LU-VE S.p.A.

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LU-VE GROUP
leadership with passion

ANNUAL FINANCIAL REPORT

AS AT 31 DECEMBER 2023

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DIRECTORS' REPORT AS AT 31 DECEMBER 2023

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1 DIRECTORS' REPORT AS AT 31 DECEMBER 2023

13 March 2024

Dear shareholders,

2023 was, at global level, a particularly critical year in geopolitical terms. The conflict between Ukraine and Russia has not led and does not portend a break in hostilities. In addition, in the last quarter of the year, after the massacre of Israeli settlers by Hamas, the conflict in the Gaza Strip broke out with a further sacrifice in terms of human lives, especially among the civilian population. In addition, in the early months of the current year, tensions in the Middle East hindered the trade of goods crossing the Suez Canal and the Red Sea and led to the military intervention of the United States and the United Kingdom in defence of the free movement of such goods. The impression is that 2024 will be no less critical than the previous year. After the elections in Taiwan, which saw the pro-independence side prevail over China, the elections in Russia, the European ones and, finally, the American ones in November, present a very fluid geopolitical picture.

The high uncertainty described above, during 2023, also at the same time as a further increase in interest rates compared to 2022, led to a general slowdown in global growth. According to World Bank's estimates, growth at global level in the second half of the year was the lowest in the last 30 years. The outcome for the entire year are estimated at around 3% globally, from 3.3% in the previous year. Moreover, this value for 2023 benefited from the robust growth in the United States. The US country recorded a 2.5% increase in GDP, higher than analysts' expectations. It is probable that, as a result of the economic slowdown and the reduction in inflation, rate growth has reached its peak. However, the beginning of the decline and its extent are hardly predictable, also in light of the international events mentioned above.

At the disaggregated level, in addition to what has been said for the United States, the Eurozone closed 2023 with a 0.5% growth, down sharply compared to 3.4% in 2022. Within the Eurozone, Italy closed the year with a GDP up by 0.7%, even slightly better than the European area, which saw Germany particularly suffering (-0.3% compared to 2022) and France slightly better (+ 0.9%). The result for the entire year was affected, however, by a positive first half and a marked slowdown in the second half. It should be noted that in 2023 the GDP levels reached in 2019, the last year before the pandemic, were exceeded. With 2019 representing 100, 2023 closed at par for Germany, while France rose to 101.8 and Italy rose to 102.9.

For the other large economies, China grew by a healthy 5.2% in 2023, higher than the 3% achieved the previous year. India continues to perform better and closed 2023 with GDP growth of 6.3%, a slight decrease compared to 7.2% in the previous year. Japan also closed 2023 on a positive note, growing by 1.7% compared to 1% in 2022.

Lastly, Russia's GDP in 2023, expected to decline at the beginning of the year, has instead grown by more than 2%. This confirms the complexity of the forecasts regarding the effects of Western sanctions and the repositioning of the Russian Federation in world trade patterns.

The outlook for 2024, although still marked by growth, is no better than last year and the first quarter of the year is expected to slow down compared to the first quarter of the previous year. Global GDP is expected to grow by 2.9% thanks to the resilience of the United States. However, the positive factor, worldwide and in individual macro-areas, of having avoided the recession expected at the end of the first half of 2023, is accompanied by the great uncertainty introduced by geopolitical tensions and the election year.

In the course of 2023, inflation has retracted compared to the strong growth of 2022, although it is still positioned well above the target of the Central Banks. This was consequently reflected in the substantial stability of the prices of the main raw materials which, on average, were positioned well below the maximum values of the last three years but still above the pre-pandemic levels.

Monetary policies during 2023 were restrictive and in continuity with 2022 in the first half of the year, while in the second half more caution and a reversal with rates falling again was forecast for 2024. There remains the crux of an inflation target that may not be reached because of supply chain bottlenecks triggered by conflicts in a particularly strategic area for trade flows such as the Middle East.

For LU-VE Group, 2023 was marked as a scale adjustment year following the long growth path of the past several years and the outstanding results of 2022, which were confirmed in the year ended. During the past year, the organisational, structural and market foundations were also laid for the beginning of a new growth cycle that also takes into account market and product developments as well as the new geopolitical context. It is also necessary to emphasise the growing focus on the search for new products that are increasingly sustainable and capable of sustaining the Group's competitive advantage, in all the markets it serves.

Compared with fiscal year 2022 (especially the first half of the year), the market demand in 2023 was less strong and also much less affected by the difficulties in sourcing materials and components, which had heavily affected the purchasing behaviour of OEM customers. As already highlighted in the interim financial information issued in 2023, the trends in the various application segments were different. This resulted in a significant change in the sales mix by product, by application and by geographical area, confirming once again the validity of the strategy pursued to differentiate target markets and the resilience and flexibility of the business model adopted by the Group.

The year 2023 closed with product turnover of €606.8 million, substantially in line (+ 0.3%) with the previous year against a 17% decrease in the value of the order book (€156.2 million), as a result of the normalisation of the timing of order confirmation by customers.

The normalisation of the value of the order book, in addition to the less strong demand per se, can be attributed on the one hand to the disappearance of the difficulties in sourcing materials and components, which had heavily affected the purchasing behaviour of OEM's customers, and, on the other hand, the sharp slowdown in orders for heat pump exchangers in the latter part of the year, which had peaked at the end of 2022.

EBITDA reached an amount of €78.8 million (12.8% of sales), an increase of 4.9% compared to 2022 (€75.1 million, 12.1% of sales). Adjusted EBITDA in 2023 (for more details on this please refer to paragraph 1.6 below - Alternative performance measures) amounted to €80.1 million (13% of sales), while adjusted EBITDA in 2022 amounted to €78.8 million (12.7%).

The net result for the year amounted to €31.4 million (€49.1 million in 2022), with a reduction of 36.1%, mainly due to some financial income (related to the positive change in derivative instruments 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 2022. Adjusted net result (for more details, see paragraph 1.6 -

Alternative performance measures below) amounted to €37.0 million compared to €35.2 million in 2022 (an increase of 5.1%).

The trend in demand described above led to different results of the two Business Units in terms of changes in sales, but the measures put in place to contain costs in a less expansive scenario compared to the forecasts at the beginning of the year, have made it possible to protect the sales margins of the Group as a whole.

The "Cooling Systems" SBU recorded a growth of 10.7% with a turnover of €285.2 million thanks to the continuous gaining of market shares in energy-efficient natural fluid refrigerated logistics centres (where LU-VE Group is now the reference player at European level) and to the strategy implemented in recent months focused on an increased presence in the world of state-of-the-art data centres. In the second half of the year, the performance of the "Industrial Cooling" segment was excellent.

On the other hand, the "Components" SBU have reported sales revenues down 7.4% to €321.6 million. As was the case throughout the financial year in general, the strong growth in air conditioning (+24%) only partially offset the negative sales volume performance of exchangers and doors for refrigerated counters, the HORECA segment, and household appliances.

The excellent performance in the air conditioning segment also requires further analysis with a focus on heat pump exchangers.

Indeed, after months of strong growth and even though it closed the year with a strong increase compared to 2022 (+60%), this segment has suffered a strong and unexpected slowdown in sales volumes since July. According to data published by the European Heat Pump Association (EHPA), for the first time after nine years of uninterrupted growth (with peaks in 2021 and 2022 well above 30%), heat pump sales in the main European markets fell by 4.5% in 2023 with a notably marked slowdown starting in the second half of the year. In particular, in Italy, the second largest market in Europe, sales fell by about one third compared to 2022. The reasons for this sudden decline in heat pump sales, which are one of the pillars of the REPowerEU plan, can essentially be traced back to the suspension or growing uncertainty throughout Europe regarding the incentive system for replacing gas boilers, as well as the simultaneous extension of the terms within which they can still be installed (e.g., in Germany). The divergent trends in gas and energy prices in the last months of the year also contributed to further uncertainty, the effects of which are expected to extend into the early months of 2024. In the medium term, however, there is unanimity of consensus that demand will recover strongly and that it will reach the ambitious targets set by the REPowerEU plan which currently remains fully in force.

The breakdown of turnover by SBU is given below:

Revenues by SBU (in thousands of Euro)	2023	%	2022	%	Change	% Change
SBU COOLING SYSTEMS	285,204	47.0%	257,548	42.6%	27,656	10.7%
SBU COMPONENTS	321,639	53.0%	347,488	57.4%	-25,849	-7.4%
TOTAL REVENUE FOR SALES OF PRODUCTS	606,843	100.0%	605,036	100.0%	1,807	0.3%

2023 was another significant year for the Group not only for the important results achieved, but also for the new projects that have contributed and will contribute to shaping its business in the years to come.

From an industrial perspective, 2023 saw the completion and launch of new investment projects in Italy and abroad. In particular in Poland, now the Group's largest facility, the expansion of the "P2" site was completed as planned in June, while in September the purchase of the last available plot of land within the same Special Economic Zone was finalised for a total of Zloty 9.6 million (about €2.1 million), and studies for the future use of the newly available areas were started.

In Italy, the expansion of the production site of Refrion S.r.l., in the province of Udine, was officially inaugurated in November, and the progressive conversion works of the former ACC – Wanbao production site, in the province of Belluno, continued throughout the year.

In Tianmen (China), factory expansion works were launched in June, the costs of which are entirely borne by the authorities of the local Special Economic Zone. Construction is expected to be completed in April 2024.

Lastly, in the United States, following the redefinition of the strategic plan for the US market, the project to expand the production site of LU-VE US Inc. (previously named "Zyklus Heat Transfer Inc.") was revised and rescheduled to 2024. Its share capital was increased to $10 million in November following the partial waiver of the financial receivable previously held by the parent company.

At organisational level, in addition to the appointment of the new Board of Directors reduced from twelve to ten members, the most significant event in 2023 was the creation of the new role of the Group General Manager in the person of Mr. Riccardo Quattrini, who in November presented the Board of Directors with the project entrusted to him to define the new Group organisation for achieving the objectives of the medium-term plan.

From an ESG perspective, 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 BoD.

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, the 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 Group value chain, initiatives were launched aimed at improving the information systems for tracking specific data.

In 2023, following the publication of the delegated acts relating to the new environmental objectives envisaged by the European Taxonomy for eco-sustainable activities, new analyses were conducted to assess the eligibility of the Group's economic activities. At the same time, new analyses were conducted to assess the Group's contribution to the "Climate change mitigation" and "Climate change adaptation" objectives in light of the new interpretations of the regulation.

In the first half of 2023, the first global call-to-action on sustainability issues was also launched at all Group companies: the 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* continued during the second half, addressing the main sustainability issues in dedicated sessions with the involvement of external keynote speakers.

In October, the European Union approved (provisionally: final approval is expected in February 2024) the proposal for an even more restrictive amendment to the F-Gas regulation, the aim of which is to protect the environment by reducing emissions of fluorinated greenhouse gases. In addition to being an undoubted advantage for the environment, this decision represents a further recognition of the validity of the Group's strategy, which, for the first time in Europe, has invested in product and process technologies and in test laboratories for the new generation of zero-impact fluids based on the forward-looking vision of the Group's founder, Mr. Iginio Liberali.

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. The funds were allocated to the reconstruction of a nursery school in Sant'Agata sul Santerno.

With reference to loan agreements, the following changes took place in 2023:

- In January, the second and final tranche of €20 million of the unsecured loan signed in December 2022 for a total of €25 million with Banco BPM S.p.A. was disbursed. The first tranche of €5 million had already been disbursed in December 2022 at the time of subscription. The loan aimed at supporting the company's financial needs provides for better conditions for the Group to achieve specific sustainability objectives. The loan requires compliance with financial covenants;

- In October, an unsecured loan agreement was signed with Intesa Sanpaolo S.p.A. for €30 million with a duration of 60 months (of which 6 months of pre-amortisation) repayable in quarterly instalments with constant capital. The loan, aimed at supporting the financial requirements related to the expansion of products with a green impact on total turnover, provides for better conditions for the Group to achieve specific sustainability objectives within the share of turnover dedicated to community support activities and hours of training per individual worker on environmental/social sustainability issues. The loan requires compliance with financial covenants;

- In December, an unsecured loan agreement was signed with Unicredit S.p.A. for €30 million. The lump-sum disbursement took place in the first half of January 2024. The loan, aimed at supporting the general financial needs related to the performance of business activities, provides for compliance with financial covenants.

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

- viewed the consolidated figures and the non-financial statement for 2022 of 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. The result 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.

With reference to the questionnaire for the fiscal years 2016, 2017, 2018 and 2019 received from the relevant Italian Tax Authority, it should be noted that the power of assessment for the year 2016 lapsed during the financial year 2023 and the Parent Company promptly responded to certain additional requests made for the other years. With reference to the 2019 fiscal year, on 19 September 2023, the Italian Tax Authority began a general tax audit at the end of which, specifically on 28 November 2023, it notified the Company of a report on findings with which, after acknowledging that the Company had duly produced the documentation requested during the audit, some objections were raised, mainly related to the valuation of an intragroup transaction, for a higher IRES taxable income for a total amount of €1,853,000 and IRAP taxable income for €1,964,382. Following the notification of the aforementioned report on findings, no tax assessment notice has been issued yet. From an analysis of the findings raised and on the basis of the information collected and the reasons available (also having consulted the reference tax consultants), it is believed that the risk relating to the findings formulated may be considered possible and in any case not fully quantifiable at the moment.

The tax audit by the Spanish tax authorities on the subsidiary LU-VE Iberica S.l. for the fiscal years 2013, 2018 and 2019 is still ongoing, with reference to direct taxes and transfer prices.

1.1 CONSIDERATIONS ON THE SHARE'S MARKET VALUE

During the year 2023, LU-VE share performed substantially in line with the FTSE Italia Star index until August. The average value of the security in the second half of the year was €23.61, while in the first half it was €29.43.

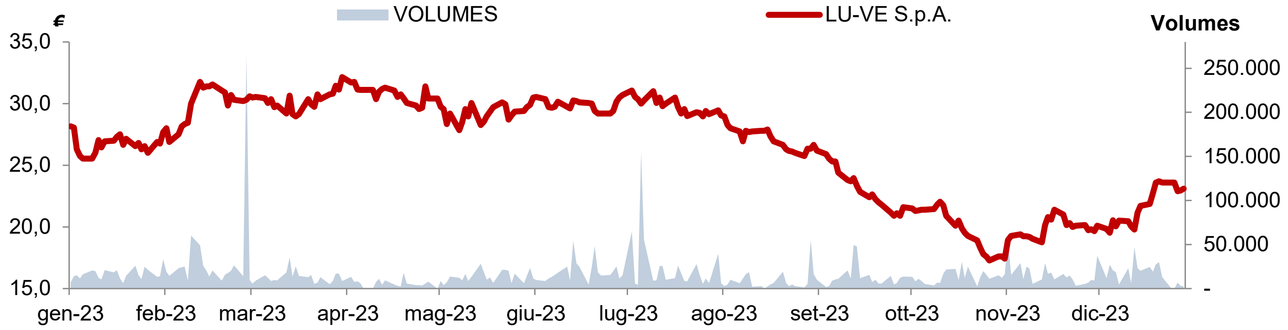
The main figures and share price trends are shown below:

Price as at 1 January 2023: €28.15
Price as at 31 December 2023: €23.10
Change in the year: -17.94%.

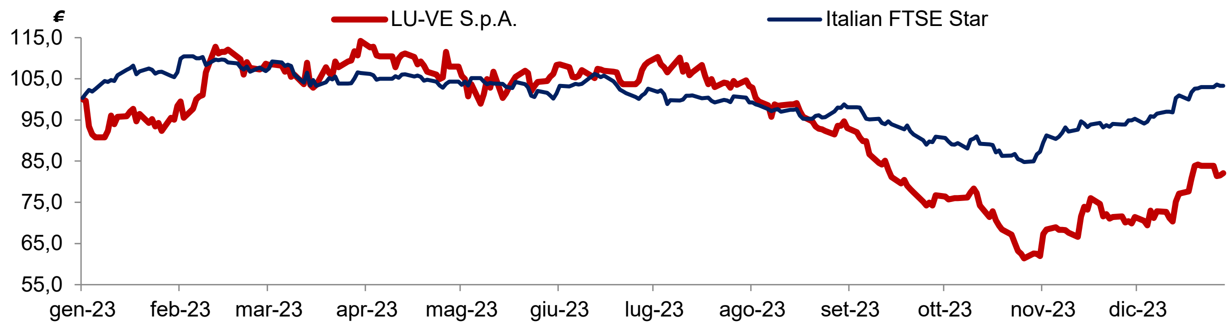
Maximum Price: €32.15 (31 March 2023)
Minimum Price: €17.28 (27 October 2023)
Average Weighted Price: €26.79
Traded volumes: 4,247,144 shares

Market capitalisation at 31 December 2023: €513.61 million

On 12 March 2024 (at the closure of the last trading day before the approval of the draft Financial Statements) the price was €20.90, corresponding to a capitalisation (to be calculated on the basis of 22.23 million shares) of €464.7 million, in any case higher than the Group's shareholders' equity (€223.7 million).



The performance of the FTSE STAR Index and LU-VE stock in 2023 is shown below:



1.2 SUBSIDIARIES AND ASSOCIATES

As at 31 December 2023, LU-VE Group comprises the following:

Industrial subsidiaries:

- **SEST S.p.A.** in Limana, Belluno (Italy), wholly-owned: manufactures and markets heat exchangers for refrigerated counters, display cabinets and for other applications;
- **SEST-LUVE-POLSKA Sp.z.o.o.** in Gliwice (Poland), 95% owned by SEST S.p.A.: manufactures and markets heat exchangers for refrigerated counters and display cabinets and other applications and air cooled equipment (evaporators and condensers);

- “OOO” SEST-LUVE in Lipetsk (Russia), 95% owned by SEST S.p.A.: manufactures and markets heat exchangers and air cooled equipment for the market comprising Russia and neighbouring countries;
- HEAT TRANSFER SYSTEM (HTS) s.r.o. in Novosedly (Czech Republic), wholly-owned: manufactures and markets heat exchangers for the air conditioning and refrigeration sectors and for special applications;
- LUVE HEAT EXCHANGERS (Tianmen) Co, Ltd wholly-owned by the LU-VE Group: manufactures and markets air cooled products for China and neighbouring countries;
- LU-VE SWEDEN AB in Asarum (Sweden), wholly-owned: manufactures and markets air cooled products (mainly large condensers and dry coolers using the AIA brand) in the Scandinavian markets;
- THERMO GLASS DOOR S.p.A. in Travacò Siccomario, Pavia (Italy), wholly-owned by SEST S.p.A., manufactures and markets glass doors and frames for refrigerated counters and display cases;
- SPIROTECH HEAT EXCHANGERS PRIVATE LIMITED in New Delhi (India), wholly-owned: manufactures and markets heat exchangers (for domestic applications, refrigeration and air conditioning) and air cooled equipment for the refrigeration sector;
- LU-VE US INC in Jacksonville (Texas - USA), wholly-owned: manufactures and markets heat exchangers, air cooled equipment and components for the air conditioning and refrigeration sectors and for special applications for the US market;
- MANIFOLD S.r.l. in Uboldo, Varese (Italy), 99% owned: manufactures copper components (collectors and distributor units) for Group companies;
- LUVEDIGITAL S.r.l. in Uboldo, Varese (Italy), 50% owned: develops software and IT solutions dedicated to generating estimates and promoting Group products;
- Air Hex Alonte S.r.l. in Alonte, Vicenza (Italy), wholly owned: manufactures air cooled products mainly destined to the industrial processes refrigeration ("power gen") and industrial refrigeration markets;
- FINCOIL LU-VE Oy in Vantaa (Finland), wholly-owned: manufactures air cooled products mainly destined to the industrial processes refrigeration ("power gen") and refrigeration markets;
- REFRION S.r.l. in Flumignano (UD), 75% owned: produces and sells heat exchangers and air cooled equipment for the air conditioning and coolers for industrial processes;
- RMS S.r.l. of Flumignano (UD), 100% owned by Refrion S.r.l.: specialises in the machining and marketing of sheet metal parts.

Commercial subsidiaries:

- LU-VE France s.a.r.l. in Lyon (France), wholly-owned: carries out direct sales activities and provides commercial and technical support services to distributors of air cooled equipment and heat exchangers in the French and North African markets;
- LU-VE Deutschland GmbH in Stuttgart (Germany), wholly-owned: sells air cooled equipment directly or through distributors throughout the German market;
- LU-VE Iberica s.l. in Madrid (Spain), 85% stake held: carries out direct sales activities or through distributors in the markets of the Iberian Peninsula and Central and South America;
- LU-VE Contardo Pacific pty. Ltd. in Thomastown (Australia), 75.5% owned: markets air cooled equipment in the Oceania market. The company ended its operations on 31 March 2021 and the liquidation formalities are still in progress;
- LU-VE Asia Pacific Ltd. of Hong Kong, wholly-owned, is no longer operational;
- LU-VE Austria GmbH in Vienna (Austria), wholly-owned: sells and carries out agency activities for air cooled equipment primarily in German language speaking countries;

- **LU-VE Netherlands B.V.** in Breda (Netherlands), wholly-owned: sells air cooled equipment in the Benelux countries;
- **«OOO» LU-VE Moscow**, in Moscow (Russia), wholly-owned: sells air cooled equipment only on the Russian market;
- **LU VE Middle East DMCC** in Dubai (United Arab Emirates), wholly-owned: sells air cooled equipment in the Middle East markets;
- **LU-VE SOUTH KOREA** in Seoul (South Korea), wholly owned: carries out sales and agency activities for air cooled equipment.
- **REFRION Deutschland GmbH** in Frankfurt (Germany), wholly-owned by Refrion S.r.l., sells air cooled equipment directly or through distributors throughout the German market;
- **LU-VE UK Ltd,** based in London, wholly owned, sells and acts as agent for air cooled equipment mainly in the United Kingdom.

1.3 REFERENCE MARKETS

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) glass doors for refrigerated counters and display cabinets.

AIR COOLED HEAT EXCHANGERS

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

In brief, the function performed by a heat exchanger entails in 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 "Original 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 7.3% year-on-year, accounted for 49.4% of the Group's consolidated revenues.

AIR COOLED EQUIPMENT

Air cooled equipment (unit coolers, condensers, gas coolers and liquid coolers) are finished products consisting of heat exchangers of various styles and sizes (up to over 12 metres long and 3 metres high), coupled with: *(i)* housings, appropriately designed and shaped to maximise the performance of the heat exchangers contained in them and to facilitate their transfer and installation on site; *(ii)* electronic or electrical fans, specifically designed and sized to optimise heat exchange, reduce 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).

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

Revenues from sales of cooled equipment accounted for 46.2% of the Group's consolidated revenues in 2023, with an increase of 10.7%.

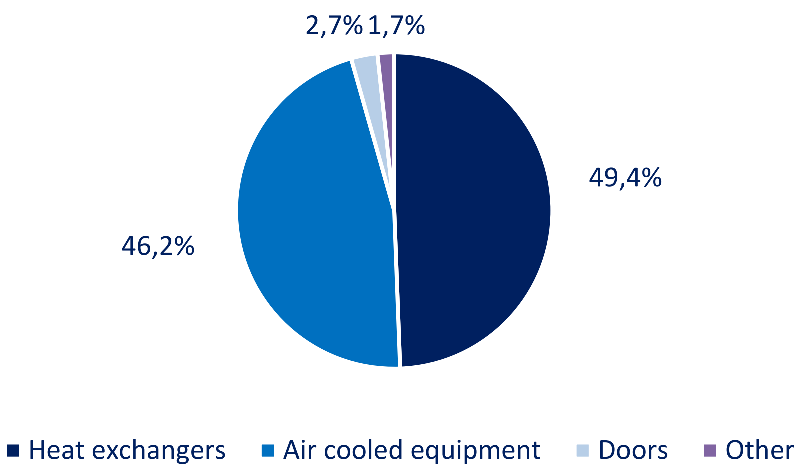
GLASS DOORS FOR REFRIGERATED COUNTERS AND DISPLAY CABINETS

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 through the application of 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 9.1% year-on-year in 2022, accounted for only 2.7% of the Group's total revenues.

The chart below shows the breakdown of turnover by product type as at 31 December 2023:



The following table shows the comparison of turnover trends by product type between the two financial years:

PRODUCTS (in thousands of Euro)	2023	%	2022	%	Delta %
Heat exchangers	305,001	49.4%	329,189	53.2%	-7.3%
Air Cooled Equipment	285,204	46.2%	257,548	41.6%	10.7%
Doors	16,638	2.7%	18,299	3.0%	-9.1%
TOTAL PRODUCTS	**606,843**	**98.3%**	**605,036**	**97.8%**	**0.3%**
Other	10,414	1.7%	13,576	2.2%	-23.3%
TOTAL	**617,257**	**100%**	**618,612**	**100%**	**-0.2%**

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

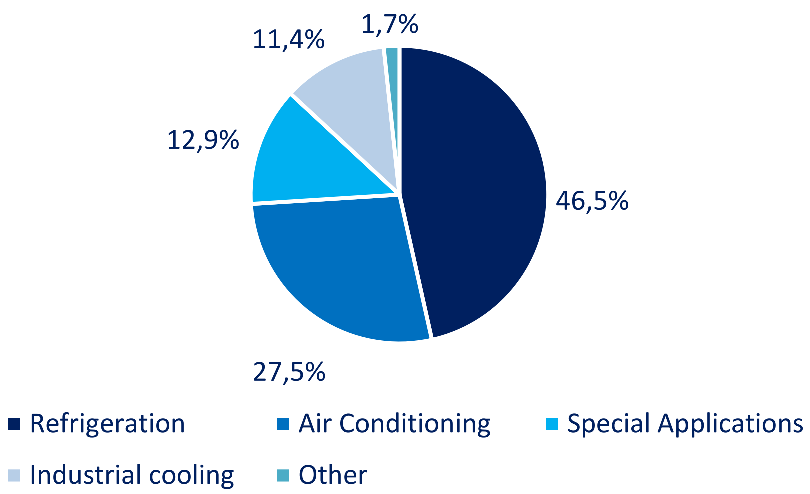
(i) the refrigeration sector, which includes activities relating to the supply chain for food products (the "**Refrigeration Sector**");

(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 as at 31 December 2023:



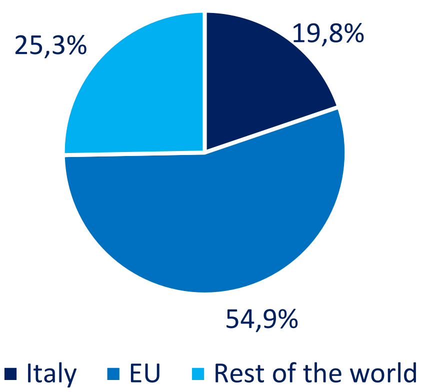
The table below shows turnover trends by application type in the two years subject to comparison:

APPLICATIONS (in thousands of Euro)	2023	%	2022	%	Delta %
Refrigeration	287,007	46.5%	311,849	50.4%	-8.0%
Air Conditioning	169,584	27.5%	138,929	22.4%	22.1%
Special Applications	79,709	12.9%	92,587	15.0%	-13.9%
Industrial cooling	70,543	11.4%	61,671	10.0%	14.4%
TOTAL APPLICATIONS	**606,843**	**98.3%**	**605,036**	**97.8%**	**0.3%**
Other	10,414	1.7%	13,576	2.2%	-23.3%
TOTAL	**617,257**	**100%**	**618,612**	**100%**	**-0.2%**

In refrigeration, the overall negative figure is the combination of a good growth in air cooled products, which, however, failed to offset for the drop in sales of heat exchangers in the large-scale retail and HORECA segments, while the excellent result achieved in air conditioning benefited not only from the very strong growth in the first months of the year of heat exchangers for heat pumps, but also from the growing breakthrough in the data centre and chiller markets. The "*special applications*" category was heavily penalised by the extremely negative performance of heat exchangers for clothes dryers. It should be noted the excellent performance in the heat exchangers for refrigerated vehicles, while the "industrial cooling" segment grew by over 14%, thanks to the implementation of important projects, especially in the second half of the year.

The 1.7% drop in sales of finished products within the European Union, for a total €453.4 million, brought the share of this area in total sales below 75% for the first time. Very positive results were recorded in France, Great Britain and the United Arab Emirates, as well as in Germany, which again became the Group's top export market. On the other hand, there was a strong negative impact on the results achieved in Poland and the Czech Republic, largely attributable to the decline in the clothes dryer market. The share of export sales exceeded 80%.

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



The Group's turnover does not depend to a significant extent on individual commercial or industrial contracts. As at 31 December 2023, sales revenues relating to the top 10 customers totalled a 29.9%

share of turnover (down significantly from the 2022 figure) with the largest customer accounting for only 4% of total sales.

1.4 ECONOMIC AND FINANCIAL DATA

The reclassified Income Statement and Balance Sheet are provided below:

Reclassified Consolidated Income Statement *(in thousands of Euro)*	31/12/2023	% Revenues	31/12/2022	% Revenues	% Change 2023 over 2022
Revenues and operating income	617,257	100%	618,612	100%	(0.2%)
Purchases of materials	(302,368)	49.0%	(353,637)	57.2%	
Changes in inventories	(21,440)	3.5%	20,450	(3.3%)	
Services	(80,654)	13.1%	(81,811)	13.2%	
Personnel costs	(129,413)	21.0%	(125,552)	20.3%	
Other operating costs	(4,543)	0.7%	(2,927)	0.5%	
Total operating costs	**(538,418)**	**87.2%**	**(543,477)**	**87.9%**	**(0.9%)**
EBITDA	78,839	12.8%	75,135	12.1%	4.9%
Depreciation and amortisation	(32,371)	5.2%	(32,729)	5.3%	
Gains/(Losses) on Non-current assets	(41)	0.0%	(310)	0.1%	
Operating profit (EBIT)	46,427	7.5%	42,096	6.8%	10.3%
Net financial income and expense	(10,057)	(1.6%)	7,467	1.2%	
Gains/(Losses) from equity investments	-	-	9,473	1.5%	
Pre-tax result (EBT)	36,370	5.9%	59,036	9.5%	(38.4%)
Income taxes for the year	(5,007)	0.8%	(9,971)	1.6%	
Net result for the year	31,363	5.1%	49,065	7.9%	(36.1%)
Profit attributable to non-controlling interests	1,618		1,351		
Profit attributable to the group	29,745	4.8%	47,714	7.7%	(37.7%)

"Revenues and operating income" are substantially in line with the previous year (-0.2%). At constant exchange rates, revenues would have increased by 1.4%. The slight decrease is essentially due to the decrease in volumes net of the change in the sales mix.

Total operating costs decreased from €543.5 million (87.9% of revenues) to €538.4 million (87.2% of revenues). The overall decrease of 0.9% (€5.1 million) was substantially caused by the following factors:

- consumption of materials decreased by €9.4 million, falling from 53.9% to 52.5% as a percentage of revenues. This decrease is mainly due to the drop in the prices of the main raw materials;

- costs for services (13.1% as a percentage of sales, last year it was 13.2%) show a decrease of €1.2 million mainly due to a drop of €5.1 million in transport costs, net of increases of €2.7

million in services related to production (electricity, maintenance, external services) and for €1.2 million of other costs for services. The costs for services as at 31 December 2022 included €0.7 million of non-operating costs relating to the acquisition of the company Refrion S.r.l.;

- personnel costs increased by €3.9 million, mainly due to wage dynamics and inflationary effects. This item includes €1.0 million of non-operating costs relating to start-up activities of the former ACC Wanbao production site, not included in ordinary management. As at 31 December 2022, the extraordinary bonus of €3.0 million to support the Group's employees was included, to cover the increase in the cost of living and inflation. The percentage of personnel costs compared to revenues increased from 20.3% to 21%.

