HALF-YEAR FINANCIAL REPORT AT JUNE 30, 2023

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CORPORATE INFORMATION

Parent Company Registered Office

Sit S.p.A.

Viale dell'Industria, 31/33

35129 Padua – Italy

www.sitgroup.it

Parent Company Legal Details

Share capital approved Euro 96,162,195.00

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

CUSTOMER ORIENTATION

Everyone at SIT aims to fulfil and exceed customer expectations. Whether external or internal, the customer is our compass

SUSTAINABILITY

A sustainable company for the stakeholders. Sustainable products for the environment. A sustainable work-life balance for the employees

LEAD BY EXAMPLE

SIT is a leader in the markets where it operates. Our people are courageous and confident and lead by example in every aspect of their day-to-day work

TECHNOLOGY

We master technology and look ahead, supporting our customers with state-of-the-art solutions and stimulating innovation through collaboration

LEAN

No frills. We act quickly and do not miss deadlines. We deliver "on time and in full”

PASSION

Passionate commitment is part of daily life at every organisational level. Accountability and engagement are rewarded, well aware that mistakes provide opportunities for growth

DIRECTORS' REPORT

COMPOSITION OF THE CORPORATE BOARDS

Board of Directors*

Federico de Stefani	*Chairperson, Chief Executive Officer, Director in charge of the Internal Control and Risk Management System (ICRMS)*
Chiara de Stefani	*Executive Director and Corporate Sustainability Director*
Franco Stevanato**	*Independent Director*
Bettina Campedelli**	*Independent Director and Lead Independent Director*
Carlo Malacarne**	*Independent Director*
Lorenza Morandini**	*Independent Director*
Giorgio Martorelli**	*Independent Director*

Board of Statutory Auditors*

Matteo Tiezzi	*Chairperson*
Saverio Bozzolan	*Statutory Auditor*
Loredana Anna Conidi	*Statutory Auditor*
Barbara Russo	*Alternate Auditor*
Alessandra Pederzoli	*Alternate Auditor*

Independent Audit Firm

Deloitte & Touche S.p.A.

Control, Risks and Sustainability Committee

Bettina Campedelli**	Chairperson
Lorenza Morandini**	Independent Member
Giorgio Martorelli**	Independent Member

Related Parties Committee

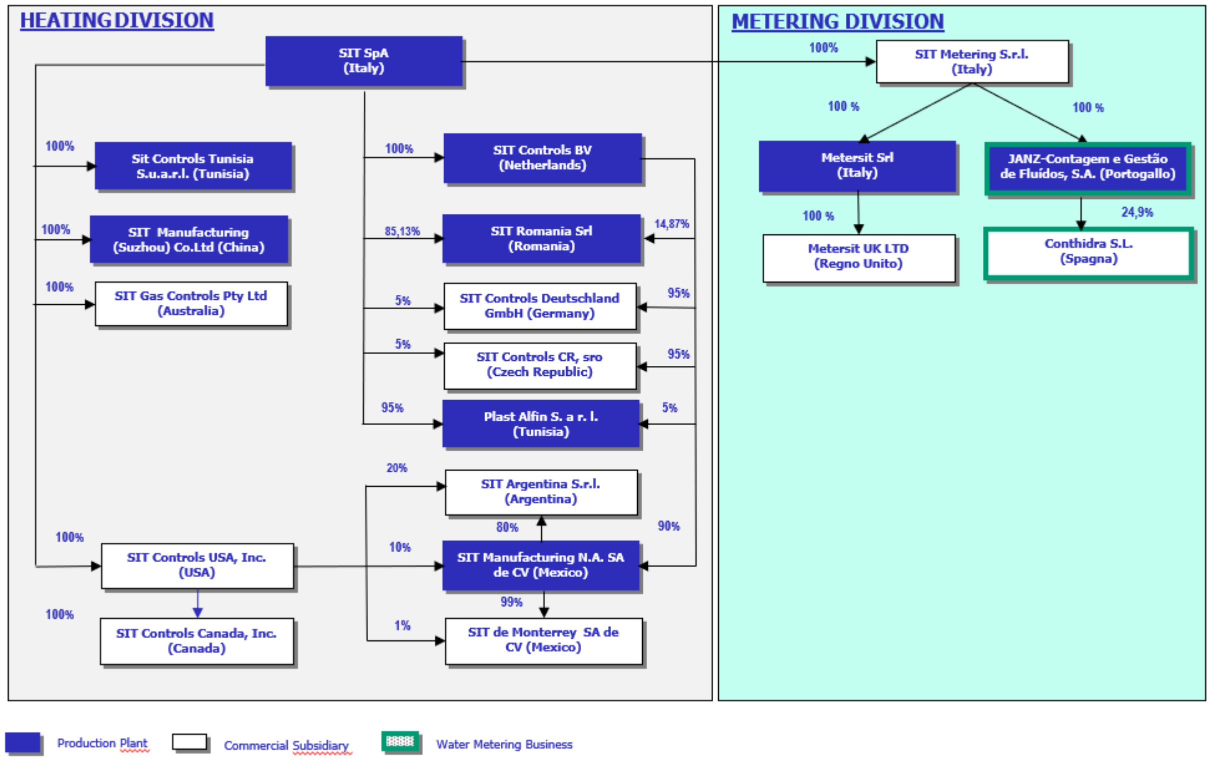
Bettina Campedelli**	Chairperson
Carlo Malacarne**	Independent Member
Lorenza Morandini**	Independent Member

Remuneration Committee

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

* The Board of Directors and the Board of Statutory Auditors were appointed by the Shareholders' Meeting of May 3, 2023 and remain in office until the approval of the 2025 Annual Accounts.
** Independent directors.

GROUP STRUCTURE



The SIT Group

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

The Group comprises two divisions:

- Heating & Ventilation: 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 & Ventilation 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., a holding company 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 UK Ltd, a trading company established during 2021 as an agency with the goal of developing the UK smart gas metering market;
- JANZ - Contagem e Gestão de Fluídos, SA (Lisbon), a company acquired at the end of 2020, operating in the residential water meter sector through development, production and distribution activities, mainly on the European market;

- Conthidra S.L. (Gines), Spain, distributes water meters produced by JANZ – Contagem e Gestão de Fluídos, SA.

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 2023	%	H1 2022	%	Change	Change %
Revenues from contracts with customers	166,875	100.0%	194,722	100.0%	(27,847)	-14.3%
EBITDA	13,232	7.9%	23,831	12.2%	(10,599)	-44.5%
Adjusted EBITDA	14,485	8.7%	23,831	12.2%	(9,346)	-39.2%
EBIT	(19,957)	-12.0%	10,507	5.4%	(30,464)	-289.9%
EBIT adjusted	797	0.5%	10,507	5.4%	(9,710)	-92.4%
Net Profit/(loss) for the period	(18,150)	-10.9%	14,224	7.3%	(32,374)	-227.6%
Adjusted net profit for the period	1,644	1.0%	6,166	3.2%	(4,523)	-73.3%
Cash flows from operating activities after investment activities	(12,531)		(9,936)			

Balance Sheet	30/06/2023	31/12/2022	30/06/2022
Net financial position	(146,446)	(130,501)	(122,617)
Net trade working capital	74,932	73,752	62,814
Net trade working capital/Revenues(*)	20.5%	18.8%	16.0%

(*) Annualised

ALTERNATIVE PERFORMANCE MEASURES

(Euro.000)

Financials	H1 2023	%	H1 2022	%	Change	Change %
Revenues from contracts with customers	166,875	100.0%	194,722	100.0%	(27,847)	-14.3%
EBITDA	13,232	7.9%	23,831	12.2%	(10,599)	-44.5%
Adjusted EBITDA	14,485	8.7%	23,831	12.2%	(9,346)	-39.2%
EBIT	(19,957)	-12.0%	10,507	5.4%	(30,464)	-289.9%
EBIT adjusted	797	0.5%	10,507	5.4%	(9,710)	-92.4%
Financial charges	3,456	2.1%	1,960	1.0%	1,496	76.3%
Adjusted financial income	326	0.2%	181	0.1%	144	79.4%
Net financial (charges)/income adjusted	(3,130)	-1.9%	(1,779)	-0.9%	(1,351)	76.0%
Result before taxes (EBT)	(22,801)	-13.7%	16,806	8.6%	(39,607)	-235.7%
Result before taxes adjusted (EBT)	(2,047)	-1.2%	8,748	4.5%	(10,796)	-123.4%
Net Profit/(loss) for the period	(18,150)	-10.9%	14,224	7.3%	(32,374)	-227.6%
Adjusted net profit for the period	1,644	1.0%	6,166	3.2%	(4,523)	-73.3%
Cash flows from operating activities after investment activities	(12,531)		(9,936)		(2,595)	

(Euro.000)

Balance Sheet	30/06/2023	31/12/2022	30/06/2022
Net Capital Employed	296,189	295,998	288,789
Shareholders' Equity	149,744	165,495	165,481
Net financial position	(146,446)	(130,501)	(122,617)
Adjusted Net Financial Position	(132,649)	(115,596)	(107,468)
Financial liabilities for Warrants	-	-	(691)
Net trade working capital	74,932	73,752	62,814

Key performance indicators	30/06/2023	31/12/2022	30/06/2022
ROIC (1)	12.7%	15.9%	16.0%
Net financial position / Shareholders' equity	0.98	0.79	0.74
Net financial position / Adjusted LTM EBITDA	3.88	2.77	2.66

(1) ROIC is the ratio between Adjusted 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:

- EBITDA adjusted is the EBITDA (EBIT plus amortisation, depreciation and write-downs, net of doubtful debt provisions) net of non-recurring transactions or rather all those atypical, unusual or transactions which do not repeat frequently in the normal course of business activities, undertaken with related or third parties, which may have a significant impact on the financial results of the Group. Personnel expense in the first half of 2023 includes the costs incurred to redefine the organisational structure with the objective of retraining the company workforce. The *write-down of working capital* however concerns the write-down of a number of specific inventory components within the business in which an out-of-court settlement was concluded with a customer in the final quarter of 2022. The following table presents a reconciliation with the financial statements:

(Euro.000)

Reconciliation of EBITDA adjusted	**H1 2023 EBITDA**	**H1 2022 EBITDA**
Operating Profit/(loss)	**(19,957)**	**10,507**
Depreciation, amortisation and write-downs	33,405	13,334
Write-downs	(216)	(10)
EBITDA	**13,232**	**23,831**
Personnel expense	707	-
Write-down of working capital post out-of-court settlement	546	-
Total non-recurring operating charges (income)	**1,254**	**-**
EBITDA adjusted	**14,485**	**23,831**

- EBIT adjusted is defined as the operating result, net of non-recurring income and charges. The reconciliation, with indication of the non-recurring charges and income, is presented in the following table:

(Euro.000)

Reconciliation of EBIT adjusted	H1 2023 Operating Profit/ (loss)	H1 2023 Operating Profit/ (loss)
Operating Profit/(loss)	**(19,957)**	**10,507**
Personnel expense	707	-
Write-down of working capital post out-of-court settlement	546	-
Goodwill write-down	17,000	-
Write-down of tangible assets	2,500	-
Total non-recurring operating charges (income)	**20,754**	**-**
Adjusted EBIT	**797**	**10,507**

For a description of the individual adjustment items not yet commented upon, reference should be made to the notes to the intangible assets and property, plant and equipment.

- 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 Warrants were settled in July 2022.The reconciliation at June 30, 2023 is presented in the following table:

(Euro.000)

Reconciliation of net financial (charges)/income adjusted	H1 2023 Financial (charges)/income	H1 2022 Financial (charges)/income
Financial charges	**(3,456)**	**(1,960)**
Financial charges adjusted	**(3,456)**	**(1,960)**
Financial income	**326**	**8,239**
Change in fair value on Warrants	-	(8,058)
Adjusted financial income	**326**	**181**
Adjusted net financial (charges)/income	**(3,130)**	**(1,779)**

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

(Euro.000)

Reconciliation of EBT adjusted	H1 2023 Result before taxes	H1 2022 Result before taxes
Result before taxes for the period	**(22,801)**	**16,806**
Personnel expense	707	
Write-down of working capital post out-of-court settlement	546	
Goodwill write-down	17,000	
Write-down of tangible assets	2,500	
Total non-recurring operating charges (income)	**20,754**	**-**
Change in fair value on Warrants	-	(8,058)
Non-recurring financial charges (income)	**-**	**(8,058)**
Adjusted result before taxes (EBT)	**(2,047)**	**8,748**

- 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 2023 Net Profit	H1 2022 Net Profit
Net Profit/(loss) for the period	**(18,150)**	**14,224**
Personnel expense	511	
Write-down of working capital post out-of-court settlement	383	
Goodwill write-down	17,000	
Write-down of tangible assets	1,900	
Total non-recurring operating charges (income)	**19,794**	**-**
Change in fair value on Warrants	-	(8,058)
Non-recurring net financial charges (income)	**-**	**(8,058)**
Adjusted net profit for the period	**1,644**	**6,166**

- 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	30/06/2023	31/12/2022	30/06/2022
Goodwill	70,946	87,946	87,946
Other intangible assets	52,929	55,276	57,917
Property, plant and equipment	104,015	106,103	99,322
Investments in other companies	630	630	325
Non-current financial assets	4,355	5,186	3,953
Fixed assets (A)	**232,875**	**255,141**	**249,463**
Inventories	98,933	91,352	97,956
Trade receivables	52,512	63,800	63,765
Trade payables	(76,513)	(81,400)	(98,907)
Trade net working capital (B)	**74,932**	**73,752**	**62,814**
Other current assets	17,890	12,597	16,222

Tax receivables	2,635	2,281	2,440
Other current liabilities	(20,138)	(23,113)	(21,087)
Tax payables	(508)	(1,205)	(2,588)
Other current assets, liabilities and taxes (C)	**(121)**	**(9,441)**	**(5,013)**
Net working capital (B + C)	**74,811**	**64,311**	**57,801**
Deferred tax assets	15,486	10,492	8,196
Provisions for risks and charges	(8,029)	(13,844)	(5,459)
Post-employment benefit provision	(5,046)	(5,093)	(6,008)
Other non-current liabilities	(18)	(4)	(23)
Deferred tax liabilities	(13,890)	(15,005)	(15,181)
Other assets and liabilities and provisions (D)	**(11,497)**	**(23,454)**	**(18,475)**
Net capital employed (A + B + C + D)	**296,189**	**295,998**	**288,789**

- 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. The Warrant was settlement in July 2022 and in the first half of 2022 was not included under financial payables as this item did not involve any financial outlay.

(Euro.000)

Composition net financial position	30/06/2023	31/12/2022	30/06/2022
A. Cash	18	18	25
B. Cash equivalents	23,773	23,517	43,078
C. Other current financial assets	7,030	6,269	3,692
D. Cash and cash equivalents (A) + (B) + (C)	**30,822**	**29,804**	**46,795**
E. Current financial debt (including debt instruments but excluding the current portion of non-current financial debt)	32,132	8,196	8,750
F. Current portion of the non-current debt	23,073	20,589	18,680
G. Current financial debt (E + F)	**55,205**	**28,785**	**27,430**
H. Net current financial debt (G - D)	**24,384**	**(1,020)**	**(19,365)**
I. Non-current financial debt	82,500	92,001	102,505
J. Debt instruments	39,562	39,520	39,477
K. Trade payables and other non-current payables	-	-	-
L. Non-current financial debt (I + J + K)	**122,062**	**131,521**	**141,982**
M. Net Financial Position (H + L)	**146,446**	**130,501**	**122,617**
IFRS 16 – Leases	(13,797)	(14,905)	(15,149)
Net financial position adjusted	**132,649**	**115,596**	**107,468**

As required by the above communication, the Group reports provisions for net liabilities for employee defined benefits of Euro 5,046 thousand (Note 16) and Provisions for risks and charges for Euro 8,029 thousand (Note 15).

GENERAL OVERVIEW

General economic overview

The first half of 2023 featured a slowing global economy, with divergent performances across geographies and sectors. GDP growth was impacted by the raising of interest rates by the main central banks. Inflation has gradually eased nearly everywhere - thanks particularly to the significant decrease of the energy component.

Q2 2023 GDP compared to the preceding period and the same period of the previous year in the main areas of interest to the Group is presented below:

GDP movements	vs Q1 2023	vs Q2 2022
Italy	-0.4%	0.4%
Euro	0.3%	0.6%
USA	0.6%	2.1%
China	0.8%	6.3%

The general economic environment continues to feature a significant degree of uncertainty. Risks to growth are tilted to the downside and concern in particular the development of the conflict in Ukraine and the possibility of tighter-than-expected lending conditions.

