LU – VE S.p.A.

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

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014

Dear shareholders,

In the year ending on 31 December 2014, we 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.

In terms of its supervisory activity, the Board reports:

- that it waived the terms pursuant to article 2429, paragraph 1 of the Italian Civil Code, which require the financial statements and the reports to be sent by the directors to the board of statutory auditors with the report at least 30 days before the shareholders' meeting;

- that it supervised observance of the law and the articles of association and found that no transactions carried out by the company during the year were in potential conflict of interests or conflicting with the resolutions passed by the Board of Directors;

- that it participated in the meetings of the Board of Directors and the Shareholders' Meetings and that it obtained information from the Administrative Body on the activity carried out and on the most significant transactions impacting the company's profit and loss, equity and financial position. In this regard, we can provide reasonable assurance that the meetings held and the actions implemented were compliant with the law and the articles of association and were not clearly imprudent, risky, in potential conflict of interests or conflicting with the resolutions passed by the shareholders' meeting or such so as to compromise the integrity of the company's assets;

- that on the basis of the information obtained, we are required to call your attention to a series of transactions with impacts on the financial statements whereby a significant change was made in the company's shareholding structure, in particular:
  - i) the existing parent company Finami S.r.l. acquired a 10% stake in Lu Ve S.p.A. from Mediobanca S.p.A., which held a stake of 20%. The remaining share was acquired by Lu Ve S.p.A., which therefore recognised treasury shares in the financial statements and restricted the reserves, as set forth in article 2357 of the Italian Civil Code.
  - ii) Subsequent to this transaction, at its extraordinary shareholders' meeting of 18 July 2014 Lu Ve S.p.A. approved the: a) cancellation of treasury shares; b) simultaneous reserved capital increase. The share capital increase was subscribed in kind with the contribution of the entire equity investment represented by the Sest S.p.A. shares held by the contributing company G4 S.r.l., a company owned by the Faggioli family.

The securities contributed were valued based on a sworn certified appraisal. Following the changes that took place, the Articles of Association were also amended.

iii) In the course of the year, as described in great detail during board of directors meetings, Lu-Ve S.p.A. began negotiations with a company, ISI (Industrial Stars of Italy) S.p.A., whose shares have been admitted to the multilateral trading system ("AIM") managed by Borsa Italiana S.p.A. On 14 November 2014, a non-binding letter of intent was signed by the parties. The business combination is currently in progress~~.~~

On the basis of the information collected, we can say that these significant facts and their effects are suitably described in the separate financial statements of the company as at 31 December 2014 and in the directors' report.

- that we gained detailed knowledge of and supervised, insofar as we are responsible, the adequacy of the company's general organisation, the procedures and the administrative and accounting system, as well as the reliability of the latter to properly report and represent operations, by obtaining information from the managers of the individual functions and by examining the company documents: in this regard, no particular observations to be reported emerged;

- that it regularly exchanged information with the auditing firm, during which time no significant data or information emerged that would require disclosure in this report;

- that in the course of the supervisory activity, no complaints pursuant to art. 2408 of the Italian Civil Code were submitted and no significant facts emerged that are such so as to require mention in this report;

- that we maintained contact with the corresponding control bodies of the Italian subsidiaries, obtaining information from the members of the Board of Statutory Auditors, for the reciprocal exchange of data and information;

- that the Board of Statutory Auditors did not formulate any opinions required by law in the course of 2014;

- that there were no qualifications or emphasis of matter sections in the Report issued by the auditing firm on the separate financial statements.

The Board of Statutory Auditors ascertained the observance of legal standards inherent in the formation and lay-out of the separate financial statements and the accompanying Directors' Report.

As regards the breakdown and amount of the individual items of the Balance sheet and the Income statement, the Board of Directors provided news and information on events carried out during the year and the relative results in the Notes and the directors' report.

The Board of Statutory Auditors acknowledges that:

- it supervised the general lay-out of the separate financial statements as at 31 December 2014, their general compliance with the law as regards their formation and structure and in that regard we have no particular observations to report;
- the Board of Directors operated with respect for the principles of proper management;
- the organisational, administrative and accounting structure adopted by the company is adequate in light of the size and operating structure of the company, in relation to the nature of the operations carried out in the course of the year;
- in preparing the financial statements in question, the principles laid out by article 2423 bis of the Italian Civil Code were followed, as well as the accounting standards referred to in the Notes pursuant to article 2427 of the Italian Civil Code;
- in the financial statements as at 31 December 2014, following the issue of the new OIC Accounting Standard no. 25 (income taxes), the company recognised a higher value of goodwill in order to adjust to the new rules on deferred tax liabilities. Making reference to what is described in full in the notes with regard to this transaction, the Board of Statutory Auditors expresses its favourable opinion regarding the recognition pursuant to the provisions of article 2426 par. 6 of the Italian Civil Code;
- it verified the consistency of the financial statements with the facts and information of which it became aware in the fulfilment of its duties, and has no observations to make in this regard;
- it verified observance of the rules relating to the preparation of the Directors' report.

Insofar as the Board of Statutory Auditors is aware, in preparing the financial statements the Board of Directors did not apply any exemptions to legal standards pursuant to article 2423, paragraph 4 of the Italian Civil Code. On the basis of all of the above, the Board of Statutory Auditors expresses its favourable opinion on the approval of the financial statements relating to the year ending on 31 December 2014, and agrees with the proposal of the Board of Directors regarding the allocation of the profit for the year.

Uboldo, 20 March 2015

Carla Ceppi______________________________

Giancarlo Ballarati__________________________

Stefano Beltrame____________________________

LU-VE S.p.A.

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, Sest S.p.A. 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 LUVE shareholders (Finami and Mediobanca) agreed to grant each other reciprocal option rights. Mediobanca S.p.A. exercised its option right to sell its entire equity investment (equal to 20% of the LUVE 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 LUVE 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

Company was evaluated in a positive light in view of the desired Group corporate reorganisation project. In order to ensure that the Company 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 LUVE S.p.A. shareholding structure included Finami with a 90% stake and LUVE itself 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 LUVE S.p.A. 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 LUVE S.p.A. In particular, in order to carry out the transaction, when it passed the resolution regarding the cancellation of treasury shares, noted above, the LUVE S.p.A. 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 LUVE S.p.A. The entire transaction was carried out without the use of financial resources.

- In July 2014, the 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 LUVE, 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 LUVE S.p.A. 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 LUVE 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.

The Group's turnover rose by roughly 9% to €212 million (against €194 million in the previous year), while the Parent Company's sales were down slightly compared to 2013 (€65.5 million in 2014 against €67.5 million in 2013, -2.9%). On a like-for-like basis, the Group's sales would have been up by around 4%.

The geographical breakdown of Group sales was as follows:
- Italy 20%
- Europe 56% (of which Germany, the main export country, 13%)
- Rest of world 24%

The breakdown by product family was:
- Heat exchangers 56%
- Air Cooled Equipment 33%
- Close control air conditioners 6%
- Glass doors for refrigerated counters 5%

LUVE's economic result of rose from €1.7 million to €3.2 million, with EBITDA up from €7.6 million to €7.9 million (12% of turnover).
The Group's net profit, highly penalised by unrealised exchange losses recorded by the Russian subsidiary (corresponding to around €3.5 million), declined from €8.6 million to €8.4 million (-3.5%).
On the other hand, thanks to the improved performance of industrial and commercial management and the greater absorption of fixed costs, EBITDA improved significantly from €26.3 million (13.5% of turnover) to €30.9 million (14.6% of turnover).

The reclassified income statement and balance sheet and several profitability ratios of the Parent Company are shown below:

Income Statement

	31/12/2014	31/12/2013	Change
Value of Production	67,994,163	69,053,792	(1,059,629)
External costs	45,943,497	47,993,616	(2,050,119)
Value added	**22,050,666**	**21,060,176**	**990,490**
Labour costs	14,161,324	13,362,069	799,255
EBITDA	**7,889,342**	**7,698,107**	**191,235**
Depreciation, amortisation, write-downs and other provisions	5,141,813	4,885,902	255,911
EBIT	**2,747,529**	**2,812,205**	**(64,676)**
Financial income and expense	2,131,989	(244,952)	2,376,941
Profit (loss) from ordinary operations	**4,879,518**	**2,567,253**	**2,312,265**
Net extraordinary items	(618,670)	2,930	(621,600)
EBT	**4,260,848**	**2,570,183**	**1,690,665**
Income taxes	(1,022,091)	(842,153)	(179,938)
Net profit (loss)	**3,238,757**	**1,728,030**	**1,510,727**

Balance sheet

	31/12/2014	31/12/2013	Change
Net intangible assets	19,792,185	18,529,575	1,262,610
Net property, plant and equipment	33,759,209	34,576,703	-817,494
Equity investments and other financial assets	67,761,287	34,762,093	32,999,194
Non-current assets	**121,312,681**	**87,868,371**	**33,444,310**
Inventories	5,444,741	4,432,073	1,012,668
Trade receivables and receivables from subsidiaries	28,547,138	28,178,008	381,461
Other receivables	3,323,365	3,607,468	-284,103
Accrued income and prepaid expenses	911,933	551,698	360,235
Current assets	**38,227,177**	**36,769,247**	**1,470,261**
Trade payables	47,353,220	42,712,606	4,652,945
Tax and social security payables	1,704,762	1,184,330	520,432
Other payables	4,036,534	3,265,864	770,670
Accrued liabilities and deferred income	161,642	113,537	48,105
Current liabilities	**53,256,158**	**47,276,337**	**5,992,152**
Net working capital	**-15,028,981**	**(10,507,090)**	**-4,521,891**
Provisions for risks and charges	10,306,418	5,847,685	4,458,733
Post-employment benefits	1,010,098	1,072,083	-61,985
Medium/long-term liabilities	**11,316,516**	**6,919,768**	**4,396,748**
Invested Capital	**94,967,184**	**70,441,513**	**24,525,671**
Shareholders’ Equity	52,139,190	36,490,543	15,648,647
Medium/long-term net financial position	40,367,590	38,131,634	2,235,956
Short-term net financial position	2,460,404	(4,180,664)	6,641,068
Own funds and net financial debt	**94,967,184**	**70,441,513**	**24,525,671**

	31/12/2014	***31/12/2013***
ROE	6.21%	4.74%
ROI	2.89%	3.99%
ROS	4.04%	4.07%
EBIT	2,747,529	2,812,205

Personnel

As at 31 December 2014, the number of Group employees came to 1,528, against 1,379 as at 31 December 2013. The Parent Company's employees increased during the year from 288 to 291.
During the year 12 study grants totalling €24,000 were provided to the children of employees.
The total cost of the performance bonus for Parent Company personnel came to roughly €775,000, equal to 24% of the net profit (loss) and 18% of earnings before taxes. The gross value per capita was around €2,400.

