LU-VE GROUP

CONSOLIDATED HALF-YEARLY

FINANCIAL REPORT AS AT 30 JUNE 2017

GROUP STRUCTURE AND CORPORATE BODIES

Group Structure

Parent Company

LU-VE S.p.A.
Via Vittorio Veneto no. 11, Varese
I - 21100 Varese (VA) Italy
Tel: +39 02 96716270
Share capital €62,704,488.80 fully paid in
Tax Code and VAT no.: 01570130128

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.	100.00%
TECNAIR LV S.p.A.	79.90%
LU-VE HEAT EXCHANGERS (CHANGSHU) LTD	100.00%
LU-VE SWEDEN AB	100.00%
THERMO GLASS DOOR S.p.A.	85.00%
SPIROTECH Ltd	95.00%
LU-VE India Corporation Private Ltd	99.98%
LU-VE France s.a.r.l.	86.06%
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%
LuveDigital S.r.l.	50.00%
MANIFOLD S.r.l.	99.00%

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
Director (*)	Gervasoni Anna
Director	Pierantoni Roberta
Director	Oliva Laura

(*) Independent directors

Board of Statutory Auditors

Chairman	Mignani Paola
Standing Auditor	Beltrame Stefano
Standing Auditor	Pelassa Ivano
Alternate Auditor	Cerana Mauro
Alternate Auditor	Chiarella Giulia

Auditing Firm

Deloitte & Touche S.p.A.

INTERIM DIRECTORS' REPORT

21 September 2017

Dear Shareholders,

The first six months of 2017 were characterised on the political front primarily by the start of President Trump's term in the United States, the victory of Macron in the French elections and the narrow win of the conservatives in the post-Brexit snap elections in the United Kingdom. These events reduced initial political uncertainty and made clear how difficult it is for more radical groups to alter the status quo. All of this, along with the continuation of the ECB's accommodating monetary policy and a Fed policy that is not as restrictive as expected, favoured a half-year of economic expansion worldwide with global GDP growth expected to rise by 3.5% this year and 3.6% next year. Europe also benefitted, with annual GDP growth of 2.2% in the second quarter. In this context, Italy is now witnessing a good economic growth rate, with +0.4% on a quarterly basis for the second quarter, corresponding to +1.5% on an annual basis. And this is not all: positive signals also came from second quarter industrial production, which rose on a yearly basis by 2.2%.
Inflation remained limited internationally and at European level in particular, while it is difficult to understand the trend in raw material prices, with copper at its highest levels of the last few years. On the currency front, the euro increased in value against all currencies, particularly the dollar and the pound. Lastly, the stock markets continue to post good performance in Europe and are around their all-time highs in the United States.
For Italy, it should also be noted that with the nationalisation of Monte dei Paschi and the sale of the Veneto banks in crisis to Intesa, the banking system seems to have regained normality with business plans that call for significant boosts in efficiency on the personnel front.
In general, for the second half of the year, concerns remain in the background in relation to frequent terrorist attacks, including on European soil, and the possibility that, after the German elections, the ECB may suspend Quantitative Easing and hike interest rates, especially for the more indebted countries, Italy first and foremost. However, the effects will be assessed starting from 2018, the year in which our country will head to the voting booths. The elections will not lack significant elements of uncertainty: in the absence of an electoral law which clearly identifies a winner, a fragmented result and coalition governments, possible with disparate views, are expected. This could compromise the headway our country is making this year.

Within this scenario, the LU-VE Group achieved consolidated turnover of €133.0 million in the first half of 2017, with an increase of 13.9% compared to the same period of 2016 (+3.5% on a like-for-like basis, i.e., not including the Indian subsidiary Spirotech, which became part of the Group last October, and generated sales of €12.2 million during the half).
Despite the increase in sales, EBITDA, which came to €12.9 million, backtracked, primarily due to the delayed adjustment in sale prices following the sudden spike in the values of the main raw materials (particularly copper) in international markets, as well as the negative performance of the segment of glass doors for refrigerated counters due to extraordinary events that will be described in more detail later on in this report (negative impact on EBITDA for the period of €0.9 million). The half-year was also impacted by non-recurring costs of €1.3 million relating to the transfer of the Group security listings from the Italian Stock Exchange's AIM segment to the MTA (net of these costs, EBITDA for the period would have totalled €14.2 million).

The net economic result for the period, amounting to €2.0 million, was influenced by unrealised exchange losses (€3.4 million), mainly linked to the performance of the Polish zloty, the Indian rupee, the Russian rouble and the Hong Kong dollar.

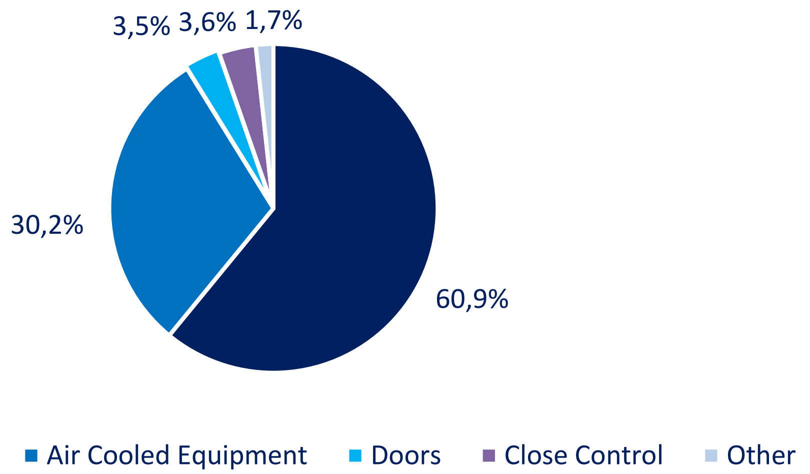
REFERENCE MARKETS

The 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").

For a more detailed description, please refer to the Directors' Report as at 31 December 2016.

The chart shows the breakdown of turnover by product type in the first half of 2017:



The table below shows turnover trends by product type in the two six-month periods subject to comparison:

PRODUCTS	€ /000 H1 2017	%	€ /000 H1 2016	%	Delta %
Heat exchangers	81,073	60.9%	61,302	52.5%	+32.3%
Air Cooled Equipment	40,220	30.2%	41,927	35.9%	-4.1%
Doors	4,631	3.5%	8,361	7.2%	-44.6%
Close Control	4,816	3.6%	4,441	3.8%	+8.4%
TOTAL PRODUCTS	**130,740**	**98.3%**	**116,031**	**99.4%**	**+12.7%**
Other	2,299	1.7%	749	0.6%	+206.9%
TOTAL	**133,039**	**100.0%**	**116,780**	**100.0%**	**+13.9%**

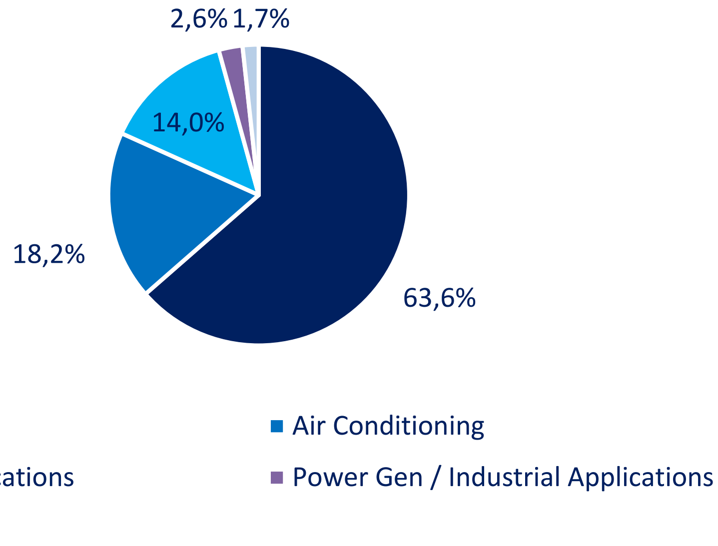
The significant growth in sales of heat exchangers (more than 32%, equal to nearly €20 million) was primarily caused by the inclusion of the sales of the newly acquired Spirotech, which manufactures and sells only this type of product, but even on a like-for-like basis there would have been significant growth (+13.2%).
The percentage of heat exchanger sales out of total Group sales rose significantly from 53% to roughly 61%, also due to the simultaneous slight decline in air cooled equipment and the drop in glass doors (-44.6%).
The explanation for this downturn in glass doors lies in the simultaneous occurrence of two extraordinary negative events. The one with the greatest impact was the launch in January 2017 by the main customer (which represented around 50% of the value of sales in 2016) of internal production activities for two of the most high-volume product categories. The second event instead regarded the second most important customer which, following a quality issue only partially attributable to the company TGD, decided to temporarily suspend acquisitions in Italy pending the definitive results of several "field tests" (which concluded successfully in July).
In light of these difficulties, the sales force worked especially diligently on seeking out new customers, on the development and approval of new products with new as well as existing customers and on searching for new fields of application other than refrigeration with a view to returning sales to the levels seen in the recent past.

In terms of product application, Group operations can be categorised as follows:

(i) refrigeration, which includes activities relating to the line linked to food products (the "**Refrigeration Sector**");
(ii) air conditioning, specialised for public and technological spaces (the "**Air Conditioning Sector**").
The Group also manufactures products used for special, power generation and industrial applications.

For a more detailed description of the product applications, please refer to the Directors' Report as at 31 December 2016.

The chart shows the breakdown of turnover by segment in the first half of 2017:



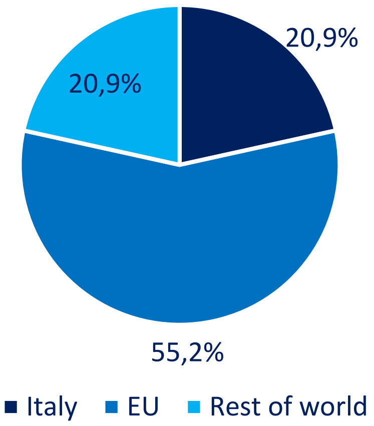
The table below shows turnover trends by application type in the two six-month periods subject to comparison:

APPLICATIONS	**€ /000 H1 2017**	**%**	**€ /000 H1 2016**	**%**	**Delta %**
Refrigeration	84,568	63.6%	81,740	70.0%	+3.5%
Air Conditioning	24,170	18.2%	19,413	16.6%	+24.5%
Special Applications	18,594	14.0%	11,307	9.7%	+64.4%
Power Gen / Industrial Applications	3,408	2.6%	3,571	3.1%	-4.6%
TOTAL APPLICATIONS	**130,740**	**98.3%**	**116,031**	**99.4%**	**+12.7%**
Other	2,299	1.7%	749	0.6%	+206.9%
TOTAL	**133,039**	**100.0%**	**116,780**	**100.0%**	**+13.9%**

Following the acquisition of Spirotech, for the first time in the Group's history sales in the refrigeration segment declined to below 70% of total sales despite growth of 3.5% (2.4% on a like-for-like basis) which, net of the drop in glass doors, would have reached 9.0%. Sales in the air conditioning segment rose by 24.5% (+7.2% on a like-for-like basis).
The significant increase in "Special" Applications (+64.4%) was due to the acquisition, through Spirotech, of important new customers mainly active in the home appliances sectors (particularly in high energy efficiency clothes dryers) and refrigerated transport.

In terms of the geographical breakdown of sales, thanks to the contribution of the turnover of Spirotech, Poland was affirmed as the Group's third export market just after Germany (roughly +1.0%) and Russia (around +22%). The growth achieved in the Czech Republic, Austria and the United Kingdom, plus India obviously, was quite significant. Turnover in Italy was down by approximately 6% and accounted for less than 24% of total turnover although it should be noted that, net of the effect linked to TGD, Italy would instead have recorded growth of around 6%.

