LU-VE S.p.A.

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REA no. VA-191975

Fiscal code no. 01570130128

HALF-YEARLY FINANCIAL REPORT AS AT 30 JUNE 2024

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SUMMARY

INTERIM DIRECTORS' REPORT
AS AT 30 JUNE 2024

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Subsidiaries and percentage of equity investment owned by the Group

Company name	% equity	Currency	Share capital
Direct subsidiaries:			
SEST S.p.A.	100.00%	EUR	1,000,000
Heat Transfer Systems s.r.o. (HTS)	100.00%	CZK	133,300,000
LU-VE Sweden AB	100.00%	SEK	50,000
LU-VE France S.a.r.l.	100.00%	EUR	84,150
LU-VE Pacific Pty Ltd (*)	75.50%	AUD	200,000
LU-VE Deutschland GmbH	100.00%	EUR	230,000
LU-VE Iberica S.L.	85.00%	EUR	180,063
LU-VE HEAT EXCHANGERS (Tianmen) Co, Ltd	100.00%	CNY	61,025,411
LU-VE Asia Pacific Limited (*)	100.00%	HKD	10,000
LuveDigital S.r.l.	50.00%	EUR	10,000
MANIFOLD S.r.l.	99.00%	EUR	10,000
Spirotech Heat Exchangers Pvt. Ltd	100.00%	INR	25,729,600
LU-VE AUSTRIA GmbH	100.00%	EUR	17,500
LU-VE US Inc.	100.00%	USD	1,000
Air Hex Alonte S.r.l.	100.00%	EUR	2,010,000
Fincoil LU-VE OY	100.00%	EUR	1,190,000
LU-VE Netherlands B.V.	100.00%	EUR	10,000
«OOO» LU-VE Moscow	100.00%	RUB	100,000
LU VE MIDDLE EAST DMCC	100.00%	AED	50,000
LU-VE SOUTH KOREA LLC	100.00%	KRW	100,000,000
Refrion S.r.l.	75.00%	EUR	1,000,000
LU-VE UK Ltd	100.00%	GBP	10,000
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
Thermo Glass Door S.p.A. (100% owned by SEST S.p.A.)	100.00%	EUR	100,000
RMS S.r.l. (100% owned by Refrion S.r.l.)	75.00%	EUR	40,000
Refrion Deutschland GmbH (100% owned by Refrion S.r.l.)	75.00%	EUR	150,000

(*) Liquidation procedures are in progress.

5 September 2024

Dear Shareholders,

The first half of 2024 was extremely turbulent from a geopolitical point of view. Not only was no progress made in easing hostilities between Russia and Ukraine, but in addition to the two-years long conflict on Ukrainian soil and partially on Russian soil, a new conflict erupted between Israelis and Palestinians in the Gaza Strip, with sparking protests and positioning in all major countries worldwide, particularly in the Middle East, starting with Iran. In addition to the already planned European elections in June and the American elections in November of this year, the United Kingdom and France called for early national elections. The former resulted in the Labour Party coming to power after 14 years, while the latter saw the rise of three blocks, each lacking an absolute majority creating a difficult situation in building a government with majority. In the United States, following the withdrawal of President Biden's candidacy, the contest is now between the current Vice President Harris and Donald Trump. This change, just months before the election, appears to have reinvigorated the Democrats and further complicates the outcome of the November vote.

In this context, it is also important to mention the election of the new Iranian president following the death of his predecessor in a plane crash. Despite these events, the global economy continued to grow at a steady pace. The International Monetary Fund estimated a global economic growth of 3.2% for the current year, identical to that of the previous year. The combined effect of geopolitical tensions and growth has kept inflation in the major developed countries at higher levels than those expected at the end of 2023. In other words, the expected decline for this year has been much smaller, and this has also kept interest rates at higher level in both Europe and the United States. It should be noted that the 25 basis points reduction made by the ECB in June and the likelihood of a decrease in interest rate operated by the FED expected in September. Only the decline in industrial production in Europe, particularly in the three major economies, and a retracement in stock market values, seem to indicate the need, sooner or later, for a more pronounced value decrease, with the hope that, in conjunction with geopolitical tensions, energy costs will not increase.

About exchange rate, in the last weeks USD shows weakness even if it's too early to predict this trend will be confirmed also after the election in the United States.

Specifically, all GDP forecasts for the current year prepared by major Organisations have been revised multiple times and not in a single direction. The United States continues its period of economic expansion, with a rate of 2.7% expected this year, even higher than that of 2023, although the first signs of a slowdown are emerging. China and India are also performing well: growth is forecast at 4.6% and 6.8% respectively, only slightly below the previous year's figures. The Eurozone is expected to recover from last year's anaemic growth. For 2024, growth of 0.8% is expected, up from the previous 0.4%. Germany (the only country in Europe grew less after COVID) is expected to return to positive growth, albeit very slightly. Italy is doing better, with a positive forecast of 0.9%, the same as in 2023, thanks mainly to services, particularly tourism, and investments from the NRRP (National Recovery and Resilience Plan), notwithstanding a weak industrial production. France and the United Kingdom are also positive, at levels just a bit lower than Italy.

On the pricing side, it should be noted that, while in 2023 product prices fell from the high levels recorded in the previous year, the upward trend resumed in the first half of 2024. From the beginning of the year to 30 June, with reference to the raw materials of greatest interest to the LU-VE Group, the average price of copper and aluminium rose respectively by 9% and 3%. It is clear that the combination of geopolitical tensions, high interest rates, increase in key raw material prices, and shrinking industrial production could lead to a risk to the economic situation in the second half of the year.

It is important to highlight how, while the costs of an accelerated *green* transition are becoming clearer, especially for Europeans, both in economic and social terms, the spread of new technologies and, in particular, those based on the use of *Artificial Intelligence*, is leading to considerable growth in electricity consumption. This has a two-fold effect in the sectors where the LU-VE Group operates. On the one hand, the *green* transition has led to a review of the development plans for heat pumps. On the other hand, the widespread adoption of AI, with its increasing use, is driving the growth of *data centres*, representing a new and expanding line of business.

In summary, the impression is that we are continuing to navigate in a highly volatile environment where fundamentals, *worldwide* positioning, low debt levels, and the ability to protect margins are the strengths of healthy companies. In relation to these aspects, the LU-VE Group is well-positioned and alert to new opportunities that may arise even in such an uncertain and turbulent environment.

Despite the expected decline in product sales (-8.4%) with revenues of €292.8 million compared to €319.6 million in the same period of the previous year, the first half of 2024 saw an improvement of Group economic performance thanks to the cost restraints initiatives already launched in the second half of 2023.

The order book at the end of June (€170.9 million) instead showed progress both compared to the first quarter (+1.2%) and to the end of 2023 (+9.4%), confirming a return to more normal levels following the easing of disruptions that had previously affected the *supply chains* of certain critical components and materials throughout the value chain.

At the end of the first half of 2024, EBITDA amounted to €43 million (14.5% of revenues), up (+2.7%) compared to the first half of 2023 (€41.8 million, 13.1% of sales). The net result came to €20.1 million (€19.1 million in the first half of 2023), with an increase of 5.2%.

Net of the significant negative impact due to the market stagnation of heat pump exchangers, it should be noted that the Group's revenues recorded slight growth (+1%) with a significantly different performance across the two Business Units. For the first time in the Group's history, the "*Cooling Systems*" SBU overcame the revenues of the "*Components*" SBU, reaching €148.8 million, with an increase of 4.9%, mainly due to new projects in the world of next-generation *data centres*, despite the continued slowdown in the distribution channel and a general less brilliant performance in the market for larger-scale projects in refrigeration and air conditioning.

Conversely, the sales result of the "*Components*" SBU suffered a decrease of 19%, with an amount of €143.9 million. However, it should be noted that, excluding the aforementioned heat pump segment, the turnover decrease would have been only 3%, thanks to the recovery in demand for refrigerated counters and electrical appliances.

Regarding the heat pump exchanger segment, which, as is known, experienced an unexpected drastic slowdown in demand starting in the second half of 2023, the sharp drop in revenues (-75% in the first six months) was even worse than the most pessimistic forecasts. The persistent uncertainties related to the incentives system, also influenced by the expected outcomes of the European elections, along with the high volumes of finished product inventories still present throughout the distribution chain, have unfortunately also slowed down the launch of new product ranges by some manufacturers, which in the Group's expectations should have at least partially offset the slowdown in general demand. Although the forecasts for 2024 are quite negative for this sector, there remains a fundamental optimism for the medium-term recovery of the market, as the replacement of gas boilers with heat pump technology remains one of the key points of the "Repower UE" programme policies and the only *green* transition technology in which the European Union is not dependent, in any way, on know-how, materials, or components from Asia, particularly China.

The breakdown of turnover by SBU is given below:

Revenues by SBU (in thousands of Euro)	H1 - 2024	%	H1 - 2023	%	Change	% Change
SBU COOLING SYSTEMS	**148,828**	**50.8%**	**141,834**	**44.4%**	**6,994**	**4.9%**
SBU COMPONENTS	**143,941**	**49.2%**	**177,724**	**55.6%**	**(33,783)**	**-19.0%**
TOTAL REVENUE FOR SALES OF PRODUCTS	**292,769**	**100.0%**	**319,558**	**100.0%**	**(26,789)**	**-8.4%**

1.1 REFERENCE MARKETS

In line with the details already provided in relation to the consolidated financial statements of the Group as at 31 December 2023, this report shows the breakdown into the three main **categories of products** in which the Group operates, which have distinct technical and production characteristics:

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

AIR COOLED HEAT EXCHANGERS

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

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

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

Revenues from sales of heat exchangers, down 20% compared to the same period of last year, represented the 45.8% of the Group's consolidated revenues.

AIR COOLED EQUIPMENT

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

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

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

Revenues from sales of ventilated appliances represented 50.2% of the Group's consolidated revenues in the first half of the year, marking an increase of 4.9% compared to the first half of 2023.

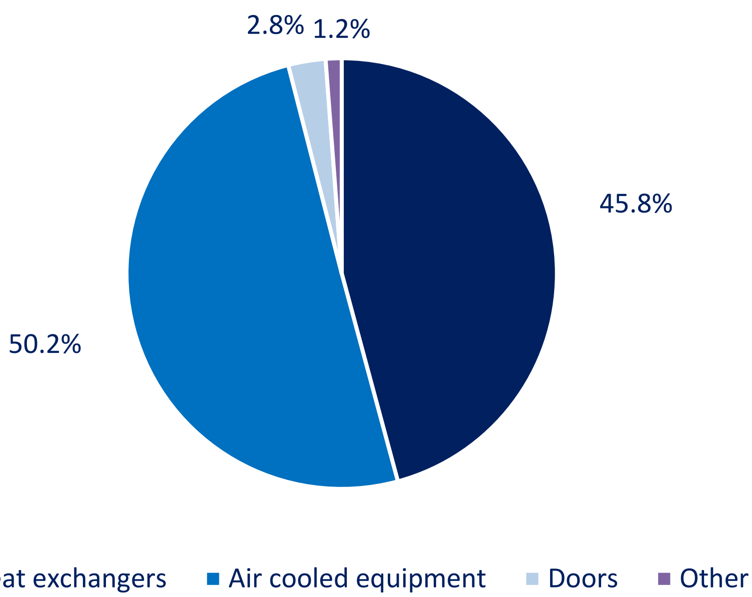
SPECIAL GLASS DOORS FOR REFRIGERATED COUNTERS AND DISPLAY CABINETS

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

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

Revenues from sales of glass doors, increased by 2.8% from the same period in the previous year, represented around 3% of the Group's total revenues.

The chart below shows the breakdown of turnover by product type as at 30 June 2024:



The table below shows turnover trends by product type in the two first six-month periods of 2024 and 2023 subject to comparison:

PRODUCTS (in thousands of Euro)	H1 - 2024	%	H1 - 2023	%	Delta %
Heat exchangers	135,677	45.8%	169,688	53.0%	-20.0%
Air Cooled Equipment	148,828	50.2%	141,834	44.3%	4.9%
Doors	8,264	2.8%	8,036	2.5%	2.8%
TOTAL PRODUCTS	**292,769**	**98.8%**	**319,558**	**99.8%**	**-8.4%**
Other	3,613	1.2%	742	0.2%	386.9%
TOTAL	**296,382**	**100%**	**320,300**	**100%**	**-7.5%**

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

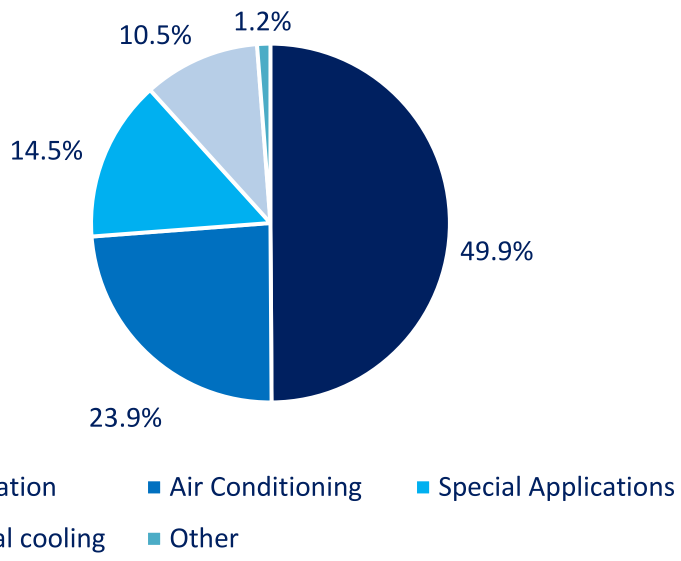
(i) the refrigeration sector, which includes activities relating to the supply chain for food products (the "**Refrigeration Sector**");

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

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

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

The chart shows the breakdown of total turnover by segment in the first half of 2024:



The table below shows revenue trends by application type in the first two six-month periods of 2024 and 2023 subject to comparison:

APPLICATIONS (in thousands of Euro)	H1 - 2024	%	H1 - 2023	%	Delta %
Refrigeration	147,930	49.9%	149,602	46.7%	-1.1%
Air Conditioning	70,890	23.9%	98,029	30.6%	-27.7%
Special Applications	42,832	14.5%	38,914	12.2%	10.1%
Industrial cooling	31,117	10.5%	33,013	10.3%	-5.7%
TOTAL APPLICATIONS	**292,769**	**98.8%**	**319,558**	**99.8%**	**-8.4%**
Other	3,613	1.2%	742	0.2%	386.9%
TOTAL	**296,382**	**100%**	**320,300**	**100%**	**-7.5%**

The analysis of the slightly negative performance in refrigeration highlights a trend contrary to the overall Group data. In this application, thanks to the recovery in the refrigerated counters and condensing units segments, the "*Components*" SBU shows a slightly better result than "*Cooling Systems*", which was adversely impacted by a general slowdown or postponement of larger-scale projects, as well as the previously mentioned difficulties in the wholesaler/distributor channel.

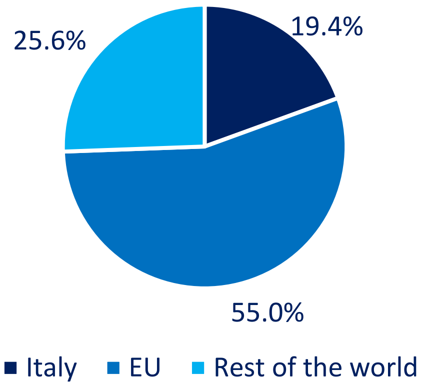
In contrast, sales in the air conditioning sector show an entirely opposite trend. "*Cooling Systems*" benefited from the growth in high energy efficiency units for "*data centres*" and from some special projects related to large buildings. On the other hand, the "*Components*" SBU, in addition to being significantly penalised by the previously mentioned market challenges for heat pumps, recorded lacklustre demand for exchangers for small and medium-sized residential applications.

The positive performance in "*special applications*" is almost entirely due to the strong recovery (even higher than expectations at the beginning of the year) in the demand for exchangers for high energy efficiency clothes dryers after an extremely negative 2023.

Lastly, the slightly negative value recorded by the "*industrial cooling*" segment, due essentially to the postponement of a number of projects, does not raise significant concerns, while the value of both the order book and the pending offers suggest fair growth prospects for the future.

From the perspective of sales distribution by geographical area, the first half of 2024 saw the European Union's share drop to 74.4% of total revenues, mainly due to a sharp decline in Italy and Germany, only partially offset by strong performances in other countries such as Poland and Sweden. As a result of the negative trend in Italy during the first half, the export share reached 80.6% of the total, with a turnover of almost €236 million.

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



As at 30 June 2024, sales revenues from the top 10 customers accounted for a total of 30.3% of turnover (a slight increase compared to the first half of 2023), with the main customer accounting for only 4.6% of the total, confirming that the Group does not greatly depend on individual commercial or industrial contracts.

1.2 SIGNIFICANT EVENTS OCCURRED DURING THE HALF YEAR

In January 2024, the Parent Company received the proceeds from the loan agreement signed with Unicredit in December 2023, amounting to €30 million. In addition, also in January 2024, the Parent Company signed a loan agreement with BPER, for an amount of €30 million, fully proceeded at the subscription date.

During the first half of the year, the expansion works at the Chinese production site were completed on schedule, with production activities expected to commence in September, once all necessary authorisations have been obtained and the production machineries have been tested.

On 1 April, coinciding with the close of the local tax year, the SAP *roll-out* was successfully completed at the Bhiwadi facility in India, in full observance of the planned timeline. Integration activities continued during the second quarter. The extension to the Sarole facility is planned by the end of the first quarter of 2025.

In June, the Parent Company LU-VE S.p.A. initiated the procedure to exercise the *put and call* option for the purchase of the remaining 25% of the equity of the subsidiary Refrion S.r.l. (and consequently the indirect subsidiaries RMS S.r.l. and Refrion Deutschland GmbH), which was then completed in July 2024.

On 24 June, the merger project for the incorporation of the wholly-owned Italian subsidiaries Sest S.p.A. and Air Hex Alonte S.r.l. into the Parent Company LU-VE S.p.A. was officially approved by the Board of Directors of the Parent Company and the shareholders' meetings of the subsidiaries. The conclusion of the project is expected by the end of September and is aimed at simplifying the Group's organisational structure, which should result in better management efficiency, and consequently, reduction of costs and improved market responsiveness.

In the first half of the year, contracts for the expansion of the production facility in Texas, owned by the subsidiary LU-VE US Inc., were almost entirely defined. The significant revision of the investment plan for the USA (and the consequent need to modify the originally planned layouts) resulted in a delay in the initially estimated timeline, with construction work expected to be in any case completed by summer 2025.

During the first half of the year, the implementation of the new global organisational structure based on regional divisions continued. This structure, through the definition of a matrix model and the redefinition of roles and operational powers, aims to improve overall efficiency and productivity and streamline the Group's business processes to better meet *stakeholders'* needs, ensuring a consistent level of service. The new structure was achieved with the crucial contribution of each Cluster and Department, representing an extraordinary and passionate example of teamwork.

In the first half of 2024, the LU-VE Group continued its activities in line with the 2023-2025 Sustainability Plan, approved in February 2023 by the Board of Directors of the Parent Company LU-VE S.p.A.

The Sustainability Plan identifies a series of actions - in line with the LU-VE Group's strategic priorities and sustainability vision - based on four key macro-objectives: climate neutrality, positive impact products, high level of employee *engagement* and the integration of sustainability in our business plan.

All the targets set for 2023 have been met. Some targets for 2024 and 2025 have been changed from the original plan based on the results already achieved in 2023. New objectives were also identified for 2026.

With reference to environmental objectives, in 2023 the LU-VE Group reduced its *Scope* 1 and *Scope* 2 climate-altering emissions by 6.39% compared to 2022 and is committed to reducing them by 10% in 2024 (with respect to the same *baseline*). These reduction targets were identified in line with *science-based target* methodologies.

In terms of sustainability governance, with the definition of the Remuneration Policy, as part of the MBOs and the new 2023-2025 LTI Plan proposed, for the second consecutive year, a parameter was confirmed, linked to the reduction of emissions (Scope 1 and Scope 2), in addition to the already existing parameters linked to accident ratios.

The activities related to the "European Taxonomy for eco-sustainable activities" continued, with new assessment activities regarding the management of chemicals (relating to the technical guidance "*Do No Significant Harm*" - DNSH).

In the first quarter of 2024, the initial phase of the Sustainability Ambassadors' Journey concluded. This was the first global call-to-action on sustainability topics initiated in 2023 across all companies within the LU-VE Group. LU-VE Group personnel went into detail about five key sustainability themes, thanks to contributions from international external speakers: climate crisis, energy market and energy transition, human rights protection, promotion of the circular economy, and transparent sustainability communication, including greenwashing.

As part of the Sustainability Ambassadors' Journey, the Group also launched two new initiatives for its employees: a "*Sustainability Lab*" to discuss and implement new sustainability projects, and a "*Train the Trainer*" programme to accelerate internal training on climate change and its consequent environmental and social impacts.

With reference to regulatory developments, the LU-VE Group has carried out several activities and analyses to meet the requirements of the "*Corporate Sustainability Reporting Directive (CSRD)*", by the end of the financial year, in accordance with the mandatory obligations.

The CSRD, which officially came into force at the beginning of 2023 and replaced the previous *"Non-Financial Reporting Directive - NFRD*" (Directive 2014/95/EU), introduced new reporting requirements for non-financial information. In addition to expanding the number of companies involved, the new regulation requires reporting to be based on the principle of double materiality and extended to all activities related to the entire upstream and downstream value chain.

Lastly, with the introduction of the European "Carbon Border Adjustment Mechanism – CBAM" regulation at the end of 2023, which mandates the reporting of greenhouse gas emissions for certain "carbon-intensive" goods, the LU-VE Group has acted promptly to comply with the legal obligations arising from the implementation of the new regulation.

Regarding the tax audit conducted by the Italian Tax Authority on the parent company LU-VE S.p.A. (which began in May 2022) concerning the fiscal years 2016, 2017, 2018, and 2019, no further requests have been made. It should be noted that the years 2016 and 2017 have formally lapsed.

With reference to the tax finding report for the fiscal year 2019, served to the Parent Company in November 2023, there were no further activities to be undertaken by the Italian Tax Authority.

As for the general tax audit to which the subsidiary LU-VE Iberica S.L. is subject for fiscal years 2013, 2018, and 2019, all requested documentation has been provided to the Spanish Tax Authority as needed, and there have been several discussions with the same authority.