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 supervisors and the workers' health and safety representatives continued, by means of periodic meetings and analyses of the reports received.

Investments

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 Parent Company alone made around €2.3 million in investments.

The investments by company are summarised below:

In thousands of Euro	**INVESTMENTS**								
Category	**LUVE**	**SEST**	**SEST LUVE POLSKA**	**"OOO" SEST LUVE**	**HTS**	**LUVE CHANGSHU**	**TGD**	**OTHER**	**Total**
Land and buildings	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.

Financial position

Due to the extraordinary transactions performed during the year (acquisition of TGD S.p.A. for around €9 million, purchase of treasury shares for €13 million and extraordinary investments of around €6 million), the Group's financial position declined from -€29.1 million to -€49 million. Net of the extraordinary transactions noted above, the operating cash flow would have improved from €24.3 million to €28 million. The Parent Company's net financial position (including payables for principal on leases) went from -€34 million to -€43 million. The debt is all medium-term, and liquidity as at 31 December 2014 totalled around €12.7 million for the Parent Company and roughly €30 million for the Group.

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 Company 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 of the exposure 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.

Sales are mainly made in euros. The other currencies used are the Australian dollar for sales to the Melbourne branch and the US dollar, primarily for sales to the subsidiary LUVE Heat Exchangers Ltd (Changshu) in China.

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

Interest rate risk

With reference to the years ending on 31 December 2013 and 31 December 2014, the Company had net financial debt of around €34 million and around €43 million respectively, all floating rate.
The Company holds assets and liabilities sensitive to fluctuations in interest rates which are needed for the management of liquidity and financial requirements.

The main source of exposure to the risk in question for the Company originates from floating rate financial debt. This risk is managed by entering into agreements to hedge the risk, primarily using interest rate swaps.

Counterparty risk

To limit this risk, the financial risk management contracts described above 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 Company 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 Company 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 Company 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 in Emerging markets

The Company operates on a global scale, with a strong presence in a range of geographical markets and with 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 70% of total sales. This geographical diversity exposes the Company to risks deriving from its operations in multiple international markets, including the risk that changes in the political, socioeconomic, currency, regulatory or tax conditions of a geographical area may impact the Company's sales in that area.
To mitigate its exposure to these uncertainties, the Company carefully assesses all opportunities for growth in these countries, including by creating the appropriate alliances.

Risks related to competitive pressures

The market segments in which the Company 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 Company competes with other industrial groups of international significance.

In addition to continuous monitoring of the market, the Company 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 Company'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 Company relies on systematic relationships with important university centres and 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 (as explained in more detail in the dedicated paragraph), for reasons of prudence, the costs directly incurred for these investments are expensed in the period in which they are incurred.

Production process risks

The production activity carried out is by its very nature exposed to potential risks of interruption which, if they come to pass in a significant manner or for exceptionally long periods of time, could have adverse consequences on the continuity and regularity of sales.
To mitigate the effects caused by lasting interruptions in the production process, the Company 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. Good relationships already in place with the union organisations also help to reduce this risk.
In addition, to face losses arising from potential interruptions or damages in the production cycle, the Company has taken out adequate "loss of profit" insurance policies.

Production activities are also subject to compliance with environmental protection, health and safety regulations. To guarantee the proper application of these standards, the Company has created departments with specific verification and continuous monitoring duties.

FINANCIAL RISKS

Credit risk

The Company 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 Company 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 Company's net financial expense. The Company'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 Company 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 Company operates within an international context, its assets and transactions are denominated almost exclusively in euro. A part of sales and 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 Company 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.

Liquidity risk

The liquidity risk to which the Company 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 Company'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 Company 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 Company 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 Company 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 Company'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 Company 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 Company 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 Company 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 Company 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 a dedicated office, the Company 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. In 2011, the company was awarded the energy certification in accordance with the UNI CEI EN 16001 standard.

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.

RELATED PARTY TRANSACTIONS

Please note that related party transactions are carried out at arm's length conditions. Please refer to the next paragraph for information on transactions with Group companies.

PERFORMANCE OF THE SUBSIDIARIES

Industrial companies

Revenues from sales of SEST S.p.A. of Limana, a wholly-owned subsidiary (manufacture and marketing of static evaporators for refrigerated counters and display cabinets and heat exchangers intended for other applications) 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.

The turnover of Sest-Luve Polska S.p.zoo of Gliwice, 95% owned by Sest S.p.A. (manufacture and marketing of static evaporators for refrigerated counters and display cabinets) totalled €37.7 million, up by roughly 6% over the previous 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.

The turnover of OOO-Sest-LUVE di Lipetsk (Russia), 95% owned by Sest S.p.A. (manufacture and marketing of static evaporators for refrigerated counters and display cabinets) totalled €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.

The turnover of HTS S.r.o. of Novosedly (Czech Rep.), 90% held by the company (manufacture and marketing of heat exchangers for air conditioning and special applications), totalled €33.9 million, up 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 (Sweden), a wholly-owned subsidiary (manufacture and marketing of air cooled equipment) 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 (China), a wholly-owned subsidiary of LUVE Asia Pacific Ltd of Hong Kong (manufacture and marketing of commercial and industrial evaporators), 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. of Uboldo, 79.9% held by the company (close control air conditioners and filtering ceilings for surgical rooms and air conditioning for data and telephony centres) 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. of Travacò Siccomario (Pavia), 85% held by Sest S.p.A. (manufacture and marketing of doors and frames for refrigerated display cases) achieved turnover of roughly €10.8 million in its first year within the Group and a net loss of around €0.4 million after depreciation and amortisation and lease instalments of €0.9 million.

METALLUVE S.r.l. of Uboldo, a wholly-owned subsidiary since May (processing and painting of sheet metal parts, almost all of which are sold to Group companies) 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.

Sales Companies

LU-VE FRANCE Sarl of Lyon (71.9% held by the company) 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 of Stuttgart (wholly-owned subsidiary) 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 of Madrid (85% held by the company) 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 of Melbourne (75.5% held by the company) recorded turnover of €2.1 million (in line with 2013), with a net profit of approximately €30 thousand.

LU-VE Asia Pacific Limited of Hong Kong (wholly-owned subsidiary) recorded turnover of €1.4 million (+42% compared to 2013), with a net profit of approximately €200 thousand.

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

Transactions with Group companies recognised in the financial statements as at 31 December 2014 are summarised below (in thousands of Euro):

	Trade receivables	Trade payables	Financial receivables	Financial payables	Revenues	Costs
SEST SPA	245	109	468	28	-	179
SEST-LUVE-POLSKA	-	235	-	26,901	-	730
OOO SEST LUVE	165	-	-	-	290	-
HTS SRO	2,668	370	-	-	1,351	142
TECNAIR LV SPA	719	5	-	-	1,341	4
LUVE ASIA PACIFIC HK	492	123	6,125	-	182	20
LUVE SWEDEN AB	2,255	17	5,183	-	1,153	4
METALLUVE SRL	263	1,942	2,521	-	386	3,714
LUVE CHANGSHU	845	12	-	-	535	-
LUVE FRANCE	258	56	-	-	4,617	285
LUVE DEUTSCHLAND	359	18	-	-	1,730	279
LUVE IBERICA	2,539	-	1,755	-	3,720	-
LUVE PACIFIC	2,524	130	-	-	855	32
TGD	113	-	1,724	-	94	-
LUVE INDIA	-	-	-	-	-	-
TOTAL	13,445	3,017	17,776	26,929	16,254	5,389

Presentation of the consolidated financial statements

The Company has also prepared its consolidated financial statements as at 31 December 2014 in compliance with art. 27 of Decree Law 127/91. These financial statements will be filed along with the separate financial statements.

Research and development activities

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

Project 1 - 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.

Part of these projects are still under way and for their development, the Company incurred R&D costs of roughly €1.4 million during the year.

