LU-VE S.p.A.

Via Vittorio Veneto 11 – 21100 Varese

Economic and Administrative Index no.: VA-191975

Tax Code: 01570130128

HALF-YEARLY FINANCIAL REPORT

AS AT 30 JUNE 2019

CONTENTS

1. Interim Directors' Report
2. Condensed Consolidated Half-Yearly Financial Statements of the LU-VE Group as at 30 June 2019
3. Certification of the CEO and the Manager in charge to the Condensed Consolidated Half-Yearly Financial Statements
4. Report of the Auditing Firm to the Condensed Consolidated Half-Yearly Financial Statements

INTERIM
DIRECTORS' REPORT
AS AT 30 JUNE 2019

CONTENTS

1 INTERIM DIRECTORS' REPORT AS AT 30 JUNE 2019 2

1.1 REFERENCE MARKETS 4

1.2 SIGNIFICANT EVENTS DURING THE HALF YEAR 7

1.3 CONSIDERATIONS ON THE SECURITY'S MARKET VALUE 9

1.4 ECONOMIC AND FINANCIAL DATA 11

1.5 ALTERNATIVE PERFORMANCE INDICATORS 15

2 OBSERVATIONS ON THE FINANCIAL PROFILE AND ON BUSINESS CONTINUITY 16

2.1 MAIN RISKS AND UNCERTAINTIES 16

2.2 DEVELOPMENT ACTIVITIES 21

2.3 EXEMPTION FROM THE OBLIGATIONS TO PUBLISH DISCLOSURE DOCUMENTS IN THE CASE OF SIGNIFICANT TRANSACTIONS ("opt-out") 21

2.4 EVENTS SUBSEQUENT TO 30 JUNE 2019: significant events and business outlook 21

2.5 MANAGEMENT AND COORDINATION ACTIVITIES 22

2.6 RELATED PARTY TRANSACTIONS 22

2.7 TREASURY SHARES 22

2.8 CERTIFICATION PURSUANT TO ART. 15 OF CONSOB REGULATION 20249/2017 22

2.9 ORGANISATION, MANAGEMENT AND CONTROL MODEL PURSUANT TO ITALIAN LEGISLATIVE DECREE 231/2001 22

2.10 DECLARATION OF THE MANAGER IN CHARGE OF FINANCIAL REPORTING 23

2.11 SECONDARY OFFICES 23

2.12 CORPORATE BODIES AND COMPANY INFORMATION 23

2.13 AUDITING FIRM 24

2.14 REGISTERED OFFICE AND COMPANY INFORMATION 24

1 INTERIM DIRECTORS' REPORT AS AT 30 JUNE 2019

Subsidiaries and stake held by the Group

Company name	% owned	Currency	Share capital
Direct subsidiaries:			
SEST S.p.A.	100.00%	EUR	1,000,000
Tecnair LV S.p.A.	79.90%	EUR	200,000
Heat Transfer Systems s.r.o. (HTS)	100.00%	CZK	133,300,000
LU-VE Sweden AB	100.00%	SEK	50,000
LU-VE France S.a.r.l.	100.00%	EUR	84,150
LU-VE Pacific Pty Ltd	75.50%	AUD	200,000
LU-VE Deutschland GmbH	100.00%	EUR	230,000
LU-VE Iberica S.L.	85.00%	EUR	180,063
LU-VE Asia Pacific Limited	100.00%	HKD	10,000
LU-VE INDIA CORPORATION PRIVATE LTD	99.99%	INR	5,555,568
LuveDigital S.r.l.	50.00%	EUR	10,000
MANIFOLD S.r.l.	99.00%	EUR	10,000
LU-VE AUSTRIA GmbH	100.00%	EUR	17,500
Zyklus Heat Transfer Inc.	100.00%	USD	1,000
Air Hex Alonte S.r.l.	100.00%	EUR	2,010,000
Fincoil LU-VE OY	100.00%	EUR	1,190,000
LU-VE Netherlands B.V.	100.00%	EUR	10,000
«OOO» LU-VE Moscow	100.00%	RUB	100,000
LU VE MIDDLE EAST DMCC	100.00%	AED	50,000
Indirect subsidiaries:			
SEST-LUVE-Polska SP.z.o.o. (95% owned by SEST S.p.A.)	95.00%	PLN	16,000,000
«OOO» SEST LU-VE (95% owned by SEST S.p.A.)	95.00%	RUB	136,000,000
LU-VE HEAT EXCHANGERS (Tianmen) Co, Ltd (77.18% owned by LU-VE Asia Pacific Limited and 22.82% owned by LU-VE S.p.A.)	100.00%	CNY	49,513,061
Thermo Glass Door S.p.A. (100% owned by SEST S.p.A.)	100.00%	EUR	100,000
Spirotech Ltd (95% owned by LU-VE INDIA CORPORATION PRIVATE LTD)	95.00%	INR	25,549,700

26 September 2019

Dear Shareholders,

During the first half of 2019, global economic growth continued to slow. Against growth of 3.7% in 2018 (and of 3.8% in 2017), for the current year GDP is expected to rise by 2.9%, marking its lowest levels of the last 10 years. The recent downward revision was caused by fears concerning the effects of current trade tensions, alongside geopolitical tensions and uncertainties linked to the future of Brexit. In any event, the United States is about to close the year with GDP up by 2.4% and, on the rates front, the growth trend that started in 2015 has been inverted, with short-term and long-term rates currently aligned. The dollar has further strengthened over the Euro and other major currencies, continuing with the trend that began last year.

For Europe, the May elections confirmed a very different political scenario than in the past, insofar as the more radical forces did not obtain the expected results. The situation in some countries also remains uncertain, starting with the United Kingdom which with its new Prime Minister Johnson is now intent on achieving Brexit in any event by the end of October, while new elections are expected in Spain and Greece. For Italy, the political crisis has changed the balance, with the new Government more aligned with European rules. Growth forecasts for the Eurozone are at 1.1% for this year, against 1.8% in 2018, also following the slowdown in Germany, which is expected to reach +0.5% after a negative second quarter of 2019. In addition, the second part of the year will see the end of Draghi's mandate at the head of the ECB, although the expansionary policy will continue with respect to interest rates and with inflation levels below the 2% target.

For Italy, GDP forecasts point to zero growth for 2019 after 1% last year. The employment scenario was positive in the first part of the year, with the unemployment rate at 9.7% in June, its lowest level since 2012. The public finance situation is stable for the year under way, but decisions have yet to be made in the new political framework.

On the commodities front, oil, after a first half of the year on the rise, started to backtrack in the second part of the year towards the values recorded in January (within a scenario which in any event remains highly volatile) due to concerns linked to the effects of US tariffs and the Chinese economic slowdown. A similar, and even sharper, trend was seen for copper and aluminium.

It should be noted that growing attention for environmental matters that has been repeatedly reaffirmed in the orientations of many political forces and in global discussions, will accelerate the industrial transformation in the sectors in which the LU-VE Group (the "Group") carries on business, both directly and indirectly in the applications of the relative products.

With regard to the Group, the first half of the year 2019 saw a positive trend in sales (thanks to active demand, particularly in the geographical areas in which the Group operates) and represented an important turning point in the Group's history due to the acquisition of the "air heat exchanger" ("AL Air") division of the Alfa Laval group at the end of April.

Consolidated turnover reached a value of nearly €187 million, with an increase of more than 22% compared to the same period of the previous year. On a like-for-like basis (not considering either the transaction concerning "AL Air", whose income statement was consolidated starting on 1 May 2019, or the US subsidiary Zyklus acquired at the end of June 2018 and therefore consolidated only starting from that date), turnover rose by 8.3%, reaching a value of more than €165 million.

General sales trends for the Group saw a positive start in the opening months of the year, with a slight slowdown in the acquisition of orders starting in April, within a generally rather active market context, with normally quite limited visibility and widespread uncertainty, linked to the political and macroeconomic scenario as well as international tariff disputes.

EBITDA grew by 18.5%, reaching a value of €20.3 million, while adjusted EBITDA net of non-recurring expenses linked to the acquisition of "AL Air", the reversal to the income statement of the step-up in the fair value of AL Air's stock compared to its book value at the acquisition date and the costs linked to the transfer of the Chinese facility as well as the launch of production at the new Polish plant was €25.4 million, marking an increase in excess of 40% (33% not taking into account the impact of the first-time adoption of IFRS 16). For more details on adjusted EBITDA, please refer to section 1.5 - Alternative Performance Indicators, below.

The net profit came to €6.0 million (€6.6 million in the first half of 2018). Net of non-recurring expenses (mentioned above), it would have been €10.5 million (+38% compared to the same period of 2018). For more details on the adjusted net profit, please refer to section 1.5 - Alternative Performance Indicators, below.

At Business Unit level, the "Components" SBU achieved turnover of more than €112 million during the half, rising by 15.8% (+8.0% on a like-for-like basis, i.e., without considering the turnover of Zyklus), driven for the second consecutive year by the significant growth in exchangers for home appliances (+42% for total turnover of €15.2 million) and the increased penetration in the air conditioning sector (€22 million, with growth of 49%). In addition, the positive performance of Zyklus in the US should also be noted, with a significant development in sales of more than 40% compared to the first half of 2018, when it was not yet part of the Group.

The "Cooling Systems" SBU (whose scope of consolidation includes two months of sales of the newly acquired "AL Air" for total turnover of €13.7 million for Air Cooled Equipment) marked an increase of nearly 33%, reaching a value of €71.8 million (+7.8% on a like-for-like basis). The increase in sales is primarily linked to the industrial refrigeration segment and in particular to important projects at the new highly energy efficient green logistics centres.

The breakdown of turnover by SBU is given below:

Revenues by SBU *(in thousands of Euro)*	**H1 2019**	**%**	**H1 2018**	**%**	**Change**	**% Change**
Air Cooled Equipment	66,308	36.0%	48,281	32.0%	18,027	37.3%
Close Control	5,447	3.0%	5,705	3.8%	(258)	(4.5%)
SBU COOLING SYSTEMS	**71,755**	**39.0%**	**53,987**	**35.8%**	**17,769**	**32.9%**
Heat exchangers	106,544	58.0%	91,356	60.6%	15,188	16.6%
Doors	5,536	3.0%	5,398	3.6%	139	2.6%
SBU COMPONENTS	**112,080**	**61.0%**	**96,753**	**64.2%**	**15,327**	**15.8%**
TOTAL PRODUCT TURNOVER	**183,835**	**100%**	**150,740**	**100%**	**33,096**	**22.0%**

1.1 REFERENCE MARKETS

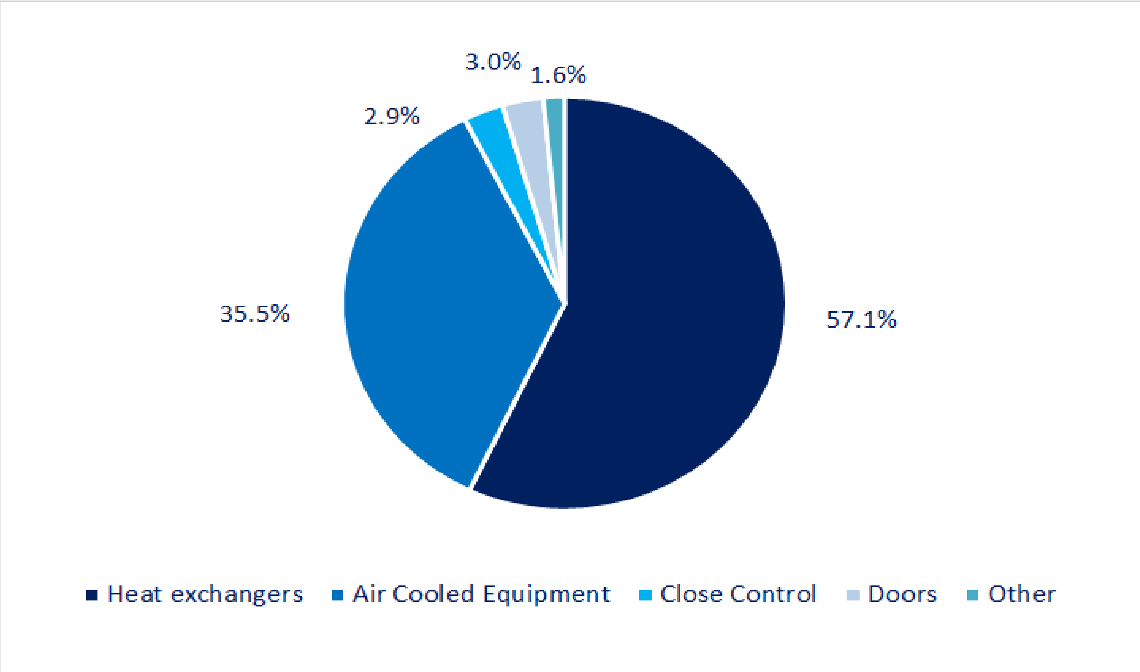
In terms of product type and family, the Group's activities may be broken down into four main **product categories**:

i) air cooled heat exchangers;

ii) air cooled equipment;
iii) close control air conditioners;
iv) special glass doors for refrigerated counters and display cabinets.

For a more detailed description, please refer to the Directors' Report as at 31 December 2018.

The chart below shows the breakdown of turnover by product type in the first half of 2019:



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

PRODUCTS	€ /000 H1/2019	%	€ /000 H1/2018	%	Delta %
Heat exchangers	106,544	57.1%	91,356	59.8%	+16.6%
Air Cooled Equipment	66,308	35.5%	48,281	31.6%	+37.3%
Doors	5,536	3.0%	5,398	3.5%	+2.6%
Close Control	5,447	2.9%	5,705	3.7%	-4.5%
TOTAL PRODUCTS	**183,835**	**98.4%**	**150,740**	**98.7%**	**+22.0%**
Other	2,897	1.6%	2,060	1.3%	+40.6%
TOTAL	**186,732**	**100.0**	**152,800**	**100.0**	**+22.2%**

In terms of product application, the Group's operations relate primarily to four different **market segments**:

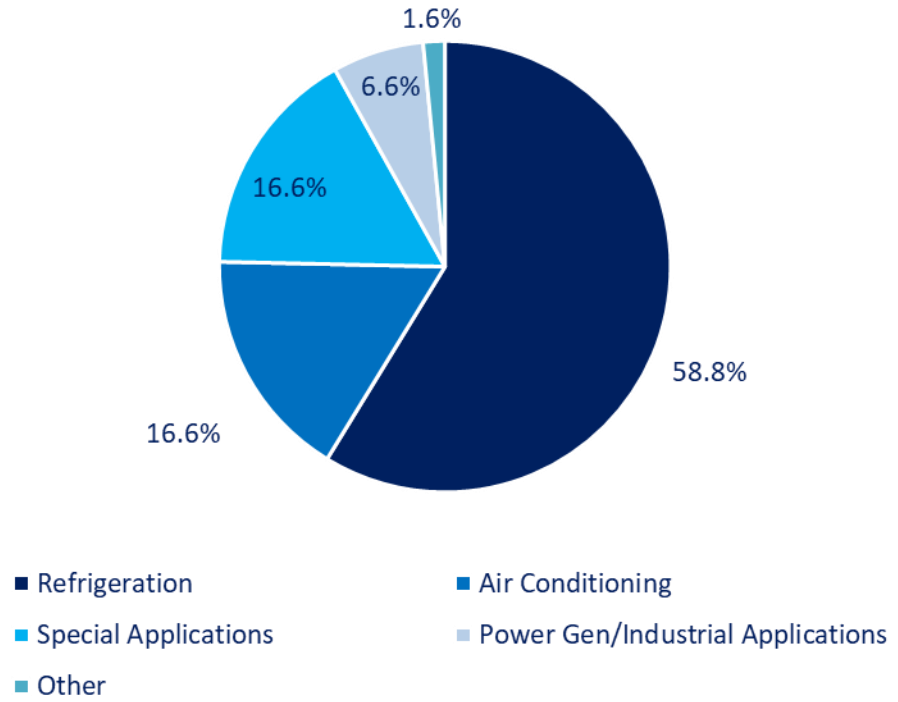
(i) the refrigeration sector, which includes activities relating to the supply chain for food products (the "**Refrigeration Sector**");

(ii) the air conditioning sector, which regards the treatment of the air in public and "technological" spaces (the "**Air Conditioning Sector**");

(iii) the "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**");

(iv) the power gen sector, which regards high power air-cooled products used to cool engines for power generation and industrial processes in general. Following the acquisition of "AL Air", in the future this segment is destined to account for a greater portion of Group sales than in the past (the "**Power Gen Segment**").

The chart shows the breakdown of turnover by segment in the first half of 2019:



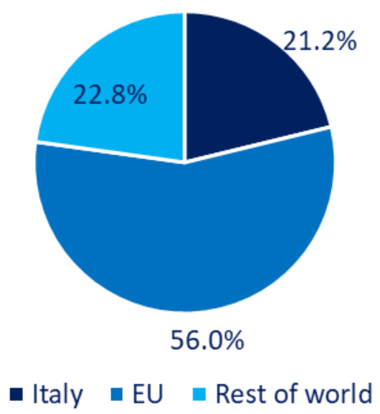
The table below shows turnover trends by application type in the two six-month periods subject to comparison:

APPLICATIONS	€ /000 H1/2019	%	€ /000 H1/2018	%	Delta %
Refrigeration	109,706	58.8%	93,540	61.2%	+17.3%
Air Conditioning	30,987	16.6%	24,903	16.3%	+24.4%
Special Applications	30,911	16.6%	25,816	16.9%	+19.7%
Power Gen	12,231	6.6%	6,481	4.2%	+88.7%
TOTAL APPLICATIONS	**183,835**	**98.4%**	**150,740**	**98.7%**	**+22.0%**
Other	2,897	1.6%	2,060	1.3%	+40.6%
TOTAL	**186,732**	**100.0%**	**152,800**	**100.0%**	**+22.2%**

At geographical level, the European Union, with €141.8 million in turnover and accounting for more than 77% of total sales, is confirmed as the most important geographical area for the Group. The percentage of exports is nearly 79%, although Italy has marked strong growth with more than €39 million in sales (+14.5% compared to the first half of 2018, +11.1% on a like-for-like basis).

It is important to note the sharp rise in the Czech Republic (+56%), which is now the Group's third export market. Excellent developments were also recorded in Spain, Poland, France, Sweden and, outside Europe, Saudi Arabia. For the first time in the Group's history, a visible portion of total sales (4.5%) were recorded in the United States. The only countries considerably backtracking are Iran, due to the new block on exports, and Turkey, which compared to a particularly significant first half of 2018, was impacted by a change in the purchasing policy of the main customer active in the home appliances segment.

The chart below shows the geographical breakdown of turnover in the first half of 2019:



The Group's turnover does not depend to a significant extent on individual commercial or industrial contracts. As at 30 June 2019, revenues from sales to the top 10 customers of the Group together represented a percentage of around 30% of the total. The turnover generated by the main customer, an international group with many different companies, represented 4.9% of the Group's total turnover.

1.2 SIGNIFICANT EVENTS DURING THE HALF YEAR

As mentioned previously, the main event in the first half of the year was certainly the finalisation on last 30 April of the agreement for the acquisition of the air heat exchanger ("AL Air") division of the Alfa Laval group (included in the "Cooling System" SBU).

"AL Air" represented one of the largest manufacturers of air cooled equipment intended primarily for the industrial process cooling or power gen and industrial refrigeration markets. From a strategic point of view this acquisition, the largest by far in the history of the Group, should allow essentially a doubling of sales for the Cooling System SBU, making the Group the third largest world player in the air cooled equipment market and the second in Europe, with a significant advantage with respect to the group currently in third position. This transaction fits perfectly within the Group's strategy of focusing on the market of air exchangers (air cooled and not) and at the same time makes it possible to further expand the range of applications (with a significant strengthening in power gen products) and extend the Group's international presence.

