CORPORATE BODIES AND COMPANY INFORMATION

Board of Directors

Chairman	Iginio Liberali
Vice Chairman	Pierluigi Faggioli
Directors	Matteo Liberali Michele Faggioli Attilio Arietti Giovanni Cavallini Michele Garulli Fabio Liberali Stefano Paleari Marco Vitale

Board of Statutory Auditors

Chairman	Carla Ceppi
Standing Auditors	Stefano Beltrame Ivano Pelassa
Alternate Auditors	Mauro Cerana Giulia Chiarella

Auditing Firm Deloitte & Touche S.p.A.

Registered office and company information

LU-VE S.p.A.
Via Vittorio Veneto no. 11, Varese
I - 21100 Varese (VA) Italy
Tel: +39 02 96716270
Share capital €62,496,372.30 fully paid in
Tax Code and VAT no.: 01570130128

DIRECTORS' REPORT AS AT 31 DECEMBER 2015

29 March 2016

Dear shareholders,

The year 2015 was particularly delicate for the global economy. On one hand, the slowdown in emerging economies continued, particularly in China, while on the other hand the positive signals seen in Europe and in the United States in the first half of the period subsided considerably in the second half of the year. This resulted in a downgrade in growth estimates for 2015 as well as in forecasts relating to 2016-17.

The knock-on effects of this situation on economic fundamentals appear to be evident: an impressive decline in the cost of raw materials, primarily oil; a devaluation of the currencies of emerging countries, which reached new all-time lows with respect to the US dollar and the euro; an extremely accommodating monetary policy, with the intensification of Quantitative Easing programmes in Europe and Japan and the Fed's decision to hold back on the US interest rate hike. It is no coincidence that the new year began with significant turbulence in the financial markets.

In addition, in Europe political uncertainties are weighing down on the future of the EU, with a new intensification of the Greek crisis, the political stalemate in Spain and Portugal, and tensions linked to flows of migrants coming primarily from the Middle East.

In Italy, 2015 closed with modest growth in GDP (+0.7%) and industrial output (+1%), after three years of recession. However, the growth in industrial output is largely attributable to the automotive segment. Forecasts for 2016 are still positive despite the slowdown in growth in the final quarter of last year. At the moment, estimates point to GDP growth of 1% for the year under way.

In this environment, the LU-VE Group's development process continued thanks to its good product and market diversification, which made it possible to face the sharp dip in the oil and gas segment and the economic and currency crisis in economies that are more reliant on raw material prices, above all Russia.
Despite the negative influence of declining market prices for the most important raw materials we use directly, consolidated sales during the year came to roughly €212.3 million, a slight decrease (roughly -1.5%) since the previous year though substantially stable at constant exchange rates (down by roughly 0.4%), with profit margins which, despite the correction experienced since 2014, stood at absolutely historically significant values for the group, and rose in the second half of 2015 compared to the first half of the year.

Sales trends within the Group's main business segments were rather uneven. Results were positive in the refrigeration market, which has traditionally represented around 70% of the Group's sales volumes, with growth of 3.8% despite the consistent slowdown in investments by some of the main European supermarket chains (especially in Great Britain and France) and the sharp drop in demand in Ukraine and Russia, where the significant product growth achieved in our Lipetsk plant did not manage to fully offset the considerable decline in exports of products that can still only be manufactured in the Group's Italian plants.

The air conditioning sector, in which the Group operates primarily in Europe and Russia, was down slightly (-3.3%) due to the slowdown and/or postponement of large projects and the resulting increase in competitive pressure on prices, particularly from competitors that do not take part in the EUROVENT performance certification programme.

The collapse in oil prices had an extremely negative effect on sales made in new end markets for our Group, represented by the oil & gas market, in which important projects were carried out in 2014 but were not repeated as expected, and the power gen market. The success achieved in the process of qualification with the main sector players, resulting in our inclusion on vendor lists and therefore the opportunity to be permitted to participate in important tenders, did not protect us from the brusque decline in offer requests in the opening months of the year, alongside the postponement of projects in which significant progress has already been made. However, due to the resumption of a significant flow of requests in the second half of the year and the awarding of some important projects (for 2015 as well as for the initial months of 2016), it is possible to forecast good possibilities for recovery in the future, especially thanks to activities being carried out to expand the base and type of customers involved in smaller-scale projects, which are less impacted by oil price trends.

During the year, the technological capex programme continued in Italy and abroad for the expansion and streamlining of certain production sites and for the strengthening of installed production capacity. These investments were in part meant for new application segments and in part linked to technological evolutions under way due to the constant and progressive introduction of new regulations regarding refrigerant fluids with a low environmental impact.
Likewise, as part of the organisational restructuring project named "MOC Make One Company", investments in human resources continued in order to strengthen certain functions, at individual company as well as at corporate level, with the recruitment of new managers. In this regard, the main focus was placed on the reorganisation and strengthening of the sales department, with the dual objective of further boosting the average level of skill and professionalism of the sales force and of achieving an increasingly widespread and specialised presence in certain application segments and geographical areas.
On 1 January 2015, with its launch in the subsidiaries HTS (CZ) and Thermo Glass Doors (IT), the SAP management system implementation process was successfully completed in all of the Group's production facilities, which today work on a shared IT/management platform with clear advantages in terms of standardisation and synergies, also in view of important future development projects coordinated by the Group.

However, undoubtedly the main project completed in 2015 was the AIM market listing process completed with the official ceremony held on 9 July at the Italian Stock Exchange. A further point of pride and satisfaction for all Group employees, above all those who actively worked on this project most, is the fact that, in an extremely rare event in light of what has taken place worldwide for similar transactions to date, no investor exercised the right of withdrawal. Thanks to this unexpected turn of events, the additional contribution of capital resources, amounting to more than €50 million, was markedly higher than preliminary estimates. The process of merging with Industrial Stars of Italy S.p.A. ("ISI"), which led to the Group's admission to trading on the AIM market, is surely a unique event in the Group's history and represents an important new achievement, which will allow for the continuation and acceleration of its growth and development process. This was an initial challenge that allowed the Group structures to learn and to assess themselves with a high degree of commitment to meet the requirements of a public company.

However, this commitment has not ended. Indeed, in the opening weeks of 2016 the Group launched preliminary and research activities to definitively complete this process with its entry into the MTA market. This step is consistent with the Group's current capitalisation as well as its ambitious growth objectives, the achievement of which should also lead to greater stock liquidity for the benefit of our shareholders.

The main steps that led to our listing on the AIM market are summarised below. After the signing of a binding framework agreement with ISI on 23 January 2015 which governed in full the timing, terms and methods for executing the integration project:

- on 20 March 2015, the extraordinary shareholders' meeting of LU-VE decided to: *(i)* eliminate the indication of the nominal value of the company's shares; *(ii)* subject the shares to the centralised administration system applied for dematerialised shares; and *(iii)* split the 30,405 existing shares into 14,092,480 new shares;
- on 23 March 2015, the board members of LU-VE and ISI approved the plan for the merger by incorporation of ISI into LU-VE, establishing the exchange ratio at 1:1. The merger plan envisaged, inter alia, that:
  (i) the merger would be implemented through a share capital increase, in tranches, of LU-VE for a maximum total nominal amount of €51,550,000, for the purpose of the share swap;
  (ii) LU-VE would issue up to 7,507,500 LU-VE warrants, governed by the LU-VE Warrant Regulation;
  (iii) LU-VE would approve a further share capital increase, in tranches, for a maximum total nominal amount of €215,316.00, to be reserved for the exercise of the subscription right by LU-VE warrant holders;
- on 28 April 2015, the extraordinary shareholders' meetings of LU-VE and ISI approved the merger plan: by the legal deadline, none of the entitled ISI shareholders exercised the right of withdrawal and therefore the condition subsequent that would terminate the effectiveness of the shareholders' resolution was not fulfilled;
- on 19 June 2015, in compliance with the provisions of the AIM Italia Issuer Regulations, LU-VE submitted the Pre-Admission Notice to the Italian Stock Exchange for the admission to trading on the AIM Italia market of its own ordinary shares and warrants when the merger became effective;
- no creditor objected to the merger by 29 June 2015, the deadline set for any creditors to express their objection;
- on 30 June 2015:
  (i) the Admission Application was submitted to the Italian Stock Exchange for the admission to trading on the AIM Italia market of LU-VE ordinary shares, in compliance with what is set forth in the AIM Italia Issuer Regulations; and
  (ii) the deed of merger by incorporation of ISI into LU-VE was entered into, in compliance with the merger plan described above, establishing that the merger's effectiveness: *(a)* was subject to the issue by the Italian Stock Exchange of the measure for admission to trading on the AIM Italia of the LU-VE ordinary shares and warrants; and *(b)* would begin on the third day of trading subsequent to the last of the deed registrations with the competent Milan and Varese registers of companies;
- on 3 July 2015, the Italian Stock Exchange issued its measure of admission to trading on the AIM Italia market of LU-VE ordinary shares and warrants;
- on 6 July 2015, the last of the merger deed registrations was made with the competent registers of companies;

- on 9 July 2015, the merger became effective and LU-VE ordinary shares and warrants began being traded on the AIM Italia market.

After the merger became effective, as none of the ISI shareholders withdrew in the wake of the resolution approving the merger, the Group received a roughly €50 million liquidity contribution.

On 10 July 2015, in line with what is set forth in the articles of association, 50,000 LU-VE special shares were converted into 350,000 LU-VE ordinary shares based on the ratio of 7 (seven) LU-VE ordinary shares for every 1 (one) LU-VE special share held, with no change at all in the total amount of the share capital.

In the course of 2015, requests were received for the exercise of 38,297 warrants. As a result, the Company issued 5,723 ordinary shares, for a total equivalent value of €572.30, in accordance with the methods laid out in the Warrant Regulation. Following these exercises, there were 7,469,203 warrants outstanding as at 31 December 2015.
On this basis, the share capital at the reporting date amounted to €62,496,372.30, broken down into 19,453,203 Ordinary Shares and 100,000 Special Shares; the stake held by Finami S.r.l. (an Italian company controlled by the Liberali family) is around 53.9% of the share capital with voting rights, and G4 S.r.l. (an Italian company controlled by the Faggioli family) holds roughly 18.9% of the share capital with voting rights. The promoting companies of ISI and/or companies associated with them hold around 3.2% of the share capital with voting rights, the company holds treasury shares totalling around 0.2% of the share capital and the market holds 23.8% of the share capital with voting rights.

In the first half of 2015, intense activities were carried out to renegotiate the cost of debt with the objective of reducing the average cost significantly by taking out new loans and paying off others early.

In the last months of 2015, in line with the process of streamlining the Group's production and corporate structures, the procedure was launched for the merger by incorporation into LU-VE S.p.A. of Metalluve S.r.l., a company that manufactures and paints sheet metal parts to be used almost entirely by Group companies.
As the full share capital of Metalluve S.r.l. was already held by LU-VE, the simplified merger procedure was followed pursuant to art. 2505 of the Italian Civil Code: in particular, on 20 October 2015, the merger plan was approved by the management bodies of the two companies and on 30 November 2015 the merger resolutions were passed for both companies; the merger was completed in the initial months of 2016.

In the beginning of 2015, a non-controlling shareholder also acquired a 1.21% stake in LUVE France Sarl of Lyon for around €13,000. As a result, the Group's percentage of control rose to 73.15%.

SUBSIDIARIES AND ASSOCIATES

As at 31 December 2015, the Group comprises the following:

Industrial subsidiaries:

- **SEST S.p.A.** in Limana (BL), wholly-owned: European leader in the manufacture and marketing of heat exchangers for refrigerated counters and display cabinets and for other applications;

- **SEST-LUVE-POLSKA Sp.z.o.o.** in Gliwice (Poland), 95% stake held by SEST S.p.A.: manufactures and markets heat exchangers for refrigerated counters and display cabinets, primarily for the Eastern European and Scandinavian markets;

- **“OOO” SEST-LUVE** in Lipetsk (Russia), 95% stake held by SEST S.p.A.: manufactures and markets heat exchangers for refrigerated counters and display cabinets and for other applications for the market comprising Russia and neighbouring countries. In 2014, it also began to manufacture part of the range of air cooled equipment under the LUVE brand to be sold in the local market;

- **HEAT TRANSFER SYSTEMS (HTS) s.r.o.** in Novosedly (Czech Republic), 90% stake held: manufactures and markets heat exchangers for the air conditioning and refrigeration sectors and for special applications, as well as air cooled condensers under the LUVE brand;

- **TECNAIR LV S.p.A.** in Uboldo (VA), 79.9% stake held: manufactures close control air conditioners and air super-filtration equipment for applications in operating rooms, data centres and telephony;

- **METALLUVE S.r.l.** in Uboldo (VA), wholly-owned: manufactures painted and unpainted metal components for refrigeration equipment, air conditioning and, to a very limited extent, for other activities;

- **LU-VE HEAT EXCHANGERS (CHANGSHU) LTD** in Changshu (China), wholly-owned through LUVE Asia Pacific Ltd: manufactures and markets air cooled products for the refrigeration market in China and in bordering countries. In 2014, it began manufacturing heat exchangers for refrigerated counters and display cabinets;

- **LU-VE SWEDEN AB** in Asarum (Sweden), wholly-owned: manufactures and markets air cooled products (mainly large condensers and dry coolers using the AIA brand) in the Scandinavian markets.

- **THERMO GLASS DOOR S.p.A. (TGD)** in Travacò Siccomario (PV), 85% stake held by SEST S.p.A.: manufactures and markets glass doors and frames for refrigerated display cases.

Commercial subsidiaries:

*** LU-VE France s.a.r.l.** in Lyon (France), 73.15% stake held: carries out direct sales activities and provides commercial and technical support services to distributors of air cooled equipment, heat exchangers and close control air conditioners in the French and North African markets;

*** LU-VE Deutschland GmbH** in Stuttgart (Germany), wholly-owned: sells air cooled equipment directly or through distributors throughout the German market;

*** LU-VE Iberica s.l.** in Madrid (Spain), 85% stake held: sells air cooled equipment, heat exchangers and close control air conditioners directly or through distributors in the Iberian peninsula and the Central and South American markets;

*** LU-VE Pacific pty Ltd.** in Thomastown (Australia), 75.5% stake held: markets air cooled equipment in the Oceania market. It also markets some other complementary brands of companies that are not part of the Group;

*** LU-VE Asia Pacific Ltd.** in Hong Kong, wholly-owned: sells air cooled equipment and heat exchangers directly in the Far East markets (excluding China);

REFERENCE MARKETS

In terms of product type and family, the Lu-Ve Group's activities may be broken down into four main **product categories**:

(i) air cooled heat exchangers;
(ii) air cooled equipment;
(iii) close control air conditioners;
(iv) glass doors for refrigerated counters and display cabinets ("insulated glazing").

The Lu-Ve Group's four main **product** categories feature distinctive technical and manufacturing characteristics.

Heat Exchangers

"Finned" heat exchangers are fundamental components of refrigeration circuits and are constructed by mechanically coupling special tubes (usually in copper), which represent what is known as the primary exchange surface, with stamped "specialised fins" (usually in aluminium), which represent what is known as the secondary exchange surface.
In brief, the function performed by a heat exchanger entails subtracting or transferring heat from a certain environment and its functioning is based on the change of state of special cooling mixtures or gases which flow inside the tubes, combined with the passage of hot or cold air which passes through the fins.
In the majority of cases, heat exchangers represent a component of a complete unit or machine, designed and constructed by an OEM (in the case of the Lu-Ve Group, these are mainly manufacturers of refrigerated counters and cabinets, air conditioners, heat pumps, compressed air machines, special electrical cabinets, etc.).

Revenues from sales of heat exchangers represented:

- in 2015: around 55% of the Lu-Ve Group's total revenues;
- in 2014: around 57% of the Lu-Ve Group's total revenues.

Air Cooled Equipment

Air cooled equipment (unit coolers, condensers and dry coolers) are finished products consisting of heat exchangers of various styles and sizes (in the case of the Lu-Ve Group, up to over 12 metres long and 3 metres high), coupled with: *(i)* housings, appropriately designed and shaped to maximise the performance of the heat exchangers contained in them and to facilitate their transfer and installation on site; *(ii)* electrical or electronic fans, specifically designed and sized to optimise heat exchange, reduce electricity consumption and the level of noise generated; *(iii)* a range of other electric, electronic and mechanical accessories (designed, for example, to increase the output power in the event of extreme environmental conditions; to further reduce the level of noise pollution; to modulate both electricity consumption and silence depending on whether it is to be used during the day or night; or to enable several functioning parameters to be remotely managed according to the latest communication protocols).

The specific function performed by this equipment, given specific parameters and working conditions, is to guarantee the supply of a specific cooling power (measured mainly in kW), within specific constraints in terms of electrical energy absorbed and noise pollution generated.
Air cooled equipment may be installed, depending on the type, both inside refrigerated rooms, and outside refrigerated and/or air conditioned rooms (usually on roofs or in dedicated "technical" rooms).

Revenues from sales of air cooled equipment represented:

- in 2015: around 35% of the Lu-Ve Group's total revenues;
- in 2014: around 33% of the Lu-Ve Group's total revenues.

Close control air conditioners
Close control air conditioners are special air conditioners specifically designed for use within particularly delicate "technological" spaces such as data centres, operating theatres and clean rooms. The specific nature of these air conditioners is represented by the fact that they have to guarantee (in the case of data centres, 365 days a year, 24 hours a day) the strict control, with extremely limited tolerances, of temperature, humidity and air purity parameters, as well as remotely reporting, using the latest communication protocols, any irregularities, malfunctioning or alarms.
To this end, these special air conditioners have a "brain" represented by one or more electronic microprocessors, specifically developed and designed according to the type of installation.

Revenues from sales of close control air conditioners represented:

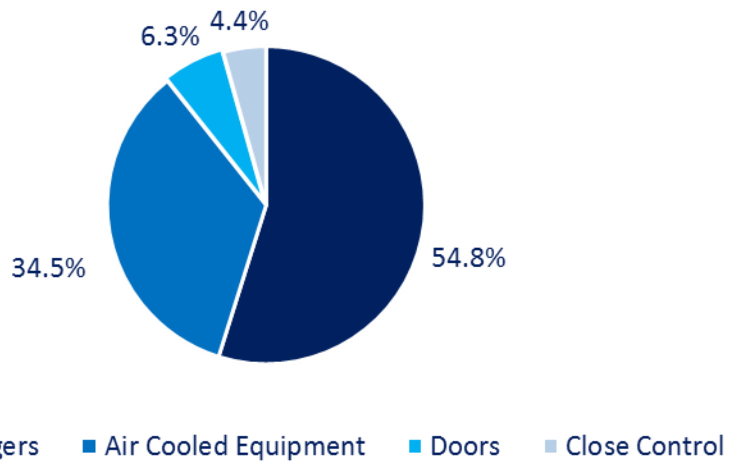
- in 2015: around 4% of the Lu-Ve Group's total revenues;
- in 2014: around 6% of the Lu-Ve Group's total revenues.

Glass doors for refrigerated counters and display cabinets "insulated glazing"
These glass doors for refrigerated counters are manufactured by coupling and isolating up to three different sheets of special glass, inside which a gas circulates.
The specific function of this type of door, installed on refrigerated cabinets and counters, at positive and negative temperatures, is to guarantee, even if subject to numerous or continuous cycles of opening and closing: *(i)* the maintenance of the temperature inside the refrigerated counters and cabinets (both at positive and negative temperatures), *(ii)* the perfect visibility of the goods displayed/contained in any condition (avoiding the door misting up also by means of applying special nanotechnological film), *(iii)* the illumination of the inside and *(iv)* in certain cases, also the illumination of advertising logos on the surface of the door in question.

Revenues from sales of glass doors represented:

- in 2015: around 6% of the Lu-Ve Group's total revenues;
- in 2014: around 5% of the Lu-Ve Group's total revenues.

The chart below shows the breakdown of turnover by product type in 2015:



The table below shows turnover trends by product type in the two years subject to comparison:

PRODUCTS	**€ /000 2015**	**%**	**€ /000 2014**	**%**	**Delta %**
Heat exchangers	114,685	54.8%	120,417	56.8%	-4.7%
Air Cooled Equipment	72,049	34.5%	69,212	32.6%	+4.1%
Doors	13,244	6.3%	10,794	5.1%	+22.7%
Close Control	9,122	4.4%	11,650	5.5%	-21.7%
TOTAL	**209,100**	**100.0%**	**212,073**	**100.0%**	**-1.4%**

In terms of product application, the Lu-Ve Group's operations relate primarily to two different **market segments**.
(i) the refrigeration sector, which includes activities relating to the supply chain for food products (the "**Refrigeration Sector**");
(ii) the air conditioning sector, which regards the treatment of the air in public and "technological" spaces (the "**Air Conditioning Sector**").
Furthermore, the Lu-Ve Group's products are also addressed to the special applications sector and to the "power gen" and industrial applications sector, although their revenues are significantly lower than those of the Refrigeration Sector and the Air Conditioning Sector.

The Refrigeration Sector
The Refrigeration Sector is addressed to applications relating to the entire supply chain involving the preservation, processing, transformation and storage of food products (such as fruit, vegetables, meat and fish) at controlled temperature, from the time they are harvested/bred/produced, to when they become available to the general public at large scale retail stores and local food stores.

Revenues from sales in the Refrigeration Sector represented:

- in 2015: around 70% of the Lu-Ve Group's total revenues;
- in 2014: around 67% of the Lu-Ve Group's total revenues.

The Air Conditioning Sector

The Air Conditioning Sector includes the manufacture of products and components for air treatment in public and "technological" spaces, in order to guarantee control of temperature, humidity and air purity.

Revenues from sales in the Air Conditioning Sector represented:

- in 2015: around 18% of the Lu-Ve Group's total revenues;
- in 2014: around 18% of the Lu-Ve Group's total revenues.

The Heat exchangers for special applications sector

The special applications market is highly diversified and envisages numerous different and extremely specialised applications.
The Lu-Ve Group mainly operates in the area of heat exchangers addressed to the market of manufacturers of compressed air machines for industrial applications, of heat exchangers for electric cabinets for large industrial and telecommunications plants.

Revenues from sales made by the Lu-Ve Group in this sector represented:

- in 2015: around 10% of the Lu-Ve Group's total revenues;
- in 2014: around 10% of the Lu-Ve Group's total revenues.

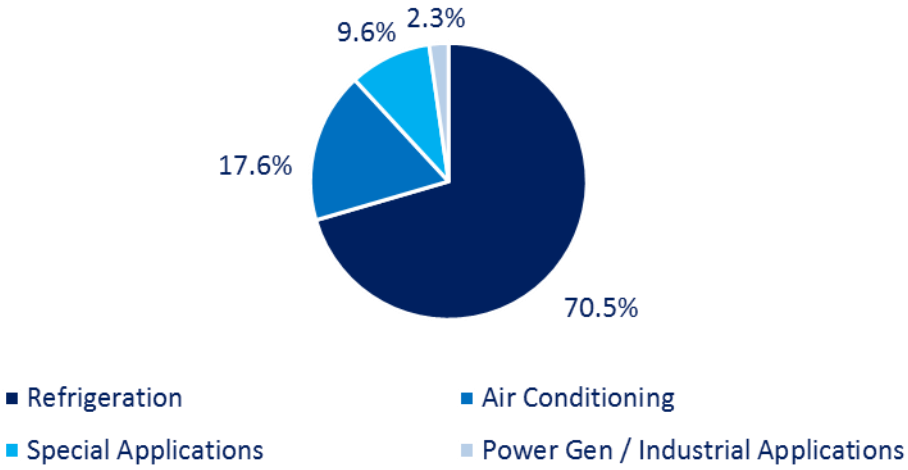
The "power gen" sector

The Group started operating in the "power gen" sector, regarding the manufacture of units for energy production, only in recent years, and this market represents a sector with important future growth prospects that is still being developed. The products meant for this specific application for motor cooling in the production of electrical energy are special large, high power radiators.
". In 2015, following the collapse in oil prices and the resulting slowdown in investments in this segment, turnover volumes declined significantly.

Revenues from sales made by the Lu-Ve Group in this sector represented:

- in 2015: around 2% of the Lu-Ve Group's total revenues;
- in 2014: around 5% of the Lu-Ve Group's total revenues.

The chart shows the breakdown of turnover by segment in 2015:

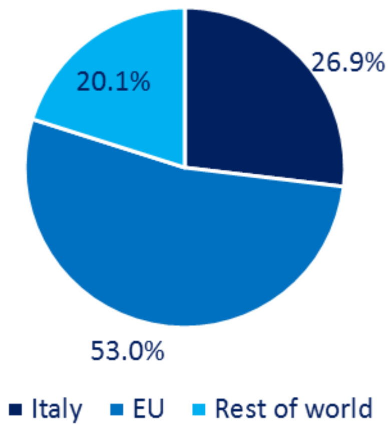


The table below shows turnover trends by application type in the two years subject to comparison:

APPLICATIONS	€ /000 2015	%	€ /000 2014	%	Delta %
Refrigeration	147,351	70.5%	141,930	66.9%	+3.8%
Air Conditioning	36,905	17.6%	38,164	18.0%	-3.3%
Special Applications	20,115	9.6%	21,787	10.3%	-7.7%
Power Gen / Industrial Applications	4,729	2.3%	10,192	4.8%	-53.6%
TOTAL	**209,100**	**100.0%**	**212,073**	**100.0%**	**-1.4%**

The sales of the Lu-Ve Group are primarily abroad, to over 100 countries, where in 2015 it obtained nearly three-quarters of its turnover: in particular, its main export markets were Germany (where in 2015, the Group recorded more than 10% of its turnover), Russia, the Czech Republic, France and Sweden.

The chart below shows the geographical breakdown of turnover in 2015:



The Lu-Ve Group's turnover does not depend to a significant extent on individual commercial or industrial contracts. As at 31 December 2015, sales to the top 10 customers of the Lu-Ve Group together represented a percentage of less than 35% of the total. The turnover generated by the main customer, an international group with 14 different companies, represented around 8.6% of the Group's total turnover.

ECONOMIC AND FINANCIAL DATA

The 2015 financial statements were drafted for the first time in accordance with IAS/IFRS and, for comparability, the data from the 2014 financial statements were adjusted accordingly.

The reclassified income statement and balance sheet expressed in thousands of Euro are provided below:

Reclassified Consolidated Income Statement *(in thousands of Euro)*	31/12/2015	% Revenues	31/12/2014	% Revenues	% Change 2015 compared to 2014
Revenues and operating income	**212,264**	**100.0%**	**215,488**	**100.0%**	**-1.5%**
Purchases of materials	(108,300)	51.0%	(111,956)	52.0%	
Change in inventories	3,060	-1.4%	3,431	-1.6%	
Services	(33,358)	15.7%	(30,207)	14.0%	
Personnel costs	(46,335)	21.8%	(43,628)	20.2%	
Other operating costs	(1,111)	0.5%	(1,709)	0.8%	
Total operating costs	**(186,044)**	**87.6%**	**(184,069)**	**85.4%**	**1.1%**
EBITDA	**26,220**	**12.4%**	**31,419**	**14.6%**	**-16.5%**
Change in fair value of derivatives	(201)	0.1%	924	-0.4%	
Depreciation and amortisation	(12,340)	5.8%	(11,789)	5.5%	
Gains/losses on non-current assets	241	-0.1%	236	-0.1%	
EBIT	**13,920**	**6.6%**	**20,790**	**9.6%**	**-33.0%**
Net financial income and expense	(3,381)	1.6%	(5,709)	2.6%	
EBT	**10,539**	**5.0%**	**15,081**	**7.0%**	**-30.1%**
Income taxes for the year	(942)	0.4%	(4,189)	1.9%	
Net profit (loss) for the year	**9,597**	**4.5%**	**10,892**	**5.1%**	**-11.9%**
Profit attributable to non-controlling interests	498		778		
Profit attributable to the group	**9,099**	**4.3%**	**10,114**	**4.7%**	**-10.0%**

In 2015, "Revenues and operating income" decreased by around 1.5% due to the reasons already noted in the previous sections of this Directors' Report. This decrease would have been only about 0.4% at constant exchange rates.

Total operating costs rose from around €184.1 million (85.4% as a percentage of revenues) to roughly €186.0 million (87.6% as a percentage of revenues). The total increase of around 1.1% was substantially caused by the following factors:

- an attentive policy for purchasing and using raw materials which, combined with the reduction over the course of 2015 in the prices of the main raw materials used by the Group (mainly copper), enabled the percentage represented by the cost of purchasing materials on revenues to be reduced by one percentage point (down from 52.0% in 2014 to 51.0% in 2015).

- an increase in costs for services of around €3.2 million, also caused by extraordinary costs of roughly €0.9 million linked to the listing, the temporary outsourcing of certain production processes by companies that launched the SAP system in 2015 (roughly €0.7 million) and costs relating to the transfer of some production plants totalling around €0.4 million.

- an increase in personnel costs by around €2.7 million, consisting of around €0.9 million from restructuring plans (terminated in the course of the year), roughly €1.2 million from department reinforcement initiatives (mainly sales, logistics/production and research and development) to support planned growth and around €0.6 million from normal salary trends.

"EBITDA" amounted to roughly €26.2 million (12.4% of revenues) as at 31 December 2015, compared to €31.4 million (14.6% of revenues) in 2014. At constant exchange rates, the EBITDA of 2015 would have been approximately €27.1 million. This reduction (-€4.3 million at constant exchange rates) was due to the listing costs mentioned above (around €0.9 million), restructuring plans (around €0.9 million), the launch of SAP at the two above-mentioned subsidiaries (around €0.7 million) and the costs of transferring several plants (roughly €0.4 million). EBITDA was also impacted by investments in human resources to strengthen the sales structure (which had an effect of around €0.7 million) as well as the logistics/production and R&D structures (which had an effect of around €0.5 million). A last slightly negative effect (-€0.2 million) came from margins on sales.

Depreciation and amortisation rose slightly (€0.5 million) due to capex programme acceleration.

"EBIT" amounted to around €13.9 million (6.6% of revenues) compared to roughly €20.8 million (9.6% of revenues) in the year ending on 31 December 2014. The negative difference was amplified by the impact of the change in the fair value of derivative financial instruments, which had a negative effect of around €1.1 million in 2015.

The balance of financial income and expense for the year ending 31 December 2015 was around -€3.4 million, compared to roughly -€5.7 million for the year ending 31 December 2014. In 2014, this item was highly penalised by unrealised losses on exchange rates recorded by the Russian subsidiary (corresponding to around €3.5 million) resulting from the significant and rapid devaluation of the Rouble against the Euro suffered in the latter part of the year. Financial expense includes the negative spread equal to around €0.5 million between the fair value of ISI and its shareholders' equity at the merger date, by virtue of the recognition of the merger in accordance with IFRS. Financial expense itself, normalised by this entry, was down compared to 2014 by around €0.7 million, primarily thanks to the renegotiation of the economic conditions on loans in the first half of 2015.
The "EBT" in the year ending on 31 December 2015 was approximately €10.5 million (5.0% of revenues) against a value of around €15.1 million as at 31 December 2014 (7.0% of revenues).

Thanks to the lower taxable amount and the recalculation of deferred taxes due to anticipated new rates, the impact of taxes fell from around €4.2 million in 2014 to roughly €0.9 million in 2015.

The “Net profit for the year” as at 31 December 2015 was roughly €9.6 million (4.5% of revenues) compared to approximately €10.9 million (5.1% of revenues) as at 31 December 2014.

Reclassified Consolidated Balance Sheet ***(in thousands of Euro)***	**31/12/2015**	**% of net invested capital**	**31/12/2014**	**% of net invested capital**	**% Change 2015 compared to 2014**
Net intangible assets	39,123		39,631		
Net property, plant and equipment	89,131		87,577		
Deferred tax assets	2,379		3,581		
Financial assets	921		860		
Non-current assets (A)	**131,554**	**108.2%**	**131,649**	**111.3%**	**(95)**
Inventories	24,625		21,693		2,932
Trade receivables	33,761		37,988		(4,227)
Other receivables and current assets	6,145		5,146		999
Current assets (B)	**64,531**		**64,827**		**(296)**
Trade payables	47,072		44,908		2,164
Other payables and current liabilities	13,065		13,688		(623)
Current liabilities (C)	**60,137**		**58,596**		**1,541**
Net working capital (D=B-C)	**4,394**	**3.6%**	**6,231**	**5.3%**	**(1,837)**
Provisions for employee benefits	3,305		3,639		(334)
Deferred tax liabilities	8,866		12,890		(4,024)
Provisions for risks and charges	2,177		3,108		(931)
Medium/long-term liabilities (E)	**14,348**	**11.8%**	**19,637**	**16.6%**	**(5,289)**
Net Invested Capital (A+D-E)	**121,600**	**100.0%**	**118,243**	**100.0%**	**3,357**
Shareholders’ equity attributable to the group	122,355		65,623		56,732
Non-controlling interests	3,443		3,233		210
Total Consolidated Shareholders’ Equity	**125,798**	**103.5%**	**68,856**	**58.2%**	**56,942**
Medium-Term Net Financial Position	93,817		56,495		37,322
Short-Term Net Financial Position	(98,015)		(7,108)		(90,907)
Total Net Financial Position	**(4,198)**	**-3.5%**	**49,387**	**41.8%**	**(53,585)**
Own funds and net financial debt	**121,600**	**100.0%**	**118,243**	**100.0%**	**3,357**

In terms of the balance sheet, the Lu-Ve Group's consolidated financial statements as at 31 December 2015 reveal substantial stability in non-current assets. Investments in non-current assets for the year amounted to around €13 million.

The Group's working capital (given by the sum of inventories and trade receivables net of trade payables), thanks to the careful management of the different items it is comprised of, recorded a significant decrease from €14.7 to €11.3 million, representing 5.3% of revenues (6.9% as at 31 December 2014).

Consolidated shareholders' equity amounted to roughly €125.8 million compared to around €68.9 million as at 31 December 2014. The increase (of around €57 million) was mainly due to the share capital increase noted above (around €51.6 million) and the profit for the year (around €9.6 million), adjusted by the payment of dividends of €3 million.

The net financial position was positive by around €4.2 million (negative by roughly €49.4 million as at 31 December 2014), an improvement of around €53.6 million. The improvement was primarily caused by the business combination with ISI. The cash flow from operations adjusted by extraordinary items totalled roughly €13 million. Debt is nearly all medium-term, and liquidity as at 31 December 2015 totalled roughly €120 million.

ECONOMIC AND FINANCIAL DATA OF THE SEPARATE FINANCIAL STATEMENTS OF THE PARENT COMPANY LU-VE SPA

The Parent Company also prepared its 2015 financial statements for the first time in accordance with IAS/IFRS and, for comparability, the data from the 2014 financial statements were adjusted accordingly.
The reclassified income statement and balance sheet expressed in thousands of Euro are provided below:

LU-VE Spa Reclassified Income Statement ***(in thousands of Euro)***	**31/12/2015**	**% Revenues**	**31/12/2014**	**% Revenues**	**% Change 2015 compared to 2014**
Revenues and operating income	**67,648**	**100.0%**	**66,060**	**100.0%**	**2.4%**
Purchases of materials	(32,685)	48.3%	(31,890)	48.3%	
Change in inventories	347	-0.5%	1,013	-1.5%	
Services	(14,166)	20.9%	(13,194)	20.0%	
Personnel costs	(13,554)	20.0%	(12,961)	19.6%	
Other operating costs	(529)	0.8%	(747)	1.1%	
Total operating costs	**(60,587)**	**89.6%**	**(57,779)**	**87.5%**	**4.9%**
EBITDA	**7,061**	**10.4%**	**8,281**	**12.5%**	**-14.7%**
Change in fair value of derivatives	(40)	0.1%	980	-1.5%	
Depreciation and amortisation	(5,201)	7.7%	(4,886)	7.4%	
Gains/losses on non-current assets	176	-0.3%	0	0.0%	
EBIT	**1,996**	**3.0%**	**4,375**	**6.6%**	**-54.4%**
Net financial income and expense	1,957	-2.9%	2,107	-3.2%	
EBT	**3,953**	**5.8%**	**6,482**	**9.8%**	**-39.0%**
Income taxes for the year	980	-1.4%	(1,452)	2.2%	
Net profit (loss) for the year	**4,933**	**7.3%**	**5,030**	**7.6%**	**-1.9%**

"Revenues and operating income" rose by around 2.4% in 2015, primarily in the last part of the year.

Total operating costs rose from around €57.8 million (87.5% as a percentage of revenues) to roughly €60.6 million (89.6% as a percentage of revenues). There was an overall rise of roughly 4.9% (€2.8 million) due to the increase in the consumption of materials (total impact of €1.5 million, of which half linked to the increase in volumes and half to the change in the sales mix), non-recurring costs linked to the listing (about €0.9 million, included in costs for services), costs linked to restructuring plans (included in personnel costs) of around €0.4 million and costs for the expansion in the sales and logistics/production department of around €0.3 million, while savings were achieved in other operating costs (€0.3 million).

"EBITDA" amounted to roughly €7.1 million (10.4% of revenues) as at 31 December 2015, compared to €8.3 million (12.5% of revenues) in 2014. This reduction (-€1.2 million) was due to the listing costs mentioned above (around €0.9 million), restructuring plans (around €0.4 million) and the reinforcement of the sales and logistics/production departments (roughly €0.3 million). A last slightly positive effect (+€0.4 million) came from margins on sales.

Depreciation and amortisation rose slightly (€0.3 million) due to capex programme acceleration.

"EBIT" amounted to around €2.0 million (3.0% of revenues) compared to roughly €4.4 million (6.6% of revenues) in the year ending on 31 December 2014. The negative difference was amplified by the impact of the change in the fair value of derivative financial instruments, which had a negative effect of around €1.0 million in 2015.

The balance of financial income and expense for the year ending 31 December 2015 was around €2.0 million, compared to roughly €2.1 million for the year ending 31 December 2014.

The "EBT" in the year ending on 31 December 2015 was equal to approximately €4.0 million (5.8% of revenues) against a value of around €6.5 million as at 31 December 2014 (9.8% of revenues).

Thanks to the lower taxable amount and the recalculation of deferred taxes due to anticipated new rates, the impact of taxes became positive at roughly €1.0 million in 2015 (from around -€1.5 million in 2014).

The "Net profit for the year" as at 31 December 2015 was roughly €4.9 million (7.3% of revenues) compared to approximately €5.0 million (7.6% of revenues) as at 31 December 2014.

LU-VE Spa Balance sheet ***(in thousands of Euro)***	**31/12/2015**	**% of net invested capital**	**31/12/2014**	**% of net invested capital**	**% Change 2015 compared to 2014**
Net intangible assets	22,023		22,549		
Net property, plant and equipment	39,430		39,331		
Deferred tax assets	657		1,263		
Equity investments	55,188		55,175		
Financial assets	655		648		
Non-current assets (A)	**117,953**	**100.5%**	**118,966**	**108.4%**	**(1,013)**
Inventories	5,792		5,445		347
Trade receivables	27,368		23,125		4,243
Other receivables and current assets	3,539		2,083		1,456
Current assets (B)	**36,699**		**30,653**		**6,046**
Trade payables	22,774		20,419		2,355
Other payables and current liabilities	4,208		5,902		(1,694)
Current liabilities (C)	**26,982**		**26,321**		**661**
Net working capital (D=B-C)	**9,717**	**8.3%**	**4,332**	**3.9%**	**5,385**
Provisions for employee benefits	980		1,098		(118)
Deferred tax liabilities	8,325		11,434		(3,109)
Provisions for risks and charges	967		1,015		(48)
Medium/long-term liabilities (E)	**10,272**	**8.7%**	**13,547**	**12.3%**	**(3,275)**
Net Invested Capital (A+D-E)	**117,398**	**100.0%**	**109,751**	**100.0%**	**7,647**
Share capital	62,496		10,946		51,550
Reserves and retained earnings (losses)	42,507		40,794		1,713
Profit (loss) for the year	4,933		5,030		
Total shareholders' equity	**109,936**	**93.6%**	**56,770**	**51.7%**	**53,166**
Medium-Term Net Financial Position	64,224		28,245		35,979
Short-Term Net Financial Position	(56,762)		24,736		(81,498)
Total Net Financial Position	**7,462**	**6.4%**	**52,981**	**48.3%**	**(45,519)**
Own funds and net financial debt	**117,398**	**100.0%**	**109,751**	**100.0%**	**7,647**

In terms of the balance sheet, LU-VE Spa's separate financial statements as at 31 December 2015 reveal substantial stability in non-current assets. Investments in non-current assets for the year amounted to around €5 million.

Shareholders' equity amounted to roughly €109.9 million compared to around €56.8 million as at 31 December 2014. The increase (of around €53 million) was mainly due to the share capital increase noted above (around €51.0 million) and the profit for the year (around €5.0 million), adjusted by the payment of dividends of €3 million.

The net financial position was negative by around €7.5 million (negative by roughly €52.9 million as at 31 December 2014), an improvement of around €45.6 million, almost exclusively due to the business combination with ISI. Debt is nearly all medium-term, and liquidity as at 31 December 2015 totalled roughly €108 million.

Industrial companies

Revenues from sales of SEST S.p.A. totalled €25.3 million, down by roughly 15%. Net profit, with around €3.3 million coming from dividends of the Polish subsidiary, came to €3.0 million (-8% compared to 2014) after depreciation and amortisation of €1.1 million and taxes of €60 thousand.

Sest Luve Polska S.p.zoo reached turnover of €37.3 million, a decrease of around 1% compared to last year. Net profit came to €8.6 million (€9.9 million in 2014) after depreciation and amortisation of €1.3 million and taxes of €1.1 million.

OOO-Sest-LUVE recorded turnover of €12.6 million (€13.2 million in 2014).
Net profit came to roughly €1.5 million (around -€1 million in 2014) after depreciation and amortisation of €0.7 million.

HTS S.r.o. reached turnover of €32.9 million, a decline of around 1%.
Net profit came to €1 million (€2.3 million in 2014) after depreciation and amortisation of €1.5 million and taxes of €0.3 million.

LUVE Sweden AB recorded turnover of €8.6 million (€7.3 million in 2014), with a net loss of €0.2 million (-€1.5 million in 2014) after depreciation and amortisation of €0.2 million.

LUVE Heat Exchangers (Changshu) Limited recorded turnover of €4.1 million (€3.9 million in 2014), with a net loss of €0.5 million (profit of €37 thousand in 2014) after depreciation and amortisation of €300 thousand.

TECNAIR LV S.p.A. recorded turnover of €10.2 million (a decrease of roughly 17% compared to 2014), with a net loss of €10 thousand (profit of €0.6 million in 2014) after depreciation and amortisation of €66 thousand.