US economic growth slowed in the second quarter, while Chinese GDP growth was also weaker than expected. Eurozone GDP grew in Q2, although to a contained extent and following an unchanged Q1.

The contraction in Italian GDP was mainly due to the drop in industrial added value, while services continue to grow, although at a more contained pace.

The Italian mechanical engineering sector saw its growth abruptly end in the first quarter of 2023. Market uncertainty, reduced investment levels and high prices have led to a sharp drop in demand, resulting in a significant decline in production.

OPERATING PERFORMANCE

Significant events in the period

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. Despite being awarded the same rating as the previous year, the Company achieved a higher score, placing it in the top 10% of companies in the sector under analysis (compared to the top 22% the previous year).

SIT unveils a new range of adaptive gas solutions and VMC applications at the Frankfurt trade fair

SIT participated at the ISH trade fair in Frankfurt between March 13 and 17, the largest international trade fair for heating technology, energy saving, renewable energy, air conditioning and building automation.

SIT presented at the event the most complete range of gas-adaptive solutions on the market with its three models FLEXA IONO, FLEXA H2 and the latest FLEXA PRO, the residential and commercial sensorized mixer capable of directly measuring gas and air flows, optimising the combustion system.

The new 877 ELEKTRA XL boiler valve was also presented, designed for commercial appliances up to 150kW (also 100% hydrogen), which complements SIT's range for professional applications.

SIT’s range at the show also included electronic control solutions for Controlled Mechanical Ventilation (CMV), for indoor air exchange and heat recovery, which also integrate UpSens sensors for the first time, thanks to the recent partnership launched with the Optoi Group.

New organisational structure announced

In order to more effectively focus on the Group’s core markets and on its ability to anticipate emerging customer needs and with a particular regard to technological innovation and the energy transition, in April SIT announced a new organisational structure which now comprises three Business Units:

- Heating & Ventilation
- Smart Gas Metering
- Water Metering

The long-established Heating core business is now joined by Ventilation with the goal of developing and providing solutions for the continuous improvement of the efficiency of gas, hybrid, biomethane, and hydrogen heating appliances, in addition to solutions for ventilation and air quality in indoor spaces, integrated into the home ecosystem, which ensure the control and monitoring of room comfort, while maximising energy efficiency.

Under the new organisational structure, Metering is divided into two business units.

The Smart Gas Metering Business Unit, whose mission is the design and manufacture of gas meters for residential and industrial installations, providing customers with new digital data reading technologies, consumption control, and industry-leading measurement tools.

The Water Metering Business Unit, under the Portuguese company Janz acquired in late 2020, engaged in the design, manufacture, and sale of water consumption metering solutions with both traditional and smart technology and the objective of providing water utilities and local municipalities with solutions to improve efficiency and accelerate their sustainability strategies at the best total operating cost.

Three business unit heads were appointed simultaneously, who together with the Chief Product Officer and support functions report to the CEO.

SIT obtains gender equality certification

SIT obtained in the first half of 2023 gender equality certification, as per the UNI/PdR 125:2022, issued by the Kiwa certifying body and supported by Variazioni, a consultancy firm specialised in innovative projects and Change Management. This certification, which is valid for three years and is subject to annual monitoring, saw SIT perform well in all six areas that the certification investigates: Culture and Strategy, Governance, HR Processes, Growth Opportunities and the Inclusion of Women in Business, Gender Pay Equity, and Parenting Protection and Work-Life Balance.

The equal opportunity certification, consistent with the company's "Made with Care" pillar dedicated to Social Responsibility and included in the company's sustainability plan, follows two other major milestones on SIT's ESG journey: the new enhanced parenting policy, effective March 1, 2023, and the Diversity&Inclusion policy issued in April 2023. Parental and Diversity&Inclusion policies and the Gender Equality certification that SIT has issued over the past three months are an integral part of the company's sustainability roadmap, which seeks to support the energy transition through innovative solutions that help decarbonise the atmosphere and protect natural resources, while also supporting our human resources.

SIT extends Product Carbon Footprint (CFP) certification to gas meters

During the first half of the year, SIT strengthened its efforts in tracking and managing its CO2 emissions and also obtained Product Carbon Footprint Measurement System (CFP Systematic Approach) certification of an additional product category: gas meters produced by its subsidiary Metersit. Through the method adopted, SIT is therefore able to calculate in a timely and certified manner the Carbon Footprint of each product throughout its life cycle (from production to disposal on a "cradle-to-grave" basis), in line with the standards set out in ISO 14067:2018 and thus also consider how the sustainability of the product itself can be improved.

This certification, issued by the certifying body Bureau Veritas Italia, a world leader in inspection, compliance checking and certification services, is in addition to the certification obtained in 2022 related to the Heating&Ventilation business unit product lines (mechanical controls, fans, electronic controls).

SIT obtains waiver on financial covenants at June 30, 2023

By letter of acceptance dated June 30, 2023, the Company's main lenders granted a waiver on the contractual financial parameters (covenants) in place on the loans granted with reference to the recognition date of June 30, 2023. This consent was granted following the prior request made by the Company to the lenders at the beginning of June in view of an operating and financial performance for the period that would not have allowed for the meeting of the established covenants. The lenders issued their consent by agreeing with the Company a date by which to submit the new business plan, with the goal of negotiating new covenant levels for subsequent maturities.

Sales overview

The SIT Group comprises two Divisions:

- Heating&Ventilation, which develops and manufactures systems for environmental comfort control, safety, and highly efficient gas-fired residential heating 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)	H1 2023	%	H1 2022	%	diff	change %
Heating & Ventilation	123,359	73.9%	157,836	81.1%	(34,477)	(21.8%)
Metering	42,350	25.4%	34,136	17.5%	8,214	24.1%
Total sales	**165,709**	**99.3%**	**191,972**	**98.6%**	**(26,263)**	**(13.7%)**
Other revenues	1,166	0.7%	2,750	1.4%	(1,584)	(57.6%)
Total revenues	**166,875**	**100%**	**194,722**	**100%**	**(27,848)**	**(14.3%)**

Revenue by region

(Euro.000)	H1 2023	%	H1 2022	%	diff	change %
Italy	50,895	30.5%	50,747	26.1%	147	0.3%
Europe (excluding Italy)	78,090	46.8%	82,423	42.3%	(4,332)	(5.3%)
The Americas	23,868	14.3%	43,383	22.3%	(19,515)	(45.0%)
Asia/Pacific	14,022	8.4%	18,169	9.3%	(4,147)	(22.8%)
Total revenues	**166,875**	**100.0%**	**194,722**	**100.0%**	**(27,847)**	**(14.3%)**

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

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

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

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

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

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

(Euro.000)	H1 2023	%	H1 2022	%	diff	change %
Italy	21,593	17.5%	29,941	19.0%	(8,349)	(27.9%)
Europe (excluding Italy)	64,130	52.0%	67,655	42.9%	(3,526)	(5.2%)
The Americas	22,805	18.5%	41,960	26.5%	(19,155)	(45.7%)
Asia/Pacific	14,832	12.0%	18,279	11.6%	(3,447)	(18.9%)
Total sales	**123,359**	**100%**	**157,836**	**100%**	**(34,477)**	**(21.8%)**

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

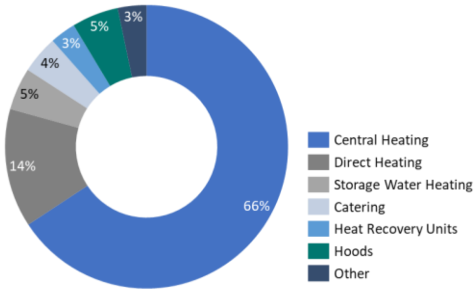
Sales in **Europe** (excluding Italy) decreased Euro 3.5 million in H1 2023 (-5.2%) on the same period of the previous year. Turkey, the top shipping market with 18.9% of division sales, grew 51.3% (Euro 7.9 million), particularly thanks to Fans for Central Heating applications, impacted by supplier difficulties in H1 2022; the UK, with 8.1% of division sales, grew 5.2% on H1 2022, thanks to the strong second quarter performance (+14.8%), particularly for flues. The Central Europe result was substantially in line with the division as a whole (-22.5%), with Heat Recovery Units sales up Euro 1.7 million, +34% on the same period of 2022.

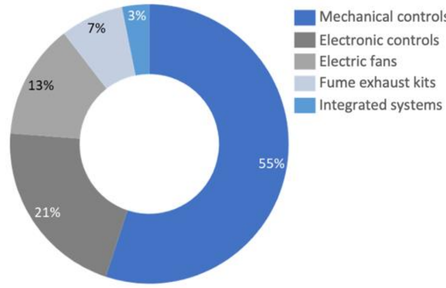
Sales in the **Americas** contracted 45.7% (-46.8% at like-for-like exchange rates). The reduction affected Water Heating Storage for Euro 8.0 million, a market still impacted by a dispute with a customer settled in the period and the relative impact on the end product market, while the Direct Heating applications of fireplaces (-Euro 11.3 million, -52.5%) were impacted by the poor new constructions performance to which this segment is linked.

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

Looking to the main product families, the decline in the period was substantially across all product families, while we highlight the Fans and Flues performances, which respectively contracted 12.6% and 7.0% on the first half of the previous year. At the application segment level, Central Heating (accounting for 48.6% of division sales) contracted 10.7% (benefiting from the above-indicated Fans and Flues performance), while products for Heat Recovery Unit applications grew 15.1% to Euro 6.6 million.
In relation to the main clients of the Heating & Ventilation Division, 33.2% of H1 2023 sales were from the top five clients, while accounting for 32.4% in the same period of the previous year.

The following charts break down H1 2023 Heating & Ventilation sales by product family and application (data from management sources):





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

In H1 2023, Smart Gas Meter sales totalled Euro 29.5 million, increasing 36.2% on the first half of 2022. The performance was due to the Group's strong positioning on the Italian market and the new development and replacement projects launched by the major clients. Sales in Italy accounted for 94.0% of the total, while overseas sales accounted for 6.0% (from Greece and Central Europe). In terms of the main clients, 62.1% of sales in the first half of 2023 were from the top 3 clients, while accounting for 47.0% in the same period of the previous year.

Water Meter sales totalled Euro 12.8 million, up 2.9% on H1 2022. Portugal accounts for 17.3% of sales, Spain for 35.6%, the rest of Europe for 36.3% and America and Asia respectively for 7.7% and 2.8%. in the first half of 2023, 49.7% of sales were from the top 3 clients, compared to 43.2% in the same period of 2022. This increase was mainly due to sales growth in Spain and South America.

Economic performance

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

Purchase costs of raw materials and consumables, including changes in inventories, amounted to Euro 88.3 million (52.9% of revenues, compared to 51.5% in the first half of 2022).

H1 service costs total Euro 24.0 million, compared to Euro 27.3 million in the same period of the previous year (respectively 14.4% and 14.0% of revenues).

Personnel expense was Euro 40.5 million (Euro +2.1 million), accounting for 24.2% of revenues, increasing on 21.8% in the same period of the previous year due to the adjustment of labour contracts to inflation.

Depreciation, amortisation and write-downs of Euro 33.4 million rose on the previous year (Euro 13.3 million), due on the one hand to the natural increase in new investments in the previous period and the new operating leases recognised as per IFRS 16. Following the impairment test carried out on the capital employed of the Heating & Ventilation and Smart Gas Metering CGU's, the need to adjust the carrying amount of the Heating & Ventilation goodwill to its recoverable value emerged, resulting in a write-down of Euro 17 million. Euro 2.5 million, on the other hand, refers to the partial write-down of the building housing the parent company's current headquarters in view of the planned move to the new headquarters under construction.

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 0.2 million, slightly decreasing on the first half of the previous year.

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

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

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

Net financial charges in the first half of 2023 totalled Euro 3.1 million, compared to net financial income of Euro 6.3 million for the same period of the previous year. This was impacted in the first half of 2022 by the change in the fair value based on the market value of the Warrants, which resulted in financial income of Euro 8.1 million.

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

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

The net result for the period was a loss of Euro 18.1 million, compared to a profit of Euro 14.2 million for the same period of 2022.

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

Cash Flow performance

The net financial debt at June 30, 2023 was Euro 146.4 million, compared to Euro 122.6 million at June 30, 2022. The movements in the net financial position are reported below:

(Euro.000)	H1 2023	H1 2022
Cash flow from current activities (A)	**15,175**	**24,452**
Change in inventories	(5,892)	(26,344)
Change in trade receivables	12,285	(6,527)
Change in trade payables	(5,845)	16,540
Change in other current assets and liabilities and for taxes	(16,950)	(6,337)
Cash flow generated (absorbed) from Working Capital (B)	**(16,402)**	**(22,669)**
Cash flow from operating activities (A + B)	**(1,227)**	**1,783**
Cash flow from investing activities (C)	(11,304)	(11,719)
Cash flow from operating activities after investing activities (A+B+C)	**(12,531)**	**(9,936)**
Changes for interest	(3,206)	(1,438)
Changes MTM derivatives and amortised cost	446	799
Changes in translation reserve	(1,083)	758
Changes to financial assets	891	2,300
Acquisition of treasury shares	-	(470)
Dividends paid	-	(7,299)
IFRS 16	(458)	(603)
Change in net financial position	**(15,941)**	**(15,888)**
Opening net financial position	**130,503**	**106,729**
Closing net financial position	**146,444**	**122,617**

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

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

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

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

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

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

Investments

In H1 2023, the Group made ordinary investments for Euro 10.4 million, of which Euro 8.9 million (85.1% of the total) in the Heating & Ventilation Division; for the Metering Division, Smart Gas Metering investments totalled Euro 1.0 million, with Water Metering investment amounting to Euro 0.6 million. In H1 2022, these amounts were respectively Euro 8.0 million, Euro 0.5 million and Euro 0.2 million, for a total of Euro 8.7 million.

The main operational investments in H1 2023 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 & Ventilation Division investment essentially concerned the development of new products (Euro 2.5 million), plant maintenance (Euro 1.1 million) and the upgrading of the die casting mould plant (Euro 0.7 million).

Smart Gas Metering segment investment essentially concern the development of new products (Euro 0.7 million, approx. 72% of the segment) and related to development costs for specific projects. The remainder relates to industrial and laboratory equipment, the development of hardware and software and production streamlining.

Water Metering segment investments mainly concerned the purchase of new equipment and extraordinary maintenance on existing equipment (approx. 92% of the total).

RISK MANAGEMENT POLICY

The Enterprise Risk Management (ERM) process is an integral part of the Company's Internal Control and Risk Management System (ICRMS) and is carried out according to a consolidated model (Enterprise Risk Model).

The identification of risks is carried out on a half-yearly basis on the entire Group scope and over a time period matching the long-term strategic plan. The assessment is made on the basis of impact/probability parameters (Risk Scoring Scale) established in accordance with the "risk appetite" threshold, defined by the Board of Directors and understood as the level of risk that the Company is willing to accept in pursuit of its objectives, before mitigation actions are deemed necessary.

This approach ensures:

i. timeliness in identifying risks;
ii. effectiveness of mitigation actions;
iii. consistency with the ICRMS.

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

- External risks
- Strategic risks
- Financial Risks
- Operating risks
- Legal and compliance risks
- ESG risks (environment, social responsibility, governance)

The activities within the ERM process are:

- risk assessment: identification and assessment of new and emerging risks, in addition to the definition of appropriate "remediation plans" where deemed necessary;
- follow up: updating impact/likelihood assessments of risks already identified based on the progress of relevant mitigation actions.

The results of ERM activities are presented periodically to the Risk Control and Sustainability Committee, to the Board of Statutory Auditors and 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.

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.

The recent localisation in Tunisia of a captive production hub for electronic boards and mechanical components for the Heating & Ventilation and Smart Gas Metering business units has exposed the Group to the risk associated with the country's political-institutional instability, exacerbated by the economic crisis. Currently, the Tunisian situation is at the centre of the economic-political debate of European governments, which are lobbying for the International Monetary Fund (IMF) to disburse a loan that would stabilise the country's economic situation.

In any case, the Group continues to carefully monitor political-economic developments, also supported by its network of contacts and relationships with international and local business communities and institutions. We note, however, that the decision to locate production in Tunisia - right from the planning stage - was made in line with a policy of double sourcing to allow the rapid start up of local production at other Group sites should production be interrupted because of the contingent situation in the country.

In terms of the Russia-Ukraine conflict, the impacts on SIT Group operations are being continually monitored.

Although the Group does not hold direct investments in the two countries, the monitored risks relate to two areas, both in terms of the Heating & Ventilation segment business:

- from a commercial viewpoint, with reference to the Group's Heating & Ventilation BU, the Company has discontinued direct relations with Russia as of July 10, 2022, the effective date of sanctions including Heating & Ventilation products. As part of the strategic planning process, the Company has accordingly updated its revenue estimates for the area concerned.