The newly acquired "AL Air" division (headquartered in Alonte, Vicenza) includes thee production facilities (located in Italy, Finland and India) and a sales and design organisation, and also owns two well-known traditional brands in the sector: "Fincoil" and "Helpman". Following the acquisition of "AL Air" a total of roughly 400 employees were transferred to the Group, who are employed primarily in the production facilities, which brought the Group's total employees at the end of June 2019 to 3,179, of which 1,065 in Italy.

In 2018, "AL Air" revenues totalled €108.1 million, with EBITDA "declared" by the seller of €10.3 million and "declared" EBIT of €9.3 million, both calculated with the accounting standards of Alfa Laval, basically aligned with IAS/IFRS.

The "AL Air" acquisition price determined during the finalisation of the agreements is €67.1 million debt & cash free, calculated by applying a multiplier of 6.5x to the 2018 EBITDA "declared" by the seller. This price is subject to revision on the basis of the final 2018 EBITDA agreed between the parties (after the appropriate checks) as well as the usual post-closing adjustments.

At the closing, 65% of the total price was paid (€43.6 million gross of the net financial position and adjustments on net working capital) and an additional 15% will be paid by 30 April 2020 on the basis of the same formula as that used to calculate the first payment tranche. The remaining 20% will also be paid by 30 April 2020, but will be calculated by applying the same multiplier to EBITDA as that used in the 2019 calendar year. The net financial position as at 30 June 2019 was impacted by the price actually paid at the closing (€35.2 million) as well as the deferred portions of the price (€23.5 million), while the income statement for the first half of 2019 benefitted only from two months of profitability of "AL Air".

When the agreements were signed for the acquisition of the Indian business unit belonging to the "AL Air" division, the Indian subsidiary Spirotech signed an option agreement with Alfa Laval India Pvt Ltd for the acquisition of the facility where the business unit's activities are carried out, currently along with other production activities of the Alfa Laval Group, the transfer of which is planned for the first half of 2020.

In February 2019, perfectly in line with expected timing, production was launched for a first range of air cooled equipment at the new Polish production site situated in the same special industrial zone of Gliwice. Production progressively increased during the half, and the new investments planned for the second part of the year are also on schedule and aligned with the relative timing. The remaining investments will amount to €9.5 million by the end of 2020.

In China, the transfer to the new production site located in the special economic zone of Tianmen, in the province of Hubei, was completed in the first quarter. The new location aims to allow for an increase in production volumes, streamline production processes and create conditions for a further local expansion of the product range.

In India, the competent authorities approved the expansion plans for the Spirotech's facility, and construction work started last April. The project, which calls for doubling the current manufacturing surface area, should be completed by the end of the first quarter of 2020. Total investments will amount to €4.8 million.

During the period, activities to integrate the US subsidiary Zyklus into the Group from the technical and commercial perspective continued. The company has had a significant increase in turnover (roughly +39% compared to the second quarter of 2018) with the resulting positive effects on profitability (doubling of EBITDA in the first half of 2019 compared to the second half of 2018; please recall that the US subsidiary was consolidated at income statement level as of 1 July 2018). The SAP operating system is expected to be deployed in early October.

In order to accelerate the US market growth project, the Group has signed an agreement with the authorities of the Jacksonville, Texas industrial park where Zyklus is located, for the construction of a new production facility of roughly 25,000 square metres. The contract calls for the free transfer to the Group of roughly 80,000 square metres of land and a package of long-term tax incentives for the creation of at least 50 new jobs within 48 months of the completion of construction. The executive projects are being completed and works are expected to begin next autumn. The planned investments amount to €5.0 million.

During the first half of 2019, loans of €40 million were taken out from Banco BPM and are detailed as follows:

- in January, an unsecured loan agreement was entered into for €30 million with a duration of 75 months (of which three in the grace period) repayable in quarterly instalments at constant capital;
- in June, an unsecured loan agreement was entered into for €10 million with a duration of 60 months repayable in quarterly instalments with an even-total scheme.

In the course of the month of February, a mortgage loan was repaid in advance for €15 million in order to have the entire debt of the Parent Company LU-VE S.p.A. free from collateral.

1.3 CONSIDERATIONS ON THE SECURITY'S MARKET VALUE

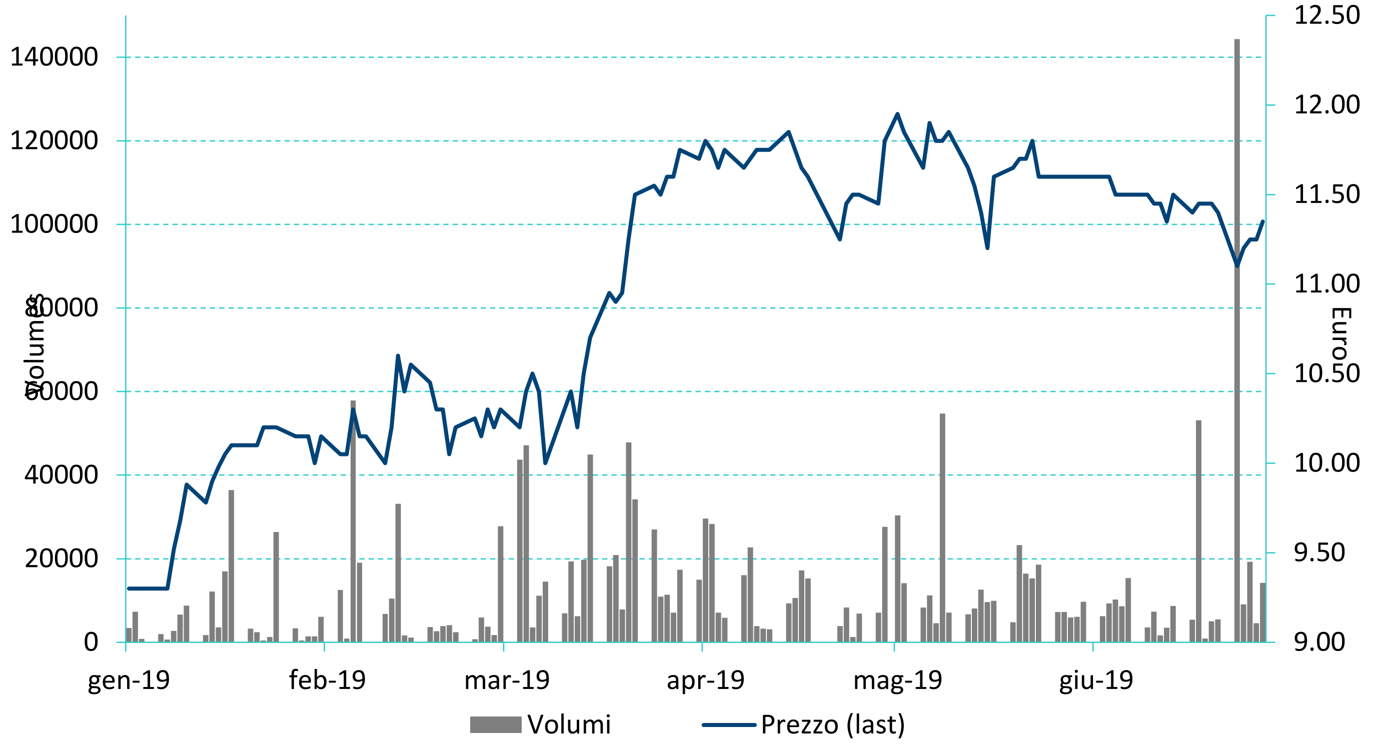
In the course of the first half of 2019, the LU-VE security performed substantially in line with the FTSE Italia All-Share index until the end of March. From the publication of the data referring to 31 December 2018 and until the end of the first half of 2019, the performance of the security, however, was better than those of the index.

The main figures and share price trends are shown below:

Price as at 2 January 2019: €9.30
Price as at 28 June 2019: €11.35
Change during the period: +22.0%

Maximum Price: €11.95 (2 May 2019)
Minimum Price: €9.30 (2, 3, 4, 7 and 8 January 2019)
Weighted Average Price: €11.07
Volumes traded: 1,640,490

Stock market capitalisation as at 30 June 2019: €252.36 million



Volumes
140000
120000
100000
80000
60000
40000
20000
0
12.50
12.00
11.50
11.00
10.50
10.00
9.50
9.00
Euro
gen-19
feb-19
mar-19
apr-19
mag-19
giu-19
Volumi
Prezzo (last)

1.4 ECONOMIC AND FINANCIAL DATA

With reference to the Income Statement, it should be remembered that “AL Air” was consolidated as of 1 May 2019 and the subsidiary Zyklus Heat Transfer Inc. was consolidated from 1 July 2018.

The reclassified Income Statement and Balance Sheet are provided below:

Reclassified Consolidated Income Statement *(in thousands of Euro)*	**H1 2019**	**% Revenues**	**H1 2018**	**% Revenues**	**% Change**
Revenues and operating income	186,732	100%	152,800	100.0%	22.2%
Purchases of materials	(98,727)	52.9%	(89,758)	58.7%	
Changes in inventories	(679)	0.4%	8,621	-5.6%	
Services	(26,926)	14.4%	(22,104)	14.5%	
Personnel costs	(38,895)	20.8%	(31,438)	20.6%	
Other operating costs	(1,212)	0.6%	(1,001)	0.7%	
Total operating costs	**(166,439)**	**89.1%**	**(135,680)**	**88.8%**	**22.7%**
EBITDA	**20,293**	**10.9%**	**17,120**	**11.2%**	**18.5%**
Change in fair value of derivatives	(969)	0.5%	248	-0.2%	
Depreciation and amortisation	(10,252)	5.5%	(7,888)	5.2%	
Capital gains on non-current assets	205	-0.1%	103	-0.1%	
EBIT	**9,277**	**5.0%**	**9,583**	**6.3%**	**-3.2%**
Net financial expenses	(1,473)	0.8%	(1,675)	1.1%	
EBT	**7,804**	**4.2%**	**7,908**	**5.2%**	**-1.3%**
Income taxes for the period	(1,849)	1.0%	(1,290)	0.8%	
Net profit (loss) for the period	**5,955**	**3.2%**	**6,618**	**4.3%**	**-10.0%**
Profit attributable to non-controlling interests	(327)		(296)		
Profit attributable to the group	**5,628**	**3.0%**	**6,322**	**4.1%**	**-11.0%**

“Revenues and operating income” rose by 22.2% (+€33.9 million). On a like-for-like basis (without considering the contribution of “AL Air” and of Zyklus) the increase would have been of 8.3%. At constant exchange rates (on a like-for-like basis), the increase in revenues would have been 8.9%. The increase (on a like-for-like basis) is due for 9.2% to higher sales volumes net of a slight decline in sale prices (-0.9%).

Total operating costs rose from €135.7 million (88.8% as a percentage of revenues) to €166.4 million (89.1% as a percentage of revenues). On a like-for-like basis, they would have amounted to €146.4 million (88.4% as a percentage of revenues). The total increase of 22.7% (€30.8 million) was substantially caused by the following factors:

- consumption of materials grew by €18.3 million with the percentage of revenues remaining basically unchanged. This increase is due for €12.7 million to the change in the scope of consolidation, for €1.8 million to the reversal to the income statement of the non-recurring cost linked to the adjustment to fair value of the “AL Air” inventory at the date of acquisition of control (in compliance with IFRS 3) and for €7.4 million to the increase in volumes and the change in the sales mix, net of the reduction of €3.6 million linked to price trends of the main raw materials;

- the increase in service costs of €4.8 million was linked for €2.2 million to the change in the scope of consolidation and for €3.9 million to higher costs for transport, remuneration, consulting and energy net of the reduction in costs for lease payments (€1.3 million) relating to the first-time application of IFRS 16. The costs for services include €2.6 million in non-recurring costs (of which €2.3 million related to the acquisition of "AL Air" and €0.3 million related to the transfer of the Chinese plant);

- the increase in personnel costs by €7.5 million was linked to the impact of volumes on the direct workforce and the increase in the structure and salary trends. €5.2 million is linked to the change in the scope of consolidation. The percentage of personnel costs compared to revenues rose from 20.6% to 20.8% (20.4% on a like-for-like basis).

"EBITDA" amounted to €20.3 million (10.9% of revenues) compared to €17.1 million (11.2% of revenues) in the first half of 2018. Net of the impact of non-recurring costs, EBITDA would have been €25.4 million (13.6% of sales). Adjustments (€5.1 million) were already commented on for €4.4 million. The remainder (€0.7 million) refers to fixed costs incurred before production began at the new Polish and Chinese plants. Adjusted EBITDA as at 30 June 2018 was €18.1 million. The change compared to the first half of 2018 (+€7.3 million, +40.3%) was generated by the increase in prices and volumes (+€3.5 million), the change in the scope of consolidation (+€2.5 million, of which €1.2 million for Zyklus and €1.3 million for "AL Air") and the first-time application of IFRS 16 (€1.3 million).

Amortisation and depreciation rose by €2.4 million, linked to the change in the scope of consolidation (€1.1 million) as well as the first-time application of IFRS 16 (€1.3 million).

"EBIT" amounted to €9.3 million (5.0% of revenues) compared to €9.6 million (6.3% of revenues) in the first half of 2018. Net of non-recurring costs (adjusted EBIT), it would have been €14.4 million (7.7% of revenues).

The balance of financial income and expense was negative, at €1.5 million (negative for €1.7 million in the first half of 2018).

The "EBT" was equal to €7.8 million (4.2% of revenues) against a value of €7.9 million as at 30 June 2018 (5.2% of revenues). In the first half of 2019, EBT normalised for non-recurring costs would have been €12.9 million (6.9% of revenues).

The "Net profit for the period" was €6.0 million (3.2% of revenues) compared to €6.6 million (4.3% of revenues) as at 30 June 2018. The net profit for the first half of 2019 net of non-recurring costs would have been €10.5 million (5.6% of revenues).

Reclassified Consolidated Balance Sheet *(in thousands of Euro)*	30/06/2019	% of net invested capital	31/12/2018	% of net invested capital	Change 2019 compared to 2018
Net intangible assets	111,737		70,170		
Net property, plant and equipment	155,114		125,061		
Deferred tax assets	5,778		4,722		
Other non-current assets	259		2,196		
Non-current assets (A)	**272,888**	**91.6%**	**202,149**	**96.7%**	**70,739**
Inventories	59,683		44,667		15,016
Trade receivables	80,750		50,854		29,896
Other receivables and current assets	11,666		9,472		2,194
Current assets (B)	**152,099**		**104,993**		**47,106**
Trade payables	78,681		57,800		20,881
Other payables and current liabilities	25,340		20,585		4,755
Current liabilities (C)	**104,021**		**78,385**		**25,636**
Net working capital (D=B-C)	**48,078**	**16.1%**	**26,608**	**12.7%**	**21,470**
Provisions for employee benefits	5,717		4,057		1,660
Deferred tax liabilities	13,013		13,173		(160)
Provisions for risks and charges	4,466		2,581		1,885
Medium/long-term liabilities (E)	**23,196**	**7.8%**	**19,811**	**9.5%**	**3,385**
Net Invested Capital (A+D-E)	297,770	100.0%	208,946	100.0%	88,824
Shareholders' equity attributable to the group	142,599		142,216		383
Non-controlling interests	3,404		3,170		234
Total Consolidated Shareholders' Equity	**146,003**	**49.1%**	**145,386**	**69.6%**	**617**
Medium- Long Term Net Financial Position	164,540		156,303		8,237
Short- Term Net Financial Position	(12,773)		(92,743)		79,970
Total Net Financial Position	**151,767**	**50.9%**	**63,560**	**30.4%**	**88,207**
Own funds and net financial Debt	297,770	100.0%	208,946	100.0%	88,824

The increase in non-current assets (amounting to €70.7 million) is primarily due to the initial consolidation of “AL Air” (provisional goodwill for €43.0 million and net assets for € 4.9 million) and to the first-time application of IFRS 16 (€19.4 million). Investments for the period amounted to roughly €14 million of which around €4.0 million deemed non-recurring (referring mainly to the expansion of the Polish facility).

The Group’s operating working capital (equal to the sum of inventories and trade receivables net of trade payables) as at 30 June 2019 amounted to €61.8 million (as at 30 June 2018, it totalled €49.5 million, equal to 17.1% of sales). The increase (€12.3 million) is due to the initial consolidation of “AL Air” for €15.3 million, to an increase in volumes for €4.4 million, net of the combined effect of production and sales for €7.4 million. On a like-for-like basis, working capital would have amounted to €46.5 million (14.2% as a percentage of sales). As at 31 December 2018, it amounted to €37.7 million (12.3% as a percentage of sales). 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 €146.0 million compared to €145.4 million as at 31 December 2018. The increase (of €0.6 million) was due basically to the profit for the year (€6.0 million), adjusted by the distribution of dividends of €5.5 million.

The net financial position was negative by €151.8 million (€63.6 million as at 31 December 2018), with a difference of €88.2 million, primarily due for €61 million to the acquisition of “AL Air”, for €17 million to the first-time application of IFRS 16, for €5.5 million to the distribution of dividends, for €14 million to investments, for €1.0 million to the adjustment of the debt deriving from the put option granted to the non-controlling shareholder for the acquisition of the remaining 5% of Spirotech net of roughly €19 million in positive flows from operations. The impact of the change in net working capital was negative by €9.0 million. In the 30 June 2018 - 30 June 2019 period, the cash flow from operations adjusted by non-operating items totalled roughly €25.5 million.

1.5 ALTERNATIVE PERFORMANCE INDICATORS

In compliance with ESMA recommendation on alternative performance indicators (ESMA/2015/1415), the table below highlights the main alternative performance indicators used to monitor the Group's economic and financial performance:

Monetary amounts in thousands of Euro	H1 2019	H1 2018
Average days in inventory (1)	63	59
Inventory turnover ratio (2)	5.71	6.08
Receivables turnover ratio (3)	4.22	4.40
Average days sales outstanding (4)	85	82
Payables turnover ratio (5)	2.93	3.08
Average days payable outstanding (6)	123	117
Net Invested Capital	297,770	211,902
EBITDA	20,293	17,120
Adjusted EBITDA (7)	25,393	18,120
EBITDA/Financial expense	8.75	8.29
Adjusted EBIT (8)	14,377	10,583
Adjusted EBT (9)	12,904	8,908
Adjusted net profit (loss) for the period (10)	10,455	7,618
Basic earnings per share (11)	0.25	0.29
Diluted earnings per share (12)	0.25	0.29
Dividends per share (13)	0.25	0.22
Net financial debt	(151,767)	(75,706)
Net financial debt/EBITDA	3.82	2.27
Debt ratio (14)	1.04	0.56
Operating working capital (15)	61,752	49,517
Net working capital (16)	48,078	37,733
Goodwill and Other Intangible assets/Total assets	0.21	0.18
Goodwill and Other Intangible assets/Shareholders' equity	0.77	0.52

Note:

The methods for calculating the indicators noted above are:

(1) Inventories/Revenues and other operating income*360;
(2) Revenues and other operating income/Inventories;
(3) Revenues/Trade receivables;
(4) Trade receivables/Revenues*360;
(5) Trade-related operating costs/Trade payables. Trade-related operating costs include purchases 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-related operating costs*360;

(7) EBITDA adjusted for non-recurring costs:

	H1 2019	H1 2018
EBITDA	20,293	17,120
Expenses for business combinations	2,300	1,000
Reversal to the income statement of the step-up of the fair value of inventory	1,800	-
Expenses for transfer/launch of Poland and China production plants	1,000	-
Adjusted EBITDA	**25,393**	**18,120**

(8) EBIT adjusted for non-recurring costs (see previous table);
(9) EBT adjusted for non-recurring costs (see previous table);
(10) Net profit (loss) for the period adjusted for non-recurring costs (see previous table net of the tax effect of €0.6 million for the first half of 2019);
(11) Profit (loss) for the period/Weighted average number of ordinary shares;
(12) Profit (loss) for the period/(Weighted average number of ordinary shares + potential number of additional ordinary shares);
(13) Nominal value of the dividend per share approved in each year;
(14) Net financial debt/Shareholders' equity;
(15) Sum of inventories and trade receivables net of trade payables;
(16) Current assets net of current liabilities.