Finally, on 29 May 2024, the Italian Tax Authority (Udine branch) notified the subsidiary Refrion S.r.l. of a draft tax deed related to the verification of tax credits for research and development costs for the fiscal years 2016, 2017, and 2018. The company has promptly prepared a defence dossier to be submitted within 60 days after the receiving the notification. It should be noted that with regard to any potential liabilities, the Group is protected by the guarantees provided by the previous shareholders of the aforementioned subsidiary.

Lastly, on 29 April 2024, the Shareholders' Meeting of the Parent Company LU-VE S.p.A.:

- viewed the consolidated figures and the non-financial statement for 2023 of the LU-VE Group;

- approved the 2023 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 13 March 2024 and already communicated to the market. Note that the net result for the year 2023, equal to €6.1 million, was allocated as follows: (i) €0.3 million to the Legal Reserve and (ii) the distribution of an ordinary gross dividend of €0.40 per each share outstanding, using available reserves for the remainder.

1.3 CONSIDERATIONS ON THE SHARE'S STOCK MARKET VALUE

During the first half of 2024, LU-VE stock value remained almost constantly below the FTSE Italia Star index until the middle of May, and, at the end of the period, was about 13 percentage points higher than the above-mentioned index. The average market value of the stock in the second quarter recorded an increase of 7% compared to the average value of the first quarter. As at 30 June 2024, the value of the share showed an increase of approximately 12.3% compared to the beginning of the year.

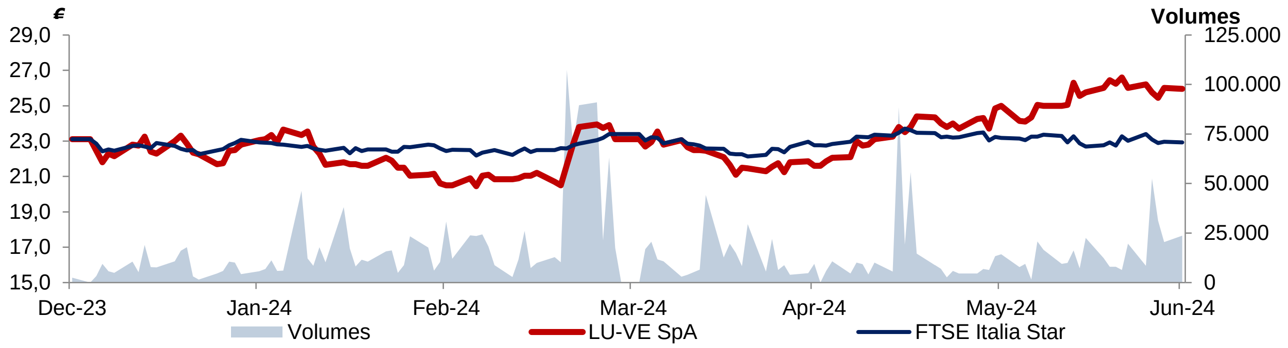
The main figures and share price trends are shown below:

Price as at 2 January 2024: €23.10
Price as at 30 June 2024: €25.95
Change over the period: +12.3%

Maximum price: €26.60 (20 June 2024)
Minimum price: €20.45 (5 March 2024)
Weighted average price: €23.03
Traded volumes: 2,053,230

Stock Market capitalisation as at 30 June 2024: €577 million

On 4 September 2024 (at the close of the last trading day before the approval of the condensed consolidated interim financial statements) the price was €25.40, corresponding to a capitalisation of €564.80 million, in any case higher than the book value of the Group's reported shareholders' equity (€244.2 million).



1.4 ECONOMIC AND FINANCIAL DATA

The reclassified Income Statement and Balance Sheet are provided below:

Reclassified Consolidated Income Statement ***(in thousands of Euro)***	**H1 2024**	**% Revenues**	**H1 2023**	**% Revenues**	**% Change**
Revenues and operating income	**296,382**	**100%**	**320,300**	**100%**	**-7.5%**
Purchases of materials	(150,086)	50.6%	(165,667)	51.7%	
Changes in inventories	5,019	-1.7%	(688)	0.2%	
Services	(38,148)	12.9%	(42,905)	13.4%	
Personnel costs	(68,430)	23.1%	(67,763)	21.2%	
Other operating expenses and accruals	(1,781)	0.6%	(1,463)	0.5%	
Total operating costs	**(253,426)**	**85.5%**	**(278,486)**	**86.9%**	**-9.0%**
EBITDA	**42,956**	**14.5%**	**41,814**	**13.1%**	**2.7%**
Depreciation and amortisation	(15,567)	5.3%	(16,296)	5.1%	
Gains/(Losses) on non-current assets	(20)	0.0%	(145)	0.0%	
Operating profit (EBIT)	**27,369**	**9.2%**	**25,373**	**7.9%**	**7.9%**
Net financial income and expense and net exchange gains/(losses)	(1,085)	0.4%	(3,393)	1.1%	
Gains/(Losses) from investments	-	-	-	-	
Pre-tax result (EBT)	**26,284**	**8.9%**	**21,980**	**6.9%**	**19.6%**
Income taxes	(6,190)	2.1%	(2,873)	0.9%	
Net result	**20,094**	**6.8%**	**19,107**	**6.0%**	**5.2%**
Net result attributable to non-controlling interests	658		954		
Net result attributable to the Group	**19,436**	**6.6%**	**18,153**	**5.7%**	**7.1%**

"Revenues and operating income" decreased by €23.9 million (7.5%) compared to the first half of 2023. At constant exchange rates, the decrease would have been approximately equal to 6.5%. Approximately 0.6% of this decrease was due to the decline in sales prices and, for the remainder, to the drop in volumes and the change in the product mix.

Total "operating costs" fell from €278.5 million (86.9% as a percentage of revenues) in the first half of 2023 to €253.4 million (85.5% as a percentage of revenues) in the first half of 2024. The overall decrease of 9% (€25.1 million) was substantially caused by the following factors:

- consumption of materials decreased by €21.3 million, falling from 51.9% to 48.9% as a percentage of revenues. This change is due for €7.3 million to the decline in the purchase costs of the main raw materials and, for the remainder, to the volume effect and the change in the product mix;

- costs for services (12.9% as a percentage of sales, down by 13.4% compared to the same period of 2023) show a decrease of €4.8 million, consisting of €2.3 million for production-related services (electric energy, maintenance, external services), €0.9 million for advisory costs and €1.6 million for other service costs;

- personnel costs increased by €0.7 million, mainly due to the usual salary dynamics and the effects of inflation. Personnel costs as a percentage of revenues rose from 21.2% to 23.1%. In the first half of 2023, personnel costs included approximately €0.7 million relating to *start-up* activities of the former ACC Wanbao production site, identified as non-operating costs.

"EBITDA" amounted to €43.0 million (14.5% of revenues) compared to €41.8 million (13.1% of revenues) in the first half of 2023. *Adjusted* EBITDA for the first half of 2023, net of the impact of non-operating costs described above, would have amounted to €42.5 million. The change in EBITDA compared to the *Adjusted* EBITDA of the first half of 2023 (positive by €0.5 million) was generated for €9.9 million by the decrease in the costs of the main raw materials and other production costs, net of a €2.0 million decrease in sales prices and €7.4 million related to the volume effect and the change in product mix.

"Depreciation and amotisation" shows a decrease of €0.7 million (incidence on turnover equal to 5.3%).

"EBIT" amounted to €27.4 million (9.2% of revenues) compared to €25.4 million (7.9% of revenues) in the first half of 2023. Net of non-operating costs (*Adjusted* EBIT), for the first half of 2023, it would have been €26.1 million (8.1% of revenues).

The balance of "net financial income and expense and net exchange gains/(losses)" was negative for €1.1 million (negative for €3.4 million in the first half of 2023). The positive difference of €2.3 million is mainly due to: i) the positive impact of the amortised cost (for further details, see paragraph 3.12 of the Explanatory Notes) for €2.8 million, ii) for €2.5 million to the return on invested liquidity, iii) for €0.4 million to the positive change in exchange rate deltas, iv) for €0.5 million from the negative change in the fair value of derivative financial instruments for operational hedging of loans, and v) for €2.9 million from the increase in financial expense. In addition, the negative change in fair value of the *put and call* option related to the acquisition of the remaining 25% of the equity of the subsidiary Refrion S.r.l., equal to €0.9 million, was recognised within this item.

"EBT" was equal to €26.3 million (8.9% of revenues) against a value of €22.0 million as at 30 June 2023 (6.9% of revenues). EBT for the first half of 2024 normalised (*Adjusted* EBT) for the negative change in the value of the put-and-call option (€0.9 million) and the net effect of the positive change in the fair value of derivatives and the impact of amortised cost (€1.9 million) would have amounted to €25.3 million (8.5% of revenues). EBT for the first half of 2023 normalised (*Adjusted* EBT) for non-operating costs (€0.7 million), and for the net effect of the positive change in the fair value of derivatives and the impact of the amortised cost (€0.5 million) would have been €23.2 million (7.2% of revenues).

"Net result" amounted to €20.1 million (6.8% of revenues) compared to €19.1 million in the first half of 2023 (6.0% of revenues). Applying the tax effect to the non-operating costs and revenues described above, the net profit for the first half of 2024 (*Adjusted* net result) would have been €19.6 million, 6.6% of revenues (last year, €20.0 million, 6.2% of revenues).

Reclassified Consolidated Balance Sheet *(in thousands of Euro)*	30/06/2024	% of net invested capital	31/12/2023	% of net invested capital	Change 2024 over 2023
Net intangible assets	91,251		92,863		
Net property, plant and equipment	207,561		205,412		
Deferred tax assets	11,347		11,039		
Other non-current assets	914		969		
Non-current assets (A)	**311,073**	**85.7%**	**310,283**	**87.3%**	**790**
Inventories	117,072		110,831		6,241
Trade receivables	114,966		87,790		27,176
Other receivables and current assets	14,734		14,116		618
Current assets (B)	**246,772**		**212,737**		**34,035**
Trade payables	126,208		95,659		30,549
Other payables and current liabilities	43,118		46,577		(3,459)
Current liabilities (C)	**169,326**		**142,236**		**27,090**
Net working capital (D=B-C)	**77,446**	**21.2%**	**70,501**	**19.9%**	**6,945**
Provisions for employee benefits	5,398		5,363		35
Deferred tax liabilities	14,196		14,109		87
Provisions for risks and charges	5,810		5,735		75
Medium/long-term liabilities (E)	**25,404**	**7.0%**	**25,207**	**7.1%**	**197**
Net Invested Capital (A+D-E)	363,115	100%	355,577	100%	7,538
Shareholders' equity attributable to the Group	238,684		223,677		15,007
Non-controlling interests	5,563		5,554		9
Total Consolidated Shareholders' Equity	**244,247**	**67.3%**	**229,231**	**64.5%**	**15,016**
Medium - Term Net Financial Position	258,050		264,632		(6,582)
Short - Term Net Financial Position	(139,182)		(138,286)		(896)
Total Net Financial Position	**118,868**	**32.7%**	**126,346**	**35.5%**	**(7,478)**
Shareholder's equity and net financial debt	363,115	100%	355,577	100%	7,538

Non-current assets as at 30 June 2024 show an increase of €0.8 million, mainly due to net investments for the period of €0.5 million and the increase in deferred tax assets of €0.3 million. Investments in the period total approximately €15.2 million, of which €6.8 million are related to rights of use assets (mainly for the renewal of the lease contract for the Alonte facility). Approximately €4.3 million of the period's increases are considered non-recurring (mainly related to investments for the expansion of production facilities, with particular reference to those carried out in Italy, India, and the Czech Republic).

LU-VE Group's operating working capital (equal to the sum of inventories and trade receivables net of trade payables) as at 30 June 2024 amounted to €105.8 million, equal to 17.8% of LTM sales (as at 30 June 2023, it totalled €133.1 million, equal to 21.4% of LTM sales). As at 31 December 2023, the operating working capital of LU-VE Group amounted to €103.0 million with an incidence of 16.7% on sales.

Consolidated shareholders' equity amounted to €244.2 million compared to €229.2 million as at 31 December 2023. The increase (€15 million) is due to the net result for the period (€20.1 million) adjusted by the distribution of dividends for €9.7 million, by the positive variation of the Translation reserve (€4.5 million) and for €0.1 million by the positive change in the provision for employee benefits.

The net financial position was negative by €118.9 million (€126.3 million as at 31 December 2023), showing an improvement of €7.4 million, primarily due to investments (€12.4 million), the distribution of dividends (€9.7 million), the change in the put-and-call option strike price (€0.9 million), the increase in the operating working capital (€2.9 million), the change in other payables and receivables (€1.2 million), the increase in other financial liabilities (IFRS 16, € 3.7 million), net of €38.2 million in positive cash flows from operations. The net financial position as at 30 June 2023 amounted to €160.2 million (net improvement of €41.3 million in the past twelve months). In the 1 July 2023 - 30 June 2024 period, the cash flow from operations adjusted by non-operating components totalled roughly €72.2 million.

1.5 ALTERNATIVE PERFORMANCE MEASURES

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

Monetary amounts in thousands of Euro	H1 2024	H1 2023
Average days in inventory (1)	71.0	76.8
Inventory turnover ratio (2)	5.1	4.7
Receivables turnover ratio (3)	5.2	5.3
Average days sales outstanding (4)	69.8	68.1
Payables turnover ratio (5)	3.0	3.6
Average days payable outstanding (6)	118.5	101.1
Net Invested Capital	363,115	378,678
EBITDA	42,956	41,814
Adjusted EBITDA (7)	42,956	42,514
EBITDA/Financial expense	7	6
Adjusted EBIT (8)	27,369	26,073
Adjusted EBT (9)	25,260	23,158
Adjusted net result for the period (10)	19,560	19,975
Basic earnings per share (11)	0.82	0.82
Diluted earnings per share (12)	0.82	0.82
Dividends per share (13)	0.40	0.38
Net financial position	(118,868)	(160,184)
Adjusted net financial position (18)	(118,868)	(138,795)
Net financial position/EBITDA	1.49	2.14
Debt ratio (14)	0.49	0.73
Operating working capital (15)	105,830	133,084
Adjusted operating working capital (19)	105,830	111,695
Net working capital (16)	77,446	100,592
Cash flow from operations *Adjusted* for non-operating items (17)	72,200	44,326
Goodwill and Other Intangible assets/Total assets	0.11	0.12
Goodwill and Other Intangible assets/Shareholders' equity	0.37	0.44

Note:

The methods for calculating the indicators noted above are:

(1) Inventories/Revenues and other operating income LTM (*Last Twelve Months)**360; The LTM values are determined by the sum of the values of the second half of the previous year (obtained by the difference between the values of the entire year and the values of the first half) and of the first half of the current year

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

Values in €/million	H1 2024	H1 2023
EBITDA	43.0	41.8
Start-up expenses	-	0.7
Adjusted EBITDA	**43.0**	**42.5**

(8) EBIT adjusted by non-operating costs (starting from *Adjusted* EBITDA, see previous table);
(9) Pre-tax profit (EBT) adjusted for non-operating costs and revenues:

Values in €/million	H1 2024	H1 2023
EBT	26.3	22.0
Change in *Put and Call* option strike price - 25% purchase of Refrion S.r.l.	0.9	-
Net financial income and expense (amortised cost effect)	(1.9)	0.5
Start-up expenses	-	0.7
Adjusted EBT	**25.3**	**23.2**

(10) Net profit adjusted for non-operating costs and revenues (starting from *Adjusted* EBT - see previous table - net of taxes of €-5.7 million for 2024 and €-3.2 million for 2023);
(11) Net profit/Weighted average number of ordinary shares;
(12) Net profit/(Weighted average number of ordinary shares + potential number of additional ordinary shares, the latter equal to zero in both periods);
(13) Nominal value of the dividend per share approved in each year.
(14) Net financial position/Shareholders' equity
(15) Total of inventories and trade receivables net of trade payables;
(16) Current assets net of current liabilities.
(17) Cash flow from operations adjusted by non-operating LTM items:

Values in €/million	LTM - H1 2024	LTM - H1 2023
Change in Net financial position	41.3	(4.8)
Non-ordinary investments (*)	17.1	17.7
Dividends paid (**)	9.7	9.2
Change in financial payables for leases pursuant to IFRS 16	2.6	(2.9)
Non-operating costs (***)	1.5	3.7
Adjustment to operating working capital (****)	-	21.4
Cash flow from operations *Adjusted* by non-operating items	**72.2**	**44.3**

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

(**) As per "Statement of changes in shareholders' equity", paragraph 1.4 of the condensed consolidated interim financial statements.

(***) *Start-up* costs (€0.6 million) relating to the second half of 2023 and change in the Put and Call option strike price (€0.9 million) relating to the first half of 2024. Although this last adjustment did not result in a change in cash flows during the half-year, it is intended to normalise the change in the Net Financial Position, which reflects this change.

(****) Determined as the difference between the operating working capital as at 30 June 2023 and the expected operating working capital as at 30 June 2023, as per the table below.

Values in €/million	LTM-H1 2023
Revenues and operating income - LTM	620.5
Target	18.0%
Expected operating working capital	**111.7**

(18) Net financial position normalised by the already mentioned effect on operating working capital, see paragraph "1.4 Economic and financial data". It should be noted that no normalisation factors have been identified as at 30 June 2024.

(19) Normalised operating working capital, considering the incidence of operating working capital as at 31 December 2022 on LTM sales, see table above. It should be noted that no normalisation factors have been identified as at 30 June 2024

OBSERVATIONS ON THE FINANCIAL PROFILE AND ON GOING CONCERN

The condensed consolidated interim financial statements as at 30 June 2024 have been prepared on the basis of the going concern assumption, as the Directors have verified the non-existence of indicators of a financial, management or any other nature that might indicate critical issues relating to the ability of the LU-VE Group to meet its commitments in the foreseeable future. The risks and uncertainties related to the business are described in the paragraph below.

In particular, as at 30 June 2024, LU-VE Group has a solid and balanced financial structure with a Net financial debt/Equity ratio (Debt ratio) of 0.49 (0.55 as at 31 December 2023) and a positive short-term net financial position of €139.2 million (positive for €138.3 million as at 31 December 2023), therefore guaranteeing the repayment of medium/long-term financial debt maturing in the next 12 months (totalling €120.9 million).

It should be noted that the estimates of the 2024 forecast lead to the expectation that, as at 31 December 2024, there will be no critical issues with respect to compliance with the financial covenants on a consolidated basis, envisaged by the Group's financial debt (which is, moreover, contractually required to comply with them only at the closing of the annual consolidated financial statements).

Comparing the 2024-27 Business Plan with the economic results achieved in the first half of 2024 and with those forecast for the entire current year, the economic performances and the main economic/financial indicators are essentially in line with those estimated in the plan approved on 21 February 2024.

In light of what is laid out above, the condensed consolidated interim financial statements of the Group as at 30 June 2024 were prepared on a going concern basis, pursuant to paragraphs 25 and 26 of IAS 1.

1.6 MAIN RISKS AND UNCERTAINTIES

RISKS RELATED TO TRENDS IN RAW MATERIAL PRICES

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

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

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

The first half of this year showed an increase in the cost of raw materials, particularly copper, reaching an all-time high in May, compared to the retracement of prices recorded in the first half of 2023. It should be reminded that the Group has "pass through" systems in place which allow cost increases to be transferred to end customers, guaranteeing the protection of marginality.

Unlike the problems that arose in previous years, related to the availability of materials, which forced a review of the procurement approach and an increase in inventories of raw materials and components in order to be able to respond to market demands in a timely manner, in the first half of 2024, storage approaches returned to a 'just in time' principle, with positive effects on the reduction of inventories and responding to the market with delivery times in line with expectations.

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

RISKS RELATED TO NET FINANCIAL DEBT

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

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

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

The financial instruments in which LU-VE Group invests its available liquidity are mainly represented by Time Deposits, which can be freely divested, term deposits for a specific short period of time and remunerated at a pre-established rate. The main risk of these financial instruments is the capital strength and the rating of the banks with which the LU-VE Group subscribes them.

LU-VE Group selects its investments by privileging low risk ones and makes them with leading banking institutions. In addition, a careful liquidity management policy and the existence of short-term credit lines mitigate the risk of having to proceed with the sudden and unforeseen freeing up of liquidity.

RISKS RELATED TO EXCHANGE RATE FLUCTUATIONS

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

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

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

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

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

Sales are mainly made in Euro. Moreover, although Sest-LUVE Polska Sp.z.o.o., HTS, Spirotech and LU-VE Sweden are located in countries that do not use the Euro as their reference currency, they carry out a significant quantity of sales in Euro and therefore 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: in particular, during the first half of 2024, financial instruments were underwritten to hedge the EUR/USD exchange rate, such as swaps, tarfs and forwards. However, from a purely accounting perspective, although such instruments substantially hedge the risks mentioned, they do not meet all the requirements as laid out under IFRS 9 and cannot be defined as hedge accounting; therefore, the Group has decided to consider these instruments as for trading and not hedges and as a result such instruments were measured at fair value with changes reported on the income statement. For further details, please refer to Appendix A of the Explanatory Notes to the Consolidated Financial Statements.

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

RISKS RELATED TO 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 30%, the "heat pumps" sector (which accounts for 3.4% of turnover this year, up from 12.3% in the first half of 2023), the segment of manufacturers of refrigerated counters (in which the Group is the supplier of all the most important European players, and which represented around 14% of total turnover in the first half of 2024), the domestic appliances sector (in which the Group supplies all the most important European brands with a sharp increase in turnover during the period and an incidence up to 4.5% of the total) and the power generation applications sector (10.5% of turnover) are characterised by the strong commercial leadership exercised by several large customers.

As a result, if the supply to one of the Group’s customers in the above-mentioned segments is discontinued, the Group companies that operate in that sector could have difficulty recovering the lost turnover with other customers, with a negative impact in terms of their profit or loss and/or the equity and/or financial situation.

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

RISKS RELATED TO POSSIBLE PROCUREMENT DIFFICULTIES AND RELATIONS WITH SUPPLIERS

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

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

During the first half of 2024, LU-VE Group monitored the possible risks of shortage in the availability of materials and components critical to the correct supply of production processes with reference to both main raw materials (copper, aluminium and steel in particular) and components (in particular electric motors), minimising any negative impacts, thanks to adequate source diversification policies (both in terms of number and geographical location).

RISKS RELATED TO THE CONSEQUENCES OF BUSINESS INTERRUPTIONS

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

All of the Group's facilities are independent from each other, and in the very recent past investments were made to ensure back-up production lines located in other facilities and in different countries. For these reasons, both production flexibility and the level of service to customers are constantly increasing.

