LU-VE S.p.A.

Via Vittorio Veneto 11 – 21100 Varese

REA Number: VA-191975

Tax Code: 01570130128

HALF-YEARLY FINANCIAL REPORT

AS AT 30 JUNE 2020

CONTENTS

HALF-YEAR REPORT ON OPERATIONS AS AT 30 JUNE 2020

CONTENTS

1 HALF-YEAR REPORT ON OPERATIONS AS AT 30 JUNE 2020

Subsidiaries and stake held by the Group

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

15 September 2020

Dear Shareholders,

In the first half of 2020 the entire world had to deal with the impact of the COVID-19 pandemic, which, in its initial phase, led to the stoppage of most economic activities and, subsequently, to their slow, fragmented recovery. The current lack of a vaccine projects the near future towards a scenario of unprecedented uncertainty starting from the second half of the year. This situation paradoxically decreased the other sources of global risk, including the effects of the tensions on trade between the United States and China and the upcoming US elections. The impact on economic variables, which was possible to quantify only recently, is forecast as a drop of around 5% in global GDP in 2020, with the US GDP down by 8% and the Italian GDP collapsing by over 12%. Only China, which was hit by the pandemic before other countries, should be able to increase its gross domestic product, though only marginally compared to the trends of the last few years. A recovery is forecast for 2021, though probably not sufficient to once again reach 2019 values, when the global economy grew by 2.9%.

The efforts of all countries to combat the pandemic resulted in massive growth in public debt and the acceleration of the already considerable expansive policies of the main central banks. The ECB was also forced to strengthen the policies launched in 2011, allowing interest rates to remain negative or, in any event, near zero. For Europe, in general, the pandemic accentuated the differences between the various countries, relegating Italy to a position of extreme economic and financial difficulty. The instruments set out at European level may help, but will force Italy to make significant sacrifices in the future to honour its increased debt.

In the area of raw materials, the significant drop resulting from the stoppage of economic activities at the start of the second quarter was followed by a recovery, which was quicker for copper. This was followed by aluminium and oil, the latter highly impacted by the collapse in demand in air transport.

The asynchronous spread of the virus, first in China, then in Europe and subsequently in the Americas, along with the protection of the food and healthcare chains, enabled a better response to companies located on several markets, operating in those sectors. The rules for prevention imposed on companies for reopening seem to be long-lasting for the moment, and emphasise the processes of digitalisation and sustainability under way, favouring companies that have already taken this route, which are ready to act by capturing opportunities within the problem.

In summary, the recovery will not only be slow, asynchronous and differentiated, but will revolutionise the competitive positioning of all companies, not just those hit head on such as tourism, food service or the automotive industry. Thus, this year should be viewed as a new start for economic activity on the whole.

Despite the harsh impact of the pandemic, product sales of the LU-VE Group (hereinafter, also the "Group") in the first half of the year grew by 3.8% compared to those in the same period of 2019, amounting to almost €191 million, with an order portfolio at the end of June up by 9% compared to June 2019. On a like-for-like basis (considering the contribution of "Al Air" only for May and June), product sales would have, instead, recorded a downturn of 11.3%, amounting to just over €163 million.

EBITDA reached an amount of €21.8 million (11.2% of sales), an increase of 7.3% compared to the first half of 2019 (€20.3 million, 10.9% of sales). Net of non-recurring charges, EBITDA 2020 would have been €22.1 million (€25.4 million as at 30 June 2019). For more details regarding the Adjusted EBITDA, refer to paragraph 1.5 – Alternative Performance Indicators, below.

The net profit came to €6.0 million (€5.6 million in the first half of 2019), an increase of 6.7%. Net of non-recurring expenses, it would have been €6.2 million. For more details on the adjusted net profit, please refer to section 1.5 - Alternative Performance Indicators, below.

At Business Unit level, the "Cooling Systems" SBU, which fully includes the additional volumes deriving from the acquisition of "AL Air", reached turnover of €93.9 million, an increase of almost 31% compared to the first half of 2019. On a like-for-like basis, a decrease of 7.7% would have been recorded, mainly attributable to the lock down measures, which impacted the Uboldo plant of the parent company LU-VE S.p.A., which is still the largest in the SBU. Net of the general effects of the slowdown in business linked to the pandemic, the growth trend continued in the industrial refrigeration segment, primarily linked to projects for next generation, "green" logistics centres that have high energy efficiency, using natural refrigerant fluids with low environmental impact. The integration of "AL Air" also provided a significant contribution to expanding the Group's presence in the "Power Gen" segment.

Due to the lock down measures that harshly impacted the Indian site of Spirotech primarily (-33.6% in sales), and the Limana facility of SEST S.p.A. (-21% in sales), there was a significant drop during the period in the "Components" SBU (-13.5% compared to the first half 2019), which had total turnover of €96.9 million in the period. The geographic diversification of the Group, on the one hand, attenuated the impact of the effects of the pandemic on sales of exchangers while, on the other, contributed to further strengthening the Group's image in the eyes of several leading customers which, fearing interruptions in their production, appreciated and recognised the manufacturing flexibility and support received under exceptional circumstances.

The breakdown of turnover by SBU is given below:

Revenue by SBU *(in € thousand)*	**H1 2020**	**%**	**H1 2019**	**%**	**Change**	**% Change**
Air Cooled Equipment	88,585	46.4%	66,286	36.1%	22,299	33.6%
Close Control	5,365	2.8%	5,570	3.0%	(205)	(3.7%)
SBU COOLING SYSTEMS	**93,949**	**49.2%**	**71,856**	**39.1%**	**22,094**	**30.7%**
Heat exchangers	90,995	47.7%	106,488	57.9%	(15,533)	(14.5%)
Doors	5,917	3.1%	5,536	3.0%	381	6.9%
SBU COMPONENTS	**96,912**	**50.8%**	**112,024**	**60.9%**	**(15,152)**	**(13.5%)**
TOTAL PRODUCT TURNOVER	**190,861**	**100%**	**183,880**	**100%**	**6,942**	**3.8%**

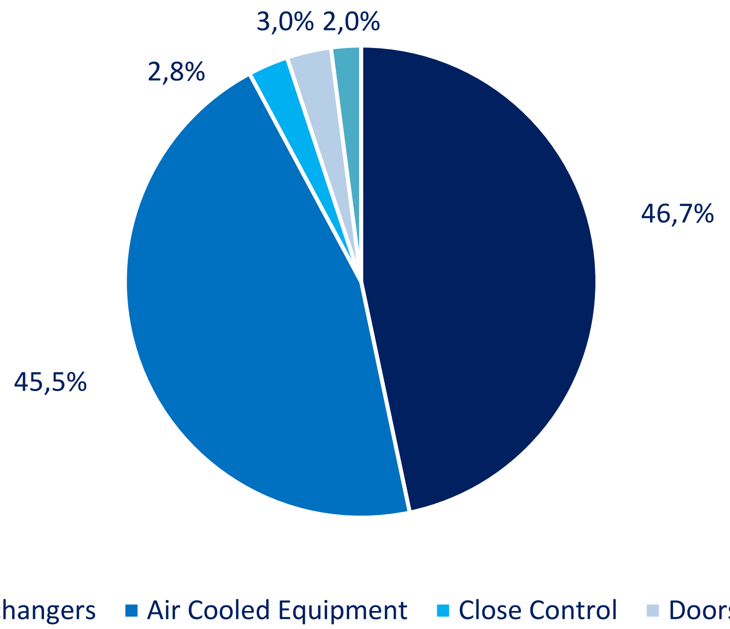
1.1 REFERENCE MARKETS

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

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

For a more detailed description, please refer to the Directors' Report as at 31 December 2019.

The chart below shows the breakdown of turnover by product type in the first half of 2020:



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

PRODUCTS	€ /000 H1/2020	%	€ /000 H1/2019	%	Delta %
Heat exchangers	90,994	46.7%	106,488	57.0%	-14.5%
Air Cooled Equipment	88,585	45.5%	66,286	35.5%	+33.6%
Doors	5,917	3.0%	5,536	3.0%	+6.9%
Close Control	5,365	2.8%	5,570	3.0%	-3.7%
TOTAL PRODUCTS	**190,861**	**98.0%**	**183,880**	**98.5%**	**+3.8%**
Other	3,979	2.0%	2,852	1.5%	+39.5%
TOTAL	**194,840**	**100.0**	**186,732**	**100.0**	**+4.3%**

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

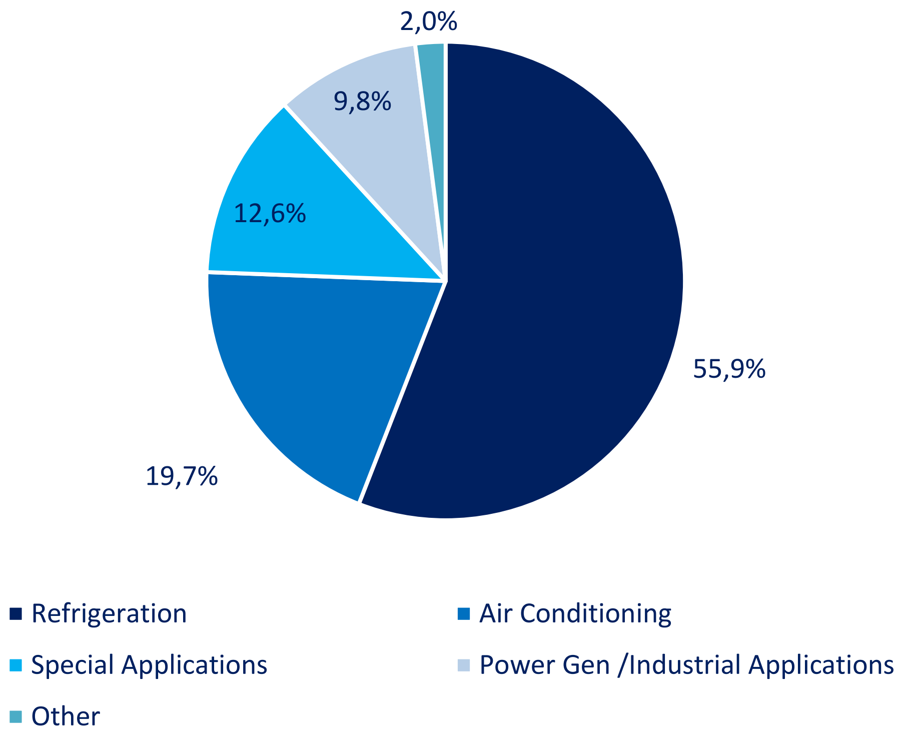
(i) the refrigeration sector, which includes activities relating to the supply chain for food products (the "**Refrigeration Sector**");

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

(iii) the "special applications" sector, which primarily includes specific heat exchangers used in various fields of activity ranging from high energy efficiency clothes dryers to "mobile" applications (refrigerated transport, air conditioning for railways and large scale vehicles) to compressed air machines and other industrial applications (the **"Special Applications Sector"**);

(iv) the "power gen" sector, which includes high power ventilated products used for the refrigeration of engines for the generation of power and general industrial processes (the **"Power Gen/Industrial Applications Sector"**).

The chart shows the breakdown of turnover by segment in the first half of 2020:



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

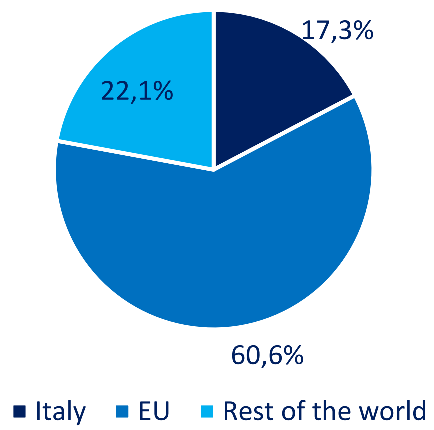
APPLICATIONS	€ /000 H1/2020	%	€ /000 H1/2019	%	Delta %

Refrigeration	108,935	55.9%	109,466	58.6%	-0.5%
Air Conditioning	38,350	19.7%	31,011	16.6%	+23.7%
Special Applications	24,560	12.6%	30,737	16.5%	-20.1%
Power Gen	19,016	9.8%	12,666	6.8%	+50.1%
TOTAL APPLICATIONS	**190,861**	**98.0%**	**183,880**	**98.5%**	**+3.8%**
Other	3,979	2.0%	2,852	1.5%	39.5%
TOTAL	**194,840**	**100.0%**	**186,732**	**100.0%**	**+4.3%**

At geographical level, the European Union, with €148.7 million in turnover and accounting for almost 80% of total sales, is confirmed as the most important geographical area for the Group. The percentage of exports rose to almost 83%, due to the fact that Italy was more sharply impacted than other countries by the lock down measures, with a drop of over 15% in sales.

The integration of the "AL Air" division and the diversification of the impacts of the COVID-19 emergency on individual geographical areas provoked several significant variations in the importance of single countries in the half year compared to the past, with Russia becoming the primary export market and Finland jumping to second place. Conversely, Poland, the main outlet market for household appliance products, was harshly impacted during the period by both the drop in demand and the sharp drop in supplies from the Indian facility.

The chart below shows the geographical breakdown of turnover in the first half of 2020:



The Group's turnover does not depend to a significant extent on individual commercial or industrial contracts. As at 30 June 2020, revenues from sales to the top 10 customers of the Group together represented a percentage of less than 30% of the total. The turnover generated by the main customer, an international group with many different companies in various countries, represented 4.9% of the Group's total value.

1.2 SIGNIFICANT EVENTS DURING THE HALF YEAR

The first two months of 2020 were extremely positive, with consolidated turnover of just products of around €67 million, up by over 31%. The values regarding order acquisition also posted a record high, with a sharp increase on the same period of the previous year (+49.5%) generating an order portfolio exceeding €84 million (+85%), close to the highest levels ever recorded.

In March, however, the spread of COVID-19, defined as a global pandemic by the World Health Organisation, completely changed the scenario. The Group immediately adopted strict control and prevention measures at all of its locations, often in advance and stricter than those set out in the various regulations issued by the competent authorities.

In Italy, the lock down period began on 9 March, the date from which remote working was very quickly launched for at all sites, for all the employees that can carry out their activities in this way, so allowing a significant reduction in the presence of personnel in offices even before this was required by the subsequent decrees.
Production activities were stopped from 25 March, with the exception of a production line dedicated to machinery for the hospital sector, and the shipping of products ready for urgent deliveries. Subsequently, to meet the demand of customers (both Italian and foreign) operating in the production chains authorised to continue conducting business, notifications of partial reopenings of several production lines were submitted to the competent prefectures. For the activities serving the authorised production chains, almost 50% of the production capacity in Italy was kept operational.
Immediately, a specific Crisis Committee was established (which was participated in by most of the directors and all of the members of the Board of Statutory Auditors) to manage the emergency, in order to best safeguard the health of all workers and handle the problems that arose from time to time, adopting group measures and protocols agreed at global level, as well as with the trade unions.
On 4 May, "Phase 2" was launched, with a gradual increase in the production capacity used and a gradual return to almost normal operations near the end of the half year.

In Russia, the lock down entailed closure of only six working days, which was followed by the reopening on 7 April as the refrigeration section was included under those strategic areas that could not be stopped.

On 24 March, a lock down of 21 days was proclaimed in India, throughout the entire country, which was subsequently extended to the end of May, with several easing measures in favour of production activities, mainly dedicated to exporting. Production of the subsidiary Spirotech was completely stopped in April, to then slowly restart in May, due to a very high rate of absenteeism, linked to local issues.

The new Chinese plant (in Tianmen, in the Hubei province, the main location of the outbreak in China), after the closure for an additional month after the planned closure for the Chinese New Year, has gradually recovered production from 13 March 2020.

In the United States, the start of the spread of the coronavirus led to a drastic reduction in orders from several important customers which, also in the absence of lock downs formalised by the authorities, required that their production capacity be adjusted, using the flexibility instruments available in that country. Starting from the second quarter, orders began to rise once again, and, as a result, the facility's output increased again (despite the fact that contagion in Texas continues to be highly critical, even now).

At the time the emergency was most serious (from March to June), the Group's production capacity under lock down could be estimated at 50% to 55% of the total. This situation was partially mitigated by the fact that some significant customers (Italian and foreign) temporarily suspended their business, so allowing to postpone the delivery of orders in portfolio. In this difficult scenario, due to its geographical diversification, the Group demonstrated significant flexibility, guaranteeing continued supplies to strategic customers.

The Group's other plants abroad continued to remain operational. Nonetheless, the absenteeism rates, specifically linked to measures closing schools, with the resulting need for employees to take care of their minor children, were at levels much higher than average, with impacts on production efficiency.

Careful monitoring was immediately implemented of all the critical issues linked to the possible supply difficulties due to the closure of the production sites of some suppliers (mainly Italian but also abroad) as well as the difficulties linked to the circulation of goods. Also in this case, due to the widespread geographic presence, alternative sources of supply were quickly activated (with a minimal impact in terms of higher costs than the usual suppliers) so as to fuel production in an almost completely normal manner.

A final agreement was reached in February with Alfa Laval with regard to the redetermination of the acquisition price of “Al Air”, which was reduced to a value of €51 million with a residual payment of €9.5 million, of which €2 million paid at the signing of the contract and €6.7 million on 30 April 2020 (an additional €0.8 million remains to be paid).

Following the plan originally set out, despite the COVID-19 emergency, the SAP IT system was successfully launched on 1 May 2020 at Fincoil LU-VE Oy in Finland. This is an excellent, unique result of its kind, considering that, due to the limitations to movement imposed by the spread of COVID-19, all the activities (analysis, data retrieval, migration, training, etc.) were all performed remotely. At the same time, the project to implement SAP at Air Hex Alonte S.r.l. was also launched, with "go live" expected in the autumn.

Also in the IT field, in May, all of the Group's information systems were successfully migrated from a physical data centre located in Italy to the cloud of a leading global operator.

In the US, at the start of March a new Memorandum of Understanding was signed with JEDCO, the authority managing the industrial park in Jacksonville, Texas, which outlines the obligations and incentives relative to the reviewed project which requires the purchase of building site for the construction within the next 48 months of a new production plant by the subsidiary Zyklus. The final agreements were then signed on 22 July. At the end of April, the subsidiary Zyklus acquired from private owners the land for the construction of that production plant.

In India, the works of expansion of the Spirotech plant, which should have been completed by the end of April, due to the lock down slowed considerably as a result of missing finishings and the need to connect utilities. In line with the measures implemented by the local authorities regarding COVID, the final handover is expected by the end of September.

On 25 May 2020 the transfer to LU-VE S.p.A. of the remaining 5% of the share capital of the Indian subsidiary Spirotech, which was held by Mr. Srinivasan, *Managing Director* of the company, was completed with its recording in the company books. At the time of its acquisition in 2016, the counterparties specifically signed a "put & call" option for that equity investment, exercised by Mr. Srinivasan after three years from the closing had passed.

In March, the Parent Company and the subsidiary Sest S.p.A. approved the review of the Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/2001 and the subsidiary Tecnair LV S.p.A. in turn, conducted a risk assessment and adopted its own model.

Furthermore, the project was set up to formalise the organisational model pursuant to Italian Legislative Decree no. 231/2001 also for the subsidiary Air Hex Alonte S.r.l.

In the first half of 2020, the following loans were also entered into (for a total of €135 million), without, however, benefiting from any of the measures set out in the various decrees of the President of the Council of Ministers:

- in March, an unsecured loan agreement with Intesa Sanpaolo for €25 million with a duration of 66 months (of which 12 months in grace period) repayable in quarterly instalments at constant capital;
- in April, an unsecured loan agreement with UBI Banca for €30 million with a duration of 36 months (of which 12 months in grace period) repayable in quarterly instalments at constant capital;
- in April with Unicredit an unsecured loan agreement for €15 million with a duration of 24 months, repayable in full on maturity;
- in May, an unsecured loan agreement with BNL for €40 million with a duration of 60 months (of which 12 months in grace period) repayable in six-monthly instalments at constant capital;
- in June with Cassa Depositi e Prestiti an unsecured loan agreement for €10 million with a duration of 18 months, repayable in full on maturity;
- in June, an unsecured loan agreement with Banco BPM for €15 million with a duration of 25 months (of which 6 months in grace period), repayable in quarterly instalments with an increasing principal-payment schedule;

All the loans were entered into at interest rates in line with the Group's average cost of debt.