The chart below shows the geographical breakdown of turnover in the first half of 2017:



SIGNIFICANT EVENTS DURING THE HALF:

In the first half of 2017, the trend of growth in the prices of the main raw materials used by the Group, which had already been evident in the last two months of 2016, continued. The average cost of copper in the first half of 2017 totalled €5,332/ton, an increase of 16.0% compared to the first half of 2016 and 8.6% compared to the fourth quarter of 2016. The average cost of aluminium totalled €1,741/ton, an increase of 14.4% compared to the first half of 2016 and 9.9% compared to the fourth quarter of 2016. To protect sales margins, the Group revised its prices for catalogue equipment and applied increases for equipment not in the catalogue (when prices were not already contractually linked to average raw material price trends). However, these price adjustments, also due to the sector's competitive situation, were made over a longer period of time than expected, penalising first half margins.

In the first half of the year, the Parent Company was highly engaged in the process of transitioning its financial instruments listed on the AIM Italy, an alternative capital market organised and managed by Borsa Italiana S.p.A., to the Mercato Telematico Azionario ("MTA") market.
In particular, the Parent Company's shareholders' meeting, which met in ordinary and extraordinary session on 10 March 2017, passed a resolution: (1) to approve the transfer of its financial instruments listed on the AIM Italy to the MTA; (2) approving several amendments to the articles of association in force at the time, as well as the articles of association that would enter into force from the date on which the LU-VE shares begin trading on the MTA, in compliance with the regulations applicable to companies with shares listed in regulated markets, as well as the shareholders' meeting regulation; (3) acknowledging the resignations of all directors previously in office, and appointing the new Board of Directors, effective as of the date of the shareholders' meeting; (4) acknowledging the resignations of all statutory auditors in office and appointing the new Board of Statutory Auditors, effective as of the date on which the LU-VE shares begin trading on the MTA; (5) assigning, also effective as of the date on which the LU-VE shares begin trading on the MTA, the nine-year auditing engagement, pursuant to art. 17 of Italian Legislative Decree 39/2010, to the company Deloitte & Touche S.p.A., while also approving the consensual termination of the auditing engagement already in place with Deloitte & Touche S.p.A.
On 14 March, LU-VE submitted an application to the Italian Stock Exchange for the admission of its shares to trading on the MTA and, at the same time, a petition to Consob for the approval of publication of the Prospectus. Once their respective analyses were completed, the Italian Stock Exchange admitted the LU-VE ordinary shares to listing on the MTA with measure no. 8361 of

12/06/2017 and Consob authorised the publication of the prospectus by measure no. 79230/17 on 16/06/2017; trading began on 21/06/2017.

On 31 March 2017, the remaining 50,000 special shares were converted into 350,000 ordinary shares. In January-April 2017, the exercise of a total of 240,388 warrants became effective, with the resulting issue of 43,463 ordinary shares; in addition, on 29 April 2017, as the average LU-VE share price during April was higher than €13, the "acceleration condition for the exercise of warrants" occurred, as a result of which the 7,228,765.00 warrants still outstanding which were not exercised within 30 days would become ineffective. At the deadline (29 May 2017), 7,106,910 warrants had been exercised, against which 2,038,248 shares were issued, with a share capital increase of €203,824.80. The remaining 121,855 unexercised warrants expired and became null and void.
As a result of the conversion of special shares and the exercise of warrants, the share capital went from €62,496,372.60 as at 1 January 2017, broken down into 19,803,206 ordinary shares and 50,000 special shares, to €62,704,488.80 as at 30 June 2017, broken down into 22,234,368 shares, all ordinary.

The subsidiary Sest S.p.A. approved the organisation and management model pursuant to Italian Legislative Decree 231/2001 on 2 March 2017.

During the half-year, the integration of Spirotech within the Group continued according to plan:

- commercial integration has already been almost fully completed with the involvement of the sales organisation of the OEM division (which will be renamed "Components");
- the plan for investments in plant and equipment was defined and integrated within the Group's overall budget;
- the integration of IT systems was launched with the installation of the same email system as that used in all Group companies and with the initiation of activities for the roll-out (which will be concluded no later than the first quarter of 2018) of the SAP "Financial" module for the management of general accounting;
- in addition, procurement and supplier management began being integrated, with significant improvements expected in the management of net working capital.

In the first half of the year, the Indian company confirmed its historical performance in terms of sales (+13.5% in INR and +19.6% in euro compared to 30 June 2016) and profitability, and the important growth outlooks linked to the launch of partnerships with important new customers were confirmed.

In April 2017, the SAP operating system began being used by the subsidiary LUVE Deutschland.

In the first half of the year, the Group started activities for the introduction of a PLM ("Product Lifecycle Management") system in order to manage the entire product life cycle. Once fully deployed, this solution should make it possible to more efficiently manage technical design processes, improve supply chain work flows and reduce time to market. The end goal is to create a technical database (designs, basic itemised lists and processing cycles) shared by all production sites, a flexible data structure and the possibility to centrally plan the production of the various facilities based on the respective work loads and strategic decisions.
The project envisages the completion of two distinct steps with the conclusion of the first phase in 2017 and definitive conclusion in 2019.

In the first half of the year, production and marketing began on a new range of high power equipment named "Emeritus" to honour professor Ennio Macchi, honoured with the title of "Professor Emeritus", who participated in the development of LU-VE products since the very first years of the

Group’s founding. This new highly innovative range for which a patent application has been submitted was presented at the Chillventa Trade Fair in October 2016 and was once again the fruit of the collaboration between the Group and the Polytechnic University of Milan, which has continued without interruption since 1986.
The new “Emeritus”, under equal conditions, can provide 400% more capacity than traditional dry products, all managed and monitored by a sophisticated control system which makes it particularly suitable for air conditioning and refrigeration by making it possible to obtain a high plant coefficient of performance (COP), even during parts of the year when temperatures reach their highest peaks.

During the final quarter of 2016, the rouble appreciated significantly compared to the euro, from the exchange rate of 72.8 as at 1 September 2016 to 64.3 as at 31 December 2016. This trend then continued in 2017, with lows reached between the end of March and the start of April (exchange rate at 60.3 roubles/euro). The majority of sales of the subsidiary OOO Sest LUVE are made based on a price list in euro which is converted into roubles on a case by case basis depending on the exchange rate in force during the invoicing period. This situation generated a significant decline in turnover values in roubles, which in the initial months of the year was combined with the negative effect generated by the increase in costs of the main raw materials. The deterioration of profit margins was further influenced by the fact that for OOO Sest LUVE the extraordinary exemption from customs duties on the acquisition of the same raw materials ended. The recovery actions implemented by the sales team were not sufficient to fully recover the loss of profit margins, which had a negative effect of around €0.5 million on the first half of the year.

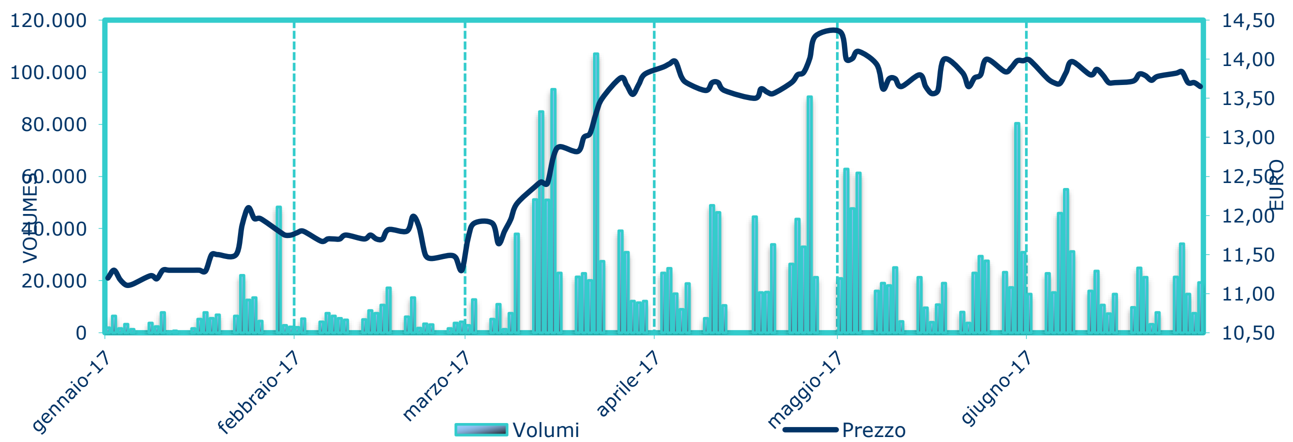
CONSIDERATIONS ON THE SHARE’S MARKET VALUE

Throughout the first half of 2017, LUVE shares outperformed the FTSE Italia All-Share index.
The main data and share price trends are reported below:

Price as at 2 January 2017: €11.20
Price as at 30 June 2017: €13.65
Change during the period: +21.9%

Maximum Price: €14.35 (2 May 2017)
Minimum Price: €11.11 (5 January 2017)
Weighted Average Price: €13.32
Volumes traded in the first half of 2017: 2,511,023

Stock market capitalisation as at 30 June 2017: €303.5 million



ECONOMIC AND FINANCIAL DATA

The reclassified income statement and balance sheet expressed in thousands of Euro are provided below. Please keep in mind that as at 30 June 2016 the subsidiary Spirotech was not consolidated (acquired in the final quarter of 2016):

Reclassified Consolidated Income Statement *(in thousands of Euro)*	**30/06/2017**	**% Revenues**	**30/06/2016**	**% Revenues**	**% Change 2017 compared to 2016**
Revenues and operating income	**133,039**	**100.0%**	**116,780**	**100.0%**	**13.9%**
Purchases of materials	(74,745)	56.2%	(59,302)	50.8%	
Changes in inventories	4,086	-3.1%	922	-0.8%	
Services	(20,020)	15.0%	(17,813)	15.3%	
Personnel costs	(28,791)	21.6%	(24,573)	21.0%	
Other operating costs	(672)	0.5%	(884)	0.8%	
Total operating costs	**(120,142)**	**90.3%**	**(101,650)**	**87.0%**	**18.2%**
EBITDA	**12,897**	**9.7%**	**15,130**	**13.0%**	**-14.8%**
Change in fair value of derivatives	119	-0.1%	(188)	0.2%	
Depreciation and amortisation	(6,967)	5.2%	(6,277)	5.4%	
Gains/losses on non-current assets	91	-0.1%	37	0.0%	
EBIT	**6,140**	**4.6%**	**8,702**	**7.5%**	**-29.4%**
Net financial income and expense	(3,622)	2.7%	14	0.0%	
EBT	**2,518**	**1.9%**	**8,716**	**7.5%**	**-71.1%**
Income taxes for the period	(520)	0.4%	(1,022)	0.9%	
Net profit (loss) for the period	**1,998**	**1.5%**	**7,694**	**6.6%**	**-74.0%**
Profit attributable to non-controlling interests	143		323		
Profit attributable to the group	**1,855**	**1.4%**	**7,371**	**6.3%**	**-74.8%**

"Revenues and operating income" rose by 13.9% (+3.5% on a like-for-like basis). This increase was obtained despite slightly increasing prices, as a result of the trend of the main raw material prices.

Total operating costs rose from €101.7 million (87.0% as a percentage of revenues) to €120.1 million (90.3% as a percentage of revenues). The total increase of 18.2% (€18.5 million) was substantially caused by the following factors:

- consumption of materials grew by €12.3 million, from 50.0% as a percentage of revenues in 2016 to 53.1% in 2017. This increase was linked for €7.7 million to the initial consolidation of Spirotech, for €2.0 million to the increase in volumes and for €2.6 million to the rise in costs for the acquisition of the main raw materials (especially copper);

- the increase in service costs of €2.2 million was linked for €1.3 million to the initial consolidation of Spirotech, for €1.1 million to costs incurred for the transition to the MTA market and for €0.2 million to other savings. The percentage of costs for services over revenues decreased from 15.3% to 15.0% (it would be equal to 14.2% net of non-recurring listing costs);

- the increase in personnel costs of €4.2 million was linked for €1.0 million to the initial consolidation of Spirotech, for €0.9 million to the increase in volumes and for roughly €2.3 million to the increase in the structure and salary trends (of which €0.2 million due to the transition to the MTA). The percentage of personnel costs compared to revenues dropped from 21.0% to 21.6%.

