GROUP STRUCTURE AND CORPORATE BODIES

Group Structure

Parent Company

LU-VE S.p.A.
Via Vittorio Veneto no. 11, Varese
I - 21100 Varese (VA) Italy
Tel: +39 02 96716270
Share capital €62,496,372.60 fully paid in
Tax Code and VAT no.: 01570130128

Subsidiaries and stake held by the group

SEST S.p.A.	100.00%
SEST-LUVE-POLSKA Sp.z.o.o.	95.00%
"OOO" SEST-LUVE	95.00%
HEAT TRANSFER SYSTEM (HTS) s.r.o.	100.00%
TECNAIR LV S.p.A.	79.90%
LU-VE HEAT EXCHANGERS (CHANGSHU) LTD	100.00%
LU-VE SWEDEN AB	100.00%
THERMO GLASS DOOR S.p.A.	85.00%
LU-VE India Corporation Private Ltd	100.00%
LU-VE France s.a.r.l.	86.06%
LU-VE Deutschland GmbH	100.00%
LU-VE Iberica s.l.	85.00%
LU-VE Pacific pty Ltd.	75.50%
LU-VE Asia Pacific Ltd.	100.00%
LuveDigital S.r.l.	50.00%
MANIFOLD S.r.l.	99.00%

Corporate bodies

Board of Directors

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

(*) Independent directors

Board of Statutory Auditors

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

Auditing Firm

Deloitte & Touche S.p.A.

INTERIM DIRECTORS' REPORT

28 September 2016

INTRODUCTION

This half-yearly financial report as at 30 June 2016 has been prepared in compliance with the applicable international accounting standards recognised in the European Community, in particular IAS 34 - Interim financial reporting. It does not include all of the information required by IFRS for the preparation of the annual financial statements and, therefore, it must be read in conjunction with the consolidated financial statements for the year ending on 31 December 2015. The half-yearly data as at 30 June 2016 have been subject to a limited audit by Deloitte & Touche S.p.A.

Dear shareholders,

Rising geopolitical uncertainty in the first 6 months of 2016 resulted in macroeconomic unrest. While the second half of 2015 slowed down with respect to the first, the primary current in the opening months of 2016 had to do with the expected effects of the June Brexit referendum in the United Kingdom and repeated terrorist attacks, including on European soil, which along with economic and political uncertainty in the United States led the International Monetary Fund to lower global growth estimates for the current year. According to the most recent forecasts, in 2016 the global economy will grow less than last year, and there has been an additional downward revision for next year.
The overall environment of fragility seems to confirm this expectation. We are not yet in conditions of newfound normality but, in terms of currencies and raw materials, we have put the all-time lows reached last year behind us. In addition, the US stock markets are still at values close to all-time highs.
In Europe, the Central Bank has continued to keep interest rates extremely low and promote structural reform actions in the credit segment and in the budgets of the most indebted countries, including Italy. Weakness and uncertainties continue to pervade the banking industry due to reduced margins caused by dropping rates and the economic slowdown, in addition to the review of traditional business models in the sector.
The year 2016 should be a positive one, including in terms of the recovery in employment, particularly in southern European countries like Spain, Portugal and Italy.
For the second half of the year, internationally the unknowns primarily revolve around the effects of Brexit and the evolution of the political situation, particularly with regard to the US elections in November. In addition, the possible effects on consumption and commerce of the escalation in terrorism in recent months and troubles in the Middle East, particularly in Syria and Turkey, especially following the failed coup d'état in July, should not be overlooked.
In Italy, gross domestic product, initially forecast up by 1.4%, has been revised down to below 1%, not unlike the result from 2015. Estimates for the following years were also revised downwards. The concern for our country is that we find ourselves in a period in which political uncertainties are combined with those in the economic sphere and the international situation. In the first 7 months of the year, industrial output was up 0.6% compared to the same period of last year and down compared to the first part of the year, with July up by 0.4% on the previous month, but down 0.3% on the same period of the previous year.
The market and product risk diversification policy, implemented through a very widespread geographical presence and an important cross-coordination of products with the various application segments, has allowed for a significant improvement in the operating results even within this weak

environment. Consolidated revenues reached €116.2 million, up 10.8% despite several price reductions on contracts linked to the cost of copper.
The significant increase in volumes, along with the protection of margins, provided for a significant rise in economic ratios. EBITDA grew 21.2% (from €12.5 to €15.1 million) and the net economic result for the period was 27.5% higher than in the first half of 2015, reaching €7.7 million.

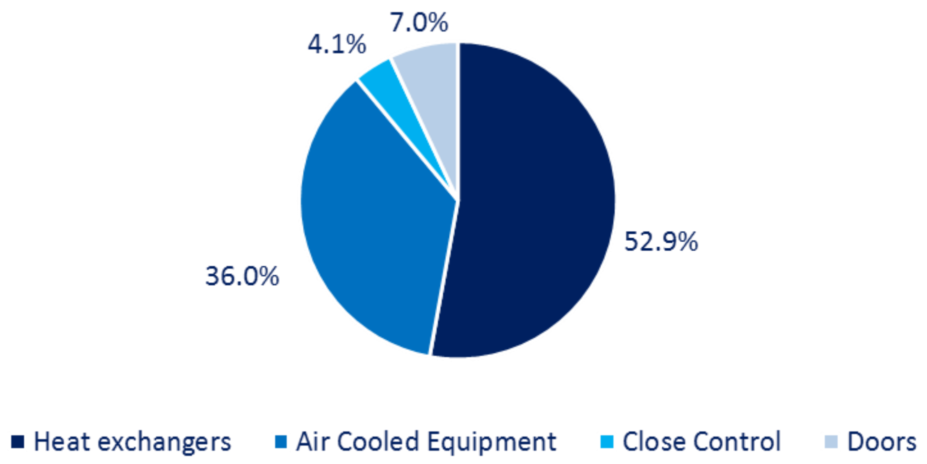
REFERENCE MARKETS

The Group's activities may be broken down into four main product **categories**:

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

For a more detailed description, please refer to the Directors' Report as at 31 December 2015.

The chart shows the breakdown of turnover by product type in the first half of 2016:



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

PRODUCTS	€/000 H1 2016	%	€/000 H1 2015	%	Delta %
Heat exchangers	61,454	52.9%	58,394	55.7%	+5.2%
Air Cooled Equipment	41,886	36.0%	35,514	33.9%	+17.9%
Doors	8,185	7.0%	6,673	6.3%	+22.6%
Close Control	4,707	4.1%	4,324	4.1%	+8.9%
TOTAL	**116,232**	**100.0%**	**104,905**	**100.0%**	**+10.8%**

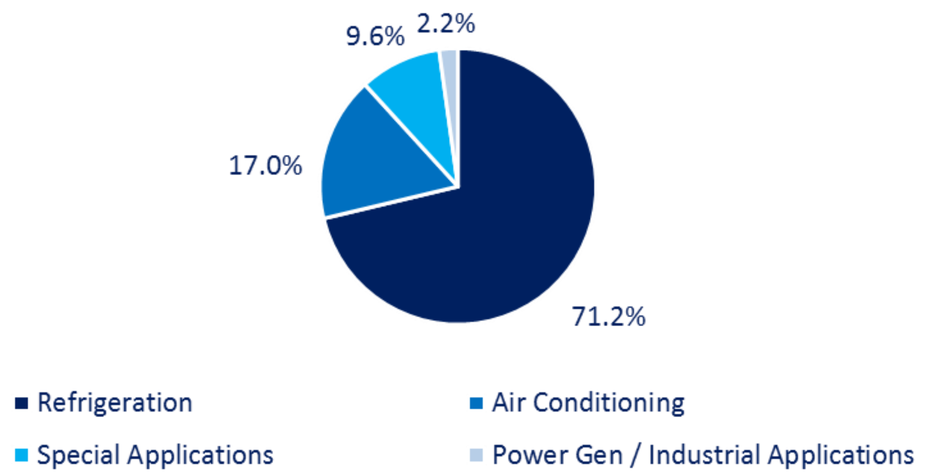
In terms of product application, Group operations can be categorised as follows:

(i) refrigeration, which includes activities relating to the line linked to food products (the "**Refrigeration Sector**");

(ii) air conditioning, specialised for public and technological spaces (the "**Air Conditioning Sector**").
The Group also manufactures products used for special, power generation and industrial applications.

For a more detailed description of the product applications, please refer to the Directors' Report as at 31 December 2015.

