



HALF-YEAR FINANCIAL REPORT AT JUNE 30, 2022

CONTENTS

CORPORATE INFORMATION	3
THE SIT GROUP'S MISSION, VISION AND VALUES	5
DIRECTORS' REPORT	7
COMPOSITION OF THE CORPORATE BOARDS.....	8
GROUP STRUCTURE.....	9
FINANCIAL HIGHLIGHTS	12
ALTERNATIVE PERFORMANCE MEASURES	13
GENERAL OVERVIEW.....	17
OPERATING PERFORMANCE.....	18
SUSTAINABILITY	28
RISK MANAGEMENT POLICY.....	29
INTER-COMPANY AND RELATED PARTY TRANSACTIONS	43
TREASURY SHARES	44
SUBSEQUENT EVENTS AND OUTLOOK.....	45
CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2022.....	47
FINANCIAL STATEMENTS	49
CONSOLIDATED BALANCE SHEET	51
CONSOLIDATED INCOME STATEMENT	52
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME	53
CONSOLIDATED CASH FLOW STATEMENT.....	54
STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY.....	55
EXPLANATORY NOTES	57
GENERAL INFORMATION.....	58
ACCOUNTING PRINCIPLES.....	58
DISCRETIONAL VALUATIONS AND SIGNIFICANT ACCOUNTING ESTIMATES	62
COMMENTS ON THE MAIN ITEMS OF THE CONSOLIDATED BALANCE SHEET	64
COMMENTS ON THE MAIN ITEMS OF THE CONSOLIDATED INCOME STATEMENT	87
OTHER INFORMATION	97
DECLARATION ON THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS AS PER ARTICLE 81-TER OF CONSOB REGULATION NO. 11971.....	105
AUDITORS' REPORT ON THE CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS	108

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 96,162,195.00

Share Capital subscribed and paid-in Euro 96,162,195.00

Tax and Padua Companies Registration Office No. 04805520287

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

THE SIT GROUP'S MISSION, VISION AND VALUES

Mission

"Our commitment is to create smart solutions for climate control and consumption measurement for a more sustainable world".

Vision

"To be recognised as the leading sustainable partner for energy and climate control solutions (and to enjoy the journey!)"

Values



DIRECTORS' REPORT

COMPOSITION OF THE CORPORATE BOARDS

Board of Directors*

Federico de Stefani	<i>Chairperson and Chief Executive Officer</i>
Chiara de Stefani	<i>Executive Director and Corporate Sustainability Director</i>
Attilio Francesco Arietti	<i>Director</i>
Fabio Buttignon **	<i>Independent Director</i>
Bettina Campedelli **	<i>Independent Director and Lead Independent Director</i>
Carlo Malacarne **	<i>Independent Director</i>
Lorenza Morandini **	<i>Independent Director</i>

Board of Statutory Auditors*

Matteo Tiezzi	<i>Chairperson</i>
Saverio Bozzolan	<i>Statutory Auditor</i>
Loredana Anna Conidi	<i>Statutory Auditor</i>
Barbara Russo	<i>Alternate Auditor</i>
Alessandra Pederzoli	<i>Alternate Auditor</i>

Independent Audit Firm

Deloitte & Touche S.p.A.

Internal Control, Risks and Sustainability Committee

Bettina Campedelli **	Chairperson
Lorenza Morandini **	Member
Carlo Malacarne **	Member

Related Parties Committee

Bettina Campedelli **	Chairperson
Fabio Buttignon **	Member
Carlo Malacarne**	Member

Remuneration Committee

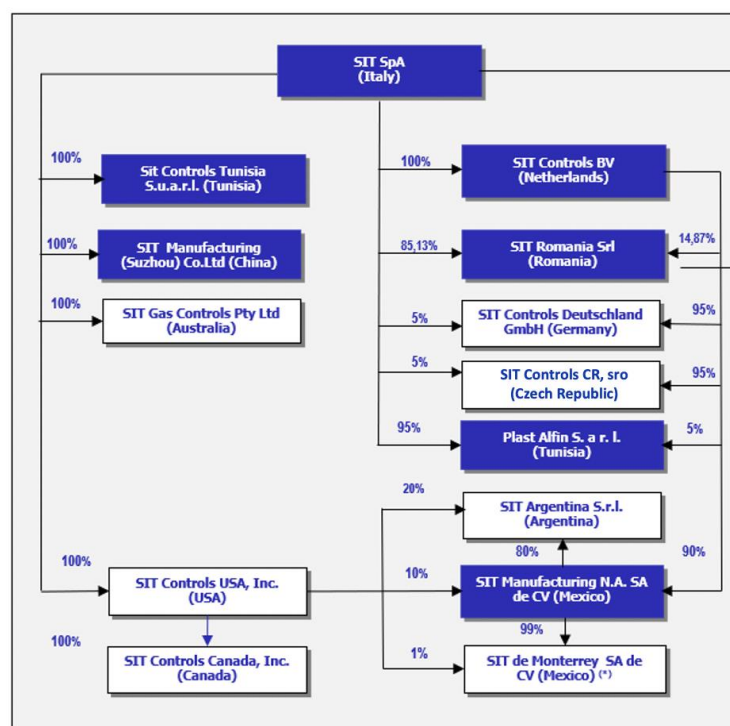
Carlo Malacarne **	Chairperson
Fabio Buttignon **	Member
Bettina Campedelli**	Member

* The Board of Directors and the Board of Statutory Auditors were appointed by the Shareholders' Meeting of May 6, 2020 and remain in office until the approval of the 2022 Annual Accounts.

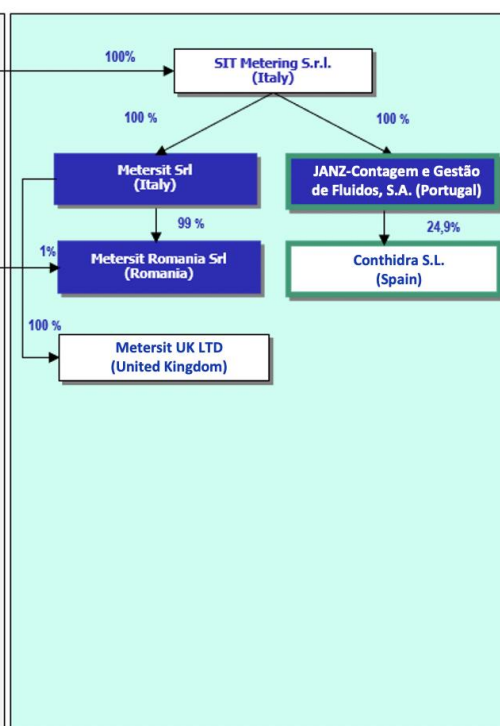
** Independent directors.

GROUP STRUCTURE

HEATING DIVISION



METERING DIVISION



Production site
Commercial company
Water Metering

(*) Inactive company

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.
- Metering: manufactures and distributes smart gas meters which more accurately measure gas and water 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 equipment 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, for the American market, 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 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;
 - Plast Alfin S.a.r.l. (Tunisia), acquired during 2020, operates in the manufacturing of plastics for components used in the production of exhaust kits;
 - Sit Controls Tunisia S.u.a.r.l (Tunisia), set up in late 2020 and currently in the start-up phase, will become a new production site for components and finished products.

The Group operates in the Metering division through the following companies:

- Sit Metering S.r.l., set up in Padua in late 2020 as an investment holding for the Metering division;
- Metersit S.r.l., located in Padua, is involved in the design, manufacturing and sale of new generation remote gas meters;
- Metersit Romania S.r.l., based in Brasov in Romania, is a manufacturing facility for the direct parent company Metersit S.r.l.
- JANZ – Contagem e Gestão de Fluídos, SA (Lisbon) was acquired in late 2020 and functions as a production facility and distribution company for residential water meters, mainly for the European market;
- Conthidra S.L. (Gines), Spain, distributes water meters produced by JANZ – Contagem e Gestão de Fluídos, SA;
- Metersit UK Ltd (Manchester), a company incorporated in the first half of 2021, operates as an agency for the UK residential gas meter market.

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

FINANCIAL HIGHLIGHTS

The following tables report the adjusted figures and performance indicators not expressly used by international accounting standards IFRS, whose definitions and calculation methods are described in the paragraph below.

(Euro.000)

Financials	H1 2022	%	H1 2021	%	Change	Change %
Revenues from contracts with customers	194,722	100.0%	190,252	100.0%	4,470	2.3%
EBITDA	23,831	12.2%	28,892	15.2%	(5,061)	-17.5%
EBIT	10,507	5.4%	16,226	8.5%	(5,719)	-35.2%
Net Profit for the period	14,224	7.3%	9,522	5.0%	4,702	49.4%
Cash flows from operating activities after investment activities	(9,936)		6,175		(16,111)	

Balance Sheet	30/06/2022	31/12/2021	30/06/2021
Net financial position ^(*)	(122,617)	(106,729)	(120,854)
Net trade working capital ^(*)	62,814	45,423	63,590
Net trade working capital/Revenues ^(**)	16.0%	11.9%	16.6%

^(*) The value at June 30, 2021 was restated to take into account the effects of the PPA following the acquisition of JANZ - Contagem e Gestão de Flúídos, SA, recognised in the second half of 2021.

^(**) Annualised

ALTERNATIVE PERFORMANCE MEASURES

(Euro.000)

Financials	H1 2022	%	H1 2021	%	Change	Change %
Revenues from contracts with customers	194,722	100.0%	190,252	100.0%	4,470	2.3%
EBITDA	23,831	12.2%	28,892	15.2%	(5,061)	-17.5%
EBIT	10,507	5.4%	16,226	8.5%	(5,719)	-35.2%
Financial charges	1,960	1.0%	5,046	2.7%	(3,086)	-61.2%
Financial income	8,239	4.2%	128	0.1%	8,111	6336.7%
Net financial (charges)/income adjusted	(1,779)	-0.9%	(2,157)	-1.1%	379	-17.6%
Result before taxes (EBT)	16,806	8.6%	11,383	6.0%	5,424	47.7%
Result before taxes adjusted (EBT)	8,748	4.5%	14,143	7.4%	(5,395)	-38.1%
Net Profit for the period	14,224	7.3%	9,522	5.0%	4,702	49.4%
Adjusted net profit for the period	6,166	3.2%	10,480	5.5%	(4,313)	-41.2%
Cash flows from operating activities after investment activities	(9,936)		6,175		(16,111)	

(Euro.000)

Balance Sheet	30/06/2022	31/12/2021	30/06/2021
Net capital employed ^(*)	288,789	269,153	280,893
Shareholders' Equity	165,481	153,676	156,809
Net financial position ^(*)	(122,617)	(106,729)	(120,854)
Adjusted net financial position ^(*)	(107,468)	(90,810)	(105,180)
Financial liabilities for Warrants	(691)	(8,748)	(3,229)
Net trade working capital ^(*)	62,814	45,423	63,590

^(*) The value at June 30, 2021 was restated to take into account the effects of the PPA following the acquisition of JANZ - Contagem e Gestão de Flúidos, SA, recognised in the second half of 2021.

Key performance indicators	30/06/2022	31/12/2021	30/06/2021
ROIC ⁽¹⁾	16.0%	19.0%	20.8%
Net financial position / Shareholders' equity	0.74	0.69	0.77
Net Financial Position / EBITDA	2.66	2.10	2.07

⁽¹⁾ ROIC is the ratio between LTM EBITDA and Capital Employed at period-end.

Composition of the main 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) and adjusted by the effects of non-recurring items. 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 corresponding official figures:

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

(Euro.000)		
Reconciliation of net financial (charges)/income adjusted	H1 2022 Financial (charges)/income	H1 2021 Financial (charges)/income
Financial charges	(1,960)	(5,046)
Early settlement of IRS on bank debt	-	576
Change in fair value on Warrants	-	2,184
Financial charges adjusted	(1,960)	(2,285)
Financial income	8,239	128
Change in fair value on Warrants	(8,058)	-
Adjusted financial income	181	128
Adjusted net financial (charges)/income	(1,779)	(2,157)

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

(Euro.000)		
Reconciliation of EBT adjusted	H1 2022 Result before taxes	H1 2021 Result before taxes
Result before taxes for the period	16,806	11,383
Total non-recurring operating charges (income)	-	-
Early settlement of IRS on bank debt	-	576
Change in fair value on Warrants	(8,058)	2,184
Non-recurring financial charges (income)	(8,058)	2,760
Adjusted result before taxes (EBT)	8,748	14,143

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

(Euro.000)

Reconciliation of adjusted net profit	H1 2022 Net Profit	H1 2021 Net Profit
Net Profit for the period	14,224	9,522
Total non-recurring operating charges (income)	-	-
Early settlement of IRS on bank debt	-	438
Change in fair value on Warrants	(8,058)	2,184
Non-recurring net financial charges (income)	(8,058)	2,622
Patent Box tax income	-	(1,664)
Adjusted net profit for the period	6,166	10,480

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

(Euro.000)

Reconciliation of net capital employed	30/06/2022	31/12/2021	30/06/2021
Goodwill ^(*)	87,946	87,946	87,946
Other intangible assets ^(*)	57,917	61,611	62,481
Property, plant and equipment	99,322	98,039	91,648
Investments in other companies	325	325	326
Non-current financial assets	3,953	2,139	2,309
Fixed assets (A) ^(*)	249,463	250,060	244,710
Inventories ^(*)	97,956	70,123	67,493
Trade receivables ^(*)	63,765	56,052	73,531
Trade payables	(98,907)	(80,752)	(77,433)
Trade net working capital (B)	62,814	45,423	63,590
Other current assets	16,222	15,745	11,565
Tax receivables	2,440	2,965	3,121
Other current liabilities	(21,087)	(23,163)	(19,372)
Tax payables	(2,588)	(3,267)	(2,671)
Other current assets, liabilities and taxes (C)	(5,013)	(7,720)	(7,357)
Net working capital (B + C)	57,801	37,703	56,233
Deferred tax assets ^(*)	8,196	7,897	7,655
Provisions for risks and charges	(5,459)	(4,941)	(5,293)
Post-employment benefit provision	(6,008)	(5,762)	(5,933)
Other non-current liabilities	(23)	(61)	(37)
Deferred tax liabilities ^(*)	(15,181)	(15,743)	(16,442)
Other assets and liabilities and provisions (D) ^(*)	(18,475)	(18,610)	(20,050)
Net capital employed (A + B + C + D) ^(*)	288,789	269,153	280,893

^(*) The value at June 30, 2021 was restated to take into account the effects of the PPA following the acquisition of JANZ - Contagem e Gestão de Flúidos, SA, recognised in the second half of 2021.

- 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 ESMA32-382-1138 of March 4, 2021 and without considering the financial payable for Warrants, as this item will not result in a financial outlay.

(Euro.000)

Composition net financial position	30/06/2022	31/12/2021	30/06/2021
A. Cash	25	32	32
B. Cash equivalents	43,078	46,635	56,086
C. Other current financial assets	3,692	527	1
D. Cash and cash equivalents (A) + (B) + (C)	46,795	47,194	56,119
E. Current financial debt (including debt instruments but excluding the current portion of non-current financial debt) ^(*)	8,750	10,032	17,967
F. Current portion of the non-current debt	18,680	14,727	103,378
G. Current financial debt (E + F)	27,430	24,759	121,344
H. Net current financial debt (G - D)	(19,365)	(22,436)	65,225
I. Non-current financial debt ^(*)	102,505	89,726	16,232
J. Debt instruments	39,477	39,438	39,398
K. Trade payables and other non-current payables	-	-	-
L. Non-current financial debt (I + J + K)	141,982	129,164	55,629
M. Net Financial Position (H + L)	122,617	106,729	120,854
IFRS 16 – Leases	(15,149)	(15,919)	(15,674)
Net financial position adjusted	107,468	90,810	105,180

^(*) The value at June 30, 2021 was restated to take into account the effects of the PPA following the acquisition of JANZ - Contagem e Gestão de Fluidos, SA, recognised in the second half of 2021.

As required by the above communication, the Group reports provisions for net liabilities for employee defined benefits of Euro 6,008 thousand (Note 16) and Provisions for risks and charges for Euro 5,459 thousand (Note 15).

GENERAL OVERVIEW

General economic overview

The first half of 2022 was marked by the Russian invasion of Ukraine, which significantly impacted the outlook for the world economy - hit by exceptionally high energy commodity prices, supply difficulties for manufacturing supply chains, and a deteriorating global climate of confidence. The Russia-Ukraine war has further driven up raw material prices, exacerbating global inflation.

