LU–VE S.p.A.

Registered office: Varese - Via Vittorio Veneto, 11
Share capital €10,945,800 fully paid in
Varese Register of Companies no. 01570130128
Tax Code and VAT no.: 01570130128

Report of the Board of Statutory Auditors

to the consolidated financial statements as at 31 December 2014

Dear Shareholders,

In the year ending on 31 December 2014, the Board of Statutory Auditors carried out the supervisory activity required by law, according to the rules of conduct of the Board of Statutory Auditors recommended by the National Board of Accountants and Accounting Experts and in compliance with the provisions pursuant to Italian Legislative Decree no. 127/91.

The audit of the consolidated financial statements is the responsibility of the firm engaged to audit the separate financial statements of the company that prepares the consolidated financial statements. The auditing firm is responsible for checking the compliance of the consolidated financial statements with the consolidation accounting entries.

As part of our duties, we checked the consolidated financial statements of the LU-VE Group as at 31 December 2014, which closed with a net profit for the Group of €7,573 thousand, total assets of €221,556 thousand and shareholders' equity attributable to the Group of €64,858 thousand. The memorandum accounts totalled €62,486 thousand. The Group directors' report was prepared by following the instructions laid out in article 2428 of the Italian Civil Code.

In carrying out its supervisory activity, the Board of Statutory Auditors acknowledges that it:

- participated in the Shareholders' Meetings and in all meetings of the Board of Directors held during the year and obtained periodic information from the Directors on the activity carried out and on the most significant transactions implemented by the company or the subsidiaries;

- supervised the functioning of the internal control and administrative/accounting systems in order to evaluate their adequacy and reliability to properly represent operations;

- verified observance of legal standards inherent in the drafting of the financial statements, the consolidated financial statements and the relative directors' report;

In addition, the Board of Statutory Auditors attests that:

- the most significant transactions impacting the profit and loss, cash flows and financial position carried out by the company and its subsidiaries were implemented in compliance with the law and the articles of association; On the basis of the information obtained, the Board of Statutory Auditors was able to ascertain that they were not clearly imprudent, risky, in potential conflict of interests or in any event such so as to compromise the integrity of the company's assets;

- when required, the financial statements of the subsidiaries were subject to a legal audit by their respective Boards of Statutory Auditors, and the reports were viewed. We did not conduct any direct audit on those financial statements, and therefore we cannot provide any judgement with respect to their accuracy;

- in 2014, no complaints or reports were submitted to the Board of Statutory Auditors;

- in 2014, the Board of Statutory Auditors did not issue any opinions.

Based on the activity carried out on the Consolidated Financial Statements, the Board of Statutory Auditors confirmed that:

- the formation of the consolidation area and the selection of investee consolidation principles are compliant with legal requirements and accounting standards on the matter;

- there are no significant deviations from the legal standards governing the consolidated financial statements, supplemented by the accounting standards identified above, to be reported;

- the consolidated financial statements correspond to the accounting entries of the parent company and the data transmitted by the consolidated companies;

- the consolidated financial statements are compliant with the facts and information of which the Board of Statutory Auditors became aware in exercising its supervisory duties and its control and inspection powers;

- in the consolidated financial statements, the criteria applied in evaluating the various items of the consolidated financial statements and specified in the notes were approved by us and are compliant with legal provisions;

- the Group Directors' Report is consistent with the data and entries in the Consolidated Financial Statements and provides a detailed disclosure on the economic and financial trends of the Group and the risks to which it is exposed, as well as the events that took place subsequent to the date of year-end close.

As a result of the foregoing, the Board of Statutory Auditors attests that it has no findings and has detected no omissions, objectionable facts or irregularities that would need to be mentioned to the shareholders.

Uboldo, 20 March 2015

The Board of Statutory Auditors

Chairman	Carla Ceppi	[signature]
Standing Auditor	Giancarlo Ballarati	[signature]
Standing Auditor	Stefano Beltrame	[signature]

LU-VE S.p.A.

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014
IN ACCORDANCE WITH ITALIAN LEGISLATIVE DECREE 127/1991
DIRECTORS' REPORT

18 March 2015

Dear shareholders,

In 2014, the desired recovery of economic activity did not take place at global level, but above all in Europe. The structural problems characterising the advanced economies in previous years continued to take their toll, and the degree of economic growth in the BRICS attenuated.

In this context, the Group continued to grow by consolidating its presence on traditional markets thanks to the particular attention paid to specific segments and recording higher growth in markets where the cold chain is less developed and the growth rates in the demand for our products are greater.

The continuous development and the improvement of the distinctive qualities of our products, the focus on quality, the rationalisation of production processes (with the objective of achieving increasingly higher levels of efficiency and competitiveness), the ability to provide technical assistance to customers both in the design stage of the product and in its use, and the strengthening of the commercial and logistic/distribution structure are the cornerstones to the success of our strategy.

Several extraordinary transactions were carried out in 2014 with the aim of strengthening the Group and maximising all possible synergies:

- In February, the Group acquired 85% of the share capital of Thermo Glass Door (TGD) S.p.A. for €8,978,000. TGD is one of the leading companies in Italy in the sector of doors and frames for refrigerated display cases. This acquisition was made with the goal of exploiting the commercial synergies existing with other Group companies in the heat exchangers segment (especially in the area of counters for supermarkets) in order to present a more complete and competitive offer to our customers. With the acquisition of the controlling stake of TGD, the Group's offer of quality components in the commercial refrigeration sector covers the entire cold chain, from preservation systems in the harvest location to processing systems and refrigerated transport, to the fitting out of refrigerated logistics centres and the preservation and presentation of products in points of sale.

- Following the redefinition of the shareholding structure in 2008, the Parent Company's shareholders (Finami and Mediobanca) agreed to grant each other reciprocal option rights. Mediobanca exercised its option right to sell its entire equity investment (equal to 20% of the Parent Company's share capital) for €26,000,000, and it expressed its willingness to make the sale in part to Finami (10% share for €13,000,000) and in part to the Parent Company itself (10% share for €13,000,000) through a purchase of treasury shares. The price for the Mediobanca disposal was deemed consistent and the possibility of having a certain number of treasury shares available to the Group was evaluated in a positive light in view of the desired Group corporate reorganisation project. In order to ensure that the Group had the necessary financial resources available, a six-year medium/long-term loan was negotiated with Banca Popolare di Milano for a total of €15,400,000 (maturity on 31/12/2019). At the end of the transaction (15 April 2014), the Group's shareholding structure included Finami with a 90% stake and the Parent Company with 10%. As part of the further reorganisation of the shareholding structure in July (which will be discussed in more detail later on), the full cancellation of the treasury shares acquired (against an equivalent amount of available reserves) was approved on 18 July 2014 and was definitively formalised in December 2014.

- In May, the remaining 50% of Metalluve Srl was acquired for €150,000, equal to the nominal value of the shares. After this acquisition, the Group obtained full control over Metalluve and launched an integration and investment process in order to make it (with several new important investments) a centre of excellence in the processing of components in sheet metal.

- The process of restructuring the equity investments of the Parent Company and of Sest S.p.A. was also completed in 2014, which led the Group to acquire ownership of 100% of Sest S.p.A. and the Faggioli family (which previously held 49% of Sest S.p.A.) to acquire (through the Italian vehicle company G4 S.r.l.) ownership of 26% of the shares of the Parent Company. In particular, in order to carry out the transaction, when it passed the resolution regarding the cancellation of treasury shares, noted above, the Parent Company's Shareholders' Meeting approved a share capital increase (the value of which was determined with an appraisal pursuant to article 2343 ter of the Italian Civil Code) of €2,845,800, with a share premium of €27,314,200, reserved for subscription by G4 S.r.l. which paid for it by means of the contribution of 49% of the shares of Sest S.p.A. Once the increase and the share capital reduction were completed, at the end of the process Finami held 74% and G4 26% of the share capital of the Group. The entire transaction was carried out without the use of financial resources.

- In July 2014, the Parent Company began negotiations with Industrial Stars of Italy S.p.A. ("ISI") regarding a business combination between the two entities. ISI is an investment company (a "Special Purpose Acquisition Company – SPAC") whose securities have been admitted to a multilateral trading system (the "AIM") managed by Borsa Italiana S.p.A., and which at the moment of its admission to the AIM raised roughly €50 million in risk capital from investors. The structure chosen for the business combination will entail ISI merging into the Parent Company, with the latter being simultaneously admitted to trading on the AIM Italia. The project envisages the subsequent transfer from trading on the AIM to listing on the MTA market, indicatively within 18 months of the date of admission to the AIM, if market conditions so allow.
  On 14 November 2014, the parties signed a letter of intent which, although it was not binding, contained the main key points of the agreements. In the subsequent month of December, due diligence activities began and at the end of January 2015 the parties signed a binding framework agreement (with the simultaneous publication by ISI of the Disclosure Document pursuant to the AIM Issuer Regulations) governing the entire transaction in full. This transaction will provide ISI shareholders that do not approve it with the right of withdrawal, and will be subject to the condition subsequent of the exercise of withdrawal by ISI shareholders representing at least 30% of the share capital. Taking into account a series of other factors regarding the transaction (also linked to shares with special characteristics and the presence of warrants), the Group shareholding structure subsequent to the merger should leave the current shareholders with a variable stake of between a maximum of 79% (of which roughly 58% would be held by the current controlling shareholder Finami) in the case of the withdrawal of 30% and a minimum of 73% (of which roughly 54% held by Finami) assuming zero withdrawals. A variable stake of between 21% and 27% would be available to the market.
  On the basis of the estimates noted above, the transaction will entail a contribution of risk capital to the Group of between a minimum of €35 million and a maximum of €50 million.

The availability of the above-mentioned capital will afford the Group greater flexibility to take advantage of any opportunities for acquisitions that can help to strengthen its position in the market.

- During the year, the share capital of the sales company LUVE India Corporation Private Limited (roughly €1,200) was paid in. As at 31 December 2014, the company was not yet operational.

- In the course of the year, 13.33% of LUVE Iberica was sold to the local manager for roughly €20,000. The Group's percentage of control decreased to 85%.

In 2014, the SAP operating system began being used by the subsidiaries LUVE France and LUVE Sweden, with the objective of using a single shared IT/management platform throughout the Group to exploit economies of scale and synergies.

The Group currently comprises the following:

Industrial subsidiaries:

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

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

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

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

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

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

- **LU-VE HEAT EXCHANGERS (CHANGSHU) LTD** in Changshu (China), wholly-owned through LUVE Asia Pacific Ltd: manufactures and markets air cooled products for the refrigeration market in China and in bordering markets and, in 2014 it also started manufacturing heat exchangers;

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

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

Commercial subsidiaries:

*** LU-VE France s.a.r.l.** in Lyon (France), 71.94% stake held: carries out direct sales activities and provides commercial and technical support services to distributors of air cooled equipment and heat exchangers in the French and North African markets;

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

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

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

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

REFERENCE MARKETS

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

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

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

Heat Exchangers

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

of refrigerated counters and cabinets, air conditioners, heat pumps, compressed air machines, special electrical cabinets, etc.).

Revenues from sales of heat exchangers represented:

- in 2014: around 57% of the Lu-Ve Group's total revenues;
- in 2013: around 58% of the Lu-Ve Group's total revenues.

Air Cooled Equipment

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

The specific function performed by this equipment, given specific parameters and working conditions, is to guarantee the supply of a specific cooling power (measured mainly in kW), within specific constraints in terms of electrical energy absorbed and noise pollution generated.

Air cooled equipment may be installed, depending on the type, both inside refrigerated rooms, and outside refrigerated and/or air conditioned rooms (usually on roofs or in dedicated "technical" rooms).

Revenues from sales of air cooled equipment represented:

- in 2014: around 33% of the Lu-Ve Group's total revenues;
- in 2013: around 39% of the Lu-Ve Group's total revenues.

Close control air conditioners

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

To this end, these special air conditioners have a "brain" represented by one or more electronic microprocessors, specifically developed and designed according to the type of installation.

Revenues from sales of close control air conditioners represented:

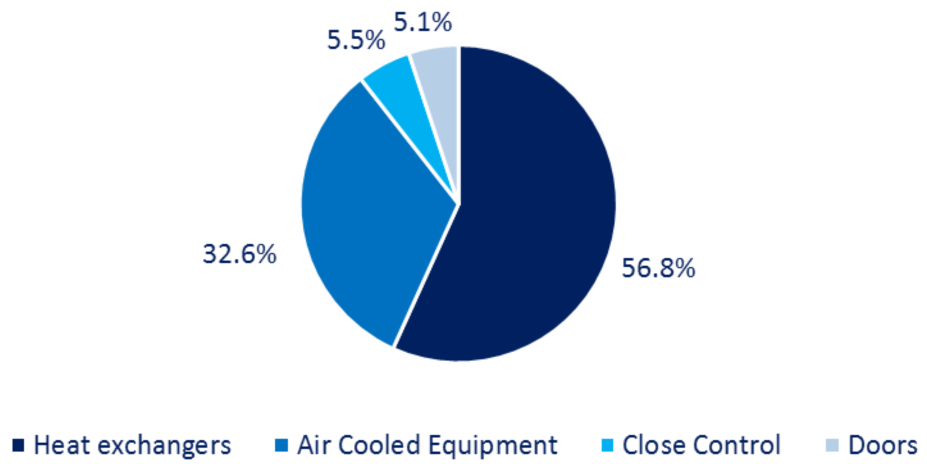
- in 2014: around 6% of the Lu-Ve Group's total revenues;
- in 2013: around 3% of the Lu-Ve Group's total revenues.

Glass doors for refrigerated counters and display cabinets "insulated glazing"

In 2014, as noted, the Lu-Ve Group acquired TGD, thus entering into the segment of the manufacturing of glass doors for refrigerated counters.

This special type of glass door is made by coupling and isolating up to three different sheets of special glass, inside which a gas circulates.
The specific function of this type of door, installed on refrigerated cabinets and counters, at positive and negative temperatures, is to guarantee, even if subject to numerous or continuous cycles of opening and closing: *(i)* the maintenance of the temperature inside the refrigerated counters and cabinets (both at positive and negative temperatures), *(ii)* the perfect visibility of the goods displayed/contained in any condition (avoiding the door misting up also by means of applying special nanotechnological film), *(iii)* the illumination of the inside and *(iv)* in certain cases, also the illumination of advertising logos on the surface of the door in question.
In 2014, the first year in which the Lu-Ve Group manufactured and sold glass doors, following the acquisition of TGD, revenues from sales of glass doors represented around 5% of the Lu-Ve Group's total revenues.

The table below shows the breakdown of turnover by product type in 2014.



