GROUP STRUCTURE AND CORPORATE BODIES

Group Structure

Parent Company

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

Subsidiaries and stake held by the group

SEST S.p.A.	100.00%
SEST-LUVE-POLSKA Sp.z.o.o.	95.00%
"OOO" SEST-LUVE	95.00%
HEAT TRANSFER SYSTEM (HTS) s.r.o.	100.00%
TECNAIR LV S.p.A.	79.90%
LU-VE HEAT EXCHANGERS (CHANGSHU) LTD	100.00%
LU-VE SWEDEN AB	100.00%
THERMO GLASS DOOR S.p.A.	100.00%
SPIROTECH Ltd	94.99%
ZYKLUS HEAT TRANSFER INC	100.00%
LU-VE India Corporation Private Ltd	99.99%
LU-VE France s.a.r.l.	86.06%
LU-VE Deutschland GmbH	100.00%
LU-VE Iberica s.l.	85.00%
LU-VE Pacific pty Ltd.	75.50%
LU-VE Asia Pacific Ltd.	100.00%
LuveDigital S.r.l.	50.00%
MANIFOLD S.r.l.	99.00%
LU-VE Austria Gmbh	100.00%

Corporate bodies

Board of Directors

Chairman	Iginio Liberali
Vice Chairman	Pierluigi Faggioli
CEO	Matteo Liberali
CEO	Michele Faggioli
Director	Marco Vitale
Director	Fabio Liberali
Director	Michele Garulli
Director (*)	Stefano Paleari
Director	Giovanni Cavallini
Director (*)	Anna Gervasoni
Director	Roberta Pierantoni
Director	Laura Oliva

(*) Independent directors

Board of Statutory Auditors

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

Auditing Firm

Deloitte & Touche S.p.A.

INTERIM DIRECTORS' REPORT

25 September 2018

Dear Shareholders,

the first half of 2018 was marked by the initial effects of the measures adopted by the Trump Presidency which included the imposition of customs tariffs on China and Europe, the onset of souring relations with Iran and, more generally speaking, a completely different slant on American foreign policy. It was also the period of time that the tax reform launched by the new Presidency came to pass. The introduction of customs tariffs leading to an escalatory response triggered concerns about the negative impact on world growth, forecast for 2018 at a steady 3.9%, following on from 3.8% for 2017. At the same time, events favoured a strengthening of the dollar and fuelled the recent increase in interest rates across the entire maturity spectrum on the 10-year US treasury bond which, today, already stands at about 3%.
Back in Europe, uneasy relations with the American ally were compounded by the Brexit impasse as well as by the Italian upheaval of the March elections and the tumultuous run-up to the installation of the new government towards the end of the half year. Economic forecasts revised growth rates downwards as compared to estimates at the start of the year and Eurozone figures for 2018 were predicted at 2.1% as against the 2.4% of the previous year. After having reached +3% in 2017, industrial production in the Eurozone slackened, whilst inflation exceeded 1%, mainly due to the increase in fuel prices.
At the end of the half year, Italy now contemplates a completely new landscape after the outcome of the general elections dramatically changed the structure of the government, fuelling uncertainty about future approaches to the economy and relations with the European Union. The markets reacted strongly to these events, with ten-year interest rates reaching 3%, the highest level in the Eurozone after Greece. For the time being, growth expectations are down to 1.3%, which is still quite close to 1.6% in 2017.
On the whole, the second half of the year has got off to a troubled start and there has been a substantial change to the balance of world economic power with an increase of volatility on the markets. Nonetheless, your particular sector shows signs of vitality, even at the beginning of the second half year. Not only, the QE measures are coming to an end in Europe and this opens up new scenarios as far as financing costs for enterprise is concerned. The Brexit question must be cleared up before the European elections take place in Spring of next year. As things stand, the current outlook is not very rosy. As far as Italy and its economy is concerned, all eyes are on the new Government as people wonder whether it will be able to maintain its promises, keep the coalition together, but especially whether it will attempt to woo the markets or call their bluff.

The LU-VE Group ended the first half of 2018 reporting a growth of about 15% and a consolidated turnover of €152.8 million (€133.0 million in the first six months of 2017). At constant exchange rates, the turnover would have been €155.2 million (+16.6%).
The upswing in sales and the actions aimed at recovering profitability put in place in the second half of the last business year led to a growth in EBITDA of almost 33%, going from €12.9 million to €17.1 million.

Without non-recurring costs for €1 million (entirely incurred by the acquisition of the American company Zyklus which was completed on 26 June), the EBITDA for the period would have been €18.1 million.

The net economic result for the period amounting to € 6.6 million rose by €4.6 million as compared to the first half of 2017, benefiting both from the increase in operational profitability and from the basic elimination of the exchange differences (negative in 2017 for €3.4 million).

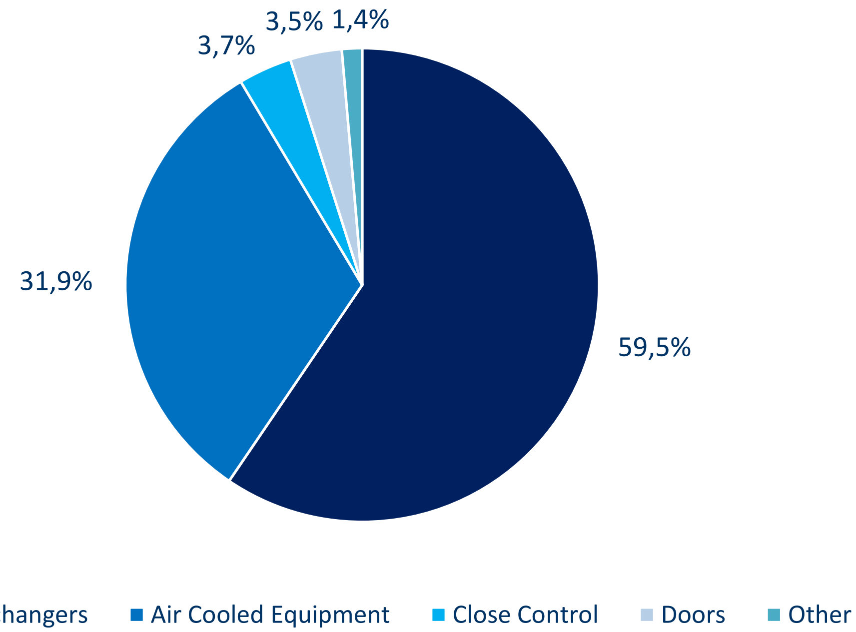
REFERENCE MARKETS

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

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

For a more detailed description, please refer to the Directors' Report as at 31 December 2017.

The chart shows the breakdown of turnover by product type in the first half of 2018:



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

PRODUCTS	€ /000 H1 2018	%	€ /000 H1 2017	%	Delta %
Heat exchangers	90,912	59.5%	81,033	60.9%	+12.2%
Air Cooled Equipment	48,800	31.9%	40,307	30.3%	+21.1%
Doors	5,397	3.5%	4,631	3.5%	+16.5%
Close Control	5,585	3.7%	4,735	3.5%	+18.0%
TOTAL PRODUCTS	**150,694**	**98.6%**	**130,706**	**98.2%**	**+15.3%**
Other	2,106	1.4%	2,333	1.8%	-9.7%
TOTAL	**152,800**	**100.0%**	**133,039**	**100.0%**	**+14.9%**

An upsurge of over 12% in the sales of heat exchangers amounting to almost €10 million regarded all productive plants.
The factory plants in India and Poland had the greatest hand in this growth, both in percentage terms and in absolute value (+32.2% e +13.5% respectively).

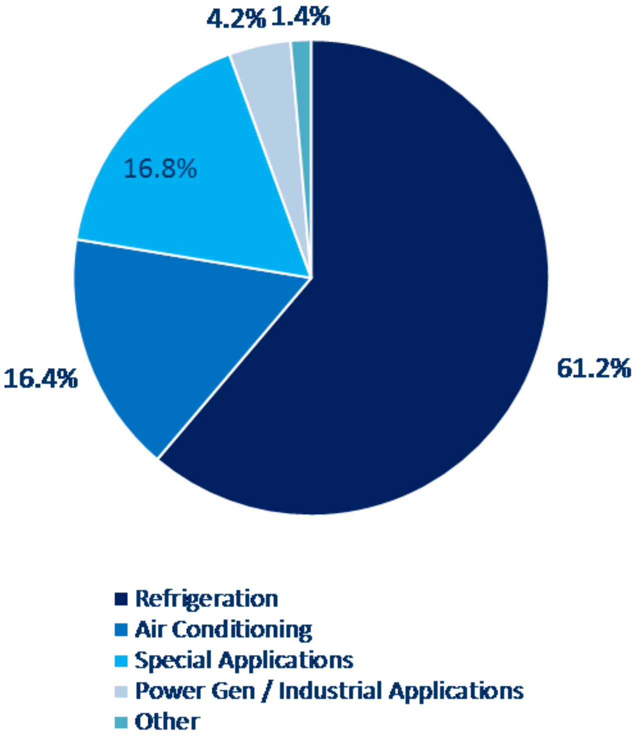
As a result of the strong growth in air-cooled equipment (+21.1%), the impact of heat exchangers on total Group sales declined slightly from 60.9% to 59.5%
Even the more minor product families performed well with close-control air-conditioner sales up by +18% for data centres and glass-door sector sales up by 16.5% with the acquisition of new customers and new projects undertaken with existing clients. This upswing should bring about significant effects in the last quarter and next year.

The Group's activities today fall primarily into three different sectors:
(i) the refrigeration sector, which includes activities relating to the supply chain for food products (the "Refrigeration Sector");
(ii) the air conditioning sector, which regards the treatment of the air in public and "technological" spaces (the "Air Conditioning Sector");
(iii) the so-called "special applications" sector, which primarily includes specific heat exchangers used in various fields of activity ranging from high energy efficiency clothes dryers to "mobile" applications (refrigerated transport, air conditioning for railways and large scale vehicles) to compressed air machines and other industrial applications (the "Special Applications Sector").

Lastly, the Group's high-power products are also aimed at the "power gen" sector (power-generation plants) and industrial-process-applications sector, although their revenues are significantly lower than those earned in the three main sectors described above.

For a more detailed description of the product applications, please refer to the Directors' Report as at 31 December 2017.

The chart shows the breakdown of turnover by segment in the first half of 2018:



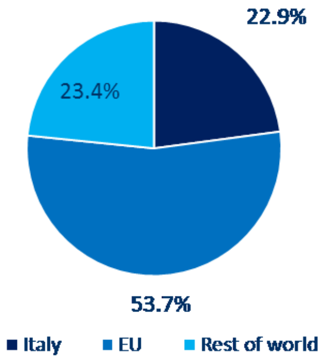
The table below shows turnover trends by application type in the two six-month periods subject to comparison:

APPLICATIONS	€ /000 H1 2018	%	€ /000 H1 2017	%	Delta %
Refrigeration	93,501	61.2%	84,394	63.4%	+10.8%
Air Conditioning	25,060	16.4%	24,775	18.6%	+1.2%
Special Applications	25,721	16.8%	18,128	13.6%	+41.9%
Power Gen / Industrial Applications	6,412	4.2%	3,409	2.6%	+88.1%
TOTAL APPLICATIONS	**150,694**	**98.6%**	**130,706**	**98.2%**	**+15.3%**
Other	2,106	1.4%	2,333	1.8%	-9.7%
TOTAL	**152,800**	**100.0%**	**133,039**	**100.0%**	**+14.9%**

Refrigeration holds its status as the Group's traditional core sector with a 10.8% growth rate, even though it accounted for a smaller percentage of overall sales (61.2%) due to the phenomenal growth (+41.9%) recorded in the special-applications sector. Indeed, for the first time in the Group's history, this sector has earned itself a second place in terms of impact on overall sales, overtaking the air-conditioning sector, thanks to the new sales activities (+74.2%) in the field of clothes dryer exchangers with high energy efficiency (€10.7 million) and the boom in "mobile" applications (+27% amounting to €9.2 million). As for the lower absolute values, it is worth highlighting that the "power gen" field almost doubled sales after some major orders came in in the second half of 2017 and the customer supply base was increased.

From a point of view of the geographical distribution of Italian sales, despite the 10.5% growth, there has been a further slight drop as a percentage of overall sales (22.9%). There were dramatic increases (from 22% to over 33%) in three of the first four export markets (Germany, Poland and France), with negative signs only coming from Great Britain and Denmark. Extremely positive growth rates were experienced across Turkey ("Home Appliance" sector), China, Iran (before the reintroduction of the sanctions) and Egypt.

The chart below shows the geographical breakdown of turnover in the first half of 2018:



SIGNIFICANT EVENTS DURING THE HALF YEAR:

The first half of 2018 was generally marked by a relatively brisk demand across the whole refrigeration market with the sole exception of Great Britain, probably also due to sluggish investments caused by the uncertainty surrounding the Brexit question, and of Russia due both to domestic factors and continuing international sanctions.

The drivers of this growth in demand were once again the ever pressing need for high energy efficiency in equipment and the necessity to replace traditional refrigerants with environmentally friendly natural fluids, a trend which has been prompted by the introduction of increasingly strict regulations.

As a result of its relentless investment in innovation and its customary careful set-up and upgrading of its production capacity, the Group was able to cope with the increasing demand in terms of volume and product range, providing clients with goods that meet the new technical and regulatory requirements. This foresight enabled the Group to acquire major projects, especially in the high-efficiency logistics centre sector, and to fulfil the burgeoning demand for carbon-dioxide exchangers (CO_2) coming from increasingly important and innovative customers.

The strong growth in the special applications sector, particularly in high-energy-efficient clothes dryers and in "mobile" applications, the acquisition of new prestigious customers and the accompaniment of long-standing customers towards new high-energy-efficiency projects developed in partnership with the Group are the crucial factors which have strengthened our position in this sector.

In the first half of 2018, the prices of copper and aluminium, the main raw materials used by the Group, experienced high levels of volatility and dollar prices climbed to the highest levels in several years. Generally speaking, LME price trends in conjunction with a brisk demand meant that the whole sector was able to charge higher sales prices, a totally different state of affairs to the early months of last year.

Some of the events worthy of note in the first half year were:

- continued extension work on the 21,000 square metres at the Polish plant in keeping with the set budget and timeframe. Building work will be finished in October;

- the scheme to move the Chinese plant located in a special economic zone of Tianmen in the province of Hubei to new rented premises of 15,000 square metres (offering twice as much space as before). This relocation should enable the Group to streamline the production process, launch an efficiency drive, broaden its product range and achieve substantial savings as a result;

- June marked the end of the process whereby the "CCDs" (Compulsory Convertible Debentures) issued by the subsidiary LU-VE India upon acquisition of Spirotech and entirely underwritten by the parent company LU-VE S.p.A. were converted completely into shares. This conversion operation eliminates the risk of unrealised exchange gains/losses, even for significant amounts, ensuing from fluctuations in the INR/Euro exchange rate (the negative impact on the first half of 2018 amounted to €855,000).

The most salient event of the half year was without doubt the 100% buyout of the US company Zyklus headquartered in Jacksonville (Texas) on 26 June.
The newly acquired company, only consolidated as far as the statement of financial position as at 30 June 2018 is concerned and which will be consolidated in terms of Income Statement as from 1 July 2018, is active in the production of heat exchangers and copper components for the refrigeration and air-conditioning industry with a turnover slightly in excess of 10 million US dollars and an adjusted EBITDA of about 1.7 million dollars in 2017.
After years spent exploring the biggest refrigeration and conditioning market in the world and seeking out potential target companies, this acquisition is an important step in the right direction and is bound to further the long-term plan to enter the North-American market.
The buyout took place at a price of 10 million dollars paid with available financial assets. The price is subject to the usual adjustment mechanisms based on the statement of financial position as at 30 June 2018 and an EBITDA-based adjustment mechanism (calculated according to US Gaap standards) for the whole year 2018. A part of the price has been placed in an escrow account as a guarantee, amongst other things, that the agreed profitability targets are reached. Furthermore, a three-year earn-out mechanism was worked in with a clause that arranges for a multiplying factor on the EBITDA for the business year 2021 only.

In January, a loan agreement was set up with Unicredit for €25,000,000 and a duration of 62 months repayable with an even principal-payment schedule and instalments every six months. The Parent Company and the subsidiary Sest S.p.A. used part of the amount (about €9.6 million), to settle previous loans which were no longer competitive either in financial or contractual terms.