The following table summarises the Q2 2022 GDP performance against the previous quarter in the main areas of interest to the Group:

GDP movements	Q2 2022
Italy	1.0%
Euro	0.7%
USA	-0.9%
China	0.4%

This was the second quarter of slowing growth for the US, prompting the FED to intervene to tackle inflation, raising interest rates.

Growth in China in Q2 was heavily subdued due to the “zero tolerance” anti-COVID policies that resulted in an effective new lockdown across much of the country.

The continuation of the conflict in Ukraine and ever-rising inflation continue to weigh heavily and create uncertainty around the forecast for a gradual recovery and normalisation of economic activity. The uncertainty has been heightened in Italy by the ongoing political crisis.

The Italian mechanical engineering sector saw rather slow growth in H1 2022, underperforming the year-opening forecasts. The lack of raw material and semi-finished product availability and pressure upon the international logistics system have had an impact.

OPERATING PERFORMANCE

Significant events in the period

COVID-19 impact

The Company has retained its Covid Committee into H1 2022, which regularly monitors the impact of the pandemic, providing support and co-ordinating the regulations and policies to be issued as the situation evolves. The focus during this phase of the pandemic is on monitoring the vaccination plan in place in the countries where the Group operates, adapting behaviour and providing support to enable the various Group companies to achieve locally defined vaccination targets. The Committee's current priority objective is to ensure safe health conditions for personnel in accordance with the protocols recommended by the authorities in each country, providing timely communication and co-ordinating the efforts of each unit with central activities.

Thanks to the preventative measures put in place, Group operations ran substantially on schedule during the year.

SIT obtains EcoVadis' Silver sustainability rating

In January the Company was awarded a "Silver" rating by EcoVadis, an international rating agency that measures companies' CSR (Corporate Social Responsibility) performance using a method based on the highest international reference standards. This represents a significant improvement, achieved in the space of just one year following the "Bronze" rating achieved in 2020, and is the result of SIT's commitment to one of the Group's strategic objectives, a testament to SIT's ethical and proactive approach to ESG principles and the Company's sustainable action towards its stakeholders and the ecosystem in which it operates.

SIT ranks among the top 22% of companies assessed by EcoVadis in its sector.

SIT obtains MID certification for commercial 100% hydrogen gas meter

Through its subsidiary Metersit, in March SIT obtained MID (Measuring Instrument Directive) certification for its 100% hydrogen Domusnext® 2.0 MMU40 H2 commercial meter. The MID certificate was issued by the notified body NMi Certin B.V.. It is valid in Europe and the UK but also recognized in other non-EU countries and guarantees the accuracy and reliability of the measuring instrument. This achievement

comes in addition to similar certification obtained in 2021 for the residential meter model, both of which reflect the Group's commitment to hydrogen applications and the energy transition.

SIT launches plan to insource electronic supplies from Ukraine

With regards to the political situation arising from the invasion of Ukraine by the Russian army, the impacts on SIT Group operations are being continually monitored.

The Group does not hold direct investments in the two countries. Commercial coverage is provided by local distributors managed by employees of the group's Czech subsidiary based in Moscow. Revenues in Russia and Ukraine in H1 2022 totalled Euro 8.3 million, decreasing 4.1% on the previous year.

In terms of supplies, the production of electronic boards for the Heating sector continues on schedule at the facility of a US multinational supplier located in Ukraine near the western border, from whom the Group acquired in H1 2022 components worth Euro 7.5 million. However, a boards insourcing plan was launched, which is proceeding on schedule.

SIT agrees loan with Cassa Depositi e Prestiti

Finally, in March 2022, SIT agreed a loan with Cassa Depositi e Prestiti S.p.A. in order to support new environmental, energy efficiency, sustainable development promotion and green economy investment and to launch initiatives to grow the Group in Italy and overseas.

The amortizing and unsecured loan amounts to Euro 15 million and has a duration of 5 years. It marks a further step in the Company's capital source diversification policy and the beginning of a new strategic relationship with a leading institutional investor.

SIT agrees loan with Unicredit

On May 31, 2022, SIT completed a bilateral funding transaction with Unicredit for Euro 10 million and with 3 years amortising maturity. The transaction was supported by an EIB - European Investment Bank guarantee, with the purpose of supporting the company's growth and working capital investment.

SIT launches campaign to support Ukrainian children

As part of the 'SIT People for Ukraine' campaign to support the Ukrainian people, SIT has launched a new initiative that will enable the group's more than 2,500 employees to donate up to eight hours worktime to facilitate family reunifications for Ukrainian children. The value of workers' donations will be doubled by SIT and the entire amount will be donated to the non-profit CONADI - National Council for Child and Adolescent Rights Association. The initiative launched by the SIT group in Italy drew support from the subsidiaries SIT Netherlands, Portugal's Janz and SIT Romania, providing a framework for the international mobilisation of solidarity toward Ukraine.

SIT presents "Made to Matter - Our commitment to making the difference" - the Sustainability Plan to 2025

On May 4, SIT presented via web streaming the Sustainability Plan 2025, approved by the Board of Directors on December 17, 2021. The plan includes financial resources (Capex/Opex) in excess of Euro 8 million, with more than 50 initiatives and projects, involving all areas of the company, contributing to the achievement of 11 Sustainable Development Goals of the UN 2030 Agenda. As part of the plan, SIT forecasts an 8 percent reduction in Co2 production and the installation of new photovoltaic systems to increase the energy used by the company from renewable sources by 12% (+18% for the Italian energy-intensive plants).

The plan presentation with full details is available at www.sitcorporate.it/sostenibilita

SIT obtains Carbon Footprint certification

In June 2022, SIT obtained certification of its Product Carbon Footprint Management System (CFP Systematic Approach) from Bureau Veritas Italy. This certification guarantees the effectiveness of SIT's systematic approach to product life cycle analysis, on a cradle-to-gate basis in line with the standards set out in ISO 14067:2018. Such a systematic approach in fact makes it possible to calculate emission values related to the individual products offered, but also to perform scenario simulations on products under development in order to adopt the optimal technical, production and logistic solutions from a CFP perspective.

The process of measuring product emissions, based on the systematic approach, is thus an officially recognized tool and has become an asset of the company, available to support the achievement of emission reduction targets.

SIT ranks second in the Integrated Governance Index 2022

The Integrated Governance Index is a quantitative index developed by ET Group that measures the level of integration of Sustainability into Corporate Governance. The 2022 survey, now in its seventh edition, was conducted on a panel of approx. 300 companies, divided into three categories: the top 100 companies by stock market capitalisation, other listed companies (Non Top 100) and the top 50 unlisted industrial companies in the Mediobanca rankings.

The results of the Integrated Governance Index 2022 were presented last June 15 at the ESG Business Conference, where SIT ranked second in the Non Top 100 category, winning the title of Leader in its category.

SIT unveils 100% hydrogen boiler with its customers at Milan trade show

In June, the 100% hydrogen boiler with SIT technology was presented at the Mostra Convegno Expocomfort (MCE) in Milan. At one of the major sector fairs, SIT presented "Alteas 100% hydrogen ready", the new Ariston-branded boiler with zero carbon dioxide emissions thanks to the 100% use of hydrogen. The boiler was made with "made by SIT" combustion control systems that allow zero emissions thanks to the use of green hydrogen.

This is another tangible sign of SIT's commitment to combining market expectations with environmental sustainability as part of the energy transition, particularly with a view to accelerating the decarbonisation of residential heating appliances such as boilers.

Sales overview

The SIT Group comprises two Divisions:

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

Revenue by Division

(Euro.000)	2022.06	%	2021.06	%	diff	diff %
Heating	157,836	81.1%	144,719	76.1%	13,117	9.1%
Metering	34,136	17.5%	43,167	22.7%	(9,031)	(20.9%)
Total sales	191,972	98.6%	187,886	98.8%	4,086	2.2%
Other revenues	2,750	1.4%	2,365	1.2%	385	16.3%
Total revenues	194,722	100%	190,252	100%	4,470	2.3%

Revenue by region

(Euro.000)	2022.06	%	2021.06	%	diff	change %
Italy	50,747	26.1%	58,959	31.0%	(8,212)	(13.9%)
Europe (excluding Italy)	82,423	42.3%	82,645	43.4%	(222)	(0.3%)
The Americas	43,383	22.3%	33,766	17.7%	9,617	28.5%
Asia/Pacific	18,169	9.3%	14,881	7.8%	3,288	22.1%
Total revenues	194,722	100%	190,252	100%	4,470	2.3%

H1 2022 consolidated revenues were Euro 194.7 million, increasing 2.3% on the same period of 2021 (Euro 190.3 million).

Heating Division sales in the first half of 2022 amounted to Euro 157.8 million, +9.1% compared to Euro 144.7 million in the same period of 2021 (+6.1% at like-for-like exchange rates). In the second quarter, the division's core sales rose 10.2% to Euro 81.8 million, compared with Euro 74.2 million in the same period of 2021.

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

(Euro.000)	2022.06	%	2021.06	%	diff	change %
Italy	29,941	19.0%	28,743	19.9%	1,198	4.2%
Europe (excluding Italy)	67,655	42.9%	68,607	47.4%	(952)	(1.4%)
The Americas	41,960	26.6%	32,849	22.7%	9,111	27.7%
Asia/Pacific	18,279	11.6%	14,520	10.0%	3,759	25.9%
Total sales	157,836	100%	144,719	100%	13,117	9.1%

Sales in Italy rose 4.2% on H1 2021, thanks to strong demand in the Catering sector (Euro 1.5 million, +80%) and for Direct Heating, which rose Euro 0.5 million (15%), on the basis of pellet stoves and space heaters. Central Heating reported a contraction of Euro 0.7 million (3.6%), mainly due to delays for fans and electronics.

Sales in Europe (excluding Italy) decreased Euro 1.0 million in H1 2022 (-1.4%) on the same period of the previous year. The Central Heating segment in Turkey, the top shipping market with 9.7% of division sales, contracted 8.7% on H1 2021, while the UK, 6.0% of division sales, saw a 22.5% decrease for Central Heating - Flues and Mechanical controls - due to delivery delays to customers of certain components from other suppliers. Central Europe remains strong, thanks to the introduction of new products, up 15.0% on Q1 2021 (Euro 3.8 million). The Russian market, accounting for 4.8% of division sales, grew 8.3% on H1 2021, in terms of sales made before July 10, 2022, the date on which the Heating product sanctions entered into force.

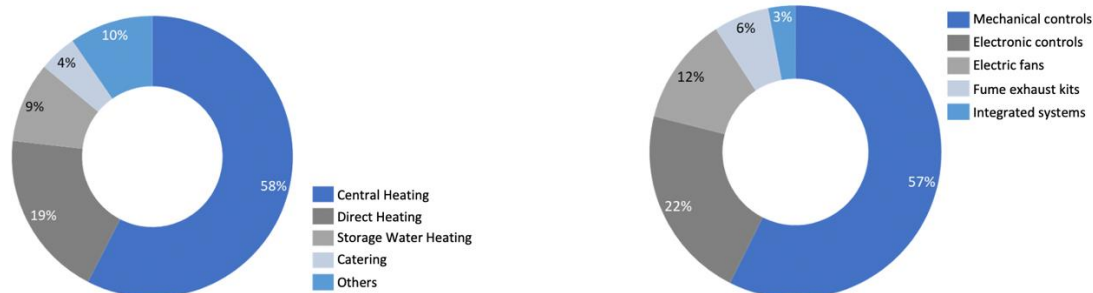
Sales in the Americas rose 27.7% (+17.4% at like-for-like exchange rates), thanks to fireplaces growth of Euro 4.1 million (+25.0%). Storage Water Heating applications in H1 2022 rose 14.2% (Euro 1.5 million). Central Heating applications also grew, increasing Euro 2.8 million (+60%).

Asia/Pacific sales were up 25.9% to Euro 18.3 million (Euro 14.5 million in H1 2021). Growth was reported in China (6.9% of the division), up +15.9% (+Euro 1.5 million) as a result of the Central Heating retail market recovery, and in Australia - improving Euro 0.7 million (+18.9%).

Among the main product families, Mechanical controls sales were up (+8.9%, Euro +7.4 million), as were Electronic controls (+25.5% and Euro 6.9 million) and Fans (+2.6%, Euro 0.5 million), with the production of this latter family now on schedule after the procurement difficulties in Q1. At the application segment level, Central Heating accounted for 57.6% of division sales, increasing 6.9%, while Direct Heating (19.2% of the division sales) rose 13.8% due to the strong fireplaces market in the USA and for applications sold in Italy.

In relation to the main clients of the Heating Division, 31.7% of H1 2022 sales were from the top five clients, while accounting for 33.0% in the same period of the previous year.

The following charts break down H1 2022 Heating sales by product family and application (data from management sources):



Metering Division sales were Euro 34.1 million (Euro 43.2 million, reducing 20.9% on the same period of the previous year).

In H1 2022, sales in the Smart Gas Metering sector totalled Euro 21.7 million, reducing 34.7% on the first half of 2021. This performance reflects the curve for the initial installation of smart meters on the Italian market, of which more than 80% have now been replaced. Sales in Italy accounted for 92.8% of the total, while overseas sales accounted for 7.2% (from Greece, Central Europe, the UK and India).

In terms of the main Smart Gas Metering division clients, 47.0% of sales in the first half of 2022 were from the top 3 clients, while accounting for 62.1% in the same period of the previous year.

Water Metering sales totalled Euro 12.5 million, up 25.2% on H1 2021. Portugal accounts for 23.9% of sales, Spain for 28.4%, the rest of Europe for 34.9% and America and Asia respectively for 6.8% and 5.9%.

Economic performance

H1 2022 consolidated revenues were Euro 194.7 million, increasing 2.3% on H1 2021 (Euro 190.3 million). Purchase costs of raw materials and consumables, including changes in inventories, amounted to Euro 100.2 million (51.5% of revenues, compared to 50.4% in the first half of 2021) and reflects rising raw material costs as a result of the movement restrictions imposed to contain the pandemic, and partially the Russia-Ukraine conflict.

H1 service costs total Euro 27.3 million, compared to Euro 23.7 million in the same period of the previous year (respectively 14.0% and 12.4% of revenues). The increase in costs reflects higher transport costs on purchases (Euro +2.2 million, +49.9% on H1 2021), against the drop in global transport capacity and the simultaneous lengthening of delivery times and the increase in legal and administrative consultancy (Euro +0.9 million; +30.6% on H1 2021), ordinary maintenance expenses (Euro +0.3 million) and marketing activities (Euro +0.2 million).

Personnel expense was Euro 42.5 million (Euro +1.5 million), accounting for 21.8% of revenues (21.6% in H1 2021), substantially in line with the same period of the previous year.

Amortisation, depreciation and write-downs of Euro 13.3 million rose on the previous year (Euro 12.7 million), due to the increase in new investments in the previous period and the new operating leases recognised as per IFRS 16.

Provisions for risks totalled Euro 0.4 million, substantially in line with the previous year. The item is affected by provisions for the disposal of batteries contained in meters and for environmental remediation costs on land owned by the parent company.

Other net charges totalled Euro 0.5 million, in line with the first half of the previous year. The item includes Euro 0.2 million related to the establishment of the SIT Foundation "Sport Inclusion Talent - ETS.

EBITDA of Euro 23.8 million contracted 17.5% on the same period of the previous year (Euro 28.9 million) and reflects the increase in operating costs outlined above.

Group EBIT decreased from Euro 16.2 million in H1 2021 to Euro 10.5 million in H1 2022, with the margin decreasing from 8.5% to 5.4%.

Financial charges in H1 2022 totalled Euro 2.0 million, decreasing Euro 3.1 million on the same period of 2021. In H1 2021, financial charges included Euro 2.2 million regarding the fair value change deriving from the market value of the Warrants, in addition to Euro 0.6 million concerning the mark to market of the IRS derivatives on the bank loan, settled in advance in July 2021. Both the above-stated changes were considered as non-recurring financial charges.

Adjusted net financial charges, net therefore of the above-stated non-recurring components H1 2022 totalled Euro 2.0 million, compared to Euro 2.2 million in the same period of the previous year.

Financial income in H1 2022 totalled Euro 8.2 million, including Euro 8.1 million from the increased fair value based on the market value of the warrants, considered as a non-recurring item.

Adjusted net financial income in H1 2022 totalled Euro 0.2 million, compared to Euro 0.1 million in the same period of the previous year.

Income taxes for the period were a charge of Euro 2.6 million (while in the same period of 2021 were a positive Euro 1.9 million). The H1 2021 figure benefitted from non-recurring income of Euro 1.7 million regarding the agreement with the Tax Agency on the calculation of the economic benefits from intangible assets ("Patent Box" optional system).