- from a supply chain perspective, electronic boards for the Heating segment are being produced regularly at the plant of a U.S. multinational supplier located in Ukraine, near the western border. In order to mitigate supply-related risk, the Company has reduced purchase quotas and, in order to reduce operational and business continuity risks, the Group has decided to initiate an electronic board insourcing plan, which is proceeding according to schedule.

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.

In 2023, the research and agreement of external partnerships aimed at accessing specialist resources and accelerating the development of new products continued. In this regard, we report in particular:

- the strategic agreement, signed in November 2022, with a leading player in the water metering sector (GWF) aimed at creating a joint venture for the development and production of an ultrasonic flow meter;

- the agreement to acquire a minority stake in UpSens, an SME which specialises in developing devices for monitoring (standard and custom) indoor environmental parameters, with specific expertise in air quality, completed on January 17, 2023;

- the incorporation on July 7, 2023 of Hybitat Srl, the joint venture between SIT and E-novia for the development of a new hydrogen generation and storage system for residential use.

The established collaboration policy with leading universities and research centres continues, particularly in the STEM area.

In early 2023, the new research and development laboratories at the new headquarters became operational.

Please make reference to the section titled ESG Risks – Climate Change for a comprehensive description of the management policies adopted with regard to innovation risks arising from the energy transition.

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 2023, 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 period, respectively of revenues and purchase cost of raw materials, consumable materials and goods, broken down by currency.

Total revenues by currency:

(Euro thousands)	H1 2023	% Revenues	H1 2022	% Revenues
EUR	131,194	78.6%	136,009	69.8%
USD	21,364	12.8%	41,157	21.1%
CNY	8,778	5.3%	10,759	5.5%
AUD	2,870	1.7%	3,767	1.9%
MXN	2,299	1.4%	2,250	1.2%
GBP	350	0.2%	758	0.4%
Other	19	0.0%	21	0.0%
Total	**166,875**	**100%**	**194,722**	**100%**

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

(Euro thousands)	H1 2023	% Purchases	H1 2022	% Purchases
EUR	61,492	64.7%	80,341	63.3%
USD	25,226	26.6%	37,573	29.6%
CHF	4,264	4.5%	3,820	3.0%
CNY	2,073	2.2%	2,921	2.3%
RON	1,477	1.6%	1,369	1.1%
MXN	296	0.3%	660	0.5%
TND	128	0.1%	155	0.1%
Other	18	0.0%	15	0.0%
Total	**94,974**	**100%**	**126,854**	**100%**

During H1 2023, 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, 2023 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)	June 30, 2023
Currency	
Euro	16,043
US Dollar	4,292
Chinese Yuan	2,485
Mexican Peso	608
Australian Dollar	219
Other currencies	127
Total	**23,773**

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 773 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, 2023, the Group has outstanding medium- to long-term loans with a total nominal principal amount of Euro 138.0 million. These loans are currently hedged through interest rate swaps or through fixed-rate interest in the amount of Euro 115.1 million, equivalent to 83.4% of the underlying value. The average fixed coverage rate is 1.11%.

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

Sensitivity Analysis

At parity of other conditions, the effects deriving from a hypothetical increase of 300 basis points of the variable interest rate would result in an increase in financial charge for SIT for H1 2023 of Euro 492 thousand, taking into account the hedging in the period.

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 first half of 2023 saw the inflation evident in 2022 continue, impacting the industrial supply market for raw materials and components, most commodity categories, and the energy market. The energy market, on the other hand, has seen market dynamics and prices reverse.

The electronic component shortage which severely impacted supplies in 2022 appears to have abated in the first half of 2023, allowing procurement policies to be executed through the ordinary supply channels. The segment however continues to see very long lead times.

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.

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

For further information on the composition of receivables, reference should be made to Note 7.

Working capital

The Heating & Ventilation segment slowdown in 2023 highlighted a working capital management risk, with particular regard to the management of inventory.

Following the strong post-pandemic market recovery, the Company has encountered a number of issues related to shortages of raw materials and production-related components. In order to mitigate this risk, while maintaining an adequate level of customer service in terms of production and delivery times, the Group has carried out a series of actions to ensure the efficiency of its supply chain, with particular reference to the procurement of critical components such as electronics. This policy, which proved effective in 2022, resulted in the emergence of a risk related to the increase in inventory following the significant drop in demand in 2023. The issue particularly concerns the Heating segment of the business.

At 30.06.2023, inventories totalled approx. Euro 99 million, broken down between raw materials (Euro 57 million) and semi-finished and finished products (Euro 42 million).

Given this situation, the Company has decided to introduce policies to reduce the amount of inventory:

- with reference to raw materials, the Company applied a conservative approach to suppliers, cancelling or postponing a portion of non-critical supplies in view of the slowdown in production;

- in reference to finished products, stricter conditions were applied to customers regarding the management of orders in portfolio, allowing cancellation only with adequate notice consistent with production and delivery times.

In general, significant inventory reduction targets have been set from the end of 2023, consistent with the need to mitigate risks related to working capital.

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 - thanks also to its credit standing - does not usually present particular risks related to the sourcing of funding.

SIT therefore adopted the following policies designed to optimise the management of financial resources by reducing liquidity risk:

- maintenance of an adequate level of liquidity;
- proactive management of relationships with the financial and banking markets and the maintenance 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 in correlation with the underlying market conditions.

In the first half of 2023, the contraction of Heating & Ventilation division sales - as a result of that outlined in the Sales overview section - led to a reduction in self-financing, which was only partially offset by the reduction in commercial working capital, while the out-of-court settlement in the period for the dispute with a customer impacted cash flows, in addition to the outlay for operating investments, including for the advancement of the new headquarters, leading to a situation of financial pressure.

The following funding transactions were therefore carried out in the period in order to support current operations and the liquidity for operating activities: a loan with BPER for a nominal amount of Euro 5 million, with 24-month duration, and a loan with Monte dei Paschi di Siena for a nominal amount of Euro 5 million, with 12-month duration. Both loans are unsecured with a variable interest rate and a spread of 1.25% and 0.8% respectively.

Through these transactions finalised during the first half of 2023 and an increase in the use of existing bank credit lines for working capital needs, the Group substantially kept the level of cash and cash equivalents unchanged during the period by meeting all maturing financial commitments.

With regards to future liquidity development, monitored through the drawing up of a monthly cash plan, the Company considers that over the coming 12-18 months current operating and investment activity cash flows shall be mostly focused in the first half of 2024, in particular in view of Heating & Ventilation sales in line with recent quarters. Both variable and overhead cost-cutting actions, which are being implemented, will help mitigate the financial impact of this trend, while working capital reduction efforts will continue, due in part to the normalisation of supply market conditions. The contribution of the Metering division is expected to be positive.

With regards to the tools to ease the financial tension outlined above, the cash plan considers the assumptions currently under negotiation with the credit institutions to obtain a new additional loan, in addition to the redefinition of the covenants for the upcoming maturities. In this context, corrective actions and room for further action in operational management and financial management have been identified to mitigate liquidity risk over the period under consideration.

In light of the above and taking into account the maturing financial payables in terms of repayment and debt service, the additional liquidity requirements are considered to be of such an amount and maturity that they do not pose a significant liquidity risk, including in relation to the additional credit lines obtained after June 30, 2023 and the state of ongoing negotiations with the major lenders.

A number of funding transactions stipulate covenants based on financial statement items, 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, to be calculated according to the definitions therein, are the (i) ratio between net financial position and EBITDA, (ii) the ratio between EBITDA and net financial charges and (iii) the ratio between debt and equity.

In view of the operating-financial performance for the period, at the beginning of June the Company presented to the lenders a prior request for consent for non-compliance with one of the contractual covenants (ratio between net financial position and EBITDA) at June 30, 2023.

By letter of acceptance dated June 30, 2023, the Company's lenders granted a waiver on the covenant in question by setting a new level for the recognition period and inserting a new monthly covenant for a certain minimum level of Group-wide cash holdings.

At June 30, 2023, the new covenant level (ratio of net financial position to EBITDA) was met. Similarly, the minimum level of liquidity as of the first recognition date was met.

In the letter of consent, a date by which the company commits to present a new business plan was also agreed, as outlined below in this half-year report, with the goal of negotiating new covenant levels for subsequent maturities, as the covenants established under the current contracts are not compatible with the short and medium-term Group profitability and financial outlook.

Operating risks

Supply chain

In recent years, global events related to the pandemic, the geopolitical instability deriving from the Russia-Ukraine conflict and the tensions between the United States and China in the Pacific, in addition to the resurgence of inflation linked to the volatility of energy prices, have led to a reassessment of the role of the supply chain at the company.

The resulting new operating paradigm seeks to obtain components, materials and services at the right price, on time and with a high level of quality, while promoting ethics and sustainability, the development of stable relationships, and finally ensuring innovation and technological development throughout the supply chain.

We consolidated the supplier management process in 2023 through the application of ESG criteria in the engagement, evaluation and selection phase. The Company therefore drew up appropriate policies to increase the contractual coverage of suppliers in pursuit of more transparent, stable relations.

The risks related to component procurement evident in 2022 receded in 2023, particularly in terms of electronics and the company was able to offset the relative increase of costs through appropriate customer pricing policies.

Taking into account the high inflation rate in the current year, however, the risks of high volatility in the costs of several commodity categories remain, and in particular: electronic components, batteries, industrial metals and packaging.

The impact of energy costs turned out to be more subdued than originally forecast, at least in the first half of the year.

Currently the shortage of electronic components for 2023 appears under control, however, there remains a possibility that a hypothetical shortage and/or significant fluctuations of the price of purchasing the materials concerned could in future have an adverse effect on the Company's business, financial performance, financial position, operating results and outlook.

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.

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).

Between 2022 and 2023, the Company has introduced a new Quality organisation, based on the “platform quality manager” role - professionals specialised in the individual business segments (electronics, valves and systems, fans and flues, metering) who guarantee the application of high product quality standards and are responsible for certification and testing activities.

The Company pays particular attention to compliance issues related to the use of hazardous substances or pollutants in its production processes and products, including with regard to its supply chain. For these purposes, a "trade compliance" software platform is being introduced in order to ensure the compliance of direct suppliers with the main applicable international rules and standards (e.g. RoHs & Reach, Dual Use, Conflict Minerals).

Please make reference to the Research and Development and Quality Control Activities section for a more detailed explanation of the activities carried out during the year.

Legal and compliance risks

Compliance with laws and regulations

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 Euronext Milan market, 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.

Contractual risks

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...).

Insurance Coverage

In the first half of 2023, the Company worked with its insurance broker to continue the monitoring and assessment of the types of risks deemed relevant for insurance purposes and the coverage opportunities offered by the market, confirming the insurance structure in place.

In particular, all Group companies insurance policies were renewed for the coverage of the principal risks such as: third party and employee civil liability; product liability; directors, statutory auditors, executives and managers liability; damage to company property, including damage from the interruption to production, in addition to goods, also during transport and finally injury to employees in the exercise of their duties. Other policies have been taken out locally to protect specific local needs and/or regulations.

ESG risks

Climate Change

The risk pertains to the potential consequences of climate change on SIT’s activities, assessed from a dual materiality perspective.

On the one hand, the Company's business development needs to take into account the potential impacts of increasing global temperatures, particularly in relation to “transition risks,” which include:

- the introduction of new regulations and product standards;
- the development of new technologies that use energy sources other than gas;
- the evolution of market demand toward low-carbon and/or energy-efficient applications.

There is also a need to assess possible "physical risks" related to the rise in catastrophic natural events (floods, droughts, earthquakes) over time, which could have an impact on the Group's business continuity.

SIT has been proactively committed to these causes for some time by continuously monitoring the development of industry regulations. The Company has also participated in debates with regulatory bodies in the sectors in which it operates, at both the national and international level. It also engages in constant communication with its main stakeholders.

The process of developing new products and solutions is inspired by the logic of eco-design, paying special attention to carbon footprint profiles and environmental impact in general. SIT has ensured its products are ready for the use of alternative fuel sources (primarily hydrogen and biomethane).

Business differentiation and market response strategies are geared towards new "green" technologies. The Company is investing heavily in these areas by collaborating with some major customers in technology partnership projects and diversifying its business into market segments that prioritize sustainability topics, such as controlled mechanical ventilation and heat pumps.

The Company has adopted appropriate emergency management procedures to safeguard business continuity against physical risks. The Company constantly monitors these types of risks through property and business continuity risk assessment activities, with the use of specialized insurance consulting firms.

The second perspective related to climate change risk assessment involves exploring how the Company can combat climate change by adopting specific measures to mitigate the environmental impact of its operations. This can be achieved by reducing its carbon footprint, in addition to cutting emissions and consumption. By aligning its strategies with the carbon neutrality objectives set by the international community, the Company intends to contribute to the enhancement of community well-being as a whole.

SIT can be regarded as a leader in this particular area because:

- it has certified its product carbon footprint measurement system and its organisational carbon footprint (GHG inventory) as per the ISO rules;
- as a crucial step, it has integrated CFP measurements into its product development process, taking environmental impact into consideration alongside economic and financial evaluations;
- it has established a long-term plan to reduce CO_2 emissions (scopes 1 and 2), in line with European Community targets;
- it is actively engaged in specific projects to limit Scope 3 emissions, which involve significant participation from its value chain;

The Company anticipates no significant medium-term consequences on the development of its business, as it has already factored in potential changes in demand for its products and solutions through strategic planning, which involves conducting relevant scenario analyses.

Over the long term, the Company is carefully monitoring the debate, particularly within the European Union, related to the technological transition towards food and energy, the outcome and impact of which on the Company's business are not currently foreseeable.

The Company will continue assessing the potential risks related to the energy transition aimed at preparing strategic plans in line with changes in applicable laws and regulations and with the targets of the Sustainability Plan in this regard.

As mentioned, the Company is increasingly investing in market segments that prioritize sustainability concerns. This includes areas such as controlled mechanical ventilation and heat pumps, in addition to investments in products compatible with alternative energy sources such as hydrogen and biomethane.

Environmental impact risk

The principal risks in this domain relate to the management of business operations, encompassing the entire value chain.

The evaluations include impact factors related to evolving environmental regulations, monitoring and containing pollutant emissions, managing energy consumption and natural resources, and ensuring appropriate disposal or reuse of waste.

In this regard, SIT ensures strict compliance with environmental regulations in all countries in which it operates. The Group's main production plants are environmentally certified (ISO 14001:2015), and its Rovigo die-casting plant possesses an Integrated Environmental Authorization.

Environmental risks are closely monitored across all levels of the organization through the adoption of suitable structures and procedures. This is to ensure conformity with regulations, in addition to the performance of regular audits and monitoring controls. SIT also relies on independent laboratories and certifying bodies to guarantee the accuracy of the collected data and compliance with regulations.

SIT is subject to periodic audits by environmental supervisory authorities, which are carried out with full transparency and proactive cooperation.

The Company is dedicated to undertaking actions to reduce emissions, optimize energy consumption efficiency, and promote recycling and resource reuse in its production processes.

Similarly, in this case, the Company's risk level is considered to be medium-low. This is due to the significant absence of major events linked to the environmental impact of SIT's operations in its history and the positive results of periodic audits carried out by regulatory authorities.

Looking ahead, the Company adheres to the highest standards regarding the adoption of measures to minimize its environmental footprint, which can be deemed appropriately proportional to the environmental impact it generates.

Protecting occupational health and safety

The assessed risk relates to SIT's failure to adopt appropriate policies and actions to safeguard the health and safety of Group employees and contractors.

SIT is equipped with an organizational safety structure that reflects the requirements of the most advanced management systems. The same procedures and behavioural principles are applied across the entire Group, as in the case of its Italian production plants, which are governed by the strictest regulations.

Each plant has designated company representatives specifically responsible for Health, Safety & Environment matters. These representatives are coordinated in Italy by the Employer in compliance with the provisions of Legislative Decree No. 81/2008. At the global level, these teams are overseen by the Group's HSE Manager, who conducts regular inspections to guarantee compliance with local and international regulations, provide specialized training to local representatives, and develop and execute relevant mitigation plans for identified non-compliance risks.

The entire safety management system is based on the presence of the appropriate certifications issued by local supervisory authorities, the establishment and execution of safety plans, and specific tools for reporting, analysing, assessing, managing, sharing, and reporting (by the production plants to the Parent Company) potentially relevant and/or improvable conditions and events concerning the aspects of health, safety, and the environment.

Absolute importance is given to accident prevention through regular training and refresher courses for workers.

