LU-VE S.p.A.

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HALF-YEARLY FINANCIAL REPORT

AS AT 30 JUNE 2022

SUMMARY

HALF-YEAR REPORT ON OPERATIONS AS AT 30 JUNE 2022

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1 HALF-YEAR REPORT ON OPERATIONS AS AT 30 JUNE 2022

Subsidiaries and stake held by the Group

Company name	% investment	Currency	Share capital
Direct subsidiaries:			
SEST S.p.A.	100.00%	EUR	1,000,000
Heat Transfer Systems s.r.o. (HTS)	100.00%	CZK	133,300,000
LU-VE Sweden AB	100.00%	SEK	50,000
LU-VE France S.a.r.l.	100.00%	EUR	84,150
LU-VE Pacific Pty Ltd	75.50%	AUD	200,000
LU-VE Deutschland GmbH	100.00%	EUR	230,000
LU-VE Iberica S.L.	85.00%	EUR	180,063
LU-VE Asia Pacific Limited	100.00%	HKD	10,000
LuveDigital S.r.l.	50.00%	EUR	10,000
MANIFOLD S.r.l.	99.00%	EUR	10,000
Spirotech Heat Exchangers Pvt. Ltd	100.00%	INR	25,729,600
LU-VE AUSTRIA GmbH	100.00%	EUR	17,500
Zyklus Heat Transfer Inc.	100.00%	USD	1,000
Air Hex Alonte S.r.l.	100.00%	EUR	2,010,000
Fincoil LU-VE OY	100.00%	EUR	1,190,000
LU-VE Netherlands B.V.	100.00%	EUR	10,000
«OOO» LU-VE Moscow	100.00%	RUB	100,000
LU VE MIDDLE EAST DMCC	100.00%	AED	50,000
LU-VE SOUTH KOREA LLC	100.00%	KRW	100,000,000
Refrion S.r.l.	75.00%	EUR	1,000,000
Indirect subsidiaries:			
SEST-LUVE-Polska SP.z.o.o. (95% owned by SEST S.p.A.)	95.00%	PLN	16,000,000
«OOO» SEST LU-VE (95% owned by SEST S.p.A.)	95.00%	RUB	136,000,000
LU-VE HEAT EXCHANGERS (Tianmen) Co, Ltd (52.58% owned by LU-VE Asia Pacific Limited and 47.42% 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
RMS S.r.l. (100% owned by Refrion S.r.l.)	75%	EUR	40,000
Refrion Deutschland GmbH (100% owned by Refrion S.r.l.)	75%	EUR	150,000

7 September 2022

Dear Shareholders,

the first half of 2022 was characterised, starting from February 24, by Russia's invasion of Ukraine, an event that brought the war back to Europe with an unexpected virulence, despite the fact that the two countries had been engaged in hostilities for years. This event brings with it significant consequences on the geopolitical equilibrium and on the economic and financial dynamics. The uptick in inflation, which had taken hold during the second half of 2021, regained strength, first in the prices of raw materials and along the energy supply chain and, shortly after, in final consumer prices. The half closed with a trend-based rate close to 10% in Europe and the United States, a value that had not been seen for over a decade.

The war event also triggered a recovery in interest rates which was already underway but which, as for inflation, was thought to remain within values in keeping with monetary normality, after a long period of expansionary policies and interest rates close to zero. Starting from the United States, there has been a continuous upward adjustment in rates with a significant appreciation of the dollar.

The second half kicked off, in the absence of any cessation of hostilities between Russia and Ukraine, with the addition of fears of a possible future recession, a result of high inflation and high interest rates, as evidenced by the retracement in the price of copper in the last part of the half, following a strong post-pandemic recovery that took place in 2021 and in the first few months of 2022. However, the energy situation remains particularly alarming, stemming mainly from the possible interruption of Russian gas pipelines with the onset of winter. The prices of the "gas" raw material, and consequently of the electricity bill, have reached unthinkable values. Germany has just approved a plan to reduce consumption and extraordinary initiatives have also been announced for Italy.

In the scenario described above, all GDP forecasts for the current year have been revised downwards. World GDP (OECD) is expected to grow by 3% in 2022, a value lower than that expected in the first months of the current year (4.5%) and compared to 6.1% in 2021. Also for the United States, recent estimates bring the growth forecast for 2022 to a modest 2.5% and just above 1% in the following year. For China, growth is estimated at 4.4%, a value higher only than that of 2020, the year of the economic blockade due to the pandemic. For the Eurozone, growth is expected to be reduced to 2.6% this year and 1.6% in 2023, one point lower than the first quarter estimates. Italy has not been spared from the current downward revision in forecasts, although the new-found liveliness in the services sector, tourism in the first place, has allowed the Government to confirm an estimate of GDP growth in 2022 of more than 3% (2.5% for the OECD). It would be an important result that would bring our country back to values higher than those of 2019, that is, before the pandemic period and despite the conflict. However, it should be noted that the crisis of the Draghi government in July and the calling of the early elections for 25 September brought our country back into a more uncertain framework.

In general, there is concern about the possible emergence of a stagflation situation, with low growth, high inflation and with the addition of higher interest rates for states, businesses and citizens. And with the concern that, in addition to the loss of human life, the Russian-Ukrainian conflict will lead to total energy isolation between Europe and Russia or, even worse, to its military enlargement.

With reference to the prices of raw materials, their growth in 2021 was mainly caused by the strong recovery in demand, with specific supply shortages due to the pandemic. The growth in 2022 is due to a general and further tightening of the offer. The combination of the two elements raises the risk of an upcoming recession and this explains the decline in the prices of some of them towards the end of the first half, in particular for copper and aluminium.

In summary, the conflict in Ukraine, after two years of huge pandemic uncertainty, is radically altering the geopolitical balance with significant effects on the strategies and margins of Western companies. Diversification in production and outlet markets and the search for greater independence in supply chains with a new enhancement of western areas, will guide the reflection and action of companies, in particular multinationals and in any case those with a propensity for growth such as LU-VE Group.

Despite the disruptions described above, as well as the continuation of sporadic periods of lockdown in various countries (China in particular), which further exacerbated the risk of shortages of several critical materials and components, generating a significant rise in the costs and timing of logistic services, in the first half of 2022, the LU-VE Group achieved record growth in product sales (+38.6%), with a turnover of €311.2 million. The order backlog, after having in turn recorded a record value of €213.4 million at the end of April, closed the first half at €200.8 million, marking an increase of 37.3% compared to the end of June 2021.

EBITDA reached an amount of €42.1 million (13.2% of sales), an increase of 58.9% compared to the first half of 2021 (€26.5 million, 11.6% of sales). The net profit came to €33.3 million (€9.7 million in the first half of 2021), an increase of 242.7%.

In the first half of 2022, the growth of the Components SBU was excellent (+47.5%), with sales amounting to €184.6 million. This significant result was driven in particular by the innovative natural-fluid heat exchangers used in heat pumps, in refrigerated counters in supermarkets, clothes driers and in the “horeca” segment.

The Cooling Systems SBU also recorded an extremely positive result, with a turnover of €126.6 million, up by 27.4% (+32.7% net of the figures for Tecnair LV S.p.A., sold in March 2022). The industrial cooling segment more than doubled its volumes following the release of important projects in the last two months of 2021, while the growth of the cooling and air-conditioning segments was more modest, even though in the latter sector sales of outdoor equipment for data centres rose by over 23%. The result of the Cooling Systems SBU was, however, slightly penalised by supply problems relating to high energy-efficient coolers, which entailed longer delivery times, and planning was often chaotic and last-minute, generating production inefficiencies and the delay, and even the loss, of several projects.

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 2022	%	H1 2021	%	Change	% Change
SBU COOLING SYSTEMS	126,612	40.7%	99,366	44.3%	27,246	27.4%
SBU COMPONENTS	184,603	59.3%	125,163	55.7%	59,440	47.5%
TOTAL PRODUCT TURNOVER	311,215	100.0%	224,529	100.0%	86,686	38.6%

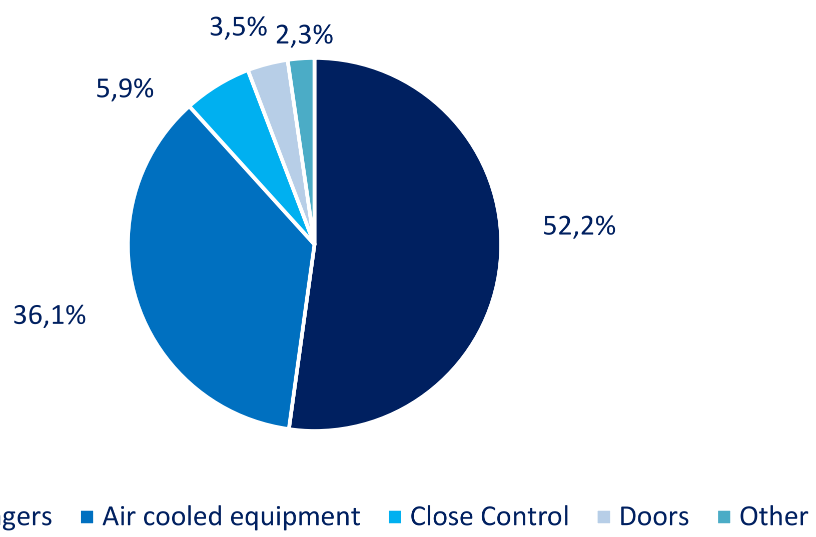
1.1 REFERENCE MARKETS

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

i) air cooled heat exchangers;
ii) air cooled equipment;
iii) close control air conditioners and outdoor equipment;
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 2021.

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



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

PRODUCTS (in thousands of Euro)	H1/2022	%	H1/2021	%	Delta %
Heat exchangers	166,334	52.2%	114,681	50.4%	45.0%
Air Cooled Equipment	114,893	36.1%	86,444	38.0%	32.9%
Doors	11,087	3.5%	8,066	3.5%	37.5%
Close Control/Data centre	18,901	5.9%	15,338	6.7%	23.2%
TOTAL PRODUCTS	311,215	97.7%	224,529	98.6%	38.6%
Other	7,172	2.3%	3,110	1.4%	130.6%
TOTAL	318,387	100%	227,639	100%	39.9%

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

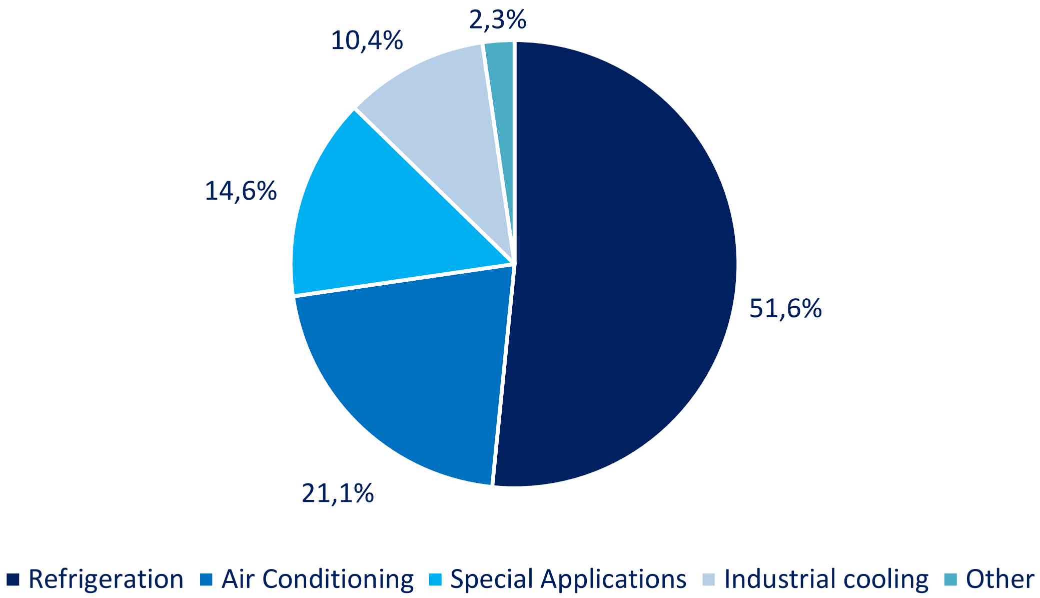
(i) the refrigeration sector, which includes activities relating to the supply chain for food products (the "**Refrigeration Sector**");

(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 2022:

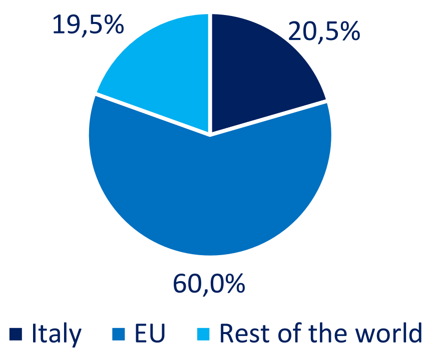


The table below shows turnover trends by application type in the two first six-month periods subject to comparison:

APPLICATIONS (in thousands of Euro)	H1/2022	%	H1/2021	%	Delta %
Refrigeration	164,341	51.6%	136,898	60.1%	20.0%
Air Conditioning	67,092	21.1%	38,726	17.0%	73.2%
Special Applications	46,697	14.6%	33,294	14.6%	40.3%
Industrial cooling	33,084	10.4%	15,611	6.9%	111.9%
TOTAL APPLICATIONS	311,215	97.7%	224,529	98.6%	38.6%
Other	7,172	2.3%	3,110	1.4%	130.6%
TOTAL	318,387	100%	227,639	100%	39.9%

Also following the war in Ukraine and the consequent sharp decline in sales in the countries of the former Soviet Union, the incidence of turnover within the European Union has returned to accounting for more than 80% of the total. It is also worth noting that for the first time in the Group's history, the American continent (+90.7%) rose to second place in terms of world geographical areas by sales volumes, while also the Asian region (+51.5%) recorded significant results in terms of growth and qualification.

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



The Group's turnover does not depend to a significant extent on individual commercial or industrial contracts. As at 30 June 2022, the sales revenues relating to the first 10 customers of the Group represent a total percentage of turnover equal to 34% (in line with that of the first half of 2021) with the first customer, who, by virtue of sensational exploits in the first half, accounts for almost 6% of the total value of the Group's sales (4.9% of the total value of sales in the first half of 2021).

1.2 SIGNIFICANT EVENTS DURING THE HALF YEAR

The first few months of the current year were characterised by continued strong demand and by the persistence of significant tension both in terms of purchase cost and the availability of the main raw materials and components. In an already complex scenario, the invasion of Ukraine by Russia, despite not having had an immediate cooling effect on demand on the European market, triggered a spiral of increases in gas and energy costs with major repercussions also on the transformation costs of critical materials such as aluminium. The persistence of a chaotic and increasingly expensive situation in the world of logistics has finally created the conditions for a "perfect storm", whose effects the LU-VE Group was able to mitigate thanks to the revision of procurement policies already implemented in the course of 2021. However, although these policies have worked properly for raw materials and semi-finished products, the worldwide shortage of electronic components began to become increasingly annoying starting from spring, generating a spiral of inefficiencies, tensions and an increase in purchase costs beyond the forecasts.

Confirming the approach adopted in 2021, the mechanisms to periodically adjust the sales prices of the Components SBU, linked to the average cost trend of several materials and services, enabled the company to protect its profit margins on sales. The same approach was also adopted in the Cooling Systems SBU, with the application of two price list increases in January and May within a competitive arena which, for the first time, acted in a similar way in terms of timing and strategy.

In the first half of 2022, the Group also focused on completing several extraordinary projects launched in the last few months of the previous year.

On 21 March 2022, the LU-VE Group sold its entire investment (79.9%) in Tecnair LV S.p.A. (active in the production of close control indoor air conditioning units for operating rooms and data centre applications) to the Swedish company Systemair AB, listed on the Stockholm Stock Exchange, for a value of €12.9 million (which generated a financial income at consolidated level of around €9.5 million). Following this sale, the LU-VE Group and Systemair signed a long-term agreement for the supply of heat exchangers and related products, and for the continuation of cross-selling relating to close control indoor air conditioning units, while the LU-VE Group will continue to focus on outdoor air conditioning systems for state-of-the-art data centres. These agreements were negotiated at market values.

The relocation of all personnel and production of Tecnair LV S.p.A. to the Italian facility of Systemair, located in Barlassina (MB), was completed at the beginning of May.

The deconsolidation of Tecnair LV S.p.A. took place with effect from 1 April 2022, therefore the sales data in the half year report contain the turnover achieved by the same in the first three months of the half year only.

With a view to further extending the LU-VE Group's presence to the civil air conditioning, data centre, process cooling and industrial refrigeration segments, on 30 March 2022, the acquisition of a 75% interest in Refrion S.r.l. was finalised, whose registered office is in Flumignano (Udine), and which specialises in the production of air cooled products combined with adiabatic technology, which enables significant reductions of energy and water consumption, as well as of noise emissions, to be achieved. Established in 2002, Refrion S.r.l. has always distinguished itself for its ability to innovate its products, particularly thanks to the technology of heat exchangers with oval tubes, which are unique on the market. The newly-acquired company has also started to work in the field of heat exchangers for nuclear plants and has one of the largest climatic test chambers in Europe. In the 2021 financial year, the Refrion group (composed not only of the parent company Refrion S.r.l., but also of Refrion Deutschland Gmbh and R.M.S. S.r.l.) achieved a consolidated turnover of €26 million, with EBITDA adjusted for extraordinary items of €2.7 million, and a pre-tax profit and extraordinary costs of €0.6 million. The adjusted net financial position as at 31 December 2021 was negative for €8.9 million. The agreement provides for a put & call option to purchase the remaining 25%, exercisable within the next five years. The provisional price defined in the contract is €9.5 million and the consideration paid at closing and financed through the Group's cash and cash equivalents was €8.1 million.

The integration activities of the new investee of the Group (and its subsidiaries), which was consolidated starting from 1 April 2022, were immediately launched in an environment of close cooperation and openness.

At the end of the half, the process was still in progress for the acquisition of a business unit of Italia Wanbao ACC ("WACC"), located in Mel (Belluno), currently under extraordinary administration. On 1 February 2022, the LU-VE Group submitted a binding proposal for said purchase through its subsidiary SEST S.p.A. in Limana (Belluno). The agreements, which are yet to be finalised, make provision for: a) the full industrial reconversion of the leased site, with a view to expanding the production of heat exchangers for refrigerated counters, heat pumps and chillers, already produced by SEST itself as well as in other Group facilities; b) the absorption of a sizeable part of WACC's current workers over a three-year period from the signature of the agreements; c) total investments in the production site (which has a covered surface area of around 40,000 sqm) for around €6 million over the next 3 years. With this transaction, the LU-VE Group aims to expand its production base, making the activity of the Mel facility compliant and consistent with the LU-VE Group’s core business, installing state-of-the-art production lines for heat exchangers. Furthermore, the proximity of the Mel and Limana production sites, will enable the management and logistics of the two facilities to be optimised, with the opportunity to create a single logistic hub, also to support some of the LU-VE Group’s foreign facilities. The proposal was formally accepted by the Ministry of Economic Development on 10 February 2022. In the meantime, a few dozen WACC workers have already started training courses at two Group facilities in Italy.