"EBITDA" amounted to €12.9 million (9.7% of revenues) compared to €15.1 million (13.0% of revenues) in 2016. Net of the impact of costs for the transition to the MTA, EBITDA would have been €14.2 million (10.7% of sales). The change compared to the previous year (-€0.9 million net of costs for the transition to the MTA) was caused by the negative effects linked to the cost of raw materials (€1.9 million), labour costs (€1.5 million), the effect noted above of TGD (€0.9 million) and OOO Sest Luve (€0.5 million), partially offset by the initial consolidation of Spirotech (€2.3 million) and the increase in prices and volumes (€1.6 million).

The level of amortisation and depreciation rose by €0.7 million (€0.4 million of which linked to the initial consolidation of Spirotech), also due to the acceleration in investments.

"EBIT" amounted to €6.1 million (4.6% of revenues) compared to €8.7 million (7.5% of revenues) in 2016. Net of non-recurring listing costs, the figure would have been €7.4 million (5.6% of revenues).

The balance of financial income and expense as at 30 June 2017 was -€3.6 million, compared to basically zero as at 30 June 2016. This variation (negative in the amount of €3.6 million) derives primarily from returns on invested liquidity and the reduction in financial expense (a total of +€1.0 million compared to 2016) and the unrealised exchange differences which were -€3.4 million as at 30 June 2017 (a positive €1.2 million as at 30 June 2016).

The "EBT" in H1 2017 was equal to €2.5 million (1.9% of revenues) against a value of €8.7 million in H1 2016 (7.5% of revenues). Net of non-recurring listing costs and exchange differences, EBT would have been €7.2 million (5.4% of sales) as at 30 June 2017.

The "Net profit (loss) for the period" was €2.0 million (1.5% of revenues) compared to €7.7 million (6.6% of revenues) as at 30 June 2016

Reclassified Consolidated Balance Sheet *(in thousands of Euro)*	**30/06/2017**	**% of net invested capital**	**31/12/2016**	**% of net invested capital**	**% Change 2017 compared to 2016**
Net intangible assets	59,053		58,432		
Net property, plant and equipment	107,551		103,127		
Deferred tax assets	3,774		3,059		
Financial assets	1,991		2,050		
Non-current assets (A)	**172,369**	**92.7%**	**166,668**	**101.2%**	**5,701**
Inventories	34,743		30,914		3,829

Trade receivables	53,853		45,456		8,397
Other receivables and current assets	8,711		7,525		1,186
Current assets (B)	**97,307**		**83,895**		**13,412**
Trade payables	51,802		53,070		(1,268)
Other payables and current liabilities	15,476		16,407		(931)
Current liabilities (C)	**67,278**		**69,477**		**(2,199)**
Net working capital (D=B-C)	**30,029**	**16.1%**	**14,418**	**8.8%**	**15,611**
Provisions for employee benefits	3,898		3,936		(38)
Deferred tax liabilities	10,339		10,329		10
Provisions for risks and charges	2,184		2,182		2
Medium/long-term liabilities (E)	**16,421**	**8.8%**	**16,447**	**10.0%**	**(26)**
Net Invested Capital (A+D-E)	**185,977**	**100.0%**	**164,639**	**100.0%**	**21,338**
Shareholders' equity attributable to the group	132,912		132,572		340
Non-controlling interests	1,967		1,823		144
Total Consolidated Shareholders' Equity	**134,879**	**72.5%**	**134,395**	**81.6%**	**484**
Medium- Term Net Financial Position	123,678		107,705		15,973
Short- Term Net Financial Position	(72,580)		(77,461)		4,881
Total Net Financial Position	**51,098**	**27.5%**	**30,244**	**18.4%**	**20,854**
Own funds and net financial Debt	**185,977**	**100.0%**	**164,639**	**100.0%**	**21,338**

The increase in Non-current assets (equal to €5.7 million) was linked to the acceleration of the capex programme. Investment expenses for the period totalled around €12 million (including the acquisition of a new lot of land for €2.4 million).

The Group's working capital (equal to the sum of inventories and trade receivables net of trade payables) as at 30 June 2017 amounted to €36.8 million, equal to 14.3% of LTM turnover (as at 30 June 2016, it totalled €28.5 million, equal to 12.8% of LTM turnover). The increase (€8.3 million) was primarily linked to the initial consolidation of Spirotech (effect equal to €7.5 million). As at 31 December 2016, it amounted to €23.3 million. The increase compared to the end of last year was due to the usual seasonal trend of the Group's net working capital.

Consolidated shareholders' equity amounted to €134.9 million compared to €134.4 million in 2016. The increase (€0.5 million) was due to the profit for the period of €2.0 million, the positive change in the translation reserve of €2.9 million and other positive changes of €0.3 million adjusted by the distribution of dividends of €4.7 million.

The net financial position was negative by €51.1 million (negative by €30.2 million as at 31 December 2016). The change (equal to €20.9 million) was caused by the distribution of dividends (€4.7 million), investments (€12 million) and the increase in other receivables net of around €12 million from inflows from operations (€2.7 million). The impact of the change in net working capital was negative by €13.5

million. In the period 30 June 2016 – 30 June 2017, the adjusted net cash generation was equal to €10.7 million.

ALTERNATIVE PERFORMANCE INDICATORS

In compliance with what is set forth in the ESMA recommendation concerning alternative performance indicators (ESMA/2015/1415), the table below highlights the main alternative performance indicators presented in this Interim Directors' Report, which are used to monitor the Group's financial performance:

Monetary amounts in thousands of Euro	**2017**	**2016**
Average days of inventories on hand (1)	49	41
Inventory turnover rate (2)	7.41	8.80
Receivables turnover rate (3)	4.78	4.46
Average trade receivable collection days (4)	75	81
Payables turnover rate (5)	3.36	3.14
Average trade payable payment days (6)	107	115
Net invested capital	185,977	142,567
EBITDA	12,897	15,130
EBITDA/Financial expense	13.12	9.75
Basic earnings per share (7)	0.09	0.38
Diluted earnings per share (8)	0.08	0.34
Dividends per share (9)	0.22	0.20
Net financial debt	(51,098)	(15,425)
Net financial debt/LTM EBITDA	1.78	0.53
Debt ratio (10)	0.38	0.12
Goodwill and Other Intangible Assets/Total assets	0.15	0.13
Goodwill and Other Intangible Assets/Shareholders' equity	0.44	0.31

Note:

The methods for calculating the indicators listed above are as follows:

(1) Inventories/Revenues and other operating income LTM*360;
(2) LTM revenues and other operating income/Inventories;
(3) LTM Revenues/trade receivables;
(4) Trade receivables/revenues LTM*360;
(5) LTM trade operating costs/trade payables. Trade operating costs include purchases of materials and changes in inventories, costs for services and other costs and expenses. The item does not include personnel costs;
(6) Trade payables/trade operating costs LTM*360;
(7) Profit (loss) for the period/Weighted average number of ordinary shares;
(8) Profit (loss) for the period/(Weighted average number of ordinary shares + potential number of additional ordinary shares);
(9) Nominal value of the dividend per share approved in each financial year.
(10) Net financial debt/Shareholders' equity.

OBSERVATIONS ON THE FINANCIAL PROFILE AND ON THE GOING CONCERN ASSUMPTION

As at 30 June 2017, the Group had a solid and balanced financial structure, with a Net financial debt/Shareholders' equity ratio (Debt ratio) of 0.38 and a positive short-term net financial position of €72.6 million. Therefore, the repayment of the medium/long-term debt falling due in the second half of 2017 is already guaranteed by current liquidity.

In light of what is set forth above, these condensed consolidated half-yearly financial statements as at 30 June 2017 were prepared on the basis of the going concern assumption.

MAIN RISKS AND UNCERTAINTIES

RISKS RELATED TO TRENDS IN RAW MATERIAL PRICES

The production costs of the Group are influenced by the prices of raw materials, mainly copper and aluminium. 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 the fluctuation of the Euro/USD exchange rate (as the Group makes purchases in Euro, while price listings are in USD) and the reliability and the policies of mining and/or transformation companies.

The fluctuation in the availability and 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 (such as: problems regarding the extraction or transformation capacity of individual suppliers which could hinder or delay the delivery of the raw materials ordered; operational and/or industrial decisions made by individual suppliers which entail an interruption of the mining or processing of the raw materials and the consequential greater difficulty in immediately finding said raw materials in the reference market; significant delays in the transport and delivery of these raw materials to Group companies).

To manage these risks, the Group constantly monitors the availability of raw materials in the market as well as the relative price trends (also taking into consideration USD currency fluctuations with respect to the euro), in order to promptly identify any situations in which sufficient raw materials are unavailable and to take suitable actions to guarantee the required production autonomy, and also to keep its production activities competitive with regard to this aspect as well. In particular, as regards the major raw material purchased - copper - the Group has long-standing relations with the same suppliers, selected on the basis of trust. Furthermore, when it deems this necessary in relation to expected trends, the Group enters into contracts to hedge the risk of fluctuations in the price of raw materials.

Lastly, please note that oil price volatility impacts (aside from raw material prices) investments made at global level in the Power Gen market, making it difficult to predict trends in this market segment.

RISKS RELATED TO NET FINANCIAL DEBT

In relation to a significant portion of the outstanding loan agreements, the Group has committed to respecting specific financial parameters (covenants). In addition, a significant portion of the Group's loan agreements include cross default - cross acceleration clauses (in certain cases also external), negative pledge clauses, pari passu clauses and/or clauses which limit the amount of distributable dividends. In the future, if the above-mentioned financial covenants or other commitments set forth in outstanding loan agreements are not respected (including also those resulting from the above-mentioned cross default – cross acceleration, negative pledge and pari passu clauses), the Group could be required to repay the relative debt early.

Lastly, a significant part of the loan agreements of the LU-VE Group require the company that took out the loan to fulfil disclosure requirements on various occasions and envisage the obligation to

request prior consent in the case of new loans or particular extraordinary transactions and the obligation of not taking out new mortgage loans.
To mitigate this risk, the Group carefully monitors compliance with financial covenants, all clauses set forth in the loan agreements and the disclosure requirements through formalised procedures which involve the legal and finance function. In addition, it always maintains a significant quantity of financial resources available which are liquid or may be readily liquidated and short-term lines of credit to handle any, even remote, early repayment obligations on medium and long-term loans.

The financial instruments in which the Group invests its available liquidity are primarily represented by capitalisation policies and bond and monetary instruments, nearly exclusively denominated in euro.
Please note that the capitalisation policies envisage the capital guarantee and a non-negative minimum guaranteed rate of return and several penalties in the case of early redemption.
In addition, financial instruments in general are subject to the following risks:

- specific risk linked to the characteristics of the relative issuer: capital strength of the issuer, its economic characteristics, taking into account the specific features of the sectors in which it operates, which impact the risk that the issuer may be unable to pay the interest accrued and/or repay the invested principal;
- the generic (or systematic) risk linked to: *(i)* interest rate fluctuations, *(ii)* market price trends and *(iii)* the difficulty/impossibility of easily monetising financial asset positions without significantly and unfavourably influencing their price.

It cannot be ruled out that in the future the value that may be obtained from the disposal of financial instruments may be lower than the fair value recognised in the financial statements, thus generating a deterioration of net financial debt. Against the recognition in the income statement of recurring costs, deriving from financial expense on outstanding loans, the returns on investments in cash and cash equivalents are uncertain and are characterised by high volatility, including on the negative side.