The net profit for the period was Euro 14.2 million (7.3% margin), compared to Euro 9.5 million (5.0%) in the same period of 2021.

The adjusted net profit, net of the above-stated non-recurring effects, was Euro 6.2 million (3.2% margin), compared to Euro 10.5 million (5.5%) in the same period of 2021.

Cash Flow performance

The net financial debt at June 30, 2022 was Euro 122.6 million, compared to Euro 120.9 million at June 30, 2021. The movements in the net financial position are reported below:

(Euro.000)	H1 2022	H1 2021
Cash flow from current activities (A)	24,452	29,237
Cash flow generated (absorbed) from Working Capital (B)	(22,669)	(15,020)
CASH FLOW FROM OPERATING ACTIVITIES (A + B)	1,783	14,217
Cash flow from investing activities (C)	(11,719)	(8,041)
CASH FLOW FROM OPERATING & INVESTING ACTIVITIES (A + B + C)	(9,936)	6,176
Interest paid	(1,432)	(1,716)
Change in accrued interest	(6)	(111)
Amortised cost	(205)	(318)
FV change of derivatives	1,004	369
Change in translation reserve	758	437
Change in shareholders' equity and acquisition treasury	(470)	(582)
Changes in current financial assets	2,300	(1,000)
Payables for acquisition	-	374
Dividends	(7,299)	(6,890)
IFRS 16	(603)	(1,570)
Change in net financial position	(15,888)	(4,831)
Restated opening net financial position	106,729	116,021
Closing net financial position	122,617	120,852

The Group's net financial position does not consider the financial liabilities for warrants, as these items will not involve any financial outlay.

Cash flows from operating activities of Euro 24.4 million were generated in the first half of the year, with an absorption as a result of the increase in working capital of Euro 22.7 million, of which Euro 26.3 million due to increased inventories on the basis of the electronic component procurement policy to offset the impact of shortages and guarantee service to customers.

Investing activities absorbed cash of Euro 11.7 million, compared to Euro 8.0 million in the same period of the previous year.

Cash flows from operating activities after investments of Euro 9.9 million were therefore absorbed in the period, compared to a generation of Euro 6.2 million in H1 2021.

Financing activity cash flows in the period included interest of Euro 1.4 million and dividends of Euro 7.3 million; the IFRS 16 impact was Euro 0.6 million.

The net financial position at June 30, 2022 was Euro 122.6 million, increasing Euro 15.9 million on December 31, 2021 (Euro 106.7 million).

Investments

In H1 2022, the Group made ordinary investments for Euro 8.7 million, of which Euro 8.0 million (91.6% of the total) in the Heating Division, Euro 0.5 million (5.9% of the total) in the Smart Metering Division and Euro 0.2 million in the Water Metering division. In H1 2021, these amounts were Euro 8.0 million, Euro 0.3 million and Euro 0.2 million, respectively.

The main operational investments in H1 2022 concerned the restructuring of the Headquarters and the building of the new R&D laboratories at the Padua offices (Euro 3.2 million).

The remaining Heating segment investments essentially related to plant maintenance (Euro 1.4 million), the renewal of die-casting moulds (Euro 1.5 million) and new product development (Euro 0.6 million).

Smart Gas Metering division investments essentially concerned the development of new products (Euro 0.3 million, approx. 51% of the total). The remainder relates to industrial and laboratory equipment, the development of hardware and software and production streamlining.

Water Metering division investments mainly concerned the purchase of new equipment and extraordinary maintenance on existing equipment (approx. 90% of the total).

SUSTAINABILITY

The Group has made a commitment to sustainability with a view to guaranteeing continuous improvements in the management of economic, environmental and social aspects, aware of its impact on the local area and community.

Each Group company pursues the goal of creating value for all stakeholders, combining economic performance with quality products and attention to social and environmental sustainability.

Governance and risk management

Following its admission to the “Mercato Telematico Azionario” (MTA) of the Italian Stock Exchange in November 2018, SIT gradually consolidated its corporate governance system, bringing it into compliance with the law and market best practices in terms of roles, responsibilities, committees, procedures and policies.

Environmental responsibility

By adopting its Environmental Management System (EMS), the Group has implemented specific monitoring and control procedures, assigns clear roles and responsibilities, and guarantees active communications with stakeholders and the competent authorities, including in potential environmental emergency situations. Environmental responsibility also translates into activities on production processes to reduce energy consumption and greenhouse gas emissions, management of production waste, recovery and disposal, as well as informed use of water resources.

Social Responsibility

At SIT it is seen as the continuous improvement and personal and professional growth of its employees. This is achieved through training and professional refresher activity and the honing of digital, communication and lean manufacturing skills; respect for the diversity and rights of its employees; a focus on workplace safety; and an emphasis on the wellbeing and work-life balance of its employees through company welfare and remote working programmes.

For further information on sustainability within the SIT Group, see the 2021 Non-Financial Statement, published in the sustainability section of the website www.sitgroup.it.

RISK MANAGEMENT POLICY

The Enterprise Risk Management (ERM) process is an integral part of SIT's Internal Control and Risk Management System (ICRMS) and is carried out on a half-yearly basis, according to a consolidated model (Enterprise Risk Model) that provides for a Group-wide risk assessment, over a time period consistent with the Company's multi-year strategic plan, with the involvement of the main departments/corporate functions. Risks are assessed according to impact/probability parameters established according to a matrix (Risk Scoring Scale) that allows them to be divided into majors and minors. This approach ensures:

- (i) greater timeliness and incisiveness in identifying risks;
- (ii) more frequent follow-up activities linked to the remediation plans agreed with top management;
- (iii) greater responsiveness to risk mitigation needs in accordance with the strategic objectives set out in the Strategic Plan.

The current model includes the following macro-categories of risks:

-
- External risks
 - Strategic risks
 - Operating Risks
 - Legal and compliance risks
 - Financial risks.

Beginning in 2022, potential risks related to the achievement of goals related to the Company's Sustainability Plan ("Made To Matter"), more generally aspects related to Environment Social and Governance (ESG) issues such as climate change, were also included in the listed categories.

In accordance with the model described above, appropriate activities were conducted during the first half of 2022:

- *risk assessment* - aimed at identifying and assessing new and emerging risks, as well as establishing appropriate "mitigation plans" where deemed necessary;
- *follow up* - aimed at updating the assessment of impact / probability of the risks identified in the previous sessions, including on the basis of the progress of related "mitigation plans."

The results of ERM activities indicated 29 total risks (31 at December 2021), of which: 23 already included in the previous survey (therefore subject to *follow-up in relation to related remediation plans*) and 6 new risks. There are 22 mapped risks characterised by a high impact/probability score (so-called *major*) equal to 76%, 7 are *minor* risks (24%). The risks are 53% operational and 35% strategic; the remainder belong to other categories. Of the 6 newly identified risks: 3 are classified as majors and 3 as minors. One of the newly identified risks is an external (exogenous) risk.

The results of ERM activities were first presented to the Risk Control and Sustainability Committee and the Board of Statutory Auditors, and then to the Board of Directors, so that the Board of Directors may use them as a key tool in establishing risk management guidelines and coordination, as required by the ICRMS.

Finally, it is reported that the Crisis Committee formed to manage COVID-19 remains in place and meets regularly to consider measures to protect against and contain the pandemic both in Italy and abroad. Mandatory regulatory provisions and recommendations as they are issued by government authorities and trade and regional associations are thus monitored and implemented. There were no significant operational difficulties or damage resulting from infections during the period under review, and no issues are raised in this regard.

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.

In 2020, SIT acquired a company, already supplying plastic components, located in Tunisia and therein established SIT Controls Tunisia in order to develop a captive production hub for electronic boards and mechanical components, both for the Heating division and the Metering division.

The country risk arising from locating in Tunisia was evident in the first half of 2021 in terms of the local political and institutional crises, exacerbated by the serious economic and healthcare situation caused by COVID. No negative impacts have to date emerged from this situation and the Group continues to closely monitor the developing political situation, supported also by a network of contacts and relations with the business community and institutions.

During the first half of 2022, there is a further acceleration in the process of evolution of the industrial footprint of the Tunisian plant, with particular reference to the start-up of the production lines of electronic boards, also linked to the need to mitigate the risk related to shortages of electronic components, aggravated by the Russia-Ukraine conflict (for the discussion of which see the relevant section of this document).

It is recalled however that the decision to locate production in Tunisia was based on a double sourcing policy to ensure the rapid start-up at other Group sites of Tunisian production that may be interrupted by the contingent situation in the country.

Climate-related risks

SIT is a key manufacturer of control, safety, performance and consumption measurement tools for gas appliances. The components and systems produced by SIT are key to monitoring the energy efficiency and CO₂ emissions of devices produced by its customers. SIT products form an integral part of cutting-edge infrastructures (smart grids) in the metering sector.

As such, SIT plays an active part in public debate. The Group also collaborates with technical and commercial partners to define and assess the impact of climate change in the short and medium to long term.

According to the methodology used by the Task Force on Climate-Related Financial Disclosures (TCFD) for the Financial Stability Board, the main transition risks to which SIT is exposed are as follows:

- legal policies and risks associated with new mandatory product standards;
- technological risks due to the emergence of alternative technologies to gas;
- market risks due to a shift in market demand towards applications with reduced CO₂ emissions.

SIT natively incorporates the assessment and mitigation of these medium-term risks into the governance of its corporate strategy and its risk management process. Primary actions in this regard involve product innovation and an ever closer collaboration with leading customers to co-develop their new platforms. Particularly of note in the heating division are those products that are already compatible with biogas. As regards hydrogen, we highlight the applied research initiatives for a hydrogen boiler with major customers and a full hydrogen smart meter with the UK Department of Energy.

SIT does not currently see the other risk categories defined by the TCFD (physical, acute or chronic risks) as material at this time.

Strategic risks

Innovation

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

While, on the one hand, the SIT Group is exposed to risks related to technological evolution, on the other its capacity to correctly interpret market demands may translate into opportunities for it to offer innovative, technologically advanced products which are competitively priced. From this perspective, in order to maintain a competitive advantage, SIT invests heavily in research and development, both with regard to existing technologies and new applications. This is confirmed not only by the consolidated partnership with leading universities and research centres, but also the major project involving the construction of new research laboratories launched in 2019 and continuing in H1 2022.

Operating Risks

Supply Chain

Supply chain risks lie in difficulty in procuring components, above all of electronic nature, due to demand exceeding supply. In response to this risk, the Company has assessed, in each case, whether to seek technical validation of alternative components, in addition to physical coverage of components through purchases in advance of production needs.

SIT has gradually increased since 2021 its contractual coverage of suppliers in pursuit of more transparent, clearer relations. This policy also includes the request that suppliers and third-party intermediaries sign the SIT Code of Ethics. Finally, the policy of identifying alternative suppliers in order to reduce supply concentration was stepped up.

From the second half of 2020 and the entire 2021, also following the full recovery of production activities, after the stoppage during the lockdown period, there was a significant increase in the market demand for many raw materials and components used by the Group. This situation was exacerbated by the outbreak of the Russia-Ukraine conflict from February 2022. Increasing demand with consequent procurement difficulties and the general increase in prices concerned in particular copper, aluminium, steel, plastics and certain electronic components. The availability of inbound transportation, particularly from China and the Far East, has also been reduced by the sharp increase in demand. The Group therefore implemented procurement policies designed to meet requirements at the best conditions possible, both with a view to production continuity and to reducing purchase cost volatility. Longer-term risk management also considers the approval, where possible, of alternative (particularly electronic) components. The ramping up the electronics lines, conducted on Tunisia, as previously described, is also one of the planned mitigation actions to contain risks related to component shortages.

In view of the above and the currently visible future outlook, it may not be ruled out that market demand levels may lead to further shortages of materials and an increase in their purchase price, which could impact the Group's business and its operating and financial results and prospects.

Business Interruption

"Business interruption" refers to the risk that production facilities may be unavailable or their operations may be interrupted. At SIT this risk is mitigated through a business continuity procedure that seeks to reduce the probability of occurrence of risk factors and implement protections designed to limit their impact. Business interruption mitigation measures were taken through a diversification of suppliers, the creation of consignment stocks and the use, where possible, of suppliers located in physical proximity to production plants.

As regards the impacts that COVID-19 restrictions have had on production facilities, the mitigation measures adopted by the Group have proved efficient at every stage of the supply chain. With regards to the possible impacts on business continuity from the contingent situation of the procurement markets, reference should be made to the previous paragraph.

Information Technology

In response to the risk of interruption of IT services due to catastrophic events or hacking attacks, SIT has transferred its servers to an external data centre operated by a specialised provider to offset the risk of data loss and/or theft, while also ensuring quick, and certain timeframes for recovery and restoration where incidents occur. Periodic training activities are carried out involving all personnel with digital identities on cybersecurity issues, through special e-learning tools that involve issuing a certificate to the employee. The Company is also strengthening the IT policy framework with the introduction of an "Incident Response Policy" and special regulations for the use of IT resources. In addition, vulnerability assessments and penetration tests are carried out and the firewall and anti-virus solutions are updated regularly so that they are capable of fending off cyber-attacks. These measures are also intended to discharge the obligations to ensure the security and availability of data in accordance with the European Regulation (General Data Protection Regulation) on the processing of personal data.

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 mitigating 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). There was a close focus on compliance with the RoSH-

"Restriction of Hazardous Substances Directive" (restrictions on the use of certain hazardous substances in the construction of electrical and electronic equipment), the REACH legislation (regulates the use and import of chemicals in the European Union), in addition to Dual Use products (including software and technology, that can have both civilian and military use) and, finally, compliance with the Conflict Minerals legislation (promotes responsible sourcing practices for minerals from high-risk areas or affected by armed conflict). A dedicated IT platform is therefore being set up to monitor suppliers' compliance with these regulations.

Environment, health and safety

ENVIRONMENT

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 plants with potential impacts on health and the environment, all in accordance with applicable legislation. Again in the first half of 2022, activities were undertaken to obtain and renew quality and environmental certifications that are due to expire or that have been included in the Group's quality plan. In addition, importance is placed on the provisions in place at the Group's sites to ensure immediate action is taken in case of an environmental emergency. Said provisions guarantee a prompt response in the case of an accidents so as avoid or minimise any environmental impact.

Finally, SIT has adopted operating procedures and instructions to guarantee the correct processing of hazardous waste (used oil, solvents, aqueous rinsing liquids).

HEALTH

The industrial operations of SIT do not fall within the classification of dangerous industries and therefore there are no significant workplace safety problems. Safety activities are regularly managed in accordance with applicable national legislation, in view of the application in Italy of Legislative Decree 81/08, the Consolidated Law on Safety.

SAFETY

In support of safety management, every six months SIT prepares a Safety Plan and Safety Audit, internal safety planning and operational management and control tools for each Italian production facility.

In recent years, thanks to the continual application of increasingly modern and efficient technical safety rules, the number of accidents has been reduced. This will likely permit, again in 2022, an application for a reduction of the INAIL premium, granted every year since 2011.

Legal and compliance risks

SIT is exposed to the risk of delayed compliance with sector and market laws and regulations. Particularly important, in reference to this risk, are the rules applicable to the Parent Company due to its listing on the main market of the Italian Stock Exchange, in addition to legislation on intellectual and industrial property rights and competition, worker health and safety, the environment, personal data processing pursuant to European Regulation 2016/679 (GDPR), the administrative liability of entities (Legislative Decree 231/01), the protection of savings and financial markets (Law 262/05).

In order to mitigate this risk, each company function continuously oversees the development of the regulatory framework, consulting outside advisors where necessary.

The Parent Company, as listed on the Italian Stock Exchange's "Mercato Telematico Azionario", has consolidated its corporate governance system, bringing it into compliance with the law and market best practices in terms of roles, responsibilities, committees, procedures and policies.

In relation to any disputes, the Company's Legal Department periodically monitors the development of potential and ongoing disputes and establishes the strategy and the most appropriate management actions to be taken, with the support, where appropriate, of leading law firms qualified in the various jurisdictions in which the various Group companies are based, involving in this regard the relevant company departments and managers of the overseas companies. In relation to these risks and the related economic effects, appropriate assessments are carried out together with the Finance Department.

It should be noted that, in connection with its Governance objectives, linked to the Sustainability Plan ("Made To Matter"), the Company is in the process of strengthening its framework for compliance with laws, regulations and "best practices," through an action that includes the drafting, publication and dissemination of a new Group Ethics Code and new procedures and policies in various areas (human rights, environment, stakeholder engagement, etc...).