Over the years, SIT has not detected any significant concerns related to this risk type through the activities mentioned above and is consistently striving to improve and monitor the working conditions of its employees and collaborators, thereby retaining a low-risk profile.

Human Rights

This risk relates to the potential violation of human rights within the scope of activities carried out by SIT, with extension to the monitoring of policies and actions taken by the Group's main stakeholders.

SIT continues to significantly invest in reviewing its ESG policy framework.

In this context, special attention was paid to the matter of human rights, which was included ex-novo as a material topic in the NFS. In this sense, SIT has made efforts to:

- update its Code of Ethics, devoting special attention to the respect and protection of fundamental rights within the value chain;
- draft and publish the Group's Human Rights Policy;
- draft and publish a policy dedicated to diversity and inclusion (D&I) topics.

Joining the United Nations Global Compact represents another important step in the Company's commitment to fully adopting principles related to social, environmental, and anti-corruption issues.

In 2023, SIT is working for the full adoption and circulation of the above policies within the Group and monitor their results through appropriate KPIs.

SIT has also completed the process of "equal opportunity certification" under UNI/PdR 125:2022, issued by the Kiwa certifying body. This certification, which is valid for three years and is subject to annual monitoring, saw SIT perform well in all six areas that the certification investigates: Culture and Strategy; Governance; HR Processes, Growth Opportunities and the Inclusion of Women in Business, Gender Pay Equity, and Parenting Protection and Work-Life Balance.

Active and passive corruption

The risk pertains to the adoption of conduct that may lead to the commission of corruption offenses by SIT employees, collaborators, or relevant stakeholders in the management of Company activities or in the context of business relations.

In general, the Company takes a zero-tolerance approach to corruption and has prepared and adopted appropriate policies and procedures to prevent risks of this nature.

The Group's Italian companies have adopted Organization, Management, and Control Models in accordance with the regulations set out in Legislative Decree No. 231/01. These models establish behavioural rules and control principles that stakeholders must adhere to, with specific reference to corruption offenses. At the international level, basic principles are defined by the Code of Ethics and dedicated procedures and policies.

In 2023, the Company is reviewing its Anti-Corruption Policy that will be issued and rolled out at Group level, through appropriate risk assessment activities, employee training, and dedicated monitoring tools.

The Company is also preparing appropriate reporting mechanisms in connection with the entry into force of Legislative Decree No. 24/2023, implementing the 2019/1937 European Directive on "whistleblowing", including the issuance of a dedicated Policy.

The Company historically has not experienced incidents of corruption and has a medium-low profile of exposure to this type of crime, but constantly works to maintain high standards of ethics and integrity.

IT risks

Cyber risks mainly concern:

- improper use by SIT employees and collaborators of the IT infrastructure and devices that the Company makes available for the performance of their work duties;
- the Company’s exposure to cyber attacks, which could compromise the normal course of business processes/activities and/or the theft or loss of sensitive data, even going so far as to compromise business continuity.
- SIT’s IT Department has appointed specific professionals with experience in cyber security and annually defines a risk assessment and management program that includes:
- a system of internal policies and procedures that outline the main rules for the use of corporate IT resources by employees, including the regulation of physical and digital access to data and information;
- the continuous updating of IT infrastructure at both the HW and SW level to ensure the best active and passive protection solutions against external attacks (viruses, ransomware, phishing, etc.);
- a program of penetration testing and vulnerability assessments, to identify potential gaps in IT infrastructure and draft appropriate remediation plans related to detected non-conformities.
- extensive training for all employees with digital identities on cyber risks.

The Company in 2023 strengthened its safeguards and stepped up control activities to mitigate cyber risks, maintaining a risk profile in line with the best applicable benchmarks.

Tax risk

SIT's approach to taxation complies with the provisions of its Organization, Management and Control Models pursuant to Legislative Decree No. 231/2001, with particular attention paid to the special sections dedicated to tax offences. This approach is based on the principles of prudence, responsibility, consistency, and transparency towards the Company's stakeholders, including the Tax Authorities. All Group activities comply with the relevant tax regulations and tax planning activities are always aligned with business activities.

Individual entities belonging to the Group must comply with the principle of lawfulness and apply the tax legislation of the jurisdiction in which it operates to ensure that regulations are observed.

The Group has adopted a set of rules, procedures and principles that are part of its wider system of organization and control and which are to be considered fundamental points of reference with which all parties are required to comply, in accordance with the type of relationship they have with the Group.

In order to promote transparency and cooperation with the tax authorities, the Group prepares specific documentation on transfer pricing in compliance with OECD Guidelines.

Based on specific transactions or issues, the Finance, Control & Administration Department is supported by external consultants (including specialists in transfer pricing, direct/indirect taxes, and taxes withheld and paid on behalf of employees) in order to ensure the best approach in line with lawful and transparent behaviour.

It should be emphasized that, over the years, the entities belonging to the Group have not been subject to investigations that have revealed fraudulent behaviour and/or behaviour aimed exclusively at obtaining a reduction in the tax burden.

INTER-COMPANY AND RELATED PARTY TRANSACTIONS

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

SIT exercises management 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.

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.

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.

SIT, 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 2022-2024. 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 Technologies S.p.A. as the consolidating entity and the other companies as consolidated entities, as approved by their respective governing bodies. The subsidiary SIT Metering S.r.l. joined the National Tax Consolidation procedure for the three-year period 2023-2025, 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, 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. In 2021, the subsidiary SIT Metering S.r.l. also joined the Group VAT procedure and from the current year the parent company Technologies SAPA di F.D.S. S.S. also joined.

TREASURY SHARES

At June 30, 2023, the Company held 800,409 ordinary treasury shares, without par value, equating to 3.19% of the share capital. No new share purchases were made in the period.

SUBSEQUENT EVENTS AND OUTLOOK

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

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

Also in July, SIT agreed with Banca Intesa a new credit line to support current operations for working capital needs, specifically to fund Smart Gas Metering growth. This revocable line is for Euro 5 million.

With Monte dei Paschi di Siena, an RCF - Revolving Credit Facility transaction was completed for Euro 4 million, dedicated to the above Hybitat initiative and the funding and development of the smart water meter, which has now entered the industrialisation phase. Both initiatives are of strategic value and whose financial needs are best supported by a flexible line such as the specific RCF, which is committed and has a 24-month duration.

As outlined in the Liquidity risk paragraph of the Financial risk section, in this regard a letter of consent was obtained from the main lenders regarding a waiver on the covenant regarding the net financial position on EBITDA at June 30, 2023, with a date agreed by which a new business plan should be presented in order to negotiate new covenant levels on the existing financial transactions, as the covenants under current contracts were not compatible with the Group's short and medium-term profitability and financial outlook. The business plan was approved by the Board of Directors on July 12, 2023 for the Smart Gas Metering and Water Metering divisions and on September 15, 2023 for the Heating & Ventilation division, while subject to an Independent business review (IBR) carried out by a leading strategic consultancy firm which analysed the main risk profiles for revenues within the plan of the three Group business units, Heating & Ventilation, Smart Gas Metering and Water Metering, indicating that such are mainly concentrated in the medium to long-term outlook for the new applications and traditional applications, following the advancement of the technology transition. The IBR however did not indicate any elements of unreasonableness regarding the main assumptions underlying the revenue levels set out in the plan.

In terms of the outlook, typical Heating & Ventilation sector seasonality shall not be apparent in 2023 and the current level of volumes is likely to continue into the first half of 2024. The reasons consists of the continuance of the factors which resulted in the 2023 reduction - due to the cancellation of incentives and the economic situation impacting household's capability to spend - operating against a background of high supply chain stock levels.

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

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

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

With regards to future liquidity development, monitored through the drawing up of a monthly cash plan, the Company considers that over the coming 12-18 months current operating and investment activity cash flows shall be mostly focused in the first half of 2024, in particular in view of Heating & Ventilation sales in line with recent quarters. Both variable and overhead cost-cutting actions, which are being implemented, will help mitigate the financial impact of this trend, while working capital reduction efforts will continue, due in part to the normalisation of supply market conditions. The contribution of the Metering division is expected to be positive.

With regards to the liquidity management tools, the cash plan considers the assumptions currently under negotiation with the credit institutions to obtain a new additional loan, in addition to the redefinition of the covenants for the upcoming maturities. In this context, corrective actions and room for further action in operational management and financial management have been identified to mitigate liquidity risk over the period under consideration.

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

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Padua, September 29, 2023

The Chairperson of the Board of Directors

(Mr. Federico de’ Stefani)

CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2023

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

(Euro.000)	Note	30/06/2023	31/12/2022
Goodwill	1	70,946	87,946
Other intangible assets	1	52,929	55,276
Property, plant and equipment	2	104,015	106,103
Equity investments	3	630	630
Non-current financial assets	4	4,355	5,186
Deferred tax assets	5	15,486	10,492
Non-current assets		**248,361**	**265,633**
Inventories	6	98,933	91,352
Trade receivables	7	52,512	63,800
Other current assets	8	17,890	12,597
Tax receivables	9	2,635	2,280
Other current financial assets	4	7,030	6,269
Cash and cash equivalents	10	23,792	23,535
Current assets		**202,792**	**199,833**
Total assets		**451,154**	**465,466**
Share capital	11	96,162	96,162
Total Reserves	12	71,732	58,120
Net Profit/(loss)		(18,150)	11,213
Minority interest net equity		-	-
Shareholders' Equity		**149,744**	**165,495**
Medium/long-term loans and borrowings	13	69,583	77,968
Other non-current financial liabilities and derivative financial instruments	14	52,479	53,553
Provisions for risks and charges	15	8,029	13,844
Post-employment benefit provision	16	5,046	5,093
Other non-current liabilities		18	4
Deferred tax liabilities	17	13,890	15,005
Non-current liabilities		**149,045**	**165,467**
Short-term loans and borrowings	18	47,847	23,551
Other current financial liabilities and derivative financial instruments	19	7,359	5,235
Trade payables	20	76,513	81,400
Other current liabilities	21	20,138	23,113
Financial instruments for Warrants	22	-	0
Tax payables	23	508	1,205
Current liabilities		**152,365**	**134,504**
Total Liabilities		**301,410**	**299,971**
Total Shareholders' Equity and Liabilities		**451,154**	**465,466**

CONSOLIDATED INCOME STATEMENT

(Euro.000)	Note	H1 2023	H1 2022
Revenues from sales and services	**24**	**166,875**	**194,722**
Raw materials, ancillaries, consumables and goods	25	94,974	126,854
Change in inventories	25	(6,679)	(26,666)
Service costs	26	24,002	27,317
Personnel expense	27	40,463	42,543
Depreciation, amortisation and write-downs	28	33,405	13,334
Provisions	29	442	351
Other charges (income)	30	225	482
Operating Profit/(loss)		**(19,957)**	**10,507**
Investment income/(charges)		-	-
Financial income	31	326	8,239
Financial charges	32	(3,456)	(1,960)
Net exchange gains (losses)	33	286	20
Impairments on financial assets		-	-
Profit/(loss) before taxes		**(22,801)**	**16,806**
Income taxes	34	4,651	(2,582)
Net profit/(loss) for the period		**(18,150)**	**14,224**
Minority interest result		-	-
Group net profit/(loss)		**(18,150)**	**14,224**

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(Euro.000)	**H1 2023**	**H1 2022**
Net profit/(loss)	**(18,150)**	**14,224**
Other comprehensive income statement items which may be subsequently reclassified to the income statement for the year, net of taxes:		
Net change in cash flow hedge reserve	(501)	2,953
Income taxes	120	(709)
Total unrealised financial asset gains/(losses)	**(381)**	**2,244**
Translation of financial statements in currencies other than the Euro	2,273	2,765
Total of other comprehensive income statement items which may be subsequently reclassified to the profit/(loss) for the year, net of taxes	**1,893**	**5,009**
Other comprehensive income statement items which may not be subsequently reclassified to the profit/(loss) for the year, net of taxes:		
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	**1,893**	**5,009**
Total comprehensive income/(expense) for the period	**(16,257)**	**19,233**
Total comprehensive income/(expense) for the period attributable to:		
Parent company shareholders	**(16,257)**	**19,233**
Minority shareholders	-	-
Basic earnings per share	**(0.7460)**	**0.5844**
Diluted earnings per share	**(0.7460)**	**0.2533**

CONSOLIDATED CASH FLOW STATEMENT

(Euro.000)	Note	H1 2023	H1 2022
Net profit/(loss)		(18,150)	14,224
Amortisation & depreciation	1 - 2	33,188	13,324
Non-cash adjustments		1,657	602
Income taxes	34	(4,651)	2,583
Net financial charges/(income)	31 - 32	3,131	(6,281)
CASH FLOW FROM CURRENT ACTIVITIES (A)		**15,175**	**24,452**
Changes in assets and liabilities:			
Inventories		(5,892)	(26,344)
Trade receivables		12,285	(6,527)
Trade payables		(5,845)	16,540
Other assets and liabilities		(14,629)	(3,469)
Income taxes paid		(2,321)	(2,868)
CASH FLOW GENERATED (ABSORBED) FROM CHANGES IN WORKING CAPITAL (B)		**(16,402)**	**(22,669)**
CASH FLOW FROM OPERATING ACTIVITIES (A + B)		**(1,227)**	**1,783**
Investing activities:			
Investments in property, plant & equipment		(8,892)	(9,374)
Other changes in property, plant & equipment		(2)	201
Investments in intangible assets		(1,525)	(246)
Other changes in intangible assets		-	-
Investments in financial assets		(91)	-
Other changes in financial assets		6	-
Other cash flows from current financial assets		(800)	(2,300)
CASH FLOW FROM INVESTING ACTIVITIES (C)		**(11,304)**	**(11,719)**
CASH FLOW FROM OPERATING & INVESTING ACTIVITIES (A + B + C)		**(12,531)**	**(9,936)**
Financing activities:			
Interest paid		(3,219)	(1,432)
Repayment of non-current financial payables	19	(10,982)	(9,998)
Increase (decrease) current financial payables		19,593	1,180
Increase (decrease) other financial payables	19 - 35	(1,521)	(1,373)
New financing	19	10,000	25,000
Dividend payments	12	-	(7,294)
Treasury shares	12	-	(470)
CASH FLOW FROM FINANCING ACTIVITIES (D)		**13,871**	**5,614**
Change in translation reserve	12	(1,083)	758
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)		**257**	**(3,564)**
Cash & cash equivalents at beginning of the period		**23,535**	**46,667**
Increase (decrease) in cash and cash equivalents		257	(3,564)
Cash & cash equivalents at end of the period		**23,792**	**43,103**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

					Other reserves										
	Share capital	**Share premium reserve**	**Treasury shares reserve**	**Legal reserve**	**Currency conversion difference**	**Allocation employee L.T.I. reserve**	**Cash flow hedge reserve**	**Capital payments**	**Actuarial reserve**	**Extraordinary reserve**	**Retained earnings (accum. losses)**	**Net profit/(loss)**	**Group shareholders' equity**	**Minority interest capital & reserves**	**Total Group and Minority Interest Shareholders' Equity**
December 31, 2022	**96,162**	**10,360**	**(6,733)**	**19,232**	**(4,328)**	**1,053**	**4,219**	**16,615**	**(214)**	**1,721**	**16,196**	**11,213**	**165,495**	**-**	**165,495**
Impact from initial application of accounting standards	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
January 1, 2023	**96,162**	**10,360**	**(6,733)**	**19,232**	**(4,328)**	**1,053**	**4,219**	**16,615**	**(214)**	**1,721**	**16,196**	**11,213**	**165,495**	**-**	**165,495**
Allocation of the 2022 result	-	-	-	-	-	-	-	-	-	-	11,213	(11,213)	-	-	-
Comprehensive income H1 2023	**-**	**-**	**-**	**-**	**2,273**	**-**	**(381)**	**-**	**-**	**-**	**-**	**(18,150)**	**(16,257)**	**-**	**(16,257)**
Assignment L.T.I. to employees	-	-	-	-	-	512	-	-	-	-	-	-	512	-	**512**
Dividends	-	-	-	-	-	-	-	-	-	-	(0)	-	(0)	-	**(0)**
Other movements	-	-	-	-	-	-	-	-	-	-	(5)	-	(5)	-	**(5)**
Acquisition of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
June 30, 2023	**96,162**	**10,360**	**(6,733)**	**19,232**	**(2,054)**	**1,565**	**3,838**	**16,615**	**(214)**	**1,721**	**27,403**	**(18,150)**	**149,745**	**-**	**149,745**

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 Euronext Milan 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, 2023 and June 30, 2023 was approved by the Board of Directors, who also approved its publication with motion of September 29, 2023.

ACCOUNTING PRINCIPLES

The condensed consolidated half-year financial statements of the SIT Group at June 30, 2023 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, 2022.

