LU-VE S.p.A.

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Economic and Administrative Repertory number: VA-191975

Tax Code: 01570130128

2021 ANNUAL FINANCIAL REPORT

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17 March 2022

Dear shareholders,

2021 was a year of substantial convalescence globally for world economies. Towards the end of the period, the mass vaccination campaigns launched in particular in developed countries allowed for an important restoration of the activities and in most of the lifestyles prior to the pandemic. Despite the difficulties and warnings caused by the various viral variants, the lockdowns that characterised the previous year were avoided. Consequently, the contraction in world GDP that took place in 2020, equal to 3.5%, has been reabsorbed and the wealth produced in 2021 has grown by more than 5%.

At a disaggregated level, China, which in 2020 stood out as the only large country not to suffer a decline in GDP, generated a growth of 8.1% in the current year. The United States closed the financial year with a growth in GDP of 5.6% compared to a contraction of 3.5% in 2020, which was the worst result since the Great Depression. The recovery in India was even greater, with a growth of over 9%, fully recovering the contraction of the previous year. The recovery in the Eurozone, although significant and above 5%, did not offset the loss of last year, which stood at 7.2%. At individual country level, France and Italy recorded the highest recoveries, not only due to the higher losses of the previous year but also due to a greater diffusion of vaccination in the population. Italy, in particular, closed 2021 with a growth of more than 6% against, however, a 2020 loss of almost 9%.

A recovery of this magnitude and rapidity has been very positive but has generated the reappearance of inflation, on double-digit values for producer prices and between 3% and 6% in the final prices of the various developed countries. The significant recovery in demand for raw materials and goods, in addition to the pressure on prices, has led to real shortages with temporary production blocks in some sectors, including the automotive sector.

For 2022, the forecasts carried out at the beginning of the year remain positive, however, on rates lower than the 2021 "rebound" ones and the management of pandemic waves will be a test bed for a new-found quasi-normality. Global wealth growth is forecast at a 4.5% pace with India at 8%, China at just over 5%, the United States at around 3%, and the Eurozone at 4%, with Italy in line with the European average.

Monetary policies made an important contribution to the recovery during 2021 and remained extremely accommodative. Over the course of the year, however, starting with the United States, interest rates began to turn direction. After a long time, the Fed has predicted more upward interest rate adjustments this year and the market has already anticipated this in bond prices. The attitude of the European Central Bank seems to be oriented towards greater prudence, even if the German ten-year government bond yield returned to positive values for the first time in a long time. Much will depend on inflation rates and the objective is that these, combined with no longer expansive monetary policies, cannot be an obstacle to the ongoing recovery. On the other hand, on the financial front, there is the awareness of how the past two-year pandemic has heavily burdened the States' budgets and that it is necessary to plan for an economic growth while keeping public debt under control.

Raw materials, whose values literally exploded in the course of 2021, deserve a special mention. From oil to the main metals, there was a triple-digit growth in prices with consequent increases in energy prices. The latter have driven the rise in the prices of transport and related activities, not without elements of a speculative nature. All the main purchases of the LU-VE Group did not escape these dynamics, and the procurement processes were particularly demanding in the year that ended. However, the LU-VE Group managed to defend its margins and to accompany the growth path in sales volumes, also thanks to its ability to diversify and its geographical distribution on a global scale.

Although 2022 started with good prospects for the world economy, the crisis that began at the end of February between Russia and Ukraine imposes an unprecedented scenario that may have serious repercussions on the world economy also following the sanctions that have already been applied or are yet to be defined and which exposes economic and industrial systems to difficult to predict scenarios. In the short term, these concerns change the previous scenario, however reinforcing the long-term trends that see energy transitioning towards greater efficiencies and renewable sources, and geographic diversification as the best way to improve resilience and adaptation to new conditions. On both these fronts, the LU-VE Group is well set up.

The potential consequences of the crisis are added, albeit on a different scale, to the local ones affecting Italy. The hope is that the current year, which precedes the renewal of Parliament, will be able to proceed at least at the national level in a climate favourable to growth and capable of fully exploiting the investments envisaged by the European Recovery and Resilience Plan.

In 2021 the LU-VE Group recorded an impetuous growth (more than double compared to the last 5-year average) in product sales (+23%), which reached €483.1 million and at the same time a continuous and progressive increase in the order backlog. After reaching the value of €100 million for the first time at the end of March, in fact, the value of the portfolio stood at over €150 million from the month of July, reaching a record high of €180.2 million at the end of December (+134% compared to the figure at the end of 2020).

If, on the one hand, the very strong trend in orders starting from the second quarter is attributable to the general economic recovery scenario, on the other is the result of investments in previous years, both in research and development aimed at developing new exchangers for the use of natural "green" fluids with low environmental impact, and in new production lines dedicated to these innovative heat exchangers which made exploiting the strong demand from manufacturers possible. Thanks to these activities, therefore, the Group has managed to increase its reputation and its market share in the market segments that are most innovative and sensitive to energy efficiency issues and the adoption of low environmental impact solutions.

The "Components" SBU achieved a turnover of €275.6 million in 2021, with a growth of 38.6% in all application segments but mainly driven by exchangers for refrigerated counters for supermarkets, heat pumps, refrigerated transport and high energy efficiency clothes dryers.

The "Cooling Systems" SBU, on the other hand, grew by 7.1% with a turnover of €207.5 million, by virtue of an uneven trend in the various application segments. Against a growth of 20% respectively in commercial and industrial refrigeration (once again the result of the growing presence in applications with high energy efficiency natural fluids) and 17% in applications for data centres, there was a marked slowdown in "district heating" projects (linked to the lack of incentives in a particular market), while the "industrial cooling" segment, after a bad start due to the dragging of the negative effects linked to the pandemic (-18% at the end of the first half), recorded a good recovery in the second half of the year, closing with a 7% drop in sales, but with an order backlog at the end of 2021 that was back in line with historical averages thanks to the release of some major projects which had undergone continuous slippage starting from spring 2020.

The breakdown of turnover by SBU is given below:

Revenues by SBU *(in thousands of Euro)*	**2021**	**%**	**2020**	**%**	**Change**	**% Change**
SBU COOLING SYSTEMS	207,473	42.9%	193,800	49.4%	13,674	7.1%
SBU COMPONENTS	275,623	57.1%	198,826	50.6%	76,797	38.6%
TOTAL NET TURNOVER BY SBU	483,097	100.0%	392,626	100.0%	90,471	23.0%

2021 was a very complex year on the supply chain front, not only due to the huge increases in the prices of raw materials, components, logistics services and energy, but above all due to the constant need to face and monitor shortage risks in the availability of critical materials and components for the correct supply of production processes.

This situation, combined with an occasional impossible demand, has forced the LU-VE Group and the world of production companies in general to review their storage solutions inspired by rigorous compliance with the "just in time" principles. Furthermore, the new waves and the spiking of the spread of the pandemic in different areas of the world with different temporal trends and containment measures have further aggravated the logistics crisis, especially for goods from Asia Pacific countries, also generating production inefficiencies due to the high, and sometimes sudden, increases in workers' absence rates over the entire LU-VE Group's plants. The strategy of widening and differentiating supply sources, which has been implemented for some time by the LU-VE Group, combined with an increasing organisational flexibility, has allowed to guarantee good supply to production sites and adequate levels of customer service in this difficult scenario.

On the sales side the extraordinary supply conditions led for the first time in the history of the LU-VE Group to increase sales price of products relating to the "Cooling Systems" SBU three times during the calendar year and again at the beginning of 2022. In the "Components" SBU, although the automatic adjustment mechanism for sales prices proved its validity during the year, a review process of some rules and operating parameters was started with customers to take into account the changed market conditions.

EBITDA reached €60.8 million (12.4% of sales), an increase of 34.6% compared to 2020 (€45.2 million, 11.3% of sales) and 30.1% compared to 31 December 2019. The 2021 EBITDA was not impacted by non-recurring charges, while the 2020 adjusted EBITDA was equal to €45.5 million. For more details with regard to the adjusted EBITDA please refer to paragraph 1.7 – Alternative performance indicators below.

The net profit was €24.8 million (€10.7 million in 2020), with an increase of 131.6% and 35.4% compared to 31 December 2019. The increase is mainly due to the increase in sales volumes, to the reduction in financial expense (which generated a positive impact of approximately €2 million) and to the effect of exchange rate differences (improvement of approximately €2.9 million). The net profit was also not affected by non-recurring charges. For further details on the adjusted net profit please refer to paragraph 1.7 – Alternative performance indicators below.

During 2021, the rationalisation program continued for the range of air cooled equipment for commercial and industrial refrigeration, with the launch of new "indoor" product lines and the creation of a shared platform for natural fluid "outdoor" appliances.

In March, the first lot of the new facility was completed in the United States and, right on schedule, the production of the exchangers was launched in May, for which a multi-year agreement was signed in the prior months with an important LU-VE Group client. At the same time, in the early months of the year, in view of the delay caused by the pandemic in the development of growth plans in the country, the Board of Directors decided to reschedule the timing of the next steps for the expansion of the new factory by negotiating an extension of the lease on the original site on which the subsidiary Zyklus Heat Transfer Inc. operates.

Starting from August, the plan was progressively launched for the creation of back-up production capacity in the Indian plant of Spirotech Ltd. for the European factories of the Components SBU, which provides for the transfer of some customers/product lines to reserve the production capacity in Europe to products with higher added value, with higher levels of customisation and medium-small production batches.

In December, the approval process for the liquidation of the commercial company LU-VE Contardo Pacific in Australia, whose operational activity ceased from 31 March 2021, was completed. The liquidation formalities will be completed in 2022.

The following new loans were also signed during the year (for a total of €160.0 million):

- in February, an unsecure loan agreement was entered into with Cassa Depositi e Prestiti for €30 million with a duration of 18 months, with fully repayment at the end of the term;

- in March an unsecured loan agreement was entered into with Intesa Sanpaolo for €30 million with a duration of 60 months (of which 12 in the grace period) repayable in quarterly instalments at constant principal;

- in June, an unsecured loan agreement with Banco BPM for €12 million with a duration of 60 months (of which 6 months in grace period), repayable in quarterly instalments at constant principal;

- in June, an unsecured loan agreement with Banco BPM for €18 million with a duration of 60 months (of which 6 months in grace period), repayable in quarterly instalments at constant principal.

- in September, an unsecured loan agreement with Unicredit for €30 million with a duration of 42 months (without grace period) repayable in half-yearly instalments at constant principal.

- in December, an unsecured loan agreement with Banco BPM for €40 million with a duration of 60 months (of which 12 months in grace period), repayable in quarterly instalments at constant principal.

All loans were stipulated at interest rates in line with the LU-VE Group's average cost of debt.

During 2021, with the aim of further optimising the financial structure, the following loans and related derivative contracts were also redeemed early, for a total of €59.7 million using available liquidity:

- two loan agreements entered into on 20 September 2018 with Unicredit for a total original amount of €27 million;

- a loan agreement entered into on 26 July 2019 with Ubi Banca for the original amount of €25 million;

- a loan agreement entered into on 25 January 2019 with BPM for the original amount of €30 million.

During 2021, additional short-term credit lines were obtained from Unicredit for €10 million.

1.1 CONSOLIDATED NON-FINANCIAL STATEMENT

In compliance with the provisions of article 5, paragraph 3, letter b of Italian Legislative Decree 254/2016 ("Decree"), the Parent Company LU-VE S.p.A. prepared the Consolidated non-financial statement relating to the year 2021 (hereinafter "Statement" or "DNF"). The Decree implements into Italian law Directive 2014/95/EU (Barnier Directive) adopted on 22 October 2014 by the European Parliament and by the Council of the European Union, aimed at improving the uniformity and comparability of non-financial information and help investors access non-financial information.

In line with the requirements of the Decree, the reporting boundary includes all LU-VE Group companies consolidated line-by-line. With regard to the environmental data and the aspects linked to product safety, during the three-year reporting period only manufacturing companies were taken into account, excluding LUVEDIGITAL S.r.l., as the environmental impacts of sales offices and LUVEDIGITAL S.r.l. were not considered to be significant. With reference to the changes in the scope, it should be noted that LU-VE Contardo Pacific Pty. Ltd. was not included as was being liquidated in the year 2021.

The Statement was drafted in compliance with the GRI Standards and specifically with the 2016 GRI Sustainability Reporting Standards and subsequent amendments (2018 and 2020) according to the Core option and in compliance with the required content and quality principles.

The Statement is published on the Group's website (www.luvegroup.com – "Investor Relations" - Sustainability section).

In accordance with the materiality principle of the GRI Standards, the Statement reports on the material information on a set of relevant ("material") topics because they influence the LU-VE Group's capacity to create value in the short, medium and long term and which at the same time reflect the significant impacts of the organisation and which are of interest for the stakeholders of the LU-VE Group.

Following the materiality analysis update, some new material topics were included in the 2021 Statement and are therefore subject to reporting, such as climate change, responsible supply chain, food safety and waste, support for local communities; while other topics underwent some terminological revisions. The full list of material topics, broken down by the area of vision to which they contribute, is given in the table below.

MATERIAL TOPIC	DESCRIPTION	SCOPE OF VISION
Strategies for growth and long-term value creation	Promoting growth strategies geared towards long-term value creation by maximising the positive value generated in identified impact areas such as energy efficiency, food safety, climate well-being	**Transversal**

Talent attraction and development	Safeguarding and strengthening the know-how of our people through professional growth paths which make it possible to provide customers with a competent and professional service, while motivating personnel and promoting talent	**BETTER**
Workers' well-being and safety	Promoting the well-being of our people and providing them with a workplace where they can fulfil their potential and perform their tasks with passion and in safety	**WORLD**
Research, development and innovation	Promoting sector technological progress by investing in research concerning innovative solutions, also in collaboration with highly qualified partners linked to the world of universities and research	
Products with reduced environmental impact	Designing and manufacturing products that minimise their overall environmental impact: solutions with reduced energy consumption, limited use of refrigerant charge, increased use of natural refrigerant fluids and reduced material	**EVOLVED**
Customer orientation	Making our customers excited about our excellent products and services, that meet their needs and the quality requirements defined at Group level, as well as supporting them throughout the product life cycle	**WORLD**
Business ethics and integrity	Managing relationships marked by transparency with all Group stakeholders, ensuring compliance with regulations in force in terms of combating active and passive corruption and guaranteeing institutional communications and honest, truthful promotions based on factual information	**BALANCED**
Support for local communities	Supporting employees and their families and investing in the social and cultural development of local communities, as well as accelerating the journey towards an increasingly inclusive and meritocratic environment	**WORLD**
Climate change	Actively contributing to climate change mitigation by closely monitoring the climate-altering gas emissions generated and identifying action plans to reduce them	**RESPONSIBLE**
Resource and waste management	Minimising the environmental impact of our production processes, enacting energy efficiency policies, reducing water consumption, the use of materials and the generation of waste	**WORLD**
Responsible supply chain	Promoting a responsible and sustainability-conscious supply chain and developing relationships of trust with partners	
Food safety and waste	Ensuring a proper cold chain, enabling people in all countries to benefit from safe and properly stored food, while also reducing food waste	

The correct management by the LU-VE Group of material topics intends to contribute to generating a positive impact with respect to the Sustainable Development Goals of the 2030 Agenda defined by the United Nations. Those for which, both for the peculiarity of the business and for corporate principles, the contribution of the LU-VE Group has significant impacts are in particular SDG 7 *"Affordable and clean energy"*, SDG 8 *"Decent work and economic growth"*, SDG 9 *"Industry, innovation and infrastructure"*, SDG 12 *"Responsible consumption and production"* and SDG 13 *"Climate action"*.

1.2 CONSIDERATIONS ON THE SECURITY'S MARKET VALUE

During 2021 the LU-VE stock recorded a trend significantly higher than the FTSE Italy All-Share index (at an average level of around 20 points). During the first half of the year, the stock recorded an average price of around €15.40, while in the second half the average price was around €21.80 (41% compared to the average of the first half), reaching its historical high of €24.30, in the month of October. Starting from the first days of August, the price has always been above €20 and the average for the month of December was €23.21. A share placement was carried out in March 2021 by the reference shareholders, bringing the free float (calculated in number of shares) to over 38% (as at 31 December 2020 it was around 32%).

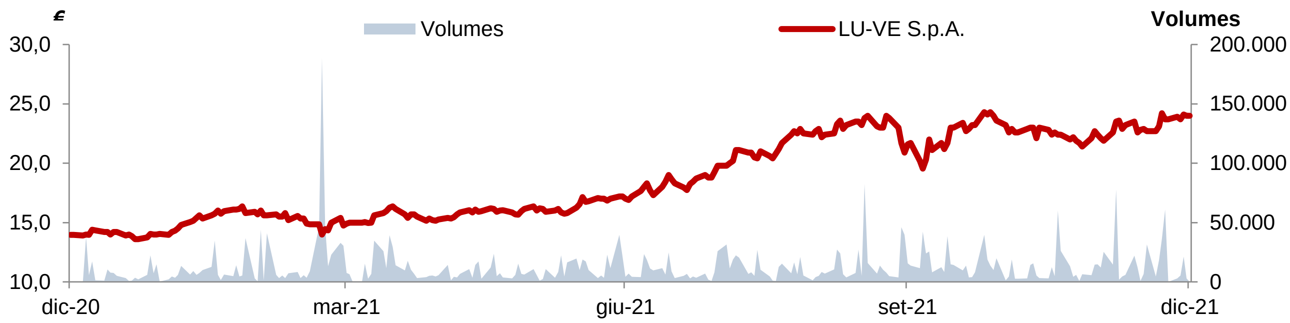
The main figures and share price trends are shown below:

Price at 1 January 2021: €13.95
Price at 31 December 2021: €24.00
Change in the year: +72%

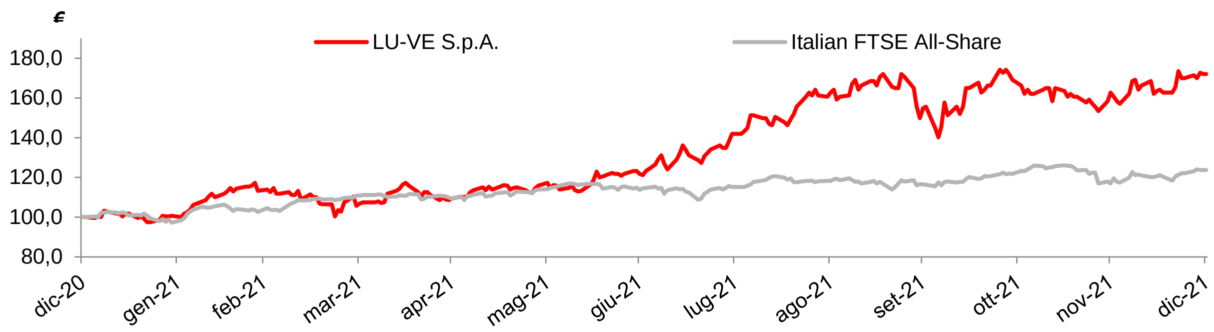
Maximum Price: €24.30 (25 and 27 October 2021)
Minimum Price: €13.60 (21 and 22 January 2021)
Weighted Average Price: €18.93
Volumes traded: 3,388,279 shares

Market capitalisation at 31 December 2021: €533.62 million

On 16 March 2022 (at the closure of the last trading day before the approval of the draft Financial Statements) the price was €18.80, corresponding to a capitalisation (to be calculated on the basis of 22.23 million shares) of €418 million, in any case higher than the Group's shareholders' equity (€172.1 million).



Below is the trend of the Italian FTSE All-share index and of LU-VE stock in 2021:



1.3 SUBSIDIARIES AND ASSOCIATES

As at 31 December 2021, the LU-VE Group comprises the following:

Industrial subsidiaries:

- **SEST S.p.A.** in Limana, Belluno (Italy), wholly-owned: manufactures and markets heat exchangers for refrigerated counters, display cabinets and for other applications;
- **SEST-LUVE-POLSKA Sp.z.o.o.** in Gliwice (Poland), 95% owned by SEST S.p.A.: manufactures and markets heat exchangers for refrigerated counters and display cabinets and other applications and air cooled heat exchanges (evaporators and condensers);
- **"OOO" SEST-LUVE** in Lipetsk (Russia), 95% owned by SEST S.p.A.: manufactures and markets heat exchangers and air cooled equipment for the market comprising Russia and neighbouring countries;
- **HEAT TRANSFER SYSTEM (HTS) s.r.o.** in Novosedly (Czech Republic), wholly-owned: manufactures and markets heat exchangers for the air conditioning and refrigeration sectors and for special applications;
- **TECNAIR LV S.p.A.** in Uboldo, Varese (Italy), 79.9% owned: manufactures close control air conditioners and air super-filtration equipment for applications in surgery rooms, data centres and telephony;
- **LUVE HEAT EXCHANGERS (Tianmen) Co, Ltd** wholly-owned by the LU-VE group (the breakdown of the subscribed share capital is as follows: 52.48% subscribed by LU-VE Asia Pacific Ltd. and 47.42% by LU-VE S.p.A.) manufactures and markets air cooled products for Chinese and neighbouring countries markets;
- **LU-VE SWEDEN AB** in Asarum (Sweden), wholly-owned: manufactures and markets air cooled products (mainly large condensers and dry coolers using the AIA brand) in the Scandinavian markets;
- **THERMO GLASS DOOR S.p.A.** in Travacò Siccomario, Pavia (Italy), wholly-owned by SEST S.p.A., manufactures and markets glass doors and frames for refrigerated counters and display cases;
- **SPIROTECH HEAT EXCHANGERS PRIVATE LIMITED** in New Delhi (India), wholly-owned: manufactures and markets heat exchangers (for domestic applications, refrigeration and air conditioning) and air cooled equipment for the refrigeration section;
- **ZYKLUS HEAT TRANSFER INC** in Jacksonville (Texas - USA), wholly-owned: manufactures and markets heat exchangers, air cooled equipment and components for the air conditioning and refrigeration sectors and for special applications for the US market;

- **MANIFOLD S.r.l.** in Uboldo, Varese (Italy), 99% owned: manufactures copper components (collectors and distributor units) for Group companies;
- **LUVEDIGITAL S.r.l.** in Uboldo, Varese (Italy), 50% owned: develops software and IT solutions dedicated to generating estimates and promoting Group products;
- **Air Hex Alonte S.r.l.** in Alonte, (Vicenza - Italy), wholly owned: manufactures air cooled products mainly destined to the industrial processes refrigeration ("power gen") and industrial refrigeration markets;
- **FINCOIL LU-VE Oy** in Vantaa (Finland), wholly-owned: manufactures air cooled products mainly destined to the industrial processes refrigeration ("power gen") and refrigeration markets.

Commercial subsidiaries:

- **LU-VE France S.a.r.l.** in Lyon (France), wholly-owned: company operating in the French and North American markets with direct sales activities and commercial and technical support services to distributors of air cooled equipment, heat exchangers and close control air conditioners;
- **LU-VE Deutschland GmbH** in Stuttgart (Germany), wholly-owned: sells air cooled equipment directly or through distributors throughout the German market;
- **LU-VE Iberica s.l.** in Madrid (Spain), 85% owned: sells air cooled equipment, heat exchangers and close control air conditioners directly or through distributors in the Iberian peninsula and the Central and South American markets;
- **LU-VE Contardo Pacific pty. Ltd.** in Thomastown (Australia), 75.5% owned: markets air cooled equipment in the Oceania market. The company ended its operations on 31 March 2021 and has a liquidation process in place which will be completed in 2022;
- **LU-VE Asia Pacific Ltd.** in Hong Kong, wholly-owned: sells air cooled equipment and heat exchangers directly in the Far East markets (excluding China). The company is no longer operative, but retains a 52.48% interest in the subscribed capital of LUVE TIANMEN;
- **LU-VE Austria GmbH** in Vienna (Austria), wholly-owned: sells and carries out agency activities for air cooled equipment primarily in German language speaking countries;
- **LU-VE Netherlands B.V.** in Breda (The Netherlands), wholly-owned: direct sale of air cooled equipment mainly destined to the industrial processes refrigeration ("power gen") and refrigeration markets;
- **«OOO» LU-VE Moscow** in Moscow (Russia), wholly-owned: sale of air cooled equipment mainly destined to the industrial processes refrigeration ("power gen") and refrigeration markets;
- **LU VE Middle East DMCC** in Dubai (United Arab Emirates), wholly-owned: sale of air cooled equipment for the refrigeration and air-conditioning markets;
- **LU-VE SOUTH KOREA** of Seoul (South Korea), wholly owned: carries out sales and agency activities for air cooled equipment for the refrigeration and air conditioning sectors.

1.4 REFERENCE MARKETS

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

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

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

AIR COOLED HEAT EXCHANGERS

"Finned" heat exchangers are fundamental components of refrigeration circuits and are constructed by mechanically coupling special tubes (usually in copper), which represent what is known as the primary exchange surface, with stamped "specialised fins" (usually in aluminium), which represent what is known as the secondary exchange surface.

In brief, the function performed by a heat exchanger entails subtracting or transferring heat from a certain environment and its functioning is based on the change of state of special cooling mixtures or gases which flow inside the tubes, combined with the passage of hot or cold air which passes through the fins.

In the majority of cases, heat exchangers represent a component of a complete unit or machine, designed and constructed by an OEM (in the case of the LU-VE Group, these are mainly manufacturers of refrigerated counters and cabinets, air conditioners, heat pumps, compressed air machines, special electrical cabinets, clothes dryers, etc.).

Revenues from sales of heat exchangers represented:

- in 2021: approx. 51% of the Group's consolidated revenues;
- in 2020: approx. 46% of the Group's consolidated revenues.

AIR COOLED EQUIPMENT

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

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

Air cooled equipment may be installed, depending on the type, inside refrigerated rooms or outside in proximity of refrigerated and/or air conditioned rooms (usually on roofs or in dedicated "technical" rooms) or industrial processing or energy generation plants.

Revenues from sales of air cooled equipment represented:

- in 2021: approx. 38% of the Group's consolidated revenues;
- in 2020: approx. 44% of the Group's consolidated revenues.

CLOSE CONTROL AIR CONDITIONERS AND CLOSE CONTROL/DATA CENTRE OUTDOOR EQUIPMENT

The most modern air conditioning techniques within particularly delicate "technological" areas, such as latest generation very high energy efficiency data centres and operating theatres, require solutions which combine the installation of "indoor" close control air conditioners with "outdoor" air cooled equipment specifically designed to optimise energy consumption as the external temperature changes throughout the year.

The specific nature of these air conditioners is represented by the fact that they have to guarantee for 365 days a year, 24 hours a day, the strict control, with extremely limited tolerances, of temperature, humidity and air purity parameters, allowing remote monitoring of the main operating parameters as well as also signal any irregularities, malfunctions or alarms.

At the beginning of 2022 (for more detail see paragraph 2.4 Performance in the opening months of 2022: significant events and business outlook), the LU-VE Group concluded a strategic agreement with Systemair AB which includes the sale of the entire investment held in TECNAIR LV S.p.A. (79.9%) by choosing to concentrate the activities related to "data centres" on "outdoor" products which show greater growth and development possibilities based on the most recent technical trends.

Revenues from sales of close control air conditioners and outdoor equipment represented around 6% of the LU-VE Group's total revenues in 2021, essentially in line with the previous year.

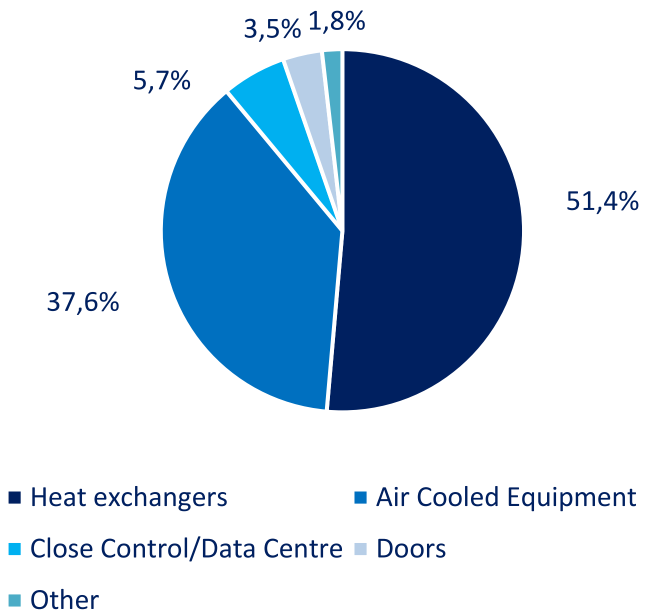
SPECIAL GLASS DOORS FOR REFRIGERATED COUNTERS AND DISPLAY CABINETS

These glass doors for refrigerated counters are manufactured by coupling and isolating up to three different sheets of special glass, inside which an insulating gas is injected.

The specific function of this type of door, installed on refrigerated cabinets and counters, at positive and negative temperatures, is to guarantee, even if subject to numerous or continuous cycles of opening and closing: *(i)* the maintenance of the temperature inside the refrigerated counters and cabinets, *(ii)* the maximum visibility of the goods displayed/contained in any condition (avoiding the door misting up also by means of applying special nanotechnological film), *(iii)* the illumination of the inside and *(iv)* in certain cases, also the illumination of advertising logos on the surface of the door in question.

Revenues from sales of glass doors represented around 4% of the LU-VE Group's total revenues in 2021, up compared to 2020 (3%).

The chart below shows the breakdown of turnover by product type in 2021:



The table below shows turnover trends by product type in the two years subject to comparison:

PRODUCTS	€/000 2021	%	€/000 2020	%	Delta %
Heat exchangers	252,820	51.4%	182,642	45.5%	38.4%
Air Cooled Equipment	184,920	37.6%	174,443	43.5%	6.01%
Close Control/Data centre	28,195	5.7%	24,576	6.1%	14.72%
Doors	17,162	3.5%	10,965	2.7%	56.52%
TOTAL PRODUCTS	**483,097**	**98.2%**	**392,626**	**97.8%**	**23.04%**
Other	8,911	1.8%	8,831	2.2%	0.91%
TOTAL	**492,008**	**100.0%**	**401,457**	**100.0%**	**22.56%**

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

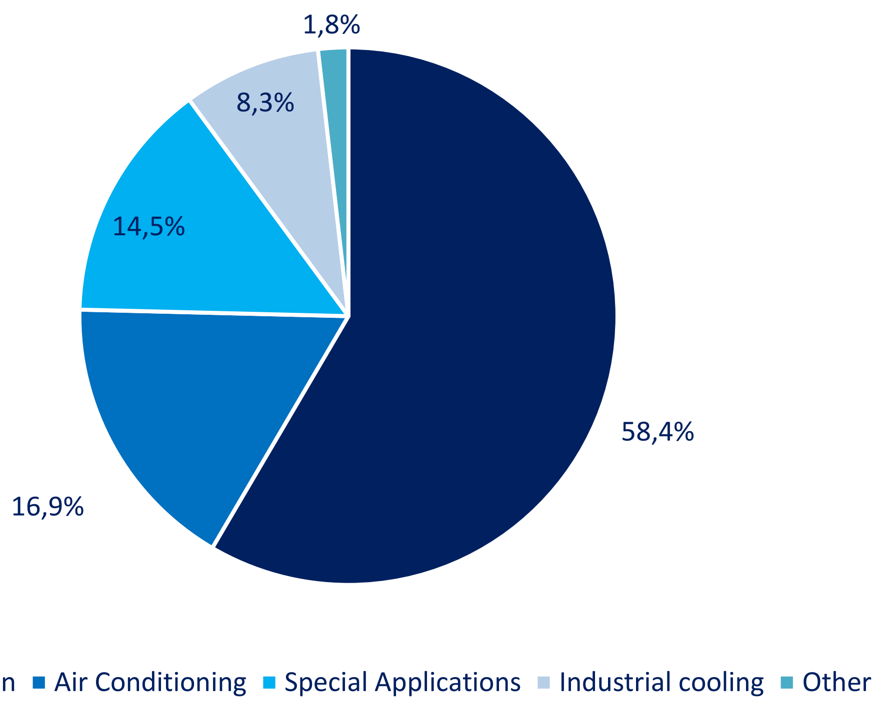
(i) the refrigeration sector, which includes activities relating to the supply chain for food products (the "**Refrigeration Sector**");

(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 "industrial cooling" sector, which includes mainly high power air cooled products used for the refrigeration of engines for the generation of power and general industrial processes (the "**Industrial Cooling Segment**").

The chart shows the breakdown of turnover by segment as at 31 December 2021:

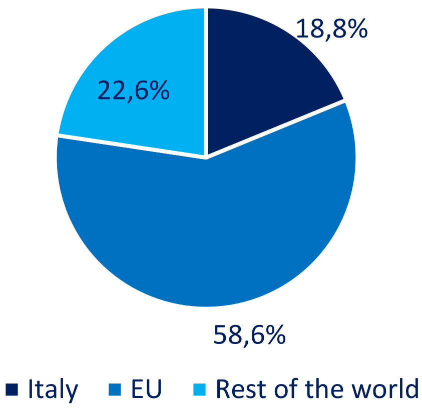


The table below shows turnover trends by application type in the two years subject to comparison:

APPLICATIONS	€/000 2021	%	€/000 2020	%	Delta %
Refrigeration	287,561	58.4%	221,885	55.3%	29.6%
Air Conditioning	83,352	16.9%	72,246	18.0%	15.37%
Special Applications	71,463	14.5%	54,869	13.7%	30.24%
Industrial cooling	40,720	8.3%	43,626	10.9%	-6.66%
TOTAL APPLICATIONS	**483,097**	**98.2%**	**392,626**	**97.8%**	**23.04%**
Other	8,911	1.8%	8,831	2.2%	0.91%
TOTAL	**492,008**	**100.0%**	**401,457**	**100.0%**	**22.56%**

At geographical level, with €373.8 million in turnover and accounting for more than 77.4% of total sales, the European Union is confirmed as the most important geographical area for the LU-VE Group. By virtue of the very strong growth in sales achieved in Italy in 2021 (+39%) for a value equal to €90.8 million, the percentage of exports dropped slightly to just over 81% (83.3% in the previous year). Among the countries that recorded the greatest increases in 2021, we note in particular France, Poland, the Czech Republic, Germany, China and the USA. The performance in Denmark was very negative, after the exploits of previous years and significant decreases linked to specific projects in Finland and Turkey.

The chart below shows the geographical breakdown of turnover in 2021:



The LU-VE Group's turnover does not depend to a significant extent on individual commercial or industrial contracts. At the end of 2021, sales revenues from the LU-VE Group's top 10 customers together represent a percentage of turnover just over 32% (in line with the previous year), while the turnover generated by the main customer, represented by an international group served in several countries, represents 4.6% (4.5% in 2020).

1.5 ECONOMIC AND FINANCIAL DATA

The reclassified Income Statement and Balance Sheet are provided below:

Reclassified Consolidated Income Statement *(in thousands of Euro)*	31/12/2021	% Revenues	31/12/2020	% Revenues	% Change 2021 vs. 2020
Revenues and operating income	492,008	100%	401,457	100%	22.6%
Purchases of materials	(309,733)	63.0%	(201,197)	50.1%	
Changes in inventories	51,931	-10.6%	(2,431)	0.6%	
Services	(63,148)	12.8%	(52,201)	13.0%	
Personnel costs	(106,683)	21.7%	(91,684)	22.8%	
Other operating costs	(3,534)	0.7%	(8,742)	2.2%	
Total operating costs	(431,167)	87.6%	(356,255)	88.7%	21.0%
EBITDA	60,841	12.4%	45,202	11.3%	34.6%
Change in fair value of derivatives	2,166	-0.4%	(1,269)	0.3%	
Depreciation and amortisation	(30,140)	6.1%	(28,298)	7.0%	
Gains/losses on Non-current assets	(147)	0.0%	(177)	0.0%	
EBIT	32,720	6.7%	15,458	3.9%	111.7%
Net financial income and expense	(2,098)	0.4%	(3,558)	0.9%	
EBT	30,622	6.2%	11,900	3.0%	157.3%
Income taxes for the year	(5,847)	1.2%	(1,201)	0.3%	
Net profit for the period	24,775	5.0%	10,699	2.7%	131.6%
Profit attributable to non-controlling interests	1,036		821		
Profit attributable to the group	23,739	4.8%	9,878	2.5%	140.3%

"Revenues and operating income" rose by 22.6% (+€90.6 million), +23.5% at constant exchange rates. This increase is due for 8.8% to higher sales prices and the remainder to increased sales volumes and a change in sales mix.

Total operating costs rose from €356.3 million (88.7% as a percentage of revenues) to €431.2 million (87.6% as a percentage of revenues). The total increase of 21% (€74.9 million) was substantially due to the following factors:

- material consumption increased by €54.2 million, with the percentage of revenue rising from 50.7% to 52.4%. This increase is due for about 17.8 % to the increase in purchase prices and for the remaining part to the increase in volumes and the change in the sales mix;

- the increase in costs for services of €10.9 million is mainly linked to transport costs (€4.5 million), maintenance costs (€1.2 million), electricity and methane (€1.7 million), consultancy and external services (€1.4 million), other costs for services (€2.1 million);

- the increase in personnel costs by €15 million was linked to the impact of volumes on the direct workforce and the increase in the structure and salary trends. The percentage of personnel costs compared to revenues dropped from 22.8% to 21.7%.

"EBITDA" amounted to €60.8 million (12.4% of revenues) compared to €45.2 million (11.3% of revenues) in 2020. In 2021, there was no impact on non-recurring costs, while the 2020 adjusted EBITDA would have been €45.5 million (for more details see section 1.7 Alternative performance indicators). The change compared to adjusted EBITDA in the previous year (increase of €15.3 million; +34%) was generated for €16.4 million by the contribution of the additional volumes and for €35.3 million by the increase in sale prices, net of €36.4 million of increases in the cost of the main raw materials.

The change in the fair value of derivatives (negative by €1.3 million in 2020 and positive by €2.2 million in 2021) benefited from the aforementioned optimisation of the LU-VE Group treasury.

Depreciation and amortisation show an increase of €1.8 million, linked to the investment projects in progress.

"EBIT" was €32.7 million (6.7% of revenues) compared to €15.5 million (3.9% of revenues) in 2020, with an increase of approximately 111.7%.

The balance of financial income and expense is negative for €2.1 million (negative for €3.6 million in 2020) and includes positive exchange differences for €0.5 million (negative for €2.4 million last year).

"EBT" was equal to €30.6 million (6.2% of revenues) against a value of €11.9 million in 2020 (3.0% of revenues). The 2020 EBT normalised for non-recurring costs would have been €12.2 million (3.0% of revenues).

The "Net profit for the year" was €24.8 million (5% of revenues) compared to €10.7 million (2.7% of revenues) in 2020. The net profit for 2021 was not impacted by non-recurring costs while the net profit for 2020 net of non-recurring costs would have been €10.9 million (2.7% of revenues). In 2020, the tax rate was particularly low following the effects of the pandemic, while in 2021 it returned to normal levels.

Reclassified Consolidated Balance Sheet *(in thousands of Euro)*	31/12/2021	% of net invested capital	31/12/2020	% of net invested capital	% Change 2021 vs. 2020
Net intangible assets	90,517		94,727		
Net property, plant and equipment	167,594		158,707		
Deferred tax assets	6,509		7,903		
Financial assets	236		215		
Non-current assets (A)	**264,856**	**90.1%**	**261,552**	**101.5%**	**3,304**
Inventories	111,077		56,647		54,430
Trade receivables	74,131		59,763		14,368
Other receivables and current assets	14,233		13,878		355
Current assets (B)	**199,441**		**130,288**		**69,153**
Trade payables	114,358		80,630		33,728
Other payables and current liabilities	30,773		28,446		2,327
Current liabilities (C)	**145,131**		**109,076**		**36,055**
Net working capital (D=B-C)	**54,310**	**18.5%**	**21,212**	**8.2%**	**33,098**
Provisions for employee benefits	5,770		5,573		197
Deferred tax liabilities	13,909		14,537		-628
Provisions for risks and charges	5,541		4,941		600
Medium/long-term liabilities (E)	**25,220**	**8.6%**	**25,051**	**9.7%**	**169**
Net Invested Capital (A+D-E)	293,946	100.0%	257,713	100.0%	36,233
Shareholders' equity attributable to the group	167,501		146,931		20,570
Non-controlling interests	4,586		3,993		593
Total Consolidated Shareholders' Equity	**172,087**	**58.5%**	**150,924**	**58.6%**	**21,163**
Medium- Term Net Financial Position	213,631		239,837		-26,206
Short- Term Net Financial Position	(91,772)		(133,048)		41,276
Total Net Financial Position	**121,859**	**41.5%**	**106,789**	**41.4%**	**15,070**
Own funds and net financial debt	293,946	100.0%	257,713	100.0%	36,233

The increase in the item Non-current assets (of €3.3 million) is essentially linked to the investments in the financial year (around €33.5 million) net of the relative amortisations (€30.1 million). Driving the increase in investments, as mentioned, was the construction of the first phase of the new plant in the United States.

The LU-VE Group's operating working capital (equal to the sum of inventories and trade receivables net of trade payables) as at 31 December 2021 amounted to €70.8 million, equal to 14.4% of sales (it was €35.8 million as at 31 December 2020, 8.9% of sales). The significant increase recorded in the year is linked to the strategic choice of investing, in a significant manner, in the increase of safety stocks of raw materials (without the risk of obsolescence) in order to guarantee customers delivery terms in line with their expectations and, therefore, to be able to take full advantage of the strength of market demand. Normalising this effect, considering the incidence of working capital on sales in line with the provisions of the 2022-2025 industrial plan (11.5%), the operating working capital at 31 December 2021 would have been approximately €56.6 million.

Consolidated shareholders' equity amounted to €172.1 million compared to €150.9 million as at 31 December 2020. The increase (equal to €21.2 million) was mainly due to the profit for the year (€24.8 million), adjusted by the distribution of dividends for a total of €6.5 million and by the positive effect of the translation reserve (€3.9 million).

The net financial position was negative by €121.9 million (€106.8 million as at 31 December 2020), with an increase of €15.1 million primarily due to investments for €33.5 million, the increase in net working capital for €35.0 million and the distribution of dividends for €6.5 million net of roughly €58.0 million in positive cash flows from operations. Normalising the net financial position in consideration of the above commented effect on the value of inventories, the figure as at 31 December 2021 would have been negative for €107.7 million (with a worsening of €0.9 million compared to 31 December 2020). In the year 2021, cash flows from operations adjusted for non-operating components was €21.2 million (for more details, see paragraph 1.7, Alternative performance indicators). The debt is all medium and long-term, and liquidity as at 31 December 2021 totalled around €248.3 million.

1.6 ECONOMIC AND FINANCIAL DATA FROM THE FINANCIAL STATEMENTS OF THE PARENT COMPANY LU-VE S.P.A.

The reclassified Income Statement and Balance Sheet are provided below:

LU-VE S.p.A. Reclassified Income Statement *(in thousands of Euro)*	31/12/2021	% Revenues	31/12/2020	% Revenues	% Change 2021 vs. 2020
Revenues and operating income	**91,030**	**100.0%**	**93,085**	**100.0%**	**(2.2%)**
Purchases of materials	(51,857)	57.0%	(43,231)	46.4%	
Changes in inventories	4,473	(4.9%)	(2,408)	2.6%	
Services	(19,924)	21.9%	(19,408)	20.8%	
Personnel costs	(18,670)	20.5%	(17,321)	18.6%	
Other operating costs	(727)	0.8%	(2,847)	3.1%	
Total operating costs	**(86,705)**	**95.2%**	**(85,215)**	**91.5%**	**1.7%**
EBITDA	**4,325**	**4.8%**	**7,870**	**8.5%**	**(45.0%)**
Change in fair value of derivatives	1,998	(2.2%)	(963)	1.0%	
Depreciation and amortisation	(8,740)	9.6%	(8,189)	8.8%	
Gains/losses on Non-current assets	(143)	0.2%	501	(0.5%)	
EBIT	**(2,560)**	**(2.8%)**	**(781)**	**(0.8%)**	**227.8%**
Net financial income and expense	4,734	5.2%	6,345	6.8%	
EBT	**2,174**	**2.4%**	**5,564**	**6.0%**	**(60.9%)**
Income taxes for the year	1,629	1.8%	1,593	1.7%	
Net profit for the period	**3,803**	**4.2%**	**7,157**	**7.7%**	**(46.9%)**

As at 31 December 2021, product sales were 5% higher than in 2020, mainly thanks to the increase in sales volumes. On the other hand, "Operating revenues and income" recorded a decrease of 2.2%; in the previous year it had benefited from the recognition of the transfer to the Polish subsidiary of the manufacturing and sale of commercial evaporators (€6.9 million).

Total operating costs rose from €85.2 million (91.5% of revenues) to €86.7 million (95.2% of revenues). The overall increase was 1.7% (€1.5 million) and is mainly referable to:

- an increase in the consumption of materials with a total impact of €1.7 million. The incidence on the product turnover (excluding the effects of the above mentioned transaction for the transfer to the Polish subsidiary) decreased from 53% to 52.1% mainly due to the production and sales mix;
- an increase in costs for services of €0.5 million with an incidence on the product turnover (excluding the effects of the aforementioned sale to the Polish subsidiary) which went from 22.5% to 21.9% attributable to the increase in the cost of energy for €0.8 million, the increase in governance costs of €0.4 million and the decrease in external services and consultancy for €0.7 million;

- an increase in personnel costs of €1.3 million, with an incidence on the products turnover (excluding the effects of the aforementioned sale to the Polish subsidiary) which went from 20.1% to 20.5%;
- a decrease of €2.1 million in other operating costs, attributable to the greater impact of provisions made in 2020.

"EBITDA" for 2021 amounted to €4.3 million (4.8% of revenues), compared to €7.9 million (8.5% of revenues) in 2020. The 2020 figure was significantly affected by non-recurring revenue, already commented on.

"EBIT" was negative by €2.6 million (-2.8% of revenues), down compared to the negative result of €0.8 million (-0.8% of revenues) in 2020.

The balance of financial income and expense for the year ending 31 December 2021 was positive by €4.7 million, compared to €6.3 million for 2020. The negative difference for €1.6 million essentially derives from the increase in dividends received from subsidiaries for €1.3 million and the mainly unrealised positive exchange differences (€1.8 million) net of increased financial expense (€1.1 million) and the recognition of write-downs of non-current assets relating to the subsidiary Zyklus Heat Transfer Inc. (€3.6 million). For more information please refer to paragraph 3.3 of the Explanatory Notes to the Financial Statements of the Parent Company.

The "EBT" in the year ending as at 31 December 2021 was equal to €2.2 million (2.4% of revenues) against a value of €5.6 million as at 31 December 2020 (6.0% of revenues).

The "Net profit for the year" for 2021 was €3.8 million (4.2% of revenues) compared to €7.2 million (7.7% of revenues) for the year 2020.

LU-VE S.p.A. Reclassified Balance Sheet *(in thousands of Euro)*	31/12/2021	% of net invested capital	31/12/2020	% of net invested capital	% Change 2021 vs. 2020
Net intangible assets	21,639		23,278		
Net property, plant and equipment	39,097		39,329		
Deferred tax assets	5,340		4,114		
Equity investments	153,282		153,175		
Financial assets	3,867		5,136		
Non-current assets (A)	223,225	96.8%	225,032	97.7%	(1,807)
Inventories	14,670		10,196		4,474
Trade receivables	32,992		31,010		1,982
Other receivables and current assets	5,396		6,085		(689)
Current assets (B)	53,058		47,291		5,767
Trade payables	28,125		25,677		2,448
Other payables and current liabilities	9,869		8,945		924
Current liabilities (C)	37,994		34,622		3,372
Net working capital (D=B-C)	15,064	6.5%	12,669	5.5%	2,395
Provisions for employee benefits	814		849		(35)
Deferred tax liabilities	5,441		5,300		141
Provisions for risks and charges	1,501		1,271		230
Medium/long-term liabilities (E)	7,756	3.4%	7,420	3.2%	336
Net Invested Capital (A+D-E)	230,533	100.0%	230,281	100.0%	252
Share capital	62,704		62,704		0
Reserves and retained earnings	39,076		37,924		1,152
Profit for the year	3,803		7,157		(3,354)
Total shareholders' equity	105,583	45.8%	107,785	46.8%	(2,202)
Medium- Term Net Financial Position	203,500		228,453		(24,953)
Short- Term Net Financial Position	(57,186)		(82,749)		25,563
Total Net Financial Position (*)	146,314	63.5%	145,704	63.3%	610
Total Other non-current financial assets	(21,364)	-9.3%	(23,208)	-10.1%	1,844
Own funds and net financial debt	230,533	100.0%	230,281	100.0%	252

(*) In 2020, the item Other non-current financial assets, previously classified under the item "Medium-term net financial position", was reclassified following the new ESMA guidelines issued on 4 March 2021.

Working capital (equal to the sum of inventories and trade receivables net of trade payables) increased by €4 million (going from 16.7% to 21.5% of sales). The increase recorded in the year is linked to the strategic choice of investing in the increase of safety stocks of raw materials (without the risk of obsolescence) in order to guarantee customers delivery terms in line with their expectations and, therefore, to be able to take full advantage of the strength of market demand.

Shareholders' equity amounted to €105.6 million compared to €107.8 million as at 31 December 2020. The decrease (of €2.2 million) is due to the profit for the year (€3.8 million) net of the distribution of dividends for €6.0 million.

Following the new ESMA Guidelines issued on 4 March 2021, the net financial position was negative by €146.3 million (negative by €145.7 million as at 31 December 2020), with a deterioration of €0.6 million. The debt is all medium and long-term, and liquidity as at 31 December 2021 totalled around €213.9 million.

1.7 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 LU-VE Group's economic and financial performance:

Monetary amounts in thousands of Euro	2021	2020
Average days in inventory (1)	81	51
Inventory turnover ratio (2)	4.43	7.09
Receivables turnover ratio (3)	6.64	6.72
Average days sales outstanding (4)	54	54
Payables turnover ratio (5)	3	3
Average days payable outstanding (6)	127	110
Net Invested Capital	293,946	257,713
EBITDA	60,841	45,202
Adjusted EBITDA (7)	60,841	45,502
EBITDA/Financial expense	14	13
Adjusted EBIT (8)	32,720	15,758
Adjusted EBT (9)	30,622	12,200
Adjusted net profit for the year (10)	24,775	10,899
Basic earnings per share (11)	1.07	0.45
Diluted earnings per share (12)	1.07	0.45
Dividends per share (13)	0.35	0.27
Net financial position	(121,859)	(106,789)
Adjusted net financial position (18)	(107,700)	-
Net financial position/EBITDA	2.00	2.36
Debt ratio (14)	0.71	0.71
Operating working capital (15)	70,850	35,780
Adjusted operating working capital (19)	56,600	-
Net working capital (16)	54,310	21,212
The cash flow from operations adjusted for non-recurring items (17)	21,200	20,400
Goodwill and Other Intangible assets/Total assets	0.13	0.15
Goodwill and Other Intangible assets/Shareholders' equity	0.53	0.63

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:

	2021	2020
EBITDA	60,842	45,202
COVID-19 hospital contribution	-	300
Adjusted EBITDA	**60,842**	**45,502**

(8) EBIT adjusted for non-recurring costs (adjusted EBITDA "base" - see previous table);
(9) EBT adjusted for non-recurring costs (adjusted EBITDA "base" - see previous table);
(10) Net profit for the year adjusted for non-recurring costs (adjusted EBITDA "base" - see previous table - net of taxes of €0.1 million for 2020);
(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 position/Shareholders' equity
(15) Total of inventories and trade receivables net of trade payables;
(16) Current assets net of current liabilities
(17) Cash flow from operations adjusted for non-recurring items:

Values in €/million	2021	2020
Change in Net financial position	-15.1	0.7
Non-ordinary investments (*)	16.6	12.9
Dividends paid	6.5	6.5
Purchase/sale of Treasury Shares	-	0.3
Change in the consolidation perimeter	-	0.4
Non-recurring charges	-	0.3
Change in financial payables for leases pursuant to IFRS 16	-1.0	-0.7
Adjustment to operating working capital	14.2	-
Cash flow from operations adjusted for non-recurring items	**21.2**	**20.4**

(*) These are investments related to increasing production capacity and therefore different from maintenance ones.

(18) Net financial position normalised with respect to the extraordinary effects of the year, see paragraph 1.5 Economic and financial data;
(19) Operating working capital normalised with respect to the extraordinary effects of the year, calculated by applying the estimate of the incidence of net working capital to revenues, see paragraph 1.5 Economic and financial data.

1.8 INDUSTRIAL COMPANIES

The data below reflect for individual companies the values reported in the reporting packages prepared for the purposes of consolidation.

Revenues for SEST S.p.A. amounted to €48.5 million (€31.2 million in 2020). Deriving for around €7.6 million from dividends from the subsidiary SEST-LUVE-Polska Sp.z.o.o., net profit amounted to €9.7 million (€8 million in 2020) after depreciation and amortisation of €2 million, write-down of the equity investment in the Thermo Glass Door S.p.A. subsidiary of €1 million and taxes of €1.3 million.

Sest-LU-VE Polska S.p.z.o.o. reached a turnover of €106.4 million, an increase of 40% compared to the previous year. Net profit came to €12.4 million (€10 million in 2020) after depreciation and amortisation of €4.9 million and taxes of €2.4 million.

“OOO” Sest LU-VE recorded a turnover of €29.6 million (€23.5 million in 2020). Net profit came to roughly €5.6 million (positive for €4 million in 2020) after depreciation and amortisation of €1.1 million and taxes of €1.1 million.

HTS S.r.o. achieved a turnover of €50.5 million, an increase of 36% compared to the previous year. Net profit came to €2.7 million (€2 million in 2020) after depreciation and amortisation of €1.9 million and taxes of €0.7 million.

LU-VE Sweden AB recorded turnover of €18.3 million (€15.8 million in 2020), with a profit of €2.1 million (€1 million in 2020) after depreciation and amortisation of €0.3 million.

LU-VE Tianmen LTD recorded a turnover of €13.8 million (€7.5 million in 2020, with an increase of approximately 84%) and recorded a profit of €1.5 million (loss of €0.2 million in 2020) after depreciation and amortisation of €0.4 million and taxes of €0.5 million.

Tecnair LV S.p.A. recorded a turnover of €12 million (€13 million in 2020) and recorded a net profit of €0.5 million (€0.6 million in 2020), after depreciation and amortisation of €0.6 million and taxes of €0.1 million.

Thermo Glass Door S.p.A. achieved a turnover of €17.1 million (€11.1 million in 2020, with an increase of 54%) and a loss of €0.6 million (loss of €1.1 million in 2020) after depreciation and amortisation of €1 million and a positive tax effect of €0.3 million.

Manifold S.r.l. recorded a turnover of €1.3 million (€1.2 million in 2020), with a net profit of €0.1 million after depreciation, amortisation and taxes for a total of €25 thousand.

Spirotech Heat Exchangers Private Limited recorded total revenues of €44.7 million (€32.8 million in 2020), with a net profit of €4.1 million (€4.3 million in 2020) after depreciation and amortisation of €1.3 million and taxes of €1.4 million.

Zyklus Heat Transfer Inc. recorded a turnover of €14.5 million (€9.3 million in 2020, an increase of around 55%), with a net loss of €3.3 million, after depreciation and amortisation of €0.8 million.

Air Hex Alonte S.r.l. recorded a turnover of €48.3 million (€50.8 million in 2020), with a net profit of €53 thousand (profit of €2.7 million in 2020), after depreciation, amortisation and taxes of €2.8 million.

Fincoil LU-VE OY achieved a turnover of €30.9 million (€43.3 million in 2020), with a net loss of €0.3 million (profit of €53 thousand in the previous year), after amortisation, depreciation and taxes of €1.4 million.

1.9 SALES COMPANIES

The situation of each company is summarised below:

LU-VE France S.a.r.l. recorded a turnover of €18.3 million (€16.4 million in 2020), with a net profit of €0.4 million after depreciation, amortisation and taxes of €0.2 million.

LU-VE Deutschland GmbH recorded a turnover of €2 million (€1.4 million in 2020), with a net loss of €0.4 million, after depreciation, amortisation and taxes of €0.1 million.

LU-VE Iberica SL recorded a turnover of €13.1 million (€8.8 million in 2020, an increase of 49%), with a net profit of €0.2 million, after depreciation, amortisation and taxes of €0.1 million.

