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HALF-YEARLY FINANCIAL REPORT AS AT 30 JUNE 2021

SUMMARY

INTERIM DIRECTORS' REPORT AS AT 30 JUNE 2021

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1 INTERIM REPORT ON OPERATIONS AS AT 30 JUNE 2021

Subsidiaries and stake held by the Group

Company name	% stake	Currency	Share capital
Direct subsidiaries:			
SEST S.p.A.	100.00%	EUR	1,000,000
Tecnair LV S.p.A.	79.90%	EUR	200,000
Heat Transfer Systems s.r.o. (HTS)	100.00%	CZK	133,300,000
LU-VE Sweden AB	100.00%	SEK	50,000
LU-VE France S.a.r.l.	100.00%	EUR	84,150
LU-VE Pacific PtyLtd	75.50%	AUD	200,000
LU-VE Deutschland GmbH	100.00%	EUR	230,000
LU-VE Iberica S.L.	85.00%	EUR	180,063
LU-VE Asia Pacific Limited	100.00%	HKD	10,000
LuveDigital S.r.l.	50.00%	EUR	10,000
MANIFOLD S.r.l.	99.00%	EUR	10,000
Spirotech Ltd	100.00%	INR	25,729,600
LU-VE AUSTRIA GmbH	100.00%	EUR	17,500
ZyklusHeat Transfer Inc.	100.00%	USD	1,000
Air Hex AlonteS.r.l.	100.00%	EUR	2,010,000
Fincoil LU-VE OY	100.00%	EUR	1,190,000
LU-VE Netherlands B.V.	100.00%	EUR	10,000
«OOO» LU-VE Moscow	100.00%	RUB	100,000
LU VE MIDDLE EAST DMCC	100.00%	AED	50,000
LU-VE SOUTH KOREA LLC	100.00%	KRW	100,000,000
Indirectsubsidiaries:			
SEST-LUVE-PolskaSP.z.o.o. (95%-owned by SEST S.p.A.)	95.00%	PLN	16,000,000
«OOO» SEST LU-VE (95%-owned by SEST S.p.A.)	95.00%	RUB	136,000,000
LU-VE HEAT EXCHANGERS (Tianmen) Co, Ltd (62.62% owned by LU-VE Asia Pacific Limited and 37.38% owned by LU-VE S.p.A.)	100.00%	CNY	61,025,411
Thermo Glass Door S.p.A. (100%-owned by SEST S.p.A.)	100.00%	EUR	100,000

7 September 2021

Dear Shareholders,

during the first half of 2021, there was a gradual recovery in global economic activity compared to the sharp slowdown, a real freeze, which occurred in the first half of last year, due to the spread of the pandemic virus. The mass administration of the vaccines has ensured the resumption of a near-normality in social and economic activities at least in the most developed countries. Emerging economies and the control of viral variants are still a cause for concern, even in countries that have already achieved good levels of vaccination.

Global GDP is expected to recover, compared to the decline of 3.3% in 2020, and will grow by around 6% in the current year. Growth of close to 7% is also expected for the United States, while the euro area is expected to see GDP growth of "only" 4.4%. Italy, which suffered a drop of 8.9% in the past year, now has a GDP projected to increase by more than 5% per year. It is appropriate to specify how the expansionary policies of all the main central banks and the increase in the debt of the States lead the world to position itself in 2021 beyond the levels of wealth produced in 2019, i.e. before the pandemic. For Italy, however, it will be necessary to wait at least next year, despite the very significant recovery in the industrial sector, which in many cases is already standing at values higher than those prior to the pandemic. The new governance structures and the expected launch in the second half of the year of the European Recovery and Resilience Plan should add further life to the new-found growth of our country.

The recovery in demand, at the same time as a still very generous monetary policy, led, together with a certain amount of speculation, to a difficult to predict growth in the prices of raw materials and to real *"shortage"* phenomena. The way in which these new values can be transferred to the final prices, which in any case are growing, is still difficult to predict and in any case will determine significant transfers of margins along the various industrial chains.

In summary, the economic and industrial recovery seems to have started and, albeit with some prudence, a period of growth can be expected. Of course, it will not be homogeneous; the effects of what happened are already reflected in consumer preferences and economic policy guidelines. Companies that operate within such a renewed framework will be required even more vision, flexibility and capacity for action.

With a value of €224.5 million, the LU-VE Group (hereinafter also referred to as the "Group") closed the first half of 2021 with a strong increase in product sales (+17.6%), over the same period of last year, which suffered the effects of the pandemic the most, especially during the lockdown at the Italian facilities and in India (compared to 30 June 2019 the turnover would grow by 22.1%). After a first quarter that grew by 4.2% and closed with an order book value close to €100 million for the first time, the second quarter saw an extremely active demand, and significantly exceeded all forecasts, leading the Group to achieve a new record in turnover (€119.8 million, +32.5%) and to close the first half of 2021 with an order book that rose exponentially to €146.3 million (+78.3% compared to 30 June 2020). The very strong trend in orders is partly attributable to the general economic recovery and the release of projects relating to seasonal crops that in 2020 were forcibly postponed during the worst months of the pandemic, but was also strongly affected by the trend and expectations relating to prices raw materials, components and services (logistics in particular) as well as the fear of "*shortage*" risks in the availability of critical materials and components. To these external phenomena must be added the Group's ability to increase its presence in the most innovative and sensitive market segments in terms of energy efficiency and the adoption of fluids with a low environmental impact, and to intercept their growth thanks to the investments made in recent years both in innovation and product technology and in machinery.

EBITDA reached €26.5 million (11.6% of sales), an increase of 21.7% compared to the first half of 2020 (€21.8 million, 11.2% of sales) and 30.6% compared to 30 June 2019. The net profit stood at €9.7 million (€6.0 million in the first half of 2020), an increase of 63% (€6.0 million at 30 June 2019).

In the first half of 2021, the "Components" SBU turnover was €125.2 million, an overall growth of 29% mainly linked to the segments of components for the refrigerated counters at supermarkets and to the heat pumps and high-efficiency clothes dryers market. Specifically, these three segments also made the biggest contribution to the boom of the order book, also thanks to the acquisition of significant new clients.

On the other hand, the *"Cooling Systems" SBU recorded a moderate increase* (+ 5.9%) with turnover of €99.4 million. In this case, the trend of the different application segments was rather uneven: with the commercial and industrial refrigeration which has amply offset the big slowdowns in the "district heating" projects (tied to the lack of incentives in such a particular market) and the phenomenon of repeated postponements of large projects in the "industrial cooling" segment which is still suffering from accumulated delays in construction and the negative effects of the pandemic in general.

The factor common to both "*Business Units*" remains the significant growth of high energy efficiency heat exchange solutions with the adoption of natural exchange fluids with low environmental impact.

The breakdown of turnover by SBU is given below:

Revenues by SBU (in thousands of Euro)	H1 2021	%	H1 2020	%	Change	% Change
SBU COOLING SYSTEMS	**99,379**	**44.3%**	**93,854**	**49.2%**	**5,525**	**5.9%**
SBU COMPONENTS	**125,150**	**55.7%**	**97,001**	**50.8%**	**28,149**	**29.0%**
TOTAL PRODUCT TURNOVER	**224,529**	**100%**	**190,855**	**100%**	**33,674**	**17.6%**

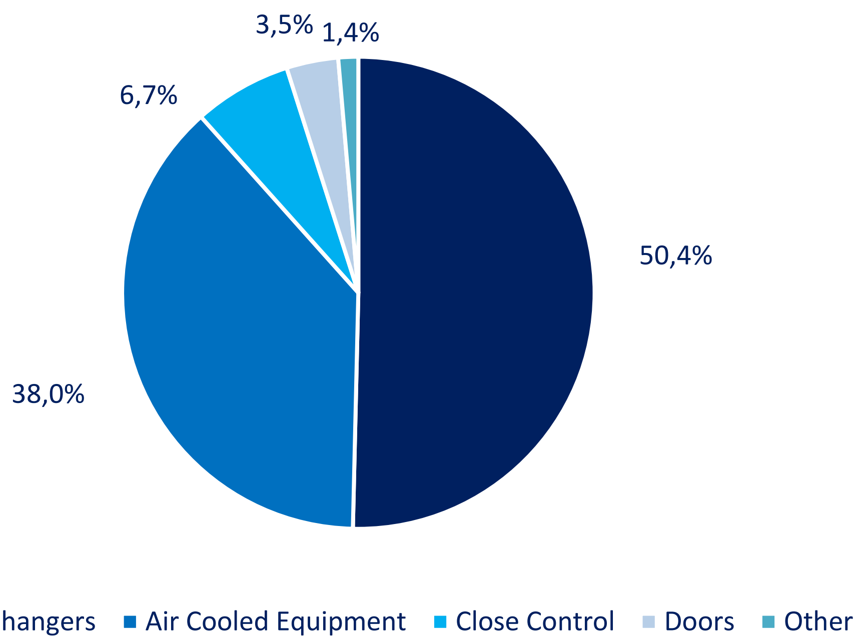
1.2 REFERENCE MARKETS

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

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

For a more detailed description of the product categories, please refer to the Directors' Report as at 31 December 2020.

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



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

PRODUCTS (in thousands of Euro)	H1/2021	%	H1/2020	%	Delta %
Heat exchangers	114,661	50.4%	88,394	45.4%	29.7%
Air Cooled Equipment	86,557	38.0%	84,077	43.2%	2.9%
Doors	8,066	3.5%	5,917	3.0%	36.3%
Close Control/Data centre	15,245	6.7%	12,467	6.4%	22.3%
TOTAL PRODUCTS	**224,529**	**98.6%**	**190,855**	**98.0%**	**17.6%**
Other	3,110	1.4%	3,985	2.0%	-22.0%
TOTAL	**227,639**	**100%**	**194,840**	**100%**	**16.8%**

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

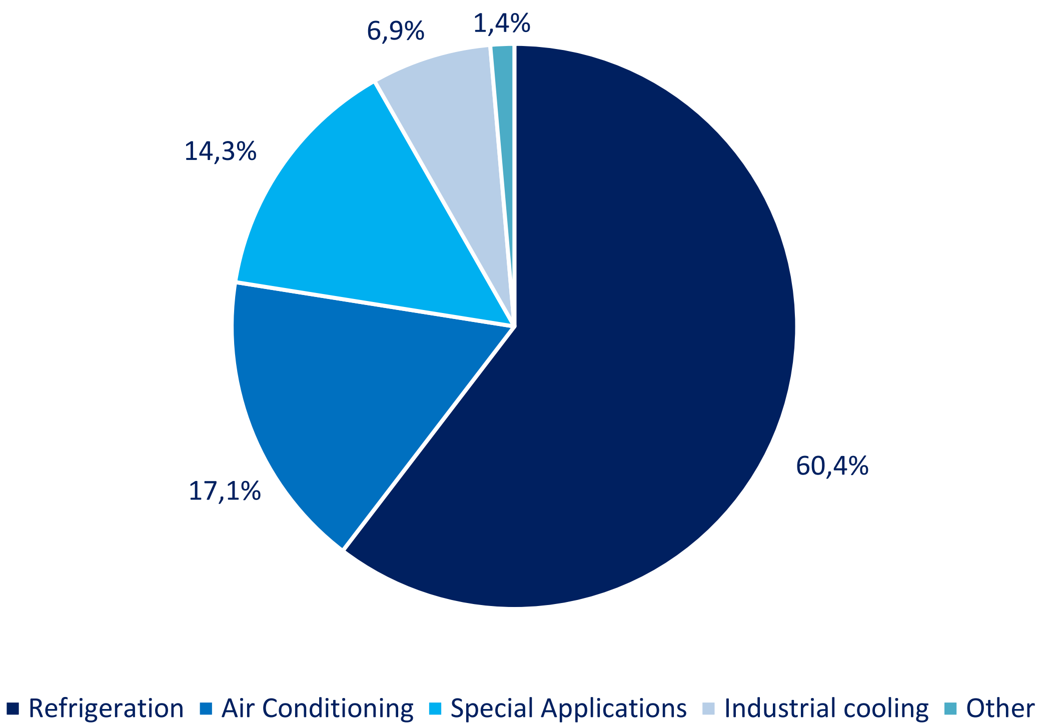
(i) the refrigeration sector, which includes activities relating to the supply chain for food products (the "**Refrigeration Sector**");

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

(iii) the "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 in the first half of 2021:

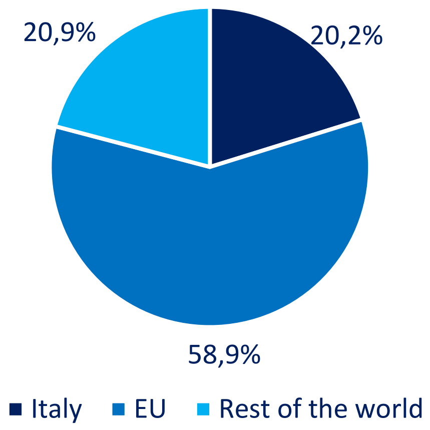


The table below shows turnover trends by application type in the two first six-month periods subject to comparison:

APPLICATIONS (in thousands of Euro)	H1/2021	%	H1/2020	%	Delta %
Refrigeration	137,471	60.4%	108,784	55.8%	26.4%
Air Conditioning	38,968	17.1%	38,921	20.0%	0.1%
Special Applications	32,440	14.3%	23,986	12.3%	35.2%
Industrial cooling	15,650	6.9%	19,164	9.8%	-18.3%
TOTAL APPLICATIONS	**224,529**	**98.6%**	**190,855**	**98.0%**	**17.6%**
Other	3,110	1.4%	3,985	2.0%	-22.0%
TOTAL	**227,639**	**100%**	**194,840**	**100%**	**16.8%**

Geographically, the European Union, with €177.6 million in turnover and an impact of 79.1% on total sales, remains the most significant geographical area for the Group, with a direct export percentage of 80%. There was remarkable growth for all the main European countries (Italy, France, Germany, Poland and the Czech Republic) as well as important non-European markets such as China, India and the USA. Denmark and Finland, the main markets of reference for the "district heating" and "industrial cooling" segments, were in the negative.

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



The Group’s turnover does not depend to a significant extent on individual commercial or industrial contracts. As at 30 June 2021, revenues from sales to the top 10 customers of the Group together account for just over 30% of turnover. The turnover generated by the main customer, an international group with many different companies in various countries, represented 4.9% of the Group’s total value.

1.3 SIGNIFICANT EVENTS DURING THE HALF-YEAR

The first part of 2021 has progressively shown a general recovery in demand and investments combined immediately with a sharp increase in the prices of the main raw materials, which triggered a spiral of growth in the purchase prices of many goods and services. The combination of these factors resulted in a further acceleration in the demand, both due to greater optimism linked to the launch of the vaccination phase and to the expectations of a series of public incentives to stimulate economic recovery and fears of unavailability of materials and components.

Despite the fact that in the first few months of the current year, the Group's long-standing strategy of expanding and differentiating its supply sources enabled it to correctly feed its production plants and limit the effects of purchase price increases, the pressure on purchases and the supply chain gradually increased over time, generating unforeseen cost increases and a significant lengthening of lead times.

Already in January, the Group announced, unique in the sector, a first increase in the sales price lists of the products of the “Cooling Systems” SBU, but, following the dynamics described above, for the first time in the history of the sector, the first price adjustment was followed by two others (in April and July) to try to compensate for the large increases in purchasing costs. Although late and sometimes with policies difficult to understand, even the main competitors have revised their prices upwards in a market that remains active and turbulent. In the “Components” SBU, on the other hand, the periodic mechanisms for adjusting the sale prices linked to the average prices of the London Metal Exchange lists continued to operate as usual, although increases in the costs of certain goods and services not included in the averages meant that changes in existing agreements had to be negotiated with customers to take account of the extraordinary nature of the situation.

The continuation of the pandemic, albeit in a much reduced form compared to the early months of 2020, besides causing a last-minute postponement of some deliveries of products ready for shipment, resulted in an average level of absenteeism almost double the norm at the various production sites.

In particular, in India, a new wave of contagions forced the local authorities to adopt new lockdown measures. This caused a major bottleneck at the ports dedicated to handling incoming and outgoing containers and a major reduction in production capacity for about four weeks at the two local plants due to both high absenteeism and very strict restrictions on the use of oxygen (needed for welding the exchangers) for non-medical purposes. As usual, the Group, and in particular the local structure, reacted promptly and creatively to overcome this problem by minimising the period of inactivity and the negative effects of this situation. After the emergency, it was decided to ensure the vaccination of all employees in the country.

Still in India, by obtaining all the authorisations to carry out the activities at the newly built facility in Bhiwadi, the process of modifying the production layout in order to have a higher production capacity - also to aid the European plants - was launched.

In the early months of the year, some rationalisation and streamlining projects of the "production map" were also successfully completed, with the Polish launch of a line moved, in the previous period, from the Uboldo site, while the Alonte site saw the start-up of the first line of "green" device production with natural fluids for commercial refrigeration with a unified platform. In the coming months, these initiatives and those further planned will make it possible to come to yet another rationalisation of the layouts of the Uboldo and Alonte sites.

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

In the first half of 2021, the Group went on with the project of consolidating its path towards the United Nations' sustainable development goals (SDGs) by implementing more sustainability topics in its development strategy, also with the help of a designated working group.

Based on the premise that the product innovations the Group developed have important social impacts in food safety, energy efficiency, climate well-being and digital transformation, the Group's Mission was reformulated ("a Better, Evolved, Balanced and Aware World"), focusing in even more on the topics of sustainable development and reducing inequality.

To give shape to the “Mission”, a training and awareness-raising path was launched for management, and it was defined by the matrix of materiality which comprises the foundation on which to build to set up new projects in the short, medium and long term, aligned with the SDG goals foreseen in the so-called "2030 Agenda" action plan indicated by the UN as a guide for development, concentrating efforts towards topics related to the improvement of society, increasing people's well-being and fighting climate change. The goals seen as most urgent and suitable for the Group were identified, as well as the most concrete and gaugeable. These goals will be illustrated in-depth in the sustainability report, together with the indicators set forth based on the classification set by the European Regulation (so-called "Taxonomy").

Lastly, with the opening of the new commercial company in Korea in March, the Group took another step in the process of expanding its territorial coverage in a market with interesting potential.

During the first half of 2021, the following loans were also signed (for a total of €90 million):

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

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

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

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

During the first half of 2021, with the aim of further optimizing the financial structure, the following loans and related derivative contracts were also redeemed early, for a total of €42.2 million using available liquidity:

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

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

During the first half of 2021, additional short-term credit lines were obtained from Unicredit for €15 million.

At the end of January, the purchase of the Indian plant and the "former Alfa Laval business/branch" in Sarole, near Pune, was concluded. This had been subject to a number of postponements in 2020 following the spread of the pandemic, the impossibility of relocating people - even within India - and a series of bureaucratic difficulties. As a result, the balance of the contractually agreed purchase price was paid (a total of €2.45 million for the land and the business unit), net of the €0.8 million already paid as a deposit in 2020. Once the final transfer was completed, the integration activities of the new site could be planned.