2 OBSERVATIONS ON THE FINANCIAL PROFILE AND ON BUSINESS CONTINUITY

As at 30 June 2019, the Group had a solid and balanced financial structure, with a Net financial debt/Shareholders' equity ratio (Debt ratio) of 1.04 and a positive short-term net financial position of €12.8 million, guaranteeing, therefore, repayment of the medium/long-term debt due by 30 June 2020 along with other current financial liabilities for a total value of €93.6 million. In addition, there are no substantial restrictions on the freeing up of invested liquidity, equal to €53 million, which therefore, if required, may be used to meet any payment commitments.

In light of what is laid out above, the condensed consolidated half-yearly Financial Statements of the Group as at 30 June 2019 were prepared on the basis of the going concern assumption, pursuant to paragraphs 25 and 26 of IAS 1.

2.1 MAIN RISKS AND UNCERTAINTIES

RISKS RELATED TO TRENDS IN RAW MATERIAL PRICES

The production costs of the Group are influenced by the prices of raw materials, mainly copper and aluminium. The majority of raw materials are purchased in the European Union. Risks are related to fluctuations in the prices of these materials on the reference markets (on which they are quoted in USD) and the fluctuation in the Euro/USD exchange rate (as the Group purchases mainly 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 commercial reliability criteria and with which relationships of reciprocal trust have been consolidated over time. 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, negative pledge clauses and pari passu clauses. In the future, if the above-mentioned financial covenants or other commitments laid out in existing loan agreements are not respected, 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 in which the Group invests its available liquidity are primarily represented by capitalisation policies.

Please note that the capitalisation policies provide for a guarantee on the capital and the capitalisation of returns (which in this manner also become guaranteed) every twelve months as well as several penalties in the case of early redemption.

Also please note that financial instruments in general present the following risks:

- specific risk linked to the characteristics of the relative issuer: capital strength of the issuer, its economic characteristics, taking into account the 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 a certain degree of 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 Group 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 and US dollar). The Group is therefore exposed to the risk that fluctuations in the exchange rates used to translate the values in subsidiary Financial Statements originally expressed in foreign currency may significantly influence the Group’s results as well as the consolidated net financial debt and consolidated shareholders' equity. The main exposures are monitored, but hedging translation exchange rate risk is not part of the Group’s current policies.

(ii) In the second place, the Group is exposed to “transaction” exchange rate risk for acquisitions of goods and materials from suppliers as well as for sales to customers.

In terms of acquisitions, the main currency to which the Group is exposed is the US dollar (USD, currency to which the cost of the main raw materials is linked): indeed, raw materials in the reference markets are quoted in USD and the cost is converted into Euro 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 evaluates the subscription of derivative financial instruments 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) to 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 INHERENT TO THE GROWTH STRATEGY THROUGH EXTERNAL LINES

The Group's strategy, focussed on the expansion on new markets and the development and diversification of its product portfolio, is based on a growth also through external lines, through acquisitions and development of joint ventures. Therefore, the Group is exposed to the typical risks inherent to growth initiatives through external lines.

Even though the Group carries out an activity of due financial, accounting, fiscal and legal diligence before completing acquisitions, joint ventures or investments, nevertheless the case might occur where this activity does not in any case allow the identification of all significant potential or actual liabilities of the acquired subject, nor lead to the adequate determination of the purchase price.

Integration of new acquired companies is also an organisationally complex process, which may not occur according to timetables initially set and may involve unforeseen costs and, therefore, may delay or, in the worst of cases, compromise the benefits expected from the acquisition.

All of the foregoing is valid for even more reason for an acquisition like that of “AL Air”, which is the largest and potentially most complicated ever carried out by the Group.

In order to mitigate these risks, the Group carries out a careful due diligence activity (in business, accounting, financial, fiscal, legal and environmental terms) with respect to the companies object of possible acquisition, with the support of very well-qualified and very reputable consultants. Furthermore, it activates structured integration processes employing dedicated cross-functional teams to best comply with timetables and exploit possible synergies to the maximum.

RISKS RELATED TO THE CONCENTRATION OF SALES

Although there is no Group customer which alone represents more than 4.9% of consolidated turnover and although the Group’s top 10 customers together represent 30.4% of consolidated turnover, the sector of static evaporators (in which the Group is the main supplier of all of the most important European manufacturers of refrigerated counters and realised 18.0% of its turnover in the first half of 2019) and the sector of glass doors for refrigerated counters (in which the Group realised 3.0% of its turnover in the first half of 2019) are characterised by strong commercial leadership by the main manufacturers. The same basic reasoning can be applied for sales for the power generation application (6.6% of the turnover in the first half of 2019), which will acquire greater importance when the Group consolidates the turnover of “AL Air” for 12 months.

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 in 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, mainly, 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 entering derivative contracts (primarily interest rate swaps) to hedge this risk based on its own needs. This hedging policy allows the Group to reduce its exposure to the risk of interest rate fluctuations.

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 to be defined as hedge accounting and therefore changes in their fair value are reported on the Income Statement.

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 receivables 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 Directors’ Report as at 31 December 2018 (which should be referred to), the profile of which has not changed in the first half of 2019.

2.2 DEVELOPMENT ACTIVITIES

The Group carried out intense development activities, as usual, to offer the market increasingly advanced products (a key distinctive element of its competitive strategy), in partnership with prestigious European universities.

Significant efforts were made on products that use natural refrigerant fluids (CO2, ammonia, hydrocarbons) to always stay at the cutting edge of the trends outlined by the most recent regulatory amendments, which aim to encourage more “environmentally friendly” heat exchange technologies. The result of these activities has led and will lead to the creation of products with drastic reductions in operating costs, energy consumption, refrigerant charge, space requirements and noise levels. In the course of the first half of 2019, the Group's development activities entailed overall investments for about €1.4 million (of which about €1.2 million capitalised under Intangible Assets).

2.3 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.

2.4 EVENTS SUBSEQUENT TO 30 JUNE 2019: significant events and business outlook

The consolidated turnover of only products at the end of the month of August reached €247.5 million, with growth of almost 25% compared to the same period of the previous year (+7.1% on a like-for-like basis).

At the end of August, the order portfolio amounted to roughly €80 million, marking growth of 83.9% compared to the previous year. This value includes roughly €32 million relating to the former “AL Air” companies which, by virtue of the greater impact on total sales of large projects relating to the “Power Gen” segment, historically have a portfolio with greater visibility. The figure on a like-for-like basis in any event showed a positive trend (+10.1%) with a value of €47.7 million.

In relation to the “AL Air” acquisition after the initial phase in which the priorities were customer management, the maintenance of a high service level for the market along with the fulfilment of a series of complex bureaucratic and legal obligations, the integration process entered into full force, with the creation of working groups dedicated to individual aspects and projects. As expected, the first weeks of work brought to light in particular the need for the rapid implementation of a single management system and the plan has already been defined and presented to the management.

In line with contractual provisions, at the end of July LU-VE sent to Alfa Laval its observations on the “declared” 2018 EBITDA used in calculating the acquisition cost, formulating a proposed price revision, which will need to be defined between the parties by the end of the first quarter of 2020 in compliance with the procedure set forth in the contract.

Even in the general climate of uncertainty which sees a slowdown in the international economy and the continuation of tensions linked to the so-called “tariff war”, demand remains active in general.

In July, two loan agreements described below were entered into:

- an unsecured loan agreement with UNICREDIT for €12 million with a duration of 60 months repayable in half-yearly instalments at constant capital.
- an unsecured loan agreement with UBI Banca for €25 million with a duration of 84 months repayable in half-yearly instalments with an even-total scheme.

2.5 MANAGEMENT AND COORDINATION ACTIVITIES

The Parent Company LU-VE S.p.A. is not subject to management and coordination by the parent company Finami S.p.A., or any other party pursuant to arts. 2497 et seq. of the Italian Civil Code.

2.6 RELATED PARTY TRANSACTIONS

For information on related party transactions, please refer to the detailed tables provided in the Explanatory Notes to the LUVE Group’s consolidated Financial Statements. All transactions with related parties are carried out on an arm’s length basis.

2.7 TREASURY SHARES

Pursuant to law, please recall that as at 30 June 2019, the Group held 157,716 treasury shares, equal to 0.7093% of the share capital, acquired at an average price of €10.2637 based on the authorisation resolutions approved by the Shareholders’ Meeting on 28 April 2015, 29 April 2016, 12 April 2017, 27 April 2018 and 29 April 2019. In application of international accounting standards, these instruments are recognised as a deduction from the shareholders’ equity attributable to the Group.

2.8 CERTIFICATION PURSUANT TO ART. 15 OF CONSOB REGULATION 20249/2017

Pursuant to art. 2.6.2, paragraph 8 of the Regulation of the Markets organised and managed by Borsa Italiana S.p.A., LU-VE S.p.A. declares that the requirements referred to in art. 15 of CONSOB Regulation no. 20249/2017 letters a), b) and c) in relation to the subsidiaries established and governed by the law of states not belonging to the European Union have been met.

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

With reference to the Organisation, Management and Control Model of both LU-VE S.p.A. and Sest S.p.A. pursuant to Italian Legislative Decree no. 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 their corporate structures with the support of qualified external consultants.

Furthermore, the task to draft the Organisational, Management and Control model pursuant to Italian Legislative Decree no. 231/2001 also for the subsidiary Tecnair LV S.p.A. has been assigned.

2.10 DECLARATION OF THE MANAGER IN CHARGE OF FINANCIAL REPORTING

The Manager in charge of financial reporting, Eligio Macchi, declares, pursuant to art. 154-bis, paragraph 2 of the Consolidated Law on Finance, that the accounting disclosure contained in this Interim Directors' Report as at 30 June 2019 corresponds to the results of the accounting documents, books and entries.

2.11 SECONDARY OFFICES

The Parent Company LU-VE S.p.A. carries out its activities at the registered office at via Caduti della Liberazione, 53, Uboldo (VA). On 4 January 2017, it opened a secondary office used as a warehouse at via Achille Grandi, 5, Origgio (VA).

On behalf of the Board of Directors

CEO
Matteo Liberali

2.12 CORPORATE BODIES AND COMPANY INFORMATION

BOARD OF DIRECTORS

Chairman	Iginio Liberali
Vice Chairman	Pierluigi Faggioli
Directors	Matteo Liberali (CEO)
	Michele Faggioli (CEO)
	Giovanni Cavallini
	Michele Garulli
	Anna Gervasoni *
	Fabio Liberali

	Laura Oliva
	Stefano Paleari*
	Roberta Pierantoni
	Marco Vitale

* Meeting the independence requirements pursuant to Italian Legislative Decree no. 58/1998 (Consolidated Law on Finance) and Corporate Governance Code for Listed Companies.

BOARD OF STATUTORY AUDITORS

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

2.13 AUDITING FIRM

Deloitte & Touche S.p.A.

2.14 REGISTERED OFFICE AND COMPANY INFORMATION

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

CONDENSED CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS AS AT 30 JUNE 2019

CONTENTS

CONTENTS **0**

1 **FINANCIAL STATEMENTS** **3**

1.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION 3
1.2 CONSOLIDATED INCOME STATEMENT 5
1.3 EARNINGS PER SHARE AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 6
1.4 CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY 8
1.5 STATEMENT OF CASH FLOWS 10

2 **EXPLANATORY NOTES** **11**

2.1 INTRODUCTION 11
2.2 ACCOUNTING STANDARDS 13
2.3 NEW ACCOUNTING STANDARDS 20

3 **COMMENT ON THE MAIN ITEMS OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION** **27**

3.1 GOODWILL AND OTHER INTANGIBLE ASSETS 27
3.2 PROPERTY, PLANT AND EQUIPMENT 31
3.3 EQUITY INVESTMENTS 32
3.4 OTHER NON-CURRENT ASSETS 32
3.5 INVENTORIES 33
3.6 TRADE RECEIVABLES 33
3.7 DUE FROM THE TAX AUTHORITIES FOR CURRENT TAXES 35
3.8 CURRENT FINANCIAL ASSETS 35
3.9 OTHER CURRENT ASSETS 38
3.10 CASH AND CASH EQUIVALENTS 39
3.11 SHAREHOLDERS' EQUITY 39
3.12 LOANS 40
3.13 PROVISIONS 44
3.14 EMPLOYEE BENEFITS 44
3.15 OTHER FINANCIAL LIABILITIES 45
3.16 TRADE PAYABLES 47
3.17 TAX PAYABLES 47
3.18 OTHER CURRENT LIABILITIES 48
3.19 DEFERRED TAX ASSETS AND LIABILITIES 48
3.20 NET FINANCIAL POSITION 50

4 **COMMENT ON THE MAIN ITEMS OF THE CONSOLIDATED INCOME STATEMENT** **51**

4.1 REVENUES 51
4.2 OTHER REVENUES 52
4.3 PURCHASES OF MATERIALS 52

4.4 SERVICES ... 52
4.5 PERSONNEL COSTS ... 53
4.6 IMPAIRMENTS ... 54
4.7 OTHER OPERATING COSTS ... 54
4.8 FINANCIAL INCOME ... 54
4.9 FINANCIAL EXPENSE ... 55
4.10 EXCHANGE GAINS AND LOSSES ... 55
4.11 GAINS AND LOSSES FROM EQUITY INVESTMENTS ... 55
4.12 INCOME TAXES ... 55
4.13 EARNINGS PER SHARE ... 56
4.14 DIVIDENDS ... 56
4.15 SEGMENT REPORTING ... 56
4.16 INFORMATION ON FINANCIAL RISKS ... 57
4.17 SHARE-BASED PAYMENTS ... 63
4.18 COMMITMENTS AND GUARANTEES ... 63

5 CONSOLIDATION AREA AND SIGNIFICANT EQUITY INVESTMENTS 65

5.1 COMPANIES CONSOLIDATED LINE-BY-LINE ... 65

6 SIGNIFICANT NON-RECURRING TRANSACTIONS 66

7 TRANSACTIONS DERIVING FROM ATYPICAL AND/OR UNUSUAL TRANSACTIONS 66

8 EVENTS SUBSEQUENT TO 30 JUNE 2019: 66

1 FINANCIAL STATEMENTS

1.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated Statement of Financial Position *(in thousands of Euro)*	**Notes**	**30/06/2019**	**31/12/2018**
ASSETS			
Goodwill	3.1	89,312	47,708
Other intangible assets	3.1	22,425	22,462
Property, plant and equipment	3.2	116,427	112,808
Rights of use	3.2	19,435	-
Other property, plant and equipment	3.2	19,252	12,253
Deferred tax assets	3.19	5,778	4,722
Equity investments	3.3	8	6
Other non-current assets	3.4	251	2,190
Non-current assets		272,888	202,149
Inventories	3.5	59,684	44,667
Trade receivables	3.6	80,750	50,854
Due from the tax authorities for current taxes	3.7	7,051	7,215
Current financial assets	3.8	53,304	57,634
Other current assets	3.9	4,614	2,257
Cash and cash equivalents	3.10	53,047	85,905
Current assets		258,450	248,532
Assets held for sale		-	-
Assets held for sale		-	-
TOTAL ASSETS		531,338	450,681

Consolidated Statement of Financial Position *(in thousands of Euro)*	**Notes**	**30/06/2019**	**31/12/2018**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital	3.11	62,704	62,704
Reserves and retained earnings (losses)		74,267	64,105
Profit (loss) for the year		5,628	15,407
Total shareholders' equity attributable to the Parent Company		**142,599**	**142,216**
Shareholders' equity attributable to non-controlling interests		3,404	3,170
SHAREHOLDERS' EQUITY		**146,003**	**145,386**
Loans	3.12	150,011	152,196
Provisions	3.13	4,466	2,581
Employee benefits	3.14	5,717	4,057
Deferred tax liabilities	3.19	13,013	13,173
Other financial liabilities	3.15	14,529	4,107
Non-current liabilities		**187,736**	**176,114**
Trade Payables	3.16	78,681	57,800
Loans	3.12	60,059	49,662
Provisions	3.13	-	-
Tax payables	3.17	3,902	2,331
Other financial liabilities	3.15	33,519	1,134
Other current liabilities	3.18	21,438	18,254
Current liabilities		**197,599**	**129,181**
Liabilities held for sale		-	-
Liabilities held for sale		**-**	**-**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**531,338**	**450,681**

1.2 CONSOLIDATED INCOME STATEMENT

Consolidated Income Statement *(in thousands of Euro)*	**Notes**	**H1 2019**	**H1 2018**
REVENUES AND OPERATING INCOME			
Revenues	4.1	186,266	152,389
Other revenues	4.2	466	411
Total revenues and operating income		186,732	152,800
OPERATING COSTS			
Purchases of materials	4.3	(98,727)	(89,758)
Changes in inventories	3.5	(679)	8,621
Services	4.4	(26,926)	(22,104)
Personnel costs	4.5	(38,894)	(31,438)
Net write-downs of financial assets	4.6	(72)	-
Other operating costs	4.7	(1,140)	(1,001)
Total operating costs		(166,438)	(135,680)
Net change in fair value of derivatives		(969)	248
Depreciation and amortisation	3.1 - 3.2	(10,252)	(7,888)
Capital gains on the sale of non-current assets		205	294
Write-downs on non-current assets		-	(191)
EBIT		9,278	9,583
Financial income	4.8	1,139	244
Financial expense	4.9	(2,318)	(2,065)
Exchange gains and losses	4.10	(294)	146
Gains and losses from equity investments	4.11	-	-
EBT		7,805	7,908
Income taxes	4.12	(1,850)	(1,290)
NET PROFIT (LOSS)		5,955	6,618
Attributable to non-controlling interests		(327)	(296)
PROFIT (LOSS) FOR THE YEAR		5,628	6,322

1.3 EARNINGS PER SHARE AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Earnings per share

Earnings per share *(in Euro)*	**Notes**	**H1 2019**	**H1 2018**
EARNINGS PER SHARE	4.13		
Basic		0.25	0.29
Diluted		0.25	0.29

Consolidated statement of comprehensive income

Consolidated Statement of Comprehensive Income *(in thousands of Euro)*	**Notes**	**H1 2019**	**H1 2018**
NET PROFIT (LOSS)		5,955	6,618
Components that will not subsequently be reclassified to the Income Statement			
Actuarial valuation of post-employment benefits	3.14	(465)	55
Tax effect		112	(13)
		(353)	42
Components that will subsequently be reclassified to the Income Statement			
Exchange differences from translation of Financial Statements in foreign currency	1.4	818	(2,774)
TOTAL COMPREHENSIVE INCOME (LOSS)		6,420	3,886
of which:			
Attributable to non-controlling interests	3.11	(327)	(296)
ATTRIBUTABLE TO THE GROUP		6,093	3,590

1.4 CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Consolidated Statement of Changes in Shareholders' Equity *(in thousands of Euro)*	Share capital	Share premium reserve	Legal reserve	Treasury shares	Translation reserve	Post-employment benefits discounting reserve	Other reserves	Profit (loss) for the period	Total Shareholders' equity attributable to the Group	Shareholders' equity attributable to non-controlling interests	Total shareholders' equity
BALANCE AS AT 01/01/2018	62,704	24,762	2,366	(1,420)	(463)	(345)	43,235	5,642	136,481	2,124	138,605
Allocation of profit 2017											
Dividends paid	-	-	-	-	-	-	(4,860)	-	(4,860)	(80)	(4,940)
Retained	-	-	351	-	-	-	5,291	(5,642)	-	-	-
Increases (decreases)	-	-	-	(160)	-	-	(1,360)	-	(1,520)	-	(1,520)
Reversal of deferred taxes on costs relative to capital transactions	-	-	-	-	-	-	(31)	-	(31)	-	(31)
Other	-	-	-	-	-	-	(548)	-	(548)	744	196
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	(1,580)	(3,237)	(303)	41,727	6,322	133,112	3,084	136,196
BALANCE AS AT 31/12/2018	62,704	24,762	2,717	(1,618)	(3,079)	(250)	41,573	15,407	142,216	3,170	145,386
Allocation of profit 2018											
Dividends paid	-	-	-	-	-	-	(5,519)	-	(5,519)	-	(5,519)
Retained	-	-	155	-	-	-	15,252	(15,407)	-	-	-
Impact of the acquisition of LU-VE FRANCE S.a.r.l.	-	-	-	-	-	-	(221)	-	(221)	(193)	(414)
Reversal of deferred taxes on costs relative to capital transactions	-	-	-	-	-	-	(31)	-	(31)	-	(31)