The chart shows the breakdown of turnover by segment in the first half of 2016:

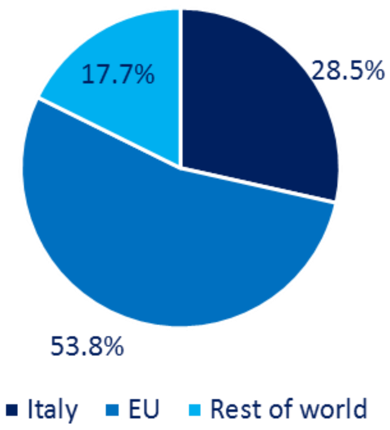


The table below shows turnover trends by application type in the two six-month periods subject to comparison:

APPLICATIONS	**€/000 H1 2016**	**%**	**€/000 H1 2015**	**%**	**Delta %**
Refrigeration	82,828	71.2%	74,766	71.3%	+10.8%
Air Conditioning	19,709	17.0%	18,533	17.6%	+6.3%
Special Applications	11,146	9.6%	10,380	9.9%	+7.4%
Power Gen / Industrial Applications	2,549	2.2%	1,226	1.1%	+107.9%
TOTAL	**116,232**	**100.0%**	**104,905**	**100.0%**	**+10.8%**

Although general demand in Europe was not buoyant, the Refrigeration Segment (traditionally the most important for the Group) achieved growth of 10.8% due to greater penetration with some of the main customers and the acquisition of important projects connected to large-scale refrigerated logistics centres. In special applications, there was a strong recovery with respect to the previous year in the segments of air conditioning for trains and transport in general (+24.2%)
The geographical breakdown of sales reveals in particular the strong growth in the group's traditional main markets such as Italy (+14%), Germany (+11%), France (+31%), Sweden (+22%) and Russia (+14%) and penetration in new markets in South America (Mexico and Costa Rica), with the acquisition of important orders.

The chart below shows the geographical breakdown of turnover in the first half of 2016:



SIGNIFICANT EVENTS DURING THE HALF:

On 17 February 2016, a new company was incorporated named LuveDigital S.r.l., which is 50% held by the Parent Company and 50% by a sector specialist, for the design of special software dedicated to the calculation and sizing of air cooled equipment, heat exchangers and close control air conditioners and for the development of new instruments and platforms dedicated to the promotion of Group products.

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

On 25 February 2016, the parent company LU-VE acquired full control over the Czech subsidiary Heat Transfer System S.r.o. (HTS) by acquiring the remaining 10% of the share capital, for total of €2,050,000.

In April 2016, the company Manifold S.r.l. was incorporated (99% stake held by the Parent Company) with the objective of leasing a business specialised in the manufacture of copper components. As at 30 June 2016, the company was not yet operational.

In May 2016, the Parent Company acquired a total stake of 12.91% of the French subsidiary LU-VE France S.a.r.l. for roughly €162,000 from several non-controlling shareholders. After that acquisition, its stake rose to 86.06%.

In the first half of the year, the plan for the progressive integration of the Group companies continued, with the hiring of two new managers responsible at the corporate level for the IT and Procurement functions. During the period, a pilot project was carried out to streamline the logistics/commercial and production processes with the support of one of the most qualified advisory firms in the sector. This project is expected to be extended to other production sites.

It is important to report the launch of activities in preparation for the switch to listing on the main electronic equity market (MTA- *Mercato Telematico Azionario*), scheduled to take place in the first months of 2017.

In the first half of 2016, the Parent Company completed the project of developing its own organisational and management model pursuant to Italian Legislative Decree 231/2001. The organisational model was approved by the Board of Directors on 30 June 2016; on the same date, the Board of Directors appointed the supervisory body, consisting of Attorney Marco Romanelli (Chairman), Ms Antonella Beretta and Mr Andrea Aldrovandi, which took office and began to carry out its duties.

ECONOMIC AND FINANCIAL DATA

The condensed consolidated half-yearly financial statements as at 30 June 2016 were drafted for the first time in accordance with IAS/IFRS and, for comparability, the data as at 30 June 2015 were adjusted accordingly.

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

Reclassified Consolidated Income Statement ***(in thousands of Euro)***	**30/06/2016**	**% Revenues**	**30/06/2015**	**% Revenues**	**% Change 2016 compared to 2015**
Revenues and operating income	**116,780**	**100.0%**	**106,076**	**100.0%**	**10.1%**
Purchases of materials	(59,302)	50.8%	(54,959)	51.8%	
Change in inventories	922	-0.8%	2,463	-2.3%	
Services	(17,813)	15.3%	(16,490)	15.5%	
Personnel costs	(24,573)	21.0%	(23,878)	22.5%	
Other operating costs	(884)	0.8%	(732)	0.7%	
Total operating costs	**(101,650)**	**87.0%**	**(93,596)**	**88.2%**	**8.6%**
EBITDA	**15,130**	**13.0%**	**12,480**	**11.8%**	**21.2%**
Change in fair value of derivatives	(188)	0.2%	333	-0.3%	
Depreciation and amortisation	(6,277)	5.4%	(5,983)	5.6%	
Gains/losses on non-current assets	37	0.0%	26	0.0%	
EBIT	**8,702**	**7.5%**	**6,856**	**6.5%**	**26.9%**
Net financial income and expense	14	0.0%	84	-0.1%	
EBT	**8,716**	**7.5%**	**6,940**	**6.5%**	**25.6%**
Income taxes	(1,022)	0.9%	(906)	0.9%	
Net profit (loss)	**7,694**	**6.6%**	**6,034**	**5.7%**	**27.5%**
Profit attributable to non-controlling interests	323		413		
Profit attributable to the group	**7,371**	**6.3%**	**5,621**	**5.3%**	**31.1%**

"Revenues and operating income" rose by 10.1%. This increase was obtained despite slightly falling prices, as a result of the declining trend of the main raw material prices.

Total operating costs rose from €93.6 million (88.2% as a percentage of revenues) to €101.7 million (87.0% as a percentage of revenues). The total increase of 8.6% (€8.1 million) was substantially caused by the following factors:

- consumption of materials grew by €5.9 million, from 49.5% as a percentage of revenues in 2015 to 50.0% in 2016, influenced by the sales mix;

- the increase of €1.3 million in costs for services, for the most part linked to the rise in sales volumes. The percentage of costs for services decreased from 15.5% to 15.3%;

- the increase in personnel costs by €0.7 million, as a result of the increase in production volumes and normal salary trends. The percentage of personnel costs compared to revenues dropped from 22.5% to 21%.

"EBITDA" amounted to €15.1 million (13.0% of revenues) compared to €12.5 million (11.8% of revenues) in 2015. At constant exchange rates, the EBITDA of H1 2016 would have been €15.6 million. The increase was largely due to the increase in sales volumes.

The level of depreciation and amortisation grew slightly due to the acceleration of capex.

"EBIT" amounted to €8.7 million (7.5% of revenues) compared to €6.9 million (6.5% of revenues) in 2015.

The "EBT" in H1 2016 was €8.7 million (7.5% of revenues) against a value of €6.9 million in H1 2015 (6.5% of revenues).

The "Net profit for the period" was €7.7 million (6.6% of revenues) compared to €6.0 million (5.7% of revenues) as at 30 June 2015.

Reclassified Consolidated Balance Sheet *(in thousands of Euro)*	30/06/2016	% of net invested capital	31/12/2015	% of net invested capital	Change % 2016 compared to 2015
Net intangible assets	39,812		39,123		
Net property, plant and equipment	92,678		89,131		
Deferred tax assets	3,426		2,379		
Financial assets	923		921		
Non-current assets (A)	**136,839**	**96.0%**	**131,554**	**108.2%**	**5,285**
Inventories	25,350		24,625		725
Trade receivables	49,984		33,761		16,223
Other receivables and current assets	6,788		6,145		643
Current assets (B)	**82,122**		**64,531**		**17,591**
Trade payables	46,857		47,072		(215)
Other payables and current liabilities	13,981		13,065		916
Current liabilities (C)	**60,838**		**60,137**		**701**
Net working capital (D=B-C)	**21,284**	**14.9%**	**4,394**	**3.6%**	**16,890**
Employee benefits	3,580		3,305		275
Deferred tax liabilities	9,818		8,866		952
Provisions	2,158		2,177		(19)
Non-current liabilities (E)	**15,556**	**10.9%**	**14,348**	**11.8%**	**1,208**
Net Invested Capital (A+D-E)	**142,567**	**100.0%**	**121,600**	**100.0%**	**20,967**
Shareholders’ equity attributable to the group	124,861		122,355		2,506
Non-controlling interests	2,281		3,443		(1,162)
Total Consolidated Shareholders’ Equity	**127,142**	**89.2%**	**125,798**	**103.5%**	**1,344**
Medium-Term Net Financial Position	83,753		93,817		(10,064)
Short-Term Net Financial Position	(68,328)		(98,015)		29,687
Total Net Financial Position	**15,425**	**10.8%**	**(4,198)**	**-3.5%**	**19,623**
Own funds and net financial debt	**142,567**	**100.0%**	**121,600**	**100.0%**	**20,967**

The increase in Non-current assets (equal to €5.3 million) was linked primarily to the acceleration of the capex programme. Capex for the period came to roughly €9 million and referred mainly to the acquisition of new production lines and machinery in Italy, China, Sweden and the Czech

Republic, payments on account made for a painting plant and a real estate expansion in Poland (which will benefit from important special economic zone tax benefits).

The Group's working capital (equal to the sum of inventories and trade receivables net of trade payables) as at 30 June 2016 amounted to roughly €28.5 million, equal to 12.8% of LTM turnover (as at 30 June 2015, it totalled €30.4 million, equal to 14.1% of LTM turnover). As at 31 December 2015, it amounted to around €11.3 million. The increase compared to the end of last year was due to the usual seasonal trend of the Group's net working capital.

