESTRICTED DEPOSIT ACCOUNT

Established, for Euro 1,325 thousand, as collateral in guarantee of the long-term bank surety, issued by the Parent Company in the interest of the subsidiary Metersit S.r.l. (Euro 1,200 thousand) and by Metersit S.r.l. (Euro 125 thousand) in favour of its clients as part of supply tenders.

DERIVATIVE FINANCIAL INSTRUMENTS

In H1 2019 the parent company undertook hedging contracts against currency risk. These contracts satisfy the IFRS 9 hedging requirements for application of hedge accounting and therefore the financial assets were recognised at fair value with provisioning to a relative net equity reserve, net of the relative tax effect.

Note 5: Deferred tax assets

A breakdown of temporary differences and the consequent deferred tax assets at June 30, 2019 and at December 31, 2018 is reported below, on the basis of the breakdown by type of the temporary differences:

Balance at June 30, 2019

(Euro.000)	Temporary Diff. IRES	Temporary Diff. IRAP	Tax effect IRES	Tax effect IRAP
Employee provisions	2,732	2,723	656	106
Other risk and charges provisions	1,595	1,594	383	62
Employee benefits	324	-	78	-
Write-down of inventories	2,270	1,913	574	76
Maintenance deferral	16	-	4	-
Deprec. suspended on revaluations	171	171	41	7
Amortisation of intangible assets	4	4	1	-
Tax losses	574	-	138	-
Non-deductible interest	4,688	-	1,125	-
Other & overseas	1,912	140	691	5
Inter-company transactions	4,775	4,775	1,147	186
Cash Flow Hedge Reserve	1,925	-	462	-
Unrealised foreign exchange losses	563	-	135	-
Reversal of formation and start-up costs	33	33	7	1
Total	**21,582**	**11,353**	**5,442**	**443**

Balance at December 31, 2018

(Euro.000)	Temporary Diff. IRES	Temporary Diff. IRAP	Tax effect IRES	Tax effect IRAP
Employee provisions	1,832	1,823	440	71
Other risk and charges provisions	1,552	1,552	373	61
Employee benefits	324	-	78	-
Write-down of inventories	1,998	1,640	505	64
Maintenance difference	45	-	11	-
Deprec. suspended on revaluations	171	171	41	7
Amortisation of intangible assets	9	9	2	-
Tax losses	7,614	-	1,828	-
Non-deductible interest	6,535	-	1,568	-
Other & overseas	2,641	50	825	2
Inter-company transactions	3,908	3,908	942	150
Cash Flow Hedge Reserve	1,421	-	341	-
Unrealised foreign exchange losses	648	-	156	-
Reversal of formation and start-up costs	64	64	15	2
Total	**28,762**	**9,217**	**7,125**	**357**

The recognition of the deferred tax assets was made against an assessment on the reasonable recovery in future years, taking account of the tax rates applicable in the period in which the asset shall be realised. The Group reviews at each reporting date the carrying amount of a deferred tax asset, where appropriate reducing it where it is no longer probable that sufficient assessable income shall be generated to permit utilisation of the benefit of part or of all of the deferred tax asset.

Current assets

Note 6: Inventories

Inventories, presented in the financial statements net of the obsolescence provision, are comprised as follows:

(Euro.000)	June 30, 19	Dec 31, 18
Raw materials, ancillary and consumables	29,611	27,549
Work-in-progress and semi-finished goods	10,068	8,907
Finished products and goods	22,690	15,741
Advances to suppliers	33	33
Inventories	**62,402**	**52,230**

The movements in the inventory obsolescence provision were as follows:

(Euro.000)	June 30, 19
Obsolescence provision 31/12/2018	(2,286)
Utilisation in the year	189
Allocation in the year	(635)
Other movements	-
Obsolescence provision 30/06/2019	**(2,732)**

The provision reflects the reduced value of inventories due to obsolescence, slow movement or as a result of market values below acquisition or production cost.

Note 7: Trade receivables

Trade payables and the relative doubtful debt provisions are summarised below.

(Euro.000)	June 30,19	Dec 31,18
Trade receivables	53,134	52,826
Trade receivables from holding company	17	29
Current trade receivables	**53,151**	**52,855**
Doubtful debt provision	(836)	(817)
Trade receivables	**52,315**	**52,038**

RECEIVABLES FROM CUSTOMERS

These concern direct commercial transactions undertaken by the Group with clients, net of receivable factoring transactions.

The amount is stated net of the doubtful debt provision which expresses reasonably expected losses both on the basis of prior non-collection and amounts overdue.

The doubtful debt provision amounts to Euro 836 thousand, with the movements in H1 2019 reported in the following table:

(Euro.000)	June 30,19
Doubtful debt provision 31/12/2018	(817)
Utilisation in the year	73
Allocation in the year	(92)
Doubtful debt provision 30/06/2019	**(836)**

The maximum exposure to the credit risk at the reporting date is the book value of each credit class.

Note 8: Other current assets

The account is broken down as follows:

(Euro.000)	June 30, 19	Dec 31, 18
Tax receivables	6,102	6,648
Advances	1,167	651
Prepayments and accrued income	1,942	1,537
Other receivables	193	71
Employee receivables	61	24
Social security institution receivables	232	171
Other current assets	**9,697**	**9,102**

TAX ASSETS

The breakdown is as follows:

(Euro.000)	June 30, 19	Dec 31, 18
VAT receivables	3,810	4,142
Withholding taxes	2,259	2,464
Income tax receivables	33	42
Total tax receivables	**6,102**	**6,648**

Receivables for withholding taxes of Euro 2,259 thousand relate to overseas withholding taxes on royalties invoiced by the Parent Company to productive subsidiaries against the use of technical-productive and non-patented know-how, in addition to those of the SIT trademark, all held by the Parent Company.

PREPAYMENTS AND ACCRUED INCOME

At June 30, 2019, accruals and prepayments were mainly related to prepayments on fees, rental and insurance premiums, as well as fees for maintenance and repair materials.

Note 9: Tax receivables

Tax receivables were as follows:

(Euro.000)	June 30, 19	Dec 31, 18
IRES receivables as per Legs. Decree 201/2012	1,481	1,481
IRES receivables	2,691	2,021
IRAP receivables	-	-
Other current taxes	44	63
Tax receivables	**4,216**	**3,565**

The balance of Euro 1,481 thousand relates to the IRES tax reimbursement requested by the companies incorporated by the Parent Company as part of the merger of 2014 through presentation of a single application for the recovery of non-deducted IRAP concerning personnel expenses, in accordance with Article 2, paragraph 1-quater of Legislative Decree No. 201/2012.

Following the verifications of the Tax Agency on the reimbursement application, the amount concerning FY 2007 of Euro 416 thousand was fully recognised to the parent company. The residual receivable of Euro 1,065 thousand concerning FY 2010 and 2011 is still being validated by the Agency.

Note 10: Cash and cash equivalents

Cash and cash equivalents are presented below:

(Euro.000)	June 30, 19	Dec 31, 18
Cash in hand and similar	23	21
Bank and postal deposits	34,957	55,473
Cash and cash equivalents	**34,980**	**55,494**

Cash and cash equivalents relate to current accounts and cash in hand at the reporting date.

Consolidated shareholders' equity

The changes are reported in the statement of changes in consolidated shareholders' equity, to which reference should be made. The following comments relate to the principal accounts and changes.

