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 2023

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SUMMARY

INTERIM REPORT
ON OPERATIONS
AS AT 30 JUNE 2023

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1 INTERIM REPORT ON OPERATIONS AS AT 30 JUNE 2023

Subsidiaries and stake held by the Group

Company name	% investment	Currency	Share capital
Direct subsidiaries:			
SEST S.p.A.	100.00%	EUR	1,000,000
Heat Transfer Systems s.r.o. (HTS)	100.00%	CZK	133,300,000
LU-VE Sweden AB	100.00%	SEK	50,000
LU-VE France S.a.r.l.	100.00%	EUR	84,150
LU-VE Pacific Pty Ltd (*)	75.50%	AUD	200,000
LU-VE Deutschland GmbH	100.00%	EUR	230,000
LU-VE Iberica S.L.	85.00%	EUR	180,063
LU-VE 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.
(**) During 2023, the company previously called “Zyklus Heat Transfer Inc.” changed its name to LU-VE US inc.

7 September 2023

Dear Shareholders:

The first half of 2023, from a geopolitical point of view and with reference to the ongoing conflict in Ukraine, did not show positive progress. While true that the main powers have resumed dialogue to map out a way of bringing an end to the war, no concrete steps forward have been taken to date. The perception is that a truce will need to be reached, that is at least a harbinger of peace understood as an absence of major hostilities. On an economic basis, the conflict has essentially been “absorbed” and energy prices have also returned to their natural values and volatility. The war certainly accelerated the processes of greater energy diversification, especially in Europe and promoted the green transition. On a macro level, the half was characterised by a decoupling between production prices in the industry and final consumer prices. The former, down and returning to even lower values than the previous year, the latter, albeit slightly reduced, still at high levels and above the central banks' targets. The consequence is that interest rates on all the main currencies also increased further in the first half of 2023, reaching values not seen since the 2008 crisis.

In addition to values, the speed of price growth is unprecedented. Inflation and economic growth that, albeit slowing down, holds up (with some exceptions such as Germany, currently in a technical recession), is preventing central banks from loosening their grip and this increases the risks of a global recession in the months to come. The slowdown of the industry at European level is an indicator of this, although still contained at the moment. Certainly, these interest rate levels force companies to reschedule their investment plans, after a decade of extremely low debt costs.

In the scenario described above, all GDP forecasts of the main Bodies for the current year have been gradually revised downwards. World GDP (OECD) is expected to grow by 2.7% in 2023, compared to 3.3% in the previous year and 6.1% in 2021. This is the slowest growth since 1990. Growth, however, influenced by the healthy forecasts for India, which should grow by 6%, and for China expected at +5%, compared to the slowdown of the other major economies. The United States, after growth of 2.1% in 2022, is expected to grow by 1.6% in the current year and by 1% in 2024. For the Eurozone, growth of less than 1% is expected after 3.5% last year, however with a slowdown expected in the second half of the year. Italy, after an excellent 2022 (+3.8%) and a first quarter even better than the European average and a slightly negative second quarter, is expected to grow by no more than 1% in the current year and in 2024. Although down compared to the previous exceptional post-pandemic two-year period, it would still be positive for a country that has had to contend, for several years, with a population reduction and an increase in ageing levels, in addition to high debt values which, with the increase in interest rates, reduce the leeway of each government.

In general, the right balance needs to be struck between a monetary policy capable of taming inflation and an economy, albeit in a consequent slowdown, that does not lead to a major recession. The second half will enable us to understand the end result of the monetary adjustments and will allow companies to resume their growth process in a new but more stable framework.

With reference to the prices of raw materials, copper and aluminium in particular, the first half of the current year revealed a retracement with respect to the maximum levels reached in the first half of 2022, and the continuation of the decrease that took hold in the second half of last year. The slowdown in demand and the repositioning of operators with respect to the bottlenecks of the post-Covid period have led to more contained and less volatile price levels. As a result, these phenomena also interrupted the growth in production prices, as highlighted above.

In summary, the impression is that we are moving towards geopolitical and economic balances that are extremely different from those of the recent past. The pandemic and the conflict in Ukraine have accelerated the trends in progress. Financial management in companies will once again have a greater influence on activities, directing their intensity and dynamics. Companies, for their part, will have to pay close attention to margins and efficiency and accommodate the needs of a less lively and more selective economy. These are challenges which the LU-VE group is aware of and equipped to tackle.

Despite a highly challenging comparison with the first half of 2022, by far the best in the history of LU-VE Group, with high levels of demand in all reference markets, the first half of 2023 shows slight growth (+2.7%, compared to the same period of 2022) of product turnover, recording a value of €319.6 million (€311.2 million in the first half of 2022), while the order backlog amounts to approximately €187.5 million, in line with the figure as at 31 December 2022 and with a reduction of 6.6% compared to 30 June 2022, returning to more natural values compared to the last few months, influenced by booming demand also combined, especially in the world of OEM customers, with "precautionary" orders in light of the uncertainties related to the invasion of Ukraine, the risks of "shortage" of some components and materials and the consequent need to replenish safety stocks after years of focussing closely on the "just in time" philosophy.

At the end of the first half of 2023, EBITDA amounted €41.8 million (13.1% of sales), down slightly (-0.7%) compared to the first half of 2022 (€42.1 million, 13.2% of sales). The net result amounted to €19.1 million (€33.2 million euros in the first half of 2022), with a reduction of 42.5%, mainly due to some financial income (related to the positive change in derivative contracts net of the impact of amortised cost) and the capital gain relating to the sale of the investment held in Tecnair LV S.p.A., accounted for in the first half of 2022.

As already highlighted at the end of the first quarter of 2023, the demand in the various application segments recorded greatly different trends in the presence of a general scenario that was certainly less brilliant, as also indicated by the trend reflecting the consumer confidence indexes and the propensity to invest of the industrial sectors. Within this framework, the Group has once again managed to generate positive results thanks to its strategy of diversifying the target markets, which has been in place for many years. In fact, in the first half of 2023, the performance of the air conditioning sector in general, impacted by the extraordinary growth in exchangers for heat pumps using natural fluids for the replacement of gas boilers, essentially offset (even beyond the most pessimistic forecasts) the sharp decline in the market for high energy efficiency clothes dryers and in demand for exchangers for commercial refrigeration in the large-scale distribution sector which, after a slow start (also already reflected in the sales forecasts for the first half), is still struggling to grow in keeping with normal seasonal trends.

At Business Unit level, the "*Components*" SBU recorded revenues from sales down by 3.6% for a value of €178.0 million. As already highlighted, the significant growth in air conditioning (+57.6%) greatly reduced the impact of the decline in the volumes of exchangers and doors for refrigerated counters, for the HORECA segment and for domestic appliances.

On the contrary, the "*Cooling Systems*" SBU, with €141.6 million of product turnover, achieved growth of 11.8% thanks to the acquisition of important projects both in the field of high energy efficiency refrigerated logistics centres using natural fluids, where the LU-VE Group is now the reference player at European level, and in the world of "outdoor" devices for latest generation data centres.

The breakdown of turnover by SBU is given below:

Revenues by SBU (in thousands of Euro)	H1 2023	%	H1 2022	%	Change	% Change
SBU COOLING SYSTEMS	**141,601**	**44.3%**	**126,614**	**40.7%**	**14,987**	**11.8%**
SBU COMPONENTS	**177,957**	**55.7%**	**184,601**	**59.3%**	**(6,644)**	**-3.6%**
TOTAL PRODUCT TURNOVER	**319,558**	**100.0%**	**311,215**	**100.0%**	**8,343**	**2.7%**

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 2022, 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" 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 2.1% compared to the first half of 2022, accounted for around 53% of the Group's consolidated revenues in the first half of 2023

AIR COOLED EQUIPMENT

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

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

Air cooled appliances are 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 over 44% of the Group's consolidated revenues in the first half of 2023, with an increase of 11.8% compared to the first half of 2022.

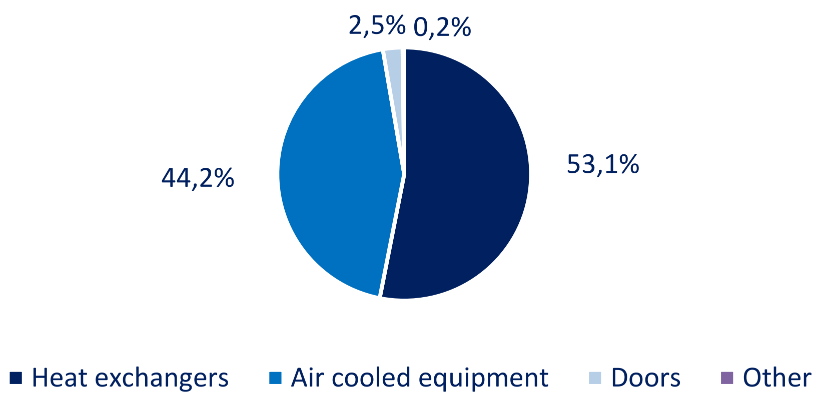
SPECIAL GLASS DOORS FOR REFRIGERATED COUNTERS AND DISPLAY CABINETS

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

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

Revenues from sales of glass doors, down 27.5% compared to the first half of 2022, only accounted for around 2.5% of the Group’s total revenues in the first half of 2023.

The chart below shows the breakdown of turnover by product type as at 30 June 2023:



The table below shows turnover trends by product type in the two first six-month periods of 2023 and 2022 subject to comparison:

PRODUCTS (in thousands of Euro)	H1 2023	%	H1 2022	%	Delta %
Heat exchangers	169,921	53.1%	173,519	54.5%	-2.1%
Air Cooled Equipment	141,601	44.2%	126,614	39.8%	11.8%
Doors	8,036	2.5%	11,082	3.5%	-27.5%
TOTAL PRODUCTS	**319,558**	**99.8%**	**311,215**	**97.8%**	**2.7%**
Other	742	0.2%	7,172	2.2%	-89.7%
TOTAL	**320,300**	**100%**	**318,387**	**100%**	**0.6%**

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

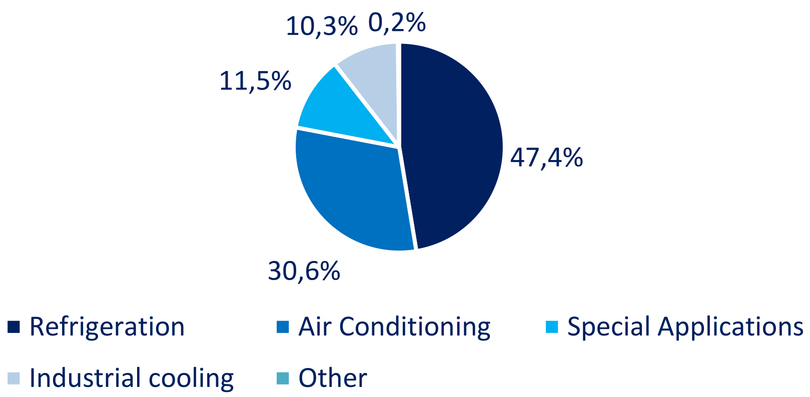
(i) the refrigeration sector, which includes activities relating to the supply chain for food products (the "**Refrigeration Sector**");

(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 power ventilated products used for the refrigeration of engines for the generation of power and general industrial processes (the "**Industrial Cooling Sector**").

The chart shows the breakdown of total turnover by segment in the first half of 2023:



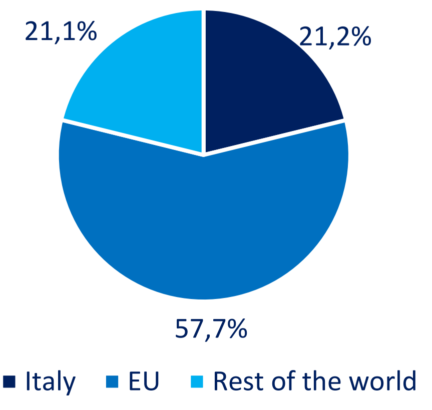
The table below shows turnover trends by application type in the first two six-month periods of 2023 and 2022 subject to comparison:

APPLICATIONS (in thousands of Euro)	H1 2023	%	H1 2022	%	Delta %
Refrigeration	151,872	47.4%	165,374	51.9%	-8.2%
Air Conditioning	97,823	30.6%	66,873	21.0%	46.3%
Special Applications	36,776	11.5%	45,937	14.5%	-19.9%
Industrial cooling	33,087	10.3%	33,031	10.4%	0.2%
TOTAL APPLICATIONS	**319,558**	**99.8%**	**311,215**	**97.8%**	**2.7%**
Other	742	0.2%	7,172	2.2%	-89.7%
TOTAL	**320,300**	**100%**	**318,387**	**100%**	**0.6%**

As already indicated previously, the trend reflecting refrigeration is substantially attributable to the drop in sales of heat exchangers only in the large-scale distribution and *HORECA* markets, while the air conditioning segment mainly benefits from the very strong growth in volumes and market shares in the heat pumps sector (+143.3%). "Special applications", compared with a positive trend (+20.3%) in the sales of exchangers for "mobile" applications and for the other residual categories, were heavily penalised by the extremely negative performance (-67.4%) of heat exchangers for clothes dryers, whose demand fell sharply as early as the second half of 2022, which was reflected throughout the first part of this year. After a slow start in invoicing, but excellent in order acquisition, the *industrial cooling* segment instead closed essentially in line with the previous half, but with a considerably richer order backlog.

The value of finished products billed in the European Union in the period amounted to €252 million (+0.6%), accounting for 78.9% of total sales. The significant growth in heat pumps saw Germany return to being the Group's top export market. Extremely positive performances were recorded in France and in the United Arab Emirates, while the difficulties in the clothes dryers market heavily penalised the results in Poland and the Czech Republic. Lastly, note should be taken of the healthy growth in Italy (+6.2%), with turnover of €67.7 million, whose share of export sales came to 78.8%.

The chart below shows the geographical breakdown of turnover in the first half of 2023:



The Group’s turnover does not depend to a significant extent on individual commercial or industrial contracts. In the first half of 2023, the sales revenues relating to the top 10 customers accounted for a total percentage of turnover just over 32% (substantially in line with the first half of 2022), while the main customer represents 5.5% of total sales (down slightly compared to the first half of 2022).

1.2 SIGNIFICANT EVENTS OCCURRED DURING THE HALF YEAR

In the first part of the year, the expansion of the production site in Poland was completed, while the expansion works of Refrion S.r.l., in the province of Udine, and the progressive conversion works of the former ACC – Wanbao production site, in the province of Belluno, are still in progress. In this regard, it is regrettable to point out, given the timely fulfilment of the commitments undertaken by the Group in terms of time and investment in reconversion and, above all, the hiring of several of the former ACC workers on the Redundancy Fund for years, the unjustifiable failure to comply with contractual agreements signed by the competent ministerial, regional and provincial authorities regarding extraordinary incentives (reduction of contributions) for workers hired in 2022.

In terms of the significant events during the half, Riccardo Quattrini took up the role of Group General Manager, whose onboarding is continuing on schedule and in the manner planned as well as the receipt by the Parent Company of the second tranche, equal to €20 million, relating to the loan agreement signed in December 2022 with BPM S.p.A.

In the first half of 2023, the Group reached an important milestone in its process of integrating sustainability into its corporate strategy, with the approval in February of the first 2023-2025 Sustainability Plan by the Board of Directors.

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

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, a parameter was introduced linked to the reduction of emissions (Scope 1 and Scope 2), in addition to the already existing parameters linked to accident ratios.

In June 2023, LU-VE Group also again obtained the bronze medal from Ecovadis, one of the most authoritative companies specialised in corporate sustainability assessments.

With reference to environmental objectives, the Group has strengthened its monitoring of the emissions generated by its production facilities, with increasingly greater involvement and intervention by factory managers, Operations, HSE and Management Control teams. This monitoring has enabled it to promptly evaluate the effectiveness of the initiatives adopted and the attainment status of reduction targets, in line with the latest scientific findings of the IPCC (*Intergovernmental Panel on Climate Change*). With reference to the emissions generated along the LU-VE Group value chain, initiatives were launched aimed at improving the information systems for tracking specific data.

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 half of 2023, the first global call-to-action on sustainability issues was also launched at all Group companies: LU-VE Group personnel were able to apply for a training and empowerment programme aimed at promoting the culture of sustainability across the whole Group. Following the selection of the participants, the *Sustainability Ambassadors' Journey* will continue during the second half, addressing the main sustainability issues in dedicated sessions with the involvement of external keynote speakers.

Lastly, on 28 April 2023, the Shareholders' Meeting of the Parent Company LU-VE S.p.A.:

- reviewed the consolidated figures and the non-financial statement for 2022 of the LU-VE Group;
- approved the 2022 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 14 March 2023 and already communicated to the market. Note that the profit for the year 2022, equal to €16.2 million, was allocated as follows: (i) €0.8 million to the Legal Reserve, (ii) €1.5 million to the unavailable reserve for unrealised exchange gains, (iii) €7.5 million to the unavailable reserve for the change in the fair value of financial instruments and (iv) the distribution of an ordinary gross dividend of €0.38 per each share outstanding, by using available reserves for the remainder;
- appointed the new corporate bodies, with the reduction of the number of Directors from twelve to ten members, with the entry of a new director representing the minorities.

In June, the building expansion works (at the expense of the local government authorities) of the Tianmen production site in China were launched, following the agreements signed with the authorities of the special economic zone last March. Construction is expected to be completed in April 2024.

Lastly, again in June, the company name of the American subsidiary Zyklus Heat Transfer Inc. was changed to LU-VE US Inc. as part of the project to redefine the strategic plan for the American market.

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

During the month of June, a tax assessment was opened by the Spanish tax authorities on the subsidiary LU-VE Iberica S.l. for the tax periods 2013, 2018 and 2019, with reference to direct taxes and transfer prices.

1.3 CONSIDERATIONS ON THE SHARE'S STOCK MARKET VALUE

During the first half of 2023, LU-VE stock remained almost constantly below the FTSE Italia Star index until the middle of February, recovering in subsequent months and, at the end of the period, was about 6.5 percentage points higher than said index. The average value of the stock in the second quarter recorded an increase of 4% compared to the average value of the first quarter. As at 30 June 2023, the value of the share showed an increase of approximately 9% compared to the beginning of the year.