The PLM project ("Product Lifecycle Management") is now up and running across the whole Group and wave 1 was amplified during the first half of 2018 - this includes India where the project was successfully launched in May 2018. Groundwork took place for Wave 2 which will be going live in October. The main aim is to be able to pinpoint with greater ease which products are in plants closer to the clientèle (grasping all business opportunities that arise whenever being in the close geographic proximity is crucial for closing a deal), managing the various techniques in the most efficient way possible. When everything is in place, another crucial advantage will be that of being able to create a well organised database of special equipment so that when an order for a piece of customised machinery comes in, it will be quicker to locate and deliver to the customer.

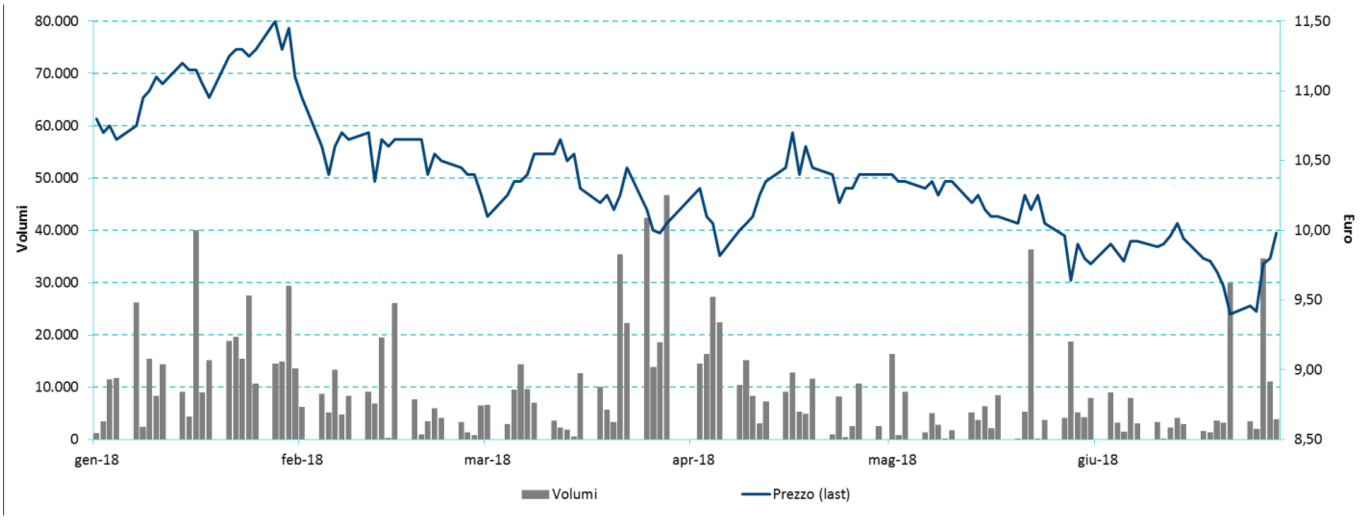
CONSIDERATIONS ON THE SECURITY'S MARKET VALUE

In the first half of 2018, the performance of LUVE securities had a limited variance (on average about 7 percentage points) as compared to the FTSE Italy All-Share index.
The main figures and share price trends are shown below:

Price as at 2 January 2018: €10.80
Price as at 29 June 2018: €9.98
Change during the period: -7.6%

Maximum Price: €11.50 (29 January 2018)
Minimum Price: €9.40 (22 June 2018)
Weighted Average Price: €10.44
Volumes traded in the first half of 2018: 1,222,371

Market Capitalisation as at 30 June 2018: €221.9 million



ECONOMIC AND FINANCIAL DATA

The reclassified income statement and balance sheet expressed in thousands of Euro are provided below. It should be noted that, for the subsidiary Zyklus Heat Transfer Inc., as at 30 June 2018, only the statement of financial position was consolidated because the acquisition was completed on 26 June 2018:

Reclassified Consolidated Income Statement (in thousands of Euro)	30/06/2018	% Revenues	30/06/2017	% Revenues	% Change 2018 compared to 2017
Revenues and operating income	**152,800**	**100.0%**	**133,039**	**100.0%**	**14.9%**
Purchases of materials	(89,758)	58.7%	(74,745)	56.2%	
Changes in inventories	8,621	-5.6%	4,086	-3.1%	
Services	(22,104)	14.5%	(20,020)	15.0%	
Personnel costs	(31,438)	20.6%	(28,791)	21.6%	
Other operating costs	(1,001)	0.7%	(672)	0.5%	
Total operating costs	**(135,680)**	**88.8%**	**(120,142)**	**90.3%**	**12.9%**
EBITDA	**17,120**	**11.2%**	**12,897**	**9.7%**	**32.7%**
Change in fair value of derivatives	248	-0.2%	119	-0.1%	
Depreciation and amortisation	(7,888)	5.2%	(6,967)	5.2%	
Gains/losses on non-current assets	103	-0.1%	91	-0.1%	
EBIT	**9,583**	**6.3%**	**6,140**	**4.6%**	**56.1%**
Net financial income and expense	(1,675)	1.1%	(3,622)	2.7%	
EBT	**7,908**	**5.2%**	**2,518**	**1.9%**	**214.1%**
Income taxes for the period	(1,290)	0.8%	(520)	0.4%	
Net profit (loss) for the period	**6,618**	**4.3%**	**1,998**	**1.5%**	**231.2%**
Profit attributable to non-controlling interests	296		143		
Profit attributable to the group	**6,322**	**4.1%**	**1,855**	**1.4%**	**240.8%**

“Revenues and operating income” rose by 14.9% (+€19.8 million). At constant exchange rates, the increase in revenues would have been about 16.6%. (+€22.1 million)

Total operating costs rose from €120.1 million (90.3% as a percentage of revenues) to €135.7 million (88.8% as a percentage of revenues). The total increase of 12.9% (+€15.6 million) was substantially due to the following factors:

- consumption of materials grew by €10.5 million with the percentage of revenues staying stable at 53.1%. This increase is due, for €8.5 million, to the increase in volumes and for €2.0 million to the rise in costs for the acquisition of the main raw materials;

- the increase in costs for services amounting to €2.1 million stems from higher transport, remuneration, external processing, energy and telephone expenses. The costs for services include €1 million for costs borne for the acquisition of Zyklus. The percentage of costs for services over revenues decreased from 15.0% to 14.5% (it would amount to 13.8% net of non-recurring costs ensuing from the acquisition);

- an increase in personnel costs for €2.6 million. The percentage of personnel costs compared to revenues dropped from 21.6% to 20.6%.

"EBITDA" amounted to €17.1 million (11.2% of revenues) compared to €12.9 million (9.7% of revenues) in 2017. Net of the impact of costs for the acquisition, EBITDA would have been €18.1 million (11.8% of sales). The variation as compared to the previous year (+€4.2 million) stems from the increase in sales prices and higher volumes.

The heavy investment plan brought depreciation and amortisation up by €0.9 million.

"EBIT" amounted to €9.6 million (6.3% of revenues) compared to €6.1 million (4.6% of revenues) in 2017. Net of non-recurring costs, it would have been €10.6 million (6.9% of revenues).

The balance of financial income and expense as at 30 June 2018 was -€1.7 million (-€3.6 as at 30 June 2017). The difference of €1.9 million derives, in positive terms, for an amount of 3.6 million, from the reduced negative impact of the exchange differences, and in negative terms for an amount of €1.7 million, from financial charges, returns on invested liquidity and the fair value of the derivatives.

The "EBT" in H1 2018 was equal to €7.9 million (5.2% of revenues) against a value of €2.5 million in H1 2017 (1.9% of revenues). Net of non-recurring costs, EBT would have been €8.9 million (5.8% of sales) as at 30 June 2018.

The "Net profit (loss) for the period" was €6.6 million (4.3% of revenues) compared to €2.0 million (1.5% of revenues) as at 30 June 2017.

Reclassified Consolidated Balance Sheet (in thousands of Euro)	30/06/2018	% of net invested capital	31/12/2017	% of net invested capital	% Change 2018 compared to 2017
Net intangible assets	70,789		62,718		
Net property, plant and equipment	117,442		111,191		
Deferred tax assets	3,905		3,359		
Financial fixed assets	1,902		1,941		
Non-current assets (A)	**194,038**	**91.6%**	**179,209**	**102.3%**	**14,829**
Inventories	47,679		37,988		9,691
Trade receivables	65,923		47,616		18,307
Other receivables and current assets	10,539		11,258		(719)
Current assets (B)	**124,141**		**96,862**		**27,279**
Trade payables	64,085		63,405		680
Other payables and current liabilities	22,323		17,677		4,646
Current liabilities (C)	**86,408**		**81,082**		**5,326**
Net working capital (D=B-C)	**37,733**	**17.8%**	**15,780**	**9.0%**	**21,953**
Provisions for employee benefits	4,122		4,047		75
Deferred tax liabilities	13,329		13,217		112
Provisions for risks and charges	2,418		2,472		(54)
Medium/long-term liabilities (E)	**19,869**	**9.4%**	**19,736**	**11.3%**	**133**
Net Invested Capital (A+D-E)	**211,902**	**100.0%**	**175,253**	**100.0%**	**36,649**
Shareholders’ equity attributable to the group	133,112		137,842		(4,730)
Non-controlling interests	3,084		2,124		960
Total Consolidated Shareholders’ Equity	**136,196**	**64.3%**	**139,966**	**79.9%**	**(3,770)**
Medium- Term Net Financial Position	110,165		115,074		(4,909)
Medium- Term Net Financial Position	(34,459)		(79,787)		45,328
Total Net Financial Position	**75,706**	**35.7%**	**35,287**	**20.1%**	**40,419**
Own funds and net financial debt	**211,902**	**100.0%**	**175,253**	**100.0%**	**36,649**

The increase in non-current Assets (amounting to € 14.8 million) is due to the initial consolidation of Zyklus (provisional allocation to goodwill for € 7.9 million and net assets for € 3.6 million) and to the continuance of the investment plan. Investment expenses for the period totalled around €14.5 million (including interim payments made for the Polish plant amounting to €8 million).

The Group’s operating working capital (equal to the sum of inventories and trade receivables net of trade payables) as at 30 June 2018 amounted to €49.5 million, equal to 17.1% of LTM turnover (as at 30 June 2017, it totalled €36.8 million, equal to 14.3% of LTM turnover). The increase (€12.7 million) is due to the initial consolidation of Zyklus for €2.0 million, to an increase in volumes for €4.6 million, to the impact of Spirotech’s working capital for €3.2 million whose effect went beyond expected proportions, and to the combined effect of production and sales for €2.9 million. As at 31 December 2017, it amounted to €22.2 million. The increase compared to the end of last year was due to the usual seasonal trend of the Group's net working capital.

Consolidated shareholders' equity amounted to €136.2 million compared to €140.0 million in December 2017. This decrease (€3.8 million) derives from the outcome for the period for €6.6 million adjusted after dividends for €4.9 million were distributed, after the negative change in the translation reserve for €2.7 million, after the reserve set up for the first-time application of IFRS 9 for €1.4 million (gross of taxation), after an adjustment of €1.1 million of the option value for the purchase of the remaining 5% of Spirotech and after other negative changes for €0.3 million.

The net financial position was negative by €75.7 million (negative by €35.3 million as at 31 December 2017). The change (equal to €40.4 million) was primarily caused by the distribution of dividends (€4.9 million), by the acquisition of Zyklus (€12.6 million), investments (€13 million) and the adjustment of the put&call option on Spirotech (€1.3 million) net of around €17 million from inflows from operations. The impact of the change in net working capital was negative by €25 million. In the period 30 June 2017 – 30 June 2018, the adjusted net cash generation was equal to €11.0 million. By the end of the business year 2018, we believe that the leverage (ratio between the net financial position and EBITDA) will be twice as low, easily within the bounds of the financial covenants entered into.

ALTERNATIVE PERFORMANCE INDICATORS

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

Monetary amounts in thousands of Euro	2018	2018 on a like-for-like basis (a)	2017
Average days in inventory (1)	59	57	49
Inventory turnover ratio (2)	6.08	6.31	7.41
Receivables turnover ratio (3)	4.40	4.48	4.78
Average days sales outstanding (4)	82	80	75
Payables turnover ratio (5)	3.08	3.13	3.36
Average days payable outstanding (6)	117	115	107
Net Invested Capital	211,902	199,296	185,977
EBITDA	17,120	17,120	12,897
EBITDA/Financial expense	8.29	8.29	13.12
Basic earnings per share (7)	0.29	0.29	0.09
Diluted earnings per share (8)	0.29	0.29	0.08
Dividends per share (9)	0.22	0.22	0.22
Net financial debt	(75,706)	(63,100)	(51,098)
Net financial debt/LTM EBITDA	2.27	1.90	1.78
Debt ratio (10)	0.56	0.46	0.38
Goodwill and Other Intangible assets/Total assets	0.18	0.16	0.15
Goodwill and Other Intangible assets/Shareholders' equity	0.52	0.46	0.44

(a) The "2018 like-for-like" column shows the calculation of the alternative performance indicators without taking into account the impact of the initial consolidation for Zyklus on the balance sheet and increasing the liquid assets to an amount equal to the price paid (removing the goodwill entry at the same time). The income statement retains the acquisition costs.

Note:

The methods for calculating the indicators noted above are:

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

OBSERVATIONS ON THE FINANCIAL PROFILE AND ON BUSINESS CONTINUITY

As at 30 June 2018, the Group had a solid and balanced financial structure, with a Net financial debt/Shareholders’ equity ratio (Debt ratio) of 0.56 and a positive short-term net financial position of €34.5 million, guaranteeing, therefore, with current liquidity repayment of the share of the medium/long-term debt due by 30 June 2019 and amounting to €50.2 million. In addition, there are no substantial restrictions on the freeing up of invested liquidity, which therefore, if required, may be used to meet any payment commitments.
Furthermore, the parent company LU-VE S.p.A., which possesses most of the Group's financial debt, will carry on seeking out new opportunities for mid-to-long term loans, which could even replace that falling due.

In light of what is set forth above, these condensed consolidated half-yearly financial statements as at 30 June 2018 were prepared on the basis of the going concern assumption.

MAIN RISKS AND UNCERTAINTIES

RISKS RELATED TO TRENDS IN RAW MATERIAL PRICES

The production costs of the Group are influenced by the prices of raw materials, such as copper and aluminium. The majority of raw materials are purchased in the European Union. Risks are related to fluctuations in the prices of these materials on the reference markets (on which they are quoted in USD) and the fluctuation in the Euro/USD exchange rate (as the Group purchases in euro, while listings are in USD), as well as the reliability and the policies of mining and/or transformation companies.
The fluctuation in the availability and price of the above-mentioned materials could be significant, depending on a number of factors, including the economic cycle of the reference markets, supply conditions and other factors that are out of the control of the Group and are difficult to predict (such as: problems regarding the extraction or transformation capacity of individual suppliers which could hinder or delay the delivery of the raw materials ordered; operational and/or industrial decisions

made by individual suppliers which entail an interruption of the mining or processing of the raw materials and the consequential greater difficulty in immediately finding said raw materials in the reference market; significant delays in the transport and delivery of these raw materials to Group companies).
To manage these risks, the Group constantly monitors the availability of raw materials in the market as well as the relative price trends (also taking into consideration USD currency fluctuations with respect to the euro), in order to promptly identify any shortfalls in the availability of raw materials and take suitable actions to guarantee the required production autonomy, and also to keep its production activities competitive with regard to this aspect as well. In particular, as regards the major raw material purchased - copper - the Group has long-standing relations with the same suppliers, selected on the basis of their reliability and ability to deliver quality. Furthermore, when it deems this necessary in relation to expected trends, the Group enters into contracts to hedge the risk of fluctuations in the price of raw materials.
Lastly, please note that oil price volatility impacts (aside from raw material prices) investments made at global level in the Power Gen market, making it difficult to predict trends in this market segment.