LU-VE Contardo Pacific pty. Ltd. recorded a turnover of €4.2 million (€1.3 million in 2020), with a net profit of €3.7 million (deriving from the waiver of receivables by the Parent Company) after depreciation and amortisation of €3 thousand.

LU-VE Asia Pacific Ltd. closed the year with a net profit of €0.4 million.

LUVEDIGITAL S.r.l. recorded a turnover of €0.4 million, with a net profit of approximately €5 thousand after depreciation and amortisation and taxes of approximately €8 thousand.

LU-VE Austria GmbH recorded a turnover of €0.4 million (in line with the previous year), with a net profit of €65 thousand, after depreciation, amortisation and taxes of €23 thousand.

LU-VE Netherlands B.V. recorded a turnover of €4.7 million, with a net loss of €0.1 million, after amortisation, depreciation and taxes of €0.1 million.

LU-VE Middle East DMCC recorded a turnover of €0.6 million, with a net profit of €41 thousand, after depreciation, amortisation and taxes of €65 thousand.

"OOO" LU-VE Moscow recorded a turnover of €9.8 million, with a net profit of €0.8 million, after amortisation, depreciation and taxes of €0.3 million.

LU-VE South Korea closed its first year of activity with a turnover of €54 thousand and a negative net result of €1 thousand.

1.10 INVESTMENTS

The investments of the Group amounted to €33.5 million in 2021 (€28.9 million in 2020), against depreciation and amortisation of €30.1 million The investments by company are summarised below:

In thousands of Euro						INVESTMENTS						
Category	LU-VE	SEST	SEST LUVE POLSKA	"OOO" SEST LUVE	HTS	SPIROTECH	TGD	ZYKLUS	ALONTE	FINCOIL	OTHER	Total
Land and buildings	679	44	178	-	160	1,939	-	4,687	-	-	0	7687
Plant and equipment	1,552	359	488	427	625	1,843	599	580	1,138	38	251	7,900
Rights of use	891	125	109	-	-	4	1,342	277	440	335	761	4,284
Other	3,423	234	927	77	141	367	297	183	742	126	380	6,897
Work in progress	985	1,011	2,423	268	343	562	340	9	402	-	420	6,763
TOTAL	7,530	1,773	4,125	772	1,269	4,715	2,578	5,736	2,722	499	1,812	33,531

The capex programme continued for the expansion and streamlining of certain production sites and for the strengthening of installed production capacity. The main investments for the year regarded:

- the expansion of the existing production capacity (for €2.2 million) and the purchase of management and technical software for improved operations at Group level (€2.8 million) by the parent company LU-VE S.p.A.;
- the expansion of the manufacturing site and the enhancement of the existing production capacity by the Polish subsidiary;
- the purchase of the Sarole production site, the expansion of the manufacturing site and the enhancement of the existing production capacity (for €4.7 million) by the Indian subsidiary;
- the completion of the construction of the first lot of the new plant and the strengthening of the existing production capacity (for €5.7 million) by the US subsidiary;
- the expansion of existing production capacity (for €2.2 million) by the Italian subsidiary Air Hex Alonte S.r.l.;
- the Group has also incurred development costs for €1.8 million.

1.11 PERSONNEL

Also for the year 2021, the LU-VE Group had to deal with the health emergency due to the COVID-19 virus. This entailed retaining the measures undertaken the previous year and strengthening controls, in compliance with the provisions of the legislative provisions. Despite these difficulties, average absenteeism remained at acceptable levels and did not negatively affect production trends. Smart working, for compatible tasks, continued throughout the year, ensuring the continuity of activities, with good results.

We record a significant increase in the number of employees, which at the end of the year stood at 4,149 units. The increase compared to the previous year was of over 600 units. In particular, the plants that sustained the greatest growth were the Polish, Russian, Czech Republic plants and, in Italy, the plants of the companies SEST S.p.A. and Thermo Glass Door S.p.A.

The workforce as at 31 December 2021 was broken down as follows:

- 3,193 blue-collar workers
- 925 white-collar workers and middle managers
- 31 executives

The total of temporary workers was 1,109.

This strong increase in staff led to a considerable research and selection of personnel activities, carried out through online channels, agencies and specialised companies, according to the profiles sought. All personnel departments were involved in a significant increase in personnel administration activities and in the continuous and constant updating of the company databases.

To cope with the considerable production demands, a number of overtime hours and high flexibility were used in almost all plants and there were no shortages in the availability of people throughout the year.

2021 was the first year in which an IT platform was made operational for the analysis of staff skills. The Skill Assessment activity is operational throughout the LU-VE Group and will continue, in order to better enhance the skills and potential of all employees.

The HR reporting activity has been further consolidated and further tools are being sought to make information increasingly effective and timely, for management and strategic purposes.

Much attention was paid to training courses. More than 35,000 hours of training were carried out during the year. In particular, managerial, technical-production and commercial marketing training courses were held, in addition to the ongoing activity relating to safety in the workplace. Much attention was also paid to language skills, given the increasingly frequent opportunities for dealing with customers/suppliers and colleagues from various parts of the world.

1.12 OCCUPATIONAL HEALTH AND SAFETY

The year 2021 was still a very particular and difficult year for all industrial groups and for the working world in general.
The main cause of the problems encountered in the year 2021 was the Covid-19 pandemic, which continued to determine the fate of the working world and to monopolise corporate choices also in terms of health and safety at work.

The LU-VE Group continued to pay the utmost attention to this issue throughout 2021, periodically monitoring through the Crisis Committee, already active since 2020, the trend in the issue, both in the Italian plants and the ones in Europe and the world in order to identify the best ways of preventing risk.

All plant managers took part in the meetings, describing the local situations, comparing the problems encountered and defining, within the Committee, the best ways of managing the risks caused by the pandemic, with the dual aim of preserving the health of workers and allowing business continuity.

The Committee is made up of: Chief Executive Officers, executives tasked with Group responsibilities, some managers from production companies (including the foreign companies in Poland, Russia and the Czech Republic), plant managers and Health & Safety Officers of the Italian companies of the LU-VE Group, and the head of the Group's Internal Audit function. Participation in the Crisis Committee was also open to the Directors and Statutory Auditors of LU-VE S.p.A., as well as the Chairman of the Parent Company's Supervisory Board.

This shared and always up-to-date management allowed work to continue at each plant, limiting the number of infections and minimising the need to reduce the productivity of departments and activities at the various plants.

In the offices, control of the "usable space per person" and the possibility of smart working continued. In addition, the contagion control system for the entire working population, through available tests, and the great attention to internal tracking made it possible to keep the contagion curve under control in all plants.

Furthermore, the precautionary choice of minimising transfers between operational sites was maintained, to further limit the opportunities for meeting and therefore possible contagion and at the same time increase the possibility of interaction between sites or with customers and suppliers through the use of IT communication platforms.

During the year 2021, the LU-VE Group continued to pursue the Make One (Sustainable) Company objective, by increasing the sharing of management and control practices in the various plants, fostering lively collaboration between site HSE managers, working with central departments, with the ultimate goal of adopting the best HSE standards in the various plants and promoting continuous improvement for the entire LU-VE Group.

With reference to the timely activities at the plants and the integration and homogenisation in the LU-VE Group of the management of HSE processes, the following is noted.

- At the Novosedly (Czech Republic) plant, which for several years has been among those with the highest number of accidents and with the highest safety indicators, a project was launched which aimed at determining a drastic reduction in the frequency of injuries, which will end in 2022.
  This project envisaged a phase of verification of the working environment conditions and an assessment of management awareness in relation to the HSE safeguarding of personnel. The project to systematically check compliance with the Essential Safety Requirements and/or application of the various Machinery Directives for all the machines at the facility has begun in order to increase the intrinsic safety of workstations. In addition, the HSE organisation was reorganised by hiring a new HSE Manager who, with central assistance and support, can implement the Risk Assessment in accordance with the Group methodology adopted by the Italian plants, and consequently launch a consistent and effective worker information and training campaign on the most important HSE issues. In this context, a plant-wide assessment of noise risk is planned for launch in early 2022, which will make it possible to identify possible projects to improve working conditions. The aim is twofold: to drastically reduce the incidence of injuries and to implement a virtuous HSE organisational model in a first non-Italian plant, so that it can set an example for all the other plants.

- The handover of site management from Alfa Laval was completed at the Alonte (Vicenza, Italy) plant, with the last remaining shared work areas being decommissioned, making it possible to manage the entire facility according to the needs and procedures defined by the HSE Manager with the Plant Manager and central support. The increase in available space has made it possible to redistribute activities appropriately and thus improve the already good working conditions. The reorganisation of spaces in the Sheet

Metal Department, the most critical from an acoustic point of view, was completed by separating the noisy activities from the others and drastically reducing noise emissions with completion of the machine "characterisation" systems. The result was verified on completion of the acoustic measurement campaign and the consequent drafting of the exposure assessment document, which represents the first assessment LU-VE has carried out at Alonte according to a methodology that will be adopted at Group level and therefore gradually applied in all plants. The results of this assessment certified the achievement of the acoustic comfort objectives not only in the critical areas (Sheet Metal Department), but also in the various reorganisations of spaces in the other departments.

- At the **Uboldo (Varese, Italy)** plant, the "safe machines" project was completed with the inspection of all machines and the application of risk reduction projects. The principle of "continuous monitoring" of compliance with safety requirements was therefore applied to the machines subject to inspection in accordance with methods and frequency depending on the risk level of each individual machine. This process will be gradually implemented at each plant after the machine safety audit programme has been implemented.

- At Group level, the **HSE Internal Audit inter-site working group** was set up. Its activity started in the first quarter of 2022 with audits at the Italian plants and will continue in the following quarters at the other European plants, to then proceed in 2023 in non-EU countries. Each audit report will contain an improvement plan that will be implemented at the individual plant and will build on the shortcomings found and the best available solutions. This project will therefore be decisive for achieving the Group's business integration and the dissemination of the best possible practices present in the various plants, minimising impacts and increasing workplace comfort, thus creating a single Group HSE management standard by 2024.

- At the same time, at Group level, a **package of indicators (HSE KPIs**) is being finalised for use in interplant audits and measured periodically at each facility using a single methodology. This will make it possible to centrally receive consistent and commensurate data and to have an optimal decision-making tool available to define development investments.

With regard to all the LU-VE Group plants, the normal HSE risk management activities and the application of all statutory audits of plant and equipment, worker training and information, and health supervision. The plants in Alonte (Vicenza, Italy), Limana (Belluno, Italy), Travacò Siccomario (Pavia, Italy) and Sarole (India) have an organisational model for health and safety that complies with international standard ISO 45001.

The services obtained during the year relating to occupational health and safety can be summarised in the following rates, such as: the **frequency rate** or rate of work-related injuries, calculated as (No. of injuries/hours worked)*1,000,000; **the severity rate** (No. of days of absence/hours worked)*1000); and the **rate of high-consequence work-related injuries** (No. of high-consequence work-related injuries/No. of hours worked)*1,000,000. High-consequence work-related injuries are understood to be those that have recorded total days of absence exceeding than six months.

The following table summarises the data relating to accidents in the last few years.

INJURY RATES AND DATA			
	2019	**2020**	**2021**
Total number of work related injuries	36	37	34
Rate of work-related injuries	8.58	8.51	6.69
Rate of high-consequence work-related injuries	-	-	0.20
Severity rate	335.25	219.18	235.76

With respect to accidents, in the course of 2021 the following was observed for the LU-VE Group:

- there were no fatalities at work;
- there were no serious accidents at work which entailed serious or very serious injury to personnel;
- there were no charges concerning occupational illness against employees or former employees or cases of mobbing.

In addition, with respect to the environment, please take note of the following:

- No damages were caused to the environment for which the Group companies were declared at fault;

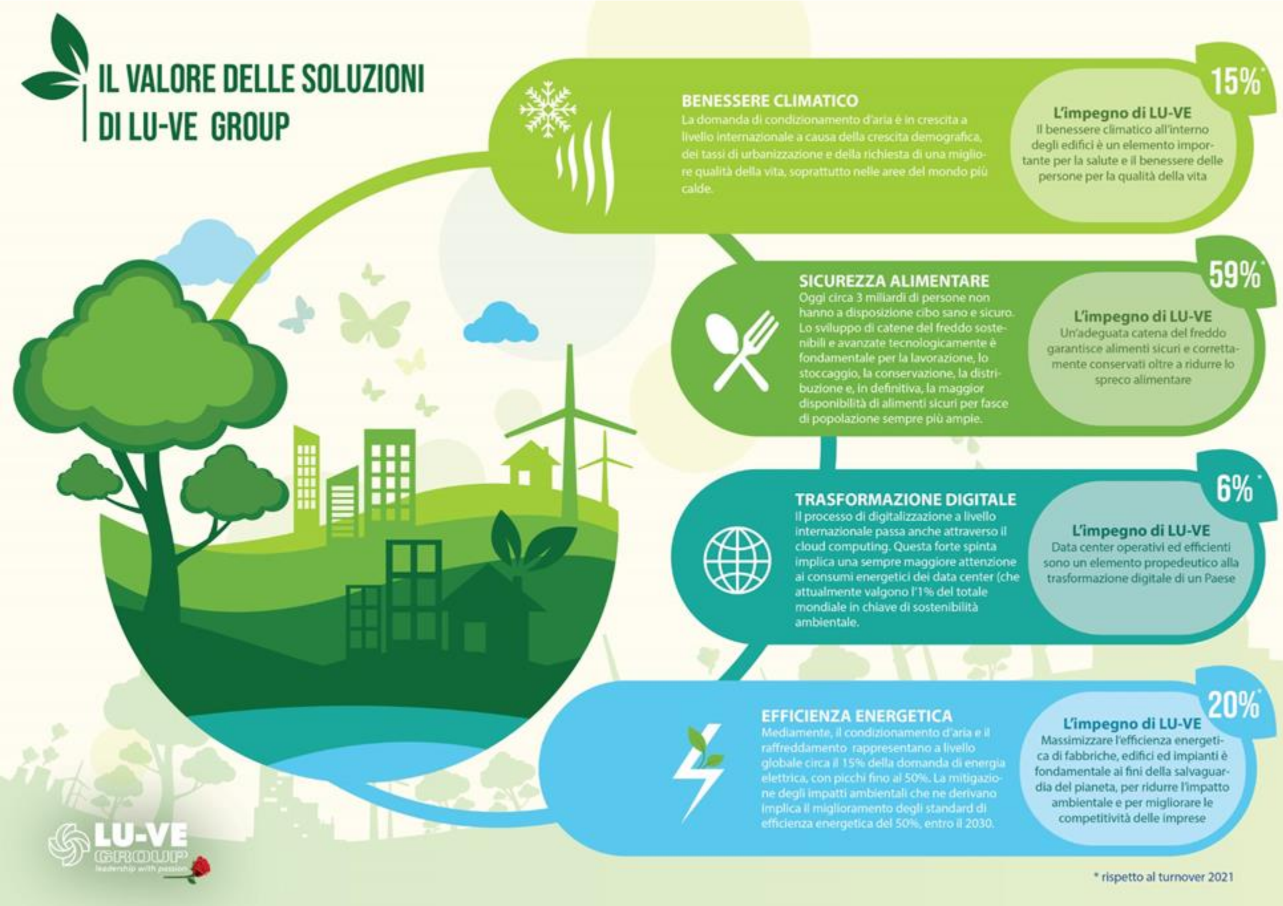
For more information, please refer to the dedicated chapters of the 2021 consolidated non-financial statement.

1.13 SUSTAINABILITY, A CONSTANT COMMITMENT IN TIME

From its very foundation, the LU-VE Group has represented the principle that companies are, first of all, women, men and ideas. The creation of value shared with its stakeholders, attention to the environment and technological innovation of products and processes have always been the drivers for a LU-VE Group's development that is sustainable and durable over time.

In 2021, the process towards the Make One (Sustainable) Company continued, integrating sustainability levers in the development strategy of the LU-VE Group, with the ultimate goal of maximising the value generated in the Group's impact areas and at the same time improve the company's competitiveness and profitability.

The four impact areas of the LU-VE Group, i.e. ensuring safe and correctly preserved food, guaranteeing climate well-being and energy efficiency of solutions for industrial customers, and supporting digital transformation, adhere to the corporate vision "A better, advanced, balanced and informed world" and are in line with the Sustainable Development goals defined in the United Nations 2030 Agenda.



In order to pursue the creation of sustainable value, the Board of Directors of LU-VE had indicated, already in 2020, the COO as the contact person for sustainability issues and had assigned the Control and Risk Committee the responsibility for the supervision of sustainability processes and activities. Furthermore, the Sustainability Office reporting directly to the COO was set up in 2021, with the aim of ensuring capillary management of projects at international level. The Sustainability Report, in which the Group reports its non-financial performance pursuant to Legislative Decree 254/16, was defined in accordance with the GRI Standards and is subject to a limited audit by the independent auditing firm.

Much attention has always been paid also to the company’s corporate governance, oriented towards management ethics and transparency, diversity policies in the composition of the Board of Directors, the presence of sustainability plans and objectives linked to the board’s remuneration, as well as control procedures, policies and more generally behaviour of senior management and the company in terms of ethics and compliance.

The impacts related to the effects of climate change on the business, in terms of investments, costs and other impacts on cash flows have been assessed and taken into consideration with reference to the preparation process relating to the 2021 Financial Statements.

Furthermore, with reference to the management of risks and opportunities, it should be noted that the significant sustainability issues - including the effects of climate change - have been identified and assessed as part of the consolidated corporate risk assessment system.

At the same time, during 2021, the impacts of the Group’s business in creating sustainable value on a global level were investigated. As part of the European Taxonomy for sustainable activities, introduced with Regulation (EU) 2020/852, the "eligible activities" of the LU-VE Group were identified and measured for the achievement of the mitigation and adaptation to climate change objectives envisaged within the framework of the European Green Deal.

The economic activities considered eligible for the purposes of the above taxonomy are the following:

- Products that use CO_2 as a refrigerant fluid;
- Products that use other natural refrigerant fluids (hydrocarbons, ammonia, glycol water);
- Products that use A2L refrigerant fluids;
- High energy efficiency heat exchangers;
- Research and Development team and laboratory;
- Software for sizing CO_2systems;
- Solutions dedicated to plants for the production of energy from renewable sources.

Overall, these economic activities represent 47.3% of the turnover of the LU-VE Group in 2021. For the calculation of this indicator, the sum of revenues deriving from the sale of products and provision of services in accordance with IAS 1 par. 82 (a) and Directive 2013/34/EU which defines, as regards the denominator, "Net Turnover" as the revenues deriving from the sale of products and the provision of services net of VAT, returns and other added taxes, has been considered.

Looking at the "CAPEX" and "OPEX" data, the LU-VE Group shows a percentage share of eligible activities for the purposes of Taxonomy for sustainable activities, equal to 39.2% and 49.5% respectively for the year 2021. The "CAPEX" indicator takes into consideration the sum of all the increases, which occurred during the year 2021, to property, plant and equipment and intangible elements of the balance sheet including capitalized assets relating to R&D activity and rights of use deriving from IFRS 16, while the OPEX indicator takes into consideration the sum of operating expenses associated with Research and Development, maintenance of production plants, day-to-day servicing of assets and short-term leases.

Furthermore, with the desire to measure the contribution of the LU-VE Group to sustainability over time, additional analyses were conducted in 2021, with the support of a specialised data science company, which made it possible to accurately measure the progress of solutions with natural and highly efficient refrigerant fluids, as well as the reduction of material and the increase in energy efficiency in the last 10 years (for the moment with reference to the "Cooling Systems" SBU). In 2021, the Group also started a collaboration with the Food Sustainability Observatory, as part of the "Digital Innovation Observatories" of the School of Management of the Milan Polytechnic University to investigate the impact generated in terms of food safety. The aim of the research is to conduct an analysis on the main innovations and best practices aimed at making the agri-food sector more sustainable, so that each operator in the value chain can make their own improvements.

Recognising the importance of environmental issues and climate change, the LU-VE Group confirmed its commitment to promptly investigate the emissions generated within the entire value chain, through the calculation of indirect emissions (Scope 3).

The specific activities and analyses carried out, as indicated above, are thus intended to define sustainability indicators and objectives at product and value chain level, essential for pursuing the LU-VE Group's path towards high value and positive impact products.

In 2021 the intense research and development activities also continued, with particular attention to sustainable design, which has always characterised the LU-VE Group's technological innovation.

Specifically, Group's innovation continued to be concentrated on the development of increasing heat exchange efficiency, with reduced use of refrigerant fluid and reduced exchanger internal volume, performance being equal. Furthermore, the Group continued in the direction of switching from products with HFC fluids to natural refrigerant fluids and products with high energy efficiency EC - electronic commutation - motors. The adoption of natural refrigerants in heat exchangers produced is in line with the Kigali amendment to the Montreal Protocol, which aims to reduce the greenhouse gas effect caused by F-Gas refrigerants. Furthermore, the use of CO_2 as a refrigerant fluid allows CO_2 to be removed from the environment. Optigo FMC, Optigo FMD and AlfaBlue BX are some of the new solutions for 2021.

Also in 2021, the LU-VE Group adheres to the voluntary sector certification Eurovent, the European association for heating, ventilation, air conditioning (HVAC), process cooling and for cold food chain technologies.

In 2000, the LU-VE Group was the first in Europe to obtain the then new Eurovent "Certify All" certification, for all ranges of condensers, dry coolers and unit coolers, which guarantees, through tests carried out in independent laboratories, the certainty of the information on the products' technical performance. In 2016 Eurovent officially certified that all LU-VE Group heat exchangers for refrigeration have never recorded a single negative test for the 2013-2015 three year period. At the end of 2020, the Group was one of the very first to obtain the Eurovent certification (LU-VE Exchangers and AIA LU-VE brands) for CO_2 unit coolers in relation to thermic capacity, sound level and energy consumption.

Furthermore, several awards and recognitions have been obtained over the years in terms of sustainability, also in 2021, with reference to human resource management policies, commercial policies and supply chain management. In 2021, the LU-VE Group obtained the EcoVadis bronze medal, an international standard that evaluates the performance of social responsibility in relation to the reference sector.

The management of environmental and health and safety aspects is defined in some of the LU-VE Group's plants through management models compliant to environmental (ISO 14001), health and safety at work (ISO 45001) and energy management (ISO 50001) international standards.

Attentive to creating an inclusive, meritocratic environment, considerate to others and respecting diversity and human rights in all its plants, in 2021 the LU-VE Group launched the first survey, in this first phase aimed at all staff of the Italian plants, with the aim of gathering employees' views on sustainability priorities and at the same time collect feedback from employees on their working well-being, one of the fundamental aspects of corporate sustainability.

In 2021 efforts also continued to support growth of employees and develop a harmonised and structured approach to assessing individual performance. The "Skills Development" process, which provides for the assessment and monitoring of skills in relation to a set of defined dimensions, was successfully implemented, involving all workers at Group level.

2 OBSERVATIONS ON THE FINANCIAL PROFILE AND ON BUSINESS CONTINUITY

The LU-VE Group's consolidated Financial Statements and the Financial Statements of the Parent Company LU-VE S.p.A. as at 31 December 2021 have been prepared on the basis of business continuity pursuant to paragraph 25 and 26 of the IAS 1 international accounting standard, as the Directors have verified the non-existence of indicators of a financial, management or any other nature that might indicate critical issues relating to the ability of the Group and of the Parent Company of meeting its commitments in the foreseeable future.

As at 31 December 2021, the LU-VE Group and the Parent Company had a solid and balanced financial structure with a Net financial debt/Shareholders' equity ratio (Debt ratio) of 0.71 and 1.39 respectively and a positive short-term net financial position of €91.8 million and €57.2 million, respectively. Therefore, the repayment of medium- and long-term debt expiring during 2022 is guaranteed by current liquidity. In addition, there are no substantial restrictions on the freeing up of invested liquidity, equal to €81.9 million, which therefore, if required, may be used to meet any payment commitments.

It is also reported that the assessment of compliance with asset and economic requirements (covenants) on a consolidated basis, required by the loan agreements of the LU-VE Group, as at 31 December 2021, did not highlight any critical issues. Furthermore, it is highlighted that the estimates of the 2022 Budget lead to the expectation that no critical issues with regard to these requirements will arise also for next year.

In spite of the current high degree of uncertainty in the world scenario, an assessment has been carried out of the possible impacts linked both to the spread of the pandemic and to the recent geopolitical tensions and it is considered to be reasonable that they will not compromise the company's continuity.

2.1 MAIN RISKS AND UNCERTAINTIES

RISKS RELATED TO TRENDS IN RAW MATERIAL PRICES

The production costs of the LU-VE Group are influenced by the prices of raw materials, mainly copper and aluminium. Risks are related to fluctuations in the prices of these materials on the reference markets (on which they are quoted in USD) and the fluctuation in the Euro/USD exchange rate (as the Group purchases in euro, while listings are in USD), as well as the reliability and the policies of mining and/or transformation companies.

The fluctuation in the availability and price of the above-mentioned materials could be significant, depending on a number of factors, including the economic cycle of the reference markets, supply conditions and other factors that are out of the control of the LU-VE 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, the possible introduction of tariffs and the impacts of climate change on extractive activities). With reference to the energy transition, in particular, additional quantities of copper and aluminium will be necessary, which will however require reduced energy intensity extraction techniques.

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 (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. Analyses are constantly carried out to identify alternatives to strategic suppliers to reduce the relative dependence on them and also of geographical diversification activities both with the aim to reduce purchase costs with comparable quality and to avoid excessive geographical dependence on some areas in the world. In particular, with regard to the main purchased raw material – copper – the LU-VE Group has dealt for several years, for the most part in terms of volumes, with the same suppliers, selected and periodically assessed on the basis of trading reliability criteria and with whom a relationship based on reciprocal trust has been built. 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.

2021 was a very complex year on the supply chain front, not only due to the huge increases in the prices of raw materials, components, logistics services and energy, but above all due to the constant need to face and monitor shortage risks in the availability of critical materials and components for the correct supply of production processes. From the point of view of cost increases, the "pass through" systems used by the LU-VE Group have made it possible to transfer the significant increases of 2021 in a substantially integral manner to end customers, allowing to safeguard margins.

The problems of material availability forced a review of the procurement logic (with the expansion of the number of suppliers and the reduction of geographical concentration) and of storage logics that could no longer be inspired by strict compliance with the principles of "just in time" and forced an increase in stocks of raw materials and components in order to be able to respond to market requests in a timely manner, appropriate to expectations (see in this regard the comment in the section dedicated to operating working capital). This made it possible to be able to respond to the market (without increasing the risk of obsolescence), with delivery times in line with expectations and therefore to be able to seize the opportunities associated with a significant growth in demand.

The year 2021 was characterised by significant increases in prices for all materials used by the Company (including transport and energy costs) as well as issues of physical availability (as commented above). The average value of aluminium - LME for one tonne went from €1,513 in 2020 to €2,108 in 2021, while the average value of copper - LME went from €5,406 in 2020 to €7,864 in 2021. The average values of copper and aluminium per ton as at 16 March 2022, were €8,808 and €2,858 respectively.

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, especially in view of the energy transition, which could limit its operations in time.

RISKS RELATED TO NET FINANCIAL DEBT

In relation to certain loan agreements, the LU-VE Group is 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, for the Group companies contracting the loans, 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 LU-VE Group carefully monitors respect for financial covenants, all clauses laid out in the loan agreements and the disclosure obligations through formalised procedures involving the legal and financial function. In addition, it also maintains a significant quantity of available financial liquidity or financial resources that can be liquidated within a short period of time and short-term credit lines to deal with any, even remote, obligations for the early repayment of medium and long-term loans.

The financial instruments, the LU-VE Group invests its available liquidity in, 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 some penalties in the case of early redemption, until July 2022, of amounts not overall significant, of less than €100 thousand

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, also because of the pandemic and geopolitical tensions, 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 expense on existing loans, returns on investments in cash and cash equivalents are uncertain and are characterised by high volatility, also on the negative side. However, the LU-VE 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 LU-VE 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 (Russian rouble, Polish zloty, US dollar, Indian rupee, Czech koruna, Swedish krona, Chinese yuan renminbi, UAE dirham, Australian dollar and HK 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 LU-VE 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 LU-VE Group is exposed is the US dollar (USD, currency to which the cost of the main raw materials is linked): indeed, raw materials in the reference markets are quoted in USD and the cost is converted into euros by applying the USD/Euro exchange rate for the day to the price in dollars; thus, exchange rate risk is borne by the buyer. Furthermore, the Group companies located in countries in which the reference currency is not the euro (which also acquire raw materials with contracts under which the euro is the payment currency and therefore bear the USD/Euro exchange rate risk noted above) are also exposed to the risk of fluctuations in the euro/local currency exchange rate.

Sales are mainly made in euros. In addition, although Sest-LUVE Polska Sp.z.o.o., HTS and Spirotech are located in countries that do not use the Euro as their reference currency, they make almost all sales in euros and therefore they are exposed to the risk of fluctuations in the exchange rate between the Euro and their local currencies.

At centralised level, in order to protect the income statement and the balance sheet items from such fluctuations and reduce the risk arising from changes in exchange rates, the Group considers 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 and cannot be defined as hedge accounting; therefore, the Group has decided to consider these instruments as for trading and not hedges and as a result such instruments were measured at fair value with changes reported on the income statement. For further details, please refer to Appendix A of the Explanatory Notes to the Consolidated Financial Statements.

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 LU-VE 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, mainly through acquisitions. Therefore, the Group is exposed to the typical risks inherent to growth initiatives through external lines.

Even though the LU-VE 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 compromise or delay the benefits expected from the acquisition.

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, the Group activates structured integration processes employing dedicated cross-functional teams to best comply with timetables and exploit possible synergies to the maximum.

LIQUIDITY RISK

The liquidity risk to which the LU-VE 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 LU-VE Group's liquidity is mainly supplied by the resources generated or absorbed by operating or investment activities, and on the other hand the maturity characteristics of medium and long-term financial debt.

In relation to this last aspect, the liquidity management 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 loans (both in cash and for the assignment of domestic receivables and export credit). For more details, see paragraph 3.6 "Trade receivables" of the Explanatory Notes to the Consolidated Financial Statements.

Also thanks to the application of this policy, to date the LU-VE Group has lines of credit granted by leading Italian and international banking institutions which are adequate to meet its current needs. For more information, see paragraph 4.16 "Information on financial risks" of the Explanatory Notes to the Consolidated Financial Statements.

RISKS RELATED TO THE HIGH DEGREE OF COMPETITIVENESS OF THE SECTORS IN WHICH THE GROUP OPERATES AND THE CAPACITY TO CONTINUE TO ACHIEVE PRODUCT INNOVATIONS, ALSO IN RELATION TO CONTINUOUS SECTOR TECHNOLOGICAL EVOLUTIONS AND INVESTMENTS IN RESEARCH AND DEVELOPMENT

The market segments in which the Group operates are characterised by a high level of competition in terms of product quality, innovation, economic conditions, energy efficiency and service reliability and safety, as well as the presence of competition from other internationally relevant business groups.

The Group's ability to generate value also depends on the ability of its companies to propose technologically innovative products in line with market trends, in particular with reference to the use of natural refrigerants (also with reference to regulations applicable or soon to be applied in many areas of the world).

From this perspective, the Group has demonstrated in the past that it is the reference operator in terms of technological innovation, also thanks to its policy of promoting resources dedicated to product development, which it intends to keep in place in the future by continuing to rely on well-established partnerships with prestigious universities in Italy and abroad.

Moreover, if the Group is unable to develop and continue to offer innovative products that are competitive with those of its main competitors in terms, inter alia, of price, quality or function, or if there are delays in the introduction into the market of strategic business models, the Group's market shares could decline, with a negative impact on its activities, financial position and/or cash flows, profit and loss results and outlooks.

To mitigate exposure to these risks, the Group constantly monitors the reference market and the interim results generated in the various phases of the research and development process in order to select and move forward with exclusively the most reliable initiatives, or those with the highest probability of success and economic/financial returns, also pursuing a policy of progressive diversification and enhancement of its product portfolio and continuous product range development.

RISKS RELATED TO THE CONCENTRATION OF SALES

Although there is no LU-VE Group customer which alone represents more than 4.6% (4.5% in 2020) of consolidated turnover and the top 10 customers together represent slightly more than 32% (31.1% in 2020) of consolidated turnover, the segment of refrigerated counter manufacturers (in which the LU-VE Group supplies all of the most important European players and which represent 20.6% of its turnover in the year 2021), that of the "domestic appliances" (in which the Group supplies all the most important European brands with a turnover in 2021 of 7.7%) and that of power generation applications (4.6% of its turnover) are characterised by strong commercial leadership by some large customers.

As a result, if the supply to one of the Group's customers in the above-mentioned segments is discontinued, the Group companies that operate in that sector could have difficulty recovering the lost turnover with other customers with a negative impact in terms of their profit or loss 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 and new application fields both in Italy and abroad.

RISKS RELATED TO POSSIBLE PROCUREMENT DIFFICULTIES AND RELATIONS WITH SUPPLIERS

The Group acquires raw materials from external parties as well as semi-finished materials and components (including engines, electronic components, collectors, sheet metal items, distributor units) and is therefore exposed to risks deriving from relations with third party manufacturers and suppliers, which may not guarantee the current continuous supply of such materials and components in the future. In particular the Group is exposed to the risk linked to difficulties in the procurement of large "EC" technology electronic motors due to the fact that global supply of these engines is concentrated in the hands of two manufacturers, which may not be able to continue to guarantee a supply of these components that meets market demand.

The Group manages the above-mentioned risks by means of (a) a permanent assessment model of the reliability of each recurrent supplier in terms of both quality and price of the products manufactured; (b) checks on the economic assessment of suppliers and, consequently, on the respective award to each of adequate production volumes; (c) assessment of the services provided by suppliers in terms of their performance in logistics terms and punctuality of respective deliveries and the resulting decisions taken on a case by case basis; (d) continuous assessment of possible supply solutions from alternative suppliers to reduce the relative dependence, also in geographical terms. Nevertheless, we cannot rule out the non-fulfilment of contractual obligations by one or more suppliers which supply Group companies, or in any event a lack of supply continuity; these possibilities could entail additional costs or prevent delivery to customers in accordance with agreed timing and/or specifications, with negative impacts on operations and on the profit and loss, equity and/or financial situation of the Group.

During the 2021 financial year, the LU-VE Group had to face and monitor continuous risks of shortage in the availability of materials and components critical to the correct supply of production processes with reference to both main raw materials (copper, aluminium and steel in particular) and components (in particular electric motors). Thanks to the adequate policies of diversification of sources (both in terms of number and geographical location) and the choice to invest more in inventories, negative impacts were minimised. With these countermeasures (in particular the diversification of sources) the Group has also managed to minimise the impacts associated with transport gridlocks and the significant increase in costs, especially with reference to logistics to and from the Far East.

RISKS RELATED TO ENVIRONMENTAL MATTERS

The industrial production carried out by the Group with its own facilities and plants could, in the event of serious breakdowns or failures of said plants or catastrophic events, result in damages to third parties, accidents or environmental damage. This risk is also linked to the presence in the plants of potentially hazardous products for the environment, such as flammable materials and chemicals.

Although the Group works to prevent these types of risks, if environmental incidents or damages occur, it would be exposed to unforeseeable and significant obligations to provide compensation and liability, also criminal in nature, with respect to the injured parties and/or the competent authorities, and could suffer interruptions in production activities with ensuing possible negative effects on the business, on the profit and loss, equity and/or financial situation, on the economic results and on prospects.

Although the Group companies have taken out insurance policies to cover the third-party liability deriving from such events, the limits of which are deemed consistent in relation to the estimated risk in question, it is however not possible to exclude the occurrence of any damages the compensation of which exceeds the limits laid out in such policies.

Through its dedicated offices, the Group continues all activities needed to guarantee respect for the environment and the optimised use of energy sources and natural resources. In addition, research and development activities have always been oriented towards products with a lower environmental impact, in terms of energy consumption, the use of refrigerant gas and noise reduction.

RISKS RELATED TO THE CONSEQUENCES OF ANY INTERRUPTIONS OF BUSINESS OPERATIONS

The Group operates with a production process associated with fixed costs connected with the operations of its facilities. Therefore, the Group is exposed to the risk resulting from the interruption of production activities in one or more of its facilities, following events such as, simply by way of example, accidents, breakdowns of machinery, malfunctioning of IT systems, the revocation or contestation of permits or licenses by the competent public authorities, strikes or lack of a workforce, natural disasters, pandemics (as in the case of local lockdown provisions during 2020 linked to the COVID-19 emergency), significant interruptions in the supply of raw materials or energy, or lastly disasters caused by humans such as accidents, fires and acts of terrorism. More specifically, an interruption in production activities could entail a partial lack of absorption of fixed production costs and/or render the Group temporarily unable to promptly meet the demands of its customers.

Although the Group companies have taken out loss of profit and all risk insurance policies against damages from fire and natural disasters (but not against indirect damages caused by force majeure), the limits and excesses of which are deemed consistent in consideration of the possible damages that could take place, any significant interruption in activities at its industrial plants, due to the events mentioned above and other events outside the Group’s control and not included in insurance policies, could have negative effects on the activities and on the profit and loss, equity and/or financial situation, on the economic results and on prospects.

With reference to the 2021 financial year, the problems suffered in terms of supply of raw materials and components but also the countermeasures implemented which made it possible to minimise negative impacts have already been extensively commented on.

RISKS RELATED TO PRODUCT QUALITY AND LIABILITY

The Group’s products are primarily intended for commercial and industrial refrigeration and must comply with different quality and safety standards depending on the different jurisdictions in which they are sold. Therefore, there is the risk that a product may not comply with the safety and quality standards envisaged by the laws in force in the above-mentioned jurisdictions. This could legitimise the return of said product, impacting production costs.

The recurrence of product defect events has historically been very limited and absolutely natural for the business segment; in cases in which they take place, the Group company involved agreed on corrective actions to be taken with the Customer by activating, if necessary, the insurance taken out for that reason.

Furthermore, as the Group’s products are usually part of more complex products, the malfunction of a component supplied by the Group could result in the recall of a series of products sold and/or installed by Group customers.

Furthermore, it should be noted that the Group produces categories of products that use carbon dioxide (rather than Freon) as refrigerant gas. While carbon dioxide has a lower impact on the environment than the more widely used refrigerant gases, due to its high operating pressure, it has a higher risk profile during the production and testing phase as well as in the event of manufacturing defects that emerge during installation and/or functioning in the field.

Lastly, it should be noted that certain Group products are intended for applications on power gen plants, the supply agreements of which typically call for the assumption of liability by the suppliers in the case of malfunctioning or defects, and also for damages ensuing from the above mentioned malfunctioning or defect, which are difficult to estimate and not proportionate to the value of the supply provided. To date, in a limited number of cases, customers have reported product malfunctions, which were resolved with on-site interventions by the Group's technicians.

In this regard, the Group applies strict control standards to its products: this entails a quality risk management protocol which envisages a number of activities and procedures to safeguard product quality; in addition, there is an office dedicated to quality control, which is conducted directly at production units and at supplier facilities.

To deal with this potential liability, which moreover is traditionally modest, the Group has taken out insurance coverage on all products for sale, the limit of which is deemed adequate with respect to the risks and is continuously monitored.

In addition, it has recognised a dedicated product warranty provision to cover potential defects, based on criteria of prudence and statistical data.

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. As at 31 December 2021, the coverage of these risks represented 77.5% of the residual loans in place.

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 guaranteed payment forms or 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 also in the presence of the impact of the pandemic.

SOCIO-POLITICAL RISKS CONNECTED TO THE GROUP'S OPERATIONS AT GLOBAL LEVEL, INCLUDING IN EMERGING COUNTRIES

The Group operates on a global level, with a strong presence in a range of geographical markets.

More specifically, the Group:

(i) has a strong bent towards exports, with turnover earned predominantly outside the Italian market (in the years ending 31 December 2021, 2020 and 2019, Group revenues from sales made abroad represented 81.2%, 83.3% and 80.7% of total sales, respectively);

(ii) is present abroad not only through its commercial branches, but also with industrial companies and production facilities located in different geographical areas (Poland, Russia, China, Sweden, Finland, the Czech Republic and India, USA).

This geographical diversity exposes the Group to risks deriving from its operations in multiple international markets, including the risk that changes in the political and socioeconomic conditions of a geographical area may impact production and distribution by the Group in that area.

In addition, the Group also conducts its business in countries with economic and political systems characterised by different factors of potential instability, including: (i) political and economic instability; (ii) boycotts and embargoes which could be imposed by the international community; (iii) unfavourable changes in governmental policies, in particular with respect to foreign investments; (iv) significant fluctuations in interest and exchange rates; (v) expropriation or repossession of assets; (vi) bureaucratic requirements that are difficult to meet; (vii) the impossibility of protecting certain legal and contractual rights in certain jurisdictions; (viii) the imposition of taxes, duties or other unforeseen payments; (ix) currency controls which could limit the remittance of funds or currency conversion; and (x) widespread corruption.

In addition, operations in emerging markets could be influenced by the typical difficulties of the economies of developing countries such as, for example, transport difficulties, lack of infrastructure or greater difficulties in finding a qualified workforce.

In addition, the primary or secondary regulations of emerging countries or their interpretation could be subject to expected or unforeseeable changes, or there could be a limited number of precedents linked to the interpretation, implementation and application of those regulations.

Definitively, although the spread at global level and operations in emerging countries evidently represent significant opportunities for the Group to take advantage of the potential to develop the various geographical areas concerned, it cannot be excluded that the occurrence of one or more of the risks noted above may have negative consequences on the activities and on the profit and loss, financial position and cash flows, results and outlooks of the Group. Therefore, the Group carefully monitors the situation in the various countries with a view to promptly intervening in the case of significant negative changes in the reference scenarios.

The LU-VE Group is observing with great attention the evolution of the conflict between Russia and Ukraine which risks having significant repercussions on the world economy also as a result of the sanctions that have been imposed or may be imposed on Russia. The extreme geographical diversification of sales means that the Group's exposure in this area in terms of turnover is only approximately 8% (in line with 2020).

The LU-VE Group is also constantly monitoring (also with the support of consultants) the restrictive measures that are gradually being agreed in response to the crisis between Russia and Ukraine in order to fully comply with them. To this end, a specific committee (made up of the Group's top management) has been set up and is currently meeting on a daily basis.

RISKS RELATED TO GENERAL ECONOMIC CONDITIONS

The economic performance and financial position of the LU-VE Group, which operates at international level in various countries, are influenced by various factors which reflect macroeconomic trends, including consumption trends, the cost of raw materials, interest rate fluctuations and those of the currency markets.

As already reported in the initial part of this document,

2021 was a year of substantial convalescence globally for world economies. Towards the end of the period, the mass vaccination campaigns launched in particular in developed countries allowed for an important restoration of the activities and in most of the lifestyles prior to the pandemic. Despite the difficulties and warnings caused by the various viral variants, the lockdowns that characterised the previous year were avoided. Consequently, the contraction in world GDP that took place in 2020, equal to 3.5%, was reabsorbed and the wealth produced in 2021 grew by more than 5%.

At a disaggregated level, China, which in 2020 stood out as the only large country not to suffer a decline in GDP, generated a growth of 8.1% in the current year. The United States closed the financial year with a growth in GDP of 5.6% compared to a contraction of 3.5% in 2020, which was the worst result since the Great Depression. The recovery in India was even greater, with a growth of over 9%, fully recovering the contraction of the previous year. The recovery in the Eurozone, although significant and above 5%, did not offset the loss of last year, which stood at 7.2%. At individual country level, France and Italy recorded the highest recoveries, not only due to the higher losses of the previous year but also due to a greater diffusion of vaccination in the population. Italy, in particular, closed 2021 with a growth of more than 6% against, however, a 2020 loss of almost 9%.

A recovery of this magnitude and rapidity has been very positive but has generated the reappearance of inflation, on double-digit values for producer prices and between 3% and 6% in the final prices of the various developed countries. The significant recovery in demand for raw materials and goods, in addition to the pressure on prices, has led to real shortages with temporary production blocks in some sectors, including the automotive sector.

For 2022, the forecasts carried out at the beginning of the year remain positive, however, on rates lower than the "rebound" ones of 2021 and the management of pandemic waves will be a test case for a new-found quasi-normality. Global wealth growth is forecast at a 4.5% pace with India at 8%, China at just over 5%, the United States at around 3%, and the Eurozone at 4%, with Italy in line with the European average.

Monetary policies made an important contribution to the recovery during 2021 and remained extremely accommodative. Over the course of the year, however, starting with the United States, interest rates began to turn direction. After a long time, the Fed has predicted more upward interest rate adjustments this year and the market has already anticipated this in bond prices. The attitude of the European Central Bank seems to be oriented towards greater prudence, even if the German ten-year government bond yield returned to positive values for the first time in a long time. Much will depend on inflation rates and the objective is that these, combined with monetary policies that are no longer expansive, may represent an obstacle to the recovery underway. On the other hand, on the financial front, there is the awareness of how the past two-year pandemic has heavily burdened the States' budgets and that it is necessary to plan for an economic growth while keeping public debt under control.

Raw materials, whose values literally exploded in the course of 2021, deserve a special mention. From oil to the main metals, there was a triple-digit growth in prices with consequent increases in energy prices. The latter have driven the rise in the prices of transport and related activities, not without elements of a speculative nature. All the main purchases of the LU-VE Group did not escape these dynamics, and the procurement processes were particularly demanding in the year that ended. However, the Group managed to defend its margins and to accompany the growth in sales volumes, also thanks to its ability to diversify and its geographical distribution on a global scale.

Considering the extreme complexity of the current environment and the unpredictability of its future evolution, the risk remains nevertheless that the factors described above will develop to such an extent so as to negatively impact activities, the equity and/or financial situation, the economic results and the outlooks of the Group. As part of its activities, the Group carefully monitors the domestic and international situation described above as much as possible, to be ready to adjust its sales and product development strategies accordingly, while seeking to maintain the highest possible level of flexibility.

CYBER RISKS

The Group is exposed to the risk of a cyber-attack causing a significant interruption to operations, the loss, the theft or unlawful appropriation of sensitive information, the breach or forgery of company emails and/or the breach of current regulations relating to privacy issues, with consequent negative effects both in terms of economic and reputational impact.

The Group IT infrastructure is kept constantly up to date on the basis of the needs arising from the fast technological evolution. Therefore, considering that good IT performance is a key issue for business continuity, the Group started a progressive process on the various company systems, to assess threats and the degree of resistance of current protection systems against cyber-attacks, also through the execution of vulnerability assessments. The infrastructures and platforms used by the Group are largely managed by external companies that carry out the vulnerability assessments, confirming the results obtained and placing actions in place to mitigate the potential shortcomings identified.

During the year 2021, a Cyber Risk Assessment was commissioned from a leading consultancy firm specialising in IT security; as a result of the IT risk assessment, LU-VE's overall maturity level was assessed as being above the industry minimum security threshold. However, some specific high-priority remedial actions were indicated that were planned and carried out. By carrying out these actions, LU-VE achieved the industry target status for IT security.

Even though the Group has adopted rigid protocols for the protection of the data acquired in the course of its operations and in relation to the protection of information and privacy, it cannot be excluded that one or more of the risks highlighted above may cause significant negative consequences on the Group's operations and its profit and loss, equity and financial situation, on its economic results and its future prospects. As at the date of these Annual Report, no breaches to the Group's IT systems by third parties have been recorded.

Following the onset of the crisis between Russia and Ukraine, the risk of cyber-attacks has increased. Consequently, the Group is working to intensify monitoring and defence activities in order to mitigate the related risks as much as possible.

RISKS LINKED TO THE COVID-19 HEALTH EMERGENCY

The pandemic linked to the spread of COVID-19 continued with new waves and resurgences in different areas of the world with different temporal trends and containment measures. The mass vaccination campaigns launched in particular in developed countries have allowed an important restoration of activities and in most of the lifestyles prior to the pandemic. Despite the difficulties and warnings caused by the various viral variants, the lockdowns that characterised the previous year were avoided. However, the pandemic remains active and could continue to determine consequences from a health, social and economic point of view all over the world (with very different impacts from country to country). The main risks refer to the deterioration of the global macro-economic scenario, the deterioration of the credit profile of customers and countries and the slowdown of trading activities due to the reduction in demand, the negative impacts on supply chains, on sale prices and raw material purchasing prices and on the availability and price of financial resources.

The LU-VE Group has continued to maintain also for 2021 the "Crisis Committee" to best manage the emergency and protect the health of all employees as far as possible. All contagion containment measures were retained, adapting them from time to time to the most recent regulatory provisions (possibly taking an even more prudent approach for the protection of employees and consequently of production continuity). The use of smart working has been confirmed (albeit to a lesser extent) for all the functions capable of carrying out their activities using this method. Both production and logistics flexibility were kept high in order to always be able to provide continuity of supply to strategic customers.

Taking into account the uncertainty of the times, the LU-VE Group is not able to determine precisely the impacts deriving from the pandemic in subsequent years. Because of COVID-19, the macroeconomic scenario is still difficult to predict and visibility is rather limited, albeit previous experience was acquired in this regard in the past two years. Therefore, it is very complicated to define reliable forecasts on the trend of commercial, economic and financial results. The potential effects on the budget of future years cannot be precisely determined at present and will be constantly monitored by the management.

In this context, the Group will in any case be constantly committed in improving its strategic position in all the markets in which it operates. At this stage it will be vital to manage the contingent situation in the short term, while, however, never letting this distract us from our focus on medium and long term objectives to grow volumes and profitability.

RISKS RELATED TO CLIMATE CHANGE

As part of the assessment of risks related to climate change, the LU-VE Group identifies the possible inability to achieve strategic objectives due to changes in the external context (also taking into account any impacts on the supply chain) and any inadequate management of emissions into the atmosphere as moderate risks. The identification process of these risks, as well as the assessments of their relevance and significance for the LU-VE Group, were conducted on the basis of the in-depth knowledge available to management in relation to the internal processes and procedures adopted by the Group, as well as the context, the competitive scenario and the main dynamics of the reference market, and the regulations in force or whose introduction is already planned and which are reasonably considered capable of influencing both the product offer and the cost structure currently in place.

In order to prevent these risks, the LU-VE Group has continued the process of sharing skills among the various Group plants and developing production capacity also in terms of site interchangeability. At the same time, to mitigate the impacts along the entire value chain, it has planned a project to assess and calculate Scope 3 GHG emissions (emission sources that are not under direct company control, but whose emissions are indirectly due to company activity), and has provided for the adhesion to any international initiatives to combat and adapt to the effects of climate change. In this context, however, it should be noted that the Group has not yet set, as of today, specific quantitative targets in terms of reduction of greenhouse gas emissions, both direct and indirect. At a strategic level, the Group intends in any case to pursue the integration of sustainable development principles into its vision and business model in an ever more precise and consistent manner.

On the other hand, the LU-VE Group does not consider the physical risks connected to climate change, or those connected to possible damage to production plants following extreme atmospheric events, with a consequent reduction or stoppage of activities, particularly relevant on the basis of historical experience. In any case, the Group manages such eventualities by taking out appropriate insurance policies and constantly cooperating with its reference counterparties (brokers, insurance companies) in order to analyse the main risk factors at its plants and identify and take appropriate preventive actions.

The outcome of the above assessments relating to the significance of the risks associated with climate change was also duly taken into account in the process of defining the assumptions adopted for the purpose of preparing the Business Plan for the years 2022-2025.

2.2 DEVELOPMENT ACTIVITIES

In the course of 2021, the LU-VE Group carried out intense development activities, as usual, to offer the market increasingly advanced products with a lower environmental impact (a key distinctive element of its competitive strategy), broken down over in several different projects, some of which are carried out in partnership with prestigious European universities.

Part of these projects are still under way and for their development, the Group incurred Research and Development costs of €1.9 million during the year (including €1.8 million capitalised under Intangible assets with the consent of the Board of Statutory Auditors).

The main projects regarded the development of new product ranges (mainly the use of natural refrigerants, such as carbon dioxide and ammonia), the miniaturisation and specialisation of tube surfaces and matrices for the improvement of heat exchange efficiencies, the introduction of electronic control systems optimised for unit coolers and air coolers, the application of IoT to Group products as well as components and accessories in the heat exchangers and glass doors segments.

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 LU-VE S.p.A. decided to apply, pursuant to art. 3 of Consob Resolution no. 18079 of 20 January 2012, the opt-out regime established by articles 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 PERFORMANCE IN THE OPENING MONTHS OF 2022: significant events and business outlook

The consolidated turnover of products in the first two months of 2022 alone shows a value of €91.7 million, with an increase of 45.1% compared to the same period of the previous year (€63.2 million). The order backlog amounts to €199.4 million with an increase of 123.7% compared to February 2021.

The uncertainties related to the persistence of the pandemic are decreasing, however, the complexities related to the world of purchases and the supply chain remain, both in relation to the tension on the prices of raw materials, components, services and utilities and with reference to the availability of some materials, in particular motors and electronic components. As was the case in 2021, the Group continues to promptly and carefully monitor the critical issues related to the possible supply difficulties of suppliers, both Italian and international, as well as the difficulties related to the circulation of goods, using all possible risk mitigation tools (in particular the diversification of supply).

The LU-VE Group is also carefully observing the developments in the crisis between Russia and Ukraine, which risks having significant repercussions on the global economy also as a result of sanctions already imposed or still being defined. The extreme geographical diversification of sales means that as at 31 December 2021, the Group's exposure in this area is only around 8% in terms of turnover and 3% of net invested capital. As at 28 February 2022, the exposure in terms of order backlog was 5%.

By virtue of the foregoing, the macroeconomic scenario remains characterised by great uncertainty and therefore it is extremely difficult to make accurate forecasts on the trend of orders and commercial, economic and financial results. However, the macro trends on which the Group has based and bases its growth capacity (transition to refrigerants with lower impact on the environment, energy saving, growth of the cold chain in less developed countries, acceleration of digitalisation and food safety) have been confirmed.

On 31 January 2022, the LU-VE Group announced a strategic agreement with Systemair AB (a Swedish company listed on the Stockholm Stock Exchange), which provides for the sale of its entire investment (79.9%) in Tecnair LV S.p.A. (active in the production of close control indoor air conditioning units for operating theatres and data centre applications). In 2021, Tecnair LV recorded a turnover of €12.0

million with an EBITDA of €1.2 million and an adjusted positive net financial position of €1.2 million. The consideration established for the transaction is €16.2 million (which will generate financial income of approximately €9.7 million). The contract provides for the usual representations and warranties for this type of international transaction. Thanks to this agreement, the LU-VE Group and Systemair will be linked by a long-term global agreement for the supply of heat exchangers and related products to Systemair. At the same time, the Group and Systemair will continue to develop cross-selling related to close control air conditioning units. The LU-VE Group will continue to focus on "outdoor" air conditioning systems for data centres, a fast-growing sector in which the Group has achieved excellent results in recent years thanks to decisive technological development.

On 1 February 2022, the LU-VE Group submitted a binding proposal for the purchase of a business unit of Italia Wanbao ACC ("WACC"), located in Mel (Belluno), currently under extraordinary administration. The proposal provides for the complete industrial reconversion of the activities, in order to expand the production of static heat exchangers for refrigerated counters, air conditioning, chillers and heat pumps, already made by the Group in the Limana (Belluno) factory, headquarters of the subsidiary SEST S.p.A., as well as in other Group factories. The proposal is binding, although conditional on agreements with all the interested parties and, if accepted, provides for the absorption of a part of the current WACC workers over a period of three years and total investments in the site of approximately €6 million in the next three years. With this transaction, the Group aims to expand its production base, making the activity of the Mel plant compliant and consistent with the Group's core business, installing production lines for heat exchangers. Furthermore, the proximity of the Mel and Limana production sites would allow the Group to optimise the logistics management of the two plants, with the possibility of creating a single logistics centre, which would flank the existing production centres in the Czech Republic, Poland, Russia, India and USA. The proposal was accepted by the Ministry of Economic Development on 10 February 2022 and operational negotiations are still ongoing.