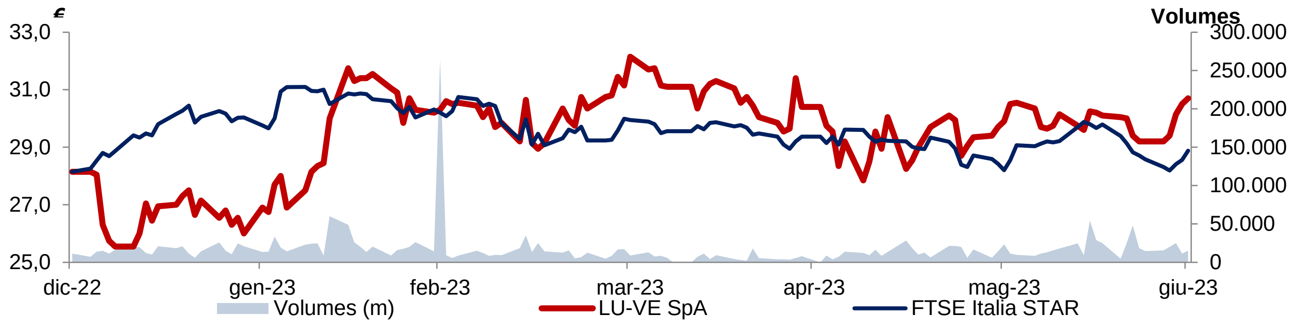
The main figures and share price trends are shown below:

Price as at 2 January 2023: €28.15
Price as at 30 June 2023: €30.70
Change over the period: +9.1%

Maximum Price: €32.15 (31 March 2023)
Minimum Price: €25.55 (6 and 9 January 2023)
Weighted Average Price: €29.43
Volumes traded: 2,201,359

Stock Market capitalisation at 30 June 2023: €682.6 million

On 6 September 2023 (at the closure of the last trading day before the approval of the condensed consolidated interim financial statements) the price was €25.30, corresponding to a capitalisation of €562.5 million, in any case higher than the book value of the Group's reported shareholders' equity (€218.5 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 2023**	**% Revenues**	**H1 2022**	**% Revenues**	**% Change**
Revenues and operating income	320,300	100%	318,387	100%	0.6%
Purchases of materials	(165,667)	51.7%	(207,038)	65.0%	
Changes in inventories	(688)	0.2%	36,890	-11.6%	
Services	(42,905)	13.4%	(41,163)	12.9%	
Personnel costs	(67,763)	21.2%	(62,843)	19.7%	
Other operating costs	(1,463)	0.5%	(2,113)	0.7%	
Total operating costs	**(278,486)**	**86.9%**	**(276,267)**	**86.8%**	**0.8%**
EBITDA	**41,814**	**13.1%**	**42,120**	**13.2%**	**-0.7%**
Depreciation and amortisation (*)	(16,296)	5.1%	(15,724)	4.9%	
Gains/(Losses) on non-current assets	(145)	0.0%	(44)	0.0%	
Operating profit (EBIT) (*)	**25,373**	**7.9%**	**26,352**	**8.3%**	**-3.7%**
Net financial income and expense	(3,393)	1.1%	4,168	1.3%	
Gains (Losses) from investments	-	-	9,473	3.0%	
Pre-tax result (EBT) (*)	**21,980**	**6.9%**	**39,993**	**12.6%**	**-45.0%**
Income taxes for the period (*)	(2,873)	0.9%	(6,765)	2.1%	
Net profit for the period (*)	**19,107**	**6.0%**	**33,228**	**10.4%**	**-42.5%**
Profit attributable to non-controlling interests	954		603		
Profit attributable to the group (*)	**18,153**	**5.7%**	**32,625**	**10.2%**	**-44.4%**

(*) figures restated in comparison with those as of 30 June 2022, pursuant to IFRS 3, to take retrospective account of the effects resulting from the definitive valutation of the fair value of the Refrion Group's buildings and trademarks at the acquisition date (values previously considered provisional, see the note "Introduction – "Purchase Price Allocation relating to the acquisition of the Refrion Group").

"Revenues and operating income" rose by €1.9 million (0.6%) compared to the first half of 2022. At constant exchange rates, revenues would have been almost in line with the previous period. Approximately 1.7% of this increase is due to the increase in sales prices, net of the volume effect and the change in the product mix.

Total "operating costs" rose from €276.3 million (86.8% as a percentage of revenues) in the first half of 2022 to €278.5 million (86.9% as a percentage of revenues) in the first half of 2023. The total increase of 0.8% (€2.2 million) was substantially caused by the following factors:

- consumption of materials decreased by €3.8 million, falling from 53.4% to 51.9% as a percentage of revenues. This increase is due for about €2.2 million to the decline in the prices of the main raw materials and, for the remainder, to the volume effect and the change in the product mix;

- costs for services (13.4% as a percentage of sales, up compared to 12.9% the same period of 2022) show an increase of €1.7 million, consisting for €2.6 million of production-related services (electricity, maintenance, external services), for €1.9 million of other costs for services, net of the decrease of €2.8 million in transport costs. The costs for services as at 30 June 2022 included €0.7 million of non-operating costs relating to the acquisition of the company Refrion S.r.l.;

- personnel costs increased by €4.9 million, mainly linked to the usual salary dynamics and the effects of inflation. The incidence of personnel costs on revenues rose from 19.7% to 21.2%. Personnel costs include approximately €0.7 million relating to start-up activities of the former ACC Wanbao production site, identified as non-operating costs.

"EBITDA" amounted to €41.8 million (13.1% of revenues) compared to €42.1 million (13.2% of revenues) in the first half of 2022. Net of the impact of the non-operating costs described above, Adjusted EBITDA would have been €42.5 million (€42.8 million at the end of the first half of 2022). The change in adjusted EBITDA compared to EBITDA in the first half of 2022 (negative for €0.3 million) was generated for €5.3 million by the increase in sale prices, net of €3.0 million in cost increases of the main raw materials and other production costs, of €1.9 million linked to the partial reduction of safety stocks and €0.7 million related to the volume effect and the change of the product mix.

"Depreciation" shows an increase of €0.6 million (incidence on turnover equal to 5.1%).

"EBIT" amounted to €25.4 million (7.9% of revenues) compared to €26.4 million (8.3% of revenues) in the first half of 2022. Net of non-operating costs (adjusted EBIT), it would have been €26.1 million, or 8.1% of revenues (€27.0 million in first semester 2022, 8.5% of revenues).

The balance of "net financial income and expense" was negative for €3.4 million (positive for €4.2 million in the first half of 2022). The negative difference of €7.6 million is mainly due for €6 million to the negative change in the fair value of the derivative financial instruments for operational hedging of loans and exchange rates, for €0.4 million to the negative change in the exchange rate differences and for €3.9 million to the increase in financial expenses, net of €1.4 million relating to the impact of the amortised cost (for further details, see paragraph 3.12 of the Explanatory Notes) and €1.3 million to the return on invested liquidity.

A capital gain of €9.5 million from the sale of Tecnair LV S.p.A. was recorded under the item "Gains (Losses) from equity investments" in the first half of 2022.

"EBT" was equal to €22.0 million (6.9% of revenues) against a value of €40.0 million as at 30 June 2022 (12.6% 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). EBT for the first half of 2022 normalised ("adjusted" EBT) for non-operating costs (€0.7 million), for gains from equity investments (€9.5 million), for the net effect of the positive change in the fair value of derivatives and the impact of the amortised cost (€4.1 million) would have been €27.1 million (8.5% of revenues).

"Net profit for the period" amounted to €19.1 million (6.0% of revenues) compared to €33.2 million in the first half of 2022 (10.4% of revenues). Applying the tax effect to the non-operating costs and revenues described above, the net profit for the first half of 2023 ("*Adjusted net profit for the period*") would have been €20.0 million, 6.2% of revenues (€21.4 million last year; 6.7% of revenues).

Reclassified Consolidated Balance Sheet ***(in thousands of Euro)***	30/06/2023	% of net invested capital	31/12/2022	% of net invested capital	% Change 2023 over 2022
Net intangible assets	95,207		98,474		
Net property, plant and equipment	198,170		189,264		
Deferred tax assets	8,764		6,992		
Financial assets	1,436		1,473		
Non-current assets (A)	**303,577**	**80.2%**	**296,203**	**83.7%**	**7,374**
Inventories	132,422		134,237		(1,815)
Trade receivables	117,325		83,265		34,060
Other receivables and current assets	13,514		13,273		241
Current assets (B)	**263,261**		**230,775**		**32,486**
Trade payables	116,663		106,587		10,076
Other payables and current liabilities	46,006		40,913		5,093
Current liabilities (C)	**162,669**		**147,500**		**15,169**
Net working capital (D=B-C)	**100,592**	**26.5%**	**83,275**	**23.6%**	**17,317**
Provisions for employee benefits	5,379		5,299		80
Deferred tax liabilities	14,553		14,955		(402)
Provisions for risks and charges	5,559		5,492		67
Medium/long-term liabilities (E)	**25,491**	**6.7%**	**25,746**	**7.3%**	**(255)**
Net Invested Capital (A+D-E)	378,678	100%	353,732	100%	24,946
Shareholders' equity attributable to the group	213,643		206,748		6,895
Non-controlling interests	4,851		4,712		139
Total Consolidated Shareholders' Equity	**218,494**	**57.7%**	**211,460**	**59.8%**	**7,034**
Medium- Term Net Financial Position	296,255		338,014		(41,759)
Short- Term Net Financial Position	(136,071)		(195,742)		59,671
Total Net Financial Position	**160,184**	**42.3%**	**142,272**	**40.2%**	**17,912**
Own funds and net financial debt	378,678	100%	353,732	100%	24,946

Non-current assets as at 30 June 2023 show an increase of approximately €7.4 million, mainly due to net investments for the period of €5.6 million and the increase in prepaid taxes of €1.8 million. Investments for the period amounted to roughly €21.6 million, of which around €8.7 million deemed non-ordinary (referring mainly to investments for the expansion of production facilities, with particular reference to those made in Poland and Italy).

LU-VE Group's operating working capital (equal to the sum of inventories and trade receivables net of trade payables) as at 30 June 2023 amounted to €133.1 million, equal to 21.4% of LTM sales (as at 30 June 2022, it totalled €120.9 million, equal to 20.7% of LTM sales). As at 31 December 2022, the operating working capital of LU-VE Group amounted to €110.9 million with an incidence of 17.9% on sales. The increase recorded in the period is tied to both the trend in sales in the second quarter of 2023 compared to the final quarter of 2022, and the confirmation of the strategic decision to invest in safety stocks of raw materials and electrical components, to guarantee delivery terms in line with customers' expectations. Normalising said effect, considering the incidence of operating working capital on LTM sales as at 31 December 2022, operating working capital as at 30 June 2023 would have been around €111.7 million.

Consolidated shareholders' equity amounted to €218.5 million compared to €211.5 million as at 31 December 2022. The increase (€7 million) is due to the profit for the period (€19.1 million) adjusted by the distribution of dividends for €9.2 million and the negative variation of the Translation reserve (€2.9 million).

The net financial position was negative by €160.2 million (€142.3 million as at 31 December 2022), with a difference of €17.9 million, primarily due to investments (€17.8 million), the distribution of dividends (€9.2 million), the increase in the operating working capital (€22.2 million), net of €1.8 million linked to the variation in other payables and receivables and derivatives and roughly €29.5 million in positive cash flows from operations. Normalising the net financial position in consideration of the above-commented non-ordinary effect on net working capital, the figure as at 30 June 2023 would have been a negative €138.8 million. The net financial position as at 30 June 2022 amounted to €155.4 million (a worsening of €4.8 million in the past twelve months). In the 1 July 2022 - 30 June 2023 period, the cash flow from operations adjusted by non-operating items totalled roughly €44.3 million.

1.5 ALTERNATIVE PERFORMANCE MEASURES

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

Monetary amounts in thousands of Euro	H1 2023	H1 2022
Average days of inventory (1)	76.8	96.8
Inventory turnover ratio (2)	4.7	3.7
Receivables turnover ratio (3)	5.3	5.4
Average days sales outstanding (4)	68.1	66.5
Payables turnover ratio (5)	3.6	2.7
Average days payable outstanding (6)	101.1	132.4
Net Invested Capital	378,678	362,275
EBITDA	41,814	42,120
Adjusted EBITDA (7)	42,514	42,811
EBITDA/Financial expense	6	12
Adjusted EBIT (8)	26,073	27,043
Adjusted EBT (9)	23,158	27,099
Adjusted net profit for the period (10)	19,975	21,426
Basic earnings per share (11)	0.82	1.47
Diluted earnings per share (12)	0.82	1.47
Dividends per share (13)	0.38	0.35
Net financial position	(160,184)	(155,421)
Adjusted net financial position (18)	(138,795)	(118,991)
Net financial position/EBITDA	2.14	2.03
Debt ratio (14)	0.73	0.75
Operating working capital (15)	133,084	120,868
Adjusted operating working capital (19)	111,695	84,500
Net working capital (16)	100,592	95,895
Cash flow from operations adjusted for non-recurring items (17)	44,326	30,668
Goodwill and Other Intangible assets/Total assets	0.12	0.13
Goodwill and Other Intangible assets/Shareholders' equity	0.44	0.50

Note:

The methods for calculating the measures 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 for non-operating costs:

Values in €/million	H1 2023	H1 2022
EBITDA	41.8	42.1
Expenses for business combinations	-	0.7
Start-up expenses	0.7	-
Adjusted EBITDA	**42.5**	**42.8**

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

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

Values in €/million	H1 2023	H1 2022
EBT	22.0	40.0
Gains from the sale of equity investments	-	(9.5)
Net financial income and expense	0.5	(4.1)
Expenses for business combinations	-	0.7
Start-up expenses	0.7	-
Adjusted EBT	**23.2**	**27.1**

(10) Net profit for the period adjusted for non-operating costs and revenues (adjusted EBT "base" - see previous table - net of taxes of €-3.2 million for 2023 and €-5.7 million for 2022);

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

(12) Net profit for the period/(Weighted average number of ordinary shares + potential number of additional ordinary shares, the latter equal to zero in both periods);

(13) Nominal value of the dividend per share approved in each year.

(14) Net financial position/Total Consolidated Shareholders' equity

(15) Total of inventories and trade receivables net of trade payables;

(16) Current assets net of current liabilities.

(17) Cash flow from operations adjusted for non-recurring LTM items:

Values in €/million	LTM - H1 2023	LTM - H1 2022
Change in Net financial position	(4.8)	(38.6)
Non-ordinary investments (*)	17.7	12.4
Dividends paid (**)	9.2	8.2
Acquisition/(sale) of equity investments (***)	-	12.6
Change in financial payables for leases pursuant to IFRS 16	(2.9)	(0.3)
Non-operating costs (****)	3.7	-
Adjustment to operating working capital (*****)	21.4	36.4
Cash flow from operations adjusted for non-recurring items	**44.3**	**30.7**

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

(**) As per "Consolidated Statement of Changes in Equity", paragraph 1.4 of the Condensed Consolidated Interim Financial Statement.

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

(****) Calculated as the sum of the extraordinary bonus paid to Group collaborators in the second half of 2022 (€3.0 million) and the already commented start-up costs (€0.7 million).

(****) 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 other operating income - LTM	620.5
Target	18.0%
Expected operating working capital	**111.7**

(18) Net financial position normalised with respect of the already mentioned effect on operating working capital, see paragraph "1.4 Economic and financial data";

(19) Normalised operating working capital as already mentioned, see paragraph "1.4 Economic and financial data".

2 OBSERVATIONS ON THE FINANCIAL PROFILE AND ON GOING CONCERN

The condensed consolidated interim financial statements as at 30 June 2023 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 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 2023, LU-VE Group has a solid and balanced financial structure with a Net financial debt/Equity ratio (Debt ratio) of 0.73 (0.67 as at 31 December 2022) and a positive short-term net financial position of €136.1 million (positive for €195.7 million as at 31 December 2022), therefore guaranteeing the repayment of medium/long-term debt maturing in the next 12 months (totalling €104.3 million).

It should be noted that the estimates of the 2023 forecast lead to the expectation that, as at 31 December 2023, there will be no critical issues with respect to compliance with the covenants on a consolidated basis, envisaged by the Group's financial debt (which is, moreover, contractually required only at the closing of the annual consolidated financial statements).

Comparing the 2023-26 Business Plan with the economic results achieved in the first half of 2023 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 23 February 2023.

In light of what is laid out above, the condensed consolidated interim financial statements of the Group as at 30 June 2023 were prepared on a going concern assumption, pursuant to paragraphs 25 and 26 of IAS 1.

2.1 MAIN RISKS AND UNCERTAINTIES

RISKS RELATED TO TRENDS IN RAW MATERIAL PRICES

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

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

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

The first half of the current year revealed a retracement with respect to the maximum levels reached in the first half of 2022, and the continuation of the decrease that took hold in the second half of last year. The slowdown in demand and the repositioning of operators with respect to the bottlenecks of the post-Covid period have led to more contained and less volatile price levels. It should be recalled that the Group has “pass through” systems in place which allow cost increases to be transferred to end customers, guaranteeing the protection of margins.

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

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

RISKS RELATED TO NET FINANCIAL DEBT

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

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

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

The financial instruments in which LU-VE Group invests its available liquidity are mainly represented by Time Deposits, which can be freely disposed, term deposits for a specific short period of time and remunerated at a pre-established rate.

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

- specific risk linked to the characteristics of the relative issuer: capital strength of the issuer, its economic characteristics, taking into account the unique features of the sectors in which it operates, which impact the risk that the issuer itself may be unable to repay the accrued interest and/or the invested capital;

- the generic (or systematic) risk linked to: *(i)* interest rate fluctuations, *(ii)* market price trends and *(iii)* the difficulty/impossibility of easily monetising positions in financial assets without significantly and unfavourably influencing their price.

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

RISKS RELATED TO EXCHANGE RATE FLUCTUATIONS

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

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

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

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

In terms of acquisitions, the main currency to which the LU-VE Group is exposed is the US dollar (USD, currency to which the cost of the main raw materials is linked): indeed, raw materials in the reference markets are quoted in USD and the cost is converted into 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 they are exposed to the risk of fluctuations in the exchange rate between the Euro and their local currencies.

At centralised level, in order to protect the income statement and the balance sheet items from such fluctuations and reduce the risk arising from changes in exchange rates, the Group considers the subscription of derivative financial instruments with the intent of hedging the underlying risks. However, from a merely accounting perspective, although such instruments substantially hedge the risks mentioned, they do not meet all the requirements pursuant to IFRS 9 and cannot be defined as hedge accounting; therefore, the Group has decided to consider these instruments as held for trading and not for hedging and as a result such instruments were measured at fair value through profit and loss (“FVTPL”) 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 6% of consolidated turnover, and the top 10 customers represent a total percentage of consolidated turnover of less than 33%, the "heat pumps" sector (which from this year accounts for 12.8% of turnover), 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 12.3% of total turnover in the first half of 2023), the domestic appliances sector (in which the Group supplies all the most important European brands, with a significant decrease in turnover in the period and with a decreased share of 2.1% of the total in the period) and the power generation applications sector (10.4% of turnover) are characterised by the strong commercial leadership exercised by several large customers.

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

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

RISKS RELATED TO POSSIBLE PROCUREMENT DIFFICULTIES AND RELATIONS WITH SUPPLIERS

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

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

During the first half of 2023, 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 ANY INTERRUPTIONS OF BUSINESS OPERATIONS

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

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

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

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 based. This risk is managed by subscribing derivative instruments (primarily interest rate swaps) to hedge this risk based on its own needs. This hedging policy allows the Group to reduce its exposure to the risk of interest rate fluctuations. As at 30 June 2023, the coverage of these risks represented 89.8% of the residual loans in place.

However, from a merely accounting perspective, although such instruments substantially hedge the risks mentioned, they do not meet all the requirements pursuant to IFRS 9 and cannot be defined as hedge accounting; therefore, the Group has decided to consider these instruments as held for trading and not for hedging, as a result such instruments were measured at fair value through profit and loss (“FVTPL”). For further details, please refer to Appendix A of the Explanatory Notes to the Consolidated 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 good results achieved also in the presence of the impact of the pandemic.

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

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

More specifically, the Group:

(i) is heavily export-oriented, with turnover earned predominantly outside the Italian market (in the periods ending 30 June 2023, 2022 and 2021, Group revenues from sales made abroad represented 78.8%, 79.5% and 79.8% of total sales, respectively);

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

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

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

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

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

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

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 revenues means that the Group’s exposure in this area in terms of turnover is only 5.7%. The absence of significant investments in the country was substantially confirmed.

