HALF-YEAR FINANCIAL REPORT AT JUNE 30, 2024

CONTENTS

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

Values

CUSTOMER ORIENTATION

Everyone at SIT aims to fulfill 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 organizational 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*
Sabrina Gigli	*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

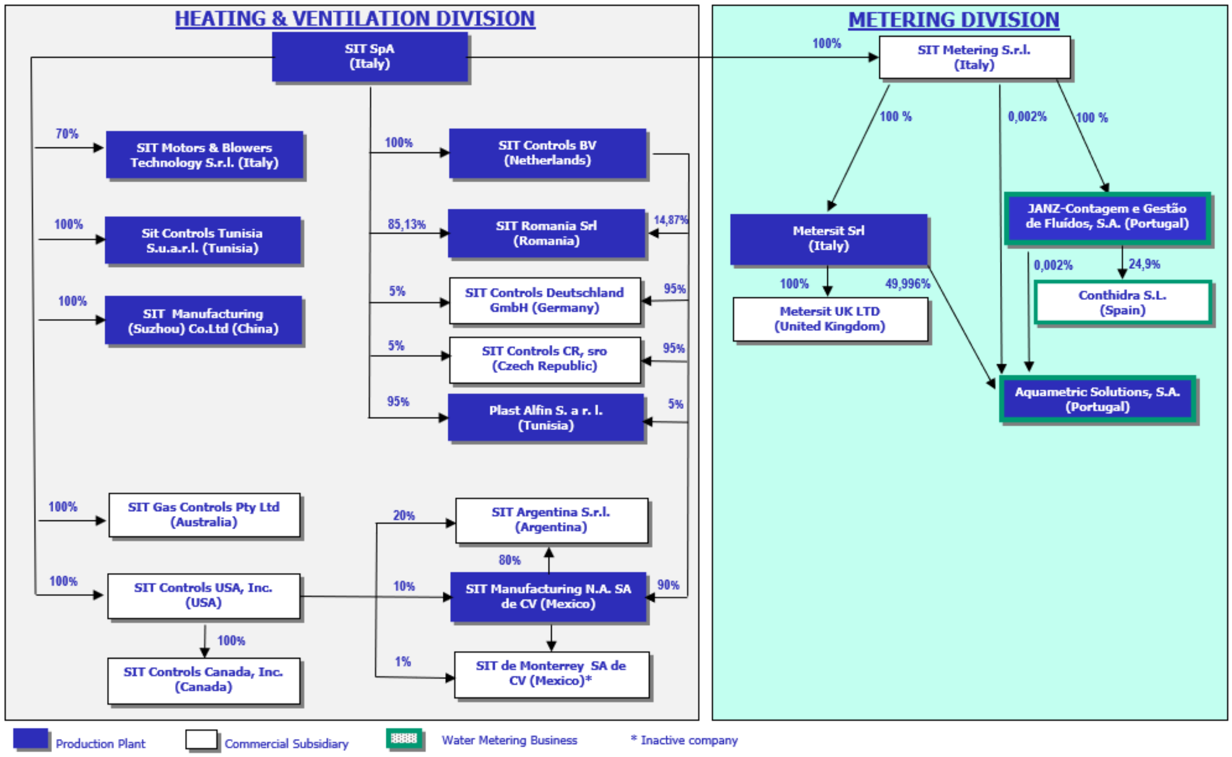
Bettina Campedelli **	Chairperson
Carlo Malacarne **	Independent Member
Lorenza Morandini **	Independent Member

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. The Shareholders' Meeting of SIT S.p.A., held on June 11, 2024, resolved to appoint Prof. Sabrina Gigli as alternate auditor to replace Ms. Alessandra Pederzoli.
** Independent directors.

GROUP STRUCTURE



SIT Group

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 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-MBT S.r.l, located in Montecassiano (MC- Italy) operates in the field of fans for extractor hoods. In the innovative start-up Motors & Blowers Technology Srl (MBT) launched by a group of managers with long experience in the sector, the SIT business unit dedicated to ventilation and components for kitchen hoods and pellet stoves was conferred on April 1, 2024. Among the companies attributable to one of the quota holders, Wentelon Micro-Motor Co., Ltd., supplier of ventilation motors, which with its Chinese plants at the forefront of the sector will ensure technology and competitiveness to the new initiative.
- 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;
- Aquametric Solutions, S.A. (Lisbon), a company incorporated under Portuguese law established for the development and production of water meters - for residential use - based on ultrasonic technology. The company, established on January 15, 2024, is 50% owned by the SIT Group and the remaining 50% by the Swiss technology partner GWF AG.

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 "*Composition of the main alternative performance indicators*".

(Euro,000)

Financials	**H1 2024**	**%**	**H1 2023**	**%**	**Change**	**Change %**
Revenues from contracts with customers	150,892	100,0%	166.875	100,0%	(15,983)	-9.6%
EBITDA	13,548	9,0%	13.232	7,9%	316	2.4%
EBIT	(125)	-0,1%	(19.957)	-12,0%	19,832	-99.4%
Net Profit/(loss) for the period	(6,133)	-4,1%	(18.150)	-10,9%	12,017	-66.2%
Adjusted net profit/(loss) for the period	(3,139)	-2,1%	1.644	1,0%	(4,783)	-291.0%
Cash flows from operating activities after investment activities	(2,051)		(12.531)			

Balance Sheet	**30/06/2024**	**31/12/2023**	**30/06/2023**
Net financial position	(160,858)	(153,690)	(146,446)
Net trade working capital	83,554	79,858	74,932
Net trade working capital/Revenues(*)	27.5%	24.5%	20.5%

(*) Annualised

ALTERNATIVE PERFORMANCE MEASURES

(Euro,000)

Financials	H1 2024	%	H1 2023	%	Change	Change %
Revenues from contracts with customers	150.892	100,0%	166.875	100,0%	(15,983)	-9.6%
EBITDA	13.548	9,0%	13.232	7,9%	316	2.4%
EBIT	(125)	-0,1%	(19.957)	-12,0%	19,832	-99.4%
Net financial (charges)/income	(7.217)	-4,8%	(3.130)	-1,9%	(4,087)	130.6%
Net financial (charges)/income adjusted	(3.277)	-2,2%	(3.130)	-1,9%	(147)	4.7%
Net Profit/(loss) for the period	(6.133)	-4,1%	(18.150)	-10,9%	12,017	-66.2%
Adjusted net profit/(loss) for the period	(3.139)	-2,1%	1.644	1,0%	(4,783)	-291.0%
Cash flows from operating activities after investment activities	(2.051)		(12.531)		10,480	

(Euro,000)

Balance Sheet	30/06/2024	31/12/2023	30/06/2023
Net Capital Employed	291,716	296,813	296,189
Shareholders' Equity	130,858	143,124	149,744
Net financial position	(160,858)	(153,690)	(146,446)
Adjusted Net Financial Position	(148,509)	(140,181)	(132,649)
Net trade working capital	83,554	79,858	74,932

Key performance indicators	30/06/2024	31/12/2023	30/06/2023
ROIC [1]	9.6%	9.8%	12.7%
Net financial position / Shareholders' equity	1.23	1.07	0.98
Net financial position / Adjusted LTM EBITDA	5.74	5.31	3.88

[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 exceptional 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 composition, as well as the reconciliation with the corresponding official figures:

- EBITDA is Operating Profit plus amortisation, depreciation and write-downs, net of doubtful debt provisions. The following table presents a reconciliation with the financial statements:

(Euro,000)

Reconciliation EBITDA	**H1 2024**	**H1 2023**
Operating Profit/(loss)	**(125)**	**(19,957)**
Depreciation, amortisation and write-downs	13,676	33,405
Write-downs	(3)	(216)
EBITDA	**13,548**	**13,232**

- Adjusted net financial charges and income are financial charges and income net of charges arising from new agreements and recognized at the date of the amendment, defined in accordance with IFRS 9.

  The new agreements were signed on April 22 and 23, 2024. With this signing, the new terms of the existing loan agreements were defined. These amending agreements provide, with regard to certain bank loan relationships, for the extension of the original maturities by 24 months and the remodulation of the repayment profile in increasing instalments, with maintenance of the current annual and intermediate deadlines. For further information, please refer to the paragraph "Signing of new agreements with banks" in the section on "Operating Performance" and the paragraph "Going Concern" in the Explanatory Notes.

  The reconciliation at June 30, 2024 is presented in the following table:

(Euro,000)

Reconciliation of net financial (charges)/income adjusted	H1 2024	H1 2023
Financial charges	**(7,455)**	**(3,456)**
Financial charges for renegotiation of loans	3,940	-
Financial charges adjusted	**(3,515)**	**(3,456)**
Financial income	**238**	**326**
Adjusted net financial (charges)/income	**(3,277)**	**(3,130)**

- Adjusted net profit for the period is the net result for the period net of the transactions described above and the related tax effect. The reconciliation is presented below:

(Euro,000)

Reconciliation of adjusted net profit	H1 2024	H1 2023
Net Profit/(loss) for the period	**(6,133)**	**(18,150)**
Write-down of working capital post out-of-court settlement	-	383
Personnel cost	-	511
Goodwill write-down	-	17,000
Write-down of tangible assets		1,900
Net total exceptional operating charges (income)	**0**	**19,794**
Financial charges for renegotiation of loans	2,994	-
Adjusted net financial (charges)/income	**2,994**	**0**
Adjusted net profit for the period	**(3,139)**	**1,644**

With regard to the items that made up the Adjusted net result for the first half of 2023, it should be noted that the item *Personnel cost* referred to costs inherent in certain actions to redefine the organizational structure with the aim of redeveloping the skills base present in the company; the item *Write-downs of working capital*, on the other hand, related to the write-down of specific inventory components relating to the business subject to the out-of-court settlement with a customer concluded in the last quarter of 2022; the item Goodwill write-down referred to the write-down recorded after the impairment test relating to the Heating & Ventilation CGU for Euro 17,000 thousand, while the item Write-downs of tangible fixed assets amounted to Euro 1,900 thousand and related to the partial write-down of the building of the current headquarters of the Parent Company in consideration of the transfer to the new headquarters. All amounts shown are net of the tax effect.

- 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	30/06/2024	31/12/2023	30/06/2023
Goodwill	70,946	70,946	70,946
Other intangible assets	49,116	50,781	52,929
Property, plant and equipment	101,992	105,270	104,015
Investments in other companies	657	657	630
Non-current financial assets	4,141	2,533	4,355
Fixed assets (A)	**226,851**	**230,187**	**232,875**
Inventories	91,830	83,315	98,933
Trade receivables	71,969	63,458	52,512
Trade payables	(80,245)	(66,915)	(76,513)
Trade net working capital (B)	**83,554**	**79,858**	**74,932**
Other current assets	12,511	14,264	17,890
Tax receivables	3,516	3,752	2,635
Other current liabilities	(23,518)	(20,768)	(20,138)
Tax payables	(1,211)	(1,645)	(508)
Other current assets, liabilities and taxes (C)	**(8,702)**	**(4,397)**	**(121)**
Net working capital (B + C)	**74,851**	**75,461**	**74,811**
Other assets and liabilities and provisions (D)	**(9,987)**	**(8,835)**	**(11,497)**
Net capital employed (A + B + C + D)	**291,716**	**296,813**	**296,189**

- 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.

(Euro,000)

Composition net financial position	30/06/2024	31/12/2023	30/06/2023
A. Cash	21	21	18
B. Cash equivalents	7.229	8.680	23.773
C. Other current financial assets	6.588	6.630	7.030
D. Cash and cash equivalents (A) + (B) + (C)	**13.837**	**15.330**	**30.822**
E. Current financial debt (including debt instruments but excluding the current portion of non-current financial debt)	30.562	26.836	32.132
F. Current portion of the non-current debt	6.326	32.567	23.073
G. Current financial debt (E + F)	**36.888**	**59.405**	**55.205**
H. Net current financial debt (G - D)	**23.051**	**44.074**	**24.384**
I. Non-current financial debt	97.828	70.011	82.500
J. Debt instruments	39.979	39.605	39.562
K. Trade payables and other non-current payables	-	-	-
L. Non-current financial debt (I + J + K)	**137.807**	**109.616**	**122.062**
M. Net Financial Position (H + L)	**160.858**	**153.690**	**146.446**
IFRS 16 – Leases	(12.349)	(13.509)	(13.797)
Net financial position adjusted	**148.509**	**140.181**	**132.649**

As required by the above communication, the Group reports provisions for net liabilities for employee defined benefits of Euro 4,746 thousand (Note 16) and Provisions for risks and charges for Euro 8.599 thousand (Note 15) and other non-current liabilities, relating to the conditions defined by the agreement with the minority shareholders of SIT MBT S.r.l., amounting to Euro 5,126 thousand (Note 17) are not included in the net financial position.

GENERAL SITUATION

Macroeconomic scenario

The first half of 2024 was characterized by signs of strengthening of the global economy, which recorded modest growth despite the downside risks associated with a possible worsening of ongoing conflicts remain significant. The impact of tight monetary conditions continued to weigh on real estate and credit markets. However, global activity has shown relatively high resilience thanks to falling inflation and growing private sector confidence. However, the persistence of risks of escalation of ongoing conflicts and growing fears of a slowdown in the US economy bring to a more cautious outlook on macroeconomic developments for the year.

In the second quarter of 2024, the GDP trend compared to the previous quarter and compared to the same period last year of the main areas of interest for the Group is summarized in the following table:

Change in GDP	vs Q1 2024	vs Q2 2023
Italy	0.2%	0.9%
Euro	0.3%	0.6%
USA	1.4%	2.8%
China	0.7%	4.7%

Growth in the U.S. economy accelerated in the second quarter, driven by higher consumer spending on both goods and services and increased private investment in inventories.

In China, GDP was lower than expected due to the prolonged real estate recession, weak domestic demand and the end of growth-supporting policies. In the Eurozone, GDP grew in the second quarter, even if with a limited extent.

The growth, although slight, of GDP in Italy is mainly due to the positive contribution provided by the tertiary sector against the negative contributions recorded by agriculture and industry.

As far as the Italian mechanical engineering industry sector is concerned, the growth slowdown that began last year is prolonged in the first half of 2024. The decline in turnover of most companies in the sector was accompanied by a sharp drop in orders. The global geopolitical situation and the lack of policies to support the industry weighed heavily.

OPERATING PERFORMANCE

Significant events in the period

SIT achieves EcoVadis Gold rating in ESG

During the first months of 2024, SIT obtained the "Gold" rating as part of the annual CSR (Corporate Social Responsibility) performance assessment carried out by EcoVadis, an international ESG rating agency.

SIT has improved its rating band compared to the previous assessment, obtaining a score of 77/100, moving from the 85th to the 98th percentile which places it in the range of the top 2% of companies evaluated by EcoVadis (15% the previous year).

SIT presents the new fan for residential heat pumps

At the MCE - Mostra Convegno Expocomfort, in the edition held from March 12 to 15, 2024, SIT presented the new fan for residential heat pumps developed in synergy with Panasonic Industry, a leading company in HVAC (Heating, Ventilation, Air Conditioning) technologies.

This is SIT's debut in the electric heat pump sector and it is one of the pillars of the Group’s strategy in the decarbonization scenario of the domestic heating sector. The collaboration aims to develop a complete fan solution designed specifically for residential heat pumps. The distribution of the integrated motor-fan system to the market will be in charge of SIT and it will be available from the beginning of 2025.

Constitution of SIT-MBT S.r.l, a company operating in the kitchen hood sector

SIT-MBT S.r.l, a SIT company in the cooker hood fans sector, started its activity on April 1, 2024. In the innovative start-up Motors & Blowers Technology Srl (MBT) launched by a group of managers with long experience in the sector, the SIT business unit dedicated to ventilation and components for kitchen hoods and pellet stoves was conferred on April 1, 2024. Among the companies attributable to one of its quota holders, Wentelon Micro-Motor Co., Ltd., supplier of ventilation motors, which with its Chinese plants at the forefront of the sector will ensure technology and competitiveness to the new initiative.

Signing of new agreements with banks

On April 22 and 23, 2024, the Company signed a series of agreements with the Company's main banks amending the existing loan relationships and on April 22, 2024 the bondholders' meeting approved the proposed agreement to amend the regulations of the bond loan.

The amending agreements provide, with regard to certain bank loan relationships, the extension of the original maturities by 24 months and the remodulation of the repayment profile in increasing instalments, with maintenance of the current annual and intermediate due dates.

The above-mentioned amending agreements - which overtake the previous *standstill* regime - also provide the redefinition of the financial covenants applicable to the related medium-term loan relationships in a way consistent with the financial renegotiation described and the economic and financial profile of the Company's new business and financial plan approved on February 29, 2024.

These medium-term loan relationships – which are not secured by any collateral – have also been amended in relation to a series of commitments and limitations already provided originally, as usual in similar contracts.

Limits on the distribution of dividends and reserves have also been introduced, depending on the level of consolidated financial leverage, with new thresholds provided for this purpose by the above mentioned bank loans and bonds in the ratio of 3.5x and 3x respectively.