PRODUCTS	**€ /000**	**%**
Heat exchangers	120,417	56.8%
Air Cooled Equipment	69,212	32.6%
Close Control	11,650	5.5%
Doors	10,794	5.1%
TOTAL	**212,073**	**100.0%**

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

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

Revenues from sales in the Refrigeration Sector represented:

- in 2014: around 67% of the Lu-Ve Group’s total revenues;
- in 2013: around 68% of the Lu-Ve Group’s total revenues.

The Air Conditioning Sector

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

Revenues from sales in the Air Conditioning Sector represented:

- in 2014: 18% of the Lu-Ve Group’s total revenues;
- in 2013: around 21% of the Lu-Ve Group’s total revenues.

The Heat exchangers for special applications sector

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

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

- in 2014: around 10% of the Lu-Ve Group’s total revenues;
- in 2013: around 8% of the Lu-Ve Group’s total revenues.

The “power gen” sector

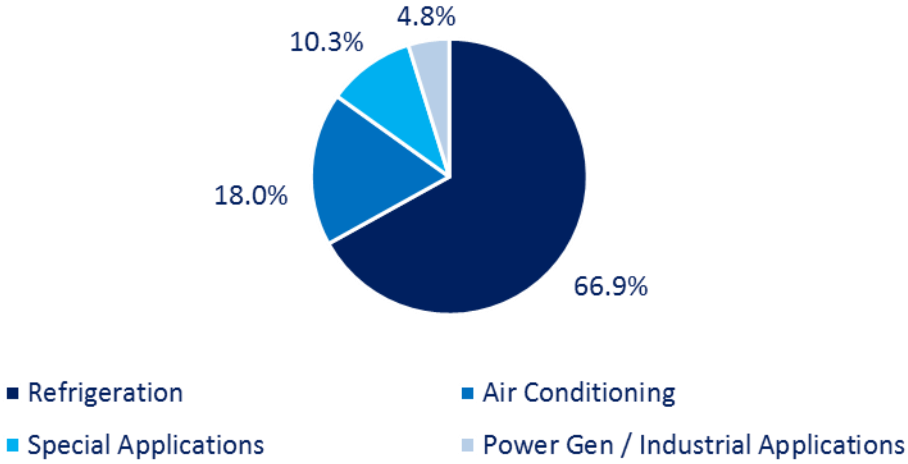
The Lu-Ve Group started operating in the “power gen” sector, regarding the manufacture of units for energy production, only in the past two years and this market still represents a sector that the Lu-Ve Group is developing, where it has a marginal presence.
However, because this sector is believed to be potentially important in terms of development, a dedicated sales team was recently created; furthermore, recently, Lu-Ve was able to obtain the validation (and consequent inclusion on the “vendor list”) of leading international operators. This led to the first orders relating to important projects for the manufacture of special high power “radiators” for motor cooling in the production of electrical energy.

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

- in 2014: around 5% of the Lu-Ve Group’s total revenues;

- in 2013: around 3% of the Lu-Ve Group's total revenues.

The table below shows the breakdown of turnover by sector in 2014:

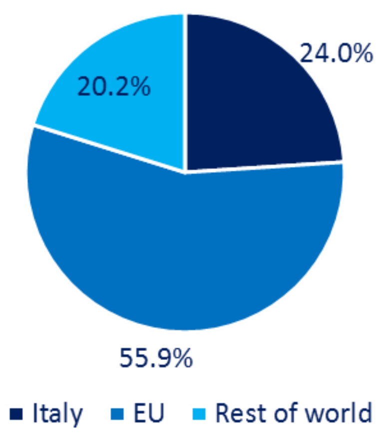


APPLICATIONS	€ /000	%
Refrigeration	141,930	66.9%
Air Conditioning	38,164	18.0%
Special Applications	21,787	10.3%
Power Gen / Industrial Applications	10,192	4.8%
TOTAL	**212,073**	**100.0%**

Around 48% of production took place abroad in both 2013 and 2014.

The sales of the Lu-Ve Group are primarily abroad, to over 100 countries, where in 2014 and 2013 it obtained nearly 80% of its turnover: in particular, its main export markets were Germany (where in 2014 and 2013, the Lu-Ve Group recorded around 13% of its turnover), Russia, France, the Czech Republic and Sweden.

The table below shows the geographical breakdown of turnover in 2014:



The Lu-Ve Group's turnover does not depend to a significant extent on commercial or industrial contracts. As at 31 December 2014, the sales of the top 10 customers of the Lu-Ve Group represented together a percentage of around 35% of the total, and the turnover generated by the main customer represented less than 7.4% of the Group's total turnover.

ECONOMIC AND FINANCIAL DATA

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

Reclassified Consolidated Income Statement *(in thousands of Euro)*	31/12/2014	% Val. of Production	31/12/2013	% Val. of Production	% Change 2014 compared to 2013
Revenues from sales and services	**212,073**	**97.3%**	**194,314**	**97.3%**	**9.1%**
Change in inventories	642		993		
Other revenues and income	5,224		4,417		
Value of Production	**217,939**	**100.0%**	**199,724**	**100.0%**	**9.1%**
Purchase of goods for resale	(109,691)	50.3%	(102,452)	51.3%	
Costs for services	(28,802)	13.2%	(27,569)	13.8%	
Costs for use of third-party assets	(1,881)	0.9%	(1,569)	0.8%	
Write-down on receivables	(271)	0.1%	(609)	0.3%	
Other operating costs	(1,263)	0.6%	(1,246)	0.6%	
Total costs	**(141,908)**	**65.1%**	**(133,445)**	**66.8%**	**6.3%**
Value added	**76,031**	**34.9%**	**66,279**	**33.2%**	**14.7%**
Personnel costs	(45,157)	20.7%	(40,002)	20.0%	12.9%
EBITDA	**30,874**	**14.2%**	**26,277**	**13.2%**	**17.5%**
Amortisation of intangible assets	(4,687)	2.2%	(3,403)	1.7%	
Depreciation of property, plant and equipment	(8,507)	3.9%	(7,954)	4.0%	
Provisions for risks	0	0.0%	(44)	0.0%	
EBIT	**17,680**	**8.1%**	**14,876**	**7.4%**	**18.8%**

Net financial income and expense	(5,656)	2.6%	(4,216)	2.1%	
Profit (loss) from ordinary operations	**12,024**	**5.5%**	**10,660**	**5.3%**	**12.8%**
Net extraordinary items	(724)	0.3%	374	-0.2%	
EBT	**11,300**	**5.2%**	**11,034**	**5.5%**	**2.4%**
Income taxes for the year	(2,949)	1.4%	(2,421)	1.2%	
Net profit (loss) for the year	**8,351**	**3.8%**	**8,613**	**4.3%**	**-3.0%**
Profit attributable to non-controlling interests	778		5,247		
Profit attributable to the group	**7,573**	**3.5%**	**3,366**	**1.7%**	**125.0%**

As already noted, in 2014 the Group continued to grow by consolidating its presence on traditional markets and recording higher growth in markets where the cold chain is less developed and the growth rates in the demand for our products are greater.

The “Value of Production” in the year ending 31 December 2014 is €217,939 thousand, up by 9.1% against the year ending 31 December 2013. Around €11 million of this increase was due to the change in the scope of consolidation following the entry of TGD into the Group. With no change in the scope, the increase would have been around €8 million (+4.1%) mostly due to the performance of the heat exchanger division. Prices have remained almost the same as the previous year and therefore the increase was substantially obtained due to an increase in sales volumes.

The “Added value” in the year ending 31 December 2014 is €76,031 thousand (34.9% of the “Value of Production”) compared to €66,279 thousand (33.2% of the “Value of Production”) with an increase of 14.7%. This increase was achieved due to a series of factors:

- attentive policy for purchasing and using raw materials which, combined with the reduction over the course of 2014 in the prices of the main raw materials used by the Group (mainly copper), enabled the percentage represented by the cost of purchasing goods on the value of production to be reduced by one percentage point (down from 51.3% in 2013 to 50.3% in 2014).

- increase in revenues, which enabled fixed costs to be better absorbed (the percentage represented by costs for services and for the use of third party assets fell from 14.6% of the value of production in 2013 to 14.1% in 2014);

“Personnel costs” rose from €40,002 thousand as at 31 December 2013 to €45,157 thousand as at 31 December 2014 (12.9% increase). The percentage of the same on the value of production rose from 20.0% to 20.7%. This increase was caused by normal salary trends as well as the entry of TGD into the scope of consolidation (impact of around €2.8 million on this item). If the scope had not changed, personnel costs would have increased by around €2.3 million (increase of 5.9%). This percentage increase would have been less proportional with respect to the increase in the value of production, primarily due to improved efficiency.

The “EBITDA” for the year ending 31 December 2014 is €30,874 thousand (14.2% of the “Value of Production”), up by 17.5% compared to €26,277 thousand (13.2% of the “Value of Production”) recorded for the year ending 31 December 2013. This increase was boosted by the trends in revenues and of operating and labour costs as mentioned above.

The “EBIT” is €17,680 thousand (8.1% of the “Value of Production”) compared to €14,876 thousand (7.4% of the “Value of Production”) recorded for the year ending 31 December 2013, marking an 18.8% rise.

The balance of financial income and expense for the year ending 31 December 2014 was -€5,656 thousand, compared to -€4,216 thousand for the year ending 31 December 2013. In 2014, this item was highly penalised by unrealised losses on exchange rates recorded by the Russian subsidiary (corresponding to around €3.5 million) resulting from the significant and rapid devaluation of the Rouble against the Euro suffered in the latter part of the year. Financial expense was up (+€0.5 million against 2013) due to average indebtedness which, after the illustrated extraordinary operations, was higher than that of last year.

After net extraordinary items (-€724 thousand as at 31 December 2014 and +€374 thousand as at 31 December 2013), the “EBT” for the year ending 31 December 2014 was €11,300 thousand (3.8% of the “Value of Production”) compared to €11,034 thousand as at 31 December 2013 (4.3% of the “Value of Production”) with an increase of 2.4%.

The “Net profit (loss) for the year” for the year ending 31 December 2014 was €8,351 thousand (3.8% of the “Value of Production”) compared to €8,613 thousand (4.3% of the “Value of Production”) as at 31 December 2013, with an increase of 3.0%.

Reclassified Consolidated Balance Sheet *(in thousands of Euro)*	**31/12/2014**	**% of net invested capital**	**31/12/2013**	**% of net invested capital**	**% Change 2014 compared to 2013**
Subscribed capital unpaid (A)	**0**	**0.0%**	**0**	**0.0%**	**0**
Net intangible assets	34,914		26,302		
Net property, plant and equipment	90,055		87,387		
Financial assets	434		418		
Non-current assets (B)	**125,403**	**107.1%**	**114,107**	**102.5%**	**11,296**
Inventories	21,692		17,470		4,222
Trade receivables	38,187		36,830		1,357
Other receivables	5,045		5,243		(198)
Accrued income and prepaid expenses	1,491		873		618
Current assets (C)	**66,415**		**60,416**		**5,999**
Trade payables	44,908		40,069		4,839
Tax and social security payables	4,681		4,782		(101)
Other payables	8,723		6,649		2,074
Accrued liabilities and deferred income	282		150		132
Current liabilities (D)	**58,594**		**51,650**		**6,944**
Net working capital (E=C-D)	**7,821**	**6.7%**	**8,766**	**7.9%**	**(945)**
Post-employment benefits	3,228		2,843		385

Tax and social security payables (more than 12 months)	0		0		0
Provisions for risks and charges	12,911		8,655		4,256
Medium/long-term liabilities (F)	**16,139**	**13.8%**	**11,498**	**10.3%**	**4,641**
Net Invested Capital (A+B+E+F)	**117,085**	**100.0%**	**111,375**	**100.0%**	**5,710**
Shareholders' equity attributable to the group	64,858		54,607		10,251
Non-controlling interests	3,233		27,677		(24,444)
Total Consolidated Shareholders' Equity	**68,091**	**58.2%**	**82,284**	**73.9%**	**(14,193)**
Medium-Term Net Financial Position	56,839		46,033		10,806
Short-Term Net Financial Position	(7,845)		(16,942)		9,097
Total Net Financial Position	**48,994**	**41.8%**	**29,091**	**26.1%**	**19,903**
Own funds and net financial debt	**117,085**	**100.0%**	**111,375**	**100.0%**	**5,710**

As regards asset and financial management, the consolidated financial statements of the Lu-Ve Group as at 31 December 2014 showed an increase of around €11 million in net non-current assets associated with the investments made during the year and the first consolidation with TGD, which entailed recognising goodwill of around €8 million and a gross asset value of around €2.8 million.

The Group's working capital (given by the sum of inventories and trade receivables net of trade payables), thanks to the careful management of the different items it is comprised of, recorded a less than proportional increase with respect to sales volumes, rising from €14.2 to €15.0 million, representing 7.1% of net sales (7.3% as at 31 December 2013).

Provisions for risks and charges rose by around €4.2 million, almost exclusively due to the first time application of the new accounting principle OIC 25 to the 2014 financial statements, which entailed the recognition of deferred taxes relating to the share of a deficit allocated on a plot of land belonging to the Parent Company in 2008 (a more detailed explanation is contained in the notes).

Consolidated shareholders' equity totalled €68,091 thousand compared to €82,284 thousand as at 31 December 2013. The decrease (corresponding to around €14 million) is primarily due to the cancellation of treasury shares already mentioned above (corresponding to €13 million). The corporate reorganisation completed in 2014 entailed a significant reduction in non-controlling interests for the benefit of the Group's shareholders' equity of roughly €24 million.

Net financial position ***(in thousands of euro)***	**31/12/2014**	**31/12/2013**	**Difference 2014 vs 2013**
Bank and postal deposits	(29,694)	(35,193)	
Cash and valuables in hand	(44)	(36)	
Cash and cash equivalents (A)	**(29,738)**	**(35,229)**	**(5,491)**
Due to banks (within 12 months)	21,579	18,287	

Due to other lenders (within 12 months)	314	0	
Short-term financial payables (B)	**21,893**	**18,287**	**(3,606)**
Short-term net financial position (C=A+B)	**(7,845)**	**(16,942)**	**(9,097)**
Due to banks (over 12 months)	56,345	46,033	
Due to other lenders (over 12 months)	494	0	
Medium and long-term net financial position (D)	**56,839**	**46,033**	**(10,806)**
Net financial position (C+D)	**48,994**	**29,091**	**(19,903)**

The net financial position of the Lu-Ve Group reported net financial debt of €48,994 thousand as at 31 December 2014 and €29,091 thousand as at 31 December 2013, marking an increase of €19,903. This change was heavily influenced by the extraordinary transactions performed during the year (acquisition of TGD S.p.A. for €9.0 million, purchase of treasury shares for €13 million and extraordinary investments of around €6 million). Without considering the above-mentioned extraordinary transactions, operating cash flow would have improved, rising from €24.3 to €28 million, and the cash flow for current operations, influenced by investments surpassing 2013 by around €5.6 million, fell from €14.7 to €13.5 million. The debt is all medium-term, and liquidity as at 31 December 2014 totalled around €30 million.

