SIT S.p.A. and subsidiaries

Half-Year Financial Report

at June 30, 2018

Contents

GOVERNANCE

Board of Directors*

Federico de' Stefani	*Chairman and Chief Executive Officer*
Chiara de' Stefani	*Director*
Attilio Francesco Arietti	*Director*
Fabio Buttignon	*Director*
Giovanni Cavallini	*Director*
Bruno Pavesi	*Independent Director*
Franco Stevanato	*Independent Director*
Stefania Bariatti	*Independent Director*

Board of Statutory Auditors*

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

Independent Audit Firm

Ernst & Young S.p.A.

Company appointed for the voluntary audit of the 2018 Half-Year Report

Deloitte & Touche S.p.A.

Control and Risks Committee

Stefania Bariatti**	Chairperson
Chiara de' Stefani	Member
Franco Stevanato **	Member

Related Parties Committee

Stefania Bariatti **	Chairperson
Giovanni Cavallini	Member
Franco Stevanato**	Member

* The Board of Directors and the Board of Statutory Auditors were appointed by the Shareholders' Meeting of July 10, 2017 until approval of the 2019 Annual Accounts. The Director Stefania Bariatti was co-opted by the Board of Directors on July 6, 2018. The Statutory Auditor Anna Loredana Conidi and the Alternate Auditor Barbara Russo were appointed by the Shareholders' Meeting of April 26, 2018. The Board of Directors and the Board of Statutory Auditors remain in office until the approval of the 2019 Annual Accounts.
** Independent directors.

Directors' Report
at June 30, 2018

Financial Highlights

Economics	H1 2018	%	H1 2017	%	change	change %
Revenue from contracts with customers	175,391	100.0%	149,124	100.0%	26,267	17.6%
EBITDA [(1)]	20,026	11.4%	21,609	14.5%	(1,583)	-7.3%
Adjusted EBITDA [(2)]	23,352	13.3%	21,599	14.5%	1,753	8.1%
EBITA [(4)]	14,122	8.1%	15,658	10.5%	(1,536)	-9.8%
EBIT	10,984	6.3%	12,521	8.4%	(1,537)	-12.3%
Financial charges	2,318	1.3%	8,002	5.4%	(5,684)	-71.0%
Business combination amortisation (PPA) [(3)]	2,262	1.3%	2,262	1.5%	-	0.0%
Profit before taxes (EBT)	11,360	6.5%	3,019	2.0%	8,341	276.3%
Net Profit	8,417	4.8%	912	0.6%	7,505	822.9%

[(1)]EBITDA is the operating result before amortisation, depreciation and write-downs, net of the doubtful debt provision.

[(2)] Adjusted EBITDA is EBITDA net of non-recurring income and charges. Non-recurring charges in H1 2018 amounted to Euro 3,326 thousand, of which Euro 2,452 thousand consisting of leaving incentives and settlement costs following the mutual resolution of the General Manager's contract and Euro 922 thousand mainly regarding costs in support of the transfer to the MTA market, with asset disposal gains of Euro 48 thousand. In the first half of 2017, net non-recurring income amounted to Euro 10 thousand, of which Euro 51 thousand restructuring charges and Euro 61 thousand asset disposal gains.

[(3)] Euro 3,138 thousand, net of the deferred tax effect of Euro 876 thousand

[(4)] EBITDA is the operating result, net of amortisation on the gains allocated to Group intangible assets following the business combination (Purchase Price Allocation or PPA) consequent to the acquisition of SIT La Precisa S.p.A in 2014.

(Euro thousands)

Balance Sheet	30/06/2018	30/06/2017	31/12/2017
Net capital employed	211,219	198,304	194,909
Shareholders' Equity	108,834	71,354	105,753
Net Financial Position	80,867	126,950	65,105
Commercial net working capital	36,082	27,659	21,889
Financial liabilities for Performance Shares	(10,650)	-	(11,500)
Financial liabilities for Warrants	(10,867)	-	(12,551)

The main indicators are broken down as follows:

(Euro thousands)

Summary of net capital employed items	30/06/2018	30/06/2017	31/12/2017
Intangible assets	147,876	155,073	151,424
Property, plant & equipment	53,939	41,641	47,778
Financial assets	54	156	54
Non-current financial assets	1,545	1,543	1,551
Fixed assets (A)	**203,414**	**198,413**	**200,807**
Inventories	59,108	46,073	38,130
Trade receivables	58,708	43,934	52,126
Trade payables	(81,734)	(62,348)	(68,367)
Current assets and liabilities	(6,960)	(4,011)	(6,492)
Net Working Capital (B)	**29,122**	**23,648**	**15,397**
Long-term liabilities and assets and provisions (C)	**(21,317)**	**(23,757)**	**(21,295)**
Net capital employed (A + B + C)	**211,219**	**198,304**	**194,909**

(Euro thousands)

Summary of net financial position items[1]	30/06/2018	30/06/2017	31/12/2017
Cash and cash equivalents	(49,004)	(25,569)	(70,024)
Other financial assets	(250)	(467)	(735)
Short-term loans and borrowings	14,179	10,443	11,537
Other current financial liabilities and derivative financial instruments	2,480	3,210	2,979
Medium/long-term loans and borrowings	112,887	106,131	121,060
Other non-current financial liabilities and derivative financial instruments	576	33,202	288
Net financial position	**80,867**	**126,950**	**65,105**

[1] The Group's net financial position is calculated by not considering the financial liabilities for Warrants and the financial liabilities for Performance Shares, since they are items that will not involve any financial outlay.

(Euro thousands)

Summary of net trade working capital items	30/06/2018	30/06/2017	31/12/2017
Inventories	59,108	46,073	38,130
Trade receivables	58,708	43,934	52,126
Trade payables	(81,734)	(62,348)	(68,367)
Net trade working capital	**36,082**	**27,659**	**21,889**

Key performance indicators	30/06/2018	30/06/2017	31/12/2017
ROIC [1]	16.5%	15.8%	17.0%
Commercial net working capital/Revenues [2]	10.29%	9.27%	6.76%
Net financial position/Shareholders' equity	0.74	1.78	0.62
Net financial position/Adjusted EBITDA [2]	1.73	2.94	1.42
Employees at period end	2,489	2,083	2,261

[1] ROIC is the ratio between annualised Adjusted EBITA and Capital employed at period end
[2] Annualised

General overview

Since the end of 2017, the global economy - after sustained and widespread growth - saw a slowdown in the second quarter of 2018. One of the main risks impacting global growth stems from the application of higher trade tariffs and the possibility that more extensive protectionist measures are adopted. Protectionist policies may curb global demand - not only as directly hindering trade - but also in hitting business confidence and investment plans.

The US economy reported 2.9% growth for the second quarter of the year, driven by trade (exports +9.3%) and federal spending. Consumption and business investment was also on the rise, thanks to the tax reform.

China - at the center of the trade tensions with the US - reported in Q2 2018 GDP growth of 1.8% on the previous quarter and of 6.7% annually, substantially in line with the previous year.

Eurozone GDP rose 0.4% on Q1 2018 and 2.2% on the second quarter of 2017. The core Eurozone countries continue to consolidate growth (+1.9% Germany, +1.3% United Kingdom, +1.7% France).

Italy in the second quarter of 2018 reported a GDP increase of 0.2% on the previous quarter and of 1.2% on the same period of the previous year. On the previous quarter, all the key domestic demand indicators rose, with consumption up 0.1% and gross fixed investments increasing 2.9%. Imports grew 1.8%, with exports reducing 0.2%. Domestic demand featured rebounding investment, driven by machine components, equipment and transport vehicles, against slower consumption growth.

Sources: World Economic Outlook – International Monetary Fund; Il Sole 24 Ore; ISTAT; Eurostat

Economic performance

Introduction

The consolidated financial statements of the SIT Group at June 30, 2018 consist of the balance sheet, the income statement, the comprehensive income statement, the cash flow statement, the statement of changes in shareholders' equity and the relative notes to the financial statements, and were drawn up in accordance with IFRS/IAS issued by the International Accounting Standards Board (IASB) and adopted by the European Union. Reference should be made to the explanatory notes with regards to the international accounting standards applied and the criteria chosen by the Group to prepare the above-stated financial statements.

Significant events of the period

In order to provide greater visibility (both for strategic partners and institutional investors) and to improve the share's liquidity, on December 18, 2017 the Shareholders' Meeting approved listing on the Mercato Telematico Azionario (MTA) of the Italian Stock Exchange, with the potential for STAR segment listing. In the first half of 2018, the necessary preliminary activities began in this regard and at the interim reporting date are still ongoing.

In terms of business performance, sales volumes in the first half of 2018 were significantly ahead of the same period of the previous year (+17.6%, +20.4% at like-for-like exchange rates).

Heating growth was 10.3%, supported by the European and American markets and substantially across all of the main product families. Investment earmarked for 2018 to expand production capacity and overcome the major bottlenecks of approx. Euro 16.0 million are proceeding on schedule and as forecast will be rolled-out in the second half of the year. The activities surrounding the construction of the Rovigo logistics hub and the consequent bringing in-house of warehousing and shipping, previously managed by an outside specialist, followed the plan for the start-up of the new facility in the third quarter of the year.

The Smart Gas Metering Division also continued to acquire new orders in H1 2018 and consolidate its market position. In the first half of 2018, sales totalled Euro 32.9 million (+65.0% on Euro 20.0 million in the same period of 2017).

At the interim reporting date, the order portfolio stood at approximately Euro 51.5 million, of which Euro 32.4 million scheduled for delivery in 2018.

Sales overview

The SIT Group comprises two Divisions:

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

Net revenues for H1 2018 and H1 2017 are broken down by division and region as follows:

(Euro thousands)	H1 2018	%	H1 2017	%	change	change %
Heating	142,303	81.2%	129,030	86.6%	13,273	10.3%
Smart Gas Metering	32,922	18.8%	19,954	13.4%	12,968	65.0%
Total product sales revenues	175,225	99.9%	148,984	99.9%	26,241	17.6%
Revenues from services	166	0.1%	139	0.1%	27	19.5%
Total revenues	**175,391**	**100.0%**	**149,124**	**100.0%**	**26,267**	**17.6%**

(Euro thousands)	H1 2018	%	H1 2017	%	change	change %
Italy	59,864	34.1%	43,981	29.5%	15,883	36.1%
Europe (excluding Italy)	75,997	43.3%	64,718	43.4%	11,279	17.4%
The Americas	25,032	14.3%	23,484	15.7%	1,548	6.6%
Asia/Pacific	14,500	8.3%	16,941	11.4%	-2,441	-14.4%
Total revenues	**175,391**	**100.0%**	**149,124**	**100.0%**	**26,267**	**17.6%**

Heating Division sales amounted to Euro 142.3 million, up 10.3% on H1 2017 (Euro 129.0 million).

The fastest growing markets were mainly in Europe (+15.6%), including the Turkish market (approx. 15% of the Division's core sales), with growth of 32.0%, supported also by the new regulations (ErP – Energy Related Products directive). The American market also expanded significantly (+6.6%). The Chinese market (accounting for 6.3% of Core division sales) slowed (-6.6%), with the "from coal to gas" incentive policy, with the objective of boosting by 2020 the amount of energy demand satisfied by methane gas rather than coal, held back by delays upon the entry into use of the gas distribution infrastructure, in addition to - in certain areas - a lack of gas, impacting therefore market demand compared to the first half of the previous year.

Growth was seen across the main product families and particularly Mechanical controls (+7.6%, Euro 6.0 million), Electric Fans (+31.2%, Euro 4.5 million), Electronic controls (+12.9%, Euro 2.7 million) and Integrated systems (+10.4%, Euro 0.5 million), all mostly for Central Heating applications.

In H1 2018, the Smart Gas Metering Division generated revenues of Euro 32.9 million, an increase of 65.0% compared to Euro 20.0 million in 2017. This confirms the development of the Residential Meters' roll-out and SIT's competitive position on the Italian market.

In terms of products, sales for Residential Meters amounted to Euro 31.7 million (Euro 18.6 million in H1 2017), while sales for Commercial & Industrial Meters amounted to Euro 1.0 million (Euro 1.3 million in H1 2017). 2018 revenues were mainly generated on the domestic market.

Economic performance

(Euro thousands)	**H1 2018**	**%**	**H1 2017**	**%**
Revenue from contracts with customers	**175,391**	**100.0%**	**149,124**	**100.0%**
Purchases of raw materials, semi-finished & finished products	113,158	64.5%	85,451	57.3%
Change in inventories	(20,966)	-12.0%	(7,779)	-5.2%
Service costs	22,981	13.1%	17,143	11.5%
Personnel expense	38,867	22.2%	32,019	21.4%
Depreciation, amortisation and write-downs	9,179	5.2%	9,118	6.1%
Provisions	767	0.4%	293	0.2%
Other charges (income)	421	0.2%	358	0.2%
EBIT	**10,984**	**6.3%**	**12,521**	**8.4%**
Investment income/(charges)	(78)	0.0%	-	0.0%
Financial income	2,975	1.7%	101	0.1%
Financial charges	(2,318)	-1.3%	(8,002)	-5.4%
Net exchange gains (losses)	(203)	-0.1%	(1,601)	-1.1%
Impairments on financial assets	-	0.0%	-	0.0%
Profit before taxes	**11,360**	**6.5%**	**3,019**	**2.0%**
Income taxes	(2,943)	-1.7%	(2,107)	-1.4%
Net Profit	**8,417**	**4.8%**	**912**	**0.6%**
Minority interest result	**-**	**0.0%**	**-**	**0.0%**
Group net profit	**8,417**	**4.8%**	**912**	**0.6%**

H1 2018 Group Adjusted EBITDA was Euro 23.4 million, increasing 8.1% on the same period of 2017 (Euro 21.6 million), with a 13.3% consolidated revenue margin (against 14.5% in H1 2017). Adjusted EBITDA growth is weaker than that of revenues, impacted - alongside external factors such as market and raw material changes - by extra costs and production inefficiencies due to limitations on production capacity for certain product families in the face of increased demand.