Financial Risks

The Group is exposed to the following types of financial risks:

- Market risk: (i) currency risk deriving from operations in currencies other than the functional currency of the companies and of the Group; (ii) risk deriving from fluctuations in market interest rates; (iii) price risk deriving from changes in market prices of certain raw materials used 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

The SIT Group has implemented company foreign exchange risk, interest rate risk and liquidity risk management policies approved by the Board of Directors.

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 line with the policies set out, 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 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 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.

In order to reduce foreign exchange risk, it is a matter of general policy, where possible, to set off opposing exposures with related risk profiles against one another (a practice known as “natural hedging”).

In the Group's operations, exposure to foreign exchange risk normally 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 and also manages the foreign exchange risk on the net exposure through the use of derivative financial instruments. Speculative activity is not permitted.

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

In H1 2022, the nature and the structure of the exposure and the Group monitoring and control policies did not change substantially compared to the previous year.

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

Total revenues by currency:

(euro.000)	2022 H1	% Revenue	2021 H1	% Revenue
EUR	136,009	69.8%	143,748	75.6%
USD	41,157	21.1%	30,853	16.2%
CNY	10,759	5.5%	9,087	4.8%
AUD	3,767	1.9%	3,262	1.7%
MXN	2,250	1.2%	2,652	1.4%
GBP	758	0.4%	623	0.3%
Other	21	0.0%	27	0.0%
Total	194,722	100%	190,252	100%

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

(Euro.000)	H1 2022	% Purchases	H1 2021	% Purchases
EUR	80,341	63.3%	73,794	69.2%
USD	37,573	29.6%	25,730	24.1%
CHF	3,820	3.0%	3,279	3.1%
CNY	2,921	2.3%	1,839	1.7%
RON	1,369	1.1%	1,169	1.1%
MXN	660	0.5%	541	0.5%
TND	155	0.1%	-	0.0%
Other	16	0.0%	257	0.2%
Total	126,854	100%	106,609	100%

During H1 2022, in line with its policies, the Company undertook financial hedging operations principally against net exposures in AUD, GBP, CHF and CNY.

The currency hedging transactions at June 30, 2022 and their fair values are presented 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)	Jun 30, 2022
Currency	
Euro	32,646
US Dollar	5,024
Chinese Yuan	2,707
Romanian Leu	760
Mexican Peso	575
Australian Dollar	557
Swiss Franc	542
Other currencies	244
Total	43,055

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 1,041 thousand, without considering in this sensitivity analysis the effect of the hedging.

Interest rate risk

The 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 to interest rate risk and manages these risks also through the use of derivative financial instruments, in compliance with the company policies. Such policies identify the financial instruments that may be used and do not permit speculative activity of any sort.

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

At June 30, 2022, the Group has outstanding medium- to long-term loans with a total nominal principal amount of Euro 147.5 million. These loans are currently hedged through interest rate swaps or through fixed-rate interest in the amount of Euro 131 million or 88.8% of the underlying value. The average fixed coverage rate is 0.89%.

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

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 price of purchasing components and semi-finished goods that contain significant amounts of the materials concerned.

In order to mitigate these risks, SIT 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.

The inflationary environment affecting the industrial supply market for raw materials and components was again a feature of the first half of 2022. The commodity categories that have been affected by these price dynamics are copper, aluminium, steel, plastics and certain electronic components. The magnitude of market price fluctuations has led the Company to take further action to mitigate this risk. This action included the search for alternative suppliers, technical approval for alternative components and the monitoring of supply markets, including by the foreign subsidiaries located in China and Mexico. In order to reduce purchase cost volatility, the Group therefore implemented procurement policies designed to

meet requirements at the best conditions possible and guarantee regular supply. It should also be noted that contracts with certain suppliers contain price adjustment clauses every six months and therefore the aforementioned market trend will have effects on purchase costs for the following year. Coinciding with the Russia-Ukraine crisis was the increase in energy costs, which particularly impacted the cost of transportation.

During H1 2021 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. No transactions to hedge against this risk were undertaken during the period.

In view of that indicated above and the foreseeable outlook, there remains a possibility that the market prices for purchasing raw materials and in particular energy could in future have an adverse effect on the Group's operations, financial and economic results, and outlook.

Credit risk

The credit risk deriving from normal Group 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.

In the first half of 2022, there were no significant credit risk positions. During the period, management closely monitored the impacts arising from the Russia-Ukraine crisis. At the date of these financial statements, exposure to customers in the two countries totalled Euro 797 thousand, of which Euro 116 thousand were past due and currently being repaid.

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.

The Group adopted the following policies designed to optimise the management of financial resources by reducing 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 strictly monitored and managed centrally by the Parent Company, which carried out the Group Treasury Management and Financial Coordination to ensure an effective and efficient management of financial resources, also in light of the uncertainties from the Russia-Ukraine crisis.

In March 2022, SIT agreed a loan with Cassa Depositi e Prestiti S.p.A. in order to support new environmental, energy efficiency, sustainable development promotion and green economy investment and to launch initiatives to grow the Group in Italy and overseas.

The amortizing and unsecured loan amounts to Euro 15 million and has a duration of 5 years. It marks a further step in the Company's capital source diversification policy and the beginning of a new strategic relationship with a leading institutional investor.

On May 31, 2022, SIT completed a bilateral funding transaction with Unicredit for Euro 10 million and with 3 years amortising maturity. The transaction was supported by an EIB - European Investment Bank guarantee, with the purpose of supporting the company's growth and working capital investment.

Through these transactions finalised during the first half of 2022 and recent new funding transactions concluded during 2021 SIT diversified its sources of financing, increasing its financial flexibility and significantly lengthening the average term of its debt.

The funding transactions stipulate 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 these contracts 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. The bond loan signed in 2021 in addition requires compliance with an established debt/own funds ratio.

At June 30, 2022, 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 parent company Technologies S.a.p.a. di F.d.S. S.S.

In this regard, it should be noted that at the corporate level, as part of a reorganisation of the chain of control, SIT Technologies S.p.A. has established as a limited partner, a limited partnership named "Technologies S.a.p.a. di F.d.S. S.S." (SAPA). On October 29, 2021, SAPA's Shareholders' Meeting approved a paid-in capital increase in the amount of Euro 50 thousand, offered as an option exclusively to the shareholder SIT Technologies S.p.A., which was paid for by the transfer of 13,279,465 shares, or 53.102% of the SIT S.p.A. share capital, with accounting effects from January 1, 2022.

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.

At its meeting of June 11, 2021, the Board of Directors of SIT approved the update to the related party transactions policy, pursuant to Article 4 of the Consob Regulation containing provisions on related party transactions, adopted by Consob with Resolution No. 17221 of March 12, 2010 as most recently amended with Consob Resolutions No. 21623 and 21624 of December 10, 2020, and published on the website www.sitcorporate.it in the *Corporate Governance/Governance Documents* section.

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.

At June 30, 2022, the SIT Warrants, issued at the same time as the merger transaction of 2017, held by SIT Technologies S.p.A, totalled 3,113,314. As per the relevant Regulations, these Warrants matured on July 19, 2022.

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 2019-2021. 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. In 2020 the subsidiary SIT Metering S.r.l. joined the National Tax Consolidation procedure for the three-year period 2020-2022, while in 2021 the parent company Technologies SAPA di F.D.S. S.S. also joined for the three-year period 2021-2023, both as consolidated companies.

Finally we report that in tax year 2020, SIT Technologies S.p.A., as parent company, and SIT S.p.A., SIT Immobiliare S.p.A. and Metersit S.r.l., as subsidiaries, adhered to the Group VAT settlement procedure governed by Article 73, final paragraph, of Presidential Decree 633/1972, as approved by their respective governing bodies in 2019. From next year the subsidiary SIT Metering S.r.l. will also join the Group VAT procedure as a subsidiary.

TREASURY SHARES

At June 30, 2022, the company held 780,409 treasury shares without nominal value, equal to 3.1% of the share capital, of which 56,962 acquired during the year.

SUBSEQUENT EVENTS AND OUTLOOK

From July 10, 2022, additional sanctions towards Russia under EU Regulation 833/2014 (as subsequently amended and updated) came into effect and concerning certain product families of the Heating division. The Group considers that the application of these penalties will not have a significant impact on expected revenues and financial results.

These forecasts were reflected in the long-term business plan approved by the Board of Directors on July 8, 2022.

The 2022 full-year forecasts, taking into account currently foreseeable developments within an uncertain geopolitical and general economic environment, indicate consolidated sales growth of between 3 and 5%. However, in light of the ongoing supply market instability, in addition to logistics and energy cost movements, margins may decline slightly on the previous year.

Padua, August 4, 2022

The Chairperson of the Board of Directors

(Mr. Federico de' Stefani)

CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2022

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

(Euro.000)	Note	30/06/2022	31/12/2021
Goodwill	1	87,946	87,946
Other intangible assets	1	57,917	61,611
Property, plant and equipment	2	99,322	98,039
Equity investments	3	325	325
Non-current financial assets	4	3,953	2,139
Deferred tax assets	5	8,196	7,897
Non-current assets		257,659	257,957
Inventories	6	97,956	70,123
Trade receivables	7	63,765	56,052
Other current assets	8	16,222	15,745
Tax receivables	9	2,440	2,965
Other current financial assets	4	3,692	527
Cash and cash equivalents	10	43,103	46,667
Current assets		227,178	192,079
Total assets		484,837	450,036
Share capital	11	96,162	96,162
Total Reserves	12	55,095	49,271
Net profit		14,224	8,243
Minority interest net equity		-	-
Shareholders' Equity		165,481	153,676
Medium/long-term loans and borrowings	13	88,255	74,540
Other non-current financial liabilities and derivative financial instruments	14	53,727	54,625
Provisions for risks and charges	15	5,459	4,941
Post-employment benefit provision	16	6,008	5,762
Other non-current liabilities		23	61
Deferred tax liabilities	17	15,181	15,743
Non-current liabilities		168,653	155,672
Short-term loans and borrowings	18	21,217	19,770
Other current financial liabilities and derivative financial instruments	19	6,213	4,988
Trade payables	20	98,907	80,752
Other current liabilities	21	21,087	23,163
Financial instruments for Warrants	22	691	8,748
Tax payables	23	2,588	3,267
Current liabilities		150,703	140,688
Total Liabilities		319,356	296,360
Total Shareholders' Equity and Liabilities		484,837	450,036

CONSOLIDATED INCOME STATEMENT

(Euro.000)	Note	H1 2022	H1 2021
Revenues from sales and services	24	194,722	190,252
Raw materials, ancillaries, consumables and goods	25	126,854	106,609
Change in inventories	25	(26,666)	(10,660)
Service costs	26	27,317	23,675
Personnel expense	27	42,543	41,008
Depreciation, amortisation and write-downs	28	13,334	12,662
Provisions	29	351	291
Other charges (income)	30	482	441
EBIT		10,507	16,226
Investment income/(charges)		-	-
Financial income	31	8,239	128
Financial charges	32	(1,960)	(5,046)
Net exchange gains (losses)	33	20	75
Impairments on financial assets		-	-
Profit before taxes		16,806	11,383
Income taxes	34	(2,582)	(1,861)
Net profit for the period		14,224	9,522
Minority interest result		-	-
Group net profit		14,224	9,522

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(Euro.000)	H1 2022	H1 2021
Net profit	14,224	9,522
<i>Other comprehensive income statement items which may be subsequently reclassified to the income statement for the year, net of taxes:</i>		
Net change in cash flow hedge reserve	2,953	946
Income taxes	(709)	(227)
Total unrealised financial asset gains/(losses)	2,244	718
Translation of financial statements in currencies other than the Euro	2,765	869
Total of other comprehensive income statement items which may be subsequently reclassified to the profit/(loss) for the year, net of taxes	5,009	1,587
<i>Other comprehensive income statement items which may not be subsequently reclassified to the profit/(loss) for the year, net of taxes:</i>		
Unrealised actuarial gains	-	-
Income taxes	-	-
Total unrealised actuarial gains/(losses)	-	-
Total of other comprehensive income statement items which may not be subsequently reclassified to the profit/(loss) for the period, net of taxes	-	-
Total other comprehensive income/(expense) for the period, net of taxes	5,009	1,587
Total comprehensive income/(expense) for the period	19,233	11,109
Total comprehensive income/(expense) for the period attributable to:		
Parent company shareholders	19,233	11,109
Minority shareholders	-	-
 Basic earnings per share	 0.5844	 0.3867
Diluted earnings per share	0.2533	0.3867

CONSOLIDATED CASH FLOW STATEMENT

(Euro.000)	Note	H1 2022	H1 2021
Net Profit		14,224	9,522
Amortisation & depreciation	1 - 2	13,324	12,667
Non-cash adjustments		602	269
Income taxes	34	2,583	1,860
Net financial charges/(income)	31 - 32	(6,281)	4,918
CASH FLOW FROM CURRENT ACTIVITIES (A)		24,452	29,236
Changes in assets and liabilities:			
Inventories		(26,344)	(10,688)
Trade receivables		(6,527)	(7,861)
Trade payables		16,540	4,774
Other assets and liabilities		(3,469)	972
Income taxes paid		(2,868)	(2,217)
CASH FLOW GENERATED (ABSORBED) FROM CHANGES IN WORKING CAPITAL (B)		(22,669)	(15,020)
CASH FLOW FROM OPERATING ACTIVITIES (A + B)		1,783	14,216
Investing activities:			
Investments in property, plant & equipment		(9,374)	(8,263)
Other changes in property, plant & equipment		201	55
Investments in intangible assets		(246)	(438)
Other changes in intangible assets		-	6
Other changes in financial assets		-	(27)
Other cash flows from current financial assets		(2,300)	626
CASH FLOW FROM INVESTING ACTIVITIES (C)		(11,719)	(8,041)
CASH FLOW FROM OPERATING & INVESTING ACTIVITIES (A + B + C)		(9,936)	6,175
Financing activities:			
Interest paid		(1,432)	(1,716)
Repayment of non-current financial payables	19	(9,998)	(21,428)
Increase (decrease) current financial payables		1,180	(303)
Increase (decrease) other financial payables	19 - 35	(1,373)	(1,223)
New financing	19	25,000	39,320
Dividend payments	12	(7,294)	(6,890)
Treasury shares	12	(470)	(582)
CASH FLOW FROM FINANCING ACTIVITIES (D)		5,614	7,178
Change in translation reserve	12	758	437
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)		(3,564)	13,790
Cash & cash equivalents at beginning of the period		46,667	42,328
Increase (decrease) in cash and cash equivalents		(3,564)	13,790
Cash & cash equivalents at end of the period		43,103	56,118

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

	Share capital	Share premium reserve	Treasury shares reserve	Legal reserve	Other reserves							Retained earnings (losses)		Net profit/(loss)	Group shareholders' equity	Minority interest capital and reserves	Total Group and Minority Interest Shareholders' Equity
					Currency conversion difference	Allocation and employee L.T.I. reserve	Cash flow hedge reserve	Capital payments	Actuarial reserve	Extraordinary reserve	Warrant reserve	Retained earnings unavail. art. 2359-bis c.c.	Retained earnings (accum. losses)				
December 31, 2021	96,162	10,360	(6,134)	19,230	(7,256)	174	(44)	16,615	(656)	1,491	230	-	15,261	8,243	153,676	-	153,676
Impact from initial application of accounting standards	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
January 1, 2022	96,162	10,360	(6,134)	19,230	(7,256)	174	(44)	16,615	(656)	1,491	230	-	15,261	8,243	153,676	-	153,676
Allocation of the 2021 result	-	-	-	-	-	-	-	-	-	-	-	-	8,243	(8,243)	-	-	-
Comprehensive income H1 2022	-	-	-	-	2,765	-	2,244	-	-	-	-	-	-	14,224	19,233	-	19,233
Assignment L.T.I. to employees	-	-	-	-	-	340	-	-	-	-	-	-	-	-	340	-	340
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	(7,299)	-	(7,299)	-	(7,299)
Other movements	-	-	-	-	-	-	-	-	-	-	-	-	1	-	1	-	1
Acquisition of treasury shares	-	-	(470)	-	-	-	-	-	-	-	-	-	-	-	(470)	-	(470)
June 30, 2022	96,162	10,360	(6,603)	19,230	(4,491)	514	2,200	16,615	(656)	1,491	230	-	16,206	14,224	165,482	-	165,482

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.