- The item "Other operating costs" includes non-operating costs relating to the donation for €0.3 million to the Emilia-Romagna region.

"EBITDA" was €78.8 million (12.8% of revenues) compared to €75.1 million (12.1% of revenues) in 2022. Net of the impact of non-operating costs described above, adjusted EBITDA would have been €80.1 million (€78.8 million as at 31 December 2022) (for more details see section 1.6 Alternative Performance Measures). The change from the adjusted EBITDA compared with the previous year (increase of €1.3 million, +1.7%) is generated for €0.1 million by the increase in selling prices, for €3.1 million by the net decrease in the costs of main raw materials and other production costs, net of €1.9 million related to the partial reduction of safety stocks.

Amortisation and depreciation decreased by €0.4 million.

"EBIT" was €46.4 million (7.5% of revenues) compared to €42.1 million (6.8% of revenues) in 2022, an increase of 10.3%. Net of non-operating costs (adjusted EBIT), it would have been €47.7 million, 7.7% of revenues (last year it was €45.8 million, 7.4% of revenues).

The balance of "net financial income and expense" was negative for €10.1 million (positive for €7.5 million in 2022). The significant increase in net financial expense was due for €22.1 million to the negative change in the fair value of derivative instruments on loans (with a significant worsening in the last quarter of the year) and for €0.5 million to the increase in financial expense, net of €3.5 million increase in financial income and €1.6 million positive change in exchange rates.

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

"EBT" was equal to €36.4 million (5.9% of revenues) against €59.0 million in 2022 (9.5% of revenues). Normalised EBT in 2023 ("adjusted" EBT) for non-operating costs (€1.3 million), and for the net effect of the negative change in the fair value of derivatives instruments and the impact of the amortised cost (€6.1 million) would have been €43.8 million (7.1% of revenues). Last year it amounted to €43.4 million (7.0% of revenues).

The "Net result for the year" was €31.4 million (5.1% of revenues) compared to €49.1 million (7.9% of revenues) in 2022. Applying the afore-described tax effect to the non-recurring costs and revenues, the net result in 2023 ("Adjusted net result for the year") would have been €37.0 million, 6.0% of revenues (last year it was €35.2 million, 5.7% of revenues).

Reclassified Consolidated Balance Sheet *(in thousands of Euro)*	31/12/2023	% of net invested capital	31/12/2022	% of net invested capital	% Change 2023 over 2022
Net intangible assets	92,863		98,474		
Net property, plant and equipment	205,412		189,264		
Deferred tax assets	11,039		6,992		
Other non-current assets	969		1,473		
Non-current assets (A)	310,283	87.3%	296,203	83.7%	14,080
Inventories	110,831		134,237		(23,406)
Trade receivables	87,790		83,265		4,525
Other receivables and current assets	14,116		13,273		843
Current assets (B)	212,737		230,775		(18,038)
Trade payables	95,659		106,587		(10,928)
Other payables and current liabilities	46,577		40,913		5,664
Current liabilities (C)	142,236		147,500		(5,264)
Net working capital (D=B-C)	70,501	19.8%	83,275	23.6%	(12,774)
Provisions for employee benefits	5,363		5,299		64
Deferred tax liabilities	14,109		14,955		(846)
Provisions for risks and charges	5,735		5,492		243
Medium/long-term liabilities (E)	25,207	7.1%	25,746	7.3%	(539)
Net Invested Capital (A+D-E)	355,577	100.0%	353,732	100.0%	1,845
Shareholders' equity attributable to the group	223,677		206,748		16,929
Non-controlling interests	5,554		4,712		842
Total Consolidated Shareholders' Equity	229,231	64.5%	211,460	59.8%	17,771
Medium- Term Net Financial Position	264,632		338,014		(73,382)
Short- Term Net Financial Position	(138,286)		(195,742)		57,456
Total Net Financial Position	126,346	35.5%	142,272	40.2%	(15,926)
Shareholder's equity and net financial debt	355,577	100.0%	353,732	100.0%	1,845

The increase in the item Non-current assets (of €14.1 million) is primarily linked to the investments in the financial year (around €10.5 million) net of the relative amortisations.

LU-VE Group's operating working capital (equal to the sum of inventories and trade receivables net of trade payables) as at 31 December 2023 amounted to €103.0 million or 16.7% of sales (it was €110.9 million at 31 December 2022, 17.9% of sales).

Consolidated shareholders' equity amounted to €229.2 million compared to €211.5 million as at 31 December 2022. The increase (€17.8 million) was substantially due to the result for the year (€31.4 million) adjusted by the distribution of dividends totalling €9.1 million, the negative effect of the translation reserve (€4.3 million), and other changes for €0.2 million.

The net financial position was negative by €126.3 million (€142.3 million as of 31 December 2022) with a decrease of €15.9 million, mainly due for €39.1 million to investments, €9.1 million to the distribution of dividends, €15 million to the change in other receivables and payables, net of €8.0 million due to the decrease in operating working capital and approximately €71.2 million of positive cash flow from operations. In 2023, cash flows from operations adjusted for non-operating components was €45.1 million (for more details, see paragraph 1.6, Alternative performance indicators). The debt is all medium and long-term, and liquidity as at 31 December 2023 totalled around €262.4 million.

1.5 ECONOMIC AND FINANCIAL DATA FROM THE FINANCIAL STATEMENTS OF THE PARENT COMPANY LU-VE S.P.A.

The reclassified Income Statement and Balance Sheet are provided below:

LU-VE S.p.A. Reclassified Income Statement *(in thousands of Euro)*	31/12/2023	% Revenues	31/12/2022	% Revenues	% Change 2023 over 2022
Revenues and operating income	**95,864**	**100.0%**	**98,025**	**100.0%**	**(2.2%)**
Purchases of materials	(42,022)	43.8%	(51,356)	52.4%	
Changes in inventories	(5,479)	5.7%	2,024	(2.1%)	
Services	(25,161)	26.2%	(22,738)	23.2%	
Personnel costs	(21,664)	22.6%	(21,511)	21.9%	
Other operating costs	(974)	1.0%	(695)	0.7%	
Total operating costs	**(95,300)**	**99.4%**	**(94,276)**	**96.2%**	**1.1%**
EBITDA	**564**	**0.6%**	**3,749**	**3.8%**	**(85.0%)**
Depreciation and amortisation	(7,041)	7.3%	(8,695)	8.9%	
Gains/(Losses) on Non-current assets	(53)	0.1%	162	(0.2%)	
Operating profit (EBIT)	**(6,530)**	**(6.8%)**	**(4,784)**	**(4.9%)**	**36.5%**
Net financial income and expense	9,302	9.7%	20,598	21.0%	
Pre-tax result (EBT)	**2,772**	**2.9%**	**15,814**	**16.1%**	**(82.5%)**
Income taxes for the year	3,308	3.5%	431	0.4%	
Net result for the year	**6,080**	**6.3%**	**16,245**	**16.6%**	**(62.6%)**

As at 31 December 2023, sales recorded a slight decrease of 2.2% compared to 2022, mainly due to sales volumes.

Total operating costs rose from €94.3 million (96.2% of revenues) to €95.3 million (99.4% of revenues). The overall increase is 1.1% (€1.0 million) and is mainly referable to:

- a decrease in the consumption of materials with a total impact of €1.8 million. The incidence on revenues decreased from 50.3% to 49.6% mainly as a result of the production and sales mix;
- an increase in service costs of €2.4 million as a percentage of revenues from 23.2% to 26.2%) due to an increase in production-related costs of €1.6 million and an increase in service costs of €1.3 million, net of a decrease in transport costs of €0.5 million;
- an increase in personnel costs of €0.2 million, with an incidence on revenues rising from 21.9% to 22.6%. Last year the item included €0.9 million linked to the extraordinary bonus paid to Group employees;

- an increase in the item "Other operating costs" of €0.3 million. The item includes costs not falling under ordinary operations relating to the donation for €0.3 million to the Emilia-Romagna region.

"EBITDA" in the financial year 2023 was €0.6 million (0.6% of revenues) compared to €3.7 million (3.8% of revenues) in the financial year 2022.

"EBIT" was negative for €6.5 million (-6.8% of revenues), down by €1.7 million (-4.9% of revenues) compared to the previous year.

The balance of the item "Net financial income and expense" for the year ending 31 December 2023 was positive by €9.3 million, compared to €20.6 million for 2022. The difference, negative by €11.3 million, was mainly due to negative exchange rate differences of €2.7 million, the decrease in the fair value of derivative contracts, net of amortised cost, of €15.7 million, the increase in net financial expense of €4.3 million, net of the increase in dividends of €8.5 million and the return on invested cash of €2.3 million.

The "EBT" in the year ending as at 31 December 2023 was €2.8 million (2.9% of revenues) versus €15.8 million as at 31 December 2022 (16.1% of revenues).

The "Net result for the year" for 2023 was €6.1 million (6.3% of revenues) compared to €16.2 million (16.6% of revenues) in the financial year 2022.

LU-VE S.p.A. Reclassified Balance Sheet *(in thousands of Euro)*	31/12/2023	% of net invested capital	31/12/2022	% of net invested capital	% Change 2023 over 2022
Net intangible assets	18,450		19,682		
Net property, plant and equipment	38,990		38,181		
Deferred tax assets	11,021		8,052		
Investments	176,132		169,632		
Other non-current assets	1,303		2,587		
Non-current assets (A)	**245,896**	**96.5%**	**238,134**	**96.5%**	**7,762**
Inventories	11,214		16,694		(5,480)
Trade receivables	36,853		39,133		(2,280)
Other receivables and current assets	6,620		5,088		1,532
Current assets (B)	**54,687**		**60,915**		**(6,228)**
Trade payables	24,085		30,931		(6,846)
Other payables and current liabilities	13,917		13,423		494
Current liabilities (C)	**38,002**		**44,354**		**(6,352)**
Net working capital (D=B-C)	**16,685**	**6.6%**	**16,561**	**6.7%**	**124**
Provisions for employee benefits	782		791		(9)
Deferred tax liabilities	5,631		5,728		(97)
Provisions for risks and charges	1,463		1,463		0
Medium/long-term liabilities (E)	**7,876**	**3.1%**	**7,982**	**3.2%**	**(106)**
Net Invested Capital (A+D-E)	254,705	100.0%	246,713	100.0%	7,992
Share capital	62,704		62,704		0
Reserves and retained earnings (losses)	42,986		35,186		7,800
Profit for the year	6,080		16,245		(10,165)
Total shareholders' equity	**111,770**	**43.9%**	**114,135**	**46.3%**	**(2,365)**
Medium- Term Net Financial Position	251,896		322,230		(70,334)
Short- Term Net Financial Position	(97,720)		(167,200)		69,480
Total Net Financial Position	**154,176**	**60.5%**	**155,030**	**62.8%**	**(854)**
Total Other non-current financial assets	**(11,241)**	**-4.4%**	**(22,452)**	**-9.1%**	**11,211**
Shareholder's equity and net financial debt	254,705	100.0%	246,713	100.0%	7,992

The item "Non-current Assets" increased by €7.8 million compared to 2022, mainly under the item "Investments", following the increase in the share capital of the subsidiary LU-VE US Inc (net of the write-down made during the year) already commented on in the introduction to the Report.

Working capital (equal to the sum of inventories and trade receivables net of trade payables) decreased by €0.9 million (going from 25.4% to 25.0% of sales).

Shareholders' equity amounted to €111.8 million compared to €114.1 million as at 31 December 2022. The decrease (of €2.4 million) was due to the net result for the year (€6.1 million), net of a distribution of dividends of €8.4 million and changes in other provisions for €0.1 million.

The net financial position was negative for €154.2 million (negative for €155.0 million at 31 December 2022), a deterioration of €0.9 million. The debt is all medium and long-term, and liquidity as at 31 December 2023 totalled around €228.6 million.

1.6 ALTERNATIVE PERFORMANCE MEASURES

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

Monetary amounts in thousands of Euro	2023	2022
Average days in inventory (1)	65	78
Inventory turnover ratio (2)	5.57	4.61
Receivables turnover ratio (3)	7.03	7.43
Average days sales outstanding (4)	51	48
Payables turnover ratio (5)	4	4
Average days payable outstanding (6)	84	92
Net Invested Capital	355,577	353,732
EBITDA	78,839	75,135
Adjusted EBITDA (7)	80,139	78,811
EBITDA/Financial expense	4	7
Adjusted EBIT (8)	47,727	45,772
Adjusted EBT (9)	43,812	43,384
Adjusted net result for the year (10)	36,968	35,190
Basic earnings per share (11)	1.34	2.15
Diluted earnings per share (12)	1.34	2.15
Dividends per share (13)	0.38	0.35
Net financial position	(126,346)	(142,272)
Net financial position/EBITDA	1.60	1.89
Debt ratio (14)	0.55	0.67
Operating working capital (15)	102,962	110,915
Net working capital (16)	70,501	83,275
Cash flow from operations adjusted for non-recurring items (17)	45,100	37,100
Goodwill and Other Intangible assets/Total assets	0.12	0.12
Goodwill and Other Intangible assets/Shareholders' equity	0.41	0.47

Note:

The methods for calculating the indicators noted above are:

(1) Inventories/Revenues and other operating income*360;
(2) Revenues and other operating income/Inventories;
(3) Revenues/Trade receivables;
(4) Trade receivables/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/Trade-related operating costs*360;

(7) EBITDA adjusted for non-operating costs and revenues:

Values in millions of Euro	2023	2022
EBITDA	78.8	75.1
Start-up expenses of the *former ACC Wanbao* production site	1.0	-
Extraordinary contribution for Emilia-Romagna	0.3	-
Extraordinary employee bonus	-	3.0
Expenses for business combinations	-	0.7
Adjusted EBITDA	**80.1**	**78.8**

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

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

Values in millions of Euro	2023	2022
EBT	36.4	59.0
Net financial income and expense (*)	6.1	(9.9)
Start-up expenses of the *former ACC Wanbao* production site	1.0	-
Extraordinary contribution for Emilia-Romagna	0.3	-
Gains from the sale of equity investments	-	(9.5)
Extraordinary employee bonus	-	3.0
Expenses for business combinations	-	0.7
Adjusted EBT	**43.8**	**43.4**

(*) With regard to the fair value of the derivative contracts hedging the loans net of the amortised cost, as better described in paragraph 4.9 Financial expense, in the Notes to the Consolidated Financial Statements.

(10) Net result for the year adjusted for non-operating costs and income (adjusted EBT "base" - see previous table) net of taxes:

Values in millions of Euro	2023	2022
Net result for the year	31.4	49.1
Net financial income and expense net of tax (*)	4.7	(7.5)
Start-up expenses	0.8	-
Extraordinary contribution	0.2	-
Gains on disposal of equity investments net of tax	-	(9.3)
Extraordinary bonus net of tax	-	2.3
Expenses for business combinations net of tax	-	0.7
Adjusted net result for the year	**37.0**	**35.2**

(*) With regard to the fair value of the derivative contracts hedging the loans net of the amortised cost, as better described in paragraph 1.5 Income statement and balance sheet data.

(11) Net result for the year/Weighted average number of ordinary shares;

(12) Net result for the year/(Weighted average number of ordinary shares + potential number of additional ordinary shares);

(13) Nominal value of the dividend per share paid in each year.
(14) Net financial position/Shareholders' equity
(15) Total of inventories and trade receivables net of trade payables;
(16) Current assets net of current liabilities.
(17) Cash flow from operations adjusted for non-operating components and the difference between actual/expected working capital:

Values in millions of Euro	31/12/2023	31/12/2022
Change in Net financial position	15.9	(20.4)
Non-ordinary investments (*)	21.7	13.1
Dividends paid (**)	9.1	8.2
Acquisition/(sale) of equity investments (***)	-	14.6
Change in financial payables for leases pursuant to IFRS 16	(2.9)	(0.2)
Non-recurring costs	1.3	3.7
Adjustment to operating working capital (****)	-	18.1
Cash flow from operations adjusted for non-recurring items	**45.1**	**37.1**

(*) These are investments with deferred contribution on the cash generation of LU-VE Group, in particular real estate investments in the subsidiaries SEST S.p.A., Sest-LU-VE-Polska Sp.z.o.o. and Refrion S.rl and LU-VE US inc. with related investments in machinery that will lead to future increases in production capacity.

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

(***) 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.

(****) Determined as the difference between the operating working capital as at 31 December 2022 and the expected operating working capital as at 31 December 2022, as per the table below. In the year 2023, as the operating working capital reached a level not significantly distant from that indicated as the target in the official medium-term guidelines, it was decided to no longer calculate the adjusted figure.

Values in millions of Euro	31/12/2022
Sales	618.8
Target	15%
Expected operating working capital	**92.8**

1.7 INDUSTRIAL COMPANIES

The data below reflect for individual companies the values reported in the reporting packages prepared for the purposes of consolidation.

Revenues for SEST S.p.A. amounted to €47 million (€49.9 million in 2022). The net result, deriving approximately €13.8 million from dividends received from the subsidiary SEST-LUVE-Polska Sp.z.o.o., amounted to €9.7 million (€8.1 million in 2022) after depreciation and amortisation of €2.5 million and a positive tax effect of €0.9 million.

Sest-LUVE-Polska Sp.zoo achieved a turnover of €133.7 million (€135.6 million in 2022). Net result came to €19.4 million (in line with the previous year) after depreciation and amortisation of €5.7 million and taxes of €0.9 million.

"OOO" Sest LU-VE recorded a turnover of €36.3 million (€30.3 million in 2022). Net result came to roughly €12.2 million (positive for €5.4 million in 2022) after depreciation and amortisation of €0.9 million and taxes of €2.3 million.

HTS S.r.o. recorded a turnover of €73 million (€72.1 million in 2022). Net result came to €7.8 million (€7.2 million in 2022) after depreciation and amortisation of €1.6 million and taxes of €1.8 million.

LU-VE Sweden AB recorded a turnover of €23.7 million (€20 million in 2022) with a positive net result of €2.6 million, after depreciation and amortisation and taxes of €1.2 million.

LU-VE Tianmen LTD recorded a turnover of €15 million (€16.9 million in 2022) and recorded a profit of €1.3 million (€1.7 million in 2022) after depreciation and amortisation of €0.4 million and taxes of €0.5 million.

Thermo Glass Door S.p.A. achieved a turnover of €16.9 million (€18.5 million in 2022) and a negative net result of €0.7 million (negative €1.1 million in 2022) after depreciation and amortisation of €1.1 million and a positive tax effect of €0.2 million.

Manifold S.r.l. recorded a turnover of €1.5 million (€1.4 million in 2022), with a positive net result of €0.1 million after depreciation, amortisation and taxes for a total of €24 thousand.

Spirotech Heat Exchangers Private Limited recorded total revenues of €41.9 million (€58.2 million in 2022) with a positive net result of €4.4 million (€3.3 million in 2022) after depreciation and amortisation of €1.7 million and taxes of €1.5 million.

LU-VE US Inc., reported a turnover of €19.4 million (€22.6 million in 2022), with a negative net result of €4.6 million, after depreciation and amortisation of €1.1 million.

Air Hex Alonte S.r.l. recorded a turnover of €60.8 million (€58.6 million in 2022), with a positive net result of €2.4 million (positive €0.4 million in 2022), after depreciation and amortisation of €3.4 million and taxes of €1.4 million.

Fincoil LU-VE OY achieved a turnover of €41.3 million (€43.1 million in 2022), with a positive net result of €2.5 million (€1.6 million last year), after depreciation, amortisation and taxes of €2.1 million.

Refrion S.r.l. reported a turnover of €34.8 million (€21.7 million in 2022), with a positive net result of €3.1 million (€0.5 million last year), after depreciation and amortisation of €2.4 million.

RMS S.r.l. recorded a turnover of €7.5 million (€5.6 million last year), with a positive net result of €0.7 million, after depreciation, amortisation and taxes of €0.7 million.

1.8 SALES COMPANIES

The situation of each company is summarised below:

LU-VE France S.a.r.l. recorded a turnover of €23.4 million (€18.5 million in 2022, +26.8%) with a positive net result of €0.5 million, after depreciation, amortisation and taxes of €0.3 million.

LU-VE Deutschland GmbH recorded a turnover of €4.5 million (€3.2 million in 2022), with a positive net result of €0.1 million (negative by €0.2 million last year), after depreciation, amortisation and taxes of €0.1 million.

LU-VE Iberica SL reported a turnover of €14.5 million, in line with the previous year, with a positive net result of €0.2 million, after depreciation, amortisation and taxes of €0.2 million.

LUVEDIGITAL S.r.l. recorded a turnover of €0.4 million, with a positive net result of approximately €11 thousand after depreciation and amortisation and taxes of approximately €14 thousand.

LU-VE Austria GmbH recorded a turnover of €0.4 million (in line with the previous year), with a negative net result of €72 thousand (positive by €30 thousand last year), after depreciation and amortisation and taxes of €6 thousand.

LU-VE Netherlands B.V. reported a turnover of €4.4 million, with a negative net result of €0.1 million, after depreciation and amortisation and taxes of €0.1 million.

LU-VE Middle East DMCC recorded a turnover of €0.8 million, with a positive result of €33 thousand, after depreciation and amortisation of €56 thousand.

"OOO" LU-VE Moscow recorded a turnover of €1.2 million, with a negative net result of €0.3 million.

LU-VE South Korea closed the year with a turnover of €0.1 million and a negative net result of €51 thousand.

Refrion Deutschland GmbH recorded a turnover of €4.2 million and a positive net result of €0.5 million.

LU-VE UK Ltd recorded a turnover of €0.2 million and a negative net result of €79 thousand.

LU-VE Contardo Pacific pty. Ltd. and LU-VE Asia Pacific Ltd. are currently not operational, pending the formalisation of the liquidation of the companies.

1.9 INVESTMENTS

The Group's investments in the year 2023 amounted to €44.1 million (€63.2 million in 2022 - including the contribution of the Refrion Group), against depreciation and amortisation of €32.4 million. The investments by company are summarised below:

In thousands of Euro	INVESTMENTS												
Category	LU-VE	SEST	SEST LUVE POLSKA	"OOO" SEST LUVE	HTS	SPIROTECH	TGD	LU-VE US	AIR HEX ALONTE	FINCOIL	REFRION	OTHER	Total
Land and buildings	214	1,840	7,246	120	353	13	-	-	8	-	2,325	-	**12,119**
Plant and equipment	2,181	1,268	1,805	108	206	162	208	846	1,213	18	2,059	240	**10,314**
Right-of-use assets	562	578	151	-	114	23	-	328	459	161	111	552	**3,039**
Other	2,594	328	709	44	304	105	72	241	1,427	50	618	355	**6,847**
Work in progress	1,647	1,974	3,345	769	1,452	230	81	416	1,118	103	532	96	**11,763**
TOTAL	**7,198**	**5,988**	**13,256**	**1,041**	**2,429**	**533**	**361**	**1,831**	**4,225**	**332**	**5,645**	**1,243**	**44,082**

The capex programme continued for the expansion and streamlining of certain production sites and for the strengthening of installed production capacity. The main investments for the year regarded:

- The expansion of the manufacturing site and the enhancement of the existing production capacity by the Polish subsidiary, as best described in the introduction to this Report;
- The expansion of the manufacturing site and the enhancement of the existing production capacity by the subsidiary Refrion S.r.l., as best described in the introduction to this Report;
- The expansion of the production site and the expansion of the existing production capacity by the subsidiary SEST S.p.A., in particular of the building located in Mel (Belluno), concerning the former ACC - Wanbao project;
- The expansion of the manufacturing site and the enhancement of the existing production capacity by the Czech subsidiary;
- The expansion of the existing production capacity (for €3.6 million) and the purchase of management and technical software for improved operations at Group level (€1.1 million) by the parent company LU-VE S.p.A.;
- The expansion of existing production capacity by the Italian subsidiary Air Hex Alonte S.r.l.;
- the increase in "right-of-use assets" for €3 million, of which €0.7 million relating to offices and buildings and 1.1 million related to cars;
- The Group has also incurred development costs for €1.0 million.

1.10 PERSONNEL

Due to a complex macroeconomic situation, with mixed signals in the market, it was necessary to implement important cost containment policies, constantly monitoring the Group's workforce in relation to actual business needs. For this reason, after the first few months of the year had recorded a significant increase in employees, the second half of the year saw a gradual reduction in the number of employees, with the workforce at the end of the year remaining more or less stable compared to the end of 2022.

The workforce as at 31 December 2023 was 4,024 and was broken down as follows:

- 2,950 Blue collar workers;
- 1,044 White-collar workers and middle managers;
- 30 Executives

The total of temporary workers was 755.

Absenteeism showed an improvement compared to the previous year, in particular in the Italian facilities and in the Czech Republic. However, it should be noted an increase in sick hours in the last months of the year, caused by a surge in absences due to flu and COVID, particularly in European facilities.

Due to the contraction of orders for certain types of products and market segments, social shock absorbers were applied in Italy, with just over 100,000 hours of "*Cassa Integrazione Guadagni Ordinaria*" or "*CIGO"* (Redundancy Pay Fund) being used.

The use of Smart Working continues, guaranteeing the required operations and results. For some years now, this way of carrying out work has been an important tool for reconciling private and professional life, increasing the sense of belonging to the company and performing a good retention action.

Training activities continued significantly throughout 2023. In fact, 39,047 hours were provided on various topics. In particular, courses concerned managerial, commercial and technical production development. In the area of safety and the environment, the mandatory interventions envisaged by the regulations in force and further initiatives aimed at maintaining a high level of attention and awareness on specific issues continued. Financed training was used where possible and Group training activities were organised with excellent participation.

1.11 THE ENVIRONMENT AND OCCUPATIONAL HEALTH AND SAFETY

In 2023, the Group continued to share policies and strategies to increase the safety and protection of its workers as well as environmental performance. Continuous improvement throughout the Group was promoted by sharing management and control practices in the different facilities and collaboration between HSE site managers.

The inter-site working group continued its HSE audit activities with the new structured method valid at Group level. Already finalised in 2022, the audit method includes an *HSE Rating* to assess technical, organisational and risk management aspects (e.g., obtaining ISO 45001 certification for occupational health and safety management).

During 2023, a total of four internal audits were conducted at Refrion and RMS (1), TGD (1), HTS (2).

Using this rating at the various facilities made it possible to assess differences between sites and develop targeted actions, and formed the basis of the HSE indicator package. With particular reference to the facility in the Czech Republic, where two accidents with serious consequences occurred in 2022, immediate action was taken to reinforce training and increase awareness among employees, as well as several structural actions aimed at improving working conditions; then through audits - one initial and one follow up - it was possible to verify that risks had been minimised and rapid improvements had been achieved in performance, bringing the facility back up to the levels of the other European facilities.

The health and safety indices showed an improved performance in 2023 compared to previous years.

INJURY RATES AND DATA	2021	2022[1]	2023
Total number of work-related injuries	34	30	21
Commuting accidents[2]	3	0	0
Total number of high-consequence work-related injuries[3]	2	2	0

[1] Following a reporting system improvement process, the data on i) number of accidents; ii) occupational injury rate; and iii) severity rate in 2022 have been restated from what was published in the previous Non-Financial Statement. For previously published data, reference should be made to the 2022 Non Financial Statement.
[2] Commuting accident refers to an accident that takes place during the commute between the workplace and a place relating to private life (e.g., place of residence, place where meals are usually eaten), only when the transport has been organised by the Group.
[3] A high-consequence work-related injury is a work-related injury that results in a fatality or in an injury from which the worker cannot, does not, or is not expected to recover fully to pre-injury health status within 6 months.

Rate of work-related injuries[4]	6.69	5.54	3.79
Rate of high-consequence work-related injuries[5]	0.39	0.37	0.00
Severity rate[6]	235.76	259.53	117.44
Hours worked	5,085,600	5,413,563	5,534,857

In 2023, there were also two accidents involving external workers, none of which serious, for which a specific accident rate of 1.12 was calculated out of 1,789,696 total hours worked.

With respect to accidents, in the course of 2023 the following was observed for the Group:

- there were no fatalities at work;
- there were no charges concerning occupational illness against employees or former employees or cases of mobbing.

To provide education in factories and offices on occupational safety regulations and operating procedures, the Group had already devised and applied the "training break" method in 2012.

During short training breaks (15-30 minutes), employees and their managers/supervisors analyse the risks associated with their jobs, the workplace, the equipment they use and relative safety operating procedures. They are carried out by small groups, in the places where industrial work is carried out, in departments or at workers' workstations, and are led by the teacher or PPSM (prevention and protection service manager), together with the supervisor and the workers' safety representative. This training method involves workers as actively as possible, which makes the training more effective, and is particularly helpful for the technical-organisational needs of small work groups because useful information is provided for the specific work carried out by each employee.

In 2018, the Federmeccanica-Assistal National Health and Safety Commission, Fiom-Fim-Uilm, acknowledged "training breaks" as an innovative training method, including it the national Guidelines for the engineering sector for Italy.

In conjunction with the ordinary health and safety courses for employees, the training project continued at the parent company's site in Uboldo, Italy, on the topic of safety leadership. The aim was to reiterate and consolidate the direct and pragmatic approach to behavioural safety shared during the two-year period 2021-2022.

Continuity was therefore given to previous training in 2023 through the "We produce safely" project, which reinforced the existing culture through the appointment of "Safety Ambassadors."

As active promoters of safety values, the Ambassadors conducted - with the support of the teacher - "safety talks" with colleagues working on production lines, which led to sharing constructive and structured feedback.

[4] The rate of work-related injuries is calculated as the number of work-related injuries/hours worked x 1,000,000. In calculating the rate of work-related injuries, commuting accidents were only taken into account when the transport was organised by the Group (e.g., bus or vehicle of the company or a contractor).
[5] The rate of high-consequence work-related injuries is calculated as the number of high-consequence work-related injuries/hours worked x 1,000,000.
[6] The severity rate is calculated as the number of days lost due to a work-related injury/hours worked x 1,000,000. Days lost due to commuting accidents are also included in the calculation of days lost, only when the transport was organised by the Group (e.g., bus or vehicle of the company or a contractor).

Considering the history and culture of the facility of the parent company in Uboldo (Varese, Italy), the most functional and performing approach is in fact represented by a practical activity carried out directly in the department, "where conduct will be done on a daily basis".

With reference to the environment, in 2023 LU-VE Group, at all its production facilities has adopted a special dedicated monitoring system for energy consumption and emission impacts.

Energy consumption includes self-produced electricity from photovoltaic systems at the facilities, fuel consumption for the company fleet, for premises heating and for production processes, as well as electricity supplied by the national electricity grid. In 2023, the total consumption of production companies was 288,087 GJ.

In 2023, the Group reduced its emissions (Scope 1 and Scope 2) by 6.39%, on 2022 baseline. This achievement was possible mainly thanks to:

- <u>Production of electricity from photovoltaic systems</u>
  During 2023, the new photovoltaic plant at the facility in Bhiwadi (India) was operational for the entire year. Along with the photovoltaic systems already present at other Group facilities, i.e. Uboldo (Varese, Italy), Limana (Belluno, Italy) and Vantaa (Finland), the total energy production from the systems amounted to 5,372 GJ, equal to 863 tCO_{2eq} avoided.

- <u>Purchase of energy from renewable sources (Origin Guarantee)</u>
  In 2023, the facilities in Uboldo (Varese, Italy), Travacò Siccomario (Pavia, Italy), Limana (Belluno, Italy) and Asarum (Sweden) purchased 100% certified renewable energy through Guarantees of Origin, plus a share of certified energy for the facility in the Czech Republic. These actions allowed the Group to avoid emissions amounting to 6,622 tCO_{2eq}.

Greenhouse gas emission reductions (Scope 1 and Scope 2) for 2023 are in line with reduction targets defined through science-based reduction methodologies (science-based targets).