RISKS RELATED TO NET FINANCIAL DEBT

In relation to a significant part of existing loan agreements, the Group has committed to respecting specific financial parameters (covenants). In addition, a significant portion of the Group's loan agreements include cross-default - cross acceleration clauses (in some cases also external), negative pledge clauses, pari passu clauses and/or clauses limiting the amount of distributable dividends. In the future, if the above-mentioned financial covenants or other commitments laid out in existing loan agreements are not respected (also including those resulting from the above-mentioned cross default - cross acceleration, negative pledge and pari passu clauses), the Group could be required to repay the relative debt early.
Lastly, a significant portion of the LU-VE Group's loan agreements establish informational obligations to be fulfilled on various occasions by the borrower, the obligation to request prior consent in the event of new loans or particular extraordinary transactions, as well as the obligation not to establish new mortgages.
To mitigate this risk, the Group carefully monitors respect for financial covenants, all clauses laid out in the loan agreements and the disclosure obligations through formalised procedures involving the legal and financial function. In addition, it also maintains a significant quantity of available financial liquidity or financial resources that can be liquidated within a short period of time and short-term credit lines to deal with any, even remote, obligations for the early repayment of medium and long-term loans.

The financial instruments, the Group invests its available liquidity in, are primarily represented by capitalisation policies and bond and monetary instruments, almost exclusively denominated in euro. Please note that the capitalisation policies provide for a guarantee on the capital and a non-negative guaranteed minimum rate of return as well as several penalties in the case of early redemption.
Also please note that financial instruments in general present the following risks:

- specific risks linked to the characteristics of the relative issuer: capital strength of the issuer, its economic characteristics, taking into account the unique features of the sectors in which it operates, which impact the risk that the issuer itself may be unable to repay the accrued interest and/or the invested capital;

- the generic (or systematic) risk linked to: *(i)* interest rate fluctuations, *(ii)* market price trends and *(iii)* the difficulty/impossibility of easily monetising positions in financial assets without significantly and unfavourably influencing their price.

It cannot be excluded that in the future, the value that will be obtained from disinvestment from the financial instruments themselves may be lower than the fair value recognised in the financial statements, thus generating a deterioration of net financial debt. Against the recognition of recurring costs in the income statement, deriving from financial expenses on existing loans, returns on investments in cash and cash equivalents are uncertain and are characterised by high volatility, also on the negative side. However, the Group selects its investments by privileging low risk ones and makes them with leading banking institutions. In addition, a careful liquidity management policy and the existence of short-term credit lines mitigate the risk of having to proceed with the sudden and unforeseen freeing up of liquidity.

RISKS RELATED TO EXCHANGE RATE FLUCTUATIONS

The Group is exposed to the risk of fluctuations in the exchange rates of currencies deriving from different circumstances.
(i) First of all, the Group is exposed to "translation" exchange rate risk.
Indeed, the Issuer prepares its consolidated financial statements in euro, while it holds controlling interests in companies that prepare their financial statements in currencies other than the euro (Polish zloty, Russian rouble, Czech koruna, Swedish krona, Indian rupee, Australian dollar, Chinese yuan renminbi). The Group is therefore exposed to the risk that fluctuations in the exchange rates used to translate the values in subsidiary financial statements originally expressed in foreign currency may significantly influence the Group's results as well as the consolidated net financial debt and consolidated shareholders' equity. The main exposures are monitored, but hedging translation exchange rate risk is not part of the Group's current policies.
(ii) Secondly, the Group is exposed to "transaction" exchange rate risk both for the acquisition of goods and materials from suppliers as well as for sales to customers.
In terms of acquisitions, the main currency to which the Group is exposed is the US dollar (USD, currency to which the cost of the main raw materials is linked): indeed, raw materials in the reference markets are quoted in USD and the cost is converted into euros by applying the USD/Euro exchange rate for the day to the price in dollars; thus, exchange rate risk is borne by the buyer. Furthermore, the Group companies located in countries in which the reference currency is not the euro (which also acquire raw materials with contracts under which the euro is the payment currency and therefore bear the USD/Euro exchange rate risk noted above) are also exposed to the risk of fluctuations in the euro/local currency exchange rate.
Sales are mainly made in euros. In addition, although Sest-LUVE Polska Sp.z.o.o., HTS and Spirotech are located in countries that do not use the euro as their reference currency, they make almost all sales in euros and therefore they are exposed to the risk of fluctuations in the exchange rate between the euro and their local currencies.

At centralised level, in order to protect the income statement and the balance sheet items from such fluctuations and reduce the risk arising from changes in exchange rates, the Group has subscribed derivative financial instruments (primarily range accrual forwards and plain vanilla forwards) which are used with the intent of hedging the underlying risks. However, from a merely accounting perspective, although such instruments substantially hedge the risks mentioned, they do not meet

all the requirements as laid out under IFRS 9 (formerly IAS 39) and cannot be defined as hedge accounting; therefore, the Group has decided to consider these instruments as for trading and not hedges and as a result such instruments were measured at fair value with changes reported on the income statement.
On some currencies (Australian dollar, Chinese yuan, Swedish krona, Indian rupee, Russian rouble and US dollar) in which operating revenues and costs are expressed there is also “natural” hedging (revenues expressed in a given currency are naturally hedged by operating costs expressed in the same currency).

RISKS RELATED TO THE CONCENTRATION OF SALES

Although there is no Group customer which alone represents more than 5.8% of consolidated turnover and although the Group’s top 10 customers together represent 33.5% of consolidated turnover, the sector of static-heat exchangers (in which the Group is the main supplier of all of the most important European manufacturers of refrigerated counters and realised 60.3% of its turnover in the first half of 2018) and the sector of glass doors for refrigerated counters (in which the Group realised 3.6% of its turnover in the first half of 2018) are characterised by strong commercial leadership by the main manufacturers.
As a result, if the supply to one of the Group’s customers in the above-mentioned sectors is discontinued, the Group companies that operate in that sector would have difficulty recovering the lost turnover with other customers and may suffer a negative impact in terms of their income statement results and/or the equity and/or financial situation.
The Group regularly takes measures to diversify the risk linked to the concentration of sales, by regularly conducting business surveys aimed at always seeking out new customers in Italy and abroad through the activity of the commercial offices of all Group companies.

RISKS RELATED TO INTEREST RATE TRENDS

The Group makes recourse to short as well as medium/long-term bank debt in accordance with adequate procedures and technical forms in relation to the structure of its investments.
Exposure to interest rate risk derives from the fact that the Group holds assets and liabilities sensitive to fluctuations in interest rates which are needed for the management of liquidity and financial requirements.
In particular, the main source of exposure to the risk in question for the Group derives from financial debt, which is almost all floating rate. This risk is managed by drawing up derivative contracts (primarily interest-rate swaps) to hedge this risk based on its own needs; nevertheless, in this case too, the Group decided not to classify these derivative instruments under hedge accounting, reporting the fair-value changes on the income statement. This hedging policy allows the Group to reduce its exposure to the risk of interest rate fluctuations.

RISKS RELATED TO CREDIT

The Group is exposed to credit risk deriving from commercial dealings with exposure to potential losses arising from the failure of commercial counterparties to meet their obligations. Trade credit risk is monitored on the basis of formalised procedures for the selection and assessment of the customer portfolio, for the definition of credit limits by individual customer, for the monitoring of

expected cash inflows and for any debt collection actions. In certain cases, customers are asked for further guarantees, primarily in the form of sureties.
Any extensions of payment times by customers may also make it necessary for the Group to finance the connected working capital requirement.
The historically low levels of losses on receivables recognised are proof of the good results achieved.

The context in which the Group carries on business also includes other risk factors that are described in detail in the Report as at 31 December 2017 (which should be referred to), the profile of which has not changed in the first half of 2018.

DEVELOPMENT ACTIVITIES

The Group has always been a trailblazer in the usage of natural fluids (CO2, ammonia and hydrocarbons). Its vision has been long underpinned by sizeable investments which have resulted in products with a high added value, offering drastic reductions in operating costs, energy consumption, refrigerant charge, space requirements and noise levels. In the course of the first half of 2018, the Group's customary development activities utilised overall investments for about €1.3 million (of which about €1.2 million capitalised under Intangible Assets).

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

With reference to the Organisation, Management and Control Model of LU-VE S.p.A. pursuant to Italian Legislative Decree 231/2001, it must be noted that official arrangements have been made to have it updated to respect the most recent legislative changes and to adapt it to some organisational amendments to the corporate structure of LU-VE S.p.A.

EXEMPTION FROM THE OBLIGATIONS TO PUBLISH DISCLOSURE DOCUMENTS IN THE CASE OF SIGNIFICANT TRANSACTIONS ("opt-out")

On 13 March 2017, the Board of Directors of the Parent Company decided to apply, pursuant to art. 3 of CONSOB Resolution no. 18079 of 20 January 2012, the opt-out regime established by arts. 70, paragraph 8, and 71, paragraph 1-bis, of CONSOB Regulation no. 11971/99 as amended, therefore taking advantage of the right to exemption from the obligations to publish the disclosure documents required in the case of significant merger, spin-off, share capital increase through the contribution of assets in kind, acquisition and disposal transactions.

EVENTS OCCURRING AFTER 30 JUNE 2018 AND BUSINESS OUTLOOK

After 30 June, a merger project was launched in India which culminated in the incorporation of LU-VE India Corporation Private Ltd into Spirotech Heat Exchangers Ltd: this inverse merger project was approved in August by the respective boards of directors and procedures to complete the process in compliance with local legislation were got underway. The merger should reach completion in the first quarter of 2019.

The capex project aimed at boosting product capacity in Poland (building work on an industrial facility is due to reach completion by the end of 2018) and the relocation of production premises in China (the machinery should be moved in the first quarter of 2019) have kept to the set timeframe.

A loan agreement was stipulated with Unicredit in September for a total amount of €27,000,000 to back up the investment plan underway and to assist with working-capital requirements. The loan is split into two parts:

- 12,000,000 with EIB funds and an amortisation schedule of 10 six-monthly payments with an even-principal scheme and final maturity on 30 June 2024;
- 15,000,000 with an amortisation schedule of 6 six-monthly payments with an even-total scheme with first repayment on 30 March 2021 (a 30-months grace period) and final maturity on 30 September 2023;

An interest-rate swap contract for both parts was signed upon stipulation with a 12-month deferred starting date so as to cover the risk of interest-rate fluctuations.

The turnover of products only at the end of August was 15.2% higher than that of the same period of the previous year (+14.0% on a like-for-like basis). At the end of August, the order portfolio totalled €46.1 million (€42.5 million as at 30 June 2018), marking an increase in excess of 20% compared to 31 August 2017 on a like-for-like basis.

For the second half of the year, a performance similar to that of the first half year is expected, provided that the macro-economic landscape is not affected by unforeseeable events. If the situation undergoes significant changes, these estimates may also change.

RELATED PARTY TRANSACTIONS

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

On behalf of the Board of Directors

The Chairman

Iginio Liberali

LU-VE GROUP

leadership with passion

CONDENSED CONSOLIDATED

HALF-YEARLY FINANCIAL STATEMENTS AS AT 30 JUNE

2018

GROUP STRUCTURE AND CORPORATE BODIES

Group Structure

Parent Company

LU-VE S.p.A.

Subsidiaries and stake held by the group

SEST S.p.A.	100.00%
SEST-LUVE-POLSKA Sp.z.o.o.	95.00%
"OOO" SEST-LUVE	95.00%
HEAT TRANSFER SYSTEM (HTS) s.r.o.	100.00%
TECNAIR LV S.p.A.	79.90%
LU-VE HEAT EXCHANGERS (CHANGSHU) LTD	100.00%
LU-VE SWEDEN AB	100.00%
THERMO GLASS DOOR S.p.A.	100.00%
LU-VE India Corporation Private Ltd	99.99%
LU-VE France s.a.r.l.	86.06%
LU-VE Deutschland GmbH	100.00%
LU-VE Iberica s.l.	85.00%
LU-VE Pacific pty Ltd. – Australia	75.50%
LU-VE Asia Pacific Ltd. – Hong Kong	100.00%
LuveDigital S.r.l.	50.00%
MANIFOLD S.r.l.	99.00%
SPIROTECH HEAT EXCHANGERS PRIVATE Ltd	94.99%
LU-VE AUSTRIA GmbH	100.00%
Zyklus Heat Transfer Inc.	100.00%

Corporate bodies

Board of Directors

Chairman	Iginio Liberali
Vice Chairman	Pierluigi Faggioli
CEO	Matteo Liberali
CEO	Michele Faggioli
Director	Marco Vitale
Director	Fabio Liberali
Director	Michele Garulli
Director (*)	Stefano Paleari
Director	Giovanni Cavallini
Director (*)	Anna Gervasoni
Director	Roberta Pierantoni
Director	Laura Oliva

(*) Independent directors

Board of Statutory Auditors

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

Auditing Firm

Deloitte & Touche S.p.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of Euro	Notes	30.06.18	31.12.17
ASSETS			
Goodwill	1	50,408	42,503
Other intangible assets	1	20,381	20,215
Property, plant and equipment	2	100,004	100,618
Other property, plant and equipment	2	17,438	10,573
Deferred tax assets	19	3,905	3,359
Equity investments	3	6	6
Other non-current assets	4	1,896	1,935
NON-CURRENT ASSETS		194,038	179,209
Inventories	5	47,679	37,988
Trade receivables	6	65,923	47,616
Due from the tax authorities for current taxes	7	7,701	9,236
Current financial assets	8	65,471	72,308
Other current assets	9	2,838	2,022
Cash and cash equivalents	10	19,216	50,762
CURRENT ASSETS		208,828	219,932
ASSETS HELD FOR SALE		-	-
TOTAL ASSETS		402,866	399,141

CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
In thousands of Euro	Notes	30.06.18	31.12.17
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital		62,704	62,704
Reserves and retained earnings (losses)		64,086	69,496
Profit (loss) for the period		6,322	5,642
Total shareholders' equity attributable to the Parent Company		*133,112*	137,842
Shareholders' equity attributable to non-controlling interests		3,084	2,124
SHAREHOLDERS' EQUITY	11	136,196	139,966
Loans	12	106,941	112,973
Provisions	13	2,418	2,472
Employee benefits	14	4,122	4,047
Deferred tax liabilities	19	13,329	13,217
Other financial liabilities	15	3,224	2,101
NON-CURRENT LIABILITIES		130,034	134,810
Trade payables	16	64,085	63,405
Loans	12	49,471	42,234
Provisions	13	-	-
Tax payables	17	2,934	2,273
Other financial liabilities	15	757	1,049
Other current liabilities	18	19,389	15,404
CURRENT LIABILITIES		136,636	124,365
LIABILITIES HELD FOR SALE		-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		402,866	399,141

CONSOLIDATED INCOME STATEMENT			
In thousands of Euro	Notes	H1 2018	H1 2017
REVENUES AND OPERATING INCOME			
Revenues	21	152,389	132,798
Other revenues	22	411	241
Total revenues and operating income		152,800	133,039
OPERATING COSTS			
Purchases of materials	23	(89,758)	(74,745)
Changes in inventories	5	8,621	4,086
Services	24	(22,104)	(20,020)
Personnel costs	25	(31,438)	(28,791)
Other operating costs	26	(1,001)	(672)
Total operating costs		(135,680)	(120,142)
Net change in fair value of derivatives		248	119
Depreciation and amortisation	1.2	(7,888)	(6,967)
Capital gains on the sale of non-current assets		294	91
Write-downs on non-current assets		(191)	-
EBIT		9,583	6,140
Financial income	27	244	772
Financial expense	28	(2,065)	(983)
Exchange gains (and losses)	29	146	(3,411)
Gains and losses from equity investments		-	-
EBT		7,908	2,518
Income taxes	30	(1,290)	(520)
NET PROFIT (LOSS)		6,618	1,998
Attributable to non-controlling interests		(296)	(143)
PROFIT (LOSS) FOR THE PERIOD		6,322	1,855

EARNINGS PER SHARE			
In thousands of Euro	**Notes**	**H1 2018**	**H1 2017**
EARNINGS PER SHARE	**31**		
Basic		**0.29**	**0.09**
Diluted		**0.29**	**0.08**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		
In thousands of Euro	H1 2018	H1 2017
NET PROFIT (LOSS)	6,618	1,998
Comprehensive income/loss that will not be subsequently reclassified to profit/loss for the period:		
Actuarial valuation of post-employment benefits	55	151
Tax effect	(13)	(36)
	42	115
Comprehensive income/loss that will be subsequently reclassified to profit/loss for the period:		
Exchange differences from translation of financial statements in foreign currency	(2,774)	2,796
TOTAL COMPREHENSIVE INCOME (LOSS)	3,886	4,909
of which:		
Attributable to non-controlling interests	(296)	(143)
ATTRIBUTABLE TO THE GROUP	3,590	4,766