RISKS RELATED TO EXCHANGE RATE FLUCTUATIONS

The Group is exposed to the risk of fluctuations in the exchange rates of currencies deriving from different circumstances.
(i) First of all, the Group is exposed to "translation" exchange rate risk.
Indeed, the Issuer prepares its consolidated financial statements in euro, while it holds controlling interests in companies that prepare their financial statements in currencies other than the euro (Polish zloty, Russian rouble, Czech koruna, Swedish krona, Indian rupee, Australian dollar, Chinese yuan renminbi). The Group is therefore exposed to the risk that fluctuations in the exchange rates used to translate the values in subsidiary financial statements originally expressed in foreign currency may significantly influence the Group's results as well as the consolidated net financial debt and consolidated shareholders' equity. The main exposures are monitored, but hedging translation exchange rate risk is not part of the Group's current policies.
(ii) In the second place, the Group is exposed to "transaction" exchange rate risk for acquisitions of goods and materials from suppliers as well as for sales to customers.
In terms of acquisitions, the main currency to which the Group is exposed is the US dollar (USD, 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, HTS and Spirotech 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 exposed to the risk of fluctuations in the exchange rate between the euro and their local currencies.

At centralised level, in order to protect the income statement and the balance sheet items from such fluctuations and reduce the risk arising from changes in exchange rates, the Issuer has subscribed derivative financial instruments (mainly range accrual forward and forward plain vanilla) used with the intent of hedging the underlying risks. However, from a merely accounting perspective, although such instruments substantially hedge the risks mentioned, they do not meet all requirements laid out in IAS 39; therefore, the Issuer has decided to consider these instruments as for trading and not hedges, and as a result such instruments were measured at fair value through profit or loss.
On some currencies (Australian dollar, Chinese yuan, Swedish krona, Indian rupee, rouble and US dollar) in which operating revenues and costs are expressed, there is also "natural" hedging (revenues expressed in a given currency are naturally hedged by operating costs expressed in the same currency).

RISKS RELATED TO THE CONCENTRATION OF SALES

Although there is no Group customer which alone represents more than 6.4% of consolidated turnover and although the Group's top 10 customers together represent 33.1% 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 realised 23.3% of its turnover in the first half of 2017) and the sector of glass doors for refrigerated counters (in which the Group realised 3.5% of its turnover in the first half of 2017) are characterised by strong commercial leadership by the main manufacturers.
As a result, if the supply to one of the Group's customers in the above-mentioned sectors is discontinued, 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 income statement results and/or the equity and/or financial situation.

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.
Any extension of payment times by customers may also require the Group to finance the associated working capital requirement.
The historically low levels of losses on receivables recognised are proof of the good results achieved.

The context in which the Group carries on business also includes other risk factors that are described in detail in the Report as at 31 December 2016 (which should be referred to), the profile of which has not changed in the first half of 2017.

DEVELOPMENT ACTIVITIES

In the first half of 2017, our customary research and development activities continued, to offer the market increasingly more advanced products, also in response to the ongoing international crisis.

During the half, the Group incurred development costs relating to the various business segments of roughly €1.1 million (including roughly €1.0 million capitalised under Intangible assets).

ORGANISATION, MANAGEMENT AND CONTROL MODEL PURSUANT TO ITALIAN LEGISLATIVE DECREE 231/2001

With reference to the Organisation, Management and Control Model of LU-VE S.p.A. pursuant to Italian Legislative Decree 231/2001, there have been no updates with respect to what was reported as at 31 December 2016.

EXEMPTION FROM DISCLOSURE DOCUMENT PUBLICATION OBLIGATIONS IN RELATION TO SIGNIFICANT TRANSACTIONS ("opt-out")

On 13 March 2017, the Parent Company's Board of Directors decided to rely, pursuant to art. 3 of Consob Resolution no. 18079 of 20 January 2012, on the opt-out option, as set forth in arts. 70, paragraph 8, and 71, paragraph 1-bis, of Consob Regulation no. 11971/99 as amended, therefore making use of the right to exemption from the obligations to publish required disclosure documents during significant transactions relating to mergers, spin-offs, share capital increases through the contribution of assets in kind, acquisitions and disposals.

SUBSEQUENT EVENTS AND BUSINESS OUTLOOK

The turnover of products only at the end of August was 13.9% higher than that of the same period of the previous year (+3.6% on a like-for-like basis), a further improvement compared to the figure for the first half of the year.

At the end of August, the order portfolio totalled €42.6 million (€41.1 million as at 30 June 2017), marking an increase in excess of 10% compared to 31 August 2016 on a like-for-like basis.

For the second half of the year, total sales are expected to exceed those of the first half of the year, with a recovery in profit margins.

These assumptions are based on a macroeconomic scenario not impacted by unforeseeable events. If the situation undergoes significant changes, these estimates may also change.

RELATED PARTY TRANSACTIONS

Related party transactions cannot be classified as atypical or unusual as they are part of the ordinary course of business of the Group companies. These transactions are governed by arm's length conditions, in consideration of the characteristics of the goods and services sold.
As concerns the effects of related party transactions on the income statement and balance sheet, please refer to the Notes to these condensed consolidated half-yearly financial statements.

On behalf of the Board of Directors

The Chairman

Iginio Liberali

CONDENSED CONSOLIDATED

HALF-YEARLY FINANCIAL STATEMENTS

AS AT 30 JUNE 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of Euro)	Note	30/06/2017	31/12/2016
ASSETS			
Goodwill	1	48,744	48,744
Other intangible assets	1	10,309	9,688
Property, plant and equipment	2	97,927	93,030
Other property, plant and equipment	2	9,624	10,097
Deferred tax assets	19	3,774	3,059
Equity investments	3	6	6
Other non-current assets	4	1,985	2,044
NON-CURRENT ASSETS		172,369	166,668
Inventories	5	34,743	30,914
Trade receivables	6	53,853	45,456
Due from the tax authorities for current taxes	7	6,005	5,380
Current financial assets	8	69,683	74,145
Other current assets	9	2,706	2,145
Cash and cash equivalents	10	49,466	46,455
CURRENT ASSETS		216,456	204,495
ASSETS HELD FOR SALE		-	-
TOTAL ASSETS		388,825	371,163

(in thousands of Euro)	Note	30/06/2017	31/12/2016
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital		**62,704**	**62,496**
Reserves and retained earnings (losses)		**68,353**	**54,230**
Profit (loss) for the period		**1,855**	**15,846**
Total shareholders' equity attributable to the Parent Company		***132,912***	***132,572***
Shareholders' equity attributable to non-controlling interests		**1,967**	***1,823***
SHAREHOLDERS' EQUITY	**11**	**134,879**	**134,395**
Loans	**12**	**121,435**	**105,289**
Provisions	**13**	**2,184**	**2,182**
Employee benefits	**14**	**3,898**	**3,936**
Deferred tax liabilities	**19**	**10,339**	**10,329**
Other financial liabilities	**15**	**2,243**	**2,416**
NON-CURRENT LIABILITIES		**140,099**	**124,152**
Trade payables	**16**	**51,802**	**53,070**
Loans	**12**	**45,332**	**41,834**
Provisions	**13**	-	-
Tax payables	**17**	**2,143**	**3,415**
Other financial liabilities	**15**	**1,237**	**1,305**
Other current liabilities	**18**	**13,333**	**12,992**
CURRENT LIABILITIES		**113,847**	**112,616**
LIABILITIES HELD FOR SALE		-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**388,825**	**371,163**

CONSOLIDATED INCOME STATEMENT			
(in thousands of Euro)	Note	H1 2017	H1 2016
REVENUES AND OPERATING INCOME			
Revenues	21	132,798	116,747
Other revenues	22	241	33
Total revenues and operating income		133,039	116,780
OPERATING COSTS			
Purchases of materials	23	(74,745)	(59,302)
Changes in inventories	5	4,086	922
Services	24	(20,020)	(17,813)
Personnel costs	25	(28,791)	(24,573)
Other operating costs	26	(672)	(884)
Total operating costs		(120,142)	(101,650)
Net change in fair value of derivatives		119	(188)
Depreciation and amortisation	1.2	(6,967)	(6,277)
Capital gains on the sale of non-current assets		91	37
Write-downs on non-current assets		-	-
EBIT		6,140	8,702
Financial income	27	772	377
Financial expense	28	(983)	(1,552)
Exchange gains and losses	29	(3,411)	1,189
Gains and losses from equity investments		-	-
EBT		2,518	8,716
Income taxes	30	(520)	(1,022)
NET PROFIT (LOSS)		1,998	7,694
Attributable to non-controlling interests		(143)	(323)
PROFIT (LOSS) FOR THE PERIOD		1,855	7,371

(In Euro)	Note	H1 2017	H1 2016
EARNINGS PER SHARE	**31**		
Basic		**0.09**	**0.38**
Diluted		**0.08**	**0.34**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	H1 2017	H1 2016
NET PROFIT (LOSS)	**1,998**	**7,694**
Comprehensive income/loss that will not be subsequently reclassified to profit/loss for the period:		
Actuarial valuation of post-employment benefits	151	(228)
Tax effect	(36)	63
	115	**(165)**
Comprehensive income/loss that will be subsequently reclassified to profit/loss for the period:		
Exchange differences from translation of financial statements in foreign currency	2,796	(747)
TOTAL COMPREHENSIVE INCOME (LOSS)	**4,909**	**6,782**
of which:		
Attributable to non-controlling interests	(143)	(323)
ATTRIBUTABLE TO THE GROUP	**4,766**	**6,459**

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 period	Total shareholders' equity of the Group	Shareholders' equity attributable to non-controlling interests	Total shareholders' equity
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**
Allocation of profit 2015												
Dividends paid	-	-	-	-	-	-	-	(3,876)	-	(3,876)	-	(3,876)
Retained	-	-	247	-	-	-	-	8,852	(9,099)	-	-	-
Increases/decreases	-	-	-	-	(292)	-	-	-	-	(292)	-	(292)
Other	-	-	-	-	-	-	-	215	-	215	(1,485)	(1,270)
Comprehensive profit H1 2016	-	-	-	-	-	(747)	(165)	-	7,371	6,459	323	6,782
BALANCE AS AT 30/06/2016	**62,496**	**24,762**	**2,005**	**(3,373)**	**(754)**	**(4,814)**	**(415)**	**37,583**	**7,371**	**124,861**	**2,281**	**127,142**
BALANCE AS AT 31/12/16	**62,496**	**24,762**	**2,004**	**(3,373)**	**(992)**	**(4,866)**	**(359)**	**37,054**	**15,846**	**132,572**	**1,823**	**134,395**
Allocation of profit 2016												
Dividends paid	-	-	-	-	-	-	-	(4,416)	-	(4,416)	(250)	(4,666)
Retained	-	-	362	-	-	-	-	15,484	(15,846)	-	-	-
Increases/decreases	208	-	-	-	(143)	-	-	(31)	-	34	-	34
Other	-	-	-	-	-	-	-	(44)	-	(44)	251	207
Comprehensive profit H1 2017	-	-	-	-	-	2,796	115	-	1,855	4,766	143	4,909
BALANCE AS AT 30/06/2017	**62,704**	**24,762**	**2,366**	**(3,373)**	**(1,135)**	**(2,070)**	**(244)**	**48,047**	**1,855**	**132,912**	**1,967**	**134,879**