Consolidated shareholders' equity amounted to €127.1 million compared to €125.8 million in 2015. The increase (€1.3 million) was due to the profit for the period of €7.7 million, adjusted by the payment of dividends of €3.9 million, changes in the consolidation area for €1.3 million and other changes for €1.2 million.

The net financial position was negative by €15.4 million (positive by €4.2 million as at 31 December 2015). The change (equal to €19.6 million) was caused by the distribution of dividends (€3.9 million), the acquisitions noted above (€2.3 million) and the acceleration of the capex programme (€3.0 million). The impact of the change in net working capital was negative by €17.2 million. In the period 30 June 2015 – 30 June 2016, the adjusted net cash generation was equal to €11.1 million.

MAIN RISKS AND UNCERTAINTIES

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. As noted above, there has been rising geopolitical and macroeconomic uncertainty in the first 6 months of 2016. The primary current in the opening months of 2016 had to do with the expected effects of the June Brexit referendum in the United Kingdom which, within a context of repeated terrorist attacks, including on Europe soil, led the International Monetary Fund to lower global growth estimates for the current year. Despite the overall scenario of fragility, the first signs of stabilisation are beginning to be seen in Emerging countries, the currency markets and raw materials (oil in particular). In Europe, the Central Bank has continued to keep interest rates extremely low and promote structural reform actions in the credit segment and in the budgets of the most indebted countries, including Italy. For the second half of the year, internationally the unknowns particularly revolve around the effects of Brexit and the evolution of the political situation, especially the US elections in November. In addition, the possible effects on consumption and commerce of the escalation in terrorism in recent months and troubles in the Middle East, particularly in Syria and Turkey, especially following the failed coup d'état in July, should not be overlooked. The Group's sales in Turkey are not significant and therefore any worsening of the situation in that country would not have a negative impact on turnover. In the United Kingdom, the weight of sales came to around €3.8 million in the first half of 2016 (3.3% of the total) and therefore also in this case, potentially significant impacts after Brexit are not expected.

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

Risks related to trends in raw material prices, possible procurement difficulties and relations with suppliers

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

The fluctuation in the price of the above-mentioned materials could be significant, depending on a number of factors, including the economic cycle of the reference markets, supply conditions and other factors that are out of the control of the Group and are difficult to predict. Even though trends in the price of raw materials are constantly monitored to be able to take the necessary action to keep the Group competitive, we cannot rule out that any significant fluctuations in the purchase price of the above-mentioned materials could have a negative impact on the profit and loss, equity and/or financial situation of the Group. Until now, the company has always been able to activate a corresponding change in product sale prices.
The Group has several financial contracts in place to hedge the risk of fluctuations in the price of raw materials.
To mitigate the effects caused by lasting interruptions in the production process, the Group works exclusively with reliable suppliers qualified pursuant to the applicable technical standards, and it constantly monitors raw material availability in order to promptly identify any stockout situations and take the required actions to guarantee the necessary production autonomy.

Risks related to the concentration of sales

Although there is no Group customer which alone represents more than 8.7% 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.

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.

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.
In order to limit the potential impact arising from currency fluctuations, the Group adopts a hedging policy that uses procedures and instruments for that purpose. Hedging is carried out at centralised level using instruments and policies compliant with international standards.
The Group also holds controlling interests in companies that prepare their financial statements in currencies other than the euro (zloty, rouble, Czech koruna, Swedish Krona, rupee, Australian dollar, yuan). Therefore, the Group is exposed to the translation risk that fluctuations in the exchange rates of certain currencies with respect to the consolidation currency may have on the value of consolidated shareholders' equity. The main exposures are monitored, but this is not part of the Group’s current policies for hedging these risks.

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 the 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.

The context in which the Group carries on business also includes other risk factors that are described in detail in the Report as at 31 December 2015 (which should be referred to), the profile of which has not changed in the first half of 2016.

DEVELOPMENT ACTIVITIES

In the first half of 2016, our customary intense research and development activities continued, to offer the market increasingly more advanced products, also in response to the ongoing international crisis. During the half, the Group incurred development costs relating to the various business segments of roughly €1.3 million (including roughly €1 million capitalised under Intangible assets).

SUBSEQUENT EVENTS AND BUSINESS OUTLOOK

It is estimated that Group turnover at the end of the third quarter of 2016 will reach approximately €173.0 million (about +8.5% on 2015).

For year-end, a better result is forecast in terms of turnover and profit compared to 2015.

On 18 September, the Group announced that it had signed binding contracts for the acquisition of the Indian company *Spirotech Heat Exchangers Private Limited* ("**Spirotech**"). Spirotech is an Indian company (founded in 1994 by R. K. Malholtra and S. Srinivasan, who are now Chairman and CEO of the company) with a production site in Bhiwadi, Rajasthan, roughly 60 km south of New Delhi, which manufactures high tech copper/aluminium and aluminium/aluminium heat exchangers and generates more than 70% of its turnover abroad, with customers that use its products in final applications within the domestic appliances, air conditioning and refrigeration markets.
The acquisition of Spirotech will allow the Group to rely on an existing production and sales structure as a platform to rapidly develop its presence in India and in nearby countries, with the possibility of achieving considerable synergies.
At the closing (scheduled for October), LU-VE will acquire 95% of the share capital of Spirotech. The remaining 5% will remain under the ownership of S. Srinivasan, who will continue to play an operational role in the company as CEO. At the closing, an agreement will be entered into with S. Srinivasan granting reciprocal call and put options on the shares held, which may be exercised three years after the closing date.
The other founding partner, R.K. Malhotra, will continue to work for the company as a consultant and will provide full support for the integration of Spirotech within the Group, while also continuing to hold the office of Chairman of the Board of Directors. The Spirotech Board will consist of R.K. Malhotra and S. Srinivasan as well as four Group representatives and one independent member.
In the period ending in March 2016, Spirotech recorded revenues of roughly €21 million, with EBITDA of around €4.5 million and a net profit of around €2.2 million. The net financial position was positive at around €0.8 million as at 31 July 2016.

The Group will make the acquisition through its wholly-owned subsidiary LU-VE India, with an equity value of approximately €33.6 million for 100% of Spirotech.
With the acquisition of Spirotech, the Group will take another important step in its internationalisation strategy, including by making acquisitions, which was one of the main reasons for the listing in 2015. Spirotech will significantly strengthen the Group's production base in Asian markets, where important developments are expected for the industrial and commercial refrigeration industry in the medium/long-term, thanks to the creation of a modern cold chain to support agricultural activities, the food industry and commercial distribution.

RELATED PARTY TRANSACTIONS

For information on related party transactions, please refer to the detailed table provided in the Notes to the Group's condensed consolidated half-yearly financial statements. All transactions with related parties are carried out on an arm's length basis.

On behalf of the Board of Directors

The Chairman

Iginio Liberali

LU-VE GROUP

CONSOLIDATED HALF-YEARLY

FINANCIAL REPORT AS AT 30 JUNE 2016

CONDENSED CONSOLIDATED

HALF-YEARLY FINANCIAL STATEMENTS

AS AT 30 JUNE 2016

STATEMENT OF FINANCIAL POSITION			
(in thousands of Euro)	**Note**	**30/06/2016**	**31/12/2015**
ASSETS			
Goodwill	**1**	**30,445**	**29,575**
Other intangible assets	**1**	**9,367**	**9,548**
Property, plant and equipment	**2**	**81,137**	**81,214**
Other property, plant and equipment	**2**	**11,541**	**7,917**
Deferred tax assets	**19**	**3,426**	**2,379**
Equity investments	**3**	**31**	**21**
Other non-current assets	**4**	**892**	**900**
NON-CURRENT ASSETS		**136,839**	**131,554**
Inventories	**5**	**25,350**	**24,625**
Trade receivables	**6**	**49,984**	**33,761**
Due from the tax authorities for current taxes	**7**	**3,951**	**3,963**
Current financial assets	**8**	**63,312**	**64,756**
Other current assets	**9**	**2,837**	**2,182**
Cash and cash equivalents	**10**	**31,119**	**55,266**
CURRENT ASSETS		**176,553**	**184,553**
ASSETS HELD FOR SALE		**-**	**-**
TOTAL ASSETS		**313,392**	**316,107**

(in thousands of Euro)	Note	30/06/2016	31/12/2015
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital		**62,496**	**62,496**
Reserves and retained earnings (losses)		**54,994**	**50,760**
Profit (loss) for the period		**7,371**	**9,099**
Total shareholders' equity attributable to the Parent Company		***124,861***	***122,355***
Shareholders' equity attributable to non-controlling interests		***2,281***	***3,443***
SHAREHOLDERS' EQUITY	**11**	**127,142**	**125,798**
Loans	**12**	**83,449**	**93,434**
Provisions	**13**	**2,158**	**2,177**
Employee benefits	**14**	**3,580**	**3,305**
Deferred tax liabilities	**19**	**9,818**	**8,866**
Other financial liabilities	**15**	**304**	**383**
NON-CURRENT LIABILITIES		**99,309**	**108,165**
Trade payables	**16**	**46,857**	**47,072**
Loans	**12**	**24,488**	**20,480**
Provisions	**13**	**-**	**-**
Tax payables	**17**	**2,712**	**2,535**
Other financial liabilities	**15**	**1,615**	**1,527**
Other current liabilities	**18**	**11,269**	**10,530**
CURRENT LIABILITIES		**86,941**	**82,144**
LIABILITIES HELD FOR SALE		**-**	**-**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**313,392**	**316,107**