The consolidated financial statements comprise:

- the Consolidated balance sheet classified by current and non-current assets and liabilities based on their realisation or settlement within the normal operating cycle,
  not more than 12 months subsequent to the reporting date;
- the Consolidated income statement which classifies costs and revenues by type, which is considered a better representation of the Group performance than a segment breakdown.
- the Consolidated comprehensive income statement;
- the Consolidated cash flow statement prepared in accordance with the indirect method;
- the statement of changes in consolidated shareholders' equity and
- corresponding explanatory notes containing the disclosure required by applicable legislation and by the reference international accounting standards.

The Consolidated Financial Statements have been prepared based on the historical cost principle, except for derivative financial instruments and financial liabilities for warrants, which have been recognised at fair value.

These consolidated financial statements are presented in Euro, the functional currency of the parent company and all amounts are rounded to thousands of Euro, except where otherwise indicated.

The consolidated financial statements fulfil the requirement for a true and fair view of the balance sheet, financial position, income statement and cash flows of the Group, in compliance with the general principles of going concern, the accruals concept, reliable presentation, correct classification, prohibition of offsetting and comparability of information.

The accounting standards and policies applied for the preparation of the consolidated financial statements at June 30, 2023 are the same as those adopted for the consolidated financial statements at December 31, 2022.

Going concern

Group revenues in the first half of 2023 contracted 14.3% on the first half of 2022. This mainly relates to the Heating & Ventilation division, whose revenues in the period declined 21.8% on the first half of the previous year, with Q2 down 25.8% on the second quarter of the previous year. The Metering division performed strongly, reporting growth of 24.1% in the first half of the year. In 2023, the significant reduction in the incentives that had supported the market throughout Europe in recent years and the increased uncertainty regarding the legislative framework for the technological transition, alongside the reduced spending capacity of households as a result of continuing high inflation and rising interest rates, have combined to impact the Heating segment, particularly with regard to combustion appliances (gas boilers).

These end market demand dynamics have emerged in a segment in which the entire chain presented excess stock due to the significant procurement efforts made to deal with supply difficulties (in particular for electronics) in 2022.

As the Heating & Ventilation division is a supplier of components to the segment OEM's, the Group was impacted by the market performance, with a significant decrease in revenues on the previous year and against the set objectives. This resulted in, together with the financial impact of the out-of-court settlement reached with a customer for a dispute regarding the quality of certain products, a situation of financial tension.

Against this backdrop, the company drew up for the main lenders a prior waiver request against the expected inability to comply with, at June 30, 2023, the "net financial position on EBITDA" covenant. This waiver was granted by the credit institutions with letter of acceptance dated June 30, 2023.

This letter of consent set a deadline by which the Company will submit a new business plan to the lenders to negotiate new covenant levels on subsequent recognition dates, as the parameters under the current contracts are not compatible with the Group's short and medium-term profitability and financial prospects. This business plan, drawn up with reference to the Group and referring to the 2023-2027 period, was approved by the Board of Directors on September 15, 2023 and presents the revised guidelines for the Group's development in the changed context that takes into account the expected contraction of the gas-fired home heating market as a result of the ongoing technological transition. These guidelines are mainly based on the introduction and development of new products in growth sectors, such as heat pumps, controlled mechanical ventilation, and range hood ventilation, which leverage existing Group technologies and markets that require specific investments for product development. Similarly, growth of product segments and markets where combustion shall remain prevalent is expected (commercial applications, both natural gas and hydrogen). Finally, the plan reflects the expected recovery of the US market, currently contracting in view of general economic conditions in the gas fireplace segment, and as a result of the damage to image caused by the above water heating segment dispute.

Metering development guidelines, both for Smart Gas Metering and Water Metering, are similarly defined and based on the significant investments that the sector utilities are scheduling and deploying for the digitalisation and modernisation of distribution networks.

The Directors indicate that this plan is based on a set of scenarios that also include assumptions regarding future events that may not necessarily occur in the timeframe and manner envisaged. The plan was therefore subject to an IBR - Independent business review by a leading strategic consulting firm, which analysed the underlying strategic rationale and the main risk profiles in the revenue forecasts in the plan for the Group's three business units, Heating & Ventilation, Smart Gas Metering and Water Metering. The

IBR highlighted that the main elements of risk are principally concentrated in the medium to long term outlook related to new applications and traditional applications, given the uncertainty associated with the advancement of the technology transition. The IBR, however, did not reveal any elements of unreasonableness upon the main assumptions underlying the development of the projected revenues in the plan.

Turning to shorter-term planning, the business plan, with respect to the years 2023 and 2024, has been detailed in a monthly cash plan so as to reflect the short and medium-term operating and financial dynamics and highlight the related needs over that time period. The above cash plan takes into account assumptions, in terms of revenue and operating cost development and working capital movements, updated with the latest market information. Planned efficiency and cost reduction actions, including planned structural actions, and certain net working capital management optimisations were also taken into account in developing the cash plan, while commitments arising from existing loan agreements were projected in terms of liquidity needs.

With regards to the tools to ease the financial tension outlined above, the cash plan considers the assumptions currently under negotiation with the credit institutions to obtain a new additional loan, in addition to the redefinition of the covenants for the upcoming maturities. In this context, corrective actions and room for further action in operational management and financial management have been identified by the Directors to mitigate liquidity risk over the period under consideration.

The Directors, after assessing the profiles of uncertainty related to the assumptions underlying the approved business plan and the cash plan for the next 12 months, consider application of the going concern assumption in the preparation of the half-yearly report as appropriate and that the uncertainties in this regard are not significant in light of the forecasts drawn up, the actions that can be taken by the Group, and considering the stage (although early) of the ongoing negotiations with the credit institutions.

IFRS Accounting Standards, Amendments and Interpretations applied from January 1, 2023

The following IFRS accounting standards, amendments and interpretations were applied for the first time by the Group from January 1, 2023:

IFRS 17 – Insurance Contracts

Published on May 18, 2017, this standard is intended to replace IFRS 4 - Insurance Contracts and was applied from January 1, 2023. 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).

Furthermore, on December 9, 2021, the IASB published an amendment called “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 was effective as of January 1, 2023, along with the application of IFRS 17, 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 adoption of this principle and the related amendment did not have any effects on the Group consolidated financial statements.

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

On May 7, 2021, the IASB published an amendment called “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.

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

On February 12, 2021, the IASB published two amendments entitled “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 were applied from January 1, 2023. The amendments were applied from January 1, 2023.

The accounting standards applied for the preparation of the consolidated financial statements at June 30, 2023 are the same as those adopted for the consolidated financial statements at December 31, 2022.

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 and Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants

The purpose of the documents is to clarify how to classify payables and other short or long-term liabilities. These amendments shall enter into force on January 1, 2024 and early application is permitted. The Directors are currently assessing the possible effects of introduction of these amendments on the Group's consolidated financial statements.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback

The document requires the seller-lessee to measure the lease liability arising from a sale & leaseback transaction so as not to recognise income or losses relating to the retained right of use. The amendments will be applicable from January 1, 2024, although advance application is permitted. The Directors do not expect this amendment to have a significant impact on the Group consolidated financial statements.

Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules

This introduces a temporary exception to the recognition and disclosure requirements for deferred tax assets and liabilities related to the Pillar Two Model Rules and sets out specific disclosure requirements for entities affected by the related International Tax Reform.

It provides for the immediate application of the temporary exception, while the disclosure requirements will apply only to financial statements for years beginning on or after January 1, 2023, but not to interim financial statements with a closing date before December 31, 2023. The Directors do not expect this amendment to have a significant impact on the Group consolidated financial statements.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements

This requires an entity to provide additional information on reverse factoring arrangements to enable users of financial statement to assess how financial arrangements with suppliers may affect the entity's liabilities and cash flows and to understand the effect of such arrangements on the entity's exposure to liquidity risk. The amendments will be applicable from January 1, 2024, although advance application is permitted. 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 Group is not 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.

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	96,162,195	100
Metersit S.r.l.	Italy	Padua	EUR	1,129,681	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.	Rep. 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	16,000	100
S.C. SIT Romania S.r.l.	Romania	Brasov	EUR	2,165,625	100
SIT Manufacturing (Suzhou) Co. Ltd	China	Suzhou	EUR	2,600,000	100
SIT Argentina S.r.l.	Argentina	Santa Fe	ARS	90,000	100
JANZ – Contagem e Gestão de Fluídos, SA	Portugal	Lisbon	EUR	1,000,000	100
Plast Alfin S.a.r.l.	Tunisia	Ben Arous	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 Ltd	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	June 30, 2023	Average H1 2023	December 31, 2022	2022 average	June 30, 2022	Average H1 2022
Mexican Peso	18.5614	19.6457	20.8560	21.1869	20.9641	22.1653
Argentinean Peso	278.5022	229.1778	188.5033	136.7767	129.8984	122.5091
Romanian Leu	4.9635	4.9342	4.9495	4.9313	4.9464	4.9457
US Dollar	1.0866	1.0807	1.0666	1.0530	1.0387	1.0934
Canadian Dollar	1.4415	1.4565	1.4440	1.3695	1.3425	1.3900
Czech Crown	23.7420	23.6873	24.1160	24.5659	24.7390	24.6485
Australian Dollar	1.6398	1.5989	1.5693	1.5167	1.5099	1.5204
Chinese Yuan	7.8983	7.4894	7.3582	7.0788	6.9624	7.0823
Tunisian Dinar	3.3577	3.3389	3.3221	3.2509	3.2186	3.2561
UK Sterling	0.8583	0.8764	0.8869	0.8528	0.8582	0.8424

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, 22	Increases	Write-downs	Amortisation	Other movements	Translation differences	Balance at June 30, 23
Goodwill	**87,946**	**-**	**(17,000)**	**-**	**-**	**-**	**70,946**
Development costs	4	-	-	(1)	-	-	3
Patent rights	9,588	108	-	(1,560)	76	10	8,220
Concessions, licences and trademarks	18,465	3	-	(831)	-	387	18,024
Other Intangible assets	25,606	78	-	(1,881)	57	(0)	23,861
Tangible Assets in progress and advances	1,614	1,337	-	-	(133)	3	2,821
Total other intangible assets	**55,276**	**1,526**	**-**	**(4,272)**	**-**	**400**	**52,929**
Total goodwill and other intangible assets	**143,222**	**1,526**	**(17,000)**	**(4,272)**	**-**	**400**	**123,875**

Goodwill

At June 30, 2023, goodwill amounted to Euro 70,946 thousand.

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.
- Euro 8,617 thousand recognised following the acquisition of the company JANZ – Contagem e Gestão de Fluídos, SA completed on December 29, 2020. The business combination was accounted for in accordance with IFRS 3.
- 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.
- Euro 17,000 thousand of write-downs as a result of impairment testing on the Heating & Ventilation CGU. Please refer to the dedicated section for further details.

As a result of the above indicated write-down, Goodwill totalling Euro 70,946 thousand at June 30, 2023 was allocated to the Heating CGU for Euro 45,122 thousand, the Smart Gas Metering CGU for Euro 17,207 thousand, and the Water Metering CGU for Euro 8,617 thousand.

Patents and intellectual property rights

The account includes the non-patented technical/production and technological know-how 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, 2023, the residual value is Euro 4,279 thousand relating to the Heating & Ventilation sector and Euro 600 thousand relating to the Smart Gas Metering sector.

The amount also includes the effects of the 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, 2023, the residual value amounts to Euro 2,155 thousand, amortised over 7 years.

The account in addition 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. The increases refer to the filing of new patents and implementation of new software.

Concessions, licenses and trademarks

The amount of Euro 18,024 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, 2023, the residual value is Euro 10,938 thousand relating to the Heating & Ventilation sector and Euro 2.059 thousand relating to the Smart Gas Metering sector.

The amount also includes the effects of the allocation of the higher price paid for the acquisition of Janz, then allocated to the Brand, for an original value of Euro 2,038 thousand. At June 30, 2023, the residual value amounts to Euro 1,529 thousand, amortised over 10 years.

Changes in the financial year are mainly related to amortisation.

Other intangible assets

This account, amounting to Euro 23,861 thousand, includes the residual value of the customer relationship identified, with reference to the Heating & Ventilation sector, 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, 2023 amounted to Euro 16,602 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, 2023, the residual value is Euro 6,005 thousand and Euro 508 thousand respectively.

This account in addition includes costs incurred for the installation of the SAP operating system, in addition to those for the acquisition of the Piteco Evolution centralised treasury operating package.

assets in progress and advances

Increases include development costs, which were capitalised during the period in relation to three new projects in the Smart Gas Metering segment for Euro 452 thousand and four new Heating & Ventilation projects for Euro 658 thousand.

IMPAIRMENT TEST

The goodwill arising from the business combination, considered as an indefinite life intangible asset, is not subject to amortisation but to an impairment test at least annually to identify any losses in value.

During the first half of 2023, the Heating market saw a significant slowdown in demand as a result of the absence of the sector incentives in place in 2022, in addition to the effects of inflation and the high interest rates on household spending capacity. This short-term dynamic is considered against the general backdrop of the energy transition toward electric heating appliances (e.g. heat pumps) in place of combustion appliances (gas boilers), which is a medium/long-term sector trend being monitored by the Company, both as an active participant in the public debate and in its relations with its technical and commercial partners. The Company in fact has at the same time taken into consideration the possible development of demand for its products and solutions and is investing in redefining its portfolio.

At June 30, 2023, the Company considered that the abrupt market slowdown and the relative impact on its operating performance, against a financial environment shaped by the high level of working capital (excess levels of inventories throughout the chain), may constitute a trigger event requiring an impairment test on the net capital employed at June 30, 2023 of the two CGU's impacted most by these factors: Heating & Ventilation and Smart Gas Metering.

Goodwill totalling Euro 87,946 thousand at December 31, 2022 is allocated to the Heating CGU for Euro 62,122 thousand, the Smart Gas Metering CGU for Euro 17,207 thousand, and the Water Metering CGU for Euro 8,617 thousand.

The impairment tests were submitted for the approval of the Board of Directors meeting of September 29, 2023, following an analysis by the Control, Risks & Sustainability Committee on September 28, 2023.

The cash flows supporting the impairment test are based on the 2023-2027 PAM business plan drawn up by Management and approved by the Board of Directors on July 12, 2023 for the Smart Gas Metering and Water Metering segments, and on September 15, 2023 for the Heating & Ventilation division, appropriately adjusted to take into account the requirements of IAS 36.

The business plan presents the revised Group guidelines within the changed environment, which takes account of the expected domestic gas heating market contraction as a result of the ongoing technological transition. These guidelines are mainly based on the introduction and development of new products in growth sectors, such as heat pumps, controlled mechanical ventilation, and range hood ventilation, which leverage existing Group technologies and markets that require specific investments for product development. Similarly, growth of product segments and markets where combustion shall remain prevalent is expected (commercial applications, both natural gas and hydrogen). Finally, the plan reflects the expected recovery of the US market, currently contracting in view of general economic conditions in the gas fireplace segment, and as a result of the damage to image caused by the above water heating segment dispute.

Metering development guidelines, both for Smart Gas Metering and Water Metering, are similarly defined and based on the significant investments that the sector utilities are scheduling and deploying for the digitalisation and modernisation of distribution networks.

The Directors indicate that this plan is based on a set of scenarios that also include assumptions regarding future events that may not necessarily occur in the timeframe and manner envisaged. The plan was subject to an IBR - Independent business review by a leading strategic consulting firm, which analysed the underlying strategic rationale and the main risk/opportunity profiles in the revenue forecasts in the plan for the Group's three business units, Heating & Ventilation, Smart Gas Metering and Water Metering.

As part of the IBR, the company of independent experts estimated the future development of the market by also assessing various scenarios for the speed of the energy transition, analysing the risks, breaking them down between outside (”market”) risks and internal risks in terms of the plan’s execution. The risk assessment separately considered the various plan growth drivers and indicated the varying degrees of risk between the growth related to the traditional business (in which the company has consolidated expertise and resources), against growth related to the new business based on electrification.

The IBR highlighted, as the most probable scenario under the 2023-2027 PAM, an overall risk expressed in terms of the value at risk, i.e. the sum of the market risk and the execution risk, which was fully incorporated into the Heating CGU impairment test. With regards to the Smart Gas Metering CGU, the identified value at risk was not significant.

The IBR, however, did not reveal any elements of unreasonableness upon the main assumptions underlying the development of the projected revenues in the plan.

It should also be noted that in carrying out the impairment activities, the Company used the support of a leading independent accounting and financial statement auditing firm, which analysed the method used and the work carried out and issued a favourable opinion on the findings.