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 fast technological evolution. Therefore, considering that good IT performance is a key issue for business continuity, the Group started a progressive process on the various company systems, to assess threats and the degree of resistance of current protection systems against cyber-attacks, also through the execution of vulnerability assessments. The infrastructures and platforms used by the Group are largely managed by external companies that carry out the vulnerability assessments, confirming the results obtained and placing actions in place to mitigate the potential shortcomings identified. During the first half of 2023, various vulnerability tests were carried out (*penetration tests*) which did not reveal any critical issues.

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

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

RISKS RELATED TO CLIMATE CHANGE

With reference to the best practices of the industry the Group belongs to, as well as the most authoritative literature on the subject, the Directors carried out specific assessments, with reference to 31 December 2022, in order to identify in detail the risk factors relating to climate change, both physical and of transition, more relevant for the Group's activities (taking also into account the supply chain, for the aspects deemed of interest, as recommended by the European Union guidelines relating to the reporting of climate-related information). For further details, please refer to the Annual Financial Report as at 31 December 2022.

During 2023, 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 attributable to climate change, a specific analysis was carried out in 2022 by an external consultant, in order to identify the potential aspects relevant to the Group. The risks that could affect the Group were identified as follows: a significant increase in temperatures (for the US and India plants of the SBU Components) and the occurrence of extreme weather events (heavy snowfall for the plants of the Refrion Group for the SBU Cooling System). The investments/higher charges deriving from the management of these risks were considered immaterial for the Group (overall quantified at approximately €4 million per year). During the second half of 2023, assessments will be carried out in order to understand the need for updates with respect to what has just been described, also in light of the climate events that occurred in Northern Italy during the beginning of the second half of 2023, as described in paragraph 2.4 - " Subsequent Events occured after 30 June 2023". In view of the above, physical risks of any nature, including therefore those attributable to climate change, are managed through “all risk” insurance policies that provide for compensation for both the relevant damage and for loss of profit (in the event of interruption of activities of the plant to due to physical damage, the resulting gross profit loss is estimated on the basis of the most recent productivity statistics). An updated estimate is also carried out every year by a specialised company, in order to update the policy limits in consideration of the investments made (e.g. for expansion or renovation of properties).

On the other hand, the impacts deriving from transitional risks could be more significant, with particular reference to aspects linked to regulatory, technological and market developments. In fact, an ecological transition towards products with a lower environmental impact in terms of greenhouse gas emissions is already underway in the Group's reference product sectors, following the adoption, at EU level, of specific legislation aimed at the progressive reduction of market shares of traditional refrigerant products ("F-gases", which have a greater impact on global warming), which in 2030 cannot exceed 20% of the total value across the European community. The F-gas legislation is being revised with a planned acceleration of the time targets relating to the ban on traditional refrigerants. 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 the change, consequently guiding the Group's customers demands aimed at obtaining products that are able to meet the envisaged requirements.

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

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

The outcome of the above assessments relating to the significance of the risks associated with climate change was also duly taken into account in the process of defining the assumptions adopted for the purpose of preparing the Business Plan for the years 2023-2026. During the second half of 2023, specific activities will be carried out to analyse the impacts that will emerge from the new reporting regulations required by the *Corporate Sustainability Reporting Directive* ("CSRD") which will come into force for listed companies starting from the 2024 financial statements.

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 2022 (which should be referred to), the profile of which has not changed in the first half of 2023.

2.2 DEVELOPMENT AND INNOVATION ACTIVITIES

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

The main projects involved the continuous development of new product ranges (mainly aimed at the use of natural refrigerants, such as carbon dioxide, hydrocarbons and ammonia), the miniaturisation and specialisation of tube and matrix surfaces to improve heat exchange efficiency, the performance of studies and projects related to IOT technologies, the electronic regulation system which includes the possibility of remote supervision and automatic chatbot systems to help customers find the set of parameters that optimises the product and maximises operating efficiency, all available from a "web app". During the first half of 2023, this development activity involved total investments of approximately €0.6 million, all capitalised under intangible fixed assets.

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

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

2.4 SUBSEQUENT EVENTS OCCURRED AFTER 30 JUNE 2023: significant events and business outlook

With regard to the issue of incentives for the hiring of former "Acc Wanbao" workers already mentioned in paragraph 1.2 "Significant events of the half", at the end of July the INPS confirmed the tax deduction for only 30 of the 80 workers hired so far (and not for the full amount). At the same time, the original agreements were modified with a reduction in the number of people that the Group has undertaken to hire.

In August, based on the unanimous decision of the Board of Directors, the Group made a donation of €300,000 to the flood victims of the Emilia Romagna region for projects to rebuild schools and sports facilities, and to support vulnerable members of the community.

On 28 August, the subsidiary SEST-LUVE-Polska SP.z.o.o. won the auction for the last available lot of land within the Special Economic Zone in which it operates, for a total amount of 9.6 million of zloty (equal to 2.2 million of Euro). The acquisition is expected to be completed by the end of September.

During the summer, extraordinarily intense atmospheric events hit various production sites, particularly in Italy, causing damage to properties (roofs and doors and windows), electrical systems and photovoltaic panels, motor vehicles and finished products ready for shipping. The quantification of the damages is still in process, however it is believed to cover totally the damages thanks to the insurance policy in place.

Tax assessments are still in progress by the Italian tax authority on the parent company LU-VE S.p.A. and by the Spanish authorities on the subsidiary LU-VE Iberica S.l.

With the exception of a partial recovery in orders linked to the household appliances sector, the expected restart of investments in the large-scale distribution and HORECA segments has not yet materialised in recent weeks.

The increase in product turnover in the first half of 2023 (+2.7%) is incorporated in a trend in Group sales that, over the last 3/4 years, has recorded significant growth (turnover CAGR of more than 14%; EBITDA +14.3%), and even better than the medium/long-term "guidance", communicated in due course, despite the turbulence of the general context.

This hugely satisfying result confirms the effectiveness of the strategy pursued in constructing a resilient business model - thanks to the diversification of the applications of products in sectors with unrelated trends - supported by secular trends such as electrification, decarbonisation and the adoption of refrigerant gases with zero or low environmental impact, technological developments where LU-VE has been a first mover.

In a macroeconomic scenario that has deteriorated globally, characterised by heightened uncertainty, the Group works tirelessly and with great determination to preserve its profit margins, also in the presence of increased volatility of the expected results in terms of turnover.

2.5 MANAGEMENT AND COORDINATION ACTIVITIES

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

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

2.6 RELATED PARTY TRANSACTIONS

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

2.7 TREASURY SHARES

Pursuant to law, please recall that as at 30 June 2023, the Group held 28,027 treasury shares (unchanged with respect to 31 December 2021), equal to 0.1261% of share capital, acquired at an average price of €10.2827 based on the authorisation resolution approved by the Shareholders’ Meeting on 29 April 2019. In application of international accounting standards, these instruments are recognised as a deduction from the shareholders’ equity attributable to the Group.

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

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

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

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

2.10 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 Report on Operations as at 30 June 2023 corresponds to the results of the accounting documents, books and entries.

2.11 SECONDARY OFFICES

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

The Chairman and CEO
Matteo Liberali

2.12 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) Corporate bodies have been appointed by the Shareholders' meeting held on 28 of April 2023 and they will be in charge until the approval of 2025 financial statements. For all other information related to the corporate bodies, please refer to the Report on Corporate Governance and Ownership structure drafted pursuant to art 123 bis of D.Lgs. 58/1998, available on the Company website.

2.13 AUDIT FIRM

Deloitte & Touche S.p.A.

2.14 REGISTERED OFFICE AND COMPANY INFORMATION

LU-VE S.p.A.

Via Vittorio Veneto no. 11, Varese

I - 21100 Varese (VA) Italy

Tel: +39 02 96716270

Share capital €62,704,488.80 fully paid in

Tax Code and VAT no.: 01570130128

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2023

CONTENTS

1 FINANCIAL STATEMENTS

1.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated Statement of Financial Position *(in thousands of Euro)*	**Notes**	**30/06/2023**	**31/12/2022**
ASSETS			
Goodwill	3.1	64,230	64,431
Other intangible assets	3.1	30,977	34,043
Property, plant and equipment	3.2	146,595	148,742
Right-of-use assets	3.2	14,638	16,388
Other property, plant and equipment	3.2	36,937	24,134
Deferred tax assets	3.19	8,764	6,992
Investments	3.3	141	141
Other non-current assets	3.4	1,295	1,332
Non-current assets		303,577	296,203
Inventories	3.5	132,422	134,237
Trade receivables	3.6	117,325	83,265
Current tax assets	3.7	7,879	9,789
Current financial assets	3.8	110,966	126,873
Other current assets	3.9	5,635	3,484
Cash and cash equivalents	3.10	144,504	177,258
Current assets		518,731	534,906
Assets held for sale		-	-
Assets held for sale		-	-
TOTAL ASSETS		822,308	831,109

Consolidated Statement of Financial Position *(in thousands of Euro)*	**Notes**	**30/06/2023**	**31/12/2022**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital	3.11	62,704	62,704
Reserves and retained earnings (losses)	3.11	132,786	96,330
Profit (loss) for the period	3.11	18,153	47,714
Total equity attributable to the Group		213,643	206,748
Equity attributable to non-controlling interests		4,851	4,712
TOTAL EQUITY		218,494	211,460
Loans	3.12	280,720	320,201
Provisions	3.13	5,559	5,492
Employee benefits	3.14	5,379	5,299
Deferred tax liabilities	3.19	14,553	14,955
Other financial liabilities	3.2 - 3.15	15,535	17,813
Non-current liabilities		321,746	363,760
Trade payables	3.16	116,663	106,587
Loans	3.12	113,560	103,265
Tax liabilities	3.17	9,713	8,751
Other financial liabilities	3.2 - 3.15 - 3.8	5,839	5,124
Other current liabilities	3.18	36,293	32,162
Current liabilities		282,068	255,889
Liabilities held for sale		-	-
Liabilities held for sale		-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		822,308	831,109

1.2 CONSOLIDATED INCOME STATEMENT

Consolidated Income Statement *(in thousands of Euro)*	**Notes**	**H1 2023**	**H1 2022**	
REVENUES AND OPERATING INCOME				
Revenues	4.1	319,505	317,427	
Other revenues		795	960	
Total revenues and operating income		**320,300**	**318,387**	
OPERATING COSTS				
Purchases of materials	4.2	(165,667)	(207,038)	
Changes in inventories	3.5	(688)	36,890	
Costs for services	4.3	(42,905)	(41,163)	
Personnel costs	4.4	(67,763)	(62,843)	
Net reversal/(write-downs) of financial assets	4.5	127	70	
Other operating costs	4.6	(1,590)	(2,183)	
Total operating costs		**(278,486)**	**(276,267)**	
Depreciation and amortisation	3.1 - 3.2	(16,296)	(15,724)	(*)
Gains/(Losses) on the sale of non-current assets	3.1 - 3.2	35	(44)	
Write-downs on non-current assets	3.1 - 3.2	(180)	-	
EBIT		**25,373**	**26,352**	**(*)**
Financial income	3.8 - 3.15 - 4.7	3,090	7,063	
Financial expense	4.8	(6,854)	(3,660)	
Exchange gains (losses)	4.9	371	765	
Gains (Losses) from investments	4.10	-	9,473	
EBT		**21,980**	**39,993**	**(*)**
Income taxes	4.11	(2,873)	(6,765)	(*)
NET PROFIT (LOSS)		**19,107**	**33,228**	**(*)**
Profit Attributable to non-controlling interests	3.11	(954)	(603)	
GROUP NET PROFIT (LOSS)		**18,153**	**32,625**	**(*)**

(*) figures restated in comparison with those as of 30 June 2022, pursuant to IFRS 3, to take retrospective account of the effects resulting from the definitive valuation of the fair value of the Refrion Group's buildings and trademarks at the acquisition date (values previously considered provisional, see the note "Introduction – "Purchase Price Allocation relating to the acquisition of the Refrion Group").

1.3 EARNINGS PER SHARE AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Earnings per share

Earnings per share *(in Euro)*	Notes	H1 2023	H1 2022	
EARNINGS PER SHARE	4.12			
Basic		0.82	1.47	(*)
Diluted		0.82	1.47	(*)

(*) figures restated in comparison with those as of 30 June 2022, pursuant to IFRS 3, to take retrospective account of the effects resulting from the definitive valuation of the fair value of the Refrion Group's buildings and trademarks at the acquisition date (values previously considered provisional, see the note "Introduction – "Purchase Price Allocation relating to the acquisition of the Refrion Group").

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income *(in thousands of Euro)*	Notes	H1 2023	H1 2022	
GROUP NET PROFIT (LOSS)		19,107	33,228	(*)
Components that will not subsequently be reclassified to the Income Statement of the period				
Actuarial gains/(losses) from liabilities for employee benefits	3.14	12	627	
Tax effect		(3)	(158)	
		9	469	
Components that will subsequently be reclassified to the Income Statement				
Exchange differences from translation of Financial Statements in foreign currency	1.4	(2,829)	9,572	
TOTAL COMPREHENSIVE INCOME (LOSS)		16,287	43,269	(*)
of which:				
Attributable to non-controlling interests	3.11	(954)	(603)	
ATTRIBUTABLE TO THE GROUP		15,333	42,666	(*)

(*) figures restated in comparison with those as of 30 June 2022, pursuant to IFRS 3, to take retrospective account of the effects resulting from the definitive valuation of the fair value of the Refrion Group's buildings and trademarks at the acquisition date (values previously considered provisional, see the note "Introduction – "Purchase Price Allocation relating to the acquisition of the Refrion Group").

1.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated Statement of changes in equity *(in thousands of Euro)*	**Share capital**	**Share premium reserve**	**Legal reserve**	**Treasury shares**	**Translation reserve**	**Post-employment benefits discounting reserve**	**Other reserves**	**Profit (loss) for the period**	**Total Shareholders' equity attributable to the Group**	**Shareholders' equity attributable to non-controlling interests**	**Total shareholders' equity**
BALANCE AS AT 01/01/2022	62,704	24,762	3,555	(288)	(12,326)	(763)	66,118	23,739	167,501	4,586	172,087
Allocation of 2021 profit											
Dividends paid	-	-	-	-	-	-	(7,750)	-	(7,750)	(450) (**)	(8,200)
Retained	-	-	190	-	-	-	23,549	(23,739)	-		-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-		-
Other	-	-	-	-	-	133	(133)	-	-	(368) (***)	(368)
Statement of comprehensive income as at 30/06/2022	-	-	-	-	9,572	469	-	32,625 (*)	42,666 (*)	603	43,269 (*)
BALANCE AS AT 30/06/2022	62,704	24,762	3,745	(288)	(2,754)	(161)	81,784	32,625 (*)	202,417 (*)	4,371	206,788 (*)
BALANCE AS AT 31/12/2022	62,704	24,762	3,745	(288)	(13,643)	(8)	81,762	47,714	206,748	4,712	211,460
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)
Statement of 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

(*) figures restated in comparison with those as of 30 June 2022, pursuant to IFRS 3, to take retrospective account of the effects resulting from the definitive valuation of the fair value of the Refrion Group's buildings and trademarks at the acquisition date (values previously considered provisional, see the note "Introduction – "Purchase Price Allocation relating to the acquisition of the Refrion Group").
(**) The amount refers to dividends approved by the subsidiary SEST-LUVE-Polska Sp.z.o.o. which, as at 30 June 2022, had not been paid yet.
(***) The line "Other" mainly refers to the effects relating to the deconsolidation of Tecnair LV Spa: €133 thousand relating to the reversal of the post-employment benefits discounting reserve to Other Reserves and €826 thousand for the deconsolidation of the related minority interests, as well as the movement of the Translation reserve relating to minority interests for a positive amount of €458 thousand.
(****) The amount of €650 thousand refers to dividends approved by the subsidiary SEST-LUVE-Polska Sp.z.o.o. which, as at 30 June 2023, have not been paid yet, and for €63 thousand to dividends approved by the subsidiary «OOO» SEST LU-VE Russia of which €44 thousand unpaid as at 30 June 2023.
(*****) The line item "Other" shows the changes in the translation reserve relating to minority interests.

1.5 CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated Statement of Cash Flows *(in thousands of Euro)*	**Notes**	**H1 2023**	**H1 2022**	
A. Cash and cash equivalents at the beginning of the period		177,258	166,328	
Profit (loss) for the period		19,107	33,228	(*)
Adjustments for:				
- Depreciation and amortisation	3.1 - 3.2	16,296	15,724	(*)
- Capital (Gains)/losses, write-downs of non-current assets		145	44	
- (Gains)/losses on the sale of equity investments	4.10	-	(9,473)	
- Net financial expenses	4.7 - 4.8	4,069	3,375	
- Income taxes	4.11	2,873	6,765	(*)
- Changes in fair value	4.7 - 4.8	(305)	(6,778)	
Changes in employee benefits	3.14	20	(79)	
Changes in provisions		67	630	
Changes in trade receivables	3.6	(34,060)	(30,055)	
Changes in inventories	3.5	688	(36,890)	
Changes in trade payables	3.16	10,076	24,642	
Changes in net working capital		(23,296)	(42,303)	
Changes in other receivables and payables, deferred taxes		1,799	5,381	
Tax payment	4.11	(5,258)	(4,866)	
Net paid financial expenses	4.7 - 4.8	(3,526)	(1,204)	
B. Cash flows from (used in) operating activities		11,991	444	
Investments in non-current assets:				
- intangible assets	3.1	(1,187)	(1,911)	
- property, plant and equipment	3.2	(15,285)	(12,052)	
- financial assets		-	-	
Investments in short-term financial assets		16,212	216	
Net cash paid in Business combination		-	(7,282)	
Net cash flow generated from disposal of investments		-	11,444	
C. Cash flows from (used in) investing activities		(260)	(9,585)	
Repayment of loans	3.12	(70,067)	(118,121)	
New loans	3.12	40,000	86,187	
Changes in other financial liabilities (**)		(3,426)	(2,960)	
Sale/(Purchase) of treasury shares		-	-	
Contributions/repayments of own capital		-	-	
Payment of dividends	3.11	(8,455)	(7,750)	
Other changesv		-	-	
D. Cash flows from (used in) financing activities		(41,948)	(42,644)	
Exchange differences	3.11	(2,931)	10,030	
Other non-monetary changes (***)		395	(11,010)	
E. Other changes		(2,536)	(980)	
F. Net cash flows in the period (B+C+D+E)		(32,753)	(52,765)	
Cash and cash equivalents at the end of the period (A+F)		144,505	113,563	
Current financial debt		8,434	16,220	
Non-current financial debt		296,255	252,764	
Net financial debt (Note 3.20)		160,184	155,421	

(*) figures restated in comparison with those as of 30 June 2022, pursuant to IFRS 3, to take retrospective account of the effects resulting from the definitive valuation of the fair value of the Refrion Group's buildings and trademarks at the acquisition date (values previously considered provisional, see the note "Introduction – "Purchase Price Allocation relating to the acquisition of the Refrion Group").

(**) The amount mainly refers to the payments of renting fees on right-of-use assets accounted for in accordance with IFRS 16.