During the first half of 2021, activities began for the liquidation of the Australian subsidiary LU-VE Contardo Pacific pty. Ltd., whose operations ceased as from 31 March 2021.

Lastly, on 27 April 2021, the Shareholders' Meeting of the Parent Company LU-VE S.p.A.:

• viewed the consolidated figures and the non-financial statement for 2020 of the LU-VE Group;

• approved the 2020 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 2021 and already communicated to the market. Note that the profit for the year 2020, equal to €7.2 million, was allocated as follows: (i) €0.4 million to the Legal Reserve, (ii) distribution of an ordinary gross dividend of €0.27 per each share outstanding, for around €6 million, and (iii) the allocation to the extraordinary reserve of the remaining amount.

1.4 CONSIDERATIONS ON THE SECURITY'S MARKET VALUE

During the first half of 2021, LU-VE stock remained almost constantly above the FTSE Italia All-Share index and, at the end of the period, was about 11 percentage points higher than the same index. During the first half of 2021, a share placement was carried out by the reference shareholders, bringing the free float (calculated in number of shares) to over 38% (at 31 December 2020 it was around 32%).

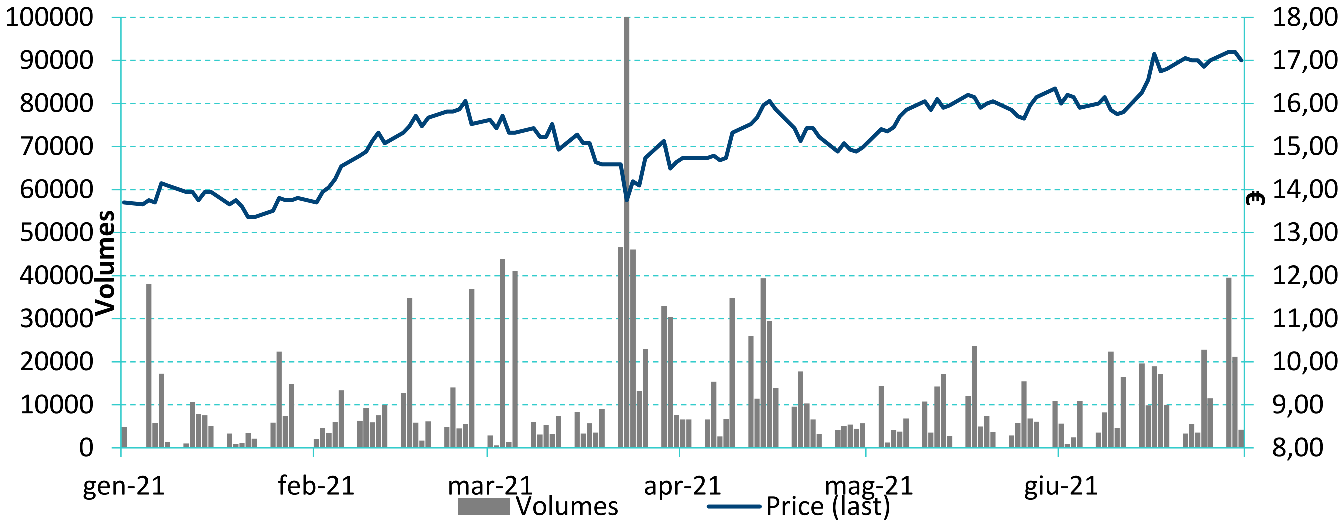
The main figures and share price trends are shown below:

Price as at 1 January 2021: €13.70
Price as at 30 June 2021: €17.00
Change over the period: +24.1%

Maximum price: €17.20 (28 June 2021)
Minimum price: €13.36 (21 January 2021)
Weighted average price: €15.18
Traded volumes: 1,611,650

Market capitalisation at 30 June 2021: €377.51 million

On 6 September 2021 (at the closure of the last trading day before the approval of the condensed consolidated interim Financial Statements) the price was €22.50, corresponding to a capitalisation of €499.64 million, in any case higher than the book value of the Group's shareholders' equity (€155.5 million).



1.5 ECONOMIC AND FINANCIAL DATA

The reclassified Income Statement and Balance Sheet are provided below:

Consolidated Income Statement Reclassified *(in thousands of Euro)*	H1 2021	% Revenues	H1 2020	% Revenues	% Change
Revenues and operating income	**227,639**	**100%**	**194,840**	**100%**	**16.8%**
Purchases of materials	(141,630)	62.2%	(104,737)	53.8%	
Changes in inventories	24,816	-10.9%	6,076	-3.1%	
Costs for services	(29,375)	12.9%	(25,748)	13.2%	
Personnel costs	(53,222)	23.4%	(45,968)	23.6%	
Other operating costs	(1,721)	0.8%	(2,689)	1.4%	
Total operating costs	**(201,132)**	**88.4%**	**(173,066)**	**88.8%**	**16.2%**
EBITDA	**26,507**	**11.6%**	**21,774**	**11.2%**	**21.7%**
Change in fair value of derivatives	1,371	-0.6%	(806)	0.4%	
Depreciation and amortisation	(14,419)	6.3%	(13,364)	6.9%	
Gains/losses on Non-current assets	12	0.0%	26	0.0%	
EBIT	**13,471**	**5.9%**	**7,630**	**3.9%**	**76.6%**
Net financial income and expense	(1,185)	0.5%	(1,291)	0.7%	
EBT	**12,286**	**5.4%**	**6,339**	**3.3%**	**93.8%**
Income taxes for the period	(2,570)	1.1%	(378)	0.2%	
Net profit (loss) for the period	**9,716**	**4.3%**	**5,961**	**3.1%**	**63.0%**
Profit attributable to non-controlling interests	423		387		
Profit attributable to the group	**9,293**	**4.1%**	**5,574**	**2.9%**	**66.7%**

“Revenues and operating income” rose by €32.8 million (+16.8%). With stable exchange rates, the increase in revenue would have been 19.4%. About 4% of this increase was due to higher sales prices and the remainder to increased volumes and a change in sales mix.

Total operating costs rose from €173.1 million (88.8% as a percentage of revenues) to €201.1 million (88.4% as a percentage of revenues). The total increase of 16.2% (€28 million) was substantially caused by the following factors:

- material consumption increased by €18.2 million, with the percentage of revenue rising from 50.6% to 51.3%. This increase is due for about €8.4 million to the increase 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 12.9% compared to 13.2% in the same period of 2020) show an increase of €3.6 million consisting for €1.6 million of transport costs, for 1.6 million of services relating to production (electricity, maintenance, external services), for

€0.9 million of other costs for services, net of savings of €0.5 million relating mainly to travel expenses and trade shows;

- personnel costs increased by €7.2 million, mainly due to the significant increase in production compared to the first half of 2020 (average number of employees was 3,623 in the first half of 2021 compared to 3,204 in the same period of the previous year) and to the usual wage trend. The percentage of personnel costs on revenues declined from 23.6% to 23.4%.

Gross Operating Margin (EBITDA) amounted to €26.5 million (11.6% of revenues) compared to €21.8 million (11.2% of revenues) in the first half of 2020. In the first half of 2021, there was no impact on non-recurring costs, while as of 30 June 2020, net of these costs would have been €22.1 million (for more details see section 1.5 Alternative performance indicators). The change in EBITDA compared to adjusted EBITDA in the first half of 2020 (+€4.4 million) was generated for €5.0 million by the contribution of the additional volumes and for €7.8 million by the increase in sale prices net of €8.4 million in cost increases of the main raw materials.

The change in the fair value of derivatives (negative by €0.8 million as at 30 June 2020 and positive by €1.4 million as at 30 June 2021) benefited from the aforementioned optimization of the Group treasury.

Amortization/depreciation showed an increase of €1.1 million and was essentially in line with the amortisation/depreciation of the second half of 2020.

EBIT amounted to €13.5 million (5.9% of revenues) compared to €7.6 million (3.9% of revenues) in the first half of 2020.

The balance of financial income and expense was negative, at €1.2 million (negative for €1.3 million in the first half of 2020).

EBT was equal to €12.3 million (5.4% of revenues) against a value of €6.3 million as at 30 June 2020 (3.3% of revenues).

Net profit for the period amounted to €9.7 million (4.3% of revenues) compared to €6.0 million (3.1% of revenues) in the first half of 2020. In the first half of 2020, the tax rate was particularly low following the effects of the pandemic. In the first half of 2021, the rate went back to normal levels.

Reclassified Balance Sheet **Consolidated** ***(in thousands of Euro)***	**30 /06/2021**	**% of net invested capital**	**31/12/2020**	**% of net invested capital**	**% Change** **2021 to 2020**
Net intangible assets	92,476		94,727		
Net property, plant and equipment	165,822		158,707		
Deferred tax assets	7,388		7,903		
Financial assets	227		215		
Non-current assets (A)	**265,913**	**97.7%**	**261,552**	**101.5%**	**4,361**
Inventories	82,508		56,647		25,861
Trade receivables	78,977		59,763		19,214
Other receivables and current assets	14,839		13,878		961
Current assets (B)	**176,324**		**130,288**		**46,036**

Trade payables	113,501		80,630		32,871
Other payables and current liabilities	31,690		28,446		3,244
Current liabilities (C)	**145,191**		**109,076**		**36,115**
Net working capital (D=B-C)	**31,133**	**11.4%**	**21,212**	**8.2%**	**9,921**
Provisions for employee benefits	5,612		5,573		39
Deferred tax liabilities	14,053		14,537		(484)
Provisions for risks and charges	5,112		4,941		171
Medium/long-term liabilities (E)	**24,777**	**9.1%**	**25,051**	**9.7%**	**(274)**
Net Invested Capital (A+D-E)	**272,269**	**100%**	**257,713**	**100%**	**14,556**
Shareholders' equity attributable to the group	151,468		146,931		4,537
Non-controlling interests	4,005		3,993		12
Total Consolidated Shareholders' Equity	**155,473**	**57.1%**	**150,924**	**58.6%**	**4,549**
Medium- Term Net Financial Position	235,381		239,837		(4,456)
Short- Term Net Financial Position	(118,585)		(133,048)		14,463
Total Net Financial Position	**116,796**	**42.9%**	**106,789**	**41.4%**	**10,007**
Own funds and net financial debt	**272,269**	**100%**	**257,713**	**100%**	**14,556**

Non-current assets as at 30 June 2021 increased by around €4.4 million. Investments for the period amounted to roughly €18.4 million of which around €6.3 million deemed non-recurring (referring mainly to property increases and particularly to plants in the United States and India).

Despite the significant increase in stock, in terms of volumes (to better face the potential risk of "shortages" while experiencing an expected rapidly growing turnover) and of values (due to the increase in purchasing prices), the Group's operating working capital as at 30 June 2021 (given the sum of the inventories and the trade receivables net of the trade payables) drops slightly from €49.7 million (as at 30 June 2020) with a rate of 12.4% on the sales of the last twelve months to €48.0 million (11%). As at 31 December 2020, it amounted to €35.8 million (8.9% on sales). The increase compared to the year-end figure is mainly due to the major growth of the demand, as well as the usual seasonal fluctuations.

Consolidated shareholders' equity amounted to €155.5 million compared to €150.9 million as at 31 December 2020. The increase (€4.5 million) is due to the profit for the period (€9.7 million) adjusted by the distribution of dividends for €6.5 million, by the positive variation of the Translation reserve (€2.0 million) and by other variations amounting to €0.6 million.

The net financial position was negative by €116.8 million (€106.8 million as at 31 December 2020), with a difference of €10.0 million, primarily due to investments for €18.4 million, the distribution of dividends for €6.5 million and the increase in operating working capital for €12.2 million net of roughly €24.9 million in positive flows from operations. The net financial position as at 30 June 2020 amounted to €126.2 million

(€9.4 million in improvement in the past twelve months). In the 1 July 2020 - 30 June 2021 period, the cash flow from operations adjusted by non-operating items totalled roughly €30.9 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 Group's economic and financial performance:

Monetary amounts in thousands of Euro	H1 2021	H1 2020
Average days in inventory (1)	68.40	59.68
Inventory turnover ratio (2)	5.26	6.03
Receivables turnover ratio (3)	5.50	5.86
Average days sales outstanding (4)	65	61
Payables turnover ratio (5)	2.51	3.08
Average days payable outstanding (6)	143	117
Net Invested Capital	272,269	277,976
EBITDA	26,507	21,774
Adjusted EBITDA * (7)	26,507	22,074
EBITDA/Financial expense	11.03	13.82
Adjusted EBIT * (8)	13,471	7,930
Adjusted EBT * (9)	12,286	6,639
Adjusted net profit (loss) for the period * (10)	9,716	6,161
Basic earnings per share (11)	0.42	0.25
Diluted earnings per share (12)	0.42	0.25
Dividends per share (13)	0.27	0.27
Net financial debt	(116,796)	(126,204)
Net financial debt/EBITDA	2.34	2.62
Debt ratio (14)	0.75	0.83
Operating working capital (15)	47,984	49,709
Net working capital (16)	31,133	40,982
Goodwill and Other Intangible assets/Total assets	0.13	0.16
Goodwill and Other Intangible assets/Shareholders' equity	0.59	0.64

*The term *adjusted* refers exclusively to the values of the first half of 2020.

The methods for calculating the indicators noted above are:

(1) Inventories/Revenues and other operating income LTM*360;
(2) LTM revenues and other operating income/Inventories;
(3) LTM Revenues/trade receivables;
(4) Trade receivables/revenues LTM*360;
(5) LTM trade operating costs/trade payables. Trade-related operating costs include 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 operating costs LTM*360;
(7) EBITDA adjusted for non-recurring costs:

	H1 2021	H1 2020

EBITDA	26,507	21,774
COVID-19 hospital contribution	-	300
Adjusted EBITDA	**26,507**	**22,074**

(8) EBIT adjusted for non-recurring charges (adjusted EBITDA "base" - see previous table);
(9) EBT adjusted for non-recurring charges (adjusted EBITDA "base" - see previous table);
(10) Net profit for the period adjusted for non-recurring costs (adjusted EBITDA base - see previous table - net of taxes of €0.1 million for the first half of 2020);
(11) Profit (loss) for the period/Weighted average number of ordinary shares;
(12) Profit (loss) for the period/(Weighted average number of ordinary shares + potential number of additional ordinary shares);
(13) Nominal value of the dividend per share approved in each year;
(14) Net financial debt/Shareholders' equity;
(15) Total of inventories and trade receivables net of trade payables;
(16) Current assets net of current liabilities.

2 OBSERVATIONS ON THE FINANCIAL PROFILE AND ON BUSINESS CONTINUITY

The condensed consolidated interim Financial Statements as at 30 June 2021 have been prepared on the basis of the going concern assumption, as the Directors have verified the non-existence of indicators of a financial, management or any other nature that might indicate critical issues relating to the ability of the Group of meeting its commitments in the foreseeable future. The risks and uncertainties related to the business are described in the paragraph below.

In particular, at 30 June 2021, the Group has a solid and balanced financial structure with a Net financial debt/Shareholders’ equity ratio (Debt ratio) of 0.75 (0.71 as at 31 December 2020) and a positive short-term net financial position of €118.6 million (positive for €82.7 million as at 31 December 2020), therefore the repayment of medium/long-term debt maturing in the next 12 months (totalling €91.1 million) is guaranteed by current liquidity. In addition, there are no substantial restrictions on the freeing up of invested liquidity, equal to €76.2 million, which therefore, if required, may be used to meet any payment commitments.

It should be noted that the estimates of the 2021 forecast lead to the expectation that, as of 31 December 2021, there will be no critical issues with respect to compliance with the covenants on a consolidated basis, executed by the Group's financial debt (which is, moreover, contractually required only at the closing of the annual consolidated Financial Statements). See the paragraph below, point “Risks connected with the COVID-19 health emergency” for a more detailed analysis of the potential economic/financial impacts deriving from the pandemic.

Comparing the 2021-24 Business Plan with the economic results recorded in the first half of 2021, the economic performance and the main economic/financial indicators are in line with those estimated in February 2021.

In light of what is laid out above, the condensed consolidated interim Financial Statements of the Group as at 30 June 2021 were prepared on the basis of the going concern assumption, pursuant to paragraphs 25 and 26 of IAS 1.

2.2 MAIN RISKS AND UNCERTAINTIES

RISKS RELATED TO TRENDS IN RAW MATERIAL PRICES

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

The fluctuation in the availability and price of the above-mentioned materials could be significant, depending on a number of factors, including the economic cycle of the reference markets, supply conditions and other factors that are out of the control of the Group and are difficult to predict (such as: problems regarding the extraction or transformation capacity of individual suppliers which could hinder or delay the delivery of the raw materials ordered; operational and/or industrial decisions made by individual suppliers which entail an interruption of the mining or processing of the raw materials and the consequential greater difficulty in immediately finding said raw materials in the reference market; significant delays in the transport and delivery of these raw materials to Group companies, the possible introduction of tariffs and the impacts of climate change on extractive activities). With reference to the energy transition, in particular, additional quantities of copper and aluminium will be necessary, which will however require reduced energy intensity extraction techniques.

To manage these risks, the Group constantly monitors the availability of raw materials in the market as well as the relative price trends (also taking into consideration USD currency fluctuations with respect to the euro), in order to promptly identify any shortfalls in the availability of raw materials and take suitable actions to guarantee the required production autonomy, and also to keep its production activities competitive with regard to this aspect as well. Analyses are constantly carried out to identify alternatives to strategic suppliers to reduce the relative dependence on them and also of geographical diversification activities both with the aim to reduce purchase costs with comparable quality and to avoid excessive geographical dependence on some areas in the world. In particular, with regard to the main purchased raw material – copper – the Group has dealt for several years, for the most part in terms of volumes, with the same suppliers, selected and periodically assessed on the basis of trading reliability criteria and with whom a relationship based on reciprocal trust has been built. Furthermore, when it deems this necessary in relation to expected trends, the Group enters into contracts to hedge the risk of fluctuations in the price of raw materials.

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

The financial instruments, the Group invests its available liquidity in, are primarily represented by capitalisation policies.

Please note that the capitalisation policies provide for a guarantee on the capital and the capitalisation of returns (which in this manner also become guaranteed) every twelve months as well as several penalties in the case of early redemption, of an amount not overall significant (with expiry mainly in 2021 and in a very limited manner in 2022).

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

- specific risk linked to the characteristics of the relative issuer: capital strength of the issuer, its economic characteristics, taking into account the unique features of the sectors in which it operates, which impact the risk that the issuer itself may be unable to repay the accrued interest and/or the invested capital;
- the generic (or systematic) risk linked to: *(i)* interest rate fluctuations, *(ii)* market price trends and *(iii)* the difficulty/impossibility of easily monetising positions in financial assets without significantly and unfavourably influencing their price.