As a result, higher service costs were incurred as, in order to reduce delivery time delays, urgent air transport was required, while the need to turn to less efficient production cycles as a result of production bottlenecks impacted personnel costs. Provisions were also made for Euro 0.8 million against probable claims for compensation from customers due to quality issues and for delayed delivery penalties.

Purchase costs of raw materials and consumables, net of changes in inventories, amounted to Euro 92.2 million (52.6% of revenues, slightly increasing on 52.1% in 2017).

Service costs of Euro 23.0 million account for 13.1% of total costs, increasing on the same period of the previous year (11.5%), also in view of the non-recurring costs incurred in H1 2018 of Euro 922 thousand, of which Euro 682 thousand concerning the transfer to the MTA market.

Personnel expense of Euro 38.9 million accounted for 22.2% of revenues (21.4% in the previous year) and includes non-recurring charges of Euro 2.5 million for the settlement outlined in greater detail in the Subsequent events section.

Group EBITDA of Euro 14.1 million for H1 2018 compares to Euro 15.7 million for the same period of 2017.

Group EBIT therefore decreased from Euro 12.5 million in H1 2017 to Euro 11.0 million in H1 2018, after amortisation, depreciation and write-downs of Euro 9.2 million, of which Euro 3.1 million on the gains allocated to Group intangible assets following the business combination (Purchase Price Allocation, PPA) consequent to the acquisition of SIT La Precisa S.p.A in 2014.

Financial charges in the period of Euro 2.3 million compare to Euro 8.0 million in the same period of 2017, reducing significantly due to an improved financial structure following the merger with the Industrial Stars of Italy 2 SPAC in 2017 and the consequent better conditions applied to the current debt. In addition, financial income of Euro 3.0 million for H1 2018 concerns for Euro 2.5 million the fair value measurement of the SIT Warrants and Performance Shares issued by the company.

The pre-tax profit was therefore Euro 11.4 million, compared to Euro 3.0 million in H1 2017.

The H1 2018 net profit was Euro 8.4 million, against Euro 0.9 million in H1 2017.

Cash Flow performance

The net debt totalled Euro 80.9 million at June 30, 2018, compared to Euro 65.1 million at December 31, 2017 and Euro 127.0 million at June 30, 2017.

The movements in the net financial position are reported below:

(Euro thousands)	**H1 2018**	**H1 2017**
Cash flow from current operations (A)	24,506	21,575
Cash flow generated (absorbed) from changes in Working Capital (B)	(21,322)	(12,185)
Cash flow from investing activities (C)	(11,601)	(5,020)
Cash flow from operating activities [1] (A + B + C)	**(8,417)**	**4,370**
Interest paid	(1,725)	(5,788)
Change in accrued interest on loans including PIK	9	(1,259)
Amortised cost	(266)	(853)
FV change of IRS derivatives	(201)	617
Change in translation reserve	821	722
Dividends and changes to shareholders' equity due to the exercise of warrants	(5,983)	-
Change in net financial position	**(15,762)**	**(2,177)**
Opening net financial position	**(65,105)**	**(124,773)**
Closing net financial position	**(80,867)**	**(126,950)**

(1) For details on Cash flows from operating activities, see accounts A+B+C of the Cash flow statement in the financial statements

In the first half of 2018, operating cash flows of Euro 8.4 million were absorbed following investments of Euro 11.6 million. Cash flows from current operations of Euro 24.5 million were generated, while working capital changes absorbed liquidity of Euro 21.3 million. The sharp uptake in demand from the second half of the preceding year required the boosting of stock levels throughout the production chain and resulted in liquidity difficulties for certain clients. Consequently, the level of overdue Group receivables at June 30 was particularly high and was partially offset by without recourse receivable factoring.

These overdue accounts have however improved significantly, considering that they were partially settled subsequent to the reporting date.

Interest paid in the period of Euro 1.7 million considerably reduced on the same period of the previous year, in reflection of improved conditions on the bank loan signed in July 2017 with BNP Paribas and a syndicate of banks.

Dividends issued in the first half of the year amounted to Euro 6.0 million.

Investments

The SIT Group in the first half of 2018 recorded capital expenditure (tangible and intangible) totalling Euro 11,545 thousand, of which Euro 10,157 thousand concerning investments and Euro 1,387 thousand relating to advances. Investments concern for Euro 8,983 thousand (88.4% of the total) the Heating Division and for Euro 1,175 thousand (11.6% of the total) the Smart Gas Metering Division.

In the first half of 2017, these amounts totalled Euro 4,842 thousand, of which Euro 3,118 thousand regarding the Heating Division and Euro 1,723 thousand the Smart Gas Metering Division.

The main Heating investments in H1 2018 concerned the expansion of the production capacity (Euro 4,731 thousand, 53% of the Division total), principally in Italy (Euro 4,027 thousand) and at the Mexican facility (Euro 699 thousand). In addition, Euro 2,782 thousand (31% of the Division total) was invested in maintaining plant and in upgrading die-casting plant, with Euro 883 thousand (10%) concerning product development and customisation. The remainder (Euro 587 thousand, 6%) concerned the purchase of industrial and laboratory equipment.

The main Smart Gas Metering investments in H1 2018 were for the expansion of production capacity (Euro 701 thousand, 60% of the Division total) at the Italian facility in Rovigo for Euro 362 thousand and at the Romanian facility for Euro 339 thousand. In addition, Euro 380 thousand (32%) was invested in product development and innovation. The remaining Euro 94 thousand relates to industrial and laboratory equipment.

Human resources and organisation

Details on Group employees at year-end are reported in the following table:

	30/6/2018	%	31/12/2017	%	change
Executives	33	1%	31	1%	2
White-collar	415	16%	395	17%	20
Blue-collar	1,800	68%	1,568	69%	232
Temporary	395	15%	267	12%	128
Total	**2,643**	**100%**	**2,261**	**100%**	**382**

At June 30, 2018:

- the Smart Gas Metering Division had 196 employees, of whom 127 in Italy and 69 abroad; at December 31, 2017, there were 123 employees, of which 88 in Italy and 35 overseas;
- at Group level, employees located in Italy numbered 1,034 (39%), with those based in other countries numbering 1,609 (61%). In the previous year, there were 905 (40% of the total) and 1,356 (60% of the total), respectively.

In the first half of 2018, organisation and development concerned in particular internal control, with the setting up of the Internal Auditor function in April 2018. This staff member reports to the Board of Directors of SIT Spa, working with the Board, with the internal Committees envisaged under the Stock market regulation and is also a member of the Supervisory Board.

In the first half of the year, priority was given to the training package of Safety courses intended to cover all related company needs, present and future, involving over 150 employees at the Group's Italian facilities, for a total of 1,031 training hours.

Space was allocated for the training of more than 400 employees on the use of the new Welfare platform introduced this year by the company to permit more efficient use of the platform.

For production, a training course upon 5S (Lean Production) techniques was launched, involving personnel at the Padua facility and the Montecassiano facility (total of 23 persons) and scheduled to continue throughout 2018.

A part of the training provided in H1 2018 benefited from funding provided by Fondimpresa within the framework of a Training Plan submitted and approved during the year entitled *"Training as a strategic lever for company and individual development".*

Collectively, the employees of SIT S.p.A. and Metersit S.r.l. received approximately 2,446 hours of training in the period.

Risk management policy

The effective management of risk is a key factor in maintaining the Group's value over time. In this regard, both divisions of the Group use Enterprise Risk Management as an operating instrument which, through organisational structures and specific rules and procedures for the identification, measurement, management and monitoring of the main risks, supports correct business conduct in line with the objectives established by the Board of Directors and the undertaking of knowledgeable decisions consistent with the risk propensity, in addition to creating a greater general awareness of risks, legal compliance and company values.

The monitoring, mitigation and risk management activities are implemented continuously by the various corporate bodies, in addition to the various departments in the course of operations.

The risk management activities overseen and coordinated by the Group's Governance & Legal Department are complementary to those performed by the Control and Risks Committee and the Supervisory Board.

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

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

External risks

Country risk

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

Strategic risks

Innovation

SIT is exposed to technological development risks. In order to maintain a competitive advantage, SIT invests heavily in R&D, both with regard to existing technologies and new applications (as confirmed by the major new research laboratory construction project recently introduced); the capacity to produce value depends also on the SIT Group's capacity to correctly interpret market demands and convert them into innovative and technologically reliable products which are competitively priced for the end customer.

Operating risks

The main operating risks with regard to the nature of the business are those related to the supply chain, the unavailability of production facilities, product sales, international economic conditions, workplace health and safety and the environment and, to a lesser extent, the regulatory framework in the countries in which the Group is present.

Supply Chain

The supply chain risk concerns the volatility of raw material prices and the dependence on strategic suppliers. In order to offset this risk, the Company has adopted a more focused policy for the identification of alternative suppliers which maintains the assessment of their financial solidity. In 2018, considerable attention continued to be devoted to contractual coverage of suppliers, enabling more transparent and clearer relationships with suppliers.

Business Interruption

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

Product quality

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

Environment, health and safety

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

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

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

In terms of environment matters, in the first half of 2018 the ISO 14001/2004 environmental certificate was renewed for the Brasov (Romania) and Monterrey (Mexico) facilities. Renewal of this certificate and Integrated Environmental Authorisation is expected for the Rovigo facilities in the second half of 2018. In 2017, the Rovigo facility again obtained the AIA (Integrated Environmental Authorisation). For the purposes of calculating atmospheric CO2 emissions, the layout of the air conditioning and cooling systems serving the equipment and installations at the Group's Italian facilities was confirmed for the competent authorities (ISPRA) in H1 2018. This monitoring will also assume increasing importance within the framework of non-financial reporting pursuant to Legislative Decree No. 254/16, with the preparation of its first report by the end of 2018.

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

In recent years, thanks to the continual application of increasingly modern and efficient technical safety rules, the number of accidents has been reduced. In particular, at the Rovigo facility, specialised in mechanical controls assembly, and the Padua site, no accidents have occurred for nearly four years, while at the Macerata facility accidents have reduced approx. 90% since 2013. In particular, again in H1 2018 the downward trend continued in the number of days of absences from the SIT Group's Italian facilities caused by accidents, which in 2017 had reached the lowest of the last ten years. Accordingly, the severity index was also the lowest of the last ten years. This allows the Italian production units to request a reduction in the INAIL rate, which was attained also in 2018 and each year since 2011.

In the first half of 2018, the collation of safety and environmental information from all Group companies was completed. In this regard, an audit plan of the production sites was also introduced and the initial audits carried out.

Finally, information and training is considered of extreme importance; in H1 2018 a number of training courses for all direct and indirect personnel were held, in compliance with the State-Regions agreement. Refresher courses on subjects such as first aid, fire prevention, etc., were held at all plants.

Legal & Compliance

SIT is exposed to the risk of delayed compliance with newly issued sector and market laws and regulations.

In order to mitigate this risk, each compliance function continuously oversees the development of the regulatory framework through ongoing legislative updating and analysis and, where necessary, utilises outside consultants.

Simultaneous to its inclusion in the AIM market of the Italian Stock Exchange in July 2017, the SIT Group adopted a corporate governance system with roles, responsibilities and committees adequately defined in procedures and policies, as required by legislation applicable to listed companies, with the additional aim of ensuring shared strategic decisions, transparency and parity of information.

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

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

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

The Supervisory Board met periodically, while the Board of Directors was informed upon their activities through the Half-Year Supervisory Body Report for 2017.

Personal data protection compliance

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

Insurance coverage

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

Planning and Reporting

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

Financial Risks

In relation to financial risk management, the SIT Group has issued the following Group policies:

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

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

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

Currency risk

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

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

(i) Costs and revenues relating to purchases and sales of products and services transacted in a currency other than the functional currency of the investee or the Group;

(ii) Operating costs and revenues attributable to the conduct of business in countries that use currencies other than the Euro;

(iii) Trade receivables and payables referring to the deferral of payment granted in settling the transactions set out in points (i) and (ii) above and any other items of working capital denominated in currencies other than the functional currency.

(iv) Debt (or deposits) in a currency other than the functional currency. As a matter of course, the debt of investees is denominated in their functional currency. However, where debt is denominated in a currency other than the accounting currency, foreign exchange risk is managed in accordance with the guidelines of the aforementioned policy;

(v) Equity investments: Equity investments are exposed to foreign exchange translation risk as a consequence of the translation into Euro of the financial statements of investees. Given the strategic nature of the equity investments held by SIT S.p.A., it is the Group's policy not to undertake hedging of the foreign exchange risk associated with net investments in foreign operations;

(vi) Dividends: Any dividends distributed by international investees denominated in a currency other than the Euro are exposed to foreign exchange risk from the date on which they are approved until the date on which they are paid. The foreign exchange risk resulting from such exposure is managed according to the guidelines set out in the aforementioned policy.