(***) The amount is mainly attributable to the period effect of the period of the net exchange rate differences in intangible assets (gains for €191 thousand), property, plant and equipment (losses for €1,016 thousand) and inventories (gains for €1,127 thousand). As at 30 June 2022, the amount was mainly composed of the period effect of the net exchange rate differences of intangible assets (losses for €683 thousand), property, plant and equipment (losses for €4,020 thousand) and inventories (losses for €6,182 thousand).

2 EXPLANATORY NOTES

2.1 INTRODUCTION

“Purchase Price Allocation” relating to the Acquisition of the Refrion Group

In March 2022, LU-VE S.p.A. acquired 75% of Refrion S.r.l., active in the production and sale of heat exchangers with adiabatic systems for applications in data centres and industrial processes. For further information on the aforementioned acquisition, please refer to the note "2.1 Introduction - Acquisition of the Refrion Group" reported in the Annual Financial Report as at 31 December 2022.

With reference to the acquisition made, please note that the Group, as at 30 June 2022, opted for the provisional allocation, as provided by IFRS 3, of the acquisition price to the assets, liabilities and intangible assets not recognised in the "financial statements of the Refrion Group”, within the limit of their fair value; this provisional allocation revealed a "provisional" goodwill of €13.2 million.

The allocation process was therefore definitively concluded in the second half of 2022 and all the financial statements line items affected by this process have been summarised below:

- Assets subject to definitive allocation as early as 30 June 2022
    - inventories, whose fair value as at 31 March 2022 was higher than its book value by €350 thousand, generating deferred tax liabilities of €98 thousand.
- Assets subject to definitive allocation as at 31 December 2022
    - trademarks, whose fair value as at 31 March 2022 was higher than its book value by €2,995 thousand, generating deferred tax liabilities of €836 thousand. This was supported as a result of a valuation report issued by an independent expert appointed by the LU-VE Group;
    - buildings, whose fair value as at 31 March 2022 was higher than its book value by €2,245 thousand, generating deferred tax liabilities of €626 thousand. This was supported as a result of a valuation report issued by an independent expert appointed by the LU-VE Group.

Following what is reported above, the provisional allocation to goodwill of €13.2 million as at 30 June 2022 become definitive for €9.4 million.

In relation to the aforementioned allocation process, as set out in IFRS 3, the Group restated the comparative figures of the Income Statement for the six months ended 30 June 2022, in order to reflect the higher amortisation and depreciation deriving from the definitive fair value measurement of trademarks and buildings, as well as of the relative tax effect. The changes are reported below:

Consolidated income statement (in thousands of Euro)	Notes	H1 2022	PPA REFRION (Building)	PPA REFRION (Trademarks)	Total RESTATED
REVENUES AND OPERATING INCOME					
Revenues	4.1	317,427			317,427
Other revenues		960			960
Total revenues and operating income		**318,387**			**318,387**
OPERATING COSTS					
Purchases of materials	4.2	(207,038)			(207,038)
Changes in inventories	3.5	36,890			36,890
Costs for services	4.3	(41,163)			(41,163)
Personnel costs	4.4	(62,843)			(62,843)
Net reversal/(write-downs) of financial assets	4.5	70			70
Other operating costs	4.6	(2,183)			(2,183)
Total operating costs		**(276,267)**			**(276,267)**
Depreciation and amortisation	3.1 - 3.2	(15,632)	(17)	(75)	(15,724)
Gains/(Losses) on the sale of non-current assets	3.1 - 3.2	(44)			(44)
Write-downs on non-current assets	3.1 - 3.2	-			-
EBIT		26,444	(17)	(75)	26,352
Financial income	3.8 - 3.15 - 4.7	7,063			7,063
Financial expense	4.8	(3,660)			(3,660)
Exchange gains (losses)	4.9	765			765
Gains (Losses) from investments	4.10	9,473			9,473
EBT		40,085	(17)	(75)	39,993
Income taxes	4.11	(6,791)	5	21	(6,765)
NET PROFIT (LOSS)		33,294	(12)	(54)	33,228
Profit attributable to non-controlling interests	3.11	(603)			(603)
GROUP NET PROFIT (LOSS)		32,691	(12)	(54)	32,625

2.2 ACCOUNTING STANDARDS

Declaration of compliance and accounting policies

The Parent Company LU-VE S.p.A. is a company with legal personality organised in accordance with the laws of the Italian Republic. The Company is active in the production and 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 2023 of the LU-VE Group have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union on that date, particularly in accordance with IAS 34 "Interim Financial Reporting". The condensed consolidated interim financial statements do not include all of the information required by IFRS for the preparation of the annual financial statements and, therefore, must be read in conjunction with the consolidated financial statements as at and for the year ended 31 December 2022. IFRS refers to all International Financial Reporting Standards and International Accounting Standards, all interpretations of the IFRS Interpretations Committee (formerly IFRIC), previously called the Standing Interpretations Committee (SIC), endorsed by the European Union and contained in the relative EU Regulations.

The condensed consolidated interim financial statements have been presented in Euro, which is the functional currency of both LU-VE S.p.A. and the subsidiaries most active in carrying on the business within the Group, with amounts rounded to thousands, and are compared with the consolidated Financial Statements as at and for the year ended 31 December 2022 and the condensed consolidated interim financial statements as at 30 June 2022, prepared in consistency with the same criteria. The figures in the Explanatory Notes are shown in thousands of Euro. The financial statements consist of the (i) Consolidated Statement of Financial Position, (ii) Consolidated Income Statement, (iii) Consolidated Statement of Comprehensive Income, (iv) 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 drawn up on the historical cost measurement basis, except for the fair value valuation of some financial instruments, pursuant to IFRS 9 and IFRS 13 and of the activities covered by the exercise of the Purchase Price Allocation, pursuant to IFRS 3, as described above. Furthermore, the condensed consolidated interim financial statements have been prepared on the basis of the going concern assumption, as the Directors have verified the non-existence of indicators of a financial, management or any other nature that might indicate critical issues relating to the ability of the Group of meeting its commitments in the foreseeable future. The risks and uncertainties related to the business are described in the sections dedicated to the Interim Director's Report.

In particular, with reference to this last assumption, as at 30 June 2023, the Group has a solid and balanced financial structure with a Net financial debt/Equity ratio (Debt ratio) of 0.73 (0.67 at 31 December 2022) and a positive short-term net financial position of €136.1 million (positive for €195.7 million as at 31 December 2022). Therefore, the repayment of medium/long-term debt due in the next 12 months (totalling €104.3 million) is guaranteed by total liquidity as calculated in the scheme of the Net Financial Position in note 3.20 (€255.5 million). In addition, there are no substantial restrictions on the release of invested liquidity, amounting to €96.5 million, consisting of (i) Time deposits for €69.2 million, (ii) capitalisation policies for €27.0 million, and (iii) other securities for €0.3

million (Note 3.8), in addition to cash and cash equivalents of €144.5 million, which can therefore be used against any payment commitments, if necessary (Note 3.20).

Significant uncertainty remains with reference to geopolitical tensions, and the Group remains exposed to this as it has subsidiaries in Russia (5.7% of consolidated revenues in the first half of 2023). This part of the business may be restricted due to potential enforceable sanctions by other government authorities. The Directors, given the limited impact of the Russian business on the consolidated financial statements, together with the above considerations, believe that the Group is nonetheless able to operate as a going concern.

Comparing the 2023-2026 Business Plan with the economic and financial results achieved in the first half of 2023 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 23 February 2023. On the basis of said results, it is believed that no critical issues are expected to arise as at 31 December 2023, with regard to compliance with the economic and capital requirements ("covenants") on a consolidated basis envisaged by the loans stipulated by the Group (however required contractually only at the close of the annual consolidated financial statements).

In light of what is mentioned above, the condensed consolidated interim financial statements of the Group as at 30 June 2023 were prepared on a going concern assumption, pursuant to paragraphs 25 and 26 of IAS 1.

The condensed consolidated interim financial statements as at 30 June 2023 were approved by the Board of Directors of the Parent Company LU-VE S.p.A. on 7 September 2023.

Financial Statements

The Group prepared 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 profit and loss for the period, as required by the IFRS;
- a Consolidated Statement of Cash Flows that presents cash flows from operations using the indirect method.

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

Consolidation area

The condensed consolidated interim financial statements of the LU-VE Group, which operates in the business of manufacturing of heat exchangers, air cooled equipment and insulated glazing, include the half-yearly financial figures of LU-VE S.p.A. and its direct and indirect subsidiaries, based on their half-yearly Financial Statements, properly adjusted, when necessary, in order to align them with the IAS/IFRS adopted by the LU-VE Group ("Interim Reporting Package") in preparation of its consolidated Financial Statements:

Company name	Registered office	% investment	Currency	Share capital
Direct subsidiaries:				
SEST S.p.A.	Limana (BL)	100.00%	EUR	1,000,000
Heat Transfer Systems s.r.o. (HTS)	Novosedly (Czech Rep.)	100.00%	CZK	133,300,000
LU-VE Sweden AB	Asarum (Sweden)	100.00%	SEK	50,000
LU-VE France S.a.r.l.	Lyon (France)	100.00%	EUR	84,150
LU-VE Pacific Pty Ltd (**)	Thomastown (Australia)	75.50%	AUD	200,000
LU-VE Deutschland GmbH	Stuttgart (Germany)	100.00%	EUR	230,000
LU-VE Iberica S.L.	Madrid (Spain)	85.00%	EUR	180,063
LU-VE HEAT EXCHANGERS (Tianmen) Co, Ltd	Tianmen (China)	100.00%	CNY	61,025,411
LU-VE Asia Pacific Limited	Wan Chai (Hong Kong)	100.00%	HKD	10,000
LuveDigital S.r.l.	Uboldo (VA)	50.00%	EUR	10,000
MANIFOLD S.r.l.	Uboldo (VA)	99.00%	EUR	10,000
SPIROTECH Heat Exchangers Pvt. Ltd	Ghaziabad, Uttar Pradesh (India)	100.00%	INR	25,729,600
LU-VE AUSTRIA GmbH	Vienna (Austria)	100.00%	EUR	17,500
LU-VE US Inc.(*)	Jacksonville (USA, Texas)	100.00%	USD	1,000
Air Hex Alonte S.r.l.	Uboldo (VA)	100.00%	EUR	2,010,000
Fincoil LU-VE OY	Vantaa (Finland)	100.00%	EUR	1,190,000
LU-VE Netherlands B.V.	Breda (Netherlands)	100.00%	EUR	10,000
«OOO» LU-VE Moscow	Moscow (Russia)	100.00%	RUB	100,000
LU VE MIDDLE EAST DMCC	Dubai (UAE)	100.00%	AED	50,000
LU-VE SOUTH KOREA LLC	Seoul (South Korea)	100.00%	KRW	100,000,000
Refrion S.r.l.	Flumignano di Talmassons (UD)	75.00%	EUR	1,000,000
LU-VE UK Ltd	London (United Kingdom)	100.00%	GBP	10,000
Indirect subsidiaries:				
SEST-LUVE-Polska SP.z.o.o. (95% owned by SEST S.p.A.)	Gliwice (Poland)	95.00%	PLN	16,000,000
«OOO» SEST LU-VE (95% owned by SEST S.p.A.)	Lipetsk (Russia)	95.00%	RUB	136,000,000
Thermo Glass Door S.p.A. (100% owned by SEST S.p.A.)	Travacò Siccomario (PV)	100.00%	EUR	100,000
RMS S.r.l. (100% owned by Refrion S.r.l.)	Flumignano di Talmassons (UD)	75.00%	EUR	40,000
Refrion Deutschland GmbH (100% owned by Refrion S.r.l.)	Frankfurt am Main (Germany)	75.00%	EUR	150,000

(*) *During 2023, the company previously called Zyklus Heat Transfer Inc changed its name to LU-VE US inc.*
(**) *Liquidation procedures are in progress.*

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

There were no changes to the consolidation area during the first half of 2023 in comparison with 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 overall profit 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 adopted the accounting policy of reducing the equity of non-controlling interests and only in the alternative, for the excess amount, the equity attributable to the Group.

Consolidation criteria

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

The following criteria have been adopted for the consolidation:

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

b) Payable/receivable and income/expenses line items between the consolidation area and profit/loss from intra-group transactions are eliminated. Likewise, dividends and write-downs on investments recognised in the Interim Reporting Packages are eliminated;

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

d) final inventories, for products purchased from Group companies, are adjusted by the intra-group margins they contain, since 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 fixed assets, net of the depreciation and amortisation calculated on the gains themselves.

Translation into Euro of Interim Reporting Packages drafted 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 Package of each foreign entity are expressed in Euro, which is the functional currency of LU-VE S.p.A. and the presentation currency of the condensed consolidated interim financial statements.

Balance Sheet line items from the Interim Reporting Packages expressed in a currency other than the Euro are translated by applying the current exchange rates at the end of the period. Income statement items are translated at average exchange rates for the period.

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

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

Currency	Exchange rate as at 30/06/2023	Average exchange rate H1 2023	Exchange rate as at 31/12/2022	Average exchange rate H1 2022
AUD	1.6398	1.5989	1.5693	1.5204
PLN	4.4388	4.6244	4.6808	4.6354
CZK	23.7420	23.6873	24.1160	24.6485
RUB (*)	95.1052	83.6510	75.6553	83.7419
SEK	11.8055	11.3329	11.1218	10.4796
HKD	8.5157	8.4709	8.3163	8.5559
CNY	7.8983	7.4894	7.3582	7.0823
INR	89.2065	88.8443	88.1710	83.3179
USD	1.0866	1.0807	1.0666	1.0934
AED	3.9905	3.9687	3.9171	4.0155
GBP	0.8583	0.8764	0.8869	0.8424
KRW	1,435.88	1,400.43	1,344.09	1,347.84

(*) 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 2023 did not change from the comparable previous year/period.

USE OF ESTIMATES

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

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

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

Put & call option for the purchase of the remaining 25% of Refrion S.r.l.

The of the fair value measurement of the consideration relating to the agreement with the minority shareholder for the purchase of the residual 25% of Refrion S.r.l. through a put & call agreement that can be exercised from 31 May to 31 July for the years 2024, 2025 and 2026 is subject to estimation. The strike price can be deduced from the application of a contractually provided formula (put option in favour of the minority shareholder and call option in favour of LU-VE). The value of the option at 30 June 2023 is €6,500 thousand (value estimated on the basis of the 2023-2025 plan of the Refrion group defined at the time of acquisition) and is unchanged compared to 31 December 2022 in consideration of the results achieved by the Group Refrion in the first half of 2023 and those expected (*forecast)* for the entire current year (in line with the aforementioned plan).

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

Is noted that in preparing the consolidated financial statements as at 31 December 2022, to which reference is made, in order to conduct impairment testing, the Directors of the Parent Company had approved the 2023-2026 Business Plan on 23 February 2023.

Comparing the 2023-2026 Business Plan with the economic results achieved by the Group in the first half of 2023 and with the forecast data estimated 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 23 February 2023.

Therefore, during the half-year, and based on the expected future results, there were no trigger events of impairment identified which would make it necessary to prepare new impairment tests or update them at the date of the condensed consolidated interim financial statements, compared to the impairment tests carried out for the preparation of the 2022 annual financial statements, 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 2023 at a value no 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 2023 amounts to a total of €8.9 million (848,345 thousand roubles), of which €4.8 million (459,050 thousand roubles) relating to property, plant and equipment and the residual value substantially relating to operating working capital.

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

Provisions for credit risks

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

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

The Group is subject to various income tax legislations. To determine the Group's tax liabilities, the management needs to make assessments with respect to transactions that have uncertain tax implications at the reporting date. The tax expense, pursuant to IAS 34, was estimated using the option of precisely calculating the liability at the date of 30 June 2023. In addition, the valuation of deferred tax assets is carried out on the basis of the expected income of the individual companies belonging to the Group in future years.

In this regard, it should be noted, once again, that the economic performance and the taxable income in the first half of 2023, as well as the forecasts for the entire current year, are in line with those estimated when the 2023-2026 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 trends of various factors, including the evolution of the global macroeconomic and financial environment, even in light of the protraction of the Russian-Ukrainian conflict, requires that events and circumstances that could lead to the non-recoverability of deferred tax assets recognised by the Group are constantly monitored by the Group's management.

Impacts of the Russian-Ukrainian conflict

The LU-VE Group is constantly monitoring the situation created by the crisis between Russia and Ukraine. The extreme geographical diversification of revenues means that as at 30 June 2023, LU-VE Group's exposure in this area is only 5.7% in terms of turnover and 2.3% of net invested capital (€8.8 million). Net invested capital includes €3.7 million of net working capital, of which €7.7 million of inventories. As at 31 August 2023, the exposure in terms of order backlog was 5.9%.

As at 30 June 2023, the balance sheet and financial position of the aggregate of subsidiaries based in Russia (where OOO SEST LU-VE is a manufacturing and commercial company, while OOO LU-VE Moscow is a pure commercial company) is mainly composed of:

- Non-current assets (which in addition to property, plant and equipment and intangible fixed assets include deferred tax assets) equal to €5,105 thousand (€6,594 thousand as at 31 December 2022). The decrease compared to 31 December 2022 mainly refers to the impact of exchange rates of €1.2 million (see also note 3.2 for the impairment test carried out as at 30 June 2023);
- Net working capital of €3,728 thousand (€2,240 thousand as at 31 December 2022). Net working capital is made up of current assets and current liabilities;
- Cash and cash equivalents and current financial asset of €14,977 thousand (€17,148 thousand as at 31 December 2022). The decrease compared to 31 December 2022 mainly refers to the impact of exchange rates (€3.8 million).

In the extreme case of loss of control of the two Russian companies (OOO SEST LU-VE and OOO LU-VE Moscow) due to events beyond the Group's control, in addition to the already quantified effects on revenues and net invested capital, the Group would be required to recycle into the income statement the negative translation reserve relating to the two companies preparing their Financial Statements with functional currency in roubles equal to €8.2 million as at 30 June 2023. The intra-group receivables of the other Group companies from the two Russian subsidiaries amounted to €1.5 million as at 30 June 2023. As at 30 June 2023, no Group company had guaranteed the debts of the two Russian companies towards third parties.

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

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

The 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.

2.3 NEW ACCOUNTING STANDARDS

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED AS AT 1 JANUARY 2023

The following IFRS accounting standards, amendments and interpretations have been applied by the Group for the first time as of 1 January 2023:

- On 7 May 2021, the IASB published an amendment entitled "Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction". The document clarifies how deferred taxes on certain transactions that may generate assets and liabilities of equal amounts, such as leasing and decommissioning obligations, must be accounted for. The changes have been applied since 1 January 2023.
  The adoption of this amendment had no effects on the Group's consolidated Financial Statements.

- On 12 February 2021, the IASB published two amendments entitled "Disclosure of Accounting Policies — Amendments to IAS 1 and IFRS Practice Statement 2" and "Definition of Accounting Estimates — Amendments to IAS 8". The changes are intended to improve disclosure on accounting policy in order to provide more useful information to investors and other primary users of financial statements as well as to help companies to distinguish changes in accounting estimates from changes in accounting policy. The changes have been applied since 1 January 2023. 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 23 January 2020, the IASB published an amendment called "*Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*" and on 31 October 2022 published an amendment called "*Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants*". The documents have the objective of clarifying how to classify debts and other short or long-term liabilities. The amendments apply as at 1 January 2024, but early application is permitted. The directors do not expect the adoption of this amendment to have a significant effect on the Group's consolidated Financial Statements.