It cannot be excluded that in the future, also because of the pandemic, the value that will be obtained from disinvestment from the financial instruments themselves may be lower than the fair value recognised in the Financial Statements, thus generating a deterioration of net financial debt. Against the recognition of recurring costs in the Income Statement, deriving from financial expenses on existing loans, returns on investments in cash and cash equivalents are uncertain and are characterised by a moderate volatility, also on the negative side. However, the Group selects its investments by privileging low risk ones and makes them with leading banking institutions. In addition, a careful liquidity management policy and the existence of short-term credit lines mitigate the risk of having to proceed with the sudden and unforeseen freeing up of liquidity. Confirming the extremely low volatility of investments in cash and cash equivalents, the related fair value continued to increase in a manner consistent with the past, even during the most turbulent months of the pandemic.

RISKS RELATED TO EXCHANGE RATE FLUCTUATIONS

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

(i) First of all, the Group is exposed to "translation" exchange rate risk.

Indeed, the Group prepares its consolidated Financial Statements in euro, while it holds controlling interests in companies that prepare their Financial Statements in currencies other than the euro (Russian rouble, Polish zloty, US dollar, Indian rupee, Czech koruna, Swedish krona, Chinese yuan renminbi, UAE dirham, Australian dollar, Hong Kong dollar and Republic of Korea won). The Group is therefore exposed to the risk that fluctuations in the exchange rates used to translate the values in subsidiary Financial Statements originally expressed in foreign currency may significantly influence the Group's results as well as the consolidated net financial debt and consolidated shareholders' equity. The main exposures are monitored, but hedging translation exchange rate risk is not part of the Group's current policies.

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

In terms of acquisitions, the main currency to which the Group is exposed is the US dollar (USD, currency to which the cost of the main raw materials is linked): indeed, raw materials in the reference markets are quoted in USD and the cost is converted into euros by applying the USD/Euro exchange rate for the day to the price in dollars; thus, exchange rate risk is borne by the buyer. Furthermore, the Group companies located in countries in which the reference currency is not the euro (which also acquire raw materials with contracts under which the euro is the payment currency and therefore bear the USD/Euro exchange rate risk noted above) are also exposed to the risk of fluctuations in the Euro/local currency exchange rate.

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

At centralised level, in order to protect the income statement and the balance sheet items from such fluctuations and reduce the risk arising from changes in exchange rates, the Group considers the subscription of derivative financial instruments with the intent of hedging the underlying risks. However, from a merely accounting perspective, although such instruments substantially hedge the risks mentioned, they do not meet all the requirements as laid out under IFRS 9 and cannot be defined as hedge accounting; therefore, the Group has decided to consider these instruments as for trading and not hedges and as a result such instruments were measured at fair value with changes reported on the income statement.

On some currencies (Australian dollar, Chinese yuan, Swedish krona, Indian rupee, Russian rouble and US dollar) in which operating revenues and costs are expressed there is also "natural" hedging (revenues expressed in a given currency are naturally hedged by operating costs expressed in the same currency).

RISKS RELATED TO THE CONCENTRATION OF SALES

Although there is no Group customer which alone represents more than 5% of consolidated turnover, and the top 10 customers represent a total percentage of consolidated turnover just above 30%, the sector of manufacturers of refrigerated counters (in which the Group is the supplier of all the most important European players, and which represented around 20% of total turnover in the first half of 2021), the domestic appliances sector (in which the Group supplies all the most important European brands, with a strong growth in turnover in the period and with an increased share of the total to 7%) and the power generation applications sector (7% of turnover) are characterised by the strong commercial leadership exercised by several 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 Income Statement results and/or the equity and/or financial situation.

The Group regularly takes measures to diversify the risk linked to the concentration of sales, by regularly conducting business surveys aimed at always seeking out new customers 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, packaging) 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. During the first part of the year due to the dynamics reported above (strong increase in demand and in the purchase prices of raw materials and components, explosion of transport costs and congestion of the ports for the sorting of containers, combined with the recurrence of periods of lockdown in some countries, in particular in Asia), the risk of supply difficulties has increased considerably and the relative suppliers may not be able to continue to guarantee an offer capable of promptly satisfying market demands.

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.

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, to accidents, breakdowns of machinery, malfunctioning of IT systems, the revocation or contestation of permits or licenses by the competent public authorities, strikes or lack of a workforce, natural disasters, pandemics (as in the case of local lockdown provisions 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.

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

To further mitigate this risk, the Group has significantly increased both production and logistics flexibility by installing back-up production lines in different facilities and countries, thus making it possible not to interrupt company operations and to provide strategic customers with greater stability of supply.

RISKS RELATED TO INTEREST RATE TRENDS

The Group makes recourse to short as well as, mainly, medium/long-term bank debt in accordance with adequate procedures and technical forms in relation to the structure of its investments.

Exposure to interest rate risk derives from the fact that the Group holds assets and liabilities sensitive to fluctuations in interest rates which are needed for the management of liquidity and financial requirements.

In particular, the main source of exposure to the risk in question for the Group derives from financial debt, which is almost all floating rate. This risk is managed by entering derivative contracts (primarily interest rate swaps) to hedge this risk based on its own needs. This hedging policy allows the Group to reduce its exposure to the risk of interest rate fluctuations.

However, from a merely accounting perspective, although such instruments substantially hedge the risks mentioned, they do not meet all the requirements as laid out under IFRS 9 to be defined as hedge accounting and therefore changes in their fair value are reported on the Income Statement.

RISKS RELATED TO CREDIT

The Group is exposed to credit risk deriving from commercial dealings with exposure to potential losses arising from the failure of commercial counterparties to meet their obligations. Trade receivables risk is monitored on the basis of formalised procedures for the selection and assessment of the customer portfolio, for the definition of credit limits by individual customer, for the monitoring of expected cash inflows and for any debt collection actions. In certain cases, customers are asked for further guarantees, primarily in the form of guaranteed payment forms or sureties.

Any extensions of payment times by customers may also make it necessary for the Group to finance the connected working capital requirement.

The historically low levels of losses on receivables recognised are proof of the good results achieved also in the presence of the impact of the pandemic.

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 cardinal 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.

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 economic, financial and asset situation, on its economic results and its future prospects.

As at the date of this Interim Report on Operations, no breaches to the Group's IT systems by third parties have been recorded.

RISKS LINKED TO THE COVID-19 HEALTH EMERGENCY

The pandemic resulting from the spread of COVID-19, despite important vaccination campaigns carried out in the main countries worldwide, may continue to have important health, social and economic consequences throughout the world (with very different impacts from country to country). The main risks refer to the deterioration of the global macro-economic scenario, the deterioration of the credit profile of customers and countries and the slowdown of trading activities due to the reduction in demand, the negative impacts on supply chains (also in terms of shortages of key raw materials), on sale prices and raw material purchasing prices and on the availability and price of financial resources.

In the first half of 2021, the Group has maintained (and, if necessary, strengthened) all the prevention measures implemented since the start of the pandemic and which had made it possible to minimise its effects in the plants (for more information, see the Directors' Report as at 31 December 2020).

Given the uncertainty of the macroeconomic scenario due to COVID-19 (despite the situation showing signs of improvement), making accurate forecasts on future trends remains a delicate manner. In this context, the Group constantly monitors all the most significant variables in order to identify any signs of deterioration as quickly as possible so as to activate all possible countermeasures as soon as possible.

However, it is necessary to report that the consolidated figures as at 30 June 2021 are substantially in line with the forecasts of the Business Plan for the period 2021-2024 approved on 24 February 2021 by the Board of Directors of LU-VE.

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

The context in which the Group carries on business also includes other risk factors that are described in detail in the Directors’ Report as at 31 December 2020 (which should be referred to), the profile of which has not changed in the first half of 2021.

2.3 DEVELOPMENT AND INNOVATION ACTIVITIES

The Group carried out intense development and innovative 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 several different projects, some of which are carried out in partnership with prestigious European universities.

The main projects involved the continuous development of new product ranges (mainly aimed at the use of natural refrigerants, such as carbon dioxide, hydrocarbons and ammonia, and the unification and rationalisation of existing ranges following the acquisition of the former Alfa Laval business), the miniaturisation and specialisation of tube and matrix surfaces to improve heat exchange efficiency, and the implementation of studies and projects related to IOT technologies. During the first half of 2021, this development activity involved total investments of approximately €0.9 million.

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

On 13 March 2017, the Board of Directors of the Parent Company decided to apply, pursuant to art. 3 of Consob Resolution no. 18079 of 20 January 2012, the opt-out regime established by 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.

2.5 EVENTS OCCURRING AFTER 30 JUNE 2021: significant events and business outlook

The consolidated turnover of only products at the end of August reached €302.8 million, a growth of 19.2% compared to the same period of the previous year. The order book states a new record value of €159.2 million, with a 111.9% increase compared to August 2020 (+8.8% compared to this statistic at the end of June).

In the period after 30 June 2021, demand continued to remain very high, while the purchasing costs of the main raw materials and components showed a certain degree of stabilisation, in any event rather high compared to previous values. The increases in the sales price lists and the periodic price adjustment mechanisms linked to the average values listed of the main raw materials at the London Metal Exchange lead one to believe that upholding the Group's average profit margins is reasonable.

Up until now, the impact of difficulty in procurement on the Group's production capacity (linked both to the availability of the material and the growing problems in international transport), was mitigated thanks to the afore-mentioned policies of expansion and differentiation of the procurement sources, greater flexibility of the different facilities (with creation of "back-up" lines in different countries) and increase in the stock. During the period, there were no major delays, although the product delivery times to clients remain well above the norm. In some South-east Asian countries, where some important suppliers are based, the adoption of new lockdown measures has temporarily led to a stop in local production and further worsening of the situation of overcrowding at shipping ports, which could cause further tensions in the areas of continuity and punctual procurement.

With the installation and commissioning of the production lines, as discussed above, in the month of August, the first phase of the creation plan for back-up capacity in India for the SBU Component European facilities was successfully completed.

The macroeconomic scenario is still characterised by great uncertainty (linked both to the time it will take to get past the pandemic worldwide and the tensions along the supply chain, which will also pervade the second half of the year); and therefore making accurate forecasts on the development of orders and commercial, economic and financial results seems (despite the fact that the situation seems to be improving) rather complicated.
In this context, the Group will continue to monitor all the most relevant variables and reconfirms its usual commitment to improving its strategic positioning in all the markets in which it operates.

2.6 MANAGEMENT AND COORDINATION ACTIVITIES

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

The parent company LU-VE S.p.A. manages and coordinates activities on all subsidiaries pursuant to articles 2497 et seq. of the Italian Civil Code.

2.7 RELATED PARTY TRANSACTIONS

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

2.8 TREASURY SHARES

Pursuant to law, please recall that as at 30 June 2021, the Group held 28,027 treasury shares, equal to 0.1261% of the share capital, acquired at an average price of €10.2827 based on the authorisation resolutions approved by the Shareholders' Meeting on 29 April 2019. In application of international accounting standards, these instruments are recognised as a deduction from the shareholders' equity attributable to the Group.

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

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

2.10 ORGANISATION, MANAGEMENT AND CONTROL MODEL PURSUANT TO ITALIAN LEGISLATIVE DECREE NO. 231/2001

With reference to the Organisation, Management and Control Models pursuant to Italian Legislative Decree 231/2001, no changes occurred during the half-year, either of the Parent Company or of the subsidiaries Sest S.p.A. and Tecnair LV S.p.A.

2.11 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 Interim Report on Operations as at 30 June 2021 corresponds to the results of the accounting documents, books and entries.

2.12 SECONDARY OFFICES

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

On behalf of the Board of Directors

CEO
Matteo Liberali

2.13 CORPORATE BODIES AND COMPANY INFORMATION

BOARD OF DIRECTORS

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

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

BOARD OF STATUTORY AUDITORS

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

2.14 AUDITING FIRM

Deloitte & Touche S.p.A.

2.15 REGISTERED OFFICE AND COMPANY INFORMATION

LU-VE S.p.A.

Via Vittorio Veneto no. 11, Varese

I - 21100 Varese (VA) Italy

Tel: +39 02 96716270

Share capital €62,704,488.80 fully paid in

Tax Code and VAT no.: 01570130128

CONDENSED CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS AS AT 30 JUNE 2021

CONTENTS

1 FINANCIAL STATEMENTS

1.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated Statement of Financial Position **(in thousands of €)**	Notes	30/06/2021	31/12/2020
ASSETS			
Goodwill	3.1	54,423	54,963
Other intangible assets	3.1	38,053	39,764
Property, plant and equipment	3.2	120,799	119,827
Rights of use	3.2	18,046	17,624
Other property, plant and equipment	3.2	26,977	21,256
Deferred tax assets	3.19	7,388	7,903
Equity investments	3.3	8	8
Other non-current assets	3.4	219	207
Non-current assets		**265,913**	**261,552**
Inventories	3.5	82,508	56,647
Trade receivables	3.6	78,977	59,763
Due from the tax authorities for current taxes	3.7	9,733	10,259
Current financial assets	3.8	76,223	70,258
Other current assets	3.9	5,106	3,619
Cash and cash equivalents	3.10	169,554	152,679
Current assets		**422,101**	**353,225**
Assets held for sale		-	-
Assets held for sale		**-**	**-**
TOTAL ASSETS		**688,014**	**614,777**

Consolidated Statement of Financial Position **(in thousands of Euro)**	**Notes**	**30/06/2021**	**31/12/2020**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital	3.11	62,704	62,704
Reserves and retained earnings (losses)	3.11	79,471	74,349
Profit (loss) for the period	3.11	9,293	9,878
Total shareholders' equity of the Group		**151,468**	**146,931**
Shareholders' equity attributable to non-controlling interests		4,005	3,993
SHAREHOLDERS' EQUITY		**155,473**	**150,924**
Loans	3.12	223,240	228,104
Provisions	3.13	5,112	4,941
Employee benefits	3.14	5,612	5,573
Deferred tax liabilities	3.19	14,053	14,537
Other financial liabilities	3.2 - 3.15	12,141	11,733
Non-current liabilities		**260,158**	**264,888**
Trade Payables	3.16	113,501	80,630
Loans	3.12	121,230	81,766
Provisions	3.13	-	-
Tax payables	3.17	4,936	3,919
Other financial liabilities	3.2 - 3.15 - 3.8	5,962	8,123
Other current liabilities	3.18	26,754	24,527
Current liabilities		**272,383**	**198,965**
Liabilities held for sale		-	-
Liabilities held for sale		-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**688,014**	**614,777**

1.2 CONSOLIDATED INCOME STATEMENT

Consolidated Income Statement *(in thousands of Euro)*	Notes	H1 2021	H1 2020
REVENUES AND OPERATING INCOME			
Revenues	4.1	227,159	194,400
Other revenues	4.2	480	440
Total revenues and operating income		**227,639**	**194,840**
OPERATING COSTS			
Purchases of materials	4.3	(141,630)	(104,737)
Changes in inventories	3.5	24,816	6,076
Costs for services	4.4	(29,375)	(25,748)
Personnel costs	4.5	(53,222)	(45,968)
Net write-downs of current assets	4.6	(335)	(1,126)
Other operating costs	4.7	(1,386)	(1,563)
Total operating costs		**(201,132)**	**(173,066)**
Net change in fair value of derivatives	3.8-3.15	1,371	(806)
Depreciation and amortisation	3.1 - 3.2	(14,419)	(13,364)
Capital gains on the sale of non-current assets	3.1 - 3.2	18	26
Write-downs on non-current assets	3.1 - 3.2	(6)	-
EBIT		**13,471**	**7,630**
Financial income	4.8	882	934
Financial expense	4.9	(2,403)	(1,576)
Exchanges gains (losses)	4.10	336	(649)
Gains (Losses) from equity investments	4.11	-	-
EBT		**12,286**	**6,339**
Income taxes	4.12	(2,570)	(378)
NET PROFIT (LOSS)		**9,716**	**5,961**
Attributable to non-controlling interests	3.11	(423)	(387)
GROUP NET PROFIT		**9,293**	**5,574**

1.3 EARNINGS PER SHARE AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Earnings per share

Earnings per share **(in €)**	**Notes**	**H1 2021**	**H1 2020**
EARNINGS PER SHARE	4.13		
Basic		0.42	0.25
Diluted		0.42	0.25

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income **(in thousands of €)**	**Notes**	**H1 2021**	**H1 2020**
GROUP NET PROFIT		**9,716**	**5,961**
Components that will not subsequently be reclassified to the Income Statement of the period			
Actuarial valuation of post-employment benefits	3.14	131	15
Tax effect		(36)	(4)
		95	**11**
Components that will subsequently be reclassified to the Income Statement of the period:			
Exchange differences from translation of Financial Statements in foreign currency	1.4	2,027	(6,665)
TOTAL COMPREHENSIVE INCOME (LOSS)		**11,838**	**(693)**
of which:			
Attributable to non-controlling interests	3.11	(423)	(387)
ATTRIBUTABLE TO THE GROUP		**11,415**	**(1,080)**

1.4 CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Consolidated Statement of changes in shareholders' equity **(in thousands of Euro)**	**Share capital**	**Share premium reserve**	**Legal reserve**	**Treasury shares**	**Translation reserve**	**Post-employment benefits discounting reserve**	**Other reserves**	**Profit (loss) for the period**	**Total Shareholders' equity attributable to the Group**	**Shareholders' equity attributable to non-controlling interests**	**Total shareholders' equity**
BALANCE AS AT 01/01/20	**62,704**	**24,762**	**2,872**	**-**	**(4,711)**	**(532)**	**52,917**	**17,514**	**155,526**	**3,422**	**158,948**
Allocation of profit 2019											
Dividends paid	-	-	-	-	-	-	(5,996)	-	(5,996)	-	(5,996)
Retained	-	-	325	-	-	-	17,189	(17,514)	-	-	-
Purchase of treasury shares	-	-	-	(288)	-	-	-	-	(288)	-	(288)
Other	-	-	-	-	-	-	-	-	-	(200) (*)	(200)
Statement of Comprehensive Income As at 30/06/2020	-	-	-	-	(6,665)	11	-	5,574	(1,080)	387	(693)
BALANCE AS AT 30/06/2020	**62,704**	**24,762**	**3,197**	**(288)**	**(11,376)**	**(521)**	**64,110**	**5,574**	**148,162**	**3,609**	**151,771**
BALANCE AS AT 31/12/2020	**62,704**	**24,762**	**3,197**	**(288)**	**(16,174)**	**(606)**	**64,110**	**9,226**	**146,931**	**3,993**	**150,924**
Allocation of profit 2020											
Dividends paid	-	-	-	-	-	-	(5,996)	-	(5,996)	(470) (***)	(6,466)
Retained	-	-	358	-	-	-	8,868	(9,226)	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	(882)	-	(882) (**)	59 (*)	(823)
Statement of comprehensive income as at 30/06/2021	-	-	-	-	2,027	95	-	9,293	11,415	423	11,838
BALANCE AS AT 30/06/2021	**62,704**	**24,762**	**3,555**	**(288)**	**(14,147)**	**(511)**	**66,100**	**9,293**	**151,468**	**4,005**	**155,473**

(*) The change under item "Other", amounting to €0.2 million at 31 December 2020 and to €59 thousand at 30 June 2021, refers to the Translation reserve attributable to minority shareholders of the subsidiaries SEST-LUVE-PolskaSp.z.o.o., "OOO" SEST LU-VE and LU-VE Pacific pty.