As part of the broader renegotiation, the majority shareholder Technologies S.A.P.A. of F.D.S. S.S. provided the Company with a loan of Euro 5 million, bearing interest at an annual rate of 5%, with capitalization of the related financial charges, subordinated and postpone to the Company's financial debt as well as convertible into the Company's capital and/or equity. The loan of the majority shareholder assumes significance as a transaction with related parties of lesser importance pursuant to the combined provisions of the Regulation adopted by Consob with resolution no. 17221 of March 12, 2010, as subsequently amended and supplemented, and the Procedure for Transactions with Related Parties approved by the Company on June 11, 2021. Therefore, in application of the RPT Procedure, for the purposes of its approval, the majority shareholder's loan agreement was previously submitted for evaluation by the Company's Related Party Transactions Committee, which expressed its reasoned non-binding favourable opinion on the Company's interest in signing it and the convenience and substantial correctness of the related conditions.

SIT obtains the Marisa Bellisario award for Work Life Balance

In June 2024, SIT received the Marisa Bellisario Award as a "Work Life Balance Friendly Company". This award, established by the Marisa Bellisario Foundation in collaboration with Confindustria, rewards companies that stand out for their innovative and concrete policies on gender equality and inclusion. The award ceremony, now in its eighth edition, was held at the Colosseum Park in Rome in the presence of the President of the Republic Sergio Mattarella.

The award was given to SIT for its exemplary commitment in promoting an inclusive and sustainable work environment through the implementation of a series of initiatives aimed at improving employees' work-life balance. Among these, the presence of women in the company is particularly significant, with 57% of the workforce made up of women. In addition, SIT has introduced an innovative Parental Policy, which offers support to natural and adoptive parents, and a flexible smart working regime that allows employees to work remotely up to 12 days a month.

SIT has also launched the "SIT People Program Be", which includes well-being and work flexibility programs, and has activated a bilingual psychological desk for emotional support for employees. The company's commitment to gender equality has been further strengthened by obtaining the Uni/PDR 125:2022 gender equality certification, which will also be confirmed in 2024.

These initiatives are an integral part of the "Made to Matter" Sustainability Plan, which aims to create a new working model based on flexibility and balance. This approach not only promotes employee well-being, but also contributes to a unique and non-replicable company culture that values talent and innovation.

MID certification for the SmartIO ultrasonic water meter

Through its subsidiary JANZ, SIT has obtained MID (Measuring Instrument Directive) certification for the SmartIO ultrasonic water meter. This certification, valid in Europe and in the United Kingdom, confirms the extreme accuracy and reliability of the meter, characterized by the R1000 accuracy level. SmartIO has been designed to reduce water waste thanks to IoT technology and proprietary ultrasonic software developed by GWF, a Swiss technology partner operating in the water sector. The MID certification represents an important recognition for SIT, which continues to innovate in the field of intelligent consumption metering.

Sales overview

SIT Group operates in 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)	2024.H1	%	2023.H1	%	change	change %
Heating & Ventilation	103,479	68.6%	123,359	73.9%	(19,880)	(16.1%)
Metering	45,817	30.4%	42,350	25.4%	3,468	8.2%
Total sales	149,297	98.9%	165,709	99.3%	(16,412)	(9.9%)
Other revenues	1,595	1.1%	1,166	0.7%	430	36.8%
Total revenues	**150,892**	**100%**	**166,874**	**100%**	**(15,983)**	**(9.6%)**

(Euro,000)	2024.Q2	%	2023.Q2	%	change	change %
Heating & Ventilation	55,602	67.9%	60,700	72.8%	(5,098)	(8.4%)
Metering	25,156	30.7%	21,968	26.4%	3,188	14.5%
Total sales	80,758	98.7%	82,668	99.2%	(1,910)	(2.3%)
Other revenues	1,089	1.3%	655	0.8%	434	66.2%
Total revenues	**81,847**	**100%**	**83,323**	**100%**	**(1,476)**	**(1.8%)**

Revenue by geography

(Euro,000)	2024.H1	%	2023.H1	%	change	change %
Italy	50,999	33.8%	50,895	30.5%	104	0.2%
Europe (excluding Italy)	62,326	41.3%	78,090	46.8%	(15,765)	(20.2%)
The Americas	22,442	14.9%	23,868	14.3%	(1,425)	(6.0%)
Asia/Pacific	15,125	10.0%	14,022	8.4%	1,103	7.9%
Total revenues	**150,892**	**100%**	**166,875**	**100%**	**(15,983)**	**(9.6%)**

(Euro,000)	2024.Q2	%	2023.Q2	%	change	change %
Italy	27,724	33.9%	25,850	31.0%	1,873	7.2%
Europe (excluding Italy)	32,438	39.6%	37,922	45.5%	(5,485)	(14.5%)
The Americas	12,224	14.9%	11,911	14.3%	313	2.6%
Asia/Pacific	9,461	11.6%	7,639	9.2%	1,822	23.8%
Total revenues	**81,847**	**100%**	**83,323**	**100%**	**(1,476)**	**(1.8%)**

Consolidated revenues for the first half of 2024 amounted to Euro 150.9 million, recording a decrease of 9.6% compared to the same period of 2023 (Euro 166.9 million).

Consolidated revenues for the second quarter of 2024 amounted to Euro 81.8 million, recording a decrease of 1.8% compared to the same period of 2023 (Euro 83.3 million).

Sales of the **Heating & Ventilation Division** in the first half of 2024 amounted to Euro 103.5 million, -16.1% compared to Euro 123.4 million in the same period of 2023.

The following table shows the typical sales by geographical area of the Heating & Ventilation Division according to managerial criteria:

(Euro,000)	2024.H1	%	2023.H1	%	change	change %
Italy	19,163	18.5%	21,593	17.5%	(2,429)	(11.3%)
Europe (excluding Italy)	47,303	45.7%	64,130	52.0%	(16,826)	(26.2%)
The Americas	20,764	20.1%	22,805	18.5%	(2,041)	(9.0%)
Asia/Pacific	16,250	15.7%	14,832	12.0%	1,417	9.6%
Total revenues	**103,479**	**100%**	**123,359**	**100%**	**(19,880)**	**(16.1%)**

The performance of the period was affected by the impact of the first quarter of 2024, which compared to the same period of 2023 had marked a reduction of 23.6%, while the second quarter of 2024, as shown in the table below, marks a reduction of 8.4%, an improvement compared to forecasts.

(Euro,000)	2024.Q2	%	2023.Q2	%	change	change %
Italy	9,972	17.9%	9,681	15.9%	290	3.0%
Europe (excluding Italy)	24,434	43.9%	31,174	51.4%	(6,740)	(21.6%)
The Americas	10,976	19.7%	11,107	18.3%	(131)	(1.2%)
Asia/Pacific	10,221	18.4%	8,738	14.4%	1,483	17.0%
Total revenues	**55,602**	**100%**	**60,700**	**100%**	**(5,098)**	**(8.4%)**

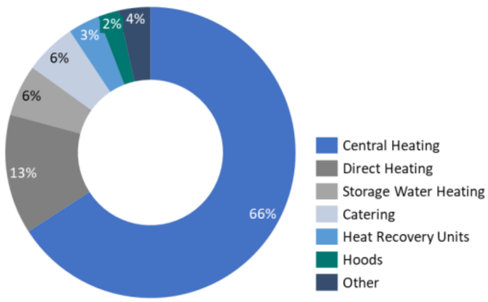
Sales in Italy in the second quarter increased by 3.0% compared to the same period of 2023, particularly affecting Central Heating, Catering and Cooker Hoods, while the Direct Heating segment continues to record a reduction especially for Pellet Stoves and Space Heaters.

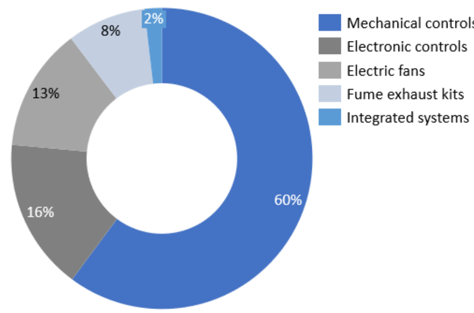
Regarding Europe, excluding Italy, in the second quarter of 2024 there was a reduction in sales of Euro 6.7 million, equal to 21.6% compared to the same period of the previous year. Turkey, where the plants of major OEM customers are located and that represent the 14.1% of divisional sales, recorded an above-average reduction in the division, especially in Fans and Mechanical Controls for Central Heating applications. Sales in Central Europe also recorded a reduction (-20.5%) in Central Heating, mainly due to the impact of Heat Recovery Units, impacted by the performance of the electric heating appliances sector.

Sales in America in the second quarter show a trend substantially in line with the same period of 2023. However, this trend is the result of growth (Euro 2 million, +50%) in fireplaces and Storage Water Heating (Euro 0.2 million, +10%) offset by a reduction in Central Heating applications due to delays concentrated on a few names of customers. In the second quarter of 2024, sales in the Asia/Pacific area grew by 17.0%, 18.9% on a like-for-like exchange rate basis, mainly thanks to the performance of China, which increased by 29.1% to Euro 1.6 million. Australia is still down by Euro 0.2 million, or 10.1%.

About the main product families, in the second quarter of 2024 Mechanical Controls recorded a trend substantially in line with the same period last year, while Electronic Controls decreased by 27.2%, mainly due to the impact of Central Heating in America; sales of Ventilators grew by almost 10%. At the application segment level, Central Heating, which represents the 44.2% of divisional sales in the quarter, recorded a decrease of 10.1% in the period; sales of Catering (+23.6%) and Cooker Hoods (+12.1%) grew, while products for Heat Recovery Units applications recorded a significant reduction of over 50% in line with the performance of the electrical appliances sector.

With regard to the main customers of the Heating & Ventilation division, the 36.1% of sales in the first half of 2024 were achieved with the top 5 customers, while in the same period last year this incidence was 33.2%. The following graphs show the Heating & Ventilation sales for the first half of 2024 by product family and by application (data from managerial sources):





Sales of the **Metering Division** in the first half of 2024 amounted to Euro 45.8 million compared to Euro 42.3 million in the first half of the previous year, up of 8.2%. As for the second quarter, the division achieved sales of Euro 25.2 million compared to Euro 22.0 million in the second quarter of 2023, with a growth of 14.5%. In the first half of 2024, sales of smart gas meters amounted to Euro 31.5 million, up 6.6% compared to the first half of 2023. In the second quarter, sales of Euro 18.1 million were achieved, up 14.5% compared to Euro 15.8 million in the same period of 2023. The performance is due to the group's good positioning in the Italian market and the new development and replacement projects launched by the main customers. Sales in Italy accounted for 96.4% of the total, while foreign sales were made in Greece and Central Europe. With regard to the main customers, note that in the first half of 2024, 81.5% of sales were made with the top 3 customers compared to 62.1% in the same period of 2023.

Sales of water meters in the first half of the year amounted to Euro 14.3 million, up to 11.7% compared to the first half of 2023. In the second quarter, sales of Euro 7.0 million were achieved, up 14.6% compared to Euro 6.1 million in the same period of 2023. Sales for the quarter were made in Portugal for 16.6%, Spain for 43.4%, rest of Europe for 27.6%, America and Asia for 9.5% and 2.8% respectively; It's to be noted that in the first half of 2024, 58.6% of sales were made with the first 3 customers compared to 49.7% in the same period of 2023, an increase mainly due to the growth in sales in Spain and South America.

Economic performance

Consolidated revenues for the first half of 2024 amounted to Euro 150.9 million, a reduction of 9.6% compared to the first half of 2023 (Euro 166.9 million).

The purchase cost of raw materials and consumables, including changes in inventories, was Euro 77.3 million, with an EBITDA margin of 51.2%, compared to 52.9% in the first half of 2023.

Service costs in the first half amounted to Euro 23.0 million, compared to Euro 24.0 million in the same period of the previous year (respectively equal to 15.3% and 14.4% of revenues).
Personnel costs amounted to Euro 39.4 million (Euro -1.1 million), with an EBITDA margin of 26.1%, an increase compared to 24.2% in the same period of the previous year.

Depreciation, amortization and impairment losses, amounting to Euro 13.7 million, accounted for 9.1% of revenues for the period and compared to Euro 33.4 million in the first half of 2023, which were affected by Euro 17 million due to the impairment test carried out on the invested capital of CGU Heating&Ventilation due to the changed market environment.

The provision for risks amounted to Euro 0.2 million, down compared to the value recorded in the same period of the previous year.

Other charges amounted to a net income of Euro 2.5 million deriving from certain transactions for the sale of assets carried out as part of the optimization of the invested capital of the Heating & Ventilation division.

The operating result amounted to Euro -0.1 million (0.1% of revenues) against an operating loss of Euro 20.0 million (12.0% of revenues) in the first half of 2023.

Net financial expenses for the first half of 2024 amounted to Euro 7.2 million compared to Euro 3.1 million in the same period of the previous year. It's important to note that during the period higher charges of Euro 3.9 million were recorded, defined, in accordance with the provisions of IFRS9, as the difference between the carrying amount of the original debt outstanding at the date of the amendment of the agreements with banks and bondholders compared to the value of cash flows deriving from the conditions defined in the new agreements signed, including the expenses paid to them, discounted at the original effective interest rate of the debt.

Adjusted net financial expenses, net of the above mentioned non-ordinary items in the normal course of business activities, in the first half of 2024 amounted to Euro 3.3 million, compared to Euro 3.1 million in the same period of the previous year.

Income taxes for the period were positive for Euro 1.3 million and reflect the allocation of deferred tax assets deriving mainly from the tax losses accrued by the Parent Company and deemed recoverable with a view to achieving future results.

The net result for the period amounted to a loss of Euro 6.1 million compared to a loss of Euro 18.2 million in the same period of 2023, which was also affected, for Euro 17 million, by the mentioned impairment of goodwill recorded due to the impairment test.

The adjusted net result, net of the effects described above, amounted to a loss of Euro 3.1 million (2.1% of revenues) compared to a profit of Euro 1.6 million (1.0%) in the same period of 2023.

Financial performance

As of June 30, 2024, net financial debt amounted to Euro 160.9 million compared to Euro 146.4 million as of June 30, 2023. The change of the net financial position is shown in the table below:

(Euro,000)	H1 2024	H1 2023
Cash flow from current activities (A)	**9,972**	**15,175**
Change in inventories	(9,001)	(5,892)
Change in trade receivables	(8,619)	12,285
Change in trade payables	13,558	(5,845)
Change in other current assets and liabilities and for taxes	1,419	(16,950)
Cash flow from changes in Working Capital (B)	**(2,644)**	**(16,402)**
CASH FLOW FROM OPERATING ACTIVITIES (A + B)	**7,329**	**(1,227)**
Cash flow from investing activities (C)	(9,380)	(11,304)
CASH FLOW FROM OPERATING & INVESTING ACTIVITIES (A + B + C)	**(2,051)**	**(12,531)**
Interest	(4,428)	(3,206)
Changes in MTM derivatives and amortised cost	(3,021)	446
Changes in translation reserve	73	(1,083)
Changes in financial assets	2,183	891
Acquisition of treasury shares	-	-
Equity changes	460	
Dividends	-	-
IFRS 16	(384)	(458)
Change in net financial position	**(7,168)**	**(15,941)**
Opening net financial position	**153,690**	**130,503**
Closing net financial position	**160,858**	**146,444**

In the first half of 2024, the generation of cash flows from current operations was Euro 10.0 million compared to Euro 15.2 million in the same period 2023.

In the first half of 2024, the absorption of working capital amounted to Euro 2.6 million compared to Euro 16.4 million in the same period of 2023. We would like to point out that in the first half of 2023 the disbursement due to a dispute with a customer occurred.

As regards trade working capital, in the first half of 2024 there was an increase in inventories due to the seasonality of the Heating & Ventilation sector and the order portfolio in Smart Gas Metering. The value of trade receivables and payables is consistent with the trend in business volumes.

Investment flows amounted to Euro 9.4 million compared to Euro 11.3 million in the first half of 2023.

Cash flows from operations after investments are therefore equal to Euro -2.1 million compared to Euro -12.5 million in the previous period.

Changes in the Net Financial Position deriving from operations include interest of Euro 4.4 million during the period and changes in MTM and amortised cost for a total of Euro 3.0 million, mainly due to the recognition of the cost of bank renegotiation in accordance with IFRS 9 criteria.

Investments

In the first half of 2024, the Group made investments of Euro 9.0 million, of which Euro 6.5 million (72.2% of the total) in the Heating & Ventilation Division, Euro 0.9 million in the Smart Gas Metering sector and Euro 1.6 million for the Water Metering sector. In the first half of 2023, these amounts were Euro 8.9 million, Euro 1.0 million and Euro 0.6 million, respectively, for a total of Euro 10.4 million.

The main investments in the first half of 2024 for the Heating & Ventilation Division concerned the renovation of the Headquarters in Padua (Euro 1.7 million), the development of new products (Euro 2.1 million) of which 1.7 million refer to development costs relating to five specific projects (877 XL, EF90-EF150, Flexa Pro, Axial Fan, VMC), the maintenance of the plants (Euro 0.7 million) and the renewal of the die-casting mold fleet (Euro 0.4 million).