On 25 February 2022, the LU-VE Group signed a binding agreement for the acquisition of a 75% interest in the company Refrion S.r.l., with its registered office in Flumignano (Udine). Refrion S.r.l. is an Italian company specialised in the production and marketing of air heat exchangers, with adiabatic technology, which allow for reductions in energy consumption, water and noise emissions. Founded in 2002 by Daniele Stolfo, Refrion S.r.l. has always stood out for the innovation of its products, key to the success achieved in the sectors of civil air conditioning, data centres, process cooling and industrial refrigeration, also thanks to the oval tube heat exchangers technology, of which Refrion was a historical precursor. Refrion S.r.l. is also active in the field of heat exchangers for nuclear plants and has one of the largest climatic test chambers in Europe. In the 2021 financial year, the Refrion group (composed, in addition to the parent company, by Refrion Deutschland Gmbh and R.M.S. S.r.l.) achieved a consolidated turnover of €26 million, with EBITDA adjusted for extraordinary items of €2.7 million, and a pre-tax profit and extraordinary costs of €0.6 million. The adjusted net financial position at 31 December 2021 was negative for €8.9 million. The agreement provides for the acquisition of 75% of the share capital of Refrion S.r.l., as well as the option to purchase the remaining 25%, exercisable within the next five years. The transaction is expected to be completed within a few weeks. The consideration agreed for 75% of Refrion S.r.l., to be paid at closing and financed through LU-VE Group's liquidity, is equal to €8.1 million, or 7.35 times the average adjusted EBITDA of the 2020 and 2021 financial years, net of the net financial position as at 31 December 2021.

2.5 MANAGEMENT AND COORDINATION ACTIVITIES

The parent company LU-VE S.p.A. is not subject to the management and coordination by Finami S.p.A., nor of any other subject, pursuant to articles 2497 et seq. of the Italian Civil Code.

The parent company LU-VE S.p.A. manages and coordinates activities on all subsidiaries pursuant to articles 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 LU-VE S.p.A.'s Financial Statements and the LU-VE 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 31 December 2021, the Group held 28,027 treasury shares, equal to 0.1261% of the share capital, which was acquired at an average price of €10.2827 based on the authorisation resolutions approved by the Shareholders' Meeting on 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 ATTESTATION 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 NO. 231/2001

With reference to the Organisation, Management and Control Models pursuant to Italian Legislative Decree 231/2001 adopted by both the Parent Company and by the subsidiaries Sest S.p.A. and Tecnair S.p.A., no changes occurred during the year. During 2022, qualified external consultants were given the task of updating the LU-VE and Sest models with respect to the regulatory changes that have taken place.

2.10 DECLARATION OF THE MANAGER IN CHARGE OF FINANCIAL REPORTING

The Manager in charge of financial reporting, Mr Eligio Macchi, declares, pursuant to art. 154-bis, paragraph 2 of the Consolidated Law on Finance, that the accounting disclosure contained in this Directors' Report as at 31 December 2021 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. On 4 January 2017, it opened a secondary office used as a warehouse at via Achille Grandi, 5, Origgio.

2.12 PROPOSED RESOLUTIONS TO THE SHAREHOLDERS' MEETING

Dear Shareholders,

We propose:

to approve the Financial Statements of LU-VE S.p.A. as at 31 December 2021, which show a net profit of €3,802,724.33 (three million eight hundred and two thousand seven hundred and twenty-four/33) as well as the Directors' Report on Operations;

and, after this approval

1) to set aside a part of the profit for the year of €3,802,724.33 (three million eight hundred and two thousand seven hundred twenty-four/33):

- €190,136.22 (one hundred and ninety thousand one hundred thirty-six/22) to the legal reserve;
- €1,295,256.02, to the restricted reserve for unrealised exchange gains;

2) to distribute a gross ordinary dividend of €0.35 for each share entitled to payment at the record date pursuant to art. 83-terdecies of Legislative Decree 58/98, through the use of the profit for the year 2021 that remains after having deducted the provisions referred to in point 1 and through the use of the residual of available reserves;

3) to establish that the payment of the dividend will take place, for each share entitled to payment, on 11 May 2022, with ex-dividend date for coupon no. 7 on 9 May 2022, in accordance with the Italian Stock Exchange calendar, and with record date on 10 May 2022.

On behalf of the Board of Directors

CEO
Matteo Liberali

2.13 CORPORATE BODIES AND COMPANY INFORMATION

BOARD OF DIRECTORS

Chairman	Iginio Liberali
Vice Chairman	Pierluigi Faggioli
Directors	Matteo Liberali
	Michele Faggioli
	Raffaella Cagliano
	Guido Crespi
	Anna Gervasoni
	Fabio Liberali
	Laura Oliva
	Stefano Paleari
	Roberta Pierantoni
	Marco Vitale

BOARD OF STATUTORY AUDITORS

Chairman	Simone Cavalli
Standing Auditors	Stefano Beltrame
	Paola Mignani
Alternate Auditors	Laura Acquadro
	Patrizia Paleologo Oriundi

AUDITING FIRM

Deloitte & Touche S.p.A.

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

CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES AS AT 31 DECEMBER 2021

CONTENTS

1 FINANCIAL STATEMENTS

1.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated Statement of Financial Position *(in thousands of Euro)*	**Notes**	**31/12/2021**	**31/12/2020**
ASSETS			
Goodwill	3.1	54,987	54,963
Other intangible assets	3.1	35,530	39,764
Property, plant and equipment	3.2	133,859	119,827
Rights of use	3.2	16,739	17,624
Other property, plant and equipment	3.2	16,996	21,256
Deferred tax assets	3.19	6,509	7,903
Equity investments	3.3	8	8
Other non-current assets	3.4	228	207
Non-current assets		264,856	261,552
Inventories	3.5	111,077	56,647
Trade receivables	3.6	74,131	59,763
Due from the tax authorities for current taxes	3.7	10,732	10,259
Current financial assets	3.8	81,946	70,258
Other current assets	3.9	3,501	3,619
Cash and cash equivalents	3.10	166,328	152,679
Current assets		447,715	353,225
Assets held for sale		-	-
Assets held for sale		-	-
TOTAL ASSETS		712,571	614,777

Consolidated Statement of Financial Position *(in thousands of Euro)*	**Notes**	**31/12/2021**	**31/12/2020**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital	3.11	62,704	62,704
Reserves and retained earnings (losses)	3.11	81,058	74,349
Profit (loss) for the year	3.11	23,739	9,878
Total shareholders' equity of the Group		167,501	146,931
Shareholders' equity attributable to non-controlling interests		4,586	3,993
SHAREHOLDERS' EQUITY		172,087	150,924
Loans	3.12	202,844	228,104
Provisions	3.13	5,541	4,941
Employee benefits	3.14	5,770	5,573
Deferred tax liabilities	3.19	13,909	14,537
Other financial liabilities	3.2 - 3.15	10,787	11,733
Non-current liabilities		238,851	264,888
Trade payables	3.16	114,358	80,630
Loans	3.12	151,271	81,766
Provisions	3.13	-	-
Tax payables	3.17	3,086	3,919
Other financial liabilities	3.2 - 3.15 - 3.8	5,231	8,123
Other current liabilities	3.18	27,687	24,527
Current liabilities		301,633	198,965
Liabilities held for sale		-	-
Liabilities held for sale		-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		712,571	614,777

1.2 CONSOLIDATED INCOME STATEMENT

Consolidated Income Statement *(in thousands of Euro)*	**Notes**	**31/12/2021**	**31/12/2020**
REVENUES AND OPERATING INCOME			
Revenues	4.1	491,204	400,028
Other revenues	4.2	804	1,429
Total revenues and operating income		492,008	401,457
OPERATING COSTS			
Purchases of materials	4.3	(309,733)	(201,197)
Changes in inventories	3.5	51,931	(2,431)
Costs for services	4.4	(63,148)	(52,201)
Personnel costs	4.5	(106,683)	(91,684)
Net write-downs of financial assets	4.6	(422)	(5,094)
Other operating costs	4.7	(3,112)	(3,648)
Total operating costs		(431,167)	(356,255)
Net change in fair value of derivatives	3.8-3.15	2,166	(1,269)
Depreciation and amortisation	3.1 - 3.2	(30,140)	(28,298)
Capital gains on the sale of non-current assets	3.1 - 3.2	14	122
Write-downs on non-current assets	3.1 - 3.2	(161)	(299)
EBIT		32,720	15,458
Financial income	4.8	1,765	2,232
Financial expense	4.9	(4,370)	(3,406)
Exchange gains (losses)	4.10	507	(2,384)
Gains (Losses) from equity investments	4.11	-	-
EBT		30,622	11,900
Income taxes	4.12	(5,847)	(1,201)
NET PROFIT (LOSS)		24,775	10,699
Attributable to non-controlling interests	3.11	(1,036)	(821)
GROUP NET PROFIT		23,739	9,878

1.3 EARNINGS PER SHARE AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Earnings per share

Earnings per share *(in €)*	**Notes**	**31/12/2021**	**31/12/2020**
EARNINGS PER SHARE	4.13		
Basic		1.07	0.45
Diluted		1.07	0.45

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income *(in thousands of Euro)*	**Notes**	**31/12/2021**	**31/12/2020**
GROUP NET PROFIT		24,775	10,699
Components that will not subsequently be reclassified to the Income Statement			
Actuarial valuation of post-employment benefits	3.14	(212)	(101)
Tax effect		55	27
		(157)	(74)
Components that will subsequently be reclassified to the Income Statement:			
Exchange differences from translation of Financial Statements in foreign currency	1.4	3,848	(11,463)
TOTAL COMPREHENSIVE INCOME (LOSS)		28,466	(838)
of which:			
Attributable to non-controlling interests	3.11	(1,036)	(821)
ATTRIBUTABLE TO THE GROUP		27,430	(1,659)

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 01/01/2020	62,704	24,762	2,872	0	(4,711)	(532)	52,917	17,514	155,526	3,422	158,948
Allocation of profit 2019											
Dividends paid	-	-	-	-	-	-	(5,996)	-	(5,996)	(525)	(6,521)
Retained	-	-	325	-	-	-	17,189	(17,514)	-	-	-
Purchase of treasury shares	-	-	-	(288)	-	-	-	-	(288)	-	(288)
Other (**)	-	-	-	-	-	-	-	(652)	(652) (*)	275	(377)
Statement of comprehensive income as at 31/12/2020	-	-	-	-	(11,463)	(74)	-	9,878 (*)	(1,659)	821	(838)
BALANCE AS AT 31/12/2020	62,704	24,762	3,197	(288)	(16,174)	(606)	64,110	9,226 (*)	146,931 (*)	3,993	150,924
Allocation of profit 2020											
Dividends paid	-	-	-	-	-	-	(5,996)	-	(5,996)	(470)	(6,466)
Retained	-	-	358	-	-	-	8,868	(9,226)	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-
Other (**)	-	-	-	-	-	-	(864)	-	(864) (**)	27	(837)
Statement of comprehensive income as at 31/12/2021	-	-	-	-	3,848	(157)	-	23,739	27,430	1,036	28,466
BALANCE AS AT 31/12/2021	62,704	24,762	3,555	(288)	(12,326)	(763)	66,118	23,739	167,501	4,586	172,087

(*) The change under item "Other" refers to the restatement of the negative portion of shareholders' equity attributable to non-controlling interests of the company LU-VE Pacific pty in the shareholders' equity of the Group for €652 thousand, partially offset by the change in the translation reserve pertaining to non-controlling interests of the subsidiaries SESTLUVE-Polska Sp.z.o.o. and "OOO" SEST LU-VE for an amount of €377 thousand.

(**)The amount of €882 thousand mainly refers to the accounting effects of the exercise of the purchase option, in the first half of 2021 by the LU-VE Group company, Manifold S.r.l., of the business unit previously owned by the company Mastercold S.r.l. and leased to Manifold S.r.l. and therefore already included in the consolidation scope of the LU-VE Group.

1.5 STATEMENT OF CASH FLOWS

Consolidated Statement of Cash Flows *(in thousands of Euro)*	**Notes**	**2021**	**2020**
A. Cash and cash equivalents at the beginning of the period		152,679	81,851
Profit (loss) for the period		24,775	10,699
Adjustments for:			
- Depreciation and amortisation	3.1 - 3.2	30,140	28,298
- Realised (gains)/losses		147	177
- Net financial expenses	4.8 - 4.9	4,074	2,578
- Income taxes	4.12	5,847	1,201
- Change in fair value		(3,631)	(135)
Changes in post-employment benefits		(15)	(55)
Changes in provisions	3.13	600	710
Changes in trade receivables		(14,368)	1,965
Changes in inventories		(54,430)	5,165
Changes in trade payables		33,728	(5,601)
Changes in net working capital		(35,070)	1,529
Changes in other receivables and payables, deferred taxes		4,482	4,875
Tax payment		(8,099)	(6,744)
Paid net financial expenses		(3,625)	(2,765)
B. Cash flows generated/absorbed by operating activities		19,625	40,368
Investments in non-current assets:			
- intangible assets	3.1	(4,635)	(6,979)
- property, plant and equipment	3.2	(24,427)	(18,027)
- financial assets		-	-
Business combination net acquisition price	2.1	(800)	(8,700)
C. Cash flows generated/absorbed by investing activities		(29,862)	(33,706)
Repayment of loans	3.12	(153,516)	(103,341)
New loans		198,000	197,923
Changes in other financial liabilities		(4,836)	(4,827)
Changes in short-term financial assets		(10,219)	(9,920)
Sale/(Purchase) of treasury shares	3.11	-	(288)
Contributions/repayments of own capital		-	-
Payment of dividends	4.14	(6,466)	(6,521)
Other changes		-	(4,085)
D. Cash flows generated/absorbed by financing activities		22,963	68,941
Exchange differences		3,849	(11,842)
Other non-monetary changes		(2,926)	7,067
E. Other changes		923	(4,775)
F. Net cash flows in the period (B+C+D+E)		13,649	70,828
Cash and cash equivalents at the end of the period (A+F)		166,328	152,679
Current financial debt		74,556	19,631
Non-current financial debt		213,631	239,837
Net financial debt (Note 3.20)	3.20	121,859	106,789

2 EXPLANATORY NOTES

2.1 INTRODUCTION

Liquidation of LU-VE Pacific pty

As at 31 December 2021, the Australian company showed €245 thousand of cash and cash equivalents, €1 thousand of shareholders' equity and €244 thousand of payables to the Parent Company LU-VE S.p.A.

The liquidation process is expected to be completed in the first part of 2022.

2.2 ACCOUNTING STANDARDS

Declaration of compliance and accounting policies

The Parent Company LU-VE S.p.A. is a company with legal personality organised in accordance with the laws of the Italian Republic. The Company is active in the production and marketing of heat exchangers and air cooled equipment. The Company's registered office is in Varese (Italy), Via Vittorio Veneto 11. The majority shareholder is Finami S.r.l.

The consolidated Financial Statements for 2021 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 consolidated Financial Statements have been prepared in Euro, which is the functional currency of the Parent Company LU-VE S.p.A. and the subsidiaries in which the Group primarily carries on business, with amounts rounded to thousands, and are compared with the consolidated Financial Statements for the previous year, prepared with the same criteria. The figures in the Explanatory Notes are shown in thousands of Euro. The Financial Statements 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 Financial Statements have been drawn up on the basis of the historical cost principle, except for the fair value evaluation of some financial instruments, pursuant to IFRS 9 and IFRS 13, as described below. Furthermore, the Financial Statements have been prepared on the basis of business continuity pursuant to paragraphs 25 and 26 of the IAS 1 international accounting standard, as the Directors have verified the non-existence of indicators of a financial, management or any other nature that might indicate critical issues relating to the ability of the Group of meeting its commitments in the foreseeable future. The risks and uncertainties related to the business are described in the sections dedicated to the Director's Report.

In particular, with reference to this last assumption, as at 31 December 2021, the LU-VE Group has a solid and balanced financial structure with a Net financial debt/Shareholders' equity ratio (Debt ratio) of 0.71 and a positive short-term net financial position of €91.8 million. Therefore the repayment of medium/long-term debt expiring during 2022 is guaranteed by current liquidity. In addition, there are no substantial restrictions on the freeing up of invested liquidity, equal to €81.9 million, which therefore, if required, may be used to meet any payment commitments.

It is also reported that the assessment of compliance with asset and economic requirements (covenants) on a consolidated basis, required on the financial debt of the LU-VE Group, as at 31 December 2021, did not highlight any critical issues. Furthermore, it is highlighted that the estimates of the 2022 Budget lead to the expectation that no critical issues with regard to these requirements will arise also for next year.

In spite of the current high degree of uncertainty in the world scenario, an assessment has been carried out of the possible impacts linked both to the spread of the pandemic and to the recent geopolitical tensions and it is considered to be reasonable that they will not compromise the company's continuity.

In light of what is laid out above, the consolidated Financial Statements of the LU-VE Group as at 31 December 2021 were prepared on the basis of the going concern assumption, pursuant to paragraphs 25 and 26 of IAS 1.

Directive 2013/50/EU, which amended Directive 2004/109/EC (Transparency Directive), established that all Annual Financial Reports of Issuers, whose securities are admitted to trading on a regulated market, must be drawn up in a single electronic reporting format. The European Commission has implemented these rules in the Delegated Regulation 2019/815 (European Single Electronic Format - ESEF Regulation). This is in order to make the annual financial reports readable by both human users and automatic devices and to improve the comparability and analysis of the information included in the annual financial reports. The ESEF Regulation provides that issuers who prepare consolidated Financial Statements in compliance with IAS/IFRS must prepare and publish their annual financial report in the eXtensible Hypertext Markup Language ("XHTML") format, using the Inline Extensible Business Reporting Language ("iXBRL") to mark up the consolidated Financial Statements (consolidated statement of financial position, consolidated statement of changes in shareholders' equity, consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows) starting from the financial year which begins on 1 January 2021, which is why this Financial Report has been prepared using the XHTML language and the consolidated Financial Statements have been marked up using the XBRL language. Furthermore, from the financial year starting on 1 January 2022, the Issuers will also be required to mark up the information contained in the consolidated explanatory notes.

The consolidated Financial Statements as at 31 December 2021 were approved by the Board of Directors of the parent company LU-VE S.p.A. on 17 March 2022.

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 consolidated Financial Statements of the LU-VE Group, which manufactures heat exchangers, air cooled equipment, close control products and insulated glazing, include the annual figures of the Parent Company LU-VE S.p.A. and its direct and indirect subsidiaries, based on the Financial Statements approved or in the process of being approved by the respective Boards of Directors, properly adjusted, when necessary, to bring them into line with the IAS/IFRS adopted by the LU-VE group ("Reporting Package") in preparing its consolidated Financial Statements:

Company name	Registered office	% investment	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
LuveDigital S.r.l.	Uboldo (VA)	50.00%	EUR	10,000
MANIFOLD S.r.l.	Uboldo (VA)	99.00%	EUR	10,000
SPIROTECH Ltd	New Delhi (India)	100.00%	INR	25,729,600
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
LU-VE SOUTH KOREA LLC	Seoul (South Korea)	100.00%	KRW	100,000,000
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 (52.68% owned by LU-VE Asia Pacific Limited and 47.32% owned by LU-VE S.p.A.)	Tianmen (China)	100.00%	CNY	61,025,411
Thermo Glass Door S.p.A. (100% owned by SEST S.p.A.)	Travacò Siccomario (PV)	100.00%	EUR	100,000

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 company; (b) exposure, or rights, to variable returns deriving from its involvement with the company; (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.

The following changes took place in the consolidation area during 2021 compared to the previous financial year:

- establishment of the sales company LU-VE Korea LLC with share capital of KRW 100,000 thousand and registered office in Seoul. The company is 100% owned by LU-VE S.p.A.
- during the first half of 2021, Manifold S.r.l., a company of the LU-VE Group, exercised the option to purchase the business unit previously owned by Mastercold S.r.l. and leased to Manifold S.r.l. (and therefore already included in the LU-VE Group consolidation).

Moreover, to be noted is that the liquidation process of the commercial company LU-VE Pacific pty, which began in 2020 and was initially expected to be completed in the first half of 2021, was subject to some procedural delays mainly due to the restrictive measures adopted by the Australian local authorities to counter the spread of the COVID-19 pandemic (it is presumed that the entire process will be closed in the first part of 2022). Please note that the company is 75.5% owned by LU-VE S.p.A., and the current shareholders' equity (of the Group - which includes the portion attributable to non-controlling interests) is approximately €1 thousand.

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

In the case of the initial measurement of a financial liability deriving from put/forward options granted to subsidiaries' non-controlling interests, the Group has selected the accounting policy of reducing shareholders' equity of non-controlling interests and only in the alternative, for the excess amount, the shareholders' equity attributable to the Group, while subsequent changes to these financial liabilities are recognised in the income statement.

Consolidation criteria

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

The following criteria have been adopted for the consolidation:

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

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 annual Financial Statements are eliminated;

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

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;

f) the gains realised from intra-group 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 Financial Statements of each company belonging to the Group are prepared in the currency of the primary economic environment in which it conducts business (functional currency). For the consolidated Financial Statements, the Financial Statements of each overseas entity are expressed in Euro, which is the functional currency of the Parent Company and the presentation currency of the consolidated Financial Statements.

Balance sheet items from Financial Statements expressed in a currency other than the Euro are translated by applying the current exchange rates at year end. Income statement items are translated at average exchange rates for the year.

Translation exchange differences resulting from the comparison between the opening shareholders' equity translated at current exchange rates and the same converted at 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 Financial Statements of the overseas subsidiaries, prepared in local currency, are shown in the table below:

Currency	Exchange as at 31/12/21	Average exchange rate 2021	Exchange as at 31/12/20	Average exchange rate 2020
AUD	1.56150	1.57490	1.5896	1.6549
PLN	4.5969	4.5652	4.5597	4.4430
CZK	24.85800	25.64000	26.2420	26.4550
RUB	85.30040	87.15270	91.4671	82.7248
SEK	10.25030	10.1465	10.0343	10.4848
HKD	8.83330	9.1932	9.5142	8.8587
CNY	7.1947	7.6282	8.0225	7.8747
INR	84.22920	87.4392	89.6605	84.6392
USD	1.1326	1.1827	1.2271	1.1422
AED	4.1595	4.3436	4.5065	4.1947
KRW (*)	1,346.38	1,354.06	1,336.00	1,345.58

* for the company LU-VE Korea LLC, established in April 2021, the average Korean won exchange rate used from April to December was 1,357.56

Statement of reconciliation between shareholders' equity and profit for the year of the parent company and consolidated shareholders' equity and profit for the year

SE RECONCILIATION STATEMENT (in thousands of Euro)	2021 Net profit for the period	2021 Shareholders' Equity	2020 Net profit for the period	2020 Shareholders' Equity
Amounts from LU-VE S.p.A. Financial Statements	3,803	105,584	7,157	107,785
Difference between carrying amount of consolidated equity investments and pro rata value of shareholders' equity and profit (loss) of consolidated subsidiaries	18,720	67,927	8,425	46,469
Elimination of intra-group profits	1,395	(5,215)	(5,735)	(6,707)
Other	(179)	(795)	31	(616)
Profit and shareholders' equity attributable to the Group	23,739	167,501	9,878	146,931

Measurement criteria

The accounting standards and measurement criteria adopted to prepare the consolidated Financial Statements as at 31 December 2021, which did not change compared to the previous year, are described below:

INTANGIBLE ASSETS

Goodwill and business combinations

Business applications are recorded on the basis of the acquisition method. In accordance with this method, the consideration transferred to a business combination is assessed at fair value, calculated as the sum of fair values of the assets transferred and liabilities assumed by the Group on the date of acquisition and of capital instrument issued in exchange of control of the acquired business. At the date of the acquisition, the identifiable acquired assets and liabilities assumed are recorded at their fair value at the date of acquisition.

Goodwill is determined as the difference between the sum of the considerations paid to the business combination, of the value of shareholders' equity attributable to non-controlling interests and the fair value of any equity investment held by the acquired company compared to the fair value of net acquired assets and liabilities assumed at the date of acquisition. If the value of net acquired assets and liabilities assumed at the date of acquisition exceeds the sum of considerations paid, of the value of shareholders' equity attributable to non-controlling interests and the fair value of any equity

investment held by the acquired company, this excess is immediately recorded in the Income Statement as income deriving from a concluded transaction.
The portion of the shareholders’ equity of non-controlling interests at the date of the acquisition can be measured at fair value or as the pro-quota of the fair value of the net assets recognised for the acquired company. The choice of the measurement method is made by transaction.

With respect to acquisitions prior to the date of adoption of IFRS (1 January 2014), the LU-VE group exercised the right set forth in IFRS 1 not to apply IFRS 3 relating to business combinations to the acquisitions that took place before the transition date. As a result, the goodwill resulting from acquisitions that took place in the past was not restated and was recognised at the value determined on the basis of the previous accounting standards, net of amortisation accounted for as at 31 December 2013 and any impairment losses.

For further information please refer to the next paragraph “Impairment of assets”.

It is also reported that Management did not consider the acquisition of the subsidiary Brener a.s. as a business combination in accordance to IFRS 3. The subsidiary, mainly holder of lands and industrial buildings rented to another Group’s company, has therefore been included in the Group’s consolidation as an “acquisition of assets”.

Other intangible assets

Trademarks

This item includes long-term expenses incurred for the protection and distribution of Group trademarks. These expenses are recognised as assets in accordance with IAS 38 “Intangible assets” when it is probable that the use of the asset will generate future economic benefits and when the cost of the asset can be determined in a reliable manner.

The LU-VE group has identified, among others, the item Trademarks, as Primary Income Generating Asset (“PIGA”) from the exercise of the “Al Air” purchase price allocation (the allocation was final as of 31 December 2020); the related amortisation was estimated by the Directors to be 10 years.

Development costs

Development costs on projects for the production of new products or components are recognised as assets only if the costs can be reliably determined, if the Group has the intent and available resources to complete the asset, if it is technically feasible to complete the project so as to make it available for use and expected volumes and prices indicate that the costs incurred in the development phase will be capable of generating future economic benefits.
Capitalised development costs include only expenses incurred that may be directly attributed to the development process.
Capitalised development costs are amortised systematically, beginning from the start of production and throughout the estimated life of the product or process, which has been evaluated as four years. All other development costs are recognised in the Income Statement when incurred. Research costs are attributed to the Income Statement when incurred.

Other intangible assets

Other intangible assets are recognised as assets in accordance with IAS 38 when it is probable that the use of the asset will generate future economic benefits and when the cost of the asset can be determined in a reliable manner. If such future economic benefits do not arise with reference to development costs, they are written down in the year in which this is confirmed.

These assets are measured at acquisition or production cost and amortised on a straight line basis throughout their estimated useful life, if they have a finite useful life.

In particular, investments in software are amortised over a period of 3 years.

For further information please refer to the next paragraph “Impairment of assets”.

Customer List (“Customer relationship”)

The LU-VE Group identified the Customer Relationship as the Primary Income Generating Asset (“PIGA”) from the purchase price allocation of the US company Zyklus (in 2018) and the Indian company Spirotech (concluded in 2016/17), as well as the “Al Air” business (concluded in 2020).

The Customer Relationship with the US company is amortised over 20 years, the one with the Indian company is amortised over 23 years, while the one with “Al Air” is amortised over 10 years.

An intangible asset is eliminated from the Financial Statements at the time of disposal or when no future economic benefits are expected from its use or disposal. The profits or losses deriving from the cancellation of an intangible asset, measured as the difference between net revenue from the sale and the accounting value of the asset, are recognised in the Income Statement at the time the asset is cancelled.

For further information please refer to the next paragraph “Impairment of assets”.

PROPERTY, PLANT AND EQUIPMENT

These assets include land and buildings, plant and equipment, equipment and other property, plant and equipment.
They are recognised at acquisition or construction cost. The cost includes accessory costs directly attributable to the asset. Depreciation is calculated on the basis of uniform rates for categories of similar assets, deemed suitable to break down the carrying amount of the property, plant and equipment over the period of its useful life. The estimated useful life is as follows, in years:

Asset	Years
Buildings	33
Light constructions	10
Plant and equipment	6 – 10
Fixtures and fittings, tools and other equipment	3 – 10
Other assets	4 – 8

Ordinary maintenance costs are charged to the Income Statement in the year in which they are incurred; costs that increase the value or useful life of the asset are capitalised and depreciated in line with the remaining useful life of the assets to which they refer.
If there are indicators of impairment, property, plant and equipment are tested for impairment. The testing process is described in the “Impairment of assets” section. Any possible impairments may be subject to subsequent reversals should the causes that induced the Group to impair such assets no longer apply; value reversals will be made to the limit of the value the asset would have had if the impairment had not taken place.
Land is not depreciated.
For further information please refer to the next paragraph “Impairment of assets”.

Lease contracts and rights of use

The Group must evaluate if a contract is, or contains a lease, at the time of signature of the same. The Group recognises the Right of use and the relative lease financial Liability for all lease contracts in which it has the role of lessee, with the exception of short-term contracts (lease contracts of duration of 12 months or less) and of leases relative to low value assets (that is to say, assets whose fair value is less than €5,000). Contracts to which this exemption has been applied mainly fall within the following categories:

- Computers, telephones and tablets;
- Printers;
- Other electronic devices;
- Furniture and fittings.

In relation to these exemptions, the Group recognises the relative payments as operating costs recognised on a straight-line basis throughout the duration of the contract.

On the other hand, for lease agreements the initial financial liability is recognised at the actual value of future payments at the time of effect of the contract. 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 of each country in which the contracts were stipulated, with due dates commensurate to the duration of the specific rental contract, increased by the credit spread specific to the Group subsidiary that has signed the agreement.

Lease payments included in the value of the lease financial Liability include:

- The fixed component of the lease payments, net of any incentive received;
- The lease payments variable on the basis of an index or rate, initially valued using the index or rate at the date of effect of the contract;
- The amount of the guarantees for the residual value that the lessee expects to have to pay;

- The price to exercise the option to buy, which must be included only when the exercise of such option is considered to be reasonably certain;
- The penalties for the early redemption of the contact, if the lease term includes an option for the settlement of the lease and the exercise of the same is estimated to be reasonably certain.

Subsequent to the initial recognition, the value of the lease financial liability is increased by the effect of interests accrued (using the effective interest method) and it is reduced to take into account the payments made on the basis of the lease contract.
The Group redetermines the value of the lease financial liabilities (and adjusts the value of the corresponding Right of use) if:

- The duration of the lease changes or there is a change in the valuation of the exercise of the right of option; in this case the lease liability is redetermined discounting the new lease payments at the revised discounting rate.
- The value of the lease payments changes following amendments of the indices or rates, in which case the lease Liability is redetermined by discounting the new lease payments at the initial discounting rate (unless the payments due on the basis of the lease contract change following the fluctuation of the interest rate, in which case the revised discounting rate must be used).
- A lease contract has been modified and the amendment is not included in the cases for the separate recognition of the lease contract. In these cases the lease financial liability is redetermined by discounting the new lease payments at the revised interest rate.

In the current financial year, the Group has recognised some amendments to some lease agreements relative to buildings following the COVID-19 pandemic. The impact of these amendments is not considered to be significant.

The Right of use includes the initial recognition of the lease financial liability, the lease payments made before or at the date of effect of the contract and any other initial cost. The Right of use is recognised in the Financial Statements net of the amortisation and depreciation expense and any value impairments.

The incentives linked to the lease (for example free leasing periods) are recognised as part of the initial value of the right of use and of the lease liability throughout the contractual period.

The Right of use is depreciated on a straight-line basis at the lower of the lease term or residual useful of life of the underlying asset. If the lease contract transfers the ownership of the relative assets or the cost of the right of use reflects the willingness of the Group to exercise the option to buy, the relative right of use is depreciated on the basis of the useful life of the assets in consideration. Depreciation starts at the start of the lease.

The Right of use is included as a separate item in the consolidated statement of financial position.

The Group applies IAS 36 Impairment of Assets in order to identify the presence of any value impairment.

Variable lease payments that do not depend on an index or a rate are not included in the value of lease liabilities and in the Right of use. The relative payments are recognised on an accrual basis and are included in the item “other expenses” in the income statement.

In the consolidated statement of cash flows the Group divides the amount paid overall into the principal portion (recognised in the cash flow deriving from the financial asset) and the interest portion (recognised in the cash flow deriving from operational management).

Impairment of assets

At least every year, the LU-VE group reviews the carrying amount of goodwill and its property, plant and equipment and intangible assets to check whether there are indications that these assets have been impaired. If these indications exist, the recoverable amount of these assets is estimated to determine the amount of the impairment. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit (“CGU”) to which the asset belongs.
In particular, the recoverable amount of the cash-generating units is verified by determining the value in use. In calculating value in use, future cash flows net of taxes, estimated on the basis of past experience, are discounted to their present value using a rate net of taxes, which reflects current market assessments of the present value of money and the specific risks of the asset. The main assumptions used to calculate value in use regard the discount rate, the growth rate, expected changes in sale prices and the trend in direct costs during the period assumed for the calculation. The growth rates adopted are based on growth forecasts for the applicable industrial sector. Changes in sale prices are based on past experience and on future market expectations. The Group prepares forecasts of operating cash flows deriving from the business plan prepared by the Directors and approved by the Parent Company’s Board of Directors and determines the terminal value (present value of perpetual cash flows) on the basis of a medium and long-term growth rate in line with that of the specific applicable sector.
If the recoverable value of an asset (or of a cash-generating unit) is estimated to be lower than the relative carrying amount, the carrying amount of the asset is reduced to the lower recoverable amount, with the impairment loss immediately recognised in the Income Statement.
Subsequently, if the impairment loss on an asset is no longer applicable or is reduced, the carrying amount of the asset (or of the cash-generating unit), with the exception of goodwill, is increased to the new value corresponding to the estimated recoverable amount, which may be no higher than the net carrying amount that the asset would have had if the impairment loss had never been recognised. The write-back is recognised immediately in the Income Statement.

FINANCIAL INSTRUMENTS

Derivative financial instruments

Derivative financial instruments are subscribed primarily for hedging, in order to reduce the risk of fluctuating exchange rates, interest rates and raw material costs. In line with IFRS 9, derivative financial instruments are accounted for using hedge accounting methods only when:

a) at the inception of the hedge, the hedging relationship is formally designated and documented;
b) the hedge is expected to be highly effective;
c) this effectiveness may be reliably measured;
d) the hedge is determined to have been highly effective during the different accounting periods for which it is designated.

All derivative financial instruments are measured at fair value, as established by IFRS 9.

If the instrument is not eligible for hedge accounting, the gains or losses arising from the measurement of the derivative financial instrument at fair value are recognised in the Income Statement.

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.

The relative effects were recognised under “Net change in fair value of derivatives” in the Income Statement.

INVENTORIES

Inventories are measured at the lower of acquisition or production cost, determined on the basis of the weighted average cost method, and the corresponding market value represented by the replacement cost for purchased materials and the estimated realisable value for finished and semi-finished products, calculated by taking into account any manufacturing costs as well as the direct sales costs yet to be incurred. The cost of inventories includes the amount of accessory costs and direct and indirect production costs reasonably attributable to them. Obsolete or slow-moving stocks are written down based on their possibilities of use or realisation. The write-down of inventories is eliminated in subsequent years if the reasons for it no longer apply.

TRADE RECEIVABLES AND OTHER RECEIVABLES

The receivables are initially recognised at fair value.
Subsequently, receivables are valued with the amortised cost method on the basis of the effective interest rate represented by the rate, which makes the present value of future cash flows and the carrying amount equal at the moment of initial recognition.
In accordance with IFRS 9 trade receivables are classified into the categories Held to collect and Held to collect and sell. Their value is adjusted at the end of the financial year to the expected realisable value and written down in case of impairment measuring the expected credit loss along the duration of the receivable, together with the level of solvency of the individual debtors, also in function of the specific characteristic of the underlying credit risk, taking into account available information.

ASSIGNMENT OF RECEIVABLES

Receivables assigned based on factoring transactions are eliminated from the assets in the Statement of Financial Position only if the risks and benefits correlated with their ownership have been substantially transferred to the assignee. Assigned receivables that do not meet the above requirement remain recognised in the Group's Financial Statements even though they have legally been transferred. In that case, a financial liability of an equal amount is recognised in the liabilities against the advance received.

LOANS

Loans are initially measured at cost, corresponding to the fair value of the consideration received, net of accessory acquisition costs.
After this initial valuation, loans are recognised at the amortised cost principle calculated through the application of the effective interest rate.
The effective interest method is the method to calculate the amortised cost of a financial liability and the allocation of interest expense during the relevant period. The effective interest rate is the rate that discounts future payments (including all commissions, transaction costs and other premiums or discounts) over a duration of a financial liability or, if more appropriate, over a shorter period.
Loans are classified as current liabilities unless the Group has the unconditional right to defer the settlement of the liability for at least twelve months after the reporting date.

PROVISIONS

Provisions for risks and charges represent probable liabilities of uncertain amount and/or timing deriving from past events, the settlement of which will entail an outflow of resources. Provisions are recognised exclusively if there is a present legal or constructive obligation requiring the use of economic resources, provided such obligation can be reliably estimated. The amount recognised in the provision represents the best estimate of the expenditure required to settle the obligation at the Balance Sheet date. Provisions are reviewed at each Balance Sheet date and adjusted so as to represent the best current estimate.
If the outflow of resources connected to the obligation is expected to take place beyond normal payment terms and the effect of discounting is relevant, the amount of the provision is represented by the present value of the expected future payments for the settlement of the obligation.
Contingent assets and liabilities are not recognised in the Financial Statements. However, they are subject to adequate disclosure.

EMPLOYEE BENEFITS

Short-term benefits

Short-term employee benefits are accounted for in the Income Statement in the financial year in which the services are rendered.

Post-employment benefits

On 1 January 2007, the Financial Act (law 296/2006) and the relative implementing decrees introduced considerable amendments to the rules on post-employment benefits, including the selection to be made by the worker with respect to the allocation of accruing benefits. In particular, for companies with more than 50 employees on the date of introduction of the reform, these new regulations required new post-employment benefit contributions to be allocated to pension plans chosen by the worker or, if the worker decided to keep those contributions within the company, to an INPS treasury account.
For employees of Italian companies with more than 50 employees, only post-employment benefits accrued up to 31 December 2006 continue to be classified as “defined benefit plans”, while those accruing subsequent to that date are classified as a “defined contribution plan”, as all obligations of the company are met when it makes the periodic contribution to third-party entities. Therefore, discounted amounts are no longer recognised in the Income Statement. Instead, outlays made to the various types of pension plans selected by employees or to the separate INPS treasury fund, calculated based on art. 2120 of the Italian Civil Code, are recognised under personnel costs.
For employees of Italian companies with less than 50 employees (Tecnair and Manifold) post-employment benefits accrued as at 31 December 2021 take the form of a defined benefit plan. The Group’s obligation in relation to defined benefit plans and the annual cost recognised in the Income Statement is determined on the basis of actuarial valuations using the projected unit credit method.

TRADE PAYABLES AND OTHER PAYABLES

Trade payables, other payables and other liabilities are initially recognised at fair value, plus any costs connected to the transaction. Subsequently they are measured at nominal value, as it is not deemed necessary to apply any discounting or separately attribute explicit or separated interest expense in the Income Statement, as it is not considered material in light of expected payment times.

CRITERIA FOR THE TRANSLATION OF ITEMS IN FOREIGN CURRENCY

Receivables and payables originally expressed in foreign currencies are translated to euro at the exchange rates of the date on which the transactions giving rise to them take place. The exchange differences realised upon collection of the receivables and payment of the payables in foreign currency are recognised in the Income Statement. Income and expenses relating to transactions in foreign currency are recognised at the current exchange rate on the date on which the relative transaction takes place.
At year end, assets and liabilities expressed in foreign currency are recognised at the spot exchange rate as at the end of the financial year and the relative exchange gains and losses are recognised in the Income Statement. If the translation gives rise to a net profit, a non-distributable reserve for a corresponding amount is restricted until its actual realisation.

REVENUE RECOGNITION

Revenues are recognised at the time of transfer of the control on the goods or services promised to the customer. Revenues are recognised net of returns, discounts, allowances and premiums, as well as directly linked taxes.
Contracts with customers generally include a single performance obligation, that is the sale of the goods, generally met upon delivery of the goods to the customer.

COST RECOGNITION

Costs and expenses are recognised in the Financial Statements on an accrual basis.

FINANCIAL INCOME

Financial income includes interest income on invested funds and income from financial instruments. Interest income is allocated to the Income Statement when it accrues, using the effective yield method.

FINANCIAL EXPENSE

Financial expense includes interest expense on financial payables calculated using the effective interest rate method, bank fees and expenses deriving from financial instruments.

INCOME TAXES FOR THE YEAR

Income taxes include all taxes calculated on the Group's taxable income. Income taxes are recognised in the Income Statement, with the exception of those relating to items directly charged or credited to shareholders' equity, in which case the tax effect is recognised directly under shareholders' equity. Other taxes not correlated with income, such as taxes and fees on property, are classified as operating expenses. Deferred tax liabilities are recognised based on the full liability method. They are calculated on all temporary differences emerging between the taxable amount of an asset or liability and the carrying amount in the consolidated Financial Statements, with the exception of goodwill, which is not tax deductible and those differences from investments in subsidiaries which are not expected to be offset in the foreseeable future. Deferred tax assets on tax losses and unused tax credits that may be carried forward are recognised to the extent to which is it likely that future taxable income will be available against which they may be recovered. Current and deferred tax assets and liabilities are offset when the income taxes are levied by the same tax authority and when there is a legal right to offset. Deferred tax assets and liabilities are calculated using the tax rates expected to be applicable in the years in which the temporary differences will be realised or extinguished. The temporary differences in taxable incomes do not give rise to deferred liabilities for equity investments in subsidiaries, associates and joint ventures when the Group is able to control the timing of

cancellation of the temporary differences in taxable income and it is probably that these differences will not be cancelled in the foreseeable future.
If the possibility of realigning the tax value of goodwill to its book value were to be granted by Italian tax law, the accounting policy established by the Directors is not to immediately record in the Income Statement the future tax benefit connected to the redemption as a contra-entry to deferred tax assets.

DIVIDENDS

Dividends are accounted for on an accrual basis when the right to receive them arises, corresponding to when the distribution resolution is passed.

EXCHANGE GAINS AND LOSSES

The amount of any net gain arising from the adjustment to year-end exchange rates of items in foreign currency, when the Financial Statements are approved and as a result the profit (loss) is allocated, for the portion not absorbed by any loss for the year, is recognised in a non-distributable reserve until subsequently realised.
At the end of the financial year the overall amount of gains and losses not realised on exchange rates is redetermined. When the overall net profit on exchange rates is higher than the amount of the equity reserve, the latter is integrated. If, however, a loss is recognised or a net profit lower than the reserve, respectively the entire reserve or the excess is reclassified in a freely distributable reserve in the preparation of the Financial Statements.

TREASURY SHARES

Treasury shares are recognised as a deduction from shareholders’ equity. The carrying amount of treasury shares and gains from any subsequent sales are recognised as changes in shareholders’ equity.

EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the Group’s share of profit or loss by the weighted average of ordinary shares outstanding during the year. The diluted earnings per share coincide with the basic earnings per share as there are no options in circulation which may potentially lead to the issue of new parent company’s shares.

TAX CONSOLIDATION CONTRACT

National Tax Consolidation applies (pursuant to art. 117 et seq. of Italian Presidential Decree 917/86 – TUIR (Consolidation Act on Income Taxes)), and its scope includes, in addition to the consolidating company LU-VE S.p.A., five other Italian subsidiaries: SEST S.p.A. (for the 2019-2021 financial years) and Thermo Glass Door S.p.A. (TGD), Manifold S.r.l., Air Hex Alonte S.r.l. and Tecnair LV S.p.A., the latter companies for the 2020-2022 financial years.

National tax consolidation allows the determination of current IRES tax on a taxable basis corresponding to the algebraic sum of positive and negative taxable components of the participating companies. Economic relationships, in addition to reciprocal responsibilities and obligations, are regulated by specific agreements between the parties according to which, in case of positive taxable income, subsidiaries transfer to the parent company the financial resources corresponding to the greater tax due by them for the effect of participating to the national tax consolidation, and in case of negative taxable income, they receive a compensation equivalent to the relative tax saving made by the parent company, if and in the measure in which there are prospects of profitability that allow the Group to effectively reduce current taxes or the recognition of deferred tax assets.

USE OF ESTIMATES

The preparation of the Financial Statements and the relative notes in application of IFRS requires the Management to make use of 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. Actual results may differ from those estimates.

In the preparation of the consolidated Financial Statements, the following significant judgement was defined during the process of application of the Group's accounting standards.

Tax realignment

The Parent Company's directors have decided to make use of the realignment between the book values of their Financial Statements, only for trademarks and buildings.
The directors consider it to be difficult to predict the distribution of non-available reserves deriving from the realignments described above in the near future and therefore have not recognised any effect of the deferred taxes on the same.

The estimates that have had a significant impact on the amounts recognised in the Financial Statements are indicated below.

The main assumptions relating to the future and the main causes for uncertainty in the estimates at the date of closure of the financial year which represent a significant risk of giving rise to significant adjustments in the accounting values of the assets and liabilities in the following financial year are reported below:

Recoverability of the value of goodwill, intangible assets and property, plant and equipment

The procedure for determining the impairment losses on goodwill, intangible assets and property, plant and equipment described in the accounting standard "Impairment of assets" implies - in estimating the value in use - the use of assumptions regarding: i) the forecast of expected cash flows from the cash generating units ("CGUs") identified, making reference to the 2022-2025 Business Plan, approved by the Board of Directors on 24 February 2022, ii) the determination of an appropriate discounting rate (WACC) and iii) a long-period growth rate (g-rate). These assumptions are based on the Management's perspectives to focus on the "core" product (air heat exchangers) through product and process innovation, technological advances and increased production efficiency of the plants also thanks to specialisation; on the increase of applications in unrelated sectors and on the increase of internationalisation; on the exploitation of linked growth opportunities, in summary, to: i) focus on exchangers that use natural refrigerants and which are therefore aligned with the F-GAS regulation; ii) exploitation in some countries of the competitive advantage over local competitors linked to the greater experience of the LU-VE Group in exchangers that use natural refrigerants and to the presence of thousands of reference installations around the world; iii) development of the cold chain in less developed countries; iv) greater attention to energy saving issues by governments and users who will shift demand for more energy efficient products; v) focus in the world of data centres especially on higher-powered outdoor machines which have a much higher development potential than indoor machines. The actions envisaged on sales prices suggest that it is reasonable to pass on the expected cost increases over the years of the Plan for raw materials and energy to the downstream market, thus allowing to safeguard EBITDA in absolute value. These assumptions do not take into account the possible impacts related to the recent geopolitical tensions identified as a non-adjusting event pursuant to IAS 10 as at 31 December 2021. These assumptions, on the other hand, take into account an assessment of the further possible impacts linked to the carry-over of the effects of the pandemic.

In addition to what is stated above, the Group is assessing the risks and opportunities correlated to the climate change and aims to set scientific objectives for the reduction of greenhouse gases in line with the Paris Agreement. In particular, the investigation scope will take into consideration Scope 1 and 2 (direct and indirect emissions linked to the energy generated by the organisation) and Scope 3 (indirect emissions generated by the value chain) emissions. However, in the process of drawing up the 2022-2025 Business Plan, the main assumptions considered by the Management can be summarised as follows: growth in sales volumes on the basis of the trend towards heat exchangers with natural refrigerants which have an extremely lower impact on GWP compared to traditional freon ones; growth in volumes linked to incentive plans for green technologies; adequate investments in R&D to support the technological development of products with a view to greater sustainability; in non-ordinary investments, it was considered to purchase plants and build production plants with technical characteristics in line with the best sustainability practices (consumption, emissions, discharges, etc.).

As required by IAS 36, as the above-mentioned CGUs include goodwill, the Group's Management performed an impairment test to determine whether the carrying amounts relating to the assets of the individual CGUs are recognised in the Financial Statements as at 31 December 2021 at a value no higher than their recoverable amount. In particular, the Group has recognised goodwill totalling €55 million in the consolidated Financial Statements as at 31 December 2021. This goodwill has been attributed to two cash generating units ("CGUs"): "Components" for €27.5 million and "Cooling Systems" for €27.5 million, to which intangible assets with a finite useful life for €35.5 million, rights of use for €16.7 million and property, plant and equipment for €150.9 million have also been allocated.

Provisions for credit risks

Receivables are adjusted by the relative bad debt provision to take into account their recoverable amount. To determine the amount of write-downs, the Directors are required to make subjective assessments based on available documentation and information regarding customer solvency, as well as experience and historical and prospective collection trends.

In the current uncertain context, the Management has estimated the impacts of the pandemic on the possible deterioration of customers' creditworthiness and on their ability to meet their obligations using exclusively forward looking information, so proceeding to make further allocations to the bad debt provision during the year (as reported above, however, these evaluations have not taken into account the possible impacts deriving from the recent geopolitical tensions).

Income taxes and deferred tax assets

The Group is subject to various income tax legislations. To determine the Group's tax liabilities, the Management needs to make assessments with respect to transactions that have uncertain tax implications at the reporting date. In addition, deferred tax assets are measured on the basis of expected income of the Group companies in future years; the assessment of this expected income depends on factors that could change over time and have significant effects on the measurement of deferred tax assets.
In the verification of recognition and recoverability of deferred tax assets recognised in the Financial Statements as at 31 December 2021, the taxable results deriving from the 2022-2025 Plans of individual Group companies (and in particular those of the Parent Company, which as at 31 December 2021 concentrates a large part of the same - €5.3 million) - subsequently included in the LU-VE Group's 2022-2025 Business Plan - were taken into account, through the extrapolation from these of taxable income expected for the following years. The effects deriving from the temporary differences on which deferred tax liabilities were recognised were also used in the verification of recognition. However, the future trend of these factors, including the evolution of the difficult global health, economic and financial environment, together with the effects deriving from the recent geopolitical tensions, requires circumstances to be constantly monitored by the Group Management.

Tax realignment of some "assets" pursuant to art. 110 of Italian Decree Law 104/2020

Art. 110, paragraph 8) of Italian Decree Law 104/2020 (converted into Law 126/2020), provided the possibility to realign the differences between the book value and the tax value of tangible and intangible assets in the financial statements as at 31 December 2020 against the payment of a 3% substitute tax. On the basis of this decree, LU-VE S.p.A. had opted for the realignment of book values referred to trademarks and buildings deriving from the deficit relative to the reverse merger in 2008 between LU-VE S.p.A. and the company Europarts S.r.l. In the light of a further amendment to the Budget Law, which added paragraph 8-bis to Art. 110 of the above decree, the possibility was extended of obtaining the tax recognition of greater values recognised in the financial statements also in relation to intangible assets without juridical protection.

LU-VE S.p.A. had availed itself of the option as at 31 December 2020, applying the regulation also to the amount of goodwill, again arisen from the above mentioned merger transaction. The net book value of the tax alignment of trademarks, buildings and goodwill of the Parent Company LU-VE S.p.A. amounted to approximately €21.1 million, respectively €2 million referring to trademarks, €4.5 million referring to buildings and €14.6 million relating to goodwill.

The impact on the 2020 consolidated financial statements was positive for approximately €1.8 million in relation to the release of deferred tax liabilities on the greater book values of trademarks and buildings (for €0.6 million and €1.2 million respectively), partially offset by approximately €0.6 million for the recognition of the 3% substitute tax on the entire amount realigned in the tax section (of which approximately €0.5 million relative to the realignment of the goodwill and trademarks values).

In 2021, art. 1, paragraph 622 of the 2022 Budget Law (Law 234/2021), amended art. 110 of Legislative Decree 104/2020 providing for the obligation to extend the amortisation period of intangible assets to 50 years unless the payment of a substitute tax (rate between 12% and 16%) is made, thus reducing the amortisation period back to 18 years.

Following these changes, the Directors of the Parent Company LU-VE S.p.A. have decided to maintain the realignment on buildings of €4.5 million to 18 years, on trademarks of €2 million to 50 years, and waive the realignment of goodwill of €14.6 million to 50 years, given that over such an extended period of time the accounting and tax benefits would no longer be so advantageous.

The impact on the 2021 consolidated Financial Statements is an extraordinary tax income of €0.4 million, 3% of the substitute tax set aside as a tax payable in 2020 on the values of goodwill. Approximately €130 thousand of tax debt remain, equal to 2/3 of the 3% value of trademarks and buildings (the first instalment was paid in the year 2021).

2.3 NEW ACCOUNTING STANDARDS

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED AS AT 1 JANUARY 2021

The following IFRS accounting standards, amendments and interpretations have been applied by the Group for the first time as of 1 January 2021:

- On 31 March 2021, the IASB published an amendment called “Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)”, extending by one year the period of application of the amendment issued in 2020, which provided lessees the option to accounting for rental reductions linked to Covid-19 without having to assess, by analysing contracts, if the definition of lease modification of IFRS 16 had been respected. Therefore, lessees that applied this option in the 2020 financial year, recognised the effects of the reduction of the rental fees directly to the income statement at the date of effect of the reduction. The 2021 amendment, available only to entities that have already adopted the 2020 amendment, is effective as of 1 April 2021 and early adoption is allowed. The adoption of this amendment had no effects on the Group’s consolidated Financial Statements.

- On 27 August 2020 IASB published, in the light of the reform on interbank interest rates such as IBOR, the document “Interest Rate Benchmark Reform - Phase 2”, which includes amendments to the following standards:

  - IFRS 9 Financial Instruments;
  - IAS 39 Financial Instruments: Recognition and Measurement;
  - IFRS 7 Financial Instruments: Disclosures;
  - IFRS 4 Insurance Contracts; and
  - IFRS 16 Leases.

  All the amendments have become effective on 1 January 2021. The adoption of this amendment had no effects on the Group’s consolidated Financial Statements.

IFRS ACCOUNTING STANDARDS AND AMENDMENTS AND IFRIC INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, FOR WHICH APPLICATION IS NOT YET REQUIRED AND NOT ADOPTED EARLY BY THE GROUP AS AT 31 DECEMBER 2021

On 14 May 2020 IASB published the following amendments:

- Amendments to IFRS 3 Business Combinations: the amendments have the purpose of updating the IFRS 3 reference to the Conceptual Framework in the revised version, without this involving amendments to the provisions of the standard.
- Amendments to IAS 16 Property, Plant and Equipment: the amendments have the purpose of not allowing to deduct from the cost of property, plant and equipment the amount received from the sale of goods produced in the testing stage of the same assets. These sale revenues and the relative costs will then be recognised in the income statement.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: the amendment clarifies that all costs directly referable to a contract must be taken into account in the estimate of the possible cost of that contract. In consequence, the evaluation of the possible cost of a contract includes not only incremental costs (such as, for example, the cost of materials directly used in processing) but also the costs that the company cannot avoid because it has stipulated the contract (such as, for example, the portion of depreciation of machinery used to fulfil the contract).
- Annual Improvements 2018-2020: the amendments have been made to IFRS 1 First-time Adoption of International Financial Reporting Standards, to IFRS 9 Financial Instruments, to IAS 41 Agriculture and to the Illustrative Examples of IFRS 16 Leases.

All the amendments will come into effect on 1 January 2022. The directors do not expect the adoption of those amendments to have a significant effect on the Group’s consolidated Financial Statements.

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

At the date of this document, 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 23 January 2020 IASB published an amendment called "***Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current***". The document has the objective of clarifying how to classify debts and other short or long-term liabilities. The amendments apply as at 1 January 2023, 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 12 February 2021, the IASB published two amendments entitled "***Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2" and "Definition of Accounting Estimates - Amendments to IAS 8***". *The* changes are intended to improve disclosure on accounting policy in order to provide more useful information to investors and other primary users of financial statements as well as to help companies to distinguish changes in accounting estimates from changes in accounting policy. The amendments shall apply as of 1 January 2023, but early application is permitted. The directors do not expect the adoption of those amendments to have a significant effect on the Group's consolidated Financial Statements.
- On 7 May 2021, the IASB published an amendment called "***Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction***". The document clarifies how deferred taxes on certain transactions that may generate assets and liabilities of equal amounts, such as leasing and decommissioning obligations, must be accounted for. The amendments shall apply as of 1 January 2023, 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.