	CONSOLIDATED STATEMENT OF CASH FLOWS *(in thousands of Euro)*	H1 2017	H1 2016
A.	**Cash and cash equivalents at the beginning of the period**	**46,455**	**55,266**
	Profit (loss) for the period	1,855	7,371
	Adjustments for:		
	- Depreciation and amortisation	6,967	6,277
	- Realised gains on non-current assets	(91)	(37)
	- Net financial income and expense	211	1,175
	- Income taxes	454	1,022
	- Fair value changes booked in operating income	(119)	188
	Changes in post-employment benefits	156	(4)
	Changes in provisions	2	(19)
	Changes in trade receivables	(8,397)	(16,223)
	Changes in inventories	(3,829)	(725)
	Changes in trade payables	(1,268)	(215)
	Changes in net working capital	***(4,059)***	***(1,190)***
	Changes in other receivables and payables, deferred taxes	477	501
	Tax payment	(2,894)	(1,543)
	Paid net financial expenses	(952)	(1,044)
B.	**Cash flows generated/absorbed by operating activities**	**(7,428)**	**(3,276)**
	Investments in non-current assets		
	- intangible assets	(2,074)	(2,182)
	- property, plant and equipment	(9,708)	(8,294)
	- financial assets	-	(9)
C.	**Cash flows generated/absorbed by investing activities**	**(11,782)**	**(10,485)**
	Repayment of loans	(22,356)	(10,979)
	New loans	42,000	5,000
	Changes in other financial liabilities	(122)	9
	Changes in short-term financial assets	4,462	1,444
	Purchase of treasury shares	(143)	(292)
	Contributions/repayments of own capital	208	-
	Payment of dividends	(4,416)	(3,876)
	Other changes	144	(1,162)
D.	**Cash flows generated/absorbed by financing activities**	**19,777**	**(9,856)**
	Exchange differences	2,796	(747)
	Other changes	(352)	217
E.	**Other changes**	**2,444**	**(530)**
F.	**Net cash flows in the period (B+C+D+E)**	**3,011**	**(24,147)**
	Cash and cash equivalents at the end of the period (A+F)	**49,466**	**31,119**
	Current financial debt	(23,114)	(37,209)
	Non-current financial debt	123,678	83,753
	Net financial debt (Note 20)	**51,098**	**15,425**

Notes

ACCOUNTING STANDARDS

Information on the LU-VE Group

LU-VE S.p.A. is a company with legal personality organised according to the laws of the Italian Republic. LU-VE S.p.A. and its subsidiaries - hereinafter referred to as the "LU-VE Group" - operate in the manufacture and marketing of static air cooled heat exchangers, air cooled equipment, close control air conditioners and insulated glazing. The Group's registered office is in Varese (Italy), at Via Vittorio Veneto 11.
LU-VE S.p.A. is listed on the Milan Stock Exchange - MTA market.

Publication of the consolidated financial statements

The publication of the condensed consolidated half-yearly financial statements as at 30 June 2017 of the LU-VE Group was authorised by resolution of the LU-VE S.p.A. Board of Directors on 21 September 2017.

Declaration of compliance and accounting policies

The condensed consolidated half-yearly financial statements as at 30 June 2017 of the LU-VE Group have been prepared in compliance with the International Financial Reporting Standards (IFRS) adopted by the European Union on that date, particularly in accordance with IAS 34 "Interim Financial Reporting". Therefore, the condensed consolidated half-yearly financial statements do not include all of the information required by IFRS for the preparation of the annual financial statements and must be read in conjunction with the consolidated financial statements for the year ending on 31 December 2016. 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 first half of last year and for last year, prepared with the same criteria. They consist of the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flows and these notes.

The condensed consolidated half-yearly financial statements as at 30 June 2017 were prepared on the basis of the going concern assumption. Indeed, the Directors verified, even within a difficult economic and financial environment, based on its strong competitive positioning, high profitability and solid financial position, that there are no significant uncertainties as defined by paragraph 25 of IAS 1.

The consolidation principles, the criteria applied to translate the financial statements expressed in foreign currency, the accounting standards and the measurement criteria are consistent with those used to prepare the financial statements as at 31 December 2016, which should be referred to for all of the details.

Financial statements

The Group has adopted the following financial statements:

- a consolidated statement of financial position, which shows current and non-current assets and liabilities separately;
- a consolidated income statement in which costs are classified by nature;

- a consolidated 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 consolidated 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.

With reference to Consob resolution no. 15519 of 27/7/2006 with respect to the financial statements, please note that special sections have been included to highlight significant transactions with related parties, as well as dedicated income statement items in order to identify, if any, the non-recurring significant transactions carried out in the ordinary course of business.

Consolidation area

The condensed consolidated half-yearly financial statements of the LU-VE Group 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
Tecnair LV S.p.A.	Uboldo (VA)	79.90%	EUR 200,000
Heat Transfer Systems s.r.o. (HTS)	Novosedly (Czech Rep.)	100.00%	CZK 133,300,000
LU-VE Sweden AB	Asarum (Sweden)	100.00%	SEK 50,000
LU-VE France S.a.r.l.	Lyon (France)	86.06%	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 180,063.23
LU-VE Asia Pacific Limited	Wan Chai (Hong Kong)	100.00%	HKD 10,000
LU-VE INDIA CORPORATION PRIVATE LTD	New Delhi (India)	99.98%	INR 100,000
LuveDigital S.r.l.	Uboldo (VA)	50.00%	EUR 10,000
MANIFOLD S.r.l.	Uboldo (VA)	99.00%	EUR 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. (85% owned by SEST S.p.A.)	Travacò Siccomario (PV)	85.00%	EUR 850,000
Spirotech Ltd (95% owned by LU-VE INDIA LTD)	New Delhi (India)	95.00%	INR 25,448,050

Pursuant to IFRS 10, the companies with regard to which the Group 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.
During the period, there were no changes in the consolidation area compared to 31 December 2016.

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 condensed consolidated half-yearly 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 condensed consolidated half-yearly 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 financial statements are eliminated;
d) If there are non-controlling shareholders, the portion of shareholders' equity and the net profit (loss) for the period 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 condensed consolidated half-yearly 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 aggregate consolidated half-yearly 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 the end of the period. Income statement items are translated at average exchange rates for the period.

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 separate shareholders' equity component “Translation reserve”.
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:

	2017		**2016**	
Currency	**Exchange rate as at 30/06**	**Average exchange rate H1**	**Exchange rate as at 31/12**	**Average exchange rate H1**
AUD	1.4851	1.4364	1.4596	1.521984
PLN	4.2259	4.269	4.4103	4.368819
CZK	26.197	26.784	27.021	27.0396
RUB	67.5449	62.8057	64.3	78.296828
SEK	9.6398	9.5968	9.5525	9.30187
HKD	8.9068	8.4199	8.1751	8.668402
YUAN	7.7385	7.4448	7.3202	7.296455
INR	73.7445	71.176	71.5935	75.0019

Earnings per share
Basic earnings per share are calculated by dividing the Group’s share of profit (loss) by the weighted average of ordinary shares outstanding during the period. In order to calculate diluted earnings per share, the weighted average of the shares is changed assuming the subscription of all potential shares deriving from the conversion of bonds and the exercise of warrants, if they have been issued by the parent company.

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.

Use of estimates
The preparation of the condensed consolidated half-yearly financial statements, like the preparation of the annual financial statements, 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.
If such estimates and assumptions, which are based on the Directors’ best assessment, differ from actual future circumstances, they will be updated accordingly in the period in which such circumstances change.
In addition, certain assessment processes, particularly those which are more complex, such as the determination of any impairment losses on non-current assets, are generally carried out in full only when the annual financial statements are drafted, when all required information is

available, except when impairment indicators are identified, in which case immediate impairment testing is required.
Liabilities connected to obligations from defined benefit plans are measured precisely (notes 11 and 14).
Lastly, the tax expense, pursuant to IAS 34, was estimated using the option of precisely calculating the liability at the date of 30 June 2017.
In the condensed consolidated half-yearly financial statements, the income statement and cash flow statement data for the half are compared with those of the same half of the previous year. The net financial position and the consolidated statement of financial position items as at 30 June 2017 are compared with the corresponding actual data as at 31 December 2016.

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

- **IFRS 15 – Revenue from Contracts with Customers** (published on 28 May 2014 and supplemented with further clarifications published on 12 April 2016), 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 amendments to IFRS 15, Clarifications to IFRS 15 - Revenue from Contracts with Customers, published by the IASB on 12 April 2016, have instead not yet been endorsed by the European Union. The Directors are currently assessing the possible effects of the introduction of these amendments on the Group's consolidated financial statements. However, it is not yet possible to provide a reasonable estimate of the expected effects until the Group companies have completed a detailed analysis.

- Final version of **IFRS 9 - Financial Instruments** (published on 24 July 2014). This document incorporates the results 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 must be applied in financial years beginning on or after 1 January 2018. The Directors are currently assessing the possible effects of the introduction of these amendments on the Group's consolidated financial statements. However, it is not yet possible to provide a reasonable estimate of the expected effects until the Group companies have completed a detailed analysis.

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

As at 30 June 2017, 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 16 – Leases** (published on 13 January 2016) 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 apply IFRS 15 - Revenue from Contracts with Customers early. The Directors are currently assessing the possible effects of the introduction of these amendments on the Group's consolidated financial statements. However, it is not yet possible to provide a reasonable estimate of the expected effects until the Group companies have completed a detailed analysis.

- Amendment to **IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses"** (published on 19 January 2016). The document has the objective of providing several clarifications on the recognition of deferred tax assets on unrealised losses in certain circumstances and on the estimate of taxable income for future years. The amendments apply as of 1 January 2017, but since they have not yet been approved by the European Union they were not adopted by the Group as at 30 June 2017. The Directors are currently assessing the possible effects of the introduction of these amendments on the Group's consolidated financial statements.

- Amendment to **IAS 7 "Disclosure Initiative"** (published on 29 January 2016). The document aims to provide several clarifications to improve the disclosure on financial liabilities. In particular, the amendments require a disclosure to be provided which enables users of financial statements to understand changes in liabilities deriving from loan transactions. The amendments apply as of 1 January 2017, but since they have not yet been approved by the European Union they were not adopted by the Group as at 30 June 2017. The presentation of comparative information relating to previous years is not required. The Directors are currently assessing the possible effects of the introduction of these amendments on the Group's consolidated financial statements.

- "**Annual Improvements to IFRSs: 2014-2016 Cycle**", published on 8 December 2016 (including IFRS 1 First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters, IAS 28 Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice, IFRS 12 Disclosure of Interests in Other Entities – Clarification of the scope of the Standard) which partially supplement pre-existing standards. The Directors are currently assessing the possible effects of the introduction of these amendments on the Group's consolidated financial statements.

- Interpretation **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** (published on 8 December 2016). The interpretation has the objective of providing guidelines for transactions carried out in foreign currency when non-monetary advances or payments on account are recognised in the financial statements, before the recognition of the relative asset, cost or revenue. This document provides instructions on how an entity must determine the date of a transaction and as a result the spot exchange rate to be used when transactions in foreign currency are carried out, in which payment is made or received in advance. IFRIC 22 applies as of 1 January 2018, but early application is permitted. The Directors are currently assessing the possible effects of the introduction of these amendments on the Group's consolidated financial statements.

- Amendment to **IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"** (published on 11 September 2014). 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. The Directors are currently assessing the possible effects of the introduction of these amendments on the Group's consolidated financial statements.

- On 7 June 2017, the IASB published the interpretation document **IFRIC 23 – Uncertainty over Income Tax Treatments.** The document deals with the topic of uncertainties as to the tax treatment to be adopted on income taxes. The document establishes that uncertainties in determining tax liabilities or assets should be reflected in the financial statements only when it is likely that the entity will pay or recover the amount in question. In addition, the document does not contain any new disclosure obligation, but highlights that the entity must establish if it will be necessary to provide information on the considerations made by the management and relating to the

uncertainty inherent in accounting for taxes, in accordance with what is set forth in IAS 1.
The new interpretation applies as of 1 January 2019, but early application is permitted.
The Directors are currently assessing the possible effects of the introduction of these amendments on the Group's consolidated financial statements.