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

In thousands of Euro	Share capital	Share premium reserve	Legal reserve	FTA Reserve	Treasury shares	Translation reserve	Post-employment benefits discounting reserve	Other reserves	Profit (loss) for the period	Total shareholders' equity of the Group	Shareholders' equity attributable to non-controlling interests	Total shareholders' equity
BALANCE AS AT 31/12/16	62,496	24,762	2,004	(3,373)	(992)	(4,866)	(359)	37,054	15,846	132,572	1,823	134,395
Allocation of profit 2016												
Dividends paid	-	-	-	-	-	-	-	(4,416)	-	(4,416)	(250)	(4,666)
Retained	-	-	362	-	-	-	-	15,484	(15,846)	-	-	-
Increases/decreases	208	-	-	-	(143)	-	-	(31)	-	34	-	34
Other	-	-	-	-	-	-	-	(44)	-	(44)	251	207
Comprehensive profit H1 2017	-	-	-	-	-	2,796	115	-	1,855	4,766	143	4,909
BALANCE AS AT 30/06/2017	62,704	24,762	2,366	(3,373)	(1,135)	(2,070)	(244)	48,047	1,855	132,912	1,967	134,879
BALANCE AS AT 31/12/2017	62,704	24,762	2,366	(3,373)	(1,420)	(463)	(345)	47,969	5,642	137,842	2,124	139,966
Allocation of profit 2017												
Dividends paid	-	-	-	-	-	-	-	(4,860)	-	(4,860)	(80)	(4,940)
Retained	-	-	351	-	-	-	-	5,291	(5,642)	-	-	-
Increases/decreases	-	-	-	-	(160)	-	-	(1,391)	-	(1,551)	-	(1,551)
Other	-	-	-	-	-	-	-	(1,909)	-	(1,909)	744	(1,165)
Comprehensive profit H1 2018	-	-	-	-	-	(2,774)	42	-	6,322	3,590	296	3,886
BALANCE AS AT 30/06/2018	62,704	24,762	2,717	(3,373)	(1,580)	(3,237)	(303)	45,100	6,322	133,112	3,084	136,196

	Consolidated Statement of Cash Flows *(in thousands of Euro)*	H1 2018		H1 2017
A.	**Cash and cash equivalents at the beginning of the period**	**50,762**		**46,455**
	Contribution of change in consolidation area	**142**		**-**
	Profit (loss) for the period	6,322		1,855
	Adjustments for:			
	- Depreciation and amortisation	7,888		6,967
	- Realised gains on non-current assets	(294)		(91)
	- Net financial income and expense	1,821		211
	- Income taxes	1,289		454
	- Fair value changes booked in operating income	(248)		(119)
	Changes in post-employment benefits	100		156
	Changes in provisions	(54)		2
	Changes in trade receivables	(17,136)	*	(8,397)
	Changes in inventories	(7,961)		(3,829)
	Changes in trade payables	(265)		(1,268)
	Changes in net working capital	**(25,362)**		**(13,494)**
	Changes in other receivables and payables, deferred taxes	(265)		477
	Tax payment	(1,373)		(2,894)
	Net financial revenues/expenses received/paid	(1,914)		(952)
B.	**Cash flows generated/absorbed by operating activities**	**(12,090)**		**(7,428)**
	Investments in non-current assets			
	- intangible assets	(2,335)		(2,074)
	- property, plant and equipment	(7,667)		(9,708)
	- financial assets	-		-
	Business combination net acquisition price	(8,677)		-
C.	**Cash flows generated/absorbed by investing activities**	**(18,679)**		**(11,782)**
	Repayment of loans	(33,367)	**	(22,356)
	New loans	30,500		42,000
	Changes in other financial liabilities	(243)		(122)
	Changes in short-term financial assets	7,014		4,462
	Purchase of treasury shares	(160)		(143)
	Contributions/repayments of own capital	-		208
	Payment of dividends	(4,940)	***	(4,666)
	Other changes	1,040		394
D.	**Cash flows generated/absorbed by financing activities**	**(156)**		**19,777**
	Exchange differences	(2,774)		2,796
	Other non-monetary changes	2,011		(352)
E.	**Other changes**	**(763)**		**2,444**
F.	**Net cash flows in the period (B+C+D+E)**	**(31,688)**		**3,011**
	Cash and cash equivalents at the end of the period (A+F)	**19,216**		**49,466**
	Current financial debt	(15,243)		(23,114)
	Non-current financial debt	110,165		123,678
	Net financial debt (Note 20)	**75,706**		**51,098**

* This item includes the amount referring to first-time application of IFRS 9 (please refer to the note on "New accounting standards").
** This item includes €4,072 thousand relating to Zyklus loan repayments.
*** This amount refers for 4,860 to dividends distributed by LU-VE S.p.A. and for €80 thousand to dividends distributed to third parties by

Tecnair.

Notes

INTRODUCTION

Zyklus acquisition

On 26 June 2018 LU-VE S.p.A. bought 100% of the American company called Zyklus Heat Transfer Inc ("Zyklus"), active in the manufacture and sale of heat-exchangers.

The buyout was carried out by LU-VE S.p.A. directly at a price of 10 million USDs paid with available financial assets. The purchase price is subject to adjustments based on the statement of financial position as at 30 June 2018 and the EBITDA for the whole of 2018. A part of the price was deposited on an escrow account and payment is reliant upon the achievement of a series of results in terms of agreed profitability. Furthermore, an earn-out scheme was worked in with a clause that arranges for a multiplying factor on the EBITDA for the business year 2021 only.

The acquired company was included in the consolidated financial statements as from 30 June 2018. Therefore, only the statement of financial position of the subsidiary was consolidated. With reference to the acquisition, please recall that, on the basis of the revised IFRS 3, the cost of the business combination must be allocated to the assets, liabilities and intangible assets not recognised in the financial statements of the acquired company, up to the limits of their fair value. Any amount still remaining after this allocation should be recognised as goodwill.

In relation to the complexity of this process, which implies the valuation of numerous, diversified assets and liabilities of the entities making up the acquired company, international accounting standards (IFRS 3) allow the acquisition cost to be definitively allocated within twelve months of the acquisition date. The LU-VE Group has taken advantage of this option and the areas upon which analysis is focused in order to calculate the fair value of the acquired activities are property, plant and equipment, inventory and customer list (the fair value of the amount paid might also be subject to adjustments according to the contractual provisions, including the earn-out clause). The following chart shows details of Zyklus' assets and liabilities included in the Group's consolidated financial statements as at 30 June 2018 and the breakdown of goodwill (provisional allocation) calculated on this date:

In thousands of Euro	30/06/2018
Property, plant and equipment and intangible assets (*)	3,584
Other non-current assets	86
Current assets (*)	2,901
Cash and banks	142
Total assets	**6,713**
Loans (*)	4,072
Other non-current liabilities	534
Current liabilities	1,337
Total liabilities and shareholders' equity	**5,943**
Amount paid	**8,675**
Net assets acquired	770
Goodwill	**7,905**

(*) The fair value calculation of these items is provisional as at 30 June 2018

Lastly, please note that the acquisition of Zyklus entailed accessory costs of roughly €980 thousand, which were recognised in the income statement for the period under the item entitled “Operating costs - Services”.

Complete conversion of CCDs

June marked the end of the process whereby the “CCDs” (Compulsory Convertible Debentures – financial instruments that must necessarily be converted into equity), issued by the subsidiary LU-VE India when Spirotech was purchased to obtain the necessary liquidity to complete the transaction and entirely underwritten by the Parent Company, were converted into shares. This conversion operation, whose aim was to prepare the ground for the reverse merger procedures of LU-VE India into Spirotech, allows for the elimination of the recognition of unrealised exchange gains/losses, even for significant amounts in the consolidated financial statements of the Group, ensuing from fluctuations in the INR/Euro exchange rate recorded in previous periods.

Upon conversion of the CCDs, the shareholding stake held by LU-VE S.p.A. in its subsidiary LU-VE India rose to 99.99% (prior to the conversion it stood at 99.98%).

ACCOUNTING STANDARDS

Information on the LU-VE Group

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

Publication of the consolidated financial statements

The publication of the condensed consolidated half-yearly financial statements as at 30 June 2018 of the LU-VE Group was authorised by resolution of the LU-VE S.p.A. Board of Directors on 25 September 2018.

Declaration of compliance and accounting policies

The condensed consolidated half-yearly financial statements as at 30 June 2018 of the LU-VE Group have been prepared in compliance with the International Financial Reporting Standards (IFRS) adopted by the European Union on that date, particularly in accordance with IAS 34 "Interim Financial Reporting". Therefore, the condensed consolidated half-yearly financial statements do not include all of the information required by IFRS for the preparation of the annual financial statements and must be read in conjunction with the consolidated financial statements for the year ending on 31 December 2017. They have been prepared in Euro, which is the currency used in the economies in which the Group primarily carries on business, with amounts rounded to thousands, and are compared with the consolidated financial statements for the first half of last year and for last year, prepared with the same criteria. They consist of the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flows and these notes.

The consolidation principles, the criteria applied to translate the financial statements expressed in foreign currency, the accounting standards and the measurement criteria are consistent with those used to prepare the financial statements as at 31 December 2017, which should be referred to for all of the details.

The financial statements have been drawn up on the basis of the historical cost principle (unless otherwise provided for) and the going concern assumption.

With reference to this last assumption, as at 30 June 2018, the LU-VE Group has a solid and balanced financial structure with a Net financial debt/Shareholders' equity ratio (Debt ratio) of 0.56 and a positive short-term net financial position of €34.5 million, ensuring, therefore, that repayment of the quota of medium/long-term debt maturing up to 30 June 2019 and equal to €50.2 million, is guaranteed by current liquidity. In addition, there are no substantial restrictions on the freeing up of invested liquidity, which therefore, if required, may be used to meet any payment commitments.

Furthermore, the Parent Company, which possesses most of the Group's financial debt, will carry on seeking out new opportunities for mid-to-long term loans, which could even replace that falling due.
In light of what is laid out above, the consolidated financial statements of the LU-VE Group as at 30 June 2018 were prepared on the basis of the going concern assumption, pursuant to paragraphs 25 and 26 of IAS 1.

Financial statements

The Group has adopted the following financial statements:

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

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

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

Consolidation area

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

Company name	Registered office	% stake	Share capital
Direct subsidiaries:			
SEST S.p.A.	Limana (BL)	100.00%	€1,000,000
Tecnair LV S.p.A.	Uboldo (VA)	79.90%	€200,000
Heat Transfer Systems s.r.o. (HTS)	Novosedly (Czech Rep.)	100.00%	CZK 133,300,000
LU-VE Sweden AB	Asarum (Sweden)	100.00%	SEK 50,000
LU-VE France S.a.r.l.	Lyon (France)	86.06%	€84,150
LU-VE Pacific Pty Ltd	Thomastown (Australia)	75.50%	AUD 200,000
LU-VE Deutschland GmbH	Stuttgart (Germany)	100.00%	€230,000
LU-VE Iberica S.L.	Madrid (Spain)	85.00%	€180,063.23
LU-VE Asia Pacific Limited	Wan Chai (Hong Kong)	100.00%	HKD 10,000
LU-VE INDIA CORPORATION PRIVATE LTD	New Delhi (India)	99.99%	INR 5,555,570
LuveDigital S.r.l.	Uboldo (VA)	50.00%	€10,000
MANIFOLD S.r.l.	Uboldo (VA)	99.00%	€10,000
LU-VE AUSTRIA GmbH	Vienna (Austria)	100.00%	€17,500
Zyklus Heat Transfer Inc (*)	Jacksonville (USA, Texas)	100.00%	USD 1,000
Indirect subsidiaries:			
SEST-LUVE-Polska SP.z.o.o. (95% owned by SEST S.p.A.)	Gliwice (Poland)	95.00%	PLN 16,000,000
«OOO» SEST LU-VE (95% owned by SEST S.p.A.)	Lipetsk (Russia)	95.00%	RUB 136,000,000
LU-VE HEAT EXCHANGERS Ltd (wholly-owned by LU-VE Asia Pacific Limited)	Changshu (China)	100.00%	CNY 38,211,761
Thermo Glass Door S.p.A. (100% owned by SEST S.p.A.)	Travacò Siccomario (PV)	100.00%	€100,000
Spirotech Ltd (95% owned by LU-VE INDIA CORPORATION PRIVATE LTD)	New Delhi (India)	95.00%	INR 25,549,700

(*) For this subsidiary, only the statement of financial position was consolidated as at 30 June 2018 after acquisition of control was finalised on 26 June 2018.

Pursuant to IFRS 10, the companies with regard to which the Group simultaneously has the following three elements are considered to be subsidiaries: (a) power over the investee; (b) exposure, or rights, to variable returns deriving from its involvement with the investee; (c) the ability to use its power to affect the extent of such variable returns. If the subsidiaries carry out a significant activity, to provide a fair view of the equity, profit and loss and financial situation of the Group, they are consolidated from when control begins until the date on which it ends.

On 6 June 2018 after the CCDs were converted, as indicated in the "Introduction", LU-VE S.p.A. shareholding stake in LU-VE India rose from 99.98% to 99.99%.
On 26 June 2018, the Parent Company bought 100% of the company Zyklus Heat Transfer Inc. based in Texas (USA), as already mentioned in the "Introduction".

Consolidation criteria

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

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

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

The separate financial statements of each company belonging to the Group are prepared in the currency of the primary economic environment in which it conducts business (functional currency). For the condensed consolidated half-yearly financial statements, the financial statements of each overseas entity are expressed in Euro, which is the functional currency of the Group and the presentation currency of the aggregate consolidated half-yearly financial statements.
Balance sheet items from financial statements expressed in a currency other than the Euro are translated by applying the current exchange rates at the end of the period. Income statement items are translated at average exchange rates for the period.
Translation exchange differences resulting from the comparison between the opening shareholders' equity translated at current exchange rates and the same converted at historical exchange rates, as well as the difference between the economic result expressed at average

exchange rates and that expressed at current exchange rates, are recognised in the separate shareholders' equity component “Translation reserve”.
The exchange rates used for the translation into Euro of the financial statements of the overseas subsidiaries, prepared in local currency, are shown in the table below:

	2018		2017	
Currency	Exchange rate as at 30/06	Average exchange rate	Exchange rate as at 31/12	Average exchange rate
AUD	1.5787	1.5688	1.5346	1.4364
PLN	4.3732	4.2207	4.177	4.269
CZK	26.02	25.5	25.535	26.784
RUB	73.1582	71.9601	69.392	62.8057
SEK	10.453	10.1508	9.8438	9.5968
HKD	9.1468	9.4863	9.372	8.4199
YUAN	7.717	7.7086	7.8044	7.4448
INR	79.813	79.4903	76.6055	71.176
USD	1.1658	1.2104		

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

Segment reporting
The Group’s operating segments pursuant to IFRS 8 - *Operating Segments* are identified as the business segments that generate revenues and costs, the results of which are periodically reviewed by the highest decision-making level to assess performance and to take decisions regarding resource allocation. The Group has the following operating segments:
- *Cooling Systems*, which until 2016 was named “Air cooled”, which includes air cooled products and close control air conditioners;
- Components, known as “*Original Equipment Manufacturers*” (“OEM”) until 2016 and which includes heat exchangers and glass doors.