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 January 2020	**69,114 (*)**	**78,350 (*)**	**147,464 (*)**
Increases	-	6,979	6,979
Decreases	-	(605)	(605)
Reclassifications	-	-	-
Exchange differences	(1,236)	(245)	(1,481)
As at 31 December 2020	**67,878**	**84,479**	**152,357**
Increases	-	4,636	4,636
Decreases	-	-	-
Reclassifications	-	-	-
Exchange differences	24	132	156
As at 31 December 2021	**67,902**	**89,247**	**157,149**
Provision			
As at 1 January 2020	**12,915**	**36,544 (*)**	**49,459 (*)**
Increases	-	8,479	8,479
Decreases	-	(180)	(180)
Reclassifications	-	-	-
Exchange differences	-	(128)	(128)
As at 31 December 2020	**12,915**	**44,715**	**57,630**
Increases	-	8,946	8,946
Decreases	-	-	-
Reclassifications	-	-	-
Exchange differences	-	56	56
As at 31 December 2021	**12,915**	**53,717**	**66,632**
Net carrying amount			
As at 31 December 2020	54,963	39,764	94,727
As at 31 December 2021	**54,987**	**35,530**	**90,517**

(*) values as at 1 January 2020 were restated in the preparation of the consolidated Financial Statements as at 31 December 2020 pursuant to IFRS 3, to take retrospective account of the effects resulting from the definitive valuation of the fair value of the "Al Air" trademarks and customer list at the date of acquisition.

Goodwill

The increase in the item “Goodwill” for €24 thousand is attributable to the adjustment to the exchange rate delta on goodwill generated in previous financial years by the acquisitions of the Indian company Spirotech Ltd and of the US company Zyklus Heat Transfer Inc.

Pursuant to IAS 36, goodwill is not subject to amortisation, but rather impairment testing on at least yearly basis or more frequently if specific circumstances take place that could require an immediate valuation of possible impairments (impairment test).

The Group tested the recoverability of the carrying amount of Net Invested Capital (NIC) as at 31 December 2021. Among other things, the NIC includes the value of goodwill. For the purpose of impairment testing, the value of goodwill was allocated to the two cash-generating units (CGUs) identified (“Components” and “Cooling Systems”) in line with the operating segments identified in accordance with IFRS 8. Management has not identified other lower level cash generating units with largely independent cash flows to be considered in the allocation of the goodwill.

In particular, the Group has recognised goodwill totalling €55 million in the consolidated Financial Statements as at 31 December 2021, attributed to the “Components CGU” (€27.5 million compared to the 2020 financial year) and the “Cooling Systems CGU” (€27.5 million, unchanged compared to the 2020 financial year), to which intangible assets with a finite useful life amounting to €35.5 million, rights of use to €16.7 million and property, plant and equipment of €150.9 million were also allocated.

In determining the recoverable amount of these CGUs, identified in the value in use - as the sum of the discounted cash flows generated in the future and continuously - of the NIC (Discounted Cash Flow Unlevered method), the Management referred to the Group’s 2022-2025 Business Plan approved by the Parent Company’s Board of Directors on 24 February 2022, whose assumptions are detailed in the paragraph “Recoverability of the value of goodwill, intangible assets and property, plant and equipment” to which reference should be made.

The weighted average cost of capital calculated for the discounting of cash flows is based on a weighting between the cost of debt and the cost of equity, determined on the basis of the values of companies comparable to LU-VE and therefore operating within the same business segments.

The values used for the calculation of the average cost of capital (extrapolated from the main financial sources) are as follows:

- sector financial structure: 8.33% (third party capital) and 91.67% (own capital) for both the CGUs, taking into account the average of a panel of comparable companies;
- sector relevered beta: 1.059 for the “Components CGU” and 1.058 for the “Cooling Systems CGU”;
- risk free rate: 3.55% for the “Components CGU” and 2.51% for the “Cooling Systems CGU” - determined considering the average yield of government bonds with a 10-year maturity in the countries where each CGU operates;
- risk premium: 5.50% (attributable to AAA-rated countries - source Prof. P. Fernandez, Survey: Market Risk Premium and Risk-Free Rate used for 88 countries in 2021) for both CGUs;

cost of debt: 1.69% determined considering the 10-year average of the 10-year IRS rate equal to 0.87% increased by a spread equal to 0.82% - average of the spread applied to comparable companies, determined as a ratio between financial expense and EBIT - source A. Damodaran;

The recoverable amount also includes the terminal value of income flows, which was calculated with the “perpetual cash flow” method considering a growth rate (g rate) of 2.42% and 1.82% respectively for the “Components CGU” and for the “Cooling Systems CGU”. This rate was calculated as the weighted average of the long-term inflation of the countries in which the CGUs operate (source “IMF”) and the related revenues. In the terminal value, an operating cash flow equal to the last year of the plan (2025), adjusted so as to reflect a situation “under normal circumstances”, was considered. The level of amortisation and investments was balanced and a change in working capital equal to zero was assumed. A weighted tax rate was also considered in relation to the countries in which the two CGUs operate.

In more detail, in order to determine the recoverable amount of Net Invested Capital, cash flows were discounted using a discounting rate (WACC) which takes into account the specific risks of the asset and which reflects current market assessments of the cost of money. Two different WACCs were calculated, equivalent to 8.70% for the Components CGU and 7.74% for the Cooling Systems CGU.

From the impairment test carried out, approved by the Parent Company’s Board of Directors on 17 March 2022, no losses emerged, as the value in use was found to be higher than the carrying amount.

As required by IAS 36 and by the impairment test guidelines drafted by the O.I.V., the Group has carried out a sensitivity analysis in relation to the recoverable amount of the above mentioned CGUs, analysing the effect of the variation of the discounting rate used to discount future cash flows (WACC) and the g-rate, maintaining the main plan assumptions unchanged.

A further sensitivity analysis has been carried out, analysing the effect of the discounting rate used to discount future cash flows (WACC) and Terminal Value amortisation/investments, again maintaining the main other plan assumptions unchanged.

These sensitivity analyses did not highlight any critical issues, confirming the results in terms of robustness of the test.

In addition, the management has provided to determine the break-even WACC, the reduction of EBITDA and the break-even g-rate (which equate to the Value in Use and Carrying Amount), obtaining the results reported below:

- increase of the WACC (maintaining all other plan assumptions unchanged) of approximately +9.8% for the Components CGU and approximately +4.8% for the Cooling Systems CGU;

- reduction of the EBITDA in the Plan’s explicit period and in Terminal Value (maintaining all other plan assumptions unchanged) of -41.0% for the Components CGU and -34.0% for the Cooling Systems CGU;

- break even g-rate: non-significant reduction of the TV g-rate. Even by using a nil value for both CGUs, the Cover would not be zero.

As already mentioned above, the cash flows deriving from the 2022-2025 Business Plan do not take into account the possible impacts related to the recent geopolitical tensions identified as a non-adjusting event pursuant to IAS 10 at 31 December 2021, while they take into account an assessment of the further possible impacts linked to the carry-over effects of the pandemic.

Other intangible assets

The net value of "Other intangible assets" fell by €4,234 thousand compared to the previous year.

Detail of other intangible assets *(in thousands of Euro)*	**Customer list**		**Trademarks**		**Development costs**	**Development costs in progress**	**Software**	**Other**	**Total**	
Historical										
As at 1 January 2020	**20,580**	**(*)**	**23,903**	**(*)**	**15,981**	**1,595**	**15,502**	**789**	**78,350**	**(*)**
Increases	-		-		253	1,582	5,089	55	6,979	
Decreases	-		-		(264)	(161)	(165)	(15)	(605)	
Reclassifications	-		-		894	(894)	578	(578)	-	
Exchange differences	(30)		10		(16)	-	(196)	(13)	(245)	
As at 31 December 2020	**20,550**		**23,913**		**16,848**	**2,122**	**20,808**	**238**	**84,479**	
Increases	-		-		369	1,397	2,847	23	4,636	
Decreases	-		-		-	-	-	-	-	
Reclassifications	-		-		1,027	(1,027)	55	(55)	-	
Exchange differences	29		(5)		20	5	73	10	141	
As at 31 December 2021	**20,579**		**23,908**		**18,264**	**2,497**	**23,783**	**216**	**89,256**	
Provision										
As at 1 January 2020	**2,108**	**(*)**	**9,206**	**(*)**	**12,214**	**-**	**12,900**	**116**	**36,544**	**(*)**
Increases	1,374		2,020		1,722	-	3,363	-	8,479	
Decreases	-		-		-	-	(165)	(15)	(180)	
Reclassifications	-		-		-	-	-	-	-	
Exchange differences	-		9		8	-	(145)	-	(128)	
As at 31 December 2020	**3,482**		**11,235**		**13,944**	**-**	**15,953**	**101**	**44,715**	
Increases	1,374		2,020		1,885	-	3,664	3	8,946	
Decreases	-		-		-	-	-	-	-	
Reclassifications	-		-		-	-	-	-	-	
Exchange differences	(3)		(3)		7	-	55		56	
As at 31 December 2021	**4,853**		**13,252**		**15,836**	**-**	**19,672**	**104**	**53,717**	
Net carrying amount										
As at 31 December 2020	**17,068**		**12,678**		**2,904**	**2,122**	**4,855**	**137**	**39,764**	
As at 31 December 2021	**15,726**		**10,656**		**2,428**	**2,497**	**4,111**	**112**	**35,530**	

(*) values as at 1 January 2020 were restated in the preparation of the consolidated Financial Statements as at 31 December 2020 pursuant to IFRS 3, to take retrospective account of the effects resulting from the definitive valuation of the fair value of the "Al Air" trademarks and customer list at the date of acquisition.

Customer list

The changes in the year referring to the customer list refer exclusively to amortisation for the year, neglecting the effect deriving from exchange differences.

Trademarks

The changes in the year relating to Trademarks refer exclusively to amortisation for the year, neglecting the effect deriving from exchange differences.

Development costs and development costs in progress

During the 2021 financial year, the Group incurred capitalisable *Development costs* for €1,766 thousand (of which €369 thousand in use and €1,397 thousand for current projects), referred to the development of new products subject to the prior authorisation of the Board of Statutory Auditors of the individual companies, where required. During the financial year, several projects were completed which have led to a reclassification of the relative costs recognised in the item "*Development costs in progress*" for €1,027 thousand.

Software

Software increased by €2,847 thousand following the main projects developed in 2021 which mainly related to the SAP application in the different companies of the Group for €502 thousand, the PLM (Product Lifecycle Management) project for €394 thousand, and other management software for improved operations at Group level (configurators, licences, developments, etc.) for €1,951 thousand.

Other intangible assets

Other intangible assets increased by €23 thousand: these increases refer to software in the process of being completed.

These intangible assets were included in 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 1 January 2020	101,073	143,059	22,039	33,921	12,985	313,077
Increases	738	5,236	4,179	2,919	8,801	21,873
Decreases	(5)	(1,224)	(1,273)	(708)	(53)	(3,263)
Reclassifications	174	7,773	-	527	(8,474)	-
Exchange differences	(3,967)	(5,188)	(263)	(531)	(778)	(10,727)
As at 31 December 2020	98,013	149,656	24,682	36,128	12,481	320,960
Increases	7,687	7,900	4,284	3,681	5,343	28,895
Decreases	(28)	(2,086)	(1,694)	(665)	(209)	(4,682)
Reclassifications	7,039	3,878	-	899	(11,816)	-
Exchange differences	913	2,443	241	316	617	4,530
As at 31 December 2021	113,624	161,791	27,513	40,359	6,416	349,703
Provision						
As at 1 January 2020	25,075	95,021	3,705	26,007	-	149,808
Increases	2,425	10,437	4,578	2,367	-	19,807
Decreases	(4)	(1,179)	(1,176)	(701)	-	(3,060)
Reclassifications	-	-	-	-	-	-
Exchange differences	(836)	(3,097)	(49)	(320)	-	(4,302)
As at 31 December 2020	26,660	101,182	7,058	27,353	-	162,253
Increases	2,576	11,009	4,831	2,778	-	21,194
Decreases	(9)	(2,008)	(1,188)	(583)	-	(3,788)
Reclassifications	-	-	-	-	-	-
Exchange rate difference	369	1,779	74	228	-	2,450
As at 31 December 2021	29,596	111,962	10,775	29,776	-	182,109
Net carrying amount						
As at 31 December 2020	71,353	48,474	17,624	8,775	12,481	158,707
As at 31 December 2021	84,028	49,829	16,738	10,583	6,416	167,594

As at 31 December 2021, the historical cost of property, plant and equipment increased by €28,743 thousand, the increase of €28,895 thousand mainly refers to increases in investments, the negative difference of €152 thousand refers to net effect of the decreases (around €4,682 thousand) and the increase in exchange rates (with particular reference to the US Dollars, Zloty, Roubles and Rupees) on the historical cost for €4,530 thousand.

The gross increase of €28,895 thousand mainly referred to:

- the expansion of existing production capacity (for €2.2 million) by the Parent Company LU-VE S.p.A.;
- the expansion of the manufacturing site and the enhancement of the existing production capacity by the Polish subsidiary;

- the purchase of the Sarole production site, the expansion of the manufacturing site and the enhancement of the existing production capacity (for €4.7 million) by the Indian subsidiary;
- the completion of the construction of the first lot of the new plant and the strengthening of the existing production capacity (for €5.7 million) by the US subsidiary;
- the expansion of existing production capacity (for €2.2 million) by the Italian subsidiary Air Hex Alonte S.r.l.;
- the increase in the item Rights of use for €4,284 thousand, mainly linked to new lease agreements for property by the subsidiary Thermo Glass Door S.p.A. and for long-term hire of industrial equipment by the parent company LU-VE S.p.A. as well as the subsidiaries Air Hex Alonte S.p.A. and Fincoil OY.

For more details on the investments for the year, please refer to the Directors' Report.

These items in property, plant and equipment were included in the impairment test described above as they were 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)*	**31/12/2021**	**31/12/2020**	**Change**
Industria e Università S.r.l.	8	8	-
Total	8	8	-

3.4 OTHER NON-CURRENT ASSETS

The item in question was broken down as follows as at 31 December 2021:

Other non-current assets ***(in thousands of Euro)***	**31/12/2021**	**31/12/2020**	**Change**
Other non-current assets	228	207	21
Total	228	207	21

"Other non-current assets" amounted to €228 thousand and included deposits paid for supply of services.

3.5 INVENTORIES

The item in question was broken down as follows as at 31 December 2021:

Inventories *(in thousands of Euro)*	**31/12/2021**	**31/12/2020**	**Change**
Raw materials and consumables	81,780	42,005	39,775
Work in progress and semi-finished products	8,796	5,030	3,766
Finished products and goods for resale	28,125	16,560	11,565
Provision for inventory losses	(7,624)	(6,948)	(676)
Total	**111,077**	**56,647**	**54,430**

The increase of €54,430 thousand compared to the previous financial year is mainly due to the following:

- for €55,106 thousand to the increase in the inventories of the various companies of the Group. This increase is mainly linked to the strategic choice of investing in increasing the level of safety stocks of raw materials in order to be able to guarantee customers delivery terms in line with their expectations, also reducing the effect of the price increase of the same expected in 2022;

- for €676 thousand to the increase in the provision for inventory losses.

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

The increase in provision for inventory losses for €676 thousand is broken down as follows:

- increase of €1,406 thousand for greater provisions;
- decrease of €890 thousand for use of the Provision;
- Positive exchange differences effect of €160 thousand.

3.6 TRADE RECEIVABLES

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

Trade Receivables *(in thousands of Euro)*	**31/12/2021**	**31/12/2020**	**Change**
Trade receivables	84,385	70,070	14,315
Bad debt provision	(10,254)	(10,307)	53
Total	**74,131**	**59,763**	**14,368**

The increase in trade receivables amounting to €14,368 thousand was due to:

- an increase of €14,315 thousand attributable to the general increase in receivables of the various Group companies, also following the higher turnover in the 2021 financial year compared to the previous one;
- a decrease of €53 thousand attributable to the net decrease in the bad debt provision, which breaks down as follows:
    - increase of €422 thousand for greater provisions;
    - decrease of €591 thousand for use of the Provision;
    - increase of €116 thousand for positive exchange differences.

In addition, in December 2021 receivables of roughly €25,853 thousand were transferred to Factoring companies, compared to approximately €19,029 thousand in the same month in the previous year. All these transfers were without recourse. Factored receivables as a percentage of revenue came to 5.25% in 2021 and 4.7% in 2020.

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 performed by the Group) for an amount of €392 thousand and a reduction in trade receivables for variable compensations (mainly credit notes to be issued for bonuses granted to customers) for €1,975 thousand.

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

Breakdown of trade receivables by geographical area *(in thousands of Euro)*	**31/12/2021**	**31/12/2020**	**Change**
Italy	17,580	15,694	1,886
EU Countries	48,666	37,594	11,072
Non-EU Countries	18,139	16,782	1,357
Bad debt provision	(10,254)	(10,307)	53
Total	**74,131**	**59,763**	**14,368**

The ageing of trade receivables is shown below:

Breakdown of trade receivables by maturity *(in thousands of Euro)*	**31/12/2021**	**31/12/2020**	**Change**
Current receivables (not past due)	67,878	55,933	11,945
Past due up to 30 days	7,593	4,563	3,030
Past due from 30 to 60 days	2,538	2,084	454
Past due from 60 to 90 days	850	1,867	(1,017)
Past due for more than 90 days	5,526	5,623	(97)
Total	**84,385**	**70,070**	**14,315**

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.

As at 31 December 2021, the estimate of the expected losses included the potential forward-looking impacts of the pandemic on the possible deterioration of customers' creditworthiness, of the countries in which they operate and on their ability to meet their obligations. With reference to these latter considerations, we report how the effects on receivables deriving from the COVID-19 health crisis as at 31 December 2021 have not involved significant delays in customers' payments with respect to the dates originally contractually scheduled with customers: Management deemed it reasonable, in any case, on the basis of the forward-looking impacts of the pandemic, to increase their expectations of future losses reflecting this risk in the bad debt provision allocation in the Financial Statements.

Furthermore, it is reported how the average payment terms were not subject to significant changes compared to the previous year.

The following table details the risk profile of trade receivables on the basis of the allocation matrix reviewed by the Group in 2021 on the basis of IFRS 9. 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.

31/12/2021 *(in thousands of Euro)*	**Not past due**	**<30**	**31 - 60**	**61 - 90**	**>90**	**Total**
Expected default rate	5.13%	10.58%	12.7%	20.6%	100.0%	
Estimate of gross accounting value at the time of default	67,608	7,988	2,503	838	5,448	84,385
Expected losses throughout the life of the credit	3,469	845	319	173	5,448	10,254

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)*	**31/12/2021**	**31/12/2020**	**Change**
Due from the tax authorities for VAT	7,512	8,986	(1,474)
Due from the tax authorities for payments on account of direct taxes	2,981	1,141	1,840
Others	239	132	107
Total	**10,732**	**10,259**	**473**

Tax receivables increased by €473 thousand. This increase is the result of the increase in the item Due from the tax authorities for payments on account of direct taxes for €1,840 thousand, and the decrease of €1,474 thousand in the VAT credit for use of the credit deriving from the previous year to offset the tax burden arising during the year.

Tax receivables for payments on account of current taxes payable within the subsequent year refer to the excess of taxes prepaid for the year 2021 with respect to the effective tax burden.

3.8 CURRENT FINANCIAL ASSETS

Current financial assets included in this item are part of the "FVTPL" category indicated by IFRS9. These are financial instruments, whose contractual financial flows are not constituted solely by payment of principal and interest on the amount of principal to be repaid, and are held by the Company 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)*	**31/12/2021**	**31/12/2020**	**Change**
Capitalisation policies	81,356	69,958	11,398
Other securities	590	300	290
Total	**81,946**	**70,258**	**11,688**

The item "Capitalisation policies" includes the following financial instruments:

- Capitalisation policies issued by Aviva Vita S.p.A. and subscribed by the Parent Company LU-VE S.p.A. for a nominal value of €59,776, recognised at fair value for a value of €64,902 thousand (as at 31 December 2020 the nominal value was €49,856 thousand, while the fair value was €54,003 thousand) 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 financial year further Branch I capitalisation policies were subscribed to supplement those already subscribed in 2016, for €10,000 thousand, net of purchasing commission of €80 thousand (the latter recognised in the income statement in the item "Financial expense"). This item constitutes the numerical change for the year 2021 reported in the statement of cash flows together with the increase in the investment in Unicredit described below (for a total of €10,219 thousand). The fair value measurement at the end of the financial year entailed the recognition of a positive change of €979 thousand, recognised under the item "Financial income".

- Capitalisation policies issued by BNP Paribas Cardif Vita Compagnia di Assicurazione e Riassicurazione S.p.A. and underwritten by the Parent Company LU-VE S.p.A. for a nominal amount of €15,000 thousand, measured at fair value at €16,454 thousand (as at 31 December 2020, the nominal value was €15,000 thousand, while the fair value was €15,955 thousand); no new capitalisation policies were taken out during the year. The fair value measurement at the reporting date entailed the recognition of a positive amount of €498 thousand, recognised under the item "Financial income".

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 some penalties in the case of early redemption, of amounts not significant with reference to BNP Paribas Cardif Vita Compagnia di Assicurazione e Riassicurazione S.p.A., with expiry in 2022.

Other securities refer to investments, with Unicredit, for a total of €600 thousand. During the year, new certificates were subscribed for a total value of €300 thousand. The fair value measurement at

31 December 2021 entailed the recognition of a negative change of €9 thousand under the items "Other financial expense".

Profits and losses from disinvestment are recognised in the Income Statement under the items "Financial income" or "Financial expense", like the fair value increases and decreases.

3.9 OTHER CURRENT ASSETS

The details of this item are shown below:

Other current assets *(in thousands of Euro)*	**31/12/2021**	**31/12/2020**	**Change**
From employees	64	36	28
Advances and other receivables	3,437	3,583	(146)
Total	**3,501**	**3,619**	**(118)**

The decrease of €118 thousand is mainly due to the decrease of "Advances to suppliers" for IT services and for shows and exhibitions.

3.10 CASH AND CASH EQUIVALENTS

The details of this item are shown below:

Cash and cash equivalents *(in thousands of Euro)*	**31/12/2021**	**31/12/2020**	**Change**
Cash and cash equivalents	166,328	152,679	13,649
Total	**166,328**	**152,679**	**13,649**

For information regarding cash flows dynamics, please refer to paragraph 1.5 – "Consolidated Statement of Cash Flows".

Cash and cash equivalents are mainly concentrated in Italy for an amount of €140,187 thousand. The Group has no restrictions/constraints on the use of these amounts.

The following table reports the breakdown of cash and cash equivalents by geographical area: cash and cash equivalents in non-EU countries mainly refer to current account balances of accounts in Russian roubles (for a value of approximately €8.6 million), in Chinese Yuan (approximately €5.3 million), Indian rupees (approximately €3.5 million), US dollar (approximately €1.6 million).

Cash and cash equivalents by geographical areas *(in thousands of Euro)*	**31/12/2021**	**31/12/2020**	**Change**
Italy	140,187	115,826	24,361
EU Countries	6,565	12,820	(6,255)
Non-EU Countries	19,576	24,033	(4,457)
Total	**166,328**	**152,679**	**13,649**

3.11 SHAREHOLDERS' EQUITY

The share capital of the Parent Company LU-VE S.p.A. amounted to €62,704 thousand (unchanged from 31 December 2020). In 2021, dividends of €5,996 thousand were distributed by the Parent Company LU-VE S.p.A. from retained earnings.

As at 31 December 2021 the Parent Company held 28,027 treasury shares (0.13% of the share capital), purchased during the financial year and recognised in the consolidated Financial Statements as an adjustment of shareholders' equity for a total value of approximately €288 thousand. No treasury shares were purchased/sold during the financial year.

Shareholders' equity attributable to non-controlling interests amounted to €4,586 thousand (€3,993 thousand as at 31 December 2020). The profit attributable to non-controlling interests totalled €1,036 thousand (€821 thousand in 2020). The increase in non-controlling interests was negatively influenced by the distribution of dividends for €470 thousand by the companies SEST LU-VE POLSKA Sp.z.o.o. and Tecnair LV S.p.A. and positively by the economic results for the year, together with the positive effects deriving from the conversion of the related shareholders' equities into Euro.

It should be noted that at 31 December 2021 the translation reserve equal to negative €12.3 million mainly refers to the following currencies: €4.1 million for Russian rubles, €6.2 million for Polish zlotys, €2.7 million for Indian rupees and positive €0.7 million for other currencies.

Please note that the Group is following with great attention the evolution of the crisis between Russia and Ukraine, which risks having serious repercussions on the world economy also following the sanctions, which have already entered into force or are in the process of being defined. The extreme geographical diversification of sales means that as at 31 December 2021 the Group's exposure in this area is equal to only approximately 8% in terms of turnover and 3% of net invested capital (€9.2 million as at 31 December 2021). As at 28 February 2022, the exposure in terms of order backlog was 5%.

In the extreme case of loss of control of the two Russian companies (OOO Sest LUVE and LUVE Moscow) due to events beyond the Group's control, in addition to the already quantified effects on sales and net invested capital, the Group would be obliged to reverse onto the income statement the negative translation reserve relating to the two companies preparing their Financial Statements with functional currency in roubles equal to approximately €4.1 million as at 31 December 2021. The intra-group receivables of the other Group companies from the two Russian subsidiaries amounted to €3.7 million as at 31 December 2021. As of 31 December 2021, no Group company had guaranteed the debts of the two Russian companies towards third parties. With reference to the cash and cash equivalents of the Group's companies in Russia at 31 December 2021, reference should be made to the restrictions currently in force.

3.12 LOANS

This item was broken down as follows:

Loans *(in thousands of Euro)*	31/12/2021 Current	31/12/2021 Non-current	31/12/2020 Current	31/12/2020 Non-current
Loans	131,771	202,844	72,266	228,104
Advances on export flows in Euro	19,500	-	9,500	-
Total	**151,271**	**202,844**	**81,766**	**228,104**

As at 31 December 2021, bank loans amounted to €334,615 thousand (€300,370 thousand as at 31 December 2020).
The breakdown of this item, recognised according to the amortised cost, the evolution with respect to the previous year and the characteristics of the bank loans held by the Group are provided in the table of paragraph 9 Appendix B.

In relation to certain loan agreements, the LU-VE Group committed to respecting specific financial and economic parameters (covenants), which however, are checked only annually on drawing up the consolidated Financial Statements as at 31 December of each year. In accordance with ESMA Guidelines 2021/32-382-1138, the related Appendix shows the loans outstanding as at 31 December 2021, for which compliance with the equity and economic covenants is required on a consolidated basis, as well as the characteristics of the covenants themselves (in thousands of Euro).

The changes in loans during the financial year are shown below:

Loans: changes during the year *(in thousands of Euro)*	Opening balance	New loans	Repayments	Change in amortised cost	Exchange delta	Closing balance
Loans	300,370	160,000	(125,515)	(151)	(89)	334,615
Advances on export flows in Euro	9,500	38,000	(28,000)	-	-	19,500
Total	**309,870**	**198,000**	**(153,515)**	**(151)**	**(89)**	**354,115**

The following changes took place in loans in 2021:

- unsecured short-term bullet loan for €30,000 thousand with Cassa Depositi e Prestiti with maturity on 3 August 2022. The loan is fixed rate and is not subject to compliance with financial covenants;

- subscription of an unsecured loan for €30,000 thousand with Intesa Sanpaolo S.p.A., maturing on 31 March 2026. This loan provides conditions that are further improved for the Group when it reaches specific objectives: use of renewable energy sources and support to the community with the allocation of shares of turnover. The loan has constant quarterly instalments, with 3-month Euribor interest rate plus the spread, which may be subject to a decrease on the basis of the achieved objectives. The loan is subject to compliance with financial covenants;

- unsecured medium-term loan for a total of €18,000 thousand with BPM S.p.A., maturing on 31 March 2026. This loan provides conditions that are further improved for the Group when it reaches specific sustainability objectives. The loan has constant half-yearly instalments, with 3-month Euribor interest rate plus a progressively decreasing spread on the basis of achieved sustainability objectives. The loan is subject to compliance with financial covenants;

- subscription of a medium-term unsecured loan for a total amount of €12,000 thousand with BPM S.p.A., with maturity date 31 March 2026. The loan has constant half-yearly instalments, with 3-month Euribor interest rate plus a decreased spread on the basis of achieved sustainability objectives. The loan is subject to compliance with financial covenants;

- subscription of a medium-term unsecured loan for a total amount of €30,000 thousand with Unicredit, with maturity date 31 March 2025. The loan provides for constant half-yearly instalments, 6-month Euribor interest rate. The loan is subject to compliance with financial covenants.

- subscription of a medium-term unsecured loan for a total amount of €40,000 thousand with BPM S.p.A., with maturity date 30 September 2026. The loan provides for constant quarterly instalments, 3-month Euribor interest rate. The loan is subject to compliance with financial covenants.

- early repayment of the unsecured loan with the former UBI Banca now BPER S.p.A. in the amount of €19,837 thousand taken out on 26 July 2019, with maturity date 30 July 2026.

- early repayment of the unsecured loan with Unicredit S.p.A. for €14,000 thousand taken out on 20 September 2018 and maturing 30 September 2023.

- early repayment of the EIB unsecured loan with Unicredit S.p.A. for €8,400 thousand taken out on 20 September 2018 and maturing 30 September 2023.

- early repayment of the unsecured loan with the former BPM S.p.A. in the amount of €17,500 thousand taken out on 25 January 2019, with maturity date 31 March 2025.

The only subscription that took place benefiting from state subsidies following the COVID-19 pandemic is the loan of Cassa Depositi e Prestiti and no new loan benefited from state guarantees, again following the COVID-19 pandemic. The new contracts were signed at interest rates slightly lower than the average cost of the Group’s debt, but in line with market rates.

In addition to the early repayment of the above mentioned loans, the reimbursements of the current instalments of the loans occurred during the year amounted to €66,044 thousand, therefore total reimbursements and early repayments amounted to €125,781 thousand.

We note that the following guarantees operate on the existing loans subscribed with Deutsche Bank in the previous financial year:

- with reference to the loan of €5,500 thousand maturing on 11 November 2026, a 90% guarantee granted by the SME Central Guarantee Fund pursuant to Law no. 40 of 5 June 2020, in order to support small and medium companies whose business has been affected by the COVID-19 emergency;

- with reference to the loan of €10,000 thousand maturing on 11 November 2025, a payment guarantee issued by SACE S.p.A. for the benefit of the bank to cover 50% of the due amount of principal and interest to be paid by LU-VE S.p.A.. The SACE guarantee is to be intended as public support intervention for the development of the production activities benefiting from the counter-guarantee of the Italian government in the context of the application of Italian Legislative Decree no. 123 of 31 March 1998, "Dispositions for the rationalisation of public support interventions to enterprises", pursuant to article 4, paragraph 4, letter c) of Law no. 59 of 15 March 1997.

As previously reported, 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 mainly floating rate and pegged to the Euribor. Note 4.16 below provides the information relating to financial risks.

3.13 PROVISIONS

The details of this item are shown below:

Change in provisions *(in thousands of Euro)*	**31/12/2020**	**Prov./incr.**	**Uses**	**Release of excess portion**	**Other changes**	**Exchange delta**	**31/12/2021**
Provision for agents' leaving indemnities	29	34	-	-	-	-	63
Product warranty provision	4,283	452	(65)	-	-	31	4,701
Other provisions for risks and charges	629	137	-	-	-	11	777
Total	4,941	623	(65)	(147)	-	42	5,541

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 of €34 thousand refers to provisions for new agency relationships.

The product warranty provision covers the risk of returns or charges from customers for non-conform products already sold. The provision was adjusted at year-end on the basis of analyses conducted and past experience. The net increase of €418 thousand is broken down into the various production companies of the Group and is based on the best estimates made by the same.

The other provisions for risks and charges increased by €148 thousand, and refer for €137 thousand to provisions due to other risks connected with the marketing of products.

Provisions, which represent the estimated future outflows calculated partly based on historical experience, were subject to actuarial valuation as at 31 December 2021. As the effect was deemed negligible, it was not incorporated in the Group's consolidated Financial Statements as at 31 December 2021.

3.14 EMPLOYEE BENEFITS

Employee benefits amounted to €5,770 thousand, a net increase of €197 thousand compared to 31 December 2020. The entire amount referred to the provision for employee severance benefits.

The provision for employee severance benefits refers only to the Group's Italian companies and includes substantially the post-employment benefits accrued by personnel employed as at 31 December, 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 S.p.A., AIR HEX ALONTE S.r.l. and Thermo Glass Door S.p.A.), 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 benefit 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 LV S.r.l. and Manifold S.r.l.), in accordance with IAS 19 the fund as at 31 December 2021 is recognised entirely as "Defined benefit plan" and is therefore subject to actuarial valuation.

The breakdown and changes in the item as at 31 December 2021 are shown below:

Employee benefits *(in thousands of Euro)*	**31/12/2021**	**31/12/2020**
Liabilities as at 1 January	5,573	5,491
Provisions	316	233
Financial expense	11	36
Payments made	(342)	(288)
Actuarial (gains)/losses	212	101
Liabilities at the end of the year	**5,770**	**5,573**

The adjustment to equity for actuarial gains and losses includes a net actuarial loss of €212 thousand, calculated as follows:

- Actuarial loss deriving from the change in the main actuarial assumptions used as at 31 December 2021 compared to the previous evaluation and from effect of the variation that the collective object of the valuation suffered between one valuation and the other: €131 thousand;
- Actuarial loss deriving from the effect of the variation that the financial hypotheses have suffered between one valuation and the other: €78 thousand.

Actuarial gains and losses are recognised in shareholders' equity through the statement of comprehensive income.
The values recognised in the Income Statement are included in "Personnel costs" (Note 4.5).

The main financial and demographic assumptions used at the date of the last reference valuation of 31 December 2021 are shown below:

Financial assumptions	31/12/2021 %	31/12/2020 %2
Discount rate (IBOXX Eurozone Corporate AA 10+ Index)	0.34	0.34
Inflation	1.75	0.80
Salary increase rate	1 - 2.5	1 - 2.5
Post-employment benefits increase	2.81	2.10

Demographic assumptions	31/12/2021	31/12/2020
Mortality rate	State General Accountancy Table RG48	State General Accountancy Table RG48
Disability	INPS Tables	INPS Tables
Personnel turnover	1.3%-5.5%	1.3%-5.5%
Advances	0.5%-5%	0.5%-5%
Retirement age	100% upon satisfaction of general compulsory insurance requirements	100% upon satisfaction of general compulsory insurance requirements

The sensitivity analysis for the provision for employee severance benefits is reported below. The following table reports the change in the provision with the variation of the most significant actuarial hypothesis, that is to say the discount rate:

Sensitivity of provision for employee severance benefits as at 31/12/2021 *(in thousands of Euro)*	0.25%	-0.25%
Discounting rate	(34)	242

3.15 OTHER FINANCIAL LIABILITIES

The item “Other financial liabilities” mainly refers to financial payables related to IFRS 16 and the recognition of the negative fair value of derivatives.

The details of this item for the non-current portion are shown below:

Other non-current financial liabilities *(in thousands of Euro)*	31/12/2021	31/12/2020	Change
IFRS 16 financial payables	10,787	11,733	(946)
Total	**10,787**	**11,733**	**(946)**

The item "IFRS 16 financial payables" includes the long-term financial payables of contracts referred to the IFRS 16 accounting standard.

The details of this item for the current portion are shown below:

Other current financial liabilities *(in thousands of Euro)*	**31/12/2021**	**31/12/2020**	**Change**
Fair value of derivatives	776	2,943	(2,167)
IFRS 16 financial payables	4,455	4,380	75
Other financial liabilities	-	800	(800)
Total	5,231	8,123	(2,892)

The item "fair value of derivatives" represents the fair value as at 31 December 2021 of financial derivatives contracts subscribed by the Group companies.

The following table summarises the derivative financial instruments outstanding as at 31 December 2021, broken down by type:

Derivative financial instruments as at 31/12/2021 *(in thousands of Euro)*		**31/12/2021**		**31/12/2020**		**31/12/2021**	**31/12/2020**
TYPE	**ORIGINAL NOTIONAL**	**NOT. Short**	**NOT. M/L**	**NOT. Short**	**NOT. M/L**	**FAIR VALUE**	**FAIR VALUE**
IRS on loans	328,409	73,566	185,755	48,493	182,410	(676)	(2,730)
Currency options	6,100	6,100	-	5,877	-	(100)	(213)
Total	**334,509**	**79,666**	**185,755**	**54,370**	**182,410**	**(776)**	**(2,943)**
Total Notional		**265,422**		**236,780**			

As at 31 December 2021, derivative financial instruments on IRSs entered into by Group companies showed a negative fair value of €676 thousand (€2,730 thousand as at 31 December 2020), while derivative financial instruments on currencies held by the Group showed a negative fair value of €100 thousand (€213 thousand as at 31 December 2020). Please refer to Appendix A for details as at 31 December 2021 of the existing derivative financial instruments broken down by type.

The change in the fair value of derivatives for €2,167 thousand compared to the previous financial year is mainly determined as follows:

- positive change in fair value of €1,080 thousand, relating to the extinguished derivative contracts underlying the early repaid loans (for which reference should be made to Note 4.9 - Financial expense);
- positive change in fair value of €1,135 thousand for derivatives on existing loans;

- negative change in fair value of €277 thousand for the recognition of the fair value on the derivatives underlying the loans taken out in the year;
- positive change in fair value of €56 thousand for the recognition of the fair value on the derivatives underlying the loans of Group companies abroad, repaid during the year;
- positive change in fair value of €60 thousand for the recognition of the fair value on the derivatives underlying the new loans taken out during the year;
- positive net change in the fair value of derivatives on currencies for approximately €113 thousand (for which reference should be made to Notes 4.8 - Financial income and 4.9 - Financial expense).

The item "IFRS16 financial payables" includes the short-term financial payables of contracts referred to the IFRS 16 accounting standard.

The item "other current financial liabilities" of €800 thousand as at 31 December 2020 referred to the payable for the purchase of Al Air's business related to the production site in Sarole (India) paid to Alfa Laval in 2021.

3.16 TRADE PAYABLES

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

Trade Payables *(in thousands of Euro)*	**31/12/2021**	**31/12/2020**	**Change**
Italy	59,902	44,946	14,956
EU Countries	18,386	16,796	1,590
Non-EU Countries	36,070	18,888	17,182
Total	**114,358**	**80,630**	**33,728**

The average payment terms have not changed since the previous year. As at 31 December 2021, there were no past-due payables of significant amounts, and the Group has received no payment orders for past-due payables. The increase in suppliers is mainly linked to the increase in inventories as reported in Note 3.5 Inventories

Contract liabilities (advances received from customers before rendering any service) for an amount of €6,387 thousand are recognised under trade payables.

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

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

The Group does not have any reverse factoring and/or supplier financing transactions with its suppliers.

3.17 TAX PAYABLES

The details of this item are shown below:

Tax payables *(in thousands of Euro)*	**31/12/2021**	**31/12/2020**	**Change**
Due to the tax authorities for income taxes	928	1,029	(101)
Tax withholdings	1,634	1,566	68
VAT payable	524	1,324	(800)
Total	**3,086**	**3,919**	**(833)**

The decrease of €833 thousand is mainly linked to better management of debit/credit items (including the use of declarations of intent).

3.18 OTHER CURRENT LIABILITIES

The details of this item are shown below:

Other current liabilities *(in thousands of Euro)*	**31/12/2021**	**31/12/2020**	**Change**
To personnel	14,994	13,857	1,137
To social security institutions	6,754	5,872	882
To Directors and Statutory Auditors	2,258	1,634	624
Other current payables	3,681	3,164	517
Total	**27,687**	**24,527**	**3,160**

The increase of €3,160 thousand in other current liabilities is mainly linked to the increase in personnel as reported in Note 4.5 Personnel costs.

In the beginning of 2022, payables to personnel and social security institutions were paid in accordance with the relative due dates.

The item “Other current payables” includes €808 thousand as payables for investments (€641 thousand in 2020).

3.19 DEFERRED TAX ASSETS AND LIABILITIES

The details of this item are shown below:

Deferred tax assets and liabilities *(in thousands of Euro)*	**31/12/2021**	**31/12/2020**	**Change**
Deferred tax assets	6,509	7,903	(1,394)
Deferred tax liabilities	(13,909)	(14,537)	628
Net position	**(7,400)**	**(6,634)**	**(766)**

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 period *(in thousands of Euro)*	**TAX LOSSES**	**DEPRECIATION/ AMORTISATION**	**MERGERS/ ACQUISITIONS GROSS UP**	**ACTUARIAL VALUATION OF POST-EMPLOYMENT BENEFITS**	**PROVISIONS AND VALUE ADJUSTMENTS**	**OTHER DIFFERENCES**	**TOTAL**
01.01.2020	(192)	2,970	14,983	(173)	(2,655)	(3,582)	11,351
In Income Statement	73	(290)	(3,154)	7	(1,215)	(266)	(4,845)
In shareholders' equity	-	-	-	(27)	-	-	(27)
Currency translation differences	-	(96)	-	-	54	197	155
Contribution of Air division	-	-	-	-	-	-	-
31.12.2020	(119)	2,584	11,829	(193)	(3,816)	(3,651)	6,634
In Income Statement	74	515	(778)	10	(1,059)	1,998	760
In shareholders' equity	-	-	-	(33)	-	-	(33)
Currency translation differences	-	58	-	-	(35)	16	39
Reclassifications	(100)	(1,176)	206	2	(193)	1,261	-
31/12/2021	(145)	1,981	11,257	(214)	(5,103)	(376)	7,400

As at 31 December 2021, deferred tax assets referred to:

- the losses that can be carried forward for tax purposes relating to the companies LU-VE Iberica SL and LU-VE Sweden AB;

- 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 and exchange differences. The timing differences on the sale of some assets in Poland which took place in 2020 have been reclassified in differences on amortisation/depreciation.

As at 31 December 2021, deferred tax liabilities referred to:

- tax differences on depreciation/amortisation and leases, regarding primarily the application of IFRS 16, with respect to Italian GAAP and to the accounting/tax differences on assets in some companies of the Group. In 2021, the amounts referring to the timing differences on the sale of some assets in Poland during 2020 were reclassified under this item;

- the recognition of taxes on the 2008 merger deficit allocated to land and the tax effect deriving from the allocation of capital gains with respect to the book values for the acquisition of Spirotech (2016), Zyklus (2018) and, of the Air division (2019).

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.

As reported in the previous Note 2.2 "Use of estimates", in the verification of recognition and recoverability of deferred tax assets recognised in the Financial Statements as at 31 December 2021, the taxable results deriving from the 2022-2025 plans of the individual Group companies were taken into account, through the extrapolation from these of taxable income expected for the following years.. The effects deriving from the temporary differences on which deferred tax liabilities were recognised were also used in the verification of recognition.

3.20 NET FINANCIAL POSITION

In compliance with the provisions of the ESMA Guidelines 2021 / 32-382-1138, it should be noted that the Group's net financial position is as follows:

Net financial position *(in thousands of Euro)*	**31/12/2021**	**31/12/2020**	**Change**
A. Cash and cash equivalents (Note 3.10)	166,328	152,679	13,649
B. Cash and cash equivalents (Note 3.8 and 3.10)	-	-	-
C. Current financial assets (Note 3.8)	81,946	70,258	11,688
D. Total Liquidity (A+B+C)	**248,274**	**222,937**	**25,337**
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt (Note 3.12 and 3.15)	24,731	17,623	7,108
F. Current portion of non-current financial debt (Note 3.12)	131,771	72,266	59,505
G. Current financial debt (E+F)	**156,502**	**89,889**	**66,613**
H. Net current financial debt (G-D)	**(91,772)**	**(133,048)**	**41,276**
I. Non-current financial debt (excluding current portion and debt instruments) (Note 3.12)	213,631	239,837	(26,206)
J. Debt instruments	-	-	-
K. Trade payables and other non-current payables	-	-	-
L. Non-current financial debt (I+J+K)	**213,631**	**239,837**	**(26,206)**
M. Net financial debt (H+L)	**121,859**	**106,789**	**15,070**

Paragraph "1.5 - 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 2021, revenues from sales amounted to €491,024 thousand, an increase of 23% compared to the previous year (€400,028 thousand in 2020).

Revenues by product family:

Revenues by product *(in thousands of Euro)*	**2021**	**%**	**2020**	**%**	**Change**	**% Change**
Heat exchangers	252,820	51.5%	182,642	45.7%	70,178	38%
Air Cooled Equipment	184,920	37.6%	174,443	43.6%	10,477	6%
Close Control	28,195	5.7%	24,576	6.1%	3,619	15%
Doors	17,162	3.5%	10,965	2.7%	6,197	57%
Sub-total	**483,097**	**98.3%**	**392,626**	**98.1%**	**90,471**	**23%**
Other	8,107	1.7%	7,402	1.9%	705	10%
TOTAL	**491,204**	**100.0%**	**400,028**	**100.0%**	**91,176**	**23%**

Revenues by geographical area:

Revenues by geographical area *(in thousands of Euro)*	**2021**	**%**	**2020**	**%**	**Change**	**% Change**
Italy	90,816	18%	65,405	16%	25,411	39%
Russia	36,923	8%	29,309	7%	7,614	26%
France	36,161	7%	25,933	6%	10,228	39%
Poland	36,074	7%	26,745	7%	9,329	35%
Czech Republic	34,172	7%	25,948	6%	8,224	32%
Germany	31,351	6%	22,947	6%	8,404	37%
Austria	22,100	4%	15,776	4%	6,324	40%
Finland	21,613	4%	24,320	6%	(2,707)	(11%)
Sweden	20,156	4%	17,466	4%	2,690	15%
USA	15,829	3%	10,823	3%	5,006	46%
Spain	15,798	3%	11,903	3%	3,895	33%
The Netherlands	15,164	3%	13,486	3%	1,678	12%
China	11,747	2%	7,144	2%	4,603	64%
Denmark	5,521	1%	14,097	4%	(8,576)	(61%)
Other countries	97,779	20%	88,726	22%	9,053	10%
TOTAL	**491,204**	**100%**	**400,028**	**78%**	**91,176**	**23%**

Please refer to the Directors' Report for detailed comments on trends in the reference markets during the 2021 financial year.

The value of compensation for transactions with unfulfilled (or not fully fulfilled by the Group and therefore not included in the revenue for the 2021 financial year) performance obligations at the end of the year amounted to €574 thousand. The Directors estimate that they will be recognised as revenue in following year.

4.2 OTHER REVENUES

Other Revenues *(in thousands of Euro)*	**2021**	**2020**	**Change**
Other income	804	1,429	(625)
Total	**804**	**1,429**	**(625)**

"Other revenues" refers for €681 thousand to export incentives of the subsidiary Spirotech and for €123 thousand to other Group Companies' revenues.

4.3 PURCHASES OF MATERIALS

Purchases of materials *(in thousands of Euro)*	**2021**	**2020**	**Change**
Raw materials and purchased components	297,458	193,631	103,827
Consumables	12,275	7,566	4,709
Total	**309,733**	**201,197**	**108,536**

Please refer to the Directors' Report for detailed comments in relation to costs and consumptions for the financial year.

4.4 COSTS FOR SERVICES

Costs for services *(in thousands of Euro)*	**2021**	**2020**	**Change**
Expenses for energy, telephone and telex	7,573	6,028	1,545
General and advisory expenses	15,184	14,378	806
Advertising and promotional expenses	562	471	91
Transport expenses	15,539	11,001	4,538
Maintenance expenses	5,505	4,277	1,228
External processing	6,318	4,182	2,136
Commissions	923	999	(76)
Remuneration to the corporate bodies	3,802	3,342	460
Other costs for services	6,546	6,323	223
Costs for use of third-party assets	1,196	1,200	(4)
Total	**63,148**	**52,201**	**10,947**

The increase in costs for services for €10,947 thousand reflects the gradual return to pre-pandemic levels, and mainly refers to the increase in transport costs (approximately €4,538 thousand), to the increase in external processing (approximately €2,136 thousand), the increase of energy, telephone and telex expenses (about €1,545 thousand), the increase in maintenance expenses (about €1,228 thousand), together with the increase in other services, including overheads and consultancy, etc. (approximately €1,500 thousand).

Auditing consideration disclosure

Pursuant to article 149-duodecies of the Consob issuer regulations, a summary table of the consideration paid for the auditing provided by the company Deloitte & Touche S.p.A., which was engaged to audit the Group's consolidated Financial Statements, is provided below.

Type of Services	**Service provider**	**Recipient**	**Remunerations** *(in thousands of Euro)*
Auditing	Deloitte & Touche S.p.A.	Parent Company	160
		Italian subsidiaries	134
	Deloitte & Touche S.p.A. Network	Foreign subsidiaries	181
Limited audit of the consolidated non-financial statement	Deloitte & Touche S.p.A.	Parent Company	28
Other Services	Deloitte & Touche S.p.A.	Parent Company	92
		Italian subsidiaries	3
	Deloitte & Touche S.p.A. Network	Parent Company	72
		Foreign subsidiaries	3
		Total	**673**

4.5 PERSONNEL COSTS

Personnel costs *(in thousands of Euro)*	**2021**	**2020**	**Change**
Wages and salaries	84,362	70,739	13,623
Social security costs	20,645	18,457	2,188
Post-employment benefits	2,504	2,264	240
Other personnel costs	(828)	224	(1,052)
Total	**106,683**	**91,684**	**14,999**

The increase in the item "Wages and salaries" is mainly due to the increase in the number of Group's employees.

The average number of Group employees in 2021 was 3,849 (with reference to the average number of employees per Group company, please refer to what is reported in detail in the Non-Financial Statement prepared for the year 2021).

As at 31 December 2021, the number of Group employees was to 4,149 (3,193 blue-collar workers, 925 white-collar workers and middle managers, 31 executives), against 3,520 units in 2020 (2,636 blue-collar workers, 850 white-collar workers and middle managers, 34 executives).

As at 31 December 2021, the number of temporary workers was 1,109 (797 in 2020).

In addition, during the year, several Italian companies availed of the ordinary redundancy fund due to the COVID-19 emergency, as envisaged by Decree Law of 18 March 2020, for the personnel at the Alonte site (company of the group, Air Hex Alonte S.r.l.) and a small part for the site in Uboldo (Parent Company LUVE S.p.A.). The total benefit in 2021 relating to those extraordinary measures adopted amounted to a total of approximately €153 thousand (approximately €1,170 thousand in 2020).

4.6 NET WRITE-DOWNS OF FINANCIAL ASSETS

Write-downs *(in thousands of Euro)*	**2021**	**2020**	**Change**
Provisions for impairment to trade receivables	422	5,094	(4,672)
Total	**422**	**5,094**	**(4,672)**

The item write-downs includes the allocations made during 2021 in accordance with the application of the IFRS9 standard, reflecting the estimate of the potential forward-looking impacts of the pandemic on the possible deterioration of customers' creditworthiness, of the countries in which operate and on their ability to meet their obligations.

For further details, please refer to Note "3.6 - Trade receivables".

4.7 OTHER OPERATING COSTS

Other operating costs *(in thousands of Euro)*	**2021**	**2020**	**Change**
Non-income taxes	607	557	50
Provisions for risks	623	1,041	(418)
Other operating costs	1,882	2,050	(168)
Total	**3,112**	**3,648**	**(536)**

Non-income taxes included mainly taxes on owned property.
With reference to the provision for risks, please refer to Note "3.13 - Provisions"

4.8 FINANCIAL INCOME

Financial income *(in thousands of Euro)*	**2021**	**2020**	**Change**
Interest income	267	359	(92)
Other financial income	1,498	1,873	(375)
Total	**1,765**	**2,232**	**(467)**

The item "Other financial income" includes:

- €1,477 thousand, relative to the change in fair value of the capitalisation policies (please refer to Note "3.8 - Current financial assets");
- €20 thousand, relative to the increase in fair value of currency options (please refer to Note "3.15 - Other financial liabilities");
- €1 thousand, relative to other financial income.

4.9 FINANCIAL EXPENSE

Financial expense *(in thousands of Euro)*	**2021**	**2020**	**Change**
Interest expense to banks	1,460	1,967	(507)
Other financial expense	2,910	1,439	1,471
Total	**4,370**	**3,406**	**964**

Details of other financial expense are as follow:

- €1,902 thousand refer to losses realised on derivative financial instruments, of which €883 thousand attributable to the early repayment of some derivative instruments at the same time as the closing of the hedged loan agreement. This settlement resulted in a positive change in fair value recognised under the item "Net change in fair value on derivatives" for a total of €1,080 thousand (please refer to Note "3.15 - Other financial liabilities");
- €692 thousand, of which €522 thousand attributable to the effect of the application of the amortised cost on Group loans (€370 thousand as at 31 December 2020, of which €169 thousand relating to the effect of amortised cost), and €170 for discounting interests in application of the IFRS 16 standard;
- €133 thousand refer to the negative change in fair value of currency options (please refer to Note "3.15 - Other financial liabilities");
- €80 thousand refer to commissions for the subscription of new AVIVA capitalisation policies for €9,920 thousand (please refer to Note "3.8 - Current financial assets");
- €9 thousand refer to the negative fair value on other Unicredit derivative investment securities (for which reference should be made to Note "3.8 - Current financial assets").
- €94 thousand refer to other financial expense;

4.10 EXCHANGE GAINS AND LOSSES

During 2021 the Group achieved net exchange gains of approximately €507 thousand (net losses of €2,384 thousand in 2020) mainly due to the strengthening of the Euro against other currencies (mainly the US Dollar, the Rouble, the Honk Kong Dollar, the Indian Rupee, and the Zloty). The unrealised exchange gains amounted to €2,333 thousand, while the unrealised exchange gains losses to €1,826 thousand.

4.11 GAINS AND LOSSES FROM EQUITY INVESTMENTS

No gains or losses from equity investments were recognised during the financial year.

4.12 INCOME TAXES

Income taxes *(in thousands of Euro)*	**2021**	**2020**	**Change**
Current taxes	5,517	6,032	(515)
Deferred tax liabilities	760	(4,845)	5,605
Adjustment previous year	(430)	14	(444)
Total	**5,847**	**1,201**	**4,646**

The decrease in current taxes of €515 thousands was mainly due to:

- About €1,100 thousand of lower taxation for LU-VE S.p.A. compared to the previous year mainly linked to the "one-off" sale of the line in Poland;
- €600 thousand of higher taxation for the other companies of the Group.

The adjustment for the current year is mainly linked to the abandonment of the possibility of realigning goodwill.

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.

Income taxes *(in thousands of Euro)*	**2021**	**2020**
Theoretical income taxes	9,510	2,856
Tax effect of permanent differences	(3,993)	3,176
Income taxes recognised in the Financial Statements	**5,517**	**6,032**
Broken down as follows:		
IRES Italian subsidiaries	858	1,528
Of which IRES Parent Company:	(290)	131
IRAP	411	358
Tax realignment	(438)	633
Taxes foreign companies	4,686	3,513
Total	**5,517**	**6,032**

Theoretical taxes were determined by applying the applicable tax rate in the countries in which the Group companies operate to the relative taxable incomes.

As at 31 December 2021 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 Euros)*	**2021**	**2020**
EARNINGS *(in thousands of Euro)*		
Group net profit	23,739	9,878
NUMBER OF SHARES		
Average weighted number of ordinary shares for the calculation of basic earnings per share	22,206,341	22,103,028
Dilution effect deriving from potential ordinary shares	-	-
Average weighted number of ordinary shares for the calculation of diluted earnings per share	22,206,341	22,103,028

EARNINGS PER SHARE *(in Euros)*	**2021**	**2020**
Basic earnings per share	1.07	0.45
Diluted earnings per share	1.07	0.45

4.14 DIVIDENDS

In May 2021, dividends totalling €5,996 thousand were distributed, corresponding to the distribution of a gross dividend of €0.27 (zero/27) for each of the 22,206,341 shares outstanding, net of treasury shares.

In addition, €470 thousand was paid (of which €470 thousand during the year) to non-controlling shareholders of some subsidiaries (see Note 3.11 - Shareholders' equity), for a total of €6,466 thousand of dividends paid in the financial year.

With respect to the year 2021, the Directors proposed the payment of a €0.35 dividend per share. This dividend is subject to the approval of the shareholders at the annual meeting called for the approval of the Financial Statements of the Parent Company and therefore it was not included under liabilities in these Financial Statements.

Any proposed dividend will be payable as of 11 May 2022 (coupon no. 7 ex-dividend date 9 May 2021 (record date on 10 May 2022).