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

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. Interest rates fell in the first half of 2024 compared to 2023. Changes in interest rate policies may lead to a potentially significant change in the fair value of these instruments. As at 30 June 2024, the portion of existing loans for which such risks have been hedged represented 91.1% of the total.

However, from a purely accounting perspective, although such instruments substantially hedge the risks mentioned, they do not meet all the requirements as laid out under IFRS 9 and cannot be defined as hedge accounting; therefore, the Group has decided to consider these instruments as for trading and not hedges and as a result such instruments were measured at fair value with changes reported on the income statement. For further details, please refer to Appendix A of the Explanatory Notes to the Condensed Consolidated Interim Financial Statements.

CREDIT RISKS

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 healthy results achieved also against the backdrop of the pandemic.

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

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

More specifically, the Group:

(i) is heavily export-oriented, with revenues realized earned predominantly outside the Italian market (in the periods ending 30 June 2024, 2023 and 2022, Group revenues from sales made abroad represented 80.6%, 78.8% and 79.5% of total sales, respectively);

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

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

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

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

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

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

LU-VE Group continues to carefully monitor the evolution of the conflict between Russia and Ukraine which is having significant repercussions on the world economy, also as a result of the sanctions that have been imposed or may be imposed further on Russia. The extreme geographical diversification of sales means that the Group's exposure in this area in terms of revenues is 7.5%.

The LU-VE Group has engaged in monitoring activity in relation to the restrictions that have been imposed by the European Union and the United States on Russia and the individuals sanctioned, to ensure their full compliance. The Group has adopted guidelines aimed at regulating relations with its Russian subsidiaries and commercial activities in Russia, also with the support of external consultants. It has also established verification procedures regarding the possibility of exporting its own products and components to Russia and, if necessary with the support of external consultants, verifies the correct interpretation of the applicable legislation with the competent authorities. It has also established procedures for verifying, also through the appropriate software programs developed by specialised companies, the Ultimate Beneficial Owners of its customers and suppliers in sensitive areas, to check that they are not subject to sanctions. It also obtained advice to ensure that its European associates who work in Russia and China cannot be subject to sanctions in Europe and the United States based on said activity. It has also planned, with the support of external consultants, large-scale annual checks on its entire range of suppliers and customers, in order to ensure that none of them, regardless of location, is subject to sanctions or part of a sanctioned entity.

CYBER RISKS

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

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

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

The conflict that arose in 2022 between Russia and Ukraine further highlighted that the internet and information systems of the authorities involved were used as a battlefield and as strategic objectives in the evolution of the conflict. With the prolongation of the conflict and the geopolitical tensions that are being generated between the United States and China, the risk of cyber attacks has increased. Therefore, LU-VE Group has activated further procedures for risk mitigation, eliminating the possibility of accessing the intranet from the Russian facility and enabling Russian users to access the necessary services only from the cloud through authentication and profiling. In order to mitigate the economic impact of possible cyber-attacks, the Group decided in June (effective 1 July 2024) to take out an 18-month cyber risk insurance policy.

Finally, it should be noted that the Group did not suffer any damage or significant malfunctions as a result of the technology outage due to the upgrade of Windows systems and the ensuing IT incidents that arose on a global scale during late July.

RISKS RELATED TO CLIMATE CHANGE

With reference to the best practices of the sector they belong to, as well as the most authoritative literature on the subject (including the TCFD guidelines), the Directors carried out specific assessments in order to identify in detail the risk factors concerning climate change, both physical and of transition, more relevant for the Group's operations (taking into account those aspects considered of interest, also to the value chain, as required by the CSRD).

During the first half of 2024, the Group continuously monitored compliance with the objectives of both a quantitative and qualitative nature included in the sustainability plan for the period 2023-2025 (in particular with reference to the reduction of total greenhouse gas emissions).

With particular reference to physical risks, i.e. the need to adopt measures to protect existing assets (typically buildings, plants, etc.) from any damage from events attributable to climate change, no updates have been made at this time to the analysis that was carried out during 2022 by an external consultant and was considered up-to-date and still applicable as of 31 December 2023. For the financial statements as at 31 December 2024, a new analysis will be carried out to verify the possible need for updates. In view of the above, physical risks of any nature, including therefore those attributable to climate change, are managed through “all risk” insurance policies that provide for compensation for both the relevant damage and for loss of profit (in the event of interruption of activities of the facility to due to physical damage, the resulting gross profit loss is estimated on the basis of the most recent productivity statistics). An updated estimate is also carried out every year by a specialised company, in order to update the policy limits in consideration of the investments made (e.g. for expansion or renovation of properties). Following the climatic events that occurred in Northern Italy at the beginning of the second half of 2023, some claims were opened on the reference insurance policies for which a substantial full reimbursement of the damages suffered is expected in the second half of 2024 (totalling approximately €1.9 million).

On the other hand, the impacts deriving from transitional risks could be more significant, with particular reference to aspects linked to regulatory, technological and market developments. In fact, an ecological transition towards products with a lower environmental impact in terms of greenhouse gas emissions is already underway in the Group's reference product sectors, following the adoption, at EU level, of specific regulations aimed at the progressive reduction of market shares of traditional refrigerant products (F-gas), with a higher impact on global warming, which in 2030 may not exceed 20% of the total value in the EU (this regulation is currently being revised at EU level, for better coordination with the net-zero targets set by the EU for 2050; in this context, the market share of traditional products in 2030 is expected to be reduced from the current 20% to 5% and then to zero by 2050) or to the introduction of energy efficiency measures with the adoption of high-efficiency cooling/heating systems (Energy efficiency directive, proposed directive on the energy performance of buildings). Similar regulations are also being assessed by the authorities of some of the countries in which the Group operates, specifically the United States but also in China. In this context, these product regulations are the main driver of change, consequently guiding the Group's customers demands aimed at obtaining products that are able to meet the envisaged requirements. Additionally, from a regulatory context perspective, a boost has been injected by the “EU Taxonomy”, to be reported within Sustainability Reporting, requiring the indication of specific KPIs linked to turnover, investments and operating costs, in order to express in quantitative terms the contribution of their activities to the achievement of specific objectives linked to climate change (mitigation and adaptation), as well as environmental protection as a whole.

LU-VE Group believes it has a competitive advantage on the market, deriving from having already incorporated in its product portfolio a significant number (about 54% of revenues as at 31 December 2023) of technologies based on natural refrigerants (Carbon Dioxide, Ammonia, Propane), greatly appreciated by highly loyal customers. In particular, the Group is the market leader in some types of products.

The remaining share of turnover, equal to 46%, is currently linked to traditional technology products; this portion is expected to decrease up to 2030. The increase in the production of natural refrigerant heat exchangers entails the need to implement interventions on production plants, in addition to supporting the related R&D activities.

The outcome of the above assessments relating to the significance of the risks associated with climate change was also duly taken into account in the process of defining the assumptions adopted for the purpose of preparing the Business Plan for the years 2024-2027.

Specific preparatory activities are underway to draft the first sustainability report as of 31 December 2024, as required by the Corporate Sustainability Reporting Directive ("CSRD"), which will come into effect starting from this financial year. The determination of "double materiality" is nearing completion, as well as the gap analysis activities aimed at verifying the alignment between the information historically prepared by the Group and the requirements of the specific standards issued by the EFRAG (ESRS).

The quarterly reporting required by the implementation of the European *Carbon Border Adjustment Mechanism (CBAM)* regulation has continued, concerning data on the quantities of certain materials imported from countries outside the European Union, the most significant for the Group at present being aluminium, and related greenhouse gas emissions. The first half of 2024 saw the start of the process of collecting specific emissions data from the suppliers of the materials involved. However, pending accurate and reliable data from suppliers, the 2024 reports have continued to use the default data provided by the European Commission.

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 2023 (which should be referred to), whose profile has not changed in the first half of 2024.

1.7 DEVELOPMENT AND INNOVATION ACTIVITIES

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

The main projects focused on the continuous development of new solutions dedicated to the application of heat pumps in various fields, incorporated in the European Union's decarbonisation project. Significant efforts have been dedicated, with reference to air cooled products, to rationalising the range based on platform concepts and to the new digital configurator for guided product selection and the consequent automatic production of orders.

In this context, the research activities have covered various application areas, ranging from solutions for residential heat pumps to technologies for heat pumps intended for district heating networks, and finally to the very latest technology for heat pumps dedicated to producing heat for use in industrial processes.

In this area, LU-VE has been granted the opportunity to obtain an outright grant related to the 'Bando a cascata' (Cascade funding) pursuant to Art. 5 of MUR Notice No. 341 of 15/03/2022, for the financing of research activities carried out by Micro, Small, and Medium Enterprises (MSMEs) and Large Enterprises (LEs) within the PE NEST "Network 4 Energy Sustainable Transition" (D.D. - management decree - Rep. No. 1865/2024, Prot. No. 33106/2024 of 13/02/2024 and subsequent amendment). During the first half of 2024, this development activity involved total investments of approximately €0.6 million, all capitalised under intangible assets.

1.8 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.

1.9 SUBSEQUENT EVENTS OCCURED AFTER 30 JUNE 2024: significant events and business outlook

Following the existing contractual agreements, in July, LU-VE S.p.A. exercised the option to purchase the remaining 25% of the shares of Refrion S.r.l.. The value of the acquired shares, calculated according to the contractual formula based on the average results achieved over the last two years, amounted to €7.4 million.

The Group, through its Friulian subsidiary Refrion S.r.l., has signed an agreement to supply cooling systems for the emergency diesel generators (EDG) of the nuclear island at the Hinkley Point C power station in Somerset, England. The value of the contract for the LU-VE Group, signed with the Nuclear New Build Generation Company ("NNB") through the UK contractor Bouygues Energies & Services, is approximately €27 million (of which around €2 million have already been invoiced to date), with the supply of the first batches to begin in 2025. The components are designed, as usual, to integrate sustainability principles and standards to reduce environmental impact in all stages of the process, from product design to engineering.

As previously reported, the heat pump market continues to be the most challenging area. However, positive expectations for the medium-term have been confirmed in the sector, as the replacement of gas boilers with heat pump technology represents one of the cornerstones of the "Repower EU" programme, the new Energy Performance of Buildings Directive (EPBD) EU 2024/1275, and (together with renewables, EV and batteries) one of the “clean energy technologies” crucial for the achievement of the objectives of “Net zero emissions”, as clearly shown in the recent report of the IEA (International Energy Agency), “World Energy Outlook 2023”.

With reference to the turbulence that has affected the markets in recent months in a scenario that, unfortunately, does not promise a resolution of the conflicts and tensions existing in some areas of the world or that could even escalate further, the Group expects a contraction in sales volumes by the end of the year. However, the Group expects a holding up of profitability thanks to all the measures implemented to streamline processes and the restructuring of the organisation on a global scale.

In August, the subsidiary Fincoil LU-VE Oy has undersigned the renewal of rent contract of the plant, till 31st December 2030. The annual rent is equal to about €1.2 million.

Regarding the tax audit conducted by the Italian Tax Authority on the parent company LU-VE S.p.A. concerning the fiscal years 2016, 2017, 2018, and 2019, no further requests have been made by the Authority.

With reference to the finding report for the year 2019, served to the Parent Company in November 2023, there were no further activities to be undertaken by the Italian Tax Authority.

As regards the general tax audit to which the subsidiary LU-VE Iberica S.l. is subject for the fiscal years 2013, 2018 and 2019, further requests have been made, for which the subsidiary will provide documentation by mid-September.

With regard to the draft tax deedt presented by the Udine branch of the Italian Tax Authority towards the subsidiary Refrion S.r.l., the subsidiary has provided its counter-arguments within the required deadlines.

On 31 July 2024, the Central Directorate for Large Taxpayers and International Affairs (*Direzione Centrale Grandi Contribuenti e Internazionale*) sent a request for information to the parent company LU-VE S.p.A. (as part of the procedures to verify *compliance* with regulatory agreements), to initiate the preliminary activity concerning the application submitted on 28 December 2020 for access to the procedure aimed at concluding Advance Pricing Agreements ("*APA*"), as provided for by Art. 31 *ter* of Presidential Decree 600/73. At the beginning of August, the Parent Company submitted all the required documentation.

1.10 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.

1.11 RELATED PARTY TRANSACTIONS

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

1.12 TREASURY SHARES

Pursuant to law, please note that as at 30 June 2024, the Group held 28,027 treasury shares (unchanged with respect to 31 December 2023), equal to 0.1261% of share capital, acquired at an average price of €10.2827 based on the authorisation resolution approved by the Shareholders' Meeting on 29 April 2019. In application of international accounting standards, these instruments are recognised as a deduction from the shareholders' equity attributable to the Group.

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

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

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

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

1.15 REPRESENTATION OF THE MANAGER IN CHARGE OF FINANCIAL REPORTING

The Manager in charge of financial reporting, Mr Eligio Macchi, declares, pursuant to art. 154-bis, paragraph 2 of the Consolidated Law on Finance, that the accounting disclosure contained in this Interim Directors' Report as at 30 June 2024 corresponds to the results of the accounting documents, books and entries.

1.16 SECONDARY OFFICES

The Parent Company LU-VE S.p.A. carries out its activities at the registered office at via Caduti della Liberazione 53, Uboldo (VA), Italy. On 4 January 2017, a secondary office was opened, used as a warehouse in Origgio (VA), via Achille Grandi no. 5 and on 31 October 2023, a secondary office was opened, used as a warehouse, in Borgo Valbelluna (BL), Via Vasco Salvatelli No. 4.

The Chairman and Chief Executive Officer
Matteo Liberali

1.17 CORPORATE BODIES AND COMPANY INFORMATION

BOARD OF DIRECTORS [1]

Chairman	Matteo Liberali
Vice Chairman	Pierluigi Faggioli
Directors	Michele Faggioli
	Stefano Paleari (*)
	Anna Gervasoni (*)
	Fabio Liberali
	Laura Oliva
	Roberta Pierantoni
	Raffaella Cagliano (*)
	Carlo Paris (*)

* Meeting the independence requirements pursuant to Italian Legislative Decree no. 58/1998 (TUF) and of the Corporate Governance Code.

BOARD OF STATUTORY AUDITORS[1]

Chairwoman	Mara Palacino
Standing Auditors	Paola Mignani
	Domenico Angelo Magno Fava
Alternate auditors	Michaela Rita Marcarini
	Alessia Fulgeri

1) The corporate bodies were appointed by the Shareholders' Meeting of 28 April 2023 and are in office until the approval of the 2025 financial statements. For all detailed information on the corporate bodies, please refer to the Report on Corporate Governance and Ownership Structures prepared pursuant to Art. 123 bis of Italian Legislative Decree 58/1998, available on the Company's website.

1.18 AUDIT FIRM

Deloitte & Touche S.p.A.

1.19 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 INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2024

CONTENTS

1 FINANCIAL STATEMENTS

1.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated Statement of Financial Position *(in thousands of Euro)*	**Notes**	**30/06/2024**	**31/12/2023**
ASSETS			
Goodwill	3.1	64,330	63,961
Other intangible assets	3.1	26,921	28,902
Property, plant and equipment	3.2	167,382	164,469
Right-of-use assets	3.2	17,288	13,476
Other tangible asset	3.2	22,891	27,467
Deferred tax assets	3.19	11,347	11,039
Investments	3.3	141	141
Other non-current assets	3.4	773	828
Non-current assets		311,073	310,283
Inventories	3.5	117,072	110,831
Trade receivables	3.6	114,966	87,790
Current tax assets	3.7	7,528	9,356
Current financial assets	3.8	45,522	50,387
Other current assets	3.9	7,206	4,760
Cash and cash equivalents	3.10	239,920	212,059
Current assets		532,214	475,183
Assets held for sale		-	-
Assets held for sale		-	-
TOTAL ASSETS		843,287	785,466

Consolidated Statement of Financial Position *(in thousands of Euro)*	**Notes**	**30/06/2024**	**31/12/2023**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital	3.11	62,704	62,704
Reserves and retained earnings (losses)	3.11	156,544	131,228
Net result for the period	3.11	19,436	29,745
Shareholders' equity attributable to the Group		238,684	223,677
Shareholders' equity attributable to non-controlling interests		5,563	5,554
TOTAL SHAREHOLDERS' EQUITY		244,247	229,231
Loans	3.12	247,498	250,222
Provisions	3.13	5,810	5,735
Employee benefits obligations	3.14	5,398	5,363
Deferred tax liabilities	3.19	14,196	14,109
Other financial liabilities	3.2 - 3.15	10,552	14,410
Non-current liabilities		283,454	289,839
Trade payables	3.16	126,208	95,659
Loans	3.12	132,710	119,005
Tax liabilities	3.17	8,571	8,653
Other financial liabilities	3.2 - 3.15 -3.8	13,550	5,155
Other current liabilities	3.18	34,547	37,924
Current liabilities		315,586	266,396
Liabilities held for sale		-	-
Liabilities held for sale		-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		843,287	785,466

1.2 CONSOLIDATED INCOME STATEMENT

Consolidated Income Statement *(in thousands of Euro)*	**Notes**	**H1 2024**	**H1 2023**
REVENUES AND OTHER OPERATING INCOME			
Revenues	4.1	295,270	319,505
Other operating income		1,112	795
Total revenues and other operating income		**296,382**	**320,300**
OPERATING EXPENSES			
Purchases of materials	4.2	(150,086)	(165,667)
Changes in inventories	3.5	5,019	(688)
Costs for services	4.3	(38,148)	(42,905)
Personnel costs	4.4	(68,430)	(67,763)
Net reversal/(write-downs) of financial assets	4.5	(33)	127
Other operating expenses	4.6	(1,748)	(1,590)
Total operating expenses		**(253,426)**	**(278,486)**
Depreciation and amortisation	3.1 - 3.2	(15,567)	(16,296)
Gains/(Losses) on the sale of non-current assets	3.1 - 3.2	120	35
Write-downs on non-current assets	3.1 - 3.2	(140)	(180)
OPERATING RESULT		**27,369**	**25,373**
Financial income	3.8 - 3.15 - 4.7	4,735	3,090
Financial expense	4.8	(6,601)	(6,854)
Exchange gains (losses)	4.9	781	371
Gains/(Losses) from sale of investments		-	-
PRE-TAX RESULT		**26,284**	**21,980**
Income taxes	4.10	(6,190)	(2,873)
NET RESULT		**20,094**	**19,107**
Net result attributable to non-controlling interests	3.11	658	954
NET RESULT ATTRIBUTABLE TO THE GROUP		**19,436**	**18,153**

1.3 EARNINGS PER SHARE AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Earnings per share

Earnings per share *(in Euro)*	**Notes**	**H1 2024**	**H1 2023**
EARNINGS PER SHARE	4.11		
Basic		0.88	0.82
Diluted		0.88	0.82

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income *(in thousands of Euro)*	**Notes**	**H1 2024**	**H1 2023**
NET RESULT		20,094	19,107
Components that will not subsequently be reclassified to the Income Statement:			
Actuarial gains/(losses) from employee benefits obligations	3.14	192	12
Tax effect		(46)	(3)
		146	9
Components that will subsequently be reclassified to the Income Statement:			
Exchange differences from translation of Financial Statements in foreign currency	1.4	4,308	(2,829)
TOTAL COMPREHENSIVE INCOME (LOSS)		24,548	16,287
Comprehensive income attributable to non-controlling interests	3.11	658	954
COMPREHENSIVE INCOME ATTRIBUTABLE TO THE GROUP		23,890	15,333

1.4 CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Consolidated Statement of changes in equity *(in thousands of Euro)*	**Share capital**	**Share premium reserve**	**Legal reserve**	**Treasury shares**	**Translation reserve**	**Actuarial gains/(loss)of employee benefits reserve**	**Other reserves**	**Net Result for the period**	**Total Shareholders' equity attributable to the Group**	**Shareholders' equity attributable to non-controlling interests**	**Total shareholders' equity**
BALANCE AS AT 01/01/2023	62,704	24,762	3,745	(288)	(13,643)	(8)	81,762	47,714	206,748	4,712	211,460
Allocation of 2022 profit											
Dividends paid	-	-	-	-	-	-	(8,438)		(8,438)	(713) (*)	(9,151)
Retained	-	-	812	-	-	-	46,902	(47,714)	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	(102) (**)	(102)
Comprehensive income as at 30/06/2023	-	-	-	-	(2,829)	9		18,153	15,333	954	16,287
BALANCE AS AT 30/06/2023	62,704	24,762	4,557	(288)	(16,472)	1	120,226	18,153 (*)	213,643	4,851	218,494
BALANCE AS AT 31/12/2023	62,704	24,762	4,557	(288)	(17,938)	(91)	120,226	29,745	223,677	5,554	229,231
Allocation of 2023 profit											
Dividends paid (Note 4.12)	-	-	-	-	-	-	(8,883)	-	(8,883)	(812) (***)	(9,695)
Retained	-	-		-	-	-	29,745	(29,745)	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	163 (**)	163
Comprehensive income as at 30/06/2024	-	-	-	-	4,308	146	-	19,436	23,890	658	24,548
BALANCE AS AT 30/06/2024	62,704	24,762	4,557	(288)	(13,630)	55	141,088	19,436	238,684	5,563	244,247

(*) The total amount of €713 thousand refers to €650 thousand to dividends approved by the Group company SEST-LUVE-Polska Sp.z.o.o. as of 30 June 2023 that have not yet been paid, and €63 thousand to dividends approved by the company "OOO" SEST LU-VE Russia, of which €44 thousand were unpaid as of 30 June 2023.

(**) The "Other" line item shows the movement in the translation reserve related to non-controlling interests.

(***) The total amount of €812 thousand (€713 thousand as of 30 June 2023) is attributable to: i) €750 thousand in dividends approved and fully paid by the Group company SEST-LUVE-Polska Sp.z.o.o.; ii) €62 thousand in dividends approved by the company "OOO" SEST LU-VE Russia, of which €37 thousand were still unpaid as of 30 June 2024. For further information, please refer to Note 4.12. - "Dividends".