In the Smart Gas Metering segment, investments were mainly for the development of new products (Euro 0.8 million) and refer to development costs relating to specific projects (Smartio – G40). The remainder refers to industrial and laboratory equipment, hardware and software development, and improving production efficiency.

Investments in the Water Metering sector mainly refer to the purchase of new equipment (about 82% of the total), most of which is necessary for the start-up of the Smartio project.

RISK MANAGEMENT POLICY

The Enterprise Risk Management (ERM) process is an integral part of the Group's Internal Control and Risk Management System (ICRMS) and is carried out every six months, according to a consolidated model (Enterprise Risk Model) that provides for a risk assessment over a time horizon consistent with the Company's multi-year strategic plan, involving the main company departments/functions.

The risk assessment takes place according to impact/probability parameters defined according to a matrix (Risk Scoring Scale) that allows them to be divided into majors and minors.
This approach ensures:
(i) timeliness in identifying risks;
(ii) a more assiduous frequency in follow-up activities related to the remediation plans agreed with top management;
(iii) greater compliance with risk mitigation needs according to the strategic objectives defined in the Strategic Plan.

The current model provides for the following macro-categories of risks:

- External risks
- Strategic risks
- Operational risks
- Legal & Compliance Risks
- ESG Risks
- Financial risks

Starting from 2022, potential risks related to the achievement of the group's Sustainability Plan ("Made To Matter") objectives, and more generally, aspects related to Environment, Social, and Governance (ESG) issues, were also subject to specific analysis. Therefore, for coordination with the Group's NFS, these risks are included in a new category (ESG risks).

External risks

Country Risk

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

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.

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:

With reference to the impact of the Russia-Ukraine and Middle East conflict, the impacts on the Group's operations are being continuously monitored. Although the Group does not hold direct investments in these countries, the monitored risks relate to two areas, both in terms of the Heating & Ventilation segment business:

- from a commercial point of view, as of 10 July 2022, the Company has limited direct relations with Russia to only Heating & Ventilation products for which sanctions are not in force. With general reference to the regulatory update on sanctions, the Company has put in place the control and monitoring measures provided for therein.

- 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 going concern risks, the Group has decided to initiate an electronic board insourcing plan, which is proceeding according to schedule.

Strategic risks

Innovation

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 first half 2024, 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, which followed, on April 20, 2023, the signing of the Joint Venture Agreement pursuant to which, on 15 January 2024, the Portuguese company "Aquametric Solutions, S.A." was established. Joint development activities of the new product called SmartIO continued during the half-year, while production is scheduled to start in the fourth quarter of 2024.

- the corporate agreement for the acquisition of a minority stake in UpSens, an SME specializing in the development of devices for monitoring indoor environmental parameters, both standard and custom, with specific expertise in air quality, finalized on January 17, 2023. Activities in this area continued in the first half of 2024, reshaping priorities in relation to the market trend of electric heating appliances, which suffered a sharp slowdown with an impact also on the air quality management system.

- 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 partnership agreement signed with Panasonic Industry in November 2023, for the development of a complete fan solution designed specifically for residential heat pumps; during the first half of 2024, the slowdown in the electric heat pump market led to a reshaping of the product development roadmap also to meet the needs of potential customers called upon to manage this different market context.

- the strategic industrial operation in the company SIT MBT, which took place in April 2024 and in which SIT is 70% owner, which aims to position itself as a European leader in the design and production of fans for kitchen hoods, induction hobs and pellet stoves through the development of innovative high-efficiency products.

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

Please refer 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.

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 first half 2024 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.

To this purpose, and with the aim of measuring business conduct and engaging its suppliers in a relationship of proactive communication and discussion, SIT has chosen the rating company EcoVadis to assess the degree of sustainability of its supply chain.

During the first half of 2024, the supply market was overall characterized by relative stability in demand, which led to a substantial normalization of material availability and delivery lead times; Electronic components, a sector subject to strong volatility in delivery times, also saw a normalization, albeit at historically longer levels. This dynamic has allowed the Company to manage the closure of the Dutch production plant and the relocation of production to Tunisia according to the planned schedule, as well as the simultaneous modification of the supply base made appropriate by this new footprint.

In terms of prices, we noted that inflationary pressure has been partly reduced, apart from some commodity codes and raw materials subjected to speculative tensions, especially during the second quarter. Geopolitical tensions – in particular those arising from the Middle East conflict – have also impacted the cost of freight and transport, also generating speculation.

In light of the above and the future prospects currently visible, it cannot be excluded that market trends in the purchase price of raw materials and components may have negative effects on the Company's business, economic and financial position, results of operations and prospects.

Business interruption

"Business interruption" refers to the risk that production facilities may be unavailable or their operations may be interrupted. At SIT this risk is mitigated through a going concern 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.

In order to mitigate any risk deriving from business interruption events, SIT group has long had a special insurance policy in place to cover this risk.

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 - *Material Trade Compliance (MTC)* - 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). To date, MTC allows to cover compliance issues regulated by the SIT 4900000 standard under the Conflict Minerals regulation, the REACH and RoHS directives, the US Toxic Substances Control Act and a further set called SIT Restricted Substances which allows you to monitor potential future criticalities in procurement.

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), as well as EU and national antitrust law.

As a reflection of the ongoing geopolitical tensions, the regulations on international trade are increasingly important, including the limitations related to the sanction's regimes in place to which the Group is called to comply.

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. 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 2024, 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 going concern.

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 going concern against physical risks. The Company constantly monitors these types of risks through property and going concern 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 according to ISO 14067:2018 and has verified the organization's carbon footprint (GHG inventory according to ISO 14064-1 standards;
- has introduced CFP (Product Carbon Footprint) measurements in the development procedure of its products as a fundamental step, combining environmental impact with economic-financial assessments;

- it has established a long-term plan to reduce CO2 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.

Specifically, the business plan, referring to the 2024-2027 time horizon, incorporates the expected downsizing of the gas domestic heating market and the development of new products in growing sectors, such as heat pumps, controlled mechanical ventilation and hood ventilation, which exploit technologies and markets already covered by the Group and which require specific investments for product development. Similarly, growth is expected in product or market segments where combustion will remain prevalent (commercial applications, both methane and hydrogen); finally, the plan reflects an expected recovery of the US market, on the horizon of which there do not yet seem to be restrictive regulations related to applications that use gas as a fuel.

The development guidelines for Metering, both Smart Gas Metering and Water Metering, are equally defined and based on the important investments that utilities in the sector are planning and making for the digitization and modernization of distribution networks.

The above has been carefully considered in the main estimation processes that involved the evaluations made in the preparation of the half-year consolidated financial statements as at 30 June 2024. In particular, no elements were identified that could constitute so-called trigger events such as to deem it necessary to carry out specific impairment tests on the invested capital of the Group's individual CGUs. Furthermore, there were no events in the period such as to determine a risk of obsolescence of tangible fixed assets linked to the technological transition processes of the production footprint, on which a project insists to define the most appropriate methods to cope with the expected reduction in the production volumes of traditional products. In general terms, however, it should be noted that in most cases these are assets that have already been depreciated or assets whose residual useful life does not exceed the possibility of their use in the current production context, given the market prospects in the Plan horizon.

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 has historically been committed to actions to reduce emissions, make energy consumption more efficient/optimize, and recycle and reuse the resources used in production processes.

Also in this case, the Company's risk level is medium/low, also in consideration of the positive outcome of the checks carried out periodically by the supervisory 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.

It should be noted that in June 2024, following the termination of the employment relationship with the HSE Manager, the organisational structure dedicated to Health, Safety & Environment was reorganised.

For the Italian offices, in accordance with the provisions of Legislative Decree 81/2008, company representatives dedicated to Health, Safety & Environment matters have been assigned, coordinated, at national level, by the Employer. Internationally, the activities of the various locations are managed locally by dedicated H&S, supervised by plant managers. The latter systematically update the Employer in order to ensure compliance with local and international regulations, carry out specific training for local contact persons and define and implement appropriate risk mitigation plans in the event of non-compliances detected.

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.

To fulfil the commitment undertaken by joining the framework, SIT is required to communicate to its stakeholders the progress and results achieved in relation to the 10 principles of the Global Compact. This reporting, on an annual basis, is requested by filling in the so-called Communication On Progress (COP), a questionnaire built ad hoc by the Global Compact management to allow all member entities to provide their stakeholders with an overview of their commitment to the fundamental values of the initiative. Also for 2024 SIT has submitted its annual COP thus maintaining the status of "Active".

During the period, SIT continued working for the full adoption and circulation of the above policies within the Group and monitor their results through appropriate KPIs.

During the first half of the year, one year after obtaining the Gender Equality certification, SIT successfully passed the surveillance audit conducted by the certifying body KIWA relating to the equal opportunities certification process pursuant to UNI/PdR 125:2022. 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.

During the first half 2024 the Company provided training on its Anti-Corruption Policy that had been issued in the previous year. In detail, the Policy requires all recipients to adopt behaviors and practices that are not permitted by applicable law on corruption. All members of the corporate structure and external collaborators are called upon to collaborate in the implementation of the relevant anti-corruption prevention measures to protect the integrity and reputation of the group.

The training also covered the Code of Conduct, updated during the first half of 2024, and the Whistleblowing Policy, referred to in Legislative Decree No. 24/2023 implementing European Directive 2019/1937, issued by the Board of Directors in November 2023.

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 the going concern.
- the accentuation of the occurrence of fraud attempts implemented through social engineering activities aimed at identifying public information relating to top figures of the company with roles of responsibility in the financial field with the aim of impersonating their role and requesting the execution of urgent payments outside the normal business processes;

- the loss of data or, more generally, the loss of availability of critical IT infrastructures for production and business, potentially also due to accidental causes. 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 through the adoption of a new training tool;
- a Backup and Disaster Recovery infrastructure sized according to the different needs and critical issues of the company.

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.

Please refer to the Group's 2023 NFS for tax reporting, in compliance with GRI 207.

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.

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 2024, the nature and the structure of the exposure and the Group monitoring and control policies did not change substantially compared to the previous year, during which the reduction in exposure in USD had already been manifested due to the decline in revenues in the USA.

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

Total revenues by currency:

(Euro,000)	2024 H1	% Revenues	2023 H1	% Revenues
EUR	116,541	77.2%	131,194	78.6%
USD	19,137	12.7%	21,364	12.8%
CNY	9,958	6.6%	8,778	5.3%
AUD	2,222	1.5%	2,870	1.7%
MXN	2,699	1.8%	2,299	1.4%
GBP	324	0.2%	350	0.2%
Other	10	0.0%	19	0.0%
Total	**150,892**	**100%**	**166,874**	**100%**

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

(Euro,000)	2024 H1	% Purchases	2023 H1	% Purchases
EUR	54,526	63.3%	61,492	64.7%
USD	24,229	28.1%	25,226	26.6%
CHF	3,688	4.3%	4,264	4.5%
CNY	2,033	2.4%	2,073	2.2%
RON	1,139	1.3%	1,477	1.6%
MXN	376	0.4%	296	0.3%
TND	184	0.2%	128	0.1%
Other	14	0.0%	18	0.0%
Total	**86,189**	**100%**	**94,974**	**100%**

During H1 2024, 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, 2024 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, 2024
Currency	
Euro	2,734
Chinese Yuan	1,900
US Dollar	1,194
Mexican Peso	950
Australian Dollar	231
Other currencies	220
Totale	**7,229**

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 449 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.

Following the amending agreements signed with the main banks on April 22 and 23, 2024, the Group found itself having a different repayment profile of the loans subject to trading from the profile of the underlying hedging transactions that were not subject to renegotiation.

For this reason, the same amending agreements contained for the main loan to the consortium of banks the obligation to restore the coverage percentage to a minimum of 50% within three months over the entire new duration of the loan.

At June 30, 2024, the Group has outstanding medium- to long-term loans with a total nominal principal amount of Euro 126.8 million. These loans are currently hedged through Interest Rate Swaps or through fixed-rate interest in the amount of Euro 97.4 million, equivalent to 76.8% of the underlying value. The average fixed coverage rate is 1.80%.

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

Sensitivity Analysis

At parity of other conditions, the effects deriving from a hypothetical increase of 100 basis points of the variable interest rate would result in an increase in financial charge for SIT for H1 2024 of Euro 234 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.

During the first half of 2024, the supply market was overall characterized by relative stability in demand, which led to a substantial normalization of material availability and delivery lead times. In terms of prices, it should be noted that inflationary pressure has been partly reduced, apart from some commodity codes and raw materials subjected to speculative tensions, especially during the second quarter. This phenomenon has materialized above all on copper and components related to this raw material. Geopolitical tensions – in particular those arising from the Middle East conflict – have also impacted the cost of freight and transport, also generating speculation.

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

During 2023, the market slowdown in the Heating & Ventilation sector highlighted a risk related to the management of working capital, with particular reference to the management of inventories.

Following the strong post-pandemic market recovery, the Company has encountered a number of issues related to the shortage of raw materials and components related to production. 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 aimed at ensuring the effectiveness 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 problem concerns in particular the Heating & Ventilation segment of the business and some stocks of Smart Gas Metering electronics.

Given this situation, the Company has launched appropriate policies aimed at reducing the amount of inventories especially in the second half of 2023 and in the first half of 2024:

- 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.

These management actions made it possible to reduce the level of inventories compared to the values recorded in the same period of 2023, albeit up compared to the value at the end of 2023, due to the seasonality of the Heating & Ventilation sector and the order book of the Gas Metering division. The inventory level as of June 30, 2024 was Euro 91.8 million while as of December 31, 2023 it was Euro 83.3 million compared to Euro 98.9 million as of June 30, 2023.

Liquidity Risk

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

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

- monitoring of future liquidity conditions with the support of internal company planning processes, obtaining credit lines adequate to current and prospective needs;
- maintenance of an adequate level of liquidity.

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.

ln 2023, due to the contraction of Heating & Ventilation division sales and the simultaneous effect of the out-of-court settlement relating to a dispute with a customer in addition to the commitment deriving from the disbursements for operating investments, the Group found itself in a situation of financial tension.

Despite the conclusion of new financing transactions and the increase in the use of commercial lines in the short term, the persistence of the negative economic situation in the Heating & Ventilation segment highlighted the impossibility for the Parent Company to meet certain loan repayment commitments scheduled for the 2023 financial year and the financial covenants.

In this context, the Directors have initiated the appropriate discussions with the banks to redefine the existing loan agreements.

These discussions were based on the business plan drawn up with reference to the Group and referring to the years 2024-2027 (hereinafter, the "Plan"), submitted to an Independent Business Review by an independent expert and approved by the Board of Directors on February 29, 2024.

With regard to the future evolution of liquidity, monitored through the preparation of a monthly cash flows plan, the Company believes that over the years 2024 and 2025, the financial requirements deriving from current operating activities and investment activities will be more concentrated in the first three quarters of 2024, in particular due to the foreseeable trend in Heating & Ventilation sales, in line with recent quarters. The cost reduction actions, both variable and structural, implemented during the year will also be able to mitigate the financial impact of this trend and, in the meantime, the action to reduce working capital will continue, also thanks to the normalization of supply market conditions. The contribution of the Metering division is expected to be positive.

With regard to the tools to ease the situation of financial tension highlighted in the introduction, the cash flows plan considers the signing on April 22 and 23, 2024 of the agreements ("Agreements") for the renegotiation of the repayment profile and the rescheduling of the final term with the banks. In particular, the Agreements provide for the extension of the original maturities by 24 months and the remodulation of the repayment profile in increasing instalments with the maintenance of the current interim intervals and the start of repayment from the signing of the Agreements without any provision for a moratorium period.

As a further support, the aforementioned plan has a positive impact, starting from the date of signing of the Agreements, deriving from a shareholder loan by the majority shareholder of Euro 5 million, interest-bearing, with capitalisation of the related financial charges, subordinated to the Company's bank debt.

The Agreements do not provide for the signing of additional loans or specific forms of automatic commitment on the maintenance of any existing short-term loans.

Finally, the agreements provide for the redefinition of the financial covenants consistent with the financial renegotiation described and the economic and financial profile of the business plan.

With regard to the covenants to be recognised as at 30 June 2024, please note that they are all complied with to the following extent: Net financial position/Ebitda 5.7x against a covenant of 7.2x; Net Ebitda/Financial Expenses 4.2x versus a covenant of 3.0x; Net financial position/Equity 1.1x versus a covenant of 1.5x; all parameters are calculated according to the contractual definitions.

After assessing the uncertainties associated with the achievement of the results envisaged in the approved Business Plan and the objectives for reducing net working capital, taking into account the performance of the first six months of the current year and the forecasts contained in the updated business plan and the aforementioned cash plan, the financial commitments, as rescheduled in terms of repayment and debt service as a result of the Agreements, are considered, in terms of amount and time structure, consistent with the Group's current and prospective availability.

INTER-COMPANY AND RELATED PARTY TRANSACTIONS

SIT is a joint-stock company located in Italy and registered at the Padua Companies Registration Office.