In line with that envisaged by the medium-term plan, during the first few months of the year, two important expansion projects were launched for the production sites in Poland and the United States, for which the offers received by companies that answered the tenders are currently being evaluated.

In the first half of 2022, the Group continued and strengthened the process of integrating sustainability into business strategy, by consolidating existing projects and formalising new ones, to contribute to the global sustainable development goals defined in the 2030 Agenda signed by 193 member countries of the UN.

In line with the core principles of the company Mission (“a Better, Evolved, Balanced and Responsible World”), the Group acts on three main levers to make its contribution to the goals of the 2030 Agenda: products, people and processes.

More specifically, the Group has recently launched a structured process to assess its Operations at global level, to identify initiatives that could limit the increase of average global temperatures well below 1.5 degrees Celsius, with respect to pre-industrial levels, as defined in the Paris Agreement. Furthermore, it has undertaken an analysis of the activities along its entire value chain, with a view to measuring the contribution to emissions of activities not directly controlled by the Group, and to achieve an overall reduction of its environmental impact.

In parallel, the Group has continued to invest in research and development, particularly in new technologies to develop solutions with natural cooling fluids, high energy efficiency and reduced use of cooling fluids. New analyses have been launched to establish the dimensions of product sustainability, in line with the recommendations of European Taxonomy for eco-sustainable activities.

Lastly, in the first few months of 2022, new training courses were launched, as well as new HR and sustainability projects, to increase the awareness and the involvement of personnel as regards sustainability topics, and to improve data analysis to promote more effective and inclusive human resource management policies.

During the first half of 2022, the following loans were also signed (for a total of €70 million):

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

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

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

During the first half of 2022, the following loan was also paid early, for a total of €30 million using available liquidity:

- bullet loan agreement stipulated on 4 February 2021 with Cassa Depositi e Prestiti expiring on 3 August 2022.

During the first half, the Italian Revenue Agency accessed the company to conduct a general tax audit with reference to the 2016, 2017, 2018 and 2019 tax periods of the Parent Company LU-VE S.p.A.. The audit is still in progress.

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

• viewed the consolidated figures and the non-financial statement for 2021 of the LU-VE Group;

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

1.3 CONSIDERATIONS ON THE SECURITY'S MARKET VALUE

During the first half of 2022, LU-VE stock remained almost constantly below the FTSE Italia All-Share index, recovering in June and, at the end of the period, was about 5 percentage points higher than the same index. Between the end of February and the beginning of March, the stock suffered a significant decline due to the geopolitical situation between Russia and Ukraine. This decline, however, was fully recovered by the end of the first half of 2022.

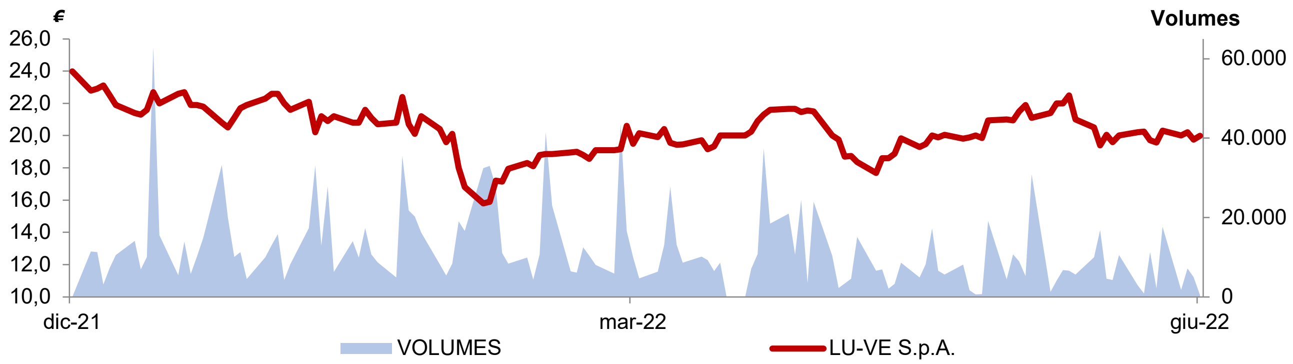
The main figures and share price trends are shown below:

Price at 1 January 2022: €22.80
Price at 30 June 2022: €19.98
Change during the period: -12.4%

Maximum price: €23.10 (5 January 2022)
Minimum price: €15.80 (7 March 2022)
Weighted average price: €20.32
Traded volumes: 1,549,550

Market capitalisation at 30 June 2022: €444.24 million

On 6 September 2022 (at the closure of the last trading day before the approval of the condensed consolidated half-yearly financial statements) the price was €22.70, corresponding to a capitalisation of €504.72 million, in any case higher than the book value of the Group's reported shareholders' equity (€206.9 million).



1.4 ECONOMIC AND FINANCIAL DATA

The reclassified Income Statement and Balance Sheet are provided below:

Reclassified Consolidated Income Statement *(in thousands of Euro)*	H1 2022	% Revenues	H1 2021	% Revenues	% Change
Revenues and operating income	318,387	100%	227,639	100%	39.9%
Purchases of materials	(207,038)	65.0%	(141,630)	62.2%	
Changes in inventories	36,890	-11.6%	24,816	-10.9%	
Services	(41,163)	12.9%	(29,375)	12.9%	
Personnel costs	(62,843)	19.7%	(53,222)	23.4%	
Other operating costs	(2,113)	0.7%	(1,721)	0.8%	
Total operating costs	(276,267)	86.8%	(201,132)	88.4%	37.4%
EBITDA	42,120	13.2%	26,507	11.6%	58.9%
Depreciation and amortisation	(15,632)	4.9%	(14,419)	6.3%	
Gains/losses on Non-current assets	(44)	0.0%	12	0.0%	
EBIT	26,444	8.3%	12,100	5.3%	118.5%
Net financial income and expense (*)	4,168	-1.3%	186	-0.1%	
Gains (Losses) from equity investments	9,473	-3.0%	-	0.0%	

EBT	40,085	12.6%	12,286	5.4%	226.3%
Income taxes for the period	(6,791)	2.1%	(2,570)	1.1%	
Net profit for the period	33,294	10.5%	9,716	4.3%	242.7%
Profit attributable to non-controlling interests	603		423		
Profit attributable to the group	32,691	10.3%	9,293	4.1%	251.8%

** The item "Change in fair value of derivatives" in the first half of 2021, totalling €1,371 thousand, was reclassified consistently with the first half of 2022, under the item "Net financial income and expense"*

"Revenues and operating income" rose by €90.7 million (+39.9%). With stable exchange rates, the increase in revenues would have been 39%. About 25% 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 €201.1 million (88.4% as a percentage of revenues) to €276.3 million (86.8% as a percentage of revenues). The total increase of 37.4% (€75.1 million) was essentially caused by the following factors:

- material consumption increased by €53.3 million, with the percentage on revenues rising from 51.3% to 53.4%. This increase is due for about €43 million to the rise in the prices of the main raw materials and for the remaining part to the increase in volumes and the change in the sales mix;

- costs for services (as a percentage of sales of 12.9%, unchanged with respect to the same period of 2021) show an increase of €11.8 million consisting for €3.1 million of transport costs, for €3.7 million of services relating to production (electricity, maintenance, external services) and for €5.0 million of other costs for services. The costs for services as at 30 June 2022 include €0.7 million of costs not falling under ordinary management relating to the acquisition of the company Refrion S.r.l.;

- personnel costs increased by €9.6 million, mainly due to the significant increase in production compared to the first half of 2021 (the average number of employees was 4,339, of which 119 relating to the Refrion Group, in the first half of 2022, compared to 3,623 in the same period of the previous year) and to the usual wage trend. The percentage of personnel costs on revenues declined from 23.4% to 19.7%.

"EBITDA" amounted to €42.1 million (13.2% of revenues) compared to €26.5 million (11.6% of revenues) in the first half of 2021. Net of the impact of the non-recurring costs described above, Adjusted EBITDA would have been €42.8 million. In the first half of 2021, non-recurring costs had not impact at all. The change in adjusted EBITDA compared to the EBITDA for the first half of 2021 (+€16.3 million) was generated for €10.2 million by the contribution of the additional volumes and for €56.9 million by the increase in sales prices net of €50.8 million in cost increases of the main raw materials and of other production costs. The change in the consolidation area resulting from the sale of Tecnair LV S.p.A. and from the acquisition of the Refrion group did not bring significant results.

"Depreciation and amortisation" rose by €1.2 million, €0.4 million of which due primarily to the change in the consolidation area.

"EBIT" amounted to €26.4 million (8.3% of revenues) compared to €12.1 million (5.3% of revenues) in the first half of 2021. Net of non-recurring costs (adjusted EBIT), it would have been €27.1 million (8.5% of revenues).

The balance of "net financial income and expense" was positive, at €4.2 million (positive for €0.2 million in the first half of 2021). The increase is mainly due to €4.7 million relating to the positive change in the fair value of loan management hedging contracts, €0.4 million to the positive change in exchange rates and €0.5 million to the reduction in financial expense, net of €1.6 million relating to the impact of the amortised cost.

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

"EBT" was equal to €40.1 million (12.6% of revenues) against a value of €12.3 million as at 30 June 2021 (5.4% of revenues). EBT for the first half of 2022 normalised ("adjusted" EBT) for non-recurring costs (€0.7 million), for gains from equity investments (€9.5 million), for the net effect of the positive change in the fair value of derivatives and the impact of the amortised cost (€4.1 million) would have been €27.2 million (8.5% of revenues).

"Net profit for the period" amounted to €33.3 million (10.5% of revenues) compared to €9.7 million (4.3% of revenues) in the first half of 2021. Applying the tax effect to the non-recurring costs and revenues described above, the net profit for the first half of 2022 ("Adjusted net profit for the period") would have been €21.6 million (6.8% of revenues).

Reclassified Consolidated Balance Sheet					% Change
(in thousands of Euro)	30/06/2022	% of net invested capital	31/12/2021	% of net invested capital	2022 vs. 2021
Net intangible assets	102,801		90,517		
Net property, plant and equipment	180,011		167,594		
Deferred tax assets	7,919		6,509		
Financial assets	1,817		236		
Non-current assets (A)	292,548	80.8%	264,856	90.1%	27,692
Inventories	156,629		111,077		45,552
Trade receivables	107,679		74,131		33,548
Other receivables and current assets	15,554		14,233		1,321
Current assets (B)	279,862		199,441		80,421
Trade payables	143,440		114,358		29,082
Other payables and current liabilities	40,527		30,773		9,754
Current liabilities (C)	183,967		145,131		38,836
Net working capital (D=B-C)	95,895	26.5%	54,310	18.5%	41,585
Provisions for employee benefits	5,691		5,770		(79)

Deferred tax liabilities	14,216		13,909		307
Provisions for risks and charges	6,261		5,541		720
Medium/long-term liabilities (E)	26,168	7.2%	25,220	8.6%	948
Net Invested Capital (A+D-E)	362,275	100%	293,946	100%	68,329
Shareholders' equity attributable to the group	202,483		167,501		34,982
Non-controlling interests	4,371		4,586		(215)
Total Consolidated Shareholders' Equity	206,854	57.1%	172,087	58.5%	34,767
Medium- Term Net Financial Position	252,764		213,631		39,133
Short- Term Net Financial Position	(97,343)		(91,772)		(5,571)
Total Net Financial Position	155,421	42.9%	121,859	41.5%	33,562
Own funds and net financial debt	362,275	100%	293,946	100%	68,329

Non-current assets as at 30 June 2022 show an increase of approximately €27.7 million, mainly due to the first consolidation of the Refrion group (provisional goodwill of €13.2 million, net assets of €8 million and other non-current assets for €2.1 million) and exchange differences for €4.7 million, the negative change in net assets for €1.2 million and other non-current assets for €0.9 million. Investments for the period amounted to roughly €15.8 million of which around €2.1 million deemed non-recurring (referring mainly to property increases, with particular reference to those made in the Czech Republic).

The LU-VE Group's operating working capital (equal to the sum of inventories and trade receivables net of trade payables) as at 30 June 2022 amounted to €120.9 million, equal to 20.7% of LTM sales (as at 30 June 2021, it totalled €48 million, equal to 11% of LTM sales). As at 31 December 2021, the operating working capital of the LU-VE Group amounted to €70.9 million with an incidence of 14.4% on sales. As at 30 June 2022, the contribution to the operating working capital of the Refrion group was equal to €6.4 million. The significant increase recorded in the period is linked to the strategic choice of investing, in a significant manner, in the increase of safety stocks of raw materials and electrical components (without the risk of obsolescence) in order to guarantee customers delivery terms in line with their expectations and, therefore, to be able to take full advantage of the strength of market demand of the whole year. Normalising said effect, considering the incidence of operating working capital on LTM sales, operating working capital as at 30 June 2022 would have been around €84.5 million.

Consolidated shareholders' equity amounted to €206.9 million compared to €172.1 million as at 31 December 2021. The increase (€34.8 million) is due to the profit for the period (€33.3 million) adjusted by the distribution of dividends for €8.2 million, by the positive variation of the Translation reserve (€9.2 million) and by other variations amounting to €0.5 million.

The net financial position was a negative €155.4 million (€121.9 million as at 31 December 2021), with a difference of €33.5 million mainly due for €15.8 million to investments, for €8.2 million to the distribution of dividends, for €48.1 million to the increase of operating working capital (adjusted by the values of Tecnair LV S.p.A. and the Refrion group), for €12.6 million to acquisitions and sales of equity investments, net of €12.2 million relating to the change in other payables and receivables and to derivatives, and of roughly €39 million in positive cash flows from operations. Normalising the net financial position in consideration of the above-commented extraordinary effect on inventory, the figure as at 30 June 2022 would have been a negative €119 million. The net financial position as at 30 June 2021 amounted to €116.8 million (a worsening of €38.6 million in the past twelve months). In the 1 July 2021 - 30 June 2022 period, the cash flow from operations adjusted by non-operating items totalled roughly €30.7 million.

1.5 ALTERNATIVE PERFORMANCE INDICATORS

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

Monetary amounts in thousands of Euro	H1 2022	H1 2021
Average days in inventory (1)	97	68
Inventory turnover ratio (2)	3.72	5.26
Receivables turnover ratio (3)	5.41	5.50
Average days sales outstanding (4)	67	65
Payables turnover ratio (5)	3	3
Average days payable outstanding (6)	132	143
Net Invested Capital	362,275	272,269
EBITDA	42,120	26,507
Adjusted EBITDA (7)	43	26,507
EBITDA/Financial expense	12	11
Adjusted EBIT (8)	26,445	12,100
Adjusted EBT (9)	27,200	12,286
Adjusted net profit for the period (10)	21,600	9,716
Basic earnings per share (11)	1.47	0.42
Diluted earnings per share (12)	1.47	0.42
Dividends per share (13)	0.35	0.27
Net financial position	(155,421)	(116,796)
Adjusted net financial position (18)	(119,000)	-
Net financial position/EBITDA	2.03	2.34
Debt ratio (14)	0.75	0.75
Operating working capital (15)	120,868	47,984
Adjusted operating working capital (19)	84,468	-
Net working capital (16)	95,895	31,133
Cash flow from operations adjusted for non-recurring items (17)	30,700	-
Goodwill and Other Intangible assets/Total assets	0.13	0.13
Goodwill and Other Intangible assets/Shareholders' equity	0.50	0.59

Note:

The methods for calculating the indicators noted above are:

(1) Inventories/LTM (Last Twelve Months) revenues and other operating income*360;
(2) LTM revenues and other operating income/Inventories;
(3) Revenues/Trade receivables;
(4) Trade receivables/LTM revenues*360;
(5) Trade-related operating costs/Trade payables. Trade-related operating costs include purchases of materials and changes in inventories, costs for services and other costs and charges. The item does not include personnel costs;
(6) Trade payables/LTM trade-related operating costs*360;
(7) EBITDA adjusted for non-recurring costs:

	H1 2022	H1 2021
EBITDA	42.1	26.5
Expenses for business combinations	0.7	-
Adjusted EBITDA	42.8	26.5

(8) EBIT adjusted for non-recurring costs (adjusted EBITDA "base" - see previous table);

(9) Pre-tax profit (EBT) adjusted for non-recurring costs and revenues;

	H1 2022	H1 2021
EBT	40.1	12.3
Gains from the sale of equity investments	-9.5	-
Net financial income and expense	-4.1	-
Expenses for business combinations	0.7	-
Adjusted EBT	27.2	12.3

(10) Net profit for the period adjusted for non-recurring costs and revenues (adjusted EBT "base" - see previous table - net of taxes of €1.1 million for 2022);
(11) Net profit for the period/Weighted average number of ordinary shares;
(12) Net profit for the period/(Weighted average number of ordinary shares + potential number of additional ordinary shares);
(13) Nominal value of the dividend per share approved in each year.
(14) Net financial position/Shareholders' equity
(15) Total of inventories and trade receivables net of trade payables;
(16) Current assets net of current liabilities;
(17) Cash flow from operations adjusted for non-recurring LTM items:

Values in €/million	H2 2022	31/12/2021
Change in Net financial position	(38.6)	(15.1)
Non-ordinary investments (*)	12.4	16.6
Dividends paid (**)	8.2	6.5
Acquisition / (sale) of equity investments (***)	12.6	-
Change in financial payables for leases pursuant to IFRS 16	(0.3)	(1.0)
Adjustment to operating working capital (****)	36.4	14.2
Cash flow from operations adjusted for non-recurring items	30.7	21.2

(*) These are investments with deferred contribution on the cash generation of the LU-VE Group.

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

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

(****) Determined as the difference between the operating working capital as at 30 June 2022 and the expected operating working capital as at 30 June 2022, as per the table below.

Values in €/million	H2 2022
LTM sales	582.8
Target	14.5%
Expected operating working capital	84.5

(18) Net financial position normalised with respect to the extraordinary effects of the period, see paragraph 1.5 Economic and financial data;

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

2 OBSERVATIONS ON THE FINANCIAL PROFILE AND ON BUSINESS CONTINUITY

The condensed consolidated half-yearly financial statements as at 30 June 2022 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 LU-VE Group to meet its commitments in the foreseeable future. The risks and uncertainties related to the business are described in the paragraph below.

In particular, as at 30 June 2022, the LU-VE 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 2021) and a positive short-term net financial position of €97.3 million (positive for €91.8 million as at 31 December 2021), therefore guaranteeing the repayment of medium/long-term debt maturing in the next 12 months (totalling €86 million). In addition, there are no substantial restrictions on the freeing up of invested liquidity, equal to €82.7 million, which therefore, if required, may be used to meet any payment commitments.

It should be noted that the estimates of the 2022 forecast lead to the expectation that, as at 31 December 2022, there will be no critical issues with respect to compliance with the covenants on a consolidated basis, envisaged by the Group's financial debt (which is, moreover, contractually required only at the closing of the annual consolidated financial statements).

Comparing the 2022-25 Business Plan with the economic results achieved in the first half of 2022 and with those forecast for the entire current year, the economic performances and the main economic/financial indicators are in line with those estimated in the plan approved on 24 February 2022.

In light of what is laid out above, the condensed consolidated half-yearly financial statements of the Group as at 30 June 2022 were prepared on the basis of the going concern assumption, pursuant to paragraphs 25 and 26 of IAS 1.