(**)The amount refers to the accounting effects of the exercise of the purchase option, in the first half of 2021 by the LU-VE Group company, Manifold S.r.l., of the business unit previously owned by the company Mastercold S.r.l. and leased to Manifold S.r.l. (already consolidated in previous years).

(***) Of which €400 thousand referring to dividends resolved on by the SEST-LUVE-PolskaSp.z.o.o. Group company and as at 30 June 2021 not yet paid.

1.5 CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated Statement of Cash Flows **(in thousands of €)**	Notes	H1 2021	H1 2020	
A. Cash and cash equivalents at the beginning of the period		**152,679**	**81,851**	
Profit (loss) for the period		9,716	5,961	(*)
Adjustments for:				
- Depreciation and amortisation	3.1 - 3.2	14,419	13,364	
- Realised (gains)/losses		(18)	(26)	
- Net financial expenses	4.8 - 4.9	2,224	642	
- Income taxes	4.12	2,570	378	
- Change in fair value		(2,074)	113	
Changes in post-employment benefits		(137)	59	
Changes in provisions	3.13	171	74	
Changes in trade receivables		(19,214)	(6,441)	
Changes in inventories		(25,861)	(4,448)	
Changes in trade payables		32,871	(1,510)	
Changes in net working capital		**(12,204)**	**(12,399)**	
Changes in other receivables and payables, deferred taxes		2,845	(1,077)	
Tax payment		(3,115)	(1,753)	
Paid net financial expenses		(2,384)	(929)	
B. Cash flows generated/absorbed by operating activities		**12,013**	**4,407**	
Investments in non-current assets:				
- intangible assets	3.1	(2,460)	(4,122)	
- property, plant and equipment	3.2	(13,225)	(8,843)	
- financial assets		-	-	
Business combination net acquisition price	2.1	(800)	(8,700)	
C. Cash flows generated/absorbed by investing activities		**(16,485)**	**(21,665)**	
Repayment of loans	3.12	(70,222)	(57,522)	
New loans		105,000	149,924	
Changes in other financial liabilities		(2,270)	(6,149)	
Changes in short-term financial assets		(5,260)	-	
Sale/Purchase of treasury shares	3.11	-	(288)	
Contributions/repayments of own capital		-	-	
Payment of dividends	4.14	(6,066)	(5,996)	
Other changes		-	-	
D. Cash flows generated/absorbed by financing activities		**21,182**	**79,969**	
Exchange differences		2,086	(6,865)	
Other non-monetary changes		(1,921)	4,567	(*)
E. Other changes		**165**	**(2,298)**	
F. Net cash flows in the period (B+C+D+E)		**16,875**	**60,413**	
Cash and cash equivalents at the end of the period (A+F)		**169,554**	**142,264**	
Current financial debt		50,969	8,344	
Non-current financial debt		235,381	260,124	
Net financial debt (Note 3.20)	**=3.20**	**116,796**	**126,204**	

(*) The profit attributable to non-controlling interests for the first half of 2020 was reclassified in order to provide a better representation. In this way, the opening profit, in both periods, is gross of the result of third parties.

2 EXPLANATORY NOTES

2.1 ACCOUNTING STANDARDS

Declaration of compliance and accounting policies

The condensed consolidated interim Financial Statements as at 30 June 2021 of the LU-VE Group have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union on that date, particularly in accordance with IAS 34 "Interim Financial Reporting". They do not include all of the information required by IFRS for the preparation of the annual Financial Statements and, therefore, must be read in conjunction with the consolidated Financial Statements for the year ending on 31 December 2020. IFRS refers to all International Financial Reporting Standards and International Accounting Standards, all interpretations of the IFRS Interpretations Committee (formerly IFRIC), previously called the Standing Interpretations Committee (SIC), endorsed by the European Union and contained in the relative EU Regulations.

The condensed consolidated interim Financial Statements have been prepared in Euro, which is the functional currency by LU-VE S.p.A. and the subsidiaries with which the Group primarily carries on business, with amounts rounded to thousands, and are compared with the consolidated Financial Statements as at 31 December 2020 and the condensed consolidated interim Financial Statements as at 30 June 2020, prepared in line with the same criteria. They consist of the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the consolidated statement of cash flows and these explanatory notes.

The condensed consolidated interim Financial Statements have been drawn up on the basis of the historical cost principle, except for the fair value measurement of some financial instruments, pursuant to IFRS 9 and IFRS 13, as described below. Furthermore, the condensed consolidated interim Financial Statements have been drawn up on the basis of the going concern assumption, as the Directors have verified, even in relation to the emergency linked to the COVID-19 pandemic, 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 to meet its commitments in the foreseeable future. The risks and uncertainties related to the business are described in the sections dedicated to the Interim Director's Report.

In particular, with reference to this last assumption, as at 30 June 2021, the Group has a solid and balanced financial structure with a Net financial debt/Shareholders' equity ratio (Debt ratio) of 0.75 and a positive short-term net financial position of €118.6 million. Therefore the repayment of medium/long-term debt due in the next 12 months is guaranteed by current liquidity. In addition, there are no substantial restrictions on the freeing up of invested liquidity, equal to €76,2 million, which therefore, if required, may be used to meet any payment commitments.

On the basis of the final figures as at 30 June 2021 and the estimates envisaged in the 2021 forecast , it is believed that no critical issues are expected to arise with regard to compliance with the economic and capital requirements ("covenants") on a consolidated basis envisaged by the loans stipulated by the Group (however required) contractually only at the end of the annual consolidated Financial Statements).

In light of what is laid out above, the condensed consolidated interim Financial Statements of the Group as at 30 June 2021 were prepared on the basis of the going concern assumption, pursuant to paragraphs 25 and 26 of IAS 1.

COVID-19 health emergency

As reported in the “Directors' Report” to which reference should be made, given the uncertainty of the macroeconomic scenario due to COVID-19 (although the situation shows signs of improvement), making accurate forecasts on future trends remains rather delicate. In this context, the Group constantly monitors all the most relevant variables in order to identify as quickly as possible any sign of deterioration so as to activate all possible countermeasures as soon as possible.

In addition, in line with the directives of the "*European common enforcement priorities for 2020 annual financial reports*" Public Statement, issued by ESMA on 28 October 2020 and of Consob Alert Notice no. 1/21 of 16 February 2021, the subsequent paragraphs provide specific considerations on the areas of the financial statements potentially impacted by COVID-19. Specifically, for the purposes of the condensed consolidated interim Financial Statements of the LU-VE Group as at 30 June 2021, specific issues were identified with regard to individual IFRSs, summarised below:

- going concern (IAS 1), pursuant to the paragraph “Observations on the Financial profile and on the going concern assumption” in the Interim Directors’ Report and the previous paragraph “Declaration of compliance and accounting policies” of this document;

- financial instruments (IFRS 9), pursuant to note no. 3.6 "Trading receivables";

- notes no. 4.5 "Personnel costs" report specific information on the "benefits" and costs incurred following the emergency state linked to the Covid-19 pandemic;

- the only subscription that took place benefiting from state subsidies following the COVID-19 pandemic is the loan of Cassa Depositi e Prestiti and no new loan benefited from state guarantees, again following the COVID-19 pandemic.

Financial Statements

The Group has adopted the following Financial Statements:

- a Statement of Financial Position, which shows current and non-current assets and liabilities separately;
- a Statement of Changes in Shareholders’ Equity;
- an Income Statement in which costs are classified by nature;
- a Statement of Comprehensive Income, which shows revenue and cost items that are not recognised in profit and loss for the period, as required by the IFRS;
- a Consolidated Statement of Cash Flows that presents cash flows from operations using the indirect method.

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

Consolidation area

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

Company name	Registered office	% investment	Currency	Share capital
Direct subsidiaries:				
SEST S.p.A.	Limana (BL)	100.00%	EUR	1,000,000
Tecnair LV S.p.A.	Uboldo (VA)	79.90%	EUR	200,000
Heat Transfer Systems s.r.o. (HTS)	Novosedly (Czech Rep.)	100.00%	CZK	133,300,000
LU-VE Sweden AB	Asarum (Sweden)	100.00%	SEK	50,000
LU-VE France S.a.r.l.	Lyon (France)	100.00%	EUR	84,150
LU-VE Pacific PtyLtd	Thomastown (Australia)	75.50%	AUD	200,000
LU-VE Deutschland GmbH	Stuttgart (Germany)	100.00%	EUR	230,000
LU-VE Iberica S.L.	Madrid (Spain)	85.00%	EUR	180,063
LU-VE Asia Pacific Limited	WanChai (Hong Kong)	100.00%	HKD	10,000
LuveDigital S.r.l.	Uboldo (VA)	50.00%	EUR	10,000
MANIFOLD S.r.l.	Uboldo (VA)	99.00%	EUR	10,000
SPIROTECH Ltd	New Delhi (India)	100.00%	INR	25,729,600
LU-VE AUSTRIA GmbH	Vienna (Austria)	100.00%	EUR	17,500
ZyklusHeat Transfer Inc.	Jacksonville (USA, Texas)	100.00%	USD	1,000
Air Hex AlonteS.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
Indirectsubsidiaries:				
SEST-LUVE-PolskaSP.z.o.o. (95%-owned by SEST S.p.A.)	Gliwice (Poland)	95.00%	PLN	16,000,000
«OOO» SEST LU-VE (95%-owned by SEST S.p.A.)	Lipetsk (Russia)	95.00%	RUB	136,000,000
LU-VE HEAT EXCHANGERS (Tianmen) Co, Ltd (62.62% owned by LU-VE Asia Pacific Limited and 37.38% owned by LU-VE S.p.A.)	Tianmen (China)	100.00%	CNY	61,025,411
Thermo Glass Door S.p.A. (100%-owned by SEST S.p.A.)	Travacò Siccomario (PV)	100.00%	EUR	100,000

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

The following changes compared to the previous period/financial year took place in the consolidation area during the first half of 2021:

- establishment of the sales company LU-VE Korea LLC with share capital of KRW 100,000 thousand and registered office in Seoul. The company is 100% owned by LU-VE S.p.A.

- during the first half of the year, Manifold S.r.l. exercised the option to purchase the business unit previously owned by Mastercold S.r.l. and leased to Manifold S.r.l. (already consolidated in previous years).

Moreover, to be noted is that the liquidation process of the commercial company LU-VE Pacific pty, which began in 2020 and was initially expected to be completed in the first half of 2021, was subject to some procedural delays mainly due to the restrictive measures adopted by the Australian local authorities to counter the spread of the COVID-19 pandemic. It should also be noted that LU-VE S.p.A. holds an interest of 75.5% in the company and, as the Group does not deem it probable that the minority shareholders will cover the negative net shareholders' equity attributable to them at 30 June 2021, amounting to approximately €1,018 thousand (which includes the loss, for the period, attributable to them of €116 thousand), these amounts are reclassified in the Group's shareholders' equity and net result at 30 June 2021.

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

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

Consolidation criteria

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

The following criteria have been adopted for the consolidation:

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

b) Payable/receivable and cost/revenue items between the consolidated companies and profit/loss from intra-group transactions are eliminated. Likewise, dividends and write-downs on equity investments recognised in the interim Financial Statements for the period are eliminated;

c) If there are non-controlling shareholders, the portion of shareholders' equity and the net profit (loss) of the period attributable to them are highlighted in separate items of the consolidated balance sheet and income statement, with the exception of what has already been reported in the introduction with reference to the LU-VE Pacific pty trading company;

d) Final inventories, for products acquired from Group companies, are adjusted by the intra-group margins they contain, as they have not yet been realised with respect to third parties.

f) The gains realised from intra-group sales relative to tangible and intangible fixed assets are eliminated by the accounting depreciation and amortisation of the gains themselves.

Translation into Euro of interim Income Statements and Statements of Financial Positions drafted in foreign currency

The separate interim Financial Statements of each company belonging to the Group are prepared in the currency of the primary economic environment in which it conducts business (functional currency). For the condensed consolidated interim Financial Statements, the interim Financial Statements of each overseas entity are expressed in Euro, which is the functional currency of the Parent Company and the presentation currency of the condensed consolidated interim Financial Statements.

Statement of Financial Position items from interim Financial Statements expressed in a currency other than the Euro are translated by applying the current exchange rates at the end of the period. Income statement items are translated at average exchange rates for the period.

Translation exchange differences resulting from the comparison between the opening shareholders' equity translated at current exchange rates and the same converted at final exchange rates, as well as the difference between the economic result expressed at average exchange rates and that expressed at current exchange rates, are recognised in the shareholders' equity item “Translation reserve”.

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

Currency	Exchange rate as at 30/06/2021	Average exchange rate H1 2021	Exchange rate as at 31/12/2020	Average exchange rate H1 2020
AUD	1.5853	1.5626	1.5896	1.6775
PLN	4.5201	4.5374	4.5597	4.4120
CZK	25.4880	25.8540	26.2420	26.3330
RUB	86.7725	89.5502	91.4671	76.6692
SEK	10.1110	10.1308	10.0343	10.6599
HKD	9.2293	9.3551	9.5142	8.5531
CNY	7.6742	7.7960	8.0225	7.7509
INR	88.3240	88.4126	89.6605	81.7046
USD	1.1884	1.2053	1.2271	1.1020
AED	4.3644	4.4266	4.5065	4.0473
KRW	1,341.4100	1,347.5387	1,336.0000	1,329.5321

* for the company LU-VE Korea LLC, established in April 2021, the average Korean won exchange rate used from 1 April to 30 June was 1,351.8657.

Measurement criteria

The accounting standards and measurement criteria adopted to prepare the condensed consolidated interim Financial Statements as at 30 June 2021 did not change from the comparable previous year/period.

USE OF ESTIMATES

The preparation of the condensed consolidated interim Financial Statements and the relative notes in application of IFRS requires the management to make estimates and assumptions that impact the values of the assets and liabilities in the Financial Statements and the disclosure relating to contingent assets and liabilities as at the reporting date. As a result, actual results may differ from those estimates.

In the preparation of the condensed consolidated interim Financial Statements, no significant judgements were defined 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. During the first half of 2021, the tax authorities confirmed the conditions for using the tax realignment assumed by management for the purposes of preparing the annual Financial Statements as at 31 December 2020.

In particular, these estimates are used to recognise provisions for credit risks, inventory obsolescence, depreciation and amortisation, write-downs, employee benefits, taxes and other provisions. Estimates and assumptions are reviewed periodically and the effects of each change are reflected in the Income Statement in the period in which the estimate is reviewed.
The main assumptions relating to the future and the main causes for uncertainty in the estimates at the date of closure of the period which represent a significant risk of giving rise to significant adjustments in the book 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

Note that in preparing the Financial Statements as at 31 December 2020, to which reference is made, in order to conduct impairment testing, the Directors had approved the 2021-2024 Business Plan on 24 February 2021.

Comparing the above-mentioned 2021-24 Business Plan with the economic results achieved in the first half of 2021 and with those forecast for the entire current year, the economic performance and the main economic/financial indicators would be in line with those estimated in February 2021.

Therefore, during the half, and based on the expected future results, there were no specific signs of impairment identified which would make it necessary to prepare new impairment tests or update them at the date of the condensed interim consolidated Financial Statements, compared to the impairment tests carried out for the preparation of the 2020 annual consolidated Financial Statements, substantially confirming the related results. However, the future trend of various factors, including the evolution of the global health, economic and financial environment, requires the Group management to constantly monitor the circumstances and events that might result in an impairment of the Group's goodwill.

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 always 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.

Although to date the context of uncertainty generated by the Covid-19 pandemic is no longer at the alarming levels of the recent past, the Group's Management still considered it reasonable to confirm, at the date of preparation of this document, the assumptions used in estimating the recoverability of receivables as at 31 December 2020, which considered, using *forward-looking* information, the possible deterioration of the creditworthiness of its customers generated by the carry-over of pandemic impacts into the global macroeconomic environment: as a result of this process, the Management itself substantially confirmed, on a prudential basis, during the first half of 2021, the amount of the bad debt provision (increase of the provision by 3.3% compared to 31 December 2020).

Income taxes and deferred tax assets

The Group is subject to various income tax legislation. To determine the Group's tax liabilities, the management needs to make assessments with respect to transactions that have uncertain tax implications at the reporting date. The tax expense, pursuant to IAS 34, was estimated using the option of precisely calculating the liability at the date of 30 June 2021. In addition, the valuation of deferred tax assets is carried out on the basis of the expected income of the individual companies belonging to the Group in future years.

In this regard, it should be noted, once again, that the economic performance and the taxable income in the first half of 2021, as well as the forecasts for the entire current year, are in line with those estimated when the 2021-2024 Business Plan was drafted: therefore, during the half-year and on the basis of the above considerations, there were no particular signs that made it necessary to verify the recoverability of the deferred tax assets recognised in these condensed consolidated interim Financial Statements.

However, the future trend of various factors, including the evolution of the difficult global health, economic and financial environment, 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.

2.2 NEW ACCOUNTING STANDARDS

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

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

- On 28 May 2020 IASB published an amendment called "COVID-19 Related Rent Concessions (Amendment to IFRS 16)". The document allows lessors the option to recognise the reductions in rentals linked to COVID-19 without having to value, through the analyses of agreements, if the lease modification of IFRS 16 definition has been respected. Therefore, lessors applying this option can recognise the effects of the reduction of the rental fees directly to the income statement at the date of effect of the reduction.
  The adoption of this amendment had no effects on the Group's condensed consolidated interim Financial Statements.

- On 31 March 2021, the IASB published an amendment called "Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)", extending by one year the period of application of the amendment to IFRS 16, issued in 2020, relating to the accounting of the facilities granted to lessees, due to Covid-19. The amendments shall apply as of 1 April 2021, but early application is permitted.