SIT exercises management and coordination activities 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, 2024, the Company held 650,327 ordinary treasury shares, without par value, equating to 2.5899% of the share capital.

SUBSEQUENT EVENTS AND OUTLOOK

No significant events occurred after the end of the half-year. Coming to the foreseeable performance of operations, this year, Metering business should overall achieve sales in line with the previous year. In the face of solid fundamentals linked to utilities' investments in the Water Metering sector, which will allow annual growth in line with that recorded in the first half of the year, delays in the international development of Gas Metering will lead to a slight reduction in turnover compared to what was initially expected.

The Heating & Ventilation business unit is expected to achieve a second half of growth compared to the previous year, resulting in annual revenues in line with the trend achieved during the second quarter of 2024 compared to the same period of 2023.

At the consolidated level, the forecasts for improvement in percentage EBITDA compared to the previous year are confirmed, expected to be between 100 and 200 basis points.

Selective investments remain in place, dedicated in particular to the research and development area as well as to the completion of the new headquarters, expected in the year for approximately Euro 20 million. Net financial debt is expected to be between Euro 145 and 150 million.

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Padua, August 2, 2024

The Chairman of the Board of Directors

(Dott. Federico de' Stefani)

CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2024

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

(Euro,000)	Note	30/06/2024	31/12/2023
Goodwill	1	70,946	70,946
Other intangible assets	1	49,116	50,781
Property, plant and equipment	2	101,992	105,270
Equity investments	3	657	657
Non-current financial assets	4	4,141	2,533
Deferred tax assets	5	20,903	18,874
Non-current assets		**247,755**	**249,061**
Inventories	6	91,830	83,315
Trade receivables	7	71,969	63,458
Other current assets	8	12,509	14,264
Tax receivables	9	3,516	3,752
Other current financial assets	4	6,588	6,630
Cash and cash equivalents	10	7,249	8,700
Current assets		**193,660**	**180,119**
Total assets		**441,415**	**429,181**
Share capital	11	96,162	96,162
Total Reserves	12	40,022	70,350
Net Profit/(loss)		(6,133)	(23,388)
Minority interest net equity		806	0
Shareholders’ Equity		**130,858**	**143,124**
Medium/long-term loans and borrowings	13	82,119	58,182
Other non-current financial liabilities and derivative financial instruments	14	55,688	51,434
Provisions for risks and charges	15	8,599	10,513
Post-employment benefit provision	16	4,746	5,096
Other non-current liabilities	17	5,126	6
Deferred tax liabilities	18	12,420	12,094
Non-current liabilities		**168,698**	**137,325**
Short-term bank loans	19	23,093	50,809
Other current financial liabilities and derivative financial instruments	20	13,793	8,596
Trade payables	21	80,245	66,915
Other current liabilities	22	23,518	20,768
Tax payables	23	1,211	1,645
Current liabilities		**141,860**	**148,733**
Total Liabilities		**310,557**	**286,057**
Total Shareholders’ Equity and Liabilities		**441,415**	**429,181**

CONSOLIDATED INCOME STATEMENT

(Euro,000)	Note	H1 2024	H1 2023
Revenues from sales and services	**24**	**150,892**	**166,875**
Raw materials, ancillaries, consumables and goods	25	86,189	94,974
Change in inventories	25	(8,882)	(6,679)
Service costs	26	23,019	24,002
Personnel expense	27	39,354	40,463
Depreciation, amortisation and write-downs	28	13,676	33,405
Provisions	29	169	442
Other charges (income)	30	(2,509)	225
Operating Profit/(loss)		**(125)**	**(19,957)**
Investment income/(charges)		-	-
Gains/(Losses) from valuations of minority option liabilities		-	-
Financial income	31	238	326
Financial charges	32	(7,455)	(3,456)
Net exchange gains (losses)	33	(105)	286
Impairments on financial assets		-	-
Profit before taxes		**(7,447)**	**(22,801)**
Income taxes	34	1,314	4,651
Net profit/(loss) for the period		**(6,133)**	**(18,150)**
Minority interest result		**(11)**	**-**
Group net profit/(loss)		**(6,122)**	**(18,150)**

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(Euro,000)	**1H 2024**	**1H 2023**
Net profit/(loss)	**(6,133)**	**(18,150)**
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	(439)	(501)
Income taxes	105	120
Total unrealised financial asset gains/(losses)	**(334)**	**(381)**
Translation of financial statements in currencies other than the Euro	(1,225)	2,273
Total of other comprehensive income statement items which may be subsequently reclassified to the profit/(loss) for the year, net of taxes	**(1,559)**	**1,893**
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	**(1,559)**	**1,893**
Total comprehensive income/(expense) for the period	**(7,691)**	**(16,257)**
Total comprehensive income/(expense) for the period attributable to:		
Parent company shareholders	**(7,681)**	**(16,257)**
Minority shareholders	**(11)**	**-**
Basic earnings per share	**(0.2521)**	**(0.7460)**
Diluted earnings per share	**(0.2521)**	**(0.7460)**

CONSOLIDATED CASH FLOW STATEMENT

(Euro,000)	**Note**	**1H 2024**	**1H 2023**
Net profit/(loss)		(6,133)	(18,150)
Amortisation & depreciation	1 - 2	13,672	33,188
Non-cash adjustments		(3,471)	1,657
Income taxes	34	(1,313)	(4,651)
Net financial charges/(income)	31 - 32	7,217	3,131
CASH FLOW FROM CURRENT ACTIVITIES (A)		**9,972**	**15,175**
Changes in assets and liabilities:			
Inventories		(9,001)	(5,892)
Trade receivables		(8,619)	12,285
Trade payables		13,558	(5,845)
Other assets and liabilities		1,402	(14,629)
Income taxes paid		17	(2,321)
CASH FLOW GENERATED (ABSORBED) FROM CHANGES IN WORKING CAPITAL (B)		**(2,644)**	**(16,402)**
CASH FLOW FROM OPERATING ACTIVITIES (A + B)		**7,329**	**(1,227)**
Investing activities:			
Investments in property, plant & equipment		(6,271)	(8,892)
Other changes in property, plant & equipment		1,290	(2)
Investments in intangible assets		(2,686)	(1,525)
Investments in financial assets		(2,079)	(91)
Other changes in financial assets		-	6
Other changes in financial assets		-	(800)
Acquisition or sale of subsidiaries or business units net of cash and cash equivalents	38	367	-
CASH FLOW FROM INVESTING ACTIVITIES (C)		**(9,380)**	**(11,304)**
CASH FLOW FROM OPERATING & INVESTING ACTIVITIES (A + B + C)		**(2,051)**	**(12,531)**
Financing activities:			
Interest paid		(5,017)	(3,219)
Repayment of non-current financial payables	19	(7,502)	(10,982)
Increase (decrease) current financial payables		7,162	19,593
Increase (decrease) other financial payables	19 - 35	(1,545)	(1,521)
New financing	19	1,969	10,000
Financing from a parent company		5,000	-
Other changes in equity		460	-
CASH FLOW FROM FINANCING ACTIVITIES (D)		**527**	**13,871**
Change in translation reserve	12	73	(1,083)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)		**(1,451)**	**257**
Cash & cash equivalents at beginning of the period		**8,700**	**23,535**
Increase (decrease) in cash and cash equivalents		(1,451)	257
Cash & cash equivalents at end of the period		**7,249**	**23,792**

CONSOLIDATED STATEMENT OF CHANGES IN 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	Fair value of the put option on minority interests Reserve	Retained earnings (accum. losses)	Net profit/(loss)	Group shareholders' equity	Minority interest capital & reserves	Total Group and Minority Interest Shareholders' Equity
December 31, 2023	**96,162**	**10,360**	**(6,733)**	**19,232**	**(2,315)**	**2,073**	**2,217**	**16,615**	**(225)**	**24,726**	**-**	**4,401**	**(23,388)**	**143,124**	**-**	**143,124**
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impact from initial application of accounting standards	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
January 1, 2024	**96,162**	**10,360**	**(6,733)**	**19,232**	**(2,315)**	**2,073**	**2,217**	**16,615**	**(225)**	**24,726**	**-**	**4,401**	**(23,388)**	**143,124**	**-**	**143,124**
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of the 2023 result	-	-	-	-	-	-	-	-	-	(23,388)	-	-	23,388	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in consolidation's scope	-	-	-	-	-	-	-	-	-	-	-	-	-	-	817	817
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase option on minority stakes	-	-	-	-	-	-	-	-	-	-	(5,040)	-	-	(5,040)	-	(5,040)
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Comprehensive income H1 2024	**-**	**-**	**-**	**-**	**(1,225)**	**-**	**(334)**	**-**	**-**	**-**	**-**	**-**	**(6,122)**	**(7,681)**	**(11)**	**(7,691)**
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assignment L.T.I. to employees	-	(315)	1,405	-	-	(1,515)	-	-	-	103	-	-	-	(322)	-	(322)
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	(27)	(11)	-	-	55	-	(46)	-	(29)	-	(29)
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
June 30, 2024	**96,162**	**10,045**	**(5,328)**	**19,232**	**(3,539)**	**531**	**1,872**	**16,615**	**(225)**	**1,496**	**(5,040)**	**4,355**	**(6,122)**	**130,052**	**806**	**130,858**

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 registered 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, 2024 and June 30, 2024 was approved by the Board of Directors, who also approved its publication with motion of August 2, 2024.

ACCOUNTING PRINCIPLES

The half-year condensed consolidated financial statements of the SIT Group at June 30, 2024 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, 2023.

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, 2024 are the same as those adopted for the consolidated financial statements at December 31, 2023.

Going Concern

During 2023, Heating & Ventilation market was affected by the reduction of incentives that had supported the market throughout Europe in previous years, by the increased uncertainty about the evolution of the legislation on technological transition, as well as by the reduction in household spending power as a result of the persistence of high inflation and the rise in interest rates. These factors have, as a whole, negatively affected the sector, in particular with reference to combustion appliances (gas boilers).

As SIT's Heating & Ventilation division is a supplier of components to OEMs in the sector, the Group suffered the negative effects of the difficult market environment described above, which led to a significant drop in turnover in 2023 compared to the previous year, which was higher than expected. This contraction, together with the financial impact of an out-of-court settlement reached with a North American customer over a dispute relating to the quality of certain products in the water heating segment, led to a situation of financial stress.

Despite some new financing transactions and the increase in the use of bank credit lines, in addition to the measures adopted during the year to contain costs and investments, the persistence of the negative economic situation in the Heating & Ventilation business highlighted the impossibility for the Parent Company to meet certain loan repayment commitments scheduled for the end of 2023 and the financial covenants included in the same agreements.

In this context, the Directors started the appropriate discussions with the credit institutions to redefine the existing loan agreements.

These discussions were based on the Group business plan for the years 2024-2027 (hereinafter, the "Plan").

The Plan, subject to Independent Business Review by an independent expert, was approved by the Board of Directors on 29 February 2024 and presents the Group's development guidelines in the changed context, which take into account the expected downsizing of the gas domestic heating market as a result of the ongoing technological transition. These guidelines are mainly based on the introduction and development of new products in growing sectors, such as heat pumps, controlled mechanical ventilation and hood ventilation, which exploit technologies and markets already covered by the Group but which require specific investments for product development. Similarly, growth is expected in product or market segments where combustion will remain prevalent (commercial applications, both methane and hydrogen); finally, the Plan reflects an expected recovery in the US market, which is currently declining mainly due to macroeconomic conditions, in the gas fireplaces segment and, as a result of the image damage resulting from the abovementioned dispute, in the water heating segment.

The development guidelines of the Metering segments, both Smart Gas Metering and Water Metering, are defined and based on the important investments that utilities in the sector are planning and making for the digitization and modernization of distribution networks.

The Plan incorporates the main risk elements highlighted by a leading strategic consulting firm, which has analysed the underlying strategic rationales and the main risk profiles inherent in the development of revenues of the Group's three business units, Heating & Ventilation, Smart Gas Metering and Water Metering. This analysis showed that the main risk elements are mainly concentrated in the medium-long term prospects relating to new applications and traditional applications, with particular reference to the

Heating & Ventilation division, in view of the uncertainty associated with the progress of the technological transition.

With reference to shorter-term planning, the Plan, with regard to 2024 and 2025, has been detailed in a monthly cash flow plan that takes into account the renegotiation with banks of the repayment profile and the rescheduling of the final term that were defined with the agreements signed on April 22 and 23, 2024 (hereinafter, the "Agreements"). These Agreements provide for the extension of the original deadlines by 24 months and the remodulation of the repayment profile in increasing instalments, with maintenance of the current interim intervals and the start of repayment from the signing of the Agreements, without a moratorium period.

To further support the Group's financial situation, the above-mentioned cash and cash plan shows the positive impact, starting from the date of signing of the Agreements, deriving from a shareholder loan granted to the Parent Company by the majority shareholder, amounting to Euro 5 million, interest-bearing with capitalisation of the related financial charges, subordinated and subordinated to bank debt.

The Agreements do not provide for the signing of further loans or specific forms of automatic commitment on the maintenance of any existing short-term loans.

Finally, the Agreements provide for the redefinition of financial covenants, in line with the financial renegotiation described and the economic and financial profile of the Business Plan. As better illustrated in the Liquidity risk section, the recognition of the parameters as at June 30, 2024 confirmed compliance with the covenants established for that date.

The monthly cash flow plan for the period 2024-2025 mentioned has also been updated in light of the evolution of operations up to June 30, 2024 as well as the available information and outlook for operations included in Forecast 1 2024 approved by the Board of Directors on June 24, 2024. This update of the cash profile has been subject to a series of sensitivities on some key parameters aimed at quantifying the margins of flexibility with respect to the contractual covenants contained in the Agreements.

The Directors assessed the uncertainty profiles associated with the achievement of the objectives set out in the Plan, including the objectives for reducing net working capital. In consideration of the performance of the first six months of the current year and the forecasts made, of the actions that may be activated in the management of liquidity and considering the signing of the mentioned Agreements with credit institutions, they believe that the Group will be able to meet its obligations in the foreseeable future and have therefore deemed it appropriate to use the going concern assumption in the preparation of the Half-yearly condensed consolidated financial statements as of June 30, 2024.

IFRS Accounting Standards, Amendments and Interpretations applied from January 1, 2024

The following IFRS accounting standards, amendments and interpretations were applied for the first time by the Group from January 1, 2024.

Amendments to IAS 1 Presentation of Financial Statements

On January 23, 2020 IASB published an amendment entitled *“Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current”* and on October 31, 2022 it published an amendment entitled *“Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants”*. These amendments are intended to clarify how to classify short-term or long-term debts and other liabilities. In addition, the amendments also improve the information that an entity must provide when its right to defer the settlement of a liability for at least twelve months is subject to compliance with certain parameters (i.e. covenants). The adoption of these amendments had no effect on the Group's consolidated financial statements.

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

On September 22, 2022, IASB published an amendment entitled *“Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback".* The document requires the lessee-seller to assess the lease liability arising from a *sale and leaseback* transaction so as not to recognise a gain or loss that relates to the retained right of use. The adoption of these amendments had no effect on the Group's consolidated financial statements.

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

On May 25, 2023, IASB published an amendment entitled *“Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements”.* The document requires an entity to provide additional information about *reverse factoring* arrangements that enables users of financial statements to assess how financial arrangements with suppliers may affect an entity's liabilities and cash flows and to understand the effect of those arrangements on the entity's exposure to liquidity risk. The adoption of these amendments had no effect on the Group's consolidated financial statements.

Accounting standards, amendments and interpretations of IFRS not yet adopted by the European Union

As of the reference date of this document, the competent bodies of the European Union have not yet completed the approval process necessary for the adoption of the amendments and principles described below.

Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7

On May 30, 2024, IASB published the document *“Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7”*. The document clarifies some problematic aspects that emerged from the post-implementation review of IFRS 9, including the accounting treatment of financial assets whose returns vary upon the achievement of ESG objectives (i.e. *green bonds*). In particular, the amendments aim to:

- Clarify the classification of financial assets with variable returns and linked to environmental, social and corporate governance (ESG) objectives and the criteria to be used for the assessment of the SPPI test;
- determine that the date on which the liability is settled by electronic payment systems is the date on which the liability is settled. However, an entity is allowed to adopt an accounting policy to allow a financial liability to be derecognised before delivering cash on the settlement date under certain specific conditions.

With these amendments, the IASB has also introduced additional disclosure requirements with regard in particular to investments in equity instruments designated as FVOCI.

The amendments will apply from the financial statements for the years beginning on or after 1 January 2026. The directors do not expect the adoption of this amendment to have a material effect on the Group's consolidated financial statements.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

On May 9, 2024, IASB published a new standard *IFRS 19 Subsidiaries without Public Accountability: Disclosurestag.* The new standard introduces some simplifications with reference to the disclosures required by the other IAS-IFRS standards. This principle can be applied by an entity that meets the following main criteria:

- It's a subsidiary company;
- It has not issued equity or debt instruments listed on a market and is not in the process of issuing them;
- It has its own parent company that prepares consolidated financial statements in accordance with IFRS

The new standard will come into force from 1 January 2027, but early application is allowed. The directors do not expect the adoption of this amendment to have a material effect on the Group's consolidated financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements

On April 9, 2024, IASB published a new *IFRS 18 standard Presentation and Disclosure in Financial Statements* which will replace IAS 1 *Presentation of Financial Statements*. The new standard aims to improve the presentation of the main financial statements and introduces important changes with reference to the income statement. In particular, the new standard requires to:

- Classify revenues and expenses into three new categories (operating section, investment section and financial section), in addition to the categories taxes and discontinued operations already present in the income statement;
- Introduce two new sub-totals, operating income and earnings before interest and taxes (i.e. EBIT).