TGD S.p.A. achieved turnover of roughly €13.2 million (up by around 22% compared to 2014) and a net loss of around €0.8 million after depreciation and amortisation and lease instalments of €0.7 million and positive taxes of approximately €200 thousand. The net loss for 2015 fully absorbed existing reserves, entailed the loss of the entire share capital and resulted in a negative shareholders' equity of around €0.2 million. As the legal requirements were met, the company's shareholders' meeting was called for 18 April 2016 to decide on the coverage of losses and the company's subsequent recapitalisation. All shareholders contacted informally declared their commitment to making the prorated payments required to cover the losses and recapitalise the company, which will amount to €150,000. The payment due from the Group (which controls 85% of the Company) will total roughly €318,000 thousand.

METALLUVE S.r.l. recorded turnover of €4.7 million (€4.4 million in 2014), essentially reaching the break-even point after depreciation and amortisation and taxes of €0.2 million.

Sales Companies

The situation of each company is summarised below:
LU-VE FRANCE recorded turnover of €5 million (-17% compared to 2014), with a net profit of €20 thousand after depreciation and amortisation and taxes of €90 thousand.

LU-VE Deutschland Gmbh recorded turnover of €1.9 million (-37% compared to 2014), with a net loss of €450 thousand after depreciation and amortisation and taxes of roughly €20 thousand.

LU-VE Iberica SL recorded turnover of €7.7 million (+40% compared to 2014), with a net profit of roughly €240 thousand after depreciation and amortisation and taxes of around €170 thousand.

LU-VE Pacific Pty Ltd recorded turnover of €3.3 million (+60% compared to 2014), with a net loss of approximately €140 thousand.

LU-VE Asia Pacific Limited recorded turnover of €2 million (+42% compared to 2014), with a net profit of €0.2 million.

LU-VE India Corporation Private Limited of New Delhi (wholly owned), as in 2014, is not yet operating.

INVESTMENTS

The investments of the Group amounted to around €14.1 million (around €15.2 million in 2014), of which around €2.7 million in intangible assets.

The investments by company are summarised below:

In thousands of Euro	**INVESTMENTS**								
Category	**LUVE**	**SEST**	**SEST LUVE POLSKA**	**"OOO" SEST LUVE**	**HTS**	**LUVE CHANGSHU**	**TGD**	**OTHER**	**Total**
Land and buildings	60	187	898	40	773	-	8	-	1,966
Plant and equipment	2,021	505	1,441	426	1,351	161	77	14	5,966
Other	2,528	453	193	-	342	73	496	664	4,749
Work in progress	429	215	175	-	324	165	-	63	1,371
TOTAL	**5,038**	**1,360**	**2,707**	**466**	**2,790**	**399**	**581**	**741**	**14,082**

As already noted, in 2015, the technological capex programme continued in Italy and abroad for the expansion and streamlining of certain production sites and for the strengthening of installed production capacity. These investments were in part meant for new application segments and in part linked to technological evolutions under way due to the introduction of new regulations regarding refrigerant fluids with a low environmental impact.
During the year, the main investments regarded the purchase of latest-generation machinery for the processing of sheet metal, for the processing of collectors, for the welding and the moulding and assembly of heat exchangers, a real estate expansion in Poland (which will benefit from important local tax benefits) and the purchase in the Czech Republic of real estate to be used for business purposes and certain bordering lands for a total of around 3,600 covered square metres and around 7,000 square metres of buildable area.
The item Other also includes the costs incurred for new product development projects (around €1.9 million), which will be commented on in detail in the last part of this Directors' Report.

PERSONNEL

Activities aimed at progressively increasing the professional skills of personnel at all levels continued during the year with the hiring of trained personnel with new specific skills who can be rapidly and profitably placed within the various Companies. In the course of 2015, several people were hired to strengthen the sales department, the logistics/production department and the research and development department in support of planned growth.
As at 31 December 2015, the number of Group employees came to 1,661 (including 1,169 blue-collar, 467 white-collar and middle managers, 25 executives), against 1,528 as at 31 December 2014.

OCCUPATIONAL HEALTH AND SAFETY

In 2015, accident frequency and severity indexes continued to be monitored. Once again excellent results were achieved thanks to careful training, supervision and awareness-raising activities which made it possible to considerably increase the attention paid to this fundamental aspect of the working life of all employees.
In order to further improve, we are moving forward with the updating of existing procedures and the re-writing of all instructions for machines to further boost the safety level of internal and external workers.
Proactive and constructive collaboration with all parties involved continued, by means of periodic meetings and analyses of the reports received.

MAIN RISKS AND UNCERTAINTIES

The main risk factors to which the Group is exposed, described below with an indication of the management strategies and policies applied, are classified in the following categories:

- Risks related to the external context;
- Strategic and operational risks;
- Financial risks;
- Legal and compliance risks.

RISKS RELATED TO THE EXTERNAL CONTEXT

RISKS RELATED TO GENERAL ECONOMIC CONDITIONS

The income statement results and the equity and financial position of the Group are influenced by various factors which reflect macroeconomic trends, including consumption trends, the cost of raw materials, interest rate trends and those of the currency markets. In 2015, there was a weak recovery of economic activity at global level, above all in Europe, although in the second half of the year the crisis in emerging countries reduced global growth as well as forecasts for 2016. Despite the efforts made by the Central Banks with the most accommodating monetary policy ever seen, underlying structural problems plague the advanced economies and, in particular, delay prospects of a rapid recovery of the labour market, as shown by the results of the latest economic surveys. The estimates of the OECD and of the European Central Bank for 2016 indicate an even weaker recovery throughout the Eurozone and above all for the Italian economy, which in 2015 weakly came out of three years of recession.

In particular, the campaign for the new President of the United States, the British referendum for the exit from the European Union, the difficult governability of countries such as Portugal and Spain, the Greek situation and international tensions in the Middle East set the scene for a situation of great uncertainty, with currently unforeseeable outcomes. On the other hand, the financial markets were highly volatile in this initial glimpse into the new year, with a reduction in stock values, which is more accentuated for the entire financial segment and for commodity stocks. The new European banking regulation is also quite far from providing newfound stabilisation for this sector.

As part of its activities, the Group carefully monitors the international situation described above as much as possible, to be ready to adjust its sales and product development strategies as a result, while seeking to maintain the highest possible level of flexibility and confirming outlooks for growth.

RISKS RELATED TO EXPANSION AND PRESENCE IN EMERGING MARKETS

The Group operates on a global level, with a strong presence in a range of geographical markets. On one hand, it has a strong bent towards exports, as its turnover is generated primarily outside the Italian market. In the years ending 31 December 2015 and 2014, revenues from sales made abroad represented over three-quarters of revenues from total sales.

On the other hand, the Group is present abroad not only through its commercial branches, but also with industrial companies and production facilities located in different geographical areas (Poland, Russia, China, Sweden and the Czech Republic).

This geographical diversity provides the group with the benefit of diversification, but also exposes it to the typical risks of international operations, in production as well as distribution.

In addition, the Group also conducts its business in countries with economic and political systems characterised by different factors of potential instability, including: *(i)* the political and economic instability of the systems themselves; *(ii)* boycotts and embargoes which could be imposed by the international community, as is taking place currently for the Russian market; *(iii)* unfavourable changes in governmental policies, in particular with respect to foreign investments; *(iv)* significant fluctuations in interest and exchange rates, such as for the markets that rely heavily on raw materials; *(v)* the risk of expropriation or repossession of assets owned by the Group; *(vi)* bureaucratic requirements that are difficult to meet; *(vii)* the impossibility of protecting certain legal and contractual rights in certain jurisdictions; *(viii)* the imposition of taxes, duties or other unforeseen payments; and *(ix)* currency controls which could limit the remittance of funds or currency conversion.

In addition, operations in emerging markets could be influenced by the typical difficulties of the economies of developing countries such as, for example, transport difficulties, lack of infrastructure or greater difficulties in finding a qualified workforce.

In addition, the primary or secondary regulations of emerging countries or their interpretation could be subject to expected or unforeseeable changes, or there could be a limited number of precedents linked to the interpretation, implementation and application of those regulations.
To mitigate its exposure to these uncertainties, the Group carefully assesses all opportunities for growth in these countries, including by creating the appropriate alliances.

In particular, the Group operates in Russia through a subsidiary company, OOO Sest LuVe, which has a production facility in Lipetsk. Current relations between western countries and the Russian Federation, also due to the crisis in the Ukraine, have been characterised by a high level of instability. Once again in 2015, all of this had a significant impact on currencies, with the Rouble again depreciating with respect to the Euro. Instead, it is not possible to predict risks such as expropriation or repossession of land and/or plants and/or equity investments or, more generally, unfavourable measures regarding foreign investment, a block of customs procedures and/or the prohibition to export capital and/or dividends.

RISKS RELATED TO COMPETITIVE PRESSURES

The market segments in which the Group operates are characterised by a high level of competition in terms of product quality, innovation, economic conditions, energy efficiency and service reliability and safety. The Group competes with other industrial groups of international significance.
In addition to continuous monitoring of the market, the Group manages risk by pursuing a policy of progressive diversification and enrichment of its product portfolio and continuous product range development.

STRATEGIC AND OPERATIONAL RISKS

RISKS RELATED TO INVESTMENTS IN RESEARCH AND DEVELOPMENT

The Group’s competitive positioning depends on the continuous development of its product portfolio through research and development activities.
Considering the complexity and duration of these initiatives, it is not possible to rule out that investments in research and development may not generate the expected results with the expected timing. To mitigate exposure to these risks, the Group constantly monitors the interim results generated in the various phases of the research and development process in order to select and move forward with exclusively the most reliable initiatives, or those with the highest probability of success and economic/financial returns.

PRODUCTION PROCESS RISKS

The Group operates with a production process associated with fixed costs connected with the operations of its facilities, and therefore it is exposed to the risk resulting from the interruption of production activities in one or more of its plants due, by way of example, to breakdowns of machinery, the revocation or contestation of permits or licenses by the competent public authorities, strikes or

lack of a workforce, natural disasters and significant interruptions in the supply of raw materials or energy. More specifically, an interruption in production activities: *(i)* would entail a partial lack of absorption of fixed production costs and *(ii)* could render the Group temporarily unable to promptly meet the demands of its customers.
To mitigate the effects caused by lasting interruptions in the production process, the Group works exclusively with reliable suppliers qualified pursuant to the applicable technical standards, and it constantly monitors raw material availability in order to promptly identify any stockout situations and take the required actions to guarantee the necessary production autonomy.
To face losses arising from potential interruptions or damages in the production cycle, the Group has taken out adequate “loss of profit” insurance policies.
Production activities are subject to compliance with environmental protection, health and safety regulations. To guarantee the proper application of these standards, the Group has created departments with specific verification and continuous monitoring duties.

RISKS RELATED TO TRENDS IN RAW MATERIAL PRICES, POSSIBLE PROCUREMENT DIFFICULTIES AND RELATIONS WITH SUPPLIERS

The production costs of the Group are influenced by trends in the prices of the main raw materials, such as copper, aluminium and steel. The Group is also exposed to a potential risk linked to difficulties in the procurement of “EC” technology electronic motors due to the fact that global supply is concentrated in the hands of two manufacturers, which may not be able to continue to guarantee a supply of these components that meets market demand.
The majority of raw materials are purchased in the European Union; risks are related to fluctuations in the prices of these materials on the reference markets (on which they are quoted in USD) and to changes in the policies of mining and/or transformation companies.
The Group manages these risks by means of *(a)* a permanent assessment model of the reliability of each recurrent supplier in terms of both quality and price of the products manufactured; *(b)* an assessment of the risk of fluctuation of the USD currency with respect to the Euro; *(c)* checks on the economic assessment of suppliers and, consequently, on the respective award to each of adequate production volumes; *(d)* assessment of the services provided by suppliers in terms of their performance in logistics terms and punctuality of respective deliveries and the resulting decisions taken on a case by case basis.
Furthermore, as regards the major raw material purchased - copper - the Group has long-standing relations the same suppliers, selected on the basis of the quality/price ratio, the service level provided and trust; to date, this has guaranteed the expected production results.
Nevertheless, we cannot rule out that the non-fulfilment of contractual obligations by one or more supplier which supplies Group companies could have a negative impact on operations and on the profit and loss, equity and financial situation of the Group.

Said non-fulfilments could be the result, amongst other things, of *(a)* problems regarding the production capacity of individual suppliers which could hinder or delay the delivery of the goods ordered; *(b)* operational and/or industrial decisions made by individual suppliers which entail an interruption of the mining, production or processing of the raw materials and the consequential greater difficulty in immediately finding said raw materials in the reference market; or *(c)* significant delays in the transport and delivery of these raw materials to Group companies.
The fluctuation in the price of the above-mentioned materials could be significant, depending on a number of factors, including the economic cycle of the reference markets, supply conditions and other factors that are out of the control of the Group and are difficult to predict. Even though trends in the price of raw materials are constantly monitored to be able to take the necessary action to keep the Group competitive, we cannot rule out that any significant fluctuations in the purchase price of the

above-mentioned materials could have a negative impact on the profit and loss, equity and/or financial situation of the Group. Until now, the company has always been able to activate a corresponding change in product sale prices.
The Group has several financial contracts in place to hedge the risk of fluctuations in the price of raw materials.
To mitigate the effects caused by lasting interruptions in the production process, the Group works exclusively with reliable suppliers qualified pursuant to the applicable technical standards, and it constantly monitors raw material availability in order to promptly identify any stockout situations and take the required actions to guarantee the necessary production autonomy.

RISKS RELATED TO THE CONCENTRATION OF SALES

Although there is no Group customer which alone represents more than 9% of consolidated turnover, the sector of static heat exchangers (in which the Group is the main supplier of all of the most important European manufacturers of refrigerated counters) and of glass doors for refrigerated counters is characterised by a high concentration of sales, as the total market share held by the three most important European manufacturers comes to around 70%, according to the Group's estimates.

As a result, if a contract with one of the Group's customers in the above-mentioned sector is cancelled, the Group companies that operate in that sector would have difficulty recovering the lost turnover with other customers and may suffer a negative impact in terms of their business outlooks, as well as the income statement results and/or the equity and/or financial situation.

RISKS RELATED TO THE CAPACITY TO CONTINUE TO ACHIEVE PRODUCT INNOVATIONS

The Group's ability to generate value also depends on the capacity of its companies to propose innovative products in terms of technology and in line with market trends. From this perspective, the Group has demonstrated in the past that it is the reference operator in terms of technological innovation, also thanks to its policy of promoting resources dedicated to product development, which it intends to keep in place in the future by continuing to rely on well-established partnerships with prestigious universities in Italy and abroad.
Moreover, if the Group is unable to develop and continue to offer innovative products that are competitive with those of its main competitors in terms, inter alia, of price, quality or function, or if there are delays in the introduction into the market of strategic business models, the Group's market shares could decline, with a negative impact on its business outlooks, as well as its income statement results and/or its equity and financial situation.

FINANCIAL RISKS

This section of the Directors' Report was prepared with reference to the main risks and uncertainties as well as in light of what is set forth in art. 2428, paragraph 2, number 6-bis of the Italian Civil Code, which requires an illustration of the objectives and policies with respect to financial risk management, and on the basis of the instructions set forth in the OIC 3 document. For additional information on financial instruments, please refer to the dedicated comments included in the Notes to the separate financial statements of LU-VE S.p.A. and the consolidated financial statements of the LUVE Group.

CREDIT RISK

The Group is exposed to credit risk deriving from commercial dealings with exposure to potential losses arising from the failure of commercial counterparties to meet their obligations. Trade credit risk is monitored on the basis of formalised procedures for the selection and assessment of the customer portfolio, for the definition of credit limits by individual customer, for the monitoring of expected cash inflows and for any debt collection actions. In certain cases, customers are asked for further guarantees, primarily in the form of sureties. The historically low levels of losses on receivables recognised are proof of the good results achieved.

INTEREST RATE RISK

The Group makes use of external financial resources in the form of medium/long-term financial debt. Therefore, changes in interest rates may influence the cost of different forms of financing, impacting the level of the Group's net financial expense. The Group's policy aims to limit the risk of interest rate fluctuations by means of fixed rate loans or derivatives (mainly interest rate swaps) used only for hedging purposes. These hedging activities have reference rates, maturities and amounts perfectly aligned with the underlying medium/long-term loans.
This hedging policy allows the Group to reduce its exposure to the risk of interest rate fluctuations.

EXCHANGE RATE RISK

Due to its ordinary operations, the Group is exposed to the risk of fluctuations in the exchange rates of currencies other than the reporting currency in which commercial and financial transactions are expressed. In terms of acquisitions, the main currency to which the Group is exposed is the US dollar (currency to which the cost of the main raw materials is linked): indeed, raw materials in the reference markets are quoted in USD and the cost is converted into euros by applying the USD/Euro exchange rate for the day to the price in dollars; thus, exchange rate risk is borne by the buyer.

Furthermore, the Group companies located in countries in which the reference currency is not the euro, which also acquire raw materials with contracts under which the euro is the payment currency (and therefore bear the USD/Euro exchange rate risk noted above) are also exposed to the risk of fluctuations in the euro/local currency exchange rate.

Sales are mainly made in euros. In addition, although Sest LuVe Polska and HTS s.r.o. are located in countries that do not use the euro as their reference currency, they make almost all sales in euros and therefore they are also exposed to the risk of fluctuations in the exchange rate between the euro and their local currencies.

In order to limit the potential impact arising from currency fluctuations, the Group adopts a hedging policy that uses procedures and instruments for that purpose. Hedging is carried out at centralised level using instruments and policies compliant with international standards.

The Group also holds controlling interests in companies that prepare their financial statements in currencies other than the euro (zloty, rouble, Czech koruna, Swedish Krona, rupee, Australian dollar, yuan). Therefore, the Group is exposed to the translation risk that fluctuations in the exchange rates of certain currencies with respect to the consolidation currency may have on the value of consolidated shareholders' equity. The main exposures are monitored, but this is not part of the Group's current policies for hedging these risks.

Liquidity risk

The liquidity risk to which the Group may be exposed consists of the failure to locate the adequate financial means needed for its operations, as well as for the development of its industrial and commercial activities. The main factors that determine the Group's liquidity situation are, on one hand, the resources generated or absorbed by operating and investment activities, and on the other hand the maturity characteristics of medium and long-term financial debt. The Group has lines of credit granted by multiple leading Italian and international banking institutions which are adequate to meet its current needs. The debt characteristics are reported in the Notes. The guidelines adopted by the Group consist of:

- maintaining adequate medium/long-term loans in light of the level of non-current assets;
- maintaining an adequate level of short-term bank credit facilities (both in cash and for the assignment of domestic receivables and export credit).

Counterparty risk

To limit this risk, financial risk management contracts have been entered into with counterparties selected from those that are most financially stable to limit contractual default risk to the greatest extent possible.

LEGAL AND COMPLIANCE RISKS

Risks related to product liability

The products of the Group must comply with different quality standards depending on the different jurisdictions in which they are sold. First of all, there is a risk that a product does not comply with the quality standards envisaged by the laws in force in the above-mentioned jurisdictions. This could legitimise the return of said product, impacting production costs.
Furthermore, it should be noted that the Group's products are usually part of more complex products; therefore, the malfunction of a component supplied could result in the recall of a series of products sold and/or installed by customers.
Furthermore, the Group produces categories of products that use carbon dioxide (rather than Freon) as refrigerant gas. While carbon dioxide has a lower impact on the environment than the more widely used refrigerant gases, due to its high operating pressure, it has a higher risk profile during the testing phase as well as in the event of manufacturing defects that emerge during installation and/or functioning in the field. In this regard, the Group applies strict control standards to its products: this entails a quality risk management protocol which envisages a number of activities and procedures to safeguard product quality; in addition, there is an office dedicated to quality control, which is conducted directly at production units and at supplier facilities.

To deal with this potential liability, which moreover is traditionally modest, the Group has taken out insurance coverage on all products for sale, the limit of which is deemed adequate with respect to the risks and is continuously monitored.
In addition, it has recognised a dedicated product warranty provision to cover potential defects, based on criteria of prudence and statistical data.

ENVIRONMENTAL PROTECTION

The industrial production carried out by the Group could, in the event of serious breakdowns or failures of said plants or catastrophic events, result in damages to third parties, accidents or environmental damage. This risk is also linked to the presence in the plants of potentially hazardous products for the environment, such as flammable materials and chemicals.
Through its dedicated offices, the Group continues all activities needed to guarantee respect for the environment and the optimised use of energy sources and natural resources. In addition, research and development activities have always been oriented towards products with a lower environmental impact, in terms of energy consumption, the use of refrigerant gas and noise reduction. Dedicated insurance policies have also been taken out.

SAFETY AND THE WORKPLACE

Activities continued to be carried out with a view to guaranteeing not only safe conditions, but also proper ergonomics, by means of organisational/procedural measures and increasingly specific training at all levels, as well as interaction with the design of new layouts.

DEVELOPMENT ACTIVITIES

In 2015, the Company continued to carry out its customary intense research and development activities, to offer the market increasingly advanced products, also in response to the ongoing international crisis. The main projects this year included:

Project 1 - Development activities for the miniaturisation and specialisation of tube surfaces and matrixes in heat exchanger coils;

Project 2 - Development activities for heat exchanger coils which use natural refrigerants and hydrocarbons;

Project 3 - Development activities for the creation of heat exchanger coils made entirely of aluminium;

Project 4 - Development activities for the creation of heat exchanger coils made entirely of aluminium within individual and “Multiport” multichannel structures;

Project 5 - Development activities for technical and trial studies relating to the functional improvement of evaporators;

Project 6 - Development activities to promote energy savings and the abatement of noise emissions from large-scale fans;

Project 7 - Development project for the creation of new, high-efficiency heat pump solutions using natural fluids;

Project 8 - Development project for innovative air treatment solutions within smart grids;

Project 9 - Development project for innovative ORC type organic fluid heat exchanger solutions to be used for motors;

Project 10 - Experimentation activities to boost the performance of coolers and condensers with dry and spray systems;

Project 11 - Project for the development, research, design and creation of frames and e-cut slim doors for non air conditioned hot and humid environments;

Project 12 - Project for the development, research, design and creation of top flat and 0-energy top flat doors with headers that provide improved insulation;

Project 13 - Project for the development, research, design and creation of a new energy supply cabling system for doors and heating elements on the frame;

Project 14 - Project for the development, research, design and creation of a new feeder for the lower hinge to improve the registration of closure/opening;

Project 15 - Study of an energy supply contact for heated windows with super spacer silicone spacer;

Project 16 - Project for the development, research, design and creation of a new refrigerated cabinet solution combined with an integrated closed freezing tank made of glass;

Project 17 - Development project to improve air conditioner performance for heart surgery rooms and other hospital environments;

Project 18 - Development project to improve air conditioner performance for operating rooms and other hospital environments;

Project 19 - Development activities for the creation of close control air conditioning system solutions with a low environmental impact and high energy efficiency.

Part of these projects are still under way and for their development, the Group incurred Research and Development costs of roughly €2.5 million during the year (including roughly €1.9 million capitalised under Intangible assets with the consent of the Board of Statutory Auditors).

Some of these projects are carried out in partnership with prestigious European universities such as the Polytechnic University of Milan, the University of Parma, the University of Naples, the University of Valencia and the Danish Institute of Technology in Copenhagen.

PERFORMANCE IN THE OPENING MONTHS OF 2016: significant events and business outlook

On 17 February 2016, a new company was incorporated named LUVE Digital S.r.l., which is 50% held by the Parent Company and 50% by Mr Enrico Raviglione, a traditional provider of services for the development of special software dedicated to the calculation and sizing of air cooled equipment, heat exchangers and close control air conditioners. The objective of the new company is to create an ad hoc structure with the greatest possibilities for investment and for the aggregation of innovative resources to be devoted to the development of new instruments and platforms dedicated to the promotion of Group products

On 22 February 2016, the deed of merger by incorporation of Metalluve S.r.l. into LU-VE S.p.A. was entered into: the merger became effective as of 1 March 2016, with retroactive effect for accounting and tax purposes as of 1 January 2016.

On 25 February 2016, the Parent Company LU-VE acquired the remaining 10% of the share capital of the Czech subsidiary Heat Transfer System S.r.o. (HTS) for total of €2,050,000. At the same time, the articles of association were amended, a 4-member Board of Directors was appointed and operational management was entrusted to two “resident managers” with a dual German-style system (with administration, finance and human resources on one side and operations on the other).

In March, the company launched the risk analysis process preliminary to the adoption of an organisation, management and control model pursuant to Italian Legislative Decree 231/2001.

The Group’s estimated turnover in the first quarter of 2016 is roughly €59.4 million, a considerable increase compared to the same period of the previous year (roughly +12.6%) and budget values (around +5%). Despite the general market uncertainty, in particular in countries whose economies are most impacted by the negative influence of low oil values, and the continuing low prices of the main raw materials we use, the estimated order portfolio at the end of the quarter also confirms an extremely positive trend (+20%) with respect to the previous year. This result was also made possible thanks to the new sales and industrial initiatives put into place within a general scenario that in any case remains highly competitive and in which it can be expected that in certain countries the full or partial postponement of several particularly large public and private investment projects will be repeated.
The continuation of uncertain conditions in the main end markets (although there have been some feeble signs of improvement) still constitutes a limitation with respect to demand visibility. However, current performance makes it reasonable to believe that the Group’s sales will increase in 2016.

MANAGEMENT AND COORDINATION ACTIVITIES

There are no management and coordination relationships or activities.

RELATED PARTY TRANSACTIONS

For information on related party transactions, please refer to the detailed tables provided in the Notes to LU-VE S.p.A.’s separate financial statements and the LUVE Group’s consolidated financial statements. All transactions with related parties are carried out on an arm’s length basis.

TREASURY SHARES

Pursuant to law, please recall that as at 31 December 2015, the Group held 46,050 shares, equal to 0.24% of the share capital, which was acquired at an average price of €10.03 based on the treasury share purchase plan approved by the Shareholders' Meeting on 28 April 2015. In application of international accounting standards, these instruments are recognised as a deduction from the Group's shareholders' equity.

SECONDARY OFFICES

The Parent Company LU-VE S.p.A. carries out its activities at the registered office at via Caduti della Liberazione, 53, Uboldo, and has no secondary offices.

ALLOCATION OF THE PROFIT FOR THE YEAR OF LUVE SPA

Dear shareholders,

We propose that you approve the financial statements we have presented to you and

allocate the net profit for the period, equal to €4,933,000 (four million nine hundred and thirty-three thousand/00) as follows:

- €246,650 (two hundred and forty-six thousand six hundred and fifty) to the legal reserve;
- €810,318.80 (eight hundred and ten thousand three hundred and eighteen/80) to the extraordinary reserve;
- €3,876,031.20 (three million eight hundred and seventy-six thousand thirty-one/20) to the shareholders, corresponding to the distribution of a gross dividend of €0.20 (zero/20) for each of the 19,380,156 shares outstanding, net of the 73,050 treasury shares currently in the portfolio;

There is no restriction on the distribution of the dividend, as the financial statements include sufficient reserves to cover capitalised development costs.

On behalf of the Board of Directors

The Chairman

Iginio Liberali

CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2015

GROUP STRUCTURE AND CORPORATE BODIES

Group Structure

Parent Company

LU-VE S.p.A.

Subsidiaries and stake held by the group

SEST S.p.A.	100.00%
SEST-LUVE-POLSKA Sp.z.o.o.	95.00%
“OOO” SEST-LUVE	95.00%
HEAT TRANSFER SYSTEM (HTS) s.r.o.	90.00%
TECNAIR LV S.p.A.	79.90%
METALLUVE S.r.l.	100.00%
LU-VE HEAT EXCHANGERS (CHANGSHU) LTD	100.00%
LU-VE SWEDEN AB	100.00%
THERMO GLASS DOOR S.p.A.	85.00%
LU-VE France s.a.r.l.	73.15%
LU-VE Deutschland GmbH	100.00%
LU-VE Iberica s.l.	85.00%
LU-VE Pacific pty Ltd.	75.50%
LU-VE Asia Pacific Ltd.	100.00%

Corporate bodies

Board of Directors

Chairman	Liberali Iginio
Vice Chairman	Faggioli Pierluigi
CEO	Liberali Matteo
CEO	Faggioli Michele
Director	Vitale Marco
Director	Liberali Fabio
Director	Garulli Michele
Director (*)	Paleari Stefano
Director	Cavallini Giovanni
Director	Arietti Attilio Francesco

(*) Independent directors

Board of Statutory Auditors

Chairman	Ceppi Carla
Standing Auditor	Beltrame Stefano
Standing Auditor	Pelassa Ivano
Alternate Auditor	Cerana Mauro
Alternate Auditor	Chiarella Giulia

Auditing Firm

Deloitte & Touche S.p.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of Euro)	Note	31/12/2015	31/12/2014
ASSETS			
Goodwill	1	29,575	29,572
Other intangible assets	1	9,548	10,059
Property, plant and equipment	2	81,214	78,898
Other property, plant and equipment	2	7,917	8,679
Deferred tax assets	19	2,379	3,581
Equity investments	3	21	21
Other non-current assets	4	900	839
NON-CURRENT ASSETS		**131,554**	**131,649**
Inventories	5	24,625	21,693
Trade receivables	6	33,761	37,988
Due from the tax authorities for current taxes	7	3,963	3,225
Current financial assets	8	64,756	269
Other current assets	9	2,182	1,921
Cash and cash equivalents	10	55,266	29,738
CURRENT ASSETS		**184,553**	**94,834**
ASSETS HELD FOR SALE		-	-
TOTAL ASSETS		**316,107**	**226,483**

(in thousands of Euro)	Note	31/12/2015	31/12/2014
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital		**62,496**	**10,946**
Reserves and retained earnings (losses)		**50,760**	**44,563**
Profit (loss) for the year		**9,099**	**10,114**
Total shareholders' equity attributable to the Parent Company		***122,355***	***65,623***
Non-controlling interests		***3,443***	***3,233***
SHAREHOLDERS' EQUITY	**11**	**125,798**	**68,856**
Loans	**12**	**93,434**	**56,001**
Provisions	**13**	**2,177**	**3,108**
Employee benefits	**14**	**3,305**	**3,639**
Deferred tax liabilities	**19**	**8,866**	**12,890**
Other financial liabilities	**15**	**383**	**494**
NON-CURRENT LIABILITIES		**108,165**	**76,132**
Trade payables	**16**	**47,072**	**44,908**
Loans	**12**	**20,480**	**21,389**
Provisions	**13**	**-**	**-**
Tax payables	**17**	**2,535**	**1,715**
Other financial liabilities	**15**	**1,527**	**1,510**
Other current liabilities	**18**	**10,530**	**11,973**
CURRENT LIABILITIES		**82,144**	**81,495**
LIABILITIES HELD FOR SALE		**-**	**-**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**316,107**	**226,483**

CONSOLIDATED INCOME STATEMENT

(in thousands of Euro)	Note	31/12/2015	31/12/2014
REVENUES AND OPERATING INCOME			
Revenues	21	210,577	214,729
Other revenues	22	1,687	759
Total revenues and operating income		212,264	215,488
OPERATING COSTS			
Purchases of materials	23	(108,300)	(111,956)
Change in inventories	5	3,060	3,431
Services	24	(33,358)	(30,207)
Personnel costs	25	(46,335)	(43,628)
Other operating costs	26	(1,111)	(1,709)
Total operating costs		(186,044)	(184,069)
Net change in fair value of derivatives		(201)	924
Depreciation and amortisation	1-2	(12,340)	(11,789)
Capital gains on the sale of non-current assets		241	236
Write-downs on non-current assets		-	-
EBIT		13,920	20,790
Financial income	27	511	257
Financial expense	28	(3,522)	(3,225)
Exchange gains and losses	29	(370)	(2,741)
Gains and losses from equity investments		-	-
EBT		10,539	15,081
Income taxes	30	(942)	(4,189)
NET PROFIT (LOSS)		9,597	10,892
Attributable to non-controlling interests		(498)	(778)
PROFIT (LOSS) FOR THE YEAR		9,099	10,114

(in thousands of Euro)	Note	31/12/2015	31/12/2014
EARNINGS PER SHARE	31		
Basic		€0.47	€0.77
Diluted		€0.43	€0.77

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of Euro)	31/12/2015	31/12/2014
NET PROFIT (LOSS)	**9,597**	**10,892**
Comprehensive income/loss that will not be subsequently reclassified to profit/loss for the year:		
Actuarial valuation of post-employment benefits	189	(534)
Tax effect	(52)	147
	137	**(387)**
Comprehensive income/loss that will be subsequently reclassified to profit/loss for the year:		
Exchange differences from translation of financial statements in foreign currency	**(692)**	**(3,375)**
TOTAL COMPREHENSIVE INCOME (LOSS)	**9,042**	**7,130**
of which:		
Attributable to non-controlling interests	(498)	(778)
ATTRIBUTABLE TO THE GROUP	**8,544**	**6,352**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of Euro)	Share capital	Share premium reserve	Legal reserve	FTA Reserve	Treasury shares	Translation reserve	Post-employment benefits discounting reserve	Other reserves	Profit (loss) for the year	Total shareholders' equity of the Group	Non-controlling interests	Total shareholders' equity
BALANCE AS AT 1/01/2014	9,000	9,574	1,509	(3,373)	-	-	-	31,745	3,366	51,821	27,677	79,498
Allocation of profit 2013												
Dividends paid	-	-	-	-	-	-	-	(3,000)	-	(3,000)	(1,859)	(4,859)
Retained	-	-	87	-	-	-	-	3,279	(3,366)	-	-	-
Other changes	1,946	15,188	-	-	-	-	-	(6,684)	-	10,450	(23,363)	(12,913)
Purchase/sale of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Comprehensive income as at 31/12/2014	-	-				(3,375)	(387)		10,114	6,352	778	7,130
BALANCE AS AT 31/12/14	**10,946**	**24,762**	**1,596**	**(3,373)**	**-**	**(3,375)**	**(387)**	**25,340**	**10,114**	**65,623**	**3,233**	**68,856**
Allocation of profit 2014												
Dividends paid	-	-	-	-	-	-	-	(3,000)	-	(3,000)	(285)	(3,285)
Retained			162					9,952	(10,114)	-	-	-
ISI/Lu-Ve Merger	51,550	-	-	-	-	-	-	502	-	52,052	-	52,052
Purchase/sale of treasury shares	-	-	-	-	(462)	-	-	-	-	(462)	-	(462)
Capital transaction costs	-	-	-	-	-	-	-	(876)	-	(876)	-	(876)
Other	-	-	-	-	-	-	-	474	-	474	(3)	471
Comprehensive income as at 31/12/2015	-	-	-	-	-	(692)	137	-	9,099	8,544	498	9,042
BALANCE AS AT 31/12/15	**62,496**	**24,762**	**1,758**	**(3,373)**	**(462)**	**(4,067)**	**(250)**	**32,392**	**9,099**	**122,355**	**3,443**	**125,798**

Consolidated statement of cash flows *(in thousands of Euro)*		31/12/2015	31/12/2014
A.	**Cash and cash equivalents at the beginning of the year**	**29,738**	**35,230**
	Profit (loss) for the year	9,099	10,114
	Adjustments for:		
	- Depreciation and amortisation	12,340	11,789
	- Realised gains on non-current assets	(241)	(236)
	- Net financial income and expense	3,011	2,968
	- Income taxes	942	4,189
	- Fair value changes booked in operating income	(201)	924
	Changes in post-employment benefits	(196)	298
	Changes in provisions	(931)	(25)
	Changes in trade receivables	*4,227*	*(1,358)*
	Changes in inventories	*(2,932)*	*(4,223)*
	Changes in trade payables	*2,164*	*4,839*
	Changes in net working capital	***3,459***	***(742)***
	Changes in other receivables and payables, deferred taxes	(370)	13
	Tax payment	(3,429)	(4,185)
	Paid net financial expenses	(2,929)	(2,795)
B.	**Cash flows generated/absorbed by operating activities**	**20,554**	**22,312**
	Investments in non-current assets		
	- intangible assets	(2,632)	(2,700)
	- property, plant and equipment	(10,512)	(11,082)
	- financial assets	-	(15)
	Business combination net acquisition price	-	(8,141)
C.	**Cash flows generated/absorbed by investing activities**	**(13,144)**	**(21,938)**
	Repayment of loans	(48,496)	(26,401)
	New loans	84,839	40,407
	Changes in other financial liabilities	58	(799)
	Changes in short-term financial assets	(64,487)	(205)
	Purchase of treasury shares	(462)	
	Contributions/repayments of own capital	51,176	(6,791)
	Payment of dividends	(4,500)	(1,500)
	Other changes	210	(7,202)
D.	**Cash flows generated/absorbed by financing activities**	**18,338**	**(2,491)**
	Exchange differences	(692)	(3,375)
	Other non-monetary changes	472	-
E.	**Other non-monetary changes**	**(220)**	**(3,375)**
F.	**Net cash flows in the year (B + C + D + E)**	**25,528**	**(5,492)**
	Cash and cash equivalents at the end of the year (A + F)	**55,266**	**29,738**
	Current financial debt	(42,749)	22,630
	Non-current financial debt	93,817	56,495
	Net financial debt (Note 20)	**(4,198)**	**49,387**

Notes

INTRODUCTION

Lu-Ve S.p.A. - ISI S.p.A. Merger

With the merger of Lu-Ve S.p.A. (unlisted operating company) and Industrial Stars of Italy S.p.A. (listed non-operating company - a special purpose acquisition company, “ISI S.p.A.”), the majority shareholders of Lu-Ve S.p.A. prior to the merger became majority shareholders of the new post-merger company. The merger took place on 9 July 2015.

From the substantial perspective, by means of the merger the shareholders of ISI S.p.A. monetised the status of listed company and obtained a non-controlling interest in an operating company (i.e., Lu-Ve S.p.A.), while the shareholders of Lu-Ve S.p.A. acquired the status of listed company and carried out a paid share capital increase transaction subscribed and paid in by third-party investors.

In accounting for the merger, Lu-Ve S.p.A. was considered the purchaser. This is because, after the merger took place, the shareholders of pre-merger Lu-Ve S.p.A. came to hold the majority of the votes of post-merger Lu-Ve S.p.A., giving them the power and ability to manage the activities of the new company.

Although the merger took place between two legal entities, it was not considered a business combination pursuant to IFRS 3, as ISI S.p.A. held only cash and cash equivalents and listed company status and the only transactions carried out regarded liquidity management. On the basis of these considerations, for accounting purposes ISI S.p.A. was not considered a “business”.

In particular, the purpose of the merger was to accelerate the industrial Group’s process of growth by means of LU-VE’s listing and the contribution of new financial resources. Indeed, by means of the merger, a share exchange was carried out in which the Lu-Ve S.p.A. shareholders handed over their unlisted shares and received in exchange the listed shares of ISI S.p.A. On the other hand, by means of the merger, Lu-Ve S.p.A. acquired a service (i.e., obtained listed company status) from ISI S.p.A.

The merger was recognised in the accounts considering that pre-merger Lu-Ve S.p.A. (“recognised purchaser”) acquired from ISI S.p.A. (“recognised acquired company”) its assets and liabilities as well as its listed company status. Certain concepts set forth in IFRS 3 (i.e., identification of the purchaser) and the concepts set forth in IFRS 2 were applied in deciding on the accounting treatment. Lu-Ve S.p.A. acquired a service (i.e., listed company status) through a share-based payment transaction; therefore, the difference between the fair value of the consideration received by the ISI S.p.A. shareholders (i.e., the shares contributed by the shareholders of pre-merger Lu-Ve S.p.A.) and the carrying amount of the assets and liabilities acquired by Lu-Ve S.p.A., primarily cash and cash equivalents, was recognised in the income statement.

The accounting effects of the merger between Lu-Ve S.p.A. and ISI S.p.A. are shown below.

Assets and liabilities acquired

In thousands of Euro	*30/06/2015*
Intangible assets	95
Deferred tax assets	920
Non-current assets	**1,015**
Other receivables	809
Cash and cash equivalents	50,110
Current assets	**50,919**
Trade payables	348
Other payables	8
Current liabilities	**356**
Total net assets acquired	**51,578**

The assets acquired refer primarily to cash and cash equivalents, other receivables, almost exclusively tax receivables, and deferred tax assets. The liabilities acquired refer almost exclusively to payables to professionals.

Fair value of consideration

Number of shares assigned to ISI S.p.A. shareholders	5,155,000
Issue price	10.00
Share capital increase (in thousands of Euro)	51,550
Other reserves contributed	502
Total fair value of consideration	52,052

Accounting impacts

Total net assets acquired	51,578
Total fair value of consideration	52,052
Cost of acquisition of the service	474

The spread of €474 thousand between the fair value of ISI and its shareholders' equity as at 30 June 2015 was accounted for under financial expense.

ACCOUNTING STANDARDS

Declaration of compliance and accounting policies

The consolidated financial statements for 2015 of the LU-VE Group have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union. The reference to IFRS also includes all International Accounting Standards (IAS) in force. They have been prepared in Euro, which is the currency used in the economies in which the Group primarily carries on business, with amounts rounded to thousands, and are compared with the consolidated financial statements for the previous year, prepared with the same criteria. They consist of the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows and these notes. The financial statements have been drawn up on the basis of the historical cost principle and the going concern assumption. With reference to this last assumption, even within a difficult economic and financial environment, based on assessments of its strong competitive positioning, high profitability and solid financial position, the Group believes that it will continue to operate on a going concern basis pursuant to paragraphs 25 and 26 of IAS 1.

Financial statements

The Group has adopted the following financial statements:

- a statement of financial position, which shows current and non-current assets and liabilities separately;
- an income statement in which costs are classified by nature;
- a statement of comprehensive income, which shows revenue and cost items that are not recognised in profit and loss as required or permitted by IFRS;
- a statement of cash flows that presents cash flows from operations using the indirect method.

The use of these statements provides the most meaningful view of the Group's profit and loss, equity and financial situation.