Note 11: Share capital

The share capital, subscribed and paid-in, amounted at June 30, 2019 to Euro 96,152 thousand, comprising 25,007,465 shares without express nominal value. The classes of shares issued by the company are reported below.

Shares	No. Shares	% of share capital	Listing
Ordinary shares	25,007,465	100%	MTA Italia

Note 12: Reserves

A breakdown follows:

(Euro.000)	June 30, 19	Dec 31, 18
Share premium reserve	10,360	10,360
Capital payments reserve	16,615	18,817
Total capital reserves	**26,975**	**29,177**
Legal reserve	19,230	19,230
Treasury shares reserve	(1,101)	(752)
Cash Flow Hedge reserve	(1,422)	(1,017)
Actuarial reserve	(379)	(379)
Extraordinary reserve	1,491	1,491
Translation reserve	(5,626)	(6,454)
LTI Reserve	175	175
Warrant Reserve	(3,028)	(12,541)
Performance Shares Reserve	-	(11,500)
Retained earnings (accum. losses)	(5,718)	(12,444)

Total profit reserves	**3,622**	**(24,191)**
Total reserves	**30,596**	**4,986**

CAPITAL PAYMENTS RESERVE

The decrease in the capital payments reserve entirely relates to the distribution of dividends for Euro 2,202 thousand to the holding company Sit Technologies S.p.A. following the Shareholders’ Meeting of April 24, 2019, reducing this reserve to Euro 16,615 thousand.

TREASURY SHARES RESERVE

Under the SIT 2017 Refinancing operation, the Company purchased 317,000 shares redeemable pre-grouping, held by a group of managers, for a total price of Euro 659,360, in addition to the tax effect due to the Tobin Tax. Pursuant to Art. 2357-*ter* of the Civil Code, the purchase led to a total reduction of Euro 661 thousand in shareholders’ equity through the entry of a specific item with a negative balance.
During the first half of 2019, the Group repurchased 41,881 treasury shares, for a total amount of Euro 349 thousand, to facilitate the L.T.I. incentive plan as described in greater detail at Note 39.

LONG TERM INCENTIVE PLAN RESERVE

The long-term incentive plan (L.T.I.) reserve was utilised to record the value of the share-based payments in favour of employees and key executives, settled with capital securities, which constitutes part of their remuneration. For further details, reference should be made to Note 38.

CASH FLOW HEDGE RESERVE

The cash flow hedge reserve is recorded as a negative value of Euro 1,422 thousand, net of the approx. Euro 450 thousand tax effect. This reserve derives from the Fair Value valuation of hedging derivatives in application of IAS 39.

EXTRAORDINARY RESERVE

The extraordinary reserve remains unchanged following the distribution of dividends of Euro 6,969 thousand as approved by the Shareholders’ Meeting of April 24, 2019.

WARRANT RESERVE

In 2017, in execution of the transactions for the merger with Industrial Star of Italy2, SIT S.p.A. issued 5,350,000 warrants admitted to trading on the AIM Italia. As per the Regulation, these Warrants may be exercised with effect from the month following admission to trading on AIM Italia and within 5 years from admission. The Warrant Reserve, equivalent to a negative value of Euro 3,028 thousand, derives from the initial entry of the Warrants at their fair value on July 20, 2017 and by subsequent movements in connection with the Warrants' partial exercise. From November 28, 2018, following the transition process to the main index the Warrants are traded on the MTA (Mercato Telematico Azionario) Market organised and managed by Borsa Italiana and, simultaneously, were excluded from trading on the AIM Italia.

PERFORMANCE SHARES RESERVE

As part of the incorporation of the SPAC Industrial Star of Italy 2, in 2017 SIT S.p.A. converted 250,000 ordinary shares owned by SIT Technologies S.p.A. into an equal number of particular SIT shares (Performance Shares), convertible into ordinary shares under the terms and conditions set out in the By-Laws. The performance shares reserve of Euro 11,500 thousand corresponds to the fair value recorded at December 31, 2017. On April 24, 2019, the Shareholders' Meeting approved the utilisation of a portion of the 2018 net profit of Euro 3,240 thousand, to increase the Performance Shares reserve for a total final value of Euro 8,260 thousand. In 2019, the corresponding financial liability (of Euro 8,260 thousand) was settled, cancelling the performance shares reserve, against the full conversion of the 250,000 shares according to the 1:5 ratio established by the By-Laws, as outlined at Note 23.

RETAINED EARNINGS (ACCUM. LOSSES)

At June 30, 2019, the account is negative for Euro 5,718 thousand, against a negative value of Euro 12,444 thousand at December 31, 2018. The net increase of Euro 6,726 relates to the positive amount of Euro 11,512 thousand in allocation of a portion of the 2018 result, while the negative amount of Euro 4,767 thousand concerns the issue of dividends following the motion taken by the Shareholders' Meeting of April 24, 2019.

Non-current liabilities

Note 13: Medium/long-term loans and borrowings

As at June 30, 2019, short-term loans and borrowings represent the value of the new loan agreement's non-current portion (*Senior Facility Agreement 2017 or "SFA 2017"*) which the company signed with BNP Paribas and a bank syndicate under the refinancing operation in 2017 alongside the incorporation of the SPAC Industrial Stars of Italy 2. The financial liability is measured using the amortised cost criterion.

The main conditions on the Senior Facility Agreement 2017 are the following:

- Euro 135,000 thousand, with 5-year duration, maturing June 30, 2022; repayment according to pre-established half-yearly instalments with an average duration of approx. 3.9 years;
- early repayment option without penalties and without collateral security;
- Interest rate indexed to the 3 or 6-month Euribor, at the company's choice, plus a margin determined on the basis of a grid defined by the Leverage ratio trend – an indicator consisting of the ratio between the net financial position and EBITDA.

In accordance with normal loan contract terms, the 2017 SFA provides, in addition to that described above, for a series of commitments by the company such as a prohibition on undertaking further debts and to provide negative pledges. Reference should be made to the Directors' Report for further details on the financial covenants contained in the contract.

The residual nominal amount at June 30, 2019 totals Euro 114,413 thousand, of which the non-current portion Euro 95,850 thousand and the current portion Euro 18,563 thousand.

Note 14: Other non-current financial liabilities and derivative financial instruments

At June 30, 2019, the account includes the Fair Value of the derivative financial instruments and the effect regarding the operating lease payable according to IFRS 16.

(Euro.000)	June 30, 19	Dec 31, 18
Derivative financial instruments - Non-current	1,132	710
Non-current financial debts for leasing – IFRS16	4,776	-
Other non-current financial liabilities and derivative financial instruments	**5,908**	**710**

DERIVATIVE FINANCIAL INSTRUMENTS - NON-CURRENT

In August 2017, the company settled interest rate swap (IRS) hedges, in connection with the new variable rate bank loan (Senior Financial Agreement 2017). These contracts satisfy the IAS 39 hedging requirements for application of hedge accounting and therefore the financial liabilities were recognised at the fair value of the IRS contracts and with provisioning to a relative net equity reserve, net of the relative tax effect.

The features and the fair value of the non-current portion of the derivative financial instruments at June 30, 2019 are summarised below:

(Euro.000)

Transaction type	Currency	Beginning date	Maturity	Fixed rate	Notional 30.06.2019	Fair Value 30.06.2019
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	50,694	(655)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	37,346	(477)
Total					**88,040**	**(1,132)**

A breakdown of the non-current portion of interest rate swap hedges that made up the account at December 31, 2018 is presented below:

(Euro.000)

Transaction type	Currency	Beginning date	Maturity	Fixed rate	Notional 31.12.2018	Fair Value 31.12.2018
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	64,974	(414)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	47,866	(296)
Total					**112,840**	**(710)**

NON-CURRENT FINANCE LEASE PAYABLES - IFRS 16

The amount concerns the non-current financial payable for future charges from the existing lease contracts, recognised in application of IFRS 16. For further information, reference should be made to Note 37.