1.5 CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated Statement of Cash Flows *(in thousands of Euro)*		**Notes**	30/06/2024	30/06/2023
A.	Cash and cash equivalents at the beginning of the period		212,059	177,258
	Net Result for the period		20,094	19,107
	Adjustments for:			
	- Depreciation and amortisation	3.1 - 3.2	15,568	16,296
	- Capital (Gains)/losses, write-downs of non-current assets	3.1 – 3.2	(120)	145
	- (Gains)/losses on the sale of investments		-	-
	- Net financial expenses	4.7 - 4.8	1,556	4,069
	- Income taxes	4.10	6,190	2,873
	- Changes in fair value	4.7 - 4.8	706	(305)
	Changes in employee benefit obligations	3.14	157	20
	Changes in provisions	3.13	75	67
	Changes in trade receivables	3.6	(27,176)	(34,060)
	Changes in inventories	3.5	(5,019)	688
	Changes in trade payables	3.16	30,549	10,076
	Changes in net working capital		(1,646)	(23,296)
	Changes in other receivables and payables, deferred taxes		616	1,799
	Tax payments	4.10	(6,244)	(5,258)
	Net paid financial expense	4.7 - 4.8	(2,413)	(3,526)
B.	Cash flows from (used in) operating activities		34,539	11,991
	Investments in non-current assets:			
	- intangible assets	3.1	(1,223)	(1,187)
	- property, plant and equipment	3.2	(11,171)	(15,285)
	- financial assets		-	-
	Net investments in current financial assets	3.8	4,159	16,212
C.	Cash flows from (used in) investing activities		(8,235)	(260)
	Repayment of loans	3.12	(61,765)	(70,067)
	Proceed from new loans	3.12	75,000	40,000
	Changes in other financial liabilities (*)		(3,413)	(3,426)
	Sale/(Purchase) of treasury shares		-	-
	Contributions/repayments of share capital		-	-
	Dividends paid	3.11	(9,695)	(8,455)
	Other changes		-	-
D.	Cash flows from (used in) financing activities		127	(41,948)
	Exchange differences	3.11	4,471	(2,931)
	Other non-monetary changes (**)		(3,041)	395
E.	Other changes		1,430	(2,536)
F.	Net cash flows in the period (B+C+D+E)		27,861	(32,753)
	Cash and cash equivalents at the end of the period (A+F)		239,920	144,505
	Current financial debt		100,739	8,434
	Non-current financial debt		258,049	296,255
	Net financial debt		118,868	160,184

(*) The amount mainly refers to the lease payments accounted for in accordance with IFRS 16.

(**) The amount is mainly attributable to the effect of the period of the net exchange rate differences in intangible assets (gains for €382 thousand), property, plant and equipment (gains for €1,415 thousand) and inventories (gains for €1,222 thousand). As at 30 June 2023, the amount was mainly composed of the period effect of the net exchange rate differences of intangible assets (gains for €191 thousand), property, plant and equipment (losses for €1.016 thousand) and inventories (gains for €1,127 thousand).

2 EXPLANATORY NOTES

2.1 ACCOUNTING STANDARDS

Declaration of compliance and accounting policies

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

The condensed consolidated interim financial statements as at 30 June 2024 of LU-VE Group have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union at that date, 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, they must be read in conjunction with the consolidated financial statements for the year ended on 31 December 2023. With IFRS it should be included all International Financial Reporting Standards and International Accounting Standards, all interpretations of the IFRS Interpretations Committee (formerly IFRIC), previously called the Standing Interpretations Committee (SIC), endorsed by the European Union and contained in the relative EU Regulations.

The condensed consolidated interim financial statements have been prepared in Euro, which is the functional currency of the Parent Company 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 2023 and the condensed consolidated interim financial statements as at 30 June 2023, prepared in line with the same criteria. The figures in the Explanatory Notes are shown mainly in thousands of Euro. The financial statements consist of the (i) consolidated statement of financial position, (ii) the consolidated income statement, (iii) the consolidated statement of comprehensive income, (iv) the consolidated statement of changes in equity, (v) the consolidated statement of cash flows and these explanatory notes.

The condensed consolidated interim financial statements have been prepared 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, of the activities covered by the exercise of the Purchase Price Allocation, pursuant to IFRS 3, as described below. In addition, the condensed consolidated interim financial statements have been prepared on a going concern basis, 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 to fulfil its commitments in the foreseeable future. The risks and uncertainties related to the business are described in the sections dedicated to the Interim Director's Report.

In particular, with reference to this last assumption, as at 30 June 2024, the Group has a solid and balanced financial structure with a Net financial debt/Equity ratio (Debt ratio) of 0.49 (0.55 at 31 December 2023) and a positive short-term net financial position of €139.2 million (positive for €138.3 million as at 31 December 2023). Therefore the repayment of medium/long-term debt due in the next 12 months (totalling €120.9 million) is guaranteed by the total liquidity as determined in the statement of net financial position in Note 3.20 (€285.4 million). In addition, there are no substantial restrictions on the release of invested liquidity, amounting to €39.2 million, consisting of (i) Time deposits of €28.7 million (ii) capitalisation policies of €10.2 million, and (iii) other securities of €0.3 million (Note 3.8), which can therefore be used to meet any payment obligations (Note 3.20), if needed.

Significant uncertainty persists due to geopolitical tensions, and the Group is exposed to these as it has subsidiaries in Russia (7.3% of consolidated sales in the first half of 2024). This part of the business may be subject to restrictions due to potential sanctions enforceable by other government authorities. The Directors, given the limited impact of the Russian business on the consolidated financial statements, together with the above considerations, believe that the Group is nonetheless able to operate as a going concern.

Comparing the 2024-2027 Business Plan with the income statement results achieved in the first half of 2024 and with those forecast for the entire current year, the economic performances and the main economic/financial indicators are in line with those estimated in the business plan approved on 21 February 2024. Finally, on the basis of these results, it is believed that no critical issues are expected to arise as at 31 December 2024, with regard to compliance with the economic and capital requirements ("covenants") on a consolidated basis envisaged by the loans stipulated by the Group (however, verified only at the time of the closing of the annual consolidated financial statements as set forth in the loan agreements).

Based on what is laid out above, the condensed consolidated interim financial statements of the Group as at 30 June 2024 were prepared on a going concern basis, pursuant to paragraphs 25 and 26 of IAS 1.

The condensed consolidated interim financial statements as at 30 June 2024 were approved by the Board of Directors of the Parent Company LU-VE S.p.A. on 5 September 2024.

Financial Statements

The LU-VE Group has adopted the following Financial Statements:

- a consolidated statement of financial position, which shows current and non-current assets and liabilities separately;
- a consolidated statement of changes in Equity;
- a consolidated income statement in which costs are classified by nature;
- a consolidated statement of comprehensive income, which shows revenue and cost items that are not recognised in the net result for the period, as required by the IFRS;
- a consolidated statement of cash flows that presents cash flows from operations using the indirect method.

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

Consolidation area

The condensed consolidated interim financial statements of LU-VE Group include the half-yearly figures of LU-VE S.p.A. and its direct and indirect subsidiaries, inferred from the interim income statements and balance sheets prepared and approved by the Directors of the individual subsidiaries and duly adjusted, where necessary, to bring them into line with the IAS/IFRS adopted by the LU-VE Group ("Interim Reporting Package") in preparation of 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
Heat Transfer Systems s.r.o. (HTS)	Novosedly (Czech Rep.)	100.00%	CZK	133,300,000
LU-VE Sweden AB	Asarum (Sweden)	100.00%	SEK	50,000
LU-VE France S.a.r.l.	Lyon (France)	100.00%	EUR	84,150
LU-VE Pacific Pty Ltd (*)	Thomastown (Australia)	75.50%	AUD	200,000
LU-VE Deutschland GmbH	Stuttgart (Germany)	100.00%	EUR	230,000
LU-VE Iberica S.L.	Madrid (Spain)	85.00%	EUR	180,063
LU-VE HEAT EXCHANGERS (Tianmen) Co, Ltd	Tianmen (China)	100.00%	CNY	61,025,411
LU-VE Asia Pacific Limited (*)	Wan Chai (Hong Kong)	100.00%	HKD	10,000
LuveDigital S.r.l.	Uboldo (VA)	50.00%	EUR	10,000
MANIFOLD S.r.l.	Uboldo (VA)	99.00%	EUR	10,000
SPIROTECH Heat Exchangers Pvt. Ltd	Ghaziabad, Uttar Pradesh (India)	100.00%	INR	25,729,600
LU-VE AUSTRIA GmbH	Vienna (Austria)	100.00%	EUR	17,500
LU-VE US Inc.	Jacksonville (USA, Texas)	100.00%	USD	10,001,000
Air Hex Alonte S.r.l.	Uboldo (VA)	100.00%	EUR	2,010,000
Fincoil LU-VE OY	Vantaa (Finland)	100.00%	EUR	1,190,000
LU-VE Netherlands B.V.	Breda (Netherlands)	100.00%	EUR	10,000
«OOO» LU-VE Moscow	Moscow (Russia)	100.00%	RUB	100,000
LU VE MIDDLE EAST DMCC	Dubai (UAE)	100.00%	AED	50,000
LU-VE SOUTH KOREA LLC	Seoul (South Korea)	100.00%	KRW	100,000,000
Refrion S.r.l.	Flumignano di Talmassons (UD)	75.00%	EUR	1,000,000
LU-VE UK Ltd	London (United Kingdom)	100.00%	GBP	10,000
Indirect subsidiaries:				
SEST-LUVE-Polska SP.z.o.o. (95% owned by SEST S.p.A.)	Gliwice (Poland)	95.00%	PLN	16,000,000
«OOO» SEST LU-VE (95% owned by SEST S.p.A.)	Lipetsk (Russia)	95.00%	RUB	136,000,000
Thermo Glass Door S.p.A. (100% owned by SEST S.p.A.)	Travacò Siccomario (PV)	100.00%	EUR	100,000
RMS S.r.l. (100% owned by Refrion S.r.l.)	Flumignano di Talmassons (UD)	75.00%	EUR	40,000
Refrion Deutschland GmbH (100% owned by Refrion S.r.l.)	Frankfurt am Main (Germany)	75.00%	EUR	150,000

(*) Liquidation procedures are in progress.

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

There were no changes in the consolidation area during the first half of 2024 compared to the previous year.

Profits or losses and all the components of the statement of comprehensive income are attributable to the Group and to non-controlling interests. The total comprehensive income 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. Subsequent changes in the aforementioned financial liability are recognised in the income statement.

Consolidation criteria

The data used for consolidation are taken from the Interim Reporting Packages prepared and approved by the directors of each subsidiary company. These data have been appropriately modified and reclassified when necessary to bring them into line with IFRS and the uniform classification criteria used within LU-VE Group.

The following criteria have been adopted for the consolidation:

a) The assets and liabilities, income and expenses in the Interim Reporting Package subject to line-by-line consolidation are included in the Group's condensed consolidated interim financial statements, irrespective of the portion of investment in subsidiaries. The carrying amount of equity investments has also been eliminated against the shareholders' equity attributable to the subsidiaries;

b) Payable/receivable and cost/revenue intercompany items and profit/loss arisen from intra-group transactions are eliminated. Likewise, dividends and write-downs on equity investments recognised in the Interim Reporting Package are eliminated;

c) If there are non-controlling interests, the portion of shareholders' equity and the net result for the period attributable to them are highlighted in separate items of the consolidated statement of financial position 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;

f) The gains realised from intra-group sales related to property, plant and equipment and intangible assets are eliminated net of depreciation and amortisation calculated on the gains themselves.

Translation into Euro of Interim Reporting Packages prepared in foreign currency

The Interim Reporting Package of each company belonging to the Group are prepared in the currency of the primary economic environment in which it conducts business (functional currency). For the condensed consolidated interim financial statements, the Interim Reporting Packages of each foreign entity are expressed in Euro, which is the functional currency of the Parent Company of LU-VE S.p.A. and the presentation currency of the condensed consolidated interim financial statements.

The translation of items in the statement of financial position of the Interim Reporting Packages expressed in currencies other than the Euro is carried out by applying current period-end exchange rates. 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 net result expressed at average exchange rates and that expressed at current exchange rates, are recognised in the shareholders' equity item "Translation reserve".

The exchange rates used for the translation into Euro of the Interim Reporting Packages of the overseas subsidiaries, prepared in local currency, are shown in the table below:

Currency	Exchange rate as at 30/06/2024	Average exchange rate H1 2024	Exchange rate as at 31/12/2023	Average exchange rate H1 2023
AUD	1.6079	1.6422	1.6263	1.5989
PLN	4.3090	4.3169	4.3395	4.6244
CZK	25.0250	25.0149	24.7240	23.6873
RUB (*)	92.4184	97.9779	99.1919	83.6510
SEK	11.3595	11.3914	11.0960	11.3329
HKD	8.3594	8.4540	8.6314	8.4709
CNY	7.7748	7.8011	7.8509	7.4894
INR	89.2495	89.9862	91.9045	88.8443
USD	1.0705	1.0813	1.1050	1.0807
AED	3.9314	3.9709	4.0581	3.9687
GBP	0.8464	0.8546	0.8691	0.8764
KRW	1,474.86	1,460.32	1,433.66	1,400.43

(*) For the Russian companies, the quotations of the Russian Central Bank were used.

Measurement criteria

The accounting standards and measurement criteria adopted for the preparation of the condensed consolidated interim financial statements as at 30 June 2024 did not change from the comparable previous year/period.

USE OF ESTIMATES

The preparation of the condensed consolidated interim financial statements and the relative explanatory notes in application of IFRS requires the Management to make use of estimates and assumptions that impact, even significantly, 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. These estimates and assumptions are based on historical experience and on other external and internal factors deemed relevant by Management. Actual results may differ from those estimates.
The underlying estimates and assumptions are reviewed periodically by Management (at least annually). Any changes in the estimate are recognised prospectively starting from the period in which this estimate is revised.

In the preparation of the condensed consolidated interim financial statements, no significant judgements were adopted during the process of application of the Group accounting standards, with the exception of those relating to estimates that have a significant impact on amounts recognised in the financial statements. The main assumptions relating to the future and the main causes for uncertainty in the estimates at the date of closure of the financial year which represent a major risk of giving rise to significant adjustments in the accounting values of the assets and liabilities in the following financial year are reported below.

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

It should be noted that in preparing the consolidated financial statements as at 31 December 2023, to which reference is made, in order to conduct impairment testing, the Directors of the Parent Company had approved the 2024-2027 Business Plan on 21 February 2024.

Comparing the 2024-2027 Business Plan with the Group's economic results achieved in the first half of 2024 and with those forecast for the entire current year, the economic performances and the main economic/financial indicators are in line with those estimated in the plan approved on 21 February 2024.

Therefore, during the half year, and based on the expected future results, there were no specific indicators of impairment identified which would make it necessary to prepare a new impairment tests or update them at the date of the condensed interim consolidated financial statements, compared to the impairment tests carried out for the preparation of the consolidated financial statements as at 31 December 2023, substantially confirming the related results. However, the future trend of various factors, including the evolution of the global macroeconomic and financial environment, also in light of the protraction of the Russian-Ukrainian conflict, requires the Group management to constantly monitor the circumstances and events that might result in an impairment of the Group’s goodwill.

In particular, given the persistent situation of uncertainty in the Russian socio-economic system due to the sanctions resulting from the ongoing war between Russia and Ukraine, and the direct exposure of the Group to the areas affected by the conflict, the management of the LU-VE Group carried out an impairment test aimed at determining that the value of the Net Invested Capital ("NIC") of the Russian production company of the Group, "OOO" SEST LUVE, is recognised in the financial statements as at 30 June 2024 at a value not higher than its recoverable amount. In particular, the NIC pertaining to the Russian company recognised in the condensed consolidated interim financial statements as at 30 June 2024 amounts to a total of €7.3 million (673,580 thousand roubles), of which €5.5 million (506,076 thousand roubles) relating to property, plant and equipment and intangible assets and the residual amount substantially relating to operating working capital.

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

Bad debt provision for trade receivables

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

A specific customer-by-customer analysis was carried out only for the receivables of the Russian production subsidiary "OOO" SEST LUVE, given the particular situation of uncertainty in the Russian socio-economic system due to the sanctions resulting from the war in progress.

Income taxes and deferred tax assets

LU-VE Group is subject to various pieces of 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 income tax expense, pursuant to IAS 34, was estimated using the option of precisely calculating the liability at the date of 30 June 2024. In addition, the valuation of deferred tax assets is carried out on the basis of the expected taxable income of the individual companies belonging to the Group in future years.

In this regard, it should be noted, once again, that the economic performance and the taxable income in the first half of 2024, as well as the forecasts for the entire current year, are in line with those estimated when the 2024-2027 Business Plan was drafted: therefore, during the half-year and on the basis of the above considerations, there were no particular signs that made it necessary to verify the recoverability of the deferred tax assets recognised in these condensed consolidated interim financial statements.

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

Impacts of the Russian-Ukrainian conflict

The LU-VE Group continues to carefully monitor the evolution of the conflict between Russia and Ukraine. The extreme geographical diversification of sales means that Group's exposure, in terms of revenues, in this area is 7.5% and 1.8% of net invested capital (€6.5 million). Net invested capital includes approximately €0.7 million of net working capital, of which €10.4 million of inventories. As at 30 June 2024, the exposure in terms of order backlog was 7.9%.

As at 30 June 2024, the statement of financial position of the subsidiaries based in Russia consisted mainly of:

- Non-current assets (which in addition to property, plant and equipment and intangible fixed assets include deferred tax assets) equal to €5.9 million (€5.2 million as at 31 December 2023);

- Net working capital of €0.7 million;

- Total liquidity of €31.2 million (€21.5 million as of 31 December 2023), consisting of cash and cash equivalents totalling €18.6 million and Time Deposits totalling €12.7 million, classified as current financial assets as they have a maturity of more than three months. The increase is net of the negative effect of approximately €1.6 million of the impact of the EUR/RUB exchange rate;

- Intercompany financial payables of €0.7 million, relating to dividends approved, but not yet distributed to the parent company.

In the worst case scenario of loss of control of the two Russian companies (OOO SEST LU-VE and OOO LU-VE Moscow) due to events beyond LU-VE Group's control, in addition to the already quantified effects on sales, net invested capital and cash and cash equivalents, the LU-VE Group would be obliged to record in the income statement the negative translation reserve relating to the two companies that prepare their Financial Statements in Russian roubles as the functional currency, amounting to €6.7 million as at 30 June 2024. The intra-group receivables of the other LU-VE Group companies from the two Russian subsidiaries amounted to €1.6 million as at 30 June 2024 (€1.4 million at 31 December 2023). As at 30 June 2024, no LU-VE Group company had guaranteed the debts of the two Russian companies towards third parties.

With specific reference to the operations of the Russian companies, it is confirmed that, considering that production in Russia is targeted exclusively at the domestic market and refers to products for civil use linked to the primary needs of customers, the LU-VE Group has decided to keep the Lipetsk plant operational.

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

The LU-VE Group has also engaged in monitoring activity in relation to the restrictions that have been imposed by the European Union and the United States on Russia and the individuals sanctioned, to ensure their full compliance. The Group has maintained guidelines aimed at regulating relations with its Russian subsidiaries and business activities in Russia.

The Group has also established verification procedures regarding the possibility of exporting its products and components to Russia and maintained procedures in order to verify the name of the Ultimate Beneficial Owners of its customers and suppliers in sensitive areas, and to verify that the same are not among those subject to sanctions.

Finally, the Group also submitted to UAMA (*Unità per le Autorizzazioni dei Materiali di Armamento*): (i) a request for authorisation to continue, in favour of its Russian subsidiaries, the software licencing activity, as well as (ii) a request for authorisation for the General Manager of the two Russian companies, an Italian citizen, to continue providing his management services to them; both required authorisations were obtained within the time-frame stipulated by the regulations.

2.2 NEW ACCOUNTING STANDARDS

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED AS AT 1 JANUARY 2024

The following IFRS accounting standards, amendments and interpretations have been applied by the Group for the first time as of 1 January 2024:

- On 23 January 2020, the IASB published an amendment called "Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*" and on 31 October 2022 published an amendment called "*Amendments to IAS 1 Presentation of Financial Statements*: *Non-Current Liabilities with Covenants*". These changes aim to clarify how to classify debts and other short or long-term liabilities. In addition, the amendments also improve the information that an entity must provide when its right to defer the settlement of a liability for at least twelve months is subject to compliance with certain parameters (i.e. covenants). The adoption of these amendments had no effects on the Group's consolidated financial statements.

- On 22 September 2022, the IASB published an amendment called "*Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback*". The document requires the seller-lessee to assess the liability for the lease deriving from a sale & leaseback transaction so as not to recognise an income or a loss that refers to the right of use withheld. The adoption of these amendments had no effects on the Group's consolidated financial statements.

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

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

- On 30 May 2024, the IASB published the document *"Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7"*. This document clarifies certain problematic aspects that emerged from the post-implementation review of IFRS 9, including the accounting treatment of financial assets whose returns vary upon the achievement of ESG objectives (i.e. *green bonds*). Specifically, the amendments aim to:
    - Clarify the classification of financial assets with variable returns linked to environmental, social, and corporate governance (ESG) objectives and the criteria to be used for the SPPI test assessment;
    - Determine that the settlement date of liabilities through electronic payment systems is the date on which the liability is extinguished. However, an entity is permitted to adopt an accounting policy that allows for the derecognition of a financial liability before delivering cash on the settlement date, provided certain specific conditions are met.

  With these amendments, the IASB has also introduced additional disclosure requirements, particularly regarding investments in equity instruments designated through FVOCI.

The amendments will apply to financial statements for years beginning on or after 1 January 2026. The directors do not expect the adoption of this amendment to have a significant effect on the Group's consolidated Financial Statements.

- On 9 April 2024, the IASB published a new standard, IFRS 18, Presentation and Disclosure in Financial Statements, which will replace IAS 1, Presentation of Financial Statements. The new standard aims to improve the presentation of key financial statement and introduces significant changes to the format of the income statement. In particular, the new standard requires:
    - Classification of revenue and costs into three new categories (operating section, investing section, and financing section), in addition to the existing categories of taxes and discontinued operations in the income statement format;
    - Presentation of two new sub-totals, the operating profit and the profit before interest and taxes (i.e. EBIT).

  The new standard also:
    - Requires more information on management-defined performance indicators;
    - Introduces new criteria for the aggregation and disaggregation of information; and
    - Introduces a number of changes to the format of the statement of cash flows, including the requirement to use the operating profit as the starting point for the statement of cash flows prepared using the indirect method and the elimination of certain classification options currently available (such as interest paid, interest collected, dividends paid, and dividends collected).

  The new standard will come into effect on 1 January 2027, although early adoption is permitted. The directors are currently assessing the possible effects of the introduction of this new standard on the Group's consolidated financial statements.