It should also be noted that as one of the most energy-consuming sites, the Uboldo (Italy) site has an energy management model certified according to the international ISO 50001 standard. With regard to other environmental impacts, it should be noted that a management approach to environmental aspects that is aligned and compliant with the international standard ISO 14001 (see related section in the Non-Financial Declaration) and a risk-based approach has been adopted at several facilities.

It is also noted that no damages were caused to the environment for which the Group companies were declared at fault.

For more information, please refer to the dedicated chapters of the 2023 consolidated non-financial statement.

1.12 SUSTAINABILITY: VISION AND ACTION

2023 is characterised by being the first year of implementation of the Group's 2023-2025 Sustainability Plan, prepared by the Corporate Sustainability Steering Committee, reviewed by the Control and Risk Committee, and approved by the Board of Directors in February 2023.

The Sustainability Plan sets out the actions to be pursued in line with the sustainability vision - aligned with some of the UN's Sustainable Development Goals (SDGs) - and the desired positioning of the Group, relating to four key dimensions: 1. Sustainability integrated in the Business Plan, 2. Positive-impact products, 3. Carbon neutrality, 4. High involvement of people.

The vision, the desired positioning and the Sustainability Plan express the ambition and capacity of the Group in managing its material topics, i.e. the topics expressing its actual and potential impacts, positive and negative, regarding environmental, social and governance aspects.

The following is a snapshot of the status of the 2023-2025 Sustainability Plan. It shows the values of the key indicators for the four dimensions of Group's positioning, as well as the related targets for the following years.

DIMENSIONS OF THE POSITIONING KEY INDICATOR	2021	2022	2023	TARGET 2023	TARGET 2024	TARGET 2025
A. Sustainability integrated in the Business Plan B. Positive-impact products						
Turnover from sustainable products or businesses (% of total)	47.3%	50.7%	**53.6%**	>52%	>54%	>56%
Relevant suppliers who signed the Supplier Form (% of total)	64%	57%	**67%**	>60%	>69%	>71%
Supplier audits (no.)	7	4	**10**	5	11	15
C. Carbon neutrality						
Scope 1 and Scope 2 climate change emission reduction (% of baseline 2022)	-	-	**-6.39%**	-6%	-10%	-19%
D. High involvement of people						
Employees assessed in the Skills Development process (% of total eligible employees)	60%	-	**74%**	>70%	>75%	>80%
Accident frequency index	5.59	5.21	**3.08**	< 5.21	< 4.14	[*]
Accident severity index	0.20	0.20	**0.09**	< 0.20	< 0.15	[*]

(*) This target will be defined on the basis of the performance of the previous year

In relation to the integration of sustainability in the business plan and to the positive impact products, reference is made to Group solutions sold in the reporting year that use natural refrigerants and/or energy efficient engines.

These criteria are also at the basis of the reporting activities carried out for the *European Taxonomy for sustainable activities*, introduced with the Regulation (EU) 2020/852, which requires to identify the share of turnover, investments and operating costs (as defined by the EU Delegated Regulation 2021/2178, hereinafter also "the KPIs") pertaining to its eligible and possibly aligned activities, with respect to the criteria stated in said Taxonomy.

Specifically, in accordance with the Taxonomy, in order to be considered "eco-sustainable" in all respects, an economic activity must: i) substantially contribute to the achievement of at least one of the six environmental objectives defined in art. 9 of the same Regulation: mitigation and adaptation to climate change, sustainable use and protection of water and marine resources, transition to a circular economy, prevention and reduction of pollution, protection and restoration of biodiversity and ecosystems; ii) not cause significant damage (Do No Significant Harm - DNSH) to any of the aforementioned environmental objectives; iii) comply with minimum social guarantees, recognising the importance of international rights and standards; iv) meet the technical screening criteria for each type of activity, i.e. specific criteria identified on a scientific basis, which describe the conditions to be met in order to substantially contribute to the achievement of the same objectives.

In 2023, following the publication of the delegated acts relating to the new environmental objectives under the Taxonomy, new analyses were conducted to assess the eligibility of the Group's economic activities. At the same time, new analyses were conducted to assess the Group's contribution to the "Climate change mitigation" and "Climate change adaptation" objectives in light of the new interpretations of the regulation.

In light of this analysis, the assets classified as "eligible" with respect to the Taxonomy criteria are:

- *Heat exchangers with high energy efficiency (activity 3.5);*
- *Products using CO_2 as a refrigerant fluid (activity 3.6);*
- *Products using other natural refrigerant fluids (hydrocarbons, ammonia, glycol water) (activity 3.6);*
- *Transport by motorbikes, cars and light commercial vehicles (activity 6.5);*
- *Activities related to construction or renovation of buildings (activities 7.1, 7.2, 7.3 - new activities)*
- *Installation of renewable energy technologies (activity 7.6);*
- *R&D team and laboratory (activity 9.1);*
- *Consulting costs for the energy efficiency of buildings (activity 9.3 - new activity)*

Overall, the eligible economic activities, considering the same interpretative criteria as in 2022, represent 53.6% of turnover, up compared to 50.7% in 2022. In light of the new interpretative criteria, which exclude the portion of turnover deriving from the "Components" Business Unit (which designs and develops components and not finished products), the eligible turnover is 34.7% of the Group's turnover.

When looking at CAPEX and OPEX data, the Group shows a percentage share of eligible assets, for the purposes of the Taxonomy for sustainable activities, of 29.3% and 36.4% respectively for 2023.

The quantitative assessment of physical climate risks at all Group production facilities was conducted in 2022, taking into consideration the different future scenarios correlated to internationally recognised climate models and based on greenhouse gas concentration pathways (Representative Concentration Pathways - RPC) developed by the Intergovernmental Panel on Climate Change (IPCC).[7] This analysis is considered up-to-date and applicable also for the financial year 2023, as it is based on IPCC scenarios, physical climate risk categories, calculation methodologies and time

[7] More specifically, the analysis was developed by combining scientific data at asset and climate risk level, assessed according to the dimensions of i) probability of occurrence of the risk based on various climate models, ii) asset exposure and iii) vulnerability, i.e. expected losses if the event should occur.

horizons still in line with the state of the art and the context in which the Group operates. Specifically, analyses were conducted taking into consideration the RCP 2.6 and RCP 4.5 scenarios and considering a time frame to 2035.

More specifically, the analysis showed that the risks that will have the greatest influence on the Group are temperature variability, intense precipitation and precipitation variability. Vice versa, the exposure to certain other risks, e.g. drought and fire risk, is not expected to be material to the Group's operating assets.

In 2023, the Group also updated the analysis of transition climate risks. The various types of risk – market, technological, legal/policy and reputation – were assessed on the basis of their potential impact on the business and of the Group's ability to deal with them over time. By way of example, the market risks related to increases in production and transport costs, due to specific market conditions and to the introduction of new regulations (such as the Carbon Border Adjustment Mechanism at European level) were assessed, as was the demand for products with increasingly lower emission impact, also as a result of the development of regulations and standards aligned with climate policies, such as the F-Gas Regulation (the new revision was published in February 2024).

Thanks to these analyses, the Group raised its awareness of the degree of exposure to risk and of the need to identify the best ways to appropriately contribute to climate change mitigation and adaptation. The related impacts, in terms of investments, costs and other impacts on cash flow were assessed and taken into consideration in the 2024-2027 Business Plan preparation process. Furthermore, with regard to the management of risks and opportunities, it should be noted that the significant sustainability topics - including the effects of climate change - were identified and assessed as part of the consolidated corporate risk assessment system.

With reference to carbon neutrality, in addition to the activities carried out with reference to Scope 1 and Scope 2 climate-altering emissions, in 2023 a new project was carried out for the calculation of Scope 3 GHG emissions (with reference to the actual data for the year 2022), following the assessment project carried out the previous year. GHG Scope 3 emissions are the emissions generated upstream and downstream of the Group's production activities, such as for example the emissions generated by logistics and by the products during their use by end users. The project has analysed the categories of the international "GHG Protocol" framework and thus made it possible to clearly identify the business processes for reducing emissions and the information processes on which to improve data availability and accuracy. The analysis activities have focused mainly on emissions related to the purchase of raw materials and components, inbound and outbound transport, and the use of the Group products by end customers (activities with the most significant impact in terms of emissions) and the disposal phase of products at the end of their life cycle.

Specifically, in 2023 LU-VE Group has conducted a new Life Cycle Assessment study on a specific range of large air cooled products. The carbon footprint was calculated for the entire life cycle (from raw material procurement, to manufacture of the solution, its use and end of life cycle management) and has been certified by a third party in accordance with the "PEP Ecopassport" declaration.[8]

Normally, regarding product sustainability, it should be noted that for over twenty years, the Group has been a voluntary adopter of the Eurovent certification programme. Eurovent is the European association which certifies the performance of many components for heating, ventilation, air

[8] PEP Ecopassport is an environmental product declaration (EPD) specifically for HVAC products that is based on the principles of the ISO standard for type III environmental declarations (ISO 14025) and therefore internationally recognised.

conditioning, process cooling and food cold chain technology. The "Eurovent Certified Performance" (ECP) certificate guarantees, through tests carried out in third-party laboratories, the reliability of the technical performance declared in terms of product power, energy consumption, air flow rate and noise level. Let's retrace the main steps.

- 2022: LU-VE Group was the first company in the world with Eurovent certification for CO2 gas coolers (thermal performance, energy consumption, air flow and noise levels) marketed under the brands LU-VE Exchangers and Alfa LU-VE;

- 2022: Obtaining certification for the CO2 evaporators of the Optigo (commercial refrigeration) and Arctigo (industrial refrigeration) series, marketed under the Alfa LU-VE brand.

- 2020: LU-VE Group was one of the very first companies to obtain Eurovent certification for CO2 unit coolers (thermal performance, energy consumption and air flow rate), marketed under the brands LU-VE Exchangers and AIA LU-VE; as of 2022, also those under the brand Alfa LU-VE.

- 2016: LU-VE Group was the first manufacturer that Eurovent certified for their heat exchangers for refrigeration, never registering a single negative test during three different test cycles (between 2011 and 2015).

- 2000: LU-VE Group was the first company in Europe to obtain the new "Eurovent Certify All" certification for all the ranges of condensers, dry coolers and unit coolers.

The research and development activity focused towards sustainable design - which has always been a characteristic of the Group's technological innovation. Specifically, Group's innovation continued to be concentrated on the development of increasing heat exchange efficiency, with reduced use of refrigerant fluid and reduced exchanger internal volume, performance being equal. Furthermore, the Group continued on the path of progressive discontinuation of products with HFC fluids in favour of those with natural refrigerant fluids. The adoption of natural refrigerants in heat exchangers produced is in line with the Kigali amendment to the Montreal Protocol, which aims to reduce the greenhouse gas effect caused by F-Gas refrigerants.

With reference to projects to promote a high level of engagement of the Group's people, in addition to the management of corporate welfare, health and safety and professional development issues, to be noted is the launch of the global Sustainability Ambassadors' Journey programme, an accelerated internal training programme for the growth of sustainability culture and skills. The 80 Sustainability Ambassadors selected from among the spontaneous applications received and belonging to various Group companies and company departments, started in the last quarter of 2023 a training course on the topics of the climate crisis, energy transition and human rights, with international speakers. The path will continue in 2024.

During 2023, the Corporate Sustainability Steering Committee, in which the CEO, CSDO, GM, CFLO, Investor Relations and the Sustainability Office are consistently involved, met on two occasions to assess the progress of the Sustainability Plan objectives and related actions. The Corporate Sustainability Steering Committee was set up in 2022 to review the progress of the Group's sustainability performance and discuss strategic lines of action, which are then submitted by the managing directors to the Control and Risk Committee and the Board of Directors for appropriate assessment and resolutions.

The sustainability governance integrates the company's corporate governance, oriented towards management ethics and transparency and already characterised by diversity policies in the composition of the Board of Directors, the presence of sustainability plans and objectives linked to the board's remuneration, as well as the presence of control procedures, policies on the behaviour of senior management and the company in terms of ethics and compliance. The management of environmental and health and safety aspects is defined in some of the Group's plants through management models compliant to environmental ISO 14001, health and safety at work ISO 45001 and energy management ISO 50001 international standards.

Furthermore, several awards and recognitions have been obtained over the years in terms of sustainability, also in 2023, with reference to human resource management policies, commercial policies and supply chain management.

For further information on the Group's non-financial performance, please refer to the *2023 Consolidated Non-Financial Statement*, prepared in accordance with Italian Legislative Decree 254/16 and in compliance with the GRI Sustainability Reporting Standards published by the Global Reporting Initiative - GRI (with the “In Accordance” application level). The document is subject to a limited audit by the Auditing Firm and is published on the Group website (www.luvegroup.com) in the "Investor relations – Sustainability" section.

2 OBSERVATIONS ON THE FINANCIAL PROFILE AND ON GOING CONCERN

LU-VE Group's consolidated Financial Statements and the Financial Statements of the Parent Company LU-VE S.p.A. as at 31 December 2023 have been prepared on a going concern basis pursuant to paragraph 25 and 26 of the IAS 1, 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 and of the Parent Company of meeting its commitments in the foreseeable future.

As at 31 December 2023, LU-VE Group and the Parent Company had a solid and balanced financial structure with a Net financial debt/Equity ratio (Debt ratio) of 0.55 and 1.38 respectively and a positive short-term net financial position of €138.3 million and €97.7 million, respectively. Therefore, the repayment of medium- and long-term debt expiring during 2024 is guaranteed by current liquidity. Moreover, there are no substantial restrictions on the freeing up of invested liquidity, equal to €43.3 million (in addition to the cash and cash equivalents of €212.1 million), which, therefore, may be used to meet any payment commitments, if required.

It should be noted that the assessment of compliance with financial and economic requirements (covenants) on a consolidated basis, required by the loan agreements of LU-VE Group, as at 31 December 2023, did not highlight any critical issues. Furthermore, it is highlighted that the estimates of the 2024 Budget lead to the expectation that no critical issues with regard to these requirements will arise also for next year.

Significant uncertainty remains with reference to geopolitical tensions, and the Group remains exposed to this as it has subsidiaries in Russia (6% of consolidated sales 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 able to operate as a going concern.

2.1 MAIN RISKS AND UNCERTAINTIES

RISKS RELATED TO TRENDS IN RAW MATERIAL PRICES

The production costs of LU-VE Group are influenced by the prices of raw materials, mainly copper and aluminium. Risks are related to fluctuations in the prices of these materials on the reference markets (on which they are quoted in USD) and the fluctuation in the Euro/USD exchange rate (as the Group purchases in euro, while 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 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, 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 its own needs, 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 current year has 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 in place "pass through" systems which allow cost increases to be transferred directly to end customers, guaranteeing the protection of margins.

The problems of availability of materials, although greatly reduced, have forced the revision of the procurement policies (with the expansion of the number of suppliers and the reduction of geographical concentration) and of storage policy that could no longer be inspired by strict compliance with the principles of "just in time" and have forced to maintain higher inventories of raw materials and components than in the past so that we can respond to the market with delivery times in line with expectations.

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

RISKS RELATED TO NET FINANCIAL DEBT

In relation to certain loan agreements, LU-VE Group is committed to respect 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 reimburse the relative debt in advance.

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

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

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

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

RISKS RELATED TO EXCHANGE RATE FLUCTUATIONS

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

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

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

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

Sales are mainly made in 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 make almost all 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 result for the year and financial position from such fluctuations, and therefore reduce the risk arising from changes in exchange rates, the Group considers the subscription of derivative financial instruments with the aim to hedge the underlying risks. However, from a merely accounting perspective, although such instruments substantially hedge the risks mentioned, they do not meet all the requirements as laid out under IFRS 9 and cannot be defined as hedge accounting; therefore, the Group has decided to consider these instruments as for trading and not hedges and as a result such instruments were measured at fair value through profit and loss. 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 GENERAL ECONOMIC CONDITIONS

The economic performance and financial position of LU-VE Group, which operates at international level in various countries, are influenced by various factors which reflect macroeconomic trends, including consumption trends, the cost of raw materials, interest rate fluctuations and those of the currency markets.

As already reported in the opening section of this document, 2023 was, on a global level, a particularly critical year in geopolitical terms. The conflict between Ukraine and Russia has not led and does not portend a break in hostilities. In addition, in the last quarter of the year, after the massacre of Israeli settlers by Hamas, the conflict in the Gaza Strip broke out with a further sacrifice in terms of human lives, especially among the civilian population. In addition, in the early months of the current year, tensions in the Middle East hindered the trade of goods crossing the Suez Canal and the Red Sea and led to the military intervention of the United States and the United Kingdom in defence of the movement. The impression is that 2024 will be no less critical than the previous year. After the elections in Taiwan, which saw the pro-independence side prevail over China, the elections in Russia, the European ones and, finally, the American ones in November, present a very fluid geopolitical picture.

The high uncertainty described above, during 2023, also at the same time as a further increase in interest rates compared to 2022, led to a general slowdown in global growth. According to World Bank estimates, growth at global level in the second half of the year was the lowest in the last 30 years. The financial statements for the entire year are estimated at around 3% globally, from 3.3% in the previous year. Moreover, this value for 2023 benefited from the robust growth in the United States. The American country recorded a 2.5% increase in GDP, higher than analysts' forecasts. It is probable that, as a result of the economic slowdown and the reduction in inflation, rate growth has reached its peak. However, the beginning of the decline and its extent are hardly predictable, also in light of the international events mentioned above.

At the disaggregated level, in addition to what has been said for the United States, the Eurozone closed 2023 with a 0.5% growth, down sharply compared to 3.4% in 2022. Within the Eurozone, Italy closed the year with a GDP up by 0.7%, even slightly better than the European area, which saw Germany particularly suffering (-0.3% compared to 2022) and France slightly better (+ 0.9%). The result for the entire year was affected, however, by a positive first half and a marked slowdown in the second half. It should be noted that in 2023 the GDP levels reached in 2019, the last year before the pandemic, were exceeded. With 2019 reaching 100, 2023 closed at par for Germany, while France rose to 101.8 and Italy rose to 102.9.

For the other large economies, China grew by a healthy 5.2% in 2023, higher than the 3% achieved the previous year. India continues to perform better and closed 2023 with GDP growth of 6.3%, a slight decrease compared to 7.2% in the previous year. Japan also closed 2023 on a positive note, growing by 1.7% compared to 1% in 2022.

Lastly, Russia's GDP in 2023, expected to decline at the beginning of the year, has instead grown by more than 2%. This confirms the complexity of the forecasts regarding the effects of Western sanctions and the repositioning of the Russian Federation in world trade patterns.

The outlook for 2024, although still marked by growth, is no better than last year and the first quarter of the year is expected to slow down compared to the first quarter of the previous year. Global GDP is expected to grow by 2.9% thanks to the resilience of the United States. However, the positive factor, worldwide and in individual macro-areas, of having avoided the recession expected at the end of the first half of 2023, is accompanied by the great uncertainty introduced by geopolitical tensions and the election year.

In the course of 2023, inflation has retracted compared to the strong growth of 2022, although it is still positioned well above the target of the Central Banks. This was consequently reflected in the substantial stability of the prices of the main raw materials which, on average, were positioned well below the maximum values of the last three years but still above the pre-pandemic levels.

Monetary policies during 2023 were restrictive and in continuity with 2022 in the first half of the year, while in the second half more caution and a reversal with rates falling again was forecast for 2024. There remains the crux of an inflation target that may not be reached because of supply chain bottlenecks triggered by conflicts in a particularly strategic area for trade flows such as the Middle East.

For LU-VE Group, 2023 was marked as a scale adjustment year following the long growth path of the past several years and the outstanding results of 2022, which were confirmed in the year ended. During the past year, the organisational, structural and market foundations were also laid for the beginning of a new growth cycle that also takes into account market and product developments as well as the new geopolitical context. It is also necessary to emphasise the growing focus on the search for new products that are increasingly sustainable and capable of sustaining the Group's competitive advantage, in all the markets it serves.

RISKS INHERENT TO THE GROWTH STRATEGY THROUGH EXTERNAL LINES

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

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

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

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

LIQUIDITY RISK

The liquidity risk to which LU-VE 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.

LU-VE Group's liquidity is mainly supplied by the resources generated or absorbed by operating or investment activities, and on the other hand the maturity characteristics of medium and long-term financial debt.

In relation to this last aspect, the liquidity management 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 credit lines (both in cash and for the assignment of domestic receivables and export credit). For more details, see paragraph 3.6 "Trade receivables" of the Explanatory Notes to the Consolidated Financial Statements.

Also thanks to the application of this policy, to date LU-VE Group has lines of credit granted by leading Italian and international banking institutions which are adequate to meet its current needs. For more information, see paragraph 4.16 "Information on financial risks" of the Explanatory Notes to the Consolidated Financial Statements.

RISKS RELATED TO THE HIGH DEGREE OF COMPETITIVENESS OF THE SECTORS IN WHICH THE GROUP OPERATES AND THE CAPACITY TO CONTINUE TO ACHIEVE PRODUCT INNOVATIONS, ALSO IN RELATION TO CONTINUOUS SECTOR TECHNOLOGICAL EVOLUTIONS AND INVESTMENTS IN RESEARCH AND DEVELOPMENT

The market segments in which the Group operates are characterised by a high level of competition in terms of product quality, innovation, economic conditions, energy efficiency and service reliability and safety, as well as the presence of competition from other internationally relevant business groups.

The Group's ability to generate value also depends on the ability of its companies to propose technologically innovative products in line with market trends, in particular with reference to the use of natural refrigerants (also with reference to regulations applicable or soon to be applied in many areas of the world).

From this perspective, the Group has demonstrated in the past that it is the reference operator in terms of technological innovation, also thanks to its policy of promoting resources dedicated to product development, which it intends to keep in place in the future by continuing to rely on well-established partnerships with prestigious universities in Italy and abroad.

Moreover, if the Group is unable to develop and continue to offer innovative products that are competitive with those of its main competitors in terms, inter alia, of price, quality or function, or if there are delays in the introduction into the market of strategic business models, the Group's market shares could decline, with a negative impact on its activities, financial position and/or cash flows, profit and loss results and outlooks.

To mitigate exposure to those risks, the Group constantly monitors the reference market and the interim results generated in the various phases of the research and development process in order to select and move forward with exclusively the most reliable initiatives, or those with the highest probability of success and economic/financial returns, also pursuing a policy of progressive diversification and enhancement of its product portfolio and continuous product range development. With reference to technological innovation, the Group carried out intense development and innovative activities 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. For further details, please refer to paragraph 2.2 "*Development activities*".

RISKS RELATED TO THE CONCENTRATION OF SALES

Although no LU-VE Group customer alone accounts for more than 4% (4.2% in 2022) of consolidated turnover and the top 10 customers together account for 29.9% of consolidated turnover (31.2% in 2022), the segment of refrigerated counter manufacturers (in which LU-VE Group supplies all the most important European players and accounted for approximately 13.9% of total turnover in 2023), the "heat pump" segment (in which the Group supplies all the most important European brands, accounting for 10% of turnover in the year 2023) and the power generation applications segment (6.4% of turnover) are characterised by the strong commercial leadership exercised by some major 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 purchases 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 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 ENVIRONMENTAL MATTERS

The industrial production carried out by the Group with its own facilities and plants could, in the event of serious breakdowns or failures of said plants or catastrophic events, result in damages to third parties, accidents or environmental damage. This risk is also linked to the presence in the plants of potentially hazardous products for the environment, such as flammable materials and chemicals.

Although the Group works to prevent these types of risks, if environmental incidents or damages occur, it would be exposed to unforeseeable and significant obligations to provide compensation and liability, also criminal in nature, with respect to the injured parties and/or the competent authorities, and could suffer interruptions in production activities with ensuing possible negative effects on the business, on the profit and loss, equity and/or financial situation, on the economic results and on future profitability prospects.

Although the Group companies have taken out insurance policies to cover the third-party liability deriving from such events, the limits of which are deemed consistent in relation to the estimated risk in question, it is however not possible to exclude the occurrence of any damages the compensation of which exceeds the limits laid out in such policies.

Through its dedicated offices, the Group continues all activities needed to guarantee respect for the environment and the optimised use of energy sources and natural resources. In addition, research and development activities have always been oriented towards products with a lower environmental impact, in terms of energy consumption, the use of refrigerant gas and noise reduction.

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 facilities and in different countries. For these reasons, both production flexibility and the level of service to customers are constantly increasing.

Although the Group companies have taken out loss of profit and all risk insurance policies against damages from fire and natural disasters (but not against indirect damages caused by force majeure), the limits and 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 PRODUCT QUALITY AND LIABILITY

The Group’s products are primarily intended for commercial and industrial refrigeration and must comply with different quality and safety standards depending on the different jurisdictions in which they are sold. Therefore, there is the risk that a product may not comply with the safety and quality standards envisaged by the laws in force in the above-mentioned jurisdictions. This could legitimise the return of said product, impacting production costs.

Historically, the recurrence of product defect events has been very limited and absolutely natural for the business segment; in cases in which they take place, the Group company involved agreed on corrective actions to be taken with the Customer by activating, if necessary, the insurance taken out for that reason.

Furthermore, as the Group’s products are usually part of more complex products, the malfunction of a component supplied by the Group could result in the recall of a series of products sold and/or installed by Group customers.

Furthermore, it should be noted that the Group produces categories of products that use carbon dioxide (rather than Freon) as refrigerant gas. While carbon dioxide has a lower impact on the environment than the more widely used refrigerant gases, due to its high operating pressure, it has a higher risk profile during the production and testing phase as well as in the event of manufacturing defects that emerge during installation and/or functioning in the field.

Lastly, it should be noted that certain Group products are intended for applications on power gen plants, the supply agreements of which typically call for the assumption of liability by the suppliers in the case of malfunctioning or defects, and also for damages ensuing from the above mentioned malfunctioning or defect, which are difficult to estimate and not proportionate to the value of the supply provided. To date, in a limited number of cases, customers have reported product malfunctions, which were resolved with on-site interventions by the Group's technicians.

In this regard, the Group applies strict control standards to its products: this entails a quality risk management protocol which envisages a number of activities and procedures to safeguard product quality; in addition, there is an office dedicated to quality control, which is conducted directly at production units and at supplier facilities.

To deal with this potential liability, which by the way is traditionally rather modest, the Group has taken out insurance coverage on all products for sale, the limit of which is deemed adequate with respect to the risks and is continuously monitored.

In addition, it has recognised a dedicated product warranty provision to cover potential defects, based on criteria of prudence and statistical data.

RISKS RELATED TO INTEREST RATE TRENDS

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

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

In particular, the main source of exposure to the risk in question for the Group derives from financial debt, which is almost all floating rate. This risk is managed by entering derivative 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. Also in 2023, in continuity with 2022, there was a significant increase in interest rates. Changes in interest rate policies may lead to a change, even a significant one, in the fair value of these instruments with a consequent impact on the income statement of subsequent years.

As at 31 December 2023, the coverage of these risks represented 88.8% of the residual outstanding loans.

However, from a merely accounting perspective, although such instruments substantially hedge the risks mentioned, they do not meet all the requirements as laid out under IFRS 9 and cannot be defined as hedge accounting; therefore, the Group has decided to consider these instruments as for trading and not hedges and as a result such instruments were measured at fair value through profit and loss. 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 obtain finance to meet 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 impacts of the pandemic and the current macroeconomic context.

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) has a strong bent towards exports, with turnover earned predominantly outside the Italian market (in the years ending 31 December 2023, 2022 and 2021, Group revenues from sales made abroad represented 80.2%, 80.2% and 81.2% 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 reported above may have negative consequences on the activities and on the profit and loss, equity and financial position, results and outlooks of the Group. Therefore, the Group carefully monitors the situation in the various countries with a view to promptly intervening in the case of significant negative changes in the reference scenarios.

LU-VE Group continues to carefully monitor the evolution of the conflict between Russia and Ukraine which is having significant repercussions on the world economy, also as a result of the sanctions that have been imposed or may be imposed further on Russia. The extreme geographical diversification of sales means that the Group's exposure in this area in terms of turnover is only 6.3% (5.7% in the previous year). The absence of significant investments in the country was substantially confirmed. For further details, please refer to the paragraph "Impacts of the Russian-Ukrainian conflict" in the Explanatory Notes.

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 position, 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, 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 sector they belong to, as well as the most authoritative literature on the subject (including the TCFD guidelines), the Directors carried out specific assessments in order to identify in detail the risk factors concerning the 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).

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. This analysis is considered up-to-date and applicable also for the financial year 2023, as it is based on IPCC scenarios, physical climate risk categories, calculation methodologies and time horizons still in line with the state of the art and the context in which the Group operates. Specifically, analyses were conducted taking into consideration the RCP 2.6 and RCP 4.5 scenarios and considering a time frame to 2035. 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 facilities 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). In view of the above, physical risks of any nature, including therefore those attributable to climate change, are managed through “all risk” insurance policies that provide for compensation for both the relevant damage and for loss of profit (in the event of interruption of activities of the facility to due to physical damage, the resulting loss on gross profit is estimated on the basis of the most recent productivity statistics). An updated estimate is also carried out every year by a specialised company, in order to update the policy limits in consideration of the investments made (e.g. for expansion or renovation of properties). Following the climatic events that occurred in Northern Italy at the beginning of the second half of 2023, some claims were opened on the reference insurance policies for which a substantial full reimbursement of the damages suffered is expected (in total approximately €1.9 million).

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

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

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

The outcome of the above assessments relating to the significance of the risks associated with climate change was also duly taken into account in the process of defining the assumptions adopted for the purpose of preparing the Business Plan for the years 2024-2027. Specific activities are underway to analyse the impacts that will emerge both from the new reporting regulations required by the Corporate Sustainability Reporting Directive ("CSRD"), which will come into force for listed companies starting with their financial statements for the financial year 2024, and from the entry into force of the European Carbon Border Adjustment Mechanism (CBAM) regulation, which requires the quarterly reporting of a series of data on the quantities imported (from countries outside the European Union) of certain materials (the most significant for the Group at the moment is aluminium) and the related emissions of climate-changing gases.

2.2 DEVELOPMENT ACTIVITIES

During fiscal year 2023, LU-VE Group carried out intense development activities, as usual, to offer to the market increasingly advanced products with a lower environmental impact (a key distinctive element of its competitive strategy), broken down over in several different projects, some of which are carried out in partnership with prestigious European universities.

Part of these projects are still under construction and for their development, the Group incurred in Development costs for €1.2 million during the year (including €1.0 million capitalised under Intangible assets with the consent of the Board of Statutory Auditors).

The main projects regarded the development of new product ranges (mainly the use of natural refrigerants, such as carbon dioxide, water and ammonia), the miniaturisation and specialisation of tube surfaces and matrices for the improvement of heat exchange efficiencies, the introduction of optimised electronic control systems, the development of a project relating to heat pumps as well as components and accessories in the heat exchangers and glass doors segments.

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 LU-VE S.p.A. 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 PERFORMANCE IN THE FIRST MONTHS OF 2024: significant events and business outlook

LU-VE Group continues to pay a high level of attention with regard to the evolution of the crisis between Russia and Ukraine, which may have further significant repercussions on the world economy also as a result of the sanctions. The extreme geographical diversification of sales means that as at 31 December 2023, the Group's exposure in this area is only around 6.3% in terms of turnover and 2.2% of net invested capital. As at 29 February 2024, the exposure in terms of order backlog was 6.9%.

In January 2024, the Parent Company received disbursement for the loan agreement signed with Unicredit in December 2023, amounting to €30 million. Furthermore, also in January 2024, the Parent Company signed a loan agreement with BPER, for an amount of €30 million, fully disbursed at the signing date.

With reference to the tax audit performed by Italian Tax Authority relating to the years 2016, 2017, 2018 and 2019, a number of additional requests, related to 2017, were made to which the Parent Company LU-VE S.p.A. promptly responded. With reference to the tax finding report served in November 2023, there were no further activities to be undertaken by the tax authority.