Other	-	-	-	-	-	-	62	-	62	99	161
Comprehensive profit H1 2019	-	-	-	-	818	(353)	-	5,628	6,093	327	6,420
BALANCE AS AT 30/06/2019	**62,704**	**24,762**	**2,872**	**(1,618)**	**(2,261)**	**(603)**	**51,116**	**5,628**	**142,600**	**3,403**	**146,003**

1.5 STATEMENT OF CASH FLOWS

	Consolidated Statement of Cash Flows *(in thousands of Euro)*	**Notes**	**H1 2019**	**H1 2018**
A.	Cash and cash equivalents at the beginning of the period		85,905	50,762
	Profit (loss) for the period		5,628	6,322
	Adjustments for:			
	- Depreciation and amortisation	3.1 - 3.2	10,252	7,888
	- Realised gains on non-current assets		(205)	(294)
	- Net financial income and expense	4.8 - 4.9	1,179	1,821
	- Income taxes	4.12	1,849	1,289
	- Fair value changes booked in operating income		968	(248)
	Changes in post-employment benefits		74	100
	Changes in provisions	3.13	61	(54)
	Changes in trade receivables		(20,687)	(17,136)
	Changes in inventories		1,172	(7,961)
	Changes in trade payables		12,791	(265)
	Changes in net working capital		(6,724)	(25,362)
	Changes in other receivables and payables, deferred taxes		1,915	(265)
	Tax payment		(1,816)	(1,373)
	Net financial revenues/expenses received/paid		(1,174)	(1,914)
B.	Cash flows generated/absorbed by operating activities		12,007	(12,090)
	Investments in non-current assets:			
	- intangible assets	3.1	(2,198)	(2,335)
	- property, plant and equipment	3.2	(13,890)	(7,667)
	- financial assets		-	-
	Business combination net acquisition price	2.1	(29,689)	(8,535)
C.	Cash flows generated/absorbed by investing activities		(45,777)	(18,537)
	Repayment of loans	3.12	(44,291)	(33,367)
	New loans		52,503	30,500
	Changes in other financial liabilities (*)		(8,013)	(243)
	Changes in short-term financial assets		5,024	7,014
	Purchase of treasury shares	3.11	-	(160)
	Contributions/repayments of own capital		-	-
	Payment of dividends	4.14	(5,519)	(4,940)
	Other changes		(414)	1,040
D.	Cash flows generated/absorbed by financing activities		(710)	(156)
	Exchange differences		818	(2,774)
	Other non-monetary changes		803	2,011
E.	Other changes		1,621	(763)
F.	Net cash flows in the period (B+C+D+E)		(32,859)	(31,546)
	Cash and cash equivalents at the end of the period (A+F)		53,046	19,216
	Current financial debt		40,273	(15,243)
	Non-current financial debt		164,540	110,165
	Net financial debt (Note 3.20)	3.20	151,767	75,706

(*) For the first half of 2019, this change includes the balance of payables paid during the period relating to lease agreements within the scope of IFRS 16.

2 EXPLANATORY NOTES

2.1 INTRODUCTION

Acquisition of the Alfa Laval Air division

On 30 April 2019 the parent company LU-VE S.p.A. bought 100% of the Air division from the Alfa Laval group, active in the manufacture and sale of heat exchangers. The division includes the following companies:

- Air Hex Alonte S.r.l., an Italian manufacturing company located in Alonte (Vicenza) specialised in commercial and industrial refrigeration, to which the Italian business of Alfa Laval was transferred on 1 April 2019, net of trade receivables and trade payables existing on that date;

- Fincoil OY, a Finnish manufacturing company located in Vantaa (Helsinki), specialised in industrial refrigeration.

The division acquired also includes goods in inventory in Russia existing as at 30 April 2019 and a business unit in India.

Furthermore, to support the Air division business, the following sales companies have been established:

- LU-VE Netherlands B.V., a sales company located in Breda, Lage Mosten (the Netherlands);

- «OOO» LU-VE Moscow, a sales company located in Moscow (Russia).

The acquisition was made directly by the parent company LU-VE S.p.A. at a price defined in the contract as €67,054 thousand, reduced by €8,431 thousand after the initial price adjustments set forth in the agreement on the financial position as at 30 April 2019, therefore bringing the provisional acquisition price to €58,623 thousand, of which €35,154 thousand paid directly at the acquisition date (65% of the price originally defined in the contract) and €23,469 thousand still owed as at 30 June 2019, with the payment of the remaining 35% in two additional tranches as set forth in the contract by 30 April 2020. To pay the price, already existing cash and cash equivalents were used.

The purchase price is still subject to possible contractually required adjustments, only in favour of the parent company LU-VE S.p.A., based on the Statement of Financial Position as at 30 April 2019 and the EBITDA for the whole of 2018 and 2019, referring to the entire division acquired, calculated on the basis of contractual provisions. The final definition of the price, also in the case of arbitration, should reasonably be concluded by the approval of the Financial Statements for 2019.

The price of €58,623 thousand also includes the acquisition of inventory in Russia worth €435 thousand and the business unit of the Air division in India worth €800 thousand (and subject to possible price adjustments, as noted previously).

For further details, please refer to the Interim Directors' Report.

The acquired division was included in the consolidated Financial Statements as from 1 May 2019. Therefore, the income statement as at 30 June 2019 was consolidated for only two months. 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 division, 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, trademarks, development activities (R&D) and trade receivables (the fair value of the amount paid might also be subject to adjustments according to the contractual provisions described previously).

The only item that was already subject to a definitive valuation at fair value is the inventory, the fair value of which as at 1 May 2019 is higher than its book value by €1,765 thousand, generating deferred tax liabilities of €483 thousand.

Lastly, please note that the acquisition of the Air division entailed accessory costs of roughly €2,297 thousand, which were recognised in the Income Statement for the period under the item entitled “Operating costs - Services”.

The following table shows details of the acquired Air division’s assets and liabilities included in the Group's consolidated Financial Statements as at 30 April 2019 and the breakdown of goodwill (provisional allocation) calculated on this date:

Air division assets and liabilities measured at fair value *(in thousands of Euro)*	**30/04/2019**
Property, plant and equipment and intangible assets	4,275
of which *trade receivables*	-
Other non-current assets	672
Current assets	26,125
Cash and banks	5,465
Total assets - A	**36,537**
Other non-current liabilities	2,915
Current liabilities	12,541
Current financial liabilities	7,000
Deferred tax liabilities	483
Total liabilities and shareholders’ equity - B	**22,939**

Provisional consideration at the date of acquisition	58,623
Consideration for related transactions*	(2,000)
Consideration for acquisition - C	**56,623**
Net assets acquired - D = A-B	13,598
Goodwill C - D	**43,025**

Consideration paid at the date of acquisition - E	35,154
Cash held by the subsidiary - F	(5,465)
Cash flow for acquisition E + F	**29,689**

* The amount for related transactions refers to an agreement concerning services (primarily IT/Accounting/Payroll/Rentals/Maintenance) that the seller undertook to provide for 12 months.

Transfer of the Chinese facility from Changshu to Tianmen

In the early months of the half, the Chinese manufacturing facility was transferred from the city of Changshu (in the province of Jiangsu) to the city of Tianmen (in the province of Hubei). This move entailed the closure of LU-VE Changshu and the opening of the new company LU-VE Tianmen wholly-owned by the LU-VE Group (77.18% by LU-VE HK and 22.82% by LU-VE S.p.A.). The new Tianmen facility is now operating, minimising relocation times and therefore guaranteeing manufacturing continuity. For the investments made, the Chinese government recognised incentives, including controlled rent on the manufacturing site for the next 5 years.

2.2 ACCOUNTING STANDARDS

Declaration of compliance and accounting policies

The condensed consolidated half-yearly Financial Statements as at 30 June 2019 of the LU-VE Group have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union at that date. IFRS refers to all International Financial Reporting Standards and International Accounting Standards and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously called the Standing Interpretations Committee (SIC), endorsed by the European Union and contained in the relative EU Regulations.

The condensed consolidated half-yearly Financial Statements 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 condensed consolidated half-yearly Financial Statements for the previous period, prepared with the same criteria. They consist of the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Shareholders' Equity, the Statement of Cash Flows and these Explanatory Notes.

The condensed consolidated half-yearly Financial Statements have been drawn up on the basis of the historical cost principle, except, inter alia, for the fair value evaluation of some financial instruments, as described below, along with the adjustment to fair value of the inventory as at 1 May 2019 acquired by the Air division (referred to in the previous section). For more information on adjustments to fair value, please refer to the “Use of estimates” section below. Furthermore, the condensed consolidated half-yearly Financial Statements have been drawn up on the basis of the going concern assumption.

With reference to this assumption, as at 30 June 2019 the Group had a solid and balanced financial structure, with a Net financial debt/Shareholders’ equity ratio (Debt ratio) of 1.04 and a positive short-term net financial position of €12.8 million, guaranteeing, therefore, repayment of the medium/long-term debt due by 30 June 2020 along with current liabilities for a total value of €93.6

million. In addition, there are no substantial restrictions on the freeing up of invested liquidity, equal to €53 million, which therefore, if required, may be used to meet any payment commitments.

In light of what is laid out above, the condensed consolidated half-yearly Financial Statements of the Group as at 30 June 2019 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 Statement of Financial Position, which shows current and non-current assets and liabilities separately;
- a Statement of changes in Shareholders' Equity;
- an Income Statement in which costs are classified by nature;
- a Statement of Comprehensive Income, which shows revenue and cost items that are not recognised in profit and loss as required by IFRS;
- a Statement of Cash Flows that presents cash flows from operations using the indirect method.

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

Consolidation area

The condensed consolidated half-yearly Financial Statements of the Group, which manufactures heat exchangers, air cooled equipment, close control products and insulated glazing, include the half-yearly figures of the parent company LU-VE S.p.A. and its direct and indirect subsidiaries, based on their half-yearly Financial Statements, properly adjusted, when necessary, to bring them into line with the IAS/IFRS adopted by the LU-VE Group in preparing its consolidated Financial Statements:

Company name	Registered office	% stake	Currency	Share capital
Direct subsidiaries:				
SEST S.p.A.	Limana (BL)	100.00%	EUR	1,000,000
Tecnair LV S.p.A.	Uboldo (VA)	79.90%	EUR	200,000
Heat Transfer Systems s.r.o. (HTS)	Novosedly (Czech Rep.)	100.00%	CZK	133,300,000
LU-VE Sweden AB	Asarum (Sweden)	100.00%	SEK	50,000
LU-VE France S.a.r.l.	Lyon (France)	100.00%	EUR	84,150
LU-VE Pacific Pty Ltd	Thomastown (Australia)	75.50%	AUD	200,000
LU-VE Deutschland GmbH	Stuttgart (Germany)	100.00%	EUR	230,000
LU-VE Iberica S.L.	Madrid (Spain)	85.00%	EUR	180,063
LU-VE Asia Pacific Limited	Wan Chai (Hong Kong)	100.00%	HKD	10,000
LU-VE INDIA CORPORATION PRIVATE LTD	New Delhi (India)	99.99%	INR	5,555,568
LuveDigital S.r.l.	Uboldo (VA)	50.00%	EUR	10,000
MANIFOLD S.r.l.	Uboldo (VA)	99.00%	EUR	10,000
LU-VE AUSTRIA GmbH	Vienna (Austria)	100.00%	EUR	17,500
Zyklus Heat Transfer Inc.	Jacksonville (USA, Texas)	100.00%	USD	1,000
Air Hex Alonte S.r.l.	Uboldo (VA)	100.00%	EUR	2,010,000
Fincoil LU-VE OY	Vantaa (Finland)	100.00%	EUR	1,190,000
LU-VE Netherlands B.V.	Breda (Netherlands)	100.00%	EUR	10,000
«OOO» LU-VE Moscow	Moscow (Russia)	100.00%	RUB	100,000
LU VE MIDDLE EAST DMCC	Dubai (UAE)	100.00%	AED	50,000
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 (Tianmen) Co, Ltd (77.18% owned by LU-VE Asia Pacific Limited and 22.82% owned by LU-VE S.p.A.)	Tianmen (China)	100.00%	CNY	49,513,061
Thermo Glass Door S.p.A. (100% owned by SEST S.p.A.)	Travacò Siccomario (PV)	100.00%	EUR	100,000
Spirotech Ltd (95% owned by LU-VE INDIA CORPORATION PRIVATE LTD)	New Delhi (India)	95.00%	INR	25,549,700

Pursuant to IFRS 10, the companies with regard to which the parent company LU-VE S.p.A. simultaneously has the following three elements are considered to be subsidiaries: (a) power over the investee; (b) exposure, or rights, to variable returns deriving from its involvement with the investee; (c) the ability to use its power to affect the extent of such variable returns. The subsidiaries are consolidated from when control begins until the date on which it ends.

Profits or losses and all the components of the statement of comprehensive income are attributable to the Group and to minority interests. The overall revenue of subsidiaries is attributable to the Group and to minority interests, even if this leads to a negative balance for minority interests.

In the case of the initial measurement of a financial liability deriving from put/forward options granted to subsidiaries' minority interests, the Group has selected the accounting policy of reducing shareholders' equity of minority interests and only in the alternative, for the excess amount, the Shareholders' equity attributable to the group.

The following changes compared to the previous period took place in the consolidation area during the first half of 2019:

- on 1 May 2019, the parent company LU-VE S.p.A. acquired an equity investment equal to 100% of the share capital of the manufacturing company Air Hex Alonte S.r.l. (Alonte (VI), Italy), an Italian company with registered office in Uboldo (VA), 21040, Via Caduti della Liberazione no. 53, as noted in the "Introduction";

- on 1 May 2019, the parent company LU-VE S.p.A. acquired an equity investment equal to 100% of the share capital of the manufacturing company FINCOIL LU-VE Oy, a Finnish company with registered office in Vantaa, 01740, Ansatie no. 3 (Finland), as noted in the "Introduction";

- on 5 February 2019 a sales company LU-VE Netherlands B.V. was established, a Dutch company with registered office in Breda, 4822NK, Lage Mosten 49 (the Netherlands), wholly owned by the parent company LUVE S.p.A.;

- on 22 March 2019 a sales company «OOO» LU-VE Moscow was established, a Russian company with registered office in Moscow, 127422, Timiryazevskaya street., Building 1, Office no. 2, wholly owned by the parent company LUVE S.p.A.;

(the four companies mentioned above were part of the acquisition of the Air division from the Alfa Laval group, described in the "Introduction")

- on 10 April 2019 the sales company LU VE MIDDLE EAST DMCC was established, an Emirati company with registered office in Dubai, Office no. 3401 – Jumeirah Bay Tower X3, Jumeirah Lake Towers, Plot N. JLT-PH2-X3A, Jumeirah Lakes Towers (United Arab Emirates), wholly owned by the parent company LUVE S.p.A.;

- in May 2019, the parent company LU-VE S.p.A. acquired the remaining equity investment equal to 13.94% of the share capital of LU-VE FRANCE, for €414 thousand, thus bringing LU-VE S.p.A.'s investment to 100% of the French company's share capital, generating a negative impact of €221 thousand on the Group's shareholders' equity.

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 half-yearly Financial Statements subject to line-by-line consolidation are included in the Group's Financial Statements, irrespective of the extent of the equity investment. The carrying amount of equity investments has also been eliminated against the shareholders' equity attributable to the investee companies;

b) 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 half-yearly Financial Statements for the period are eliminated;

c) If there are non-controlling shareholders, the portion of shareholders' equity and the net profit (loss) of the period attributable to them are highlighted in separate items of the consolidated Balance Sheet and Income Statement;

d) 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;

e) the gains realised from intragroup sales relative to tangible and intangible fixed assets are eliminated by the accounting depreciation and amortisation of the gains themselves.

Translation into Euro of Income Statements and Balance Sheets drafted in foreign currency

The separate half-yearly 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 half-yearly Financial Statements of each overseas entity are expressed in Euro, which is the functional currency of the Parent Company and the presentation currency of the condensed consolidated half-yearly Financial Statements.

Balance sheet items from half-yearly 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 final exchange rates, as well as the difference between the economic result expressed at average exchange rates and that expressed at current exchange rates, are recognised in the shareholders' equity item "Translation reserve".

The exchange rates used for the translation into Euro of the half-yearly Financial Statements of the overseas subsidiaries, prepared in local currency, are shown in the table below:

Currency	Exchange rate as at 30/06/2019	Average exchange rate H1 2019	Exchange rate as at 31/12/2018	Average exchange rate H1 2018
AUD	1.6244	1.6003	1.6220	1.5688
PLN	4.2496	4.2920	4.3014	4.2207
CZK	25.4470	25.6850	25.7240	25.5000
RUB*	71.5975	73.7444	79.7153	71.9601
SEK	10.5633	10.5181	10.2548	10.1508
HKD	8.8866	8.8611	8.9675	9.4863
CNY	7.8185	7.6678	7.8751	7.7086
INR	78.5240	79.1240	79.7298	79.4903
USD	1.1380	1.1298	1.1450	1.2104
AED**	4.1793	4.1491	4.2050	4.4450

* for the company OOO Lu-Ve Moscow established in May 2019 the average exchange rate of the Rouble from May to June was used, equal to 72.5147

** for the company LU VE MIDDLE EAST DMCC established in April 2019 the average exchange rate of the AED from April to June was used, equal to 4.1491

Measurement criteria

The accounting standards and measurement criteria adopted to prepare the condensed consolidated half-yearly Financial Statements as at 30 June 2019 did not change compared to the previous year/period.

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, write-downs, 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 recognised for €4,716 thousand as at 30 June 2019 and €3,656 thousand as at 31 December 2018 through a put & call agreement that can be exercised 3 years after the option agreement was entered into (30 September 2019), 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).

Lastly, the purchase price is also subject to contractually required adjustments, only in favour of the parent company LU-VE S.p.A., based on the Statement of Financial Position as at 30 April 2019 and the EBITDA for the whole of 2018 and 2019, referring to the entire Air division acquired, calculated on the basis of contractual provisions. Therefore, the fair value of the consideration was estimated by the Group based on the contractual provisions (€67,054 thousand) and the downward adjustments already agreed by the parties at the date of this report (€8,431 thousand). No additional adjustments currently under discussion between the parties were considered, although they could be defined in arbitration (on the basis of contractual provisions) and could change, even significantly, this consideration.

As regards the Air division acquired during the half, note that the acquisition price (and as a result goodwill) could be subject to adjustments, even significant, and that the purchase price allocation ("PPA") process was performed only provisionally.

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 book values relating to the assets (including goodwill) of the individual CGUs, is reliant on the realisation of the 2020-2022 plan, along with the 2019 budget, of the Group companies (already included in the Group as at 31 December 2018), which although subject to uncertainty due to the fact that they are forecasts, and affected by external non-controllable variables as well, have been confirmed by the Directors of the Group. With regard to the acquisition of the Air division (air heat exchangers) of the Alfa Laval group, its relative assets were included in the Cooling Systems CGU, thus significantly increasing the total assets recognised in that CGU. Given the positive performance of that division, although considering the extremely limited reference time horizon (the acquisition took place on 30 April 2019), and also taking into account the results achieved by the two CGUs in the first half of 2019 (on a like-for-like basis compared to 31 December 2018), substantially aligned with those planned in the budget at 30 June 2019, and in addition as there were no particular signs of impairment during the half, the Directors deemed that it was unnecessary to perform or update the impairment testing at the date of the condensed consolidated half-yearly Financial Statements.