Use of estimates
The preparation of the condensed consolidated half-yearly financial statements, like the preparation of the annual financial statements, requires the management to make estimates and assumptions that impact the values of the assets and liabilities in the financial statements and the disclosure relating to contingent assets and liabilities as at the reporting date.
If such estimates and assumptions, which are based on the Directors’ best assessment, differ from actual future circumstances, they will be updated accordingly in the period in which such circumstances change.
In particular, these estimates are used to recognise provisions for credit risks, inventory obsolescence, depreciation and amortisation, employee benefits, taxes and other provisions. Estimates and assumptions are reviewed periodically and the effects of each change are reflected in

the income statement in the period in which the estimate is reviewed. Another aim of the estimation process is to calculate the fair value of the agreement with the non-controlling shareholder for the acquisition of the remaining 5% of SPIROTECH through a put & call agreement that can be exercised 3 years after the option agreement was entered into, at the value resulting from the application of a formula set forth in the agreement (put option in favour of the non-controlling shareholder and call option in favour of LU-VE India).
In addition, certain assessment processes, particularly those which are more complex, such as the determination of any impairment losses on non-current assets, are generally carried out in full only when the annual financial statements are drafted, when all required information is available, except when impairment indicators are identified, in which case immediate impairment testing is required.
It must be noted that establishing the recoverable amount of the non-current assets with an indefinite useful life (goodwill) ascribable to the two CGUs identified by Management requires those in charge to exercise discretion and make estimates, especially as regards calculating the interest rate (WACC) used for discounting the cash flows expected from the Group's CGUs. Furthermore, the accuracy of the impairment tests (and, consequently, the maintenance of values recognised in the assets) is reliant on the 2018-2021 plan of the Group companies taking place. Although these impairment tests are forecasts and therefore subject to uncertainty and affected by external non-controllable variables as well, they have been confirmed by the Directors of the Group who based themselves, amongst other things, on the results achieved in the first half of 2018 (basically in line with the budget figures up to 30 June 2018). Therefore, during the half, there were no specific signs of impairment identified which would make it necessary to prepare or update the impairment tests at the date of the condensed consolidated half-yearly financial statements.
Liabilities connected to obligations from defined benefit plans are measured precisely (notes 11 and 14).
Lastly, the tax expense, pursuant to IAS 34, was estimated using the option of precisely calculating the liability at the date of 30 June 2018.
In the condensed consolidated half-yearly financial statements, the income statement and cash flow statement data for the half are compared with those of the same half of the previous year. The net financial position and the consolidated statement of financial position items as at 30 June 2018 are compared with the corresponding actual data as at 31 December 2017.

New accounting standards

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED AS OF 1 JANUARY 2018.

The following IFRS accounting standards, amendments and interpretations have been applied by the Group for the first time as of 1st January 2018:

- On 22 September 2016, with regulation n. 1905/2016, the European Commission endorsed the accounting standard **IFRS 15 – Revenue from Contracts with Customers**. This standard has replaced standards IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as the interpretations IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenue-Barter Transactions Involving Advertising Services.
  This new revenue recognition model will apply to all contracts entered into with customers with the exception of those falling within the scope of application of other IAS/IFRSs such as

insurance contracts and financial instruments. The fundamental steps for accounting for revenues in accordance with the new model are:

- identify the contract with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract;
- recognise revenue when the entity satisfies each performance obligation.

Application of this standard has had no impact on the amounts of revenue recognised by the Group. Indeed, as far as the Group business is concerned, this new “revenue recognition” concept envisaged under § 31 of IFRS 15, which is based on the acquisition of “control” over the asset by the customer (in the sense of an ability to decide on how the asset is used and enjoy all remaining benefits) basically overlaps with the provisions contained in standard IAS 18. The latter states that revenue from sale of goods must be recognised (particularly so when the entity has transferred the substantial risks and benefits ensuing from ownership of the asset to the purchaser); for its part, IFRS 15 establishes that, in order to determine whether acquisition of control has taken place at a given time, the following must be assessed: whether the customer holds an ownership deed for the assets, whether possession has been transferred, whether the customer is already obliged at the time to pay for the assets and, last but not least, whether the customer bears the meaningful risks and enjoys the meaningful benefits arising from ownership of the assets. In this case, whenever the Group makes sales, transferral of control over the asset (as mentioned above) coincides with transferral of the associated risks/benefits. Therefore, recognition of the ensuing revenue can occur upon shipment or when the goods are delivered to the customer according to Incoterms (International Commercial Terms) adopted by the Group companies in the various contracts stipulated with their customers. This standard has been applied since 1st January 2018. As already described in the notes last year, the application of this standard has not had any impact on the amounts of revenues recognised or on the relative disclosure provided in the Group’s consolidated financial statements.

- On 22 September 2016, with Regulation n. 2067/2016, the European Commission endorsed the accounting standard IFRS 9 – Financial Instruments which replaces IAS 39. The standard:

  - introduces new criteria for the classification and measurement of financial assets and liabilities;
  - introduces an impairment model for financial assets;
  - introduces a new hedge accounting model (increase in the type of transactions eligible for hedge accounting, change in the methods for accounting for forward contracts and options when included in a hedge accounting relationship, amendments to the effectiveness test).

This new standard has been applied since 1st January 2018. The application of this new standard has not had any impact on the classification and valuation criteria for financial assets and liabilities and on the hedge-accounting model (not used by the Group).

On the other hand, as far as impairment of financial assets is concerned, this new standard requires that an estimate of losses on receivables be carried out on the basis of the expected credit losses (ECL) model, using supportable, available information without unreasonable effort or expense which must include historic, current and forward-looking information. Unlike the incurred losses model envisaged under IAS 39, it is no longer necessary for an event to take place before losses on receivables are recorded. The standard establishes that this impairment model be applied to all financial instruments - that is to the financial assets valued at amortised cost, to those valued at fair value through other comprehensive income, to receivables ensuing from rental contracts and to trade receivables. In particular, IFRS 9 requires that the estimate of losses on receivables be carried out for an amount equal to lifetime ECL if the credit risk to the financial instrument has increased considerably since the initial recognition date. On the other hand, if the credit risk to the financial instrument has not increased significantly since the initial recognition date, the estimate of losses on receivables must be carried out for an amount equal to 12-month ECL. In addition, IFRS 9 takes a simplified approach which envisages recording losses on receivables for receivables ensuing from rental contracts and trade receivables for an amount equal to lifetime ECL. As regards the implementation of this new method of calculating impairment of financial assets, it should be noted that the Group has applied the "simplified retrospective" method which envisages the possibility of avoiding restatement of all the comparative information from the years before the new standard was introduced. Furthermore, the aforementioned "simplified approach" was also applied to trade receivables, creating a provision matrix based on past experience (viz. on losses on receivables from previous periods), but suitably adjusted to take into account additional and forward-looking risk factors so as to gain insight into the likelihood of the debtor's future defaults when making the valuation. The additional risk factor was established by looking at the ageing of the receivables, on the one hand, and the geographical provenance of the debtor, on the other hand.
The chart below shows the effects (expressed in thousands of Euros) of the change in the accounting standard on the bad debt provision, on deferred tax assets and on retained earnings for the Group as at 1st January 2018, the date of first-time application of the standard:

	01/01/2018
Trade receivables	(1,435)
Deferred tax assets	74
Retained earnings	**(1,361)**

IFRS ACCOUNTING STANDARDS AND AMENDMENTS AND IFRIC INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, FOR WHICH APPLICATION IS NOT YET REQUIRED AND NOT ADOPTED EARLY BY THE GROUP AS AT 30 JUNE 2018.

- **IFRS 16 – "*Leases*"** (published on 13 January 2016) which is meant to replace IAS 17 – Leases, as well as the interpretations IFRIC 4 – *Determining whether an Arrangement contains a Lease*, SIC-15 – *Operating Leases—Incentives* and SIC-27 – *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The new standard provides a new definition of lease and introduces an approach based on control (right of use) of an asset to distinguish lease agreements from service agreements, identifying as distinguishing factors: the identification of the asset, the right of substitution, the right to substantially obtain all economic benefits deriving from the use of the asset and the right to direct the use of the asset underlying the contract.

The standard establishes a single model for the recognition and measurement of lease agreements for the lessee which requires the recognition of the asset subject to the lease, including an operating lease, in the assets with a matching entry under financial payables, also providing the possibility not to recognise as leases those contracts which concern low-value assets and leases with a contract term of equal to or less than 12 months. The standard does not include significant amendments for lessors.

The standard applies as of 1st January 2019.

The directors have initiated a project for the implementation of the new standard, which calls for a first phase consisting of a detailed analysis of contracts and accounting impacts and a second phase for the implementation and/or adjustment of administrative processes and the accounting system. The main qualitative and quantitative impacts of the new standard expected by the Directors at the date of initial application based on the activities carried out at the date of this Report are reported below:

- a decrease in operating costs between €0.7 and €1.1 million;
- an increase in depreciation and amortisation between €0.7 and €1.1 million;
- a deterioration of the net financial position between €4.5 and €6 million.

- Amendment to **IFRS 9 "Prepayment Features with Negative Compensation"** (published on 12 October 2017). This document specifies that instruments requiring prepayment could respect the "SPPI" test even if the reasonable additional compensation to be paid in the case of prepayment is negative compensation for the lender. The amendment applies as of 1 January 2019, but early application is permitted.

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

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

- On 7 June 2017, the IASB published the interpretation document **IFRIC 23 – Uncertainty over Income Tax Treatments.** The document deals with the matter of uncertainties over the income tax treatment to be adopted. The document establishes that uncertainties in determining tax liabilities or assets should be reflected in the financial statements only when it is likely that the entity will pay or recover the amount in question. In addition, the document does not contain any new disclosure requirement, but highlights that the entity will need to establish if it will be necessary to provide information on the considerations of the management and relating to the uncertainty inherent in accounting for taxes, in accordance with the provisions of IAS 1.

  The new interpretation applies as of 1 January 2019, but early application is permitted. The Directors are currently assessing the possible effects of the introduction of these amendments on the Group's consolidated financial statements.

- Amendment to IAS 28 ***"Long-term Interests in Associates and Joint Ventures"*** (published on 12 October 2017). This document clarifies the need to apply IFRS 9, including impairment-related requirements, to other long-term interests in associates and joint ventures for which the equity method is not applied. The amendment applies as of 1 January 2019, but early application is permitted.

- Document ***"Annual Improvements to IFRSs 2015-2017 Cycle"***, published on 12 December 2017 (including IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements – Remeasurement of previously held interests in a joint operation*, IAS 12 *Income Taxes – Income tax consequences of payments on financial instruments classified as equity*, IAS 23 *Borrowing costs Disclosure of Interests in Other Entities – Borrowing costs eligible for capitalisation*) which incorporates amendments of several standards within the annual improvement process. The amendments apply as of 1 January 2019, but early application is permitted.

- Amendment to IAS 19 "Plant Amendment, Curtailment or Settlement" (published on 7 February 2018). The document explains how an entity must record a change (i.e. a curtailment or a settlement) in a defined-benefit plan. The changes require the entity to update its assumptions and remeasure the net liabilities or assets deriving from the plan. The amendments clarify that after such an event has taken place, an entity should use updated assumptions to measure the current service cost and the interest for the rest of the reference period following the event. The amendments apply as of 1 January 2019, but early application is permitted.

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

NOTES TO THE BALANCE SHEET ITEMS

1. INTANGIBLE ASSETS

In thousands of Euro	Goodwill	Trademarks	Development costs	Other intangible assets	Total
Historical					
As at 01 January 2017	**55,418**	**11,088**	**10,161**	**19,761**	**96,428**
Increases	-	-	427	4,541	4,968
Decreases	-	-	-	(65)	(65)
Reclassifications	-	-	267	(320)	(53)
Exchange differences	-	(4)	(7)	30	19
As at 31 December 2017	**55,418**	**11,084**	**10,848**	**23,947**	**101,297**
Increases	7,905	-	176	2,159	10,240
Decreases	-	-	-	(191)	(191)
Reclassifications	-	-	802	(799)	3
Exchange differences	-	(12)	(12)	(109)	(133)
As at 30 June 2018	**63,323**	**11,072**	**11,814**	**25,007**	**111,216**
Provision					
As at 01 January 2017	**12,915**	**6,146**	**7,799**	**7,937**	**34,797**
Increases	-	739	1,369	1,706	3,814
Decreases	-	-	-	(65)	(65)
Reclassifications	-	-	-	-	-
Exchange differences	-	(3)	(6)	42	33
As at 31 December 2017	**12,915**	**6,882**	**9,162**	**9,620**	**38,579**
Increases	-	369	629	940	1,938
Decreases	-	-	-	-	-
Reclassifications	-	-	-	-	-
Exchange differences	-	(7)	(12)	(71)	(90)
As at 30 June 2018	**12,915**	**7,244**	**9,779**	**10,489**	**40,427**
Net carrying amount					
As at 31 December 2017	**42,503**	**4,202**	**1,686**	**14,327**	**62,718**
As at 30 June 2018	**50,408**	**3,828**	**2,035**	**14,518**	**70,789**

As at 30 June 2018, intangible assets rose by €10,240 thousand.

Goodwill

Goodwill rose by €7,905 thousand due to the change in the consolidation area following on from the acquisition of the American company Zyklus.

On the basis of IFRS 3, the cost of the business combination must be allocated to the assets, liabilities and intangible assets not recognised in the financial statements of the acquired company,

up to the limits of their fair value. Any amount still remaining after this allocation should be recognised as goodwill. In the second half of 2018 the purchase-price-allocation process was initiated, which requires the evaluation of a number of different assets and liabilities of the acquired company. A component of the assets not recorded in the acquired company's financial position was identified (customer list) to which it is reasonably imaginable that a share of the acquisition cost can be allocated. Therefore, given the complexity and delicacy of this valuation (and of the fair-value assessment of the property, plant and equipment and inventory), it was deemed appropriate to prolong the observation and assessment period as much as possible (the standard allows for a measurement period of up to 12 months at the most from the acquisition date). Therefore, as at 30 June 2018 no allocation of price differential was made to the assets and liabilities (recognised at their carrying amount) of the acquired company, but it will be made by closure of accounts as at 31 December 2018.
Pursuant to IAS 36, the LU-VE Group conducts impairment testing on goodwill at least once per year, when it prepares the financial statements as at 31 December.
In the half-yearly financial statements as at 30 June 2018, the Group has recognised goodwill totalling €50.4 million attributed to "*CGU – Components*" for €32.9 million and to "*CGU – Cooling Systems*" for €17.5 million.
The impairment test was carried out by comparing the carrying amount of goodwill to the recoverable amount and using the "Discounted cash flow" method which estimates the value in use of an asset on the basis of the discounting of future cash flows at an appropriate rate, coinciding with the weighted average cost of capital (WACC).
Cash-generating-unit trends in the first half of 2018 with respect to the forecasts for the first year of the 2018-2021 Business Plan did not show meaningful misalignments with the forecasts used to conduct impairment testing for the financial statements as at 31 December 2017. Therefore, the Directors continue to have confidence in the original estimates for the 2018 results as well as those for the following years. What is more, it should be pointed out that updating the interest rates (WACC) as at 30 June 2018 did not lead to any significant variations as compared to the values of 31 December 2017.
Therefore, during the half, there were no specific signs of impairment identified which would make it necessary to prepare or update the impairment tests at the date of the condensed consolidated half-yearly financial statements. However, the future trend of various factors, including the evolution of the difficult global economic and financial environment, requires the management to constantly monitor the circumstances and events that might result in an impairment of the Group's goodwill.

Development costs
The total *development costs* for the first half year 2018 came to €1,173 thousand (of which €176 thousand capitalised and €997 thousand in projects underway), referring to new product development. For a more in-depth analysis, please refer to the Directors' Report.

Other intangible assets
The *other intangible assets* rose by €2,159 thousand, of which:

- €997 thousand, as reported above, refers to product development projects currently being completed;
- €983 thousand relating to software development costs. The main investment for 2018 was also related to the completion of an additional phase of the PLM (Product Lifecycle

Management) project for roughly €737 thousand, which will be applied to all of the Group's plants;
- €179 thousand refers to software projects currently being completed (primarily PLM for roughly €79 thousand);

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

2. PROPERTY, PLANT AND EQUIPMENT

In thousands of Euro	Property	Plant and equipment	Other assets	Work in progress	Total
Historical					
As at 01 January 2017	**81,319**	**109,742**	**29,314**	**3,878**	**224,253**
Increases	3,196	9,980	2,467	3,675	19,318
Decreases	-	(689)	(163)	(29)	(881)
Reclassifications	191	3,130	151	(3,419)	53
Exchange differences	343	294	62	33	732
As at 31 December 2017	**85,049**	**122,457**	**31,831**	**4,138**	**243,475**
Increases	272	5,290	1,123	9,057	15,742
Decreases	(900)	(1,178)	(383)	(566)	(3,027)
Reclassifications	102	1,098	91	(1,294)	(3)
Exchange differences	(1,187)	(1,435)	(188)	(128)	(2,938)
As at 30 June 2018	**83,336**	**126,232**	**32,474**	**11,207**	**253,249**
Provision					
As at 01 January 2017	**18,559**	**79,472**	**23,095**	**-**	**121,126**
Increases	1,982	6,970	2,377	-	11,329
Decreases	-	(506)	(97)	-	(603)
Reclassifications	12	-	(12)	-	-
Exchange differences	85	314	33	-	432
As at 31 December 2017	**20,638**	**86,250**	**25,396**	**-**	**132,284**
Increases	1,010	3,908	1,032	-	5,950
Decreases	-	(1,157)	(71)	-	(1,228)
Reclassifications	-	(6)	6	-	-
Exchange differences	(236)	(843)	(120)	-	(1,199)
As at 30 June 2018	**21,412**	**88,152**	**26,243**	**-**	**135,807**
Net carrying amount					
As at 31 December 2017	**64,411**	**36,207**	**6,435**	**4,138**	**111,191**
As at 30 June 2018	**61,924**	**38,080**	**6,231**	**11,207**	**117,442**

As at 30 June 2018, property, plant and equipment rose by €15,742 thousand, due to:
- €3,587 thousand for the historical cost of the assets of the American company Zyklus;

- €12,155 thousand for the technological-investment plan in Italy and abroad aimed at extending and streamlining some production sites and at upgrading the installed production capacity (for further details please refer to the Interim Director's Report).