In order to reduce foreign exchange risk at the Group level, as a matter of general policy SIT S.p.A. undertakes natural hedging, setting off opposing exposures with related risk profiles against one another.

In the Group's operations, exposure to foreign exchange risk arises annually when the prices of purchase and sale are set, which is when the exchange rates used in the budget are also determined.

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

Speculative activity is not permitted.

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

The performances of the main market exchange rates of interest to the SIT Group are provided in the following table:

Euro/Currency	30.06.2018		30.06.2017		2017
	Year-end exchange rate	Average exchange rate	Year-end exchange rate	Average exchange rate	Year-end exchange rate
Mexican Peso	22.8817	23.085	20.5839	21.044074	23.661200
Argentinean Peso (1)	32.7048	26.0382	18.8851	17.017346	22.931000
Romanian Leu	4.6631	4.6543	4.5523	4.537042	4.658500
US Dollar	1.1658	1.2104	1.1412	1.083022	1.199300
Canadian Dollar	1.5442	1.5457	1.4785	1.445293	1.503900
Czech Crown	26.02	25.5005	26.197	26.784102	25.535000
Australian Dollar	1.5787	1.5688	1.4851	1.436422	1.534600
Chinese Yuan	7.717	7.7086	7.7385	7.444833	7.804400

(1) Although significant currency fluctuation occurred, there were no major impacts on the financial statements.

In H1 2018, the nature and the structure of the exposure and the Group monitoring and control policies did not change substantially compared to the previous year.

Financial transactions on the currencies mainly concerned forward purchases and sales. The transactions were not undertaken for speculative purposes. Reference should be made to the Explanatory Notes for further details.

Interest Rate Risk

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

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

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

Risk of raw material price fluctuations

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

In order to mitigate these risks, the SIT Group constantly monitors the availability of raw materials on the market and the trends in the price of such materials, with the aim of promptly identifying any shortages and taking the resultant action appropriate to ensuring the needed production capacity and keeping its production costs competitive. However, there remains a possibility that a hypothetical shortage and/or material fluctuations of the price of purchasing the materials concerned could in future have an adverse effect on the Group's business, financial performance, financial position, operating results and outlook.

During H1 2018 the structure and nature of the exposure to the risk of fluctuation of raw materials prices and the monitoring and supervision policies adopted by the Group did not change substantially with respect to the previous year.

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

Credit risk

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

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

Liquidity Risk

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

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

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

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

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

With regards to the new loan of Euro 135,000 thousand contracted by SIT and disbursed on July 13, 2017, as is customary in transactions of this sort, the loan agreement includes covenants based on items of the financial statements, to be verified on a semi-annual basis. Failure to comply with these covenants would trigger the acceleration clause in respect of the Company.

As at June 30, 2018 – the date of first verification – the Company was in compliance with all covenants.

Transactions with subsidiary and parent companies and those under their control

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

At June 30, 2018, the company held 64,845 treasury shares, equal to 0.27% of the share capital.

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

For information regarding the procedural rules applicable to related party transactions, see the procedure adopted by the Company in accordance with Article 13 of the AIM Italia Rules for Companies and Article 10 of the Regulations containing provisions relating to transactions with related parties adopted by Consob with Resolution no. 17221 of March 12, 2010, later amended by Resolution no. 17389 of June 23, 2010, published in the Corporate Governance section of the website www.sitgroup.it.

In H1 2018, the Parent Company carried out the following transactions with its subsidiaries and related parties and presented the following balances at the reporting date:

(Euro thousands)	Operating revenues	Operating Costs	Financial income	Financial charges	Financial receivables	Financial liabilities	Other receivables	Other payables
Subsidiaries	**37,506**	**33,938**	**545**	**269**	**15,801**	**20,751**	**23,373**	**12,955**
SIT Immobiliare S.p.A.	8	-	1	-	-	-	8	-
Companies subject to the control of the parent company	**8**	**-**	**1**	**-**	**-**	**-**	**8**	**-**
SIT Technologies S.p.A.	10	-	955	-	-	11,274	10	1,258
Parent company	**10**	**-**	**955**	**-**	**-**	**11,274**	**10**	**1,258**

Transactions with subsidiaries, i.e. companies within the scope of consolidation, were undertaken in the normal course of the Group's business with the aim of realising possible synergies between Group companies by integrating their production and commercial activities, as well as their administrative and financial activities.

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

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

Turning to transactions with related parties:

- the Company's operating revenues generated on transactions with SIT Immobiliare S.p.A. and SIT Technologies S.p.A. refer to advice and counsel provided by the Company in financial, administrative, tax and management control matters under a service agreement.
- the financial liabilities of Euro 11,274 thousand due to the parent company SIT Technologies S.p.A. concern for Euro 10,650 thousand the value of the Performance Shares, and for Euro 624 thousand the SIT Warrants held by the former. Both of these financial liabilities have been designated at fair value as at June 30, 2018, as described in further detail in the notes.
- SIT Technologies S.p.A.'s financial income mainly concerns the Fair Value difference recorded at June 30, 2018 compared to December 31, 2017 on the above outlined financial liabilities; it is recalled that the loans at December 31, 2017 arising from financial coordination and centralised treasury operations by the company in favour of the stated related parties were settled in the first half of 2018.

Finally, the Parent Company, SIT Immobiliare S.p.A., SIT Technologies S.p.A. and MeteRSit S.r.l. elected to participate in the national tax consolidation procedure for 2016-2018. The parties to this scheme, which is governed by Legislative Decree No. 344 of December 12, 2003, and in particular by Articles 117 to 129 of the Consolidated Income Tax Law, are SIT Immobiliare S.p.A. as the consolidating entity and the other companies as consolidated entities, as approved by their respective governing bodies.

Subsequent events and outlook

On August 7, 2018 the Parent Company SIT S.p.A. and Mr. Fulvio Camilli, until that date chief executive officer and general manager of the company, reached a settlement involving the immediate and consensual resolution of employment as general manager and of the relationships arising from the offices held by Mr. Fulvio Camilli at the company and at the subsidiaries of the SIT

Group, with the simultaneous signing of a settlement agreement as per Article 2113 of the Civil Code.

The agreement provides for, in addition to normal reciprocal waivers and commitments, the issue to Mr. Camilli of a monetary leaving incentive and settlement totalling Euro 2.55 million, which, net of withholding taxes, was settled on August 28, 2018.

With regards to the translisting from the AIM Italia market to the main index of the Italian stock exchange, after the summer break the activities required to complete the documentation and continue the preliminary phases of the process reinitiated and are expected to be successfully concluded according to terms typical of similar operations.

In addition, in August 2018, as per the established timeframe, inventory management, previously assigned to an outside specialist, began at the in-house logistics hub set up in Rovigo in the initial part of the year.

The strong outlook for the Smart Gas Metering segment is confirmed on the basis also of a vibrant orderbook, while for the Heating Division global geopolitical tensions and currency market volatility require the close monitoring of sales trends.

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Padua, September 10, 2018

The Chairman of the Board of Directors

Federico de' Stefani

Financial Statements

at June 30, 2018

CONSOLIDATED BALANCE SHEET

(Euro thousands)	Note	30/06/2018	31/12/2017
Goodwill	1	78,138	78,138
Other intangible assets	1	69,738	73,286
Property, plant & equipment	2	53,939	47,778
Investments	3	54	54
Non-current financial assets	4	1,545	1,551
Deferred tax assets	5	8,044	8,742
Non-current assets		**211,458**	**209,549**
Inventories	6	59,108	38,130
Trade receivables	7	58,708	52,126
Other current assets	8	9,654	6,282
Tax receivables	9	3,496	3,023
Other current financial assets	4	250	735
Cash and cash equivalents	10	49,004	70,024
Current assets		**180,220**	**170,320**
Total assets		**391,678**	**379,869**
Share capital	11	96,152	96,149
Reserves	12	4,265	32,931
Group net profit/(loss)		8,417	(23,327)
Minority interest net equity		-	-
Shareholders' Equity		**108,834**	**105,753**
Medium/long-term loans and borrowings	13	112,887	121,060
Other non-current financial liabilities and derivative financial instruments	14	576	288
Provisions for risks and charges	15	3,081	2,897
Post-employment benefit provision	16	6,356	6,358
Other non-current liabilities	17	703	506
Financial Liabilities for Performance Shares		-	11,500
Deferred tax liabilities	18	19,221	20,276
Non-current liabilities		**142,824**	**162,885**
Short-term loans and borrowings	19	14,179	11,537
Other current financial liabilities and derivative financial instruments	20	2,480	2,979
Trade payables	21	81,734	68,367
Other current liabilities	22	18,967	14,792
Financial Liabilities for Performance Shares	23	10,650	-
Financial liabilities for Warrants	24	10,867	12,551
Tax payables		1,143	1,005
Current liabilities		**140,020**	**111,231**
Total liabilities		**282,844**	**274,116**
Total Shareholders' Equity and Liabilities		**391,678**	**379,869**

CONSOLIDATED INCOME STATEMENT

(Euro thousands)	**Note**	**H1 2018**	**H1 2017**	
Revenue from contracts with customers	**25**	**175,391**	**149,124**	
Purchase of raw materials, semi-finished and finished products	26	113,158	85,451	(1)
Change in inventories	26	(20,966)	(7,779)	(1)
Service costs	27	22,981	17,143	
Personnel expense	28	38,867	32,019	
Depreciation, amortisation and write-downs	29	9,179	9,118	
Provisions	30	767	293	
Other charges (income)	31	421	358	
EBIT		**10,984**	**12,521**	
Investment income/(charges)		(78)	-	
Financial income	32	2,975	101	
Financial charges	33	(2,318)	(8,002)	
Net exchange gains (losses)	34	(203)	(1,601)	
Impairments on financial assets		-	-	
Profit before taxes		**11,360**	**3,019**	
Income taxes	35	(2,943)	(2,107)	
Net Profit		**8,417**	**912**	
Minority interest result		**-**	**-**	
Group net profit		**8,417**	**912**	
Earnings per share				
basic (*)		0.3516	0.0529	
diluted (*)		0.2516	0.0529	

The changes to the 2017 condensed half-year report values presented for comparative purposes against the approved and published 2017 condensed half-year report were as follows:
(1) The account “Purchase of raw materials, semi-finished and finished products” in the 2017 approved and published condensed half-year report also included "Changes in inventories”, which the company decided to show separately in these 2018 condensed half-year financial statements for better clarity; therefore, for comparative purposes, the value is also shown for H1 2017 through reclassification;

(*) The methods of calculating the basic earnings (loss) per share and the diluted earnings (loss) per share are defined by IAS 33 – Earnings per Share. The basic earnings (loss) per share is defined as the ratio between the Group’s net result or the result of operating activities in the pertinent year attributable to the holders of ordinary capital instruments and the weighted average number of ordinary shares outstanding during the period (23,942,031 shares in H1 2018 and 17,247,225 shares in H1 2017).
The Diluted earnings (loss) per share is calculated by dividing the net result adjusted by income from Warrants and Performance Shares by the average weighted value of ordinary shares in circulation plus the number of shares which potentially may be added to those in circulation on full exercise of the Warrants and the redemption of the Performance Shares.