2.1 MAIN RISKS AND UNCERTAINTIES

RISKS RELATED TO TRENDS IN RAW MATERIAL PRICES

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

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

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

The first half of 2022 was confirmed as an extremely complex year on the supply chain front, due to the increases in the prices (with some signs of receding from the highs recorded only in the last part of the half) of raw materials, components, logistics services and energy and methane, but also due to the constant need to face and monitor shortage risks in the availability of critical materials and components for the correct supply of production processes. From the point of view of cost increases, the “pass through” systems used by the LU-VE Group have made it possible to transfer the increases to end customers, allowing it to safeguard margins.

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

Lastly, please note that oil price volatility impacts (aside from raw material prices) investments made at global level in the Power Gen market, making it difficult to predict trends in this market segment, especially in view of the energy transition, which could limit its operations in time.

RISKS RELATED TO NET FINANCIAL DEBT

In relation to certain loan agreements, the LU-VE Group is committed to respecting specific financial parameters (covenants). In addition, a significant portion of the Group’s loan agreements include cross-default - cross acceleration clauses, negative pledge clauses and pari passu clauses. In the future, if the above-mentioned financial covenants or other commitments laid out in existing loan agreements are not respected, the Group could be required to repay the relative debt early.

Lastly, a significant portion of the LU-VE group’s loan agreements establish disclosure obligations on various occasions, the obligation to request prior consent in the event of new loans or special extraordinary transactions, as well as the obligation not to establish new mortgages.

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

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

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

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

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

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

RISKS RELATED TO EXCHANGE RATE FLUCTUATIONS

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

(i) First of all, the LU-VE Group is exposed to “translation” exchange rate risk.

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

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

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

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

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

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

RISKS INHERENT TO THE GROWTH STRATEGY THROUGH EXTERNAL LINES

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

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

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

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

RISKS RELATED TO THE CONCENTRATION OF SALES

Although there is no Group customer which alone represents more than 6% of consolidated turnover, and the top 10 customers represent a total percentage of consolidated turnover of less than 35%, 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 17% of total turnover in the first half of 2022), 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 6.6% of the total) and the power generation applications sector (10.6% 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 profit or loss and/or the equity and/or financial situation.

The Group regularly takes measures to diversify the risk linked to the concentration of sales, by regularly conducting business surveys aimed at always seeking out new customers and new application fields both in Italy and abroad.

RISKS RELATED TO POSSIBLE PROCUREMENT DIFFICULTIES AND RELATIONS WITH SUPPLIERS

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

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

During the first half of 2022, the LU-VE Group had to face and monitor continuous risks of shortage in the availability of materials and components critical to the correct supply of production processes with reference to both main raw materials (copper, aluminium and steel in particular) and components (in particular electric motors). Thanks to the adequate policies of diversification of sources (both in terms of number and geographical location) and the choice to invest more in inventories, negative impacts were minimised. With these countermeasures (in particular the diversification of sources) the Group has also managed to minimise the impacts associated with transport gridlocks and the significant increase in costs, especially with reference to logistics to and from the Far East.

RISKS RELATED TO THE CONSEQUENCES OF ANY INTERRUPTIONS OF BUSINESS OPERATIONS

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

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

With reference to the first half of 2022, the problems suffered in terms of supply of raw materials and components but also the countermeasures implemented which made it possible to minimise negative impacts have already been extensively commented on.

RISKS RELATED TO INTEREST RATE TRENDS

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

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

In particular, the main source of exposure to the risk in question for the Group derives from financial debt, which is almost all floating rate. This risk is managed by entering derivative contracts (primarily interest rate swaps) to hedge this risk based on its own needs. This hedging policy allows the Group to reduce its exposure to the risk of interest rate fluctuations. As at 30 June 2022, the coverage of these risks represented 79.9% of the residual loans in place.

RISKS RELATED TO CREDIT

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

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

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

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

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

More specifically, the Group:

(i) is heavily export-oriented, with turnover earned predominantly outside the Italian market (in the periods ending 30 June 2022, 2021 and 2020, Group revenues from sales made abroad represented 79.5%, 79.8% and 78.8% of total sales, respectively);

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

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

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

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

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

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

The LU-VE Group is carefully observing the evolution of the conflict between Russia and Ukraine which is having significant repercussions on the world economy, also as a result of the sanctions that have been imposed or may be imposed further on Russia. The extreme geographical diversification of sales means that the Group's exposure in this area in terms of turnover is only 4%.

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

In order to coordinate the activities, it established a specific committee (composed of the Group's top management) that is currently meeting on a weekly basis.

CYBER RISKS

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

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

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

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

Following the onset of the crisis between Russia and Ukraine, the risk of cyber-attacks has increased. Therefore, the LU-VE Group has activated further procedures for risk mitigation, eliminating the possibility of accessing the intranet from the Russian facility and enabling Russian users to access the necessary services only from the cloud through authentication and profiling.

RISKS LINKED TO THE COVID-19 HEALTH EMERGENCY

The pandemic linked to the spread of COVID-19 continued with new waves and resurgences in different areas of the world with different temporal trends and containment measures. The mass vaccination campaigns launched have allowed a significant restoration of activities and, to a large degree, most of the lifestyles prior to the pandemic, making it possible to avoid the mass lockdowns of previous years. However, the pandemic remains active and could continue to determine consequences from a health, social and economic point of view all over the world (with very different impacts from country to country). The main risks refer to the deterioration of the global macro-economic scenario, the deterioration of the credit profile of customers and countries and the slowdown of trading activities due to the reduction in demand, the negative impacts on supply chains, on sales prices and raw material purchasing prices and on the availability and price of financial resources.

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

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

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

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 2021 (which should be referred to), the profile of which has not changed in the first half of 2022.

2.2 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, 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 2022, this development activity involved total investments of approximately €0.6 million.

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

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

2.4 EVENTS OCCURRING AFTER 30 JUNE 2022: significant events and business outlook

The consolidated turnover of products alone at the end of August reached €401.9 million, with growth of 32.7% compared to the same period of the previous year. The order backlog states a value of €199.7 million, with a 25.4% increase compared to August 2021 (-0.5% compared to the end of June).

The start of the second half showed signs of slowdown in the acquisition of orders in some application segments, due to the uncertainty linked to geopolitical themes, to inflation and to the macroeconomic scenario, in addition to supply difficulties, especially concerning electronic components.

The purchase costs of the main raw materials recorded a retracement with respect to the peak values, in relation to the well-known trend in electricity and gas tariffs. The usual strategies adopted to transfer changes in costs to sales prices lead us to believe that the object of defending the average profit margins in the second half of the year can be achieved.

The diversification of sources of supply, the production flexibility achieved, and the use of higher safety stocks, have made it possible to mitigate the impact on production capacity due to a shortage of raw materials, and particularly electronic components (which are used in roughly a quarter of the Group’s turnover). Despite all the extraordinary initiatives put in place, it is believed that the tension on these components is destined to last for the whole of 2022 and for a sizeable part of 2023.

The Group is closely monitoring developments in the crisis between Russia and Ukraine. The significant geographical diversification of sales means that as at 30 June 2022, the Group’s exposure in this area is around 4% in terms of turnover and roughly 5% in terms of net invested capital. As at 31 August 2022, the exposure in terms of order backlog was approximately 3.6%.

On 3 August 2022, the purchase of the Italia Wanbao ACC S.r.l. business unit was finalised (for a value of €70 thousand) mentioned above. The reconversion and adaptation of the production site was already launched in August. SEST S.p.A. has also reached an agreement with the owners of the production site for the purchase of the industrial site in Mel where the business unit is based and which is currently leased. The definitive contract is expected to be signed by the end of the year.

In July 2022, the following loans were also signed (for a total of €80 million):

- an unsecured loan agreement with Banca Nazionale di Lavoro for €40 million with a duration of 60 months, repayable in half-yearly instalments at constant principal;

- an unsecured loan agreement with BPER for €25 million with a duration of 60 months (of which 12 months in the grace period), repayable in quarterly instalments at constant principal;

- an unsecured loan agreement with Intesa Sanpaolo for €15 million with a duration of 60 months (of which 12 in the grace period), repayable in quarterly instalments at constant principal.

Furthermore, in July, capitalisation policies amounting to €20 million were taken out with Aviva to integrate the existing ones.

All of the most relevant variables will be closely monitored in order to avoid the emergence of any significant problems; nevertheless, the scenario appears to be characterised by a high level of uncertainty, and therefore making accurate forecasts on order trends and commercial, economic and financial results is complicated. Nevertheless, the mega reference trends on which the Group has based and continues to base its growth capacity continue to be confirmed (if not accelerated), (in particular the transition to natural refrigerants and energy savings).

2.5 MANAGEMENT AND COORDINATION ACTIVITIES

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

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

2.6 RELATED PARTY TRANSACTIONS

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

2.7 TREASURY SHARES

Pursuant to law, please recall that as at 30 June 2022, the Group held 28,027 treasury shares (unchanged with respect to 31 December 2021), equal to 0.1261% of share capital, acquired at an average price of €10.2827 based on the authorisation resolution approved by the Shareholders' Meeting on 29 April 2019. In application of international accounting standards, these instruments are recognised as a deduction from the shareholders' equity attributable to the Group.

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

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

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

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

2.10 DECLARATION OF THE MANAGER IN CHARGE OF FINANCIAL REPORTING

The Manager in charge of financial reporting, Mr Eligio Macchi, declares, pursuant to art. 154-bis, paragraph 2 of the Consolidated Law on Finance, that the accounting disclosure contained in this Half-Year Report on Operations as at 30 June 2022 corresponds to the results of the accounting documents, books and entries.

2.11 SECONDARY OFFICES

The Parent Company LU-VE S.p.A. carries out its activities at the registered office at via Caduti della Liberazione no. 53, Uboldo (VA), Italy. On 4 January 2017, a secondary office was opened, used as a warehouse in Origgio (VA), via Achille Grandi no. 5 and on 11 March 2020 a secondary office was opened, used as a warehouse in Alonte (VI), via delle Albere no. 5.

On behalf of the Board of Directors

CEO
Matteo Liberali

2.12 CORPORATE BODIES AND COMPANY INFORMATION

BOARD OF DIRECTORS

Chairman	Iginio Liberali
Vice Chairman	Pierluigi Faggioli
Directors	Matteo Liberali (CEO)
	Michele Faggioli (CEO)
	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

2.13 AUDITING FIRM

Deloitte & Touche S.p.A.

2.14 REGISTERED OFFICE AND COMPANY INFORMATION

LU-VE S.p.A.

Via Vittorio Veneto no. 11, Varese

I - 21100 Varese (VA) Italy

Tel: +39 02 96716270

Share capital €62,704,488.80 fully paid in

Tax Code and VAT no.: 01570130128

CONDENSED CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS AS AT 30 JUNE 2022

CONTENTS

1 FINANCIAL STATEMENTS

1.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated Statement of Financial Position *(in thousands of Euro)*	**Notes**	**30/06/2022**	**31/12/2021**
ASSETS			
Goodwill	3.1	68,816	54,987
Other intangible assets	3.1	33,985	35,530
Property, plant and equipment	3.2	141,270	133,859
Rights of use	3.2	17,694	16,739
Other property, plant and equipment	3.2	21,047	16,996
Deferred tax assets	3.19	7,919	6,509
Equity investments	3.3	141	8
Other non-current assets	3.4	1,676	228
Non-current assets		292,548	264,856
Inventories	3.5	156,629	111,077
Trade receivables	3.6	107,679	74,131
Due from the tax authorities for current taxes	3.7	10,405	10,732
Current financial assets	3.8	88,098	81,946
Other current assets	3.9	5,149	3,501
Cash and cash equivalents	3.10	113,564	166,328
Current assets		481,524	447,715
Assets held for sale		-	-
Assets held for sale		-	-
TOTAL ASSETS		774,072	712,571

Consolidated Statement of Financial Position *(in thousands of Euro)*	**Notes**	**30/06/2022**	**31/12/2021**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital	3.11	62,704	62,704
Reserves and retained earnings (losses)	3.11	107,088	81,058
Profit (loss) for the period	3.11	32,691	23,739
Total shareholders' equity of the Group		202,483	167,501
Shareholders' equity attributable to non-controlling interests		4,371	4,586
SHAREHOLDERS' EQUITY		206,854	172,087
Loans	3.12	233,820	202,844
Provisions	3.13	6,261	5,541
Employee benefits	3.14	5,691	5,770
Deferred tax liabilities	3.19	14,216	13,909
Other financial liabilities	3.2 - 3.15	18,944	10,787
Non-current liabilities		278,932	238,851
Trade payables	3.16	143,440	114,358
Loans	3.12	98,662	151,271
Provisions	3.13	-	-
Tax payables	3.17	9,928	3,086
Other financial liabilities	3.2 - 3.15 - 3.8	5,657	5,231
Other current liabilities	3.18	30,599	27,687
Current liabilities		288,286	301,633
Liabilities held for sale		-	-
Liabilities held for sale		-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		774,072	712,571

1.2 CONSOLIDATED INCOME STATEMENT

Consolidated Income Statement *(in thousands of Euro)*	**Notes**	**H1 2022**	**H1 2021**	
REVENUES AND OPERATING INCOME				
Revenues	4.1	317,427	227,159	
Other revenues	4.2	960	480	
Total revenues and operating income		318,387	227,639	
OPERATING COSTS				
Purchases of materials	4.3	(207,038)	(141,630)	
Changes in inventories	3.5	36,890	24,816	
Costs for services	4.4	(41,163)	(29,375)	
Personnel costs	4.5	(62,843)	(53,222)	
Net write-downs of financial assets	4.6	70	(335)	
Other operating costs	4.7	(2,183)	(1,386)	
Total operating costs		(276,267)	(201,132)	
Depreciation and amortisation	3.1 - 3.2	(15,632)	(14,419)	
Capital gains on the sale of non-current assets	3.1 - 3.2	(44)	18	
Write-downs on non-current assets	3.1 - 3.2	-	(6)	
EBIT		26,444	12,100	
Financial income	3.8 - 3.15 - 4.8	7,063	2,253	*
Financial expense	4.9	(3,660)	(2,403)	
Exchange gains (losses)	4.10	765	336	
Gains (Losses) from equity investments	4.11	9,473	-	
EBT		40,085	12,286	
Income taxes	4.12	(6,791)	(2,570)	
NET PROFIT (LOSS)		33,294	9,716	
Attributable to non-controlling interests	3.11	(603)	(423)	
GROUP NET PROFIT		32,691	9,293	

** The 2021 item “Net change in fair value on derivatives” (now cleared) of €1,371 thousand was reclassified under the item “Financial income”, in line with the first half of 2022.*

1.3 EARNINGS PER SHARE AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Earnings per share

Earnings per share *(in €)*	**Notes**	**H1 2022**	**H1 2021**
EARNINGS PER SHARE	4.13		
Basic		1.47	0.42
Diluted		1.47	0.42

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income *(in thousands of Euro)*	**Notes**	**H1 2022**	**H1 2021**
GROUP NET PROFIT		33,294	9,716
Components that will not subsequently be reclassified to the Income Statement of the period			
Actuarial valuation of post-employment benefits	3.14	627	131
Tax effect		(158)	(36)
		469	95
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	9,572	2,027
TOTAL COMPREHENSIVE INCOME (LOSS)		43,335	11,838
of which:			
Attributable to non-controlling interests	3.11	(603)	(423)
ATTRIBUTABLE TO THE GROUP		42,732	11,415

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 01/01/2021	62,704	24,762	3,197	(288)	(16,174)	(606)	64,110	9,226	146,931	3,422	150,353
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	3,434	154,902
BALANCE AS AT 31/12/2021	62,704	24,762	3,555	(288)	(12,326)	(763)	66,118	23,739	167,501.00	4,586	172,087
Allocation of profit 2021											
Dividends paid	-	-	-	-	-	-	(7,750)	-	(7,750)	(450) (***)	(8,200)
Retained	-	-	190	-	-	-	23,549	(23,739)	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	133	(133)	-	-	(368) (****)	(368)
Statement of comprehensive income as at 30/06/2021	-	-	-	-	9,572	469	-	32,691	42,732	603	43,335
BALANCE AS AT 30/06/2022	62,704	24,762	3,745	(288)	(2,754)	(161)	81,784	32,691	202,483	4,371	206,854

(*) The amount refers to the accounting effects of the exercise of the option to purchase, which took place in the first half of 2021, by the company of the LU-VE Group, Manifold S.r.l., the business unit previously owned by the company Mastercold S.r.l. and leased to Manifold S.r.l..
(**) Of which €400 thousand refer to dividends approved by the Group company SEST-LUVE-Polska Sp.zoo as at 30 June 2021 not yet paid. This amount was paid during the second half of 2021.
(***) The amount refers for €450 thousand to dividends approved by the company of the SEST-LUVE-Polska Sp.zoo Group, as at 30 June 2022 not yet paid.
(****) The line "Other" mainly reports the effects relating to the deconsolidation of Tecnair LV Spa: €133 thousand relating to the reversal of the severance indemnity discounting reserve to the Other Reserves and €826 thousand for the deconsolidation of related non-controlling interests, as well as the changes in the translation reserve relating to non-controlling interests for a positive €458 thousand.

1.5 CONSOLIDATED STATEMENT OF CASH FLOWS

	Consolidated Statement of Cash Flows *(in thousands of Euro)*	**Notes**	**H1 2022**	**H1 2021**
A.	Cash and cash equivalents at the beginning of the period		166,328	152,679
	Profit (loss) for the period		33,294	9,716
	Adjustments for:			
	- Depreciation and amortisation	3.1 - 3.2	15,632	14,419
	- Realised (gains)/losses		44	(18)
	- (Gains) / losses on the sale of equity investments	4.11	(9,473)	-
	- Net financial expenses	4.8 - 4.9	3,375	2,224
	- Income taxes	4.12	6,791	2,570
	- Change in fair value	4.8 - 4.9	(6,778)	(2,074)
	Changes in post-employment benefits	3.14	(79)	(137)
	Changes in provisions		630	171
	Changes in trade receivables	3.6	(30,055)	(19,214)
	Changes in inventories	3.5	(36,890)	(25,861)
	Changes in trade payables	3.16	24,642	32,871
	Changes in net working capital		(42,303)	(12,204)
	Changes in other receivables and payables, deferred taxes		5,381	2,845
	Tax payment	4.12	(4,866)	(3,115)
	Paid net financial expenses	4.8 - 4.9	(1,204)	(2,384)
B.	Cash flows generated/absorbed by operating activities		444	12,013
	Investments in non-current assets:			
	- intangible assets	3.1	(1,911)	(2,460)
	- property, plant and equipment	3.2	(12,052)	(13,225)
	- financial assets		-	-
	Business combination net acquisition price (*)	2.1	(7,282)	(800)
	Net price of equity investment sales (**)	2.1	11,444	-
C.	Cash flows generated/absorbed by investing activities		(9,801)	(16,485)
	Repayment of loans	3.12	(118,121)	(70,222)
	New loans	3.12	86,187	105,000
	Changes in other financial liabilities		(2,960)	(2,270)
	Changes in short-term financial assets		216	(5,260)
	Sale/(Purchase) of treasury shares		-	-
	Contributions/repayments of own capital		-	-
	Payment of dividends	3.11	(7,750)	(6,066)
	Other changes		-	-
D.	Cash flows generated/absorbed by financing activities		(42,428)	21,182
	Exchange differences	3.11	10,030	2,086
	Other non-monetary changes (***)	3.5-3.1-3.2	(11,010)	(1,921)
E.	Other changes		(980)	165
F.	Net cash flows in the period (B+C+D+E)		(52,765)	16,875
	Cash and cash equivalents at the end of the period (A+F)		113,563	169,554
	Current financial debt		16,220	50,969
	Non-current financial debt		252,764	235,381
	Net financial debt (Note 3.20)		155,421	116,796

(*) The amount refers to the net cash flow relating to the purchase of REFRION S.r.l.
(**) The amount refers to the net cash flow relating to the sale of TECNAIR LV S.p.A..
(***) The amount is mainly made up of the effect of the period of the net exchange rate delta of intangible assets (€683 thousand), property, plant and equipment (€4,020 thousand) and inventory (€6,182 thousand).
(****) The amount mainly refers to payments made in the period relating to assets falling within the definitions set out in the international standard IFRS 16.