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

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

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

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

IFRS ACCOUNTING STANDARDS AND AMENDMENTS AND IFRIC INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, FOR WHICH APPLICATION IS NOT YET REQUIRED AND NOT ADOPTED EARLY BY THE GROUP AS AT 30 JUNE 2021

- On 14 May 2020 IASB published the following amendments:
  - *Amendments to IFRS 3 Business Combinations:* the amendments have the purpose of updating the IFRS 3 reference to the Conceptual Framework in the revised version, without this involving amendments to the provisions of the standard;
  - *Amendments to IAS 16 Property, Plant and Equipment:* the amendments have the purpose of not allowing to deduct from the cost of property, plant and equipment the amount received from the sale of goods produced in the testing stage of the same assets. These sale revenues and the relative costs will then be recognised in the income statement;
  - *Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets*: the amendment clarifies that in estimating whether a contract is onerous, all costs directly attributable to the contract must be considered. In consequence, the evaluation of the possible cost of a contract includes not only incremental costs (such as, for example, the cost of materials directly used in processing) but also the costs that the company cannot avoid because it has stipulated the contract (such as, for example, the portion of depreciation of machinery used to fulfil the contract);
  - *Annual Improvements 2018-2020: the amendments have been made to IFRS 1 First-time Adoption of International Financial Reporting Standards, to IFRS 9 Financial Instruments, to IAS 41 Agriculture and to the Illustrative Examples of IFRS 16 Leases.*

All the changes will take effect on 1 January 2022.

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

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

At the date of these condensed consolidated interim Financial Statements, the competent bodies of the European Union have not yet completed the approval process required for the adoption of the amendments and standards described below.

- On 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; and
  - 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 Group's consolidated Financial Statements.

- On 23 January 2020 the IASB published an amendment entitled "*Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*". The document has the objective of clarifying how to classify debts and other short or long-term liabilities. The amendments apply as at 1 January 2023, but early application is permitted.

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

- On 12 February 2021, the IASB published two amendments entitled "*Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2" and "Definition of Accounting Estimates - Amendments to IAS 8". The* changes are intended to improve *disclosure* on *accounting policy* in order to provide more useful information to investors and other primary users of financial statements as well as to help companies to distinguish changes in accounting estimates from changes in accounting policy. The amendments shall apply as of 1 January 2023, but early application is permitted.
  The directors do not expect the adoption of this amendment to have a significant effect on the Group's consolidated Financial Statements.

- On 7 May 2021, the IASB published an amendment called *"Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction"*. The document clarifies how deferred taxes on certain transactions that may generate assets and liabilities of equal amounts, such as leasing and decommissioning obligations, must be accounted for. The amendments shall apply as of 1 January 2023, but early application is permitted.
  The directors do not expect the adoption of this amendment to have a significant effect on the Group's consolidated Financial Statements.

- On 30 January 2014, the IASB published IFRS 14 – Regulatory Deferral Accounts, which allows only those that adopt IFRS for the first time to continue to recognise amounts relating to rate regulation activities in accordance with the previous GAAP applied. As the Group is not a first-time adopter, that standard is not applicable.

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

3.1 GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets **(in thousands of Euro)**	**Goodwill**		**Other intangible assets**		**Total**	
Historical						
As at 1 January 2020	**69,114**	**(*)**	**78,350**	**(*)**	**147,464**	**(*)**
Increases	-		6,979		6,979	
Decreases	-		(605)		(605)	
Reclassifications	-		-		-	
Exchange differences	(1,236)		(245)		(1,481)	
As at 31 December 2020	**67,878**		**84,479**		**152,357**	
Increases	-		2,460		2,460	
Decreases	-		-		-	
Reclassifications	-		-		-	
Exchange differences	(540)		130		(410)	
As at 30 June 2021	**67,338**		**87,069**		**154,407**	
Provision						
As at 1 January 2020	**12,915**		**36,544**	**(*)**	**49,459**	**(*)**
Increases	-		8,479		8,479	
Decreases	-		(180)		(180)	
Reclassifications	-		-		-	
Exchange differences	-		(128)		(128)	
As at 31 December 2020	**12,915**		**44,715**		**57,630**	
Increases	-		4,250		4,250	
Decreases	-		-		-	
Reclassifications	-		-		-	
Exchange differences	-		51		51	
As at 30 June 2021	**12,915**		**49,016**		**61,931**	
Net carrying amount						
As at 31 December 2020	54,963		39,764		94,727	
As at 30 June 2021	**54,423**		**38,053**		**92,476**	

(*) restated values compared with 31 December 2019 pursuant to IFRS 3, to take retrospective account of the effects resulting from the definitive valuation of the fair value of the "Al Air" trademarks and of customer list at the date of acquisition (values previously considered provisional, see note no. 2.1 "Introduction - Al Air acquisition" in the explanatory notes to the 2020 Consolidated Financial Statements).

Goodwill

The decrease in the item “Goodwill” for €540 thousand is attributable to the adjustment to the exchange rate delta on goodwill generated in previous financial years by the acquisitions of the Indian company Spirotech Ltd and to 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).

Note that the Group tested the recoverability of the carrying amount of Net Invested Capital (NIC) as at 31 December 2020, thus, including the value of goodwill and other intangible assets with a finite useful life. For the purpose of impairment testing, the value of goodwill was allocated to two cash-generating units (CGUs) identified ("Components" and "Cooling Systems"). In determining the recoverable amount of those CGUs, the Management made reference to the 2021-2024 Business Plan approved by the Company's Board of Directors on 24 February 2021. The impairment tests conducted showed no impairment had occurred.

For more information, refer to that reported in detail in the Consolidated Financial Statements and Notes as at 31 December 2020.

It should also be noted that, on the basis of the actual data for the first half of 2021 and the estimates for the forecast for the entire current year, there were no specific signs of impairment identified which would make it necessary to prepare a new impairment test or to update it at the date of the condensed consolidated interim Financial Statements at 30 June 2021, thus substantially confirming the results of the impairment tests as at 31 December 2020.

Other intangible assets

The item other intangible assets decreased by €1,711 thousand. The table below summarises the changes in that item in greater detail:

Detail of other intangible assets **(in thousands of €)**	**Trade receivables**	**Trademarks**	**Development costs**	**Development costs in progress**	**Software**	**Other**	**Total**
Historical							
As at 1 January 2020	**20,580 (*)**	**23,903 (*)**	**15,981**	**1,595**	**15,502**	**789**	**78,350 (*)**
Increases	-	-	253	1,582	5,089	55	6,979
Decreases	-	-	(264)	(161)	(165)	(15)	(605)
Reclassifications	-	-	894	(894)	578	(578)	-
Exchange differences	(30)	10	(16)	-	(196)	(13)	(245)
As at 31 December 2020	**20,550**	**23,913**	**16,848**	**2,122**	**20,808**	**238**	**84,479**
Increases	-	-	51	864	1,496	49	2,460
Decreases	-	-	-	-	-	-	-
Reclassifications	-	-	433	(433)	53	(53)	-
Exchange differences	36	(1)	11	8	55	21	130
As at 30 June 2021	**20,586**	**23,912**	**17,343**	**2,561**	**22,412**	**255**	**87,069**
Provision							
As at 1 January 2020	**2,108 (*)**	**9,206 (*)**	**12,214**	**-**	**12,900**	**116**	**36,544 (*)**
Increases	1,374	2,020	1,722	-	3,363	-	8,479
Decreases	-	-	-	-	(165)	(15)	(180)
Reclassifications	-	-	-	-	-	-	-

Exchange differences	-	9	8	-	(145)	-	(128)
As at 31 December 2020	**3,482**	**11,235**	**13,944**	**-**	**15,953**	**101**	**44,715**
Increases	684	1,011	873	-	1,680	2	4,250
Decreases	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-
Exchange differences	1	(1)	4	-	50	(3)	51
As at 30 June 2021	**4,167**	**12,245**	**14,821**	**-**	**17,683**	**100**	**49,016**
Net carrying amount							
As at 31 December 2020	**17,068**	**12,678**	**2,904**	**2,122**	**4,855**	**137**	**39,764**
As at 30 June 2021	**16,419**	**11,667**	**2,522**	**2,561**	**4,729**	**155**	**38,053**

(*) restated values compared with 31 December 2019 pursuant to IFRS 3, to take retrospective account of the effects resulting from the definitive valuation of the fair value of the "Al Air" trademarks and of customer list at the date of acquisition (values previously considered provisional, see note no. 2.1 "Introduction - Al Air acquisition" in the explanatory notes to the 2020 Consolidated Financial Statements).

Trade receivables

The change in the half-year in Trade Receivables mainly refers to the amortisation of the period.

Trademarks

The change in this item refers exclusively to amortisation for the period.

Development costs and development costs in progress

The total Development costs incurred in the period came to €915 thousand (of which €51 thousand capitalised and €864 thousand in projects underway), referring to new product development. During the period, €433 thousand of projects completed during the six months ended 30 June 2021 were reclassified from "Development costs in progress" to "Development costs".

Software

Software increased by €1.496 thousand. The main projects developed in the period refer to PLM (Product Lifecycle Management), the purchase of new licences for the accounting/management ERP (SAP), as well as further developments of the accounting/management ERP (SAP) and the main software used by the Group.

Other intangible assets

Other intangible assets rose by €49 thousand compared to the previous year and mainly refer to software developments related primarily to the implementation of the accounting/management ERP (SAP) not yet available for use.

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

3.2 PROPERTY, PLANT AND EQUIPMENT

Other property, plant and equipment **(in thousands of Euro)**	**Property**	**Plant and equipment**	**Rights of use**	**Other property, plant and equipment**	**Work in progress**	**Total**
Historical						
As at 1 January 2020	101,073	143,059	22,039	33,921	12,985	313,077
Increases	738	5,236	4,179	2,919	8,801	21,873
Decreases	(5)	(1,224)	(1,273)	(708)	(53)	(3,263)
Reclassifications	174	7,773	-	527	(8,474)	-
Exchange differences	(3,967)	(5,188)	(263)	(531)	(778)	(10,727)
As at 31 December 2020	98,013	149,656	24,682	36,128	12,481	320,960
Increases	1,728	2,362	2,686	1,602	7,511	15,889
Decreases	(26)	(1,513)	(361)	(323)	(10)	(2,233)
Reclassifications	462	1,853	-	708	(3,023)	-
Exchange differences	843	1,466	103	199	250	2,861
As at 30 June 2021	101,020	153,824	27,110	38,314	17,209	337,477
Provision						
As at 1 January 2020	25,075	95,021	3,705	26,007	-	149,808
Increases	2,425	10,437	4,578	2,367	-	19,807
Decreases	(4)	(1,179)	(1,176)	(701)	-	(3,060)
Reclassifications	-	-	-	-	-	-
Exchange differences	(836)	(3,097)	(49)	(320)	-	(4,302)
As at 31 December 2020	26,660	101,182	7,058	27,353	-	162,253
Increases	1,242	5,251	2,323	1,354	-	10,170
Decreases	(9)	(1,496)	(346)	(287)	-	(2,138)
Reclassifications	-	-	-	-	-	-
Exchange rate difference	235	980	29	126	-	1,370
As at 30 June 2021	28,128	105,917	9,064	28,546	-	171,655
Net carrying amount						
As at 31 December 2020	71,353	48,474	17,624	8,775	12,481	158,707
As at 30 June 2021	72,892	47,907	18,046	9,768	17,209	165,822

As at 30 June 2021, increases in property, plant and equipment amounted overall to €15,889 thousand, mainly attributable to:

- €2.362 thousand referring to the expansion of the current production capacity, through the purchase of new plant and machinery;

- €2,686 thousand referring to the recognition of the effects of IFRS 16, of which €1,957 thousand referring to the increase in leased properties (the main one is the building rented by the company Thermo Glass Door S.p.A. for approximately €1,080 thousand), €610 thousand referring to the increase in leases for the use of leased motor vehicles and €119 thousand referring to the increase in leases for the use of forklifts and other machinery;

- €7,511 thousand relative to the technological investment programme in Italy and abroad, mainly for the expansion and rationalisation of the production sites of Zyklus Heat Transfer Inc. and Spirotech Ltd.

These items in property, plant and equipment were included in the considerations of the impairment test reported above as it was allocated to the two CGUs identified by the Management.

3.3 EQUITY INVESTMENTS

The Group holds the following equity investments:

Equity investments **(in thousands of Euro)**	**30/06/2021**	**31/12/2020**	**Change**
Industria e Università S.r.l.	8	8	-
Total	**8**	**8**	**-**

3.4 OTHER NON-CURRENT ASSETS

At 30 June 2021, other non-current assets amounted to €219 thousand, an increase of around €12 thousand. This item refers primarily to security deposits provided for the provision of services.

Other non-current assets **(in thousands of Euro)**	**30/06/2021**	**31/12/2020**	**Change**
Other non-current assets	219	207	12
Total	**219**	**207**	**12**

3.5 INVENTORIES

The item in question was broken down as follows as at 30 June 2021:

Inventories **(in thousands of Euro)**	**30/06/2021**	**31/12/2020**	**Change**
Raw materials and consumables	58,477	42,005	16,472
Work in progress and semi-finished products	8,258	5,030	3,228
Finished products and goods for resale	22,792	16,560	6,232
Provision for inventory losses	(7,019)	(6,948)	(71)
Total	**82,508**	**56,647**	**25,861**

The change amounting to €25.861 thousand was mainly due to the following:

- a general increase in the volumes of raw materials in all the Group companies to meet the future production of orders already acquired;
- a significant increase in the prices of the main raw materials used by the Group (mainly copper, aluminium, iron, etc.).

Please refer to the Interim Directors' Report for the price and volume effects relating to consumption.

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

The increase in the provision for inventory write-downs of €71 thousand is mainly due to a volume effect.

3.6 TRADE RECEIVABLES

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

Trade Receivables **(in thousands of Euro)**	**30/06/2021**	**31/12/2020**	**Change**
Trade receivables	89,672	70,070	19,602
Provision for bad debts	(10,695)	(10,307)	(388)
Total	**78,977**	**59,763**	**19,214**

The increase in trade receivables amounting to €19,214 thousand was due to:

- €19,602 thousand for a general increase in sales of the Group companies occurred in the last months of the first half of 2021, in conjunction with a generalized macroeconomic recovery – for more details, please refer to the Interim Directors' Report;

- The bad debt provision increased by €388 thousand as a result of higher allocations, as already described in the paragraph "Use of estimates" to which reference is made.

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

In addition, in June 2021 receivables of roughly €20,367 thousand were transferred to the Factor, compared to roughly €19,029 thousand as at 31 December 2020. This factoring was without recourse. The percentage of receivables sold compared to turnover in the last 12 months was 4.7% (4.7% also in 2020).

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 €57 thousand and a reduction in trade receivables for variable compensations (mainly credit notes to be issued for bonuses granted to customers) for €1,017 thousand.

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

Breakdown of trade receivables by geographical area **(in thousands of Euro)**	**30/06/2021**	**31/12/2020**	**Change**
Italy	25,279	15,694	9,585
EU Countries	44,736	37,594	7,142

Non-EU Countries	19,657	16,782	2,875
Bad debt provision	(10,695)	(10,307)	(388)
Total	**78,977**	**59,763**	**19,214**

The ageing of trade receivables is shown below:

Breakdown of trade receivables by maturity *(in thousands of Euro)*	**30/06/2021**	**31/12/2020**	**Change**
Current receivables (not past due)	74,785	55,933	18,852
Past due up to 30 days	5,175	4,563	612
Past due from 30 to 60 days	1,527	2,084	(557)
Past due from 60 to 90 days	1,439	1,867	(428)
Past due for more than 90 days	6,746	5,623	1,123
Total	**89,672**	**70,070**	**19,602**

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

As at 30 June 2021, it must also be noted that the estimated expected losses prudentially include the potential forward-looking impacts of the pandemic on the possible worsening of customers' credit ratings and those of countries in which they operate, and on their ability to meet their obligations. With regard to those considerations, it is noted that the effects on receivables deriving from the COVID-19 health crisis as at 30 June 2021 did not anyway result in significant delays in collections compared to the deadlines originally set out in the contracts with our customers.

Furthermore, it is reported that the average collection periods have not changed significantly compared to the previous year, as well as compared to the 2019 financial year.

The following table, based on IFRS 9 standard, details the risk profile of trade receivables on the basis of the allocation matrix defined by the Group at 30 June 2021. As the Group's historical experience does not indicate significantly different loss profiles on receivables by customer segment, the bad debt provision based on the level of overdue accounts has not been further subdivided on the basis of groupings of its own customer base.

30/06/2021 *(in thousands of Euro)*	**Not past due**	**<30**	**31 - 60**	**61 - 90**	**>90**	**Total**
Expected default rate	6.80%	10.61%	13.3%	14.3%	69.0%	
Estimate of gross accounting value at the time of default	74,786	5,175	1,527	1,439	6,745	89,672
Expected losses throughout the life of the credit	5,085	549	203	206	4,652	10,695

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

3.7 TAX RECEIVABLES FOR CURRENT TAXES

This item was broken down as follows:

Due from the tax authorities for current taxes **(in thousands of Euro)**	**30/06/2021**	**31/12/2020**	**Change**
Due from the tax authorities for VAT	8,213	8,986	(773)
Due from the tax authorities for payments on account of direct taxes	1,470	1,141	329
Others	50	132	(82)
Total	**9,733**	**10,259**	**(526)**

Tax receivables for payments on account of current taxes payable within the next 12 months refer to the excess of taxes paid on account in the previous years versus the actual tax burden, as well as those paid in the current period out of the 2021 financial year.

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)**	**30/06/2021**	**31/12/2020**	**Change**
Capitalisation policies	75,630	69,958	5,672
Other securities	593	300	293
Total	**76,223**	**70,258**	**5,965**

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 amount of €54,816, recognised at fair value for a value of €59,458 thousand (as at 31 December 2020 the nominal value was of €49,856 thousand, while the fair value was €54,003 thousand) and are the type of policies which allow, after the payment of a lump-sum premium, for an annual capital revaluation based on the return obtained from management (almost exclusively invested in government securities and very highly rated bonds). During the first half of the year, new supplementary capitalisation policies were underwritten for a value of €5,000 thousand, net of purchasing commission of €40 thousand (the latter recognised in the income statement in the item "Financial charges"). The fair value measurement at the end of the half-year entailed the recognition of a positive change of €495 thousand, recognised under the item "Financial income".

- Capitalisation policies issued by BNP Paribas Cardif Vita Compagnia di assicurazione e Riassicurazione S.p.A. and subscribed by the Parent Company LU-VE S.p.A. in the previous financial year, for a nominal amount of €15,000 thousand, measured at fair value at €16,172 thousand (at 31 December 2020, the nominal value was €15,000 thousand, while the fair value was €15,955 thousand); no new capitalisation policies were taken out with this institution during the half-year. The fair value measurement at the reporting date of the -year entailed the recognition of a positive amount of €217 thousand, recognised under the item "Financial income".

Please note that the capitalisation policies provide for a guarantee on the capital and the capitalisation of returns (which in this manner also become guaranteed) every twelve months as well as some penalties in the case of early redemption, of amounts not overall significant (mainly with expiry in 2021 and 2022).

Other securities refer to investments, with Unicredit, for a total of €600 thousand. During the half-year, new certificates were subscribed for a total value of €300 thousand. The fair value measurement at 30 June 2021 entailed the recognition of a negative change of €7 thousand under the items "Financial income and expense".