The cost incurred for the research and development noted above, in light of art. 2426, point 5 of the Italian Civil Code, national accounting standard no. 24 of the National Board of Certified Accountants and the National Board of Accountants revised by the Italian Accounting Standard Setter and in compliance with art. 108 of Italian Presidential Decree 917/86 (TUIR) as amended, was considered an operating expense and was recognised in full in the income statement. Although this is applied research and pre-competitive development meant to create a new, better product or production process, it is deemed that the broad statutory postulate of prudence should prevail, also in consideration of the fact that the recoverability of the expenses in question through future revenues (essential requirement for the capitalisation of R&D costs) is a subjective and uncertain assessment.

The positive outcome of such innovations could generate good results in terms of turnover, with favourable impacts on the company's economics.

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

OPENING MONTHS OF 2015: significant events and business outlook

On 23 January 2015, the framework agreement was entered into with ISI under terms compliant with those described in the opening part of this report and a joint Lu-Ve/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 LUVE 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 LUVE Admission Document will be prepared in June;
- the merger should be formalised in July, at the same time as LUVE'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%). During the period, the Parent Company LUVE S.p.A. recorded 15% more turnover than in 2014 (roughly €10.4 million against €9.1 million). 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.

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.

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.

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

As noted above, in the course of the year the Company 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.

Secondary offices

The Company carries out its activities at the registered office at via Caduti della Liberazione, 53, Uboldo, and has no secondary offices.

Dear shareholders,

We propose that you approve the financial statements we have presented to you and allocate the profit for the year of €3,238,757 as follows:

€161,938	to the legal reserve;
€3,076,819	to retained earnings.

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)

TAX CODE AND VARESE REGISTER OF COMPANIES no. 01570130128

VAT no. 01570130128

FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014

BALANCE SHEET

ASSETS	31/12/2014		31/12/2013	
A) SUBSCRIBED CAPITAL				
UNPAID	0		0	
B) NON-CURRENT ASSETS				
I - INTANGIBLE ASSETS				
4) Concessions, licences, trademarks and similar rights	6.412.262		7.162.316	
5) Goodwill	13.074.923		11.367.259	
6) Work in progress and payments on account	305.000		0	
TOTAL INTANGIBLE ASSETS (I)		19.792.185		18.529.575
II - PROPERTY, PLANT AND EQUIPMENT				
1) Land and buildings	27.195.350		27.194.690	
2) Plant and equipment	5.678.122		6.811.786	
3) Fixtures and fittings, tools and other equipment	394.148		306.440	
4) Other assets	275.440		207.787	
5) Work in progress and payments on account	216.149		56.000	
TOTAL PROPERTY, PLANT AND EQUIPMENT (II)		33.759.209		34.576.703
III - FINANCIAL ASSETS				
1) Equity investments in:				
a) Subsidiaries	55.864.451		25.286.179	
d) Other companies	5.269		5.269	
Total equity investments		55.869.720		25.291.448
2) Receivables:				
a) From subsidiaries				
- due within the year				
- due beyond the year	11.891.567		9.470.645	
Total receivables from subsidiaries		11.891.567		9.470.645
d) From others				
- due within the year	0		0	
- due beyond the year	0		0	
Total receivables from others		0		0
Total receivables		11.891.567		9.470.645
TOTAL FINANCIAL ASSETS (III)		67.761.287		34.762.093
TOTAL NON-CURRENT ASSETS (B)		121.312.681		87.868.371
C) CURRENT ASSETS				
I - INVENTORIES				
1) Raw materials, consumables and goods for resale	1.859.395		1.475.638	
2) Work in progress and semi-finished products	2.079.834		1.839.606	
4) Finished products and goods for resale	1.505.512		1.116.829	
TOTAL INVENTORIES (I)		5.444.741		4.432.073

II - RECEIVABLES		31/12/2014		31/12/2013
1) Trade receivables				
- due within the year	9.217.234		9.249.849	
Total trade receivables		9.217.234		9.249.849
2) From subsidiaries				
- due within the year	19.329.904		18.915.828	
Total receivables from subsidiaries		19.329.904		18.915.828
4 bis) Tax receivables				
- due within the year	1.436.947		1.555.259	
- due beyond the year	649.737		684.807	
Total tax receivables		2.086.684		2.240.066
4-ter) Prepaid taxes		883.214		994.800
5) From others				
- due within the year	353.467		372.602	
- due beyond the year	0		0	
Total receivables from others		353.467		372.602
TOTAL RECEIVABLES (II)		31.870.503		31.773.145
III - CURRENT FINANCIAL ASSETS				
1) Equity investments in subsidiaries		0		0
TOTAL CURRENT FINANCIAL ASSETS (III)		0		0
IV - CASH AND CASH EQUIVALENTS				
1) Bank and postal deposits	12.704.806		16.935.859	
3) Cash and valuables in hand	8.223		7.412	
TOTAL CASH AND CASH EQUIVALENTS (IV)		12.713.029		16.943.271
TOTAL CURRENT ASSETS (C)		50.028.273		53.148.489
D) ACCRUALS AND DEFERRALS				
- other accruals and deferrals	911.933		551.698	
TOTAL ACCRUALS AND DEFERRALS (D)		911.933		551.698
TOTAL ASSETS		172.252.887		141.568.558

LIABILITIES AND SHAREHOLDERS' EQUITY

		31/12/2014		31/12/2013
A) SHAREHOLDERS' EQUITY				
I - SHARE CAPITAL		10.945.800		9.000.000
II - SHARE PREMIUM RESERVE		24.762.200		9.574.000
III - REVALUATION RESERVES				
- Reserve Law 350/2003	273.366		273.366	
Total revaluation reserves		273.366		273.366
IV - LEGAL RESERVE		1.595.722		1.509.320
VII - OTHER RESERVES				
- Extraordinary reserve	11.323.346		14.263.176	
- Unrealised exchange gains reserve	0		142.652	
- Euro translation reserve	(1)		(1)	
Total other reserves		11.323.345		14.405.827
VIII - RETAINED EARNINGS (LOSSES)		0		0
IX - PROFIT (LOSS) FOR THE YEAR		3.238.757		1.728.030
TOTAL SHAREHOLDERS' EQUITY (A)		52.139.190		36.490.543
B) PROVISIONS FOR RISKS AND CHARGES				
2) Taxes		9.297.418		4.838.685
3) Others		1.009.000		1.009.000
TOTAL PROVISIONS FOR RISK AND CHARGES (B)		10.306.418		5.847.685
C) POST-EMPLOYMENT BENEFITS		1.010.098		1.072.083
D) PAYABLES				
3) Due to banks				
- due within the year	15.173.433		12.762.607	
- due beyond the year	40.367.590		38.131.634	
Total due to banks		55.541.023		50.894.241
4) Due to other lenders				
- due within the year	0		0	
- due beyond the year	0		0	
Total due to other lenders		0		0
6) Trade payables				
- due within the year	17.407.655		16.576.169	
Total trade payables		17.407.655		16.576.169
8) Due to subsidiaries				
- due within the year	29.945.565		26.124.106	
Total due to subsidiaries		29.945.565		26.124.106

		31/12/2014		31/12/2013
11) Tax payables				
- due within the year	587.629		1.184.330	
- due beyond the year	0		0	
Total tax payables		587.629		1.184.330
12) Due to social security institutions				
- due within the year	1.117.133		1.069.454	
Total due to social security institutions		1.117.133		1.069.454
13) Other payables				
- due within the year	4.036.534		2.196.410	
- due beyond the year	0		0	
Total other payables		4.036.534		2.196.410
TOTAL PAYABLES (D)		108.635.539		98.044.710
E) ACCRUALS AND DEFERRALS				
- other accruals and deferrals	161.642		113.537	
TOTAL ACCRUALS AND DEFERRALS (E)		161.642		113.537
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		172.252.887		141.568.558

MEMORANDUM ACCOUNTS

		31/12/2014		31/12/2013
1) Unsecured guarantees given				
a) Sureties in favour of:				
- subsidiaries	5.619.093		8.014.622	
Total unsecured guarantees given		5.619.093		8.014.622
2) Commitments				
a) Interest rate hedge	34.216.739		35.348.005	
b) Exchange rate hedge	27.936.087		11.401.600	
Total commitments		62.152.826		46.749.605
3) Other memorandum accounts				
a) Third-party goods at the company	506.268		914.928	
Total Other memorandum accounts		506.268		914.928

INCOME STATEMENT

		31/12/2014		31/12/2013
A) VALUE OF PRODUCTION				
1) Revenues from sales and services		65.525.467		67.469.550
2) Change in inventories of work in progress, semi-finished products and finished products		628.911		(258.895)
5) Other revenues and income				
a) operating grants	0		0	
b) others	1.839.785		1.843.137	
Total other revenues and income		1.839.785		1.843.137
TOTAL VALUE OF PRODUCTION (A)		67.994.163		69.053.792
B) COSTS OF PRODUCTION				
6) For raw materials, consumables and goods for resale		(32.623.773)		(33.528.827)
7) For services		(12.742.214)		(13.818.479)
8) For use of third-party assets		(606.056)		(588.577)
9) For personnel:				
a) Wages and salaries	(10.227.064)		(9.686.465)	
b) Social security costs	(3.298.115)		(3.069.650)	
c) Post-employment benefits	(636.145)		(605.954)	
e) Other costs	0		0	
Total personnel costs		(14.161.324)		(13.362.069)
10) Depreciation, amortisation and write-downs				
a) Amortisation of intangible assets	(2.359.904)		(2.084.098)	
b) Depreciation of property, plant and equipment	(2.659.142)		(2.677.018)	
c) Other write-downs on non-current assets	0		0	
d) Write-downs on current assets and cash and cash equivalents	(122.767)		(124.786)	
Total depreciation, amortisation and write-downs		(5.141.813)		(4.885.902)
11) Changes in inventories of raw materials, consumables and goods for resale		383.757		228.299
12) Provisions for risks		0		0
13) Other provisions		0		0
14) Other operating costs		(355.211)		(286.032)
TOTAL COSTS OF PRODUCTION (B)		(65.246.634)		(66.241.587)
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A) - (B)		2.747.529		2.812.205