Note 15: Provisions for risks and charges

The changes to the account were as follows:

(Euro.000)

	Dec 31, 18	Provisions	Utilisations	Reclassifications	June 30, 19
Agents indemnity provision	139	-	-	-	139
Other risks provision	2,893	362	(102)	-	3,153
Product warranty provision	953	-	-	-	953
Other taxes provision	507	-	(492)	-	15
Total provisions for risks &	**4,492**	**362**	**(594)**	**-**	**4,260**

AGENTS' SUPPLEMENTARY INDEMNITY PROVISION

The account exclusively includes the potential liability for any indemnities due to agents in the event of end of service or for the termination of the contract not attributable to the agent, as established by Article 1751 of Civil Code and the Collective Economic Agreements.

OTHER RISKS PROVISION

This amount relates to risks concerning disputes in progress with clients and suppliers.

The following is a breakdown of the main accounts making up the provision:

- Euro 1,336 thousand to hedge the risks over ongoing disputes with the Parent Company's customers, whose risk of loss is highly probable;

- Euro 1,653 thousand refers to the subsidiary Metersit S.r.l. to cover risks on the reasonable estimate of the potential penalties matured based on contractual provisions due to delays in the supply of products to the principal clients. The amount also includes the best estimate of the dismantling costs in future years of the batteries inserted in the meters sold up to the reporting date. The provision takes into account the discounting of cash flows, utilising a pre-tax discount rate.
- Euro 118 thousand concerns other provisions.

PRODUCT WARRANTY PROVISION

The product warranty provision reflects a reasonable estimate of the charges which the Group may incur to comply with contractual guarantees on products sold until the reporting date. The estimate was calculated applying a percentage based on an assessment and analysis of returns for defects.

OTHER TAXES PROVISION

The provision at December 31 was Euro 492 thousand against a potential liability relating to the VAT receivable of the company following the incorporation of SPAC Industrial Stars of Italy 2. In H1 2019 this provision was fully utilised due to the agreement of a settlement procedure assessment. Based on the agreement reached with the Tax Authorities, the company made the payment of sums due for higher taxes, penalties and interest.

Note 16: Post-employment benefit provision

The movements in the account in the periods to June 30, 2019 and to December 31, 2018 were as follows:

(Euro.000)	**June 30, 19**	**Dec 31, 18**
Net liabilities for employee defined benefits	5,633	5,769
Liabilities for retention or other	278	139
Net liabilities for employee defined benefits	**5,911**	**5,908**

The movements in post-employment benefits were as follows:

(Euro.000)	**June 30, 19**	**Dec 31, 18**
Post-em. bens. at beginning of year	5,769	5,957
Payments in the year	(243)	(190)
Current service cost	107	66
Interest cost	-	76
Actuarial gains	-	(140)
Post-em. bens. at end of year	**5,633**	**5,769**

Note 17: Other non-current liabilities

The account amounts to Euro 1,167 thousand and relates to a Euro 1,131 thousand provision for the extraordinary variable bonus granted to the Chairman and Chief Executive Officer in execution of the contractual provisions defined in the listing operation. This was correlated to the Group's future results measured in terms of the equity value's increase over 2017, 2018 and 2019. For further information, reference should be made to Note 39.

Note 18: Deferred tax liabilities

A breakdown of temporary differences and the consequent deferred tax liabilities at June 30, 2019 and at December 31, 2018 is reported below, on the basis of the breakdown by type of the temporary differences:

Balance at June 30, 2019

(Euro.000)	Temporary Diff. IRES	Temporary Diff. IRAP	Tax effect IRES	Tax effect IRAP
Tax on business combinations	60,316	60,319	14,471	2,356
Accelerated depreciation	378	-	91	-
Finance Leases	1,034	1,034	248	40
Capitalisation research & development expenses	81	-	19	-
Unrealised for. exchange gains/losses	496	-	119	-
Amortised cost	-	-	-	-
Other	319	-	25	-
Derivative financial instruments	26	26	6	1
Total	**62,650**	**61,379**	**14,979**	**2,397**

Balance at December 31, 2018

(Euro.000)	Temporary Diff. IRES	Temporary Diff. IRAP	Tax effect IRES	Tax effect IRAP
Tax on business combinations	63,437	63,438	15,220	2,478
Accelerated depreciation	378	-	91	-
Finance Leases	1,056	1,056	254	41
Capitalisation research & development expenses	161	-	37	-
Unrealised for. exchange gains/losses	389	-	94	-
Amortised cost	-	-	-	-
Other	351	-	31	-
Derivative financial instruments	51	51	12	2
Total	**65,823**	**64,545**	**15,739**	**2,521**

Current liabilities

Note 19: Short-term loans and borrowings

The breakdown is as follows:

(Euro.000)	June 30, 19	Dec 31, 18
Utilisation short-term lines	48	60
Current portion of loans	17,886	16,197
Current financial charges	9	-
Short-term loans and borrowings	**17,943**	**16,257**

CURRENT PORTION OF LOANS

At June 30, 2019, the account includes the current share of the bank loan (Senior Financial Agreement 2017) referred to in Note No. 13. In accordance with normal loan contract terms, the 2017 SFA provides for a series of commitments by the company such as prohibition to assume further debts and to provide negative pledges. Reference should be made to the Directors' Report for further details on the financial covenants contained in the contract.

Note 20: Other current financial liabilities and derivative financial instruments

A breakdown follows:

(Euro.000)	June 30, 19	Dec 31, 18
Factoring payables	880	4,373
Derivative financial instruments (current portion)	986	855
Current financial debts for leasing – IFRS16	2,029	-
Other current financial liabilities and derivative financial instruments	**3,895**	**5,228**

DERIVATIVE FINANCIAL INSTRUMENTS - CURRENT PORTION

The characteristics and fair value of the current portion of interest rate swaps undertaken, signed by the Parent Company against the variable rate bank loan (Senior Financial Agreement 2017) undertaken in 2017.

Values at June 30, 2019
(Euro.000)

Transaction type	Currency	Beginning date	Maturity	Fixed rate	Notional 30.06.2019	Fair Value 30.06.2019
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	9,818	(462)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	7,233	(336)
Total					**17,050**	**(797)**

Values at December 31, 2018

(Euro.000)

Transaction type	Currency	Beginning date	Maturity	Fixed rate	Notional 31.12.2018	Fair Value 31.12.2018
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	64,974	(412)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	47,866	(298)
Total					**112,840**	**(710)**

In H1 2019 the parent company undertook hedging contracts against currency risk. These contracts do not satisfy the IFRS 9 hedging requirements for application of hedge accounting and, therefore, the financial payable was recorded based on the fair value through profit or loss, net of the relative tax effect. The features and the fair value of the current portion of the derivative financial instruments at June 30, 2019 are summarised below:

(Euro.000)