During the first half of 2020, additional short-term credit lines were obtained from Unicredit for €3.5 million.

Lastly, on 29 April 2020, the Shareholders' Meeting of the Parent Company LU-VE S.p.A.:

- viewed the consolidated figures and the non-financial statement for 2019 of the LU-VE Group;

• approved the 2019 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 6 April 2020 and already communicated to the market. Note that the profit for the year 2019, equal to €6.5 million, was allocated as follows: (i) €0.3 million to the Legal Reserve, (ii) distribution of an ordinary gross dividend of €0.27 per each share outstanding, for around €6 million, and (iii) the remainder of the profit for the year to the extraordinary reserve.

1.3 CONSIDERATIONS ON THE SECURITY'S MARKET VALUE

During the first half of 2020 the LU-VE share always outperformed the FTSE Italia All-Share index (at average weighted level, by about 8 percentage points). Following an initial two months at values near record highs (around €14.00), the share price sharply declined, due to the turbulence triggered on the market by the spread of COVID-19, reaching a low of €8.38, to then start a recovery, which saw the share value return to around €12.00 at the end of the half-year.

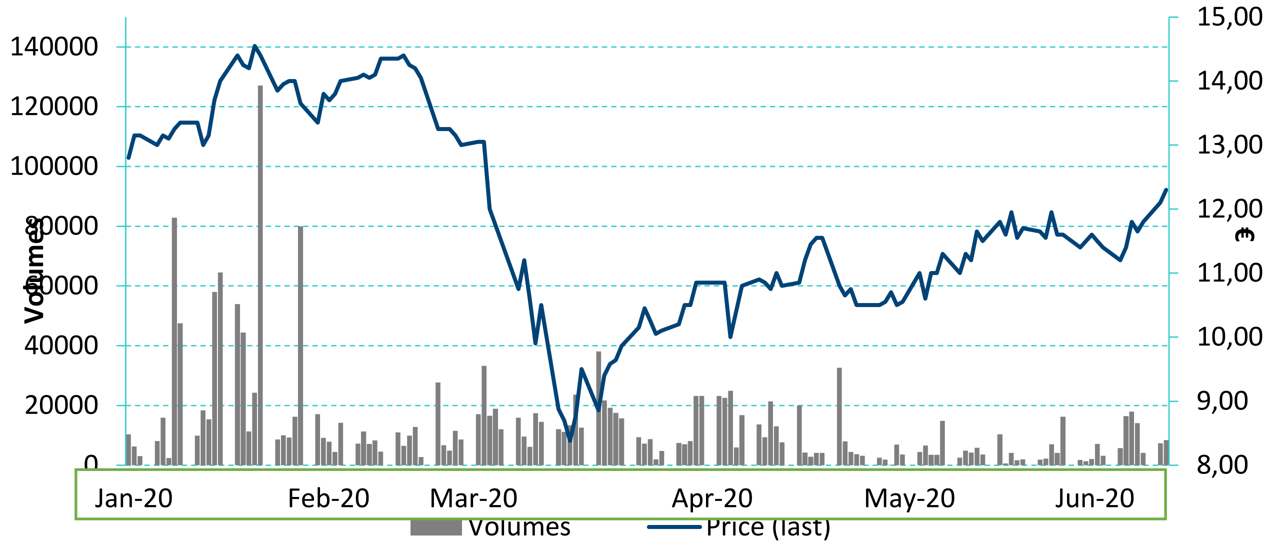
The main figures and share price trends are shown below:

Price at 1 January 2020: €12.80
Price at 30 June 2020: €12.30
Change during the period: -3.9%

Maximum Price: €14.55 (23 January 2020)
Minimum Price: €8.38 (18 March 2020)
Weighted Average Price: €12.29
Volumes traded: 1,834,511

Market capitalisation at 30 June 2020: €273.48 million

On 14 September 2020 (at the closure of the last trading day before the approval of the condensed consolidated half-yearly financial statements) the price was €12.00, corresponding to a capitalisation of €266.76 million, in any case higher than the book value of the Group's shareholders' equity (€151.8 million).



1.4 ECONOMIC AND FINANCIAL DATA

With regard to the income statement, note that "AL Air" was consolidated starting on 1 May 2019.

The reclassified Income Statement and Statement of Financial Position are provided below:

Reclassified Consolidated Income Statement ***(in thousands of €)***	**H1 2020**	**% Revenues**	**H1 2019**	**% Revenues**	**% Change**
Revenues and operating income	194,840	100%	186,732	100%	4.3%
Purchases of materials	(104,737)	53.8%	(98,727)	52.9%	
Changes in inventories	6,076	-3.1%	(679)	0.4%	
Costs for services	(25,748)	13.2%	(26,926)	14.4%	
Personnel costs	(45,968)	23.6%	(38,895)	20.8%	
Other operating costs	(2,689)	1.4%	(1,211)	0.6%	
Total operating costs	**(173,066)**	**88.8%**	**(166,438)**	**89.1%**	4.0%
EBITDA	21,774	11.2%	20,294	10.9%	7.3%
Change in fair value of derivatives	(806)	0.4%	(969)	0.5%	
Depreciation and amortisation	(13,364)	6.9%	(*) (10,737)	5.7%	
Capital gains on non-current assets	26	0.0%	205	-0.1%	
EBIT	7,630	3.9%	(*) 8,793	4.7%	-13.2%
Net financial expenses	(1,291)	0.7%	(1,473)	0.8%	
EBT	6,339	3.3%	(*) 7,320	3.9%	-13.4%
Income taxes for the period	(378)	0.2%	(*) (1,735)	0.9%	
Net profit (loss) for the period	5,961	3.1%	(*) 5,585	3.0%	6.7%
Profit attributable to non-controlling interests	(387)		(327)		
Profit attributable to the Group	5,574	2.9%	(*) 5,258	2.8%	6.0%

(*) Values restated pursuant to IFRS 3, so as to retrospectively take into account the effects of the measurement at fair value of the assets and liabilities of "Al Air" at the acquisition date, previously considered provisional.

“Revenues and operating income” rose by 4.3% (+€8.1 million) compared to the first half of 2019. With stable exchange rates, the increase in revenue would have been 5.5%. On a like-for-like basis (without considering the contribution of “AL Air*”* for the first four months of 2020) there would have been a decrease of 10.6% (of which 10.4% linked to volumes and 0.2% to sales prices).

Total operating costs rose from €166.4 million (89.1% as a percentage of revenues) to €173.1 million (88.8% as a percentage of revenues). The total increase of 4.0% (€6.7 million) was substantially caused by the following factors:

- consumption of materials decreased by €0.7 million, from 53.2% as a percentage of revenues down to 50.6%. This reduction is due to the drop in volumes and the change in the sales mix for €10.4 million and to the reduction in prices of the main raw materials for €2.8 million, net of the effect of the change in scope (increase of €12.4 million);

- costs for services (percentage of sales at 13.2% compared to 14.4% in 2019) decreased by €1.2 million, due to €2.4 million for the savings plan implemented to reduce the economic effects of the pandemic and €2.3 million to higher non-recurring costs in the first half of 2019, net of the change in scope (6 months of “Al Air” in 2020) for €3.5 million. Costs for services as at 30 June 2020 included €0.3 million in non-recurring costs relating to the donations disbursed by the Group to hospitals, for support in relation to the COVID-19 emergency;

- personnel costs increased by €7.1 million, comprising €6.9 million linked to the aforementioned change in the scope of consolidation (average number of workers of 3,204 in the first half of 2020, compared to 3,110 in the same period of the previous year). The percentage of personnel costs on revenues rose from 20.8% to 23.6%.

EBITDA amounted to €21.8 million (11.2% of revenues) compared to €20.3 million (10.9% of revenues) in the first half of 2019. Net of the impact of non-recurring costs described above, Adjusted EBITDA would have been €22.1 million (11.3% of sales). Adjusted EBITDA as at 30 June 2019 was €25.4 million. The change compared to the first half of 2019 (€-3.3 million) was generated by the reductions linked to the impact of the pandemic of €4.5 million for the Italian companies, of €1.6 million for Spirotech and of €0.2 million for other Group companies, net of the higher contributions from “*Al* Air” of €2.0 million and the effects of the application of IFRS 16 of €1.0 million.

Amortisation and depreciation rose by €2.7 million, €2.0 million of which linked to the change in the scope of consolidation.

EBIT amounted to €7.6 million (3.9% of revenues) compared to €8.8 million (3.9% of revenues) in the first half of 2019. Net of non-recurring costs, Adjusted EBIT would have been €7.9 million (4.1% of revenues).

The balance of financial income and expense was negative, at €1.3 million (negative for €1.5 million in the first half of 2019).

EBT was equal to €6.3 million (3.3% of revenues) against a value of €7.3 million as at 30 June 2019 (3.9% of revenues). In the first half of 2020, EBT normalised for non-recurring costs (Adjusted EBT) would have been €6.6 million (3.4% of revenues).

Net profit for the period amounted to €6.0 million (3.1% of revenues) compared to €5.6 million (3.0% of revenues) in the first half of 2019. The net profit for the first half of 2020 net of non-recurring costs (Adjusted net profit) would have been €6.2 million (3.2% of revenues).

Reclassified Consolidated Statement of Financial Position *(in thousands of €)*	30/06/2020	% of net invested capital	31/12/2019	% of net invested capital	Change 2020 on 2019
Net intangible assets	97,878		(*) 98,005		
Net property, plant and equipment	158,828		163,269		
Deferred tax assets	7,124		6,603		
Other non-current assets	223		219		
Non-current assets (A)	**264,053**	**95.0%**	**(*) 268,096**	**100.6%**	**(4,043)**
Inventories	66,260		61,812		4,448
Trade receivables	68,169		61,728		6,441
Other receivables and current assets	19,907		16,513		3,394
Current assets (B)	**154,336**		**140,053**		**14,283**
Trade payables	84,720		86,231		(1,511)
Other payables and current liabilities	28,635		27,783		852
Current liabilities (C)	**113,355**		**114,014**		**(659)**
Net working capital (D=B-C)	**40,981**	**14.7%**	**26,039**	**9.8%**	**14,942**
Provisions for employee benefits	5,555		5,491		64
Deferred tax liabilities	17,199		(*) 17,954		(755)
Provisions for risks and charges	4,305		4,231		74
Medium/long-term liabilities (E)	**27,059**	**9.7%**	**(*) 27,676**	**10.4%**	**(617)**
Net Invested Capital (A+D-E)	277,975	100.0%	(*) 266,459	100.0%	11,516
Shareholders' equity attributable to the group	148,162		(*) 155,526		(7,364)
Non-controlling interests	3,609		3,422		187
Total Consolidated Shareholders' Equity	**151,771**	**54.6%**	**(*) 158,948**	**59.7%**	**(7,177)**
Medium- Long Term Net Financial Position	260,124		155,499		104,625
Short- Term Net Financial Position	(133,920)		(*) (47,988)		(85,932)
Total Net Financial Position	**126,204**	**45.4%**	**(*) 107,511**	**40.3%**	**18,693**
Own funds and net financial debt	277,975	100.0%	(*) 266,459	100.0%	11,516

(*) Values restated pursuant to IFRS 3, so as to retrospectively take into account the effects of the measurement at fair value of the assets and liabilities of "Al Air" at the acquisition date, previously considered provisional.

Non-current assets as at 30 June 2020 decreased by around €4.0 million. Investments for the period amounted to roughly €14 million of which around €4.0 million deemed non-recurring (referring mainly to increases in real estate).

The Group's operating working capital (equal to the sum of inventories and trade receivables net of trade payables) as at 30 June 2020 amounted to €49.7 million, 12.4% of sales in the last twelve months (as at 30 June 2019, it totalled €61.8 million, equal to 18.1% of sales). As at 31 December 2019, it amounted to €37.3 million (9.5% as a percentage of sales). The increase compared to the end of last year was due to the usual seasonal trend of the Group's net working capital.

Consolidated shareholders' equity amounted to €151.8 million compared to €159.0 million as at 31 December 2019. The decrease (of €7.2 million) was essentially due to the profit for the period (€6.0 million), adjusted by the distribution of dividends for €6.0 million by the Parent Company LU-VE S.p.A and the negative change in the Translation reserve (€6.7 million).

The net financial position was negative by €126.2 million (€107.5 million as at 31 December 2019), with a difference of €18.7 million, primarily due to investments for €14.0 million, the distribution of dividends for €6.0 million and the increase in other current assets for €3.4 million net of roughly €17 million in positive flows from operations. The impact of the change in net working capital was negative by roughly €12.0 million. In the 1 July 2019 - 30 June 2020 period, the cash flow from operations adjusted by non-operating items totalled roughly €29.7 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 €	H1 2020	H1 2019
Average days in inventory (1)	60	63
Inventory turnover ratio (2)	6.03	5.71
Receivables turnover ratio (3)	5.86	4.22
Average days sales outstanding (4)	61	85
Payables turnover ratio (5)	3.08	2.93
Average days payable outstanding (6)	117	123
Net Invested Capital	277,976	(*)283,739
EBITDA	21,774	20,294
Adjusted EBITDA (7)	22,074	25,394
EBITDA/Financial expense	13.82	8.75
Adjusted EBIT (8)	7,930	(*)13,893
Adjusted EBT (9)	6,639	(*)12,420
Adjusted net profit (loss) for the period (10)	6,161	(*)10,085
Basic earnings per share (11)	0.25	(*)0.24
Diluted earnings per share (12)	0.25	(*)0.24
Dividends per share (13)	0.27	0.25
Net financial debt	(126,204)	(*)(138,106)
Net financial debt/EBITDA	2.62	(*)3.47
Debt ratio (14)	0.83	(*)0.95
Operating working capital (15)	49,709	61,752
Net working capital (16)	40,982	48,078
Goodwill and Other Intangible assets/Total assets	0.16	(*)0.19
Goodwill and Other Intangible assets/Shareholders' equity	0.64	(*)0.68

(*) Values restated pursuant to IFRS 3, so as to retrospectively take into account the effects of the measurement at fair value of the assets and liabilities of "Al Air" at the acquisition date, previously considered provisional.

Note:

The methods for calculating the indicators noted above are:

(1) Inventories/Revenues and other operating income LTM*360;
(2) LTM revenues and other operating income/Inventories;
(3) LTM Revenues/trade receivables;
(4) Trade receivables/revenues LTM*360;

(5) LTM trade operating costs/trade payables. Trade-related operating costs include purchases of materials and changes in inventories, costs for services and other costs and charges. The item does not include personnel costs;
(6) Trade payables/trade operating costs LTM*360;
(7) EBITDA adjusted for non-recurring costs:

	H1 2020	H1 2019
EBITDA	21,774	20,294
Expenses for business combinations	-	2,300
Reversal of fair value of inventory step-up in income statement	-	1,800
Grants to hospitals for COVID-19	300	-
Charges for transfers/start of Poland and China production plants	-	1,000
Adjusted EBITDA	**22,074**	**25,394**

(8) EBIT adjusted for non-recurring charges (adjusted EBITDA base - see previous table);
(9) EBT adjusted for non-recurring charges (adjusted EBITDA base - see previous table);
(10) Net profit for the period adjusted for non-recurring costs (adjusted EBITDA base - see previous table - net of taxes of €0.1 million for 2020 and €0.6 million for 2019);
(11) Profit (loss) for the period/Weighted average number of ordinary shares;
(12) Profit (loss) for the period/(Weighted average number of ordinary shares + potential number of additional ordinary shares);
(13) Nominal value of the dividend per share approved in each year;
(14) Net financial debt/Shareholders' equity;
(15) Total of inventories and trade receivables net of trade payables;
(16) Current assets net of current liabilities.

2 OBSERVATIONS ON THE FINANCIAL PROFILE AND ON THE GOING CONCERN ASSUMPTION

The condensed consolidated half-yearly financial statements as at 30 June 2020 have been prepared on the basis of the going concern assumption, as the Directors have verified the non-existence of indicators of a financial, management or any other nature that might indicate critical issues relating to the ability of the Group of meeting its commitments in the foreseeable future. The risks and uncertainties related to the business are described in the paragraph below.

In particular, with reference to this last assumption, as at 30 June 2020, the Group has a solid and balanced financial structure with a Net financial debt/Shareholders’ equity ratio (Debt ratio) of 0.83 (0.67 as at 31 December 2019) and a positive short-term net financial position of €133.9 million (positive for €48.3 million as at 31 December 2019), therefore the repayment of medium/long-term debt maturing in the second half of 2020 and in the first half of 2021 (totalling €68.0 million) is guaranteed by current liquidity. In addition, there are no substantial restrictions on the freeing up of invested liquidity, equal to €59.6 million, which therefore, if required, may be used to meet any payment commitments.

Note that, even if the estimates in the 2020 forecast are subject to significant sensitivity analyses linked to the extreme uncertainty of this moment, with regard to the related emergency linked to the COVID-19 pandemic, they lead us to expect that there will not be critical issues as at 31 December 2020 regarding the covenants on a consolidated basis, set out on the Group's financial debt (which are also required to be met by contract only on the closing of the annual consolidated financial statements). See the paragraph below, point "Risks connected with the COVID-19 health emergency" for a more detailed analysis of the potential economic/financial impacts deriving from the pandemic.

An evaluation of the possible impacts on the LU-VE Group due to the current emergency was carried out, based on the best information currently available, and it is reasonably considered that it will not compromise the business continuing as a going concern.

In light of what is laid out above, the condensed consolidated half-yearly Financial Statements of the Group as at 30 June 2020 were prepared on the basis of the going concern assumption, pursuant to paragraphs 25 and 26 of IAS 1.

2.1 MAIN RISKS AND UNCERTAINTIES

RISKS RELATED TO TRENDS IN RAW MATERIAL PRICES

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

The fluctuation in the availability and price of the above-mentioned materials could be significant, depending on a number of factors, including the economic cycle of the reference markets, supply conditions and other factors that are out of the control of the Group and are difficult to predict (such as: problems regarding the extraction capacity, also linked to the pandemic, 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 and impacts of climate change on extractive activities).

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

Lastly, please note that oil price volatility impacts (aside from raw material prices) investments made at global level in the Power Gen market, making it difficult to predict trends in this market segment.

RISKS RELATED TO NET FINANCIAL DEBT

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

Lastly, a significant portion of the LU-VE Group's loan agreements establish informational obligations to be fulfilled on various occasions by the Group companies that are the borrowers, the obligation to request prior consent in the event of new loans or particular extraordinary transactions, as well as the obligation not to establish new mortgages.

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

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

Please note that capitalisation policies require the guarantee of capital and the capitalisation of yields (in such a way as they too are guaranteed) every 12 months and some penalties in case of early redemption (almost all expired by now).

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 due to the pandemic, the value that will be obtained from disinvestment from the financial instruments themselves may be lower than the fair value recognised in the Financial Statements, thus generating a deterioration of net financial debt. Against the recognition of recurring costs in the Income Statement, deriving from financial expenses on existing loans, returns on investments in cash and cash equivalents are uncertain and are characterised by high volatility, also on the negative side. However, the Group selects its investments by privileging low risk ones and makes them with leading banking institutions. In addition, a careful liquidity management policy and the existence of short-term credit lines mitigate the risk of having to proceed with the sudden and unforeseen freeing up of liquidity.

RISKS RELATED TO EXCHANGE RATE FLUCTUATIONS

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

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

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

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

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

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

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

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

RISKS INHERENT TO THE GROWTH STRATEGY THROUGH EXTERNAL LINES

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

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

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

All the above is particularly valid for an acquisition such as the recent one of “AL Air”, which is the largest and potentially the most complex carried out by the Group.

