LU-VE S.p.A.

Via Vittorio Veneto n. 11 – 21100 Varese

Numero REA: VA-191975

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ANNUAL FINANCIAL REPORT

AS AT 31 DECEMBER 2022

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DIRECTORS' REPORT AS AT 31 DECEMBER 2022

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1 DIRECTORS' REPORT AS AT 31 DECEMBER 2022

14 March 2023

Dear shareholders,

2022 was a year marked globally by the invasion of Ukraine by Russia and by a rapid and radical change in monetary policies, which became restrictive after a decade of substantially negligible rates. From an economic point of view, the Russian-Ukrainian conflict represented an element of acceleration for inflation, already on the way up since the end of 2021, and which saw the combined effect of critical supply issues linked to the recovery from the viral pandemic and turbulence in energy supplies, due to the progressive embargo on Russian oil and natural gas supply by Western countries.

Geopolitical turbulence, a significant rise in inflation and progressive increases in interest rates have affected all world economies. The recovery of the economy, after the strong rebound of 2021 as a result of the greater control of the virus, very robust at the beginning of 2022, gradually eased and global GDP growth at the end of the year stopped at +3.4%. For 2023, the World Bank expects a modest +1.7% increase, half of that forecast in the middle of last year and one of the lowest values in the last 20 years. The Monetary Fund estimates are better but lower than the 2022 values (+2.9%).

At disaggregated level, China, which in 2020 was the only large country not to suffer a decline in real GDP and which experienced a growth of 8.1% in 2021, closed 2022 with a reduced 3%, the worst result since 1976, at the same time combined with an unprecedented decline in population. For the current year, an increase of just over 4% is expected, one of the lowest in recent years and based on the assumption that the effects of a pandemic never tamed by government policies can be contained.

The United States, after a 2021 characterised by GDP growth of 5.9%, much higher than the 3.5% drop in 2020, grew by 1.4% in the year just ended, with a forecast for the 2023 of around 1%. Clearly, inflation and the rise in interest rates had an impact on the second half of last year and it is hoped that in 2023 the peak in interest rates can be overcome and that a new phase of contained contraction can start, avoiding the recessionary phase of the economy. The highly expansive policies of the federal government certainly have this as their main objective.

In the course of 2022, on the 75th anniversary of independence from Great Britain, India surpassed the former colonial power in terms of economy. It also rose to fifth place among the largest economies in the world. The growth of the Indian economy continues to be robust. After +8.7% in 2021 (in addition to the 6.6% loss in 2020) and +6.8% in 2022, forecasts for the current year, despite the new macroeconomic scenario, anticipate an increase of GDP even higher than 6%. India now accounts for 7% of global GDP, compared to 18% for China and 16% for the United States.

In the Eurozone, after the past two years made it possible to more than fully recover the 2020 loss due to the viral pandemic and with 2022 closing at +3.5%, a much more contained grow is expected for 2023 (less than 1%). At individual country level, Germany expects substantial stagnation in 2023, while France and Italy are expected to a growth of just under 1%. It should be emphasised that Italy achieved very good results in the 2021-2022 two-year period, fully recovering the loss of 2020 and with GDP growth higher than that of France and Germany which, however, had performed better in the year of pandemic. Italy has also faced an electoral transition that seems to offer a framework of stability for the coming years. On the other hand, Germany suffered the most from geopolitical turbulence and in relations with China in the year just ended, also as a result of the Russian-Ukrainian conflict.

Lastly, due to the combined sanctions from the developed world, Russia's GDP contracted by 2.1% (compared to a growth of 5.6% in 2021) and is expected to decline also for the current year. Ukraine's economic situation is dramatic and the sacrifice in terms of human lives and suffering, for both countries, is even worse.

The worldwide rise in consumer inflation in 2022 and in the current year, to values not seen for decades, followed the sharp rise in commodity prices already experienced in 2021. The values reached at the end of 2022 for the main raw materials have fortunately contracted compared to the maximum levels reached and this, if confirmed for the current year, could lead to a gradual drop also in final sales prices.

As mentioned, in 2022 monetary policies were very aggressive and the economy left behind a decade of unusually low rates, close to zero or even negative for the strongest countries, due to the expansionary policies of all of the main central banks. The concern is that the reversal of the curve, so rapid to tame inflation, will lead to a strong contraction in business investments and therefore to a new economic recession. The latter, among other things, would also be worrying for the public budgets of countries, already tested by the two-year pandemic.

A special attention needs again to be paid to commodities, whose values literally exploded in 2021 and which have remained below the year's highs in the second half of 2022 and in the first months of the current year. The slowdown in the growth of valuations, together with a new-found availability in the second half of 2022, in the first few months of the new year allowed the start of a stabilisation process in the values of company working capital, also following a slowdown in demand in the first quarter of the current year.

For the LU-VE Group, which operates with increasing levels of geographical, market and product diversification, the new year, which follows the best ever year in terms of results achieved, overall began within a substantially stable framework. However, geopolitical and monetary uncertainties remain and there is no shortage of opportunities, especially in the two major transformations affecting the world economy, namely in the “green transition” and the “digital transition”. As part of a growing diversification process, the LU-VE Group has good expectations for the current year and for those to come.

The year 2022, which unfortunately ended with the death of Mr. Iginio Liberali, founder and Chairman of the Group, was a very intense and challenging year that has led to a new record turnover (over €618 million) and which saw the completion of three extraordinary transactions (the acquisition of Refrion S.r.l. of its subsidiaries, hereinafter also "Refrion group", and the assets of ACC Wanbao, as well as the sale of the subsidiary Tecnair LV S.p.A.) and the launch of new important projects for future development.

Despite the disturbances resulting from the dramatic invasion of Ukraine, the market experienced extremely brilliant demand in the first part of the year, followed by a significant slowdown in some segments in the second half of the year. Sales of products increased by 25.2%, reaching €605.0 million, while the order portfolio amounting to €188.8 million at the end of the year (+4.8% compared to the end of the 2021) returned to more organic values after months of tumultuous growth (up to a record €221.4 million at the end of April) generated mainly by the growth of the end markets and partly also by orders from of OEM customers aimed at both the replenishment of safety stocks and the "reservation" of production capacity at a time of general uncertainty in procurement and lengthening of delivery times by all operators in the sector.

The year 2022 closed for the "Components" SBU with a turnover of €347.5 million, an increase of 26.1%, despite what has been reported above with regard to acquisitions of orders in the second half of the year, confirming the validity of the strategy implemented by the Group to gradually differentiate end and application markets. After a first half-year when the positive combination of very strong demand and increases in sales prices led the BU to grow by around 40%, starting from June three segments were most affected by the slowdown in demand: heat exchangers for refrigerated counters, for the HO.RE.CA segment and for high energy efficiency clothes dryers. This phenomenon is generally attributable to fears related to the return of inflation and the consequent less optimistic forecasts regarding consumption trends, while, in particular for manufacturers of refrigerated counters, it is also attributable to widespread delays accumulated in large-scale distribution sites with significant delays in delivery times, which have led to an increase for many manufacturers in stocks of finished products ready for delivery. On the other hand, the growth of the "Components" SBU was very strong and constant throughout the year in the various applications linked to air conditioning, with a special mention, in addition to the "data centre" segment, for the heat pump segments. In this market, strongly influenced by the incentives of the Repower EU programme, in fact the Group more than doubled its sales, gaining significant market share, thanks to investments in research aimed at the development of innovative last-generation natural fluids heat exchangers as well as to the timely provision of additional production capacity to meet expected demand. Lastly, the significant growth (over 60%) in products dedicated to "mobile" applications is also noteworthy, thanks to the collaboration with important international groups in the development of latest generation products with low environmental impact and high energy efficiency.

Growth in the "Cooling Systems" SBU was +24.1%, with a turnover of €257.5 million and a more evenly distributed trend over the year compared to the "Components" SBU. In fact, although "Cooling" also suffered in the second half of the year a slight contraction in projects relating to large-scale distribution and in general to the commercial refrigeration world, this contraction was more than offset by the continuous growth of industrial refrigeration, which in recent years has seen the Group play an increasingly leading role in Europe and the rest of the world thanks to the cutting-edge solutions developed in high energy efficiency and low environmental impact applications with natural fluids. As expected, 2022 was also an extremely positive year in "industrial cooling" (+51%) and in "Data centre" (21%) applications.

The breakdown of turnover by SBU is given below:

Revenues by SBU (in thousands of Euro)	2022	%	2021	%	Change	% Change
SBU COOLING SYSTEMS	**257,548**	**42.6%**	**207,473**	**42.9%**	**50,075**	**24.1%**
SBU COMPONENTS	**347,488**	**57.4%**	**275,624**	**57.1%**	**71,864**	**26.1%**
TOTAL PRODUCT TURNOVER	**605,036**	**100.0%**	**483,097**	**100.0%**	**121,939**	**25.2%**

The most important challenges managed in 2022 also concerned the Supply Chain with strong tensions on the prices and procurement difficulties, in particular in the field of electronic components (with impacts essentially on the "Cooling" SBU). The actions to diversify the supply sources and expand the supplier base, implemented by the Group for some time, have allowed the continuous supply of production sites, albeit at the cost of some inevitable inefficiencies. On the other hand, the management of the purchase prices of raw materials and components was much more complicated, not only due to the strong fluctuations during the year in the prices of copper and aluminium at the LME (in the spring both exceeded recent years' highs), but also due to the surge in energy costs that have completely distorted the transformation costs of the same raw materials (in particular aluminium). These difficulties, in addition to sporadic lock-down periods in Asia due to the resurgence of the spread of COVID-19 and an uncontrolled increase in transport costs both by sea and by road, generated significant increases in the purchase costs of goods and services which, on the whole, were offset by sales price adjustments. As already was the case in 2021, the "Cooling" SBU played a role in protecting margins also in the last year, with two increases in sales prices, followed by a third one starting from January 2023.

EBITDA reached an amount of €75.1 million (12.1% of sales), an increase of 23.5% compared to 2021 (€60.8 million, 12.4% of sales). Adjusted EBITDA in 2022 (for more details on this please refer to paragraph 1.6 below - Alternative performance indicators) amounted to €78.8 million (12.7% of sales), while EBITDA in 2021 was not affected by income and expenses not falling under ordinary operations.

Net profit came to €49.1 million (€24.8 million in 2021), an increase of 101%. The adjusted net profit, equal to €35.2 million (for more details, see paragraph 1.6 - Alternative performance indicators below), is influenced by costs not falling under ordinary operations (€3.7 million) and by profits from equity investments (deriving from the capital gain of a financial nature generated by the sale of the subsidiary Tecnair LV S.p.A., for €9.5 million), as well as the net effect of the positive change in the fair value of derivatives and by the impact of the amortised cost (total €9.9 million), net of tax effects, and amounted to €35.2 million.

The year 2022 was significant for the Group not only for the important results achieved, but also for the conclusion or launch of new projects that have contributed and will contribute to shaping its business in the years to come.

In chronological order, on 21 March 2022 the sale was completed of the entire equity investment (79.9%) in Tecnair LV S.p.A. (active in the production of close control indoor air conditioning units for operating rooms and data centre applications) to the Swedish company Systemair AB, listed on the Stockholm Stock Exchange, for a value of €12.9 million (which generated, as described above, a financial income at consolidated level of around €9.5 million). The parties also signed a long-term agreement for the supply of heat exchangers and related products, and for the continuation of cross-selling relating to indoor air conditioning units, while the LU-VE Group will continue to focus on outdoor air conditioning systems for state-of-the-art data centres. These agreements were negotiated at market values. The deconsolidation of Tecnair LV S.p.A. took place with effect from 1 April 2022 and, therefore, the sales data reported contain the turnover achieved by the same in the first three months of the half year only.

With a view to further extending the LU-VE Group's presence to the civil air conditioning, data centre, process cooling and industrial refrigeration segments, on 30 March 2022, the acquisition of a 75% interest in Refrion S.r.l. was finalised, whose registered office is in Flumignano (Udine), and which specialises in the production of air cooled products combined with adiabatic technology, which enables significant reductions of energy and water consumption, as well as of noise emissions, to be achieved. The agreement provides for a put & call option to purchase the remaining 25%, exercisable within the next five years. The definitive price of the transaction was €9.2 million and the consideration paid and financed through the Group's cash and cash equivalents was €7.8 million. For further details, please refer to "Introduction" to the Explanatory Notes.

The integration activities of the new company (consolidated starting from 1 April 2022), of its team and of the relative subsidiaries were immediately launched in an environment of close cooperation. Starting in September, work began on expansion works for the main production site in line with the business plan that constituted an integral part of the contractual agreements between the parties. The works are expected to be completed by the end of the second quarter of 2023.

The purchase of the Italia Wanbao ACC S.r.l. ("WACC") business unit, located a few kilometres from Limana, was concluded for a value of €70 thousand on 3 August 2022, through the subsidiary SEST S.p.A. of Limana (Belluno). The executed agreements make provision for: a) the full industrial reconversion of the site, with a view to expanding the production of heat exchangers for refrigerated counters, heat pumps and chillers; b) the absorption of a sizeable part of WACC's current workers over a three-year period from the signature of the agreements; c) total investments in the production site (which has a covered surface area of around 40,000 sqm) for around €6 million over the next 3 years. The first step for the reconversion of the production site had already been completed at the end of September, with the start-up of two production lines and the hiring of a first group of workers, in line with the agreements' provisions. At the beginning of December, as planned, the deed for the purchase of the entire production site was finalised for €2 million.

On the occasion of the approval of the Half-yearly Consolidated Financial Statements, at the end of September the Board of Directors of LU-VE Group unanimously approved the proposal to allocate an extraordinary bonus of €3 million to support its employees, to cope with the increase in the cost of living and inflation.

On 21 September, the admission of LU-VE Group to the STAR segment of the Milan Stock Exchange was formalised, culminating in a process that began with the listing on the AIM market in July 2015 and continued with the transition to the main market in 2017.

Also in September, the installation of the new release of the SAP management system was successfully completed and, above all, the Group, the first in the world, obtained the prestigious EUROVENT certification for CO_2 air cooled gas coolers, confirming the Group's global leadership position both in the development of innovative "green" solutions to protect the environment and in the transparency and reliability of the declared performance of its products in terms of power, energy efficiency and noise.

In line with the medium-term plan, three important projects were also launched in 2022 to expand the production sites in Poland, the United States and China.

In the first case, this is the second step of the project already approved by the authorities of the Gliwice industrial park, which benefits from the usual incentives provided for industrial investments combined with the recruitment of new personnel. Works are expected to be completed by the first half of 2023, while a further real estate project is currently being studied to meet the very high demand for heat pump exchangers.

In the USA, contractual agreements are being defined for the new construction at the Jacksonville site in Texas, in line with the decisions taken during the year by the Board of Directors regarding the business plan for the American continent.

As envisaged by the contractual agreements in place with the authorities of the Tianmen industrial park in China, in the last few weeks of the year, negotiations were started on agreements for the doubling of the existing production site in order to complete the range of air cooled equipment that can be manufactured locally for the domestic and Asia Pacific markets.

Lastly, the formalities for the liquidation of the commercial company LU-VE Contardo Pacific in Australia, whose operational activity ceased from 31 March 2021, were completed.

During 2022, the Parent Company LU-VE S.p.A. acquired 52.58% of the subsidiary LU-VE HEAT EXCHANGERS (Tianmen) Co, Ltd from the subsidiary LU-VE Asia Pacific, becoming its sole holder.

On 14 July 2022, the commercial company LU-VE UK Ltd was established, with headquarters in London.

In July 2022, the following loans were also signed (for a total of €230 million, of which €210 million were disbursed during the year):

- in April, an unsecured loan agreement was entered into with Cassa Depositi e Prestiti for €40 million with a duration of 84 months (of which 24 in the grace period) repayable in half-yearly instalments at constant principal. The loan is aimed at supporting the financial needs functional to the Group's growth initiatives in Italy and abroad and provides for better conditions for the company if specific objectives for increasing employment in Italy are achieved;

- in April, an unsecured loan agreement with Intesa Sanpaolo for €15 million with a duration of 84 months (of which 24 in the grace period), repayable in quarterly instalments at constant principal. The loan, aimed at new projects for the creation of new ranges of items that use natural fluids to reduce the environmental impact, provides for better conditions for the Group if specific sustainability objectives;

- in May, an unsecured loan agreement with Intesa Sanpaolo for €15 million with a duration of 84 months (of which 24 in the grace period), repayable in quarterly instalments at constant principal. The loan, aimed at new projects for the construction and development of equipment with a reduced environmental impact (biofixation, conversion and other methods for the use and reuse of CO_2 in production processes), provides for better conditions for the Group if specific sustainability objectives are achieved.

- in July, an unsecured loan agreement was entered into with Banca Nazionale del Lavoro S.p.A. for €40 million with a duration of 60 months (of which 6 in the grace period) repayable in half-yearly instalments at constant capital portion; The loan, aimed at supporting investments that have a positive impact in terms of environmental sustainability in the following areas: renewable energy, energy efficiency, public and mass transport, water management and treatment and recycling, provides for better conditions for the Group when specific sustainability objectives are achieved;

- in July an unsecured loan agreement was signed with BPER S.p.A. for €25 million with a duration of 60 months (of which 12 months in the grace period), repayable in quarterly instalments at constant principal portion; The loan requires compliance with financial covenants;

- in July an unsecured loan agreement was signed with Sanpaolo S.p.A. for €15 million with a duration of 60 months (of which 12 months in the grace period), repayable in constant quarterly instalments.

This loan, finalised at the support of company liquidity, provides conditions that are further improved for the Group when specific sustainability objectives are achieved. The loan requires compliance with financial covenants;

- in October, an unsecured loan agreement was entered into with Deutsche Bank S.p.A. for €30 million with a duration of 72 months (of which 18 in the grace period). The loan, aimed at supporting the company's investment plan, requires compliance with financial covenants;

- in November, an unsecured loan agreement was signed with Unicredit S.p.A. for €25 million with a duration of 48 months (in the grace period until December 2022). The loan requires compliance with financial covenants;

- in December, an unsecured loan agreement was signed with BPM S.p.A. for € 25 million, of which the first tranche of €5 million was disbursed in December, and the remainder to be used in 2023. The loan aimed at supporting the company's financial needs provides for better conditions for the Group to achieve specific sustainability objectives. The loan requires compliance with financial covenants.

During 2022, with the aim of further optimising the Group's financial structure, the following loans and related derivative contracts were also redeemed early, for a total of €34.1 million using available liquidity:

- bullet loan agreement signed by LU-VE S.p.A. on 4 February 2021 with Cassa Depositi e Prestiti expiring on 3 August 2022 for a residual amount of €30 million;

- loan agreement signed by Refrion S.r.l. on 22 December 2022 with Intesa Sanpaolo expiring on 22 December 2026 for a residual amount of €1.6 million;

- loan agreement signed by Refrion S.r.l. on 11 October 2021 with Banca di Udine expiring on 11 October 2029 for a residual amount of €0.9 million;

- loan agreement signed by Refrion S.r.l. on 30 November 2016 with Intesa Sanpaolo expiring on 15 June 2026 for a residual amount of €0.6 million;

- loan agreement signed by RMS S.r.l. on 1 February 2022 with Banca di Udine expiring on 1 February 2030 for a residual amount of €0.6 million;

- loan agreement signed by RMS S.r.l. on 17 June 2021 with Banca di Udine expiring on 17 June 2027 for a residual amount of €0.4 million.

In May 2022, the Varese Revenue Agency launched a general tax audit on the Parent Company LU-VE S.p.A., with a particular focus on intra-group relations, for the years 2016, 2017, 2018 and 2019. The Agency requested, in several tranches, the documentation to be analysed that the Parent Company LU-VE S.p.A. provided within the envisaged timescales.

At the date of this Report, no other requests for documentation or clarifications have been received and no information has been released regarding the results of the checks.

Lastly, on 27 April 2022, the Shareholders' Meeting of the Parent Company LU-VE S.p.A.:

- viewed the consolidated figures and the non-financial statement for 2021 of the LU-VE Group;
- approved the 2021 separate financial statements of LU-VE S.p.A., accompanied by the Directors' Report, as approved by the Board of Directors of LU-VE on 17 March 2022 and already communicated to the market. Note that the profit for the year 2021, equal to €3.8 million, was allocated as follows: (i) €0.2 million to the Legal Reserve; (ii) €1.3 million to the unavailable reserve for unrealised exchange gains and (iii) the distribution of an ordinary gross dividend of €0.35 per each share outstanding, for around €7.8 million, by using available reserves for the remainder.

1.1 CONSIDERATIONS ON THE SECURITY'S MARKET VALUE

During 2022 the LU-VE stock recorded a trend higher than the FTSE Italy All-Share index (at an average level of around 3 points). During the first half of the year, the stock recorded an average price of €20.36, while in the second half the average price was around €22.39 (10% compared to the average of the first half), reaching its historical high of €28.15, in the month of December. The average for the month of December was €25.89.

Furthermore, as already commented in the introduction to the Report, on 21 September the admission of the LU-VE Group to the STAR segment of the Milan Stock Exchange was formalised.

The main figures and share price trends are shown below:

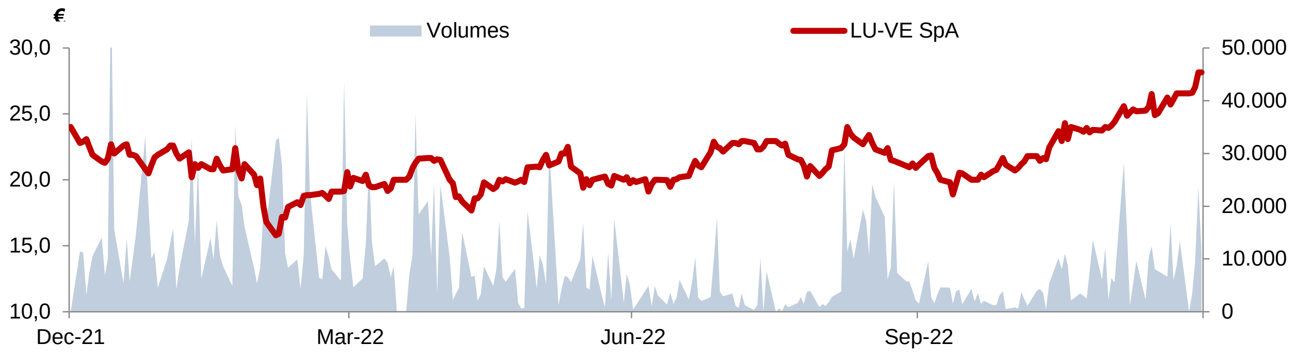
Price at 1 January 2022: €22.80
Price at 31 December 2022: €28.15
Change in the year: +17.29%

Price as at 21 September 2022 (date of first listing on the STAR segment) 2022: €21.50
Change in the period (from 21 September to 31 December 2022: +30.93%)

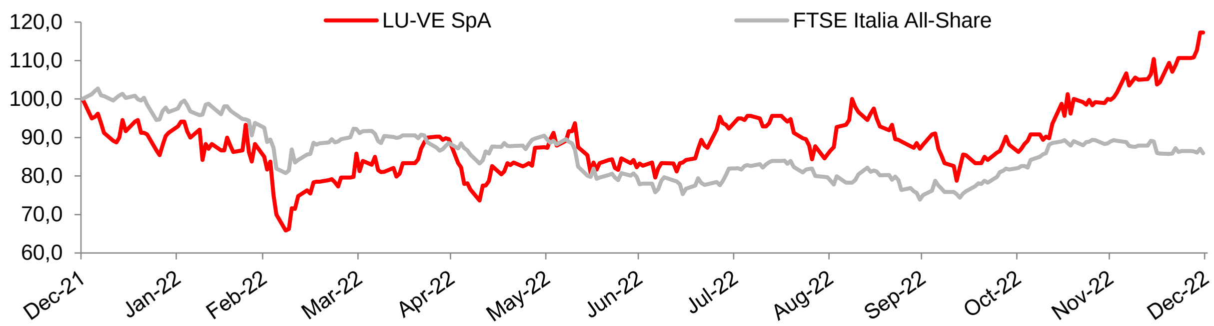
Maximum price: €28.15 (29 and 30 December 2022)
Minimum price: €15.80 (7 March 2022)
Weighted average price: €21.30
Traded volumes: 2,335,544 shares

Market capitalisation at 31 December 2022: €625.90 million

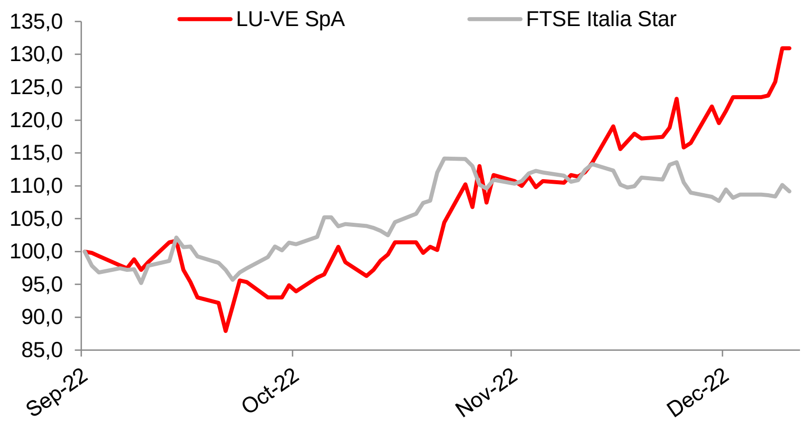
On 13 March 2023 (at the closure of the last trading day before the approval of the draft Financial Statements) the price was €29.20, corresponding to a capitalisation (to be calculated on the basis of 22.23 million shares) of €649 million, in any case higher than the Group's shareholders' equity (€211.4 million).



Below is the trend of the Italian FTSE All-share index and of LU-VE stock in 2022:



The performance of the FTSE STAR Index and the LU-VE stock from 21 September 2022 is shown below:



1.2 SUBSIDIARIES AND ASSOCIATES

As at 31 December 2022, 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. In 2022, it acquired the assets of Italia Wanbao ACC S.r.l. and incorporated the related production site;
- **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 equipment (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;
- **LUVE HEAT EXCHANGERS (Tianmen) Co, Ltd,** wholly-owned by the LU-VE group (in 2022, the Parent Company LU-VE S.p.A. acquired 52.58% of the share capital from the subsidiary LU-VE Asia Pacific, acquiring the entire of ownership): it is active in the production and marketing of air cooled products for the Chinese market and neighbouring countries;
- **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;
- **REFRION S.r.l.** of Flumignano (UD), newly acquired in 2022 and now 75% owned: it manufactures and markets air heat exchangers, with adiabatic technology, which allow for reductions in energy consumption, water and noise emissions;
- **RMS S.r.l.** of Flumigano (UD), 100% owned by Refrion S.r.l.: specializes in the supply and processing of sheet metal.

Commercial subsidiaries:

- **LU-VE France s.a.r.l.** in Lyon (France), 100% stake held: carries out direct sales activities and provides commercial and technical support services to distributors of air cooled equipment and heat exchangers in the French and North African markets;

- **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 glass doors 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 the liquidation formalities are still in progress;
- **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 operational;
- **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.
- **REFRION Deutschland GmbH** in Frankfurt (Germany), wholly-owned by Refrion S.r.l., sells air cooled equipment directly or through distributors throughout the German market;
- **LU-VE UK Ltd,** based in London, wholly owned and established in 2022, sells and acts as agent for air cooled equipment mainly in the United Kingdom.

1.3 REFERENCE MARKETS

Until the already commented sale of the subsidiary Tecnair LV S.p.A. to the Swedish multinational Systemair last March, in terms of product type and families, the Group's activities were divided into four product categories (air cooled heat exchangers, air cooled equipment, special glass doors for refrigerated counters and display cabinets and "close control" precision air conditioners and outdoor equipment). Following this sale, starting from this Report, it is no longer considered significant to retain the historical subdivision into four categories, but it was decided to eliminate the last one, which included both precision air conditioners for installation within "data centres" and operating theatres (produced solely by the sold company) and "outdoor" equipment (produced in various Group companies) for the same applications, grouping the latter into the ventilated equipment category.

Therefore, from the point of view of product type and family, the LU-VE Group's activities may be broken down into three main product categories:

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

The LU-VE Group's three 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 fluids 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, chillers, heat pumps, compressed air machines, special electrical cabinets, clothes dryers, etc.).

Revenues from sales of heat exchangers accounted for 53.2% of the Group's consolidated revenues in 2022 (substantially in line with the previous year).

AIR COOLED EQUIPMENT

Air cooled equipment (unit coolers, condensers, gas coolers and liquid coolers) are finished products consisting of heat exchangers of various styles and sizes (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)* electronic or electrical 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, in the presence of specific parameters and working conditions, is to guarantee the supply of cooling power (expressed mainly in kW), within given constraints in terms of electrical energy absorbed, noise pollution generated and clearance spaces.

Air cooled appliances are commonly divided into 2 macro-categories: a) "indoor" equipment that are installed in cold rooms at positive or negative temperatures; b) "outdoor" equipment installed outdoors (typically on roofs or on special support structures) near refrigerated and/or air-conditioned rooms or industrial process or energy generation plants.

Revenues from sales of air cooled equipment represented 41.6% of the Group's consolidated revenues in 2022 (in line with the previous year).

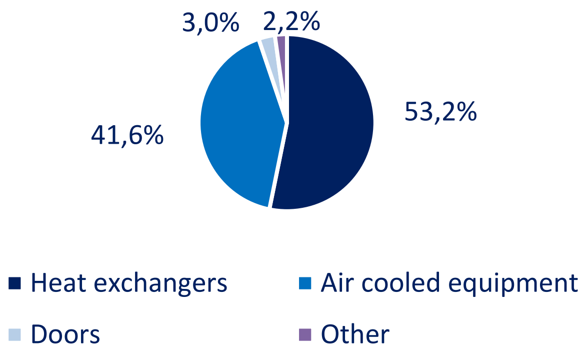
SPECIAL GLASS DOORS FOR REFRIGERATED COUNTERS AND DISPLAY CABINETS

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 so significantly reducing energy consumption by preventing dispersions of cold air, *(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 3% of the Group's total revenues in 2022.

The chart below shows the breakdown of turnover by product type in 2022:



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

PRODUCTS (in thousands of Euro)	2022	%	2021	%	Delta %
Heat exchangers	329,189	53.2%	258,462	52.5%	27.4%
Air Cooled Equipment	257,548	41.6%	207,473	42.2%	24.1%
Doors	18,299	3.0%	17,162	3.5%	6.6%
TOTAL PRODUCTS	**605,036**	**97.8%**	**483,097**	**98.2%**	**25.2%**
Other	13,576	2.2%	8,911	1.8%	52.4%
TOTAL	**618,612**	**100%**	**492,008**	**100%**	**25.7%**

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

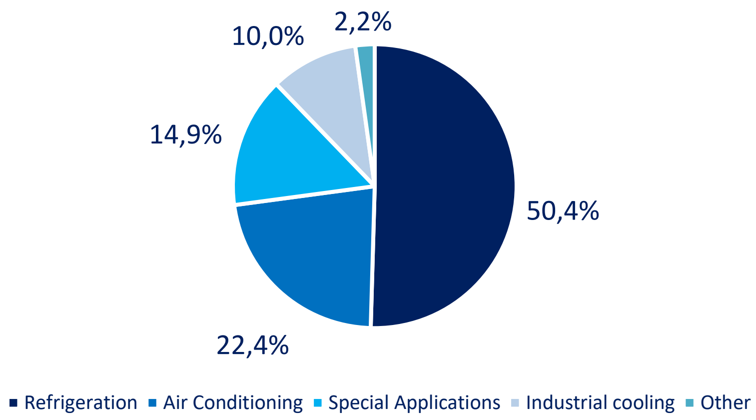
(i) the refrigeration sector, which includes activities mainly relating to the food products supply chain (the "**Refrigeration Sector**");

(ii) the air conditioning sector, which regards the treatment of the air in public, private 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 ventilated products used for the refrigeration of engines for the generation of power and general industrial processes (the "**Industrial Cooling Sector")**.

The chart shows the breakdown of turnover by segment as at 31 December 2022:



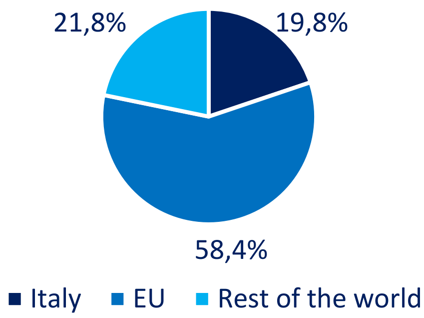
The table below shows turnover trends by application type in the two years subject to comparison:

APPLICATIONS (in thousands of Euro)	2022	%	2021	%	Delta %
Refrigeration	311,849	50.4%	287,632	58.5%	8.4%
Air Conditioning	138,676	22.4%	83,402	17.0%	66.3%
Special Applications	92,840	15.0%	71,343	14.5%	30.1%
Industrial cooling	61,671	10.0%	40,720	8.2%	51.5%
TOTAL APPLICATIONS	**605,036**	**97.8%**	**483,097**	**98.2%**	**25.2%**
Other	13,576	2.2%	8,911	1.8%	52.4%
TOTAL	**618,612**	**100%**	**492,008**	**100%**	**25.7%**

The turnover generated within the European Union was €473.2 million in 2022, an increase of 26.6%, accounting for 78.2% of total sales. Thanks to a growth of more than 77, for the first time in the history of the Group, the American continent rose to second place in the ranking by geographical macro-areas. Obviously, there was a strong drop in sales in the countries of the former Soviet Union (-14.4%), following the war in Ukraine.

The incidence on total sales relating to exports in 2022 fell to 80.2% as a result of strong growth of sales in Italy (+32.2%) also by virtue of the entry of the newly acquired Refrion group into the scope. In addition to the USA and Canada, among the countries that recorded the greatest increases in 2022, we note in particular Germany (+81.7%) and Finland (+53.4%).

The chart below shows the geographical breakdown of turnover in 2022:



The Group's turnover does not depend to a significant extent on individual commercial or industrial contracts. At the end of 2022, sales revenues relating to the top 10 customers overall represent a turnover percentage just over 31% (down slightly compared to the previous year), while that generated by the main customer represents 4.2% of the total (4.6% in 2021).

1.4 ECONOMIC AND FINANCIAL DATA

The reclassified Income Statement and Balance Sheet are provided below:

Reclassified Consolidated Balance sheet *(in thousands of Euro)*	31/12/2022	% Revenues	31/12/2021	% Revenues	% Change 2022 vs. 2021
Revenues and operating income	**618,612**	**100%**	**492,008**	**100%**	**25.7%**
Purchases of materials	(353,637)	57.2%	(309,733)	63.0%	
Changes in inventories	20,450	-3.3%	51,931	-10.6%	
Services	(81,811)	13.2%	(63,148)	12.8%	
Personnel costs	(125,552)	20.3%	(106,683)	21.7%	
Other operating costs	(2,927)	0.5%	(3,534)	0.7%	
Total operating costs	**(543,477)**	**87.9%**	**(431,167)**	**87.6%**	**26.0%**
EBITDA	**75,135**	**12.1%**	**60,841**	**12.4%**	**23.5%**
Depreciation and amortisation	(32,729)	5.3%	(30,140)	6.1%	
Gains/losses on Non-current assets	(310)	0.1%	(147)	0.0%	
EBIT	**42,096**	**6.8%**	**30,554**	**6.2%**	**37.8%**
Net financial income and expense (*)	7,467	-1.2%	68	0.0%	
Gains (Losses) from equity investments	9,473	-1.5%	0	0%	
EBT	**59,036**	**9.5%**	**30,622**	**6.2%**	**92.8%**
Income taxes for the year	(9,971)	1.6%	(5,847)	1.2%	
Net profit for the year	**49,065**	**7.9%**	**24,775**	**5.0%**	**98.0%**
Profit attributable to non-controlling interests	**1,351**		**1,036**		
Profit attributable to the group	**47,714**	**7.7%**	**23,739**	**4.8%**	**101.0%**

** The item "Change in fair value of derivatives" in 2021, totalling €2,166 thousand, was reclassified consistently with 2022, under the item "Net financial income and expense".*

"Revenues and operating income" rose by 25.7% (+€126.6 million). With stable exchange rates, the increase in revenues would have been 23.8%. This increase is due for 16.8% to higher sales prices and the remainder to increased sales volumes and a change in sales mix.

Total operating costs rose from €431.2 million (87.6% as a percentage of revenues) to €543.5 million (87.9% as a percentage of revenues). The total increase of 26.0% (€112.4 million) was substantially due to the following factors:

- material consumption increased by €75.4 million, with the percentage of revenue rising from 52.4% to 53.9%. This increase is due for about €66 million to the rise in the prices of the main raw materials and for the remaining part to the increase in volumes and the change in the sales mix;

- costs for services (as a percentage of sales of 13.2%, the previous year it was 12.8%) show an increase of €18.7 million consisting mainly for €3 million of transport costs, for €7.8 million of services relating to production (electricity, maintenance, external services) and for €7.9 million of other costs for services. The costs for services as at 31 December 2022 include €0.7 million of costs not falling under ordinary management relating to the acquisition of the company Refrion S.r.l.;

- personnel costs increased by €18.9 million, mainly due to the increase in production compared to the previous year (the average number of employees was 4,230, of which 123 relating to the Refrion Group, compared to 3,849 in the same period of the previous year) and to the usual wage trend. The item includes the extraordinary bonus of €3 million to support Group employees, to cover the increase in the cost of living and inflation. The percentage of personnel costs compared to revenues dropped from 21.7% to 20.3%.

The "Gross Operating Profit (EBITDA)" was equal to €75.1 million (12.1% of revenues) compared to €60.8 million (12.4% of revenues) in 2021. Net of the impact of non-recurring costs described above, adjusted EBITDA would have been €78.8 million (for more details see section 1.7 Alternative performance indicators). The change compared to adjusted EBITDA in the previous year (increase of €18 million; +29.6%) was generated for €16 million by the contribution of the additional volumes and for €82.7 million by the increase in sale prices, net of €80.7 million of increases in the cost of the main raw materials and of other production costs.

Depreciation and amortisation show an increase of €2.6 million, linked to the investment projects in progress and the change in the scope (approximately €1 million).

"EBIT" was €42.1 million (6.8% of revenues) compared to €30.6 million (6.2% of revenues) in 2021, with an increase of approximately 37.8%. Net of non-adjusted extraordinary operating costs ("adjusted" EBIT), it would have been €45.8 million (7.4% of revenues).

The balance of "net financial income and expense" was positive at €7.5 million (positive €68 thousand in 2021). The increase is due for €12.6 million to the positive change in the fair value of derivative hedge contracts, for €0.3 million to financial income and to the positive change in exchange rates and for €5.4 million to the increase in financial charges.

A capital gain of €9.5 million from the sale of Tecnair LV S.p.A. was recorded under the item "Gains (Losses) from equity investments".

"EBT" was equal to €59 million (9.5% of revenues) against €30.6 million in 2021 (6.2% of revenues). EBT for 2022 normalised ("adjusted" EBT) for non-recurring costs (€3.7 million), for gains from equity investments (€9.5 million), for the net effect of the positive change in the fair value of derivatives and the impact of the amortised cost (€9.9 million) would have been €43.4 million (7% of revenues).

The "Net profit for the year" was €49.1 million (7.9% of revenues) compared to €24.8 million (5% of revenues) in 2021. Applying the tax effect to the non-recurring costs and revenues described above, the net profit for 2022 ("Adjusted net profit for the year") would have been €35.2 million (5.7% of revenues).

Reclassified Consolidated Balance sheet *(in thousands of Euro)*	31/12/2022	% of net invested capital	31/12/2021	% of net invested capital	% Change 2022 vs. 2021
Net intangible assets	98,474		90,517		
Net property, plant and equipment	189,264		167,594		
Deferred tax assets	6,992		6,509		
Financial assets	1,473		236		
Non-current assets (A)	296,203	83.7%	264,856	90.1%	31,347
Inventories	134,237		111,077		23,160
Trade receivables	83,265		74,131		9,134
Other receivables and current assets	13,273		14,233		(960)
Current assets (B)	230,775		199,441		31,334
Trade payables	106,587		114,358		(7,771)
Other payables and current liabilities	40,913		30,773		10,140
Current liabilities (C)	147,500		145,131		2,369
Net working capital (D=B-C)	83,275	23.6%	54,310	18.5%	28,965
Provisions for employee benefits	5,299		5,770		(471)
Deferred tax liabilities	14,955		13,909		1,046
Provisions for risks and charges	5,492		5,541		(49)
Medium/long-term liabilities (E)	25,746	7.3%	25,220	8.6%	526
Net Invested Capital (A+D-E)	353,732	100.0%	293,946	100.0%	59,786
Shareholders' equity attributable to the group	206,748		167,501		39,247
Non-controlling interests	4,712		4,586		126
Total Consolidated Shareholders' Equity	211,460	59.8%	172,087	58.5%	39,373
Medium- Term Net Financial Position	338,014		213,631		124,383
Short- Term Net Financial Position	(195,742)		(91,772)		(103,970)
Total Net Financial Position	142,272	40.2%	121,859	41.5%	20,413
Own funds and net financial debt	353,732	100.0%	293,946	100.0%	59,786

The increase in the item "Non-current assets" (equal to € 31.3 million) is linked to the first-time consolidation of the Refrion group (goodwill for €9.4 million, effect deriving from the Purchase Price Allocation process for €5.2 million), net assets for €8 million and other current assets for €2.1 million) and investments for the year (approximately €40.5 million) net of amortisation and depreciation.

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 2022 amounted to €110.9 million, equal to 17.9% of sales (it was €70.8 million as at 31 December 2021, 14.4% 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. During the last quarter of 2022, the actions taken to contain the increase in working capital had significant positive effects (in the last 12 months to 30 September 2022, operating working capital accounted for more than approximately 24% of sales). Normalising this effect, considering the incidence of working capital on sales in line with the provisions of the Group operational "guidance" (15%), the operating working capital as at 31 December 2022 would have been approximately €92.8 million.

Consolidated shareholders' equity amounted to €211.5 million compared to €172.1 million as at 31 December 2021. The increase (equal to €39.4 million) was mainly due to the profit for the year (€49.1 million), adjusted by the distribution of dividends for a total of €8.2 million and by the positive effect of the translation reserve (€1.3 million).

The net financial position was a negative €142.3 million (€121.9 million as at 31 December 2021), with an increase of €20.4 million mainly due for €36.7 million to investments, for €8.2 million to the distribution of dividends, for €38.1 million to the increase of operating working capital (adjusted by the values of Tecnair LV S.p.A. and the Refrion group), for €14.6 million to acquisitions and sales of equity investments, net of €20.2 million relating to the change in other receivables and payables and to derivatives, and of roughly €57 million in positive cash flows from operations. Normalising the net financial position in consideration of the above mentioned effect on the value of inventory, the figure as at 31 December 2022 would have been negative for €124.2 million. In the year 2022, cash flows from operations adjusted for non-operating components was €37.1 million (for more details, see paragraph 1.6, Alternative performance indicators). The debt is all medium and long-term, and liquidity as at 31 December 2022 totalled around €304.1 million.

1.5 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)*	31/12/2022	% Revenues	31/12/2021	% Revenues	% Change 2022 vs. 2021
Revenues and operating income	**98,025**	**100.0%**	**91,030**	**100.0%**	**7.7%**
Purchases of materials	(51,356)	52.4%	(51,857)	57.0%	
Changes in inventories	2,024	(2.1%)	4,473	(4.9%)	
Services	(22,738)	23.2%	(19,924)	21.9%	
Personnel costs	(21,511)	21.9%	(18,670)	20.5%	
Other operating costs	(695)	0.7%	(727)	0.8%	
Total operating costs	**(94,276)**	**96.2%**	**(86,705)**	**95.2%**	**8.7%**
EBITDA	**3,749**	**3.8%**	**4,325**	**4.8%**	**(13.3%)**
Depreciation and amortisation	(8,695)	8.9%	(8,740)	9.6%	
Gains/losses on Non-current assets	162	(0.2%)	(143)	0.2%	
EBIT	**(4,784)**	**(4.9%)**	**(4,558)**	**(5.0%)**	**5.0%**
Net financial income and expense (*)	20,598	21.0%	6,732	7.4%	
EBT	**15,814**	**16.1%**	**2,174**	**2.4%**	**627.4%**
Income taxes for the year	431	0.4%	1,629	1.8%	
Net profit for the year	**16,245**	**16.6%**	**3,803**	**4.2%**	**327.2%**

** The item "Change in fair value of derivatives" in the first half of 2021, totalling €1,998 thousand, was reclassified consistently with the first half of 2022, under the item "Net financial income and expense".*

As at 31 December 2022, sales were 7.7% higher than in 2021, mainly thanks to the increase in sales volumes.

Total operating costs rose from €86.7 million (95.2% of revenues) to €94.3 million (96.2% of revenues). The overall increase was 8.7% (€7.6 million) and is mainly referable to:

- an increase in the consumption of materials with a total impact of €1.9 million. The incidence on revenues decreased from 52.1% to 50.3% mainly as a result of the production and sales mix;
- an increase in costs for services of €2.8 million, with an incidence on revenues that rose from 21.9% to 23.2%, attributable to the increase in the cost relating to production of €0.3 million, the increase in transport costs for €0.3 million, the increase in governance costs of €0.3 million, the increase in travel and exhibition expenses for €0.4 million and the increase in other costs for services for €1.5 million;

- an increase in personnel costs of €2.8 million, with an incidence on revenues rising from 20.5% to 21.9%. The item includes €0.9 million linked to the extraordinary bonus paid to Group employees;
- the item "Other operating costs" is substantially in line with the previous year, amounting to €0.7 million.

"EBITDA" for 2022 amounted to €3.7 million (3.8% of revenues), compared to €4.3 million (4.8% of revenues) in 2021.

"EBIT" was negative by €4.8 million (-4.9% of revenues), down compared to the negative result of €0.2 million (-5% of revenues) in 2021.

The balance of the item "Net financial income and expense" for the year ending 31 December 2022 was positive by €20.6 million, compared to €6.7 million for 2021. The positive difference for €13.9 million essentially derives from the positive exchange differences for €0.2 million, from the increase in the fair value of derivative contracts, net of amortised cost, for €8.3 million, from the capital gain deriving from the sale of Tecnair LV S.p.A. for €11.8 million, decreased by the greater net financial charges of €0.2 million from the write-downs of the subsidiary LU-VE Asia Pacific for €16 million and from the recognition of write-downs of non-current assets relating to the subsidiary Zyklus Heat Transfer Inc. (€4.4 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 2022 was equal to €15.8 million (16.1% of revenues) against a value of €2.2 million as at 31 December 2021 (2.4% of revenues).

The "Net profit for the year" for 2022 was €16.2 million (16.6% of revenues) compared to €3.8 million (4.2% of revenues) for the year 2021.