The new subscriptions in Unicredit certificates and in Aviva Vita capitalization policies for a total of €5,300 thousand represent the change in numbers for the period reported in the cash flow statement under the item "*Changes in short-term financial assets*", included in the cash flows resulting from financial assets (i.e. gross of commissions of €40 thousand relating to the underwriting of the Aviva Vita policies).

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

3.9 OTHER CURRENT ASSETS

The details of this item are shown below:

Other current assets **(in thousands of Euro)**	30/06/2021	31/12/2020	Change
From employees	96	36	60
Advances and other receivables	5,010	3,583	1,427
Total	**5,106**	**3,619**	**1,487**

The change of €1,427 thousand in the item "Advances and other receivables" mainly refers to advances to suppliers for maintenance and IT services.

3.10 CASH AND CASH EQUIVALENTS

The details of this item are shown below:

Cash and cash equivalents **(in thousands of Euro)**	30/06/2021	31/12/2020	Change
Cash and cash equivalents	169,554	152,679	16,875
Total	**169,554**	**152,679**	**16,875**

The increase of €16,875 thousand is mainly due to the procurement of financial resources (financial management) carried out in the half-year and to the generation of cash flow from operations.

Liquid availabilities are mainly concentrated in Italy for an approximate amount of €137,901 thousand. The Group has no restrictions/constraints on the use of these amounts.

The following table reports the breakdown of liquid availability by geographical area: liquid availability in non-EU countries mainly refer to current account balances of accounts in Indian rupees (for a value of approximately €6.0 million), in Russian roubles (€5.9 million), Chinese yuan (€4.2 million), US dollar (€1.9 million). The liquid availabilities in EU countries include current account balances in foreign currency, mainly Polish zloty and Swedish krona, for an amount of €5.9 million and €1.1 million respectively.

Cash and cash equivalents by geographical areas **(in thousands of Euro)**	30/06/2021	31/12/2020	Change
Italy	137,901	115,826	22,075
EU Countries	13,061	12,820	241
Non-EU Countries	18,592	24,033	(5,441)
Total	**169,554**	**152,679**	**16,875**

For further information on this item, please refer to paragraph 1.5 – “Consolidated Cash Flow Statement”.

3.11 SHAREHOLDERS’ EQUITY

The Parent Company’s share capital amounted to €62,704 thousand (unchanged from 31 December 2020).
In the first half of 2021, dividends of €5,996 thousand were distributed by the Parent Company from retained earnings deriving from the profit for the year of the Parent Company LU-VE S.p.A. as at 31 December 2020.

As at 30 June 2021, the Parent Company held 28,027 treasury shares (0.13% of the share capital), acquired during the previous period and recognised in the condensed consolidated interim Financial Statements as an adjustment of shareholders' equity for a total value of roughly €288 thousand (for further details, see the Interim Directors’ Report). During the period, no treasury shares were sold.

Shareholders’ equity attributable to non-controlling interests amounted to €4,005 thousand (€3,993 thousand as at 31 December 2020). The profit attributable to non-controlling interests in the half-year was €423 thousand (€387 thousand in the same period of 2020). The increase in minority interests is offset by the distribution of dividends of €470 thousand by the subsidiaries Tecnair LV S.p.A. (approved and distributed during the period, €70 thousand) and SEST LU-VE POLSKA Sp.z.o.o. (resolved on and not distributed in the period, €400 thousand).

It should be noted that following the decision of the Directors to make use of the tax realignment, pursuant to Article 110 of Decree Law 104/2020, there are reserves of Equity available at 30 June 2021 (as well as at

31 December 2020) for a total amount of €20,482 thousand, corresponding to the total value of intangible and tangible assets subject to tax realignment (totalling €21,116 thousand, net of the related substitute tax of 3%, equal to €633 thousand).

3.12 LOANS

This item was broken down as follows:

Loans **(in thousands of Euro)**	**30/06/2021** **Current**	**Non-current**	**31/12/2020** **Current**	**Non-current**
Loans	96,730	223,240	72,266	228,104
Advances on export flows in Euro	24,500	-	9,500	-
Total	**121,230**	**223,240**	**81,766**	**228,104**

As at 30 June 2021, bank loans amounted to €319,970 thousand (€300,370 thousand at 31 December 2020).

The breakdown of this item, recognised according to the amortised cost, the evolution with respect to the previous year and the characteristics of the bank loans held by the Group are provided in the table of paragraph 9 Appendix B.

In relation to certain loan agreements, the LU-VE Group committed to respecting specific financial and economic parameters (covenants), which however, are checked only annually on drawing up the consolidated Financial Statements as at 31 December of each year. In accordance with ESMA Guidelines 2021/32-382-1138, the related Appendix shows the loans outstanding at 30 June 2021, for which compliance with the equity and economic covenants is required on a consolidated basis, as well as the characteristics of the covenants themselves (€ thousands).

Also note that the Directors of the Parent Company LU-VE S.p.A. conducted an assessment of compliance with the covenants on a consolidated basis as at 31 December 2021, based on the 2021 forecast of the Group. The results of this assessment are such that compliance with these parameters for the current year is not in question.

The changes in loans during the period are shown below:

Loans: changes during the year *(in thousands of €)*	**Opening balance**	**New loans**	**Repayments**	**Amortised cost effect**	**Exchange delta**	**Closing balance**
Loans	300,370	90,000	(70,222)	(169)	(9)	319,970
Advances on export flows in Euro	9,500	15,000	-	-	-	24,500
Total	**309,870**	**105,000**	**(70,222)**	**(169)**	**(9)**	**344,470**

The following changes took place in loans in the first half of 2021 (all loans were taken out by the Parent Company LU-VE S.p.A.):

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

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

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

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

- subscription of advances for export flows with Unicredit S.p.A. for €15,000 thousand, in addition to those already subscribed at the end of the previous year for €9,500 thousand (of which €4,500 thousand subscribed with Intesa Sanpaolo S.p.A. and €5,000 thousand with Unicredit S.p.A.)

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

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

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

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

The repayments of the current instalments of the loans occurred during the period amounted to €27,985 thousand, therefore total repayments and extinctions amounted to €70,222 thousand.

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

3.13 PROVISIONS

The details of this item are shown below:

Change in provisions **(in thousands of Euro)**	**31/12/2020**	**Prov./incr**	**Uses**	**Release of excess portion**	**Other changes**	**Exchange delta**	**30/06/2021**
Provision for agents' leaving indemnities	29	-	-	-	-	-	29

Product warranty provision	4,283	312	(60)	(103)	-	13	4,445
Other provisions for risks and charges	629	-	-	-	-	9	638
Total	**4,941**	**312**	**(60)**	**(103)**	**-**	**22**	**5,112**

The product warranty provision covers the risk of returns or charges from customers for non-conform products already sold. The provision was adjusted at the end of the half-year on the basis of analyses conducted and past experience.

The provision for agents' leaving indemnities covers amounts to be paid out to agents in the event of termination of the agency relationship by the Group. The provision did not change during the half-year.

Other provisions for risks and charges did not change compared to 31 December 2020, net of the change due to the exchange delta.

Provisions, which represent the probability of estimated future outflows calculated partly based on historical experience, were subject to actuarial valuation as at 30 June 2021. As the effect was deemed negligible, it was not incorporated in the condensed consolidated interim Financial Statements.

3.14 EMPLOYEE BENEFITS

Employee benefits amounted to €5,612 thousand, a net increase of €38 thousand compared to 31 December 2020. The entire amount referred to the provision for employee severance benefits.

The provision for post-employment benefits refers only to the Group's Italian companies and includes substantially the post-employment benefits accrued by personnel employed as at 30 June, net of advances paid out to employees.

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

It is noted that, following the amendments to the "Provision for employee severance benefits" introduced by Italian Law no. 296 of 27 December 2006, and subsequent Decrees and Regulations issued in the first few months of 2007, for companies with at least 50 employees (LU-VE S.p.A., SEST S.p.A., etc.), the amounts accrued from 1 January 2007 are destined, by choice of employees, either to the INPS Treasury Fund or to forms of complementary social security, with the nature of "defined benefits plans". Furthermore, these amounts are not subject to actuarial valuation and are no longer allocated to the "Provision for post-employment benefits". The "Provision for employee severance benefits" accrued as at 31 December 2006 remains a "defined benefits plan" with the consequent need to carry out the actuarial calculations, which will however no longer take into account the component relating to future salary increases. For companies with fewer than 50 employees (TecnairS.r.l. and Manifold S.r.l.), in accordance with IAS 19 the fund as at 30 June 2021 is recognised entirely as "Defined benefits plan" and is therefore subject to actuarial valuation.

The breakdown and changes in the item as at 30 June 2021 are shown below:

Employee benefits **(in thousands of Euro)**	**30/06/2021**	**31/12/2020**
Liabilities as at 1 January	5,573	5,491

Provisions	301	233
Financial expense	7	36
Payments made	(138)	(288)
Actuarial (gains)/losses	(131)	101
Liabilities at the end of the period	**5,612**	**5,573**

The adjustment to equity for actuarial gains and losses includes a net actuarial gain of €131 thousand, calculated as follows:

- actuarial gain deriving from the change in the main actuarial assumptions used as at 30 June 2021 with respect to the previous valuation as at 31 December 2020: €165 thousand;
- actuarial loss deriving from the effect of the variation that the financial hypotheses have suffered between one valuation and the other: €34 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).

3.15 OTHER FINANCIAL LIABILITIES

The item other financial liabilities refers to financial payables related to IFRS 16 and the *fair value* of derivatives.

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

Other non-current financial liabilities **(in thousands of Euro)**	30/06/2021	31/12/2020	Change
IFRS 16 financial payables	12,141	11,733	408
Total	**12,141**	**11,733**	**408**

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

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

Other current financial liabilities **(in thousands of Euro)**	30/06/2021	31/12/2020	Change
Fair value of derivatives	1,574	2,943	(1,369)
IFRS 16 financial payables	4,388	4,380	8
Other financial liabilities	-	800	(800)
Total	**5,962**	**8,123**	**(2,161)**

The following table summarises the financial instruments outstanding at 30 June 2021, broken down by type:

Derivative financial instruments as at 30/06/2021	30/06/2021	31/12/2020	30/06/2021	31/12/2020

(in thousands of €)							
TYPE	ORIGINAL NOTIONAL	NOT. Short	NOT. M/L	NOT. Short	NOT. M/L	FAIR VALUE	FAIR VALUE
IRS on loans	292,009	23,618	207,073	48,493	182,410	(1,576)	(2,730)
Currency options	11,025	8,350	-	5,877	-	2	(213)
Total	**303,034**	**31,968**	**207,073**	**54,370**	**182,410**	**(1,574)**	**(2,943)**
Total Notional		**239,041**		**236,780**			

At 30 June 2021, derivative financial instruments on IRSs entered into by Group companies showed a negative fair value of €1,576 thousand, while derivative financial instruments on currencies held by the Group showed a net positive fair value of €2 thousand (€2,943 thousand at 31 December 2020). Please refer to Appendix A for details as at 30 June 2021 of the existing derivative financial instruments broken down by type.

The change in the *fair value* of derivatives for €1,369 thousand is mainly determined as follows:

- positive change in *fair value* of €851 thousand, due to the settlement of the derivatives underlying the loans repaid early;
- positive change in the *fair value* of €534 thousand for existing loans;
- negative change in the fair value of €231 thousand for the recognition of the fair value on the derivatives underlying the loans taken out in the first period of the current year;
- positive change in the fair value of currency derivatives for around €215 thousand;

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

The item "other current financial liabilities" of €800 thousand referred to the payable for the purchase of Al Air's "business" related to the production site in Sarole (India).

3.16 TRADE PAYABLES

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

Trade Payables **(in thousands of Euro)**	30/06/2021	31/12/2020	Change
Italy	68,146	44,946	23,200
EU Countries	17,881	16,796	1,085
Non-EU Countries	27,474	18,888	8,586
Total	**113,501**	**80,630**	**32,871**

The average payment terms have not significantly changed since the previous year. As at 30 June 2021, there were no past-due payables of significant amounts, and the Group had received no payment orders for past-due payables.

Contract liabilities (advances received from customers before rendering any service) for an amount of €7,618 thousand were recognised under trade payables. During the period, there were no reverse factoring and/or financing transactions with its suppliers.

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

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

3.17 TAX PAYABLES

The details of this item are shown below:

Tax payables **(in thousands of Euro)**	30/06/2021	31/12/2020	Change
Due to the tax authorities for income taxes	2,068	1,029	1,039
Tax withholdings	1,504	1,566	(62)
Other tax payables	1,364	1,324	40
Total	**4,936**	**3,919**	**1,017**

The item "Tax payables" increased by approximately €1,017 thousand, from €3,919 thousand as at 31 December 2020 to €4,936 thousand as at 30 June 2021. This increase is mainly due to the increase in the payable to the tax authorities for income taxes, which increased mainly due to the better economic performance of the Group companies that recorded higher taxable income.

3.18 OTHER CURRENT LIABILITIES

The details of this item are shown below:

Other current liabilities **(in thousands of Euro)**	30/06/2021	31/12/2020	Change
To personnel	16,086	13,857	2,229
To social security institutions	5,935	5,872	63
To Directors and Statutory Auditors	1,518	1,634	(116)
Other current payables	3,215	3,164	51
Total	**26,754**	**24,527**	**2,227**

The increase of €2,229 thousand in payables to personnel is mainly due to the increase in personnel and provisions for holidays and additional monthly payments (13th month salary).

3.19 DEFERRED TAX ASSETS AND LIABILITIES

The details of this item are shown below:

Deferred tax assets and liabilities **(in thousands of Euro)**	30/06/2021	31/12/2020	Change

Deferred tax assets	7,388	7,903	(515)
Deferred tax liabilities	(14,053)	(14,537)	484
Net position	**(6,665)**	**(6,634)**	**(31)**

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

Deferred tax liabilities and assets: changes in the period **(in thousands of €)**	**TAX LOSSES**	**DEPRECIATION/AMORTISATION**	**MERGERS/ACQUISITIONS GROSS UP**	**PROVISIONS AND VALUE ADJUSTMENTS**	**OTHER DIFFERENCES**	**TOTAL**
01.01.2020	**(192)**	**2,970**	**14,984**	**(2,655)**	**(3,755)**	**11,352**
In Income Statement	(852)	(182)	(551)	(380)	542	(1,423)
In shareholders' equity	-	-	-	-	6	6
Currency translation differences	-	(10)	-	-	150	140
30.06.2020	**(1,044)**	**2,778**	**14,433**	**(3,035)**	**(3,057)**	**10,075**
01.01.2021	**(119)**	**2,584**	**11,829**	**(3,816)**	**(3,842)**	**6,636**
In Income Statement	(17)	(219)	(407)	(995)	1,641	3
In shareholders' equity	-	-	-	-	35	35
Reclassifications	-	-	-	(413)	413	-
Currency translation differences	-	22	-	(22)	(9)	(9)
30.06.2021	**(136)**	**2,387**	**11,422**	**(5,246)**	**(1,762)**	**6,665**

As at 30 June 2021, deferred tax assets referred to:

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

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

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

- the effect of the tax realignment pursuant to Article 110 of Law Decree 104/2020, on the 2008 merger deficit allocated to trademarks and buildings;

- other tax differences, which concern net temporary write-backs such as unpaid emoluments, exchange differences and the sale of the line of evaporators between the Parent Company LU-VE S.p.A. and the indirect subsidiary in Poland, subject to an "*Advanced Pricing Agreement*", which took place during the previous period.

It should be noted that the Management has applied, as an accounting policy, the non-recognition of deferred tax assets following the tax realignment of the goodwill posted in the Financial Statements of the Parent Company LU-VE S.p.A. for approximately €14,629 thousand as at 31 December 2020.

As at 30 June 2021, deferred tax assets referred:

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

-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) and of the "AL Air" (2019).

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

As reported in the section "Use of estimates", in verifying the recognition and recoverability of deferred tax assets recognised in the condensed interim consolidated Financial Statements at 30 June 2021, the taxable income derived from the 2021-2024 Business Plan of the individual Group companies was taken into consideration by extrapolating the expected taxable income for subsequent years, as confirmed by the actual performance for the first half of 2021 and the forecast results for the entire current year. The effects of temporary differences on which 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 global health, economic and financial environment, 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 Group's net financial position is as follows:

Net financial position **(in thousands of Euro)**	**30/06/2021**	**31/12/2020**	**Change**
A. Cash and cash equivalents (Note 3.10)	169,554	152,679	16,875
B. Cash and cash equivalents	-	-	-
C. Current financial assets (Note 3.8)	76,223	70,258	5,965
D. Total Liquidity (A+B+C)	**245,777**	**222,937**	**22,840**
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt (Note 3.12 and 3.15)	30,463	17,623	12,840
F. Current portion of non-current financial debt (Note 3.12)	96,729	72,266	24,463
G. Current financial debt (E+F)	**127,192**	**89,889**	**37,303**
H. Net current financial debt (G-D)	**(118,585)**	**(133,048)**	**14,463**
I. Non-current financial debt (excluding current portion and debt instruments) (Note 3.12)	235,381	239,837	(4,456)
J. Debt instruments	-	-	-
K. Trade payables and other non-current payables	-	-	-
L. Non-current financial debt (I+J+K)	**235,381**	**239,837**	**(4,456)**
M. Net financial debt (H+L)	**116,796**	**106,789**	**10,007**

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

4 COMMENT ON THE MAIN ITEMS OF THE CONSOLIDATED INCOME STATEMENT

4.1 REVENUES

In the first half of 2021, sales revenues amounted to €227,159 thousand, an increase of €32,759 thousand or 17% compared to the same period of last year.

Revenues by product family:

Revenue by product *(in € thousand)*	H1 2021	%	H1 2020	%	Change	% Change
Heat exchangers	114,661	50.5%	88,394	45.5%	26,267	30%
Air Cooled Equipment	86,557	38.1%	84,077	43.2%	2,480	3%
Doors	8,066	3.6%	5,917	3.0%	2,149	36%
Close Control	15,245	6.7%	12,467	6.4%	2,778	22%
Sub-total	**224,529**	**98.8%**	**190,855**	**98.2%**	**33,674**	**18%**
Other	2,630	1.2%	3,545	1.8%	(915)	(26%)
TOTAL	**227,159**	**100.0%**	**194,400**	**100.0%**	**32,759**	**17%**

Revenues by geographical area:

Revenues by geographical area **(in thousands of Euro)**	H1 2021	%	H1 2020	%	Change	% Change
Italy	45,460	20%	32,948	17%	12,512	38%
Russia	14,397	6%	14,003	7%	394	3%
Finland	7,320	3%	12,287	6%	(4,967)	(40%)
Czech Republic	16,019	7%	12,090	6%	3,929	32%
France	21,462	9%	11,879	6%	9,583	81%
Germany	14,433	6%	10,981	6%	3,452	31%
Sweden	10,051	4%	9,797	5%	254	3%
Poland	14,797	7%	9,541	5%	5,256	55%
Austria	9,732	4%	7,894	4%	1,838	23%
Spain	6,460	3%	5,464	3%	996	18%
Other countries	67,028	30%	67,516	35%	(488)	(1%)
TOTAL	**227,159**	**100%**	**194,400**	**100%**	**32,759**	**17%**

Please refer to the Interim Directors' Report for detailed comments on trends in the reference markets during the first half of 2021.