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

RISKS RELATED TO THE CONCENTRATION OF SALES

Although there is no Group customer which alone represents more than 5% of consolidated turnover, and the top 10 customers represent a total percentage of consolidated turnover of less than 30%, the sector of manufacturers of refrigerated counters (in which the Group is the supplier of all the most important European players, and which represented around 18.5% of total turnover in the first half of 2020), the domestic appliances sector (in which the Group supplies all the most important European brands, with a turnover declining sharply in the period and with a percentage that dropped to 5.6% of the total) and the power generation applications sector (9.8% 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 sectors is discontinued, the Group companies that operate in that sector could have difficulty recovering the lost turnover with other customers, with a negative impact in terms of their Income Statement results and/or the equity and/or financial situation.

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

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 plants (such as in the recent case of the local lock down measures linked to the COVID-19 emergency,) due, by way of example, to accidents, breakdowns of machinery, malfunctioning of IT systems, the revocation or contestation of permits or licenses by the competent public authorities, strikes or lack of a workforce, natural disasters and significant interruptions in the supply of raw materials or energy, or lastly, man-made disasters such as accidents, fires and acts of terrorism. More specifically, an interruption in production activities could entail a partial lack of absorption of fixed production costs and/or render the Group temporarily unable to promptly meet the demands of its customers.

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

RISKS RELATED TO INTEREST RATE TRENDS

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

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

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

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

RISKS RELATED TO CREDIT

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

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

The historically low levels of losses on receivables recognised are proof of the good results achieved.

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 2019 (which should be referred to), the profile of which has not changed in the first half of 2020.

RISKS CONNECTED WITH THE COVID-19 HEALTH EMERGENCY

The pandemic linked to the spread of COVID-19, though subject to containment actions, may continue to have significant health, social and economic consequences throughout the world (with very different impacts country to country). The main risks refer to the worsening of the global macroeconomic scenario, the deterioration of credit profiles of customers and countries, and the slowdown in commercial activity due to the reduction in demand, the negative impacts on supply chains, sales prices and the purchase prices of raw materials and on the availability and price of financial resources.

As previously reported in the paragraph "Significant events during the half year", the Group immediately set up a specific crisis committee to ensure the best management of the emergency and the utmost protection of the health of all of its workers. Remote working was very quickly launched for all functions whose roles enable them to work remotely, which is still being partially used, as well as the use of all the instruments to make the cost of labour more flexible (social shock absorbers). Significant attention was focused on monitoring the situation of customers and suppliers to best manage production capacity and delivery times to the market (promptly handling the critical issues linked to supplies and the circulation of goods). Production as well as logistics flexibility was significantly increased, making it possible to transfer production from factories under lock down to operational factories, guaranteeing continuous supply to strategic customers.

Given the uncertainty of the moment, the Group is unable to accurately determine the impacts deriving from the pandemic on the remainder of the year and the following years. Due to COVID-19, the macroeconomic scenario is difficult to forecast, and visibility is limited. Therefore, it is highly complicated to make reliable forecasts on the performance of commercial, economic and financial results. The potential effects on the financial statements for the current year and future years cannot be accurately determined at present and will be constantly monitored during the rest of the year by the management. In that regard, see the sensitivity analyses conducted on compliance with the 2020-23 Business Plan approved by the Board of Directors on 6 April 2020, which, it is noted, included

initial forecasts regarding the possible effects of the pandemic. Those sensitivity analyses envisage, at least for the current year, results exceeding those initially estimated at the start of the pandemic. For more information, refer to that reported in Note 3.1 to the Condensed Consolidated Half-Yearly Financial Statements as at 30 June 2020.
In this context, the Group will 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.

2.2 DEVELOPMENT ACTIVITIES

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

The main projects, most of which were already begun as at 31 December 2019, regarded the development of new product ranges (mainly the use of natural refrigerants, such as carbon dioxide and ammonia), the miniaturisation and specialisation of tube surfaces and matrices for the improvement of heat exchange efficiencies, the introduction of electronic control systems optimised for unit coolers and air coolers as well as components and accessories in the heat exchangers and glass doors segments. In the course of the first half of 2020, the Group's development activities entailed overall investments for about €1.2 million (of which about €1.1 million capitalised under Intangible Assets, with the consent of the Board of Statutory Auditors).

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 2020: SIGNIFICANT EVENTS AND BUSINESS OUTLOOK

The consolidated turnover of only products at the end of August reached €253.9 million, with growth of 2.6% compared to the same period of the previous year. The order portfolio came to €75.1 million, a decrease of 7.3% compared to August 2019.

On 22 July the definitive agreements were signed with the local authorities in the US, and the works for clearing and preparing the land for the new plant began. At the end of August, the industrial park in Jacksonville paid Zyklus the first part of the contribution agreed in those agreements, relating to the purchase of the land, equal to USD 125,000.

At the end of July, Group regulations were introduced at all the production sites in Italy to govern remote working, and individual agreements for the workers involved were signed, valid until 31 December 2020.

During August, exactly in line with the planned schedule, the first production line of large condensers and liquid coolers was started up at the Russian plant, for the purpose of further increasing the market share, due to quicker delivery times combined with a more beneficial landed cost for local customers compared to purchasing from the plants located in Europe.

It is also worth noting, during the period, the acquisition of important, prestigious orders of air cooled equipment in Russia (the most modern refrigerated logistics centre in the country) and in China, where the recovery of the local market led to many important orders for the Tianmen production site, which, at the end of August, recorded the largest portfolio in its history. Lastly, as regards SBU Components, in the last few weeks, the approval phases were successfully completed for new exchanger projects with several important global players, which should guarantee additional volumes in 2021.

Due to the possible economic impact of COVID-19, the macroeconomic scenario remains characterised by strong uncertainty and a rather limited visibility and, therefore, it is very difficult to make any sort of forecast with regard to the performance of the business, economic and financial results. These circumstances, extraordinary in their nature and extent, have repercussions, direct and indirect, on the economic activity and have created a context of general uncertainty, whose evolution and relative effects cannot be predicted. The potential effects of this phenomenon on the financial statements cannot be determined at present and will be subject to continuous monitoring during the rest of the financial year.
In this context, the Group will 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.

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 2020, the Group held 28,027 treasury shares, equal to 0.1261% of the share capital, acquired at an average price of €10.2827 based on the authorisation resolutions approved by the Shareholders' Meeting on 29 April 2019. In application of international accounting standards, these instruments are recognised as a deduction from the shareholders' equity attributable to the Group.

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

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

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

In March, the Parent Company and the subsidiary Sest S.p.A. approved the review of the Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/2001 and the subsidiary Tecnair LV S.p.A. in turn, conducted a risk assessment project and adopted its own model.

Furthermore, the project was set up to formalise the organisational model pursuant to Italian Legislative Decree no. 231/2001 also for the subsidiary Air Hex Alonte S.r.l.

The impact assessments of the introduction of the tax offences in Italian Legislative Decree 231/2001 are under way, in order to update the risk assessment and, if necessary, the models, also in light of the risks of commission of the tax offences envisaged by Italian Legislative Decree 74/2000.

2.10 DECLARATION OF THE MANAGER IN CHARGE OF FINANCIAL REPORTING

The Manager in charge of financial reporting, Eligio Macchi, declares, pursuant to art. 154-bis, paragraph 2 of the Consolidated Law on Finance, that the accounting disclosure contained in this Interim Directors' Report as at 30 June 2020 corresponds to the results of the accounting documents, books and entries.

2.11 BRANCHES

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

On behalf of the Board of Directors

CEO
Matteo Liberali

2.12 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 2020

CONTENT

1 FINANCIAL STATEMENTS

1.1 CONSOLIDATED BALANCE SHEET

Consolidated Balance Sheet *(in thousands of €)*	**Notes**	**30/06/2020**	**31/12/2019**	
ASSETS				
Goodwill	3.1	55,829	56,199	(*)
Other intangible assets	3.1	42,049	41,806	(*)
Property, plant and equipment	3.2	119,872	124,038	
Rights of use	3.2	18,268	18,338	
Other property, plant and equipment	3.2	20,688	20,893	
Deferred tax assets	3.19	7,124	6,603	
Equity investments	3.3	8	8	
Other non-current assets	3.4	215	211	
Non-current assets		264,053	268,096	(*)
Inventories	3.5	66,260	61,812	
Trade receivables	3.6	68,169	61,728	
Current Tax receivables	3.7	15,104	13,916	
Current financial assets	3.8	59,627	59,047	
Other current assets	3.9	4,803	2,597	
Cash and cash equivalents	3.10	142,264	81,851	
Current assets		356,227	280,951	
Assets held for sale		-	-	
Assets held for sale		-	-	
TOTAL ASSETS		620,280	549,047	(*)

(*) values restated compared to 31 December 2019, pursuant to IFRS 3, so as to retrospectively take into account the effects of the definitive measurement at fair value of the trademarks and customer list of the Air Division at the acquisition date (values previously considered provisional, see the note "Information relating to IFRS 3").

Consolidated Balance Sheet *(in thousands of €)*	**Notes**	**30/06/2020**	**31/12/2019**	
LIABILITIES AND SHAREHOLDERS' EQUITY				
Share Capital	3.11	62,704	62,704	
Reserves and retained earnings (losses)		79,884	75,308	
Profit (loss) for the period		5,574	17,514	(*)
Total shareholders' equity attributable to the Parent Company		**148,162**	**155,526**	**(*)**
Shareholders' equity attributable to non-controlling interests		3,609	3,422	
SHAREHOLDERS' EQUITY		**151,771**	**158,948**	**(*)**
Non-Current Loans	3.12	247,190	137,801	
Provisions	3.13	4,305	4,231	
Employee benefits	3.14	5,555	5,491	
Deferred tax liabilities	3.19	17,199	17,954	(*)
Other non-current financial liabilities	3.15	12,934	17,698	
Non-current liabilities		**287,183**	**183,175**	**(*)**
Trade payables	3.16	84,720	86,231	
Current Loans	3.12	60,499	77,671	
Current Provisions	3.13	-	-	
Current Tax payables	3.17	5,051	4,691	
Other current financial liabilities	3.15	7,472	15,239	(*)
Other current liabilities	3.18	23,584	23,092	
Current liabilities		**181,326**	**206,924**	**(*)**
Liabilities held for sale		-	-	
Liabilities held for sale		-	-	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**620,280**	**549,047**	**(*)**

(*) values restated compared to 31 December 2019, pursuant to IFRS 3, so as to retrospectively take into account the effects of the definitive measurement at fair value of the trademarks and customer list of the Air Division at the acquisition date (values previously considered provisional, see the note "Information relating to IFRS 3").

1.2 CONSOLIDATED INCOME STATEMENT

Consolidated Income Statement *(in thousands of €)*	**Notes**	**H1 2020**	**H1 2019**	
REVENUES AND OPERATING INCOME				
Revenues	4.1	194,400	186,266	
Other revenues	4.2	440	466	
Total revenues and operating income		194,840	186,732	
OPERATING COSTS				
Cost of materials	4.3	(104,737)	(98,727)	
Changes in inventories	3.5	6,076	(679)	
Cost of services	4.4	(25,748)	(26,926)	
Personnel costs	4.5	(45,968)	(38,894)	
Net write-downs of financial assets	4.6	(1,126)	(72)	
Other operating costs	4.7	(1,563)	(1,140)	
Total operating costs		(173,066)	(166,438)	
Net change in fair value of derivatives		(806)	(969)	
Depreciation	3.1 - 3.2	(13,364)	(10,737)	(*)
Capital gains on the sale of non-current assets		26	205	
Write-downs on non-current assets		-	-	
EBIT		7,630	8,793	(*)
Financial income	4.8	934	1,139	
Financial expense	4.9	(1,576)	(2,318)	
Exchange gains and losses	4.10	(649)	(294)	
Gains and losses from equity investments	4.11	-	-	
EBT		6,339	7,320	(*)
Income taxes	4.12	(378)	(1,735)	(*)
NET PROFIT		5,961	5,585	(*)
Attributable to non-controlling interests		(387)	(327)	
PROFIT (LOSS) FOR THE PERIOD		5,574	5,258	(*)

(*) values restated compared to 30 June 2019, pursuant to IFRS 3, so as to retrospectively take into account the effects of the definitive measurement at fair value of the plant, trademarks and customer list of the Air Division at the acquisition date (values previously considered provisional, see the note "Information relating to IFRS 3").

1.3 EARNINGS PER SHARE AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EARNINGS PER SHARE

Earnings per share *(in €)*	**Notes**	**H1 2020**	**H1 2019**	
EARNINGS PER SHARE	4.13			
Basic		0.25	0.24	(*)
Diluted		0.25	0.24	(*)

(*) values restated compared to 30 June 2019, pursuant to IFRS 3, so as to retrospectively take into account the effects of the definitive measurement at fair value of the plant, trademarks and customer list of the Air Division at the acquisition date (values previously considered provisional, see the note "Information relating to IFRS 3").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated statement of comprehensive income *(in thousands of €)*	**Notes**	**H1 2020**	**H1 2019**	
NET PROFIT		5,961	5,585	(*)
Components that will not subsequently be reclassified to the Income Statement				
Actuarial valuation of post-employment benefits	3.14	15	(465)	
Tax effect		(4)	112	
		11	**(353)**	
Components that will subsequently be reclassified to the Income Statement				
Exchange differences from translation of Financial Statements in foreign currency	1.4	(6,665)	818	
TOTAL COMPREHENSIVE INCOME		(693)	6,050	(*)
of which:				
Attributable to non-controlling interests	3.11	(387)	(327)	
ATTRIBUTABLE TO THE GROUP		(1,080)	5,723	(*)

(*) values restated compared to 30 June 2019, pursuant to IFRS 3, so as to retrospectively take into account the effects of the definitive measurement at fair value of the plant, trademarks and customer list of the Air Division at the acquisition date (values previously considered provisional, see the note "Information relating to IFRS 3").

1.4 CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Consolidated Statement of changes in shareholders' equity (in thousands of €)	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 of the Group	Shareholders' equity attributable to non-controlling interests	Total shareholders' equity
BALANCE AS AT 01/01/2019	62,704	24,762	2,717	(1,618)	(3,079)	(250)	41,573	15,407	142,216	3,170	145,386
Allocation of profit 2018											
Dividends paid	-	-	-	-	-	-	(5,519)		(5,519)	-	(5,519)
Retained	-	-	155	-	-	-	15,252	(15,407)	-	-	-
Impact of the acquisition of LU-VE FRANCE S.a.r.l.	-	-	-	-	-	-	(221)	-	(221)	(193)	(414)
Reversal of deferred taxes on costs relative to capital transactions	-	-	-	-	-	-	(31)	-	(31)	-	(31)
Other	-	-	-	-	-	-	62	-	62	99	161
Comprehensive income H1 2019	-	-	-	-	818	(353)	-	5,258 (*)	5,723	327	6,050
BALANCE AS AT 30/06/2019	62,704	24,762	2,872	(1,618)	(2,261)	(603)	51,116	5,258 (*)	142,230	3,403	145,633
BALANCE AS AT 31/12/2019	62,704	24,762	2,872	-	(4,711)	(532)	52,917	17,514 (*)	155,526	3,422	158,948
Allocation of profit 2019											
Dividends paid	-	-	-	-	-	-	(5,996)	-	(5,996)	-	(5,996)
Retained	-	-	325	-	-	-	17,189	(17,514)	-	-	-
Purchase of treasury shares				(288)					(288)	-	(288)
Other (**)	-	-	-	-	-	-	-	-	-	(200)	(200)
Comprehensive income H1 2020	-	-	-	-	(6,665)	11	-	5,574	(1,080)	387	(693)
BALANCE AS AT 30/06/2020	62,704	24,762	3,197	(288)	(11,376)	(521)	64,110	5,574	148,162	3,609	151,771

(*) values restated compared to 30 June 2019 and 31 December 2019, pursuant to IFRS 3, so as to retrospectively take into account the effects of definitive the measurement at fair value of the plant, trademarks and customer list of the Air Division at the acquisition date (values previously considered provisional, see the note "Information relating to IFRS 3").

***(**)** The changes in the item "Other", equal to € 0.2 million, refer to the Translation reserve pertaining to non-controlling interests of the subsidiaries SEST-LUVE-Polska Sp.z.o.o., "OOO" SEST LU-VE and LU-VE Pacific pty.*

1.5 CONSOLIDATED STATEMENT OF CASH FLOWS

	Consolidated Statement of Cash Flows *(in thousands of €)*	Notes	H1 2020	H1 2019	
A.	**Cash and cash equivalents at the beginning of the period**		**81,851**	**85,905**	
	Profit (loss) for the period		5,574	5,258	(*)
	Adjustments for:				
	- Depreciation and amortisation	3.1 - 3.2	13,364	10,737	(*)
	- Realised gains on non-current assets		(26)	(205)	
	- Net financial income and expense	4.8 - 4.9	642	1,179	
	- Income taxes	4.12	378	1,735	(*)
	- Change in fair value		113	968	
	Changes in post-employment benefits		59	74	
	Changes in provisions	3.13	74	61	
	Changes in trade receivables		(6,441)	(20,687)	
	Changes in inventories		(4,448)	1,173	
	Changes in trade payables		(1,510)	12,791	
	Changes in net working capital		**(12,399)**	**(6,723)**	
	Changes in other receivables and payables, deferred taxes		(1,077)	1,913	
	Tax payment		(1,753)	(1,816)	
	Net financial revenues/expenses received/paid		(929)	(1,174)	
B.	**Cash flows generated by operating activities**		**4,020**	**12,007**	**(*)**
	Investments in non-current assets:				
	- intangible assets	3.1	(4,122)	(2,198)	
	- property, plant and equipment	3.2	(8,843)	(13,890)	
	- financial assets		-	-	
	Business combination net acquisition price	2.1	(8,700)	(29,689)	
C.	**Cash flows generated by investing activities**		**(21,665)**	**(45,777)**	
	Repayment of loans	3.12	(57,522)	(44,291)	
	New loans		149,924	52,503	
	Changes in other financial liabilities		(6,149)	(8,011)	
	Changes in short-term financial assets		-	5,024	
	Sale/(Purchase) of treasury shares	3.11	(288)	-	
	Contributions/repayments of own capital		-	-	
	Payment of dividends	4.14	(5,996)	(5,519)	
	Other changes		-	(414)	
D.	**Cash flows generated by financing activities**		**79,969**	**(708)**	
	Exchange differences		(6,865)	818	
	Other non-monetary changes		4,954	803	
E.	**Other changes**		**(1,911)**	**1,621**	
F.	**Net cash flows in the period (B+C+D+E)**		**60,413**	**(32,857)**	**(*)**
	Cash and cash equivalents at the end of the period (A+F)		**142,264**	**53,048**	
	Current financial debt		8,344	40,581	(*)
	Non-current financial debt		260,124	164,540	
	Net financial debt (Note 3.20)	**3.20**	**126,204**	**152,073**	**(*)**

(*) values restated compared to 30 June 2019, pursuant to IFRS 3, so as to retrospectively take into account the effects of the definitive measurement at fair value of the plant, trademarks and customer list of the Air Division at the acquisition date. Values previously considered provisional (see the note "Information relating to IFRS 3").

2 EXPLANATORY NOTES

2.1 INTRODUCTION

INFORMATION RELATING TO IFRS 3

On 30 April 2019 the LU-VE Group acquired 100% of the *air heat exchanger division (hereinafter "Air division" or "division")* from the Alfa Laval Group, as reported in the “Introduction” to the consolidated financial statements and explanatory notes as at 31 December 2019.

With reference to the acquisition, please recall that the Group applied IFRS 3 last year, allocating part of the cost of the acquisition to the assets, liabilities and intangible assets not recognised in the Financial Statements of the acquired division, up to the limits of their fair value. As at 31 December 2019 that allocation was provisionally defined, leaving roughly €10.6 million under “provisional” goodwill (the standard permits the allocation to be defined within a time frame of twelve months).