The consolidated half-year financial report of the SIT Group for the period between January 1, 2022 and June 30, 2022 was approved by the Board of Directors, who also approved its publication with motion of August 4, 2022.

ACCOUNTING PRINCIPLES

The condensed consolidated half-year financial statements of the SIT Group at June 30, 2022 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, 2021.

The accounting standards applied for the preparation of the consolidated financial statements at June 30, 2022 are the same as those adopted for the consolidated financial statements at December 31, 2021.

IFRS accounting standards, amendments and interpretations applicable from January 1, 2022

The following IFRS accounting standards, amendments and interpretations were applied for the first time by the Group from January 1, 2022:

- **Amendments to IFRS 3 Business Combinations:** the purpose of the amendments is to update the reference in IFRS 3 to the revised version of the Conceptual Framework, without changing the provisions of the standard.

- **Amendments to IAS 16 Property, Plant and Equipment:** the purpose of the amendments is not to allow the amount received from the sale of goods produced during the testing phase of the asset to be deducted from the cost of the asset. These sales revenues and related costs will therefore be recognised to the statement of profit or loss.
- **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets:** the amendment clarifies that in estimating the possible onerousness of a contract, all costs directly attributable to the contract must be considered. Accordingly, the assessment of whether a contract is onerous includes not only incremental costs (such as the cost of direct material used in processing), but also all costs that the enterprise cannot avoid because it has entered into the contract (such as, for example, the share of depreciation of machinery used to perform the contract).
- **Annual Improvements 2018-2020:** the amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples of IFRS 16 Leases.

The adoptions of these amendments do not have any effects on the Group consolidated financial statements.

IFRS and IFRIC accounting standards, amendments and interpretations endorsed by the EU, not yet mandatory and not adopted in advance by the Group at June 30, 2022

IFRS 17 – Insurance Contracts

On May 18, 2017, the IASB published IFRS 17 - Insurance Contracts which replaces IFRS 4 - Insurance Contracts.

The new standard ensures that an entity provides pertinent information which accurately presents the rights and obligations under insurance contracts. The IASB developed the standard in order to eliminate inconsistencies and weaknesses in the existing accounting policies, providing a single principle-based framework to take account of all types of insurance contracts, including reinsurance contracts held by an insurer.

The new standard sets out in addition presentation and disclosure requirements to improve comparability between entities belonging to the same sector. It measures insurance contracts on the basis of a General Model or a simplified version of such, called the Premium Allocation Approach ("PAA").

The main features of the General Model are:

- the estimates and assumptions of future cash flows always refer to the current portion;
- the measurement reflects the time value of money;
- the estimates include an extensive use of observable market information;
- a current and clear risk measurement exists;
- the expected profit is deferred and aggregated into groups of insurance contracts on initial recognition; and,
- the expected profit is recognised in the period of contractual coverage, taking account of adjustments from changes in the assumptions on cash flows for each group of contracts.

The PPA approach involves the measuring of the liability for the residual coverage of a group of insurance contracts on the condition that, on initial recognition, the entity expects that this liability reasonably reflects an approximation of the General Model. Contracts with a coverage period of one year or less are automatically considered appropriate for the PAA approach. The simplifications from application of the PPA method do not apply to the valuation of liabilities for existing claims, which are measured with the General Model. However, it is not necessary to discount these cash flows where it is expected that the balance will be paid or received within one year from the date on which the claim occurred.

The entity should apply the new standard to insurance contracts issued, including reinsurance contracts issued, reinsurance contracts held and also investment contracts with a discretionary participation feature (DPF).

The standard is effective from January 1, 2023, although advance application is permitted, only for entities applying IFRS 9 – Financial Instruments and IFRS 15 - Revenue from Contracts with Customers. The Directors do not expect this standard to have a significant impact on the Group consolidated financial statements.

Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS Practice Statement 2” and “Definition of Accounting Estimates—Amendments to IAS 8

The changes are intended to improve disclosure on accounting policies to provide more useful information to investors and other primary users of financial statements and to help companies distinguish between changes in accounting estimates and changes in accounting policies. The amendments will be applicable from January 1, 2023, although advance application is permitted. The Directors do not expect these amendments to have a significant impact on the Group consolidated financial statements.

IFRS Standards, Amendments and Interpretations not yet approved 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.

Amendments to IAS 1 “Presentation of Financial Statements: Classification of Liabilities as Current or Non-current

The purpose of the document is to clarify how to classify payables and other short or long-term liabilities. These amendments shall enter into force on January 1, 2023 and early application is permitted. The Directors are currently assessing the possible effects of introduction of this amendment on the Group’s consolidated financial statements.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The document clarifies how deferred taxes should be accounted for on certain transactions that can generate assets and liabilities of equal amounts, such as leases and decommissioning obligations. The amendments will be applicable from January 1, 2023, although advance application is permitted. The Directors are currently assessing the possible effects of introduction of this amendment on the Group’s consolidated financial statements.

Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information

The amendment is a transition option related to comparative information on financial assets presented at the date of initial application of IFRS 17. The amendment is intended to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and thus improve the usefulness of comparative information for financial statement readers. The amendments will apply from January 1, 2023, together with the application of IFRS 17. The Directors do not expect this amendment to have a significant impact on the Group consolidated financial statements.

IFRS 14 – Regulatory Deferral Accounts

On January 30, 2014, the IASB published IFRS 14 Regulatory Deferral Accounts which permits only those adopting IFRS for the first time to continue to recognise amounts concerning Rate Regulation Activities according to the previous accounting standards adopted. As the Company/Group is a first-time adopter, this standard is not applicable.

DISCRETIONAL VALUATIONS AND SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of these condensed consolidated half-year financial statements required the Directors to make estimates and assumptions which, in certain circumstances, are based on historic data and may affect the values expressed in the financial statements. Assumptions deriving from estimates are revised periodically and the relative effects are reflected in the income statement in the period in which they occur.

The use of estimates is required to a greater degree for impairment tests on goodwill, the analysis of deferred tax assets, the provisions for risks and charges and the doubtful debt provisions.

In this regard, the estimates made at June 30, 2022 reflect the considerations made by the Directors on possible developments linked to the current national and international environment dominated by the COVID-19 outbreak and the resulting restrictive containment measures implemented by the public authorities of the countries affected, in addition to the Russia-Ukraine conflict.

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
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
JANZ – Contagem e Gestão de Fluidos, SA	Portugal	Lisbon	EUR	1,000,000	100
Plast Alfin S.a.r.l.	Tunisia	Tunis	TND	20,000	100
SIT Controls Tunisia S.u.a.r.l.	Tunisia	Tunis	TND	200,000	100
Sit Metering S.r.l.	Italy	Padua	EUR	1,500,000	100
Metersit UK L.t.d.	United Kingdom	Manchester	GBP	150,000	100

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	Jun 30, 2022	Average H1 2022	Dec 31, 21	2021 average	Jun 30, 21	Average H1 2021
Mexican Peso	20.9641	22.1653	23.1438	23.9852	23.5784	24.3270
Argentinean Peso	129.8984	122.5091	116.3622	112.4215	113.6435	110.0405
Romanian Leu	4.9464	4.9457	4.9490	4.9215	4.9280	4.9016
US Dollar	1.0387	1.0934	1.1326	1.1827	1.1884	1.2053
Canadian Dollar	1.3425	1.3900	1.4393	1.4826	1.4722	1.5030
Czech Crown	24.7390	24.6485	24.8580	25.6405	25.4880	25.8541
Australian Dollar	1.5099	1.5204	1.5615	1.5749	1.5853	1.5626
Chinese Yuan	6.9624	7.0823	7.1947	7.6282	7.6742	7.7960
Tunisian Dinar	3.2186	3.2561	3.2603	3.2881	3.3054	3.2980
UK Sterling	0.8582	0.8424	0.8403	0.8596	0.8838	0.8927

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, 21	Increases	Disposals	Amortisation	Other movements	Translation differences	Balance at June 30, 22
Goodwill	87,946	-	-	-	-	-	87,946
Development costs	-	-	-	-	-	-	-
Patent rights	12,317	69	-	(1,543)	40	7	10,889
Concessions, licences and trademarks	19,699	8	-	(783)	-	310	19,234
Other intangible assets	29,333	21	-	(1,931)	89	(1)	27,512
Intangible assets in progress and advances	262	147	-	-	(129)	2	282
Total other intangible assets	61,611	246	-	(4,258)	-	318	57,918
Total goodwill and other intangible assets	149,557	246	-	(4,258)	-	318	145,864

GOODWILL

At June 30, 2022, goodwill, amounting to Euro 87,946 thousand, is unchanged on December 31, 2021.

The total includes:

- Euro 78,138 thousand 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 goodwill allocated to the Heating CGU totals Euro 60,931 thousand, while the amount allocated to the Metering CGU is Euro 17,207 thousand.
- Euro 9,442 thousand recognised following the acquisition of JANZ – Contagem e Gestão de Flúídos, SA on December 29, 2020.
- Euro 1,191 thousand recognised following the acquisition of the company Plast Alfin S.a.r.l. on July 17, 2020. The transaction will enable the Group to achieve cost savings by producing certain plastic components internally.

PATENTS AND INTELLECTUAL PROPERTY RIGHTS

The account also 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. At June 30, 2022, the residual value is Euro 5,789 thousand relating to the Heating sector and Euro 1,320 thousand relating to the Smart Gas Metering sector.

The amount also includes the effects of the provisional allocation of the higher price paid for the acquisition of Janz, then allocated to Know How, for an original value of Euro 3,352 thousand. At June 30, 2022, the residual value amounts to Euro 2,634 thousand, amortised over 7 years.

Finally, the account includes software licenses and new industrial trademark registration costs or those for the registration in new countries of existing industrial trademarks.

Changes in the financial year are mainly related to amortisation.

CONCESSIONS, LICENSES AND TRADEMARKS

The amount of Euro 19,234 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. At June 30, 2022, the residual value is Euro 11,948 thousand relating to the Heating sector and Euro 2,250 thousand relating to the Smart Gas Metering sector.

The amount also includes the effects of the provisional allocation of the higher price paid for the acquisition of JANZ – Contagem e Gestão de Fluídos, SA, then allocated to the Brand, for an original value of Euro 2,038 thousand. At June 30, 2022, the residual value amounts to Euro 1,732 thousand, amortised over 10 years.

Changes in the financial year are mainly related to amortisation.

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, 2022 amounted to Euro 25,933 thousand.

The item also includes the effects of the allocation of the higher price paid for the acquisition of Janz, then allocated to Customer Relationship, for an original value of Euro 7,206 thousand and to the Order Backlog for an original value of Euro 1,013 thousand. The expected useful life was set at 15 years and 4 years, respectively, with non-linear amortisation in proportion to the contract billing period. At June 30, 2022, the residual value is Euro 6,485 thousand and Euro 620 thousand respectively.

This account in addition includes 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.

With reference to the recoverability of the value of intangible assets recognised to the consolidated financial statements at June 30, 2022, also taking into account the assumptions and the results of the impairment test carried out on the amounts at December 31, 2021 and the business plan approved on July 8, 2022, the Directors assessed the existence or absence of trigger events that could indicate possible impairment, considering such to be absent.

Note 2: Property, plant and equipment

The movements in property, plant and equipment in H1 2022 are summarised below.

(Euro.000)	Historical cost at Dec. 31, 21	Accum. Deprec. at Dec. 31, 21	Balance at Dec. 31, 21	Of which "Right- of-use" IFRS 16	Historical cost at June 30, 22	Accum. Deprec. at June 30, 22	Balance at June 30, 22	Of which "Right- of-use" IFRS 16
Land and buildings	56,074	(25,278)	30,796	10,911	56,865	(26,678)	30,187	10,496
Plant and machinery	148,370	(115,262)	33,109	-	151,477	(119,631)	31,847	-
Industrial & commercial equipment	101,536	(91,281)	10,555	1,446	103,617	(94,044)	9,573	1,357
Other assets	13,646	(8,702)	4,945	3,335	13,961	(9,472)	4,490	2,979
Assets in progress and advances	18,932	-	18,932	-	23,226	-	23,226	-
Total property, plant & equipment	338,559	(240,523)	98,037	15,692	349,146	(249,824)	99,322	14,831

The following tables outline the changes in the historic cost and accumulated depreciation in H1 2022 by category.

HISTORICAL COST

(Euro.000)	Historical cost at Dec. 31, 21	Of which "Right-of-use" IFRS 16	Increases	Disposals	Other movements	Translation differences	Historical cost June 30, 22	Of which "Right-of-use" IFRS 16
Land & buildings	56,074	14,116	488	(260)	37	526	56,865	14,225
Plant and machinery	148,370	-	1,267	(649)	1,432	1,056	151,477	-
Industrial & commercial equipment	101,536	2,585	749	(412)	1,421	322	103,617	2,733
Other assets	13,646	5,990	298	(149)	29	136	13,961	6,128
Assets in progress and advances	18,932	-	7,215	-	(2,920)	(1)	23,226	-
Total property, plant & equipment	338,559	22,691	10,017	(1,470)	-	2,039	349,146	23,086

The increases in the year include the purchases of property, plant and equipment in the year.

Acquisitions 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. In particular, most of the increases related to property, property, plant and equipment in progress refer to the renovation of the Group Headquarters.

The increases also include commitments for IFRS 16 relating to contracts concluding in the first half of 2022 and renewed in the same period. For further information, reference should be made to Note 35.

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

Other movements include investments which at December 31, 2021 were in progress and which in H1 2022 became fixed assets to be depreciated.

ACCUMULATED DEPRECIATION

(Euro.000)	Provision at Dec. 31, 21	Of which "Right-of-use" IFRS 16	Deprec.	Disposals	Other moves.	Translation differences	Balance at June 30, 22	Of which "Right-of-use" IFRS 16
Acc. Depr. Land and buildings	(25,278)	(3,205)	(1,270)	270	-	(400)	(26,678)	(3,729)
Acc. Depr. Plant and machinery	(115,262)	-	(4,128)	636	-	(877)	(119,631)	-
Acc. Depr. Industrial & commercial equipment	(91,281)	(1,139)	(2,879)	412	-	(296)	(94,044)	(1,376)
Acc. Depr. Other assets	(8,702)	(2,655)	(793)	149	-	(126)	(9,472)	(3,149)
Assets in progress and advances	-	-	-	-	-	-	-	-
Total accumulated depreciation Property, plant and equipment	(240,523)	(6,999)	(9,070)	1,467	-	(1,698)	(249,824)	(8,255)

Property, plant and equipment were depreciated at June 30, 2022 at the following rates:

	Rate
Land and buildings	46.92%
Plant and machinery	78.98%
Industrial and commercial equipment	90.76%
Other assets	67.84%
Leasing	35.76%

Note 3: Equity investments

The following table indicates that there were no movements in the first half of 2022 in the Equity investments account.

(Euro.000)

Equity investments	Balance 31/12/2021	Increases in the period	Decreases in the period	Other changes	Balance 30/06/2022
Company					
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
Immobiliare Polesana (formerly IMER)	1	-	-	-	1
Conthidra S. L.	275	-	-	-	275
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 equity investments	325	-	-	-	325

Note 4: Current and non-current financial assets

The breakdown of financial assets at June 30, 2022 is as follows:

(Euro.000)

Current and non-current financial assets	Jun 30, 2022	Dec 31, 21
Guarantee deposits	317	318
Restricted deposit account - long term	1,500	1,500
Long-term derivative financial instruments	2,136	321
Non-current financial assets	3,953	2,139
Short-term deposits	2,300	-
Restricted deposit account - short term	500	500
Short-term derivative financial instruments	892	27
Other current financial assets	3,692	527

The main accounts are commented upon below.

RESTRICTED DEPOSIT ACCOUNT (SHORT AND MEDIUM TERM)

In 2020, the Parent Company Sit S.p.A. paid Euro 3,000 thousand on behalf of the subsidiary Sit Metering S.r.l. as a guarantee, as part of the acquisition of the company JANZ Contagem e Gestão de Fluídos SA. The amount of Euro 2,000 thousand, recognised under financial assets had been paid as a restricted deposit for the maximum duration of 5 years, while the remaining portion, amounting to Euro 1,000 thousand, was released during 2021, as stipulated in the contractual agreements.

LONG-TERM DERIVATIVE FINANCIAL INSTRUMENTS

Following the refinancing carried out in the second half of 2021, the Parent Company signed a new loan (*Senior Financial Agreement 2021, SFA 2021*) with a nominal value of Euro 90,000 thousand, on which derivative contracts were signed to hedge the interest rate risk, equal to 80% of the nominal value. At June 30, 2022, the mark to market of derivatives was positive on the non-current portion for Euro 2,133 thousand.