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

3. EQUITY INVESTMENTS

The Group holds the following equity investments:

In thousands of Euro	30/06/2018	31/12/2017	Change
Industria e Università S.r.l.	6	6	-
Total	**6**	**6**	-

4. OTHER NON-CURRENT ASSETS

This item amounted to €1,896 thousand compared to €1,935 thousand in the previous year, marking a decline of €14 thousand. The item breaks down as follows:

- €1,287 thousand for the recognition of the residual value deriving from the prepayment by the subsidiary Spirotech to the Indian government to acquire the right to occupy the land on which the production facility is located for a period of 99 years;
- €409 thousand in receivables due from the tax authorities payable beyond the period and referred to the refund request due to the deductibility of IRES from IRAP for the period 2007-2011 (proposed legislation of 6/12/2011);
- €200 thousand in security deposits provided for the provision of services.

5. INVENTORIES

This item in question was broken down as follows as at 30 June 2018:

In thousands of Euro	30/06/2018	31/12/2017	Change
Raw materials and consumables	34,882	26,574	8,308
Work in progress and semi-finished products	4,336	3,311	1,025
Finished products and goods for resale	11,133	10,825	308
Provision for inventory losses	(2,672)	(2,722)	50
Total	**47,679**	**37,988**	**9,691**

The gross increase in inventories amounting to €9,641 thousand was due to:

- for €1,732 thousand to the purchase of the new American company Zyklus;
- for €4,983 thousand to the increase in stock of the company Spirotech to deal with the orders of the first few months of the second half year;
- for €2,926 thousand to seasonal fluctuations in the Group's business in the summer months.

The inventories of subsidiaries, for the purchase of finished products from Group companies, are adjusted by intra-group margins and the related tax effect has been calculated.

The provision for inventory losses, equal to €2,672 thousand as at 30 June 2018, reflects the best estimate of obsolescence risk, on the basis of specific analyses carried out at the end of the period on unsold inventory or inventory with a low turnover rate. The provision decreased by €50 thousand compared to 31 December 2017, broken down as follows:

- Provisions for €85 thousand;
- Releases for excessive provisions for €102 thousand;
- Positive exchange differences of €33 thousand.

6. TRADE RECEIVABLES

This item in question was broken down as follows as at 30 June 2018:

In thousands of Euro	30/06/2018	31/12/2017	Change
Trade receivables	70,400	50,611	19,789
Bad debt provision	(4,477)	(2,995)	(1,482)
Total	**65,923**	**47,616**	**18,307**

The increase in trade receivables amounting to €19,789 thousand was due to:

- For €18,617 thousand to the increase in sales (€5,481 thousand - LUVE S.p.A., €4,938 thousand - SEST, €2,744 thousand - "OOO" SEST LUVE, €2,168 thousand - HTS sro, €2,018 thousand - SPIROTECH and €1,268 thousand - other Group companies);
- For €1,172 thousand to the purchase of the new American company Zyklus.

In addition, in June 2018 receivables of roughly €15,246 thousand were transferred to the Factor, compared to €16,264 thousand in December 2017. These assignments were without recourse. All trade receivables net of the bad debt provision are due within the subsequent 12 months and derive from normal sales transactions.
The bad debt provision increased by €1,482 thousand during the period:

- for €1,434 thousand for allowances made for first-time adoption of IFRS 9 on 1st January 2018 (as outlined in the section on new accounting standards);
- for €232 thousand for new allowances made to reflect the recoverability of the receivables;
- for releases of €172 thousand for excess allowances;
- for the use of about €8 thousand for losses recognised in the period;
- and positively affected by exchange differences of €4 thousand.

The breakdown of receivables by geographical area is shown below:

In thousands of Euro	30/06/2018	31/12/2017	Change
Italy	15,423	11,899	3,524
EU Countries	39,073	24,618	14,455
Non-EU Countries	15,941	14,094	1,847
Bad debt provision	(4,477)	(2,995)	(1,482)
Total	**65,960**	**47,616**	**18,344**

No trade receivables with a residual maturity of more than 5 years were recognised in the financial statements.
Average days sales outstanding compared to the turnover of the last few months on a like-for-like basis stood at 80 days, as described in more detail in the Interim Director's Report.

7. DUE FROM THE TAX AUTHORITIES FOR CURRENT TAXES

This item was broken down as follows:

In thousands of Euro	30/06/2018	31/12/2017	Change
Due from the tax authorities for VAT	6,304	6,207	97
Due from the tax authorities for payments on account of direct taxes	1,324	2,943	(1,619)
Others	73	86	(13)
Total	**7,701**	**9,236**	**(1,535)**

Tax receivables for payments on account of direct taxes payable within the next 12 months refer to the excess of taxes prepaid for the year 2017 with respect to the effective tax burden, primarily associated with the Parent Company and the subsidiaries: TGD S.p.A., and Heat Transfer System S.r.o. (HTS).

8. CURRENT FINANCIAL ASSETS

This item was broken down as follows:

In thousands of Euro	30/06/2018	31/12/2017	Change
Asset management	18,036	19,154	(1,118)
Capitalisation policies	40,650	40,192	458
Other securities	6,505	12,716	(6,211)
Fair value of derivative instruments	280	246	34
Total	**65,471**	**72,308**	**(6,837)**

The Asset management agreement was entered into with Bnp Paribas Investment Partners SGR S.p.A. and the assets may be disinvested upon simple request. The funds are invested in bonds and in units and/or shares of bonds and/or flexible funds, there is also a component of investment in equity instruments and units and/or shares of equity funds, but to a limited extent, and also investment in financial instruments denominated in currencies other than the Euro. The fair value measurement at the reporting date entailed the recognition of roughly €216 thousand under financial expense.

The Capitalisation policies taken out were issued by Aviva Vita S.p.A. and are the type of policies which allow, after the payment of a lump-sum premium, for an annual capital revaluation based on the return obtained from management (almost exclusively invested in government securities and very highly rated bonds). The fair value measurement at the reporting date entailed the recognition of roughly €458 thousand under financial income.

Other securities mainly referred to investments made through UBI Banca (where the securities account is held) in Italian government securities, corporate bonds, bond funds and mixed funds. During the period, an additional €5,929 thousand was disinvested. The fair value measurement at the reporting date entailed the recognition of roughly €92 thousand under financial expense.
This item also includes the investment subscribed with UNICREDIT for an amount of €283 thousand. The fair value measurement at the reporting date entailed the recognition of roughly €7 thousand under financial expense
This is an investment in an equity instrument which provides a guarantee on 100% of the invested capital and variable returns over five years (maturity 2022) of operations.

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

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

9. OTHER CURRENT ASSETS

The details of this item are shown below:

In thousands of Euro	30/06/2018	31/12/2017	Change
From employees	259	104	155
Advances and other receivables	2,579	1,918	661
Total	**2,838**	**2,022**	**816**

10. CASH AND CASH EQUIVALENTS

The item, equal to €19,216 thousand as at 30 June 2018 (€50,762 thousand as at 31 December 2017), represented the asset balances in current accounts of €19,172 thousand and cash and valuables in hand of €44 thousand, not subject to constraints and restrictions. For further details, refer to the Consolidated Statement of Cash Flows.

11. SHAREHOLDERS' EQUITY

The Parent Company's share capital amounted to €62,704 thousand (€62,704 thousand as at 31 December 2017).
Also in the first half of 2018, dividends of €4,860 thousand were paid out from the reserves and retained earnings.

As at 30 June 2018, the Parent Company held 153,869 treasury shares (0.69% of the share capital), recognised in the financial statements as an adjustment of shareholders' equity for a total value of roughly €1,581 thousand (for further details, see the Directors' Report). During the period, 16,064 treasury shares were acquired.

Non-controlling interests amounted to €3,084 thousand (€2,124 thousand as at 31 December 2017). The profit attributable to non-controlling interests in the first half of 2018 totalled €296 thousand (€143 thousand in the same period of 2017).

12. LOANS

This item was broken down as follows:

In thousands of Euro	30/06/2018		31/12/2017	
	Current	Non-current	Current	Non-current
Loans	43,971	106,941	42,234	112,973
Advances subject to collection on bank receipts or invoices	5,500	-	-	-
Total	**49,471**	**106,941**	**42,234**	**112,973**

During the half year the following changes took place in loans:

- Unsecured medium-term loan for a total of €25,000 thousand stipulated with UNICREDIT, maturing on 31 March 2023, with repayment in equal half-yearly instalments and an interest rate equal to the 6-month Euribor plus a spread;
- Early repayment of the UNICREDIT loan for €3,900 thousand taken out by SEST on 14 April 2014 and maturing 30 June 2024;
- Early repayment of the UNICREDIT loan for €600 thousand taken out by SEST on 14 April 2014 and maturing 30 June 2019;
- Early repayment of the UBI Banca loan for €3,030 thousand taken out by LUVE S.p.A. on 29 June 2015 and maturing 29 June 2020;
- Early repayment of the UBI Banca loan for €2,050 thousand taken out by LUVE S.p.A. on 28 November 2014 and maturing 28 November 2019;

In relation to certain loan agreements, the LU-VE Group committed to respecting specific financial parameters (covenants). For the loans still outstanding as at 31 December 2017, the details of loans that require financial covenants to be met are provided below (in thousands of Euro):

COMPANY	COUNTERPARTY	LOAN TYPE	START DATE	MATURITY DATE	RATE	FINANCIAL COVENANTS	INITIAL AMOUNT
LU-VE	Banca Nazionale del Lavoro S.p.A.	Unsecured loan	09/06/2015	09/06/2020	6M Euribor + spread	NFP/EBITDA <= 2.5 NFP/SE <= 1.5	20,000
LU-VE	Banca Popolare di Milano	Mortgage Loan	25/09/2015	31/12/2021	3M Euribor + Spread	NFP/EBITDA as at 30/06 <= 3; NFP/EBITDA as at 31/12 <= 2.5	30,000
LU-VE	Mediocredito Italiano S.p.A.	Unsecured loan	29/10/2015	30/09/2020	6M Euribor + Spread	NFP/EBITDA <= 2.5 NFP/SE < 1	10,000
LU-VE	Banca Nazionale del Lavoro S.p.A.	Unsecured loan	20/09/2016	20/09/2020	3M Euribor + Spread	NFP/EBITDA <= 2.5 NFP/SE <= 1.5	30,000
LU-VE	Banca Popolare di Bergamo S.p.A.	Unsecured loan	30/09/2016	30/09/2021	3M Euribor + Spread	NFP/EBITDA <= 3.5 NFP/SE <= 1.5	10,000
LU-VE	Deutsche Bank	Unsecured Loan	23/03/2017	28/11/2020	3M Euribor + Spread	NFP/EBITDA <= 3	1,500
LU-VE	Deutsche Bank	Unsecured Loan	23/03/2017	28/02/2022	3M Euribor + Spread	NFP/EBITDA <= 3	5,500
LU-VE	Mediocredito italiano	Unsecured loan	31/03/2017	28/02/2022	3M Euribor + Spread	NFP/EBITDA < 2.5 NFP/SE <= 1	25,000
LU-VE	Unicredit S.p.A.	Unsecured loan	20/04/2017	31/12/2020	Fixed Rate	NFP/EBITDA <= 3.5 NFP/SE <= 1	10,000
LU-VE	Unione di Banche Italiane SpA	Unsecured loan	13/12/2017	20/12/2020	3M Euribor + Spread	NFP/EBITDA <= 3.5 NFP/SE <= 1.5	20,000
LU-VE	Unicredit S.p.A.	Unsecured loan	30/01/2018	31/03/2023	6M Euribor + Spread	NFP/EBITDA <= 3.5 NFP/OWN FUNDS <=1	25,000
SEST LU-VE POLSKA	BNP Paribas bank Polska SA	EIB Mortgage Loan	08/11/2011	08/11/2021	3M Euribor + Spread	NFP/EBITDA <= 2.5 SE / TOTAL ASSETS >= 40% DSCR >= 1.2	5,000

The changes in loans during the period are shown below:

In thousands of Euro

	Opening balance	New loans	Repayments	Closing balance
Loans	155,207	25,000	29,295	150,912
Advances on bank invoices	-	5,500	-	5,500
Total	**155,207**	**30,500**	**29,295**	**156,412**

With reference to the loans that require compliance with covenants, at the reporting date and on the basis of available forecasts made by Directors, it is deemed that all such covenants will be respected. A breakdown of compliance with such covenants will be carried out once a year using the data as at 31 December 2018, as per contractual agreements.

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

13. PROVISIONS

The details of this item are shown below:

In thousands of Euro	31/12/2017	Prov./incr	Exchange delta	Uses	Release of excess portion	30/06/2018
Provision for agents' leaving indemnities	25	-	-	-	-	25
Product warranty provision	1,582	40	(12)	-	-	1,610
Other provisions for risks and charges	865	-	(2)	(80)	-	783
Total	**2,472**	**40**	**(14)**	**(80)**	-	**2,418**

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

14. EMPLOYEE BENEFITS

Employee benefits amounted to €4,122 thousand, a net increase of €75 thousand compared to 31 December 2017. The entire amount referred to the provision for post-employment benefits.
The provision for post-employment benefits refers only to the Group's Italian companies and includes substantially the post-employment benefits accrued by personnel employed as at 30 June 2018, net of advances paid out to employees.
Liabilities connected to obligations from defined benefit plans are measured precisely only at year-end, unless there are indicators that make it necessary to update the estimate in the course of the year. As at 30 June 2018, those indicators were identified with reference to the discounting rates; as a result, the estimates were adjusted using updated discounting rates. Due to the estimate revision, the liability for defined benefits rose by €75 thousand, which was recognised in the statement of comprehensive income net of the related tax effect of €21 thousand.
The breakdown and changes in the item as at 30 June 2018 are shown below:

In thousands of Euro	30/06/2018	31/12/2017
Liabilities as at 1 January	**4,047**	**3,936**
Provisions	167	226
Financial expense	27	56
Payments made	(67)	(153)
Actuarial (gains)/losses	(52)	(18)
Liabilities at the end of the period	**4,122**	**4,047**

The provision for Post-Employment Benefits changed primarily based on allowances and uses for the period to provide advances and/or payments to former personnel.
Actuarial gains and losses are posted to shareholders' equity through the statement of comprehensive income.
The values recognised in the income statement are included in "Personnel costs" (Note 25).

15. OTHER FINANCIAL LIABILITIES

The details of this item are shown below:

Other non-current financial liabilities

In thousands of Euro	30/06/2018	31/12/2017	Change
Lease payables	148	313	(165)
Other financial liabilities	3,076	1,788	1,288
Total	**3,224**	**2,101**	**1,123**

Other current financial liabilities

In thousands of Euro	30/06/2018	31/12/2017	Change
Fair value of derivatives	666	891	(225)
Lease payables	91	158	(67)
Due to other lenders	-	-	-
Total	**757**	**1,049**	**(292)**

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

Other non-current financial liabilities refer to the agreement with the non-controlling shareholder for the acquisition of the remaining 5% of SPIROTECH through a put & call agreement that can be exercised 3 years after the option agreement was entered into, at the value resulting from the application of a formula set forth in the agreement (put option in favour of the non-controlling shareholder and call option in favour of LU-VE India).
The option represents a financial liability measured at fair value on the basis of a contractually established formula.