- On 22 September 2022, the IASB published an amendment known as "*Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback".* The document requires the seller-lessee to assess the liability for the lease deriving from a sale & leaseback transaction so as not to recognise an income or a loss that refers to the right of use withheld. The amendments shall apply as of 1 January 2024, but early application is permitted. The directors do not expect the adoption of this amendment to have a significant effect on the Group's consolidated Financial Statements.

- On 23 May 2023, the IASB published an amendment called *"Amendments to IAS 12 Income taxes: International Tax Reform - Pillar Two Model Rules".* The document introduces a temporary exception to the recognition and disclosure obligations of deferred tax assets and liabilities relating to the Pillar Two *Model Rules* and establishes specific disclosure obligations for the entities affected by the related *International Tax Reform*.
  The document provides for the immediate application of the temporary exception, while the disclosure obligations will be applicable only to annual financial statements starting on 1 January 2023 (or later) but not to interim financial statements with a closing date prior to 31 December 2023. The directors do not expect the adoption of this amendment to have a significant effect on the Group's consolidated Financial Statements.

- On 25 May 2023, the IASB published an amendment called *"Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements".* The document requires an entity to provide additional information on reverse factoring agreements that allow users of the financial statements to evaluate how the financial agreements with suppliers can affect the entity's liabilities and cash flows and to understand the effect of such arrangements on the entity's exposure to liquidity risk. The amendments shall apply as of 1 January 2024, but early application is permitted. The directors do not expect the adoption of this amendment to have a significant effect on the Group's consolidated Financial Statements.

3 COMMENT ON THE MAIN LINE 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 2021	**67,902**	**89,247**	**157,149**
Increases	9,416	8,804	18,220
Decreases		(4,333)	(4,333)
Reclassifications	-	-	-
Exchange differences	28	(11)	17
As at 31 December 2022	**77,346**	**93,707**	**171,053**
Increases	-	1,187	1,187
Decreases	-	(186)	(186)
Reclassifications	-	-	-
Exchange differences	(201)	(33)	(234)
As at 30 June 2023	**77,145**	**94,675**	**171,820**
Provision			
As at 31 December 2021	**12,915**	**53,717**	**66,632**
Increases	-	9,283	9,283
Decreases	-	(3,318)	(3,318)
Reclassifications	-	-	-
Exchange differences	-	(18)	(18)
As at 31 December 2022	**12,915**	**59,664**	**72,579**
Increases	-	4,082	4,082
Decreases	-	(5)	(5)
Reclassifications	-	-	-
Exchange differences	-	(43)	(43)
As at 30 June 2023	**12,915**	**63,698**	**76,613**
Net carrying amount			
As at 31 December 2022	**64,431**	**34,043**	**98,474**
As at 30 June 2023	**64,230**	**30,977**	**95,207**

Goodwill

The decrease in the item “Goodwill” for €201 thousand is attributable to the translation at the exchange rates as at 30 June 2023 of the goodwill generated in previous financial years by the acquisitions of the Indian subsidiary Spirotech Ltd and the US subsidiary LU-VE US Inc. (previously called Zyklus Heat Transfer Inc.).

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

It should be noted that the Group tested the recoverability of the carrying amount of Net Invested Capital (NIC) as at 31 December 2022, thus, including the value of goodwill and other intangible assets with a finite useful life. For the purpose of impairment testing, the value of goodwill was allocated to two cash-generating units (CGUs) identified (“Components” and “Cooling Systems”). In determining the recoverable amount of those CGUs, the Management made reference to the 2023-2026 Business Plan approved by the Company’s Board of Directors on 23 February 2023. The impairment tests conducted showed no impairment had occurred.

For more information, refer to that reported in detail in the Consolidated Financial Statements and Explanatory Notes as at 31 December 2022.

It should also be noted that, on the basis of the actual data for the first half of 2023 and the estimates for the forecast for the entire current year, there were no specific trigger events of impairment identified which would make it necessary to prepare a new impairment test or to update it at the date of the condensed consolidated interim financial statements as at 30 June 2023, thus substantially confirming the results of the impairment tests as at 31 December 2022.

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 the most detailed 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 2021	**20,579**	**23,908**	**18,264**	**2,497**	**23,783**	**216**	**89,247**
Increases	-	2,995	467	1,549	3,448	345	8,804
Decreases	-	-	(2,918)	(426)	(896)	(93)	(4,333)
Reclassifications	-	-	1,572	(1,572)	249	(249)	-
Exchange differences	-	(14)	(1)	(4)	3	5	(11)
As at 31 December 2022	**20,579**	**26,889**	**17,384**	**2,044**	**26,587**	**224**	**93,707**
Increases	-	15	-	593	562	17	1,187
Decreases	-	-	-	(180)	(5)	(1)	(186)
Reclassifications	-	-	145	(243)	101	(3)	-
Exchange differences	-	(10)	10	12	(34)	(11)	(33)
As at 30 June 2023	**20,579**	**26,894**	**17,539**	**2,226**	**27,211**	**226**	**94,675**
Provision							
As at 31 December 2021	**4,853**	**13,252**	**15,836**	**-**	**19,672**	**104**	**53,717**
Increases	1,374	2,227	1,790	-	3,889	3	9,283
Decreases	-	-	(2,355)	-	(870)	(93)	(3,318)
Reclassifications	-	-	-	-	-	-	-
Exchange differences	-	(16)	(6)	-	8	(4)	(18)
As at 31 December 2022	**6,227**	**15,463**	**15,265**	**-**	**22,699**	**10**	**59,664**
Increases	1,063	1,154	581	-	1,282	2	4,082
Decreases	-	-	-	-	(5)	-	(5)
Reclassifications	-	-	-	-	-	-	-
Exchange differences	-	(10)	(1)	-	(32)	-	(43)
As at 30 June 2023	**7,290**	**16,607**	**15,845**	**-**	**23,944**	**12**	**63,698**
Net carrying amount							
As at 31 December 2022	**14,352**	**11,426**	**2,119**	**2,044**	**3,888**	**214**	**34,043**
As at 30 June 2023	**13,289**	**10,287**	**1,694**	**2,226**	**3,267**	**214**	**30,977**

Customer list

The change in the half-year in the Customer list mainly refers to the amortisation of the period. Following the periodic review of the economic-technical useful lives of property, plant and equipment and intangible assets, the residual useful life of the customer list referring to the US subsidiary LU-VE US Inc. (acquired in 2018 and amortised over 20 years) was reviewed. In particular, following the continuous economic performance below management's expectations and after the review of the redefined business processes as part of the strategy adopted for the US subsidiary (included in the broader CGU Components), starting from 1 January 2023 the Directors reassessed its residual useful life, going from the remaining 16 years to 5 years. Over the course of the entire fiscal year, the change in accounting estimate will result in the recognition of higher amortisation for €376 thousand and higher deferred tax liabilities for €79 thousand.

Trademarks

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

Development costs and development costs in progress

The total *Development costs* incurred in the period came to €593 thousand, and they are attributable 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 €180 thousand is attributable to write-downs of projects which, on the basis of the information acquired during this half-year, were no longer deemed feasible.

Software

In the first half of 2023, software increased by €562 thousand; the main projects developed in the period relate to the development of BI, the purchase of new accounting/management ERP licenses and its related evolutions (SAP 4 HANA), as well as other software used by the Group in its business processes.

Other intangible assets

Other intangible assets rose by €17 thousand compared to the previous year and mainly refer to licences not yet available for use.

Cash outflows in the period referring to investments in intangible fixed assets amounted to €1,187 thousand.

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

3.2 PROPERTY, PLANT AND EQUIPMENT

Other property, plant and equipment *(in thousands of Euro)*	**Property**	**Plant and equipment**	**Right-of-use assets**	**Other property, plant and equipment**	**Tangible asset under construction**	**Total**
Historical						
As at 1 January 2022	113,624	161,791	27,513	40,359	6,416	349,703
Increases	10,966	12,728	4,943	3,864	12,445	44,946
Decreases	-	(1,478)	(2,175)	(2,356)	(67)	(6,076)
Reclassifications	2,480	3,028	-	512	(6,020)	-
Exchange differences	719	714	(132)	18	(16)	1,303
As at 31 December 2022	127,789	176,783	30,149	42,397	12,758	389,876
Increases	1,427	1,802	1,306	1,830	14,069	20,434
Decreases	-	(247)	(891)	(273)	(22)	(1,433)
Reclassifications	617	977	-	465	(2,059)	-
Exchange differences	150	(319)	(142)	28	404	121
As at 30 June 2023	129,983	178,996	30,422	44,447	25,150	408,998
Provision						
As at 1 January 2022	29,596	111,962	10,775	29,776	-	182,109
Increases	3,041	11,495	5,543	3,367	-	23,446
Decreases	-	(1,186)	(2,486)	(2,130)	-	(5,802)
Reclassifications	-	-	-	-	-	-
Exchange rate difference	216	706	(71)	8	-	859
As at 31 December 2022	32,853	122,977	13,761	31,021	-	200,612
Increases	1,595	5,961	2,796	1,864	-	12,216
Decreases	-	(162)	(724)	(219)	-	(1,105)
Reclassifications	-	-	-	-	-	-
Exchange rate difference	(203)	(637)	(49)	(6)	-	(895)
As at 30 June 2023	34,245	128,139	15,784	32,660	-	210,828
Net carrying amount						
As at 31 December 2022	94,936	53,806	16,388	11,376	12,758	189,264
As at 30 June 2023	95,738	50,857	14,638	11,787	25,150	198,170

As at 30 June 2023, increases in property, plant and equipment amounted overall to €20,434 thousand, mainly attributable to:

- €1,802 thousand referring to the expansion of the current production capacity, through the purchase of new plant and machinery;
- €1,306 thousand referring to the recognition of the effects of IFRS 16, of which €240 thousand referring to the increase in leased properties, €509 thousand referring to the increase in leases for the use of leased cars, €558 thousand referring to the increase in leases for the use of forklifts and other machinery;
- €15,496 thousand relating to the technological investment programme in Italy and abroad mainly for the expansion and rationalisation of the production sites of the companies SEST-LUVE-Polska SP.z.o.o. (€7,894 thousand of which €4,929 thousand for buildings under construction, €2,483 thousand for plant and machinery and €463 thousand for other equipment) and Refrion S.r.l. (€2,109 thousand relating to the new warehouse which will come on stream in the coming months).

Cash outflows in the period referring to investments in property, plant and equipment amounted to €15,285 thousand (the increases referring to IFRS 16 of €1,306 thousand and the net effect with respect to 31 December 2022 of the unpaid investments of €3,843 thousand are deducted from the total increase of the Group of €20,434 thousand).

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

In this regard, it should be noted that, given the persistent situation of uncertainty in the Russian social and economic environment 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 LU-VE Group carried out an impairment test in order to determine that the value of the Net Invested Capital ("NIC") of the Russian subsidiary of the Group, "OOO" SEST LUVE, is recognised in the financial statements as at 30 June 2023 at a value no 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 2023 amounts to a total of €8.9 million (848,345 thousand roubles), of which €4.8 million (459,050 thousand roubles) relating to property, plant and equipment and the residual value 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 (using the Discounted Cash Flow Unlevered method), the Management referred to the Business Plan of "OOO" SEST LUVE, developed over a finite time horizon (2023-2028), identified as the time period relating to the residual useful life of the Russian subsidiary'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 (the effect of expected inflation over the explicit period of the plan has been included in the cash flows).

For the purposes of determining the recoverable amount of the Net Invested Capital, given the situation of extreme uncertainty, the discounting of the cash flows was carried out using a discount rate (WACC) which is considered to take into account the specific risks of the business and the related geographical and political environment, equal to 30,57% (referring to the Venture Capital Rates of Return used in practice in contexts of uncertainty).

Based on the impairment test carried out, approved by the Parent Company's Board of Directors on 7 September 2023, no losses emerged.

In addition, the management has determined both the WACC and the reduction EBITDA of break-even (which equate the recoverable value with the carrying amount), obtaining the results reported below:

- increase in WACC (keeping the other parameters unchanged) equal to +14.3%;
- reduction of EBITDA in the specific period of the business plan (keeping the other parameters unchanged) equal to -23.1%.

3.3 INVESTMENTS

The details of this line item are shown below:

Equity investments *(in thousands of Euro)*	**30/06/2023**	**31/12/2022**	**Change**
Other investments	141	141	-
Total	**141**	**141**	**-**

The equity investments were not subject to any changes in the period and refer primarily to non-controlling investments deriving from the consolidation of 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 line item are shown below:

Other non-current assets *(in thousands of Euro)*	**30/06/2023**	**31/12/2022**	**Change**
Other non-current assets	1,295	1,332	(37)
Total	**1,295**	**1,332**	**(37)**

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

- €1,000 thousand attributable to the Refrion group for receivables due within two years, guaranteed by the previous Shareholders of Refrion S.r.l. During 2023, €20 thousand was collected (€1,020 thousand as at 31 December 2022);
- €295 thousand (€312 thousand as at 31 December 2022) in security deposits paid towards service providers.

3.5 INVENTORIES

The details of this line item are shown below:

Inventories *(in thousands of Euro)*	**30/06/2023**	**31/12/2022**	**Change**
Raw, ancillary and consumable materials	90,974	95,080	(4,106)
Work in progress and semi-finished products	16,362	12,639	3,723
Finished products and goods for resale	34,480	35,725	(1,245)
Provision for inventory losses	(9,394)	(9,207)	(187)
Total	**132,422**	**134,237**	**(1,815)**

The change of €1,815 thousand is mainly due to the period of the negative exchange rate difference in the period equal to €1,127 thousand and for €688 thousand to the decrease in inventories (net generated cash). The level of inventories remains constant in order to guarantee delivery terms in line with customer expectations and, therefore, to be able to take full advantage of the dynamic demand of the entire period.

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

The increase in the provision for inventory losses for €187 thousand is broken down as follows:

- a net increase of €354 thousand for greater provisions;
- a decrease of €167 thousand due to the exchange differences.

3.6 TRADE RECEIVABLES

The details of this line item are shown below:

Trade Receivables *(in thousands of Euro)*	**30/06/2023**	**31/12/2022**	**Change**
Trade receivables	126,625	92,748	33,877
Bad debt provision	(9,300)	(9,483)	183
Total	**117,325**	**83,265**	**34,060**

The increase of €34,060 thousand in trade receivables is due primarily to a general increase in sales as a result of higher turnover reported in the second quarter of 2023 compared to the final quarter of 2022 (for more details, see the contents of the Interim Report on Operations).

The above-mentioned changes in trade receivables lead to a cash outflow of €34,060 thousand.

The decrease in the bad debt provision for €183 thousand is due to:

- net decrease of €127 thousand due to higher releases, recognised in the income statement under the item "Net reversal/(write-down) of financial assets";
- a decrease of €56 thousand for exchange differences.

Please refer to the Interim Report on Operations for the price and volume effects referring to the turnover.

In addition, in June 2023 receivables of €22,633 thousand were transferred to factoring companies, compared to €29,510 thousand as at 31 December 2022. All these transfers were without recourse (*pro-soluto*). The percentage of receivables sold compared to turnover in the last 12 months was 3.7% (4.78% as at 31 December 2022).

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

Among trade receivables a reduction in trade receivables for variable compensation was recorded (primarily relating to credit notes to be issued for bonuses granted to customers) for €1,452 thousand and no contract assets were registered (invoices to be issued for services already rendered by the Group).

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

Breakdown of trade receivables by geographical area *(in thousands of Euro)*	**30/06/2023**	**31/12/2022**	**Change**
Italy	36,274	21,022	15,252
EU countries	66,681	49,674	17,007
Non-EU countries	23,670	22,052	1,618
Bad-debt provision	(9,300)	(9,483)	183
Total	**117,325**	**83,265**	**34,060**

The ageing of trade receivables is shown below:

Breakdown of trade receivables by maturity *(in thousands of Euro)*	**30/06/2023**	**31/12/2022**	**Change**
Current receivables (not past due)	102,169	73,189	28,980
Past due up to 30 days	14,425	8,626	5,799
Past due from 30 to 60 days	3,102	3,521	(419)
Past due from 60 to 90 days	1,719	890	829
Past due for more than 90 days	5,210	6,522	(1,312)
Total	**126,625**	**92,748**	**33,877**

The Group measures the provisions for impairment to trade receivables at an amount equal to the expected credit losses throughout the whole life of such receivable. The expected credit losses on trade receivables are estimated using a provision matrix by ageing baskets, making reference to its own historical experience in relation to losses on receivables, and an analysis of client's financial position, adjusted to include factors specific to the client, general economic conditions of the industry in which the client operates and an assessment of the current and anticipated evolution of these conditions at the reference date for the Financial Statements.

As at 30 June 2023, it should be noted that the estimated expected credit losses prudentially include the potential forward-looking impacts on the possible worsening of customers' credit ratings and those of countries in which they operate, and on their ability to meet their obligations. A specific customer-by-customer analysis was carried out only for the customers of the Russian manufacturing subsidiary, as a result of the situation of uncertainty due to the economic sanctions resulting from the war in progress.

Furthermore, it is reported how the average payment terms were not subject to significant changes compared to 31 December 2022.

The following table, pursuant to 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 2023. As the Group's historical experience does not indicate significantly different loss on receivables by customer segment, the bad-debt provision based on the aging baskets has not been further subdivided on the basis of groupings of its own customer base.

30/06/2023 *(In thousands of Euro)*	**Not past due**	**<30**	**31 - 60**	**61 - 90**	**>90**	**Total**
Expected default rate	2.65%	2.52%	9.2%	24.2%	100.0%	
Estimate of gross accounting value at the time of default	101,604	14,621	3,131	1,741	5,528	126,625
Expected losses throughout the life of the credit	2,694	368	288	422	5,528	9,300

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 line item are shown below:

Current tax assets *(in thousands of Euro)*	**30/06/2023**	**31/12/2022**	**Change**
VAT tax assets	5,890	7,367	(1,477)
Income tax advance payments	1,802	2,078	(276)
Others	187	344	(157)
Total	**7,879**	**9,789**	**(1,910)**

Tax receivables decreased by €1,910 thousand; this decrease is mainly due to the use of VAT receivables to offset tax payables and the greater use of declarations of intent towards suppliers.

Receivables due from the tax authorities refer to receivables not directly nor immediately offset by income taxes, mainly attributable (i) to tax assets for research and development and technological innovation activities pursuant to Article 1 paragraph 200 et seq. of the Law of 27 December 2019, (ii) tax assets relating to the 'Super-amortisation' accounted for by the Italian companies of the Group and, to a lesser extent, (iii) the excess of the income tax advances paid for the year 2023 with respect to the actual tax burden.

3.8 CURRENT FINANCIAL ASSETS

Current financial assets included in this line item are measured at “FVTPL” pursuant to IFRS 9. These are financial instruments, whose contractual cash flows are not solely payment of capital and interest on the principal amount outstanding, and are held by the Group in the context of a pro tempore strategy whose objective, at equal risk, is the optimisation of the net cost of debt. This line item is broken down as follows:

Current financial assets *(in thousands of Euro)*	**30/06/2023**	**31/12/2022**	**Change**
Time deposit	69,213	10,000	59,213
Capitalisation policies	27,055	102,670	(75,615)
Fair Value of derivatives	14,066	13,963	103
Other securities	632	240	392
Total	**110,966**	**126,873**	**(15,907)**

As at 30 June 2023, the Time Deposit agreements signed by Group companies amounted to a total of €111,605 thousand (€20,000 thousand as at 31 December 2022), of which €69,213 thousand (€10,000 thousand as at 31 December 2022) in the line item “Current financial assets” having a maturity of more than three months and €42,392 thousand (€10,000 thousand as at 31 December 2022) classified under the line item “Cash and cash equivalents”, having a maturity of less than three months (€10,000 thousand Euro as at 31 December 2022), for more details, see note 3.10 - *"Cash and cash equivalents".*

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 2023, Time Deposit investments generated a financial income of €1,169 thousand recognised in the Income Statement under the line item “Financial income”.