2 EXPLANATORY NOTES

2.1 INTRODUCTION

Acquisition of the REFRION Group

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

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

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

The acquisition was made directly by the parent company LU-VE S.p.A. at a provisional contractually defined price of €9,469 thousand for 75% of REFRION S.r.l., of which €8,085 thousand were paid in March 2022, while €1,384 thousand will be subject to a deferred payment. This provisional price may change (both in favour of and against LU-VE S.p.A.) in the coming months following some price adjustment clauses provided for in the purchase contract (based on economic-financial parameters on the 2021 consolidated financial statements relating to the REFRION Group) with reference to the non-deferred price component. The final definition of the price, also in the case of arbitration, should reasonably be concluded by the approval of the Financial Statements for 2022.

The remaining 25% is instead subject to a put option granted to the minority shareholder. This put option can be exercised from 31 May to 31 July for the years 2024, 2025 and 2026 and the value will be deduced from the application of a formula provided for in the contract to the accounting data of future years (there is also a call option in favour of LU -VE S.p.A. at the same exercise price). The option represents a financial liability measured at fair value and as at 30 June 2022 its value is approximately €6,500 thousand (value estimated on the basis of the 2022-2025 plan of the Refrion group defined at the time of acquisition).

The total consideration agreed for the acquisition of the Refrion group - considering the aforementioned option - therefore amounts to €15,969 thousand.

For further details, please refer to the Half-Year Report on Operations.

The Refrion group acquired was included in the condensed consolidated half-yearly financial statements starting from 31 March 2022, thus consolidating three months of the income statement as at 30 June 2022. With reference to the acquisition, please recall that, on the basis of the revised IFRS 3, the cost of the business combination must be allocated to the assets, liabilities and intangible assets not recognised in the Financial Statements of the acquired company, up to the limits of their fair value. Any amount still remaining after this allocation should be recognised as goodwill.

In relation to the complexity of this process, which implies the valuation of numerous, diversified assets and liabilities of the entities making up the acquired Group, international accounting standards (IFRS 3) allow the acquisition cost to be definitively allocated within twelve months of the acquisition date. The LU-VE Group has taken advantage of this option and the areas upon which analysis is focused in order to calculate the fair value of the acquired assets are property, plant and equipment and intangible assets (the fair value of the amount paid might also be subject to adjustments according to the contractual provisions described previously).

The following balance sheet item, on the other hand, has already been the subject of a final fair value measurement:

- Inventories, whose fair value as at 31 March 2022 was higher than its book value by €350 thousand, generating deferred tax liabilities of €98 thousand.

Lastly, please note that the acquisition of REFRION S.r.l. entailed accessory costs of roughly €692 thousand, which were recognised in the income statement for the period under the item entitled "Operating costs - Services".

The following chart shows details of the assets and liabilities of the REFRION Group acquired, included in the Group's consolidated financial statements as at 31 March 2022 and the breakdown of goodwill (provisional allocation) calculated on this date:

Fair Value, Assets and Liabilities, REFRION GROUP (in thousands of Euro)	**30/03/2022**
Property, plant and equipment and intangible assets	7,987
Other non-current assets	2,097
Current assets (*)	14,017
Cash and banks	803
Total assets - A	24,905
Other non-current liabilities	1,445
Current liabilities	9,947
Non-current financial liabilities	4,201
Current financial liabilities	6,509
Total liabilities and shareholders' equity - B	22,102

Provisional consideration at the date of acquisition	9,469
FV of the payable for Put option on non-controlling interest	6,500
Consideration for acquisition - C	15,969
Net assets acquired - D = A-B	2,803
Goodwill C - D	13,166

Consideration paid at the date of acquisition - E	8,085
Cash held by the subsidiaries - F	(803)
Cash flow for acquisition E + F	7,282

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

Sale of TECNAIR LV S.p.A.

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

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

Therefore, the contribution of Tecnair LV S.p.A. to the consolidated income statement of the condensed consolidated half-yearly financial statements as at 30 June 2022 of the LU-VE Group was only that relating to the first quarter of 2022.

2.2 ACCOUNTING STANDARDS

Declaration of compliance and accounting policies

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

The condensed consolidated half-yearly financial statements as at 30 June 2022 of the LU-VE Group have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union 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 2021. 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 half-yearly 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 2021 and the condensed consolidated half-yearly financial statements as at 30 June 2021, 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 half-yearly 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. In addition, the condensed consolidated half-yearly financial statements 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 sections dedicated to the Interim Director's Report.

In particular, with reference to this last assumption, as at 30 June 2022, the Group has a solid and balanced financial structure with a Net financial debt/Shareholders' equity ratio (Debt ratio) of 0.75 (0.71 at 31 December 2021) and a positive short-term net financial position of €97.3 million (positive for €91.8 million as at 31 December 2021). Therefore, the repayment of medium/long-term debt due in the next 12 months (totalling €86 million) is guaranteed by current liquidity. In addition, there are no substantial restrictions on the freeing up of invested liquidity, equal to €82.7 million, which therefore, if required, may be used to meet any payment commitments.

Comparing the 2022-25 Business Plan with the economic results achieved in the first half of 2022 and with those forecast for the entire current year, the economic performances and the main economic/financial indicators are in line with those estimated in the plan approved on 24 February 2022. On the basis of said results, 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 close of the annual consolidated financial statements).

In light of what is laid out above, the condensed consolidated half-yearly financial statements of the Group as at 30 June 2022 were prepared on the basis of the going concern assumption, pursuant to paragraphs 25 and 26 of IAS 1.

The condensed consolidated half-yearly financial statements as at 30 June 2022 were approved by the Board of Directors of the parent company LU-VE S.p.A. on 7 September 2022.

Financial Statements

The Group has adopted the following Financial Statements:

- a Statement of Financial Position, which shows current and non-current assets and liabilities separately;
- a Statement of Changes in Shareholders' Equity;
- an Income Statement in which costs are classified by nature;
- a Statement of Comprehensive Income, which shows revenue and cost items that are not recognised in profit and loss 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 half-yearly 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 LU-VE S.p.A. and its direct and indirect subsidiaries, based on their half-yearly Financial Statements, properly adjusted, when necessary, to bring them into line with the IAS/IFRS adopted by the LU-VE Group ("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
Heat Transfer Systems s.r.o. (HTS)	Novosedly (Czech Rep.)	100.00%	CZK	133,300,000
LU-VE Sweden AB	Asarum (Sweden)	100.00%	SEK	50,000
LU-VE France S.a.r.l.	Lyon (France)	100.00%	EUR	84,150
LU-VE Pacific Pty Ltd	Thomastown (Australia)	75.50%	AUD	200,000
LU-VE Deutschland GmbH	Stuttgart (Germany)	100.00%	EUR	230,000
LU-VE Iberica S.L.	Madrid (Spain)	85.00%	EUR	180,063
LU-VE Asia Pacific Limited	Wan Chai (Hong Kong)	100.00%	HKD	10,000
LuveDigital S.r.l.	Uboldo (VA)	50.00%	EUR	10,000
MANIFOLD S.r.l.	Uboldo (VA)	99.00%	EUR	10,000
SPIROTECH Heat Exchangers Pvt. Ltd	Ghaziabad, Uttar Pradesh (India)	100.00%	INR	25,729,600
LU-VE AUSTRIA GmbH	Vienna (Austria)	100.00%	EUR	17,500
Zyklus Heat Transfer Inc.	Jacksonville (USA, Texas)	100.00%	USD	1,000
Air Hex Alonte S.r.l.	Uboldo (VA)	100.00%	EUR	2,010,000
Fincoil LU-VE OY	Vantaa (Finland)	100.00%	EUR	1,190,000
LU-VE Netherlands B.V.	Breda (Netherlands)	100.00%	EUR	10,000
«OOO» LU-VE Moscow	Moscow (Russia)	100.00%	RUB	100,000
LU VE MIDDLE EAST DMCC	Dubai (UAE)	100.00%	AED	50,000
LU-VE SOUTH KOREA LLC	Seoul (South Korea)	100.00%	KRW	100,000,000
Refrion S.r.l.	Flumignano di Talmassons (UD)	75.00%	EUR	1,000,000
Indirect subsidiaries:				
SEST-LUVE-Polska SP.z.o.o. (95% owned by SEST S.p.A.)	Gliwice (Poland)	95.00%	PLN	16,000,000
«OOO» SEST LU-VE (95% owned by SEST S.p.A.)	Lipetsk (Russia)	95.00%	RUB	136,000,000
LU-VE HEAT EXCHANGERS (Tianmen) Co, Ltd (52.58% owned by LU-VE Asia Pacific Limited and 47.42% 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
RMS S.r.l. (100% owned by Refrion S.r.l.)	Flumignano di Talmassons (UD)	75.00%	EUR	40,000
Refrion Deutschland GmbH (100% owned by Refrion S.r.l.)	Frankfurt am Main (Germany)	75.00%	EUR	150,000

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

The following changes compared to the previous period/financial year took place in the consolidation area during the first half of 2022:

- sale of the investment held in Tecnair LV S.p.A. to the Systemair group, as described in the note “Introduction”;
- acquisition of 75% of Refrion S.r.l. and 75% of its direct subsidiaries RMS S.r.l. and Refrion Deutschland GmbH, as described in the note “Introduction”.

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

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

Consolidation criteria

The data used for the consolidation are drawn from the half-yearly 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 half-yearly Financial Statements subject to line-by-line consolidation are included in the Group’s condensed consolidated half-yearly financial statements, irrespective of the extent of the equity investment. The carrying amount of equity investments has also been eliminated against the shareholders’ equity attributable to the investee companies;

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

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

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

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 half-yearly Income Statements and Statements of Financial Positions drafted in foreign currency

The separate half-yearly Financial Statements of each company belonging to the Group are prepared in the currency of the primary economic environment in which it conducts business (functional currency). For the condensed consolidated half-yearly financial statements, the half-yearly financial statements of each overseas entity are expressed in Euro, which is the functional currency of LU-VE S.p.A. and the presentation currency of the condensed consolidated half-yearly financial statements.

Balance Sheet items from half-yearly Financial Statements expressed in a currency other than the Euro are translated by applying the current exchange rates at the end of the period. Income statement items are translated at average exchange rates for the period.

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

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

Currency	Exchange rate as at 30/06/2022	Average exchange rate H1 2022	Exchange rate as at 31/12/2021	Average exchange rate H1 2021
AUD	1.5099	1.5204	1.5615	1.5626
PLN	4.6904	4.6354	4.5969	4.5374
CZK	24.7390	24.6485	24.8580	25.8540
RUB (*)	53.8580	83.7419	85.3004	89.5502
SEK	10.7300	10.4796	10.2503	10.1308
HKD	8.1493	8.5559	8.8333	9.3551
CNY	6.9624	7.0823	7.1947	7.7960
INR	82.1130	83.3179	84.2292	88.4126
USD	1.0387	1.0934	1.1326	1.2053
AED	3.8146	4.0155	4.1595	4.4266
KRW	1,351.60	1,347.84	1,346.38	1,347.54

(*) For the Russian companies, in the first half of 2022, the quotations of the Russian Central Bank were used.

Measurement criteria

The accounting standards and measurement criteria adopted to prepare the condensed consolidated half-yearly financial statements as at 30 June 2022 did not change from the comparable previous year/period.

USE OF ESTIMATES

The preparation of the condensed consolidated half-yearly 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 half-yearly financial statements, no significant judgements were defined during the process of application of the Group's accounting standards.

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:

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

As indicated in the note "Introduction", the price relating to the purchase of 75% of Refrion S.r.l. is subject to possible adjustments provided for in the contract, in favour or against LU-VE S.p.A., with reference to some economic-financial parameters referring to the consolidated financial statements of the Refrion Group as at 31 December 2021. Therefore, as at 30 June 2022, the fair value of the consideration was estimated by the Group based on contractual provisions (€9,496 thousand). No further adjustments were considered that are currently under discussion by the parties and that could modify this fee (the process should reasonably be completed by the approval of the 2022 financial statements).

The estimate also entails the determination of the fair value of the consideration relating to the agreement with the minority shareholder for the purchase of the residual 25% of Refrion S.r.l. through a put & call agreement that can be exercised from 31 May to 31 July for the years 2024, 2025 and 2026. The strike price can be deduced from the application of a contractually provided formula (put option in favour of the minority shareholder and call option in favour of LU-VE). The value of the option as at 30 June 2022 is €6,500 thousand (estimated value based on the 2022-2025 plan of the Refrion group defined at the time of acquisition).

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

Note that in preparing the financial statements as at 31 December 2021, to which reference is made, in order to conduct impairment testing, the Directors had approved the 2022-2025 Business Plan on 24 February 2022.

Comparing the 2022-25 Business Plan with the economic results achieved in the first half of 2022 and with those forecast for the entire current year, the economic performances and the main economic/financial indicators are in line with those estimated in the plan approved on 24 February 2022.

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 consolidated half-yearly financial statements, compared to the impairment tests carried out for the preparation of the 2021 annual 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, also in light of the protraction of the Russian-Ukrainian conflict, requires the Group management to constantly monitor the circumstances and events that might result in an impairment of the Group's goodwill.

Given the particular situation of uncertainty in the Russian socio-economic system due to the sanctions resulting from the ongoing war between Russia and Ukraine, and the direct exposure of the Group to the areas affected by the conflict, the management of the LU-VE Group carried out an impairment test aimed at determining that the value of the Net Invested Capital ("NIC") of the Russian production company of the Group, "OOO" SEST LUVE, is recognised in the financial statements as at 30 June 2022 at a value no higher than the recoverable value. In particular, the NIC pertaining to the Russian company recognised in the condensed consolidated half-yearly financial statements as at 30 June 2022 amounts to a total of approximately €21.8 million (1,176,650 thousand roubles), of which approximately €9.2 million (494,570 thousand roubles) relating to property, plant and equipment and the residual value substantially relating to operating working capital.

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

Provisions for credit risks

Receivables are adjusted by the relative bad debt provision to take into account their recoverable amount. To determine the amount of write-downs, the Directors are 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.

In the current uncertain context, the Management has estimated the impacts of the risk of recession/macroeconomic context on the possible deterioration of customers' creditworthiness and on their ability to meet their obligations using exclusively forward-looking information, hence updating the estimates made in the previous year. A specific customer-by-customer analysis was carried out only for the receivables of the Russian production subsidiary (which led to a greater provision in the company involved), given the particular situation of uncertainty in the Russian socio-economic system due to the sanctions resulting from the war in progress.

Income taxes and deferred tax assets

The 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 2022. 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 2022, as well as the forecasts for the entire current year, are in line with those estimated when the 2022-2025 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 half-yearly financial statements.

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

Impacts of the Russian-Ukrainian conflict

The LU-VE Group is constantly monitoring the situation created by the crisis between Russia and Ukraine. The significant geographical diversification of sales means that as at 30 June 2022, the Group's exposure in this area is just 4% in terms of turnover and 5% in terms of net invested capital (€18.2 million). Net invested capital includes approximately €8.4 million of net working capital, of which €14.9 million of stock. As at 31 August 2022, the exposure in terms of order backlog was approximately 3.6%.

As at 30 June 2022, the balance sheet and financial position of the aggregate of subsidiaries based in Russia (where OOO SEST LU-VE is a production and trading company, while OOO LU-VE Moscow is a pure trading company) is mainly composed of:

- Non-current assets (which in addition to property, plant and equipment and intangible assets include deferred tax assets) equal to €10,260 thousand (€6,443 thousand as at 31 December 2021). The increase compared to 31 December 2021 mainly refers to the impact of exchange rates of approximately €3.3 million (see also note 3.2 for the impairment test carried out as at 30 June 2022);
- Net working capital of €8,378 thousand;
- Cash and cash equivalents of €11,244 thousand (€8,548 thousand as at 31 December 2021). The increase compared to 31 December 2021 mainly refers to the impact of exchange rates (approximately €4 million);
- Intra-group financial payables of €1,309 thousand.

In the extreme case of loss of control of the two Russian companies (OOO SEST LU-VE and OOO LU-VE Moscow) due to events beyond the Group's control, in addition to the already quantified effects on sales and net invested capital, the Group would be obliged to reverse onto the income statement the positive translation reserve relating to the two companies preparing their Financial Statements with functional currency in roubles equal to approximately €6.1 million as at 30 June 2022. The intra-group receivables of the other Group companies from the two Russian subsidiaries amounted to €2.3 million as at 30 June 2022. As at 30 June 2022, no Group company had guaranteed the debts of the two Russian companies towards third parties.

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

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

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

2.3 NEW ACCOUNTING STANDARDS

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

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

On 14 May 2020 IASB published the following amendments:

o 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.

o 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.

o Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: the amendment clarifies that all costs directly referable to a contract must be taken into account in the estimate of the possible cost of that contract. In consequence, the evaluation of the possible cost of a contract includes not only incremental costs (such as, for example, the cost of materials directly used in processing) but also the costs that the company cannot avoid because it has stipulated the contract (such as, for example, the portion of depreciation of machinery used to fulfil the contract).

o Annual Improvements 2018-2020: the amendments have been made to IFRS 1 First-time Adoption of International Financial Reporting Standards, to IFRS 9 Financial Instruments, to IAS 41 Agriculture and to the Illustrative Examples of IFRS 16 Leases.

The adoption of these amendments had no effects on the Group's consolidated financial statements.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, FOR WHICH APPLICATION IS NOT YET REQUIRED AND NOT ADOPTED EARLY BY THE GROUP AS AT 30 JUNE 2022

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

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

At the date of this document, the competent bodies of the European Union have not yet completed the approval process required for the adoption of the amendments and standards described below.

- On 23 January 2020 IASB published an amendment called "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". The document has the objective of clarifying how to classify debts and other short or long-term liabilities. The amendments apply as at 1 January 2023, but early application is permitted. The directors do not expect the adoption of this amendment to have a significant effect on the Group's consolidated Financial Statements.