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(Euro thousands)	**H1 2018**	**H1 2017**
Net Profit	**8,417**	**912**
Other comprehensive income statement items which may be subsequently reclassified to the profit/(loss) for the year, net of taxes		
Net change in cash flow hedge reserve	(238)	617
Income taxes	57	(148)
Total unrealised financial asset gains/(losses)	**(181)**	**469**
Translation of financial statements in currencies other than the Euro	821	713
Total other comprehensive income statement items which may be subsequently reclassified to the profit/(loss) for the year, net of taxes	**640**	**1,182**
Other comprehensive income statement items which may not be subsequently reclassified to the profit/(loss) for the year, net of taxes:		
Unrealised actuarial gains/(losses)	-	-
Income taxes	-	-
Total unrealised actuarial gains/(losses)	**-**	**-**
Total other comprehensive income statement items which may not be subsequently reclassified to the profit/(loss) for the year, net of taxes	**-**	**-**
Total other comprehensive income/(expense) for the year, net of income taxes	**640**	**1,182**
Total comprehensive income/(expense)	**9,057**	**2,094**
Total comprehensive income/(expense) for the year attributable to:		
Parent company shareholders	9,057	2,094

CONSOLIDATED CASH FLOW STATEMENT

(Euro thousands)	**H1 2018**	**H1 2017**
Net Profit	8,417	912
Amortisation & Depreciation	9,042	9,089
Non-cash adjustments	4,683	1,568
Income taxes	2,943	2,107
Net financial charges	(579)	7,900
CASH FLOW FROM CURRENT OPERATIONS (A)	**24,506**	**21,575**
Changes in assets and liabilities:		
Inventories	(21,515)	(7,496)
Trade receivables	(6,721)	698
Trade payables	13,367	1,856
Other assets and liabilities	(3,739)	(5,142)
Income taxes paid	(2,714)	(2,102)
CASH FLOW ABSORBED FROM CHANGES IN WORKING CAPITAL (B)	**(21,322)**	**(12,185)**
Investing activities:		
Investments in property, plant & equipment	(11,065)	(4,348)
Other changes in property, plant & equipment	66	6
Investments in intangible assets	(609)	(690)
Other changes in intangible fixed assets	-	-
Other changes in financial assets	7	12
Acquisition or sale of subsidiaries or business units net of cash and cash equivalents	-	-
CASH FLOW FROM INVESTING ACTIVITIES (C)	**(11,601)**	**(5,020)**
CASH FLOW FROM OPERATING ACTIVITIES (A + B + C)	**(8,417)**	**4,370**
Financing activities:		
Interest paid	(1,725)	(5,788)
Repayment of non-current financial payables	(6,075)	(5,000)
Increase (decrease) current financial payables	(366)	(2,479)
New loans	-	-
Shareholder loans	-	-
(Increase) decrease in financial receivables from parent company	674	(84)
(Increase) decrease in financial receivables from companies under control of parent company	51	-
Dividend payments	(5,986)	-
Paid-in share capital increase	3	-
Change in translation reserve	821	722
CASH FLOW FROM FINANCING ACTIVITIES (D)	**(12,603)**	**(12,629)**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)	**(21,020)**	**(8,259)**
Cash & cash equivalents at beginning of the period	**70,024**	**33,828**
Increase/(decrease) in cash and cash equivalents	(21,020)	(8,259)
Cash & cash equivalents at end of the period	**49,004**	**25,569**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

	Share capital	Share premium reserve	Treasury shares reserve	Legal reserve	Other reserves: Translation differences of foreign currencies	Other reserves: Cash Flow Hedge Reserve	Other reserves: Capital payments	Other reserves: Actuarial reserve	Other reserves: Extraordinary reserve	Other reserves: Warrant Reserve	Other reserves: Performance Share Reserve		Retained earnings/(accumulated losses): Retained earnings unavail. art. 2359-bis c.c.	Retained earnings/(accumulated losses): Retained earnings (accum. losses)	Net profit/(loss)	Group shareholders' equity	Minority interest Capital & Reserves	Total Group and Minority Interest Shareholders' Equity
December 31, 2016	**73,579**	**0**	**0**	**0**	**(4,157)**	**(1,956)**	**13,999**	**(501)**	**(1,313)**	**0**	**0**	**0**	**0**	**(12,128)**	**1,740**	**69,263**	**0**	**69,263**
Allocation of the 2016 result	0	0	0	0	0	0	0	0		0			0	1,740	(1,740)	0	**0**	**0**
H1 2017 comprehensive profit	**0**	**0**	**0**	**0**	**713**	**469**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**912**	**2,094**	**0**	**2,094**
Share capital increase	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0	0	**0**
Dividends distributed	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0	0	**0**
					0													
Transactions between shareholders	0	0	0	0		0	0	0	0	0	0		0	0	0	0	0	**0**
Other movements	0	0	0	0	9	0	0	0	(12)	0	0	0	0	0	0	(3)	0	**(3)**
Reclassifications	0	0	0	0	0	0	0	0	0	0			0	0	0	0	0	**0**
June 30, 2017	**73,579**	**0**	**0**	**0**	**(3,435)**	**(1,487)**	**13,999**	**(501)**	**(1,325)**	**0**	**0**		**0**	**(10,388)**	**912**	**71,354**	**0**	**71,354**

	Share capital	Share premium reserve	Treasury shares reserve	Legal reserve	Other reserves: Translation differences of foreign currencies	Other reserves: Cash Flow Hedge Reserve	Other reserves: Capital payments	Other reserves: Actuarial reserve	Other reserves: Extraordinary reserve	Other reserves: Warrant Reserve	Other reserves: Performance Share Reserve	Other reserves: Acquisition fair value reserve	Retained earnings/(accumulated losses): Retained earnings unavail. art. 2359-bis c.c.	Retained earnings/(accumulated losses): Retained earnings (accum. losses)	Net profit/(loss)	Group shareholders' equity	Minority interest Capital & Reserves	Total Group and Minority Interest Shareholders' Equity
December 31, 2017	**96,149**	**28,740**	**(661)**	**850**	**(7,792)**	**(842)**	**21,999**	**(488)**	**1,491**	**(15,223)**	**(11,500)**	**31,321**	**0**	**(14,964)**	**(23,327)**	**105,753**	**0**	**105,753**
Allocation of the 2017 result	0	(18,380)	0	18,380	0	0	0	0	2,804	2,672	0	(31,321)	0	2,518	23,327	0	**0**	**0**
H1 2018 comprehensive profit	**0**	**0**	**0**	**0**	**821**	**(181)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**8,417**	**9,057**	**0**	**9,057**
Transactions between shareholders	3	0	0	0	0	0	0	0	0	11	0	0	0	0	0	14	0	**14**
IPO Costs at net equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Dividends	0	0	0	0		0	(3,182)	0	(2,804)	0	0	0	0	0	0	(5,986)	0	**(5,986)**
Other movements	0	0	0	0	0	0	0	0	0	0	0	0	0	(4)	0	(4)	0	**(4)**
Acquisition of treasury shares	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Reclassifications	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
June 30, 2018	**96,152**	**10,360**	**(661)**	**19,230**	**(6,971)**	**(1,023)**	**18,817**	**(488)**	**1,491**	**(12,540)**	**(11,500)**	**0**	**0**	**(12,450)**	**8,417**	**108,834**	**0**	**108,834**

Notes to the financial statements

at June 30, 2018

GENERAL INFORMATION

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

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

The Consolidated half-year financial report and the Condensed consolidated half-year financial statements of the SIT Group for the period between January 1, 2018 and June 30, 2018 were approved by the Board of Directors, who also approved their publication with motion of September 10, 2018.

BASIS OF PREPARATION

The consolidated financial statements of the SIT Group at June 30, 2018 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), with particular regard to IAS 34 which for interim reporting permits a summary format and reduced disclosure on that required for the consolidated annual financial statements. For the condensed consolidated half-year financial statements, the same accounting policies and consolidation principles were used as those outlined for the annual financial statements, to which reference should be made.

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;
- these Notes presenting all the disclosures required by current regulations and international accounting standards, appropriately presented in the financial statements.

The consolidated financial statements were prepared under the historic cost convention, except for derivative financial instruments, financial liabilities for warrants and performance shares which were 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 financial statements used for the consolidation were prepared at June 30, 2018 by the Boards of Directors of the individual consolidated companies, adjusted, where necessary, in accordance with the accounting standards and policies adopted by the Group.

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 condensed consolidated financial statements at June 30, 2018 are the same as those adopted for the consolidated financial statements at December 31, 2017, except for *IFRS 15 Revenue from contracts with customers* and *IFRS 9 Financial instruments,* applicable from January 1, 2018. The Group has not adopted in advance any accounting standard, interpretation or amendment issued but not yet in effect. It should be noted that reclassifications and changes to data presented at June 30, 2017 were made in order to ensure a better portrayal and interpretation of data.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS EFFECTIVE FROM JANUARY 1, 2018

The accounting standards and policies adopted for the preparation of the condensed consolidated half-year financial statements at June 30, 2018 do not differ from those used to prepare the financial statements at December 31, 2017 (to which reference should be made for further details).

The new international accounting standards and the amendment of existing standards, introduced in 2016, whose application is obligatory from January 1, 2018, are reported below:

- IFRS 15 "*Revenue from contracts with customers*": the amendment to this standard improves the accounting of revenues and therefore, overall, the comparability of revenues in the financial statements.
- IFRS 9 "*Financial instruments*": the introduction of this new standard improves financial disclosure on financial instruments, dealing with problems arising during the financial crisis. In particular, IFRS 9 responds to the call for transition to a more prudent model for the recognition of expected losses on financial assets.
- *IFRS 2 – "Share-based payments":* on June 21, 2016, the IASB published the amendments to the accounting standard, with the aim of clarifying how to account for certain types of share-based payment transactions. The amendments concern: (i) the effects of "vesting conditions" and "non-vesting conditions" with regard to the valuation of cash-settled share-based payments; (ii) share-based payment transactions with a net settlement function for withholding tax obligations (iii) an amendment to the terms and conditions of a share-based payment that changes the transaction's classification from cash settlement to paid-in share capital. Amendments are applicable from January 1, 2018; earlier application is permitted but the Group will adopt these amendments prospectively from January 1, 2018. No substantial differences are expected from the application of these amendments on the consolidated financial statements or supplementary information.
- *Improvements to IFRS accounting standards* - The series of improvements, issued in December 2016, concerned the elimination of short-term exemptions provided for *First Time Adoption* by *IFRS 1*, the classification and measurement of equity investments valued at fair value and recognised in the income statement in accordance with IAS *28 - Investments in Associates and Joint Venture,* and clarification on the scope of disclosures required by IFRS 12 – Disclosure of

Interests in Other Entities. The application of the introduced amendments is obligatory for financial years ending after January 1, 2017 and January 1, 2018.

In particular, *IFRS 15 Revenue from contracts with customers* introduces a new five stage model to be applied to contracts with customers. IFRS 15 provides for the recognition of revenues for an amount which reflects the payment which the entity considers to have the right to in exchange for the transfer of goods or services to the customer. The Group applied the new standard from the mandatory efficacy date, with retrospective application. The new standard replaces the current requirements of IFRS in terms of revenue recognition. Sales revenues are recognised by the Group on the transfer of the asset to the customer, i.e. when the customer acquires control of the asset. Revenues are recognised net of returns, discounts and allowances.

From the analysis carried out on contracts in place at the reporting date, no significant impacts from adoption of the new standard IFRS 15 emerged in terms of the accounting methodologies applied to revenues by SIT.

The Group analysed the following aspects in the process of evaluating the impact of the new IFRS 15 accounting standard:

- Variable consideration: most customer contracts include a right of return, trade discounts, volume-based discounts or cash discounts. The Group currently recognises revenues from the sale of goods at the fair value of the consideration received or to be received, net of adjustments for returns, trade discounts, volume discounts and cash discounts. These types of revenue adjustments generate what the IFRS 15 defines as variable consideration, which must be estimated at the revenue’s date of recognition. IFRS 15 requires that the variable consideration’s initial estimate is limited to prevent the over-recognition of revenues. The Group is of the opinion that the amounts’ variable component is marginal.

- Right of return: according to IFRS 15, the amount received from the customer is variable since the contract allows the customer to return the products. The company has decided to use the statistical method to value the goods that will be returned as it is considered to be the best method to estimate the amount of the variable consideration which the Group is entitled to. In defining the amount of the variable consideration that can be included in the transaction price, the Group applied IFRS 15 requirements in limiting the estimates of the variable consideration and has concluded that it will not be necessary to make any adjustment for 2017 since it is not considered significant.

- Guarantees given for obligations: In its contracts with customers, the Group normally provides guarantees for general repairs and usually does not provide extended guarantees.

- Customer advances: generally, the Group only receives short-term advances from its customers. These advances are included among other current liabilities.

The following should be noted as regards the application of the accounting standard IFRS 9 “Financial Instruments”:

- The Group continues to measure at fair value all financial assets presently recognised at fair value and has maintained in portfolio the investments in third party companies for the near future. In recent years, impairment losses have been recorded for these holdings. To date, their value is not substantial and, therefore, the application of IFRS 9 did not have any impacts in this regard.

- IFRS 9 requires the Group to record expected losses on all trade receivables on an annual basis. The Group does not indicate any impacts from application of the new standard as trade receivables are largely from parties of good credit standing.

- All existing hedges which are designated as effective hedges continue to qualify for hedge accounting in accordance with IFRS 9. IFRS 9 does not change the general principle on whose basis an entity accounts for effective hedges and therefore there were no impacts from application of the standard.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS EFFECTIVE FROM JANUARY 1, 2019 OR SUSBEQUENTLY

In 2016, IFRS 16 was introduced, with mandatory application from January 1, 2019: the new standard proposes substantial changes to the accounting treatment of leasing agreements in the financial statements of the lessee, introducing a criterion based on the control (right of use) of an asset to distinguish leasing contracts from service contracts.

Analysis is underway to assess the effects of application of this standard on the Group financial statements.

The competent bodies of the European Union also endorsed the amendments to *IFRS 9 - Prepayment Features With Negative Compensation* (applicable as from financial years ending after January 1, 2019). This allows companies to measure specific prepayments on financial assets through the so-called negative compensation at amortised cost or at fair value from "other comprehensive income" in the case where a specific condition is met, rather than at the fair value of the income statement. The impacts of these amendments on the consolidated financial statements are currently under evaluation.

ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ENDORSED BY THE RELEVANT EUROPEAN UNION BODIES

At the date of authorisation of these consolidated financial statements, the competent bodies of the European Union have not yet completed the endorsement process relating to the new standards and amendments applicable to the financial statements for years that commence from January 1, 2019 onwards:

- *IFRIC "Interpretation 22 Foreign Currency Transactions and Advance Consideration"*: provides indications on how an entity should determine the date of a transaction, and consequently, the exchange rate to be utilised concerning operations in foreign currencies concerning payments made or received in advance. The amendments apply from January 1, 2018.
- In June 2017, the IASB published the interpretation IFRS 23 - "Uncertainty over Income Tax Treatments", which provides indications on how to reflect in the accounting of income taxes uncertainties on the tax treatment of certain matters. IFRIC 23 will enter into force on January 1, 2019.
- In February 2018, the IASB issued amendments to *IAS 19 - Plan Amendment, curtailment or settlement* which specifies how companies should determine the pension payable when changes to a given pension plan occur. *IAS 19 "Employee Benefits"* specifies how a company should account for a defined benefit pension plan. When a change is made to a plan, an adjustment, a reduction or a regulation, IAS 19 requires that the net defined benefit asset or liability is to be re-measured. The changes require a company to use the updated assumptions from this recalculation to determine the cost of the current service and the net interest for the remainder of the reference period after the plan is changed. The amendments will enter into force from January 1, 2019. The impacts of these amendments on the consolidated financial statements are currently under evaluation.

- Amendments to *IAS28 - Long-term interests in associates and joint ventures* (applicable as from financial years ending after January 1, 2019). This clarifies how the entity should use IFRS 9 to represent long-term interests in an associate company or joint venture, for which the equity method is not applied. The impacts of these amendments on the consolidated financial statements are currently under evaluation.
- Amendments to *IAS 40 - Investment property.* The amendments clarify when an entity should move a property, including property under construction or development, into or out of the category "Investment property". It clarifies that a change in the intended use does not occur due to a simple change in management’s intentions.
- Improvements to IFRS - in December 2017, the IASB also issued Annual Improvements to IFRS 2015-2017, a series of amendments to IFRS in response to issues raised, mainly: (I) to *IFRS 3 - Business Combinations*, clarifying how a company must re-measure holdings, previously held in a joint operation, once control of the business is obtained; (II) to *IFRS 11 – Joint Arrangements*, for which a company does not re-value holdings previously held in a joint operation when it obtains joint control of the activity, (III) to *IAS 12 - Income Tax*, which clarifies that the impact on income tax deriving from dividends (that is, the distribution of profits) should be recognised in the income statement, regardless of how the tax arises; (IV) and to *IAS 23 – Financial Charges*, which clarifies that a company is to treat as part of a general debt any debt originally assumed for the development of an asset when this asset is ready for its intended use or for sale. The changes shall be effective from January 1, 2019.

No significant impact is expected on the consolidated financial statements from the application of the amendments and interpretations to the accounting standards.

IFRS 17 - Insurance contracts and amendments to *IFRS 9 -Financial Instruments with IFRS 4 Insurance Contracts* are excluded from the list since these accounting standards do not pertain to the activity carried out by the Group.

The Company will adopt these new standards, amendments and interpretations, according to the scheduled application date and will evaluate the potential impacts, where they have been approved by the European Union.

DISCRETIONAL VALUATIONS AND SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements and Explanatory Notes in application of international accounting standards (IAS/IFRS) requires 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.

For a more detailed outline of the relevant Group measurement processes, reference should be made to the corresponding paragraph of the Consolidated financial statements at December 31, 2017.

The main estimates are used to record the capitalisation of research and development costs, the recoverability of deferred tax assets, impairments of non-financial assets and employee benefits. Other estimates concern the risks and guarantee provisions, the doubtful debt provision and the inventory obsolescence provision.

We in addition highlight that some valuation processes, in particular the most complex, such as the determination of any loss in value of non-current assets, are generally made on a complete basis on the preparation of the annual accounts, when all the necessary information is available, except where there are specific indications of impairment which require a timely valuation.

The actuarial valuations related to the calculation of employee benefit provisions are made on the preparation of the annual financial statements, except in the case of the modification or liquidation of a plan.

CONSOLIDATION SCOPE

The consolidation scope includes the Parent Company SIT S.p.A. and the companies in which SIT S.p.A. holds, directly or indirectly, a majority stake or majority voting rights, or where it has the power to determine - also through contracts - the financial and operating policies.

The Group exercises control when it is exposed to or has the right to variable income streams, based on the relationship with the investee, and, at the same time, has the capacity to affect such income streams through the exercise of power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- the power over the investment entity (or holds valid rights which confer it the current capacity to control the significant activities of the investment entity);
- the exposure or rights to variable returns deriving from involvement with the investment entity;
- the capacity to exercise its power on the investment entity to affect its income streams.

Generally, there is presumption that the majority of the voting rights results in control. In support of this presumption and when the Group holds less than the majority of the voting rights (or similar rights), the Group shall consider all the facts and significant circumstances to establish whether control of the investment entity exists, including:

- contractual agreements with other holders of voting rights;
- rights deriving from contractual agreements;
- voting rights or potential voting rights of the Group.

The Group reconsiders if it has control of an investee if the facts and circumstances indicate that there have been changes in one or more of the three significant elements for the definition of control. The consolidation of a subsidiary begins when the Group obtains control and ceases when the Group loses this control. The assets, liabilities, revenues and costs of the subsidiary acquired or sold during the year are included in the consolidated financial statements at the date in which the Group obtains control until the date in which the Group no longer exercises control.

The profit/(loss) and each of the other comprehensive income statement items are allocated to the shareholders of the parent company and minority shareholders, even if this implies that the minority shareholder investments have a negative balance. Where necessary appropriate adjustments are made to the financial statements of the subsidiaries, in line with the accounting policies of the Group. All assets and liabilities, shareholders' equity, revenues and costs, and inter-company cash flows relating to transactions between entities of the Group are completely eliminated on consolidation.

Changes in the holdings of subsidiaries which do not result in the loss of control are recognised under equity.

If the Group loses control of a subsidiary, it must eliminate the relative assets (including goodwill), liabilities, minority interests and other equity items, while any gain or losses are recorded in the income statement. Any holding maintained must be recorded at fair value.

The companies included in the consolidation scope are as follows:

Company	Country	Registered Office	Currency	Share capital (in units of local currency)	% held
SIT S.p.A.	Italy	Padua	EUR	96,151,921	100
MeteRSit S.r.l.	Italy	Padua	EUR	1,129,681	100
S.C. MeteRSit Romania S.r.l.	Romania	Brasov	RON	2,231,650	100
SIT Controls BV	Netherlands	Hoogeveen	EUR	46,000	100
SIT Gas Controls Pty Ltd	Australia	Mulgrave	AUD	100,000	100
SIT Controls USA Inc.	USA	Charlotte	USD	4,158,000	100
SIT Controls Deutschland GmbH	Germany	Arnsberg	EUR	51,000	100
SIT Controls CR, S.r.o.	Czech Republic	Brno	CSK	41,000	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	402,000	100
Sit Vostok O.O.O.in liquidation	Russia	Moscow	RUB	2,602,000	100
SIT Shanghai Trading Co. Ltd in liquidation	China	Shanghai	EUR	0	100
S.C. SIT Romania S.r.l.	Romania	Brasov	EUR	1,993,942	100
SIT Manufacturing (Suzhou) Co. Ltd	China	Suzhou	EUR	2,708,285	100
SIT Argentina S.r.l.	Argentina	Santa Fe	ARS	90,000	100

CONSOLIDATION METHOD

The subsidiaries are consolidated under the line-by-line method, which provides for the full inclusion of all of the financial statement line items, without considering the shareholding.

The foreign companies are consolidated utilising the financial statements prepared in accordance with those utilised by the Parent Company and as per common accounting policies.

The carrying amount of investments is eliminated against the corresponding share of the equity of the subsidiaries, allocating to the individual assets and liabilities their present value at the date of the acquisition of control. Any positive difference is recorded in the non-current asset account "Goodwill". The share of equity and results attributable to minority interests are recorded separately in the balance sheet and income statement respectively.

In the preparation of the consolidated financial statements all balances and transactions between Group companies and unrealised gains and losses on inter-company transactions are eliminated.

Translation of accounts in foreign currencies: Group companies

The financial statements of the Group companies included in the consolidated financial statements are presented in the functional currency of the main markets in which they respectively operate. At the reporting date, the assets and liabilities of the companies whose functional currency is not the Euro are converted into the preparation currency of the Group consolidated financial statements at the exchange rate at that date. The income statement accounts are converted at the average exchange rate, as such is considered representative of the average of the exchange rates at the dates of the individual transactions. The differences deriving from the adjustment of opening shareholders' equity to the exchange rates at the end of the period and the differences deriving from the different methods used for the translation of the result are recorded to the comprehensive income statement. On the sale of a net investment in a foreign operation, the items in the comprehensive income statement relating to this foreign operation are recorded in the income statement.

The goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are recorded as assets and liabilities of the foreign operation and therefore are recorded in the functional currency of the foreign operation and translated at the exchange rate at the reporting date.

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

Euro/Currency	30.06.2018		30.06.2017		2017
	Year-end exchange rate	Average exchange rate	Year-end exchange rate	Average exchange rate	Year-end exchange rate
Mexican Peso	22.8817	23.085	20.5839	21.044074	23.661200
Argentinean Peso	32.7048	26.0382	18.8851	17.017346	22.931000
Romanian Leu	4.6631	4.6543	4.5523	4.537042	4.658500
US Dollar	1.1658	1.2104	1.1412	1.083022	1.199300
Canadian Dollar	1.5442	1.5457	1.4785	1.445293	1.503900
Czech Crown	26.02	25.5005	26.197	26.784102	25.535000
Australian Dollar	1.5787	1.5688	1.4851	1.436422	1.534600
Chinese Yuan	7.717	7.7086	7.7385	7.444833	7.804400

NOTES TO THE MAIN CONSOLIDATED BALANCE SHEET ACCOUNTS

NON-CURRENT ASSETS

Note 1: Goodwill and Other intangible assets

(Euro thousands)	Balance at Dec. 31, 17	Increases	Disposals	Amortisation	Other movements	Balance at June 30, 2018
Goodwill	**78,138**	**-**	**-**	**-**	**-**	**78,138**
Development Costs	447	-	-	(143)	-	304
Patent rights	19,359	289	-	(1,589)	13	18,072
Concessions, licences & trademarks	19,633	1	-	(602)	-	19,032
Assets in progress and advances	465	264	-	-	(172)	557
Other intangible assets	33,382	55	-	(1,830)	166	31,773
Total other intangible assets	**73,286**	**609**	**-**	**(4,164)**	**7**	**69,738**
Total goodwill and other intangible	**151,424**	**609**	**-**	**(4,164)**	**7**	**147,876**

- **Goodwill**

The account totals Euro 78,138 thousand at June 30, 2018 and was recognised following the acquisition of the Group company SIT La Precisa S.p.A. on May 2, 2014 (hereafter also the Business Combination). As per IFRS 3 Business combinations, on acquisition the assets and liabilities of the Group were measured at fair value at the acquisition date. The excess between the consideration of the transaction (Euro 201,553 thousand) and the fair value of the assets and liabilities acquired was allocated (where possible) to identifiable assets. The difference between the total payment of the acquisition and the fair value of the assets, liabilities and contingent liabilities acquired was recorded under goodwill as a residual amount.

- **Development costs**

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

- **Patents and intellectual property rights**

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

- **Concessions, licenses & trademarks**

The amount of Euro 19,032 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 on May 2, 2014; these values were calculated with the support of an independent experts’ valuation report.

Changes in the financial year are mainly related to amortisation.

- **Other intangible assets**

This account mainly includes the residual value of the customer relationship identified as part of the business combination, whose Fair Value was originally determined at Euro 42,690 thousand on the basis of independent experts’ valuation report.

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 for a total of Euro 1,583 thousand, capitalised in previous years.

Impairment Tests

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

In order to verify any impairments to goodwill or other intangible assets, a comparison was made at December 31, 2017 of the recoverable values of the two identified Group CGU's (Heating Division and Smart Gas Metering Division) with their respective carrying amounts, including allocated goodwill.

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

At December 31, 2017, the cash flows used to calculate the recoverable value, incorporating the forecasts made by Management in the Heating 2018-2020 and Smart Gas Metering 2018-2020 plans approved by motion of the Board of Directors of the parent company, did not indicate any impairments.

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

For further information, reference should be made to the Explanatory Notes to the financial statements at December 31, 2017.

Note 2: Property, plant & equipment

The movements in property, plant and equipment in H1 2018 are summarised below.

(Euro thousands)	Historical cost at Dec. 31, 17	Accumulated depreciation at Dec. 31, 17	Balance at Dec. 31, 17	Historical cost at June 30, 18	Accumulated depreciation at June 30, 18	Balance at June 30, 18
Land and buildings	33,786	(18,180)	15,606	34,035	(18,724)	15,311
Plant and machinery	113,783	(97,172)	16,611	119,635	(99,538)	20,097
Industrial and commercial equipment	70,203	(64,703)	5,500	71,777	(65,402)	6,375
Other assets	6,723	(5,616)	1,107	6,785	(5,767)	1,018
Assets in progress and advances	8,954	-	8,954	11,137	-	11,137
Total property, plant and equipment	**233,449**	**(185,671)**	**47,778**	**243,369**	**(189,431)**	**53,938**

The following tables outline the changes in the historic cost and accumulated depreciation in H1 2018 by category.