The value of compensation for transactions with unfulfilled (or not fully fulfilled by the Group) performance obligations at the end of the period amounts to €1,923 thousand. The Directors estimate that they will be recognised as revenue in following half-year period.

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

4.2 OTHER REVENUES

Other Revenue **(in thousands of Euro)**	**H1 2021**	**H1 2020**	**Change**
Other income	480	440	40
Total	**480**	**440**	**40**

"Other revenues" mainly refer to export incentives recognized by the Group company, Spirotech Ltd.

4.3 PURCHASES OF MATERIALS

Purchases of materials **(in thousands of Euro)**	**H1 2021**	**H1 2020**	**Change**
Raw materials and purchased components	135,970	101,142	34,828
Consumables	5,660	3,595	2,065
Total	**141,630**	**104,737**	**36,893**

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

4.4 COSTS FOR SERVICES

Costs for services **(in thousands of Euro)**	**H1 2021**	**H1 2020**	**Change**
Expenses for energy, telephone and telex	3,362	3,054	308
General and advisory expenses	6,927	7,196	(269)
Advertising and promotional expenses	254	415	(161)
Transport expenses	6,920	5,309	1,611
Maintenance expenses	2,530	1,878	652
External processing	2,583	2,011	572
Commissions	379	327	52
Remuneration to the corporate bodies	1,906	1,826	80
Other costs for services	3,799	3,033	766
Costs for use of third-party assets	715	699	16
Total	**29,375**	**25,748**	**3,627**

The increase of €3,627 thousand is mainly due to:

- the increase of €1,611 thousand in transport costs due to an increase in purchases and a general increase in prices for these services;
- the increase of €1,532 thousand in services relating to production (electricity, maintenance, external services);
- the decrease of €430 thousand relating to travel, trade shows and consulting expenses;
- the increase of €914 thousand in costs for other services.

4.5 PERSONNEL COSTS

Personnel costs **(in thousands of Euro)**	**H1 2021**	**H1 2020**	**Change**
Wages and salaries	41,918	35,497	6,421
Social security costs	10,590	9,261	1,329
Post-employment benefits	1,304	1,123	181
Other personnel costs	(590)	87	(677)
Total	**53,222**	**45,968**	**7,254**

The average number of Group employees was 3,623 in the first half of 2021. As at 30 June 2021, the number of Group employees came to 3,872 (2,950 blue-collar, 890 white-collar and middle managers, 32 executives), compared to 3,187 as at 30 June 2020.

As at 30 June 2021, the number of temporary workers was 871 (469 in the first half of 2020).

In addition, during the first half of 2021, several Italian companies availed of the ordinary redundancy fund due to the COVID-19 emergency, as envisaged by Decree Law of 18 March 2020, for the personnel at its sites of Air Hex AlonteS.r.l. and a small part for the Parent Company LUVE S.p.A. The total benefit in the first half of 2021 relating to those extraordinary measures adopted amounted to a total of approximately €112 thousand (approximately €800 thousand at 30 June 2020).

4.6 WRITE-DOWNS

Impairments **(in thousands of Euro)**	**H1 2021**	**H1 2020**	**Change**
Provisions for impairment to trade receivables	335	1,126	(791)
Total	**335**	**1,126**	**(791)**

The item “Write-downs” includes allocations made in the first half of 2021. Please refer to the previous note no. 3.6 - “Trade receivables” for further details.

4.7 OTHER OPERATING COSTS

Other operating costs **(in thousands of Euro)**	**H1 2021**	**H1 2020**	**Change**
Non-income taxes	278	263	15
Provisions for risks	177	107	70
Other operating costs	931	1,193	(262)
Total	**1,386**	**1,563**	**(177)**

Non-income taxes included mainly taxes on owned property.

The decrease in the item "Other operating costs" for €262 thousand is due to a voluntary contribution made by the Group in the first half of 2020 in the amount of €300 thousand to support four hospitals located in Lombardy and Veneto, engaged in the fight against COVID-19.

4.8 FINANCIAL INCOME

Financial income *(in thousands of Euro)*	**H1 2021**	**H1 2020**	**Change**
Interest income	176	181	(5)
Other financial income	706	753	(47)
Total	**882**	**934**	**(52)**

Details of other financial income are as follows:

- €705 thousand refer to the change in fair value of the capitalisation policies (please refer to Note 3.8 - Current financial assets");
- €1 thousand relates to other financial income;

4.9 FINANCIAL EXPENSES

Financial expenses **(in thousands of Euro)**	**H1 2021**	**H1 2020**	**Change**
Interest expense to banks	809	887	(78)
Interest expense to other lenders	-	263	(263)
Other financial expense	1,594	426	1,168
Total	**2,403**	**1,576**	**827**

Details of "Other financial expenses" are as follows:

- €1,200 thousand refer to interest expense and realized losses on derivatives, of which €713 thousand attributable to the early repayment, at the same time as the closing of the hedged loan agreement, of some derivative instruments. This settlement resulted in a positive change in fair value recognized under the item "Net change in fair value on derivatives" for a total of €851 thousand;
- €394 thousand refer to other financial expenses;
- €40 thousand refer to commissions for the subscription of new capitalisation policies during the first half of 2021.

4.10 EXCHANGE GAINS AND LOSSES

During the first half of 2021, the Group recorded net exchange gains for approximately €335 thousand, of which the realized portion amounted to a negative €876 thousand, while the unrealized portion amounted to a positive €1,211 thousand (in the same period of 2020, net exchange losses of €649 thousand were recorded), mainly due to the impact on the Hong Kong Dollar and the Russian Ruble).

4.11 GAINS AND LOSSES FROM EQUITY INVESTMENTS

There were no gains or losses from equity investments in the first half of 2021.

4.12 INCOME TAXES

Income taxes **(in thousands of Euro)**	**H1 2021**	**H1 2020**	**Change**
Current taxes	2,607	2,310	297
Deferred tax liabilities	9	(1,425)	1,434
Adjustment previous year	(46)	(507)	461
Total	**2,570**	**378**	**2,192**

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.

In the first half of 2020, the item "Adjustment previous year" included around €200 thousand relating to the reversal of the IRAP 2019 balance pertaining to several Italian companies of the Group, which is no longer due as a result of the extraordinary measures relating to Decree Law 34/20 ("Relaunch" Decree) issued as a result of the COVID-19 pandemic.

As at 30 June 2021, there were no significant tax disputes at Group level.

4.13 EARNINGS PER SHARE

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

Basic and diluted profit calculation **(in thousands of Euros)**	**H1 2021**	**H1 2020**
EARNINGS **(in thousands of Euro)**		
Net profit for the period	9,293	5,574
NUMBER OF SHARES		
Average weighted number of ordinary shares for the calculation of basic earnings per share	22,206,341	22,218,538
Dilution effect deriving from potential ordinary shares	-	-
Average weighted number of ordinary shares for the calculation of diluted earnings per share	22,206,341	22,218,538

EARNINGS PER SHARE **(in Euros)**	**H1 2021**	**H1 2020**
Basic earnings per share	0.42	0.25
Diluted earnings per share	0.42	0.25

4.14 DIVIDENDS

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

In addition, €470 thousand was paid (of which €70 thousand during the period) to minority shareholders of some subsidiaries, for a total of €6,066 thousand of dividends paid in the period.

4.15 SEGMENT REPORTING

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

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

- *Cooling Systems* SBU, which includes the "Al Air" division, consist of air cooled equipment and close control air conditioners;
- Components SBU includes heat exchangers and special glass doors for refrigerated counters and display cabinets.

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

Revenue by SBU *(in € thousand)*	**H1 2021**	**%**	**H1 2020**	**%**	**Change**	**% Change**
Air Cooled Equipment	86,557	38.6%	84,077	44.1%	2,480	2.9%
Close Control	12,822	5.7%	9,777	5.1%	3,045	31.1%
SBU COOLING SYSTEMS	**99,379**	**44.3%**	**93,854**	**49.2%**	**5,525**	**5.9%**
Heat exchangers	114,661	51.1%	88,394	46.3%	26,267	29.7%
Doors	8,066	3.6%	5,917	3.1%	2,149	36.3%
Close Control	2,423	1.1%	2,690	1.4%	(267)	(9.9%)
SBU COMPONENTS	**125,150**	**55.7%**	**97,001**	**50.8%**	**28,149**	**29.0%**
TOTAL PRODUCT TURNOVER	**224,529**	**100.0%**	**190,855**	**100.0%**	**33,674**	**17.6%**

The information broken down by SBU as at 30 June 2021 and 30 June 2020 is provided in the following table:

Segment (in thousands of Euros)	**H1 2021**				**H1 2020**			
	Components	**Cooling Systems**	**Unallocated costs**	**Total**	**Components**	**Cooling Systems**	**Unallocated costs**	**Total**
REVENUES	125,150	99,379	-	**224,529**	97,001	93,854	-	**190,855**
EBITDA	16,449	10,185	-	**26,634**	13,223	8,507	-	**21,730**

4.16 INFORMATION ON FINANCIAL RISKS

IFRS 7 requires companies to provide supplemental information in their Financial Statements that enable users to evaluate:

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

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

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

The coordination and monitoring of the main financial risks are centralised in the Head Office. The Group carefully and specifically monitors each of the above-mentioned financial risks, intervening with the aim of minimising them promptly, including by using hedging derivatives.

One of the LU-VE Group's policies is to protect its exposure to fluctuations in prices, exchange rates and interest rates using derivative financial instruments. This hedging may be achieved using forward contracts, options and interest rate swaps. Generally, the maximum coverage of these hedges does not exceed 18 months, with the exception of *interest rate swaps* that usually follow the duration of the underlying medium/long-term loan.

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 to those derivatives were satisfied. Therefore, the Group management deemed it appropriate to treat those instruments as trading, not hedging, transactions.

Categories of financial instruments

The following tables group information relative to:

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

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

- Level 1 valuations are those derived from quoted (unmodified) prices on active markets for identical assets or liabilities;
- Level 2 valuations are those derived from inputs other than the prices referred to at Level 1 which are observable by assets and liabilities, both directly (e.g. prices) or indirectly (e.g. derived from prices);

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

Assets and Liabilities valued at fair value as at 30/06/2021 *(in thousands of €)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Other financial assets				
Current financial assets	-	76,223	-	76,223
Other financial liabilities:				
Derivatives	-	(1,574)	-	(1,574)
Total	**-**	**77,797**	**-**	**77,797**

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

The fair value of Other financial assets (capitalisation policies) derives from the counter value of investments in listed instruments, adjusted on the basis of the contractual return, and therefore falling under level 2 of the fair value.

The categories of financial instruments are reported below:

Financial instruments by IFRS 9 categories **(in thousands of Euro)**	**30/06/2021**	**31/12/2020**
Financial assets		
Amortised cost		
Cash and cash equivalents	169,554	152,679
Trade receivables	78,977	59,763
Non-current financial assets	-	-

Fair Value	-	-
Trading derivatives	-	-
Current financial assets	76,223	70,258
Financial liabilities		
Amortised cost		
Loans	344,470	309,870
Trade Payables	113,501	80,630
IFRS 16 financial payables	16,529	16,113
Fair Value	-	-
Trading derivatives	1,574	2,943
Payment for the acquisition of the "Al Air" division	-	800

Credit risk management

The Group is exposed to credit risk deriving from commercial dealings with exposure to potential losses arising from the failure of commercial counterparties to meet their obligations. Trade receivables risk is monitored on the basis of formalised procedures for the selection and assessment of the customer portfolio, for the definition of credit limits by individual customer, for the monitoring of expected cash inflows and for any debt collection actions. In certain cases, customers are asked for further guarantees, primarily in the form of guaranteed payment forms or sureties.

Any extensions of payment times by customers may also make it necessary for the Group to finance the connected working capital requirement.

The Group 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.

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

The context in which the Group carries on business also includes other risk factors that are described in detail in the Directors’ Report as at 31 December 2020 (which should be referred to), the profile of which has not changed in the first half of 2021.

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 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 renminb, UAE dirham, Australian dollar, Hong Kong dollar and Republic of Korea won). The Group is therefore exposed to the risk that fluctuations in the exchange rates used to translate the values in subsidiary Financial Statements originally expressed in foreign currency may significantly influence the Group’s results as well as the consolidated net financial debt and consolidated shareholders' equity. The main exposures are monitored, but hedging translation exchange rate risk is not part of the Group's current policies.

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

In terms of acquisitions, the main currency to which the Group is exposed is the US dollar (USD, currency to which the cost of the main raw materials is linked): indeed, raw materials in the reference markets are quoted in USD and the cost is converted into euros by applying the USD/Euro exchange rate for the day to the price in dollars; thus, exchange rate risk is borne by the buyer. Furthermore, the Group companies located in countries in which the reference currency is not the euro (which also acquire raw materials with contracts under which the euro is the payment currency and therefore bear the USD/Euro exchange rate risk noted above) are also exposed to the risk of fluctuations in the Euro/local currency exchange rate.

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

At centralised level, in order to protect the income statement and the balance sheet items from such fluctuations and reduce the risk arising from changes in exchange rates, the group considers the subscription of derivative financial instruments with the intent of hedging the underlying risks. However, from a merely accounting perspective, although such instruments substantially hedge the risks mentioned, they do not meet all the requirements as laid out under IFRS 9 and cannot be defined as hedge accounting; therefore, the Group has decided to consider these instruments as for trading and not hedges and as a result such instruments were measured at fair value with changes reported on the income statement.

On some currencies (Australian dollar, Chinese yuan, Swedish krona, Indian rupee, Russian rouble and US dollar) in which operating revenues and costs are expressed there is also "natural" hedging (revenues expressed in a given currency are naturally hedged by operating costs expressed in the same currency).

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.

However, from a merely accounting perspective, although such instruments substantially hedge the risks mentioned, they do not meet all the requirements as laid out under IFRS 9 to be defined as hedge accounting and therefore changes in their fair value are reported on the Income Statement.

Raw material price risk management

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

The fluctuation in the availability and price of the above-mentioned materials could be significant, depending on a number of factors, including the economic cycle of the reference markets, supply conditions and other factors that are out of the control of the Group and are difficult to predict (such as: problems regarding the extraction or transformation capacity of individual suppliers which could hinder or delay the delivery of the raw materials ordered; operational and/or industrial decisions made by individual suppliers which entail an interruption of the mining or processing of the raw materials and the consequential greater difficulty in immediately finding said raw materials in the reference market; significant delays in the transport and delivery of these raw materials to Group companies, the possible introduction of tariffs and the impacts of climate change on extractive activities). With reference to the energy transition, in particular, additional quantities of copper and aluminium will be necessary, which will however require reduced energy intensity extraction techniques.

To manage these risks, the Group constantly monitors the availability of raw materials in the market as well as the relative price trends (also taking into consideration USD currency fluctuations with respect to the euro), in order to promptly identify any shortfalls in the availability of raw materials and take suitable actions to guarantee the required production autonomy, and also to keep its production activities competitive with regard to this aspect as well. Analyses are constantly carried out to identify alternatives to strategic suppliers to reduce the relative dependence on them and also of geographical diversification activities both with the aim to reduce purchase costs with comparable quality and to avoid excessive geographical dependence on some areas in the world. In particular, with regard to the main purchased raw material – copper – the Group has dealt for several years, for the most part in terms of volumes, with the same suppliers, selected and periodically assessed on the basis of trading reliability criteria and with whom a relationship based on reciprocal trust has been built. Furthermore, when it deems this necessary in relation to expected trends, the Group enters into contracts to hedge the risk of fluctuations in the price of raw materials.

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

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

In addition, as at 30 June 2021, the Group has unused short-term credit lines totalling roughly €65.04 million, of which the used amount is €32 million. In addition, to minimise liquidity risk the Administration and Financial Department:

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

An analysis of financial liabilities as at 30 June 2021 is provided below by maturity:

Analysis of financial liabilities by maturity as at 30 June 2021 *(in thousands of €)*	Carrying amount	Contractual cash flows	Within 1 year	From 1 to 5 years	More than 5 years
Bank loans	319,970	320,326	97,122	222,647	557
Advances on export flows in Euro	24,500	24,500	24,500	-	-
IFRS 16* Financial payables	16,529	16,529	4,388	11,781	360
Financial liabilities	**360,999**	**361,355**	**126,010**	**234,428**	**917**
Trade Payables	113,501	113,501	113,501	-	-
Total	**474,500**	**474,856**	**239,511**	**234,428**	**917**

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

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

Capital risk management

The Group manages its own capital in order to ensure its business continuity, maximising at the same time return for shareholders, through the optimisation of the debt to equity ratio.

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

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

Related party transactions

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

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

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

Related Companies **(in thousands of Euro)**	**Trade receivables**	**Trade Payables**	**Financial receivables**	**Financial payables**	**Trade revenues**	**Trade costs**	**Financial revenues**	**Financial costs**
VITALE ZANE & CO SRL	-	(10)	-	-	-	(20)	-	-
Finami SRL	-	-	-	-	-	(75)	-	-
Mauro Cerana	-	(10)	-	-	-	(15)	-	-
Marco Aurelio Tanci	-	-	-	-	-	(7)	-	-
Total	**-**	**(20)**	**-**	**-**	**-**	**(117)**	**-**	**-**

4.17 SHARE-BASED PAYMENTS

As at 30 June 2021, there were no share-based incentive plans in favour of Group Directors or employees.

4.18 POTENTIAL LIABILITIES, COMMITMENTS AND GUARANTEES

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

Commitments **(in thousands of Euro)**	**30/06/2021**	**31/12/2020**	**Change**
Mortgages	1,000	1,667	(667)
Sureties	2,366	1,721	645
Total	**3,366**	**3,388**	**(22)**

Mortgages refer to guarantees granted by Group companies to obtain medium/long-term bank loans. As at 30 June 2021, the details of the loans for which a mortgage was granted on properties owned by the Group were:

Debtor Company **(in thousands of Euro)**	**Counterparty**	**Loan type**	**Taken out**	**Maturity**	**Guarantees**	**Original amount of loan**

SEST LU-VE POLSKA SP. Z O.O.	BNP Paribas bank Polska SA	EIB Mortgage Loan	08/11/2011	08/11/2021	Mortgage	5,000

Lastly, it is noted that as at 30 June 2021 there were no significant legal proceedings pending.