INCOME STATEMENT			
(in thousands of Euro)	Note	H1 2016	H1 2015
REVENUES AND OPERATING INCOME			
Revenues	21	116,747	105,630
Other revenues	22	33	446
Total revenues and operating income		116,780	106,076
OPERATING COSTS			
Purchases of materials	23	(59,302)	(54,959)
Change in inventories	5	922	2,463
Services	24	(17,813)	(16,490)
Personnel costs	25	(24,573)	(23,878)
Other operating costs	26	(884)	(732)
Total operating costs		(101,650)	(93,596)
Net change in fair value of derivatives		(188)	333
Depreciation and amortisation	1-2	(6,277)	(5,983)
Capital gains on the sale of non-current assets		37	26
Write-downs on non-current assets		-	-
EBIT		8,702	6,856
Financial income	27	377	110
Financial expense	28	(1,552)	(1,474)
Exchange gains and losses	29	1,189	1,448
Gains and losses from equity investments		-	-
EBT		8,716	6,940
Income taxes	30	(1,022)	(906)
NET PROFIT (LOSS)		7,694	6,034
Attributable to non-controlling interests		(323)	(413)
PROFIT (LOSS) FOR THE PERIOD		7,371	5,621

(in thousands of Euro)	Note	H1 2016	H1 2015
EARNINGS PER SHARE	**31**		
Basic		**€0.38**	
Diluted		**€0.34**	

STATEMENT OF COMPREHENSIVE INCOME

(in thousands of Euro)	H1 2016	H1 2015
NET PROFIT (LOSS)	**7,694**	**6,034**
Comprehensive income/loss that will not be subsequently reclassified to profit/loss for the period:		
Actuarial valuation of post-employment benefits	(228)	216
Tax effect	63	(59)
	(165)	**157**
Comprehensive income/loss that will be subsequently reclassified to profit/loss for the period:		
Exchange differences from translation of financial statements in foreign currency	(747)	819
TOTAL COMPREHENSIVE INCOME (LOSS)	**6,782**	**7,010**
of which:		
Attributable to non-controlling interests	(323)	(413)
ATTRIBUTABLE TO THE GROUP	**6,459**	**6,597**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of Euro)	Share capital	Share premium reserve	Legal reserve	FTA Reserve	Treasury shares	Translation reserve	Post-employment benefits discounting reserve	Other reserves	Profit (loss) for the period	Total shareholders' equity of the Group	Shareholders' equity attributable to non-controlling interests	Total shareholders' equity
BALANCE AS AT 31/12/2014	10,946	24,762	1,596	(3,373)	-	(3,375)	(387)	25,340	10,114	65,623	3,233	68,856
Allocation of profit 2013												
Dividends paid	-	-	-	-	-	-	-	(3,000)	-	(3,000)	(175)	(3,175)
Retained	-	-	162	-	-	-	-	9,952	(10,114)	-	-	-
Other changes	-	-	-	-	-	-	-	-	-	-	51	51
Comprehensive profit H1 2015	-	-				819	157		5,621	6,597	413	7,010
BALANCE AS AT 30/06/2015	**10,946**	**24,762**	**1,758**	**(3,373)**	**-**	**(2,556)**	**(230)**	**32,292**	**5,621**	**69,220**	**3,522**	**72,742**
BALANCE AS AT 31/12/15	**62,496**	**24,762**	**1,758**	**(3,373)**	**(462)**	**(4,067)**	**(250)**	**32,392**	**9,099**	**122,355**	**3,443**	**125,798**
Allocation of profit 2015												
Dividends paid	-	-	-	-	-	-	-	(3,876)	-	(3,876)	-	(3,876)
Retained	-	-	247	-	-	-	-	8,852	(9,099)	-	-	-
Purchase/sale of treasury shares	-	-	-	-	(292)	-	-	-	-	(292)	-	(292)
Other	-	-	-	-	-	-	-	215	-	215	(1,485)	(1,270)
Comprehensive profit H1 2016	-	-	-	-	-	(747)	(165)	-	7,371	6,459	323	6,782
BALANCE AS AT 30/06/2016	**62,496**	**24,762**	**2,005**	**(3,373)**	**(754)**	**(4,814)**	**(415)**	**37,583**	**7,371**	**124,861**	**2,281**	**127,142**

Statement of cash flows (in thousands of Euro)		H1 2016	H1 2015
A.	*Cash and cash equivalents at the beginning of the period*	**55,266**	**29,738**
	Profit for the period	7,371	5,621
	Adjustments for:		
	- Depreciation and amortisation	6,277	5,983
	- Realised gains on non-current assets	(37)	(26)
	- Net financial income and expense	1,175	1,364
	- Income taxes	1,022	906
	- Fair value changes booked in operating income	188	(333)
	Changes in post-employment benefits	(4)	(25)
	Changes in provisions	(19)	(249)
	Changes in trade receivables	(16,223)	(10,035)
	Changes in inventories	(725)	(2,974)
	Changes in trade payables	(215)	(2,613)
	Changes in net working capital	**(1,190)**	**(2,381)**
	Changes in other receivables and payables, deferred taxes	501	1,592
	Tax payment	(1,543)	(799)
	Paid net financial expenses	(1,044)	(1,109)
B.	**Cash flows generated/absorbed by operating activities**	**(3,276)**	**(2,697)**
	Investments in non-current assets		
	- intangible assets	(2,182)	(1,603)
	- property, plant and equipment	(8,294)	(7,921)
	- financial assets	(9)	(2)
C.	**Cash flows generated/absorbed by investing activities**	**(10,485)**	**(9,526)**
	Repayment of loans	(10,979)	(20,571)
	New loans	5,000	35,122
	Changes in other financial liabilities	9	(339)
	Changes in short-term financial assets	1,444	63
	Purchase of treasury shares	(292)	0
	Payment of dividends	(3,876)	(4,675)
	Other changes	(1,162)	464
D.	**Cash flows generated/absorbed by financing activities**	**(9,856)**	**11,564**
	Exchange differences	(747)	819
	Other non-monetary changes	217	0
E.	**Other non-monetary changes**	**(530)**	**819**
F.	**Net cash flows in the period (B+C+D+E)**	**(24,147)**	**(1,340)**
	Cash and equivalents at the end of the period (A+F)	**31,119**	**28,398**
	Current financial debt	(37,209)	20,882
	Non-current financial debt	83,753	72,816
	Net financial debt	**15,425**	**65,300**

Notes

ACCOUNTING STANDARDS

Declaration of compliance and accounting policies

The condensed consolidated half-yearly financial statements as at 30 June 2016 of the LU-VE Group have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union, particularly in accordance with IAS 34 on interim financial reporting. Therefore, the condensed consolidated half-yearly financial statements do not include all of the information required for the annual financial statements and must be read in conjunction with the annual financial statements for the year ending on 31 December 2015. The reference to IFRS also includes all International Accounting Standards (IAS) in force. They have been prepared in Euro, which is the currency used in the economies in which the Group primarily carries on business, with amounts rounded to thousands, and are compared with the consolidated financial statements for the first half of last year and for last year, prepared with the same criteria. They consist of the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows and these notes.

The financial statements have been drawn up on the basis of the historical cost principle and the going concern assumption. With reference to this last assumption, even within a difficult economic and financial environment, based on assessments of its strong competitive positioning, high profitability and solid financial position, the Group believes that it will continue to operate on a going concern basis pursuant to paragraphs 25 and 26 of IAS 1.

The consolidation principles, the criteria applied to translate the financial statements expressed in foreign currency, the accounting standards and measurement criteria are the same as those used to prepare the financial statements as at 31 December 2015, which should be referred to for all of the details.