Consolidation area

The consolidated financial statements of the LU-VE Group, which manufactures heat exchangers for refrigeration and air conditioning and close control air conditioners meant primarily for phone centres, data centres and operating rooms, include the financial statements of LU-VE S.p.A. and of the following direct or indirect subsidiaries:

Company name	Registered office	% stake	Share capital
Direct subsidiaries:			
SEST S.p.A.	Limana (BL)	100.00%	EUR 1,000,000
Company name	**Registered office**	**% stake**	**Share capital**
Tecnair LV S.p.A.	Uboldo (VA)	79.90%	EUR 200,000
Metalluve S.r.l.	Uboldo (VA)	100.00%	EUR 300,000
Heat Transfer Systems s.r.o. (HTS)	Novosedly (Czech Rep.)	90.00%	CZK 133,300,000
LU-VE Sweden AB	Asarum (Sweden)	100.00%	SEK 50,000
LU-VE France S.a.r.l.	Lyon (France)	73.15%	EUR 84,150
LU-VE Pacific pty Ltd	Thomastow n (Australia)	75.50%	AUD 200,000
LU-VE Deutschland GmbH	Stuttgart (Germany)	100.00%	EUR 230,000
LU-VE Iberica S.l.	Madrid (Spain)	85.00%	EUR 180,063
LU-VE Asia Pacific Limited	Wan Chai (Hong Kong)	100.00%	HKD 10,000
Indirect subsidiaries:			
SEST-LUVE- Polska SP.z.o.o. (95% owned by SEST S.p.A.)	Gliwice (Poland)	95.00%	PLN 16,000,000
« OOO » SEST LUVE (95% owned by SEST S.p.A.)	Lipetsk (Russia)	95.00%	RUB 136,000,000
LU-VE HEAT EXCHANGERS Ltd (wholly-owned by LU-VE Asia Pacific Limited)	Changshu (China)	100.00%	CNY 38,211,761
Thermo Glass Door S.p.A.	Travacò Siccomario (PV)	85.00%	EUR 150,000

The companies with regard to which LU-VE S.p.A. simultaneously has the following three elements are considered to be subsidiaries: (a) power over the investee; (b) exposure, or rights, to variable returns deriving from its involvement with the investee; (c) the ability to use its power to affect the extent of such variable returns. If the subsidiaries carry out a significant activity, to provide a fair view of the equity, profit and loss and financial situation of the Group, they are consolidated from when control begins until the date on which it ends.

Consolidation criteria

The data used for the consolidation are drawn from the income statements and balance sheets prepared by the Directors of the individual subsidiaries. These data have been appropriately modified and reclassified when necessary to bring them into line with international accounting standards and the uniform classification criteria used within the Group.

The following criteria have been adopted for the consolidation:

a) The assets and liabilities, income and expenses in the financial statements subject to line-by-line consolidation are included in the Group's financial statements, irrespective of the extent of the equity investment. The carrying amount of equity investments has also been eliminated against the shareholders' equity attributable to the investee companies;
   The Group has now included the overseas subsidiary Brener a.s., holder mainly of land and industrial buildings rented to another Group company, in the consolidated financial statements as the recognition of the "acquisition of assets" and not through the consolidation of its financial statements;
b) Positive differences arising from the elimination of the value of equity investments against the value of shareholders' equity recognised at the date of initial consolidation are allocated as an increase of assets and liabilities and, for the remainder, to goodwill. In accordance with the provisions of IFRS 3, the Group amended the accounting policy for goodwill on a prospective basis beginning from the transition date. Therefore, starting on 1 January 2014, the Group no longer amortises goodwill and instead tests it for impairment;
c) Payable/receivable and cost/revenue items between the consolidated companies and profit/loss from intra-group transactions are eliminated. Likewise, dividends and write-downs on equity investments recognised in the annual financial statements are eliminated;
d) If there are non-controlling shareholders, the portion of shareholders' equity and the net profit (loss) of the year attributable to them are highlighted in separate items of the consolidated balance sheet and income statement;
e) Final stocks, for products acquired from group companies, are adjusted by the intra-group margins they contain, as they have not yet been realised with respect to third parties.

Translation into Euro of income statements and balance sheets drafted in foreign currency

The separate financial statements of each company belonging to the Group are prepared in the currency of the primary economic environment in which it conducts business (functional currency). For the consolidated financial statements, the financial statements of each overseas entity are expressed in Euro, which is the functional currency of the Group and the presentation currency of the consolidated financial statements.

Balance sheet items from financial statements expressed in a currency other than the Euro are translated by applying the current exchange rates at year end. Income statement items are translated at average exchange rates for the year.

Translation exchange differences resulting from the comparison between the opening shareholders' equity translated at current exchange rates and the same converted at historical exchange rates, as well as the difference between the economic result expressed at average exchange rates and that expressed at current exchange rates, are recognised in the shareholders' equity item "Other reserves".

The exchange rates used for the translation into Euro of the financial statements of the overseas subsidiaries, prepared in local currency, are shown in the table below:

	2015		2014	
Currency	**Exchange rate at 31/12**	**Average exchange rate**	**Exchange rate at 31/12**	**Average exchange rate**
AUD	1.4896	1.47780	1.4829	1.47188
Zloty	4.2639	4.18412	4.2732	4.18426
Czech koruna	27.023	27.2792	27.735	27.5359
Russian Rouble	80.674	68.0720	72.337	50.9518
SEK	9.1895	9.35346	9.3930	9.09852
HKD	8.4376	8.60141	9.4170	10.3025
YUAN	7.0608	6.97333	7.5358	8.18575

Statement of reconciliation between shareholders' equity and profit for the year of the parent company and consolidated shareholders' equity and profit for the year

	2015		2014	
(in thousands of Euro)	**Net profit for the year**	**Shareholders' Equity**	**Net profit for the year**	**Shareholders' Equity**
Amounts from LU-VE S.p.A. financial statements	**4,960**	**109,963**	**5,030**	**56,770**
Difference between carrying amount of consolidated equity investments and pro rata value of shareholders' equity and profit (loss) of consolidated subsidiaries	2,763	12,013	4,454	9,801
Elimination of unrealised intra-group profits	(106)	(219)	(6)	(113)
Other	1,482	598	636	(835)
Profit and shareholders' equity attributable to the Group	**9,099**	**122,355**	**10,114**	**65,623**

Segment reporting

The Group's operating segments pursuant to IFRS 8 - Operating Segments are identified as the business segments that generate revenues and costs, the results of which are periodically reviewed by the highest decision-making level to assess performance and to take decisions regarding resource allocation. The Group has the following operating segments:

- Air cooled, which includes air cooled products and close control air conditioners;
- OEM, which includes heat exchangers and glass doors.

Measurement criteria

The accounting standards and measurement criteria adopted to prepare the consolidated financial statements as at 31 December 2015, which did not change compared to the previous year, are described below:

INTANGIBLE ASSETS

Goodwill

Goodwill represents the difference between the purchase price and the current value of the identifiable assets and liabilities of the investees on the acquisition date.
With respect to acquisitions prior to the date of adoption of IFRS, the LU-VE Group exercised the right set forth in IFRS 1 not to apply IFRS 3 relating to business combinations to the acquisitions that took place before the transition date. As a result, the goodwill resulting from acquisitions that took place in the past was not restated and was recognised at the value determined on the basis of the previous accounting standards, net of amortisation accounted for as at 31 December 2013 and any impairment losses.
As of 1 January 2014, goodwill, representing an intangible asset with an indefinite useful life, is not amortised, but rather subject to impairment testing every year or more frequently any time there is an indication that there may have been an impairment loss.

Other intangible assets

Trademarks
This item includes long-term expenses incurred for the protection and distribution of Group trademarks. These expenses are recognised as assets in accordance with IAS 38 "Intangible assets" when it is probable that the use of the asset will generate future economic benefits and when the cost of the asset can be determined in a reliable manner.

Research and development costs
Development costs on projects for the production of new products or components are recognised as assets only if the costs can be reliably determined, the Group has the intent and available resources to complete the asset, it is technically feasible to complete the project so as to make it available for use and expected volumes and prices indicate that the costs incurred in the development phase will be capable of generating future economic benefits.
Capitalised development costs include only expenses incurred that may be directly attributed to the development process.
Capitalised development costs are amortised systematically, beginning from the start of production and throughout the estimated life of the product or process, which has been evaluated as four years. All other development costs are recognised in the income statement when incurred. Research costs are attributed to the income statement when incurred.

Other intangible assets
Other intangible assets are recognised as assets in accordance with IAS 38 when it is probable that the use of the asset will generate future economic benefits and when the cost of the asset can be determined in a reliable manner. If such future economic benefits do not arise with reference to development costs, they are written down in the year in which this is confirmed.

These assets are measured at acquisition or production cost and amortised on a straight line basis throughout their estimated useful life, if they have a finite useful life.
In particular, investments in software are amortised over a period of 3 years.

PROPERTY, PLANT AND EQUIPMENT

These assets include Land and buildings, plant and equipment, equipment and other property, plant and equipment.
They are recognised at acquisition or construction cost. The cost includes accessory costs directly attributable to the asset. As set forth in IAS 16, depreciation is calculated on the basis of uniform rates for categories of similar assets, deemed suitable to break down the carrying amount of the property, plant and equipment over the period of its useful life. The estimated useful life is as follows, in years:

Buildings	33
Light constructions	10
Plant and equipment	6 – 10
Fixtures and fittings, tools and other equipment	3 – 10
Other assets	4 - 8

Ordinary maintenance costs are charged to the income statement in the year in which they are incurred; costs that increase the value or useful life of the asset are capitalised and depreciated in line with the remaining useful life of the assets to which they refer.
Land is not depreciated.

Leased assets

Assets acquired under finance lease agreements are accounted for in accordance with the financial methodology and recognised as assets at acquisition value less depreciation. The depreciation of these assets is reflected in the annual consolidated financial statements by applying the same criterion used for owned property, plant and equipment. As a matching entry to the recognition of the asset, short and medium/long-term payables to the lessor financial institution are recognised under "Other financial liabilities"; in addition, the financial expense applicable to the period is recognised in the income statement.

Equity investments and non-current receivables

Other equity investments not classified as held for sale are measured with the cost method, less impairment losses. The original value is written back in subsequent years if the reasons for the write-down recognised no longer apply.
Non-current receivables are recognised at their estimated realisable value.

Impairment of assets

At each reporting date, the Group reviews the carrying amount of its property, plant and equipment and intangible assets to determine whether there are indications that these assets have been impaired. If these indications exist, the recoverable amount of these assets is estimated to determine the amount of the impairment. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.
In particular, the recoverable amount of the cash-generating units (which generally coincide with the legal entity to which the non-current assets refer) is verified by determining the value in use. The recoverable amount is the higher of the net sale price and value in use. In calculating value in use, future cash flows net of taxes, estimated on the basis of past experience, are discounted to their present value using a rate net of taxes which reflects current market assessments of the present value of money and the specific risks of the asset. The main assumptions used to calculate value in use regard the discount rate, the growth rate, expected changes in sale prices and the trend in direct costs during the period assumed for the

calculation. The growth rates adopted are based on growth forecasts for the applicable industrial sector. Changes in sale prices are based on past experience and on future market expectations. The Group prepares forecasts of operating cash flows deriving from the business plan prepared by the Directors and approved by the Parent Company's Board of Directors and determines the terminal value (present value of perpetual cash flows) on the basis of a medium and long-term growth rate in line with that of the specific applicable sector.
If the recoverable amount of an asset (or of a cash-generating unit) is estimated to be lower than the relative carrying amount, the carrying amount of the asset is reduced to the lower recoverable amount, with the impairment loss recognised in the income statement.
If there is no longer a reason to continue to recognise this impairment, the carrying amount of the asset (or of the cash-generating unit), with the exception of goodwill, is increased to the new value corresponding to the estimated recoverable amount, which may be no higher than the net carrying amount that the asset would have had if the impairment loss had never been recognised. The write-back is recognised in the income statement.

Financial Instruments

Derivative financial instruments
Derivative financial instruments are used primarily for hedging, in order to reduce the risk of fluctuating exchange rates, interest rates and raw material costs. In line with IAS 39, derivative financial instruments are accounted for using hedge accounting methods only when:

a) at the inception of the hedge, the hedging relationship is formally designated and documented;
b) the hedge is expected to be highly effective;
c) this effectiveness may be reliably measured;
d) the hedge is determined to have been highly effective during the different accounting periods for which it is designated.

All derivative financial instruments are measured at fair value, as established by IAS 39.
If the instrument is not eligible for hedge accounting, the gains or losses arising from the measurement of the derivative financial instrument at fair value are recognised in the income statement.
The Group notes that the derivative instruments were subscribed in order to hedge the underlying risks.
However, at the date of presentation of these financial statements, not all requirements of IAS 39 were satisfied. Therefore, the Group management deemed it appropriate to treat those instruments as trading, not hedging, transactions.
The relative effects were recognised under "Net change in fair value of derivatives" in the income statement.

Disclosure
IFRS 7 requires additional information that enables users to evaluate the significance of the financial instruments in relation to the economic performance and financial position of the Group. This accounting standard requires a description of the objectives, policies and procedures put into place by the Management for the different types of financial risk (liquidity, market and credit) to which the Group is exposed, inclusive of a sensitivity analysis for each type of market risk (exchange rate, interest rate, equity, commodity) and a disclosure regarding the concentration and average, minimum and maximum exposures to the various types of risk during the reference period, if the exposure at the end of the period is not sufficiently representative.

IAS 1 governs, inter alia, the disclosures to be provided regarding capital management objectives, policies and processes, specifying, if there are any externally imposed capital requirements, their nature and management methods and any consequences of non-compliance.

Inventories

Inventories are measured at the lower of acquisition or production cost, determined on the basis of the weighted average cost method, and the corresponding market value represented by the replacement cost for purchased materials and the estimated realisable value for finished and semi-finished products, calculated by taking into account any manufacturing costs as well as the direct sales costs yet to be incurred. The cost of inventories includes the amount of accessory costs and direct and indirect production costs reasonably attributable to them. Obsolete or slow-moving stocks are written down based on their possibilities of use or realisation. The write-down of inventories is eliminated in subsequent years if the reasons for it no longer apply.

Receivables

Receivables are recognised at their estimated realisable value. Their nominal value is adjusted to their lower realisable value by recognising a dedicated provision to directly adjust the item on the basis of a detailed analysis of the individual positions.

Current financial assets

Financial assets held for trading are measured at fair value with the economic effects recognised under financial income or expense.

Loans

Loans are initially measured at cost net of accessory acquisition costs. This value is subsequently adjusted to take into account any difference between the initial cost and the repayment value throughout the term of the loan using the effective interest rate method.
Loans are classified as current liabilities unless the Group has the unconditional right to defer the settlement of the liability for at least twelve months after the reporting date.

Provisions

Provisions for risks and charges represent probable liabilities of uncertain amount and/or timing deriving from past events, the settlement of which will entail an outflow of resources. Provisions are recognised exclusively if there is a present legal or constructive obligation requiring the use of economic resources, provided such obligation can be reliably estimated. The amount recognised in the provision represents the best estimate of the expenditure required to settle the obligation at the balance sheet date. Provisions are reviewed at each balance sheet date and adjusted so as to represent the best current estimate.
If the outflow of resources connected to the obligation is expected to take place beyond normal payment terms and the effect of discounting is relevant, the amount of the provision is represented by the present value of the expected future payments for the settlement of the obligation.
Contingent assets and liabilities are not recognised in the financial statements. However, they are subject to adequate disclosure.

Employee benefits

Short-term benefits

Short-term employee benefits are accounted for in the income statement in the period in which the services are rendered.

Post-employment benefits

On 1 January 2007, the Financial Act (law 296/2006) and the relative implementing decrees introduced considerable amendments to the rules on post-employment benefits, including the selection to be made by the worker with respect to the allocation of accruing benefits. In particular, for companies with more than 50 employees on the date of introduction of the reform, these new regulations required new post-employment benefit contributions to be allocated to pension plans chosen by the worker or, if the worker decided to keep those contributions within the company, to an INPS treasury account. The method for accounting for post-employment benefits was updated based on these regulatory amendments.

Before the reform introduced by Law 296/2006, international accounting standards classified post-employment benefits as “defined-benefit plans”. Now, only the post-employment benefits accrued up to 31 December 2006 continue to be classified as “defined-benefit plans”, while those accruing subsequent to that date are classified as a “defined-contribution plan”, as all obligations of the company are met when it makes the periodic contribution to third-party entities. Therefore, discounted amounts are no longer recognised in the income statement. Instead, outlays made to the various types of pension plans selected by employees or to the separate INPS treasury fund, calculated based on art. 2120 of the Italian Civil Code, are recognised under personnel costs.

Defined-benefit plans

The provision for post-employment benefits (limited to the share accrued up to 31 December 2006) is calculated by an independent actuary using the projected unit method to determine the liability. Any actuarial effects are recognised in shareholders' equity and included in the statement of comprehensive income.

Defined-contribution plans

The Group participates in publicly or privately managed defined-contribution pension plans on an obligatory, contractual or voluntary basis. As noted above, this category includes provisions for post-employment benefits calculated based on art. 2120 of the Italian Civil Code and paid to the various types of pension plans selected by employees or to the separate INPS treasury fund. The Group meets its obligation to employees with the payment of these contributions. Therefore, the contributions are classified as costs in the period in which they are due.

Payables
Payables are recognised at nominal value; the interest included in their nominal value which has not accrued at period end is deferred to future periods.

Criteria for the translation of items in foreign currency
Receivables and payables originally expressed in foreign currencies are translated to euro at the exchange rates of the date on which the transactions giving rise to them take place. The exchange differences realised upon collection of the receivables and payment of the payables in foreign currency are recognised in the income statement. Income and expenses relating to transactions in foreign currency are recognised at the current exchange rate on the date on which the relative transaction takes place.
At year end, assets and liabilities expressed in foreign currency, with the exception of non-current assets, are recognised at the spot exchange rate as at the end of the financial year and the relative exchange gains and losses are recognised in the income statement. If the translation gives rise to a net profit, a non-distributable reserve for a corresponding amount is restricted until its actual realisation.

Revenue and cost recognition
Revenues are recognised net of returns, discounts, allowances and premiums, as well as taxes directly connected to the sale of goods and the provision of services.
Revenues from sales are recognised when the Group has transferred the significant risks and benefits connected to ownership of the asset and the amount of the revenue may be reliably determined.
Costs and expenses are recognised in the financial statements on an accrual basis.

Financial income
Financial income includes interest income on invested funds and income from financial instruments. Interest income is allocated to the income statement when it accrues, considering the actual yield.

Financial expense
Financial expense includes interest expense on financial payables calculated using the effective interest method.

Income taxes for the year
Income taxes include all taxes calculated on the Group’s taxable income. Income taxes are recognised in the income statement, with the exception of those relating to items directly charged or credited to shareholders' equity, in which case the tax effect is recognised directly under shareholders' equity. Other taxes not correlated with income, such as property taxes, are classified as operating expenses.
Deferred tax liabilities are recognised based on the full liability method. They are calculated on all temporary differences emerging between the taxable amount of an asset or liability and the carrying amount in the consolidated financial statements, with the exception of goodwill which is not tax deductible and those differences from investments in subsidiaries which are not expected to be offset in the foreseeable future.

Deferred tax assets on tax losses and unused tax credits that may be carried forward are recognised to the extent to which is it likely that future taxable income will be available against which they may be recovered. Current and deferred tax assets and liabilities are offset when the income taxes are levied by the same tax authority and when there is a legal right to offset. Deferred tax assets and liabilities are calculated using the tax rates expected to be applicable in the respective legal systems of the countries in which the Group carries on business, in the years in which the temporary differences will be realised or extinguished.

Dividends
Dividends are accounted for on an accrual basis when the right to receive them arises, corresponding to when the distribution resolution is passed.

Treasury shares
Treasury shares are recognised as a deduction from shareholders' equity. The carrying amount of treasury shares and revenues from any subsequent sales are recognised as changes in shareholders' equity.

Earnings per share
Basic earnings per share are calculated by dividing the profit or loss attributable to shareholders of the Parent Company by the weighted average of ordinary shares outstanding during the year. Diluted earnings per share are calculated by dividing the profit or loss attributable to shareholders of the Parent Company by the weighted average of ordinary shares outstanding, taking into account the effects of all potential ordinary shares with a dilutive effect.

Use of estimates
The preparation of the financial statements and the relative notes in application of IFRS requires the management to make estimates and assumptions that impact the values of the assets and liabilities in the financial statements and the disclosure relating to contingent assets and liabilities as at the reporting date. Actual results may differ from those estimates. Estimates are used to assess property, plant and equipment and intangible assets tested for impairment, as described above, as well as to recognise provisions for credit risks, inventory obsolescence, depreciation and amortisation, asset impairment, employee benefits, taxes and other provisions. More specifically:

Recoverability of the value of property, plant and equipment and intangible assets
The procedure for determining impairment losses on property, plant and equipment and intangible assets described in the “Impairment of assets” accounting standard requires - in estimating the value in use - the use of the Business Plans of the investees, which are based on a set of assumptions and hypotheses relating to future events and actions of the investee management bodies, which may or may not take place. On the other hand, in estimating market value, assumptions are made on foreseeable trading trends between third parties on the basis of historical performance, which may not actually be repeated.

Provisions for credit risks
Receivables are adjusted by the relative bad debt provision to take into account their recoverable amount. To determine the amount of write-downs, the Directors are required to make subjective assessments based on available documentation and information regarding customer solvency, as well as experience and historical collection trends.

Provisions for inventory obsolescence
Obsolescent or slow-moving inventories are assessed systematically and, if their recoverable amount is lower than their carrying amount, they are written down. Write-downs are calculated based on the management's assumptions and estimates deriving from experience and historical results.

Provisions for warranties
The Group recognises provisions for the estimated costs of product warranties. The management establishes the consistency of these provisions on the basis of historical information with reference to the frequency and average cost of warranty claims.

Employee benefits
The present value of liabilities for employee benefits depends on a series of factors determined with actuarial techniques using specific assumptions. The assumptions regard the discount rate, estimates of future wage increases, mortality rates and resignations. Every change in these assumptions may have significant effects on the liability for pension benefits.

Income taxes
The Group is subject to various income tax legislations. To determine the Group's tax liabilities, the management needs to make assessments with respect to transactions that have uncertain tax implications at the reporting date. In addition, deferred tax assets are measured on the basis of expected income in future years; the assessment of this expected income depends on factors that could change over time and have significant effects on the measurement of deferred tax assets.

Other provisions
With regard to processes for estimating the risk of contingent liabilities from disputes, the Directors rely on communications received regarding the progress of recovery procedures and disputes from the legal advisors who represent the Group in disputes. These estimates are determined by taking into account the gradual evolution of the disputes.

Estimates and assumptions are reviewed periodically and the effects of each change are immediately reflected in the income statement.

New accounting standards

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED AS OF 1 JANUARY 2015

The following IFRS accounting standards, amendments and interpretations have been applied by the Group for the first time as of 1 January 2015:

- On 12 December 2013, the IASB published "***Annual Improvements to IFRSs: 2011-2013 Cycle***", which contains amendments made to certain standards as part of the annual improvement process. The main amendments regard:
    - IFRS 3 Business Combinations – Scope exceptions for joint ventures. This amendment clarifies that the formation of all types of joint arrangements as defined in IFRS 11 are excluded from the scope of application of the standard;
    - IFRS 13 Fair Value Measurement – Scope of portfolio exception. This amendment clarifies that the portfolio exception applies to all contracts

within the scope of IAS 39 regardless of whether they meet the definitions of financial assets or financial liabilities provided in IAS 32;
  - IAS 40 Investment Properties – Interrelationship between IFRS 3 and IAS 40. This amendment clarifies that IFRS 3 and IAS 40 are not mutually exclusive and that, in order to determine whether the acquisition of property assets is subject to IFRS 3 or IAS 40, it is necessary to refer to the specific indications provided by IFRS 3 or IAS 40, respectively.

The amendments apply to financial years starting on or after 1 January 2015. The adoption of these amendments had no effects on the Group's consolidated financial statements.

IFRS ACCOUNTING STANDARDS AND AMENDMENTS AND IFRIC INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, FOR WHICH APPLICATION IS NOT YET REQUIRED AND NOT ADOPTED EARLY BY THE GROUP AS AT 31 DECEMBER 2015

The Group has not applied the following new and amended Standards, which have been issued but are not yet in force.

- Amendment to IAS 19 "**Defined Benefit Plans: Employee Contributions**" (published on 21 November 2013): relating to the recognition in the financial statements of contributions made by employees or third parties to defined-benefit plans. The amendment applies at the latest to financial years starting on or after 1 February 2015.
- Amendment to **IFRS 11 Joint Arrangements** – "**Accounting for acquisitions of interests in joint operations**" (published on 6 May 2014): relating to accounting for the acquisition of interests in a joint operation the activities of which constitute a business. The amendments apply as of 1 January 2016, but early application is permitted.
- Amendments to **IAS 16 Property, plant and Equipment** and **IAS 38 Intangibles Assets – "Clarification of acceptable methods of depreciation and amortisation"** (published on 12 May 2014): according to which depreciation and amortisation based on revenues are considered to be inappropriate as the revenues generated by an activity which includes the use of the asset subject to depreciation or amortisation generally reflect factors other than only the consumption of the economic benefits of the asset, which is instead required for depreciation and amortisation. The amendments apply as of 1 January 2016, but early application is permitted.
- Amendment to **IAS 1 – "Disclosure Initiative"** (published on 18 December 2014): the objective of these amendments is to provide clarifications on disclosure elements that may be perceived as impediments to a clear and intelligible preparation of the financial statements. The amendments apply as of 1 January 2016, but early application is permitted.

The Directors do not expect the adoption of these amendments to have a significant effect on the Group's consolidated financial statements.

Lastly, as part of the annual improvement process, on 12 December 2013 the IASB published "Annual Improvements to IFRSs: 2010-2012 Cycle" (including IFRS 2 Share Based Payments – Definition of vesting conditions, IFRS 3 Business Combination – Accounting for contingent consideration, IFRS 8 Operating segments – Aggregation of operating segments and Reconciliation of total of the reportable segments' assets to the entity's assets, IFRS 13 Fair Value Measurement – Short-term receivables and payables) and on 25 September 2014 "Annual Improvements to IFRSs: 2012-2014 Cycle" (including: IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 – Financial Instruments: Disclosure and

IAS 19 – Employee Benefits), which partially supplement pre-existing standards. The amendments apply at the latest to financial years starting on or after 1 February 2015 and to financial years starting on or after 1 January 2016, respectively.
The Directors are currently assessing the possible effects of the introduction of these amendments on the Group's consolidated financial statements.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION

At the date of these Consolidated Financial Statements, the competent bodies of the European Union have not yet completed the approval process required for the adoption of the amendments and standards described below.

- ***IFRS 14 – Regulatory Deferral Accounts*** (published on 30 January 2014), which allows only those that adopt IFRS for the first time to continue to recognise amounts relating to rate regulation activities in accordance with the previous GAAP applied.
- **IFRS 15 – *Revenue from Contracts with Customers*** (published on 28 May 2014), which is meant to replace IAS 18 – *Revenue* and IAS 11 – *Construction Contracts*, as well as the interpretations IFRIC 13 – *Customer Loyalty Programmes*, IFRIC 15 – *Agreements for the Construction of Real Estate*, IFRIC 18 – *Transfers of Assets from Customers* and SIC 31 – *Revenue-Barter Transactions Involving Advertising Services*. This standard establishes a new revenue recognition model to be applied to all contracts entered into with customers with the exception of those falling within the scope of application of other IAS/IFRSs such as leases, insurance contracts and financial instruments. The fundamental steps for accounting for revenues in accordance with the new model are:
    - identify the contract with a customer;
    - identify the performance obligations in the contract;
    - determine the transaction price;
    - allocate the transaction price to the performance obligations in the contract;
    - recognise revenue when the entity satisfies each performance obligation.

  The standard applies as of 1 January 2018, but early application is permitted. The Directors expect that the application of IFRS 15 may have a significant impact on the amounts of revenues recognised and on the relative disclosure provided in the Group's consolidated financial statements. However, it will not be possible to provide a reasonable estimate of the effects until the Group has completed a detailed analysis of its contracts with customers.

- Final version of IFRS 9 - Financial instruments (published on 24 July 2014). This document incorporates the results of the phases relating to Classification and measurement, Impairment and Hedge accounting of the IASB project for the replacement of IAS 39:
    - it introduces new criteria for the classification and measurement of financial assets and liabilities;
    - With reference to the impairment model, the new standard requires losses on receivables to be estimated on the basis of the expected losses model (and not the incurred losses model used in IAS 39) using supportable information available without unreasonable cost or effort, including historical, current and forecast data;

- it introduces a new hedge accounting model (increase in the type of transactions eligible for hedge accounting, change in the methods for accounting for forward contracts and options when included in a hedge accounting relationship, amendments to the effectiveness test).

The new standard, which replaces the previous versions of IFRS 9, must be applied in financial years beginning on or after 1 January 2018. The Directors expect that the application of IFRS 9 may have a significant impact on the amounts and the disclosure provided in the Group's consolidated financial statements. However, it will not be possible to provide a reasonable estimate of the effects until the Group has completed a detailed analysis.

- On 13 January 2016, the IASB published **IFRS 16 – *Leases*** which is meant to replace IAS 17 – *Leases*, as well as the interpretations IFRIC 4 *Determining whether an Arrangement contains a Lease,* SIC-15 *Operating Leases—Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.
  The new standard provides a new definition of lease and introduces an approach based on control (right of use) of an asset to distinguish lease agreements from service agreements, identifying as distinguishing factors: the identification of the asset, the right of substitution, the right to substantially obtain all economic benefits deriving from the use of the asset and the right to direct the use of the asset underlying the contract.
  The standard establishes a single model for the recognition and measurement of lease agreements for the lessee which requires the recognition of the asset subject to the lease, including an operating lease, in the assets with a matching entry under financial payables, also providing the possibility not to recognise as leases those contracts which concern low-value assets and leases with a contract term of equal to or less than 12 months. The standard does not include significant amendments for lessors.
  The standard applies as of 1 January 2019, but early application is permitted, only for companies that also apply IFRS 15 - *Revenue from Contracts with Customers* early. The Directors expect that the application of IFRS 16 may have a significant impact on the recognition of lease agreements and on the relative disclosure provided in the Group's consolidated financial statements. However, it will not be possible to provide a reasonable estimate of the effects until the Group has completed a detailed analysis of the relative contracts.
- "***Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)***" (published on 18 December 2014), laying out amendments relating to topics that emerged following the application of the consolidation exception granted to investment entities. The amendments introduced by this document must be applied in financial years starting on or after 1 January 2016, but early adoption is permitted. The Directors are currently assessing the possible effects of the introduction of these amendments on the Group's consolidated financial statements.

On 11 September 2014, the IASB published an amendment to ***IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***. This document was published to resolve the current conflict between IAS 28 and IFRS 10 regarding the measurement of the profit or loss resulting from the disposal or contribution of a non-monetary asset to a joint venture or an associate in exchange for a stake in the latter. The IASB has currently indefinitely deferred the application of this amendment.

Comment on the main items of the consolidated statement of financial position

1. INTANGIBLE ASSETS

(in thousands of Euro)	Goodwill	Trademarks	Development costs	Other intangible assets	Total
Historical					
As at 1 January 2014	**34,285**	**10,799**	**4,994**	**6,466**	**56,544**
Increases	8,201	81	2,460	1,249	11,991
Decreases	-	-	(284)	(125)	(409)
Reclassifications	-	-	-	-	-
Exchange differences	(13)	-	-	(117)	(130)
As at 31 December 2014	**42,473**	**10,880**	**7,170**	**7,473**	**67,996**
Increases	-	-	1,874	842	2,716
Decreases	-	-	-	(69)	(69)
Reclassifications	-	-	-	6	6
Exchange differences	5	-	10	3	18
As at 31 December 2015	**42,478**	**10,880**	**9,054**	**8,255**	**70,667**
Provision					
As at 1 January 2014	**12,576**	**3,811**	**2,499**	**5,733**	**24,619**
Increases	-	740	1,847	548	3,135
Decreases	-	-	(293)	(104)	(397)
Reclassifications	328	43	698	11	1,080
Exchange differences	(3)	-	-	(69)	(72)
As at 31 December 2014	**12,901**	**4,594**	**4,751**	**6,119**	**28,365**
Increases	-	732	1,661	747	3,140
Decreases	-	-	-	-	-
Reclassifications	-	-	-	3	3
Exchange differences	2	-	8	26	36
As at 31 December 2015	**12,903**	**5,326**	**6,420**	**6,895**	**31,544**
Net carrying amount					
As at 31 December 2014	**29,572**	**6,286**	**2,419**	**1,354**	**39,631**
As at 31 December 2015	**29,575**	**5,554**	**2,634**	**1,360**	**39,123**

Goodwill
The goodwill largely emerged from the inverse merger by incorporation of the parent company Europarts S.r.l. in 2008 and represents the difference between the purchase price and the current value of the identifiable assets and liabilities of the investee on the acquisition date. The remainder referred to consolidation differences arising from the elimination of investees.
Pursuant to IAS 36, goodwill is not subject to amortisation, but rather impairment testing on a yearly basis or more frequently if specific events and circumstances take place that could result in an impairment loss (impairment test).
LU-VE tested the recoverability of the carrying amount of Net Invested Capital as at 31 December 2015. Net invested capital is inclusive of the value of goodwill and other assets measured with an indefinite useful life. For the purpose of impairment testing, the value of

goodwill was allocated to the two cash-generating units (CGUs) identified (Original Equipment Manufacturer - OEM and Air Cooled Equipment) in line with the operating segments identified in accordance with IFRS 8. The management has not identified other lower level cash-generating units with largely independent cash flows to be considered in the allocation of goodwill.
In determining the recoverable amount, identified as the value in use, i.e., the sum of discounted cash flows generated in the future and on an ongoing basis from Net Invested Capital (unlevered discounted cash flow method), the management made reference to the 2016-2019 Business Plan approved by the Board of Directors.
In more detail, in order to determine the recoverable amount of Net Invested Capital, cash flows were discounted using a discounting rate (WACC) which takes into account the specific risks of the asset and which reflects current market assessments of the cost of money. Two different WACCs were calculated, equivalent to 8.38% for the Original Equipment Manufacturer CGU and 7.58% for the Air Cooled Equipment CGU.
The recoverable amount also includes the terminal value of income flows which was calculated with the "perpetual cash flow" method considering a growth rate (*g* rate) of 1.5%. In the terminal value, an operating cash flow equal to the last year of the plan (2019), adjusted so as to reflect a situation "under normal circumstances", was considered. The level of amortisation and investments was balanced and a change in working capital equal to zero was assumed.
The weighted average cost of capital calculated for the discounting of cash flows is based on a weighting between the cost of debt and the cost of equity, determined on the basis of the values of companies comparable to LU-VE and therefore operating within the same business segments.
No impairment losses emerged based on the testing carried out, as the value in use of the CGUs was found to be higher than the carrying amount.
In addition, as the recoverable amount is determined on the basis of projections, the Parent Company also developed sensitivity analyses, in which the underlying assumptions of the impairment test are changed.
As regards the Original Equipment Manufacturer CGU, the sensitivity analysis carried out did not bring to light potential losses in value considering a growth rate of zero and a WACC appreciably higher than the one used.
As regards the Air Cooled Equipment CGU, the sensitivity analysis carried out did not bring to light potential losses in value considering a growth rate of 1% and a WACC of 8.4%.

Development costs
During the year, investments of around €1,874 thousand were made, primarily relating to the development of new products (air cooled equipment, close control and glass doors). These investments are amortised over a period of four years. Development activities carried out during the year are described in detail in the Directors' Report.

Other intangible assets
The main increases during the year regarded the capitalisation of costs incurred for the installation of the SAP ERP system (the installation of SAP in all of the Group's production facilities was completed in 2015). This item also includes €194 thousand relating to other intangible assets in progress, primarily development costs.

All intangible assets are amortised over a period of 5 years, with the exception of:
- investments in software made by the Parent Company and an Italian subsidiary, which are amortised over three years;
- the LUVE S.p.A. trademark, which is amortised over 15 years;
- development costs, which are amortised over 4 years.

2. PROPERTY, PLANT AND EQUIPMENT

(in thousands of Euro)	**Property**	**Plant and equipment**	**Other property, plant and equipment**	**Work in progress**	**Total**
Historical					
As at 1 January 2014	**69,222**	**86,494**	**22,936**	**2,039**	**180,691**
Increases	4,100	6,086	3,526	2,350	16,062
Decreases	-	(1,123)	(689)	-	(1,812)
Reclassifications	316	517	199	(1,414)	(382)
Exchange differences	(1,859)	(2,134)	(25)	(82)	(4,100)
As at 31 December 2014	**71,779**	**89,840**	**25,947**	**2,893**	**190,459**
Increases	1,966	5,996	2,033	1,371	11,366
Decreases	-	(904)	(156)	-	(1,060)
Reclassifications	471	1,873	470	(2,897)	(83)
Exchange differences	(364)	(18)	68	97	(217)
As at 31 December 2015	**73,852**	**96,787**	**28,362**	**1,464**	**200,465**
Provision					
As at 1 January 2014	**13,462**	**63,513**	**18,803**	**-**	**95,778**
Increases	1,579	5,629	1,446	-	8,654
Decreases	-	(579)	(556)	-	(1,135)
Reclassifications	(159)	191	476	-	508
Exchange differences	(182)	(733)	(8)	-	(923)
As at 31 December 2014	**14,700**	**68,021**	**20,161**	**-**	**102,882**
Increases	1,751	5,628	1,820	-	9,199
Decreases	(46)	(524)	(81)	-	(651)
Reclassifications	(1)	(4)	(19)	-	(24)
Exchange differences	(50)	(50)	28	-	(72)
As at 31 December 2015	**16,354**	**73,071**	**21,909**	**-**	**111,334**
Net carrying amount					
As at 31 December 2014	**57,079**	**21,819**	**5,786**	**2,893**	**87,577**
As at 31 December 2015	**57,498**	**23,716**	**6,453**	**1,464**	**89,131**

In 2015, the technological capex programme continued in Italy and abroad for the expansion and streamlining of certain production sites and for the strengthening of installed production capacity. These investments were in part meant for new application segments and in part linked to technological evolutions under way due to the introduction of new regulations regarding refrigerant fluids with a low environmental impact.

During the year, the main investments regarded the purchase of latest-generation machinery for the processing of sheet metal, for the processing of collectors, for the welding and the moulding and assembly of heat exchangers, a real estate expansion in Poland (which will benefit from important local tax benefits) and the purchase in the Czech Republic of real estate to be used for business purposes and certain bordering lands for a total of around 3,600 covered square metres and around 7,000 square metres of buildable area.

The Group has now included the overseas subsidiary Brener a.s., holder mainly of land and industrial buildings rented to another Group company, in the consolidated financial statements as the recognition of the “acquisition of assets” and not through the consolidation of its financial statements;
As at 31 December 2015, the Group confirmed that there were no external or internal indicators of impairment in its property, plant and equipment. As a result, the value of property, plant and equipment was not tested for impairment.

3. EQUITY INVESTMENTS

The Group holds the following equity investments (in thousands of Euro):

	31/12/2015	**31/12/2014**
Industria e Università S.r.l.	6	6
LU-VE India Corporation Private Ltd	15	15
Total	**21**	**21**

The company LU-VE India Corporation Private Ltd was not included in the consolidated financial statements as at 31 December 2015 as it was not yet operating at that date.

4. OTHER NON-CURRENT ASSETS

They amounted to €900 thousand, an increase of around €61 thousand compared to €839 thousand in the previous year. These included €759 thousand in receivables due from the tax authorities payable beyond the year and referred to the refund request due to the deductibility of IRES from IRAP for the period 2007-2011 (proposed legislation of 6/12/2011). Roughly €141 thousand referred to security deposits provided for the provision of services.

5. INVENTORIES

This item was broken down as follows at the end of the year (in thousands of Euro):

	31/12/2015	**31/12/2014**	**Change**
Raw materials and consumables	13,023	12,854	169
Work in progress and semi-finished products	6,259	4,351	1,908
Finished products and goods for resale	7,638	6,511	1,127
Provision for inventory losses	(2,295)	(2,023)	(272)
Total	**24,625**	**21,693**	**2,932**

The increase in value compared to 2014 was mainly caused by the different monthly breakdown of sales in 2015 compared to the previous year. Turnover rose in the last months of the year under way, and therefore stocks increased accordingly (sales trends in the first quarter of 2016, commented on in the Directors’ Report, provide confirmation of this trend).
The inventories of subsidiaries, for the products acquired from Group companies, are adjusted by intra-group margins and the related tax effect has been calculated.
The provision for inventory losses, equal to €2,295 thousand as at 31 December 2015, reflects the best estimate of obsolescence risk, on the basis of specific analyses carried out at the end

of the year on unsold inventory or inventory with a low turnover rate. The provision increased by €272 thousand compared to the previous year, broken down as follows:

- Increase in provisions of €321 thousand;
- Uses of €66 thousand;
- Negative exchange differences of €17 thousand.

6. TRADE RECEIVABLES

This item was broken down as follows at the end of the year (in thousands of Euro):

	31/12/2015	**31/12/2014**	**Change**
Trade receivables	36,722	40,840	(4,119)
Bad debt provision	(2,961)	(2,852)	(108)
Total	**33,761**	**37,988**	**(4,227)**

The decrease in trade receivables was linked to the careful management of collections in 2015.
All trade receivables are due within the subsequent year and derive from normal sales transactions.
The bad debt provision rose during the year to reflect the recoverability of the receivables (roughly €224 thousand) and approximately €116 thousand of it was used for losses recognised during the year.

The breakdown of receivables by geographical area is shown below:

Country	**2015**	**2014**
Italy	13,036	15,235
EU Countries	15,958	18,855
Non-EU Countries	7,728	6,750
Bad debt provision	(2,961)	(2,852)
	-------------	-------------
Total	**33,761**	**37,988**
	========	========

The ageing of trade receivables is shown below

	31/12/2015	31/12/2014	Change
Current receivables (not past due)	26,891	31,300	(4,409)
Past due up to 30 days	3,645	4,134	(489)
Past due from 30 to 60 days	1,677	1,412	265
Past due from 60 to 90 days	610	617	(7)
Past due for more than 90 days	3,899	3,377	522
Total	**36,722**	**40,840**	**(4,118)**

No trade receivables with a residual maturity of more than 5 years were recognised in the financial statements.

7. DUE FROM THE TAX AUTHORITIES FOR CURRENT TAXES

This item was broken down as follows (in thousands of Euro):

	31/12/2015	31/12/2014	Change
Due from the tax authorities for VAT	1,757	2,421	(664)
Due from the tax authorities for payments on account of direct taxes	2,054	617	1,437
Other	152	187	(35)
Total	**3,963**	**3,225**	**738**

Tax receivables for payments on account of direct taxes payable within the year refer to the excess of taxes prepaid for the year 2015 with respect to the effective tax burden, primarily associated with the subsidiaries TGD, TECNAIR, HTS and SEST.