16. TRADE PAYABLES

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

In thousands of Euro	30/06/2018	31/12/2017	Change
Italy	36,545	37,455	(910)
EU Countries	14,126	17,187	(3,061)
Non-EU Countries	13,414	8,763	4,651
Total	**64,085**	**63,405**	**680**

The average payment terms have not changed since 31 December 2017. As at 30 June 2018, there were no past-due payables of significant amounts, and the Group has received no payment orders for past-due payables.
No trade payables with a residual maturity of more than 5 years were recognised in the financial statements.

17. TAX PAYABLES

The details of this item are shown below:

In thousands of Euro	30/06/2018	31/12/2017	Change
Due to the tax authorities for income taxes	1,014	595	419
Tax withholdings	1,216	1,297	(81)
Other tax payables	704	381	323
Total	**2,934**	**2,273**	**661**

18. OTHER CURRENT LIABILITIES

The details of this item are shown below:

In thousands of Euro	30/06/2018	31/12/2017	Change
To personnel	9,188	7,724	1,464
To social-security institutions	3,275	3,596	(321)
To Directors and statutory auditors	1,711	1,790	(79)
Other current payables	5,215	2,294	2,921
Total	**19,389**	**15,404**	**3,985**

In the beginning of 2018, payables to personnel and social security institutions were paid in accordance with the relative due dates.
The increase in payables to personnel was caused by the increase in the Group’s workforce.

The item Other current payables rose by € 2,921 thousand, due primarily to increases in trade payables for investments.

19. DEFERRED TAX ASSETS AND LIABILITIES

The details of this item are shown below:

In thousands of Euro	30/06/2018	31/12/2017	Change
Deferred tax assets	3,905	3,359	7,264
Deferred tax liabilities	(13,329)	(13,217)	(112)
Net position	**(9,424)**	**(9,858)**	**434**

The nature of the temporary differences that resulted in the recognition of deferred tax liabilities and assets and the relative changes.

In thousands of Euro	TAX LOSS	DEPREC./AMORT. AND LEAS.	FAIR VALUE OF DERIV. INSTR.	MERGER GROSS UP 2008	ACTUARIAL VALUATION	PROV. AND VALUE ADJUST.	OTHER DIFF.	TOTAL
31.12.16	**1,090**	**(2,765)**	**67**	**(7,725)**	**90**	**1,455**	**518**	**(7,270)**
In income statement	351	1	(14)	140	(5)	142	125	740
In shareholders' equity	-	-	-	-	(37)	-	(31)	(68)
Exchange differences	(5)	31	-	-	-	6	-	32
Reclas.	-	-	-	-	8	-	(8)	-
30.06.2017	**1,436**	**(2,733)**	**53**	**(7,585)**	**56**	**1,603**	**604**	**(6,566)**
31.12.17	**1,071**	**(2,739)**	**45**	**(10,567)**	**98**	**1,600**	**634**	**(9,858)**
In income statement	-	197	(24)	212	(3)	476	22	880
In shareholders' equity	-	-	-	-	(4)	38	(31)	3
Exchange differences	(30)	24	-	-	-	6	-	-
Zyklus contribution	-	(534)	-	-	-	85	-	(449)
Reclas.	-	-	-	-	-	-	-	-
30.06.2018	**1,041**	**(3,052)**	**21**	**(10,355)**	**91**	**2,205**	**625**	**(9,424)**

As at 30 June 2018, deferred tax assets referred to:

- tax losses that may be carried forward relating to some subsidiaries of the Parent Company. When the recoverability of the deferred tax assets was recognised and assessed, the 2018-2021 plan drawn up by the Management was taken into consideration. Even though this plan contains assumptions and forecasts subject to uncertainty by their very nature, the Directors deem that the expected taxable income for the upcoming years (which they hold to be reasonable and realisable) is sufficient to allow for the recognition and recoverability of these values;
- the fair value of derivative instruments on exchange rates and interest rates, subscribed by the Parent Company and two of its subsidiaries;
- the deferred tax impact of the actuarial valuation of the post-employment benefits of the Group's Italian companies following the application of IAS 19;
- tax differences on increases in the provisions of Group companies;

- other tax differences, regarding net temporary recoveries such as unpaid remuneration, exchange differences and other.

As at 30 June 2018, deferred tax liabilities referred to:
- tax differences on depreciation, amortisation and leasing, regarding primarily the application of IAS 17, with respect to Italian GAAP;
- the recognition of taxes on the 2008 merger deficit allocated to trademarks, buildings, land, plant and equipment.

20. NET FINANCIAL POSITION

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

	In thousands of Euro	**30/06/2018**	**31/12/2017**	**Change**
A.	Cash (Note 10)	44	31	13
B.	Unrestricted current account asset balances (Note 10)	19,172	50,731	(31,559)
C.	Current financial assets (Note 8)	65,471	72,308	(6,837)
D.	**Liquidity (A+B+C)**	**84,687**	**123,070**	**(38,383)**
E.	Current bank payables (Note 12)	-	7	(7)
F.	Current portion of non-current debt (Note 12)	49,471	42,227	7,244
G.	Other current financial liabilities (Note 15)	757	1,049	(292)
H.	**Current financial debt (E+F+G)**	**50,228**	**43,283**	**6,945**
I.	**Net current financial debt (H-D)**	**(34,459)**	**(79,787)**	**45,328**
J.	Non-current bank payables (Note 12)	106,941	112,973	(6,032)
K.	Other non-current financial liabilities (Note 15)	3,224	2,101	1,123
L.	**Non-current financial debt (J+K)**	**110,165**	**115,074**	**(4,909)**
M.	**Net financial debt (I+L)**	**75,706**	**35,287**	**40,419**

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

NOTES TO THE INCOME STATEMENT ITEMS

21. REVENUES

In the first half year 2018, revenues from sales amounted to €152,389 thousand, an increase of 14.8% compared to the same period in the previous year (€132,798 thousand as at 30 June 2017).

Revenues by product family

In thousands of Euro

PRODUCTS	€ /000	%	€ /000	%	Delta	Delta %
	H1 2018		H1 2017			
Heat exchangers	90,912	59.7%	81,033	61.0%	9,879	12.2%
Air Cooled Equipment	48,800	32.0%	40,307	30.4%	8,493	21.1%
Doors	5,397	3.5%	4,631	3.4%	766	16.5%
Close Control	5,585	3.7%	4,735	3.6%	850	18.0%
Subtotal	**150,694**	**98.9%**	**130,706**	**98.4%**	**19,988**	**15.3%**
Other	1,695	1.1%	2,092	1.6%	(397)	(19.0%)
TOTAL	**152,389**	**100.0%**	**132,798**	**100.0%**	**19,591**	**14.8%**

Revenues by geographical area

In thousands of Euro

GEOGRAPHICAL AREA	€ /000 H1 2018	%	€ /000 H1 2017	%	Delta	Delta %
Italy	34,529	22.7%	31,248	23.5%	3,281	10.5%
Germany	14,653	9.60%	11,682	8.80%	2,971	25.40%
Russia	9,757	6.40%	9,388	7.10%	369	3.90%
Poland	11,305	7.40%	8,473	6.40%	2,832	33.40%
France	7,872	5.20%	6,422	4.80%	1,450	22.60%
Czech Republic	7,705	5.10%	6,892	5.20%	813	11.80%
Austria	6,968	4.60%	5,987	4.50%	981	16.40%
Sweden	6,680	4.40%	5,824	4.40%	856	14.70%
Other countries	52,920	34.60%	46,882	35.30%	6,038	12.90%
TOTAL	**152,389**	**100.0%**	**132,798**	**100.0%**	**19,591**	**14.80%**

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

22. OTHER REVENUES

In thousands of Euro	H1 2018	H1 2017	Change
Other income	411	241	170
Total	**411**	**241**	**170**

Other revenues refer to export incentives of the subsidiary SPIROTECH for €350 thousand and for €61 thousand to other Group Companies.

23. PURCHASES OF MATERIALS

In thousands of Euro	H1 2018	H1 2017	Change
Raw materials and purchased components	(86,529)	(72,017)	(14,512)
Consumables	(3,229)	(2,728)	(501)
Total	**(89,758)**	**(74,745)**	**(15,013)**

During the period, the cost for the purchase of materials rose significantly due to a general increase of raw materials and to the increase in sales volumes.

24. SERVICES

In thousands of Euro	H1 2018	H1 2017	Change
Expenses for energy, telephone and telex	(2,467)	(1,853)	(614)
General and advisory expenses	(7,359)	(7,068)	(291)
Advertising and promotional expenses	(500)	(536)	36
Transport expenses	(3,404)	(3,019)	(385)
Maintenance expenses	(1,519)	(1,498)	(21)
External processing	(1,663)	(1,333)	(330)
Commissions	(443)	(680)	237
Remuneration to the corporate bodies	(1,740)	(1,305)	(435)
Other costs for services	(1,854)	(1,696)	(158)
Costs for use of third-party assets	(1,155)	(1,032)	(123)
Total	**(22,104)**	**(20,020)**	**(2,084)**

During the period, the cost of services rose by €2,084 thousand and this increase generally affected all services items due to higher turnover.

25. PERSONNEL COSTS

In thousands of Euro	H1 2018	H1 2017	Change
Wages and salaries	(23,835)	(21,885)	(1,950)
Social security costs	(6,568)	(6,002)	(566)
Post-employment benefits	(825)	(787)	(38)
Other personnel costs	(210)	(117)	(93)
Total	**(31,438)**	**(28,791)**	**(2,647)**

The average number of Group employees was 2,636 in the first half of 2018. As at 30 June 2018, the number of Group employees came to 2,655 (2,056 blue-collar, 567 white-collar and middle managers, 32 executives), against 2,602 as at 30 June 2017.
As at 30 June 2018, the number of temporary workers came to 569.

26. OTHER OPERATING COSTS

In thousands of Euro	H1 2018	H1 2017	Change
Losses and write-downs on trade receivables	(60)	(187)	127
Non-income taxes	(384)	(137)	(247)
Provisions for risks	(40)	(29)	(11)
Other operating costs	(517)	(319)	(198)
Total	**(1,001)**	**(672)**	**(329)**

The application of IFRS 9 entailed an allowance amounting to €232 thousand and a release for excess allowances amounting to €172 thousand
Non-income taxes included mainly taxes on owned property.
Provisions related to increases in the provisions described in Note 13.

27. FINANCIAL INCOME

In thousands of Euro	H1 2018	H1 2017	Change
Interest income	9	81	(72)
Other income	235	692	(457)
Total	**244**	**773**	**(529)**

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

28. FINANCIAL EXPENSE

In thousands of Euro	H1 2018	H1 2017	Change
Interest expense to banks	(357)	(387)	30
Other financial expense	(1,708)	(596)	(1,112)
Total	**(2,065)**	**(983)**	**(1,082)**

“Other financial expense” also includes expense deriving from the measurement at fair value of investments of liquidity (see Note 8), the part realised during the year of derivatives recognised in the financial statements and the change in fair value taking place in 2018 from the financial liabilities ensuing from the agreement with Spirotech’s non-controlling shareholder.

29. EXCHANGE GAINS AND LOSSES

During the period, the Group realised net exchange gains of roughly €146 thousand (net losses of €3,411 thousand in the first half of 2017, primarily due to the impact of the currencies INR, Zloty and Roubles). The realised part comes to a negative amount of €342 thousand, while the unrealised part amounts to a positive €488 thousand.

30. INCOME TAXES

In thousands of Euro	H1 2018	H1 2017	Change
Current taxes	(2,170)	(1,257)	(913)
Deferred tax liabilities	880	740	140
Adjustment previous year	-	(3)	3
Total	**(1,290)**	**(520)**	**(770)**

31. EARNINGS PER SHARE

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

EARNINGS *(In thousands of Euro)*	H1 2018
Net profit for the period	6,322

NUMBER OF SHARES	H1 2018
Average weighted number of ordinary shares for the calculation of basic earnings per share	22,089,980
Dilution effect deriving from potential ordinary shares	-
Average weighted number of ordinary shares for the calculation of diluted earnings per share	22,089,980

EARNINGS PER SHARE (in Euro)	H1 2018
Basic earnings per share	0.29
Diluted earnings per share	0.29

32. DIVIDENDS

In April 2018, dividends totalling €4,860 thousand were distributed, corresponding to the distribution of a gross dividend of €0.22 (zero/22) for each of the 22,092,438 shares outstanding as at 07 May 2018, net of treasury shares.

33. SEGMENT REPORTING

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

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

- *Cooling Systems* SBU (named "Air Cooled" until 2016), which includes air cooled equipment and close control air conditioners;
- *Components* SBU (named "OEM" until 2016), which includes heat exchangers and special glass doors for refrigerated counters and display cabinets.

Details of turnover by SBU in the two periods in question are provided in the table below:

SEGMENT						
in thousands of Euro	**H1 2018**	**%**	**H1 2017**	**%**	**Delta**	**Delta %**
Air Cooled Equipment	48,800	32.4%	40,307	30.8%	8,493	21.1%
Close Control	5,585	3.7%	4,735	3.6%	850	18.0%
AIR COOLED AND CLOSE CONTROL SBU	**54,385**	**36.1%**	**45,042**	**34.5%**	**9,343**	**20.7%**
Heat exchangers	90,912	60.3%	81,033	62.0%	9,879	12.2%
Doors	5,397	3.6%	4,631	3.5%	766	16.5%
OEM SBU	**96,309**	**63.9%**	**85,664**	**65.5%**	**10,645**	**12.4%**
TOTAL PRODUCT TURNOVER	**150,694**	**100.0%**	**130,706**	**100.0%**	**19,988**	**15.3%**

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

Information is provided below by SBU as at 30 June 2018 and as at 30 June 2017 (in thousands of Euro):

	2018				2017			
	COMPONENTS	COOLING SYSTEMS	UNALLOCATED COSTS	TOTAL	COMPONENTS	COOLING SYSTEMS	UNALLOCATED COSTS	TOTAL
REVENUES	96,309	54,385	-	**150,694**	85,664	45,042	-	**130,706**
EBITDA	12,616	5,484	(980)	**17,120**	9,801	4,396	(1,300)	**12,897**

Unallocated costs in the first half of 2018 related to the costs entailed by the acquisition of the subsidiary Zyklus.

34. INFORMATION ON FINANCIAL RISKS

IFRS 7 requires companies to provide supplemental information in their financial statements that enable users to evaluate:

a) the significance of financial instruments with reference to the statement of financial position and the profit and loss of the companies;
b) the nature and extent of risks deriving from financial instruments to which the companies are exposed in the course of the year and at the reporting date, and how they are managed.

The Group is exposed to financial risks connected with its operations, particularly the following types:

- credit risk, particularly with reference to normal trade relations with customers;
- market risk (particularly exchange rate risk, relating to transactions in currencies other than the functional currency; interest rate risk, relating to the Group's financial exposure; raw material price volatility risk);
- liquidity risk, which may take the form of the inability to obtain the financial resources necessary for Group operations.

The coordination and monitoring of the main financial risks are centralised in the Head Office. The Group carefully and specifically monitors each of the above-mentioned financial risks, intervening with the aim of minimising them promptly, including by using hedging derivatives.
The breakdown of financial instruments between the categories laid out in IFRS 9 is provided below, along with an indication of the degree of significance of the Group's exposure to the various categories of financial risk identified and the methods for managing them.

Categories of financial instruments

In compliance with IFRS 7, the following chart shows the breakdown of the financial instruments organised into the categories envisaged under IFRS 9 (bear in mind that IFRS 9 did not have any impact on the classification and valuation of the Group's financial instruments):

In thousands of Euro	30/06/2018	31/12/2017
Financial assets		
Amortised cost		
Cash and cash equivalents	19,216	50,762
Trade receivables	65,923	47,616
Fair Value		
Current financial assets	65,191	72,062
Trading derivatives	280	246
Financial liabilities		
Amortised cost		
Loans	156,412	155,207
Trade payables	64,085	63,405
Fair Value		
5% Spirotech put option	3,076	1,788
Trading derivatives	666	891

One of the LU-VE Group's policies is to protect its exposure to fluctuations in prices, exchange rates and interest rates using derivative financial instruments. This hedging may be achieved using forward contracts, options and interest rate swaps. Generally, the maximum term of these hedges is no longer than 18 months.
Please note that all derivative instruments were subscribed for the purposes of hedging the underlying risks. However, at the date of presentation of these financial statements, not all requirements of IFRS 9 were satisfied and therefore cannot be defined as hedge accounting. Therefore, the Group management deemed it appropriate to treat those instruments as trading, not hedging, transactions.