Transaction type	Currency	Currency amount	Currency value	Value date	Maturity date	Spot rate	Forward rate	Fair Value 30.06.2019
forward sales	CNY	-15,000,000	EUR	27/07/2018	29/07/2019	7.9160	8.2214	(90)
forward sales	CNY	-9,900,000	EUR	24/12/2018	30/08/2019	7.8945	8.0753	(34)
forward sales	CNY	-10,000,000	EUR	24/12/2018	30/09/2019	7.8945	8.0979	(35)
forward sales	CNY	-26,830,000	EUR	28/06/2019	30/09/2019	7.8225	7.8872	(5)
forward purchases	USD	750,000	EUR	21/06/2019	21/08/2019	1.1202	1.1255	(10)
forward purchases	USD	400,000	EUR	21/06/2019	30/09/2019	1.1202	1.1290	(5)
forward purchases	USD	500,000	EUR	28/06/2019	30/09/2019	1.1365	1.1447	(0)
forward purchases	USD	1,000,000	EUR	13/06/2019	31/10/2019	1.1321	1.1443	(3)
forward purchases	USD	500,000	EUR	21/06/2019	23/12/2019	1.1206	1.1362	(6)
Total								**(189)**

At December 31, 2018, the following commodities and exchange rates hedges were in place, whose effects are indicated in the following tables:

(Euro.000)

Transaction type	Beginning date	Maturity	Fixed price USD/MT	Quantity MT 31.12.2018	Fair Value 31.12.2018
Commodity Swap su LME Copper Grade A	01/05/2018	31/12/2018	7,152.00	10	(9)
Total				**10**	**(9)**

Transaction type	Currency	Currency amount	Currency value	Value date	Maturity date	Spot rate	Forward rate	Fair Value 31.12.2018
forward sales	CNY	(15,000,000)	EUR	27/07/2018	29/07/2019	7.9160	8.221354	(44)
forward sales	CNY	(9,000,000)	EUR	01/11/2018	31/01/2019	7.9270	8.023036	(17)
forward sales	CNY	(9,000,000)	EUR	01/11/2018	28/02/2019	7.9270	8.050765	(18)
forward sales	CNY	(7,500,000)	EUR	26/11/2018	29/03/2019	7.9002	8.018729	(9)
forward sales	CNY	(7,500,000)	EUR	26/11/2018	30/04/2019	7.9002	8.047145	(9)
forward sales	CNY	(10,000,000)	EUR	27/11/2018	31/05/2019	7.8971	8.068268	(13)
forward sales	CNY	(9,900,000)	EUR	24/12/2018	30/08/2019	7.8945	8.075296	(4)
forward sales	CNY	(10,000,000)	EUR	24/12/2018	30/09/2019	7.8945	8.097861	(4)
forward purchases	USD	1,000,000	EUR	02/11/2018	30/04/2019	1.1326	1.150906	(5)
forward sales	USD	(2,500,000)	EUR	24/12/2018	31/01/2019	1.1470	1.151329	(6)
forward sales	USD	(2,500,000)	EUR	24/12/2018	29/03/2019	1.1469	1.156798	(6)
forward purchases	USD	500,000	EUR	31/12/2018	21/06/2019	1.1401	1.156932	(2)
Total								**(135)**

The disclosure requirements of IAS 7 follow, which permit the reader of the financial statements to assess the changes to liabilities deriving from financial activities, where such relates to cash flows or non-monetary changes. These include:

(Euro.000)	31/12/2018	Receivable waiver	Reimbursements /settlements	Reclass.	Fair Value Changes	Change in amortised cost	30/06/2019
Bank payables - non-current portion of loans	105,975	-	-	(10,125)	-	-	95,850
Bank payables - non-current portion amortised cost	(1,245)	-	-	-	-	252	(993)
Total bank payables - non-current portion loans	**104,730**	-	**-**	**(10,125)**	**-**	**252**	**94,857**
Shareholder loans - non-current portion of loans	-	-	-	-	-	-	-
Shareholder loan - amortised cost	-	-	-	-	-	-	-
Derivative financial instruments - non-current portion	710	-	-	-	422	-	1,132
Total other non-current financial liabilities and derivative financial instruments	**710**	-	-	-	422	-	1,132
Total non-current financial liabilities	**105,440**	-	**-**	**(10,125)**	**422**	**252**	**95,989**
Bank payables - current portion of loans	16,875	-	(8,438)	10,125	-	-	18,563
Bank payables - current portion amortised cost	(678)	-	-	-	-	1	(677)
Total bank payables - current portion of loans	**16,197**	-	**(8,438)**	**10,125**	**-**	**1**	**17,886**
Shareholder loan - current portion of loans	-	-	-	-	-	-	-
Derivative financial instruments - current portion	855	-	-	-	131	-	986

Total other current financial liabilities and derivative financial instruments	**855**	**-**	**-**	**-**	**131**	**-**	**986**
Total current financial liabilities	**17,051**	**-**	**(8,438)**	**10,125**	**131**	**1**	**18,872**

In relation to the hierarchical positioning of the fair value of the derivative instruments in place (IRS, currencies and commodities) those described above are classified as level 2. There were no transfers between Level 1 and Level 2 during the period.

CURRENT FINANCIAL PAYABLES FOR LEASING – IFRS16

The amount concerns the current financial payable for future charges from the existing lease contracts, recognised in application of IFRS 16. For further information, reference should be made to Note 37.

Note 21: Trade payables

At June 30, 2019, trade payables were broken down as follows:

(Euro.000)	June 30, 19	Dec 31, 18
Trade payables	77,814	74,795
Trade payables to holding company	-	-
Trade payables	**77,814**	**74,795**

TRADE PAYABLES

These include payables in foreign currency and are therefore stated in the financial statements and in the above table net of the relative unrealised exchange differences, equating to exchange gains of Euro 11 thousand.

Note 22: Other current liabilities

A breakdown follows:

(Euro.000)	June 30, 19	Dec 31, 18
Other payables	1,158	952
Customer advances	1,405	2,287
Current remuneration payables	3,623	2,118
Deferred remuneration payables	4,005	3,318
Payables to social security institutions	1,850	2,688
Retention fund, MBO and PDR	1,433	2,728
Deferred income	16	33
Withholding tax agent payables	1,200	1,766
VAT payables	456	1,198
Payables to holding company for tax consolidation	-	-
Other current liabilities	**15,146**	**17,088**

OTHER PAYABLES

These principally includes the employee portions (canteen contribution, trade union contributions etc.) for subsequent payment to various entities and institutes.

CURRENT REMUNERATION PAYABLES

Current remuneration payables principally include employee payables for June 2019 salaries, paid in July 2019.

DEFERRED REMUNERATION PAYABLES

Deferred remuneration refers to holidays and leave matured but not taken, including the relative contributions.

Note 23: Financial Liabilities for Performance Shares

The financial liability for Performance Shares recognised at December 31, 2018 of Euro 8,260 thousand relates to the Fair Value of 250,000 Performance Shares held by Sit Technologies S.p.A., calculated by estimating the achievement, with the consolidated financial statements at December 31, 2018, of the results required for their full conversion in a 1 to 5 ratio and valuing the 1 million unissued shares to the listing value of the company's ordinary shares as at December 31, 2018.
On April 15, 2019, the Board of Directors of SIT, on the issue of the Related Parties Committee favourable opinion, noted the number of Performance Shares convertible into ordinary shares in the amount of 1,250,000 ordinary shares in favour of Sit Technologies S.p.A..

For accounting purposes, the financial liability for Performance Shares was settled against a movement in shareholders' equity, as described in greater detail at Note 12.