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

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

3.1 GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets *(in thousands of Euro)*	**Goodwill**	**Other intangible assets**	**Total**
Historical			
As at 31 December 2020	**67,878**	**84,479**	**152,357**
Increases	-	4,636	4,636
Decreases	-	-	-
Reclassifications	-	-	-
Exchange differences	24	132	156
As at 31 December 2021	**67,902**	**89,247**	**157,149**
Contribution of the Refrion Group	**13,164**	**1,428**	**14,592**
Increases	-	1,911	1,911
Decreases	-	(4,012)	(4,012)
Reclassifications	-	-	-
Exchange differences	665	155	820
As at 30 June 2022	**81,731**	**88,729**	**170,460**
Provision			
As at 31 December 2020	**12,915**	**44,715**	**57,630**
Increases	-	8,946	8,946
Decreases	-	-	-
Reclassifications	-	-	-
Exchange differences	-	56	56
As at 31 December 2021	**12,915**	**53,717**	**66,632**
Increases	-	4,159	4,159
Decreases	-	(3,269)	(3,269)
Reclassifications	-	-	-
Exchange differences	-	137	137
As at 30 June 2022	**12,915**	**54,744**	**67,659**
Net carrying amount			
As at 31 December 2021	**54,987**	**35,530**	**90,517**
As at 30 June 2022	**68,816**	**33,985**	**102,801**

Goodwill

The increase in the item "Goodwill" for €13,829 thousand is attributable to the contribution of the Refrion Group for €13,164 thousand and, for €665 thousand, to the adjustment to the exchange rate delta on goodwill generated in previous financial years by the acquisitions of the Indian company Spirotech Ltd and of the US company Zyklus Heat Transfer Inc.

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

Note that the Group tested the recoverability of the carrying amount of Net Invested Capital (NIC) as at 31 December 2021, 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 had made reference to the 2022-2025 Business Plan approved by the Company's Board of Directors on 24 February 2022. 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 2021.

It should also be noted that, on the basis of the actual data for the first half of 2022 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 half-yearly financial statements as at 30 June 2022, thus substantially confirming the results of the impairment tests as at 31 December 2021.

However, the future trend of various factors, including the evolution of the global health, economic and financial environment, also in light of the protraction of the Russian-Ukrainian conflict, requires the Group management to constantly monitor the circumstances and events that might result in an impairment of the Group's goodwill.

Other intangible assets

The item other intangible assets decreased by €1,545 thousand. The table below summarises the changes in that item in greater detail:

Detail of other intangible assets *(in thousands of Euro)*	**Customer list**	**Trademarks**	**Development costs**	**Development costs in progress**	**Software**	**Other**	**Total**
Historical							
As at 31 December 2020	**20,550**	**23,913**	**16,848**	**2,122**	**20,808**	**238**	**84,479**
Increases	-	-	369	1,397	2,847	23	6
Decreases	-	-	-	-	-	-	-
Reclassifications	-	-	1,027	(1,027)	55	(55)	-
Exchange differences	29	(5)	20	5	73	10	132
As at 31 December 2021	**20,579**	**23,908**	**18,264**	**2,497**	**23,783**	**216**	**89,247**
Contribution of the Refrion group	**-**	**-**	**156**	**628**	**643**	**1**	**1,428**
Increases	-	-	-	622	1,009	273	1,904
Decreases	-	-	(2,760)	(338)	(821)	(93)	(4,012)
Reclassifications	-	-	548	(556)	18	(10)	-
Exchange differences	-	(9)	-	(7)	178	-	162
As at 30 June 2022	**20,579**	**23,899**	**16,208**	**2,846**	**24,810**	**387**	**88,729**
Provision							
As at 31 December 2020	**3,482**	**11,235**	**13,944**	**-**	**15,953**	**101**	**44,715**
Increases	1,374	2,020	1,885	-	3,664	3	8,946
Decreases	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-
Exchange differences	(3)	(3)	7	-	55	-	56
As at 31 December 2021	**4,853**	**13,252**	**15,836**	**-**	**19,672**	**104**	**53,717**
Increases	687	1,001	743	-	1,726	2	4,159
Decreases	-	-	(2,356)	-	(820)	(93)	(3,269)
Reclassifications	-	-	-	-	-	-	-
Exchange differences	-	(10)	(8)	-	156	(1)	137
As at 30 June 2022	**5,540**	**14,243**	**14,215**	**-**	**20,734**	**12**	**54,744**
Net carrying amount							
As at 31 December 2021	**15,726**	**10,656**	**2,428**	**2,497**	**4,111**	**112**	**35,530**
As at 30 June 2022	**15,039**	**9,656**	**1,993**	**2,846**	**4,076**	**375**	**33,985**

Customer list

The change in the half-year in the Customer list 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 €622 thousand referring to projects in progress for new product development. During the period, €548 thousand of projects completed during the six months ended 30 June 2022 were reclassified from “Development costs in progress” to “Development costs”.
The contribution of the Refrion group is approximately €784 thousand, of which €628 thousand refer to “Development costs in progress”. There were no significant increases in the categories *“Development costs” and “Development costs in progress”* by the companies of the Refrion group in the period April-June 2022.

Software

Software increased by €1,009 thousand; the main projects developed in the period refer to the new order approval process, the purchase of new licences for the accounting/management ERP (SAP) system, as well as further developments of the accounting/management ERP (SAP) system and the main software used by the Group.
The contribution of the Refrion group is €643 thousand. There were no significant increases in the *“software”* category by the Refrion group companies in the period April-June 2022.

Other intangible assets

Other intangible assets rose by €273 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.

Cash outflows in the period referring to investments in property, plant and equipment amounted to €1,911 thousand.

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

3.2 PROPERTY, PLANT AND EQUIPMENT

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 2021	98,013	149,656	24,682	36,128	12,481	320,960
Increases	7,687	7,900	4,284	3,681	5,343	28,895
Decreases	(28)	(2,086)	(1,694)	(665)	(209)	(4,682)
Reclassifications	7,039	3,878	-	899	(11,816)	-
Exchange differences	913	2,443	241	315	616	4,528
As at 31 December 2021	113,624	161,791	27,513	40,358	6,415	349,701
Contribution of the Refrion group	775	2,055	1,970	612	1,153	6,565
Increases	224	4,482	1,586	1,508	6,042	13,842
Decreases	-	(1,112)	(1,411)	(1,460)	(11)	(3,994)
Reclassifications	1,392	2,502	-	303	(4,197)	-
Exchange differences	3,544	4,845	185	527	151	9,252
As at 30 June 2022	119,559	174,563	29,843	41,848	9,553	375,366
Provision						
As at 1 January 2021	26,660	101,182	7,058	27,353	-	162,253
Increases	2,576	11,009	4,831	2,778	-	21,194
Decreases	(9)	(2,008)	(1,188)	(583)	-	(3,788)
Reclassifications	-	-	-	-	-	-
Exchange rate difference	369	1,779	74	228	-	2,450
As at 31 December 2021	29,596	111,962	10,775	29,776	-	182,109
Increases	1,424	5,800	2,669	1,580	-	11,473
Decreases	-	(762)	(1,356)	(1,340)	-	(3,458)
Reclassifications	-	-	-	-	-	-
Exchange rate difference	1,129	3,703	61	339	-	5,232
As at 30 June 2022	32,149	120,703	12,149	30,355	-	195,356
Net carrying amount						
As at 31 December 2021	84,028	49,829	16,738	10,582	6,415	167,592
As at 30 June 2022	87,410	53,860	17,694	11,493	9,553	180,010

As at 30 June 2022, increases in property, plant and equipment amounted overall to €20,407 thousand, mainly attributable to:

- €6,565 thousand to the contribution of the Refrion group, as shown in the table. There were no significant increases in property, plant and equipment by the companies of the Refrion group in the period April-June 2022;

- o €4,482 thousand referring to the expansion of the current production capacity, through the purchase of new plant and machinery;
- o €1,586 thousand referring to the recognition of the effects of IFRS 16, of which €730 thousand referring to the increase in leased properties, €437 thousand referring to the increase in leases for the use of leased motor vehicles and €418 thousand referring to the increase in leases for the use of forklifts and other machinery;
- o €7,550 thousand relative to the technological investment programme in Italy and abroad, mainly for the expansion and rationalisation of the production sites of the Group companies Heat Transfer Systems s.r.o. and SEST-LUVE-Polska SP.z.o.o..

Cash outflows in the period referring to investments in property, plant and equipment amounted to €12,502 thousand (the increases referring to IFRS 16 of €1,586 thousand and the net effect with respect to 31 December 2021 of the unpaid investments of €204 thousand are deducted from the total increase of the Group of €13,842 thousand,).

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.

In this regard, it is reported that, given the particular situation of uncertainty in the Russian socio-economic system due to the sanctions resulting from the ongoing war between Russia and Ukraine, and the direct exposure of the Group to the areas affected by the conflict, the management of the LU-VE Group carried out an impairment test aimed at determining that the value of the Net Invested Capital (“NIC”) of the Russian company of the Group, “OOO” SEST LUVE, is recognised in the financial statements as at 30 June 2022 at a value no higher than the recoverable value. In particular, the NIC pertaining to the Russian company recognised in the condensed consolidated half-yearly financial statements as at 30 June 2022 amounts to a total of approximately €21.8 million (1,176,650 thousand roubles), of which approximately €9.2 million (494,570 thousand roubles) relating to property, plant and equipment and the residual value substantially relating to operating working capital.

In particular, in determining the recoverable value, identified in the value in use as the sum of the discounted cash flows (Discounted Cash Flow Unlevered method), the Management referred to the Business Plan of “OOO” SEST LUVE, developed over a finite time horizon (2022-2026), identified as the time period relating to the residual useful life of the Russian company’s property, plant and equipment, therefore not including in the recoverable value neither the terminal value of income flows, nor new investments. The plan reflects the assumption that “OOO” SEST LUVE carries out its business exclusively for Russian customers, without the direct involvement of the LUVE Group companies in the supply chain (the effect of expected inflation over the explicit period of the plan has been included in the cash flows).

For the purposes of determining the recoverable value of the Net Invested Capital, given the situation of extreme uncertainty, the discounting of the cash flows was carried out using a discount rate (WACC) which is considered to take into account the specific risks of the business and reference geo-political context, equal to 30% (referring to the Venture Capital Rates of Return used in practice in contexts of uncertainty). This rate was substantially in line with the break-even WACC.

Based on the impairment test carried out, approved by the Parent Company’s Board of Directors on 7 September 2022, no losses emerged.

The Group carried out a sensitivity analysis relating to the recoverable value of the aforementioned NIC, analysing the effect of a change in the discount rate used to discount the expected cash flows (WACC), determined with the unconditional adjustment method starting from the risk free rate of the United States and adding the impact of the Russian "CDS" differential. The rate thus determined would have been equal to 42% and would have led to the need to proceed with an overall write-down of property, plant and equipment for approximately €3 million.

3.3 EQUITY INVESTMENTS

The details of this item are shown below:

Equity investments *(in thousands of Euro)*	**30/06/2022**	**31/12/2021**	**Change**
Other equity investments	141	8	133
Total	141	8	133

The increase of €133 thousand refers to non-controlling equity investments deriving from the contribution of the Refrion group.

3.4 OTHER NON-CURRENT ASSETS

The details of this item are shown below:

Other non-current assets *(in thousands of Euro)*	**30/06/2022**	**31/12/2021**	**Change**
Other non-current assets	1,676	228	1,448
Total	1,676	228	1,448

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

- €1,384 thousand for the contribution of the Refrion group for receivables due within two years, guaranteed by the previous shareholders of Refrion S.r.l..
- €292 thousand (€228 thousand as at 31 December 2021) in security deposits paid to service providers;

3.5 INVENTORIES

The details of this item are shown below:

Inventories *(in thousands of Euro)*	**30/06/2022**	**31/12/2021**	**Change**
Raw materials and consumables	111,458	81,780	29,678
Work in progress and semi-finished products	14,163	8,796	5,367
Finished products and goods for resale	39,572	28,125	11,447
Provision for inventory losses	(8,564)	(7,624)	(940)
Total	156,629	111,077	45,552

The change amounting to €45,552 thousand was mainly due to the following:

- €6,630 thousand for the inventories of the Refrion group companies (€5,824 thousand as at 31 March 2022);
- €35,026 thousand is linked to the strategic choice of investing, in a significant manner, in the increase of safety stocks of raw materials (without the risk of obsolescence) in order to guarantee customers delivery terms in line with their expectations and, therefore, to be able to take full advantage of the strength of market demand of the whole year;
- €2,286 thousand, a decrease due to the deconsolidation of TECNAIR LV S.p.A., as reported in the note "Introduction" (€3,344 thousand in March 2022);
- €6,182 thousand due to the effect of the positive exchange rate delta in the period.

The cash generation referred to the item "Inventories" is therefore negative by €36,890 thousand.

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 losses for €940 thousand is broken down as follows:

- increase of €712 thousand for greater provisions;
- decrease of €350 thousand due to the decrease in TECNAIR LV S.p.A.;
- negative exchange rate delta effect of €578 thousand.

3.6 TRADE RECEIVABLES

The details of this item are shown below:

Trade Receivables *(in thousands of Euro)*	**30/06/2022**	**31/12/2021**	**Change**
Trade receivables	118,411	84,385	34,026
Bad debt provision	(10,732)	(10,254)	(478)
Total	107,679	74,131	33,548

The increase in trade receivables amounting to €33,548 thousand was due to:

- €7,994 thousand for the receivables of the companies of the Refrion group (€6,424 thousand as at 31 March 2022);
- €28,136 thousand refer to a general increase in sales by other Group companies, also following the higher turnover achieved in the last months of the first half of 2022 (for more details, see the contents of the Half-Year Report on Operations);
- €2,618 thousand, a decrease due to the deconsolidation of TECNAIR LV S.p.A., as reported in the note "Introduction" (€2,931 thousand in March 2022).

The cash generation referred to the item "Trade receivables" is therefore negative by €30,055 thousand.

The increase in the bad debt provision for €478 thousand is due to:

- net decrease of €70 thousand for higher releases;
- decrease of €113 thousand for use of the Provision;
- increase of €661 thousand for the exchange rate delta.

Please refer to the Half-Year Report on Operations for the price and volume effects referring to the turnover.

In addition, in June 2022 receivables of roughly €25,518 thousand were transferred to the Factor, compared to roughly €25,853 thousand as at 31 December 2021. All these transfers were without recourse. The percentage of receivables sold compared to turnover in the last 12 months was 4.4% (5.25% in 2021).

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

Trade receivables include contract assets (invoices to be issued relative to services already rendered by the Group) for an amount of €280 thousand and a reduction in trade receivables for variable compensations (mainly credit notes to be issued for bonuses granted to customers) for €1,680 thousand.

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

Breakdown of trade receivables by geographical area *(in thousands of Euro)*	**30/06/2022**	**31/12/2021**	**Change**
Italy	31,856	17,580	14,276
EU Countries	65,108	48,666	16,442
Non-EU Countries	21,447	18,139	3,308
Bad debt provision	(10,732)	(10,254)	(478)
Total	107,679	74,131	33,548

The ageing of trade receivables is shown below:

Breakdown of trade receivables by maturity *(in thousands of Euro)*	**30/06/2022**	**31/12/2021**	**Change**
Current receivables (not past due)	98,558	67,878	30,680
Past due up to 30 days	8,560	7,593	967
Past due from 30 to 60 days	3,242	2,538	704
Past due from 60 to 90 days	2,169	850	1,319
Past due for more than 90 days	5,882	5,526	356
Total	118,411	84,385	34,026

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

Furthermore, it is reported how the average payment terms were not subject to significant changes compared to 31 December 2021.

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 as at 30 June 2022. 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.

30/06/2022 *(in thousands of Euro)*	**Not past due**	**<30**	**31 - 60**	**61 - 90**	**>90**	**Total**
Expected default rate	2.99%	4.22%	5.1%	16.2%	96.0%	
Estimate of gross accounting value at the time of default	97,211	8,555	3,242	2,169	7,234	118,411
Expected losses throughout the life of the credit	2,911	361	164	352	6,944	10,732

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

3.7 DUE FROM THE TAX AUTHORITIES FOR CURRENT TAXES

The details of this item are shown below:

Due from the tax authorities for current taxes *(in thousands of Euro)*	**30/06/2022**	**31/12/2021**	**Change**
Due from the tax authorities for VAT	7,464	7,512	(48)
Due from the tax authorities for payments on account of direct taxes	2,726	2,981	(255)
Others	215	239	(24)
Total	10,405	10,732	(327)

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)*	**30/06/2022**	**31/12/2021**	**Change**
Capitalisation policies	82,122	81,356	766
Other securities	605	590	15
Fair value of derivatives	5,371	-	5,371
Total	88,098	81,946	6,152

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

- Capitalisation policies issued by Aviva Vita S.p.A. and subscribed by LU-VE S.p.A. for a nominal amount of €54,816, measured at fair value for a value of €59,458 thousand (as at 31 December 2021 the nominal value was of €59,776 thousand, while the fair value was €64,902 thousand) and are the type of policies which allow, after the payment of a lump-sum premium, for an annual capital revaluation based on the return obtained from management (almost exclusively invested in government securities and very highly rated bonds). During the half, no new capitalisation policies were taken out with said institution. The fair value measurement at the end of the half year entailed the recognition of a positive change of €490 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 LU-VE S.p.A. in the previous financial year, for a nominal amount of €15,000 thousand, measured at fair value at €16,730 thousand (as at 31 December 2021, the nominal value was €15,000 thousand, while the fair value was €16,454 thousand); no new capitalisation policies were taken out with this institution during the half-year. The fair value measurement at the reporting date of the half year entailed the recognition of a positive amount of €276 thousand, recognised under the item "Financial income".

The overall change in the fair value of the item "Capitalisation policies" amounts to €766 thousand, recognised in the items "Financial income" or "Financial expense".

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 2022).

The item "Other securities" mainly refers to investments in other insurance policies and certificates which during the half-year caused a negative change in fair value of approximately €48 thousand, recognised in the items "Financial income" or "Financial expense".

The amounts of gains and losses from disinvestment are recognised in the Income Statement in the items "financial income" or "financial expense".

The following table shows the positive fair value on derivatives and the negative fair value on currency options held by the Group as at 30 June 2022:

Derivative financial instruments as at 30/06/2022 *(in thousands of Euro)*		**30/06/2022**		**31/12/2021**		**30/06/2022**	**31/12/2021**
TYPE	**ORIGINAL NOTIONAL**	**NOT. Short**	**NOT. M/L**	**NOT. Short**	**NOT. M/L**	**FAIR VALUE**	**FAIR VALUE**
IRS on loans	331,350	29,485	225,757	73,566	185,755	5,346	(676)
Currency options	5,500	5,592	-	6,100	-	(62)	(100)
Total	**336,850**	**35,077**	**225,757**	**79,666**	**185,755**	**5,284**	**(776)**
Total Notional		**260,834**		**265,422**			

At the end of the first half of 2022, derivative financial instruments on IRSs entered into by Group companies showed a positive fair value of €5,346 thousand, while derivative financial instruments on currencies held by the Group showed a net negative fair value of €62 thousand (€100 thousand as at 31 December 2021). Please refer to Appendix "A" for details as at 30 June 2022 of the derivative financial instruments in place, broken down by type (for more information on the management of these instruments, see the paragraph "Interest rate risk management").