Financial statements

The Group has adopted the following financial statements:

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

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

Consolidation area

The consolidated financial statements of the LU-VE Group include the financial statements of LU-VE S.p.A. and of the following direct or indirect subsidiaries:

Company name	Registered office	% stake	Share capital
Direct subsidiaries:			
SEST S.p.A.	Limana (BL)	100.00%	EUR 1,000,000
Tecnair LV S.p.A.	Uboldo (VA)	79.90%	EUR 200,000
Heat Transfer Systems s.r.o. (HTS)	Novosedly (Czech Rep.)	100.00%	CZK 133,300,000
LU-VE Sweden AB	Asarum (Sweden)	100.00%	SEK 50,000
LU-VE France S.a.r.l.	Lyon (France)	86.06%	EUR 84,150
LU-VE Pacific pty Ltd	Thomastown (Australia)	75.50%	AUD 200,000
LU-VE Deutschland GmbH	Stuttgart (Germany)	100.00%	EUR 230,000
LU-VE Iberica S.l.	Madrid (Spain)	85.00%	EUR 180,063
LU-VE Asia Pacific Limited	Wan Chai (Hong Kong)	100.00%	HKD 10,000
LuveDigital S.r.l.	Uboldo (VA)	50%	EUR 10,000
Indirect subsidiaries:			
SEST-LUVE- Polska SP.z.o.o. (95% owned by SEST S.p.A.)	Gliwice (Poland)	95.00%	PLN 16,000,000
« OOO » SEST LUVE (95% owned by SEST S.p.A.)	Lipetsk (Russia)	95.00%	RUB 136,000,000
LU-VE HEAT EXCHANGERS Ltd (wholly-owned by LU-VE Asia Pacific Limited)	Changshu (China)	100.00%	CNY 38,211,761
Thermo Glass Door S.p.A.	Travacò Siccomario (PV)	85.00%	EUR 150,000

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

- on 17 February 2016, a new company was incorporated named LuveDigital S.r.l., which is 50% held by the Parent Company;

- on 22 February 2016, the deed of merger by incorporation of Metalluve S.r.l. into the Parent Company was entered into: the merger became effective as of 1 March 2016, with retroactive effect for accounting and tax purposes as of 1 January 2016;

- on 25 February 2016, the Parent Company LU-VE acquired the remaining 10% of the share capital of the Czech subsidiary Heat Transfer System S.r.o. (HTS);

- in May 2016, the Parent Company acquired a total stake of 12.91% of the French subsidiary LU-VE France S.a.r.l. from several non-controlling shareholders. After that acquisition, its stake rose to 86.06%.

Consolidation criteria

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

The following criteria have been adopted for the consolidation:

a) The assets and liabilities, income and expenses in the financial statements subject to line-by-line consolidation are included in the Group's financial statements, irrespective of the extent of the equity investment. The carrying amount of equity investments has also been eliminated against the shareholders' equity attributable to the investee companies;
   The Group has now included the overseas subsidiary Brener a.s., holder mainly of land and industrial buildings rented to another Group company, in the consolidated financial statements as the recognition of the "acquisition of assets" and not through the consolidation of its financial statements;

b) Positive differences arising from the elimination of the value of equity investments against the value of shareholders' equity recognised at the date of initial consolidation are allocated as an increase of assets and liabilities and, for the remainder, to goodwill. In accordance with the provisions of IFRS 3, the Group amended the accounting policy for goodwill on a prospective basis beginning from the transition date. Therefore, starting on 1 January 2014, the Group no longer amortises goodwill and instead tests it for impairment;

c) Payable/receivable and cost/revenue items between the consolidated companies and profit/loss from intra-group transactions are eliminated. Likewise, dividends and write-downs on equity investments recognised in the annual financial statements are eliminated;

d) If there are non-controlling shareholders, the portion of shareholders' equity and the net profit (loss) of the year attributable to them are highlighted in separate items of the consolidated balance sheet and income statement;

e) Final stocks, for products acquired from group companies, are adjusted by the intra-group margins they contain, as they have not yet been realised with respect to third parties.

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

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

Balance sheet items from financial statements expressed in a currency other than the Euro are translated by applying the current exchange rates at year end. Income statement items are translated at average exchange rates for the year.
Translation exchange differences resulting from the comparison between the opening shareholders' equity translated at current exchange rates and the same converted at historical exchange rates, as well as the difference between the economic result expressed at average exchange rates and that expressed at current exchange rates, are recognised in the shareholders' equity item “Other reserves”.
The exchange rates used for the translation into Euro of the financial statements of the overseas subsidiaries, prepared in local currency, are shown in the table below:

	2016		**2015**	
Currency	**Exchange rate at 30/06**	**Average exchange rate**	**Exchange rate at 31/12**	**Average exchange rate**
AUD	1.4929	1.521984	1.4896	1.426083
Zloty	4.4362	4.368819	4.2639	4.140859
Czech koruna	27.13	27.0396	27.023	27.5021
Russian Rouble	71.52	78.296828	80.674	64.640713
SEK	9.4242	9.30187	9.1895	9.34008
HKD	8.6135	8.668402	8.4376	8.651698
YUAN	7.3755	7.296455	7.0608	6.940806

Segment reporting

The Group’s operating segments pursuant to IFRS 8 - Operating Segments are identified as the business segments that generate revenues and costs, the results of which are periodically reviewed by the highest decision-making level to assess performance and to take decisions regarding resource allocation. The Group has the following operating segments:
- Air cooled, which includes air cooled products and close control air conditioners;
- OEM, which includes heat exchangers and glass doors.

Use of estimates

The preparation of the condensed consolidated half-yearly financial statements and the relative notes in application of IFRS requires the management to make estimates and assumptions that impact the values of the assets and liabilities in the half-yearly report and the disclosure relating to contingent assets and liabilities as at 30 June 2016.
If such estimates and assumptions, which are based on the Directors’ best assessment, differ from actual future circumstances, they will be updated accordingly in the period in which such circumstances change.
In addition, certain assessment processes, particularly those which are more complex, such as the determination of any impairment losses on non-current assets, are generally carried out in full only when the annual financial statements are drafted, when all required information is available, except when impairment indicators are identified, in which case immediate impairment testing is required.
Liabilities connected to obligations from defined benefit plans are measured precisely only at year-end, unless there are indicators that make it necessary to update the estimate in the course of the year. As at 30 June 2016, those indicators were identified with reference to the discounting rates; as a result, the estimates were adjusted using applicable discounting rates

during the half and the adjustment of the liability was recognised with a matching entry in shareholders' equity (notes 11 and 14).
Lastly, the tax expense, pursuant to IAS 34, was estimated using the option of precisely calculating the liability at the date of 30 June 2016.
In the condensed consolidated half-yearly financial statements, the income statement and cash flow statement data for the half are compared with those of the same half of the previous year. The net financial position and the consolidated statement of financial position items as at 30 June 2016 are compared with the corresponding actual data as at 31 December 2015.
The accounting standards, amendments and interpretations issued by the IASB and endorsed by the European Union, the adoption of which is required in financial statements relating to fiscal years starting on 1 January 2016, are listed below:

- Amendments to IAS 19 - employee benefits: employee contributions;
- Amendments to IAS 1: disclosure initiative;
- Amendments to IAS 16 and IAS 38: clarification of acceptable methods of depreciation and amortisation;
- Amendments to IFRS 11: accounting for acquisition of interests in joint operations;

The new standards applied and the updates of existing standards had no significant effects in these condensed consolidated half-yearly financial statements.

NOTES TO THE BALANCE SHEET ITEMS

1. INTANGIBLE ASSETS

(in thousands of Euro)	**Goodwill**	**Trademarks**	**Development costs**	**Other intangible assets**	**Total**
Historical					
As at 31 December 2015	**42,478**	**10,880**	**9,131**	**8,082**	**70,571**
Increases	874	-	734	589	2,197
Decreases	-	-	(222)	(14)	(236)
Reclassifications	-	-	148	(148)	-
Exchange differences	(4)	-	(10)	(13)	(27)
As at 30 June 2016	**43,348**	**10,880**	**9,781**	**8,496**	**72,505**
Provision					
As at 31 December 2015	**12,903**	**5,326**	**6,497**	**6,722**	**31,448**
Increases	-	358	733	402	1,493
Decreases	-	-	(222)	(5)	(227)
Reclassifications	-	-	-	-	-
Exchange differences	-	-	(6)	(15)	(21)
As at 30 June 2016	**12,903**	**5,684**	**7,002**	**7,104**	**32,693**
Net carrying amount					
As at 31 December 2015	**29,575**	**5,554**	**2,634**	**1,360**	**39,123**
As at 30 June 2016	**30,445**	**5,196**	**2,779**	**1,392**	**39,812**

The goodwill largely emerged from the inverse merger by incorporation of the parent company Europarts S.r.l. in 2008 and represents the difference between the purchase price and the current value of the identifiable assets and liabilities of the investee on the acquisition date. The remainder referred to consolidation differences arising from the elimination of investees. After the change in the consolidation area, in the first half of 2016 goodwill rose by roughly €874 thousand (referring to the acquisition of the remaining 10% of the share capital of the Czech subsidiary Heat Transfer System S.r.o. (HTS)).
Pursuant to IAS 36, goodwill is not subject to amortisation, but rather impairment testing on a yearly basis or more frequently if specific events and circumstances take place that could result in an impairment loss (impairment test).
No impairment indicators were identified in the first half of 2016. As a result, as at 30 June 2016 it was not necessary to conduct impairment testing on the basis of an updated business plan.

During the half, the most significant investments regarded *Development costs* of €734 thousand (referring to new product development) and *Other intangible assets* of €589 thousand (primarily relating to costs incurred for the development of the SAP ERP software used in all of the Group's production facilities).

Internal or external indicators that intangible assets other than goodwill needed to be tested for impairment as of this interim closing date were not identified.