The item also includes Euro 3 thousand related to the mark-to-market on the Unicredit loan agreed in the first half of 2022. For further information, reference should be made to the Directors' Report;

Transaction type	Currency	Beginning date	Maturity	Fixed rate	Notional Jun 30, 2022	Fair value Jun 30, 2022
IRS on SFA 2021	Euro	06/08/2021	30/06/2026	-0.07%	66,000	2,133
IRS on Unicredit loan	Euro	06/06/2022	30/05/2025	1.44%	10,000	3
Total					76,000	2,136

SHORT-TERM DEPOSITS

The amount relates entirely to the payment of a security deposit to a supplier to guarantee supplies of electronic components having particularly long lead times and whose delivery has been particularly unpredictable over the past 12 months. This deposit constitutes the company's commitment to maintain orders to support the supplier's business in the current context of electronic component shortage. Reimbursement is expected upon delivery of the material during the period.

SHORT-TERM DERIVATIVE FINANCIAL INSTRUMENTS

The item, amounting to Euro 892 thousand, includes Euro 716 thousand related to the current portion of the IRS contracts on the SFA 2021 loan, and Euro 59 thousand related to the current portion of the IRS contract on the loan agreed with Cassa Depositi e Prestiti S.p.A. The breakdown by contract is presented below:

Transaction type	Currency	Beginning date	Maturity	Fixed rate	Notional Jun 30, 2022	Fair value Jun 30, 2022
IRS on SFA 2021	Euro	06/08/2021	30/06/2026	-0.07%	66,000	716
IRS on CDP loan	Euro	30/06/2022	31/12/2026	1.41%	15,000	59
Total					81,000	775

In addition, in H1 2022 the Parent Company entered into currency derivatives contracts that do not meet the hedging requirements established by IFRS 9 for the application of hedge accounting. The account is broken down by currency in the table below:

Transaction type	Currency	Currency amount	Currency value	average spot exchange rate	average forward exchange rate	Maturity date / Fair value at the date		
						<3m	>3m; <6m	>6m; <9m
forward purchases	AUD	250,000	EUR	1.5212	1.5270	-		
forward purchases	CHF	2,100,000	EUR	1.0305	1.0292	61		
forward sales	GBP	1,450,000	EUR	0.8325	0.8400	47		
forward sales	GBP	550,000	EUR	0.8429	0.8533		9	
Total						108	9	-

Note 5: Deferred tax assets

A breakdown of temporary differences and the consequent deferred tax assets at June 30, 2022 and at December 31, 2021 is reported below, on the basis of the breakdown by type of the temporary differences:

Balance at June 30, 2022

(Euro.000)	IRES Temporary Diff.	IRAP Temporary Diff.	IRES tax effect	IRAP tax effect
Employee provisions	4,625	3,903	1,153	152
Other risk and charges provisions	3,443	1,262	957	49
Employee benefits	627	-	151	-
Write-down of inventories	2,470	2,079	616	81
Deprec. suspended on revaluations	171	171	41	7
Tax losses	11,695	-	2,807	-
Other & overseas	2,044	49	610	2
Inter-company transactions	5,487	5,487	1,317	214
Unrealised foreign exchange losses	158	-	38	-
Total	30,719	12,952	7,690	505

Balance at December 31, 2021

(Euro.000)	IRES Temporary Diff.	IRAP Temporary Diff.	IRES tax effect	IRAP tax effect
Employee provisions	4,665	3,859	1,168	150
Other risk and charges provisions	3,044	1,107	847	43
Employee benefits	626	-	151	-
Write-down of inventories	2,155	1,841	534	72
Deprec. suspended on revaluations	171	171	41	7
Tax losses	11,695	-	2,807	-
Other & overseas	1,507	49	429	2
Inter-company transactions	5,528	5,528	1,327	216
Cash Flow Hedge Reserve	71	-	17	-
Unrealised foreign exchange losses	360	-	86	-
Total	29,820	12,555	7,407	490

The recognition of the deferred tax assets was made against an assessment on the reasonable recovery in future years.

Current assets

Note 6: Inventories

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

(Euro.000)	Jun 30, 2022	Dec 31, 21
Raw materials, ancillary and consumables	53,061	37,902
Work-in-progress, semi-finished products	20,488	15,816
Finished products and goods	24,346	16,369
Advances to suppliers	61	35
Inventories	97,956	70,123

The movements in the inventory obsolescence provision were as follows:

(Euro.000)	30/06/2022
Obsolescence provision 31/12/2021	3,415
Utilisation in the period	(26)
Provision for the period	415
Obsolescence provision 30/06/2022	3,805

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 receivables and the relative doubtful debt provisions are summarised below.

(Euro.000)	Jun 30, 2022	Dec 31, 21
Trade receivables	65,117	57,529
Receivables from companies of the Group	814	626
Trade receivables from holding company	15	63
Trade receivables from companies subject to control of holding company	7	16
Current trade receivables	65,953	58,234
Doubtful debt provision	(2,188)	(2,182)
Trade receivables	63,765	56,052

TRADE RECEIVABLES

These refer to direct commercial transactions which the Group undertakes with customers and is net of without recourse receivable factoring totalling approx. Euro 5,851 thousand, by the Parent Company.

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 2,188 thousand, with the movements in H1 2022 reported in the following table:

(Euro.000)	Jun 30, 2022
Doubtful debt provision 31/12/2021	(2,182)
Utilisation in the period	14
Provision for the period	(20)
Doubtful debt provision 30/06/2022	(2,188)

Note 8: Other current assets

The account is broken down as follows:

(Euro.000)	Jun 30, 2022	Dec 31, 21
Tax receivables	10,525	10,374
Advances	2,571	1,814
Prepayments and accrued income	1,507	1,257
Other receivables	625	684
Income tax receivables	714	1,278
Employee receivables	61	22
Social security institution receivables	132	316
Other current assets	16,135	15,745

TAX RECEIVABLES

The breakdown is as follows:

(Euro.000)	Jun 30, 2022	Dec 31, 21
VAT receivables	4,074	3,402
Group VAT receivables	4,472	2,267
Withholding taxes	1,979	4,704
Total tax receivables	10,525	10,374

VAT RECEIVABLES

The VAT balance includes Euro 1,390 thousand related to the subsidiary SIT Manufacturing N.A.S.A. de C.V. and Euro 2,348 thousand related to the subsidiary JANZ. Both companies submitted a request to the State for reimbursement of all monthly payments until offsetting of the payable balance.

GROUP VAT RECEIVABLES

In tax year 2020, SIT Technologies S.p.A., SIT Immobiliare S.p.A. and Metersit S.r.l. took part in the Group VAT settlement procedure governed by Article 73, final paragraph, of Presidential Decree 633/1972, as approved by their respective governing bodies in 2019. SIT Metering srl in 2022 also joined the Group VAT procedure. The amount of Euro 4,472 thousand concerns the net receivable of the companies Sit S.p.A. and Metersit S.r.l. from the parent company, respectively of Euro 205 thousand and Euro 4,267 thousand. During the first half of 2022, on the annual tax return, the Company requested reimbursement of an excess credit of Euro 1,900 thousand transferred to the Group during 2021 and not offset.

WITHHOLDING TAX RECEIVABLES

Receivables for withholding taxes of Euro 1,979 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. These receivables are considered recoverable through expected future taxable income. During the first half of the year, receivables for overseas withholding taxes decreased by Euro 2,725 thousand due to the proportional recognition by the Consolidating company.

PREPAYMENTS AND ACCRUED INCOME

At June 30, 2022, 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

Income tax receivables were as follows:

(Euro.000)	Jun 30, 2022	Dec 31, 21
IRES receivables	1,166	725
IRAP receivables	167	327
Receivable from holding company for tax consolidation	-	107
Current tax receivables	1,107	1,806
Tax receivables	2,440	2,965

The IRES receivable of Euro 1,166 thousand includes tax advances paid for fiscal year 2022 by the overseas subsidiaries, of which Euro 1,103 thousand concern the Mexican subsidiary.

The tax receivables item mainly concerns the receivable accrued, amounting to Euro 242 thousand, for research, development and technological innovation activities and the receivable, amounting to Euro 249 thousand, for expenses incurred for investing in new capital goods by the Parent Company and the subsidiary Metersit srl, in addition to the IRES receivable transferred by the parent company SIT Technologies S.p.A. to the subsidiary Metersit srl of Euro 484 thousand.

Note 10: Cash and cash equivalents

Cash and cash equivalents are presented below:

(Euro.000)	Jun 30, 2022	Dec 31, 21
Cash in hand and similar	25	32
Bank and postal deposits	43,078	46,635
Cash and cash equivalents	43,103	46,667

Cash and cash equivalents relate to current accounts and cash in hand at the reporting date. The changes are reported in the Consolidated Cash Flow Statement, to which reference should be made.

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, 2022 to Euro 96,162 thousand, comprising 25,110,209 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	25,110,209	100.0%	MTA Italy

The company, on July 13, 2017, executed the merger between SIT S.p.A. and Industrial Stars of Italy 2 S.p.A. by providing a divisible share capital increase for a maximum total amount of Euro 153,438, to be implemented through the issue of 1,534,380 SIT ordinary shares reserved for the exercise of the subscription right due to SIT Warrant holders.

Note 12: Reserves

A breakdown follows:

(Euro.000)	Jun 30, 2022	Dec 31, 21
Share premium reserve	10,360	10,360
Capital payments reserve	16,615	16,615
Total capital reserves	26,975	26,975
Legal reserve	19,230	19,230
Treasury shares reserve	(6,603)	(6,134)
Cash flow hedge reserve	2,200	(45)
Actuarial reserve	(656)	(656)
Extraordinary reserve	1,491	1,491
Translation reserve	(4,491)	(7,255)
LTI reserve	514	174
Warrant Reserve	230	230
Retained earnings (accum. losses)	16,206	15,261
Total profit reserves	28,121	22,296
Total reserves	55,096	49,271

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. As per Article 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 2021, an additional 412,723 treasury shares were purchased for a total amount of Euro 3,922 thousand. This repurchase is for the purpose of the new share-based compensation plans for executives and employees of the Company and/or its subsidiaries, as approved by the Shareholders' Meeting of April 29, 2021. As part of the same transaction, the decrease in the period, amounting to Euro 470 thousand, refers entirely to the Parent Company's repurchase of 50,962 treasury shares, for a total amount of Euro 470 thousand.

LONG TERM INCENTIVE PLAN RESERVE

In April 2021, the Shareholders' Meeting approved 3 new incentive plans (Performance Shares Plan, Restricted Shares Plan, Advisory Board Stock Compensation Plan) At June 30, 2022, the item includes the fair value of the 3 new plans for Euro 340 thousand. For further details, reference should be made to Note 37.

CASH FLOW HEDGE RESERVE

The cash flow hedge reserve at December 31, 2021 is recorded as a negative value of Euro 45 thousand, net of the Euro 17 thousand tax effect. During the first half of 2022, the reserve increased mainly due to hedging contracts on the SFA (Senior Financial Agreement 2021) 5-year loan agreement. The Reserve at June 30, 2022 had a positive value of Euro 2,200 thousand, net of the tax effect of Euro 695 thousand.

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. 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. The Warrant Reserve, equivalent to a positive value of Euro 230 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.

Non-current liabilities

Note 13: Medium/long-term loans and borrowings

A breakdown of this item at June 30, 2022 is provided below:

(Euro.000)	Jun 30, 22	Dec 31, 21
Non-current portion of loans	88,255	74,540
Short-term loans and borrowings	88,255	74,540

The balance at June 30, 2022 of Euro 88,255 thousand increased by Euro 13,715 thousand on December 31, 2021. This increase is mainly due to the non-current portion of two loans entered into during the first half of 2022 with leading banks (Unicredit for Euro 8,000 thousand and Cassa Depositi e Prestiti for Euro 13,125 thousand), as well as to the short-term reclassification of the financial debt related to the Senior Financial Agreement (SFA 2021) of Euro 7,500 thousand. For further information, reference should be made to Note 18.

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

A breakdown of this item at June 30, 2022 is provided below:

(Euro.000)	Jun 30, 2022	Dec 31, 21
Other non-current financial liabilities	2,015	2,068
Bond loan - non-current portion	39,477	39,438
Derivative financial instruments - Non-current	12	-
Non-current financial lease payables - IFRS 16	12,223	13,119
Other non-current financial liabilities and derivative financial instruments	53,727	54,625

OTHER NON-CURRENT FINANCIAL PAYABLES

The amount of Euro 2,015 thousand includes Euro 1,500 thousand as the guarantee held following the acquisition of the investment in JANZ – Contagem e Gestão de Flúidos, SA, concluded on December 29, 2020 and Euro 417 thousand as the earn-out recognised under the transaction.

The item also includes Euro 98 thousand related to loans granted by Sace-Simest, under the Decree Law of March 17, 2020 converted by the Law of April 24, 2020 No. 27, to be used for participation at fairs and exhibitions overseas and for personnel training. No guarantees are provided on these loans.

BOND LOAN - NON-CURRENT PORTION

The account refers to the bond loan signed by Pricoa in May 2021. The payable was valued according to the amortised cost method over the duration of the contract, equal to 10 years, with a 6-year grace period. The fixed half-yearly coupon is indexed from the fifth year to a sustainability rating (“ESG”) provided by the international agency EcoVadis. The contract provides the option for Sit S.p.a. to request Pricoa over the next three years to subscribe to additional bonds, up to a total amount of USD 100 million (or Euro equivalent).

The bond loan 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, (ii) ratio between EBITDA and net financial charges and (iii) an established debt/own funds ratio.

At June 30, 2022, the covenants had been fully complied with.

DERIVATIVE FINANCIAL INSTRUMENTS - NON-CURRENT

At June 30, 2022, the account amounts to Euro 12 thousand and includes the non-current portion of the fair value of the Interest Rate Swaps on loan agreed with Cassa Depositi e Prestiti S.p.A..

Transaction type	Currency	Beginning date	Maturity	Fixed rate	Notional Jun 30, 2022	Fair value Jun 30, 2022
IRS on CDP loan	Euro	30/06/2022	31/12/2026	1.41%	15,000	(12)
Total					15,000	(12)

NON-CURRENT FINANCIAL 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. The increase on the previous year of Euro 55 thousand refers to the recognition of the financial liability for the new contracts. For further information, reference should be made to Note 35.

Note 15: Provisions for risks and charges

The changes to the account were as follows:

(Euro.000)	Dec 31, 21	Prov.	Utilisations	Release	Jun 30, 2022
Agents indemnity provision	152	-	-	-	152
Other risks provision	3,886	508	(28)	-	4,365
Product warranty provision	904	38	-	-	942
Other taxes provision	-	-	-	-	-
Total provisions for risks and charges	4,941	546	(28)	-	5,459

AGENTS 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

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

- Euro 2,122 thousand relating the subsidiary Metersit S.r.l. represents the best estimate of the dismantling costs in future years of the batteries inserted in the meters sold up to the reporting date;

- Euro 661 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 of the company;
- Euro 609 thousand to hedge the risks over ongoing disputes with the Parent Company's customers, whose risk of loss is highly probable;
- Euro 513 thousand relating to the costs of the reclamation of a plot of land owned by the Parent Company;
- The provision for risks and charges also includes Euro 144 thousand for ongoing disputes with employees;

A dispute which began in 2021 is still ongoing with a customer attributable to the alleged defectiveness of a certain number of valves supplied by the Mexican subsidiary and installed on products sold on the American market. The cause of the malfunction of the equipment on which the valves disputed by the customer are installed has to date not been proven. The parties, with the support of their lawyers, have begun out-of-court negotiations, the timing and outcome of which may not be predicted at this time.

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. The value of the provision is in line with the previous year.

Note 16: Post-employment benefit provision

The movements in the account in the periods to June 30, 2022 and to December 31, 2021 were as follows:

(Euro.000)	Jun 30, 2022	Dec 31, 21
Net liabilities for employee benefits	5,488	5,338
Liabilities for retention or other	520	424
Net liabilities for employee defined benefits	6,008	5,762

The movements in post-employment benefits were as follows:

(Euro.000)	Jun 30, 2022	Dec 31, 21
Post-em. bens. at beginning of year	5,338	5,659
Payments in the year	(164)	(535)
Current service cost	314	88
Interest cost	-	17
Actuarial gains	-	108
Post-em. bens. at end of year	5,488	5,338

Note 17: Deferred tax liabilities

A breakdown of temporary differences and the consequent deferred tax liabilities at June 30, 2022 and at December 31, 2021 is reported below, based on the type of temporary differences, applying respectively a tax rate of 24% for IRES and 3.9% for IRAP.