Lastly, the tax expense, pursuant to IAS 34, was estimated using the option of precisely calculating the liability at the date of 30 June 2019.

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 2019 are compared with the corresponding actual data as at 31 December 2018.

2.3 NEW ACCOUNTING STANDARDS

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED AS AT 1 JANUARY 2019

The following IFRS accounting standards, amendments and interpretations have been applied by the Group for the first time as of 1 January 2019:

- On 13 January 2016, the IASB published IFRS 16 – Leases 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, lastly, 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.

  In particular, the application of the new standard entails for the lessee:

  a) the recognition of the right of use of the asset and the corresponding financial payable in the statement of financial position at the present value of the payments due for the use of the asset and not yet paid;

  b) the recognition in the income statement of the amortisation of the right of use of the asset and the interest on the liability deriving from the lease;

  c) the breakdown in the cash flow statement of the total amount paid between the principal (recognised in cash flows from financial activities) and interest (recognised in cash flows from operations).

  As a result, in the income statement the application of the new standard entails a reduction in the item "Costs for services", which until 31 December 2018 included the cost of the operating lease, with a resulting increase in the value of EBITDA, and an increase in amortisation as well as financial expenses.

  The right of use is then amortised on a straight-line basis for the shorter period of time between the lease term and the remaining useful life of the underlying asset from the start of the lease. If the contract transfers ownership of the relative asset and the desire is expressed to exercise the purchase option, the relative right of use is amortised for the entire useful life of the asset in question.

The Group adopted the new accounting standard at the transition date (1 January 2019) using the modified retrospective approach. In particular, for lease contracts previously classified as operating leases, this approach requires accounting for:

a) a financial liability equal to the present value of future residual payments at the transition date, discounted by using the incremental borrowing rate applicable at the transition date for each contract;
b) a right of use equal to the value of the financial liability at the transition date, net of any accrued income and prepayments relating to the lease and recognised in the statement of net assets as at 31 December 2018.

Please note that, while for non-current assets corresponding to the various rights of use a dedicated item was created in the Group's statement of financial position, the correlated financial liabilities were included in the items "Other non-current financial liabilities" and "Other current financial liabilities".

The application of the modified retrospective approach allowed the Group to keep the book values of the rights of use and financial liabilities of the contracts classified as finance leases in the 2018 Financial Statements pursuant to IAS 17 unchanged. Please also note that the application of this approach does not require the restatement of comparative information from the previous year.
The following table reports the impacts on the statement of financial position of the adoption of IFRS 16 at the transition date (1 January 2019):

Impacts at transition date 01/01/2019 *(in thousands of Euro)*	**Amount**
ASSETS	
Non-current assets	
Right to use Buildings	3,896
Right to use Vehicles	748
Right to use Internal transport vehicles	989
Right to use Data Centre	144
Miscellaneous rights of use	195
Other non-current assets*	(1,970)
TOTAL	**4,002**
LIABILITIES AND SHAREHOLDERS' EQUITY	
Non-current liabilities	
Financial liabilities for non-current leases	2,693
Current liabilities	
Financial liabilities for current leases	1,309
TOTAL	**4,002**

* The amount refers to the surface right of the company Spirotech LTD and the rent of the warehouse of Zyklus Heat Transfer Inc. paid in advance

With reference to the transition rules, the Group intends to use the following practical expedient available in case of choice in the modified retrospective transition method:

- Use of information available at transition date for the determination of the lease term, with particular reference to the exercise of options of extension and early termination.

The transition to IFRS 16 introduces some elements of professional judgement which involve the definition of some accounting policies and the use of assumptions and estimates in relation to the lease term and the definition of the incremental borrowing rate. The main ones are summarised below:

- The Group has decided not to apply IFRS 16 for lease contracts with an intangible underlying asset;
- *Lease term*
  The Group has analysed all lease contracts, defining the lease term for each one, given by the "non-cancellable" period together with the effects of any extension or early termination clauses the exercise of which is deemed to be reasonably certain.
  Specifically, for property assets this assessment has considered the facts and circumstances specific of each asset. For contracts with automatic renewals for a period of one year (or less), the Group has defined as accounting policy the estimation of the lease term to be an average duration of three years, based on historical evidence and the assessment of the renewal period considered to be "reasonably certain", in the presence of, in a broad sense, insignificant penalties for the lessor for terminating the contract. In the case of property rental agreements with multiannual renewals depending on the willingness of both parties, the Group has assessed the specific facts and circumstances, in addition to the penalty, considered in a broad sense, deriving from a potential conclusion of the contract in order to determine the lease term. For the lease agreement on the Chinese building, at the moment the exercise of the purchase option in nine years is not considered reasonably certain.
  With regard to other categories of assets, mainly company cars, forklift trucks and equipment, the Group is generally deemed the exercise of any extension or early termination clauses improbable in consideration of current practices.
- Definition of the incremental borrowing rate;
  As most rental contracts stipulated by the Group are not at an implicit interest rate, the discounting rate to be applied to future payments of rentals has been determined as the risk-free rate applicable to the company that stipulated the contract, with due dates commensurate to the duration of the specific rental contract, increased by the specific credit spread linked to the Group.

Reconciliation with commitments for leases

In order to facilitate the understanding of impacts deriving from the first application of the standard, the following table supplies a reconciliation between future commitments relating to lease contracts, for which information was provided in the same section of the Financial Statements for the year 2018, and the impact from the adoption of IFRS 16 as at 1 January 2019.

Lease commitments reconciliation as at 01/01/2019 *(in thousands of Euro)*	**Amount**
Commitments for operating leases as at 31 December 2018	**4,469**
Minimum payments for finance leases liabilities as at 31 December 2018	107

Short-term lease fees (exemption)	
Low-value lease fees (exemption)	
Amount of non-lease components included in liabilities (*)	(335)
Other changes	
Non-discounted financial liability for leases as at 1 January 2019	**4,241**
Effect of discounting	132
Financial liability for leases as at 1 January 2019	**4,109**
Current value of liabilities for financial leases as at 31 December 2018	**107**
Additional financial liability for leases due to the transition to IFRS 16 as at 1 January 2019	**4,002**

(*) They refer mainly to the service part of motor vehicles operating leases

With respect to the consolidated income statement for the first half of 2019, the adoption of the new accounting standard entailed:

i) a reduction of "operating costs" by around €1,157 thousand;

ii) a decrease in "EBIT" of €236 thousand;

iii) a decrease in "Net Profit" of €300 thousand.

Lastly, please note that the condensed consolidated half-yearly Financial Statements as at 30 June 2019 include "Rights of use", net of amortisation for the period, of €20,824 thousand (roughly €12.9 million referring to the contribution of the Air division as at 30 April 2019) and "Financial liabilities for leases" of €17,301 thousand (roughly €12.4 million referring to the contribution of the Air division as at 30 April 2019), of which €14,132 thousand recognised in "Other non-current financial liabilities" and €3,169 thousand in "Other current financial liabilities".

- On 7 June 2017, the IASB published the interpretation "Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)". The interpretation deals with the matter of uncertainties over the income tax treatment to be adopted. In particular, the interpretation requires entities to analyse uncertain tax treatments (individually or as a whole, depending on their characteristics) always assuming that the tax authority will examine the tax position in question, with full awareness of all relevant information. If the entity believes it is unlikely that the tax authority will accept the tax treatment followed, the entity should reflect the effect of this uncertainty in the measurement of its current and deferred income taxes. 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 was applied as of 1 January 2019. The introduction of the new amendment had no effects on the Group's consolidated Financial Statements.

- On 12 December 2017 the IASB published the document "Annual Improvements to IFRSs 2015-2017 Cycle", which incorporates the amendments to certain standards applied in the annual improvement process. The main amendments regard:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: the amendment clarifies that when an entity obtains control over a business that represents a joint operation, it must remeasure the interest previously held in that business. However, this process is not required when joint control is obtained.
- IAS 12 Income Taxes: the amendment clarifies that all tax effects linked to dividends (including payments on financial instruments classified within shareholders' equity) should be accounted for in a manner consistent with the transaction that generated those earnings (income statement, OCI or shareholders' equity).
- IAS 23 Borrowing costs: the amendment clarifies that in the case of loans that remain in place even after the reference qualifying asset is already ready for use or for sale, they become part of the set of loans used to calculate borrowing costs.

The adoption of this amendment had no effects on the Group's condensed consolidated half-yearly Financial Statements.

- On 7 February 2018 the IASB published the document "Plan Amendment, Curtailment or Settlement" (Amendments to IAS 19)". 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 adoption of this amendment had no effects on the Group's condensed consolidated half-yearly Financial Statements.

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

At the date of these Consolidated 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 22 October 2018, the IASB published the document "Definition of a Business (Amendments to IFRS 3)". The document provides some clarifications on the definition of a business to ensure the proper application of IFRS 3. In particular, the amendment clarifies that while a business generally produces an output, the presence of an output is not strictly necessary to identify a business in the presence of an integrated set of activities/processes and assets. However, to meet the definition of a business, an integrated set of activities/processes and assets must include, as a minimum, an input and a substantial process that together contribute significantly to the capacity to creating output. To that end, the IASB replaced the term "ability to create an output" with "ability to contribute to creating outputs" to clarify that a business can exist even without the presence of all inputs and processes necessary to create an output.

The amendment also introduced a concentration test, which is optional for the entity, to determine whether a set of activities/processes and assets acquired is not a business. If the test provides a positive outcome, the set of activities/processes and assets acquired is not a business and the standard requires no further checks. If the test provides a negative outcome, the entity should perform further analyses on the activities/processes and assets acquired to identify whether they are a business. To that end, the amendment added a number of illustrative examples to IFRS 3 to enable readers to understand the practical application of the new definition of business in specific cases. The amendments apply to all business combinations and acquisitions of assets subsequent to 1 January 2020, but early application is permitted.

The directors do not expect the adoption of this amendment to have a significant effect on the Group's consolidated Financial Statements.

- On 31 October 2018, the IASB published "Definition of Material (Amendments to IAS 1 and IAS 8)". The document introduced an amendment to the definition of "relevant" in IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. This amendment has the objective of making the definition of "relevant" more specific and introduced the concept of "obscured information" alongside the concepts of omitted or incorrect information already present in the two standards subject to amendment. The amendment clarifies that information is "obscured" when it has been described in such a way as to produce for primary readers of Financial Statements an effect similar to that which would have been produced had such information been omitted or incorrect.
  The amendments introduced by the document apply to all transactions subsequent to 1 January 2020.
  The directors do not expect the adoption of this amendment to have a significant effect on the Group's consolidated Financial Statements.

- On 11 September 2014, the IASB published an amendment to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. This document was published to resolve the current conflict between IAS 28 and IFRS 10.
  According to the provisions of IAS 28, the profit or loss resulting from the sale or contribution of a non-monetary asset to a joint venture or an associate in exchange for a stake in the latter is limited to the stake held in the joint venture or associate by the other investors not involved in the transaction. However, IFRS 10 requires the recognition of the entire profit or loss in the case of the loss of control of a subsidiary, even if the entity continues to hold a non-controlling stake in it, also including in that case the sale or contribution of a subsidiary company to a joint venture or associate. The amendments introduced establish that in a sale/contribution of an asset or a subsidiary company to a joint venture or an associate, the extent of the profit or the loss to be recognised in the Financial Statements of the seller/contributor depends on whether the assets or the subsidiary company sold/contributed constitute a business in accordance with IFRS 3. If the assets or the subsidiary company sold/contributed represent a business, the entity should

recognise the profit or loss on the entire share previously held; otherwise, the share of profit or loss relating to the share still held by the entity must be eliminated. The IASB has currently indefinitely deferred the application of this amendment. The directors do not expect the adoption of these amendments to have a significant effect on the Group's consolidated Financial Statements.

3 COMMENT ON THE MAIN ITEMS OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

3.1 GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets *(in thousands of Euro)*	**Goodwill**	**Other intangible assets**	**Total**
Historical			
As at 1 December 2018	**55,418**	**45,879**	**101,297**
Increases	5,205	6,919	12,124
Decreases	-	(201)	(201)
Reclassifications	-	-	-
Exchange differences	-	(127)	(127)
As at 31 December 2018	**60,623**	**52,470**	**113,093**
Increases	43,025	2,198	45,223
Decreases	-	(3)	(3)
Reclassifications	-	-	-
Exchange differences	(1,421)	47	(1,374)
As at 30 June 2019	**102,227**	**54,712**	**156,939**
Provision			
As at 1 December 2018	**12,915**	**25,664**	**38,579**
Increases	-	4,423	4,423
Decreases	-	-	-
Reclassifications	-	-	-
Exchange differences	-	(79)	(79)
As at 31 December 2018	**12,915**	**30,008**	**42,923**
Increases	-	2,252	2,252
Decreases	-	-	-
Reclassifications	-	-	-
Exchange differences	-	27	27
As at 30 June 2019	**12,915**	**32,287**	**45,202**
Net carrying amount			
As at 31 December 2018	**47,708**	**22,462**	**70,170**
As at 30 June 2019	**89,312**	**22,425**	**111,737**

Goodwill

Goodwill rose by €43,025 thousand, a value determined on a provisional basis as at 30 June 2019, compared to last year due to the change in the consolidation area following the acquisition of the Air division from the Alfa Laval group, as indicated in the "Introduction".

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 division, 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, trademarks, development activities (R&D) and trade receivables (the fair value of the amount paid might also be subject to adjustments according to the contractual provisions described in the previous section "Acquisition of the Alfa Laval Air division").

The only item that was already subject to a definitive valuation at fair value is the inventory, the fair value of which as at 1 May 2019 is higher than its book value by €1,765 thousand, generating deferred tax liabilities of €483 thousand.

Goodwill also decreased (€1,421 thousand) due to the change in the exchange rates on goodwill relating to the acquisition of SPIROTECH and Zyklus.

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.

The Air division deriving from the acquisition of the Alfa Laval group will be included in the Cooling System CGU. In the half-yearly Financial Statements as at 30 June 2019, the Group has recognised goodwill totalling €89.3 million attributed to "CGU – Components" for €28.8 million and to "CGU – Cooling Systems" for €60.5 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 2019 with respect to the forecasts for the first year of the 2019-2022 Business Plan did not show meaningful misalignments with the forecasts used to conduct impairment testing for the Financial Statements as at 31 December 2018 for the companies already included in the consolidated Financial Statements as at 31 December 2018. Therefore, the Directors continue to have confidence in the original estimates for the 2019 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 2019 did not lead to any significant variations as compared to the values of 31 December 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. 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.

Other intangible assets

The item other intangible assets decreased by €37 thousand.

Detail of other intangible assets *(in thousands of Euro)*	**Trade receivables**	**Trademarks**	**Development costs**	**Development costs in progress**	**Software**	**Other**	**Total**
Historical							
As at 1 December 2018	**9,544**	**11,084**	**10,848**	**2,532**	**11,199**	**672**	**45,879**
Increases	2,893	-	490	1,591	1,800	145	6,919
Decreases	-	-	-	(191)	-	(10)	(201)
Reclassifications	-	-	1,293	(1,293)	450	(450)	-
Exchange differences	-	(7)	(8)	-	(87)	(25)	(127)
As at 31 December 2018	**12,437**	**11,077**	**12,623**	**2,639**	**13,362**	**332**	**52,470**
Increases	-	-	104	1,116	574	404	2,198
Decreases	-	-	-	-	(3)	-	(3)
Reclassifications	-	-	802	(802)	95	(95)	-
Exchange differences	-	(6)	1	-	52	-	47
As at 30 June 2019	**12,437**	**11,071**	**13,530**	**2,953**	**14,080**	**641**	**54,712**
Provision							
As at 1 December 2018	**519**	**6,882**	**9,161**	**-**	**8,988**	**114**	**25,664**
Increases	487	738	1,458	-	1,738	2	4,423
Decreases	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-
Exchange differences	-	(4)	(8)	-	(67)	-	(79)
As at 31 December 2018	**1,006**	**7,616**	**10,611**	**-**	**10,659**	**116**	**30,008**
Increases	280	369	586	-	1,015	2	2,252
Decreases	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-
Exchange differences	-	(4)	-	-	31	-	27
As at 30 June 2019	**1,286**	**7,981**	**11,197**	**-**	**11,705**	**118**	**32,287**
Net carrying amount							
As at 31 December 2018	**11,431**	**3,461**	**2,012**	**2,639**	**2,703**	**216**	**22,462**
As at 30 June 2019	**11,151**	**3,090**	**2,333**	**2,953**	**2,375**	**523**	**22,425**

Trade receivables

The change in Trade receivables refers exclusively to amortisation for the period.

Trademarks

Trademarks did not experience substantial changes compared to last year: the change in that item refers to amortisation for the period.

Development costs and development costs in progress

The total *Development costs* for the period were €1,220 thousand (of which €104 thousand capitalised and €1,116 thousand in projects under way), referring to new product development. Furthermore, during the period €802 thousand was reclassified from development costs in progress and development costs to projects concluded during the period.

Software

Software increased by €574 thousand; the main projects developed in the period relate to the accounting/management ERP (SAP) and PLM (Product Lifecycle Management), used in all of the Group’s production facilities.

Other intangible assets

The *Other intangible assets* rose by €404 thousand compared to the previous year.

Intangible assets were included in the considerations on the impairment test described above as they were allocated to the two CGUs identified by the Management.

3.2 PROPERTY, PLANT AND EQUIPMENT

Other property, plant and equipment *(in thousands of Euro)*	Property	Plant and equipment	Rights of use	Other property, plant and equipment	Work in progress	Total
Historical						
As at 01 January 2018	85,049	122,457	-	31,831	4,138	243,475
Increases	14,597	7,255	-	1,876	5,945	29,673
Decreases	(900)	(2,180)	-	(467)	(451)	(3,998)
Reclassifications	1,190	1,888	-	208	(3,286)	-
Exchange rate difference	(1,348)	(1,764)	-	(182)	(133)	(3,427)
As at 31 December 2018	98,588	127,656	-	33,266	6,213	265,723
Contribution of Alfa Laval Air div. at 30.04.19	44	3,189	12,893	866	176	17,168
Increases	313	2,187	7,931	1,240	8,188	19,859
Decreases	-	(2,458)	-	(172)	(122)	(2,752)
Reclassifications	70	2,370	-	72	(2,512)	-
Exchange rate difference	1,095	1,202	-	92	101	2,490
As at 30 June 2019	100,110	134,146	20,824	35,364	12,044	302,488
Provision						
As at 1 January 2018	20,638	86,250	-	25,396	-	132,284
Increases	2,029	7,893	-	2,077	-	11,999
Decreases	-	(2,101)	-	(145)	-	(2,246)
Reclassifications	-	(14)	-	14	-	-
Exchange rate difference	(282)	(977)	-	(116)	-	(1,375)
As at 31 December 2018	22,385	91,051	-	27,226	-	140,662
Increases	1,217	4,300	1,389	1,094	-	8,000
Decreases	-	(2,129)	-	(161)	-	(2,290)
Reclassifications	-	68	-	(68)	-	-
Exchange rate difference	226	711	-	65	-	1,002
As at 30 June 2019	23,828	94,001	1,389	28,156	-	147,374
Net carrying amount						
As at 31 December 2018	76,203	36,605	-	6,040	6,213	125,061
As at 30 June 2019	76,282	40,145	19,435	7,208	12,044	155,114

As at 30 June 2019, the historical cost of property, plant and equipment rose by €37,027 thousand due to:

- €4,275 thousand relating to the acquisition of the Air division from the Alfa Laval group, referring to the balances as at 30 April 2019;

- €20,323 thousand relating to the initial recognition of the effects of IFRS 16 (of which €12,893 thousand contributed by the acquisition of the Air division from the Alfa Laval group and referring primarily to the rent on the buildings of the Air Hex Alonte and Fincoil facilities) and €501 thousand to the increase during the period. In particular, with reference to the right of use relating to the real estate rental agreement on the Air Hex Alonte facility (equal to €4,756 thousand) as at 30 June 2019, signed in May 2019, with a duration of 6 years and automatic renewal if neither party cancels, on the basis of the information currently available for the application of IFRS 16 a duration greater than that set forth in the contract is not deemed usable;

- €11,928 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).