C) FINANCIAL INCOME AND EXPENSE		31/12/2014		31/12/2013
15) Income from equity investments				
a) in subsidiaries	4.878.904		2.713.946	
b) in associates	0		0	
c) in other companies	0		0	
Total income from equity investments		4.878.904		2.713.946
16) Other financial income:				
d) other income				
- others	346.104		329.275	
Total other financial income		346.104		329.275
17) Interest and other financial expense				
a) from subsidiaries	0		0	
d) others	(3.260.035)		(2.733.769)	
Total interest and other financial expense		(3.260.035)		(2.733.769)
17 bis) Exchange gains and losses	167.016		(554.404)	
Total Exchange gains and losses		167.016		(554.404)
TOTAL FINANCIAL INCOME AND EXPENSE (C)		2.131.989		(244.952)
D) VALUE ADJUSTMENTS ON FINANCIAL ASSETS				
19) Write-downs				
a) of equity investments	0		0	
c) of other short-term securities	0		0	
Total write-downs		0		0
TOTAL VALUE ADJUSTMENTS ON FINANCIAL ASSETS (D)		0		0
E) EXTRAORDINARY INCOME AND EXPENSE				
20) Income				
- others	10.901		57.930	
Total income		10.901		57.930
21) Expense				
- others	(629.571)		(55.000)	
Total expense		(629.571)		(55.000)
TOTAL EXTRAORDINARY INCOME AND EXPENSE (E)		(618.670)		2.930
EBT (A-B+-C+-D+-E)		4.260.848		2.570.183
22) Income taxes for the year				
- current taxes	(1.377.803)		(1.328.893)	
- deferred taxes	355.712		486.740	
Total income taxes for the year		(1.022.091)		(842.153)
26) PROFIT FOR THE YEAR		3.238.757		1.728.030

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

On behalf of the Board of Directors
The Chairman

(Iginio Liberali)

LUVE S.p.A.

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

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014

STRUCTURE AND CONTENT OF THE FINANCIAL STATEMENTS

The separate financial statements were drafted in compliance with the regulations laid out by the Italian Civil Code, interpreted and supplemented by the Italian GAAP issued by the National Board of Accountants and Accounting Experts and the Italian Accounting Standard Setter.

The notes are provided to illustrate, analyse and in certain cases supplement the data from the financial statements, and contain the information required by art. 2427 of the Italian Civil Code, the other provisions of Italian Legislative Decree no. 127/1991 or other previous laws. In addition, the changes made to the above-mentioned regulations by the new legislative provisions ensuing from Italian Legislative Decree 6 of 17/01/2003 as amended regarding corporate law have also been taken into consideration.
Lastly, the 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.

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 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 the income statement for the year.
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.

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 dedicated 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 by also taking into account the residual useful life of the assets. 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 depreciation 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 depreciation, 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

The merger deficit arising from the merger by incorporation transaction that took place in 2008 was partially allocated to the carrying amount of equity investments.
This value 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 production 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.
Cash and cash equivalents denominated in foreign currency are measured at the year-end exchange rate.

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.

Post-employment benefits

They represent 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.

Finance lease transactions

Finance lease transactions are represented in the financial statements in accordance with the asset method, by accounting for instalments paid on an accrual basis in the income statement. The supplementary information required by law regarding the representation of finance lease agreements in accordance with the financial method is provided in the dedicated section of the notes.

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.

Dividends

Dividends are recognised in the income statement of the year in which they are approved.

Financial income and expense

Financial income and expense are recognised on an accrual basis.

Income taxes for the year

They are recognised based on estimated taxable income in compliance with provisions in force, taking into account applicable exemptions and tax receivables due.
Deferred tax liabilities and assets are calculated on temporary differences between the value of assets and liabilities determined in accordance with statutory criteria and the corresponding values recognised for tax purposes. They are measured by taking into account the assumed tax rate expected to be applicable to the Company in the year in which such differences will contribute to the formation of the tax profit (loss), considering the rates in force or already issued at the reporting date, and are recognised in the “provision for deferred taxes” in liabilities under provisions for risks and charges and in item 4 ter) and in the item “deferred tax assets” under current assets, respectively.
Deferred tax assets are recognised for all deductible temporary differences, in compliance with the principle of prudence, if there is reasonable certainty that in the years in which they will be reversed the taxable income will be no less than the amount of the differences to be cancelled.
On the other hand, deferred tax liabilities are recognised on all taxable temporary differences.
Deferred tax liabilities and assets are recognised on capital gains realised on disposals of equity investments, on accelerated depreciation and amortisation, on deficit amounts allocated to the trademarks, buildings, machinery and equity investments, 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

Receivables and payables originally expressed in foreign currencies, recognised based on the exchange rates in force at the date on which they arise, are aligned with current exchange rates at the reporting date. The exchange differences realised at the time of that translation 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 Company has subscribed derivative financial instruments (interest rate swaps and range bonus forwards) with leading financial institutions to cover the risk of fluctuations.
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 part of a transaction that changed LU-VE S.p.A.'s shareholding structure, on 23 October 2008 the Company completed the inverse merger by incorporation of the 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 €75,525,000, which was allocated to the assets on the basis of their 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	Deprec./ Amort. 2014	Residual amount at 31/12/2014	Tax effect 2014	Deprec./ Amort.
	(Euro/000)	(Euro/000)	(Euro/000)	-			(Euro/000)	
Land	15,688	-	15,688	-	0	15,688	4,926	N/A
Buildings	6,229	(214)	6,015	-	(214)	5,801	1,821	33 years
Plant and equipment	2,092	(557)	1,535	-	(557)	978	307	8 years
Trademarks	7,703	(717)	6,986	-	(717)	6,269	1,967	15 years
Goodwill	7,306	(680)	6,626	-	(680)	5,946	0	15 years
Equity investments	20,001	-	20,001	-	-	20,001	276	N/A
Total deficit	59,019	(2,168)	56,851	-	(2,168)	54,683	9,297	
Goodwill (Gross Up)	5,227	(486)	4,741	3,202	(814)	7,129	-	15 years
TOTAL	**64,246**	**(2,654)**	**61,592**	**3,202**	**(2,982)**	**61,812**	**9,297**	

The amounts allocated to land, buildings, plant and equipment and the trademark were supported by dedicated appraisals prepared by independent experts. The amount attributed to equity investments was calculated by the Directors using alternative measurement methods (asset, cash flow, etc.) and then substantially opting for the asset method. The details for the individual companies are provided in the dedicated notes.
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 €9,574,000.
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 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. 2423, paragraph 4, of the Italian Civil Code

Moreover, please note that in the annexed financial statements no exemptions were applied pursuant to paragraph 4 of art. 2423 of the Italian Civil Code.

Preparation of the consolidated financial statements

As the parent company, the Company is required to draft the consolidated financial statements as established by Italian Legislative Decree no. 127 of 9/4/1991. Therefore, the financial statements were prepared of the company LU-VE S.p.A. and of the subsidiaries listed below in the item equity investments.

NOTES TO THE BALANCE SHEET ITEMS - ASSETS

NON-CURRENT ASSETS

A dedicated statement has been prepared for intangible assets, property, plant and equipment and financial assets with the information required by art. 2427 of the Italian Civil Code, and is attached to these notes, of which it constitutes an integral part.

Intangible assets

The details are provided below (in thousands of Euro):

	Balance 31-12-2014	Balance 31-12-2013
- Concessions, licences, trademarks and similar rights	6,412	7,163
- Goodwill	13,075	11,367
- Work in progress and payments on account	305	-
Total	19,792	18,530

Concessions, licences, trademarks and similar rights included investments in application software and trademarks. Investments in software are amortised over a period of 3 years and trademarks for fifteen years (LU-VE S.p.A. trademark).
The increases during the year regarded the capitalisation of costs incurred for the development of the SAP ERP system (around €116,000).
With reference to goodwill, the value allocated in 2008 (in this regard, see the "Significant transactions" section) underwent an increase equal to the value of deferred taxes relating to the value of land on which the buildings are located following the change in the OIC 17 accounting standard (in this regard, please refer to the dedicated section).
In light of the measurements made, there are no recoverability issues relating to the asset.
The increase in work in progress referred to costs incurred during the year for consulting and support for the integration transaction with Industrial Stars of Italy Spa, described in detail in the Directors' Report, which will be completed only in 2015.

Property, plant and equipment

The details are provided below (in thousands of Euro):

	Balance 31-12-2014	Balance 31-12-2013
- Land and buildings	27,195	27,195
- Plant and equipment	5,678	6,812
- Fixtures and fittings, tools and other equipment	394	306
- Other assets	276	208
- Work in progress and payments on account	216	56
Total	33,759	34,577

The main investments for the year regarded the strengthening of air cooled equipment production lines.

The item Other assets was broken down as follows (in thousands of Euro):

	Balance 31-12-2014	Balance 31-12-2013
- Motor vehicles / forklifts	49	69
- Office furniture and fixtures	19	21
- Electronic machines	208	118
	--------------	--------------
Total	276	208
	========	========

In 2012, the Company terminated the real estate lease back agreement with Leasint S.p.A. relating to an industrial building and the annexed office building entered into in 2004.