The overall change in the fair value of the aforementioned derivatives amounts to €6,060 thousand and is recognised in the items "Financial income" or "Financial expense".

3.9 OTHER CURRENT ASSETS

The details of this item are shown below:

Other current assets *(in thousands of Euro)*	**30/06/2022**	**31/12/2021**	**Change**
From employees	110	64	46
Advances and other receivables	5,039	3,437	1,602
Total	5,149	3,501	1,648

The change of €1,602 thousand in the item "Advances and other receivables" mainly refers to:

- €574 thousand for the advances and other receivables of the Refrion group companies (€690 thousand as at 31 March 2022);
- €1,028 thousand for the increase in advances and other receivables in other Group companies.

3.10 CASH AND CASH EQUIVALENTS

The details of this item are shown below:

Cash and cash equivalents *(in thousands of Euro)*	**30/06/2022**	**31/12/2021**	**Change**
Cash and cash equivalents	113,564	166,328	(52,764)
Total	113,564	166,328	(52,764)

The decrease of €52,764 thousand is mainly due to the repayment of some loans, the cash absorption deriving from operations and the investments made in the period.

Liquid availabilities are mainly concentrated in Italy for an approximate amount of €85,983 thousand. The Group has no restrictions/constraints on the use of these amounts.

The following table reports the breakdown of cash and cash equivalents by geographical area: cash and cash equivalents in non-EU countries mainly refer to current account balances of accounts in Indian rupees (for a value of approximately €1.5 million), in Russian roubles (roughly €5.6 million), Chinese yuan (approximately €2.1 million) and US dollars (€4.6 million). The cash and cash equivalents in EU countries include current account balances in foreign currency, mainly Swedish krona, for an amount of €1.7 million respectively.

Cash and cash equivalents by geographical areas *(in thousands of Euro)*	**30/06/2022**	**31/12/2021**	**Change**
Italy	85,983	140,187	(54,204)
EU Countries	5,181	6,565	(1,384)
Non-EU Countries	22,400	19,576	2,824
Total	113,564	166,328	(52,764)

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

3.11 SHAREHOLDERS' EQUITY

The share capital of LU-VE S.p.A. amounted to €62,704 thousand (unchanged from 31 December 2021).
In the first half of 2022, dividends of €7,750 thousand were distributed, using retained earnings deriving from the profit for the year of LU-VE S.p.A. as at 31 December 2021.

As at 30 June 2022, LU-VE S.p.A. held 28,027 treasury shares (0.13% of the share capital), acquired in previous years and recognised in the condensed consolidated half-yearly financial statements as an adjustment of shareholders' equity for a total value of roughly €288 thousand (for further details, see the Half-Year Report on Operations). During the period, no treasury shares were sold or purchased.

Shareholders' equity attributable to non-controlling interests amounted to €4,371 thousand (€4,586 thousand as at 31 December 2021). The profit attributable to non-controlling interests in the half-year was €603 thousand (€423 thousand in the same period of 2021). The increase in non-controlling interests is offset by the distribution of dividends for €450 thousand by SEST LU-VE POLSKA Sp.zoo (approved and not distributed during the period), by the sale of Tecnair LV S.p.A. as described in the note "Introduction", and therefore of the relative elimination of the component of non-controlling interests in the consolidation equal to €827 thousand and a CTA (translation reserve) of non-controlling interests for a positive €459 thousand.

The CTA reserve increased by €9,572 thousand compared to 31 December 2021, mainly due to the effects of the following currencies: rouble for a positive €10,384 thousand while the cumulative effect of the other companies amounts to a negative €804 thousand.

For the Russian companies, as reported in the paragraph "Translation into Euro of half-yearly Income Statements and Statements of Financial Positions drafted in foreign currency", the exchange rates indicated by the Russian Central Bank were used. Using the latest available exchange rate of the ECB as at 1 March 2022 of 117.201 roubles per euro, the effect on the CTA would have been negative for €4,845 thousand.

3.12 LOANS

This item was broken down as follows:

Loans *(in thousands of Euro)*	30/06/2022 Current	 Non-current	31/12/2021 Current	 Non-current
Loans	87,475	233,820	131,771	202,844
Advances on export flows in Euro	11,000	-	19,500	-
Other advances on invoices	187	-	-	-
Total	98,662	233,820	151,271	202,844

As at 30 June 2022, bank loans totalled €321,295 thousand (€334,615 thousand as at 31 December 2021) of which €4,178 thousand refer to variable rate loans of the Refrion group.

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". It should be remembered that for floating rate loans, the Group calculated the amortised cost as at 30 June on the basis of the market curve of forward rates at the reporting date.

In relation to certain loan agreements, the LU-VE Group committed to respecting specific financial and economic parameters (covenants), which however, are checked only annually on drawing up the consolidated Financial Statements as at 31 December of each year. In accordance with ESMA Guidelines 2021/32-382-1138, the related Appendix shows the loans outstanding as at 30 June 2022, for which compliance with the equity and economic covenants is required on a consolidated basis, as well as the characteristics of the covenants themselves (€ thousands).

Also note that the Directors of LU-VE S.p.A. conducted an assessment of compliance with the covenants on a consolidated basis as at 31 December 2022, based on the 2022 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 Euro)*	Opening balance	Contribution of the Refrion group	New loans	Repayments	Amortised cost effect (*)	Closing balance
Loans	334,615	4,353	70,000	(89,774)	2,101	321,295
Advances on export flows in Euro	19,500	-	16,000	(24,500)	-	11,000
Other advances on invoices	-	3,847	187	(3,847)	-	187
Total	354,115	8,200	86,187	(118,121)	2,101	332,482

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

The following changes took place in "Loans" in the first half of 2022 (all loans were taken out by LU-

VE S.p.A.):

- contribution of the Refrion group for €4,353 thousand. In the period April-June 2022, approximately €174 thousand of existing loans were repaid. During the period, no new loans were taken out;

- subscription of an unsecured loan for €40,000 thousand with Cassa Depositi e Prestiti with maturity on 5 May 2029. This loan repayable in half-yearly instalments at constant principal is aimed at supporting the financial needs functional to the Group's growth initiatives in Italy and abroad and provides for better conditions for the company if specific objectives for increasing employment in Italy are achieved. The loan is subject to compliance with financial covenants;

- subscription of an unsecured loan for €15,000 thousand with Intesa Sanpaolo S.p.A., maturing on 29 March 2029. The loan, aimed at new projects for the creation of new ranges of items that use natural fluids to reduce the environmental impact, provides for better conditions for the Group if specific sustainability objectives in the context of procurement policies and in the introduction to the company fleet of vehicles with a reduced environmental impact are achieved. The loan is subject to compliance with financial covenants and is covered by a guarantee provided by SACE S.p.A.;

- subscription of an unsecured loan for €15,000 thousand with Intesa Sanpaolo S.p.A. maturing on 31 March 2029 The loan, aimed at new projects for the construction and development of equipment with a reduced environmental impact (biofixation, conversion and other methods for the use and reuse of CO_2 in production processes), provides for better conditions for the Group if specific sustainability objectives in the context of procurement policies and in the introduction to the company fleet of vehicles with a reduced environmental impact are achieved. The loan is subject to compliance with financial covenants and is covered by a guarantee provided by SACE S.p.A.;

- early repayment of the Cassa Depositi e Prestiti unsecured loan for €30,000 thousand taken out on 4 February 2021 and maturing on 3 August 2022.

The total cash flow repaid amounts to €89,774 thousand (€59,774 thousand of repayments of the current instalments of loans in the period and €30,000 thousand of early repayment as previously reported).

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

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.

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

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

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

During the first half of 2022, the following changes occurred in relation to the items "Advances on export flows in Euro" and "Other advances on invoices":

- contribution of the Refrion group for €3,847 thousand. In the period April-June 2022 these advances are fully repaid;

- subscription of advances for cash flows for €16,000 thousand;

- Repayments of short-term lines of credit amounted to €24,500 thousand.

3.13 PROVISIONS

The details of this item are shown below:

Change in provisions *(in thousands of Euro)*	**31/12/2021**	**Prov./incr.**	**Uses**	**Release of excess portion**	**Exchange rate delta**	**30/06/2022**
Provision for agents' leaving indemnities	63	-	-	-	-	63
Product warranty provision	4,701	484	-	-	115	5,300
Other provisions for risks and charges	777	-	-	-	121	898
Total	5,541	484	-	-	236	6,261

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.

The product warranty provision covers the risk of returns or charges from customers for non-conform products already sold. The provision was adjusted in the half year on the basis of the analyses conducted and past experience. The net increase of €484 thousand is broken down into the various production companies of the Group and is based on the best estimates made by the same.

Provisions, which represent the probability of estimated future outflows calculated partly based on historical experience, were subject to actuarial valuation as at 30 June 2022. As the effect was deemed negligible, it was not incorporated in the condensed consolidated half-yearly financial statements.

3.14 EMPLOYEE BENEFITS

Employee benefits amounted to €5,691 thousand, a net decrease of €79 thousand compared to 31 December 2021. The entire amount referred to the provision for employee severance benefits.

The provision for employee severance benefits refers only to the Group's Italian companies and includes substantially the post-employment benefits accrued by personnel employed as at 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 employee severance benefits". The "Provision for employee severance benefits" accrued as at 31 December 2006 remains a "defined benefit plan" with the consequent need to carry out the actuarial calculations, which will however no longer take into account the component relating to future salary increases. For companies with fewer than 50 employees (Manifold S.r.l., Refrion S.r.l. and RMS S.r.l.), in accordance with IAS 19 the provision as at 30 June 2022 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 2022 are shown below:

Employee benefits *(in thousands of Euro)*	**30/06/2022**	**31/12/2021**
Liabilities as at 1 January	5,770	5,573
Contribution of the Refrion Group	1,256	-
Tecnair deconsolidation	(697)	-
Provisions	178	316
Financial expense	17	11
Payments made	(326)	(342)
Actuarial (gains)/losses	(507)	212
Liabilities at the end of the period	5,691	5,770

The adjustment to equity for actuarial gains and losses includes a net actuarial gain of €507 thousand, calculated as follows:

- actuarial loss deriving from the change in the main actuarial assumptions used as at 30 June 2022 with respect to the previous valuation as at 31 December 2021: €77 thousand;

- actuarial gain deriving from the effect of the variation that the financial assumptions have suffered between one valuation and the other: €584 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 linked to IFRS 16, the financial payables for the acquisition of the Refrion group 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)*	**30/06/2022**	**31/12/2021**	**Change**
IFRS 16 financial payables	11,060	10,787	273
Other non-current financial payables	7,884	-	7,884
Total	18,944	10,787	8,157

The item "IFRS 16 financial payables" includes the long-term financial payables of contracts referred to the IFRS 16 accounting standard. As at 30 June 2022, the non-current portion of the IFRS 16 financial payable of the Refrion group is €1,185 thousand (€1,366 thousand as at 31 March 2022).

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

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

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

Other current financial liabilities *(in thousands of Euro)*	**30/06/2022**	**31/12/2021**	**Change**
Fair value of derivatives	87	776	(689)
IFRS 16 financial payables	5,170	4,455	715
Other financial liabilities	400	-	400
Total	5,657	5,231	426

The item “IFRS 16 financial payables” includes the short-term financial payables of contracts referred to the IFRS 16 accounting standard. As at 30 June 2022, the non-current portion of the IFRS 16 financial payable of the Refrion group is €613 thousand (€1,145 thousand as at 31 March 2022).

The item “other current financial liabilities” for €400 thousand refers to the payable relating to dividends to be distributed to minority investors of the SEST-LUVE-Polska SP.zoo group company, already net of €50 thousand of the associated withholding tax.

3.16 TRADE PAYABLES

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

Trade Payables *(in thousands of Euro)*	**30/06/2022**	**31/12/2021**	**Change**
Italy	76,365	59,902	16,463
EU Countries	27,676	18,386	9,290
Non-EU Countries	39,399	36,070	3,329
Total	143,440	114,358	29,082

The increase of €29,082 thousand is due to:

- €8,052 thousand (of which €6,752 thousand in Italy and €1,300 thousand in the Eurozone) for the contribution of the companies linked to the Refrion group (€7,833 thousand as at 31 March 2022);
- €24,059 thousand for other Group companies. The increase in suppliers is mainly linked to the increase in inventories as reported in Note 3.5 Inventories.
- €3,029 thousand in decrease due to the deconsolidation of TECNAIR LV S.p.A., as reported in the note “Introduction” (€3,393 thousand in March 2022).

The cash generation referred to the item “Trade payables” is therefore positive by €24,642 thousand.

The average payment terms have not changed since the previous year. As at 30 June 2022, there were no past-due payables of significant amounts, and the Group had received no payment orders for past-due payables. The increase in suppliers is mainly linked to the increase in inventories as reported in Note 3.5 Inventories.

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

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

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

3.17 TAX PAYABLES

The details of this item are shown below:

Tax payables *(in thousands of Euro)*	**30/06/2022**	**31/12/2021**	**Change**
Due to the tax authorities for income taxes	5,476	928	4,548
Tax withholdings	1,660	1,634	26
Other tax payables	2,792	524	2,268
Total	9,928	3,086	6,842

The item "Tax payables" recorded an increase of approximately €6,842 thousand due to:

- €4,548 thousand for the increase in the payable to the tax authorities for income taxes on the results for the period;
- €2,268 thousand for the increase in VAT payable mainly due to the timing effect of the sales of significant projects;
- €26 thousand for other withholding taxes.

3.18 OTHER CURRENT LIABILITIES

The details of this item are shown below:

Other current liabilities *(in thousands of Euro)*	**30/06/2022**	**31/12/2021**	**Change**
To personnel	17,772	14,994	2,778
To social security institutions	6,118	6,754	(636)
To Directors and Statutory Auditors	2,141	2,258	(117)
Other current payables	4,568	3,681	887
Total	30,599	27,687	2,912

The €2,912 thousand increase in the item "Other current liabilities" is due to:

- €1,957 thousand for the contribution of the companies linked to the Refrion group (€1,882 thousand as at 31 March 2022);
- €955 thousand for other Group companies. This rise is primarily 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)*	**30/06/2022**	**31/12/2021**	**Change**
Deferred tax assets	7,919	6,509	1,410
Deferred tax liabilities	(14,216)	(13,909)	(307)
Net position	(6,297)	(7,400)	1,103

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 Euro)*	**TAX LOSSES**	**DEPRECIATION/AMORTISATION**	**MERGERS/ACQUISITIONS GROSS UP**	**ACTUARIAL VALUATION OF POST-EMPLOYMENT BENEFITS**	**PROVISIONS AND VALUE ADJUSTMENTS**	**OTHER DIFFERENCES**	**TOTAL**
01.01.2021	(119)	2,584	11,829	(193)	(3,816)	(3,649)	6,636
In Income Statement	(17)	(219)	(407)	-	(995)	1,641	3
In shareholders' equity	-	-	-	35	-	-	35
Reclassifications	-	-	-	-	(413)	413	-
Exchange rate delta	-	22	-	-	(22)	(9)	(9)
30.06.2021	(136)	2,387	11,422	(158)	(5,246)	(1,604)	6,665
31/12/2021	(145)	1,981	11,257	(214)	(5,103)	(376)	7,400
Refrion contribution	(528)	10	-	(35)	-	-	(553)
Tecnair sale	-	(12)	-	41	125	30	184
In Income Statement	-	(12)	(415)	10	(588)	314	(691)
In shareholders' equity	-	-	-	158	-	-	158
Reclassifications	-	(98)	-	-	98	-	-
Exchange rate delta	3	86	-	-	(278)	(12)	(201)
30.06.2022	(670)	1,955	10,842	(40)	(5,746)	(44)	6,297

As at 30 June 2022, deferred tax assets referred to:

- tax losses that may be carried forward relating to some subsidiaries in previous years;
- the deferred tax impact of the actuarial valuation of the post-employment benefits of Italian companies following the application of IAS 19;
- tax differences on increases in the provisions of Group companies;
- other tax differences, regarding net temporary recoveries such as unpaid remuneration and exchange differences. The timing differences on the sale of some assets in Poland which took place in 2020 have been reclassified in differences on amortisation/depreciation.

As at 30 June 2022, deferred tax liabilities referred to:

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

- the 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 "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 the Group's companies, 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 consolidated half-yearly financial statements as at 30 June 2022, the taxable income derived from the 2022-2025 Business Plan of the individual Group companies was taken into consideration by extrapolating the expected taxable income for subsequent years from the latter, as confirmed by the actual performance for the first half of 2022 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, also in light of the protraction of the Russian-Ukrainian conflict, requires that circumstances and events that could lead to the non-recoverability of deferred tax assets recognised by the Group are constantly monitored by the Group's management.

3.20 NET FINANCIAL POSITION

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

Net financial position *(in thousands of Euro)*	**30/06/2022**	**31/12/2021**	**Change**
A. Cash and cash equivalents (Note 3.10)	113,564	166,328	(52,764)
B. Cash and cash equivalents (Note 3.8 and 3.10)	-	-	-
C. Current financial assets (Note 3.8)	88,098	81,946	6,152
D. Total Liquidity (A+B+C)	201,662	248,274	(46,612)
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt (Note 3.12 and 3.15) (*)	16,657	24,731	(8,074)
F. Current portion of non-current financial debt (Note 3.12)	87,662	131,771	(44,109)
G. Current financial debt (E+F)	104,319	156,502	(52,183)
H. Net current financial debt (G-D)	(97,343)	(91,772)	(5,571)
I. Non-current financial debt (excluding current portion and debt instruments) (Note 3.12) (**)	252,764	213,631	39,133
J. Debt instruments	-	-	-
K. Trade payables and other non-current payables	-	-	-
L. Non-current financial debt (I+J+K)	252,764	213,631	39,133
M. Net financial debt (H+L)	155,421	121,859	33,562

(*) The item "Current financial debt" as at 30 June 2022 includes the payable, net of withholding taxes, of €400 thousand referring to dividends approved to the minority shareholders of the Polish subsidiary, not paid during the period. (**) The item "Non-current financial debt" as at 30 June 2022 includes the estimated value with reference to the valuation of the put & call option (€6,500 thousand) referring to the purchase of the remaining 25% of the Refrion group, and the relative part of the deferred price (€1,385 thousand) referring to 75% of the Refrion group already acquired.

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 2022, sales revenues amounted to €317,427 thousand, an increase of €90,268 thousand or 40% compared to the same period of last year.