Note 24: Financial liabilities for Warrants

SIT S.p.A. has issued 5,350,000 Warrants admitted to trading on the AIM Italia and now traded on the MTA Italia. The Warrants may be exercised from the month subsequent to the admission of the financial instruments to trading on the AIM Italia and within 5 years from admission, according to the exercise conditions set out in the Warrant Regulation. The exercise of the Warrants supports a divisible Share capital increase for a maximum total amount of Euro 153 thousand, to be executed through the issue of 1,534,380 ordinary SIT shares.

For accounting purposes, the warrants were recognised as financial liabilities in accordance with IAS 32 and initially recorded at their Fair Value on July 20, 2017 of Euro 15,515 thousand without any economic impact. The account at June 30, 2019 amounted to Euro 4,177 thousand, representing the Fair Value calculated by assigning to each warrant issued and not yet exercised at the reporting date the listing price at that date.

Financial liabilities recognised at June 30, 2019 were adjusted to Fair Value, recognising the differential between the date of December 31, 2018 (Euro 0.58) and the price at the reporting date (Euro 0.80) to the income statement under financial income for Euro 1,149 thousand.

Note 25 - Income tax payables

The amount of 5,323 thousand principally relates to:

- Euro 2,596 thousand as the net payable from the involvement of the Parent Company and the subsidiary Metersit S.r.l. in the tax consolidation undertaken with the parent company SIT Technologies S.p.A.. The above companies in fact took part in the National Tax Consolidation governed by Legislative Decree No. 344 of December 12, 2003 and in particular Articles 117 to 129 of the Income Tax Law, as consolidated companies and as expressly approved by the respective Boards of Directors for the 2016-2018 three-year period and as per the tax consolidation agreement signed by the interested companies. The amount transferred to the parent company tax consolidation includes the effects from the successful outcome of the non-application appeal presented in 2018 and heard in 2019 by the Tax Agency, recognising the absence of evasive intent, established by Article 172, paragraph 7 of the Income Tax law. The consolidated tax arrangement for the 2019-2021 three-year period is expected to be renewed by the deadline set out for the presentation of the 2019 Tax Return.

- Euro 2,727 thousand payable for direct income taxes in the period. In July 2019, the parent company provided the information requested by the Tax Agency concerning the appeal presented in 2018 on the tax treatment of the non-recurring items related to the merger with ISI2 in 2017, such as the fair value from the merger, the fair value of the warrants and the fair value of the Performance Shares. The parent company has not yet received a response.

COMMENTS ON THE MAIN ITEMS OF THE CONSOLIDATED INCOME STATEMENT

Note 26: Revenue from sales and services

Revenues from sales and services are comprised as follows:

(Euro.000)	H1 2019	H1 2018
Revenues from product sales	167,188	175,225
Revenues from services	55	166
Revenues from sales and services	**167,243**	**175,391**

REVENUES FROM PRODUCT SALES

Group Revenues from product sales by segment and region are broken down as follows:

(Euro.000)	H1 2019	H1 2018
Heating	124,320	142,303
Smart Gas Metering	42,868	32,922
Total revenues from product sales	**167,188**	**175,225**

Group revenues by region were as follows:

(Euro.000)	H1 2019	H1 2018
Italy	65,152	59,826
Foreign EU	44,864	48,906
Foreign Non-EU	57,172	66,493
Total revenues from sales and services	**167,188**	**175,225**

Note 27: Raw materials, ancillaries, consumables and goods

The breakdown of the account for the first half of 2019 and 2018 is provided below:

(Euro.000)	H1 2019	H1 2018
Purchases of ancillary materials	1,854	2,029
Purchases of raw materials, semi-finished & packaging	85,897	96,424
Finished products purchases	10,240	12,104
Purchases of consumable materials	20	21
Purchases of goods	(486)	(145)
Maintenance and repair materials	1,093	979
Other purchases	895	1,032
Duties on purchases	432	714
Raw materials, ancillaries, consumables and goods	**99,945**	**113,158**
Change in inventories of raw materials, ancillaries, consumables and goods	(1,494)	(7,452)
Change in inventories of finished & semi-finished products and goods	(8,474)	(13,513)
Change in inventories	**(9,969)**	**(20,966)**
Total cost of raw materials, ancillaries, consumables and goods	**89,976**	**92,192**

Note 28: Service costs

The composition of the account is as follows:

(Euro.000)	H1 2019	H1 2018
Rent, hire and leases	83	1,153
Outsourcing	3,908	5,146
Transport	3,251	4,165
Commissions	137	284
Legal, administrative and other	2,223	1,947
Insurance	455	521
Management services	418	1,150
Maintenance & repair expenses	1,565	1,395
Utilities	2,900	2,570
Personnel expense	836	1,069
Cleaning and security	469	414
Advertising, marketing, and sponsorship	660	551
Directors, statutory & independent auditor fees	1,233	991
Travel and accommodation	648	608
Bank charges & commissions	629	129
Other services	829	380
Listing charges	100	508
Service costs	**20,344**	**22,981**

Note 29: Personnel expenses

Personnel expenses are shown below:

(Euro.000)

Personnel expense	H1 2019	H1 2018
Wages and salaries	24,256	26,169
Social security charges	6,131	5,727
Temporary personnel	3,522	5,225
Post-employment benefits	1,301	1,310
Other costs	499	436
Personnel expense	**35,709**	**38,867**

Personnel expenses in 2018 include the General Manager leaving incentive of Euro 2.5 million.

Average personnel numbers in H1 2019 and H1 2018 were as follows:

Employees	H1 2019	H1 2018
Executives	36	32
White-collar	436	409
Blue-collar	1,548	1,681
Temporary	237	367
Total employees	**2,257**	**2,489**

Note 30: Depreciation, amortisation and write-downs

The breakdown is as follows:

(Euro.000)

Depreciation, amortisation and write-downs	**H1 2019**	**H1 2018**
Amortisation of intangible assets	3,728	4,158
Depreciation of property, plant and equipment	7,302	4,884
Total depreciation and amortisation	**11,030**	**9,042**
Write-down of current receivables	92	137
Write-down of non-current receivables	-	-
Write-down of intangible assets	-	-
Total write-downs	**92**	**137**
Depreciation, amortisation and write-downs	**11,122**	**9,179**

For further details on depreciation and amortisation, reference should be made to the notes to intangible assets and property, plant and equipment.

Note 31: Provisions

At June 30, 2019, provisions totalled Euro 224 thousand and were stated net of utilisations of Euro 41 thousand. The gross provisions mainly refer to:

- Euro 216 thousand of future charges which the subsidiary Metersit S.r.l. may incur for the dismantling of the batteries inserted in meters; and
- Euro 46 thousand on probable risks of the Parent Company for which it is not possible to establish a certain amount, concerning product quality against reimbursement requests from a number of clients;

Note 32: Other charges (income)

The account is broken down as follows:

(Euro.000)

Other charges (income)	**H1 2019**	**H1 2018**
Misc. recoveries	887	73
Extraordinary income	56	28
Gains on fixed assets	76	49
Utilisation of provisions	-	-
Grants	16	259
Other revenues	-	6
Other income	**1,029**	**415**
Misc. taxes & non-deductible costs	225	175
Losses on fixed assets	29	1
Associations	87	95
Extraordinary charges	130	184
Losses on receivables	5	-
IMU Property tax	71	59
Misc. reimbursements	29	149
Other charges	231	173
Other charges	**801**	**836**
Other charges (income)	**(228)**	**421**

Other income in 2019 increased Euro 813 thousand, concerning non-recurring charges for Euro 776 thousand with regards to the insurance reimbursement recognised in the first half of the year.