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 (includes the "Al Air"), which includes air cooled equipment and close control air conditioners;
- Components SBU, which includes heat exchangers and special glass doors for refrigerated counters and display cabinets.

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

Revenue by SBU *(in thousands of Euro)*	**2021**	**%**	**2020**	**%**	**Change**	**% Change**
Air Cooled Equipment	184,920	38.3%	174,443	44.4%	10,477	6.0%
Close Control/Data Centre	22,553	4.7%	19,357	4.9%	3,196	16.5%
SBU COOLING SYSTEMS	207,473	42.9%	193,800	49.4%	13,674	7.1%
Heat exchangers	252,820	52.3%	182,642	46.5%	70,178	38.4%
Doors	17,162	3.6%	10,965	2.8%	6,197	56.5%
Data Centre	5,642	1.2%	5,220	1.3%	422	8.1%
SBU COMPONENTS	275,624	57.1%	198,827	50.6%	76,797	38.6%
TOTAL PRODUCT TURNOVER	483,097	100.0%	392,626	100.0%	90,470	23.0%

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

Information is provided below by SBU as at 31 December 2021 and 31 December 2020:

Segment *(in thousands of Euros)*	**2021**				**2020**			
	Components	**Cooling Systems**	**Unallocated costs**	**Total**	**Components**	**Cooling Systems**	**Unallocated costs**	**Total**
REVENUES	275,623	207,474	-	**483,097**	198,826	193,800	-	**392,626**
EBITDA	38,222	22,619	-	**60,841**	27,218	17,984	-	**45,202**

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 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.

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 instruments 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 quoted prices referred to at Level 1 which are observable for the assets and liabilities, both directly (e.g. prices) or indirectly (e.g. derived from prices); and

- Level 3 valuations are those derived from the application of valuation techniques which include inputs for the assets or liabilities that are not based on observable market data (non-observable inputs)

Assets and Liabilities valued at fair value as at 31/12/2021 *(in thousands of Euro)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Other financial assets				
Current financial assets	-	81,946	-	81,946
Other financial liabilities:				
Derivatives	-	(776)	-	(776)
Total	**-**	**81,170**	**-**	**81,170**

Some of the Group's financial assets and liabilities are measured at fair value at the reference date of every set of Financial Statements.

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

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

The categories of financial instruments are reported below:

Financial instruments by IFRS 9 categories *(in thousands of Euro)*	**31/12/2021**	**31/12/2020**
Financial assets		
Amortised cost		
Cash and cash equivalents	166,328	152,679
Trade receivables	74,131	59,763
Non-current financial assets	-	-
Fair Value	-	-
Trading derivatives	-	-
Current financial assets	81,946	70,258
Financial liabilities		
Amortised cost		
Loans	(354,115)	(309,870)
Trade payables	(114,358)	(80,630)
IFRS 16 financial payables	(15,242)	(16,113)
Fair Value		
Trading derivatives	(776)	(2,943)
Payment for the acquisition of the “Al Air” division	-	(800)

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 guaranteed payment forms or 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 also in the presence of the impact of the pandemic.

The Parent Company LU-VE S.p.A. is also exposed to the credit risk of issuers of financial instruments.

Exchange rate risk management

The Group is exposed to the risk of fluctuations in the exchange rates of currencies deriving from different circumstances.

(i) First of all, the LU-VE 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 (Russian rouble, Polish zloty, US dollar, Indian rupee, Czech koruna, Swedish krona, Chinese yuan renminbi, UAE dirham, Australian dollar and HK 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 LU-VE 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 LU-VE Group is exposed is the US dollar (USD, currency to which the cost of the main raw materials is linked): indeed, raw materials in the reference markets are quoted in USD and the cost is converted into euros by applying the USD/Euro exchange rate for the day to the price in dollars; thus, exchange rate risk is borne by the buyer. Furthermore, the Group companies located in countries in which the reference currency is not the euro (which also acquire raw materials with contracts under which the euro is the payment currency and therefore bear the USD/Euro exchange rate risk noted above) are also exposed to the risk of fluctuations in the euro/local currency exchange rate.

Sales are mainly made in euros. In addition, although Sest-LUVE Polska Sp.z.o.o., HTS and Spirotech are located in countries that do not use the Euro as their reference currency, they make almost all sales in euros and therefore they are exposed to the risk of fluctuations in the exchange rate between the Euro and their local currencies.

At centralised level, in order to protect the income statement and the balance sheet items from such fluctuations and reduce the risk arising from changes in exchange rates, the Group considers 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 and cannot be defined as hedge accounting; therefore, the Group has decided to consider these instruments as for trading and not hedges and as a result such instruments were measured at fair value with changes reported on the income statement. For further details, please refer to Appendix A of the Explanatory Notes to the Consolidated Financial Statements.

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).

Sensitivity analysis

With reference to financial assets and liabilities in foreign currency as at 31 December 2021, a theoretical and immediate revaluation of the euro of 10% compared to other currencies would have entailed a further loss on exchanges of €819 thousand to be recognised in the consolidated comprehensive income statement as at 31 December 2021.

Given the international context, the Directors deemed it appropriate to conduct a sensitivity analysis on financial assets and liabilities in roubles as at 31 December 2021. The analysis showed that an immediate 40% revaluation of the euro against the rouble would lead to a further exchange loss of €1,793 thousand to be recognised in the consolidated statement of comprehensive income as at 31 December 2021.

Interest rate risk management

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. As at 31 December 2021, the coverage of these risks represented 77.5% of the residual loans in place.

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.

Sensitivity analysis

With reference to the floating rate financial assets and liabilities as at 31 December 2021, a theoretical increase in interest rates by 100 basis points with respect to the exact interest rates in force at the same date, with all other variables remaining the same, would have entailed an increase in financial expense equal to €4,552 thousand to be recognised in the Group's comprehensive income statement as at 31 December 2021, and equal to 8,180 thousand on the entire residual contractual duration, without taking into account transactions with derivative instruments which were considered for trading.

Raw material price risk management

The production costs of the LU-VE Group are influenced by the prices of raw materials, mainly copper and aluminium. Risks are related to fluctuations in the prices of these materials on the reference markets (on which they are quoted in USD) and the fluctuation in the Euro/USD exchange rate (as the Group purchases in euro, while listings are in USD), as well as the reliability and the policies of mining and/or transformation companies.

The fluctuation in the availability and price of the above-mentioned materials could be significant, depending on a number of factors, including the economic cycle of the reference markets, supply conditions and other factors that are out of the control of the LU-VE 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, the possible introduction of tariffs and the impacts of climate change on extractive activities). With reference to the energy transition, in particular, additional quantities of copper and aluminium will be necessary, which will however require reduced energy intensity extraction techniques.

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. Analyses are constantly carried out to identify alternatives to strategic suppliers to reduce the relative dependence on them and also of geographical diversification activities both with the aim to reduce purchase costs with comparable quality and to avoid excessive geographical dependence on some areas in the world. In particular, with regard to the main purchased raw material – copper – the Group has dealt for several years, for the most part in terms of volumes, with the same suppliers, selected and periodically assessed on the basis of trading reliability criteria and with whom a relationship based on reciprocal trust has been built. 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.

2021 was a very complex year on the supply chain front, not only due to the huge increases in the prices of raw materials, components, logistics services and energy, but above all due to the constant need to face and monitor shortage risks in the availability of critical materials and components for the correct supply of production processes. From the point of view of cost increases, the "pass through" systems used by the LU-VE Group have made it possible to transfer the significant increases of 2021 in a substantially integral manner to end customers, allowing to safeguard margins.

The problems of material availability forced a review of the procurement logic (with the expansion of the number of suppliers and the reduction of geographical concentration) and of storage logics that could no longer be inspired by strict compliance with the principles of "just in time" and forced an increase in stocks of raw materials and components in order to be able to respond to market requests in a timely manner, appropriate to expectations (see in this regard the comment in the section dedicated to operating working capital in the Directors' Report). This made it possible to be able to respond to the market (without increasing the risk of obsolescence), with delivery times in line with expectations and therefore to be able to seize the opportunities associated with a significant growth in demand.

The year 2021 was characterised by significant increases in prices for all materials used by the LU-VE Group (including transport and energy costs) as well as issues of physical availability (as commented above). The average value of aluminium - LME for one tonne went from €1,513 in 2020 to €2,108, while the average value of copper - LME went from €5,406 in 2020 to €7,864 in 2021. The average values of copper and aluminium per ton as at 16 March 2022, were €8,808 and €2,858 respectively.

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, especially in view of the energy transition, which could limit its operations in time.

Liquidity risk management

The liquidity risk to which the LU-VE 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 LU-VE Group's liquidity is mainly supplied by the resources generated or absorbed by operating or investment activities, and on the other hand the maturity characteristics of medium and long-term financial debt.

In relation to this last aspect, the liquidity management guidelines adopted by the LU-VE 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 loans (both in cash and for the assignment of domestic receivables and export credit).

In addition, as at 31 December 2021 the Group has unused short-term credit lines totalling roughly €37.9 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 at 31 December 2021 is provided below by maturity:

Analysis of financial liabilities as at 31 December 2021 *(in thousands of Euro)*	**Carrying amount**	**Contractual cash flows**	**Within 1 year**	**From 1 to 5 years**	**More than 5 years**
Bank loans	334,615	334,766	129,616	205,150	-
Advances on export flows in Euro	19,500	19,500	19,500	-	-
IFRS 16* Financial payables	15,242	15,242	4,455	9,530	1,257
Financial Liabilities	**369,357**	**369,508**	**153,571**	**214,680**	**1,257**
Trade Payables	114,358	114,358	114,358	-	-
Total	**483,715**	**483,866**	**267,929**	**214,680**	**1,257**

* “IFRS 16 Financial Payables” include the discounting of repayments of portions of capital

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 non-discounted 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 capital structure consists of net financial debt (loans described in Note 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, retained earnings and non-controlling 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) key managers, i.e., those who have the power and responsibility to plan, manage and control the activities of the company preparing the Financial Statements, including directors and officers of the company and their close family members; (e) the businesses in which significant voting power is directly or indirectly held by any natural person described in point c) or d) or in which such natural person is capable of exercising significant influence. The case in point e) includes the businesses held by directors or by the major shareholders of the company preparing the Financial Statements and the businesses that have a key manager in common with the company preparing the Financial Statements.

The table below shows the economic and financial transactions carried out by Group Companies with related parties in 2021:

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	-	(20)	-	-	-	(40)	-	-
Finami SRL	-	-	-	-	-	(150)	-	-
ARCA SAS DI CERANA MANUELA & C.	-	-	-	-	-	(7)	-	-
Mauro Cerana	-	(12)	-	-	-	(25)	-	-
Marco Aurelio Tanci	-	-	-	-	-	(9)	-	-
Total	**-**	**(32)**	**-**	**-**	**-**	**(231)**	**-**	**-**

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

Please note that the main transactions with Related Parties carried out by the LU-VE group are governed by the long-term contracts specified below:

- TGD has a sub-lease agreement in place with Finami for the facility and offices located in Travacò Siccomario (PV), of which Finami is in turn user by virtue of two lease agreements with Selmabipiemme Leasing S.p.A.; the agreement was entered into on 16 December 2010 for a period of six years (i.e., until 15 December 2016), renewable for an equal period of time, without prejudice to cancellation to be sent via registered letter with advice of receipt with advance notice of at least six months. In 2015, the agreement was extended for another part of the property. In 2016, aside from the expiring contract having been renewed, an additional lease agreement was entered into for an industrial property adjacent to that already used by the subsidiary. In 2021 the counterparties signed a contractual amendment which reduced the payment of the rental contract, only for 2021, to an amount of approximately €150 thousand. The assets underlying these contracts, in the context of the consolidated financial statements, were treated as Rights of use pursuant to IFRS 16. The contract ended on 31 December 2021 and was re-negotiated from 1 January 2022, for a duration of 3 years and tacitly renewable for another 3 years (considered in IFRS 16 for 6 years).

- The company Vitale Zane & CO S.r.l., in which a close family member of a LU-VE S.p.A. director holds an equity investment, provides strategic advisory services to LU-VE S.p.A. for annual compensation of €40 thousand.

- ARCA SAS DI CERANA MANUELA & C., Mauro Cerana and Marco Aurelio Tanci, carry out the role of auditors in FINAMI and, at the same time, carry out accounting consultancy activities for some of the Italian companies (LU-VE S.p.A., TECNAIR, Manifold and LU-VE Digital).

4.17 DIRECTORS' AND STATUTORY AUDITORS' FEES

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

Name and surname	Office	Period of office	End of office	Fixed remuneration (in Euros)	Remuneration for taking part in committees (in Euros)	Variable non-equity remuneration (in Euros) Bonuses and other incentives	Non-monetary benefits (in Euros)	Other remuneration (in Euros)	Total (in Euros)
Iginio Liberali	**Executive Chairman**	01/01/2021-31/12/2021	Approval of 2022 Financial Statements						
(I) Remunerations in the company that prepares Financial Statements				294,000 (1)	-	244,719			538,719
(II) Total				**294,000**	**-**	**244,719**			**538,719**
Pierluigi Faggioli	**Vice Chairman**	01/01/2021-31/12/2021	Approval of 2022 Financial Statements						
(I) Remunerations in the company that prepares Financial Statements				245,000 (2)	-	248,698	5,659		499,357
(II) Total				**245,000**	**-**	**248,698**	**5,659**		**499,357**
Matteo Liberali	**CEO**	01/01/2021-31/12/2021	Approval of 2022 Financial Statements						
(I) Remunerations in the company that prepares Financial Statements				500,000 (3)	-	397,556 (4)	6,212		903,768
(II) Total				**500,000**	**-**	**397,556**	**6,212**		**903,768**
Michele Faggioli	**COO**	COO	01/01/2021-31/12/2021						
(I) Remunerations in the company that prepares Financial Statements				475,000 (5)	-	388,792 (4)	10,044		873,835
(II) Total				**475,000**	**-**	**388,792**	**10,044**		**873,835**
Raffaella Cagliano	**Director**	01/01/2021-31/12/2021	Approval of 2022 Financial Statements						
(I) Remunerations in the company that prepares Financial Statements				20,000	1,000 (6)				21,000
				20,000	**1,000**				**21,000**
Guido Crespi	**Director**	01/01/2021-31/12/2021	Approval of 2022 Financial Statements						
(I) Remunerations in the company that prepares Financial Statements				20,000	1,000 (6)				21,000
(II) Total				**20,000**	**1,000**				**21,000**
Anna Gervasoni	**Director**	01/01/2021-31/12/2021	Approval of 2022 Financial Statements						
(I) Remunerations in the company that prepares Financial Statements				20,000	12,000 (7)				32,000
(II) Total				**20,000**	**12,000**				**32,000**
Laura Oliva	**Director**	01/01/2021-31/12/2021	Approval of 2022 Financial Statements						

(I) Remunerations in the company that prepares Financial Statements				20,000	6,000 [9]				26,000
(II) Total				**20,000**	**6,000**				**26,000**
Fabio Liberali	**Director**	01/01/2021-31/12/2021	Approval of 2022 Financial Statements						
(I) Remunerations in the company that prepares Financial Statements				20,000	-	-	6,731	101,183 [8]	127,915
(II) Total				**20,000**	**-**	**-**	**6,731**	**101,183**	**127,915**
Stefano Paleari	**Director**	01/01/2021-31/12/2021	Approval of 2022 Financial Statements						
(I) Remunerations in the company that prepares Financial Statements				20,000	17,500 [10]				37,500
(II) Total				**20,000**	**17,500**				**37,500**
Roberta Pierantoni	**Director**	01/01/2021-31/12/2021	Approval of 2022 Financial Statements						
(I) Remunerations in the company that prepares Financial Statements				20,000	6,000 [11]				26,000
(II) Total				**20,000**	**6,000**				**26,000**
Marco Vitale	**Director**	01/01/2021-31/12/2021	Approval of 2022 Financial Statements						
(I) Remunerations in the company that prepares Financial Statements				20,000	-				20,000
(II) Total				**20,000**	**-**				**20,000**
Paola Mignani	**Standing Auditor**	01/01/2021-31/12/2021	Approval of 2022 Financial Statements						
(I) Remunerations in the company that prepares Financial Statements				30,000	-				30,000
(II) Total				**30,000**	**-**				**30,000**
Simone Cavalli	**Chairman - Board of Statutory Auditors**	01/01/2021-31/12/2021	Approval of 2022 Financial Statements						
(I) Remunerations in the company that prepares Financial Statements				45,000					45,000
(II) Total				**45,000**	**-**				**45,000**
Stefano Beltrame	**Standing Auditor**	01/01/2021-31/12/2021	Approval of 2022 Financial Statements						
(I) Remunerations in the company that prepares Financial Statements				30,000	-				30,000
(II) Total				**30,000**	**-**				**30,000**

(*) The expiry date refers to the Shareholders' Meeting that will approve the Financial Statements for the year indicated.

(1) of which Euro 20,000.00 as member of the Board of Directors, and Euro 274,000.00 for the office as Chairman of the Board of Directors;
(2) of which Euro 20,000.00 as member of the Board of Directors, and Euro 225,000.00 for the office as Vice Chairman of the Board of Directors;
(3) of which Euro 20,000.00 as member of the Board of Directors and Euro 480,000.00 for the office as CEO;
(4) of which Euro 94,144.27 as variable and medium/long term Component (2020 -2022 LTI) accrued for 2021;
(5) of which Euro 20,000.00 as as member of the Board of Directors and Euro 455,000.00 for the office as COO;
(6) as member of Indipendent Directors Committee from 29 June 2021 (establishment date of the Committee) to 31 December 2021;
(7) of which Euro 6,000.00 as member of the Remuneration and Appointments Committee and Euro 6,000.00 as member of the Control and Risk Committee;
(8) as annual gross remuneration accrued in relation to the employment with LU-VE S.p.A.

(9) as member of the Control and Risk Committee;
(10) of which Euro 8,000.00 as Chairman of the Remunaration and Appointments Committee, Euro 8,000.00 as Chairman of the Control and Risk Committee and uro 1,500.00 as Chairman of the Indipendent Directors Committee from 29 June 2021 (establishment date of the Committee) to 31 December 2021;
(11) as member of the Remunaration and Appointments Committee;

With reference to the remuneration relating to Key Managers, please refer to the “2021 Report on Remuneration”.

4.18 SHARE-BASED PAYMENTS

As at 31 December 2021, there were no share-based incentive plans in favour of Group Directors or employees.

4.19 COMMITMENTS AND GUARANTEES

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

Commitments *(in thousands of Euro)*	**31/12/2021**	**31/12/2020**	**Change**
Mortgages	-	1,667	(1,667)
Sureties	1,873	1,721	152
Total	**1,873**	**3,388**	**(1,515)**

Mortgages referred to guarantees granted by Group companies to obtain medium/long-term bank loans. As at 31 December 2021, there were no loans for which a mortgage was granted on properties owned by the Group.

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

Sureties as at 31 December 2021 *(in thousands of Euro)*	**31/12/2021**	**31/12/2020**	**Change**
Sureties to banks with respect to customers	997	1,174	(177)
Sureties to banks with respect to customers of our subsidiaries	651	322	329
Insurance sureties	225	225	-
Total	**1,873**	**1,721**	**152**

Sureties to banks on customers of our subsidiaries refer to sureties issued in guarantee of customers of Air Hex Alonte and Fincoil OY.

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 31/12/2021	Result as at 31/12/2021
Direct subsidiaries:						
SEST S.p.A.	Limana (BL)	100.00	EUR	1,000,000	24,876,626	9,737,227
Tecnair LV S.p.A.	Uboldo (VA)	79.90	EUR	200,000	4,061,945	511,412
Heat Transfer Systems s.r.o. (HTS)	Novosedly (Czech Rep.)	100.00	CZK	133,300,000	356,423,338	69,791,294
LU-VE Sweden AB	Asarum (Sweden)	100.00	SEK	50,000	(6,121,751)	21,081,878
LU-VE France S.a.r.l.	Lyon (France)	100.00	EUR	84,150	1,721,631	436,116
LU-VE Pacific Pty Ltd	Thomastown (Australia)	75.50	AUD	200,000	2,170	5,850,032
LU-VE Deutschland GmbH	Stuttgart (Germany)	100.00	EUR	230,000	(1,343,687)	(419,075)
LU-VE Iberica S.L.	Madrid (Spain)	85.00	EUR	180,063	(230,043)	202,356
LU-VE Asia Pacific Limited	Wan Chai (Hong Kong)	100.00	HKD	10,000	(32,045,538)	3,298,880
LuveDigital S.r.l.	Uboldo (VA)	50.00	EUR	10,000	32,981	209
MANIFOLD S.r.l.	Uboldo (VA)	99.00	EUR	10,000	(34,318)	118,954
Spirotech Ltd	New Delhi (India)	100.00	INR	25,729,600	3,055,341,407	362,048,943
LU-VE AUSTRIA GmbH	Vienna (Austria)	100.00	EUR	17,500	162,806	64,739
Zyklus Heat Transfer Inc	Jacksonville (Texas, USA)	100.00	USD	1,000	(4,898,407)	(3,846,572)
Air Hex Alonte S.r.l.	Uboldo (VA)	100.00	EUR	2,010,000	14,306,001	53,336
Fincoil LU-VE OY	Vantaa (Finland)	100.00	EUR	1,190,000	4,869,667	(334,901)
LU-VE Netherlands B.V.	Breda (Netherlands)	100.00	EUR	10,000	(570,799)	(93,496)
«OOO» LU-VE Moscow	Moscow (Russia)	100.00	RUB	100,000	9,001,783	69,426,860
LU VE Middle East DMCC	Dubai (UAE)	100.00	AED	50,000	172,876	178,884
LU-VE SOUTH KOREA Llc	Seoul (South Korea)	100.00	KRW	100,000,000	110,379,098	(1,064,129)
Indirect subsidiaries:						
SEST-LUVE-Polska SP.z.o.o. (95% owned by SEST S.p.A.)	Gliwice (Poland)	95.00	PLN	16,000,000	269,243,510	56,652,498
«OOO» SEST LU-VE (95% owned by SEST S.p.A.)	Lipetsk (Russia)	95.00	RUB	136,000,000	1,496,125,607	484,841,085
LU-VE HEAT EXCHANGERS (Tianmen) Co, Ltd. (52.68% owned by LU-VE Asia Pacific Limited and 47.32% owned by LU-VE S.p.A.)	Tianmen (China)	100.00	CNY	61,025,411	42,696,512	11,245,458
Thermo Glass Door S.p.A. (100% owned by SEST S.p.A.)	Travacò Siccomario (PV)	100.00	EUR	100,000	260,626	(7,130)

6 SIGNIFICANT NON-RECURRING TRANSACTIONS

During 2021, 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 2021 the Group did not carry out atypical and/or unusual transactions, i.e., transactions which in terms of their significance, the nature of the counterparties, the subject of the transaction, the pricing methods and the timing of occurrence may give rise to doubts with regard to the accuracy of the information in the Financial Statements, conflicts of interests, the safeguarding of the company assets or the protection of non-controlling shareholders.

8 EVENTS SUBSEQUENT TO 31 DECEMBER 2021

The consolidated turnover of products in the first two months of 2022 alone shows a value of €91.7 million, with an increase of 45.1% compared to the same period of the previous year (€63.2 million). The order backlog amounts to €199.4 million with an increase of 123.7% compared to February 2021.

The uncertainties related to the persistence of the pandemic are decreasing, however, the complexities related to the world of purchases and the supply chain remain, both in relation to the tension on the prices of raw materials, components, services and utilities and with reference to the availability of some materials, in particular motors and electronic components. As was the case in 2021, the LU-VE Group continues to promptly and carefully monitor the critical issues related to the possible supply difficulties of suppliers, both Italian and international, as well as the difficulties related to the circulation of goods, using all possible risk mitigation tools (in particular the diversification of supply).

The LU-VE Group is also carefully observing the developments in the crisis between Russia and Ukraine, which risks having significant repercussions on the global economy also as a result of sanctions already imposed or still being defined. The extreme geographical diversification of sales means that as at 31 December 2021, the Group's exposure in this area is only around 8% in terms of turnover and 3% of net invested capital. As at 28 February 2022, the exposure in terms of order backlog was 5%.

By virtue of the foregoing, the macroeconomic scenario remains characterised by great uncertainty and therefore it is extremely difficult to make accurate forecasts on the trend of orders and commercial, economic and financial results. However, the macro trends on which the Group has based and bases its growth capacity (transition to refrigerants with lower impact on the environment, energy saving, growth of the cold chain in less developed countries, acceleration of digitalisation and food safety) have been confirmed.

On 31 January 2022, the LU-VE Group announced a strategic agreement with Systemair AB (a Swedish company listed on the Stockholm Stock Exchange), which provides for the sale of its entire investment (79,9%) in Tecnair LV S.p.A. (active in the production of close control indoor air conditioning units for operating theatres and data centre applications). In 2021, Tecnair LV recorded a turnover of €12.0 million with an EBITDA of €1.2 million and an adjusted positive net financial position of €1.2 million.

The consideration established for the transaction is €16.2 million (which will generate financial income of approximately €9.7 million). The contract provides for the usual representations and warranties for this type of international transaction. Thanks to this agreement, the LU-VE Group and Systemair will be linked by a long-term global agreement for the supply of heat exchangers and related products to Systemair. At the same time, the Group and Systemair will continue to develop cross-selling related to close control air conditioning units. The LU-VE Group will continue to focus on "outdoor" air conditioning systems for data centres, a fast-growing sector in which the Group has achieved excellent results in recent years thanks to decisive technological development.

On 1 February 2022, the LU-VE Group submitted a binding proposal for the purchase of a business unit of Italia Wanbao ACC ("WACC"), located in Mel (Belluno), currently under extraordinary administration. The proposal provides for the complete industrial reconversion of the activities, in order to expand the production of static heat exchangers for refrigerated counters, air conditioning, chillers and heat pumps, already made by the Group in the Limana (Belluno) factory, headquarters of the subsidiary SEST S.p.A., as well as in other Group factories. The proposal is binding, although conditional on agreements with all the interested parties and, if accepted, provides for the absorption of a part of the current WACC workers over a period of three years and total investments in the site of approximately €6 million in the next three years. With this transaction, the Group aims to expand its production base, making the activity of the Mel plant compliant and consistent with the Group's core business, installing production lines for heat exchangers. Furthermore, the proximity of the Mel and Limana production sites would allow the Group to optimise the logistics management of the two plants, with the possibility of creating a single logistics centre, which would flank the existing production centres in the Czech Republic, Poland, Russia, India and USA. The proposal was accepted by the Ministry of Economic Development on 10 February 2022 and operational negotiations are still ongoing.

On 25 February 2022, the LU-VE Group signed a binding agreement for the acquisition of a 75% interest in the company Refrion S.r.l., with its registered office in Flumignano (Udine). Refrion S.r.l. is an Italian company specialised in the production and marketing of air heat exchangers, with adiabatic technology, which allow for reductions in energy consumption, water and noise emissions. Founded in 2002 by Daniele Stolfo, Refrion S.r.l. has always stood out for the innovation of its products, key to the success achieved in the sectors of civil air conditioning, data centres, process cooling and industrial refrigeration, also thanks to the oval tube heat exchangers technology, of which Refrion was a historical precursor. Refrion S.r.l. is also active in the field of heat exchangers for nuclear plants and has one of the largest climatic test chambers in Europe. In the 2021 financial year, the Refrion group (composed, in addition to the parent company, by Refrion Deutschland Gmbh and R.M.S. S.r.l.) achieved a consolidated turnover of €26 million, with EBITDA adjusted for extraordinary items of €2.7 million, and a pre-tax profit and extraordinary costs of €0.6 million. The adjusted net financial position at 31 December 2021 was negative for €8.9 million. The agreement provides for the acquisition of 75% of the share capital of Refrion S.r.l., as well as the option to purchase the remaining 25%, exercisable within the next five years. The transaction is expected to be completed within a few weeks. The consideration agreed for 75% of Refrion S.r.l., to be paid at closing and financed through LU-VE Group's liquidity, is equal to €8.1 million, or 7.35 times the average adjusted EBITDA of the 2020 and 2021 financial years, net of the net financial position as at 31 December 2021.

CEO

Matteo Liberali

9 APPENDIX A

IRS on loans (in thousands of Euro)

DEBTOR COMPANY	COUNTERPARTY	TAKEN OUT	MATURITY	ORIGINAL NOTIONAL	31/12/2021		31/12/2021
					NOT. Short	NOT. M/L	FAIR VALUE
LU-VE S.P.A.	Mediocredito Italiano	21/06/2017	28/02/2022	22,059	1,471	-	(2)
LU-VE S.P.A.	Unicredit S.p.A.	30/01/2018	31/03/2023	18,750	3,750	1,875	1
LU-VE S.P.A.	Mediocredito Italiano	28/11/2018	28/06/2024	12,500	2,500	3,750	(62)
LU-VE S.P.A.	Mediocredito Italiano	28/11/2018	28/06/2024	12,500	2500	3,750	(62)
LU-VE S.P.A.	Banca Nazionale del Lavoro S.p.A.	20/12/2018	24/09/2024	10,000	2,000	4,000	(58)
LU-VE S.P.A.	Banca Nazionale del Lavoro S.p.A.	20/12/2018	20/12/2023	10,000	1,111	5,556	(66)
LU-VE S.P.A.	Unicredit S.p.A.	30/06/2020	30/06/2024	9,600	2,400	3,600	(51)
LU-VE S.P.A.	Intesa San Paolo	20/05/2020	30/09/2025	12,500	2,778	7,639	(2)
LU-VE S.P.A.	Unicredit S.p.A.	15/04/2020	30/04/2022	15,000	15,000	-	(30)
LU-VE S.P.A.	Banca Nazionale del Lavoro S.p.A.	28/05/2020	28/05/2025	40,000	10,000	25,000	(71)
LU-VE S.P.A.	Unicredit S.p.A.	30/11/2020	30/11/2024	20,000	5,714	11,429	(34)
LU-VE S.P.A.	Deutsche Bank	30/10/2020	30/10/2026	5,500	1,087	4,413	(8)
LU-VE S.P.A.	Deutsche Bank	30/10/2020	30/10/2025	10,000	2,000	6,000	(13)
LU-VE S.P.A.	Intesa San Paolo	31/03/2021	31/03/2026	30,000	5,625	24,375	60
LU-VE S.P.A.	Banca Popolare di Milano	14/06/2021	31/03/2026	12,000	2,824	9,176	(3)
LU-VE S.P.A.	Banca Popolare di Milano	14/06/2021	31/03/2026	18,000	4,235	13,765	(5)
LU-VE S.P.A.	Unicredit S.p.A.	30/09/2021	31/03/2025	30,000	8,571	21,429	(107)
LU-VE S.P.A.	Banca Popolare di Milano	31/12/2021	30/09/2026	40,000	-	40,000	(163)
			Total	**328,409**	**73,566**	**185,755**	**(676)**

Currency options (in thousands of Euro)

DEBTOR COMPANY	COUNTERPARTY	TYPE	HEDGED ELEMENT	TAKEN OUT	MATURITY	NOT. ORIG.	31/12/2021 NOT. Short	NOT. M/L	31/12/2021 FAIR VALUE
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	05/01/2022	05/01/2021	500	494	-	(7)
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	04/02/2022	05/02/2021	500	490	-	(11)
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	04/04/2022	02/03/2021	500	503	-	(2)
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	04/03/2022	02/03/2021	500	509	-	6
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	04/05/2022	07/04/2021	500	501	-	(6)
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	08/06/2022	07/05/2021	500	490	-	(19)
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	07/07/2022	07/06/2021	500	495	-	(15)
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	05/08/2022	02/07/2021	500	495	-	(17)
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	05/09/2022	05/08/2021	500	496	-	(18)
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	07/10/2022	03/09/2021	500	504	-	(6)
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	10/11/2022	01/10/2021	500	510	-	(2)
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	09/12/2022	05/11/2021	500	513	-	(3)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	20/12/2021	22/04/2022	50	50	-	-
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	20/12/2021	04/04/2022	50	50	-	-
					Total	**6,100**	**6,100**	-	**(100)**

10 APPENDIX B

Bank loans (in thousands of Euro)								AMORTISED COST			
								31/12/2021		31/12/2020	
DEBTOR COMPANY	COUNTERPARTY	LOAN TYPE	TAKEN OUT	MATURITY	RATE APPLIED	FINANCIAL COVENANTS	ORIGINAL AMOUNT	RESIDUAL AMOUNT	OF WHICH CURRENT	RESIDUAL AMOUNT	OF WHICH CURRENT
LU-VE	Banca Nazionale del Lavoro S.p.A.	Unsecured loan	20/09/2016	20/09/2020	3M Euribor floor 0% + Spread	NFP/EBITDA <= 3; NFP/SE <= 1.25	30,000	-	-	2,000	2,000
LU-VE	Banca Popolare di Bergamo S.p.A.	Unsecured loan	30/09/2016	30/09/2021	3M Euribor + Spread	NFP/EBITDA <= 3; NFP/SE <= 1.5	10,000	-	-	1,512	1,512
LU-VE	Deutsche Bank S.p.A.	Unsecured loan	23/03/2017	23/03/2021	3M Euribor + Spread	NFP/EBITDA <= 3	5,500	-	-	344	344
LU-VE	Mediocredito Italiano S.p.A.	Unsecured loan	31/03/2017	28/02/2022	3M Euribor + Spread	NFP/EBITDA <= 3; NFP/SE <=1	25,000	1,471	1,471	7,354	5,884
LU-VE	Unicredit S.p.A.	Unsecured loan	30/01/2018	31/03/2023	6M Euribor + Spread	NFP/EBITDA <=3.0; NFP/OWN FUNDS <=1	25,000	7,505	5,001	12,508	5,002
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	-	-	8,398	2,397
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	-	-	15,044	2,005
LU-VE	Mediocredito Italiano S.p.A.	Unsecured loan	28/11/2018	30/06/2024	6M Euribor + Spread	NFP/EBITDA <3; NFP/SE <=1	12,500	6,254	2,496	8,744	2,495
LU-VE	Mediocredito Italiano S.p.A.	Unsecured loan	28/11/2018	30/06/2024	6M Euribor + Spread	NFP/EBITDA <3; NFP/SE <=1	12,500	6,254	2,496	8,744	2,495
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	6,002	1,990	8,024	2,006

LU-VE	Banca Nazionale del Lavoro S.p.A.	Unsecured loan	20/12/2018	24/09/2024	6M Euribor + Spread	NFP/EBITDA <=3; NFP/OWN FUNDS <=1.25	10,000	7,235	1,105	8,336	1,109
LU-VE	Banca Popolare di Milano	Unsecured loan	16/06/2019	28/06/2024	3M 360 days Euribor + Spread	-	10,000	5,044	1,997	6,993	1,963
LU-VE	Banca Popolare di Milano	Unsecured loan	25/01/2019	31/03/2025	3M 360 days Euribor + Spread	NFP/EBITDA <= 3; NFP/SE <= 1.25	30,000	-	-	21,214	4,985
LU-VE	Unicredit S.p.A.	Unsecured loan	12/07/2019	30/06/2024	6M 360 days Euribor + Spread	NFP/EBITDA <=3; NFP/OWN FUNDS <=1	12,000	6,005	2,397	8,395	2,396
LU-VE	Unione di Banche Italiane Società cooperativa per azioni	Unsecured loan	26/07/2019	30/07/2026	6M 360 days Euribor + Spread	NFP/EBITDA <= 3.5; NFP/SE <= 1.5	25,000	-	-	21,613	3,461
LU-VE	Intesa San Paolo S.p.A.	Unsecured loan	23/03/2020	23/09/2025	3M 360 days Euribor + Spread	NFP/EBITDA <= 3; NFP/SE <=1	25,000	20,837	5,521	24,986	4,155
LU-VE	Unione di Banche Italiane Società cooperativa per azioni	Unsecured loan	14/04/2020	14/04/2023	3M 360 days Euribor + Spread	NFP/EBITDA <= 3.5; NFP/SE <= 1.5	30,000	22,534	14,997	29,986	7,451
LU-VE	Unicredit S.p.A.	Unsecured loan	15/04/2020	30/04/2022	6M 360 days Euribor + Spread	NFP/EBITDA <=3; NFP/OWN FUNDS <=1	15,000	14,997	14,997	14,981	6
LU-VE	Banca Nazionale del Lavoro S.p.A.	Unsecured loan	28/05/2020	28/05/2025	6M 360 days Euribor + Spread	NFP/EBITDA <= 3; NFP/SE <= 1.25	40,000	34,974	9,925	39,897	4,943
LU-VE	Banca Popolare di Milano	Unsecured loan	25/06/2020	30/06/2022	3M 360 days Euribor + Spread	-	12,500	4,173	4,173	12,475	8,301
LU-VE	Banca Popolare di Milano	Unsecured loan	25/06/2020	30/06/2022	3M 360 days Euribor + Spread	-	2,500	835	835	2,495	1,660
LU-VE	UniCredit S.p.A.	Unsecured loan	04/11/2020	30/11/2024	6M 360 days Euribor + Spread	NFP/EBITDA <=3; NFP/OWN FUNDS <=1	20,000	17,158	5,698	20,000	2,854

LU-VE	Deutsche Bank S.p.A.	Unsecured loan	11/11/2020	11/11/2026	3-month EURIBOR base 360 + spread	NFP/EBITDA <= 3.2 NFP/EQUITY <=1.15	5,500	5,509	1,077	5,495	5
LU-VE	Deutsche Bank S.p.A.	Unsecured loan	11/11/2020	11/11/2025	3-month EURIBOR base 360 + spread	NFP/EBITDA <= 3.2 NFP/EQUITY <=1.15	10,000	8,003	1,987	9,986	1,991
LU-VE	Cassa Depositi e Prestiti	Unsecured loan	04/02/2021	03/08/2022	0.12% Fixed	-	30,000	30,000	30,000	-	-
LU-VE	Intesa San Paolo	Unsecured loan	31/03/2021	31/03/2026	3-month EURIBOR base 360 + spread	NFP/EBITDA <3; NFP/Equity <1	30,000	29,982	5,558	-	-
LU-VE	Banca Popolare di Milano	Unsecured loan	14/06/2021	31/03/2026	3-month EURIBOR base 360 + spread	-	12,000	11,985	2,794	-	-
LU-VE	Banca Popolare di Milano	Unsecured loan	14/06/2021	31/03/2026	3-month EURIBOR base 360 + spread	NFP/EBITDA <= 3.0 NFP/EQUITY <=1.25	18,000	17,978	4,192	-	-
LU-VE	Unicredit S.p.A.	Unsecured loan	30/09/2021	31/03/2025	6-month EURIBOR base 360 + spread	NFP/EBITDA <= 3.0 NFP/SE <=1.0	30,000	30,000	8,531	-	-
LU-VE	Banca Popolare di Milano	Unsecured loan	17/12/2021	30/09/2026	3-month EURIBOR base 360 + spread	NFP/EBITDA <= 3.0 NFP/EQUITY <=1.25	40,000	39,880	2,533	-	-
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	-	-	846	846
							Total	**334,615**	**131,771**	**300,370**	**72,266**

Notes:

NFP: net financial position;
SE: shareholders' equity;
DSCR: debt service coverage ratio
LR: leverage ratio (NFP/EBITDA)
GR: gearing ratio (NFP/SE)
U.L. Unsecured loan
M.L. Mortgage Loan

*Certification of the consolidated 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:

1. the adequacy in relation to the characteristics of the business and
2. the effective application

of the administrative and accounting procedures for the formation of the consolidated financial statements in the period 1 January - 31 December 2021.

It is also certified that the consolidated financial statements as at 31 December 2021:

- 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.

The directors' report includes a reliable analysis of the performance and results of operations, as well as the situation of the issuer and the group of consolidated companies, along with a description of the main risks and uncertainties to which they are exposed.

6 April 2022

Matteo Liberali	Eligio Macchi
CEO	Manager in charge
	of financial reporting

INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of LU-VE S.p.A. and its subsidiaries (the "Group"), which comprise the statement of financial position as at December 31, 2021, the income statement, the statement of comprehensive income, the consolidated statement of changes in equity, the statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of the significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of LU-VE S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment test on goodwill, intangible assets and property, plant and equipment	
Description of the key audit matter	The Group accounts for goodwill equal to € 55 million (7.7% of consolidated assets) in the consolidated financial statements as at 31 December 2021. This goodwill has been allocated to two cash generating units ("CGUs") of LU-VE Group: "Components" for € 27.5 million and "Cooling Systems" for € 27.5 million, to which intangible assets with a finite useful life amounting for € 35.5 million, rights of use assets for € 16.7 million and property, plant and equipment for € 150.9 million were also allocated. As request by IAS 36, as the above-mentioned CGUs include goodwill, the Group's Management performed an impairment test to determine whether the assets of the individual CGUs are recognised in the financial statements as at 31 December 2020 at a value no higher than their recoverable amount. After the conclusion of the impairment tests, approved by the Board of Directors on 17 March 2022, the Group has not recognised any impairment losses. The impairment process carried out by Management on the assets of the consolidated financial statements is based on the determination of the value in use, and is complex since it includes assumptions regarding, inter alia, the forecast of expected cash flows from the CGUs, making reference to the 2022-2025 consolidated business plan, approved by the Board of Directors of LU-VE S.p.A. in its meeting held on 24 February 2022, inclusive of the effects deriving from the continuation of COVID-19 pandemic, the determination of an appropriate discounting rate (WACC) and a long-term growth rate (g-rate). Considering the relevant amount of the assets accounted for in the financial statements relative to the CGUs and the judgement of the estimates used to determine cash flows, we considered the impairment test a key audit matter of the Group's consolidated financial statements. Note 3.1 "Goodwill and Other intangible Assets" within the consolidated financial statements provides a disclosure on the impairment test, including a sensitivity analysis conducted by the Management, which describes the effects that could arise when certain key assumptions used for the purposes of the impairment test change. .
Audit procedures performed	To evaluate the recoverability of the assets of the CGUs, we preliminarily examined the methods used by the Management to determine the value in use of the CGUs, analysing the methods and assumptions used for the development of the impairment test. As part of our audit we, inter alia, performed the following procedures, also relying on the support of experts within our Network:

- identification and understanding of the significant controls put in place by the Group on the process of performing the impairment test;
- assessment of the reasonableness of the main assumptions adopted to develop cash flow forecasts and collection of other relevant information for us obtained by Management;
- analysis of variances in actual data with respect to original plans, so as to evaluate the nature of the variances and the reliability of the process of preparing the plans;
- assessment of the methods for determining the discounting rate (WACC) by analysing its individual elements and their consistency with generally used valuation practices and analysis of the reasonableness of the long term growth rate (g-rate);
- test of the mathematical accuracy of the model used to determine the value in use of the CGUs;
- test of the correct determination of the carrying amount of the CGUs Components and Cooling Systems and their consistency with the methods for determining their value in use;
- assessment of the sensitivity analysis prepared by the Management;
- assessment of the adequacy of the disclosure provided by the Group on the impairment test with what is laid out in IAS 36.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of LU-VE S.p.A. has appointed us on March 10, 2017 as auditors of the Company for the years from December 31, 2017 to December 31, 2025.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of LU-VE S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the "Delegated Regulation") to the consolidated financial statements, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all material respects, in accordance with the provisions of the Delegated Regulation.

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of LU-VE S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of LU-VE Group as at December 31, 2021, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n.

4 of Legislative Decree 58/98, with the consolidated financial statements of LU-VE Group as at December 31, 2021 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of LU-VE Group as at December 31, 2021 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of LU-VE S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Massimiliano Semprini
Partner

Milan, Italy
April 6, 2022

As disclosed by the Directors on page XX, the accompanying consolidated financial statements of LU-VE S.p.A. is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

FINANCIAL STATEMENTS AND EXPLANATORY NOTES AS AT 31 DECEMBER 2021

CONTENTS

1 FINANCIAL STATEMENTS

1.1 STATEMENT OF FINANCIAL POSITION

Statement of Financial position (in Euro)	Notes	31/12/2021	31/12/2020
ASSETS			
Goodwill	3.1	14,629,431	14,629,431
Other intangible assets	3.1	7,010,014	8,648,542
Property, plant and equipment	3.2	36,030,843	36,178,219
Rights of use	3.2	1,012,164	661,573
Other property, plant and equipment	3.2	2,054,373	2,488,732
Deferred tax assets	3.19	5,339,584	4,114,069
Equity investments	3.3	153,282,411	153,174,732
Other non-current financial assets	3.4	21,364,003	23,208,065
Other non-current assets	3.5	3,867,137	5,135,595
Non-current assets		**244,589,960**	**248,238,958**
Inventories	3.6	14,669,783	10,196,481
Trade receivables	3.7	32,992,375	31,010,473
Due from the tax authorities for current taxes	3.8	1,613,388	1,756,717
Current financial assets	3.9	90,020,518	73,560,146
Other current assets	3.10	3,782,292	4,328,121
Cash and cash equivalents	3.11	123,847,432	103,762,553
Current assets		**266,925,788**	**224,614,491**
Assets held for sale		-	-
Assets held for sale		**-**	**-**
TOTAL ASSETS		511,515,748	472,853,449

Statement of Financial position (in Euro)	Notes	31/12/2021	31/12/2020
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital	3.12	62,704,489	62,704,489
Reserves and retained earnings (losses)	3.12	39,076,173	37,923,796
Profit (loss) for the year	3.12	3,802,724	7,156,633
TOTAL SHAREHOLDERS' EQUITY		**105,583,386**	**107,784,918**
Loans	3.13	202,843,551	228,104,363
Provisions	3.14	1,500,668	1,270,668
Employee benefits	3.15	814,126	848,901
Deferred tax liabilities	3.19	5,440,918	5,299,533
Other financial liabilities	3.16	655,846	348,963
Non-current liabilities		**211,255,109**	**235,872,428**
Trade payables	3.17	28,125,246	25,676,753
Loans	3.13	151,271,380	80,919,967
Provisions	3.14	-	-
Tax payables	3.18	771,409	1,273,999
Other financial liabilities	3.16	5,410,564	13,654,310
Other current liabilities	3.20	9,098,654	7,671,074
Current liabilities		**194,677,253**	**129,196,103**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**511,515,748**	**472,853,449**

1.2 INCOME STATEMENT

Income Statement *(in Euro)*	**Notes**	**31/12/2021**	**31/12/2020**
REVENUES AND OPERATING INCOME			
Revenues	4.1	88,230,721	84,103,326
Other revenues	4.2	2,799,112	8,981,478
Total revenues and operating income		**91,029,833**	**93,084,804**
OPERATING COSTS			
Purchases of materials	4.3	(51,857,332)	(43,230,788)
Changes in inventories	3.6	4,473,302	(2,408,285)
Costs for services	4.4	(19,924,213)	(19,408,425)
Personnel costs	4.5	(18,669,979)	(17,321,101)
Net write-downs of current financial assets	4.6	-	(2,150,000)
Other operating costs	4.7	(726,500)	(697,302)
Total operating costs		**(86,704,722)**	**(85,215,901)**
Net change in fair value of derivatives	3.16	1,997,799	(963,066)
Depreciation and amortisation	3.1 - 3.2	(8,739,776)	(8,189,237)
Capital gains on the sale of non-current assets		(16,435)	533,670
Write-downs on non-current assets		(126,573)	(31,588)
EBIT		**(2,559,874)**	**(781,318)**
Financial income	4.8	14,085,956	13,002,959
Financial expense	4.9	(3,987,824)	(3,053,038)
Exchange gains (losses)	4.10	1,235,752	(604,735)
Profits (losses) from equity investments (and other interests)	3.3 - 3.4	(6,600,000)	(3,000,000)
EBT		**2,174,010**	**5,563,868**
Income taxes	4.11	1,628,714	1,592,765
NET PROFIT (LOSS)		**3,802,724**	**7,156,633**
Profit (loss) from assets/liabilities held for sale		-	-
NET PROFIT (LOSS) FOR THE YEAR		**3,802,724**	**7,156,633**

1.3 STATEMENT OF COMPREHENSIVE INCOME

Statement of comprehensive income *(in Euro)*	**Notes**	**31/12/2021**	**31/12/2020**
NET PROFIT (LOSS) FOR THE YEAR	1.2	3,802,724	7,156,633
Components that will not subsequently be reclassified to the Income Statement			
Actuarial valuation of post-employment benefits	3.15	(11,242)	(8,362)
Tax effect		2,698	2,007
		(8,544)	(6,355)
TOTAL COMPREHENSIVE INCOME (LOSS)	1.4	3,794,180	7,150,278

1.4 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Statement of changes in shareholders' equity *(in Euro)* **Note 3.12**	Share capital	Share premium reserve	Legal reserve	Treasury shares	Post-employment benefits discounting reserve	Other reserves	Profit (loss) for the period	Total shareholders' equity
BALANCE AS AT 01/01/2020	62,704,489	24,762,200	2,872,708	-	(71,252)	10,147,695	6,502,717	106,918,546
Allocation of profit 2019								
Dividends paid	-	-	-	-	-	(5,995,712)	-	(5,995,712)
Retained	-	-	325,136	-	-	6,177,582	(6,502,718)	-
Increases (decreases)*	-	-	-	(288,194)	-	-	-	(288,194)
Statement of comprehensive income as at 31/12/2020	-	-	-	-	(6,355)	-	7,156,633	7,150,278
BALANCE AS AT 31/12/2020	62,704,489	24,762,200	3,197,844	(288,194)	(77,607)	10,329,565	7,156,632	107,784,918
Allocation of profit 2020								
Dividends paid	-	-	-	-	-	(5,995,712)	-	(5,995,712)
Retained	-	-	357,832	-	-	6,798,800	(7,156,632)	-
Increases (decreases)	-	-	-	-	-	-	-	-
Statement of comprehensive income as at 31/12/2021	-	-	-	-	(8,544)	-	3,802,724	3,794,180
BALANCE AS AT 31/12/2021	62,704,489	24,762,200	3,555,676	(288,194)	(86,151)	11,132,653	3,802,724	105,583,386

* The changes in the item "Increases (decreases)" refer to the purchase of treasury shares which took place in 2020 for an amount equal to €288,194.

1.5 STATEMENT OF CASH FLOWS

Statement of cash flows LU-VE S.p.A. *(in Euro)*	**Notes**	**31/12/2021**	**31/12/2020**
A. Cash and cash equivalents at the beginning of the period		103,762,553	38,941,739
Profit (loss) for the period		3,802,724	7,156,633
Adjustments for:			
- Depreciation and amortisation	3.1 - 3.2	8,739,776	8,189,237
- Realised (gains)/losses		143,008	(502,082)
- Net financial expenses	4.8 - 4.9	(8,629,465)	(8,550,420)
- Income taxes	4.11	(1,628,714)	(1,592,765)
- Change in fair value		(3,466,466)	(439,683)
Adjustments for losses from equity investments (and other interests)	3.3 - 3.4	6,600,000	3,000,000
Changes in post-employment benefits		(50,497)	(50,361)
Changes in provisions	3.14	230,000	-
Changes in trade receivables		4,018,098	(4,108,126)
Changes in inventories		(4,473,302)	2,408,285
Changes in trade payables		2,448,494	(5,614,530)
Changes in net working capital		**1,993,290**	**(7,314,371)**
Changes in other receivables and payables, deferred taxes		6,632,424	(6,378,717)
Tax payment		(2,289,052)	-
Paid net financial expenses		8,353,308	7,924,962
B. Cash flows generated/absorbed by operating activities		20,430,336	1,442,433
Investments in non-current assets:			
- intangible assets	3.1	(3,457,174)	(5,247,258)
- property, plant and equipment	3.2	(3,177,730)	(2,310,618)
- equity investments	3.3	(107,680)	(12,785,279)
Other non-current financial assets		(11,799,726)	379,585
C. Cash flows generated/absorbed by investing activities		(18,542,310)	(19,963,570)
Repayment of loans	3.13	(152,947,786)	(102,242,000)
New loans	3.13	198,000,000	197,923,111
Changes in other financial liabilities		(6,705,826)	1,554,685
Changes in short-term financial assets	3.9	(15,197,611)	(7,477,665)
Sale/(purchase) of treasury shares		-	(288,194)
Contributions/repayments of own capital		-	-
Payment of dividends	4.13	(5,995,712)	(5,995,712)
Other changes		-	-
D. Cash flows generated/absorbed by financing activities		17,153,065	83,474,224
Exchange differences		1,043,788	-
Other non-monetary changes		-	(132,273)
E. Other changes		1,043,788	(132,273)
F. Net cash flows in the period (B+C+D+E)		20,084,879	64,820,814
Cash and cash equivalents at the end of the period (A+F)		123,847,432	103,762,553
Current financial debt		66,661,426	21,014,131
Non-current financial debt		203,499,396	228,453,325
Net financial debt (Note 3.21)		146,313,390	145,704,904

2 EXPLANATORY NOTES

2.1 INTRODUCTION

LIQUIDATION OF LU-VE PACIFIC LTD

The Australian investee LU-VE Contardo Pacific Pty Ltd was put into liquidation during the fourth quarter of 2021 (a transaction which, moreover, began as early as 2020). The transaction led to a waiver during the current year by LU-VE S.p.A. of its trade receivables from this company for €3,793 thousand, which had already been set aside in the provision for intragroup bad debt in previous years, for the entire amount and to the release of the related deferred tax assets allocated to this provision for €897 thousand.

The liquidation process is expected to be completed in the first half of 2022. As at 31 December 2021, the residual receivables due by LU-VE S.p.A. from this investee amounted to €244 thousand. At the end of the year, LU-VE Contardo Pacific Pty Ltd had cash and cash equivalents for €245 thousand and positive shareholders' equity of €1 thousand.

2.2 STRUCTURE AND CONTENT OF THE FINANCIAL STATEMENTS

Information about the Company

LU-VE S.p.A. is a company with legal personality organised in accordance with the laws of the Italian Republic. The Company is active in the production and marketing of heat exchangers and air cooled equipment. The Company's registered office is in Varese (Italy), Via Vittorio Veneto 11. The majority shareholder is Finami S.r.l.

Furthermore, it is noted that since 21 June 2017 LU-VE S.p.A. is a company listed on the Mercato Telematico Azionario ("MTA") market organised and managed by Borsa Italiana S.p.A. and that, in the capacity of Parent Company, it prepared the consolidated Financial Statements of the LU-VE Group as at 31 December 2021.

Declaration of compliance and accounting policies

The separate Financial Statements of LU-VE S.p.A. as at 31 December 2021 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. IFRSs refers to all International Financial Reporting Standards and International Accounting Standards (IAS) 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 Financial Statements have been presented in Euro, which is the functional currency of the Company, and are compared with the Financial Statements for the previous year, prepared with the same criteria. The figures in the Explanatory Notes are shown in thousands of Euro. The financial statements 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 Financial Statements have been drawn up on the basis of the historical cost principle, except for the fair value evaluation of some financial instruments, pursuant to IFRS 9 and IFRS 13, as described below. Furthermore, the Financial Statements have been prepared on the basis of business continuity pursuant to paragraphs 25 and 26 of IAS 1, as the Directors have verified the non-existence of indicators of a financial, management or other nature that might indicate critical issues relating to the ability of the Company of meeting its commitments in the foreseeable future. The risks and uncertainties related to the business are described in the sections dedicated to the Director's Report.

In particular, with reference to this last assumption, as at 31 December 2021, the Company has a solid and balanced financial structure with a Net financial debt (see Note 3.21)/Shareholders' equity ratio (Debt ratio) of 1.39 and a positive short-term net financial position of €57.2 million, therefore the repayment of medium/long-term debt maturing in 2022 is guaranteed by current liquidity. In addition, there are no substantial restrictions on the freeing up of invested liquidity, which therefore, if required, may be used to meet any payment commitments. Also considering this aspect, the repayment of the medium/long-term debt maturing in the year 2022 is guaranteed by current liquidity (liquidity and invested liquidity).

It is also reported that the assessment of compliance with asset and economic requirements (covenants) on a consolidated basis, required on the financial debt of LU-VE, as at 31 December 2021, did not highlight any critical issues. Furthermore, it is highlighted that the estimates of the LU-VE 2022 Budget lead to the expectation that no critical issues with regard to these requirements will arise also for next year.