This property, plant and equipment was included in the considerations on the impairment test described above as it was allocated to the two CGUs identified by the Management.

3.3 EQUITY INVESTMENTS

The Group holds the following equity investments:

EQUITY INVESTMENTS *(in thousands of Euro)*	**30/06/2019**	**31/12/2018**	**Change**
Industria e Università S.r.l.	8	6	2
Total	8	6	2

3.4 OTHER NON-CURRENT ASSETS

They amounted to €251 thousand, a decrease of €1,939 thousand compared to €2,190 thousand in the previous year. The item includes:

- €251 thousand, primarily referring to security deposits provided for the provision of services (€199 thousand in the previous year).

The decrease of €1,939 thousand was due to:

- the effect of the first-time application of IFRS 16, for which: €1,281 thousand referred to the residual value of 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;
- €658 thousand relative to the advance rental payment for the Zyklus' warehouse.

Other non-current assets *(in thousands of Euro)*	**30/06/2019**	**31/12/2018**	**Change**
Other non-current assets	251	2,190	(1,939)
Total	251	2,190	(1,939)

3.5 INVENTORIES

This item in question was broken down as follows as at 30 June 2019:

Inventories *(in thousands of Euro)*	**30/06/2019**	**31/12/2018**	**Change**
Raw materials and consumables	42,217	32,051	10,166
Work in progress and semi-finished products	3,644	4,222	(578)
Finished products and goods for resale	18,067	12,599	5,468
Provision for inventory losses	(4,244)	(4,205)	(39)
Total	**59,684**	**44,667**	**15,017**

The change amounting to €15,017 thousand was mainly due to:

- €14,719 thousand relating to the inventories of the companies included in the acquisition of the Air division of the Alfa Laval group (€16,190 thousand as at 30 April 2019);
- €337 thousand due to the contribution of the changes in inventory of other Group companies;
- The provision for inventory losses increased by €39 thousand (negative effect).

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

3.6 TRADE RECEIVABLES

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

Trade receivables *(in thousands of Euro)*	**30/06/2019**	**31/12/2018**	**Change**
Trade receivables	85,555	55,631	29,924
Bad debt provision	(4,805)	(4,777)	(28)
Total	**80,750**	**50,854**	**29,896**

The increase in trade receivables amounting to €29,896 thousand was due to:

- €14,313 thousand relating to the contribution of the companies linked to the acquisition of the Air division from the Alfa Laval group (€9,209 thousand as at 30 April 2019);
- €15,611 thousand due to the general increase in sales of other Group companies;
- The bad debt provision increased by €28 thousand (negative effect).

In addition, in June 2019 receivables of roughly €17,382 thousand were transferred to the Factor, compared to roughly €18,990 thousand as at 31 December 2018. These assignments were without recourse.

All trade receivables are due within the subsequent year and derive from normal sales transactions.

Trade receivables include contract assets (invoices to be issued relative to services already rendered by the Group) for an amount of €27 thousand and a reduction in trade receivables for variable compensations (credit notes to be issued for bonuses granted to customers) for €1,286 thousand.

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

Trade receivables by geographical area *(in thousands of Euro)*	**30/06/2019**	**31/12/2018**	**Change**
Italy	19,257	10,949	8,308
EU Countries	48,553	30,017	18,536
Non-EU Countries	17,745	14,665	3,080
Bad debt provision	(4,805)	(4,777)	(28)
Total	**80,750**	**50,854**	**29,896**

The ageing of trade receivables is shown below:

Trade receivables by maturity *(in thousands of Euro)*	**30/06/2019**	**31/12/2018**	**Change**
Current receivables (not past due)	69,092	41,058	28,034
Past due up to 30 days	8,323	4,946	3,377
Past due from 30 to 60 days	876	2,539	(1,663)
Past due from 60 to 90 days	382	726	(344)
Past due for more than 90 days	6,882	6,362	520
Total	**85,555**	**55,631**	**29,924**

The Group values the provisions for impairment to trade receivables at an amount equivalent to the losses expected throughout the life of the credit. The expected losses on trade receivables are estimated using an allocation matrix by bands of overdue accounts, making reference to its own historical experience in relation to losses on receivables, and an analysis of creditors' financial position, adjusted to include factors specific to the creditor, general economic conditions of the industry in which the creditor operates and an assessment of the current and anticipated evolution of these conditions at the reference date for the Financial Statements.

The following table details the risk profile of trade receivables on the basis of the allocation matrix defined by the Group. As the Group's historical experience does not indicate significantly different loss profiles on receivables by customer segment, the bad debt provision based on the level of overdue accounts has not been further subdivided on the basis of groupings of its own customer base.

30/06/2019 *(in thousands of Euro)*	**Not past due**	**<30**	**31 - 60**	**61 - 90**	**>90**	**Total**
Expected default rate	0.24%	0.18%	1.8%	12.8%	66.2%	
Estimate of gross accounting value at the time of default	69,092	8,323	876	382	6,882	**85,555**
Expected losses throughout the life of the credit	168	15	16	49	4,557	**4,805**

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

3.7 DUE FROM THE TAX AUTHORITIES FOR CURRENT TAXES

This item was broken down as follows:

Due from the tax authorities for current taxes *(in thousands of Euro)*	**30/06/2019**	**31/12/2018**	**Change**
Due from the tax authorities for VAT	6,622	5,686	936
Due from the tax authorities for payments on account of direct taxes	367	1,453	(1,086)
Others	62	76	(14)
Total	**7,051**	**7,215**	**(164)**

The increase in VAT receivables of €936 thousand is primarily due to the contribution of the companies included in the acquisition of the Air division from the Alfa Laval group.

Tax receivables decreased by €1,086 thousand. This decrease is due to the use, mainly by LU-VE SPA, SEST LUVE POLSKA and HTS, of tax credits to reduce tax payables for the period, and the use by TGD of tax receivables for offsetting INPS and IRPEF (personal income tax) payables.

3.8 CURRENT FINANCIAL ASSETS

Current financial assets included in this item are part of the FVTPL category. These are financial instruments, whose contractual financial flows are not constituted solely by payment of capital and interest on the amount of capital to be repaid, and are held by the Group in the context of a pro tempore strategy whose objective, at equal risk, is the optimisation of the net cost of debt. This item was broken down as follows:

Current financial assets *(in thousands of Euro)*	**30/06/2019**	**31/12/2018**	**Change**
Capitalisation policies	52,893	51,330	1,563
Other securities	295	6,304	(6,009)
Fair value of derivative instruments	116	-	116
Total	53,304	57,634	(4,330)

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). During the half, new capitalisation policies were taken out for a value of €1,000 thousand. The fair value measurement at the reporting date entailed the recognition of a positive amount of €413 thousand.

The policy issued by BNP Paribas Cardif Vita Compagnia di assicurazioni e Riassicurazioni S.p.A., for a nominal amount of €10,000 thousand subscribed in the course of the previous year, entailed a positive change in fair value at 30 June 2019 of €151 thousand.

Other securities refer to investments, made in 2017 with Unicredit for €300 thousand, which entailed the recognition of a positive fair value equal to €14 thousand as at 30 June 2019.

Investments subscribed through UBI Banca S.p.A. (where the securities account is held) in Italian government securities, corporate bonds, bond funds and mixed funds, were completely disinvested in April 2019. The disposal of securities entailed the recognition of financial income in the income statement of €417 thousand, and financial expense of €160 thousand.

The amounts of earnings and losses described above are recognised in the Income Statement in the items “financial income” or “financial expenses”. Changes in fair value in the item “financial income”

As at 30 June 2019, derivative financial instruments, referring to currencies, held by the Group had a positive fair value of €116 thousand, while the derivative financial instruments on IRSs had a negative fair value of €2,164 thousand.

The summary relating to outstanding derivative financial instruments as at 30 June 2019 broken down by type is provided below:

Derivative financial instruments as at 30/06/2019 *(in thousands of Euro)*		30/06/2019		31/12/2018		30/06/2019	31/12/2018
TYPE	**ORIGINAL NOTIONAL**	**NOT. Short**	**NOT. M/L**	**NOT. Short**	**NOT. M/L**	**FAIR VALUE**	**FAIR VALUE**
IRS on loans	248,267	46,782	114,761	41,462	111,703	(2,164)	(1,023)
Currency options	5,200	5,200	-	5,848	-	116	34
Commodity Swaps	-	-	-	600	-	-	(91)
Total	**253,467**	**51,982**	**114,761**	**47,910**	**111,703**	**(2,048)**	**(1,080)**
Total Notional		**166,743**		**159,613**			

The details relating to outstanding derivative financial instruments as at 30 June 2019 broken down by type are provided below:

IRS on loans (in thousands of Euro)

DEBTOR COMPANY	COUNTERPARTY	TAKEN OUT	MATURITY	ORIGINAL NOTIONAL	H1 2019		H1 2019
					NOT. Short	NOT. M/L	FAIR VALUE
LU-VE S.P.A.	Banca Popolare di Bergamo S.p.A.	11/08/2014	15/09/2020	2,321	357	179	(5)
LU-VE S.P.A.	Banca Popolare di Bergamo S.p.A.	11/08/2014	16/10/2020	3,500	583	292	(8)
LU-VE S.P.A.	Banca Popolare di Bergamo S.p.A.	21/07/2015	29/06/2020	4,818	1,219	-	(6)
LU-VE S.P.A.	Intesa San Paolo S.p.A.	04/02/2016	31/03/2020	10,000	2,500	-	(6)
LU-VE S.P.A.	Cassa di Risparmio di Parma e Piacenza Spa	16/06/2015	31/12/2019	8,000	1,597	-	(6)
LU-VE S.P.A.	Banca Nazionale del Lavoro	11/08/2014	16/10/2020	3,500	583	292	(9)
LU-VE S.P.A.	Banca Nazionale del Lavoro	20/07/2015	09/06/2020	17,778	4,444	-	(27)
LU-VE S.P.A.	Banca Nazionale del Lavoro	25/10/2016	21/09/2020	28,000	8,000	2,000	(20)
LU-VE S.P.A.	Unicredit S.p.A.	17/09/2015	31/12/2020	10,000	2,500	1,250	(33)
LU-VE S.P.A.	Deutsche Bank	27/03/2017	23/03/2021	5,500	1,375	1,031	(12)
LU-VE S.P.A.	Mediocredito italiano	21/06/2017	28/02/2022	25,000	5,882	10,294	(114)
LU-VE S.P.A.	Unicredit S.p.A.	20/09/2018	30/06/2024	12,000	2,400	9,600	(281)
LU-VE S.P.A.	Unicredit S.p.A.	20/09/2018	29/09/2023	15,000		15,000	(490)
LU-VE S.P.A.	Mediocredito italiano	28/11/2018	20/06/2024	12,500	2,500	10,000	(222)
LU-VE S.P.A.	Mediocredito italiano	28/11/2018	20/06/2024	12,500	2,500	10,000	(222)
LU-VE S.P.A.	Banca Nazionale del Lavoro	20/12/2018	24/09/2024	10,000	1,000	9,000	(164)
LU-VE S.P.A.	Banca Nazionale del Lavoro	20/12/2018	20/12/2023	10,000	1,111	8,333	(175)
LU-VE S.P.A.	Unicredit S.p.A.	30/01/2018	31/03/2023	18,750	3,750	9,375	9
LU-VE S.P.A.	Banco Popolare di Milano S.p.A.	25/01/2019	30/09/2024	25,000	1,250	23,750	(263)
SEST S.P.A	Cassa di Risparmio di Parma e Piacenza Spa	24/06/2015	31/12/2019	4,000	798	799	(3)
SEST S.P.A	Unicredit S.p.A.	02/10/2015	28/06/2019	1,500	-	-	-
SEST S.P.A	Unicredit S.p.A.	02/10/2015	28/06/2024	5,100	600	2,400	(79)
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas Spolka Akcyjna	22/07/2015	08/11/2021	3,500	1,833	1,166	(28)
			Total	**248,267**	**46,782**	**114,761**	**(2,164)**

Currency derivatives (in thousands of Euro)

DEBTOR COMPANY	COUNTERPARTY	TYPE	HEDGED ELEMENT	TAKEN OUT	MATURITY	NOT. ORIG.	30/06/2019		30/06/2019
							NOT. Short	NOT. M/L	FAIR VALUE
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX derivatives	€/PLN Exchange Rate	18/01/2019	07/01/2020	500	500	-	8
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX derivatives	€/PLN Exchange Rate	18/01/2019	05/11/2019	500	500	-	10
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX derivatives	€/PLN Exchange Rate	18/01/2019	05/12/2019	500	500	-	9
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX derivatives	€/PLN Exchange Rate	07/02/2019	05/02/2020	500	500	-	9
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX derivatives	€/PLN Exchange Rate	12/03/2019	05/03/2020	500	500	-	7
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX derivatives	€/PLN Exchange Rate	15/05/2019	05/05/2020	500	500	-	6
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX derivatives	€/PLN Exchange Rate	15/05/2019	06/04/2020	500	500	-	7
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX derivatives	€/PLN Exchange Rate	02/07/2018	01/07/2019	400	400	-	22
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX derivatives	€/PLN Exchange Rate	07/09/2018	01/08/2019	400	400	-	12
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX derivatives	€/PLN Exchange Rate	07/09/2018	02/09/2019	400	400	-	11
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX derivatives	€/PLN Exchange Rate	29/10/2018	04/10/2019	500	500	-	15
					Total	**5,200**	**5,200**	-	**116**

3.9 OTHER CURRENT ASSETS

The details of this item are shown below:

Other current assets *(in thousands of Euro)*	**30/06/2019**	**31/12/2018**	**Change**
From employees	117	101	16
Advances and other receivables	4,497	2,156	2,341
Total	**4,614**	**2,257**	**2,357**

The increase of €2,357 thousand was due to:

- €1,545 thousand relating to the contribution of the companies linked to the acquisition of the Air division from the Alfa Laval group (€725 thousand as at 30 April 2019);

- €812 thousand to other Group companies.

3.10 CASH AND CASH EQUIVALENTS

The details of this item are shown below:

Cash and cash equivalents *(in thousands of Euro)*	**30/06/2019**	**31/12/2018**	**Change**
Cash and cash equivalents	53,047	85,905	(32,858)
Total	**53,047**	**85,905**	**(32,858)**

The decrease of €32,858 thousand is primarily due to the acquisition of the Air division from the Alfa Laval group, as described in the "Introduction".

Group has no restrictions/constraints on the use of these amounts.

3.11 SHAREHOLDERS' EQUITY

The Parent Company's share capital amounted to €62,704 thousand (same amount as at 31 December 2018).
In the first half of 2019, dividends of €5,519 thousand were distributed by the Parent Company from the reserves and retained earnings.

As at 30 June 2019, the Parent Company held 157,608 treasury shares (0.71% of the share capital), recognised in the condensed consolidated half-yearly Financial Statements as an adjustment of shareholders' equity for a total value of roughly €1,618 thousand (for further details, see the Interim Directors' Report). During the period, no treasury shares were acquired or sold.

Shareholders' equity attributable to non-controlling interests amounted to €3,403 thousand (€3,170 thousand as at 31 December 2018). The profit attributable to non-controlling interests in the half-year was €327 thousand (€296 thousand in the same period of 2018).

3.12 LOANS

This item was broken down as follows:

Loans (in thousands of Euro)	30/06/2019 Current	30/06/2019 Non-current	31/12/2018 Current	31/12/2018 Non-current
Loans	54,556	150,011	48,775	152,196
Advances on invoices subject to clearance	3	-	887	-
Advances on export flows in Euro	5,500	-	-	-
Total	**60,059**	**150,011**	**49,662**	**152,196**

As at 30 June 2019, bank loans amounted to €210,070 thousand.

The breakdown of this item, the evolution with respect to the previous year and the characteristics of the bank loans held by the Group are provided below (thousands of Euro):

Bank loans *(in thousands of Euro)*							30/06/2019		31/12/2018	
DEBTOR COMPANY	COUNTERPARTY	LOAN TYPE	TAKEN OUT	MATURITY	RATE APPLIED	ORIGINAL AMOUNT	RESIDUAL AMOUNT	OF WHICH CURRENT	RESIDUAL AMOUNT	OF WHICH CURRENT
LU-VE	Intesa San Paolo S.p.A.	Unsecured loan	25/09/2008	01/05/2019	3M Euribor + Spread	1,185	-	-	59	59
LU-VE	Banca Nazionale del Lavoro S.p.A.	Unsecured loan	09/06/2015	09/06/2020	6M Euribor + Spread	20,000	4,383	4,386	6,563	4,358
LU-VE	UniCredit S.p.A.	Unsecured loan	17/09/2015	31/12/2020	6M Euribor + Spread	10,000	3,750	2,500	5,000	2,500
LU-VE	Banca Popolare di Milano	Mortgage Loan	25/09/2015	31/12/2021	3M Euribor + Spread	30,000	(19)	(8)	14,942	4,992
LU-VE	Mediocredito Italiano S.p.A.	Unsecured loan	29/10/2015	30/09/2020	6M Euribor + Spread	10,000	3,737	2,494	4,984	2,494
LU-VE	Banca Nazionale del Lavoro S.p.A.	Unsecured loan	20/09/2016	20/09/2020	3M Euribor floor 0% + Spread	30,000	10,000	8,000	14,000	8,000
LU-VE	Banca Popolare di Bergamo S.p.A.	Unsecured loan	30/09/2016	30/09/2021	3M Euribor + Spread	10,000	4,511	2,000	5,509	1,996
LU-VE	Banca Popolare di Sondrio Società Cooperativa per Azioni	Unsecured loan	15/12/2016	31/01/2020	Average prev quart 3M Euribor + Spread	10,000	2,507	2,507	4,176	3,339
LU-VE	Deutsche Bank S.p.A.	Unsecured loan	23/03/2017	23/03/2021	3M Euribor	1,500	599	399	798	399

					+ Spread					
LU-VE	Deutsche Bank S.p.A.	Unsecured loan	23/03/2017	28/11/2020	3M Euribor + Spread	5,500	2,401	1,372	3,088	1,372
LU-VE	Mediocredito Italiano S.p.A.	Unsecured loan	31/03/2017	28/02/2022	3M Euribor + Spread	25,000	16,176	5,882	19,118	5,882
LU-VE	UniCredit S.p.A.	Unsecured loan	20/04/2017	31/12/2020	Fixed	10,000	4,278	2,891	5,708	2,854
LU-VE	Unione di Banche Italiane Società cooperativa per azioni	Unsecured loan	20/12/2017	20/12/2020	3M Euribor + Spread	20,000	20,000	-	20,000	-
LU-VE	Unicredit S.p.A.	Unsecured loan	30/01/2018	31/03/2023	6M Euribor + Spread	25,000	19,982	4,995	22,479	5,014
LU-VE	Unicredit S.p.A.	Unsecured loan	20/09/2018	30/06/2024	6M Euribor + Spread	12,000	11,989	2,398	11,988	1,198
LU-VE	Unicredit S.p.A.	Unsecured loan	20/09/2018	30/09/2023	6M Euribor + Spread	15,000	14,987	-	14,987	-
LU-VE	Mediocredito Italiano S.p.A.	Unsecured loan	28/11/2018	30/06/2024	6M Euribor + Spread	12,500	12,483	2,497	12,482	1,247
LU-VE	Mediocredito Italiano S.p.A.	Unsecured loan	28/11/2018	30/06/2024	6M Euribor + Spread	12,500	12,483	2,497	12,482	1,247
LU-VE	Banca Nazionale del Lavoro S.p.A.	Unsecured loan	20/12/2018	24/09/2024	6M Euribor + Spread	10,000	9,977	996	9,975	-
LU-VE	Banca Nazionale del Lavoro S.p.A.	Unsecured loan	20/12/2018	20/12/2023	6M Euribor + Spread	10,000	9,422	1,106	9,975	1,102
LU-VE	Banca Popolare di Milano	Unsecured loan	25/01/2019	31/03/2025	3M Euribor floor 0% + Spread	30,000	28,677	4,985	-	-
LU-VE	Banca Popolare di Milano	Unsecured loan	15/06/2019	28/06/2024	3M Euribor floor 0% + Spread	10,000	9,936	1,944	-	-
SEST LU-VE POLSKA SP. Z O.O.	BNP Paribas bank Polska SA	EIB Mortgage Loan	08/11/2011	08/11/2021	3M Euribor + Spread	5,000	1,848	662	2,173	670
LU-VE FRANCE S.A R.L.	BNP PARIBAS S.A.	Mortgage Loan	08/11/2011	03/11/2026	Fixed	798	460	53	485	52
Total							**204,567**	**54,556**	**200,971**	**48,775**