Revenues by product family:

Revenues by product *(in thousands of Euro)*	**H1 2022**	**%**	**H1 2021**	**%**	**Change**	**% Change**
Heat exchangers	166,334	52.4%	114,681	50.5%	51,653	45%
Air Cooled Equipment	114,893	36.2%	86,444	38.1%	28,449	33%
Doors	11,087	3.5%	8,066	3.6%	3,021	37%
Close Control/Data Centre	18,901	6.0%	15,338	6.8%	3,563	23%
Sub-total	**311,215**	**98.0%**	**224,529**	**98.8%**	**86,686**	**39%**
Other	6,212	2.0%	2,630	1.2%	3,582	136%
TOTAL	317,427	100.0%	227,159	100.0%	90,268	40%

Revenues by geographical area:

Revenues by geographical area *(in thousands of Euro)*	**H1 2022**	**%**	**H1 2021**	**%**	**Change**	**% Change**
Italy	63,692	20%	45,460	20%	18,232	40%
Germany	25,876	8%	14,433	6%	11,443	79%
Finland	22,358	7%	7,320	3%	15,038	205%
Czech Republic	21,372	7%	16,019	7%	5,353	33%
France	20,764	7%	21,462	9%	(698)	(3%)
Poland	19,697	6%	14,797	7%	4,900	33%
Austria	13,605	4%	9,732	4%	3,873	40%
USA	13,293	4%	7,109	3%	6,184	87%
Russia	11,580	4%	14,397	6%	(2,817)	(20%)
Sweden	10,869	3%	10,051	4%	818	8%
Spain	8,874	3%	6,460	3%	2,414	37%
China	6,376	2%	5,168	2%	1,208	23%
India	4,631	1%	3,649	2%	982	27%
Other countries	74,440	23%	51,102	22%	23,338	46%
TOTAL	317,427	100%	227,159	100%	90,268	40%

Please refer to the Half-Year Report on Operations for detailed comments on trends in the reference markets during the first half of 2022.

The value of compensation for transactions with unfulfilled (or not fully fulfilled by the Group and therefore not included in the revenue for the half-year) performance obligations at the end of the year amounted to €366 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, as reported above, significant values relating to performance obligations not satisfied at the end of the period.

4.2 OTHER REVENUES

Other Revenues *(in thousands of Euro)*	**H1 2022**	**H1 2021**	**Change**
Other income	960	480	480
Total	960	480	480

"Other revenues" refers to €402 thousand for export incentives of the subsidiary Spirotech, €132 thousand for other revenues of the Refrion Group and €426 thousand for other revenues of other Group companies.

4.3 PURCHASES OF MATERIALS

Purchases of materials *(in thousands of Euro)*	**H1 2022**	**H1 2021**	**Change**
Raw materials and purchased components	199,544	135,970	63,574
Consumables	7,494	5,660	1,834
Total	207,038	141,630	65,408

Please refer to the Half-Year Report on Operations for detailed comments on costs and consumption during the period.

4.4 COSTS FOR SERVICES

Costs for services *(in thousands of Euro)*	**H1 2022**	**H1 2021**	**Change**
Expenses for energy, telephone and telex	5,570	3,362	2,208
General and advisory expenses	9,579	6,927	2,652
Advertising and promotional expenses	1,138	254	884
Transport expenses	10,007	6,920	3,087
Maintenance expenses	3,014	2,530	484
External processing	4,292	3,063	1,229
Commissions	575	379	196
Remuneration to the corporate bodies	2,067	1,906	161
Costs for use of third-party assets	976	715	261
Other costs for services	3,945	3,319	626
Total	**41,163**	**29,375**	**11,788**

The increase of €11,788 thousand is mainly due to:

- the increase of €3,087 thousand in transport costs due to an increase in purchases and a general rise in prices for these services;
- the increase of €3,921 thousand in services relating to production (electricity, maintenance, external services);
- the increase of €692 thousand in costs for consultancy relating to the acquisition of the Refrion group (incurred by LUVE S.p.A.) and for €1,960 thousand to other Group companies;
- the increase of €2,128 thousand in costs for other services.

4.5 PERSONNEL COSTS

Personnel costs *(in thousands of Euro)*	**H1 2022**	**H1 2021**	**Change**
Wages and salaries	49,708	41,918	7,790
Social security costs	11,849	10,590	1,259
Post-employment benefits	1,330	1,304	26
Other personnel costs	(44)	(590)	546
Total	**62,843**	**53,222**	**9,621**

The average number of Group employees was 4,339 in the first half of 2022. As at 30 June 2022, the number of Group employees came to 4,386 (3,367 blue-collar workers, 987 white-collar workers and middle managers, 32 executives), compared to 3,872 as at 30 June 2021. The average increase during the period was 119 employees due to the acquisition of the Refrion Group. As at 30 June 2022, the number of employees of the Refrion group was 121 staff members (72 blue-collar workers, 49 white-collar workers and middle managers).

As at 30 June 2022, the number of temporary employees was 1,648 (871 in the first half of 2021) of which 21 refer to the contribution of the Refrion group.

Personnel costs increased by €9,621 thousand, mainly due to the increase in production compared to the first half of 2021 and the usual wage trend.

4.6 NET WRITE-DOWNS OF FINANCIAL ASSETS

Net write-downs of financial assets *(in thousands of Euro)*	**H1 2022**	**H1 2021**	**Change**
Provisions for impairment to trade receivables	(70)	335	(405)
Total	(70)	335	(405)

The item write-downs includes the net allocations made during 2022 in accordance with the application of the IFRS 9 standard, reflecting the estimate of the potential forward-looking impacts of the global macroeconomic situation on the possible deterioration of customers' creditworthiness, of the countries in which operate and on their ability to meet their obligations.

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

4.7 OTHER OPERATING COSTS

Other operating costs *(in thousands of Euro)*	**H1 2022**	**H1 2021**	**Change**
Non-income taxes	876	548	328
Provisions for risks	486	177	309
Other operating costs	821	661	160
Total	2,183	1,386	797

Non-income taxes include mainly taxes on owned property and stamp duty on insurance policies and certificates.

With reference to the provision for risks, please refer to Note "3.13 - Provisions".

4.8 FINANCIAL INCOME

Financial income *(in thousands of Euro)*	**H1 2022**	**H1 2021**	**Change**
Interest income	174	176	(2)
Other financial income	6,889	2,077	4,812
Total	7,063	2,253	4,810

Details of "other financial income" are as follows:

- €6,060 thousand refer to the changes in fair value of the derivatives (please refer to Note "3.8 - Current financial assets");
- €766 thousand refer to the fair value of the capitalisation policies (please refer to Note "3.8 - Current financial assets");
- €63 thousand relates to other financial income.

Of the total financial income of €7,063 thousand, €237 thousand are collected (the difference of €6,826 refers entirely to the fair value deltas of derivatives as shown in the previous lines).

4.9 FINANCIAL EXPENSE

Financial expense *(in thousands of Euro)*	**H1 2022**	**H1 2021**	**Change**
Interest expense to banks	2,824	809	2,015
Other financial expense	836	1,594	(758)
Total	3,660	2,403	1,257

"Interest expense to banks" increased by €2,015 thousand mainly due to the effect of applying the amortised cost method to existing loans as reported in Note "12 - Loans".

Details of "Other financial expense" are as follows:

- €511 thousand refer to interest accrued on derivative financial instruments underlying existing loans of LU.VE. S.p.A.;
- €275 thousand refer to other interest and financial expense;
- €48 thousand refer to the negative fair value on certificates and other capitalisation policies (please refer to Note "3.8 - Current financial assets").

Of the total financial expense of €3,660 thousand, €1,441 thousand was paid (the difference of €2,219 mainly refers to the amount of the effect of the amortised cost on loans of €2,101 thousand as reported in the previous lines).

4.10 EXCHANGE GAINS AND LOSSES

During the first half of 2022, the Group recorded net exchange gains for approximately €765 thousand, of which the realised portion amounted to a negative €912 thousand, while the unrealised portion amounted to a positive €1,676 thousand (in the same period of 2021, net exchange gains of €336 thousand were recorded, mainly due to the impact on the Russian Rouble and the US Dollar).

4.11 GAINS AND LOSSES FROM EQUITY INVESTMENTS

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

4.12 INCOME TAXES

Income taxes *(in thousands of Euro)*	**H1 2022**	**H1 2021**	**Change**
Current taxes	7,685	2,607	5,078
Deferred tax liabilities	(692)	9	(701)
Adjustment previous year	(202)	(46)	(156)
Total	6,791	2,570	4,221

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.

The increase in current taxes is mainly linked to the higher positive results of the period.

The taxes paid in the period amounted to €4,866 thousand.

During the first half, the Italian Revenue Agency accessed the company to conduct a general tax audit with reference to the 2016, 2017, 2018 and 2019 tax periods of the Parent Company LU-VE S.p.A.. The audit is still in progress.

4.13 EARNINGS PER SHARE

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

Basic and diluted profit calculation *(in thousands of Euro)*	**H1 2022**	**H1 2021**
EARNINGS *(in thousands of Euro)*		
Net profit for the period	32,691	9,293
NUMBER OF SHARES		
Average weighted number of ordinary shares for the calculation of basic earnings per share	22,206,341	22,206,341
Dilution effect deriving from potential ordinary shares	-	-
Average weighted number of ordinary shares for the calculation of diluted earnings per share	22,206,341	22,206,341

EARNINGS PER SHARE *(in Euros)*	H1 2022	H1 2021
Basic earnings per share	1.47	0.42
Diluted earnings per share	1.47	0.42

4.14 DIVIDENDS

In May 2022, dividends totalling €7,750 thousand were distributed by LU-VE S.p.A., corresponding to the distribution of a gross dividend of €0.35 (zero/35) for each of the 22,206,341 shares outstanding, net of treasury shares.

In addition, €450 thousand were approved for the minority shareholders of the Polish subsidiary, not paid in the period (payment is expected in the second half of 2022).

4.15 SEGMENT REPORTING

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

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

- *Cooling Systems* SBU, which includes the Refrion Group, consists of air cooled equipment and close control air conditioners;
- *Components* SBU, which includes heat exchangers and special glass doors for refrigerated counters and display cabinets.

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

Revenues by SBU *(in thousands of Euro)*	H1 2022	%	H1 2021	%	Change	% Change
Air Cooled Equipment	114,893	36.9%	86,444	38.5%	28,449	32.9%
Close Control	11,719	3.8%	12,923	5.8%	(1,204)	-9.3%
SBU COOLING SYSTEMS	**126,612**	**40.7%**	**99,366**	**44.3%**	**27,246**	**27.4%**
Heat exchangers	166,334	53.4%	114,681	51.1%	51,653	45.0%
Doors	11,087	3.6%	8,066	3.6%	3,021	37.4%
Close Control	7,182	2.3%	2,415	1.1%	4,767	197.4%
SBU COMPONENTS	184,603	59.3%	125,163	55.7%	59,440	47.5%
TOTAL PRODUCT TURNOVER	311,215	100.0%	224,529	100.0%	86,686	38.6%

The information broken down by SBU as at 30 June 2022 and 30 June 2021 is provided in the following table:

Segment (in thousands of Euro)	H1 2022				H1 2021			
	Components	Cooling Systems	Unallocated costs	Total	Components	Cooling Systems	Unallocated costs	Total
REVENUES	184,603	126,612	-	**311,215**	125,150	99,379	-	**224,529**
EBITDA	29,007	13,113	-	**42,120**	16,449	10,185	-	**26,634**

4.16 INFORMATION ON FINANCIAL RISKS

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

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

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

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

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

One of the LU-VE Group's policies is to protect its exposure to fluctuations in prices, exchange rates and interest rates using derivative financial instruments. This hedging may be achieved using forward contracts, options and interest rate swaps.

Please note that all derivative instruments were subscribed for the purposes of hedging the underlying risks. However, at the date of presentation of these Financial Statements, not all requirements of IFRS 9 for the application of hedge accounting 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 instruments whose book value approximates their fair value); and
- Hierarchy of fair value levels for financial assets and liabilities whose fair value is reported.

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

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

Assets and Liabilities measured at fair value as at 30/06/2022 *(in thousands of Euro)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Other financial assets				
Current financial assets	-	82,727	-	82,727
Derivatives		5,371		5,371
Other financial liabilities:				
Derivatives	-	(87)	-	(87)
Other non-current financial payables			(6,500)	(6,500)
Total	-	88,011	(6,500)	81,511

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)*	**30/06/2022**	**31/12/2021**
<u>Financial assets:</u>		
<u>*Amortised cost:*</u>		
Cash and cash equivalents	113,564	166,328
Trade receivables	107,679	74,131
Non-current financial assets	-	-
<u>*Fair Value:*</u>		
Trading derivatives	5,371	-
Current financial assets	88,098	81,946
<u>Financial liabilities:</u>		
<u>*Amortised cost:*</u>		
Loans	(332,482)	(334,615)
Trade payables	(143,440)	(114,358)
IFRS 16 financial payables	(16,230)	(15,242)
Other non-current financial payables	(1,384)	-
<u>*Fair Value:*</u>		
Trading derivatives	(87)	(776)
Payment for the acquisition of the “Al Air” division	-	(800)
Other non-current financial payables - for the purchase of the Refrion Group	(6,500)	-

Credit risk management

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

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

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

Exchange rate risk management

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

(i) First of all, the LU-VE Group is exposed to “translation” exchange rate risk.

Indeed, the Group prepares its consolidated Financial Statements in euro, while it holds controlling interests in companies that prepare their Financial Statements in currencies other than the euro

(Russian rouble, Polish zloty, US dollar, Indian rupee, Czech koruna, Swedish krona, Chinese yuan renminbi, UAE dirham, Australian dollar and HK dollar). The Group is therefore exposed to the risk that fluctuations in the exchange rates used to translate the values in subsidiary Financial Statements originally expressed in foreign currency may significantly influence the Group's results as well as the consolidated net financial debt and consolidated shareholders' equity. The main exposures are monitored, but hedging translation exchange rate risk is not part of the Group's current policies.

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

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

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

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

On some currencies (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. As at 30 June 2022, the coverage of these risks represented 79.9% of the residual loans in place.

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

Raw material price risk management

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

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

To manage these risks, the LU-VE Group constantly monitors the availability of raw materials in the market as well as the relative price trends (also taking into consideration USD currency fluctuations with respect to the euro), in order to promptly identify any shortfalls in the availability of raw materials and take suitable actions to guarantee the required production autonomy, and also to keep its production activities competitive with regard to this aspect as well. Analyses are constantly carried out to identify alternatives to strategic suppliers to reduce the relative dependence on them and also of geographical diversification activities both with the aim to reduce purchase costs with comparable quality and to avoid excessive geographical dependence on some areas in the world. In particular, with regard to the main purchased raw material – copper – the LU-VE Group has dealt for several years, for the most part in terms of 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.

The first half of 2022 was confirmed as an extremely complex year on the supply chain front, due to the increases in the prices (with some signs of receding from the highs recorded only in the last part of the half) of raw materials, components, logistics services and energy and methane, but also due to the constant need to face and monitor shortage risks in the availability of critical materials and components for the correct supply of production processes. From the point of view of cost increases, the “pass through” systems used by the LU-VE Group have made it possible to transfer the increases to end customers, allowing it to safeguard margins.

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

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 2022, the Group has short-term lines of credit totalling roughly €56.9 million, of which the used amount is €24.6 million. In addition, to minimise liquidity risk the Administration and Financial Department:

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

An analysis of financial liabilities as at 30 June 2022 is provided below by maturity:

Analysis of financial liabilities by maturity as at 30 June 2022 *(in thousands of Euro)*	**Carrying amount**	**Contractual cash flows**	**Within 1 year**	**From 1 to 5 years**	**More than 5 years**
Bank loans	321,295	319,344	86,045	206,276	27,022
Advances on export flows in Euro	11,000	11,000	11,000	-	-
IFRS 16 financial payables (*)	(16,230)	(16,230)	5,170	11,060	-
Financial liabilities	**316,065**	**314,114**	**102,215**	**217,336**	**27,022**
Trade payables	143,440	143,440	143,440	-	-
Total	**459,505**	**457,554**	**245,655**	**217,336**	**27,022**

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

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

Capital risk management

The 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 non-controlling interests, as described in Note 3.11).

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

Related party transactions

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

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

The table below shows the economic and financial transactions carried out by Group Companies with related parties in the first half of 2022:

Related Companies *(in thousands of Euro)*	**Trade receivables**	**Trade payables**	**Financial receivables**	**Financial payables**	**Trade revenues**	**Trade costs**	**Financial revenues**	**Financial costs**
VITALE ZANE & CO SRL	-	(10)	-	-	-	(20)	-	-
Finami SRL	-	(23)	-	-	-	(138)	-	-
Limmo S.r.l	-	(10)	-	-	-	(14)	-	-
Mauro Cerana	-	(10)	-	-	-	(13)	-	-
ARCA SAS DI CERANA MANUELA & C.	-	(4)	-	-	-	(4)	-	-
Marco Aurelio Tanci	-	-	-	-	-	(7)	-	-
Total	-	(57)	-	-	-	(196)	-	-

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

4.17 SHARE-BASED PAYMENTS

As at 30 June 2022, 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)*	**30/06/2022**	**31/12/2021**	**Change**
Sureties	1,735	1,873	(138)
Total	1,735	1,873	(138)

As at 30 June 2022, there are no guarantees granted by Group companies to obtain medium/long-term bank loans.

As at 30 June 2022, the details of the sureties given by the Group are as follows:

Sureties as at 30/06/2022 *(in thousands of Euro)*	**30/06/2022**	**31/12/2021**	**Change**
Sureties to banks with respect to customers/suppliers	1,035	997	38
Sureties to banks with respect to customers of our subsidiaries	475	651	(176)
Insurance sureties	225	225	-
Total	1,735	1,873	(138)

Lastly, it is noted that as at 30 June 2022 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	% investment	Currency	Share capital	Shareholders' Equity as at 30/06/2022	Profit (loss) for the period
Direct subsidiaries:						
SEST S.p.A.	Limana (BL)	100.00%	EUR	1,000,000	36,577,524	11,574,623
Heat Transfer Systems s.r.o. (HTS)	Novosedly (Czech Rep.)	100.00%	CZK	133,300,000	455,334,773	98,911,434
LU-VE Sweden AB	Asarum (Sweden)	100.00%	SEK	50,000	1,264,559	7,386,311
LU-VE France S.a.r.l.	Lyon (France)	100.00%	EUR	84,150	1,820,286	98,655
LU-VE Pacific Pty Ltd	Thomastown (Australia)	75.50%	AUD	200,000	2,170	0
LU-VE Deutschland GmbH	Stuttgart (Germany)	100.00%	EUR	230,000	(1,623,189)	(279,503)
LU-VE Iberica S.L.	Madrid (Spain)	85.00%	EUR	180,063	(139,075)	90,969
LU-VE Asia Pacific Limited	Wan Chai (Hong Kong)	100.00%	HKD	10,000	(27,398,001)	4,647,537
LuveDigital S.r.l.	Uboldo (VA)	50.00%	EUR	10,000	37,024	4,043
MANIFOLD S.r.l.	Uboldo (VA)	99.00%	EUR	10,000	(85,788)	(51,470)
SPIROTECH Heat Exchangers Pvt. Ltd	Ghaziabad, Uttar Pradesh (India)	100.00%	INR	25,729,600	3,198,892,327	143,550,921
LU-VE AUSTRIA GmbH	Vienna (Austria)	100.00%	EUR	17,500	177,878	15,072
Zyklus Heat Transfer Inc	Jacksonville (USA, Texas)	100.00%	USD	1,000	(5,960,854)	(1,062,447)
Air Hex Alonte S.r.l.	Uboldo (VA)	100.00%	EUR	2,010,000	13,995,984	(403,981)
Fincoil LU-VE OY	Vantaa (Finland)	100.00%	EUR	1,190,000	6,468,420	1,598,752
LU-VE Netherlands B.V.	Breda (Netherlands)	100.00%	EUR	10,000	(611,479)	(40,681)
«OOO» LU-VE Moscow	Moscow (Russia)	100.00%	RUB	100,000	837,381	(8,164,401)
LU VE Middle East DMCC	Dubai (UAE)	100.00%	AED	50,000	109,703	(63,172)
LU-VE SOUTH KOREA Llc	Seoul (South Korea)	100.00%	KRW	100,000,000	161,647,834	51,523,868
Refrion S.r.l.	Flumignano di Talmassons (UD)	75.00%	EUR	1,000,000	2,381,845	(228,645)
Indirect subsidiaries:						
SEST-LUVE-Polska SP.z.o.o. (95% owned by SEST S.p.A.)	Gliwice (Poland)	95.00%	PLN	16,000,000	280,757,560	53,238,950
«OOO» SEST LU-VE (95% owned by SEST S.p.A.)	Lipetsk (Russia)	95.00%	RUB	136,000,000	1,516,807,146	20,681,540
LU-VE HEAT EXCHANGERS (Tianmen) Co, Ltd (52.58% owned by LU-VE Asia Pacific Limited and 47.42% owned by LU-VE SpA)	Tianmen (China)	100.00%	CNY	61,025,411	47,260,551	4,564,038
Thermo Glass Door S.p.A. (100% owned by SEST S.p.A.)	Travacò Siccomario (PV)	100.00%	EUR	100,000	814,482	(342,446)
RMS S.r.l. (100% owned by Refrion S.r.l.)	Flumignano di Talmassons (UD)	75.00%	EUR	40,000	868,082	66,212
Refrion Deutschland GmbH (100% owned by Refrion S.r.l.)	Frankfurt am Main (Germany)	75.00%	EUR	150,000	(297,064)	(30,176)

6 SIGNIFICANT NON-RECURRING TRANSACTIONS

During the first half of 2022, no significant non-recurring transactions were carried out.