8. CURRENT FINANCIAL ASSETS

This item was broken down as follows (in thousands of Euro):

	31/12/2015	31/12/2014	Change
Asset management	39,552	-	39,552
Capitalisation policies	15,093	-	15,093
Other securities	9,954	-	9,954
Fair value of derivative instruments	157	269	(112)
Total	**64,756**	**269**	**64,487**

In 2015, in the wake of the merger with Industrial Stars of Italy and the new bank loans obtained as part of the process of renegotiating the cost of debt, the Group collected roughly €85 million, around €65 million of which it then temporarily invested in the following financial instruments measured at fair value at the reporting date with a matching entry in Financial income (Note 27) or Financial expense (Note 28), as they were held for sale:

- the Asset management agreement was entered into with Bnp Paribas Investment Partners SGR S.p.A. and the assets may be disinvested upon simple request. The funds are primarily invested in bonds and in units and/or shares of bond and/or flexible funds. There is also a component of investment in equity instruments and units and/or shares of equity funds, but to a limited extent, and also investment in financial instruments denominated in currencies other than the Euro. The fair value measurement at the reporting date entailed the recognition of roughly €432 thousand under financial expense;

- the Capitalisation policies taken out were issued by Aviva Vita S.p.A and are the type of policies which allow, after the payment of a lump-sum premium, for an annual capital revaluation based on the return obtained from management (almost exclusively invested in government securities and very highly rated bonds). The fair value measurement at the reporting date entailed the recognition of roughly €93 thousand under financial income;
- Other securities referred to the roughly €5,017 thousand investment in a bond issued by Mediobanca - Banca di Credito Finanziario S.p.A. maturing on 20 March 2016 with a yield equal to the three-month Euribor plus a spread of 2.1%, whose fair value measurement at the reporting date entailed the recognition of around €17 thousand under financial income, and roughly €4,936 thousand in investments made through UBI Banca (where the securities account is held) in Italian government securities, corporate bonds, bond funds and mixed funds whose fair value measurement at the reporting date entailed the recognition of roughly €78 thousand under financial expense.

The "Fair value of derivative instruments" represented the positive fair value as at 31 December 2015 of derivatives subscribed by the Company.

9. OTHER CURRENT ASSETS

The details of this item are shown below (in thousands of Euro):

	31/12/2015	31/12/2014	Change
From employees	84	77	7
Advances to suppliers	525	247	278
Advances on lease instalments	1,015	947	68
Other receivables	558	650	(92)
Total	**2,182**	**1,921**	**261**

10. CASH AND CASH EQUIVALENTS

The item, equal to €55,266 thousand as at 31 December 2015 (€29,738 thousand as at 31 December 2014), represented the asset balances in current accounts of €52,220 thousand and cash and valuables in hand of €46 thousand. For further details, refer to the Statement of Cash Flows.

11. SHAREHOLDERS' EQUITY

The Parent Company's share capital amounted to €62,496 thousand and was broken down into 19,453,203 ordinary shares and 100,000 special shares, all with no nominal value. The share capital, fully subscribed and paid up, increased during the year by €51,550 thousand following the share capital increase approved for the share swap (see Directors' Report) and by €572 due to the conversion of warrants.

In 2015, dividends of €3 million were paid out from the reserves and retained earnings.

As at 31 December 2015, the Parent Company held 46,050 treasury shares (0.24% of the share capital), recognised in the financial statements as an adjustment of shareholders' equity for a total value of roughly €462 thousand (for further details, see the Directors' Report). All treasury shares were acquired in 2015.

Non-controlling interests amounted to €3,443 thousand (€3,233 thousand as at 31 December 2014). The profit attributable to non-controlling interests for 2015 totalled €498 thousand (€778 thousand in 2014).

12. LOANS

This item was broken down as follows (in thousands of Euro):

	31/12/2015		31/12/2014	
(in thousands of Euro)	**Current**	**Non-current**	**Current**	**Non-current**
Bank loans	18,486	93,434	19,774	56,001
Advances subject to collection on bank receipts or invoices	1,994	-	1,615	-
Total	**20,480**	**93,434**	**21,389**	**56,001**

The following changes took place in loans in 2015:
- unsecured medium/long-term loan for a total of €20,000 thousand taken out by the Parent Company from Banca Nazionale del Lavoro, maturing on 9 June 2020, with repayment in equal half-yearly instalments and an interest rate equal to the six-month Euribor plus a spread;
- unsecured medium/long-term loan for a total of €6,000 thousand taken out by the Parent Company from UBI Banca s.c.p.a., maturing on 29 June 2020, with repayment in quarterly increasing instalments and an interest rate equal to the three-month Euribor plus a spread;
- unsecured medium/long-term loan for a total of €10,000 thousand taken out by the Parent Company from Mediocredito Italiano S.p.A., maturing on 30 September 2020, with repayment in equal half-yearly instalments and an interest rate equal to the six-month Euribor plus a spread;
- unsecured medium/long-term loan for a total of €10,000 thousand taken out by the Parent Company from UniCredit S.p.A., maturing on 31 December 2020, with repayment in equal half-yearly instalments and an interest rate equal to the six-month Euribor plus a spread;
- medium/long-term mortgage loan for a total of €30,000 thousand taken out by the Parent Company from Banca Popolare di Milano Scarl, maturing on 31 December 2021, with repayment in equal quarterly instalments and an interest rate equal to the three-month Euribor plus a spread;
- €4,000 thousand supplement to the unsecured medium/long-term loan taken out by the Parent Company from Cariparma SpA - Credit Agricole in December 2014 maturing on 31

December 2019, with repayment in equal quarterly instalments and an interest rate equal to the three-month Euribor plus a spread;
- €4,000 thousand unsecured loan taken out by the subsidiary SEST SpA from Cariparma SpA in December 2014 and disbursed in March 2015, maturing on 31 December 2019, with repayment in quarterly instalments and an interest rate equal to the three-month Euribor plus a spread;
- early repayment of the remaining GE Capital loan for €6,417 thousand, taken out by the Parent Company on 30 October 2013 and with original maturity on 16 October 2020;
- early repayment of the remaining Deutsche Bank loan for €1,500 thousand, taken out by the Parent Company on 5 November 2013 and with original maturity on 31 December 2018;
- early repayment of the remaining Credito Emiliano loan for €1,552 thousand, taken out by the Parent Company on 22 March 2013 and with original maturity on 30 March 2017;
- early repayment of the remaining Banca Popolare di Milano Scarl loans for a total of €22,732 thousand, taken out by the Parent Company in part in 2008 and in part in 2014 and with original final maturity on 31 December 2016.

During the year, loan instalment repayments, not linked to early repayments, amounted to €15,654 thousand.

With reference to the loans that require compliance with covenants, all of such covenants were respected at the reporting date.

All outstanding bank loans were denominated in Euro, and were floating rate and pegged to the Euribor. Note 34 below provides the information on financial risks required by IFRS 7.

13. PROVISIONS

The details of this item are shown below (in thousands of Euro):

	31/12/2014	Increases	Exchange delta	Uses	Release of excess portion	31/12/2015
Provision for agents’ leaving indemnities	151	-	-	(10)	(31)	110
Product warranty provision	1,448	-	10	(48)	-	1,410
Other provisions for risks and charges	1,509	17	(2)	-	(867)	657
Total	**3,108**	**17**	**8**	**(58)**	**(898)**	**2,177**

The provision for agents’ leaving indemnities covers amounts to be paid out to agents in the event of termination of the agency relationship by the Group.
The product warranty provision covers the risk of returns or charges from customers for products already sold. The provision was adjusted at year-end on the basis of analyses conducted and past experience.
Other provisions for risks and charges recognised to cover sundry risks in a number of Group companies were partly released in the course of 2015 following an update of estimated contingent liabilities.
Provisions, which represent the estimated future outflows calculated partly based on historical experience, were subject to actuarial valuation at the reporting date. As the effect was deemed negligible, it was not incorporated in the consolidated financial statements.

14. EMPLOYEE BENEFITS

Employee benefits amounted to €3,305 thousand, a net decrease of €334 thousand compared to 31 December 2014. The entire amount referred to the provision for post-employment benefits.
The provision for post-employment benefits refers only to the Group's Italian companies and includes substantially the post-employment benefits accrued by personnel employed as at 31 December, net of advances paid out to employees.
In accordance with what is established by domestic regulations, the amount due to each employee accrues based on services rendered and is disbursed when the employee leaves the company. The amount due upon termination of the employment relationship is calculated on the basis of its duration and the taxable wages of each employee. The liability is revalued each year on the basis of the official cost of living index and legal interest.
The relative regulations were supplemented by Italian Legislative Decree no. 252/2005 and Law no. 296/2006 (2007 Financial Act), which established that for companies with at least 50 employees the amounts accrued starting in 2007 would be allocated to the INPS Treasury Fund or to supplementary pension plans, at the choice of the employee, and would therefore become "Defined contribution plans".
In application of IAS 19, the provision for post-employment benefits is recalculated using the actuarial valuation methodology with the support of an external expert, and adjusted in relation to the occurrence of events which require its updating.
The date of the last actuarial valuation was 31 December 2015.
The breakdown and changes in the item as at 31 December 2015 are shown below:

	31/12/2015	31/12/2014
Liabilities as at 1 January	**3,639**	**3,068**
Provisions	151	116
Financial expense	52	94
Payments made	(349)	(172)
Actuarial (gains)/losses	(188)	533
Liabilities at the end of the period	**3,305**	**3,639**

The provision for post-employment benefits changed primarily based on uses for the year to provide advances and/or payments to former personnel.
The equity adjustment for actuarial gains and losses includes a net actuarial gain of €188 thousand, calculated as follows:

- Actuarial gain deriving from the change in the main actuarial assumptions used as at 31 December 2015 with respect to the previous valuation as at 31 December 2014: €208 thousand;
- Actuarial loss deriving from the effect of the change in the group subject to valuation between one valuation and another, which was different from what was assumed: €20 thousand.

Actuarial gains and losses are posted to shareholders' equity through the statement of comprehensive income.

The amounts recognised in the income statement are included in "Personnel costs" (Note 25).

The main financial and demographic assumptions used at the date of the last reference valuation of 31 December 2015 are shown below:

FINANCIAL ASSUMPTIONS	31/12/2015	31/12/2014
Discount rate	2.03%	1.49%
Inflation	1.50%	0.60%
Salary increase rate	2.50%	2.50%
Wage increase rate	1%	1%

DEMOGRAPHIC ASSUMPTIONS	31/12/2015	31/12/2015
Mortality rate	State General Accountancy Table RG48	State General Accountancy Table RG48
Disability	INPS Tables	INPS Tables
Personnel turnover	1.5% - 6%	1.5% - 6%
Advances	0.5% - 8%	0.5% - 8%
Retirement age	100% upon satisfaction of requirements	100% upon satisfaction of requirements

15. OTHER FINANCIAL LIABILITIES

The details of this item are shown below (in thousands of Euro):

M/L term financial liabilities

	31/12/2015	31/12/2014	Change
Lease payables	383	494	(111)
Total	**383**	**494**	**(111)**

Short-term financial liabilities

	31/12/2015	31/12/2014	Change
Fair value of derivatives	1,284	1,196	88
Lease payables	243	314	(71)
Total	**1,527**	**1,510**	**17**

This item referred primarily to the recognition of financial payables relating to assets held under finance leases.

16. TRADE PAYABLES

The breakdown of trade payables by geographical area is shown below (in thousands of Euro):

	31/12/2015	31/12/2014	Change
Italy	28,876	26,921	1,955
EU Countries	15,397	16,047	(650)
Other countries	2,799	1,940	859
Total	**47,072**	**44,908**	**2,164**

The average payment terms have not changed since the previous year. As at 31 December 2015, there were no past-due payables of significant amounts, and the Group has received no payment orders for past-due payables.
No trade payables with a residual maturity of more than 5 years were recognised in the financial statements.

17. TAX PAYABLES

The details of this item are shown below (in thousands of Euro):

	31/12/2015	31/12/2014	Change
Due to the tax authorities for income taxes	1,311	622	689
Tax withholdings	1,199	1,067	132
Other tax payables	25	26	(1)
Total	**2,535**	**1,715**	**820**

18. OTHER CURRENT LIABILITIES

The details of this item are shown below (in thousands of Euro):

	31/12/2015	31/12/2014	Change
To personnel	5,321	4,569	752
To social security institutions	3,083	2,969	114
To Directors and statutory auditors	1,117	1,392	(275)
Other current payables	1,010	3,043	(2,033)
Total	**10,531**	**11,973**	**(1,442)**

In the beginning of 2016, payables to personnel and social security institutions were paid in accordance with the relative due dates.
The item "Other current payables" as at 31 December 2014 included the amount due to shareholders for dividends, equal to €1,500 thousand.

19. DEFERRED TAX ASSETS AND LIABILITIES

The details of this item are shown below (in thousands of Euro):

	31/12/2015	31/12/2014	Change
Deferred tax assets	2,379	3,581	(1,202)
Deferred tax liabilities	(8,866)	(12,890)	4,024
Net position	**(6,487)**	**(9,309)**	**2,822**

The nature of the temporary differences that resulted in the recognition of deferred tax liabilities and assets and the relative changes during the year and the previous year are analysed below.

(in thousands of Euro)	TAX LOSSES	DEPREC./ AMORT. AND LEASING	FAIR VALUE OF DERIVATIVE INSTRUMENTS	2008 MERGER DEFICIT	ACTUARIAL VALUATION	PROV. AND VALUE ADJUST.	TAX IMPACT	OTHER DIFF.	TOT
1.01.2014	**(1,286)**	**3,353**	**(602)**	**10,123**	**36**	**(1,305)**	**(795)**	**(430)**	**9,094**
In income statement	(9)	(181)	294	(489)	(4)	(24)	788	(90)	**285**
In shareholders' equity	-	(8)	-	-	(147)	-	-	-	**(155)**
Exchange differences	80	-	-	-	-	-	7	(2)	**85**
31/12/2014	**(1,215)**	**3,164**	**(308)**	**9,634**	**(115)**	**(1,329)**	**-**	**(522)**	**9,309**
In income statement	(25)	(705)	12	(1,461)	3	317	-	408	**(1,451)**
In shareholders' equity	(164)	(281)	-	-	52	-	-	(967)	**(1,360)**
Exchange differences	(11)	-	-	-	-	-	-	-	**(11)**
31/12/2015	**(1,415)**	**2,178**	**(296)**	**8,173**	**(60)**	**(1,012)**	**0**	**(1,081)**	**6,487**

As at 31 December 2015, deferred tax assets referred to:
- tax losses that may be carried forward relating to some subsidiaries;
- the fair value of derivative instruments on commodities, exchange rates and interest rates, subscribed by the Parent Company and two subsidiaries;
- the deferred tax impact of the actuarial valuation of the post-employment benefits of Italian companies following the application of IAS 19;
- tax differences on increases in the provisions of Group companies;
- other tax differences, regarding net temporary recoveries such as unpaid remuneration, exchange differences and other.

As at 31 December 2015, deferred tax liabilities referred to:
- tax differences on depreciation, amortisation and leasing, regarding primarily the application of IAS 17, with respect to Italian GAAP;
- the recognition of taxes on the 2008 merger deficit allocated to trademarks, buildings, land, plant and equipment.

20. NET FINANCIAL POSITION

In accordance with the requirements of the Consob Communication of 28 July 2006, the Group's financial position is shown below (in thousands of Euro):

		31/12/2015	**31/12/2014**	**Change**
A.	Cash (Note 10)	46	44	2
B.	Unrestricted current account asset balances (Note 10)	55,220	29,694	25,526
C.	Current financial assets (Note 8)	64,756	269	64,487
D.	**Liquidity (A+B+C)**	**120,022**	**30,007**	**90,015**
E.	Current bank payables (Note 12)	1,994	1,615	379
F.	Current portion of non-current debt (Note 12)	18,486	19,774	(1,288)
G.	Other current financial liabilities (Note 15)	1,527	1,510	17
H.	**Current financial debt (E+F+G)**	**22,007**	**22,899**	**(892)**
I.	**Net current financial debt (H-D)**	**(98,015)**	**(7,108)**	**90,907**
J.	Non-current bank payables (Note 12)	93,434	56,001	37,433
K.	Other non-current financial liabilities (Note 15)	383	494	(111)
L.	**Non-current financial debt (J+K)**	**93,817**	**56,495**	**37,322**
M.	**Net financial debt (I+L)**	**(4,198)**	**49,387**	**53,585**

The consolidated statement of cash flows shows changes in cash and cash equivalents (letter A and B of this statement).

Comment on the main items of the consolidated income statement

21. REVENUES

In 2015, revenues from sales amounted to €210,577 thousand, a decrease of 1.9% compared to the previous year (€214,729 thousand as at 31 December 2014).

Revenues by product family

PRODUCTS	€ /000 2015	%	€ /000 2014	%	Delta	Delta %
Heat exchangers	114,685	54.5%	120,417	56.1%	(5,732)	(4.8%)
Air Cooled Equipment	72,049	34.2%	69,212	32.2%	2,837	4.1%
Doors	13,244	6.3%	10,794	5.0%	2,450	22.7%
Close Control	9,122	4.3%	11,650	5.5%	(2,528)	(21.7%)
Sub-total	**209,100**	**99.3%**	**212,073**	**98.8%**	**(2,973)**	**(1.4%)**
Other	1,477	0.7%	2,656	1.2%	(1,179)	(44.4%)
TOTAL	**210,577**	**100.0%**	**214,729**	**100.0%**	**(4,152)**	**(1.9%)**

Revenues by geographical area

GEOGRAPHICAL AREA	€ /000 2015	%	€ /000 2014	%	Delta	Delta %
Italy	56,185	26.7%	51,220	23.9%	4,965	9.7%
Germany	21,244	10.1%	27,260	12.7%	(6,016)	(22.1%)
Russia	16,003	7.6%	18,310	8.5%	(2,307)	(12.6%)
Czech Republic	11,804	5.6%	12,517	5.8%	(713)	(5.7%)
France	11,773	5.6%	12,567	5.9%	(794)	(6.3%)
Sweden	10,220	4.9%	9,537	4.4%	683	7.2%
Poland	8,237	3.9%	6,812	3.2%	1,425	20.9%
Great Britain	7,573	3.6%	8,276	3.9%	(703)	(8.5%)
Other countries	67,538	32.0%	68,230	31.7%	(692)	(1.0%)
TOTAL	**210,577**	**100.0%**	**214,729**	**100.0%**	**(4,152)**	**(1.9%)**

Please refer to the Directors' Report for detailed comments on trends in the reference markets during the year.

22. OTHER REVENUES

(in thousands of Euro)	2015	2014	Change
Own work capitalised	151	5	146
Contingent assets	967	134	833
Royalty income	6	15	(9)
Rent income	-	9	(9)
Other income	563	596	(33)
Total	**1,687**	**759**	**928**

As at 31 December 2015, the change in "Contingent assets" was mainly due to the release of a provision deemed excessive after the update of the estimate process (Note 13).

23. PURCHASES OF MATERIALS

(in thousands of Euro)	2015	2014	Change
Raw materials and purchased components	105,124	110,735	**(5,611)**
Consumables	3,176	1,221	**1,955**
Total	**108,300**	**111,956**	**(3,656)**

In 2015, the cost for the purchase of materials decreased significantly due to the decrease in sales volumes and an attentive policy for purchasing and using raw materials, combined with the reduction over the course of the year in the prices of the main raw materials used by the Group (mainly copper). All of this enabled the percentage represented by the cost of purchasing materials on revenues to be reduced by one percentage point (down from 52.0% in 2014 to 51.0% in 2015).

24. SERVICES

(in thousands of Euro)	2015	2014	Change
Expenses for energy, telephone and telex	3,450	3,289	161
General and advisory expenses	11,064	9,163	1,901
Advertising and promotional expenses	648	972	(324)
Transport expenses	4,105	3,854	251
Maintenance expenses	2,186	2,268	(82)
External processing	4,320	3,735	585
Commissions	871	811	60
Remuneration to the corporate bodies	1,867	1,964	(97)
Other costs for services	2,903	2,270	633
Costs for use of third-party assets	1,944	1,881	63
Total	**33,358**	**30,207**	**3,151**

As at 31 December 2015, the change in "General and advisory expenses" resulted from higher costs incurred for the AIM listing process, as described in more detail in the Directors' Report.

25. PERSONNEL COSTS

(in thousands of Euro)	2015	2014	Change
Wages and salaries	34,258	32,624	1,634
Social security costs	9,913	9,625	288
Post-employment benefits	1,222	1,129	93
Other personnel costs	942	250	692
Total	**46,335**	**43,628**	**2,707**

The average number of Group employees was 1,605 in 2015. As at 31 December 2015, the number of Group employees came to 1,661 (1,169 blue-collar, 467 white-collar and middle managers, 25 executives), against 1,528 in 2014 (1,123 blue-collar, 376 white-collar and middle managers, 29 executives).
The average number of temporary workers was 110 in 2015. As at 31 December 2015, the number of temporary workers came to 89, against 131 in 2014.

26. OTHER OPERATING COSTS

(in thousands of Euro)	2015	2014	Change
Losses and write-downs on trade receivables	291	271	20
Contingent liabilities	1	7	(6)
Non-income taxes	676	773	(97)
Provisions for risks	17	-	17
Other operating costs	126	658	(532)
Total	**1,111**	**1,709**	**(598)**

Non-income taxes included mainly taxes on owned property.
Provisions related to increases in the provisions described in Note 13.

27. FINANCIAL INCOME

(in thousands of Euro)	2015	2014	Change
Interest income	114	67	47
Other income	397	189	208
Total	**511**	**256**	**255**

The increase in income was mainly due to returns from the investment of liquidity (see Note 8).

28. FINANCIAL EXPENSE

(in thousands of Euro)	2015	2014	Change
Interest expense to banks	2,078	2,827	(749)
Interest expense to other lenders	22	45	(23)
Other financial expense	1,422	353	1,069
Total	**3,522**	**3,225**	**297**

"Interest expense to banks" decreased due to the reduction in average financial debt as well as in interest rates compared to 2014.
The item "Other financial expense" includes:

- the spread of €474 thousand between the fair value of ISI as at 30 June 2015, represented by its identifiable assets, and the carrying amount of its shareholders' equity at the same date, as the effect of accounting for the merger between ISI S.p.A. and the Parent Company, mentioned above;
- expense deriving from the measurement at fair value of investments of liquidity (see Note 8).

29. EXCHANGE GAINS AND LOSSES

In 2015, the Group realised net exchange losses of roughly €370 thousand (net losses of €2,741 thousand in 2014). The depreciation of the euro with respect to the rouble had a very significant impact on the Group in 2014. This process of depreciation also continued in 2015, although in a much less pronounced manner, making it possible to limit the negative impact of exchange losses.

30. INCOME TAXES

(in thousands of Euro)	**2015**	**2014**	**Change**
Current taxes	2,493	3,954	(1,461)
Deferred tax liabilities	(1,451)	285	(1,736)
Adjustment previous year	(100)	(50)	(50)
Total	**942**	**4,189**	**(3,247)**

In 2015, taxes relating to previous years referred primarily to tax refunds obtained during the year in response to requests submitted in previous years and not accounted for as their recoverability was uncertain.

The reconciliation between the tax charge recognised in the financial statements and the theoretical tax charge, determined on the basis of theoretical tax rates in force in Italy, is shown below:

(in thousands of Euro)	**2015**
Theoretical income taxes	2,898
Tax effect of permanent differences	(503)
Income taxes recognised in the financial statements	**2,493**
Broken down as follows:	
IRES Italian subsidiaries	171
Of which IRES Parent Company	-
IRAP	310
Taxes foreign companies	2,012
Total	**2,493**

Theoretical taxes were determined by applying the IRES tax rate in force, equal to 27.50%, to the pre-tax profit.

As at 31 December 2015, there were no significant tax disputes.

31. EARNINGS PER SHARE

The basic and diluted earnings per share were calculated based on the following data:

UTILE ***(Valori in migliaia di Euro)***	**2015**	**2014**
Utile netto dell'esercizio	9.099	10.114

NUMERO DI AZIONI	**2015**	**2014**
Numero medio ponderato di azioni ordinarie per la deteerminazione dell'utile per azione base	**19.539.629**	**13.218.314**
Effetto di diluizione derivante da azioni ordinarie potenziali	1.496.772	-
Numero medio ponderato di azioni ordinarie per la determinazione dell'utile per azione diluito	**21.036.401**	**13.218.314**

UTILE PER AZIONE ***(Valori in unità di Euro)***	**2015**	**2014**
Utile per azione base	0,47	0,77
Utile per azione diluito	0,43	0,77

32. DIVIDENDS

In June 2015, before the admission of the Parent Company's shares to listing on the AIM market, dividends of €3.0 million were distributed.
With respect to the year under way, the Directors proposed the payment of a €0.20 dividend per share. This dividend is subject to the approval of the shareholders at the annual meeting called for the approval of the separate financial statements and therefore it was not included under liabilities in these financial statements.
The proposed dividend will be payable on 11 May 2016 (ex-dividend date 9 May and record date 10 May).

33. SEGMENT REPORTING

As regards segment reporting, the Group has applied IFRS 8, which focuses attention on the reporting used internally by the company management, by requiring the publication of segment reporting information based on the elements used by management to take operating decisions.

By segmenting its activities based on product type, production processes and end markets, the Group has identified two strategic business units: that relating to Air cooled and close control products and that relating to OEM products. Compared to the information provided on sales in the Directors' Report, the turnover from air cooled and close control products was combined and the turnover from heat exchangers and glass doors was combined:

SEGMENT	€ /000 2015	%	€ /000 2014	%	Delta	Delta %
Air Cooled Equipment	72,049	34.5%	69,212	32.6%	2,837	4.1%
Close Control	9,122	4.4%	11,650	5.5%	(2,528)	(21.7%)
AIR COOLED SBU	**81,171**	**38.9%**	**80,862**	**38.1%**	**309**	0.4%
Heat exchangers	114,685	54.9%	120,417	56.8%	(5,732)	(4.8%)
Doors	13,244	6.3%	10,794	5.1%	2,450	22.7%
OEM SBU	**127,929**	**61.1%**	**131,211**	**61.9%**	**(3,282)**	(2.5%)
TOTAL PRODUCT TURNOVER	**209,100**	**100.00%**	**212,073**	**100.00%**	**(2,973)**	**(1.4%)**

The operating segments are therefore identified as components of an enterprise whose financial information is available and measured regularly by the top management to decide how to allocate resources and to assess performance.

Information is provided below by segment as at 31 December 2015 and 31 December 2014 (in thousands of Euro):

	2015				**2014**			
	Original Equipment Manufacturer	Air cooled	Unallocated costs	**Total**	Original Equipment Manufacturer	Air cooled	Unallocated costs	**Total**
Revenues	127,929	81,171	-	**209,100**	131,211	80,862	-	**212,073**
EBITDA	18,565	8,531	(876)	**26,220**	18,926	12,714	(221)	**31,419**
Investments	8,545	5,537	-----	**14,082**	8,603	5,869	-----	**14,472**
Property, plant and equipment	99,755	100,712	-----	**200,467**	93,251	97,208	-----	**190,459**

Unallocated costs in 2015 related to the listing.

34. INFORMATION ON FINANCIAL RISKS

Categories of financial instruments

Pursuant to IFRS 7, financial instruments are broken down into the categories set forth by IAS 39 below.

	31/12/2015	31/12/2014
Financial assets		
Cash and cash equivalents	55,266	29,738
Trade receivables	33,761	37,988
Current financial assets	64,599	0
Fair value in income statement		
Trading derivatives	157	269
Financial liabilities		
Loans	114,540	78,198
Trade payables	47,072	44,908
Fair value in income statement		
Trading derivatives	1,284	1,196

The Group is exposed to financial risks connected with its operations, and primarily:

- credit risk, particularly with reference to normal trade relations with customers;
- market risk, relating to volatility in raw material prices, exchange rates and interest rates;
- liquidity risk, which may take the form of the inability to obtain the financial resources necessary for Group operations.

One of the LU-VE Group's policies is to protect its exposure to fluctuations in prices, exchange rates and interest rates using derivative financial instruments. This hedging may be achieved using forward contracts, options and interest rate swaps. Generally, the maximum term of these hedges is no longer than 18 months.
Please note that all derivative instruments were subscribed in order to hedge the underlying risks. However, at the date of presentation of these financial statements, not all requirements of IAS 39 were satisfied. Therefore, the Group management deemed it appropriate to treat those instruments as trading, not hedging, transactions.

Credit risk management

The Company assesses the creditworthiness of all customers at the start of the supply and then periodically. Each customer is assigned a credit limit based on this assessment. Dedicated insurance coverage is taken out for certain customers.

Exchange rate risk management
The main currencies other than the Euro to which the Group is exposed are the Czech koruna, the Russian rouble and the Polish zloty due to the presence of production facilities in the Czech Republic, Russia and Poland, and the US dollar for purchases of raw materials.

Sensitivity analysis
With reference to financial assets and liabilities in foreign currency as at 31 December 2015, a theoretical and immediate revaluation of the euro by 10% compared to other currencies would have entailed a loss of €1,225 thousand.

Interest rate risk management
The Company’s financial debt is floating rate; to reach an optimal mix between floating and fixed rates in the loan structure, the Company evaluates whether to use derivative financial instruments which, as noted above, although they are for hedging purposes, do not satisfy all requirements laid out by the IAS principle. Therefore, these instruments were also categorised as trading instruments.

Sensitivity analysis
With reference to the floating rate financial assets and liabilities as at 31 December 2015, a theoretical increase in interest rates by 100 basis points with respect to the exact interest rates in force at the same date, with all other variables remaining the same, would have entailed an increase in financial expense equal to €2,957 thousand, without taking into account transactions with derivative instruments which were considered for trading.

Raw material price risk management
Copper and aluminium account for a significant share of the Group’s purchasing costs. In some cases, product sale agreements have clauses for the adjustment of raw material prices. When those clauses are not included, it is not possible for the Group to immediately transfer changes in raw material prices to customers in the course of the year. In this case, the Group protects itself from the risk of fluctuating prices with purchase contracts with suppliers for delivery in up to twelve months or, alternatively, by means of derivative financial instruments.

Liquidity risk management
Following the merger with ISI, commented on multiple times now, the Group closed 2015 with a positive net financial position (also see note 20). In addition, the Group has unused short-term credit lines totalling roughly €50 million. In addition, to minimise liquidity risk the Administration and Financial Department:

- constantly checks forecast financial requirements to promptly take any appropriate actions;
- maintains the proper composition of net financial debt, financing investments with own funds and possibly with medium/long-term loans.

An analysis of financial liabilities as at 31 December 2014 and as at 31 December 2013 is provided below by maturity:

As at 31 December 2015	**Carrying amount**	**Contractual cash flows**	**Within 1 year**	**From 1 to 5 years**	**More than 5 years**
Bank loans	111,920	114,417	19,061	86,737	8,619
Advances on invoices	1,994	1,994	1,994	0	0
Finance leases	626	658	390	268	0
Total financial payables	**114,540**	**117,069**	**21,445**	**87,005**	**8,619**
Trade payables	47,072	47,072	47,072	0	0
Total	**161,612**	**164,141**	**68,517**	**87,005**	**8,619**

The various maturity ranges are based on the period between the reporting date and the contractual maturity of the obligations. The values specified in the table correspond to undiscounted cash flows. The cash flows include principal and interest; for floating rate liabilities, interest is calculated based on the value of the benchmark at the date of year-end close, plus the spread established for each contract.

Fair value hierarchy

In relation to the financial instruments recognised in the statement of financial position at fair value, IFRS 7 requires those values to be classified on the basis of a hierarchy with levels reflecting the significance of the inputs used to measure the fair value. The hierarchy includes the following levels:

- Level 1 - quoted prices in active markets for the assets or liabilities subject to assessment;
- Level 2 - inputs other than the quoted prices pursuant to the point above, which may be observed directly (prices) or indirectly (derived from prices) in the market;
- Level 3 - inputs which are not based on observable market data

The table below shows the assets and liabilities measured at fair value as at 31 December 2014, by fair value hierarchy level.

	Level 1	*Level 2*	*Level 3*	*Total*
Other financial assets	-	157	-	157
Other financial liabilities	-	1,284	-	1,284
Total liabilities	**0**	**1,127**	**0**	**1,127**

35. RELATED PARTY TRANSACTIONS

Transactions between consolidated companies were eliminated in the consolidated financial statements and are not shown in these notes. The summary of balance sheet and income statement items relating to transactions between the Group and other related parties in 2015 is provided below:

In Euro	Other Revenues	Costs of raw materials and consumables	Costs for services	Financial income	Financial expense	Trade receivables	Other receivables	Receivables and other current financial assets	Trade payables	Financial payables	Other payables
RELATED COMPANIES											
RISTOR ARCO S.R.L.			477						81		
FINAMI S.R.L.	1		189	31			31		23		
MGPE S.R.L.									31		
Total	**1**	-	**665**	**31**	-	-	**31**	-	**135**	-	-

The transactions were governed by dedicated contracts aligned with arm's length conditions.

36. SHARE-BASED PAYMENTS

As at 31 December 2015, there were no share-based incentive plans in favour of Group Directors or employees.

37. COMMITMENTS AND RISKS

As at 31 December 2015, third-party goods worth a total of €982 thousand were held by the Parent Company.

38. ADOPTION OF IAS/IFRS INTERNATIONAL ACCOUNTING STANDARDS - notes and reconciliation statements set forth in IFRS 1 "First-time adoption of International Financial Reporting Standards"

The consolidated financial statements as at 31 December 2015 were the first complete financial statements prepared in accordance with the international accounting standards ("IAS/IFRS") issued by the International Accounting Standards Board (IASB) and endorsed by the EU, following the entry into force of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of July 2002. The Lu-Ve Group voluntarily adopted those accounting standards as established in Italian Legislative Decree no. 38/2005.

In compliance with IFRS 1 - First-time adoption of IFRS, this note provides the reconciliation with IAS/IFRS of the asset and liability balances as at 1 January and 31 December 2014, as well as of the income statement balances for the year 2014, prepared in accordance with the accounting standards issued by the Italian Accounting Standard Setter (OIC) (or "**Italian GAAP**"), as well as the relative explanatory notes. To that end, the Group restated the following in accordance with international accounting standards:

- the balance sheet at the transition date (1 January 2014), corresponding to the start of the period presented for comparative purposes in the first IFRS financial statements, and
- the balance sheet and the income statement for the year ending on 31 December 2014, the period presented for comparative purposes at the date of the first IFRS financial statements.

The effect of adjusting the opening balances of assets and liabilities to the new accounting standards was recognised in a dedicated Shareholders' Equity reserve (the First Time Adoption Reserve), net of the related tax effect recognised in deferred tax assets or in deferred tax liabilities, as applicable.

The reconciliation statements mentioned above were prepared only for the purpose of the transition process for the preparation of the 2015 financial statements and therefore do not include comparative data and the explanatory notes that would be required to provide a true and fair view of the Group's equity and financial situation and economic results in compliance with IAS/IFRS.
The above-mentioned reconciliation statements have been audited.

FIRST TIME ADOPTION OF IFRS
General principle
The Lu-Ve Group applied the accounting standards in force as at 31 December 2014 retrospectively to all periods included in the first IFRS financial statements and to the opening balance sheet, with the exception of certain exemptions applied by the Company in compliance with IFRS 1, described in the following paragraph.
The opening balance sheet as at 1 January 2014 reflects the following accounting differences compared to the financial statements as at 31 December 2013 prepared in compliance with Italian GAAP:

- ✓ all assets and liabilities that must be recognised according to IAS/IFRS, including those not required by Italian GAAP, were recognised and measured in accordance with IAS/IFRS;
- ✓ all assets and liabilities that must be recognised according to Italian GAAP but cannot be recognised under IAS/IFRS were eliminated;
- ✓ some financial statement items were reclassified in accordance with IAS/IFRS.

The effects of these adjustments were recognised directly in the opening shareholders' equity at the date of first-time application of IAS/IFRS (1 January 2014).
In the process of transitioning to IAS/IFRS, the estimates previously formulated in accordance with Italian GAAP were not changed unless the adoption of IAS/IFRS required the formulation of estimates using different methodologies.

Financial statements
As regards the new statement layouts, LU-VE S.p.A. adopted the "current/non-current" distinction in the presentation of assets and liabilities in the balance sheet. To present income two statements were used, the first called the "income statement" and the second called the "statement of comprehensive income". These decisions resulted in the reclassification of the historical financial statements prepared in accordance with the layouts set forth in art. 2424 and art. 2425 of the Italian Civil Code, as amended and supplemented.

Income statement items continue to be classified by nature.

Optional exemptions and accounting approaches adopted by the Lu-Ve Group

The optional exemptions provided in IFRS 1 upon first time adoption of IAS/IFRS (1 January 2014) and applied by the Lu-Ve Group are listed below:

- **business combinations**: the Group decided not to apply IFRS 3 - Business combinations retrospectively for transactions that took place before the date of transition to IAS/IFRS; therefore, asset and liability items deriving from the recognition of business combinations in accordance with Italian GAAP were not restated. In the transition process, assets and liabilities not meeting the requirements for recognition were eliminated and the assets and liabilities required by IAS/IFRS were recognised (i.e., deferred taxes). These adjustments were recognised as a matching entry to goodwill deriving from previous business combinations.

  In compliance with IFRS 1, the Group tested goodwill for impairment at the IAS/IFRS transition date. It was not necessary to recognise impairment on goodwill as at 1 January 2014.

  The Group did not apply IAS 21 retrospectively to the fair value of adjustments and to goodwill deriving from previous business combinations. These adjustments of fair value and goodwill were considered assets and liabilities of the parent company rather than assets and liabilities of the acquired company. Therefore, the assets and liabilities were already expressed in the functional currency of the parent company or were non-monetary assets and liabilities in a currency other than the Group's functional currency, which did not require subsequent adjustments.

- **Cumulative translation differences**: the Group decided to make use of the exemption provided for cumulative translation differences that arise from the translation of the financial statements of subsidiaries expressed in foreign currency present in consolidated shareholders' equity at the date of transition to IFRS.

- **Employee benefits**: the Group decided to recognise all cumulative actuarial gains and losses as at 1 January 2014 calculated in accordance with IAS 19. The Group decided to provide the employee benefits disclosure on a prospective basis beginning from the transition date.

- **Property, plant and equipment**: the Group recorded the revaluations provided by law in the course of 2008 with respect to certain land and buildings. The legal revaluations recognised were not considered representative of the assets' fair value and, therefore, they were reversed at the transition date.

- The Group applied the transition rules set forth in IFRIC 4 - ***Determining Whether an Arrangement Contains a Lease*** and assessed all existing agreements based on their conditions on the transition date.

Accounting estimates and approaches

The estimates as at 1 January 2014 and as at 31 December 2014 are consistent with what was carried out on the same dates in compliance with Italian GAAP (subsequent to adjustments made to account for differences in accounting standards) with the exception of the items listed below, for which Italian GAAP does not require an estimate:

- Employee benefits;
- Derivative financial instruments;
- Financial assets available for sale.

The accounting approaches chosen from the options provided by IAS/IFRS were:

- **measurement of property, plant and equipment and intangible assets**: subsequent to initial recognition, IAS 16 and IAS 38 require those assets to be measured at cost or fair value. The Group decided to adopt the cost method.

Description of the significant effects of the transition to IAS/IFRS

The tables below highlight the effects, in terms of reclassifications as well as adjustments, of the transition to IAS/IFRS on the consolidated statement of financial position as at 1 January 2014 and as at 31 December 2014, the income statement and consolidated statement of comprehensive income relating to the year ending on 31 December 2014 and consolidated shareholders' equity, including the consolidated profit (loss) for the year as at 31 December 2014 (please note that in order to prepare the reconciliations reported below, the consolidated statement of financial position and the consolidated income statement in the financial statements prepared in accordance with Italian GAAP were reclassified in compliance with the classification required by the IAS/IFRS adopted by the Group).
The statements below show, for each item in individual columns:

- the values according to Italian GAAP reclassified in accordance with the IAS/IFRS statements adopted by the Lu-Ve Group;
- the values of the reclassifications carried out as a result of the different accounting methods set forth in IAS/IFRS, with an indication of the relative explanatory note;
- the values of adjustments made following the application of IAS/IFRS with respect to Italian GAAP, with an indication of the relative explanatory note;
- the closing values according to IAS/IFRS.

The adjustments shown in the table with reference to deferred tax liabilities/assets relate to the recognition of the effects of adjustments resulting from the conversion to IAS/IFRS. Note that the deferred tax assets/liabilities recognised in the financial statements as at 1 January 2014 were calculated by applying the rates in force at the date of transition to IAS/IFRS. Subsequently the tax effects were updated at 31 December 2014.

Reconciliation of the Consolidated Statement of Financial Position as at 1 January 2014 restated in accordance with IAS/IFRS

The tables below show, in summary and detailed form, the reconciliation of the Consolidated Statement of Financial Position as at 1 January 2014.