Historic cost

(Euro thousands)	Historical cost at Dec. 31, 17	Increases	Disposals	Other movements	Translation difference	Historic cost at June 30, 18
Land & Buildings	33,786	83	-	50	116	34,035
Plant and machinery	113,783	3,900	(169)	1,842	279	119,635
Industrial and commercial equipment	70,203	1,354	(1,307)	1,485	42	71,777
Other assets	6,723	53	(16)	-	25	6,785
Assets in progress and advances	8,954	5,556	0	(3,376)	4	11,137
Total property, plant and equipment	**233,449**	**10,946**	**(1,492)**	**0**	**467**	**243,369**

The increases in the year include the normal acquisition of property, plant and equipment and reclassifications from the accounts Assets in progress and Advances to suppliers for assets entering into use in H1 2018. In particular, acquisitions in the year 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 decreases relate to normal disposals and the disposal of property, plant and equipment which had largely been depreciated, while the decreases to the account Assets in progress and Advances to suppliers relate to the amounts which at December 31, 2017 were in progress and which in H1 2018 became fixed assets to be depreciated and, consequently, included in the increases of the respective accounts by type.

Accumulated depreciation

(Euro thousands)	Provision at Dec 31, 17	Depreciation	Disposals	Other movements	Translation difference	Balance at June 30, 18
Acc. Deprec. Land & Buildings	(18,180)	(467)	-	0	(76)	(18,724)
Acc. Deprec. Plant and machinery	(97,172)	(2,301)	152	0	(217)	(99,538)
Acc. Deprec. Industrial and commercial equipment	(64,703)	(1,970)	1,306	-	(35)	(65,402)
Acc. Deprec. Other assets	(5,616)	(145)	16	-	(23)	(5,767)
Total accumulated depreciation	**(185,671)**	**(4,884)**	**1,474**	**0**	**(351)**	**(189,431)**

Property, plant and equipment were depreciated at June 30, 2018 at the following rates:

Category	Rate
Land and buildings	-55.01%
Plant and machinery	-83.20%
Industrial & commercial equipment	-91.12%
Other assets	-85.00%

Note 3: Investments

The following table reports the movements in H1 2018 in the investments account.

(Euro thousands)	Balance at Dec 31, 17	Increases in the period	Decreases in the period	Other changes	Balance at June 30, 18
Investee					
CFM	-	-		-	-
Immobiliare Golf Montecchia	28	-	-	-	28
Fondazione ABO in liquidation	6	-	-	-	6
Italmed Llc.	378	-	-	-	378
Cyrus Intersoft Inc.	366	-	-	-	366
Infracom S.p.A.	522	-	-	-	522
SAPI immobiliare	4	-	-	-	4
Immobiliare Polesana (formerly IMER)	1	-	-	-	1
Other minor	1	-	-	-	1
Fondazione ABO in liq. write-down prov.	(6)	-	-	-	(6)
Italmed Llc. write-down prov.	(378)	-	-	-	(378)
Cyrus Intersoft Inc. write-down prov.	(366)	-	-	-	(366)
Infracom S.p.A. write-down prov.	(502)	-	-	-	(502)
Total investments	**54**	**-**	**-**	**-**	**54**

Note 4: Current and Non-Current Financial Assets

The breakdown of non-current financial assets at June 30, 2018 is as follows:

(Euro thousands)	June 30, 18	Dec 31, 17
Guarantee deposits	211	217
Restricted deposit account	1,325	1,325
Other receivables	9	9
Receivables from subsidiaries	-	-
Total other non-current financial assets	**1,545**	**1,551**
Receivables from parent companies	-	674
Receivables from companies subject to control of parent company	-	51
Derivative financial instruments	250	10
Total other current financial assets	**250**	**735**

The main accounts are commented upon below.

- **Restricted deposit account**

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

Note 5: Deferred tax assets

A breakdown of temporary differences and the consequent deferred tax assets at June 30, 2018 and at December 31, 2017 is reported below:

June 30, 2018

(Euro thousands)	Temporary Diff. IRES	Temporary Diff. IRAP	Tax effect IRES	Tax effect IRAP
Employee provisions	1,354	1,345	325	52
Other risk and charges provisions	1,744	1,632	419	61
Employee benefits	495	0	119	0
Write-down of inventories	2,054	1,942	493	75
Maintenance difference	72	0	17	0
Deprec. suspended on revaluations	171	171	41	7
Amortisation of intangible assets	27	27	6	1
Tax losses	7,638	0	1,833	0
Non-deductible interest	10,008	0	2,402	0
Other & overseas	1,777	25	480	1
Inter-company transactions	4,276	4,276	1,029	164
Cash Flow Hedge Reserve	1,349	0	323	0
Unrealised foreign exchange losses	649	0	155	0
Reversal of formation and start-up costs	148	147	35	6
Total	**31,762**	**9,565**	**7,677**	**367**

December 31, 2017

(Euro thousands)	Temporary Diff. IRES	Temporary Diff. IRAP	Tax effect IRES	Tax effect IRAP
Employee provisions	1,171	1,156	281	45
Other risk and charges provisions	1,868	1,756	448	69
Employee benefits	495	-	119	-
Write-down of inventories	1,683	1,602	404	60
Maintenance difference	100	-	24	-
Deprec. suspended on revaluations	171	171	41	7
Amortisation of intangible assets	45	45	11	2
Tax losses	10,415	-	2,499	-
Non-deductible interest	11,590	-	2,781	-
Other & overseas	1,790	266	481	10
Inter-company transactions	3,646	3,646	877	139
Cash Flow Hedge Reserve	1,110	-	266	-
Unrealised foreign exchange losses	475	-	114	-
Reversal of formation and start-up costs	230	231	55	9
Total	**34,789**	**8,873**	**8,401**	**341**

CURRENT ASSETS

Note 6: Inventories

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

(Euro thousands)	June 30, 18	Dec 31, 17
Raw materials, ancillaries and consumables	29,057	19,428
Work-in-progress and semi-finished goods	7,795	8,050
Finished products and goods	22,178	10,627
Advances to suppliers	78	25
Inventories	**59,108**	**38,130**

The movements in the inventory obsolescence provision were as follows:

(Euro thousands)	June 30, 18
Obsolescence provision 31/12/2017	**(2,180)**
Utilisation in the period	85
Allocations in the period	(623)
Obsolescence provision 30/06/2018	**(2,718)**

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

Note 7: Trade receivables

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

(Euro thousands)	June 30, 18	Dec 31, 17
Trade receivables	59,585	52,917
Trade receivables from parent company	10	28
Trade receivables from subsidiaries	-	-
Total current trade receivables	**59,595**	**52,945**
Doubtful debt provision	(887)	(819)
Total net of write-downs	**58,708**	**52,126**

- **Receivables from customers**

These concern direct commercial transactions undertaken by the Group with clients. The amount is stated net of the doubtful debt provision which expresses reasonably expected losses both on the basis of prior non-collection and amounts overdue.

The balance of receivables from customers is net of without recourse receivable factoring transactions totalling approx. Euro 12,399 thousand, respectively by the Parent Company and by MeteRSit S.r.l.

- **Doubtful debt provision**

The doubtful debt provision amounts to Euro 887 thousand, with the movements in H1 2018 reported in the following table:

(Euro thousands)	June 30, 18
Doubtful debt provision 31/12/2017	(819)
Utilisation in the period	69
Allocations in the period	(137)
Doubtful debt provision 30/06/2018	**(887)**

Note 8: Other current assets

The account is broken down as follows:

(Euro thousands)	June 30, 18	Dec 31, 17
Tax receivables	6,246	3,910
Prepayments and accrued income	1,649	1,434
Supplier advances	1,209	562
Receivable from holding company for tax consolidation	77	143
Other receivables	474	233
Total other current assets	**9,655**	**6,282**

- **Tax receivables**

The breakdown is as follows:

(Euro thousands)	June 30, 18	Dec 31, 17
VAT receivables	3,830	2,231
Withholding taxes	2,356	1,619
Income tax receivables	60	60
Total tax receivables	**6,246**	**3,910**

Receivables for withholding taxes of Euro 2,356 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.

- **Accrued income and prepayments**

At June 30, 2018, accrued income and prepayments were mainly related to prepayments on fees, rental and insurance premiums, as well as fees for maintenance and repair materials.

- **Other receivables**

Other receivables of Euro 474 thousand breakdown as follows:

(Euro thousands)	June 30, 18	Dec 31, 17
Other receivables	376	152
Other tax receivables	-	-
Employee receivables	-	35
Social security institution receivables	98	46
Total other receivables	**474**	**233**

Note 9: Tax receivables

Tax receivables were as follows:

(Euro thousands)	June 30, 18	Dec 31, 17
IRES receivables as per Legs. Decree 201/2012	1,481	1,481
IRES receivables	1,928	1,417
IRAP receivables	27	54
Other current taxes	60	71
Total tax receivables	**3,496**	**3,023**

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

Note 10: Cash and cash equivalents

Cash and cash equivalents are presented below:

(Euro thousands)	June 30, 18	Dec 31, 17
Cash in hand and similar	21	24
Bank and postal deposits	48,983	70,000
Total cash and cash equivalents	**49,004**	**70,024**

Cash and cash equivalents relate to current accounts and cash in hand at the reporting date. The liquidity deposited in bank and postal accounts attracts interest in line with generally applied market conditions and is not subject to restrictions and is freely available.

CONSOLIDATED SHAREHOLDERS' EQUITY

The changes are reported in the statement of changes in consolidated shareholders' equity, to which reference should be made; the principal shareholders' equity accounts and the relative changes are analysed below.

Note 11: Share capital

The share capital, subscribed and paid-in, amounted at June 30, 2018 to Euro 96,152, comprising 24,007,465 shares without express nominal value. The classes of shares issued by the company are reported below.

Shares	No. Shares	% of share capital	Listing
Ordinary shares	23,757,465	98.96%	AIM Italia
Performance Shares	250,000	1.04%	Non-listed

The movement in share capital is due to the requests to exercise 5,000 Warrants, for which the company issued 857 ordinary shares. At the end of 2017, Warrant holders requested to subscribe to shares against the exercise of a further 120,267 Warrants, with the consequent issue of 23,157 ordinary shares without nominal value in the first few days of 2018, in view of the time needed for the conversion operation's completion.

Note 12: Reserves

A breakdown follows:

(Euro thousands)	June 30, 18	Dec 31, 17
Share premium reserve	10,360	28,740
Capital payments reserve	18,817	21,999
Total capital reserves	**29,177**	**50,739**
Legal reserve	19,230	850
Treasury shares reserve	(661)	(661)
Cash Flow Hedge reserve	(1,023)	(842)
Actuarial reserve	(488)	(488)
Extraordinary reserve	1,491	1,491
Translation reserve	(6,971)	(7,792)
Incorporated Fair Value Reserve	-	31,321
Warrant Reserve	(12,540)	(15,223)
Performance Shares Reserve	(11,500)	(11,500)
Retained earnings (accum. losses)	(12,450)	(14,964)
Total profit reserves	**(24,912)**	**(17,808)**
Total reserves	**4,265**	**32,931**

- **Share premium reserve**

The movement in the share premium reserve relates to its utilisation to increase the legal reserve so as to reach one-fifth of the share capital.

- **Capital payments reserve**

The movement in the capital payments reserve entirely relates to the distribution of dividends for Euro 3,182 thousand.

- **Cash Flow Hedge reserve**

The cash flow hedge reserve is recorded as a negative value of Euro 1,023 thousand, net of the Euro 323 thousand tax effect. This reserve derives from the Fair Value valuation of hedging derivatives in application of IFRS 9.

- **Warrant Reserve**

In 2017, in execution of the transactions for the incorporation of the SPAC Industrial Star of Italy 2, SIT S.p.A. issued 5,350,000 warrants in 2017 admitted to trading on the AIM Italia. As per the Regulation, these warrants may be exercised with effect from the month following admission to trading on AIM Italia and within 5 years from admission.

The Warrant Reserve, equivalent to a negative value of Euro 12,540 thousand, derives from the initial entry of the Warrants at their fair value on July 20, 2017 and by subsequent movements in connection with the Warrants’ partial exercise.

- **Performance Shares Reserve**

As part of the incorporation of the SPAC Industrial Star of Italy 2, in 2017 SIT S.p.A. converted 250,000 ordinary shares owned by SIT Technologies S.p.A. into an equal number of particular SIT shares (Performance Shares), convertible into ordinary shares under the terms and conditions set out in the By-Laws. The performance shares reserve of Euro 11,500 thousand corresponds to the fair value recorded at 2017 year-end. There were no adjustments to the fair value of financial liabilities in H1 2018. Further details on this account is presented in Note No. 23 on Financial Liabilities for Performance Shares.

- **Retained earnings (accum. losses)**

At June 30, 2018, the account is negative for Euro 12,450 thousand, against a negative value of Euro 14,964 at December 31, 2017. The net decrease of Euro 2,514 relates to the positive amount of Euro 2,518 thousand in allocation of a portion of the 2017 result.

NON-CURRENT LIABILITIES

Note 13: Short-term loans and borrowings

As at June 30, 2018, short-term loans and borrowings represent the value of the new loan agreement's non-current portion (Senior Financial Agreement 2017) which the Company signed with BNP Paribas and a bank syndicate under the refinancing operation in 2017 alongside the incorporation of the SPAC Industrial Star of Italy 2.