NOTES TO THE BALANCE SHEET ITEMS

1. INTANGIBLE ASSETS

(in thousands of Euro)	**Goodwill**	**Trademarks**	**Development costs**	**Other intangible assets**	**Total**
Historical					
As at 31 December 2016	**61,659**	**11,088**	**10,161**	**10,217**	**93,125**
Increases	-	-	90	1,984	2,074
Decreases	-	-	-	-	-
Reclassifications	-	-	56	(56)	-
Exchange differences	-	(2)	(2)	-	(4)
As at 30 June 2017	**61,659**	**11,086**	**10,305**	**12,145**	**95,195**
Provision					
As at 31 December 2016	**12,915**	**6,146**	**7,799**	**7,833**	**34,693**
Increases	-	369	616	467	1,452
Decreases	-	-	-	-	-
Reclassifications	-	-	-	-	-
Exchange differences	-	(1)	(2)		(3)
As at 30 June 2017	**12,915**	**6,514**	**8,413**	**8,300**	**36,142**
Net carrying amount					
As at 31 December 2016	**48,744**	**4,942**	**2,362**	**2,384**	**58,432**
As at 30 June 2017	**48,744**	**4,572**	**1,892**	**3,845**	**59,053**

There were no changes in goodwill compared to 31 December 2016. In particular, part of goodwill (amounting to €19,342 thousand) refers to the acquisition of Spirotech in the last quarter of 2016. On the basis of the revised IFRS 3, the cost of the business combination must be allocated to the assets, liabilities and intangible assets not recognised in the financial statements of the acquired company, up to the limits of their fair value. Any amount still remaining after this allocation should be recognised as goodwill. In the first half of 2017 this process was initiated, which requires the evaluation of a number of different assets and liabilities of the acquired company. A component of the assets was identified (customer list) to which it is reasonably imaginable that a share of the acquisition cost can be allocated. Therefore, given the complexity and delicacy of this assessment, it was deemed appropriate to expand the observation and assessment period as much as possible (the standard permits up to 12 months from the acquisition date). So, as at 30 June 2017, no allocation was made, but it will be made with reference to the financial statements as at 31 December 2017.
Pursuant to IAS 36, the LU-VE Group conducts impairment testing on goodwill at least once per year, when it prepares the financial statements as at 31 December.
Cash-generating unit trends in the first half of 2017 with respect to the 2017-2020 Business Plan did not show significant misalignments with the forecasts used to conduct impairment testing for the financial statements as at 31 December 2016. Therefore, during the half, there were no specific signs of impairment identified which would make it necessary to prepare or

update the impairment tests at the date of the condensed consolidated half-yearly financial statements. However, the future trend of various factors, including the evolution of the difficult global economic and financial environment, requires the management to constantly monitor the circumstances and events that could result in an impairment of the Group's goodwill.

During the half, the most significant investments regarded *Development costs* of €1,020 thousand (of which €930 thousand for projects under way), referring to new product development, and *Other intangible assets* of €1,054 thousand (of which €830 thousand in the course of completion), primarily relating to costs incurred for the development of the PLM (Product Lifecycle Management) project that will be used in all of the Group's production facilities.

Internal or external indicators that intangible assets other than goodwill, even with a finite useful life, needed to be tested for impairment as of this interim closing date were not identified.

2. PROPERTY, PLANT AND EQUIPMENT

(in thousands of Euro)	**Property**	**Plant and equipment**	**Other assets**	**Work in progress**	**Total**
Historical					
As at 31 December 2016	**81,320**	**109,742**	**29,314**	**3,877**	**224,253**
Increases	2,652	3,419	1,117	2,520	9,708
Decreases	-	(216)	(79)	(4)	(299)
Reclassifications	16	2,985	46	(3,047)	-
Exchange differences	272	262	52	24	610
As at 30 June 2017	**84,260**	**116,192**	**30,450**	**3,370**	**234,272**
Provision					
As at 31 December 2016	**18,559**	**79,472**	**23,095**	-	**121,126**
Increases	1,002	3,385	1,128	-	5,515
Decreases	-	(186)	(37)	-	(223)
Reclassifications	-	13	(13)	-	-
Exchange differences	57	223	23	-	303
As at 30 June 2017	**19,618**	**82,907**	**24,196**	-	**126,721**
Net carrying amount					
As at 31 December 2016	**62,761**	**30,270**	**6,219**	**3,877**	**103,127**
As at 30 June 2017	**64,642**	**33,285**	**6,254**	**3,370**	**107,551**

In the first half of 2017, 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.

The main investments for the year regarded the acquisition of new production lines and machinery in Italy, Poland and Russia, as well as payments on account made for new plant and equipment.

Internal or external indicators that property, plant and equipment needed to be tested for impairment as of this interim closing date were not identified.

3. EQUITY INVESTMENTS

The Group holds the following equity investments:

(in thousands of Euro)	**30/06/2017**	**31/12/2016**
Industria e Università S.r.l.	6	6
Total	**6**	**6**

4. OTHER NON-CURRENT ASSETS

This item amounted to €1,985 thousand compared to €2,044 thousand in the previous year, marking a decline of €59 thousand. The item breaks down as follows:

- €1,410 thousand for the recognition of the residual value deriving from the prepayment by the subsidiary Spirotech to the Indian government to acquire the right to occupy the land on which the production facility is located for a period of 99 years;
- €409 thousand in receivables due from the tax authorities payable beyond the period 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);
- €166 thousand in 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):

(in thousands of Euro)	**30/06/2017**	**31/12/2016**	**Change**
Raw materials and consumables	24,641	21,922	2,719
Work in progress and semi-finished products	3,759	2,875	884
Finished products and goods for resale	8,913	8,634	279
Provision for inventory losses	(2,570)	(2,517)	(53)
Total	**34,743**	**30,914**	**3,829**

The increase in the value of inventories was basically due to seasonal fluctuations in the Group's business in the summer months.
The provision for inventory losses, equal to €2,570 thousand as at 30 June 2017, reflects the best estimate of obsolescence risk, on the basis of specific analyses carried out at the end of the period on unsold inventory or inventory with a low turnover rate. The provision increased by €53 thousand compared to 31 December 2016, broken down as follows:

- Increase in provisions of €30 thousand;
- Negative exchange differences of €23 thousand.

6. TRADE RECEIVABLES

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

(in thousands of Euro)	**30/06/2017**	**31/12/2016**	**Change**
Trade receivables	57,078	48,588	8,490
Bad debt provision	(3,225)	(3,132)	(93)
Total	**53,853**	**45,456**	**8,397**

Trade receivables were up significantly compared to 31 December 2016, as takes place customarily in the middle months of the year due to seasonal fluctuations in the business. The value of trade receivables as at 31 December 2016 amounted to €45,456 thousand.
All trade receivables are due within the subsequent 12 months and derive from normal sales transactions.
The bad debt provision rose during the period to reflect the recoverability of the receivables (roughly €194 thousand) and approximately €101 thousand of it was used for losses recognised during the period.

The breakdown of receivables by geographical area is shown below:

(in thousands of Euro)	**30/06/2017**	**31/12/2016**
Italy	16,801	15,829
EU Countries	29,440	22,048
Non-EU Countries	10,837	10,711
Bad debt provision	(3,225)	(3,132)
Total	**53,853**	**45,456**

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):

(in thousands of Euro)	**30/06/2017**	**31/12/2016**	**Change**
Due from the tax authorities for VAT	3,813	2,836	977
Due from the tax authorities for payments on account of direct taxes	2,109	2,076	33
Others	83	507	(424)
Total	**6,005**	**5,419**	**586**

Tax receivables for payments on account of direct taxes payable within the next 12 months refer to the excess of taxes prepaid for the year 2016 with respect to the effective tax burden, primarily associated with the Parent Company and the subsidiaries: TGD S.p.A., TECNAIR LV S.p.A., SEST-LUVE-POLSKA Sp.z.o.o. and Heat Transfer System S.r.o. (HTS).

8. CURRENT FINANCIAL ASSETS

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

(in thousands of Euro)	**30/06/2017**	**31/12/2016**	**Change**
Asset management	29,213	39,468	(10,255)
Capitalisation policies	30,791	27,457	3,334
Other securities	9,508	7,102	2,406
Fair value of derivative instruments	171	118	53
Total	**69,683**	**74,145**	**(4,462)**

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. During the period, €10 million was disinvested. 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 €222 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 €334 thousand under financial income. During the period, policies were taken out for an additional nominal amount of €3,000 thousand.

Other securities referred to investments made through UBI Banca (where the securities account is held) in Italian government securities, corporate bonds, bond funds and mixed funds. During the period, an additional €2,402 thousand was invested. The fair value measurement at the reporting date entailed the recognition of roughly €100 thousand under financial income. During the period, a new investment with UNICREDIT was subscribed for €300 thousand. This is an investment in an equity instrument which provides a guarantee on 100% of the invested capital and variable returns over five years (maturity 2022) of operations.

The financial instruments described above were measured at fair value at the reporting date with a matching entry in Financial income (Note 27) and Financial expense (Note 28), as they are held for sale.

The "Fair value of derivative instruments" represented the positive fair value of derivatives subscribed by the Group.

9. OTHER CURRENT ASSETS

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

(in thousands of Euro)	**30/06/2017**	**31/12/2016**	**Change**
From employees	90	78	12
Advances and other receivables	2,616	2,067	549
Total	**2,706**	**2,145**	**561**

10. CASH AND CASH EQUIVALENTS

The item, equal to €49,466 thousand as at 30 June 2017 (€46,455 thousand as at 31 December 2016), represented the asset balances in current accounts of €49,421 thousand and cash and valuables in hand of €45 thousand. For further details, refer to the Consolidated Statement of Cash Flows.

11. SHAREHOLDERS' EQUITY

The share capital of the Parent Company amounts to €62,704 thousand (€62,496 thousand as at 31 December 2016). Following the exercise of a total of 7,347,298 warrants, in the first half of 2017 2,081,162 ordinary shares were issued with a resulting share capital increase of €208,116.20.
Also in the first half of 2017, dividends of €4,416 thousand were paid out from the reserves and retained earnings.

As at 30 June 2017, the Parent Company held 111,750 treasury shares (0.50% of the share capital), recognised in the financial statements as an adjustment of shareholders' equity for a total value of roughly €1,135 thousand (for further details, see the Directors' Report). During the period, 12,450 treasury shares were acquired.

Non-controlling interests amounted to €1,967 thousand (€1,823 thousand as at 31 December 2016). The profit attributable to non-controlling interests in the first half of 2017 totalled €143 thousand (€323 thousand in the same period of 2016).

12. LOANS

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

(in thousands of Euro)	**30/06/2017**		**31/12/2016**	
	Current	**Non-current**	**Current**	**Non-current**
Bank loans	45,158	121,435	41,531	105,289
Advances subject to collection on bank receipts or invoices	174	-	303	-
Total	**45,332**	**121,435**	**41,834**	**105,289**

During the period, the Parent Company took out the following loans:

- unsecured medium-term loan for a total of €1,500 thousand from Deutsche Bank, maturing on 28 November 2020, with repayment in equal quarterly instalments and an interest rate equal to the 3-month Euribor plus a spread;
- unsecured medium-term loan for a total of €5,500 thousand from Deutsche Bank, maturing on 23 March 2021, with repayment in equal quarterly instalments and an interest rate equal to the 3-month Euribor plus a spread;
- unsecured medium-term loan for a total of €25,000 thousand from Mediocredito, maturing on 28 February 2022, with repayment in equal quarterly instalments and an interest rate equal to the 3-month Euribor plus a spread;
- unsecured medium-term loan for a total of €10,000 thousand from Unicredit, maturing on 31 December 2020, with repayment in half-yearly instalments of decreasing amounts and a fixed interest rate.

During the period, loan instalment repayments amounted to €22,356 thousand.

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.

In relation to certain loan agreements, the Group committed to respecting specific financial parameters (covenants). At the date of these condensed consolidated half-yearly financial statements, all of these parameters were respected.