5 CONSOLIDATION AREA AND SIGNIFICANT EQUITY INVESTMENTS

5.1 COMPANIES CONSOLIDATED LINE-BY-LINE

Company name	Registered office	% owned	Currency	Share capital	Shareholders' equity as at 30/06/2021	Profit (loss) for the period
Direct subsidiaries:						
SEST S.p.A.	Limana (BL)	100.00	EUR	1,000,000	32,417,962	8,727,257
Tecnair LV S.p.A.	Uboldo (VA)	79.90	EUR	200,000	3,746,244	143,830
Heat Transfer Systems s.r.o. (HTS)	Novosedly (Czech Rep.)	100.00	CZK	133,300,000	378,222,227	28,052,682
LU-VE Sweden AB	Asarum (Sweden)	100.00	SEK	50,000	(13,627,677)	13,575,953
LU-VE France S.a.r.l.	Lyon (France)	100.00	EUR	84,150	2,177,632	392,117
LU-VE Pacific PtyLtd	Thomastown (Australia)	75.50	AUD	200,000	(6,585,849)	(737,987)
LU-VE Deutschland GmbH	Stuttgart (Germany)	100.00	EUR	230,000	(1,265,861)	(341,249)
LU-VE Iberica S.L.	Madrid (Spain)	85.00	EUR	180,063	(464,912)	(32,514)
LU-VE Asia Pacific Limited	WanChai (Hong Kong)	100.00	HKD	10,000	(34,197,066)	1,147,352
LuveDigital S.r.l.	Uboldo (VA)	50.00	EUR	10,000	25,872	(6,900)
MANIFOLD S.r.l.	Uboldo (VA)	99.00	EUR	10,000	(139,492)	13,780
Spirotech Ltd	New Delhi (India)	100.00	INR	25,729,600	2,890,367,643	197,075,179
LU-VE AUSTRIA GmbH	Vienna (Austria)	100.00	EUR	17,500	98,928	860
ZyklusHeat Transfer Inc	Jacksonville (Texas, USA)	100.00	USD	1,000	(2,492,695)	(1,440,860)
Air Hex AlonteS.r.l.	Uboldo (VA)	100.00	EUR	2,010,000	12,840,424	(56,850)
Fincoil LU-VE OY	Vantaa (Finland)	100.00	EUR	1,190,000	4,086,846	(1,117,723)
LU-VE Netherlands B.V.	Breda (Netherlands)	100.00	EUR	10,000	(435,144)	42,159
«OOO» LU-VE Moscow	Moscow (Russia)	100.00	RUB	100,000	(30,015,576)	30,409,501
LU VE Middle East DMCC	Dubai (UAE)	100.00	AED	50,000	655,614	661,622
LU-VE SOUTH KOREA Llc	Seoul (South Korea)	100.00	KRW	100,000,000	100,770,800	(10,672,427)

Indirectsubsidiaries:						
SEST-LUVE-PolskaSP.z.o.o. (95% owned by SEST S.p.A.)	Gliwice (Poland)	95.00	PLN	16,000,000	238,730,058	26,139,047
«OOO» SEST LU-VE (95% owned by SEST S.p.A.)	Lipetsk (Russia)	95.00	RUB	136,000,000	1,209,392,094	198,107,572
LU-VE HEAT EXCHANGERS (Tianmen) Co, Ltd (62.62% owned by LU-VE Asia Pacific Limited and 37.38% by LU-VE S.p.A)	Tianmen (China)	100.00	CNY	61,025,411	34,516,054	3,065,000
Thermo Glass Door S.p.A. (100% owned by SEST S.p.A.)	Travacò Siccomario (PV)	100.00	EUR	100,000	119,735	(346,949)

6 SIGNIFICANT NON-RECURRING TRANSACTIONS

During the first half of 2021, no significant non-recurring transactions were carried out.

7 TRANSACTIONS DERIVING FROM ATYPICAL AND/OR UNUSUAL TRANSACTIONS

Pursuant to Consob communication of 28 July 2006, please note that in the course of the first half of 2021, the Group did not carry out atypical and/or unusual transactions, i.e., transactions which due to their significance, the nature of the counterparties, the subject of the transaction, the price determination methods and their timing of occurrence may give rise to doubts as to the accuracy of the information in the Financial Statements, conflicts of interests, the safeguarding of the company’s assets or the protection of non-controlling shareholders.

8 EVENTS SUBSEQUENT TO 30 JUNE 2021

The consolidated turnover of only products at the end of August reached €302.8 million, a growth of 19.2% compared to the same period of the previous year. The order book states a new record value of €159.2 million, with a 111.9% increase compared to August 2020 (+8.8% compared to this statistic at the end of June).

In the period after 30 June 2021, demand continued to remain very high, while the purchasing costs of the main raw materials and components showed a certain degree of stabilisation, in any event rather high compared to previous values. The increases in the sales price lists and the periodic price adjustment mechanisms linked to the average values listed of the main raw materials at the London Metal Exchange lead one to believe that upholding the Group's average profit margins is reasonable.

Up until now, the impact of difficulty in procurement on the Group's production capacity (linked both to the availability of the material and the growing problems in international transport), was mitigated thanks to the policies of expansion and differentiation of the procurement sources, greater flexibility of the different facilities (with creation of "back-up" lines in different countries) and increase in the stock. During the period, there were no major delays, although the product delivery times to clients remain well above the norm. In some South-east Asian countries, where some important suppliers are based, the adoption of new lockdown measures has temporarily led to a stop in local production and further worsening of the situation of overcrowding at shipping ports, which could cause further tensions in the areas of continuity and punctual procurement.

With the installation and commissioning of the production lines, as discussed above, in the month of August, the first phase of the creation plan for back-up capacity in India for the SBU Components European facilities was successfully completed.

The macroeconomic scenario is still characterised by great uncertainty (linked both to the time it will take to get past the pandemic worldwide and the tensions along the supply chain, which will also pervade the second half of the year); and therefore making accurate forecasts on the development of orders and commercial, economic and financial results seems (despite the fact that the situation seems to be improving) rather complicated.
In this context, the Group will continue to monitor all the most relevant variables and reconfirms its usual commitment to improving its strategic positioning in all the markets in which it operates.

Uboldo, 7 September 2021

CEO

Matteo Liberali

9 APPENDIX A

IRS on loans (in thousands of Euro)

DEBTOR COMPANY	COUNTERPARTY	TAKEN OUT	MATURITY	ORIGINAL NOTIONAL	30/06/2021		30/06/2021
					NOT. Short	NOT. M/L	FAIR VALUE
LU-VE S.P.A.	Intesa San Paolo	21/06/2017	28/02/2022	22,059	2,941	1,471	(13)
LU-VE S.P.A.	Unicredit S.p.A.	30/01/2018	31/03/2023	18,750	1,875	5,625	-
LU-VE S.P.A.	Intesa San Paolo	28/11/2018	28/06/2024	12,500	1,250	6,250	(102)
LU-VE S.P.A.	Intesa San Paolo	28/11/2018	28/06/2024	12,500	1250	6,250	(102)
LU-VE S.P.A.	Banca Nazionale del Lavoro S.p.A.	20/12/2018	24/09/2024	10,000	1,000	6,000	(93)
LU-VE S.P.A.	Banca Nazionale del Lavoro S.p.A.	20/12/2018	20/12/2023	10,000	556	6,667	(105)
LU-VE S.P.A.	Banca Popolare di Milano	14/06/2021	31/03/2025	25,000	2,500	16,250	(265)
LU-VE S.P.A.	Unicredit S.p.A.	12/07/2019	30/06/2024	9,600	1,200	6,000	(84)
LU-VE S.P.A.	Intesa San Paolo	20/05/2020	30/09/2025	12,500	1,389	10,417	(52)
LU-VE S.P.A.	Unicredit S.p.A.	15/04/2020	30/04/2022	15,000	-	15,000	(60)
LU-VE S.P.A.	Banca Nazionale del Lavoro S.p.A.	28/05/2020	28/05/2025	40,000	5,000	35,000	(234)
LU-VE S.P.A.	Unicredit S.p.A.	30/11/2020	30/11/2024	20,000	2,857	17,143	(96)
LU-VE S.P.A.	Deutsche Bank	30/10/2020	30/10/2026	5,500	-	5,500	(43)
LU-VE S.P.A.	Deutsche Bank	30/10/2020	30/10/2025	10,000	1,000	8,000	(58)
LU-VE S.P.A.	Intesa San Paolo	31/03/2021	31/03/2026	30,000	-	30,000	(65)
LU-VE S.P.A.	Banca Popolare di Milano	14/06/2021	31/03/2026	12,000	-	12,000	(66)
LU-VE S.P.A.	Banca Popolare di Milano	14/06/2021	31/03/2026	18,000	-	18,000	(98)
SEST S.p.A.	Unicredit S.p.A.	02/10/2015	30.06.2024	5,100	300	1,500	(34)
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas SpolkaAkcyjna	22/07/2015	08/11/2021	3,500	500	-	(6)
Total				**292,009**	**23,618**	**207,073**	**(1,576)**

Currency options (in thousands of Euro)

DEBTOR COMPANY	COUNTERPARTY	TYPE	HEDGED ELEMENT	TAKEN OUT	MATURITY	NOT. ORIG.	30/06/2021		30/06/2021
							NOT. Short	NOT. M/L	FAIR VALUE
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	02/07/2020	02/07/2021	500	482	-	(3)
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	31/08/2020	05/08/2021	500	481	-	(11)
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	03/09/2020	03/09/2021	300	292	-	(9)
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	05/10/2020	01/10/2021	200	195	-	0
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	19/11/2020	05/11/2021	500	504	-	(4)
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	18/12/2020	06/12/2021	500	506	-	(6)
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	07/01/2021	05/01/2022	500	496	-	0
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	10/02/2021	04/02/2022	500	497	-	(4)
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	08/03/2021	04/04/2022	500	489	-	8
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	30/03/2021	04/03/2022	500	492	-	15
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	05/05/2021	04/05/2022	500	501	-	6
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	08/06/2021	08/06/2022	500	498	-	(6)
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX SWAP	€/PLN Exchange Rate	28/06/2021	01/07/2021	3,100	496	-	12
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX SWAP	€/PLN Exchange Rate	30/06/2021	01/07/2021	2,425	2,421	-	4
Total						**11,025**	**8,350**	-	**2**

10 APPENDIX B

Bank (in thousands of Euro)							*loans*	AMORTISED COST 30/06/2021		31/12/2020	
DEBTOR COMPANY	COUNTERPARTY	LOAN TYPE	TAKEN OUT	MATURITY	RATE APPLIED	FINANCIAL COVENANTS	ORIGINAL AMOUNT	RESIDUAL AMOUNT	OF WHICH CURRENT	RESIDUAL AMOUNT	OF WHICH CURRENT
LU-VE	Banca Nazionale del Lavoro S.p.A.	Unsecuredloan	20/09/2016	20/09/2020	3M Euribor floor 0% + Spread	NFP/EBITDA <= 3; NFP/SE <= 1.25	30,000	-	-	2,000	2,000
LU-VE	Banca Popolare di Bergamo S.p.A.	Unsecuredloan	30/09/2016	30/09/2021	3M Euribor + Spread	NFP/EBITDA <= 3; NFP/SE <= 1.5	10,000	505	505	1,512	1,512
LU-VE	Deutsche Bank S.p.A.	Unsecuredloan	23/03/2017	23/03/2021	3M Euribor + Spread	NFP/EBITDA <= 3	5,500	-	-	344	344
LU-VE	Mediocredito Italiano S.p.A.	Unsecuredloan	31/03/2017	28/02/2022	3M Euribor + Spread	NFP/EBITDA <= 3; NFP/SE <=1	25,000	4,412	4,412	7,354	5,884
LU-VE	Unicredit S.p.A.	Unsecuredloan	30/01/2018	31/03/2023	6M Euribor + Spread	NFP/EBITDA <=3.5; NFP/OWN FUNDS <=1	25,000	10,003	5,000	12,508	5,002
LU-VE	Unicredit S.p.A.	Unsecuredloan	20/09/2018	30/06/2024	6M Euribor + Spread	NFP/EBITDA <=3; NFP/OWN FUNDS <=1	12,000	-	-	8,398	2,397
LU-VE	Unicredit S.p.A.	Unsecuredloan	20/09/2018	30/09/2023	6M Euribor + Spread	NFP/EBITDA <=3; NFP/OWN FUNDS <=1	15,000	-	-	15,044	2,005
LU-VE	Mediocredito Italiano S.p.A.	Unsecuredloan	28/11/2018	30/06/2024	6M Euribor + Spread	NFP/EBITDA <3; NFP/SE <=1	12,500	7,498	2,495	8,744	2,495
LU-VE	Mediocredito Italiano S.p.A.	Unsecuredloan	28/11/2018	30/06/2024	6M Euribor + Spread	NFP/EBITDA <3; NFP/SE <=1	12,500	7,498	2,495	8,744	2,495
LU-VE	Banca Nazionale del Lavoro S.p.A.	Unsecuredloan	20/12/2018	24/09/2024	6M Euribor + Spread	NFP/EBITDA <= 3; NFP/SE <= 1.25	10,000	6,987	1,958	8,024	2,006
LU-VE	Banca Nazionale del Lavoro S.p.A.	Unsecuredloan	20/12/2018	24/09/2024	6M Euribor + Spread	NFP/EBITDA <=3; NFP/OWN FUNDS <=1	10,000	7,784	1,107	8,336	1,109
LU-VE	Banca Popolare di Milano	Unsecuredloan	16/06/2019	28/06/2024	3M 360 days Euribor + Spread	-	10,000	6,032	1,985	6,993	1,963
LU-VE	Banca Popolare di Milano	Unsecuredloan	25/01/2019	31/03/2025	3M 360 days Euribor + Spread	NFP/EBITDA <= 3; NFP/SE <= 1.25	30,000	18,705	4,969	21,214	4,985

LU-VE	Unicredit S.p.A.	Unsecuredloan	12/07/2019	30/06/2024	6M 360 days Euribor + Spread	NFP/EBITDA <=3; NFP/OWN FUNDS <=1	12,000	7,199	2,396	8,395	2,396
LU-VE	Unione di Banche Italiane Società cooperativa per azioni	Unsecuredloan	26/07/2019	30/07/2026	6M 360 days Euribor + Spread	NFP/EBITDA <= 3.5; NFP/SE <= 1.5	25,000	-	-	21,613	3,461
LU-VE	Intesa San Paolo S.p.A.	Unsecuredloan	23/03/2020	23/09/2025	3M 360 days Euribor + Spread	NFP/EBITDA <= 3; NFP/SE <=1	25,000	23,587	5,527	24,986	4,155
LU-VE	Unione di Banche Italiane Società cooperativa per azioni	Unsecuredloan	14/04/2020	14/04/2023	3M 360 days Euribor + Spread	NFP/EBITDA <= 3.5; NFP/SE <= 1.5	30,000	29,996	14,952	29,986	7,451
LU-VE	Unicredit S.p.A.	Unsecuredloan	15/04/2020	30/04/2022	6M 360 days Euribor + Spread	NFP/EBITDA <=3; NFP/OWN FUNDS <=1	15,000	14,992	14,992	14,981	6
LU-VE	Banca Nazionale del Lavoro S.p.A.	Unsecuredloan	28/05/2020	28/05/2025	6M 360 days Euribor + Spread	NFP/EBITDA <= 3; NFP/SE <= 1.25	40,000	39,923	9,929	39,897	4,943
LU-VE	Cassa Depositi e Prestiti	Unsecuredloan	18/06/2020	17/12/2021	1.07% Fixed	-	10,000	-	-	-	-
LU-VE	Banca Popolare di Milano	Unsecuredloan	25/06/2020	30/06/2022	3M 360 days Euribor + Spread	-	12,500	8,332	8,332	12,475	8,301
LU-VE	Banca Popolare di Milano	Unsecuredloan	25/06/2020	30/06/2022	3M 360 days Euribor + Spread	-	2,500	1,667	1,667	2,495	1,660
LU-VE	UniCredit S.p.A.	Unsecuredloan	04/11/2020	30/11/2024	6M 360 days Euribor + Spread	NFP/EBITDA <=3; NFP/OWN FUNDS <=1	20,000	19,999	5,699	20,000	2,854
LU-VE	Deutsche Bank S.p.A.	Unsecuredloan	11/11/2020	11/11/2026	3-month EURIBOR base 360 + spread	NFP/EBITDA </=N 3.2 NFP/EQUITY </=1.15	5,500	5,503	535	5,495	5
LU-VE	Deutsche Bank S.p.A.	Unsecuredloan	11/11/2020	11/11/2025	3-month EURIBOR base 360 + spread	NFP/EBITDA </=N 3.2 NFP/EQUITY </=1.15	10,000	8,992	1,989	9,986	1,991
LU-VE	Cassa Depositi e Prestiti	Unsecuredloan	04/02/2021	03/08/2022	0.12% Fixed	-	30,000	30,000	-	-	-
LU-VE	Intesa San Paolo	Unsecuredloan	31/03/2021	31/03/2026	3-month EURIBOR base 360 + spread	NFP/EBITDA <3; NFP / Equity <1	30,000	29,942	1,817	-	-
LU-VE	Banca Popolare di Milano	Unsecuredloan	14/06/2021	31/03/2026	3-month EURIBOR base 360 + spread	-	12,000	11,966	1,388	-	-
LU-VE	Banca Popolare di Milano	Unsecuredloan	14/06/2021	31/03/2026	3-month EURIBOR base	NFP/EBITDA </=N 3.0 NFP/EQUITY </=1.25	18,000	17,948	2,081	-	-

					360 + spread						
SEST LU-VE POLSKA SP. Z O.O.	BNP Paribas bank Polska SA	EIB MortgageLoan	08/11/2011	08/11/2021	3M Euribor + Spread	-	5,000	500	500	846	846
Total								**319,970**	**96,730**	**300,370**	**72,266**

Notes:

NFP: net financial position;

SE: shareholders' equity;

DSCR: debt service coverage ratio

LR: leverage ratio (NFP/EBITDA)

GR: gearing ratio (NFP/SE)

F.C.: [Finanziamento Chirografario] Unsecured Loan

F.I.: [Finanziamento Ipotecario] Mortgage Loan

Certification of the condensed interim Financial Statements pursuant to art. 81-ter of Consob Regulation no. 11971 of 14 May 1999 as amended

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

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

of the administrative and accounting procedures for the formation of the condensed consolidated interim Financial Statements in the course of the first half of 2021.

It is also certified that the condensed consolidated interim Financial Statements as at 30 June 2021:

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

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

Uboldo, 7 September 2021

Matteo Liberali	Eligio Macchi
CEO	Manager in charge of financial reporting

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REPORT ON REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of LU-VE S.p.A. and subsidiaries (the "LU-VE Group"), which comprise the consolidated statement of financial position as at June 30, 2021, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholder's equity, the statement of cash flows for the six month period then ended and the explanatory notes. The Directors are responsible for the preparation of the condensed consolidated interim financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting ("IAS 34") as adopted by the European Union. Our responsibility is to express a conclusion on condensed consolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of LU-VE Group as at June 30, 2021 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Massimiliano Semprini
Partner

Milan, Italy
September 9, 2021

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