Thus, the allocation process definitively concluded in the initial months of the first half of 2020. All the items impacted by that process are summarised below:

- Assets subject to definitive allocation as at 31 December 2019:
  - Inventory, whose fair value came to €1,765 thousand, generating deferred tax liabilities of €483 thousand (that allocation was definitive at 30 June 2019);
  - Plant and machinery, whose fair value came to €4,333 thousand, generating deferred tax liabilities of €1,107 thousand.
- Assets with provisional allocation as at 31 December 2019, subject to definitive allocation as at 30 June 2020:
  - Trademarks, whose fair value came to €12,830 thousand, generating deferred tax liabilities of €3,200 thousand (following definitive allocation, the fair value was increased by €1,965 thousand and deferred tax liabilities by €1,235 thousand compared to the provisional allocation as at 31 December 2019);
  - The customer list, whose fair value was higher than its book value by €8,143 thousand, generating deferred tax liabilities of €1,629 thousand (following definitive allocation, the fair value was increased by €196 thousand and deferred tax liabilities by €39 thousand compared to the provisional allocation as at 31 December 2019);
  - Lastly, €308 thousand in purchase price adjustments were recorded, also referring to the acquisition of the *“Air division”*.

As a result of that set out above, the provisions allocation to goodwill of €10.6 million as at 31 December 2019 became definitive for €10.0 million.

As laid out in IFRS 3, the comparative statement of financial position data as at 31 December 2019 were restated so as to retrospectively take into account the effects resulting from the definitive "PPA process": The changes are shown below:

Consolidated Balance Sheet *(in thousands of €)*	**Notes**	**31/12/2019**	**Definitive measurement at fair value**	**Restatement 31/12/2019**
ASSETS				
Goodwill	3.1	56,780	(581)	56,199
Other intangible assets	3.1	39,790	2,016	41,806
Property, plant and equipment	3.2	124,038		124,038
Rights of use	3.2	18,338		18,338
Other property, plant and equipment	3.2	20,893		20,893
Deferred tax assets	3.19	6,603		6,603
Equity investments	3.3	8		8
Other non-current assets	3.4	211		211
Non-current assets		266,661	1,435	268,096
Inventories	3.5	61,812		61,812
Trade receivables	3.6	61,728		61,728
Due from the tax authorities for current taxes	3.7	13,916		13,916
Current financial assets	3.8	59,047		59,047
Other current assets	3.9	2,597		2,597
Cash and cash equivalents	3.10	81,851		81,851
Current assets		280,951	-	280,951
Assets held for sale		-	-	-
Assets held for sale		-	-	-
TOTAL ASSETS		547,612	1,435	549,047

Consolidated Balance Sheet *(in thousands of €)*	**Notes**	**31/12/2019**	**Definitive measurement at fair value**	**Restatement 31/12/2019**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Share Capital	3.11	62,704		62,704
Reserves and retained earnings (losses)		75,308		75,308
Profit (loss) for the period		17,573	(59)	17,514
Total shareholders' equity attributable to the Parent Company		155,585	(59)	155,526
Shareholders' equity attributable to non-controlling interests		3,422		3,422
SHAREHOLDERS' EQUITY		159,007	(59)	158,948
Loans	3.12	137,801		137,801
Provisions	3.13	4,231		4,231
Employee benefits	3.14	5,491		5,491
Deferred tax liabilities	3.19	16,768	1,186	17,954
Other financial liabilities	3.15	17,698		17,698
Non-current liabilities		181,989	1,186	183,175
Trade payables	3.16	86,231		86,231
Loans	3.12	77,671		77,671
Provisions	3.13	-	-	-

Tax payables	3.17	4,691		4,691
Other financial liabilities	3.15	14,931	308	15,239
Other current liabilities	3.18	23,092		23,092
Current liabilities		**206,616**	**308**	**206,924**
Liabilities held for sale		-	-	-
Liabilities held for sale		-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		547,612	1,435	549,047

The comparative consolidated income statement data as at 30 June 2020 were also restated, in order to reflect higher amortisation and depreciation deriving from the definitive fair value measurement of plant and machinery, trademarks and the customer list, as well as the related tax effect.

Consolidated statement of comprehensive income *(in thousands of €)*	**Notes**	**H1 2019**	**Definitive measurement at fair value**	**Restatement H1 2019**
REVENUES AND OPERATING INCOME				
Revenues	4.1	186,266		186,266
Other revenues	4.2	466		466
Total revenues and operating income		**186,732**	-	**186,732**
OPERATING COSTS				
Purchases of materials	4.3	(98,727)		(98,727)
Changes in inventories	3.5	(679)		(679)
Services	4.4	(26,926)		(26,926)
Personnel costs	4.5	(38,894)		(38,894)
Net write-downs of financial assets	4.6	(72)		(72)
Other operating costs	4.7	(1,140)		(1,140)
Total operating costs		**(166,438)**	-	**(166,438)**
Net change in fair value of derivatives		(969)		(969)
Depreciation and amortisation	3.1 - 3.2	(10,252)	(485)	(10,737)
Capital gains on the sale of non-current assets		205		205
Write-downs on non-current assets		-		-
EBIT		9,278	(485)	8,793
Financial income	4.8	1,139		1,139
Financial expense	4.9	(2,318)		(2,318)
Exchange gains and losses	4.10	(294)		(294)
Gains and losses from equity investments	4.11	-		-
EBT		7,805	(485)	7,320
Income taxes	4.12	(1,850)	115	(1,735)
NET PROFIT		5,955	(370)	5,585
Attributable to non-controlling interests		(327)		(327)
PROFIT (LOSS) FOR THE PERIOD		5,628	(370)	5,258

EXERCISE OF THE OPTION ON THE REMAINING 5% OF THE EQUITY INVESTMENT IN SPIROTECH LTD

During the half-year, the non-controlling shareholder of Spirotech Ltd exercised the put option (put option in favour of the non-controlling shareholder and call option in favour of the LU-VE Group) on the remaining 5% of the equity investment held in Spirotech Ltd, according to the contractual provisions.

The exercise of the option resulted in an outlay by the Parent Company of €4,085 thousand (recorded in the previous financial statements in the amount of €4,086 thousand, thereby recording a gain of €1 thousand during the period). That operation enabled the Parent Company to hold 100% of the equity investment in Spirotech Ltd.

2.2 ACCOUNTING STANDARDS

DECLARATION OF COMPLIANCE AND ACCOUNTING POLICIES

The condensed consolidated half-yearly financial statements as at 30 June 2020 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 2019. 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 2019 and the condensed consolidated half-yearly Financial Statements as at 30 June 2019, 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. For more information on adjustments to fair value, please refer to the “Use of estimates” section below. Furthermore, the condensed consolidated half-yearly Financial Statements have been drawn up on the basis of the going concern assumption, as the Directors have verified, even in relation to the emergency linked to the COVID-19 pandemic, the non-existence of indicators of a financial, management or any other nature that might indicate critical issues relating to the ability of the Group to meet its commitments in the foreseeable future. The risks and uncertainties related to the business are described in the sections dedicated to the Interim Director’s Report.

Specifically, with reference to this assumption, as at 30 June 2020 the Group had a solid and balanced financial structure, with a Net financial debt/Shareholders’ equity ratio (Debt ratio) of 0.83 and a positive short-term net financial position of €133.9 million, guaranteeing, with its current liquidity, repayment of the medium/long-term debt due by 30 June 2021 along with current financial liabilities.

In addition, there are no substantial restrictions on the freeing up of invested liquidity, equal to €60 million, which therefore, if required, may be used to meet any payment commitments.

Note that, even if the estimates in the 2020 forecast are subject to significant sensitivity analyses linked to the extreme uncertainty of this moment, with regard to the related emergency linked to the pandemic, they lead us to expect that there will not be critical issues as at 31 December 2020 regarding the covenants on a consolidated basis, set out in the loans entered into by the Group (which are also required to be met by contract only on the closing of the annual consolidated financial statements).

An evaluation of the possible impacts on the LU-VE Group due to that ongoing emergency was carried out, based on the best information currently available, and it is reasonably considered that it will not compromise the business continuity.

In light of what is laid out above, the condensed consolidated half-yearly Financial Statements of the Group as at 30 June 2020 were prepared on the basis of the going concern assumption, pursuant to paragraphs 25 and 26 of IAS 1.

COVID-19 health emergency

At the time of drawing up the 2019 financial statements, the health emergency triggered by COVID-19 was considered by parties that apply the international accounting standards as a “non-adjusting event” according to the provisions of IAS 10, as it was an event that occurred following the end of the year, for which disclosure must be provided, but which did not result in adjustments to the closing of the financial statements as at 31 December 2019. In line with the directives in the Public Statement “Implications of the COVID-19 outbreak on the half yearly financial reports”, issued by ESMA on 20 May 2020, the Consob Notice no. 8/20 of 16 July 2020 and in application of the provisions of IAS 34, paragraphs 15-15C with regard to significant events in the period, the paragraphs below provide specific considerations on the areas of the financial statements potentially impacted by COVID-19. Specifically, for the purposes of the condensed consolidated half-yearly Financial Statements of the LU-VE Group as at 30 June 2020, specific issues were identified with regard to individual IFRSs, summarised below:

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

- financial instruments (IFRS 9), pursuant to Note no. 3.6 – “Trade receivables”;

- impairment of assets (IAS 36), pursuant to Note no. 3.1 – “Goodwill and Other intangible assets”;

- Notes no. 4.5 – “Personnel costs”, no. 4.4 “Costs for services” and no. 4.7 “Other operating costs” include specific disclosure on “benefits” and on costs incurred as a result of the state of emergency connected with the COVID-19 pandemic;

- exoneration from payment of the IRAP 2019 tax adjustment for Italian companies in the Group, pursuant to Note 4.12 – “Income taxes”;

- moratoriums granted by several banks regarding the repayment of principal of several loans, pursuant to Note 3.12 – "Loans".

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 the parent company LU-VE S.p.A. and its direct and indirect subsidiaries, based on their half-yearly Financial Statements, properly adjusted, when necessary, to bring them into line with the IAS/IFRS adopted by the LU-VE Group in preparing its consolidated Financial Statements:

Company name	Registered office	% equity investment	Currency	Share capital
Direct subsidiaries:				
SEST S.p.A.	Limana (BL)	100.00%	EUR	1,000,000
Tecnair LV S.p.A.	Uboldo (VA)	79.90%	EUR	200,000
Heat Transfer Systems s.r.o. (HTS)	Novosedly (Czech Rep.)	100.00%	CZK	133,300,000
LU-VE Sweden AB	Asarum (Sweden)	100.00%	SEK	50,000
LU-VE France S.a.r.l.	Lyon (France)	100.00%	EUR	84,150
LU-VE Pacific Pty Ltd	Thomastown (Australia)	75.50%	AUD	200,000
LU-VE Deutschland GmbH	Stuttgart (Germany)	100.00%	EUR	230,000
LU-VE Iberica S.L.	Madrid (Spain)	85.00%	EUR	180,063
LU-VE Asia Pacific Limited	Wan Chai (Hong Kong)	100.00%	HKD	10,000
LuveDigital S.r.l.	Uboldo (VA)	50.00%	EUR	10,000

MANIFOLD S.r.l.	Uboldo (VA)	99.00%	EUR	10,000
SPIROTECH Ltd	New Delhi (India)	100.00%	INR	25,729,600
LU-VE AUSTRIA GmbH	Vienna (Austria)	100.00%	EUR	17,500
Zyklus Heat Transfer Inc.	Jacksonville (USA, Texas)	100.00%	USD	1,000
Air Hex Alonte S.r.l.	Uboldo (VA)	100.00%	EUR	2,010,000
Fincoil LU-VE OY	Vantaa (Finland)	100.00%	EUR	1,190,000
LU-VE Netherlands B.V.	Breda (Netherlands)	100.00%	EUR	10,000
«OOO» LU-VE Moscow	Moscow (Russia)	100.00%	RUB	100,000
LU VE MIDDLE EAST DMCC	Dubai (UAE)	100.00%	AED	50,000
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 (62.62%-owned by LU-VE Asia Pacific Limited and 37.38%-owned by LU-VE SpA)	Tianmen (China)	100.00%	CNY	61,025,411
Thermo Glass Door S.p.A. (100%-owned by SEST S.p.A.)	Travacò Siccomario (PV)	100.00%	EUR	100,000

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

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.

The following changes compared to the previous period took place in the consolidation area during the first half of 2020:

- during the half-year, the parent company LU-VE S.p.A. purchased the remaining 5% of the equity investment in Spirotech Ltd, following the exercise of the put option by the non-controlling shareholder, as described in the introduction. Following the transaction, the Parent Company holds 100% of Spirotech Ltd.

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

e) The gains realised from intra-group sales relative to property, plant and equipment and intangible fixed assets are eliminated, net of 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 the Parent Company and the presentation currency of the condensed consolidated half-yearly Financial Statements.

Statement of Financial Position 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 30/06/2020	Average exchange rate H1 2020	Exchange rate as at 31/12/2019	Average exchange rate H1 2019
AUD	1.6344	1.6775	1.5995	1.6003
PLN	4.4560	4.4120	4.2568	4.2920
CZK	26.7400	26.3330	25.4080	25.6850
RUB	79.6300	76.6692	69.9563	73.7444
SEK	10.4948	10.6599	10.4468	10.5181
HKD	8.6788	8.5531	8.7473	8.8611
CNY	7.9219	7.7509	7.8205	7.6678
INR	84.6235	81.7046	80.1870	79.1240
USD	1.1198	1.1020	1.1234	1.1298
AED	4.1125	4.0473	4.1257	4.1491

MEASUREMENT CRITERIA

The accounting standards and measurement criteria adopted to prepare the condensed consolidated half-yearly Financial Statements as at 30 June 2020 did not change compared to the 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 accounting standards, with the exception of those relating to estimates that have a significant impact on amounts recognised in the financial statements.

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

adjustments in the book values of the assets and liabilities in the following financial year are reported below:

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

Note that in preparing the financial statements as at 31 December 2019, in order to conduct impairment testing, the Directors approved the 2020-2023 Business Plan on 28 February 2020. Nonetheless, on 6 April 2020, following the lock down imposed in various jurisdictions during the initial phase of the pandemic, which entailed a reduction of roughly 50% in the Group's production capacity, the Board of Directors discussed the presence of possible impairment losses as a result of the change in the following assumptions included in said plan, to take account of any effects deriving from the pandemic. They thereby developed a "sensitivity" scenario on the plan initially set out: a reduction in revenues of 20% for 2020 and for 2021 a less significant reduction in revenues, equal to 5% (assuming that fixed costs estimated and investments planned for those years would be substantially unchanged). Those updates were included in the 2020-2023 Business Plan revised based on that set out above, and approved by the Board of Directors on 6 April 2020. That plan was used to set up a sensitivity analysis for the impairment tests conducted as at 31 December 2019.

Comparing the 2020-23 Business Plan adjusted by the assumptions reported above with the final income statement results of the first half of 2020 and with those set out in the forecast for the entire year under way, the economic performance is expected to be in line, if not better, than that estimated at April 2020.

The directors then developed a new sensitivity analysis on the latest plan approved on 6 April 2020, which, as stated, forecasts: economic performance for 2020 in line with, if not better than, those initially estimated and, for the years following 2020 (the remaining explicit plan period), assuming that the pandemic will have a dragging effect, though managed by the various governments using generally more prudent approaches than in the initial phases of the infection, an increase in expected future cash flows of €9.0 million for 2021, and for the following years 2022 and 2023, decreases of €7.6 and €3.6 million compared to the initial estimates set out with regard to the pandemic.

With regard to that set out above, the results of the sensitivity analyses described above (also dragged on the terminal value in order to calculate the recoverable value), do not invalidate the considerations made on drawing up the financial statements as at 31 December 2019.

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 at the date of the condensed consolidated half-yearly financial statements. The results of the impairment tests as at 31 December 2019 are substantially confirmed. However, the future trend of various factors, including the evolution of the difficult global health, economic and financial environment, requires the Group management to constantly monitor the circumstances and events that might result in an impairment of the Group's goodwill.

Provisions for credit risks

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

In the current context of uncertainty, the management estimated the impact that the pandemic could have on the possible worsening of customers' credit ratings and on their ability to meet their obligations, exclusively using forward-looking information, thereby making an additional allocation to the bad debt provision during the half-year.

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 2020. In addition, deferred tax assets are measured on the basis of expected income of the Group companies in future years; the assessment of this expected income depends on factors that could change over time and have significant effects on the measurement of deferred tax assets.

The taxable results deriving from the 2020-2023 Business Plan of the subsidiary SEST-LUVE-POLSKA (which concentrates most of the deferred tax assets allocated in the financial statements, whose expected income statement results are in line with, if not higher than, the Polish company’s plan, included in the 2020-2023 Consolidated Business Plan approved on 6 April 2020), along with the estimated taxable income deriving from the national tax consolidation of the Italian companies in the Group, with specific reference to the recoverability of the deferred tax assets allocated on the consolidated tax losses as at 30 June 2020, totalling €852 thousand, were taken into account in the verification of the recognition and recoverability of deferred tax assets recognised in the condensed consolidated half-year financial statements as at 30 June 2020. The effects deriving from the temporary differences on which deferred tax liabilities were recognised were also used in the verification of recognition. However, the future trend of various factors, including the evolution of the difficult global health, economic and financial environment, requires the Group management to constantly monitor the circumstances and events that might result in an impairment of the Group’s goodwill.

2.3 NEW ACCOUNTING STANDARDS

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED AS AT 1 JANUARY 2020

The following IFRS accounting standards, amendments and interpretations have been applied by the Group for the first time as of 1 January 2020:

- On 31 October 2018, the IASB published "Definition of Material (Amendments to IAS 1 and IAS 8)". The document introduced an amendment to the definition of "material" in IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. This amendment has the objective of making the definition of "material" more specific and introduced the concept of "obscured information" alongside the concepts of omitted or incorrect information already present in the two standards subject to amendment. The amendment clarifies that information is "obscured" when it has been described in such a way as to produce for primary readers of Financial Statements an effect similar to that which would have been produced had such information been omitted or incorrect.
  The adoption of this amendment had no effects on the Group's condensed consolidated half-yearly Financial Statements.

- On 29 March 2018, IASB published an amendment to "References to the Conceptual Framework in IFRS Standards". The amendment is effective for financial years starting on 1 January 2020 or later, but early application is allowed. The Conceptual Framework defines the fundamental concepts for financial information and guides the Council in the development of IFRS standards. The document helps to guarantee that the Standards are conceptually coherent and that similar transactions are treated in the same way, so as to provide useful information to investors, lenders and other creditors. The Conceptual Framework supports companies in the development of accounting standards when no IFRS standard is applicable to a particular transaction and, more generally, helps the interested parties in understanding and interpret the Standards. The adoption of this amendment had no effects on the Group's condensed consolidated half-yearly Financial Statements.

  On 26 September 2019, IASB published the "Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform". The same amends IFRS 9 - Financial Instruments and IAS 39 - Financial Instruments: Recognition and Measurement as well as IFRS 7 - Financial Instruments: Disclosures. In particular, the amendment changes some of the requirements for the application of hedge accounting, including temporary derogations to the same, in order to mitigate the effect of the impact deriving from the uncertainty of the IBOR reform (still pending) on future cash flows in the period prior to its completion. The amendment also requires companies to provide further information in financial statements with regard to their hedging transactions which are directly affected by the uncertainties generated by the review and to which the above mentioned derogations apply. The adoption of this amendment had no effects on the Group's consolidated financial statements.

- The adoption of this amendment had no effects on the Group's consolidated financial statements. On 22 October 2018, the IASB published "Definition of a Business (Amendments to IFRS 3)". The document provides some clarifications on the definition of business for the correct application of the IFRS 3 standard. In particular, the amendment clarifies that while a business normally produces an output, the presence of an output is not strictly necessary to identify a business in the presence of an integrated set of activities/processes and goods. However, to satisfy the definition of business, an integrated set of activities/processes and goods must include, as a minimum, an input and a substantial process that together significantly contribute to the capacity to create an output. To this end, IASB has replaced the term "capacity to create an output" with "capacity to contribute to the creation of an output" to clarify that a business may exist also without the presence of all the inputs and processes necessary to create an output. The amendment also introduced a test ("concentration test"), optional for the entity, to rule out the existence of a business if the price paid substantially refers to a single activity or set of activities. The amendments are applied to all business combinations and acquisitions of activities after 1 January 2020, but early application is permitted. The adoption of this amendment had no effects on the Group's consolidated financial statements.