Balance at June 30, 2022

(Euro.000)	IRES Temporary Diff.	IRAP Temporary Diff.	IRES tax effect	IRAP tax effect
Tax on business combinations	50,790	40,754	12,190	1,592
Accelerated depreciation	376	-	90	-
Finance Leases	903	903	217	35
Dividends	(0)	-	(0)	-
Unrealised for. exchange gains/losses	290	-	70	-
Other	982	-	296	-
Derivative financial instruments	2,882	-	692	-
Total	56,223	41,656	13,554	1,628

Balance at December 31, 2021

(Euro.000)	IRES Temporary Diff.	IRAP Temporary Diff.	IRES tax effect	IRAP tax effect
Tax on business combinations	54,475	43,892	13,074	1,712
Accelerated depreciation	376	-	90	-
Finance Leases	925	925	222	36
Dividends	472	-	113	-
Unrealised for. exchange gains/losses	993	-	238	-
Other	857	-	258	-
Total	58,097	44,816	13,996	1,748

Current liabilities

Note 18: Short-term loans and borrowings

The breakdown is as follows:

(Euro.000)	June 30, 22	Dec 31, 21
Utilisation short-term lines	23	40
Current portion of loans	21,194	19,731
Current financial charges	-	-
Short-term loans and borrowings	21,217	19,770

CURRENT PORTION OF LOANS

On August 6, 2021, the Parent Company signed a loan agreement (*Senior Financial Agreement 2021, SFA 2021*) with a bank syndicate, in order to repay the outstanding bank debt (*Senior Financial Agreement 2017*) and meet the Group's ordinary financial requirements. The main features are as follows:

- original amount of Euro 90,000 thousand, 5-year duration with maturity June 30, 2026;
- settlement according to a repayment plan stipulating half-yearly instalments from June 30, 2022;
- interest rate indexed to the 6 month Euribor, 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; the margin is also calculated on the basis of a sustainability rating ("ESG") issued by the international agency EcoVadis.

The financial liability is measured using the amortised cost criterion. The loan contract provides for an early repayment option without penalties and without collateral security. As is usual in similar transactions, it stipulates a series of commitments for the Company, such as a prohibition, except for within the provided limits, on assuming further debt and providing related guarantees (negative pledges), in addition to limits on the distribution of dividends and the sale of assets or divestment of businesses. Financial covenants based on the consolidated financial statements on a half-yearly basis regard: (i) the ratio between the net financial position and EBITDA and (ii) the ratio between EBITDA and net financial charges, all ratios to be calculated as per that stated in the contract.

At June 30, 2022, the covenants had been fully complied with.

The residual nominal amount at June 30, 2022 totals Euro 82,500 thousand, of which the non-current portion Euro 67,500 thousand and the current portion Euro 15,000 thousand. The residual amount at amortised cost at June 30, 2022 totals Euro 81,935 thousand, of which the non-current portion Euro 67,130 thousand and the current portion Euro 14,805 thousand.

During the first half of 2022, the Parent Company, in support of the investments for the new HQ and R&D laboratories and to cover the increased working capital, obtained two new credit lines with a total nominal value of Euro 25 million, of which the non-current portion amounting to Euro 21,125 thousand (Euro 8,000 thousand from Unicredit and Euro 13,125 thousand from Cassa Depositi e Prestiti) and with the current portion amounting to Euro 3,875 thousand (of which Euro 2,000 thousand from Unicredit and Euro 1,875 thousand from Cassa Depositi e Prestiti).

The loan with Cassa Depositi e Prestiti S.p.A. includes financial covenants which at June 30, 2022 had been fully complied with.

Note 19: Other current financial liabilities and derivative financial instruments

A breakdown follows:

(Euro.000)	Jun 30, 2022	Dec 31, 21
Bond loan - current portion	16	20
Other current financial payables	945	968
Dividend payables	5	-
Factoring payables	1,879	608
Derivative financial instruments (current portion)	415	593
Current financial lease payables - IFRS 16	2,953	2,800
Other current financial liabilities and derivative financial instruments	6,213	4,988

BOND LOAN - CURRENT PORTION

The account includes Euro 98 thousand concerning the payable for interest charges on the bond loan, net of the amortised cost effect (Euro 82 thousand).

OTHER CURRENT FINANCIAL PAYABLES

The amount, equal to Euro 945 thousand, includes Euro 500 thousand relating to the short-term portion of the security deposit paid as part of the acquisition of the equity investment in JANZ - Contagem e Gestão de Flúidos, SA, as well as the short-term portion of the earn-outs contracted during the same transaction, amounting to Euro 233 thousand. The amount also includes Euro 150 thousand related to the purchase of the equity investment in Plast Alfin S.a.r.l., to be settled in July 2022.

The item also includes the current portion of the Sace-Simest loans, as described in greater detail in Note 14, amounting to Euro 62 thousand (of which Euro 22 thousand for SIT and Euro 43 thousand for the subsidiary Metersit S.r.l.).

DERIVATIVE FINANCIAL INSTRUMENTS - CURRENT PORTION

In H1 2022, the Parent Company entered into currency derivatives contracts that do not meet the hedging requirements established by IFRS 9 for the application of hedge accounting. The account is broken down by currency in the table below:

Values at June 30, 2022

Transaction type	Currency	Currency amount	Currency value	average spot exchange rate	average forward exchange rate	Maturity date / Fair value at the date		
						<3m	>3m; <6m	>6m; <9m
forward purchases	AUD	200,000	EUR	1.5079	1.5140	(1)		
forward purchases	AUD	694,000	EUR	1.4850	1.5011		(10)	
forward sales	AUD	2,000,000	EUR	1.5469	1.5545	(27)		
forward sales	AUD	1,500,000	EUR	1.5313	1.5436		(8)	
forward sales	CNY	21,150,000	EUR	7.4992	7.6973	(258)		
forward purchases	GBP	1,250,000	EUR	0.8476	0.8523	(19)		
forward sales	USD	3,500,000	EUR	1.0764	1.0797	(93)		
Total						(397)	(17)	-

Balance at December 31, 2021

Transaction type	Currency	Currency amount	Currency value	average spot exchange rate	average forward exchange rate	Maturity date / Fair value at the date		
						<3m	>3m; <6m	>6m; <9m
forward sales	AUD	2,000,000	EUR	1.5742	1.5768	(8)	-	-
forward sales	GBP	700,000	EUR	0.8491	0.8508	(8)	-	-
forward sales	GBP	1,000,000	EUR	0.8491	0.8532	-	(12)	-
forward sales	USD	1,000,000	EUR	1.1679	1.1716	(24)	-	-
forward sales	CNY	15,000,000	EUR	7.6893	7.9767	-	-	(149)
Total						(40)	(12)	(149)

The balance at December 31, 2021 also includes Euro 392 thousand for the short-term portion of interest rate hedges (Interest Rate Swaps - IRS) in connection with the new SFA 2021 bank loan.

As required by IAS 7, the necessary disclosure is provided to permit the reader of the financial statements to assess the changes to liabilities deriving from financial liabilities, where such relates to cash flows or non-monetary changes. These include:

Consolidated Financial Statements at June 30, 2022

Notes to the financial statements

(Euro.000)	Dec 31, 21	Drawdown s/Increases	Acquisi tions	Reimburs ements/ settleme nts	Reclassifi cation	Fair Value Change s	Change in amortise d cost	Jun 30, 2022
Bank payables - non-current portion of loans	75,000	25,000			(11,375)			88,625
Bank payables - non-current portion amortised cost	(460)				90			(370)
Total bank payables - non-current portion loans	74,540	25,000		-	(11,285)	-	-	88,255
Shareholder loans - non-current portion of loans	-							-
Shareholder loan - amortised cost	-							-
Bond loan - non-current portion	40,000							40,000
Bond loan - amortised cost, non-current portion	(562)				39			(523)
Derivative financial instruments - non-current portion	-					12		12
IFRS16	13,120	441			(1,338)			12,223
Payables to other lenders	2,067	7		(33)	(26)			2,015
Total other non-current financial liabilities and derivative financial instruments	54,625	448	-	(33)	(1,325)	12	-	53,727
Total non-current financial liabilities	129,165	25,448	-	(33)	(12,610)	12	-	141,982
Bank payables - current portion of loans	20,000			(9,998)	11,375			21,378
Bank payables - current portion amortised cost	(273)			168	(90)			(195)
Current account and accrued interest expense	42	34		(42)				34
Total bank payables - current portion of loans	19,770	34	-	(9,872)	11,285	-	-	21,217
Shareholder loan - current portion of loans	-							-
Bond loan - current portion	-							-
Bond loan - amortised cost current portion	(81)			38	(39)			(82)
Bond loan - accrued interest expense	100	98		(100)				98
Derivative financial instruments - current portion	593					27	(178)	442
Factoring payables	608	1,879		(608)				1,879
IFRS16	2,800	162		(1,374)	1,338			2,926
Payables for uncollected dividends	-	5						5
Payables to other lenders	968			(49)	26			945
Total other current financial liabilities and derivative financial instruments	4,988	2,144	-	(2,093)	1,325	27	(178)	6,213
Total current financial liabilities	24,758	2,178		(11,965)	12,610	27	(178)	27,430

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 first half of 2022.

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 35.

Note 20: Trade payables

At June 30, 2022, trade payables were broken down as follows:

(Euro.000)	Jun 30, 2022	Dec 31, 21
Trade payables	98,907	80,739
Trade payables to holding company	-	13
Trade payables	98,907	80,752

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 losses of Euro 236 thousand.

Note 21: Other current liabilities

A breakdown follows:

(Euro.000)	Jun 30, 2022	Dec 31, 21
Other payables	2,833	2,386
Customer advances	997	951
Current remuneration payables	3,694	2,303
Deferred remuneration payables	5,775	4,410
Payables to social security institutions	2,377	3,330
Retention fund, MBO and PDR	1,659	3,905
Deferred income	1,316	1,352
Substitute tax payables	1,327	3,728
VAT payables	1,109	798
Other current liabilities	21,087	23,163

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 2022 salaries, paid in July 2022. The movement on December 31, 2021 concerned the accrual of the thirteenth-month in June.

DEFERRED REMUNERATION PAYABLES

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

RESULT BONUSES

The account relates to the estimate of 2022 bonuses, to be paid in 2023.

SUBSTITUTE TAX PAYABLES

The account concerns payables for tax withholdings on salaries and wages and payables for withholdings overseas 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.

Note 22: 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 (i.e. by July 19, 2022), 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, 2022 amounted to Euro 691 thousand, representing the Fair Value calculated by assigning to each warrant issued and not yet exercised (totalling 4,604,367) at the reporting date the listing price at that date.

Financial liabilities recognised at June 30, 2022 were adjusted to Fair Value, recognising the differential of the individual warrant between the date of December 31, 2021 (Euro 1.9) and the price at the reporting date (Euro 0.15) to the income statement under financial charges for Euro 8,058 thousand.

Note 23: Tax payables

The amount of Euro 2,588 thousand mainly concerns the payable for direct income taxes.

COMMENTS ON THE MAIN ITEMS OF THE CONSOLIDATED INCOME STATEMENT

Note 24: Revenue from sales and services

Revenues from sales and services are comprised as follows:

(Euro.000)	H1 2022	H1 2021
Revenues from product sales	194,299	189,894
Revenues from services	423	357
Revenues from sales and services	194,722	190,252

REVENUES FROM PRODUCT SALES

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

(Euro.000)	H1 2022	H1 2021
Heating	160,080	146,235
Metering	34,641	44,016
Total revenues from sales and services	194,722	190,252

Group revenues by region were as follows:

(Euro.000)	H1 2022	H1 2021
Italy	50,747	58,959
Europe (excluding Italy)	82,423	82,645
The Americas	43,383	33,766
Asia/Pacific	18,169	14,881
Total revenues from sales and services	194,722	190,252

Note 25: Raw materials, ancillaries, consumables and goods

The breakdown of the account for the periods ended June 30, 2022 and June 30, 2021 are illustrated below:

(Euro.000)	H1 2022	H1 2021
Purchases of ancillary materials	6,899	2,721
Purchases of raw materials, semi-finished & packaging	102,627	89,537
Finished products purchases	14,217	11,215
Purchases of consumable materials	27	131
Goods purchase/(goods in transit)	(1,146)	(348)
Maintenance and repair materials	1,570	1,378
Other purchases	1,743	1,310
Duties on purchases	917	666
Raw materials, ancillaries, consumables and goods	126,854	106,609
Changes in inventories of raw materials, ancillaries, consumables and goods	(15,034)	(802)
Change in inventories of finished & semi-finished products and goods	(11,633)	(9,858)
Change in inventories	(26,666)	(10,660)
Total cost of raw materials, ancillaries, consumables and goods	100,188	95,949

Note 26: Service costs

The composition of the account is as follows:

(Euro.000)	H1 2022	H1 2021
Rent, hire and leases	284	257
Outsourcing	5,439	5,207
Transport	6,680	4,457
Commissions	238	240
Legal, administrative and other	3,744	2,867
Insurance	522	506
Management services	276	411
Maintenance & repair expenses	2,301	1,958
Utilities	2,467	2,806
Personnel expense	1,317	1,360
Cleaning and security	791	743
Advertising, marketing, and sponsorship	410	183
Directors, statutory & independent auditor fees	1,272	1,196
Travel and accommodation	453	281
Bank charges & commissions	368	349
Other services	630	756
Listing charges	125	95
Service costs	27,317	23,675

TRANSPORT

Transport costs increased by Euro 2,223 thousand compared to the previous year due to supply-chain management, focused on obtaining raw materials and components rather than optimising costs related to incoming goods flows.

Note 27: Personnel expense

Personnel expenses are shown below:

(Euro.000)	H1 2022	H1 2021
Wages and salaries	29,166	28,318
Social security expenses	6,933	6,820
Temporary personnel	3,876	3,681
Post-employment benefits	1,665	1,553
Other costs	903	636
Personnel expense	42,543	41,008

Average personnel numbers in H1 2022 and H1 2021 were as follows:

Employees	H1 2022	H1 2021
Executives	40	39
White-collar	588	543
Blue-collar	1,881	1,809
Temporary	287	297
Total employees	2,796	2,688

Note 28: Depreciation, amortisation and write-downs

The breakdown is as follows:

Amortisation, depreciation & write-downs	H1 2022	H1 2021
Amortisation of intangible assets	4,258	4,132
Depreciation of property, plant and equipment	7,554	7,247
Depreciation of operating lease IFRS 16	1,512	1,288
Total amortisation & depreciation	13,324	12,667
Write-down of current receivables	10	(5)
Total write-downs	10	(5)
Depreciation, amortisation and write-downs	13,334	12,662

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

Note 29: Provisions

At June 30, 2022, provisions totalled Euro 351 thousand. The main changes in the year refer to:

- Euro 132 thousand recognised to the subsidiary Metersit S.r.l. as a provision for the replacement of batteries inside the meters. The estimate takes into account the discounting of cash flows, utilising a pre-tax discount rate;
- Euro 180 thousand of provisions by the Parent Company for the costs of the reclamation of a plot of land owned by the Company;

Note 30: Other charges (income)

The account is broken down as follows:

(Euro.000)		
Other charges (income)	H1 2022	H1 2021
Misc. recoveries	103	395
Prior year income	163	79
Gains on fixed assets	215	65
Grants	88	26
Other revenues	5	129
Other income	574	694
Misc. taxes & non-deductible costs	215	172
Losses on fixed assets	14	32
Associations	151	152
Prior year charges	94	227
Impairment of receivables	-	19
IMU Property tax	97	110
Misc. reimbursements	20	3
Other charges	465	420
Other charges	1,056	1,135
Other charges (income)	482	441

Note 31: Financial income

In H1 2022, this amounted to Euro 8,240 thousand and was broken down as follows:

(Euro.000)	H1 2022	H1 2021
Interest income on bank accounts	3	1
Other interest income	9	7
Profits on derivative financial instruments	169	120
Adjustment to fair value of financial liabilities	8,058	-
Financial income	8,240	128

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

The amount relates to the fair value adjustment of 4,604,367 SIT Warrants outstanding and unexercised at June 30, 2022. The Fair Value was established utilising level 1 of the fair value hierarchy as the Warrants are listed on an active market.