LU-VE S.p.A. Reclassified Income Statement *(in thousands of Euro)*	31/12/2022	% of net invested capital	31/12/2021	% of net invested capital	% Change 2022 vs. 2021
Net intangible assets	19,682		21,639		
Net property, plant and equipment	38,181		39,097		
Deferred tax assets	8,052		5,340		
Equity investments	169,632		153,282		
Financial assets	2,587		3,867		
Non-current assets (A)	**238,134**	**96.5%**	**223,225**	**96.8%**	**14,909**
Inventories	16,694		14,670		2,024
Trade receivables	39,133		32,992		6,141
Other receivables and current assets	5,088		5,396		-308
Current assets (B)	**60,915**		**53,058**		**7,857**
Trade payables	30,931		28,125		2,806
Other payables and current liabilities	13,423		9,869		3,554
Current liabilities (C)	**44,354**		**37,994**		**6,360**
Net working capital (D=B-C)	**16,561**	**6.7%**	**15,064**	**6.5%**	**1,497**
Provisions for employee benefits	791		814		-23
Deferred tax liabilities	5,728		5,441		287
Provisions for risks and charges	1,463		1,501		-38
Medium/long-term liabilities (E)	**7,982**	**3.2%**	**7,756**	**3.4%**	**226**
Net Invested Capital (A+D-E)	246,713	100.0%	230,533	100.0%	16,180
Share capital	62,704		62,704		0
Reserves and retained earnings	35,186		39,076		-3,890
Profit for the year	16,245		3,803		12,442
Total shareholders' equity	**114,135**	**46.3%**	**105,583**	**45.8%**	**8,552**
Medium- Term Net Financial Position	322,230		203,500		118,730
Short- Term Net Financial Position	(167,200)		(57,186)		-110,014
Total Net Financial Position	**155,030**	**62.8%**	**146,314**	**63.5%**	**8,716**
Total Other non-current financial assets	**(22,452)**	**-9.1%**	**(21,364)**	**-9.3%**	**-1,088**
Own funds and net financial debt	246,713	100.0%	230,533	100.0%	16,180

The item "Non-current assets" increased by €14.9 million compared to 2021, mainly in the item "Equity investments", following the transactions already commented on in the introduction to the Report and in particular, the purchase of the Refrion group for €9.8 million, the purchase of 52.58% of LU-VE Heat Exchangers (Tianmen) Co, Ltd for €7.6 million and the sale of the equity investment in Tecnair LV S.p.A. (€1 million).

Working capital (equal to the sum of inventories and trade receivables net of trade payables) increased by €5.4 million (going from 21.5% to 25.4% 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 €114.1 million compared to €105.6 million as at 31 December 2021. The increase (of €8.5 million) was mainly due to the net profit for the year (€16.2 million), to the adjustment for actuarial profits/losses of the provisions relating to personnel (€0.1 million) net of the distribution of dividends for €7.8 million.

The net financial position was negative by €155 million (negative by €146.3 million as at 31 December 2021), a deterioration of €8.7 million. The debt is all medium and long-term, and liquidity as at 31 December 2022 totalled around €270.3 million.

1.6 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	2022	2021
Average days in inventory (1)	78	81
Inventory turnover ratio (2)	4.61	4.43
Receivables turnover ratio (3)	7.43	6.64
Average days sales outstanding (4)	48	54
Payables turnover ratio (5)	4	3
Average days payable outstanding (6)	92	127
Net Invested Capital	353,732	293,946
EBITDA	75,135	60,841
Adjusted EBITDA (7)	78,811	60,841
EBITDA/Financial expense	7	14
Adjusted EBIT (8) *	45,772	30,554
Adjusted EBT (9)	43,384	30,622
Adjusted net profit for the year (10)	35,190	24,775
Basic earnings per share (11)	2.15	1.07
Diluted earnings per share (12)	2.15	1.07
Dividends per share (13)	0.35	0.27
Net financial position	(142,272)	(121,859)
Adjusted net financial position (18)	(124,200)	(107,800)
Net financial position/EBITDA	1.89	2.00
Debt ratio (14)	0.67	0.71
Operating working capital (15)	110,915	70,850
Adjusted operating working capital (19)	92,800	56,600
Net working capital (16)	83,275	54,310
Cash flow from operations adjusted for non-recurring items (17)	37,100	21,200
Goodwill and Other Intangible assets/Total assets	0.12	0.13
Goodwill and Other Intangible assets/Shareholders' equity	0.47	0.53

** Following the reclassification of the item "Fair value change of derivatives" to the item "Financial income and charges", the adjusted EBIT in 2021 decreased by €2,166 thousand (see note to the Reclassified Income Statement).*

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 and revenues:

Values in thousands of Euro	2022	2021
EBITDA	75.1	60.80
Extraordinary employee bonus	3.0	-
Expenses for business combinations	0.7	-
Adjusted EBITDA	**78.8**	**60.8**

(8) EBIT adjusted for non-recurring costs and revenues (adjusted EBITDA "base" - see previous table);
(9) Pre-tax profit (EBT) adjusted for non-recurring costs and revenues:

Values in thousands of Euro	2022	2021
EBT	59.0	30.6
Gains from the sale of equity investments	(9.5)	-
Net financial income and expense (*)	(9.9)	-
Extraordinary employee bonus	3.0	-
Expenses for business combinations	0.7	-
Adjusted EBT	**43.4**	**30.6**

(*) With regard to the fair value of the derivative contracts hedging the loans net of the amortised cost, as better described in paragraph 1.5 Income statement and balance sheet data.

(10) Net profit for the year adjusted for non-recurring costs and income (adjusted EBT "base" - see previous table) net of taxes:

Values in thousands of Euro	2022	2021
Net profit for the year	49.1	24.8
Gains on disposal of equity investments net of tax	(9.3)	-
Net financial income and expense net of tax (*)	(7.5)	-
Extraordinary bonus net of tax	2.3	-
Expenses for business combinations net of tax	0.7	-
Adjusted net profit for the year	**35.2**	**24.8**

(*) With regard to the fair value of the derivative contracts hedging the loans net of the amortised cost, as better described in paragraph 1.5 Income statement and balance sheet data.

(11) Net profit for the year/Weighted average number of ordinary shares;

(12) Net profit for the year/(Weighted average number of ordinary shares + potential number of additional ordinary shares);
(13) Nominal value of the dividend per share paid 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-operating components and the difference between actual/expected working capital:

Values in thousands of Euro	31/12/2022	31/12/2021
Change in Net financial position	(20.4)	(15.1)
Non-ordinary investments (*)	13.1	16.60
Dividends paid (**)	8.2	6.50
Acquisition/(sale) of equity investments (***)	14.6	-
Change in financial payables for leases pursuant to IFRS 16	(0.2)	(1.0)
Non-recurring costs	3.7	-
Adjustment to operating working capital (****)	18.1	14.2
Cash flow from operations adjusted for non-recurring items	**37.1**	**21.2**

(*) These are investments with deferred contribution on the cash generation of the LU-VE Group, in particular real estate investments in the subsidiaries SEST S.p.A., Sest-LU-VE-Polska Sp.z.o.o., HTS S.r.o. and Refrion S.r.l.

(**) As per "Statement of changes in shareholders' equity", paragraph 1.4 of the Explanatory Notes.

(***) Resulting from the sale of Tecnair LV S.p.A., from the price for the acquisition of the Refrion group, from the put & call option valuation and from the contribution of the net financial position of the Refrion group.

(****) Determined as the difference between the operating working capital as at 31 December 2022 and the expected operating working capital as at 31 December 2022, as per the table below.

Values in thousands of Euro	31/12/2022
Sales	618.8
Target	15%
Expected operating working capital	**92.8**

(18) Net financial position normalised with respect of the already mentioned effect operating working capital, see paragraph 1.5 Economic and financial data;
(19) Normalised operating working capital as already mentioned, see paragraph 1.5 Economic and financial data.

1.7 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 €49.9 million (€48.5 million in 2021). Deriving for around €8.6 million from dividends from the subsidiary SEST-LUVE-Polska Sp.z.o.o., net profit amounted to €8.1

million (€9.7 million in 2021) after depreciation and amortisation of €2.3 million, write-down of the equity investment in the Thermo Glass Door S.p.A. subsidiary of €2.1 million and taxes of €0.7 million.

Sest LU-VE Polska Sp.z.o.o. reached turnover of €135.6 million, an increase of around 27.4% compared to last year. Net profit came to €19.5 million (€12.4 million in 2021) after depreciation and amortisation of €5.2 million and taxes of €1.8 million.

"OOO" Sest LU-VE recorded a turnover of €30.3 million (€29.6 million in 2021). Net profit came to roughly €5.4 million (positive for €5.6 million in 2021) after depreciation and amortisation of €1.3 million and taxes of €1.1 million.

HTS S.r.o. achieved a turnover of €72.1 million, an increase of 42.8% compared to the previous year. Net profit came to €7.2 million (€2.7 million in 2021) after depreciation and amortisation of €1.8 million and taxes of €1.6 million.

LU-VE Sweden AB recorded turnover of €20 million (€18.3 million in 2021), with a profit of €0.7 million after depreciation and amortisation and taxes of €0.8 million.

LU-VE Tianmen LTD recorded a turnover of €16.9 million with an increase of 22.3% compared to the previous year and recorded a profit of €1.7 million (€1.5 million in 2021) after depreciation and amortisation of €0.4 million and taxes of €0.6 million.

Up to the date of deconsolidation as better described in the introduction to the Report, Tecnair LV S.p.A. achieved a turnover of €2.8 million (€12 million in 2021) and recorded a net profit of €0.1 million.

Thermo Glass Door S.p.A. achieved a turnover of €18.5 million (€17.1 million in 2021) and a loss of €1.1 million (loss of €0.6 million in 2021) after depreciation and amortisation of €1.1 million and a positive tax effect of €0.4 million.

Manifold S.r.l. recorded a turnover of €1.4 million (€1.3 million in 2021), with a net profit of €0.1 million after depreciation, amortisation and taxes for a total of €17 thousand.

Spirotech Heat Exchangers Private Limited recorded total revenues of €58.2 million (€44.7 million in 2021), with a net profit of €3.3 million (€4.1 million in 2021) after depreciation and amortisation of €1.8 million and taxes of €1.6 million.

Zyklus Heat Transfer Inc. recorded a turnover of €22.6 million (€14.5 million in 2021), with a net loss of €3.6 million, after depreciation and amortisation of €1.1 million.

Air Hex Alonte S.r.l. recorded a turnover of €58.6 million (€48.3 million in 2021), with a net profit of €0.4 million (profit of €0.1 million in 2021), after depreciation, amortisation and taxes of €2.5 million.

Fincoil LU-VE OY achieved a turnover of €43.1 million (€30.9 million in 2021), with a net profit of €1.6 million (loss of €0.3 million in the previous year), after amortisation, depreciation and taxes of €1.9 million.

From the date of first consolidation, Refrion S.r.l. recorded a turnover of €21.7 million, with a profit of €0.5 million, after amortisation, depreciation and taxes of €1 million.

From the date of first consolidation, RMS S.r.l. recorded a turnover of €5.6 million, with a net profit of €0.3 million, after amortisation, depreciation and taxes of €0.4 million.

1.8 SALES COMPANIES

The situation of each company is summarised below:

LU-VE France S.a.r.l. recorded a turnover of €18.5 million (€18.3 million in 2021), with a net profit of €0.3 million after depreciation, amortisation and taxes of €0.2 million.

LU-VE Deutschland GmbH recorded a turnover of €3.2 million (€2 million in 2021), with a net loss of €0.2 million, after depreciation, amortisation and taxes of €0.1 million.

LU-VE Iberica SL recorded a turnover of €14.5 million (€13.1 million in 2021) with a net profit of €0.6 million, after amortisation, depreciation and taxes of €0.3 million.

LU-VE Contardo Pacific pty. Ltd. is not currently operational, pending the formalisation of the company's liquidation.

LU-VE Asia Pacific Ltd. closed the year with a profit of €2.2 million, deriving from the capital gain on the sale of the shares held in LU-VE Tianmen to the Parent Company LU-VE S.p.A.

LUVEDIGITAL S.r.l. recorded a turnover of €0.4 million, with a net profit of approximately €10 thousand after depreciation and amortisation and taxes of approximately €12 thousand.

LU-VE Austria GmbH recorded a turnover of €0.4 million (in line with the previous year), with a net profit of €30 thousand, after depreciation, amortisation and taxes of €17 thousand.

LU-VE Netherlands B.V. recorded a turnover of €5.4 million, with a net loss of €0.3 million, after amortisation, depreciation and taxes of €0.2 million.

LU-VE Middle East DMCC recorded a turnover of €0.7 million, with a net profit of €59 thousand, after depreciation and amortisation of €65 thousand.

"OOO" LU-VE Moscow recorded a turnover of €7.2 million, with a net profit of €0.5 million, after amortisation, depreciation and taxes of €0.2 million.

LU-VE South Korea closed the year with a turnover of €0.1 million and a net profit of €7 thousand.

From the date of first consolidation, Refrion Deutschland GmbH recorded a turnover of €1.7 million and a net loss of €65 thousand.

LU-VE UK Ltd was established in 2022 and will be operational in 2023.

1.9 INVESTMENTS

The Group's investments amounted to €63.2 million in 2022 (€33.5 million in 2021), against amortisation and depreciation of €32.7 million The investments by company are summarised below:

In thousands of Euro						INVESTMENTS							
Category	LU-VE S.p.A.	SEST	SEST LUVE POLSKA	"OOO" SEST LUVE	HTS	SPIROTECH	TGD	ZYKLUS	ALONTE	FINCOIL	REFRION GROUP	OTHER	Total
Refrion Group first consolidation	-	-	-	-	-	-	-	-	-	-	7,993	-	**7,993**
Trademarks	-	-	-	-	-	-	-	-	-	-	2,995	-	**2,995**
Buildings	-	-	-	-	-	-	-	-	-	-	2,245	-	**2,245**
Goodwill	-	-	-	-	-	-	-	-	-	-	9,416	-	**9,416**
Refrion Group sub-total	-	-	-	-	-	-	-	-	-	-	22,649	-	22,649
Land and buildings	480	4,279	260	112	2,351	9	-	-	-	-	456	-	**7,947**
Plant and equipment	1,193	1,159	2,882	199	201	1,843	386	510	1,795	213	25	268	**10,674**
Rights of use	471	157	209	17	121	-	385	49	211	118	68	1,168	**2,974**
Other	3,279	951	454	113	-	164	267	91	576	51	150	272	**6,368**
Work in progress	543	622	7,698	226	1,165	414	225	18	352	106	1,180	9	**12,558**
GROUP SUBTOTAL	5,966	7,168	11,503	667	3,838	2,430	1,263	668	2,934	488	1,879	1,717	40,521
TOTAL	5,966	7,168	11,503	667	3,838	2,430	1,263	668	2,934	488	24,528	1,717	63,170

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 first consolidation of the Refrion group for €22.6 million;
- the expansion of the production site and the enhancement of the existing production capacity by the subsidiary SEST S.p.A., in particular in relation to the acquisition of the property located in Mel (Belluno), relating to the "WACC" project;
- the expansion of the manufacturing site and the enhancement of the existing production capacity by the Polish subsidiary, as best described in the introduction to this Report;
- the expansion of the manufacturing site and the enhancement of the existing production capacity by the Czech subsidiary;
- the expansion of existing production capacity (for €2.4 million) by the Indian subsidiary;
- the expansion of the existing production capacity (for €2.4 million) and the purchase of management and technical software for improved operations at Group level (€2.7 million) by the parent company LU-VE S.p.A.;
- the expansion of existing production capacity (for €2.3 million) by the Italian subsidiary Air Hex Alonte S.r.l.;
- the increase in "rights-of-use" for €3 million, of which €1.4 million relating to offices and buildings;
- the Group has also incurred development costs for €1.5 million.

1.10 PERSONNEL

The year 2022 was characterised by a very intense start to the year in terms of workloads and by a slowdown in the last months. Fortunately, the decline in activity did not prevent the achievement of more than satisfactory income statement results.

The trend in the workforce was consistent with the production and business development needs, recording a maximum number of employees of 4,416 units in April and a consequent decrease that led to a stabilisation of the workforce almost in line with the previous year.

The workforce as at 31 December 2022 was 4,058 and was broken down as follows:

- 2,990 Blue collar workers;
- 1,036 White-collar workers and middle managers;
- 32 Executives.

The total of temporary workers was 733.

The most significant decrease in workforce was recorded for temporary workers, at the Indian plant in absolute terms and in the Pavia plant in percentage terms, due to the slowdown in turnover recorded in the last months of the year.

Attention to the COVID-19 health emergency has never waned. In fact, sporadic cases of absence were recorded and the specific health protocol was maintained throughout the year. The measures undertaken have thus prevented COVID-19 from affecting production activities in any way.

Total absenteeism remained stable, in line with the previous year. The most significant reductions were recorded in the plants in the Czech Republic and in Russia.

The need to resort to CIGO (Redundancy Pay Fund) at the end of the year led to a use of just over 40,000 hours for the Italian plants.

The use of smart working continued throughout the year, with good results and no implication on the operations of the personnel involved. Following the revision and consolidation of the Internal Regulations, smart working has become a consolidated work organisation method, allowing a balancing of private and professional life more in line with the new needs identified during the pandemic period.

The first Skill Assessment cycle was completed during the year and, following a careful analysis of the results and thanks to the various suggestions received, operational improvements were made to the system, which will allow, with the start of the second year, more effective involvement and operations.

Training activities continued significantly throughout 2022. In fact, 39,850 hours were provided on various topics. In particular, courses concerned managerial, commercial and technical production development. In the area of safety and the environment, the mandatory interventions envisaged by the regulations in force and further initiatives aimed at maintaining a high level of attention and awareness on specific issues continued.

1.11 OCCUPATIONAL HEALTH AND SAFETY

During 2022, the Make One (Sustainable) Company project continued, aimed at promoting a consistent approach to workplace health and safety and environmental management policies, with the main objective of promoting continuous improvement.

The **"Crisis Committee"**, established for the COVID-19 emergency and maintained throughout 2022, has allowed the Group to guarantee its operations and alignment with development strategies, also allowing shared and always up-to-date management also with respect to HSE issues. This 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, and the head of the 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.

In 2022, **at Group level**, a structured process was developed, later perfected into an HSE Rating, with the objective of assessing management procedures and HSE performance in production sites, taking into account technical, organisational and risk management aspects (e.g. obtaining ISO 45001 certification for occupational health and safety management). During the year, an inter-site HSE Internal Audit working group was also created, currently composed of HSE specialists from each Italian site, which carried out its first cross-audit.

Risk assessment activities continued during the year in accordance with the Group methodology. The Risk Assessment Document, structured according to a "LU-VE" model, which combines local regulatory requirements with the more stringent objectives of the LU-VE Group, is expected to be adopted by the end of the first quarter of 2023.

Specific training sessions also continued to ensure employees' awareness of their exposure to risk during work activities. These activities are an integral part of the Group's processes.

Organisational models certified according to international standards, such as ISO 45001, ISO 14001, ISO 50001, are defined at individual plant level. Details of certifications for each plant are provided in the Non-Financial Statement.

During 2022, specific activities were then carried out at the various plants to strengthen measures for risk reduction and overall improvement of workplaces.

At the Novosedly plant (Czech Republic), a complex project was completed, which saw a reorganisation and empowerment of leadership, as well as investments in structures and systems to optimise spaces and ensure compliance.

At the plant in Alonte (VI, Italy), the appropriate risk reassessment analyses were carried out, after the integration of the new production plants in the areas freed up from Alfa Laval management.

With the intention of pursuing a structured approach to safety management, the LU-VE Group also conducted a dedicated HSE audit in accordance with the "HSE Rating" system at the just acquired plants of Refrion and RMS (two plants in Flumignano di Talmassons and one in Villa Santina, in the province of Udine).

As for the standard health and safety indices at Group level, the data recorded in the three-year period is shown below.

ACCIDENT INDICES AND DATA 2020-2022[1]			
	2020	2021	2022
Total number of work related injuries	37	34	33
Commuting accidents[2]	5	3	0
Total number of high-consequence work-related injuries[3]	-	2	2
Rate of work-related injuries[4]	8.51	6.69	6.10
Rate of high-consequence work-related injuries[5]	-	0.39	0.37
Severity rate[6]	219.18	235.76	265.63

With respect to accidents, in the course of 2022 the following was observed for the LU-VE Group:

- **there were no fatalities at work;**
- **there were no charges concerning occupational illness against employees or former employees or cases of mobbing.**

With reference to the environment, the main environmental impacts are periodically monitored at Group level through specific indicators. Energy consumption is reported at Group level on the basis of the electricity consumed and the fuels used in the production processes, for the heating of premises and for the company fleet; in 2022, the total consumption of the Group's production companies was 296,748 GJ.

Activities to reduce climate altering emissions operates on three different levels: energy saving initiatives, electricity production from photovoltaic systems and purchase of energy from renewable sources (Origin Guarantees). In particular, in 2022 the Group recorded outstanding performance for:

- <u>Production of electricity from photovoltaic systems</u>
  During 2022, a new photovoltaic system became operational at the Bhiwadi (India) facility. Along with the photovoltaic systems already present at other Group facilities, i.e. Uboldo (Varese, Italy), Limana (Belluno, Italy) and Vantaa (Finland), the total energy production from the systems amounted to **5,785,4 GJ**, equal to**872 tCO_{2eq}** avoided.

[1] In 2022, a work-related injury that had taken place in 2021 had exceeded 6 months of working days lost; therefore, the data relative to accidents have been restated since those published in the previous Non-Financial Statement. For previously published data, reference should be made to the 2021 Non Financial Statement.
[2] Commuting accident refers to an accident that takes place during the commute between the workplace and a place relating to private life (e.g., place of residence, place where meals are usually eaten), only when the transport has been organised by LU-VE Group.
[3] A high-consequence work-related injury is a work-related injury that results in a fatality or in an injury from which the worker cannot, does not, or is not expected to recover fully to pre-injury health status within 6 months.
[4] The rate of work-related injuries is calculated as the number of work-related injuries/hours worked x 1,000,000. In calculating the rate of work-related injuries, commuting accidents were only taken into account when the transport was organised by LU-VE Group (e.g., bus or vehicle of the company or a contractor).
[5] The rate of high-consequence work-related injuries is calculated as the number of high-consequence work-related injuries/hours worked x 1,000,000.
[6] The severity rate is calculated as the number of days lost due to a work-related injury/hours worked x 1,000,000. Days lost due to commuting accidents are also included in the calculation of days lost, only when the transport was organised by LU-VE Group (e.g., company or contractor bus or vehicle).

- Purchase of energy from renewable sources (Origin Guarantee).
  From 2022, the facilities at Travacò Siccomario (Pavia, Italy) and Limana (Belluno, Italy) also purchase renewable energy 100% certified by Origin Guarantees, and likewise the facilities in Uboldo (Varese, Italy) and Asarum (Sweden) that had already been sourcing certified renewable energy. These actions allowed the Group to avoid emissions amounting to 4,767 tCO_2**eq**.

It is also noted that 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 2022 consolidated non-financial statement.

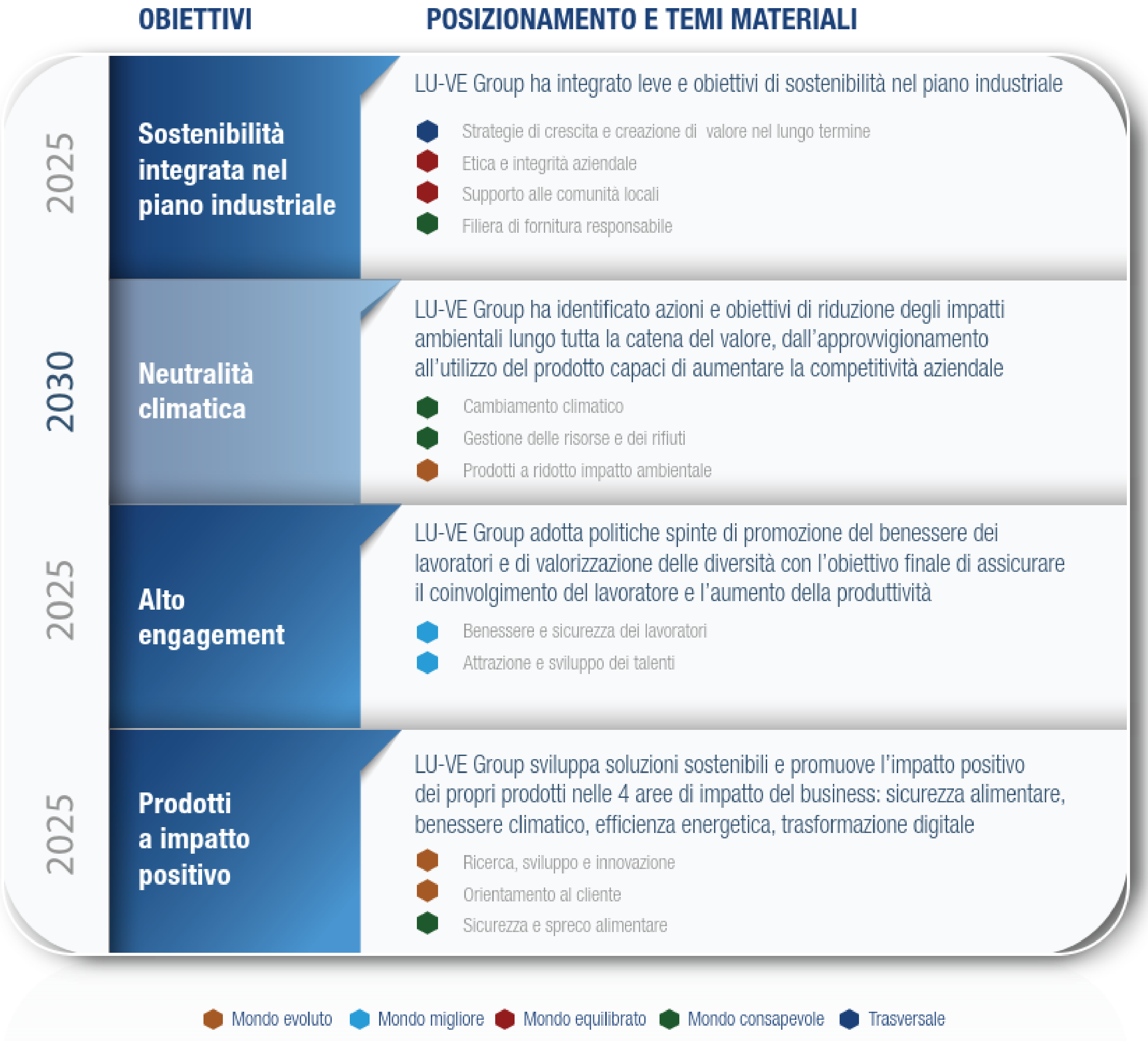
1.12 SUSTAINABILITY: VISION AND ACTION

In 2022 the Group strengthened its sustainability oversight by setting up a **Corporate Sustainability Steering Committee**, with the participation of the CEO, the COO, the CFO, the Investor Relations and the Sustainability Office, joined by other Group executives and managers with competence in relation to the specific sustainability and business issues addressed. This Committee shares the progress of the Group's sustainability performance and discusses strategic lines of action, which are then submitted by the executive directors to the Board of Directors for appropriate assessments and resolutions.

The corporate Sustainability Steering Committee has prepared the first **Sustainability Plan 2023-2025**, which was examined by the Control and Risk Committee and approved by the Board of Directors in February 2023.

The Sustainability Plan details the concrete actions to be pursued in line with the sustainability vision - aligned with some of the United Nations SDGs (Sustainable Development Goals) - and with the desired positioning of the LU-VE Group. The vision, the desired positioning and the Sustainability Plan express the ambition and capacity of the LU-VE Group in managing its **material topics**, i.e. the topics expressing the Group's actual and potential impacts, positive and negative, regarding environmental, social and governance aspects.

These new elements - corporate Sustainability Steering Committee and the Sustainability Plan - integrate the company's corporate governance, oriented towards management ethics and transparency and already characterised by 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 the presence of control procedures, policies on the behaviour of senior management and the company in terms of ethics and compliance. The management of environmental and health and safety aspects is defined in some of the 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.



The Sustainability Plan 2023-2025 is divided into numerous actions mainly targeting climate crisis mitigation and adaptation, including the reduction of direct and indirect emissions and the environmental impact analysis of products. As regards the social dimension, the Plan also defines a series of actions that support a widespread culture of sustainability both inside and outside the Group and support the satisfaction and engagement of its employees.

During 2022, the Group has started a project of **assessment to calculate GHG Scope 3 emissions**, that is to say emissions generated upstream and downstream of the Group's production activities, such as for example the emissions generated by logistics and by the products during their use by end users. The project has analysed the categories included in the "GHG Protocol" international framework and this clearly identified the processes on which action can be taken to obtain the necessary data.

In 2022, LU-VE Group also carried out a quantitative assessment of the **physical climate risks** of all its production facilities. The physical climate risks were analysed taking into consideration the different future scenarios correlated to internationally recognised climate models and based on greenhouse gas concentration pathways (Representative Concentration Pathways - RPC) developed by the Intergovernmental Panel on Climate Change (IPCC).[7] Specifically, analyses were conducted taking into consideration the RCP 2.6 and RCP 4.5 scenarios and considering a time frame to 2035.

The analysis showed that the risks that will have the greatest influence on the Group are temperature variability, intense precipitation and precipitation variability. Vice versa, the exposure to certain other risks, e.g. drought and fire, are not expected to be material for the Group's operating assets.

In 2022, LU-VE Group also updated its **transition climate risks** analysis. The various types of risk – market, technological, legal/policy and reputation – were assessed on the basis of their potential impact on the business and of the Group's ability to deal with them over time. By way of example, the market risks related to increases in production and transport costs, due to specific market conditions and to the introduction of carbon taxes, were assessed, as was the demand for products with increasingly lower emission impact, also by virtue of the worsening of related regulations and standards, such as, for example, the "F-Gas" Regulation.

Thanks to these analyses, the Group has raised its awareness of the degree of exposure to risk and of the need to identify the best ways to appropriately contribute to climate change mitigation and adaptation; the related impacts, in terms of investments, costs and other impacts on cash flow have been assessed and taken into consideration in the preparation process for the 2023-2026 Business Plan. 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.

With reference to the **European Taxonomy for environmentally sustainable activities**, introduced with Regulation (EU) 2020/852, in 2022 the LU-VE Group took a closer look at the previously carried out assessments in relation to the impacts of the Group's activities in the creation of sustainable value at global level, in order to identify the portion of its turnover, investments and operational costs (as defined by the EU Delegated Regulation 2021/2178, hereinafter also the "KPIs") referring to its "eligible activities" and possibly "aligned activities"), compliant with the criteria of the same Taxonomy.

Specifically, in accordance with the Taxonomy, in order to be considered "eco-sustainable" in all respects, an economic activity must: i) substantially contribute to the achievement of at least one of the six environmental objectives defined in art. 9 of the same Regulation: mitigation and adaptation to climate change, sustainable use and protection of water and marine resources, transition to a circular economy, prevention and reduction of pollution, protection and restoration of biodiversity and ecosystems; ii) not cause significant damage (Do No Significant Harm - DNSH) to any of the aforementioned environmental objectives; iii) comply with minimum social guarantees, recognising

[7] More specifically, the analysis was developed by combining scientific data at asset and climate risk level, assessed according to the dimensions of i) probability of occurrence of the risk based on various climate models, ii) asset exposure and iii) vulnerability, i.e. expected losses if the event should occur.

the importance of international rights and standards; iv) meet the technical screening criteria[8] for each type of activity, i.e. specific criteria identified on a scientific basis, which describe the conditions to be met in order to substantially contribute to the achievement of the same objectives.

For the LU-VE Group the following specific economic activities of the LU-VE Group were classified as eligible with respect to the **"Climate Change Mitigation"** objective, in line with Annexes 1 and 2 of Delegated Regulation (EU) 2021/2139:

- *Heat exchangers with high energy efficiency* (activity 3.5)*;*
- *Products using CO_2 as a refrigerant fluid* (activity 3.6);
- *Products using other natural refrigerant fluids (hydrocarbons, ammonia, glycol water)* (activity 3.6);
- *Dedicated solutions for renewable energy production plants* (activity 4.17);
- *Transport by motorbikes, cars and light commercial vehicles* (activity 6.5);
- *Installation of renewable energy technologies* (activity 7.6);
- *R&D team and laboratory* (activity 9.2).

Overall, admissible economic activities represent 50.7% of the turnover of the Group in 2022. Looking at the CAPEX and OPEX data, LU-VE Group shows a percentage share of activities eligible for the purposes of Taxonomy for sustainable activities equal to 37.3% and 52.1% respectively for the year 2022.

During 2022, the LU-VE Group implemented a series of actions with a view to meeting the technical screening criteria required to consider its economic activities, as well as eligible, also aligned with the requirements set by the Taxonomy. These criteria, among other things, prescribe the presence of a third party carbon footprint certificate in accordance with international ISO standards.

Specifically, in 2022 the LU-VE Group conducted a **Life Cycle Assessment study** on a specific range of air cooled products, which accounted for 1.4% of its turnover for the year in question. The carbon footprint was calculated for the entire life cycle (from raw material procurement, to manufacture of the solution, its use and end of life cycle management) and has been certified by a third party in accordance with ISO 14067. The results of this analysis have shown how a product using natural refrigerant fluid and a high efficiency motor, corresponding to 0.7% of the turnover in the reference year, throughout its entire life cycle, generates over 30% less climate altering emissions compared to an equivalent using traditional fluids and a low efficiency motor.

Over the coming years the Group expects a gradual extension of the product certifications and/or environmental declarations, in line with the Taxonomy criteria. This activity will require systematisation of the analysis process and will gradually be performed on various Group product ranges whose impact on turnover is considerably fragmented.

During 2022, the Group also further studied the criteria linked to the management of chemical substances (relative to the "Do No Significant Harm" – DNSH criterion) and began a series of assessments to establish how to manage and trace – on a voluntary and proactive basis – specific substances whose traceability is not required at regulatory level.

[8] Currently, the criteria for the technical screening of the first two objectives of the regulation have been defined by Delegated Regulation (EU) 2021/2139 of 4 June 2021: Climate Change Mitigation and Climate Change Adaptation.

Looking at product sustainability, it should be noted that in 2022 LU-VE is **the first company in the world with Eurovent certification for CO_2** gas coolers (under LU-VE Exchangers and Alfa LU-VE brands). Eurovent is the European association for heating, ventilation, air conditioning (HVAC), process cooling and for cold food chain technologies. The "Eurovent Certified Performance" (ECP) certificate guarantees, through tests carried out in third-party laboratories, the reliability of the technical performance declared in terms of product power, energy consumption, air flow rate and noise level.

As of 2022, the entire range of LU-VE Group CO_2 evaporators and gas coolers is Eurovent certified:

- 2022: LU-VE is the first company in the world with Eurovent certification for CO_2 gas coolers (thermal performance, energy consumption, air flow and noise levels) marketed under the brands LU-VE Exchangers and Alfa LU-VE.

- 2020: LU-VE is one of the very first companies to obtain Eurovent certification for CO_2 unit coolers (thermal performance, energy consumption and air flow rate), marketed under the brands LU-VE Exchangers and AIA LU-VE; as of 2022, also those under the brand Alfa LU-VE.

- 2016: LU-VE was the first manufacturer that Eurovent certified for their heat exchangers for refrigeration, never registering a single negative test during three different test cycles (between 2011 and 2015);

- 2000: LU-VE was the first company in the world to obtain the new "Eurovent Certify All" certification for all the ranges of condensers, dry coolers and unit coolers.

The research and development activity focused towards **sustainable design** - which has always been a characteristic of the Group's technological innovation - in 2022 allowed the development of new solutions with a reduced energy impact. *Helios* is the new CO_2 gas cooler with solar panels developed in collaboration with the Laboratory of Energy Conversion and Storage (LabX) of the Politecnico di Milano; and E-Cooler is a range, branded Refrion, with reduced water and energy consumption, specifically designed for the cooling of data centres and industrial processes.

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 LU-VE Group continued on the path of progressive discontinuation of products with HFC fluids in favour of those with natural refrigerant fluids. 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.

In 2022, the Group celebrated the 20th anniversary of the first launch on the market of products equipped with EC electronic motors with reduced energy consumption, replacing traditional asynchronous motors (AC).

In 2022, the Group also continued its 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 innovations and best practice to promote the food safety and overall sustainability of the entire supply chain.

Furthermore, several awards and recognitions have been obtained over the years in terms of sustainability, also in 2022, with reference to human resource management policies, commercial policies and supply chain management.

Focused on creating an inclusive, meritocratic environment, attentive to others and respectful of diversity in its plants, in 2022 the LU-VE Group launched a project to analyse gender gaps in the various Group companies. In addition to the presence of women in managerial and executive roles, the study studied analysed any pay gaps in all roles and positions. The areas identified were then included in an action plan headed by the Group's HR Department.

In 2022, **training sessions on sustainability issues** were also provided to all Italian executives and managers, with the aim of increasing and strengthening awareness and perception within the Group. Thanks to these sessions they were able to develop a shared and informed cultural approach with specific focus on the climate crisis and the latest scientific developments highlighted by the IPCC – Intergovernmental Panel on Climate Change and other international references.

For further information on the Group's non-financial performance, please refer to the *2022 Consolidated Non-Financial Statement*, prepared in accordance with Italian Legislative Decree 254/16 and in compliance with the GRI Sustainability Reporting Standards published by the Global Reporting Initiative - GRI (with the "In Accordance" application level. The document is subject to a limited audit by the Auditing Firm and is published on the Group website (www.luvegroup.com) in the "Investor relations – Sustainability" section.

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 2022 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 2022, 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 0.67 and 1.36 respectively and a positive short-term net financial position of €195.7 million and €167.2 million, respectively. Therefore, the repayment of medium- and long-term debt expiring during 2023 is guaranteed by current liquidity. Moreover, there are no substantial restrictions on the freeing up of invested liquidity, equal to €112.9 million (in addition to the cash and cash equivalents of €177.3 million), which, therefore, may be used to meet any payment commitments, if required.

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 2022, did not highlight any critical issues. Furthermore, it is highlighted that the estimates of the 2023 Budget lead to the expectation that no critical issues with regard to these requirements will arise also for next year.

Significant uncertainty remains with reference to geopolitical tensions, and the Group remains exposed to this as it has subsidiaries in Russia (5.5% of consolidated sales 2022). This part of the business may be subject to limitations due to potential sanctions that may be implemented by other government authorities. The Directors, given the limited impact of the Russian business on the consolidated financial statements, together with the above considerations, believe that the Group is able to operate as a going concern.

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 its own needs, 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.

The year 2022 was confirmed as an extremely complex year on the supply chain front, due to the increases in the prices (with some signs of receding from the highs recorded only in the last part of the year) of raw materials, components, logistics services and energy and methane, but also 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 increases to end customers, allowing it 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 2022 was characterised by significant increases in prices for all materials used by the 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 €2,108 in 2021 to €2,566 in 2022, while the average value of copper - LME went from €7,864 in 2021 to €8,321 in 2022. The average values of copper and aluminium per ton as at 13 March 2023 were €8,370 and €2,299 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 LU-VE Group invests available liquidity through capitalisation and time deposit 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.

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

- specific risk linked to the financial strength of the issuer, taking into account the peculiarities of the sectors in which it operates that may affect its ability to repay interests accrued 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 possible recrudescence of the pandemic and of ongoing 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, British sterling, South Korean won 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. Moreover, although Sest-LUVE Polska Sp.z.o.o., HTS, Spirotech and LU-VE Sweden 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 result for the year and the balance sheet and financial situation from such fluctuations, and therefore 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 (Chinese yuan, Swedish krona, Indian rupee, Russian rouble and US dollar) in which operating revenues and costs are expressed there is also “natural” hedging (revenues expressed in a given currency are naturally hedged by operating costs expressed in the same currency).

RISKS RELATED TO 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,

The year 2022 was a year marked globally by the invasion of Ukraine by Russia and by a rapid and radical change in monetary policies, which became restrictive after a decade characterised by essentially insignificant interest rate levels.

Geopolitical turbulence, a significant rise in inflation and progressive increases in interest rates have affected all world economies. The recovery of the economy, after the strong rebound of 2021 as a result of the greater control of the virus, very robust at the beginning of 2022, gradually eased and global GDP growth at the end of the year stopped at +3.4%.

At disaggregated level, China, which in 2020 was the only large country not to suffer a decline in real GDP and which experienced a growth of 8.1% in 2021, closed 2022 with a reduced 3%. The United States, after a 2021 characterised by GDP growth of 5.9%, much higher than the 3.5% drop in 2020, grew by 1.4% in the year just ended, In the course of 2022, on the 75th anniversary of independence from Great Britain, India surpassed the former colonial power in terms of economy. It also rose to fifth place among the largest economies in the world. The growth of the Indian economy continues to be robust. India now accounts for 7% of global GDP, compared to 18% for China and 16% for the United States. In the Eurozone, the past two years made it possible to more than fully recover the loss achieved in 2020 due to the viral pandemic, with 2022 closed at +3.5%.

Lastly, due to the combined sanctions from the developed world, Russia's GDP contracted by 2.1% (compared to a growth of 5.6% in 2021) and is expected to decline also for the current year. Ukraine's economic situation is dramatic and the sacrifice in terms of human lives and suffering, for both countries, is even worse.

The worldwide rise in consumer inflation in 2022 and in the current year, to values not seen for decades, followed the sharp rise in commodity prices already experienced in 2021. The values reached at the end of 2022 for the main raw materials have fortunately contracted compared to the maximum levels reached and this, if confirmed for the current year, could lead to a gradual drop also in final sales prices.

In 2022 monetary policies were very aggressive and the economy left behind a decade of unusually low rates, close to zero or even negative for the strongest countries, due to the expansionary policies of all of the main central banks. The concern is that the reversal of the curve, so rapid to tame inflation, will lead to a strong contraction in business investments and therefore to a new economic recession. The latter, among other things, would also be worrying for the public budgets of countries, already tested by the two-year pandemic.

A special attention needs again to be paid to commodities, whose values have remained below the year's highs in the second half of 2022 and in the first months of the current year. The slowdown in the growth of valuations, together with a new-found availability in the second half of 2022, in the first few months of the new year allowed the start of a stabilisation process in the values of company working capital, also following a slowdown in demand in the first quarter of the current year.

The LU-VE Group, which operates with increasing levels of geographical, market and product diversification, opened the year, overall, in a framework of substantial stability, compared to 2022, which represents the best year ever in terms of results achieved. However, geopolitical and monetary uncertainties remain and there is no shortage of opportunities, especially in the two major transformations affecting the world economy, namely in the “green transition” and the “digital transition”. As part of a growing diversification process, the LU-VE Group has good expectations for the current financial year and for those to come.

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. With reference to technological innovation, the Group carried out intense development and innovative activities to offer the market increasingly advanced products with a lower environmental impact (a key distinctive element of its competitive strategy), broken down over several different projects, some of which are carried out in partnership with prestigious European universities. For further details, please refer to paragraph 2.2 "*Development activities*".

RISKS RELATED TO THE CONCENTRATION OF SALES

Although there is no LU-VE Group customer which alone represents more than 4.2% (4.6% in 2021) of consolidated turnover and the top 10 customers together represent 31.2% (32.1% in 2021) 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 15.6% of its turnover in the year 2022), that of the "domestic appliances" (in which the Group supplies all the most important European brands with an incidence on turnover in the 2022 financial year of 6.4%) and that of power generation applications (6.6% 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 2022 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, these 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 future profitability 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 of or objection to 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 related 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.

All of the Group's plants are independent from each other and during 2022, investments continued to have back-up production lines located in other plants and in different countries. For these reasons, both production flexibility and the level of service to customers are constantly increasing.

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 facilities, 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 outlooks.

With reference to the 2022 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. In the course of the year 2022 (particularly in the second half of the year), there was a considerable increase in short-term interest rates and also a sharp steepening of the medium-term interest rate curve. Following the aforementioned rise in medium-term interest rates, in 2022 financial income of €14.7 million was recognised in the consolidated income statement (an increase of approximately €12.6 million compared to the previous year). Changes in interest rate policies may lead to a negative change, even a significant one, in the fair value of these instruments with a consequent impact on the income statement of subsequent years.

As at 31 December 2022, the coverage of these risks represented 86.4% of the residual loans in place.

However, from a merely accounting perspective, although the management of such instruments (which, although they substantially hedge the risks mentioned) 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 obtain finance to meet 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 2022, 2021 and 2020, Group revenues from sales made abroad represented 80.2%, 81.2% and 83.3% 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, 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 socio-economic 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 has closely monitored, also with the support of important specialised legal advisors, the issue of sanctions that have been imposed or may be further imposed on Russia by the international community. The extreme geographical diversification of sales means that the Group's exposure in this area in terms of turnover is only approximately 5.5% (8% in 2021). For further details, please refer to the paragraph “Impacts of the Russian-Ukrainian conflict” in the Explanatory Notes.

The LU-VE Group has engaged in monitoring activity in relation to the restrictions that have been imposed by the European Union and the United States on Russia and the individuals sanctioned, to ensure their full compliance. The Group has adopted guidelines aimed at regulating relations with its Russian subsidiaries and commercial activities in Russia, also with the support of external consultants. It has also established verification procedures regarding the possibility of exporting its own products and components to Russia by activating, with the support of external consultants, communication channels with the competent authorities to verify the correctness of its operating procedures. It has also established procedures for verifying the Ultimate Beneficial Owners of its customers and suppliers in sensitive areas, to verify that they are not subject to sanctions. Finally, it also obtained advice to ensure that its European associates who work in Russia and China cannot be subject to sanctions in Europe and the United States based on said activity.

In order to coordinate the activities, it established a specific committee (composed of the Group’s top management) and currently this is meeting on a monthly basis but which used to have weekly meetings at the most critical points of the geopolitical situation.

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 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.

The conflict that arose in 2022 between Russia and Ukraine further highlighted that the internet and information systems of the authorities involved were used as a battlefield and as strategic objectives in the evolution of the conflict. With the prolongation of the conflict and the geopolitical tensions that are being generated between the United States and China, the risk of cyber attacks has increased. Therefore, the LU-VE Group has activated further procedures for risk mitigation, eliminating the possibility of accessing the intranet from the Russian facility and enabling Russian users to access the necessary services only from the cloud through authentication and profiling.

RISKS LINKED TO THE COVID-19 HEALTH EMERGENCY

The pandemic linked to the spread of COVID-19 also affected the year 2022, albeit to a much lesser extent than in previous years. The mass vaccination campaigns and the herd immunity achieved have allowed an important restoration of activities and in most of lifestyles prior to the pandemic. However, the pandemic remains active and may continue to have health, social and economic impacts around the world (with very different impacts from country to country). The main risks continue to 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.

During 2022, the Group continued to apply the common guidelines defined in previous years in order to contain the spread of the virus in the workplace as much as possible. The measures adopted were modulated according to the needs of offices and production spaces. 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 ensure continuity of supply to strategic customers.

The "Crisis Committee", established in March 2020, was systematically convened also in 2022, albeit with different timescales based on the evolution of the pandemic, to better manage the emergency and protect as much as possible the health of all employees.

Even though the situation has improved, the LU-VE Group is not able to determine precisely the impacts deriving from the pandemic in subsequent years. Therefore, it is complex 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.

RISKS RELATED TO CLIMATE CHANGE

With reference to the best practices of the sector they belong to as well as the most authoritative literature on the subject (including the aforementioned TCFD guidelines), the Directors carried out specific assessments in order to identify in detail the risk factors, both physical and of transition, more relevant for the Group's activities (taking also into account the supply chain, for the aspects deemed of interest, as recommended by the European Union guidelines relating to the reporting of climate-related information).

During 2022, the Group also worked on the preparation of its first sustainability plan, which envisages both qualitative and quantitative objectives for the 2023 - 2025 period. In particular, a target to reduce greenhouse gas emissions was identified as a priority.

With particular reference to physical risks, i.e. the need to adopt measures to protect existing assets (typically buildings, plants, etc.) from any damage attributable to climate change, a specific assessment was launched in 2022 by an external consultant, in order to identify the potential aspects relevant to the Group. The risks that could affect the Group were identified as follows: a significant increase in temperatures (for the US and India plants of the SBU Components) and the occurrence of extreme weather events (heavy snowfall for the plants of the newly acquired Refrion Group for the SBU Cooling System). The investments/higher charges deriving from the management of these risks were considered immaterial for the Group (overall quantified at approximately €4 million per year). In view of the above, physical risks of any nature, including therefore those attributable to climate change, are managed through “all risk” insurance policies that provide for compensation for both the relevant damage and for loss of profit (in the event of interruption of activities of the plant to due to physical damage, the resulting gross profit loss is estimated on the basis of the most recent productivity statistics). An updated estimate is also carried out every year by a specialised company, in order to update the policy limits in consideration of the investments made (e.g. for expansion or renovation of properties).