Industrial companies

Revenues from sales of SEST S.p.A. totalled €29.7 million, up by roughly 14%. Net profit, with around €3.3 million coming from dividends of the Polish subsidiary, came to €4.9 million (+14% compared to 2013) after depreciation and amortisation of €1.1 million and taxes of €0.9 million.

Sest Luve Polska S.p.zoo reached turnover of €37.7 million, an increase of around 6% compared to last year. Net profit came to €9.9 million (€8.1 million in 2013) after depreciation and amortisation of €1.1 million and taxes of €0.2 million.

OOO-Sest-LUVE recorded turnover of €13.2 million (€12.2 million in 2013).
The net loss came to roughly €1.0 million (profit of around €0.6 million in 2013) after depreciation and amortisation of €0.8 million. The net loss was negatively impacted by roughly €3.5 million in exchange differences (in large part unrealised), accounted for in the last two months of the year following the extremely sharp and sudden depreciation of the rouble with respect to the euro.

HTS S.r.o. reached turnover of €33.9 million, an increase of 8%.
Net profit came to €2.3 million (€2.5 million in 2013) after depreciation and amortisation of €1.1 million and taxes of €0.6 million.

LUVE Sweden AB recorded turnover of €7.3 million (€10.1 million in 2013), with a net loss of €1.5 million (-€0.6 million in 2013) after depreciation and amortisation of €0.6 million.

LUVE Heat Exchangers (Changshu) Limited recorded turnover of €3.9 million (€2.2 million in 2013), and achieved a profit for the first time of €37 thousand (loss of €400 thousand in 2013) after depreciation and amortisation of €200 thousand.

TECNAIR LV S.p.A. recorded turnover of €12.3 million (an increase of 22% compared to 2013), with a net profit of €0.6 million (€0.3 million in 2013) after depreciation and amortisation of €110 thousand and taxes of €335 thousand.

TGD S.p.A. achieved turnover of roughly €10.8 million in its first year in the Group (down by around 24% compared to 2013) and a net loss of around €0.4 million after depreciation and amortisation and lease instalments of €0.9 million.

METALLUVE S.r.l. recorded turnover of €4.4 million (€4.9 million in 2013), essentially reaching the break-even point after depreciation and amortisation and taxes of €0.4 million.

<u>Sales Companies</u>

The situation of each company is summarised below:

LU-VE FRANCE recorded turnover of €6.1 million (-24% compared to 2013), with a net profit of €40 thousand after depreciation and amortisation and taxes of €100 thousand.

LU-VE Deutschland Gmbh recorded turnover of €3.0 million (-39% compared to 2013), with a net loss of €200 thousand after depreciation and amortisation and taxes of roughly €30 thousand.

LU-VE Iberica SL recorded turnover of €5.5 million (in line with 2013), with a net profit of roughly €200 thousand after depreciation and amortisation and taxes of around €200 thousand.

LU-VE Pacific Pty Ltd recorded turnover of €2.1 million (in line with 2013), with a net profit of approximately €30 thousand.

LU-VE Asia Pacific Limited recorded turnover of €1.4 million (+42% compared to 2013), with a net profit of €0.2 million.

LU-VE India Corporation Private Limited of New Delhi (wholly owned) was incorporated during the year and is not yet operating.

<u>INVESTMENTS</u>

The investments of the Group amounted to around €15.2 million (around €9.1 million in 2013), of which around €1.2 million in intangible assets.

The investments by company are summarised below:

In thousands of Euro Category	INVESTMENTS LUVE	SEST	SEST LUVE POLSKA	"OOO" SEST LUVE	HTS	LUVE CHANGSHU	TGD	OTHER	Total
Land and buildings	406	684	80	2,775	155	-	-	-	4,100
Plant and equipment	756	580	1,273	256	148	39	1,287	290	4,629
Other	882	475	469	37	236	46	1,525	425	4,095
Work in progress	216	-	249	47	816	1,022	-	-	2,350
TOTAL	**2,260**	**1,739**	**2,071**	**3,115**	**1,355**	**1,107**	**2,812**	**715**	**15,174**

During the year, the extension of the Russian production plant was started and practically completed (over 7,300 covered square metres) and an investment was made to install two production lines for heat exchangers in the Changshu plant (China), in addition to the existing lines for air cooled products (not started yet and therefore classified as work in progress).
New machinery was also installed in Poland and the Czech Republic to increase the production capacity of both sites.
The investments of TGD refer to the initial consolidation after the Group’s acquisition of the majority shareholding in that company.

PERSONNEL

Activities aimed at progressively increasing the professional skills of personnel at all levels continued during the year with the hiring of trained personnel with new specific skills who can be rapidly and profitably placed within the various Companies.
As at 31 December 2014, the number of Group employees came to 1,528, against 1,379 as at 31 December 2013.

OCCUPATIONAL HEALTH AND SAFETY

In 2014, accident frequency and severity indexes continued to be monitored. Once again excellent results were achieved thanks to careful training, supervision and awareness-raising activities which made it possible to considerably increase the attention paid to this fundamental aspect of the working life of all employees.
In order to further improve, we are moving forward with the updating of existing procedures and the re-writing of all instructions for machines to further boost the safety level of internal and external workers.
Proactive and constructive collaboration with all parties involved continued, by means of periodic meetings and analyses of the reports received.

Information on financial instruments

This section of the Directors' Report was prepared in light of what is set forth in art. 2428, paragraph 2, number 6-bis of the Italian Civil Code, which requires an illustration of the objectives and policies with respect to financial risk management, and on the basis of the instructions set forth in the OIC 3 document.

Exchange rate risk

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

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

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

In order to protect the income statement and balance sheet items from these fluctuations, the Group adopts a hedging policy that uses non-speculative procedures and instruments for that purpose. Hedging is carried out at centralised level using instruments and policies compliant with international accounting 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

With reference to the years ending on 31 December 2014 and 31 December 2013, the Group had consolidated net financial debt of around €49 million and around €29.1 million respectively, almost all floating rate.

The Group holds assets and liabilities sensitive to fluctuations in interest rates which are needed for the management of liquidity and financial requirements. In particular, the main source of exposure to the risk in question for the Group derives from financial debt, which is almost all floating rate. This risk is managed by the individual companies, which enter into agreements to hedge this risk based on their own needs, primarily using interest rate swaps.

Counterparty risk

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

Liquidity risk

The guidelines adopted by the Company are meant to maintain an adequate level of cash and cash equivalents and an adequate amount of dedicated lines of credit (both in cash and for the assignment of domestic receivables and export credit).

MAIN RISKS AND UNCERTAINTIES

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

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

RISKS RELATED TO THE EXTERNAL CONTEXT

RISKS RELATED TO GENERAL ECONOMIC CONDITIONS

The income statement results and the equity and financial position of the Group are influenced by various factors which reflect macroeconomic trends, including consumption trends, the cost of raw materials, interest rate trends and those of the currency markets. In 2014, the desired recovery of economic activity did not take place at global level, but above all in Europe. Underlying structural problems plague the advanced economies and, in particular, hinder prospects of a rapid recovery of the labour market, as shown by the results of the latest economic surveys. The estimates of the OECD and of the European Central Bank in 2015 indicate an even weaker recovery throughout the Eurozone and above all for the Italian economy, although the expected revival of the export market could contribute to growth.
In particular, the situation in Greece still appears to be highly instable and politically uncertain. There is no certainty at all as to how it may turn out, and its consequences on the stability of the Eurozone and the markets cannot currently be predicted.
The still widespread difficulty in accessing credit for consumers and businesses alike has expanded this situation of reflexive demand and contributed to the continuation of the climate of uncertainty.

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

RISKS RELATED TO EXPANSION AND PRESENCE IN EMERGING MARKETS

The Group operates on a global level, with a strong presence in a range of geographical markets. On one hand, it has a strong bent towards exports, as its turnover is generated primarily outside the Italian market. In the years ending 31 December 2014 and 2013, revenues from sales made abroad represented over three-quarters of revenues from total sales.
On the other hand, the Group is present abroad not only through its commercial branches, but also with industrial companies and production facilities located in different geographical areas (Poland, Russia, China, Sweden and the Czech Republic).
This geographical diversity exposes the Group to risks deriving from its operations in multiple international markets, including the risk that changes in the political and socioeconomic conditions of a geographical area may impact production and distribution in that area.
In addition, the Group also conducts its business in countries with economic and political systems characterised by different factors of potential instability, including: *(i)* the political and economic instability of the systems themselves; *(ii)* boycotts and embargoes which could be imposed by the international community; *(iii)* unfavourable changes in governmental policies, in particular with respect to foreign investments; *(iv)* significant fluctuations in interest and exchange rates; *(v)* the risk of expropriation or repossession of assets owned by the Group; *(vi)* bureaucratic requirements that are difficult to meet; *(vii)* the impossibility of protecting certain legal and contractual rights in certain jurisdictions; *(viii)* the imposition of taxes, duties or other unforeseen payments; and *(ix)* currency controls which could limit the remittance of funds or currency conversion.
In addition, operations in emerging markets could be influenced by the typical difficulties of the economies of developing countries such as, for example, transport difficulties, lack of infrastructure or greater difficulties in finding a qualified workforce.

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

In particular, the Group operates in Russia through a subsidiary company, OOO Sest LuVe, which has a production facility in Lipetsk. Current relations between western countries and the Russian Federation, also due to the crisis in the Ukraine, have been characterised by a high level of instability. In the final months of 2014, all of this had a significant impact on currencies, with the Rouble depreciating considerably with respect to the Euro. Instead, it is not easy to predict what further consequences the situation may have, in terms, inter alia, of expropriation risk or repossession of land and/or plants and/or equity investments, of unfavourable measures regarding foreign investment, a block of customs procedures and/or the prohibition to export capital and/or dividends.

RISKS RELATED TO COMPETITIVE PRESSURES

The market segments in which the Group operates are characterised by a high level of competition in terms of product quality, innovation, economic conditions, energy efficiency and service reliability and safety. The Group competes with other industrial groups of international significance.

In addition to continuous monitoring of the market, the Group manages risk by pursuing a policy of progressive diversification and enrichment of its product portfolio and continuous product range development.

STRATEGIC AND OPERATIONAL RISKS

RISKS RELATED TO INVESTMENTS IN RESEARCH AND DEVELOPMENT

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

PRODUCTION PROCESS RISKS

The Group operates with a production process associated with fixed costs connected with the operations of its facilities, and therefore it is exposed to the risk resulting from the interruption of production activities in one or more of its plants due, by way of example, to breakdowns of machinery, the revocation or contestation of permits or licenses by the competent public authorities, strikes or lack of a workforce, natural disasters and significant interruptions in the supply of raw materials or energy. More specifically, an interruption in production activities: *(i)* would entail a partial lack of absorption of fixed production costs and *(ii)* could render the Group temporarily unable to promptly meet the demands of its customers.
To mitigate the effects caused by lasting interruptions in the production process, the Group works exclusively with reliable suppliers qualified pursuant to the applicable technical standards, and it constantly monitors raw material availability in order to promptly identify any stockout situations and take the required actions to guarantee the necessary production autonomy.
To face losses arising from potential interruptions or damages in the production cycle, the Group has taken out adequate "loss of profit" insurance policies.
Production activities are subject to compliance with environmental protection, health and safety regulations. To guarantee the proper application of these standards, the Group has created departments with specific verification and continuous monitoring duties.

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

The production costs of the Group are influenced by trends in the prices of the main raw materials, such as copper, aluminium and steel. The Group is also exposed to a potential risk linked to difficulties in the procurement of "EC" technology electronic motors due to the fact that global supply is concentrated in the hands of two manufacturers, which may not be able to continue to guarantee a supply of these components that meets market demand.

The majority of raw materials are purchased in the European Union; risks are related to fluctuations in the prices of these materials on the reference markets (on which they are quoted in USD) and to changes in the policies of mining and/or transformation companies.
The Group manages these risks by means of *(a)* a permanent assessment model of the reliability of each recurrent supplier in terms of both quality and price of the products manufactured; *(b)* an assessment of the risk of fluctuation of the USD currency with respect to the Euro; *(c)* checks on the economic assessment of suppliers and, consequently, on the respective award to each of adequate production volumes; *(d)* assessment of the services provided by suppliers in terms of their performance in logistics terms and punctuality of respective deliveries and the resulting decisions taken on a case by case basis.
Furthermore, as regards the major raw material purchased - copper - the Group has long-standing relations with the same suppliers, selected on the basis of trust; these relations have, to date, guaranteed the expected production results.
Nevertheless, we cannot rule out that the non-fulfilment of contractual obligations by one or more supplier which supplies Group companies could have a negative impact on operations and on the profit and loss, equity and financial situation of the Group.

Said non-fulfilments could be the result, amongst other things, of *(a)* problems regarding the production capacity of individual suppliers which could hinder or delay the delivery of the goods ordered; *(b)* operational and/or industrial decisions made by individual suppliers which entail an interruption of the mining, production or processing of the raw materials and the consequential greater difficulty in immediately finding said raw materials in the reference market; or *(c)* significant delays in the transport and delivery of these raw materials to Group companies.
The fluctuation in the price of the above-mentioned materials could be significant, depending on a number of factors, including the economic cycle of the reference markets, supply conditions and other factors that are out of the control of the Group and are difficult to predict. Even though trends in the price of raw materials are constantly monitored to be able to take the necessary action to keep the Group competitive, we cannot rule out that any significant fluctuations in the purchase price of the above-mentioned materials could have a negative impact on the profit and loss, equity and/or financial situation of the Group.
Note that, as at the Date of the Disclosure Document, the Group does not have any financial contracts in place for hedging the risk of fluctuations in the price of raw materials.
To mitigate the effects caused by lasting interruptions in the production process, the Group works exclusively with reliable suppliers qualified pursuant to the applicable technical standards, and it constantly monitors raw material availability in order to promptly identify any stockout situations and take the required actions to guarantee the necessary production autonomy.

RISKS RELATED TO THE CONCENTRATION OF SALES

Although there is no Group customer which alone represents more than 7% of consolidated turnover, the sector of static heat exchangers (in which the Group is the main supplier of all of the most important European manufacturers of refrigerated counters) and of glass doors for refrigerated counters is characterised by a high concentration of sales, as the total market share held by the three most important European manufacturers comes to around 70%, according to the Group's estimates.