The Company, both for the IBR and the valuation support, has sought to utilise in conducting the impairment test, whenever possible, the support of independent third parties in verifying the estimates made and the methodologies applied.

Heating & Ventilation CGU

The growth rate (g) is assumed to be 2.1%.

The Heating CGU's WACC was estimated by assuming:

- Risk free rate: calculated as a weighted average, based on a half-year period, of the specific risk free rates of the individual countries in which SIT operates, using the CGU's projected budgeted revenues for the year 2023 in the relevant country as a weighting;
- Market equity risk premium: assumed to be 5.50% based on the latest findings of the independent consulting firm Kroll and the latest broker reports studies;
- Beta unlevered: calculated as the average value of a panel of listed companies deemed comparable to the CGU's business;
- Additional risk premium: equal to 1.5%, historically considered as an element of prudence in the test. In conducting the impairment test, for the purpose of incorporating the value at risk that emerged from the IBR, it was deemed appropriate to include this estimate within the WACC for any remodulation of the rate historically used. For this purpose, a special scenario analysis was then conducted to verify that the amount of 1.5% is consistent with the value at risk that emerged in the IBR. Based on the outcomes of this analysis, it was decided to confirm 1.5% as an additional premium;
- Reference rate for calculating the cost of debt: assumed to be equal to the average, on a half-year basis, of the Euribor interbank rate with a 10-year maturity;
- Estimated spread: calculated based on the average value of market credit spreads of the panel of comparable companies used to estimate the Beta;
- Financial structure: calculated based on the average value of the financial structures of the panel of comparable companies used to estimate the Beta.

The resulting discount rate (WACC) of 10.80% reflects at the reporting date estimates of the market valuation and the cost of money and takes account of the specific and sector risk.

Considering the assumptions described above, as of the preparation date of the Half-Year Financial Statements, the recoverable value of the net capital employed of the Heating & Ventilation CGU is lower than the net carrying amounts, and therefore an impairment loss is deemed to be recognised and goodwill is written down by Euro 17 million.

The results were subject to sensitivity analysis, in order to establish how the result of the valuation process may change based on the key assumptions such as the discount rate applied to the cash flows and the growth rate. The following table summarises this sensitivity.

		WACC		
		11,02%	10,77%	10,52%
	2,31%	(18,8)	(11,8)	(4,4)
g rate	2,06%	(23,6)	**(17,0)**	(10,0)
	1,81%	(28,2)	(21,9)	(15,2)

Smart Gas Metering CGU

The growth rate (g) is assumed to be 2%.

The Smart Gas Metering CGU's WACC was estimated by assuming:

- Risk free rate: calculated as a weighted average, based on a half-year period, of the specific risk free rates of the individual countries in which SIT operates, using the CGU's projected budgeted revenues for the year 2023 in the relevant country as a weighting;
- Market equity risk premium: assumed to be 5.50% based on the latest findings of the independent consulting firm Kroll and the latest broker reports studies;
- Beta unlevered: calculated as the average value of a panel of listed companies deemed comparable to the CGU's business;
- Additional risk premium: equal to 2.5%, consistent with previous Impairment exercises;
- Reference rate for calculating the cost of debt: assumed to be equal to the average, on a half-year basis, of the Euribor interbank rate with a 10-year maturity;
- Estimated spread: calculated based on the average value of market credit spreads of the panel of comparable companies used to estimate the Beta;
- Financial structure: calculated based on the average value of the financial structures of the panel of comparable companies used to estimate the Beta.

The resulting discount rate (WACC) of 11.0% reflects at the reporting date estimates of the market valuation and the cost of money and takes account of the specific and sector risk.

As a result of the impairment process, the estimated recoverable value of Euro 42.8 million for the CGU is sufficient to ensure Headroom compared to the carrying amounts recorded in the financial statements at 30.06.2023 (Euro 36.8 million) for Euro 6.0 million.

The indifference of the WACC, i.e. the discount rate that results in a headroom (difference between the amount recoverable calculated through the value of use and the carrying amount of the CGU) of zero, is 12.2%. A sensitivity table showing the Headroom trend between the Recoverable Amount and carrying amount of NCE as a function of WACC and g-rate is shown to complement this.

		WACC		
		11,26%	**11,01%**	**10,76%**
g rate	**2,25%**	5,7	7,2	8,7
	2,00%	4,6	**6,0**	7,4
	1,75%	3,5	4,8	6,2

Water Metering CGU

In light of the performance in the first half of 2023 and the market and sector situation expected over the short and medium to long term, the Company did not consider conducting an impairment test on the CGU's capital employed at June 30, 2023.

Note 2: Property, plant and equipment

The movements in property, plant and equipment in H1 2023 are summarised below:

(Euro.000)

	Historical cost at Dec. 31, 22	**Accum. Deprec. at Dec. 31, 22**	**Balance at Dec. 31, 22**	**Of which "Right-of-use" IFRS 16**	**Historical cost at June 30, 23**	**Acc. Deprec at June 30, 23**	**Write-downs**	**Balance at June 30, 23**	**Of which "Right-of-use" IFRS 16**
Land & buildings	57,233	(27,960)	29,273	9,731	57,745	(29,377)	(2,500)	25,868	8,950
Property, plant and equipment	154,370	(123,070)	31,299	-	158,102	(128,109)		29,993	-
Industrial & commercial equipment	107,675	(96,989)	10,686	1,253	108,203	(97,516)		10,687	1,211
Other assets	14,961	(9,925)	5,036	3,557	15,345	(10,570)		4,775	3,251
Assets in progress and advances	29,823	-	29,823	-	32,692	-		32,692	-
Total property, plant and equipment	**364,062**	**(257,944)**	**106,118**	**14,541**	**372,087**	**(265,572)**	**(2,500)**	**104,015**	**13,413**

The following tables outline the changes in the historic cost and accumulated depreciation in H1 2023 by category.

Historical cost

(Euro.000)

	Historical cost at Dec. 31, 22	Of which "Right-of-use" IFRS 16	Increases	Disposals	Other movements	Translation differences	Historical cost June 30, 23	Of which "Right-of-use" IFRS 16
Land & buildings	57,233	14,194	172	(231)	99	471	57,745	14,107
Property, plant and equipment	154,370	-	1,292	(272)	1,478	1,234	158,102	-
Industrial & commercial equipment	107,675	2,912	1,302	(2,606)	1,622	211	108,203	2,894
Other assets	14,961	7,238	427	(269)	132	101	15,345	7,279
Tangible Assets in progress and advances	29,823	-	6,156	-	(3,331)	44	32,692	-
Total Property, plant and equipment	**364,062**	**24,343**	**9,349**	**(3,378)**	**-**	**2,061**	**372,087**	**24,280**

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. The increases also include commitments for IFRS 16 relating to contracts concluding in the period and renewed in the year. For further information, reference should be made to Note 35. The increases in assets in progress include costs that are being incurred by the Parent Company for the refurbishment of the labs at the headquarters in Viale dell'Industria 31/33, Padua (Italy).

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, 2022 were in progress and which in 2023 became fixed assets to be depreciated.

Accumulated depreciation

(Euro.000)

	Provision at Dec. 31, 22	Of which "Right-of-use" IFRS 16	Deprec.	Disposals	Other movements	Translation differences	Balance at June 30, 23	Of which "Right-of-use" IFRS 16
Acc. Depr. Land & buildings	(27,960)	(4,463)	(1,294)	224	-	(347)	(29,377)	(5,157)
Acc. Depr. Property, plant and equipment	(123,070)	-	(4,364)	272	-	(946)	(128,109)	-
Acc. Depr. Industrial & commercial equipment	(96,989)	(1,659)	(2,934)	2,605	-	(198)	(97,516)	(1,683)
Acc. Depr. Other assets	(9,925)	(3,681)	(823)	268	-	(90)	(10,570)	(4,028)
Tangible Assets in progress and advances	-	-	-	-	-	-	-	-
Total accumulated depreciation Property, plant and equipment	**(257,944)**	**(9,803)**	**(9,416)**	**3,370**	**-**	**(1,581)**	**(265,572)**	**(10,867)**

Property, plant and equipment were depreciated at June 30, 2023 at the following rates:

	Rate
Land & buildings	50.87%
Plant & machinery	81.03%
Industrial and commercial equipment	90.12%
Other assets	68.85%
Leasing	44.76%

Write-downs

The account at June 30, 2023 amounts to Euro 2,500 thousand and concerns the partial write-down of the building housing the parent company's current headquarters in view of the planned move to the new headquarters under construction.

Note 3: Equity investments

The following table reports the movements in H1 2023 in the investments account.

(Euro.000)

Equity investments	Balance at 31/12/2022	Increases in the period	Decreases in the period	Other changes	Balance at 30/06/2023
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.	521	-	-	-	521
Immobiliare Polesana (formerly IMER)	1	-	-	-	1
Upsens srl	300	-	-	-	300
Conthidra S. L.	280	-	-	-	280
Other minor	1	-	-	-	1
Doubtful debt provision 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	**630**	**-**	**-**	**-**	**630**

Note 4: Current and non-current financial assets

The breakdown of financial assets at June 30, 2023 is as follows:

(Euro.000)

Current and non-current financial assets	June 30, 2023	December 31, 2022
Guarantee deposits	322	325

Restricted deposit account - long term	1,500	1,500
Long-term derivative financial instruments	2,533	3,361
Non-current financial assets	**4,355**	**5,186**
Short-term deposits	4,250	3,450
Restricted deposit account - short term	-	500
Short-term derivative financial instruments	2,781	2,319
Other current financial assets	**7,030**	**6,269**

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. At December 31, 2022, the amount of Euro 2,000 thousand, recognised under current and non-current financial assets, was paid in as a restricted deposit for the maximum duration of 5 years. It should be noted that, in early 2023, the short-term portion of the restricted deposit account was also released in accordance with the contract.

Long-term derivative financial instruments

The value of derivative financial instruments in the first half of 2023 amounted to Euro 2,533 thousand and included:

- Euro 2,165 thousand concerning the current portion of the IRS contracts on the SFA 2021 loan, Euro 103 thousand concerning the Unicredit loan and Euro 265 thousand concerning the current portion of the IRS contract on the loan agreed with Cassa Depositi e Prestiti S.p.A. The following table provides a breakdown by individual contract:

Transaction type	Currency	Beginning date	Maturity	Fixed rate	Notional June 30, 2023	Fair value June 30, 2023
IRS on SFA 2021	Euro	06/08/2021	30/06/2026	-0.07%	54,000	2,165
IRS on CDP loan	Euro	30/06/2022	31/12/2026	1.41%	13,125	265
IRS on Unicredit loan	Euro	06/06/2022	30/05/2025	1.44%	8,000	103
Total					**75,125**	**2,533**

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 commitment of Sit S.p.A. (for Euro 3,100 thousand) and Metersit S.r.l. (for Euro 1,150 thousand) 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 over the coming 12 months.

Short-term derivative financial instruments

The item, amounting to Euro 2,781 thousand, includes Euro 2,020 thousand related to the current portion of the IRS contracts on the SFA 2021 loan, Euro 307 thousand related to the current portion of the IRS contract on the loan agreed with Cassa Depositi e Prestiti S.p.A. and Euro 192 thousand regarding the current portion of the IRS contract on the Unicredit loan. The breakdown by contract is presented below:

(Euro.000)

Transaction type	Currency	Beginning date	Maturity	Fixed rate	Notional June 30, 2023	Fair value June 30, 2023
IRS on SFA 2021	Euro	06/08/2021	30/06/2026	-0.07%	54,000	2,020
IRS on CDP loan	Euro	30/06/2022	31/12/2026	1.41%	13,125	307
IRS on Unicredit loan	Euro	06/06/2022	30/05/2025	1.44%	8,000	192
Total					**75,125**	**2,519**

In addition, in H1 2023 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:

(Euro.000)

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	2,630,000	EUR	1.6487	0.9928	11		
forward purchases	CHF	500,000	EUR	1.0007	1.6516	9		
forward sales	CNY	15,000,000	EUR	6.8570	7.0040	242		
Total						**262**	-	-

Note 5: Deferred tax assets

A breakdown of temporary differences and the consequent deferred tax assets at June 30, 2023 and at December 31, 2022 is reported below, on the basis of the breakdown by type of the temporary differences:

Balance at June 30, 2023

(Euro.000)	Changes IRES	Changes IRAP	IRES tax effect	IRAP tax effect
Employee provisions	4,982	4,572	1,220	178
Other risk and charges provisions	3,107	1,638	818	64
Costs deductible in future years	3,252	-	976	-
Employee benefits	(42)	-	(10)	-
Write-down of inventories	3,829	2,941	942	115
Deprec. suspended on revaluations	171	171	41	7
Tax losses	27,083	-	7,166	-
Other & overseas	1,724	49	497	2
Inter-company transactions	9,905	9,905	2,377	388
Unrealised foreign exchange losses	437	-	105	-
Write-down of property, plant and equipment	2,500	-	600	-
Total	**56,949**	**19,276**	**14,732**	**754**

December 31, 2022

(Euro.000)	Changes IRES	Changes IRAP	IRES tax effect	IRAP tax effect
Employee provisions	5,115	4,294	1,276	167
Other risk and charges provisions	1,721	1,719	413	67
Costs deductible in future years	6,815	-	2,044	-
Employee benefits	(42)	-	(10)	-
Write-down of inventories	2,443	2,099	607	82
Deprec. suspended on revaluations	171	171	41	7
Tax losses	15,630	-	3,751	-
Non-deductible interest	-	-	-	-
Other & overseas	1,680	49	479	2
Inter-company transactions	5,294	5,294	1,271	206
Cash Flow Hedge Reserve	-	-	-	-
Unrealised foreign exchange losses	368	-	88	-
Total	**39,195**	**13,628**	**9,961**	**531**

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)	June 30, 2023	December 31, 2022
Raw materials, ancillary and consumables	56,834	52,549
Work-in-progress and semi-finished goods	18,654	17,204
Finished products and goods	23,012	20,938
Advances to suppliers	433	661
Inventories	**98,933**	**91,352**

The movements in the inventory obsolescence provision were as follows:

(Euro.000)	30/06/2023
Obsolescence provision 31/12/2022	**3,744**
Utilisation in the period	-
Provision for the period	1,275
Exch. diff.	25
Obsolescence provision 30/06/2023	**5,045**

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)	June 30, 2023	December 31, 2022
Trade receivables	54,136	65,440
Receivables from companies of the Group	852	609
Trade receivables from holding company	17	-
Trade receivables from companies subject to control of holding company	-	18
Current trade receivables	**55,005**	**66,067**
Doubtful debt provision	(2,493)	(2,267)
Trade receivables	**52,512**	**63,800**

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 13,059 thousand, by the Group; of these, Euro 12,377 thousand refer to transactions carried out by the parent company with its customers. This amount includes Euro 1,222 thousand of receivables of the Romanian company transferred to the parent company. The remainder, amounting to Euro 682 thousand, refers to receivable factoring transactions put in place by the Dutch 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.

Receivables from companies of the Group

This item refers to receivables from Conthidra S.L., a company consolidated at equity.

Doubtful debt provision

The doubtful debt provision amounts to Euro 2,493 thousand, with the movements in H1 2023 reported in the following table:

(Euro.000)	June 30, 2023
Doubtful debt provision 31/12/2022	(2,267)
Utilisation in the period	29
Provision for the period	(254)
Doubtful debt provision 30/06/2023	**(2,493)**

Note 8: Other current assets

The account is broken down as follows:

(Euro.000)	June 30, 2023	December 31, 2022
Tax receivables	12,115	6,407
Advances	1,614	1,476
Prepayments and accrued income	1,792	1,228
Other receivables	913	1,194
Income tax receivables	1,296	2,205
Employee receivables	41	1
Social security institution receivables	119	87
Other current assets	**17,890**	**12,597**

Tax receivables

The breakdown is as follows:

(Euro.000)	June 30, 2023	December 31, 2022
VAT receivables	5,429	4,165
Group VAT receivables	4,031	469
Withholding taxes	2,655	1,773
Total tax receivables	**12,115**	**6,407**

VAT RECEIVABLES

The VAT balance includes Euro 1,343 thousand related to the subsidiary SIT Manufacturing N.A.S.A. de C.V. and Euro 2,797 thousand related to the subsidiary JANZ. The latter obtained in July a reimbursement from the state of Euro 2,712 thousand.

GROUP VAT RECEIVABLES

In tax year 2020, SIT Technologies S.p.A., SIT 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 4,031 thousand concerns the net receivable of the companies Sit S.p.A. and Metersit S.r.l. from SIT Technologies S.p.A., respectively of Euro 1,990 thousand and Euro 2,041 thousand.

WITHHOLDING TAX RECEIVABLES

Withholding tax receivables of Euro 2,655 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.