Credit risk management

The Group is exposed to credit risk deriving from commercial dealings with exposure to potential losses arising from the failure of commercial counterparties to meet their obligations. Trade credit risk is monitored on the basis of formalised procedures for the selection and assessment of the customer portfolio, for the definition of credit limits by individual customer, for the monitoring of expected cash inflows and for any debt collection actions. In certain cases, customers are asked for further guarantees, primarily in the form of sureties. The Company assesses the creditworthiness of all customers at the start of the supply and then periodically. Each customer is assigned a credit limit based on this assessment. Dedicated insurance coverage is taken out for certain customers.
The historically low levels of losses on receivables recognised by Group companies are proof of the good results achieved.

Exchange rate risk management

Due to its ordinary operations, the Group is exposed to the risk of fluctuations in the exchange rates of currencies other than the reporting currency in which commercial and financial transactions are expressed. In terms of acquisitions, the main currency to which the Group is exposed is USD (currency to which the cost of the main raw materials is linked): indeed, raw materials in the reference markets are quoted in USD and the cost is converted into euros by applying the USD/Euro exchange rate for the day to the price in dollars; thus, exchange rate risk is borne by the buyer.
Furthermore, the Group companies located in countries in which the reference currency is not the euro, which also acquire raw materials with contracts under which the euro is the payment currency (and therefore bear the USD/Euro exchange rate risk noted above) are also exposed to the risk of fluctuations in the euro/local currency exchange rate.
Sales are mainly made in euros. In addition, although Sest LuVe Polska, HTS and Spirotech are located in countries that do not use the euro as their reference currency, they make almost all sales in euros and therefore they are also exposed to the risk of fluctuations in the exchange rate between the euro and their local currencies.
In order to limit the potential impact arising from currency fluctuations, the Group adopts a hedging policy that uses procedures and instruments for that purpose. Hedging is carried out at centralised level using instruments and policies compliant with international standards.
The Group also holds controlling interests in companies that prepare their financial statements in currencies other than the euro (zloty, rouble, Czech koruna, Swedish Krona, rupee, Australian dollar, yuan and US dollar). Therefore, the Group is exposed to the translation risk that fluctuations in the exchange rates of certain currencies with respect to the consolidation currency may have on the value of consolidated shareholders' equity. The main exposures are monitored, but this is not part of the Group's current policies for hedging these risks.

Interest rate risk management

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

Raw material price risk management

The production costs of the LU-VE Group are influenced by the prices of the main raw materials, such as copper and aluminium. The majority of raw materials are purchased in the European Union. Risks are related to fluctuations in the prices of these materials on the reference markets (on which they are quoted in USD) and the reliability and the policies of mining and/or transformation companies.
To manage these risks, the LU-VE Group constantly monitors the availability of raw materials in the market as well as the relative price trends, in order to promptly identify any situations of unavailability of raw materials and take suitable actions to guarantee the required production autonomy, and also to keep its production activities competitive with regard to this aspect as well.

In particular, as regards the major raw material purchased - copper - the LU-VE Group has long-standing relations the same suppliers, selected on the basis of trust. Furthermore, when it deems this necessary in relation to expected trends, the Group enters into contracts to hedge the risk of fluctuations in the price of raw materials.

Liquidity risk management

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

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

In addition, as at 30 June 2018 the Group has unused short-term credit lines totalling roughly €42.1 million, of which €7.6 million used. In addition, to minimise liquidity risk the Administration and Financial Department:

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

An analysis of financial liabilities as at 30 June 2018 is provided below by maturity:

In thousands of Euro	Carrying amount	Contract. cash flows	Within 1 year	From 1 to 5 years	More than 5 years
Bank loans	150,912	152,683	44,776	107,658	249
Advances on invoices	5,500	5,500	5,500	-	-
Finance lease	239	239	91	148	-
Other financial liabilities	3,076	3,076	-	3,076	-
Total financial payables	**159,727**	**161,498**	**50,367**	**110,882**	**249**
Trade payables	64,085	64,085	64,085	-	-
Total	**223,812**	**225,583**	**114,452**	**110,882**	**249**

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

Fair value hierarchy

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

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

The table below shows the assets and liabilities measured at fair value as at 30 June 2018, by fair value hierarchy level.

	Level 1	*Level 2*	*Level 3*	*Total*
Other financial assets	-	280	-	280
Other financial liabilities	-	(666)	(3,076)	(3,742)
Investments	-	65,191	-	65,191
Total	-	64,805	(3,076)	61,729

35. RELATED-PARTY TRANSACTIONS

The Parent Company and the other companies belonging to the Group carry out some trade and financial transactions with Related Parties, settled at market conditions from the economic as well as financial perspective, or at the same conditions that would have been applied to independent counterparties. In this regard, there is however no guarantee that, if such transactions were concluded between, or with, third parties, they would have negotiated and entered into the relative contracts, or carried out such transactions, under the same conditions and with the same methods.

In compliance with the provisions of IAS 24, Related Parties are considered to be: *(a)* companies which directly, or indirectly through one or more intermediary companies, control, or are controlled by or under joint control with, the company preparing the financial statements; *(b)* associates; *(c)* the natural persons who directly or indirectly have voting power in the company preparing the financial statements, which gives them dominant influence over the company, and their close family members; *(d)* key managers, i.e., those who have the power and responsibility to plan, manage and control the activities of the company preparing the financial statements, including directors and officers of the company and their close family members; *(e)* the businesses in which significant voting power is directly or indirectly held by any natural person described in point c) or d) or in which such natural person is capable of exercising significant influence. The case in point e) includes the businesses held by directors or by the major shareholders of the company preparing the financial statements and the businesses that have a key manager in common with the company preparing the financial statements.

The LU-VE Group’s transactions with Related Parties primarily relate to:

- financial transactions;
- transactions connected to service agreements;
- trade transactions;
- transactions entered into as part of the national tax consolidation of the LU-VE Group.

Transactions between consolidated companies were eliminated in the consolidated financial statements and are not shown in these notes.
The table below shows the economic and financial transactions carried out by Group Companies with related parties in the half year 2018:

In Euro	Other revenues	Raw Mat. Costs	Costs for services	Financial income	Financial expense	Trade receivables	Other receivables	Receivables and curr. fin. ass.	Trade payables	Financial payables	Other payables
RELATED COMPANIES											
FINAMI S.R.L.	-	-	126	-	-	9	-	-	-	-	-
MGPE S.R.L.	-	-	94	-	-	-	-	-	94	-	-
VITALE-NOVELLO & CO SRL	-	-	-	-	-	-	-	-	-	-	-
VITALE&ZANE & CO SRL	-	10	-	-	-	-	-	-	-	-	-
Total	-	10	220	-	-	9	-	-	94	-	-

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

Directors’ and Statutory Auditors’ fees

The table below shows the economic benefits of Directors of the Parent Company and members of the Board of Statutory Auditors.

Name and surname	Office	Period of office	End of office	Fixed remuneration (in Euros)	Remuneration for taking part in committees (in Euros)	Variable non-equity remuneration (in Euros)		Non-monetary benefits (in Euros)	Other remuneration (in Euros)	Total (in Euros)	Fair-value of equity remuneration (in Euros)	Indemnity at end of office or upon termination of employment (in Euros)
						Bonuses and other incentives	Profit sharing					
Iginio Liberali	Executive chairman	1/1/2018-30/06/2018	Approval of financial statements 2019									
(III) Total				125,000 -	-	128,389	-	-	-	253,389		
Pierluigi Faggioli	Vice Chairman	1/1/2018-30/06/2018	Approval of financial statements 2019									
(III) Total				107,500 -	-	128,389	-	1,787	-	293,242	-	-
Matteo Liberali	CEO	1/1/2018-30/06/2018	Approval of financial statements 2019									
(III) Total				179,500 -	-	191,625	-	5,831	-	376,953	-	-
Michele Faggioli	COO	1/1/2018-30/06/2018	Approval of financial statements 2019									
(III) Total				160,000 -	-	191,625	-	7,574	-	359,195	-	-
Attilio Arietti	Director	1/1/2018-14/05/2018										
(III) Total				6,608 -	-					6,608	-	-
Giovanni Cavallini	Director	1/1/2018-30/06/2018	Approval of financial statements 2019									
(III) Total				9,000 -	-					9,000	-	-
Michele Garulli	Director	1/1/2018-30/06/2018	Approval of financial statements 2019									
(III) Total				20,000 -	2,500					22,495	-	-
Anna Gervasoni	Director	1/1/2018-30/06/2018	Approval of financial statements 2019									
(III) Total				9,000 -	5,000					14,000	-	-
Laura Oliva	Director	1/1/2018-30/06/2018	Approval of financial statements 2019									
(III) Total				9,000 -						9,000	-	-
Fabio Liberali	Director	1/1/2018-30/06/2018	Approval of financial statements 2019									
(III) Total				67,306 -				2,846	-	70,146	-	-
Stefano Paleari	Director	1/1/2018-30/06/2018	Approval of financial statements 2019									
(III) Total				9,000 -	7,000					16,000	-	-
Roberta Pierantoni	Director	1/1/2018-30/06/2018	Approval of financial statements 2019									
(III) Total				9,000 -	2,500					11,500	-	-
Marco Vitale	Director	1/1/2018-30/06/2018	Approval of financial statements 2019									
(III) Total				9,000 -						18,000	-	-
Paola Mignani	Chairman - Board of Statutory Auditors	1/1/2018-30/06/2018	Approval of financial statements 2019									
(III) Total				22,500 -						22,500	-	-
Stefano Beltrame	Standing Auditor	1/1/2018-30/06/2018	Approval of financial statements 2019									
(III) Total				30,732 -						30,732	-	-
Ivano Pelassa	Standing Auditor	1/1/2018-30/06/2018	Approval of financial statements 2019									
(III) Total				15,000 -						15,000	-	-

36. SHARE-BASED PAYMENTS

As at 30 June 2018, there were no share-based incentive plans in favour of Group Directors or employees.

37. COMMITMENTS AND GUARANTEES

The following table provides details on the commitments and guarantees given by the Group:

In thousands of Euro	**30/06/2018**	**31/12/2017**
Mortgages	39,772	58,738
Third-party goods	3,909	804
Total	43,681	59,542

Mortgages refer to guarantees granted by Group companies to obtain medium/long-term bank loans. As at 30 June 2018, the details of the loans for which a mortgage was granted on properties owned by the Group were (thousands of Euro):

DEBTOR COMPANY	COUNTERPARTY	LOAN TYPE	TAKEN OUT	MATURITY	GUARANTEES	ORIGINAL AMOUNT OF LOAN
LU-VE	Banca Popolare di Milano	Mortgage Loan	25/09/2015	31/12/2021	Mortgage	30,000
SEST LU-VE POLSKA SP. Z O.O.	BNP Paribas bank Polska SA	EIB Mortgage Loan	08/11/2011	08/11/2021	Mortgage	5,000
LU-VE FRANCE S.A R.L.	BNP PARIBAS S.A.	Mortgage Loan	08/11/2011	03/11/2026	Mortgage	798

The item “Third-party goods” relates to products owned by customers, temporarily in the inventory at the Group’s warehouses on 30 June 2018 and 2017.

38. CONSOLIDATION AREA AND SIGNIFICANT EQUITY INVESTMENTS

COMPANIES CONSOLIDATED LINE-BY-LINE

Company name	Registered office	% owned	Currency	Share capital	Shareholders' equity as at 31/06/2018	Profit (loss) for the period 2018
Direct subsidiaries:						
SEST S.p.A.	Limana (BL)	100.00%	EUR	1,000,000	23,452,739	664,326
Tecnair LV S.p.A.	Uboldo (VA)	79.90%	EUR	200,000	2,385,618	86,329
Heat Transfer Systems s.r.o. (HTS)	Novosedly (Czech Rep.)	100.00%	CZK	133,300,000	355,739,599	12,229,249
LU-VE Sweden AB	Asarum (Sweden)	100.00%	SEK	50,000	(36,848,644)	(8,604,160)
LU-VE France S.a.r.l.	Lyon (France)	86.06%	EUR	84,150	1,369,372	(4,569)
LU-VE Pacific Pty Ltd	Thomastown (Australia)	75.50%	AUD	200,000	(3,429,753)	(260,691)
LU-VE Deutschland GmbH	Stuttgart (Germany)	100.00%	EUR	230,000	(171,509)	(93,810)
LU-VE Iberica S.L.	Madrid (Spain)	85.00%	EUR	180,063	(1,043,098)	(334,466)
LU-VE Asia Pacific Limited	Wan Chai (Hong Kong)	100.00%	HKD	10,000	(26,698,086)	342,663
LU-VE INDIA CORPORATION PRIVATE LTD	New Delhi (India)	99.99%	INR	5,555,570	2,419,364,211	(5,013,411)
LuveDigital S.r.l.	Uboldo (VA)	50.00%	EUR	10,000	20,496	(1,151)
MANIFOLD S.r.l.	Uboldo (VA)	99.00%	EUR	10,000	33,530	15,201
LU-VE AUSTRIA GmbH	Vienna (Austria)	100.00%	EUR	17,500	(17,856)	(29,359)
Zyklus Heat Transfer Inc	Jacksonville (USA, Texas)	100.00%	USD	1,000	899,324	-
Indirect subsidiaries:						
SEST-LUVE- Polska SP.z.o.o. (95% owned by SEST S.p.A.)	Gliwice (Poland)	95.00%	PLN	16,000,000	219,970,103	28,085,182
«OOO» SEST LU-VE (95% owned by SEST S.p.A.)	Lipetsk (Russia)	95.00%	RUB	136,000,000	698,367,984	42,138,008
LU-VE HEAT EXCHANGERS Ltd (100% owned by LU-VE Asia Pacific Limited)	Changshu (China)	100.00%	CNY	38,211,761	13,042,497	(586,226)
Thermo Glass Door S.p.A. (100% owned by SEST S.p.A.)	Travacò Siccomario (PV)	100.00%	EUR	100,000	(750,437)	(991,141)
Spirotech Ltd (95% owned by LU-VE INDIA CORPORATION PRIVATE LTD)	New Delhi (India)	95.00%	INR	25,549,700	1,598,312,458	180,944,001

39. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

During the first half of 2018, no significant non-recurring transactions were carried out.

40. TRANSACTIONS DERIVING FROM ATYPICAL AND/OR UNUSUAL TRANSACTIONS

Pursuant to CONSOB communication of 28 July 2006, please note that in 2018 the Group did not carry out atypical and/or unusual transactions, i.e., transactions which in terms of their significance, the nature of the counterparties, the subject of the transaction, the pricing methods and the timing of occurrence may give rise to doubts with regard to the accuracy of the information in the financial statements, conflicts of interests, the safeguarding of the company assets or the protection of non-controlling shareholders.

41. EVENTS SUBSEQUENT TO 30 JUNE 2018

There were no significant events from 30 June 2018 to the date of these financial statements.
A loan agreement was stipulated with Unicredit in September for a total amount of €27,000,000 to back up the investment plan underway and to assist with working-capital requirements (for further details, please refer to the Interim Director’s Report).
Furthermore, the merger process which will cause LU-VE India Corporation Private Ltd to be incorporated into Spirotech Heat Exchangers Ltd was launched in India. This process should come to an end by the first half year 2019.

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

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

Introduction

We have conducted a limited audit on the condensed consolidated half-yearly financial statements, consisting of the consolidated financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in shareholders' equity and the relative notes of LU-VE S.p.A. and its subsidiaries (the LU-VE Group) as at 30 June 2018. The Directors are responsible for the preparation of the condensed consolidated half-yearly financial statements in compliance with the international accounting standard applicable to interim financial reporting (IAS 34) adopted by the European Union. It is our responsibility to provide a conclusion concerning the condensed consolidated half-yearly financial statements on the basis of our limited audit.

Extent of the limited audit

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

Conclusions

On the basis of the limited audit conducted, no elements have come to our attention which lead us to believe that the condensed consolidated half-yearly financial statements of the LU-VE Group as at 30 June 2018 were not prepared, for all significant aspects, in compliance with the international accounting standard applicable to interim financial reporting (IAS 34) adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Massimiliano Semprini
Partner

Milan, 26 September 2018