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

RISKS RELATED TO THE CAPACITY TO CONTINUE TO ACHIEVE PRODUCT INNOVATIONS

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

FINANCIAL RISKS

CREDIT RISK

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

INTEREST RATE RISK

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

EXCHANGE RATE RISK

Although the Group operates within an international context, its assets and transactions are denominated mainly in euro. A marginal part of sales and a larger part of acquisitions are denominated in currencies other than the euro, and therefore it is exposed to risks deriving from changes in exchange rates, which could influence the income statement results as well as the value of shareholders' equity. Financial assets/liabilities are exclusively in euro.
The Group manages risks arising from fluctuations in exchange rates relating to payables and receivables in foreign currency. The Company's policy aims to limit the risk of exchange rate

fluctuations by means of derivatives (mainly currency swaps) used only for hedging purposes. As a result, the relative hedges are put into place through forward purchases and sales of currencies or through options. For more details, please refer to the "Information on financial instruments" section.

LIQUIDITY RISK

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

- maintaining adequate medium/long-term loans in light of the level of non-current assets;
- maintaining an adequate level of short-term bank credit facilities.

LEGAL AND COMPLIANCE RISKS

RISKS RELATED TO PRODUCT LIABILITY

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

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

ENVIRONMENTAL PROTECTION

The industrial production carried out by the Group could, in the event of serious breakdowns or failures of said plants or catastrophic events, result in damages to third parties, accidents or

environmental damage. This risk is also linked to the presence in the plants of potentially hazardous products for the environment, such as flammable materials and chemicals.
Through its dedicated offices, the Group continues all activities needed to guarantee respect for the environment and the optimised use of energy sources and natural resources. In addition, research and development activities have always been oriented towards products with a lower environmental impact, in terms of energy consumption, the use of refrigerant gas and noise reduction.

SAFETY AND THE WORKPLACE

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

RESEARCH AND DEVELOPMENT ACTIVITIES

In 2014, the Lu-Ve Group continued to carry out its customary intense research and development activities, to offer the market an increasingly advanced product, also in response to the ongoing international crisis. The main projects this year included:

Project 1 - Research and development activities to create heat exchangers made entirely of aluminium;

Project 2 - Research and development activities for the miniaturisation and specialisation of tube surfaces and matrixes for the improvement of heat exchanger efficiency;

Project 3 - Research and development project to maximise energy savings and the abatement of noise emissions from large-scale fans;

Project 4 - Research and experimentation activities to boost the performance of coolers and condensers with dry and spray systems;

Project 5 - Research and development activities for the study of heat exchangers that use natural refrigerants and hydrocarbons;

Project 6 - Research and development project for innovative ORC type organic fluid heat exchanger solutions to be used for motors;

Project 7 - Research and development activities for technical and trial studies relating to the functional improvement of evaporators;

Project 8 - Research and development project for innovative air treatment solutions within smart grids;

Project 9 - Research and development project for the creation of new, high-efficiency heat pump solutions using natural fluids;

Project 10 - Research and development activities for the creation of close control air conditioning system solutions with a low environmental impact and high energy efficiency;

Project 11 - Research and development to improve air conditioner performance for operating rooms and other hospital environments;

Project 12 - Research and development to create curved sliding doors for refrigerated counters, with a reduction in energy consumption and improved product preservation;

Project 13 - Research and development for frames and full glass doors for applications on supermarket freezer counters;

Project 14 - Research and development for the creation of a zero energy version of the full glass door with an innovative anti-fog solution;

Project 15 - Research and development for the study and creation of a new door for low-temperature display cases with advanced thermal insulation;

Project 16 - Research and development on innovative heat exchangers with new materials for water/air and water/water applications.

Part of these projects are still under way and for their development, the Group incurred Research and Development costs of roughly €2.3 million during the year.

Some of these projects are carried out in partnership with prestigious European universities such as the Polytechnic University of Milan, the University of Trento, the University of Udine, the University of Valencia, the Danish Institute of Technology in Copenhagen and the University of Brno (Czech Republic).

PERFORMANCE IN THE OPENING MONTHS OF 2015: significant events and business outlook

On 23 January 2015, a framework agreement was entered into with ISI under terms compliant with those described in the opening part of this report and a joint Parent Company/ISI press release was published as was the ISI disclosure document, in compliance with what is set forth in the Borsa Italiana regulation for issuers listed on the AIM Italia market.
The framework agreement establishes specific timing for carrying out the business combination and, in particular:

- due diligence activities will be completed by mid-March (the final due diligence reports were delivered to ISI on 15 March);
- the Boards of Directors of the Parent Company and ISI are expected to approve the merger plan in March;
- the business combination will be presented to the market between the end of March and the beginning of April;
- the Shareholders' Meetings of the two companies will be held in April to approve the merger;
- the Parent Company Admission Document will be prepared in June;
- the merger should be formalised in July, at the same time as the Parent Company's admission to trading on the AIM Italia market.

In the first two months of 2015, the Group's turnover reached roughly €34 million, in line with the same period of the previous year. The acquisition of orders (equal to roughly €36 million in the two-month period) also remained in line with 2014 (roughly +1.1%). At the moment, the most active segment has been air cooled equipment, while heat exchangers began the year more slowly. There was a good recovery in the glass doors and close control segments.

On 1 January 2015, HTS and TGD began operating with the SAP management system, thereby completing the roll out process in all of the Group’s production facilities, which today work on a shared IT/management platform with clear advantages in terms of standardisation and synergies.

In the first months of the year, some important investments were approved and launched in subsidiaries; in particular, new latest generation machinery for the processing of sheet metal in Metalluve and for the processing of collectors in the Czech Republic as well as in Russia. In Poland, work began for the last small real estate expansion which will benefit from significant local tax benefits, and in TGD the company that owns the property began work on a roughly 1,800 square metre expansion, which will make it possible to streamline the production lay-out. Lastly, in the Czech Republic negotiations are under way for the acquisition of real estate and the adjacent land, amounting to a total of roughly 3,600 covered square metres and around 7,000 buildable square metres.

The continuation of uncertain conditions in the main end markets (although there have been some feeble signs of improvement) still constitutes a limitation with respect to demand visibility. However, the actions under way make it possible to believe that the growth process will also be able to continue in 2015.

MANAGEMENT AND COORDINATION ACTIVITIES

There are no management and coordination relationships or activities.

TREASURY SHARES

Pursuant to the law please note that in the course of the year, as noted above, the Group acquired 2,500 shares with a nominal value of €900,000 for €13,000,000. This acquisition was made due to the opportunity to have a certain number of treasury shares, possibly to be used as part of the Group’s planned shareholding structure streamlining process. Following the shareholders' resolution of 18 July 2014, these shares were cancelled against available reserves. This cancellation was concluded in December 2014.

On behalf of the Board of Directors
The Chairman

Iginio Liberali

LU-VE S.p.A.

WITH REGISTERED OFFICE IN VARESE - VIA VITTORIO VENETO no. 11
SHARE CAPITAL €10,945,800 = (fully paid in)
VARESE REGISTER OF COMPANIES no. 13942
TAX CODE VAT NO.: 01570130128

CONSOLIDATED FINANCIAL STATEMENTS OF THE LU-VE GROUP
AS AT 31 DECEMBER 2014

(amounts in thousands of euro)

CONSOLIDATED BALANCE SHEET

ASSETS		31/12/2014		31/12/2013
A) SUBSCRIBED CAPITAL UNPAID				
B) NON-CURRENT ASSETS				
I - INTANGIBLE ASSETS				
1) Start-up and expansion costs	0		0	
4) Concessions, licences, trademarks and similar rights	6.993		7.692	
6) Consolidation difference	26.682		18.179	
7) Others	598		431	
8) Work in progress and payments on account	641		0	
TOTAL INTANGIBLE ASSETS (I)		34.914		26.302
II - PROPERTY, PLANT AND EQUIPMENT				
1) Land and buildings	60.760		59.530	
2) Plant and equipment	21.819		22.981	
3) Fixtures and fittings, tools and other equipment	3.299		1.735	
4) Other assets	1.283		1.102	
5) Work in progress and payments on account	2.894		2.039	
TOTAL PROPERTY, PLANT AND EQUIPMENT (II)		90.055		87.387
III - FINANCIAL ASSETS				
1) Equity investments in:				
d) Other companies	392		382	
Total equity investments		392		382
2) Receivables:				
d) From others				
- due beyond the year	42		36	
Total receivables from others		42		36
TOTAL FINANCIAL ASSETS (III)		434		418
TOTAL NON-CURRENT ASSETS (B)		**125.403**		**114.107**
C) CURRENT ASSETS				
I - INVENTORIES				
1) Raw materials and consumables	11.509		8.214	
2) Work in progress and semi-finished products	4.351		4.274	
4) Finished products and goods for resale	5.832		4.982	
5) Payments on account				
TOTAL INVENTORIES (I)		21.692		17.470

		31/12/2014		31/12/2013
II - RECEIVABLES				
1) Trade receivables				
- due within the year	38.187		36.830	
Total trade receivables		38.187		36.830
4 bis) Tax receivables				
- due within the year	3.224		2.366	
- due beyond the year	797		884	
Total tax receivables		4.021		3.250
4 ter) Deferred tax assets		0		0
5) From others				
- due within the year	1.024		1.993	
Total receivables from others		1.024		1.993
TOTAL RECEIVABLES (II)		43.232		42.073
III - CURRENT FINANCIAL ASSETS				
TOTAL CURRENT FINANCIAL ASSETS (III)				
IV - CASH AND CASH EQUIVALENTS				
1) Bank and postal deposits	29.694		35.193	
3) Cash and valuables in hand	44		36	
TOTAL CASH AND CASH EQUIVALENTS (IV)		29.738		35.229
TOTAL CURRENT ASSETS (C)		**94.662**		**94.772**
D) ACCRUALS AND DEFERRALS				
Accrued income and prepaid expenses	1.491		873	
TOTAL ACCRUALS AND DEFERRALS (D)		**1.491**		**873**
TOTAL ASSETS		**221.556**		**209.752**

LIABILITIES AND SHAREHOLDERS' EQUITY		31/12/2014		31/12/2013
A) SHAREHOLDERS' EQUITY				
I - SHARE CAPITAL		10.946		9.000
II - SHARE PREMIUM RESERVE		24.762		9.574
III - REVALUATION RESERVES		8.382		4.407
IV - LEGAL RESERVE		1.596		1.509
VII - TRANSLATION RESERVE		(4.073)		(698)
VIII - RETAINED EARNINGS		15.672		27.449
IX - PROFIT FOR THE YEAR		7.573		3.366
TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE GROUP (A)		**64.858**		**54.607**
SHARE CAPITAL AND RESERVES ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**3.233**		**27.677**
TOTAL CONSOLIDATED SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE GROUP AND NON-C		**68.091**		**82.284**
B) PROVISIONS FOR RISKS AND CHARGES				
2) for deferred taxes	9.609		5.322	
3) others	3.302		3.333	
TOTAL PROVISIONS FOR RISK AND CHARGES (B)		**12.911**		**8.655**
C) POST-EMPLOYMENT BENEFITS		**3.228**		**2.843**
D) PAYABLES				
4) Due to banks				
- due within the year	21.579		18.217	
- due beyond the year	56.345		45.872	
Total due to banks		77.924		64.089
5) Due to other lenders				
- due within the year	314		70	
- due beyond the year	494		161	
Total due to other lenders		808		231
7) Trade payables				
- due within the year	44.908		40.069	
Total trade payables		44.908		40.069

		31/12/2014		31/12/2013
12) Tax payables				
- due within the year	1.716		2.177	
- due beyond the year				
Total tax payables		1.716		2.177
13) Due to social security institutions				
- due within the year	2.965		2.605	
Total due to social security institutions		2.965		2.605
14) Other payables				
- due within the year	8.723		6.649	
- due beyond the year				
Total other payables		8.723		6.649
TOTAL PAYABLES (D)		**137.044**		**115.820**
E) ACCRUALS AND DEFERRALS				
Accrued liabilities and deferred income	282		150	
TOTAL ACCRUALS AND DEFERRALS (E)		**282**		**150**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**221.556**		**209.752**

CONSOLIDATED MEMORANDUM ACCOUNTS

		31/12/2014		31/12/2013
3) Commitments				
a) Interest rate hedge	34.550		36.448	
b) Exchange rate hedge	27.936		11.402	
Total commitments		62.486		47.850

CONSOLIDATED INCOME STATEMENT

		31/12/2014		31/12/2013
A) VALUE OF PRODUCTION				
1) Revenues from sales and services		212.073		194.314
2) Change in inventories of work in progress, semi-finished products and finished products		642		993
5) Other revenues and income				
a) operating grants				
b) others	5.224		4.417	
Total other revenues and income		5.224		4.417
TOTAL VALUE OF PRODUCTION (A)		**217.939**		**199.724**
B) COSTS OF PRODUCTION				
6) For raw materials, consumables and goods for resale		(112.480)		(102.950)
7) For services		(28.802)		(27.569)
8) For use of third-party assets		(1.881)		(1.569)
9) For personnel:				
a) Wages and salaries	(33.870)		(30.003)	
b) Social security costs	(9.919)		(8.788)	
c) Post-employment benefits	(1.272)		(1.111)	
e) Other costs	(96)		(100)	
Total personnel costs		(45.157)		(40.002)
10) Depreciation, amortisation and write-downs				
a) Amortisation of intangible assets	(4.687)		(3.403)	
b) Depreciation of property, plant and equipment	(8.507)		(7.954)	
d) Write-downs on current assets and cash and cash equivalents	(271)		(609)	
Total depreciation, amortisation and write-downs		(13.465)		(11.966)
11) Changes in inventories of raw materials, consumables and goods for resale		2.789		498
12) Provisions for risks				(44)
13) Other provisions				
14) Other operating costs		(1.263)		(1.246)
TOTAL COSTS OF PRODUCTION (B)		**(200.259)**		**(184.848)**
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A-B)		**17.680**		**14.876**

		31/12/2014		31/12/2013
C) FINANCIAL INCOME AND EXPENSE				
15) Income from equity investments				
16) Other financial income:				
d) other income				
- others	462		337	
Total other financial income		462		337
17) Interest and other financial expense				
d) others	(3.383)		(2.880)	
Total interest and other financial expense		(3.383)		(2.880)
17-bis) Exchange gains and losses		(2.735)		(1.673)
TOTAL FINANCIAL INCOME AND EXPENSE (C)		**(5.656)**		**(4.216)**
D) VALUE ADJUSTMENTS ON FINANCIAL ASSETS				
E) EXTRAORDINARY INCOME AND EXPENSE				
20) Income				
- others	84		436	
Total extraordinary income		84		436
21) Expense				
- others	(808)		(62)	
Total extraordinary expense		(808)		(62)
TOTAL EXTRAORDINARY INCOME AND EXPENSE (E)		**(724)**		**374**
EBT (A-B+-C+-D+-E)		**11.300**		**11.034**
22) Income taxes for the year				
- income taxes for the year	(3.622)		(3.050)	
- deferred taxes	673		629	
Total income taxes for the year		(2.949)		(2.421)
26) PROFIT FOR THE YEAR		**8.351**		**8.613**
Profit attributable to non-controlling interests		**778**		**5.247**
Profit attributable to the Group		**7.573**		**3.366**

These financial statements are true, real and compliant with the accounting entries.