On the other hand, the impacts deriving from transitional risks could be more significant, with particular reference to aspects linked to regulatory, technological and market developments. In fact, an ecological transition towards products with a lower environmental impact in terms of greenhouse gas emissions is already underway in the Group's reference product sectors, following the adoption, at EU level, of specific legislation aimed at the progressive reduction of market shares of traditional refrigerant products ("F-gases", which have a higher GWP, which in 2030 may not exceed 20% of the total value across the European community. Similar regulations are also being assessed by the authorities of some of the countries in which the Group operates, specifically the United States and China. In this context, these product regulations are the main driver of the change, consequently guiding the Group's customer demands aimed at obtaining products that are able to meet the envisaged requirements.

The LU-VE Group believes it has a competitive advantage on the market, deriving from having already incorporated in its product portfolio a significant number (about 55% of turnover as at 31 December 2022) of technologies based on natural refrigerants (Ammonia, Propane), highly appreciated by customers who have a level of loyalty assumed constant throughout the duration of the Plan. In particular, the Group is the market leader in some types of products;

The remaining share of turnover, equal to 45%, is currently linked to traditional technology products; this portion is expected to decrease up to 2030. The increase in the production of natural refrigerant heat exchangers entails the need to implement interventions on production plants, in addition to supporting the related R&D activities.

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 2023-2026.

2.2 DEVELOPMENT ACTIVITIES

In the course of 2022, 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 €1.5 million during the year (including €1.2 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, water and ammonia), the miniaturisation and specialisation of tube surfaces and matrices for the improvement of heat exchange efficiencies, the introduction of optimised electronic control systems, the development of a project relating to heat pumps 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 2023: significant events and business outlook

In the first two months, against a slight and expected decrease in consolidated turnover of products only (€90.8 million), the acquisition of orders recorded a growth of over 18%, which brought the value of the order backlog back to €216.2 million, an increase of 14.5% compared to the December 2022 figure.

Following the death of the founder and Chairman, Mr Iginio Liberali at the end of December, the Board of Directors, which met on 23 January, resolved not to co-opt any member to replace him and at the same time appointed the Chief Executive Officer, Mr Matteo Liberali, Chairman of the company until the planned end of the current board's mandate, with the approval of the 2022 financial statements.

On 23 February, the Board of Directors also announced the appointment of Mr. Riccardo Quattrini in the new role of Group General Manager, with effect from 1 April 2023. Following the board resolution adopted today, he will take office on 27 March 2023.

LU-VE Group continues to pay a high level of attention to the evolution of the crisis between Russia and Ukraine, which, as already described, may have further significant repercussions on the world economy also as a result of the sanctions. The extreme geographical diversification of sales means that as at 31 December 2022, the Group's exposure in this area is only around 5.5% in terms of turnover and 2.5% of net invested capital. As at 28 February 2023, the exposure in terms of order backlog was 5.1%.

In January 2023, the Parent Company received the second tranche, amounting to €20 million, relating to the loan agreement signed in December 2022 with BPM S.p.A.

With reference to the Revenue Agency audit relating to the years 2016, 2017, 2018 and 2019, a number of additional requests were made to which the Parent Company LU-VE S.p.A. promptly responded.

The macroeconomic scenario remains uncertain and, therefore, it is 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, food safety and electrification) are reasonably not directly associated to the global economic cycle and have absolutely been confirmed.

2.5 MANAGEMENT AND COORDINATION ACTIVITIES

The Parent Company LU-VE S.p.A. is not subject to management and coordination by Finami S.p.A., or any other party pursuant to arts. 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 2022, the Group held 28,027 treasury shares (unchanged with respect to 31 December 2021), equal to 0.1261% of share capital, acquired at an average price of €10.2827 based on the authorisation resolution 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

During the year, the Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/2001 adopted by LU-VE S.p.A. was updated in relation to new regulations and the organisational changes of the companies. In addition, also in 2022, qualified external consultants were assigned to support the subsidiary Air Hex Alonte S.r.l. in the preparation of its model, as well as to update the models of LU-VE S.p.A. and Sest S.p.A. with respect to further regulatory changes in matter: these activities are still in progress.

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 2022 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, a secondary office was opened, used as a warehouse in Origgio, via Achille Grandi 5. The Register of Companies also shows a local unit used as a warehouse in Alonte, Via delle Albere 5, opened on 11 March 2020.

2.12 PROPOSED RESOLUTIONS TO THE SHAREHOLDERS' MEETING

1) Proposed resolution in relation to sub point 1.1 of the agenda of the Shareholders' Meeting convened for 28 April 2023 *("Annual Financial Report as at 31 December 2022: presentation of the Financial Statements as at 31 December 2022 accompanied by the Directors' Report on Operations, the Report of the Board of Statutory Auditors and the Report of the Independent Auditors. Related and contingent resolutions").*

Dear Shareholders,

in submitting the Financial Statements of LU-VE S.p.A. as at 31 December 2022 to the Shareholders' Meeting for approval, we invite you to approve the following proposed resolution:

"The ordinary Shareholders' Meeting of LU-VE S.p.A., having examined the Directors' Report and the data in the financial statements of LU-VE S.p.A. as at 31 December 2022, the Board of Statutory Auditors' Report and the Report of the Independent Auditors and the further documentation provided by law

resolves

1. to approve the financial statements of LU-VE S.p.A. as at 31 December 2022, which show a net profit of €16,245,097.23 (sixteen million two hundred and forty-five thousand and ninety-seven/23) as well as the Directors' Report on Operations;

2. *to grant the Board of Directors - and on its behalf to the its Chairman - all due power to enforce this resolution, with the option of sub-delegating, and file it with the relevant Register of Companies, making any necessary formal amendments, additions or suppressions as appropriate."*

2) Proposed resolution in relation to sub point 1.2 of the agenda of the Shareholders' Meeting convened for 28 April 2023 (*"Annual Financial Report as at 31 December 2022: proposal to allocate the profit for the year and to distribute a dividend. Related and contingent resolutions").*

Dear Shareholders,

in relation to the allocation of the net profit for the year as at 31 December 2022, equal to €16,245,097.23 (sixteen million two hundred and forty-five thousand ninety-seven/23), we invite you to approve the following proposed resolution:

"The ordinary Shareholders' Meeting of LU-VE S.p.A., having approved the financial statements as at 31 December 2022, which highlight a net profit of €16,245,097.23 (sixteen million two hundred and forty-five thousand ninety-seven/23)

resolves

1) to allocate a portion of the net profit for the year of €9,745,403.93 (nine million seven hundred forty-five thousand four hundred and three/93):

- for €812,254.86 (eight hundred and twelve thousand two hundred and fifty-four/86) to the "Legal reserve";
- for €1,481,360.86 (one million four hundred and eighty-one thousand three hundred and sixty-six/86) to the "Unavailable exchange delta reserve";
- for €7,451,788.21 (seven million four hundred and fifty-one thousand seven hundred and eighty-eight/21), to "Unavailable fair value change reserve for financial instruments";

2) to distribute a gross ordinary dividend of €0.38 for each share eligible at the record date pursuant to art. 83-terdecies of Italian Legislative Decree 58/98, through the use of the net profit for the year 2022 remaining after deduction of the provisions referred to in point 1 and through the use for the remainder of the "Extraordinary reserve";

3) to establish that the payment of the dividend will take place, for each share entitled to payment, on 10 May 2023, with ex-dividend date for coupon no. 8 on 8 May 2023, in accordance with the Italian Stock Exchange calendar, and with record date on 9 May 2023".

The Chairman and CEO

Matteo Liberali

2.13 CORPORATE BODIES AND COMPANY INFORMATION

BOARD OF DIRECTORS

Chairman	Matteo Liberali
Vice Chairman	Pierluigi Faggioli
Directors	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 2022

CONTENTS

1 FINANCIAL STATEMENTS

1.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated Statement of Financial Position *(in thousands of Euro)*	**Notes**	**31/12/2022**	**31/12/2021**
ASSETS			
Goodwill	3.1	64,431	54,987
Other intangible assets	3.1	34,043	35,530
Property, plant and equipment	3.2	148,742	133,859
Right-of-use assets	3.2	16,388	16,739
Other property, plant and equipment	3.2	24,134	16,996
Deferred tax assets	3.19	6,992	6,509
Investments	3.3	141	8
Other non-current assets	3.4	1,332	228
Non-current assets		296,203	264,856
Inventories	3.5	134,237	111,077
Trade receivables	3.6	83,265	74,131
Current tax assets	3.7	9,789	10,732
Current financial assets	3.8	126,873	81,946
Other current assets	3.9	3,484	3,501
Cash and cash equivalents	3.10	177,258	166,328
Current assets		534,906	447,715
TOTAL ASSETS		831,109	712,571

Consolidated Statement of Financial Position *(in thousands of Euro)*	**Notes**	**31/12/2022**	**31/12/2021**
LIABILITIES AND EQUITY			
Share capital	3.11	62,704	62,704
Reserves and retained earnings (losses)	3.11	96,330	81,058
Profit (loss) for the year	3.11	47,714	23,739
Total equity attributable the Group		**206,748**	**167,501**
Equity attributable to non-controlling interests		4,712	4,586
TOTAL EQUITY		**211,460**	**172,087**
Loans	3.12	320,201	202,844
Provision	3.13	5,492	5,541
Employee benefits	3.14	5,299	5,770
Deferred tax liabilities	3.19	14,955	13,909
Other financial liabilities	3.2 - 3.15	17,813	10,787
Non-current liabilities		**363,760**	**238,851**
Trade payables	3.16	106,587	114,358
Loans	3.12	103,265	151,271
Tax liabilities	3.17	8,751	3,086
Other financial liabilities	3.2 - 3.15 - 3.8	5,124	5,231
Other current liabilities	3.18	32,162	27,687
Current liabilities		**255,889**	**301,633**
TOTAL LIABILITIES AND EQUITY		**831,109**	**712,571**

1.2 CONSOLIDATED INCOME STATEMENT

Consolidated Income Statement *(in thousands of Euro)*	**Notes**	**31/12/2022**	**31/12/2021**	
REVENUES AND OPERATING INCOME				
Revenues	4.1	617,075	491,204	
Other revenues	4.2	1,537	804	
Total revenues and operating income		618,612	492,008	
OPERATING COSTS				
Purchases of materials	4.3	(353,637)	(309,733)	
Changes in inventories	3.5	20,450	51,931	
Costs for services	4.4	(81,811)	(63,148)	
Personnel costs	4.5	(125,552)	(106,683)	
Net reversal/(write-downs) of financial assets	4.6	377	(422)	
Other operating costs	4.7	(3,304)	(3,112)	
Total operating costs		(543,477)	(431,167)	
Depreciation and amortisation	3.1 - 3.2	(32,729)	(30,140)	
Gains/(Losses) on the sale of non-current assets		(135)	14	
Write-downs on non-current assets		(175)	(161)	
EBIT		42,096	30,554	
Financial income	4.8	17,063	3,931	(*)
Financial expense	4.9	(10,104)	(4,370)	
Exchange gains (losses)	4.10	508	507	
Gains (Losses) from investments	4.11	9,473	-	
EBT		59,036	30,622	
Income taxes	4.12	(9,971)	(5,847)	
NET PROFIT (LOSS)		49,065	24,775	
Attributable to non-controlling interests	3.11	(1,351)	(1,036)	
GROUP NET PROFIT		47,714	23,739	

(*) The 2021 item "Net change in fair value on derivatives" (now cleared) of €2,166 thousand was reclassified under the item "Financial income", in line with the twelve months of 2022.

1.3 EARNINGS PER SHARE AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Earnings per share

Earnings per share *(in Euro)*	**Notes**	**31/12/2022**	**31/12/2021**
EARNINGS PER SHARE	4.13		
Basic		2.15	1.07
Diluted		2.15	1.07

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income *(in thousands of Euro)*	**Notes**	**31/12/2022**	**31/12/2021**
GROUP NET PROFIT		49,065	24,775
Components that will not subsequently be reclassified to the Income Statement			
Actuarial gains/(losses) from liabilities for employee benefits	3.14	820	(212)
Tax effect		(198)	55
		622	(157)
Components that will subsequently be reclassified to the Income Statement:			
Exchange differences from translation of Financial Statements in foreign currency	1.4	(1,317)	3,848
TOTAL COMPREHENSIVE INCOME (LOSS)		48,370	28,466
of which:			
Attributable to non-controlling interests	3.11	(1,351)	(1,036)
ATTRIBUTABLE TO THE GROUP		47,019	27,430

1.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated Statement of changes in 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 year**	**Total equity attributable to the Group**	**Equity attributable to non-controlling interests**	**Total equity**
BALANCE AS AT 01/01/2021	62,704	24,762	3,197	(288)	(16,174)	(606)	64,110	9,226	146,931	3,993	150,924
Allocation of 2020 profit											
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 amount refers to the accounting effects of the exercise of the option to purchase, which took place in the first half of 2021, by the company of the LU-VE Group, Manifold S.r.l., the business unit previously owned by the company Mastercold S.r.l. and leased to Manifold S.r.l.

Consolidated Statement of changes in 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 year**	**Total equity attributable to the Group**	**Equity attributable to non-controlling interests**	**Total equity**
BALANCE AS AT 01/01/2022	62,704	24,762	3,555	(288)	(12,326)	(763)	66,118	23,739	167,501	4,586	172,087
Allocation of 2021 profit											
Dividends paid	-	-	-	-	-	-	(7,772)	-	(7,772)	(450)	(8,222)
Retained	-	-	190	-	-	-	23,549	(23,739)	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	133	(133)	-	-	(775) (**)	(775)
Statement of comprehensive income as at 31/12/2022	-	-	-	-	(1,317)	622	-	47,714	47,019	1,351	48,370
BALANCE AS AT 31/12/2022	62,704	24,762	3,745	(288)	(13,643)	(8)	81,762	47,714	206,748	4,712	211,460

(**) The line "Other" mainly shows the effects relating to the deconsolidation of Tecnair LV S.p.A.: €133 thousand relating to the reversal to Other Reserves of the employee severance indemnity discounting reserve and for €826 thousand for the deconsolidation of the related minority interests. The item also includes the changes in the Translation reserve relating to minority interests for a positive €51 thousand.

1.5 STATEMENT OF CASH FLOWS

Consolidated Statement of Cash Flows *(in thousands of Euro)*	**Notes**	**31/12/2022**	**31/12/2021**
A. Cash and cash equivalents at the beginning of the year		166,328	152,679
Profit (loss) for the year		49,065	24,775
Adjustments for:			
- Depreciation and amortisation	3.1 - 3.2	32,729	30,140
- (Gains)/losses, write-downs of non-current assets		310	147
- (Gains)/losses on the sale of equity investments	4.11	(9,473)	-
- Net financial expenses	4.8 - 4.9	9,181	4,074
- Income taxes	4.12	9,971	5,847
- Changes in fair value (***)	4.8 - 4.9	(16,141)	(3,631)
Changes in employee benefits	3.14	(369)	(15)
Changes in provisions		(139)	600
Changes in trade receivables	3.6	(5,641)	(14,368)
Changes in inventories	3.5	(20,450)	(54,430)
Changes in trade payables	3.16	(12,211)	33,728
Changes in net working capital		**(38,302)**	**(35,070)**
Changes in other receivables and payables, deferred taxes		5,609	4,482
Tax payment	4.12	(5,670)	(8,099)
Net paid financial expenses	4.8 - 4.9	(3,459)	(3,625)
B. Cash flows from (used in) operating activities		33,312	19,625
Investments in non-current assets:			
- intangible assets	3.1	(4,381)	(4,635)
- property, plant and equipment	3.2	(32,291)	(24,427)
- financial assets		-	-
Investments in short-term financial assets		(29,540)	(10,219)
Net cash paid Business combination (*)		(6,967)	(800)
Net cash flow generated from disposal of investments (**)		11,444	-
C. Cash flows from (used in) investing activities		(61,735)	(40,081)
Repayment of loans	3.12	(181,808)	(153,516)
New loans	3.12	237,461	198,000
Changes in other financial liabilities		(6,165)	(4,836)
Sale/(Purchase) of treasury shares		-	-
Contributions/repayments of own capital		-	-
Payment of dividends	3.11	(8,222)	(6,466)
Other changes		-	-
D. Cash flows from (used in) financing activities		41,266	33,182
Exchange differences	3.11	(1,266)	3,849
Other non-monetary changes		(647)	(2,926)
E. Other changes		(1,913)	923
F. Net cash flows of the year (B+C+D+E)		10,930	13,649
Cash and cash equivalents at the end of the year (A+F)		177,258	166,328
Current financial debt		(18,484)	74,556
Non-current financial debt		338,014	213,631
Net financial debt (Note 3.20)		142,272	121,859

(*) The amount refers to the cash flow relating to the purchase of REFRION S.r.l.
(**) The amount refers to the cash flow relating to the sale of TECNAIR LV S.p.A.
(***) The amount refers to (i) the positive change in the fair value of derivatives for €14,821 thousand, (ii) to the positive change in the fair value of capitalisation policies for €1,501 thousand, (iii) to the negative change in the fair value of derivatives for €104 thousand, and the negative change in fair value on certificates and other capitalisation policies for €77 thousand.

2 EXPLANATORY NOTES

2.1 INTRODUCTION

Acquisition of the REFRION Group

In March 2022, LU-VE S.p.A. acquired 75% of REFRION S.r.l., active in the production and sale of heat exchangers with adiabatic systems for applications in data centres and industrial processes. REFRION S.r.l. owns 100% of the following companies:

- RMS S.r.l., an Italian production company located in Flumignano di Talmassons (Udine) and specialised in sheet metal working for the refrigeration and other sectors;
- REFRION Deutschland GmbH, a German sales company located in Frankfurt and specialised in the resale of adiabatic and other heat exchangers.

The set of three companies will be defined as the "Refrion group" in the remainder of these explanatory notes.

The acquisition was made directly by the parent company LU-VE S.p.A. at a provisional contractual initially defined price of €9,469 thousand for 75% of REFRION S.r.l., of which €8,085 thousand were paid in March 2022, while €1,384 thousand will be subject to a deferred payment. This provisional price, following price adjustment provided for in the purchase contract (based on economic-financial parameters on the 2021 consolidated financial statements relating to the REFRION group) with reference to the non-deferred price component, was adjusted in favour of LU-VE S.p.A. for €315 thousand. The final purchase price is €9,154 thousand, already paid as at 31 December 2022, with the exception of €1,384 thousand, subject to deferred payment, as mentioned.

The remaining 25% is instead subject to a put option granted to the minority shareholder. This put option can be exercised from 31 May to 31 July for the years 2024, 2025 and 2026 and the value will be deduced from the application of a formula provided for in the contract based on the financial data of future years (there is also a call option in favour of LU-VE S.p.A. at the same exercise price). The option represents a financial liability measured at fair value and as at 31 December 2022 its value is equal to €6,500 thousand (value estimated on the basis of the 2022-2025 plan of the Refrion group defined at the time of acquisition).

The total consideration agreed for the 100% acquisition of the Refrion group (considering the aforementioned option), therefore amounts to €15,654 thousand.

There are several strategic objectives for the acquisition of the Refrion group:

- further focus the presence of the LU-VE Group in the segments of application of data centres, process cooling, refrigeration and civil air conditioning;
- increase the presence of the LU-VE Group on the innovation front. The Refrion S.r.l. Company, founded in 2002, has always distinguished itself for its ability to innovate its products, particularly thanks to the technology of heat exchangers with oval tubes, which are unique on the market. The newly-acquired company has also started to work in the field of heat exchangers for nuclear plants and has one of the largest climatic test chambers in Europe.

The reasons behind the goodwill generated as a result of the acquisition are:

- the acquisition of the "Refrion" brand and trademarks and reference product names in the sector;
- the realisation of synergies thanks to the specialisation of production plants (creating excellence plants for the various ranges of product).

The acquired Refrion group acquired was included in the consolidated financial statements starting from 31 March 2022, thus consolidating 9 months of the income statement as at 31 December 2022. With reference to the acquisition, it should be noted that, on the basis of the accounting standard IFRS 3, the cost of the business combination must be allocated to the assets, liabilities and intangible assets not recognised in the Financial Statements of the acquired company, up to the limits of their fair value. Any amount still remaining after this allocation should be recognised as goodwill.

In relation to the complexity of this process, which implies the valuation of numerous, diversified assets and liabilities of the entities making up the acquired group, international accounting standards (IFRS 3) allow the acquisition cost to be definitively allocated within twelve months of the acquisition date. The LU-VE Group concluded the purchase price allocation process on 31 December 2022, and the areas on which the analyses for determining the fair value of the acquired assets were concentrated are property, plant and equipment, intangible assets and inventories.

The values allocated following the conclusion of the purchase price allocation process and therefore subject to a final measurement at fair value, are:

- the brand, whose fair value as at 31 March 2022 was higher than its book value by €2,995 thousand, generating deferred tax liabilities of €836 thousand. This was supported as a result of a valuation report issued by an independent expert appointed by the LU-VE Group;
- Buildings, whose fair value as at 31 March 2022 was higher than its book value by €2,245 thousand, generating deferred tax liabilities of €626 thousand. This was supported as a result of a valuation report issued by an independent expert appointed by the LU-VE Group.
- Inventories, whose fair value as at 31 March 2022 was higher than its book value by €350 thousand, generating deferred tax liabilities of €98 thousand.

Lastly, it should be noted that the acquisition of REFRION S.r.l. entailed acquisition costs of roughly €692 thousand, which were recognised in the income statement for the year under the item entitled "Operating costs - Services".

The following chart shows details of the assets and liabilities of the Refrion group acquired, included in the Group’s consolidated financial statements as at 31 March 2022 and the breakdown of goodwill definitively determined on this date:

Fair Value, Assets and Liabilities, REFRION GROUP (in thousands of Euro)	31/03/2022
Property, plant and equipment and intangible assets	13,233
of which Trademarks (*)	2,995
of which Buildings (**)	2,445
Other non-current assets	2,261
Current assets (***)	14,017
Cash and banks	803
Total assets - A	**30,314**
Other non-current liabilities	2,907
Current liabilities	9,947
Non-current financial liabilities	4,712
Current financial liabilities	6,510
Total liabilities and shareholders' equity - B	**24,076**

Price paid net of price adjustments	9,154
FV of the payable for Put option on non-controlling interest	6,500
Consideration for acquisition - C	**15,654**
Net assets acquired - D = A-B	6,238
Goodwill C - D	9,416

Consideration paid at the date of acquisition - E	7,770
Cash held by the Refrion group - F	(803)
Cash flow for acquisition E + F	**6,967**

(*) The item includes trademarks whose fair value as at 31 March 2022 increased by €2,995 thousand, generating deferred tax liabilities of €836 thousand, and was higher than its carrying amount by €2,995 thousand. This increase was supported as a result of a valuation report issued by an independent expert appointed by the LU-VE Group.

(**) This item includes buildings, whose fair value as at 31 March 2022 was equal to €775 thousand, generating deferred tax liabilities of €626 thousand and more than its book value by €2,245 thousand. This increase was supported as a result of a valuation report issued by an independent expert appointed by the LU-VE Group.

(***) Includes the item Inventories whose fair value as at 31 March 2022 is equal to €6,174 thousand and greater than its book value for €350 thousand, generating deferred tax liabilities for €84 thousand.

Disposal of TECNAIR LV S.p.A.

In March 2022, the disposal of TECNAIR LV S.p.A. (79.9% owned by LUVE S.p.A. at the closing date) to Systemair AB (a Swedish company listed on the Stockholm Stock Exchange) was completed.

The company was sold at a definitive price of €12,929 thousand and generated a capital gain in the consolidated financial statements of €9,473 thousand, after deducting the value of the consolidated net assets pertaining to the LU-VE Group of €3,456 thousand from the price received. The sale also entailed a reduction in the shareholders' equity attributable to non-controlling interests of €826 thousand.
The total cash flow generated from the sale transaction, net of cash and cash equivalents sold of €1,485 thousand, is €11,444 thousand.

Therefore, the contribution of Tecnair LV S.p.A. to the consolidated income statement of the financial statements as at 31 December 2022 of the LU-VE Group was only that relating to the first quarter of 2022.

Acquisition of the business unit of Italia Wanbao ACC S.r.l.

On 3 August 2022, the purchase of the Italia Wanbao ACC S.r.l. business unit was finalised (for a value of €70 thousand). The reconversion and adaptation of the production site was already launched in August. SEST S.p.A., the LU-VE Group company that acquired the business unit in question, also reached an agreement with the owners of the production site for the purchase of the industrial site of Mel, finalised in December 2022 for an amount of €2 million.

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 2022 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 LU-VE 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 (i) statement of financial position, (ii) income statement, (iii) statement of comprehensive income, (iv) statement of changes in shareholders' equity, (v) 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, of the activities covered by the exercise of the Purchase Price Allocation, pursuant to IFRS 3, 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 LU-VE 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 2022, the LU-VE Group has a solid and balanced financial structure with a Net financial debt/Equity ratio (Debt ratio) of 0.67 and a positive short-term net financial position of €195.7 million. Therefore, the repayment of medium/long-term debt expiring during 2023 is guaranteed by current liquidity. In addition, there are no substantial restrictions on the release of invested liquidity, amounting to €112.9 million, consisting of (i) capitalisation policies for €102.6 million, (ii) Time deposits for €10.0 million, and (iii) other securities for €0.2 million (Note 3.8), in addition to cash and cash equivalents of €177.3 million, which can therefore be used against, any payment commitments, if necessary (Note 3.20).

Significant uncertainty remains with reference to geopolitical tensions, and the Group remains exposed to this as it has subsidiaries in Russia (5.5% of consolidated sales 2022). This part of the business may be restricted due to potential enforceable sanctions by other government authorities. The Directors, given the limited impact of the Russian business on the consolidated financial statements, together with the above considerations, believe that the Group is able to operate as a going concern.

It should be noted 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 2022, did not highlight any critical issues. Furthermore, it is highlighted that the estimates of the 2023 Budget lead to the expectation that no critical issues with regard to these requirements will arise also for next year.

In light of what is described above, the consolidated Financial Statements of the LU-VE Group as at 31 December 2022 were prepared on a going concern basis, 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 (for both 2021 and 2022) have been marked up using the XBRL language. In addition, in line with the provisions of the regulations, starting from this financial year 2022, the information contained in the explanatory notes has also been marked with this language.

The Consolidated Financial Statements as at 31 December 2022 were approved by the Board of Directors of the parent company LU-VE S.p.A. on 14 March 2023.

Financial Statements

The LU-VE 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 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 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 preparation of 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
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 HEAT EXCHANGERS (Tianmen) Co, Ltd	Tianmen (China)	100.00%	CNY	61,025,411
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 Heat Exchangers Pvt. Ltd	Ghaziabad, Uttar Pradesh (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
Refrion S.r.l.	Flumignano di Talmassons (UD)	75.00%	EUR	1,000,000
LU-VE UK Ltd	London (United Kingdom)	100.00%	GBP	10,000
Indirect subsidiaries:				
SEST-LUVE-Polska SP.z.o.o. (95% owned by SEST S.p.A.)	Gliwice (Poland)	95.00%	PLN	16,000,000
«OOO» SEST LU-VE (95% owned by SEST S.p.A.)	Lipetsk (Russia)	95.00%	RUB	136,000,000
Thermo Glass Door S.p.A. (100% owned by SEST S.p.A.)	Travacò Siccomario (PV)	100.00%	EUR	100,000
RMS S.r.l. (100% owned by Refrion S.r.l.)	Flumignano di Talmassons (UD)	75.00%	EUR	40,000
Refrion Deutschland GmbH (100% owned by Refrion S.r.l.)	Frankfurt am Main (Germany)	75.00%	EUR	150,000

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 as 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 2022 compared to the previous financial year:

- sale of the investment held in Tecnair LV S.p.A. to the Systemair group, as described in the note “Introduction”;
- acquisition of 75% of Refrion S.r.l. and 75% of its direct subsidiaries RMS S.r.l. and Refrion Deutschland GmbH, as described in the note "Introduction".
- acquisition by LU-VE S.p.A. of the remaining 52.58% of the equity investment in LU-VE HEAT EXCHANGERS (Tianmen) Co, Ltd from the Group company LU-VE Asia Pacific Limited with registered office in Hong Kong as described in the explanatory notes under "Introduction" of the financial statements of the Parent Company as at 31 December 2022 (the impacts, in the consolidated financial statements, of this transaction are not significant, as the companies involved are all companies belonging to the Group);
- establishment of the sales company LU-VE UK Ltd with share capital of 10 thousand British Sterling and with its registered office in London. The company is 100% owned by LU-VE S.p.A.

Profits or losses and all the components of the statement of comprehensive income are attributable to the LU-VE Group and to non-controlling interests. The overall revenue of subsidiaries is attributable to the LU-VE 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 LU-VE 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 LU-VE 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 LU-VE 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 LU-VE 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 subsidiaries;

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 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 LU-VE 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 intangible assets and property, plant and equipment 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 LU-VE 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.

Statement of financial position items 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 31/12/22	Average exchange rate 2022	Exchange as at 31/12/2021	Average exchange rate 2021
AUD	1.5693	1.5167	1.5615	1.5749
PLN	4.6808	4.6861	4.5969	4.5652
CZK	24.1160	24.5659	24.8580	25.6400
RUB (*)	75.6553	72.1509	85.3004	87.1527
SEK	11.1218	10.6296	10.2503	10.1465
HKD	8.3163	8.2451	8.8333	9.1932
CNY	7.3582	7.0788	7.1947	7.6282
INR	88.1710	82.6864	84.2292	87.4392
USD	1.0666	1.0530	1.1326	1.1827
AED	3.9171	3.8673	4.1595	4.3436
GBP (**)	0.8869	0.8822	0.8403	0.8596
KRW (***)	1,344.09	1,358.07	1,346.38	1,354.06

(*) For the Russian companies, in 2022, the prices of the Russian Central Bank were used.
(**) In 2022, for the company LU-VE UK Ltd, operational since December 2022, the average exchange rate of British pounds from the 21st to the 30th of December was used: equal to 0.8822.
(***) In 2021, the average Korean won exchange rate from April to December of 1,357.56 was used for the company LU-VE Korea LLC, established in April 2021.

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

	2022		2021	
EQUITY RECONCILIATION STATEMENT (in thousands of Euro)	**Net profit for the year**	**Equity**	**Net profit for the year**	**Equity**
Amounts from LU-VE S.p.A. Financial Statements	**16,245**	**114,135**	**3,803**	**105,584**
Difference between carrying amount of consolidated investments and pro rata value of equity and profit (loss) of consolidated subsidiaries	31,591	99,509	19,683	68,791
Elimination of intra-group profits	(68)	(6,047)	432	(6,079)
Other	(54)	(849)	(179)	(795)
Profit and equity attributable to the Group	**47,714**	**206,748**	**23,739**	**167,501**

Measurement criteria

The accounting standards and measurement criteria adopted for the preparation of the consolidated Financial Statements as at 31 December 2022, 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 LU-VE 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 fair value of the considerations paid to the business combination, of the value of equity attributable to non-controlling interests and the fair value of any 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 equity attributable to non-controlling interests and the fair value of any 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 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 LU-VE Group's company, has therefore been included in the LU-VE 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 LU-VE 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) and of Refrion Group (the allocation was final as of 31 December 2022); the amortisation for both trademarks was estimated by the Directors to be 10 years.

Development costs

Development costs incurred for projects for the production of new products or components are recognised as assets only if the costs can be reliably determined, if the LU-VE 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 that do not meet the aforementioned requirements, as well as the related research costs, are recognised in 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 PIGA from the purchase price allocation of the US company Zyklus (concluded in 2018) and the Indian company Spirotech (concluded in 2017). In addition, it should be noted that part of the fair value of the consideration transferred from the business combination of the "Al Air" business was also allocated to the customer relationship (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 purchase or construction cost, or at their fair value in the event of purchase through business combinations. 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 LU-VE 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 assets

The LU-VE Group must evaluate if a contract is, or contains a lease, at their commencement date. The LU-VE Group recognises the Right-of-use asset and the relative lease financial Liability for all lease contracts in which it assumes 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 LU-VE 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 LU-VE 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 LU-VE 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.

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 LU-VE 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 LU-VE 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 LU-VE 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 assess 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 LU-VE 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 LU-VE 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 the Financial Statements, not all requirements for the application of hedge accounting in accordance with IFRS 9 were satisfied. Therefore, the Group deemed appropriate to treat these instruments as trading transactions, not hedges, therefore recognising the change in the fair value of the financial instrument directly in the income statement.

The related effects were recorded in the item "Financial income" of the income statement (until 31 December 2021 they were recognised under the item "Net change in fair value on derivatives" and was reclassified as at 31 December 2022 under the item "Financial income" for a better representation).

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 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 LU-VE 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. To determine the effective interest rate on floating-rate loans, the Group updates the cash flows on the basis of the prospective reference rate curves extracted at each periodic closure.

Loans are classified as current liabilities unless the LU-VE Group has the unconditional right to defer the settlement of the liability for at least twelve months after the reporting date.

PROVISION

Provision for risks and charges represent probable liabilities of uncertain amount and/or timing deriving from past events, whose the settlement 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. Provision is 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

Starting from 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 Article 2120 of the Italian Civil Code, are recognised under personnel costs.
For employees of Italian companies with less than 50 employees (Manifold S.r.l. and R.M.S. S.r.l.) post-employment benefits accrued as at 31 December 2022 take the form of a defined benefit plan.
The LU-VE 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 FINANCIAL 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, together with the fair value effect on derivative 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, together with the fair value effect on derivative financial instruments.

INCOME TAXES FOR THE YEAR

Income taxes include all taxes calculated on the LU-VE 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 LU-VE 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 the resolution of distribution.

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 LU-VE 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., 4 other Italian subsidiaries: SEST S.p.A. (for the 2022-2024 financial years) and Thermo Glass Door S.p.A. (TGD), Manifold S.r.l., and Air Hex Alonte S.r.l., the latter companies for the 2020-2022 financial years. Compared to the previous year, it should be noted the exit from the scope of the subsidiary Tecnair LV S.p.A., for the reasons to which reference is made in the Introduction. It should also be noted that an additional National Tax Consolidation contract is in place, the scope of which includes the newly acquired companies Refrion S.r.l. and RMS S.r.l.

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 LU-VE 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, no significant Judgements were adopted during the process of application of the group accounting standards, with the exception of those relating to estimates that have a significant impact on amounts recognised in the financial statements. 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.

Refrion S.r.l. purchase price and related put & call option

As indicated in the "Introduction" note, the process relating to the definition of the purchase price of 75% of Refrion S.r.l. was definitively concluded in 2022 with a price adjustment of €315 thousand in favour of LU-VE S.p.A., for a total balance amount of €9,154 thousand.

The estimate also entails the determination of the fair value of the consideration relating to the agreement with the minority shareholder for the purchase of the residual 25% of Refrion S.r.l. stipulated through a put & call agreement that can be exercised from 31 May to 31 July for the years 2024, 2025 and 2026. The strike price can be deduced from the application of a contractually provided formula (put option in favour of the minority shareholder and call option in favour of the Parent Company LU-VE S.p.A.). The value of the option as at 31 December 2022 is €6,500 thousand (estimated value based on the 2023-2026 plan of the Refrion group defined at the time of acquisition).

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

The procedure for the impairment test on goodwill, intangible assets and property, plant and equipment described in the paragraph "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 2023-2026 Business Plan, approved by the Board of Directors on 23 February 2023, 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 prospects of focusing on the 'core' product (air heat exchangers) through product and process innovation, technological advancements and increased production efficiency also thanks to specialisation of the industrial plants; on the increase of applications in unrelated sectors and increased internationalisation; and on the exploitation of growth opportunities linked, in short, to: i) focusing on exchangers that use natural refrigerants and that are therefore aligned with the F-GAS regulation (both in Europe where the regulation has been in force since 2014 and in other states of the world such as the USA and China that are adopting regulations similar to those in Europe); ii) exploiting in some countries the competitive advantage over local competitors linked to the LU-VE Group's greater experience in exchangers that use natural refrigerants and to the presence of thousands of reference installations worldwide; iii) the development of the cold chain in less advanced countries; iv) greater attention to energy saving issues on the part of Governments and users who will shift demand to more energy efficient products; v) focus in the world of data centres, especially on outdoor machines; vi) growth in sales of LU-VE Group products at an annual rate around double the growth rate of the gross domestic product of each country, thanks to the close link with primary needs; vii) the electrification (replacement of traditional gas boilers with heat pump systems, possibly integrated with solar panels; presence of government incentives in many States to encourage the installation of heat pumps); viii) the decarbonisation replacement in district heating of fossil fuel systems with heat pump systems; ix) the spread of energy production systems using renewable sources with the consequent need for 'back-up' systems requiring cooling by means of 'radiators'. 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, energy and labour costs to the downstream market, thus allowing to safeguard EBITDA in absolute value. These assumptions take into account an assessment of the possible impacts linked to the dragging of the geopolitical tensions currently underway caused by the Russian-Ukrainian conflict.

In addition to the above, the LU-VE Group is assessing the risks (and opportunities) related to climate change relevant to its business. During 2022, the LU-VE Group completed the assessment to calculate GHG Scope 3 emissions (that is to say, the emissions generated upstream and downstream of its production activity, such as for example the emissions generated by logistics and by the products during their use by clients). During the 2022 financial year, the LU-VE Group approved the sustainability plan that concretely indicates the actions to be pursued over the next three years in order to achieve the objectives set in terms of reducing *Scope 1 and Scope 2 market-based* emissions, mainly through the increase in the share of energy procurement from renewable sources certified by guarantees of origin as well as through the installation of new photovoltaic plants for the production and self-consumption of electricity.

During the year, a quantitative assessment of the physical climate risks of all production facilities was carried out. The physical climate risks were analysed taking into consideration the different future scenarios correlated to internationally recognised climate models and based on greenhouse gas concentration pathways developed by the Intergovernmental Panel on Climate Change (IPCC), in particular taking into account the RCP 2.6 and RCP 4.5 scenarios and considering a time horizon to 2035. The analysis showed that the main risks that will affect the LU-VE Group the most are temperature variability, heavy rainfall and rainfall variability and would specifically affect the Group's plants of Spirotech, Zyklus and Refrion. These risks have been considered mitigable with not significant operational expenses considered when performing the impairment test on both CGUs in the sensitivity analysis scenario linked to climate change, as described in paragraph 3.1 Goodwill.

An update of the transition climate risks was also carried out. The various types of risk (market, technological, legal/policy and reputation), were assessed on the basis of their potential impact on the business and of the LU-VE Group's ability to deal with them over time. In the process of drawing up the 2023-2026 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 (in the plan, growth of 2% each year was imagined); growth in volumes linked to incentive plans for green technologies (with particular reference to heat pumps); adequate investments in research and developments to support the development of more sustainable products; the ability to pass through to the market any increases in raw materials for energy causes through the usual "pass through" systems; in investments it was considered necessary to adapt the product range to the ongoing technological evolution towards natural refrigerants and 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 LU-VE 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 2022 at a value not higher than their recoverable amount. In particular, the LU-VE Group has recognised goodwill for a total amount of €64.4 million in the consolidated financial statements as at 31 December 2022. This goodwill is attributable to two cash generating units ('CGUs'): "Components" for €27.5 million and "Cooling Systems" for €36.9 million, to which were also allocated intangible assets with a finite useful life for €34.0 million, right-of-use assets for €16.4 million and property, plant and equipment for €172.8 million.

Given the particular situation of uncertainty in the Russian socio-economic system due to the sanctions resulting from the ongoing war between Russia and Ukraine, and the direct exposure of the LU-VE Group to the areas affected by the conflict, the management of the LU-VE Group carried out an impairment test aimed at determining that the value of the Net Invested Capital ("NIC") of the Russian production company of the LU-VE Group, "OOO" SEST LUVE, is recognised in the financial statements as at 31 December 2022 at a value no higher than the recoverable value. In particular, the NIC pertaining to the Russian company recognised in the consolidated financial statements as at 31 December 2022 amounts to a total of €9.8 million (744,978 thousand roubles), of which €6.1 million (461,497 thousand roubles) relating to property, plant and equipment and the residual value substantially relating to operating working capital.

For more information, see the specific paragraph in the following Note 3.2 Property, plant and equipment.

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 historical and (forward-looking) collection experience and trends.

It is reported as only a specific customer-by-customer analysis carried out only for the receivables of the Russian production subsidiary (which led to a greater provision in the company involved), given the particular situation of uncertainty in the Russian socio-economic system due to the sanctions resulting from the war in progress.

Income taxes and deferred tax assets

The LU-VE Group is subject to various income tax legislation. To determine the LU-VE 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 LU-VE 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 order to verify the possibility of recognition and recoverability of deferred tax assets recognised in the Financial Statements as at 31 December 2022, the taxable results deriving from the 2023-2026 Plans of individual national tax consolidation companies (and in particular those of the Parent Company, which as at 31 December 2022 concentrates a large part of the same - €8 million, which was subsequently included in the LU-VE Group's 2023-2026 Business Plan) were taken into account, through the extrapolation from these of taxable income expected for the following years. Verifying the possibility of recognition of the deferred tax liabilities are accounted for when assessing whether these amounts can be recognised.
However, the future trend of various factors, including the evolution of the difficult economic and global financial environment, in light of the protraction of the Russian-Ukrainian conflict, requires that circumstances and events that could lead to the non-recoverability of deferred tax assets recognised by the Group are constantly monitored by the Group's management.

Impacts of the Russian-Ukrainian conflict

The LU-VE Group is constantly monitoring the situation created by the conflict between Russia and Ukraine, which began at the end of February 2022. The extreme geographical diversification of sales means that as at 31 December 2022, the LU-VE Group's exposure in this area is only 5.5% in terms of turnover and 2.5% of net invested capital (€8.8 million). Net invested capital includes approximately €2.2 million of net working capital, of which €7.8 million of stock. As at 31 December 2022, the exposure in terms of order backlog was 4.6%.

As at 31 December 2022, the balance sheet and financial position of the aggregate of subsidiaries based in Russia (where OOO SEST LU-VE is a production and trading company, while OOO LU-VE Moscow is a pure trading company) is mainly composed of:

- Non-current assets (which in addition to property, plant and equipment and intangible assets include deferred tax assets) equal to €6,594 thousand (€6,443 thousand as at 31 December 2021);
- Net working capital of €2,240 thousand;
- Cash and cash equivalents of €17,148 thousand (€8,609 thousand as at 31 December 2021). The increase compared to 31 December 2021 of €1.9 million refers to the impact of the EUR/RUB exchange rate;
- Intra-group financial payables of €273 thousand.

In the worst case scenario of loss of control of the two Russian companies (OOO SEST LU-VE and OOO LU-VE Moscow) due to events beyond the LU-VE Group's control, in addition to the already quantified effects on sales and net invested capital, the LU-VE Group would be obliged to recycle into the income statement the negative translation reserve relating to the two companies preparing their Financial Statements with functional currency in roubles equal to €2.3 million as at 31 December 2022. The intra-group receivables of the other LU-VE Group companies from the two Russian subsidiaries amounted to €1.1 million as at 31 December 2022. As at 31 December 2022, no LU-VE Group company had guaranteed the debts of the two Russian companies towards third parties.

In addition, the LU-VE Group is carefully observing the evolution of the conflict between Russia and Ukraine which is having significant repercussions on the world economy, also as a result of the sanctions that have been imposed or may be imposed further on Russia. Considering that production in Russia is targeted exclusively at the domestic market and refers to products for civil use linked to the primary needs of customers, the LU-VE Group has decided to keep the Lipetsk plant operational.

Intergroup supply activities to the Russian facility have been substantially suspended and have been replaced with direct supplies from third-party suppliers. An adequate diversification of logistics services was also activated in order to ensure continuity of supply. The Russian companies of the LU-VE Group only work on an active basis and therefore no financial intervention was necessary.

The LU-VE Group has engaged in monitoring activity in relation to the restrictions that have been imposed by the European Union and the United States on Russia and the individuals sanctioned, to ensure their full compliance. The LU-VE Group has adopted guidelines aimed at regulating relations with its Russian subsidiaries and commercial activities in Russia, also with the support of external consultants. It has also established compliance procedures regarding the possibility of exporting its own products and components to Russia by activating, with the support of external consultants, communication channels with the competent authorities to verify the correctness of its operating procedures. It has also established procedures for verifying the Ultimate Beneficial Owners of its customers and suppliers in sensitive areas, to verify that they are not included as subject to sanctions. Finally, it also obtained advice to ensure that its European associates who work in Russia and China cannot be subject to sanctions in Europe and the United States based on said activity. In order to coordinate the activities, it established a specific committee (composed of the LU-VE Group’s top management).

2.3 NEW ACCOUNTING STANDARDS

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED AS AT 1st JANUARY 2022

The following IFRS accounting standards, amendments and interpretations have been applied by the LU-VE Group for the first time as of 1 January 2022:

On 14 May 2020 IASB published the following amendments:

- Amendments to IFRS 3 Business Combinations: the amendments have the purpose to update 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 not to allow 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.

The adoption of these amendments had no significant effects on the LU-VE Group’s consolidated financial statements.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, FOR WHICH APPLICATION IS NOT YET REQUIRED AND NOT ADOPTED EARLY BY THE LU-VE GROUP AS AT 31 DECEMBER 2022

- On 18 May 2017 IASB published standard IFRS 17 – Insurance Contracts, which is destined to replace standard IFRS 4 – Insurance Contracts. The objective of the new standard is that of guaranteeing that entities provide pertinent information that faithfully represents the rights and obligations deriving from insurance contracts issued. IASB developed the standard to eliminate inconsistencies and weaknesses in the current accounting policies, providing a single principle-based framework to take into account of all type of insurance contracts held by an insurer, including reinsurance contracts.

The new standard also provides for the presentation and information requirements to improve the comparability between entities belonging to this sector.

The new standard measures an insurance contract on the basis of a General Model or a simplified version thereof, called Premium Allocation Approach ("PAA").

The main characteristics of the General Model are:

- estimates and hypotheses of future cash flows are always current ones;
- the measurement reflects the time value of money;
- estimates indicate an extensive use of information that is observable on the market;
- there is a current and explicit measurement of risk;
- the expected profit is deferred and aggregated in groups of insurance contracts at the time of initial recognition;
- the expected profit is recognised in the period of contractual coverage taking into account the adjustments deriving from hypotheses of financial flows relative to each type of contract.

The PAA approach requires the measurement of the liability for the residual coverage of a group of insurance contracts on condition that, at the time of initial recognition, the entity expects that this liability reasonably represents an approximation of the General Model. Contracts with a cover period of one year or less are automatically suitable for the PAA approach. The simplifications deriving from the application of the PAA method are not applied to the valuation of liabilities for current claims, which are measured with the General Model. However, it is not necessary to discount those cash flows if it is expected that the balance to be paid or received will arise within one year of the date in which the claim occurred.

The entity must apply the new standard to insurance contracts issued, including reassurance contracts issued, reinsurance contracts held and also to investment contracts with a discretionary participation feature (DPF).

The standard applies as of 1 January 2023, but early application is permitted, only for entities that apply IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers. The directors do not expect the adoption of this standard to have a significant effect in the LU-VE Group's consolidated financial statements.