The new standard also:

- Requests more information on the performance indicators defined by management;
- introduces new criteria for the aggregation and disaggregation of information; and
- introduces some changes to the cash flow statement format, including the requirement to use the operating result as a starting point for the presentation of the cash flow statement prepared using the indirect method and the elimination of some classification options for some currently existing items (such as interest paid, interest received, dividends paid and dividends received).

The new standard will come into force from January 1, 2027, but early application is allowed. The directors are currently assessing the possible effects of the introduction of this new standard on the Group's consolidated financial statements.

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability

On August 15, 2023, IASB published an amendment entitled *"Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability"***.** The document requires an entity to apply a methodology to be applied consistently in order to verify whether one currency can be converted into another and, when this is not possible, how to determine the exchange rate to be used and the disclosures to be provided in the notes to the financial statements. The change will apply from January 1, 2025, but early application is allowed. The directors do not expect the adoption of this amendment to have a material effect on the Group's consolidated financial statements. T

IFRS 14 – Regulatory Deferral Accounts

On 30 January 2014, IASB published the standard *IFRS 14 – Regulatory Deferral Accounts* that allows only those who adopt IFRS for the first time to continue to recognize amounts relating to activities subject to regulated rates ("Rate Regulation Activities") according to the previous accounting standards adopted. Since the Group is not a first-time adopter, this principle is not applicable.

DISCRETIONAL VALUATIONS AND SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of these half-year condensed consolidated 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.	Czech Republic	Brno	CSK	1,500,000	100
SIT Manufacturing N.A. Sa de CV	Mexico	Monterrey	MXN	172,046,704	100
SIT de Monterrey N.A. SA de CV	Mexico	Monterrey	MXN	50,000	100
SIT Controls Canada Inc.	Canada	Ontario	CAD	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	Tunisi	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
SIT Motors & Blowers Technology S.r.l.	Italy	Padova	EUR	1,192,143	70
Aquametric Solutions, S.A.	Portugal	Lisbon	EUR	50,000	50

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, 2024	Average H1 2024	December 31, 2023	2023 average	June 30, 2023	Average H1 2023
Mexican Peso	19.5654	18.5089	18.7231	19.1830	18.5614	19.6457
Argentinean Peso	975.3883	929.0128	892.9239	314.1127	278.5022	229.1778
Romanian Leu	4.9773	4.9743	4.9756	4.9467	4.9635	4.9342
US Dollar	1.0705	1.0813	1.1050	1.0813	1.0866	1.0807
Canadian Dollar	1.4670	1.4685	1.4642	1.4595	1.4415	1.4565
Czech Crown	25.0250	25.0149	24.7240	24.0043	23.7420	23.6873
Australian Dollar	1.6079	1.6422	1.6263	1.6288	1.6398	1.5989
Chinese Yuan	7.7748	7.8011	7.8509	7.6600	7.8983	7.4894
Tunisian Dinar	3.3661	3.3751	3.3936	3.3556	3.3577	3.3389
UK Sterling	0.8464	0.8547	0.8691	0.8698	0.8583	0.8764

Information on the SIT MBT S.r.l. transaction

On April 1, 2024, the Parent Company transferred the business dedicated to ventilation and components for cooker hoods and pellet stoves to the company "Motors & Blowers Technology S.r.l.", which from that date changed its name to SIT Motors & Blowers Technology S.r.l.. (hereinafter also referred to as "SIT MBT S.r.l."). Following this contribution, SIT holds 70% of the company SIT MBT S.r.l..

This transaction cannot be configured as an aggregation pursuant to IFRS 3 as the business was already under the control of SIT S.p.A. before the transfer, so the recognition was carried out in accordance with the requirements for "business combinations under common control".

In addition, the purchase agreement provides that the quotas held by minority quotaholders are subject to reciprocal call and put options. Specifically, the put option in favour of minority quotaholders can be exercised upon reaching a target level of Revenues of the "Cooker Hoods" sector within 30 days of the approval of the financial statements as at December 31, 2028 or the approval of previous financial statements or upon reaching a target EBITDA level which can always be exercised within 30 days of the approval of the financial statements as at December 31, 2028.

The same conditions are provided for the Call option, which can be exercised within 30 days from when the possibility of exercising the Put expires. The call option also provides for the possibility of exercising even if EBITDA has not reached the level at the time of approval of the financial statements as at December 31, 2028. There are also further options relating to change of control and exit of the two minority quotaholders who are also employees ("managers"). The consideration for the first two options and the change of control options is calculated on the basis of a multiple of the EBITDA at the date and adjusted for the purpose of considering the net financial position of the company.

These instruments were measured at fair value at the date of transfer and as of June 30, 2024; for the purpose of determining the value of the option, the Directors has been supported by an independent expert who estimated the fair value as of April 1, 2024 and updated the estimate as of June 30, 2024.

The option towards the non-employee third-party quotaholder was recognised in accordance with IFRS 9.

The liability, that was discounted at a rate of 6.771%, is subject to measurement at each subsequent closing period, the effect of the variation at each closing date will be recognized at income statement. As of June 30, 2024, the liability amounted to Euro 5.02 million and is posted under Other non-current liabilities.

Options to shareholders who are also employees have been recognised as "Cash-settled share-based payment" instruments in accordance with IFRS 2. The cost is recognised in the income statement proportionally for the duration of the vesting period.

Considering that the risks and rewards on the last 30% remain with minority interests, at the acquisition date, the liability recognised reduced the Group's equity; to minority will normally be allocated their respective part of profits and losses for the year.

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, 23	Increases	Write-downs	Amortisation	Other movements	Translation differences	Balance at June 30, 24
Goodwill	**70,946**	**-**	**-**	**-**	**-**	**-**	**70,946**
Development costs	727	-	-	(92)	-	-	635
Patent rights	6,924	113	-	(1,428)	30	(4)	5,636
Concessions, licences and trademarks	17,163	1	-	(838)	-	(134)	16,192
Other Intangible assets	21,917	141	-	(1,853)	143	(0)	20,347
Intangible Assets in progress and advances	4,050	2,431	-	-	(173)	(1)	6,306
Total other intangible assets	**50,781**	**2,685**	**-**	**(4,213)**	**-**	**(139)**	**49,116**
Total goodwill and other intangible assets	**121,727**	**2,685**	**-**	**(4,213)**	**-**	**(139)**	**120,062**

Goodwill

At June 30, 2024, 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, recognised in 2023, as a result of impairment testing on the Heating & Ventilation CGU.

As a result of the above indicated write-down, Goodwill totalling Euro 70,946 thousand at June 30, 2024 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, 2024, the residual value is Euro 2,769 thousand relating to the Heating & Ventilation sector. Please note that the Know-how relating to the Smart Gas Metering sector ended the amortization period on April 30, 2024.

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, 2024, the residual value amounts to Euro 1,676 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, 2024, the residual value is Euro 9,928 thousand relating to the Heating & Ventilation sector and Euro 1,869 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, 2024, the residual value amounts to Euro 1,325 thousand, amortised over 10 years.

Changes in the financial year are mainly related to amortisation.

Other intangible assets

This account, amounting to Euro 20,347 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, 2024 amounted to Euro 13,756 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, 2024, the residual value is Euro 5,525 thousand and Euro 260 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.

Intangible assets in progress and advances

Increases include development costs, which were capitalised during the period in relation to two projects in the Smart Gas Metering segment for Euro 434 thousand and five Heating & Ventilation projects, two of which new, for Euro 1,673 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 2023, the Heating & Ventilation market was affected by the reduction of incentives that had supported the market throughout Europe in previous years, by the increased uncertainty about the evolution of the legislation on technological transition, as well as by the reduction in household spending power as a result of the persistence of high inflation and the rise in interest rates. These factors have, as a whole, negatively affected the sector, in particular with reference to combustion appliances (gas boilers).

In preparing the half-year condensed consolidated financial statements as at June 30, 2023, the Directors had identified, in light of the results achieved and the prospects of the sector, the existence of so-called trigger events such as to make it appropriate to carry out an impairment test on the invested capital of the two CGUs impacted by the current scenario, Heating & Ventilation and Smart Gas Metering. The impairment test, which was also subject to the methodological opinion of an independent expert, had shown the need to recognise a write-down on the Heating & Ventilation goodwill of Euro 17 million.

In preparing the consolidated financial statements as at December 31, 2023, the value of the Goodwill was therefore subjected to the annual impairment test and carried out, with the methodological support of an independent expert, on the basis of an updated business plan approved by the Board of Directors on February 29, 2024 and subjected to an Independent Business Review as part of the negotiations with the banks that allowed the subscription on April 22 and 23, 2024 of some agreements amending the main loans in place. As a result of the impairment test, no further impairment losses were identified compared to the impairment recognised at the time of preparation of the consolidated half-year financial report as at June 30, 2023.

As of the half-year reporting date of June 30, 2024, in consideration of the economic and financial performance of the period and also in light of the considerations that emerged in the preparation of the update of the 2024 annual predictions contained in the 2024 Forecast approved by the Board of Directors on June 24, 2024 and the considerations made with respect to the validity of the assumptions and assumptions contained in the plan approved on February 29, 2024, also taking into account the trend of the main variables affecting the determination of discount rates, it is not considered that there are any so-called trigger events that make it necessary to carry out an impairment test on the invested capital of the Group's CGUs.

Note 2: Property, plant and equipment

The movements in property, plant and equipment in H1 2024 are summarised below:

(Euro,000)

	Historical cost at Dec. 31, 23	Accum. Deprec. at Dec. 31, 23	Balance at Dec. 31, 23	Of which “Right-of-use” IFRS 16	Historical cost at June 30, 24	Acc. Deprec at June 30, 24	Balance at June 30, 24	Of which “Right-of-use” IFRS 16
Land & buildings	56,044	(29,829)	26,215	8,127	81,596	(30,898)	50,698	7,435
Property, plant and equipment	160,206	(131,705)	28,500	-	161,602	(135,356)	26,246	-
Industrial & commercial equipment	110,611	(99,823)	10,788	1,323	113,154	(102,486)	10,668	1,246
Other assets	15,373	(10,507)	4,866	3,398	16,704	(11,030)	5,675	2,940
Tangible assets in progress and advances	34,906	-	34,906	-	8,706	-	8,706	-
Total property, plant and equipment	**377,141**	**(271,864)**	**105,276**	**12,848**	**381,762**	**(279,771)**	**101,992**	**11,621**

The following tables outline the changes in the historic cost and accumulated depreciation in H1 2024 by category.

Historical cost

(Euro,000)

	Historical cost at Dec. 31, 23	Of which “Right-of-use” IFRS 16	Acquisitions	Increases	Disposals	Other movements	Translation differences	Historical cost June 30, 24	Of which “Right-of-use” IFRS 16
Land & buildings	56,044	13,264	-	2,790	(367)	23,313	(184)	81,596	13,280
Property, plant and equipment	160,206	-	-	901	(218)	1,266	(553)	161,602	-
Industrial & commercial equipment	110,611	2,691	6	1,133	(297)	1,790	(89)	113,154	2,741
Other assets	15,373	7,172	-	149	(260)	1,483	(41)	16,704	7,160
Tangible assets in progress and advances	34,906	-	-	1,677	-	(27,851)	(26)	8,706	-
Total property, plant and equipment	**377,141**	**23,126**	**6**	**6,650**	**(1,142)**	**-**	**(893)**	**381,762**	**23,182**

Increases 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 tangible fixed assets include, mostly under Land and Buildings, the costs incurred by the Parent Company for the renovation of the Headquarters located in Viale dell'Industria, 34 in Padua (Italy). The restructuring project of the Headquarters was completed in June 2024, so the increases recorded in previous years were reclassified under Tangible assets under construction in the respective items.

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, 2023 were in progress and which in 2024 became fixed assets to be depreciated.

Accumulated depreciation

(Euro,000)

	Provision at Dec. 31, 23	Of which "Right-of-use" IFRS 16	Acquisitions	Deprec.	Disposals	Write-downs	Translation differences	Balance at June 30, 24	Of which "Right-of-use" IFRS 16
Acc. Depr. Land & buildings	(29,829)	(5,137)	-	(1,288)	92	-	127	(30,898)	(5,845)
Acc. Depr. Property, plant and equipment	(131,705)	-	-	(4,312)	218	-	444	(135,356)	-
Acc. Depr. Industrial & commercial equipment	(99,823)	(1,367)	(1)	(2,951)	290	(89)	87	(102,486)	(1,495)
Acc. Depr. Other assets	(10,507)	(3,773)	-	(821)	257	-	41	(11,030)	(4,220)
Tangible Assets in progress and advances	-	-	-	-	-	-	-	-	-
Total accumulated depreciation Property, plant and equipment	**(271,864)**	**(10,278)**	**(1)**	**(9,371)**	**857**	**(89)**	**699**	**(279,771)**	**(11,561)**

Property, plant and equipment were depreciated at June 30, 2024 at the following rates:

	Rate
Land & buildings	37.87%
Plant & machinery	83.76%
Industrial and commercial equipment	90.57%
Other assets	66.03%
Leasing	49.87%

Note 3: Equity investments

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

(Euro,000)

Equity investments	Balance at 31/12/2023	Increases in the period	Decreases in the period	Other changes	Balance at 30/06/2024
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
Hybitat srl	2	-	-	-	2
Aquametric Solutions SA	25	-	-	-	25
Conthidra S. L.	280	-	-	-	280
Other minor	1	-	-	-	1
Doubtful debt provision ìFondazione 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	**657**	**-**	**-**	**-**	**657**

Note 4: Current and non-current financial assets

The breakdown of financial assets at June 30, 2024 is as follows:

(Euro,000)

Current and non-current financial assets	June 30, 2024	December 31, 2023
Guarantee deposits	337	335
Restricted deposit account - long term	1,000	1,000
Financial receivables from Aquametric Solutions, S.A.	1,500	-
Long-term participatory financial instruments	480	150
Long-term derivative financial instruments	823	1,049
Non-current financial assets	**4,141**	**2,533**
Short-term deposits	4,250	4,250
Restricted deposit account - short term	522	498
Short-term derivative financial instruments	1,816	1,883
Other current financial assets	**6,588**	**6,630**

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 as a short- and medium-long term financial asset, it was paid as a time deposit for a maximum duration of 5 years from the date of acquisition, which took place on December 29, 2020

Participatory financial instruments

Following the establishment of the company Hybitat S.r.l., the shareholders Sit S.p.A. and eNovia S.p.A. have undertaken to ensure that in the first 36 months from the date of incorporation, the Board of Directors offers shareholders up to 80,000 participatory financial instruments (SFP) for subscription (in equal measure) at a price of Euro 100 each. These financial instruments give shareholders an option right to subscribe a capital increase with the aim of implementing the business plan and achieving the related milestones.

As of June 30, 2024, SIT had subscribed 4,800 SFP for a total value of Euro 480 thousand. Please note that SIT has committed (as well as its shareholder eNovia S.p.A.) to subscribe at least 29,000 SFP within 36 months from the date of incorporation (of which 12,000 SFP within 18 months and 17,000 SFP within the following 18 months).

Financial receivables from Aquametric Solutions, S.A.

During the first half of 2024, the subsidiary Metersit S.r.l. paid Euro 1,500 thousand to Aquametric Solutions, S.A., a company subject to the Joint Venture with GWF, aimed at the development of the new ultrasonic water meter called SmartIO.