13. PROVISIONS

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

(in thousands of Euro)	**31/12/2016**	**Prov./incr**	**Exchange delta**	**Uses/releases**	**Reclas.**	**30/06/2017**
Provision for agents' leaving indemnities	25	-	-	-	-	25
Product warranty provision	1,597	29	3	-	(33)	1,596
Other provisions for risks and charges	560	-	2	(32)	33	563
Total	**2,182**	**29**	**5**	**(32)**	**0**	**2,184**

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 period-end on the basis of analyses conducted and past experience.
Other provisions are recognised to cover sundry risks in a number of Group companies.

14. EMPLOYEE BENEFITS

Employee benefits amounted to €3,898 thousand, a net decrease of €38 thousand compared to 31 December 2016. 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 30 June 2017, net of advances paid out to employees.
Liabilities connected to obligations from defined benefit plans are measured precisely only at year-end, unless there are indicators that make it necessary to update the estimate in the course of the year. As at 30 June 2017, those indicators were identified with reference to the discounting rates; as a result, the estimates were adjusted using updated discounting rates. Due to the estimate revision, the liability for defined benefits decreased by €115 thousand, which was recognised in the statement of comprehensive income net of the related tax effect of €36 thousand.
The breakdown and changes in the item as at 30 June 2017 are shown below:

(in thousands of Euro)	**30/06/2017**	**31/12/2016**
Liabilities as at 1 January	**3,936**	**3,305**
Provisions	156	550
Financial expense	26	100
Payments made	(68)	(162)
Actuarial (gains)/losses	(152)	143
Liabilities at the end of the period	**3,898**	**3,936**

The provision for post-employment benefits changed primarily based on uses for the period to provide advances and/or payments to former personnel.
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).

15. OTHER FINANCIAL LIABILITIES

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

M/L term financial liabilities

(in thousands of Euro)	**30/06/2017**	**31/12/2016**	**Change**
Lease payables	534	656	(122)
Other financial liabilities	1,709	1,760	(51)
Total	**2,243**	**2,416**	**(173)**

Short-term financial liabilities

(in thousands of Euro)	**30/06/2017**	**31/12/2016**	**Change**
Fair value of derivatives	870	932	(62)
Lease payables	367	373	(6)
Due to other lenders	-	-	-
Total	**1,237**	**1,305**	**(68)**

This item referred primarily to the recognition of the negative fair value of derivatives and 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):

(in thousands of Euro)	**30/06/2017**	**31/12/2016**	**Change**
Italy	29,993	33,660	(3,667)
EU Countries	16,119	14,246	1,873
Non-EU Countries	5,690	5,164	526
Total	**51,802**	**53,070**	**(1,268)**

The average payment terms have not changed since 31 December 2016. As at 30 June 2017, 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):

(in thousands of Euro)	**30/06/2017**	**31/12/2016**	**Change**
Due to the tax authorities for income taxes	362	1,677	(1,315)
Tax withholdings	1,177	1,406	(229)
Other tax payables	604	332	272
Total	**2,143**	**3,415**	**(1,272)**

18. OTHER CURRENT LIABILITIES

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

(in thousands of Euro)	**30/06/2017**	**31/12/2016**	**Change**
To personnel	7,696	7,333	363
To social security institutions	2,874	3,184	(310)
To Directors and statutory auditors	1,637	1,211	426
Other current payables	1,126	1,264	(138)
Total	**13,333**	**12,992**	**341**

In the beginning of 2017, payables to personnel and social security institutions were paid in accordance with the relative due dates.

The increase in payables to personnel was caused by the increase in the Group's workforce.

19. DEFERRED TAX ASSETS AND LIABILITIES

The details of this item are shown below:

(in thousands of Euro)	**30/06/2017**	**31/12/2016**	**Change**
Deferred tax assets	3,774	3,059	715
Deferred tax liabilities	(10,339)	(10,329)	(10)
Net position	**(6,565)**	**(7,270)**	**705**

The nature of the temporary differences that resulted in the recognition of deferred tax liabilities and assets and the relative changes during the period and 31 December 2016 are analysed below.

(in thousands of Euro)	**TAX LOSS**	**DEPREC./AMORT. AND LEAS.**	**FAIR VALUE OF DERIV. INSTR.**	**MERGER GROSS UP 2008**	**ACTUARIAL VALUATION**	**PROV. AND VALUE ADJUST.**	**OTHER DIFF.**	**TOTAL**
As at 31/12/2016	**(1,090)**	**2,765**	**(67)**	**7,725**	**(90)**	**(1,455)**	**(518)**	**7,270**
In income statement	(351)	(1)	14	(140)	5	(142)	(125)	(740)
In shareholders' equity	-	-	-	-	37	-	31	68
Exchange differences	5	(31)	-	-	-	(6)	-	(32)
Other	-	-	-	-	-	-	0	0
Reclas.	-	-	-	-	(8)	-	8	-
As at 30/06/2017	**(1,436)**	**2,733**	**(53)**	**7,585**	**(56)**	**(1,603)**	**(604)**	**6,566**

As at 30 June 2017, deferred tax assets referred to:
- tax losses that may be carried forward relating to some subsidiaries of the Parent Company;
- the fair value of derivative instruments on exchange rates and interest rates, subscribed by the Parent Company and two of its subsidiaries;
- the deferred tax impact of the actuarial valuation of the post-employment benefits of the

Group’s 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 30 June 2017, 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):

	(in thousands of Euro)	**30/06/2017**	**31/12/2016**	**Change**
A.	Cash (Note 10)	45	52	(7)
B.	Unrestricted current account asset balances (Note 10)	49,421	46,403	3,018
C.	Current financial assets (Note 8)	69,683	74,145	(4,462)
D.	**Liquidity (A+B+C)**	**119,149**	**120,600**	**(1,451)**
E.	Current bank payables (Note 12)	174	303	(129)
F.	Current portion of non-current debt (Note 12)	45,158	41,531	3,627
G.	Other current financial liabilities (Note 15)	1,237	1,305	(68)
H.	**Current financial debt (E+F+G)**	**46,569**	**43,139**	**3,430**
I.	**Net current financial debt (H-D)**	**(72,580)**	**(77,461)**	**4,881**
J.	Non-current bank payables (Note 12)	121,435	105,289	16,146
K.	Other non-current financial liabilities (Note 15)	2,243	2,416	(173)
L.	**Non-current financial debt (J+K)**	**123,678**	**107,705**	**15,973**
M.	**Net financial debt (I+L)**	**51,098**	**30,244**	**20,854**

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

NOTES TO THE INCOME STATEMENT ITEMS

21. REVENUES

In the first half of 2017, revenues from sales amounted to €132,798 thousand, an increase of 13.7% compared to the same period of the previous year (€116,747 thousand as at 30 June 2016).

Revenues by product family

PRODUCTS	€ /000 H1 2017		€ /000 H1 2016	%	Delta	Delta %
Heat exchangers	81,073	61.0%	61,302	52.5%	19,771	32.3%
Air Cooled Equipment	40,220	30.4%	41,927	35.9%	(1,707)	(4.1%)
Doors	4,631	3.5%	8,361	7.2%	(3,730)	(44.6%)
Close Control	4,816	3.6%	4,441	3.8%	375	8.4%
Sub-total	**130,740**	**98.5%**	**116,031**	**99.4%**	**14,709**	**12.7%**
Other	2,058	1.5%	716	0.6%	1,342	187.4%
TOTAL	**132,798**	**100.0%**	**116,747**	**100.0%**	**16,051**	**13.7%**

Revenues by geographical area

GEOGRAPHICAL AREA	€ /000 H1 2017	%	€ /000 H1 2016	%	Delta	Delta %
Italy	31,211	23.5%	33,320	28.5%	(2,109)	(6.3%)
Germany	11,689	8.8%	11,588	9.9%	101	0.9%
Russia	9,388	7.1%	7,718	6.6%	1,670	21.6%
Poland	8,477	6.4%	4,131	3.5%	4,346	105.2%
Czech Republic	6,889	5.2%	4,931	4.2%	1,958	39.7%
France	6,422	4.8%	7,899	6.8%	(1,477)	(18.7%)
Austria	6,006	4.5%	4,498	3.9%	1,508	33.5%
Sweden	5,824	4.4%	6,369	5.5%	(545)	(8.6%)
Spain	4,700	3.5%	3,510	3.0%	1,190	33.9%
Great Britain	4,657	3.5%	3,780	3.2%	877	23.2%
India	4,316	3.3%	612	0.5%	3,704	605.2%
Other countries	33,219	25.0%	28,391	24.4%	4,828	17.0%
TOTAL	**132,798**	**100.0%**	**116,747**	**100.0%**	**16,051**	**13.7%**

Please refer to the Interim Directors’ Report for detailed comments on trends in the reference markets during the period.

22. OTHER REVENUES

(in thousands of Euro)	H1 2017	H1 2016	Change
Other income	241	33	208
Total	**241**	**33**	**208**

Other income refers to export incentives of the subsidiary Spirotech (not consolidated as at 30 June 2016).

23. PURCHASES OF MATERIALS

(in thousands of Euro)	H1 2017	H1 2016	Change
Raw materials and purchased components	72,017	58,899	13,118
Consumables	2,728	403	2,325
Total	**74,745**	**59,302**	**15,443**

During the period, the cost for the purchase of materials rose significantly, generated by the initial consolidation of Spirotech for around €7.8 million and for the remainder by a generalised rise in raw material costs and the increase in sales volumes.

24. SERVICES

(in thousands of Euro)	H1 2017	H1 2016	Change
Expenses for energy, telephone and telex	1,853	1,774	79
general and advisory expenses	7,068	5,524	1,544
Advertising and promotional expenses	536	501	35
transport expenses	3,019	2,378	641
Maintenance expenses	1,498	1,367	131
External processing	1,333	2,190	(857)
Commissions	680	572	108
Remuneration to the corporate bodies	1,305	1,096	209
other costs for services	1,696	1,408	288
costs for use of third-party assets	1,032	1,003	29
Total	**20,020**	**17,813**	**2,207**

During the period, the cost for services rose by €2,207 thousand, mainly due to:

- the initial consolidation of Spirotech, which impacted all items for a total of roughly €1.2 million;
- listing costs of around €1.1 million, mainly in relation to the item "General and advisory expenses";
- the initial consolidation of Manifold (processing of collectors), which generated a decline in external processing of around €767 thousand (as well as an increase in personnel costs, see note 25).

25. PERSONNEL COSTS

(in thousands of Euro)	H1 2017	H1 2016	Change
Wages and salaries	21,885	18,770	3,115
Social security costs	6,002	5,124	878
Post-employment benefits	787	639	148
Other personnel costs	117	40	77
Total	**28,791**	**24,573**	**4,218**

The average number of Group employees was 2,526 in the first half of 2017. As at 30 June 2017, the number of Group employees came to 2,602 (2,017 blue-collar, 559 white-collar and middle managers, 26 executives), against 1,774 as at 30 June 2016.

Personnel costs rose as a result of the initial consolidation of Spirotech (€965 thousand), the initial consolidation of Manifold (€491 thousand) and an increase in personnel distributed across all Group companies (the remainder).

26. OTHER OPERATING COSTS

(in thousands of Euro)	H1 2017	H1 2016	Change
Losses and write-downs on trade receivables	187	476	(289)
Non-income taxes	137	305	(168)
Provisions for risks	29	0	29
Other operating costs	319	103	216
Total	**672**	**884**	**(212)**

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)	H1 2017	H1 2016	Change
Interest income	81	59	22
Other income	692	318	374
Total	**773**	**377**	**396**

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

28. FINANCIAL EXPENSE

(in thousands of Euro)	**H1 2017**	**H1 2016**	**Change**
Interest expense to banks	387	466	(79)
Interest expense to other lenders	-	8	(8)
Other financial expense	596	1,078	(482)
Total	**983**	**1,552**	**(569)**

"Interest expense to banks" decreased due to the reduction in interest rates compared to the first half of 2016.
"Other financial expense" also includes expense deriving from the measurement at fair value of investments of liquidity (see Note 8) and the part realised during the year of derivatives recognised in the financial statements.