IFRS ACCOUNTING STANDARDS AND AMENDMENTS AND IFRIC INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, FOR WHICH APPLICATION IS NOT YET REQUIRED AND NOT ADOPTED EARLY BY THE GROUP AS AT 30 JUNE 2020

As at 30 June 2020, no accounting standards, amendments or IFRS or IFRIC interpretations endorsed by the European Union for which application is not yet required as at 30 June 2020 were issued.

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

At the date of these condensed consolidated half-yearly financial statements, the competent bodies of the European Union have not yet completed the approval process required for the adoption of the amendments and standards described below.

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

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

The main characteristics of the General Model are:

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

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

The entity must apply the new standard to insurance contracts issued, including reassurance contracts issued, reinsurance contracts held and also to investment contracts with a discretionary participation feature (DPF).
The standard applies as of 1 January 2023, but early application is permitted, only for entities that apply IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers. The Directors do not expect the adoption of this standard to have a significant effect in the Group's consolidated financial statements.

- On 23 January 2020 the IASB published an amendment entitled "*Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*". The purpose of the document is to clarify how to classify current and non-current payables and other liabilities. The amendments come into effect on 1 January 2022, but the IASB issued an exposure draft to postpone the entry into force to 1 January 2023. In any event, 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 14 May 2020, the IASB published the following amendments:
  - *Amendments to IFRS 3 Business Combinations*: the amendments aim to update the reference in IFRS 3 to the Conceptual Framework to the revised version, without this making changes to the provisions of IFRS 3.
  - *Amendments to IAS 16 Property, Plant and Equipment*: the amendments aim to prohibit the deduction from the cost of property, plant and equipment of the amount

received from the sale of goods produced in the phase of testing such assets. Those sales revenues and related costs shall therefore be recognised in the income statement.

  - *Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets*: the amendment clarifies that in estimating whether a contract is onerous, all costs directly attributable to the contract must be considered. As a result, the assessment of whether a contract is onerous includes not only incremental costs (such as, for example, the cost of materials directly used in processing), but also all the costs that the entity cannot avoid due to the fact that it entered into the contract (such as, for example, the share of personnel costs and the depreciation charge for machinery used in fulfilling the contract).
  - *Annual Improvements 2018-2020*: the amendments were made to *IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and to the Illustrative Examples* of *IFRS 16 Leases.*

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

- On 28 May 2020 the IASB published an amendment entitled "*Covid-19 Related Rent Concessions (Amendment to IFRS 16)*". The document permits lessees to account for rent concessions connected with Covid-19 without having to assess, through contract analysis, whether these comply with the definition of lease modification of IFRS 16. Therefore, lessees that apply that option may account for the effects of reductions in lease rentals directly in the income statement at the effective date of the decrease. Even though that amendment is applicable to financial statements beginning on 1 June 2020, save for the option for early application by companies to financial statements starting on 1 January 2020, it has not yet been endorsed by the European Union and, therefore, was not applied by the Group as at 30 June 2020. The directors do not expect the adoption of this amendment to have a significant effect on the Group's consolidated Financial Statements.

- On 28 May 2020 the IASB published an amendment entitled "*Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)*". The amendments permit the extension of the temporary exemption from applying IFRS 9 up to 1 January 2023. Those changes will take effect on 1 January 2021. The directors do not expect the adoption of this amendment to have a significant effect on the Group's consolidated Financial Statements.

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

3 COMMENTS ON THE MAIN ITEMS OF THE CONSOLIDATED BALANCE SHEET

3.1 GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets *(in thousands of €)*	**Goodwill**		**Other intangible assets**		**Total**	
Historical						
As at 1 January 2019	**60,623**		**52,470**		**113,093**	
Increases	-		5,155		5,155	
Contribution of Alfa Laval Air division	10,026	(*)	20,973	(*)	30,999	(*)
Decreases	-		(304)		(304)	
Reclassifications	-		-		-	
Exchange differences	(1,535)		56		(1,479)	
As at 31 December 2019	**69,114**	**(*)**	**78,350**	**(*)**	**147,464**	**(*)**
Increases	-		4,122		4,122	
Decreases	-		(172)		(172)	
Reclassifications	-		-		-	
Exchange differences	(370)		(190)		(560)	
As at 30 June 2020	**68,744**		**82,110**		**150,854**	
Provision						
As at 1 January 2019	**12,915**		**30,008**		**42,923**	
Increases	-		6,604	(*)	6,604	(*)
Decreases	-		(105)		(105)	
Reclassifications	-		-		-	
Exchange differences	-		37		37	
As at 31 December 2019	**12,915**		**36,544**	**(*)**	**49,459**	**(*)**
Increases	-		3,630		3,630	
Decreases	-		-		-	
Reclassifications	-		-		-	
Exchange differences	-		(113)		(113)	
As at 30 June 2020	**12,915**		**40,061**		**52,976**	
Net carrying amount						
As at 31 December 2019	**56,199**	**(*)**	**41,806**	**(*)**	**98,005**	**(*)**
As at 30 June 2020	**55,829**		**42,049**		**97,878**	

(*) values restated compared to 31 December 2019, pursuant to IFRS 3, so as to retrospectively take into account the effects of the definitive measurement at fair value of the trademarks and customer list of the Air Division at the acquisition date (values previously considered provisional, see the note "Information relating to IFRS 3").

Goodwill

The decrease in the item "Goodwill" of €370 thousand is attributable to the adjustment to the exchange delta on goodwill generated in the previous years by the acquisitions of the Indian company Spirotech Ltd and the US company Zyklus.

Pursuant to IAS 36, goodwill is not subject to amortisation, but rather impairment testing on at least a yearly basis or more frequently if specific events and circumstances take place that could require an immediate impairment test.

Note that the Group tested the recoverability of the carrying amount of Net Invested Capital (NIC) as at 31 December 2019, thus, including the value of goodwill and other intangible assets with a finite useful life. For the purpose of impairment testing, the value of goodwill was allocated to two cash-generating units (CGUs) identified ("Components" and "Cooling Systems"). In determining the recoverable amount of those CGUs, the management made reference to the 2020-2023 Business Plan approved by the Company's Board of Directors on 28 February 2020. The impairment tests conducted showed no impairment had occurred.

Moreover, in consideration of the COVID-19 emergency, it was decided to include in that plan, approved on 6 April 2020, assumptions of reductions in revenues for 2020 of 20% and for 2021 of 5% (with fixed costs and investments planned in those years substantially unchanged). The results of that plan, updated as above, were considered as the basis for the additional sensitivity analysis conducted on the impairment tests.

For more information, refer to that reported in detail in the Consolidated Financial Statements and Notes as at 31 December 2019.

For the purpose of drawing up the condensed consolidated half-yearly financial statements as at 30 June 2020, the Directors have developed a new sensitivity analysis for said plan. Compared to the plan, considering the economic results of the first half and those expected as per the forecast for the entire current year, the analysis forecasts an incremental value of cash flows of €6.0 million for 2020 and €9.0 million for 2021, while for the following years (the remaining explicit plan period), assuming that the pandemic will have a dragging effect, decreases in expected future cash flows for 2022 and 2023 of €7.6 million and €3.6 million.

Those assumptions, reflected in the sensitivity analysis of the impairment test drawn up at the closing as at 30 June 2020, with a dragging effect also on the terminal value for calculating the recoverable value, with like-for-like growth rates (g-rate) (2.20% and 1.77%, respectively for the Components CGU and the Cooling Systems CGU) and discounting rates (WACC) (7.08% and 6.26%, respectively for the Components CGU and the Cooling Systems CGU) used as at 31 December 2019, did not invalidate the considerations previously made in the financial statements for the previous year.

Moreover, the update of the estimated WACC as at 30 June 2020 does not differ significantly from that as at 31 December 2019.

Management has also determined the break-even WACC, the reduction of EBITDA (in terminal value) and the break-even g-rate (which equal the Value in Use and Carrying Amount), obtaining the results reported below:

- break-even WACC (maintaining all other plan assumptions unchanged) of 15.1% for the Components CGU and 7.65% for the Cooling Systems CGU;

- lowering of the EBITDA in Terminal Value (maintaining all other plan assumptions unchanged) of -42.7% for the Components CGU and -11.8% for the Cooling Systems CGU;

- break-even g-rate of -9.3% for the Components CGU and 0.1% for the Cooling Systems CGU (maintaining all other plan assumptions unchanged).

Other intangible assets

The item other intangible assets increased by €243 thousand. The table below summarises the changes in that item in greater detail:

Detail of other intangible assets *(in thousands of €)*	**Customer list**	**Trademarks**	**Development costs**	**Development costs in progress**	**Software**	**Other**	**Total**
Historical							
As at 1 January 2019	**12,437**	**11,077**	**12,623**	**2,639**	**13,362**	**332**	**52,470**
Increases	-	-	1,291	1,324	1,947	593	5,155 (*)
Contribution of Alfa Laval Air division	8,143 (*)	12,830 (*)	-	-	-	-	20,973 (*)
Decreases	-	-	(192)	(106)	(6)	-	(304)
Reclassifications	-	-	2,262	(2,262)	136	(136)	-
Exchange differences	-	(4)	(3)	-	63	-	56
As at 31 December 2019	**20,580 (*)**	**23,903 (*)**	**15,981**	**1,595**	**15,502**	**789**	**78,350 (*)**
Increases	-	-	120	958	2,119	925	4,122
Decreases	-	-	(125)	-	-	(47)	(172)
Reclassifications	-	-	744	(744)	478	(478)	-
Exchange differences	-	(1)	(36)	-	(153)	-	(190)
As at 30 June 2020	**20,580**	**23,902**	**16,684**	**1,809**	**17,946**	**1,189**	**82,110**
Provision							
As at 1 January 2019	**1,006**	**7,616**	**10,611**	**-**	**10,659**	**116**	**30,008**
Increases	1,102	1592 (*)	1,702	-	2,208		6,604 (*)
Decreases	-	-	(96)	-	(9)	-	(105)
Reclassifications	-	-	-	-	-	-	-
Exchange differences	-	(2)	(3)	-	42	-	37
As at 31 December 2019	**2,108**	**9,206 (*)**	**12,214**	**-**	**12,900**	**116**	**36,544 (*)**
Increases	687	1,010	752	-	1,181	-	3,630
Decreases	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-
Exchange differences	-	1	(4)	-	(110)	-	(113)
As at 30 June 2020	**2,795**	**10,217**	**12,962**	**-**	**13,971**	**116**	**40,061**

Net carrying amount							
As at 31 December 2019	**18,472 (*)**	**14,697 (*)**	**3,767**	**1,595**	**2,602**	**673**	**41,806 (*)**
As at 30 June 2020	**17,785**	**13,685**	**3,722**	**1,809**	**3,975**	**1,073**	**42,049**

(*) values restated compared to 31 December 2019, pursuant to IFRS 3, so as to retrospectively take into account the effects of the definitive measurement at fair value of the trademarks and customer lists of the Air Division at the acquisition date (values previously considered provisional, see the note "Information relating to IFRS 3").

Customer list

The change during the half-year in the Customer List (which includes the results of defining the PPA process in the "*Air division*", as shown in the note "Introduction" above) refers exclusively to amortisation for the period.

Trademarks

The change in that item (which includes the results of defining the PPA process in the "*Air division*", as shown in the note "Introduction" above) refers exclusively to amortisation for the period.

Development costs and development costs in progress

The total Development costs incurred in the period came to €1,077 thousand (of which €120 thousand capitalised and €958 thousand in projects underway), referring to new product development. Furthermore, during the period €774 thousand for projects concluded in the half-year ending as at 30 June 2020 was reclassified from development costs in progress.

Software

Software increased by €2,119 thousand. The main projects developed in the period relate to PLM (Product Lifecycle Management) and mainly to the implementation of the accounting/management ERP (SAP) in the newly-acquired companies, in order for the same system to be used in all of the Group's production facilities.

Other intangible assets

Other intangible assets rose by €925 thousand compared to the previous year and mainly refer to PLM and the implementation of the accounting/management ERP (SAP) in the newly-acquired companies.

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

3.2 PROPERTY, PLANT AND EQUIPMENT

Other property, plant and equipment *(in thousands of €)*	Property	Plant and equipment	Rights of use	Other property, plant and equipment	Work in progress	Total
Historical						
As at 1 January 2019	98,588	127,656	-	33,266	6,213	265,723
Alfa LAVAL contribution	44	7,522	12,893	866	176	21,501
Increases	834	8,987	8,873	2,900	12,573	34,167
Decreases	-	(3,094)	-	(493)	(375)	(3,962)
Reclassifications	473	4,559	300	362	(5,694)	-
Exchange differences	1,134	1,293	(23)	90	95	2,589
As at 31 December 2019	101,073	146,923	22,043	36,991	12,988	320,018
Increases	191	1,971	1,673	650	5,311	9,796
Decreases	-	(132)	(330)	(30)	(296)	(788)
Reclassifications	176	3,246	679	107	(4,208)	-
Exchange differences	(2,684)	(3,098)	(150)	(358)	(484)	(6,774)
As at 30 June 2020	98,756	148,910	23,915	37,360	13,311	322,252
Provision						
As at 1 January 2019	22,385	91,051	-	27,226	-	140,662
Increases	2,441	9,493	3,547	2,270	-	17,751
Decreases	-	(2,451)	158	(468)	-	(2,761)
Reclassifications	-	-	-	-	-	-
Exchange differences	249	790	-	58	-	1,097
As at 31 December 2019	25,075	98,883	3,705	29,086	-	156,749
Increases	1,215	5,075	2,268	1,177	-	9,735
Decreases	-	-	(297)	(37)	-	(334)
Reclassifications	-	8	-	(8)	-	-
Exchange rate difference	(557)	(1,905)	(29)	(235)	-	(2,726)
As at 30 June 2020	25,733	102,061	5,647	29,983	-	163,424
Net carrying amount						
As at 31 December 2019	75,998	48,040	18,338	7,905	12,988	163,269
As at 30 June 2020	73,023	46,849	18,268	7,377	13,311	158,828

** The positive change in the column Right of use, shown in 2019, mainly refers to the portions of amortisation in previous years of the surface rights of Spirotech Ltd following the reclassification under fixed assets following the application of IFRS 16.*

As at 30 June 2020, increases in property, plant and equipment amounted to €9,676 thousand, mainly attributable to:

- €1,971 thousand referring to the expansion of the current production capacity;
- €1,673 thousand referring to the recognition of the effects of IFRS 16, of which €810 thousand referring to the increase in leased properties, €371 thousand referring to the increase in leases

for the use of leased motor vehicles and €492 thousand referring to the increase in leases for the use of forklifts and other machinery. During the period, no pre-existing lease contracts as at 31 December 2019 were renegotiated;

- €5,311 thousand referring to the technological-investment plan in Italy and abroad aimed at extending and streamlining some production sites and at upgrading the installed production capacity (for further details please refer to the Interim Director's Report);

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

3.3 EQUITY INVESTMENTS

The Group holds the following equity investments:

Equity investments *(in thousands of €)*	**30/06/2020**	**31/12/2019**	**Change**
Industria e Università S.r.l.	8	8	-
Total	**8**	**8**	**-**

3.4 OTHER NON-CURRENT ASSETS

They amounted to €215 thousand, an increase of around €4 thousand. The item mainly refers to security deposits provided for the provision of services (€211 thousand in the previous financial year).

Other non-current assets *(in thousands of €)*	**30/06/2020**	**31/12/2019**	**Change**
Other non-current assets	215	211	4
Total	**215**	**211**	**4**

3.5 INVENTORIES

This item in question was broken down as follows as at 30 June 2020:

Inventories *(in thousands of €)*	**30/06/2020**	**31/12/2019**	**Change**
Raw materials and consumables	44,238	41,339	2,899
Work in progress and semi-finished products	7,072	4,481	2,591
Finished products and goods for resale	19,576	20,375	(799)
Provision for inventory losses	(4,626)	(4,383)	(243)

Total	66,260	61,812	4,448

The change amounting to €4,448 thousand was mainly due to:

- €4,691 thousand referring to the increase in existing stock in the warehouses of the various Group companies. Those changes refer in part to the seasonality of the business, and in part to the drop in production that the management believes was mainly due to the period of lock down;
- The provision for inventory losses increased by €243 thousand, mainly due to a "volume effect".

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

The increase in provision for inventory losses for €243 thousand is broken down as follows:

- €296 thousand for greater provisions;
- €53 thousand for negative exchange differences.

3.6 TRADE RECEIVABLES

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

Trade Receivables *(in thousands of €)*	**30/06/2020**	**31/12/2019**	**Change**
Trade receivables	74,846	67,338	7,508
Bad debt provision	(6,677)	(5,610)	(1,067)
Total	**68,169**	**61,728**	**6,441**

The increase in trade receivables amounting to €6,441 thousand was due to:

- €8,792 thousand for a general increase in sales of Group companies during the last few months of the period, following a generalised global economic recovery of business due to a partial, but substantial recovery from the COVID-19 pandemic compared to the situation existing at the start of the pandemic (March – April 2020);
- €1,284 thousand referring to the negative exchange delta;
- The bad debt provision increased by €1,067 thousand (negative effect).

In addition, in June 2020 receivables of roughly €17,957 thousand were transferred to the Factor, compared to roughly €21,302 thousand as at 31 December 2019. This factoring was without recourse. Factored receivables as a percentage of turnover came to 4.49% in the first half of 2020 (5.5% in 2019).

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 €506 thousand and a reduction in trade receivables for variable compensations (mainly credit notes to be issued for bonuses granted to customers) for €314 thousand.

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

Trade receivables by geographical area *(in thousands of Euro)*	**30/06/2020**	**31/12/2019**	**Change**
Italy	19,537	11,077	8,460
EU Countries	37,132	38,823	(1,691)
Non-EU Countries	18,177	17,438	739
Bad debt provision	(6,677)	(5,610)	(1,067)
Total	**68,169**	**61,728**	**6,441**

The ageing of trade receivables is shown below:

Breakdown of trade receivables by maturity *(in thousands of €)*	**30/06/2020**	**31/12/2019**	**Change**
Current receivables (not past due)	57,879	53,283	4,596
Past due up to 30 days	8,530	6,187	2,343
Past due from 30 to 60 days	1,110	1,996	(886)
Past due from 60 to 90 days	1,574	568	1,006
Past due for more than 90 days	5,753	5,304	449
Total	**74,846**	**67,338**	**7,508**

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 2020, the estimated expected losses include the potential forward-looking impacts of the pandemic on the possible worsening of customers' credit ratings and those of countries in which they operate, and on their ability to meet their obligations. With regard to those considerations, it is noted that the effects on receivables deriving from the COVID-19 health crisis as at 30 June 2020 did not result in significant delays in collections compared to the deadlines originally set out in the contracts with our customers: as stated, based on the potential forward-looking impacts of the pandemic, the management deemed it reasonable to allocate additional provisions for the period to reflect that risk in the financial statements.

Moreover, note that the average days sales outstanding did not significantly change on the previous year.

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

30/06/2020 *(in thousands of €)*	**Not past due**	**<30**	**31 - 60**	**61 - 90**	**>90**	**Total**
Expected default rate	2.47%	6.18%	14.4%	19.2%	74.1%	
Estimate of gross accounting value at the time of default	57,887	8,530	1,110	1,574	5,745	74,846
Expected losses throughout the life of the credit	1,429	527	160	302	4,259	6,677

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

3.7 TAX RECEIVABLES FOR CURRENT TAXES

This item was broken down as follows:

Due from the tax authorities for current taxes *(in thousands of €)*	**30/06/2020**	**31/12/2019**	**Change**
Tax receivables for VAT	13,493	12,292	1,201
Tax receivables for payments on account of direct taxes	1,569	1,556	13
Others	42	68	(26)
Total	**15,104**	**13,916**	**1,188**

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 and the current year with respect to the effective tax burden.