The effects that would have been generated in shareholders' equity and the income statement by recognising the transaction in accordance with the financial method are described below (in thousands of Euro):

	Amount
Asset:	
a) Contracts in progress:	
Assets under finance lease at the end of the previous year, net of total depreciation at the end of the previous year	4,959
+ Assets acquired under finance lease during the year	
- Assets under finance lease redeemed during the year	-
- Depreciation for the year	238
+/- Value adjustments/write-backs on assets under finance lease	-
Assets under finance lease at the end of the year, net of total depreciation of €2,049,000	4,721
b) Assets redeemed	
Total higher value of redeemed assets, determined in accordance with the financial method, with respect to their net carrying amount at year-end	-

	Amount
c) Liabilities	
Implicit payables for finance lease transactions at the end of the previous year	-
+ Implicit payables arising during the year	-
- Principal repayments and redemptions during the year	-
Implicit payables for finance lease transactions at the end of the year	-
d) Reversal of initial balloon payment prepaid expense	
e) Reversal of accrued liabilities on lease instalments	4,386
f) Gross total effect at the end of the year (a+b-c-d+e)	
g) Tax effect	1,389
h) Effect on shareholders' equity at the end of the year (f-g)	2,997

The effect on the income statement may be represented as follows:

Reversal of finance lease transaction instalments	-
Recognition of financial expense on finance lease transactions	-
Recognition of:	
- depreciation:	238
- value adjustments/write-backs on assets under finance lease	-
Effect on EBT	238
Recognition of tax effect	50
Effect on profit (loss) for the year of the recognition of lease transactions with the financial method	188

An annexed statement lists the assets still held as at 31 December 2014 on which revaluations were carried out in accordance with specific laws in previous years.

Ordinary depreciation was calculated on the basis of rates deemed representative of the residual useful life of the relative property, plant and equipment. The following rates are applied:

Buildings	3%
Light constructions	10%
Plant and equipment	3% - 9% - 12.50%
Fixtures and fittings, tools and other equipment	20% - 35%
Motor vehicles and forklifts	20% - 25%
Electronic machines	20%
Office furniture and equipment	12%

As at 31 December 2014, the Company provided industrial properties and the attached land as collateral for payables recognised in the financial statements in the amount of €53,728,228. These are mortgages to guarantee medium-term loans taken out from different credit institutions for a total original amount of €39,400,000, currently amounting to €29,067,543.

Financial assets

Equity investments

The details are provided below (in thousands of Euro):

	Balance 31-12-2014	Balance 31-12-2013
Subsidiaries:		
- SEST S.p.A.	44,895	14,459
- TECNAIR LV S.p.A.	1,043	1,043
- METALLUVE S.r.l.	300	150
- LU-VE France S.a.r.l.	709	709
- HTS s.r.o.	7,485	7,485
- LU-VE Sweden AB	390	390
- LU-VE Iberica S.l.	145	168
- LU-VE Pacific pty Ltd	1	1
- LU-VE Asia Pacific Limited	13	13
- LU-VE Deutschland GmbH	868	868
- LU-VE India Corporation Private Ltd	15	-
	--------------	--------------

Total subsidiaries	55,864	25,286
	========	========

The **other companies** are:

- Industria e Università S.r.l.	5	5
- CONAI	-	-
	--------------	--------------
Total other companies	5	5
	========	========

A dedicated list indicating the information required by art. 2427 of the Italian Civil Code, point no. 5 is provided in an annex. The financial statements as at 31 December 2014 of several investees show a carrying amount higher than the corresponding share of shareholders' equity. These separate financial statements do not reflect write-downs or provisions to cover those differences, as they are not considered to be impairment losses, since the companies are expected to be capable of making up for them through future profits. With reference to those investees (LU-VE Sweden, LUVE Pacific, LU-VE Iberica and LU-VE Asia Pacific HK), plans are in place to strengthen and improve the competitiveness of the range, which are expected to provide good results in terms of an increase in sales and growth in margins, and therefore lead to cancelling out those negative spreads in the medium term.
Several extraordinary transactions were carried out in 2014 with the aim of strengthening the company and maximising all possible synergies.
The increase in the Sest S.p.A. equity investment was the effect of the equity investment restructuring process which started in July and was completed with LUVE S.p.A. gaining ownership over 100% of Sest S.p.A.
In addition, in May the remaining 50% of Metalluve S.r.l. was acquired for €150,000, equal to the nominal value of the shares. After that acquisition, the Group gained full control over Metalluve S.r.l.
In 2014, 13.33% of LUVE Iberica S.l. (recognised in the financial statements for around €22,000) was sold to the local General Manager for around €19,000, resulting in a capital loss of roughly €3,000.
During the year 2014, the share capital of LUVE India Corporation Private Limited (roughly €1,000) was paid in. Accessory costs of around €14,000 were capitalised on the value of the equity investment. As at 31 December 2014, the company was not yet operational.
For further details, please refer to the dedicated section of the Directors' Report.

Receivables

a) From subsidiaries

They amounted to roughly €11,891,567 (increase of €2,420,922 compared to the previous year) and included:

- around €1,755,000 for a long-term loan granted to the subsidiary LU-VE Iberica s.l. (unchanged in 2013);
- around €6,125,000 for a long-term loan granted to the subsidiary LU-VE Asia Pacific Limited of Hong Kong (increased by roughly €2,730,000 in 2013). In the past, the subsidiary used part of that loan to subscribe 100% of the share capital of LU-VE Heat Exchangers (Changshu) Limited in China.
- around €4,011,000 for a long-term loan granted to the subsidiary LU-VE Sweden AB (increased by roughly €780,000 in 2013). The subsidiary used that loan, in 2011 and in 2012, for the acquisition of a business unit that manufactures air cooled equipment in Sweden.

The long-term loan granted to the subsidiary LU-VE Heat Exchangers (Changshu) Limited in China which amounted to around €1,090,000 in 2013, was repaid in full.

CURRENT ASSETS

Inventories

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

	Balance at 31-12-2014	Balance at 31-12-2013
Raw materials and consumables	2,204	1,821
Work in progress and semi-finished products	2,080	1,840
Finished products	1,806	1,416
Provision for inventory losses	(645)	(645)
Total	5,445	4,432

The provision for inventory losses was recognised to adjust the inventories of several raw materials (for €345,000) and finished products (for €300,000) to market values.
This provision was deemed consistent in light of analyses conducted during the year, and therefore it did not change at all compared to the previous year.

Receivables

Trade receivables

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

	Balance at 31-12-2014	Balance at 31-12-2013
Trade receivables	7,935	7,658
Collection orders at banks for collection	2,668	3,126
Collection orders in portfolio	162	71
Bills of exchange in portfolio	180	-
Bad debt provision	(1,728)	(1,605)
Total	9,217	9,250

All trade receivables were due within the subsequent year and derived from normal commercial transactions. The value of receivables was substantially aligned with the previous year.

The bad debt provision amounted to around €1,728,000, of which roughly €1,276,000 was tax deductible (pursuant to art. 106 of Italian Presidential Decree 917/1986), while the remainder (€452,000) was subject to taxation.
During the year, a tax deductible provision of roughly €123,000 was recognised.

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

Country	Amount
Italy	5,839
EU Countries	3,805
Non-EU	1,301
Bad debt provision	(1,728)
Total	9,217

From subsidiaries

This item included receivables deriving from commercial and other transactions. All receivables were due within the subsequent year. The details are provided below (in thousands of Euro):

	Balance at 31-12-2014	Balance at 31-12-2013
TECNAIR LV S.p.A. (Italy)	719	1,808
LU-VE France S.a.r.l. (France)	258	1,971
SEST S.p.A. (Italy)	713	320
OOO SEST LUVE (Russia)	165	112
TGD Spa (Italy)	1,837	-
HTS s.r.o. (Czech Republic)	2,668	4,467
LU-VE Sweden AB (Sweden)	3,427	1,076
Metalluve S.r.l. (Italy)	2,784	2,970
LU-VE Pacific pty Ltd (Australia)	2,524	2,315
LU-VE Deutschland GmbH (Germany)	359	662
LU-VE Iberica S.l. (Spain)	2,539	2,354
LUVE Heat Exchangers (Changshu) Limited (China)	845	551
LUVE Asia Pacific Ltd (Hong Kong)	492	310
Bad debt provision	-	-
Total	19,330	18,916

The change for the year was also attributable to receivables from TGD, a company that was acquired in 2014 and was not included in the financial statements last year.

Tax receivables

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:		
Total payable within the year	1,325	1,395
Due from the tax authorities for payments on account of direct taxes art. 1, law 106/2011	35	-
Other	77	160
Total payable beyond the year	1,437	1,555
Payable beyond the year:		
Due from the tax authorities for IRAP (proposed legislation of 6/12/2011)	650	650

Due from the tax authorities for payments on account of direct taxes art. 1, law 106/2011	-	35
	-------------	-------------
Total payable beyond the year	650	685
	-------------	-------------
Total tax receivables	2,087	2,240
	=========	=========

The tax receivables due within the year consisted primarily of the VAT receivable and the reclassification of receivables relating to the tax bonus for research and development projects assigned to universities pursuant to law 106/2011, art. 1, which became payable within the subsequent year.
The remainder consisted of other receivables from the tax authorities.