In spite of the current high degree of uncertainty in the world scenario, an assessment has been carried out of the possible impacts linked both to the spread of the pandemic and to the recent geopolitical tensions and it is considered to be reasonable that they will not compromise the company's continuity.

In light of what is laid out above, the Financial Statements of LU-VE S.p.A. as at 31 December 2021 were prepared on the basis of the going concern assumption, pursuant to paragraphs 25 and 26 of IAS 1.

The directors of LU-VE S.p.A. are responsible for applying the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter the "Delegated Regulation") to the Financial Statements, included in the Annual Financial Report.

The Financial Statements were prepared in XHTML format in compliance with the provisions of the Delegated Regulation and were approved on 17 March 2022.

The Financial Statements of LU-VE S.p.A. as at 31 December 2021 were approved by the Board of Directors on 17 March 2022.

Financial Statements

The Company 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 or permitted by IFRS;
- a Statement of Cash Flows that presents cash flows from operations using the indirect method.

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

MEASUREMENT CRITERIA

The accounting standards and measurement criteria adopted to prepare the Financial Statements as at 31 December 2021, which did not change compared to the previous year, are described below:

INTANGIBLE ASSETS

Goodwill and business combinations

Business applications are recorded on the basis of the acquisition method. In accordance with this method, the consideration transferred to a business combination is assessed at fair value, calculated as the sum of fair values of the assets transferred and liabilities assumed by the Company at the date of acquisition and of capital instruments issued in exchange of control of the acquired business. At the date of the acquisition, the identifiable acquired assets and assumed liabilities are recorded at fair value at the date of acquisition.

Goodwill is determined as the difference between the sum of the considerations paid to the business combination compared to the fair value of net acquired assets and assumed liabilities at the date of acquisition. If the value of net acquired assets and assumed liabilities at the date of acquisition exceeds the sum of considerations paid, this excess is immediately recognised in the Income Statement as income deriving from a concluded transaction.

With respect to acquisitions prior to the date of adoption of IFRS, LU-VE S.p.A. exercised the right set forth in IFRS 1 not to apply IFRS 3 relating to business combinations to the acquisitions that took place before the transition date. As a result, the goodwill resulting from acquisitions that took place in the past was not restated and was recognised at the value determined on the basis of the previous accounting standards, net of amortisation accounted for as at 31 December 2013 and any impairment losses.

For further information please refer to the next paragraph “Impairment of assets”.

OTHER INTANGIBLE ASSETS

Trademarks

This item includes long-term expenses incurred for the protection and distribution of Company trademarks. These expenses are recognised as assets in accordance with IAS 38 “Intangible assets” when it is probable that the use of the asset will generate future economic benefits and when the cost of the asset can be determined in a reliable manner.

Research and development costs

Development costs on projects for the production of new products or components are recognised as assets only if the costs can be reliably determined, if the Company has the intent and available resources to complete the asset, if it is technically feasible to complete the project so as to make it available for use and if expected volumes and prices indicate that the costs incurred in the development phase will be capable of generating future economic benefits.

Capitalised development costs include only expenses incurred that may be directly attributed to the development process.

Capitalised development costs are amortised systematically, beginning from the start of production and throughout the estimated life of the product or process, which has been evaluated as four years. All other development costs are recognised in the Income Statement when incurred. Research costs are attributed to the Income Statement when incurred.

Other intangible assets

Other intangible assets are recognised as assets in accordance with IAS 38 when it is probable that the use of the asset will generate future economic benefits and when the cost of the asset can be determined in a reliable manner. If such future economic benefits do not arise, they are written down in the year in which this is confirmed.

These assets are measured at acquisition or production cost and amortised on a straight line basis throughout their estimated useful life, if they have a finite useful life.

Investments in software are amortised over a period of 3 years.

For further information please refer to the next paragraph “Impairment of assets”.

PROPERTY, PLANT AND EQUIPMENT

These assets include land and buildings, plant and equipment, equipment and other property, plant and equipment.

They are recognised at acquisition or construction cost. The cost includes accessory costs directly attributable to the asset. Depreciation is calculated on the basis of uniform rates for categories of similar assets, deemed suitable to break down the carrying amount of the property, plant and equipment over the period of its useful life. The estimated useful life is as follows, in years:

Asset	Years
Buildings	33
Light constructions	10
Plant and equipment	8 – 10
Fixtures and fittings, tools and other equipment	3 – 10
Other assets	4-8

Ordinary maintenance costs are charged to the Income Statement in the year in which they are incurred; costs that increase the value or useful life of the asset are capitalised and depreciated in line with the remaining useful life of the assets to which they refer.

If there are indicators of impairment, property, plant and equipment are tested for impairment. The testing process is described in the "Impairment of assets" section. Any possible impairments may be subject to subsequent reversals should the causes that induced the Company to impair such assets no longer apply; value reversals will be made to the limit of the value the asset would have had if the impairment had not taken place.

Land is not depreciated.

For further information please refer to the next paragraph "Impairment of assets".

Lease contracts and rights of use

The Company must evaluate if a contract is, or contains a lease, at the time of signature of the same. The Company recognises the Right of use and the relative lease financial Liability for all lease contracts in which it has the role of lessee, with the exception of short-term contracts (lease contracts of duration of 12 months or less) and of leases relative to low value assets (that is to say, assets whose fair value is less than €5,000). Contracts to which this exemption has been applied mainly fall within the following categories:

- Computers, telephones and tablets;
- Printers;
- Other electronic devices;
- Furniture and fittings.

In relation to these exemptions, the Company recognises the relative payments as operating costs recognised on a straight-line basis throughout the duration of the contract.

On the other hand, for lease agreements the initial financial liability is recognised at the actual value of future payments at the time of effect of the contract. As most rental contracts stipulated by the Company 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 of each country in which the contracts were stipulated, with due dates commensurate to the duration of the specific rental contract, increased by the credit spread specific to the Company.

Lease payments included in the value of the lease financial liability include:

- The fixed component of the lease payments, net of any incentive received;
- The lease payments variable on the basis of an index or rate, initially valued using the index or rate at the date of effect of the contract;
- The amount of the guarantees for the residual value that the lessee expects to have to pay;
- The price to exercise the option to buy, which must be included only when the exercise of such option is considered to be reasonably certain;
- The penalties for the early redemption of the contact, if the lease term includes an option for the settlement of the lease and the exercise of the same is estimated to be reasonably certain.

Subsequent to the initial recognition, the value of the lease financial liability is increased by the effect of interests accrued (using the effective interest method) and it is reduced to take into account the payments made on the basis of the lease contract.

The company redetermines the value of the lease financial liabilities (and adjusts the value of the corresponding Right of use) if:

- The duration of the lease changes or there is a change in the valuation of the exercise of the right of option; in this case the lease liability is redetermined discounting the new lease payments at the revised discounting rate.
- The value of the lease payments changes following amendments of the indices or rates, in which case the lease Liability is redetermined by discounting the new lease payments at the initial discounting rate (unless the payments due on the basis of the lease contract change following the fluctuation of the interest rate, in which case the revised discounting rate must be used).
- A lease contract has been modified and the amendment is not included in the cases for the separate recognition of the lease contract. In these cases the lease liability is redetermined by discounting the new lease payments at the revised interest rate.

The Company has not recognised any of the above mentioned changes during the year.

The Right of use includes the initial recognition of the lease financial liability, the lease payments made before or at the date of effect of the contract and any other initial cost. The Right of use is recognised in the Financial Statements net of the amortisation and depreciation expense and any value impairments.

The incentives linked to the lease (for example free leasing periods) are recognised as part of the initial value of the right of use and of the lease liability throughout the contractual period.

The Right of use is depreciated on a straight-line basis at the lower of the lease term or residual useful of life of the underlying asset. If the lease contract transfers the ownership of the relative assets or the cost of the right of use reflects the willingness of the Company to exercise the option to buy, the relative right of use is depreciated on the basis of the useful life of the assets in consideration. Depreciation starts at the start of the lease.

The Right of use is included as a separate item in the statement of financial position.

The Company applies IAS 36 Impairment of Assets in order to identify the presence of any value impairment.

Variable lease payments that do not depend on an index or a rate are not included in the value of lease liabilities and in the Right of use. The relative payments are recognised on an accrual basis and are included in the item “other expenses” in the income statement.

In the statement of cash flows the Company divides the amount paid overall into the principal portion (recognised in the cash flow deriving from the financial asset) and the interest portion (recognised in the cash flow deriving from operational management).

Equity investments

Equity investments in subsidiaries are valued at cost, net of any impairment losses.

In the presence of specific impairment indicators (for example, significant losses for the year or for previous years, which for some of the subsidiaries have also highlighted negative shareholders’ equity), the value of equity investments in subsidiaries, determined on the basis of the cost criterion, is subject to impairment test. For the purposes of the impairment test, the book value of the equity investment is compared with its recoverable value, defined as value in use.

The value in use is determined by applying the discounted cash flows principle, which consists of the calculation of the actual value of future cash flows that are estimated will be generated by the subsidiary, including flows deriving from operating activities and the final value determined with the “perpetual income” method, net of the net financial position of the subsidiary at the date of the Financial Statements.

If the prerequisites for any impairment loss previously recognised no longer apply, the accounting value of the equity investment is reversed with a charge to the Income Statement. The dividends received from subsidiaries and related companies are accounted as positive income components, under the item “Financial income – Dividends from subsidiaries”, in the Company’s Financial Statements, independently of the time the retained earnings of the controlled company are formed.

The Company includes the costs related to the acquisition of the controlling equity investment in the cost of the same.

Impairment of assets

At least every year, the Company reviews the carrying amount of goodwill and its property, plant and equipment and intangible assets to check whether there are indications that these assets have been impaired. If these indications exist, the recoverable amount of these assets is estimated to determine the amount of the impairment. When it is not possible to estimate the recoverable amount of an asset individually, the Company estimates the recoverable amount of the cash-generating unit (“CGU”) to which the asset belongs. The Company represents a single CGU.

In particular, the recoverable amount of the cash-generating units is verified by determining the value in use. In calculating value in use, future cash flows net of taxes, estimated on the basis of past experience, are discounted to their present value using a rate net of taxes, which reflects current market assessments of the present value of money and the specific risks of the asset. The main assumptions used to calculate value in use regard the discount rate, the growth rate, expected changes in sale prices and the trend in direct costs during the period assumed for the calculation. The growth rates adopted are based on growth forecasts for the applicable industrial sector. Changes in sale prices are based on past experience and on future market expectations. The Company prepares forecasts of operating cash flows deriving from the business plan prepared by the Directors and approved by the Company's Board of Directors and determines the terminal value (present value of perpetual cash flows) on the basis of a medium and long-term growth rate in line with that of the specific applicable sector.

If the recoverable value of an asset (or of a cash-generating unit) is estimated to be lower than the relative carrying amount, the carrying amount of the asset is reduced to the lower recoverable amount, with the impairment loss immediately recognised in the Income Statement.

Subsequently, if the impairment loss on an asset is no longer applicable or is reduced, the carrying amount of the asset (or of the cash-generating unit), with the exception of goodwill, is increased to the new value corresponding to the estimated recoverable amount, which may be no higher than the net carrying amount that the asset would have had if the impairment loss had never been recognised. The write-back is recognised immediately in the Income Statement.

FINANCIAL INSTRUMENTS

Derivative financial instruments

Derivative financial instruments are subscribed primarily for hedging, in order to reduce the risk of fluctuating exchange rates, interest rates and raw material costs. In line with IFRS 9, derivative financial instruments are accounted for using hedge accounting methods only when:

a) at the inception of the hedge, the hedging relationship is formally designated and documented;

b) the hedge is expected to be highly effective;

c) this effectiveness may be reliably measured;

d) the hedge is determined to have been highly effective during the different accounting periods for which it is designated.

All derivative financial instruments are measured at fair value, as established by IFRS 9.

If the instrument is not eligible for hedge accounting, the gains or losses arising from the measurement of the derivative financial instrument at fair value are recognised in the Income Statement.

However, at the date of presentation of the Financial Statements, not all requirements of IFRS 9 for the application of hedge accounting were satisfied. Therefore, the Company Management deemed it appropriate to treat those instruments as trading, not hedging, transactions.

The relative effects were recognised under "Net change in fair value of derivatives" in the Income Statement.

INVENTORIES

Inventories are measured at the lower of acquisition or production cost, determined on the basis of the weighted average cost method, and the corresponding market value represented by the replacement cost for purchased materials and the estimated realisable value for finished and semi-finished products, calculated by taking into account any manufacturing costs as well as the direct sales costs yet to be incurred. The cost of inventories includes the amount of accessory costs and direct and indirect production costs reasonably attributable to them. Obsolete or slow-moving stocks are written down based on their possibilities of use or realisation. The write-down of inventories is eliminated in subsequent years if the reasons for it no longer apply.

TRADE RECEIVABLES AND OTHER RECEIVABLES

The receivables are initially recognised at fair value.

Subsequently, receivables are valued with the amortised cost method on the basis of the effective interest rate represented by the rate, which makes the present value of future cash flows and the carrying amount equal at the moment of initial recognition.

In accordance with IFRS 9 trade receivables are classified into the categories Held to collect and Held to collect and sell. Their value is adjusted at the end of the period to the expected realisable value and written down in case of impairment measuring the expected credit loss along the duration of the receivable, together with the level of solvency of the individual debtors, also in function of the specific characteristic of the underlying credit risk, taking into account available information.

ASSIGNMENT OF RECEIVABLES

Receivables assigned based on factoring transactions are eliminated from the assets in the Statement of Financial Position only if the risks and benefits correlated with their ownership have been substantially transferred to the assignee. Assigned receivables that do not meet the above requirement remain recognised in the Company's Financial Statements even though they have legally been transferred. In that case, a financial liability of an equal amount is recognised in the liabilities against the advance received.

LOANS

Loans are initially measured at cost, corresponding to the fair value of the consideration received, net of accessory acquisition costs.

After this initial valuation, loans are recognised at the amortised cost principle calculated through the application of the effective interest rate.

The effective interest method is the method to calculate the amortised cost of a financial liability and the allocation of interest expense during the relevant period. The effective interest rate is the rate that discounts future payments (including all commissions, transaction costs and other premiums or discounts) over a duration of a financial liability or, if more appropriate, over a shorter period.

Loans are classified as current liabilities unless the Company has the unconditional right to defer the settlement of the liability for at least twelve months after the reporting date.

PROVISIONS

Provisions for risks and charges represent probable liabilities of uncertain amount and/or timing deriving from past events, the settlement of which will entail an outflow of resources. Provisions are recognised exclusively if there is a present legal or constructive obligation requiring the use of economic resources, provided such obligation can be reliably estimated. The amount recognised in the provision represents the best estimate of the expenditure required to settle the obligation at the Balance Sheet date. Provisions are reviewed at each Balance Sheet date and adjusted so as to represent the best current estimate.

If the outflow of resources connected to the obligation is expected to take place beyond normal payment terms and the effect of discounting is relevant, the amount of the provision is represented by the present value of the expected future payments for the settlement of the obligation.

Contingent assets and liabilities are not recognised in the Financial Statements. However, they are subject to adequate disclosure.

EMPLOYEE BENEFITS

Short-term benefits

Short-term employee benefits are accounted for in the Income Statement in the period in which the services are rendered.

Post-employment benefits

On 1 January 2007, the Financial Act (law 296/2006) and the relative implementing decrees introduced considerable amendments to the rules on post-employment benefits, including the selection to be made by the worker with respect to the allocation of accruing benefits. In particular, the new dispositions require the payment of new flows of post-employment benefits to pension funds chosen by the employee or, in case the same employee has opted to retain these flows within the company, to a treasury account set up at INPS.

For employees of companies with more than 50 employees, as in the case of LU-VE S.p.A., only post-employment benefits accrued up to 31 December 2006 continue to be classified as “defined benefit plans”, while those accruing subsequent to that date are classified as a “defined contribution plan”, as all obligations of the company are met when it makes the periodic contribution to third-party entities. Therefore, discounted amounts are no longer recognised in the Income Statement. Instead, outlays made to the various types of pension plans selected by employees or to the separate INPS treasury fund, calculated based on art. 2120 of the Italian Civil Code, are recognised under personnel costs.

TRADE PAYABLES AND OTHER PAYABLES

Trade payables, other payables and other liabilities are initially recognised at fair value, plus any costs connected to the transaction. Subsequently they are measured at nominal value, as it is not deemed necessary to apply any discounting or separately attribute explicit or separated interest expense in the Income Statement, as it is not considered material in light of expected payment times.

CRITERIA FOR THE TRANSLATION OF ITEMS IN FOREIGN CURRENCY

Receivables and payables originally expressed in foreign currencies are translated to euro at the exchange rates of the date on which the transactions giving rise to them take place. The exchange differences realised upon collection of the receivables and payment of the payables in foreign currency are recognised in the Income Statement. Income and expenses relating to transactions in foreign currency are recognised at the current exchange rate on the date on which the relative transaction takes place.

At year end, assets and liabilities expressed in foreign currency are recognised at the spot exchange rate as at the end of the financial year and the relative exchange gains and losses are recognised in the Income Statement. If the translation gives rise to a net profit, a non-distributable reserve for a corresponding amount is restricted until its actual realisation.

REVENUE RECOGNITION

Revenues are recognised at the time of transfer of the control on the goods or services promised to the customer. Revenues are recognised net of returns, discounts, allowances and premiums, as well as directly linked taxes.

Contracts with customers generally include a single performance obligation, that is the sale of the goods, generally met upon delivery of the goods to the customer.

COST RECOGNITION

Costs and expenses are recognised in the Financial Statements on an accrual basis.

FINANCIAL INCOME

Financial income includes interest income on invested funds and income from financial instruments. Interest income is allocated to the Income Statement when it accrues, using the effective yield method.

FINANCIAL EXPENSE

Financial expense includes interest expense on financial payables calculated using the effective interest method, bank fees and expenses deriving from financial instruments.

INCOME TAXES FOR THE YEAR

Income taxes include all taxes calculated on the Company’s taxable income. Income taxes are recognised in the Income Statement, with the exception of those relating to items directly charged or credited to shareholders’ equity, in which case the tax effect is recognised directly under shareholders’ equity. Other taxes not correlated with income, such as taxes and fees on property, are classified as operating expenses. Deferred tax liabilities are recognised based on the full liability method. They are calculated on all temporary differences emerging between the taxable amount of an asset or liability and the carrying amount in the consolidated Financial Statements, with the exception of goodwill, which is not tax deductible. Deferred tax assets on tax losses and unused tax credits that may be carried forward are recognised to the extent to which is it likely that future taxable income will be available against which they may be recovered. Current and deferred tax assets and liabilities are offset when the income taxes are levied by the same tax authority and when there is a legal right to offset. Deferred tax assets and liabilities are calculated using the tax rates expected to be applicable in the years in which the temporary differences will be realised or extinguished.

If the possibility of realigning the tax value of goodwill to its book value were to be granted by Italian tax law, the accounting policy established by the Directors is not to immediately record in the Income Statement the future tax benefit connected to the redemption as a contra-entry to deferred tax assets.

As described in the next paragraph relative to the tax consolidation, LU-VE S.p.A. is the consolidating company for the companies within this scope.

DIVIDENDS

Dividends are accounted for on an accrual basis when the right to receive them arises, corresponding to when the distribution resolution is passed.

EXCHANGE GAINS AND LOSSES

The amount of any net gain arising from the adjustment to year-end exchange rates of items in foreign currency, when the Financial Statements are approved and as a result the profit (loss) is allocated, for the portion not absorbed by any loss for the year, is recognised in a non-distributable reserve until subsequently realised.

At the end of the financial year the overall amount of gains and losses not realised on exchange rates is redetermined. When the overall net profit on exchange rates is higher than the amount of the equity reserve, the latter is integrated. If, however, a loss is recognised or a net profit lower than the reserve, respectively the entire reserve or the excess is reclassified in a freely distributable reserve in the preparation of the Financial Statements.

TREASURY SHARES

Treasury shares are recognised as a deduction from shareholders’ equity. The carrying amount of treasury shares and revenues from any subsequent sales are recognised as changes in shareholders’ equity.

EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit (loss) attributable to shareholders of the Company by the weighted average of ordinary shares outstanding during the year. The diluted earnings per share coincide with the basic earnings per share as there are no options in circulation which may potentially lead to the issue of new Company’s shares.

TAX CONSOLIDATION CONTRACT

National Tax Consolidation applies (pursuant to art. 117 et seq. of Italian Presidential Decree 917/86 – TUIR (Consolidation Act on Income Taxes)), and its scope includes, in addition to the consolidating company LU-VE S.p.A., five other Italian subsidiaries: SEST S.p.A. (for the 2019-2021 financial years) and Thermo Glass Door S.p.A. (TGD), Manifold S.r.l., Air Hex Alonte S.r.l. and Tecnair LV S.p.A., these latter companies for the 2020-2022 financial years (please note that early closure of the tax consolidation contract will be required for Tecnair LV S.p.A. on completion of the sale transaction of the same, referred to in Chapter no. 8 "Events subsequent to 31 December 2021"), without economic impacts.

National tax consolidation allows the determination of current IRES tax on a taxable basis corresponding to the algebraic sum of positive and negative taxable components of the participating companies. Economic relationships, in addition to reciprocal responsibilities and obligations, are regulated by specific agreements between the parties according to which, in case of positive taxable income, subsidiaries transfer to the parent company the financial resources corresponding to the greater tax due by them for the effect of participating to the national tax consolidation, and in case of negative taxable income, they receive a compensation equivalent to the relative tax saving made by the parent company, if and in the measure in which there are prospects of profitability that allow the Group to effectively reduce current taxes or the recognition of deferred tax assets.

USE OF ESTIMATES

The preparation of the Financial Statements and the relative notes in application of IFRS requires the Management to make use of 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. Actual results may differ from those estimates.

In the preparation of the separate Financial Statements, the following significant judgement was defined during the process of application of the Group's accounting standards.

Tax realignment of some "assets" pursuant to art. 110 of Italian Decree Law 104/2020

Art. 110, paragraph 8) of Italian Decree Law 104/2020 (converted into Law 126/2020), provided the possibility to realign the differences between the book value and the tax value of tangible and intangible assets in the Financial Statements as at 31 December 2020 against the payment of a 3% substitute tax. On the basis of this decree, LU-VE S.p.A. had opted for the realignment of book values referred to trademarks and buildings deriving from the deficit relative to the reverse merger in 2008 between LU-VE S.p.A. and the company Europarts S.r.l. In the light of a further amendment to the Budget Law, which added paragraph 8-bis to Art. 110 of the above decree, the possibility was extended of obtaining the tax recognition of greater values recognised in the Financial Statements also in relation to intangible assets without juridical protection.

LU-VE S.p.A. had availed itself of the option as at 31 December 2020, applying the regulation also to the amount of goodwill, again arisen from the above mentioned merger transaction. The net book value of the tax realignment of trademarks, buildings and goodwill in the Company amounted to approximately €21.1 million, respectively €2 million referring to trademarks, €4.5 million referring to buildings and €14.6 million relating to goodwill.

The impact on the 2020 consolidated Financial Statements was positive for approximately €1.8 million in relation to the release of deferred tax liabilities on the greater book values of trademarks and buildings (for €0.6 million and €1.2 million respectively), partially offset by approximately €0.6 million for the recognition of the 3% substitute tax on the entire amount realigned in the tax section (of which approximately €0.5 million relative to the realignment of the goodwill and trademarks values).

In 2021, art. 1, paragraph 622 of the 2022 Budget Law (Law 234/2021), amended art. 110 of Legislative Decree 104/2020 providing for the obligation to extend the amortisation period of intangible assets to 50 years unless the payment of a substitute tax (rate between 12% and 16%) is made, thus reducing the tax amortisation period back to 18 years.

Following these regulatory changes, the Directors of LU-VE S.p.A. have decided to maintain the realignment on buildings of €4.5 million to 18 years, on trademarks of €2 million to 50 years, and waive the realignment of goodwill of €14.6 million to 50 years, given that over such an extended period of time the accounting and tax benefits would no longer be so advantageous.

The impact on the 2021 Financial Statements of this choice is an extraordinary tax income of €0.4 million, 3% of the substitute tax set aside as a tax payable in 2020 on goodwill values. Approximately €130 thousand of tax debt remain, equal to 2/3 of 3% of the substitute tax of the confirmed realignments (having paid the first instalment in the 2021 financial year).

The estimates that have had a significant impact on the amounts recognised in the Financial Statements are indicated below.

The main assumptions relating to the future and the main causes for uncertainty in the estimates at the date of closure of the financial year which represent a significant risk of giving rise to significant adjustments in the accounting values of the assets and liabilities in the following financial year.

Recoverability of the value of goodwill, intangible assets and property, plant and equipment

The procedure for determining the impairment losses on goodwill, intangible assets and property, plant and equipment described in the accounting standard "Impairment of assets" implies - in estimating the value in use - assumptions regarding the forecast of expected cash flows from the only cash generating unit ("CGUs") identified overall, making reference to the 2022-2025 business plan prepared by the Management and subsequently included in the LU-VE group consolidated plan approved by the Board of Directors of the Company held on 24 February 2022, the determination of an appropriate discounting rate (WACC) and a long-term growth rate (g-rate). These assumptions are based on the Management's expectations of specialising the production with the objective to achieve an increase in the efficiency of plants, focusing on increasing the sales of certain higher-margin product families to improve the absorption of fixed costs, continuously improving the performance of existing products and developing innovative products, especially with the use of natural refrigerating liquids, so managing to erode the market share of smaller competitors, less able to commit to the necessary investments. These assumptions do not take into account the possible impacts related to the recent geopolitical tensions identified as a non-adjusting event pursuant to IAS 10 as at 31 December 2021. These assumptions, on the other hand, take into account an assessment of the further possible impacts linked to the carry-over of the effects of the pandemic.

In addition to what is stated above, the Company is assessing the risks and opportunities correlated to the climate change and aims to set scientific objectives for the reduction of greenhouse gases in line with the Paris Agreement. In particular, the investigation scope will take into consideration Scope 1 and 2 (direct and indirect emissions linked to the energy generated by the organisation) and Scope 3 (indirect emissions generated by the value chain) emissions. However, in the process of preparing the 2022-2025 Business Plan, both of the LU-VE Group and of LU-VE S.p.A., the main assumptions considered by the Management can be summarised as follows: growth in sales volumes on the basis of the trend towards exchangers with natural refrigerants that have an extremely lower impact on GWP than traditional freon ones; growth in volumes linked to incentive plans for green technologies; adequate investments in R&D to support the technological development of products with a view to greater sustainability; in non-ordinary investments, it was considered to purchase plants and build production plants with technical characteristics in line with the best practices of sustainability (consumption, emissions, discharges, etc.). Therefore, the consequences in terms of investments, costs and other impacts on cash flows have not yet been considered in the process of preparing the 2022-2025 Business Plan (as well as the expected benefits from the development of more sustainable products.

The actions envisaged on sale prices suggest that it is reasonable to pass on the expected cost increases over the years of the Plan for raw materials and energy to the downstream market, thus allowing to safeguard the EBITDA in absolute value.

As laid out in IAS 36, as the above-mentioned CGU includes goodwill, the Company's Management conducted an impairment test to determine whether the carrying amounts relating to the assets of the CGU are recognised in the Financial Statements as at 31 December 2021 at a value no higher than the recoverable amount. In particular, the Company has recognised goodwill totalling €14.6 million in the Financial Statements as at 31 December 2021, in addition to intangible assets with a finite useful life for €7.0 million, rights of use for €1.0 million and property, plant and equipment for €38.1 million.

Recoverability of the value of equity investments

Equity investments in subsidiaries (together with long-term interests that, in essence, represent a further net investment in subsidiaries), for which estimates are used in a significant manner in order to determine any write-downs and write-backs, were carefully analysed by the Company Management to identify possible indicators of impairment.

In particular, the equity investments in subsidiaries subjected to impairment test include the equity investments in LU-VE Deutschland GmbH, LU-VE Asia Pacific Ltd. – Hong Kong, LU-VE Heat Exchangers (Tianmen) Co, Ltd., Zyklus Heat Transfer Inc. and Fincoil LU-VE OY, for a total amount of €40.9 million, which have recorded significant losses in the financial year and/or in previous financial years that, for some companies, have led to highlight negative shareholder's equity for a total amount of €7.1 million as at 31 December 2021 (value that does not take into account the positive shareholder's equity of the company Fincoil LU-VE OY).

The Management's assessment process is based on the principle of discounted cash flow – Equity side through the estimated expected cash flows inferable by the 2022-2025 plans of such subsidiaries (2022-2028 plan for Zyklus Inc.) prepared by the local management in collaboration with the Company Management and subsequently included in the consolidated business plan approved on 24 February 2022 by the Company Management (which does not take into consideration the reallocation of some non-reallocated corporate costs), and on the determination of an appropriate discounting rate (WACC) and long-term g-rate growth, net of their net financial position. In particular, the key variables of greatest importance in determining the cash flow forecasts of the aforementioned Plan are based on the Management's perspectives to focus on the "core" product (air heat exchangers) through product and process innovation, technological advances and increased production efficiency of the plants also thanks to specialisation; on the increase of applications in unrelated sectors and on the increase of internationalisation; on the exploitation of growth opportunities linked, in summary, to: i) focus on exchangers that use natural refrigerants and which are therefore aligned with the F-GAS regulation; ii) exploitation in some countries of the competitive advantage over local competitors linked to the greater experience of the LU-VE Group in exchangers that use natural refrigerants and to the presence of thousands of reference installations around the world; iii) development of the cold chain in less developed countries; iv) greater attention to energy saving issues by governments and users who will shift demand for more energy efficient products; v) focus in the world of data centres especially on higher-powered outdoor machines that have a much higher development potential than indoor machines; the actions envisaged on sales prices suggest that it is reasonable to pass on the expected cost increases over the years of the Plan for raw materials and energy to the downstream market, thus allowing to safeguard EBITDA in absolute value. With specific reference to Zyklus, however, in addition to the assumptions reported above, the latter's plan takes into consideration the exploitation in the United States of the competitive advantage over local competitors linked to the greater experience of the LU-VE Group in exchangers that use natural refrigerants and in the presence of thousands of reference installations in the world, and the growth of market shares in the USA which still represent a very small share of the Group's turnover despite being the largest market in the world for the refrigeration and air conditioning sectors.

Provisions for credit risks

Receivables are adjusted by the relative bad debt provision to take into account their recoverable amount. To determine the amount of write-downs, the Directors are required to make subjective assessments based on available documentation and information regarding customer solvency, as well as experience and historical and prospective collection trends.

In the current uncertain context, the Management has estimated the impacts of the pandemic on the possible deterioration of customers' creditworthiness and on their ability to meet their obligations using exclusively forward looking information, so proceeding to make further allocations to the bad debt provision during the year (as reported above, however, these evaluations have not taken into account the possible impacts deriving from the recent geopolitical tensions).

Income taxes and deferred tax assets

To determine the Company's tax liabilities, the Management needs to make assessments with respect to transactions that have uncertain tax implications at the reporting date. In addition, deferred tax assets are measured on the basis of expected income in future years; the assessment of this expected income depends on factors that could change over time and have significant effects on the measurement of deferred tax assets.

In the verification of the recognition and recoverability of deferred tax assets of €5.3 million recognised in the Financial Statements as at 31 December 2021, the taxable results deriving from the 2022-2025 business plan of LU-VE S.p.A. and of the other Italian companies participating in the tax consolidation were taken into account, through the extrapolation from these of the taxable income expected for the following years. The effects deriving from the temporary differences on which deferred tax liabilities were recognised were also used in the verification of recognition. However, the future trend of these factors, including the evolution of the difficult global health, economic and financial environment, together with the effects deriving from the recent geopolitical tensions, requires circumstances to be constantly monitored by the Company Management.

2.3 NEW ACCOUNTING STANDARDS

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED AS AT 1 JANUARY 2021

The following IFRS accounting standards, amendments and interpretations have been applied by the Company for the first time as at 1 January 2021:

- On 31 March 2021, the IASB published an amendment called "Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)", extending by one year the period of application of the amendment issued in 2020, which provided lessees the option to accounting for rental reductions linked to Covid-19 without having to assess, by analysing contracts, if the definition of lease modification of IFRS 16 had been respected. Therefore, lessees that applied this option in the 2020 financial year, recognised the effects of the reduction of the rental fees directly to the income statement at the date of effect of the reduction. The 2021 amendment, available only to entities that have already adopted the 2020 amendment, is effective as of 1 April 2021 and early adoption is allowed. The adoption of this amendment had no effects on the Company's Financial Statements.

- On 27 August 2020 IASB published, in the light of the reform on interbank interest rates such as IBOR, the document "Interest Rate Benchmark Reform - Phase 2", which includes amendments to the following standards:
  - IFRS 9 Financial Instruments;
  - IAS 39 Financial Instruments: Recognition and Measurement;
  - IFRS 7 Financial Instruments: Disclosures;
  - IFRS 4 Insurance Contracts; and
  - IFRS 16 Leases.

  All the amendments have become effective on 1 January 2021. The adoption of this amendment had no effects on the Company's Financial Statements.

IFRS ACCOUNTING STANDARDS AND AMENDMENTS AND IFRIC INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, FOR WHICH APPLICATION IS NOT YET REQUIRED AND NOT ADOPTED EARLY BY THE COMPANY AS AT 31 DECEMBER 2021

On 14 May 2020 IASB published the following amendments:

- Amendments to IFRS 3 Business Combinations: the amendments have the purpose of updating the IFRS 3 reference to the Conceptual Framework in the revised version, without this involving amendments to the provisions of the standard.
- Amendments to IAS 16 Property, Plant and Equipment: the amendments have the purpose of not allowing to deduct from the cost of property, plant and equipment the amount received from the sale of goods produced in the testing stage of the same assets. These sale revenues and the relative costs will then be recognised in the income statement.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: the amendment clarifies that all costs directly referable to a contract must be taken into account in the estimate of the possible cost of that contract. In consequence, the evaluation of the possible cost of a contract includes not only incremental costs (such as, for example, the cost of materials directly used in processing) but also the costs that the company cannot avoid because it has stipulated the contract (such as, for example, the portion of depreciation of machinery used to fulfil the contract).
- Annual Improvements 2018-2020: the amendments have been made to IFRS 1 First-time Adoption of International Financial Reporting Standards, to IFRS 9 Financial Instruments, to IAS 41 Agriculture and to the Illustrative Examples of IFRS 16 Leases.

All the amendments will come into effect on 1 January 2022. The directors do not expect the adoption of these amendments to have a significant effect on the Company's Financial Statements.

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

At the date of this document, 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 23 January 2020 IASB published an amendment called "**Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current**". The document has the objective of clarifying how to classify debts and other short or long-term liabilities. The amendments apply as at 1 January 2023, but early application is permitted. The Directors do not expect the adoption of these amendments to have a significant effect on the Company's Financial Statements.

- On 12 February 2021, the IASB published two amendments entitled "**Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2" and "Definition of Accounting Estimates - Amendments to IAS 8**". *The* changes are intended to improve disclosure on accounting policy in order to provide more useful information to investors and other primary users of financial statements as well as to help companies to distinguish changes in accounting estimates from changes in accounting policy. The amendments shall apply as of 1 January 2023, but early application is permitted. The directors do not expect the adoption of these amendments to have a significant effect on the Company's Financial Statements.

- On 7 May 2021, the IASB published an amendment called **"Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction"**. The document clarifies how deferred taxes on certain transactions that may generate assets and liabilities of equal amounts, such as leasing and decommissioning obligations, must be accounted for. The amendments shall apply as of 1 January 2023, but early application is permitted. The Directors do not expect the adoption of these amendments to have a significant effect on the Company's Financial Statements.

3 COMMENT ON THE MAIN ITEMS OF THE 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 January 2020	**21,078**		**29,962**	**51,040**
Increases	-		5,247	5,247
Decreases	-		-	-
Reclassifications	-		-	-
As at 31 December 2020	**21,078**		**35,209**	**56,287**
Increases	-		3,457	3,457
Decreases	-		-	-
Reclassifications	-		-	-
As at 31 December 2021	**21,078**		**38,666**	**59,744**
Provision				
As at 31 December 2020	**6,449**	**(*)**	**21,919**	**28,368**
Increases	-		4,642	4,642
Decreases	-		-	-
Reclassifications	-		-	-
As at 1 January 2021	**6,449**	**(*)**	**26,561**	**33,010**
Increases	-		5,095	5,095
Decreases	-		-	-
Reclassifications	-		-	-
As at 31 December 2021	**6,449**	**(*)**	**31,656**	**38,105**
Net carrying amount				
As at 31 December 2020	**14,629**		**8,043**	**22,672**
As at 31 December 2021	**14,629**		**7,010**	**21,639**

* The goodwill amortisation provision refers to the amount recognised as at 1/01/2014 in accordance with previous accounting standards and unchanged since that date.

Goodwill

Pursuant to IAS 36, goodwill is not subject to amortisation, but rather impairment testing on at least yearly basis or more frequently if specific circumstances take place that could require an immediate valuation of possible impairments (impairment test).

The Company tested the recoverability of the carrying amount of the Net Invested Capital (NIC) of LU-VE S.p.A. as at 31 December 2021 (identified as the only cash generating unit). Net invested capital is inclusive of the value of goodwill (€14.6 million), other intangible assets with a finite useful life for €7.0 million, rights of use for €1.0 million and property, plant and equipment for €38.1 million.

In the determination of the recoverable amount of the CGU, identified in the value in use - as the sum of the discounted cash flows generated in the future and continuously - of the NIC (Discounted Cash Flow Unlevered method), the Management has made reference to the 2022-2025 business plan of the Company drawn up by Management and subsequently included in the consolidate LU-VE Group business plan approved by the Board of Directors of the Company held on 24 February 2022. The plan assumptions include the Management’s expectations of specialising the production with the objective to achieve an increase in the efficiency of plants, focusing on increasing the sales of certain higher-margin product families to improve the absorption of fixed costs, continuously improving the performance of existing products and developing innovative products, especially with the use of natural refrigerating liquids, so managing to erode the market share of smaller competitors, less able to commit to the necessary investments.

The weighted average cost of capital calculated for the discounting of cash flows is based on a weighting between the cost of debt and the cost of equity, determined on the basis of the values of companies comparable to LU-VE S.p.A. and operating within the same business segment.

The values used for the calculation of the average cost of capital (extrapolated from the main financial sources) are as follows:

- sector financial structure: 8.33% (third party capital) and 91.67% (own capital), taking into account the average of a panel of comparable companies;
- sector relevered beta: 1.057;
- risk-free rate: 1.92% determined considering the average five-year yield of government bonds with 10 year maturity, in consideration of the countries where LU-VE S.p.A. operates;
- risk premium: 5.50% (attributable to AAA-rated countries - source Prof. P. Fernandez, Survey: Market Risk Premium and Risk-Free Rate used for 88 countries in 2021);
- cost of debt: 1.21% determined considering the average five-year IRS rate with a 10-year maturity, equal to 0.39% increased by a spread of 0.82% - average of the spread applied to comparable companies, determined as the ratio between financial expense and EBIT - source A. Damodaran.

The recoverable amount also includes the terminal value of income flows, which was calculated with the “perpetual cash flow” method considering a growth rate (g rate) of 1.93%. This rate was calculated as the weighted average of the long-term inflation of the countries in which the CGUs operate (source “IMF”) and the related revenues. In the terminal value, an operating cash flow based on the last year of the plan (2025), adjusted so as to reflect a situation “under normal circumstances”, was considered. The level of amortisation and investments was balanced and a change in working capital equal to zero was assumed. A tax rate of 27.9% was also considered, equal to the applicable Italian rates.

In more detail, in order to determine the recoverable amount of Net Invested Capital, cash flows were discounted using a discounting rate (WACC) which takes into account the specific risks of the asset and which reflects current market assessments of the cost of money. The calculation of the weighted average cost of capital resulted in a value of 7.17% (6.53% as at 31 December 2020).

From the impairment test carried out, approved by the Directors of the Company on 24 February 2022, no losses emerged, as the value in use was found to be higher than the carrying amount.

As required by IAS 36 and by the impairment test guidelines drafted by the O.I.V., the group has carried out a further sensitivity analysis in relation to the recoverable cost of the CGU, on the one hand analysing the effect of the variation of the discounting rate used to discount future cash flows (WACC) and of the g-rate, as well as the effect of a change of the discounting rate used to discount future cash flows (WACC) and the EBITDA both for the specific period and for the terminal value, maintaining the main business plan assumptions unchanged.

These sensitivity analyses demonstrated potential impairment situations also in non-hardly probable scenarios.

In addition, the management has provided to determine the break-even WACC, the reduction of EBITDA and the break-even g-rate (which equate to the Value in Use and Carrying Amount), obtaining the results reported below:

- break-even WACC (maintaining all the other plan assumptions unchanged) equal to 7.42%;

- reduction of the EBITDA in the explicit period of the Plan and in Terminal Value (maintaining all other plan assumptions unchanged) equal to -2.44%;

- reduction of the break-even g-rate to 1.62%.

As already mentioned above, the cash flows deriving from the 2021-2025 Business Plan do not take into account the possible impacts related to the recent geopolitical tensions identified as a non-adjusting event pursuant to IAS 10 at 31 December 2021, while they take into account an assessment of the further possible impacts linked to the carry-over effects of the pandemic.

Other intangible assets

The following table illustrates in more detail information relating to other intangible assets:

Detail of other intangible assets *(in thousands of Euro)*	**Trademarks**	**Development costs**	**Development costs in progress**	**Software**	**Other**	**Total**
Historical						
As at 1 January 2020	**10,799**	**8,728**	**944**	**8,927**	**564**	**29,962**
Increases	-	-	492	4,755	-	5,247
Decreases	-	-	-	-	-	-
Reclassifications	-	735	(735)	541	(541)	-
As at 31 December 2020	**10,799**	**9,463**	**701**	**14,223**	**23**	**35,209**
Increases	-	154	601	2,702	-	3,457
Decreases	-	-	-	-	-	-
Reclassifications	-	360	(400)	40	-	-
As at 31 December 2021	**10,799**	**9,977**	902	**16,965**	**23**	**38,666**
Provision						
As at 31 December 2020	**8,111**	6,832	-	**6,976**	**-**	**21,919**
Increases	717	930	-	2,995	-	4,642
Decreases	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
As at 1 January 2021	**8,828**	**7,762**	-	**9,971**	**-**	**26,561**
Increases	717	1,030	-	3,348	-	5,095
Decreases	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
As at 31 December 2021	**9,545**	**8,792**	-	**13,319**	**-**	**31,656**
Net carrying amount						
As at 31 December 2020	**1,971**	**1,701**	**701**	**4,252**	**23**	**8,648**
As at 31 December 2021	**1,254**	**1,185**	**902**	**3,646**	**23**	**7,010**

Trademarks

The changes in the year relating to Trademarks refer exclusively to amortisation for the year.

Development costs and development costs in progress

The increase in development costs in progress for €601 thousand (€492 thousand in 2020), capitalised subject to the prior authorisation of the Board of Statutory Auditors, refers to product development projects in the process of being completed: the intense activities carried out have aimed to offer the market increasingly advanced products. The main projects regarded the development of new product ranges (mainly the use of natural refrigerants, such as carbon dioxide and ammonia), the miniaturisation and specialisation of tube surfaces and matrices for the improvement of heat exchange efficiencies, the introduction of electronic control systems optimised for unit coolers and air coolers. During the financial year, several projects were completed which have led to a reclassification of the relative costs recognised in the item "Development costs in progress" for €400 thousand, of which €360 thousand refer to Development Costs and €40 thousand to Software.

Software

The Software category increased by €2,702 thousand in 2021 (€4,755 thousand in 2020). The increase in software for the current financial year is mainly due to the implementation and licences of the ERP SAP for €502 thousand, for new PLM (Product Lifecycle Management) projects for approximately €394 thousand, for the development of MES (Manufacturing Execution System), an integrated inventory system, for approximately €358 thousand and other management software for improved operations at Group level (configurators, licences, developments, etc.) for €1,448 thousand.

These property, plant and equipment were included in the impairment test described above as they were allocated to the only CGU 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 1 January 2020	40,359	46,844	1,156	14,733	2,060	105,152
Increases	226	1,120	296	637	101	2,380
Decreases	-	(2,164)	(160)	(651)	-	(2,975)
Reclassifications	-	986	-	-	(986)	-
As at 31 December 2020	40,585	46,786	1,292	14,719	1,175	104,557
Increases	678	1,552	892	567	384	4,073
Decreases	-	(1,475)	(508)	(237)	(183)	(2,403)
Reclassifications	150	571	-	5	(726)	-
As at 31 December 2021	41,413	47,434	1,676	15,054	650	106,227
Provision						
As at 1 January 2020	10,630	39,580	365	13,258	-	63,833
Increases	702	1,975	394	478	-	3,549
Decreases	-	(1,694)	(129)	(330)	-	- 2,153
Reclassifications	-	-	-	-	-	-
As at 31 December 2020	11,332	39,861	630	13,406	-	65,229
Increases	708	2,051	416	468	-	3,643
Decreases	-	(1,136)	(382)	(224)	-	(1,742)
Reclassifications	-	-	-	-	-	-
As at 31 December 2021	12,040	40,776	664	13,650	-	67,130
Net carrying amount						
As at 31 December 2020	29,253	6,925	662	1,313	1,175	39,328
As at 31 December 2021	29,373	6,658	1,012	1,404	650	39,097

As at 31 December 2021, the increases in the historical cost of property, plant and equipment amounted to €4,073 thousand. These increases are mainly due to:

- the technology investment programme for the improvement and rationalisation of the existing production capacity for €1,936 thousand, of which €384 thousand refer to work in progress;
- the purchase of industrial equipment and moulds for approximately €567 thousand;
- the subscription of new rights of use pursuant to IFRS 16 for €892 thousand.

It is specified that, of the €4,073 thousand increase in property, plant and equipment, approximately €11 thousand was recognised as payables in the item "other current payables", as they were for purchases of assets not yet fully paid up as at 31 December 2021.

Decreases of €2,403 thousand were recorded during the year, of which €1,475 thousand are attributable to the completely depreciated disposal of plant and machinery.

During the year €726 thousand previously recognised under Work in progress, mainly attributable to machinery purchased in previous years but used in the production process only from the current financial year were also reclassified.

During the year, financial expense was not capitalised on property, plant and equipment.

These property, plant and equipment were included in the impairment test described above as they were allocated to the only CGU identified by the Management.

The table below provides detailed information on assets still owned on which the revaluations provided under specific laws were carried out:

	Item								
	Property		Plant and equipment		Other property, plant and equipment		Trademarks		
Types of revaluations *(in thousands of Euro)*	**Gross amount**	**Net amount as at 31/12/2020**	**Gross amount**	**Net amount as at 31/12/2020**	**Gross amount**	**Net amount as at 31/12/2020**	**Gross amount**	**Net amount as at 31/12/2020**	**Net total as at 31/12/2020**
Law no. 413 of 30 December 1991	5	1	-	-	-	-	-	-	1
Italian law no. 342 of 21 November 2000	-	-	1,347	-	1,080	-	-	-	-
Law no. 350 of 24 December 2003	-	-	1,814	-	1,183	-	-	-	-
Law no. 266 of 23 December 2005	-	-	847	-	296	-	-	-	-
art. 1, paragraph 622 of the 2022 Budget Law (Law 234/2021)	4,515	4,378	-	-	-	-	1,971	1,932	6,310
TOTAL	4,520	4,379	4,008	-	2,559	-	1,971	1,932	6,311

3.3 EQUITY INVESTMENTS

The details of this item are shown below:

Equity investments *(in thousands of Euro)*	**31/12/2021**	**31/12/2020**	**Change**
Tecnair L.V. S.p.A.	1,043	1,043	-
SEST S.p.A.	44,895	44,895	-
Heat Transfer System s.r.o. (HTS)	9,540	9,540	-
LU-VE France S.à.r.l.	1,303	1,303	-
LU-VE Deutschland GmbH	173	173	-
LU-VE Iberica S.l.	145	145	-
LU-VE Contardo Pacific Pty Ltd (Australia)	-	-	-
LU-VE Asia Pacific Ltd. (Hong Kong)	13	13	-
LU-VE HEAT EXCHANGERS (Tianmen) Co, Ltd	3,000	3,000	-
LU-VE Sweden AB	390	390	-
MANIFOLD S.r.l.	10	10	-
LU-VE India Corporation Private Ltd	-	-	-
LUVEDIGITAL S.r.l.	5	5	-
Spirotech Heat Exchangers Private Ltd	39,468	39,468	-
LU-VE Austria GmbH	18	18	-
Zyklus Heat Transfer Inc.	7,052	7,052	-
Air Hex Alonte S.r.l.	15,434	15,434	-
Fincoil LU-VE OY	30,649	30,649	-
LU-VE Netherlands B.V.	10	10	-
«OOO» LU-VE Moscow	1	1	-
LU VE MIDDLE EAST DMCC	20	20	-
LU-VE Korea LLC	107	-	107
Total subsidiaries:	**153,276**	**153,169**	**107**
Industria e Università S.r.l.	6	6	-
Total	**153,282**	**153,175**	**107**

The change in equity investments relates for €107 thousand to the company LU-VE Korea LLC, located in Seoul, set up during the year to support the business.

The Management tested the recoverability of the carrying amount of the following equity investments as at 31 December 2021 identifying significant losses for the year and/or previous years that led to the recognition of the negative shareholders' equities of some companies:

- LU-VE Deutschland GmbH;
- LU-VE Asia Pacific Ltd. – Hong Kong and LU-VE Tianmen (China);
- Fincoil LU-VE OY;
- Zyklus Heat Transfer Inc.

- Finally, Management also included in the carrying amount subject to the impairment test the net financial position vis-à-vis subsidiaries, considered a long-term interest which, in substance, represents an extension of the net investment in the subsidiary, the fulfilment of which is neither planned nor likely to happen in the foreseeable future, assuming a recovery deriving from the calculation of the same Equity value (respectively negative for €2.7 million vs. LU-VE Asia Pacific Ltd. - Hong Kong and LU-VE Tianmen (China) and €19 million vs. Zyklus Heat Transfer Inc and positive for €2.5 million vs. Fincoil Lu-VE OY and €0.5 million vs. LU-VE Deutschland GmbH).

In the determination of the recoverable amount, identified in the value in use as the sum of discounted cash flows generated in the future and in a continuous manner net of the net financial position of the subsidiary (so called Discounted Cash Flow Method - Equity side), the Management made reference to the 2022-2025 Business Plans of these subsidiaries prepared by the local management in collaboration with the Management of the Company and subsequently included in the consolidated 2022-2025 Business Plan approved by the Company's Management on 24 February 2022 (which does not take into consideration the reallocation of some non-recharged corporate costs). For the subsidiary Zyklus Heat Transfer Inc., given the project for the significant increase in production capacity under way in the 2020 and 2021 financial years, a Business Plan with an explicit 2022-2028 timetable was considered.

In particular, for the key variables of greater importance in determining the cash flow forecasts, please refer to the previous paragraph "Recoverability of the value of equity investments".

In more detail, in order to determine the recoverable amount of the equity investments tested, cash flows were discounted using a discounting rate (WACC) which takes into account the specific risks of the equity investment and which reflects current market assessments of the cost of money. Different WACCs were calculated assuming as a reference basis the risk free rates relating to the different countries of the tested equity investments. The recoverable amount also includes the terminal value of income flows, which was calculated with the "perpetual cash flow" method considering a growth rate (g rate) in line with the expected growth rates of the countries in which each company operates. In the terminal value, an operating cash flow equal to the last year of the plan (2025 for all companies with the exception of Zyklus for which the average for the explicit period 2025-2028 was considered), adjusted so as to reflect a situation "under normal circumstances". The level of amortisation and investments was balanced and a change in working capital equal to zero was assumed. A weighted tax rate was also considered in relation to the countries in which the individual subsidiaries operate.

The Terminal Value cash flow therefore reflects a level of amortisation corresponding to the value of investments under normal circumstances and no change in working capital. The main parameters considered in estimating the Equity value are reported below:

Company	WACC	g rate
LU-VE Deutschland GmbH	5.86%	1.00%
Zyklus Heat Transfer Inc	8.59%	2.00%
LU-VE Tianmen (China) and LU-VE Asia Pacific Ltd. – Hong Kong	8.69%	2.13%
Fincoil LU-VE OY	6.76%	1.00%

With specific reference to the WACC used in the development of the impairment test of the subsidiary Zyklus, a Company Specific Risk Premium of 1.43% was also considered in determining the same.

From the impairment tests carried out, approved by the Directors of the Company on 24 February 2022, no losses in value emerged except for the company Zyklus, for a total of €6.6 million.

In addition, as the recoverable amount is determined on the basis of projections, the Company Management has developed sensitivity analyses.

As required by IAS 36 and by the impairment test guidelines drafted by the O.I.V., the Company has carried out a sensitivity analysis in relation to the recoverable amount of the above mentioned equity investments, analysing the effect of the variation of the discounting rate used to discount future cash flows (WACC) and of the g-rate, as well as the effect of a variation in the discounting rate used to discount future cash flows (WACC), maintaining the main business plan assumptions unchanged.

These sensitivity analyses did not highlight any particular critical issues, confirming the results in terms of robustness of the test, with the exception of the subsidiary Fincoil LU-VE OY for which the test highlighted potential impairment situations also in not hardly probable scenarios.

Management also conducted a sensitivity analysis for the subsidiary Zyklus considering an explicit time horizon equal to the period 2022-2025, maintaining the main assumptions underlying the related business plan unchanged, which shows an impairment situation with a significant incremental write-down; however, this scenario is not considered reasonable by the Company which considers it appropriate to consider an explicit period of at least 7 years for the payback of the significant investments made in 2020 and 2021 (overall of €3.6 million and €5.7 million), necessary to exponentially increase the subsidiary's production capacity.

In addition, the Management has provided to determine the break-even WACC and g-rate, together with a reduction in the percentage of the EBITDA value of the Terminal Value for each equity investment subject to impairment test:

Company	% EBITDA	WACC*	g rate **
LU-VE Deutschland GmbH	n.s.	n.s.	n.s.
LU-VE Tianmen (China) and LU-VE Asia Pacific Ltd. – Hong Kong	-35.80%	5.00%	n.s.
Fincoil LU-VE OY	-2.20%	0.23%	-0.30%

* These values are in addition to the WACC values of the base-case scenarios.

** Break even g-rate: non-significant reduction of the TV g-rate. Even by using a nil value, the Cover would not be zero.

As already mentioned above, the cash flows deriving from the Business Plans of the individual companies do not take into account the possible impacts related to the recent geopolitical tensions identified as a non-adjusting event pursuant to IAS 10 at 31 December 2021, while they take into account a evaluation of the further possible impacts linked to the carry-over of the effects of the pandemic.

A dedicated list indicating the information required for each subsidiary by art. 2427 of the Italian Civil Code, is provided in annex.

3.4 OTHER NON-CURRENT FINANCIAL ASSETS

Other non-current financial assets *(in thousands of Euro)*	31/12/2021	31/12/2020	Change
Other non-current financial assets	33,964	23,208	10,756
Intragroup bad debt provision	(12,600)	-	(12,600)
Total	**21,364**	**23,208**	**(1,844)**

The item "*Other non-current financial assets*" amounted to €33,964 thousand, gross with respect to the relative bad debt provisions of €23,208 in the previous year and make exclusive reference to financial receivables from subsidiaries.

These financial receivables are detailed as follows:

- for €19,728 thousand to a multi-year loan in USD (approximately USD 23,080 thousand) granted to the subsidiary Zyklus Heat Transfer Inc. to provide the financial resources necessary for the development of the production site. This receivable in currency also generated a positive exchange rate effect of €650 thousand in the 2021 financial year;
- for €6,775 thousand for a long-term loan granted to the subsidiary LU-VE Asia Pacific Limited. In the past, the subsidiary used part of that loan to subscribe 100% of the share capital of LU-VE Heat Exchangers (Changshu) LTD in China;
- for €5,063 thousand for a long-term loan granted to the subsidiary LU-VE Sweden AB;
- for €998 thousand for a long-term loan granted to the subsidiary LU-VE Ibérica s.l.;
- for €750 thousand for the long-term loan granted to LU-VE Netherlands B.V. to guarantee the company's ordinary operations.