As regards the tax audit to which the subsidiary LU-VE Iberica Sl is subject for the fiscal years 2013, 2018 and 2019, the documentation was delivered to the Spanish Tax Authority which sent further requests for the periods under assessment.

2024 promises to be another year of consolidation in terms of sales volumes, with important growth trends for some applications (data centres and logistics centres), possible increases for other applications (commercial refrigeration) and an area characterised by high volatility and possible risks (heat pump exchangers).

Also in this context, the Group remains on a medium-term growth path, in line with its strategy and guidelines.

In fact, since 2018, LU-VE Group has recorded significant growth (CAGR of turnover of 15%), even higher than the medium/long-term “guidance” disclosed at the time, despite the turbulence of the general environment and anticipating – especially in 2021 and 2022 – the expected growth in the following years.

We are greatly satisfied with this accomplishment. This confirms the effectiveness of the strategy pursued in building a resilient business model (diversification of product applications in sectors with uncorrelated trends), supported by "secular trend" such as: electrification, decarbonisation, digitisation and adoption of refrigerant gases with low or no environmental impact. All technological fields in which LU-VE Group was a “first mover”.

The area of greatest uncertainty is the heat pump market which, in the last months of 2023, suffered a sudden and unexpected slowdown in demand. In a sector in which all the main market players in Europe are investing heavily to create additional production capacity, this slowdown may just temporary and mainly attributable to three economic factors:

- regulatory uncertainties on incentives in several European Union countries;
- comparative price performance of gas and electricity;
- increase in inventory of finished products throughout the production chain.

However, all operators in the sector agree that this is a temporary slowdown and hold positive expectations in the medium term. The replacement of gas boilers with heat pump technology represents one of the cornerstones of the policies of the “Repower EU” programme and (together with renewables, EVs and batteries) one of the decisive “clean energy technologies” for the achievement of the objectives of “Net zero emissions”, as clearly shown in the recent report of the IEA (International Energy Agency) “World Energy Outlook 2023”.

As a result of the rapid expansion of cloud computing and new emerging technologies (AI, Blockchain, Cryptocurrency, E-commerce, IoT, etc.) that require more advanced and scalable infrastructures, strong growth is expected globally in the coming months investments in the data center market segment; as a result, the Group has been investing for some time in order to increase its ability to meet growing demand.

In this scenario, starting from the second half year of 2023, the Group launched a number of projects to improve profitability, through investments in production automation, process reorganisation and cost containment. The first results are already visible in the last quarter of 2023.

In a macroeconomic scenario characterised by heightened uncertainty, the Group works tirelessly and with great determination to preserve and improve profitability and cash generation, even in the presence of possible volatility in expected results in terms of turnover.

2.5 MANAGEMENT AND COORDINATION ACTIVITIES

The Parent Company LU-VE S.p.A. is not subject to management and coordination by Finami S.p.A., or any other party pursuant to arts. 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 LU-VE S.p.A.'s Financial Statements and LU-VE Group's consolidated Financial Statements. All transactions with related parties are carried out on an arm's length basis.

2.7 TREASURY SHARES

Pursuant to law, it should be reminded that as at 31 December 2023, the Group held 28,027 treasury shares (unchanged with respect to 31 December 2022), 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

During the year, the Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/2001 adopted by LU-VE S.p.A. was updated in relation to new regulations and the organisational changes of the companies. In addition, again in 2023, the subsidiary Air Hex Alonte S.r.l. adopted its own model and the subsidiary Sest S.p.A. in turn approved the update of its model in relation to regulatory or organisational changes of the company.

2.10 DECLARATION OF THE MANAGER IN CHARGE OF FINANCIAL REPORTING

The Manager in charge of financial reporting, Mr. Eligio Macchi, declares, pursuant to art. 154-bis, paragraph 2 of the Consolidated Law on Finance, that the accounting disclosure contained in this Directors' Report as at 31 December 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. On 4 January 2017, a secondary office was opened, used as a warehouse in Origgio, via Achille Grandi 5. The Register of Companies also shows a local unit used as a warehouse in Alonte, Via delle Albere 5, opened on 11 March 2020.

2.12 PROPOSED RESOLUTIONS TO THE SHAREHOLDERS' MEETING

1) Proposed resolution in relation to sub point 1.1 of the agenda of the Shareholders' Meeting convened for 29 April 2024 *("Annual Financial Report as at 31 December 2023: presentation of the Financial Statements as at 31 December 2023 accompanied by the Directors' Report on Operations, the Report of the Board of Statutory Auditors and the Report of the Auditing Firm. Related and contingent resolutions").*

Dear Shareholders:

In submitting the Financial Statements of LU-VE S.p.A. as at 31 December 2023 to the Shareholders' Meeting for approval, we invite you to approve the following proposed resolution:

"The ordinary Shareholders' Meeting of LU-VE S.p.A., having examined the Directors' Report and the data in the financial statements of LU-VE S.p.A. as at 31 December 2023, the Board of Statutory Auditors' Report and the Report of the Auditing Firm and the further documentation provided by law

resolves

1. to approve the financial statements as at 31 December 2023 of LU-VE S.p.A., which requires the reclassification of the "derivative fair value reserve" not available to the "extraordinary reserve" available for €4,618,981 and shows a net profit for the year of €6,080,564.58 (six million eighty thousand five hundred sixty-four/58), as well as the Directors' Report;

2. *to grant the Board of Directors - and on its behalf to its Chairman - all due power to enforce this resolution, with the option of sub-delegating, and file it with the relevant Register of Companies, making any necessary formal amendments, additions or suppressions as appropriate."*

2) Proposed resolution in relation to sub point 1.2 of the agenda of the Shareholders' Meeting convened for 29 April 2024 (“*Annual Financial Report as at 31 December 2023: proposal to allocate the profit for the year and to distribute a dividend. Related and contingent resolutions").*

Dear Shareholders:

In relation to the allocation of the net profit for year ended 31 December 2023, amounting to *€6,080,564.58 (six million eighty thousand five hundred sixty-four/58),* we invite you to approve the following proposed resolution:

"The ordinary Shareholders' Meeting of LU-VE S.p.A., having approved the financial statements as at 31 December 2023, showing a net profit for the year of €6,080,564.58 (six million eighty thousand five hundred sixty-four/58)

resolves

1) *to allocate a portion of the net profit for the year equal to €6,080,564.58 (six million, eighty thousand five hundred sixty-four/58) to the “Legal reserve” for an amount of €304,028.23 (three hundred four thousand twenty-eight/23)”:*

2) *to distribute a gross ordinary dividend of €0.40 (zero/40) for each share entitled to payment at the record date pursuant to art. 83-terdecies of Legislative Decree no. 58/98;*

3) *to use, for the purpose referred to in point 2 above, the net profit for the year 2023 that remains after deducting the allocation to the “Legal reserve” referred to in point 1 and, for the difference, the amounts deriving from the distribution of the "Extraordinary reserve";*

4) *to establish that the payment of the dividend will take place, for each share entitled to payment, on 8 May 2024, with ex-dividend date for coupon no. 9 on 6 May 2024, in accordance with the Italian Stock Exchange calendar, and with record date on 7 May 2024"*.

The Chairman and Chief Executive Officer

Matteo Liberali

2.13 CORPORATE BODIES AND COMPANY INFORMATION

BOARD OF DIRECTORS [1]

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

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

BOARD OF STATUTORY AUDITORS[1]

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

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

AUDIT FIRM

Deloitte & Touche S.p.A.

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

CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES AS AT 31 DECEMBER 2023

CONTENTS

1 FINANCIAL STATEMENTS

1.2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated Statement of Financial Position *(in thousands of Euro)*	**Notes**	**31/12/2023**	**31/12/2022**
ASSETS			
Goodwill	3.1	63,961	64,431
Other intangible assets	3.1	28,902	34,043
Property, plant and equipment	3.2	164,469	148,742
Right-of-use assets	3.2	13,476	16,388
Other tangible assets	3.2	27,467	24,134
Deferred tax assets	3.19	11,039	6,992
Investments	3.3	141	141
Other non-current assets	3.4	828	1,332
Non-current assets		310,283	296,203
Inventories	3.5	110,831	134,237
Trade receivables	3.6	87,790	83,265
Current tax assets	3.7	9,356	9,789
Current financial assets	3.8	50,387	126,873
Other current assets	3.9	4,760	3,484
Cash and cash equivalents	3.10	212,059	177,258
Current assets		475,183	534,906
Assets held for sale		-	-
Assets held for sale		-	-
TOTAL ASSETS		785,466	831,109

Consolidated Statement of Financial Position *(in thousands of Euro)*	**Notes**	**31/12/2023**	**31/12/2022**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital	3.11	62,704	62,704
Reserves and retained earnings (losses)	3.11	131,228	96,330
Net result for the year	3.11	29,745	47,714
Shareholders' equity attributable to the Group		223,677	206,748
Shareholders' equity attributable to non-controlling interests		5,554	4,712
TOTAL SHAREHOLDERS' EQUITY		229,231	211,460
Loans	3.12	250,222	320,201
Provisions	3.13	5,735	5,492
Employee benefits obligations	3.14	5,363	5,299
Deferred tax liabilities	3.19	14,109	14,955
Other financial liabilities	3.15	14,410	17,813
Non-current liabilities		289,839	363,760
Trade payables	3.16	95,659	106,587
Loans	3.12	119,005	103,265
Tax liabilities	3.17	8,653	8,751
Other financial liabilities	3.15 - 3.8	5,155	5,124
Other current liabilities	3.18	37,924	32,162
Current liabilities		266,396	255,889
Liabilities held for sale		-	-
Liabilities held for sale		-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		785,466	831,109

1.3 CONSOLIDATED INCOME STATEMENT

Consolidated income statement *(in thousands of Euro)*	**Notes**	**31/12/2023**	**31/12/2022**
REVENUES AND OPERATING INCOME			
Revenues	4.1	615,823	617,075
Other operating income	4.2	1,434	1,537
Total revenues and other operating income		617,257	618,612
OPERATING EXPENSES			
Purchases of materials	4.3	(302,368)	(353,637)
Changes in inventories	3.5	(21,440)	20,450
Costs for services	4.4	(80,654)	(81,811)
Personnel costs	4.5	(129,413)	(125,552)
Net reversal/(write-downs) of financial assets	4.6	(771)	377
Other operating expenses	4.7	(3,772)	(3,304)
Total operating expenses		(538,418)	(543,477)
Depreciation and amortisation	3.1 - 3.2	(32,371)	(32,729)
Gains/(Losses) on the sale of non-current assets		(19)	(135)
Write-downs on non-current assets	3.1	(22)	(175)
OPERATING RESULT		46,427	42,096
Financial income	3.8 - 3.15 - 4.7	5,548	17,063
Financial expenses	4.9	(17,988)	(10,104)
Exchange gains (losses)	4.10	2,383	508
Gains/(Losses) from investments	4.11	-	9,473
PRE-TAX RESULT		36,370	59,036
Income taxes	4.12	(5,007)	(9,971)
NET RESULT		31,363	49,065
Attributable to non-controlling interests	3.11	(1,618)	(1,351)
NET RESULT ATTRIBUTABLE TO THE GROUP		29,745	47,714

1.4 EARNINGS PER SHARE AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Earnings per share

Earnings per share *(in Euro)*	Notes	31/12/2023	31/12/2022
EARNINGS PER SHARE	4.13		
Basic		1.34	2.15
Diluted		1.34	2.15

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income *(in thousands of Euro)*	Notes	31/12/2023	31/12/2022
NET RESULT		31,363	49,065
Components that will not subsequently be reclassified to the Income Statement			
Actuarial gains/(losses) from employee benefits obligations	3.14	(110)	820
Tax effect		27	(198)
		(83)	622
Components that will subsequently be reclassified in the Income Statement:			
Exchange differences from translation of Financial Statements in foreign currency	1.4	(4,295)	(1,317)
TOTAL COMPREHENSIVE INCOME (LOSS)		26,985	48,370
of which:			
Attributable to non-controlling interests	3.11	(1,618)	(1,351)
ATTRIBUTABLE TO THE GROUP		25,367	47,019

1.5 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	Result for the year	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	-	-	-	-	-	-	(7,772)	-	(7,772)	(450)		(8,222)
Retained	-	-	190	-	-	-	23,549	(23,739)	-			-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-		-
Other	-	-	-	-	-	133	(133)	-	-	(775)	(*)	(775)
Comprehensive income as at 31/12/2022	-	-	-	-	(1,317)	622	-	47,714	47,019	1,351		48,370
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

(*) The line "Other" mainly shows the effects relating to the deconsolidation of Tecnair LV S.p.A.: €133 thousand relating to the reversal to Other Reserves of the post-employment benefits discounting reserve and for €826 thousand for the deconsolidation of the related shareholders' equity attributable to non-controlling interests. The item also includes the changes in the Translation reserve relating to shareholders' equity attributable to non-controlling interests for a positive €51 thousand.

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	Result for the year	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	3,745	(288)	(13,643)	(8)	81,762	47,714	206,748	4,712		211,460
Allocation of 2022 profit												
Dividends paid	-	-	-	-	-	-	(8,438)	-	(8,438)	(710)		(9,148)
Retained	-	-	812	-	-	-	46,902	(47,714)	-	-		-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-		-
Other	-	-	-	-	-	-	-	-	-	(66)	(**)	(66)
Comprehensive income as at 31/12/2023	-	-	-	-	(4,295)	(83)	-	29,745	25,367	1,618		26,985
BALANCE AS AT 31/12/2023	62,704	24,762	4,557	(288)	(17,938)	(91)	120,226	29,745	223,677	5,554		229,231

(**) The line "Other" shows the net effect of the changes in the translation reserve pertaining to the minority shareholders of the subsidiaries SEST LUVE-Polska Sp.z.o.o. for a positive €269 thousand and the subsidiary "OOO" SEST LU-VE for a negative €335 thousand.

1.6 CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated Statement of Cash Flows *(in thousands of Euro)*		Notes	31/12/2023	31/12/2022
A.	**Cash and cash equivalents at the beginning of the year**		**177,258**	**166,328**
	Profit for the year		31,363	49,065
	Adjustments for:			
	- Depreciation and amortisation	3.1 - 3.2	32,371	32,729
	- Capital (Gains)/losses, write-downs of non-current assets		41	310
	- (Gains)/losses on the sale of equity investments	4.10	-	(9,473)
	- Net financial expense	4.7 - 4.8	5,607	9,181
	- Income taxes	4.11	5,007	9,971
	- Changes in fair value	4.7 - 4.8	6,063	(16,141)
	Changes in employee benefit obligations	3.14	(193)	(369)
	Changes in provisions		243	(139)
	Changes in trade receivables	3.6	(4,525)	(5,641)
	Changes in inventories	3.5	21,440	(20,450)
	Changes in trade payables	3.16	(10,928)	(12,211)
	Changes in net working capital		**5,987**	**(38,302)**
	Changes in other receivables and payables, deferred taxes		5,599	5,609
	Tax payments	4.11	(12,270)	(5,670)
	Net paid financial expense	4.7 - 4.8	(8,580)	(3,459)
B.	**Cash flows from (used in) operating activities**		**71,238**	**33,312**
	Investments in non-current assets:			
	- intangible assets	3.1	(2,599)	(4,381)
	- property, plant and equipment	3.2	(33,434)	(32,291)
	- financial assets		-	-
	Net investments in current financial assets	3.8	70,423	(29,540)
	Net acquisition price generated from Business combinations		-	(6,967)
	Net price generated from sales of investments		-	11,444
C.	**Cash flows from (used in) investing activities**		**34,390**	**(61,735)**
	Repayment of loans	3.12	(103,292)	(181,808)
	Proceed from new loans	3.12	50,385	237,461
	Changes in other financial liabilities (*)		(6,001)	(6,165)
	Sale/(purchase) of treasury shares		-	-
	Contributions/repayments of share capital		-	-
	dividends paid	3.11	(9,148)	(8,222)
	Other changes		-	-
D.	**Cash flows from (used in) financing activities**		**(68,056)**	**41,266**
	Exchange differences	3.11	(4,361)	(1,266)
	Other non-monetary changes (**)		1,590	(647)
E.	**Other changes**		**(2,771)**	**(1,913)**
F.	**Net cash flows in the year (B+C+D+E)**		**34,801**	**10,930**
	Cash and cash equivalents at the end of the year (A+F)		**212,059**	**177,258**
	Current financial debt		73,773	(18,484)
	Non-current financial debt		264,632	338,014
	Net financial debt (Note 3.20)		**126,346**	**142,272**

(*) The amount mainly refers to payments of fees on rights of use accounted for pursuant to IFRS 16.
(**) The amount is mainly composed of the effect of the year of the net exchange rates of intangible assets (positive €462 thousand), tangible assets (negative €897 thousand) and inventories (positive €1,966 thousand). As at 31 December 2023, the amount was mainly composed of the effect of the year of the net exchange rate delta of intangible assets (negative €35 thousand), property, plant and equipment (negative €445 thousand) and inventories (negative €445 thousand).

2 EXPLANATORY NOTES

2.1 ACCOUNTING STANDARDS

Declaration of compliance and accounting policies

The Parent Company LU-VE S.p.A. is a company with legal personality organised in accordance with the laws of the Italian Republic. The Company operates in the manufacturing 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.r.l.

The consolidated Financial Statements for 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 at that date. IFRS refers to all International Financial Reporting Standards and International Accounting Standards and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously called the Standing Interpretations Committee (SIC), endorsed by the European Union and contained in the relative EU Regulations.

The consolidated Financial Statements have been prepared in Euro, which is the functional currency of the Parent Company LU-VE S.p.A. and the subsidiaries in which LU-VE Group primarily carries out its business, with amounts rounded to thousands, and are compared with the consolidated Financial Statements for the previous year, prepared with the same criteria. The figures in the Explanatory Notes are shown mainly in thousands of Euro. The consolidated financial statements is composed by 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) consolidated statement of cash flows and these explanatory notes.

The Financial Statements have been prepared on the basis of the historical cost principle, except for the fair value evaluation of some financial instruments, pursuant to IFRS 9 and IFRS 13, of the activities covered by the exercise of the Purchase Price Allocation, pursuant to IFRS 3, as described below. Furthermore, the Financial Statements have been prepared on a going concern basis pursuant to paragraphs 25 and 26 of the IAS 1, as the Directors have verified the non-existence of indicators of a financial, management or any other nature that might indicate critical issues relating to the ability of the LU-VE Group of meeting its commitments in the foreseeable future. The risks and uncertainties related to the business are described in the sections dedicated to the Director's Report.

In particular, with reference to this last assumption, as at 31 December 2023, LU-VE Group has a solid and balanced financial structure with a Net financial debt/Equity ratio (Debt ratio) of 0.55 and a positive short-term net financial position of €138.3 million. Therefore, the repayment of medium/long-term debt expiring during 2024 is guaranteed by current liquidity. In addition, there are no substantial restrictions on the disposal of invested liquidity, amounting to €43.3 million, consisting of (i) Time deposits of €32.9 million (ii) capitalisation policies of €10.1 million, and (iii) other securities of €0.3 million (Note 3.8), which can therefore be used to meet any payment obligations (Note 3.20), if needed.

It should be noted that the assessment of compliance with financial and economic requirements (covenants) on a consolidated basis, required by the financial debt of the LU-VE Group, as at 31 December 2023, did not highlight any critical issues. Furthermore, it is highlighted that the estimates of the 2024 Budget lead to the expectation that no critical issues with regard to these requirements will arise also for next year.

Significant uncertainty remains with reference to geopolitical tensions, and the Group remains exposed to this as it has subsidiaries in Russia (6.0% of consolidated sales 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 able to operate as a going concern.

Based on what is laid out above, the consolidated Financial Statements of the LU-VE Group as at 31 December 2023 were prepared on a going concern basis, pursuant to paragraphs 25 and 26 of IAS 1.

Directive 2013/50/EU, which amended Directive 2004/109/EC (Transparency Directive), established that all Annual Financial Reports of Issuers, whose securities are admitted to trading on a regulated market, must be prepared in a single electronic reporting format. The European Commission has implemented these rules in the Delegated Regulation 2019/815 (European Single Electronic Format - ESEF Regulation). This is in order to make the annual financial reports readable by both human users and automatic devices and to improve the comparability and analysis of the information included in the annual financial reports. The ESEF Regulation provides that issuers who prepare consolidated Financial Statements in compliance with IAS/IFRS must prepare and publish their annual financial report in the eXtensible HyperText Markup Language ("XHTML") format, using the inline eXtensible Business Reporting Language ("iXBRL") to mark up the consolidated Financial Statements (consolidated statement of financial position, consolidated statement of changes in equity, consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows) starting from the financial year which begins on 1 January 2021, which is why this Annual Financial Report has been prepared using the XHTML language and the consolidated Financial Statements have been marked up using the XBRL language. In addition, in line with the provisions of the regulations, starting from 2022, the information contained in the explanatory notes has also been marked with this language. Therefore, these financial statements and the explanatory notes have also been prepared in accordance with the aforementioned format.

The Consolidated Financial Statements as at 31 December 2023 were approved by the Board of Directors of the parent company LU-VE S.p.A. on 13 March 2024.

Financial Statements

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

- a statement of financial position, which shows current and non-current assets and liabilities separately;
- a statement of changes in Equity;
- an income statement in which costs are classified by nature;
- a statement of comprehensive income, which shows revenue and cost items that are not recognised in profit and loss as required by IFRS;
- a 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 consolidated financial statements of the LU-VE Group include the annual figures of the Parent Company LU-VE S.p.A. and its direct and indirect subsidiaries, resulting from the income statements and balance sheets approved by the respective Boards of Directors, duly adjusted, where necessary, to bring them into line with the IAS/IFRS adopted by the LU-VE Group ("Reporting Package") in preparation of its consolidated financial statements:

Company name	Registered office	% equity investment	Currency	Share capital
Direct subsidiaries:				
SEST S.p.A.	Limana (BL)	100.00%	EUR	1,000,000
Heat Transfer Systems s.r.o. (HTS)	Novosedly (Czech Rep.)	100.00%	CZK	133,300,000
LU-VE Sweden AB	Asarum (Sweden)	100.00%	SEK	50,000
LU-VE France S.a.r.l.	Lyon (France)	100.00%	EUR	84,150
LU-VE Pacific Pty Ltd (**)	Thomastown (Australia)	75.50%	AUD	200,000
LU-VE Deutschland GmbH	Stuttgart (Germany)	100.00%	EUR	230,000
LU-VE Iberica S.L.	Madrid (Spain)	85.00%	EUR	180,063
LU-VE HEAT EXCHANGERS (Tianmen) Co, Ltd	Tianmen (China)	100.00%	CNY	61,025,411
LU-VE Asia Pacific Limited	Wan Chai (Hong Kong)	100.00%	HKD	10,000
LuveDigital S.r.l.	Uboldo (VA)	50.00%	EUR	10,000
MANIFOLD S.r.l.	Uboldo (VA)	99.00%	EUR	10,000
SPIROTECH Heat Exchangers Pvt. Ltd	Ghaziabad, Uttar Pradesh (India)	100.00%	INR	25,729,600
LU-VE AUSTRIA GmbH	Vienna (Austria)	100.00%	EUR	17,500
LU-VE US Inc.(*)	Jacksonville (USA, Texas)	100.00%	USD	10,001,000
Air Hex Alonte S.r.l.	Uboldo (VA)	100.00%	EUR	2,010,000
Fincoil LU-VE OY	Vantaa (Finland)	100.00%	EUR	1,190,000
LU-VE Netherlands B.V.	Breda (Netherlands)	100.00%	EUR	10,000
«OOO» LU-VE Moscow	Moscow (Russia)	100.00%	RUB	100,000
LU VE MIDDLE EAST DMCC	Dubai (UAE)	100.00%	AED	50,000
LU-VE SOUTH KOREA LLC	Seoul (South Korea)	100.00%	KRW	100,000,000
Refrion S.r.l.	Flumignano di Talmassons (UD)	75.00%	EUR	1,000,000
LU-VE UK Ltd	London (United Kingdom)	100.00%	GBP	10,000
Indirect subsidiaries:				
SEST-LUVE-Polska SP.z.o.o. (95% owned by SEST S.p.A.)	Gliwice (Poland)	95.00%	PLN	16,000,000
«OOO» SEST LU-VE (95% owned by SEST S.p.A.)	Lipetsk (Russia)	95.00%	RUB	136,000,000
Thermo Glass Door S.p.A. (100% owned by SEST S.p.A.)	Travacò Siccomario (PV)	100.00%	EUR	100,000
RMS S.r.l. (100% owned by Refrion S.r.l.)	Flumignano di Talmassons (UD)	75.00%	EUR	40,000
Refrion Deutschland GmbH (100% owned by Refrion S.r.l.)	Frankfurt am Main (Germany)	75.00%	EUR	150,000

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

There were no changes in the consolidation area compared to the previous year. During 2023, the company previously called Zyklus Heat Transfer Inc. changed its name into LU-VE US Inc.

Profits or losses and all the components of the statement of comprehensive income are attributable to the Group and to non-controlling interests. The total comprehensive income of subsidiaries is allocated 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 recognitions of a financial liability deriving from put/forward options granted to subsidiaries' non-controlling interests, the Group has defined an accounting policy to reduce shareholders' equity of non-controlling interests and only in the alternative, for the excess amount the shareholder's equity attributable to the Group. Subsequent changes in the afore-mentioned financial liability are recognised in the income statement.

Consolidation criteria

The data used for the consolidation are based on the Income Statements and Balance Sheets approved by the Directors of the individual subsidiaries. These data have been appropriately adjusted 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) assets and liabilities, income and expenses in the Financial Statements subject to line-by-line consolidation are included in the LU-VE Group's Financial Statements, irrespective of the portion of the investment in subsidiaries. The carrying amount of equity investments has also been eliminated against the shareholders' equity attributable to the subsidiaries;

b) payable/receivable and cost/revenue intercompany items and profit/loss arisen from intra-group transactions are eliminated. Likewise, dividends and write-downs on investments in subsidiaries recognised in the respective annual financial statements are eliminated;

c) if there are non-controlling interests, the portion of shareholders' equity and the profit (loss) of the year attributable to them are highlighted in separate items of the consolidated equity and financial position and Income Statement;

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

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

Translation into Euro of Income Statements and Balance Sheets drafted in foreign currency

The separate financial statements of each company belonging to LU-VE Group are prepared in the currency of the primary economic environment in which it conducts business (functional currency). For the purposes of the consolidated Financial Statements, the Reporting Package of each overseas entity is expressed in Euro, which is the functional currency of the Parent Company and the presentation currency of the consolidated Financial Statements.

The translation of items in the statement of financial position of the Reporting Packages expressed in currencies other than the Euro is carried out by applying exchange rates at the end of the reporting period. Income statement items are translated using the average exchange rates for the reporting period.

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

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

Currency	Exchange as at 31/12/23	Average exchange rate 2023	Exchange rate as at 31/12/2022	Average exchange rate 2022
AUD	1.6263	1.6288	1.5693	1.5167
PLN	4.3395	4.5420	4.6808	4.6861
CZK	24.7240	24.0043	24.1160	24.5659
RUB (*)	99.1919	92.8741	75.6553	72.1509
SEK	11.0960	11.4788	11.1218	10.6296
HKD	8.6314	8.4650	8.3163	8.2451
CNY	7.8509	7.6600	7.3582	7.0788
INR	91.9045	89.3001	88.1710	82.6864
USD	1.1050	1.0813	1.0666	1.0530
AED	4.0581	3.9710	3.9171	3.8673
GBP (**)	0.8691	0.8698	0.8869	0.8822
KRW	1,433.66	1,412.8800	1,344.09	1,358.07

(*) For the Russian companies, in 2022 and 2023, the exchange rates of the Russian Central Bank were used.
(**) In 2022, for the company LU-VE UK Ltd, active since December 2022, the average exchange rate of British pounds from the 21st to the 30th of December was used: equal to 0.8822.

Statement of reconciliation between shareholders' equity and profit for the year of the parent company and consolidated shareholders' equity and profit for the year

SHAREHOLDERS' EQUITY RECONCILIATION STATEMENT (in thousands of Euro)	2023 Net profit for the year	2023 Shareholders' Equity	2022 Net profit for the year	2022 Shareholders' Equity
Amounts from LU-VE S.p.A. Financial Statements	**6,081**	**111,770**	**16,245**	**114,135**
Difference between carrying amount of consolidated investments in subsidiaries and value of the portion of shareholders' equity and profit (loss) of consolidated subsidiaries	23,796	119,270	31,591	99,509
Elimination of intra-group profits	(167)	(6,548)	(68)	(6,047)
Other	35	(815)	(54)	(849)
Profit and shareholders' equity attributable to the Group	**29,745**	**223,677**	**47,714**	**206,748**

Measurement criteria

The material accounting policies' information and measurement criteria adopted for the preparation of the consolidated Financial Statements as at 31 December 2023, which did not change compared to the previous year, are described below:

INTANGIBLE ASSETS

Goodwill and business combinations

Business combinations are accounted for using the acquisition method. In accordance with this method, the consideration transferred in a business combination is measured at fair value, which is calculated as the sum of acquisition-date's fair values of the assets transferred, liabilities incurred by LU-VE Group and the equity interest issued in exchange for control of the acquiree. At the date of the acquisition, the identifiable acquired assets and liabilities incurred are recognised at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the fair value of the considerations transferred, the amount of non-controlling interests and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date's fair value of acquired assets and liabilities incurred. At the acquisition date, the portions of non-controlling interests were measured at the pro-quota fair value of the net assets recognized for the acquired company, with the exception of the acquisitions of Spirotech Heat Exchangers Private Ltd. and Refrion S.r.l., for which non-controlling interests were measured directly at fair value.

With respect to acquisitions occurred prior to the date of adoption of IFRS (1 January 2014), the LU-VE Group exercised the option set forth in IFRS 1 not to apply IFRS 3 relating to business combinations to the acquisitions that took place before the transition date. As a result, goodwill resulting from acquisitions that took place in the past was not restated and was recognised at the value determined on the basis of the previous accounting standards, net of amortisation accounted for as at 31 December 2013 and any impairment losses.

For further information please refer to the next paragraph “Impairment of assets".

It is also reported that Management did not consider the acquisition of the subsidiary Brener a.s. as a business combination in accordance to IFRS 3. The subsidiary, mainly holder of lands and industrial buildings rented to another LU-VE Group's company, has therefore been included in the LU-VE Group's consolidated financial statements as an "acquisition of assets".

Other intangible assets

Trademarks

This item includes long-term expenses incurred for the protection and distribution of LU-VE Group trademarks. These expenses are recognised as assets in accordance with IAS 38 “Intangible assets” when it is probable that the use of the asset will generate future economic benefits and when the cost of the asset can be determined in a reliable manner.

The LU-VE Group has identified, among others, the item Trademarks, as Primary Income Generating Asset (“PIGA”) from the exercise of the purchase price allocation of 'Al Air' (the allocation was final as of 31 December 2020) and the Refrion Group (the allocation was final as of 31 December 2022); the useful life was estimated by the Directors to be 10 years.

Development costs

Development costs incurred for projects for the manufacturing of new products or components are recognised as an intangible asset only if: (i) the costs can be reliably determined, (ii) the LU-VE Group has the intention and available resources to complete the asset, (iii) it is technically feasible to complete the project so as to make it available for use and (iv) expected volumes and prices indicate that the costs incurred in the development phase will be capable of generating future economic benefits.

Capitalised development costs include only expenses incurred that may be directly attributed to the development process.

Capitalised development costs are amortised systematically, starting from the date when the output of the project is available for use and throughout the estimated life of the product or process, which has been evaluated as four years. All other development costs that do not meet the aforementioned requirements, as well as the related research costs, are recognised in the income statement when incurred.