On behalf of the Board of Directors

The Chairman

Iginio Liberali

LU-VE GROUP

FINANCIAL STATEMENTS IN ACCORDANCE WITH ITALIAN LEGISLATIVE DECREE NO. 127/1991

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014

STRUCTURE AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements have been prepared in compliance with the provisions of Italian Legislative Decree no. 127/1991 relating to the consolidated financial statements and consist of the consolidated balance sheet, the consolidated income statement, the directors' report, these notes and the relative attachments.
The notes present an analysis and in certain cases a supplement of the data from the financial statements, and contain the information required by arts. 38 and 39 of Italian Legislative Decree no. 127/1991 and other laws on the matter.
The consolidated financial statements as at 31 December 2014 were prepared in compliance with the principles introduced by the above-mentioned Italian Legislative Decree 127/91 and the recommendations provided for this purpose by accounting standard no. 17 issued by the National Board of Accountants and Accounting Experts, as revised and supplemented by the Italian Accounting Standard Setter; during the year, there were no exceptional cases that would require recourse to the exemptions pursuant to art. 29, paragraph 4 of the above-mentioned decree.
In addition, the changes made to the above-mentioned regulations by the new legislative provisions ensuing from Italian Legislative Decree no. 6 of 17/01/2003 as amended regarding corporate law have also been taken into consideration.
Lastly, all supplementary information deemed necessary to provide a true and fair view has also been provided, even if it is not required by specific legal provisions.
The consolidated financial statements of the LU-VE Group, which manufactures heat exchangers for refrigeration and air conditioning and close control air conditioners meant primarily for phone centres, data centres and operating rooms, include the financial statements of LU-VE S.p.A. and of the following direct or indirect subsidiaries:

Company name	Registered office	Percentage of equity investment	Activity	Currency	Share Capital from most recent financial statements
Direct subsidiaries:					
SEST S.p.A.	Limana (BL)	100.0	Industrial	EUR	1,000,000
Tecnair LV S.p.A.	Uboldo (VA)	79.9	Industrial	EUR	200,000
Metalluve S.r.l.	Uboldo (VA)	100.0	Industrial	EUR	300,000
Heat Transfer Systems s.r.o. (HTS)	Novosedly (Czech Rep.)	90.0	Industrial	CZK	133,300,000
LU-VE Sweden AB	Asarum (Sweden)	100.0	Industrial	SEK	50,000
LU-VE France S.a.r.l.	Lyon (France)	71.9	Commercial	EUR	84,150
LU-VE Pacific pty Ltd	Thomastown (Australia)	75.5	Commercial	AUD	200,000
LU-VE Deutschland GmbH	Stuttgart (Germany)	100.0	Commercial	EUR	230,000
LU-VE Iberica S.l.	Madrid (Spain)	85.0	Commercial	EUR	180,063

LU-VE Asia Pacific Limited	Wan Chai (Hong Kong)	100.0	Commercial	HKD	10,000
Indirect subsidiaries					
SEST-LUVE- Polska SP.z.o.o. (95% owned by SEST S.p.A.)	Gliwice (Poland)	95.0	Industrial	Zloty	16,000,000
« OOO » SEST LUVE (95% owned by SEST S.p.A.)	Lipetsk (Russia)	95.0	Industrial	Russian Rouble	136,000,000
LU-VE HEAT EXCHANGERS Ltd (wholly-owned by LU-VE Asia Pacific Limited)	Changshu (China)	100.0	Industrial	Yuan	38,211,761
Thermo Glass Door S.p.A.	Travacò Siccomario (PV)	85.0	Industrial	EUR	150,000

The financial statements of the companies listed above have been consolidated line-by-line.
The financial statements used for the consolidation, prepared in accordance with the accounting standards applied within the Group and recommended by the commission of the National Boards of Accountants and Accounting Experts and the Italian Accounting Standard Setter, are those approved by the corporate bodies of the individual companies. The financial statements of the foreign companies have been appropriately reclassified to make their form of presentation uniform with that required for Italian companies.
To recognise assets from third parties held under finance lease, the financial method has been adopted on the basis of the methodology set forth in IAS 17.
The reference date of the consolidated financial statements, 31 December 2014, is that of LU-VE S.p.A., which coincides with the date of year-end close of all Group companies.
The following changes took place in the consolidation area:

- Acquisition by the Parent Company of the remaining 49% of the shares of the subsidiary SEST S.p.A.;
- Acquisition by the Parent Company of the remaining 50% of the shares of the subsidiary Metalluve S.r.l.;
- Disposal of 15% of the shares of LUVE Iberica to third parties
- Acquisition by the subsidiary SEST S.p.A. of 85% of the shares of TGD S.p.A.

CONSOLIDATION PRINCIPLES

The most significant consolidation principles are described below:

- the carrying amount of the equity investments held directly or indirectly by the Parent Company is eliminated against the corresponding portions of shareholders' equity due to the consolidation of the assets and liabilities of the investees in accordance with the line-by-line method, with the shareholders' equity attributable to non-controlling shareholders of the consolidated subsidiaries shown separately. For companies acquired, any higher value paid with respect to the carrying amount of the shareholders' equity of the investee at the acquisition date is recognised as an increase in non-current assets up to the limit of their current value at the time of the acquisition and, for the remaining part, as a consolidation difference. The higher value paid is amortised with the rates used for the individual items to which it is allocated, starting on the acquisition date. Consolidation differences recognised for the acquisition of equity investments are amortised starting on the acquisition date;

- payable and receivable, cost and revenue items arising from transactions between consolidated companies are eliminated; likewise, dividends and write-downs of equity investments accounted for in the annual financial statements are also eliminated;
- 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 OF FINANCIAL STATEMENTS IN FOREIGN CURRENCY

Financial statements expressed in a currency other than the Euro are translated by applying the end of period exchange rate to the individual items and, for income statement items, the average exchange rate for the year.
Differences arising between the income statement result expressed at average exchange rates and the balance sheet result expressed at end of period exchange rates, as well as between the opening shareholders’ equity at the exchange rate at the start and end of the period, are allocated to the translation reserve recognised under shareholders' equity.
Details of the exchange rates used for the conversion of financial statements for the years 2014 and 2013 are provided below:

	2014		2013	
Currency	Exchange rate at 31/12	Average exchange rate	Exchange rate at 31/12	Average exchange rate
AUD	1.4829	1.47188	1.5423	1.3777
Zloty	4.2732	4.18426	4.1543	4.19749
Czech koruna	27.735	27.5359	27.427	25.9797
Russian Rouble	72.337	50.9518	45.3246	42.337
SEK	9.3930	9.09852	8.8591	8.65154
HKD	9.4170	10.3025	10.6933	10.3016
YUAN	7.5358	8.18575	8.3491	8.16463

Foreign currency unit per €1

MEASUREMENT CRITERIA

The accounting standards listed below have been adjusted based on the amendments, supplements and additions introduced as part of the project for updating Italian GAAP in 2014, which were approved and published on a definitive basis by the Italian Accounting Standard Setter on 5 August 2014 (with the exception of OIC 24, approved on 28 January 2015). In particular, the following accounting standards have been reformulated with respect to previous versions:

OIC 9	Impairment losses on property, plant and equipment and intangible assets
OIC 10	Statement of cash flows
OIC 12	Composition and layouts of the separate financial statements
OIC 13	Inventories
OIC 14	Cash and cash equivalents
OIC 15	Receivables
OIC 16	Property, plant and equipment

OIC 17	Consolidated financial statements and the equity method
OIC 18	Accruals and deferrals
OIC 19	Payables
OIC 20	Debt securities
OIC 21	Equity investments and treasury shares
OIC 22	Memorandum accounts
OIC 23	Long-term contracts
OIC 24	Intangible assets
OIC 25	Income taxes
OIC 26	Transactions, assets and liabilities in foreign currency
OIC 28	Shareholders' equity
OIC 29	Changes in accounting standards, accounting estimates, correction of errors, extraordinary events and transactions, events taking place after year-end close
OIC 31	Provisions for risks and charges and Post-employment benefits.

The remaining standards remained unchanged.

The most significant measurement criteria adopted to draft the consolidated financial statements as at 31 December 2014 in observance of art. 2426 of the Italian Civil Code are described below:

Intangible assets

They are recognised at acquisition cost, inclusive of accessory costs, and amortised systematically for the period of their expected useful life. The rates applied are listed in the section of the notes commenting on the assets.

Advertising costs are allocated in full to costs for the period in the year in which they are incurred.

Goodwill, which arose in 2008 following the inverse merger by incorporation of the parent company Europarts S.r.l. into the subsidiary, is amortised on a straight-line basis, with the consent of the Board of Statutory Auditors, over a period of 15 years, longer than that established in art. 2426 of the Italian Civil Code. This period can be justified by the consolidated presence in the reference markets, as well as the competitive advantage acquired over time.

The rates applied are listed in the section of the notes commenting on the assets. For non-current assets that begin being used during the year, the rates are reduced to 50%, assuming that acquisitions are distributed uniformly throughout the year.

If an impairment is identified, irrespective of amortisation already recognised, the asset is written down accordingly. If the requirements for the impairment are not satisfied in subsequent years, the original value, adjusted only for amortisation, is written back.

Property, plant and equipment

These are recognised at acquisition or production cost, adjusted for some assets in application of specific inflation laws, as shown in the attached detailed statement. The cost includes the amount of accessory costs and direct and indirect costs reasonably attributable to the asset.

Non-current assets are systematically depreciated each year on a straight-line basis, based on economic/technical rates determined in relation to the residual useful life of the assets. The rates applied are listed in the section of the notes commenting on the assets.

If an impairment is identified, irrespective of depreciation already recognised, the asset is written down accordingly. If the requirements for the impairment are not satisfied in subsequent years, the original value is written back.

Ordinary maintenance costs are charged in full to the income statement. Maintenance costs that increase the value of the asset are attributed to the assets to which they refer and depreciated in relation to their residual useful life.

Equity investments

Equity investments in other companies recognised as financial assets are measured with the cost method. The carrying amount is determined on the basis of the acquisition or subscription price. The cost is reduced for impairment losses if the investees have incurred losses, and sufficient profits to absorb the losses incurred are not expected in the immediate future. The original value is written back in subsequent years if the reasons for the write-down recognised no longer apply.

Inventories

Inventories are recognised at the lower of acquisition or production cost, determined in accordance with the annual average cost method, weighted based on opening inventories, and the expected realisable value inferred from market performance. Any write-down to adjust to market values is eliminated in subsequent years if the reasons for it no longer apply.

For products acquired from third parties, the cost is determined based on the acquisition cost; for semi-finished products and finished products manufactured internally, the cost also includes the portion of direct and indirect costs reasonably attributable to them.

The estimated realisable value is calculated while taking into account any manufacturing costs still to be incurred as well as direct costs to sell. Obsolete or slow-moving stocks are measured based on their possibilities of use or realisation.

Receivables

Receivables are recognised based on their estimated realisable value. To that end, the nominal value of receivables is adjusted, when necessary, by a dedicated bad debt provision, recognised as a direct decrease in the nominal value of the receivables themselves, to bring them into line with their estimated realisable value. The bad debt provision estimate includes loss forecasts for situations of credit risk that have already been identified or are deemed likely, and those for other bad debt already identified or not yet identified but deemed likely.

Cash and cash equivalents

Cash and cash equivalents at the end of the period are recognised at nominal value.

Accruals and deferrals

Accruals and deferrals include portions of costs and revenues accrued during the year but payable in subsequent years and portions of costs and revenues incurred by the end of the year but attributable to subsequent years, in accordance with the accrual principle.

Shareholders’ Equity

This item represents the difference between all asset and liability items determined in accordance with the principles set forth and includes contributions made by shareholders at the time of incorporation and subsequent share capital increases, reserves of any nature, retained earnings and losses from previous years and the profit (loss) for the year.

Provisions for risks and charges

Provisions for risks and charges are recognised to cover certain or probable losses or payables, the amount or date of which cannot be determined at year-end. The provisions recognised reflect the best possible estimate based on elements available. The risks for which the generation of a liability is only a possibility are mentioned in the notes commenting on provisions, without any provision for risks and charges actually being recognised.
The tax provision includes deferred taxes calculated on the main temporary differences between the profit (loss) for the year and the taxable amount and on consolidation adjustments.

Post-employment benefits

Post-employment benefits are recognised only for the Italian companies for which this is required under regulations in force or collective labour and supplementary company employment agreements and represents the actual payable accrued to employees in compliance with the law and labour agreements in force, considering each type of ongoing remuneration.

Law no. 296 of 27 December 2006 (2007 Financial Act) amended the rules for post-employment benefits accruing as of 1 January 2007. Due to the supplementary pension reform:

- post-employment benefits accrued until 31 December 2006 remain within the company;

- post-employment benefits accruing as of 1 January 2007 are, as decided by the employee, in accordance with the explicit or tacit enrolment methods:

a) allocated to complementary pension plans;

b) maintained within the company, which transferred the post-employment benefits to the INPS Treasury Fund.
The amounts accruing as of 1 January 2007 continue to be represented in income statement item B9 c) “Post-employment benefits”. In the balance sheet, liability item C “Post-employment benefits” represents the remaining amount of the provision existing as at 31 December 2006; item D 13 “Due to social security institutions” includes the payable accrued as at 31 December relating to Post-employment benefits not yet paid to the pension funds and social security institutions.

Payables

Payables are recognised at nominal value, deemed representative of their estimated discharge value. Trade payables are discounted only if the nominal value of the payables significantly exceeds the market price of the assets acquired with short-term payment and if the payment term granted significantly exceeds the subsequent year. Payables for holidays accrued by employees and for deferred compensation, inclusive of amounts due to social security institutions, are recognised on the basis of the amount that would be paid in the case of termination of employment at the reporting date.

Memorandum accounts

These are recognised at nominal value, taking into account the commitments and risks existing at the end of the period. The memorandum accounts include commitments which due to their nature and amount may impact the company's financial position, and therefore knowledge of which is useful for evaluating that position.

Revenue and cost recognition

The cost of acquiring raw materials, consumables and goods for resale and revenues from product sales are recognised when ownership is transferred, generally coinciding with the moment of shipment. Revenues deriving from the provision of services are recognised when they are provided. Costs for services are charged to the income statement when the service is provided based on the accrual principle.
Financial costs and revenues are recognised based on the accrual principle.