Summary statement

(in thousands of Euro)	Balances for Italian GAAP	(a) IAS/IFRS reclassifications	H IAS 27 Brener Consolidation	(b) IAS/IFRS adjustments	(a)+(b) IFRS balances
ASSETS					
Goodwill	18,179	-	-	3,530	21,709
Other intangible assets	8,123	(26)	-	2,118	10,215
Property, plant and equipment	82,511	-	383	(3,771)	78,740
Other property, plant and equipment	4,876	26	-	1,271	6,173
Deferred tax assets	3,245	-	-	1,396	4,641
Equity investments	382	-	(376)	(376)	6
Other non-current assets	884	36	-	-	920
NON-CURRENT ASSETS	118,200	36	7	4,168	122,404
Inventories	17,470	-	-	-	17,470
Trade receivables	36,630	-	-	-	36,630
Due from the tax authorities for current taxes	2,366	-	-	-	2,366
Current financial assets	-	-	-	-	-
Other current assets	2,902	(163)	-	-	2,739
Cash and cash equivalents	35,229	-	-	-	35,229
CURRENT ASSETS	94,597	- 163	-	-	94,434
ASSETS HELD FOR SALE	-	-	-	-	-
TOTAL ASSETS	**212,797**	**(127)**	**7**	**4,168**	**216,838**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Share capital	9,000	-	-	-	9,000
Reserves and retained earnings (losses)	42,241	-	-	(2,785)	39,456
Profit (loss) for the year	3,366	-	-	-	3,366
Total shareholders' equity attributable to the Parent Company	*54,607*	-	-	(2,785)	51,822
Non-controlling interests	*27,677*	-			27,677
SHAREHOLDERS' EQUITY	82,284	-	-	(2,785)	79,499
Loans	45,872	(61)	-	-	45,811
Provisions	3,133	-	-	-	3,133
Employee benefits	2,843	-	-	(130)	2,713
Deferred tax liabilities	8,567	-	7	5,167	13,734
Other financial liabilities	161	-	-	-	161
NON-CURRENT LIABILITIES	60,576	(61)	7	5,037	65,552
Trade payables	40,069	-	-	-	40,069
Loans	18,217	(66)	-	-	18,151
Provisions	-	-	-	-	-
Tax payables	2,177	-	-	-	2,177
Other current financial liabilities	70	-	-	1,916	1,986
Other current liabilities	9,404	-	-	-	9,404
CURRENT LIABILITIES	69,937	(66)	-	1,916	71,787
LIABILITIES HELD FOR SALE	-	-	-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**212,797**	**(127)**	**7**	**4,168**	**216,838**

Detailed statement

(in thousands of Euro)	Balances for Italian GAAP	IAS/IFRS reclassifications	A	B	C	D	E	F	G	H	IAS/IFRS adjustments	IFRS balances
			IFRS 3/IAS 36 Goodwill	IAS 38 Development costs	IAS 16 Reversal of revaluation	IAS 16 Useful life of moulds	IAS 12 Tax relief on investments	IAS 19 Employee benefits	IAS 39 Measurement of financial instruments	IAS 27 Brener Consolidation		
ASSETS												
Goodwill	**18,179**	**-**	3,530	-	-	-	-	-	-	-	3,530	**21,709**
Other intangible assets	**8,123**	**(26)**	-	2,118	-	-	-	-	-	-	2,118	**10,215**
Property, plant and equipment	**82,511**	**-**	-	-	(4,154)	-	-	-	-	383	(3,771)	**78,740**
Other property, plant and equipment	**4,876**	**26**	-	-	-	1,271	-	-	-	-	1,271	**6,173**
Deferred tax assets	**3,245**	**-**	-	-	-	-	795	-	601	-	1,396	**4,641**
Equity investments	**382**	**-**	-	-	-	-	-	-	-	(376)	(376)	**6**
Other non-current assets	**884**	**36**	-	-	-	-	-	-	-	-	-	**920**
NON-CURRENT ASSETS	**118,200**	**36**	**3,530**	**2,118**	**(4,154)**	**1,271**	**795**	**-**	**601**	**7**	**4,168**	**122,404**
Inventories	**17,470**	**-**	-	-	-	-	-	-	-	-	-	**17,470**
Trade receivables	**36,630**	**-**	-	-	-	-	-	-	-	-	-	**36,630**
Due from the tax authorities for current taxes	**2,366**	**-**	-	-	-	-	-	-	-	-	-	**2,366**
Current financial assets	-	**-**	-	-	-	-	-	-	-	-	-	**-**
Other current assets	**2,902**	**(163)**	-	-	-	-	-	-	-	-	-	**2,739**
Cash and cash equivalents	**35,229**	**-**	-	-	-	-	-	-	-	-	-	**35,229**
CURRENT ASSETS	**94,597 -**	**163**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**94,434**
ASSETS HELD FOR SALE	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL ASSETS	**212,797**	**(127)**	**3,530**	**2,118**	**(4,154)**	**1,271**	**795**	**-**	**601**	**7**	**4,168**	**216,838**
LIABILITIES AND SHAREHOLDERS' EQUITY												
Share capital	**9,000**	-	-	-	-	-	-	-	-	-	-	**9,000**
Reserves and retained earnings (losses)	**42,241**	-	(1,396)	1,453	(3,289)	872	795	95	(1,315)	-	(2,785)	**39,456**
Profit (loss) for the year	**3,366**	**-**	**-**	-	-	-	-	-	-	-	-	**3,366**
Total shareholders' equity attributable to the Parent Company	***54,607***	**-**	**(1,396)**	**1,453**	**(3,289)**	**872**	**795**	**95**	**(1,315)**	**-**	**(2,785)**	**51,822**
Non-controlling interests	***27,677***	**-**										**27,677**
SHAREHOLDERS' EQUITY	**82,284**	**-**	**(1,396)**	**1,453**	**(3,289)**	**872**	**795**	**95**	**(1,315)**	**-**	**(2,785)**	**79,499**
Loans	**45,872**	**(61)**	-	-	-	-	-	-	-	-	-	**45,811**
Provisions	**3,133**	**-**	-	-	-	-	-	-	-	-	-	**3,133**
Employee benefits	**2,843**	**-**	-	**-**	-	-	-	(130)	-	-	(130)	**2,713**
Deferred tax liabilities	**8,567**	**-**	4,926	665	(865)	399	-	35	-	7	5,167.00	**13,734**
Other financial liabilities	**161**	**-**	-	-	-	-	-	-	-	-	-	**161**
NON-CURRENT LIABILITIES	**60,576**	**(61)**	**4,926**	**665**	**(865)**	**399**	**-**	**(95)**	**-**	**7**	**5,037**	**65,552**
Trade payables	**40,069**	**-**	-	-	-	-	-	-	-	-	-	**40,069**
Loans	**18,217**	**(66)**	-	-	-	-	-	-	-	-	-	**18,151**
Provisions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	**-**
Tax payables	**2,177**	**-**	-	-	-	-	-	-	-	-	-	**2,177**
Other current financial liabilities	**70**	**-**	-	-	-	-	-	-	1,916	-	1,916	**1,986**
Other current liabilities	**9,404**	**-**	-	-	-	-	-	-	-	-	-	**9,404**
CURRENT LIABILITIES	**69,937**	**(66)**	**-**	**-**	**-**	**-**	**-**	**-**	**1,916**	**-**	**1,916**	**71,787**
LIABILITIES HELD FOR SALE	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**212,797**	**(127)**	**3,530**	**2,118**	**(4,154)**	**1,271**	**795**	**-**	**601**	**7**	**4,168**	**216,838**

Reconciliation of the Consolidated Statement of Financial Position as at 31 December 2014 restated in accordance with IAS/IFRS

The tables below show, in summary and detailed form, the reconciliation of the Consolidated Statement of Financial Position as at 31 December 2014.

Summary statement

(in thousands of Euro)	Balances for Italian GAAP	(a) IAS/IFRS reclassifications	(b) IAS/IFRS adjustments	(a)+(b) IFRS balances
ASSETS				
Goodwill	26,684		2,889	29,573
Other intangible assets	8,297	(208)	1,970	10,059
Property, plant and equipment	82,579		(3,681)	78,898
Other property, plant and equipment	7,410	208	1,061	8,679
Deferred tax assets	3,087		494	3,581
Equity investments and other financial assets	397		(376)	21
Other non-current assets	798	41	-	839
NON-CURRENT ASSETS	129,252	41	2,357	131,650
Inventories	21,693	-	-	21,693
Trade receivables	37,988	-	-	37,988
Due from the tax authorities for current taxes	3,225	-	-	3,225
Current financial assets	55	-	214	269
Other current assets	2,496	(575)	-	1,921
Cash and cash equivalents	29,738	-	-	29,738
CURRENT ASSETS	95,195	(575)	214	94,834
ASSETS HELD FOR SALE	-	-	-	-
TOTAL ASSETS	224,447	(534)	2,571	226,484
LIABILITIES AND SHAREHOLDERS' EQUITY				
Share capital	10,946	-	-	10,946
Reserves and retained earnings (losses)	46,339	-	(1,776)	44,563
Profit (loss) for the year	7,573	-	2,542	10,115
Total shareholders' equity attributable to the Parent Company	*64,858*	-	766	65,624
Non-controlling interests	*3,233*	-		3,233
SHAREHOLDERS' EQUITY	68,091	-	766	68,857
Loans	56,345	(344)	-	56,001
Provisions	3,108	-	-	3,108
Employee benefits	3,229	-	410	3,639
Deferred tax liabilities	12,691	-	198	12,889
Other financial liabilities	494	-	-	494
NON-CURRENT LIABILITIES	75,867	(344)	608	76,131
Trade payables	44,908	-	-	44,908
Loans	21,579	(190)	-	21,389
Provisions	-	-	-	-
Tax payables	1,715	-	-	1,715
Other current financial liabilities	314	-	1,197	1,511
Other current liabilities	11,973	-	-	11,973
CURRENT LIABILITIES	80,489	(190)	1,197	81,496
LIABILITIES HELD FOR SALE	-	-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	224,447	(534)	2,571	226,484

Detailed statement

(in thousands of Euro)	Balances for Italian GAAP	IAS/IFRS reclassifications	A IFRS 3/IAS 36 Goodwill	B IAS 38 Development costs	C IAS 16 Reversal of revaluation	D IAS 16 Useful life of moulds	E IAS 12 Tax relief on investments	F IAS 19 Employee benefits	G IAS 39 Measurement of financial instruments	H IAS 27 Brener Consolidation	I IAS 32 Listing costs	IAS/IFRS adjustments	IFRS balances
ASSETS													
Goodwill	**26,684**		2,889	-	-	-	-	-	-	-	-	2,889	**29,573**
Other intangible assets	**8,297**	**(208)**	-	2,191	-	-	-	-	-	-	(221)	1,970	**10,059**
Property, plant and equipment	**82,579**		-	-	(4,049)	-	-	-	-	368	-	(3,681)	**78,898**
Other property, plant and equipment	**7,410**	**208**	-	-	-	1,061	-	-	-	-	-	1,061	**8,679**
Deferred tax assets	**3,087**		-	-	-	-	-	114	308	3	69	494	**3,581**
Equity investments and other financial assets	**397**		-	-	-	-	-	-	-	(376)	-	(376)	**21**
Other non-current assets	**798**	**41**	-	-	-	-	-	-	-	-	-	-	**839**
NON-CURRENT ASSETS	**129,252**	**41**	**2,889**	**2,191**	**(4,049)**	**1,061**	**-**	**114**	**308**	**(5)**	**(152)**	**2,357**	**131,650**
Inventories	**21,693**	**-**	-	-	-	-	-	-	-	-	-	-	**21,693**
Trade receivables	**37,988**	**-**	-	-	-	-	-	-	-	-	-	-	**37,988**
Due from the tax authorities for current taxes	**3,225**	**-**	-	-	-	-	-	-	-	-	-	-	**3,225**
Current financial assets	**55**	**-**	-	-	-	-	-	-	214	-	-	214	**269**
Other current assets	**2,496**	**(575)**	-	-	-	-	-	-	-	-	-	-	**1,921**
Cash and cash equivalents	**29,738**	**-**	-	-	-	-	-	-	-	-	-	-	**29,738**
CURRENT ASSETS	**95,195**	**(575)**	**-**	**-**	**-**	**-**	**-**	**-**	**214**	**-**	**-**	**214**	**94,834**
ASSETS HELD FOR SALE	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL ASSETS	**224,447**	**(534)**	**2,889**	**2,191**	**(4,049)**	**1,061**	**-**	**114**	**522**	**(5)**	**(152)**	**2,571**	**226,484**
LIABILITIES AND SHAREHOLDERS' EQUITY													
Share capital	**10,946**	**-**	-	-	-	-	-	-	-	-	-	-	**10,946**
Reserves and retained earnings (losses)	**46,339**	**-**	-	1,453	(3,289)	872	795	(292)	(1,315)	-	-	(1,776)	**44,563**
Profit (loss) for the year	**7,573**	**-**	2,889	50	72	(146)	(795)	(4)	640	(12)	(152)	2,542	**10,115**
Total shareholders' equity attributable to the Parent Company	***64,858***	**-**	**2,889**	**1,503**	**(3,217)**	**726**	**-**	**(296)**	**(675)**	**(12)**	**(152)**	**766**	**65,624**
Non-controlling interests	***3,233***	**-**											**3,233**
SHAREHOLDERS' EQUITY	**68,091**	**-**	**2,889**	**1,503**	**(3,217)**	**726**	**-**	**(296)**	**(675)**	**(12)**	**(152)**	**766**	**68,857**
Loans	**56,345**	**(344)**	-	-	-	-	-	-	-	-	-	-	**56,001**
Provisions	**3,108**	**-**	-	-	-	-	-	-	-	-	-	-	**3,108**
Employee benefits	**3,229**	**-**	-	-	-	-	-	410	-	-	-	410	**3,639**
Deferred tax liabilities	**12,691**	**-**	-	688	(832)	335	-	-	-	7	-	198	**12,889**
Other financial liabilities	**494**	**-**	-	-	-	-	-	-	-	-	-	-	**494**
NON-CURRENT LIABILITIES	**75,867**	**(344)**	**-**	**688**	**(832)**	**335**	**-**	**410**	**-**	**7**	**-**	**608**	**76,131**
Trade payables	**44,908**	**-**	-	-	-	-	-	-	-	-	-	-	**44,908**
Loans	**21,579**	**(190)**	-	-	-	-	-	-	-	-	-	-	**21,389**
Provisions	-	**-**	-	-	-	-	-	-	-	-	-	-	**-**
Tax payables	**1,715**	**-**	-	-	-	-	-	-	-	-	-	-	**1,715**
Other current financial liabilities	**314**	**-**	-	-	-	-	-	-	1,197	-	-	1,197	**1,511**
Other current liabilities	**11,973**	**-**	-	-	-	-	-	-	-	-	-	-	**11,973**
CURRENT LIABILITIES	**80,489**	**(190)**	**-**	**-**	**-**	**-**	**-**	**-**	**1,197**	**-**	**-**	**1,197**	**81,496**
LIABILITIES HELD FOR SALE	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**224,447**	**(534)**	**2,889**	**2,191**	**(4,049)**	**1,061**	**-**	**114**	**522**	**(5)**	**(152)**	**2,571**	**226,484**

Reconciliation of Consolidated Shareholders' Equity as at 1 January 2014 and as at 31 December 2014 restated in accordance with IAS/IFRS

(in thousands of Euro)	Note	1/01/2014	31/12/2014
SHAREHOLDERS' EQUITY ACCORDING TO ITALIAN GAAP		**82,284**	**68,091**
Goodwill	A	3,530	2,889
Development costs	B	2,118	2,191
Reversal of revaluation	C	(4,154)	(4,049)
Useful life of moulds	D	1,271	1,061
Tax relief on investments	E	795	-
Employee benefits	F	130	(410)
Measurement of financial instruments	G	(1,916)	(983)
Brener Consolidation	H	-	(8)
Listing costs	I	-	(221)
Recognition of deferred tax assets/liabilities		(4,559)	296
SHAREHOLDERS' EQUITY ACCORDING TO IAS/IFRS		**79,499**	**68,857**

Reconciliation of the Income Statement and the Consolidated Statement of Comprehensive Income as at 31 December 2014 restated in accordance with IAS/IFRS

The tables below show, in summary and detailed form, the reconciliation of the Consolidated Income Statement as at 31 December 2014.

Summary statement

(in thousands of Euro)	Balances for Italian GAAP	(a) IAS/IFRS reclassifications	(b) IAS/IFRS adjustments	(a)+(b) IFRS balances
REVENUES AND OPERATING INCOME				
Revenues	212,130	2,599	-	214,729
Other revenues	3,639	(2,880)	-	759
Total revenues and operating income	215,769	(281)	-	215,488
OPERATING COSTS				
Purchases of materials	(111,983)	-	27	(111,956)
Change in inventories	3,431	-	-	3,431
Services	(30,102)	-	(105)	(30,207)
Personnel costs	(45,010)	-	1,382	(43,628)
Other operating costs	(1,709)	-	-	(1,709)
Total operating costs	(185,373)	-	1,304	(184,069)
Net change in fair value of derivatives	(10)	-	934	924
Depreciation and amortisation	(13,192)	-	1,404	(11,788)
Capital gains on the sale of non-current assets	236	-	-	236
Write-downs on non-current assets	-	-	-	-
EBIT	17,430	(281)	3,642	20,791
Financial income	257	-	-	257
Financial expense	(3,412)	281	(94)	(3,225)
Exchange gains and losses	(2,735)	-	(6)	(2,741)
Gains and losses from equity investments	-	-	-	-
EBT	11,540	-	3,542	15,082
Income taxes	(3,189)	-	(1,000)	(4,189)
Attributable to non-controlling interests	(778)	-	-	(778)
PROFIT (LOSS) FOR THE YEAR	7,573	-	2,542	10,115

Detailed statement

(in thousands of Euro)	Balances for Italian GAAP	IAS/IFRS reclassifications	A IFRS 3/IAS 36 Goodwill	B IAS 38 Development costs	C IAS 16 Reversal of revaluation	D IAS 16 Useful life of moulds	E IAS 12 Tax relief on investments	F IAS 19 Employee benefits	G IAS 39 Measurement of financial instruments	H IAS 27 Brener Consolidation	I IAS 32 Listing costs	IAS/IFRS adjustments	IFRS balances
REVENUES AND OPERATING INCOME													
Revenues	212,130	2,599	-	-	-	-	-	-	-	-	-	-	214,729
Other revenues	3,639	(2,880)	-	-	-	-	-	-	-	-	-	-	759
Total revenues and operating income	215,769	(281)	-	-	-	-	-	-	-	-	-	-	215,488
OPERATING COSTS													
Purchases of materials	(111,983)	-	-	27	-	-	-	-	-	-	-	27	(111,956)
Change in inventories	3,431	-	-		-	-	-	-	-	-	-	-	3,431
Services	(30,102)	-	-	116	-	-	-	-	-	-	(221)	(105)	(30,207)
Personnel costs	(45,010)	-	-	1294	-	-	-	88	-	-	-	1,382	(43,628)
Other operating costs	(1,709)	-	-		-	-	-	-	-	-	-	-	(1,709)
Total operating costs	(185,373)	-	-	1,437	-	-	-	88	-	-	(221)	1,304	(184,069)
Net change in fair value of derivatives	(10)	-	-	-	-	-	-	-	934	-	-	934	924
Depreciation and amortisation	(13,192)	-	2,889	(1,364)	105	(211)	-	-	-	(15)	-	1,404	(11,788)
Capital gains on the sale of non-current assets	236	-	-	-	-	-	-	-	-	-	-	-	236
Write-downs on non-current assets	-	-	-	-	-	-	-	-	-	-	-	-	-
EBIT	17,430	(281)	2,889	73	105	(211)	-	88	934	(15)	(221)	3,642	20,791
Financial income	257	-	-	-	-	-	-	-	-	-	-	-	257
Financial expense	(3,412)	281	-	-	-	-	-	(94)	-	-	-	(94)	(3,225)
Exchange gains and losses	(2,735)	-	-	-	-	-	(6)	-	-	-	-	(6)	(2,741)
Gains and losses from equity investments	-	-	-	-	-	-	-	-	-	-	-	-	-
EBT	11,540	-	2,889	73	105	(211)	(6)	(6)	934	(15)	(221)	3,542	15,082
Income taxes	(3,189)	-	-	(23)	(33)	65	(789)	2	(294)	3	69	(1,000)	(4,189)
Attributable to non-controlling interests	(778)	-	-	-	-	-	-	-	-	-	-	-	(778)
PROFIT (LOSS) FOR THE YEAR	7,573	-	2,889	50	72	(146)	(795)	(4)	640	(12)	(152)	2,542	10,115

Statement of comprehensive income

(in thousands of Euro)	Note	Balances for Italian GAAP	IAS/IFRS reclassifications	IAS/IFRS adjustments	IFRS balances
PROFIT (LOSS) FOR THE YEAR		7,573	-	2,542	10,115
Actuarial valuation of post-employment benefits	F	-	-	(534)	(534)
Exchange differences from translation of financial statements in foreign currency	J	-	-	(3,375)	(3,375)
Tax effect		-	-	147	147
STATEMENT OF COMPREHENSIVE INCOME		7,573	-	(1,220)	6,353

Reconciliation of Consolidated Net Profit (Loss) as at 31 December 2014 restated in accordance with IAS/IFRS

(in thousands of Euro)	Note	31/12/2014
PROFIT (LOSS) FOR THE YEAR ACCORDING TO ITALIAN GAAP		**7,573**
Goodwill	A	2,889
Development costs	B	73
Reversal of revaluation	C	105
Useful life of moulds	D	(211)
Tax relief on investments	E	(6)
Employee benefits	F	(6)
Measurement of financial instruments	G	934
Brener Consolidation	H	(15)
Listing costs	I	(221)
Recognition of deferred tax assets/liabilities		(1,000)
PROFIT (LOSS) FOR THE YEAR ACCORDING TO IAS/IFRS		**10,115**

Notes to the reconciliation of the Consolidated Statement of Financial Position as at 1 January 2014 and as at 31 December 2014, the Income Statement and the Consolidated Statement of Comprehensive Income for the year ending on 31 December 2014

The adjustments made to the Statement of Financial Position, the Income Statement and the Consolidated Statement of Comprehensive Income as part of the process of transitioning to IAS/IFRS are listed below:

A) IFRS 3/IAS 36 - Goodwill

IAS 12 requires the recognition of all deferred tax liabilities, without taking into consideration the probability or otherwise of the future disposal of the assets to which they refer. In the business combination that took place in 2008, those taxes, relating to the allocation of part of goodwill to the value of land, were not recognised.

Furthermore, based on the provisions of IFRS 3, goodwill deriving from business combinations and consolidation differences arising in the consolidated financial statements are no longer subject to systematic amortisation (as they are assets with an indefinite useful life), but rather the residual values are tested for impairment in compliance with IAS 36 at least every year and any time there is an indication of impairment.

The adjustment entries entailed, as at 1 January 2014, the recognition of the gross-up of goodwill relating to the recognition of deferred tax liabilities on land and in 2014 the reversal from goodwill of the amortisation recognised in the financial statements as required by Italian GAAP.
In 2014, on the basis of the dictates of the OIC 25 principle, which was aligned with the rules of IAS 12, the Group recorded the goodwill gross-up for the recognition of deferred tax liabilities on land. As for the purposes of IAS/IFRS the entry was incorporated at the transition date, as at 31 December 2014 it was reversed from the consolidated financial statements prepared in accordance with the previous standards. As a result, the effect on closing shareholders' equity coincides with the reversal of amortisation for the year.

(in thousands of Euro)	1/01/2014	31/12/2014
Shareholders' Equity	3,530	2,889
Goodwill	3,530	2,889
Amortisation	-	(2,889)

B) IAS 38 - Development costs

In accordance with Italian GAAP, when requirements are met, the costs of developing new products whose technical feasibility and economic return can be assessed with certainty may be capitalised.
On the other hand, IAS 38 requires that capitalisation when all fundamental requirements set forth in the accounting standard are satisfied.
At the transition date, only one foreign company of the Group had opted for capitalisation. However, all Italian companies opted not to capitalise those expenses.

Subsequent to initial recognition at cost, IAS 38 allows for measurement in accordance with the cost or revaluation or recalculation (fair value) model. The Lu-Ve Group chose the cost model, based on which intangible assets are recognised in the financial statements at cost, net of accumulated amortisation and any impairment losses.

The adjustment entries entailed, as at 1 January 2014, the recognition of operating development costs incurred by the Group's Italian companies, and as at 31 December 2014, both the reversal from the income statement of development costs not capitalised during the year on the basis of the previous accounting standards and the relative capitalisation, as well as the recognition of the amortisation for 2014 of capitalisations during the year and those of previous years.

(in thousands of Euro)	1/01/2014	31/12/2014
Shareholders' Equity	2,118	2,191
Development costs	2,118	2,191
Purchases of materials	-	(27)
Services	-	(116)
Personnel costs	-	(1,294)
Amortisation	-	1,364
	Total	**(73)**

C) IAS 16 - Reversal of revaluation

Italian GAAP provides the possibility to proceed with the revaluation of properties on the basis of specific laws. This option was adopted for certain assets held by the Group. However, the revaluations recognised do not satisfy the requirements laid out in IAS 16 - Property, plant and equipment and therefore the relative effects were eliminated.
The adjustment entries entailed, as at 1 January 2014, the reversal of the revaluation recognised in previous years, and as at 31 December 2014 the reversal of higher depreciation for the year attributable to the revaluation of assets.

(in thousands of Euro)	1/01/2014	31/12/2014
Shareholders' Equity	(4,154)	(4,061)
Land and buildings	(4,154)	(4,061)
Depreciation	-	(93)

D) IAS 16 - Redetermination of the useful life of moulds

At the transition date, the Group conducted a detailed analysis of the remaining useful life of the "moulds" category under property, plant and equipment, and also standardised the depreciation rates applied by all Group companies. On the basis of the above-mentioned analyses, the Group adjusted the remaining useful life of those assets in accordance with what is set forth in IAS 16, resulting in its lengthening.
The adjustment entries entailed, as at 1 January 2014, the reversal of part of the provisions for depreciation recognised in previous years, and as at 31 December 2014 the adjustment of depreciation for the year on the basis of the new useful life determined.

(in thousands of Euro)	1/01/2014	31/12/2014
Shareholders' Equity	1,271	1,060
Property, plant and equipment	1,271	1,060
Depreciation	-	211

E) IAS 12 - Tax relief on investments

IAS 12 does not establish particular exceptions to the recognition of deferred tax liabilities; instead, it simply requires the probability of the existence of sufficient future taxable income for the recognition of deferred tax assets. In this context, with respect to a foreign Group company operating within a geographical area with a facilitated tax rate, deferred tax assets were recognised in relation to that tax relief. The relief is directly correlated with the amount of investments, authorised by the local authorities, made by the Group within a pre-established timespan. The right to recognise the tax benefit arises when the investment is made.

The adjustment entries entailed, as at 1 January 2014, the recognition of the tax benefit and as at 31 December 2014 the use of the benefit, with the recognition of the relative exchange delta in the income statement.

(in thousands of Euro)	1/01/2014	31/12/2014
Shareholders' Equity	795	-
Deferred tax assets	795	-
Exchange gains and losses	-	6
Income taxes	-	789
	Total	**795**

F) IAS 19 - Employee benefits

Italian GAAP requires the recognition of liabilities for defined-benefit pension plans on the basis of the nominal debt accrued in accordance with statutory provisions in force at the reporting date.

According to IAS/IFRS, these types of plans (specifically the post-employment benefits plan of the Group's Italian companies) are calculated by applying an actuarial methodology. The amount of benefits accrued by employees during the year is allocated to the income statement under "Personnel costs", while the figurative financial expense that the company would incur if it requested a loan in an amount equal to those benefits from the market is allocated to "Financial income (expense)". Actuarial gains and losses, which reflect the effects of changes in actuarial assumptions, are recognised in the statement of comprehensive income taking into account the remaining average working life of employees. Following Financial Act no. 296 of 27 December 2006, for the purpose of IAS 19 only the liability relating to the post-employment benefits which have remained in the company are measured, as the amounts accruing are contributed to a separate entity (supplementary pension plan or INPS funds). After it makes those payments, the company will have no further obligations connected with the services rendered by the employee in the future (defined-contribution plan).

The adjustment entries entailed, as at 1 January 2014, the recognition of discounted post-employment benefits and as at 31 December 2014 the reversal of the entries relating to the recognition of post-employment benefits on the basis of Italian GAAP as well as the recognition of the service, the interest cost and the actuarial component in the statement of comprehensive income.

(in thousands of Euro)	1/01/2014	31/12/2014
Shareholders' Equity	130	(410)
Employee benefits	130	(410)
Personnel costs	-	(88)
Financial expense	-	94
	Total	**6**
Actuarial valuation of post-employment benefits (Statement of comprehensive income)		534

G) IAS 39 - Measurement of derivative instruments

The Group holds derivative financial instruments for trading which were not measured at fair value under Italian GAAP.

Under IAS/IFRS, derivative instruments held for trading for which it was decided not to apply hedge accounting are measured at fair value, with changes in fair value subsequent to first time adoption recognised in profit or loss.

The adjustment entries entailed, as at 1 January 2014, the recognition of the fair value of the financial instruments, and as at 31 December 2014 the recognition of the change in fair value since the transition date.

(in thousands of Euro)	1/01/2014	31/12/2014
Shareholders' Equity	(1,916)	(982)
Other financial liabilities	(1,916)	(982)
Net change in fair value of derivatives	-	(934)

H) IAS 27/IFRS 10 - Consolidated financial statements

Italian GAAP (OIC 17) provides an optional consolidation exemption when the financial statements of a subsidiary are irrelevant in terms of providing a true and fair view of the group's equity and financial situation and economic results. The Group applied that exemption for a foreign real estate company which holds land and industrial buildings that are primarily rented to another Group company.

As that exemption is not applicable for IAS/IFRS, the Group has included the foreign subsidiary in the consolidated financial statements. However, it was included in the consolidated financial statements not by means of consolidation but rather as the recognition of an "acquisition of assets".

The adjustment entries entailed, as at 1 January 2014, the recognition of the assets held by the investee, and as at 31 December 2014 the recognition of depreciation relating to the buildings and the intra-group cost/revenue components.

(in thousands of Euro)	1/01/2014	31/12/2014
Shareholders' Equity	-	(15)
Property, plant and equipment	383	(368)
Equity investments	(383)	(376)
Depreciation	-	15

I) IAS 32 - Listing costs

Based on Italian GAAP, the costs incurred by the Group for the listing on the AIM Italia market on 9 July 2015 were kept pending under intangible assets until the listing date.
Based on IAS/IFRS, listing costs, depending on their nature, are recognised as a deduction from shareholders' equity at the listing date or are expensed in the income statement in full or to the extent of the percentage not corresponding to the free float.
The adjustment entries entailed the recognition in the income statement of the part of costs that could not be directly deducted from shareholders' equity at the listing date, while only the part of expenses that could be directly deducted from shareholders' equity was kept pending under work in progress.

(in thousands of Euro)	1/01/2014	31/12/2014
Shareholders' Equity	-	(221)
Other intangible assets	-	(221)
Services	-	221

J) IAS 1/IFRS 1 – Exchange differences from translation of financial statements in foreign currency

Based on Italian GAAP, exchange differences arising from the translation of financial statements in foreign currency are recognised in a specific item of shareholders' equity.
Based on IAS/IFRS, those differences are to be recognised in the statement of comprehensive income.
The adjustment entries entailed, as at 31 December 2014, the recognition of exchange differences from translation directly in the statement of comprehensive income.
Please recall that the Group decided to make use of the exemption provided by IFRS 1 for cumulative translation differences present in consolidated shareholders' equity at the date of transition to IAS/IFRS. Therefore, the translation differences presented in shareholders' equity through comprehensive profit or loss are those that arose starting on 1 January 2014.

Main reclassifications made in the Consolidated Statement of Financial Position as at 1 January 2014 and as at 31 December 2014 and in the income statement for the year ending on 31 December 2014

The nature of the main reclassifications made in the consolidated statement of financial position as at 1 January 2014 and as at 31 December 2014 and in the consolidated income statement for the year ending on 31 December 2014 is described below.

The following reclassifications were made in the Statement of Financial Position:

Allocation of leasehold improvements
Under Italian GAAP, leasehold improvements are recognised as intangible assets. In accordance with IAS/IFRS, those assets must be classified as property, plant and equipment, like the assets to which they refer. Therefore, in the Consolidated Statement of Financial Position as at 1 January 2014 and 31 December 2014, leasehold improvements were reclassified from "Other intangible assets" to "Other property, plant and equipment".

Allocation of security deposits
Under Italian GAAP, security deposits were classified as "Other current assets". In accordance with IAS/IFRS, those assets were reclassified to "Other non-current assets".

Allocation of accessory costs on loans
In application of Italian GAAP, accessory costs on loans are deferred on the basis of the term of the loans. In accordance with IAS/IFRS, these expenses must be allocated as a reduction from financial payables. As a result, the expenses in question were reclassified as a reduction of loans received and amortised on the basis of the effective interest rate method.

Allocation of the Translation reserve
As noted above in the section regarding the exemptions provided by IFRS 1, the Group decided to make use of the exemption established for cumulative translation differences present in consolidated shareholders' equity at the date of transition to IAS/IFRS. Therefore, that reserve was reclassified to "Retained earnings".

The main reclassifications made in the Consolidated Income Statement refer to cash discounts recognised to customers against payments made earlier than the contractual conditions normally agreed upon with those customers. In accordance with Italian GAAP, those discounts were classified under financial expense while, in line with IAS/IFRS, they are classified as a reduction from revenues.

Revenues from the resale of scrap (primarily copper and aluminium) were reclassified from "Other income" to "Revenues" in that they are considered to be ancillary to the company's operating activities.

Extraordinary income and expense classified in the extraordinary part of the income statement in accordance with Italian GAAP were classified in the corresponding reference items of the income statement in accordance with IAS/IFRS.

Effects on the net financial position

As at 1 January 2014, the net financial position deteriorated by €1,789 thousand due to the combination of accounting for the fair value of derivative financial instruments (€1,916 thousand) and the positive effect of accessory costs on loans allocated to financial liabilities and amortised in accordance with the effective interest rate method (€127 thousand). As at 31 December 2014, the evolution of the above-mentioned entries caused a deterioration of €663 thousand in the net financial position at the end of the year.

39. CONSOLIDATION AREA AND SIGNIFICANT EQUITY INVESTMENTS

COMPANIES CONSOLIDATED LINE-BY-LINE

Company name	Registered office	% stake	Share capital
Direct subsidiaries:			
SEST S.p.A.	Limana (BL)	100.00%	EUR 1,000,000
Tecnair LV S.p.A.	Uboldo (VA)	79.90%	EUR 200,000
Metalluve S.r.l.	Uboldo (VA)	100.00%	EUR 300,000
Heat Transfer Systems s.r.o. (HTS)	Novosedly (Czech Rep.)	90.00%	CZK 133,300,000
LU-VE Sweden AB	Asarum (Sweden)	100.00%	SEK 50,000
LU-VE France S.a.r.l.	Lyon (France)	73.15%	EUR 84,150
LU-VE Pacific pty Ltd	Thomastown (Australia)	75.50%	AUD 200,000
LU-VE Deutschland GmbH	Stuttgart (Germany)	100.00%	EUR 230,000
LU-VE Iberica S.l.	Madrid (Spain)	85.00%	EUR 180,063
LU-VE Asia Pacific Limited	Wan Chai (Hong Kong)	100.00%	HKD 10,000
Indirect subsidiaries:			
SEST-LUVE- Polska SP.z.o.o. (95% owned by SEST S.p.A.)	Gliwice (Poland)	95.00%	PLN 16,000,000
« OOO » SEST LUVE (95% owned by SEST S.p.A.)	Lipetsk (Russia)	95.00%	RUB 136,000,000
LU-VE HEAT EXCHANGERS Ltd (wholly-owned by LU-VE Asia Pacific Limited)	Changshu (China)	100.00%	CNY 38,211,761
Thermo Glass Door S.p.A.	Travacò Siccomario (PV)	85.00%	EUR 150,000

NON-CONSOLIDATED COMPANIES VALUED AT COST

Company name	Registered office	% stake	Share capital
LU-VE INDIA CORPORATION PRIVATE LTD*	New Delhi (India)	100	INR 100,000

* *Company not operating*

40. GENERAL INFORMATION ABOUT THE PARENT COMPANY

Registered and administrative office: Via Vittorio Veneto, 11
21100 Varese

Contact information:	Tel:	+39 02 - 96716.1
	Fax:	+39 02 – 96780560
	E-mail:	info@luve.it
	Website:	www.luve.it

Tax information:	VARESE Economic and Administrative Index	191975
	Tax Code	01570130128
	VAT no.	01570130128

LU-VE S.p.A.

SEPARATE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2015

STATEMENT OF FINANCIAL POSITION

(in euro)	Note	31/12/2015	31/12/2014
ASSETS			
Goodwill	1	14,569,180	14,569,180
Other intangible assets	1	7,453,903	7,979,900
Property, plant and equipment	2	37,164,293	37,535,334
Other property, plant and equipment	2	2,266,181	1,795,945
Deferred tax assets	19	656,957	1,263,066
Equity investments	3	55,187,837	55,174,720
Other non-current assets	4	14,106,897	12,541,304
NON-CURRENT ASSETS		**131,405,248**	**130,859,449**
Inventories	5	5,791,954	5,444,741
Trade receivables	6	27,367,651	23,124,788
Due from the tax authorities for current taxes	7	2,564,939	1,436,947
Current financial assets	8	71,374,720	5,631,312
Other current assets	9	973,826	646,450
Cash and cash equivalents	10	36,516,531	12,713,029
CURRENT ASSETS		**144,589,621**	**48,997,267**
ASSETS HELD FOR SALE		-	-
TOTAL ASSETS		**275,994,869**	**179,856,716**

(in euro)	Note	31/12/2015	31/12/2014
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital		62,496,372	10,945,800
Reserves and retained earnings (losses)		42,507,071	40,793,874
Profit (loss) for the year		4,933,000	5,030,458
SHAREHOLDERS' EQUITY	11	109,936,443	56,770,132
Loans	12	77,611,826	40,024,590
Provisions	13	966,740	1,015,403
Employee benefits	14	980,104	1,097,874
Deferred tax liabilities	19	8,325,498	11,434,087
Other financial liabilities	15	63,754	113,198
NON-CURRENT LIABILITIES		87,947,922	53,685,152
Trade payables	16	22,773,546	20,419,039
Loans	12	13,878,853	14,983,433
Provisions		-	-
Tax payables	17	524,279	587,629
Other financial liabilities	15	37,250,894	28,096,022
Other current liabilities	18	3,682,932	5,315,309
CURRENT LIABILITIES		78,110,504	69,401,432
LIABILITIES HELD FOR SALE		-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		275,994,869	179,856,716

INCOME STATEMENT

(in euro)	Note	31/12/2015	31/12/2014
REVENUES AND OPERATING INCOME			
Revenues	21	67,219,743	65,669,434
Other income	22	428,519	390,518
Total revenues and operating income		67,648,262	66,059,952
OPERATING COSTS			
Purchases of materials	23	(32,685,391)	(31,889,994)
Change in inventories	5	347,213	1,012,668
Services	24	(14,166,331)	(13,193,576)
Personnel costs	25	(13,553,605)	(12,961,084)
Other operating costs	26	(529,959)	(746,582)
Total operating costs		(60,588,073)	(57,778,568)
Net change in fair value of derivatives	8.15	(39,808)	980,049
Depreciation and amortisation	1.2	(5,200,738)	(4,886,209)
Capital gains on the sale of non-current assets	2	176,362	-
Write-downs on non-current assets		-	-
EBIT		1,996,005	4,375,224
Financial income	28	5,726,460	5,225,008
Financial expense	29	(3,870,024)	(3,284,602)
Exchange gains and losses	30	100,568	167,016
Gains and losses from equity investments		-	-
EBT		3,953,009	6,482,646
Income taxes	31	979,991	(1,452,188)
PROFIT (LOSS) FOR THE YEAR		4,933,000	5,030,458

STATEMENT OF COMPREHENSIVE INCOME

(in euro)	31/12/2015	31/12/2014
PROFIT (LOSS) FOR THE YEAR	**4,933,000**	**5,030,458**
Comprehensive income/loss that will not be subsequently reclassified to profit/loss for the year:		
Actuarial valuation of post-employment benefits	60,738	(115,350)
Tax effect	(16,703)	31,721
	44,035	**(83,629)**
TOTAL COMPREHENSIVE INCOME (LOSS)	**4,977,035**	**4,946,829**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of Euro)	Share capital	Share premium reserve	Legal reserve	FTA Reserve	Treasury shares	Translation reserve	Post-employment benefits discounting reserve	Other reserves	Profit (loss) for the year	Total shareholders' equity of the Group
BALANCE AS AT 1/01/14	**9,000**	**9,574**	**1,509**	**1,198**	**-**	**-**	**-**	**14,681**	**1,728**	**37,690**
Allocation of profit 2013	-	-	-	-	-	-	-	-	-	-
Dividends paid								(3,000)		(3,000)
Retained	-	-	87	-	-	-	-	1,641	(1,728)	0
Other changes	2,846	27,314	-	-	-	-	-	-	-	30,160
Purchase/sale of treasury shares	(900)	(12,126)	-	-	-	-	-	-	-	(13,026)
Comprehensive income as at 31/12/14			-	-	-	-	(84)	-	5,030	4,946
BALANCE AS AT 31/12/14	**10,946**	**24,762**	**1,596**	**1,198**	**0**	**0**	**(84)**	**13,322**	**5,030**	**56,770**
Allocation of profit 2014										
Dividends paid								(3,000)		(3,000)
Retained	-	-	162	-	-	-	-	4,868	(5,030)	0
ISI/Lu-Ve Merger	51,550	-	-	-	-	-	-	503	-	52,053
Purchase/sale of treasury shares	-	-	-	-	(462)	-	-	-	-	(462)
Capital transaction costs		-	-	-	-	-	-	(876)	-	(876)
Other	-	-	-	-	-	-	-	474	-	474
Comprehensive income as at 31/12/15		-	-	-	-	-	44	-	4,933	4,977
BALANCE AS AT 31/12/15	**62,496**	**24,762**	**1,758**	**1,198**	**(462)**	**0**	**(40)**	**15,291**	**4,933**	**109,936**

Statement of cash flows *(in thousands of Euro)*		31/12/2015	31/12/2014
A.	**Cash and cash equivalents at the beginning of the year**	**12,713**	**16,943**
	Profit (loss) for the year	4,933	5,030
	Adjustments for:		
	- Depreciation and amortisation	5,201	4,886
	- Realised gains on non-current assets	(176)	-
	- Net financial income and expense	(1,856)	(1,940)
	- Income taxes	(980)	1,452
	- Fair value changes booked in operating income	(40)	980
	Changes in post-employment benefits	(73)	(75)
	Changes in provisions	(48)	6
	Changes in trade receivables	(4,243)	(57)
	Changes in inventories	(347)	(1,013)
	Changes in trade payables	*2,355*	*1,334*
	Changes in net working capital	***(2,235)***	***264***
	Changes in other receivables and payables, deferred taxes	(1,454)	(415)
	Tax payment	(1,702)	(2,203)
	Paid net financial expenses	1,854	2,048
B.	**Cash flows generated/absorbed by operating activities**	**3,424**	**10,033**
	Investments in non-current assets		
	- intangible assets	(1,437)	(1,216)
	- property, plant and equipment	(3,161)	(1,813)
	- financial assets	(13)	(30,579)
C.	**Cash flows generated/absorbed by investing activities**	**(4,611)**	**(33,608)**
	Repayment of loans	(43,365)	(19,687)
	New loans	79,848	23,928
	Changes in other financial liabilities	9,123	2,424
	Changes in short-term financial assets	(65,744)	(3,593)
	Changes in other non-current financial assets	(1,560)	639
	Purchase of treasury shares	(462)	-
	Contributions/repayments of own capital	51,177	17,134
	Payment of dividends	(4,500)	(1,500)
D.	**Cash flows generated/absorbed by financing activities**	**24,517**	**19,345**
E.	**Other non-monetary changes**	**474**	**-**
F.	**Net cash flows in the year (B+C+D+E)**	**23,804**	**(4,230)**
	Cash and cash equivalents at the end of the year (A+F)	**36,517**	**12,713**
	Current financial debt	(20,245)	37,448
	Non-current financial debt	64,224	28,246
	Net financial debt (NOTE 20)	**7,462**	**52,981**

LUVE S.p.A.