Note 33: Financial income

In H1 2019, this amounted to Euro 255 thousand and was broken down as follows:

(Euro.000)

	H1 2019	H1 2018
Interest income on bank accounts	105	80
Other interest income	51	1
Interest income from Group companies	-	10
Financial liabilities fair value adjustment	-	2,523
Other financial income	99	361
Financial income	**255**	**2,975**

INTEREST INCOME FROM GROUP COMPANIES

This concerns loans granted to SIT Technologies S.p.A. and SIT Immobiliare S.p.A., as part of the centralised financial coordination and treasury services provided by the Company.

PROFITS ON DERIVATIVE FINANCIAL INSTRUMENTS

The amount relates to the mark to market of the derivative contracts on foreign currencies, which do not comply with the company's formal hedging policy.

ADJUSTMENT TO FAIR VALUE OF FINANCIAL LIABILITIES

In the first half of the previous year, the amount included the Fair Value adjustment to the SIT Warrants in place and not yet exercised at June 30, 2018, in addition to the adjustment to the Fair Value of the Performance Shares, fully converted in 2019.

Note 34: Financial charges

Financial charges consist of:

(Euro.000)

Financial charges	H1 2019	H1 2018
Financial charges on hedging contract differences	365	425
Interest charges to holding company	-	-
Interest and other bank charges	1,308	1,391
Interest charges to third parties	380	182
Other financial charges	163	320
Losses on derivative financial instruments	1,149	-
Financial charges	**3,365**	**2,318**

FINANCIAL CHARGES ON HEDGING CONTRACTS

The account refers to the differential matured in 2019 relating to the interest rate risk contracts (IRS) on the loan contracts (Senior Facility Agreement of 2017).

INTEREST AND OTHER BANK CHARGES

The amount of Euro 1,308 thousand mainly relates to financial charges on loans (Senior Facility Agreement of 2017) including the relative effect of the application of the amortised cost method.

LOSSES ON DERIVATIVE FINANCIAL INSTRUMENTS

The amount concerns the change to the Fair Value of the Warrants in place and not yet exercised at June 30, 2019. The valuation was made utilising level 1 of the hierarchy as concerning listed instruments on an active market.

Interest charges to third parties

These include the effects relating to the financial charges against the application of IFRS 16 of Euro 92 thousand. For further information, reference should be made to note 37.

Note 35: Net exchange gains (losses)

Net exchange losses of Euro 567 thousand are comprised as follows:

(Euro.000)

Exchange gains and losses	**H1 2019**	**H1 2018**
Realised exchange gains	2,214	3,327
Realised exchange losses	(2,790)	(3,450)
Unrealised exchange gains	536	285
Unrealised exchange losses	(527)	(365)
Net exchange gains and losses	**(567)**	**(203)**

Unrealised exchange gains refer to the positive differences on the conversion of the receivables and payables in foreign currencies at the period-end exchange rates. Unrealised exchange losses refer to the negative differences on the conversion of the receivables and payables in foreign currencies at the period-end exchange rates.

Note 36: Income taxes

Income taxes for H1 2019 and H1 2018 were as follows:

(Euro.000)		
Income taxes	**H1 2019**	**H1 2018**
Current income taxes	(2,186)	(3,221)
Deferred tax charges	870	1,059
Deferred tax income	(518)	(764)
Other	(60)	(17)
Income taxes	**(1,894)**	**(2,943)**

Note 37: Leasing contracts

The tables below summarise the effects on the Group financial statements at June 30, 2019 concerning the valuation of the "Right-of-use" ("ROU") of assets from operating lease contracts, as required by IFRS 16 - Leases. For the indication of the balance sheet accounts which include these assets, reference should be made to Note 1.

Economic effects from assets consisting of the right-of-use (ROU) on the income statement for the period:

(Euro.000)	
Impact on profit and loss for the period	**H1 2019**
Operating leases (under IFRS 16)	1,273
Contracts classified as short-term leases	4
Contracts classified as low value assets	35
Total service costs	**1,312**
Depreciation - Land and buildings	(457)
Depreciation - Other tangible assets	(602)
Total depreciations	**(1,059)**
Income from sub-leasing contracts	-
Sales and leaseback transaction	-
Total other charges / (income)	-
Interest charges on financial liabilities	(92)
Total financial charges	**(92)**

Effects on the balance sheet from right-of-use assets:

(Euro.000)	**30/06/2019**
Net investments accounted as ROU as at 1.1.2019	7,144
Increases of the period	556
Depreciation and amortisation of the period	(1,059)
Net investments accounted as ROU as at 30.6.2019	**6,640**
Opening financial liabilities for ROU	7,144
Increases of the period	556
Cash flow related to operating leases contracts	(895)
Liabilities from operating lease contracts under IFRS 16 as at 30.6.2019	**6,805**
Obligations for short term lease contracts	1
Obligations for low value asset contracts	237
Total obligations for operating lease contracts under IFRS 16	**238**

Effects on future cash flows from right-of-use assets:

(Euro.000)	30/06/2019
Within the year	2,011
From 1 to 5 years	4,043
Over 5 years	752
Liabilities from operating lease contracts under IFRS 16 as at 30.6.2019	**6,805**

Note 38: Earnings per share

The basic earnings per share is calculated by dividing the profit attributable to the ordinary shareholders of the parent company by the average weighted number of ordinary shares outstanding during the period. The diluted earnings per share is calculated by dividing the profit attributable to the ordinary shareholders of the parent company by the average weighted number of ordinary shares outstanding during the year and the potential shares deriving from the exercise of the warrants.

Information is shown below for the calculation of the basic and diluted earnings per share:

(Euro.000)

Profit attributed to the ordinary shareholders of the Parent Company	June 30, 2019	June 30,-2018
Profit/(loss) attributed to the ordinary shareholders of the Parent Company	4,524	8,417
Dilution effect deriving from potential ordinary shares		(1,918)
Total profit/(loss) attributed to the ordinary shareholders of the Parent Company	**4,524**	**6,499**

(Euro.000)

Earnings per share	June 30,2019	June 30,2018
Weighted average number of ordinary shares, excluding treasury shares, to calculate basic earnings per share	24,313,360	23,942,031
Dilution effects for Warrants	-	886,959
Dilution effects for Performance Shares	-	1,000,000
Weighted average number of ordinary shares due to dilution effect	24,313,360	25,828,990
Basic earnings per share	**0.1861**	**0.3516**
Diluted earnings per share	**0.1861**	**0.2516**

Note 39: Share-based payments

At June 30, 2019, the company holds 118,009 treasury shares, of which 41,881 were acquired in H1 2019 in order to service the long-term incentive plan for employees and/or collaborators of the company and/or subsidiary companies, in order to incentivise achievement of the medium-term plan, as further described in Note 12.

At the date of the present financial statements, there are two stock-option plans which provide for payments to identified parties, based on the value of the share price.

The two plans contain different features, as further described in the paragraphs below.

EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

On April 26, 2018, the Board of Directors of Sit S.p.A. approved the Long-Term Incentive plan for employees of the Company and its subsidiaries who hold key strategic roles within the Group.
This plan provides for the assignment of a maximum number of 312,000 shares which will mature in the three-year period 2018-2020 on the basis of specific conditions such as:

- return on the Group share;
- achievement of the cumulative performance results, calculated on the basis of the consolidated industrial plans of the Group, during the vesting period indicated;
- continuation of employment for a pre-determined period at the assignment date;

On October 8, 2018, the Board of Directors of Sit S.p.A. approved the assignment to employees specifically identified.
The options will be exercisable if the average of the official stock exchange price in the period between November 1, 2020 and April 30, 2021 is above Euro 13.00; if this price is below Euro 13.00, no option will be converted into shares.
The fair value of the options assigned is measured at the assignment date utilising the Monte-Carlo simulation model, taking into account the terms and conditions on which the options were granted. The model simulates the total return per share, taking into account historical dividends and expected dividends, the volatility of the price of the shares of the Group and of its competitors in order to forecast the yield of the shares.

The calculation of the expected volatility
The expected volatility reflects the assumptions that the historical volatility is indicative of future trends which may not coincide with the actual outcome.
The expected useful life of the options is based on historical data and is not necessarily indicative of possible exercise profiles.

CASH-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

On January 15, 2018, the Board of Directors, subject to the positive completion of the procedure by the Related Parties Committee, approved the allocation to the Chairman and the Chief Executive Officer Federico de Stefani of an extraordinary gross variable emolument, quantifiable in a range between Euro 1.3 million and Euro 2.6 million, which matures in line with the achievement of the objectives to be calculated based on the performance of SIT in 2017, 2018 and 2019.

The emolument which mature by the Chairman and Chief Executive Officer must be calculated based on two components:

- Theoretical emolument related to the official maximum monthly average price (calendar) of the shares of SIT during the period between May 1, 2019 and April 30, 2020, based on a substantial linear progression in values, between a minimum of Euro 10 (equal to the admission price to trading of the Ordinary Shares of SIT on the AIM Italia) and a maximum of Euro 20, which gives the right to receive respectively, a minimum Euro 1.3 million and a maximum Euro 2.6 million; if this price is lower than Euro 10, no bonus will be due;
- Corrective related to the company performance (substantially the Equity Value); in relation to this the conversion mechanism of the Performance Shares is utilised and the effective emolument due will be fixed applying to the amount of the theoretical emolument the conversion percentage of the Performance Shares, equal to 100%. This remuneration may be issued in May 2020.

OTHER INFORMATION

Disclosure by operating segment

Income Statement

H1 2019

(Euro.000)	Heating	Smart Gas Metering	Eliminations	Consolidated
Revenue from sales and services	125,566	42,888	(1,211)	167,243
Operating costs	(119,132)	(39,227)	1,211	(157,148)
EBIT	**6,434**	**3,661**	**-**	**10,095**

H1 2018

(Euro.000)	Heating	Smart Gas Metering	Eliminations	Consolidated
Revenue from sales and services	143,181	32,947	(737)	175,391
Operating costs	(133,128)	(32,017)	737	(164,407)
EBIT	**10,053**	**930**	**-**	**10,984**

Balance sheet

June 30, 2019

(Euro.000)	Heating	Smart Gas Metering	Eliminations	Consolidated
Assets	326,397	68,599	(9,947)	385,049
Liabilities	222,376	41,348	(9,947)	253,777
Shareholders' Equity	104,022	27,251	-	131,272

June 30, 2018

(Euro.000)	Heating	Smart Gas Metering	Eliminations	Consolidated
Assets	340,817	58,721	(7,861)	391,678
Liabilities	256,645	34,060	(7,861)	282,844
Shareholders' Equity	84,172	24,661		108,834

Related party transactions

Regarding the procedural rules applicable to related party transactions, see the policy adopted by the Company in accordance with Article 10 of the Regulations adopted by Consob with Resolution No. 17221 of March 12, 2010, later amended by Resolution No. 17389 of June 23, 2010, published in the Corporate Governance section of the website www.sitgroup.it. Reference should be made to the Directors' Report for further information.

Transactions with holding companies and with subsidiaries of this latter

In addition to inter-company transactions, the principal transactions of the Group with the holding company SIT Technologies S.p.A and its subsidiary SIT Immobiliare S.p.A. are shown in the table below.

June 30, 2019

June 30, 2019	Revenues	Costs	Financial income	Financial charges	Financial receivables	Financial liabilities	Other receivables	Other payables
SIT Immobiliare S.p.a.	7	0	0	0	0	0	25	0
Companies subject to the control of the holding company	**7**	**0**	**0**	**0**	**0**	**0**	**25**	**0**
SIT Technologies S.p.a.	12	0	0	66	0	240	17	2,596
Holding company	**12**	**0**	**0**	**66**	**0**	**240**	**17**	**2,596**

December 31, 2018

December 31, 2018	Revenues	Costs	Financial income	Financial charges	Financial receivables	Financial liabilities	Other receivables	Other payables
SIT Immobiliare S.p.a.	14	0	1	0	0	0	16	0
Companies subject to the control of the holding company	**14**	**0**	**1**	**0**	**0**	**0**	**16**	**0**
SIT Technologies S.p.a.	24	0	3,795	0	0	8,434	56	4,131
Holding company	**24**	**0**	**3,795**	**0**	**0**	**8,434**	**56**	**4,131**

The SIT's operating revenues generated on transactions with SIT Immobiliare S.p.A. and SIT Technologies S.p.A. refer to advice and counsel provided by the Company in financial, administrative, tax and management control matters under a service agreement.

The financial charges from the holding company SIT Technologies S.p.A. of Euro 66 thousand mainly refer to the change in the fair value of the SIT Warrants held by this latter.

The financial payables of Euro 240 thousand due to the holding company, SIT Technologies S.p.A., consist of the value of the SIT Warrants that the latter holds, measured at Fair Value at June 30, 2019, as outlined in the Explanatory Notes. At December 31, 2018, financial liabilities, amounting to Euro 8,434 thousand to the parent company SIT Technologies S.p.A., included the value of the Performance Shares (Euro 8,260 thousand), thereafter converted on April 12, 2019 into Ordinary Shares in the ratio of 1 to 5, according to the terms and conditions set out for the maturation of the earn-out governed by the Framework Agreement, in addition to Euro 173 thousand concerning the SIT Warrants held by the latter.

Finally, SIT Immobiliare S.p.A., SIT Technologies S.p.A. and MeteRSit S.r.l. elected to participate in the national tax consolidation procedure for 2016-2018. The parties to this scheme, which is governed by Legislative Decree No. 344 of December 12, 2003, and in particular by Articles 117 to 129 of the Consolidated Income Tax Law, are SIT Immobiliare S.p.A. as the consolidating entity and the other companies as consolidated entities, as approved by their respective governing bodies. At June 30, 2019, the payable of SIT with SIT Technologies S.p.A. amounts to Euro 2,449 thousand. The consolidated tax arrangement for the 2019-2021 three-year period is expected to be renewed by the deadline set out for the presentation of the 2019 Tax Return.

Related party transactions

The table below presents transactions with a company in which a shareholder is a member of the Board of Directors of SIT.