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

3.1 GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets *(in thousands of Euro)*	**Goodwill**	**Other intangible assets**	**Total**
Historical			
As at 31 December 2022	**77,346**	**93,707**	**171,053**
Increases	-	2,599	2,599
Decreases	-	(51)	(51)
Reclassifications	-	-	-
Exchange differences	(470)	(31)	(501)
As at 31 December 2023	**76,876**	**96,224**	**173,100**
Increases	-	1,223	1,223
Decreases	-	(141)	(141)
Reclassifications	-	-	-
Exchange differences	369	20	389
As at 30 June 2024	**77,245**	**97,326**	**174,571**
Accumulated Amortisation			
As at 31 December 2022	**12,915**	**59,664**	**72,579**
Increases	-	7,702	7,702
Decreases	-	(5)	(5)
Reclassifications	-	-	-
Exchange differences	-	(39)	(39)
As at 31 December 2023	**12,915**	**67,322**	**80,237**
Increases	-	3,077	3,077
Decreases	-	(1)	(1)
Reclassifications	-	-	-
Exchange differences	-	7	7
As at 30 June 2024	**12,915**	**70,405**	**83,320**
Net carrying amount			
As at 31 December 2023	**63,961**	**28,902**	**92,863**
As at 30 June 2024	**64,330**	**26,921**	**91,251**

Goodwill

The increase in the item “Goodwill” for €369 thousand is attributable to the translation at the exchange rates as at 30 June 2024 of the goodwill generated in previous financial years by the business combinations of the Indian company SPIROTECH Heat Exchangers Pvt Ltd. and the US company LU-VE US Inc.

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 circumstances take place that could require an immediate valuation of possible impairment losses (Impairment test).

It should be noted that the Group tested the recoverability of the carrying amount of Net Invested Capital (NIC) as at 31 December 2023, 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 the two cash-generating units (CGUs) identified (“Components” and “Cooling Systems”). In determining the recoverable amount of those CGUs, the Management made reference to the 2024-2027 Business Plan approved by the Company’s Board of Directors on 21 February 2024. The impairment tests conducted, no impairment losses had not been recognised.

For more detailed information, refer to the Explanatory Notes to the Consolidated Financial Statements as at 31 December 2023.

It should also be noted that, on the basis of the actual financial figures for the first half of 2024 and the estimates for the forecast for the entire current year, there were no specific impairment indicators identified which would make it necessary to prepare a new impairment test or to update it at the date of the condensed consolidated interim financial statements as at 30 June 2024, thus substantially confirming the results of the impairment tests as at 31 December 2023.

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

Other intangible assets

The following table illustrates in more detail information relating to other intangible assets:

Detail of other intangible assets *(in thousands of Euro)*	**Customer list**	**Trademarks**	**Development costs**	**Development costs in progress**	**Software**	**Other**	**Total**
Historical							
As at 31 December 2022	**20,579**	**26,889**	**17,384**	**2,044**	**26,587**	**224**	**93,707**
Increases	-	15	303	676	1,226	379	2,599
Decreases	-	-	-	(22)	(5)	(24)	(51)
Reclassifications	-	-	600	(698)	101	(3)	-
Exchange differences	-	-	9	11	(35)	(16)	(31)
As at 31 December 2023	**20,579**	**26,904**	**18,296**	**2,011**	**27,874**	**560**	**96,224**
Increases	-	-	-	393	677	153	1,223
Decreases	-	-	-	(140)	(1)	-	(141)
Reclassifications	-	-	145	(145)	311	(311)	-
Exchange differences	-	(4)	(6)	(1)	22	9	20
As at 30 June 2024	**20,579**	**26,900**	**18,435**	**2,118**	**28,883**	**411**	**97,326**
Accumulated amortisation							
As at 31 December 2022	**6,227**	**15,463**	**15,265**	**-**	**22,699**	**10**	**59,664**
Increases	1,678	2,129	1,218	-	2,674	3	7,702
Decreases	-	-	-	-	(5)	-	(5)
Reclassifications	-	-	-	-	-	-	-
Exchange differences	-	-	(5)	-	(34)	-	(39)
As at 31 December 2023	**7,905**	**17,592**	**16,478**	**-**	**25,334**	**13**	**67,322**
Increases	839	796	480	-	961	1	3,077
Decreases	-	-	-	-	(1)	-	(1)
Reclassifications	-	-	-	-	-	-	-
Exchange differences	-	(3)	(8)	-	18	-	7
As at 30 June 2024	**8,744**	**18,385**	**16,950**	**-**	**26,312**	**14**	**70,405**
Net carrying amount							
As at 31 December 2023	**12,674**	**9,312**	**1,818**	**2,011**	**2,540**	**547**	**28,902**
As at 30 June 2024	**11,835**	**8,515**	**1,485**	**2,118**	**2,571**	**397**	**26,921**

Customer list

The change in the half-year period in the Customer list refers to the amortisation of the period.

Trademarks

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

Development costs and development costs in progress

The total *Development costs* incurred in the period came to €393 thousand referring to projects in progress for new product development. Furthermore, during the period €145 thousand was also reclassified from "development costs in progress" to "development costs" for projects concluded during the period.
The decrease of €140 thousand is attributable to write-downs of projects which, on the basis of the information acquired during the first half, were no longer deemed feasible.

Software

During the first half of 2024, software increased by €677 thousand; the main projects developed during the period relate to the SAP implementation and integration of the subsidiary SPIROTECH Heat Exchangers Pvt. Ltd, as well as other software used by the Group in its business processes.

Other intangible assets

Other intangible assets rose by €153 thousand compared to the previous year and mainly refer to licences and software not yet available for use.

Cash outflows in the period referring to investments in intangible fixed assets amounted to €1,223 thousand.

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

3.2 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

Other property, plant and equipment ***(in thousands of Euro)***	**Property**	**Plant and equipment**	**Right-of-use assets**	**Other**	**Tangible Assets under constructions**	**Total**
Historical						
As at 31 December 2022	127,789	176,783	30,149	42,397	12,758	389,876
Increases	12,119	10,314	3,039	5,303	10,708	41,483
Decreases	(355)	(2,586)	(2,171)	(486)	(325)	(5,923)
Reclassifications	6,938	1,848	-	721	(9,507)	-
Exchange differences	(351)	(973)	(72)	55	513	(828)
As at 31 December 2023	146,140	185,386	30,945	47,990	14,147	424,608
Increases	805	1,691	6,800	1,221	3,463	13,980
Decreases	-	(503)	(1,553)	(266)	(454)	(2,776)
Reclassifications	450	6,314	-	1,401	(8,165)	-
Exchange differences	970	1,233	69	169	101	2,542
As at 30 June 2024	148,365	194,121	36,261	50,515	9,092	438,354
Accumulated Depreciation						
As at 31 December 2022	32,853	122,977	13,761	31,021	-	200,612
Increases	3,268	11,776	5,573	4,055	-	24,672
Decreases	(2)	(2,099)	(1,852)	(410)	-	(4,363)
Reclassifications	-	-	-	-	-	-
Exchange rate difference	(414)	(1,301)	(13)	3	-	(1,725)
As at 31 December 2023	35,705	131,353	17,469	34,669	-	219,196
Increases	1,792	5,748	2,774	2,177	-	12,491
Decreases	-	(468)	(1,304)	(250)	-	(2,022)
Reclassifications	-	-	-	-	-	-
Exchange rate difference	197	777	34	119	-	1,127
As at 30 June 2024	37,694	137,410	18,973	36,715	-	230,792
Net carrying amount						
As at 31 December 2023	110,435	54,033	13,476	13,321	14,147	205,412
As at 30 June 2024	110,671	56,711	17,288	13,800	9,092	207,562

As at 30 June 2024, increases in property, plant and equipment amounted overall to €13,980 thousand, mainly attributable to:

- €805 thousand for the increase in investments in land and buildings mainly related to the new Refrion S.r.l. plant and the Sest S.p.A. buildings;

- €1,691 thousand for the expansion of the current production capacity, through the purchase of new plant and machinery within the Group;

- €6,800 thousand for the recognition of the effects of IFRS 16, of which €5,566 thousand for the increase in leased properties (mainly attributable to the renewal of the lease agreement for the production facility of the subsidiary Air Hex Alonte S.r.l.), €809 thousand for the increase in leases for the use of leased motor vehicles, €424 thousand for the increase in leases for the use of forklifts and other machinery;

- €4,684 thousand for the technological investment programme in Italy and abroad referring to investments in new plant and machinery (including under construction) mainly of the companies SPIROTECH Heat Exchangers Pvt. Ltd and Heat Transfer Systems s.r.o. (HTS).

In the period, capital expenditure in property, plant and equipment generated a cash outflow for a total amount of €11,171 thousand (equal to the total increase of €13,980 thousand, net of the increase related to IFRS 16 for €6,800 thousand and the net effect as at 31 December 2023 of investments not yet paid for €3,991 thousand, classified within the item "Other current liabilities", Note 3.18).

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

In this regard, it is reported that, given the persistent situation of uncertainty of the Russian socio-economic system due to the sanctions resulting from the continuation of the war between Russia and Ukraine, and the direct exposure of the Group to the areas affected by the conflict, the Management of LU-VE Group carried out an impairment test aimed at determining that the value of the Net Invested Capital (“NIC”) of the Russian manufacturing company of the Group, “OOO” SEST LUVE, is recognised in the financial statements as at 30 June 2024 at a carrying amount not higher than its recoverable amount. In particular, the NIC pertaining to the Russian company recognised in the condensed consolidated interim financial statements as at 30 June 2024 amounts to a total of €7.3 million (673,580 thousand roubles), of which €5.5 million (506,076 thousand roubles) relating to property, plant and equipment and intangible assets and the residual amount substantially relating to operating working capital.

In particular, in determining the recoverable amount, identified in the value in use as the sum of the discounted cash flows (*Discounted Cash Flow Unlevered* method), the Management referred to the Business Plan of “OOO” SEST LUVE, developed over a finite time horizon (2024-2029), identified as the time period relating to the residual useful life of the Russian company’s property, plant and equipment, therefore not including in the recoverable value neither the terminal value, nor new investments. The plan reflects the assumption that “OOO” SEST LUVE carries out its business exclusively for Russian customers, without the direct involvement of the LUVE Group companies in the supply chain.

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

Based on the impairment test carried out, approved by the Parent Company’s Board of Directors on 5 September 2024, no losses emerged.

3.3 INVESTMENTS

The details of this item are shown below:

Investments *(in thousands of Euro)*	30/06/2024	31/12/2023	Change
Other investments	141	141	-
Total	**141**	**141**	**-**

The other investments did not show any changes during the period and refer primarily to non-controlling investments deriving from the contribution of the Refrion group, including the companies Refrion D.o.o. based in Serbia and Refrion Schweiz based in Switzerland.

3.4 OTHER NON-CURRENT ASSETS

The details of this item are shown below:

Other non-current assets *(in thousands of Euro)*	30/06/2024	31/12/2023	Change
Other non-current assets	773	828	(55)
Total	**773**	**828**	**(55)**

The item “Other non-current assets” refers to:

- €500 thousand attributable to the Refrion group for receivables due within two years, guaranteed by the previous Shareholders of Refrion S.r.l. During 2024, €20 thousand was collected (€552 thousand as at 31 December 2023);
- €273 thousand (€276 thousand as at 31 December 2023) in security deposits paid to service providers.

3.5 INVENTORIES

The details of this item are shown below:

Inventories *(in thousands of Euro)*	30/06/2024	31/12/2023	Change
Raw, ancillary and consumable materials	84,103	83,748	355
Work in progress and semi-finished products	11,098	9,999	1,099
Finished products and goods for resale	32,844	27,444	5,400
Provision for inventory losses	(10,973)	(10,360)	(613)
Total	**117,072**	**110,831**	**6,241**

The increase in inventories amounting to €6,241 thousand was due to:

- €5,019 thousand (net cash absorption) is linked to normal operating activities in the period;

- €1,222 thousand due to the effect of the positive changes in exchange rate for the period.

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

The increase in the provision for inventory losses for €613 thousand is broken down as follows:

- net increase of €509 thousand due to higher provisions recognised in the income statement under the item “Change in inventories”;
- increase due to the exchange differences of €104 thousand.

3.6 TRADE RECEIVABLES

The details of this item are shown below:

Trade Receivables *(in thousands of Euro)*	**30/06/2024**	**31/12/2023**	**Change**
Trade receivables	125,090	97,828	27,262
Bad debt provision	(10,124)	(10,038)	(86)
Total	**114,966**	**87,790**	**27,176**

The increase in trade receivables of €27,176 thousand is mainly due to the decrease in receivables transferred to *factoring companies* (down by €11,616 thousand compared to 31 December 2023, as reported below), for €5,000 thousand referring to the increase of turnover in the second quarter of 2024 compared to the fourth quarter of 2023 and for the remainder to a change in the average collection terms.
More details can be found in the Interim Directors’ Report.

The above-mentioned changes in trade receivables generated a cash outflow of €27.176 thousand.

The decrease in the bad debt provision for €86 thousand is due to:

- net increase of €33 thousand due to higher accruals, recognised in the income statement under the item “Net reversal/(write-down) of financial assets";
- use of €9 thousand to hedge non-recoverable and therefore fully written-down receivables;
- an increase of €62 thousand for exchange differences.

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

In addition, the total receivables transferred to the Factoring companies amounted to €20,544 thousand (€32,160 thousand as at 31 December 2023) of which €17,869 thousand refer to receivables transferred in June 2024 (€28,107 thousand as at 31 December 2023). All these transfers were without recourse. The percentage of receivables sold compared to turnover in the last 12 months was 3.0% (4.56% as at 31 December 2023).

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 provided by the Group) for an amount of €20 thousand and a reduction in trade receivables due to variable payments (mainly credit notes to be issued for bonuses granted to customers) for €1,654 thousand.

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

Breakdown of trade receivables by geographical area *(in thousands of Euro)*	**30/06/2024**	**31/12/2023**	**Change**
Italy	31,150	21,029	10,121
EU countries	67,412	53,325	14,087
Non-EU countries	26,528	23,474	3,054
Bad debt provision	(10,124)	(10,038)	(86)
Total	**114,966**	**87,790**	**27,176**

The ageing of trade receivables is shown below:

Breakdown of trade receivables by maturity *(in thousands of Euro)*	**30/06/2024**	**31/12/2023**	**Change**
Current receivables (not past due)	106,018	77,703	28,315
Past due up to 30 days	8,047	10,451	(2,404)
Past due from 30 to 60 days	1,159	1,980	(821)
Past due from 60 to 90 days	1,137	711	426
Past due for more than 90 days	8,729	6,983	1,746
Total	**125,090**	**97,828**	**27,262**

The Group measures the bad debt provisions on trade receivables at an amount equal to the losses expected throughout the lifetime of such receivables. The expected losses on trade receivables are estimated using a provision matrix by clusters of overdue accounts, making reference to its own historical experience in relation to losses on receivables, and an analysis of customers' 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 end of the reporting period.

As at 30 June 2024, it must also be noted that the estimated expected losses prudentially include the potential forward-looking impacts on the possible worsening of customers' credit ratings and those of countries in which they operate, and on their ability to meet their obligations. A specific analysis of each individual customer was carried out only for the customers of the Russian production subsidiary, because of the situation of uncertainty due to the economic sanctions resulting from the conflict in progress.

For the average collection terms, please refer to the paragraph in Interim Directors' Report, "Alternative performance measures".

The following table, based on IFRS 9 standard, details the risk profile of trade receivables on the basis of the provision matrix defined by the Group as at 30 June 2024. 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.

30/06/2024 (in thousands of Euro)	Not past due	<30	31 - 60	61 - 90	>90	Total
Expected default rate	2.27%	3.95%	9.4%	23.5%	80.4%	8.1%
Estimate of gross book value at the time of default	106,018	8,047	1,159	1,137	8,729	125,090
Expected losses throughout the life of the credit	2,408	318	109	267	7,022	10,124

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

3.7 CURRENT TAX ASSETS

The details of this item are shown below:

Current tax assets *(in thousands of Euro)*	30/06/2024	31/12/2023	Change
VAT receivables	3,596	5,405	(1,809)
Tax receivables from tax authorities on advance payments on income taxes	3,682	3,798	(116)
Others	250	153	97
Total	**7,528**	**9,356**	**(1,828)**

Tax receivables decreased by €1,809 thousand; this decrease is mainly due to the use of VAT credits to offset tax payables and the greater use of declarations of intent towards suppliers.

Receivables from tax authorities on advance payments on income taxes refer to receivables not directly or immediately offset by direct taxes, mainly attributable (i) to tax credits for research and development and technological innovation activities envisaged by Article 1 paragraph 200 et seq. of the Law of 27 December 2019, (ii) tax credits relating to the 'Super-amortisation' accounted for by the Italian companies of the Group and, to a lesser extent, (iii) the excess of the tax advances paid for the year 2023 with respect to the actual tax burden.

3.8 CURRENT FINANCIAL ASSETS

The current financial assets included in this item are part of the *"FVTPL"* category envisaged by IFRS 9, with the exception of Time deposits which belong to the *"Held to collect"* category under IFRS 9 and measured at amortised cost. These are financial instruments, whose contractual cash flows are not constituted solely by payment of capital and interest on the amount 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.

CURRENT FINANCIAL ASSETS

This item was broken down as follows:

Current financial assets *(in thousands of Euro)*	**30/06/2024**	**31/12/2023**	**Change**
Time deposit	28,696	32,855	(4,159)
Capitalisation policies	10,234	10,169	65
Fair value of derivatives	6,331	7,100	(769)
Other securities	261	263	(2)
Total	**45,522**	**50,387**	**(4,865)**

As at 30 June 2024, the Time deposit instruments signed by the Group amounted to €167,484 thousand (€118,354 thousand as at 31 December 2023), of which €28,696 thousand (€32,855 thousand as at 31 December 2023, fully divested in the first half of 2024) are classified in the section "Current financial assets", having a maturity of more than three months, and €138,788 thousand (€85,499 thousand as at 31 December 2023, also fully divested in 2024) classified under the item "Cash and cash equivalents", having a maturity of less than three months. For further details, please refer to Note 3.10 - *"Cash and cash equivalents*" and Note 3.20 - "Net financial position". The Group companies with liquidity invested in Time deposits with a maturity of more than three months (and in any case less than one year) at the end of the period are the Russian subsidiary "OOO" SEST LU-VE Russia for €12,639 thousand, and the Indian subsidiary SPIROTECH Heat Exchangers Pvt. Ltd for a total of €16,057 thousand. All Time deposit contracts provide for the remuneration of the invested capital and of interest accrued on expiry of the contractual terms.

As at 30 June 2024, net disinvestments in *Time deposits* resulted in a net cash inflows of €4,159 thousand. In addition, during the period these instruments generated financial income of €4,228 thousand recognised in the Income Statement under the item "Financial income", of which €2,833 thousand was already collected (Note 4.7 - "Financial income"). The difference between the financial income recognised in the Income Statement and the portion collected refers to the accrual of interest income for the half-year, which will be collected by the end of 2024.

The item "Capitalisation policies", as at 30 June 2024, includes the following financial instruments:

- Class I policies issued by ARCA Vita S.p.A., subscribed during 2023, for €5,000 thousand, net of non-material subscription commissions and whose fair value as at 30 June 2024 amounted for €5,149 thousand. These policies allow, after the assignment of a single insurance premium, the possible annual revaluation, i.e. on 31 December of each year, of the capital according to the yield obtained from the management of such instruments. ARCA Vita policies are restricted for the first 12 months from their subscription, after which the invested liquidity can be divested without any restriction;
- Class I and Class III policies issued by the company SOGELIFE SA, subscribed during 2023, subscription of policies for €5,000 thousand, net of non-material up-front fees (the latter accounted for in the Income Statement under the item "Financial expense") and whose fair value as at 30 June 2024 amounted for €5,085 thousand. These policies make provision for a minimum guaranteed yield and allow, after the assignment of a single premium, the possible annual revaluation of the capital according to the yield obtained from management. SOGELIFE SA policies do not provide restrictions linked to any early redemption.

The item "fair value of derivatives" represents the fair value as at 30 June 2024 of derivative instruments subscribed by the Group companies.

The following table summarises the derivative financial instruments outstanding at 30 June 2024, broken down by category:

Derivative financial instruments as at 30/06/2024		30/06/2024		31/12/2023		30/06/2024	31/12/2023
CATEGORY	ORIGINAL NOTIONAL	NOT. Short	NOT. M/L	NOT. Short	NOT. M/L	FAIR VALUE	FAIR VALUE
IRS on loans	503,000	110,063	225,650	102,438	221,463	5,932	6,306
Currency options	16,495	17,172	-	13,734	-	399	794
Total	**519,495**	**127,235**	**225,650**	**116,172**	**221,463**	**6,331**	**7,100**
Total Notional		**352,885**		**337,635**			

As at 30 June 2024, IRS derivative financial instruments on loans entered into by LU-VE Group companies showed a positive fair value of €5,932 thousand (€6,306 thousand at 31 December 2023), while derivative financial instruments on currencies, held by LU-VE Group, had a positive fair value of €399 thousand (positive €794 thousand at 31 December 2023). It should be noted that the Group as at 30 June 2024 does not have any derivative financial instruments on *commodities*. Please refer to Appendix A for details as at 30 June 2024 of the existing derivative financial instruments broken down by category.

The negative change in the fair value of derivatives instruments for €769 thousand compared to the previous financial year is mainly determined as follows:

- negative change in fair value of €374 thousand for derivative financial instruments on interest rates (Note 4.8 - Financial expense);
- net negative change in the fair value of derivative financial instruments on foreign currency transactions for €395 thousand (Note 4.9 – Exchange gains and losses).

The total change in the *fair value* of the item "Capitalisation policies" (ARCA Vita S.p.A. and SOGELIFE SA mentioned above) and "Other securities" (investments in insurance certificates, with Unicredit, with a total notional value of €300 thousand) amounted to €63 thousand and was recognised in the income statement under "Other financial income" (Note 4.7 - Financial income).

3.9 OTHER CURRENT ASSETS

The details of this item are shown below:

Other current assets *(in thousands of Euro)*	30/06/2024	31/12/2023	Change
From employees	233	176	57
Advances and other receivables	6,973	4,584	2,389
Total	7,206	4,760	2,446

The increase of €2,446 thousand is due mainly to advances and other receivables in the various Group companies.