3.8 CURRENT FINANCIAL ASSETS

Current financial assets included in this item are part of the FVTPL category 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 €)*	**30/06/2020**	**31/12/2019**	**Change**
Capitalisation policies	59,331	58,632	699
Other securities	296	303	(7)
Fair value derivative instruments	-	112	(112)
Total	**59,627**	**59,047**	**580**

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

- Capitalisation policies by Aviva Vita S.p.A. and subscribed by the Parent Company LU-VE S.p.A. for a nominal amount of €39,936 thousand, which are the type of policies that 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. The fair value measurement at the end of the first half entailed the recognition of a positive amount of €473 thousand, under the item "Financial income".

- Capitalisation policies issued by BNP Paribas Cardif Vita Compagnia di Assicurazione e Riassicurazione S.p.A., and subscribed by the Parent Company LU-VE S.p.A. during the previous year, for a nominal amount of €15,000 thousand. During the half-year, no new capitalisation policies were subscribed. The fair value measurement at the end of the first half entailed the recognition of an increase in fair value as at 30 June 2020 of €226 thousand, recognised under the item "Financial income".

Other securities refer to investments, made in 2017 with Unicredit for €300 thousand, which entailed the recognition of a negative fair value equal to €7 thousand as at 30 June 2020, recognised under the item "Financial expense".

The amounts of earnings and losses from divestment are recognised in the Income Statement in the items "financial income" or "financial expenses", as well as the positive and negative changes in fair value.

As at 30 June 2020, derivative financial instruments, referring to currencies, held by the Group had a negative fair value of €78 thousand, while the derivative financial instruments on IRSs had a negative fair value of €2,405 thousand. These amounts were recognised in the item "Financial expense".

The summary relating to outstanding derivative financial instruments as at 30 June 2020 broken down by type is provided below:

Derivative financial instruments as at 30/06/2020 *(in thousands of €)*		30/06/2020		31/12/2019		30/06/2020	31/12/2019
TYPE	ORIGINAL NOTIONAL	NOT. Short	NOT. M/L	NOT. Short	NOT. M/L	FAIR VALUE	FAIR VALUE
IRS on loans	313,340	37,280	176,927	41,841	127,902	(2,405)	(1,788)
Currency options	6,000	5,958	-	6,000	-	(78)	112
Total	**319,340**	**43,238**	**176,927**	**47,841**	**127,902**	**(2,483)**	**(1,676)**
Total Notional		**220,165**		**175,743**			

The breakdown of outstanding derivative financial instruments as at 30 June 2020 by type is provided below:

IRS on loans (in thousands of €)

DEBTOR COMPANY	COUNTERPARTY	TAKEN OUT	MATURITY	ORIGINAL NOTIONAL	30/06/2020 NOT. Short	30/06/2020 NOT. M/L	30/06/2020 FAIR VALUE
LU-VE S.P.A.	Banca Popolare di Bergamo S.p.A.	11/08/2014	15/09/2020	2,321	179	-	(1)
LU-VE S.P.A.	Banca Popolare di Bergamo S.p.A.	11/08/2014	16/10/2020	3,500	292	-	(1)
LU-VE S.P.A.	Banca Nazionale del Lavoro	11/08/2014	16/10/2020	3,500	292	-	(1)
LU-VE S.P.A.	Banca Nazionale del Lavoro	25/10/2016	21/09/2020	28,000	2,000	-	(1)
LU-VE S.P.A.	Unicredit S.p.A.	17/09/2015	31/12/2020	10,000	1,250	-	(5)
LU-VE S.P.A.	Deutsche Bank	27/03/2017	23/03/2021	5,500	1,031	-	(2)
LU-VE S.P.A.	Mediocredito italiano	21/06/2017	28/02/2022	25,000	5,882	4,412	(47)
LU-VE S.P.A.	Unicredit S.p.A.	20/09/2018	30/06/2024	12,000	2,400	7,200	(217)
LU-VE S.P.A.	Unicredit S.p.A.	20/09/2018	29/09/2023	15,000	1,000	14,000	(448)
LU-VE S.P.A.	Mediocredito italiano	28/11/2018	20/06/2024	12,500	2,500	7,500	(160)
LU-VE S.P.A.	Mediocredito italiano	28/11/2018	20/06/2024	12,500	2,500	7,500	(160)
LU-VE S.P.A.	Banca Nazionale del Lavoro	20/12/2018	24/09/2024	10,000	2,000	7,000	(136)
LU-VE S.P.A.	Banca Nazionale del Lavoro	20/12/2018	20/12/2023	10,000	1,111	7,222	(148)
LU-VE S.P.A.	Unicredit S.p.A.	30/01/2018	31/03/2023	18,750	3,750	7,500	3
LU-VE S.P.A.	Banco Popolare di Milano S.p.A.	25/01/2019	30/09/2024	25,000	5,000	18,750	(274)
LU-VE S.P.A.	Unione di Banche Italiane Società cooperativa per azioni	26/07/2019	30/07/2026	21,569	1,732	19,837	(186)
LU-VE S.P.A.	Unicredit S.p.A.	12/07/2019	30/06/2024	9,600	2,400	7,200	(129)
LU-VE S.P.A.	Intesa San Paolo S.p.A.	23/03/2020	23/09/2025	25,000	694	11,806	(66)
LU-VE S.P.A.	Unicredit S.p.A.	15/04/2020	30/04/2022	15,000	-	15,000	(89)
LU-VE S.P.A.	Banca Nazionale del Lavoro	28/05/2020	28/05/2025	40,000	-	40,000	(268)
SEST S.p.A.	Unicredit S.p.A.	02/10/2015	28/06/2024	5,100	600	1,500	(57)
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas Spolka Akcyjna	22/07/2015	08/11/2021	3,500	667	500	(12)
			Total	**313,340**	**37,280**	**176,927**	**(2,405)**

Currency derivatives (in thousands of €)

DEBTOR COMPANY	COUNTERPARTY	TYPE	HEDGED ELEMENT	TAKEN OUT	MATURITY	NOT. ORIG.	30/06/2020		30/06/2020
							NOT. Short	NOT. M/L	FAIR VALUE
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX derivatives	€/PLN Exchange Rate	10/07/2019	06/07/2020	500	489	-	(12)
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX derivatives	€/PLN Exchange Rate	06/08/2019	05/08/2020	500	494	-	(8)
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX derivatives	€/PLN Exchange Rate	09/09/2019	08/09/2020	500	496	-	(5)
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX derivatives	€/PLN Exchange Rate	07/10/2019	06/10/2020	500	496	-	(6)
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX derivatives	€/PLN Exchange Rate	13/11/2019	05/11/2020	500	491	-	(12)
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX derivatives	€/PLN Exchange Rate	12/12/2019	11/12/2020	500	491	-	(12)
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX derivatives	€/PLN Exchange Rate	28/01/2020	05/01/2021	500	489	-	(14)
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX derivatives	€/PLN Exchange Rate	07/02/2020	05/02/2021	500	488	-	(15)
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX derivatives	€/PLN Exchange Rate	02/03/2020	02/03/2021	300	296	-	(6)
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX derivatives	€/PLN Exchange Rate	02/03/2020	02/03/2021	200	198	-	(4)
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX derivatives	€/PLN Exchange Rate	15/04/2020	07/04/2021	500	512	-	7
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX derivatives	€/PLN Exchange Rate	07/05/2020	07/05/2021	500	514	-	9
SEST LUVE POLSKA SP. Z O.O.	Bank BGZ BNP Paribas S.A.	FX derivatives	€/PLN Exchange Rate	18/06/2020	07/06/2021	500	504	-	(1)

Spirotech Ltd.	City Bank	FX derivatives	€/INR Exchange Rate	15/06/2020	17/09/2020	50	50	-	1
Spirotech Ltd.	City Bank	FX derivatives	€/INR Exchange Rate	17/06/2020	21/09/2020	50	50	-	-
Total						**6,000**	**5,958**	-	**(78)**

3.9 OTHER CURRENT ASSETS

The details of this item are shown below:

Other current assets *(in thousands of €)*	**30/06/2020**	**31/12/2019**	**Change**
From employees	121	88	33
Advances and other receivables	4,682	2,509	2,173
Total	4,803	2,597	2,206

The change of €2,173 thousand in the item advances and other receivables mainly refers to advances for maintenance and IT services.

3.10 CASH AND CASH EQUIVALENTS

The details of this item are shown below:

Cash and cash equivalents *(in thousand of €)*	**30/06/2020**	**31/12/2019**	**Change**
Cash and cash equivalents	142,264	81,851	60,413
Total	142,264	81,851	60,413

The increase of €60,413 thousand was mainly due to the procurement of financial resources in the second half of the year.

Cash and cash equivalents are mainly concentrated in Italy - €108.5 million, and the remainder is mainly at the companies headquartered in Europe. The Group has no restrictions/constraints on the use of these amounts.

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

3.11 SHAREHOLDERS' EQUITY

The Parent Company's share capital amounted to €62,704 thousand (same amount as at 31 December 2019).
In the first half of 2020, dividends of €5,996 thousand were distributed by the Parent Company from retained earnings deriving from the profit for the year of LU-VE S.p.A. as at 31 December 2019.

As at 30 June 2020, the Parent Company held 28,027 treasury shares (0.13% of the share capital), acquired during the half-year 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 Interim Directors' Report). During the period, no treasury shares were sold.

Shareholders' equity attributable to non-controlling interests amounted to €3,609 thousand (€3,422 thousand as at 31 December 2019). The profit attributable to non-controlling interests in the half-year was €387 thousand (€327 thousand in the same period of 2019).

3.12 LOANS

This item was broken down as follows:

	30/06/2020		31/12/2019	
Loans *(in thousands of €)*	**Current**	**Non-current**	**Current**	**Non-current**
Loans	57,498	247,190	75,628	137,801
Advances on export flows in €	3,000	-	2,000	-
Advances on invoices subject to clearance	1	-	43	-
Total	**60,499**	**247,190**	**77,671**	**137,801**

As at 30 June 2020, bank loans amounted to €304,688 thousand.

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

	AMORTISED COST

Bank loans *(in thousands of €)*							30/06/2020		31/12/2019	
DEBTOR COMPANY	COUNTERPARTY	LOAN TYPE	TAKEN OUT	MATURITY	RATE APPLIED	ORIGINAL AMOUNT	RESIDUAL AMOUNT	OF WHICH CURRENT	RESIDUAL AMOUNT	OF WHICH CURRENT
LU-VE	Banca Nazionale del Lavoro S.p.A.	Unsecured loan	09/06/2015	09/12/2020	6M Euribor + Spread	20,000	2,220	2,220	2,220	2,220
LU-VE	UniCredit S.p.A.	Unsecured loan	17/09/2015	31/12/2020	6M Euribor + Spread	10,000	1,250	1,250	2,500	2,500
LU-VE	Mediocredito Italiano S.p.A.	Unsecured loan	03/11/2015	30/09/2020	6M Euribor + Spread	10,000	1,251	1,251	2,501	2,501
LU-VE	Banca Nazionale del Lavoro S.p.A.	Unsecured loan	25/10/2016	21/03/2021	3M Euribor floor 0% + Spread	30,000	5,999	5,999	6,000	6,000
LU-VE	Banca Popolare di Bergamo S.p.A.	Unsecured loan	25/10/2016	30/09/2021	3M Euribor + Spread	10,000	2,517	2,012	3,519	2,007
LU-VE	Banca Popolare di Sondrio Società Cooperativa per Azioni	Unsecured loan	15/12/2016	31/01/2020	Prev quart. average 3M Euribor + Spread	10,000	-	-	837	837
LU-VE	Deutsche Bank S.p.A.	Unsecured loan	23/03/2017	28/11/2020	3M Euribor + Spread	1,500	200	200	400	400
LU-VE	Deutsche Bank S.p.A.	Unsecured loan	23/03/2017	23/03/2021	3M Euribor + Spread	5,500	1,031	1,031	1,718	1,374
LU-VE	Mediocredito Italiano S.p.A.	Unsecured loan	31/03/2017	28/02/2022	3M Euribor + Spread	25,000	10,296	5,881	13,242	5,879
LU-VE	UniCredit S.p.A.	Unsecured loan	20/04/2017	31/12/2020	Fixed	10,000	1,428	1,428	2,856	2,856

Bank loans *(in thousands of €)*							AMORTISED COST 30/06/2020		31/12/2019	
DEBTOR COMPANY	COUNTERPARTY	LOAN TYPE	TAKEN OUT	MATURITY	RATE APPLIED	ORIGINAL AMOUNT	RESIDUAL AMOUNT	OF WHICH CURRENT	RESIDUAL AMOUNT	OF WHICH CURRENT
LU-VE	Unione di Banche Italiane Società cooperativa per azioni	Unsecured loan	20/12/2017	20/12/2020	3M Euribor + Spread	20,000	-	-	19,999	19,999
LU-VE	Unicredit S.p.A.	Unsecured loan	30/01/2018	31/03/2023	6M Euribor + Spread	25,000	15,005	5,000	17,500	4,993
LU-VE	Unicredit S.p.A.	Unsecured loan	20/09/2018	30/06/2024	6M Euribor + Spread	12,000	9,596	2,396	10,797	2,395
LU-VE	Unicredit S.p.A.	Unsecured loan	20/09/2018	30/09/2023	6M Euribor + Spread	15,000	15,040	1,001	15,033	147
LU-VE	Mediocredito Italiano S.p.A.	Unsecured loan	28/11/2018	30/06/2024	6M Euribor + Spread	12,500	9,989	2,493	11,239	2,492
LU-VE	Mediocredito Italiano S.p.A.	Unsecured loan	28/11/2018	30/06/2024	6M Euribor + Spread	12,500	9,989	2,493	11,239	2,492
LU-VE	Banca Nazionale del Lavoro S.p.A.	Unsecured loan	20/12/2018	24/09/2024	6M Euribor + Spread	10,000	9,026	2,006	10,026	1,976
LU-VE	Banca Nazionale del Lavoro S.p.A.	Unsecured loan	20/12/2018	20/06/2024	6M Euribor + Spread	10,000	8,877	1,104	8,876	1,104
LU-VE	Banca Popolare di Milano	Unsecured loan	16/06/2019	28/06/2024	3M 360 days Euribor + Spread	10,000	8,000	1,961	8,972	1,948
LU-VE	Banca Popolare di Milano	Unsecured loan	25/01/2019	31/03/2025	3M 360 days Euribor + Spread	30,000	23,705	4,984	26,195	4,982
LU-VE	Unicredit S.p.A.	Unsecured loan	12/07/2019	30/06/2024	6M 360 days Euribor + Spread	12,000	9,592	2,394	10,793	2,394
LU-VE	Unione di Banche Italiane Società cooperativa per azioni	Unsecured loan	30/07/2019	30/07/2026	6M 360 days Euribor + Spread	25,000	23,330	3,441	25,030	3,412

LU-VE	Intesa San Paolo	Unsecured loan	23/03/2020	23/09/2025	3M 360 days Euribor + Spread	25,000	24,976	1,278	-	-
LU-VE	Unione di Banche Italiane Società cooperativa per azioni	Unsecured loan	17/04/2020	17/04/2023	3M 360 days Euribor + Spread	30,000	29,975	-	-	-
LU-VE	Unicredit	Unsecured loan	15/04/2020	30/04/2022	6M 360 days Euribor + Spread	15,000	14,984	-	-	-
LU-VE	Banca Nazionale del Lavoro S.p.A.	Unsecured loan	28/05/2020	28/05/2025	6M 360 days Euribor + Spread	40,000	39,879	-	-	-
LU-VE	Cassa Depositi e Prestiti	Unsecured loan	18/06/2020	17/12/2021	Fixed	10,000	10,000	-	-	-
LU-VE	Banca Popolare di Milano	Unsecured loan	25/06/2020	30/06/2022	3M 360 days Euribor + Spread	12,500	12,463	4,126	-	-
LU-VE	Banca Popolare di Milano	Unsecured loan	25/06/2020	30/06/2022	3M 360 days Euribor + Spread	2,500	2,493	826	-	-
SEST LU-VE POLSKA SP. Z O.O.	BNP Paribas bank Polska SA	EIB Mortgage Loan	08/11/2011	08/11/2021	3M Euribor + Spread	5,000	1,169	667	1,500	666
LU-VE FRANCE S.A R.L.	BNP PARIBAS S.A.	Mortgage Loan	08/11/2011	03/11/2026	Fixed	798	408	56	437	54
						Total	**304,688**	**57,498**	**213,429**	**75,628**

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.

Also note that the Directors of the Parent Company LU-VE S.p.A. conducted an assessment of compliance with the covenants on a consolidated basis as at 31 December 2020, based on the 2020 forecast of the Group. The results of that assessment do not jeopardize compliance with those parameters for the current year.

In compliance with CONSOB Communication of 28 July 2006, loans outstanding as at 30 June 2020 for which equity and economic requirements (covenants) must be observed on a consolidated basis, as well as the characteristics of those covenants, are listed below (in thousands of €):

COMPANY	COUNTERPARTY	LOAN TYPE	TAKEN OUT	MATURITY	RATE	FINANCIAL COVENANTS	ORIGINAL AMOUNT
LU-VE	Banca Nazionale del Lavoro S.p.A.	Unsecured loan	09/06/2015	09/12/2020	6M Euribor + Spread	NFP/EBITDA <= 3; NFP/SE <1.25	20,000
LU-VE	Mediocredito Italiano S.p.A.	Unsecured loan	29/10/2015	30/09/2020	6M Euribor + Spread	NFP/EBITDA <= 3; NFP/SE <1	10,000
LU-VE	Banca Nazionale del Lavoro S.p.A.	Unsecured loan	20/09/2016	21/03/2021	3M Euribor + Spread	NFP/EBITDA <= 3; NFP/SE <= 1.25	30,000
LU-VE	Banca Popolare di Bergamo S.p.A.	Unsecured loan	30/09/2016	30/09/2021	3M Euribor + Spread	NFP/EBITDA <= 3; NFP/SE <= 1	10,000
LU-VE	Deutsche Bank S.p.A.	Unsecured loan	23/03/2017	28/11/2020	3M Euribor + Spread	NFP/EBITDA <= 3	1,500
LU-VE	Deutsche Bank S.p.A.	Unsecured loan	23/03/2017	23/03/2021	3M Euribor + Spread	NFP/EBITDA <= 3	5,500

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
LU-VE	Unicredit S.p.A.	Unsecured loan	20/04/2017	31/12/2020	Fixed Rate	NFP/EBITDA <=3.5; NFP/SE<=1	10,000
LU-VE	Unicredit S.p.A.	Unsecured loan	30/01/2018	31/03/2023	6M Euribor + Spread	NFP/EBITDA <=3.5; NFP/OWN FUNDS <=1	25,000
LU-VE	Unicredit S.p.A.	Unsecured loan	20/09/2018	30/06/2024	6M Euribor + Spread	NFP/EBITDA <=3; NFP/OWN FUNDS <=1	12,000
LU-VE	Unicredit S.p.A.	Unsecured loan	20/09/2018	30/09/2023	6M Euribor + Spread	NFP/EBITDA <=3; NFP/OWN FUNDS <=1	15,000
LU-VE	Mediocredito Italiano S.p.A.	Unsecured loan	28/11/2018	30/06/2024	6M Euribor + Spread	NFP/EBITDA <3; NFP/SE <=1	12,500
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
LU-VE	Banca Nazionale del Lavoro S.p.A.	Unsecured loan	20/12/2018	24/09/2024	6M Euribor + Spread	NFP/EBITDA <= 3; NFP/SE <= 1.25	10,000
LU-VE	Banca Nazionale del Lavoro S.p.A.	Unsecured loan	20/12/2018	20/06/2024	6M Euribor + Spread	NFP/EBITDA <= 3; NFP/SE <= 1.25	10,000
LU-VE	Banca Popolare di Milano	Unsecured loan	25/01/2019	31/03/2025	3M Euribor floor 0% + Spread	NFP/EBITDA <= 3; NFP/SE <= 1.25	30,000
LU-VE	Unicredit S.p.A.	Unsecured loan	12/07/2019	30/06/2024	6M Euribor + Spread	NFP/EBITDA <= 3; NFP/SE <=1	12,000
LU-VE	Unione di Banche Italiane Società cooperativa per azioni	Unsecured loan	30/07/2019	30/07/2026	6M Euribor + Spread	NFP/EBITDA <= 3; NFP/SE <= 1	25,000
LU-VE	Intesa San Paolo	Unsecured loan	23/03/2020	23/09/2025	3M 360 days Euribor + Spread 1.05%	NFP/EBITDA <= 3; NFP/SE <=1	25,000
LU-VE	Unione di Banche Italiane Società cooperativa per azioni	Unsecured loan	17/04/2020	17/04/2023	3M 360 days Euribor + Spread 0.9%	NFP/EBITDA <= 3.5; NFP/SE <= 1.5	30,000
LU-VE	Unicredit S.p.A.	Unsecured loan	15/04/2020	30/04/2022	6M 360 days Euribor + Spread 0.4%	NFP/EBITDA <= 3; NFP/SE <=1	15,000
LU-VE	Banca Nazionale del Lavoro S.p.A.	Unsecured loan	28/05/2020	28/05/2025	6M 360 days Euribor + Spread 1.22% (grid)	NFP/EBITDA <= 3; NFP/SE <= 1.25	40,000
SEST LU-VE POLSKA SP. Z O.O.	BNP Paribas bank Polska SA	EIB Mortgage Loan	08/11/2011	08/11/2021	3M Euribor + Spread	NFP/EBITDA <=2.5, SE/TOTAL ASSETS >= 40%, DSCR >= 1.2	5,000