29. EXCHANGE GAINS AND LOSSES

During the period, the Group realised net exchange losses of roughly €3,411 thousand (net gains of €1,189 thousand in the first half of 2016). The realised part comes to a positive amount of €341 thousand, while the unrealised part amounts to a negative €3,752 thousand.

30. INCOME TAXES

(in thousands of Euro)	**H1 2017**	**H1 2016**	**Change**
Current taxes	1,257	1,245	12
Deferred tax liabilities	(740)	(396)	(344)
Adjustment previous year	3	173	(170)
Total	**520**	**1,022**	**(502)**

In the first half of 2017, taxes relating to previous years referred to the adjustment of the balance of taxes from 2016.

During the first half of 2017, the Italian Revenue Agency accessed the Parent Company's offices to conduct a general tax audit (direct and indirect taxes) relating to the years from 2012 to 2015. On 29 June 2017, a report on findings was received with reference to which the Parent Company submitted its own observations and requests on 25 August 2017. As the Italian Revenue Agency has not yet issued a notice of assessment, the Directors, in line with the opinion of their tax advisors, believe that at the moment there is not yet enough information to able to estimate any liabilities that may emerge for the Parent Company.
Also during the period, a tax audit continued at the subsidiary HTS Sro. As at 30 June 2017, the Czech Republic tax authorities had not yet completed their audit activities or sent any official request for higher taxes due. Therefore, there is not yet enough information to able to estimate any liabilities that may emerge for the company.

31. EARNINGS PER SHARE

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

CALCULATION OF BASIC AND DILUTED EARNINGS

EARNINGS *(in thousands of Euro)*	**H1 2017**
Net profit for the year	1,855
NUMBER OF SHARES	**H1 2017**
Average weighted number of ordinary shares for the calculation of basic earnings per share	**20,648,688**
Dilution effect deriving from potential ordinary shares	1,474,180
Average weighted number of ordinary shares for the calculation of diluted earnings per share	**22,122,868**

EARNINGS PER SHARE (in Euro)	**H1 2017**
Basic earnings per share	0.09
Diluted earnings per share	0.08

32. DIVIDENDS

In April 2017, dividends totalling €4,416 thousand were distributed, corresponding to the distribution of a gross dividend of €0.22 (zero/22) for each of the 20,074,965 shares outstanding as at 20 April 2017, net of treasury shares.

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 H1 2017	%	€ /000 H1 2016	%	Delta	Delta %
Air Cooled Equipment	40,220	29.8%	41,927	36.2%	(1,707)	(4.1%)
Close Control	4,816	3.7%	4,441	3.8%	375	8.4%
AIR COOLED AND CLOSE CONTROL SBU	**45,036**	**34.5%**	**46,368**	**40.0%**	**(1,332)**	**(2.9%)**
Heat exchangers	81,073	62.0%	61,302	52.8%	19,771	32.3%
Doors	4,631	3.5%	8,361	7.2%	(3,730)	(44.6%)
OEM SBU	**85,704**	**65.5%**	**69,663**	**60.0%**	**16,041**	**23.0%**
TOTAL PRODUCT TURNOVER	**130,740**	**100.0%**	**116,031**	**100.0%**	**14,709**	**12.7%**

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 30 June 2017 and 30 June 2016 (in thousands of Euro):

	2017				**2016**			
	COMPONENTS	COOLING SYSTEMS	UNALLOCATED COSTS	**TOTAL**	COMPONENTS	COOLING SYSTEMS	UNALLOCATED COSTS	**TOT**
REVENUES	85,704	45,036	-	**130,740**	69,663	46,368	-	**116**
EBITDA	9,801	4,396	(1,300)	**12,897**	10,055	5,075	-	**15**

Unallocated costs in the first half of 2017 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.

(€/000)	30/06/2017	31/12/2016
Financial assets		
Amortised cost		
Cash and cash equivalents	49,466	46,455
Trade receivables	53,853	45,456
Current financial assets	69,512	74,027
Fair Value		
Trading derivatives	171	118
Financial liabilities		
Amortised cost		
Loans	167,668	148,152
Trade payables	51,802	53,070
Fair Value		
Trading derivatives	2,579	2,692

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.

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.

The Group carefully monitors compliance with financial covenants, all clauses set forth in the loan agreements and the disclosure requirements through formalised procedures which involve the legal and finance function. In addition, it always maintains a significant quantity of financial resources available which are liquid or may be readily liquidated and short-term lines of credit to handle any, even remote, early repayment obligations on medium and long-term loans.

The financial instruments in which the Group invests its available liquidity are primarily represented by capitalisation policies and bond and monetary instruments, nearly exclusively denominated in euro.

Please note that the capitalisation policies envisage the capital guarantee and a non-negative minimum guaranteed rate of return and several penalties in the case of early redemption.

It cannot be ruled out that in the future the value that may be obtained from the disposal of financial instruments may be lower than the fair value recognised in the financial statements, thus generating a deterioration of net financial debt.

Credit risk management

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 Group 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.

The historically low levels of losses on receivables recognised by Group companies are proof of the good results achieved.

Exchange rate risk management

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 USD (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 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.

Interest rate risk management

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 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.

Raw material price risk management
The production costs of the LU-VE Group are influenced by the prices of the main raw materials, such as copper and aluminium. 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 the reliability and the policies of mining and/or transformation companies.
To manage these risks, the LU-VE Group constantly monitors the availability of raw materials in the market as well as the relative price trends, in order to promptly identify any situations of unavailability of raw materials and take suitable actions to guarantee the required production autonomy, and also to keep its production activities competitive with regard to this aspect as well. In particular, as regards the major raw material purchased - copper - the LU-VE Group has long-standing relations the same suppliers, selected on the basis of trust. Furthermore, when it deems this necessary in relation to expected trends, the Group enters into contracts to hedge the risk of fluctuations in the price of raw materials.

Liquidity risk management
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 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).

In addition, as at 30 June 2017 the Group has unused short-term credit lines totalling roughly €49 million. In addition, to minimise liquidity risk the Administration and Financial Department:

- constantly checks forecast financial requirements to promptly take any corrective 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 30 June 2017 is provided below by maturity:

As at 30 June 2017

	Carrying amount	Contractual cash flows	Within 1 year	From 1 to 5 years	More than 5 years
Bank loans	166,593	168,818	46,080	121,206	1,532
Advances on invoices	174	174	174	-	-
Finance lease	901	901	367	534	-
Total financial payables	**167,668**	**169,893**	**46,621**	**121,740**	**1,532**
Trade payables	51,802	51,802	51,802	-	-
Total	**219,470**	**221,695**	**98,423**	**121,740**	**1,532**

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 period-end close, plus the spread established for each contract.

35. RELATED PARTY TRANSACTIONS

The summary of balance sheet and income statement items relating to transactions between the Group and other related parties in the first half of 2017 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											
Vitale-Novello & Co S.r.l.	-	-	20	-	-	-	-	-	-	-	-
MGPE S.R.L.	-	-	-	-	-	-	-	-	-	-	-
FINAMI S.R.L.	-	-	189	-	-	-	-	-	76	-	-
IMAP S.r.l.	30	107	-	-	-	15	-	-	61	-	-
Total	**30**	**107**	**209**	**-**	**-**	**15**	**-**	**-**	**137**	**-**	**-**

Related party transactions cannot be classified as atypical or unusual as they are part of the ordinary course of business of the Group companies. These transactions are governed by arm's length conditions, in consideration of the characteristics of the goods and services sold.

36. SHARE-BASED PAYMENTS

As at 30 June 2017, there were no share-based incentive plans in favour of Group Directors or employees.

37. 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
Heat Transfer Systems s.r.o. (HTS)	Novosedly (Czech Rep.)	100.00%	CZK 133,300,000
LU-VE Sweden AB	Asarum (Sweden)	100.00%	SEK 50,000
LU-VE France S.a.r.l.	Lyon (France)	86.06%	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 180,063.23
LU-VE Asia Pacific Limited	Wan Chai (Hong Kong)	100.00%	HKD 10,000
LU-VE INDIA CORPORATION PRIVATE LTD	New Delhi (India)	99.98%	INR 100,000
LuveDigital S.r.l.	Uboldo (VA)	50.00%	EUR 10,000
MANIFOLD S.r.l.	Uboldo (VA)	99.00%	EUR 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. (85% owned by SEST S.p.A.)	Travacò Siccomario (PV)	85.00%	EUR 850,000
Spirotech Ltd (95% owned by LU-VE INDIA LTD)	New Delhi (India)	95.00%	INR 25,448,050

38. TRANSACTIONS DERIVING FROM ATYPICAL AND/OR UNUSUAL TRANSACTIONS

Pursuant to Consob communication of 28 July 2006, please note that in the course of the first half of 2017, the Group did not carry out atypical and/or unusual transactions, i.e., transactions which due to their significance, the nature of the counterparties, the subject of the transaction, the price determination methods and their timing of occurrence may give rise to doubts as to the accuracy of the information in the financial statements, conflicts of interests, the safeguarding of the company's assets or the protection of non-controlling shareholders.

39. 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@luvegroup.com
Website: www.luvegroup.com

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

Certification of the condensed half-yearly financial statements pursuant to art. 81-ter of Consob Regulation no. 11971 of 14 May 1999 as amended

The undersigned Matteo Liberali, CEO, and Eligio Macchi, Manager responsible for preparing the financial reports of LU-VE S.p.A., certify, also taking into account what is set forth in art. 154-bis, paragraphs 3 and 4 of Italian Legislative Decree no. 58 of 24 February 1998:

- the adequacy in relation to the characteristics of the company and
- the effective application

of the administrative and accounting procedures for the formation of the condensed consolidated half-yearly financial statements in the course of the first half of 2017.

It is also certified that the condensed consolidated half-yearly financial statements as at 30 June 2017:

- have been prepared in compliance with the applicable international accounting standards recognised in the European Community pursuant to regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- correspond to the results of the accounting entries and books;
- are suitable to provide a fair and true representation of the financial position, profit and loss and cash flows of the issuer and of the consolidated companies.

Lastly, please note that the interim directors' report contains references to important events that took place in the first six months of the year and their impact on the condensed half-yearly financial statements, along with a description of the main risks and uncertainties for the remaining six months of the year, as well as information on significant related party transactions.

Uboldo, 21 September 2017

Matteo Liberali	Eligio Macchi
CEO	Manager responsible for preparing the financial reports

LIMITED AUDIT REPORT
ON THE CONDENSED CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS

To the Shareholders of
Lu-Ve S.p.A.

Introduction

We have conducted a limited audit on the condensed consolidated half-yearly financial statements, consisting of the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in shareholders' equity and the relative notes of Lu-Ve S.p.A. and its subsidiaries (the Lu-Ve Group) as at 30 June 2017. The Directors are responsible for the preparation of the condensed consolidated half-yearly financial statements in compliance with the international accounting standard applicable to interim financial reporting (IAS 34) adopted by the European Union. It is our responsibility to provide a conclusion concerning the condensed consolidated half-yearly financial statements on the basis of our limited audit.

Extent of the limited audit

Our work was conducted in accordance with the criteria for limited audits recommended by Consob with Resolution no. 10867 of 31 July 1997. The limited audit of the condensed consolidated half-yearly financial statements consists of conducting interviews, mainly with the company personnel responsible for financial and accounting aspects, financial statement analyses and other limited auditing procedures. The extent of a limited audit is substantially more restricted than that of a complete audit conducted in compliance with the international audit standards (Italy ISA) and, as a result, it does not provide us with certainty that we have learned of all significant facts that could be identified during a complete audit. Therefore, we express no opinion on the condensed consolidated half-yearly financial statements.

Conclusions

On the basis of the limited audit conducted, no elements have come to our attention which lead us to believe that the condensed consolidated half-yearly financial statements of the Lu-Ve Group as at 30 June 2017 were not prepared, for all significant aspects, in compliance with the international accounting standard applicable to interim financial reporting (IAS 34) adopted by the European Union.