In relation to certain loan agreements, the LU-VE Group committed to respecting specific financial parameters (covenants), which however are checked only on 31 December of each year. For the loans still outstanding as at 30 June 2019, the details of loans that require financial covenants to be met are provided below (in thousands of Euro):

COMPANY	COUNTERPARTY	LOAN TYPE	TAKEN OUT	MATURITY	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 <= 3; NFP/SE <= 1.25	20,000
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 <=2.5; NFP/SE<=1.5	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
LU-VE	Unicredit S.p.A.	Unsecured loan	20/09/2018	30/06/2024	6M Euribor + Spread	NFP/EBITDA <=3; NFP/OWN FUNDS <=1	12,000
LU-VE	Unicredit S.p.A.	Unsecured loan	20/09/2018	30/09/2023	6M Euribor + Spread	NFP/EBITDA <=3; NFP/OWN FUNDS <=1	15,000
LU-VE	Mediocredito italiano	Unsecured loan	28/11/2018	30/06/2024	6M Euribor + Spread	NFP/EBITDA <2.5; NFP/SE<=1	12,500
LU-VE	Mediocredito italiano	Unsecured loan	28/11/2018	30/06/2024	6M Euribor + Spread	NFP/EBITDA <2.5; NFP/SE<=1	12,500
LU-VE	Banca Nazionale del Lavoro S.p.A.	Unsecured loan	20/12/2018	24/09/2024	6M Euribor + Spread	NFP/EBITDA <=3; NFP/SE<=1.25	10,000
LU-VE	Banca Nazionale del Lavoro S.p.A.	Unsecured loan	20/12/2018	20/12/2023	6M Euribor + Spread	NFP/EBITDA <=3; NFP/SE<=1.25	10,000
LU-VE	Banca Popolare di Milano	Unsecured loan	25/01/2019	31/03/2025	3M Euribor floor 0% + Spread	NFP/EBITDA <=3; NFP/SE<=1.25	30,000
SEST LU-VE POLSKA SP. Z O.O.	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

Notes:

NFP: net financial position;

SE: shareholders' equity;

DSCR: debt service coverage ratio

LR: leverage ratio (NFP/EBITDA)

GR: gearing ratio (NFP/SE)

The changes in loans during the period are shown below:

Loans: changes during the period *(in thousands of Euro)*	**Opening balance**	**New loans**	**Repayments**	**Closing balance**
Loans	200,971	40,000	(36,404)	204,567
Advances on bank invoices	887	3	(887)	3
Advances on export flows in Euro	-	12,500	(7,000)	5,500
Total	**201,858**	**52,503**	**(44,291)**	**210,070**

The following changes took place in loans in the first half of 2019 (all loans were taken out by LU-VE S.p.A.):

- unsecured medium-term loan for a total of €30,000 thousand entered into with BPM, maturing on 31 March 2025, with repayment in equal quarterly instalments and an interest rate equal to the 3-month Euribor plus a spread. The loan is subject to compliance with financial covenants;

- unsecured medium-term loan for a total of €10,000 thousand entered into with BPM, maturing on 28 June 2024, with repayment in variable quarterly instalments and an interest rate equal to the 3-month Euribor plus a spread;

- Early repayment of the BPM mortgage loan for €15,000 thousand taken out on 25 September 2015 and maturing on 31 December 2021.

Loan repayments during the period amounted to €36,404 thousand, in addition to €7,000 thousand relative to the extinction of advances on export flows in Euro and repayments on bank advances on invoices subject to clearance for €887 thousand, for a repayments total of €44,291 thousands.

With reference to the loans that require compliance with covenants, all of such covenants were respected at the reporting date.

All outstanding bank loans were denominated in Euro, and were floating rate and pegged to the Euribor. Note 4.15 below provides the information relating to financial risks.

3.13 PROVISIONS

The details of this item are shown below:

Changes in provisions *(in thousands of Euro)*	**31/12/2018**	**Increases**	**Exchange delta**	**Uses**	**Release of excess portion**	**Other changes**	**30/06/2019**
Provision for agents' leaving indemnities	25	-	-	-	-	359	384
Product warranty provision	2,042	29	4	-	-	1,076	3,151
Other provisions for risks and charges	514	26	2	-	-	389	931
Total	2,581	55	6	-	-	1,824	4,466

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 increase in "other changes" of €359 thousand is due to the contribution of the companies included in the acquisition of the Air division from the Alfa Laval group (amount that has not changed compared to the contribution of 30 April 2019).

The product warranty provision covers the risk of returns or charges from customers for products already sold. The provision was adjusted at year-end on the basis of analyses conducted and past experience. The increase in "other changes" of €1,076 thousand is due to the contribution of the companies included in the acquisition of the Air division from the Alfa Laval group (amount that has basically not changed compared to the contribution of 30 April 2019).

The increase in other provisions for risks and charges in "other changes" of €389 thousand is due to the contribution of the companies included in the acquisition of the Air division from the Alfa Laval group (amount that has not changed compared to the contribution of 30 April 2019).

Provisions, which represent the estimated future outflows calculated partly based on historical experience, were subject to actuarial valuation as at 30 June 2019. As the effect was deemed negligible, it was not incorporated in the condensed consolidated half-yearly Financial Statements.

3.14 EMPLOYEE BENEFITS

Employee benefits amounted to €5,717 thousand, a net increase of €1,660 thousand compared to 31 December 2018. The entire amount referred to the provision for employee severance 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, net of advances paid out to employees.

In accordance with what is established by domestic regulations, the amount due to each employee accrues based on services rendered and is disbursed when the employee leaves the company. The amount due upon termination of the employment relationship is calculated on the basis of its duration and the taxable wages of each employee. The liability is revalued each year on the basis of the official cost of living index and legal interest.

It is noted that, following the amendments to the "Provision for employee severance benefits" introduced by Italian Law no. 296 of 27 December 2006, and subsequent Decrees and Regulations issued in the first few months of 2007, for companies with at least 50 employees (LU-VE S.p.A., Sest, etc.), the amounts accrued from 1 January 2007 are destined, by choice of employees, either to the INPS Treasury Fund or to forms of complementary social security, with the nature of "defined benefits plans". Furthermore, these amounts are not subject to actuarial valuation and are no longer allocated to the "Provision for employee severance benefits". The "Provision for employee severance benefits" accrued as at 31 December 2006 remains a "defined benefits plan" with the consequent need to carry out the actuarial calculations, which will however no longer take into account the component relating to future salary increases. For companies with fewer than 50 employees (Tecnair S.r.l. and Manifold S.r.l.), in accordance with IAS 19 the fund as at 30 June 2019 is recognised entirely as "Defined benefits plan" and is therefore subject to actuarial valuation.

The breakdown and changes in the item as at 30 June 2019 are shown below:

Employee benefits *(in thousands of Euro)*	**30/06/2019**	**31/12/2018**
Liabilities as at 1 January	4,057	4,047
Air Hex Alonte S.r.l. contribution	1,090	
Provisions	211	230
Financial expense	31	55
Payments made	(137)	(150)
Actuarial (gains)/losses	465	(125)
Liabilities at the end of the period	**5,717**	**4,057**

The equity adjustment for actuarial gains and losses includes a net actuarial loss of €465 thousand, calculated as follows:

- Actuarial loss deriving from the change in the main actuarial assumptions used as at 30 June 2019 with respect to the previous valuation as at 31 December 2018: €464 thousand;
- Actuarial loss deriving from the effect of the change in the group subject to valuation between one valuation and another, which was different from what was assumed: €1 thousand;

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 4.5).

3.15 OTHER FINANCIAL LIABILITIES

The item "Other financial liabilities" referred primarily to financial payables linked to IFRS 16, financial payables for the acquisition of the Air division from the Alfa Laval group, the recognition of the negative fair value of derivatives, the fair value of the financial liability relating to the put option granted to SPIROTECH's minority shareholders and the earn-out relating to the acquisition of Zyklus. The details of this item are shown below:

Other non-current financial liabilities *(in thousands of Euro)*	**30/06/2019**	**31/12/2018**	**Change**
IFRS 16 financial payables	14,132	53	14,079
Other financial liabilities	397	4,054	(3,657)
Total	**14,529**	**4,107**	**10,422**

The item "IFRS 16 financial payables" includes all long-term financial payables for contracts referring to IFRS 16, of which €2,693 thousand linked to the balance as at 1 January 2019 and €10,666 thousand as at 30 April 2019 from the initial consolidation of the Alfa Laval group Air division.

The item "other financial liabilities" for €397 thousand refers to the contractually required calculation of the earn-out relating to the acquisition of the US company Zyklus.

Other current financial liabilities *(in thousands of Euro)*	**30/06/2019**	**31/12/2018**	**Change**
Fair value of derivatives	2,164	1,080	1,084
IFRS 16 financial payables	3,169	54	3,115
Other financial liabilities	28,186	-	28,186
Total	**33,519**	**1,134**	**32,385**

The item "fair value of derivative instruments" represents the negative fair value as at 30 June 2019 of derivatives subscribed by the Group companies. For further information, please refer to note 3.8.

The item "IFRS 16 financial payables" includes all short-term financial payables of contracts referring to IFRS 16, of which €1,309 thousand linked to the balance as at 1 January 2019 and €1,629 thousand as at 30 April 2019 from the initial consolidation of the Alfa Laval group Air division.

The item "other current financial liabilities" of €28,186 thousand refers to:

- €23,469 thousand representing the fair value measured on a preliminary basis of the residual payable for the acquisition of the Air division from the Alfa Laval group, as described in the "Introduction";

- €4,717 thousand for the fair value of the debt deriving from the put option granted to the non-controlling shareholder for the acquisition of the remaining 5% of SPIROTECH through a put option agreement that can be exercised from September 2019 at the value resulting from the application of a formula set forth in the agreement (there is also a 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. Compared to 31 December 2018, this item has been reclassified from non-current financial liabilities.

3.16 TRADE PAYABLES

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

Trade Payables *(in thousands of Euro)*	**30/06/2019**	**31/12/2018**	**Change**
Italy	48,685	32,629	16,056
EU Countries	17,604	14,130	3,474
Non-EU Countries	12,392	11,041	1,351
Total	78,681	57,800	20,881

The increase of €20,881 thousand was due to:

- €13,957 thousand (of which €9,945 thousand in Italy and €4,012 thousand in the Eurozone) relating to the contribution of the companies linked to the acquisition of the Air division from the Alfa Laval group (€8,091 thousand as at 30 April 2019);
- €6,924 thousand to other Group companies.

The average payment terms have not changed since the previous year. As at 30 June 2019, there were no past-due payables of significant amounts, and the Group had received no payment orders for past-due payables.

Contract liabilities (advances received from customers before rendering any service) for an amount of €4,083 thousand are recognised under trade payables.

No trade payables with a residual maturity of more than 5 years were recognised in the condensed consolidated half-yearly Financial Statements.

The Directors believe that the recognition amount of trade payables is similar to their fair value.

3.17 TAX PAYABLES

The details of this item are shown below:

Tax payables *(in thousands of Euro)*	**30/06/2019**	**31/12/2018**	**Change**
Due to the tax authorities for income taxes	846	499	347
Tax withholdings	1,758	1,233	525
Other tax payables	1,298	599	699
Total	3,902	2,331	1,571

The increase of €1,571 thousand was due to:

- €1,383 thousand relating to the contribution of the companies linked to the acquisition of the Air division from the Alfa Laval group;

- €188 thousand to other Group companies.

3.18 OTHER CURRENT LIABILITIES

The details of this item are shown below:

Other current liabilities *(in thousands of Euro)*	**30/06/2019**	**31/12/2018**	**Change**
To personnel	12,928	8,820	4,108
To social security institutions	5,000	4,290	710
To Directors and Statutory Auditors	2,036	1,530	506
Other current payables	1,474	3,614	(2,140)
Total	**21,438**	**18,254**	**3,184**

The increase of €4,108 thousand in payables to personnel was due to:

- €2,466 thousand relating to the contribution of the companies linked to the acquisition of the Air division from the Alfa Laval group (€4,450 thousand as at 30 April 2019);
- €1,642 thousand due to new hires made by the Group during the period.

In the beginning of 2019, payables to personnel and social security institutions were paid in accordance with the relative due dates.

The decrease in the item "Other current payables" was caused mainly by the decline in trade payables for investments of the Polish subsidiary SEST-LUVE POLSKA present as at 31 December 2018. The item includes €561 thousand in payables for investments.

3.19 DEFERRED TAX ASSETS AND LIABILITIES

The details of this item are shown below:

Deferred tax assets and liabilities *(in thousands of Euro)*	**30/06/2019**	**31/12/2018**	**Change**
Deferred tax assets	5,778	4,722	1,056
Deferred tax liabilities	(13,013)	(13,173)	160
Net position	**(7,235)**	**(8,451)**	**1,216**

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

Deferred tax liabilities and assets: changes in the year *(in thousands of Euro)*	TAX LOSSES	AMORT. AND LEASES	FAIR VALUE OF DERIVATIVE INSTRUMENTS	MERGER/TRADE RECEIVABLES GROSS UP	ACTUARIAL VALUATION OF POST-EMPLOYMENT BENEFITS	PROVISIONS AND VALUE ADJUSTMENTS	OTHER DIFFERENCES	TOTAL
01.01.2018	(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)
Currency translation differences	30	(24)	-	-	-	(6)	-	-
Zyklus contribution	-	534	-	-	-	(85)	-	449
Reclassification	-	-	-	-	-	-	-	-
30.06.2018	(1,041)	3,052	(21)	10,355	(91)	(2,205)	(625)	9,424
01.01.2019	(479)	2,986	(24)	10,264	(75)	(1,968)	(2,253)	8,451
In Income Statement	45	78	3	(227)	(9)	(555)	(268)	(933)
In shareholders' equity	-	-	-	-	(112)	-	31	(81)
Currency translation differences	-	-	-	-	-	21	(39)	(18)
Air division contribution	-	-	-	-	-	(184)	-	(184)
Reclassification	-	-	-	-	-	-	-	-
30.06.2019	(434)	3,064	(21)	10,037	(196)	(2,686)	(2,529)	7,235

As at 30 June 2019, deferred tax assets referred to:

- tax losses that may be carried forward relating to some subsidiaries;

- the fair value of derivative instruments, exchange rates and interest rates, subscribed by the Parent Company and two subsidiaries;

- the deferred tax impact of the actuarial valuation of the post-employment benefits of Italian companies following the application of IAS 19;

- tax differences on increases in the provisions of Group companies;

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

As at 30 June 2019, deferred tax liabilities referred to:

- tax differences on amortisation and leases, regarding primarily the application of IFRS 16, with respect to Italian GAAP;

- the recognition of taxes on the 2008 merger deficit allocated to trademarks, buildings and land and the tax effect deriving from the allocation of gains emerging during previous business combinations to “Customer Relationships” during purchase price allocation processes.

This item does not include any amount relative to deferred tax liabilities relative to any future distribution of earnings or of reserves by Group’s subsidiaries, as it is not considered to be material.

3.20 NET FINANCIAL POSITION

In accordance with the requirements of the Consob Communication of 28 July 2006, please note that

the Group’s financial position is shown below:

Net financial position *(in thousands of Euro)*	**30/06/2019**	**31/12/2018**	**Change**
A. Cash (Note 3.10)	41	41	-
B. Unrestricted current account asset balances (Note 3.10)	53,005	85,864	(32,859)
C. Current financial assets (Note 3.8)	53,304	57,634	(4,330)
D. Liquidity (A+B+C)	**106,350**	**143,539**	**(37,189)**
E. Current bank payables (Note 3.12)	2	887	(885)
F. Current portion of non-current debt (Note 3.12)	60,056	48,775	11,281
G. Other current financial liabilities (Note 3.15)	33,519	1,134	32,385
H. Current financial debt (E+F+G)	**93,577**	**50,796**	**42,781**
I. Net current financial debt (H-D)	**(12,773)**	**(92,743)**	**79,970**
J. Non-current bank payables (Note 3.12)	**150,011**	152,196	(2,185)
K. Other non-current financial liabilities (Note 3.15)	**14,529**	4,107	10,422
L. Non-current financial debt (J+K+L)	**164,540**	**156,303**	**8,237**
M. Net financial debt (I+L)	**151,767**	**63,560**	**88,207**

For a detailed analysis of the Group’s net financial position, please refer to the Interim Directors’ Report.

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

4 COMMENT ON THE MAIN ITEMS OF THE CONSOLIDATED INCOME STATEMENT

4.1 REVENUES

In the first half of 2019, revenues from sales amounted to €186,266 thousand, an increase of 22% compared to the same period of the previous year (€152,389 thousand as at 30 June 2018).

Revenues by product family:

Revenues by product *(in thousands of Euro)*	**H1 2019**	**%**	**H1 2018**	**%**	**Change**	**% Change**
Heat exchangers	106,544	57%	91,356	60%	15,188	17%
Air Cooled Equipment	66,308	36%	48,281	32%	18,027	37%
Doors	5,536	3%	5,398	4%	138	3%
Close Control	5,447	3%	5,705	4%	(258)	-5%
Sub-total	**183,835**	**99%**	**150,740**	**99%**	**33,095**	**22%**
Other	2,431	1%	1,649	1%	782	47%
TOTAL	**186,266**	**100%**	**152,389**	**100%**	**33,877**	**22%**

Revenues by geographical area:

Revenues by geographical area *(in thousands of Euro)*	**H1 2019**	**%**	**H1 2018**	**%**	**Change**	**% Change**
Italy	39,061	21%	34,116	22%	4,945	14%
Germany	14,347	8%	14,654	10%	(307)	-2%
Poland	13,081	7%	11,309	7%	1,772	16%
Czech Republic	11,990	6%	7,705	5%	4,285	56%
Russia	10,458	6%	10,021	7%	437	0
France	9,901	5%	8,286	5%	1,615	0
Austria	7,351	4%	6,968	5%	383	5%
Sweden	8,223	4%	6,681	4%	1,542	23%
Spain	7,667	4%	5,096	3%	2,571	50%
Other countries	64,187	34%	47,553	31%	16,634	35%
TOTAL	**186,266**	**100%**	**152,389**	**100%**	**33,877**	**22%**

Please refer to the Interim Directors' Report for detailed comments on trends in the reference markets during the first half of 2019 and an analysis of revenue on a like-for-like basis.

The value of compensation for transactions with unfulfilled (or not fully fulfilled by the Group) performance obligations at the end of the period amounts to €4,083 thousand. The Directors estimate that they will be recognised as revenue in following half-year.

The Group, working mainly on transactions with a single obligation performance, does not have relevant values relating to performance obligations not satisfied at the end of the period.

4.2 OTHER REVENUES

Other income *(in thousands of Euro)*	**H1 2019**	**H1 2018**	**Change**
Other income	466	411	55
Total	**466**	**411**	**55**

"Other revenues" refers to €438 thousand for export incentives of the subsidiary SPIROTECH and to €28 thousand for other Group Companies' revenues.