PREPAYMENTS AND ACCRUED INCOME

At June 30, 2023, 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

The account concerns income tax receivables, as follows:

(Euro.000)	June 30, 2023	December 31, 2022
IRES receivables	593	563
IRAP receivables	393	671
Receivable from holding company for tax consolidation	1,146	829
Current tax receivables	503	218
Tax receivables	**2,635**	**2,281**

The amount of Euro 1,146 thousand refers to the IRES transferred to the parent company SIT Technologies S.p.A. by the subsidiaries SIT S.p.A., Metersit s.r.l. and SIT Metering s.r.l. as part of the national consolidation process, as provided for in Article 43-ter of Presidential Decree 602/1973.

Note 10: Cash and cash equivalents

Cash and cash equivalents are presented below:

(Euro.000)	June 30, 2023	December 31, 2022
Cash in hand and similar	18	18
Bank and postal deposits	23,773	23,517
Cash and cash equivalents	**23,792**	**23,535**

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, 2023 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%	Euronext

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. July 2022 was the deadline for exercising the SIT warrants and the related increase in share capital.

Note 12: Reserves

A breakdown follows:

(Euro.000)	June 30, 2023	December 31, 2022
Share premium reserve	10,360	10,360
Capital payments reserve	16,615	16,615
Total capital reserves	**26,975**	**26,975**
Legal reserve	19,232	19,232

Treasury shares reserve	(6,733)	(6,733)
Cash flow hedge reserve	3,838	4,219
Actuarial reserve	(214)	(214)
Extraordinary reserve	1,721	1,721
Translation reserve	(2,054)	(4,328)
LTI reserve	1,565	1,053
Warrant Reserve	-	-
Retained earnings/(accumulated losses)	27,403	16,196
Total profit reserves	**44,758**	**31,146**
Total reserves	**71,733**	**58,121**

Treasury shares reserve

The treasury shares reserve of Euro 6,733 thousand did not change during the year.

Long Term Incentive Plan Reserve

At June 30, 2023, the long-term incentive plan (L.T.I.) reserve includes the value of the share-based payments in favour of employees and key executives, settled with capital securities.

On April 29, 2021, the Shareholders' Meeting approved 3 new incentive plans (Performance Shares Plan, Restricted Shares Plan, Advisory Board Stock Compensation Plan), one of which provides for three allocation cycles in 2021, 2022 and 2023. At June 30, 2023, the item includes the fair value of the 3 new plans and the relative allocations in the year for Euro 1,565 thousand. For further details, reference should be made to Note 37.

Cash Flow Hedge Reserve

The cash flow hedge reserve at December 31, 2022 is recorded as a positive value of Euro 4,219 thousand, net of the Euro 1,350 thousand tax effect. During the first half of 2023, the reserve increased mainly due to hedging contracts on the SFA (Senior Financial Agreement *2021*) 5-year loan agreement. The Reserve at June 30, 2023 had a positive value of Euro 3,838 thousand, net of the tax effect of Euro 1,229 thousand.

Non-current liabilities

Note 13: Medium/long-term loans and borrowings

A breakdown of this item at June 30, 2023 is provided below:

(Euro.000)	June 30, 2023	December 31, 2022
Non-current portion of loans	69,583	77,968
Medium/long-term loans and borrowings	**69,583**	**77,968**

The balance at June 30, 2023 of Euro 69,583 thousand decreased by Euro 8,385 thousand on December 31, 2022. The decrease is mainly attributable to the repayment of an instalment of Euro 7,500 thousand from the syndicate loan and Euro 1,875 thousand from the loan with Cassa Depositi e Prestiti. 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, 2023 is provided below:

(Euro.000)	June 30, 2023	December 31,
Other non-current financial liabilities	1,957	1,986
Bond loan - non-current portion	39,562	39,520
Non-current financial lease payables - IFRS 16	10,960	12,047
Other non-current financial liabilities and derivative financial instruments	**52,479**	**53,553**

Other non-current financial liabilities

The amount at June 30, 2023 includes Euro 1,913 thousand relating to the payable for the acquisition of the investment in JANZ - Contagem e Gestão de Fluídos, SA, which was finalised on December 29, 2020.

The item also includes Euro 44 thousand (of which Euro 30 thousand relating to Sit S.p.A. and Euro 14 thousand to the subsidiary Metersit S.r.l.) 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. while also based on the pricing grid calculated on the basis of the ratio of net debt to Ebitda recorded half-yearly. 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 half-yearly basis. 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.

The bond in question was the subject of a request for consent made by the Company to the underwriters during June for the redefinition of a financial covenant related to the interest period maturing June 30,

2023. This prior request was necessary as the contractually defined covenant threshold would not be met given the operating and financial performance of the period. The underwriters agreed to this in a letter of acceptance dated June 30, 2023; as part of the agreement, a date was set by which to submit the new business plan with the aim of negotiating new covenant levels related to subsequent maturities.

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. 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)

	December 31,	Provisions	Utilisations	Release	June 30, 2023
Agents indemnity provision	154	-	-	-	154
Other risks provision	12,447	665	(6,568)	(9)	6,534
Product warranty provision	1,243	97	-	-	1,341
Total provisions for risks and	**13,844**	**762**	**(6,568)**	**(9)**	**8,029**

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 1,069 thousand relates to the out-of-court settlement signed at the beginning of 2023 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. During the year, the provision decreased due to a utilisation of Euro 6,392 thousand. The final provision also includes an allocation of Euro 90 thousand related to a quality problem in a number of fireplace remote controls.

- Euro 2,377 thousand relating the subsidiary Metersit S.r.l. and represents the best estimate of the dismantling costs in future years of the batteries inserted in the meters sold up to the reporting date. The provision in the year of Euro 160 thousand takes into account the discounting of cash flows, utilising a pre-tax discount rate.

- Euro 806 thousand refers to the subsidiary Metersit S.r.l. for specific claims and 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. The provision increased due to the allocation of Euro 67 thousand in order to adjust the provision with the discount rate of 2% on meters sold. Over the same period, Euro 9 thousand was released at the end of the warranty replacement period; there was also a Euro 2 thousand use of the provision in response to customer claims for penalties.

- Euro 691 thousand to hedge the risks over ongoing disputes with the Parent Company's customers, whose risk of loss is highly probable. During the period, this provision decreased by Euro 37 thousand due to utilisations.

- Euro 806 thousand relating to the costs of the reclamation of a plot of land owned by the Company. Euro 32 thousand was also allocated and Euro 77 thousand was used.

- The provision for risks also includes Euro 209 thousand for ongoing disputes with employees; during the period, this provision was increased by Euro 200 thousand, while decreasing Euro 60 thousand for utilisations.

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 provision mainly includes:

- Euro 300 thousand represents the estimated future charges relating to the subsidiary Janz on meters sold up to the date of the financial statements. The value of the provision increased due to allocation during the period of Euro 50 thousand;
- Euro 845 thousand relating to the best estimate of replacement costs of meters sold by the subsidiary Metersit S.r.l. up to the date of the financial statements, covered by warranty. The provision for the year amounted to Euro 47 thousand.
- Euro 140 thousand relating to products sold by the Parent Company, calculated on the basis of the assessment and analysis of returns. 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, 2023 and to December 31, 2022 were as follows:

(Euro.000)	June 30, 2023	December 31, 2022
Net liabilities for employee benefits	4,600	4,649
Liabilities for retention or other	446	444
Net liabilities for employee defined benefits	**5,046**	**5,093**

The movements in post-employment benefits were as follows:

(Euro.000)	June 30, 2023	December 31, 2022
Post-em. bens. at beginning of year	4,649	5,337
Payments in the year	(244)	(252)
Current service cost	195	97
Interest cost	-	50
Actuarial gains	-	(582)
Post-em. bens. at end of year	**4,600**	**4,649**

Note 17: Deferred tax liabilities

A breakdown of temporary differences and the consequent deferred tax liabilities at June 30, 2023 and at December 31, 2022 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, 2023

(Euro.000)	Changes IRES	Changes IRAP	IRES tax effect	IRAP tax effect
Tax on business combinations	43,400	34,478	10,416	1,345
Accelerated depreciation	375	-	90	-
Finance Leases	859	859	206	33
Dividends	6	-	2	-
Capitalisation research & development expenses	658	658	158	26
Unrealised for. exchange gains/losses	81	-	19	-
Other	1,286	-	387	-
Derivative financial instruments	5,037	-	1,209	-
Total	**51,702**	**35,994**	**12,486**	**1,404**

Balance at December 31, 2022

(Euro.000)	Changes IRES	Changes IRAP	IRES tax effect	IRAP tax effect
Tax on business combinations	47,065	37,616	11,296	1,467
Accelerated depreciation	376	-	90	-
Finance Leases	881	881	211	34
Unrealised for. exchange gains/losses	635	-	152	-
Other	1,411	-	424	-
Derivative financial instruments	5,543	-	1,330	-
Total	**55,910**	**38,496**	**13,504**	**1,501**

Current liabilities

Note 18: Short-term loans and borrowings

The breakdown is as follows:

(Euro.000)	June 30, 2023	December 31, 2022
Utilisation short-term lines	19,704	2,934
Current portion of loans	28,073	20,580
Current financial charges	70	37
Short-term loans and borrowings	**47,847**	**23,551**

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.

The residual nominal amount at June 30, 2023 was Euro 67.5 million, of which Euro 52.5 million non-current and Euro 15.0 million current.

On March 11, 2022, SIT agreed a loan with Cassa Depositi e Prestiti S.p.A. in order to support new environmental, energy efficiency, sustainable development promotion investment. The loan, originally for Euro 15 million and of 5-year amortising duration and without secured guarantees, at June 30, 2023 had a nominal residual value of Euro 13.1 million, of which Euro 3.8 million current.

These two loans were the subject of a request for consent drawn up by the Company to the lenders in June, with the objective of redefining the financial covenants for the interest period concluding on June 30, 2023. This prior request was necessary as the contractually defined covenant threshold would not be met given the operating and financial performance of the period. The lenders agreed to this in a letter of acceptance dated June 30, 2023; as part of the agreement, a date was set by which to submit the new business plan with the aim of negotiating new covenant levels related to subsequent maturities.

On May 31, 2022, SIT completed a 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. The nominal residual value at June 30, 2023 is Euro 8.0 million, of which Euro 2.0 million current. This loan has only annual financial covenants, which will be subject to the above renegotiation based on the new business plan.

Two additional loans were agreed in the first half of 2023 having a total outstanding amount at June 30, 2023 of Euro 9.4 million, of which Euro 7.5 million current. These contracts do not include financial covenants.

Note 19: Other current financial liabilities and derivative financial instruments

A breakdown follows:

(Euro.000)	June 30, 2023	December 31, 2022
Bond loan - current portion	30	34
Other current financial payables	2,268	799
Dividend payables	-	2
Factoring payables	1,511	718
Derivative financial instruments - current portion	713	823
Current financial lease payables - IFRS 16	2,837	2,859
Other current financial liabilities and derivative financial instruments	**7,359**	**5,235**

Bond loan - current portion

The account includes Euro 116 thousand concerning the payable for interest charges on the bond loan, net of the amortised cost effect (Euro 86 thousand).

Other current financial payables

The amount, equal to Euro 2,268 thousand, includes Euro 160 thousand relating to the short-term portion of the earnouts as part of the acquisition of the equity investment in JANZ - Contagem e Gestão de Fluídos, SA.

The movement on December 31, 2022, amounting to Euro 1,469 thousand, mainly refers to Euro 2,067 thousand for a deposit as a guarantee for the possible sale of land owned by the Group's Mexican company; the decrease, on the other hand, refers to Euro 500 thousand for the payment of the short-term portion of the security deposit as part of the acquisition of the shareholding in JANZ and for Euro 91 thousand the payment of the ern-outs related to this acquisition.

The item also includes the current portion of the Sace-Simest loans, as described in greater detail in Note 14, amounting to Euro 42 thousand (of which Euro 30 thousand for SIT and Euro 12 thousand for the subsidiary Metersit S.r.l.).

Derivative financial instruments - current portion

As in the previous year, also in the first half of 2023, the Parent Company entered into currency hedging contracts that do not meet the hedging requirements established by IFRS 9 for the application of hedge accounting.

The features and the Fair Value of the current portion of these derivatives are summarised below:

(Euro.000)

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	CHF	505,000	EUR	0.9788	0.9776	(1)		
forward purchases	GBP	1,245,000	EUR	0.8598	0.8638	(1)		
forward sales	USD	7,310,000	EUR	1.0945	1.0996	(24)		
Total						**(26)**	-	-

The currency contracts at December 31, 2022 were as follows:

(Euro.000)

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	CNY	8,900,000	EUR	7.4327	7.4326	(5)		
Total						**(5)**	-	-

In 2023, the Company undertook hedging contracts against gas and electricity prices. These contracts do not meet the hedging requirements established by IFRS 9 for the application of hedge accounting. The main characteristics of these financial instruments are summarised below:

(Euro.000)

Transaction type	Beginning date	Maturity	Fixed price EUR/MWh	Quantity MWh June 30, 2023	Fair value June 30, 2023
/Commodity swap Natural Gas-PSV	01/01/2023	31/12/2023	142.50	2,400	(232)
Commodity swap Electricity-PUN	01/01/2023	31/12/2023	321.50	2,520	(455)

Total	**(687)**

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:

(Euro.000)	December 31, 2022	Drawdowns/ Increases	Acquisitions	Reimbursements/ settlements	Reclass.	Fair Value Changes	Change in amort. cost	June 30, 2023
Bank payables - non-current portion of loans	78,250	1,918			(10,375)			69,793
Bank payables - non-current portion amortised cost	(282)				72			(210)
Total bank payables - non-current portion loans	**77,968**	**1,918**		**-**	**(10,303)**	**-**	**-**	**69,583**
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	(480)				42			(438)
Derivative financial instruments - non-current portion								-
IFRS16	12,047	285			(1,372)			10,960
Payables to other lenders	1,986				(29)			1,957
Total other non-current financial liabilities and derivative financial instruments	**53,553**	**285**	**-**	**-**	**(1,359)**	**-**	**-**	**52,479**
Total non-current financial liabilities	**131,521**	**2,203**	**-**	**-**	**(11,662)**	**-**	**-**	**122,062**
Bank payables - current portion of loans	20,750	8,082		(10,980)	10,375			28,227
Bank payables - current portion amortised cost	(170)			88	(72)			(154)
Current account and accrued interest expense	2,971	19,774		(2,971)				19,774
Total bank payables - current portion of loans	**23,551**	**27,856**	**-**	**(13,863)**	**10,303**	**-**	**-**	**47,847**
Shareholder loan - current portion of loans								-
Bond loan - current portion								-
Bond loan - amortised cost current portion	(82)			38	(42)			(86)
Bond loan - accrued interest expense	116	116		(116)				116
Derivative financial instruments - current portion	823					(110)		713
Factoring payables	718	1,511		(718)				1,511
IFRS16	2,859	173		(1,567)	1,372			2,837
Payables to other lenders	800	2,067		(628)	29			2,268
Total other current financial liabilities and derivative financial instruments	**5,234**	**3,867**	**0**	**(2,991)**	**1,359**	**(110)**	**0**	**7,359**
Total current financial liabilities	**28,785**	**31,723**		**(16,854)**	**11,662**	**(110)**	**-**	**55,206**

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 2023.

Current financial lease payables (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, 2023, trade payables were broken down as follows:

(Euro.000)	June 30, 2023	December 31,
Trade payables	76,512	81,400
Trade payables to holding company	-	-
Trade payables	**76,512**	**81,400**

Trade payables

These include payables in foreign currency and are therefore stated in the financial statements and in the above table net of the relative unrealised exchange differences, equating to exchange gains of Euro 95 thousand.

Note 21: Other current liabilities

A breakdown follows:

(Euro.000)	June 30, 2023	December 31,
Other payables	2,724	2,362
Customer advances	1,362	1,848
Current remuneration payables	4,280	2,295
Deferred remuneration payables	5,099	4,593
Payables to social security institutions	2,025	3,311
Retention fund, MBO and PDR	779	2,591
Deferred income	1,661	1,861
Substitute tax payables	1,520	3,389
VAT payables	687	864
Other current liabilities	**20,138**	**23,113**

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 2023 salaries, paid in July 2023. The movement on December 31, 2022 concerned the accrual of the thirteenth-month in June of Euro 1,538 thousand.

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 estimated bonuses accruing for 2023; the decrease on December 31, 2022 is due to a reduced provision made in view of the progress made in terms of the Group's objectives.

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

Financial liabilities for Warrants reduced to zero in 2022.

Note 23: Tax payables

The amount of Euro 508 thousand mainly concerns the payable for direct income taxes.