Other intangible assets

Other intangible assets are recognised as assets in accordance with IAS 38 when it is probable that the use of the asset will generate future economic benefits and when the cost of the asset can be determined in a reliable manner. If such future economic benefits do not arise with reference to development costs, they are written down in the year in which this is confirmed.

These assets are measured at acquisition or production cost and amortised on a straight-line basis throughout their estimated useful life, if they have a finite useful life.

In particular, investments in software are amortised over a period of 3 years.

For further information please refer to the next paragraph “Impairment of assets".

Customer relationship

The LU-VE Group identified the Customer Relationship as the PIGA from the purchase price allocation of the US company LU-VE US (concluded in 2018) and the Indian company Spirotech (concluded in 2017). In addition, it should be noted that part of the fair value of the consideration transferred from the business combination of the "AI Air" business was also allocated to the customer relationship (concluded in 2020).

In addition, 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 company LU-VE US Inc. (acquired in 2018 and initially amortised over 20 years) was revised. In particular, following the continuous economic performance below management's expectations and after the redefined business processes as part of the strategy adopted for the US company (included in the larger CGU Components), starting from 1 January 2023 management revised its residual useful life, from the remaining 16 years to 5 years. Over the entire reporting period, the change in accounting estimate resulted in the recognition of higher depreciation and amortisation expenses for €303 thousand and higher deferred tax liabilities for €64 thousand (the residual net book value as at 31 December 2023 amounts to €1,794 thousand).

Customer Relationship of "AI Air" was instead amortised over 10 years.

The change in the year in the Customer List amounts mainly refers to the amortisation of the period.

An intangible asset is eliminated from the Financial Statements at the time of disposal or when no future economic benefits are expected from its use or disposal. The profits or losses deriving from the cancellation of an intangible asset, measured as the difference between net revenue from the sale and the net book value of the asset, are recognised in the Income Statement at the time the asset is cancelled.

For further information please refer to the next paragraph “Impairment of assets".

PROPERTY, PLANT AND EQUIPMENT

These assets include land and buildings, plant and equipment, equipment and other property, plant and equipment.

They are recognised at purchase or construction cost, or at their fair value in the event of purchase through business combinations. The cost includes ancillary costs directly attributable to the asset. Depreciation is calculated on the basis of uniform rates for categories of similar assets, deemed suitable to break down the carrying amount of the property, plant and equipment over the period of its useful life. The estimated useful life is as follows, in years:

Asset	Years
Buildings	33
Light constructions	10
Plant and equipment	6 – 10
Fixtures and fittings, tools and other equipment	3 – 10
Other assets	4 – 8

Ordinary maintenance costs are charged to the Income Statement in the year in which they are incurred; costs that increase the value or useful life of the asset are capitalised and depreciated in line with the remaining useful life of the assets to which they refer.

If there are indicators of impairment, property, plant and equipment are tested for impairment. The testing process is described in the "Impairment of assets" section. Any possible impairments may be subject to subsequent reversals should the causes that induced the LU-VE Group to impair such assets no longer apply; reversals of impairment will be made to the limit of the value the asset would have had if the impairment had not taken place.

Land is not depreciated.

For further information please refer to the next paragraph "Impairment of assets".

Lease contracts and right-of-use assets

The LU-VE Group must evaluate if a contract is, or contains, a lease at the inception of the same. The LU-VE Group recognises the Right-of-use asset and the corresponding lease financial Liability for all lease contracts in which it assumes the role of lessee, with the exception of short-term contracts (lease contracts of duration of 12 months or less) and of leases related to low value assets (that is to say, assets whose fair value is less than €5,000). Contracts to which this exemption has been applied mainly fall within the following categories:

- Computers, telephones and tablets;
- Printers;
- Other electronic devices;
- Furniture and fittings.

In relation to these exemptions, the LU-VE Group recognises the relative payments as operating costs recognised on a straight-line basis throughout the duration of the contract.

On the other hand, for lease agreements the initial lease financial liability is recognised at the present value of future payments at commencement date of the rent agreement. The discount rate to be applied to future payments of rentals has been determined as the risk-free rate of each country in which the contracts were stipulated, with due dates commensurate to the duration of the specific rental contract, increased by the credit spread specific to the LU-VE Group subsidiary that has signed the agreement.

Lease payments included in the measurement of lease financial liabilities include:

- The fixed component of the lease payments, net of any incentive receivable;

- Variable lease payments based on an index or rate, initially measured using the index or rate at the commencement date of the contract;
- The amount expected to be payable by the lessee under residual value guarantees.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

The incentives linked to the lease (for example free leasing periods) are recognised as part of the initial value of the right of use and of the lease liability throughout the contractual period.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Right of use is included as a separate line item in the consolidated statement of financial position.

The LU-VE Group applies IAS 36 – *"Impairment of Assets"* in order to identify the presence of any impairment loss.

In the consolidated statement of cash flows LU-VE Group splits the amount paid overall into the principal amount (recognised in the cash flow deriving from the financial activities) and the interest portion (presented under net financial expense paid, in the cash flow deriving from operating activities).

Impairment of assets

At least at each reporting date, LU-VE Group reviews the carrying amount of goodwill and its property, plant and equipment and intangible assets to determine whether there are indicators that these assets have suffered an impairment loss. If any of these indicators exist, the recoverable amount of these assets is estimated to determine the amount of the impairment loss. When the asset does not generate cash inflows that are independent from those generated by other assets, LU-VE Group estimates the recoverable amount of the cash-generating unit ("*cash generating unit*" or CGU") to which the asset belongs.

In particular, the recoverable amount of the cash-generating units is verified by determining the value in use. In determining value in use, future cash flows net of taxes, estimated on the basis of past experience, are discounted to their present value using a post-tax discount rate, which reflects current market assessments of the time value of money and the specific risks of the asset. The main assumptions used to calculate value in use regard the discount rate, the growth rate, expected changes in sale prices and the trend in direct costs during the period assumed for the calculation. The growth rates adopted are based on growth forecasts for the applicable industrial sector. Changes in sale prices are based on past experience and on future market expectations.LU-VE Group prepares projections of operating cash flows deriving from the business plan prepared by the Management of parent company LU-VE S.p.A. and approved by the Parent Company's Board of Directors, on 21 February 2024, and determines the terminal value (present value of perpetual cash flows) on the basis of a medium and long-term growth rate in line with that of the specific applicable sector.

If the recoverable amount of an asset (or of a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its lower recoverable amount, with the impairment loss immediately recognised in the Income Statement.

Subsequently, if the impairment loss on an asset is no longer applicable or is reduced, the carrying amount of the asset (or of the cash-generating unit), with the exception of goodwill, is increased to the new value corresponding to the estimated recoverable amount, which may be no higher than the net carrying amount that the asset would have had if the impairment loss had never been recognised. The reversal is recognised immediately in the Income Statement.

FINANCIAL INSTRUMENTS

Derivative financial instruments

Derivative financial instruments are subscribed primarily for hedging purposes, in order to reduce the risk of fluctuating exchange rates, interest rates and raw material costs. Pursuant to IFRS 9, derivative financial instruments are measured using the hedge accounting criteria only when:

a) at the inception of the hedge, the hedging relationship is formally designated and documented;
b) the hedge is expected to be highly effective;
c) this effectiveness may be reliably measured;
d) the hedge is determined to have been highly effective during the different accounting periods for which it is designated.

All derivative financial instruments are measured at fair value, as established by IFRS 9.

If the instrument is not eligible for hedge accounting, the gains or losses arising from the measurement of the derivative financial instrument at fair value are recognised in the Income Statement.

However, at the reporting date, not all requirements for the application of hedge accounting in accordance with IFRS 9 were satisfied. Therefore, the Group deemed it appropriate to treat these instruments as trading transactions, not as hedge accounting transactions, therefore recognising the changes in the fair value of the financial instrument directly in the income statement.

The relative effects were recognised under “Financial Expense” in the Income Statement.

With reference to derivative instruments entered for hedging the interest rate risk on loans, for management purposes, the Group presents the differential exchanged with the counterparty during the year in the item "Interest expense to banks", while the change in the fair value of these derivative instruments is instead presented in the item "Other financial income", if positive, or in the item "Other financial expense" if negative.

INVENTORIES

Inventories are measured at the lower of acquisition or production cost, determined on the basis of the weighted average cost method, and the corresponding realisable value represented by the replacement cost for purchased materials and the estimated realisable value for finished and semi-finished products, calculated by taking into account any manufacturing costs as well as the direct sales costs yet to be incurred. The cost of inventories includes the amount of ancillary costs and direct and indirect production costs reasonably attributable to them. Obsolete or slow-moving stocks are written down based on their possibilities of use or realisation. The write-down of inventories is eliminated in subsequent years if the reasons for it no longer apply.

TRADE AND OTHER RECEIVABLES

The receivables are initially recognised at fair value.

Subsequently, receivables are measured with the amortised cost method on the basis of the effective interest rate represented by the rate, which makes the present value of future cash flows and the carrying amount equal at the moment of initial recognition.

In accordance with IFRS 9 trade receivables are classified into the categories Held to collect and Held to collect and sell. Their amount is adjusted at the end of the reporting period to the expected realisable value and written down in case of impairment measuring the expected credit loss along the life of the receivable, together with the level of solvency of the individual debtors, also in function of the specific characteristic of the underlying credit risk, taking into account available information.

ASSIGNMENT OF RECEIVABLES

Receivables sold based on factoring transactions are cancelled from the assets in the Statement of Financial Position only if the risks and benefits correlated with their ownership have been substantially transferred to the assignee.

LOANS

Loans are initially measured at cost, corresponding to the fair value of the consideration received, net of accessory acquisition costs.

After this initial valuation, loans are measured at the amortised cost principle calculated through the application of the effective interest rate method.

The effective interest method is the method to calculate the amortised cost of a financial liability and the allocation of interest expense during the relevant period. The effective interest rate is the rate that discounts future payments (including all fees, transaction costs and other premiums or discounts) over a duration of a financial liability or, if more appropriate, over a shorter period. To determine the effective interest rate on floating-rate loans, the Group updates the cash flows on the basis of the prospective reference rate curves extracted at each reporting date.

Loans are classified as current liabilities unless the LU-VE Group has the unconditional right to defer the settlement of the liability for at least twelve months after the reporting date.

PROVISIONS

Provisions for risks and charges represent probable liabilities of uncertain amount and/or timing deriving from past events, whose settlement will entail an outflow of resources. Provisions are recognised exclusively if there is a present legal or constructive obligation requiring the use of economic resources, provided such obligation can be reliably estimated. The amount recognised in the provision represents the best estimate of the expenditure required to settle the obligation at the reporting date. Provisions are reviewed at each reporting date and adjusted so as to represent the best current estimate.

If the outflow of resources connected to the obligation is expected to take place beyond normal payment terms and the effect of discounting is relevant, the amount of the provision is represented by the present value of the expected future payments for the settlement of the obligation.

Contingent assets and liabilities are not recognised in the Financial Statements. However, they are subject to adequate disclosure.

EMPLOYEE BENEFITS

Short-term benefits

Short-term employee benefits are accounted for in the Income Statement in the financial year in which the services are rendered.

Post-employment benefits

Starting from 1 January 2007, the Financial Act (law 296/2006) and the relative implementing decrees introduced considerable amendments to the rules on post-employment benefits, including the selection to be made by the worker with respect to the allocation of accruing post-employment benefits. In particular, for companies with more than 50 employees on the date of introduction of the reform, these new regulations required new post-employment benefit contributions to be allocated to pension plans chosen by the worker or, if the worker decided to keep those contributions within the company, to an INPS treasury account.

For employees of Italian companies with more than 50 employees, only post-employment benefits accrued up to 31 December 2006 continue to be classified as "defined benefit plans", while those accruing subsequent to that date are classified as a "defined contribution plan", as all obligations of the company are met when it makes the periodic contribution to third-party entities. Therefore, discounted amounts are no longer recognised in the Income Statement. Instead, outlays made to the various types of pension plans selected by employees or to the separate INPS treasury fund, calculated based on Article 2120 of the Italian Civil Code, are recognised under personnel costs.

For employees of Italian companies with less than 50 employees (Manifold S.r.l. and R.M.S. S.r.l.) post-employment benefits accrued as at 31 December 2023 take the form of a defined benefit plan. The LU-VE Group's obligation in relation to defined benefit plans and the annual cost recognised in the Income Statement is determined on the basis of actuarial valuations using the projected unit credit method.

TRADE PAYABLES AND OTHER LIABILITIES

Trade payables and other liabilities are initially recognised at fair value, plus any costs connected to the transaction. Subsequently they are measured at nominal value, as it is not deemed necessary to apply any discounting or separately attribute explicit or separated interest expense in the Income Statement, as it is not considered material in light of expected payment times.

CRITERIA FOR THE TRANSLATION OF FINANCIAL ITEMS IN FOREIGN CURRENCY

Receivables and payables originally expressed in foreign currencies are translated to Euro at the exchange rates of the date on which the transactions giving rise to them take place. The exchange differences realised upon collection of the receivables and payment of the payables in foreign currency are recognised in the Income Statement. Income and expenses relating to transactions in foreign currency are recognised at the current exchange rate on the date on which the relative transaction takes place.

At year end, assets and liabilities expressed in foreign currency are recognised at the spot exchange rate as at the end of the financial year and the relative exchange gains and losses are recognised in the Income Statement. If the translation gives rise to a net profit, a non-distributable reserve for a corresponding amount is restricted until its actual realisation.

REVENUE RECOGNITION

Revenues are recognised at the time of transfer of the control on the goods or services promised to the customer. Revenues are recognised net of returns, discounts, allowances and premiums, as well as directly linked taxes.

Contracts with customers generally include a single performance obligation, that is the sale of the goods, generally met upon delivery of the goods to the customer.

In the case of revenues attributable to construction agreement, a single performance obligation is identified, where revenues are recognised over time on the basis of the costs already incurred with respect to the total costs estimated for the completion of the same construction.

COST RECOGNITION

Costs and expenses are recognised in the Financial Statements on an accrual basis.

FINANCIAL INCOME

Financial income includes interest income on invested funds and income from financial instruments, together with the fair value effect on derivative financial instruments. Interest income is recognised in the income statement when accrued, using the effective interest rate method.

FINANCIAL EXPENSE

Financial expense includes interest expense on financial payables calculated using the effective interest rate method (net of differentials exchanged with the counterparty during the year relating to IRS derivative instruments entered into to hedge the interest rate risk of loans), bank fees and expenses deriving from financial instruments, together with the fair value effect of derivative financial instruments.

INCOME TAXES FOR THE YEAR

Income taxes include all taxes calculated on the LU-VE Group's taxable income for the year. Income taxes are recognised in the Income Statement, with the exception of those relating to items directly charged or credited to shareholders' equity, in which case the tax effect is recognised directly under shareholders' equity. Other taxes not correlated with income, such as other indirect taxes and fees on property, are classified as other operating cost. Deferred tax liabilities are recognised based on the global liability method. They are calculated based on all temporary differences emerging between the taxable amount of an asset or liability and the carrying amount in the consolidated Financial Statements, with the exception of goodwill, which is not tax deductible and those differences from investments in subsidiaries which are not expected to be offset in the foreseeable future. Deferred tax assets on tax losses and unused retained tax credits are recognised to the extent to which it is likely that future taxable income will be available against which those tax assets may be utilised. Current and deferred tax assets and liabilities are offset when the income taxes are levied by the same tax authority and when there is a legal right to offset. Deferred tax assets and liabilities are calculated using the tax rates expected to be applicable in the years in which the temporary differences will be realised or extinguished. The temporary differences in taxable incomes do not give rise to deferred liabilities for investments in subsidiaries, associates and joint ventures when the LU-VE Group is able to control the timing of cancellation of the temporary differences in taxable income and it is probably that these differences will not be cancelled in the foreseeable future.

If the possibility of realigning the tax value of goodwill to its book value were to be granted by Italian tax law, the accounting policy established by the Directors is not to immediately record in the Income Statement the future tax benefit connected to the redemption as a contra-entry to deferred tax assets.

DIVIDENDS

Dividends are accounted for on an accrual basis when the right to receive them arises, corresponding to the resolution of distribution.

TREASURY SHARES

Treasury shares are recognised as a deduction from shareholders' equity. The carrying amount of treasury shares and gains from any subsequent sales are recognised as changes in equity.

EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the LU-VE Group's share of profit and loss by the weighted average of ordinary shares outstanding during the year. The diluted earnings per share coincide with the basic earnings per share as there are no options outstanding which may potentially lead to the issue of new parent company's shares and thus result in dilutive effects.

TAX CONSOLIDATION CONTRACT

National Tax Consolidation applies (pursuant to art. 117 et seq. of Italian Presidential Decree 917/86 – TUIR (Consolidation Act on Income Taxes), and its area includes, in addition to the consolidating company LU-VE S.p.A., four other Italian subsidiaries: SEST S.p.A. (for the 2022-2024 financial years) and Thermo Glass Door S.p.A. (TGD), Manifold S.r.l., and Air Hex Alonte S.r.l., the latter companies for the 2023-2025 financial years.

It should be noted that, starting from the financial year 2024, the above-mentioned area will also include the companies Refrion S.r.l. and RMS S.r.l. (the tax consolidation agreement entered into between LU-VE S.p.A. and these companies covers the period 2024-2026).

National tax consolidation allows the determination of current IRES tax on a taxable income corresponding to the algebraic sum of positive and negative taxable components of the participating companies. Economic relationships, in addition to reciprocal responsibilities and obligations, are regulated by specific agreements between the parties according to which, in case of positive taxable income, subsidiaries transfer to the parent company the financial resources corresponding to the greater tax due by them for the effect of participating to the national tax consolidation, and in case of negative taxable income, they receive a compensation equivalent to the relative tax saving made by the parent company, if and in the measure in which there are prospects of profitability that allow the LU-VE Group to effectively reduce current taxes or the recognition of deferred tax assets.

USE OF ESTIMATES

The preparation of the Consolidated Financial Statements and the relative Explanatory Notes in application of IFRS requires the Management to make use of estimates and assumptions that impact, even significantly, the values of the assets and liabilities in the Financial Statements and the disclosure relating to contingent assets and liabilities as at the reporting date. These estimates and assumptions are based on historical experience and on other external and internal factors deemed relevant by Management. Actual results may differ from those estimates.

The underlying estimates and assumptions are reviewed periodically by Management (at least annually). Any changes in the estimate are recognised prospectively starting from the period in which this estimate is revised.

In the preparation of the consolidated financial statements, no significant Judgements were adopted during the process of application of the Group accounting standards, with the exception of those relating to estimates that have a significant impact on amounts recognised in the financial statements. The main assumptions relating to the future and the main causes for uncertainty in the estimates at the date of closure of the financial year which represent a significant risk of giving rise to significant adjustments in the accounting 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 determination of the fair value of the consideration relating to the agreement with the non-controlling interest for the purchase of the residual 25% of Refrion S.r.l. is subject to estimation. It is a put & call agreement that can be exercised from 31 May to 31 July for the years 2024, 2025 and 2026. The strike price can be deduced from the application of a contractually provided formula (put option in favour of the minority shareholder and call option in favour of LU-VE).

The value of the option as at 31 December 2023 was €6,500 thousand (value determined on the basis of the average of the parameters experienced in the fiscal years 2022-2023 by the Refrion Group, considering the probable exercise of the option by the Parent Company LU-VE S.p.A. in the course of 2024) and is unchanged with respect to 31 December 2022.

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

The procedure for the impairment test on goodwill, intangible assets and property, plant and equipment described in the paragraph "Impairment of assets" implies (in estimating the value in use) the use of assumptions regarding: i) the forecast of expected cash flows from the cash generating units ("CGUs") identified, making reference to the 2024-2027 Business Plan, approved by the Board of Directors on 21 February 2024, ii) the determination of an appropriate discounting rate (WACC) and iii) a long-term growth rate (g-rate).

These assumptions are based on the management's perspectives: i) to focus on the "core" product (air heat exchangers) through product and process innovation, technological advancements and increased production efficiency also thanks to the specialisation of the production facilities; ii) to focus on improving profitability and protecting cash generation through increased production efficiency, the use of automation and careful management of fixed expenses; iii) increasing the utilisation of installed production capacity with the consequent need for lower investments compared to the historical average (with a consequent modest increase in depreciation and amortisation over the plan's horizon); iv) increasing applications in unrelated sectors and increasing internationalisation; v) exploiting growth opportunities linked to focusing on exchangers that use natural refrigerants, thus exploiting the competitive advantage gained by the Group in previous years and the actions implemented by local authorities due to greater attention to energy saving issues.

The actions envisaged on sales prices suggest that it is reasonable to pass on to the market the expected cost increases over the years of the Plan for raw materials, energy and labour costs, thus allowing to safeguard EBITDA in absolute value (as it has been abundantly done in the past). These assumptions take into account an assessment of the possible impacts related to the ongoing geopolitical tensions (Russian-Ukrainian conflict and situation in the Middle East) and to events or trends related to climate change or regulatory changes, also soon to come into force (e.g. *Carbon Border Adjustment Mechanism).*

As required by IAS 36,since the above-mentioned CGUs include a goodwill, LU-VE Group's Management conducted an impairment test to determine whether the carrying amounts relating to the assets of the individual CGUs are measured in the Financial Statements as at 31 December 2023 at a value not higher than their recoverable amount. In particular, in the consolidated financial statements as at 31 December 2023 LU-VE Group has recognised goodwill for a total amount of €64.0 million. This goodwill is attributable to two cash generating units ('CGUs'): "Components" for €27.0 million and "Cooling Systems" for €37.0 million, to which were also allocated intangible assets with a finite useful life for €28.9 million, rights of use assets for €13.5 million and property, plant and equipment and other tangible assets for €191.9 million.

Given the particular situation of uncertainty in the Russian socio-economic system due to the sanctions resulting from the ongoing war between Russia and Ukraine, and the direct exposure of the LU-VE 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 carrying amount of the Net Invested Capital ("NIC") of LU-VE Group's Russian production company, "OOO" SEST LUVE, is recognised in the financial statements as at 31 December 2023 at a value not higher than its recoverable amount. In particular, the NIC pertaining to the Russian company recognised in the consolidated financial statements as of 31 December 2023 totalled €8.6 million (RUB 838 million), of which €4.9 million (RUB 483 million) related to property, plant and equipment and the remaining amount essentially related to operating working capital.

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

Bad debt provision for trade receivable

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 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.

It should be noted that only for the receivables of the Russian production subsidiary "OOO" SEST LUVE a specific customer-by-customer analysis was carried out, given the particular situation of uncertainty of the Russian socio-economic system due to the sanctions resulting from the ongoing conflict.

Income taxes and deferred tax assets

LU-VE Group is subject to various income tax legislation. To determine LU-VE Group's income tax liabilities, the Management needs to make assessment with respect to transactions that have uncertain tax implications at the reporting date. In addition, deferred tax assets are measured on the basis of expected income of LU-VE Group companies in future years; the assessment of this expected income depends on factors that could change over time and have significant effects on the measurement of deferred tax assets.

In testing the recognition and recoverability of deferred tax assets recognised in the Financial Statements as at 31 December 2023, Management relied on the taxable results deriving from the 2024-2027 Plans and the fiscal year 2028 (obtained by carrying forward the figures from the last year of the Plan's specific period) of individual national tax consolidated companies (and in particular those of the Parent Company, which as at 31 December 2023 concentrates almost all of them – amounting to €11 million in both the consolidated financial statements and the separate financial statements as at 31 December 2023) by extrapolating the expected taxable income for the following years. The effects deriving from the temporary differences on which deferred tax liabilities were recognised were also used in the test of deferred tax asset recognition.

However, the future trend of various factors, including the difficult evolution of the economic and global financial environment, together with the effects that will derive from recent geopolitical tensions, 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.

Climate change impacts

In addition to the above, LU-VE Group is assessing the risks (and opportunities) related to climate change relevant to its business. 2023 is characterised by being the first year of implementation of the Group's 2023-2025 Sustainability Plan, prepared by the Corporate Sustainability Steering Committee, reviewed by the Control and Risk Committee, and approved by the Board of Directors in February 2023. The Sustainability Plan sets out the actions to be pursued in line with the sustainability vision - aligned with some of the UN's Sustainable Development Goals (SDGs) - and the desired positioning of the Group, relating to four key dimensions: 1. Sustainability integrated in the Business Plan, 2. Positive-impact products, 3. Carbon neutrality, 4. High involvement of people. With reference to carbon neutrality, in addition to the activities carried out with reference to Scope 1 and Scope 2 climate-altering emissions, in 2023 a new project was carried out for the calculation of Scope 3 GHG emissions (with reference to the actual data for the fiscal year 2022), following the assessment project carried out the previous year. GHG Scope 3 emissions are the emissions generated upstream and downstream of the Group's production activities, such as for example the emissions generated by logistics and by the products during their use by end users. The project has analysed the categories of the international "GHG Protocol" framework and thus made it possible to clearly identify the business processes for reducing emissions and the information processes on which to improve data availability and accuracy. The analysis has focused mainly on emissions related to the purchase of raw materials and components, inbound and outbound transport, and the use of the Group products by end customers (activities with the most significant impact in terms of emissions) and the disposal phase of products at the end of their life cycle. Specifically, in 2023 the LU-VE Group has conducted a new Life Cycle Assessment study on a specific range of large air cooled products. The carbon footprint was calculated for the entire life cycle (from raw material procurement, to manufacture of the solution, its use and end of life cycle management) and has been certified by a third party in accordance with the "*PEP Ecopassport*" declaration.

The quantitative assessment of physical climate risks at all Group production facilities was conducted in 2022, taking into consideration the different future scenarios correlated to internationally recognised climate models and based on greenhouse gas concentration pathways (Representative Concentration Pathways - RPC) developed by the Intergovernmental Panel on Climate Change (IPCC). This analysis is considered up-to-date and applicable also for the fiscal year 2023, as it is based on IPCC scenarios, physical climate risk categories, calculation methodologies and time frame still in line with the state of the art and the context in which the Group operates. Specifically, analyses were conducted taking into consideration the RCP 2.6 and RCP 4.5 scenarios and considering a time frame to 2035. In particular, among the main results are that the risks that will affect the Group the most are temperature variability, heavy rainfall and rainfall variability which would specifically affect the Group's facilities of Spirotech, LU-VE US and Refrion. These risks were considered mitigable with operating expenses reflected in the impairment test on the CGUs in the sensitivity analysis scenario linked to climate change, as described in paragraph 3.1 Goodwill. Vice versa, the exposure to certain other risks, e.g. drought and fire risk, is not expected to be material to the Group’s operating assets.

In 2023, the Group also updated the analysis of transitional climate risks. The various types of risk – market, technological, legal/policy and reputation – were assessed on the basis of their potential impact on the business and of the Group's ability to deal with them over time. In the process of drawing up the 2024-2027 Business Plan, the main assumptions considered by the Management can be summarised as follows: growth in sales volumes on the basis of the trend towards heat exchangers with natural refrigerants which have an extremely lower impact on GWP compared to traditional freon ones (in the plan, a growth in exchangers using natural refrigerants of 4.3% in 2024, 8.4% in 2025, 9.1% in 2026 and 4.3% in 2027); growth in volumes linked to incentive plans for green technologies (with particular reference to heat pumps); adequate investments in research and developments to support the development of more sustainable products; the ability to pass through to the market any increases in raw materials for energy causes through the usual "pass through" systems; in investments it was also considered necessary to adapt the product range to the ongoing technological evolution towards natural refrigerants and to purchase plants and build production plants with technical characteristics in line with the best sustainability practices (consumption, emissions, discharges, etc.).

Thanks to these analyses, the Group raised its awareness of the degree of exposure to risk and of the need to identify the best ways to appropriately contribute to climate change mitigation and adaptation. The related impacts, in terms of investments, costs and other impacts on cash flow were assessed and taken into consideration in the 2024-2027 Business Plan preparation process.

Impacts of the Russian-Ukrainian conflict

The LU-VE Group continues to closely monitor the evolution of the conflict between Russia and Ukraine. The extreme geographical diversification of sales means that Group's exposure, in terms of turnover, in this area is only 6.3% and 2.2% of net invested capital (€7.9 million). Net invested capital includes approximately €2.8 million of net working capital, of which €8.7 million of stock. As at 31 December 2023, the exposure in terms of order backlog was 8.4%.

As at 31 December 2023, the balance sheet and financial position of the subsidiaries based in Russia (where OOO SEST LU-VE is a production and trading company, while OOO LU-VE Moscow is a pure sales company) is mainly composed of:

- Non-current assets (which in addition to property, plant and equipment and intangible assets include deferred tax assets) equal to €5,218 thousand (€6,594 thousand as at 31 December 2022).
- Net working capital of €2,774 thousand;
- Cash and cash equivalents of €21,474 thousand (€17,148 thousand as at 31 December 2022). The increase is net of the negative effect of approximately €3.6 million of the impact of the EUR/RUB exchange rate;
- Intercompany financial payables of €162 thousand, relating to dividends resolved on, but not yet distributed to the parent company.

In the worst case scenario of loss of control of the two Russian companies (OOO SEST LU-VE and OOO LU-VE Moscow) due to events beyond LU-VE Group's control, in addition to the already quantified effects on sales and net invested capital, LU-VE Group would be obliged to record onto the income statement the negative translation reserve relating to the two companies preparing their Financial Statements with functional currency in Russian roubles equal to €9.2 million as at 31 December 2023. The intragroup receivables of the other LU-VE Group companies from the two Russian subsidiaries are equal to €1.4 million as at 31 December 2023 (€1.1 million at 31 December 2022). As at 31 December 2023, no LU-VE Group company had guaranteed the debts of the two Russian companies towards third parties.

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. Considering that production in Russia is targeted exclusively at the domestic market and refers to products for civil use linked to the primary needs of customers, the LU-VE Group has decided to keep the Lipetsk plant operational.

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

The LU-VE Group has also engaged in monitoring activity in relation to the restrictions that have been imposed by the European Union and the United States on Russia and the individuals sanctioned, to ensure their full compliance. The Group has 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 testing 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.

2.2 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 LU-VE Group for the first time as of 1 January 2023:

- On 18 May 2017 IASB published standard IFRS 17 – Insurance Contracts, which is destined to superseed standard IFRS 4 – Insurance Contracts. The objective of the new standard is that of guaranteeing that entities provide pertinent information that faithfully represents the rights and obligations deriving from insurance contracts issued. The directors do not expect the adoption of this standard to have a significant effect in the LU-VE Group's consolidated financial statements.

- 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, at the date of initial recognition, 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. For more information, please refer to paragraph 3.19 - "Deferred tax assets and liabilities".

- 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 amendments regarding IAS 1 require an entity to disclose the relevant information on the accounting standards applied by the Group. The changes are intended to improve disclosure of the accounting standards applied by the Group 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.

- 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 (which is in force in Italy on 31 December 2023, but applicable from 1 January 2024) and establishes specific disclosure obligations for the entities affected by the related International Tax Reform. The LU-VE Group does not exceed the revenue threshold to be subject to the Pillar Two Model Rules.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, FOR WHICH APPLICATION IS NOT YET REQUIRED AND NOT ADOPTED EARLY BY THE LU-VE GROUP AS AT 31 DECEMBER 2023

- On 23 January 2020, the IASB published an amendment called "Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*" and on 31 October 2022 published an amendment called "*Amendments to IAS 1 Presentation of Financial Statements*: *Non-Current Liabilities with Covenants*". These amendments have the objective to clarify the classification of liabilities as current or non-current. In addition, the amendments also improve the information that an entity must provide when its right to defer the settlement of a liability for at least twelve months is subject to compliance with certain parameters (i.e. covenants). The 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 called "Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback". The document requires the seller-lessee to assess the liability for the lease deriving from a sale & leaseback transaction so as not to recognise an income or a loss that refers to the right of use withheld. The amendments shall apply as of 1 January 2024, but early application is permitted. The directors do not expect the adoption of those amendments to have a significant effect on the LU-VE Group's consolidated Financial Statements.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION AT 31 DECEMBER 2023

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 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 disclosure 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.