7 TRANSACTIONS DERIVING FROM ATYPICAL AND/OR UNUSUAL TRANSACTIONS

Pursuant to Consob communication of 28 July 2006, please note that in the course of the first half of 2022, 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 2022

The consolidated turnover of products alone at the end of August reached €401.9 million, with growth of 32.7% compared to the same period of the previous year. The order backlog states a value of €199.7 million, with a 25.4% increase compared to August 2021 (-0.5% compared to the end of June).

The start of the second half showed signs of slowdown in the acquisition of orders in some application segments, due to the uncertainty linked to geopolitical themes, to inflation and to the macroeconomic scenario, in addition to supply difficulties, especially concerning electronic components.

The purchase costs of the main raw materials recorded a retracement with respect to the peak values, in relation to the well-known trend in electricity and gas tariffs. The usual strategies adopted to transfer changes in costs to sales prices lead us to believe that the object of defending the average profit margins in the second half of the year can be achieved.

The diversification of sources of supply, the production flexibility achieved, and the use of higher safety stocks, have made it possible to mitigate the impact on production capacity due to a shortage of raw materials, and particularly electronic components (which are used in roughly a quarter of the Group's turnover). Despite all the extraordinary initiatives put in place, it is believed that the tension on these components is destined to last for the whole of 2022 and for a sizeable part of 2023.

The Group is closely monitoring developments in the crisis between Russia and Ukraine. The significant geographical diversification of sales means that as at 30 June 2022, the Group's exposure in this area is around 4% in terms of turnover and roughly 5% in terms of net invested capital. As at 31 August 2022, the exposure in terms of order backlog was approximately 3.6%.

On 3 August 2022, the purchase of the Italia Wanbao ACC S.r.l. business unit was finalised (for a value of €70 thousand). The reconversion and adaptation of the production site was already launched in August. SEST S.p.A. has also reached an agreement with the owners of the production site for the purchase of the industrial site in Mel where the business unit is based and which is currently leased. The definitive contract is expected to be signed by the end of the year.

In July 2022, the following loans were also signed (for a total of €80 million):

- an unsecured loan agreement with Banca Nazionale di Lavoro for €40 million with a duration of 60 months, repayable in half-yearly instalments at constant principal;
- an unsecured loan agreement with BPER for €25 million with a duration of 60 months (of which 12 months in the grace period), repayable in quarterly instalments at constant principal;
- an unsecured loan agreement with Intesa Sanpaolo for €15 million with a duration of 60 months (of which 12 in the grace period), repayable in quarterly instalments at constant principal.

Furthermore, in July, capitalisation policies amounting to €20 million were taken out with Aviva to integrate the existing ones.

All of the most relevant variables will be closely monitored in order to avoid the emergence of any significant problems; nevertheless, the scenario appears to be characterised by a high level of uncertainty, and therefore making accurate forecasts on order trends and commercial, economic and financial results is complicated. Nevertheless, the mega reference trends on which the Group has based and continues to base its growth capacity continue to be confirmed (if not accelerated), (in particular the transition to natural refrigerants and energy savings).

Uboldo, 7 September 2022

CEO

Matteo Liberali

9 APPENDIX A

IRS on loans (in thousands of Euro)

DEBTOR COMPANY	COUNTERPARTY	TAKEN OUT	MATURITY	ORIGINAL NOTIONAL	30/06/2022 NOT. Short	NOT. M/L	30/06/2022 FAIR VALUE
LU-VE S.P.A.	Unicredit S.p.A.	30/01/2018	31/03/2023	18,750	1,875	1,875	8
LU-VE S.P.A.	Intesa San Paolo S.p.A.	28/11/2018	28/06/2024	12,500	1,250	3,750	47
LU-VE S.P.A.	Intesa San Paolo S.p.A.	28/11/2018	28/06/2024	12,500	1,250	3,750	47
LU-VE S.P.A.	Banca Nazionale del Lavoro S.p.A.	20/12/2018	24/09/2024	10,000	1,000	4,000	46
LU-VE S.P.A.	Banca Nazionale del Lavoro S.p.A.	20/12/2018	20/12/2023	10,000	556	5,556	71
LU-VE S.P.A.	Unicredit S.p.A.	12/07/2019	30/06/2024	9,600	1,200	3,600	51
LU-VE S.P.A.	Intesa San Paolo S.p.A.	20/05/2020	30/09/2025	12,500	1,389	7,639	239
LU-VE S.P.A.	Banca Nazionale del Lavoro S.p.A.	28/05/2020	28/05/2025	40,000	5,000	25,000	696
LU-VE S.P.A.	Unicredit S.p.A.	30/11/2020	30/11/2024	20,000	2,857	11,429	264
LU-VE S.P.A.	Deutsche Bank S.p.A.	30/10/2020	30/10/2026	5,500	544	4,413	162
LU-VE S.P.A.	Deutsche Bank S.p.A.	30/10/2020	30/10/2025	10,000	1,000	6,000	191
LU-VE S.P.A.	Intesa San Paolo S.p.A.	31/03/2021	31/03/2026	30,000	3,750	24,375	900
LU-VE S.P.A.	Banca Popolare di Milano S.p.A.	14/06/2021	31/03/2026	12,000	1,411	9,176	321
LU-VE S.P.A.	Banca Popolare di Milano S.p.A.	14/06/2021	31/03/2026	18,000	2,117	13,765	495
LU-VE S.P.A.	Unicredit S.p.A.	30/09/2021	31/03/2025	30,000	4,286	21,429	483
LU-VE S.P.A.	Banca Popolare di Milano S.p.A.	17/12/2021	30/09/2026	40,000	-	40,000	1,452
LU-VE S.P.A.	Intesa San Paolo S.p.A.	31/05/2022	31/05/2029	20,000	-	20,000	(75)
LU-VE S.P.A.	Intesa San Paolo S.p.A.	31/05/2022	31/05/2029	20,000	-	20,000	(52)
			Total	**331,350**	**29,485**	**225,757**	**5,346**

Currency options (in thousands of Euro)

DEBTOR COMPANY	COUNTERPARTY	TYPE	HEDGED ELEMENT	TAKEN OUT	MATURITY	NOT. ORIG.	30/06/2022		30/06/2022
							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	07/07/2021	07/07/2022	500	485	-	(14)
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	08/09/2021	05/08/2022	500	485	-	(17)
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	08/09/2021	05/09/2022	500	486	-	(19)
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	08/10/2021	07/10/2022	500	501	-	(8)
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	10/11/2021	10/11/2022	500	507	-	(6)
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	09/12/2021	09/12/2022	500	508	-	(7)
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	01/02/2022	05/01/2023	500	509	-	(9)
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	01/03/2022	01/03/2023	500	526	-	1
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	05/04/2022	05/04/2023	500	522	-	(5)
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	09/05/2022	02/05/2023	500	539	-	7
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	09/06/2022	09/06/2023	500	524	-	(10)
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	29/04/2022	04/05/2023	100	100	-	(1)
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	29/04/2022	04/05/2023	100	100	-	-
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	05/05/2022	09/05/2023	100	100	-	-
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	05/05/2022	09/05/2023	100	100	-	-
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	06/05/2022	10/05/2023	100	100	-	-
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	06/05/2022	10/05/2023	100	100	-	-

COMPANIES CONSOLIDATED LINE-BY-LINE

SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	06/05/2022	10/05/2023	100	100	-	-
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	06/05/2022	10/05/2023	100	100	-	-
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	06/05/2022	10/05/2023	100	100	-	1
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	06/05/2022	10/05/2023	100	100	-	1
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	09/05/2022	11/05/2023	100	100	-	1
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	09/05/2022	11/05/2023	100	100	-	1
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	10/05/2022	12/05/2023	100	100	-	1
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	10/05/2022	24/04/2023	50	50	-	1
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	11/05/2022	15/05/2023	100	100	-	1
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	11/05/2022	15/05/2023	100	100	-	1
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	13/05/2022	18/05/2023	100	100	-	(1)
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	13/05/2022	12/05/2023	100	100	-	(1)
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	17/05/2022	19/05/2023	100	100	-	0
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	18/05/2022	22/05/2023	200	200	-	1
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	18/05/2022	22/08/2022	100	100	-	-
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	19/05/2022	23/08/2022	100	100	-	-
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	19/05/2022	23/05/2023	100	100	-	-
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	19/05/2022	23/05/2023	100	100	-	-
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	20/05/2022	24/05/2023	100	100	-	1
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	20/05/2022	24/05/2023	100	100	-	1
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	20/05/2022	24/08/2022	100	100	-	1
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	23/05/2022	25/05/2023	100	100	-	1
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	23/05/2022	25/08/2022	100	100	-	1

SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	23/05/2022	25/05/2023	100	100	-	1
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	23/05/2022	25/05/2023	100	100	-	2
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	24/05/2022	26/05/2023	100	100	-	1
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	24/05/2022	26/05/2023	100	100	-	2
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	27/05/2022	31/05/2023	50	50	-	1
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	03/06/2022	07/06/2023	100	100	-	2
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	06/06/2022	08/06/2023	100	100	-	2
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	24/06/2022	28/06/2023	100	100	-	-
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	27/06/2022	30/05/2023	100	100	-	1
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	28/06/2022	31/05/2023	100	100	-	1
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	28/06/2022	31/05/2023	100	100	-	1
					Total	**5,500**	**5,592**	-	**(62)**

10 APPENDIX B

Bank loans *(in thousands of Euro)*								AMORTISED COST			
								30/06/2022		31/12/2021	
DEBTOR COMPANY	COUNTERPARTY	LOAN TYPE	TAKEN OUT	MATURITY	RATE APPLIED	FINANCIAL COVENANTS	ORIGINAL AMOUNT	RESIDUAL AMOUNT	OF WHICH CURRENT	RESIDUAL AMOUNT	OF WHICH CURRENT
LU-VE	Mediocredito Italiano S.p.A.	Unsecured loan	31/03/2017	28/02/2022	3M Euribor + Spread	NFP/EBITDA <= 3; NFP/SE <=1	25,000	-	-	1,471	1,471
LU-VE	Unicredit S.p.A.	Unsecured loan	30/01/2018	31/03/2023	6M Euribor + Spread	NFP/EBITDA <=3.0; NFP/OWN FUNDS <=1	25,000	5,027	5,027	7,505	5,001
LU-VE	Mediocredito Italiano S.p.A.	Unsecured loan	28/11/2018	30/06/2024	6M Euribor + Spread	NFP/EBITDA <3; NFP/SE <=1	12,500	5,036	2,514	6,254	2,496
LU-VE	Mediocredito Italiano S.p.A.	Unsecured loan	28/11/2018	30/06/2024	6M Euribor + Spread	NFP/EBITDA <3; NFP/SE <=1	12,500	5,036	2,514	6,254	2,496
LU-VE	Banca Nazionale del Lavoro S.p.A.	Unsecured loan	20/12/2018	24/09/2024	6M Euribor + Spread	NFP/EBITDA <= 3; NFP/SE <= 1.25	10,000	5,040	1,990	6,002	1,990
LU-VE	Banca Nazionale del Lavoro S.p.A.	Unsecured loan	20/12/2018	24/09/2024	6M Euribor + Spread	NFP/EBITDA <=3; NFP/OWN FUNDS <=1.25	10,000	6,723	1,119	7,235	1,105
LU-VE	Banca Popolare di Milano	Unsecured loan	16/06/2019	28/06/2024	3M 360 days Euribor + Spread	-	10,000	4,072	2,019	5,044	1,997
LU-VE	Unicredit S.p.A.	Unsecured loan	12/07/2019	30/06/2024	6M 360 days Euribor + Spread	NFP/EBITDA <=3; NFP/OWN FUNDS <=1	12,000	4,835	2,414	6,005	2,397
LU-VE	Intesa San Paolo S.p.A.	Unsecured loan	23/03/2020	23/09/2025	3M 360 days Euribor + Spread	NFP/EBITDA <= 3; NFP/SE <=1	25,000	18,194	5,541	20,837	5,521
LU-VE	Unione di Banche Italiane Società cooperativa per azioni	Unsecured loan	14/04/2020	14/04/2023	3M 360 days Euribor + Spread	NFP/EBITDA <= 3.5; NFP/SE <= 1.5	30,000	15,093	15,093	22,534	14,997
LU-VE	Unicredit S.p.A.	Unsecured loan	15/04/2020	30/04/2022	6M 360 days Euribor + Spread	NFP/EBITDA <=3; NFP/OWN FUNDS <=1	15,000	-	-	14,997	14,997
LU-VE	Banca Nazionale del Lavoro S.p.A.	Unsecured loan	28/05/2020	28/05/2025	6M 360 days Euribor + Spread	NFP/EBITDA <= 3; NFP/SE <= 1.25	40,000	30,222	9,963	34,974	9,925
LU-VE	Banca Popolare di Milano	Unsecured loan	25/06/2020	30/06/2022	3M 360 days Euribor + Spread	-	12,500	-	-	4,173	4,173
LU-VE	UniCredit S.p.A.	Unsecured loan	04/11/2020	30/11/2024	6M 360 days Euribor + Spread	NFP/EBITDA <=3; NFP/OWN FUNDS <=1	20,000	14,406	5,725	17,158	5,698

LU-VE	Deutsche Bank S.p.A.	Unsecured loan	11/11/2020	11/11/2026	3-month EURIBOR base 360 + spread	NFP/EBITDA <= 3.2 NFP/EQUITY <=1.15	5,500	5,020	1,071	5,509	1,077
LU-VE	Deutsche Bank S.p.A.	Unsecured loan	11/11/2020	11/11/2025	3-month EURIBOR base 360 + spread	NFP/EBITDA <= 3.2 NFP/EQUITY <=1.15	10,000	7,056	1,994	8,003	1,987
LU-VE	Cassa Depositi e Prestiti	Unsecured loan	04/02/2021	03/08/2022	0.12% Fixed	-	30,000	-	-	30,000	30,000
LU-VE	Intesa San Paolo S.p.A.	Unsecured loan	31/03/2021	31/03/2026	3-month EURIBOR base 360 + spread	NFP/EBITDA <3; NFP/Equity <1	30,000	28,320	7,452	29,982	5,558
LU-VE	Banca Popolare di Milano	Unsecured loan	14/06/2021	31/03/2026	3-month EURIBOR base 360 + spread	-	12,000	10,659	2,804	11,985	2,794
LU-VE	Banca Popolare di Milano	Unsecured loan	14/06/2021	31/03/2026	3-month EURIBOR base 360 + spread	NFP/EBITDA <= 3.0 NFP/EQUITY <=1.25	18,000	15,989	4,207	17,978	4,192
LU-VE	Unicredit S.p.A.	Unsecured loan	30/09/2021	31/03/2025	6-month EURIBOR base 360 + spread	NFP/EBITDA <= 3.0 NFP/SE <=1.0	30,000	25,941	8,504	30,000	8,531
LU-VE	Banca Popolare di Milano	Unsecured loan	17/12/2021	30/09/2026	3-month EURIBOR base 360 + spread	NFP/EBITDA <= 3.0 NFP/EQUITY <=1.25	40,000	40,222	5,200	39,880	2,533
LU-VE S.p.A.	Cassa Depositi e Prestiti	Unsecured Loan	28/04/2022	05/05/2029	6-month EURIBOR base 360 + spread	NFP/EBITDA <= 3.0 NFP/EQUITY <=1.25	40,000	40,189	221	-	-
LU-VE S.p.A.	Intesa San Paolo	Unsecured Loan	28/04/2022	29/03/2029	3-month EURIBOR base 360 + spread	NFP/EBITDA <= 3 ; NFP/SE </= 1.15	40,000	15,034	731	-	-
LU-VE S.p.A.	Intesa San Paolo	Unsecured Loan	31/05/2022	31/03/2029	3-month EURIBOR base 360 + spread	NFP/EBITDA </= 3 NFP/SE </=1.0	15,000	15,001	716	-	-
REFRION	Unicredit S.p.A.	Unsecured loan	02/11/2016	31/12/2021	3M Euribor + Spread	-	500	25	25	-	-
REFRION	Intesa San Paolo S.p.A.	Unsecured loan	30/11/2016	15/06/2026	6M Euribor + Spread	-	1,500	632	158	-	-
REFRION	Intesa San Paolo S.p.A.	Unsecured loan	22/12/2020	22/12/2026	1M Euribor + Spread	-	1,550	1,550	190	-	-
REFRION	Banco di Udine S.p.A.	Unsecured loan	11/10/2021	11/10/2029	6M Euribor + Spread	-	1,000	919	122	-	-
RMS	Banco di Udine S.p.A.	Unsecured loan	17/06/2021	17/06/2027	6M Euribor + Spread	-	500	419	82	-	-
RMS	Banco di Udine S.p.A.	Unsecured loan	01/02/2022	01/02/2030	6M Euribor + Spread	-	660	633	81	-	-
							Total	**321,295**	**87,475**	**334,615**	**131,771**

Notes:

NFP: net financial position;

SE: shareholders' equity;

DSCR: debt service coverage ratio

LR: leverage ratio (NFP/EBITDA)

GR: gearing ratio (NFP/SE)

U.L. Unsecured Loan

M.L. Mortgage Loan

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. 154bis, 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 2022.

It is also certified that the condensed consolidated interim Financial Statements as at 30 June 2022:

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

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 2022

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, 2022, 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, 2022 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 12, 2022

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