Tax receivables payable beyond the year, equal to approximately €650,000, also including the receivable due to the subsidiary Sest S.p.A., which participates in the tax consolidation, referred to the refund request due to the deductibility of IRAP from IRES for the period 2007-2011 (proposed legislation of 6/12/2011).

Deferred tax assets

They amounted to €883,214 and related to prepaid taxes calculated on temporary differences between the statutory profit and the taxable amount.

Recognition of deferred tax liabilities and assets and resulting effects:

	FY 2013		FY 2014	
	Amount of temporary differences	tax effect	Amount of temporary differences	tax effect
Deferred tax assets:				
Taxed provisions	2,066,023	(631,102)	2,066,023	(631,102)
Unpaid remuneration to Directors	304,744	(83,805)	643,722	(177,024)
Unrealised exchange delta	453,258	(124,646)	(311,528)	85,670
Financial expense that may be carried forward	1,187,989	(326,697)	1,187,989	(326,697)
Other	-	-	-	-
Total	4,012,014	(1,166,250)	3,586,206	(1,049,153)
Deferred tax liabilities:				
Depreciation and amortisation	(580,682)	171,450	(563,130)	165,938
Total	(580,682)	171,450	(563,130)	165,938
Net deferred tax liabilities (assets)		(994,800)		(833,214)
Deferred tax assets relating to tax losses for the year		-		-
Deferred tax assets relating to tax losses for the previous year		-		-
Temporary differences excluded from the calculation of deferred tax (assets) and liabilities:	-		-	
Tax losses that may be carried forward	-		-	
Shareholders' equity	3,431,332		3,023,076	

The total item was shown net of deferred tax liabilities, commented on in the dedicated section, as it was deemed that the recovery timing was substantially aligned and there was a legal right to offset.

It amounted to €9,297,418 and referred to deferred taxes recognised on the merger deficit that arose in 2008, allocated to asset items. It increased by €4,458,733 following the recognition, in the year in question, 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.

From others

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

	Balance at 31-12-2014	Balance at 31-12-2013
- Advances to employees and suppliers	262	254
- Others	91	119
	--------------	--------------
Total receivables from others	353	373
	========	========

Cash and cash equivalents

Cash and cash equivalents amounted to €12,713,029, down by €4,230,242 compared to the previous year. For further details, please refer to the statement of cash flows attached to these notes.

ACCRUED INCOME AND PREPAID EXPENSES

They amounted €911,933, up by €360,235 compared to the previous year (they totalled approximately €551,698 as at 31/12/2013), and included:

- around €403,000 for the remainder of bank fees paid to obtain the loan from Banca Popolare di Milano (please refer to the item "Due to banks"); these fees are charged to the income statement throughout the term of the loan;
- around €80,000 for the advisory costs incurred to obtain the loan mentioned above (these costs are also charged to the income statement throughout the term of the loan);
- around €125,000 for the costs incurred to obtain the medium/long-loans disbursed in 2014, charged to the income statement throughout the term of the loans;
- around €303,000 for other prepaid expenses (relating to maintenance agreements, rentals, trade fairs, advisory services and fees applicable to the year 2015).

NOTES TO THE BALANCE SHEET ITEMS - LIABILITIES

SHAREHOLDERS' EQUITY

Comments on the main classes making up shareholders' equity and the relative changes 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 €10,945,800. 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 €24,762,200) was initially 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 €273,366, relating to the remainder of the asset balances from inflation resulting from the application of Law 350/2003.

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 €1,595,722, an increase of €86,402 with respect to the previous year due to the allocation of the profit from 2013.

Other reserves - Extraordinary reserve

This amounted to €11,323,346 and consisted of profits from previous years not allocated to the Legal reserve or distributed in the form of dividends.
In 2014, this reserve included undistributed profits from 2013 of €1,641,629 and a reclassification of the reserve for unrealised exchange gains in the amount of €142,652. If distributed, €152,012 of this reserve will be subject to an adjustment tax.
Further changes in the reserve were related to the distribution of approved dividends of €3 million, as per the minutes dated 26 June 2014, 50% of which were paid during the year and the remainder of which was recognised under other payables, and the effect of €1,724 deriving from the introduction of the new OIC 25 accounting standards, as described in full 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.

Other reserves - Unrealised exchange gains reserve

At the time of the allocation of the profit (loss) for the year as at 31 December 2013, this reserve was reclassified in full to the Extraordinary reserve as no profits emerged from the process of measuring items in foreign currency at year-end exchange rates.

Profit for the year

This included the profit for the year of €3,238,757, while in 2013 it amounted to €1,728,030.

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	-	-	-
Extraordinary reserve	11,323	A,B,C	11,323	-	-
Share premium reserve	24,762	A,B,C	24,762	-	-
Revaluation reserve	273	A,B,C	273	-	-
Total	48,900		36,216	-	-
Non-distributable portion	12,684				
Residual distributable portion	36,216				

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

PROVISIONS FOR RISKS AND CHARGES

For taxes, including deferred

It amounted to €9,297,418 and referred to deferred taxes recognised on the merger deficit that arose in 2008, allocated to asset items. It increased by €4,458,733 following the recognition, in the year in question, 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

They totalled €1,009,000 (unchanged during the year). €705,000 referred to the product warranty provision and €304,000 to the provision for agents' leaving indemnities.
These provisions did not change at all compared to the previous year, as they were deemed consistent in light of analyses conducted during the year.

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 (COMETA) or supplementary funds.

Post-employment benefits changed as follows (in thousands of Euro):

Balance 31/12/2013	1,072
Increases	636
Decreases	(698)
Balance 31/12/2014	1,010

PAYABLES

Comments on the breakdown and changes during the year 2014 of items within this category are provided below.

Due to banks

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

	Balance at 31/12/2014				Balance at 31/12/2013
		Maturity in years			
	Total	Within 1	From 2 to 5	More than 5	Total
Bank liabilities	-	-	-	-	247
Advances on export transactions	-	-	-	-	-
Loans	55,541	15,173	37,154	3,213	50,647
Total debt	55,541	15,173	37,154	3,213	50,894

During the year the following were taken out:

- a medium/long-term mortgage loan for a total of €15,400,000 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. €5,400,000 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 €5,000,000 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 €4,000,000 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.

With reference to the loan obtained in 2008 from Banca Popolare di Milano S.c.a.r.l. for a total of €58,800,000, with a residual value as at 31 December 2014 of €12,976,204, at the reporting date all covenants laid out in the agreement had been respected.

The Company had six mortgage-backed floating rate medium-term loans recognised on buildings in favour of the disbursing institution, as already described in the item Property, plant and equipment.
For some of the loans outstanding, in order to reduce the risk of fluctuations in interest rates, the Company has subscribed derivative financial instruments (interest rate swaps) with leading financial institutions, as shown in the table below (in Euro):

BANK	**RESIDUAL DEBT as at 31/12/2014**	**HEDGE from IRS**
INTESA SANPAOLO	2,915,320	2,381,829
BANCA POP. MILANO	28,376,204	20,770,106
DEUTSCHE BANK	2,225,000	1,300,000
GE CAPITAL INTERBANCA	7,000,000	7,000,000
UBI BANCA	9,285,714	2,142,857
CARIPARMA	4,000,000	621,947
CREDITO EMILIANO	1,738,785	-
	55,541,023	**34,216,739**

The mark to market evaluation of these transactions as at 31 December 2014 was negative by around €1,119,425, as noted in the comments to memorandum accounts.

Maturities of financial payables

For greater clarity, the net debt to the banking system and other lenders is summarised below by maturity, with the exception of payables for lease instalments (in thousands of Euro):

	Maturity in years				Balance 31/12/2013
	By the end of 2015	From 2 to 5	More than 5	Total	
Due to banks	(15,173)	(37,155)	(3,213)	(55,541)	(50,894)
Due to other lenders	-	-	-	-	-
Due from banks	12,705	-	-	12,705	16,936
Total	(2,468)	(37,155)	(3,213)	(42,836)	(33,958)

Short-term assets referred to temporary uses of liquidity with the banking system.

Trade payables

Trade payables totalled €17,407,655, up by €831,486 compared to the previous year, and were all due within the next twelve months. They referred to acquisitions of goods for resale, the provision of services and investments in non-current assets.

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

Country	Amount (in thousands of Euro)
Italy	15,155
EU Countries	1,785
Other countries	468
Total	17,408

Due to subsidiaries

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

	Balance at 31-12-2014	Balance at 31-12-2013
SEST-LUVE-POLSKA sp.z.o.o. (Poland)	27,136	17,285
Metalluve S.r.l. (Italy)	1,942	1,621
Tecnair LV S.p.A. (Italy)	5	8
LU-VE France S.a.r.l. (France)	56	127
Sest Spa	137	6,567
HTS	370	224
LU-VE Sweden AB (Sweden)	17	12
LU-VE Pacific pty Ltd (Australia)	130	128
LU-VE Deutschland GmbH (Germany)	18	38
LUVE Asia Pacific Ltd (Hong Kong)	123	114
LUVE Heat Exchangers (Changshu) Limited (China)	12	-
Total	29,946	26,124

Payables to Metalluve S.r.l. related to supplies of semi-finished products, payables to SEST-LUVE-POLSKA sp.z.o.o. of roughly €26,901,000 referred to interest-bearing loans disbursed in 2014 and all other payables consisted primarily of fees on sales and services we ordered and on our behalf.