- On 15 August 2023, the IASB published an amendment called "Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability". The document requires an entity to adopt a methodology to be applied consistently in order to verify whether one currency can be converted into another and, when this is not possible, how to determine the exchange rate to be used and the disclosure to be provided in the explanatory notes. The amendment shall apply as of 1 January 2025, but early application is permitted. The directors do not expect the adoption of this amendment to have a significant effect on the Group's consolidated Financial Statements.

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

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

3.1 GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets *(in thousands of Euro)*	**Goodwill**	**Other intangible assets**	**Total**
Historical			
As at 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	-	2,599	2,599
Decreases	-	(51)	(51)
Reclassifications	-	-	-
Exchange differences	(470)	(31)	(501)
As at 31 December 2023	**76,876**	**96,224**	**173,100**
Accumulated amortisation			
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	-	7,702	7,702
Decreases	-	(5)	(5)
Reclassifications	-	-	-
Exchange differences	-	(39)	(39)
As at 31 December 2023	**12,915**	**67,322**	**80,237**
Net carrying amount			
As at 31 December 2022	**64,431**	**34,043**	**98,474**
As at 31 December 2023	**63,961**	**28,902**	**92,863**

Goodwill

The decrease in the item "Goodwill" for €470 thousand is attributable to the translation at the exchange rates as at 31 December 2023 of goodwill generated in previous fiscal years by the business combination of the Indian company Spirotech Ltd and the US company LU-VE US Inc. (previously called Zyklus Heat Transfer Inc.).

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

The LU-VE Group tested the recoverability of the carrying amount of Net Invested Capital (NIC) as at 31 December 2023. Among other things, the NIC includes the value of goodwill. For the purpose of impairment testing, the value of goodwill was allocated to the two cash-generating units (CGUs) identified ("Components" and "Cooling Systems") in line with the operating segments identified in accordance with IFRS 8. Management has not identified other lower levels of cash generating units with largely independent cash inflows to be considered in the allocation of the goodwill.

In particular, LU-VE Group has recognised goodwill of €64.0 million in the consolidated financial statements as at 31 December 2023, attributed to the "Components CGU" for €27.0 million (€27.5 million as at 31 December 2022) and to the "Cooling Systems CGU" for €37.0 million (unchanged from 31 December 2022) to which intangible assets with a finite useful life of €28.9 million, rights of use of €13.5 million and tangible assets of €191.9 million were also allocated.

In determining the recoverable amount of these CGUs, identified in the value in use – as the sum of the discounted cash flows generated in the future and continuously – of the NIC (Discounted Cash Flow Unlevered method), the Management referred to the Group's 2024-2027 Business Plan approved by the Parent Company's Board of Directors on 21 February 2024, whose assumptions are detailed in the paragraph 'Recoverability of the value of goodwill, intangible assets and property, plant and equipment' to which reference should be made.

The weighted average cost of capital calculated for the discounting of cash flows is based on a weighting between the cost of debt and the cost of equity, determined on the basis of the values of companies comparable to LU-VE and therefore operating within the same business segments.

The values used for the calculation of the average cost of capital (extrapolated from the main financial sources) are as follows:

- industry financial structure: 10.20% (third party capital) and 89.80% (own capital) for both the CGUs, taking into account the average of a panel of comparable companies;
- sector relevered beta: 1.130 for the "Components CGU" and 1.129 for the "Cooling Systems CGU";
- risk-free rate: 5.41% for the "Components CGU" and 4.45% for the "Cooling Systems CGU" - determined considering the average yield of the last 6 months of government bonds maturing in ten years, in consideration of the countries in which each CGU operates (reduced average return timeframe, starting from 2022 in order to consider the current condition of macroeconomic uncertainty generated by the Russian-Ukrainian conflict, in line with the most recent communications of the OIV[1]);

[1] Discussion Paper "*Impairment test of non-financial assets following the war in Ukraine*" issued by the OIV on 13 June 2022.

- risk premium: 5.70% (attributable to AAA-rated countries - source Prof. P. Fernandez, Survey: *Market Risk Premium and Risk-Free Rate used for 88 countries in 2022*) for both CGUs;

- cost of debt, gross tax: 3.73% for both CGUs, determined considering the the six-monthly average of the IRS rate with 10 years duration equal to 3.12%, increased by a spread equal to 0.61% - average of the spread applied to comparable companies, determined as a ratio between financial expense and EBIT - source A. Damodaran.

The recoverable amount also includes the terminal value, which was calculated with the "perpetual cash flow" method considering a growth rate (g-rate) of 2.48% and 2.16% respectively for the "Components CGU" and for the "Cooling Systems CGU". This rate was calculated as the weighted average of the long-term inflation of the countries in which the CGUs operate (source "IMF") and the related revenues. In the terminal value, an operating cash flow equal to the last explicit year of the business plan (2027), adjusted so as to reflect a situation "under normal circumstances", was considered. The level of depreciation and investments was balanced and a change in working capital equal to zero was assumed. A weighted tax rate was also considered in relation to the countries in which the two CGUs operate.

In more detail, in order to determine the recoverable amount of Net Invested Capital, cash flows were discounted using a discounting rate (WACC) which takes into account the specific risks of the asset and which reflects current market assessments of the cost of money. Two different WACCs were calculated, equivalent to 10.95% for the Components CGU and 10.07% for the Cooling Systems CGU.

From the impairment test carried out, approved by the Parent Company's Board of Directors on 13 March 2024, the Group has not recognised any impairment loss, as the value in use resulted to be higher than the carrying amount.

As required by IAS 36 and by the impairment test guidelines drafted by the O.I.V., LU-VE Group has carried out a sensitivity analysis in relation to the recoverable amount of the above mentioned CGUs, analysing the effect of the variation of the discounting rate used to discount future cash flows (WACC) and the g-rate, maintaining the main plan assumptions unchanged.

A further sensitivity analysis was conducted, analysing the changes in recoverable amount as a result of the changes in the discount rate used to discount expected cash flows (WACC) (+1%/-1%) and the changes in the depreciation/investments of terminal value changed, with all other main assumptions underlying the plan unchanged.

These sensitivity analyses did not highlight any critical issues, confirming the results in terms of robustness of the test.

In addition, the management has determined the break-even WACC, the break-even reduction of EBITDA and the break-even g-rate (which equalize the Value in Use with the Carrying Amount), obtaining the results reported below:

- increase of the WACC (maintaining all other plan assumptions unchanged) of approximately +4.72% for the Components CGU and approximately +3.94% for the Cooling Systems CGU;

- lowering of the EBITDA in the Plan's specific period and in Terminal Value (maintaining all other plan assumptions unchanged) of -24.26% for the "Components CGU" and -23.75% for the "Cooling Systems CGU";

- *break-even g-rate* (keeping all the other plan assumptions unchanged): reduction in the *g-rate* of TV not significant. Even by using a nil value for both CGUs, the Cover would not be zero.

Lastly, with reference to the impact of the risks arising from climate change on the determination of the cash flows of the specific plan period and the terminal value, prepared for the two CGUs for the purpose of the impairment test, it should be noted that:

- With regard to transitional risks, it is not believed that there will be any differential impact from that anticipated in the plan approved by the Directors;
- With regard to physical risks, it is reasonable to estimate a possible negative impact on cash flows compared to the 2024-2027 Business Plan scenario and terminal value. This negative impact is quantifiable in a reduction of cash flows in both the above-mentioned specific period and terminal value in the amount of €2 million for the CGU components (of which €1 million is linked to the higher energy costs shown because of the "Changing Temperature" and €1 million linked to the higher costs to be incurred to mitigate the effects deriving from the "Heatwave" with air conditioning systems in the production areas) and approximately €2 million for the Cooling Systems CGU (costs to be incurred for issues related to "Heavy Snow Precipitation"). The two aforementioned reductions in cash flows would lead to a reduction in the cover of the CGU components of 18.9% and a reduction in the cover of the Cooling Systems CGU of 15.3%.

On the basis of the impacts identified and deriving from the risk of climate change, no further sensitivity analyses are considered applicable (for example, +1/-1-degree centigrade increase compared to the Paris agreement).

Other intangible assets

The following table illustrates in more detail the 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	303	676	1,226	379	2,599
Decreases	-	-	-	(22)	(5)	(24)	(51)
Reclassifications	-	-	600	(698)	101	(3)	-
Exchange differences	-	-	9	11	(35)	(16)	(31)
As at 31 December 2023	**20,579**	**26,904**	**18,296**	**2,011**	**27,874**	**560**	**96,224**
Accumulated amortisation							
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	1,678	2,129	1,218	-	2,674	3	7,702
Decreases	-	-	-	-	(5)	-	(5)
Reclassifications	-	-	-	-	-	-	-
Exchange differences	-	-	(5)	-	(34)	-	(39)
As at 31 December 2023	**7,905**	**17,592**	**16,478**	**-**	**25,334**	**13**	**67,322**
Net book value							
As at 31 December 2022	**14,352**	**11,426**	**2,119**	**2,044**	**3,888**	**214**	**34,043**
As at 31 December 2023	**12,674**	**9,312**	**1,818**	**2,011**	**2,540**	**547**	**28,902**

Customer list

The change in the year in the Customer list mainly refers to the amortisation of the year. Following the periodic review of the economic-technical useful lives of property, plant and equipment and intangible fixed assets, the residual useful life of the customer list referring to the US company LU-VE US Inc. (acquired in 2018 and initially 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 company, starting from 1 January 2023 Management revised its residual useful life, going from the remaining 16 years to 5 years. Over the entire reporting period, the change in estimate resulted in the recognition of higher amortisation expenses of €303 thousand and higher deferred tax liabilities of €64 thousand (the net book value as at 31 December 2023 amounts to a total of €1,794 thousand).

Trademarks

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

Development costs and development costs in progress

The total *Development costs* incurred in the year came to €979 thousand referring to projects for new product development.
The intense activity carried out was aimed at the development of new product ranges (mainly the use of natural refrigerants, such as carbon dioxide, water and ammonia), the miniaturisation and specialisation of tube surfaces and matrices for the improvement of heat exchange efficiencies, the introduction of optimised electronic control systems, the development of a project relating to heat pumps as well as components and accessories in the heat exchangers and glass doors segments.

Furthermore, during the year €600 thousand of projects successfully concluded in 2023 were reclassified from "Development costs in progress" to "Development costs".

The decreases for the year, amounting to €22 thousand, refer to specific projects that, at the end of the year, were not considered recoverable by the Management.

Software

Software increased by €1,226 thousand; the main projects developed during the year related to the implementation and improvement of new evolutions in SAP, product listing software, product management software, and other management software for better Group-wide operations.

Other intangible assets

Other intangible assets rose by €379 thousand (€345 thousand in the previous year) and mainly refer to software, websites and databases not yet in operation.

Cash outflows in the year referring to investments in intangible assets amounted to €2.599 thousand.

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

3.2 PROPERTY, PLANT AND EQUIPMENT AND RIGHTS OF USE

Other property, plant and equipment *(in thousands of Euro)*	Property	Plant and equipment	Right-of-use assets	Other property, plant and equipment	Work in progress	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	12,119	10,314	3,039	5,303	10,708	41,483
Decreases	(355)	(2,586)	(2,171)	(486)	(325)	(5,923)
Reclassifications	6,938	1,848	-	721	(9,507)	-
Exchange differences	(351)	(973)	(72)	55	513	(828)
As at 31 December 2023	146,140	185,386	30,945	47,990	14,147	424,608
Accumulated depreciation						
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	3,268	11,776	5,573	4,055	-	24,672
Decreases	(2)	(2,099)	(1,852)	(410)	-	(4,363)
Reclassifications	-	-	-	-	-	-
Exchange rate difference	(414)	(1,301)	(13)	3	-	(1,725)
As at 31 December 2023	35,705	131,353	17,469	34,669	-	219,196
Net book value						
As at 31 December 2022	94,936	53,806	16,388	11,376	12,758	189,264
As at 31 December 2023	110,435	54,033	13,476	13,321	14,147	205,412

As at 31 December 2023, increases in the historical cost of property, plant and equipment amount to €41,483 thousand, mainly related to the following:

- €12,119 thousand refer to the increase in investments in land and buildings, in particular the new SEST-LUVE-Polska SP.z.o.o. facility and the new Refrion S.r.l. facility;
- €10,314 thousand refer to the expansion of the current production capacity, through the purchase of new plant and machinery;
- €3,039 thousand refer to the recognition of the effects of IFRS 16, of which €777 thousand referring to the increase in leased properties, €1,177 thousand referring to the increase in leases for the use of leased motor vehicles and €1,085 thousand referring to the increase in leases for the use of forklifts and other machinery;

- €16.011 thousand relative to the technological investment programme in Italy and abroad, mainly for the expansion and rationalisation of the production sites of the SEST-LUVE-Polska SP.z.o.o., SEST S.p.A. and Air Hex Alonte.

In the fiscal year, capital expenditure in property, plant and equipment lead to a cash outflows for a total amount of €33,434 thousand (equal to the total group increase of €41,483 thousand, net of the increase related to IFRS 16 of €3,039 thousand and the net effect on 31 December 2022 of investments not yet paid of €5,010 thousand, classified within the item "Other current liabilities").

During the year, following the atmospheric events that occurred in Northern Italy in the summer of 2023, in particular in Uboldo (LU-VE S.p.A.) and Flumignano di Talmassons (Refrion S.r.l. and RMS S.r.l.) plants, the Group suffered some damages on fixed assets and consequently proceed with the repairs or the disposal of the damaged assets; the impacts from the disposal and/or repair of the fixed assets were subject to insurance compensation.

For more details on the investments for the year, please refer to the Directors' Report.

These items in property, plant and equipment were included in the impairment test described above as they were allocated to the two CGUs identified by the Management.

In this regard, it is reported that, given the particular situation of uncertainty in the Russian socio-economic system due to the sanctions resulting from the ongoing war between Russia and Ukraine, and the direct exposure of the LU-VE Group to the areas affected by the conflict, the management of LU-VE Group carried out an impairment test aimed at determining that the carrying amount of the Net Invested Capital ("NIC") of the Russian company of LU-VE Group, "OOO" SEST LUVE, is recognised in the financial statements as at 31 December 2023 at a value not higher than its recoverable value. In particular, the NIC pertaining to the Russian company recognised in LU-VE Group's financial statements as of 31 December 2023 amount approximately €8.6 million (RUB 838 million), of which approximately €4.9 million (RUB 483 million) related to property, plant and equipment and the remaining amount essentially related to operating working capital.

In particular, in determining the recoverable amount, identified in the value in use as the sum of the discounted cash flows (Discounted Cash Flow Unlevered method), the Management referred to the Business Plan of "OOO" SEST LUVE, (approved by the Board of Directors of the Parent Company of LU-VE S.p.A. on 21 February 2024), developed over a finite time horizon (2024-2027), identified as the time period relating to the residual useful life of the Russian company's property, plant and equipment, which also includes investments made during 2023 totalling approximately 92 million roubles (or approximately €0.9 million), 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 LU-VE Group companies in the supply chain.

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 = Ke, as a full equity financial structure was envisaged) that it takes into account the specific risks of the activity and the reference geo-political context, equal to 26.21%, determined with the unconditional adjustment method starting from the free risk rate of the United States and adding the Equity Risk Premium of Russia (Source: Damodaran).

Based on the impairment test carried out, approved by the Parent Company's Board of Directors on 13 March 2024, no impairment losses emerged.

3.3 INVESTMENTS

The LU-VE Group holds the following investments:

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

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

3.4 OTHER NON-CURRENT ASSETS

As at 31 December 2023, the item is broken down as follows:

Other non-current assets ***(in thousands of Euro)***	**31/12/2023**	**31/12/2022**	**Change**
Other non-current assets	828	1,332	(504)
Total	**828**	**1,332**	**(504)**

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

- €552 thousand related to the Refrion group for receivables due within two years, guaranteed by the previous shareholders of Refrion S.r.l. (€1,020 thousand as at 31 December 2022). During 2023, €468 thousand were collected;
- €276 thousand related to security deposits paid to service providers (€312 thousand as at 31 December 2022).

3.5 INVENTORIES

The item is broken down as follows as at 31 December 2023:

Inventories *(in thousands of Euro)*	**31/12/2023**	**31/12/2022**	**Change**
Raw, ancillary and consumable materials	83,748	95,080	(11,332)
Work in progress and semi-finished products	9,999	12,639	(2,640)
Finished products and goods for resale	27,444	35,725	(8,281)
Provision for inventory losses	(10,360)	(9,207)	(1,153)
Total	**110,831**	**134,237**	**(23,406)**

The decrease in inventories amounting to €23.406 thousand was due to the following factors:

- €21,440 thousand (net cash generation) is related to the Group's procurement policies to make greater use of inventories, in particular that of raw materials, while guaranteeing delivery terms in line with customer expectations;

- €1,966 thousand due to the negative exchange translation effect of the year.

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

The increase in the provision for inventory losses for €1,153 thousand is broken down as follows:

- net increase of €1,391 thousand due to higher provisions recognised in the income statement under the item "Change in inventories";
- decrease due to the exchange differences of €238 thousand.

3.6 TRADE RECEIVABLES

This item is broken down as follows at the end of the year:

Trade Receivables *(in thousands of Euro)*	**31/12/2023**	**31/12/2022**	**Change**
Trade receivables	97,828	92,748	5,080
Bad debt provision	(10,038)	(9,483)	(555)
Total	**87,790**	**83,265**	**4,525**

The increase of €4,525 thousand in receivables due from customers is primarily due to a general increase in sales as a result of higher turnover reported in the fourth quarter of 2023 compared to the fourth quarter of 2022.

The above-mentioned changes in trade receivables lead to a cash outflow of €4,525 thousand.

The increase in the bad debt provision for €555 thousand is due to:

- net increase of €771 thousand due to higher accruals, recognised in the income statement under the item "Net reversal/(write-down) of financial assets" (Note 4.6);
- decrease of €155 thousand for utilisations;
- decrease of €61 thousand for exchange differences.

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

In addition, the total receivables transferred to the Factoring companies amounted to €32,160 thousand (€32,428 thousand as at 31 December 2022) of which 28,107 thousand refer to receivables transferred in December 2023 (€29,510 thousand as at 31 December 2022). All these transfers were without recourse. The percentage of receivables sold in December compared to turnover in the last 12 months was 4.56% (4.78% as at 31 December 2022).

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

Trade receivables include contract assets (invoices to be issued relative to services already rendered by the Group) for an amount of €245 thousand and a reduction in trade receivables for variable compensations (mainly credit notes to be issued for bonuses granted to customers) for €1,692 thousand.

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

Breakdown of trade receivables by geographical area *(in thousands of Euro)*	**31/12/2023**	**31/12/2022**	**Change**
Italy	21,029	21,022	7
EU countries	53,325	49,674	3,651
Non-EU countries	23,474	22,052	1,422
Bad debt provision	(10,038)	(9,483)	(555)
Total	**87,790**	**83,265**	**4,525**

The ageing of trade receivables is shown below:

Breakdown of trade receivables by maturity *(in thousands of Euro)*	**31/12/2023**	**31/12/2022**	**Change**
Current receivables (not past due)	77,703	73,189	4,514
Past due up to 30 days	10,451	8,626	1,825
Past due from 30 to 60 days	1,980	3,521	(1,541)
Past due from 60 to 90 days	711	890	(179)
Past due for more than 90 days	6,983	6,522	461
Total	**97,828**	**92,748**	**5,080**

LU-VE Group measures the bad debt provisions on trade receivables at an amount equal to the losses expected throughout the lifetime of such receivables. The expected losses on trade receivables are estimated using a provision matrix by clusters of overdue accounts, making reference to its own historical experience in relation to losses on receivables, and an analysis of customers' financial position, adjusted to include factors specific to the creditor, general economic conditions of the industry in which the creditor operates and an assessment of the current and anticipated evolution of these conditions at the end of the reporting period.

As at 31 December 2023, it must also be noted that the estimated expected losses prudentially include the potential forward-looking impacts on the possible worsening of customers' credit ratings and those of countries in which they operate, and on their ability to meet their obligations. A specific analysis of the solvency of each individual customer was carried out only for the customers of the Russian production subsidiary, because of the situation of uncertainty due to the economic sanctions resulting from the conflict in progress.

For the average collection terms, please refer to the paragraph "Alternative performance measures".

The following table details the risk profile of trade receivables on the basis of the provision matrix reviewed by the LU-VE Group in 2023 on the basis of IFRS 9. As the LU-VE Group's historical experience does not indicate significantly different loss profiles on receivables by customer segment, the bad debt provision based on the level of overdue accounts has not been further split on the basis of groupings of customer base.

31/12/2023 *(in thousands of Euro)*	**Not past due**	**<30**	**31 - 60**	**61 - 90**	**>90**	**Total**
Expected default rate	2.97%	2.82%	8.2%	24.6%	100.0%	10.3%
Estimate of gross accounting value at the time of default	77,135	10,637	2,173	816	7,067	97,828
Expected losses throughout the life of the credit	2,291	300	179	201	7,067	10,038

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

3.7 CURRENT TAX ASSETS

This item was broken down as follows:

Current tax assets *(in thousands of Euro)*	**31/12/2023**	**31/12/2022**	**Change**
VAT receivables	5,405	7,367	(1,962)
Tax receivables from tax authorities for advance payments on income taxes	3,798	2,078	1,720
Others	153	344	(191)
Total	**9,356**	**9,789**	**(433)**

VAT receivables from the tax authorities decreased by €1,962 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 from the tax authorities on advance payment on income taxes refer to receivables not directly or immediately offset by direct taxes, mainly attributable (i) to tax credits for research and development and technological innovation activities envisaged by Article 1 paragraph 200 et seq. of the Law of 27 December 2019, (ii) tax credits relating to the '*superammmortamento*' accounted for by the Italian companies of the Group and, to a lesser extent, (iii) the excess of the tax advanced payments for the year 2023 with respect to the actual tax burden.

3.8 CURRENT FINANCIAL ASSETS

The current financial assets included in this item are part of the *"FVTPL"* category pursuant to IFRS 9, with the exception of Time deposits which belong to the *"Held to collect"* category pursuant to IFRS 9 and measured at amortised cost. These are financial instruments, whose contractual financial flows are not constituted solely by payment of capital and interest on the amount of capital to be repaid, and are held by the Group in the context of a pro tempore strategy whose objective, at equal risk, is the optimisation of the net cost of debt. This item is broken down as follows:

Current financial assets *(in thousands of Euro)*	**31/12/2023**	**31/12/2022**	**Change**
Time deposit	32,855	10,000	22,855
Capitalisation policies	10,169	102,670	(92,501)
Fair value of derivatives	7,100	13,963	(6,863)
Other securities	263	240	23
Total	**50,387**	**126,873**	**(76,486)**

As at 31 December 2023, the Time deposit contracts signed by Group companies amounted to €118,354 thousand (€20,000 thousand as at 31 December 2022), of which €32,855 thousand (€10,000 thousand as at 31 December 2022, divested in 2023) in the section "Current financial assets" having a maturity of more than three months and €85,499 thousand (€10,000 thousand as at 31 December 2022, also fully divested in 2023) classified under the item "Cash and cash equivalents", having a maturity of less than three months, for more details, see note 3.10 - *"Cash and cash equivalents"* and the Note 3.20 - *"Net financial position".* The Group companies with liquidity invested in Time deposits with a term of more than three months (and in any case with a term of less than one year) at the end of the financial year are the Parent Company LU-VE S.p.A. for a total of €10,000 thousand, the Russian subsidiary "OOO" SEST LU-VE for €13,691 thousand, and the Indian subsidiary SPIROTECH Heat Exchangers Pvt. Ltd for a total of €9,164 thousand. All Time deposit contracts provide for the remuneration of the invested capital and of interest accrued on expiration of the contractual terms.

As at 31 December 2023, Time deposit investments generated financial income of €3,817 thousand - of which €2,562 thousand collected - recognised in the Income Statement under "Financial income".

The item "Capitalisation policies" at 31 December 2023 shows a decrease of €92,501 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 fair value at the time of redemption of these policies was €86,194 thousand and led to the recognition in the income statement of a net income of €408 thousand classified under the item "Financial income".

- redemption of capitalisation policies issued by BNP Paribas Cardif Vita Compagnia di assicurazione e Riassicurazione S.p.A. and underwritten by LU-VE S.p.A. for a nominal amount of €15,000 thousand and whose fair value at the time of redemption was €17,083 thousand (at 31 December 2022, the nominal value was €15,000 thousand, while the fair value was €16,883 thousand). The redemption entailed the recognition in the income statement of a net income of €200 thousand classified under the item "Financial income".

- in June 2023, subscription of new Class I policies issued by ARCA Vita S.p.A. for €5,000 thousand, net of non-material subscription commissions (the latter accounted for in the income statement under the item "Financial expense") and measured at 31 December 2023 at fair value for an amount of €5,085 thousand. 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. ARCA Vita policies are restricted for the first 12 months of their completed subscription, after which the invested liquidity can be disposed of without any restriction;

- in June 2023, subscription of new Class I and Class III policies issued by the company SOGELIFE SA for €5,000 thousand, net of non-material subscription commissions (the latter accounted for in the income statement under the item "Financial expense") and valued at 31 December 2023 at fair value in the amount of €5,085 thousand. These policies make provision for a minimum guaranteed yield and allow, after the assignment of a single premium, the possible annual revaluation of the capital according to the yield obtained from management. SOGELIFE SA policies do not provide for early redemption restrictions.

The aforementioned net disinvestments in current financial assets (Time deposits and capitalisation policies) resulted in a net cash generation of €70,423 thousand.

The item "fair value of derivatives" represents the fair value as at 31 December 2023 of derivative contracts stipulated by the Group companies.

The following table summarises the derivative financial instruments outstanding as at 31 December 2023, broken down by type:

Derivative financial instruments as at 31/12/2023 *(in thousands of Euro)*		**31/12/2023**		**31/12/2022**		**31/12/2023**	**31/12/2022**
TYPE	**ORIGINAL NOTIONAL**	**NOT. Short**	**NOT. M/L**	**NOT. Short**	**NOT. M/L**	**FAIR VALUE**	**FAIR VALUE**
IRS on loans	492,600	102,438	221,463	88,936	271,821	6,306	13,964
Currency options	12,775	13,734	-	11,098	-	794	(23)
Commodities Swap	-	-	-	3,379	-	-	22
Total	**505,375**	**116,172**	**221,463**	**103,413**	**271,821**	**7,100**	**13,963**
Total Notional		**337,635**		**375,234**			

As at 31 December 2023, derivative financial instruments on IRSs entered into by LU-VE Group companies showed a positive fair value of €6,306 thousand (€13,964 thousand at 31 December 2022), while derivative financial instruments on currencies, held by LU-VE Group, had a positive fair value of €794 thousand (negative €23 thousand at 31 December 2022). It should be noted that the Group as at 31 December 2023 did not have any derivative financial instruments on commodities (which as at 31 December 2022 showed a positive fair value of €22 thousand). Please refer to Appendix A for details as at 31 December 2023 of the existing derivative financial instruments broken down by type.

The change in the fair value of derivatives for €6,863 thousand compared to the previous financial year is mainly determined as follows:

- negative change in fair value of €7,658 thousand for derivative financial instruments on interest rates (note 4.9 - Financial expense);

- net positive change in the fair value of derivative financial instruments on foreign currency transactions for €817 thousand (note 4.10 – Exchange gains and losses);
- negative change in fair value of €22 thousand for derivative financial instruments on the purchases of the main raw materials copper and aluminium. During 2023, no new derivative contracts were executed to hedge the costs of raw materials, and those pre-existing as at 31 December 2022 have come to a natural end.

Other securities refer to investments in insurance certificates, with Unicredit, totalling €300 thousand. The fair value measurement as of 31 December 2023 resulted in the recognition of a positive change of €23 thousand (see Note 4.8 - Financial Income).

3.9 OTHER CURRENT ASSETS

The details of this item are shown below:

Other current assets *(in thousands of Euro)*	**31/12/2023**	**31/12/2022**	**Change**
From employees	176	131	45
Advances and other receivables	4,584	3,353	1,231
Total	**4,760**	**3,484**	**1,276**

The increase of €1,272 thousand in the item mainly refers to the increase in advances to suppliers and other receivables recorded in the various Group companies.

3.10 CASH AND CASH EQUIVALENTS

The details of this item are shown below:

Cash and cash equivalents *(in thousands of Euro)*	**31/12/2023**	**31/12/2022**	**Change**
Cash and Banks	126,560	167,258	(40,698)
Cash equivalents	85,499	10,000	75,499
Total	**212,059**	**177,258**	**34,801**

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

Cash and cash equivalents are mainly concentrated in Italy for an amount of €175,838 thousand. LU-VE Group has no restrictions/constraints on the use of these amounts. With reference to cash and cash equivalents in the Russian Federation (about €7.2 million in total, of which about €2.5 million denominated in Russian Roubles), it is foreseen the possibility of an instalment-based distribution of dividends for a maximum monthly amount of 10 million Roubles (€101 thousand at the exchange rate of 31 December 2023).

Cash equivalents refer to liquidity invested in Time deposits with a duration of less than three months by Group companies and refer primarily to the Parent Company LU-VE S.p.A. for €82,500 thousand and to other Group companies, for €2,999 thousand (of which €605 thousand pertaining to the Russian subsidiary "OOO" LU-VE Moscow and €2,394 thousand to the Indian subsidiary Spirotech Heat Exchangers Private Ltd; for further details see Note 3.8 - Current Financial Assets).

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 nominated in US Dollars (€6.8 million), in Chinese Yuan (€4.8 million), Indian Rupees (€3.9 million) in Russian Roubles (€3.1 million).

Cash and cash equivalents by geographical areas *(in thousands of Euro)*	**31/12/2023**	**31/12/2022**	**Change**
Italy	175,838	132,382	43,456
EU countries	12,051	16,571	(4,520)
Non-EU countries	24,170	28,305	(4,135)
Total	**212,059**	**177,258**	**34,801**

3.11 SHAREHOLDERS' EQUITY

The share capital of the Parent Company LU-VE S.p.A. amounted to €62,704 thousand (unchanged from 31 December 2022). In 2023, dividends of €8,438 thousand were distributed by the Parent Company LU-VE S.p.A. from retained earnings.

As at 31 December 2023 the Parent Company held 28,027 treasury shares (0.13% of the share capital), purchased during the previous years and recognised in the consolidated Financial Statements as a reduction of shareholders' equity for a total amount of €288 thousand. No treasury shares were purchased/sold during the financial year.

Equity attributable to non-controlling interests amounted to €5,554 thousand (€4,712 thousand as at 31 December 2022). The net result attributable to non-controlling interests amounts to €1,618 thousand (€1,351 thousand in 2022). The increase in equity attributable to non-controlling interests is offset by the distribution of dividends of €650 thousand by SEST LU-VE POLSKA Sp.z.o.o. and by the distribution of €60 thousand by the company of the «OOO» SEST LU-VE Russia Group, all fully paid up.

It should be noted that as at 31 December 2023, the translation reserve amounting to a negative €17.9 million (€13.6 million as at 31 December 2022) refers mainly to the following currencies: €8.7 million for Russian Roubles (€2.3 million as of 31 December 2022), €6.2 million for Indian Rupees (€4.5 million as of 31 December 2022), €1.7 million for Polish Zloty (€7.2 million as of 31 December 2022), and €1.3 million for other currencies.