Deferred tax liabilities and assets

The "provision for deferred taxes" includes deferred tax liabilities, while "deferred tax assets" include deferred tax assets calculated on the temporary differences existing between the values of assets and liabilities recognised in the financial statements and the corresponding tax values. Deferred tax assets are recognised only to the extent to which their full future recovery is reasonably certain. Deferred tax liabilities are not recognised only if there is a low probability that those payables will arise.
Deferred tax assets are recognised when current conditions make their recovery reasonably certain on the basis of taxable income expected over the period of time set forth by law.
Deferred taxes on the provisions of the foreign Companies are recognised only if they are expected to be distributed and that distribution entails a cost for the Group.
Deferred tax assets and liabilities are offset when permitted by law.

Deferred tax liabilities and assets are recognised on accelerated depreciation and amortisation, on deficit amounts allocated to the trademark, land, buildings and machinery, on provisions for risks and charges and on the other main temporary differences between the carrying amount of assets and liabilities and their tax value for fiscal purposes.

Criteria for the translation of items in foreign currency in the financial statements of the individual companies

Receivables and payables originally expressed in foreign currencies are translated to their respective accounting currencies at the exchange rates in force at the reporting date of the consolidated financial statements. The exchange differences realised at the time of that translation are recognised in the income statement.
The exchange differences realised upon collection of the receivables and payment of the payables in foreign currency are recognised in the income statement.
In particular, current assets and liabilities are recognised at the spot exchange rate as at the end of the financial year. Gains and losses deriving from the translation of receivables and payables are credited and debited, respectively, to the income statement in item 17 bis Exchange gains and losses.
Any net gain arising from the adjustment to year-end exchange rates of items in foreign currency is included in profit (loss) for the year and, when the financial statements are approved and as a result the profit (loss) is allocated to the legal reserve, the portion not absorbed by any loss for the year is included in a non-distributable reserve until subsequently realised.

Non-current assets in foreign currency are recognised at the exchange rate recorded at the time of acquisition or at the lower rate at year-end close if the reduction can be considered long-term.

Financial instruments

In order to reduce the risk of fluctuations in interest and exchange rates, the Group has subscribed derivative financial instruments with leading financial institutions.
These off-balance sheet financial instruments are recognised in the memorandum accounts for the nominal amount of the contract.
Financial income and expense relating to hedging financial instruments are recognised in the income statement on an accrual basis for the entire term of the contract, so as to offset the effects of the hedged transactions.
The value relating to hedging activities (mark to market) is indicated in the Notes.

SIGNIFICANT TRANSACTIONS

As highlighted in the Notes to the Consolidated Financial Statements in previous years, as part of a transaction that changed the Parent Company's shareholding structure, on 23 October 2008 the Company completed the inverse merger by incorporation of the former parent company Europarts S.r.l. (vehicle used for the transaction).
The comparison between the carrying amount of the equity investment and the corresponding portion of shareholders' equity gave rise to a merger deficit originally amounting to around €68,006,000, which was allocated to the assets on the basis of current values. The summary of the values in the 2014 financial statements is provided below:

Item	Residual amount at 31/12/2012	Deprec./ Amort. 2013	Residual amount at 31/12/2013	Increases 2014	Deprec./ Amort. 2014	Residual amount at 31/12/2014	Tax effect 2014	Deprec. /Amort.
		(Euro/000)			(Euro/000)		(Euro/ 000)	
Land	15,688	-	15,688	-	-	15,688	4,926	N/A
Buildings	8,629	(297)	8,332	-	(297)	8,035	2,431	33 years
Plant and equipment	2,092	(557)	1,535	-	(557)	978	307	8 years
Trademarks	7,703	(717)	6,986	-	(717)	6,269	1,969	15 years
Goodwill	13,943	(1,297)	12,646	-	(1,297)	11,349	-	15 years
Total deficit	48,055	(2,868)	45,187	-	(2,868)	42,319	9,633	
Goodwill (Gross Up)	5,562	(518)	5,044	3,202	(846)	7,400	-	15 years
TOTAL	53,617	(3,386)	50,231	3,202	(3,714)	49,719	9,633	

The amounts allocated to land, buildings, plant and equipment and the trademark were supported by dedicated appraisals prepared by external independent experts. The remainder is allocated to goodwill.
Upon allocation of the merger deficit in 2008, the tax effect on the portion of the deficit allocated to land was not calculated, as the probability that the payable will arise was deemed quite low.
As part of the transaction, a share capital increase was carried out which generated the recognition in shareholders' equity of a Share premium reserve of €9,574 thousand.

Lastly, against the acquisition of the shares from the previous non-controlling shareholder, a medium/long-term loan was obtained from Banca Popolare di Milano S.c.a.r.l. The features of this loan are described in more detail in the dedicated section of the Balance Sheet.

MAIN EFFECTS ON THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014 DERIVING FROM THE INTRODUCTION OF NEW OIC ACCOUNTING STANDARDS

As specified above, new OIC accounting standards have been published, which must be applied as of the financial statements as at 31 December 2014. With reference to the introduction of these new standards, please note that the main effects on the financial statements as at 31 December 2014 related to the adoption of the new OIC 25 accounting standard, in which the possibility of not recognising deferred tax liabilities if there is a low likelihood that this payable will arise was eliminated.
The summary of the measurements carried out in light of the new reference accounting standards and the quantitative effects on the financial statement items concerned are described below.
Considering that:
- in 2008, as part of the inverse merger by incorporation of the parent company (on that date), Europarts S.r.l., and Lu-Ve S.p.A., the comparison between the carrying amount of the equity investment and the corresponding portion of shareholders' equity gave rise to a merger deficit, which was allocated to the assets on the basis of their current values.
- part of that deficit was allocated to the land on which the registered office building in Uboldo is located, without recognising deferred taxation as the possibility of transferring that land was judged to be extremely remote;
- the new OIC 25 accounting standard no longer provides the possibility of not recognising deferred tax liabilities if there is a low likelihood that this payable will arise. Therefore, this is a change in an accounting standard;
- paragraphs 46 and 47 of OIC 29 establish, respectively, that the correction of accounting entries made following contribution, merger, etc. transactions relating to previous years must be recognised as a matching entry to the relative items of shareholders' equity and that an error should be recognised when an incorrect qualitative and/or quantitative representation of a financial statement figure and/or of information provided in the notes is identified and at the same time the information and data for its proper recognition are available;
- standard OIC 4 makes reference to standard OIC 17 with regard to the methods for recognising merger differences;
- in standard OIC 17, there are no references to time limits for the amendment of the acquisition cost of an equity investment if an equity investment is acquired with variable or conditional consideration.
Taking these considerations into account, the case described is categorised as a "correction of accounting entries made following contribution, merger transactions" and, therefore, deferred tax liabilities on land revalued following the merger described in the "significant transactions" section were recognised as if as of 2008 LU-VE S.p.A. had originally recognised those deferred tax liabilities relating to the "revaluation" of land, entailing, as a matching entry, a higher balance of the item goodwill.
The impact of the change in deferred tax liabilities as of 2008 was recognised in the course of 2014 in accordance with the new OIC 29 accounting standard, paragraph 9, which requires the opening balance sheet for the year to correspond to the closing balance sheet for the previous year.

The quantitative effects of the transaction are shown below:

	Effect at 31/12/2014	
Goodwill	3,201,921	
Extraordinary reserve*	1,724,111	
Amortisation for the year	328,402	
Provision for deferred taxes		4,926,032

* This is accumulated amortisation on goodwill for the years from 2008 to 2013

This accounting method therefore made it possible to reflect the recognition of deferred tax liabilities, is if they were recognised at the original date of the merger, without burdening the 2014 income statement with an expense that at the date of its original recognition would not have had any impact.

OTHER INFORMATION

Exemptions pursuant to art. 29 of Italian Legislative Decree 127/91

Please also note that in the report to these consolidated financial statements, there are no exemptions pursuant to art. 29 of Italian Legislative Decree 127/91.

Adjustment of the previous year's consolidated financial statements

To guarantee a classification uniform with the financial statements as at 31 December 2014, several amendments have been made to the classification of items in the previously approved consolidated financial statements as at 31 December 2013, without such reclassifications changing the values of shareholders' equity or the profit (loss) for the year reported therein.
These reclassifications regarded the items "Due to other lenders" and "Other payables" for a total of €231 thousand attributable to the consolidating entries recorded based on the accounting treatment of leases under IAS 17.

NOTES TO THE BALANCE SHEET ITEMS - ASSETS

NON-CURRENT ASSETS

Dedicated statements have been prepared for intangible assets and property, plant and equipment, with the information required by art. 2427 of the Italian Civil Code, and are attached to these notes, of which they constitute an integral part.

Intangible assets

Intangible assets include the following amounts (in thousands of Euro):

	Balance 31-12-2014	Balance 31-12-2013
Concessions, licences, trademarks and similar rights	6,993	7,692
Goodwill	26,682	18,179

Other	598	431
Payments on account	641	-
	--------------	--------------
Total	34,914	26,302
	=========	=========

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

The main increases for the year regarded the recognition of goodwill of roughly €7,598 thousand arising from the initial consolidation of TGD (amortised for 15 years) and the capitalisation of costs incurred for the installation of the new SAP ERP system (€320 thousand).

Property, plant and equipment

The financial statement data are reported below (in thousands of Euro):

	Balance 31-12-2014	Balance 31-12-2013
Land and buildings	60,760	59,530
Plant and equipment	21,819	22,981
Fixtures and fittings, tools and other equipment	3,299	1,735
Other assets	1,283	1,102
Work in progress and payments on account	2,894	2,039
	--------------	--------------
Total	90,055	87,387
	========	========

The main increases regarded:
- plant and equipment for around €3.3 million, relating primarily to the strengthening and adjustment of the production capacity of LU-VE S.p.A., SEST S.p.A., SEST-LUVE POLSKA, "OOO-SEST-LUVE", HTS s.r.o. and METALLUVE Srl;
- fixtures and fittings, tools and other equipment for around €0.9 million, mostly resulting from the investments specified above;
- other assets for around €0.5 million relating primarily to the acquisition of vehicles, office equipment and electronic office automation equipment by various Group companies;
- work in progress and payments on account for roughly €2.4 million, mostly relating to investments in plant and equipment not yet in use, associated primarily with the subsidiaries LUVE CHANGSHU and HTS s.r.o.

The item Other assets was broken down as follows:

	Balance 31-12-2014	Balance 31-12-2013
Motor vehicles and forklifts	470	602
Furniture and fixtures and office machines	813	500
	--------------	--------------
Total	1,283	1,102
	=========	=========

Ordinary depreciation is calculated on the basis of rates deemed representative of the residual useful life of the relative non-current assets. The following rates are applied:

Buildings and light constructions	3 - 10 %
Plant and equipment	12.5 - 15 %
Fixtures and fittings, tools and other equipment	20 - 35 %
Other assets	12 - 25 %

In order to align several assets belonging to the "Land and buildings", "Plant and equipment" and "Tools and moulds" categories with their economically recoverable amounts, the Parent Company and an Italian subsidiary made use of the rights laid out by Law no. 342 of 21 November 2000, Law no. 350 of 24 December 2003, Law no. 266 of 23 December 2005 and Decree Law no. 185 of 29 November 2008; in particular, the following revaluations were recognised:

CATEGORIES	Law no. 342 of 2000	Law no. 350 of 2003	Law no. 266 of 2005	Decree Law no. 185 of 2008	Total
Land and buildings				5,405	5,405
Plant and equipment	3,773	2,625	847		7,245
Fixtures and fittings, tools and other equipment	1,606	1,663	296		3,565
	--------------	--------------	--------------	--------------	---------
Total	5,379	4,288	1,143	5,405	16,215
	=========	=========	=========	=========	=====

In order to determine the economic value attributable to each asset, an appraisal was requested from an external expert. The value of the revaluation thus determined was recognised as an increase of the acquisition value of each asset and depreciated using the rate in force for each category.

The effect on the income statement as at 31 December 2014 relating to the application of Laws regarding revaluation was higher depreciation of around €99 thousand.
The asset balance of the revaluation, net of substitute tax, was recognised in shareholders' equity.
As at 31 December 2014, the Group provided industrial properties and the attached land as collateral for payables recognised in the financial statements in the amount of €83,445 thousand. These are mortgages to guarantee medium-term loans taken out by the Group for a total original amount of €63,198 thousand, currently amounting to €47,084 thousand.

Financial assets

Equity investments

The Group holds the following non-controlling interests (in thousands of Euro):

	Balance 31-12-2014	Balance 31-12-2013
Other companies:		
- Industria e Università S.r.l.	6	6
- LU-VE India Corporation Private Ltd	15	-
- Brener as	371	376
Total	392	382

In 2008, the subsidiary HTS s.r.o. acquired the real estate company Brener as, owner of land and some properties adjacent to the Novosedly plant. In 2014, the Parent Company established the sales branch LU-VE India Corporation Private Ltd. As they related to companies that were not operational, these equity investments continued to be valued at cost.

Receivables

b) from others

These amounted to €42 thousand. They referred primarily to security deposits provided for the provision of services.

CURRENT ASSETS

Inventories

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

	Balance 31-12-2014	Balance 31-12-2013
Raw materials and consumables	12,854	9,564
Work in progress and semi-finished products	4,351	4,274
Finished products and goods for resale	6,510	5,561
Provision for inventory losses	(2,023)	(1,929)
Total	21,692	17,470

The increase in the value of inventories was substantially due to the increase in sales volumes and the consolidation of the subsidiary TGD S.p.A. On a like-for-like basis, inventories would have increased by €2,463 thousand compared to 31 December 2013. The inventories of subsidiaries, for the products acquired from Group companies, are adjusted by intra-group margins and the related tax effect has been calculated. The provision for inventory losses, equal to €2,023 thousand as at 31 December 2014, was aligned with the previous year.

Receivables

Trade receivables

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

	Balance 31-12-2014	Balance 31-12-2013
Trade receivables	40,840	39,208
Bad debt provision	(2,653)	(2,378)
	-------------	-------------
Total	38,187	36,830
	========	========

Trade receivables were in line with the previous year despite the increase in turnover in 2013. The increase of roughly €2,060 thousand was the result of the initial consolidation of TGD S.p.A.
All trade receivables are due within the subsequent year and derive from normal sales transactions.
The bad debt provision rose during the year to reflect the recoverability of the receivables (€271 thousand, as commented on in the item "Write-downs of current receivables and cash and cash equivalents").
The breakdown of receivables as at 31 December 2014 by geographical area is shown below:

Country	Amount
Italy	15,235
EU Countries	18,855
Non-EU Countries	6,750
Bad debt provision	(2,653)

Total	38,187
	========

Tax

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

	Balance at 31-12-2014	Balance at 31-12-2013
Payable within the year:		
Due from the tax authorities for VAT	2,421	2,042
Due from the tax authorities for payments on account of direct taxes	617	94
Other	186	230
	--------------	--------------
Total payable within the year	3,224	2,366
	-------------	-------------

- Payable beyond the year

Due from the tax authorities	797	884
Total payable beyond the year	797	884
	4,021	3,250

Tax receivables for payments on account of direct taxes payable within the year refer to the excess of taxes prepaid for the year 2014 with respect to the effective tax burden.
Tax receivables payable beyond the year referred primarily to the refund request due to the deductibility, in the previous year, of IRES from IRAP for the period 2007-2011 (proposed legislation of 6/12/2011).