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		
Due to the tax authorities for:		
- tax withholdings for personal income tax	401	447
- taxes for the year	187	737
Total tax payables within the year	588	1,184

Due to social security institutions

This item totalled €1,117,133, a slight increase with respect to the previous year (€1,069,454).
It referred to payables at year-end to these institutions for amounts due from the Company and employees based on regulations in force as well as the national collective labour agreement and the supplementary company employment contract.

Other 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		
Due to employees	854	801
Provision for holidays and reduced working hours for employees	862	778
Due to directors and statutory auditors	671	489
Due to agents	140	126
Due to shareholders for dividends	1,500	-
Other	10	2
Total within the year	4,037	2,196
Total	4,037	2,196

The payable to employees consisted of December wages and salaries as well as the 2014 performance bonus provided under the supplementary company employment contract. The amount due to shareholders for dividends consisted of the remainder of the dividends of €3 million approved as per the ordinary shareholders' meeting minutes of 26 June 2014, 50% of which were paid during the year.

ACCRUED LIABILITIES AND DEFERRED INCOME

They totalled €161,642 and referred to the amounts not attributable to the year of two European Union research project contributions (€78,175) and interest expense not applicable to the period (€83,467).

MEMORANDUM ACCOUNTS

Sureties given

As at 31 December 2014, there were sureties in favour of banks that granted credit lines to our subsidiaries totalling €5,619,093. Compared to last year, several subsidiaries finished repaying credit lines granted to them and therefore the guarantee commitment from the parent company was also terminated, while certain others opened new credit lines, for which the parent company provided the relative commitment.

Commitments

Commitments for interest rate hedges (€34,216,739) referred to the nominal amount of derivative instruments subscribed to hedge medium/long-term loans (see the item Due to Banks) 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 2014 showed a negative fair value of roughly €1,119,000.

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.

Other memorandum accounts

They totalled €506,268 (€914,928 as at 31 December 2013) and referred to third-party goods held temporarily in the Company warehouses.

NOTES TO THE INCOME STATEMENT ITEMS

VALUE OF PRODUCTION

This item amounted to €67,994,163, down 1.53% compared to the previous year. The amounts referred to the following items:

Revenues from sales and services

Revenues from the sale of goods and the provision of services were broken down as follows (in thousands of Euro):

	2014	2013
Revenues from the sale of goods		
- Products from ordinary business	66,663	68,469
- Returns, price differences, discounts and allowances	(1,137)	(999)
Total	65,525	67,470

Gross revenues by geographical area (in thousands of Euro):

	2014	2013
Italy	16,233	16,820
Europe (excluding Italy)	36,075	36,629
Other countries	14,355	15,020
Total	66,663	68,469

In 2014 there was a decline of around 1.5% in net turnover.
Sales to subsidiaries came to roughly €15,918,000, down by around 16% compared to last year.

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

This amounted to €628,911.

Other revenues and income

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

	2014	2013
Others:		
- Transport expenses charged back to customers	206	247
- Sales of scrap, packaging and sundry materials	212	293
- Capital gains on asset disposals	-	26
- Insurance reimbursements	33	1
- Other intra-group revenues	372	764
- Others	1,016	512
Total other revenues and income	1,840	1,843

COSTS OF PRODUCTION

For raw materials, consumables and goods for resale

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

	2014	2013
Raw materials, semi-finished products, packaging and finished products	31,440	32,879
Other acquisitions	1,184	650
	32,624	33,529

During the year, acquisitions of €3,429,683 (€3,998,162 in 2013) were made from subsidiaries (primarily Metalluve S.r.l.).

For services

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

	2014	2013
Maintenance expenses	1,137	1,276
Expenses for energy, telephone, telex, etc.	1,544	1,758
Commission expense	268	306
Advertising and promotional expenses	442	379
Transport expenses	1,568	1,572
General and advisory expenses	2,907	3,636
Research and development expenses	318	364
Travel expenses	541	490
External processing	3,078	3,537
Sundry personnel costs	450	416
Expenses for production services	489	84
Total	12,742	13,818

General and advisory expenses included remuneration paid to the corporate bodies of around €681,000, of which roughly €644,000 to Directors and roughly €37,000 to the Board of Statutory Auditors (around €689,000 and around €34,000, respectively, as at 31 December 2013) and fees paid to the auditing firm of around €58,000.
Costs for services included costs to the subsidiaries of around €886,000 (€1,034,000 as at 31 December 2013).

For use of third-party assets

They amounted €606,000, a net decline compared to the previous year (approximately €589,000). They referred to fees for the rental of electronic machines, industrial equipment, forklifts and motor vehicles of around €519,000 and lease instalments for an industrial building and an office building of roughly €87,000.

For personnel

The breakdown of these costs is provided in the income statement.
Personnel costs totalled €14,161,324, a slight increase with respect to the previous year (€13,362,069).

During the year, 16 people were hired and 13 resigned. The average number of employees during the period was 291 (285 in 2013).
The breakdown of the workforce at the end of 2014 and 2013 was as follows:

	31/12/2014	31/12/2013
Executives	11	10
Middle managers	4	4
White collar workers	93	88
Intermediaries	8	8
Blue collar workers	175	178
Total	291	288

Depreciation, amortisation and write-downs

Amortisation of intangible assets and depreciation of property, plant and equipment totalled €5,019,046, and referred only to ordinary amortisation and depreciation.

Ordinary depreciation and amortisation accounted for in 2014 and relating to the merger deficit allocated to asset items (see "*Significant transactions*" section) totalled €2,982,000, broken down as follows:
- trademarks: approximately €717,000;
- goodwill: around €1,494,000;
- buildings: approximately €214,000;
- plant and equipment: approximately €557,000.

Write-downs of current receivables and cash and cash equivalents (€122,767) referred to the amount recognised in the bad debt provision, as already commented on in "Trade receivables".

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

This amounted to €383,757.

Other operating costs

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

	2014	2013
Non-income taxes and duties	262	218
Membership and entertainment expenses	35	32
Other	58	36
Total	355	286

FINANCIAL INCOME AND EXPENSE

Net financial expense came to €2,131,989 (income of €244,952 as at 31/12/2013).

Income from equity investments

Income from equity investments in subsidiaries (roughly €4,878,000) referred to dividends received from LU-VE France S.a.r.l. (around €109,000), HTS Heat Transfer System s.r.o. (around €1,000,000), Tecnair LV S.p.A (around €239,000) and SEST S.p.A. (roughly €3,530,000).

Other financial income

Other income - others

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

	2014	2013
Interest income from banks	4	2
Other interest income	5	57
Intra-group interest income	337	270
Total	346	329

Intra-group interest income came from LU-VE Iberica S.l. (approximately €5,000), Metalluve S.r.l. (around €72,000), TGD Spa (around €15,000), LU-VE Sweden AB (around €48,000), LU-VE Asia Pacific Ltd Hong Kong (around €168,000) and LUVE Heat Exchangers Changhsu (around €28,000).

Interest and other financial expense

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

	2014	2013
Others:		
Bank interest expenses and fees	752	531
Interest expense on loans	2,395	2,110
Other interest expense	113	93
Total interest and other financial expense	3,260	2,734

Interest expense on loans included interest to Group companies of around €746,000 (around €499,000 in 2013).

Exchange gains and losses

	2014	2013
Exchange gains	373	139
Exchange losses	(206)	(693)
Total	167	554

EXTRAORDINARY INCOME AND EXPENSE

The balance of this item was around -€618,670 (positive amount of roughly €3,000 as at 31 December 2013). The change was mainly due to the tax assessment settlement signed on 23 December 2014 equal to €433,000 after the Italian Revenue Agency report was received in July.

Income taxes for the year

- Current taxes

They totalled €1,377,803 (of which €794,155 for IRES and €583,648 for IRAP) and referred to taxes for the year.

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	+19.72%	+29.56%
Dividends	-29.91%	-27.59%
IRAP deductible from IRES	-2.65%	-4.13%
Motor vehicle costs	+0.77%	+1.25%
SUPPORT FOR ECONOMIC GROWTH (ACE)	-1.59%	-1.58%
Non-deductible taxes	+1.47%	+1.95%
Actual rate	18.23%	26.96%

- Deferred taxes

They were positive by €355,712 and were calculated on differences between the statutory profit and the taxable income as already described in detail in the balance sheet under Deferred tax assets and Provisions for risks and charges - Taxes.

Profit for the period

This included the profit for the period of €3,238,757, while in 2013 it amounted to €1,728,030.

On behalf of the Board of Directors
The Chairman

Iginio Liberali
Uboldo, 20 March 2015

ATTACHMENTS TO THE FINANCIAL STATEMENTS

These attachments were prepared pursuant to art. 2427 of the Italian Civil Code and contain information in addition to that provided in the Notes, of which they constitute an integral part.