The main conditions on the Senior Facility Agreement 2017, which represent an improvement on those in place on the former repaid loan, are the following:

i. Euro 135,000 thousand, with 5 year duration, maturing June 30, 2022; repayment according to pre-established half-yearly instalments with an average duration of approx. 3.9 years;

ii. early repayment option without penalties and without collateral security;

iii. Interest rate indexed to the 3 or 6 month Euribor, at the company's choice, plus a margin determined on the basis of a grid defined by the Leverage ratio trend – an indicator consisting of the ratio between the net financial position and EBITDA.

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

A breakdown follows:

(Euro thousands)	June 30, 18	Dec 31, 17
Derivative financial instruments	576	288
Total other non-current financial liabilities and derivative financial instruments	**576**	**288**

In August 2017, the company settled interest rate swap (IRS) hedges, in connection with the new variable rate bank loan (Senior Financial Agreement 2017). These contracts satisfy the IFRS 9 hedging requirements for application of hedge accounting and therefore the financial liabilities were recognised at the fair value of the IRS contracts and with provisioning to a relative net equity reserve, net of the relative tax effect.

The features and the fair value of the non-current portion of the derivative financial instruments at June 30, 2018 are summarised below:

(Euro thousands)

Transaction type	Currency	Beginning date	Maturity	Fixed rate	Notional 30.06.2018	Fair Value 30.06.2018
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	6,876	(34.05)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	8,595	(42.57)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	4,011	(19.86)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	4,011	(19.86)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	8,595	(42.57)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	4,011	(19.86)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	8,595	(42.57)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	10,314	(51.08)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	7,449	(36.89)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	5,730	(28.38)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	4,584	(21.74)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	5,730	(27.17)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	2,674	(12.68)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	2,674	(12.68)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	5,730	(27.17)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	2,674	(12.68)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	5,730	(27.17)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	6,876	(32.60)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	4,966	(23.55)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	3,820	(18.11)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	4,775	(22.64)
Total					**118,420**	**(575.88)**

A breakdown of the non-current portion of interest rate swap hedges that made up the account at December 31, 2017 is presented below:

(Euro thousands)

Transaction type	Currency	Beginning date	Maturity	Fixed rate	Notional 31.12.2017	Fair Value 31.12.2017
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	7,200	(17.60)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	9,000	(21.79)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	4,200	(10.28)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	4,200	(10.28)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	9,000	(21.98)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	4,200	(9.98)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	9,000	(21.86)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	10,800	(26.29)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	7,800	(18.86)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	6,000	(14.59)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	4,800	(10.56)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	6,000	(13.06)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	2,800	(6.16)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	2,800	(6.16)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	6,000	(13.18)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	2,800	(5.98)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	6,000	(13.11)

IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	7,200	(15.76)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	5,200	(11.31)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	4,000	(8.75)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	5,000	(10.70)
Total					**124,000**	**(288.21)**

Note 15: Provisions for risks and charges

The changes to the account were as follows:

	Dec 31, 17	Provisions	Utilisations	Translation differences	June 30, 18
Agents indemnity provision	122	9	-	-	131
Other risks provision	2,201	767	(721)	-	2,247
Product warranty provision	363	-	-	-	363
Other taxes provision	211	129	-	-	340
Total provisions for risks and charges	**2,897**	**905**	**(721)**	**-**	**3,081**

- **Agents’ supplementary indemnity provision**

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

- **Other risks provision**

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

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

- Euro 1,335 thousand to hedge the risks for ongoing disputes with the Parent Company’s customers and suppliers; in particular, at the reporting date, Euro 637 thousand refers to a provision for non-recurring risks on a quality claim of the Heating Division over an electronic product provisioned in 2015;

- Euro 787 thousand to hedge the risks over ongoing disputes with MeteRsit S.r.l.’s customers and suppliers

- **Product warranty provision**

The product warranty provision reflects a reasonable estimate of the charges which the Group may incur to comply with contractual guarantees on products sold until the reporting date.

- **Other taxes provision**

The provision mainly includes the accrual made in 2017 and supplemented in H1 2018 against liabilities relating to the Tax Agency's investigation on the Parent Company over direct and indirect taxes for the 2014 tax period.

Note 16: Net liabilities for employee defined benefits

The movements in the account in the periods to June 30, 2018 and to December 31, 2017 were as follows:

(Euro thousands)	**June 30, 18**	**Dec 31, 17**
Net liabilities for employee defined benefits	6,059	5,957
Liabilities for retention	297	401
Total net liabilities for employee benefits	**6,356**	**6,358**

The movements in post-employment benefits were as follows:

(Euro thousands)	**June 30, 18**	**Dec 31, 17**
Post-em. bens. at beginning of period	5,957	5,944
Payments in the period	(11)	(112)
Current service cost	113	66
Interest cost	-	77
Actuarial gains/(losses)	-	(18)
Post-em. bens. at end of period	**6,059**	**5,957**

The discounting of the Post-Employment Benefit Provision was not updated at June 30, 2018 as the relative impacts are considered insignificant.

Note 17: Other non-current liabilities

The account amounts to Euro 703 thousand and relates to a Euro 675 thousand provision for the extraordinary variable bonus granted to the Chairman and Chief Executive Officer in execution of the provisions for the incorporation of the SPAC Industrial Stars of Italy 2 described in the introduction. This was correlated to the Group's future results measured in terms of the equity value's increase over the 2017 - 2018 and 2019 period.

Note 18: Deferred tax liabilities

A breakdown of temporary differences and the consequent deferred tax liabilities at June 30, 2018 and at December 31, 2017 is reported below, based on the type of temporary differences, applying respectively a tax rate of 24% for IRES and 3.9% for IRAP.

June 30, 2018

(Euro thousands)	Temporary Diff. IRES	Temporary Diff. IRAP	Tax effect IRES	Tax effect IRAP
Tax on business combinations	66,559	66,559	15,967	2,599
Accelerated depreciation	378	-	91	-
Finance Leases	1,078	1,078	259	42
Capitalisation research & development expenses	304	-	73	-
Unrealised for. exchange gains/losses	394	-	95	-
Amortised cost	0	-	-	-
Other	319	-	95	-
Total	**69,032**	**67,637**	**16,580**	**2,641**

December 31, 2017

(Euro thousands)	Temporary Diff. IRES	Temporary Diff. IRAP	Tax effect IRES	Tax effect IRAP
Tax on business combinations	69,679	69,679	16,718	2,719
Accelerated depreciation	378	-	91	-
Finance Leases	1,100	1,100	264	43
Capitalisation research & development expenses	447	-	107	-
Unrealised for. exchange gains/losses	1,005	-	241	-
Amortised cost	-	-	-	-
Other	986	-	93	-
Total	**73,595**	**70,779**	**17,514**	**2,762**

CURRENT LIABILITIES

Note 19: Short-term loans and borrowings

The breakdown is as follows:

(Euro thousands)	June 30, 18	Dec 31, 17
Utilisation short-term lines	353	65
Current portion of loans	13,821	11,458
Current financial charges	5	13
Total short-term loans and borrowings	**14,179**	**11,537**

- **Current portion of loans**

At June 30, 2018, the account includes the current share of the bank loan (Senior Financial Agreement 2017) referred to in Note No. 13.

Note 20: Other current financial liabilities and derivative financial instruments

A breakdown follows:

(Euro thousands)	June 30, 18	Dec 31, 17
Factoring payables	1,505	2,158
Derivative financial instruments (current portion)	775	821
Non-hedging derivative instruments (current portion)	199	-
Total other current financial liabilities and derivative financial instruments	**2,479**	**2,979**

- **Factoring payables**

These are client settlements received in advance of period-end maturity against receivables subject to without recourse factoring by the company and by the subsidiary MeteRSit.

Non-hedging derivative instruments - current portion

The company has undertaken Commodity swaps and Forex forwards not designated as “hedges” in accordance with the applicable accounting standards; therefore the result matured in H1 2018 was recognised to the income statement.

- **Derivative financial instruments - current portion**

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

(Euro thousands)

Transaction type	Currency	Beginning date	Maturity	Fixed rate	Notional 30.06.2018	Fair Value 30.06.2018
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	6,876	(45.30)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	8,595	(56.62)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	4,011	(26.42)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	4,011	(26.42)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	8,595	(56.62)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	4,011	(26.42)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	8,595	(56.62)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	10,314	(67.95)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	7,449	(49.07)

IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	5,730	(37.75)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	4,584	(29.73)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	5,730	(37.17)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	2,674	(17.34)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	2,674	(17.34)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	5,730	(37.17)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	2,674	(17.34)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	5,730	(37.17)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	6,876	(44.60)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	4,966	(32.21)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	3,820	(24.78)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	4,775	(30.97)
Total					**118,420**	**(775.03)**

A breakdown of the current portion of interest rate swap hedges that made up the account at December 31, 2017 is presented below.

(Euro thousands)

Transaction type	Currency	Beginning date	Maturity	Fixed rate	Notional 31.12.2017	Fair Value 31.12.2017
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	7,200	(48.34)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	9,000	(59.86)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	4,200	(28.23)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	4,200	(28.23)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	9,000	(60.36)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	4,200	(27.40)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	9,000	(60.05)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	10,800	(72.21)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	7,800	(51.81)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.41%	6,000	(40.06)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	4,800	(31.73)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	6,000	(39.28)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	2,800	(18.53)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	2,800	(18.53)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	6,000	(39.62)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	2,800	(17.97)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	6,000	(39.41)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	7,200	(47.40)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	5,200	(33.99)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	4,000	(26.29)
IRS on SFA 2017	Euro	29/12/2017	30/06/2022	0.40%	5,000	(32.17)
Total					**124,000**	**(821.45)**

Note 21: Trade payables

At June 30, 2018, trade payables were broken down as follows:

(Euro thousands)	June 30, 18	Dec 31, 17
Trade payables	81,734	68,367
Trade payables to parent company	-	-
Total trade payables	**81,734**	**68,367**

- **Payables to suppliers**

These include payables in foreign currency and are therefore stated in the financial statements and in the above table net of the relative unrealised exchange differences, equating to exchange gains of Euro 151 thousand.

Note 22: Other current liabilities

A breakdown follows:

(Euro thousands)	June 30, 18	Dec 31, 17
Other payables	980	1,035
Customer advances	1,626	1,860
Current remuneration payables	4,724	2,153
Deferred remuneration payables	5,366	2,811
Payables to social security institutions	1,781	2,631
Result bonuses	1,388	2,476
Accrued expenses	34	67
Substitute tax payables	1,099	1,214
VAT payables	711	545
Payables to parent company for tax consolidation	1,258	-
Total other current liabilities	**18,967**	**14,792**

- **Other payables**

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

- **Current remuneration payables**

Current remuneration payables principally include employee payables for June 2018 salaries, paid in July 2018.

- **Deferred remuneration payables**

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

- **Payables for result bonuses**

The account relates to the estimate of H1 2018 bonuses, to be paid in 2019.

Note 23: Financial Liabilities for Performance Shares

As part of the incorporation of the SPAC Industrial Stars of Italy 2, in 2017 SIT S.p.A. converted 250,000 ordinary shares owned by SIT Technologies S.p.A. into an equal number of particular SIT shares (Performance Shares), convertible into ordinary shares under the terms and conditions set out in the By-Laws.

The performance shares are convertible into Ordinary Shares at the ratio of: (i) 1 to 5 and/or (ii) 1 to 1, under the terms and conditions set out in relation to the earn-out at maturity regulated by the By-Laws. The number of Performance Shares convertible into Ordinary Shares pursuant to the above terms will be ascertained by the Company's Related Parties Committee with the assistance and approval of the audit firm, within 60 (sixty) business days from the final approval of the Board of Directors of the consolidated financial statements as of December 31, 2018 and, where applicable, as of December 31, 2019.

For accounting purposes, Performance Shares were recognised as financial liabilities in accordance with IAS 32 and initially recorded at their fair value on July 20, 2017 without any economic impact. The account at June 30, 2018 amounted to Euro 10,650 thousand and represents the Performance Shares' Fair Value calculated by estimating the achievement, with the consolidated financial statements at December 31, 2018, of the results required for their full conversion in a 1 to 5 ratio and valuing the 1 million unissued shares to the market value of the company's ordinary shares as at June 30, 2018 (Euro 10.65).

The difference between the value of financial liabilities at December 31, 2017 of Euro 11,500 thousand and of financial liabilities at the reporting date was recognised to the income statement.

Note 24: Financial liabilities for Warrants

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

For accounting purposes, the Warrants were recognised as financial liabilities in accordance with IAS 32 and therefore recorded at their Fair Value at December 31, 2017 of Euro 12,551 thousand

and at June 30, 2018 of Euro 10,867 thousand, calculated by assigning to each of the Warrants issued and not yet exercised at June 30, 2018 the listing price at that date.

Financial liabilities at June 30, 2018 were adjusted to Fair Value, recognising to financial income in the income statement the difference between the price at December 31, 2017 (Euro 2.40) and that at June 30, 2018 (Euro 2.08), for an amount of Euro 1,683 thousand.