Notes:

NFP: net financial position;

SE: shareholders' equity;

DSCR: debt service coverage ratio

LR: leverage ratio (NFP/EBITDA)

GR: gearing ratio (NFP/SE)

The changes in loans during the period are shown below:

Loans: changes during the year *(in thousands of €)*	**Opening balance**	**New loans**	**Repayments**	**Amortised cost effect**	**Exchange Rate**	**Closing balance**
Loans	213,429	135,000	(43,549)	(256)	64	304,688
Bank advances on invoices	2,000	14,924	(13,924)	-	-	3,000
Advances on export flows in €	43	-	(42)	-	-	1
Total	**215,472**	**149,924**	**(57,515)**	**(256)**	**64**	**307,689**

The following changes took place in loans in the first half of 2020 (all loans were taken out by LU-VE S.p.A.):

- "positive loan" taken out for €40,000 thousand with B.N.L. S.p.A., maturing on 28 May 2025. The positive loan from BNL entails conditions that improve further for the company when it achieves specific sustainability targets. The loan provides for repayment in equal half-yearly instalments and an interest rate equal to the 6-month Euribor plus a gradually decreasing spread based on the sustainability targets reached. The loan is subject to compliance with financial covenants;

- unsecured medium-term loan for a total of €30,000 thousand entered into with Unione di Banche Italiane S.c.p.A., with a fixed instalment repayment plan and an interest rate equal to the 3-month Euribor plus a spread. The loan is subject to compliance with financial covenants;

- unsecured medium-term loan for a total of €25,000 thousand entered into with Intesa Sanpaolo S.p.A., maturing on 23 September 2025, with repayment in equal quarterly instalments and an interest rate equal to the 3-month Euribor plus a spread. The loan is subject to compliance with financial covenants;

- unsecured medium-term bullet loan for a total of €15,000 thousand entered into with UniCredit S.p.A. The loan matures on 30 April 2022, and has an interest rate equal to the 6-month Euribor plus a spread. The loan is subject to compliance with financial covenants;

- unsecured medium-term bullet loan for a total of €10,000 thousand entered into with Cassa Depositi e Prestiti, maturing on 17 December 2021. The loan is fixed rate and is not subject to compliance with financial covenants;

- unsecured medium-term loan for a total of €12,500 thousand entered into with BPM S.p.A., maturing on 30 June 2022, with a fixed instalment repayment plan with quarterly instalments and an interest rate equal to the 3-month Euribor plus a spread. The loan is not subject to compliance with financial covenants;

- unsecured medium-term loan for a total of €2,500 thousand entered into with BPM S.p.A., maturing on 30 June 2022, with a fixed instalment repayment plan with quarterly instalments and an interest rate equal to the 3-month Euribor plus a spread. The loan is not subject to compliance with financial covenants;

No loans were entered into that benefited from subsidies or government guarantees due to the COVID-19 pandemic. Those loans were entered into at interest rates in line with the Group's average cost of debt.

- Early repayment of the UBI Banca loan for €20,000 thousand, entered into on 13 December 2017 and maturing on 13 December 2020.

The portion regarding the difference between financial expense in the income statement and interest paid amounts to €256 thousand.

In addition to the early repayment of the UBI Banca loan in the amount of €20,000 thousand, payments of the current instalments of loans during the period amounted to €23,549 thousand, in addition to €13,924 thousand (€14,924 thousand in new loans during the period) relative to the extinction of advances on export flows in € and repayments on bank advances on invoices subject to clearance for €42 thousand, for total repayments of €57,515 thousand.

During the half-year, the Group also benefited from a voluntary moratorium on several loans, which led to a reduction in capital repayments for €6,777 thousand.

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

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

3.13 PROVISIONS

The details of this item are shown below:

Change in provisions *(in thousands of €)*	**31/12/2019**	**Prov./Incr.**	**Exchange delta**	**Uses**	**Release of excess portion**	**Other changes**	**30/06/2020**
Provision for agents' leaving indemnities	352	-	-	-	-	-	352
Product warranty provision	3,247	136	(28)	(31)	-	-	3,324
Other provisions for risks and charges	632	-	(3)	-	-	-	629
Total	**4,231**	**136**	**(31)**	**(31)**	**-**	**-**	**4,305**

The product warranty provision covers the risk of returns or charges from customers for products already sold due to non-conformity. The provision was adjusted at period-end on the basis of analyses conducted and past experience. The provision increased due to allocations of €136 thousand and decreased by €31 thousand due to uses. The amount of €28 thousand refers to the exchange delta (negative effects).

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

Other provisions for risks and charges did not change compared to 31 December 2019, net of the change due to the exchange delta.

Provisions, which represent the probability of estimated future outflows calculated partly based on historical experience, were subject to actuarial valuation as at 30 June 2020. 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 €5,555 thousand, a net increase of €64 thousand compared to 31 December 2019. The entire amount referred to the provision for post-employment benefits.

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

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

It is noted that, following the amendments to the "Provision for employee severance benefits" introduced by Italian Law no. 296 of 27 December 2006, and subsequent Decrees and Regulations issued in the first few months of 2007, for companies with at least 50 employees (LU-VE S.p.A., SEST S.p.A., etc.), the amounts accrued from 1 January 2007 are destined, by choice of employees, either to the INPS Treasury Fund or to forms of complementary social security, with the nature of "defined benefits plans". Furthermore, these amounts are not subject to actuarial valuation and are no longer allocated to the "Provision for post-employment benefits". The "Provision for post-employment benefits" accrued as at 31 December 2006 remains a "defined benefits plan" with the consequent need to carry out the actuarial calculations, which will however no longer take into account the component relating to future salary increases. For companies with fewer than 50 employees (Tecnair S.r.l. and Manifold S.r.l.), in accordance with IAS 19 the fund as at 30 June 2020 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 2020 are shown below:

Employee benefits *(in thousands of €)*	**30/06/2020**	**31/12/2019**
Liabilities as at 1 January	5,491	5,099
Provisions	200	219

Financial expense	19	48
Payments made	(140)	(246)
Actuarial (gains)/losses	(15)	371
Liabilities at the end of the period/year	**5,555**	**5,491**

The equity adjustment for actuarial gains and losses includes a net actuarial gain of €15 thousand, calculated as follows:

- Actuarial loss deriving from the change in the main actuarial assumptions used as at 30 June 2020 with respect to the previous valuation as at 31 December 2019: €35 thousand;

- Actuarial gain deriving from the effect of the change in the group subject to valuation between one valuation and another, which was different from what was assumed: €20 thousand.

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

3.15 OTHER FINANCIAL LIABILITIES

The item Other financial liabilities mainly refers to financial payables linked to IFRS 16, the recognition of the negative fair value of the derivatives, and the earn-out relative to the acquisition of Zyklus.

The details of this item are shown below:

Other non-current financial liabilities *(in thousands of €)*	**30/06/2020**	**31/12/2019**	**Change**
IFRS 16 Financial payables	12,537	13,214	(677)
Other financial liabilities	397	4,484	(4,087)
Total	**12,934**	**17,698**	**(4,764)**

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

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

Other current financial liabilities *(in thousands of €)*	**30/06/2020**	**31/12/2019**	**Change**
Fair value of derivatives	2,483	1,788	695
IFRS 16 Financial payables	4,189	3,643	546
Other financial liabilities	800	9,808 (*)	(9,008) (*)
Total	**7,472**	**15,239 (*)**	**(7,767) (*)**

(*) values restated compared to 31 December 2019, pursuant to IFRS 3, so as to retrospectively take into account the effects of the change in price of €308 thousand of the “Air Division” (values previously considered provisional, see the note “Information relating to IFRS 3”).

The item “fair value of derivative instruments” represents the negative fair value as at 30 June 2020 of derivatives subscribed by the Group companies. For further information, please refer to Note 3.8.

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

The item “other current financial liabilities” of €800 thousand refers to the payable for the purchase of the production site in Sarole (India). The change of €8,700 thousand refers to the final payment of the payable for the acquisition of the Air division, by virtue of the definitive agreement reached with the counterparty (Alfa Laval Group) last February.

3.16 TRADE PAYABLES

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

Trade Payables *(in thousands of €)*	**30/06/2020**	**31/12/2019**	**Change**
Italy	53,526	52,884	642
EU Countries	17,795	17,600	195
Non-EU Countries	13,399	15,747	(2,348)
Total	**84,720**	**86,231**	**(1,511)**

The average payment terms have not changed since the previous year. As at 30 June 2020, there were no past-due payables of significant amounts, and the Group had received no payment orders for past-due payables.

Contract liabilities (advances received from customers before rendering any service) for an amount of €4,165 thousand are recognised under trade payables. During the period, no supplier financing transactions were carried out.

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

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

3.17 TAX PAYABLES

The details of this item are shown below:

Tax payables *(in thousands of €)*	**30/06/2020**	**31/12/2019**	**Change**
Tax payables for income taxes	2,488	1,963	525
Tax withholdings	1,564	1,794	(230)
Other tax payables	999	934	65
Total	**5,051**	**4,691**	**360**

3.18 OTHER CURRENT LIABILITIES

The details of this item are shown below:

Other current liabilities *(in thousands of €)*	**30/06/2020**	**31/12/2019**	**Change**
To personnel	13,733	12,264	1,469
To social security institutions	5,788	5,954	(166)
To Directors and Statutory Auditors	2,389	1,967	422
Other current payables	1,674	2,907	(1,233)
Total	**23,584**	**23,092**	**492**

The increase of €1,469 thousand in payables to personnel is mainly due to the increase in provisions for holiday pay and additional monthly salaries (thirteenth month's salary) and performance bonuses.

The decrease in the item "Other current payables" was mainly due to the reduction of payables to suppliers for investments.

During July and August 2020, payables to personnel and social security institutions were paid in accordance with the relative due dates.

3.19 DEFERRED TAX ASSETS AND LIABILITIES

The details of this item are shown below:

Deferred tax assets and liabilities *(in thousands of €)*	**30/06/2020**	**31/12/2019**	**Change**
Deferred tax assets	7,124	6,603	521
Deferred tax liabilities	(17,199)	(17,954) (*)	755 (*)
Total	**(10,075)**	**(11,351) (*)**	**1,276 (*)**

(*) values restated compared to 31 December 2019, pursuant to IFRS 3, so as to retrospectively take into account the effects of the definitive measurement at fair value of the trademarks and customer lists of the Air Division at the acquisition date (values previously considered provisional, see the note "Information relating to IFRS 3").

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

Deferred tax liabilities and assets: changes in the period *(in thousands of €)*	**TAX LOSSES**	**DEPRECIATION/AMORTISATION**	**FAIR VALUE OF DERIVATIVE INSTRUMENTS**	**MERGERS/ACQUISITIONS GROSS UP**	**ACTUARIAL VALUATION OF POST-EMPLOYMENT BENEFITS**	**PROVISIONS AND VALUE ADJUSTMENTS**	**OTHER DIFFERENCES**	**TOTAL**
01.01.2019	(479)	2,986	(24)	10,264	(75)	(1,968)	(2,253)	8,451
To Income Statement	45	78	3	(342)	(9)	(555)	(1,303)	(2,083)
To shareholders' equity	-	-	-	-	(12)	-	61	49
Currency translation differences	-	-	-	-	-	21	(70)	(49)
Contribution of Air division	-	-	-	5,936 (*)	-	(184)	-	5,752 (*)
30.06.2019	(434)	3,064	(21)	15,858 (*)	(96)	(2,686)	(3,565)	12,120 (*)
01.01.2020	(192)	2,970	(17)	14,984	(173)	(2,655)	(3,565)	11,352
To Income Statement	(852)	(182)	-	(551)	(2)	(380)	544	(1,423)
To shareholders' equity	-	-	-	-	6	-	-	6
Currency translation differences	-	(10)	-	-	-	-	150	140
30.06.2020	(1,044)	2,778	(17)	14,433	(169)	(3,035)	(2,871)	10,075

(*) values restated compared to 30 June 2019, pursuant to IFRS 3, so as to retrospectively take into account the effects of the definitive measurement at fair value of the assets and liabilities of the Air Division at the acquisition date (values previously considered provisional, see the note "Information relating to IFRS 3").

As at 30 June 2020, deferred tax assets referred to:

- tax losses that may be carried forward relating to some subsidiaries, mainly pertaining to the results of the national tax consolidation of the Italian companies of the Group;

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

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

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

- other tax differences, regarding net temporary recoveries such as unpaid remuneration, exchange differences and public grants attributable to the investment in Poland.

As at 30 June 2020, deferred tax liabilities referred to:

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

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

As shown in the previous paragraph "Use of estimates", the taxable results taken from the 2020-2023 plan of the subsidiary Sest-LUVE-Polska (which concentrates most of the deferred tax assets allocated in the financial statements, whose expected income statement results are in line with, if not higher than, the Polish company's plan, included in the 2020-2023 consolidated plan approved on 6 April 2020), along with the estimated taxable income deriving from the national tax consolidation of the Italian companies in the Group, with specific reference to the recoverability of the deferred tax assets allocated on the tax losses of the national tax consolidation as at 30 June 2020, totalling €852 thousand, were taken into account in the verification of the recognition and recoverability of deferred tax assets recognised in the condensed consolidated half-year financial statements as at 30 June 2020. The effects deriving from the temporary differences on which deferred tax liabilities were recognised were also used in the verification of recognition. However, the future trend of various factors, including the evolution of the difficult global health, economic and financial environment, requires the Group management to constantly monitor the circumstances and events that might result in an impairment of the Group's goodwill.

3.20 NET FINANCIAL POSITION

In accordance with the requirements of the Consob Communication of 28 July 2006, please note that the Group's financial position is shown below:

Net financial position *(in thousands of €)*	**30/06/2020**	**31/12/2019**		**Change**
A. Cash (Note 3.10)	43	40		3
B. Unrestricted current account asset balances (Note 3.10)	142,221	81,811		60,410
C. Current financial assets (Note 3.8)	59,627	59,047		580
D. Liquidity (A+B+C)	**201,891**	**140,898**		**60,993**
E. Current bank payables (Note 3.12)	1	43		(42)
F. Current portion of non-current debt (Note 3.12)	60,498	77,628		(17,130)
G. Other current financial liabilities (Note 3.15)	7,472	15,239	(*)	(7,767)
H. Current financial debt (E+F+G)	**67,971**	**92,910**	**(*)**	**(24,939)**
I. Net current financial debt (H-D)	**(133,920)**	**(47,988)**		**(85,932)**
J. Non-current bank payables (Note 3.12)	247,190	137,801		109,389
K. Other non-current financial liabilities (Note 3.15)	12,934	17,698		(4,764)
L. Non-current financial debt (J+K+L)	**260,124**	**155,499**		**104,625**
M. Net financial debt (I+L)	**126,204**	**107,511**	**(*)**	**18,693**

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 2020, revenues from sales amounted to €194,400 thousand, an increase of 4.37% compared to the same period of the previous year (€186,266 thousand as at 30 June 2019).

Revenues by product family:

Revenue by product *(in € thousand)*	**H1 2020**	**%**	**H1 2019**	**%**	**Change**	**% Change**
Heat exchangers	90,995	47%	106,488	57%	(15,493)	-15%
Air Cooled Equipment	88,585	46%	66,286	36%	22,299	34%
Doors	5,917	3%	5,536	3%	381	7%
Close Control	5,365	3%	5,570	3%	(205)	-4%
Sub-total	**190,862**	**98%**	**183,880**	**99%**	**6,982**	**4%**
Other	3,538	2%	2,386	1%	1,152	48%
TOTAL	**194,400**	**100%**	**186,266**	**100%**	**8,134**	**4.37%**

Revenues by geographical area:

Revenues by geographical area *(in thousands of €):*	**H1 2020**	**%**	**H1 2019**	**%**	**Change**	**% Change**
Italy	32,946	17%	39,061	21%	(6,115)	-16%
Russia	14,026	7%	10,458	6%	3,568	34%
Finland	12,287	6%	5,289	3%	6,998	132%
Czech Republic	12,090	6%	11,990	6%	100	1%
France	11,878	6%	9,901	5%	1,977	20%
Germany	10,981	6%	14,347	8%	(3,366)	-23%
Sweden	9,797	5%	8,223	4%	1,574	19%
Poland	9,541	5%	13,081	7%	(3,540)	-27%
Austria	7,894	4%	7,351	4%	543	7%
Spain	5,449	3%	7,667	4%	(2,218)	-29%
Other countries	67,511	35%	58,897	32%	8,614	15%
TOTAL	**194,400**	**100%**	**186,266**	**100%**	**8,134**	**4%**

Please refer to the Interim Directors' Report for detailed comments on trends in the reference markets during the first half of 2020 and an analysis of revenue on a like-for-like basis.

The value of compensation for transactions with unfulfilled (or not fully fulfilled by the Group) performance obligations at the end of the period amounts to €2,102 thousand. The Directors estimate that they will be recognised as revenues in the following half-year.

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

4.2 OTHER REVENUES

Other Income *(in thousands of €)*	**H1 2020**	**H1 2019**	**Change**
Other income	440	466	(26)
Total	**440**	**466**	**(26)**

"Other revenues" refer to €421 thousand for export incentives of the subsidiary Spirotech and to €19 thousand for other Group Companies' revenues.

During the half-year, the Group substantially did not receive any of the outright grants disbursed by the various governments in the countries where it operates, in relation to "extraordinary" economic packages linked to the pandemic (excluding €20 thousand received by an Italian company of the Group in July 2020).

4.3 PURCHASES OF MATERIALS

Purchases of materials *(in thousands of €)*	**H1 2020**	**H1 2019**	**Change**
Raw materials and purchased components	101,142	95,141	6,001
Consumables	3,595	3,586	9
Total	**104,737**	**98,727**	**6,010**

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

4.4 COSTS FOR SERVICES

Services *(in thousands of €)*	**H1 2020**	**H1 2019**	**Change**
Expenses for energy, telephone and telex	3,054	2,823	231
General expenses and consultancies	7,196	9,611	(2,415)
Advertising and promotional expenses	415	628	(213)
Transport expenses	5,309	5,154	155

Maintenance expenses	1,878	1,817	61
External processing	2,011	1,695	316
Commissions	327	258	69
Remuneration to the corporate bodies	1,826	1,739	87
Other costs for services	3,033	2,930	103
Costs for use of third-party assets	699	271	428
Total	**25,748**	**26,926**	**(1,178)**

The decreases in the sub-item "general expenses and consultancies" of €2,415 thousand and advertising and promotional expenses are mainly due to:

- the decrease of €2,017 thousand in costs for consultancies relative to the acquisition of the "Air division" in 2019;
- the decrease of €481 thousand in general costs for travel following the restrictions in that regard set out by the various governments in order to combat the spread of the COVID-19 pandemic.