LU-VE S.p.A. STATEMENT OF CASH FLOWS	2014	2013
A. Cash flows from operating activities	Euro/1000	Euro/1000
Profit (loss) for the year	3,239	1,728
Income taxes	1,022	842
Interest expense/(interest income)	2,729	5,011
(Dividends)	-4,879	-2,714
(Capital gains)/capital losses from asset disposals	0	-27
1. Profit (loss) for the year before income taxes, interest, dividends and capital gains/losses from disposals	**2,111**	**4,840**
Provisions	759	731
Depreciation and amortisation of non-current assets	5,019	4,761
Other adjustments for non-monetary elements	-105	18
Adjustments for non-monetary elements with no matching entry in net working capital	**5,673**	**5,510**
2. Cash flow before changes in net working capital	**7,784**	**10,350**
Changes in inventories	-1,013	31
Changes in trade receivables (including intra-group)	-504	-5,234
Changes in trade payables (including intra-group)	4,653	7,699
Changes in accrued income and prepaid expenses	-386	-96
Changes in accrued liabilities and deferred income	96	71
Other changes in net working capital	1,575	-197
Changes in net working capital	**4,421**	**2,274**
3. Cash flow after changes in net working capital	**12,205**	**12,624**
Interest received/(paid)	-2,646	-5,011
(Income taxes paid)	-1,378	-1,329
Dividends received	4,879	2,714
(Use of provisions)	4,116	-598
Other adjustments	**4,971**	**-4,224**
Cash flow from operating activities (A)	**17,176**	**8,400**
B. Cash flows from investing activities		
(Investments)	-1,898	-1,997
Realisable value disinvestments	56	133
Property, plant and equipment	**-1,842**	**-1,864**
(Investments)	-3,623	-157
Realisable value disinvestments	0	0
Intangible assets	**-3,623**	**-157**
(Investments)	-32,999	-582
Realisable value disinvestments	0	0
Financial assets	**-32,999**	**-582**
(Investments)	0	0
Current financial assets	**0**	**0**
Cash flow from investing activities (B)	**-38,464**	**-2,603**
C. Cash flows from financing activities		
New loans	24,400	17,000
Repayment of loans	-19,753	-12,840
Third-party resources	**4,647**	**4,160**
Changes in share capital (collections and repayments)	13,910	0
Disposal (purchase) of treasury shares	0	0
Dividends (and advances on dividends) paid	-1,500	0
Own funds	**12,410**	**0**
Cash flow from financing activities (C)	**17,057**	**4,160**
Cash and cash equivalents as at 1 January	16,943	6,985
Changes in cash and cash equivalents (A ± B ± C)	-4,230	9,958
Cash and cash equivalents as at 31 December	**12,713**	**16,943**

LU-VE S.p.A.

STATEMENT OF CHANGES IN NON-CURRENT ASSETS
FOR THE YEAR ENDING ON 31 DECEMBER 2014

(Euro/000)

	Opening balance					Changes during the year							Closing balance					
	Original cost	Rev.	Alloc. deficit	Provisions for Deprec./Amort. 01.01.14	Balance 01.01.14	Acquis.	Recl. Historical Cost	Alloc. Merger deficit	Reclas. Provision for Merger Deficit	Disinv. (gross)	Disinv. (provision)	Depreciation/Amortisation	Original cost	Reval.	Alloc. Deficit	Reclas.	Provisions for Deprec./Amort. 31/12/14	Balance 31/12/14
INTANGIBLE ASSETS																		
Start-up and expansion costs	4	-	-	(4)	-	-	-	-	-	-	-	-	4	-	-	-	(4)	-
Concessions, licences and trademarks	3,127	-	10,750	(6,715)	7,162	116	-	-	-	-	-	(866)	3,243	-	10,750	-	(7,581)	6,412
Goodwill	-	-	17,488	(6,121)	11,367	-	-	4,926	(1,724)	-	-	(1,494)	0	-	17,488	3,202	(7,615)	13,075
Other	99	-	-	(99)	-	-	-	-	-	-	-	-	99	-	-	-	(99)	-
Work in progress and payments on account	-	-	-	-	-	305	-	-	-	-	-	-	305	-	-	-	-	305
Total	**3,231**	**-**	**28,238**	**(12,939)**	**18,530**	**421**	**-**	**4,926**	**(1,724)**	**-**	**-**	**(2,360)**	**3,651**	**-**	**28,238**	**3,202**	**(15,299)**	**19,792**
PROPERTY, PLANT AND EQUIPMENT																		
Land and buildings	9,191	5	22,827	(4,828)	27,195	462	-	-	-	-	-	(462)	9,653	5	22,827	-	(5,290)	27,195
Plant and equipment	30,219	4,007	4,459	(31,873)	6,812	757	-	-	-	-	-	(1,890)	30,976	4,007	4,459	-	(33,763)	5,678
Fixtures and fittings, tools and other equipment	8,853	2,559	-	(11,105)	307	320	-	-	-	-	-	(233)	9,173	2,559	-	-	(11,338)	394
Other assets	3,022	-	-	(2,815)	207	143	-	-	-	-	-	(74)	3,165	-	-	-	(2,889)	276
Work in progress and payments on account	56	-	-	-	56	216	-	-	-	(56)	-	-	216	-	-	-	-	216
Total	**51,340**	**6 .571**	**27,286**	**(50,621)**	**34,577**	**1,898**	**-**	**-**	**-**	**(56)**	**-**	**(2,659)**	**53,182**	**6,571**	**27,286**	**-**	**(53,280)**	**33,759**

LU-VE S.p.A.

LIST OF EQUITY INVESTMENTS IN SUBSIDIARIES AS AT 31 DECEMBER 2014 (ART. 2427 NO. 5 ITALIAN CIVIL CODE)

(share capital fully paid in)

			Shareholders' Equity (€)		Profit (loss) for the year (€)			Differences	
Company name	Registered office	Share capital (local currency)	Total amount	Pro-rata amount (A)	Total amount	Pro-rata amount	Stake	Carrying amount (B)	(A - B)
- SEST S.p.A.	Limana (BL)	EUR 1,000,000	28,898,673	28,898,673	4,866,974	4,866,974	100.00%	44,894,885	(15,996,212)
- Heat Transfer Systems s.r.o. (HTS)	Novosedly (Czech Rep.)	CZK 133,300,000	11,500,665	10,350,598	2,323,109	2,090,798	90.00%	7,485,253	2,865,345
- TECNAIR LV S.p.A.	Uboldo (VA)	EUR 200,000	2,536,859	2,026,950	647,663	517,483	79.90%	1,043,108	983,842
- METALLUVE S.r.l.	Uboldo (VA)	EUR 300,000	206,012	206,012	26,515	26,515	100.00%	300,000	(93,988)
- LU-VE France s.a.r.l.	Lyon (France)	EUR 84,150	1,122,650	807,635	40,546	29,168	71.94%	709,338	98,297
- LU-VE Pacific pty ltd	Melbourne	AUD 200,000	(1,201,492)	(907,127)	70,313	53,087	75.50%	1	(907,128)
- LU-VE Sweden AB	Asarum (Sweden)	SEK 50,000	(3,298,185)	(3,298,185)	(1,500,392)	(1,500,392)	100.00%	390,448	(3,688,633)
- LU-VE Deutschland GmbH	Stuttgart (Germany)	EUR 230,000	679,945	679,945	(213,022)	(213,022)	100.00%	868,001	(188,056)
- LU-VE Iberica s.l.	Madrid (Spain)	EUR 180,095	(1,269,429)	(1,079,015)	198,175	168,449	85.00%	145,285	(1,224,300)
- LU-VE Asia Pacific	Hong Kong	HKD 10,000	(1,139,917)	(1,139,917)	181,199	181,199	100.00%	13,175	(1,153,092)
- LU-VE India Corporation Private Ltd	New Delhi	INR 10,000	(815)	(815)	488	488	99.99%	14,957	(15,772)
Total				36,773,396				55,864,451	(19,415,325)

<u>**LU-VE S.p.A.**</u>

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	Unrealised exchange gains reserve	Extraordinary reserve	Profit (loss) for the year	Total
At the beginning of the previous year	**9,000**	**1,397**	**273**	**9,574**	**431**	**11,830**	**2,257**	**34,762**
Allocation of profit (loss) for the year:	-	112	-	-	(289)	2,433	(2,257)	-
Profit (loss) from the previous year	-	-	-	-	-	-	1,728	1,728
At the end of the previous year	**9,000**	**1,509**	**273**	**9,574**	**142**	**14,263**	**1,728**	**36,490**
Allocation of profit (loss) for the year:		86				1,642	(1,728)	-
- Unrealised exchange gains reserve:					(142)	142		-
- Assignment of dividends to Shareholders:						(3,000)		(3,000)
- Treasury shares:	(900)			(12,126)				(13,026)
- Share capital increase in kind:	2,846			27,314				30,160
- Application of OIC 25:						(1,724)		(1,724)
Profit (loss) for the current year							3,239	3,239
At the end of the current year	**10,946**	**1,595**	**273**	**24,762**	**-**	**11,323**	**3,239**	**52,139**

STATEMENT OF ASSETS STILL HELD
ON WHICH REVALUATIONS WERE CARRIED OUT IN ACCORDANCE WITH SPECIFIC LAWS

Types of revaluations	**Item**								
	Land and buildings		Plant and equipment		Fixtures and fittings, tools and other equipment		Other assets		
	Gross amount	Net amount as at 31/12/2014	Gross Amount	Net amount as at 31/12/2014	Gross Amount	Net Amount as at 31/12/2014	Gross Amount	Net amount as at 31/12/2014	**Net total as at 31/12/2014**
Law no. 413 of 30 December 1991	5,106	1,736	-	-	-	-	-	-	1,736
Law no. 342 of 21 November 2000	-	-	1,346,695	-	1,080,278	-	-	-	-
Law no. 350 of 24 December 2003	-	-	1,814,427	-	1,182,711	-	-	-	-
Law no. 266 of 23 December 2005	-	-	847,391	-	295,791	-	-	-	-
TOTAL	**5,106**	**1,736**	**4,008,513**	**-**	**2,558,780**	**-**	**-**	**-**	1,736