COMMENTS ON THE MAIN ITEMS OF THE CONSOLIDATED INCOME STATEMENT

Note 24: Revenues from sales and services

Revenues from sales and services are comprised as follows:

(Euro.000)	H1 2023	H1 2022
Revenues from product sales	166,619	194,299
Revenues from services	256	423
Revenues from sales and services	**166,875**	**194,722**

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

(Euro.000)	H1 2023	H1 2022
Heating & Ventilation	124,289	160,080
Smart Gas Metering	29,685	22,055
Water metering	12,901	12,586
Total revenues from sales and services	**166,875**	**194,722**

Group revenues by region were as follows:

(Euro.000)	2023	2022
Italy	50,895	50,747
Foreign EU	78,090	82,423
Foreign Non-EU	37,890	61,552
Total revenues from sales and services	**166,875**	**194,722**

Note 25: Raw materials, ancillaries, consumables and goods

The breakdown of the account for the periods ended June 30, 2023 and June 30, 2022 are illustrated below:

(Euro.000)	H1 2023	H1 2022
Purchases of ancillary materials	1,616	6,899
Purchases of raw materials, semi-finished & packaging	80,844	102,627
Finished products purchases	9,839	14,217
Purchases of consumable materials	18	27
Goods purchase/(goods in transit)	(1,080)	(1,146)
Maintenance and repair materials	1,159	1,570
Other purchases	1,576	1,743
Duties on purchases	1,003	917
Raw materials, ancillaries, consumables and goods	**94,974**	**126,854**
Changes in inventories of raw materials, ancillaries, consumables and goods	(3,479)	(15,034)
Change in inventories of finished & semi-finished products and goods	(3,200)	(11,633)
Change in inventories	**(6,679)**	**(26,666)**
Total cost of raw materials, ancillaries, consumables and goods	**88,295**	**100,188**

Note 26: Service costs

The composition of the account is as follows:

(Euro.000)	H1 2023	H1 2022
Rent, hire and leases	276	284
Outsourcing	4,531	5,439
Transport	3,791	6,680
Commissions	154	238
Legal, administrative and other	2,910	3,744
Insurance	523	522
Management services	354	276
Maintenance & repair expenses	2,214	2,301
Utilities	3,722	2,467
Personnel expense	1,071	1,317
Cleaning and security	736	791
Advertising, marketing, and sponsorship	485	410
Directors, statutory & independent auditor fees	1,220	1,272
Travel and accommodation	558	453
Bank charges & commissions	415	368
Other services	887	630
Listing charges	156	125
Service costs	**24,002**	**27,317**

Service costs decreased Euro 3,315 thousand on the first half of 2022, mainly due to the reduced revenues compared to the previous year. The biggest movement concerned transport (Euro 2,889 thousand), outsourcing (Euro 908 thousand) and consultancy (Euro 834 thousand). The only significant increase concerned utilities (Euro 1,255 thousand) due to the increase in tariffs on the same period of the previous year.

Note 27: Personnel expense

Personnel expenses are shown below:

(Euro.000)	H1 2023	H1 2022
Wages and salaries	28,028	29,166
Social security expenses	6,729	6,933
Temporary personnel	3,200	3,876
Post-employment benefits	1,562	1,665
Other costs	945	903
Personnel expenses	**40,463**	**42,543**

Average personnel numbers in H1 2023 and H1 2022 were as follows:

Employees	H1 2023	H1 2022
Executives	44	40
White-collar	643	588
Blue-collar	1,542	1,881
Temporary	220	287
Total employees	**2,449**	**2,796**

Note 28: Depreciation, amortisation and write-downs

The breakdown is as follows:

Depreciation, amortisation and write-downs	H1 2023	H1 2022
Amortisation of intangible assets	4,272	4,258
Depreciation of property, plant and equipment	7,840	7,554
Depreciation of operating leases - IFRS 16	1,576	1,512
Total amortisation & depreciation	**13,688**	**13,324**
Write-down of goodwill	17,000	-
Write-down of property, plant and equipment	2,500	-
Total write-downs of fixed assets	**19,500**	**-**
Write-down of current receivables	216	10
Total write-downs	**216**	**10**
Depreciation, amortisation and write-downs	**33,405**	**13,334**

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

Note 29: Provisions

The breakdown is as follows:

(Euro thousands)	2023	2022
Provision for disputes	397	351
Other	81	2
Uses/releases provisions	(36)	(2)
Provisions for risks	**442**	**351**

For further details on provisions, reference should be made to note 15.

Note 30: Other charges (income)

The account is broken down as follows:

(Euro.000)

Other charges (income)	H1 2023	H1 2022
Misc. recoveries	124	103
Prior year income	212	163
Gains on fixed assets	13	215
Grants	274	88
Other revenues	-	5
Other income	**623**	**574**
Misc. taxes & non-deductible costs	255	215
Losses on fixed assets	7	14
Associations	160	151
Prior year charges	22	94
Impairment on receivables	-	-
IMU Property tax	105	97
Misc. reimbursements	43	20
Other charges	255	465
Other charges	**847**	**1,056**
Other charges (income)	**225**	**482**

Note 31: Financial income

In H1 2023, this amounted to Euro 326 thousand and was broken down as follows:

(Euro.000)	H1 2023	H1 2022
Interest income on bank accounts	17	3
Other interest income	12	9
Profits on derivative financial instruments	297	169
Adjustment to fair value of financial liabilities	-	8,058
Financial income	**326**	**8,240**

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.

Note 32: Financial charges

Financial charges consist of:

(Euro.000)

Financial charges	**H1 2023**	**H1 2022**
Financial charges on hedging contract differences	-	182
Interest charges to holding company	-	56
Interest and other bank charges	1,688	618
Interest charges to third parties	247	87
Interest on bond loans	542	465
Other financial charges	695	
Fair value of derivative financial instruments	48	293
Financial charges for operating leases - IFRS 16	236	259
Financial charges	**3,456**	**1,960**

Interest and other bank charges

The amount of Euro 1,688 thousand concerns interest on outstanding loans and other financial payables.

Interest on bond loans

The amount of Euro 542 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.

Other financial charges

At June 30, 2023, the item totalled Euro 695 thousand and concerns the differential recognised in the period for gas and energy tariff hedging contracts.

Fair value of derivative financial instruments

At June 30, 2023, the item amounts to Euro 48 thousand and refers to the fair value of outstanding derivatives on currencies, which are not treated as hedging instruments.

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 286 thousand are comprised as follows:

(Euro.000)	H1 2023	H1 2022
Realised exchange gains	3,124	2,624
Realised exchange losses	(3,036)	(2,917)
Unrealised exchange gains	1,313	1,025
Unrealised exchange losses	(1,115)	(712)
Net exchange gains and losses	**286**	**20**

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 2023 compared with the same period of the previous year are presented below:

(Euro.000)	H1 2023	H1 2022	Change
Current income taxes	1,263	4,228	(2,965)
Deferred tax charges	(1,042)	(1,481)	439
Deferred tax income	(4,515)	17	(4,532)
Income from tax consolidation	(472)	(378)	(94)
Taxes for previous financial years	-	(1)	1
Other	115	197	(82)
Income taxes	**(4,651)**	**2,582**	**(7,233)**

The movement on the comparative period is mainly due to the negative taxable income of certain Group companies.

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, 2023 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 consolidated income statement for the period:

(Euro.000)

Economic effect from ROU assets	H1 2023
Operating lease contract charges	1,707
Contracts classified as short-term leases	0
Contracts classified as low-value assets	8
Total service costs	**1,716**
Land & buildings	(764)
Industrial & commercial equipment	(279)
Other tangible assets	(534)
Total depreciation	**(1,576)**
Income from sub-leasing contracts	-
Sales and leaseback transaction	-
Total other charges/(income)	**-**
Interest charges on financial liabilities	(236)
Total financial charges	**(236)**

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

(Euro.000)	30/06/2023
Net investments accounted as ROU as at 1.1.2023	14,534
Increases in the period	458
Depreciation in the period	(1,576)
Exch. diff.	(3)
Net investments accounted as ROU as at 30.06.23	**13,413**
Payable for financial liabilities from ROU assets at 1.1.2023	14,905
Commitments in the period	458
Cash outflows	(1,521)
Exch. diff.	(46)
Gross value of liabilities from ROU assets at 30.06.23	**13,797**
Obligations for short-term lease contracts	-
Obligations for low-value asset contracts	27
Total obligations for lease contracts with recognition to costs of payments due	**27**

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

(Euro.000)	30/06/2023
Within the year	2,837
Between 1 and 5 years	7,517
Over 5 years	3,443
Total liabilities deriving from operating lease contracts	**13,797**

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 2023	H1 2022
Profit/(loss) attributed to the ordinary shareholders of the Parent Company	(18,150)	14,224
Dilution effect deriving from potential ordinary shares	-	(8,058)
Total profit/(loss) attributed to the ordinary shareholders of the Parent Company	**(18,150)**	**6,166**

Earnings per share	H1 2023	H1 2022
Weighted average number of ordinary shares, excluding treasury shares, to calculate basic earnings per share	24,327,666	24,338,498
Dilution effects for Warrants	-	-
Dilution effects for Performance Shares	-	-
Weighted average number of ordinary shares due to dilution effect	24,327,666	24,338,498
Basic earnings per share	**(0.7460)**	**0.5844**
Diluted earnings per share	**(0.7460)**	**0.2533**

Note 37: Share-based payment settled with equity instruments

At June 30, 2023, the company held 800,409 treasury shares, with no new purchases during the first half of 2023. The treasury shares are utilised for 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 2023**	**H1 2022**
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

In 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.

- 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.

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 2023	
2021-2025 Performance Shares Plan 1st Cycle	**No. options**	**Weighted average price**
Outstanding at January 1, 2023	153,047	7.26
Assigned during the year	-	-
Cancelled during the year	(12,512)	7.26
Exercised during the year	-	-
Change in the year	-	-
Expired during the year	-	-
Outstanding at June 30, 2023	**140,535**	**7.26**
Exercisable at June 30, 2023	-	-

	H1 2023	
2022-2025 Performance Shares Plan 2nd Cycle	**No. options**	**Weighted average price**
Outstanding at January 1, 2023	156,215	4.41
Assigned during the year	-	-
Cancelled during the year	(3,196)	4.41
Exercised during the year	-	-
Change in the year	-	-
Expired during the year	-	-
Outstanding at June 30, 2023	**153,019**	**4.41**
Exercisable at June 30, 2023	-	-

	H1 2023	
2021-2023 Restricted Shares Plan	**No. options**	**Weighted average price**
Outstanding at January 1, 2023	70,433	7.26
Allocated during the year	-	-
Cancelled during the year	-	-
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at June 30, 2023	**70,433**	**7.26**
Exercisable at June 30, 2023	-	-

	H1 2023	
2021 - 2024 Advisory Board Plan	**No. options**	**Weighted average price**
Outstanding at January 1, 2023	30,000	9.65
Allocated during the year	-	-
Cancelled during the year	-	-
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at June 30, 2023	**30,000**	**9.65**
Exercisable at June 30, 2023	-	-

The fair value of the options allocated is measured at the allocation date, taking into account the terms and conditions on which the options were granted.

For the performance shares and restricted shares plan, the model estimated the actual value based on expected dividends and the discount rate for the vesting period.

The Monte-Carlo simulation model was used for the advisory board plan.

The table below provides information utilised in the model for the plan adopted for the year December 31, 2021, and which remains valid for the current year:

2021-2025 Performance Shares Plan **Assumptions for the measurement of the plan fair value**	**2021**
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 **Assumptions for the measurement of the plan fair value**	**2021**
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 **Assumptions for the measurement of the plan fair value**	**2021**
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%

Shown below is the information utilised in the model for the second cycle of the Performance Shares Plan:

2022-2025 Performance Shares Plan Assumptions for the measurement of the plan fair value 2nd Cycle	**2022**
Weighted fair value at the measurement date	4.41
Dividend yield (%)	5
Interest free risk rate (%)	2.45
Expected useful life of the options (in years)	2.6

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 2023

(Euro.000)	**Heating & Ventilation**	**Metering**	**Eliminations**	**Consolidated**
Revenues from sales and services	125,789	48,668	(1,582)	166,875
Operating costs	(129,118)	(39,795)	1,582	(167,331)
EBIT	(3,330)	2,873	-	(457)

H1 2022

(Euro.000)	**Heating**	**Metering**	**Eliminations**	**Consolidated**
Revenues 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

Balance Sheet

June 30, 2023

(Euro.000)	Heating & Ventilation	Metering	Eliminations	Consolidated
Assets	355,013	109,919	(13,778)	451,154
Liabilities	245,573	69,435	(13,598)	301,410
Shareholders' Equity	109,440	40,484	(180)	149,744

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

Related party transactions

SIT has prepared procedures for related party transactions in accordance with Article 4 of the CONSOB Regulation concerning related party transactions. This Regulation was adopted by Consob with Resolution No. 17221 of March 12, 2010, as subsequently amended and updated and, most recently, with Consob Resolution No. 21623 and 21624 of December 10, 2020. The Procedures for Transactions with Related Parties was published on the Company's website www.sitcorporate.it (Corporate Governance, Governance Documents section). Reference should be made to the Directors' Report for further information.

Parent company and related party transactions

In addition to inter-company transactions, the principal transactions of SIT were undertaken with the parent company, Technologies SAPA di F.D.S. S.S. and with other related parties; these latter are those undertaken with the company SIT Technologies S.p.A and its subsidiary SIT Immobiliare S.p.A..

At the reporting date, the balances of transactions with the parent company and other related parties are shown in the table below:

(Euro.000)

H1 2023	Revenues	Costs	Financial income	Financial charges	Financial receivables	Financial payables	Other receivables	Other payables
Technologies SAPA di F.D.S. S.S.	15	-	-	-	-	-	17	-
Holding company	**15**	**-**	**-**	**-**	**-**	**-**	**17**	**-**
SIT Immobiliare S.p.a.	9	-	-	-	-	-	26	-
SIT Technologies S.p.a.	12	-		-	-	-	3,315	-
Transactions with other related parties	**21**	**-**	**-**	**-**	**-**	**-**	**3,341**	**-**

The transactions in H1 2022 are presented in the following table:

(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 parent 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**

SIT's operating revenues generated on transactions with Technologies SAPA di F.D.S. S.S., 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.

SIT, 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 2022-2024. 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 Technologies 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 2023-2025, 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, 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. In 2021, the subsidiary SIT Metering S.r.l. also joined the Group VAT procedure and from the current year the parent company Technologies SAPA di F.D.S. S.S. also joined.

At June 30, 2023, the receivable of the Company from SIT Technologies S.p.A. amounted to Euro 1,990 thousand.

Guarantees, commitments and off-balance sheet contingent liabilities

The off-balance sheet commitments of the Parent Company at June 30, 2023 were as follows.

(Euro.000)	H1 2023	H1 2022
Other unsecured guarantees	70,041	63,947
Secured guarantees	-	-
Total guarantees	**70,041**	**63,947**

Other unsecured guarantees

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

(Euro.000)	H1 2023	H1 2022
In the interest of subsidiaries	69,806	63,833
In own interest	235	114
Total other guarantees	**70.041**	**63,947**

With regards to unsecured guarantees issued in the interest of subsidiaries, these were issued in the interest of Metersit S.r.l., in favour of its client as part of Smart Gas Meter installation tenders, for Euro 57,047 thousand and guarantees in the interest of Sit Controls BV for Euro 4,500 thousand. 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 the surety guarantee granted to secure the lease agreement signed for the Rovigo property.

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, 2023, 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 H1 2023	Valuation criterion	Level 1	Level 2	Level 3
Interest Rate Swap	5,052	*Fair value*		5,052	
Forex Forward	236	*Fair value*		236	
Commodity Swap	(687)	*Fair value*		(687)	

In H1 2023, 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, 2022:

(Euro.000)

Transaction type	Value at Jun 30, 22	Valuation criterion	Level 1	Level 2	Level 3
SIT Warrants	(691)	*Fair value*	(691)		
Interest Rate Swap	2,872	*Fair value*		2,872	
Forex Forward	(297)	*Fair value*		(297)	

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.

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Padua, September 29, 2023

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

- The adequacy 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 2023.

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, September 29, 2023

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

AUDITORS’ REPORT ON THE CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

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

To the Shareholders of
SIT S.p.A.

Introduction

We have reviewed the accompanying half-yearly condensed consolidated financial statements of SIT S.p.A. and subsidiaries (the "SIT Group"), which comprise the statement of financial position as of June 30, 2023 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, 2023 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Cristiano Nacchi
Partner

Padua, Italy
September 29, 2023

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