The item "Capitalisation policies" in the first half of the year shows a decrease of €75,615 thousand. The change in the period is due to:

- redemption of the Aviva Vita policies underwritten by the Parent Company LU-VE S.p.A., which as at 31 December 2022 were recorded at a nominal value of €79,616 thousand, and whose fair value as at 31 December 2022 amounted to €85,787 thousand. The total redemption of these policies led to a recognition in the income statement of the period of a net financial income of €408 thousand.

- in June, subscription of new Class I policies issued by ARCA Vita S.p.A. for €5,000 thousand, net of subscription commissions (the latter accounted for in the income statement under the item “Financial charges”). These policies allow, after the assignment of a single premium, the possible annual revaluation, i.e. on 31 December of each year, of the capital according to the yield obtained from management. Therefore, their fair value remains unchanged until the date of the first revaluation, i.e. until 31 December 2023. ARCA Vita policies are restricted for the first 12 months of their subscription, after which the invested liquidity can be disposed of without any restriction.

- In June, subscription of new Class I and Class III policies issued by SOGELIFE SA for €5,000 thousand, net of subscription commissions (the latter accounted for in the income statement under the item "Financial charges"). 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 envisage restrictions for early redemption and take effect from 1 July 2023, therefore the *fair value* for the period is identical to the notional subscribed;

- Capitalisation policies issued by BNP Paribas Cardif Vita Compagnia di assicurazione e Riassicurazione S.p.A. and subscribed by LU-VE S.p.A. for a nominal amount of €15,000 thousand, measured at fair value as at 30 June at €17,056 thousand (as at 31 December 2022, the nominal value was €15,000 thousand, while the fair value was €16,883 thousand); no new capitalisation policies were taken out with this institution during the half-year. The fair value measurement at the reporting date of the half year lead to a positive difference in fair value for €173 thousand, recognised under the line item "Financial income".

The overall change in the fair value of the item "Capitalisation policies" amounts to €173 thousand, recognised in the items "Financial income" or "Financial expense".

The item "Other securities" mainly refers to investments in other insurance policies and certificates which, during the half-year, caused a net positive change in fair value of €7 thousand, recognised in the item "Financial income".

The item "fair value of derivatives" represents the fair value as at 30 June 2023 of derivative contracts stipulated by the Group companies.

The following table shows the positive fair value on derivatives and the negative fair value on currency options held by the Group as at 30 June 2023:

Derivative financial instruments as at 30/06/2023		30/06/2023		31/12/2022		30/06/2023	31/12/2022
TYPE	**ORIGINAL NOTIONAL**	**NOT. Short**	**NOT. M/L**	**NOT. Short**	**NOT. M/L**	**FAIR VALUE**	**FAIR VALUE**
IRS on loans	472,600	46,991	293,899	88,936	271,821	13,108	13,964
Currency options	17,641	19,195	-	11,098	-	958	(23)
Commodities Swap	-	-	-	3,379	-	-	22
Total	**490,241**	**66,186**	**293,899**	**103,413**	**271,821**	**14,066**	**13,963**
Total Notional		**360,085**		**375,234**			

At the end of the first half of 2023, derivative financial instruments on IRSs entered into by Group companies showed a positive fair value of €13,108 thousand (€13,964 thousand as at 31 December 2022), while derivative financial instruments on currencies held by the Group showed a positive fair value of €958 thousand (negative fair value of €23 thousand as at 31 December 2022). Please refer to Appendix "A" for details of the outstanding derivative financial instruments as at 30 June 2023 , broken down by cathegory (for more information on the management of these instruments, see the paragraph "Interest rate risk management").

The change in the fair value of derivatives for €103 thousand compared to the previous financial year is mainly determined as follows:

- net positive change in *fair value* attributable to derivative financial instruments on foreign currency transactions for €981 thousand, recognised in the income statement line item "financial income" (note 4.8 - Financial income); partially offset by:
- negative change in fair value of €856 thousand for derivative financial instruments on interest rates (note 4.9 - Financial charges);
- negative change in fair value of €22 thousand for derivative financial instruments on the purchases of the main raw materials copper and aluminium.

The aforementioned investments in current financial assets lead to cash outflow for €16,597 thousand.

3.9 OTHER CURRENT ASSETS

The details of this line item are shown below:

Other current assets *(in thousands of Euro)*	**30/06/2023**	**31/12/2022**	**Change**
From employees	326	131	195
Advances and other receivables	5,309	3,353	1,956
Total	**5,635**	**3,484**	**2,151**

The increase of €2,151 thousand is due mainly to advances and other receivables in the various Group companies.

3.10 CASH AND CASH EQUIVALENTS

The details of this line item are shown below:

Cash and cash equivalents *(in thousands of Euro)*	**30/06/2023**	**31/12/2022**	**Change**
Cash and cash equivalents	102,112	167,258	(65,146)
Cash equivalents	42,392	10,000	32,392
Total	**144,504**	**177,258**	**(32,754)**

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

Cash equivalents of €42,392 thousand refer to investments in time deposits with a duration of less than three months (for more details, see Notes 3.8 – "Current financial assets" and 3.20 – "Net financial position").

Cash and cash equivalents are mainly concentrated in Italy for an amount of €75,992 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 (€2.9 million in total, of which €1.8 million denominated in Russian Roubles), it should be noted that it is permitted a monthly instalment-based distribution of dividends for a maximum amount of 10 million Roubles per month (€105 thousand at the exchange rate of 30 June 2023).

The following table reports the breakdown of cash and cash equivalents by geographical area: cash and cash equivalents in non-EU countries mainly refer to current account balances of accounts in Russian roubles (for a value of approximately €1.8 million), in Chinese Yuan (€2.6 million), Indian rupees (€1.4 million), US dollars (€5.5 million).

Cash and cash equivalents by geographical areas *(in thousands of Euro)*	**30/06/2023**	**31/12/2022**	**Change**
Italy	75,992	122,382	(46,390)
EU countries	12,598	16,571	(3,973)
Non-EU countries	13,522	28,305	(14,783)
Total	**102,112**	**167,258**	**(65,146)**

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

3.11 SHAREHOLDERS' EQUITY

The share capital of LU-VE S.p.A. amounted to €62,704 thousand (unchanged from 31 December 2022).
In the first half of 2023, dividends of €8,438 thousand were distributed, using reserves and retained earnings deriving from the profit for the year of LU-VE S.p.A. as at 31 December 2022.

As at 30 June 2023, 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 an offset of equity for a total amount of €288 thousand (for further details, see the Interim Report on Operations). During the period, no treasury shares were sold or purchased.

Equity attributable to non-controlling interests amounted to €4,851 thousand (€4,712 thousand as at 31 December 2022). The profit attributable to non-controlling interests in the half-year was €954 thousand (€603 thousand in the same period of 2022). The increase in non-controlling interests is offset by the distribution of dividends of €650 thousand by the subsidiary SEST LU-VE POLSKA Sp.z.o.o. (amount resolved and not yet paid during the period), and by the distribution of €63 thousand by the subsidiary «OOO» SEST LU-VE Russia (of which €19 thousand paid during the period).

It should be noted that as at 30 June 2023 the translation reserve was negative and offset equity for €16.4 million (€13.6 million as at 31 December 2022) and that this reserve mainly refers to the following currencies: €8.2 million in Russian roubles (€2.3 million as at 31 December 2022), €3.5 million in Polish zlotys (€7.2 million as at 31 December 2022), €4.9 million in Indian rupees (€4.5 million as at 31 December 2022) and positive €0.2 million for other currencies (positive €0.4 million as at 31 December 2022).

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

3.12 LOANS

This line item was broken down as follows:

Loans *(in thousands of Euro)*	30/06/2023		31/12/2022	
	Current	Non-current	Current	Non-current
Loans	108,209	280,720	102,737	320,201
Advances on export flows in Euro	5,000	-	-	-
Other advances on invoices	351	-	528	-
Total	**113,560**	**280,720**	**103,265**	**320,201**

As at 30 June 2023, bank loans amounted to €388,929 thousand (€422,938 thousand at 31 December 2022).

The breakdown of this item, measured according to the amortised cost, the evolution with respect to the previous year and the characteristics of the bank loans held by the Group are provided in the table of paragraph 9 Appendix "B". It should be noted that for floating rate loans, the Group calculated the amortised cost as at 30 June 2023 on the basis of the market curve of forward interest rates as at the reporting date.

In relation to certain loan agreements, the LU-VE Group committed to respecting specific financial and economic parameters (covenants), which however, is mandatory to comply as at 31 December of every year. In accordance with ESMA Guidelines 2021/32-382-1138, the related Appendix shows the loans outstanding as at 30 June 2023, for which compliance with the economic and financial 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. assessed the compliance with financial covenants on a consolidated basis as at 31 December 2023, based on the 2023 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 year *(in thousands of Euro)*	**Opening balance**	**New loans**	**Repayments**	**Amortised cost effect (*)**	**Exchange Rate**	**Closing balance**
Loans	422,938	20,000	(54,896)	887	-	388,929
Advances on export flows in Euro	-	20,000	(15,000)	-	-	5,000
Other advances on invoices	528	-	(171)	-	(6)	351
Total	**423,466**	**40,000**	**(70,067)**	**887**	**(6)**	**394,280**

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

The following changes took place in “Loans” in the first half of 2023 (all loans subscribed by LU-VE S.p.A.):

- Proceed of the second and final tranche of €20,000 thousand of the unsecured loan for a total of €25,000 thousand with Banco BPM S.p.A., of which the first tranche of €5 million had already been collected in December at the signing date. The loan duration of 60 months (of which 6 months of pre-amortisation) is aimed at supporting the parent company's financial needs and provides for better conditions for the LU-VE Group to achieve specific sustainability objectives. The loan requires compliance with financial covenants;

- Repayments in the half year for €54,896 thousand and refer entirely to repayments made during the period of current instalments of outstanding loans; no early repayments took place during the first half of 2023.

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

We note that the following guarantees are in place on the existing loans subscribed with Deutsche Bank in 2020 (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 granted by the SME Central Guarantee Fund pursuant to Italian Law 40 of 5 June 2020, in order to support small and medium companies whose business has been affected by the COVID-19 emergency;

- with reference to the loan of €10,000 thousand maturing on 11 November 2025, a payment guarantee issued by SACE S.p.A. for the benefit of the bank to cover 50% of the due amount of principal and interest to be paid by LU-VE S.p.A. The SACE guarantee is to be intended as public support intervention for the development of the production activities benefiting from the counter-guarantee of the Italian government in the context of the application of Italian Legislative Decree 123 of 31 March 1998, "Dispositions for the rationalisation of public support interventions to enterprises", pursuant to article 4, paragraph 4, letter c) of Italian Law 59 of 15 March 1997.

During the first half of 2023, the following changes occurred in relation to the items "Advances on export flows in Euro" and "Other advances on invoices":

- proceeds of advances for cash flows for €20,000 thousand;
- repayments of short-term lines of credit amounted to €15,000 thousand.
- Repayments of €171 thousand for advances on invoices from the Indian subsidiary Spirotech.

3.13 PROVISIONS

The details of this line item are shown below:

Change in provisions *(in thousands of Euro)*	**31/12/2022**	**Provisions/(Releases)**	**Uses**	**Exchange rate delta**	**30/06/2023**
Provision for agents' leaving indemnities	30	-	-	-	30
Product warranty provision	4,920	71	-	(5)	4,986
Other provisions for risks and charges	542	-	-	1	543
Total	**5,492**	**71**	**-**	**(4)**	**5,559**

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

The product warranty provision covers the risk of returns or charges from customers for non-conform products already sold. The provision was adjusted in the half year on the basis of the analyses conducted and past experience. The (net) increase was equal to €71 thousand (see note "4.6 – Other operating costs"), attributable to: i) higher (net) provisions for €71 thousand 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 €5 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 2023. As the effect was deemed negligible, it was not incorporated in the condensed consolidated interim financial statements.

3.14 EMPLOYEE BENEFITS

Employee benefits amounted to €5,379 thousand, a net decrease of €80 thousand compared to 31 December 2022. The entire amount referred to the provision for Italian post-employment benefits ("T.F.R").

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

In accordance with what is established by Italian regulations, the amount due to each employee accrued is based on the 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 wage and salary of each employee. The liability is subject to revaluation each year on the basis of the official inflation rate 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 destined, by choice of employees, either to the INPS Treasury Fund or to forms of complementary social security, with the nature of "defined benefits plans". Furthermore, these amounts are not subject to actuarial valuation and are no longer allocated to the "Provision for post-employment benefits". The "Provision for post-employment benefits" accrued as at 31 December 2006 remains a "defined 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 2023 is recognised entirely as "Defined benefits plan" and is therefore subject to actuarial valuation.

The breakdown and changes in the item as at 30 June 2023 are shown below:

Employee benefits *(in thousands of Euro)*	**30/06/2023**	**31/12/2022**
Liabilities as at 1 January	**5,299**	**5,770**
Provisions	199	314
Financial expense	71	107
Payments made	(178)	(712)
Actuarial (gains)/losses	(12)	(820)
Liabilities at the end of the period	**5,379**	**5,299**

The equity adjustment 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 2023 with respect to the previous valuation as at 31 December 2022: €23 thousand;
- actuarial loss deriving from the effect of the variation that the financial hypotheses have suffered between one valuation and the other: €11 thousand.

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

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 line item for the non-current portion are shown below:

Other non-current financial liabilities *(in thousands of Euro)*	**30/06/2023**	**31/12/2022**	**Change**
IFRS 16 financial payables	8,045	9,929	(1,884)
Other non-current financial payables	7,490	7,884	(394)
Total	**15,535**	**17,813**	**(2,278)**

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

The item "Other non-current financial payables" shows the fair value of €6,500 thousand relating to the put option granted to the minority shareholder for the purchase of the remaining 25% of REFRION S.r.l. through a put & call option agreement. The strike price can be calculated by the application of a formula provided in the agreement (there is also a call option in favour of LU-VE S.p.A.). The option represents a financial liability measured at fair value on the basis of the formula established by the agreement.

The same item includes €990 thousand (€1,384 thousand as at 31 December 2022) attributable to the part of the price for the purchase of REFRION S.r.l. subject to deferred payment and for which €394 thousand was paid in the period.

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

Other current financial liabilities *(in thousands of Euro)*	**30/06/2023**	**31/12/2022**	**Change**
IFRS 16 financial payables	5,188	5,112	76
Other financial liabilities	651	12	639
Total	**5,839**	**5,124**	**715**

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" for €630 thousand refers mainly for €558 thousand to the payable relating to dividends to be distributed to minority investors of the company SEST-LUVE-Polska SP.z.o.o., already net of €64 thousand of the associated withholding taxes, and for €44 thousand to dividends to be distributed to minority investors of the Group company «OOO» SEST LU-VE.

3.16 TRADE PAYABLES

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

Trade Payables *(in thousands of Euro)*	**30/06/2023**	**31/12/2022**	**Change**
Italy	61,489	60,558	931
EU countries	23,222	26,576	(3,354)
Non-EU countries	31,952	19,453	12,499
Total	**116,663**	**106,587**	**10,076**

The increase of €10,076 thousand is due primarily to an increase in purchases of materials in the second quarter of 2023 compared to the forth quarter of 2022 (for more details, see the contents of the Interim Report on Operations).

The change in "Trade payables" therefore led to a cash outflow of €10,076 thousand.

The average payment terms have not changed since the previous year. As at 30 June 2023, there were no past-due payables of significant amounts, and the Group had received no payment orders for past-due payables.

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 approximately 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 line item are shown below:

Tax payables *(in thousands of Euro)*	**30/06/2023**	**31/12/2022**	**Change**
Income tax payables	4,919	5,552	(633)
Withholding taxes	1,789	2,009	(220)
Other tax payables	3,005	1,190	1,815
Total	**9,713**	**8,751**	**962**

The item “Tax payables” recorded an increase of €962 thousand due to:

- Increases of €1,815 thousand relating to higher VAT payable mainly linked to a timing effect on sales in the second quarter of 2023; this increase was partially offset by:
- decreases of €633 thousand relating to lower payables to the tax authorities for income taxes due both to the effect of the payment of taxes for the 2022 financial year and to lower payables for taxes on the results of the period compared to the entire financial year 2022;
- decreases of €220 thousand relating to other withholding taxes.

3.18 OTHER CURRENT LIABILITIES

The details of this line item are shown below:

Other current liabilities *(in thousands of Euro)*	**30/06/2023**	**31/12/2022**	**Change**
To employees	18,687	17,003	1,684
To social security institutions	6,864	7,530	(666)
To Directors and Statutory Auditors	2,096	2,278	(182)
Other current payables	8,646	5,351	3,295
Total	**36,293**	**32,162**	**4,131**

The increase of €4,131 thousand is mainly attributable to the increase in payables to personnel (€1,684 thousand) due to increases in contractual minimums, inflation and provisions for additional holidays and salaries and the increase in Other current payables which mainly refer to payables for investments in the purchase of fixed assets.

3.19 DEFERRED TAX ASSETS AND LIABILITIES

The details of this line item are shown below:

Deferred tax assets and liabilities *(in thousands of Euro)*	**30/06/2023**	**31/12/2022**	**Change**
Deferred tax assets	8,764	6,992	1,772
Deferred tax liabilities	(14,553)	(14,955)	402
Net position	**(5,789)**	**(7,963)**	**2,174**

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

Deferred tax liabilities and assets: changes in the period *(in thousands of Euro)*	**TAX LOSSES**	**DEPRECIATION/AMORTISATION**	**MERGERS/ACQUISITIONS GROSS UP**	**ACTUARIAL VALUATION OF POST-EMPLOYMENT BENEFITS**	**PROVISIONS AND VALUE ADJUSTMENTS**	**OTHER DIFFERENCES**	**TOTAL**
01.01.2022	(145)	1,981	11,257	(214)	(5,103)	(376)	7,400
Refrion contribution	(528)	10	-	(35)	-	-	(553)
Tecnair contribution	-	(12)	-	41	125	30	184
In Income Statement	-	(12)	(415)	10	(588)	314	(691)
In shareholders’ equity	-	-	-	158	-	-	158
Reclassifications	-	(98)	-	-	98	-	-
Exchange rate delta	3	86	-	-	(278)	(12)	(201)
30.06.2022	(670)	1,955	10,842	(40)	(5,746)	(44)	6,297
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

As at 30 June 2023, 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. It is expected that this impact will be reduced during the second half of 2023;

- the temporary differences on actuarial valuation of the employee benefits of Italian companies pursuant to the application of IAS 19;

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

- other tax differences, regarding temporary differences 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 2023, deferred tax liabilities referred:

- to temporary 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 2008 merger difference allocated to land and the tax effect deriving from the fair value allocation to the book values for the acquisition of Spirotech (2016), Zyklus (2018), "AL Air" (2019) and the Refrion Group (2022);

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

As reported in the section “Use of estimates”, in verifying the recognition and recoverability of deferred tax assets recognised in the condensed consolidated interim financial statements as at 30 June 2023, the taxable income derived from the 2023-2026 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 2023 and the forecast results for the entire current fiscal year. The effects of temporary differences on which deferred tax liabilities are accounted for are included when assessing the amounts of deferred tax assets to be recognised.