NOTES AS AT 31 DECEMBER 2015

INTRODUCTION

Lu-Ve S.p.A.- ISI S.p.A. Merger

With the merger of Lu-Ve S.p.A. (unlisted operating company) and Industrial Stars of Italy S.p.A. (listed non-operating company - a special purpose acquisition company, "ISI S.p.A."), the majority shareholders of Lu-Ve S.p.A. prior to the merger became majority shareholders of the new post-merger company. The merger took place on 9 July 2015.

From the substantial perspective, by means of the merger the shareholders of ISI S.p.A. monetised the status of listed company and obtained a non-controlling interest in an operating company (i.e., Lu-Ve S.p.A.), while the shareholders of Lu-Ve S.p.A. acquired the status of listed company and carried out a paid share capital increase transaction subscribed and paid in by third-party investors.

In accounting for the merger, Lu-Ve S.p.A. was considered the purchaser. This is because, after the merger took place, the shareholders of pre-merger Lu-Ve S.p.A. came to hold the majority of the votes of post-merger Lu-Ve S.p.A., giving them the power and ability to manage the activities of the new company.

Although the merger took place between two legal entities, it was not considered a business combination pursuant to IFRS 3, as ISI S.p.A. held only cash and cash equivalents and listed company status and the only transactions carried out regarded liquidity management. On the basis of these considerations, for accounting purposes ISI S.p.A. was not considered a "business".

In particular, the purpose of the merger was to accelerate the industrial Group's process of growth by means of LU-VE's listing and the contribution of new financial resources. Indeed, by means of the merger, a share exchange was carried out in which the Lu-Ve S.p.A. shareholders handed over their unlisted shares and received in exchange the listed shares of ISI S.p.A. On the other hand, by means of the merger, Lu-Ve S.p.A. acquired a service (i.e., obtained listed company status) from ISI S.p.A.

The merger was recognised in the accounts considering that pre-merger Lu-Ve S.p.A. ("recognised purchaser") acquired from ISI S.p.A. ("recognised acquired company") its assets and liabilities as well as its listed company status. Certain concepts set forth in IFRS 3 (i.e., identification of the purchaser) and the concepts set forth in IFRS 2 were applied in deciding on the accounting treatment. Lu-Ve S.p.A. acquired a service (i.e., listed company status) through a share-based payment transaction; therefore, the difference between the fair value of the consideration received by the ISI S.p.A. shareholders (i.e., the shares contributed by the shareholders of pre-merger Lu-Ve S.p.A.) and the carrying amount of the assets and liabilities acquired by Lu-Ve S.p.A., primarily cash and cash equivalents, was recognised in the income statement.

The accounting effects of the merger between Lu-Ve S.p.A. and ISI S.p.A. are shown below.

Assets and liabilities acquired

In thousands of Euro	*30/06/2015*
Intangible assets	95
Deferred tax assets	920
Non-current assets	**1,015**
Other receivables	809
Cash and cash equivalents	50,110
Current assets	**50,919**
Trade payables	348
Other payables	8
Current liabilities	**356**
Total net assets acquired	**51,578**

The assets acquired refer primarily to cash and cash equivalents, other receivables, almost exclusively tax receivables, and deferred tax assets. The liabilities acquired refer almost exclusively to payables to professionals.

Fair value of consideration

Number of shares assigned to ISI S.p.A. shareholders	5,155,000
Issue price	10.00
Share capital increase (in thousands of Euro)	51,550
Other reserves contributed	502
Total fair value of consideration	52,052

Accounting impacts

Total net assets acquired	51,578
Total fair value of consideration	52,052
Cost of acquisition of the service	474

The spread of €474 thousand between the fair value of ISI and its shareholders' equity as at 30 June 2015 was accounted for under financial expense.

STRUCTURE AND CONTENT OF THE FINANCIAL STATEMENTS

Declaration of compliance and accounting policies

The separate financial statements for 2015 of LU-VE S.p.A. have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union. The reference to IFRS also includes all International Accounting Standards (IAS) in force. The separate financial statements have been prepared in Euro, which is the currency used in the economies in which the Company carries on business, with amounts rounded to thousands, and are compared with the separate financial statements for the previous year, prepared with the same criteria. They consist of the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows and these notes. The financial statements have been drawn up on the basis of the historical cost principle and the going concern assumption. With reference to this last assumption, even within a difficult economic and financial environment, based on assessments of its strong competitive positioning, high profitability and solid financial position, the Company believes that it will continue to operate on a going concern basis pursuant to paragraphs 25 and 26 of IAS 1.

As the Parent Company, LU-VE S.p.A. has also prepared the consolidated financial statements of the LUVE Group as at 31 December 2015.

Financial statements

The Company has adopted the following financial statements:

- a statement of financial position, which shows current and non-current assets and liabilities separately;
- an income statement in which costs are classified by nature;
- a statement of comprehensive income, which shows revenue and cost items that are not recognised in profit and loss as required or permitted by IFRS;
- a statement of cash flows that presents cash flows from operations using the indirect method.

The use of these statements provides the most meaningful view of the Company’s profit and loss, equity and financial situation.

MEASUREMENT CRITERIA

The accounting standards and measurement criteria adopted to prepare the separate financial statements as at 31 December 2015, which did not change compared to the previous year, are described below:

INTANGIBLE ASSETS

Business combinations and goodwill

The goodwill emerged from the inverse merger by incorporation of the parent company Europarts S.r.l. in 2008 and represents the difference between the purchase price and the current value of the identifiable assets and liabilities of the investee on the acquisition date.

With respect to acquisitions prior to the date of adoption of IFRS, the Company exercised the right set forth in IFRS 1 not to apply IFRS 3 relating to business combinations to the acquisitions that took place before the transition date. As a result, the goodwill resulting from

acquisitions that took place in the past was not restated and was recognised at the value determined on the basis of the previous accounting standards, net of amortisation accounted for as at 31 December 2013 and any impairment losses.
As of 1 January 2014, goodwill, representing an intangible asset with an indefinite useful life, is not amortised, but rather subject to impairment testing every year or more frequently any time there is an indication that there may have been an impairment loss.

Other intangible assets

Trademarks
This item includes long-term expenses incurred for the protection and distribution of Company trademarks. These expenses are recognised as assets in accordance with IAS 38 “Intangible assets” when it is probable that the use of the asset will generate future economic benefits and when the cost of the asset can be determined in a reliable manner.

Research and development costs
Development costs on projects for the production of new products or components are recognised as assets only if the costs can be reliably determined, the Company has the intent and available resources to complete the asset, it is technically feasible to complete the project so as to make it available for use and expected volumes and prices indicate that the costs incurred in the development phase will be capable of generating future economic benefits.
Capitalised development costs include only expenses incurred that may be directly attributed to the development process.
Capitalised development costs are amortised systematically, beginning from the start of production and throughout the estimated life of the product or process, which has been evaluated as four years. All other development costs are recognised in the income statement when incurred. Research costs are attributed to the income statement when incurred.

Other intangible assets
Other intangible assets are recognised as assets in accordance with IAS 38 when it is probable that the use of the asset will generate future economic benefits and when the cost of the asset can be determined in a reliable manner. If such future economic benefits do not arise, they are written down in the year in which this is confirmed.

These assets are measured at acquisition or production cost and amortised on a straight line basis throughout their estimated useful life, if they have a finite useful life.
Investments in software are amortised over a period of 3 years.

PROPERTY, PLANT AND EQUIPMENT

These assets include Land and buildings, plant and equipment, equipment and other property, plant and equipment.
They are recognised at acquisition or construction cost. The cost includes accessory costs directly attributable to the asset. As set forth in IAS 16, depreciation is calculated on the basis of uniform rates for categories of similar assets, deemed suitable to break down the carrying amount of the property, plant and equipment over the period of its useful life. The estimated useful life is as follows, in years:

Buildings	33
Light constructions	10
Plant and equipment	8 – 11
Fixtures and fittings, tools and other equipment	3 – 10
Other assets	4 – 8

Ordinary maintenance costs are charged to the income statement in the year in which they are incurred; costs that increase the value or useful life of the asset are capitalised and depreciated in line with the remaining useful life of the assets to which they refer.
Land is not depreciated.

Leased assets
Assets acquired under finance lease agreements are accounted for in accordance with the financial methodology and recognised as assets at acquisition value less depreciation. The depreciation of these assets is reflected in the annual consolidated financial statements by applying the same criterion used for owned property, plant and equipment. As a matching entry to the recognition of the asset, short and medium/long-term payables to the lessor financial institution are recognised under "Other financial liabilities"; in addition, the financial expense applicable to the period is recognised in the income statement.

Equity investments and non-current receivables
Equity investments not classified as held for sale are recognised at cost, adjusted for any impairment.

Impairment of assets
At each reporting date, the Company reviews the carrying amount of its property, plant and equipment and intangible assets to determine whether there are indications that these assets have been impaired. If these indications exist, the recoverable amount of these assets is estimated to determine the amount of the impairment. When it is not possible to estimate the recoverable amount of an asset individually, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.
In particular, the recoverable amount of the cash-generating units (which generally coincide with the legal entity to which the non-current assets refer) is verified by determining the value in use. The recoverable amount is the higher of the net sale price and value in use. In calculating value in use, future cash flows net of taxes, estimated on the basis of past experience, are discounted to their present value using a rate net of taxes which reflects current market assessments of the present value of money and the specific risks of the asset. The main assumptions used to calculate value in use regard the discount rate, the growth rate, expected changes in sale prices and the trend in direct costs during the period assumed for the calculation. The growth rates adopted are based on growth forecasts for the applicable industrial sector. Changes in sale prices are based on past experience and on future market expectations. The Company prepares forecasts of operating cash flows deriving from the business plan most recently prepared by the Directors of the consolidated companies and approved by the Company's Board of Directors and determines the terminal value (present value of perpetual cash flows) on the basis of a medium and long-term growth rate in line with that of the specific applicable sector.

If the recoverable amount of an asset (or of a cash-generating unit) is estimated to be lower than the relative carrying amount, the carrying amount of the asset is reduced to the lower recoverable amount, with the impairment loss recognised in the income statement.
If there is no longer a reason to continue to recognise this impairment, the carrying amount of the asset (or of the cash-generating unit), with the exception of goodwill, is increased to the new value corresponding to the estimated recoverable amount, which may be no higher than the net carrying amount that the asset would have had if the impairment loss had never been recognised. The write-back is recognised in the income statement.

Derivative financial instruments
Derivative financial instruments are used primarily for hedging, in order to reduce the risk of fluctuating exchange rates, interest rates and raw material costs. In line with IAS 39, derivative financial instruments are accounted for using hedge accounting methods only when:

a) at the inception of the hedge, the hedging relationship is formally designated and documented;
b) the hedge is expected to be highly effective;
c) this effectiveness may be reliably measured;
d) the hedge is determined to have been highly effective during the different accounting periods for which it is designated.

All derivative financial instruments are measured at fair value, as established by IAS 39.

If the instrument is not eligible for hedge accounting, the gains or losses arising from the measurement of the derivative financial instrument at fair value are recognised in the income statement.
The Company notes that the derivative instruments were subscribed in order to hedge the underlying risks.
However, at the date of presentation of these financial statements, not all requirements of IAS 39 were satisfied. Therefore, the Company management deemed it appropriate to treat those instruments as trading, not hedging, transactions.
The relative effects were recognised under “Net change in fair value of derivatives” in the income statement.

Disclosure
IFRS 7 requires additional information that enables users to evaluate the significance of the financial instruments in relation to the economic performance and financial position of the Company. This accounting standard requires a description of the objectives, policies and procedures put into place by the Management for the different types of financial risk (liquidity, market and credit) to which the Company is exposed, inclusive of a sensitivity analysis for each type of market risk (exchange rate, interest rate, equity, commodity) and a disclosure regarding the concentration and average, minimum and maximum exposures to the various types of risk during the reference period, if the exposure at the end of the period is not sufficiently representative.
IAS 1 governs, inter alia, the disclosures to be provided regarding capital management objectives, policies and processes, specifying, if there are any externally imposed capital requirements, their nature and management methods and any consequences of non-compliance.

Current and non-current financial assets
Financial assets held for trading are measured at fair value with the economic effects recognised under financial income or expense.

Inventories
Inventories are measured at the lower of acquisition or production cost, determined on the basis of the weighted average cost method, and the corresponding market value represented by the replacement cost for purchased materials and the estimated realisable value for finished and semi-finished products, calculated by taking into account any manufacturing costs as well as the direct sales costs yet to be incurred. The cost of inventories includes the amount of accessory costs and direct and indirect production costs reasonably attributable to them. Obsolete or slow-moving stocks are written down based on their possibilities of use or realisation. The write-down of inventories is eliminated in subsequent years if the reasons for it no longer apply.

Receivables
Receivables are recognised at their estimated realisable value. Their nominal value is adjusted to their lower realisable value by recognising a dedicated provision to directly adjust the item on the basis of a detailed analysis of the individual positions.

Loans
Loans are initially measured at cost net of accessory acquisition costs.
This value is subsequently adjusted to take into account any difference between the initial cost and the repayment value throughout the term of the loan using the effective interest rate method.

Provisions
Provisions for risks and charges represent probable liabilities of uncertain amount and/or timing deriving from past events, the settlement of which will entail an outflow of resources. Provisions are recognised exclusively if there is a present legal or constructive obligation requiring the use of economic resources, provided such obligation can be reliably estimated. The amount recognised in the provision represents the best estimate of the expenditure required to settle the obligation at the balance sheet date. Provisions are reviewed at each balance sheet date and adjusted so as to represent the best current estimate.
If the outflow of resources connected to the obligation is expected to take place beyond normal payment terms and the effect of discounting is relevant, the amount of the provision is represented by the present value of the expected future payments for the settlement of the obligation.
Contingent assets and liabilities are not recognised in the financial statements. However, they are subject to adequate disclosure.

Employee benefits

Short-term benefits
Short-term employee benefits are accounted for in the income statement in the period in which the services are rendered.

Post-employment benefits
On 1 January 2007, the Financial Act (law 296/2006) and the relative implementing decrees introduced considerable amendments to the rules on post-employment benefits, including the selection to be made by the worker with respect to the allocation of accruing benefits. In particular, these new regulations required new post-employment benefit contributions to be allocated to pension plans chosen by the worker or, if the worker decided to keep those

contributions within the company, to an INPS treasury account. The method for accounting for post-employment benefits was updated based on these regulatory amendments.
Before the reform introduced by Law 296/2006, international accounting standards classified post-employment benefits as “defined-benefit plans”. Now, only the post-employment benefits accrued up to 31 December 2006 continue to be classified as “defined-benefit plans”, while those accruing subsequent to that date are classified as a “defined-contribution plan”, as all obligations of the company are met when it makes the periodic contribution to third-party entities. Therefore, discounted amounts are no longer recognised in the income statement. Instead, outlays made to the various types of pension plans selected by employees or to the separate INPS treasury fund, calculated based on art. 2120 of the Italian Civil Code, are recognised under personnel costs.

Defined-benefit plans
The provision for post-employment benefits (limited to the share accrued up to 31 December 2006) is calculated by an independent actuary using the projected unit method to determine the liability. Any actuarial effects are recognised in shareholders' equity and included in the statement of comprehensive income.

Defined-contribution plans
The Company participates in publicly or privately managed defined-contribution pension plans on an obligatory, contractual or voluntary basis. As noted above, this category includes provisions for post-employment benefits calculated based on art. 2120 of the Italian Civil Code and paid to the various types of pension plans selected by employees or to the separate INPS treasury fund. The Company meets its obligation to employees with the payment of these contributions. Therefore, the contributions are classified as costs in the period in which they are due.

Payables
Payables are recognised at nominal value; the interest included in their nominal value which has not accrued at period end is deferred to future periods.

Criteria for the translation of items in foreign currency
Receivables and payables originally expressed in foreign currencies are translated to euro at the exchange rates of the date on which the transactions giving rise to them take place. The exchange differences realised upon collection of the receivables and payment of the payables in foreign currency are recognised in the income statement. Income and expenses relating to transactions in foreign currency are recognised at the current exchange rate on the date on which the relative transaction takes place.
At year end, assets and liabilities expressed in foreign currency, with the exception of non-current assets, are recognised at the spot exchange rate as at the end of the financial year and the relative exchange gains and losses are recognised in the income statement. If the translation gives rise to a net profit, a non-distributable reserve for a corresponding amount is restricted until its actual realisation.

Revenue and cost recognition
Revenues are recognised net of returns, discounts, allowances and premiums, as well as taxes directly connected to the sale of goods and the provision of services.
Revenues from sales are recognised when the Company has transferred the significant risks and benefits connected to ownership of the asset and the amount of the revenue may be reliably determined.
Costs and expenses are recognised in the financial statements on an accrual basis.

Financial income
Financial income includes interest income on invested funds and income from financial instruments. Interest income is allocated to the income statement when it accrues, considering the actual yield.

Financial expense
Financial expense includes interest expense on financial payables calculated using the effective interest method, bank fees and expenses deriving from financial instruments.

Income taxes
Income taxes include all taxes calculated on the Company's taxable income. Income taxes are recognised in the income statement, with the exception of those relating to items directly charged or credited to shareholders' equity, in which case the tax effect is recognised directly under shareholders' equity. Other taxes not correlated with income, such as property taxes, are classified as operating expenses. Deferred tax liabilities are recognised based on the full liability method. They are calculated on all temporary differences emerging between the taxable amount of an asset or liability and the carrying amount in the consolidated financial statements, with the exception of goodwill which is not tax deductible and those differences from investments in subsidiaries which are not expected to be offset in the foreseeable future. Deferred tax assets on tax losses and unused tax credits that may be carried forward are recognised to the extent to which is it likely that future taxable income will be available against which they may be recovered. Current and deferred tax assets and liabilities are offset when the income taxes are levied by the same tax authority and when there is a legal right to offset. Deferred tax assets and liabilities are calculated using the tax rates expected to be applicable in the years in which the temporary differences will be realised or extinguished.

Dividends
Dividends are accounted for on an accrual basis when the right to receive them arises, corresponding to when the distribution resolution is passed.

Treasury shares
Treasury shares are recognised as a deduction from shareholders' equity. The carrying amount of treasury shares and revenues from any subsequent sales are recognised as changes in shareholders' equity.

Earnings per share
Basic earnings per share are calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average of ordinary shares outstanding during the year. Diluted earnings per share are calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average of ordinary shares outstanding, taking into account the effects of all potential ordinary shares with a dilutive effect.

Use of estimates
The preparation of the financial statements and the relative notes in application of IFRS requires the management to make estimates and assumptions that impact the values of the assets and liabilities in the financial statements and the disclosure relating to contingent assets and liabilities as at the reporting date. Actual results may differ from those estimates. Estimates are used to assess property, plant and equipment and intangible assets tested for impairment, as described above, as well as to recognise provisions for credit risks, inventory obsolescence, depreciation and amortisation, asset impairment, employee benefits, taxes and other provisions. More specifically:

Recoverability of the value of property, plant and equipment and intangible assets
The procedure for determining impairment losses on property, plant and equipment and intangible assets described in the “Impairment of assets” accounting standard requires - in estimating the value in use - the use of the Business Plans of the investees, which are based on a set of assumptions and hypotheses relating to future events and actions of the investee management bodies, which may or may not take place. On the other hand, in estimating market value, assumptions are made on foreseeable trading trends between third parties on the basis of historical performance, which may not actually be repeated.

Provisions for credit risks
Receivables are adjusted by the relative bad debt provision to take into account their recoverable amount. To determine the amount of write-downs, the Directors are required to make subjective assessments based on available documentation and information regarding customer solvency, as well as experience and historical collection trends.

Provisions for inventory obsolescence
Obsolescent or slow-moving inventories are assessed systematically and, if their recoverable amount is lower than their carrying amount, they are written down. Write-downs are calculated based on the management’s assumptions and estimates deriving from experience and historical results.

Provisions for warranties
The Company recognises provisions for the estimated costs of product warranties. The management establishes the consistency of these provisions on the basis of historical information with reference to the frequency and average cost of warranty claims.

Employee benefits
The present value of liabilities for employee benefits depends on a series of factors determined with actuarial techniques using specific assumptions. The assumptions regard the discount rate, estimates of future wage increases, mortality rates and resignations. Every change in these assumptions may have significant effects on the liability for pension benefits.

Income taxes
To determine the Company’s tax liabilities, the management needs to make assessments with respect to transactions that have uncertain tax implications at the reporting date. In addition, deferred tax assets are measured on the basis of expected income in future years; the assessment of this expected income depends on factors that could change over time and have significant effects on the measurement of deferred tax assets.

Other provisions
With regard to processes for estimating the risk of contingent liabilities from disputes, the Directors rely on communications received regarding the progress of recovery procedures and disputes from the legal advisors who represent the Company in disputes. These estimates are determined by taking into account the gradual evolution of the disputes.

Estimates and assumptions are reviewed periodically and the effects of each change are immediately reflected in the income statement.

New accounting standards

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED AS OF 1 JANUARY 2015

The following IFRS accounting standards, amendments and interpretations have been applied by the Company for the first time as of 1 January 2015:

- On 12 December 2013, the IASB published "***Annual Improvements to IFRSs: 2011-2013 Cycle***", which contains amendments made to certain standards as part of the annual improvement process. The main amendments regard:
  - IFRS 3 Business Combinations – Scope exceptions for joint ventures. This amendment clarifies that the formation of all types of joint arrangements as defined in IFRS 11 are excluded from the scope of application of the standard;
  - IFRS 13 Fair Value Measurement – Scope of portfolio exception. This amendment clarifies that the portfolio exception applies to all contracts within the scope of IAS 39 regardless of whether they meet the definitions of financial assets or financial liabilities provided in IAS 32;
  - IAS 40 Investment Properties – Interrelationship between IFRS 3 and IAS 40. This amendment clarifies that IFRS 3 and IAS 40 are not mutually exclusive and that, in order to determine whether the acquisition of property assets is subject to IFRS 3 or IAS 40, it is necessary to refer to the specific indications provided by IFRS 3 or IAS 40, respectively.

The amendments apply to financial years starting on or after 1 January 2015. The adoption of these amendments had no effects on the Company's consolidated financial statements.

IFRS ACCOUNTING STANDARDS AND AMENDMENTS AND IFRIC INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, FOR WHICH APPLICATION IS NOT YET REQUIRED AND NOT ADOPTED EARLY BY THE GROUP AS AT 31 DECEMBER 2015

The Company has not applied the following new and amended Standards, which have been issued but are not yet in force.

- Amendment to IAS 19 "**Defined Benefit Plans: Employee Contributions**" (published on 21 November 2013): relating to the recognition in the financial statements of contributions made by employees or third parties to defined-benefit plans. The amendment applies at the latest to financial years starting on or after 1 February 2015.
- Amendment to **IFRS 11 Joint Arrangements** – "**Accounting for acquisitions of interests in joint operations**" (published on 6 May 2014): relating to accounting for the acquisition of interests in a joint operation the activities of which constitute a business. The amendments apply as of 1 January 2016, but early application is permitted.
- Amendments to **IAS 16 Property, plant and Equipment** and **IAS 38 Intangibles Assets – "Clarification of acceptable methods of depreciation and amortisation"** (published on 12 May 2014): according to which depreciation and amortisation based on revenues are considered to be inappropriate as the revenues generated by an activity which includes the use of the asset subject to depreciation or amortisation generally reflect factors other than only the consumption of the economic benefits of

the asset, which is instead required for depreciation and amortisation. The amendments apply as of 1 January 2016, but early application is permitted.

- Amendment to **IAS 1 – "Disclosure Initiative"** (published on 18 December 2014): the objective of these amendments is to provide clarifications on disclosure elements that may be perceived as impediments to a clear and intelligible preparation of the financial statements. The amendments apply as of 1 January 2016, but early application is permitted.

The Directors do not expect the adoption of these amendments to have a significant effect on the Company's separate financial statements.

Lastly, as part of the annual improvement process, on 12 December 2013 the IASB published "Annual Improvements to IFRSs: 2010-2012 Cycle" (including IFRS 2 Share Based Payments – Definition of vesting conditions, IFRS 3 Business Combination – Accounting for contingent consideration, IFRS 8 Operating segments – Aggregation of operating segments and Reconciliation of total of the reportable segments' assets to the entity's assets, IFRS 13 Fair Value Measurement – Short-term receivables and payables) and on 25 September 2014 "Annual Improvements to IFRSs: 2012-2014 Cycle" (including: IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 – Financial Instruments: Disclosure and IAS 19 – Employee Benefits), which partially supplement pre-existing standards. The amendments apply at the latest to financial years starting on or after 1 February 2015 and to financial years starting on or after 1 January 2016, respectively.
The Directors are currently assessing the possible effects of the introduction of these amendments on the Company's separate financial statements.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION

At the date of these separate financial statements, the competent bodies of the European Union have not yet completed the approval process required for the adoption of the amendments and standards described below.

- ***IFRS 14 – Regulatory Deferral Accounts*** (published on 30 January 2014), which allows only those that adopt IFRS for the first time to continue to recognise amounts relating to rate regulation activities in accordance with the previous GAAP applied.
- **IFRS 15 – *Revenue from Contracts with Customers*** (published on 28 May 2014), which is meant to replace IAS 18 – *Revenue* and IAS 11 – *Construction Contracts*, as well as the interpretations IFRIC 13 – *Customer Loyalty Programmes*, IFRIC 15 – *Agreements for the Construction of Real Estate*, IFRIC 18 – *Transfers of Assets from Customers* and SIC 31 – *Revenue-Barter Transactions Involving Advertising Services*. This standard establishes a new revenue recognition model to be applied to all contracts entered into with customers with the exception of those falling within the scope of application of other IAS/IFRSs such as leases, insurance contracts and financial instruments. The fundamental steps for accounting for revenues in accordance with the new model are:
  - identify the contract with a customer;
  - identify the performance obligations in the contract;
  - determine the transaction price;
  - allocate the transaction price to the performance obligations in the contract;

    - recognise revenue when the entity satisfies each performance obligation.

  The standard applies as of 1 January 2018, but early application is permitted. The Directors expect that the application of IFRS 15 may have a significant impact on the amounts of revenues recognised and on the relative disclosure provided in the Company's separate financial statements. However, it will not be possible to provide a reasonable estimate of the effects until the Company has completed a detailed analysis of its contracts with customers.

- Final version of IFRS 9 - Financial instruments (published on 24 July 2014). This document incorporates the results of the phases relating to Classification and measurement, Impairment and Hedge accounting of the IASB project for the replacement of IAS 39:
    - it introduces new criteria for the classification and measurement of financial assets and liabilities;
    - With reference to the impairment model, the new standard requires losses on receivables to be estimated on the basis of the expected losses model (and not the incurred losses model used in IAS 39) using supportable information available without unreasonable cost or effort, including historical, current and forecast data;
    - it introduces a new hedge accounting model (increase in the type of transactions eligible for hedge accounting, change in the methods for accounting for forward contracts and options when included in a hedge accounting relationship, amendments to the effectiveness test).

  The new standard, which replaces the previous versions of IFRS 9, must be applied in financial years beginning on or after 1 January 2018. The Directors expect that the application of IFRS 9 may have a significant impact on the amounts and the disclosure provided in the Company's separate financial statements. However, it will not be possible to provide a reasonable estimate of the effects until the Company has completed a detailed analysis.

- On 13 January 2016, the IASB published **IFRS 16 – *Leases*** which is meant to replace IAS 17 – *Leases*, as well as the interpretations IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases—Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.
  The new standard provides a new definition of lease and introduces an approach based on control (right of use) of an asset to distinguish lease agreements from service agreements, identifying as distinguishing factors: the identification of the asset, the right of substitution, the right to substantially obtain all economic benefits deriving from the use of the asset and the right to direct the use of the asset underlying the contract.
  The standard establishes a single model for the recognition and measurement of lease agreements for the lessee which requires the recognition of the asset subject to the lease, including an operating lease, in the assets with a matching entry under financial payables, also providing the possibility not to recognise as leases those contracts which concern low-value assets and leases with a contract term of equal to or less than 12 months. The standard does not include significant amendments for lessors.
  The standard applies as of 1 January 2019, but early application is permitted, only for companies that also apply IFRS 15 - *Revenue from Contracts with Customers* early. The Directors expect that the application of IFRS 16 may have a significant impact on the recognition of lease agreements and on the relative disclosure

provided in the Company's separate financial statements. However, it will not be possible to provide a reasonable estimate of the effects until the Company has completed a detailed analysis of the relative contracts.

- "***Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)***" (published on 18 December 2014), laying out amendments relating to topics that emerged following the application of the consolidation exception granted to investment entities. The amendments introduced by this document must be applied in financial years starting on or after 1 January 2016, but early adoption is permitted. The Directors are currently assessing the possible effects of the introduction of these amendments on the Company's separate financial statements.

On 11 September 2014, the IASB published an amendment to ***IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***. This document was published to resolve the current conflict between IAS 28 and IFRS 10 regarding the measurement of the profit or loss resulting from the disposal or contribution of a non-monetary asset to a joint venture or an associate in exchange for a stake in the latter. The IASB has currently indefinitely deferred the application of this amendment.

Comment on the main items of the statement of financial position

1. INTANGIBLE ASSETS

	Goodwill	Trademarks	Development costs	Other intangible assets	Total
Historical					
As at 1 January 2014	**21,018**	**10,799**	**2,812**	**3,080**	**37,709**
Increases	-	-	881	335	1,216
Decreases	-	-	-	-	-
Reclassifications	-	-	-	-	-
Exchange differences	-	-	-	-	-
As at 31 December 2014	**21,018**	**10,799**	**3,693**	**3,415**	**38,925**
Increases	-	-	1,287	150	1,437
Decreases	-	-	-	-	-
Reclassifications	-	-	-	-	-
Exchange differences	-	-	-	-	-
As at 31 December 2015	**21,018**	**10,799**	**4,980**	**3,565**	**40,362**
Provision					
As at 1 January 2014	**6,449**	**3,811**	**1,422**	**2,905**	**14,587**
Increases	-	717	923	149	1,789
Decreases	-	-	-	-	-
Reclassifications	-	-	-	-	-
Exchange differences	-	-	-	-	-
As at 31 December 2014	**6,449**	**4,528**	**2,345**	**3,054**	**16,376**
Increases	-	717	1,010	236	1,963
Decreases	-	-	-	-	-
Reclassifications	-	-	-	-	-
Exchange differences	-	-	-	-	-
As at 31 December 2015	**6,449**	**5,245**	**3,355**	**3,290**	**18,339**
Net carrying amount					
As at 31 December 2014	**14,569**	**6,271**	**1,348**	**361**	**22,549**
As at 31 December 2015	**14,569**	**5,554**	**1,625**	**275**	**22,023**

Goodwill

The goodwill emerged from the inverse merger by incorporation of the parent company Europarts S.r.l. in 2008 and represents the difference between the purchase price and the current value of the identifiable assets and liabilities of the investee on the acquisition date.

Pursuant to IAS 36, goodwill is not subject to amortisation, but rather impairment testing on a yearly basis or more frequently if specific events and circumstances take place that could result in an impairment loss (impairment test).

The Company tested the recoverability of the carrying amount of Net Invested Capital of LU-VE Spa as at 31 December 2015. Net invested capital is inclusive of the value of goodwill.

In determining the recoverable amount, identified as the value in use, i.e., the sum of discounted cash flows generated in the future and on an ongoing basis from Net Invested

Capital (unlevered discounted cash flow method), the management made reference to the 2016-2019 Business Plan approved by the Board of Directors.
In more detail, in order to determine the recoverable amount of Net Invested Capital, cash flows were discounted using a discounting rate (WACC) which takes into account the specific risks of the asset and which reflects current market assessments of the cost of money. The calculation of the weighted average cost of capital resulted in a value of 7.59%.
The recoverable amount also includes the terminal value of income flows which was calculated with the "perpetual cash flow" method considering a growth rate (g rate) of 1.5%. In the terminal value, an operating cash flow based on the last year of the plan (2019), adjusted so as to reflect a situation "under normal circumstances", was considered. The level of amortisation and investments was balanced and a change in working capital equal to zero was assumed.
The weighted average cost of capital calculated for the discounting of cash flows is based on a weighting between the cost of debt and the cost of equity, determined on the basis of the values of companies comparable to LU-VE Spa and therefore operating within the same business segments.
No impairment losses emerged based on the testing carried out, as the value in use was found to be higher than the carrying amount.
In addition, as the recoverable amount is determined on the basis of projections, the Company also developed sensitivity analyses, in which the underlying assumptions of the impairment test are changed. The sensitivity analyses on the WACC and the growth rate brought to light no impairment losses.

Development costs
During the year, investments of around €1,287 thousand were made, relating to the development of new air cooled products. These investments are amortised over a period of 4 years.
The intense activities carried out have aimed to offer the market increasingly advanced products, also in response to the ongoing international crisis. The main projects this year included:
Project 1 - Development activities for the miniaturisation and specialisation of tube surfaces and matrixes in heat exchanger coils;
Project 2 - Development activities for heat exchanger coils which use natural refrigerants and hydrocarbons;
Project 3 - Development activities for the creation of heat exchanger coils made entirely of aluminium;
Project 4 - Development activities for the creation of heat exchanger coils made entirely of aluminium within individual and "Multiport" multichannel structures;
Project 5 - Development activities for technical and trial studies relating to the functional improvement of evaporators;
Project 6 - Development activities to promote energy savings and the abatement of noise emissions from large-scale fans;
Project 7 - Development project for the creation of new, high-efficiency heat pump solutions using natural fluids;
Project 8 - Development project for innovative air treatment solutions within smart grids;
Project 9 - Development project for innovative ORC type organic fluid heat exchanger solutions to be used for motors;
Project 10 - Experimentation activities to boost the performance of coolers and condensers with dry and spray systems.

Development costs were capitalised with the consent of the Board of Statutory Auditors.

Other intangible assets
The main elements for the year (around €150 thousand) regarded the capitalisation of the costs of technical and operating software.

All intangible assets are amortised over a period of 5 years, with the exception of investments in software, which are amortised over three years, the LU-VE trademark, which is amortised for 15 years and development costs, which are amortised for 4 years.

2. PROPERTY, PLANT AND EQUIPMENT

	Property	Plant and equipment	Other property, plant and equipment	Work in progress	Total
Historical					
As at 1 January 2014	**38,360**	**39,056**	**14,434**	**56**	**91,906**
Increases	406	756	434	217	1,813
Decreases	-	-	-	-	-
Reclassifications	56	-	-	(56)	-
Exchange differences	-	-	-	-	-
As at 31 December 2014	**38,822**	**39,812**	**14,868**	**217**	**93,719**
Increases	60	2,020	845	428	3,353
Decreases	-	(252)	-	-	(252)
Reclassifications	-	216	-	(216)	-
Exchange differences	-	-	-		-
As at 31 December 2015	**38,882**	**41,796**	**15,713**	**429**	**96,820**
Provision					
As at 1 January 2014	**6,602**	**31,909**	**12,780**	-	**51,291**
Increases	652	1,936	509	-	3,097
Decreases	-	-	-	-	-
Reclassifications	-	-	-	-	-
Exchange differences	-	-	-	-	-
As at 31 December 2014	**7,254**	**33,845**	**13,289**	-	**54,388**
Increases	653	1,998	587	-	3,238
Decreases	-	(236)	-	-	(236)
Reclassifications	-	-	-	-	-
Exchange differences	-	-	-	-	-
As at 31 December 2015	**7,907**	**35,607**	**13,876**	-	**57,390**
Net carrying amount					
As at 31 December 2014	**31,568**	**5,967**	**1,579**	**217**	**39,331**
As at 31 December 2015	**30,975**	**6,189**	**1,837**	**429**	**39,430**

The increase in Plant and equipment (around €2,020 thousand) referred primarily to the acquisition of latest generation equipment for processing sheet metal and for the construction of air cooled heat exchangers with the objective of increasing production capacity and efficiency. The decrease in Plant and equipment referred to the disposal of a press that was no longer necessary for the production process (a capital gain of €176 thousand was realised from its disposal to third parties).
The increase in Other property, plant and equipment referred mainly to the acquisition of industrial equipment and moulds.
During the year, financial expense was not capitalised on property, plant and equipment.
As at 31 December 2015, the Company confirmed that there were no external or internal indicators of impairment in its property, plant and equipment. As a result, the value of property, plant and equipment was not tested for impairment.

The table below provides detailed information on assets still owned on which the revaluations provided under specific laws were carried out:

Types of revaluations	Item						
In thousands of Euro	Property		Plant and equipment		Other property, plant and equipment		
	Gross amount	Net amount as at 31/12/2015	Gross amount	Net amount as at 31/12/2015	Gross amount	Net amount as at 31/12/2015	**Net total as at 31/12/2015**
Law no. 413 of 30 December 1991	5	1	-	-	-	-	1
Law no. 342 of 21 November 2000	-	-	1,347	-	1,080	-	-
Law no. 350 of 24 December 2003	-	-	1,814	-	1,183	-	-
Law no. 266 of 23 December 2005	-	-	847	-	296	-	-
TOTAL	**5**	**1**	**4,008**	**-**	**2,559**	**-**	1

3. EQUITY INVESTMENTS

The details of this item are shown below:

	31/12/2015	**31/12/2014**
Subsidiaries:		
SEST S.p.A.	44,895	44,895
TECNAIR LV S.p.A.	1,043	1,043
METALLUVE S.r.l.	300	300
LUVE France S.a.r.l.	722	709
HTS s.r.o.	7,485	7,485
LUVE Sweden AB	390	390
LUVE Iberica S.l.	145	145
LUVE Pacific pty Ltd	1	1
LUVE Asia Pacific Limited	13	13
LUVE Deutschland GmbH	173	173
LUVE India Corporation Private Ltd	15	15
Total subsidiaries	**55,182**	**55,169**
The other companies are:		
Industria e Università S.r.l.	6	6
Total	**55,188**	**55,175**

Pursuant to IAS 36, the Company carried out an analysis in order to test for the presence of impairment indicators. To that end, in particular it tested the recoverability of the carrying amount of equity investments in order to ensure that the value recognised in the financial statements does not exceed the recoverable amount.
The method for verifying the recoverable amount, as expressed by IAS 36, is based on the discounting of expected future cash flows from equity investments along with the calculation of the respective terminal value (the DCF or discounted cash flow method).
LU-VE tested the recoverability of the carrying amount of the following equity investments as at 31 December 2015:

- LU-VE Sweden AB;
- LU-VE Deutschland Gmbh;
- LU-VE Asia Pacific Limited (Hong Kong);
- LU-VE Pacific pty Ltd (Australia);
- LU-VE Iberica S.l.;

In determining the recoverable amount, identified as the value in use, i.e., the sum of discounted cash flows generated in the future and on an ongoing basis, the management made reference to the 2016-2019 Business Plan approved by the Company's Board of Directors.
In more detail, in order to determine the recoverable amount of the equity investments tested, cash flows were discounted using a discounting rate (WACC) which takes into account the specific risks of the equity investment and which reflects current market assessments of the cost of money. Different WACCs were calculated assuming as a reference basis the risk free rates relating to the different countries of the tested equity investments. The recoverable amount also includes the terminal value of income flows (terminal value) which was calculated with the "perpetual cash flow" method considering a growth rate (*g* rate) in line with the expected growth rates of the economies of the countries in which the tested equity investments were located. In the terminal value, an operating cash flow equal to the last year of the plan (2019), adjusted so as to reflect a situation "under normal circumstances", was considered. The level between amortisation and investments, which reflects a stable situation in the long term, was balanced, and a change in working capital equal to zero was assumed.

	WACC	g rate
LU-VE Sweden	6.39%	2.0%
LU-VE Deutschland Gmbh	6.15%	1.3%
LU-VE Asia Pacific Limited (HK)	8.67%	4.0%
LU-VE Pacific pty Ltd (Australia)	8.03%	2.5%
LU-VE Iberica S.l.	7.21%	1.5%

The level of net financial debt as at 31 December 2015 of the respective equity investments was subtracted from the value obtained from the discounted sum of expected cash flows and the terminal value, in order to obtain the equity value.
No impairment losses emerged based on the testing carried out, as the value in use of the equity investments was found to be higher than the carrying amount recognised in the financial statements.
In addition, as the recoverable amount is determined on the basis of projections, the Company also developed sensitivity analyses, in which the underlying assumptions of the impairment test are changed.
The sensitivity analysis developed by changing the WACC by 0.5% and the g rate by 1% showed no impairment losses, with the exception of the equity investments in LU-VE Asia

Pacific Limited (HK) and LU-VE Deutschland Gmbh in which the deterioration of one of the two parameters (WACC and the g rate) brought to light potential impairment losses.

In the beginning of 2015, a 1.21% stake in LU-VE France Sarl of Lyon was acquired from the local management for around €13 thousand. As a result, the percentage of control rose to 73.15%.
A dedicated list indicating the information required by art. 2427 of the Italian Civil Code, point no. 5 is provided in an annex.

4. OTHER NON-CURRENT ASSETS

They amounted to €14,107 thousand, an increase of around €1,566 thousand compared to €12,541 thousand in the previous year.
They included €13,452 thousand in receivables for loans to Group companies referring to:

- around €1,556 thousand for a long-term loan granted to the subsidiary LU-VE Iberica s.l. (€200,000 of which was repaid in 2015);
- around €6,275 thousand for a long-term loan granted to the subsidiary LU-VE Asia Pacific Limited (increased by €150,000 in 2015). In the past, the subsidiary used part of that loan to subscribe 100% of the share capital of LU-VE Heat Exchangers (Changshu) Limited in China.
- around €4,001 thousand for a long-term loan granted to the subsidiary LU-VE Sweden AB (roughly €10,000 of which was repaid in 2015). The subsidiary used that loan, in 2011 and in 2012, for the acquisition of a business unit that manufactures air cooled equipment in Sweden.
- around €1,620 thousand for a long-term loan granted to the subsidiary HTS s.r.o. in 2015.

€650 thousand related to receivables due from the tax authorities payable beyond the year (referring to the refund request due to the deductibility, carried out in previous years, of IRES from IRAP for the period 2007-2011) and €5 thousand for security deposits.

5. INVENTORIES

This item was broken down as follows at the end of the year:

(in thousands of Euro)	**31/12/2015**	**31/12/2014**	**Change**
Raw materials and consumables	2,382	2,204	178
Work in progress and semi-finished products	2,363	2,080	283
Finished products and goods for resale	1,692	1,806	(114)
Provision for inventory losses	(645)	(645)	0
Total	**5,792**	**5,445**	**347**

The increase in value compared to 2014 was mainly caused by the increase in sales volumes.
The provision for inventory losses, equal to €645 thousand as at 31 December 2015 (unchanged with respect to 2014), reflects the best estimate of obsolescence risk, on the basis of specific analyses carried out at the end of the year on unsold inventory or inventory with a low turnover rate.