Long-term derivative financial instruments

The value of derivative financial instruments as of June 30, 2024 amounted to a total of Euro 823 thousand and related to IRS derivative contracts on the medium/long-term portion of existing loans. The table below shows the details, broken down by contract:

Transaction type	Currency	Beginning date	Maturity	Fixed rate	Notional June 30, 2024	Fair value June 30, 2024
IRS on SFA 2021	Euro	06/08/2021	30/06/2026	-0.07%	42,000	748
IRS on CDP loan	Euro	30/06/2022	31/12/2026	1.41%	9,375	75
IRS on Unicredit loan	Euro	06/06/2022	30/05/2025	1.44%	6,000	-
Total					**57,375**	**823**

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 1,816 thousand, relates to IRS derivative contracts on the short-term portion of existing loans. The breakdown by contract is presented below:

(Euro,000)

Transaction type	Currency	Beginning date	Maturity	Fixed rate	Notional June 30, 2024	Fair value June 30, 2024
IRS on SFA 2021	Euro	06/08/2021	30/06/2026	-0.07%	42,000	1,375
IRS on CDP loan	Euro	30/06/2022	31/12/2026	1.41%	9,375	174
IRS on Unicredit loan	Euro	06/06/2022	30/05/2025	1.44%	6,000	113
Total					**57,375**	**1,662**

In addition, in H1 2024 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 sales	GBP	490,000	EUR	0.8436	0.8449	2		
forward purchases	USD	5,260,000	EUR	1.0687	1.0705	9		
Total						**11**	**-**	**-**

(Euro,000)

Transaction type	Beginning date	Maturity	Fixed price EUR/MWh	Quantity MWh June 30, 2024	Fair Value June 30, 2024
Commodity swap Natural Gas-PSV	01/02/2024	31/12/2024	34.90	1,039	4
Commodity swap Natural Gas-PSV	01/02/2024	31/12/2024	32.68	2,080	93
Commodity swap Electricity-PUN	01/02/2024	31/12/2024	99.50	5,137	46
Total					**142**

Note 5: Deferred tax assets

A breakdown of temporary differences and the consequent deferred tax assets at June 30, 2024 and at December 31, 2023 is reported below, on the basis of the breakdown by type of the temporary differences:

Balance at June 30, 2024

(Euro,000)	Changes IRES	Changes IRAP	IRES tax effect	IRAP tax effect
Employee provisions	1,318	450	387	18
Other risk and charges provisions	7,519	6,490	1,866	253
Costs deductible in future years	893	-	268	-
Write-down of inventories	3,576	2,425	927	95
Deprec. suspended on revaluations	171	171	41	7
Tax losses	52,118	-	12,950	-
Non-deductible interest expense	4,576	-	1,098	-
Write-down of property, plant and equipment	1,002	1,002	241	39
Other & overseas	2,108	49	577	2
Inter-company transactions	3,947	3,947	947	154
Leasing IFRS16	4,111	-	987	-
Unrealised foreign exchange losses	195	-	47	-
Total	**81,535**	**14,535**	**20,336**	**567**

Balance at December 31, 2023

(Euro,000)	Changes IRES	Changes IRAP	IRES tax effect	IRAP tax effect
Employee provisions	3,299	346	808	3,299
Other risk and charges provisions	7,301	6,123	1,823	7,301
Costs deductible in future years	2,268	-	680	-
Write-down of inventories	4,046	2,788	1,046	109
Deprec. suspended on revaluations	171	171	41	7
Tax losses	43,165	-	11,018	-
Non-deductible interest expense	1,228	-	295	-

Write-down of property, plant and equipment	1,002	1,002	241	39
Other & overseas	2,055	49	571	2
Inter-company transactions	6,740	6,740	1,618	263
Unrealised foreign exchange losses	259	-	62	-
Total	**71,533**	**17,220**	**18,202**	**672**

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, 2024	December 31, 2023
Raw materials, ancillary and consumables	54,656	49,700
Work-in-progress and semi-finished goods	15,213	18,235
Finished products and goods	21,868	15,362
Advances to suppliers	93	17
Inventories	**91,830**	**83,315**

The movements in the inventory obsolescence provision were as follows:

(Euro,000)	June 30, 2024
Obsolescence provision 31/12/2023	**5,274**
Utilisation in the period	(636)
Provision for the period	203
Exch. diff.	(51)
Obsolescence provision 30/06/2024	**4,791**

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, 2024	December 31, 2023
Trade receivables	71,311	63,126
Trade receivables from holding company	80	20
Trade receivables from companies of the Group	1,302	1,053
Trade receivables from companies subject to control of holding company	20	-
Current trade receivables	**72,713**	**64,200**
Doubtful debt provision	(744)	(741)
Trade receivables	**71,969**	**63,459**

Trade receivables

These refer to the direct commercial relationships that the Group has with customers, net of transactions involving the assignment of receivables, with a non-recourse clause, amounting to Euro 1,636 thousand, carried out by the Group and referring to transactions carried out by the Parent Company with its customers.

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 744 thousand, with the movements in H1 2024 reported in the following table:

(Euro,000)	June 30, 2024
Doubtful debt provision 31/12/2023	**741**
Utilisation in the period	(25)
Provision for the period	30
Exch. diff.	(1)
Doubtful debt provision 30/06/2024	**744**

Note 8: Other current assets

The account is broken down as follows:

(Euro,000)		
Other current assets	**June 30, 2024**	**December 31, 2023**
Tax receivables	7,310	8,945
Advances	1,462	1,022
Prepayments and accrued income	1,682	1,325
Other receivables	1,119	1,296
Income tax receivables	822	1,519
Employee receivables	25	1
Social security institution receivables	89	156
Other current assets	**12,509**	**14,264**

TAX RECEIVABLES

The breakdown is as follows:

(Euro,000)		
Total tax receivables	**June 30, 2024**	**December 31, 2023**
VAT receivables	3,455	3,936
Group VAT receivables	878	2,193
Withholding taxes receivables	2,976	2,817
Total tax receivables	**7,310**	**8,945**

VAT RECEIVABLES

The VAT balance includes Euro 1,718 thousand related to the subsidiary SIT Manufacturing N.A.S.A. de C.V. and Euro 1,452 thousand related to the subsidiary JANZ.

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, while the parent company Technologies SAPA of F.D.S. S.S. has joined since the 2023 financial year. The amount of Euro 878 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 135 thousand and Euro 743 thousand.

WITHHOLDING TAX RECEIVABLES

Withholding tax receivables of Euro 2,976 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, 2024, 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, 2024	December 31, 2023
IRES receivables	1,087	1,537
IRAP receivables	678	678
Receivable from holding company for tax consolidation	592	592
Current tax receivables	1,159	946
Tax receivables	**3,516**	**3,752**

The amount of Euro 592 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)		
Cash and cash equivalents	**June 30, 2024**	**December 31, 2023**
Cash in hand and similar	21	21
Bank and postal deposits	7,229	8,680
Cash and cash equivalents	**7,249**	**8,700**

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 no. 11: Share capital

The subscribed and paid-up share capital as of June 30, 2024 amounted to Euro 96,162 thousand, divided into 25,110,209 shares with no express nominal value. The breakdown of the classes of shares issued by the company is shown below:

Shares	No. shares	% of share capital	Listing
Ordinary Shares	25,110,209	100.0%	Euronext

Note 12: Reserves

The composition of the entry is as follows:

(Euro,000)	30-jun-24	31-dic-23
Share premium reserve	10,045	10,360
Capital payments reserve	16,615	16,615
Total capital reserves	**26,660**	**26,975**
Legal reserve	19,232	19,232
Treasury shares reserve	(5,328)	(6,733)
Cash flow hedge reserve	1,872	2,217
Actuarial reserve	(225)	(225)
Extraordinary reserve	1,496	24,726
Translation reserve	(3,539)	(2,315)
LTI reserve	531	2,073
Reserve to be valued at fair value of the put option on minority interests	(5,040)	-
Retained earnings/(accumulated losses)	4,355	4,401
Total profit reserves	**13,352**	**43,376**
Total reserves	**40,013**	**70,351**

Reserve for treasury shares

The reserve for treasury shares, negative for Euro 5,328 thousand, changes during the period by Euro 1,405 thousand against the assignment of shares to employees, following the closure of the first cycle of L.T.I. completed in June 2024.

Reserve per long term incentive plan

As of June 30, 2024, the reserve for *long-term incentive plans* (L.T.I.) includes the value of share-based payments to key employees and executives, settled with equity securities. It should be noted that on 29 April 2021 the Shareholders' Meeting approved 3 incentive plans (Performance Shares Plan, Restricted Shares Plan, Share Compensation Plan for the Advisory Board) where one of which provides for three different assignment cycles scheduled for the financial years 2021, 2022 and 2023. In the first half 2024, the first cycle ended with the conversion of units into shares, therefore the reserve moved as follows:

- A decrease of 263 thousand euros against the partial achievement of the objectives set in the plan for the first allocation cycle;

- A decrease of 1,193 thousand euros due to the conversion of units into shares, with the consequent allocation of the same to key employees and managers;
- A decrease of 289 thousand euros due to the failure of the Advisory Board to achieve its targets;
- A decrease of 110 thousand euros against the cost previously accrued for employees and key executives to whom the shares were not assigned, due to the failure to meet the requirements (so-called "S. *Bad Leaver*)
- An increase of Euro 340 thousand against the allocation of the cost for the period, mainly referring to the second and third cycles;

See Note 36 for further details on this plan.

Cash flow hedge valuation reserve

The cash flow hedge valuation reserve as of December 31, 2023 was recorded for a positive amount of Euro 2,217 thousand, net of the tax effect of Euro 700 thousand. During the first half of 2024, the reserve changed mainly as a result of hedging contracts against the so-called 5-year SFA (*Senior Financial Agreement 2021*) loan agreement . The Reserve as of June 30, 2024 is recorded for a positive amount of Euro 1,872 thousand, net of the tax effect of Euro 591 thousand.

Extraordinary reserve

The extraordinary reserve as of December 31, 2023 amounted to Euro 24,726 thousand; during the period, the change, amounting to 23,230 thousand euros, is mainly attributable to the allocation of the loss of the previous year, amounting to 23,388 thousand euros.

Reserve for the fair value of the minority put option

The item, amounting to 5,040 thousand euros, refers to the valuation of the option to sell the minority quota relating to SIT Motors & Blowers Technology S.r.l.. For more details, please refer to note no. 17.

Non-current liabilities

Note 13: Payables to non-current banks

Details of the item as at 30 June 2024 are as follows:

(Euro,000)	30-jun-24	31-dec-23
Non-current loans	81,018	58,326
Non-current loans - Amortised cost and effect of amending agreements	1,101	(144)
Payables to non-current banks	**82,119**	**58,182**

As of June 30, 2024, payables to non-current banks represent the value of the non-current portion of the loan agreements entered into by the Company with certain financial institutions. The figures shown reflect the effects of the amending agreements that the Company signed with the main lenders on April 22 and 23, 2024.

These agreements provide for the extension of the original maturities by 24 months and the remodulation of the repayment profile in increasing installments, with maintenance of the previous annual and interim maturities. They also provide for the redefinition of the financial covenants applicable to the related medium-term loan relationships in a manner consistent with the financial renegotiation described and the economic and financial profile of the Company's new business plan.

The aforementioned medium-term loan relationships – which are not secured by any collateral – have also been amended in relation to a series of commitments and limitations already provided for originally, as usual in similar contracts. Further limits have also been introduced on the distribution of dividends and reserves, which change according to the level of consolidated financial leverage. Finally, the *pricing* levels were adjusted in relation to the trend of the aforementioned consolidated financial leverage.

The financing operations included in the above-mentioned agreement, the non-current portions of which are shown in the table above, are as follows:

1. for Euro 62,184 thousand to the Senior Financial Agreement 2021 (SFA 2021) that the Company signed on August 6, 2021 with a pool of banks, the main characteristics of which are:
    - original amount of Euro 90,000 thousand, duration extended in the agreements to June 30, 2028; repayment according to a new amortization plan in half-yearly installments starting from 30 June 2024;
    - interest rate indexed to the 6-month Euribor, plus a margin determined on the basis of a grid defined by the performance of the so-called "Leverage ratio” – an indicator consisting of the ratio between net financial position and EBITDA. As of the current date, the margin is 2.75%

and from 2025 it may vary based on a sustainability ("ESG") rating issued by the international agency EcoVadis;

- The financial liability is measured using the amortised cost method.

The loan agreement provides for the option of early repayment without penalties and the absence of collateral. As usual in similar transactions, it provides for a series of commitments by the Company such as the prohibition, except within the limits provided for therein, to take on further debt and provide guarantees relating to it (negative pledges) as well as limits on the distribution of dividends and asset sales or business disposals. Financial covenants are envisaged, to be calculated at the level of the consolidated financial statements on a half-yearly basis: (i) the ratio of net financial position to EBITDA and (ii) the ratio of EBITDA to net financial expenses and (iii) the ratio of net debt to equity, all quantities to be calculated according to the definitions provided for in the contract itself. The limit values of these covenants for the recognition date as of June 30, 2024 are 7.2x and 3.0x and 1.5x respectively, values that have been complied with.

The nominal residual amount as of June 30, 2024 amounts to a total of 65,475 thousand euros, of which 61,425 thousand euros for the non-current portion and 4,050 thousand euros for the current part. The residual amount at amortised cost as of June 30, 2024 amounts to a total of 66,544 thousand euros, of which the non-current portion amounts to 62,184 thousand euros and the current portion amounts to 4,360 thousand euros.

2. for Euro 12,196 thousand to the loan signed on March 11, 2022 with Cassa Depositi e Prestiti S.p.A., the main characteristics of which are:
   - original amount of Euro 15,000 thousand, deadline extended to 31/12/2028, repayment according to a new amortization plan in half-yearly installments starting from June 30, 2024;
   - interest rate indexed to the 6-month Euribor, plus a margin of 2.00%.

Financial covenants are envisaged, to be calculated at the level of the consolidated financial statements on a half-yearly basis: (i) the ratio of net financial position to EBITDA and (ii) the ratio of EBITDA to net financial expenses and (iii) the ratio of net financial position to equity, all of which are to be calculated according to the definitions set out in the contract itself. The limit values of these covenants for the recognition date as of June 30, 2024 are 7.2x and 3.0x and 1.5x respectively, values that have been complied with.

The nominal residual amount as of June 30, 2024 amounts to a total of 12,731 thousand euros, of which 11,944 thousand euros for the non-current portion and 787 thousand euros for the current part. The residual amount at amortised cost as of June 30, 2024 amounts to a total of 13,086 thousand euros, of which the non-current portion amounts to 12,196 thousand euros and the current part amounts to 889 thousand euros.

3. Euro 5,589 thousand for the loan taken out on May 31, 2022 with Unicredit S.p.A., the main characteristics of which are:
    - original amount of Euro 10,000 thousand, deadline extended to May 31, 2027, reimbursement according to a new half-yearly amortization plan starting from the installment of May 31, 2024;
    - interest rate indexed to the 6-month Euribor, plus a margin determined on the basis of a grid defined by the performance of the so-called Debt Cover – an indicator consisting of the ratio between net financial position and EBITDA. As of today, the margin is 2.55%.

Financial covenants are envisaged, to be calculated at the level of the consolidated financial statements on a half-yearly basis: (i) the ratio of net financial position to EBITDA and (ii) the ratio of EBITDA to net financial expenses and (iii) the ratio of net debt to equity. The limit values of these covenants for the recognition date as of June 30, 2024 are 7.2x and 3.0x and 1.5x respectively, values that have been complied with.

The above amounts also include the negative effects at the date of the amendment, deriving from the new agreements, defined in accordance with the provisions of IFRS 9.

The following financing operations, the non-current portions of which are shown in the table above, were not included in the above-mentioned amending agreements.

4. Euro 2,150 thousand to a credit facility called "Revolving Credit Facility" granted on September 27, 2023 by Banca Monte dei Paschi di Siena S.p.A. to support specific investment initiatives, the main characteristics of which are:
    - usable amount up to Euro 4,000 thousand in one or more instalments, with availability that may be restored with subsequent reimbursements; the final refund must be made by the deadline of 01 October 2025;

- interest rate indexed to the 6-month Euribor, plus a margin of 1.00%; there is a commission on the loan equal to 0.25% quarterly;

there are no financial covenants.

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

Details of the item as at 30 June 2024 are as follows:

(Euro,000)	30-jun-24	31-dec-23
Other non-current financial liabilities	1,275	1,297
Bond loan - non-current portion	40,000	40,000
Bond loan - Amortised cost and effect of amending	(21)	(395)
Non-current portion of loans from parent company	5,000	-
Non-current financial lease payables - IFRS 16	9,434	10,532
Other non-current financial liabilities and derivative financial instruments	**55,688**	**51,434**

Financial payables to other non-current financial accounts

The amount as at 30 June 2024 refers to the debt for the acquisition of JANZ – Contagem e Gestão de Fluídos, SA, which was completed on 29 December 2020.

Bonds - non-current portion

The item refers to the bond loan subscribed by Pricoa in May 2021. The debt was valued using the amortised cost method over the duration of the contract, equal to 10 years with 6 years of pre-amortization. The fixed semi-annual coupon is indexed from the fifth year onwards to a sustainability ("ESG") rating provided by the international agency EcoVadis. The agreement provides for the right of Sit S.p.A. to request Pricoa, on an uncommitted basis within three years from the signing of the agreement, to subscribe additional bonds up to a total amount of USD 100 million (or Euro equivalent).

The bond loan provides for contractual clauses, so-called financial covenants, to be calculated at the level of the consolidated financial statements on a half-yearly basis, failure to comply with which would result in the loss of the benefit of the term in favour of the Company.

The financial covenants envisaged in this agreement are (i) the ratio of net financial position to EBITDA and (ii) the ratio of EBITDA to net financial expenses (iii) compliance with a certain ratio of debt to equity.

This transaction was also the subject of amending agreements approved on 22 April 2024 by the bondholders' meeting. These agreements reflect the discussions and agreements signed with the banking sector described in Note 13 and, in particular, the revision of the financial parameters in line with the

Group's updated short- and medium-term income and financial prospects. The limit values of these covenants for the recognition date as of June 30, 2024 are 7.2x and 3.0x and 1.5x respectively, values that have been complied with.