3.10 CASH AND CASH EQUIVALENTS

The details of this item are shown below:

Cash and Banks and cash equivalents (in thousands of Euro)	30/06/2024	31/12/2023	Change
Cash and Banks	101,132	126,560	(25,428)
Cash equivalents	138,788	85,499	53,289
Total	**239,920**	**212,059**	**27,861**

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

Cash and cash equivalents are mainly concentrated in Italy for an amount of €194,365 thousand. LU-VE Group has no restrictions/constraints on the use of these amounts. With reference to cash and cash equivalents in the Russian Federation (about €18.6 million in total, of which about €10.6 million denominated in Russian roubles), there is the possibility of an instalment-based distribution of dividends for a maximum monthly amount of 10 million roubles (€108 thousand at the exchange rate of 30 June 2024).

The following table reports the breakdown of cash and cash equivalents by geographical area: cash and cash equivalents in non-EU countries refer to current account balances in US dollars (for a value of approximately €10.3 million), Russian roubles (€5.7 million), Chinese yuan (€4.8 million), Indian rupees (€0.9 million).

Cash and Banks by geographical areas (in thousands of Euro)	30/06/2024	31/12/2023	Change
Italy	61,365	93,338	(31,973)
EU countries	10,493	12,051	(1,558)
Non-EU countries	29,274	21,171	8,103
Total	**101,132**	**126,560**	**(25,428)**

Cash equivalents refer to liquidity invested by Group companies in Time deposits with a duration of less than three months and refer primarily to the Parent Company LU-VE S.p.A. for €133,000 thousand and to other Group companies for €5,788 thousand (of which €4,891 thousand pertaining to the Russian subsidiary "OOO" SEST LU-VE Russia and €897 thousand to the Indian subsidiary SPIROTECH Heat Exchangers Pvt. Ltd, for further details, please refer to Note 3.8. - "Current financial assets").

3.11 SHAREHOLDERS' EQUITY

The share capital of LU-VE S.p.A. amounted to €62,704 thousand (unchanged from 31 December 2023). In the first half of 2024, dividends of €8,883 thousand were distributed towards the shareholders of the Parent Company, using reserves and retained earnings deriving from the profit for the year of LU-VE S.p.A. as at 31 December 2023.

As at 30 June 2024, LU-VE S.p.A. held 28,027 treasury shares (0.13% of the share capital), acquired in previous years and recognised in the condensed consolidated interim financial statements as a reduction of shareholders' equity for a total amount of €288 thousand (for further details, see the Interim Directors' Report). During the period, no treasury shares were sold or purchased.

Equity attributable to non-controlling interests amounted to €5,563 thousand (€5,554 thousand as at 31 December 2023). The net result attributable to non-controlling interests in the half-year was €658 thousand (€954 thousand in the same period of 2023). The increase in equity attributable to non-controlling interests is offset by the distribution of dividends of €750 thousand from SEST-LU-VE-POLSKA Sp.z.o.o. (approved and paid in the period), and by the distribution of €62 thousand from «OOO» SEST LU-VE Russia (of which €25 thousand paid).

It should be noted that as at 30 June 2024 the translation reserve was negative and reduced shareholders' equity by €13.6 million (€17.9 million as at 31 December 2023) and that this reserve mainly refers to the following currencies: €6.3 million in Russian roubles (€8.7 million as at 31 December 2023), €1,0 million in Polish zlotys (€1.7 million as at 31 December 2023), €4.9 million in Indian rupees (€4.5 million as at 31 December 2023) and €1.4 million for other currencies (€1.3 million as at 31 December 2023).

For the Russian companies, as reported in the paragraph "Translation into Euro of Interim Reporting Packages prepared in foreign currency", the exchange rates indicated by the Russian Central Bank were used.

3.12 LOANS

This item was broken down as follows:

Loans *(in thousands of Euro)*	30/06/2024		31/12/2023	
	Current	**Non-current**	**Current**	**Non-current**
Loans	122,710	247,498	118,620	250,222
Bank advances on invoices	10,000	-	385	-
Total	**132,710**	**247,498**	**119,005**	**250,222**

As at 30 June 2024, bank loans amounted to €370,208 thousand (€368,842 thousand at 31 December 2023).

Regarding the composition of this item (recognised using the amortised cost criteria), the evolution with respect to the previous year and the characteristics of the bank loans held by the Group, please refer to paragraph 9 Appendix "B". It should be noted that for floating rate loans, the Group calculated the amortised cost as at 30 June 2024 on the basis of the market curve of forward rates at the reporting date.

In relation to certain loan agreements, LU-VE Group is committed to comply with specific financial and economic parameters (covenants), which, however, are only required to be met on an annual basis during the preparation of the consolidated Financial Statements as at 31 December of each year. In accordance with ESMA Guidelines 2021/32-382-1138, the related Appendix shows the loans outstanding as at 30 June 2024, for which compliance with the financial and economic covenants is required on a consolidated basis, as well as the characteristics of the covenants themselves (amounts in € thousands).

It also should be noted that the Directors of LU-VE S.p.A. conducted an assessment of compliance with covenants on a consolidated basis as at 31 December 2024, based on the 2024 forecast of the Group. The results of this assessment are such that compliance with these parameters at the end of the current year is not in doubt.

The changes in loans during the period are shown below:

Loans: changes during the period (in thousands of Euro)	Opening balance	New loans	Repayments	Change in amortised costs (*)	Exchange Delta	Closing balance
Loans	368,842	60,000	(56,368)	(2,266)	-	370,208
Other advances on invoices	385	15,000	(5,397)	-	12	10,000
Total	**369,227**	**75,000**	**(61,765)**	**(2,266)**	**12**	**380,208**

(*) Impact generated by the calculation of future cash outflows for interest on the basis of market forward curves for variable rate loans, of which €685 thousand related to the impact on the income statement (determined by the positive effect arising from the update of the rate curves for €2,208 thousand and the negative effect of interest accrued but not yet paid of €1,524 thousand, Note 4.8) and €1,582 thousand related to the repayment of interest, part of which accrued in 2023 and paid in 2024.

The following changes occurred "Loans" during the first half of 2024 (all loans were subscribed by LU-VE S.p.A.):

- proceeds occurred in January 2024 of €30,000 thousand obtained from the unsecured loan subscribed in December 2023 with Unicredit S.p.A. for a total of €30,000 thousand. The loan with a duration of 60 months (of which 9 months in the grace period) is aimed at supporting the general financial needs related to the exercise of the activities of the LU-VE Group. The loan requires compliance with financial covenants;
- subscription of an unsecured loan for €30,000 thousand with BPER S.p.A., fully proceeded at the signing date, with a duration of 60 months (of which 12 months in the grace period). This loan requires compliance with financial covenants and does not provide for better conditions when in case of reaching specific sustainability targets. The loan requires compliance with financial covenants.
- repayments in the first half of 2024 of €56,368 thousand entirely attributable to repayments made during the period of current instalments of outstanding loans; no early repayments took place during the first half of 2024.

All bank loans were denominated in Euro, and were mainly floating rate and pegged to the Euribor. Note 4.14 below provides the information relating to financial risks.

It should be noted that the following guarantees are in place on the existing loans subscribed with Deutsche Bank in 2020 (for which reference should be made to Appendix B for more details):

- with reference to the loan of €5,500 thousand maturing on 11 November 2026, a 90% guarantee is in place, granted by the SME Central Guarantee Fund pursuant to Italian Law 40 of 5 June 2020, in order to support small and medium companies whose business has been affected by the COVID-19 emergency;
- with reference to the loan of €10,000 thousand maturing on 11 November 2025, a

payment guarantee issued by SACE S.p.A. for the benefit of the bank to cover 50% of the due amount of principal and interest to be paid by LU-VE S.p.A. The SACE guarantee is to be intended as public support for the development of the production activities benefiting from the counter-guarantee of the Italian government in the context of the application of Italian Legislative Decree 123 of 31 March 1998, "Provisions for the rationalisation of public support measures for enterprises", pursuant to article 4, paragraph 4, letter c) of Italian Law 59 of 15 March 1997.

During the first half of 2024, the following changes occurred in relation to the items "Other advances on invoices":

- use of short-term lines of credit for €15,000 thousand;
- repayments of short-term lines of credit amounted to €5,000 thousand.
- Repayments of €397 thousand, net of exchange delta differences of €12 thousand, for bank advances on invoices of the Indian subsidiary SPIROTECH Heat Exchangers Pvt. Ltd.

3.13 PROVISIONS

The details of this item are shown below:

Change in provisions *(in thousands of Euro)*	**31/12/2023**	**Provisions/(Releases)**	**Uses**	**Exchange rate delta**	**30/06/2024**
Provision for agents' leaving indemnities	30	-	-	-	30
Product warranty provision	5,165	64	-	12	5,241
Other provisions for risks and charges	540	-	-	(1)	539
Total	**5,735**	**64**	**-**	**11**	**5,810**

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. During the period, the fund did not undergo any changes.

The product warranty provision covers the risk of returns or charges from customers for non-compliant products already sold. The provision was adjusted in the half on the basis of the analyses conducted and past experience. The (net) increase was equal to €76 thousand, attributable to: i) higher (net) provisions for €64 thousand (see Note 4.6 – Other operating expenses), divided into the various production companies of the Group and based on the best estimates made by their management, partially offset by ii) a negative exchange rate effect of €12 thousand.

Provisions, which represent the probability of estimated future outflows calculated partly based on historical experience, were subject to actuarial valuation as at 30 June 2024. As the effect was deemed negligible, it was not incorporated in the condensed consolidated interim financial statements.

3.14 EMPLOYEE BENEFITS OBLIGATIONS

Employee benefits obligations amounted to €5,398 thousand, a net increase of €35 thousand compared to 31 December 2023. The entire amount referred to the provision for post-employment benefits ("TFR").

The TFR provision 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 post-employment benefits" introduced by Italian Law no. 296 of 27 December 2006, and subsequent Decrees and Regulations issued in the first few months of 2007, for companies with at least 50 employees (LU-VE S.p.A., SEST S.p.A., AIR HEX ALONTE S.r.l., Thermo Glass Door S.p.A. and Refrion S.r.l.), the amounts accrued from 1 January 2007 are allocated, according to the 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 benefit plan" with the consequent need to carry out the actuarial calculations, which will however no longer take into account the component relating to future salary increases. For companies with fewer than 50 employees (Manifold S.r.l. and RMS S.r.l.), in accordance with IAS 19, the provision as at 30 June 2024 is recognised entirely as a "Defined benefit plan" and is therefore subject to actuarial valuation.

The breakdown and changes in the item as at 30 June 2024 are shown below:

Employee benefits *(in thousands of Euro)*	**30/06/2024**	**31/12/2023**
Liabilities as at 1 January	**5,363**	**5,299**
Accruals	290	305
Financial expense	81	154
Payments made	(144)	(505)
Actuarial (gains)/losses	(192)	110
Liabilities at the end of the period	**5,398**	**5,363**

The adjustment to equity for actuarial gains and losses includes a net actuarial gain of €12 thousand, calculated as follows:

- actuarial gain deriving from the change in the main actuarial assumptions used as at 30 June 2024 with respect to the previous valuation as at 31 December 2023: €30 thousand;
- actuarial gain deriving from the effect of the variation that the financial assumptions have suffered between one valuation and the other: €162 thousand.

Actuarial gains and losses are recognised in shareholders' equity through the statement of comprehensive income.
The values recognised in the Income Statement are included in "Personnel costs" (Note 4.4).

3.15 OTHER FINANCIAL LIABILITIES

The item "Other financial liabilities" refers to financial payables linked to IFRS 16 and to the financial payables contracted for the acquisition of the Refrion group as described below.

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

Other non-current financial liabilities *(in thousands of Euro)*	**30/06/2024**	**31/12/2023**	**Change**
IFRS 16 financial payables	10,160	6,920	3,240
Other non-current financial payables	392	7,490	(7,098)
Total	**10,552**	**14,410**	**(3,858)**

The item "IFRS 16 Financial payables" includes all the long-term financial payables of contracts falling under the application of IFRS 16.

The item "Other non-current financial payables" includes the residual non-current debt attributable to the portion of deferred consideration relating to the purchase of 75% of the Refrion Group for the amount of €392 thousand (for more details, please refer to the "Introduction" of the Explanatory notes to the Consolidated Financial Statements as at 31 December 2022).

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

Other current financial liabilities *(in thousands of Euro)*	**30/06/2024**	**31/12/2023**	**Change**
IFRS 16 financial payables	5,629	5,147	482
Other financial liabilities	7,921	8	7,913
Total	**13,550**	**5,155**	**8,395**

The item "IFRS 16 financial payables" includes all the short-term financial payables of contracts falling under the application of IFRS 16.

The item "Other current financial liabilities" of €7,921 thousand refers to:

- €7,360 thousand to the price to exercise the put option granted to the minority shareholder for the purchase of the remaining 25% of REFRION S.r.l. through a put & call option.

The price was defined between the parties at the end of July 2024; for more details, please refer to the Interim Directors' Report and Note 8 - "Events subsequent to 30 June 2024".

- €150 thousand to the current portion of the deferred consideration related to the purchase of 75% of the Refrion Group;

- €374 thousand relating to other financial payables.

3.16 TRADE PAYABLES

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

Trade Payables *(in thousands of Euro)*	**30/06/2024**	**31/12/2023**	**Change**
Italy	56,504	47,586	8,918
EU countries	29,457	20,688	8,769
Non-EU countries	40,247	27,385	12,862
Total	**126,208**	**95,659**	**30,549**

The increase of €30,549 thousand is due primarily to the change in average payment terms compared to the previous period (for more details, see the contents of the Interim Directors' Report).

The change in "Trade payables" therefore resulted in a cash inflow of €30,549 thousand.

For the average payment terms, please refer to the paragraph in the Interim Directors' Report, "Alternative *performance* measures".

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

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

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

3.17 TAX LIABILITIES

The details of this item are shown below:

Tax payables *(in thousands of Euro)*	**30/06/2024**	**31/12/2023**	**Change**
towards tax authorities for income taxes	4,453	3,922	531
Withholding taxes	2,455	2,948	(493)
Other tax payables	1,663	1,783	(120)
Total	**8,571**	**8,653**	**(82)**

The item "Tax payables" recorded a decrease of €82 thousand due to:

- An increase of €531 thousand relating to greater payables to the tax authorities for income taxes due is related to the high pre-tax profit realised in the period and the lower use of local tax incentives in comparison with the fiscal year 2023.
- A decrease of €120 thousand relating to higher VAT payable mainly related to the sales performance in the second quarter of 2024;
- A decrease of €493 thousand relating to other withholding taxes.

3.18 OTHER CURRENT LIABILITIES

The details of this item are shown below:

Other current liabilities *(in thousands of Euro)*	**30/06/2024**	**31/12/2023**	**Change**
To employees	19,989	17,595	2,394
To social security institutions	6,575	8,033	(1,458)
To Directors and Statutory Auditors	2,036	2,277	(241)
Other current payables	5,947	10,019	(4,072)
Total	**34,547**	**37,924**	**(3,377)**

The decrease of €3,377 thousand is mainly attributable to:
- the increase in payables to employees of €2,394 thousand due to the rise in minimum contractual wages, inflation, and the revaluation of holiday and additional monthly payments;
- the decrease in payables due to social security institutions of €1,458 thousand, which as at 31 December referred to the ordinary and additional months' salary;
- the decrease in payables due to directors and statutory auditors of €241 thousand due to the payment of variable remuneration during the half year;
- the decrease in "Other current payables" of €4,072 thousand, mainly attributable to the decrease in payables for investments of €3,991 thousand linked to the reduction in purchases of non-current assets.

3.19 DEFERRED TAX ASSETS AND LIABILITIES

The details of this item are shown below:

Deferred tax assets and liabilities *(in thousands of Euro)*	**30/06/2024**	**31/12/2023**	**Change**
Deferred tax assets	11,347	11,039	308
Deferred tax liabilities	(14,196)	(14,109)	(87)
Net position	**(2,849)**	**(3,070)**	**221**

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 ASSETS AND LIABILITIES

Deferred tax liabilities and assets: changes in the period *(in thousands of Euro)*	**TAX LOSSES**	**DEPRECIATION/AMORTISATION**	**MERGERS/ACQUISITIONS GROSS UP**	**ACTUARIAL VALUATION OF POST-EMPLOYMENT BENEFITS**	**ACCRUALS AND ADJUSTMENTS**	**OTHER DIFFERENCES**	**TOTAL**
01.01.2023	(530)	1,807	11,857	39	(5,203)	(8)	7,962
In Income Statement	(1,270)	16	(589)	-	(283)	(93)	(2,219)
In shareholders' equity	-	-	-	3	-	-	3
Reclassifications	-	-	-	(25)	-	25	-
Exchange rate delta	-	(6)	-	-	49	-	43
30.06.2023	(1,800)	1,817	11,268	17	(5,437)	(76)	5,789
01.01.2024	(3,597)	1,974	11,011	10	(5,683)	(635)	3,080
In Income Statement	267	(207)	(470)	-	(257)	406	(261)
In shareholders' equity	-	-	-	46	-	-	46
Reclassifications	-	-	-	-	-	-	-
Exchange rate delta	-	17	-	-	(19)	(14)	(16)
30.06.2024	(3,330)	1,784	10,541	56	(5,959)	(243)	2,849

As at 30 June 2024, deferred tax assets referred to:

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

As at 30 June 2024, deferred tax liabilities referred:

- to tax differences on depreciation/amortisation and leases, regarding primarily the application of IFRS 16, with respect to Italian GAAP and to the accounting/tax differences on assets in some companies of the Group;
- to the allocation of taxes to the 2008 merger deficit allocated to land and the tax effect deriving from the allocation of capital gains with respect to the book values for the acquisition of SPIROTECH Heat Exchangers Pvt. Ltd (2016), LU-VE US Inc. (2018), AL Air (2019) and the Refrion group (2022).

As reported in the section "Use of estimates", in verifying the recognition and recoverability of deferred tax assets recognised in the condensed consolidated interim financial statements at 30 June 2024, the taxable income derived from the 2024-2027 Business Plan of the individual Group companies was taken into consideration by extrapolating the expected taxable income for subsequent years, as confirmed by the actual performance for the first half of 2024 and the forecast results for the entire current year. The effects of temporary differences on which deferred tax liabilities are accounted for when assessing whether these amounts can be recognised.

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

3.20 NET FINANCIAL POSITION

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

Net financial position *(in thousands of Euro)*	**30/06/2024**	**31/12/2023**	**Change**
A. Cash (Note 3.10)	101,132	126,560	(25,428)
B. Cash equivalents (Note 3.8 and 3.10)	138,788	85,499	53,289
C. Other current financial assets (Note 3.8)	45,522	50,387	(4,865)
D. Total Liquidity (A+B+C)	**285,442**	**262,446**	**22,996**
E. Current financial debt (including debt instruments, but excluding current portion of non-current financial debt) (Note 3.12 and 3.15)	13,550	5,155	8,395
F. Current portion of non-current financial debt (Note 3.12)	132,710	119,005	13,705
G. Current financial debt (E+F)	**146,260**	**124,160**	**22,100**
H. Net current financial debt (G-D)	**(139,182)**	**(138,286)**	**(896)**
I. Non-current financial debt (excluding current portion and debt instruments) (Note 3.12)	258,050	264,632	(6,582)
J. Debt instruments	-	-	-
K. Non-current trade and other payables	-	-	-
L. Non-current financial debt (I+J+K)	**258,050**	**264,632**	**(6,582)**
M. Net financial debt (H+L)	**118,868**	**126,346**	**(7,478)**

Cash equivalents (under letter B. of the table above) refer to liquidity invested in Time deposits by Group companies with a maturity of less than 3 months (Note 3.10). The amount refers for €133,000 thousand to the liquidity invested by the Parent Company LU-VE S.p.A., for €4,891 thousand to the Russian subsidiary 'OOO' SEST LU-VE, and €897 thousand to the Indian subsidiary SPIROTECH Heat Exchangers Pvt. Ltd.

The item "Other current financial assets" (under letter C. of the table above) includes €28,696 thousand in investments in Time deposits, with a maturity of more than 3 months (Note 3.8), of which €12,639 thousand relating to the Russian subsidiary «OOO» SEST LU-VE, and €16,057 thousand relating to the liquidity invested in the Indian subsidiary SPIROTECH Heat Exchangers Pvt. Ltd.

The item "Current financial payables" (under letter E. of the table above) includes the updated fair value of the strike price of the *put & call* option (€7,360 thousand, of which €6,500 thousand was already included in the previous years) on the remaining 25% of the Refrion group. The update of the stike price of the option entailed the recognition in the income statement of €860 thousand of financial expense (Note 4.9 Financial expense). The item also includes an additional €450 thousand, of which €150 thousand relating to the current portion of the deferred price referring to 75% of the Refrion Group already acquired in 2022.

The item "Non-current financial payables" (under letter I. in the table above) includes the deferred price (for €392 thousand) referring to 75% of the Refrion Group already acquired in 2022.

It should be noted that the "Net financial debt" (under letter M. in the table above) includes €15,789 thousand (€12,067 thousand as at 31 December 2023) referring to contracts falling under the application of IFRS 16. The non-current portion of €10,160 thousand (€6,920 thousand at 31 December 2023) is shown in letter I. "Non-current financial payables", while the current portion of

€5,629 thousand (€5,147 thousand at 31 December 2023) is shown under letter E. “Current financial payables ”.

Note "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 AND OTHER OPERATING INCOME

In the first half of 2024, sales revenues and other operating income amounted to €296,382 thousand, a decrease of €23,918 thousand (-7.5%) compared to the same period of last year (€320,300 thousand in 2023).

Revenues by product family:

Revenues by product *(in thousands of Euro)*	**H1 2024**	**%**	**H1 2023**	**%**	**Change**	**% Change**
Heat exchangers	135,677	45.8%	169,921	53.1%	(34,244)	(20.2%)
Air Cooled Equipment	148,828	50.2%	141,601	44.2%	7,227	5.1%
Doors	8,264	2.8%	8,036	2.5%	228	2.8%
Sub-total	**292,769**	**98.8%**	**319,558**	**99.8%**	**(26,789)**	**(8.4%)**
Other	3,613	1.2%	742	0.2%	2,871	386.9%
TOTAL	**296,382**	**100.0%**	**320,300**	**100.0%**	**(23,918)**	**(7.5%)**

Revenues by geographical area:

Revenues by geographical area (in thousands of Euro)	**H1 2024**	**%**	**H1 2023**	**%**	**Change**	**% Change**
Italy	56,939	19.2%	67,668	21.1%	(10,729)	(15.9%)
France	27,373	9.2%	26,725	8.3%	648	2.4%
Russia	20,785	7.0%	17,435	5.4%	3,350	19.2%
Czech Republic	18,810	6.3%	16,654	5.2%	2,156	12.9%
Poland	17,496	5.9%	13,038	4.1%	4,458	34.2%
Germany	17,129	5.8%	39,879	12,5%	(22,750)	(57.0%)
USA	13,932	4.7%	13,061	4.1%	871	6.7%
Sweden	13,455	4.5%	10,225	3.2%	3,230	31.6%
Finland	12,848	4.3%	14,502	4.5%	(1,654)	(11.4%)
Spain	8,354	2.8%	8,595	2.7%	(241)	(2.8%)
Austria	6,074	2.0%	11,769	3.7%	(5,695)	(48.4%)
China	5,464	1.8%	6,155	1.9%	(691)	(11.2%)
India	2,795	0.9%	4,074	1.3%	(1,279)	(31.4%)
Other countries	74,928	25.3%	70,520	22.0%	23,338	33.1%
TOTAL	**296,382**	**100.0%**	**320,300**	**100.0%**	**(4,988)**	**(1.6%)**

Please refer to the Interim Directors' Report for detailed comments on trends in the reference markets during the first half of 2024.