Finally, it should be noted that for Russian companies, as reported in the paragraph "Translation into Euro of the Income Statements and Statements of Financial Positions drafted in foreign currency", the exchange rates indicated by the Russian Central Bank were used.

3.12 LOANS

This item is broken down as follows:

Loans *(in thousands of Euro)*	**31/12/2023** Current	Non-current	**31/12/2022** Current	Non-current
Loans	118,620	250,222	102,737	320,201
Other advances on invoices	385	-	528	-
Total	**119,005**	**250,222**	**103,265**	**320,201**

As at 31 December 2023, bank loans amounted to €368,842 thousand (€422,938 thousand as at 31 December 2022).

The breakdown of this item, recognised according to the amortised cost, the evolution with respect to the previous year and the characteristics of the bank loans held by the LU-VE Group are provided in the table of paragraph 9 "Appendix B". It should be reminded that for floating rate loans, LU-VE Group calculated the amortised cost as at 31 December 2023 on the basis of the market forward yield curve at the reporting date.

In relation to certain loan agreements, LU-VE Group is committed to respect specific financial and economic parameters (covenants), which however, are tested only annually on drawing up the consolidated Financial Statements as at 31 December of each year. In accordance with ESMA Guidelines 2021/32-382-1138, the related Appendix shows the loans outstanding as at 31 December 2023, for which compliance with the equity and economic covenants is required on a consolidated basis, as well as the characteristics of the covenants themselves (in thousands of Euro).

The changes in loans during the financial year are shown below:

Loans: changes for the year (in thousands of Euro)	**Opening balance**	**New loans**	**Repaymen ts**	**Change in amortised cost (*)**	**Exchang e delta**	**Closing balance**
Loans	422,938	50,000	(102,786)	(1,310)	-	368,842
Other advances on invoices	528	385	(506)	-	(22)	385
Total	**423,466**	**50,385**	**(103,292)**	**(1,310)**	**(22)**	**369,227**

(*) Impact generated by the calculation of future cash outflows for interest on the basis of market forward yield curves for variable rate loans, of which €56 thousand related to the impact on the income statement (*determined by the positive effect of the curves for €1,515 thousand and the negative effect of interest accrued but not yet paid of €1,459 thousand, Note 4.9) and €1,254 thousand related to the repayment of interest accrued in 2022 and paid in 2023.*

The following changes took place in loans in 2023:

- proceed obtained from the second and final tranche of €20 million of the unsecured loan signed in December 2022 for a total of €25,000 thousand with Banco BPM S.p.A. The first tranche of EUR 5 million had already been obtained in December 2022 at the time of subscription. The loan aimed at supporting the company's financial needs provides for better conditions for the Group to achieve specific sustainability objectives. The loan requires compliance with financial covenants;

- proceed obtained from an unsecured loan for €30,000 thousand with Intesa Sanpaolo S.p.A. for a term of 60 months (of which 6 months of pre-amortisation) in constant capital repayment on a quarterly basis. The loan, aimed at supporting the financial requirements related to the expansion of products with a green impact on total turnover, provides for better conditions for the Group to achieve specific sustainability objectives within the share of turnover dedicated to community support activities and hours of training per individual worker on environmental/social sustainability issues. The loan requires compliance with financial covenants.

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

- repayments for the year of €102,786 thousand entirely related to repayments made during the year of current instalments of existing loans, no early redemptions occurred in 2023.

The total cash flows absorbed for reimbursements amounted to €102,786 thousand (€131,529 thousand in 2022), the proceed obtained contributed a cash benefit of €50,000 thousand.

It should be noted that the following guarantees are in place on the existing loans subscribed with Deutsche Bank in 2020:

- with reference to the loan of €5,500 thousand maturing on 11 November 2026, a 90% guarantee granted by the SME Central Guarantee Fund pursuant to 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.

All outstanding bank loans were denominated in Euro and were mainly floating rate and pegged to the Euribor. Note 4.16 below provides the information relating to financial risks.

During 2023, the following changes occurred in the item "Other advances on invoices":

- advances on invoices received from the Indian subsidiary SPIROTECH Heat Exchangers Pvt. Ltd for €385 thousand. During the year, the same company repaid €506 thousand.

3.13 PROVISIONS

The details of this item are shown below:

Change in provisions *(in thousands of Euro)*	**31/12/2022**	**Provisions/(Releases)**	**Uses**	**Exchange rate delta**	**31/12/2023**
Provision for agents' leaving indemnities	30	-	-	-	30
Product warranty provision	4,920	276	-	(31)	5,165
Other provisions for risks and charges	542	-	-	(2)	540
Total	5,492	276	-	(33)	5,735

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 LU-VE Group. During 2023, the fund did not show any changes.

The product warranty provision covers the risk of returns or charges from customers for non-conform products already sold. The provision was adjusted at year-end on the basis of analyses conducted and past experience. The net increase of €276 thousand, broken down into the various production companies of the LU-VE Group based on their best estimates, was partially offset by negative exchange rate deltas of €31 thousand.

The other provisions for risks and charges remained substantially unchanged compared to the previous year.

Provisions, which represent the estimated future outflows calculated partly based on historical experience, were subject to actuarial valuation as at 31 December 2023. As the effect was deemed negligible, it was not incorporated in the LU-VE Group's consolidated Financial Statements as at 31 December 2023.

3.14 EMPLOYEE BENEFITS OBLIGATIONS

Employee benefits obligations amounted to €5,363 thousand (€5,299 thousand as at 31 December 2022) with a net increase of €64 thousand compared to the previous year. The entire amount referred to the Provision for Italian post-employment benefits (*T.F.R.*).

The *T.F.R.* provision refers only to the LU-VE Group's Italian companies and includes substantially the post-employment benefits accrued by personnel employed as at 31 December, net of advances paid out to employees.

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

It is noted that, following the amendments to the "Provision for post-employment benefits" introduced by Italian Law 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. and Thermo Glass Door S.p.A., 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 contribution 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 fund as at 31 December 2023 is recognised entirely as "Defined benefit plan" and is therefore subject to actuarial valuation.

The breakdown and changes in the item as at 31 December 2023 are shown below:

Employee benefits *(in thousands of Euro)*	**31/12/2023**	**31/12/2022**
Liabilities as at 1 January	5,299	5,770
Contribution of the Refrion Group	-	1,337
Tecnair deconsolidation	-	(697)
Accruals	305	314
Financial expense	154	107
Payments made	(505)	(712)
Actuarial (gains)/losses	110	(820)
Liabilities at the end of the year	**5,363**	**5,299**

The equity adjustment includes a net actuarial loss of €110 thousand, calculated as follows:

- Actuarial gain deriving from the change in the main actuarial assumptions used as at 31 December 2023 compared to the previous evaluation and from effect of the variation that the collective object of the valuation suffered between one valuation and the other: €13 thousand;
- Actuarial loss deriving from the effect of the variation that the financial assumptions have suffered between one year and the other: €123 thousand.

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

The main financial and demographic assumptions used at the date of the last reference valuation of 31 December 2023 are shown below:

Financial assumptions	31/12/2023 %	31/12/2022 %
Discount rate (IBOXX Eurozone Corporate AA 10+ Index)	3.08 - 3.17	3.63 - 3.77
Inflation rate	2.00	2.30
Salary increase rate	1.00 - 2.50	1.00 - 2.50
Post-employment benefits increase rate	3.00	3.23

Demographic assumptions	31/12/2023	31/12/2022
Mortality rate	State General Accountancy Table RG48	State General Accountancy Table RG48
Disability	INPS Tables	INPS Tables
Personnel turnover	2.0% - 7.0%	2.0% - 7.0%
Advances	1.50% - 5.0%	1.50% - 5.0%
Retirement age	100% upon satisfaction of general compulsory insurance requirements	100% upon satisfaction of general compulsory insurance requirements

The sensitivity analysis for the provision for post-employment benefits is reported below. The following table reports the change in the provision with the variation of the most significant actuarial hypothesis, that is the discount rate:

Sensitivity of provision for post-employment benefits as at 31/12/2023 (in thousands of Euro)	0.25%	-0.25%
Discount rate	(95)	104

3.15 OTHER FINANCIAL LIABILITIES

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

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

Other non-current financial liabilities *(in thousands of Euro)*	31/12/2023	31/12/2022	Change
IFRS 16 financial payables	6,920	9,929	(3,009)
Other non-current financial payables	7,490	7,884	(394)
Total	**14,410**	**17,813**	**(3,403)**

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

The item "Other non-current financial payables" 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. The value of the strike price can be inferred from the application of a formula envisaged in the contract (there is also a call option in favour of LU-VE S.p.A.). The option represents a financial liability measured at the present value of the expected cash outflows, based on the contractual terms. For more information, see the contents of paragraph 2.1 Accounting standards - Consolidation area.

The same item also includes €990 thousand (€1,384 thousand as at 31 December 2022) attributable to the portion of the deferred consideration relating to the purchase of 75% of the Refrion Group (for more details, please refer to the "Introduction" of the Explanatory notes to the Consolidated Financial Statements as at 31 December 2022).

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

Other current financial liabilities *(in thousands of Euro)*	**31/12/2023**	**31/12/2022**	**Change**
IFRS 16 financial payables	5,147	5,112	35
Other financial liabilities	8	12	(4)
Total	**5.155**	**5,124**	**31**

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

3.16 TRADE PAYABLES

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

Trade Payables *(in thousands of Euro)*	**31/12/2023**	**31/12/2022**	**Change**
Italy	47,586	60,558	(12,972)
EU countries	20,688	26,576	(5,888)
Non-EU countries	27,385	19,453	7,932
Total	**95,659**	**106,587**	**(10,928)**

The decrease of €10,928 thousand is mainly due to the decrease in purchases of materials in the second half of 2023 compared to the second half of 2022, when the Group had been decided to invest in the strategic decision to increase inventories.

The change in "Trade payables" therefore involved a cash outflow of €10,928 thousand.

Contract liabilities (advances received from customers before rendering any service) for an amount of €13,217 thousand are recognised under trade payables.

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

As at 31 December 2023, there were no past-due payables of significant amounts, and the LU-VE Group has received no payment orders for past-due payables. It should be noted that the Group does not have any supplier financing and/or reverse factoring contracts.

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

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

3.17 TAX LIABILITIES

The details of this item are shown below:

Tax payables *(in thousands of Euro)*	**31/12/2023**	**31/12/2022**	**Change**
towards tax authorities for income taxes	3,922	5,552	(1,630)
withholding taxes	2,948	2,009	939
VAT liabilities	1,783	1,190	593
Total	**8,653**	**8,751**	**(98)**

The decrease in the amount due to the tax authorities in the amount of €1,630 thousand is mainly related to the decrease in the actual tax burden in the various companies of the LU-VE Group due to the economic results of the financial year 2023 in some cases lower than the previous year.

3.18 OTHER CURRENT LIABILITIES

The details of this item are shown below:

Other current liabilities *(in thousands of Euro)*	**31/12/2023**	**31/12/2022**	**Change**
To employees	17,595	17,003	592
To social security institutions	8,033	7,530	503
To Directors and Statutory Auditors	2,277	2,278	(1)
Other current payables	10,019	5,351	4,668
Total	**37,924**	**32,162**	**5,762**

The increase in "Other current liabilities" of €5,762 thousand is mainly due to the increase in the following items:

- "Other current payables" for €4,668 thousand relating to the net increase in payables for investments in the purchase of fixed assets;
- the increase in payables to personnel and social security institutions for €1,095 thousand, for holidays, additional months' salaries and payables to social security institutions.

In the beginning of 2024, payables to personnel and social security institutions were paid in accordance with the relative due dates.

3.19 DEFERRED TAX ASSETS AND LIABILITIES

The details of this item are shown below:

Deferred tax assets and liabilities *(in thousands of Euro)*	31/12/2023	31/12/2022	Change
Deferred tax assets	11,039	6,992	4,047
Deferred tax liabilities	(14,109)	(14,955)	846
Net position	**(3,070)**	**(7,963)**	**4,893**

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

Deferred tax liabilities and assets: changes in the year *(in thousands of Euro)*	TAX LOSSES	DEPRECIATION/AMORTISATION	MERGERS/ACQUISITIONS GROSS UP	ACTUARIAL VALUATION OF POST-EMPLOYMENT BENEFITS	ACCRUALS AND ADJUSTMENTS	OTHER DIFFERENCES	TOTAL
01.01.2022	(145)	1,981	11,257	(214)	(5,103)	(376)	7,400
Refrion contribution	(528)	10	1,462	(35)	(167)	-	742
Tecnair contribution	-	(12)	-	41	125	30	184
In Income Statement	128	(133)	(862)	67	(145)	338	(607)
In shareholders' equity	-	-	-	197	-	-	197
Reclassifications	-	(85)	-	(17)	104	-	2
Exchange rate delta	15	46	-	-	(17)	-	44
31.12.2022	(530)	1,807	11,857	39	(5,203)	(8)	7,962
In Income Statement	(3,067)	216	(856)	(2)	(823)	(385)	(4,917)
In shareholders' equity	-	-	-	(27)	-	-	(27)
Reclassifications	-	(21)	-	-	310	(289)	-
Translation differences	-	(28)	-	-	33	47	52
31.12.2023	(3,597)	1,974	11,001	10	(5,683)	(635)	3,070

As at 31 December 2023, deferred tax assets refer to:

- the recognition in the income statement of tax losses of the Italian companies included in the tax consolidation perimeter, which are expected to be used to offset future taxable income over the next five years, on the basis of the expected future taxable income of the same companies;

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

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

- other tax differences, regarding net temporary recoveries such as unpaid remuneration and exchange differences.

As at 31 December 2023 deferred tax liabilities refer to:

- tax differences on depreciation/amortisation and leases, regarding primarily the application of IFRS 16, with respect to Italian GAAP and differences between book depreciation and depreciation recognised for tax purposes on fixed assets in some Group companies;

- the temporary differences on both the 2008 merger difference allocated to land and the purchase price allocation exercise for the acquisition of Spirotech (2016), LU-VE US (2018), "AL Air" (2019) and the Refrion Group (2022).

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

Pursuant to the "*Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction*" published by IASB on 7 May 2021, it should be noted that the deferred tax assets and liabilities generated by lease contracts, mainly attributable to the Finnish subsidiary Fincoil LU-VE OY, amounted respectively to €1,307 thousand and €1,343 thousand, reported as net amount in the Consolidated Financial Statement.

As reported in the previous note 2.2 "Use of estimates", in the test of recognition and recoverability of deferred tax assets recognised in the Financial Statements as at 31 December 2023, Management took into account the taxable income expected from the 2024-2027 business plan and from the year 2028 taxable income (obtained by carrying forward the financial figures resulting from the last year of the specific period of the Business Plan) of the individual domestic tax consolidation companies, through the extrapolation of taxable income expected for the following years. The effects deriving from the temporary differences on which deferred tax liabilities were recognised were also used in the test of recognition.

3.20 NET FINANCIAL POSITION

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

Net financial position *(in thousands of Euro)*	**31/12/2023**	**31/12/2022**	**Change**
A. Cash (Note 3.10)	126,560	167,258	(40,698)
B. Cash equivalents (Note 3.8 and 3.10)	85,499	10,000	75,499
C. Other current financial assets (Note 3.8)	50,387	126,873	(76,486)
D. Total Liquidity (A+B+C)	**262,446**	**304,131**	**(41,685)**
E. Current financial debt (including debt instruments, but excluding current portion of non-current financial debt (Note 3.12 and 3.15)	5,155	5,124	31
F. Current portion of non-current financial debt (Note 3.12)	119,005	103,265	15,740
G. Current financial indebtedness (E+F)	**124,160**	**108,389**	**15,771**
H. Net current financial indebtedness (G-D)	**(138,286)**	**(195,742)**	**57,456**
I. Non-current financial debt (excluding current portion and debt instruments) (Note 3.12 and 3.15)	264,632	338,014	(73,382)
J. Debt instruments	-	-	-
K. Non-current trade and other payables	-	-	-
L. Non-current financial indebtedness (I+J+K)	**264,632**	**338,014**	**(73,382)**
M. Net financial indebtedness (H+L)	**126,346**	**142,272**	**(15,926)**

Cash equivalents (under letter B. of the table above) 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 €82,500 thousand to the liquidity invested by the Parent Company LU-VE S.p.A. and for €2,394 thousand of the subsidiary of the Group, SPIROTECH Heat Exchangers Pvt. Ltd. and for €605 thousand to the liquidity invested by the subsidiary of the "OOO" Group LU-VE Moscow.

The item "Other current financial assets" (under letter C. of the table above) includes €32,855 thousand in investments in Time deposits with a maturity with more than 3 months (Note 3.8), of which €13,691 thousand relating to the Russian subsidiary «OOO» SEST LU-VE, €10,000 thousand relating to the liquidity invested by the Parent Company LU-VE SpA and €9,164 thousand to the Indian subsidiary of the Group, SPIROTECH Heat Exchangers Pvt. Ltd.

The item "Non-current financial payables" (at letter I. of the table above) 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 in 2022.

It is also reported that the Net financial indebtedness (at letter M. of the table above) includes €12,067 thousand (€15,041 thousand as at 31 December 2022) referred to contracts falling under the application of IFRS 16. The long-term part equal to €6,920 thousand (€9,929 thousand as at 31 December 2022) is reported under letter I. "Non-current financial debt" of the table above and for the short-term part equal to €5.147 thousand (€5,112 thousand as at 31 December 2022) is reported under letter E."Current financial debt".

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

4 COMMENT ON THE MAIN ITEMS OF THE CONSOLIDATED INCOME STATEMENT

4.1 REVENUES

In 2023, sales revenue amounted to €615,823 thousand, substantially in line with last year (€617,075 thousand in 2022).

Revenues by product family:

Revenues by product *(in thousands of Euro)*	**2023**	**%**	**2022**	**%**	**Change**	**% Change**
Heat exchangers	305,001	49.5%	329,189	53.3%	(24,188)	-7.3%
Air Cooled Equipment	285,204	46.3%	257,548	41.7%	27,656	10.7%
Doors	16,638	2.7%	18,299	3.0%	(1,661)	-9.1%
Sub-total	**606,843**	**98.5%**	**605,036**	**98.0%**	**1,807**	**0.3%**
Other	8,980	1.5%	12,039	2.0%	(3,059)	-25.4%
TOTAL	615,823	100.0%	617,075	100.0%	(1,252)	-0.2%

Revenues by geographical area:

Revenues by geographical area *(in thousands of Euro)*	**2023**	**%**	**2022**	**%**	**Change**	**% Change**
Italy	120,052	19.5%	120,062	19.5%	(10)	(0.0%)
Germany	71,594	11.6%	56,956	9.2%	14,638	25.7%
France	45,995	7.5%	39,576	6.4%	6,419	16.2%
Czech Republic	36,144	5.9%	46,961	7.6%	(10,817)	(23.0%)
Poland	29,458	4.8%	37,935	6.1%	(8,477)	(22.3%)
Finland	28,118	4.6%	33,147	5.4%	(5,029)	(15.2%)
USA	25,719	4.2%	27,656	4.5%	(1,937)	(7.0%)
Sweden	20,299	3.3%	22,328	3.6%	(2,029)	(9.1%)
The Netherlands	17,259	2.8%	20,619	3.3%	(3,360)	(16.3%)
Austria	16,536	2.7%	17,221	2.8%	(685)	(4.0%)
Spain	15,801	2.6%	15,683	2.5%	118	0.8%
China	13,759	2.2%	12,991	2.1%	768	5.9%
India	6,289	1.0%	7,899	1.3%	(1,610)	(20.4%)
Other countries	168,800	27.4%	158,041	25.6%	10,759	6.8%
TOTAL	615,823	100.0%	617,075	100.0%	(1,252)	(0.2%)

Please refer to the Directors' Report for detailed comments on trends in the reference markets during the 2023 financial year.

The value of compensation for transactions with unfulfilled (or not fully fulfilled by the LU-VE Group and therefore not included in the revenue for the 2023 financial year) performance obligations at the end of the year amounts to €672 thousand (€1,598 thousand in 2022). The Directors estimate that they will be recognised as revenue in following year.

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 year.

4.2 OTHER OPERATING INCOME

Other Operating Income *(in thousands of Euro)*	**2023**	**2022**	**Change**
Other operating income	1,434	1,537	(103)
Total	**1,434**	**1,537**	**(103)**

"Other operating income" refer for €865 thousand to export incentives of the subsidiary Spirotech, for €236 thousand to government grants received by the Chinese subsidiary LU-VE HEAT EXCHANGERS (Tianmen) Co. Ltd, and for €333 thousand to other revenues of other LU-VE Group companies.

4.3 PURCHASES OF MATERIALS

Purchases of materials *(in thousands of Euro)*	**2023**	**2022**	**Change**
Raw materials and purchased components	291,264	340,052	(48,788)
Consumables	11,104	13,585	(2,481)
Total	**302,368**	**353,637**	**(51,269)**

Please refer to the Directors' Report for detailed comments in relation to costs and consumptions for the financial year.

4.4 COSTS FOR SERVICES

Costs for services *(in thousands of Euro)*	**2023**	**2022**	**Change**
Expenses for energy, telephone and connections	12,162	10,921	1,241
General and advisory expenses	19,542	19,683	(141)
Advertising and promotional expenses	1,347	1,722	(375)
Transport expenses	13,451	18,547	(5,096)
Maintenance expenses	7,841	6,454	1,387
External processing	7,984	8,704	(720)
Commissions	1,149	1,806	(657)
Remuneration to the corporate bodies	4,731	4,190	541
Other costs for services	9,308	7,487	1,821
Other costs of production	3,139	2,297	842
Total	**80,654**	**81,811**	**(1,157)**

The decrease of €1,157 thousand is mainly due to:

- the reduction of €5,096 thousand in transport costs and the general decrease in prices for these services;
- the reduction of €798 thousand in general and consulting costs, and commissions.

These reductions are partially offset by:

- increases of €2,687 thousand in costs for services relating to production (electricity, telephone and connections, maintenance, and other production costs). The change, especially with reference to energy costs, is attributable to the general increase in prices;
- increases of €2,050 thousand for advertising and promotional costs, emoluments to corporate bodies and other services.

Audit fees disclosure

Pursuant to Article 149-duodecies of the CONSOB issuer regulations, a summary table of the audit and non-audit fees paid for the services provided by Deloitte & Touche S.p.A., which was engaged to audit LU-VE Group's consolidated Financial Statements, is provided below.

Type of Services	Service provider	Recipient	Remunerations *(in thousands of Euro)*
Audit	Deloitte & Touche S.p.A.	Parent Company	213
		Italian subsidiaries	140
	Deloitte & Touche S.p.A. Network	Foreign subsidiaries	200
Limited assurance on the consolidated non-financial statement	Deloitte & Touche S.p.A.	Parent Company	33
		Total	**586**

4.5 PERSONNEL COSTS

Personnel costs *(in thousands of Euro)*	**2023**	**2022**	**Change**
Wages and salaries	100,907	98,547	2,360
Social security costs	25,455	24,418	1,037
Post-employment benefits	3,051	2,587	464
Total	**129,413**	**125,552**	**3,861**

The increase in the item "Wages and salaries" is mainly due to the wage trend and the effects of the adjustment of wages to inflation.

The average number of employees of LU-VE Group in 2023 was 4,042 (the average number of employees in 2022 was 4,230). As at 31 December 2023, the number of employees in the Group was 4,024 (2,950 blue-collar workers, 1,044 white-collar workers and middle managers, 30 executives) compared to 4,058 in 2022 (2,990 blue-collar workers, 1,036 white-collar workers and middle managers, 32 executives).

As at 31 December 2023, the number of temporary workers was 755 (733 in 2022).

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

Net reversal/(write-downs) of financial assets	2023	2022	Change
Net reversal/(write-downs) of financial assets	(771)	377	(1,148)
Total	**(771)**	**377**	**(1,148)**

The item includes the net accruals made during 2023 in accordance with the application of the IFRS 9 standard, reflecting the estimate of the potential forward-looking impacts of the global macroeconomic situation on the possible deterioration of customers' creditworthiness, of the countries in which operate and on their ability to meet their obligations.

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

4.7 OTHER OPERATING EXPENSES

Other operating expenses *(in thousands of Euro)*	2023	2022	Change
Non-income taxes	814	664	150
accruals for risks	276	75	201
Other operating costs	2,682	2,565	117
Total	**3,772**	**3,304**	**468**

Non-income taxes include mainly taxes on owned property and stamp duty on insurance policies and certificates.
The item "Accruals for risks" includes the increase in provisions for risks net of the releases of surpluses. Please refer to Note "3.13 - Provisions".

4.8 FINANCIAL INCOME

Financial income *(in thousands of Euro)*	2023	2022	Change
Interest income	4,705	515	4,190
Other financial income	843	16,548	(15,705)
Total	**5,548**	**17,063**	**(11,515)**

The breakdown of interest income is as follows:

- €3,817 thousand refer to interest accrued on Time deposits during the year. As at 31 December 2023, €2,562 thousand had been collected; the difference refers to the accrued portion that will be collected during the new year (for more details, see Note "3.8 – Current financial

assets”);
- €888 thousand mainly refers to interest income on current accounts accrued by the Parent Company LU-VE S.p.A. for the management of the Group’s liquidity.

Details of “Other financial income” are as follows:

- €801 thousand related to the net financial income from the redemption of Aviva Vita and Cardif BNL capitalisation policies (see Note '3.8 - Current financial assets');
- €42 thousand relates to other financial income.

During the year, financial income of €11,492 thousand was collected, equal to financial income from the income statement of €5,548 thousand gross of the net change in fair value of capitalisation policies for €5,944 thousand as non-monetary items.

4.9 FINANCIAL EXPENSES

Financial expenses *(in thousands of Euro)*	**2023**	**2022**	**Change**
Interest expenses to banks	8,614	9,084	(470)
Other financial expenses	9,374	1,020	8,354
Total	**17,988**	**10,104**	**7,884**

“Interest expenses to banks” of €8,614 thousand refer to interest on loans for €17,039 thousand, partially offset by the differentials exchanged with counterparties on IRS financial instruments for €6,146 thousand as at 31 December 2023, and by the effect of the amortised cost of €56 thousand as at 31 December 2023 (determined by the positive effect of the updated interest yield curves for €1,515 thousand and the negative effect of interest for the year, but not yet paid, equal to €1,459 thousand).

The monetary change in interest expenses to banks is negative for €7,907 thousand and the difference mainly relates to accrued interest expenses for the year not yet paid as at 31 December 2023 and to the effect of amortised cost.

Details of “Other financial expense” are as follows:

- €7,658 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");

- €1,716 thousand mainly refers to other interest expense and financial expense, of which €1,279 thousand paid.

4.10 EXCHANGE GAINS AND LOSSES

During 2023, the LU-VE Group achieved net exchange gains of approximately €2,383 thousand (net profits of €508 thousand in 2022) due to the strengthening of the Euro against other currencies (mainly the US Dollar, the Rouble, the Chinese Renminbi Yuan, the Indian Rupee, and the Czech Crown).

The net exchange gains realised amounted to €2,035 thousand.

The net unrealised exchange gains amounted to €348 thousand, and consisted of a positive €817 thousand for changes in fair value on hedging instruments for currency exchange risk (for more details, see note 3.8 - "Current financial assets") and unrealized negative exchange differences for €425 thousand.

4.11 GAINS AND LOSSES FROM INVESTMENTS

During 2023, there were no gains and/or losses deriving from the sale of investments of any of the Group companies.

4.12 INCOME TAXES

Income taxes *(in thousands of Euro)*	**2023**	**2022**	**Change**
Current taxes	9,965	10,869	(904)
Deferred tax liabilities	(4,917)	(603)	(4,314)
Adjustment previous year	(41)	(295)	254
Total	**5,007**	**9,971**	**(4,964)**

The decrease in current income taxes of €904 thousand is mainly linked to the generalised decrease in the 2023 tax burden in the LU-VE Group Italian companies following the results achieved in the same year.

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 Adjustment previous year item includes differences between the estimate of the 2022 tax calculation and the actual tax returns for 2022 for the various companies of the LU-VE Group.

Income taxes *(in thousands of Euro)*	**2023**	**2022**
Theoretical income taxes	8,729	14,169
Tax effect of permanent differences	1,236	(3,300)
Income taxes recognised in the Financial Statements	**9,965**	**10,869**
Broken down as follows:		
IRES Italian subsidiaries	721	2,054
Of which IRES of Parent Company:	-	1,617
IRAP	770	380
Taxes foreign companies	8,474	8,435
Total	**9,965**	**10,869**

Theoretical taxes were determined by applying the applicable tax rate in the countries in which the LU-VE Group companies operate to the relative taxable incomes.
With reference to the questionnaire for the financial years 2016, 2017, 2018 and 2019 received from the Italian Tax Authority, it should be noted the power of assessment for the year 2016 elapsed during the fiscal year 2023 and the Parent Company promptly responded to certain additional requests made for the other years subject to assessment by the tax authority. With reference to the 2019 fiscal year, on 19 September 2023, the Italian Tax Authority began a general tax audit at the end of which, specifically on 28 November 2023, it notified the Company of a report on findings with which, after acknowledging that the Company had duly produced the documentation requested during the audit, some objections were raised, mainly related to the valuation of an intragroup transaction, for a higher IRES taxable income for complexively €1,853,000 and IRAP taxable income for for €1,964,382. Following the notification of the aforementioned report on findings, no tax assessment notice has been issued yet. From an analysis of the findings raised and on the basis of the information collected and the assumptions on which conclusions are based (also having consulted the reference tax consultants), it is believed that the risk relating to the findings formulated may be considered possible and in any case not fully quantifiable at the moment.

The tax audit by the Spanish tax authorities on the subsidiary LU-VE Iberica S.l. for the fiscal years 2013, 2018 and 2019 is still ongoing, with reference to direct taxes and transfer prices.

For further details, please refer to the note "Events after 31 December 2023".

4.13 EARNINGS PER SHARE

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

Basic and diluted earnings calculation *(in thousands of Euro)*	**2023**	**2022**
PROFIT *(in thousands of Euro)*		
Net profit for the year	29,745	47,714
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)*	**2023**	**2022**
Basic earnings per share	1.34	2.15
Diluted earnings per share	1.34	2.15

4.14 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, €710 thousand was resolved, of which €650 thousand in favour of the minority shareholders of the Polish subsidiary SEST LUVE POLSKA Sp.z.o.o., and €60 thousand in favour of the non-controlling interests of the Russian subsidiary «OOO» SEST LU-VE Russia, not fully paid up as at 31 December 2023.

With respect to the fiscal year 2023, the Directors proposed the payment of a €0.40 dividend per share. This dividend is subject to the approval of the shareholders at the annual meeting called for the approval of the Financial Statements of the Parent Company and therefore it was not included under liabilities in these Financial Statements.

Any proposed dividend will be payable as of 8 May 2024, with coupon no. 9 ex-dividend date 6 May 2023 (record date 7 May 2024).

4.15 SEGMENT INFORMATION

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

The LU-VE 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 LU-VE Group has the following SBUs:

- SBU Cooling Systems which includes air cooled equipment (unit coolers, condensers, gas coolers and liquid coolers);
- SBU Components, which includes heat exchangers and special glass doors for refrigerated counters and display cabinets.