Values at June 30, 2019

(Euro.000)	Revenues	Costs	Financial income	Financial charges	Financial receivables	Financial payables	Other receivables	Other payables
Oaklins Arietti S.r.l.	-	-	-	-	-	-	36.5	-
Transactions with other related parties	**-**	**-**	**-**	**-**	**-**	**-**	**36.5**	**-**

Values at December 31, 2018

(Euro.000)	Revenues	Costs	Financial income	Financial charges	Financial receivables	Financial payables	Other receivables	Other payables
Oaklins Arietti S.r.l.	-	-	-	-	-	-	44.5	44.5
Transactions with other related parties	**-**	**-**	**-**	**-**	**-**	**-**	**44.5**	**44.5**

During 2018, the Board of Directors, subject to the positive completion of the procedure by the Related Parties Committee, approved the allocation to the Chairman and the Chief Executive Officer Federico de Stefani of an extraordinary gross variable emolument, quantifiable in a range between Euro 1.3 million and Euro 2.6 million, which matures in line with the achievement of the objectives to be calculated based on the performance of SIT in 2017, 2018 and 2019. The emolument shall be calculated based on a component related to the performance of the SIT share price in the period under consideration and of a corrective amount related to the company performance. While reference should be made to Note 39 for the method of the calculation of these components, we indicate that in H1 2019 the cost matured was Euro 377 thousand, recognised under non-recurring service costs which increases the current liability at June 30, 2019 totalling Euro 1,131 thousand.

Guarantees, commitments and off-balance sheet contingent liabilities

The off-balance sheet commitments of the Parent Company at June 30, 2019 were as follows.

(Euro.000)	June 30,2019	Dec. 31,2018
Other unsecured guarantees	52,579	45,903
Secured guarantees	-	-
Total guarantees	**52,579**	**45,903**

Other unsecured guarantees

Other unsecured guarantees issued by the Parent Company to third parties were as follows:

(Euro.000)	June 30, 2019	Dec. 31, 2018
In the interest of subsidiaries	51,835	45,055
In own interest	744	848
Total other guarantees	**52,579**	**45,903**

With regards to unsecured guarantees issued in the interest of subsidiaries, these were entirely issued in the interest of Metersit S.r.l., in favour of its client as part of Smart Gas Meter installation tenders, of which Euro 9,257 thousand co-obligations with the subsidiary Metersit S.r.l, while the remainder concerns exclusive guarantees of the parent company.

The guarantees issued in its own interest are predominantly (Euro 744 thousand) in favour of the Tax Agency for VAT receivables offset as part of the Group declaration.

Secured guarantees

At the reporting date the company did not provide any secured guarantees.

Off-balance sheet transactions

SIT S.p.A. has undertaken with its clients, suppliers, workers and sector associations and other commercial and financial partners a number of contractual agreements which establish various types of reciprocal commitments of differing durations, whose effects are recognised to the balance sheet to the extent of their compliance with the accounting standards applied, particularly with regards with the accruals principle, while future effects are obviously not recorded to the balance sheet where complying with that established by the accounting standards.

The above-stated agreements may entirely be classified as part of "normal industrial, commercial and financial transactions", considering the size and the organisational complexity of SIT S.p.A. For example purposes and not to be considered exhaustive, we cite: long-term framework contracts with clients and suppliers, agreements with clients for the joint development of new products, consignment stock contracts both for purchases and sales, agency and distribution contracts and outsourcing agreements for assembly, storage, logistical management and other services.

Financial risk management and financial instruments recognised at Fair Value

The Group through its operating activities is exposed to financial risks, in particular:

- Market risk, with particular reference to (i) currency risk deriving from operations and transactions in currencies other than the functional currency of the companies and of the Group; (ii) interest rate risk deriving from fluctuations in market interest rates; (iii) price risk deriving from changes in market prices of certain raw materials utilised by the Group in its production processes;
- Credit risk, concerning commercial transactions with its customers;
- Liquidity risk, related to the availability of financial resources and access to the credit market;

In relation to market risk, the SIT Group has issued the following Group policies approved by the Board of Directors of the Company:

- Foreign exchange risk management policy;
- Group Interest rate risk management policy;

- Company Policy to manage Group liquidity.

The scope of these policies is to govern, within a shared framework, the management approach, the objectives, the roles, the responsibilities and the operating limits of the financial risk management activities.

These policies at the reporting date have been extensively described in the relative section of the Directors' Report, to which reference should be made.

The interest rate hedges at the reporting date are outlined at Notes 14 and 20 respectively for the non-current and current portions.

With regards to the financial instruments recognised to the financial statements at Fair Value at June 30, 2019, the following table outlines the type of instrument, its value at the reporting date and the fair value hierarchy utilised:

(Euro.000)

Transaction type	**Value at 30.06.2019**	**Valuation criterion**	**Level 1**	**Level 2**	**Level 3**
Warrant SIT	(4,177)	*Fair Value*	(4,177)		
Interest Rate Swap	(1,929)	*Fair Value*		(1,929)	
Forex Forward	(148)	*Fair Value*		(148)	
Commodity Swap	-	*Fair Value*		-	

In H1 2019, there were no transfers between the various levels of fair values indicated in IFRS 13. A similar table is reported for financial instruments recognised to the financial statements at Fair Value at June 30, 2018:

(Euro.000)

Transaction type	**Value at 30.06.2018**	**Valuation criterion**	**Level 1**	**Level 2**	**Level 3**
Warrant SIT	(10,867)	Fair Value	(10,867)		
Performance Shares	(10,650)	Fair Value		((11,650)	
Interest Rate Swap	(1,351)	Fair Value		(1,351)	
Forex Forward	177	Fair Value		177	
Commodity Swap	(28)	Fair Value		(28)	

For further details on identified risks, reference should be made to the Directors' Report.

Subsequent events.

There are no particular subsequent events to period-end to report.

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Padua, September 12, 2019

The Chairman of the Board of Directors

(Mr. Federico de' Stefani)

DECLARATION ON THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO CONSOB ISSUERS' REGULATION NO. 11971

Declaration on the Consolidated Financial Statements as per Article 81-ter of Consob Regulation No. 11971 of May 14, 1999 and subsequent amendments & supplements

The undersigned Federico de' Stefani, Chairman and Chief Executive Officer, and Paul Fogolin, Executive Officer for Financial Reporting, of Sit S.p.A., declare, and also in consideration of Article 154-bis, paragraphs 3 and 4 of Legislative Decree No. 58 of February 24, 1998:

- The adequacy in relation to the business operations and
- the effective application of the administrative and accounting procedures for the drafting of the condensed consolidated half-year financial statements for the January-June 2019 period.

In addition, we declare that the condensed consolidated half-year financial statements:

- correspond to the underlying accounting documents and records;
- were prepared in accordance with International Financial Reporting Standards adopted by the European Union through Regulation (EC) No. 1606/2002 of the European Parliament and the Council of July 19, 2002 and also in accordance with Article 9 of Legislative Decree 38/2005 and provide a true and fair representation of the balance sheet, financial position and results of the company and of the consolidated companies.
- the Interim Directors' Report includes a reliable analysis on the performance and operating result, as well as the situation of the issuer and of the companies included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

Padua, September 12, 2019

The Chief Executive Officer	The Executive Officer for Financial Reporting
Federico de' Stefani	Paul Fogolin

INDEPENDENT AUDITORS' REPORT ON THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

Deloitte.

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REPORT ON REVIEW OF THE HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
SIT S.p.A.

Introduction

We have reviewed the accompanying half-yearly condensed consolidated financial statements of SIT S.p.A. and subsidiaries (the "SIT Group"), which comprise the statement of financial position as at June 30, 2019, the profit and loss, the statement of comprehensive income, the statement of changes in equity and the cash flows for the six month period then ended and the explanatory notes. The Directors are responsible for the preparation of the half-yearly condensed consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the half-yearly condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed consolidated financial statements of the SIT Group as at June 30, 2019 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Cristiano Nacchi
Partner

Padua, Italy
September 16, 2019

This report has been translated into the English language solely for the convenience of international readers.