The other items are substantially in line with the first half of the previous year. Moreover, during the half-year, roughly €300 thousand in costs were incurred for materials and deep cleaning of premises to combat the COVID-19 pandemic. As stated, for those expenses, a grant of €20 thousand was received in July 2020 regarding the Impresa Sicura tender by Invitalia.

4.5 PERSONNEL COSTS

Personnel costs *(in thousands of €)*	**H1 2020**	**H1 2019**	**Change**
Wages and salaries	35,497	29,961	5,536
Social security costs	9,261	7,855	1,406
Post-employment benefits	1,123	940	183
Other personnel costs	87	138	(51)
Total	**45,968**	**38,894**	**7,074**

The average number of Group employees was 3,204 in the first half of 2020. As at 30 June 2020, the number of Group employees came to 3,187 (2,326 blue-collar, 829 white-collar and middle managers, 32 executives), compared to 3,179 as at 30 June 2019.

As at 30 June 2019, the number of temporary workers came to 469.

In addition, during the first half of 2020, several Italian companies availed of the ordinary redundancy fund due to the COVID-19 emergency, as envisaged by Decree Law of 18 March 2020, for the personnel at its sites of LUVE S.p.A., SEST S.p.A., Tecnair LV S.p.A., Manifold S.r.l. and Air Hex Alonte

S.r.l. The total benefit in the first half of 2020 relating to those extraordinary measures adopted came to a total of roughly €800 thousand.

4.6 WRITE-DOWNS

Write-downs *(in thousands of €)*	**H1 2020**	**H1 2019**	**Change**
Provisions for impairment of trade receivables	1,126	72	1,054
Total	1,126	72	1,054

The item "Write-downs" includes allocations made in the first half of 2020. Specifically, in the first half, the Group allocated roughly €1,134 thousand and released around €8 thousand. The change on the first half of the previous year reflects the uncertainty of the recoverability of receivables due to COVID-19. Please refer to the previous note no. 3.6 - "Trade receivables" for further details.

4.7 OTHER OPERATING COSTS

Other operating costs *(in thousands of €)*	**H1 2020**	**H1 2019**	**Change**
Non-income taxes	551	524	27
Provisions for risks	107	55	52
Other operating costs	905	561	344
Total	1,563	1,140	423

Non-income taxes included mainly taxes on owned property.

The increase in the item "Other operating costs" of €344 thousand refers mainly to the voluntary contribution made by the Group for a total of €300 thousand to support four hospitals located in Lombardy and Veneto, engaged in the fight against COVID-19.

4.8 FINANCIAL INCOME

Financial revenue *(in thousands of €)*	**H1 2020**	**H1 2019**	**Change**

Interest income	181	76	105
Other financial income	753	1,063	(310)
Total	**934**	**1,139**	**(205)**

Details of other financial income are as follows:

- €700 thousand relates to the change in fair value of the capitalisation policies (Note 3.8);
- €54 thousand relates to other financial income;

4.9 FINANCIAL EXPENSE

Financial expense *(in thousands of €)*	**H1 2020**	**H1 2019**	**Change**
Interest expense to banks	887	635	252
Interest expense to other lenders	263	240	23
Other financial expense	426	1,443	(1,017)
Total	**1,576**	**2,318**	**(742)**

Details of other financial expense are as follows:

- €419 thousand refers to other financial expense;
- €7 thousand refers to the negative change in fair value on Unicredit securities, classified among Current financial assets (Note 3.8).

4.10 EXCHANGE GAINS AND LOSSES

In the first half of 2020, the Group realised net exchange losses of roughly €649 thousand (net exchange gains of €294 thousand in the first half of 2019). The realised part comes to a positive amount of €104 thousand, while the unrealised part amounts to a negative €753 thousand.

4.11 GAINS AND LOSSES FROM EQUITY INVESTMENTS

There were no gains or losses from equity investments in the first half of 2020.

4.12 INCOME TAXES

Income taxes *(in thousands of €)*	**H1 2020**	**H1 2019**	**Change**

Current taxes	2,310	3,018	(708)
Deferred tax assets/liabilities	(1,425)	(1,048)	(377)
Previous year adjustment	(507)	(235)	(272)
Total	**378**	**1,735**	**(1,357)**

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

As at 30 June 2020 there were no significant tax disputes at Group level.

4.13 EARNINGS PER SHARE

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

Basic and diluted earnings calculation *(in thousands of €)*	**H1 2020**	**H1 2019**	
Net profit for the period	5,574	5,258	(*)
NUMBER OF SHARES			
Average weighted number of ordinary shares for the calculation of basic earnings per share	22,218,538	22,076,760	
Dilution effect deriving from potential ordinary shares	-	-	
Average weighted number of ordinary shares for the calculation of diluted earnings per share	22,218,538	22,076,760	

EARNINGS PER SHARE *(in €)*	**H1 2020**	**H1 2019**	
Basic earnings per share	0.25	0.24	(*)
Diluted earnings per share	0.25	0.24	(*)

(*) values restated compared to 30 June 2019, pursuant to IFRS 3, so as to retrospectively take into account the effects of the definitive measurement at fair value of the trademarks and customer lists of the Air Division at the acquisition date (values previously considered provisional, see the note "Information relating to IFRS 3").

4.14 DIVIDENDS

In May 2020, dividends totalling €5,996 thousand were distributed, corresponding to the distribution of a gross dividend of €0.27 (zero/27) for each of the 22,234,368 shares outstanding, net of treasury shares.

4.15 SEGMENT REPORTING

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

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

- Cooling Systems SBU, which includes the Air division acquired from the Alfa Laval Group, as well as air cooled equipment and close control air conditioners;
- Components SBU, which includes the Air division acquired from the Alfa Laval Group, as well as heat exchangers and special glass doors for refrigerated counters and display cabinets.

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

Revenue by SBU *(in thousands of €)*	**H1 2020**	**%**	**H1 2019**	**%**	**Change**	**% Change**
Air Cooled Equipment	88,585	46.4%	66,286	36.0%	22,299	33.6%
Close Control	5,365	2.8%	5,570	3.0%	(205)	(4%)
SBU COOLING SYSTEMS	93,950	49.2%	71,856	39.1%	22,094	30.7%
Heat exchangers	90,995	47.7%	106,488	57.9%	(15,493)	(14.5%)
Doors	5,917	3.1%	5,536	3.0%	381	6.9%
SBU COMPONENTS	96,912	50.8%	112,024	60.9%	(15,112)	(13.5%)
TOTAL PRODUCT TURNOVER	190,862	100%	183,880	100%	6,982	3.8%

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

Segment *(in thousands of €)*	H1 2020				H1 2019			
	Components	**Cooling Systems**	**Unallocated costs**	**Total**	**Components**	**Cooling Systems**	**Unallocated costs**	**Total**
REVENUES	96,912	93,950	-	**190,862**	112,024	71,856	-	**183,880**
EBITDA	13,223	8,507		**21,730**	15,149	7,471	(2,328)	**20,292**

4.16 INFORMATION ON FINANCIAL RISKS

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

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

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

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

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

One of the LU-VE Group's policies is to protect its exposure to fluctuations in prices, exchange rates and interest rates using derivative financial instruments. This hedging may be achieved using forward contracts, options and interest rate swaps. Generally, the maximum term of these hedges is no longer than 18 months.

Please note that all derivative instruments were subscribed for the purposes of hedging the underlying risks. However, at the date of presentation of these Financial Statements, not all requirements of IFRS 9 for the application of hedge accounting 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 prices referred to at Level 1 which are observable by assets and liabilities, both directly (e.g. prices) or indirectly (e.g. derived from prices);
- Level 3 valuations are those derived from the application of valuation techniques which include inputs by assets or liabilities that are not based on observable market data (non-observable inputs).

Assets and Liabilities valued at fair value as at 30/06/2020 *(in thousand of €)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Other financial assets				
Current financial assets	-	59,627	-	59,627
Other financial liabilities:				
Derivatives	-	(2,483)	-	(2,483)
Earn-Out	-	-	(397)	(397)
Total	**-**	**57,144**	**(397)**	**56,747**

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

The fair value of the variable payment relating to the acquisition of Zyklus was also measured using the Income Approach.

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

The categories of financial instruments are reported below:

Financial instruments by IFRS 9 categories *(in thousands of €)*	**30/06/2020**	**31/12/2019**	
Financial assets			
Amortised cost			
Cash and cash equivalents	142,265	81,851	
Trade receivables	68,169	61,728	
Fair Value			
Trading derivatives	-	112	
Current financial assets	59,627	59,047	
Financial liabilities			
Amortised cost			
Loans	307,689	215,472	
Trade payables	84,720	86,231	
IFRS 16 Financial payables	16,726	16,858	
Fair Value			
Other current financial liabilities	800	9,808	(*)
Trading derivatives	2,483	1,788	
Payable for *put option* 5% Spirotech	-	4,087	
Variable compensation for the acquisition of Zyklus	397	397	

(*) values restated compared to 31 December 2019, pursuant to IFRS 3, so as to retrospectively take into account the effects of the change in price of €308 thousand of the "Air Division" (values previously considered provisional, see the note "Information relating to IFRS 3").

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.

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 2019 (which should be referred to), the profile of which has not changed in the first half of 2020.

EXCHANGE RATE RISK MANAGEMENT

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

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

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

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

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

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

At centralised level, in order to protect the income statement and the statement of financial position 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 to be defined as hedge accounting; therefore, the Group has decided to consider these instruments as for trading and not hedges and, as a result, such instruments were measured at fair value with changes reported on the income statement.

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

INTEREST RATE RISK MANAGEMENT

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

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

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

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

RAW MATERIAL PRICE RISK MANAGEMENT

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

The fluctuation in the availability and price of the above-mentioned materials could be significant, depending on a number of factors, including the economic cycle of the reference markets, supply conditions and other factors that are out of the control of the Group and are difficult to predict (such as: problems regarding the extraction capacity, also linked to the pandemic, 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 and impacts of climate change on extractive activities).

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

Lastly, please note that oil price volatility impacts (aside from raw material prices) investments made at global level in the Power Gen market, making it difficult to predict trends in this market segment.

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 2020 the Group has unused short-term credit lines totalling roughly €41.4 million. Moreover, 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 2020 is provided below by maturity:

Analysis of financial liabilities by maturity as at 30 June 2020 *(in thousands of €)*	**Carrying amount**	**Contractual cash flows**	**Within 1 year**	**From 1 to 5 years**	**More than 5 years**
Bank loans	304,688	304,939	57,716	240,177	7,046
IFRS 16 financial payables	16,726	16,726	4,189	9,933	2,604
Financial Liabilities	**321,414**	**321,665**	**61,905**	**250,110**	**9,650**
Trade payables	84,720	84,720	84,720	-	-
Total	406,134	406,385	146,625	**250,110**	**9,650**

The various maturity ranges are based on the period from the reporting date to 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 that the Group entities are able to guarantee their operation as going concerns, while maximising return for shareholders, through the optimisation of the debt to equity ratio. The Group's overall strategy has remained unchanged since 2018.

The Group's capital structure consists of net debt (loans described in Note 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-in capital, reserves, retained earnings and non-controlling interests, as described in the Note – "Shareholders' Equity").

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

RELATED PARTY TRANSACTIONS

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

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

The table below shows the economic and financial transactions carried out by Group Companies with related parties in the first half of 2020:

Related Companies *(in thousands of €)*	Trade receivables	Trade payables	Financial receivables	Financial payables	Trade revenues	Trade costs	Financial revenues	Financial costs
VITALE ZANE & CO SRL	-	-	-	-	-	10	-	-
ARCA S.A.S	-	-	-	-	-	3	-	-
Finami SpA	-	92	-	-	-	113	-	-
Iside SNC di Isabella Cassetta & C.	-	-	-	-	-	5	-	-
Total	-	**92**	-	-	-	**131**	-	-

4.17 SHARE-BASED PAYMENTS

As at 30 June 2020, 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 €)*	30/06/2020	31/12/2019	Change
Mortgages	3,146	3,866	(720)
Sureties	1,557	2,810	(1,253)
Total	**4,703**	**6,676**	**(1,973)**

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

Debtor Company *(in thousands of €)*	Counterparty	Loan type	Taken out	Maturity	Guarantees	Original amount of loan
SEST LU-VE POLSKA SP. Z O.O.	BNP Paribas bank Polska SA	EIB Mortgage Loan	08/11/2011	08/11/2021	Mortgage	5,000

LU-VE FRANCE S.A R.L.	BNP PARIBAS S.A.	Mortgage Loan	08/11/2011	03/11/2026	Mortgage	798

Lastly, it is noted that as at 30 June 2020 there were no significant legal proceedings pending.

5 CONSOLIDATION AREA AND SIGNIFICANT EQUITY INVESTMENTS

5.1 COMPANIES CONSOLIDATED LINE-BY-LINE

Company name	Registered office	% owned	Currency	Share capital	Shareholders' equity as at 30/06/2020	Profit (loss) as at 30/06/2020
Direct subsidiaries:						
SEST S.p.A.	Limana (BL)	100.00	EUR	1,000,000	22,883,321	139,392
Tecnair LV S.p.A.	Uboldo (VA)	79.90	EUR	200,000	3,518,120	203,111
Heat Transfer Systems s.r.o. (HTS)	Novosedly (Czech Rep.)	100.00	CZK	133,300,000	387,648,026	37,856,109
LU-VE Sweden AB	Asarum (Sweden)	100.00	SEK	50,000	(33,091,629)	4,287,933
LU-VE France S.a.r.l.	Lyon (France)	100.00	EUR	84,150	1,632,446	114,646
LU-VE Pacific Pty Ltd	Thomastown (Australia)	75.50	AUD	200,000	(4,488,027)	(225,244)
LU-VE Deutschland GmbH	Stuttgart (Germany)	100.00	EUR	230,000	(726,188)	(193,872)
LU-VE Iberica S.L.	Madrid (Spain)	85.00	EUR	180,063	(469,365)	(69,796)
LU-VE Asia Pacific Limited	Wan Chai (Hong Kong)	100.00	HKD	10,000	(27,371,176)	(523,511)
LuveDigital S.r.l.	Uboldo (VA)	50.00	EUR	10,000	67,851	38,891
MANIFOLD S.r.l.	Uboldo (VA)	99.00	EUR	10,000	(9,855)	(45,206)
Spirotech Ltd.	New Delhi (India)	100.00	INR	25,729,600	2,450,682,387	121,144,386
LU-VE AUSTRIA GmbH	Vienna (Austria)	100.00	EUR	17,500	72,711	14,282
Zyklus Heat Transfer Inc	Jacksonville (Texas, USA)	100.00	USD	1,000	778,384	(825,476)
Air Hex Alonte S.r.l.	Uboldo (VA)	100.00	EUR	2,010,000	13,697,992	2,044,612
Fincoil LU-VE OY	Vantaa (Finland)	100.00	EUR	1,190,000	5,559,646	408,041
LU-VE Netherlands B.V.	Breda (Netherlands)	100.00	EUR	10,000	(21,859)	35,314
«OOO» LU-VE Moscow	Moscow (Russia)	100.00	RUB	100,000	(29,344,441)	(21,300,327)
LU VE MIDDLE EAST DMCC	Dubai (UAE)	100.00	AED	50,000	165,674	(47,588)
Indirect subsidiaries:						
SEST-LUVE-Polska SP.z.o.o.(95%-owned by SEST S.p.A.)	Gliwice (Poland)	95.00	PLN	16,000,000	264,768,226	23,607,342

«OOO» SEST LU-VE (95%-owned by SEST S.p.A.)	Lipetsk (Russia)	95.00	RUB	136,000,000	1,064,565,607	157,290,199
LU-VE HEAT EXCHANGERS (Tianmen) Co, Ltd (62.62% owned by LU-VE Asia Pacific Limited and 37.38% by LU-VE S.p.A)	Tianmen (China)	100.00	CNY	61,025,411	30,434,509	(2,472,762)
Thermo Glass Door S.p.A. (100%-owned by SEST S.p.A.) (*)	Travacò Siccomario (PV)	100.00	EUR	100,000	(174,248)	(697,633)

(*) Note:
On 27 August 2020, the parent company SEST S.p.A. decided to make payments to the subsidiary Thermo Glass Door S.p.A. to cover losses for a maximum amount of €1,000,000, to be paid in the amount necessary to guarantee that the losses do not result in an erosion of share capital.

6 SIGNIFICANT NON-RECURRING TRANSACTIONS

During the first half of 2020, 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 2020, 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 2020

The consolidated turnover of only products at the end of August reached €253.9 million, with growth of 2.6% compared to the same period of the previous year. The order portfolio came to €75.1 million, a decrease of 7.3% compared to August 2019.

On 22 July the definitive agreements were signed with the local authorities in the US, and the works for clearing and preparing the land for the new plant began. At the end of August, the industrial park in Jacksonville paid Zyklus the first part of the contribution agreed in those agreements, relating to the purchase of the land.

At the end of July, Group regulations were introduced at all the production sites in Italy to govern remote working, and all individual agreements for the workers involved were signed, valid until 31 December 2020.

During August, exactly in line with the planned schedule, the first production line of large condensers and liquid coolers was started up at the Russian plant, for the purpose of further increasing the market share, due to quicker delivery times combined with a more beneficial landed cost for local customers compared to purchasing from the plants located in Europe.

It is also worth noting, during the period, the acquisition of important, prestigious orders of air cooled equipment in Russia (the most modern refrigerated logistics centre in the country) and in China (an enormous refrigerated logistics centre under construction at the commercial port). Due to this and other important orders, the Chinese production site reported the largest portfolio in its history at the end of August. Lastly, as regards SBU Components, in the last few weeks, the approval phases were successfully completed for new exchanger projects with several important global players, which should guarantee additional volumes in 2021.

Due to the possible economic impact of Coronavirus, the macroeconomic scenario remains characterised by strong uncertainty and a rather limited visibility and, therefore, it is very difficult to make any sort of forecast with regard to the performance of the business, economic and financial results. These circumstances, extraordinary in their nature and extent, have repercussions, direct and indirect, on the economic activity and have created a context of general uncertainty, whose evolution and relative effects cannot be predicted. The potential effects of this phenomenon on the financial statements cannot be determined at present and will be subject to continuous monitoring during the rest of the financial year.
In this context, the Group will 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.

Uboldo, 15 September 2020

CEO

Matteo Liberali

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

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

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

of the administrative and accounting procedures for the formation of the condensed consolidated half-yearly financial statements in the course of the first half of 2020.

It is also certified that the condensed consolidated half-yearly financial statements as at 30 June 2020:

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

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

Uboldo, 15 September 2020

Matteo Liberali
CEO

Eligio Macchi,
Manager in charge of financial
reporting

Deloitte & Touche S.p.A.
Via Tortona, 25 20144
Milan, Italy

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

Deloitte.

REPORT ON REVIEW OF THE CONDENSED
CONSOLIDATED SEMIANNUAL FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying condensed consolidated semiannual financial statements of LU-VE S.p.A. and subsidiaries (the "LU-VE Group"), which comprise the balance sheet as of June 30, 2020 and the income statement, the other components of the comprehensive income statement, the cash flows statement, the statement of changes in consolidated Shareholder's equity for the six months period then ended and a summary of significant accounting policies and other explanatory notes. The Directors are responsible for the preparation of this interim financial information in accordance with the International Accounting Standard applicable to the interim financial reporting ("IAS 34") as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with the criteria for limited audits recommended by the Italian Regulatory Commission for Companies and Stock Exchange (CONSOB) for the review of the half-yearly interim financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we don't 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 semiannul financial statements of the LU-VE Group as of June 30, 2020 are not prepared, in all material aspects, in accordance with the International Accounting Standard IAS 34 as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Massimiliano Semprini
Partner

Milan, Italy

September 16, 2020

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