4.3 PURCHASES OF MATERIALS

Purchases of materials *(in thousands of Euro)*	**H1 2019**	**H1 2018**	**Change**
Raw materials and purchased components	95,141	86,529	8,612
Consumables	3,586	3,229	357
Total	**98,727**	**89,758**	**8,969**

Please refer to the Interim Directors' Report for detailed comments on costs and consumption during the period.

4.4 SERVICES

Services *(in thousands of Euro)*	**H1 2019**	**H1 2018**	**Change**
Expenses for energy, telephone and telex	2,823	2,467	356
General and advisory expenses	9,611	7,316	2,295
Advertising and promotional expenses	628	521	107
Transport expenses	5,154	3,404	1,750
Maintenance expenses	1,817	1,519	298
External processing	1,695	1,663	32
Commissions	258	443	(185)
Remuneration to the corporate bodies	1,739	1,740	(1)
Other costs for services	2,930	1,876	1,054
Costs for use of third-party assets	271	1,155	(884)
Total	**26,926**	**22,104**	**4,822**

The increase of €2,295 thousand in the sub-item "general and advisory expenses" was due to:

- the increase of €1,367 thousand in advisory expenses relating to the acquisition transactions (€930 thousand in costs for the acquisition of Zyklus in 2018 and €2,297 thousand in costs for the acquisition of the Air division from the Alfa Laval group);

- €495 thousand relating to the contribution of the companies linked to the acquisition of the Air division from the Alfa Laval group for the months of May and June 2019;

- €433 thousand to other Group companies.

The increase in the item "Transport expenses" for 1,750 was due to:

- €490 thousand relating to the contribution of the companies linked to the acquisition of the Air division from the Alfa Laval group for the months of May and June 2019;

- €404 thousand to the increase in sales of SPIROTECH;

- €300 thousand relating to transport costs for the transfer of the Tianmen facility;

- €556 thousand to other Group companies.

The decrease in the item "costs for use of third-party assets" of €884 thousand was caused mainly by the application of IFRS 16 and therefore the reclassification to the depreciation of property, plant and equipment section.

4.5 PERSONNEL COSTS

Personnel costs *(in thousands of Euro)*	**H1 2019**	**H1 2018**	**Change**
Wages and salaries	29,961	23,935	6,026
Social security costs	7,855	6,568	1,287
Post-employment benefits	940	825	115
Other personnel costs	138	110	28
Total	**38,894**	**31,438**	**7,456**

The average number of Group employees was 3,110 in the first half of 2019. As at 30 June 2019, the number of Group employees came to 3,179 (2,368 blue-collar, 776 white-collar and middle managers, 35 executives), against 2,655 as at 30 June 2018.
The average increase during the period was 347 due to the acquisition of the Air division from the Alfa Laval Group. As at 30 June 2019, the number of employees of the Alfa Laval Group's Air division came to 359.

As at 30 June 2019, the number of temporary workers came to 605, of which 15 referring to the Air division of the Alfa Laval group.

4.6 IMPAIRMENTS

Impairments *(in thousands of Euro)*	**H1 2019**	**H1 2018**	**Change**
Provisions for impairment to trade receivables	72	-	72
Total	72	-	72

The item "Impairments" includes allocations made in the first half of 2019 in compliance with IFRS9.

4.7 OTHER OPERATING COSTS

Other operating costs *(in thousands of Euro)*	**H1 2019**	**H1 2018**	**Change**
Non-income taxes	524	393	131
Provisions for risks	55	100	(45)
Other operating costs	561	508	53
Total	1,140	1,001	139

Non-income taxes included mainly taxes on owned property.

4.8 FINANCIAL INCOME

Financial income *(in thousands of Euro)*	**H1 2019**	**H1 2018**	**Change**
Interest income	76	9	67
Other financial income	1,063	235	828
Total	1,139	244	895

Details of other financial income are as follows:

- €564 thousand is the increase in the fair value of capitalisation policies (Note 3.8);
- €417 thousand refers to the profit on securities management (Note 3.8);
- €68 thousand is for other financial income;
- €14 thousand is the fair value of other securities (Note 3.8).

4.9 FINANCIAL EXPENSE

Financial expense *(in thousands of Euro)*	**H1 2019**	**H1 2018**	**Change**
Interest expense to banks	635	357	278
Interest expense to other lenders	240	43	197
Other financial expense	1,443	1,665	(222)
Total	2,318	2,065	253

Details of other financial expense are as follows:

- €1,004 thousand is the fair value of the put option (Note 3.15);
- €279 thousand refer to other financial expenses;
- €160 thousand refers to the losses on securities management (Note 3.8).

4.10 EXCHANGE GAINS AND LOSSES

In the first half of 2019, the Group realised net gains of roughly €294 thousand (net gains of €146 thousand in the first half of 2018). The realised part comes to a positive amount of €469 thousand, while the unrealised part amounts to a negative €175 thousand.

4.11 GAINS AND LOSSES FROM EQUITY INVESTMENTS

There were no gains and losses from equity investments in the first half of 2019.

4.12 INCOME TAXES

Income taxes *(in thousands of Euro)*	**H1 2019**	**H1 2018**	**Change**
Current taxes	2,783	2,170	613
Deferred tax liabilities	(933)	(880)	(53)
Total	1,850	1,290	560

For a detailed analysis of deferred tax liabilities please see the table on changes in deferred tax assets and liabilities reported in note 3.19.

As at 30 June 2019, there were no significant tax disputes.

4.13 EARNINGS PER SHARE

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

Basic and diluted profit calculation *(in thousands of Euro)*	**H1 2019**	**H1 2018**
Net profit for the period	5,628	6,322
NUMBER OF SHARES		
Average weighted number of ordinary shares for the calculation of basic earnings per share	22,076,760	22,089,980
Dilution effect deriving from potential ordinary shares	-	-
Average weighted number of ordinary shares for the calculation of diluted earnings per share	22,076,760	22,089,980

EARNINGS PER SHARE *(Figures in Euro)*	**H1 2019**	**H1 2018**
Basic earnings per share	0.25	0.29
Diluted earnings per share	0.25	0.29

4.14 DIVIDENDS

In May 2019, dividends totalling €5,519 thousand were distributed, corresponding to the distribution of a gross dividend of €0.25 (zero/25) for each of the 22,092,438 shares outstanding, net of treasury shares.

4.15 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, which includes the Air division acquired from the Alfa Laval Group, as well as air cooled equipment and close control air conditioners;
- Components SBU, which includes the Air division acquired from the Alfa Laval Group, as well as 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:

Revenues by SBU *(in thousands of Euro)*	**H1 2019**	**%**	**H1 2018**	**%**	**Change**	**% Change**
Air Cooled Equipment	66,308	36.1%	48,281	32.0%	18,027	37.3%
Close Control	5,447	3.0%	5,705	3.8%	(258)	(5%)
SBU COOLING SYSTEMS	**71,755**	**39.0%**	**53,986**	**35.8%**	**17,769**	**32.9%**
Heat exchangers	106,544	58.0%	91,356	60.6%	15,188	16.6%
Doors	5,536	3.0%	5,398	3.6%	138	2.6%
SBU COMPONENTS	**112,080**	**61.0%**	**96,754**	**64.2%**	**15,326**	**15.8%**
TOTAL PRODUCT TURNOVER	**183,835**	**100%**	**150,740**	**100%**	**33,095**	**22.0%**

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

Segment *(in thousands of Euro)*	**H1 2019**				**H1 2018**			
	Components	**Cooling System**	**Unallocated costs**	**Total**	**Components**	**Cooling System**	**Unallocated costs**	**Total**
REVENUES	112,080	71,755	-	**183,835**	96,754	53,986	-	**150,740**
EBITDA	15,149	7,471	(2,328)	**20,292**	12,616	5,484	(980)	**17,120**

4.16 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.

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 for the application of hedge accounting were satisfied. Therefore, the Group management deemed it appropriate to treat those instruments as trading, not hedging, transactions.

Categories of financial instruments

The following tables group information relative to:

- Classes of financial instruments on the basis of their nature and characteristics;
- Book value of financial instruments;
- Fair value of financial instruments (except financial instrument whose book value approximates their fair value); and
- Hierarchy of fair value levels for financial assets and liabilities whose fair value is reported.

Levels from 1 to 3 of the fair value hierarchy are based on the degree of observability of information:

- Level 1 valuations are those derived from quoted (unmodified) prices on active markets for identical assets or liabilities;
- Level 2 valuations are those derived from inputs other than the prices referred to at Level 1 which are observable by assets and liabilities, both directly (e.g. prices) or indirectly (e.g. derived from prices);
- Level 3 valuations are those derived from the application of valuation techniques which include inputs by assets or liabilities that are not based on observable market data (non-observable inputs).

Assets and Liabilities valued at fair value as at 30/06/2019 *(in thousands of Euro)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Other financial assets				
Current financial assets	-	53,304	-	53,304
Other financial liabilities:				
Derivatives	-	2,048	-	2,048
Put Option	-	-	4,717	4,717
Earn-Out	-	-	397	397
Deferred consideration for the acquisition of the Alfa Laval Group's Air division	-	-	23,469	23,469
Total	**-**	**55,352**	**28,583**	**83,935**

More specifically, the fair value of option contracts on foreign currencies, interest rate swaps and commodity swaps is calculated using future cash flows on the basis of forward exchange rates, forward contractual rates and forward commodity prices, discounted at the date of the Financial Statements (level 2 fair value).

The fair value of the payables deriving from the put option granted to Spirotech's minority shareholders was measured using the Income Approach, based on the comparison between the calculation of the discounted future cash flows of the Indian subsidiary and a contractual calculation (level 3 fair value). The fair value of the variable payment relating to the acquisition of Zyklus was also measured using the Income Approach.

The fair value of Other financial assets derives from the fair value of investments in quoted instruments, adjusted on the basis of the contractual return, and therefore falling under category 2 of fair value.

The fair value of the deferred consideration for the acquisition of the Alfa Laval Group's Air division was estimated by the Group based on the provisions of the contract. No additional updates currently under discussion between the parties were considered, although they could be defined in arbitration (on the basis of contractual provisions) and could change, even significantly, this consideration.

The categories of financial instruments are reported below:

Financial instruments by IFRS 9 categories *(in thousands of Euro)*	**30/06/2019**	**31/12/2018**
Financial assets		
Amortised cost		
Cash and cash equivalents	53,047	85,905
Trade receivables	80,750	50,854
Non-current financial assets		
Fair Value	-	-
Trading derivatives	116	-
Current financial assets	53,304	57,634
Financial liabilities		
Amortised cost		
Loans	210,070	201,858
Trade Payables	78,681	57,800
Fair Value	-	-
Trading derivatives	2,048	1,080
Payable for 5% Spirotech put option	4,717	3,260
Variable compensation for the acquisition of Zyklus	397	397

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 receivables 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 2019 the Group has unused short-term credit lines totalling roughly €40.6 million. In addition, to minimise liquidity risk the Administration and Financial Department:

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

An analysis of financial liabilities as at 30 June 2019 is provided below by maturity:

Analysis of financial liabilities by maturity as at 30/06/2019 *(in thousands of Euro)*	Carrying amount	Contractual cash flows	Within 1 year	From 1 to 5 years	More than 5 years
Bank loans	204,567	207,820	55,811	147,068	4,941
IFRS 16 financial payables	22,929	22,929	22,735	194	-
Financial Liabilities	**227,496**	**230,749**	**78,546**	**147,262**	**4,941**
Trade Payables	78,625	78,625	78,625	-	-
Total	306,121	309,374	157,171	147,262	4,941

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

Capital risk management

The Group manages its own capital in order to ensure its business continuity, maximising at the same time return for shareholders, through the optimisation of the debt to equity ratio. The Group's overall strategy has remained unchanged since 2018.

The Group's capital structure consists of net debt (loans described in notes 3.12, net of relative balances of cash and cash equivalents) and the Shareholders' equity attributable to the group (which includes the fully paid capital, reserves, earnings carried forward and minority interests, as described in note 3.11).

The Group is not subject to any externally imposed requirements in relation to its capital.

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)* executives, 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 an executive in common with the company preparing the Financial Statements.

The table below shows the economic and financial transactions carried out by Group Companies with related parties in the first half of 2019:

Related Companies *(in thousands of Euro)*	**Trade receivables**	**Trade Payables**	**Financial receivables**	**Financial payables**	**Trade revenues**	**Trade costs**	**Financial revenues**	**Financial costs**
VITALE ZANE & CO SRL	-	-	-	-	-	10	-	-
Finami SRL	-	23	-	-	-	113	-	-
Total	**-**	**23**	**-**	**-**	**-**	**123**	**-**	**-**

4.17 SHARE-BASED PAYMENTS

As at 30 June 2019, there were no share-based incentive plans in favour of Group Directors or employees.

4.18 COMMITMENTS AND GUARANTEES

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

Commitments *(in thousands of Euro)*	**30/06/2019**	**31/12/2018**	**Change**
Mortgages	5,252	45,304	(40,052)
Sureties	1,432	973	459
Third-party goods	4,086	1,772	2,314
Total	10,770	48,049	(37,279)

Mortgages refer to guarantees granted by Group companies to obtain medium/long-term bank loans. As at 30 June 2019, the details of the loans for which a mortgage was granted on properties owned by the Group were:

Debtor Company *(in thousands of Euro)*	**Counterparty**	**Loan type**	**Taken out**	**Maturity**	**Guarantees**	**Original amount of loan**
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 2019 and 31 December 2018.

5 CONSOLIDATION AREA AND SIGNIFICANT EQUITY INVESTMENTS

5.1 COMPANIES CONSOLIDATED LINE-BY-LINE

Company name	Registered office	% owned	Currency	Share capital	Shareholders' equity as at 30/06/2019	Profit (loss) H1 2019
Direct subsidiaries:						
SEST S.p.A.	Limana (BL)	100.00	EUR	1,000,000	21,303,957	836,384
Tecnair LV S.p.A.	Uboldo (VA)	79.90	EUR	200,000	2,411,349	11,359
Heat Transfer Systems s.r.o. (HTS)	Novosedly (Czech Rep.)	100.00	CZK	133,300,000	402,624,979	32,630,200
LU-VE Sweden AB	Asarum (Sweden)	100.00	SEK	50,000	(42,421,805)	(2,890,233)
LU-VE France S.a.r.l.	Lyon (France)	100.00	EUR	84,150	1,480,811	98,955
LU-VE Pacific Pty Ltd	Thomastown (Australia)	75.50	AUD	200,000	(3,816,944)	(170,089)
LU-VE Deutschland GmbH	Stuttgart (Germany)	100.00	EUR	230,000	(359,373)	(257,667)
LU-VE Iberica S.L.	Madrid (Spain)	85.00	EUR	180,063	(585,270)	128,497
LU-VE Asia Pacific Limited	Wan Chai (Hong Kong)	100.00	HKD	10,000	(26,847,959)	(484,616)
LU-VE INDIA CORPORATION PRIVATE LTD	New Delhi (India)	99.99	INR	5,555,568	2,443,992,928	(4,748,406)
LuveDigital S.r.l.	Uboldo (VA)	50.00	EUR	10,000	34,712	11,072
MANIFOLD S.r.l.	Uboldo (VA)	99.00	EUR	10,000	37,531	14,636
LU-VE AUSTRIA GmbH	Vienna (Austria)	100.00	EUR	17,500	1,281	(23,592)
Zyklus Heat Transfer Inc	Jacksonville (USA, Texas)	100.00	USD	1,000	1,667,627	615,056
Air Hex Alonte S.r.l.	Uboldo (VA)	100.0	EUR	2,010,000	9,694,141	1,429,796
Fincoil LU-VE OY	Vantaa (Finland)	100.0	EUR	1,190,000	4,470,590	256,851
LU-VE Netherlands B.V.	Breda (Netherlands)	100.0	EUR	10,000	(169,132)	(179,132)
«OOO» LU-VE Moscow	Moscow (Russia)	100.0	RUB	100,000	(2,374,428)	(2,474,428)
LU VE Middle East DMCC	Dubai (UAE)	100.0	AED	50,000	(389,489)	(439,489)
Indirect subsidiaries:						
SEST-LUVE-Polska SP.z.o.o. (95% owned by SEST S.p.A.)	Gliwice (Poland)	95.00	PLN	16,000,000	241,405,176	21,133,181
«OOO» SEST LU-VE (95% owned by SEST S.p.A.)	Lipetsk (Russia)	95.00	RUB	136,000,000	899,756,028	117,353,392
LU-VE HEAT EXCHANGERS (Tianmen) Co, Ltd (77.18% owned by LU-VE Asia Pacific Limited and 22.82% owned by LU-VE S.p.A.)	Tianmen (China)	100.00	CNY	49,513,061	18,841,239	(4,389,541)
Thermo Glass Door S.p.A. (100% owned by SEST S.p.A.)	Travacò Siccomario (PV)	100.00	EUR	100,000	233,887	(489,886)
Spirotech Ltd (95% owned by LU-VE INDIA CORPORATION PRIVATE LTD)	New Delhi (India)	95.00	INR	25,549,700	2,049,849,189	195,324,738

6 SIGNIFICANT NON-RECURRING TRANSACTIONS

During the first half of 2019, no significant non-recurring transactions were carried out.

7 TRANSACTIONS DERIVING FROM ATYPICAL AND/OR UNUSUAL TRANSACTIONS

Pursuant to Consob communication of 28 July 2006, please note that in the course of the first half of 2019, the Group did not carry out atypical and/or unusual transactions, i.e., transactions which due to their significance, the nature of the counterparties, the subject of the transaction, the price determination methods and their timing of occurrence may give rise to doubts as to the accuracy of the information in the Financial Statements, conflicts of interests, the safeguarding of the company's assets or the protection of non-controlling shareholders.

8 EVENTS SUBSEQUENT TO 30 JUNE 2019:

In relation to the acquisition of the Alfa Laval Group's Air division, after the initial phase in which the priorities were customer management, the maintenance of a high service level for the market along with the fulfilment of a series of complex bureaucratic and legal obligations, the integration process entered into full force, with the creation of working groups dedicated to individual aspects and projects. As expected, the first weeks of work brought to light in particular the need for the rapid implementation of a single management system and the plan has already been defined and presented to the management.

In line with contractual provisions, at the end of July LU-VE sent to Alfa Laval its observations on the "declared" 2018 EBITDA used in calculating the acquisition cost, formulating a proposed price revision, which will need to be defined between the parties by the end of the first quarter of 2020 in compliance with the procedure set forth in the contract.

In July, two loan agreements described below were entered into:

- an unsecured loan agreement with UNICREDIT for €12,000,000 and a duration of 60 months repayable with an even-principal payment schedule and instalments every six months.
- an unsecured loan agreement with UBI Banca for €25,000,000 with a duration of 84 months repayable in half-yearly instalments with an even-total scheme.

CEO

Matteo Liberali

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

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

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

of the administrative and accounting procedures for the formation of the condensed consolidated half-yearly financial statements in the course of the first half of 2019.

It is also certified that the condensed consolidated half-yearly financial statements as at 30 June 2019:

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

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

Uboldo, 26 September 2019

Matteo Liberali	Eligio Macchi
CEO	Manager in charge of financial reporting

REPORT ON REVIEW OF THE CONDENSED CONSOLIDATED SEMIANNUAL FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying condensed consolidated semiannual financial statements of LU-VE S.p.A. and subsidiaries (the "LU-VE Group"), which comprise the balance sheet as of June 30, 2019 and the income statement, the other components of the comprehensive income statement, the cash flow statement, the statement of changes in consolidated Shareholder's equity for the six month period then ended and a summary of significant accounting policies and other explanatory notes. The Directors are responsible for the preparation of this interim financial information in accordance with the International Accounting Standards applicable to the interim financial reporting ("IAS 34") as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange (CONSOB) for the review of the half-yearly interim financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated semiannual financial statements of the LU-VE Group as of June 30, 2019 are not prepared, in all material respects, in accordance with the International Accounting Standard IAS 34 as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Massimiliano Semprini
Partner

Milan, Italy
September 27, 2019

This report has been translated into the English language solely for the convenience of international readers.