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 that circumstances and events that could lead to the non-recoverability of deferred tax assets recognised by the Group are constantly monitored by the Group’s management.

3.20 NET FINANCIAL POSITION

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

Net financial position *(in thousands of Euro)*	**30/06/2023**	**31/12/2022**	**Change**
A. Cash and cash equivalents (Note 3.10)	102,112	167,258	(65,146)
B. Cash and cash equivalents (Note 3.8 and 3.10) (*)	42,392	10,000	32,392
C. Other current financial assets (Note 3.8) (**)	110,966	126,873	(15,907)
D. Total Liquidity (A+B+C)	**255,470**	**304,131**	**(48,661)**
E. Current financial debt (including debt instruments, but excluding current portion of non-current financial debt (Note 3.12 and 3.15)	10,839	5,124	5,715
F. Current portion of non-current financial debt (Note 3.12)	108,560	103,265	5,295
G. Current financial debt (E+F)	**119,399**	**108,389**	**11,010**
H. Net current financial debt (G-D)	**(136,071)**	**(195,742)**	**59,671**
I. Non-current financial debt (excluding current portion and debt instruments) (Note 3.12) (***)	296,255	338,014	(41,759)
J. Debt instruments	-	-	-
K. Non-current trade and other payables	-	-	-
L. Non-current financial debt (I+J+K)	**296,255**	**338,014**	**(41,759)**
M. Net financial debt (H+L)	**160,184**	**142,272**	**17,912**

(*) Cash equivalents refer to liquidity invested in Time Deposit by Group companies with a maturity of less than 3 months (Note 3.10). The amount refers for €40,000 thousand to the liquidity invested by the Parent Company LU-VE S.p.A. and for €2,392 thousand to the liquidity invested by the subsidiaries of the Group, «OOO» SEST LU-VE Russia and SPIROTECH Heat Exchangers Pvt. Ltd.
(**) The item "Other current financial assets" includes €69,213 thousand in investments in time deposits, of which €10,184 thousand relating to the subsidiary «OOO» SEST LU-VE Russia.
(**) The item "Non-current financial payables" includes the estimated value of the put&call option (€6,500 thousand) related to the purchase of the remaining 25% of the Refrion Group and the related deferred portion of the price (€990 thousand) related to the 75% of the Refrion Group already acquired.

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

4 COMMENT ON THE MAIN LINE ITEMS OF THE CONSOLIDATED INCOME STATEMENT

4.1 REVENUES AND OTHER OPERATING INCOME

In the first half of 2023, revenues and other operating income amounted to €320,300 thousand, with an increase of €1,913 thousand or +1% compared to the same period of last year (€318,387 thousand in 2022).

Revenues by product family:

Revenues by product and other operating income *(in thousands of Euro)*	**H1 2023**	**%**	**H1 2022**	**%**	**Change**	**% Change**
Heat exchangers	169,921	53.1%	173,519	54.5%	(3,598)	(2%)
Air Cooled Equipment	141,601	44.2%	126,614	39.8%	14,987	12%
Doors	8,036	2.5%	11,082	3.5%	(3,046)	(27%)
Sub-total	**319,558**	**99.8%**	**311,215**	**97.7%**	**8,343**	**3%**
Other operating income	742	0.2%	7,172	2.3%	(6,430)	(90%)
TOTAL	320,300	100.0%	318,387	100.0%	1,913	1%

Revenues by geographical area:

Revenues and operating income by geographical area *(in thousands of Euro)*	**H1 2023**	**%**	**H1 2022**	**%**	**Change**	**% Change**
Italy	67,668	21%	63,694	20%	3,974	6%
Germany	39,879	12%	25,994	8%	13,885	53%
Finland	14,502	5%	22,358	7%	(7,856)	(35%)
Czech Republic	16,654	5%	21,372	7%	(4,718)	(22%)
France	26,725	8%	21,529	7%	5,196	24%
Poland	13,038	4%	19,697	6%	(6,659)	(34%)
Austria	11,769	4%	13,604	4%	(1,835)	(13%)
USA	13,061	4%	13,293	4%	(232)	(2%)
Russia	17,435	5%	11,542	4%	5,893	51%
Sweden	10,225	3%	10,869	3%	(644)	(6%)
Spain	8,595	3%	8,874	3%	(279)	(3%)
China	6,155	2%	6,376	2%	(221)	(3%)
India	4,074	1%	4,631	1%	(557)	(12%)
Other countries	70,520	22%	74,554	23%	23,338	31%
TOTAL	320,300	100%	318,387	100%	29,285	9%

Please refer to the Interim Report on Operations for detailed comments on trends in the reference markets during the first half of 2023.

The value of consideration for transactions with unfulfilled (or not fully fulfilled by the Group and therefore not included in the revenue for the half-year) performance obligations at the end of the year amounted to €3,020 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 2023**	**H1 2022**	**Change**
Raw materials and purchased components	159,267	199,544	(40,277)
Consumables	6,400	7,494	(1,094)
Total	**165,667**	**207,038**	**(41,371)**

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 2023**	**H1 2022**	**Change**
Expenses for energy, telephone and telex	6,783	5,570	1,213
General and advisory expenses	10,084	9,579	505
Advertising and promotional expenses	961	1,138	(177)
Transport expenses	7,230	10,007	(2,777)
Maintenance expenses	3,792	3,014	778
External processing	4,139	4,292	(153)
Commissions	669	575	94
Remuneration to the corporate bodies	2,549	2,067	482
Costs for use of third-party assets	1,523	976	547
Other costs for services	5,175	3,945	1,230
Total	**42,905**	**41,163**	**1,742**

The increase of €1,742 thousand is mainly due to:

- the increase of €1,838 thousand in services relating to production (electricity, maintenance, external services);
- the increase in consultancy costs of €505 thousand;
- the increase in other costs for residual services for €1,230 thousand (mainly attributable to custom duty on purchases for €806 thousand and for €236 thousand euros for staff training).

The increase in these costs is partially offset by:

- reduction in transport costs of €2,777 thousand, due to lower volumes of purchases of raw materials and semi-finished products, as well as more careful and targeted management of inventories purchased during the previous year.

4.4 PERSONNEL COSTS

Personnel costs *(in thousands of Euro)*	**H1 2023**	**H1 2022**	**Change**
Wages and salaries	53,147	49,708	3,439
Social security costs	13,308	11,849	1,459
Post-employment benefits	1,485	1,330	155
Other personnel costs	(177)	(44)	(133)
Total	**67,763**	**62,843**	**4,920**

The average number of Group employees in the first half of 2023 was 4,064 (the average number of Group employees in the first half of 2022 was 4,339). As at 30 June 2023, the number of the employees of the Group came to 4,195 (3,102 blue-collar workers, 1,062 white-collar workers and middle managers, 31 executives), compared to 4,386 as at 30 June 2022.

As at 30 June 2023, the number of temporary workers was 1,322 (1,648 in the first half of 2022).

Personnel costs increased by €4,920 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 2023**	**H1 2022**	**Change**
Net reversal/(write-downs) of financial assets	127	70	57
Total	**127**	**70**	**57**

The item includes the net releases made during the first half of 2023 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 COSTS

Other operating costs *(in thousands of Euro)*	**H1 2023**	**H1 2022**	**Change**
Non-income taxes	696	876	(180)
Provisions for risks	71	486	(415)
Other operating costs	823	821	2
Total	**1,590**	**2,183**	**(593)**

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 2023**	**H1 2022**	**Change**
Interest income	1,395	174	1,221
Other financial income	1,695	6,889	(5,194)
Total	**3,090**	**7,063**	**(3,973)**

Interest income of €1,395 thousand refers for €1,169 thousand to interest accrued on investments of liquidity in time deposits (note “3.8 - Current financial assets”) and €226 thousand to other bank interest income. All interest income was collected.

Details of “Other financial income” are as follows:

- €981 thousand refers to the positive changes in fair value of the derivatives for operational hedging of currency risks of the Polish subsidiary (please refer to Note “3.8 - Current financial assets”);

- €588 thousand refers to the net *fair value* of capitalisation policies, of which the portion realised for the surrender of Aviva Vita policies is €408 thousand, and €180 thousand is the positive *fair value* accrued on policies and other insurance certificates (see Note “3.8 – Current financial assets”);

- €126 thousand relates to other financial income.

Of the total other financial income of €1,695 thousand, €126 thousand and €408 thousand relating to the Aviva Policies were collected and the latter recorded in the cash variation of investments in short-term financial assets of the consolidated cash flow statement.

4.8 FINANCIAL EXPENSE

Financial expense *(in thousands of Euro)*	**H1 2023**	**H1 2022**	**Change**
Interest expense to banks	5,657	3,335	2,322
Other financial expense	1,197	325	872
Total	**6,854**	**3,660**	**3,194**

“Interest payable to banks” of €5,657 thousand mainly refers to interest on loans and the effect of the amortised cost (€8,395 thousand), partially offset by interest income accrued on IRS financial instruments (€2,738 thousand). The increase compared to the same period of 2022 is due to the increase in floating rates on loans from 30 June 2022 to 30 June 2023.

The monetary change in interest expense to banks is negative for €4,803 thousand and the difference is mainly due to accrued interest for the period and not yet paid as at 30 June 2023.

Details of “Other financial expense” are as follows:

- €856 thousand refers to the negative fair value on derivative financial instruments underlying existing loans of LU.VE S.p.A. (please refer to Note 3.8. - "Current financial assets");

- €341 thousand mainly refers to other interest expense and financial charges, of which €249 thousand paid.

4.9 EXCHANGE GAINS AND LOSSES

During the first half of 2023, the Group recorded net exchange gains for €371 thousand, of which the realised portion amounted to a positive €529 thousand, while the unrealised portion amounted to a negative €158 thousand (in the same period of 2022, net exchange gains of €765 thousand were recorded), mainly due to the impact of the Russian Rouble and the US Dollar.

4.10 GAINS (LOSSES) FROM INVESTMENTS

During the first half of 2023, no gains/(losses) from the sale and/or acquisition of equity investments were recognised. The negative change of €9,473 thousand compared to the same period of the previous year refers to the profits deriving from the sale of the controlling interest in the company Tecnair LV S.p.A.

4.11 INCOME TAXES

Income taxes *(in thousands of Euro)*	**H1 2023**	**H1 2022**		**Change**
Current taxes	4,869	7,685		(2,816)
Deferred tax liabilities	(2,219)	(718)	(*)	(1,501)
Adjustment previous year	223	(202)		425
Total	**2,873**	**6,765**	**(*)**	**(3,892)**

(*) figures restated in comparison with those as of 30 June 2022, pursuant to IFRS 3, to take retrospective account of the effects resulting from the definitive valuation of the fair value of the Refrion Group's buildings and trademarks at the acquisition date (values previously considered provisional, see the note "Introduction – "Purchase Price Allocation relating to the acquisition of the Refrion Group").

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

The decrease in current taxes is mainly linked to the lower earning before tax recorded in the period, mainly related to the lower impact of the change in the fair value on derivative financial instruments during the first half of 2023, due to the fact that the growth in interest rates had a more constant trend compared to what happened in the first half of 2022.

The taxes paid in the period amounted to €5,258 thousand.

With reference to the tax authority inspection relating to the tax periods 2016, 2017, 2018 and 2019, a number of additional requests were made to which the Parent Company LU-VE S.p.A. promptly responded.

During the month of June, an audit was opened by the Spanish tax authorities on the subsidiary LU-VE Iberica S.l. for the tax periods 2013, 2018 and 2019, with reference to direct taxes and transfer prices.

For further details, please refer to the note "Events after 30 June 2023".

4.12 EARNINGS PER SHARE

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

Basic and diluted profit calculation *(in thousands of Euro)*	**H1 2023**	**H1 2022**
NET RESULT *(in thousands of Euro)*		
Net profit for the period	18,153	32,625 (*)
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 2023**	**H1 2022**
Basic earnings per share	0.82	1.47 (*)
Diluted earnings per share	0.82	1.47 (*)

(*) figures restated in comparison with those as of 30 June 2022, pursuant to IFRS 3, to take retrospective account of the effects resulting from the definitive valuation of the fair value of the Refrion Group's buildings and trademarks at the acquisition date (values previously considered provisional, see the note "Introduction – "Purchase Price Allocation relating to the acquisition of the Refrion Group").

4.13 DIVIDENDS

In May 2023, dividends totalling €8,438 thousand were distributed by LU-VE S.p.A., corresponding to the distribution of a gross dividend of €0.38 (zero/38) for each of the 22,206,341 shares outstanding, net of treasury shares.

In addition, dividends for €713 thousand was approved, of which €650 thousand in favour of the non-controlling interests of the Polish subsidiary SEST LUVE POLSKA Sp.z.o.o., not yet paid as at 30 June 2023, and €63 thousand in favour of the non-controlling interests of the Russian subsidiary «OOO» SEST LU-VE Russia, of which €44 thousand unpaid as at 30 June 2023. For both subsidiaries, payment is expected in the second half of 2023.

4.14 SEGMENT INFORMATION

As regards segment information, the Group has applied IFRS 8, which focuses attention on the reporting used internally by the Group 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 2023**	**%**	**H1 2022**	**%**	**Change**	**% Change**
Air Cooled Equipment	141,601	44.3%	126,614	40.7%	14,987	11.8%
SBU COOLING SYSTEMS	141,601	44.3%	126,614	40.7%	14,987	11.8%
Heat exchangers	169,921	53.2%	173,519	55.8%	(3,598)	-2.1%
Doors	8,036	2.5%	11,082	3.6%	(3,046)	-27.5%
SBU COMPONENTS	177,957	55.7%	184,601	59.3%	(6,644)	-3.6%
TOTAL PRODUCT TURNOVER	319,558	100.0%	311,215	100.0%	8,343	2.7%

The SBUs are therefore identified as components of an entity 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 2023 and 30 June 2022 is provided below:

Segment *(in thousands of Euro)*	**H1 2023**				**H1 2022**			
	Components	**Cooling Systems**	**Unallocated costs**	**Total**	**Components**	**Cooling Systems**	**Unallocated costs**	**Total**
REVENUES	177,957	141,601	-	**319,558**	184,601	126,614	-	**311,215**
EBITDA	21,282	20,532	-	**41,814**	29,007	13,113	-	**42,120**

4.15 INFORMATION ON FINANCIAL RISKS

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

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

The LU-VE Group is exposed to financial risks connected with its operations, in particular:

- credit risk, particularly with reference to normal trade relationship 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 by the Directors. LU-VE Group carefully and specifically monitors each of the above-mentioned financial risks, intervening with the aim of minimising them promptly, including by using hedging derivatives.

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

It should be noted 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 for the application of hedge accounting, pursuant to IFRS 9, were satisfied for those derivatives instruments. Therefore, the Group management deemed it appropriate to treat those instruments as held for trading.

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

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

Assets and Liabilities measured at fair value as at 30/06/2023 *(in thousands of Euro)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Other financial assets				
Other current financial assets	-	27,687	-	27,687
Derivatives		14,066		14,066
Other financial liabilities:				
Derivatives	-	-	-	-
Other non-current financial payables			(6,500)	(6,500)
Total	-	41,753	(6,500)	35,253

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

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

The categories of financial instruments are reported below:

Financial instruments by IFRS 9 categories *(in thousands of Euro)*	**30/06/2023**	**31/12/2022**
Financial assets		
Amortised cost		
Cash and cash equivalents	144,504	177,258
Time deposit (*)	69,213	10,000
Trade receivables	117,325	83,265
Non-current financial assets	-	-
Fair Value		
Trading derivatives	14,066	13,963
Current financial assets	27,687	102,910
Financial liabilities		
Amortised cost		
Loans	(394,280)	(423,466)
Trade payables	(116,663)	(106,587)
IFRS 16 financial payables	(13,233)	(15,041)
Other non-current financial payables	(990)	(1,384)
Fair Value		
Other non-current financial payables - for the purchase of the Refrion Group	(6,500)	(6,500)

(*) The time deposits maturing after 90 days, classified under "Current financial assets", fall under IFRS 9 categories at amortised cost.

Credit risk management

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

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

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

Exchange rate risk management

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

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

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

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

In terms of acquisitions, the main currency to which the LU-VE Group is exposed is the US dollar (USD, currency to which the cost of the main raw materials is linked): indeed, raw materials in the reference markets are quoted in USD and the cost is converted into 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 they are exposed to the risk of fluctuations in the exchange rate between the Euro and their local currencies.

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

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

Interest rate risk management

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

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

In particular, the main source of exposure to the risk in question for the Group derives from financial debt, which is almost all floating rate based. This risk is managed by subscribing derivative instruments (primarily interest rate swaps) to hedge this risk based on its own needs. This hedging policy allows the Group to reduce its exposure to the risk of interest rate fluctuations. As at 30 June 2023, the coverage of these risks represented 89.8% of the residual loans in place.

However, from a merely accounting perspective, although such instruments substantially hedge the risks mentioned, they do not meet all the requirements pursuant to IFRS 9 and cannot be defined as hedge accounting; therefore, the Group has decided to consider these instruments as held for trading and not for hedging, as a result such instruments were measured at fair value through profit and loss (FVTPL). For further details, please refer to Appendix A of the Explanatory Notes to the Consolidated Financial Statements.

Raw material price risk management

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

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

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

The first half of the current year revealed a retracement with respect to the maximum levels reached in the first half of 2022, and the continuation of the decrease that took hold in the second half of last year. The slowdown in demand and the repositioning of operators with respect to the bottlenecks of the post-Covid period have led to more contained and less volatile price levels. It should be recalled that the Group has "pass through" systems in place which allow cost increases to be transferred to end customers, guaranteeing the protection of margins.

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

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

Liquidity risk management

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

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

In addition, as at 30 June 2023, LU-VE Group has unused short-term credit lines for €68.4 million, of which the used amount is €11.4 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 2023 is provided below by maturity:

Analysis of financial liabilities by maturity as at 30 June 2023 *(in thousands of Euro)*	**Carrying amount**	**Contractual cash flows**	**Within 1 year**	**From 1 to 5 years**	**More than 5 years**
Bank loans	388,929	382,695	104,267	262,595	15,833
Advances on export flows in Euro	5,000	5,000	5,000	-	-
IFRS 16 Financial payables*	(13,233)	(13,233)	5,342	7,891	-
Financial liabilities	**380,696**	**374,462**	**114,609**	**270,486**	**15,833**
Trade payables	116,663	116,663	116,663	-	-
Total	**497,359**	**491,125**	**231,272**	**270,486**	**15,833**

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

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

Capital risk management

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

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

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

Related party transactions

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

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

The table below shows the economic and financial transactions carried out by Group Companies with related parties in the first half of 2023:

Related Companies *(in thousands of Euro)*	**Trade receivables**	**Trade payables**	**Financial receivables**	**Financial payables**	**Trade revenues**	**Trade costs**	**Financial revenues**	**Financial costs**
VITALE ZANE & CO S.r.l.	-	(12)	-	-	-	(20)	-	-
Finami S.r.l.	-	(46)	-	-	-	(113)	-	-
Marco Aurelio Tanci	-	-	-	-	-	(6)	-	-
Limmo S.r.l.	-	-	-	-	-	(16)	-	-
ARCA SAS DI CERANA MANUELA & C.	-	(11)	-	-	-	(16)	-	-
Mauro Cerana	-	-	-	-	-	(15)	-	-
Total	**-**	**(69)**	**-**	**-**	**-**	**(186)**	**-**	**-**

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:

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

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

4.16 SHARE-BASED PAYMENTS

As at 30 June 2023, there were no share-based incentive plans in favour of Group Directors or employees.