From others

These amounted to €1,024 thousand. The entire amount of these receivables was payable, and therefore they have not been adjusted.

Cash and cash equivalents

These amounted to €29,738 thousand and consisted of available balances at banks generated as part of treasury and cash management. The majority referred to cash and cash equivalents of the Parent Company, SEST S.p.A., TECNAIR LV S.p.A., the Polish subsidiary and the Czech subsidiary.
For further details, please refer to the statement of cash flows attached to these notes.

ACCRUED INCOME AND PREPAID EXPENSES

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

	Balance 31-12-2014	Balance 31-12-2013
Trade fair expenses	12	52
Bank fees	528	128
Loan advisory services	80	184
Other	871	509
Total	1,491	873

NOTES TO THE BALANCE SHEET ITEMS - LIABILITIES

SHAREHOLDERS' EQUITY

Changes in Shareholders' equity items as well as the statement of reconciliation between the shareholders' equity and the profit (loss) of the Parent Company and the shareholders' equity and consolidated profit (loss) of the Group are provided in an attachment.

Comments on the Shareholders' equity items are provided below.

Share capital

The share capital as at 31 December 2014, fully subscribed and paid in, consisted of 30,405 ordinary shares with a nominal value of €360, for a total of €10,946 thousand.
In 2014, following the corporate restructuring transactions, the non-controlling shareholder exercised its option right to sell its entire equity investment (equal to 20% of the LUVE share capital) in part to the LUVE majority shareholder (10% share) and in part to LUVE itself (10% share) through a purchase of treasury shares.
As part of the further reorganisation of the shareholding structure, the full cancellation of the treasury shares acquired (against an equivalent amount of available reserves) was approved on 18 July 2014 and was definitively formalised in December 2014. Following this transaction, the Company's share capital reduced by €900,000.
At the same shareholders' meeting, the Company approved a share capital increase of €2,845,800, with a share premium of €27,314,200 reserved for subscription to the non-controlling shareholder of Sest S.p.A., which released it by transferring 49% of the shares of Sest S.p.A.
Please see the dedicated table for the details on changes in share capital.
In addition, please note that reserves of €6,000,000 were transferred to share capital in 2007.
A portion of the taxation on all share capital reserves has been deferred, as they have been subject only to substitute tax.

Share premium reserve

This reserve (amounting to €24,762 thousand) was formed following the merger by incorporation in 2008.
Following the transaction described above, the share capital increase through the issue of shares with a share premium equal to €27,314,200 also involved the cancellation of treasury shares with a nominal value of €900,000 and a decrease of €12,126,000 of the same share premium reserve.

Revaluation reserve

As at 31 December 2014, it totalled €8,382 thousand.
It included asset balances from inflation resulting from the application of Law no. 72/1983 (€76 thousand) and Law no. 342/2000 (€2,763 thousand), balances arising from the application of Law 350/2003 (€1,326 thousand) and those resulting from the application of decree law 185/2008 (€4,217 thousand).

A portion of the taxation on this reserve has been deferred, as it has been subject only to the substitute tax. No tax provision was recognised as no transactions are expected that could result in its taxation.

Legal reserve

This amounted to €1,596 thousand, an increase of €87 thousand with respect to the previous year due to the allocation of the profit from 2013.

Other reserves - Translation reserve

This item had a negative balance of €4,073 thousand and included the translation reserve arising in foreign affiliates, equivalent to the difference in shareholders' equities at the exchange rate at the start and end of the period and in profit (loss) for the year, following the translation of the income statement at the average exchange rate for the year and the balance sheet at the end of period exchange rate.

Retained earnings

This item included the consolidated net profit (loss) of previous years, for a total of €15,672 thousand. In 2014, it increased due to the allocation of consolidated profit for the previous year (€3,279 thousand), the distribution of dividends by the Parent Company (€3,000 thousand) and the change in the consolidation area (negative by €8,081 thousand). In the same period, a reclassification of €3,975 thousand was made to the revaluation reserves following the acquisition of the 100% equity investment in Sest.

Profit for the year

This item included the profit attributable to the LU-VE Group, amounting to €7,573 thousand, while in 2013 it totalled €3,366 thousand.

Share capital and reserves attributable to non-controlling interests

The share capital and reserves attributable to non-controlling interests amounted to €3,233 thousand. The profit attributable to non-controlling interests for 2014 totalled €778 thousand (€5,247 thousand in 2013).

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

(in thousands of Euro)

Nature/description	Amount	Possibility of use	Available portion	Summary of uses in the last three years:	
				to cover losses	for other reasons
Share capital	10,946		-		
Profit reserves:					
Legal reserve	1,596	B	-	-	-
Revaluation reserve	8,382	A, B, C	8,382	-	-
Share premium reserve	24,762	A, B, C	24,762	-	-
Translation reserve	(4,073)	-	-	-	-
Retained earnings	15,672	A, B, C	15,672	-	-
Total	57,285		48,816	-	-
Non-distributable portion	8,469				
Residual distributable portion	48,816				

Key:
A: for capital increases
B: to cover losses
C: for distribution to shareholders
Changes in the shareholders' equity items are shown in a statement attached to these Notes.

PROVISIONS FOR RISKS AND CHARGES

For taxes, including deferred

These amounted to €9,609 thousand and are broken down as follows:

	FY 2014		FY 2013	
	Amount of temporary differences	tax effect	Amount of temporary differences	tax effect
Deferred tax assets:				
Taxed provisions	4,775	(1,329)	4,700	(1,305)
Unpaid remuneration to Directors	677	(186)	338	(93)
Tax losses	4,672	(1,214)	5,009	(1,286)
Financial expense that may be carried forward	1,188	(327)	1,188	(327)
Other	45	(29)	801	(234)
Total	11,357	(3,085)	12,036	(3,245)
Deferred tax liabilities:				
Reversal of tax-related entries	(134)	42	(151)	48
Leasing	(5,980)	1,878	(6,210)	1,950
Merger deficit	(38,007)	9,633	(19,913)	5,197
Revaluation	(3,188)	1,001	(3,287)	1,032
Depreciation and amortisation	(429)	124	(429)	124
Other	(671)	13	(1,537)	216
Total	(48,049)	12,691	(31,527)	8,567
Net deferred tax liabilities (assets)		9,609		5,322
Shareholders’ equity	(37,052)		(19,491)	

The increase for the year was due to the recognition of deferred tax liabilities on land revalued as of 2008, as described in detail in the section “*main effects on the financial statements as at 31 December 2014 deriving from the introduction of new OIC accounting standards*”, which should be referenced for details.

Others

The provisions existing as at 31 December 2014 amounted to €3,302 thousand (a reduction of €31 thousand).
The provision included €185 thousand recognised for risks for ongoing disputes, representing the best estimate of the cost that may arise; €429 thousand referred to the provision for agents’ leaving indemnities; €1,117 thousand related to product warranty provisions and €1,571 thousand related to provisions for other risks, representing the best estimate of the cost that may arise.

POST-EMPLOYMENT BENEFITS

The provision for post-employment benefits represents the benefits accrued by employees until 31 December 2006, which will be depleted by the payments that will take place upon termination of employment relationships or by any advances pursuant to the law.
The changes in the provision may be analysed as follows:
- the item "increases" includes the amount recognised in the income statement for the year and the revaluation of the pre-existing provision, calculated in compliance with legal provisions.
- the item "decreases" refers to payments of post-employment benefits upon termination of employment relationships or payments of any advances and transfers to the INPS treasury fund, the sector fund or supplementary funds.

Changes in this item during the year are shown below (in thousands of Euro):

Balance 31/12/2013	**2,843**
Increases	1,272
(Decreases)	(887)

Balance 31/12/2014	**3,228**

PAYABLES

Comments on the breakdown and changes during the year of items within this category are provided below.

Due to banks

Details of amounts due to banks are provided below (in thousands of Euro):

	31/12/14				31/12/13
			Maturity		Total
	Total	Within 1 year	From 2 to 5 years	More than 5 years	
Current account overdrafts and advances	1,451	1,451	-	-	1,447
Medium/long-term loans	76,473	20,128	48,498	7,847	62,642
	---------	---------	---------	---------	---------
Total debt	77,924	21,579	48,498	7,847	64,089
	======	======	======	======	======

During the year six other medium/long-term loans were taken out:

- a medium/long-term mortgage loan for a total of €15,400 thousand taken out by the Parent Company from Banca Popolare di Milano, maturing on 31 December 2019, with repayment

in equal quarterly instalments and an interest rate equal to the three-month Euribor plus a spread. €5,400 thousand was used during the year for the early repayment of a portion of the loan (in the same amount) with the same bank that would have matured in the following year;
- an unsecured medium/long-term loan for a total of €5,000 thousand taken out by the Parent Company from UBI Banca s.c.p.a., maturing on 15 September 2020, with repayment in quarterly increasing instalments and an interest rate equal to the three-month Euribor plus a spread;
- an unsecured medium/long-term loan for a total of €4,000 thousand taken out by the Parent Company from Credit Agricole, maturing on 30 March 2020, with repayment in quarterly increasing instalments and an interest rate equal to the three-month Euribor plus a spread. This loan agreement already envisages the bank’s commitment to pay €4 million against investments made until 30 June 2016;
- a medium/long-term mortgage loan for a total of €6,000 thousand taken out by the subsidiary SEST S.p.A. from UNICREDIT, maturing on 30 June 2024, with repayment in equal quarterly instalments and an interest rate equal to the 6-month Euribor plus a spread;
- an unsecured medium/long-term loan for a total of €2,000 thousand taken out by the subsidiary SEST S.p.A. from UNICREDIT, maturing on 30 June 2019, with repayment in equal quarterly instalments and an interest rate equal to the 3-month Euribor plus a spread;
- an unsecured medium/long-term loan for a total of €5,000 thousand taken out by the subsidiary SEST-LUVE- Polska SP.z.o.o. from BNP Paribas, maturing on 18 April 2017, with repayment in equal quarterly instalments and an interest rate equal to the 3-month Euribor plus a spread.

With reference to the loan obtained in 2008 from Banca Popolare di Milano S.c.a.r.l. for a total of €58,800 thousand, with a residual value as at 31 December 2014 of €12,976 thousand, at the reporting date all covenants laid out in the agreement had been respected.

Due to other lenders

This item amounted to €808 thousand (of which €314 thousand short-term) and referred primarily to lease agreements for the acquisition of plants entered into by the Parent Company and the subsidiary TGD S.p.A. Please note that these items relating to 2013 were reclassified for the year 2013 as well to ensure a uniform comparison.

Trade payables

Trade payables totalled €44,908 thousand and were all due within the next twelve months. They referred to acquisitions of goods for resale and the provision of services, as well as investments in non-current assets. They increased compared to the previous year (€4,839 thousand) due to the increase in business volumes.

The breakdown of payables as at 31 December 2014 by geographical area is shown below:

Country	Amount
Italy	26,921
EU Countries	16,047
Other countries	1,940

Total	44,908
	=========

Tax payables

The breakdown of this item is provided below (thousands of Euro):

	Balance at 31-12-2014	Balance at 31-12-2013
- Payable within the year		
Payable for income taxes for the year	622	1,032
Due to tax authorities for:		
- tax withholdings for personal income tax	1,067	1,037
- other	27	108
Total tax payables	1,716	2,177

Due to social security institutions

This item amounted to €2,965 thousand, an increase compared to the previous year.
It referred to payables at year-end to these institutions for amounts due from the company and employees on salaries and wages for December and for holidays accrued and not used and payables to pension funds, as shown below:

	Balance 31-12-2014	Balance 31-12-2013
Due to social security institutions	2,616	2,345
Due to pension funds	349	260
Total	2,965	2,605

Other payables

The breakdown of this item is provided below (thousands of Euro):

	Balance 31-12-2014	Balance 31-12-2013
- Payable within the year		
Due to employees for wages and holidays	4,569	4,327
Due to shareholders for dividends	1,500	-
Other payables	2,654	2,322
Total within the year	8,723	6,649

Maturities of financial payables

For greater clarity, the net debt to the banking system and other lenders is summarised below.

	Maturity in years				
	By the end of 2015	From 2 to 5	More than 5	Total	Balance 31/12/2013
Net debt to banks	(8,159)	48,498	7,847	48,186	28,860
Due to other lenders	38	-	-	38	-
Due to leasing companies	276	494	-	770	231
	(7,845)	48,992	7,847	48,994	29,091

Net debt for the year 2014 rose by €19,093 thousand. For further details, please refer to the statement of cash flows attached to these notes.

ACCRUED LIABILITIES AND DEFERRED INCOME

This item was broken down as follows as at 31 December 2014 (in thousands of Euro):

	Balance 31-12-2014	Balance 31-12-2013
Interest expense	83	6
Other	199	144
Total	282	150

MEMORANDUM ACCOUNTS

Commitments

Commitments for interest rate hedges (€35,550 thousand) referred to the nominal amount of derivative instruments subscribed to hedge medium/long-term loans in place as at 31 December 2014. Off-balance sheet financial instruments were subscribed to manage interest rate risk. The relative financial income and expense are recognised in the income statement on an accrual basis for the entire term of the contract with a matching entry in accruals and deferrals under balance sheet assets or liabilities.
The mark to market evaluation of these transactions as at 31 December 2013 showed a negative fair value of roughly €1,126 thousand.
Commitments for exchange rate hedges (€27,936,087) referred to the nominal amount of derivative instruments subscribed to hedge the risk of fluctuations in the US dollar against the Euro. The relative income and expense are recognised in the income statement on an accrual basis

for the entire term of the contract. The mark to market evaluation of these transactions as at 31 December 2014 showed a positive fair value of roughly €2,100.

NOTES TO THE INCOME STATEMENT ITEMS

VALUE OF PRODUCTION

Revenues from sales and services

Revenues earned during the year amounted to €212,073 thousand, an increase of 9.4% compared to the previous year.

Revenues by geographical area are shown below (in thousands of Euro):

	2014	2013
Italy	50,897	40,691
Europe EU (excluding Italy)	118,549	114,783
Other countries	42,627	38,840
	-------------	-------------
Total	212,073	194,314
	========	========

Change in inventories of work in progress, semi-finished products and finished products

This item totalled €642 thousand.