- On 9 December 2021, the IASB published an amendment called "Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information". The amendment is a transition option relating to comparative information on financial assets presented at the date of initial application of IFRS 17. The amendment aims to avoid temporary accounting mismatches between financial assets and liabilities of insurance contracts, and therefore to improve the usefulness of comparative information for readers of the financial statements. The amendments will apply from 1 January 2023, together with the application of IFRS 17. 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 2 amendments called "Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2" and "Definition of Accounting Estimates - Amendments to IAS 8". The amendments are aimed at improving disclosure on accounting policies in order to provide more useful information to investors and other primary users of the financial statements as well as to help companies distinguish changes in accounting estimates from changes in accounting policies. The amendments will apply from 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 LU-VE 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.

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, the IASB published an amendment called "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current" and on 31 October 2022 published an amendment called "Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants". The documents have the objective of clarifying how to classify debts and other short or long-term liabilities. The amendments apply as at 1 January 2024, but early application is permitted. The directors do not expect the adoption of this amendment to have a significant effect on the LU-VE Group's consolidated Financial Statements.

- On 22 September 2022, the IASB published an amendment called "Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback". The document requires the seller-lessee to assess the liability for the lease deriving from a sale & leaseback transaction so as not to recognise an income or a loss that refers to the right of use withheld. The amendments shall apply as of 1 January 2024, but early application is permitted. The directors do not expect the adoption of this amendment to have a significant effect on the LU-VE 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 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**
Contribution of the Refrion group	**9,416**	**4,423**	**13,839**
Increases	-	4,381	4,381
Decreases		(4,333)	(4,333)
Reclassifications	-	-	-
Exchange differences	28	(11)	17
As at 31 December 2022	**77,346**	**93,707**	**171,053**
Provision			
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**
Increases	-	9,283	9,283
Decreases	-	(3,318)	(3,318)
Reclassifications	-	-	-
Exchange differences	-	(18)	(18)
As at 31 December 2022	**12,915**	**59,664**	**72,579**
Net carrying amount			
As at 31 December 2021	**54,987**	**35,530**	**90,517**
As at 31 December 2022	**64,431**	**34,043**	**98,474**

Goodwill

The increase in the item "Goodwill" for €9,444 thousand is attributable to the contribution of the Refrion Group for €9,416 thousand, as reported in the Introduction, and for €28 thousand, 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 LU-VE Group tested the recoverability of the carrying amount of Net Invested Capital (NIC) as at 31 December 2022. 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 LU-VE Group has recognised goodwill totalling €64.4 million in the consolidated Financial Statements as at 31 December 2022, attributed to the "Components CGU" for €27.5 million (unchanged from 31 December 2021) and the "Cooling Systems CGU" for €36.9 million, (€27.5 million as at 31 December 2021, whose increase is attributable to the aforementioned acquisition of the Refrion group), to which were also allocated intangible assets with a finite useful life amounting to €34 million, rights-of-use assets to €16.4 million and property, plant and equipment of €172.8 million were also allocated. It is reported that the Refrion group has been included in the cooling systems CGU because the customer base and applications of sold products by the new acquired company are substantially the same of the above mentioned CGU.

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 2023-2026 Business Plan approved by the Parent Company's Board of Directors on 23 February 2023, 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:

- industry financial structure: 9.74% (third party capital) and 90.26% (own capital) for both the CGUs, taking into account the average of a panel of comparable companies;
- sector relevered beta: 1.119 for the "Components CGU" and 1.118 for the "Cooling System CGU";
- risk-free rate: 6.07% for the "CGU Components" and 4.42% for the "CGU Cooling System" - determined considering the average yield of the last 6 months of government bonds maturing

in ten years, in consideration of the countries in which each CGU operates (reduced average return timeframe compared to the previous year in order to consider the current condition of macroeconomic uncertainty generated by the Russian-Ukrainian conflict, in line with the latest communications of the OIV[1]);

- risk premium: 5.60% (attributable to AAA-rated countries - source Prof. P. Fernandez, Survey: Market Risk Premium and Risk-Free Rate used for 88 countries in 2022) for both CGUs;

- cost of debt, gross tax: 3.30% for both CGUs, determined considering the 10-year average of the six-monthly average of the IRS rate equal to 2.55%, increased by a spread equal to 0.75% - 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, which was calculated with the “perpetual cash flow” method considering a growth rate (g rate) of 2.53% and 2.12% 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 explicit year of the plan (2026), 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 11.39% for the Components CGU and 9.90% for the Cooling Systems CGU.

From the impairment test carried out, approved by the Parent Company's Board of Directors on 14 March 2023, the Group has not recognised any impairment losses, as the value in use was resulted 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 LU-VE 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 break-even reduction of EBITDA and the break-even g-rate (which equate to the Value in Use and Carrying Amount), obtaining the results reported below:

[1] Discussion Paper "Impairment test of non-financial assets following the war in Ukraine" issued by the OIV on 13 June 2022.

- increase of the WACC (maintaining all other plan assumptions unchanged) of approximately +6.1% for the "Components CGU" and approximately +2.1% for the "Cooling Systems CGU";

- lowering of the EBITDA in the Plan's explicit period and in Terminal Value (maintaining all other plan assumptions unchanged) of -27.2% for the "Components CGU" and -14.5% 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.

Lastly, with reference to the impacts of climate change risks on the determination of the cash flows of the explicit period of the business plan and of the terminal value prepared for the two CGUs for the purpose of the impairment test, it should be noted that:

- With regard to transition risks, it is not believed that there may be any differential impacts compared to those forecasted in the business plan approved by Directors;
- With regard to physical risks, it is reasonable to estimate a possible greater impact on the cash flows with comparison to the scenario forecasted in the Business plan 2023-2026 and on the terminal value. This greater impact can be quantified in a decrease in cash flows both in the above mentioned explicit period and in the terminal value of approximately €2 million for the CGU components (of which €1 million is linked to the higher energy costs shown in the face of the "Changing Temperature" and €1 million linked to the higher costs to be incurred to mitigate the effects deriving from the "Heatwave" with air conditioning systems in the production areas) and approximately €2 million for the Cooling Systems CGU (costs to be incurred for issues related to "Heavy Snow Precipitation"). The 2 decreases mentioned in cash flows would bring a reduction of the CGU Components cover by 12% and a reduction of the CGU Cooling System cover by 32%.

On the basis of the impacts identified and deriving from the risk of climate change, no further sensitivity analyses are considered applicable (for example, 1/-1 degree increase compared to the Paris agreement.

Other intangible assets

The net value of "Other intangible assets" fell by €1,487 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 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	132
As at 31 December 2021	**20,579**	**23,908**	**18,264**	**2,497**	**23,783**	**216**	**89,247**
Contribution of the Refrion group	**-**	**2,995**	**156**	**388**	**643**	**241**	**4,423**
Increases	-	-	311	1,161	2,805	104	4,381
Decreases	-	-	(2,918)	(426)	(896)	(93)	(4,333)
Reclassifications	-	-	1,572	(1,572)	249	(249)	-
Exchange differences	-	(14)	(1)	(4)	3	5	(11)
As at 31 December 2022	**20,579**	**26,889**	**17,384**	**2,044**	**26,587**	**224**	**93,707**
Provision							
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**
Increases	1,374	2,227	1,790	-	3,889	3	9,283
Decreases	-	-	(2,355)	-	(870)	(93)	(3,318)
Reclassifications	-	-	-	-	-	-	-
Exchange differences	-	(16)	(6)	-	8	(4)	(18)
As at 31 December 2022	**6,227**	**15,463**	**15,265**	**-**	**22,699**	**10**	**59,664**
Net carrying amount							
As at 31 December 2021	**15,726**	**10,656**	**2,428**	**2,497**	**4,111**	**112**	**35,530**
As at 31 December 2022	**14,352**	**11,426**	**2,119**	**2,044**	**3,888**	**214**	**34,043**

Customer list

The changes in the year referring to the customer list refer exclusively to amortisation for the year, not considering the effect deriving from exchange differences.

Trademarks

The change in the year relating to Trademarks refers for €2,995 thousand to the allocation of the purchase price of the Refrion group (more details of which are in the note in the "Introduction"), and to the amortisation for the year, neglecting the effect deriving from exchange rate differences.

Development costs and development costs in progress

The total *Development costs* incurred in the year came to €1,472 thousand referring to projects in progress for new product development. Furthermore, during the year €1,572 thousand of projects successfully concluded in 2022 were reclassified from "Development costs in progress" to "Development costs".
The contribution of the Refrion group is approximately €544 thousand, of which €388 thousand refer to "Development costs in progress". From the period April to December 2022 there were increases in the *"Development costs" and "Development costs in progress" categories* by the companies of the Refrion group, amounting to €90 thousand.

Software

Software increased by €2,805 thousand; the main projects developed during the year relate to the migration to the new SAP 4 HANA release and the purchase of new licences of the accounting/management ERP (SAP 4 HANA), the new software for managing the approval process for orders, as well as evolutions of the accounting/management ERP (SAP 4 HANA) and the main software used by the LU-VE Group.
The contribution of the Refrion group is €643 thousand. In the period from April to December 2022, the increases in the "software" category by the Refrion group companies amounted to approximately €58 thousand.

Other intangible assets

Other intangible assets rose by €104 thousand (€23 thousand in the previous year) and mainly refer to software, internet sites and database developments, not yet available for use.

Cash outflows in the year referring to investments in intangible assets amounted to €4,381 thousand.

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

3.2 PROPERTY, PLANT AND EQUIPMENT

Other property, plant and equipment *(in thousands of Euro)*	Property	Plant and equipment	Rights-of - use assets	Other property, plant and equipment	Work in progress	Total
Historical						
As at 01 January 2021	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
Contribution of the Refrion group	3,020	2,055	1,970	612	1,153	8,810
Increases	7,946	10,673	2,973	3,252	11,292	36,136
Decreases	-	(1,478)	(2,175)	(2,356)	(67)	(6,076)
Reclassifications	2,480	3,028	-	512	(6,020)	-
Exchange differences	719	715	(132)	18	(16)	1,304
As at 31 December 2022	127,789	176,784	30,149	42,397	12,758	389,877
Provision						
As at 01 January 2021	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
Increases	3,041	11,495	5,543	3,367	-	23,446
Decreases	-	(1,186)	(2,486)	(2,130)	-	(5,802)
Reclassifications	-	-	-	-	-	-
Exchange rate difference	215	706	(70)	8	-	859
As at 31 December 2022	32,852	122,977	13,762	31,021	-	200,612
Net carrying amount						
As at 31 December 2021	84,028	49,829	16,738	10,583	6,416	167,594
As at 31 December 2022	94,937	53,807	16,387	11,376	12,758	189,265

As at 31 December 2022, the historical cost of property, plant and equipment rose by €40,174 thousand mainly traceable as follows:

- €8,810 thousand to the contribution of the Refrion group, as shown in the table. The increases in fixed assets for properties referring to the Refrion group in the period from April to December 2022 amounted to €1,732 thousand;
- €7,946 thousand refer to the increase in investments in land and buildings, of which €456 thousand refer to the increase in the Refrion group companies in the period from April to December 2022;

- €10,673 thousand referring to the expansion of the current production capacity, through the purchase of new plant and machinery. There were no significant increases made by the companies of the Refrion group in the period April to December 2022;

- €2,973 thousand referring to the recognition of the effects of IFRS 16, of which €1,427 thousand refer to the increase in leased properties, €873 thousand referring to the increase in leases for the use of leased motor vehicles and €673 thousand referring to the increase in leases for the use of forklifts and other machinery. There were no significant increases made by the companies of the Refrion group in the period April to December 2022;

- €14,544 thousand relative to the technological investment programme in Italy and abroad, mainly for the expansion and rationalisation of the production sites of the SEST-LUVE-Polska SP.z.o.o., SEST S.p.A. and Heatg Transfer Systems s.r.o. In the period from April to December 2022, the increases relating to the investment programme for the expansion and rationalisation of the Flumignano production site, owned by the Refrion group, amounted to €1,094 thousand.

- the negative difference of €4,772 thousand refers to the net effect of the decreases (approximately €6,076 thousand mainly attributable to the sale of TECNAIR LV S.p.A.) and the increase in exchange rate deltas (with particular reference to the US Dollars, Zloty, Rubles and Rupees) on the historical cost for €1,304 thousand**.**

In the financial year, capital expenditure in property, plant and equipment generated a cash outflow of €32,291 thousand (equal to the total group increase of €36,136 thousand, net of increases related to IFRS 16 of €2,973 thousand and the net effect on 31 December 2021 of investments not yet paid for of €872 thousand).

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.

In this regard, it is reported that, given the particular situation of uncertainty in the Russian socio-economic system due to the sanctions resulting from the ongoing war between Russia and Ukraine, and the direct exposure of the LU-VE Group to the areas affected by the conflict, the management of the LU-VE Group carried out an impairment test aimed at determining that the value of the Net Invested Capital ("NIC") of the Russian company of the LU-VE Group, "OOO" SEST LUVE, is recognised in the financial statements as at 31 December 2022 at a value no higher than the recoverable value. In particular, the NIC pertaining to the Russian company recognised in the LU-VE Group financial statements as at 31 December 2022 amounts to a total of approximately €9.8 million (744,978 thousand roubles), of which approximately €6.1 million (461,497 thousand roubles) relating to property, plant and equipment and the residual value substantially relating to operating working capital.

In particular, in determining the recoverable value, identified in the value in use as the sum of the discounted cash flows (Discounted Cash Flow Unlevered method), the Management referred to the Business Plan of "OOO" SEST LUVE, developed over a finite time horizon (2023-2027), identified as the time period relating to the residual useful life of the Russian company’s property, plant and equipment, which also includes investments made during 2022 totalling approximately 47 million roubles, or approximately €0.6 million), therefore not including in the recoverable value neither the terminal value, nor new investments. The plan reflects the assumption that "OOO" SEST LUVE carries out its business exclusively for Russian customers, without the direct involvement of the LU-VE Group companies in the supply chain (the effect of expected inflation over the explicit period of the plan has been included in the cash flows).

For the purposes of determining the recoverable value of the Net Invested Capital, given the situation of extreme uncertainty, the discounting of the cash flows was carried out using a discount rate (WACC = Ke, as a full equity financial structure was envisaged) that it takes into account the specific risks of the activity and the reference geo-political context, equal to 25.98%, determined with the unconditional adjustment method starting from the free risk rate of the United States and adding the Equity Risk Premium of Russia (Source: Damodaran). This rate was higher than the break-even WACC, equal to approximately 43.2%.

Based on the impairment test carried out, approved by the Parent Company's Board of Directors on 14 March 2023, no losses emerged.

3.3 INVESTMENTS

The LU-VE Group holds the following investments:

Investments *(in thousands of Euro)*	**31/12/2022**	**31/12/2021**	**Change**
Other investments	141	8	133
Total	**141**	**8**	**133**

The increase of €133 thousand refers to non-controlling investments deriving from the contribution of the Refrion group, including the companies Refrion D.o.o. based in Serbia and Refrion Schweiz based in Switzerland.

3.4 OTHER NON-CURRENT ASSETS

The item in question was broken down as follows as at 31 December 2022:

Other non-current assets ***(in thousands of Euro)***	**31/12/2022**	**31/12/2021**	**Change**
Other non-current assets	1,332	228	1,104
Total	**1,332**	**228**	**1,104**

The item "Other non-current assets" mainly refers to:

- €1,020 thousand traceable to the Refrion group for receivables due within two years, guaranteed by the previous shareholders of Refrion S.r.l. In the period from April to December 2022, €364 thousand were collected. At the acquisition date, the contribution of the Refrion group was €1,384 thousand;

- €312 thousand traceable to security deposits paid to service providers (€228 thousand as at 31 December 2021);

3.5 INVENTORIES

The item in question was broken down as follows as at 31 December 2022:

Inventories *(in thousands of Euro)*	**31/12/2022**	**31/12/2021**	**Change**
Raw materials and consumables	95,080	81,780	13,300
Work in progress and semi-finished products	12,639	8,796	3,843
Finished products and goods for resale	35,725	28,125	7,600
Provision for inventory losses	(9,207)	(7,624)	(1,583)
Total	**134,237**	**111,077**	**23,160**

The increase in inventories amounting to €23,160 thousand was due to the following factors:

- €5,248 thousand attributable to the inventories of the Refrion group companies as at 31 December 2022 (€5,824 thousand as at 31 March 2022, the date of start of consolidation);
- €19,968 thousand is related to the Group's procurement policies of increasing the level of safety stocks of raw materials (therefore with no risk of obsolescence) so as to be able to guarantee delivery terms in line with customers' expectations and thus fully exploit the active demand of the entire financial year;
- €2,286 thousand, a reduction due to the deconsolidation of TECNAIR LV S.p.A., as reported in the note "Introduction" (€3,344 thousand at the date of deconsolidation);
- €230 thousand due to the effect of the positive exchange rate delta in the year.

The cash absorption referred to the item "Inventories" amounts to €20,450 thousand.

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

The increase in the provision for inventory losses for €1,583 thousand is broken down as follows:

- increase of €1,935 thousand for greater provisions;
- decrease of €350 thousand due to the deconsolidation of the company TECNAIR LV S.p.A.;
- decrease due to the exchange differences of €2 thousand.

3.6 TRADE RECEIVABLES

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

Trade Receivables *(in thousands of Euro)*	**31/12/2022**	**31/12/2021**	**Change**
Trade receivables	92,748	84,385	8,363
Bad debt provision	(9,483)	(10,254)	771
Total	**83,265**	**74,131**	**9,134**

The increase in trade receivables amounting to €9,134 thousand was due to:

- €6,810 thousand to receivables of Refrion Group companies outstanding as at 31 December 2022 (€6,424 thousand as at 31 March 2022, the date of commencement of consolidation);
- €4,942 thousand refer to a general increase in sales of the other companies of the LU-VE Group, also as a result of the higher turnover achieved in the financial year 2022 compared to the previous year (for further details, please see the Directors' Report);
- €2,618 thousand, a reduction due to the deconsolidation of TECNAIR LV S.p.A., as reported in the note "Introduction" (€2,931 thousand at the date of deconsolidation).

The above-mentioned changes in trade receivables generated a cash absorption of €5,641 thousand.

The decrease in the bad debt provision for €771 thousand is due to:

- net decrease of €377 thousand for releases;
- decrease of €302 thousand for use of the Provision;
- €92 thousand for the contribution of the Refrion group and positive exchange rates.

Please refer to the Directors' Report for the price and volume effects referring to the turnover.

In addition, in December 2022 receivables of roughly €29,510 thousand were transferred to the Factor, compared to roughly €25,853 thousand as at 31 December 2021. All these transfers were without recourse. The percentage of receivables sold compared to turnover in the last 12 months was 4.78% (5.25% in 2021).

All trade receivables are due within the subsequent 12 months and derive from normal sales transactions.

Trade receivables include contract assets (invoices to be issued relative to services already rendered by the Group) for an amount of €194 thousand and a reduction in trade receivables for variable compensations (mainly credit notes to be issued for bonuses granted to customers) for €2,047 thousand.

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

Breakdown of trade receivables by geographical area *(in thousands of Euro)*	**31/12/2022**	**31/12/2021**	**Change**
Italy	21,022	17,580	3,442
EU Countries	49,674	48,666	1,008
Non-EU Countries	22,052	18,139	3,913
Bad debt provision	(9,483)	(10,254)	771
Total	**83,265**	**74,131**	**9,134**

The ageing of trade receivables is shown below:

Breakdown of trade receivables by maturity *(in thousands of Euro)*	**31/12/2022**	**31/12/2021**	**Change**
Current receivables (not past due)	73,189	67,878	5,311
Past due up to 30 days	8,626	7,593	1,033
Past due from 30 to 60 days	3,521	2,538	983
Past due from 60 to 90 days	890	850	40
Past due for more than 90 days	6,522	5,526	996
Total	**92,748**	**84,385**	**8,363**

The LU-VE Group measures 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 2022, it must also be noted that the estimated expected losses prudentially include the potential forward-looking impacts on the possible worsening of customers’ credit ratings and those of countries in which they operate, and on their ability to meet their obligations. A specific analysis was carried out on the creditworthiness of each individual customer of the Russian production subsidiary (which led to a greater provision in the company involved) due to the situation of uncertainty due to the economic sanctions resulting from the war in progress.

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 LU-VE Group in 2022 on the basis of IFRS 9. As the LU-VE 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.

31/12/2022 *(in thousands of Euro)*	**Not past due**	**<30**	**31 - 60**	**61 - 90**	**>90**	**Total**
Expected default rate	3.80%	2.50%	8.1%	25.0%	100.0%	10.2%
Estimate of gross accounting value at the time of default	73,753	9,062	3,000	967	5,966	92,748
Expected losses throughout the life of the credit	2,805	227	243	242	5,966	9,483

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

3.7 CURRENT TAX ASSETS

This item was broken down as follows:

Current tax assets *(in thousands of Euro)*	**31/12/2022**	**31/12/2021**	**Change**
VAT tax assets	7,367	7,512	(145)
Receivables towards tax authorities	2,078	2,981	(903)
Others	344	239	105
Total	**9,789**	**10,732**	**(943)**

Tax receivables decreased by €943 thousand, this decrease is mainly due to the increase in the tax burden at group level compared to the previous year (as reported in Note 3.17), which therefore saw the use of previous tax credits.

Receivables towards tax authorities refer to receivables not directly or immediately offset by direct taxes, mainly (i) tax credits for research and development and technological innovation activities envisaged by Article 1 paragraph 200 et seq. of the Law of 27 December 2019, (ii) tax credits relating to the so-called 'Super-amortisation' accounted for by the Italian companies of the Group and, to a lesser extent, (iii) the excess of the tax advances paid for the year 2022 with respect to the actual tax burden.

3.8 CURRENT FINANCIAL ASSETS

Current financial assets included in this item are part of the "FVTPL" category envisaged by IFRS 9. These are financial instruments, whose contractual financial flows are not constituted solely by payment of capital and interest on the amount of capital to be repaid, and are held by the Group in the context of a pro tempore strategy whose objective, at equal risk, is the optimisation of the net cost of debt. This item was broken down as follows:

Current financial assets *(in thousands of Euro)*	**31/12/2022**	**31/12/2021**	**Change**
Capitalisation policies	102,670	81,356	21,314
Fair value of derivatives	13,963	-	13,963
Time deposit	10,000	-	10,000
Other securities	240	590	(350)
Total	**126,873**	**81,946**	**44,927**

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 €79,616, at a fair value as at 31 December 2022 amounting to €85,787 thousand (as at 31 December 2021 the nominal value was €59,776 thousand, while the fair value was €64,902 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 performance (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 €20,000 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 €1,044 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, with a fair value as at 31 December 2022 amounting to €16,883 thousand (as at 31 December 2021, the nominal value was €15,000 thousand, while the fair value was €16,454 thousand); no new capitalisation policies were taken out during the year. The fair value measurement at year-end resulted in the recognition of a net positive change of €430 thousand, of which 433 was recognised under "Financial Income" and €3 thousand under "Financial Expenses" (Notes 4.8 and 4.9).

It should be noted 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.

The item "fair value of derivatives" represents the fair value as at 31 December 2022 of financial derivatives contracts subscribed by the LU-VE Group companies.

CURRENT FINANCIAL ASSETS

The following table summarises the derivative financial instruments outstanding as at 31 December 2022, broken down by type:

Derivative financial instruments as at 31/12/2022 *(in thousands of Euro)*		**31/12/2022**		**31/12/2021**		**31/12/2022**	**31/12/2021**
TYPE	**ORIGINAL NOTIONAL**	**NOT. Short**	**NOT. M/L**	**NOT. Short**	**NOT. M/L**	**FAIR VALUE**	**FAIR VALUE**
IRS on loans	466,350	88,936	271,821	73,566	185,755	13,964	(676)
Currency options	10,800	11,098	-	6,100	-	(23)	(100)
Commodities Swap	3,379	3,379	-	-	-	22	-
Total	**480,529**	**103,413**	**271,821**	**79,666**	**185,755**	**13,963**	**(776)**
Total Notional		**375,234**		**265,421**			

As at 31 December 2022, derivative financial instruments on IRSs and its commodities entered into by LU-VE Group companies showed a positive fair value of €13,964 thousand and €22 thousand, respectively (€676 thousand and 0 as at 31 December 2021, respectively), while derivative financial instruments on currencies held by the LU-VE Group showed a negative fair value of €23 thousand (negative for €100 thousand as at 31 December 2021). Please refer to Appendix A for details as at 31 December 2022 of the existing derivative financial instruments broken down by type.

The change in the fair value of derivatives for €14,739 thousand compared to the previous financial year is mainly determined as follows:

- positive change in fair value of €14,640 thousand for derivative financial instruments on interest rates (note 4.8 - Financial income);
- net positive change in the fair value of derivative financial instruments on foreign currency transactions for €77 thousand (note 4.9 - Financial charges);
- positive change in fair value of €22 thousand for derivative financial instruments on purchases of the main raw materials copper and aluminium (note 4.3 - Purchases of materials).

In November 2022, two Time Deposit contracts were signed with a notional value of €10,000 thousand each. The first contract, expiring on 21 February 2023 (therefore with a duration of less than three months), was recognised under cash equivalents (to which reference should be made to note 3.10 - *"Cash and cash equivalents"*), while the second, maturing on 22 May 2023, is recognised under Current financial assets. Both contracts provide for the remuneration of the invested capital at the expiry of the contractual terms.

Other securities refer to investments in insurance certificates, with Unicredit, totalling €300 thousand. During the financial year, certificates for a total value of €300 thousand were redeemed due to the expiry of contractual terms. The fair value measurement as at 31 December 2022 resulted in the recognition of a negative change of €74 thousand (note 4.9 - Financial charges) and positive changes in fair value of €24 thousand (note 4.8 - Financial income).

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.

The aforementioned investments in current financial assets involved a cash absorption of €29,540 thousand.

3.9 OTHER CURRENT ASSETS

The details of this item are shown below:

Other current assets *(in thousands of Euro)*	**31/12/2022**	**31/12/2021**	**Change**
From employees	131	64	67
Advances and other receivables	3,353	3,437	(84)
Total	**3,484**	**3,501**	**(17)**

The decrease of €17 thousand in the item "Advances and other receivables" mainly refers to the decrease in advances to suppliers and other receivables of some LU-VE Group companies.

3.10 CASH AND CASH EQUIVALENTS

The details of this item are shown below:

Cash and cash equivalents *(in thousands of Euro)*	**31/12/2022**	**31/12/2021**	**Change**
Cash and cash equivalents	167,258	166,328	930
Equivalent means	10,000	-	10,000
Total	**177,258**	**166,328**	**10,930**

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

The cash equivalents refer to the time deposit of €10,000 thousand stipulated in November 2022 and expiring in February 2023 (Note 3.20).

Cash and cash equivalents are mainly concentrated in Italy for an amount of €132,382 thousand. The LU-VE Group has no restrictions/constraints on the use of these amounts. With reference to cash and cash equivalent in Russian Federation (in total about €17.1 million of which €8.5 million denominated in Russian roubles), there is the possibility of a dividend distribution by instalment for a maximum monthly amount of 10 million Russian roubles (at the year-end exchange rate, about 130.000 Euro).

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 €8.5 million), in Chinese Yuan (approximately €3.3 million), Indian rupees (approximately €1.8 million), US dollar (approximately €6.0 million).

Cash and cash equivalents by geographical areas *(in thousands of Euro)*	31/12/2022	31/12/2021	Change
Italy	132,382	140,187	(7,805)
EU Countries	16,571	6,565	10,006
Non-EU Countries	28,305	19,576	8,729
Total	**177,258**	**166,328**	**10,930**

3.11 EQUITY

The share capital of the Parent Company LU-VE S.p.A. amounted to €62,704 thousand (unchanged from 31 December 2021). In 2022, dividends of €7,772 thousand were distributed by the Parent Company LU-VE S.p.A. from retained profits.

As at 31 December 2022 the Parent Company held 28,027 treasury shares (0.13% of the share capital), purchased during the previous 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.

Equity attributable to non-controlling interests amounted to €4,712 thousand (€4,586 thousand as at 31 December 2021). The profit attributable to non-controlling interests totalled €1,351 thousand (€1,036 thousand in 2021). The increase in non-controlling interests was positively impacted by the results of operations for the year in the amount of €1,351 thousand, together with the positive effects arising from the translation into Euros of the related equity in the amount of €51 thousand, partially offset by the distribution of dividends in the amount of €450 thousand by SEST LU-VE POLSKA Sp.z.o.o. and the elimination of the minority interest component in the consolidated financial statements in the amount of €826 thousand arising from the sale of Tecnair LV S.p.A.

It should be noted that as at 31 December 2022, the translation reserve of negative €13.6 million refers mainly to the following currencies: €2.3 million for Russian roubles, €7.2 million for Polish zloty, €4.5 million for Indian rupees and positive €0.4 million for other currencies.

Finally, it should be noted that for Russian companies, as reported in the paragraph "Translation into Euro of the Income Statements and Statements of Financial Positions drafted in foreign currency", the exchange rates indicated by the Russian Central Bank were used.

3.12 LOANS

This item was broken down as follows:

Loans *(in thousands of Euro)*	31/12/2022		31/12/2021	
	Current	Non-current	Current	Non-current
Loans	102,737	320,202	131,771	202,844
Advances on export flows in Euro	-	-	19,500	-
Other advances on invoices	528	-	-	-
Total	**103,265**	**320,201**	**151,271**	**202,844**

LOANS

As at 31 December 2022, bank loans amounted to €422,938 thousand (€334,615 thousand as at 31 December 2020).

For the breakdown of the item, accounted for according to the amortised cost method, the evolution compared to the previous year and the characteristics of the bank loans held by the LU-VE Group, please refer to the table in paragraph 9 Appendix B. Please note that for loans at floating rate, the LU-VE Group calculated the amortised cost as at 31 December 2022 on the basis of the market curve of forward rates at the reporting date.

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 2022, 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**	**Contribution of the Refrion group**	**New loans**	**Repayments**	**Change in amortised cost (*)**	**Exchange delta**	**Closing balance**
Loans	334,615	4,353	210,000	(131,529)	5,499	-	422,938
Advances on export flows in Euro	19,500	-	16,000	(35,500)	-	-	-
Other advances on invoices	-	3,847	11,460	(14,779)	-	-	528
Total	**354,115**	**8,200**	**237,460**	**(181,808)**	**5,499**	**-**	**423,466**

(*) Impact generated by the calculation of future cash outflows for interest on the basis of the forward market curves for floating rate loans.

The following changes took place in loans in 2022:

- contribution of the Refrion group for €4,353 thousand. In the period from April to December 2022, they were fully repaid (detailed below) and there were no subscriptions of new loans referring to the Refrion group;

- subscription of an unsecured loan for €40,000 thousand with Cassa Depositi e Prestiti with a duration of 84 months (of which 24 months of pre-amortisation). This loan repayable in half-yearly instalments at constant principal is aimed at supporting the financial needs functional to the LU-VE Group’s growth initiatives in Italy and abroad and provides for better conditions for the company if specific objectives for increasing employment in Italy are achieved. The loan is subject to compliance with financial covenants;

- signing of an unsecured loan for €15,000 thousand with Intesa Sanpaolo S.p.A. for a term of 84 months (of which 24 months of pre-amortisation) repayable in six-monthly instalments with constant principal. The loan, aimed at new projects for the creation of new ranges of items that use natural fluids to reduce the environmental impact, provides for better conditions for the LU-VE Group if specific sustainability objectives in the context of procurement policies and in the introduction to the company fleet of vehicles with a reduced environmental impact are achieved. The loan is subject to compliance with financial covenants and is covered by a guarantee provided by SACE S.p.A.;

- signing of an unsecured loan for €15,000 thousand with Intesa Sanpaolo S.p.A. for a term of 84 months (of which 24 months of pre-amortisation) repayable in six-monthly instalments with constant principal. The loan, aimed at new projects for the construction and development of equipment with a reduced environmental impact (biofixation, conversion and other methods for the use and reuse of CO2 in production processes), provides for better conditions for the LU-VE Group if specific sustainability objectives are achieved. The loan is subject to compliance with financial covenants and is covered by a guarantee provided by SACE S.p.A.;

- signing of an unsecured loan for €40,000 thousand with Banca Nazionale del Lavoro S.p.A. for a term of 60 months (of which 12 months of pre-amortisation) repayable in six-monthly instalments with constant principal. The loan, aimed at supporting investments that have a positive impact in terms of environmental sustainability in the following areas: renewable energy, energy efficiency, public and mass transport, water management and treatment and recycling, provides for better conditions for the LU-VE Group when specific sustainability objectives are achieved;

- signing of an unsecured loan for €25,000 thousand with BPER S.p.A. for a term of 60 months (of which 12 months of pre-amortisation) repayable in three-monthly instalments at a constant capital rate. The loan requires compliance with financial covenants;

- signing of an unsecured loan for €15,000 thousand with Intesa Sanpaolo S.p.A. for a term of 60 months (of which 12 months of pre-amortisation) repayable in three-monthly instalments with constant principal. This loan, finalised at the support of company liquidity, provides conditions that are further improved for the LU-VE Group when specific sustainability objectives are achieved. The loan requires compliance with financial covenants;

- subscription of an unsecured loan for €30,000 thousand with Deutsche Bank S.p.A. with a duration of 72 months (of which 18 months of pre-amortisation). The loan, aimed at supporting the company’s investment plan, requires compliance with financial covenants;

- in November, an unsecured loan agreement was signed with Unicredit S.p.A. for €25,000 thousand with a duration of 48 months (pre-amortisation period until December 2022). The loan requires compliance with financial covenants;

- subscription of an unsecured loan for €25,000 thousand, of which the first tranche of €5 million disbursed in December, and the remaining part to be used in 2023. The loan duration of 60 months (of which 6 months of pre-amortisation) is aimed at supporting the company's financial needs and provides for better conditions for the LU-VE Group to achieve specific sustainability objectives. The loan requires compliance with financial covenants.

The new loans taken out were stipulated by taking into account the average cost of the LU-VE Group’s debt, in line with market rates.

During 2022, with the aim of further optimising the LU-VE Group's financial structure, the following loans and related derivative contracts were also redeemed early, for a total of €34,037 thousand using available liquidity:

- bullet loan agreement signed by LU-VE S.p.A. on 4 February 2021 with Cassa Depositi e Prestiti, extinguished early on 22 April 2022 and with original maturity on 3 August 2022 for a residual amount of €30,000 thousand;

- loan agreement signed by Refrion S.r.l. on 22 December 2022 with Intesa Sanpaolo expiring on 22 December 2026 for a residual amount of €1,550 thousand;

- loan agreement signed by Refrion S.r.l. on 11 October 2021 with Banca di Udine expiring on 11 October 2029 for a residual amount of €869 thousand;

- loan agreement signed by Refrion S.r.l. on 30 November 2016 with Intesa Sanpaolo expiring on 15 June 2026 for a residual amount of €632 thousand;

- loan agreement signed by RMS S.r.l. on 1 February 2022 with Banca di Udine expiring on 1 February 2030 for a residual amount of €601 thousand;

- loan agreement signed by RMS S.r.l. on 17 June 2021 with Banca di Udine expiring on 17 June 2027 for a residual amount of €385 thousand.

The total cash flow absorbed for repayments amounted to €131,529 thousand (€97,176 thousand in repayments of current instalments of existing loans, €30,000 thousand for early repayment of the Cassa Depositi e Prestiti loan and €4,353 thousand to the early repayment of the loans contributed by Refrion, as reported above).

We note that the following guarantees are in place on the existing loans subscribed with Deutsche Bank in 2020:

- 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 Italian Law 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 123 of 31 March 1998, “Dispositions for the rationalisation of public support interventions to enterprises”, pursuant to article 4, paragraph 4, letter c) of Italian Law 59 of 15 March 1997.

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.

During 2022, the following changes occurred in relation to the items "Advances on export flows in

Euro" and "Other advances on invoices":

- contribution of the Refrion group for €3,847 thousand. In the period from April to December 2022 these advances are fully repaid;
- subscription of advances for cash flows for €16,000 thousand;
- Repayments of short-term lines of credit for €35,500 thousand;
- advances on invoices received from the Indian subsidiary SPIROTECH Heat Exchangers Pvt. Ltd for €11,460 thousand. During the year, the same company repaid €10,932 thousand.

3.13 PROVISION

The details of this item are shown below:

Change in provisions *(in thousands of Euro)*	**31/12/2021**	**Refrion contribution**	**Prov./incr.**	**Uses**	**Release of excess portion**	**Other changes**	**Exchange rate delta**	**31/12/2022**
Provision for agents' leaving indemnities	63	-	5	(38)	-	-	-	30
Product warranty provision	4,701	90	648	(214)	(308)	-	3	4,920
Other provisions for risks and charges	777	-	-	-	(270)	-	35	542
Total	5,541	90	653	(252)	(578)	-	38	5,492

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 LU-VE Group. The decrease of €38 thousand refers to the use of the provision for the termination of some agency relationships.

The product warranty provision covers the risk of returns or charges from customers for non-conform products already sold. The contribution of the Refrion group as at 31 March 2022 for €90 thousand remained unchanged in the period from April to December 2022. The provision was adjusted at year-end on the basis of analyses conducted and past experience. The net increase of €219 thousand is broken down into the various production companies of the LU-VE Group and is based on the best estimates made by the same.

Other provisions for risks and charges decreased by €235 thousand, mainly attributable to releases of €270 thousand relating to the excess portions of the provisions with respect to the estimates of the risks associated with the marketing of products, an effect partially offset by negative exchange differences of €35 thousand.

Provisions, which represent the estimated future outflows calculated partly based on historical experience, were subject to actuarial valuation as at 31 December 2022. As the effect was deemed negligible, it was not incorporated in the LU-VE Group's consolidated Financial Statements as at 31 December 2022.

3.14 EMPLOYEE BENEFITS

Employee benefits amounted to €5,300 thousand, a net decrease of €226 thousand compared to 31 December 2021. The entire amount referred to the provision for employee severance benefits. The contribution of the Refrion group as at 31 March 2022 was €1,337 thousand. In the period from April to December 2022, the net decrease in the provision referring to the Refrion group was €109 thousand.

The provision for employee severance benefits refers only to the LU-VE 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 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 (Manifold S.r.l. and RMS S.r.l.), in accordance with IAS 19 the fund as at 31 December 2022 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 2022 are shown below:

Employee benefits *(in thousands of Euro)*	**31/12/2022**	**31/12/2021**
Liabilities as at 1 January	5,770	5,573
Contribution of the Refrion group	**1,337**	**-**
Tecnair deconsolidation	**(697)**	**-**
Provisions	314	316
Financial expense	107	11
Payments made	(712)	(342)
Actuarial (gains)/losses	(820)	212
Liabilities at the end of the year	**5,299**	**5,770**

The adjustment to equity for actuarial gains and losses includes a net actuarial gain of €820 thousand, calculated as follows:

- Actuarial loss deriving from the change in the main actuarial assumptions used as at 31 December 2022 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: €266 thousand;
- Actuarial gain deriving from the effect of the variation that the financial assumptions have suffered between one year and the other: €1,086 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 2022 are shown below:

Financial assumptions	**31/12/2022 %**	**31/12/2021 %**
Discount rate (IBOXX Eurozone Corporate AA 10+ Index)	3.63 - 3.77	0.44 - 0.98
Inflation	2.30	1.75
Salary increase rate	1.00 - 2.50	1.00 - 2.50
Post-employment benefits increase	3.23	2.81

Demographic assumptions	**31/12/2022**	**31/12/2021**
Mortality rate	State General Accountancy Table RG48	State General Accountancy Table RG48
Disability	INPS Tables	INPS Tables
Personnel turnover	2%-7%	1.3%-5.5%
Advances	1.5%-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 31/12/2022 (in thousands of Euro)	**0.25%**	**-0.25%**
Discounting rate	(96)	99

3.15 OTHER FINANCIAL LIABILITIES

The item "Other Financial Liabilities" mainly refers to financial liabilities related to IFRS 16, payables and financial liabilities related to the acquisition of the Refrion Group.

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

Other non-current financial liabilities *(in thousands of Euro)*	**31/12/2022**	**31/12/2021**	**Change**
IFRS 16 financial payables	9,929	10,787	(858)
Other non-current financial payables	7,884	-	7,884
Total	**17,813**	**10,787**	**7,026**

The item "financial payables for IFRS 16" includes the long-term financial payables of contracts referred to the IFRS 16 accounting standard. As at 31 December 2022, the non-current portion of the IFRS 16 financial payable of the Refrion group is €952 thousand (€1,366 thousand as at 31 March 2022).

The item "Other non-current financial payables" shows the fair value of €6,500 thousand relating to the put option granted to the minority shareholder for the purchase of the remaining 25% of REFRION S.r.l. through a put & call contract. The value of the exercise price can be inferred from the application of a formula envisaged in the contract (there is also a call option in favour of LU-VE S.p.A.). The option represents a financial liability measured at fair value on the basis of a contractually established formula. For more information, see the contents of paragraph 2.1 Accounting standards - Consolidation area.

Again the same item includes €1,384 thousand traceable to the part of the purchase price of REFRION S.r.l. that is subject to deferred payment as described in the notes in the introduction.

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

Other current financial liabilities *(in thousands of Euro)*	**31/12/2022**	**31/12/2021**	**Change**
IFRS 16 financial payables	5,112	4,455	657
Fair value of derivatives	-	776	(776)
Other financial liabilities	12	-	12
Total	**5,124**	**5,231**	**(107)**

The item "IFRS 16 financial payables" includes the short-term financial payables of contracts referred to the IFRS 16 accounting standard. As at 31 December 2022, the non-current portion of the IFRS 16 financial payable of the Refrion group is €552 thousand (€1,145 thousand as at 31 March 2022).

3.16 TRADE PAYABLES

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

Trade Payables *(in thousands of Euro)*	**31/12/2022**	**31/12/2021**	**Change**
Italy	60,558	59,902	656
EU Countries	26,576	18,386	8,190
Non-EU Countries	19,453	36,070	(16,617)
Total	**106,587**	**114,358**	**(7,771)**

The decrease of €7,771 thousand was due to:

- €13,518 thousand to the decrease of the other LU-VE Group companies. This decrease is linked to the strategic choice of recognising short payment times in exchange for higher discounts on price components and therefore guaranteeing an adequate level of stocks for production and the increase in purchase orders. Please refer to the Single Management Report for more details;

- €7,781 thousand (of which €6,248 thousand in Italy and €1,533 thousand in the Eurozone) for the contribution of the companies linked to the Refrion group (€7,833 thousand as at 31 March 2022);

- €2,032 thousand in decrease due to the deconsolidation of TECNAIR LV S.p.A., as reported in the note "Introduction" (€3,393 thousand in March 2022);

The change in "Trade payables" therefore involved a cash absorption of €12,211 thousand.

Contract liabilities (advances received from customers before rendering any service) for an amount of €11,008 thousand are recognised under trade payables.

The average payment terms decreased compared to the previous year, as reported in the Report on Operations. As at 31 December 2022, there were no past-due payables of significant amounts, and the LU-VE Group has received no payment orders for past-due payables. The decrease in suppliers is mainly linked to a lower purchase in the last few months of the year compared to the same period of the previous year, where a lot of investments had been made in the strategic decision to increase inventories (a decision also confirmed this year). It should be noted that the Group does not have any supplier financing and/or reverse factoring contracts.

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.

3.17 TAX LIABILITIES

The details of this item are shown below:

Tax Liabilities *(in thousands of Euro)*	**31/12/2022**	**31/12/2021**	**Change**
Due to the tax authorities for income taxes	5,552	928	4,624
Tax withholdings	2,009	1,634	375
Other tax payables	1,190	524	666
Total	8,751	3,086	5,665

The increase of €5,665 thousand is mainly linked to the increase in the actual tax burden in the various companies of the LU-VE Group as a result of the economic results for the year 2022.

3.18 OTHER CURRENT LIABILITIES

The details of this item are shown below:

Other current liabilities *(in thousands of Euro)*	**31/12/2022**	**31/12/2021**	**Change**
To personnel	17,003	14,994	2,009
To social security institutions	7,530	6,754	776
To Directors and Statutory Auditors	2,278	2,258	20
Other current payables	5,351	3,681	1,670
Total	32,162	27,687	4,475

The increase of "Other current liabilities" for €4,475 thousand is due to:

- €2,805 thousand, to increases in payables to personnel and provisions for holidays and additional months' salaries and payables to social security institutions, of which the contribution of the Refrion group is equal to €1,395 thousand (€1,882 thousand as at 31 March 2022);

- €1,670 thousand to the increase in the item "Other current payables" of which €626 thousand refers to the Refrion group (€613 thousand as at 31 March 2022).

As at 31 December 2022, the item "Other current payables" includes €1,671 thousand as payables for investments (€757 thousand in 2021).

In the beginning of 2023, payables to personnel and social security institutions were paid in accordance with the relative due dates.

3.19 DEFERRED TAX ASSETS AND LIABILITIES

The details of this item are shown below:

Deferred tax assets and liabilities *(in thousands of Euro)*	**31/12/2022**	**31/12/2021**	**Change**
Deferred tax assets	6,992	6,509	483
Deferred tax liabilities	(14,955)	(13,909)	(1,046)
Net position	**(7,963)**	**(7,400)**	**(563)**

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

Deferred tax liabilities and assets: changes in the year ***(in thousands of Euro)***	**TAX LOSSES**	**DEPRECIATION/AMORTISATION**	**MERGERS/ACQUISITIONS GROSS UP**	**ACTUARIAL VALUATION OF POST-EMPLOYMENT BENEFITS**	**PROVISIONS AND VALUE ADJUSTMENTS**	**OTHER DIFFERENCES**	**TOTAL**
01.01.2021	(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)
Reclassifications	(100)	(1,176)	206	2	(193)	1,261	-
Exchange rate delta	-	58	-	-	(35)	16	39
31.12.2021	(145)	1,981	11,257	(214)	(5,103)	(376)	7,400
Refrion contribution	(528)	10	1,462	(35)	(167)	-	742
Tecnair sale	-	(12)	-	41	125	30	184
In Income Statement	128	(133)	(862)	67	(145)	338	(603)
In shareholders' equity	-	-	-	197	-	-	197
Reclassifications	-	(85)	-	(17)	104	-	0
Exchange rate delta	15	46	-	-	(17)	-	44
31.12.2022	(530)	1,807	11,857	39	(5,203)	(8)	7,963

As at 31 December 2022, deferred tax assets referred to:

- the losses that can be carried forward for tax purposes relating to the contribution of the companies of the Refrion group;

- 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 LU-VE Group companies;

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

As at 31 December 2022 deferred tax liabilities referred to:

- 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 LU-VE Group;

- to the allocation of taxes to 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), "*Al Air*" (2019) and the Refrion Group (2022);

This item does not include any amount relative to deferred tax liabilities relative to any future distribution of earnings or of reserves by LU-VE 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 2022, the taxable results deriving from the 2023-2026 plans of the individual domestic tax consolidation 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.

However, the future trend of various factors, including the evolution of the difficult economic and global financial environment, in light of the protraction of the Russian-Ukrainian conflict, requires that circumstances and events that could lead to the non-recoverability of deferred tax assets recognised by the Group are constantly monitored by the Group's management.