4.17 COMMITMENTS AND GUARANTEES

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

Commitments *(in thousands of Euro)*	**30/06/2023**	**31/12/2022**	**Change**
Sureties	7,376	7,323	53
Total	7,376	7,323	53

As at 30 June 2023, 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 as at 30/06/2023 *(in thousands of Euro)*	**30/06/2023**	**31/12/2022**	**Change**
Sureties in favour of third parties	5,000	5,000	-
Sureties to banks with respect to customers	2,151	2,098	53
Insurance sureties	225	225	-
Total	**7,376**	**7,323**	**53**

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.p.A. and Fincoil OY.

5 CONSOLIDATION AREA AND SIGNIFICANT EQUITY INVESTMENTS

5.1 COMPANIES CONSOLIDATED LINE-BY-LINE

Company name	Registered office	% owned	Currency	Share capital	Net Equity as at 30/06/2023	Profit (loss) as at 30/06/2023
Direct subsidiaries:						
SEST S.p.A.	Limana (BL)	100.00	EUR	1,000,000	35,362,387	11,267,155
Heat Transfer Systems s.r.o. (HTS)	Novosedly (Czech Rep.)	100.00	CZK	133,300,000	566,247,795	94,905,478
LU-VE Sweden AB	Asarum (Sweden)	100.00	SEK	50,000	7,489,926	6,690,790
LU-VE France S.a.r.l.	Lyon (France)	100.00	EUR	84,150	2,395,962	329,794
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	(1,795,038)	(258,140)
LU-VE Iberica S.L.	Madrid (Spain)	85.00	EUR	180,063	531,042	145,155
LU-VE HEAT EXCHANGERS (Tianmen) Co, Ltd	Tianmen (China)	100.00	CNY	61,025,411	60,210,759	5,752,562
LU-VE Asia Pacific Limited	Wan Chai (Hong Kong)	100.00	HKD	10,000	(730,525)	(55,518)
LuveDigital S.r.l.	Uboldo (VA)	50.00	EUR	10,000	48,190	5,093
MANIFOLD S.r.l.	Uboldo (VA)	99.00	EUR	10,000	(38,647)	(95,104)
Spirotech Ltd	New Delhi (India)	100.00	INR	25,729,600	3,457,173,379	130,758,079
LU-VE AUSTRIA GmbH	Vienna (Austria)	100.00	EUR	17,500	182,859	(10,694)
LU-VE US Inc.	Jacksonville (USA, Texas)	100.00	USD	1,000	(10,928,413)	(2,258,205)
Air Hex Alonte S.r.l.	Uboldo (VA)	100.00	EUR	2,010,000	15,630,915	776,554
Fincoil LU-VE OY	Vantaa (Finland)	100.00	EUR	1,190,000	7,396,794	891,616
LU-VE Netherlands B.V.	Breda (Netherlands)	100.00	EUR	10,000	(162,146)	111,767
«OOO» LU-VE Moscow	Moscow (Russia)	100.00	RUB	100,000	28,563,581	(13,115,477)
LU VE Middle East DMCC	Dubai (UAE)	100.00	AED	50,000	689,101	289,658
LU-VE SOUTH KOREA Llc	Seoul (South Korea)	100.00	KRW	100,000,000	96,232,680	(23,549,300)
Refrion S.r.l.	Flumignano di Talmassons (UD)	75.00	EUR	1,000,000	4,567,789	1,218,428
LU-VE UK Ltd	London (United Kingdom)	100.00	GBP	10,000	(22,392)	(31,193)
Indirect subsidiaries:						
SEST-LUVE-Polska SP.z.o.o. (95% owned by SEST S.p.A.)	Gliwice (Poland)	95.00	PLN	16,000,000	319,982,126	61,137,620
«OOO» SEST LU-VE (95% owned by SEST S.p.A.)	Lipetsk (Russia)	95.00	RUB	136,000,000	2,220,350,508	451,253,923
Thermo Glass Door S.p.A. (100% owned by SEST S.p.A.)	Travacò Siccomario (PV)	100.00	EUR	100,000	429,149	(430,467)
RMS S.r.l. (100% owned by Refrion S.r.l.)	Flumignano di Talmassons (UD)	75.00	EUR	40,000	1,523,451	414,262
Refrion Deutschland GmbH (100% owned by Refrion S.r.l.)	Frankfurt am Main (Germany)	75.00	EUR	150,000	(138,728)	193,853

(*) Liquidation procedures are in progress.

6 SIGNIFICANT NON-RECURRING TRANSACTIONS

During the first half of 2023, 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 2023, 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 interests.

8 SUBSEQUENT EVENTS OCCURRED AFTER 30 JUNE 2023

With regard to the issue of incentives for the hiring of former "Acc Wanbao" workers already mentioned in paragraph 1.2 "Significant events of the half" of the Report, at the end of July the INPS confirmed the tax deduction for only 30 of the 80 workers hired so far (and not for the full amount). At the same time, the original agreements were modified with a reduction in the number of people that the Group has undertaken to hire.

In August, based on the unanimous decision of the Board of Directors, the Group made a donation of €300,000 to the flood victims of the Emilia Romagna region for projects to rebuild schools and sports facilities, and to support vulnerable members of the community.

On 28 August, the subsidiary SEST-LUVE-Polska SP.z.o.o. won the auction for the last available lot of land within the Special Economic Zone in which it operates for a total amount of 9.6 million Zloty. The acquisition is expected to be completed by the end of September.

During the summer, extraordinarily intense atmospheric events hit various production sites, particularly in Italy, causing damage to properties (roofs and doors and windows), electrical systems and photovoltaic panels, motor vehicles and finished products ready for shipping. The quantification of the damages and the relative coverage based on the existing insurance policies are still being evaluated.

Tax assessments are still in progress by the Italian Tax authority on the parent company LU-VE S.p.A. and by the Spanish authorities on the subsidiary LU-VE Iberica S.l.

With the exception of a partial recovery in orders linked to the household appliances sector, the expected restart of investments in the large-scale distribution and HORECA segments has not yet materialised in recent weeks.

The increase in product turnover in the first half of 2023 (+2.7%) is incorporated in a trend in Group sales that, over the last 3/4 years, has recorded significant growth (turnover CAGR of more than 14%; EBITDA +15.9%), and even better than the medium/long-term "guidance", communicated in due course, despite the turbulence of the general context.

This hugely satisfying result confirms the effectiveness of the strategy pursued in constructing a resilient business model - thanks to the diversification of the applications of products in sectors with unrelated trends - supported by secular trends such as electrification, decarbonisation and the adoption of refrigerant gases with zero or low environmental impact, technological developments where LU-VE has been a first mover.

In a macroeconomic scenario that has deteriorated globally, characterised by heightened uncertainty, the Group works tirelessly and with great determination to preserve its profit margins, also in the presence of increased volatility of the expected results in terms of turnover.

Uboldo, 7 September 2023

Chairman and CEO

Matteo Liberali

9 APPENDIX A

IRS on loans (in thousands of Euro)

DEBTOR COMPANY	COUNTERPARTY	SUBSCRIPTION	MATURITY	ORIGINAL NOTIONAL	30/06/2023		30/06/2023
					NOT. Short	NOT. M/L	FAIR VALUE
LU-VE S.P.A.	Intesa San Paolo S.p.A.	28/11/2018	28/06/2024	12,500	1,250	1,250	68
LU-VE S.P.A.	Intesa San Paolo S.p.A.	28/11/2018	28/06/2024	12,500	1,250	1,250	68
LU-VE S.P.A.	Banca Nazionale del Lavoro S.p.A.	20/12/2018	24/09/2024	10,000	1,000	2,000	102
LU-VE S.P.A.	Banca Nazionale del Lavoro S.p.A.	20/12/2018	20/12/2023	10,000	5,000	-	86
LU-VE S.P.A.	Unicredit S.p.A.	12/07/2019	30/06/2024	9,600	1,200	1,200	66
LU-VE S.P.A.	Intesa San Paolo S.p.A.	20/05/2020	30/09/2025	12,500	1,389	4,861	306
LU-VE S.P.A.	Banca Nazionale del Lavoro S.p.A.	28/05/2020	28/05/2025	40,000	5,000	15,000	981
LU-VE S.P.A.	Unicredit S.p.A.	30/11/2020	30/11/2024	20,000	2,857	5,714	338
LU-VE S.P.A.	Deutsche Bank S.p.A.	30/10/2020	30/10/2026	5,500	522	3,367	260
LU-VE S.P.A.	Deutsche Bank S.p.A.	30/10/2020	30/10/2025	10,000	1,000	4,000	258
LU-VE S.P.A.	Intesa San Paolo S.p.A.	31/03/2021	31/03/2026	30,000	3,750	16,875	1,189
LU-VE S.P.A.	Banco BPM S.p.A.	14/06/2021	31/03/2026	12,000	1,412	6,353	440
LU-VE S.P.A.	Banco BPM S.p.A.	14/06/2021	31/03/2026	18,000	2,118	9,529	661
LU-VE S.P.A.	Unicredit S.p.A.	30/09/2021	31/03/2025	30,000	4,286	12,857	790
LU-VE S.P.A.	Banco BPM S.p.A.	17/12/2021	30/09/2026	40,000	5,333	29,333	2,128
LU-VE S.P.A.	Intesa San Paolo S.p.A.	31/05/2022	31/05/2029	20,000	-	20,000	594
LU-VE S.P.A.	Intesa San Paolo S.p.A.	31/05/2022	31/05/2029	20,000	-	20,000	400
LU-VE S.P.A.	Intesa San Paolo S.p.A.	31/05/2022	31/03/2029	15,000	-	15,000	864
LU-VE S.P.A.	Banca Nazionale del Lavoro S.p.A.	22/07/2022	22/07/2027	40,000	4,000	32,000	1,649
LU-VE S.P.A.	BPER Banca S.p.A.	22/07/2022	22/07/2027	25,000	1,563	23,438	831
LU-VE S.P.A.	Intesa San Paolo S.p.A.	28/07/2022	28/07/2027	15,000	938	14,063	580
LU-VE S.P.A.	Deutsche Bank S.p.A.	25/10/2022	28/10/2028	15,000	-	15,000	92
LU-VE S.P.A.	Unicredit S.p.A.	24/11/2022	31/12/2026	25,000	3,125	18,750	99
LU-VE S.P.A.	Banco BPM S.p.A.	19/01/2023	30/09/2027	25,000	2,941	22,059	258
			Total	**472,600**	**46,991**	**293,899**	**13,108**

COMPANIES CONSOLIDATED LINE-BY-LINE

Currency options (in thousands of Euro)

DEBTOR COMPANY	COUNTERPARTY	TYPE	HEDGED ELEMENT	SUBSCRIPTION	MATURITY	NOT. ORIG.	30/06/2023 NOT. Short	NOT. M/L	30/06/2023 FAIR VALUE
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	07/07/2022	05/07/2023	550	636	-	84
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	02/09/2022	04/08/2023	550	625	-	71
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	12/09/2022	04/09/2023	550	620	-	64
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	01/12/2022	04/10/2023	550	613	-	55
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	01/12/2022	06/11/2023	550	616	-	56
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	01/12/2022	05/12/2023	550	618	-	57
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	13/01/2023	05/01/2024	550	607	-	43
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	06/02/2023	05/02/2024	550	613	-	47
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	06/02/2023	15/01/2024	685	762	-	59
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	06/02/2023	15/12/2023	685	758	-	59
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	06/02/2023	15/11/2023	685	755	-	58
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	06/02/2023	16/10/2023	685	753	-	58

SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	06/02/2023	15/09/2023	685	751	-	58
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	06/02/2023	16/08/2023	685	748	-	58
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	06/02/2023	17/07/2023	685	746	-	58
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	20/03/2023	15/02/2024	685	752	-	47
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	20/03/2023	15/03/2024	685	754	-	48
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	25/05/2023	15/04/2024	685	717	-	11
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	25/05/2023	15/05/2024	685	719	-	12
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	25/05/2023	05/03/2024	550	574	-	9
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	25/05/2023	05/04/2024	550	575	-	9
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	25/05/2023	02/05/2024	550	577	-	9
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	19/07/2022	21/07/2023	100	105	-	(3)
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	19/07/2022	21/07/2023	100	105	-	(3)
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	20/07/2022	24/07/2023	100	105	-	(3)
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	20/07/2022	24/07/2023	100	105	-	(3)
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	04/08/2022	08/08/2023	100	105	-	(3)
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	10/08/2022	14/08/2023	100	105	-	(4)

SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	11/08/2022	17/08/2023	100	106	-	(3)
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	11/08/2022	17/08/2023	100	106	-	(3)
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	03/10/2022	06/10/2023	100	100	-	(6)
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	04/10/2022	20/09/2023	100	101	-	(6)
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	18/10/2022	29/09/2023	100	101	-	(5)
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	19/10/2022	29/09/2023	100	100	-	(5)
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	25/10/2022	29/09/2023	100	101	-	(5)
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	27/10/2022	29/09/2023	100	103	-	(3)
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	27/10/2022	29/09/2023	100	103	-	(3)
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	09/11/2022	29/09/2023	100	103	-	(4)
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	11/11/2022	27/10/2023	100	105	-	(4)
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	11/11/2022	27/10/2023	100	105	-	(3)
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	14/11/2022	30/10/2023	100	105	-	(3)
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	14/11/2022	30/10/2023	100	106	-	(3)
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	15/11/2022	30/10/2023	100	106	-	(2)
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	15/11/2022	30/10/2023	100	106	-	(2)
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	16/11/2022	30/10/2023	100	106	-	(2)
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	16/11/2022	30/10/2023	100	107	-	(2)
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	18/11/2022	30/10/2023	100	106	-	(2)
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	02/12/2022	30/10/2023	100	108	-	(1)
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	05/12/2022	30/11/2023	100	108	-	-

SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	06/12/2022	30/11/2023	100	107	-	-
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	09/12/2022	30/11/2023	100	108	-	-
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	12/12/2022	30/11/2023	100	108	-	1
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	13/12/2022	30/11/2023	100	108	-	1
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	27/12/2022	30/11/2023	100	108	-	1
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	13/01/2023	29/12/2023	100	110	-	1
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	23/01/2023	29/12/2023	100	111	-	2
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	01/02/2023	31/01/2024	100	111	-	2
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	14/03/2023	29/02/2024	100	109	-	1
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	21/03/2023	29/02/2024	100	109	-	1
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	13/04/2023	28/02/2024	100	112	-	2
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	20/06/2023	29/12/2023	100	110	-	1
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	22/06/2023	21/06/2024	100	112	-	1
SPIROTECH HEAT EXCHANGERS PVT LTD	CTI BANK	FX Option	€/INR Exchange Rate	30/06/2023	03/07/2023	56	61	-	-
Total						**17,641**	**19,195**	**-**	**958**

10 APPENDIX B

Bank loans (in thousands of Euro)								AMORTISED COST			
								30/06/2023		31/12/2022	
DEBTOR COMPANY	COUNTERPARTY	LOAN TYPE	SUBSCRIPTION	MATURITY	RATE APPLIED	FINANCIAL COVENANTS	ORIGINAL AMOUNT	RESIDUAL AMOUNT	OF WHICH CURRENT	RESIDUAL AMOUNT	OF WHICH CURRENT
LU-VE	Unicredit S.p.A.	Unsecured loan	30/01/2018	31/03/2023	6M Euribor + Spread	NFP/EBITDA <=3.0; NFP/SE <=1	25,000	-	-	2,520	2,521
LU-VE	Mediocredito Italiano S.p.A.	Unsecured loan	28/11/2018	30/06/2024	6M Euribor + Spread	NFP/EBITDA <3; NFP/SE <=1	12,500	2,543	2,543	3,814	2,551
LU-VE	Mediocredito Italiano S.p.A.	Unsecured loan	28/11/2018	30/06/2024	6M Euribor + Spread	NFP/EBITDA <3; NFP/SE <=1	12,500	2,543	2,543	3,814	2,551
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	3,078	2,059	4,121	2,070
LU-VE	Banca Nazionale del Lavoro S.p.A.	Unsecured loan	20/12/2018	24/09/2024	6M Euribor + Spread	NFP/EBITDA <=3; NFP/SE <=1.25	10,000	5,651	5,651	6,780	1,740
LU-VE	Banco BPM S.p.A.	Unsecured loan	16/06/2019	28/06/2024	3M 360 days Euribor + Spread	-	10,000	2,085	2,085	3,095	2,056
LU-VE	Unicredit S.p.A.	Unsecured loan	12/07/2019	30/06/2024	6M 360 days Euribor + Spread	NFP/EBITDA <=3; NFP/SE <=1	12,000	2,419	2,419	3,662	2,450
LU-VE	Intesa San Paolo S.p.A.	Unsecured loan	23/03/2020	23/09/2025	3M 360 days Euribor + Spread	NFP/EBITDA <= 3; NFP/SE <=1	25,000	12,721	5,723	15,539	5,696
LU-VE	Unione di Banche Italiane Società cooperativa per azioni	Unsecured loan	14/04/2020	14/04/2023	3M 360 days Euribor + Spread	NFP/EBITDA <= 3.5; NFP/SE <= 1.5	30,000	-	-	7,587	7,587
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	20,370	10,258	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/SE <=1	20,000	8,725	5,840	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/SE <=1.15	5,500	3,979	1,100	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/SE <=1.15	10,000	5,095	2,070	6,107	2,055
LU-VE	Intesa San Paolo S.p.A.	Unsecured loan	31/03/2021	31/03/2026	3-month EURIBOR base 360 + spread	NFP/EBITDA <3; NFP/SE <1	30,000	21,026	7,784	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	7,909	2,926	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/SE <=1.25	18,000	11,966	4,449	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	17,416	8,713	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/SE <=1.25	40,000	35,338	11,120	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	40,789	394	40,705	74
LU-VE	Intesa San Paolo 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	15,212	902	15,197	70
LU-VE	Intesa San Paolo 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	15,183	894	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 </= 1.0	40,000	36,988	8,363	40,279	8,088
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 </= 1.0	25,000	25,420	4,913	25,129	1,582
LU-VE	Intesa San Paolo 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	15,236	2,943	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	30,298	162	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	21,946	6,363	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	24,993	5,992	4,980	585
							Total	**388,929**	**108,209**	**422,938**	**102,737**

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 2023.

It is also certified that the condensed consolidated interim Financial Statements as at 30 June 2023:

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

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

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

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

Uboldo, 7 September 2023

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 of June 30, 2023, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholder's equity, the consolidated statement of cash flows for the six month period then ended and the explanatory notes. The Directors are responsible for the preparation of the condensed consolidated interim financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting ("IAS 34") as adopted by the European Union. Our responsibility is to express a conclusion on 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 June 30, 2023 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Massimiliano Semprini
Partner

Milan, Italy
September 12, 2023

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