The value of compensation for transactions with unfulfilled performance obligations (or those not fully fulfilled by the Group and therefore not included in the revenue for the half-year) at the end of the year amounted to €5,113 thousand. The Directors estimate that they will be recognised as revenue in following half-year period.

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

4.2 PURCHASES OF MATERIALS

Purchases of materials *(in thousands of Euro)*	**H1 2024**	**H1 2023**	**Change**
Raw materials and purchased components	145,159	159,267	(14,108)
Consumables	4,927	6,400	(1,473)
Total	**150,086**	**165,667**	**(15,581)**

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

4.3 COSTS FOR SERVICES

Costs for services *(in thousands of Euro)*	**H1 2024**	**H1 2023**	**Change**
Costs for energy, telephone and connections	5,353	6,783	(1,430)
General and advisory expenses	4,862	5,711	(849)
Advertising and promotional expenses	1,278	961	317
Transport expenses	7,054	7,235	(181)
Maintenance expenses	3,718	3,792	(74)
Outsourced production costs	3,586	4,139	(553)
Commissions	859	669	190
Remuneration to the corporate bodies	2,282	2,549	(267)
Other production costs	1,237	1,523	(286)
Other costs for services	7,919	9,543	(1,624)
Total	**38,148**	**42,905**	**(4,757)**

The decrease of €4,757 thousand is mainly due to:

- the decrease of €2,343 thousand in services relating to production (electricity, maintenance, outsourced production costs, other production costs);
- the decrease in general and advisory expenses for €849 thousand;
- the decrease in other costs for services for €1,565 thousand (mainly attributable to the reduction in costs for customs duties for purchases, down by €1,042 thousand).

4.4 PERSONNEL COSTS

Personnel costs *(in thousands of Euro)*	H1 2024	H1 2023	Change
Wages and salaries	53,093	52,971	122
Social security costs	13,673	13,308	365
Post-employment benefits	1,664	1,484	180
Total	**68,430**	**67,763**	**667**

The average number of Group employees in the first half of 2024 was 3,991 (the average number of Group employees in the first half of 2023 was 4,064). As at 30 June 2024, the number of Group employees came to 4,013 (2,954 blue-collar workers, 1,026 white-collar workers and middle managers, 33 executives), compared to 4,195 as at 30 June 2023.

As at 30 June 2024, the number of temporary workers was 1,197 (1,322 in the first half of 2023).

Personnel costs increased by €667 thousand, mainly linked to the usual salary dynamics and the effects of inflation.

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

Net reversal/(write-downs) of financial assets *(in thousands of Euro)*	H1 2024	H1 2023	Change
Net reversal/(write-downs) of financial assets	(33)	127	(160)
Total	**(33)**	**127**	**(160)**

The item includes the net provisions made during the first half of 2024 in accordance with the application of IFRS 9, reflecting the best estimate of the potential forward-looking impacts of the global macroeconomic situation on customers' creditworthiness and of the countries in which they operate and on their ability to meet their obligations.

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

4.6 OTHER OPERATING EXPENSES

Other operating expenses *(in thousands of Euro)*	H1 2024	H1 2023	Change
Non-income taxes	752	696	56
Accruals for risks	64	71	(7)
Other operating costs	932	823	109
Total	**1,748**	**1,590**	**158**

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

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

4.7 FINANCIAL INCOME

Financial income *(in thousands of Euro)*	**H1 2024**	**H1 2023**	**Change**
Interest income	4,666	1,395	3,271
Other financial income	69	1,695	(1,626)
Total	**4,735**	**3,090**	**1,645**

The breakdown of interest income is as follows:

- €4,228 thousand refer to interest accrued on Time deposits during the period. As at 30 June 2024, €2,833 thousand had been already collected; the difference refers to the accrued portion that will be collected during the year (for more details, see Note 3.8 – "Current financial assets”);
- €438 thousand mainly refers to interest income on current accounts accrued by the Parent Company LU-VE S.p.A. for the management of the Group’s liquidity, not yet collected at the end of the period.

The difference in interest income with the previous year mainly refers to the greater use of *Time Deposit* investments (€4,228 thousand in the first half of 2024 and €1,169 thousand in the first half of 2023).

Details of “Other financial income” are as follows:

- €63 thousand refers to changes in the *fair value* of investments in insurance policies and certificates pursuant to Note 3.8 - “Current financial assets”;
- €6 thousand relates to other financial income.

4.8 FINANCIAL EXPENSE

Financial expense *(in thousands of Euro)*	**H1 2024**	**H1 2023**	**Change**
Interest expenses to banks	4,648	5,657	(1,009)
Other financial expenses	1,953	1,197	756
Total	**6,601**	**6,854**	**(253)**

"Interest expenses to banks" of €4,648 thousand refers to interest on loans for €10,106 thousand (of which accrued interest not yet paid for €1,524 thousand), partially offset by differentials exchanged with counterparties on IRS financial instruments for €3,568 thousand as at 30 June 2024, and by the positive effect of the amortised cost resulting from the update of the rate curves for €2,208 thousand, and for €318 thousand related to other interest to banks.

The monetary change in interest expense to banks, net of the settlement of IRS differentials, is negative for €5,014 thousand and the difference mainly relates to accrued interest expenses for the period not yet paid as at 30 June 2024 and to the effect of amortised cost.

Details of “Other financial expense” are as follows:

- €860 thousand refers to the effect on the income statement of the updated strike price of the put & call option (whose fair value at 30 June 2024 was €7,360 thousand, €6,500 thousand at 31 December 2023) of the remaining 25% of the Refrion Group, which is reported in Note 3.15 - "Other financial liabilities" and Note 3.20 - "Net financial position";
- €421 thousand refers to costs associated with factoring transactions as per Note 3.6 - “Trade receivables”;
- €374 thousand refers to the negative fair value on derivative financial instruments underlying existing loans of the Parent Company LU.VE S.p.A. (please refer to Note 3.8 - "Current financial assets");
- €298 thousand mainly refers to other interest expense and financial expense.

As at 30 June 2024, the monetary change in “Other financial expense” was negative for €424 thousand.

Overall, the monetary change in financial income and expense was negative for €2,413 thousand, of which:

- a negative impact of €5,438 thousand, of which €5,014 thousand for interest expense to banks accrued and paid during the period and €424 thousand for costs related to factoring transactions;
- a positive impact of €2,833 thousand for interest income accrued and collected during the period;
- a negative impact of €192 thousand due to the net effect of financial income accrued during the previous year and paid during the period.
-

4.9 EXCHANGE GAINS (LOSSES)

During the period, the LU-VE Group achieved net exchange gains of €781 thousand (net profits of €371 thousand in the first half of 2023) due to the strengthening of the euro against certain currencies (mainly the Czech koruna and the Swedish krona).

The net exchange gain realised was negative for €94 thousand and is composed of negative €800 thousand of realised exchange delta and of €705 thousand of *fair value* delta realised on hedging instruments for foreign exchange rates risk.

The net unrealised exchange gain amounted to €876 thousand, and consisted of a negative €393 thousand in fair value delta on hedging instruments for currency exchange risk (for more details, see Note 3.8 - “Current financial assets”) and unrealised positive exchange delta for €1,269 thousand.

4.10 INCOME TAXES

Income taxes *(in thousands of Euro)*	**H1 2024**	**H1 2023**	**Change**
Current taxes	6,455	4,869	1,586
Deferred taxes	(262)	(2,219)	1,957
Adjustment - previous period	(3)	223	(226)
Total	**6,190**	**2,873**	**3,317**

For a detailed analysis of deferred taxes please see the table on changes in deferred tax assets and liabilities reported in Note 3.19 - 'Deferred tax liabilities and assets'.

The increase in current taxes is mainly related to the higher pre-tax profit realised in the period and the lower use of local tax incentives compared to the same period in 2023.

The taxes paid in the period amounted to €6,244 thousand.

Regarding the tax audit conducted by the Italian Tax Authority on the parent company LU-VE S.p.A. (which began in May 2022) concerning the fiscal years 2016, 2017, 2018, and 2019, no further requests have been made. It should be noted that the years 2016 and 2017 have formally lapsed.

With reference to the tax finding report for the fiscal year 2019, served to the Parent Company in November 2023, there were no further activities to be undertaken by the Tax Authority.

As for the general tax audit to which the subsidiary LU-VE Iberica S.L. is subject for the fiscal years 2013, 2018, and 2019, all requested documentation has been provided to the Spanish Tax Authority as needed, and there have been several discussions with the same authority.

On 29 May 2024, the Italian Tax Authority (Udine branch) notified the subsidiary Refrion S.r.l. of a draft tax deed related to the verification of tax credits for research and development costs for the fiscal years 2016, 2017, and 2018. The company has promptly prepared a defence dossier to be submitted within 60 days after the receiving the notification. It should be noted that with regard to any potential liabilities, the Group is protected by the guarantees provided by the previous shareholders of the aforementioned subsidiary.

For further details, please refer to Note 8 "Subsequent events occurred after 30 June 2024".

4.11 EARNINGS PER SHARE

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

Basic and diluted earnings per share calculation	H1 2024	H1 2023
NET RESULT *(in thousands of Euro)*		
Net result for the period	19,436	18,153
NUMBER OF SHARES		
Average weighted number of ordinary shares for the calculation of basic earnings per share	22,206,341	22,206,341
Dilution effect deriving from potential ordinary shares		-
Average weighted number of ordinary shares for the calculation of diluted earnings per share	22,206,341	22,206,341

EARNINGS PER SHARE *(in Euros)*	H1 2024	H1 2023
Basic earnings per share	0.88	0.82
Diluted earnings per share	0.88	0.82

4.12 DIVIDENDS

In May 2024, dividends totalling €8,883 thousand were distributed by LU-VE S.p.A., corresponding to the distribution of a gross dividend of €0.40 (zero/40) for each of the 22,206,341 shares outstanding, net of treasury shares.

In addition, dividends for €812 thousand was approved, of which €750 thousand in favour of the minority shareholders of the Polish subsidiary SEST LUVE POLSKA Sp.z.o.o., paid as at 30 June 2024, and €62 thousand in favour of the minority shareholders of the Russian subsidiary «OOO» SEST LU-VE Russia, of which €37 thousand unpaid as at 30 June 2024 (payment is expected in the second half of 2024).

4.13 SEGMENT INFORMATION

With reference to segment information, the Group has applied IFRS 8, which focuses attention on the reporting used internally by the company management, by requiring the publication of segment 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:

- SBU Cooling Systems which includes air cooled equipment (unit coolers, condensers, gas coolers and liquid coolers);

- *Components* SBU, which includes heat exchangers and special glass doors for refrigerated counters and display cabinets.

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

Revenues by SBU *(in thousands of Euro)*	**H1 2024**	**%**	**H1 2023**	**%**	**Change**	**% Change**
Air Cooled Equipment	148,828	50.8%	141,601	44.3%	7,227	5.1%
SBU COOLING SYSTEMS	**148,828**	**50.8%**	**141,601**	**44.3%**	**7,227**	**5.1%**
Heat exchangers	135,677	46.3%	169,921	53.2%	(34,244)	-20.2%
Doors	8,264	2.8%	8,036	2.5%	228	2.8%
SBU COMPONENTS	**143,941**	**49.2%**	**177,957**	**55.7%**	**(34,016)**	**-19.1%**
TOTAL PRODUCT TURNOVER	**292,769**	**100.0%**	**319,558**	**100.0%**	**(26,789)**	**-8.4%**

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

The information broken down by SBU as at 30 June 2024 and 30 June 2023 is provided below:

	H1 2024				**H1 2023**			
Segment (in thousands of Euro)	**Components**	**Cooling Systems**	**Unallocated costs**	**Total**	**Components**	**Cooling Systems**	**Unallocated costs**	**Total**
REVENUES	143,941	148,828	-	**292,769**	177,957	141,601	-	**319,558**
EBITDA	17,200	25,756	-	**42.956**	21,282	20,532	-	**41,814**

4.14 INFORMATION ON FINANCIAL RISKS

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

a) the significance of financial instruments with reference to the equity and 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 over the course of the period and at the reporting date, and how they are managed.

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

- credit risk, particularly with reference to normal trade relations with customers;
- market risk, in particular i) exchange rate risk, (relating to transactions in currencies other than the functional currency), ii) interest rate risk, (relating to the Group's financial exposure) and iii) 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 Headquarters. LU-VE Group carefully and specifically monitors each of the above-mentioned financial risks, intervening with the aim of minimising them promptly, including by using hedging derivatives.

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

Please note that all derivative instruments were subscribed for the purposes of hedging the underlying risks. However, at the date of presentation of these Financial Statements, not all requirements of IFRS 9 for the application of hedge accounting to those derivatives were satisfied. Therefore, the Group management deemed it appropriate to treat those instruments as trading, not hedging, transactions.

Categories of financial instruments

The following tables group information relative to:

- Classes of financial instruments on the basis of their nature and characteristics;
- carrying amount 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 listed (unadjusted) prices on active markets for identical assets or liabilities;
- Level 2 valuations are those derived from inputs other than the listed prices referred to at Level 1 which are observable for the assets and liabilities, both directly (e.g. prices) or indirectly (e.g. derived from prices);
- Level 3 valuations are those derived from the application of valuation techniques which include inputs for the assets or liabilities that are not based on observable market data (non-observable inputs)

Financial assets valued at fair value as at 30/06/2024 *(in thousands of Euro)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Other financial assets	-	-	-	-
Current financial assets (Note 3.8)	-	6,331	-	6,331
Derivatives (Note 3.8)	-	10,495	-	10,495
Total	**-**	**16,826**	**-**	**16,826**

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

The categories of financial instruments are reported below:

Financial instruments by IFRS 9 categories *(in thousands of Euro)*	**30/06/2024**	**31/12/2023**
Financial assets		
Amortised cost		
Cash and cash equivalents (*)	239,920	212,059
Time deposit (**)	28,696	32,855
Trade receivables (Note 3.6)	114,966	87,790
Non-current financial assets (Note 3.4)	-	-
Fair Value		
Trading derivatives (Note 3.8)	6,331	7,100
Current financial assets (Note 3.8)	10,495	10,432
Financial liabilities		
Amortised cost		
Loans (Note 3.12)	(380,208)	(369,227)
Trade payables (Note 3.16)	(126,208)	(95,659)
IFRS 16 financial liabilities (Note 3.15)	(15,789)	(12,067)
Other current financial liabilities (***)	(150)	-
Other non-current financial liabilities (****)	(392)	(990)

(*) Cash and cash equivalents include €138,788 thousand of Time deposits with a maturity of less than three months and €101,132 thousand in cash deposited in bank current accounts.
Please refer to Note "3.10 - Cash and cash equivalents".
(**) Time deposits in the amount of €28,696 thousand fall under amortised cost category pursuant to IFRS 9 and refer to investments of liquidity in time-deposit accounts with a maturity of more than ninety days and in any case less than one year classified as "Current financial assets". See Note "3.8. – Current financial assets".
(***) The item "Other current financial payables" refers to the current portion (€150 thousand) of the deferred price referring to 75% of the Refrion Group already acquired in 2022. Please refer to Note 3.15 - "Other financial liabilities".
(****) The item "Other non-current financial payables" refers to the non-current portion (€392 thousand) of the deferred price referring to the 75% of the Refrion Group already acquired in 2022. Please refer to Note 3.15 - "Other financial liabilities".

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 healthy results achieved also against the backdrop of the pandemic.

Exchange rate risk management

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

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

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

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

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

Sales are mainly made in Euro. Moreover, although Sest-LUVE Polska, HTS, Spirotech and LU-VE Sweden are located in countries that do not use the Euro as their reference currency, they carry out a significant quantity of sales in Euro and they are therefore 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: in particular, during the first half of 2024, financial instruments were underwritten to hedge the EUR/USD exchange rate, such as swaps, tarfs and forwards. However, from a purely accounting perspective, although such instruments substantially hedge the risks mentioned, they do not meet all the requirements as laid out under IFRS 9 and cannot be defined as hedge accounting; therefore, the Group has decided to consider these instruments as for trading and not hedges and as a result such instruments were measured at fair value with changes reported on the income statement. For further details, please refer to Appendix A.

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

Interest rate risk management

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

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

In particular, the main source of exposure to the risk in question for the Group derives from financial debt, which is almost all floating rate. This risk is managed by entering derivative contracts (primarily Interest Rate Swaps) to hedge this risk based on its own needs. This hedging policy allows the Group to reduce its exposure to the risk of interest rate fluctuations. Interest rates fell in the first half of 2024 compared to 2023. Changes in interest rate policies may lead to a potentially significant change in the fair value of these instruments. As at 30 June 2024, the portion of existing loans for which such risks have been hedged represented the 91.1% of the total.

However, from a purely accounting perspective, although such instruments substantially hedge the risks mentioned, they do not meet all the requirements as laid out under IFRS 9 and cannot be defined as hedge accounting; therefore, the Group has decided to consider these instruments as for trading and not hedges and as a result such instruments were measured at fair value with changes reported on the income statement. For further details, please refer to Appendix A.

Raw material price risk management

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

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

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

The first half of this year showed an increase in the cost of raw materials, particularly copper, reaching an all-time high in May, compared to the retracement of prices recorded in the first half of 2023. It should be noted that the Group has “pass through” systems in place which allow cost increases to be transferred to end customers, guaranteeing the protection of marginality

Unlike the problems that arose in previous years, related to the availability of materials, which forced a review of the procurement approach and an increase in inventories of raw materials and components in order to be able to respond to market demands in a timely manner, in the first half of 2024, storage approaches returned to a 'just in time' principles, with positive effects on the reduction of inventories and responding to the market with delivery times in line with expectations.

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

Liquidity risk management

The liquidity risk to which the Group may be exposed consists of the failure to source the adequate financial resources 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 2024 the LU-VE Group has unused short-term credit lines totalling €50 million. In addition, to minimise liquidity risk the Administration and Financial Department:

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

An analysis of financial liabilities as at 30 June 2024 is provided below by maturity:

Analysis of financial liabilities by maturity as at 30 June 2024 *(in thousands of Euro)*	**Carrying amount**	**Contractual cash flows**	**Within 1 year**	**From 1 to 5 years**	**More than 5 years**
Bank loans (Note 3.12)	370,208	368,436	120,939	247,497	-
IFRS 16 financial payables* (Note 3.15)	15,789	15,789	5,629	8,417	1,743
Financial liabilities	**385,997**	**384,225**	**126,568**	**255,914**	**1,743**
Trade payables	126,208	126,208	126,046	162	-
Total	**512,205**	**510,433**	**252,614**	**256,076**	**1,743**

(*) "IFRS 16 Financial payables" include the discounting of repayments of capital amounts of lease instalments under IFRS 16.

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

Capital risk management

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

The Group's capital structure consists of net debt (loans described in 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 3.11 – "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 LU-VE Group carry out some trade and financial transactions with Related Parties, settled at market conditions from the economic as well as financial perspective, or at the same conditions that would have been applied to independent counterparties. In this regard, there is however no guarantee that, if such transactions were concluded between, or with, third parties, they would have negotiated and entered into the relative contracts, or carried out such transactions, under the same conditions and with the same methods.

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

The table below shows the economic and financial transactions carried out by Group Companies with related parties in the first half of 2024:

Related Companies *(in thousands of Euro)*	**Trade receivables**	**Trade payables**	**Financial receivables**	**Financial payables**	**Trade revenues**	**Trade costs**	**Financial revenues**	**Financial costs**
Finami SRL	-	(46)	-	-	-	(113)	-	-
Marco Aurelio Tanci	-	(3)	-	-	-	(6)	-	-
Limmo S.r.l	-	-	-	-	-	(16)	-	-
ARCA SAS DI CERANA MANUELA & C.	-	-	-	-	-	(3)	-	-
Mauro Cerana	-	(8)	-	-	-	(19)	-	-
	-	(57)	-	-	-	(157)	-	-

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

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

- the subsidiary Thermo Glass Door (TGD) has a sub-lease agreement with FINAMI for the facility and the offices located in Travacò Siccomario (PV), which Finami is in turn using by virtue of two lease agreements with Selmabipiemme Leasing S.p.A.; the contract started in 2010, was revised over the years and last renewed in 2021 with effect from 1 January 2022 for a duration of 3 years and tacitly renewable for another 3 years;

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

4.15 SHARE-BASED PAYMENTS

As at 30 June 2024, there were no share-based incentive plans in favour of Group Directors or employees.

4.16 COMMITMENTS AND GUARANTEES

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

Commitments *(in thousands of Euro)*	**30/06/2024**	**31/12/2023**	**Change**
Sureties	7,449	6,786	663
Total	**7,449**	**6,786**	**663**

As at 30 June 2024, there were no loans for which a mortgage was granted on properties owned by LU-VE Group.

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

Sureties *(in thousands of Euro)*	**30/06/2024**	**31/12/2023**	**Change**
Sureties in favour of third parties	5,000	5,000	-
Sureties to banks with respect to customers of our subsidiaries	1,073	903	170
Sureties to banks with respect to customers	1,067	658	409
Insurance sureties	309	225	84
Total	**7,449**	**6,786**	**663**

Sureties in favour of third parties refer to the autonomous bank guarantee on first demand issued in the interest of SEST S.p.A. in favour of Wanbao ACC S.r.l. to guarantee the commitments undertaken at the time of the purchase of the business unit.
Sureties to banks with respect to customers of Group companies refer to guarantees granted to customers of Air Hex Alonte S.r.l. and Fincoil LU-VE OY.