NOTES TO THE MAIN CONSOLIDATED INCOME STATEMENT ACCOUNTS

Note 25: Revenue from contracts with customers

Revenue from contracts with customers consist of:

(Euro thousands)	H1 2018	H1 2017
Revenues from product sales	175,225	148,985
Revenues from services	166	139
Total revenue from contracts with customers	**175,391**	**149,124**

- **Revenues from product sales**

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

(Euro thousands)	H1 2018	H1 2017
Heating	142,303	129,030
Smart Gas Metering	32,922	19,955
Total revenues from sales and services	**175,225**	**148,984**

Group revenues by region were as follows:

(Euro thousands)	H1 2018	H1 2017
Italy	59,864	43,981
Foreign EU	48,965	44,105
Foreign Non-EU	66,563	61,038
Total revenues from sales and services	**175,391**	**149,124**

Note 26: Purchase of raw materials, semi-finished and finished products

The account in H1 2018 and H1 2017 broke down as follows:

(Euro thousands)	H1 2018	H1 2017
Purchases of ancillary materials	2,029	1,523
Purchases of raw materials, semi-finished & packaging	96,424	70,289
Finished products purchases	12,104	11,195
Purchases of consumable materials	21	16
Purchases of goods	(145)	-
Maintenance and repair materials	979	911
Other purchases	1,032	916
Duties on purchases	714	601
Total purchase of raw materials, semi-finished and finished	**113,158**	**85,451**
Changes in inventories of raw materials, ancillaries, consumables and goods	(7,452)	(3,220)
Change in inventories of finished & semi-finished products and goods	(13,513)	(4,559)
Total changes in inventories	**(20,966)**	**(7,779)**
Total cost of raw materials, ancillaries, consumables and goods	**92,192**	**77,672**

Note 27: Service costs

The details of the account is as follows:

(Euro thousands)	H1 2018	H1 2017
Rent, hire and leases	1,153	1,120
Outsourcing	5,146	3,468
Transport	4,165	2,908
Commissions	284	212
Legal, administrative and other	1,947	1,228
Insurance	521	490
Management services	1,150	947
Maintenance & repair expenses	1,395	1,251
Utilities	2,570	2,388
Personnel expense	1,069	655
Cleaning and security	414	387
Advertising, marketing, and sponsorship	551	513
Directors, statutory & independent auditor fees	991	625
Travel and accommodation	608	460
Bank charges & commissions	129	135
Other services	380	356
Listing charges	508	-
Total service costs	**22,981**	**17,143**

The account includes non-recurring costs of Euro 922 thousand, of which Euro 682 thousand concerning the AIM Italia market listing.

Note 28: Personnel expense

Personnel expense is shown below:

(Euro thousands)	H1 2018	H1 2017
Wages and salaries	26,169	21,663
Social security charges	5,727	5,934
Temporary personnel	5,225	2,786
Post-employment benefits	1,310	1,225
Other costs	436	411
Total personnel expense	**38,867**	**32,019**

Average personnel numbers in H1 2018 and H1 2017 were as follows:

Employees	H1 2018	H1 2017
Executives	32	30
White-collar	409	394
Blue-collar	1,681	1,417
Temporary	367	193
Total employees	**2,489**	**2,032**

On August 7, 2018, SIT S.p.A. and Mr. Fulvio Camilli reached a settlement involving the immediate and consensual resolution of employment as general manager and of the relationships arising from the offices held by Mr. Fulvio Camilli at the company and at the SIT Group companies, with the simultaneous signing of a settlement agreement as per Article 2113 of the Civil Code.

The agreement provides for, in addition to normal reciprocal waivers and commitments, the issue to Mr. Camilli of a monetary leaving incentive and settlement totalling Euro 2.5 million.

Note 29: Depreciation, amortisation and write-downs

The breakdown is as follows:

(Euro thousands)	H1 2018	H1 2017
Amortisation of intangible assets	4,158	4,470
Depreciation of property, plant and equipment	4,884	4,620
Total amortisation & depreciation	**9,042**	**9,090**
Write-down of current receivables	137	28
Total write-downs	**137**	**28**
Total depreciation, amortisation & write-downs	**9,179**	**9,118**

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

Note 30: Provisions

At June 30, 2018, provisions totalled Euro 767 thousand and were stated net of utilisations of Euro 26 thousand.

Specifically, accruals were made at the Parent Company for Euro 355 thousand on probable risks for which it is not possible to establish a certain amount, concerning product quality against reimbursement requests from a number of clients, and for Euro 87 thousand to supplement the provision made in 2017 against a Tax Agency assessment concerning financial year 2014 and in particular direct and indirect taxes.

The subsidiary Metersit S.r.l. allocated provisions of Euro 381 thousand against potential charges which the Group may incur for the fulfilment of contractual commitments on products sold by the Smart Gas Metering Division.

Note 31: Other charges (income)

The account is broken down as follows:

(Euro thousands)	H1 2018	H1 2017
Misc. recoveries	73	46
Prior year income	28	48
Gains on fixed assets	49	61
Utilisation of provisions	-	-
Grants	259	143
Other revenues	6	9
Other income	**415**	**307**
Misc. taxes & non-deductible costs	175	199
Losses on fixed assets	1	-
Associations	95	112
Prior year charges	184	98
Losses on receivables	-	-
IMU Property tax	59	59
Misc. reimbursements	149	10
Other charges	173	187
Other charges	**836**	**665**
Total other charges (income)	**421**	**358**

Note 32: Financial income

In H1 2018, this amounted to Euro 2,975 thousand and was broken down as follows:

(Euro thousands)	H1 2018	H1 2017
Interest income on bank accounts	80	13
Other interest income	1	84
Other financial income	361	-
Profits on derivative financial instruments	2,523	-
Interest income from the parent company and companies subject to the control of the parent	10	4
Total financial income	**2,975**	**101**

- **Profits on derivative financial instruments**

This concerns the adjustment to Fair Value of 5,224,733 SIT Warrants in place and not yet exercised at June 30, 2018, in addition to the Performance Shares held by the parent SIT Technologies S.p.A.; the Fair Value was calculated by utilising respectively level 1 of the measurement hierarchy for the Warrants (as listed on an active market) and level 2 of the hierarchy for the Performance Shares, as the calculation of value is based on an observable component and a measurable component.

- **Interest income from Group companies**

These concern current loans granted to SIT Technologies S.p.A. (Italy) and SIT Immobiliare S.p.A. (Italy), as part of the centralised financial coordination and treasury services provided by the company. These loans were fully repaid in terms of capital and interest, without penalties or accessory charges, as per the relative contract, respectively on June 5, 2018 and June 11, 2018.

Note 33: Financial charges

Financial charges consist of:

(Euro thousands)	H1 2018	H1 2017
Financial charges on hedging contract differences	425	458
Interest charges to holding company	-	2,345
Interest and other bank charges	1,391	5,102
Interest charges to third parties	182	97
Losses on derivative financial instruments	320	-
Total financial charges	**2,318**	**8,002**

Note 34: Net exchange gains/(losses)

Net exchange losses of Euro 203 thousand are comprised as follows:

(Euro thousands)	H1 2018	H1 2017
Realised exchange gains	3,327	8,732
Realised exchange losses	(3,450)	(10,276)
Unrealised exchange gains	285	1,511
Unrealised exchange losses	(365)	(1,568)
Total net exchange gains/(losses)	**(203)**	**(1,601)**

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

Note 35: Income taxes

Income taxes for H1 2018 and H1 2017 were as follows:

(Euro thousands)	H1 2018	H1 2017
Current income taxes	(3,221)	(2,000)
Deferred tax charges	1,059	518
Deferred tax income	(764)	(830)
Income from tax consolidation	-	142
Other	(17)	63
Total income taxes	**(2,943)**	**(2,107)**

OTHER INFORMATION

Disclosure by operating segment

Income Statement

H1 2018

(Euro thousands)	Heating	Smart Gas Metering	Eliminations	Consolidated
Revenue from contracts with customers	143,181	32,947	(737)	175,391
Operating costs	(133,128)	(32,017)	737	(164,407)
EBIT	**10,053**	**930**	-	**10,984**

H1 2017

(Euro thousands)	Heating	Smart Gas Metering	Eliminations	Consolidated
Revenue from contracts with customers	129,765	19,978	(619)	149,124
Operating costs	(115,959)	(21,263)	619	(136,603)
EBIT	**13,806**	**(1,285)**	-	**12,521**

Balance Sheet

30.06.2018

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

31.12.2017

(Euro thousands)	Heating	Smart Gas Metering	Eliminations	Consolidated
Assets	338,518	51,519	(10,168)	379,869
Liabilities	257,024	27,261	(10,168)	274,116
Shareholders' Equity	81,494	24,258		105,753

Related party transactions

In H1 2018, the Parent Company carried out the following related party transactions and presented the following balances at the reporting date:

(Euro thousands)	Operating revenues	Operating Costs	Financial income	Financial charges	Financial receivables	Financial liabilities	Other receivables	Other payables
SIT Immobiliare S.p.A.	8	-	1	-	-	-	8	-
Companies subject to the control of the parent company	**8**	**-**	**1**	**-**	**-**	**-**	**8**	**-**
SIT Technologies S.p.A.	10	-	955	-	-	11,274	10	1,258
Parent company	**10**	**-**	**955**	**-**	**-**	**11,274**	**10**	**1,258**

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

Remuneration of Directors, Statutory Auditors and Independent Audit Firm

The remuneration of the Board of Directors, Board of Statutory Auditors and the independent audit firm for services provided to the Group in the year were as follows:

(in Euro thousands)	H1 2018	H1 2017
Director fees	632	341
Statutory auditor fees	71	57
Independent audit firm fees	256	227
Total	**959**	**625**

Director fees includes the provision made for the above-stated extraordinary variable bonus matured in favour of the Chairman and Chief Executive Officer of Euro 175 thousand.

Guarantees, commitments and off-balance sheet contingent liabilities

The off-balance sheet commitments of the Parent Company at June 30, 2018 were as follows.

	H1 2018	H1 2017
Other unsecured guarantees	48,263	40,484
Secured guarantees	-	51,655
Total guarantees	**48,263**	**92,139**

- **Other unsecured guarantees**

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

	H1 2018	H1 2017
In the interest of subsidiaries	41,611	32,321
In own interest	6,652	8,163
Total other guarantees	**48,263**	**40,484**

With regards to unsecured guarantees issued in the interest of subsidiaries, these were entirely issued in the interest of MeteRSit S.r.l., in favour of its client as part of Smart Gas Meter installation tenders. They concern for Euro 8,306 thousand co-obligations with the subsidiary MeteRSit S.r.l., while the remaining amount concerns guarantees exclusive to the Parent Company.

The guarantees issued in its own interest are predominantly (Euro 6,551 thousand) in favour of the Tax Agency for VAT receivables offset as part of the Group declaration.

- **Secured guarantees**

The bank loan signed with BNP Paribas and a syndicate of banks (*Senior Facility Agreement 2017 or SFA 2017*) does not provide for the issue of secured guarantees. Therefore, at June 30, 2018, the secured guarantees in place at that date in the previous year and concerning the pre-existing loan in place, were entirely cancelled.

Off-balance sheet transactions

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

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

Risk management and financial instruments recognised at Fair Value

The Company has approved the following financial risk monitoring and management policies:

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

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

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

The interest rate hedges at the reporting date are outlined at Notes 14 and 21 respectively for the non-current and current portions.

With regards to the financial instruments recognised to the financial statements at Fair Value at June 30, 2018, the following table outlines the type of instrument, its value at the reporting date and the fair value hierarchy utilised:

Transaction type	**Value at 30.06.2018 (in Euro)**	**Measurement Criterion**	**Level 1 (in Euro)**	**Level 2 (in Euro)**	**Level 3 (in Euro)**
SIT Warrants	(10,867,445)	Fair Value	(10,867,445)		
Performance Shares	(10,650,000)	Fair Value		(11,650,000)	
Interest Rate Swap	(1,350,912)	Fair Value		(1,350,912)	
Forex Forward (1)	176,680	Fair Value		176,680	
Commodity Swap (1)	(28,239)	Fair Value		(28,239)	

Forex Forward (1) and Commodity Swaps (1) operations were not designated as "hedges" in accordance with the applicable accounting standards and therefore the result matured in H1 2018 was recognised to the income statement.

A similar table is reported for financial instruments recognised to the financial statements at Fair Value at December 31, 2017:

Transaction type	**Value at 31.12.2017 (in Euro)**	**Measurement criterion**	**Level 1 (in Euro)**	**Level 2 (in Euro)**	**Level 3 (in Euro)**
SIT Warrants	(12,551,359)	Fair Value	(12,551,359)		
Performance Shares	(11,500,000)	Fair Value		(11,500,000)	
Interest Rate Swap	(1,109,665)	Fair Value		(1,109,665)	
Forex Forward (1)	1,313	Fair Value		1,313	
Commodity Swap (1)	8,351	Fair Value		8,351	

Forex Forward (1) operations were not designated as "hedges" in accordance with the applicable accounting standards and therefore the result matured in 2017 was recognised to the income statement.

For completeness, the hierarchy for the valuation of instruments recognised to the financial statements at Fair Value is reported below:

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

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

Subsequent events

Reference should be made to the Directors' Report for an outline of events subsequent to period-end.

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Padua, September 10, 2018

The Chairman of the Board of Directors

(Mr. Federico de' Stefani)