The above amounts also include the effects at the date of the amendment, deriving from the new agreements, defined in accordance with the provisions of IFRS 9.

Non-current portion of loans from parent company

As part of the broader banking renegotiation described above and in order to ensure greater cash availability for the Group, on 22 April 2024 SIT signed a new loan agreement with the parent company Sit Technologies S.a.p.a. for an amount of Euro 5,000 thousand subordinated to the credit reasons of each existing financial creditor.

The loan is expected to be repaid no earlier than May 19, 2031.

Non-current financial payables for leases – IFRS 16

The amount refers to the non-current financial debt for future payments deriving from existing lease contracts, recognised following the application of IFRS 16. For further details, please refer to Note no. 34.

Note 15: Provisions for risks and charges

The changes that have occurred in the item in question are explained below:

(Euro,000)

Fondo rischi e oneri	31-dec-23	Provisions	Utilisations	Reclassification	Release	30-jun-24
Agents indemnity provision	154	-	-	-	-	154
Other risks provision	8,948	468	(430)	(1,914)	(74)	6.998
Product warranty provision	1,410	55	(19)	-	-	1,446
Total provisions for risks and charges	**10,513**	**522**	**(449)**	**(1,914)**	**(74)**	**8,598**

Agents indemnity provision

This item includes only the contingent liability for any indemnity due to agents in the event of termination of the relationship due to completion of work or termination of the contract due to a fact not attributable to the agent, as prescribed by art. 1751 of the Civil Code and by the Collective Economic Agreements.

Other provisions for risks

Below is a breakdown of the main items that make up the fund:

- Euro 157 thousand for the reorganization of the Dutch company Sit Controls B.V. aimed at the sale of the production business unit to the Parent Company Sit S.p.A., which will be completed in July 2024. The amount outstanding as at 30 June 2024 mainly includes training and *outplacement* costs agreed locally with the trade unions. During the first half of 2024, Euro 1,914 thousand was reclassified to "*Payables to others*" against the agreements signed for the exit of employees belonging to the production area, for which payment is expected by October 2024. The change during the year also includes Euro 189 thousand relating to the use of consultancy directly related to the restructuring.
- Euro 2,641 thousand refer to the subsidiary Metersit S.r.l. and represents the best estimate of the disposal costs in the coming years of the batteries included in the meters sold up to the balance sheet date. The provision for the year, amounting to Euro 162 thousand, takes into account the effect of discounting flows, using a pre-tax discount rate.
- Euro 776 thousand referred to the subsidiary Metersit S.r.l for the coverage of specific claims and risks relating to the reasonable estimate of potential penalties (42 thousand euros) accrued on the basis of contractual provisions due to delays in the supply of products to the company's main customers. The provision also includes 734 thousand euros relating to costs expected over the period covered by the replacement of the guarantee, of which 40 thousand euros are accrued in the current year.
- Euro 751 thousand to cover the risks associated with ongoing disputes with customers and suppliers of the Parent Company, the risk of which being considered probable. During the period, the fund increased by 84 thousand euros, in addition to a release of the fund, equal to 3 thousand euros, due to the waiver of obligations to customers for potential indemnities provided for in the contract;

- Euro 1,162 thousand relating to the costs of environmental remediation of a portion of land owned by the Company. During the year, 42 thousand euros were used for costs incurred for remediation activities and, at the same time, 152 thousand euros were accrued ;
- Euro 1,028 thousand refers to an out-of-court settlement signed in the first months of 2023 with a customer against the alleged defectiveness of a certain number of valves supplied by the Mexican subsidiary and installed on products sold on the American market. The original amount, equal to 7,462 thousand euros, was used during the first months of 2023 for a total of 6,405

thousand euros against the payment of the agreed compensation, as well as the payment of ancillary legal costs. The open amount refers to the portion of the provision entered as a guarantee against any new disputes that could be made by end customers by January 2025, as provided for in the agreements signed with the counterparty.

Product Warranty Fund

The provision for product warranties represents a reasonable estimate of the costs that the Group may incur in fulfilling the commitment of contractual guarantees on products sold up to the balance sheet date. The value of the fund mainly includes:

- Euro 250 thousand represent the estimated expected future charges, relating to the subsidiary JANZ, on meters sold up to the balance sheet date. The value of the fund is in line with the previous year;
- Euro 1,019 thousand relating to the best estimate of the costs of replacing meters sold by the subsidiary Metersit S.r.l. up to the balance sheet date, covered by warranty. The provision for the period amounted to 55 thousand euros.
- Euro 140 thousand relating to products sold by the Parent Company calculated on the basis of the valuation and analysis of returns; the value of the provision is in line with the previous year.

Note 16: Net defined benefit liabilities to employees

Details of changes in the item during the years ended 30 June 2024 and 31 December 2023 are as follows:

(Euro,000)	30-jun-24	31-dec-23
Net liabilities for employee benefits	4,283	4,628
Liabilities for retention or other	463	468
Net liabilities for employee defined benefits	**4,746**	**5,096**

Changes in the severance indemnity item are shown below:

(Euro,000)	30-giu-24	31-dic-23
Post-em. bens. at beginning of year	4,628	4,649
Payments in the year	(605)	(291)
Current service cost	260	97
Interest cost	-	158
Actuarial gains	-	14
Post-em. bens. at end of year	**4,283**	**4,628**

Note 17: Other non-current liabilities

The item, amounting to Euro 5,126 thousand, refers for Euro 5,022 thousand to the liability deriving from the combined purchase and sale options (Put & Call) on the minority quotas relating to the non-employee quotaholder. Please refer to the note "*Consolidation scope and method and conversion of financial statements expressed in currencies other than the Group functional currency (Euro)*" for further details on this option and the valuation criterion adopted.

The remaining portion, equal to Euro 103 thousand, relates to the two minority quotaholders, who provide services to the company itself. The recognition was carried out as "Cash-settled share-based payment" instruments in accordance with the provisions of IFRS 2. The cost is recognised in the income statement proportionally for the duration of the vesting period. For further information, please refer to note 37 and the note "*Consolidation scope and method and conversion of financial statements expressed in currencies other than the Group functional currency (Euro)*".

Note 18: Deferred tax

Details of the temporary differences and the consequent deferred tax liabilities as of June 30, 2024 and December 31, 2023 are provided below, based on the breakdown by nature of the temporary differences. The IRES and IRAP tax rates applied by the Company on the estimated taxable income of the year are 24.0% and 3.9% respectively, for current taxation and for the determination of deferred taxation.

Balance as at 30 June 2024

(Euro,000)	Changes IRES	Changes IRAP	IRES tax effect	IRAP tax effect
Tax on business combinations	36,008	28,322	8,642	1,105
Accelerated depreciation	375	-	90	-
Finance Leases	815	815	196	32
Leasing IFRS16	3,993	-	958	-
Capitalisation research & development	1,673	1,673	401	65
Unrealised for. exchange gains/losses	114	-	27	-
Other	1,046	-	312	-
Derivative financial instruments	2,464	-	591	-
Total	**46,488**	**30,809**	**11,219**	**1,202**

Balance as at 31 December 2023

(Euro,000)	Changes IRES	Changes IRAP	IRES tax effect	IRAP tax effect
Tax on business combinations	39,535	31,340	9,488	1,222
Accelerated depreciation	375	-	90	-
Finance Leases	837	837	201	33

Unrealised for. exchange gains/losses	91	-	22	-
Other	1,135	-	342	-
Derivative financial instruments	2,904	-	697	-
Total	**44,876**	**32,176**	**10,840**	**1,255**

Current liabilities

Note 19: Short-term banks debts

The item details are as follows:

(Euro,000)	30-jun-24	31-dec-23
Utilisation short-term lines	14,799	14,909
Current portion of loans	7,805	35,981
Current portion of loans - Amortised cost and effect of amending	466	(139)
Current financial charges	23	58
Short-term loans and borrowings	**23,093**	**50,809**

Use of short-term lines

The item, amounting to Euro 14,799 thousand, refers to short-term uses of credit lines granted by banks for the disposal of working capital.

Current portion of loans

This item includes the short-term amount of the 2021 Senior Financial Agreement loan for Euro 4,360 thousand, the short-term amount of the Unicredit loan for Euro 1,054 thousand and the Cassa Depositi e Prestiti loan for Euro 889 thousand. These loans are presented in accordance with the amending agreements signed on April 23 and 24 and described in detail in Note 13.

The table represents, according to the original contractual provisions, the short-term amount of the loan of Banca BPER S.p.A. for 1,918 thousand euros, the residual amount of the following transaction:

- original amount of Euro 5,000 thousand, maturing on February 3, 2025, repayment according to an amortization schedule of 8 constant quarterly installments, starting from May 03, 2023;
- interest rate indexed to 3-month Euribor, plus a margin of 1.25%;

there are no financial covenants.

Note 20: Other current financial liabilities and derivative financial instruments

The composition of the entry is as follows:

(Euro,000)	30-jun-24	31-dec-23
Bond loan - current portion	175	69
Other current financial payables	598	2,849
Current portion of loans from parent company	47	-
Factoring payables	10,043	2,681
Derivative financial instruments - current portion	17	20
Current financial lease payables - IFRS 16	2,914	2,977
Other current financial liabilities and derivative financial instruments	**13,793**	**8,596**

Bond loan - current portion

The item includes Euro 175 thousand relating to the payable for interest expense on the bond loan, net of the effect of amortised cost. For more information, please refer to Note 13.

Financial payables to other current accounts

The amount, equal to Euro 598 thousand, includes 532 thousand euros relating to the short-term portion of the earn-outs contracted in the context of the acquisition of the investment in JANZ – Contagem e Gestão de Fluídos, SA.

The change compared to December 31, 2023, amounting to 2,251 thousand euros, mainly refers, for Euro 1,939 thousand, to the release of a deposit received as a guarantee for the sale of land owned by the group's Mexican company, completed in the first months of 2024; the decrease also includes Euro 244 thousand relating to the payment of the earn-outs in connection with the acquisition of the investment in JANZ.

Derivative financial instruments – current portion

As in the previous year, the Parent Company entered into exchange rate risk hedging contracts in the first half of 2024 that do not meet the hedging requirements of IFRS 9 for the application of hedge accounting.

The characteristics and fair value of the current portion of these instruments are summarized 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	CNY	15,000,000	EUR	7.9510	7.8770	(17)		
Total						**(17)**	-	-

As of December 31, 2023, the following currency contracts were outstanding:

(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	CNY	15,000,000	EUR	7.9510	7.8770			(13)
Forward sales	GBP	500,000	EUR	0.8685	0.8715	(2)		
Forward sales	USD	3,500,000	EUR	1.1054	1.1097	(5)		
Total						**(7)**	**-**	**(13)**

As required by IAS 7, the information necessary for the financial statement reader to be able to assess changes in liabilities arising from financial liabilities, whether due to cash flows or non-cash changes, is reported. Here below the detail:

(Euro,000)	December 31, 2023	Drawdowns / Increases	Acquisitions	Reimbursements/ settlements	Reclass.	Fair Value Changes	Change in amort. cost	June 30, 2024
Bank payables - non-current portion of loans	58,326	1,968			20,724			81,018
Bank payables - non-current portion amortised cost	(144)				(654)		1,899	1,101
Total bank payables - non-current portion loans	**58,182**	**1,968**		**0**	**20,070**	**0**	**1,899**	**82,119**
Shareholder loans - non-current portion of loans	-	5,000						5,000
Shareholder loan - amortised cost	-							0
Bond loan - non-current portion	40,000			.				40,000
Bond loan - amortised cost, non-current portion	(395)				(46)		420	(21)
Derivative financial instruments - non-current portion	-							0
IFRS16	10,532	228			(1,325)			9,434
Payables to other lenders	1,297	31			(53)			1,275
Total other non-current financial liabilities and derivative financial instruments	**51,434**	**5,259**	**-**	**-**	**1,424**	**-**	**420**	**55,688**
Total non-current financial liabilities	**109,616**	**7,227**	**0**	**0**	**18,646**	**0**	**2,319**	**137,807**
Bank payables - current portion of loans	35,981			(7,502)	(20,724)			7,755
Bank payables - current portion amortised cost	(139)			(49)	654			466
Current account and accrued interest expense	14,967	14.872		(14,967)				14,872
Total bank payables - current portion of loans	**50,809**	**14.872**	**0**	**(22,518)**	**(20,070)**	**0**	**0**	**23,093**
Shareholder loan - current portion of loans	-							0
Shareholder loan – interests accrued	-	47						47

Bond loan - current portion	-							0
Bond loan - amortised cost current portion and effect of amending	(82)			36	46			0
Bond loan - accrued interest expense	151	174		(151)				174
Derivative financial instruments - current portion	20			(20)		17		17
Factoring payables	2,681	10,043		(2,681)				10,043
IFRS16	2,977	167		(1,555)	1,325			2,914
Payables to other lenders	2,849	47		(2,351)	53			598
Total other current financial liabilities and derivative financial instruments	**8,596**	**10,478**	**0**	**(6,722)**	**1,424**	**17**	**0**	**13,793**
Total current financial liabilities	**59,405**	**25,350**		**(29,240)**	**(18,646)**	**17**	**0**	**36,886**

In relation to their positioning in the fair value hierarchy, the outstanding derivative instruments (IRS, currencies and *commodities*) described above can be classified as Level 2. During the first half of 2024, there were no transfers between Level 1 and Level 2.

Current financial lease payables – IFRS 16

The amount refers to the current financial debt for future payments deriving from existing lease contracts, recognised following the application of IFRS 16. For further details, please refer to Note no. 34.

Note 21: Trade payables

As of June 30, 2024, trade payables are composed as follows:

(Euro,000)	30-jun-24	31-dec-23
Trade payables	80,245	66,915
Trade payables to holding company	-	-
Trade payables	**80,245**	**66,915**

Payables to suppliers

They include payables in foreign currencies and are therefore already shown in the financial statements and in the aforementioned statement, net of the related unrealized exchange rate differences, which correspond to foreign exchange losses of Euro 117 thousand.

Note 22: Other current liabilities

The detail of the amount is as follows:

(Euro,000)	30-jun-24	31-dec-23
Other payables	2,991	3,165
Customer advances	1,476	776
Current remuneration payables	5,940	2,134
Deferred remuneration payables	5,349	5,224
Payables to social security institutions	2,229	3,298

Retention fund, MBO and PDR	1,709	1,225
Deferred income	1,891	1,922
Substitute tax payables	1,512	2,523
VAT payables	420	501
Other current liabilities	**23,518**	**20,768**

Other payables

They mainly include the amounts withheld from employees (canteen contribution, union contributions, etc.) for subsequent payment to various bodies and institutions.

Current remuneration payables

Payables for current payroll mainly include payables to employees for payroll for the month of June 2024, paid in July 2024. The change compared to December 31, 2023 relates to the allocation of the thirteenth month's salary in June amounting to Euro 1,467 thousand as well as the compensation provided for the employees of the Dutch subsidiary following the closure of the production plant.

Deferred remuneration payables

Deferred remuneration refers to holidays and leave accrued but not taken, including related contributions.

Retention fund, MBO and PDR

The item relates to the estimate of premiums for 2024.

Substitute tax payables

The item relates to payables for withholding taxes on wages and salaries and payables for advance payments incurred abroad on royalties invoiced by the Parent Company to certain production subsidiaries for the use by them of technical production know-how, non-patented technology as well as the SIT brand, all owned by the Parent Company.

Note 23: Income tax payables

The amount of 1,211 thousand euros is mainly attributable to the payable for direct taxes on income for the year.

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 2024	H1 2023
Revenues from product sales	147,901	166,619
Revenues from services	2,991	256
Revenues from sales and services	**150,892**	**166,875**

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

(Euro,000)	H1 2024	H1 2023
Heating & Ventilation	104,780	124,289
Smart Gas Metering	31,680	29,685
Water Metering	14,431	12,901
Total revenues from sales and services	**150,892**	**166,875**

Group revenues by region were as follows:

(Euro,000)	H1 2024	H1 2023
Italy	50,999	50,895
Foreign EU	62,326	78,090
Foreign Non-EU	37,567	37,890
Total revenues from sales and services	**150,892**	**166,875**

Note 25: Raw materials, ancillaries, consumables and goods

The breakdown of the account for the periods ended June 30, 2024 and June 30, 2023 are illustrated below:

(Euro,000)	H1 2024	H1 2023
Purchases of ancillary materials	1.647	1.616
Purchases of raw materials, semi-finished & packaging	72.959	80.844
Finished products purchases	8.215	9.839
Purchases of consumable materials	17	18
Goods purchase/(goods in transit)	414	(1.080)
Maintenance and repair materials	958	1.159
Other purchases	900	1.576
Duties on purchases	1.080	1.003
Raw materials, ancillaries, consumables and goods	**86.189**	**94.974**
Changes in inventories of raw materials, ancillaries, consumables and goods	(2.347)	(3.479)
Change in inventories of finished & semi-finished products and goods	(6.535)	(3.200)
Change in inventories	**(8.882)**	**(6.679)**
Total cost of raw materials, ancillaries, consumables and goods	**77.308**	**88.295**

Note 26: Service costs

The composition of the account is as follows:

(Euro,000)	H1 2024	H1 2023
Rent, hire and leases	252	276
Outsourcing	3,865	4,531
Transport	3,883	3,791
Commissions	89	154
Legal, administrative and other	3,045	2,910
Insurance	495	523
Management services	251	354
Maintenance & repair expenses	2,527	2,214
Utilities	3,380	3,722
Personnel expense	1,047	1,071
Cleaning and security	761	736
Advertising, marketing, and sponsorship	548	485
Directors, statutory & independent auditor fees	987	1,220
Travel and accommodation	543	558
Bank charges & commissions	665	415
Other services	542	887
Listing charges	138	156
Service costs	**23,019**	**24,002**

The change in costs for services compared to the first half of 2023 amounted to lower costs of Euro 983 thousand, mainly attributable to the effect of lower revenues compared to the previous year. The largest change was recorded in utilities, down by Euro 341 thousand, and in external processing, down by Euro 666 thousand.