Other revenues and income

They amounted to €5,224 thousand and included sales of scrap (€2,880 thousand), capital gains on asset disposals (€67 thousand), transport expenses and other costs charged back to customers (€681 thousand), insurance compensation (€40 thousand) and other revenues (€1,556 thousand).

COSTS OF PRODUCTION

Total costs of production amounted to €200,259 thousand, reaching 92% roughly as a percentage of the value of production (93% last year).
More details are provided below on the individual cost components.

For raw materials, consumables and goods for resale

They amounted to €112,480 thousand compared to €102,950 thousand in the previous year and consisted of acquisitions of raw materials, components and auxiliary production materials. The increase was related to the rise in turnover.

For services

The main components of this item are (in thousands of Euro):

	2014	2013
Expenses for energy, telephone and telex	3,491	3,657
General and advisory expenses	9,037	8,721
Advertising and promotional expenses	972	503
Transport expenses	4,261	4,050
Maintenance expenses	2,268	2,265
External processing	3,735	3,847
Commissions	804	951
Remuneration to the corporate bodies	1,964	1,713
Other	2,270	1,862
Total	28,802	27,569

For use of third-party assets

This item came to €1,881 thousand (up compared to last year) and is represented by rental costs for industrial equipment and motor vehicles as well as rent.

For personnel

The breakdown of these costs is provided in the income statement. The total cost was €45,157 thousand, up by 4% compared to the previous year, attributable in part to the change in the consolidation area (around €2.8 million).

The Group's workforce is broken down below:

	31/12/2014	31/12/2013
Executives	29	26
White collar workers and intermediaries	376	349
Blue collar workers	1,123	1,004
Total	1,528	1,379

The average number of employees during the year was 1,453.

Depreciation, amortisation and write-downs

Amortisation of intangible assets and depreciation of property, plant and equipment amounted to €13,194 thousand. The breakdown is provided in the income statement and in the statement of changes in property, plant and equipment and intangible assets.

For ordinary depreciation and amortisation accounted for in 2014 and relating to the merger deficit allocated to asset items, see the “Significant transactions” section.

As commented on in the item “Property, plant and equipment”, in 2000, 2003, 2005 and 2008, the Parent Company and an Italian subsidiary carried out a voluntary revaluation of certain categories of company assets that entailed higher depreciation during the year in the amount of €99 thousand.

Write-downs of current receivables and cash and cash equivalents (€271 thousand) referred to the amount recognised in the Bad debt provision.

Changes in inventories of raw materials, consumables and goods for resale

This item totalled €2,789 thousand.

Other operating costs

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

	2014	2013
Non-income taxes and duties	606	573
Membership expenses	91	97
Capital losses on disposals	53	102
Other operating costs	513	474
Total	1,263	1,246

FINANCIAL INCOME AND EXPENSE

Other financial income

This item amounted to €462 thousand, an increase compared to the previous year.

Interest and other financial expense - other

This item amounted to €3,383 thousand (€2,880 thousand in the previous year).

Exchange gains and losses

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

	2014	2013
Exchange gains	2,582	2,751
Exchange losses	(5,317)	(4,424)
Total	(2,735)	(1,673)

EXTRAORDINARY INCOME AND EXPENSE

Extraordinary income amounted to €84 thousand, while extraordinary expense was €808 thousand.

Income taxes for the year

Provisions for the period, for income taxes for the year of €3,622 thousand and for deferred taxes, positive by €673 thousand, are highlighted on the dedicated lines of the income statement.

Reconciliation between the standard rate and actual rate (IRES):

	current year	previous year
Applicable standard rate	27.50%	27.50%
Effect of increases (decreases) compared to the standard rate:		
Non-deductible amortisation and depreciation	7.90%	+7.11%
Dividends	-20.34%	-14.30%
Motor vehicle costs	0.60%	+0.48%
Non-deductible taxes	0.39%	+0.52%
Non-deductible financial expense	-	-
SUPPORT FOR ECONOMIC GROWTH (ACE)	-0.92%	-0.82%
Deductible IRAP	-1.83%	-1.28%
Actual rate	13.30%	19.21%

PROFIT FOR THE YEAR

The consolidated profit for the year amounted to €8,351 thousand (€8,613 thousand in the previous year).

PROFIT FOR THE YEAR ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

On the first page of these notes, we listed the consolidated companies and the respective stake held by the Group. With respect to the stake not held by the Group, a profit attributable to non-controlling interests was calculated, which totalled €778 thousand for the year in question. During the previous year, the profit attributable to non-controlling interests was €5,247 thousand.

PROFIT ATTRIBUTABLE TO THE GROUP

The profit attributable to the Group amounted to €7,573 thousand (€3,366 thousand in the previous year).

On behalf of the Board of Directors
The Chairman

Iginio Liberali

Uboldo, 20 March 2015

ATTACHMENTS TO THE CONSOLIDATED FINANCIAL STATEMENTS

These attachments contain information in addition to that provided in the Notes, of which they constitute an integral part.

LU-VE GROUP **CONSOLIDATED STATEMENT OF CASH FLOWS**

(in thousands of Euro)

		31/12/2014	31/12/2013
A. OPENING SHORT-TERM NET FINANCIAL DEBT		**17,012**	**6,444**
B. CASH FLOWS GENERATED/ABSORBED BY OPERATING ACTIVITIES			
Net profit for the year attributable to the group		8,351	3,366
Net change in share capital and reserves attributable to non-controlling interests		(24,444)	3,431
Depreciation and amortisation		13,194	11,357
Net change in provisions for risks and charges:			
- deferred taxes		4,287	(629)
- others		(31)	(783)
Net change in post-employment benefits		385	18
Profit generated by operating activities before changes in working capital		**1,742**	**16,760**
Changes in trade receivables		(1,430)	588
Increase in bad debt provision net of uses		271	398
Changes in inventories		(4,222)	(834)
Changes in trade payables		4,839	2,386
Changes in other items of working capital		2,064	(1,700)
		3,264	**17,598**
C. CASH FLOWS GENERATED/ABSORBED BY INVESTING ACTIVITIES			
Net investments in non-current assets:			
- intangible assets		(13,299)	(559)
- property, plant and equipment		(11,175)	(5,840)
- financial assets		(16)	-
		(24,490)	**(6,399)**
D. CASH FLOWS GENERATED/ABSORBED BY FINANCING ACTIVITIES			
Change in m/l term loans net of repayments		10,473	176
Payment of dividends		-	-
Long-term receivables from others		-	29
Other changes in consolidated shareholders' equity		1,900	(836)
		(12,373)	**(631)**
E. CASH FLOWS IN THE PERIOD	**(B + C + D)**	**8,853**	**10,568**
F. CLOSING SHORT-TERM NET FINANCIAL DEBT	**(A + E)**	**8,159**	**17,012**

LU-VE GROUP

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014

STATEMENT OF CHANGES IN INTANGIBLE ASSETS

(in thousands of Euro)

	Balance 1/1/2014	Changes during the year				Balance 31/12/2014
		Acquisitions	Other changes	Net Change in consolidation area	Amortisation	
Start-up and expansion costs	-	-	-	-	-	-
Concessions, licences, trademarks	7,692	576	(85)	87	(1,277)	6,993
Consolidation differences	18,179	-	3,193	8,201	(2,891)	26,682
Other	431	49	119	518	(519)	598
Work in progress and payments on account	-	534	-	107	-	641
Total	**26,302**	**1,159**	**3,227**	**8,913**	**(4,687)**	**34,914**

LU-VE GROUP

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014

STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT

(in thousands of Euro)

	Opening balance			**Changes during the year**							**Closing balance**		
	Original cost	Provision for depreciation	Balance 1/1/2014	Acquisitions	Disinvest	Other	Change in consolidation area		Use of provision/other	Depreciation	Original cost	Provision for depreciation	Balance 31/12/2014
							Cost	Prov.					
Land and buildings	73,113	(13,583)	59,530	4,100	-	(1,542)		-	341	(1,669)	75,671	-14,911	60,760
Plant and equipment	86,494	(63,513)	22,981	3,342	(1,123)	(1,617)	2,744	(1,090)	2,210	(5,628)	89,840	-68,021	21,819
Fixtures and fittings, tools and other	16,680	(14,945)	1,735	945	(182)	122	1,744	(512)	264	(818)	19,309	-16,011	3,298
Other assets	6,150	(5,048)	1,102	466	(508)	52	111	(61)	512	(392)	6,271	-4,989	1,282
Work in progress and payments on account	2,039	-	2,039	2,350	(57)	(1,438)	-	-	-	-	2,894	0	2,894
Total	**184,476**	**(97,089)**	**87,387**	**11,203**	**(1,870)**	**(4,423)**	**4,599**	**(1,663)**	**3,327**	**(8,507)**	**193,985**	**(103,932)**	**90,053**

LU-VE GROUP

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014

STATEMENT OF RECONCILIATION BETWEEN

THE SHAREHOLDERS' EQUITY AND THE PROFIT (LOSS) OF LU-VE S.p.A. AND THE SHAREHOLDERS' EQUITY AND THE PROFIT (LOSS) OF THE GROUP

(in thousands of Euro)

	Shareholders' Equity	Net profit for the year
Amounts from LU-VE S.p.A. financial statements	**52,139**	**3,239**
Difference between carrying amount of consolidated equity investments and pro rata value of shareholders' equity and profit (loss) of consolidated subsidiaries	**8,941**	**4,448**
Application of IAS 17	**3,891**	**(107)**
Elimination of intra-group profits	**(113)**	**(6)**
Amounts from consolidated financial statements	**64,858**	**7,573**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDING ON 31 DECEMBER 2013 AND 31 DECEMBER 2014

(Euro/000)

	Share capital	Legal reserve	Revaluation reserves	Share premium reserve	Retained earnings	Translation reserve	Profit (loss) for the year	Total
At the beginning of the previous year	**9,000**	**1,396**	**4,407**	**9,574**	**24,962**	**238**	**2,500**	**52,077**
Allocation of profit (loss) for the year:	-	113	-	-	2,387	-	(2,500)	-
Translation differences	-	-	-	-	-	(936)	-	(936)
Change in consolidation area	-	-	-	-	100	-	-	100
Profit (loss) from the previous year	-	-	-	-	-	-	3,366	3,366
At the end of the previous year	**9,000**	**1,509**	**4,407**	**9,574**	**27,449**	**(698)**	**3,366**	**54,607**
Allocation of profit (loss) for the year:	-	87	-	-	3,279	-	(3,366)	-
Assignment of dividends to Shareholders					(3,000)			(3,000)
Treasury shares	(900)							(900)
Share capital increase in kind	2,846			15,188				18,024
Translation differences	-	-	-	-		(3,375)		(3,375)
Change in consolidation area	-	-	3,975	-	(12,058)			(8,081)
Profit (loss) for the current year	-	-	-	-	-		7,573	7,573
At the end of the current year	**10,946**	**1,596**	**8,382**	**24,762**	**15,672**	**(4,073)**	**7,573**	**64,857**

REPORT OF THE AUDITING FIRM
PURSUANT TO ART. 14 OF ITALIAN LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

To the Shareholders of
LU-VE S.p.A.

1. We audited the separate financial statements of LU-VE S.p.A. (the “Company”) as at 31 December 2014. The Directors of LU-VE S.p.A. are responsible for preparing the financial statements in compliance with the rules governing their drafting criteria. We are responsible for providing our professional opinion on the financial statements based on the audit.

2. Our analysis was conducted in accordance with the auditing standards issued by the National Board of Accountants and Accounting Experts and recommended by CONSOB. In compliance with the above-mentioned standards, the audit was planned and carried out in order to obtain all necessary elements to ascertain whether the separate financial statements were flawed by material errors and if they were reliable on the whole. The audit procedure includes the examination, based on sample checks, of evidence supporting the balances and information contained in the financial statements, as well as the assessment of the adequacy and accuracy of the accounting policies used and the reasonableness of the Directors’ estimates. We believe that the work carried out provides a reasonable basis on which we can provide our professional opinion.

   For the opinion relating to the financial statements from the previous year, the data from which are presented for comparative purposes in accordance legal requirements, please refer to the report we issued on 14 May 2014.

3. In our opinion, the separate financial statements of LU-VE S.p.A. as at 31 December 2014 are compliant with the rules that govern their drafting criteria; therefore, they were drafted clearly and provide a true and fair view of the Company’s equity and financial situation and economic results.

4. The Directors of LU-VE S.p.A. are responsible for preparing the directors’ report in compliance with legal standards. We are responsible for providing an opinion on the consistency of the directors’ report with the financial statements, as required by law. To that end, we carried out the procedures laid out in auditing standard no. 001 issued by the National Board of Accountants and Accounting Experts and recommended by CONSOB. In our opinion, the directors’ report is consistent with the separate financial statements of LU-VE S.p.A. as at 31 December 2014.

REPORT OF THE AUDITING FIRM
PURSUANT TO ART. 14 OF ITALIAN LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

To the Shareholders of
LU-VE S.p.A.

1. We audited the consolidated financial statements of LU-VE S.p.A. and its subsidiaries (the "LU-VE Group") as at 31 December 2014. The Directors of LU-VE S.p.A. are responsible for preparing the consolidated financial statements in compliance with the rules governing their drafting criteria. We are responsible for providing our professional opinion on the consolidated financial statements based on the audit.

2. Our analysis was conducted in accordance with the auditing standards issued by the National Board of Accountants and Accounting Experts and recommended by CONSOB. In compliance with the above-mentioned standards, the audit was planned and carried out in order to obtain all necessary elements to ascertain whether the consolidated financial statements were flawed by material errors and if they were reliable on the whole. The audit procedure includes the examination, based on sample checks, of evidence supporting the balances and information contained in the consolidated financial statements, as well as the assessment of the adequacy and accuracy of the accounting policies used and the reasonableness of the Directors' estimates. We believe that the work carried out provides a reasonable basis on which we can provide our professional opinion.

   For the opinion relating to the consolidated financial statements from the previous year, the data from which are presented for comparative purposes in accordance legal requirements, please refer to the report we issued on 14 May 2014.

3. In our opinion, the consolidated financial statements of the LU-VE Group as at 31 December 2014 are compliant with the rules that govern their drafting criteria; therefore, they were drafted clearly and provide a true and fair view of the Group's equity and financial situation and economic results.

4. The Directors of LU-VE S.p.A. are responsible for preparing the directors' report in compliance with legal standards. We are responsible for providing an opinion on the consistency of the directors' report with the financial statements, as required by law. To that end, we carried out the procedures laid out in auditing standard no. 001 issued by the National Board of Accountants and Accounting Experts and recommended by CONSOB. In our opinion, the directors' report is consistent with the consolidated financial statements of the LU-VE Group as at 31 December 2014.