Note 32: Financial charges

Financial charges consist of:

(Euro.000)		
Financial charges	H1 2022	H1 2021
Financial charges on hedging contract differences	182	368
Interest charges to holding company	56	56
Interest and other bank charges	618	1,326
Interest charges to third parties	87	58
Interest on bond loans	465	112
Fair value of derivative financial instruments	293	2,892
Financial charges for operating leases - IFRS 16	259	234
Financial charges	1,960	5,046

FINANCIAL CHARGES ON HEDGING CONTRACTS

The account refers to the differential matured in H1 2022 relating to the derivatives (IRS) on the loan contract.

INTEREST AND OTHER BANK CHARGES

The amount of Euro 618 thousand concerns interest on outstanding loans. In the first half of 2021, the item included Euro 1,274 thousand related to financial charges on the loan outstanding at the date (Senior Facility Agreement of 2017) and then settled in the second half of 2021, including the effect related to the application of the amortised cost method.

INTEREST ON BOND LOANS

The amount of Euro 465 thousand entirely concerns the interest charges accruing in the period on the bond loan. For further information, reference should be made to the Directors' Report and to Note 19

FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

At June 30, 2022, the item amounts to Euro 293 thousand and refers to the fair value of outstanding derivatives on currencies, which are not treated as hedging instruments. In the first half of 2021, the item included the amount of Euro 2,184 thousand related to the fair value adjustment of 5,224,733 SIT Warrants outstanding and not exercised at June 30, 2021, in addition to Euro 576 thousand related to the fair value of outstanding IRS interest rate derivatives treated as non-hedging derivatives, following the refinancing transaction that resulted in the settlement of the outstanding loan agreement (Senior Facility Agreement of 2017) in August 2021.

FINANCIAL CHARGES ON OPERATING LEASES – IFRS 16

These are financial charges due to the discounting of liabilities relating to rights of use of assets on operating lease, as defined in IFRS 16. For further information, reference should be made to Note 35.

Note 33: Net exchange gains (losses)

Net exchange gains of Euro 20 thousand are comprised as follows:

(Euro.000)	H1 2022	H1 2021
Realised exchange gains	2,624	2,661
Realised exchange losses	(2,917)	(2,641)
Unrealised exchange gains	1,025	1,034
Unrealised exchange losses	(712)	(979)
Net exchange gains and losses	20	75

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 34: Income taxes

Income taxes in the first half of 2022 compared with the same period of the previous year are presented below:

(Euro.000)	H1 2022	H1 2021
Current income taxes	4,228	6,354
Deferred tax charges	(1,481)	(1,114)
Deferred tax income	17	(2,939)
Income from tax consolidation	(378)	(1,474)
Taxes for previous financial years	(1)	(440)
Other	197	1,473
Income taxes	2,582	1,861

The increase on the comparative period mainly concerns the net benefit of Euro 1.7 million that the Parent Company recognised in the same period of the previous year as a result of the agreement reached with the Tax Agency on the calculation of the economic contribution of intangible assets (optional Patent Box regime). The IRES and IRAP rates applied by the company on estimated assessable income in the year are respectively 24% and 3.9%, for current taxes and for the calculation of deferred taxes.

Note 35: Leasing contracts

The tables below summarise the effects on the Group financial statements at June 30, 2022 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 2.

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

(Euro.000)	
Economic effect from ROU assets	1H 2022
Operating lease contract charges	1,639
Contracts classified as short-term leases	5
Contracts classified as low-value assets	10
Total service costs	1,655
Land and buildings	(754)
Industrial & commercial equipment	(219)
Other tangible assets	(539)
Total depreciation	(1,513)
Income from sub-leasing contracts	-
Sales and leaseback transaction	-
Total other charges/(income)	-
Interest charges on financial liabilities	(259)
Total financial charges	(259)

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

(Euro.000)		30/06/2022
Net investments accounted as ROU as at 1.1.2022		15,693
Increases in the period		603
Depreciation in the period		(1,513)
Exch. diff.		47
Net investments accounted as ROU as at 30.06.22		14,831
Payable for financial liabilities from ROU assets at 1.1.2022		15,919
Commitments in the period		603
Cash outflows		(1,462)
Exch. diff.		89
Gross value of liabilities from ROU assets at 30.06.2022		15,149
Obligations for short-term lease contracts		24
Obligations for low-value asset contracts		46
Total obligations for lease contracts with recognition to costs of payments due		70

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

(Euro.000)	30/06/2022
Within the year	2,893
Between 1 and 5 years	7,751
Over 5 years	4,505
Total liabilities deriving from operating lease contracts	15,149

Note 36: 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 year.

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 all convertible bonds.

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	H1 2022	H1 2021
Profit attributed to the ordinary shareholders of the Parent Company	14,224	9,522
Dilution effect deriving from potential ordinary shares	(8,058)	-
Total profit/(loss) attributed to the ordinary shareholders of the Parent Company	6,166	9,522

Earnings per share	H1 2022	H1 2021
Weighted average number of ordinary shares, excluding treasury shares, to calculate basic earnings per share	24,338,498	24,623,197
Dilution effects for Warrants	-	-
Dilution effects for Performance Shares	-	-
Weighted average number of ordinary shares due to dilution effect	24,338,498	24,623,197
Basic earnings per share	0.5844	0.3867
Diluted earnings per share	0.2533	0.3867

Note 37: Share-based payment settled with equity instruments

At June 30, 2022, the company holds 780,409 treasury shares, of which 50,962 were acquired in H1 2022 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.

The table below shows the economic effects deriving from these instruments:

Costs deriving from share-based payment transactions	H1 2022	H1 2021
Costs from equity-settled share-based payment transactions	346	-
Costs from cash-settled share-based payment transactions	-	-
Total costs deriving from share-based payment transactions	346	-

EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

On April 2021, the Shareholders' Meeting approved 3 new incentive plans, with the following characteristics:

- 2021-2025 Performance Shares Plan: provides for the identification and nomination by the Board of Directors of executives and employees of the company and/or of the subsidiaries, with the objective of:
 - better aligning the interests of management and the creation of shareholder value with a view to medium to long-term sustainability;
 - strengthening the motivation of management to pursue objectives that are not only profitable/business-related but that also create value for shareholders;
 - ensuring a high level of attraction and retention of key personnel, offering remuneration packages in line with market practice.

The Plan has a multi-year duration and is divided into 3 cycles ("rolling"), each of three years, starting in January 2021, January 2022 and January 2023.

- 2021-2023 Restricted Shares Plan: provides for the identification and nomination by the Board of Directors of 4 executives, from among those who play a key role in achieving the SIT Group's objectives. Through the adoption of the plan, the Company seeks to ensure a high level of retention of key personnel, offering remuneration packages in line with market practice, taking into account in particular the combined incentive effect of the performance shares plan of which the Beneficiaries are also recipient.
- 2021-2024 Advisory Board Share Remuneration Plan: to incentivise the Advisory Board to undertake its consultative functions effectively through an incentive system linked to the achievement of performance objectives over an extended period. The Plan in addition furthers the creation of shareholder value with a view to medium to long-term sustainability.

On July 26, 2021, the Board of Directors identified by name the beneficiaries of the plans described above. The following table illustrates the number and average weighed exercise price (PMPE) of the options during the year:

H1 2022		
2021-2025 Performance Shares Plan	No. options	Weighted average price
outstanding at January 1, 2022	142,560	7.26
Allocated during the year	-	-
Cancelled during the year	-	-
Exercised during the year	-	-
Expired during the year	-	-
outstanding at June 30, 2022	142,560	7.26
Exercisable at June 30, 2022	-	-

H1 2022		
2021-2023 Restricted Shares Plan	No. options	Weighted average price
outstanding at January 1, 2022	56,944	7.26
Allocated during the year	-	-
Cancelled during the year	-	-
Exercised during the year	-	-
Expired during the year	-	-
outstanding at June 30, 2022	56,944	7.26
Exercisable at June 30, 2022	-	-

H1 2022		
2021 - 2024 Advisory Board Plan	No. options	Weighted average price
outstanding at January 1, 2022	30,000	9.65
Allocated during the year	-	-
Cancelled during the year	-	-
Exercised during the year	-	-
Expired during the year	-	-
outstanding at June 30, 2022	30,000	9.65
Exercisable at June 30, 2022	-	-

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 table below provides information utilised in the model:

2021-2025 Performance Shares Plan	2021
Assumptions for the measurement of the plan fair value	
Weighted fair value at the measurement date	7.26
Dividend yield (%)	3.91
Interest free risk rate (%)	(0.74)
Expected useful life of the options (in years)	2.6

2021-2023 Restricted Shares Plan	2021
Assumptions for the measurement of the plan fair value	
Weighted fair value at the measurement date	7.26
Dividend yield (%)	3.91
Interest free risk rate (%)	(0.74)
Expected useful life of the options (in years)	2.6

2021 - 2024 Advisory Board Plan	2021
Assumptions for the measurement of the plan fair value	
Weighted fair value at the measurement date	9.65
Dividend yield (%)	3.91
Expected volatility (%)	31%
Interest free risk rate (%)	(0.74)
Expected useful life of the options (in years)	2.6
Model adopted	Monte - Carlo
Correlation with index	33%

The calculation of 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.

OTHER INFORMATION

Disclosure by operating segment

Income Statement

H1 2022

(Euro.000)	Heating	Metering	Eliminations	Consolidated
Revenue from sales and services	161,141	35,085	(1,504)	194,722
Operating costs	(149,939)	(35,779)	1,504	(184,214)
EBIT	11,202	(694)	0	10,508

H1 2021

(Euro.000)	Heating	Metering	Eliminations	Consolidated
Revenue from sales and services	147,293	44,055	(1,096)	190,252
Operating costs	(135,732)	(39,390)	1,096	(174,026)
EBIT	11,561	4,665	-	16,226

Balance Sheet

June 30, 2022

(Euro.000)	Heating	Metering	Eliminations	Consolidated
Assets	422,315	101,227	(38,746)	484,796
Liabilities	293,934	64,069	(38,687)	319,316
Shareholders' Equity	128,382	37,158	(59)	165,481

June 30, 2021

(Euro.000)	Heating	Metering	Eliminations	Consolidated
Assets	400,111	104,903	40,916	464,098
Liabilities	282,546	65,657	40,916	307,287
Shareholders' Equity	117,565	39,246	-	156,811

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 SIT with related parties are those undertaken with the company SIT Technologies S.p.A and its subsidiary SIT Immobiliare S.p.A. whose balances at the reporting date are presented in the table below.

(Euro.000)

H1 2022	Revenues	Costs	Financial income	Financial charges	Financial receivables	Financial payables	Other receivables	Other payables
SIT Immobiliare S.p.a.	6	-	-	-	-	-	6	-
Companies subject to the control of the holding company	6	-	-	-	-	-	6	-
Technologies SAPA	5	-	-	-	-	-	5	-
Parent company	5	-	-	-	-	-	5	-
SIT Technologies S.p.a.	6	-	5,448	-	-	349	105	1,077
Other Group companies	6	-	5,448	-	-	349	105	1,077

The transactions in 2021 are presented in the following table:

2021	Revenues	Costs	Financial income	Financial charges	Financial receivables	Financial payables	Other receivables	Other payables
SIT Immobiliare S.p.a.	14	-	-	-	-	-	14	-
Companies subject to the control of the parent company	14	-	-	-	-	-	14	-
SIT Technologies S.p.A.	25	-	-	4,861	-	5,915	2,036	345
Parent company	25	-	-	4,861	-	5,915	2,036	345

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 the service agreement.

The financial income in respect of the holding company SIT Technologies S.p.A. refers to the change in the fair value of the SIT Warrants it holds.

The financial payables of Euro 349 thousand due to SIT Technologies S.p.A., consist of the value of the SIT Warrants that the latter holds. The financial payables have been valued at fair value at June 30, 2022, as described in further detail in the relative notes.

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 2019-2021. 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. In 2020 the subsidiary SIT Metering S.r.l. joined the National Tax Consolidation procedure for the three-year period 2020-2022, while in 2021 the newly-incorporated company Technologies SAPA di F.D.S. S.S. also joined for the three-year period 2021-2023, both as consolidated companies.

Finally, We indicate that in tax year 2020, SIT Technologies S.p.A., as parent company, and SIT S.p.A., SIT Immobiliare S.p.A. and Metersit S.r.l., as subsidiaries, adhered to the Group VAT settlement procedure governed by Article 73, final paragraph, of Presidential Decree 633/1972, as approved by their respective governing bodies in 2019. From next year, as a subsidiary, the subsidiary SIT Metering Srl will also join the Group VAT procedure.

At June 30, 2022, the payable of the Company to the holding company SIT Technologies S.p.A. amounted to Euro 728 thousand.

Related party transactions

The Group has signed two agreements, on the basis of which two Senior Executives have been recognised (i) a one-off payment respectively of Euro 135,000 and of Euro 90,000 (made in January 2021) and (ii) the allocation of a retention indemnity of a similar amount to accrue and payable on meeting certain conditions, applicable to similar agreements.

As illustrated in the table below, we also report in H1 2022 the Group incurred costs for consultancy totalling Euro 26 thousand with a company in which the Non-Executive Chairperson is a member of the Board of Directors of SIT.

H1 2022	Revenues	Costs	Financial income	Financial charges	Financial receivables	Financial payables	Other receivables	Other payables
<i>Oaklins Arietti S.r.l</i>	-	26	-	-	-	-	-	-
Transactions with other related parties	-	26	-	-	-	-	-	-

2021

2021	Revenues	Costs	Financial income	Financial charges	Financial receivables	Financial payables	Other receivables	Other payables
<i>Oaklins Arietti S.r.l</i>	-	26	-	-	-	-	-	-
Transactions with other related parties	-	26	-	-	-	-	-	-

Guarantees, commitments and off-balance sheet contingent liabilities

The off-balance sheet commitments of the Parent Company at June 30, 2022 were as follows.

(Euro.000)	H1 2022	H1 2021
Other unsecured guarantees	63,947	62,058
Secured guarantees	-	-
Total guarantees	63,947	62,058

Other unsecured guarantees

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

(Euro.000)	H1 2022	H1 2021
In the interest of subsidiaries	63,833	61,949
In own interest	114	108
Total other guarantees	63,947	61,275

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. They concern for Euro 8,259 thousand co-obligations with the subsidiary MeterSit S.r.l., while the remaining amount concerns guarantees exclusive to the Parent Company.

Guarantees given on own account refer primarily to surety guarantees granted to secure the lease agreement signed for the Rovigo property and the contract with Airplus for the management of company travel expenses.

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 instruments recognised at Fair Value

IFRS 13 defines the following three hierarchical fair value levels to which reference should be made for the measurement of financial instruments recorded in the balance sheet:

- Level 1: listed prices on active markets for identical assets or liabilities;
- Level 2: technical valuations (based on direct and indirect observable market data)
- Level 3: technical valuations (not based on observable market data)

With regards to the financial instruments recognised to the financial statements at Fair Value at June 30, 2021, 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 Jun 30, 2022	Valuation criterion	Level 1	Level 2	Level 3
SIT Warrants	(691)	<i>Fair value</i>	(691)		
Interest Rate Swap	2,872	<i>Fair value</i>		2,872	
Forex Forward	(297)	<i>Fair value</i>		(297)	

In H1 2022, 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, 2021:

(Euro.000)

Transaction type	Value at Jun 30, 21	Valuation criterion	Level 1	Level 2	Level 3
SIT Warrants	(3,229)	<i>Fair value</i>	(3,229)		
Interest Rate Swap	(958)	<i>Fair value</i>		(958)	
Forex Forward	(170)	<i>Fair value</i>		(170)	

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

Subsequent events after year-end

For information on events after the reporting date, please refer to the Subsequent events and Outlook paragraphs of the Directors' Report.

Padua, August 4, 2022

The Chairperson of the Board of Directors

(Mr. Federico de' Stefani)

DECLARATION ON THE CONDENSED CONSOLIDATED HALF-YEAR
FINANCIAL STATEMENTS AS PER ARTICLE 81-TER OF CONSOB
REGULATION NO. 11971

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

The undersigned Federico de' Stefani, Chairperson 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 considering the company's characteristics and
- The effective application of the administrative and accounting procedures for the compilation of the consolidated financial statements for the period January - June 2022.

In addition, we declare that the consolidated financial statements:

- corresponds 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 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, August 4, 2022

The Chief Executive Officer

Federico de' Stefani

The Executive Officer for Financial Reporting

Paul Fogolin

AUDITORS' REPORT ON THE CONSOLIDATED HALF-YEAR
FINANCIAL STATEMENTS

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 of June 30, 2022 and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six month period then ended, and a summary of significant accounting policies and other 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, 2022 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
August 5, 2022

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

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