3.20 NET FINANCIAL POSITION

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

Net financial position *(in thousands of Euro)*	**31/12/2022**	**31/12/2021**	**Change**
A. Cash and cash equivalents (Note 3.10)	167,258	166,328	930
B. Cash and cash equivalents (Note 3.8 and 3.10) (*)	10,000	-	10,000
C. Other current financial assets (Note 3.8)	126,873	81,946	44,927
D. Total Liquidity (A+B+C)	**304,131**	**248,274**	**55,857**
E. Current financial debt (including debt instruments, but excluding current portion of non-current financial debt (Note 3.12 and 3.15)	5,124	24,731	(19,607)
F. Current portion of non-current financial debt (Note 3.12)	103,265	131,771	(28,506)
G. Current financial debt (E+F)	**108,389**	**156,502**	**(48,113)**
H. Net current financial debt (G-D)	**(195,742)**	**(91,772)**	**(103,970)**
I. Non-current financial debt (excluding current portion and debt instruments) (Note 3.12) (**)	338,014	213,631	124,383
J. Debt instruments	-	-	-
K. Non-current trade and other payables	-	-	-
L. Non-current financial debt (I+J+K)	**338,014**	**213,631**	**124,383**
M. Net financial debt (H+L)	**142,272**	**121,859**	**20,413**

(*) *Cash equivalents refer to time deposits maturing in February 2023. For further details, please refer to the paragraph "Current financial assets" (Note 3.8).*
(**) The item "Non-current financial payables" as at 31 December 2022 includes the estimated value of the put&call option (€6,500 thousand) related to the purchase of the remaining 25% of the Refrion Group and the related deferred portion of the price (€1,385 thousand) related to the 75% of the Refrion Group already acquired

Paragraph "1.5 - Consolidated statement of cash flows" shows the changes in cash and cash equivalents and "equivalent means" (letters A and B of this statement).

4 COMMENT ON THE MAIN ITEMS OF THE CONSOLIDATED INCOME STATEMENT

4.1 REVENUES

In 2022, revenues from sales amounted to €617,075 thousand, an increase of 26% compared to the previous year (€491,204 thousand in 2021).

Revenues by product family:

Revenues by product *(in thousands of Euro)*	**2022**	**%**	**2021**	**%**	**Change**	**% Change**
Heat exchangers	329,189	53.3%	258,462	52.6%	70,727	27%
Air Cooled Equipment	257,548	41.7%	207,473	42.2%	50,075	24%
Doors	18,299	3.0%	17,162	3.5%	1,137	7%
Sub-total	**605,036**	**98.0%**	**483,097**	**98.3%**	**121,939**	**25%**
Other	12,039	2.0%	8,107	1.7%	3,932	49%
TOTAL	617,075	100.0%	491,204	100.0%	125,871	26%

Revenues by geographical area:

Revenues by geographical area *(in thousands of Euro)*	**2022**	**%**	**2021**	**%**	**Change**	**% Change**
Italy	119,762	19.4%	90,816	18.5%	28,946	31.9%
Germany	56,956	9.2%	31,351	6.4%	25,605	81.7%
France	39,576	6.4%	36,161	7.4%	3,415	9.4%
Czech Republic	39,258	6.4%	34,172	7.0%	5,086	14.9%
Poland	37,935	6.1%	36,074	7.3%	1,861	5.2%
Finland	33,147	5.4%	21,613	4.4%	11,534	53.4%
USA	27,656	4.5%	15,829	3.2%	11,827	74.7%
Austria	24,924	4.0%	22,100	4.5%	2,824	12.8%
Sweden	22,328	3.6%	20,156	4.1%	2,172	10.8%
The Netherlands	20,619	3.3%	15,164	3.1%	5,455	36.0%
Spain	15,683	2.5%	15,798	3.2%	(115)	(0.7%)
China	12,991	2.1%	11,747	2.4%	1,244	10.6%
India	7,899	1.3%	6,395	1.3%	1,504	23.5%
Other countries	158,341	25.7%	133,828	27.2%	24,513	18.3%
TOTAL	617,075	100.0%	491,204	100.0%	125,871	25.6%

Please refer to the Directors' Report for detailed comments on trends in the reference markets during the 2022 financial year.

The value of compensation for transactions with unfulfilled (or not fully fulfilled by the LU-VE Group and therefore not included in the revenue for the 2022 financial year) performance obligations at the end of the year amounts to €1,598 thousand. The Directors estimate that they will be recognised as revenue in following year.

The Group, working mainly on transactions with a single performance obligation, does not have, as reported above, significant values relating to performance obligations not satisfied at the end of the year.

4.2 OTHER REVENUES

Other Revenues *(in thousands of Euro)*	**2022**	**2021**	**Change**
Other income	1,537	804	733
Total	1,537	804	733

"Other revenues" refers to €852 thousand for export incentives of the subsidiary Spirotech, €97 thousand for other revenues of the Refrion Group and €588 thousand for other revenues of other LU-VE Group companies.

4.3 PURCHASES OF MATERIALS

Purchases of materials *(in thousands of Euro)*	**2022**	**2021**	**Change**
Raw materials and purchased components	340,052	297,458	42,594
Consumables	13,585	12,275	1,310
Total	353,637	309,733	43,904

The item "Raw materials and purchased components" includes €22 thousand attributable to the change in fair value on derivatives hedging the cost of raw materials (Note 3.8).

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)*	**2022**	**2021**	**Change**
Expenses for energy, telephone and telex	10,921	7,573	3,348
General and advisory expenses	19,683	15,184	4,499
Advertising and promotional expenses	1,722	562	1,160
Transport expenses	18,547	15,539	3,008
Maintenance expenses	6,454	5,505	949
External processing	8,704	6,318	2,386
Commissions	1,806	923	883
Remuneration to the corporate bodies	4,190	3,802	388
Other costs for services	7,424	6,546	878
Other costs of production	2,360	1,196	1,164
Total	81,811	63,148	18,663

The increase of €18,663 thousand is mainly due to:

- the increase of €7,847 thousand in services relating to production (electricity, maintenance, external services and other production costs). The change, especially with reference to energy costs, is attributable to the general increase in prices;
- the increase of €3,008 thousand in transport costs due to an increase in purchases and prices for these services;
- the increase of €692 thousand in costs for consultancy relating to the acquisition of the Refrion group (incurred by LUVE S.p.A.) and for €3,807 thousand to other LU-VE Group companies;
- the increase of €3,309 thousand in costs for other services.

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 LU-VE 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	222
		Italian subsidiaries	149
	Deloitte & Touche S.p.A. Network	Foreign subsidiaries	182
Limited audit of the consolidated non-financial statement	Deloitte & Touche S.p.A.	Parent Company	33
Other Services	Deloitte & Touche S.p.A.	Parent Company	45
		Italian subsidiaries	3
	Deloitte & Touche S.p.A. Network	Parent Company	2
		Foreign subsidiaries	-
		Total	**636**

4.5 PERSONNEL COSTS

Personnel costs *(in thousands of Euro)*	**2022**	**2021**	**Change**
Wages and salaries	97,695	84,362	13,333
Social security costs	24,418	20,645	3,773
Post-employment benefits	2,587	2,504	83
Other personnel costs	852	(828)	1,680
Total	**125,552**	**106,683**	**18,869**

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

The average number of employees of the LU-VE Group in 2022 was 4,230 (the average number of employees in 2021 was 3,849). As at 31 December 2022, the number of LU-VE Group employees was to 4,058 (2,990 blue-collar workers, 1,036 white-collar workers and middle managers, 32 executives), against 4,149 units in 2021 (3,193 blue-collar workers, 925 white-collar workers and middle managers, 31 executives). The average increase during the year was 123 employees due to the acquisition of the Refrion Group. As at 31 December 2022, the number of employees of the Refrion group was 128 staff members (76 blue-collar workers, 52 white-collar workers and middle managers).

As at 31 December 2022, the number of temporary employees was 733 (1,109 in 2021) of which 19 refer to the contribution of the Refrion group.

Personnel costs increased by €18,869 thousand compared to the previous year. This increase of €3,000 thousand is attributable to the extraordinary bonus paid during the year to all employees of the LU-VE Group to support their income from the increase in energy and fuel costs, for €4,459 thousand to employees of the Refrion group, and for €11,410 thousand to the average increase in employees compared to 2021.

4.6 NET REVERSAL/(WRITE-DOWNS) OF FINANCIAL ASSETS

Net reversal/(write-downs) of financial assets	2022	2021	Change
Net reversal/(write-downs) of financial assets	(377)	422	(799)
Total	**(377)**	**422**	**(799)**

The item includes the net allocations made during 2022 in accordance with the application of the IFRS 9 standard, reflecting the estimate of the potential forward-looking impacts of the global macroeconomic situation 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)*	2022	2021	Change
Non-income taxes	664	607	57
Provisions for risks	75	623	(548)
Other operating costs	2,565	1,882	683
Total	**3,304**	**3,112**	**192**

Non-income taxes include mainly taxes on owned property and stamp duty on insurance policies and certificates.
The item "Provisions for risks" includes the increase in provisions for risks net of the releases of surpluses. Please refer to Note "3.13 - Provisions".

4.8 FINANCIAL INCOME

Financial income *(in thousands of Euro)*	**2022**	**2021**		**Change**
Interest income	515	267		248
Other financial income	16,548	3,664	(*)	12,884
Total	**17,063**	**3,931**	**(*)**	**13,132**

(*) The 2021 item "Net change in fair value on derivatives" (now cleared) of €2,166 thousand was reclassified under the item "Financial income", in line with the twelve months of 2022.

Details of "Other financial income" are as follows:

- €14,821 thousand refers to the changes in fair value of the derivatives (please refer to Note "3.8 - Current financial assets");
- €1,501 thousand refers to the fair value of the capitalisation policies (please refer to Note "3.8 - Current financial assets");
- €226 thousand relates to other financial income.

Of the total financial income of €17,063 thousand, €741 thousand was collected (€515 thousand of interest income and €226 thousand of other financial income).

4.9 FINANCIAL EXPENSE

Financial expense *(in thousands of Euro)*	**2022**	**2021**	**Change**
Interest expense to banks	8,619	1,460	7,159
Other financial expense	1,485	2,910	(1,425)
Total	**10,104**	**4,370**	**5,734**

"Interest expense to banks" increased by €7,159 thousand. This increase is mainly linked to the effect of the application of the amortised cost to existing loans for €5,499 thousand as reported in Note "12 - Loans", following the increase in variable rates in 2022 and expected in the medium and long term.

Details of "Other financial expense" are as follows:

- €1,304 thousand refers to other interest and financial charges accrued or realised during the year;
- €104 thousand refers to the negative changes in fair value of the derivatives (please refer to Note "3.8 - Current financial assets");
- €77 thousand refers to the negative fair value on certificates and other capitalisation policies (please refer to Note "3.8 - Current financial assets");

Of the total financial charges of €10,104 thousand, €4,200 thousand were paid (€2,991 of interest mainly on interest and 1,209 of other interest and charges).

4.10 EXCHANGE GAINS AND LOSSES

During 2022, the LU-VE Group achieved net exchange gains of approximately €508 thousand (net profits of €507 thousand in 2021) 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 Czech Crown). Net unrealised foreign exchange gains amounted to €1,732 thousand, while the net unrealised foreign exchange losses amounted to €1,224 thousand.

4.11 GAINS AND LOSSES FROM INVESTMENTS

During 2022, €9,473 thousand were recognised for gains deriving from the sale of the controlling interest in the company Tecnair LV S.p.A. referred to in the notes in the Introduction, to which reference should be made.

4.12 INCOME TAXES

Income taxes *(in thousands of Euro)*	**2022**	**2021**	**Change**
Current taxes	10,869	5,517	5,352
Deferred tax liabilities	(603)	760	(1,363)
Adjustment previous year	(295)	(430)	135
Total	**9,971**	**5,847**	**4,124**

The increase in current taxes of €5,352 thousand is mainly linked to the generalised increase in the LU-VE Group companies in the 2022 tax burden following the good results achieved in the same year.

The balancing item of the previous year includes differences between the estimate of the 2021 tax calculation and the actual tax returns for 2021 for the various companies of the LU-VE Group.

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)*	**2022**	**2021**
Theoretical income taxes	14,169	9,510
Tax effect of temporary and permanent differences	(3,300)	(3,993)
Income taxes recognised in the Financial Statements	**10,869**	**5,517**
Broken down as follows:		
IRES Italian subsidiaries	2,054	858
Of which IRES Parent Company:	1,617	(290)
IRAP	380	411
Tax realignment	-	(438)
Taxes foreign companies	8,435	4,686
Total	**10,869**	**5,517**

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

During the first half of 2022, the Italian Revenue Agency accessed the company to conduct a general tax audit with reference to the 2016, 2017, 2018 and 2019 tax periods of the Parent Company LUVE S.p.A. For further details, please refer to the note "Events after 31 December 2022".

4.13 EARNINGS PER SHARE

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

Basic and diluted profit calculation *(in thousands of Euro)*	**2022**	**2021**
EARNINGS *(in thousands of Euro)*		
Net profit for the year	47,714	23,739
NUMBER OF SHARES		
Average weighted number of ordinary shares for the calculation of basic earnings per share	22,206,341	22,206,341
Dilution effect deriving from potential ordinary shares	-	-
Average weighted number of ordinary shares for the calculation of diluted earnings per share	22,206,341	22,206,341

EARNINGS PER SHARE *(in Euros)*	**2022**	**2021**
Basic earnings per share	2.15	1.07
Diluted earnings per share	2.15	1.07

4.14 DIVIDENDS

In May 2022, dividends totalling €7,772 thousand were distributed by LU-VE S.p.A., corresponding to the distribution of a gross dividend of €0.35 (zero/35) for each of the 22,206,341 shares outstanding, net of treasury shares.

In addition, €450 thousand were approved for the minority shareholders of the Polish subsidiary, paid in the year.

With respect to the year 2022, the Directors proposed the payment of a €0.38 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 10 May 2023 (coupon no. 8 ex-dividend date 8 May 2023 (record date on 9 May 2023).

4.15 SEGMENT INFORMATION

As regards segment reporting, the LU-VE 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 LU-VE 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 LU-VE Group has the following SBUs:

- SBU Cooling Systems (including the Refrion group), which includes air cooled equipment (air coolers, condensers, gas coolers and liquid coolers);
- 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:

Revenues by SBU *(in thousands of Euro)*	**2022**	**%**	**2021**	**%**	**Change**	**% Change**
Air Cooled Equipment	257,548	42.6%	207,473	42.9%	50,075	24.1%
SBU COOLING SYSTEMS	257,548	42.6%	207,473	42.9%	50,075	24.1%
Heat exchangers	329,189	54.4%	258,462	53.5%	70,727	27.4%
Doors	18,299	3.0%	17,162	3.6%	1,137	6.6%
SBU COMPONENTS	347,488	57.4%	275,624	57.1%	71,864	26.1%
TOTAL PRODUCT TURNOVER	605,036	100.0%	483,097	100.0%	121,939	25.2%

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 2022 and 31 December 2021:

Segment *(in thousands of Euros)*	**2022**				**2021**			
	Components	**Cooling Systems**	**Unallocated costs**	**Total**	**Components**	**Cooling Systems**	**Unallocated costs**	**Total**
REVENUES	347,488	257,548	-	**605,036**	275,624	207,473	-	**483,097**
EBITDA	46,499	28,636	-	**75,135**	38,222	22,619	-	**60,841**

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 LU-VE 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 LU-VE 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 LU-VE Group operations.

The coordination and monitoring of the main financial risks are centralised in the Head Office. The LU-VE 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 LU-VE 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);
- 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 31/12/2022 *(in thousands of Euro)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Other financial assets				
Current financial assets	-	116,873	-	116,873
Derivatives	-	14,167	-	14,167
Other financial liabilities:				
Other non-current financial payables - for the purchase of the Refrion group	-	-	(6,500)	(6,500)
Total	-	131,040	(6,500)	124,540

Some of the LU-VE 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)*	**31/12/2022**	**31/12/2021**
Financial assets		
Amortised cost		
Cash and cash equivalents	167,258	166,328
Time deposit (*)	10,000	-
Trade receivables	83,265	74,131
Non-current financial assets	-	-
Fair Value	-	-
Trading derivatives	14,167	(776)
Current financial assets	116,873	81,946
Financial liabilities		
Amortised cost		
Loans	(423,466)	(354,115)
Trade payables	(106,587)	(114,358)
IFRS 16 financial payables	(15,041)	(15,242)
Other non-current financial payables	(1,384)	-
Fair Value		
Other non-current financial payables - deferred consideration for the purchase of the Refrion Group	(6,500)	-
Payment for the acquisition of the "Al Air" division	-	(800)

(*) The time deposit maturing in May 2023 classified under "Current financial assets" falls under IFRS 9 categories at amortised cost.

Credit risk management

The LU-VE 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 LU-VE 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, British sterling, South Korean won 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 Euro. Moreover, although Sest-LUVE Polska Sp.z.o.o., HTS, Spirotech and LU-VE Sweden are located in countries that do not use the Euro as their reference currency, they make almost all sales in Euro 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 result for the year and the balance sheet and financial situation from such fluctuations, and therefore 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 (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 2022, a theoretical and immediate revaluation of the Euro of 10% compared to other currencies would have entailed a further loss on exchanges of €1,856 thousand to be recognised in the consolidated comprehensive income statement as at 31 December 2022.

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 2022. The analysis showed that an immediate 40% revaluation of the euro against the rouble would lead to a further exchange loss of €1,314 thousand to be recognised in the consolidated statement of comprehensive income as at 31 December 2022.

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. In the course of the year 2022 (particularly in the second half of the year), there was a considerable increase in short-term interest rates and also a sharp steepening of the medium-term interest rate curve. Following the aforementioned rise in medium-term interest rates, in 2022 financial income of €14.7 million was recognised in the consolidated income statement (an increase of approximately €12.6 million compared to the previous year). Changes in interest rate policies may lead to a negative change, even a significant one, in the fair value of these instruments with a consequent impact on the income statement of subsequent years.

As at 31 December 2022, the coverage of these risks represented 86.4% of the residual loans in place.

However, from a merely accounting perspective, although the management of such instruments (which, although they substantially hedge the risks mentioned) 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 2022, 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 €3,023 thousand to be recognised in the LU-VE Group's comprehensive income statement as at 31 December 2022, and equal to 9,887 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 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 its own needs, 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.

The year 2022 was confirmed as an extremely complex year on the supply chain front, due to the increases in the prices (with some signs of receding from the highs recorded only in the last part of the year) of raw materials, components, logistics services and energy and methane, but also 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 increases to end customers, allowing it 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 2022 was characterised by significant increases in prices for all materials used by the 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 €2,108 in 2021 to €2,566 in 2022, while the average value of copper - LME went from €7,864 in 2021 to €8,321 in 2022. The average values of copper and aluminium per ton as at 13 March 2023, were €8,370 and €2,299 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 2022 the LU-VE Group has unused short-term credit lines totalling roughly €76.3 million. In addition, to minimise liquidity risk the Administration and Financial Department:

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

An analysis of financial liabilities as at 31 December 2022 is provided below by maturity:

Analysis of financial liabilities as at 31 December 2022 *(in thousands of Euro)*	**Carrying amount**	**Contractual cash flows**	**Within 1 year**	**From 1 to 5 years**	**More than 5 years**
Bank loans	422,938	417,590	100,464	311,626	5,500
Advances on bank invoices	528	528	528	-	-
IFRS 16* Financial payables	15,041	15,041	8,983	6,058	-
Financial Liabilities	**438,507**	**433,159**	**109,975**	**317,684**	**5,500**
Trade payables	106,587	106,587	106,587	-	-
Total	**545,094**	**539,746**	**216,562**	**317,684**	**5,500**

* "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 undiscounted cash flows. The cash flows include principal and interest; for floating rate liabilities, interest is calculated based on the value of the benchmark at the date of year-end close, plus the spread established for each contract.

Capital risk management

The LU-VE Group manages its capital in order to ensure that the entities of the LU-VE Group are able to guarantee its business continuity while maximising the return for shareholders by optimising the debt to equity ratio.

The LU-VE 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 LU-VE Group (which includes the fully paid capital, reserves, retained earnings and non-controlling interests, as described in note 3.11).

The LU-VE 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 LU-VE 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 management personnel, 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 LU-VE Group Companies with related parties in 2022:

Related Companies (in thousands of Euro)	Trade receivables	Trade payables	Financial receivables	Financial payables	Trade revenues	Trade costs	Financial revenues	Financial costs
VITALE ZANE & CO SRL	-	(10)	-	-	-	(40)	-	-
Finami SRL	-	(23)	-	-	-	(225)	-	-
Marco Aurelio Tanci	-	-	-	-	-	(12)	-	-
Limmo S.r.l	-	-	-	-	-	(30)	-	-
ARCA SAS DI CERANA MANUELA & C.	-	-	-	-	-	(26)	-	-
Mauro Cerana	-	(2)	-	-	-	(55)	-	-
Total	**-**	**(35)**	**-**	**-**	**-**	**(507)**	**-**	**-**

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 with Finami for the plant and the offices located in Travacò Siccomario (PV), which Finami is in turn using by virtue of two lease agreements with Selmabipiemme Leasing S.p.A.; the contract started in 2010 was revised over the years and the last re-stipulation took place in 2021 with effect from 1 January 2022 for a duration of 3 years and tacitly renewable for another 3 years;

- 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., TGD S.p.A., Manifold S.r.l. and LU-VE Digital S.r.l.).

4.17 DIRECTORS' AND STATUTORY AUDITORS' FEES

The economic benefits of the Directors of the Parent Company and of the members of the Board of Statutory Auditors are reported in paragraph 11 "Appendix C" of these notes to the Consolidated Financial Statements.

With reference to the remuneration relating to Key Management Personnel, please refer to the "2022 Report on Remuneration".

4.18 SHARE-BASED PAYMENTS

As at 31 December 2022, there were no share-based incentive plans in favour of LU-VE Group Directors or employees.

4.19 COMMITMENTS AND GUARANTEES

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

Commitments *(in thousands of Euro)*	**31/12/2022**	**31/12/2021**	**Change**
Sureties	7,323	1,873	5,450
Total	7,323	1,873	5,450

As at 31 December 2022, there were no loans for which a mortgage was granted on properties owned by the LU-VE Group.

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

Sureties as at 31 December 2022 *(in thousands of Euro)*	**31/12/2022**	**31/12/2021**	**Change**
Sureties in favour of third parties	5,000	-	5,000
Sureties to banks with respect to customers of our subsidiaries	1,521	651	870
Sureties to banks with respect to customers	577	997	(420)
Insurance sureties	225	225	-
Total	**7,323**	**1,873**	**5,450**

Guarantees in favour of third parties refer to the autonomous bank guarantee on first demand issued in the interest of SEST S.p.A. in favour of Wanbao ACC S.r.l. to guarantee the commitments undertaken at the time of the purchase of the business unit.
Sureties issued to banks against customers of Group companies refer to guarantees granted to customers of Air Hex Alonte S.p.A. 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 31/12/2022	Result as at 31/12/2022
Direct subsidiaries:						
SEST S.p.A.	Limana (BL)	100.00	EUR	1,000,000	24,088,998	8,071,713
Heat Transfer Systems s.r.o. (HTS)	Novosedly (Czech Rep.)	100.00	CZK	133,300,000	471,342,316	175,731,478
LU-VE Sweden AB	Asarum (Sweden)	100.00	SEK	50,000	799,136	6,920,887
LU-VE France S.a.r.l.	Lyon (France)	100.00	EUR	84,150	2,066,168	344,537
LU-VE Pacific Pty Ltd	Thomastown (Australia)	75.50	AUD	200,000	2,170	-
LU-VE Deutschland GmbH	Stuttgart (Germany)	100.00	EUR	230,000	(1,536,898)	(193,211)
LU-VE Iberica S.L.	Madrid (Spain)	85.00	EUR	180,063	385,886	615,929
LU-VE HEAT EXCHANGERS (Tianmen) Co, Ltd	Tianmen (China)	100.00	CNY	61,025,411	54,458,196	11,761,684
LU-VE Asia Pacific Limited	Wan Chai (Hong Kong)	100.00	HKD	10,000	(675,007)	17,891,030
LuveDigital S.r.l.	Uboldo (VA)	50.00	EUR	10,000	43,097	10,116
MANIFOLD S.r.l.	Uboldo (VA)	99.00	EUR	10,000	56,457	90,775
Spirotech Ltd	New Delhi (India)	100.00	INR	25,729,600	3,326,415,300	271,073,893
LU-VE AUSTRIA GmbH	Vienna (Austria)	100.00	EUR	17,500	193,553	30,746
Zyklus Heat Transfer Inc	Jacksonville (USA, Texas)	100.00	USD	1,000	(8,670,208)	(3,771,802)
Air Hex Alonte S.r.l.	Uboldo (VA)	100.00	EUR	2,010,000	14,847,088	428,320
Fincoil LU-VE OY	Vantaa (Finland)	100.00	EUR	1,190,000	6,505,179	1,635,511
LU-VE Netherlands B.V.	Breda (Netherlands)	100.00	EUR	10,000	(273,913)	296,885
«OOO» LU-VE Moscow	Moscow (Russia)	100.00	RUB	100,000	41,679,057	32,677,274
LU VE Middle East DMCC	Dubai (UAE)	100.00	AED	50,000	399,443	226,568
LU-VE SOUTH KOREA Llc	Seoul (South Korea)	100.00	KRW	100,000,000	119,781,980	9,658,014
Refrion S.r.l.	Flumignano di Talmassons (UD)	75.00%	EUR	1,000,000	3,349,361	510,700
LU-VE UK Ltd	London (United Kingdom)	100.00%	GBP	10,000	8,800	(1,200)
Indirect subsidiaries:						
SEST-LUVE-Polska SP.z.o.o. (95% owned by SEST S.p.A.)	Gliwice (Poland)	95.00	PLN	16,000,000	319,087,806	91,569,196
«OOO» SEST LU-VE (95% owned by SEST S.p.A.)	Lipetsk (Russia)	95.00	RUB	136,000,000	1,889,096,585	392,970,978
Thermo Glass Door S.p.A. (100% owned by SEST S.p.A.)	Travacò Siccomario (PV)	100.00	EUR	100,000	362,877	(1,070,769)
RMS S.r.l. (100% owned by Refrion S.r.l.)	Flumignano di Talmassons (UD)	75.00%	EUR	40,000	1,109,190	290,978
Refrion Deutschland GmbH (100% owned by Refrion S.r.l.)	Frankfurt am Main (Germany)	75.00%	EUR	150,000	(332,581)	(65,693)

6 SIGNIFICANT NON-RECURRING TRANSACTIONS

During 2022, 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 2022 the LU-VE 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 2022

The consolidated turnover of products in the first two months of 2023 alone shows a value of €90.8 million, with an decrease of 1.0% compared to the same period of the previous year. The order backlog amounts to €216.2 million with an increase of 14.5% compared to the same date in December 2022.

Following the death of the founder and Chairman, Mr Iginio Liberali at the end of December, the Board of Directors, which met on 23 January, resolved not to co-opt any member to replace him and at the same time appointed the Chief Executive Officer, Mr Matteo Liberali, Chairman of the company until the planned end of the current board's mandate, with the approval of the 2022 financial statements.

On 23 February, the Board of Directors also announced the appointment of Mr Riccardo Quattrini in the new role of Group General Manager, with effect from 1 April 2023. Mr Quattrini, following the board resolution adopted today, will take office on 27 March 2023 and not on 1 April 2023 as resolved and communicated to the market on 23 February.

LU-VE Group continues to pay a high level of attention to the evolution of the crisis between Russia and Ukraine, which, as already described, may have further significant repercussions on the world economy also as a result of the sanctions. The extreme geographical diversification of sales means that as at 31 December 2022, the Group's exposure in this area is only around 5.5% in terms of turnover and 2.5% of net invested capital. As at 28 February 2023, the exposure in terms of order backlog was 5.1%.

In January 2023, the Parent Company received the second tranche, amounting to €20 million, relating to the loan agreement signed in December 2022 with BPM S.p.A.

In May 2022, the Varese Revenue Agency launched a general tax audit on the Parent Company LU-VE S.p.A., with a particular focus on intra-group relations, for the years 2016, 2017, 2018 and 2019. The Agency requested, in several tranches, the documentation to be analysed that the Parent Company LU-VE S.p.A. provided within the envisaged timescales.

The macroeconomic scenario remains uncertain and, therefore, it is 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, food safety and electrification) are reasonably not directly associated to the global economic cycle and have absolutely been confirmed.

Chairman and CEO

Matteo Liberali

9 APPENDIX A

IRS on loans (in thousands of Euro)

DEBTOR COMPANY	COUNTERPARTY	TAKEN OUT	MATURITY	ORIGINAL NOTIONAL	31/12/2022 NOT. Short	31/12/2022 NOT. M/L	31/12/2022 FAIR VALUE
LU-VE S.P.A.	Unicredit S.p.A.	30/01/2018	31/03/2023	18,750	1,875	-	17
LU-VE S.P.A.	Intesa San Paolo S.p.A.	28/11/2018	28/06/2024	12,500	2,500	1,250	108
LU-VE S.P.A.	Intesa San Paolo S.p.A.	28/11/2018	28/06/2024	12,500	2,500	1,250	108
LU-VE S.P.A.	Banca Nazionale del Lavoro S.p.A.	20/12/2018	24/09/2024	10,000	2,000	2,000	129
LU-VE S.P.A.	Banca Nazionale del Lavoro S.p.A.	20/12/2018	20/12/2023	10,000	5,556	-	150
LU-VE S.P.A.	Unicredit S.p.A.	12/07/2019	30/06/2024	9,600	2,400	1,200	104
LU-VE S.P.A.	Intesa San Paolo S.p.A.	20/05/2020	30/09/2025	12,500	2,778	4,861	384
LU-VE S.P.A.	Banca Nazionale del Lavoro S.p.A.	28/05/2020	28/05/2025	40,000	10,000	15,000	1,209
LU-VE S.P.A.	Unicredit S.p.A.	30/11/2020	30/11/2024	20,000	5,714	5,714	459
LU-VE S.P.A.	Deutsche Bank S.p.A.	30/10/2020	30/10/2026	5,500	1,066	3,348	280
LU-VE S.P.A.	Deutsche Bank S.p.A.	30/10/2020	30/10/2025	10,000	2,000	4,000	315
LU-VE S.P.A.	Intesa San Paolo S.p.A.	31/03/2021	31/03/2026	30,000	7,500	16,875	1,429
LU-VE S.P.A.	Banca Popolare di Milano S.p.A.	14/06/2021	31/03/2026	12,000	2,824	6,353	523
LU-VE S.P.A.	Banca Popolare di Milano S.p.A.	14/06/2021	31/03/2026	18,000	4,235	9,529	796
LU-VE S.P.A.	Unicredit S.p.A.	30/09/2021	31/03/2025	30,000	8,571	12,857	942
LU-VE S.P.A.	Banca Popolare di Milano S.p.A.	17/12/2021	30/09/2026	40,000	10,667	29,333	2,469
LU-VE S.P.A.	Intesa San Paolo S.p.A.	31/05/2022	31/05/2029	20,000	-	20,000	662
LU-VE S.P.A.	Intesa San Paolo S.p.A.	31/05/2022	31/05/2029	20,000	-	20,000	459
LU-VE S.P.A.	Intesa San Paolo	31/05/2022	31/03/2029	15,000	-	15,000	871
LU-VE S.P.A.	Banca Nazionale del Lavoro S.p.A.	22/07/2022	22/07/2027	40,000	8,000	32,000	1,296
LU-VE S.P.A.	BPER	22/07/2022	22/07/2027	25,000	1,563	23,438	708
LU-VE S.P.A.	Intesa San Paolo	28/07/2022	28/07/2027	15,000	937	14,063	506
LU-VE S.P.A.	Deutsche Bank S.p.A.	25/10/2022	28/10/2028	15,000	-	15,000	4
LU-VE S.P.A.	Unicredit S.p.A.	24/11/2022	31/12/2026	25,000	6,250	18,750	36
			Total	**466,350**	**88,936**	**271,821**	**13,964**

COMPANIES CONSOLIDATED LINE-BY-LINE

Currency options (in thousands of Euro)

DEBTOR COMPANY	COUNTERPARTY	TYPE	HEDGED ELEMENT	TAKEN OUT	MATURITY	NOT. ORIG.	31/12/2022		31/12/2022
							NOT. Short	NOT. M/L	FAIR VALUE
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	01/02/2022	05/01/2023	500	510	-	9
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	01/03/2022	01/03/2023	500	527	-	21
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	05/04/2022	05/04/2023	500	523	-	15
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	09/05/2022	02/05/2023	500	540	-	29
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	09/06/2022	09/06/2023	500	525	-	12
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	07/07/2022	05/07/2023	550	603	-	35
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	02/09/2022	04/08/2023	550	592	-	22
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	12/09/2022	04/09/2023	550	588	-	16
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	01/12/2022	04/10/2023	550	581	-	7
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	01/12/2022	06/11/2023	550	584	-	7
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	01/12/2022	05/12/2023	550	586	-	8
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	06/05/2022	10/05/2023	100	98	-	(4)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	06/05/2022	10/05/2023	100	98	-	(4)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	06/05/2022	10/05/2023	100	98	-	(4)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	06/05/2022	10/05/2023	100	98	-	(4)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	06/05/2022	10/05/2023	100	98	-	(4)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	11/05/2022	15/05/2023	100	98	-	(4)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	11/05/2022	15/05/2023	100	98	-	(4)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	13/05/2022	18/05/2023	100	97	-	(5)

SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	13/05/2022	12/05/2023	200	97	-	(5)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	17/05/2022	19/05/2023	100	98	-	(4)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	18/05/2022	22/05/2023	100	197	-	(7)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	19/05/2022	23/05/2023	100	98	-	(4)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	19/05/2022	23/05/2023	100	98	-	(4)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	03/06/2022	07/06/2023	100	100	-	(2)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	06/06/2022	08/06/2023	100	100	-	(2)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	24/06/2022	28/06/2023	100	99	-	(4)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	27/06/2022	30/05/2023	100	99	-	(3)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	19/07/2022	21/07/2023	100	98	-	(5)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	19/07/2022	21/07/2023	100	98	-	(4)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	20/07/2022	24/07/2023	100	98	-	(4)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	20/07/2022	24/07/2023	100	98	-	(4)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	04/08/2022	08/08/2023	100	97	-	(5)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	10/08/2022	14/08/2023	100	98	-	(5)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	11/08/2022	17/08/2023	100	99	-	(4)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	11/08/2022	17/08/2023	100	99	-	(4)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	03/10/2022	06/10/2023	100	96	-	(8)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	04/10/2022	20/09/2023	100	96	-	(7)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	18/10/2022	29/09/2023	100	96	-	(7)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	19/10/2022	29/09/2023	100	97	-	(7)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	25/10/2022	29/09/2023	100	97	-	(6)

SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	27/10/2022	29/09/2023	100	98	-	(5)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	27/10/2022	29/09/2023	100	98	-	(5)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	09/11/2022	29/09/2023	100	97	-	(6)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	11/11/2022	27/10/2023	100	98	-	(5)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	11/11/2022	27/10/2023	100	98	-	(5)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	14/11/2022	30/10/2023	100	99	-	(4)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	14/11/2022	30/10/2023	100	99	-	(4)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	15/11/2022	30/10/2023	100	99	-	(4)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	15/11/2022	30/10/2023	100	100	-	(4)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	16/11/2022	30/10/2023	100	100	-	(4)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	16/11/2022	30/10/2023	100	100	-	(4)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	18/11/2022	30/10/2023	100	100	-	(3)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	02/12/2022	30/10/2023	100	101	-	(3)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	05/12/2022	30/11/2023	100	102	-	(2)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	06/12/2022	30/11/2023	100	102	-	(2)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	09/12/2022	30/11/2023	100	102	-	(2)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	12/12/2022	30/11/2023	100	103	-	(2)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	13/12/2022	30/11/2023	100	103	-	(1)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	27/12/2022	30/11/2023	100	104	-	(1)
					Total	**10,800**	**11,098**	-	**(23)**

Raw material derivatives (in thousands of Euro)

CONTRACTING PARTY	COUNTERPARTY	CONTRACT NO.	RAW MATERIALS	IDENTIFICATION NO.	NOTIONAL	TAKEN OUT	MATURITY	QUANTITY	Original notional	Short notional	M/L term notional	Fair Value 31/12/2022
LU-VE S.P.A.	Unicredit S.p.A.	010722-2211	COPPER	513103858	191	01/07/2022	31/12/2022	25	191	191	-	7
LU-VE S.P.A.	Unicredit S.p.A.	010722-2211	COPPER	513103867	382	01/07/2022	31/01/2023	50	382	382	-	10
LU-VE S.P.A.	Unicredit S.p.A.	010722-2211	COPPER	513109073	382	01/07/2022	28/02/2023	50	382	382	-	10
LU-VE S.P.A.	Unicredit S.p.A.	010722-2211	COPPER	513109079	382	01/07/2022	31/03/2023	50	382	382	-	9
LU-VE S.P.A.	Unicredit S.p.A.	010722-2212	ALUMINIUM	513109103	58	01/07/2022	31/12/2022	25	58	58	-	(1)
LU-VE S.P.A.	Unicredit S.p.A.	010722-2212	ALUMINIUM	513109112	58	01/07/2022	31/01/2023	25	58	58	-	(2)
LU-VE S.P.A.	Unicredit S.p.A.	010722-2212	ALUMINIUM	513109118	115	01/07/2022	28/02/2023	50	115	115	-	(5)
LU-VE S.P.A.	Unicredit S.p.A.	010722-2212	ALUMINIUM	513109124	58	01/07/2022	31/03/2023	25	58	58	-	(2)
LU-VE S.P.A.	Unicredit S.p.A.	120722-2204	COPPER	513943992	186	12/07/2022	31/01/2023	25	186	186	-	10
LU-VE S.P.A.	Unicredit S.p.A.	120722-2204	COPPER	513944001	186	12/07/2022	28/02/2023	25	186	186	-	10
LU-VE S.P.A.	Unicredit S.p.A.	120722-2205	ALUMINIUM	513944021	59	12/07/2022	31/12/2022	25	59	59	-	(3)
LU-VE S.P.A.	Unicredit S.p.A.	120722-2205	ALUMINIUM	513944030	59	12/07/2022	31/01/2023	25	59	59	-	(4)
LU-VE S.P.A.	Unicredit S.p.A.	120722-2205	ALUMINIUM	513944036	59	12/07/2022	28/08/2023	25	59	59	-	(4)
LU-VE S.P.A.	Unicredit S.p.A.	140922-2203	COPPER	MSO_518591551	314	14/09/2022	31/12/2022	40	314	314	-	2
LU-VE S.P.A.	Unicredit S.p.A.	140922-2203	COPPER	MSO_518591560	314	14/09/2022	31/01/2023	40	314	314	-	(1)
LU-VE S.P.A.	Unicredit S.p.A.	140922-2203	COPPER	MSO_518591566	235	14/09/2022	28/02/2023	30	235	235	-	(1)
LU-VE S.P.A.	Unicredit S.p.A.	140922-2206	ALUMINIUM	MSO_518591609	139	14/09/2022	31/01/2023	60	139	139	-	(7)
LU-VE S.P.A.	Unicredit S.p.A.	140922-2206	ALUMINIUM	MSO_518591603	139	14/09/2022	31/12/2022	60	139	139	-	(3)
LU-VE S.P.A.	Unicredit S.p.A.	140922-2206	ALUMINIUM	MSO_518591615	63	14/09/2022	28/02/2023	27	63	63	-	(3)
								Total	**3,379**	**3,379**	-	**22**

10 APPENDIX B

Bank loans (in thousands of Euro)								AMORTISED COST			
								31/12/2022		31/12/2021	
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	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
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	2,520	2,521	7,505	5,001
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	3,814	2,551	6,254	2,496
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	3,814	2,551	6,254	2,496
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	4,121	2,070	6,002	1,990
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	6,780	1,740	7,235	1,105
LU-VE	Banca Popolare di Milano	Unsecured loan	16/06/2019	28/06/2024	3M 360 days Euribor + Spread	-	10,000	3,095	2,056	5,044	1,997
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	3,662	2,450	6,005	2,397
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	15,539	5,696	20,837	5,521
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	7,587	7,587	22,534	14,997

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
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	25,476	10,231	34,974	9,925
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
LU-VE	Banca Popolare di Milano	Unsecured loan	25/06/2020	30/06/2022	3M 360 days Euribor + Spread	-	2,500	-	-	835	835
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	11,648	5,846	17,158	5,698
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	4,518	1,104	5,509	1,077
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	6,107	2,055	8,003	1,987
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	26,699	9,554	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	9,333	2,900	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	14,140	4,422	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	21,797	8,674	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	40,724	10,993	39,880	2,533

LU-VE	Cassa Depositi e Prestiti	Unsecured loan	28/04/2022	05/05/2029	6M 360 days Euribor + Spread	NFP/EBITDA <= 3 NFP/SE </= 1.15	40,000	40,705	74	-	-
LU-VE	Intesa San Paolo - 0ICG077412648	Unsecured loan	28/04/2022	29/03/2029	3M 360 days Euribor + Spread	NFP/EBITDA <= 3 NFP/SE </= 1.0	15,000	15,197	70	-	-
LU-VE	Intesa San Paolo - 0ICG077643326	Unsecured loan	31/05/2022	29/03/2029	3M 360 days Euribor + Spread	NFP/EBITDA <= 3 NFP/SE </= 1.0	15,000	15,165	62	-	-
LU-VE	BNL - 2200040499	Unsecured loan	22/07/2022	22/07/2027	6M 360 days Euribor + Spread	NFP/EBITDA <= 3 NFP/SE </= 1.0	40,000	40,279	8,088	-	-
LU-VE	BPER - 5161208	Unsecured loan	22/07/2022	22/07/2027	3M 360 days Euribor + Spread	NFP/EBITDA <= 3 NFP/SE </= 1.0	25,000	25,129	1,582	-	-
LU-VE	INTESA - 1017436972	Unsecured loan	28/07/2022	28/07/2027	3M 360 days Euribor + Spread	NFP/EBITDA <= 3 NFP/SE </= 1.0	15,000	15,093	976	-	-
LU-VE	DEUTSCHE BANK - 24/10/40052384	Unsecured loan	25/10/2022	25/10/2028	3M 360 days Euribor + Spread	NFP/EBITDA <= 3 NFP/SE </= 1.15	30,000	30,024	47	-	-
LU-VE	Unicredit - 2218975	Unsecured loan	24/11/2022	31/12/2026	3M 360 days Euribor + Spread	NFP/EBITDA <= 3 NFP/SE </= 1.0	25,000	24,992	6,252	-	-
LU-VE	BPM - 05792200	Unsecured loan	21/12/2022	30/09/2027	3M 360 days Euribor + Spread	NFP/EBITDA <= 3.25 NFP/SE </= 1.25	5,000	4,980	585	-	-
						Total	**422,938**	**102,737**	**334,615**	**131,771**	

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 APPENDIX C

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Office	Period for which office was held	Expiry of office*	Fixed remuneration	Remuneration for participation in committees	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severance pay or termination of employment indemnity
						Bonuses and other incentives	Profit sharing					
Iginio Liberali	Chairman of the Board of Directors	01/01/2022-31/12/2022	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				300,000 (1)		268,125				568,125		
(II) Fees from subsidiaries and associates												
(III) Total				300,000		268,125				568,125		
Pier Luigi Faggioli	Vice Chairman	01/01/2022-31/12/2022	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				255,000 (2)		268,125		6,310		529,435		
(II) Fees from subsidiaries and associates												
(III) Total				255,000		268,125		6,310		529,435		
Matteo Liberali	CEO	01/01/2022-31/12/2022	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				520,000 (3)		428,175 (4)		6,212		954,387		
(II) Fees from subsidiaries and associates												
(III) Total				520,000		428,175		6,212		954,387		
Michele Faggioli	COO	01/01/2022-31/12/2022	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				495,000 (5)		421,514 (4)		10,981		927,495		
(II) Fees from subsidiaries and associates												
(III) Total				495,000		421,514		10,981		927,495		
Raffaella Cagliano	Director	01/01/2022-31/12/2022	Approval of 2023									

			Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				20,000	2,000 (6)					22,000		
(II) Fees from subsidiaries and associates												
(III) Total				20,000	2,000					22,000		
Guido Giuseppe Crespi	Director	01/01/2022-31/12/2022	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				20,000	2,000 (6)					22,000		
(II) Fees from subsidiaries and associates												
(III) Total				20,000	2,000					22,000		
Anna Gervasoni	Director	01/01/2022-31/12/2022	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				20,000	12,000 (7)					32,000		
(II) Fees from subsidiaries and associates												
(III) Total				20,000	12,000					32,000		
Fabio Liberali	Director	01/01/2022-31/12/2022	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				20,000				7,214	102,503 (8)	129,717		
(II) Fees from subsidiaries and associates												
(III) Total				20,000				7,214	102,503	129,717		
Laura Oliva	Director	01/01/2022-31/12/2022	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				20,000	6,000 (9)					26,000		
(II) Fees from subsidiaries and associates												
(III) Total				20,000	6,000					26,000		
Stefano Paleari	Director	01/01/2022-31/12/2022	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				20,000	19,000 (10)					39,000		
(II) Fees from subsidiaries and associates												
(III) Total				20,000	19,000					39,000		

Roberta Pierantoni	Director	01/01/2022-31/12/2022	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				20,000	6,000 (11)					26,000		
(II) Fees from subsidiaries and associates												
(III) Total				20,000	6,000					26,000		
Marco Vitale	Director	01/01/2022-31/12/2022	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				20,000						20,000		
(II) Fees from subsidiaries and associates												
(III) Total				20,000						20,000		
Simone Cavalli	Chairman - Board of Statutory Auditors	01/01/2022-31/12/2022	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements												
(II) Fees from subsidiaries and associates				45,000						45,000		
(III) Total												
				45,000						45,000		
Paola Mignani	Standing Auditor	01/01/2022-31/12/2022	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				30,000						30,000		
(II) Fees from subsidiaries and associates												
(III) Total				30,000						30,000		
Stefano Beltrame	Standing Auditor	01/01/2022-31/12/2022	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				30,000						30,000		
(II) Fees from subsidiaries and associates				66,000 (12)						66,000		
(III) Total				96,000						96,000		
Key Management Personnel	4	01/01/2022-31/12/2022	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				908,066		213,382 (13)		29,628		1,151,076		
(II) Fees from subsidiaries and associates									127,500 (14)	127,500		
(III) Total				908,066		213,382		29,628	127,500	1,278,576		

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

(1) of which €20,000.00 for the position of Director, and €280,000.00 for the position of Chairman of the Board of Directors;

(2) of which €20,000.00 for the position of Director, and €235,000.00 for the position of Vice Chairman of the Board of Directors;

(3) of which €20,000.00 for the position of Director, and €500,000.00 for the position of CEO;

(4) of which €74,250.00 accrued as variable medium/long term Component (2020-2022 LTI) for 2022;

(5) of which €20,000.00 for the position of Director, and €475,000.00 for the position of COO;

(6) As a member of the Independents Committee;

(7) of which €6,000.00 as a member of the Remuneration and Appointments Committee, and €6,000.00 as a member of the Control and Risk Committee;

(8) as annual gross remuneration accrued in relation to the employment with LU-VE SPA;

(9) remuneration accrued as a member of the Control and Risk Committee;

(10) of which €8,000.00 as Chairman of the Remuneration and Appointments Committee, and €8,000.00 as Chairman of the Control and Risk Committee and €3,000.00 as Chairman of the Independents Committee;

(11) remuneration accrued as a member of the Remuneration and Appointments Committee;

(12) for fees in relation to the office of auditor and member of the supervisory body pursuant to Legislative Decree 31/01 of subsidiary companies;

(13) of which €51,150.01 accrued as variable medium/long term Component (2020-2022 LTI) for 2022;

(14) by way of remuneration paid in relation to the office of director on the management bodies of subsidiaries and affiliated companies.

*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 2022.

It is also certified that the consolidated financial statements as at 31 December 2022:

- 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.

14 March 2023

Matteo Liberali
CEO

Eligio Macchi
Manager in charge
of financial reporting

Deloitte.