2. PROPERTY, PLANT AND EQUIPMENT

(in thousands of Euro)	**Property**	**Plant and equipment**	**Other property, plant and equipment**	**Work in progress**	**Total**
Historical					
As at 31 December 2015	**73,852**	**96,787**	**28,448**	**1,464**	**200,551**
Increases	155	2,924	538	4,754	8,371
Decreases	(15)	(739)	(111)	(13)	(878)
Reclassifications	14	611	471	(1,096)	0
Exchange differences	358	(166)	(110)	(19)	63
As at 30 June 2016	**74,364**	**99,417**	**29,236**	**5,090**	**208,107**
Provision					
As at 31 December 2015	**16,354**	**73,071**	**21,995**	**-**	**111,420**
Increases	862	3,019	903	-	4,784
Decreases	(6)	(619)	(95)	-	(720)
Reclassifications	0	(33)	33	-	0
Exchange differences	29	(33)	(51)	-	(55)
As at 30 June 2016	**17,239**	**75,405**	**22,785**	**-**	**115,429**
Net carrying amount					
As at 31 December 2015	**57,498**	**23,716**	**6,453**	**1,464**	**89,131**
As at 30 June 2016	**57,125**	**24,012**	**6,451**	**5,090**	**92,678**

In 2016, the technological capex programme continued in Italy and abroad for the expansion and streamlining of certain production sites and for the strengthening of installed production capacity.
The main investments for the year regarded the acquisition of new production lines and machinery in Italy, China, Sweden and the Czech Republic, as well as payments on account made for a painting plant and a real estate expansion in Poland (which will benefit from important special economic zone tax benefits).

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

3. EQUITY INVESTMENTS

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

	30/06/2016	31/12/2015
Industria e Università S.r.l.	6	6
LU-VE India Corporation Private Ltd	15	15
Manifold S.r.l.	10	-
Total	**31**	**21**

The companies LU-VE India Corporation Private Ltd and Manifold S.r.l. were not consolidated as at 30 June 2016 as they were not yet operating at that date.

4. OTHER NON-CURRENT ASSETS

They amounted to €892 thousand, a decline of €8 thousand compared to €900 thousand in the previous year. These included €759 thousand in receivables due from the tax authorities payable beyond the year and referred to the refund request due to the deductibility of IRES from IRAP for the period 2007-2011 (proposed legislation of 6/12/2011). €133 thousand referred to security deposits provided for the provision of services.

5. INVENTORIES

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

	30/06/2016	31/12/2015	Change
Raw materials and consumables	14,822	13,023	1,799
Work in progress and semi-finished products	6,598	6,259	339
Finished products and goods for resale	6,332	7,638	(1,306)
Provision for inventory losses	(2,402)	(2,295)	(107)
Total	**25,350**	**24,625**	**725**

The increase in the value of inventories was basically due to seasonal fluctuations in the Group's business in the summer months. Moreover, this increase was much lower than the percentage increase in sales during the period.

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 €2,402 thousand as at 30 June 2016, reflects the best estimate of obsolescence risk, on the basis of specific analyses carried out at the end of the year on unsold inventory or inventory with a low turnover rate. The provision increased by €107 thousand compared to the previous year, broken down as follows:

- Increase in provisions of €120 thousand;
- Uses of €5 thousand;
- Negative exchange differences of €8 thousand.

6. TRADE RECEIVABLES

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

	30/06/2016	31/12/2015	Change
Trade receivables	53,330	36,722	16,608
Bad debt provision	(3,346)	(2,961)	(385)
Total	**49,984**	**33,761**	**(16,223)**

Trade receivables were up significantly compared to 31 December 2015, as takes place customarily in the middle months of the year due to seasonal fluctuations in the business. The value of trade receivables as at 30 June 2015 amounted to €48,023 thousand.
All trade receivables are due within the subsequent year and derive from normal sales transactions.
The bad debt provision rose during the year to reflect the recoverability of the receivables (roughly €476 thousand) and approximately €85 thousand of it was used for losses recognised during the period, registering a negative exchange effect of €6 thousand.

The breakdown of receivables by geographical area is shown below:

Country	30/06/2016	31/12/2015
Italy	19,782	13,036
EU Countries	23,560	15,958
Non-EU Countries	9,988	7,728
Bad debt provision	(3,346)	(2,961)
	-------------	-------------
Total	**49,984**	**33,761**
	========	========

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

7. DUE FROM THE TAX AUTHORITIES FOR CURRENT TAXES

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

	30/06/2016	31/12/2015	Change
Due from the tax authorities for VAT	1,983	1,757	226
Due from the tax authorities for payments on account of direct taxes	1,832	2,054	(222)
Other	136	152	(16)
Total	**3,951**	**3,963**	**(12)**

Tax receivables for payments on account of direct taxes payable within the year refer to the excess of taxes prepaid for the year 2016 with respect to the effective tax burden, primarily associated with the Parent Company and the subsidiaries: TGD, TECNAIR, HTS and SEST.

8. CURRENT FINANCIAL ASSETS

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

	30/06/2016	31/12/2015	Change
Asset management	39,109	39,552	(443)
Capitalisation policies	19,292	15,093	4,199
Other securities	4,911	9,954	(5,043)
Fair value of derivative instruments	-	157	(157)
Total	**63,312**	**64,756**	**(1,444)**

The Asset management agreement was entered into with Bnp Paribas Investment Partners SGR S.p.A. and the assets may be disinvested upon simple request. The funds are primarily invested in bonds and in units and/or shares of bond and/or flexible funds. There is also a component of investment in equity instruments and units and/or shares of equity funds, but to a limited extent, and also investment in financial instruments denominated in currencies other than the Euro. The fair value measurement at the reporting date entailed the recognition of roughly €340 thousand under financial expense.

The Capitalisation policies taken out were issued by Aviva Vita S.p.A and are the type of policies which allow, after the payment of a lump-sum premium, for an annual capital revaluation based on the return obtained from management (almost exclusively invested in government securities and very highly rated bonds). The fair value measurement at the reporting date entailed the recognition of roughly €199 thousand under financial income. During the period, policies were taken out for an additional nominal amount of €4,000 thousand.

Other securities referred to investments made through UBI Banca (where the securities account is held) in Italian government securities, corporate bonds, bond funds and mixed funds whose fair value measurement at the reporting date entailed the recognition of roughly €63 thousand under financial expense. During the period, the bond issued by Mediobanca - Banca di Credito Finanziario S.p.A., which was accounted for as at 31 December 2015 for an amount of roughly €5,000 thousand, reached maturity (on 20 March 2016). From the resulting amount, €4,000 thousand was invested in capitalisation policies as noted above and the residual amount was credited to the Parent Company's current accounts.

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

The “Fair value of derivative instruments” represented the positive fair value of derivatives subscribed by the Company.

9. OTHER CURRENT ASSETS

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

	30/06/2016	31/12/2015	Change
From employees	106	84	22
Advances to suppliers	577	525	52
Advances and other receivables	2,154	1,573	581
Total	**2,837**	**2,182**	**655**

10. CASH AND CASH EQUIVALENTS

The item, equal to €31,119 thousand as at 30 June 2016 (€55,266 thousand as at 31 December 2015), represented the asset balances in current accounts of €31,064 thousand and cash and valuables in hand of €55 thousand. For further details, refer to the Statement of Cash Flows.

11. SHAREHOLDERS’ EQUITY

The Parent Company’s share capital amounted to €62,496 thousand and was broken down into 19,453,206 ordinary shares and 100,000 special shares, all with no nominal value.

In 2016, dividends of €3,876 thousand were paid out from the reserves and retained earnings.

As at 30 June 2016, the Parent Company held 76,350 treasury shares (0.39% of the share capital), recognised in the financial statements as an adjustment of shareholders' equity for a total value of roughly €754 thousand (for further details, see the Directors’ Report). During the period, 30,300 treasury shares were acquired.

Non-controlling interests amounted to €2,281 thousand (€3,443 thousand as at 31 December 2015). The profit attributable to non-controlling interests in the first half of 2016 totalled €323 thousand (€413 thousand in the same period of 2015).

12. LOANS

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

	30/06/2016		31/12/2015	
	Current	**Non-current**	**Current**	**Non-current**
Bank loans	24,488	83,449	18,486	93,434
Advances subject to collection on bank receipts or invoices	-	-	1,994	-
Total	**24,488**	**83,449**	**20,480**	**93,434**

In 2016, an unsecured medium-term loan for a total of €5,000 thousand was taken out by the Parent Company from Banca Popolare di Sondrio, maturing on 31 October 2017, with repayment in equal quarterly instalments and an interest rate equal to the three-month Euribor plus a spread.

During the period, loan instalment repayments amounted to €8,985 thousand.

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

13. PROVISIONS

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

	31/12/2015	Increases	Exchange delta	Uses	Release of excess portion	30/06/2016
Provision for agents' leaving indemnities	110	-	-	-	-	110
Product warranty provision	1,410	-	(2)	(16)	-	1,392
Other provisions	657	-	(1)	-	-	656
Total	**2,177**	**-**	**(3)**	**(16)**	**-**	**2,158**

The provision for agents' leaving indemnities covers amounts to be paid out to agents in the event of termination of the agency relationship by the Group.
The product warranty provision covers the risk of returns or charges from customers for products already sold. The provision was adjusted at year-end on the basis of analyses conducted and past experience.
Other provisions are recognised to cover sundry risks in a number of Group companies.