6. TRADE RECEIVABLES

This item was broken down as follows at the end of the year (in thousands of Euro):

(in thousands of Euro)	31/12/2015	31/12/2014	Change
Trade receivables	29,238	24,853	4,385
Bad debt provision	(1,870)	(1,728)	(142)
Total	**27,368**	**23,125**	**4,243**

Trade receivables included receivables due from some subsidiaries. For the details, refer to the Note on Related Parties. The increase during the year was essentially due to the increase in intra-group sales.
All trade receivables are due within the subsequent year and derive from normal sales transactions. Please note that no receivables with a duration of more than 5 years were recognised in the financial statements.
The bad debt provision rose during the year to reflect the recoverability of the receivables (roughly €142 thousand).

The breakdown of receivables by geographical area is shown below:

(in thousands of Euro)	Country	31/12/2015	31/12/2014	Change
Italy		9,346	9,779	(433)
EU Countries		13,765	10,687	3,078
Non-EU Countries		6,127	4,387	1,740
Bad debt provision		(1,870)	(1,728)	(142)
Total		**27,368**	**23,125**	**4,243**

The ageing of trade receivables is shown below:

(in thousands of Euro)	31/12/2015	31/12/2014	Change
Current receivables (not past due)	14,394	13,147	1,247
Past due up to 30 days	1,303	2,289	(986)
Past due from 30 to 60 days	1,279	910	369
Past due from 60 to 90 days	1,299	974	325
Past due for more than 90 days	10,963	7,533	3,430
Total	**29,238**	**24,853**	**4,385**

7. DUE FROM THE TAX AUTHORITIES FOR CURRENT TAXES

This item was broken down as follows (in thousands of Euro):

	Balance at 31-12-2015	Balance at 31-12-2014
Payable within the year:		
Due from the tax authorities for VAT	1,437	1,325
Due from the tax authorities for payments on account of direct taxes	1,021	-
Other	107	112
Total payable within the year	**2,565**	**1,437**

Receivables from the tax authorities for payments on account of direct taxes refer to the excess of taxes prepaid for the year 2015 with respect to the effective tax burden.

8. CURRENT FINANCIAL ASSETS

The details of this item are shown below:

(in thousands of Euro)	31/12/2015	31/12/2014	Change
Asset management	39,552	0	39,552
Capitalisation policies	15,093	0	15,093
Other securities	9,953	0	9,953
Cash pooling	6,619	5,417	1,202
Fair value of derivative instruments	157	214	(57)
Total	**71,374**	**5,631**	**65,743**

In 2015, in the wake of the merger with Industrial Stars of Italy and the new bank loans obtained as part of the process of renegotiating the cost of debt, the Company collected roughly €85 million, around €65 million of which it then temporarily invested in the following financial instruments measured at fair value at the reporting date with a matching entry in Financial income (Note 27) or Financial expense (Note 28), as they were held for sale:

- the Asset management agreement was entered into with Bnp Paribas Investment Partners SGR S.p.A. and the assets may be disinvested upon simple request. The funds are primarily invested in bonds and in units and/or shares of bond and/or flexible funds. There is also a component of investment in equity instruments and units and/or shares of equity funds, but to a limited extent, and also investment in financial instruments denominated in currencies other than the Euro. The fair value measurement at the reporting date entailed the recognition of roughly €432 thousand under financial expense;
- the Capitalisation policies taken out were issued by Aviva Vita S.p.A and are the type of policies which allow, after the payment of a lump-sum premium, for an annual capital revaluation based on the return obtained from management (almost exclusively invested in government securities and very highly rated bonds). The fair value

measurement at the reporting date entailed the recognition of roughly €93 thousand under financial income;

- Other securities referred to the roughly €5,017 thousand investment in a bond issued by Mediobanca - Banca di Credito Finanziario S.p.A. maturing on 20 March 2016 with a yield equal to the three-month Euribor plus a spread of 2.1%, whose fair value measurement at the reporting date entailed the recognition of around €17 thousand under financial income, and roughly €4,936 thousand in investments made through UBI Banca (where the securities account is held) in Italian government securities, corporate bonds, bond funds and mixed funds whose fair value measurement at the reporting date entailed the recognition of roughly €78 thousand under financial expense.

“Cash pooling” represented receivable balances for the Company from the Group’s centralised treasury.
The “Fair value of derivative instruments” represented the positive fair value as at 31 December 2015 of derivatives subscribed by the Company.

9. OTHER CURRENT ASSETS

The details of this item are shown below:

(in thousands of Euro)	31/12/2015	31/12/2014	Change
From employees	4	32	(28)
Advances to suppliers	305	224	81
Advances on lease instalments	420	293	127
Other receivables	244	97	147
Total	**973**	**646**	**327**

10. CASH AND CASH EQUIVALENTS

The item, equal to €36,517 thousand as at 31 December 2015 (€12,713 thousand as at 31 December 2014), represented the asset balances in current accounts. Part of the increase for the year derived from the new liquidity following the merger with Industrial Stars of Italy and the new loans taken out (also see Note 8). Cash as at 31 December 2015 amounted to €9 thousand (€8 thousand as at 31 December 2014).

11. SHAREHOLDERS' EQUITY

The share capital amounted to €62,496 thousand and was broken down into 19,453,203 ordinary shares and 100,000 special shares, all with no nominal value. The share capital, fully subscribed and paid up, increased during the year by €51,550 thousand following the share capital increase approved for the share swap (see Directors' Report) and by €572 due to the conversion of warrants.

In 2015, dividends of €3 million were paid out from the reserves and retained earnings.

On 9 July 2015, the Company's shares were admitted to trading on the AIM market of the Italian Stock Exchange.
The main steps that led to our listing on the AIM market are summarised below. After the signing of a binding framework agreement with ISI on 23 January 2015 which governed in full the timing, terms and methods for executing the integration project:

- on 20 March 2015, the extraordinary shareholders' meeting of LU-VE decided to: *(i)* eliminate the indication of the nominal value of the company's shares; *(ii)* subject the shares to the centralised administration system applied for dematerialised shares; and *(iii)* split the 30,405 existing shares into 14,092,480 new shares;
- on 23 March 2015, the board members of LU-VE and ISI approved the plan for the merger by incorporation of ISI into LU-VE, establishing the exchange ratio at 1:1. The merger plan envisaged, inter alia, that:
  (i) the merger would be implemented through a share capital increase, in tranches, of LU-VE for a maximum total nominal amount of €51,550 thousand, for the purpose of the share swap;
  (ii) LU-VE would issue up to 7,507,500 LU-VE warrants, governed by the LU-VE Warrant Regulation;
  (iii) LU-VE would approve a further share capital increase, in tranches, for a maximum total nominal amount of €215 thousand, to be reserved for the exercise of the subscription right by LU-VE warrant holders;
- on 28 April 2015, the extraordinary shareholders' meetings of LU-VE and ISI approved the merger plan: by the legal deadline, none of the entitled ISI shareholders exercised the right of withdrawal and therefore the condition subsequent that would terminate the effectiveness of the shareholders' resolution was not fulfilled;
- on 19 June 2015, in compliance with the provisions of the AIM Italia Issuer Regulations, LU-VE submitted the Pre-Admission Notice to the Italian Stock Exchange for the admission to trading on the AIM Italia market of its own ordinary shares and warrants when the merger became effective;
- no creditor objected to the merger by 29 June 2015, the deadline set for any creditors to express their objection;
- on 30 June 2015:
  (i) the Admission Application was submitted to the Italian Stock Exchange for the admission to trading on the AIM Italia market of LU-VE ordinary shares, in compliance with what is set forth in the AIM Italia Issuer Regulations; and
  (ii) the deed of merger by incorporation of ISI into LU-VE was entered into, in compliance with the merger plan described above, establishing that the merger's effectiveness: *(a)* was subject to the issue by the Italian Stock Exchange of the measure for admission to trading on the AIM Italia of the LU-VE ordinary shares and warrants; and *(b)* would begin on the third day of trading subsequent to the last of the deed registrations with the competent Milan and Varese registers of companies;

- on 3 July 2015, the Italian Stock Exchange issued its measure of admission to trading on the AIM Italia market of LU-VE ordinary shares and warrants;
- on 6 July 2015, the last of the merger deed registrations was made with the competent registers of companies;
- on 9 July 2015, the merger became effective and LU-VE ordinary shares and warrants began being traded on the AIM Italia market.

On 10 July 2015, in line with what is set forth in the articles of association, 50,000 LU-VE special shares were converted into 350,000 LU-VE ordinary shares based on the ratio of 7 (seven) LU-VE ordinary shares for every 1 (one) LU-VE special share held, with no change at all in the total amount of the share capital.

In the course of 2015, requests were received for the exercise of 38,297 warrants. As a result, the Company issued 5,723 ordinary shares, for a total equivalent value of €572.30, in accordance with the methods laid out in the Warrant Regulation. Following these exercises, there were 7,469,203 warrants outstanding as at 31 December 2015.

When the profit for the year 2015 is allocated, a Restricted reserve for unrealised exchange gains will be established in the amount of €109,355.33, referring to exchange gains arising from the process of measuring items in foreign currency at year-end exchange rates. It will not be possible to distribute this reserve until the gains are realised.

The table provided below shows the possibility of use of the different items of shareholders' equity and the summary of uses in the last three years (in thousands of Euro):

Nature/description	Amount	Possibility of use	Available portion	Summary of uses in the last three years:	
				to cover losses	for other reasons
Share capital	62,496		-	-	(900)
Profit reserves:					
Legal reserve	1,758	B	-	-	-
Extraordinary reserve	15,016	A,B,C	15,016	-	(6,876)
Revaluation reserve	273	A,B,C	273	-	-
Share premium reserve	24,762	A,B,C	24,762	-	(12,126)
FTA Reserve	1,198	-	-	-	-
Reserve for treasury shares	(462)	-	-	-	-
Post-employment benefits discounting reserve	(40)	-	-	-	-
Total	105,001		40,051	-	(19,902)
Non-distributable portion	64,950				
Residual distributable portion	40,051				

Key:
A: for capital increases
B: to cover losses
C: for distribution to shareholders

As at 31 December 2015, the Company held 46,050 treasury shares (0.24% of the share capital), recognised in the financial statements as an adjustment of shareholders' equity for a total value of roughly €462 thousand (for further details, see the Directors’ Report). All treasury shares were acquired in 2015.

12. LOANS

(in thousands of Euro)	31/12/2015		31/12/2014	
	Current	**Non-current**	**Current**	**Non-current**
Medium/long-term bank loans	13,879	77,612	14,983	40,025
Total	**13,879**	**77,612**	**14,983**	**40,025**

The following changes took place in loans in 2015:
- unsecured medium/long-term loan for a total of €20,000 thousand taken out from Banca Nazionale del Lavoro, maturing on 9 June 2020, with repayment in equal half-yearly instalments and an interest rate equal to the six-month Euribor plus a spread;
- unsecured medium/long-term loan for a total of €6,000 thousand taken out from UBI Banca s.c.p.a., maturing on 29 June 2020, with repayment in quarterly increasing instalments and an interest rate equal to the three-month Euribor plus a spread;
- unsecured medium/long-term loan for a total of €10,000 thousand taken out from Mediocredito Italiano S.p.A., maturing on 30 September 2020, with repayment in equal half-yearly instalments and an interest rate equal to the six-month Euribor plus a spread;
- unsecured medium/long-term loan for a total of €10,000 thousand taken out from UniCredit S.p.A., maturing on 31 December 2020, with repayment in equal half-yearly instalments and an interest rate equal to the six-month Euribor plus a spread;
- medium/long-term mortgage loan for a total of €30,000 thousand taken out from Banca Popolare di Milano Scarl, maturing on 31 December 2021, with repayment in equal quarterly instalments and an interest rate equal to the three-month Euribor plus a spread;
- €4,000 thousand supplement to the unsecured medium/long-term loan taken out from Cariparma SpA - Credit Agricole in December 2014 maturing on 31 December 2019, with repayment in equal quarterly instalments and an interest rate equal to the three-month Euribor plus a spread;
- early repayment of the remaining GE Capital loan for €6,417 thousand, taken out on 30 October 2013 and with original maturity on 16 October 2020;
- early repayment of the remaining Deutsche Bank loan for €1,500 thousand, taken out on 5 November 2013 and with original maturity on 31 December 2018;
- early repayment of the remaining Credito Emiliano loan for €1,552 thousand, taken out on 22 March 2013 and with original maturity on 30 March 2017.
- early repayment of the remaining Banca Popolare di Milano Scarl loans for a total of €22,732 thousand, taken out in part in 2008 and in part in 2014 and with original final maturity on 31 December 2016.

During the year, loan instalment repayments, not linked to early repayments, amounted to €11,316 thousand.

With reference to the loans that require compliance with covenants, all of such covenants were respected at the reporting date.

All outstanding bank loans were denominated in Euro, and were floating rate and pegged to the Euribor. Note 32 below provides the information on financial risks required by IFRS 7.

As at 31 December 2015, the Company provided industrial properties and the attached land as collateral for payables recognised in the financial statements in the amount of €67,976 thousand. These are mortgages to guarantee medium-term loans taken out from different credit institutions for a total original amount of €40,000 thousand, currently amounting to €34,127 thousand.

13. PROVISIONS

	31/12/2014	Provisions	Uses	Release of excess portion	31/12/2015
Provision for agents' leaving indemnities	**26**	**-**	**(1)**		**25**
Product warranty provision	**989**	**-**	**(47)**	**-**	**942**
Total	**1,015**	**-**	**(48)**	**-**	**967**

The provision for agents' leaving indemnities covers amounts to be paid out to agents in the event of termination of the agency relationship.
The product warranty provision relates to the risk of returns or charges from customers for products already sold. The provision was adjusted at year-end on the basis of analyses conducted and past experience. During the year, €47 thousand was used due to a technical problem with a customer.
Provisions, which represent the estimated future outflows calculated partly based on historical experience, were subject to actuarial valuation at the reporting date. The effect was not incorporated in the financial statements as it was deemed negligible.

14. EMPLOYEE BENEFITS

Employee benefits amounted to €980 thousand, a net decrease of €118 thousand compared to 31 December 2014. The entire amount of this item referred to the provision for post-employment benefits, which includes substantially the post-employment benefits accrued by personnel employed as at 31 December, net of advances paid out to employees.
In accordance with what is established by domestic regulations, the amount due to each employee accrues based on services rendered and is disbursed when the employee leaves the company. The amount due upon termination of the employment relationship is calculated on the basis of its duration and the taxable wages of each employee. The liability is revalued each year on the basis of the official cost of living index and legal interest.
The relative regulations were supplemented by Italian Legislative Decree no. 252/2005 and Law no. 296/2006 (2007 Financial Act), which established that for companies with at least 50 employees the amounts accrued starting in 2007 would be allocated to the INPS Treasury Fund or to supplementary pension plans, at the choice of the employee, and would therefore become "Defined contribution plans".

In application of IAS 19, the provision for post-employment benefits is recalculated using the actuarial valuation methodology with the support of an external expert, and adjusted in relation to the occurrence of events which require its updating.
The date of the last actuarial valuation was 31 December 2015.
The breakdown and changes in the item as at 31 December 2015 are shown below:

	31/12/2015	31/12/2014
Passività al 1 gennaio	**1,098**	**1,026**
Accantonamenti	0	0
Oneri finanziari	16	31
Pagamenti effettuati	(73)	(74)
(Utili)/Perdite attuariali	(61)	115
Passività alla fine del periodo	**980**	**1,098**

The provision for post-employment benefits changed primarily based on uses for the year to provide advances and/or payments to former personnel.
The equity adjustment for actuarial gains and losses includes an actuarial gain of €61 thousand, calculated as follows:

- Actuarial gain deriving from the change in the main actuarial assumptions used as at 31 December 2015 with respect to the previous valuation as at 31 December 2014: €49 thousand;
- Actuarial gain deriving from the effect of the change in the group subject to valuation between one valuation and another, which was different from what was assumed: €12 thousand.

Actuarial gains and losses are posted to shareholders' equity through the statement of comprehensive income.

The amounts recognised in the income statement are included in "Personnel costs" (Note 25).

The main financial and demographic assumptions used at the date of the last reference valuation of 31 December 2015 are shown below:

FINANCIAL ASSUMPTIONS	31/12/2015	31/12/2014
Discount rate	2.03%	1.49%
Inflation	1.50%	0.60%
Salary increase rate	2.50%	2.50%
Wage increase rate	1%	1%

DEMOGRAPHIC ASSUMPTIONS	31/12/2015	31/12/2015
Mortality rate	State General Accountancy Table RG48	State General Accountancy Table RG48
Disability	INPS Tables	INPS Tables
Personnel turnover	1.5% - 6%	1.5% - 6%
Advances	0.5% - 8%	0.5% - 8%
Retirement age	100% upon satisfaction of requirements	100% upon satisfaction of requirements

15. OTHER FINANCIAL LIABILITIES

The details of this item are shown below:

M/L term financial liabilities

(in thousands of Euro)	31/12/2015	31/12/2014	Change
Lease payables	64	113	(49)
Total	**64**	**113**	**(49)**

Short-term financial liabilities

(in thousands of Euro)	31/12/2015	31/12/2014	Change
Cash pooling	36,099	26,929	9,170
Fair value of derivative instruments	1,102	1,119	(17)
Lease payables	50	48	2
Total	**37,251**	**28,096**	**9,155**

Cash pooling represented payable balances for the Company relating to the Group's centralised treasury.
The Fair value of derivative instruments represented the negative fair value as at 31 December 2015 of derivatives on lending rates and derivatives on commodity purchases.

16. TRADE PAYABLES

The breakdown of trade payables by geographical area is shown below:

(in thousands of Euro)	Country	31/12/2015	31/12/2014	Change
Italy		19,400	17,421	1,979
EU Countries		2,924	2,265	659
Other countries		449	733	(284)
Total		**22,773**	**20,419**	**2,354**

The increase in trade payables was essentially linked to the increase in volumes in 2015. The average payment terms have not changed since the previous year. As at 31 December 2015, there were no past-due payables of significant amounts or payables maturing in more than 5 years.

17. TAX PAYABLES

The details of this item are shown below:

(in thousands of Euro)	31/12/2015	31/12/2014	Change
Due to the tax authorities for income taxes	-	187	(187)
Tax withholdings	524	401	123
Total	**524**	**588**	**64**

18. OTHER CURRENT LIABILITIES

The details of this item are shown below:

(in thousands of Euro)	31/12/2015	31/12/2014	Change
To personnel	1,691	1,713	(22)
To social security institutions	1,147	1,116	31
To Directors and statutory auditors	687	671	16
Other current payables	158	1,814	(1,656)
Total	**3,683**	**5,314**	**(1,631)**

In the beginning of 2016, payables to personnel and social security institutions were paid in accordance with the relative due dates. As at 31 December 2014, Other current payables included €1,500 thousand relating to dividends approved by the shareholders' meeting on 26 June 2014 but paid during the subsequent year.

19. DEFERRED TAX ASSETS AND LIABILITIES

The details of this item are shown below:

(in thousands of Euro)	**31/12/2015**	**31/12/2014**
Deferred tax assets	657	1,263
Deferred tax liabilities	(8,326)	(11,434)
Net position	**(7,669)**	**(10,171)**

The nature of the temporary differences that resulted in the recognition of deferred tax liabilities and assets and the relative changes during the year and the previous year are analysed below.

	TAX LOSSES	**DEPREC./ AMORT. AND LEASING**	**FAIR VALUE OF DERIVATIVE INSTRUMENTS**	**MERGER GROSS UP**	**ACTUARIAL VALUATION OF POST-EMPLOYMENT BENEFITS**	**PROV. AND VALUE ADJUST.**	**OTHER DIFF.**	**Total**
01.01.2014	**0**	**2,402**	**(592)**	**9,765**	**13**	**(631)**	**(535)**	**10,422**
In income statement	0	(170)	308	(467)	(5)	(2)	117	**(219)**
In shareholders' equity		4,926		(4,926)	(32)			**(32)**
Exchange differences								
31/12/2014	**0**	**7,158**	**(284)**	**4,372**	**(24)**	**(633)**	**(418)**	**10,171**
In income statement	21	(665)	14	(1,409)	(1)	86	847	**(1,107)**
In shareholders' equity	(164)	(281)			17		(967)	**(1,395)**
Exchange differences								
31/12/2015	**(143)**	**6,212**	**(270)**	**2,963**	**(8)**	**(547)**	**(538)**	**7,669**

As at 31 December 2015, deferred tax assets referred to:
- taxes that could be carried forward for tax purposes deriving from the merger with ISI;
- the fair value of derivative instruments on commodities, exchange rates and interest rates, subscribed by the Company;
- the deferred tax impact of the actuarial valuation of post-employment benefits following the application of IAS 19;
- tax differences on increases in the provisions;
- other tax differences, regarding net temporary recoveries such as unpaid remuneration, exchange differences and other.

As at 31 December 2015, deferred tax liabilities referred to:
- tax differences on depreciation, amortisation and leasing, regarding primarily the application of IAS 17, with respect to Italian GAAP;
- the recognition of taxes on the 2008 merger deficit allocated to trademarks, buildings, land, plant and equipment.

20. NET FINANCIAL POSITION

In accordance with the requirements of the Consob Communication of 28 July 2006, the Company's financial position is shown below:

		31/12/2015	31/12/2014	Change
A.	Cash (Note 10)	9	8	1
B.	Current account asset balances (Note 10)	36,508	12,704	23,804
C.	Current financial assets (Note 8)	71,375	5,631	65,744
D.	**Liquidity (A+B+C)**	**107,892**	**18,343**	**89,549**
E.	Current bank payables (Note 12)	-	-	-
F.	Current portion of loans (Note 12)	13,879	14,983	(1,104)
G.	Other current financial liabilities (Note 15)	37,251	28,096	9,155
H.	**Current financial debt (E+F+G)**	**51,130**	**43,079**	**8,051**
I.	**Net current financial debt (H-D)**	**-56,762**	**24,736**	**-81,498**
J.	Other non-current financial assets (Note 4)	(13,452)	(11,893)	(1,559)
K.	Non-current bank payables (Note 12)	77,612	40,025	37,587
L.	Other non-current financial liabilities (Note 15)	64	113	(49)
M.	**Non-current net financial debt (J+K+L)**	**64,224**	**28,245**	**(1,608)**
N.	**Net financial debt (I+M)**	**7,462**	**52,981**	**(83,106)**

The statement of cash flows shows changes in liquidity (letter D. of this statement).

Comment on the main items of the income statement

21. REVENUES

In 2015, revenues from sales amounted to €67,220 thousand, an increase of 2.4% compared to the previous year (€65,669 thousand as at 31 December 2014).

Revenues by product family

PRODUCTS	€ /000 2015	%	€ /000 2014	%	Delta	Delta %
Air Cooled Equipment	55,128	82.01%	53,406	81.33%	1,722	3.22%
Heat exchangers	12,092	17.99%	12,263	18.67%	-171	-1.39%
TOTAL	**67,220**	**100.00%**	**65,669**	**100.00%**	**1,551**	**2.36%**

Revenues by geographical area

GEOGRAPHICAL AREA	€ /000 2015	%	€ /000 2014	%	Delta	Delta %
Italy	18,512	27.54%	16,327	24.86%	2,185	13.39%
France	7,095	10.56%	7,346	11.19%	-251	-3.41%
Spain	4,488	6.68%	3,718	5.66%	770	20.71%
Germany	4,149	6.17%	6,008	9.15%	-1,859	-30.94%
Russian Fed.	3,907	5.81%	5,089	7.75%	-1,183	-23.24%
Poland	3,084	4.59%	1,597	2.43%	1,487	93.09%
United Kingdom	2,765	4.11%	2,587	3.94%	178	6.88%
Austria	2,716	4.04%	3,016	4.59%	-300	-9.96%
Hong Kong	2,209	3.29%	2,091	3.18%	118	5.62%
Czech Rep.	2,192	3.26%	1,785	2.72%	407	22.78%
Sweden	2,121	3.16%	1,415	2.16%	706	49.87%
Australia	1,358	2.02%	912	1.39%	446	48.87%
The Netherlands	1,240	1.84%	1,588	2.42%	-349	-21.95%
Ukraine	1,211	1.80%	1,803	2.75%	-592	-32.84%
Norway	1,027	1.53%	914	1.39%	113	12.41%
Other countries	9,147	13.61%	9,472	14.42%	-325	-3.43%
TOTAL	**67,220**	**100.00%**	**65,669**	**100.00%**	**1,551**	**2.36%**

In 2015, the performance of sales in the air conditioning sector was in line with 2014 while sales in the refrigeration sector (which accounted for more than 60% of the total) saw growth of 2.3% compared to 2014. Sales to the Group’s sales companies grew significantly (+12%) while, due to the collapse in oil prices, there was a considerable decline in the power generation segment (roughly -30%, equal to around €1,200 thousand). The resumption of a significant flow of offer requests in the second half of 2015 however makes it possible to forecast good possibilities for recovery in this segment in the future.

22. OTHER INCOME

The details of this item are shown below:

(in thousands of Euro)	2015	2014	Change
Royalty income	116	154	(38)
Rent income	313	219	94
Other income	-	18	(18)
Total	**429**	**391**	**38**

23. PURCHASES OF MATERIALS

In 2015, the cost for the acquisition of materials rose from €31,890 thousand to €32,685 thousand (increase of €795 thousand, equal to around 2.5%). The increase was largely due to the increase in sales volumes.

24. SERVICES

(in thousands of Euro)	2015	2014	Change
Expenses for energy, telephone	1,240	1,471	(231)
General and advisory expenses	5,414	3,967	1,447
Advertising and promotional expenses	199	373	(173)
Transport expenses	1,246	1,362	(116)
Maintenance expenses	1,077	1,137	(60)
External processing	2,435	2,743	(308)
Commissions	275	274	0
Remuneration to the corporate bodies	804	707	97
Other costs for services	932	634	298
Costs for use of third-party assets	545	527	18
Total	**14,166**	**13,194**	**972**

The reduction in energy and telephone costs was basically due to the decline in 2015 in the unit cost of electricity as well as methane gas and the actions put into place by the Company to recover energy efficiency.
The significant increase in general and advisory expenses related to costs linked to the stock exchange listing (€950 thousand), costs for commercial consulting relating to the development of the sales network (€300 thousand) and other consulting (around €200 thousand).
The reduction in advertising and promotional expenses was due to the fact that the two main sector trade fairs are not held in odd-numbered years.
The decline in costs for external processing was caused by the insourcing carried out in the first part of the year of certain production activities previously carried out by a contractor.
Details on the fees paid to the corporate bodies are provided below:

(in thousands of Euro)	2015	2014	Change
Directors’ fees	742	669	73
Board of Statutory Auditors fees	62	38	24
Total	**804**	**707**	**97**

The fees paid to the auditing firm in 2015 amounted to €55 thousand for auditing services and €5 thousand for tax certification services.

25. PERSONNEL COSTS

(in thousands of Euro)	2015	2014	Change
Wages and salaries	9,466	9,290	176
Social security costs	3,124	3,085	39
Post-employment benefits	592	586	6
Other personnel costs	372	-	372
Total	**13,554**	**12,961**	**593**

The average number of LU-VE S.p.A. employees was 309 in 2015.
As at 31 December 2015, the number of Company employees came to 311 (194 blue-collar, 110 white-collar and middle managers, 7 executives), against 306 in 2014 (190 blue-collar, 105 white-collar and middle managers, 11 executives).
The average number of temporary workers was 11 in 2015. As at 31 December 2015, the number of temporary workers came to 7, against 15 in 2014.

26. OTHER OPERATING COSTS

(in thousands of Euro)	2015	2014	Change
Losses and write-downs on trade receivables	143	123	20
Non-income taxes	317	409	(92)
Other operating costs	70	215	(145)
Total	**530**	**747**	**(217)**

Non-income taxes included mainly taxes on owned property.

27. FINANCIAL INCOME

(in thousands of Euro)	2015	2014	Change
Dividends from consolidated companies	4,990	4,879	111
Interest income	537	341	196
Other income	199	5	194
Total	**5,726**	**5,225**	**501**

Dividends distributed amounted to €4,000 thousand from SEST S.p.A. and €990 thousand from HTS s.r.o. The item “Other income” includes the effects from the fair value measurement of investments in liquidity of €110 thousand (see Note 8).

28. FINANCIAL EXPENSE

(€/000)	2015	2014	Change
Interest expense to banks	1,677	2,260	(583)
Interest expense to other lenders	865	753	112
Other financial expense	1,328	272	1,056
Total	**3,870**	**3,284**	**586**

Financial expense decreased due to the reduction in average financial debt as well as in interest rates compared to 2014.
The item “Other financial expense” includes:

- the spread of €474 thousand between the fair value of ISI as at 30 June 2015, represented by its identifiable assets, and the carrying amount of its shareholders' equity at the same date, as the effect of accounting for the merger between ISI S.p.A. and Lu-Ve S.p.A., mentioned above.
- expense deriving from the measurement at fair value of investments of liquidity of €510 thousand (see Note 8).

29. EXCHANGE GAINS AND LOSSES

In 2015, LU-VE S.p.A. realised net exchange gains of €101 thousand (net gains of €167 thousand in 2014). Exchange gains arose primarily due to the appreciation of the US dollar and the Australian dollar against the Euro.
The valuation at exchange rates at the date of approval of the financial statements did not generate significant effects.

30. INCOME TAXES

(in thousands of Euro)	2015	2014	Change
Current taxes	227	1,378	(1,151)
Deferred tax liabilities	(1,107)	(219)	(888)
Previous years	(100)	293	(393)
Total	**(980)**	**1,452**	**2,432**

In 2015, taxes relating to previous years referred primarily to tax refunds obtained during the year in response to requests submitted in previous years and not accounted for as their recoverability was uncertain.

The reconciliation between the tax charge recognised in the financial statements and the theoretical tax charge, determined on the basis of theoretical tax rates in force in Italy, is shown below (in thousands of Euro):

RECONCILIATION OF IRES THEORETICAL TAX CHARGE

Pre-tax profit (loss)	**3,953**	**1,087**	**27.50%**
+ Non-deductible amortisation and depreciation	26	7	0.2%
+ Costs for motor vehicles, telephony and food service	168	46	1.2%
+ Non-deductible local taxes	225	62	1.6%
+ Other permanent upward adjustments	502	138	3.5%
- Non-taxable dividends	(4,741)	(1,304)	(33.0%)
- Support for economic growth (ACE)	(220)	(61)	(1.5%)
- Deductible IRAP	(70)	(19)	(0.5%)
- Other permanent downward adjustments	137	38	1.0%
Actual tax charge	**(20)**	**(5)**	**(0.1%)**
+ Temporary upward adjustments	4,051	1,114	28.2%
- Temporary downward adjustments	(4,031)	(1,109)	(28.0%)
Current tax charge	**-**	**-**	**-**

RECONCILIATION OF IRAP THEORETICAL TAX CHARGE

Difference between values and costs of production	**1,931**	**75**	**3.90%**
+ Non-deductible amortisation and depreciation	21	1	0.0%
+ Non-deductible local taxes	225	9	0.2%
+ Non-deductible labour costs	1,765	69	1.7%
+ Bad debt provision	145	6	0.1%
+ Other permanent upward adjustments	97	4	0.1%
- Permanent downward adjustments	(855)	(33)	(0.8%)
Actual tax charge	**3,329**	**130**	**3.3%**
+ Temporary upward adjustments	2,762	108	2.7%
- Temporary downward adjustments	(269)	(10)	(0.3%)
Current tax charge	**5,822**	**227**	**5.7%**

Theoretical taxes were determined by applying the IRES tax rate in force, equal to 27.50%, to the pre-tax profit.

As at 31 December 2015, there were no tax disputes.

31. DIVIDENDS

In June 2015, before the admission of the Company's shares to listing on the AIM market, dividends of €3 million were distributed.
With respect to the year under way, the Directors proposed the payment of a €0.20 dividend per share. This dividend is subject to the approval of the shareholders at the annual meeting called for the approval of the separate financial statements and therefore it was not included under liabilities in these financial statements.
The proposed dividend will be payable on 11 May 2016 (ex-dividend date 9 May and record date 10 May).

32. INFORMATION ON FINANCIAL RISKS

Categories of financial instruments

Pursuant to IFRS 7, financial instruments are broken down into the categories set forth by IAS 39 below.

	31/12/2015	31/12/2014
Financial assets		
Cash and cash equivalents	36,517	12,713
Trade receivables	27,368	23,125
Fair value in income statement		
Trading derivatives	157	214
Current financial assets	71,217	5,417
Financial liabilities		
Loans	127,704	82,098
Trade payables	22,773	20,419
Fair value in income statement		
Trading derivatives	1,102	1,119

One of the Company's policies is to protect its exposure to fluctuations in prices, exchange rates and interest rates using derivative financial instruments. This hedging may be achieved using forward contracts and interest rate swaps. Generally, the maximum term of these hedges is no longer than 18 months.
Please note that all derivative instruments were subscribed in order to hedge the underlying risks. However, at the date of presentation of these financial statements, not all requirements of IAS 39 were satisfied. Therefore, the Group management deemed it appropriate to treat those instruments as trading, not hedging, transactions.

Credit risk management

The Company assesses the creditworthiness of all customers at the start of the supply and then periodically. Each customer is assigned a credit limit based on this assessment.

Exchange rate risk management
The main currency other than the euro to which the Company is exposed is the US dollar, for the acquisition of raw materials.

Sensitivity analysis
With reference to financial assets and liabilities in foreign currency as at 31 December 2015, a theoretical and immediate revaluation of the euro by 10% compared to other currencies would have entailed a loss of €20 thousand.

Interest rate risk management
The Company's financial debt is floating rate; to reach an optimal mix between floating and fixed rates in the loan structure, the Company evaluates whether to use derivative financial instruments which, as noted above, although they are for hedging purposes, do not satisfy all requirements laid out by the IAS principle. Therefore, these instruments were also categorised as trading instruments.

Sensitivity analysis
With reference to the floating rate financial assets and liabilities as at 31 December 2015, a theoretical increase in interest rates by 100 basis points with respect to the exact interest rates in force at the same date, with all other variables remaining the same, would have entailed an increase in financial expense equal to €2,442 thousand, without taking into account transactions with derivative instruments which were considered for trading.

Raw material price risk management
Copper and aluminium account for a significant share of the Company's purchasing costs. Product sale prices are in part negotiated annually and in part negotiated on the basis of customer requests; as a result it is only partially possible for the Company to immediately transfer changes in raw material prices to customers in the course of the year. The Company protects itself from the risk of fluctuating prices with purchase contracts with suppliers for delivery in up to twelve months or, alternatively, by means of derivative financial instruments.

Liquidity risk management
The Company operates with a limited debt ratio (net financial debt/shareholders' equity as at 31 December 2015, equal to 6.78%, net financial debt/gross operating income at 0.28) and has unused short-term credit lines totalling roughly €40 million. In addition, to minimise liquidity risk the Administration and Financial Department:
- constantly checks forecast financial requirements to promptly take any appropriate actions;
- maintains the proper composition of net financial debt, financing investments with own funds and possibly with medium/long-term loans.

An analysis of financial liabilities as at 31 December 2015 is provided below by maturity:

As at 31 December 2015	**Carrying amount**	**Contractual cash flows**	**Within 1 year**	**From 1 to 5 years**	**More than 5 years**
Bank loans	91,491	93,544	14,805	74,177	4,562
Finance leases	114	118	88	30	0
Other financial liabilities	36,099	36,099	36,099	0	0
Total financial payables	**127,704**	**129,761**	**50,992**	**74,207**	**4,562**
Trade payables	22,773	22,773	22,773	0	0
Total	**150,477**	**152,534**	**73,765**	**74,207**	**4,562**

The various maturity ranges are based on the period between the reporting date and the contractual maturity of the obligations. The values specified in the table correspond to undiscounted cash flows. The cash flows include principal and interest; for floating rate liabilities, interest is calculated based on the value of the benchmark at the date of year-end close, plus the spread established for each contract.

Fair value hierarchy

In relation to the financial instruments recognised in the statement of financial position at fair value, IFRS 7 requires those values to be classified on the basis of a hierarchy with levels reflecting the significance of the inputs used to measure the fair value. The hierarchy includes the following levels:

- Level 1 - quoted prices in active markets for the assets or liabilities subject to assessment;
- Level 2 - inputs other than the quoted prices pursuant to the point above, which may be observed directly (prices) or indirectly (derived from prices) in the market;
- Level 3 - inputs which are not based on observable market data

The table below shows the assets and liabilities measured at fair value as at 31 December 2014, by fair value hierarchy level.

	Level 1	*Level 2*	*Level 3*	*Total*
Other financial assets	-	157	-	157
Other financial liabilities	-	1,102	-	1,102
Total liabilities	**0**	**945**	**0**	**945**

33. RELATED PARTY TRANSACTIONS

Balance sheet and income statement items relating to transactions between the Parent Company and related parties as a percentage of the total are shown below.

	Trade receivables	Trade payables	Financial receivables	Financial payables	Trade revenues	Trade costs	Financial revenues	Financial costs
SEST SPA	689	93	0	4,794	53	2		105
SEST-LUVE-POLSKA	6	280	0	31,305		251		755
OOO SEST LUVE	351				590			
HTS SRO	4,481	552	1,620		1,151	178	32	
TECNAIR LV SPA	436	6			1,359			
LUVE ASIA PACIFIC HK	765	121	6,275		53	7	218	
LUVE SWEDEN AB	2,301	20	5,623		2,062	4	57	
METALLUVE SRL	395	2,113	1,716		462	4,218	54	
LUVE CHANGSHU	1,506	2			390			
LUVE FRANCE	823	131			3,774	350		
LUVE DEUTSCHLAND	517	46			1,221	232		
LUVE IBERICA	3,218	10	1,556		4,375	28	5	
LUVE PACIFIC	3,062	127			1,318			
TGD	166		3,281		5	1	87	
RISTOR ARCO SRL		65				383		
MGPE		31						
TOTAL	**18,716**	**3,597**	**20,071**	**36,099**	**16,813**	**5,654**	**453**	**859**

34. SHARE-BASED PAYMENTS

As at 31 December 2015, there were no share-based incentive plans in favour of Group Directors or employees.

35. COMMITMENTS

As at 31 December 2015, there were sureties in favour of banks that granted credit lines to our subsidiaries totalling €3,859 thousand (€5,347 thousand as at 31 December 2014). There were also sureties in favour of banks that granted guarantees to certain customers of the Company (performance bond) totalling €359 thousand (€272 thousand as at 31 December 2014).
As at 31 December 2015, third-party goods worth a total of €1,483 thousand were held temporarily in the Company warehouses (€506 thousand as at 31 December 2014).

36. ADOPTION OF IAS/IFRS INTERNATIONAL ACCOUNTING STANDARDS - notes and reconciliation statements set forth in IFRS 1 "First-time adoption of International Financial Reporting Standards"

The separate financial statements as at 31 December 2015 were the first complete financial statements prepared in accordance with the international accounting standards ("IAS/IFRS") issued by the International Accounting Standards Board (IASB) and endorsed by the EU, following the entry into force of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of July 2002. Lu-Ve S.p.A. voluntarily adopted those accounting standards as established in Italian Legislative Decree no. 38/2005.

In compliance with IFRS 1 - First-time adoption of IFRS, this note provides the reconciliation with IAS/IFRS of the asset and liability balances as at 1 January and 31 December 2014, as well as of the income statement balances for the year 2014, prepared in accordance with the accounting standards issued by the Italian Accounting Standard Setter (OIC) (or "**Italian GAAP**"), as well as the relative explanatory notes. To that end, the Company restated the following in accordance with international accounting standards:

- the balance sheet at the transition date (1 January 2014), corresponding to the start of the period presented for comparative purposes in the first IFRS financial statements, and
- the balance sheet and the income statement for the year ending on 31 December 2014, the period presented for comparative purposes at the date of the first IFRS financial statements.

The effect of adjusting the opening balances of assets and liabilities to the new accounting standards was recognised in a dedicated Shareholders' Equity reserve (the First Time Adoption Reserve), net of the related tax effect recognised in deferred tax assets or in deferred tax liabilities, as applicable.

The reconciliation statements mentioned above were prepared only for the purpose of the transition process for the preparation of the 2015 financial statements and therefore do not include comparative data and the explanatory notes that would be required to provide a true and fair view of the Company's equity and financial situation and economic results in compliance with IAS/IFRS.
The above-mentioned reconciliation statements have been audited.

FIRST TIME ADOPTION OF IFRS
General principle
Lu-Ve S.p.A. applied the accounting standards in force as at 31 December 2014 retrospectively to all periods included in the first IFRS financial statements and to the opening balance sheet, with the exception of certain exemptions applied by the Company in compliance with IFRS 1, described in the following paragraph.
The opening balance sheet as at 1 January 2014 reflects the following accounting differences compared to the financial statements as at 31 December 2013 prepared in compliance with Italian GAAP:

✓ all assets and liabilities that must be recognised according to IAS/IFRS, including those not required by Italian GAAP, were recognised and measured in accordance with IAS/IFRS;

- ✓ all assets and liabilities that must be recognised according to Italian GAAP but cannot be recognised under IAS/IFRS were eliminated;
- ✓ some financial statement items were reclassified in accordance with IAS/IFRS.

The effects of these adjustments were recognised directly in the opening shareholders' equity at the date of first-time application of IAS/IFRS (1 January 2014).
In the process of transitioning to IAS/IFRS, the estimates previously formulated in accordance with Italian GAAP were not changed unless the adoption of IAS/IFRS required the formulation of estimates using different methodologies.

Financial statements
As regards the new statement layouts, LU-VE S.p.A. adopted the “current/non-current” distinction in the presentation of assets and liabilities in the balance sheet. To present income two statements were used, the first called the “income statement” and the second called the “statement of comprehensive income”. These decisions resulted in the reclassification of the historical financial statements prepared in accordance with the layouts set forth in art. 2424 and art. 2425 of the Italian Civil Code, as amended and supplemented.
Income statement items continue to be classified by nature.

Optional exemptions and accounting approaches adopted by the Company
The optional exemptions provided in IFRS 1 upon first time adoption of IAS/IFRS (1 January 2014) and applied by Lu-Ve S.p.A. are listed below:

- **business combinations**: Lu-Ve S.p.A. decided not to apply IFRS 3 - Business combinations retrospectively for transactions that took place before the date of transition to IAS/IFRS; therefore, asset and liability items deriving from the recognition of business combinations in accordance with Italian GAAP were not restated. In the transition process, assets and liabilities not meeting the requirements for recognition were eliminated and the assets and liabilities required by IAS/IFRS were recognised (i.e., deferred taxes). These adjustments were recognised as a matching entry to goodwill deriving from previous business combinations.