Decreases in the year:

- for €1,000 thousand for the full repayment of the long-term loan granted in 2019 to the subsidiary “OOO” LU-VE MOSCOW to guarantee the company’s ordinary operations;
- for €250 thousand for the full repayment of the long-term loan granted in 2019 to the subsidiary LU-VE MIDDLE EAST DMCC to guarantee the company’s ordinary operations.

Increases in the year:

- for €10,712 thousand (approximately US$ 12,500) for the new long-term disbursements granted to the subsidiary Zyklus Heat Transfer Inc. in order to guarantee the company’s ordinary operations and the realisation, already under way, of the new production plant.

With reference to the recoverability of financial receivables from subsidiaries subjected to impairment test (subsequent to the valuation of the of the ECL required by IFRS 9), please refer to what already described in the previous Note 3.3 “Equity investments”, with reference to the long-term interests that, essentially, represent a further net investment in subsidiaries; where the recoverable value was determined as the sum of discounted future and continuous cash flows, net of the subsidiary’s net financial position. Following the result of the impairment test on the net investment in the subsidiary Zyklus Inc., the Management decided to allocate the loss resulting from the aforementioned test on the financial receivables due from the subsidiary Zyklus Inc. and therefore proceeded to write down the financial assets for €6.6 million (in addition to €6 million reclassified from the intra-group bad debts provision).

3.5 OTHER NON-CURRENT ASSETS

Other non-current assets *(in thousands of Euro)*	**31/12/2021**	**31/12/2020**	**Change**
Other non-current assets	3,867	5,136	(1,269)
Total	**3,867**	**5,136**	**(1,269)**

"*Other non-current assets*" amounted to €3,867 thousand (€5,136 thousand in 2020) and refer to non-current receivables from the subsidiary SEST-LUVE-Polska SP.z.o.o. for values referring to the customer list and the know-how of the commercial evaporators production line transferred to Poland (as reported in the note "introduction" of the 2020 Financial Statements). The decrease of approximately €1,269 thousand mainly refers to the reclassification of the short-term portion of the receivable under "*other current assets*" (Note 3.10). The contract signed with the counterparty includes a residual 4-year instalment repayment plan.

3.6 INVENTORIES

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

Inventories *(in thousands of Euro)*	**31/12/2021**	**31/12/2020**	**Change**
Raw materials and consumables	10,450	6,765	3,685
Work in progress and semi-finished products	1,934	1,276	658
Finished products and goods for resale	3,873	3,402	471
Provision for inventory losses	(1,587)	(1,247)	(340)
Total	**14,670**	**10,196**	**4,474**

The increase in value of approximately €4,474 thousand compared to 2020 is mainly due to a generalized increase in the prices of raw materials and inventories due to the international context. This increase is also linked to the strategic decision to invest in increasing the level of raw materials security stocks in order to be able to guarantee customers delivery terms in line with their expectations.
The provision for inventory losses, equal to €1,587 thousand as at 31 December 2021 (€1,247 thousand in 2020) reflects the best estimate of obsolescence risk, on the basis of specific analyses carried out at the end of the year on unsold inventory or inventory with a low turnover rate.

No releases were made for redundancies during the financial year.

3.7 TRADE RECEIVABLES

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

Trade Receivables *(in thousands of Euro)*	**31/12/2021**	**31/12/2020**	**Change**
Trade receivables from third parties	11,956	12,050	(94)
Trade receivables from Group customers	25,186	31,875	(6,689)
Third party bad debt provision	(2,406)	(2,703)	297
Group bad debt provision	(1,744)	(10,212)	8,468
Total	**32,992**	**31,010**	**1,982**

As at 31 December 2021 the receivables from customers include receivables from some subsidiaries for the net value of €23,444 thousand, of which €25,186 thousand of credits for invoices issued, and partially offset by the relative bad debt provision for an amount of €1,744 thousand. For the details, refer to the Note on Related Parties (Note 4.14).

All trade receivables are due within the subsequent year and derive from normal sales transactions. Please note that no receivables with a duration of more than 5 years were recognised in this item of the Financial Statements.

In December 2021 receivables of approximately €4,616 thousand were transferred to Factoring companies, compared to approximately €4,743 thousand in the same month in the previous financial year. All these transfers were without recourse. Factored receivables as a percentage of revenue came to 5.07% in 2021 and 5.1% in 2020.

Trade receivables as at 31 December 2021 do not include contract assets (invoices to be issued relative to services already rendered by the Company), while including, to reduce trade receivables, variable compensations (credit notes to be issued for bonuses granted to customers) for €928 thousand.

The Company's bad debt provision with respect of third parties decreased overall during the year by €297 thousand. This change refers to uses of the provision against receivables of doubtful recoverability.

The breakdown of receivables from third parties by geographical area is shown below:

Breakdown of trade receivables from third parties by geographical area *(in thousands of Euro)*	**31/12/2021**	**31/12/2020**	**Change**
Italy	5,592	4,319	1,273
EU Countries	4,875	4,208	667
Non-EU Countries	1,489	3,523	(2,034)
Bad debt provision	(2,406)	(2,703)	297
Total	**9,550**	**9,347**	**203**

The ageing of trade receivables from third parties is shown below:

Breakdown of trade receivables from third parties by maturity *(in thousands of Euro)*	**31/12/2021**	**31/12/2020**	**Change**
Current receivables (not past due)	7,555	8,657	(1,102)
Past due up to 30 days	1,845	146	1,699
Past due from 30 to 60 days	303	-220	83
Past due from 60 to 90 days	161	892	(731)
Past due for more than 90 days	2,092	2,135	(43)
Total	**11,956**	**12,050**	**(94)**

The Company values the bad debt provisions 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.

As at 31 December 2021, the estimate of the expected losses included the potential forward-looking impacts of the pandemic and of the macroeconomic conditions related to the possible deterioration of customers' creditworthiness, of the countries in which operate and on their ability to meet their obligations. With reference to these latter considerations, we report how the effects on receivables deriving from the COVID-19 health crisis as at 31 December 2021 have not involved significant delays in customers' payments with respect to the dates originally contractually scheduled with customers: Management deemed it reasonable, in any case, on the basis of the forward-looking impacts of the pandemic, to increase their expectations of future losses reflecting this risk in the bad debt provision allocation in the Financial Statements.

Furthermore, it is reported how the average payment terms were not subject to significant changes compared to the previous year.

The following table summarises, on the basis of the IFRS 9, the risk profile of trade receivables on the basis of the allocation matrix reviewed by the Company in 2021, therefore reporting the gross book value of receivables from third parties at the time of possible default (equivalent to the recognition value of receivables), and the estimate as at 31 December 2021 of expected losses throughout the credit life:

(in thousands of Euro)	**Not past due**	**<30**	**31 - 60**	**61 - 90**	**>90**	**Total**
Expected default rate	0.94%	8.40%	18.15%	21.12%	99.95%	
Estimate of gross accounting value at the time of default	7,555	1,845	303	161	2,092	11,956
Expected losses throughout the life of the credit	71	155	55	34	2,091	2,406

The Management has also calculated the ECL on the Company's net credit position towards controlled companies, in the assumption that in case of default of a subsidiary within the Group, the Parent Company would only suffer the loss of the net amount of reciprocal items, having the possibility of controlling cash flows between the parties. Therefore, for each directly or indirectly controlled company, the test has considered as its unit-of-account, the algebraic sum of trade receivables, other non-current financial assets (where not already included in the impairment test of equity investments described in Note 3.3 - Equity Investments), the balance of Cash Pooling included in "Current financial assets", net of the balance payable of "Cash Pooling" included in the item "Other current financial liabilities" and of "Trade payables" and "Tax consolidation liabilities and assets".

Management has then divided directly and indirectly controlled companies into three risk categories, on the basis of their historical economic performance and expectations of the same.

Subsequently, the Management has estimated the recovery times of return of expected future revenue. On the basis of recovery times, these revenue flows were discounted at the annual rate that includes a component of country risk (free risk rate) and the specific risk of the three identified categories (0.5%, 2% and 4.5%).

The results of the analyses in thousands of Euro as at 31 December 2021 are reported below:

Risk Class (in thousands of Euro)	**Trade receivables**	**Other non-current financial assets**	**Cash Pools Assets**	**Cash Pools Liabilities**	**Payables and Other Receivables**	**Net lending position**	**Impairment loss on accounts receivables**	**Impairment on loans**
Risk Class 1	7,669	26,503	6,784	-	(477)	40,479	600	12,600
Risk Class 2	3,321	1,748	-	-	(163)	4,906	1,144	-
Risk Class 3	14,133	5,063	1,228	(4,313)	579	16,690	-	-
Total	**25,123**	**33,314**	**8,012**	**(4,313)**	**(61)**	**62,075**	**1,744**	**12,600**

The provision to class 1 risk is exclusively linked to Zyklus and derives from the indications of the impairment test referred to above in Note 3.3 "Equity investments".

The negative change in the provision for bad debts of €8,468 thousand is linked to:

- Decrease of €6,600 thousand reclassified from the provision for trade bad debts to the provision for bad debts on loans as indicated both in Note 3.4 "Other non-current financial assets" and in Note 3.3 "Equity investments";
- Decrease of €3,738 thousand due to the use of the bad debts provision with regard to the Australian company as indicated in the previous Note;
- Increase of €1,270 thousand due to the reclassification from the Group's cash pooling bad debt provision to the Group's provision for trade bad debts.

3.8 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)*	**31/12/2021**	**31/12/2020**	**Change**
Due from the tax authorities for VAT	180	1,698	(1,518)
Due from the tax authorities for payments on account of direct taxes	1,245	-	1,245
Others	188	59	129
Total	1,613	1,757	(144)

Receivables due from the tax authorities for payments on account of direct taxes increased by €1,245 thousand compared to the financial year closed as at 31 December 2020, and refer to the net value of the advances paid in 2021 and the payables for current taxes (please see Note 3.18).

The change in receivables due from the tax authorities for VAT, which decreased by €1,518 thousand, is mainly due to the use of the VAT credit deriving from the previous year to offset VAT during the year.

3.9 CURRENT FINANCIAL ASSETS

Current financial assets included in this item are part of the "FVTPL" category indicated by IFRS9. 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 Company 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)***	**31/12/2021**	**31/12/2020**	**Change**
Capitalisation policies	81,356	69,958	11,398
Other securities	591	300	291
Cash pooling	8,074	3,302	4,772
Total	90,021	73,560	16,461

The item "Capitalisation policies" includes the following financial instruments:

- Capitalisation policies issued by Aviva Vita S.p.A. and subscribed by the Parent Company LU-VE S.p.A. for a nominal value of €59,776, recognised at fair value for a value of €64,902 thousand (as at 31 December 2020 the nominal value was €49,856 thousand, while the fair value was €54,003 thousand) 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 financial year further Branch I capitalisation policies were subscribed to supplement those already subscribed in 2016, for €10,000 thousand, net of purchasing commission of €80 thousand (the latter recognised in the income statement in the item "Financial expense").The fair value measurement at the end of the financial year entailed the recognition of a positive change of €979 thousand, recognised under the item "Financial income".

- Capitalisation policies issued by BNP Paribas Cardif Vita Compagnia di Assicurazione e Riassicurazione S.p.A. and subscribed by the Parent Company LU-VE S.p.A. for a nominal amount of €15,000 thousand, measured at fair value at €16,454 thousand (at 31 December 2020, the nominal value was €15,000 thousand, while the fair value was €15,955 thousand); no new capitalisation policies were taken out during the year. The fair value measurement at the reporting date entailed the recognition of a positive amount of €498 thousand, recognised under the item "Financial income".

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 some penalties in the case of early redemption, of amounts not significant with reference to BNP Paribas Cardif Vita Compagnia di Assicurazione e Riassicurazione S.p.A., with expiry in 2022.

Other securities refer to investments, with Unicredit, for a total of €600 thousand. During the year, new certificates were subscribed for a total value of €300 thousand. The fair value measurement at 31 December 2021 entailed the recognition of a negative change of €9 thousand under the items "Financial income and expense".

Profits and losses from disinvestment are recognised in the Income Statement under the items "Financial income" or "Financial expense", like the fair value increases and decreases.

"Cash pooling" represented receivable balances for the Company deriving from the Group's centralised treasury. The numerical change in Cash Pooling at 31 December 2021 is approximately €4,772 thousand. This change in numbers, as well as those of the above policies (€9,920 thousand of Aviva policies and €300 thousand of investments with Unicredit), and the net cash pooling financial expense for €205 thousand, explain the change in financial assets summarized in the cash flow statement, to which reference should be made for further details (Note 1.5).

As at 31 December 2021 the various categories of financial derivatives held by the Company did not present positive fair values.

3.10 OTHER CURRENT ASSETS

The details of this item are shown below:

Other current assets *(in thousands of Euro)*	**31/12/2021**	**31/12/2020**	**Change**
Advances to suppliers	1,084	1,514	(430)
Receivables from Group Companies for tax consolidation	1,355	1,010	345
Other receivables	1,343	1,804	(461)
Total	**3,782**	**4,328**	**(546)**

The item "Advances to suppliers" decreased by €430 thousand mainly for advances to maintenance service providers for cloud based services.

The item "Receivables from Group Companies for tax consolidation" increased by €345 thousand for the contribution of receivables for the tax consolidation deriving from the liquidation of the IRES tax of SEST S.p.A. for €1,138 thousand, TECNAIR LV S.p.A. for €190 thousand and MANIFOLD S.r.l. for €27 thousand.

The item "Other receivables" of €1,343 thousand mainly reflects the current portion of the receivable from the subsidiary SEST LU-VE Polska Sp.z.o.o., attributable to the quantification of the values in reference to the customer list and know-how of the commercial evaporator line transferred to Poland.

3.11 CASH AND CASH EQUIVALENTS

The details of this item are shown below:

Cash and cash equivalents *(in thousands of Euro)*	**31/12/2021**	**31/12/2020**	**Change**
Cash and cash equivalents	123,847	103,763	20,084
Total	**123,847**	**103,763**	**20,084**

The increase of €20,084 thousand is mainly due to the ordinary management of working capital and the provision of new financial resources in the latter part of the financial year.

For further information on cash flows dynamics, please refer to paragraph 1.5 – "Statement of Cash Flows".

The Company has placed no restrictions and/or constraints on the use of these amounts.

3.12 SHAREHOLDERS' EQUITY

Share capital amounted to €62,704 thousand (€62,704 thousand as at 31 December 2020).

In 2021, dividends of €5,996 thousand were distributed by the Company from the extraordinary reserve and retained earnings from the previous year.

As at 31 December 2021, LU-VE S.p.A. held 28,027 treasury shares. There were no purchases or sales in the year 2021.

Please note that, following the decision of the Directors of the Company to benefit from the "tax realignment" regulation (pursuant to art. 110 of Italian Decree Law 104/2020), part of the already existing available reserves was bound for an amount of €6,292 thousand, corresponding to the value of trademarks (€1,971 thousand) and buildings (€4,515 thousand) fiscally realigned net of the relative substitute tax (€194 thousand). No deferred tax assets were recognised for these untaxed reserves since the Company does not foresee their distribution in the foreseeable future.

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

Nature/description	Amount	Possibility of use	Available portion	Summary of uses in the last three years (*) to cover losses	for other reasons
Share capital	62,704	-			
Principal amount reserves:					
Share premium reserve	24,762	A,B,C	24,762		
Reserve for treasury shares	-	-			
Profit reserves:					
Legal reserve	3,556	B			
Unrealised exchange gains reserve	691	-			
Extraordinary reserve	9,880	A,B,C	9,880		(17,511)
Revaluation reserve	273	A,B	273		
Post-employment benefits discounting reserve	(86)	-			
Total	**101,780**		**34,915**	-	
Non-distributable portion	70,384				
Residual distributable portion	31,396				

(*)Tax restrictions exist mainly for realignment operations carried out in 2000/2003 and 2005 for € 7,709 thousand in the share capital, € 273 thousand in the revaluation reserve and € 152 thousand euros in the share premium reserve (as reported in the UNICO model 2021). During the year, following the realignment of the brands and buildings (operation described in the paragraph "use of estimates"), an additional amount of € 6,292 thousand was restricted (€ 3,198 thousand in the legal reserve and € 3,094 thousand in the share premium reserve)

Key:

A: for capital increases
B: to cover losses
C: for distribution to shareholders

3.13 LOANS

This item was broken down as follows:

Loans *(in thousands of Euro)*	**31/12/2021** Current	**31/12/2021** Non-current	**31/12/2020** Current	**31/12/2020** Non-current
M/L term bank loans	131,771	202,844	71,420	228,104
Advances on export flows in Euro	19,500	-	9,500	-
Total	**151,271**	**202,844**	**80,920**	**228,104**

As at 31 December 2021, bank loans amounted to €334,615 thousand (€299,524 thousand as at 31 December 2020).
The breakdown of this item, recognised according to the amortised cost, the evolution with respect to the previous year and the characteristics of the bank loans held by the Group are provided in the table of paragraph 9 Appendix B.

In relation to certain loan agreements, LU-VE S.p.A. committed to respecting specific financial and economic parameters (covenants), which are checked annually on drawing up the consolidated Financial Statements as at 31 December of each year. In accordance with ESMA Guidelines 2021/32-382-1138, the related Appendix shows the loans outstanding as at 31 December 2021, for which compliance with the equity and economic covenants is required on a consolidated basis, as well as the characteristics of the covenants themselves (in thousands of Euro).

The changes in loans during the financial year are shown below:

Loans: changes during the year *(in thousands of Euro)*	**Opening balance**	**New loans**	**Repayments**	**Amortised cost effect**	**Closing balance**
Loans	299,714	160,000	(124,948)	(151)	334,615
Advances on export flows in Euro	9,500	38,000	(28,000)	-	19,500
Total	**309,214**	**198,000**	**(152,948)**	**(151)**	**354,115**

The following changes took place in loans in 2021:

- unsecured short-term bullet loan for €30,000 thousand with Cassa Depositi e Prestiti with maturity on 3 August 2022. The loan is fixed rate and is not subject to compliance with financial covenants;

- subscription of an unsecured loan for €30,000 thousand with Intesa Sanpaolo S.p.A., maturing on 31 March 2026. This loan provides conditions that are further improved for the Group when it reaches specific objectives: use of renewable energy sources and support to the community with the allocation of shares of turnover. The loan has constant quarterly instalments, with 3-month

Euribor interest rate plus the spread, which may be subject to a decrease on the basis of the achieved objectives. The loan is subject to compliance with financial covenants.

- unsecured medium-term loan for a total of €18,000 thousand with BPM S.p.A., maturing on 31 March 2026. This loan provides conditions that are further improved for the Group when it reaches specific sustainability objectives. The loan has constant half-yearly instalments, with 3-month Euribor interest rate plus a progressively decreasing spread on the basis of achieved sustainability objectives. The loan is subject to compliance with financial covenants;

- subscription of a medium-term unsecured loan for a total amount of €12,000 thousand with BPM S.p.A., with maturity date 31 March 2026. The loan has constant half-yearly instalments, with 3-month Euribor interest rate plus a decreased spread on the basis of achieved sustainability objectives. The loan is subject to compliance with financial covenants;

- subscription of a medium-term unsecured loan for a total amount of €30,000 thousand with Unicredit, with maturity date 31 March 2025. The loan provides for constant half-yearly instalments, 6-month Euribor interest rate. The loan is subject to compliance with financial covenants.

- subscription of a medium-term unsecured loan for a total amount of €40,000 thousand with BPM S.p.A., with maturity date 30 September 2026. The loan provides for constant quarterly instalments, 3-month Euribor interest rate. The loan is subject to compliance with financial covenants.

- early repayment of the unsecured loan with the former UBI Banca now BPER S.p.A. in the amount of €19,837 thousand taken out on 26 July 2019, with maturity date 30 July 2026.

- early repayment of the unsecured loan with Unicredit S.p.A. for €14,000 thousand taken out on 20 September 2018 and maturing 30 September 2023.

- early repayment of the EIB unsecured loan with Unicredit S.p.A. for €8,400 thousand taken out on 20 September 2018 and maturing 30 September 2023.

- early repayment of the unsecured loan with the former BPM S.p.A. in the amount of €17,500 thousand taken out on 25 January 2019, with maturity date 31 March 2025.

The only subscription that took place benefiting from state subsidies following the COVID-19 pandemic is the loan of Cassa Depositi e Prestiti and no new loan benefited from state guarantees, again following the COVID-19 pandemic. The new contracts were signed at interest rates slightly lower than the average cost of the Group’s debt, but in line with market rates.

In addition to the early repayment of the above mentioned loans, the reimbursements of the current instalments of the loans occurred during the year amounted to €65,211 thousand, therefore total reimbursements and early repayments amounted to €124,948 thousand.

We note that the following guarantees operate on the existing loans subscribed with Deutsche Bank in the previous financial year:

- with reference to the loan of €5,500 thousand maturing on 11 November 2026, a 90% guarantee granted by the SME Central Guarantee Fund pursuant to Law no. 40 of 5 June 2020, in order to support small and medium companies whose business has been affected by the COVID-19 emergency;

- with reference to the loan of €10,000 thousand maturing on 11 November 2025, a payment guarantee issued by SACE S.p.A. for the benefit of the bank to cover 50% of the due amount of principal and interest to be paid by LU-VE S.p.A.. The SACE guarantee is to be intended as public support intervention for the development of the production activities benefiting from the counter-guarantee of the Italian government in the context of the application of Italian Legislative Decree no. 123 of 31 March 1998, "Dispositions for the rationalisation of public support interventions to enterprises", pursuant to article 4, paragraph 4, letter c) of Law no. 59 of 15 March 1997.

As previously reported, 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 mainly floating rate and pegged to the Euribor. Note 4.14 below provides the information relating to financial risks.

3.14 PROVISIONS

Change in provisions *(in thousands of Euro)*	**31/12/2020**	**Prov./incr.**	**Uses**	**Release of excess portion**	**31/12/2021**
Provision for agents' leaving indemnities	25	30	-	-	55
Product warranty provision	1,246	200	-	-	1,446
Total	**1,271**	**230**	**-**	**-**	**1,501**

The provision for agents' leaving indemnities covers the amounts to be paid out to agents in the event of termination of the agency relationship by the Company.

The product warranty provision relates to the risk of returns or charges from customers for products already sold and identified as non-compliant. The provision is adjusted on the basis of analyses conducted and past experience.

Provisions, which represent the estimated future outflows calculated partly based on historical experience, were subject to actuarial valuation as at 31 December 2021. As the effect was deemed negligible, it was not incorporated in the Company's Financial Statements as at 31 December 2021.

3.15 EMPLOYEE BENEFITS

Employee benefits amounted to €814 thousand, a net decrease of €35 thousand compared to 31 December 2020. The entire amount of this item referred to the provision for employee severance benefits, which includes substantially the post-employment benefits accrued by personnel employed as at 31 December, 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.

The relative regulations were supplemented by Italian Legislative Decree no. 252/2005 and Italian Law no. 296/2006 (2007 Financial Act), which established that for companies with at least 50 employees the amounts accrued starting in 2007 would be allocated to the INPS Treasury Fund or to supplementary pension plans, at the choice of the employee, and would therefore become "Defined contribution plan".

In application of IAS 19, the provision for employee severance benefits is recalculated using the actuarial valuation methodology with the support of an external expert, and adjusted in relation to the occurrence of events which require its updating.

The date of the last actuarial valuation was 31 December 2021.

The breakdown and changes in the item as at 31 December 2021 are shown below:

Employee benefits *(in thousands of Euro)*	**31/12/2021**	**31/12/2020**
Liabilities as at 1 January	849	884
Provisions	-	-
Financial expense	5	7
Payments made	(53)	(58)
Transfers in/out	2	8
Actuarial (gains)/losses	11	8
Liabilities at the end of the year	**814**	**849**

The Provision for employee severance benefits changed primarily based on uses for the year to provide advances and/or payments to former personnel.

The adjustment to equity for actuarial gains and losses includes a net actuarial loss of €11 thousand, calculated as follows:

- Actuarial loss deriving from the change in the main actuarial assumptions used as at 31 December 2021 with respect to the previous valuation as at 31 December 2020: €15 thousand;

- Actuarial gain 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: €4 thousand.

Actuarial gains and losses are recognised in shareholders' equity through the statement of comprehensive income.

The values recognised in the Income Statement are included in "Personnel costs" (Note 4.5).

The main financial and demographic assumptions used at the date of the last reference valuation of 31 December 2021 are shown below:

Financial assumptions	**31/12/2021 %**	**31/12/2020 %**
Discount rate (IBOXX Eurozone Corporate AA 10+ Index)	0.34	0.34
Inflation	1.75	0.80
Salary increase rate (Blue-collar workers, White-collar workers, Middle Managers)	1.00	1.00
Salary increase rate (Executives)	2.50	2.50
Post-employment benefits increase	2.8125	2.10

Demographic assumptions	**31/12/2021**	**31/12/2020**
Mortality rate	State General Accountancy Table RG48	State General Accountancy Table RG48
Disability	INPS Tables	INPS Tables
Personnel turnover	2%	2%
Advances	5%	5%
Retirement age	100% upon satisfaction of general compulsory insurance requirements	100% upon satisfaction of general compulsory insurance requirements

The sensitivity analysis for the provision for employee severance benefits is reported below. The following table reports the change in the provision with the variation of the most significant actuarial hypothesis, that is to say the discount rate:

Sensitivity of provision for employee severance benefits as at 31/12/2021 *(in thousands of Euro)*	**0.25%**	**-0.25%**
Discounting rate	(16)	16

3.16 OTHER FINANCIAL LIABILITIES

The item "Other financial liabilities" mainly refers to financial payables related to IFRS 16 and the recognition of the negative fair value of derivatives. The details of this item for the non-current portion are shown below:

Other non-current financial liabilities *(in thousands of Euro)*	**31/12/2021**	**31/12/2020**	**Change**
IFRS 16 financial payables	656	349	307
Total	**656**	**349**	**307**

The item "*IFRS 16 financial payables*" of around €656 thousand refer to the medium and long-term payable for leases recognised in application of the IFRS 16 standard.

The details of this item for the current portion are shown below:

Other current financial liabilities *(in thousands of Euro)*	**31/12/2021**	**31/12/2020**	**Change**
Cash pooling	4,375	10,666	(6,291)
Fair value of derivatives	676	2,674	(1,998)
IFRS 16 financial payables	360	314	46
Total	**5,411**	**13,654**	**(8,243)**

Cash pooling represented payable balances for the Company relating to the Group's centralised treasury. As at 31 December 2021, the balance of €4,375 thousand is mainly explained by the absorption of liquidity by the companies, FINCOIL OY, Air Hex Alonte S.p.A., HTS SRO, to the Group treasury.

The following table summarises the financial instruments outstanding as at 31 December 2021, broken down by type:

Derivative financial instruments as at 31/12/2021 *(in thousands of Euro)*		**31/12/2021**		**31/12/2020**		**31/12/2021**	**31/12/2020**
TYPE	**ORIGINAL NOTIONAL**	**NOT. Short**	**NOT. M/L**	**NOT. Short**	**NOT. M/L**	**FAIR VALUE**	**FAIR VALUE**
IRS on loans	328,409	73,566	185,755	47,060	180,909	(676)	(2,674)
Total	**328,409**	**73,566**	**185,755**	**47,060**	**180,909**	**(676)**	**(2,674)**
Total Notional		**259,322**		**227,969**			

As at 31 December 2021, derivative financial instruments on IRSs entered into by the Company had a negative fair value of €676 thousand. Please refer to Appendix A for details as at 31 December 2021 of the existing derivative financial instruments broken down by type.

The change in the fair value of derivatives for €1,998 thousand is mainly determined as follows:

- positive change in fair value of €1,080 thousand, relating to derivatives of extinguished contracts underlying the early repaid loans;
- positive change in fair value of €1,135 thousand for derivatives on existing loans;
- negative change in fair value of €277 thousand for the recognition of the fair value on the derivatives underlying the loans taken out in the current year;
- positive change in fair value of €60 thousand for the recognition of the fair value on the derivatives underlying the loans taken out during the current year;

The item "IFRS 16 Financial payables" of around €360 thousand refer to the short-term lease payable recognised in application of the IFRS 16 standard. The total "cash out" in the year with reference to IFRS 16 amounts to approximately €480 thousand.

3.17 TRADE PAYABLES

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

Trade Payables *(in thousands of Euro)*	**31/12/2021**	**31/12/2020**	**Change**
Italy	23,134	21,693	1,441
EU Countries	4,126	3,781	345
Non-EU Countries	865	203	662
Total	**28,125**	**25,677**	**2,448**

The average payment terms have not changed since the previous year. As at 31 December 2021, there were no past-due payables of significant amounts with due date exceeding 5 years, nor had the Company received payment orders for past-due payables. The change of €2,448 thousand mainly refers to an effect of the increase in prices and volumes of purchases of raw materials and consumables.

Contract liabilities (advances received from customers before rendering any service) for an amount of €731 thousand were recognised under trade payables. No supplier financing transactions were carried out during the period.
No trade payables with a residual maturity of more than 5 years were recognised in the Financial Statements.

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

3.18 TAX PAYABLES

Payables to the tax authorities for current taxes *(in thousands of Euro)*	**31/12/2021**	**31/12/2020**	**Change**
Payables to tax authorities for direct taxes	130	602	(472)
Others	641	672	(31)
Total	771	1,274	(503)

The item "Payables to tax authorities for direct taxes" for €130 thousand refers to the residual payable for the substitute tax on trademarks, produced following the tax realignment referred to in Note 2.1 "Introduction";

The item "others" for €641 thousand mainly refers to the payable to the tax authorities for tax withholdings for employees and self-employed workers.

3.19 DEFERRED TAX ASSETS AND LIABILITIES

The details of this item are shown below:

Deferred tax assets and liabilities *(in thousands of Euro)*	**31/12/2021**	**31/12/2020**	**Change**
Deferred tax assets	5,340	4,114	1,226
Deferred tax liabilities	(5,441)	(5,299)	(142)
Net position	**(101)**	**(1,185)**	**1,084**

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 period *(in thousands of Euro)*	DEPR./AMORT. AND LEASES	MERGER GROSS UP	ACTUARIAL VALUATION OF POST-EMPLOYMENT BENEFITS	PROVISIONS AND VALUE ADJUSTMENTS	OTHER DIFFERENCES	TOTAL
01.01.2020	1,040	6,686	(21)	(3,210)	(358)	4,137
In Income Statement	(77)	(2,308)	-	(564)	(1)	(2,950)
In shareholders' equity	-	-	(2)	-	-	(2)
31.12.2020	963	4,378	(23)	(3,774)	(359)	1,185
In Income Statement	(276)	-	-	(838)	33	(1,081)
In shareholders' equity	-	-	(3)	-	-	(3)
31/12/2021	687	4,378	(26)	(4,612)	(326)	101

As at 31 December 2021, Deferred tax assets referred to:

- tax differences on allocations to provisions, where the most significant impact refers to the provision for trade and financial (third party and intercompany) bad debts provisions for €3,758 thousand;

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

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

There are no deferred tax assets earmarked for previous tax losses as there are none as at the end of the financial year.

As at 31 December 2021, deferred tax liabilities referred to:

- tax differences on depreciation/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 land. Partially paid in 2020 for the realignment of buildings and trademarks, for €1.8 million

As reported in the previous note “Use of estimates”, in the verification of recognition and recoverability of deferred tax assets recognised in the Financial Statements as at 31 December 2021, the taxable results deriving from the 2022-2025 business plans of the Company and of the Italian companies included in the tax consolidation for the explicit period were taken into account, through the extrapolation from these of the taxable income expected for the following years. The effects deriving from the temporary differences on which deferred tax liabilities were recognised were also used in the verification of recognition.

3.20 OTHER CURRENT LIABILITIES

The details of this item are shown below:

Other current liabilities *(in thousands of Euro)*	**31/12/2021**	**31/12/2020**	**Change**
To personnel	3,838	3,514	324
To social security institutions	1,796	1,693	103
To Directors and Statutory Auditors	2,027	1,345	682
Payables to subsidiaries for tax consolidation	754	523	231
Other current payables	684	596	88
Total	9,099	7,671	1,428

The increase in "other current liabilities" of €1,428 thousand is mainly linked to the increases in payables to directors and statutory auditors, due to a different timing in the payment of variable remuneration compared to the previous year and to the increase in payables to personnel due to the increase in employees as at 31 December 2021.

In the beginning of 2022, payables to personnel and social security institutions were paid in accordance with the relative due dates.

3.21 NET FINANCIAL POSITION

In compliance with the provisions of the ESMA 2021/32-382-1138 Guidelines issued on 4 March 2021, it should be noted that the Company's net financial position is as follows:

Net financial position *(in thousands of Euro)*	**31/12/2021**		**31/12/2020**		**Change**
A. Cash and cash equivalents (Note 3.10)	123,847		103,763		20,084
B. Cash and cash equivalents	-		-		-
C. Current financial assets (Note 3.8)	90,021		73,560		16,461
D. Total Liquidity (A+B+C)	**213,868**		**177,323**		**36,545**
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt (Note 3.12 and 3.15)	**24,911**		**23,154**		**1,757**
- Current bank payables (Note 3.12)	-		-		-
- Other current financial liabilities (Note 3.15)	5,411		13,654		(8,243)
- Bank advances on orders/invoices	19,500		9,500		10,000
F. Current portion of non-current financial debt (Note 3.12)	**131,771**		**71,421**		**60,350**
G. Current financial debt (E+F)	**156,682**		**94,575**		**62,107**
H. Net current financial debt (H-D)	**(57,186)**		**(82,748)**		**25,562**
I. Non-current financial debt (excluding current portion and debt instruments) (Note 3.12)	**203,499**		**228,453**		**(24,954)**
- Non-current bank payables	202,844		228,104		(25,261)
- Lease payables and other non-current financial payables	656		349		307
J. Debt instruments	**-**		**-**		**-**
K. Trade payables and other non-current payables	**-**		**-**		**-**
L. Non-current financial debt (I+J+K)	**203,499**	(*)	**228,453**	**(*)**	**(24,954)**
M. Net financial debt (H+L)	**146,313**	(*)	**145,705**	**(*)**	**608**

* The application of the new ESMA 2021 guidelines has resulted in the exclusion of the item other non-current financial assets. Non-current financial assets of approximately €21,364 thousand as at 31 December 2021 (€23,208 thousand as at 31 December 2020), would have reduced the non-current financial debt to €182,135 thousand (€205,245 thousand in 2020), and the net debt would have been equal to €124,949 thousand (€122,497 thousand in 2020).

Please refer to the Statement of Cash Flows in Note 1.5 for details on changes.

4 COMMENT ON THE MAIN ITEMS OF THE INCOME STATEMENT

4.1 REVENUES

In 2021, revenues from sales amounted to €88,231 thousand, an increase of 4.91% compared to the previous year (€84,103 thousand as at 31 December 2020).

Revenues by product family

Revenues by product *(in thousands of Euro)*	**2021**	**%**	**2020**	**%**	**Change**	**% Change**
Air Cooled Equipment	75,498	85.57%	73,976	87.96%	1,522	2.06%
Heat exchangers	12,733	14.43%	10,127	12.04%	2,606	25.73%
TOTAL	**88,231**	**100.00%**	**84,103**	**100.00%**	**4,128**	**4.91%**

Revenues by geographical area

Revenues by geographical area *(in thousands of Euro)*	**2021**	**%**	**2020**	**%**	**Change**	**% Change**
Italy	26,365	29.88%	18,169	21.60%	8,196	45.11%
France	16,855	19.10%	16,838	20.02%	17	0.10%
Poland	5,981	6.78%	3,642	4.33%	2,339	64.22%
Spain	4,658	5.28%	4,526	5.38%	132	2.92%
Germany	4,317	4.89%	3,885	4.62%	432	11.12%
The Netherlands	3,058	3.47%	2,053	2.44%	1,005	48.95%
Austria	2,394	2.71%	2,420	2.88%	(26)	(1.07%)
Russia	2,312	2.62%	3,483	4.14%	(1,171)	(33.62%)
Sweden	2,212	2.51%	3,291	3.91%	(1,079)	(32.79%)
United Arab Emirates	2,202	2.50%	654	0.78%	1,548	236.70%
United Kingdom	1,475	1.67%	1,133	1.35%	342	30.19%
Czech Rep.	1,467	1.66%	1,251	1.49%	216	17.27%
India	1,412	1.60%	236	0.28%	1,176	498.31%
Greece	1,059	1.20%	633	0.75%	426	67.30%
Saudi Arabia	891	1.01%	184	0.22%	707	384.24%
Other countries	11,573	13.12%	21,705	25.81%	(10,132)	(46.68%)
TOTAL	**88,231**	**100.00%**	**84,103**	**100.00%**	**4,128**	**4.91%**

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

4.2 OTHER INCOME

The details of this item are shown below:

Other Revenues *(in thousands of Euro)*	**2021**	**2020**	**Change**
Rent income	81	103	(22)
Insurance	34	28	6
Other income	2,684	8,850	(6,166)
Total	**2,799**	**8,981**	**(6,182)**

The item other income went from €8,850 thousand in 2020 to €2,684 thousand in 2021 and includes €2,579 thousand of recharges for intra-group services, mainly IT. The decrease of €6,166 thousand compared to the previous year mainly depends on the sale referring to the customer list and know-how with reference to the production line of commercial evaporators transferred in 2020 to the subsidiary SEST LUVE POLSKA.

4.3 PURCHASES OF MATERIALS

Purchases of materials *(in thousands of Euro)*	**2021**	**2020**	**Change**
Raw materials and purchased components	50,118	41,725	8,393
Consumables	1,739	1,506	233
Total	**51,857**	**43,231**	**8,626**

In 2021, the cost for the purchases of materials increased from €43,231 thousand to €51,857 thousand (increase of €8,626 thousand, equal to around 19.95%). For further details, please refer to the Directors' Report.

4.4 COSTS FOR SERVICES

Services *(in thousands of Euro)*	**2021**	**2020**	**Change**
General and advisory expenses	6,121	6,614	(493)
Remuneration to the corporate bodies	3,217	2,789	428
External processing	2,058	2,494	(436)
Expenses for energy, telephone and telex	2,431	1,702	729
Transport expenses	1,320	1,473	(153)
Maintenance expenses	1,261	1,229	32
Commissions	961	954	7
Costs for use of third-party assets	357	278	79
Advertising and promotional expenses	228	157	71
Other costs for services	1,970	1,718	252
Total	**19,924**	**19,408**	**516**

The item "Costs for services" increased compared to the previous financial year by a total of €516 thousand. This increase mainly refers to the increase in energy costs for approximately €1,271 thousand as at 31 December 2021, net of contributions for the photovoltaic installation (approximately €791 thousand as at 31 December 2020) and to the increase in gas costs, approximately €560 thousand as at 31 December 2021 (approximately €323 thousand as at 31 December 2020).

As reported in Note 3.13 - Loans, during the year LU-VE S.p.A. agreed an unsecured loan for €30,000 with Intesa Sanpaolo S.p.A., which provides conditions that are further improved for the Group when it reaches specific objectives: use of renewable energy sources and support to the community with the allocation of portions of turnover.

In this regard, LU-VE S.p.A. declares:

- to have purchased energy from renewable sources for all electricity used during the year, equal to MWh 6,879;
- to have dedicated more than 0.10% of annual turnover to community support activities, for an amount of €0.6 million.

Furthermore, during the financial year approximately €211 thousand were spent on materials, adjustments to current norms and sanitation of environments to fight the COVID-19 pandemic.

Remuneration to corporate bodies are provided below (for more details, please see Note 4.15 "Directors' and Statutory Auditors' Fees" below):

Remuneration to the corporate bodies *(in thousands of Euro)*	**2021**	**2020**	**Change**
Directors’ fees	3,041	2,636	405
Board of Statutory Auditors’ fees	176	153	23
Total	**3,217**	**2,789**	**428**

For the details on the remuneration of Directors and Statutory Auditors, reference should be made to Note 4.16 of these Explanatory Notes.

Auditing consideration disclosure

Pursuant to article 149-duodecies of the Consob issuer regulations, a summary table of the consideration paid for the auditing provided by the company Deloitte & Touche S.p.A., which was engaged to audit the Financial Statements of the Company
as well as of the consolidated Financial Statements.

Type of services	**Service provider**	**Recipient**	**Remunerations** *(in thousands of Euro)*
Auditing	Deloitte & Touche	LU-VE S.p.A.	160
Limited audit of the consolidated non-financial statement	Deloitte & Touche	LU-VE S.p.A.	28
Other services	Deloitte & Touche	LU-VE S.p.A.	92
Other services	Deloitte & Touche Network	LU-VE S.p.A.	72

4.5 PERSONNEL COSTS

Personnel costs *(in thousands of Euro)*	**2021**	**2020**	**Change**
Wages and salaries	12,978	11,965	1,013
Social security costs	4,739	4,403	336
Post-employment benefits	946	915	31
Other personnel costs	7	38	(31)
Total	**18,670**	**17,321**	**1,349**

The average number of LU-VE S.p.A. employees was 414 in 2021.

As at 31 December 2021, the number of Company employees was 430 (263 blue-collar workers, 152 white-collar workers and middle managers, 15 executives), against 384 in 2020. The increase in the number of employees justifies the increase in personnel costs during the 2021 financial year.

As at 31 December 2021, the number of temporary workers came to 66 (26 in 2020).

4.6 NET WRITE-DOWNS OF CURRENT FINANCIAL ASSETS

Write-downs *(in thousands of Euro)*	**2021**	**2020**	**Change**
Provisions for intragroup bad debt	-	2,000	(2,000)
Provisions for third party bad debt	-	150	(150)
Total	-	2,150	(2,150)

No write-downs of financial assets were made during the year.

4.7 OTHER OPERATING COSTS

Other operating costs *(in thousands of Euro)*	**2021**	**2020**	**Change**
Non-income taxes	286	249	37
Other operating costs	441	448	(8)
Total	727	697	29

Non-income taxes included mainly taxes on owned property.

The item "other operating costs" mainly includes allocations to the product warranty provision and the provision for agents' leaving indemnities for €230 thousand (Note 3.14), membership contributions for €102 thousand.

4.8 FINANCIAL INCOME

Financial income *(in thousands of Euro)*	**2021**	**2020**	**Change**
Dividends from subsidiaries	11,780	10,500	1,280
Interest income	829	701	128
Other financial income	1,477	1,802	(325)
Total	**14,086**	**13,003**	**1,083**

Dividends distributed amounted to €8,500 thousand from SEST S.p.A., €2,500 thousand from Heat Transfer Systems s.r.o. (HTS), €500 thousand from LU-VE France S.à.r.l. and €280 thousand from TECNAIR LV S.p.A.

Interest income refers mainly to interest income for intragroup loans and to cash pooling.

The item “Other income” includes €1,477 thousand, relative to the change in fair value of the capitalisation policies (please refer to Note 3.9);

4.9 FINANCIAL EXPENSE

Financial expense *(in thousands of Euro)*	**2021**	**2020**	**Change**
Interest expense to banks	1,436	1,930	(494)
Interest expense to other lenders	52	29	23
Other financial expense	2,500	1,094	1,406
Total	**3,988**	**3,053**	**935**

Details of the item “other financial expense” are as follow:

- €1,850 thousand refer to realised losses on derivative financial instruments;
- €522 thousand refer to the effect of the application of the amortised cost (€169 thousand in 2020);
- €80 thousand refer to commissions for the subscription of new policies;
- €47 thousand refer to other charges.

4.10 EXCHANGE GAINS AND LOSSES

In 2021, LU-VE S.p.A. realised net exchange gains of €1,235 thousand (net losses of €605 thousand in 2020). Of these net gains, approximately €1,295 refer to unrealised exchange gains as at 31 December 2021 (approximately €599 thousand as at 31 December 2020) and approximately €60 thousand refer to exchange losses realised as at 31 December 2021 (approximately €6 thousand as at 31 December 2020).

4.11 INCOME TAXES

Income taxes *(in thousands of Euro)*	**2021**	**2020**	**Change**
Current taxes	(215)	914	(1,129)
Deferred tax liabilities	(1,081)	(2,950)	1,869
Adjustment previous year	(333)	443	(776)
Total	**(1,629)**	**(1,593)**	**(36)**

The reconciliation between the tax charge recognised in the Financial Statements and the theoretical tax charge, determined on the basis of theoretical tax rates in force in Italy, is shown below:

Reconciliation of IRES theoretical tax charge *(in thousands of Euro)*	**Pre-tax amounts**	**%**	**Tax effect**
Pre-tax profit (loss)	**2,174**	**24.00%**	**522**
+ Non-deductible amortisation and depreciation	893	9.86%	214
+ Costs for motor vehicles, telephony and food service	239	2.64%	57
+ Non-deductible local taxes	78	0.86%	19
+ Other permanent upward adjustments	6,711	74.09%	1,611
- Non-taxable dividends	(11,190)	(123.53%)	(2,686)
- Deductible IRAP	(7)	(0.08%)	(2)
- Other permanent downward adjustments	(351)	(3.87%)	(84)
Actual tax charge	**(1,453)**	**(40.04%)**	**(349)**
+ Temporary upward adjustments	1,482	16.36%	356
- Temporary downward adjustments	(1,238)	(13.67%)	(297)
Current tax charge	**(1,209)**	**(37.35%)**	**(290)**

Reconciliation of IRAP theoretical tax charge *(in thousands of Euro)*	**Pre-tax amounts**	**%**	**Tax effect**
Difference between values and costs of production	(4,557)	3.90%	(178)
+ Non-deductible amortisation and depreciation	823	(0.70%)	32
+ Non-deductible local taxes	193	(0.17%)	8
+ Non-deductible labour costs	1,592	(1.36%)	62
+ Other permanent upward adjustments	3,096	(2.65%)	121
- Permanent downward adjustments	(18)	0.00%	(1)
Actual tax charge	1,129	(0.98%)	44
+ Temporary upward adjustments	764	(0.65%)	31
- Temporary downward adjustments	-	0.00%	-
Current tax charge	**1,893**	**(1.64%)**	**75**

The difference between current IRES and IRAP, negative for €1,129 thousand, is mainly due to the sale in 2020 of the production line (and related customer list and know-how) to the Polish subsidiary, an event that had a positive impact only in the year 2020.

Deferred taxes have been previously commented in Note 3.19 Deferred tax assets and liabilities

The item "Adjustment previous year", in the 2021 financial year, mainly refers to the release of the tax payable related to the redemption of goodwill no longer carried out as reported in paragraph 2.2 Structure and content of the financial statements, "use of estimates".

Theoretical taxes were determined by applying the tax rate in force, equal to 24%, to the pre-tax profit.

As at 31 December 2021, there were no tax disputes.

4.12 PUBLIC FUNDING

During 2021, the Company accounted on an accrual basis the following contributions falling under the examples included in Italian Law 124 of 4 August 2017. With regard to tax credits (already included by the Company in the specific declarations) and the general measures available to all companies, it has not been deemed necessary to indicate these in the Explanatory Notes to the Financial Statements on the basis of authoritative interpretations of current regulations while waiting for a definitive interpretation by the relevant Ministries.

Granting authority *(in thousands of Euro)*	**Nature of public funding**	**Public Funding relating to 2021**	**Public Funding relating to 2020**	**Classification in Financial Statements**
Gestore dei Servizi Energetici GSE S.p.A.	Subsidies in the year for photovoltaic installation	80	89	Expenses for energy, telephone and telex
Total		**80**	**89**	

4.13 DIVIDENDS

In May 2021, dividends totalling €5,996 thousand were distributed, corresponding to the distribution of a gross dividend of €0.27 (zero/27) for each of the 22,206,341 shares outstanding, net of treasury shares.

With respect to the year under way, the Directors proposed the payment of a €0.35 dividend per share. This dividend is subject to the approval of the shareholders at the annual meeting called for the approval of the Financial Statements of the Parent Company and therefore it was not included under liabilities in these Financial Statements.

Any proposed dividend will be payable as of 11 May 2022 (coupon no. 7 ex-dividend date 9 May 2022 (record date on 10 May 2022).

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

The Company 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 Company'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 Company operations.

The coordination and monitoring of the main financial risks are centralised in the Head Office. The Company carefully and specifically monitors each of the above-mentioned financial risks, intervening with the aim of minimising them promptly, also including using hedging derivatives.

One of the Company'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.

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 Company 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 instruments 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 quoted prices referred to at Level 1 which are observable for the 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 for the assets or liabilities that are not based on observable market data (non-observable inputs).

Assets and Liabilities valued at fair value as at 31/12/2021 *(in thousands of Euro)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Other financial assets				
Current financial assets	-	81,947	-	81,947
Other financial liabilities				
Derivatives	-	(676)	-	(676)
Total	**-**	**81,271**	**-**	**81,271**

Some of the Company's financial assets and liabilities are measured at fair value at the reference date of every set of Financial Statements.

More specifically, the fair value of interest rate swaps is calculated discounting future cash flows on the basis of contractual forward interest rates, discounted at the date of the Financial Statements (level 2 fair value).

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 categories of financial instruments are reported below:

Financial instruments by IFRS 9 categories *(in thousands of Euro)*	**31/12/2021**	**31/12/2020**
Financial assets		
Amortised cost		
Cash and cash equivalents	123,847	103,763
Trade receivables	32,992	31,010
Non-current financial assets:		
Inter-company loans	21,364	23,208
Fair Value		
Current financial assets	90,021	73,560
Financial liabilities		
Amortised cost		
Loans	(354,115)	(309,024)
Other financial liabilities	(5,391)	(11,329)
Trade payables	(28,125)	(25,677)
Fair Value		
Trading derivatives	(676)	(2,674)

Credit risk management

The Company is exposed to credit risk deriving from commercial dealings with exposure to potential losses arising from the failure of commercial counterparties to meet their obligations. Trade 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 delays of payment times by customers may also make it necessary for the Company to finance the connected working capital requirement.

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.

The historically low levels of losses on receivables recognised are proof of the good results achieved also in the presence of the impact of the pandemic.

LU-VE S.p.A. is also exposed to the credit risk of issuers of financial instruments.

Exchange rate risk management

Due to its ordinary operations, the Company is exposed to the risk of fluctuations in the exchange rates of currencies other than the reporting currency in which commercial and financial transactions are expressed. In terms of acquisitions, the main currency to which the Company is exposed is the US dollar (USD): indeed, raw materials in the reference markets are quoted in dollars 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.

Similarly, at financial level the main currency the Company is exposed to is the American dollar, the currency of the long-term loan granted to the subsidiary Zyklus Heat Transfer Inc. (USD 19,728 thousand).

Sensitivity analysis

With reference to financial assets and liabilities in foreign currency as at 31 December 2021, a theoretical and immediate revaluation of the euro by 10% compared to other currencies would have entailed a loss of €1,703 thousand.

Interest rate risk management

The Company makes use of external financial resources in the form of medium/long-term financial debt. Therefore, changes in interest rates may influence the cost of different forms of financing, impacting the level of the Company’s net financial expenses. The company’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. As at 31 December 2021, the coverage of these risks represented 77.5% of the residual loans in place.

This hedging policy allows the Company to reduce its exposure to the risk of interest rate fluctuations.

Sensitivity analysis

With reference to the floating rate financial assets and liabilities as at 31 December 2021, a theoretical increase in interest rates by 100 basis points with respect to the exact interest rates in force at the same date, with all other variables remaining the same, would have entailed an increase in financial expense equal to €4,551 thousand as at 31 December 2021, and equal to 8,180 thousand on the entire residual contractual duration, without taking into account transactions with derivative instruments which were considered for trading.

Raw material price risk management

The production costs of the Company are influenced by the prices of raw materials, such as copper and aluminium. Risks are related to fluctuations in the prices of these materials on the reference markets (on which they are quoted in USD) and the fluctuation in the Euro/USD exchange rate (as the Group purchases in euro, while listings are in USD), as well as the reliability and the policies of mining and/or transformation companies.

The fluctuation in the availability and price of the above-mentioned materials could be significant, depending on a number of factors, including the economic cycle of the reference markets, supply conditions and other factors that are out of the control of the Company 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 the Company, the possible introduction of tariffs and the impacts of climate change on extractive activities). With reference to the energy transition, in particular, additional quantities of copper and aluminium will be necessary, which will however require reduced energy intensity extraction techniques.

To manage these risks, the Company 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. Analyses are constantly carried out to identify alternatives to strategic suppliers to reduce the relative dependence on them and also of geographical diversification activities both with the aim to reduce purchase costs with comparable quality and to avoid excessive geographical dependence on some areas in the world. In particular, with regard to the main purchased raw material – copper – the Company has dealt for several years, for the most part in terms of volumes, with the same suppliers, selected and periodically assessed on the basis of trading reliability criteria and with whom a relationship based on reciprocal trust has been built. Furthermore, when it deems this necessary in relation to expected trends, the Company enters into contracts to hedge the risk of fluctuations in the price of raw materials.

2021 was a very complex year on the supply chain front, not only due to the huge increases in the prices of raw materials, components, logistics services and energy, but above all due to the constant need to face and monitor shortage risks in the availability of critical materials and components for the correct supply of production processes. From the point of view of cost increases, the "pass through" systems used by the Company made it possible to transfer the significant increases of 2021 in a substantially integral manner to end customers, thus allowing to safeguard margins.

The problems of material availability forced a review of the procurement logic (with the expansion of the number of suppliers and the reduction of geographical concentration) and of storage logics that could no longer be inspired by strict compliance with the principles of "just in time" and forced an increase in stocks of raw materials and components in order to be able to respond to market requests in a timely manner, appropriate to expectations (see in this regard the comment in the section dedicated to operating working capital in the Directors' Report). This made it possible to be able to respond to the market (without increasing the risk of obsolescence), with delivery times in line with expectations and therefore to be able to seize the opportunities associated with a significant growth in demand.

The year 2021 was characterised by significant increases in prices for all materials used by the Company (including transport and energy costs) as well as issues of physical availability (as commented above). The average value of aluminium - LME for one tonne went from €1,513 in 2020 to €2,108, while the average value of copper - LME went from €5,406 in 2020 to €7,864 in 2021. The average values of copper and aluminium per ton as at 16 March 2022, were €8,808 and €2,858 respectively.

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, especially in view of the energy transition, which could limit its operations in time.

Liquidity risk management

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

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

In addition, as at 31 December 2021 the Company has unused short-term credit lines totalling roughly €27 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 at 31 December 2021 is provided below by maturity:

Analysis of financial liabilities as at 31 December 2021 *(in thousands of Euro)*	**Carrying amount**	**Contractual cash flows**	**Within 1 year**	**From 1 to 5 years**	**More than 5 years**
Bank loans	334,615	299,714	71,603	223,284	4,827
Advances on export flows in Euro	19,500	19,500	19,500	-	-
IFRS 16* Financial payables	1,016	1,016	360	656	-
Financial payables	**355,131**	**320,230**	**91,463**	**223,940**	**4,827**
Trade payables	28,125	28,125	28,125	-	-
Total	383,256	348,355	119,588	**223,940**	**4,827**

* "IFRS 16 Financial Payables" include the discounting of repayments of portions of capital

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 non-discounted 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 Company 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 Company's capital structure consists of net financial debt (loans described in Note 3.13, net of relative balances of cash and cash equivalents) and the Company's shareholders' equity (which includes the fully paid capital, reserves, retained earnings and non-controlling interests, as described in Note 3.12).

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

4.15 RELATED PARTY TRANSACTIONS

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

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

The transactions of LU-VE S.p.A. with Related Parties primarily relate to:

- financial transactions;
- transactions connected to service agreements;
- trade transactions;
- transactions entered into as part of the national tax consolidation with the Italian companies of the LU-VE group therein included.