14. EMPLOYEE BENEFITS

Employee benefits amounted to €3,580 thousand, a net increase of €275 thousand compared to 31 December 2015. The entire amount referred to the provision for post-employment benefits.
The provision for post-employment benefits refers only to the Group's Italian companies and includes substantially the post-employment benefits accrued by personnel employed as at 30 June 2016, net of advances paid out to employees.
Liabilities connected to obligations from defined benefit plans are measured precisely only at year-end, unless there are indicators that make it necessary to update the estimate in the course of the year. As at 30 June 2016, those indicators were identified with reference to the discounting rates; as a result, the estimates were adjusted using updated discounting rates. Due to the estimate revision, the liability for defined benefits rose by €165 thousand, which was recognised in the statement of comprehensive income net of the related tax effect of €63 thousand.
The breakdown and changes in the item as at 30 June 2016 are shown below:

	30/06/2016	31/12/2015

Liabilities as at 1 January	**3,305**	**3,639**
Provisions	65	151
Financial expense	52	52
Payments made	(69)	(349)
Actuarial (gains)/losses	227	(188)
Liabilities at the end of the period	**3,580**	**3,305**

The provision for post-employment benefits changed primarily based on uses for the year to provide advances and/or payments to former personnel.
Actuarial gains and losses are posted to shareholders' equity through the statement of comprehensive income.
The amounts recognised in the income statement are included in "Personnel costs" (Note 25).

15. OTHER FINANCIAL LIABILITIES

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

M/L term financial liabilities

	30/06/2016	31/12/2015	Change
Lease payables	304	383	(79)
Total	**304**	**383**	**(79)**

Short-term financial liabilities

	30/06/2016	31/12/2015	Change
Fair value of derivatives	1,437	1,284	153
Lease payables	178	243	(65)
Total	**1,615**	**1,527**	**88**

This item referred primarily to the recognition of the negative fair value of derivatives and financial payables relating to assets held under finance leases.

16. TRADE PAYABLES

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

	30/06/2016	31/12/2015	Change
Italy	27,870	28,876	(1,006)
EU Countries	15,060	15,397	(337)
Other countries	3,927	2,799	1,128
Total	**46,857**	**47,072**	**(215)**

The average payment terms have not changed since the previous year. As at 30 June 2016, there were no past-due payables of significant amounts, and the Group has received no payment orders for past-due payables.
No trade payables with a residual maturity of more than 5 years were recognised in the financial statements.

17. TAX PAYABLES

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

	30/06/2016	31/12/2015	Change
Due to the tax authorities for income taxes	1,521	1,311	210
Tax withholdings	1,182	1,199	(17)
Other tax payables	9	25	(16)
Total	**2,712**	**2,535**	**177**

18. OTHER CURRENT LIABILITIES

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

	30/06/2016	31/12/2015	Change
To personnel	6,528	5,321	1,207
To social security institutions	2,946	3,083	(137)
To Directors and statutory auditors	982	1,117	(135)
Other current payables	813	1,009	(196)
Total	**11,269**	**10,530**	**739**

In the beginning of 2016, payables to personnel and social security institutions were paid in accordance with the relative due dates.

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

19. DEFERRED TAX ASSETS AND LIABILITIES

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

	30/06/2016	31/12/2015	Change
Deferred tax assets	3,426	2,379	1,047
Deferred tax liabilities	(9,818)	(8,866)	(952)
Net position	**(6,392)**	**(6,487)**	**95**

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

(in thousands of Euro)	TAX LOSSES	DEPREC./ AMORT. AND LEASING	FAIR VALUE OF DERIVATIVE INSTRUMENTS	2008 MERGER DEFICIT	ACTUARIAL VALUATION	PROV. AND VALUE ADJUST.	OTHER DIFF.	TOT
31/12/2015	**(1,415)**	**2,178**	**(296)**	**8,173**	**(60)**	**(1,012)**	**(1,081)**	**6,487**
In income statement	63	(97)	(59)	(223)	(5)	(15)	(60)	**(396)**
In shareholders' equity	-	-	-	-	(63)	-	-	**(63)**
Exchange differences	13	-	-	-	-	(8)	4	**9**
Reclassifications	-	-	(26)	-	6	-	375	**355**
30/06/2016	**(1,339)**	**2,081**	**(381)**	**7,950**	**(122)**	**(1,035)**	**(762)**	**6,392**

As at 30 June 2016, deferred tax assets referred to:
- tax losses that may be carried forward relating to some subsidiaries;
- the fair value of derivative instruments on commodities, exchange rates and interest rates, subscribed by the Parent Company and two subsidiaries;
- the deferred tax impact of the actuarial valuation of the post-employment benefits of Italian companies following the application of IAS 19;
- tax differences on increases in the provisions of Group companies;
- other tax differences, regarding net temporary recoveries such as unpaid remuneration, exchange differences and other.

As at 30 June 2016, deferred tax liabilities referred to:
- tax differences on depreciation, amortisation and leasing, regarding primarily the application of IAS 17, with respect to Italian GAAP;
- the recognition of taxes on the 2008 merger deficit allocated to trademarks, buildings, land, plant and equipment.

20. NET FINANCIAL POSITION

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

		30/06/2016	31/12/2015	Change
A.	Cash (Note 10)	54	46	8
B.	Unrestricted current account asset balances (Note 10)	31,065	55,220	(24,155)
C.	Current financial assets (Note 8)	63,312	64,756	(1,444)
D.	**Liquidity (A+B+C)**	**94,431**	**120,022**	**(25,591)**
E.	Current bank payables (Note 12)	-	1,994	(1,994)
F.	Current portion of non-current debt (Note 12)	24,488	18,486	6,002
G.	Other current financial liabilities (Note 15)	1,615	1,527	88
H.	**Current financial debt (E+F+G)**	**26,103**	**22,007**	**4,096**
I.	**Net current financial debt (H-D)**	**(68,328)**	**(98,015)**	**29,687**
J.	Non-current bank payables (Note 12)	83,449	93,434	(9,985)
K.	Other non-current financial liabilities (Note 15)	304	383	(79)
L.	**Non-current financial debt (J+K)**	**83,753**	**93,817**	**(10,064)**
M.	**Net financial debt (I+L)**	**15,425**	**(4,198)**	**19,623**

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

NOTES TO THE INCOME STATEMENT ITEMS

21. REVENUES

In the first half of 2016, revenues from sales amounted to €116,747 thousand, an increase of 10.5% compared to the same period of the previous year (€105,630 thousand as at 30 June 2015).

Revenues by product family

PRODUCTS	€/000 H1 2016	%	€/000 H1 2015	%	Delta	Delta %
Heat exchangers	61,454	52.6%	58,394	55.3%	3,060	5.2%
Air Cooled Equipment	41,886	35.9%	35,514	33.6%	6,372	17.9%
Doors	8,185	7.0%	6,673	6.3%	1,512	22.6%
Close Control	4,707	4.0%	4,324	4.1%	383	8.9%
Sub-total	**116,232**	**99.6%**	**104,905**	**99.3%**	**11,327**	**10.8%**
Other	515	0.4%	725	0.7%	(210)	(29.0%)
TOTAL	**116,747**	**100.0%**	**105,630**	**100.0%**	**11,261**	**10.5%**

Revenues by geographical area

GEOGRAPHICAL AREA	€/000 H1 2016	%	€/000 H1 2015	%	Delta	Delta %
Italy	33,070	28.3%	29,014	27.5%	4,056	14.0%
Germany	11,589	9.9%	10,475	9.9%	1,114	10.6%
Russia	7,742	6.6%	6,802	6.4%	940	13.8%
France	8,215	7.0%	6,280	5.9%	1,935	30.8%
Czech Rep.	5,967	5.1%	5,682	5.4%	285	5.0%
Sweden	6,394	5.5%	5,238	5.0%	1,156	22.1%
Poland	4,135	3.5%	4,124	3.9%	11	0.3%
Great Britain	3,804	3.3%	4,107	3.9%	(303)	(7.4%)
Other countries	35,831	30.8%	33,908	32.1%	1,923	5.7%
TOTAL	**116,747**	**100.0%**	**105,630**	**100.0%**	**11,261**	**10.5%**

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

22. OTHER REVENUES

(in thousands of Euro)	H1 2016	H1 2015	Change
Contingent assets	-	400	(400)
Other income	33	46	(13)
Total	**33**	**446**	**(413)**

As at 30 June 2016, the change in "Contingent assets" was mainly due to the release of a provision deemed excessive after the update of the estimate process (Note 13).

23. PURCHASES OF MATERIALS

(in thousands of Euro)	H1 2016	H1 2015	Change
Raw materials and purchased components	58,899	53,796	5,103
Consumables	403	1,163	(760)
Total	**59,302**	**54,959**	**4,343**

In 2016, the cost for the purchase of materials rose significantly, due in particular to the increase in sales volumes.