5 CONSOLIDATION AREA AND SIGNIFICANT INVESTMENTS

5.1 COMPANIES CONSOLIDATED LINE-BY-LINE

Company name	Registered office	% equity investment	Currency	Share capital	Shareholders' Equity as at 30/06/2024	Net Result as at30/06/2024
Direct subsidiaries:						
SEST S.p.A.	Limana (BL)	100.00	EUR	1,000,000	38,019,236	14,274,199
Heat Transfer Systems s.r.o. (HTS)	Novosedly (Czech Rep.)	100.00	CZK	133,300,000	603,626,073	68,536,201
LU-VE Sweden AB	Asarum (Sweden)	100.00	SEK	50,000	66,313,461	35,423,474
LU-VE France S.a.r.l.	Lyon (France)	100.00	EUR	84,150	2,297,822	205,591
LU-VE Pacific Pty Ltd (*)	Thomastown (Australia)	75.50	AUD	200,000	2,170	-
LU-VE Deutschland GmbH	Stuttgart (Germany)	100.00	EUR	230,000	(1,855,039)	(373,013)
LU-VE Iberica S.L.	Madrid (Spain)	85.00	EUR	180,063	653,924	48,488
LU-VE HEAT EXCHANGERS (Tianmen) Co, Ltd	Tianmen (China)	100.00	CNY	61,025,411	68,408,574	4,126,173
LU-VE Asia Pacific Limited (*)	Wan Chai (Hong Kong)	100.00	HKD	10,000	-	739,055
LuveDigital S.r.l.	Uboldo (VA)	50.00	EUR	10,000	60,129	5,884
MANIFOLD S.r.l.	Uboldo (VA)	99.00	EUR	10,000	53,700	(101,465)
Spirotech Ltd	New Delhi (India)	100.00	INR	25,729,600	4,018,801,146	297,160,961
LU-VE AUSTRIA GmbH	Vienna (Austria)	100.00	EUR	17,500	153,393	31,821
LU-VE US Inc.	Jacksonville (USA, Texas)	100.00	USD	10,001,000	(6,388,683)	(2,727,729)
Air Hex Alonte S.r.l.	Uboldo (VA)	100.00	EUR	2,010,000	17,184,935	2,395,705
Fincoil LU-VE OY	Vantaa (Finland)	100.00	EUR	1,190,000	8,945,515	1,976,865
LU-VE Netherlands B.V.	Breda (Netherlands)	100.00	EUR	10,000	(134,781)	216,584
«OOO» LU-VE Moscow	Moscow (Russia)	100.00	RUB	100,000	3,710,784	(7,488,043)
LU VE Middle East DMCC	Dubai (UAE)	100.00	AED	50,000	305,087	(225,686)
LU-VE SOUTH KOREA Llc	Seoul (South Korea)	100.00	KRW	100,000,000	42,452,826	(5,187,805)
Refrion S.r.l.	Flumignano di Talmassons (UD)	75.00	EUR	1,000,000	8,313,290	1,926,313
LU-VE UK Ltd	London (United Kingdom)	100.00	GBP	10,000	52,941	112,689
Indirect subsidiaries:						
SEST-LUVE-Polska SP.z.o.o. (95% owned by SEST S.p.A.)	Gliwice (Poland)	95.00	PLN	16,000,000	308,455,564	25,477,160
«OOO» SEST LU-VE (95% owned by SEST S.p.A.)	Lipetsk (Russia)	95.00	RUB	136,000,000	3,472,762,384	692,218,226
Thermo Glass Door S.p.A. (100% owned by SEST S.p.A.)	Travacò Siccomario (PV)	100.00	EUR	100,000	503,345	(160,119)
RMS S.r.l. (100% owned by Refrion S.r.l.)	Flumignano di Talmassons (UD)	75.00	EUR	40,000	2,263,226	453,186
Refrion Deutschland GmbH (100% owned by Refrion S.r.l.)	Frankfurt am Main (Germany)	75.00	EUR	150,000	258,994	129,091

(*) Liquidation procedures are in progress.

6 SIGNIFICANT NON-RECURRING TRANSACTIONS

During the first half of 2024, 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 2024, 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 SUBSEQUENT EVENTS OCCURRED AFTER 30 JUNE 2024

Following the existing contractual agreements, in July, LU-VE S.p.A. exercised the option to purchase the remaining 25% of the shares of Refrion S.r.l.. The value of the acquired shares, calculated according to the contractual formula based on the average results achieved over the last two years, amounted to €7.4 million.

The Group, through its Friulian subsidiary Refrion S.r.l., has signed an agreement to supply cooling systems for the emergency diesel generators (EDG) of the nuclear island at the Hinkley Point C power station in Somerset, England. The value of the contract for the LU-VE Group, signed with the Nuclear New Build Generation Company ("NNB") through the UK contractor Bouygues Energies & Services, is approximately €27 million (of which around €2 million have already been invoiced to date), with the supply of the first batches to begin in 2025. The components are designed, as usual, to integrate sustainability principles and standards to reduce environmental impact in all stages of the process, from product design to engineering.

As previously reported, the heat pump market continues to be the most challenging area. However, positive expectations for the medium-term have been confirmed in the sector, as the replacement of gas boilers with heat pump technology represents one of the cornerstones of the "Repower EU" programme, the new Energy Performance of Buildings Directive (EPBD) EU 2024/1275, and (together with renewables, EV and batteries) one of the "clean energy technologies" crucial for the achievement of the objectives of "Net zero emissions", as clearly shown in the recent report of the IEA (International Energy Agency), "World Energy Outlook 2023".

With reference to the turbulence that has affected the markets in recent months in a scenario that, unfortunately, does not promise a resolution of the conflicts and tensions existing in some areas of the world or that could even escalate further, the Group expects a contraction in sales volumes by the end of the year. However, the Group expects a holding up of profitability thanks to all the measures implemented to streamline processes and the restructuring of the organisation on a global scale.

In August, the subsidiary Fincoil LU-VE Oy has undersigned the renewal of rent contract of the plant, till 31st December 2030. The annual rent is equal to about €1.2 million.

Regarding the tax audit conducted by the Italian Tax Authority on the parent company LU-VE S.p.A. concerning the fiscal years 2016, 2017, 2018, and 2019, no further requests have been made by the Authority.

With reference to the finding report for the year 2019, served to the Parent Company in November 2023, there were no further activities to be undertaken by the Italian Tax Authority.

As regards the general tax audit to which the subsidiary LU-VE Iberica S.l. is subject for the fiscal years 2013, 2018 and 2019, further requests have been made, for which the subsidiary will provide documentation by mid-September.

With regard to the draft tax deedt presented by the Udine branch of the Italian Tax Authority towards the subsidiary Refrion S.r.l., the subsidiary has provided its counter-arguments within the required deadlines.

On 31 July 2024, the Central Directorate for Large Taxpayers and International Affairs (*Direzione Centrale Grandi Contribuenti e Internazionale*) sent a request for information to the parent company LU-VE S.p.A. (as part of the procedures to verify *compliance* with regulatory agreements), to initiate the preliminary activity concerning the application submitted on 28 December 2020 for access to the procedure aimed at concluding Advance Pricing Agreements ("*APA*"), as provided for by Art. 31 *ter* of Presidential Decree 600/73. At the beginning of August, the Parent Company submitted all the required documentation.

Uboldo, 5 September 2024

The Chairman and Chief Executive Officer

Matteo Liberali

9 APPENDIX A

IRS on loans (in thousands of Euro)

DEBTOR COMPANY	COUNTERPARTY	TAKEN OUT	MATURITY	ORIGINAL NOTIONAL	30/06/2024		30/06/2024
					NOT. Short	NOT. M/L	FAIR VALUE
LU-VE S.P.A.	Banca Nazionale del Lavoro S.p.A.	20/12/2018	24/09/2024	10,000	1,000	-	19
LU-VE S.P.A.	Intesa Sanpaolo S.p.A.	20/05/2020	30/09/2025	12,500	2,778	694	96
LU-VE S.P.A.	Banca Nazionale del Lavoro S.p.A.	28/05/2020	28/05/2025	40,000	10,000	-	282
LU-VE S.P.A.	Unicredit S.p.A.	30/11/2020	30/11/2024	20,000	2,857	(0)	55
LU-VE S.P.A.	Deutsche Bank S.p.A.	30/10/2020	30/10/2026	5,500	1,095	1,747	131
LU-VE S.P.A.	Deutsche Bank S.p.A.	30/10/2020	30/10/2025	10,000	2,000	1,000	90
LU-VE S.P.A.	Intesa Sanpaolo S.p.A.	31/03/2021	31/03/2026	30,000	7,500	5,625	467
LU-VE S.P.A.	Banco BPM S.p.A.	14/06/2021	31/03/2026	12,000	2,824	2,118	174
LU-VE S.P.A.	Banco BPM S.p.A.	14/06/2021	31/03/2026	18,000	4,235	3,176	259
LU-VE S.P.A.	Unicredit S.p.A.	30/09/2021	31/03/2025	30,000	8,571	-	242
LU-VE S.P.A.	Banco BPM S.p.A.	17/12/2021	30/09/2026	40,000	10,667	13,333	954
LU-VE S.P.A.	Intesa Sanpaolo S.p.A.	31/05/2022	31/05/2029	20,000	4,000	16,000	482
LU-VE S.P.A.	Intesa Sanpaolo S.p.A.	31/05/2022	31/05/2029	20,000	4,000	16,000	340
LU-VE S.P.A.	Intesa Sanpaolo S.p.A.	31/05/2022	31/03/2029	15,000	3,000	11,250	502
LU-VE S.P.A.	Banca Nazionale del Lavoro S.p.A.	22/07/2022	22/07/2027	40,000	8,000	20,000	981
LU-VE S.P.A.	BPER Banca S.p.A.	22/07/2022	22/07/2027	25,000	6,250	14,063	466
LU-VE S.P.A.	Intesa Sanpaolo S.p.A.	28/07/2022	28/07/2027	15,000	3,750	8,438	334
LU-VE S.P.A.	Deutsche Bank S.p.A.	25/10/2022	28/10/2028	15,000	3,333	11,667	79
LU-VE S.P.A.	Unicredit S.p.A.	24/11/2022	31/12/2026	25,000	6,250	9,375	61
LU-VE S.P.A.	Banco BPM S.p.A.	19/01/2023	30/09/2027	25,000	5,882	13,235	33
LU-VE S.P.A.	Intesa San Paolo	26/10/2023	26/10/2028	30,000	6,667	23,333	(205)
LU-VE S.P.A.	Unicredit S.p.A.	11/01/2024	31/12/2025	15,000	1,765	13,235	40
LU-VE S.P.A.	Unicredit S.p.A.	16/01/2024	31/12/2028	15,000	1,765	13,235	(4)
LU-VE S.P.A.	BPER Banca S.p.A.	23/01/2024	22/01/2026	15,000	1,875	28,125	54
			Total	**503,000**	**110,063**	**225,650**	**5,932**

COMPANIES CONSOLIDATED LINE-BY-LINE

Currency options (in thousands of Euro)

DEBTOR COMPANY	COUNTERPARTY	TYPE	HEDGED ELEMENT	TAKEN OUT	MATURITY	NOT. ORIG.	30/06/2024 NOT. Short	NOT. M/L	30/06/2024 FAIR VALUE
LU-VE S.P.A.	Intesa Sanpaolo S.p.A.	Forward	€/$ Exchange Rate	18/06/2024	31/12/2024	4,605	4,605	-	(22)
LU-VE S.P.A.	Intesa Sanpaolo S.p.A.	Sell & Buy	€/$ Exchange Rate	18/06/2024	31/01/2025	(921)	(921)	-	3
LU-VE S.P.A.	Intesa Sanpaolo S.p.A.	Sell & Buy	€/$ Exchange Rate	18/06/2024	28/02/2025	(920)	(920)	-	3
LU-VE S.P.A.	Intesa Sanpaolo S.p.A.	Sell & Buy	€/$ Exchange Rate	18/06/2024	31/03/2025	(919)	(919)	-	2
LU-VE S.P.A.	Intesa Sanpaolo S.p.A.	Sell & Buy	€/$ Exchange Rate	18/06/2024	30/04/2025	(918)	(918)	-	3
LU-VE S.P.A.	Intesa Sanpaolo S.p.A.	TARF	€/$ Exchange Rate	18/06/2024	18/06/2025	2,268	2,268		(3)
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	07/07/2022	05/07/2023	1,000	1,097	-	91
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	02/09/2022	04/08/2023	1,000	1,095	-	92
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	12/09/2022	04/09/2023	1,000	1,093	-	92
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	01/12/2022	04/10/2023	1,000	1,030	-	23
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	01/12/2022	06/11/2023	1,000	1,033	-	23
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	01/12/2022	05/12/2023	1,000	1,025	-	13
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	13/01/2023	05/01/2024	1,000	1,028	-	13

COMPANIES CONSOLIDATED LINE-BY-LINE

DEBTOR COMPANY	COUNTERPARTY	TYPE	HEDGED ELEMENT	TAKEN OUT	MATURITY	NOT. ORIG.	30/06/2024 NOT. Short	NOT. M/L	30/06/2024 FAIR VALUE
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	06/02/2023	05/02/2024	1,000	1,030	-	13
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	06/02/2023	15/01/2024	1,000	1,032	-	13
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	06/02/2023	15/12/2023	1,000	1,034	-	14
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	06/02/2023	15/11/2023	1,000	1,019	-	(3)
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	06/02/2023	16/10/2023	1,000	1,021	-	(4)
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	19/07/2022	21/07/2023	100	111	-	4
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	19/07/2022	21/07/2023	200	224	-	10
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	20/07/2022	24/07/2023	100	111	-	2
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	20/07/2022	24/07/2023	100	111	-	1
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	04/08/2022	08/08/2023	100	111	-	3
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	10/08/2022	14/08/2023	100	111	-	2
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	11/08/2022	17/08/2023	100	110	-	2
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	11/08/2022	17/08/2023	100	110	-	2
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	03/10/2022	06/10/2023	100	110	-	2

COMPANIES CONSOLIDATED LINE-BY-LINE

DEBTOR COMPANY	COUNTERPARTY	TYPE	HEDGED ELEMENT	TAKEN OUT	MATURITY	NOT. ORIG.	30/06/2024 NOT. Short	NOT. M/L	30/06/2024 FAIR VALUE
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	04/10/2022	20/09/2023	100	110	-	1
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	18/10/2022	29/09/2023	100	111	-	2
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	19/10/2022	29/09/2023	100	110	-	2
Total						**16,495**	**17,172**	-	**399**

10 APPENDIX B

Bank loans (in thousands of Euro)								AMORTISED COST 30/06/2024		31/12/2023	
DEBTOR COMPANY	COUNTERPARTY	LOAN TYPE	TAKEN OUT	MATURITY	RATE APPLIED	FINANCIAL COVENANTS	ORIGINAL AMOUNT	RESIDUAL AMOUNT	OF WHICH CURRENT	RESIDUAL AMOUNT	OF WHICH CURRENT
LU-VE	Banca Nazionale del Lavoro S.p.A.	Unsecured loan	20/12/2018	24/09/2024	6M Euribor + Spread	NFP/EBITDA <= 3; NFP/SE <=1.25	10,000	1,010	1,010	4,121	2,070
LU-VE	Intesa Sanpaolo S.p.A.	Unsecured loan	23/03/2020	23/09/2025	3M 360 days Euribor + Spread	NFP/EBITDA <= 3; NFP/SE <=1	25,000	7,001	5,610	15,539	5,696
LU-VE	Banca Nazionale del Lavoro S.p.A.	Unsecured loan	28/05/2020	28/05/2025	6M 360 days Euribor + Spread	NFP/EBITDA <= 3; NFP/SE <=1.25	40,000	10,088	10,088	25,476	10,231
LU-VE	UniCredit S.p.A.	Unsecured loan	04/11/2020	30/11/2024	6M 360 days Euribor + Spread	NFP/EBITDA <=3; NFP/OWN FUNDS <=1	20,000	2,880	2,880	11,648	5,846
LU-VE	Deutsche Bank S.p.A.	Unsecured loan	11/11/2020	11/11/2026	3-month EURIBOR base 360 + spread	NFP/EBITDA <= 3.2 NFP/EQUITY <=1.15	5,500	2,873	1,110	4,518	1,104
LU-VE	Deutsche Bank S.p.A.	Unsecured loan	11/11/2020	11/11/2025	3-month EURIBOR base 360 + spread	NFP/EBITDA <= 3.2 NFP/EQUITY <=1.15	10,000	3,028	2,025	6,107	2,055
LU-VE	Intesa Sanpaolo S.p.A.	Unsecured loan	31/03/2021	31/03/2026	3-month EURIBOR base 360 + spread	NFP/EBITDA <3; NFP/Shareholders' Equity <1	30,000	13,255	7,615	26,699	9,554
LU-VE	Banco BPM S.p.A.	Unsecured loan	14/06/2021	31/03/2026	3-month EURIBOR base 360 + spread	-	12,000	4,987	2,864	9,333	2,900
LU-VE	Banco BPM S.p.A.	Unsecured loan	14/06/2021	31/03/2026	3-month EURIBOR base 360 + spread	NFP/EBITDA <= 3.0 NFP/EQUITY <=1.25	18,000	7,524	4,331	14,140	4,422
LU-VE	Unicredit S.p.A.	Unsecured loan	30/09/2021	31/03/2025	6-month EURIBOR base 360 + spread	NFP/EBITDA <= 3.0 NFP/SE <=1.0	30,000	8,642	8,642	21,797	8,674
LU-VE	Banco BPM S.p.A.	Unsecured loan	17/12/2021	30/09/2026	3-month EURIBOR base 360 + spread	NFP/EBITDA <= 3.0 NFP/EQUITY <=1.25	40,000	24,233	10,863	40,724	10,993
LU-VE	Cassa Depositi e Prestiti	Unsecured loan	28/04/2022	05/05/2029	6M 360 days Euribor + Spread	NFP/EBITDA <= 3 NFP/SE <= 1.15	40,000	40,333	8,267	40,705	74
LU-VE	Intesa Sanpaolo S.p.A.	Unsecured loan	28/04/2022	29/03/2029	3M 360 days Euribor + Spread	NFP/EBITDA <= 3 NFP/SE <= 1.0	15,000	14,303	3,083	15,197	70
LU-VE	Intesa Sanpaolo S.p.A.	Unsecured loan	31/05/2022	29/03/2029	3M 360 days Euribor + Spread	NFP/EBITDA <= 3 NFP/SE <= 1.0	15,000	14,236	3,029	15,165	62
LU-VE	Banca Nazionale del Lavoro S.p.A.	Unsecured loan	22/07/2022	22/07/2027	6M 360 days Euribor + Spread	NFP/EBITDA <= 3 NFP/SE <= 1.25	40,000	28,361	8,031	40,279	8,088

COMPANIES CONSOLIDATED LINE-BY-LINE

Bank loans (in thousands of Euro)								AMORTISED COST 30/06/2024		31/12/2023	
DEBTOR COMPANY	COUNTERPARTY	LOAN TYPE	TAKEN OUT	MATURITY	RATE APPLIED	FINANCIAL COVENANTS	ORIGINAL AMOUNT	RESIDUAL AMOUNT	OF WHICH CURRENT	RESIDUAL AMOUNT	OF WHICH CURRENT
LU-VE	BPER Banca S.p.A.	Unsecured loan	22/07/2022	22/07/2027	3M 360 days Euribor + Spread	NFP/EBITDA <= 3 NFP/SE <= 1.25	25,000	20,447	6,317	25,129	1,582
LU-VE	Intesa Sanpaolo S.p.A.	Unsecured loan	28/07/2022	28/07/2027	3M 360 days Euribor + Spread	NFP/EBITDA <= 3 NFP/SE <= 1.0	15,000	12,311	3,838	15,093	976
LU-VE	Deutsche Bank S.p.A.	Unsecured loan	25/10/2022	25/10/2028	3M 360 days Euribor + Spread	NFP/EBITDA <= 3 NFP/SE <= 1.15	30,000	30,134	6,815	30,024	47
LU-VE	Unicredit S.p.A.	Unsecured loan	24/11/2022	31/12/2026	3M 360 days Euribor + Spread	NFP/EBITDA <= 3 NFP/SE <= 1.0	25,000	15,592	6,263	24,992	6,252
LU-VE	Banco BPM S.p.A.	Unsecured loan	21/12/2022	30/09/2027	3M 360 days Euribor + Spread	NFP/EBITDA <= 3.25 NFP/SE </= 1.25	25,000	19,005	5,886	4,980	585
LU-VE	Intesa Sanpaolo S.p.A.	Unsecured loan	26/10/2023	26/10/2028	3M 360 days Euribor + Spread	NFP/EBITDA <= 3 NFP/SE <= 1.0	30,000	30,048	6,791	30,158	3,576
LU-VE	Unicredit S.p.A.	Unsecured loan	08/01/2024	31/12/2028	3M 360 days Euribor + Spread	NFP/EBITDA <= 3 NFP/SE <= 1.0	30,000	29,840	5,369	-	-
LU-VE	BPER Banca S.p.A.	Unsecured loan	22/01/2024	22/01/2029	3M 360 days Euribor + Spread	NFP/EBITDA </= 3 NFP/SE </=1.25	30,000	30,077	1,983	-	-
							Total	**370,208**	**122,710**	**421,824**	**84,857**

Notes:

NFP: net financial position;

SE: shareholders' equity;

DSCR: debt service coverage ratio;

LR: leverage ratio (NFP/EBITDA);

GR: gearing ratio (NFP/SE);

U.L. Unsecured Loan

M.L. Mortgage Loan

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

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

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

- the effective application

of the administrative and accounting procedures for the formation of the condensed consolidated interim Financial Statements in the course of the first half of 2024.

It is also certified that the condensed consolidated interim Financial Statements as at 30 June 2024:

- have been prepared in compliance with the applicable international accounting standards recognised in the European Community pursuant to regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

- correspond to the results of the accounting books and entries;

- are suitable to provide a true and fair view of the financial position, profit and loss and cash flow situation of the issuer and of the group of consolidated companies.

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

Uboldo, 5 September 2024

Matteo Liberali
CEO

Eligio Macchi
Manager in charge of financial reporting

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REPORT ON REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of LU-VE S.p.A. and subsidiaries (the "LU-VE Group"), which comprise the consolidated statement of financial position as at 30 June 2024, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flows for the six month period then ended, and the related explanatory notes. The Directors are responsible for the preparation of the condensed consolidated interim financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the condensed consolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of LU-VE Group as at 30 June 2024 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Massimiliano Semprini
Partner

Milan, Italy
10 September 2024

This report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.