The impact on Balance Sheet and Income Statement items of the transactions between the Company and its directly and indirectly controlled subsidiaries is shown below:

Inter-company *(in thousands of Euro)*	Trade receivables	Trade payables	Financial receivables	Financial payables	Other Receivables/(Payables)	Revenues for goods and services	Costs for goods and services	Financial income	Financial costs	Other Revenue/(Costs)
TECNAIR LV SPA	449	(117)	-	-	190	834	(85)	-	-	-
SEST SPA	1,045	(1,046)	692	-	1,134	778	(960)	(16)	-	-
SEST-LUVE-POLSKA	2,616	(3,174)	-	(386)	5,132	3,295	(8,995)	-	(6)	1,283
TGD	380	(28)	6,784	-	(416)	287	(53)	90	-	-
OOO SEST LUVE	612	(4)	-	-	-	1,363	(6)	-	-	-
HTS SRO	763	(58)	-	(890)	-	867	(61)	31	-	-
LUVE FRANCE	1,630	(28)	-	-	-	12,444	(226)	-	-	-
LUVE DEUTSCHLAND	2,143	(18)	-	-	-	920	(18)	-	-	-
LUVE IBERICA	2,539	(8)	998	-	-	4,807	(81)	-	-	-
LUVE PACIFIC	243	-	-	-	-	24	-	-	-	-
LUVE TIANMEN	795	(15)	-	-	-	434	(19)	-	-	-
LUVE ASIA PACIFIC HK	2,209	(159)	6,775	-	-	-	-	237	-	-
LUVE SWEDEN AB	2,764	(208)	5,025	-	-	2,522	(215)	-	(3)	-
MANIFOLD SRL	-	(497)	536	-	25	1	(1,311)	7	-	-
LUVE DIGITAL SRL	-	(70)	-	-	-	-	-	-	-	-
SPIROTECH LTD	412	(65)	-	-	-	346	(69)	-	-	-
LU-VE AUSTRIA	2	(18)	-	-	-	2	(65)	-	-	-
ZYKLUS HEAT TRANSFER INC.	2,229	-	20,378	-	-	-	-	1,161	-	-
LU-VE Netherlands B.V.	516	(13)	750	-	-	2,586	(41)	20	-	-
LU VE MIDDLE EAST DMCC	105	59	-	-	-	-	(370)	6	-	-
«OOO» LU-VE Moscow	121	-	-	-	-	1,024	-	26	-	-
Air Hex Alonte S.r.l.	2,498	(427)	-	(643)	(332)	2,386	(176)	3	-	-
Fincoil LU-VE OY	1,118	(5)	-	(2,355)	-	1,145	(43)	(6)	-	-
TOTAL	25,189	(5,899)	41,938	(4,274)	5,733	36,065	(12,794)	1,559	(9)	1,283

The table below shows the economic and financial transactions carried out by the Company with related parties outside of the LU-VE GROUP:

Related Companies *(in thousands of Euro)*	Trade receivables	Trade payables	Financial receivables	Financial payables	Trade revenues	Trade costs	Financial revenues	Financial costs	Financial costs
VITALE ZANE & CO SRL	-	(20)	-	-	-	(40)	-	-	-
Finami SRL	-	-	-	-	-	-	-	-	-
Mauro Cerana	-	(12)	-	-	-	(25)	-	-	-
Total	**-**	**(32)**	**-**	**-**	**-**	**(65)**	**-**	**-**	**-**

The company Vitale Zane & CO S.r.l., in which a close family member of a LU-VE S.p.A. director holds an equity investment, provide strategic advisory services to LU-VE S.p.A. for annual compensation of €40 thousand.

4.16 DIRECTORS' AND STATUTORY AUDITORS' FEES

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

Name and surname	Office	Period of office	End of office	Fixed remuneration (in Euros)	Remuneration for taking part in committees (in Euros)	Variable non-equity remuneration (in Euros): Bonuses and other incentives	Non-monetary benefits (in Euros)	Other remuneration (in Euros)	Total (in Euros)
Iginio Liberali	**Executive Chairman**	01/01/2021-31/12/2021	Approval of 2022 Financial Statements						
(I) Remunerations in the company that prepares Financial Statements				294,000 (1)	-	244,719			538,719
(II) Total				**294,000**	**-**	**244,719**			**538,719**
Pierluigi Faggioli	**Vice Chairman**	01/01/2021-31/12/2021	Approval of 2022 Financial Statements						
(I) Remunerations in the company that prepares Financial Statements				245,000 (2)	-	248,698	5,659		499,357
(II) Total				**245,000**	**-**	**248,698**	**5,659**		**499,357**
Matteo Liberali	**CEO**	01/01/2021-31/12/2021	Approval of 2022 Financial Statements						
(I) Remunerations in the company that prepares Financial Statements				500,000 (3)	-	397,556 (4)	6,212		903,768
(II) Total				**500,000**	**-**	**397,556**	**6,212**		**903,768**
Michele Faggioli	**COO**	COO	01/01/2021-31/12/2021						
(I) Remunerations in the company that prepares Financial Statements				475,000 (5)	-	388,792 (4)	10,044		873,835
(II) Total				**475,000**	**-**	**388,792**	**10,044**		**873,835**
Raffaella Cagliano	**Director**	01/01/2021-31/12/2021	Approval of 2022 Financial Statements						
(I) Remunerations in the company that prepares Financial Statements				20,000	1,000 (6)				21,000
				20,000	**1,000**				**21,000**
Guido Crespi	**Director**	01/01/2021-31/12/2021	Approval of 2022 Financial Statements						
(I) Remunerations in the company that prepares Financial Statements				20,000	1,000 (6)				21,000
(II) Total				**20,000**	**1,000**				**21,000**
Anna Gervasoni	**Director**	01/01/2021-31/12/2021	Approval of 2022 Financial Statements						
(I) Remunerations in the company that prepares Financial Statements				20,000	12,000 (7)				32,000
(II) Total				**20,000**	**12,000**				**32,000**

Laura Oliva	**Director**	01/01/2021-31/12/2021	Approval of 2022 Financial Statements						
(I) Remunerations in the company that prepares Financial Statements				20,000	6,000 [9]				26,000
(II) Total				**20,000**	**6,000**				**26,000**
Fabio Liberali	**Director**	01/01/2021-31/12/2021	Approval of 2022 Financial Statements						
(I) Remunerations in the company that prepares Financial Statements				20,000	-	-	6,731	101,183 [8]	127,915
(II) Total				**20,000**	**-**	**-**	**6,731**	**101,183**	**127,915**
Stefano Paleari	**Director**	01/01/2021-31/12/2021	Approval of 2022 Financial Statements						
(I) Remunerations in the company that prepares Financial Statements				20,000	17,500 [10]				37,500
(II) Total				**20,000**	**17,500**				**37,500**
Roberta Pierantoni	**Director**	01/01/2021-31/12/2021	Approval of 2022 Financial Statements						
(I) Remunerations in the company that prepares Financial Statements				20,000	6,000 [11]				26,000
(II) Total				**20,000**	**6,000**				**26,000**
Marco Vitale	**Director**	01/01/2021-31/12/2021	Approval of 2022 Financial Statements						
(I) Remunerations in the company that prepares Financial Statements				20,000	-				20,000
(II) Total				**20,000**	**-**				**20,000**
Paola Mignani	**Standing Auditor**	01/01/2021-31/12/2021	Approval of 2022 Financial Statements						
(I) Remunerations in the company that prepares Financial Statements				30,000	-				30,000
(II) Total				**30,000**	**-**				**30,000**
Simone Cavalli	**Chairman - Board of Statutory Auditors**	01/01/2021-31/12/2021	Approval of 2022 Financial Statements						
(I) Remunerations in the company that prepares Financial Statements				45,000					45,000
(II) Total				**45,000**	**-**				**45,000**
Stefano Beltrame	**Standing Auditor**	01/01/2021-31/12/2021	Approval of 2022 Financial Statements						
(I) Remunerations in the company that prepares Financial Statements				30,000	-				30,000
(II) Total				**30,000**	**-**				**30,000**

(*) The expiry date refers to the Shareholders' Meeting that will approve the Financial Statements for the year indicated.

(1) of which Euro 20,000.00 as member of the Board of Directors, and Euro 274,000.00 for the office as Chairman of the Board of Directors;
(2) of which Euro 20,000.00 as member of the Board of Directors, and Euro 225,000.00 for the office as Vice Chairman of the Board of Directors;
(3) of which Euro 20,000.00 as member of the Board of Directors and Euro 480,000.00 for the office as CEO;
(4) of which Euro 94,144.27 as variable and medium/long term Component (2020 -2022 LTI) accrued for 2021;
(5) of which Euro 20,000.00 as as member of the Board of Directors and Euro 455,000.00 for the office as COO;
(6) as member of Indipendent Directors Committee from 29 June 2021 (establishment date of the Committee) to 31 December 2021;
(7) of which Euro 6,000.00 as member of the Remuneration and Appointments Committee and Euro 6,000.00 as member

of the Control and Risk Committee;
(8) as annual gross remuneration accrued in relation to the employment with LU-VE S.p.A.
(9) as member of the Control and Risk Committee;
(10) of which Euro 8,000.00 as Chairman of the Remunaration and Appointments Committee, Euro 8,000.00 as Chairman of the Control and Risk Committee and uro 1,500.00 as Chairman of the Indipendent Directors Committee from 29 June 2021 (establishment date of the Committee) to 31 December 2021;
(11) as member of the Remunaration and Appointments Committee;

With reference to the remuneration relating to Key Managers, please refer to the "2021 Report on Remuneration".

4.17 SHARE-BASED PAYMENTS

As at 31 December 2021, there were no share-based incentive plans in favour of Company Directors or employees.

4.18 COMMITMENTS

Details of existing sureties as at 31 December 2021 are reported below:

Commitments as at 31 December 2020 *(in thousands of Euro)*	**2020**	**2019**	**Change**
Sureties to banks with respect to customers of our subsidiaries	322	1,438	(1,116)
Sureties to banks with respect to customers	1,174	1,147	27
Sureties to our subsidiaries	-	433	(433)
Insurance sureties	225	225	-
Total	**1,721**	**3,243**	**(1,522)**

5 LIST OF EQUITY INVESTMENTS IN SUBSIDIARIES (ART. 2427 No.5 CC)

Company name	Registered office	% owned	Currency	Share capital	Currency	Shareholders' equity as at 31/12/2021	Currency	Result for the 2021 financial year	Currency	Cost of the equity investment
Direct subsidiaries:										
SEST S.p.A.	Limana (BL)	100.00	EUR	1,000,000	EUR	24,876,626	EUR	9,737,227	EUR	44,894,885
Tecnair LV S.p.A.	Uboldo (VA)	79.90	EUR	200,000	EUR	4,061,945	EUR	511,412	EUR	1,043,108
Heat Transfer Systems s.r.o. (HTS)	Novosedly (Czech Rep.)	100.00	CZK	133,300,000	CZK	356,423,338	CZK	69,791,294	EUR	9,539,657

LU-VE Sweden AB	Asarum (Sweden)	100.00	SEK	50,000	SEK	(6,121,751)	SEK	21,081,878	EUR	390,448
LU-VE France S.a.r.l.	Lyon (France)	100.00	EUR	84,150	EUR	1,721,631	EUR	436,116	EUR	1,303,072
LU-VE Pacific Pty Ltd	Thomastown (Australia)	75.50	AUD	200,000	AUD	2,170	AUD	5,850,032	EUR	1
LU-VE Deutschland GmbH	Stuttgart (Germany)	100.00	EUR	230,000	EUR	(1,343,687)	EUR	(419,075)	EUR	173,001
LU-VE Iberica S.L.	Madrid (Spain)	85.00	EUR	180,063	EUR	(230,043)	EUR	202,356	EUR	145,285
LU-VE Asia Pacific Limited	Wan Chai (Hong Kong)	100.00	HKD	10,000	HKD	(32,045,538)	HKD	3,298,880	EUR	13,175
LuveDigital S.r.l.	Uboldo (VA)	50.00	EUR	10,000	EUR	32,981	EUR	209	EUR	5,000
MANIFOLD S.r.l.	Uboldo (VA)	99.00	EUR	10,000	EUR	(34,318)	EUR	118,954	EUR	9,900
Spirotech Ltd	New Delhi (India)	100.00	INR	25,729,600	INR	3,055,341,407	INR	362,048,943	EUR	39,468,270
LU-VE AUSTRIA GmbH	Vienna (Austria)	100.00	EUR	17,500	EUR	162,806	EUR	64,739	EUR	17,500
Zyklus Heat Transfer Inc	Jacksonville (Texas, USA)	100.00	USD	1,000	USD	(4,898,407)	USD	(3,846,572)	EUR	7,052,273
Air Hex Alonte S.r.l.	Uboldo (VA)	100.00	EUR	2,010,000	EUR	14,306,001	EUR	53,336	EUR	15,433,476
Fincoil LU-VE OY	Vantaa (Finland)	100.00	EUR	1,190,000	EUR	4,869,667	EUR	(334,901)	EUR	30,648,883
LU-VE Netherlands B.V.	Breda (Netherlands)	100.00	EUR	10,000	EUR	(570,799)	EUR	(93,496)	EUR	10,000
«OOO» LU-VE Moscow	Moscow (Russia)	100.00	RUB	100,000	RUB	9,001,783	RUB	69,426,860	EUR	1,382
LU VE MIDDLE EAST DMCC	Dubai (UAE)	100.00	AED	50,000	AED	172,876	AED	178,884	EUR	20,147
LU-VE SOUTH KOREA Llc	Seoul (South Korea)	100.00	KRW	100,000,000	KRW	110,379,098	KRW	(1,064,129)	EUR	107,680
Indirect subsidiaries:										
SEST-LUVE-Polska SP.z.o.o. (95% owned by SEST S.p.A.)	Gliwice (Poland)	95.00	PLN	16,000,000	PLN	269,243,510	PLN	56,652,498	EUR	4,134,121
«OOO» SEST LU-VE (95% owned by SEST S.p.A.)	Lipetsk (Russia)	95.00	RUB	136,000,000	RUB	1,496,125,607	RUB	484,841,085	EUR	3,770,723
LU-VE HEAT EXCHANGERS (Tianmen) Co, Ltd (52.68% owned by LU-VE Asia Pacific Limited and 47.32% owned by LU-VE S.p.A.)	Tianmen (China)	100.00	CNY	61,025,411	CNY	42,696,512	CNY	11,245,458	EUR	3,000,000
Thermo Glass Door S.p.A. (100% owned by SEST S.p.A.)	Travacò Siccomario (PV)	100.00	EUR	100,000	EUR	260,626	EUR	(578,097)	EUR	2,135,590

6 SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

During 2021, 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 2021 the Company did not carry out atypical and/or unusual transactions, i.e., transactions which in terms of their significance, the nature of the counterparties, the subject of the transaction, the pricing methods and the timing of occurrence may give rise to doubts with regard to the accuracy of the information in the Financial Statements, conflicts of interests, the safeguarding of the company assets or the protection of non-controlling shareholders.

8 EVENTS SUBSEQUENT TO 31 DECEMBER 2021

The first two months of 2022 show a turnover of products alone of €12.7 million Euros with an increase of approximately 5.4% compared to the same period of the previous year. The order backlog amounts to €41.2 million with an increase of 76.0% compared to February 2022.

The uncertainties related to the persistence of the pandemic are decreasing, however, the complexities related to the world of purchases and the supply chain remain, both in relation to the tension on the prices of raw materials, components, services and utilities and with reference to the availability of some materials, in particular motors and electronic components. As was the case in 2021, the Company continues to promptly and carefully monitor the critical issues related to the possible supply difficulties of suppliers, both Italian and international, as well as the difficulties related to the circulation of goods, using all possible risk mitigation tools (in particular the diversification of supply).

The Company is also carefully observing the developments in the crisis between Russia and Ukraine, which risks having significant repercussions on the global economy also as a result of sanctions already imposed or still being defined.

By virtue of the foregoing, the macroeconomic scenario remains characterised by great uncertainty and therefore it is extremely difficult to make accurate forecasts on the trend of orders and commercial, economic and financial results. However, the macro trends on which the Company has based and bases its growth capacity (transition to refrigerants with lower impact on the environment, energy saving, growth of the cold chain in less developed countries, acceleration of digitalisation and food safety) have been confirmed.

On 31 January 2022, the Company announced a strategic agreement with Systemair AB (a Swedish company listed on the Stockholm Stock Exchange), which provides for the sale of its entire investment (80%) in Tecnair LV S.p.A. (active in the production of close control indoor air conditioning units for operating theatres and data centre applications). In 2021, Tecnair LV recorded a turnover of €12.0 million with an EBITDA of €1.2 million and an adjusted positive net financial position of €1.2 million. The consideration established for the transaction is €16.2 million (which will generate financial income of approximately €11.8 million). The contract provides for the usual representations and warranties for this type of international transaction. Thanks to this agreement, the LU-VE Group and Systemair will be linked by a long-term global agreement for the supply of heat exchangers and related products to Systemair. At the same time, the Group and Systemair will continue to develop cross-selling related to close control air conditioning units.

On 25 February 2022, the Company signed a binding agreement for the acquisition of a 75% stake in Refrion S.r.l., with its registered office in Flumignano (Udine). Refrion S.r.l. is an Italian company specialised in the production and marketing of air heat exchangers, with adiabatic technology, which allow for reductions in energy consumption, water and noise emissions. Founded in 2002 by Daniele Stolfo, Refrion S.r.l. has always stood out for the innovation of its products, key to the success achieved in the sectors of civil air conditioning, data centres, process cooling and industrial refrigeration, also thanks to the oval tube heat exchangers technology, of which Refrion was a historical precursor. Refrion S.r.l. is also active in the field of heat exchangers for nuclear plants and has one of the largest climatic test chambers in Europe. In the 2021 financial year, the Refrion group (composed, in addition to the parent company, by Refrion Deutschland Gmbh and R.M.S. S.r.l.) achieved a consolidated turnover of €26 million, with EBITDA adjusted for extraordinary items of €2.7 million, and a pre-tax profit and extraordinary costs of €0.6 million. The adjusted net financial position at 31 December 2021 was negative for €8.9 million. The agreement provides for the acquisition of 75% of the share capital of Refrion S.r.l., as well as the option to purchase the remaining 25%, exercisable within the next five years. The transaction is expected to be completed within a few weeks. The consideration agreed for 75% of Refrion S.r.l., to be paid at closing and financed through the Company's liquidity, is equal to €8.1 million, or 7.35 times the average adjusted EBITDA of the 2020 and 2021 financial years, net of the net financial position as at 31 December 2021.

CEO

Matteo Liberali

9 APPENDIX A

IRS on loans (in thousands of Euro)

DEBTOR COMPANY	COUNTERPARTY	TAKEN OUT	MATURITY	ORIGINAL NOTIONAL	31/12/2021 NOT. Short	31/12/2021 NOT. M/L	31/12/2021 FAIR VALUE
LU-VE S.P.A.	Mediocredito Italiano	21/06/2017	28/02/2022	22,059	1,471	-	(2)
LU-VE S.P.A.	Unicredit S.p.A.	30/01/2018	31/03/2023	18,750	3,750	1,875	1
LU-VE S.P.A.	Mediocredito Italiano	28/11/2018	28/06/2024	12,500	2,500	3,750	(62)
LU-VE S.P.A.	Mediocredito Italiano	28/11/2018	28/06/2024	12,500	2,500	3,750	(62)
LU-VE S.P.A.	Banca Nazionale del Lavoro S.p.A.	20/12/2018	24/09/2024	10,000	2,000	4,000	(58)
LU-VE S.P.A.	Banca Nazionale del Lavoro S.p.A.	20/12/2018	20/12/2023	10,000	1,111	5,556	(66)
LU-VE S.P.A.	Unicredit S.p.A.	30/06/2020	30/06/2024	9,600	2,400	3,600	(51)
LU-VE S.P.A.	Intesa San Paolo	20/05/2020	30/09/2025	12,500	2,778	7,639	(2)
LU-VE S.P.A.	Unicredit S.p.A.	15/04/2020	30/04/2022	15,000	15,000	-	(30)
LU-VE S.P.A.	Banca Nazionale del Lavoro S.p.A.	28/05/2020	28/05/2025	40,000	10,000	25,000	(71)
LU-VE S.P.A.	Unicredit S.p.A.	30/11/2020	30/11/2024	20,000	5,714	11,429	(34)
LU-VE S.P.A.	Deutsche Bank	30/10/2020	30/10/2026	5,500	1,087	4,413	(8)
LU-VE S.P.A.	Deutsche Bank	30/10/2020	30/10/2025	10,000	2,000	6,000	(14)
LU-VE S.P.A.	Intesa San Paolo	31/03/2021	31/03/2026	30,000	5,625	24,375	60
LU-VE S.P.A.	Banca Popolare di Milano	14/06/2021	31/03/2026	12,000	2,824	9,176	(3)
LU-VE S.P.A.	Banca Popolare di Milano	14/06/2021	31/03/2026	18,000	4,235	13,765	(5)
LU-VE S.P.A.	Unicredit S.p.A.	30/09/2021	31/03/2025	30,000	8,571	21,429	(108)
LU-VE S.P.A.	Banca Popolare di Milano	31/12/2021	30/09/2026	40,000	-	40,000	(163)
			Total	**328,409**	**73,566**	**185,755**	**(676)**

10 APPENDIX B

Bank loans *(in thousands of Euro)*								AMORTISED COST			
								31/12/2021		31/12/2020	
DEBTOR COMPANY	COUNTERPARTY	LOAN TYPE	TAKEN OUT	MATURITY	RATE APPLIED	FINANCIAL COVENANTS	ORIGINAL AMOUNT	RESIDUAL AMOUNT	OF WHICH CURRENT	RESIDUAL AMOUNT	OF WHICH CURRENT
LU-VE	Banca Nazionale del Lavoro S.p.A.	Unsecured loan	20/09/2016	20/09/2020	3M Euribor floor 0% + Spread	NFP/EBITDA <= 3; NFP/SE <= 1.25	30,000	-	-	2,000	2,000
LU-VE	Banca Popolare di Bergamo S.p.A.	Unsecured loan	30/09/2016	30/09/2021	3M Euribor + Spread	NFP/EBITDA <= 3; NFP/SE <= 1.5	10,000	-	-	1,512	1,512
LU-VE	Deutsche Bank S.p.A.	Unsecured loan	23/03/2017	23/03/2021	3M Euribor + Spread	NFP/EBITDA <= 3	5,500	-	-	344	344
LU-VE	Mediocredito Italiano S.p.A.	Unsecured loan	31/03/2017	28/02/2022	3M Euribor + Spread	NFP/EBITDA <= 3; NFP/SE <=1	25,000	1,471	1,471	7,354	5,884
LU-VE	Unicredit S.p.A.	Unsecured loan	30/01/2018	31/03/2023	6M Euribor + Spread	NFP/EBITDA <=3.0; NFP/OWN FUNDS <=1	25,000	7,505	5,001	12,508	5,002
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	-	-	8,398	2,397
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	-	-	15,044	2,005
LU-VE	Mediocredito Italiano S.p.A.	Unsecured loan	28/11/2018	30/06/2024	6M Euribor + Spread	NFP/EBITDA <3; NFP/SE <=1	12,500	6,254	2,496	8,744	2,495
LU-VE	Mediocredito Italiano S.p.A.	Unsecured loan	28/11/2018	30/06/2024	6M Euribor + Spread	NFP/EBITDA <3; NFP/SE <=1	12,500	6,254	2,496	8,744	2,495
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	6,002	1,990	8,024	2,006

LU-VE	Banca Nazionale del Lavoro S.p.A.	Unsecured loan	20/12/2018	24/09/2024	6M Euribor + Spread	NFP/EBITDA <=3; NFP/OWN FUNDS <=1.25	10,000	7,235	1,105	8,336	1,109
LU-VE	Banca Popolare di Milano	Unsecured loan	16/06/2019	28/06/2024	3M 360 days Euribor + Spread	-	10,000	5,044	1,997	6,993	1,963
LU-VE	Banca Popolare di Milano	Unsecured loan	25/01/2019	31/03/2025	3M 360 days Euribor + Spread	NFP/EBITDA <= 3; NFP/SE <= 1.25	30,000	-	-	21,214	4,985
LU-VE	Unicredit S.p.A.	Unsecured loan	12/07/2019	30/06/2024	6M 360 days Euribor + Spread	NFP/EBITDA <=3; NFP/OWN FUNDS <=1	12,000	6,005	2,397	8,395	2,396
LU-VE	Unione di Banche Italiane Società cooperativa per azioni	Unsecured loan	26/07/2019	30/07/2026	6M 360 days Euribor + Spread	NFP/EBITDA <= 3.5; NFP/SE <= 1.5	25,000	-	-	21,613	3,461
LU-VE	Intesa San Paolo S.p.A.	Unsecured loan	23/03/2020	23/09/2025	3M 360 days Euribor + Spread	NFP/EBITDA <= 3; NFP/SE <=1	25,000	20,837	5,521	24,986	4,155
LU-VE	Unione di Banche Italiane Società cooperativa per azioni	Unsecured loan	14/04/2020	14/04/2023	3M 360 days Euribor + Spread	NFP/EBITDA <= 3.5; NFP/SE <= 1.5	30,000	22,534	14,997	29,986	7,451
LU-VE	Unicredit S.p.A.	Unsecured loan	15/04/2020	30/04/2022	6M 360 days Euribor + Spread	NFP/EBITDA <=3; NFP/OWN FUNDS <=1	15,000	14,997	14,997	14,981	6
LU-VE	Banca Nazionale del Lavoro S.p.A.	Unsecured loan	28/05/2020	28/05/2025	6M 360 days Euribor + Spread	NFP/EBITDA <= 3; NFP/SE <= 1.25	40,000	34,974	9,925	39,897	4,943
LU-VE	Banca Popolare di Milano	Unsecured loan	25/06/2020	30/06/2022	3M 360 days Euribor + Spread	-	12,500	4,173	4,173	12,475	8,301
LU-VE	Banca Popolare di Milano	Unsecured loan	25/06/2020	30/06/2022	3M 360 days Euribor + Spread	-	2,500	835	835	2,495	1,660

LU-VE	UniCredit S.p.A.	Unsecured loan	04/11/2020	30/11/2024	6M 360 days Euribor + Spread	NFP/EBITDA <=3; NFP/OWN FUNDS <=1	20,000	17,158	5,698	20,000	2,854
LU-VE	Deutsche Bank S.p.A.	Unsecured loan	11/11/2020	11/11/2026	3-month EURIBOR base 360 + spread	NFP/EBITDA <= 3.2 NFP/EQUITY <=1.15	5,500	5,509	1,077	5,495	5
LU-VE	Deutsche Bank S.p.A.	Unsecured loan	11/11/2020	11/11/2025	3-month EURIBOR base 360 + spread	NFP/EBITDA <= 3.2 NFP/EQUITY <=1.15	10,000	8,003	1,987	9,986	1,991
LU-VE	Cassa Depositi e Prestiti	Unsecured loan	04/02/2021	03/08/2022	0.12% Fixed	-	30,000	30,000	30,000	-	-
LU-VE	Intesa San Paolo	Unsecured loan	31/03/2021	31/03/2026	3-month EURIBOR base 360 + spread	NFP/EBITDA <3; NFP/Equity <1	30,000	29,982	5,558	-	-
LU-VE	Banca Popolare di Milano	Unsecured loan	14/06/2021	31/03/2026	3-month EURIBOR base 360 + spread	-	12,000	11,985	2,794	-	-
LU-VE	Banca Popolare di Milano	Unsecured loan	14/06/2021	31/03/2026	3-month EURIBOR base 360 + spread	NFP/EBITDA <= 3.0 NFP/EQUITY <=1.25	18,000	17,978	4,192	-	-
LU-VE	Unicredit S.p.A.	Unsecured loan	30/09/2021	31/03/2025	6-month EURIBOR base 360 + spread	NFP/EBITDA <= 3.0 NFP/SE <=1.0	30,000	30,000	8,531	-	-
LU-VE	Banca Popolare di Milano	Unsecured loan	17/12/2021	30/09/2026	3-month EURIBOR base 360 + spread	NFP/EBITDA <= 3.0 NFP/EQUITY <=1.25	40,000	39,880	2,533	-	-
							Total	**334,615**	**131,771**	**299,524**	**71,420**

Notes:

NFP: net financial position;
SE: shareholders' equity;
DSCR: debt service coverage ratio
LR: leverage ratio (NFP/EBITDA)
GR: gearing ratio (NFP/SE)
U.L. Unsecured Loan
M.L. Mortgage Loan

11 GENERAL INFORMATION ABOUT THE COMPANY

Registered office:

Via Vittorio Veneto, 11

21100 Varese

ITALIA (ITA)

Contact information:

Tel:	+39 02 - 96716.1
Fax:	+39 02 – 96780560
E-mail:	info@luvegroup.com
Website:	www.luvegroup.com

Tax information:

Economic and Administrative Index	VARESE 191975
VAT no./Tax Code	01570130128

*Certification of the separate 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:

1. the adequacy in relation to the characteristics of the business and
2. the effective application

of the administrative and accounting procedures for the formation of the separate financial statements in the period 1 January - 31 December 2021.

It is also certified that the separate financial statements as at 31 December 2021:

- 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 equity, profit and loss and financial situation of the issuer.

The directors' report includes a reliable analysis of the performance and results of operations, as well as the situation of the issuer, along with a description of the main risks and uncertainties to which it is exposed.

6 April 2022

Matteo Liberali
CEO

Eligio Macchi
Manager in charge
of financial reporting

LU-VE S.p.A.

Registered Office in Varese – Via Vittorio Veneto 11 – Share Capital €62,704,488.10 fully paid in

Tax Code and VAT no. 01570130128, Varese Economic and Administrative Index no. 191975

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REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING

Dear Shareholders,

With this report, prepared pursuant to art. 153 of Italian Legislative Decree 58/1998 ("Consolidated Law on Finance" or "TUF"), taking into account the applicable CONSOB recommendations, the Board of Statutory Auditors of LU-VE S.p.A. (hereinafter "LU-VE" or the "Company") reports to you in relation to the supervisory activities carried out and their relative outcomes, as well as on the relevant events which occurred during the financial year.

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1. Introduction

The Board of Statutory Auditors, appointed by the Shareholders' Meeting of 29 April 2020, is composed of Simone Cavalli, Chairman, Stefano Beltrame and Paola Mignani, standing auditors, and will remain in office until the Shareholders' Meeting convened for the approval of the financial statements as at 31 December 2022.

During the financial year ended as at 31 December 2021, the Board of Statutory Auditors carried out the supervisory activities provided by the law, also taking into account the CONSOB recommendations on corporate controls and the activities of the Board of Statutory Auditors, the rules of conduct of the Board of Statutory Auditors of listed companies recommended by the National Council of Chartered Accountants and of the indications contained in the Corporate Governance Code, to which LU-VE adhered on 21 December 2020, applicable from the first financial year starting after 31 December 2020.

During 2021, the meetings of the Board of Directors and of the Board of Statutory Auditors were mainly conducted remotely in the context of the measures adopted to counteract the spread of Covid-19.

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2. Compliance with the law and the articles of association

In the performance of its supervisory activities, during the year the Board held regular meetings, participated in the Shareholders' Meeting, in Board of Directors' meetings and in the meetings of the Board Committees, namely the Control and Risk and Related Party Transactions Committee, to which competences have also been assigned with regard to the Non-Financial Statement ("NFS") and to sustainability, and the Remuneration and Appointments Committee. In particular, during the 2021 financial year, the Board of Statutory Auditors:

- held 10 Board meetings, which were normally attended by all members in office;
- participated, normally collectively, to the 11 meetings held by the Board of Directors;
- participated, normally collectively, to the 10 meetings held by the “Control and Risk and Related Party Transactions Committee” (hereinafter also the “Control and Risk Committee”);
- participated, normally collectively, to the six meetings held by the Remuneration and Appointments Committee;
- participated to the only meeting held by the Independent Committee during the year (on 25 June 2021), following the establishment of this Committee in the Board meeting of 29 June 2021, which had become necessary because LU-VE had lost, from 1 January 2021, its qualification of “small company”;
- collectively participated to the Shareholders’ Meeting for the approval of the 2020 financial statements on 27 April 2021;
- maintained a continuous flow of information and held regular meetings with the Auditing Firm, for the purpose of a rapid exchange of data and information relevant for the performance of their respective tasks as provided by art. 150, paragraph 3, of the TUF;
- maintained a continuous flow of information and held meetings with the Supervisory Body;
- maintained a continuous flow of information and held regular meetings with the Head of the Internal Audit function;
- exchanged information, as provided by art. 151, paragraph 2, of the TUF, with the Board of Statutory Auditors of the Italian Subsidiaries, and no relevant elements arose from this which need notification.

Through these activities, the Board checked the compliance of the organisational structure, of the internal procedures, corporate acts and resolutions of the corporate bodies pursuant to the law, the provisions of the Articles of Association and regulations, as well as the codes of conduct to which the Company declared to comply with.

Generally, the Board believes that the law and the Articles of Association have been respected and it has not observed any breaches of provisions of law or the Articles of Association or transactions carried out by the Directors that were clearly imprudent or risky, in potential conflict of interests, in contrast with the resolutions adopted by the Shareholders’ Meeting or in any case such as to compromise the integrity of the company’s assets.

Please note that, during the 2021 financial year, in the context of the Board’s activities:

- no reports were received pursuant to art. 2408 of the Italian Civil Code;
- no complaints were received;
- where required by the law, opinions of the Board of Statutory Auditors were expressed on occasion of Board of Directors and Committee meetings to which the Board of Statutory Auditors participated.

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3. Compliance with the principles of proper administration (and reference to the main transactions)

With the due frequency, the Board of Statutory Auditors received from the Directors information on the activities carried out as well as on the transactions of greatest significance for the profit and loss, financial position and cash flows approved and carried out during the year, including through subsidiaries.

The transactions capable of significantly impacting the Company's results, financial position and cash flows are reported in the Directors' Report and in the Explanatory Notes, to which reference is made. In particular, it should be noted that during the year new loans were taken out for a total of €160.0 million and loans were paid early for €59.7 million, with the objective of further optimising the financial structure.

With specific regard to transactions with related parties, the Board of Statutory Auditors supervised compliance of the procedures adopted by the Company with the principles indicated by CONSOB, as well as their respect, also through the participation in the meetings of the Control and Risk Committee. In this context:

- the Company adopted a direct procedure to govern the Group's transactions with related parties, in compliance with the principles established by the Supervisory Authority with CONSOB Regulation no. 17221 of 12 March 2010, as subsequently amended (the last of which on 29 June 2021);
- the Directors adequately indicated the intra-group transactions and transactions with related parties of an ordinary nature in their Directors' Report and in the Explanatory Notes, taking their size into account.

We have not observed, nor received indications from the Board of Directors, the Auditing Firm or from the Control and Risk Committee with regard to the existence of atypical and/or unusual transactions carried out with third parties, with Group companies or with related parties.

During the year, LU-VE did not acquire any additional treasury shares and, therefore, as at 31 December 2021 LU-VE held 28,027 treasury shares, equal to 0.1261% if its share capital.

The Directors have adequately described in the Explanatory Notes the main assumptions used in the performance of the impairment test which some of the assets in the balance sheet had to undertake together with the sensitivity analyses carried out.

In accordance with the provisions of the Corporate Governance Code, control on the principles of proper administration carried out by the Board took place through preventive supervision and not merely on an *ex post* basis. Where necessary, the outcome of this supervisory activity was brought to the attention of the Directors, in order for them to adopt a corrective action plan.

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4. Adequacy of the governance and organisational structure

Insofar as it is responsible, the Board of Statutory Auditors has supervised the adequacy of the organisational structure of the Company and of the Group, compliance with the principles of proper administration in terms of structure, procedures, roles and responsibilities, taking into account the size of the Company, the nature and the procedures for the pursuit of the corporate purpose, also with reference to the adequacy of the instructions provided by the Company to its subsidiaries, pursuant to art. 114, paragraph 2, of the TUF. In this regard, through the acquisition of information from the heads of the competent corporate functions, from the meetings with the Auditing Firm and with the control bodies of subsidiaries (where applicable), in the context of a reciprocal exchange of relevant information, the Board declares that there are no observations to be notified.

In application of the applicative criterion 8.C.1 of the former Corporate Governance Code, the Board of Statutory Auditors has verified that its members meet the independence requirements, also on the basis of the criteria provided by art. 3.C.1. of the former Corporate Governance Code, in its first meeting on 29 April 2020, communicating this to the Board of Directors, which disclosed this to the public with a press release on the same date. It is to be noted that this assessment was carried out before the entry into force of the new Corporate Governance Code and therefore before the adoption of the criteria reported above for the assessment of the significance of the relationships in question, which were not applied. The Board has lastly checked, with a positive outcome, the persistence of the above-mentioned requirements in its meeting of 9 February 2022, on occasion of the self-assessment activity carried out internally, in compliance with Rule Q.1.1 in the "Rules of conduct of the board of statutory auditors of listed companies", issued by the National Council of Chartered Accountants, in its updated version of April 2018 (the "CNDCEC Rules of Conduct"), as well as, in relation to 2021, the combined provisions of Recommendations 6 and 7 as recalled by Recommendation 9 of the Corporate Governance Code.

With regard to the composition, size and functioning of the Board of Directors and of the Committees, with particular reference to the requirements set out for independent Directors and the determination of remuneration, as well as the comprehensiveness, roles and responsibilities linked to each corporate function, the Board of Statutory Auditors generally refers to the "Report on corporate governance and ownership structures" and to the "Report on Remuneration". In particular, we have checked the correct application of the verification criteria and procedures adopted by the Board of Directors to assess the independence of its own members on the basis of the criteria provided by the law and by the Corporate Governance Code.

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5. Adequacy of the internal control system

The Board of Statutory Auditors has supervised the adequacy of the organisational structure of the Company and of the Group, in terms of structure, procedures, roles and responsibilities, taking into account the size of the Company, the nature and methods for the pursuit of the corporate purpose. To this end, it has interacted with top management to check the efficiency of the organisational structure, meeting the officers in charge of the various management areas for updates with regard to the organisation chart of each area, the adequacy of the available resources and the main activities carried out.

Furthermore:

- the annual report issued by the Supervisory Body pursuant to Italian Legislative Decree 231/2001 does not highlight any observations on the application of the organisational model pursuant to Italian Legislative Decree 231/2001 and on the procedures adopted by the company. The Model has not been amended during the course of the financial year. In its report the Supervisory Body underlines the need to proceed with the updating of the Risk Assessment and of the Model to incorporate the latest regulatory amendments.

  The three-year mandate of the members of the Supervisory Body expires with the approval of the financial statements as at 31 December 2021.

In the meeting of 17 March 2022 the Board of Directors resolved to confirm the number of the members of the Supervisory Body at three, evaluating however an opportune amendment of the composition of the same, both to include an internal member and to strengthen its effectiveness in a manufacturing context. Therefore, it has confirmed as Chairman of the Supervisory Body Mr Marco Romanelli, as well as appointed Ms Elena Negri, Head of Internal Audit of the Company and of the Group, as internal member and has instructed the CEO to identify as third member of the Supervisory Body a person expert in the field of security, prevention, protection and environment, and to submit the candidature to the next Board of Directors' meeting;

- during 2021, the Chief Executive Officer responsible for the internal control and risk management system discussed with the Control and Risk Committee the main risks for the Group, sharing a path of continuous updating of the process for the identification and management of risks;
- the Board of Directors has the responsibility to govern the process underlying the internal control system. Organisational units, on the other hand, have the responsibility to manage the process for the identification, measurement, management and monitoring of risks, as well as to define the relative countermeasures.

Also for 2021, the LU-VE Group has retained the "Crisis Committee" (which saw the participation of the majority of Directors of the various Group Companies, of the members of the Board of Statutory Auditors and of the Supervisory Body, as well as the heads of the individual strategic functions of the manufacturing units) to best manage the Covid-19 health emergency and maximise protection of the health of all employees. The effects and actions undertaken are described in a dedicated paragraph in the Directors' Report.

During the financial year, the Board of Statutory Auditors has paid the utmost attention to the provisions taken by the Company to deal with pandemic and will continue to monitor the situation progress and the relative impacts on the Group's economic and financial results.

As highlighted in the dedicated paragraph of the Directors' Report, the Group closely monitors the complexities still linked to procurement and the supply chain both in terms of the tensions in the prices of raw materials, components, services and utilities and with regard to the availability of some materials, in particular electronic motors and components, and in relation to the critical issues linked to the development of the Russia-Ukraine crisis.

Overall, no significant critical issues emerged from the definition and application of the internal control and risk management system such as to significantly compromise the achievement of an acceptable overall risk profile.

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6. Adequacy of the administrative and accounting system and of the independent audit activities

The Board of Statutory Auditors has supervised the administrative and accounting system and, on the basis of the provisions of art. 19 of Italian Legislative Decree 39/2010, on: (i) the financial disclosure process; (ii) the independent audit of the annual and consolidated accounts; (iii) the independence of the Auditing Firm, with reference to the provision of services other than the audit. In particular, the Board observes what follows:

- the Company has imparted adequate instructions to the subsidiaries pursuant to art. 114, paragraph 2, of Italian Legislative Decree no. 58/98 in order for them to provide the information necessary to meet the disclosure obligations set out by the law, without noting any exceptions;
- the main characteristics of the internal control and risk management system in relation to the financial disclosure process are described by the Directors in the Directors' Report;
- the Manager in charge of financial reporting has carried out an assessment of the internal administrative and accounting system. The annual report, issued pursuant to art. 154-bis of the TUF and submitted by the Manager to the Board of Directors did not identify any critical issues;
- the company entrusted with the independent audit of LU-VE is Deloitte & Touche S.p.A. (hereinafter also the "Independent Auditors". The engagement was assigned by LU-VE Shareholders' Meeting with resolution of 10 March 2017 and will expire with the approval of the financial statements for the year ended as at 31 December 2025;
- in addition to the statutory audit, the limited audit of the half-yearly report and the limited examination of the Non-Financial Statement, the Board of Statutory Auditors observes that, during the 2021 financial year, (1) LU-VE S.p.A. conferred to Deloitte & Touche S.p.A. the mandate to assist with the performance of some accounting procedures on the financial statements as at 31 December 2020 and 2019 and on the statements of financial position as at 30 June 2021 relative to Refrion S.r.l. and its subsidiaries ("Polar Project") for an additional fee of €92 thousand, to Studio Tributario e Societario – Deloitte Società tra professionisti S.r.l. the mandate to assist with the performance of some tax audit procedures relative to the 2016-2020 tax years in relation to Refrion S.r.l. and its subsidiaries for an additional fee of €16 thousand and to Deloitte

Financial Advisory S.r.l. the mandate to support in the performance of a “Cyber Risk Assessment” for an additional fee of €56 thousand;

- no significant aspects to be noted emerged in the course of systematic meetings between the Board of Statutory Auditors and the Independent Auditors. In this context, the Board:

    - analysed the audit plan prepared by the Auditing Firm, verifying the adequacy of the audits and of validations planned with respect to the size and organisational and business complexity of the Company;

    - on 6 April 2022, received from the Auditing Firm the audit reports on the separate and consolidated financial statements of the Company and of the Group pursuant to art. 14 of Italian Legislative Decree 39/10 and art. 10 of Regulation (EU) 537/2014, which were issued without observations or requests for specific disclosures. In particular, the Independent Auditors also issued their opinion that the consolidated financial statements and the separate financial statements were prepared in the XHTML format in compliance with the provisions of Delegated Regulation (EU) 2019/815 and that the consolidated financial statements were marked up in all significant aspects in compliance with the same provisions;

    - on 6 April 2022, received from the Auditing Firm the additional report for the internal control and audit committee pursuant to art. 11 of Regulation (EU) 537/2014. In addition to confirming the persistence of the independent requirements of the Independent Auditors (referred to below), this report does not highlight the presence of significant shortcomings in the internal control system, nor cases of non-compliance, effective or presumed, to laws and regulations or provisions of the Articles of Association, nor the identification of significant errors;

    - on 6 April 2022, received from the Auditing Firm the report pursuant to art. 3, paragraph 10, of Italian Legislative Decree 254/2016 and art. 5 of Consob Regulation no. 20267 concerning the limited assurance engagement on the consolidated non-financial statement (NFS) of LU-VE S.p.A. and of its subsidiaries;

    - has not observed any critical aspects relating to the independence of the Auditing Firm and, on 6 April 2022, received by the same a communication relating to the annual confirmation of independence pursuant to art. 6, paragraph 2), letter a), of European Regulation 537/2014 and pursuant to paragraph 17 of ISA Italia 260 which, in order to guarantee the independence of the Auditors, also provide specific limits in the assignment of consultancy projects to the auditing firms already carrying out audit tasks, the adequate disclosure of which was provided in the financial statements of LU-VE S.p.A. pursuant to art. 149-duodecies of the Issuers’ Regulation.

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7. Implementation of the corporate governance rules

The Company has implemented the corporate governance principles approved by Borsa Italiana and included in the relative Corporate Governance Code. The Directors have provided analytical information at this regard, which is included in the Annual Report on corporate governance and ownership structures annexed to the financial statements, to which reference is made. This report is adequate pursuant to the provisions of art. 123-bis of the TUF. We have also taken note of the preparation of the Report on Remuneration pursuant to art. 123-ter of the TUF and art. 84-quater of the Issuers' Regulation as well as in compliance with the principles and recommendations of the Corporate Governance Code to which the Company adheres, and we have no observations to make. The Report takes into account the amendments made, in application of Consob resolution no. 21623 of 10 December 2020, on art. 84-quater and on the Diagram no. 7-bis of Annex 3 of the Issuers' Regulation, subsequent to the implementation of Directive EU 2017/828 (SHRD 2).

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8. Non-financial statement

In compliance with the provisions of Italian Legislative Decree no. 254/2016 implementing "Barnier" Directive 95/2014, the Company has published a Non-Financial Statement (NFS), which is required from large public interest entities.

The NFS was prepared to ensure understanding of the Group's activities, of its performance, its results and its impact, covering the issues considered to be relevant and indicated by art. 3 and 4 of Italian Legislative Decree 254/16.

The document was prepared in compliance with the fifth-generation guidelines for sustainability reporting of the Global Reporting Initiative (GRI), the 2016 GRI Sustainability Reporting Standards, according to the "Core" option and in accordance with the required content and quality principles. A table is reported at the end of the document with the index of the contents relative to the GRI requirements, general ones and those linked to specific material issues.

The definition of the contents required from the 2021 NFS involved all relevant corporate functions responsible for the aspects covered in the above-described sections. For further information on the calculation procedures and the results of the above-mentioned indicators, please refer to the methodological notes of the Non-Financial Statement as at 31 December 2021.

The Board observes that the examination carried out by the Independent Auditors on the NFS, as a "limited assurance engagement", as indicated in the report issued by them (to which reference is made), has involved an extension of work lower than that necessary for the performance of a full review in accordance with the provisions of ISAE 3000 Revised and, as such, it did not allow the Independent Auditors to be certain to be aware of all the significant facts and circumstances that could be identified with the performance of such a review. This being said, the Independent Auditors did not identify any elements that could indicate the non-compliance of the NFS, in all significant aspects, to the requirements of art. 3 and art. 4 of the above-mentioned Decree and of GRI Sustainability Reporting Standards. These conclusions on the NFS do not extend to the information included in the paragraph "Taxonomy of environmentally sustainable activities" of the same, required by art. 8 of European Regulation 2020/852.

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9. Observations on the separate and consolidated financial statements, their approval and matters under the responsibility of the Board of Statutory Auditors

Within the limits of the function assigned to it, through direct checks and information obtained from the auditing firm and through the Manager in charge of financial reporting, the Board of Statutory Auditors has evaluated the separate and consolidated financial statements, their relative explanatory notes and the Directors' report, paying attention to the promptness and correctness in the preparation of the documents that form the financial statements and the procedure though which they have been prepared and submitted to the Shareholders' Meeting.

No reprehensive facts, omissions or irregularities such as to require notification to the control bodies or highlighting in this report were identified during the course of the supervisory activities carried out.

In application of European Commission Delegated Regulation 2019/815 ("ESEF Regulation") implementing Directive 2013/50/EU which requires, from 1 January 2021, the obligation for listed issuers to prepare their annual financial reports in the European Single Electronic Format – ESEF, the Company has completed the implementation of the ESEF Regulation requirements for the 2021 financial year.

In its reports issued pursuant to art. 14 and art. 16 of Italian Legislative Decree no. 39 of 27 January 2010, the Auditing Firm expressed an unqualified opinion on the 2021 separate and consolidated financial statements. The separate and consolidated financial statements included declarations of the Manager in charge of financial reporting and of the Chief Executive Officer as required by art. 154-bis of the TUF.

The consolidated results as at 31 December 2021 show operating revenues and income of €492.0 million, an EBIT of €32.7 million, a net profit of €24.8 million (of which €23.7 million pertaining to the Group) and, lastly, a negative net financial position of €121.9 million. Please refer to the directors' report (in addition to the explanatory notes to the items of the same) for the factors that have affected the results for the year.

On the basis of the activity carried out during the year and to the extent of its competence, the Board of Statutory Auditors has not observed any obstacles to the approval of the financial statements as at 31 December 2021 of LU-VE S.p.A. (which show a net profit of €3.8 million) and to the relative proposals formulated by the Board of Directors (including the distribution of a gross ordinary dividend of €0.35 per outstanding share, net of any treasury shares held by the Company at the ex-dividend date).

The Shareholders' Meeting, convened in ordinary session for the approval of the 2021 financial statements on 29 April 2022, is called to resolve also with regard to other matters in its competence, including the 2022 Remuneration Policy and the renewal of the authorisation for the purchase and disposal of treasury shares.

Milan, 6 April 2022

The Board of Statutory Auditors of LU-VE S.p.A.

Simone Cavalli (Chairman)	[signature]
Stefano Beltrame	[signature]
Paola Mignani	[signature]

INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the separate financial statements of LU-VE S.p.A. (the "Company"), which comprise the statement of financial position as at December 31, 2021, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and the notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of the Company as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment test on goodwill, intangible assets and property, plant and equipment	
Description of the key audit matter	The Company accounts for goodwill equal to € 14.6 million (2.9% of total assets in the financial statements as at 31 December 2021) allocated to a single cash generating unit ("CGU"), defined in line with the view of the Management and in particular with the method of monitoring and forecasting the Company's performance, to which intangible assets with a finite useful life amounting for € 7 million, right-of-use assets for € 1 million and property, plant and equipment for € 38.1 million were also allocated. As request by IAS 36, as the above-mentioned CGU includes goodwill, the Company's Management performed an impairment test to determine whether the assets of the CGU are recognised in the financial statements as at 31 December 2021 at a value no higher than its recoverable amount. After the conclusion of the impairment tests, approved by the Board of Directors on 17 March 2022, the Company has not recognised any impairment losses. The impairment process carried out by Management is based on the determination of the value in use, and is complex since it includes assumptions regarding, inter alia, the forecast of expected cash flows from the CGU, making reference to the 2022-2025 plan prepared by the Board of Directors and subsequently included in the consolidated plan of the LU-VE group approved by the Company's Board of Directors in its meeting held on 24 February 2022, inclusive of the effects deriving from the continuation of COVID-19 pandemic, the determination of an appropriate discounting rate (WACC) and a long-term growth rate (g-rate). Considering the relevant amount of the assets accounted for within the financial statements, the judgement of the estimates used to determine the cash flows of the CGU and the results of the impairment test which demonstrated a limited coverage emerging from the sensitivity analysis carried out by the Management on the key variables of the model, we considered the impairment test a key audit matter of the LU-VE S.p.A. financial statements. Note 3.1 "Goodwill and other intangible assets" within the separate financial statements provides a disclosure on the impairment test, including the above mentioned sensitivity analyses carried out by the Directors.
Audit procedures performed	To evaluate the recoverability of the assets of the CGU, we preliminarily examined the methods used by the Management to determine the value in use of the CGU, analysing the methods and assumptions used for the development of the impairment test. As part of our audit we, inter alia, performed the following procedures, also relying on the support of experts within our Network: • identification and understanding of the significant controls put in place by the Company on the process of performing the impairment test;

- assessment of the reasonableness of the main assumptions adopted to develop cash flow forecasts and collection of other relevant information by Management;
- analysis of variances in actual data with respect to original plans, so as to evaluate the nature of the variances and the reliability of the process of preparing the plans;
- assessment of the methods for determining the discounting rate (WACC) by analysing its individual elements and their consistency with generally used valuation practices and analysis of the reasonableness of the long-term growth rate (g-rate);
- test of the mathematical accuracy of the model used to determine the value in use of the CGU;
- test of the correct determination of the carrying amount of the CGU and its consistency with the methods for determining its value in use;
- assessment of the sensitivity analysis prepared by the Management;
- assessment of the adequacy of the disclosure provided by the Company on the impairment test with what is laid out in IAS 36 standard.

Impairment test on equity investments

Description of the key audit matter	The Company's financial statements include equity investments in subsidiaries for a total of € 153.3 million, of which € 40.9 million refer to the subsidiaries LU-VE Deutschland GmbH, LU-VE Asia Pacific Ltd. – Hong Kong, LU-VE Heat Exchangers (Tianmen) Co, Ltd , Fincoil LU-VE OY and Zyklus Heat Transfer Inc., which incurred significant losses in the current and/or in previous reporting periods that led, for some companies, to negative shareholder's equity for a total amount of € 7.1 million as at 31 December 2021. As provided for in IAS 36, due to the presence of possible impairment indicators, the Company’s Management performed an impairment test to determine whether the equity investments (together with the net financial position of the Company in respect to its subsidiaries, considered a long-term interest that represents an extension of the net investment in the subsidiary) are recognised in the financial statements at 31 December 2021 at a value no higher than their recoverable amount. After the conclusion of the impairment tests, approved by the Board of Directors on 17 March 2022, the Company recognised a write-off for € 6.6 million attributable to the net interest in Zyklus Heat Transfer Inc. (and attributed by Management to the non-current financial receivables included in the balance "Other non-current financial assets"). The impairment process carried out by Management is complex and based on assumptions regarding, inter alia, the forecast of expected cash flows from the subsidiaries, the determination of an appropriate discounting rate (WACC) and a long-term growth rate (g-rate).

	The plans underlying such cash flows were prepared by the local management in collaboration with the Company's Management and subsequently included in the consolidated plan approved by the Board of Directors meeting held on 24 February 2022, inclusive of the effects deriving from the continuation of COVID-19 pandemic. Considering the judgement of the estimates used to determine the cash flows included in the test, the key variables of the impairment models and the results of the impairment test which demonstrated limited coverage emerging from the sensitivity analysis carried out by the Management both on the expected cash flows and on the discounting rate and long-term growth, we considered the impairment test a key audit matter of the LU-VE S.p.A. financial statements. Considering the judgement of the estimates used to determine the cash flows included in the test and the key assumptions of the impairment models used for testing the equity investments, and the economic/financial performance of such investees, we considered the impairment test a key audit matter of the Company's financial statements. Note 3.3 "Equity Investments" within the separate financial statements provides a disclosure on the impairment test, including the above mentioned sensitivity analyses carried out by the Directors, that reports the impacts that could arise changing some key assumptions used in the impairment test performed on the recoverable amount of the equity investments.
Audit procedures performed	We preliminarily examined the methods used by the Management to determine the recoverable amount of the equity investments, analysing the methods and assumptions used for performing the impairment test. As part of our audit we, inter alia, performed the following procedures, also relying on the support of experts within our Network: • identification and understanding of the significant controls put in place by the Company on the process of performing the impairment test on the equity investments in subsidiaries; • assessment of the reasonableness of the main assumptions adopted by the Management to develop cash flow forecasts and collection of other relevant information obtained by management; • assessment of variances in actual data with respect to original plans, so as to evaluate the nature of the variances and the reliability of the process of preparing the plans; • evaluation of the methods for determining the discounting rate (WACC) by analysing its individual elements and their consistency with generally used valuation practices and analysis of the reasonableness of the long-term growth rate (g-rate);

- comparison between the recoverable amount and the carrying amount of such investments and the other long-term interests (i.e. net financial position) in such subsidiaries;
- assessment of the sensitivity analysis prepared by the Management;
- assessment of the adequacy of the disclosure provided by the Company on the impairment test with what is provided for in IAS 36.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of the separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of LU-VE S.p.A. has appointed us on March 10, 2017 as auditors of the Company for the years from December 31, 2017 to December 31, 2025.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the separate financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of LU-VE S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the "Delegated Regulation") to the financial statements, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the financial statements with the provisions of the Delegated Regulation.

In our opinion, the financial statements have been prepared in XHTML format in accordance with the provisions of the Delegated Regulation.

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of LU-VE S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of LU-VE S.p.A. as at December 31, 2021, including their consistency with the related separate financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the separate financial statements of LU-VE S.p.A. as at December 31, 2021 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the separate financial statements of LU-VE S.p.A. as at December 31, 2021 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Massimiliano Semprini
Partner

Milan, Italy
April 6, 2022

As disclosed by the Directors on page XX, the accompanying financial statements of LU-VE S.p.A. is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.