Note 27: Personnel expense

Personnel expenses are shown below:

(Euro,000)	H1 2024	H1 2023
Wages and salaries	27,072	28,028
Social security expenses	7,149	6,729
Temporary personnel	3,136	3,200
Post-employment benefits	1,383	1,562
Other costs	614	945
Personnel expenses	**39,354**	**40,463**

Average personnel numbers in H1 2024 and H1 2023 were as follows:

Employees	H1 2024	H1 2023
Executives	37	44
White-collar	675	643
Blue-collar	1,310	1,542
Temporary	232	220
Total employees	**2,254**	**2,449**

Note 28: Depreciation, amortisation and write-downs

The breakdown is as follows:

Depreciation, amortisation and write-downs	**H1 2024**	**H1 2023**
Amortisation of intangible assets	4,212	4,272
Depreciation of property, plant and equipment	7,756	7,840
Depreciation of operating leases - IFRS 16	1,614	1,576
Total amortisation & depreciation	**13,583**	**13,688**
Write-down of goodwill	-	17,000
Write-down of property, plant and equipment	89	2,500
Total write-downs of fixed assets	**89**	**19,500**
Write-down of current receivables	3	216
Total write-downs	**3**	**216**
Depreciation, amortisation and write-downs	**13,676**	**33,405**

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,000)	**H1 2024**	**H1 2023**
Provision for disputes	410	397
Provisions for potential returns	-	
Other	5	81
Uses/releases provisions	(246)	(36)
Provisions for risks	**169**	**442**

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 2024**	**H1 2023**
Misc. recoveries	122	124
Prior year income	337	212
Gains on fixed assets	2,948	13
Grants	82	274
Other revenues	9	-
Other income	**3,497**	**623**
Misc. taxes & non-deductible costs	271	255
Losses on fixed assets	4	7
Associations	160	160
Prior year charges	43	22
Impairment on receivables	-	-
IMU Property tax	113	105
Misc. reimbursements	45	43
Other charges	353	255
Other charges	**988**	**847**
Other charges (income)	**(2,509)**	**225**

Within the account Other charges (income), Gains on fixed assets recorded the main change in the first half of 2024; specifically, it includes the capital gain of Euro 2,866 thousand relating the sale of a land owned by the Mexican subsidiary completed in the first months of 2024.

Note 31: Financial income

In H1 2024, this amounted to Euro 238 thousand and was broken down as follows:

(Euro,000)	**H1 2024**	**H1 2023**
Interest income on bank accounts	7	17
Other interest income	24	12
Profits on derivative financial instruments	188	297
Adjustment to fair value of financial liabilities	18	-
Financial income	**238**	**326**

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 2024**	**H1 2023**
Financial charges on hedging contract differences	-	-
Interest charges to holding company	47	-
Interest and other bank charges	5,296	1,688
Interest charges to third parties	304	247
Interest on bond loans	1,547	542
Other financial charges	36	695
Fair value of derivative financial instruments	4	48
Financial charges IFRS 16	221	236
Financial charges	**7,455**	**3,456**

Interest and other bank charges

The amount of Euro 5,296 thousand is related to interest on outstanding loans and other financial payables.

The amount includes Euro 3,192 thousand related to the financial restructuring completed on April 2024, accounted for in accordance with IFRS 9. The amount refers to higher charges, calculated as the difference between the carrying amount of the original debt remaining at the date of the change compared to the value of the cash flows deriving from the conditions defined in the new agreements signed, including the expenses paid to the credit institutions, discounted at the original effective interest rate of the debt.

Interest on bond loans

The amount, equal to Euro 1,547 thousand, relates to financial charges on the bond loan.

The amount includes Euro 808 thousand related to the financial restructuring completed in April 2024, accounted in accordance with IFRS 9. The amount refers to higher charges, calculated as the difference between the carrying amount of the original debt outstanding at the date of the change and the value of the cash flows deriving from the conditions defined in the new agreements signed, including expenses incurred, discounted at the original effective interest rate of the debt.

For further information, refer to the Directors’ Report and to Note 19.

Other financial charges

At June 30, 2024, the item are equal to Euro 36 thousand and are related to the differential recognised in the period for gas and energy tariff hedging contracts.

Fair value of derivative financial instruments

At June 30, 2024, the item amounts to Euro 4 thousand and refers to the fair value of outstanding derivatives on currencies, which are not treated as hedging instruments.

Financial charges IFRS 16

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

Note 33: Net exchange gains (losses)

Net exchange losses of Euro 105 thousand are comprised as follows:

(Euro,000)	H1 2024	H1 2023
Realised exchange gains	573	3,124
Realised exchange losses	(1,154)	(3,036)
Unrealised exchange gains	704	1,313
Unrealised exchange losses	(228)	(1,115)
Net exchange gains (losses)	**(105)**	**286**

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 2024 compared with the same period of the previous year are presented below:

(Euro,000)	H1 2024	H1 2023
Current income taxes	385	1,263
Deferred tax charges	431	(1,042)
Deferred tax income	(2,182)	(4,515)
Income from tax consolidation	-	(472)
Taxes for previous financial years	(61)	-
Other	113	115
Income taxes	**(1,314)**	**(4,651)**

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, 2024 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	1H 2024
Operating lease contract charges	1,753
Contracts classified as short-term leases	8
Contracts classified as low-value assets	17
Total service costs	**1,777**
Land & buildings	(750)
Industrial & commercial equipment	(248)
Other tangible assets	(605)
Total depreciation	**(1,603)**
Income from sub-leasing contracts	-
Sales and leaseback transaction	-
Total other charges/(income)	**-**
Interest charges on financial liabilities	(221)
Total financial charges	**(221)**

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

(Euro,000)	30/06/2024
Net investments accounted as ROU as at 1.1.2024	12,809
Increases in the period	384
Depreciation in the period	(1,603)
Exch. diff.	2
Net investments accounted as ROU as at 30.06.24	**11,592**
Payable for financial liabilities from ROU assets at 1.1.2024	13,509
Commitments in the period	384
Cash outflows	(1,568)
Exch. diff.	24
Gross value of liabilities from ROU assets at 30.06.24	**12,349**

Obligations for short-term lease contracts	-
Obligations for low-value asset contracts	24
Total obligations for lease contracts with recognition to costs of payments due	**24**

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

(Euro,000)	30/06/2024
Within the year	2,914
Between 1 and 5 years	6,982
Over 5 years	2,453
Total liabilities deriving from operating lease contracts	**12,349**

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/(loss) attributed to the ordinary shareholders of the Parent Company	H1 2024	H1 2023
Profit/(loss) attributed to the ordinary shareholders of the Parent Company	(6,133)	(18,150)
Dilution effect deriving from potential ordinary shares	-	-
Total profit/(loss) attributed to the ordinary shareholders of the Parent Company	**(6,133)**	**(18,150)**

(Euro,000)

Earnings/(losses) per share	30/06/2024	30/06/2023
Weighted average number of ordinary shares, excluding treasury shares, to calculate basic earnings per share	24,327,666	24,327,666
Dilution effects for Warrants	-	-
Dilution effects for Performance Shares	-	-
Weighted average number of ordinary shares due to dilution effect	24,327,666	24,327,666
Basic earnings/(losses) per share	**-0.252**	**-0.746**
Diluted earnings/(losses) per share	**-0.252**	**-0.746**

Note 37: Share-based payment settled with equity instruments

At June 30, 2024, the company held 650,327 treasury shares 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 2024	H1 2023
Costs from equity-settled share-based payment transactions	(320)	513
Costs from cash-settled share-based payment transactions	103	-
Total costs deriving from share-based payment transactions	**(217)**	**513**

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.
- 2021-2023 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:

	1H 2024	
2021-2023 Performance Shares Plan 1st Cycle	**No. options**	**Weighted average price**
Outstanding at January 1, 2024	131,942	7.26
Assigned during the year	-	-
Cancelled during the year	-	-
Exercised during the year	(96,861)	7.26
Change in the year	(35,081)	7.26
Expired during the year	-	-
Outstanding at June 30, 2024	-	-
Exercisable at June 30, 2024	-	-

The first cycle of Performance Shares ended in the first half of 2024 with the achievement of 72.5% of the targets set, resulting in the conversion of units into the same percentage. The effect on the income statement relating to the release of the cost previously allocated is equal to Euro 263 thousand.

		1H 2024
2021-2023 Restricted Shares Plan	**No. options**	**Weighted average price**
Outstanding at January 1, 2024	67,436	7.26
Allocated during the year	-	-
Cancelled during the year	-	-
Exercised during the year	(67,440)	7.26
Change in the year	4	7.26
Expired during the year	-	-
Outstanding at June 30, 2024	-	-
Exercisable at June 30, 2024	-	-

The Restricted Shares plan was completed in the first half of 2024 with the achievement of 100% of the targets set, resulting in the total conversion of the units assigned.

Below the information about the two cycles of the incentive plan still in progress:

	1H 2024	
2022-2024 Performance Shares Plan 2nd Cycle	**No. options**	**Weighted average price**
Outstanding at January 1, 2024	145,225	4.41
Assigned during the year	-	-
Cancelled during the year	(18,582)	4.41
Exercised during the year	-	-
Change in the year	-	-
Expired during the year	-	-
Outstanding at June 30, 2024	**126,643**	**4.41**
Exercisable at June 30, 2024	**-**	**-**

	1H 2024	
2023-2025 Performance Shares Plan 3rd Cycle	**No. options**	**Weighted average price**
Outstanding at January 1, 2024	169,594	1.71
Assigned during the year	-	-
Cancelled during the year	(2,247)	1.71
Exercised during the year	-	-
Change in the year	-	-
Expired during the year	-	-
Outstanding at June 30, 2024	**167,347**	**1.71**
Exercisable at June 30, 2024	-	-

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

The Advisory Board's plan ended in the first half of 2024 with the failure to achieve the objectives set, not involving the conversion of any of the assigned units. The effect on the income statement relating to the release of the cost previously allocated is equal to Euro 289 thousand against the redefinition of the fair value before the end of the vesting period.

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:

2021-2023 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 - 2023 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%

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

2023-2026 Performance Shares Plan Assumptions for the measurement of the plan fair value 3rd Cycle	2023
Weighted fair value at the measurement date	1.71
Dividend yield (%)	0.00%
Interest free risk rate (%)	-3.10%
Expected useful life of the options (in years)	2.42

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.

Cash-settled share-based payments

Following the signing of the agreements relating to SIT Motors & Blowers Technology S.r.l., the instruments granted to the two minority quotaholders, who provide working activities to the subsidiary, are recorded as "Cash-settled share-based payment" instruments in accordance with the definition of IFRS 2 (for further information on the transaction, please refer to Note 17 and paragraph " Consolidation scope and method and conversion of financial statements expressed in currencies other than the Group functional currency (Euro)"). The cost is recognised in the income statement pro rata temporis over the vesting period.

The following table lists the information with which the model used was fed:

Assumptions for the measurement of the plan fair value	H1 2024
Discount factor	6.77%
Expected useful life of the options (in years)	4.92

OTHER INFORMATION

Disclosure by operating segment

Income Statement

H1 2024

(Euro,000)	Heating & Ventilation	Metering	Eliminations	Consolidated
Revenues from sales and services	106,605	46,196	(1,909)	150,892
Operating costs	109,114	43,811	1,909	151,017
EBIT	(2,509)	2,385	-	(125)

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)

Balance Sheet

June 30, 2024

(Euro,000)	Heating & Ventilation	Metering	Eliminations	Consolidated
Assets	329,671	125,739	(13,995)	441,415
Liabilities	244,752	79,368	(13,563)	310,557
Shareholders' Equity	84,918	46,372	(432)	130,858

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

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 12 March 2010 as subsequently amended and, most recently, with Consob resolutions no. 21623 and 21624 of 10 December 2020. The procedure for transactions with related parties is published on the website www.sitcorporate.it in the Corporate Governance, Governance Documents section. For further information on this subject, please refer to the Directors' Report.

Transactions with the parent company and other related parties

In addition to intra-group transactions, SIT's main transactions were with the parent company, Technologies SAPA di F.D.S. S.S. and with other related parties, such as SIT Technologies S.p.A., and its subsidiary SIT Immobiliare S.p.A. and Hybitat S.r.l., a company over which Sit S.p.A. exercises significant influence in exchange for its commitment to subscribe to participatory financial instruments up to a maximum of Euro 2,900 thousand within the first 36 months of the establishment of the society itself. As of June 30, 2024, SIT subscribed to 4,800 SFPs for a total value of Euro 480 thousand.

At the balance sheet date, the balances of transactions with the parent company and other related parties are shown in the following table:

(Euro,000)

30-jun-24	Revenues	Costs	Financial income	Financial charges	Financial receivables	Financial payables	Other receivables	Other payables
Technologies SAPA di F.D.S. S.S.	5	-	-	47	-	5,047	23	-
Holding company	**5**	**-**	**-**	**47**	**-**	**5,047**	**23**	**-**
SIT Immobiliare S.p.a.	7	-	-	-	-	-	23	-
SIT Technologies S.p.a.	10	2	-	48	-	-	480	-
Hybitat S.r.l	7				480		44	
Transactions with other related parties	**24**	**2**	-	**48**	**480**	**-**	**548**	**-**

The transactions in H1 2023 are presented in the following table:

(Euro,000)

30-jun-23	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**	**-**

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. During the 2020 financial year, the subsidiary SIT Metering s.r.l. adhered to the National Tax Consolidation procedure for the three-year period 2020 – 2022 and subsequently renewed for a further three-year period, while in the 2021 financial year, the parent company Technologies SAPA of 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.

As of June 30, 2024, the Company's credit balance towards SIT Technologies S.p.A. amounted to Euro 136 thousand.

Finally, it should be noted that in January 2024, the sale of land owned by the Mexican subsidiary to Ompi N.A. S. de R.L. de C.V., a company headed by a director of the Parent Company, was completed.

Guarantees, commitments and off-balance sheet contingent liabilities

The off-balance sheet commitments of the Parent Company at June 30, 2024 were as follows.

(Euro,000)	30-jun-24	30-jun-23
Other unsecured guarantees	76,167	70,041
Secured guarantees	-	-
Total guarantees	**76,167**	**70,041**

Other unsecured guarantees

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

(Euro,000)	30-jun-24	30-jun-23
In the interest of subsidiaries	75,932	69,806
In own interest	235	235
Total other guarantees	**76,167**	**70,041**

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 66.373 thousand and guarantees in the interest of Sit Controls BV for Euro 1.300 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 in place with its customers, suppliers, workers and trade associations, other commercial and financial partners numerous contractual agreements that provide for reciprocal commitments of various types and of various 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.

However, the aforementioned agreements are all part of what can be defined as "normal industrial, commercial and financial management", considering the size and organizational complexity of SIT S.p.A.. By way of example and not limited to, we can mention: multi-year framework agreements with customers and suppliers, agreements with customers for the joint development of new products, *consignment stock* contracts both for purchase and sale, agency and distribution agreements, *outsourcing agreements* for assembly, warehousing, logistics 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, 2024, 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 2024	Valuation criterion	Level 1	Level 2	Level 3
Interest Rate Swap	2.485	*Fair value*		2.485	
Forex Forward	(6)	*Fair value*		(6)	
Commodity Swap	142	*Fair value*		142	

In H1 2024, 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, 2023:

(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)	

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

Events subsequent to the end of the year

With reference to the events that occurred after the end of the half-year, please refer to the section Subsequent events and outlook.

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Padua, August 2, 2024

The Chairperson of the Board of Directors

(MR. Federico de' Stefani)

DECLARATION ON THE HALF-YEAR CONDENSED CONSOLIDATED 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 2024.

In addition, we declare that the consolidated financial statements:

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

Padua, August 2, 2024

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

AUDITORS’ REPORT ON THE CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

Deloitte.

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

To the Shareholders of
SIT S.p.A.

Introduction

We have reviewed the accompanying half-yearly condensed consolidated financial statements of SIT S.p.A. and subsidiaries (the "SIT Group"), which comprise the balance sheet as of June 30, 2024 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 the related 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, 2024 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Cristiano Nacchi
Partner

Padua, Italy
August 8, 2024

This report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.