24. SERVICES

(in thousands of Euro)	H1 2016	H1 2015	Change
Expenses for energy, telephone and telex	1,774	1,804	(30)
General and advisory expenses	5,524	5,117	407
Advertising and promotional expenses	501	400	101
Transport expenses	2,378	2,093	285
Maintenance expenses	1,367	1,194	173
External processing	2,190	2,044	146
Commissions	572	516	56
Remuneration to the corporate bodies	1,096	1,071	25
Other costs for services	1,408	1,378	30
Costs for use of third-party assets	1,003	873	130
Total	**17,813**	**16,490**	**1,323**

25. PERSONNEL COSTS

(in thousands of Euro)	**H1 2016**	**H1 2015**	**Change**
Wages and salaries	18,770	18,010	760
Social security costs	5,124	5,255	(131)
Post-employment benefits	639	589	50
Other personnel costs	40	24	16
Total	**24,573**	**23,878**	**695**

The average number of Group employees was 1,717 in 2016. As at 30 June 2016, the number of Group employees came to 1,774 (1,285 blue-collar, 465 white-collar and middle managers, 24 executives), against 1,532 as at 30 June 2015.

26. OTHER OPERATING COSTS

(in thousands of Euro)	**H1 2016**	**H1 2015**	**Change**
Losses and write-downs on trade receivables	476	105	371
Non-income taxes	305	316	(11)
Other operating costs	103	311	(208)
Total	**884**	**732**	**152**

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

27. FINANCIAL INCOME

(in thousands of Euro)	**H1 2016**	**H1 2015**	**Change**
Interest income	59	29	30
Other income	318	81	237
Total	**377**	**110**	**267**

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

28. FINANCIAL EXPENSE

(in thousands of Euro)	**H1 2016**	**H1 2015**	**Change**
Interest expense to banks	466	1,191	(725)
Interest expense to other lenders	8	9	(1)
Other financial expense	1,078	274	804
Total	**1,552**	**1,474**	**78**

"Interest expense to banks" decreased due to the reduction in interest rates compared to 2015. "Other financial expense" also includes expense deriving from the measurement at fair value of investments of liquidity (see Note 8).

29. EXCHANGE GAINS AND LOSSES

In 2016, the Group realised net exchange gains of roughly €1,189 thousand (net gains of €1,448 thousand in 2015).

30. INCOME TAXES

(in thousands of Euro)	**H1 2016**	**H1 2015**	**Change**
Current taxes	1,245	1,238	7
Deferred tax liabilities	(396)	(332)	(64)
Adjustment previous year	173	-	173
Total	**1,022**	**906**	**116**

In 2016, taxes relating to previous years referred to the adjustment of the balance of taxes from 2015.

As at 30 June 2016, there were no significant tax disputes.

31. EARNINGS PER SHARE

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

CALCULATION OF BASIC AND DILUTED EARNINGS

EARNINGS ***(in thousands of Euro)***	**30/06/2016**
Net profit for the period	7,371

NUMBER OF SHARES	**30/06/2016**
Average weighted number of ordinary shares for the calculation of basic earnings per share	**19,482,481**
Dilution effect deriving from potential ordinary shares	2,043,004
Average weighted number of ordinary shares for the calculation of diluted earnings per share	**21,525,485**

EARNINGS PER SHARE ***(in Euro)***	**30/06/2016**
Basic earnings per share	0.38
Diluted earnings per share	0.34

32. DIVIDENDS

In May 2016, dividends totalling €3,876 thousand were distributed, corresponding to the distribution of a gross dividend of €0.20 (zero/20) for each of the 19,380,156 shares outstanding, net of treasury shares.

33. SEGMENT REPORTING

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

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

SEGMENT	**€/000 H1 2016**	**%**	**€/000 H1 2015**	**%**	**Delta**	**Delta %**
Air Cooled Equipment	41,886	36.0%	35,514	33.9%	6,372	17.9%
Close Control	4,707	4.1%	4,324	4.1%	383	8.9%
AIR COOLED SBU	**46,593**	**40.1%**	**39,837**	**38.0%**	**6,756**	**17.0%**
Heat exchangers	61,454	52.9%	58,394	55.7%	3,060	5.2%
Doors	8,185	7.0%	6,673	6.3%	1,512	22.6%
OEM SBU	**69,639**	**59.9%**	**65,068**	**62.0%**	**4,571**	**7.0%**
TOTAL PRODUCT TURNOVER	**116,232**	**100.0%**	**104,905**	**100.0%**	**11,327**	**10.8%**

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

Information is provided below by segment as at 30 June 2016 and 30 June 2015 (in thousands of Euro):

	2016				**2015**			
	Original Equipment Manufacturer	Air cooled	Unallocated costs	**Total**	Original Equipment Manufacturer	Air cooled	Unallocated costs	**Total**
Revenues	69,639	46,593	-	**116,232**	65,068	39,837	-	**104,905**
EBITDA	10,055	5,075	-	**15,130**	8,820	4,195	(535)	**12,480**

Unallocated costs in 2015 related to the listing.

34. INFORMATION ON FINANCIAL RISKS

Categories of financial instruments

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

	30/06/2016	31/12/2015
Financial assets		
Cash and cash equivalents	31,119	55,266
Trade receivables	49,984	33,761
Current financial assets	63,312	64,599
Fair value in income statement		
Trading derivatives	-	157
Financial liabilities		
Loans	108,419	114,540
Trade payables	46,857	47,072
Fair value in income statement		
Trading derivatives	1,437	1,284

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

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

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

Credit risk management

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

Exchange rate risk management

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

Interest rate risk management

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

Raw material price risk management

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

Liquidity risk management

To minimise liquidity risk, the Administration and Financial Department:

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

An analysis of financial liabilities as at 30 June 2016 is provided below by maturity (in thousands of Euro):

As at 30 June 2016

	Carrying amount	**Contractual cash flows**	**Within 1 year**	**From 1 to 5 years**	**More than 5 years**
Bank loans	107,937	110,011	25,253	79,916	4,842
Finance lease	482	482	178	304	-
Total financial payables	**108,419**	**110,493**	**25,431**	**80,220**	**4,842**
Trade payables	46,857	46,857	46,857	-	-
Total	**155,276**	**157,350**	**72,288**	**80,220**	**4,842**

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

35. RELATED PARTY TRANSACTIONS

Transactions between consolidated companies were eliminated in the consolidated financial statements and are not shown in these notes. The summary of balance sheet and income statement items relating to transactions between the Group and other related parties in 2016 is provided below:

In Euro	Other Revenues	Costs of raw materials and consumables	Costs for services	Financial income	Financial expense	Trade receivables	Other receivables	Receivables and other current financial assets	Trade payables	Financial payables	Other payables
RELATED COMPANIES											
RISTOR ARCO S.R.L.			266						51		
MGPE S.R.L.			1								
FINAMI S.R.L.			125	15			15				
LIBEFIN S.A.S.									236		
Total	**-**	-	**392**	**15**	-	-	**15**	-	**287**	-	-

The transactions were carried out at arm’s length conditions.

36. SHARE-BASED PAYMENTS

As at 30 June 2016, there were no share-based incentive plans in favour of Group Directors or employees.

37. CONSOLIDATION AREA AND SIGNIFICANT EQUITY INVESTMENTS

COMPANIES CONSOLIDATED LINE-BY-LINE

Company name	Registered office	% stake	Share capital
Direct subsidiaries:			
SEST S.p.A.	Limana (BL)	100.00%	EUR 1,000,000
Tecnair LV S.p.A.	Uboldo (VA)	79.90%	EUR 200,000
Heat Transfer Systems s.r.o. (HTS)	Novosedly (Czech Rep.)	100.00%	CZK 133,300,000
LU-VE Sweden AB	Asarum (Sweden)	100.00%	SEK 50,000
LU-VE France S.a.r.l.	Lyon (France)	86.06%	EUR 84,150
LU-VE Pacific pty Ltd	Thomastown (Australia)	75.50%	AUD 200,000
LU-VE Deutschland GmbH	Stuttgart (Germany)	100.00%	EUR 230,000
LU-VE Iberica S.l.	Madrid (Spain)	85.00%	EUR 180,063
LU-VE Asia Pacific Limited	Wan Chai (Hong Kong)	100.00%	HKD 10,000
LuveDigital S.r.l.	Uboldo (VA)	50%	EUR 10,000
Indirect subsidiaries:			
SEST-LUVE- Polska SP.z.o.o. (95% owned by SEST S.p.A.)	Gliwice (Poland)	95.00%	PLN 16,000,000
« OOO » SEST LUVE (95% owned by SEST S.p.A.)	Lipetsk (Russia)	95.00%	RUB 136,000,000
LU-VE HEAT EXCHANGERS Ltd (wholly-owned by LU-VE Asia Pacific Limited)	Changshu (China)	100.00%	CNY 38,211,761
Thermo Glass Door S.p.A.	Travacò Siccomario (PV)	85.00%	EUR 150,000

NON-CONSOLIDATED COMPANIES VALUED AT COST

Company name	**Registered office**	**% stake**	**Share capital**
LU-VE INDIA CORPORATION PRIVATE LTD*	New Delhi (India)	100	INR 100,000
MANIFOLD S.r.l. *	Uboldo (VA)	99	EUR 10,000

* *Company not operating*

38. GENERAL INFORMATION ABOUT THE PARENT COMPANY

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

Contact information:	Tel:	+39 02 - 96716.1
	Fax:	+39 02 – 96780560
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Tax information:	VARESE Economic and Administrative Index	191975
	Tax Code	01570130128
	VAT no.	01570130128