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: +39 02 83322111
Fax: +39 02 83322112
www.deloitte.it

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 consolidated statement of financial position as at December 31, 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows for the year then ended, and explanatory notes to the consolidated financial statements, including a summary of 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, 2022, 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 € 64.4 million (7.8% of consolidated assets) in the consolidated financial statements as at December 31, 2022. This goodwill is attributable to two cash generating units ("CGUs") of LU-VE Group: "Components" for € 27.5 million and "Cooling Systems" for € 36.9 million, to which were also allocated intangible assets with a finite useful life amounting for € 34.0 million, right-of-use assets for € 16.4 million and property, plant and equipment for € 172.8 million. As request by IAS 36, as the above-mentioned CGUs include goodwill, the LU-VE Group's Management performed an impairment test to determine whether the assets of the individual CGUs are recognised in the Financial Statements as at December 31, 2022 at a value not higher than their recoverable amount. After the conclusion of the impairment tests, approved by the Board of Directors on March 14, 2023, the Group has not recognised any impairment losses. The impairment test 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, (i) the forecast of expected cash flows from the CGUs, making reference to the 2023-2026 consolidated business plan, approved by the Board of Directors of LU-VE S.p.A. in its meeting held on February 23, 2023, (ii) 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" and the paragraph "Measurement criteria – Use of estimates" included in the Note 2.2 "Accounting Standards" 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.
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:

- observation and understanding of the significant controls undertaken by the Group on the impairment test process;
- assessment of the reasonableness of the main assumptions adopted to develop cash flow forecasts (included the effects of the current macroeconomic scenario and potential impacts related to the climate change) and collection of other relevant information by Management;
- variance analysis of actual data in comparison with original business plans, in order 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 Components and Cooling Systems;
- 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, that includes the possible impacts related to the climate change;
- assessment of the adequacy of the disclosure provided by the Group on the impairment test with what is required by 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, actions taken to eliminate threats or safeguards applied.

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 as at December 31, 2022, 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 as at December 31, 2022 have been prepared in XHTML format and have been marked up, in all material respects, in accordance with the provisions of the Delegated Regulation.

Due to certain technical limitations, some information contained in the explanatory notes to the consolidated financial statements, when extracted from XHTML format in an XBRL instance, may not be reproduced in the same way as the corresponding information displayed in the consolidated financial statements in XHTML format.

Deloitte.

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, 2022, 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, 2022 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, 2022 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
March 30, 2023

As disclosed by the Directors on the first page, the accompanying consolidated financial statements of LU-VE S.p.A. constitute a non-official version which has not been prepared in accordance 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 2022

CONTENTS

1. FINANCIAL STATEMENTS

1.1 STATEMENT OF FINANCIAL POSITION

Statement of Financial position (in Euro)	Notes	31/12/2022	31/12/2021
ASSETS			
Goodwill	3.1	14,629,431	14,629,431
Other intangible assets	3.1	5,053,027	7,010,014
Property, plant and equipment	3.2	34,992,550	36,030,843
Rights-of-use assets	3.2	1,035,586	1,012,164
Other property, plant and equipment	3.2	2,151,772	2,054,373
Deferred tax assets	3.19	8,051,828	5,339,584
Investments in subsidiaries	3.3	169,632,037	153,282,411
Other non-current financial assets	3.4	22,451,816	21,364,003
Other non-current assets	3.5	2,587,338	3,867,137
Non-current assets		260,585,385	244,589,960
Inventories	3.6	16,693,766	14,669,783
Trade receivables	3.7	39,133,415	32,992,375
Current tax assets	3.8	1,864,819	1,613,388
Current financial assets	3.9	156,527,631	90,020,518
Other current assets	3.10	3,222,747	3,782,292
Cash and cash equivalents	3.11	117,217,408	123,847,432
Current assets		334,659,786	266,925,788
Assets held for sale		-	-
Assets held for sale		-	-
TOTAL ASSETS		595,245,171	511,515,748

Statement of Financial position (in Euro)	**Notes**	**31/12/2022**	**31/12/2021**
LIABILITIES AND EQUITY			
Share capital	3.12	62,704,489	62,704,489
Reserves and retained earnings (losses)	3.12	35,185,433	39,076,173
Profit (loss) for the year	3.12	16,245,097	3,802,724
TOTAL EQUITY		114,135,019	105,583,386
Loans	3.13	320,200,773	202,843,551
Provision	3.14	1,463,168	1,500,668
Employee benefits	3.15	790,741	814,126
Deferred tax liabilities	3.19	5,728,064	5,440,918
Other financial liabilities	3.16	2,028,905	655,846
Non-current liabilities		330,211,651	211,255,109
Trade payables	3.17	30,930,649	28,125,246
Loans	3.13	102,737,446	151,271,380
Provisions	3.14	-	-
Tax liabilities	3.18	2,335,313	771,409
Other financial liabilities	3.16	3,808,427	5,410,564
Other current liabilities	3.20	11,086,666	9,098,654
Current liabilities		150,898,501	194,677,253
TOTAL LIABILITIES AND EQUITY		595,245,171	511,515,748

1.2 INCOME STATEMENT

Income Statement (in Euro)	Notes	31/12/2022	31/12/2021	
REVENUES AND OPERATING INCOME				
Revenues	4.1	95,371,133	88,230,721	
Other revenues	4.2	2,653,938	2,799,112	
Total revenues and operating income		**98,025,071**	**91,029,833**	
OPERATING COSTS				
Purchases of materials	4.3	(51,356,373)	(51,857,332)	
Changes in inventories	3.6	2,023,983	4,473,302	
Costs for services	4.4	(22,738,395)	(19,924,213)	
Personnel costs	4.5	(21,510,909)	(18,669,979)	
Net write-downs of financial assets	4.6	-	-	
Other operating costs	4.7	(694,500)	(726,500)	
Total operating costs		**(94,276,194)**	**(86,704,722)**	
Depreciation and amortisation	3.1 - 3.2	(8,694,858)	(8,739,776)	
Gains/Losses on the sale of non-current assets		238,358	(16,435)	
Write-downs on non-current assets		(76,496)	(126,573)	
EBIT		**(4,784,119)**	**(4,557,673)**	
Financial income	4.8	29,159,391	16,083,755	(*)
Financial expense	4.9	(9,152,565)	(3,987,824)	
Exchange gains (losses)	4.10	1,475,160	1,235,752	
Gains (losses) from investments in subsidiaries (and other interests)	3.3 - 3.4	(884,182)	(6,600,000)	
EBT		**15,813,685**	**2,174,010**	
Income taxes	4.11	431,412	1,628,714	
NET PROFIT (LOSS)		**16,245,097**	**3,802,724**	
Profit (loss) from assets/liabilities held for sale		-	-	
NET PROFIT (LOSS) FOR THE YEAR		**16,245,097**	**3,802,724**	

(*) The 2021 item "Net change in fair value on derivatives" (now cleared) of €1,998 thousand was reclassified under the item "Financial income", in line with the twelve months of 2022.

1.3 STATEMENT OF COMPREHENSIVE INCOME

Statement of comprehensive income *(in Euro)*	**Notes**	**31/12/2022**	**31/12/2021**
NET PROFIT (LOSS) FOR THE YEAR	1.2	16,245,097	3,802,724
Components that will not subsequently be reclassified to the Income Statement			
Actuarial gains/(losses) from liabilities for employee benefits	3.15	103,626	(11,242)
Tax effect		(24,870)	2,698
Total components that will not subsequently be reclassified to the Income Statement		78,756	(8,544)
TOTAL COMPREHENSIVE INCOME (LOSS)	1.4	16,323,853	3,794,180

1.4 STATEMENT OF CHANGES IN EQUITY

Statement of changes in 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 year**	**Total equity**
BALANCE AS AT 01/01/2021	62,704,489	24,762,200	3,197,844	(288,194)	(77,607)	10,329,565	7,156,632	107,784,918
Allocation of 2020 profit								
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
Allocation of 2021 profit								
Dividends paid	-	-	-	-	-	(7,772,220)	-	(7,772,220)
Retained	-	-	190,136	-	-	3,612,588	(3,802,724)	-
Increases (decreases)	-	-	-	-	-	-	-	-
Statement of comprehensive income as at 31/12/2022	-	-	-	-	78,756	-	16,245,097	16,323,853
BALANCE AS AT 31/12/2022	62,704,489	24,762,200	3,745,812	(288,194)	(7,395)	6,973,021	16,245,097	114,135,019

1.5 STATEMENT OF CASH FLOWS

Statement of cash flows LU-VE S.p.A. *(in Euro)*		**Notes**	**31/12/2022**	**31/12/2021**
A.	Cash and cash equivalents at the beginning of the year		123,847,432	103,762,553
	Profit (loss) for the year		16,245,097	3,802,724
	Adjustments for:			
	- Depreciation and amortisation	3.1 - 3.2	8,694,858	8,739,776
	- (Gains)/losses, write-downs of non-current assets		(161,863)	143,008
	- (Gains)/losses on the sale of investments in subsidiaries		(11,759,763)	-
	- Net financial expenses	4.8 - 4.9	(3,911,543)	(8,629,465)
	- Income taxes	4.11	(431,412)	(1,628,714)
	- Changes in fair value		(16,085,142)	(3,466,466)
	Adjustments for losses from investments (and other interests)	3.3 - 3.4	12,643,945	6,600,000
	Changes in employee benefits		65,456	(50,497)
	Changes in provisions	3.14	(37,500)	230,000
	Changes in trade receivables	3.7	(8,545,392)	4,018,098
	Changes in inventories	3.6	(2,023,983)	(4,473,302)
	Changes in trade payables	3.17	2,805,403	2,448,494
	Changes in net working capital		(7,763,972)	1,993,290
	Changes in other receivables and payables, deferred taxes		4,820,500	6,632,424
	Tax payment		(33,787)	(2,289,052)
	Net paid financial expenses		8,190,500	8,353,308
B.	Cash flows from (used in) by operating activities		10,475,374	20,430,336
	Investments in non-current assets:			
	- intangible assets	3.1	(3,180,498)	(3,457,174)
	- property, plant and equipment	3.2	(2,310,358)	(3,177,730)
	- equity investments in subsidiaries	3.3	-	(107,680)
	Other non-current financial assets		(17,381,452)	(11,799,726)
	Changes in short-term financial assets	3.9	(51,367,673)	(14,991,705)
	Refrion net acquisition price	3.3	(8,473,782)	-
	Net sales price of TECNAIR	3.3	12,928,871	-
C.	Cash flows from (used in) by investing activities		(69,784,892)	(33,534,015)
	Repayment of loans	3.13	(162,675,756)	(152,947,786)
	New loans	3.13	226,000,000	198,000,000
	Changes in other financial liabilities	3.16	(1,391,170)	(6,705,826)
	Changes in short-term financial assets	3.9	-	(205,906)
	Sale/(purchase) of treasury shares		-	-
	Contributions/repayments of own capital		-	-
	Payment of dividends	4.13	(7,772,220)	(5,995,712)
	Other changes		-	-
D.	Cash flows from (used in) by financing activities		54,160,854	32,144,770
	Exchange differences		(1,481,361)	1,043,788
	Other non-monetary changes		-	-
E.	Other changes		(1,481,361)	1,043,788
F.	Net cash flows of the year (B+C+D+E)		(6,630,025)	20,084,879
	Cash and cash equivalents at the end of the year (A+F)		117,217,407	123,847,432
	Current financial debt		(49,981,759)	66,661,426
	Non-current financial debt		322,229,677	203,499,396
	Net financial debt		155,030,511	146,313,390

2. EXPLANATORY NOTES

2.1 INTRODUCTION

Acquisition of the REFRION Group

In March 2022, LU-VE S.p.A. acquired 75% of REFRION S.r.l., active in the production and sale of heat exchangers with adiabatic systems for applications in data centres and industrial processes. REFRION S.r.l. owns 100% of the following companies:

- RMS S.r.l., an Italian production company located in Flumignano di Talmassons (Udine) and specialised in sheet metal working for the refrigeration and other sectors;
- REFRION Deutschland GmbH, a German sales company located in Frankfurt and specialised in the resale of adiabatic and other heat exchangers.

The set of three companies will be defined as the “Refrion group” in the following notes.

The acquisition was made directly by the parent company LU-VE S.p.A. at a provisional contractually defined price of €9,469 thousand for 75% of REFRION S.r.l., of which €8,085 thousand were paid in March 2022, while €1,384 thousand will be subject to a deferred payment. This provisional price decreased as a result of certain price adjustment clauses included in the purchase agreement (based on economic-financial parameters on the 2021 consolidated financial statements of the Refrion Group) with reference to the non-deferred price component for €315 thousand already collected at the end of 2022 from the counterparties. The final purchase price is €9,154 thousand.

Acquisition costs of €692 thousand were added to this amount, bringing the total value of the investment to €9,846 thousand (to which reference should be made to Note "3.3 - Investments in subsidiaries").

The remaining 25% is instead subject to a put option granted to the minority shareholder. This put option can be exercised from 31 May to 31 July for the years 2024, 2025 and 2026 and the value will be deduced from the application of a formula provided for in the contract to the accounting data of future years (there is also a call option in favour of LU -VE S.p.A. at the same exercise price). The fair value of this put option is assumed to be zero as at 31 December 2022.

For further details, please refer to the Explanatory Notes to the consolidated financial statements.

Disposal of TECNAIR LV S.p.A.

In March 2022, the disposal of TECNAIR LV S.p.A. (79.9% owned by LUVE S.p.A.) to Systemair AB (a Swedish company listed on the Stockholm Stock Exchange) was completed.

The company was sold for a final price of €12,929 thousand and generated a capital gain of €11,759 thousand (see Note "4.11").

Sale between LU-VE Asia Pacific Limited and LU-VE S.P.A. of the equity investment in LU-VE HEAT EXCHANGERS (Tianmen) Co, Ltd.

Prior to the sale transaction discussed in this paragraph, LU-VE HEAT EXCHANGERS (Tianmen) Co, Ltd was 52.58% owned by LU-VE Asia Pacific Limited Ltd. and 47.42% owned by LU-VE S.p.A.

During the 2022 financial year, LU-VE Asia Pacific Limited sold its entire shareholding to LU-VE S.p.A. which, as at 31 December 2022, therefore holds 100% of LU-VE HEAT EXCHANGERS (Tianmen) Co, Ltd (please refer to Note "3.3 – Investments in subsidiaries"). The objective of the transaction was an effective rationalisation of the Group's organisational chart.

The divestment between the 2 companies was completed in the last quarter of 2022 at a price of €7,535 thousand (see Note "3.3 – Investments subsidiaries"), which represents the fair value and the same value of the equity investment of LU-VE HEAT EXCHANGERS (Tianmen) Co, Ltd sold is supported by an appraisal drawn up by an independent third party. At the acquisition date, LU-VE S.P.A. had recognised receivables from LU-VE Asia Pacific Limited for €9,182 thousand (of which €6,775 thousand of financial receivables and €2,404 thousand of trade receivables); therefore the payable for the purchase of the investment of €7,535 thousand was directly offset with €6,775 thousand of financial receivables (see Note "3.4 - Other non-current financial assets") and €760 thousand of trade receivables.

Subsequently, LU-VE S.p.A. subscribed a capital contribution to cover previous losses for €1,644 thousand in favour of LU-VE Asia Pacific Limited, through the waiver by LU-VE S.p.A. of the residual trade receivable of the same amount, claimed to the latter.

Lastly, the increase in the value of the investment of LU-VE Asia Pacific Limited, equal to €1,644 thousand, was fully written down (please refer to Note "4.11 - Profits and losses on investments in subsidiaries").

It should be noted that due to the tax regulations of the countries involved in the transaction in question, the tax burden of this corporate reorganisation can be estimated at a total of €700 thousand, partially offset by the substitute tax due in Italy for taxes paid in China by LU -VE Asia Pacific Limited on the capital gain realised from the sale of the equity investment in LU-VE HEAT EXCHANGERS (Tianmen) Co. Ltd, amounting to €310 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.

It should also be noted that LU-VE S.p.A., as of 21 September 2022, is a company listed on the Euronext STAR segment (previously it was listed on the 'Euronext Milan' Market) organised and managed by Borsa Italiana S.p.A. and that, as Parent Company, it prepared the consolidated financial statements of the LU-VE Group as at 31 December 2022.

Declaration of compliance and accounting policies

The separate Financial Statements of LU-VE S.p.A. as at 31 December 2022 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 (i) statement of financial position, (ii) income statement, (iii) statement of comprehensive income, (iv) statement of changes in equity, (v) 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 2022, the Company has a solid and balanced financial structure with a Net financial debt/Equity ratio (Debt ratio) of 1.36 and a positive short-term net financial position of €167.2 million, therefore the repayment of medium/long-term debt maturing in 2023 is guaranteed by current liquidity. In addition, there are no substantial restrictions on the disposal of invested liquidity, amounting to €142.5 million (equal to total Current Financial Assets of €156.5 million net of €14 million of fair value on derivatives - Note 3.10), which can therefore be used to meet any payment obligations, should the need arise.

Significant uncertainty remains with reference to geopolitical tensions and the Company remains exposed as it holds, both directly and indirectly, subsidiaries in Russia. This part of the business may be restricted due to potential enforceable sanctions by other government authorities. Given the limited impact of the Russian business, the Directors believe that LU-VE S.p.A. is able to operate as a going concern.

Also considering this aspect, the repayment of the medium/long-term debt maturing in the year 2023 is guaranteed by current liquidity.

It should be noted 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 2022, did not highlight any critical issues. Furthermore, it is highlighted that the estimates of the LU-VE 2023 Budget lead to the expectation that no critical issues with regard to these requirements will arise also for next year.

In light of what is described above, the Financial Statements of LU-VE S.p.A. as at 31 December 2022 were prepared on a going concern basis, 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 by the Board of Directors on 14 March 2023.

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 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 for the preparation of the Financial Statements as at 31 December 2022, 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 fair value 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 incurred for projects on 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 that do not meet the aforementioned requirements, as well as the related research costs, are recognised in 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 assets

The Company must evaluate if a contract is, or contains a lease, at their commencement date. The Company recognises the Right-of-use asset and the relative lease financial Liability for all lease contracts in which it assumes 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).

Investments in subsidiaries

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 equity or significant differences between the carrying amount of investments in the financial statements and the related book net equity value pro quota), the value of 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 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 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 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 assess 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 as a whole 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 for the application of hedge accounting in accordance with IFRS 9 were satisfied. Therefore, the Company's management deemed it appropriate to treat these instruments as trading transactions, not hedges, therefore recognising the change in the fair value of the financial instrument directly in the income statement.

The related effects were recorded in the item "Financial income" of the income statement (until 31 December 2021 they were recognised under the item "Net change in fair value on derivatives" and was reclassified as at 31 December 2022 under the item "Financial income" for a better representation).

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 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 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. To determine the effective interest rate on floating-rate loans, the Company updates the estimation of cash flows on the basis of the prospective reference rate curves extracted at each periodic closure.

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.

PROVISION

Provision for risks and charges represent probable liabilities of uncertain amount and/or timing deriving from past events, whose the settlement 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. Provision 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

Starting from 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 FINANCIAL 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 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 to the item 'Other operating costs'. 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 the resolution of distribution.

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 equity. The carrying amount of treasury shares and revenues from any subsequent sales are recognised as changes in 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., 5 other Italian subsidiaries: SEST S.p.A. (for the 2022-2024 financial years) and Thermo Glass Door S.p.A. (TGD), Manifold S.r.l., and Air Hex Alonte S.r.l., the latter companies for the 2020-2022 financial years. Compared to the previous year, it should be noted the exit from the scope of the subsidiary Tecnair LV S.p.A., for the reasons to which reference is made to the note "Introduction" of the consolidated financial statements.

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 statutory financial statements, no significant Judgements were adopted during the process of application of the group accounting standards, with the exception of those relating to estimates that have a significant impact on amounts recognised in the financial statements. 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 impairment test on goodwill, intangible assets and property, plant and equipment described in the paragraph “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 as the Company overall, making reference to the 2023-2026 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 23 February 2023, the determination of an appropriate discounting rate (WACC) and a long-term growth rate (g-rate). These assumptions are based on the Management's prospects to specialise production with the aim of obtaining an increase in plant efficiency, focusing on increasing sales of some product families with higher margins by improving the absorption of fixed costs, to continuously improve the performance of existing products (in particular by reducing energy consumption through the increasingly significant use of electronic motors), to develop innovative products especially with the use of natural coolants (exploiting the competitive advantage linked to experience and to the presence of thousands of reference installations in the world), thus managing to erode market shares of smaller competitors less able to withstand the required investments and to increase product sales at an annual rate of around twice as much the growth rate of the gross domestic product of each country thanks to a close link with the primary needs, to exploit the commercial opportunities linked to decarbonisation (replacement in the 'district heating' of fossil fuel plants with heat pump systems) and the spread of energy production plants through renewable sources (with consequent need for 'back-up' systems that require cooling through 'radiators').

In addition to the above, the Company is assessing the risks (and opportunities) related to climate change relevant to its business. During 2022, the assessment to calculate GHG Scope 3 emissions was completed (that is to say, the emissions generated upstream and downstream of its production activity, such as for example the emissions generated by logistics and by the products during their use by clients). During the 2022 financial year, the sustainability plan was approved, which concretely indicates the actions to be pursued over the next three years in order to achieve the objectives set in terms of reducing *Scope 1 and Scope 2 market-based* emissions mainly through the increase the share of energy procurement from renewable sources certified by guarantees of origin as well as thanks to the installation of new photovoltaic plants for the production and self-consumption of electricity in some subsidiaries.

During the year, a quantitative assessment was carried out of the physical climate risks of all production plants (of the parent company and its subsidiaries). The physical climate risks were analysed taking into consideration the different future scenarios correlated to internationally recognised climate models and based on greenhouse gas concentration pathways developed by the Intergovernmental Panel on Climate Change (IPCC), in particular taking into account the RCP 2.6 and RCP 4.5 scenarios and considering a time horizon to 2035. The analysis showed that the main risks that will have the greatest influence are temperature variability, intense precipitation and precipitation variability. These risks refer in particular to some subsidiaries.

An update of the transition climate risks was also carried out. The various types of risk (market, technological, legal/policy and reputation), were assessed on the basis of their potential impact on the business and of LU-VE S.p.A. and the LU-VE Group's ability to deal with them over time. In the process of drawing up the 2023-2026 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 (in the plan, growth of 2% each year was imagined); growth in volumes linked to incentive plans for green technologies (with particular reference to heat pumps); adequate investments in research and developments to support the development of more sustainable products; the ability to pass through to the market any increases in raw materials for energy causes through the usual 'pass through' systems; in investments it was considered necessary to adapt the product range to the ongoing technological evolution towards natural refrigerants and to purchase plants and build production plants with technical characteristics in line with the best sustainability practices (consumption, emissions, discharges, etc.).

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 2022 at an amount 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 2022, in addition to intangible assets with a finite useful life for €5.0 million, rights-of-use assets for €1.0 million and property, plant and equipment for €37.1 million.

Recoverability of the value of investments in subsidiaries

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, investments in subsidiaries subject to impairment testing include the shareholdings in LU-VE Deutschland GmbH, LU-VE Netherlands B.V., Zyklus Heat Transfer Inc. and Fincoil LU-VE OY, for a total amount of €7.2 million, which incurred significant losses during the year and/or in previous years, which led to negative equity for a total amount of €9.9 million as at December 31,

2022. Moreover, the investment in Fincoil LU-VE OY, equal to €30.6 million, that shows a significant difference between the book value of the investments in the financial statements and the related book value of equity, has been subjected to impairment test.

The impairment process carried out by Management is based on the method of “discounted cash flow – Equity side” through the estimated expected cash flows inferable from the 2023-2026 plans of such subsidiaries, except for Zyklus Heat Transfer Inc., for which it has been considered the business plan for an explicit time horizon 2023-2028, considering the important project started in 2020 and still in progress, for which it is expected an increase in production capacity through significant investments in yhe first years of the business plan. The business plans have been prepared by the local management in collaboration with the Company Management and subsequently included in the consolidated business plan approved on 23 February 2023 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. These assumptions are based on the management's prospects of focusing on the 'core' product (air heat exchangers) through product and process innovation, technological advancements and increased production efficiency of the plants, also thanks to specialisation; on the increase of applications in unrelated sectors and increased internationalisation; and on the exploitation of growth opportunities linked, in short, to: (i) focusing on exchangers that use natural refrigerants and that are therefore aligned with the F-GAS regulation (both in Europe where the regulation has been in force since 2014 and in other states of the world such as the USA and China that are adopting regulations similar to those in Europe); (ii) exploiting in some countries the competitive advantage over local competitors linked to the LU-VE Group's greater experience in exchangers that use natural refrigerants and to the presence of thousands of reference installations worldwide; (iii) the development of the cold chain in less advanced countries; iv) greater attention to energy saving issues on the part of Governments and users who will shift demand to more energy efficient products; v) focus in the world of data centres, especially on outdoor machines; vi) growth in sales of LU-VE Group products at an annual rate around double the growth rate of the gross domestic product of each country, thanks to the close link with primary needs; vii) the electrification (replacement of traditional gas boilers with heat pump systems, possibly integrated with solar panels; presence of government incentives in many States to encourage the installation of heat pumps); viii) the decarbonisation replacement in district heating of fossil fuel systems with heat pump systems; ix) the spread of energy production systems using renewable sources with the consequent need for 'back-up' systems requiring cooling by means of 'radiators'. 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, energy and labour costs to the downstream market, thus allowing to safeguard EBITDA in absolute value. These assumptions take into account an assessment of the possible impacts linked to the dragging of the geopolitical tensions currently underway caused by the Russian-Ukrainian conflict.

With specific reference to Zyklus, the latter's plan takes into account the following elements:

- the start-up of supplies referring to exchangers for refrigerated counters to American customers controlled by European companies that are already important customers of the LU-VE Group;
- the improvement of production efficiency in the production of heat exchangers for small refrigerated display cases with a significant increase in margins;

- the improvement of 'pass through' systems (to bring them in line with European ones) with an improvement in margins;
- the creation of a much more structured local commercial structure with regard to both heat exchangers and air cooled products;
- a significant expansion of the local production area (project relating to 2023 and 2024) with the aim of launching a significant production of air cooled heat exchangers in the United States;
- exploitation in the United States of the competitive advantage over local competitors linked to the greater experience of the LU-VE Group in heat exchangers that use natural refrigerants and the presence of thousands of reference installations worldwide;
- 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;
- start of entry into the data centre sector;
- government incentive plans (in particular US Inflation Reduction Act) linked to heat exchangers with more sustainable impacts.

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.

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 order to verify the recognition and recoverability of deferred tax assets of €8 million recognised in the Financial Statements as at 31 December 2022, the taxable results deriving from the 2023-2026 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 for the recognition of such deferred assets. 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 1st JANUARY 2022

The following IFRS accounting standards, amendments and interpretations have been applied by the Company for the first time as at 1 January 2022:

On 14 May 2020 IASB published the following amendments:

- Amendments to IFRS 3 Business Combinations: the amendments have the purpose to update 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 not to allow 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.

The adoption of these amendments had no significant effects on the Company’s financial statements.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, FOR WHICH APPLICATION IS NOT YET REQUIRED AND NOT ADOPTED EARLY BY THE GROUP AS AT 31 DECEMBER 2022

- On 18 May 2017 IASB published standard IFRS 17 – Insurance Contracts, which is destined to replace standard IFRS 4 – Insurance Contracts. The objective of the new standard is that of guaranteeing that entities provide pertinent information that faithfully represents the rights and obligations deriving from insurance contracts issued. IASB developed the standard to eliminate inconsistencies and weaknesses in the current accounting policies, providing a single principle-based framework to take into account of all type of insurance contracts held by an insurer, including reinsurance contracts.

  The new standard also provides for the presentation and information requirements to improve the comparability between entities belonging to this sector.
  The new standard measures an insurance contract on the basis of a General Model or a simplified version thereof, called Premium Allocation Approach ("PAA").

  The main characteristics of the General Model are:

  - estimates and hypotheses of future cash flows are always current ones;
  - the measurement reflects the time value of money;
  - estimates indicate an extensive use of information that is observable on the market;
  - there is a current and explicit measurement of risk;
  - the expected profit is deferred and aggregated in groups of insurance contracts at the time of initial recognition;
  - the expected profit is recognised in the period of contractual coverage taking into account the adjustments deriving from hypotheses of financial flows relative to each type of contract.

  The PAA approach requires the measurement of the liability for the residual coverage of a group of insurance contracts on condition that, at the time of initial recognition, the entity expects that this liability reasonably represents an approximation of the General Model. Contracts with a cover period of one year or less are automatically suitable for the PAA approach. The simplifications deriving from the application of the PAA method are not applied to the valuation of liabilities for current claims, which are measured with the General Model. However, it is not necessary to discount those cash flows if it is expected that the balance to be paid or received will arise within one year of the date in which the claim occurred.

The entity must apply the new standard to insurance contracts issued, including reassurance contracts issued, reinsurance contracts held and also to investment contracts with a discretionary participation feature (DPF).

The standard applies as of 1 January 2023, but early application is permitted, only for entities that apply IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers. The Directors do not expect the adoption of this standard to have a significant effect on the company's Financial Statements.

- On 9 December 2021, the IASB published an amendment called "Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information". The amendment is a transition option relating to comparative information on financial assets presented at the date of initial application of IFRS 17. The amendment aims to avoid temporary accounting mismatches between financial assets and liabilities of insurance contracts, and therefore to improve the usefulness of comparative information for readers of the financial statements. The amendments will apply from 1 January 2023, together with the application of IFRS 17. 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 2 amendments called "Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2" and "Definition of Accounting Estimates - Amendments to IAS 8". The amendments are aimed at improving disclosure on accounting policies in order to provide more useful information to investors and other primary users of the financial statements as well as to help companies distinguish changes in accounting estimates from changes in accounting policies. The amendments will apply from 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.

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, the IASB published an amendment called "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current" and on 31 October 2022 published an amendment called "Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants". The documents have the objective of clarifying how to classify debts and other short or long-term liabilities. The amendments apply as at 1 January 2024, 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 22 September 2022, the IASB published an amendment called "Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback". The document requires the seller-lessee to assess the liability for the lease deriving from a sale & leaseback transaction so as not to recognise an income or a loss that refers to the right of use withheld. The amendments shall apply as of 1 January 2024, 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 2021	**21,078**		**35,209**	**56,287**
Increases	-		3,457	3,457
Decreases	-		-	-
Reclassifications	-		-	-
As at 31 December 2021	**21,078**		**38,666**	**59,744**
Increases	-		3,181	3,181
Decreases	-		(76)	(76)
Reclassifications	-		-	-
As at 31 December 2022	**21,078**		**41,771**	**62,849**
Provision				
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**
Increases	-		5,062	5,062
Decreases	-		-	-
Reclassifications	-		-	-
As at 31 December 2022	**6,449**	**(*)**	**36,718**	**43,167**
Net carrying amount				
As at 31 December 2021	**14,629**		**7,010**	**21,639**
As at 31 December 2022	**14,629**		**5,053**	**19,682**

** 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 2022 (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 €5.0 million, rights of use for €1.0 million and property, plant and equipment for €37.1 million.

In determining the recoverable value of the CGU, identified in the value in use as the sum of the discounted cash flows generated in the future and on an ongoing basis of the NIC (Discounted Cash Flow Unlevered method), Management referred to the Company's 2023-2026 business plan prepared by Management and subsequently included in the LU-VE Group's consolidated business plan approved by the Company's Board of Directors held on 23 February 2023, the assumptions of which are reported in the Note "*Use of Estimates*" above.

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:

- industry financial structure: 9.74% (third party capital) and 90.26% (own capital), taking into account the average of a panel of comparable companies;
- sector relevered beta: 1.116;
- risk-free rate: 3.77% determined considering the average yield of the last 6 months of government bonds with 10 year maturity, in consideration of the countries where LU-VE S.p.A. operates. The management changed the observation period, reduced compared to previous years (in which a five-year average was used), in order to consider the present condition of macroeconomic uncertainty generated by the Russian-Ukrainian conflict, in line with the recommendations of the OIV[1];
- risk premium: 5.60% (attributable to AAA-rated countries - source Prof. P. Fernandez, Survey: Market Risk Premium and Risk-Free Rate used for 88 countries in 2022);
- cost of debt, gross tax: 3.30% determined considering the 10-year average of the six-monthly average of the IRS rate equal to 2.55%, increased by a spread equal to 0.75% - 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, which was calculated with the "perpetual cash flow" method considering a growth rate (g rate) of 2.13%. This rate was calculated as the

[1] Discussion Paper "Impairment test of non-financial assets following the war in Ukraine" issued by the OIV on 13 June 2022.

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 (2026), 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 current 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 9.29% (7.17% as at 31 December 2021).

From the impairment test carried out, approved by the Parent Company's Board of Directors on 14 March 2023, the Group has not recognised any impairment losses, as the value in use was resulted to be higher than the carrying amount.

As required by IAS 36 and by the impairment test guidelines drafted by the OIV, 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. With reference to quantitative evaluation of transition and physical climate risk, the Directors did not identify particular risks to reflect in specific sensitivity analysis in the impairment test of LU-VE S.p.A. goodwill.

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 break-even 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 9.57%;

- reduction of the EBITDA in the explicit period of the Plan and in Terminal Value (maintaining all other plan assumptions unchanged) equal to -2.23%;

- reduction of the break-even g-rate to 1.78%.

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 2021	**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**
Increases	-	301	380	2,486	14	3,181
Decreases	-	(76)	-	-	-	(76)
Reclassifications	-	349	(349)	-	-	-
As at 31 December 2022	**10,799**	**10,551**	**933**	**19,451**	**37**	**41,771**
Provision						
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**
Increases	717	985	-	3,360	-	5,062
Decreases	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
As at 31 December 2022	**10,262**	**9,777**	-	**16,679**	**-**	**36,718**
Net carrying amount						
As at 31 December 2021	**1,254**	**1,185**	**902**	**3,646**	**23**	**7,010**
As at 31 December 2022	**537**	**774**	**933**	**2,772**	**37**	**5,053**

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 and development costs in progress for €681 thousand (€755 thousand in 2021), capitalised subject to the prior authorisation of the Board of Statutory Auditors, refers to new product development projects completed or 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, water and ammonia), the miniaturisation and specialisation of tube surfaces and matrices for the improvement of heat exchange efficiencies, the introduction of optimised electronic control systems. During the financial year, several projects were completed which have led to a reclassification of the item "Development costs in progress" to "Development costs" for €349 thousand.

Software

The Software category increased by €2,486 thousand in 2022 (€2,702 thousand in 2021). The increase in software for the year concerns the migration to the new SAP 4 HANA release for €846 thousand, to the new order approval process for €393 thousand and to other management software for better operations at Group level for approximately €1,247 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 assets	Other property, plant and equipment	Work in progress	Total
Historical						
As at 1 January 2021	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
Increases	480	1,193	472	493	147	2,785
Decreases	-	(948)	(327)	(217)	-	(1,492)
Reclassifications	-	-	-	2	(2)	-
As at 31 December 2022	41,893	47,679	1,821	15,332	795	107,520
Provision						
As at 1 January 2021	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
Increases	720	1,944	431	539	-	3,634
Decreases	-	(901)	(310)	(213)	-	(1,424)
Reclassifications	-	-	-	-	-	-
As at 31 December 2022	12,760	41,819	785	13,976	-	69,340
Net carrying amount						
As at 31 December 2021	29,373	6,658	1,012	1,404	650	39,097
As at 31 December 2022	29,133	5,860	1,036	1,356	795	38,180

As at 31 December 2022, the increases in the historical cost of property, plant and equipment amounted to €2,785 thousand. These increases are mainly due to:

- €1,820 thousand for the programme of technological investments in property, plant and equipment for the improvement and rationalisation of the existing productive capacity, of which €147 thousand refers to tangible assets in progress;

- €493 thousand for the purchase of industrial equipment and moulds;

- €472 thousand for the subscription of new rights of use pursuant to IFRS 16.

It is specified that, of the €2,785 thousand increase in property, plant and equipment, approximately €14 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 2022.

Decreases of €1,492 thousand were recorded during the year, due to divestments and disposals of almost fully depreciated plant and machinery, which generated a gain of €238 thousand.

During the year, financial expense was not capitalised on property, plant and equipment on tangible assets.

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 31/12/2022	Gross amount	Net amount as at 31/12/2022	Gross amount	Net amount as at 31/12/2022	Gross amount	Net amount as at 31/12/2022	Net total as at 31/12/2022
Italian Law 413 of 30 December 1991	5	1	-	-	-	-	-	-	1
Italian Law 342 of 21 November 2000	-	-	1,347	-	1,080	-	-	-	-
Italian Law 350 of 24 December 2003	-	-	1,814	-	1,183	-	-	-	-
Italian Law 266 of 23 December 2005	-	-	847	-	296	-	-	-	-
art. 1, paragraph 622 of the 2022 Budget Law (It. Law 234/2021)	4,515	4,242	-	-	-	-	1,971	1,892	6,134
TOTAL	**4,520**	**4,242**	**4,008**	**-**	**2,559**	**-**	**1,971**	**1,892**	**6,134**

3.3 INVESTMENTS IN SUBSIDIARIES

The details of this item are shown below:

Equity investments in subsidiaries *(in thousands of Euro)*	**31/12/2022**	**31/12/2021**	**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 Asia Pacific Ltd. (Hong Kong)	13	13	-
LU-VE HEAT EXCHANGERS (Tianmen) Co, Ltd	10,535	3,000	7,535
LU-VE Sweden AB	390	390	-
MANIFOLD S.r.l.	10	10	-
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	-
REFRION S.R.L.	9,846	-	9,846
LU-VE UK Ltd	12	-	12
Total subsidiaries:	**169,626**	**153,276**	**16,350**
Industria e Università S.r.l.	6	6	-
Total	**169,632**	**153,282**	**16,350**

The change in investments in subsidiaries during the year relates to:

- an increase of €9,846 thousand to the acquisition of Refrion S.r.l., as reported in the Introduction;
- an increase of €7,535 thousand for the purchase of 52.58% of the equity investment of the subsidiary LU-VE HEAT EXCHANGERS (Tianmen) Co. Ltd, as reported in the Introduction note;
- an increase of €12 thousand to the establishment of the commercial company LU-VE UK Ltd with share capital of 10 thousand British Sterling and with its registered office in London. The company is 100% owned by LU-VE S.p.A.;
- a decrease of €1,043 thousand on the disposal by the company Tecnair LV S.p.A., as reported in the Introduction note.

The change in investments in subsidiaries in the year resulted in a positive cash generation of €4,466 thousand (given by the net sum of the sale price of Tecnair of €12,928 thousand, partially offset by payments made during the y ear for the purchase of Refrion for €8,462 thousand and the payment of €12 thousand for the company LU-VE UK Ltd, while the other changes are all non-monetary as specified in the Introduction note).

Management has tested the carrying value of the following investments for recoverability as of 31 December 2022, identifying as an indicator of impairment (i) the presence of significant losses for the year and/or previous years that have led to negative equity for certain companies or (ii) significant differences between the carrying value of the investments in the financial statements and the related book value of equity:

- LU-VE Deutschland GmbH;
- LU-VE Netherlands B.V.;
- Fincoil LU-VE OY;
- Zyklus Heat Transfer Inc.

Lastly, management also included in the book value subject to the impairment test the loans granted by LU-VE S.p.A. (classified under Non-current financial assets and described in the following note) to the subsidiary Zyklus Heat Transfer Inc., considered by Management as a long-term interest that, in substance, represents an extension of the net investment in the subsidiary, the fulfilment of which by the subsidiary is neither planned nor likely to occur in the foreseeable future; assuming a recovery resulting from the comparison between the Equity value and the net financial position that includes these values (equal to €26.4 million).

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 DCF - Discounted Cash Flow - Equity side method), Management referred to the 2023-2026 Business Plans of these subsidiaries prepared by local management in collaboration with Company Management and subsequently included in the 2023 - 2026 Consolidated Business Plan approved by Company Management on 23 February 2023 (which took into account the reallocation of certain corporate costs with the exclusion of Zyklus Heat Transfer Inc for which it was assumed that the local structure was sufficiently adequate to support the growth rates envisaged in the plan). For the subsidiary Zyklus Heat Transfer Inc., it has been considered a business plan with an explicit time horizon 2023-2028, considering the important project started in 2020 and still in progress that expects an increase of production capacity through significant investments int the first years of the plan.

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 investments in subsidiaries”.

In more detail, in order to determine the recoverable amount of the investments tested, cash flows were discounted using a discounting rate (WACC) which takes into account the specific risks of the 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, 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 (2026 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 tax rate equal to the tax rate in force in the countries in which the individual subsidiaries are based was also considered.

The main parameters considered in estimating the Equity value are reported below:

Company	***WACC***	***g rate***
LU-VE Deutschland GmbH	7.41%	1.75%
Zyklus Heat Transfer Inc	10.65%	2.04%
LU-VE Netherlands B.V.	7.73%	1.99%
Fincoil LU-VE OY	8.30%	1.95%

With specific reference to the WACC used in the development of the impairment test of the subsidiary Zyklus, a Company Specific Risk Premium of 2.21% was also considered in determining the same.

The impairment tests carried out, approved by the Directors of the Company on 14 March 2023, did not reveal any losses in value except for the company Zyklus, for a total of €11 million, where the loss was allocated entirely to Non-current financial assets held with the same company (Note 3.4).

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 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.

It should be noted that, for the subsidiary Zyklus Heat Transfer Inc., considering an explicit time horizon equal to the period 2023-2026, maintaining the main assumptions underlying the related business plan unchanged, the test 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 6 years for the payback of the significant investments made in 2020 and 2021 (overall of €3.6 million and €5.7 million), and for the investments in next years, 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 Netherlands B.V.	-90%	n.s.	n.s.
Fincoil LU-VE OY	-3.50%	0.30%	-0.40%

** 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.*

With reference to the sensitivity scenario on climate change risks of the Group, it should be noted for the subsidiary Zyklus Heat Transfer Inc. that:

- With regard to transition risks, it is not believed that there may be any differential impacts compared to those forecasted in the business plan (period 2023-2028);
- With regard to physical risks, although the investment in the production plant of the subsidiary is in process, the Directors conservatively estimates a possible impact on the cash flows compared to the business plan 2023-2028 and on the terminal value. This negative impact can be quantified in a decrease in cash flows, both in the above mentioned explicit period and in the terminal value, of approximately €500 thousand (linked to the higher energy costs highlighted in relation to the "Changing Temperature"). The aforementioned sensitivity analysis on climate change would lead to a further write-down of approximately €5.2 million.

With reference to the quantitative physical climate and transition risks on the other subsidiaries subject to impairment test, the Directors did not identify any particular risks to be reflected on particular sensitivity analysis.

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)	31/12/2022	31/12/2021	Change
Other non-current financial assets	46,052	33,964	12,088
Intragroup bad debt provision	(23,600)	(12,600)	(11,000)
Total	**22,452**	**21,364**	**1,088**

The item "*Other non-current financial assets*" amounted to €46,052 thousand, gross with respect to the relative bad debt provisions of €33,964 in the previous year and make exclusive reference to financial receivables from subsidiaries.

These financial receivables are detailed as follows:

- for €26,421 thousand to a multi-year loan in USD (approximately USD 28,180 thousand) granted to the subsidiary Zyklus Heat Transfer Inc. to provide the financial resources necessary for the development of the production site; this foreign currency receivable includes a positive exchange effect of €2,131 thousand;
- for €6,000 thousand for a long-term loan granted to the subsidiary Refrion S.r.l.;
- for €5,063 thousand for a long-term loan granted to the subsidiary LU-VE Sweden AB;
- for €4,500 thousand to a multi-year loan granted to the subsidiary SPIROTECH Heat Exchangers Pvt. Ltd;
- for €3,000 thousand for a long-term loan granted to the subsidiary RMS S.r.l.;
- for €795 thousand for a long-term loan granted to the subsidiary LU-VE Iberica s.l.;
- for €273 thousand for a long-term loan granted to the subsidiary LU-VE OOO "SEST-LUVE".

Decreases in the year:

- for €6,775 thousand relating to the offsetting of the receivable due from LU-VE Asia Pacific Ltd. described in the Introduction and with a non-monetary effect;
- for €750 thousand due to reimbursement for the long-term loan granted to the subsidiary LU-VE Netherlands B.V. to guarantee the company's ordinary operations;
- for €203 thousand due to the partial repayment of the subsidiary LU-VE Iberica s.l.

Increases in the year:

- for €6,043 thousand, of which €4,561 thousand (approximately USD 4,560 thousand) due to new long-term disbursements granted to the subsidiary Zyklus Heat Transfer Inc. and €1,481 thousand due to positive non-monetary exchange rate effect;
- for €6,000 thousand due to the disbursement of a long-term loan granted to the subsidiary Refrion S.r.l.;
- for €4,500 thousand due to the disbursement of a multi-year loan granted to the subsidiary SPIROTECH Heat Exchangers Pvt. Ltd;
- for €3,000 thousand due to the disbursement of a long-term loan granted to the subsidiary RMS S.r.l.;
- for €273 thousand due to the disbursement of a long-term loan granted to the subsidiary LU-VE OOO "SEST-LUVE".

The change in non-current financial assets involved a cash absorption of €17,381 thousand.

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 in subsidiaries", 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 €11 million (Note 3.3) bringing the allowance for financial receivables to €23,600 thousand.

3.5 OTHER NON-CURRENT ASSETS

Other non-current assets *(in thousands of Euro)*	**31/12/2022**	**31/12/2021**	**Change**
Other non-current assets	2,587	3,867	(1,280)
Total	**2,587**	**3,867**	**(1,280)**

"Other non-current assets" amounted to €2,587 thousand (€3,867 thousand in 2021) 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 'Introduction' note of the 2020 Financial Statements. The decrease of approximately €1,280 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 3-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)*	**31/12/2022**	**31/12/2021**	**Change**
Raw materials and consumables	11,590	10,450	1,140
Work in progress and semi-finished products	1,803	1,934	(131)
Finished products and goods for resale	5,247	3,873	1,374
Provision for inventory losses	(1,946)	(1,587)	(359)
Total	**16,694**	**14,670**	**2,024**

The change in value of approximately €2,024 thousand compared to 2021 is due to:

- €2,383 thousand to the increase in the stock level at the Uboldo site; this increase is therefore 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;
- €359 thousand to the provision for inventory write-downs, which 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.

3.7 TRADE RECEIVABLES

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

Trade Receivables *(in thousands of Euro)*	**31/12/2022**	**31/12/2021**	**Change**
Trade receivables from third parties	12,736	11,956	780
Trade receivables from Group customers	30,424	25,186	5,238
Third party bad debt provision	(2,283)	(2,406)	123
Group bad debt provision	(1,744)	(1,744)	-
Total	**39,133**	**32,992**	**6,141**

As at 31 December 2022, trade receivables included receivables from subsidiaries for a net amount of €28,680 thousand, of which €29,381 thousand were gross trade receivables for invoices issued, (partially offset by the related allowance for doubtful accounts in the amount of €1,744 thousand), receivables for contract assets in the amount of €943 thousand (net of credit notes to be issued in the amount of €211 thousand).

For details, please refer to the Note on Related Parties (see Note "4.16 - Related Party Transactions")

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 2022, receivables of approximately €6,211 thousand were transferred to Factoring companies, compared to approximately €4,616 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 6.33% in 2022 and 5.07% in 2021.

Trade receivables as at 31 December 2022 do not include contract assets (invoices to be issued relative to services already rendered by the Company in respect of third parties), while including, to reduce trade receivables, variable compensations (credit notes to be issued for bonuses granted to customers) for €719 thousand.

The Company's bad debt provision with respect of third parties decreased overall during the year by €123 thousand. This change refers to uses of the provision against no longer recoverable receivables.

The change in trade receivables involved a cash absorption of €8,545 thousand (given by the change in trade receivables for €6,141 thousand and the offsetting of receivables from LU-VE Asia Pacific Limited for €2,404 thousand as described in the Introduction).