  In compliance with IFRS 1, Lu-Ve S.p.A. tested goodwill and the carrying amount of equity investments for impairment at the IAS/IFRS transition date. On the basis of the test carried out, it was necessary to incorporate the impairment relating to the carrying amount of the equity investment held in the subsidiary Lu-Ve Deutschland Gmbh, which, in application of Italian GAAP, was not written down as it was not deemed an impairment loss.

- **Employee benefits:** Lu-Ve S.p.A. decided to recognise all cumulative actuarial gains and losses as at 1 January 2014 calculated in accordance with IAS 19. The Company decided to provide the employee benefits disclosure on a prospective basis beginning from the transition date.

- The Company applied the transition rules set forth in IFRIC 4 - ***Determining Whether an Arrangement Contains a Lease*** and assessed all existing agreements based on their conditions on the transition date.

Accounting estimates and approaches

The estimates as at 1 January 2014 and as at 31 December 2014 are consistent with what was carried out on the same dates in compliance with Italian GAAP (subsequent to adjustments made to account for differences in accounting standards) with the exception of the items listed below, for which Italian GAAP does not require an estimate:

- Employee benefits;
- Derivative financial instruments;
- Financial assets available for sale.

The accounting approaches chosen from the options provided by IFRS were:

- **measurement of property, plant and equipment and intangible assets**: subsequent to initial recognition, IAS 16 and IAS 38 require those assets to be measured at cost or fair value. The Company decided to adopt the cost method.

Description of the significant effects of the transition to IAS/IFRS

The tables below highlight the effects, in terms of reclassifications as well as adjustments, of the transition to IAS/IFRS on the statement of financial position as at 1 January 2014 and as at 31 December 2014, the income statement and statement of comprehensive income relating to the year ending on 31 December 2014 and shareholders' equity, including the profit (loss) for the year as at 31 December 2014 (please note that in order to prepare the reconciliations reported below, the statement of financial position and the income statement in the financial statements prepared in accordance with Italian GAAP were reclassified in compliance with the classification required by the IAS/IFRS adopted by the Company).

The statements below show, for each item in individual columns:

- the values according to Italian GAAP reclassified in accordance with the IAS/IFRS statements adopted by Lu-Ve S.p.A.;
- the values of the reclassifications carried out as a result of the different accounting methods set forth in IAS/IFRS, with an indication of the relative explanatory note;
- the values of adjustments made following the application of IAS/IFRS with respect to Italian GAAP, with an indication of the relative explanatory note;
- the closing values according to IAS/IFRS.

The adjustments shown in the table with reference to deferred tax liabilities/assets relate to the recognition of the effects of adjustments resulting from the conversion to IAS/IFRS. Note that the deferred tax assets/liabilities recognised in the separate financial statements as at 1 January 2014 were calculated by applying the rates in force at the date of transition to IAS/IFRS. Subsequently the tax effects were updated at 31 December 2014.

Reclassification of the Statement of Financial Position as at 1 January 2014 restated in accordance with IAS/IFRS

The tables below show, in summary and detailed form, the reconciliation of the Statement of Financial Position as at 1 January 2014.

Summary statement

(in thousands of Euro)	Balances for Italian GAAP	(a) IAS/IFRS reclassifications	(b) IAS/IFRS adjustments	(a)+(b) IFRS balances
ASSETS				
Goodwill	11,367	-	3,202	14,569
Other intangible assets	7,163	-	1,390	8,553
Property, plant and equipment	34,007	-	4,898	38,905
Other property, plant and equipment	570	-	1,140	1,710
Deferred tax assets	995	-	592	1,587
Equity investments	25,291	-	(695)	24,596
Other non-current assets	13,216	-	-	13,216
NON-CURRENT ASSETS	**92,609**	**-**	**10,527**	**103,136**
Inventories	4,432	-	-	4,432
Trade receivables	23,068	-	-	23,068
Due from the tax authorities for current taxes	1,555	-	-	1,555
Current financial assets	2,038	-	-	2,038
Other current assets	925	(127)	(112)	686
Cash and cash equivalents	16,943	-	-	16,943
CURRENT ASSETS	**48,961**	**(127)**	**(112)**	**48,722**
ASSETS HELD FOR SALE	**-**	**-**	**-**	**-**
TOTAL ASSETS	**141,570**	**(127)**	**10,415**	**151,858**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Share capital	9,000	-	-	9,000
Reserves and retained earnings (losses)	25,763	-	1,198	26,961
Profit (loss) for the year	1,728			1,728
Total shareholders' equity	*36,491*	-	1,198	37,689
SHAREHOLDERS' EQUITY	**36,491**	**-**	**1,198**	**37,689**
Loans	38,132	(61)	-	38,071
Provisions	1,009	-	-	1,009
Employee benefits	1,072	-	(46)	1,026
Deferred tax liabilities	4,837	-	7,172	12,009
Other financial liabilities	-	-	161	161
NON-CURRENT LIABILITIES	**45,050**	**(61)**	**7,287**	**52,276**
Trade payables	19,085	-	-	19,085
Loans	12,763	(66)	-	12,697
Provisions	-	-	-	-
Tax payables	1,184	-	-	1,184
Other financial liabilities	23,616	-	1,930	25,546
Other current liabilities	3,381		-	3,381
CURRENT LIABILITIES	**60,029**	**(66)**	**1,930**	**61,893**
LIABILITIES HELD FOR SALE	**-**	**-**	**-**	**-**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**141,570**	**(127)**	**10,415**	**151,858**

Detailed statement

(in thousands of Euro)	Balances for Italian GAAP	IAS/IFRS reclassifications	A IFRS 3/ IAS 36 Goodwill	B IAS 38 Development costs	C IAS 16 Useful life of moulds	D IAS 19 Employee benefits	E IAS 39 Measurement of financial instruments	F IAS 36 Impairment of equity investment Germany	G IAS 17 Leases	IAS/IFRS adjustments	IFRS balances
ASSETS											
Goodwill	**11,367**	**-**	3,202	-	-	-	-	-	-	3,202	**14,569**
Other intangible assets	**7,163**	**-**	-	1,390	-	-	-	-	-	1,390	**8,553**
Property, plant and equipment	**34,007**	**-**	-	-	-	-	-	-	4,898	4,898	**38,905**
Other property, plant and equipment	**570**	**-**	-	-	1,140	-	-	-	-	1,140	**1,710**
Deferred tax assets	**995**	**-**	-	-	-	-	592	-	-	592	**1,587**
Equity investments	**25,291**	**-**	-	-	-	-	-	(695)	-	(695)	**24,596**
Other non-current assets	**13,216**	**-**	-	-	-	-	-	-	-	-	**13,216**
NON-CURRENT ASSETS	**92,609**	**-**	**3,202**	**1,390**	**1,140**	**-**	**592**	**(695)**	**4,898**	**10,527**	**103,136**
Inventories	**4,432**	**-**	-	-	-	-	-	-	-	-	**4,432**
Trade receivables	**23,068**	**-**	-	-	-	-	-	-	-	-	**23,068**
Due from the tax authorities for current taxes	**1,555**	**-**	-	-	-	-	-	-	-	-	**1,555**
Current financial assets	**2,038**	**-**	-	-	-	-	-	-	-	-	**2,038**
Other current assets	**925**	(127)	-	-	-	-	-	-	(112)	(112)	**686**
Cash and cash equivalents	**16,943**	**-**	-	-	-	-	-	-	-	-	**16,943**
CURRENT ASSETS	**48,961**	**(127)**	**-**	**-**	**-**	**-**	**-**	**-**	**(112)**	**(112)**	**48,722**
ASSETS HELD FOR SALE	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL ASSETS	**141,570**	**(127)**	**3,202**	**1,390**	**1,140**	**-**	**592**	**(695)**	**4,786**	**10,415**	**151,858**
LIABILITIES AND SHAREHOLDERS' EQUITY											
Share capital	**9,000**	-	-	-	-	-	-	-	-	-	**9,000**
Reserves and retained earnings (losses)	**25,763**	**-**	(1,724)	954	782	33	(1,293)	(695)	3,141	1,198	**26,961**
Profit (loss) for the year	**1,728**										**1,728**
Total shareholders' equity	***36,491***	**-**	**(1,724)**	**954**	**782**	**33**	**(1,293)**	**(695)**	**3,141**	1,198	37,689
SHAREHOLDERS' EQUITY	**36,491**	**-**	**(1,724)**	**954**	**782**	**33**	**(1,293)**	**(695)**	**3,141**	**1,198**	**37,689**
Loans	**38,132**	**(61)**	-	-	-	-	-	-	-	-	**38,071**
Provisions	**1,009**	**-**	-	-	-	-	-	-	-	-	**1,009**
Employee benefits	**1,072**	**-**	-	**-**	-	(46)	-	-	-	(46)	**1,026**
Deferred tax liabilities	**4,837**	**-**	4,926	436	358	13	-	-	1,439	7,172	**12,009**
Other financial liabilities	**-**	**-**	-	-	-	-	-	-	161	161	**161**
NON-CURRENT LIABILITIES	**45,050**	**(61)**	**4,926**	**436**	**358**	**(33)**	**-**	**-**	**1,600**	**7,287**	**52,276**
Trade payables	**19,085**	**-**	-	-	-	-	-	-	-	-	**19,085**
Loans	**12,763**	**(66)**	-	-	-	-	-	-	-	-	**12,697**
Provisions	**-**	**-**	-	-	-	-	-	-	-	-	**-**
Tax payables	**1,184**	**-**	-	-	-	-	-	-	-	-	**1,184**
Other financial liabilities	**23,616**	**-**	-	-	-	-	1,885	-	45	1,930	**25,546**
Other current liabilities	**3,381**		-	-	-	-	-	-	-	-	**3,381**
CURRENT LIABILITIES	**60,029**	**(66)**	**-**	**-**	**-**	**-**	**1,885**	**-**	**45**	**1,930**	**61,893**
LIABILITIES HELD FOR SALE	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**141,570**	**(127)**	**3,202**	**1,390**	**1,140**	**-**	**592**	**(695)**	**4,786**	**10,415**	**151,858**

Reconciliation of the Statement of Financial Position as at 31 December 2014 restated in accordance with IAS/IFRS

The tables below show, in summary and detailed form, the reconciliation of the Statement of Financial Position as at 31 December 2014.

Summary statement

(in thousands of Euro)	Balances for Italian GAAP	(a) IAS/IFRS reclassifications	(b) IAS/IFRS adjustments	(a)+(b) IFRS balances
ASSETS				
Goodwill	13,075	-	1,494	14,569
Other intangible assets	6,717	-	1,263	7,980
Property, plant and equipment	32,873	-	4,662	37,535
Other property, plant and equipment	885	-	910	1,795
Deferred tax assets	883	-	379	1,262
Equity investments	55,870	-	(695)	55,175
Other non-current assets	12,542	-	-	12,542
NON-CURRENT ASSETS	122,845	-	8,013	130,858
Inventories	5,445	-	-	5,445
Trade receivables	23,125	-	-	23,125
Due from the tax authorities for current taxes	1,437	-	-	1,437
Current financial assets	5,417	-	214	5,631
Other current assets	1,265	(533)	(85)	647
Cash and cash equivalents	12,713	-	-	12,713
CURRENT ASSETS	49,402	(533)	129	48,998
ASSETS HELD FOR SALE	-	-	-	-
TOTAL ASSETS	172,247	(533)	8,142	179,856
LIABILITIES AND SHAREHOLDERS' EQUITY				
Share capital	10,946	-	10,946	10,946
Reserves and retained earnings (losses)	37,955	-	2,840	40,795
Profit (loss) for the year	3,239	-	1,791	5,030
Total shareholders' equity	*52,140*	-	4,631	56,771
SHAREHOLDERS' EQUITY	52,140	-	4,631	56,771
Loans	40,368	(343)	-	40,025
Provisions	1,015	-	-	1,015
Employee benefits	1,004	-	94	1,098
Deferred tax liabilities	9,297	-	2,137	11,434
Other financial liabilities	-	-	113	113
NON-CURRENT LIABILITIES	51,684	(343)	2,344	53,685
Trade payables	20,419	-	-	20,419
Loans	15,173	(190)	-	14,983
Provisions	-	-	-	-
Tax payables	588	-	-	588
Other financial liabilities	26,929	-	1,167	28,096
Other current liabilities	5,314	-	-	5,314
CURRENT LIABILITIES	68,423	(190)	1,167	69,400
LIABILITIES HELD FOR SALE	-	-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	172,247	(533)	8,142	179,856

Detailed statement

(in thousands of Euro)	Balances for Italian GAAP	IAS/IFRS reclassifications	A IFRS 3/ IAS 36 Goodwill	B IAS 38 Development costs	C IAS 16 Useful life of moulds	D IAS 19 Employee benefits	E IAS 39 Measurement of financial instruments	F IAS 36 Impairment of equity investment Germany	G IAS 17 Leases	H IAS 32 Listing costs	IAS/IFRS adjustments	IFRS balances
ASSETS												
Goodwill	**13,075**	**-**	1,494	-	-	-	-	-	-	-	1,494	**14,569**
Other intangible assets	**6,717**	**-**	-	1,484	-	-	-	-	-	(221)	1,263	**7,980**
Property, plant and equipment	**32,873**	**-**	-	-	-	-	-	-	4,662	-	4,662	**37,535**
Other property, plant and equipment	**885**	**-**	-	-	910	-	-	-	-	-	910	**1,795**
Deferred tax assets	**883**	**-**	-	-	-	26	284	-	-	69	379	**1,262**
Equity investments	**55,870**	**-**	-	-	-	-	-	(695)	-	-	(695)	**55,175**
Other non-current assets	**12,542**	**-**	-	-	-	-	-	-	-	-	-	**12,542**
NON-CURRENT ASSETS	**122,845**	**-**	**1,494**	**1,484**	**910**	**26**	**284**	**(695)**	**4,662**	**(152)**	**8,013**	**130,858**
Inventories	**5,445**	**-**	-	-	-	-	-	-	-	-	-	**5,445**
Trade receivables	**23,125**	**-**	-	-	-	-	-	-	-	-	-	**23,125**
Due from the tax authorities for current taxes	**1,437**	**-**	-	-	-	-	-	-	-	-	-	**1,437**
Current financial assets	**5,417**	**-**	-	-	-	-	214	-	-	-	214	**5,631**
Other current assets	**1,265**	**(533)**	-	-	-	-	-	-	(85)	-	(85)	**647**
Cash and cash equivalents	**12,713**	**-**	-	-	-	-	-	-	-	-	-	**12,713**
CURRENT ASSETS	**49,402**	**(533)**	**-**	**-**	**-**	**-**	**214**	**-**	**(85)**	**-**	**129**	**48,998**
ASSETS HELD FOR SALE	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL ASSETS	**172,247**	**(533)**	**1,494**	**1,484**	**910**	**26**	**498**	**(695)**	**4,577**	**(152)**	**8,142**	**179,856**
LIABILITIES AND SHAREHOLDERS' EQUITY												
Share capital	**10,946**	**-**	-	-	-	-	-	-	-	-	10,946	**10,946**
Reserves and retained earnings (losses)	**37,955**	**-**	-	954	782	(51)	(1,293)	(695)	3,143	-	2,840	**40,795**
Profit (loss) for the year	**3,239**	**-**	1,494	64	(158)	(17)	672	-	(112)	(152)	1,791	**5,030**
Total shareholders' equity	***52,140***	**-**	**1,494**	**1,018**	**624**	**(68)**	**(621)**	**(695)**	**3,031**	**(152)**	**4,631**	**56,771**
SHAREHOLDERS' EQUITY	**52,140**	**-**	**1,494**	**1,018**	**624**	**(68)**	**(621)**	**(695)**	**3,031**	**(152)**	**4,631**	**56,771**
Loans	**40,368**	**(343)**	-	-	-	-	-	-	-	-	-	**40,025**
Provisions	**1,015**	**-**	-	-	-	-	-	-	-	-	-	**1,015**
Employee benefits	**1,004**	**-**	-	**-**	-	94	-	-	-	-	94	**1,098**
Deferred tax liabilities	**9,297**	**-**	-	466	286	-	-	-	1,385	-	2,137	**11,434**
Other financial liabilities	**-**	**-**	-	-	-	-	-	-	113	-	113	**113**
NON-CURRENT LIABILITIES	**51,684**	**(343)**	**-**	**466**	**286**	**94**	**-**	**-**	**1,498**	**-**	**2,344**	**53,685**
Trade payables	**20,419**	**-**	-	-	-	-	-	-	-	-	-	**20,419**
Loans	**15,173**	**(190)**	-	-	-	-	-	-	-	-	-	**14,983**
Provisions	**-**	**-**	-	-	-	-	-	-	-	-	-	**-**
Tax payables	**588**	**-**	-	-	-	-	-	-	-	-	-	**588**
Other financial liabilities	**26,929**	**-**	-	-	-	-	1,119	-	48	-	1,167	**28,096**
Other current liabilities	**5,314**	**-**	-	-	-	-	-	-	-	-	-	**5,314**
CURRENT LIABILITIES	**68,423**	**(190)**	**-**	**-**	**-**	**-**	**1,119**	**-**	**48**	**-**	**1,167**	**69,400**
LIABILITIES HELD FOR SALE	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**172,247**	**(533)**	**1,494**	**1,484**	**910**	**26**	**498**	**(695)**	**4,577**	**(152)**	**8,142**	**179,856**

Reconciliation of Shareholders' Equity as at 1 January 2014 and as at 31 December 2014 restated in accordance with IAS/IFRS

(in thousands of Euro)	Note	1/01/2014	31/12/2014
SHAREHOLDERS' EQUITY ACCORDING TO ITALIAN GAAP		**36,491**	**52,140**
Goodwill	**A**	3,202	1,494
Development costs	**B**	1,390	1,484
Useful life of moulds	**C**	1,140	910
Employee benefits	**D**	46	(94)
Measurement of financial instruments	**E**	(1,885)	(905)
Impairment of equity investment Germany	**F**	(695)	(695)
Leases	**G**	4,580	4,416
Listing costs	**H**	-	(221)
Recognition of deferred tax assets/liabilities		(6,580)	(1,758)
SHAREHOLDERS' EQUITY ACCORDING TO IAS/IFRS		**37,689**	**56,771**

Reconciliation of the Income Statement and the Statement of Comprehensive Income as at 31 December 2014 restated in accordance with IAS/IFRS

The tables below show, in summary and detailed form, the reconciliation of the Income Statement as at 31 December 2014.

Summary statement

(in thousands of Euro)	Balances for Italian GAAP	(a) IAS/IFRS reclassifications	(b) IAS/IFRS adjustments	(a)+(b) IFRS balances
REVENUES AND OPERATING INCOME				
Revenues	65,565	104	-	65,669
Other income	543	(153)	-	390
Total revenues and operating income	**66,108**	**(49)**	**-**	**66,059**
OPERATING COSTS				
Purchases of materials	**(31,894)**	**-**	4	(31,890)
Change in inventories	**1,013**	**-**	-	1,013
Services	**(13,108)**	**-**	(85)	(13,193)
Personnel costs	**(13,896)**	**-**	936	(12,960)
Other operating costs	**(747)**	**-**	-	(747)
Total operating costs	**(58,632)**	**-**	**855**	**(57,777)**
Net change in fair value of derivatives	-	-	980	980
Depreciation and amortisation	**(5,019)**	**-**	132	(4,887)
Capital gains on the sale of non-current assets	**-**	**-**	-	-
Write-downs on non-current assets	**-**	**-**	**-**	-
EBIT	**2,457**	**(49)**	**1,967**	**4,375**
Financial income	**5,225**	**-**	-	5,225
Financial expense	**(3,295)**	49	(38)	(3,284)
Exchange gains and losses	**167**	**-**	-	167
Gains and losses from equity investments	**-**	**-**	-	-
EBT	**4,554**	**-**	**1,929**	**6,483**
Income taxes	**(1,315)**	**-**	(138)	(1,453)
PROFIT (LOSS) FOR THE YEAR	**3,239**	**-**	**1,791**	**5,030**

Detailed statement

(in thousands of Euro)	Balances for Italian GAAP	IAS/IFRS reclassifications	A IFRS3/IAS 36 Goodwill	B IAS 38 Development costs	C IAS 16 Useful life of moulds	D IAS 19 Employee benefits	E IAS 39 Measurement of financial instruments	F IAS 36 Impairment of equity investment Germany	G IAS 17 Leases	H IAS 32 Listing costs	IAS/IFRS adjustments	IFRS balances
REVENUES AND OPERATING INCOME												
Revenues	65,565	104	-	-	-	-	-	-	-	-	-	65,669
Other income	543	(153)	-	-	-	-	-	-	-	-	-	390
Total revenues and operating income	**66,108**	**(49)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**66,059**
OPERATING COSTS												
Purchases of materials	(31,894)	-	-	4	-	-	-	-	-	-	4	(31,890)
Change in inventories	1,013	-	-	-	-	-	-	-	-	-	-	1,013
Services	(13,108)	-	-	57	-	-	-	-	79	(221)	(85)	(13,193)
Personnel costs	(13,896)	-	-	929	-	7	-	-	-	-	936	(12,960)
Other operating costs	(747)	-	-	-	-	-	-	-	-	-	-	(747)
Total operating costs	**(58,632)**	**-**	**-**	**990**	**-**	**7**	**-**	**-**	**79**	**(221)**	**855**	**(57,777)**
Net change in fair value of derivatives	-	-	-	-	-	-	980	-	-	-	980	980
Depreciation and amortisation	(5,019)	-	1494	(896)	(230)	-	-	-	(236)	-	132	(4,887)
Capital gains on the sale of non-current assets	-	-	-	-	-	-	-	-	-	-	-	-
Write-downs on non-current assets	-	-	-	-	-	-	-	-	-	-	-	-
EBIT	**2,457**	**(49)**	**1,494**	**94**	**(230)**	**7**	**980**	**-**	**(157)**	**(221)**	**1,967**	**4,375**
Financial income	5,225	-	-	-	-	-	-	-	-	-	-	5,225
Financial expense	(3,295)	49	-	-	-	(31)	-	-	(7)	-	(38)	(3,284)
Exchange gains and losses	167	-	-	-	-	-	-	-	-	-	-	167
Gains and losses from equity investments	-	-	-	-	-	-	-	-	-	-	-	-
EBT	**4,554**	**-**	**1,494**	**94**	**(230)**	**(24)**	**980**	**-**	**(164)**	**(221)**	**1,929**	**6,483**
Income taxes	(1,315)	-	-	(30)	72	7	(308)	-	52	69	(138)	(1,453)
PROFIT (LOSS) FOR THE YEAR	**3,239**	**-**	**1,494**	**64**	**(158)**	**(17)**	**672**	**-**	**(112)**	**(152)**	**1,791**	**5,030**

Statement of comprehensive income

(in thousands of Euro)	Note	Balances for Italian GAAP	IAS/IFRS reclassifications	IAS/IFRS adjustments	IFRS balances
PROFIT (LOSS) FOR THE YEAR		**3,239**	-	1,791	**5,030**
Actuarial valuation of post-employment benefits	**D**	-	-	(115)	(115)
Tax effect		-	-	32	32
STATEMENT OF COMPREHENSIVE INCOME		**3,239**	-	**1,708**	**4,947**

Reconciliation of Net Profit (Loss) as at 31 December 2014 restated in accordance with IAS/IFRS

(in thousands of Euro)	Note	31/12/2014
PROFIT (LOSS) FOR THE YEAR ACCORDING TO ITALIAN GAAP		**3,239**
Goodwill	**A**	1,494
Development costs	**B**	94
Useful life of moulds	**C**	(230)
Employee benefits	**D**	(24)
Measurement of financial instruments	**E**	980
Impairment of equity investment Germany	**F**	-
Leases	**G**	(164)
Listing costs	**H**	(221)
Recognition of deferred tax assets/liabilities		(138)
PROFIT (LOSS) FOR THE YEAR ACCORDING TO IAS/IFRS		**5,030**

Notes to the reconciliation of the Statement of Financial Position as at 1 January 2014 and as at 31 December 2014, the Income Statement and the Statement of Comprehensive Income for the year ending on 31 December 2014

The adjustments made to the Statement of Financial Position, the Income Statement and the Statement of Comprehensive Income as part of the process of transitioning to IAS/IFRS are listed below:

A) IFRS 3/IAS 36 - Goodwill

IAS 12 requires the recognition of all deferred tax liabilities, without taking into consideration the probability or otherwise of the future disposal of the assets to which they refer. In the business combination that took place in 2008, those taxes, relating to the allocation of part of goodwill to the value of land, were not recognised.

Furthermore, based on the provisions of IFRS 3, goodwill deriving from business combinations are no longer subject to systematic amortisation (as they are assets with an indefinite useful life), but rather the residual values are tested for impairment in compliance with IAS 36 at least every year and any time there is an indication of impairment.

The adjustment entries entailed, as at 1 January 2014, the recognition of the gross-up of goodwill relating to the recognition of deferred tax liabilities on land and in 2014 the reversal from goodwill of the amortisation recognised in the financial statements as required by Italian GAAP.
In 2014, on the basis of the dictates of the OIC 25 principle, which was aligned with the rules of IAS 12, the Company recorded the goodwill gross-up for the recognition of deferred tax liabilities on land. As for the purposes of IAS/IFRS the entry was incorporated at the transition date, as at 31 December 2014 it was reversed from the financial statements prepared in accordance with the previous standards.

(in thousands of Euro)	1/01/2014	31/12/2014
Shareholders' Equity	3,202	1,494
Goodwill	3,202	1,494
Amortisation	-	(1,494)

B) IAS 38 - Development costs

In accordance with Italian GAAP, when requirements are met, the costs of developing new products whose technical feasibility and economic return can be assessed with certainty may be capitalised.
At the transition date, although Lu-Ve S.p.A. incurs significant development costs every year, it exercised the option not to capitalise those costs.

On the other hand, IAS 38 requires that capitalisation when all fundamental requirements set forth in the accounting standard are satisfied.
Subsequent to initial recognition at cost, IAS 38 allows for measurement in accordance with the cost or revaluation or recalculation (fair value) model. Lu-Ve S.p.A. chose the cost model, based on which intangible assets are recognised in the financial statements at cost, net of accumulated amortisation and any impairment losses.

The adjustment entries entailed, as at 1 January 2014, the recognition of operating development costs incurred by Lu-Ve S.p.A. in 2014 and in years prior, and as at 31 December 2014, both the reversal of development costs not capitalised during the year on the basis of the previous accounting standards and the relative capitalisation, as well as the recognition of the amortisation for 2014 of capitalisations during the year and those of previous years.

(in thousands of Euro)	1/01/2014	31/12/2014
Shareholders' Equity	1,390	1,484
Development costs	1,390	1,484
Purchases of materials	-	(4)
Services	-	(57)
Personnel costs	-	(929)
Amortisation	-	896
	Total	**(94)**

C) IAS 16 - Redetermination of the useful life of moulds

At the transition date, Lu-Ve S.p.A. conducted a detailed analysis of the remaining useful life of the "moulds" category under property, plant and equipment. On the basis of the above-mentioned analyses, the Company adjusted the remaining useful life of those assets in accordance with what is set forth in IAS 16, resulting in its lengthening.
The adjustment entries entailed, as at 1 January 2014, the reversal of part of the provisions for depreciation recognised in previous years, and as at 31 December 2014 the adjustment of depreciation for the year on the basis of the new useful life determined.

(in thousands of Euro)	1/01/2014	31/12/2014
Shareholders' Equity	1,140	910
Property, plant and equipment	1,140	910
Depreciation	-	230

D) IAS 19 - Employee benefits

Italian GAAP requires the recognition of liabilities for defined-benefit pension plans on the basis of the nominal debt accrued in accordance with statutory provisions in force at the reporting date.
According to IAS/IFRS, these types of plans (specifically the post-employment benefits plan) are calculated by applying an actuarial methodology. The amount of benefits accrued by employees during the year is allocated to the income statement under "Personnel costs", while the figurative financial expense that the company would incur if it requested a loan in an amount equal to those benefits from the market is allocated to "Financial income (expense)". Actuarial gains and losses, which reflect the effects of changes in actuarial assumptions, are recognised in the statement of comprehensive income taking into account the remaining average working life of employees. Following Financial Act no. 296 of 27 December 2006, for the purpose of IAS 19 only the liability relating to the post-employment benefits which have remained in the company are measured, as the amounts accruing are contributed to a separate entity (supplementary pension plan or INPS funds). After it makes those payments,

the company will have no further obligations connected with the services rendered by the employee in the future (defined-contribution plan).
The adjustment entries entailed, as at 1 January 2014, the recognition of discounted post-employment benefits and as at 31 December 2014 the reversal of the entries relating to the recognition of post-employment benefits on the basis of Italian GAAP as well as the recognition of the service, the interest cost and the actuarial component.

(in thousands of Euro)	1/01/2014	31/12/2014
Shareholders' Equity	46	(93)
Employee benefits	46	(93)
Personnel costs	-	(7)
Financial expense	-	31
	Total	**24**
Actuarial valuation of post-employment benefits (Statement of comprehensive income)		115

E) IAS 39 - Measurement of derivative instruments

Lu-Ve S.p.A. holds derivative financial instruments for trading which were not measured at fair value under Italian GAAP.
Under IAS/IFRS, derivative instruments held for trading for which it was decided not to apply hedge accounting are measured at fair value, with changes in fair value subsequent to first time adoption recognised in profit or loss.
The adjustment entries entailed, as at 1 January 2014, the recognition of the fair value of the financial instruments, and as at 31 December 2014 the recognition of the change in fair value since the transition date.

(in thousands of Euro)	1/01/2014	31/12/2014
Shareholders' Equity	(1,885)	(905)
Current financial assets	-	214
Other financial liabilities	(1,885)	(1,119)
Net change in fair value of derivatives	-	(980)

F) IAS 27/IAS 36 – Separate financial statements/Impairment

In accordance with Italian GAAP, Lu-Ve S.p.A. measured equity investments in subsidiaries at adjusted cost if there was any impairment.
IAS 27 requires recognition in accordance with the cost method or, alternatively, the adoption of fair value according to what is established in IAS 39. Lu-Ve S.p.A. adopted the cost approach and therefore, if there are indications that the cost is not recoverable, all or in part, the carrying amount must be reduced to the relative recoverable amount, in accordance with what is set forth in IAS 36. When that loss is subsequently eliminated or reduced, the carrying amount is increased up to the new estimated recoverable amount, which in any event cannot exceed the original cost. The write-back is recognised immediately in the income statement.
Taking into account the methods of establishing equity investments, their performance recorded in previous years and the results of the impairment testing carried out, it was deemed that the carrying amounts of the equity investments recognised in the financial statements prepared in accordance with Italian GAAP at the reference dates of the transition statements

were aligned with those that would have been recognised in accordance with IAS/IFRS, except the carrying amount relating to the subsidiary Lu-Ve Deutschland Gmbh.
As a result, the adjustment entries entailed the recognition of impairment relating to the subsidiary as at 1 January 2014.

(in thousands of Euro)	1/01/2014	31/12/2014
Shareholders' Equity	(695)	(695)
Equity investments	(695)	(695)
Write-downs on non-current assets	-	-

G) IAS 17 - Leases

Lu-Ve S.p.A. acquired certain property, plant and equipment by entering into finance lease agreements. Unlike Italian GAAP, which considers finance lease agreements like lease agreements, therefore charging the finance lease instalments to the income statement, IAS 17 establishes that finance lease agreements are recognised through the recognition of non-current assets and that future contract instalments are recognised as liabilities, in application of the financial method.
The adjustment entries entailed, as at 1 January 2014, the recognition of property, plant and equipment held under finance leases, the financial payable with respect to the companies that provided the lease and the reversal of prepayments of finance lease instalments, and as at 31 December 2014 the reversal of finance lease instalments, as well as the recognition of the depreciation on property, plant and equipment and the financial expense relating to the financial liability recognised.

(in thousands of Euro)	1/01/2014	31/12/2014
Shareholders' Equity	4,580	4,416
Property, plant and equipment	4,898	4,662
Other current assets	(112)	(85)
Other non-current financial liabilities	(161)	(113)
Other current financial liabilities	(45)	(48)
Services	-	(79)
Financial expense	-	7
Depreciation	-	236
	Total	**164**

H) IAS 32 - Listing costs

Based on Italian GAAP, the costs incurred by Lu-Ve S.p.A. for the listing on the AIM Italia market on 9 July 2015 were kept pending under intangible assets until the listing date.
Based on IAS/IFRS, listing costs, depending on their nature, are recognised as a deduction from shareholders' equity at the listing date or are expensed in the income statement in full or to the extent of the percentage not corresponding to the free float.
The adjustment entries entailed the recognition in the income statement of the part of costs that could not be directly deducted from shareholders' equity at the listing date, while only the part of expenses that could be directly deducted from shareholders' equity was kept pending under work in progress.

(in thousands of Euro)	1/01/2014	31/12/2014
Shareholders' Equity	-	(221)
Other intangible assets	-	(221)
Services	-	221

Main reclassifications made in the Statement of Financial Position as at 1 January 2014 and as at 31 December 2014 and in the income statement for the year ending on 31 December 2014

The nature of the main reclassifications made in the statement of financial position as at 1 January 2014 and as at 31 December 2014 and in the income statement for the year ending on 31 December 2014 is described below.

The following reclassifications were made in the Statement of Financial Position:

Allocation of security deposits

Under Italian GAAP, security deposits were classified as "Other current assets". In accordance with IAS/IFRS, those assets were reclassified to "Other non-current assets".

Allocation of accessory costs on loans

In application of Italian GAAP, accessory costs on loans are deferred on the basis of the term of the loans. In accordance with IAS/IFRS, these expenses must be allocated as a reduction from financial payables. As a result, the expenses in question were reclassified as a reduction of loans received and amortised on the basis of the effective interest rate method.

The main reclassifications made in the Income Statement refer to cash discounts recognised to customers against payments made earlier than the contractual conditions normally agreed upon with those customers. In accordance with Italian GAAP, those discounts were classified under financial expense while, in line with IAS/IFRS, they are classified as a reduction from revenues.

Revenues from the resale of scrap (primarily copper and aluminium) were reclassified from "Other income" to "Revenues" in that they are considered to be ancillary to the company's operating activities.

Extraordinary income and expense classified in the extraordinary part of the income statement in accordance with Italian GAAP were classified in the corresponding reference items of the income statement in accordance with IAS/IFRS.

Effects on the net financial position

As at 1 January 2014, the net financial position deteriorated by €1,964 thousand due to the combination of accounting for the negative fair value of derivative financial instruments (€1,885 thousand), the financial payables relating to leases (€206 thousand) and the positive effect of accessory costs on loans allocated to financial liabilities and amortised in accordance with the effective interest rate method (€127 thousand). As at 31 December 2014, the evolution of the above-mentioned entries caused a deterioration of €533 thousand in the net financial position at the end of the year.

37. LIST OF EQUITY INVESTMENTS IN SUBSIDIARIES (ART. 2427 NO. 5 ITALIAN CIVIL CODE)

Company name	Registered office	% stake	Share capital as at 31/12/2015	Shareholders' equity as at 31/12/2015	Profit (loss) for the year 2015
Direct subsidiaries:					
SEST S.p.A.	Limana (BL- Italy)	100.00%	EUR 1,000,000	EUR 27,476,972	EUR 3,030,663
Tecnair LV S.p.A.	Uboldo (VA- Italy)	79.90%	EUR 200,000	EUR 2,529,515	EUR -7,344
Metalluve S.r.l.	Uboldo (VA)	100.00%	EUR 300,000	EUR 90,004	EUR -116,008
Heat Transfer Systems s.r.o. (HTS)	Novosedly (Czech Rep.)	90.00%	CZK 133,300,000	CZK 293,084,414	CZK 28,647,247
LU-VE Sweden AB	Asarum (Sweden)	100.00%	SEK 50,000	SEK -30,979,850	SEK -2,109,969
LU-VE France S.a.r.l.	Lyon (France)	73.15%	EUR 84,150	EUR 1,143,993	EUR 21,342
LU-VE Pacific pty Ltd	Thomastown (Australia)	75.50%	AUD 200,000	AUD -1,630,084	AUD 90,274
LU-VE Deutschland GmbH	Stuttgart (Germany)	100.00%	EUR 230,000	EUR 232,023	EUR -447,922
LU-VE Iberica S.l.	Madrid (Spain)	85.00%	EUR 180,063	EUR -1,032,584	EUR 236,845
LU-VE Asia Pacific Limited	Wan Chai (Hong Kong)	100.00%	HKD 10,000	HKD 12,574,511	HKD 1,672,725
Indirect subsidiaries:					
SEST-LUVE- Polska SP.z.o.o. (95% owned by SEST S.p.A.)	Gliwice (Poland)	95.00%	PLN 16,000,000	PLN 110,817,344	PLN 36,138,198
« OOO » SEST LUVE (95% owned by SEST S.p.A.)	Lipetsk (Russia)	95.00%	RUB 136,000,000	RUB -72,431,145	RUB 106,533,369
LU-VE HEAT EXCHANGERS Ltd (wholly-owned by LU-VE Asia Pacific Limited)	Changshu (China)	100.00%	CNY 38,211,761	CNY 29,442,481	CNY -3,149,840
Thermo Glass Door S.p.A.	Travacò Siccomario (PV- Italy)	85.00%	EUR 150,000	EUR -223,673	EUR -822,568

Company name	Registered office	% stake	Share capital	Shareholders' equity as at 31/12/2015	Profit (loss) for the year 2015
LU-VE INDIA CORPORATION PRIVATE LTD*	New Delhi (India)	100	INR 100,000	INR 100,000	INR 0.00

38. GENERAL INFORMATION ABOUT THE PARENT COMPANY

Registered office:		Via Vittorio Veneto, 11 21100 Varese	
Contact information:	Tel:	+39 02 - 96716.1	
	Fax:	+39 02 – 96780560	
	E-mail:	info@luve.it	
	Website:	www.luve.it	
Tax information:	VARESE Economic and Administrative Index		191975
	Tax Code	01570130128	
	VAT no.	01570130128	

REPORT OF THE INDEPENDENT AUDITING FIRM PURSUANT TO ART. 14 OF ITALIAN LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

To the Shareholders of
LU-VE S.p.A.

Report on the separate financial statements

We have audited the separate financial statements of LU-VE S.p.A. (the "Company"), consisting of the statement of financial position as at 31 December 2015, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows for the year ending on that date, a summary of the significant accounting standards and the other notes.

Directors' responsibility for the separate financial statements

The Directors are responsible for the preparation of separate financial statements that provide a true and fair view in compliance with the International Financial Reporting Standards adopted by the European Union.

Responsibility of the auditing firm

It is our responsibility to provide an opinion on the separate financial statements on the basis of the audit. We conducted our audit in compliance with the international audit standards (ISA Italy) developed in accordance with art. 11, paragraph 3 of Italian Legislative Decree 39/10. These standards require compliance with ethics principles, as well as the planning and execution of the audit in order to obtain reasonable certainty that there are no material errors in the separate financial statements.

The audit entails carrying out procedures meant to obtain proof to support the amounts and information contained in the separate financial statements. The procedures chosen depend on the professional judgement of the auditor, including an assessment of the risks of material errors in the separate financial statements due to fraud or unintentional conduct or events. In conducting those risk assessments, the auditor considers the internal control to check that the company's separate financial statements provide a true and fair view in order to define appropriate audit procedures for the circumstances, and not to express an opinion on the effectiveness of the company's internal control. The audit also includes an assessment of the appropriateness of the accounting standards adopted and the reasonability of the accounting estimates developed by the Directors, as well as an assessment of the presentation of the separate financial statements overall.

We believe that we have acquired sufficient and appropriate proof on which to base our opinion.

Opinion

In our opinion, the separate financial statements provide a true and fair view of the statement of financial position of the Company LU-VE S.p.A. as at 31 December 2015, the economic result and the cash flows for the year ending on that date in compliance with the International Financial Reporting Standards adopted by the European Union.

Report on other legal and regulatory provisions

Opinion on the consistency of the directors' report with the separate financial statements

We have carried out the procedures set forth in auditing standard (SA Italy) no. 720B in order to express, as required by legal standards, an opinion on the consistency of the directors' report, for which the Company's Directors are responsible, with the separate financial statements of LU-VE S.p.A. as at 31 December 2015. In our opinion, the directors' report is consistent with the separate financial statements of LU-VE S.p.A. as at 31 December 2015.

REPORT OF THE INDEPENDENT AUDITING FIRM
PURSUANT TO ART. 14 OF ITALIAN LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

To the Shareholders of
LU-VE S.p.A.

Report on the consolidated financial statements

We have audited the consolidated financial statements of the LU-VE Group (the "Group"), consisting of the statement of financial position as at 31 December 2015, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows for the year ending on that date, a summary of the significant accounting standards and the other notes.

Directors' responsibility for the consolidated financial statements

The Directors are responsible for the preparation of consolidated financial statements that provide a true and fair view in compliance with the International Financial Reporting Standards adopted by the European Union.

Responsibility of the auditing firm

It is our responsibility to provide an opinion on the consolidated financial statements on the basis of the audit. We conducted our audit in compliance with the international audit standards (ISA Italy) developed in accordance with art. 11, paragraph 3 of Italian Legislative Decree 39/10. These standards require compliance with ethics principles, as well as the planning and execution of the audit in order to obtain reasonable certainty that there are no material errors in the consolidated financial statements.

The audit entails carrying out procedures meant to obtain proof to support the amounts and information contained in the consolidated financial statements. The procedures chosen depend on the professional judgement of the auditor, including an assessment of the risks of material errors in the consolidated financial statements due to fraud or unintentional conduct or events. In conducting those risk assessments, the auditor considers the internal control to check that the company's consolidated financial statements provide a true and fair view in order to define appropriate audit procedures for the circumstances, and not to express an opinion on the effectiveness of the company's internal control. The audit also includes an assessment of the appropriateness of the accounting standards adopted and the reasonability of the accounting estimates developed by the Directors, as well as an assessment of the presentation of the consolidated financial statements overall.

We believe that we have acquired sufficient and appropriate proof on which to base our opinion.

Opinion
In our opinion, the consolidated financial statements provide a true and fair view of the statement of financial position of the LU-VE Group as at 31 December 2015, the economic result and the

cash flows for the year ending on that date in compliance with the International Financial Reporting Standards adopted by the European Union.

Report on other legal and regulatory provisions

Opinion on the consistency of the directors' report with the consolidated financial statements

We have carried out the procedures set forth in auditing standard (SA Italy) no. 720B in order to express, as required by legal standards, an opinion on the consistency of the directors' report, for which LU-VE S.p.A.'s Directors are responsible, with the consolidated financial statements of the Group as at 31 December 2015. In our opinion, the directors' report is consistent with the consolidated financial statements of the LU-VE Group as at 31 December 2015.