The aforementioned investments in financial assets entailed a cash absorption of €51,098 thousand (determined by the difference between the change in other current financial assets for 66,507 net of the change in the fair value of derivatives equal to €13,986 thousand and the fair value of investments of €1,423 thousand, the latter considered non-monetary changes).

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)*	**31/12/2022**	**31/12/2021**	**Change**
Italy	3,681	5,592	(1,911)
EU Countries	5,408	4,875	533
Non-EU Countries	3,647	1,489	2,158
Bad debt provision	(2,283)	(2,406)	123
Total	**10,453**	**9,550**	**903**

The ageing of trade receivables from third parties is shown below:

Breakdown of trade receivables from third parties by maturity *(in thousands of Euro)*	**31/12/2022**	**31/12/2021**	**Change**
Current receivables (not past due)	9,342	7,555	1,787
Past due up to 30 days	1,182	1,845	(663)
Past due from 30 to 60 days	724	303	421
Past due from 60 to 90 days	12	161	(149)
Past due for more than 90 days	1,476	2,092	(616)
Total	**12,736**	**11,956**	**780**

The Company measures 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 2022, the estimate of the expected losses included the potential forward-looking impacts 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 the latter, it is reported that, as at 31 December 2022, the effects on receivables arising from the current macroeconomic context and the pandemic had not generated significant delays in collections with respect to the original contractual due dates with its customers.

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 2022, 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 2022 of expected losses throughout the credit life:

(in thousands of Euro)	**Not past due**	**<30**	**31 – 60**	**61 - 90**	**>90**	**Total**
Expected default rate	13.21%	2.45%	10.91%	100.00%	62.80%	
Estimate of gross accounting value at the time of default	9,342	1,182	724	12	1,476	12,736
Expected losses throughout the life of the credit	1,234	29	79	12	927	2,281

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 investments described in Note 3.3 – Investments in subsidiaries), 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. Based on the return timing, these cash flows were discounted at an annual rate that includes a specific risk component of the three identified categories (0.5%, 2% and 4.5% based on historical knowledge) and a mark-up for the component of the geographical area in which the subsidiary operates.

The results of the analyses in thousands of Euro as at 31 December 2022 are reported below:

Risk Class	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	4,580	26,420	8,340	-	(703)	38,638	183	23,600
Risk Class 2	5,790	273	2,320	-	163	8,546	331	-
Risk Class 3	18,310	19,359	18,972	3,400	12,834	72,875	1,230	-
Total	28,680	46,052	29,632	3,400	12,294	120,059	1,744	23,600

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 "investments in subsidiaries".

3.8 CURRENT TAX ASSETS

This item was broken down as detailed:

Current tax assets *(in thousands of Euro)*	31/12/2022	31/12/2021	Change
VAT tax assets	1,143	180	963
Receivables towards tax authorities	462	1,245	(783)
Others	260	188	72
Total	**1,865**	**1,613**	**252**

The increase in current tax assets amounting to €252 thousand was due to:

- an increase of €963 thousand for VAT linked to higher purchases in the last quarter;
- a decrease of €783 thousand is linked to the increase in the tax burden in 2022, a consequence of the economic results for the year, which reduced the previous tax credit due to use;
- an increase of €72 thousand for other tax receivables.

3.9 CURRENT FINANCIAL ASSETS

Current financial assets included in this item are part of the "FVTPL" category indicated by IFRS 9. 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)*	**31/12/2022**	**31/12/2021**	**Change**
Capitalisation policies	102,670	81,356	21,314
Fair value of derivatives	13,986	-	13,986
Time deposit	10,000	-	10,000
Cash pooling	29,632	8,074	21,558
Other securities	240	591	(351)
Total	**156,528**	**90,021**	**66,507**

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 €79,616, at a fair value as at 31 December 2022 amounting to €85,787 thousand (as at 31 December 2021 the nominal value was €59,776 thousand, while the fair value was €64,902 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 performance (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 €20,000 thousand, net of purchasing commission of €160 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 €1,044 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, with a fair value as at 31 December 2022 amounting to €16,883 thousand (as at 31 December 2021, the nominal value was €15,000 thousand, while the fair value was €16,454 thousand); no new capitalisation policies were taken out during the year. The fair value measurement at year-end resulted in the recognition of a positive

change of €430 thousand, of which 433 was recognised under "Financial Income" and €3 thousand under the financial income item.

It should be noted 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.

The item "fair value of derivatives" represents the fair value as at 31 December 2022 of financial derivatives contracts subscribed.

The following table summarises the derivative financial instruments outstanding as at 31 December 2022, broken down by type:

Derivative financial instruments as at 31/12/2022 *(in thousands of Euro)*		**31/12/2022**		**31/12/2021**		**31/12/2022**	**31/12/2021**
TYPE	**ORIGINAL NOTIONAL**	**NOT. Short**	**NOT. M/L**	**NOT. Short**	**NOT. M/L**	**FAIR VALUE**	**FAIR VALUE**
IRS on loans	466,350	88,936	271,821	73,566	185,755	13,964	(676)
Commodities Swap	3,379	3,379				22	-
Total	**469,729**	**92,315**	**271,821**	**73,566**	**185,755**	**13,986**	**(676)**
Total Notional		**364,136**		**259,322**			

As at 31 December 2022, the derivative financial instruments on IRSs entered into by the company had a positive fair value of €13,964 thousand (negative fair value of €676 thousand as at 31 December 2021), while the derivative financial instruments on the purchase cost of major raw materials had a positive fair value of €22 thousand. Please refer to Appendix A for details as at 31 December 2022 of the existing derivative financial instruments broken down by type.

The change in the fair value of derivatives for €14,662 thousand compared to the previous financial year is mainly determined as follows:

- positive change in fair value for €14,640 thousand for derivative financial instruments underlying the loans (please refer to Note 4.8 - Financial income);
- positive change in fair value of €22 thousand for derivative financial instruments on the purchase cost of the main raw materials copper and aluminium.

In November 2022, two Time Deposit contracts were signed with a notional value of €10,000 thousand each. The first contract, expiring on 21 February 2023 (therefore with a duration of less than three months), was recognised under cash equivalents (to which reference should be made to note 3.10 - *"Cash and cash equivalents"*), while the second, maturing on 22 May 2023, is recognised under Current financial assets. Both contracts provide for the remuneration of the invested capital at the expiry of the contractual terms.

Other securities refer to investments in insurance certificates, with Unicredit, totalling €300 thousand. During the financial year, certificates for a total value of €300 thousand were redeemed due to the expiry of contractual terms. The fair value measurement as at 31 December 2022 resulted in the recognition of a negative change of €74 thousand (please see Note 4.9 - Financial charges) and positive changes in the fair value recognised in the items of €23 thousand (please see Note 4.8 - Financial income).

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 as at 31 December 2022 is approximately €21,558 thousand.

The aforementioned investments in financial assets entailed a cash absorption of €51,098 thousand (determined by the difference between the change in other current financial assets for 66,507 net of the change in the fair value of derivatives equal to €13,986 thousand and the fair value of investments of €1,423 thousand, the latter considered non-monetary changes).

As at 31 December 2022 the various categories of financial derivatives held by the Company did not present negative fair values.

3.10 OTHER CURRENT ASSETS

The details of this item are shown below:

Other current assets *(in thousands of Euro)*	**31/12/2022**	**31/12/2021**	**Change**
Advances to suppliers	1,150	1,084	66
Receivables from Group Companies for tax consolidation	683	1,355	(672)
Other receivables	1,390	1,343	47
Total	**3,223**	**3,782**	**(559)**

The decrease in other current assets of €559 thousand is due to:

- A decrease of €672 thousand due to the collection in 2022 of receivables for tax consolidation referring to the previous year for €1,328 thousand and the contribution of receivables for tax consolidation of €656 thousand referring to the year 2022;

- An increase of €113 thousand in advances to suppliers and other sundry receivables (the latter mainly comprising the LabelLabelcorrente portion of the receivable from the subsidiary SEST LU-VE Polska Sp.z.o.o. attributable to the quantification of values referring to the customer list and know-how of the commercial evaporator line transferred to Poland in previous years).

3.11 CASH AND CASH EQUIVALENTS

The details of this item are shown below:

Cash and cash equivalents *(in thousands of Euro)*	**31/12/2022**	**31/12/2021**	**Change**
Cash and cash equivalents	107,217	123,847	(16,630)
Equivalent means	10,000	-	10,000
Total	**117,217**	**123,847**	**(6,630)**

The decrease of €6,630 thousand was mainly due to the ordinary management of working capital and the procurement/reimbursement of financial resources.

The cash equivalents refer to the time deposit of €10,000 thousand stipulated in November 2022 and expiring in February 2023 (Note 3.9).

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 EQUITY

Share capital amounted to €62,704 thousand (€62,704 thousand as at 31 December 2021).

In 2022, dividends of €7,772 thousand were distributed by the Company from the extraordinary reserve and retained earnings from the previous year.

As at 31 December 2022, LU-VE S.p.A. held 28,027 treasury shares. There were no purchases or sales in the year 2022.

The table provided below shows the possibility of use of the different items of equity and the summary of uses in the last three years:

				Summary of uses in the last three years (*)	
Nature/description	**Amount**	**Possibility of use**	**Available portion**	**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	3,746	B			
Exchange delta reserve not available	691	B			
Extraordinary reserve	5,720	A,B,C	5,720		(19,760)
Revaluation reserve	273	A,B	273		
Post-employment benefits discounting reserve	(7)	-			
Total (*)	**97,889**		**30,755**	**-**	
Non-distributable portion	67,134				
Distributable portion	27,236				

(*) Please note the existence of tax restrictions mainly for realignment transactions carried out in 2000/2003 and 2005 for €7,709 thousand in the Capital, €273 thousand in the revaluation reserve and €152 thousand in the extraordinary reserve (as reported in the 2021 UNICO model). Following the realignment of trademarks and buildings (transaction described in the paragraph 'use of estimates') in 2021, an additional amount of €6,292 thousand was restricted (€3,198 thousand in the legal reserve and €3,094 thousand in the premium reserve shares).

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)*	31/12/2022 Current	31/12/2022 Non-current	31/12/2021 Current	31/12/2021 Non-current
M/L term bank loans	102,737	320,201	131,771	202,844
Advances on export flows in Euro	-	-	19,500	-
Total	**102,737**	**320,201**	**151,271**	**202,844**

As at 31 December 2022, bank loans amounted to €422,938 thousand (€334,615 thousand as at 31 December 2021).
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 2022, 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:

Financing: changes for the year *(in thousands of Euro)*	Opening balance	New loans	Repayments	Amortised cost effect (*)	Closing balance
Loans	334,615	210,000	(127,175)	5,498	422,938
Advances on export flows in Euro	19,500	16,000	(35,500)	-	-
Total	**354,115**	**226,000**	**(162,675)**	**5,498**	**422,938**

(*) Impact generated by the calculation of future cash outflows for interest on the basis of the forward market curves for floating rate loans.

The following changes took place in loans in 2022:

- subscription of an unsecured loan for €40,000 thousand with Cassa Depositi e Prestiti with a duration of 84 months (of which 24 months of pre-amortisation). This loan repayable in half-yearly instalments at constant principal is aimed at supporting the financial needs functional to the Group's growth initiatives in Italy and abroad and provides for better conditions for the company if specific objectives for increasing employment in Italy are achieved (please see Note 4.4). The loan is subject to compliance with financial covenants;

- signing of an unsecured loan for €15,000 thousand with Intesa Sanpaolo S.p.A. for a term of 84 months (of which 24 months of pre-amortisation) repayable in six-monthly instalments with constant principal. The loan, aimed at new projects for the creation of new ranges of items that use natural fluids to reduce the environmental impact, provides for better conditions for the Group if specific sustainability objectives with a reduced environmental impact are achieved (please see Note 4.4). The loan is subject to compliance with financial covenants and is covered by a guarantee provided by SACE S.p.A.;

- signing of an unsecured loan for €15,000 thousand with Intesa Sanpaolo S.p.A. for a term of 84 months (of which 24 months of pre-amortisation) repayable in six-monthly instalments with constant principal. The loan, aimed at new projects for the construction and development of equipment with a reduced environmental impact (biofixation, conversion and other methods for the use and reuse of $CO2$ in production processes), provides for better conditions for the Group if specific sustainability objectives are achieved (please see Note 4.4). The loan is subject to compliance with financial covenants and is covered by a guarantee provided by SACE S.p.A.;

- signing of an unsecured loan for €40,000 thousand with Banca Nazionale del Lavoro S.p.A. for a term of 60 months (of which 12 months of pre-amortisation) repayable in six-monthly instalments with constant principal. The loan, aimed at supporting investments that have a positive impact in terms of environmental sustainability in the following areas: renewable energy, energy efficiency, public and mass transport, water management and treatment and recycling, provides for better conditions for the Company when specific sustainability objectives are achieved (please see Note 4.4);

- signing of an unsecured loan for €25,000 thousand with BPER S.p.A. for a term of 60 months (of which 12 months of pre-amortisation) repayable in three-monthly instalments at a constant capital rate. The loan requires compliance with financial covenants;

- signing of an unsecured loan for €15,000 thousand with Intesa Sanpaolo S.p.A. for a term of 60 months (of which 12 months of pre-amortisation) repayable in three-monthly instalments with constant principal. The loan, aimed at supporting the company's liquidity, includes improved conditions for the Group to achieve precise sustainability objectives in the area of procurement policies, and in the introduction of vehicles with a reduced environmental impact in the company fleet (please see Note 4.4). The loan requires compliance with financial covenants;

- subscription of an unsecured loan for €30,000 thousand with Deutsche Bank S.p.A. with a duration of 72 months (of which 18 months of pre-amortisation). The loan, aimed at supporting the company's investment plan, requires compliance with financial covenants;

- in November, an unsecured loan agreement was signed with Unicredit S.p.A. for €25,000 thousand with a duration of 48 months (pre-amortisation period until December 2022). The loan requires compliance with financial covenants;
- subscription of an unsecured loan for €25,000 thousand, of which the first tranche of €5,000 thousand disbursed in December, and the remaining part to be used in 2023. The loan duration of 60 months (of which 6 months of pre-amortisation) is aimed at supporting the company's financial needs and provides for better conditions for the Group to achieve

specific sustainability objectives (please see Note 4.4). The loan requires compliance with financial covenants.

The new loans taken out were stipulated by taking into account the average cost of the Group's debt, but in line with market rates.

In 2022, with the aim of further optimising the Company's financial structure, the following loan was repaid in advance, using available liquidity:

- bullet loan agreement signed by LU-VE S.p.A. on 4 February 2021 with Cassa Depositi e Prestiti expiring on 03 August 2022 for a residual amount of €30,000 thousand;

The total cash flow absorbed for repayments amounted to €127,175 thousand (€97,175 thousand in repayments of current instalments of existing loans, €30,000 thousand for early repayment of the Cassa Depositi e Prestiti loan, as reported above).

We note that the following guarantees are in place on the existing loans subscribed with Deutsche Bank in 2020:

- 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 Italian Law 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 123 of 31 March 1998, "Dispositions for the rationalisation of public support interventions to enterprises", pursuant to article 4, paragraph 4, letter c) of Italian Law 59 of 15 March 1997.

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.

During 2022, the following changes occurred in relation to the items "Advances on export flows in Euro" and "Other advances on invoices":

- subscription of advances for cash flows for €16,000 thousand;

- repayments of short-term lines of credit amounted to €35,500 thousand.

The total cash flow absorbed for repayments of credit lines amounts to €35,500 thousand.

3.14 PROVISION

Change in provisions *(in thousands of Euro)*	**31/12/2021**	**Prov./incr.**	**Uses**	**Release of excess portion**	**31/12/2022**
Provision for agents' leaving indemnities	55	-	(38)	-	17
Product warranty provision	1,446	-	-	-	1,446
Total	**1,501**	**-**	**(38)**	**-**	**1,463**

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; €38 thousand was utilised during the year.

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 2022. As the effect was deemed negligible, it was not incorporated in the Company's Financial Statements as at 31 December 2022.

3.15 EMPLOYEE BENEFITS

Employee benefits amounted to €791 thousand, a net decrease of €23 thousand compared to 31 December 2021. 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 252/2005 and Italian Law 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 2022.

The breakdown and changes in the item as at 31 December 2022 are shown below:

Employee benefits *(in thousands of Euro)*	**31/12/2022**	**31/12/2021**
Liabilities as at 1 January	814	849
Provisions		
Financial expense	16	5
Payments made	(44)	(53)
Transfers in/out	109	2
Actuarial (gains)/losses	(104)	11
Liabilities at the end of the year	**791**	**814**

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 €104 thousand, calculated as follows:

- actuarial profits deriving from the change in the main actuarial assumptions used as at 31 December 2022 with respect to the previous valuation as at 31 December 2021: €36 thousand;

- actuarial loss deriving from the effect of the change in the group subject to valuation between one valuation and another, which was different from what was assumed: €140 thousand.

Actuarial gains and losses are recognised in equity through the statement of comprehensive income.

The values recognised in the Income Statement are included in "Personnel costs" (please see Note 4.5).

The main financial and demographic assumptions used at the date of the last reference valuation of 31 December 2022 are shown below:

Financial assumptions	**31/12/2022 %**	**31/12/2021 %**
Discount rate (IBOXX Eurozone Corporate AA 10+ Index)	3.63	0.98
Inflation	2.30	1.75
Post-employment benefits increase	3.23	2.81

Demographic assumptions	**31/12/2022**	**31/12/2021**
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 31/12/2022 *(in thousands of Euro)*	**0.25%**	**-0.25%**
Discounting rate	(13)	14

3.16 OTHER FINANCIAL LIABILITIES

The item "Other financial liabilities" mainly refers to financial payables linked to IFRS 16, payables for cash pooling and payables for the purchase of the investment in Refrion. For further details, please refer to the Introduction.

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

Other non-current financial liabilities *(in thousands of Euro)*	**31/12/2022**	**31/12/2021**	**Change**
IFRS 16 financial payables	645	656	(11)
Other financial payables	1,384	-	1,384
Total	**2,029**	**656**	**1,373**

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 item "Other financial payables" for approximately €1,384 thousand refers to payables for the purchase of the investment in Refrion, as described in the Introduction note.

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

Other current financial liabilities *(in thousands of Euro)*	31/12/2022	31/12/2021	Change
Cash pooling	3,400	4,375	(975)
Fair value of derivatives	-	676	(676)
IFRS 16 financial payables	408	360	48
Total	**3,808**	**5,411**	**(1,591)**

Cash pooling represented payable balances for the Company relating to the Group's centralised treasury. As at 31 December 2022, the balance of €3,400 thousand is mainly explained by the absorption of liquidity by the company HTS S.R.O., to the Group treasury.

As at 31 December 2022, derivative financial instruments on IRSs had a positive fair value of €13,986 thousand, therefore the item was reclassified to the asset section "Current financial assets" (please see Note 3.9).

The item "IFRS 16 Financial payables" of around €408 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 €438 thousand.

The monetary effect of other current financial liabilities is negative for €1,391 thousand (determined by the change in Cash Pooling of €975 thousand and €416 thousand relating to the payment in the year of costs for rentals referring to IFRS 16).

3.17 TRADE PAYABLES

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

Trade Payables *(in thousands of Euro)*	31/12/2022	31/12/2021	Change
Italy	25,454	23,134	2,320
EU Countries	4,081	4,126	(45)
Non-EU Countries	1,396	865	531
Total	**30,931**	**28,125**	**2,806**

The average payment terms have undergone changes since the previous year. As at 31 December 2022, 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 €2,806 thousand mainly refers to the increase in payment terms with suppliers.

Contract liabilities (advances received from customers before rendering any service) for an amount of €964 thousand were recognised under trade payables. There were no supplier financing and/or reverse factoring transactions during the year.
No trade payables with a residual maturity of more than 5 years were recognised in the Financial Statements.

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

3.18 TAX LIABILITIES

Tax Liabilities *(in thousands of Euro)*	31/12/2022	31/12/2021	Change
Payables to tax authorities for direct taxes	1,484	602	882
Others	851	672	179
Total	**2,335**	**771**	**1,564**

The increase in the item "Payables to the tax authorities for direct taxes" mainly refers to the higher tax burden, resulting from the economic results for the year 2022.

3.19 DEFERRED TAX ASSETS AND LIABILITIES

The details of this item are shown below:

Deferred tax assets and liabilities *(in thousands of Euro)*	31/12/2022	31/12/2021	Change
Deferred tax assets	8,052	5,340	2,712
Deferred tax liabilities	(5,728)	(5,441)	(287)
Net position	**2,324**	**(101)**	**2,425**

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

Deferred tax liabilities and assets: changes in the year *(in thousands of Euro)*	DEPR./AMORT. AND LEASES	MERGER GROSS UP	ACTUARIAL VALUATION OF POST-EMPLOYMENT BENEFITS	PROVISIONS AND VALUE ADJUSTMENTS	OTHER DIFFERENCES	TOTAL
01.01.2021	**963**	**4,378**	**(23)**	**(3,774)**	**(359)**	**1,185**
In Income Statement	(276)	-	-	(838)	33	(1,081)
In equity	-	-	(3)	-	-	(3)
31.12.2021	**687**	**4,378**	**(26)**	**(4,612)**	**(326)**	**101**
In Income Statement	(55)	-	-	(2,738)	343	(2,450)
In equity	-	-	25	-	-	25
31.12.2022	**632**	**4,378**	**(1)**	**(7,350)**	**17**	**(2,324)**

As at 31 December 2022, Deferred tax assets referred to:

- the tax differences on allocations to provisions, where the most significant impact refers to the provision for the write-down of trade and financial receivables (third parties and intercompany) for €6,398 thousand (of which €2,640 thousand is recognised in the income statement in 2022), to the provision for inventory obsolescence for €543,213 (of which €100 thousand is recognised in the income statement in 2022) and to provisions for risks and charges for €403 thousand (without impact on the income statement in 2022);

- 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 others for a total amount of €704 thousand.

Please note that no deferred tax assets are recognised in the balance sheet earmarked for previous tax losses as there are none as at the end of the financial year.

As at 31 December 2022, Deferred tax liabilities referred to:

- tax differences on depreciation/amortisation and leases, regarding primarily the application of IFRS 16, with respect to Italian GAAP, applied before first time adoption;

- the recognition of taxes on the 2008 merger deficit allocated to land.

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 2022, the taxable results deriving from the 2023-2026 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)*	**31/12/2022**	**31/12/2021**	**Change**
To personnel	4,865	3,838	1,027
To social security institutions	2,056	1,796	260
To Directors and Statutory Auditors	2,038	2,027	11
Payables to subsidiaries for tax consolidation	1,025	754	271
Other current payables	1,103	684	419
Total	**11,087**	**9,099**	**1,988**

The increase of "other current liabilities" for €1,988 thousand is due to:

- an increase of €1,287 thousand depends on the increase in payables to personnel (approximately €1,107 thousand for the increase for wages, salaries, holiday provision, productivity and efficiency bonuses to personnel and approximately €180 thousand for payables for Long Term Incentives);
- an increase of €271 thousand for tax consolidation with Italian companies that reinstate tax consolidation contracts, in particular with Thermo Glass Door S.p.A. and Air Hex Alonte S.r.l.;
- an increase of 430 for other payables.

In the beginning of 2023, 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)*	**31/12/2022**	**31/12/2021**	**Change**
A. Cash (Note 3.11)	107,217	123,847	(16,630)
B. Cash equivalents (Note 3.9 and 3.11) (*)	10,000	-	10,000
C. Other current financial assets (Note 3.9)	156,528	90,021	66,507
D. Total Liquidity (A+B+C)	**273,745**	**213,868**	**59,877**
E. Current financial debt (including debt instruments, but excluding current portion of non-current financial debt) (Note 3.16) (*)	**3,808**	**24,911**	**(21,103)**
- Current bank payables (Note 3.13)	-	-	-
- Other current financial liabilities (Note 3.16)	3,808	5,411	(1,603)
- Bank advances on orders/invoices	-	19,500	(19,500)
F. Current portion of non-current financial debt (Note 3.13)	**102,737**	**131,771**	**(29,034)**
G. Current financial debt (E+F)	**106,545**	**156,682**	**(50,137)**
H. Net current financial debt (H-D)	**(167,200)**	**(57,186)**	**(110,014)**
I. Non-current financial debt (excluding current portion and debt instruments) (Note 3.13)	**322,230**	**203,499**	**118,730**
- Non-current bank payables (Note 3.13)	320,201	202,844	117,357
- Lease payables and other non-current financial payables (Note 3.16)	2,029	656	1,373
J. Debt instruments	-	-	-
K. Non-current Trade and other payables	-	-	-
L. Non-current financial debt (I+J+K)	**322,230**	**203,499**	**118,730**
M. Net financial debt (H+L)	**155,030**	**146,313**	**8,716**

(*) Cash equivalents refer to time deposits maturing in February 2023 (Note 3.9).

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 2022, revenues from sales amounted to €95,371 thousand, an increase of 8.09% compared to the previous year (€88,231 thousand as at 31 December 2021).

Revenues by product family

Revenues by product *(in thousands of Euro)*	**2022**	**%**	**2021**	**%**	**Change**	**% Change**
Air Cooled Equipment	78,648	82.47%	75,498	85.57%	3,150	4.17%
Heat exchangers	16,723	17.53%	12,733	14.43%	3,990	31.34%
TOTAL	95,371	100.00%	88,231	100.00%	7,140	8.09%

Revenues by geographical area

Revenues by geographical area *(in thousands of Euro)*	**2022**	**%**	**2021**	**%**	**Change**	**% Change**
Italy	27,915	29.27%	26,365	29.88%	1,550	5.88%
France	13,591	14.25%	16,855	19.10%	(3,264)	(19.37%)
Germany	8,343	8.75%	4,317	4.89%	4,026	93.26%
Spain	5,193	5.45%	4,658	5.28%	535	11.49%
Poland	4,847	5.08%	5,981	6.78%	(1,134)	(18.96%)
The Netherlands	3,571	3.74%	3,058	3.47%	513	16.78%
United Arab Emirates	2,590	2.72%	2,202	2.50%	388	17.62%
Russia	2,373	2.49%	2,312	2.62%	61	2.64%
Great Britain	2,345	2.46%	1,475	1.67%	870	58.98%
USA	2,279	2.39%	338	0.38%	1,941	574.26%
Czech Republic	2,274	2.38%	1,467	1.66%	807	55.01%
Sweden	1,993	2.09%	2,212	2.51%	(219)	(9.90%)
Austria	1,804	1.89%	2,394	2.71%	(590)	(24.64%)
Croatia	1,841	1.93%	859	0.97%	982	114.32%
Singapore	1,209	1.27%	451	0.51%	758	168.07%
Other countries	13,203	13.84%	13,287	15.06%	(84)	(0.63%)
TOTAL	95,371	100.00%	88,231	100.00%	7,140	8.09%

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)*	**2022**	**2021**	**Change**
Rent income	119	81	38
Insurance	-	34	(34)
Other income	2,535	2,684	(149)
Total	**2,654**	**2,799**	**(145)**

The item other income went from €2,684 thousand in 2021 to €2,535 thousand in 2022 and includes €2,481 thousand of recharges for intra-group services, mainly IT.

4.3 PURCHASES OF MATERIALS

Purchases of materials *(in thousands of Euro)*	**2022**	**2021**	**Change**
Raw materials and purchased components	49,719	50,118	(399)
Consumables	1,637	1,739	(102)
Total	**51,356**	**51,857**	**(501)**

In 2022, the cost for the purchases of materials decreased from €51,857 thousand to €51,356 thousand (decrease of €501 thousand, equal to around 0.97%). For further details, please refer to the Directors' Report.

4.4 COSTS FOR SERVICES

Services *(in thousands of Euro)*	**2022**	**2021**	**Change**
General and advisory expenses	7,599	6,121	1,478
Remuneration to the corporate bodies	3,481	3,217	264
External processing	2,043	2,058	(15)
Expenses for energy, telephone and telex	2,292	2,431	(139)
Transport expenses	1,579	1,320	259
Maintenance expenses	1,665	1,261	404
Commissions	1,181	961	220
Costs for use of third-party assets	396	357	39
Advertising and promotional expenses	353	228	125
Other costs for services	2,149	1,970	179
Total	**22,738**	**19,924**	**2,814**

The item "Costs for services" increased compared to the previous financial year by a total of €2,814 thousand. This increase mainly refers to the increase in costs for:

- General expenses and consulting for €7,599 thousand (€6,121 thousand in 2021);
- Transport expenses for €1,579 thousand (€1,320 thousand in 2021) linked to the increase in turnover and sales volumes and purchases of materials;
- Maintenance costs of €1,665 thousand (€1,261 thousand in 2021), attributable to greater interventions on machinery;
- Commissions of €1,181 thousand (€961 thousand in 2021) linked to the increase in turnover;
- Advertising and promotional expenses for €353 thousand (€228 thousand in 2021) following the resumption of participation in trade fairs after the pandemic;
- Other costs for services for €2,149 thousand (€1,970 in 2021) attributable to higher expenses for waste disposal, cleaning and personnel training.

As described in Note 3.13 - Loans, LU-VE S.p.A. has taken out new unsecured loans that provide for conditions that become better for the Group when specific sustainability objectives are achieved.

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 6,500;

- to have dedicated more than 0.10% of annual turnover to community support activities, for an amount of €0.6 million;

- to have integrated a procurement policy into its internal procedures that integrates environmental considerations and covers the purchases, transportation and energy supplies.

- to have introduced in the company fleet new vehicles with reduced environmental impact, equal to 16% of the total fleet.

Furthermore, during the financial year approximately €136 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 4.16 "Directors' and Statutory Auditors' Fees" below):

Remuneration to the corporate bodies *(in thousands of Euro)*	**2022**	**2021**	**Change**
Directors' fees	3,338	3,041	297
Board of Statutory Auditors' fees	143	176	(33)
Total	**3,481**	**3,217**	**264**

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.	222
Limited audit of the consolidated non-financial statement	Deloitte & Touche	LU-VE S.p.A.	33
Other services	Deloitte & Touche	LU-VE S.p.A.	45
Other services	Deloitte & Touche Network	LU-VE S.p.A.	2

4.5 PERSONNEL COSTS

Personnel costs *(in thousands of Euro)*	**2022**	**2021**	**Change**
Wages and salaries	15,249	12,978	2,271
Social security costs	5,237	4,739	498
Post-employment benefits	1,025	946	79
Other personnel costs	-	7	(7)
Total	**21,511**	**18,670**	**2,841**

The average number of LU-VE S.p.A. employees in 2022 was 425 (414 in 2021).

As at 31 December 2022, the number of Company employees was 428 (254 blue-collar workers, 159 white-collar workers and middle managers, 15 executives), against 430 in 2021.

As at 31 December 2022, the number of temporary workers came to 56 (66 in 2021).

The increase in personnel costs of €2,841 thousand is attributable to:

- €2,446 thousand for the average increase in personnel, the increase in wages, salaries and bonuses for productivity and efficiency;
- for €444 thousand to the extraordinary bonus paid during the year to all employees of the company to support their income from the increase in energy and fuel costs.

4.6 NET WRITE-DOWNS OF CURRENT FINANCIAL ASSETS

No write-downs of financial assets were carried out during the year.

4.7 OTHER OPERATING COSTS

Other operating costs *(in thousands of Euro)*	**2022**	**2021**	**Change**
Non-income taxes	243	286	(43)
Other operating costs	452	441	11
Total	695	727	(32)

Non-income taxes included mainly taxes on owned property.

The item "other operating expenses" mainly includes deductible taxes of €210 thousand and €242 thousand of membership fees and others.

4.8 FINANCIAL INCOME

Financial income *(in thousands of Euro)*	**2022**	**2021 (*)**	**Change**
Dividends from subsidiaries	11,500	11,780	(280)
Interest income	1,477	829	648
Other financial income	41	-	41
Fair Value investments	1,501	1,477	24
Fair Value of derivatives	14,640	1,998	12,642
Total	29,159	16,084	13,075

(*) The 2021 item "Net change in fair value on derivatives" (now cleared) of €1,998 thousand was reclassified under the item "Financial income", in line with the twelve months of 2022.

Details of financial income are as follows:

- €11,500 thousand refers to: (i) dividends distributed by SEST S.p.A. for €9,000 thousand and (ii) dividends distributed by Heat Transfer Systems s.r.o. for €2,500 thousand;
- €14,640 thousand represent the positive change in the fair value of derivative financial contracts (to which reference should be made to Note "*3.9 - Current financial assets*");
- €1,501 thousand refers to the positive change in fair value of the capitalisation policies (please see Note "*3.9 - Current financial assets*");
- €1,477 thousand refers mainly to interest income for intragroup loans and to cash pooling.

Of the total financial income of €29,159 thousand, €11,628 thousand were collected (the difference of €17,531 thousand refers to €16,141 thousand to the positive change in the fair value of derivatives and for €1,390 thousand to cash pooling assets accrued and uncollected Interest).

4.9 FINANCIAL EXPENSE

Financial expense *(in thousands of Euro)*	**2022**	**2021**	**Change**
Interest expense to banks	8,438	1,436	7,002
Interest expense to other lenders	9	52	(43)
Other financial expense	706	2,500	(1,794)
Total	**9,153**	**3,988**	**5,165**

"Interest expense to banks" increased by €7,002 thousand compared to 2021. This increase is mainly linked to the effect of the application of the amortised cost to existing loans for a total of €5,649 thousand (of which €4,857 thousand relating to the update of the forward rate curves reference and €774 thousand for the provisioning accrued interest for the year). The item also includes €2,806 thousand of interest on loans paid.

Details of "Other financial expense" are as follows:

- €465 thousand related to interest expenses on derivatives (see Note "3.9 - Current Financial Assets");
- €77 thousand refers to the negative fair value on certificates and other capitalisation policies (please refer to Note "3.9 - Current financial assets");
- €164 thousand refers to other interest and financial charges accrued or realised during the year;

Out of the total financial charges of €9,153 thousand €3,438 thousand were paid (2,806 thousand of interest on loans, 465 thousand of interest expense on derivatives and 164 thousand of other interests and expenses).

4.10 EXCHANGE GAINS AND LOSSES

In 2022, LU-VE S.p.A. realised net exchange profit of €1,475 thousand (net gains of €1,236 thousand in 2021). Of these net gains, approximately €1,415 refer to unrealised exchange gains as at 31 December 2022 (approximately €1,295 thousand as at 31 December 2021) and approximately €60 thousand refer to exchange profits realised as at 31 December 2022 (approximately €60 thousand as at 31 December 2021).

4.11 PROFITS AND LOSSES FROM INVESTMENTS AND OTHER INTERESTS

During 2022, the following were recorded:

- Investment gain for €11,760 thousand derived from the sale of the controlling interest in the company Tecnair LV S.p.A., as referred to in the notes in the Introduction, to which reference should be made;

- Write-downs attributable to the equity investment in the subsidiary LU-VE Asia Pacific Limited for €1,644 thousand, as reported in the Introduction;

- Write-downs on interests attributable to loans disbursed to the subsidiary Zyklus Heat Transfer Inc for €11,000 thousand as reported in Note 3.3 – investments in subsidiaries, and Note 3.4 - Other non-current financial assets.

4.12 INCOME TAXES

Income taxes *(in thousands of Euro)*	2022	2021	Change
Current taxes	2,108	(215)	2,323
Deferred tax liabilities	(2,450)	(1,081)	(1,369)
Adjustment previous year	(89)	(333)	244
Total	**(431)**	**(1,629)**	**1,198**

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)	**15,813**	**24.00%**	**3,795**
+ Non-deductible amortisation and depreciation	483	0.73%	116
+ Costs for motor vehicles, telephony and food service	409	0.62%	98
+ Non-deductible local taxes	193	0.29%	46
+ Other permanent upward adjustments	1,715	2.60%	412
- Non-taxable dividends	(10,925)	(16.58%)	(2,622)
- Deductible IRAP	(10)	(0.02%)	(2)
- Other permanent downward adjustments	(11,205)	(17.01%)	(2,689)
Actual tax charge	**(3,527)**	**(29.35%)**	**(846)**
+ Temporary upward adjustments	13,786	20.92%	3,309
- Temporary downward adjustments	(3,524)	(5.35%)	(846)
Current tax charge	**6,735**	**(13.78%)**	**1,617**

Reconciliation of IRAP theoretical tax charge *(in thousands of Euro)*	Pre-tax amounts	%	Tax effect
Difference between values and costs of production	(4,707)	3.90%	(184)
+ Non-deductible amortisation and depreciation	823	(0.68%)	32
+ Non-deductible local taxes	193	(0.16%)	8
+ Non-deductible labour costs	2,313	(1.92%)	90
+ Other permanent upward adjustments	3,339	(2.77%)	130
- Permanent downward adjustments	-	0.00%	-
Actual tax charge	1,961	(1.62%)	76
+ Temporary upward adjustments	555	(0.46%)	23
- Temporary downward adjustments	0	0.00%	0
Current tax charge	**2,516**	**(2.08%)**	**99**

Theoretical taxes were determined by applying the current tax rate of 24% for IRES and 3.9% for IRAP to the pre-tax result.

To obtain the amount of current taxes of €2,108 thousand, the amount of €392 thousand of the tax to be paid in Italy relating to the sale between LU-VE Asia Pacific Limited must be added to the theoretical current tax burden for IRES and IRAP for LU-VE S.p.A. for the equity investment of LU-VE HEAT EXCHANGERS (Tianmen) Co, Ltd as reported in the introduction.

Deferred taxes have been previously commented in Note 3.19 Deferred tax assets and liabilities

Theoretical IRES taxes were determined by applying the tax rate in force, equal to 24%, to the pre-tax result, while the theoretical IRAP taxes were determined by applying the current tax rate of 3.9% to the difference between production values and costs.

During the first half, the Italian Revenue Agency accessed the company to conduct a general tax audit with reference to the 2016, 2017, 2018 and 2019 tax periods. The audit is still in progress. For further details, please refer to paragraph 8 - "Events after 31 December 2022".

4.13 PUBLIC FUNDING

During 2022, 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	Nature of public funding	Public Funding relating to 2022	Public Funding relating to 2021	Classification in Financial Statements
Gestore dei Servizi Energetici GSE S.p.A.	Subsidies in the year for photovoltaic installation	69	80	a reduction in energy, telephone and telex expenses, included in Service Costs
Total		**69**	**80**	

4.14 DIVIDENDS

In May 2022, dividends totalling €7,772 thousand were distributed, corresponding to the distribution of a gross dividend of €0.35 (zero/35) 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 €0.38 (zero/38) 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 10 May 2023 (coupon no. 8 ex-dividend date 8 May 2023 (record date on 9 May 2023).

4.15 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);
- 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 31/12/2022 *(in thousands of Euro)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Other financial assets				
Current financial assets	-	116,656	-	116,656
Derivatives	-	13,986	-	13,986
Other financial liabilities				
Derivatives	-	-	-	-
Total	**-**	**116,656**	**-**	**116,656**

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)*	**31/12/2022**	**31/12/2021**
Financial assets		
Amortised cost		
Cash and cash equivalents	117,217	123,847
Time deposit (*)	10,000	-
Trade receivables	39,133	32,992
Non-current financial assets		
Other non-current assets	22,452	21,364
Fair Value		
Trading derivatives	13,986	(676)
Current financial assets (**)	142,272	90,021
Financial liabilities		
Amortised cost		
Loans	(422,938)	(309,024)
Trade payables	(30,931)	(28,125)
Other non-current financial payables	(5,837)	(6,067)
Trade payables	(30,931)	(28,125)

(*) The time deposit maturing in May 2023 classified under "Current financial assets" falls under IFRS 9 categories at amortised cost.

(**) Current financial assets are shown net of derivative financial instruments, amounting to €13,986 thousand, represented in the previous line.

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 28,180 thousand).

Sensitivity analysis

With reference to financial assets and liabilities in foreign currency as at 31 December 2022, a theoretical and immediate revaluation of the euro by 10% compared to other currencies would have entailed a loss of €2,402 thousand.

Interest rate risk management

LU-VE S.p.A. 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 LU-VE S.p.A. holds assets and liabilities sensitive to fluctuations in interest rates which are needed for the management of liquidity and financial requirements.

More specifically, the main source of exposure to the risk in question for the LU-VE S.p.A. originates from the 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. In the course of the year 2022 (particularly in the second half of the year), there was a considerable increase in short-term interest rates and also a sharp steepening of the medium-term interest rate curve. Following the aforementioned rise in medium-term interest rates, in 2022 financial income of €14.7 million was recognised in the income statement (an increase of approximately €12.6 million compared to the previous year). Changes in interest rate policies may lead to a negative change, even a significant one, in the fair value of these instruments with a consequent impact on the income statement of subsequent years.

As at 31 December 2022, the coverage of these risks represented 86.4% of the residual loans in place.

However, from a merely accounting perspective, although the management of such instruments (which, although they substantially hedge the risks mentioned) 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 2022, 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 €2,992 thousand as at 31 December 2022, and equal to €9,887 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 S.p.A. 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 LU-VE S.p.A. 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, 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, LU-VE S.p.A. 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) LU-VE S.p.A. 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, LU-VE S.p.A. enters into contracts to hedge the risk of fluctuations in the price of raw materials.

The year 2022 was confirmed as an extremely complex year on the supply chain front, due to the increases in the prices (with some signs of receding from the highs recorded only in the last part of the year) of raw materials, components, logistics services and energy and methane, but also 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 LU-VE S.p.A. have made it possible to transfer the increases to end customers, allowing it 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 2022 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 €2,108 in 2021 to €2,566 in 2022, while the average value of copper - LME went from €7,864 in 2021 to €8,321 in 2022. The average values of copper and aluminium per ton as at 13 March 2023 were €8,370 and €2,299 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 2022 the Company has unused short-term credit lines totalling roughly €59 million. In addition, to minimise liquidity risk the Administration and Financial Department:

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

An analysis of financial liabilities as at 31 December 2022 is provided below by maturity:

Analysis of financial liabilities as at 31 December 2022 *(in thousands of Euro)*	**Carrying amount**	**Contractual cash flows**	**Within 1 year**	**From 1 to 5 years**	**More than 5 years**
Bank loans	422,938	417,590	100,464	311,626	5,500
Advances on export flows in Euro	-	-	-	-	-
IFRS 16 Financial payables *	1,041	1,041	396	645	-
Financial payables	**423,979**	**418,631**	**100,860**	**312,271**	**5,500**
Trade payables	30,931	30,931	30,931	-	-
Total	454,910	449,562	131,791	**312,271**	**5,500**

* "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 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.

4.16 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 management personnel, 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

Intercompany	Trade receivables	Trade payables	Financial receivables	Financial payables	Other Payables/(Receivables)	Revenues for goods and services	Costs for goods and services	Financial income	Financial costs	Other Revenue/(Costs)
TECNAIR LV S.p.A.	-	-	-	-	-	181	-	-	-	-
SEST S.p.A.	1,211	(2,517)	2,820	-	629	1,138	(2,256)	21	-	-
SEST-LU-VE-Polska SP.z.o.o	3,832	(2,951)	6,034	-	3,849	5,447	(8,832)	74	-	-
Thermo Glass Door S.p.A.	558	(7)	8,340	-	(714)	427	(1)	148	-	-
"OOO" SEST LU-VE	306	-	273	-	-	690	-	25	-	-
Heat Transfer Systems s.r.o. (HTS)	1,290	(326)	-	(3,312)	-	1,101	(3)	88	-	-
LU-VE France S.a.r.l.	1,724	(96)	-	-	-	9,922	(208)	-	-	-
LU-VE Deutschland GmbH	3,199	(85)	-	-	-	1,822	(93)	-	-	-
LU-VE Iberica S.L.	2,025	(38)	795	-	-	5,250	(60)	-	-	-
LU-VE Sweden AB	5,234	(50)	6,110	-	-	2,464	(69)	19	-	-
MANIFOLD S.r.l.	38	(534)	476	-	143	27	(1,357)	7	-	-
LuveDigital S.r.l.	-	(74)	-	-	-	-	-	-	-	-
SPIROTECH Heat Exchangers Pvt. Ltd	666	(83)	4,500	-	-	669	(128)	26	-	-
LU-VE AUSTRIA GmbH	2	(45)	-	-	-	2	(68)	-	-	-
Zyklus Heat Transfer Inc.	4,021	(4)	24,289	-	-	1,972	-	774	-	-
LU-VE HEAT EXCHANGERS Co, Ltd	603	(1)	-	-	-	562	(16)	-	-	-
LU-VE Netherlands B.V.	1,134	(15)	7	-	-	2,878	(48)	14	-	-
LU-VE MIDDLE EAST DMCC	108	(72)	-	-	-	3	(368)	-	-	-
«OOO» LU-VE Moscow	-	-	-	-	-	194	-	-	-	-
Air Hex Alonte S.r.l.	3,097	(2,023)	5,851	-	(375)	3,202	(1,779)	74	-	-
Fincoil LU-VE Oy	1,175	(63)	2,315	-	-	1,473	(195)	23	-	-
LU-VE SOUTH KOREA LLC	-	(12)	-	-	-	-	(12)	-	-	-
Refrion S.r.l.	72	-	8,655	-	-	3	-	72	-	-
RMS S.r.l.	25	-	3,000	-	-	-	-	25	-	-
TOTAL	**30,320**	**(8,996)**	**73,465**	**(3,312)**	**3,532**	**39,427**	**(15,493)**	**1,390**	**-**	**-**

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
VITALE ZANE & CO SRL	-	(10)	-	-	-	(40)	-	-
Finami SpA	-	-	-	-	-	-	-	-
Mauro Cerana	-	-	-	-	-	(30)	-	-
Total	-	(10)	-	-	-	(70)	-	-

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.

4.17 DIRECTORS' AND STATUTORY AUDITORS' FEES

The economic benefits of the Directors of the Parent Company and of the members of the Board of Statutory Auditors are reported in paragraph 11 "Appendix C" of these notes to the Financial Statements.

With reference to the remuneration relating to Key Management Personnel, please refer to the "2022 Report on Remuneration".

4.18 SHARE-BASED PAYMENTS

As at 31 December 2022, there were no share-based incentive plans in favour of Company Directors or employees.

4.19 COMMITMENTS

Details of existing sureties as at 31 December 2022 are reported below:

Commitments as at 31/12/2022 (in thousands of Euro)	2022	2021	Change
Sureties to banks with respect to customers of our subsidiaries	1,521	322	1,199
Sureties to banks with respect to customers	577	1,174	-597
Sureties to our subsidiaries	5,000	-	5,000
Insurance sureties	225	225	-
Total	**7,323**	**1,721**	**5,602**

5. LIST OF INVESTMENTS IN SUBSIDIARIES (ART. 2427 No. 5 CC)

Company name	Registered office	% owned	Currency	Share capital	Currency	Shareholders' Equity as at 31/12/2022	Currency	Result for the 2022 financial year	Currency	Cost of the equity investment
Direct subsidiaries:										
SEST S.p.A.	Limana (BL)	100.00	EUR	1,000,000	EUR	24,088,998	EUR	8,071,713	EUR	44,894,885
Heat Transfer Systems s.r.o. (HTS)	Novosedly (Czech Rep.)	100.00	CZK	133,300,000	CZK	471,342,316	CZK	175,731,478	EUR	9,539,657
LU-VE Sweden AB	Asarum (Sweden)	100.00	SEK	50,000	SEK	799,136	SEK	6,920,887	EUR	390,448
LU-VE France S.a.r.l.	Lyon (France)	100.00	EUR	84,150	EUR	2,066,168	EUR	344,537	EUR	1,303,072
LU-VE Pacific Pty Ltd	Thomastown (Australia)	100.00	AUD	200,000	AUD	2,170	AUD	-	EUR	13,175
LU-VE Deutschland GmbH	Stuttgart (Germany)	100.00	EUR	230,000	EUR	(1,536,898)	EUR	(193,211)	EUR	173,001
LU-VE Iberica S.L.	Madrid (Spain)	85.00	EUR	180,063	EUR	385,886	EUR	615,929	EUR	145,285
LU-VE HEAT EXCHANGERS (Tianmen) Co, Ltd	Tianmen (China)	100.00	CNY	61,025,411	CNY	54,458,196	CNY	11,761,684	EUR	10,535,407
LU-VE Asia Pacific Limited	Wan Chai (Hong Kong)	100.00	HKD	10,000	HKD	(675,007)	HKD	17,891,030	EUR	-
LuveDigital S.r.l.	Uboldo (VA)	50.00	EUR	10,000	EUR	43,097	EUR	10,116	EUR	5,000
MANIFOLD S.r.l.	Uboldo (VA)	99.00	EUR	10,000	EUR	56,457	EUR	90,775	EUR	9,900
SPIROTECH Heat Exchangers Pvt. Ltd	Ghaziabad, Uttar Pradesh (India)	100.00	INR	25,729,600	INR	3,326,415,300	INR	271,073,893	EUR	39,468,270
LU-VE AUSTRIA GmbH	Vienna (Austria)	100.00	EUR	17,500	EUR	193,553	EUR	30,746	EUR	17,500
Zyklus Heat Transfer Inc	Jacksonville (USA, Texas)	100.00	USD	1,000	USD	(8,670,208)	USD	(3,771,802)	EUR	7,052,273
Air Hex Alonte S.r.l.	Uboldo (VA)	100.00	EUR	2,010,000	EUR	14,847,088	EUR	428,320	EUR	15,433,476
Fincoil LU-VE OY	Vantaa (Finland)	100.00	EUR	1,190,000	EUR	6,505,179	EUR	1,635,511	EUR	30,648,883
LU-VE Netherlands B.V.	Breda (Netherlands)	100.00	EUR	10,000	EUR	(273,913)	EUR	296,885	EUR	10,000
«OOO» LU-VE Moscow	Moscow (Russia)	100.00	RUB	100,000	RUB	41,679,057	RUB	32,677,274	EUR	1,382
LU VE MIDDLE EAST DMCC	Dubai (UAE)	100.00	AED	50,000	AED	399,443	AED	226,568	EUR	20,147
LU-VE SOUTH KOREA Llc	Seoul (South Korea)	100.00	KRW	100,000,000	KRW	119,781,980	KRW	9,658,014	EUR	107,680
Refrion S.r.l.	Flumignano di Talmassons (UD)	75.00	EUR	1,000,000	EUR	3,349,361	EUR	510,700	EUR	9,845,828
LU-VE UK Ltd	London (United Kingdom)	100.00	GBP	10,000	GBP	8,800	GBP	(1,200)	EUR	11,500
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	319,087,806	PLN	91,569,196	EUR	4,134,121
«OOO» SEST LU-VE (95% owned by SEST S.p.A.)	Lipetsk (Russia)	95.00	RUB	136,000,000	RUB	1,889,096,585	RUB	392,970,978	EUR	3,770,723
Thermo Glass Door S.p.A. (100% owned by SEST S.p.A.)	Travacò Siccomario (PV)	100.00	EUR	100,000	EUR	362,877	EUR	(1,070,769)	EUR	-
RMS S.r.l. (100% owned by Refrion S.r.l.)	Flumignano di Talmassons (UD)	75.00	EUR	40,000	EUR	1,109,190	EUR	290,978	EUR	551,620
Refrion Deutschland GmbH (100% owned by Refrion S.r.l.)	Frankfurt am Main (Germany)	75.00	EUR	150,000	EUR	(332,581)	EUR	(65,693)	EUR	-

6. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

During 2022, 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 2022 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 2022

The turnover of products in the first two months of 2023 alone shows a value of €15.3 million, with an increase of 19.6% compared to the same period of the previous year. The order backlog amounts to €38.5 million with a decrease of 6.7% compared to the same date in December 2021.

Following the death of the founder and Chairman, Mr Iginio Liberali at the end of December, the Board of Directors, which met on 23 January, resolved not to co-opt any member to replace him and at the same time appointed the Chief Executive Officer, Mr Matteo Liberali, Chairman of the company until the planned end of the current board's mandate, with the approval of the 2022 financial statements.

On 23 February, the Board of Directors also announced the appointment of Mr Riccardo Quattrini in the new role of Group General Manager, with effect from 1 April 2023. Mr Quattrini, following the board resolution adopted today, will take office on 27 March 2023 and not on 1 April 2023 as resolved and communicated to the market on 23 February.

LU-VE S.p.A. continues to pay a high level of attention to the evolution of the crisis between Russia and Ukraine, which, as already described, may have further significant repercussions on the world economy also as a result of the sanctions. The extreme geographical diversification of sales means that as at 31 December 2022, the Group's exposure in this area is only around 5.5% in terms of turnover and 2.5% of net invested capital. As at 28 February 2023, the exposure in terms of order backlog was 5.1%.

In January 2023, LU-VE S.p.A. received the second tranche, amounting to €20 million, relating to the loan agreement signed in December 2022 with BPM S.p.A.

In May 2022, the Varese Revenue Agency launched a general tax audit on LU-VE S.p.A., with a particular focus on intra-group relations, for the years 2016, 2017, 2018 and 2019. The Agency requested, in several tranches, the documentation to be analysed that LU-VE S.p.A. provided within the envisaged timescales.

The macroeconomic scenario remains uncertain and, therefore, it is difficult to make accurate forecasts on the trend of orders and commercial, economic and financial results. However, the macro trends on which LU-VE S.p.A. 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, food safety and electrification) are reasonably not directly associated to the global economic cycle and have absolutely been confirmed.

Chairman and CEO

Matteo Liberali

9. APPENDIX A

IRS on loans (in thousands of Euro)

DEBTOR COMPANY	COUNTERPARTY	TAKEN OUT	MATURITY	ORIGINAL NOTIONAL	31/12/2022		31/12/2022
					NOT. Short	NOT. M/L	FAIR VALUE
LU-VE S.P.A.	Unicredit S.p.A.	30/01/2018	31/03/2023	18,750	1,875	-	17
LU-VE S.P.A.	Intesa San Paolo S.p.A.	28/11/2018	28/06/2024	12,500	2,500	1,250	108
LU-VE S.P.A.	Intesa San Paolo S.p.A.	28/11/2018	28/06/2024	12,500	2,500	1,250	108
LU-VE S.P.A.	Banca Nazionale del Lavoro S.p.A.	20/12/2018	24/09/2024	10,000	2,000	2,000	129
LU-VE S.P.A.	Banca Nazionale del Lavoro S.p.A.	20/12/2018	20/12/2023	10,000	5,556	-	150
LU-VE S.P.A.	Unicredit S.p.A.	12/07/2019	30/06/2024	9,600	2,400	1,200	104
LU-VE S.P.A.	Intesa San Paolo S.p.A.	20/05/2020	30/09/2025	12,500	2,778	4,861	384
LU-VE S.P.A.	Banca Nazionale del Lavoro S.p.A.	28/05/2020	28/05/2025	40,000	10,000	15,000	1,209
LU-VE S.P.A.	Unicredit S.p.A.	30/11/2020	30/11/2024	20,000	5,714	5,714	459
LU-VE S.P.A.	Deutsche Bank S.p.A.	30/10/2020	30/10/2026	5,500	1,066	3,348	280
LU-VE S.P.A.	Deutsche Bank S.p.A.	30/10/2020	30/10/2025	10,000	2,000	4,000	315
LU-VE S.P.A.	Intesa San Paolo S.p.A.	31/03/2021	31/03/2026	30,000	7,500	16,875	1,429
LU-VE S.P.A.	Banca Popolare di Milano S.p.A.	14/06/2021	31/03/2026	12,000	2,824	6,353	523
LU-VE S.P.A.	Banca Popolare di Milano S.p.A.	14/06/2021	31/03/2026	18,000	4,235	9,529	796
LU-VE S.P.A.	Unicredit S.p.A.	30/09/2021	31/03/2025	30,000	8,571	12,857	942
LU-VE S.P.A.	Banca Popolare di Milano S.p.A.	17/12/2021	30/09/2026	40,000	10,667	29,333	2,469
LU-VE S.P.A.	Intesa San Paolo S.p.A.	31/05/2022	31/05/2029	20,000	-	20,000	662
LU-VE S.P.A.	Intesa San Paolo S.p.A.	31/05/2022	31/05/2029	20,000	-	20,000	459
LU-VE S.P.A.	Intesa San Paolo	31/05/2022	31/03/2029	15,000	-	15,000	871
LU-VE S.P.A.	Banca Nazionale del Lavoro S.p.A.	22/07/2022	22/07/2027	40,000	8,000	32,000	1,296
LU-VE S.P.A.	BPER	22/07/2022	22/07/2027	25,000	1,563	23,438	708
LU-VE S.P.A.	Intesa San Paolo	28/07/2022	28/07/2027	15,000	937	14,063	506
LU-VE S.P.A.	Deutsche Bank S.p.A.	25/10/2022	28/10/2028	15,000	-	15,000	4
LU-VE S.P.A.	Unicredit S.p.A.	24/11/2022	31/12/2026	25,000	6,250	18,750	36
			Total	**466,350**	**88,936**	**271,821**	**13,964**

COMMITMENTS

Commodity derivatives (in thousands of Euro)

CONTRACTING PARTY	COUNTERPARTY	DEAL NO.	COMMODITY	MSO	NOTIONAL	TRADE DATE	MATURITY DATE	STRIKE PRICE	QUANTITY	Original notional	Short notional	Fair Value 31/12/2022
LU-VE S.P.A.	Unicredit S.p.A.	010722-2211	COPPER	513103858	190,818.75	01/07/2022	31/12/2022	7,633	25	191	191	7
LU-VE S.P.A.	Unicredit S.p.A.	010722-2211	COPPER	513103867	381,637.50	01/07/2022	31/01/2023	7,633	50	382	382	10
LU-VE S.P.A.	Unicredit S.p.A.	010722-2211	COPPER	513109073	381,637.50	01/07/2022	28/02/2023	7,633	50	382	382	10
LU-VE S.P.A.	Unicredit S.p.A.	010722-2211	COPPER	513109079	381,637.50	01/07/2022	31/03/2023	7,633	50	382	382	9
LU-VE S.P.A.	Unicredit S.p.A.	010722-2212	ALUMINIUM	513109103	57,500.00	01/07/2022	31/12/2022	2,300	25	58	58	(1)
LU-VE S.P.A.	Unicredit S.p.A.	010722-2212	ALUMINIUM	513109112	57,500.00	01/07/2022	31/01/2023	2,300	25	58	58	(2)
LU-VE S.P.A.	Unicredit S.p.A.	010722-2212	ALUMINIUM	513109118	115,000.00	01/07/2022	28/02/2023	2,300	50	115	115	(5)
LU-VE S.P.A.	Unicredit S.p.A.	010722-2212	ALUMINIUM	513109124	57,500.00	01/07/2022	31/03/2023	2,300	25	58	58	(2)
LU-VE S.P.A.	Unicredit S.p.A.	120722-2204	COPPER	513943992	185,875.00	12/07/2022	31/01/2023	7,435	25	186	186	10
LU-VE S.P.A.	Unicredit S.p.A.	120722-2204	COPPER	513944001	185,875.00	12/07/2022	28/02/2023	7,435	25	186	186	10
LU-VE S.P.A.	Unicredit S.p.A.	120722-2205	ALUMINIUM	513944021	59,200.00	12/07/2022	31/12/2022	2,368	25	59	59	(3)
LU-VE S.P.A.	Unicredit S.p.A.	120722-2205	ALUMINIUM	513944030	59,200.00	12/07/2022	31/01/2023	2,368	25	59	59	(4)
LU-VE S.P.A.	Unicredit S.p.A.	120722-2205	ALUMINIUM	513944036	59,200.00	12/07/2022	28/08/2023	2,368	25	59	59	(4)
LU-VE S.P.A.	Unicredit S.p.A.	140922-2203	COPPER	MSO_518591551	313,800.00	14/09/2022	31/12/2022	7,845	40	314	314	2
LU-VE S.P.A.	Unicredit S.p.A.	140922-2203	COPPER	MSO_518591560	313,800.00	14/09/2022	31/01/2023	7,845	40	314	314	(1)
LU-VE S.P.A.	Unicredit S.p.A.	140922-2203	COPPER	MSO_518591566	235,350.00	14/09/2022	28/02/2023	7,845	30	235	235	(1)
LU-VE S.P.A.	Unicredit S.p.A.	140922-2206	ALUMINIUM	MSO_518591609	139,200.00	14/09/2022	31/01/2023	2,320	60	139	139	(7)
LU-VE S.P.A.	Unicredit S.p.A.	140922-2206	ALUMINIUM	MSO_518591603	139,200.00	14/09/2022	31/12/2022	2,320	60	139	139	(3)
LU-VE S.P.A.	Unicredit S.p.A.	140922-2206	ALUMINIUM	MSO_518591615	62,640.00	14/09/2022	28/02/2023	2,320	27	63	63	(3)
									Total	**3,379**	**3,379**	**22**

10. APPENDIX B

Bank loans *(in thousands of Euro)*								AMORTISED COST			
								31/12/2022		31/12/2021	
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	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
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	2,520	2,521	7,505	5,001
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	3,814	2,551	6,254	2,496
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	3,814	2,551	6,254	2,496
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	4,121	2,070	6,002	1,990
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	6,780	1,740	7,235	1,105
LU-VE	Banca Popolare di Milano	Unsecured loan	16/06/2019	28/06/2024	3M 360 days Euribor + Spread	-	10,000	3,095	2,056	5,044	1,997
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	3,662	2,450	6,005	2,397
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	15,539	5,696	20,837	5,521

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	7,587	7,587	22,534	14,997
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
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	25,476	10,231	34,974	9,925
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
LU-VE	Banca Popolare di Milano	Unsecured loan	25/06/2020	30/06/2022	3M 360 days Euribor + Spread	-	2,500	-	-	835	835
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	11,648	5,846	17,158	5,698
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	4,518	1,104	5,509	1,077
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	6,107	2,055	8,003	1,987
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	26,699	9,554	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	9,333	2,900	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	14,140	4,422	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		21,797	8,674	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		40,724	10,993	39,880	2,533
LU-VE	Cassa Depositi e Prestiti	Unsecured loan	28/04/2022	05/05/2029	6M 360 days Euribor + Spread	NFP/EBITDA <= 3 NFP/SE </= 1.15	40,000		40,705	74	-	-
LU-VE	Intesa San Paolo - 0ICG077412648	Unsecured loan	28/04/2022	29/03/2029	3M 360 days Euribor + Spread	NFP/EBITDA <= 3 NFP/SE </= 1.0	15,000		15,197	70	-	-
LU-VE	Intesa San Paolo - 0ICG077643326	Unsecured loan	31/05/2022	29/03/2029	3M 360 days Euribor + Spread	NFP/EBITDA <= 3 NFP/SE </= 1.0	15,000		15,165	62	-	-
LU-VE	BNL - 2200040499	Unsecured loan	22/07/2022	22/07/2027	6M 360 days Euribor + Spread	NFP/EBITDA <= 3 NFP/SE </= 1.0	40,000		40,279	8,088	-	-
LU-VE	BPER - 5161208	Unsecured loan	22/07/2022	22/07/2027	3M 360 days Euribor + Spread	NFP/EBITDA <= 3 NFP/SE </= 1.0	25,000		25,129	1,582	-	-
LU-VE	INTESA - 1017436972	Unsecured loan	28/07/2022	28/07/2027	3M 360 days Euribor + Spread	NFP/EBITDA <= 3 NFP/SE </= 1.0	15,000		15,093	976	-	-
LU-VE	DEUTSCHE BANK - 24/10/40052384	Unsecured loan	25/10/2022	25/10/2028	3M 360 days Euribor + Spread	NFP/EBITDA <= 3 NFP/SE </= 1.15	30,000		30,024	47	-	-
LU-VE	Unicredit - 2218975	Unsecured loan	24/11/2022	31/12/2026	3M 360 days Euribor + Spread	NFP/EBITDA <= 3 NFP/SE </= 1.0	25,000		24,992	6,252	-	-
LU-VE	BPM - 05792200	Unsecured loan	21/12/2022	30/09/2027	3M 360 days Euribor + Spread	NFP/EBITDA <= 3.25 NFP/SE </= 1.25	5,000		4,980	585	-	-
							Total		**422,938**	**102,737**	**334,615**	**131,771**

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

COMMITMENTS

11. APPENDIX C

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Office	Period for which office was held	Expiry of office*	Fixed remuneration	Remuneration for participation in committees	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severance pay or termination of employment indemnity
						Bonuses and other incentives	Profit sharing					
Iginio Liberali	Chairman of the Board of Directors	01/01/2022-31/12/2022	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				300,000 (1)		268,125				568,125		
(II) Fees from subsidiaries and associates												
(III) Total				300,000		268,125				568,125		
Pier Luigi Faggioli	Vice Chairman	01/01/2022-31/12/2022	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				255,000 (2)		268,125		6,310		529,435		
(II) Fees from subsidiaries and associates												
(III) Total				255,000		268,125		6,310		529,435		
Matteo Liberali	CEO	01/01/2022-31/12/2022	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				520,000 (3)		428,175 (4)		6,212		954,387		
(II) Fees from subsidiaries and associates												
(III) Total				520,000		428,175		6,212		954,387		
Michele Faggioli	COO	01/01/2022-31/12/2022	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				495,000 (5)		421,514 (4)		10,981		927,495		
(II) Fees from subsidiaries and associates												
(III) Total				495,000		421,514		10,981		927,495		
Raffaella Cagliano	Director	01/01/2022-31/12/2022	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				20,000	2,000 (6)					22,000		
(II) Fees from subsidiaries and associates												
(III) Total				20,000	2,000					22,000		

COMMITMENTS

Guido Giuseppe Crespi	Director	01/01/2022-31/12/2022	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				20,000	2,000 [6]					22,000		
(II) Fees from subsidiaries and associates												
(III) Total				20,000	2,000					22,000		
Anna Gervasoni	Director	01/01/2022-31/12/2022	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				20,000	12,000 [7]					32,000		
(II) Fees from subsidiaries and associates												
(III) Total				20,000	12,000					32,000		
Fabio Liberali	Director	01/01/2022-31/12/2022	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				20,000				7,214	102,503 [8]	129,717		
(II) Fees from subsidiaries and associates												
(III) Total				20,000				7,214	102,503	129,717		
Laura Oliva	Director	01/01/2022-31/12/2022	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				20,000	6,000 [9]					26,000		
(II) Fees from subsidiaries and associates												
(III) Total				20,000	6,000					26,000		
Stefano Paleari	Director	01/01/2022-31/12/2022	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				20,000	19,000 [10]					39,000		
(II) Fees from subsidiaries and associates												
(III) Total				20,000	19,000					39,000		
Roberta Pierantoni	Director	01/01/2022-31/12/2022	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				20,000	6,000 [11]					26,000		
(II) Fees from subsidiaries and associates												
(III) Total				20,000	6,000					26,000		

COMMITMENTS

Marco Vitale	Director	01/01/2022-31/12/2022	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				20,000						20,000		
(II) Fees from subsidiaries and associates												
(III) Total				20,000						20,000		
Simone Cavalli	Chairman - Board of Statutory Auditors	01/01/2022-31/12/2022	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements												
(II) Fees from subsidiaries and associates				45,000						45,000		
(III) Total												
				45,000						45,000		
Paola Mignani	Standing Auditor	01/01/2022-31/12/2022	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				30,000						30,000		
(II) Fees from subsidiaries and associates												
(III) Total				30,000						30,000		
Stefano Beltrame	Standing Auditor	01/01/2022-31/12/2022	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				30,000						30,000		
(II) Fees from subsidiaries and associates				66,000 (12)						66,000		
(III) Total				96,000						96,000		

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

(1) of which €20,000.00 for the position of Director, and €280,000.00 for the position of Chairman of the Board of Directors;

(2) of which €20,000.00 for the position of Director, and €235,000.00 for the position of Vice Chairman of the Board of Directors;

(3) of which €20,000.00 for the position of Director, and €500,000.00 for the position of CEO;

(4) of which €74,250.00 accrued as variable medium/long term Component (2020-2022 LTI) for 2022;

(5) of which €20,000.00 for the position of Director, and €475,000.00 for the position of COO;

(6) As a member of the Independents Committee;

(7) of which €6,000.00 as a member of the Remuneration and Appointments Committee, and €6,000.00 as a member of the Control and Risk Committee;

(8) as annual gross remuneration accrued in relation to the employment with LU-VE SPA;

(9) remuneration accrued as a member of the Control and Risk Committee;

(10) of which €8,000.00 as Chairman of the Remuneration and Appointments Committee, and €8,000.00 as Chairman of the Control and Risk Committee and €3,000.00 as Chairman of the Independents Committee;

(11) remuneration accrued as a member of the Remuneration and Appointments Committee;

(12) for fees in relation to the office of auditor and member of the supervisory body pursuant to Legislative Decree 31/01 of subsidiary companies.

12. GENERAL INFORMATION ABOUT THE COMPANY

Registered office:

Via Vittorio Veneto, 11

21100 Varese

ITALY (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 2022.

It is also certified that the separate financial statements as at 31 December 2022:

- 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.

14 March 2023

Matteo Liberali	Eligio Macchi
CEO	Manager in charge
	of financial reporting

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: +39 02 83322111
Fax: +39 02 83322112
www.deloitte.it

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, 2022, and the income statement, the statement of comprehensive income, statement of changes in equity, the statement of cash flows for the year then ended, and 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, 2022, 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 separate 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 Euro 14.6 million (2.7% of total assets in the separate financial statements as at December 31, 2022) 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 Euro 5.0 million, right-of-use assets for Euro 1.0 million and property, plant and equipment for Euro 37.1 million. As requested by "*IAS 36 – Impairment of assets*", 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 separate financial statements as at December 31, 2022 at a value not higher than its recoverable amount. After the conclusion of the impairment test, approved by the Board of Directors on March 14, 2023, the Company has not recognised any impairment losses. The impairment test process carried out by Management is based on the determination of the value in use, and it is complex since it includes assumptions regarding, inter alia, (i) the forecast of expected cash flows from the CGU, making reference to the 2023-2026 business plan prepared by Management and following included in the consolidated business plan approved by the Board of Directors of February 23, 2023, and (ii) the determination of an appropriate discount rate (WACC) and a long-term growth rate (g-rate). Considering the significant amount of the assets accounted for within the separate financial statements, the judgement of the estimates used to determine the cash flows of the CGU and the result 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. separate financial statements. The explanatory note 3.1 "Goodwill and Other Intangible Assets" and paragraph "Measurement Criteria – Use of Estimates" included in the explanatory note 2.2 "Structure and content of the financial statements" provides a disclosure on the impairment test, including the above mentioned sensitivity analyses carried out by Management, which describes the effects deriving from the changes in certain key assumptions used for the purposes of the impairment test.
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, analyzing 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:

- observation and understanding of the relevant controls undertaken by the Company on the impairment test process;
- assessment of the reasonableness of the main assumptions adopted to develop cash flow forecasts and collection of other relevant information by the Management;
- variance analysis of actual data in comparison with original business plans, in order to evaluate the nature of the variances and the reliability of the process of preparation of the business 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 required by IAS 36.
-

Impairment test on investments

Description of the key audit matter	The Company's separate financial statements include investments in subsidiaries for a total of Euro 169.6 million, of which Euro 37.9 million refer to: (i) the subsidiaries LU-VE Deutschland GmbH, LU-VE Nederlands B.V. and Zyklus Heat Transfer Inc., for a total amount of Euro 7.2 million, which incurred significant losses in the current and/or in previous years, which led to negative equity for a total amount of € 9.9 million as at 31 December 2021, and (i) the subsidiary Fincoil LU-VE OY, whose carrying amount, equal to Euro 30.6 million, is significantly higher in comparison with the related portion of equity attributable to the Company. As required by IAS 36, due to the presence of indicators of a possible impairment loss, the Company's Management performed an impairment test in order to determine whether the carrying amount of the equity investments (together with the financial receivables granted by the Company towards its subsidiaries, considered a long-term interest that represents an extension of the net investment in the subsidiary) are recognised in the separate financial statements at 31 December 2021 at a value not higher than their recoverable amount. After the conclusion of the impairment tests, approved by the Board of Directors on March 14, 2023, the Company recognised a write-off for € 11.0 million attributable to the net interest held in Zyklus Heat Transfer Inc. (and

attributed by Management to the non-current financial assets included in the Caption "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 discount rate (WACC) and a long-term growth rate (g-rate).

The business plans underlying such cash flows were prepared by the local management of the subsidiaries in collaboration with the Company's Management and subsequently included in the consolidated plan approved by the Board of Directors meeting held on 23 February 2023. With reference to the subsidiary Zyklus Heat Transfer Inc., it was considered a business plan with an explicit time horizon 2023-2028, considering the important project started in 2020 and still in progress, which it is expected an increase in production capacity through significant investments in the first years of the business plan.

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 subsidiaries, we considered the impairment test a key audit matter of LU-VE S.p.A.'s separate financial statements.

Note 3.3 "Investments in subsidiaries" and par "Measurement Criteria – Use of estimates" included in Note "Structure and content of the financial statements" within the separate financial statements provide a disclosure regarding the impairment test, including a sensitivity analysis 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 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:

- observation and understanding of the relevant controls undertaken by the Company on the impairment test process on the equity investments in subsidiaries;
- assessment of the reasonableness of the main assumptions adopted by the Management to develop cash flow forecasts (including the effects of the macroeconomic contest and the potential impact related to the climate change) and collection of other relevant information obtained by management;

- variance analysis of actual data in comparison with the original business plans, in order 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. non-current financial receivables) 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 required by 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 the 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, actions taken to eliminate threats or safeguards applied.

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 separate financial statements as at December 31, 2022, 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 separate financial statements with the provisions of the Delegated Regulation.

In our opinion, the separate financial statements as at December 31, 2022 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, 2022, 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 financial separate financial statements of LU-VE S.p.A. as at December 31, 2022 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 LU-VE S.p.A. as at December 31, 2022 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
March 30, 2023

As disclosed by the Directors on the first page, the accompanying separate financial statements of LU-VE S.p.A. constitute a non-official version which has not been prepared in accordance 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.

LU-VE S.p.A.

Registered Office in Varese - Via Vittorio Veneto, 11 - Share Capital € 62,704,488.80 fully paid-up

Tax Code and VAT no. 01570130128, Varese Economic and Administrative Index 191975

* * * *

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") and art. 2429 of the Italian Civil Code, 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 on the supervisory activity carried out and on the relative results, as well as on the significant events that took place during the year.

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1. Introduction

The Board of Statutory Auditors, appointed by the Shareholders' Meeting on 29 April 2020, is comprised by Simone Cavalli, Chairman, Stefano Beltrame and Paola Mignani, standing auditors and shall remain in office until the Shareholders' Meeting called to approve the financial statements for the year ended as at 31 December 2022.

In the year ending on 31 December 2022, the Board of Statutory Auditors carried out the supervisory activity required by 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 Board of Professional Accountants and Auditors and the guidelines contained in the Corporate Governance Code which LU-VE has adopted on 21 December 2020 and applied from the first financial year starting after 31 December 2020.

Also in 2022, some meetings of the Board of Directors and the Board of Statutory Auditors were held remotely as part of the measures to combat the spread of Covid-19.

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2. Compliance with the law and the Articles of Association

In its supervisory activity, during the year the Board held regular meetings, participated in the Shareholders' Meeting, the Board of Directors' meetings and the meetings of the Board Committees, i.e., the Committee for Control and Risks and Related Party Transactions, to which have been assigned competences also with regard to the Non-Financial Statement ("NFS") and sustainability, and the Remuneration and Appointments Committee. In particular, in 2022 the Board of Statutory Auditors:

- held 9 board meetings in which all members in office participated;
- participated, typically in the form of the entire board, in the 12 meetings held by the Board of Directors;
- participated, typically in the form of the entire board, in the 7 meetings held by the "Committee for Control and Risks and Related Party Transactions" (hereinafter also the "Control and Risk Committee");
- participated, typically in the form of the entire board, in the 8 meetings held by the Remuneration and Appointments Committee;
- participated in the form of the entire board in the Ordinary Shareholders' Meeting for the approval of the 2021 financial statements, held on 29 April 2022;
- maintained a continuous flow of information and held regular meetings with the Auditing Firm, in order to promptly exchange relevant data and information for the completion of their respective tasks as laid out in art. 150, paragraph 3 of the Consolidated Law on Finance;
- maintained a continuous flow of information and held regular meetings with the Supervisory Body;
- maintained a continuous flow of information and held regular meetings with the Head of Internal Audit;
- exchanged information, as laid out in art. 151, paragraph 2 of the Consolidated Law on Finance, with the Board of Statutory Auditors of the Italian Subsidiaries, without the emergence of any relevant aspects to be reported.

Through these activities, the Board verified the compliance of the organisational structure, the internal procedures, the corporate deeds and the resolutions of the corporate bodies with applicable legal standards, provisions of the articles of association and regulations, as well as the codes of conduct which the Company has declared it follows.

In general, the Board believes that the law and the articles of association have been respected and it did not identify violations of provisions of law or the articles of association or transactions carried out by the Directors that are clearly imprudent or risky, in potential conflict of interests, in conflict with the resolutions passed by the Shareholders' Meeting or in any event such so as to compromise the integrity of the company's assets.

Please note that within the scope of the Board's activities, in 2022:

- no complaints pursuant to art. 2408 of the Italian Civil Code were received;

- no reports were received;
- the Board of Statutory Auditors provided its opinions when required by law during the meetings of the Board of Directors and the Committees in which the Board of Statutory Auditors participated.

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3. Respect for the principles of proper management (and reference to the main transactions)

The Board of Statutory Auditors obtained information from the Directors, with the required frequency, on the activity 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 profit and loss, equity and financial position of the Company, are included in the Directors' Report and in the Explanatory notes to which reference should be made. In particular, it should be noted that:

- On 21 March 2022, the LU-VE Group sold its entire investment (79.9%) in Tecnair LV S.p.A. (active in the production of close control indoor air conditioning units for operating rooms and data centre applications) to the Swedish company Systemair AB, listed on the Stockholm Stock Exchange, for a value of €12.9 million (which generated a financial income at consolidated level of around €9.5 million).
- On 30 March 2022, the acquisition of a 75% equity investment in Refrion S.r.l. and its subsidiaries was finalised. Refrion S.r.l., with registered office in Flumignano (Udine), specialises in the production of air cooled products combined with adiabatic technology, which enables significant reductions of energy and water consumption, as well as of noise emissions, to be achieved. The agreement provides for a put & call option to purchase the remaining 25%, exercisable within the next five years. The transaction final price was €9.2 million and the consideration paid at closing and financed through the Group's cash and cash equivalents was €7.8 million.
- The purchase of the Italia Wanbao ACC S.r.l. business unit, located a few kilometres from Limana, was concluded for a value of €70 thousand on 3 August 2022, through the subsidiary SEST S.p.A. of Limana (Belluno). The executed agreements make provision for: a) the full industrial reconversion of the site, with a view to expanding the production of heat exchangers for refrigerated counters, heat pumps and chillers; b) the absorption of a sizeable part of

WACC's current workers over a three-year period from the signature of the agreements; c) total investments in the production site (which has a covered surface area of around 40,000 sqm) for around €6 million over the next 3 years. The first step for the reconversion of the production site had already been completed at the end of September, with the start-up of two production lines and the hiring of a first group of workers, in line with the provisions of the agreements. At the beginning of December, as planned, the deed for the purchase of the entire production site was finalised for €2 million;

- at the beginning of September, the Board of Directors of the LU-VE Group unanimously approved the proposal to allocate an extraordinary bonus of €3 million to support its employees, to cope with the increase in the cost of living and inflation.
- On 21 September 2022, the LU-VE S.p.A. was officially admitted to listing on the STAR segment of the Milan Stock Exchange;
- during the year, new loans were taken out for a total of approximately €230 million (of which €210 million disbursed during the year) and loans for approximately €34.1 million were repaid in advance with the aim of optimising the financial structure.

Specifically with respect to transactions with related parties, the Board of Statutory Auditors supervised the compliance of the procedures adopted by the Company with the principles specified by CONSOB, as well as their observance, also by participating in the meetings of the Control and Risk Committee. In this respect:

- the Company adopted a procedure intended 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 amended (last amendment was on 29 June 2021);
- the Directors adequately specified the ordinary intra-group transactions and transactions with related parties in their Directors' Report and in the Explanatory notes, taking into account their size.

We did not find, or receive information from the Board of Directors, from the Auditing Firm or from the Control and Risk Committee regarding the existence of atypical and/or unusual transactions made with third parties, with Group companies or with related parties.

During the financial year, LU-VE did not purchase any additional treasury shares and, therefore, as at 31 December 2022, LU-VE held 28,027 treasury shares in its portfolio, corresponding to 0.1261% of its share capital.

The Directors adequately illustrated in the Explanatory notes to the financial statements, the main assumptions used to conduct mandatory impairment testing on several financial statement assets, together with the sensitivity analyses conducted.

In line with what is laid out in the Corporate Governance Code, control on the principles of proper administration was carried out by the Board through preventive supervision and not only the *ex post* supervision of processes.

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4. Adequacy of the governance and organisational structure

Insofar as it is responsible, the Board of Statutory Auditors supervised the adequacy of the organisational structure of the Company and 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 and the nature and methods 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 Consolidated Law on Finance. In this regard the Board, after acquiring information from the heads of the competent corporate functions, at meetings with the Auditing Firm and with the control bodies of subsidiary companies (if any), within the context of the reciprocal exchange of significant information, reports that no findings to be reported emerged.

In application of application criterion 8.C.1. of the Code of Conduct, the Board of Statutory Auditors verified that all its members met the independence requirements, also on the basis of the criteria set out in art. 3.C.1. of the Code of Conduct, at the meeting that installed the Board on 29 April 2020, communicating them to the Board of Directors, which notified these to the public by means of press release on the same date. It is specified that this assessment was carried out before the Corporate Governance Code came into force and therefore prior to the adoption of the above criteria for assessing the significance of the relationships in question, which have not been applied. The Board of Statutory Auditors lastly verified, with a positive outcome, the continuing applicability of the aforementioned requirements in its meeting of 15 February 2023, during the self-assessment activity carried out internally, in compliance with the "Rules of Conduct for the Board of Statutory Auditors of Listed Companies" issued by the CNDCEC in the updated version of April 2018, with the

combined provisions of art. 2, Recommendation No. 7 and No. 9 of the Corporate Governance Code - January 2020 edition, and with the regulations in force.
On 15 February 2023, also referring in particular to Rule Q.1.6., "*Remuneration*", the Board of Statutory Auditors reported to the Board of Directors on the activities carried out during the three-year period, specifying the number of meetings and their duration, as well as the time required for the activities carried out and the professional resources employed, in order to allow the Shareholders and the candidate auditors to assess the adequacy of the proposed remuneration.

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With respect to the composition, size and functioning of the Board of Directors and the Committees, particularly with regard to the requirements established for Independent Directors and the determination of remuneration, as well as the comprehensiveness, roles and responsibilities connected to each corporate function, the Board of Statutory Auditors refers in general to the "Report on corporate governance and ownership structures" and the "Remuneration Report". In particular, we verified the correct application of the assessment criteria and procedures adopted by the Board of Directors for evaluating the independence of its members based on the criteria envisaged by law and by the Corporate Governance Code.

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On December 22, 2022, the President, Dr. Iginio Liberali, a person of inestimable human and professional value, passed away. Following his death, the Board of Directors, which met on 23 January 2023, resolved not to co-opt any member, also in consideration of the fact that his death did not affect the functioning of the Board in office and of the Board committees and that the current Board of Directors is at the end of its mandate.
In the same meeting, the Board of Directors resolved to appoint as Chairman until the next Shareholders' Meeting, dott. Matteo Liberali, who also holds the position of CEO, without changing the powers already attributed to him.

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5. Adequacy of the internal control system

The Board of Statutory Auditors supervised the adequacy of the organisational structure of the Company and the Group, in terms of structure, procedures, roles and responsibilities, taking into account the size of the Company and the nature and methods for the pursuit of the corporate purpose. In this respect it has interacted with the top management to verify the effectiveness of the organisational structure, meeting the officers in charge of the various management areas for updates with regard to the organisational chart of each area, the adequacy of the available resources and the main activities carried out.

Moreover:

- no observations on the application of the organisational model pursuant to Italian Legislative Decree 231/2001 and on the procedures adopted by the company arose from the annual report issued by the Supervisory Organism pursuant to Italian Legislative Decree 231/2001. During the year, the Model was updated in relation to the new regulations and organisational changes implemented in the companies. In its report, the Supervisory Body underlines that, in the reference period, it monitored the ongoing updating of the Model and learned that the risk assessment being concluded takes into consideration all the predicate offenses as defined in Italian Legislative Decree 231/2001 and that the compliance of the document with the recommendations provided by Confindustria in the latest version of the Guidelines for the preparation of organisational models dated June 2021 was also assessed. In the course of 2022, the CEO responsible for the internal control and risk management system discussed the main risks existing for the Group with the Control and Risk Committee, sharing a process for updating the identification and management of risks;
- the Board of Directors is responsible for governing the process underlying the internal control system. On the other hand, the organisational units are responsible for managing the process of identifying, measuring, managing and monitoring risks, as well as defining the relative countermeasures.

The LU-VE Group kept the "Crisis Committee" operational also in 2022, with no interruptions even after the end of the Covid emergency (which saw the participation of the majority of the Directors of the various Group Companies, the members of the Board of Statutory Auditors and the Supervisory Board as well as the managers of the individual strategic functions of the production units), in order to manage the Covid-19 health emergency as best as possible and to protect the health of all employees.

In addition to the critical issues caused by the spread of Covid-19 and not yet normalised, on which the Board of Statutory Auditors also focused its attention in the course of the financial year 2022, there were the dramatic issues related to the outbreak of conflict between Russia and Ukraine and the resumption of consumer inflation worldwide in 2022. The Board has complied with the measures

gradually adopted by the Company and the Group with regard, inter alia and in particular, to the decisions made regarding the Russian subsidiary and the related facility (located in Russia).
As highlighted in the Directors' Report, the Group carefully monitors the complexities that remain linked to the world of purchasing and the supply chain, both as regards the tension on the prices of raw materials, components, services and utilities, and with reference to the availability of some materials, particularly motors and electronic components, as well as the critical issues related to the evolution of the crisis between Russia and Ukraine.
Overall, in defining and applying the internal control and risk management system, no significant critical issues emerged such so as to considerably compromise the achievement of a risk profile that is acceptable on the whole.

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6. Adequacy of the accounting administrative system and the auditing activities

The Board of Statutory Auditors supervised the accounting-administrative system and, on the basis of the provisions of art. 19 of Italian Legislative Decree 39/2010, on: (i) the financial reporting process; (ii) the independent audit of the annual and consolidated accounts; (iii) the independence of the auditing firm, with reference to the non-audit services provided. More specifically, the Board observes the following:

- the Company has provided adequate instructions to the subsidiaries pursuant to art. 114, paragraph 2 of Italian Legislative Decree 58/98, so that they may provide the necessary information to fulfil the communication obligations laid out by law, without identifying any exceptions;
- the main characteristics of the risk management and internal control system existing in relation to the financial reporting process are described by the Directors in the Directors’ Report;
- the Manager in charge of financial reporting conducted an assessment of the accounting-administrative internal control system. No critical issues emerged from the annual report, issued in accordance with art. 154-bis of the Consolidated Law on Finance and presented to the Board of Directors;
- the company responsible for auditing the accounts of LU-VE is Deloitte & Touche S.p.A. (hereinafter also the “Auditing firm”). This engagement was assigned by the LU-VE Ordinary Shareholders' Meeting by resolution of 10.03.2017 and will end with the approval of the financial statements as at 31 December 2025;
- in addition to the statutory audit, the limited audit on the half-yearly report and the limited analysis of the Consolidated Non-Financial Statement, the Board of Statutory Auditors found that, during

the 2022 financial year, (1) LU-VE S.p.A. has appointed Deloitte & Touche S.p.A. to assist in performing some accounting procedures on the financial statements as at 31 December 2021 for Refrion S.r.l. and its subsidiaries ("Polar Project") for an additional fees of €45 thousand, and Studio Tributario e Societario - Deloitte Società tra professionisti S.r.l. to assist in the performance of some tax audit procedures relating to the 2021 tax years, concerning Refrion S.r.l. and its subsidiaries, against an additional fee of €2 thousand and (2) Deloitte & Touche SpA to endorse the 2022 VAT compliance of the subsidiary Thermo Glass Door S.p.A. for an additional fee of €3 thousand;

- during systematic meetings between the Board of Statutory Auditors and the Auditing Firm, no significant aspects to be reported emerged. In this respect, the Board:
  - analysed the auditing plan prepared by the auditing firm, verifying the adequacy of the audits and the validations planned with respect to the size and organisational and business complexity of the Company;
  - on 30.03.2023, received the audit reports from the Auditing Firm on the separate and consolidated financial statements of the Company and the Group pursuant to arts. 14 of Italian Legislative Decree 39/10 and 10 of Regulation (EU) 537/2014, which were issued with no findings or requests for information. In particular, the auditors also issued an opinion that the consolidated financial statements and financial statements have been prepared in XHTML format in accordance with the provisions of Delegated Regulation (EU) 2019/815 and the consolidated financial statements were marked-up in all significant aspects in compliance with the same provisions;
  - on 30.03.2023, received from the Auditing Firm the additional report for the internal control and audit committee as required by art. 11 of Regulation (EU) 537/2014. Aside from confirming the continuing fulfilment of the independence requirements by the Auditing Firm (referred to *herein*), this report does not indicate the presence of significant gaps in the internal control system, or cases of non-compliance, effective or presumed, with laws and regulations or provisions of the articles of association, or the identification of significant errors;
  - on 30.03.2023, received the report from the Auditing Firm 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 its subsidiaries;
  - did not observe any critical aspect with respect to the independence of the auditing company and received by the same on 30.03.2023, a communication of annual confirmation of independence pursuant to art. 6 paragraph 2) letter a) of the European Regulation 537/2014

and pursuant to paragraph 17 of ISA Italia 260 that, in order to ensure the independence of Auditors, also apply limits to the assignment of consultancy projects to auditing firms that already carry out audit activities of which adequate information is also provided by the information in the separate financial statements of LU-VE S.p.A. pursuant to art. 149-*duodecies* of the Issuers' Regulation.

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7. Implementation of corporate governance rules

The Company has enacted the principles of corporate governance approved by the Italian Stock Exchange and contained in the relative Corporate Governance Code. The Directors have provided analytical information in this regard, which is included in the Annual Report on corporate governance and ownership structures attached to the financial statement disclosure, to which reference is made. This report is adequate with respect to the provisions pursuant to art. 123-bis of the Consolidated Law on Finance. We also acknowledged the completed preparation of the Remuneration Report pursuant to articles 123-ter of the Consolidated Law on Finance and 84-quater of the Issuers' Regulation, as well as in compliance with the principles and recommendations dictated by the Corporate Governance Code adopted by the Company, with no specific observations to report.

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8. Non-Financial Statement

In compliance with the provisions of Italian Legislative Decree 254/2016 implementing "Barnier" Directive 95/2014, the Company has published a Consolidated Non-Financial Statement (NFS), which is required from large public interest entities.

The NFS was prepared to the extent necessary to ensure the understanding of the Group's activities, its performance, its results and the impact of the same product, covering issues considered to be relevant and required by articles 3 and 4 of Italian Legislative Decree 254/16.

The Statement has been prepared in accordance with the latest available version of the GRI Standards, specifically the "Consolidated Set of the GRI Standards" and in accordance with the required content and quality principles. A table with the list of contents relative to GRI requirements, both general and topic-specific, is reported at the end of the document.

The definition of the content laid out in the 2022 NFS involved all relevant corporate functions responsible for the aspects dealt with in the sections described above. For further information on the methods for calculating and the results of the above-mentioned indicators, please refer to the methodological notes of the Non-Financial Statement as at 31 December 2022.

The Board observes that the examination carried out by the Auditing Firm on the NFS, as a “limited assurance engagement” as indicated in the report they issued (to which reference is made), entailed a more limited extent of work than that necessary for conducting a full review in accordance with the provisions of ISAE 3000 Revised, and as such did not enable the Auditing Firm to have the certainty that they had become aware of all significant facts and circumstances that could be identified with the performance of such a review. This being said, the Auditing Firm did not identify any elements that led it to believe that the NFS was not compliant, in all significant aspects, with the requirements of articles 3 and 4 of the above-mentioned Decree and the GRI Sustainability Reporting Standards. These conclusions on the NFS do not extend to the information contained in the paragraph “Taxonomy of eco-sustainable activities”, required by art. 8 of the European Regulation 2020/852.

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9. Observations on the separate and consolidated financial statements, their approval and the 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 evaluated the separate financial statements, the consolidated financial statements, the relative Explanatory notes and the Directors’ report, placing attention on the promptness and accuracy of the formation of the documents that make up the financial statements and the procedure whereby they were prepared and presented to the Shareholders' Meeting.

During the supervisory activity carried out, no objectionable events, omissions or irregularities emerged which would require reporting to the control bodies or mentioning in this report.

Pursuant to the European Commission Delegated Regulation 2019/815 (so-called ESEF Regulation) in transposition of Directive 2013/50/EU which establishes, starting from 1 January 2021, the obligation for listed issuers to prepare their annual financial reports (AFR) in the single electronic communication format (European Single Electronic Format - ESEF), the Company has completed the implementation of the ESEF Regulation requirements for the year 2022.

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). Therefore, the annual financial report was prepared using the XHTML language and the Consolidated Financial Statements have been marked-up using the XBRL language. In addition, in line with the provisions of the regulations, starting from the 2022 financial year, the information provided in the consolidated notes was also marked-up.

The Auditing Firm, in its reports issued pursuant to arts. 14 and 16 of Italian Legislative Decree 39 of 27 January 2010, has expressed its opinion with no findings on the 2022 separate and consolidated financial statements. The certifications of the Manager in charge and the CEO required by art. 154-bis of the Consolidated Law on Finance are attached to the separate and consolidated financial statements.

The consolidated results as at 31 December 2022 show operating revenues and income of €618.6 million, EBITDA of €42.1 million, a net profit of €49.1 million (of which €47.7 million pertaining to the Group) and, lastly, a negative net financial position of €142.3 million. With respect to the factors impacting the results for the year, please refer to what is described in the Directors' report to the financial statements (as well as the Explanatory notes).

The Board of Statutory Auditors, on the basis of the activity carried out during the financial year and to the extent of its competence, does not see any impediment to the approval of the annual financial statements as at 31 December 2022 of LU-VE S.p.A. (which show a net profit of €16.2 million) and the relative proposals for deliberation formulated by the Board of Directors (including the distribution of a gross ordinary dividend of €0.38 per outstanding share, net of any treasury shares held by the Company at the date of the coupon detachment).

The Ordinary Shareholders' Meeting convened to approve the 2022 financial statements for 28 April 2023, is also called upon to resolve on other matters under its area of competence, including the Remuneration Policy for 2023, the appointment of the Board of Directors and the Board of Statutory Auditors and the renewal of the authorisation to purchase and dispose of treasury shares and - in the extraordinary session - for the proposed amendment of articles 6-bis, 15 and 18 of the Articles of Association and for the addition of the Honorary Chairman office.

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While thanking you for the trust you have placed in us, please note that with the approval of the Financial Statements as at 31 December 2022, the term of office of the Board of Statutory Auditors will expire, and we invite the Shareholders' Meeting to make the necessary arrangements.

Milan, 30 March 2023

The Board of Statutory Auditors of LU-VE S.p.A.

Simone Cavalli (Chairman)

Stefano Beltrame

Paola Mignani