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

Revenues by SBU *(in thousands of Euro)*	**2023**	**%**	**2022**	**%**	**Change**	**% Change**
Air Cooled Equipment	285,204	47.0%	257,548	42.6%	27,656	10.7%
SBU COOLING SYSTEMS	**285,204**	**47.0%**	**257,548**	**42.6%**	**27,656**	**10.7%**
Heat exchangers	305,001	50.3%	329,189	54.4%	(24,188)	-7.3%
Doors	16,638	2.7%	18,299	3.0%	(1.661)	-9.1%
SBU COMPONENTS	**321,639**	**53.0%**	**347,488**	**57.4%**	**(25,849)**	**-7.4%**
TOTAL PRODUCT TURNOVER	**606,843**	**100.0%**	**605,036**	**100.0%**	**1,807**	**0.3%**

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

Information is provided below by SBU as at 31 December 2023 and 31 December 2022:

	2023				2022			
Segment *(in thousands of Euros)*	**Components**	**Cooling Systems**	**Unallocated costs**	**Total**	**Components**	**Cooling Systems**	**Unallocated costs**	**Total**
REVENUES	321,639	285,204	-	**606,843**	347,488	257,548	-	**605,036**
EBITDA	34,974	43,865	-	**78,839**	46,499	28,636	-	**75,135**

4.16 INFORMATION ON FINANCIAL RISKS

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

a) the significance of financial instruments with reference to the equity and financial position and the profit and loss of the companies;
b) the nature and extent of risks deriving from financial instruments to which the companies are exposed 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, particularly to the following nature:

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

The coordination and monitoring of the main financial risks are centralised in the Headquarters. The 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.

Please note that all derivative instruments were subscribed for the purposes of hedging, from a management point of view, the underlying risks. However, at the reporting date, not all requirements of IFRS 9 for the application of hedge accounting were satisfied. Therefore, LU-VE Group Management deemed it appropriate to treat, from an accounting point of view, those instruments as trading, not hedging, transactions.

Categories of financial instruments

The following tables group information relative to:

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

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

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

Financial assets valued at fair value as at 31/12/2023 *(in thousands of Euro)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Other financial assets				
Current financial assets	-	10,432	-	10,432
Derivatives	-	7,100	-	7,100
Total	**-**	**17,532**	**-**	**17,532**

Some of the other LU-VE Group's financial assets are measured at fair value at the reference date of every set of Financial Statements. At the end of the year, there were no other financial liabilities measured at fair value.

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

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

The categories of financial instruments are reported below:

Financial instruments by IFRS 9 categories *(in thousands of Euro)*	**31/12/2023**	**31/12/2022**
Financial assets		
Amortised cost		
Cash and cash equivalents (*)	212,059	177,258
Time deposit (**)	32,855	10,000
Trade receivables	87,790	83,265
Non-current financial assets	-	-
Fair Value		
Trading derivatives	7,100	13,963
Current financial assets	10,432	102,910
Financial liabilities		
Amortised cost		
Loans	(369,227)	(423,466)
Trade payables	(95,659)	(106,587)
IFRS 16 financial liabilities	(12,067)	(15,041)
Other non-current financial liabilities	(990)	(1,384)

(*) Cash and cash equivalents include €85,499 thousand of Time deposits with a duration of less than three months and €126,560 thousand in cash deposited in bank current accounts. Please refer to Note "3.10 - Cash and cash equivalents".

(**) Time deposits in the amount of €32,855 thousand fall under IFRS 9 categories for measurement at amortised cost and refer to investments of liquidity in time-deposit accounts with a maturity of more than ninety days and in any case less than one year classified as "Current financial assets". See Note "3.8. – Current financial assets".

Credit risk management

The LU-VE 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 LU-VE 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 impacts of the pandemic and the current macroeconomic context.

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

Exchange rate risk management

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

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

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

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

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

Sales are mainly made in 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 make almost all 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 result for the year and the financial position from such fluctuations, and therefore reduce the risk arising from changes in exchange rates, the Group considers the subscription of derivative financial instruments with the aim to hedge the underlying risks. However, from a merely accounting perspective, although such instruments substantially hedge the risks mentioned, they do not meet all the requirements as laid out under IFRS 9 and cannot be defined as hedge accounting; therefore, the Group has decided to consider these instruments as for trading and not in hedge accounting and as a result such instruments were measured at fair value through profit or loss. 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).

Sensitivity analysis

With reference to financial assets and liabilities in foreign currency as at 31 December 2023, a theoretical and immediate revaluation of the Euro of 10% compared to other currencies would have entailed a further loss on exchanges of €2,652 thousand to be recognised in the consolidated comprehensive income statement as at 31 December 2023.

Given the international context, the Directors deemed it appropriate to conduct a sensitivity analysis on financial assets and liabilities in Russian roubles as at 31 December 2023. The analysis showed that an immediate 40% revaluation of the euro against the rouble would lead, at parity with other currencies, to an exchange rate loss of €897 thousand to be recognised in the consolidated statement of comprehensive income as at 31 December 2023.

Interest rate risk management

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

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

In particular, the main source of exposure to the risk in question for the Group derives from financial debt, which is almost all floating rate. This risk is managed by entering derivative 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. Also in 2023, in continuity with 2022, there was a significant increase in interest rates. Following the aforementioned rise in medium-term interest rates, in 2023 a financial expense of €7.7 million was recognised in the consolidated income statement. Changes in interest rate policies may lead to a negative change, even a significant one, in the fair value of these instruments with a consequent impact on the income statement of subsequent years.

As at 31 December 2023, the coverage of these risks represented 88.8% of the outstanding loans.

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

Sensitivity analysis

With reference to the floating rate financial assets and liabilities as at 31 December 2023, a theoretical increase in interest rates by 100 basis points with respect to the exact interest rates in force at the same date, with all other variables remaining unchanged, would have entailed an increase in financial expense equal to €3,918 thousand to be recognised in the LU-VE Group's income statement as at 31 December 2023, and equal to €8,645 thousand on the entire residual contractual duration.

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 its own needs, 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 current year has 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 in place “pass through” systems which allow cost increases to be transferred directly to end customers, guaranteeing the protection of margins.

The problems of availability of materials, although greatly reduced, have forced the revision of the procurement policies (with the expansion of the number of suppliers and the reduction of geographical concentration) and of storage policy that could no longer be inspired by strict compliance with the principles of “just in time” and have forced to maintain higher inventories of raw materials and components than in the past so that we can respond to the market with delivery times in line with expectations.

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

Liquidity risk management

The liquidity risk to which the LU-VE Group may be exposed consists of the failure to locate the adequate financial resources needed for its operations, as well as for the development of its industrial and commercial activities.

LU-VE Group's liquidity is mainly supplied by the cash flow from or used in operating or investment activities, and on the other hand the maturity characteristics of medium and long-term financial debt.

In relation to this last aspect, the liquidity management guidelines adopted by LU-VE 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 loans (both in cash and for the assignment of domestic receivables and export credit).

In addition, as at 31 December 2023 the LU-VE Group has unused short-term credit lines totalling €59.1 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 at 31 December 2023 is provided below by maturity:

Analysis of financial liabilities as at 31 December 2023 by maturity *(in thousands of Euro)*	**Carrying amount**	**Contractual cash flows**	**Within 1 year**	**From 1 to 5 years**	**More than 5 years**
Bank loans	368,842	364,804	115,175	249,629	-
IFRS 16 financial payables (*)	12,067	12,067	5,305	6,762	-
Financial Liabilities	**380,909**	**376,871**	**120,480**	**256,391**	-
Trade payables	95,659	95,659	95,659	-	-
Total	**476,568**	**472,530**	**216,139**	**256,391**	-

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

The various maturity ranges are based on the period between the reporting date and the contractual maturity of the obligations. The amounts 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

LU-VE Group manages its capital in order to ensure that the entities of the LU-VE Group are able to guarantee its business continuity while maximising the return for shareholders by optimising the debt to equity ratio.

LU-VE Group's capital structure consists of net financial debt (loans described in note 3.12, net of relative balances of cash and cash equivalents) and the Shareholders' equity attributable to LU-VE Group (which includes the fully paid share capital, reserves, retained earnings and non-controlling interests, as described in note 3.11).

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

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

The table below shows the economic and financial transactions carried out by LU-VE Group Companies with related parties in 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 SRL	-	-	-	-	-	(40)	-	-
Finami SRL	-	(69)				(225)	-	-
Marco Aurelio Tanci	-	(3)				(12)	-	-
Limmo S.r.l.	-	-	-	-	-	(32)	-	-
ARACA SAS di Cerana Manuela & C.	-	-	-	-	-	(5)	-	-
Mauro Cerana	-	(18)	-	-	-	(25)	-	-
Total	**-**	**(90)**	**-**	**-**	**-**	**(339)**	**-**	**-**

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

Please note that the main transactions with Related Parties carried out by 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), where Finami is the lessee by virtue of two lease agreements with Selmabipiemme Leasing S.p.A.; the contract started in 2010 was revised over the years and the last modification 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.).

4.17 DIRECTORS' AND STATUTORY AUDITORS' FEES

The economic benefits of the Directors of the Parent Company and of the members of the Board of Statutory Auditors are reported in paragraph 11 "Appendix C" of these notes to the Consolidated Financial Statements.

With reference to the remuneration relating to Key Management Personnel, please refer to the "Remuneration Report for the year 2023".

4.18 SHARE-BASED PAYMENTS

As at 31 December 2023, there were no share-based incentive plans in favour of LU-VE Group Directors or employees.

4.19 COMMITMENTS AND GUARANTEES

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

Commitments *(in thousands of Euro)*	**31/12/2023**	**31/12/2022**	**Change**
Sureties	6,786	7,323	(537)
Total	**6,786**	**7,323**	**(537)**

As at 31 December 2023, there were no loans for which a mortgage was granted on properties owned by the LU-VE Group.

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

Sureties as at 31 December 2023 *(in thousands of Euro)*	**31/12/2023**	**31/12/2022**	**Change**
Sureties in favour of third parties	5,000	5,000	-
Sureties to banks with respect to customers of our subsidiaries	903	1,521	(618)
Sureties to banks with respect to customers	658	577	81
Insurance sureties	225	225	-
Total	**6,786**	**7,323**	**(537)**

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 LU-VE OY.

5 CONSOLIDATION AREA AND SIGNIFICANT INVESTMENTS

5.1 COMPANIES CONSOLIDATED LINE-BY-LINE

Company name	Registered office	% equity investment	Currency	Share capital	Shareholders' Equity as at 31/12/2023	Result as at 31/12/2023
Direct subsidiaries:						
SEST S.p.A.	Limana (BL)	100.00%	EUR	1,000,000	23,720,549	9,653,146
Heat Transfer Systems s.r.o. (HTS)	Novosedly (Czech Rep.)	100.00%	CZK	133,300,000	535,089,872	186,272,556
LU-VE Sweden AB	Asarum (Sweden)	100.00%	SEK	50,000	30,889,988	30,090,852
LU-VE France S.a.r.l.	Lyon (France)	100.00%	EUR	84,150	2,092,231	526,062
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	(1,482,027)	54,871
LU-VE Iberica S.L.	Madrid (Spain)	85.00%	EUR	180,063	605,436	219,550
LU-VE HEAT EXCHANGERS (Tianmen) Co, Ltd	Tianmen (China)	100.00%	CNY	61,025,411	64,282,401	9,824,205
LU-VE Asia Pacific Limited	Wan Chai (Hong Kong)	100.00%	HKD	10,000	(739,055)	(64,048)
LuveDigital S.r.l.	Uboldo (VA)	50.00%	EUR	10,000	54,245	11,148
MANIFOLD S.r.l.	Uboldo (VA)	99.00%	EUR	10,000	155,165	98,708
SPIROTECH Heat Exchangers Pvt. Ltd	Ghaziabad, Uttar Pradesh (India)	100.00%	INR	25,729,600	3,721,640,186	395,224,886
LU-VE AUSTRIA GmbH	Vienna (Austria)	100.00%	EUR	17,500	121,572	(71,981)
LU-VE US Inc.(*)	Jacksonville (USA, Texas)	100.00%	USD	10,001,000	(3,660,954)	(4,990,745)
Air Hex Alonte S.r.l.	Uboldo (VA)	100.00%	EUR	2,010,000	14,765,912	2,422,170
Fincoil LU-VE OY	Vantaa (Finland)	100.00%	EUR	1,190,000	6,968,650	2,463,471
LU-VE Netherlands B.V.	Breda (Netherlands)	100.00%	EUR	10,000	(351,365)	(77,452)
«OOO» LU-VE Moscow	Moscow (Russia)	100.00%	RUB	100,000	11,198,827	(30,480,230)
LU VE MIDDLE EAST DMCC	Dubai (UAE)	100.00%	AED	50,000	530,773	131,329
LU-VE SOUTH KOREA LLC	Seoul (South Korea)	100.00%	KRW	100,000,000	47,640,631	(72,141,349)
Refrion S.r.l.	Flumignano di Talmassons (UD)	75.00%	EUR	1,000,000	6,368,193	3,050,558
LU-VE UK Ltd	London (United Kingdom)	100.00%	GBP	10,000	(59,747)	(68,548)
Indirect subsidiaries:						
SEST-LUVE-Polska SP.z.o.o. (95% owned by SEST S.p.A.)	Gliwice (Poland)	95.00%	PLN	16,000,000	346,860,403	88,015,897
«OOO» SEST LU-VE (95% owned by SEST S.p.A.)	Lipetsk (Russia)	95.00%	RUB	136,000,000	2,900,544,158	1,131,447,574
Thermo Glass Door S.p.A. (100% owned by SEST S.p.A.)	Travacò Siccomario (PV)	100.00%	EUR	100,000	121,599	(735,262)
RMS S.r.l. (100% owned by Refrion S.r.l.)	Flumignano di Talmassons (UD)	75.00%	EUR	40,000	1,801,890	699,921
Refrion Deutschland GmbH (100% owned by Refrion S.r.l.)	Frankfurt am Main (Germany)	75.00%	EUR	150,000	129,903	462,484

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

6 SIGNIFICANT NON-RECURRING TRANSACTIONS

During 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 2023 LU-VE Group did not carry out atypical and/or unusual transactions, i.e., transactions which in terms of their significance, the nature of the counterparties, the subject of the transaction, the pricing methods and the timing of occurrence may give rise to doubts with regard to the accuracy of the information in the Financial Statements, conflicts of interests, the safeguarding of the company assets or the protection of non-controlling shareholders.

8 SUBSEQUENT EVENTS OCCURRED AFTER 31 DECEMBER 2023

The LU-VE Group continues to pay a high level of attention to the evolution of the crisis between Russia and Ukraine, which may have further significant repercussions on the world economy also as a result of the sanctions. The extreme geographical diversification of sales means that as at 31 December 2023, the Group's exposure in this area is only around 6.3% in terms of turnover and 2.2% of net invested capital. As at 29 February 2024, the exposure in terms of order backlog was 6.9%.

In January 2024, the Parent Company received the proceed related to the loan agreement signed with Unicredit in December 2023, amounting to €30 million. Furthermore, also in January 2024, the Parent Company signed a loan agreement with BPER, for an amount of €30 million, fully disbursed at the signing date.

With reference to the Italian Tax Authority audit relating to the years 2016, 2017, 2018 and 2019, a number of additional requests, related to 2017, were made to which the Parent Company LU-VE S.p.A. promptly responded. With reference to the tax finding report served in November 2023, there were no further activities to be undertaken by the tax authority.

As regards the tax audit to which the subsidiary LU-VE Iberica Sl is subject for the fiscal years 2013, 2018 and 2019, the documentation was delivered to the Spanish Tax Authority which sent further requests for the periods under assessment.

Fiscal year 2024 promises to be another year of consolidation of results in terms of sales volumes, with important growth trends for some applications (data centres and logistics centres), possible increases for other applications (commercial refrigeration) and an area characterised by high volatility and possible risks (heat pump exchangers).

Also in this context, the Group remains on a medium-term growth path, in line with its strategy and guidelines.

In fact, since 2018, the LU-VE Group has recorded significant growth (CAGR of turnover of 15%), even higher than the medium/long-term “guidance” disclosed at the time, despite the turbulence of the general environment and anticipating – especially in 2021 and 2022 – the expected growth in the following years.

We are greatly satisfied with this accomplishment. This confirms the effectiveness of the strategy pursued in building a resilient business model (diversification of product applications in sectors with uncorrelated trends), supported by "secular trend" such as: electrification, decarbonisation, digitisation and adoption of refrigerant gases with low or no environmental impact. All technological fields in which the LU-VE Group was a first mover.

The area of greatest uncertainty is the heat pump market which, in the last months of 2023, suffered a sudden and unexpected slowdown in demand. In a sector in which all the main market players in Europe are investing heavily to create additional production capacity, this slowdown may just temporary and mainly attributable to three economic factors:

- regulatory uncertainties on incentives in several European Union countries;
- comparative price performance of gas and electricity;
- increase in inventory of finished products throughout the value chain.

However, all operators in the industry agree that this is a temporary slowdown and hold positive expectations in the medium term. The replacement of gas boilers with heat pump technology represents one of the cornerstones of the policies of the “Repower EU” programme and (together with renewables, EVs and batteries) one of the decisive “clean energy technologies” for the achievement of the objectives of “Net zero emissions”, as clearly shown in the recent report of the IEA (International Energy Agency) “World Energy Outlook 2023”.

As a result of the rapid expansion of cloud computing and new emerging technologies (AI, Blockchain, Cryptocurrency, E-commerce, IoT, etc.) that require more advanced and scalable infrastructures, strong growth is expected globally in the coming months investments in the data center market segment; as a result, the Group has been investing since long time ago in order to increase its ability to meet growing demand.

In this scenario, starting from the second half year of 2023, the Group launched a number of projects to improve profitability, through investments in production automation, process reorganisation and cost containment. The first results are already visible in the last quarter of 2023.

In a macroeconomic scenario characterised by heightened uncertainty, the Group works tirelessly and with great determination to preserve and improve profitability and cash generation, even in the presence of possible volatility in expected results in terms of turnover.

The Chairman and Chief Executive Officer

Matteo Liberali

9 APPENDIX A

IRS on loans (in thousands of Euro)

DEBTOR COMPANY	COUNTERPARTY	TAKEN OUT	MATURITY	ORIGINAL NOTIONAL	31/12/2023		31/12/2023
					NOT. Short	NOT. M/L	FAIR VALUE
LU-VE S.P.A.	Intesa Sanpaolo S.p.A.	28/11/2018	28/06/2024	12,500	1,250	-	22
LU-VE S.P.A.	Intesa Sanpaolo S.p.A.	28/11/2018	28/06/2024	12,500	1,250	-	22
LU-VE S.P.A.	Banca Nazionale del Lavoro S.p.A.	20/12/2018	24/09/2024	10,000	2,000	-	55
LU-VE S.P.A.	Unicredit S.p.A.	12/07/2019	30/06/2024	9,600	1,200	-	21
LU-VE S.P.A.	Intesa Sanpaolo S.p.A.	20/05/2020	30/09/2025	12,500	2,778	2,083	162
LU-VE S.P.A.	Banca Nazionale del Lavoro S.p.A.	28/05/2020	28/05/2025	40,000	10,000	5,000	535
LU-VE S.P.A.	Unicredit S.p.A.	30/11/2020	30/11/2024	20,000	5,714	-	164
LU-VE S.P.A.	Deutsche Bank S.p.A.	30/10/2020	30/10/2026	5,500	1,067	2,302	165
LU-VE S.P.A.	Deutsche Bank S.p.A.	30/10/2020	30/10/2025	10,000	2,000	2,000	140
LU-VE S.P.A.	Intesa Sanpaolo S.p.A.	31/03/2021	31/03/2026	30,000	7,500	9,375	666
LU-VE S.P.A.	Banco BPM S.p.A.	14/06/2021	31/03/2026	12,000	2,824	3,529	250
LU-VE S.P.A.	Banco BPM S.p.A.	14/06/2021	31/03/2026	18,000	4,235	5,294	370
LU-VE S.P.A.	Unicredit S.p.A.	30/09/2021	31/03/2025	30,000	8,571	4,286	469
LU-VE S.P.A.	Banco BPM S.p.A.	17/12/2021	30/09/2026	40,000	10,667	18,667	1,217
LU-VE S.P.A.	Intesa Sanpaolo S.p.A.	31/05/2022	31/05/2029	20,000	2,000	18,000	382
LU-VE S.P.A.	Intesa Sanpaolo S.p.A.	31/05/2022	31/05/2029	20,000	2,000	18,000	265
LU-VE S.P.A.	Intesa Sanpaolo S.p.A.	31/05/2022	31/03/2029	15,000	2,250	12,750	419
LU-VE S.P.A.	Banca Nazionale del Lavoro S.p.A.	22/07/2022	22/07/2027	40,000	8,000	24,000	1,006
LU-VE S.P.A.	BPER Banca S.p.A.	22/07/2022	22/07/2027	25,000	6,250	17,188	431
LU-VE S.P.A.	Intesa Sanpaolo S.p.A.	28/07/2022	28/07/2027	15,000	3,750	10,313	329
LU-VE S.P.A.	Deutsche Bank S.p.A.	25/10/2022	28/10/2028	15,000	1,667	13,333	(72)
LU-VE S.P.A.	Unicredit S.p.A.	24/11/2022	31/12/2026	25,000	6,250	12,500	(27)
LU-VE S.p.A.	Banco BPM S.p.A.	20/12/2022	30/09/2027	25,000	5,882	16,176	(148)
LU-VE S.p.A.	Intesa Sanpaolo S.p.A.	26/10/2023	26/10/2028	30,000	3,333	26,667	(537)
			Total	**492,600**	**102,438**	**221,463**	**6,306**

COMPANIES CONSOLIDATED LINE-BY-LINE

Currency options (in thousands of Euro)

DEBTOR COMPANY	COUNTERPARTY	TYPE	HEDGED ELEMENT	TAKEN OUT	MATURITY	NOT. ORIG.	31/12/2023 NOT. Short	NOT. M/L	31/12/2023 FAIR VALUE
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	13/01/2023	05/01/2024	550	621	-	70
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	06/02/2023	05/02/2024	550	627	-	74
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	06/02/2023	15/01/2024	685	779	-	92
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	20/03/2023	15/02/2024	685	769	-	80
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	20/03/2023	15/03/2024	685	771	-	81
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	25/05/2023	15/04/2024	685	733	-	42
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	25/05/2023	15/05/2024	685	735	-	43
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	25/05/2023	05/03/2024	550	587	-	34
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	25/05/2023	05/04/2024	550	589	-	33
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	25/05/2023	02/05/2024	550	590	-	34
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	07/09/2023	06/09/2024	1,000	1,089	-	69
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	07/09/2023	05/08/2024	1,000	1,087	-	70
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	07/09/2023	05/07/2024	1,000	1,085	-	70
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	30/11/2023	04/10/2024	1,000	1,023	-	3
SEST LUVE POLSKA SP. Z O.O.	Bank BNP Paribas S.A.	FX Option	€/PLN Exchange Rate	30/11/2023	05/11/2024	1,000	1,025	-	3
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	01/02/2023	31/01/2024	100	101	-	-
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	14/03/2023	29/02/2024	100	100	-	(1)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	21/03/2023	29/02/2024	100	100	-	-
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	13/04/2023	28/02/2024	100	101	-	1

COMPANIES CONSOLIDATED LINE-BY-LINE

DEBTOR COMPANY	COUNTERPARTY	TYPE	HEDGED ELEMENT	TAKEN OUT	MATURITY	NOT. ORIG.	31/12/2023 NOT. Short	NOT. M/L	31/12/2023 FAIR VALUE
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	22/06/2023	21/06/2024	100	101	-	-
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	10/07/2023	30/04/2024	100	101	-	-
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	13/07/2023	30/04/2024	100	102	-	1
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	26/07/2023	28/06/2024	100	102	-	-
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	10/08/2023	26/07/2024	100	102	-	-
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	06/11/2023	30/08/2024	100	100	-	(2)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	21/11/2023	30/08/2024	100	102	-	(1)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	29/11/2023	30/08/2024	100	102	-	-
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	15/12/2023	31/10/2024	100	102	-	(1)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	20/12/2023	30/09/2024	100	102	-	(1)
SPIROTECH Ltd	CITI BANK	FX Option	€/INR Exchange Rate	27/12/2023	31/10/2024	200	206	-	-
Total						**12,775**	**13,734**	**-**	**794**

10 APPENDIX B

Bank loans (in thousands of Euro)								AMORTISED COST			
								31/12/2023		31/12/2022	
DEBTOR COMPANY	COUNTERPARTY	LOAN TYPE	TAKEN OUT	MATURITY	RATE APPLIED	FINANCIAL COVENANTS	ORIGINAL AMOUNT	RESIDUAL AMOUNT	OF WHICH CURRENT	RESIDUAL AMOUNT	OF WHICH CURRENT
LU-VE	Unicredit S.p.A.	Unsecured loan	30/01/2018	31/03/2023	6M Euribor + Spread	NFP/EBITDA <=3.0; NFP/OWN FUNDS <=1	25,000	-	-	2,521	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	1,298	1,298	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	1,298	1,298	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	2,047	2,047	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/OWN FUNDS <=1.25	10,000	5,047	5,047	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	1,051	1,051	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/OWN FUNDS <=1	12,000	1,237	1,237	3,662	2,450
LU-VE	Intesa Sanpaolo S.p.A.	Unsecured loan	23/03/2020	23/09/2025	3M 360 days Euribor + Spread	NFP/EBITDA <= 3; NFP/SE <=1	25,000	9,850	5,671	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	15,212	10,180	25,476	10,231
LU-VE	UniCredit S.p.A.	Unsecured loan	04/11/2020	30/11/2024	6M 360 days Euribor + Spread	NFP/EBITDA <=3; NFP/OWN FUNDS <=1	20,000	5,792	5,792	11,648	5,846
LU-VE	Deutsche Bank S.p.A.	Unsecured loan	11/11/2020	11/11/2026	3-month EURIBOR base 360 + spread	NFP/EBITDA <= 3.2 NFP/EQUITY <=1.15	5,500	3,424	1,104	4,518	1,104
LU-VE	Deutsche Bank S.p.A.	Unsecured loan	11/11/2020	11/11/2025	3-month EURIBOR base 360 + spread	NFP/EBITDA <= 3.2 NFP/EQUITY <=1.15	10,000	4,060	2,052	6,107	2,055
LU-VE	Intesa Sanpaolo S.p.A.	Unsecured loan	31/03/2021	31/03/2026	3-month EURIBOR base 360 + spread	NFP/EBITDA <3; NFP/Shareholders' Equity <1	30,000	17,133	7,721	26,699	9,554

COMPANIES CONSOLIDATED LINE-BY-LINE

Bank loans (in thousands of Euro)								AMORTISED COST 31/12/2023		31/12/2022	
DEBTOR COMPANY	COUNTERPARTY	LOAN TYPE	TAKEN OUT	MATURITY	RATE APPLIED	FINANCIAL COVENANTS	ORIGINAL AMOUNT	RESIDUAL AMOUNT	OF WHICH CURRENT	RESIDUAL AMOUNT	OF WHICH CURRENT
LU-VE	Banco BPM S.p.A.	Unsecured loan	14/06/2021	31/03/2026	3-month EURIBOR base 360 + spread	-	12,000	6,445	2,903	9,333	2,900
LU-VE	Banco BPM S.p.A.	Unsecured loan	14/06/2021	31/03/2026	3-month EURIBOR base 360 + spread	NFP/EBITDA <= 3.0 NFP/EQUITY <=1.25	18,000	9,738	4,402	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	13,013	8,680	21,797	8,674
LU-VE	Banco BPM S.p.A.	Unsecured loan	17/12/2021	30/09/2026	3-month EURIBOR base 360 + spread	NFP/EBITDA <= 3.0 NFP/EQUITY <=1.25	40,000	29,780	11,040	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	40,511	4,373	40,704	74
LU-VE	Intesa Sanpaolo S.p.A.	Unsecured loan	28/04/2022	29/03/2029	3M 360 days Euribor + Spread	NFP/EBITDA <= 3 NFP/SE </= 1.0	15,000	15,142	2,404	15,197	70
LU-VE	Intesa Sanpaolo S.p.A.	Unsecured loan	31/05/2022	29/03/2029	3M 360 days Euribor + Spread	NFP/EBITDA <= 3 NFP/SE <= 1.0	15,000	15,118	2,396	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	32,542	8,144	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	23,693	6,423	25,129	1,582
LU-VE	Intesa Sanpaolo S.p.A.	Unsecured loan	28/07/2022	28/07/2027	3M 360 days Euribor + Spread	NFP/EBITDA <= 3 NFP/SE <= 1.0	15,000	14,208	3,850	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	30,261	3,601	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	18,774	6,345	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	5,000	22,008	5,982	4,980	585
LU-VE	Intesa Sanpaolo S.p.A.	Unsecured loan	26/10/2023	26/10/2028	3M 360 days Euribor + Spread	NFP/EBITDA <= 3 NFP/SE <= 1.0	30,000	30,160	3,579	-	-
							Total	**368,842**	**118,620**	**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

11 APPENDIX C

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Office	Period for which office was held	Expiry of office*	Fixed remuneration	Remuneration for participation in committees	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severance pay or termination of employment indemnity
						Bonuses and other incentives	Profit sharing					
Matteo Liberali	Chairman of the Board of Directors and CEO	01/01/2023-31/12/2023	Approval of 2025 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				723,397 (1)'(2)		509,811 (3)		5,596		1,238,804		
(II) Fees from subsidiaries and associates												
(III) Total				723,397		509,811		5,596		1,238,804		
Pier Luigi Faggioli	Vice Chairman	01/01/2023-31/12/2023	Approval of 2025 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				283,397 (1)'(4)		240,531		6,458		530,386		
(II) Fees from subsidiaries and associates												
(III) Total				283,397		240,531		6,458		530,386		
Michele Faggioli	CSDO	01/01/2023-31/12/2023	Approval of 2025 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				548,397 (1)'(5)		488,289 (3)		10,752		1,047,438		
(II) Fees from subsidiaries and associates												
(III) Total				548,397		488,289		10,752		1,047,438		
Raffaella Cagliano	Director	01/01/2023-31/12/2023	Approval of 2025 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				23,397 '(1)'	3,359 (7)					26,756		
(II) Fees from subsidiaries and associates												
(III) Total				23,397	3,359					26,756		
Guido Giuseppe Crespi	Director	01/01/2023-28/04/2023	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				6,411 '(1)'	641 (7)					7,052		
(II) Fees from subsidiaries and associates												
(III) Total				6,411	641					7,052		

COMPANIES CONSOLIDATED LINE-BY-LINE

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Office	Period for which office was held	Expiry of office*	Fixed remuneration	Remuneration for participation in committees	Variable non-equity remuneration Bonuses and other incentives	Profit sharing	Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severance pay or termination of employment indemnity
Anna Gervasoni	Director	01/01/2023-31/12/2023	Approval of 2025 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				23,397 (1)	14,718 (6)(8)					38,115		
(II) Fees from subsidiaries and associates												
(III) Total				23,397	14,718					38,115		
Fabio Liberali	Director	01/01/2023-31/12/2023	Approval of 2025 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				23,397 (1)				6,908	99,466 (9)	129,771		
(II) Fees from subsidiaries and associates												
(III) Total				23,397				6,908	99,466	129,771		
Laura Oliva	Director	01/01/2023-31/12/2023	Approval of 2025 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				23,397 (1)	7,359 (6)					30,756		
(II) Fees from subsidiaries and associates												
(III) Total				23,397	7,359					30,756		
Stefano Paleari	Director	01/01/2023-31/12/2023	Approval of 2025 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				23,397 (1)	24,775 (10)(11)(12)					48,173		
(II) Fees from subsidiaries and associates												
(III) Total				23,397	24,775					48,173		
Carlo Paris	Director	28/04/2023-31/12/2023	Approval of 2025 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				16,986 (1)	2,718 (7)					19,704		
(II) Fees from subsidiaries and associates												
(III) Total				16,986	2,718					19,704		

COMPANIES CONSOLIDATED LINE-BY-LINE

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Office	Period for which office was held	Expiry of office*	Fixed remuneration	Remuneration for participation in committees	Variable non-equity remuneration: Bonuses and other incentives	Variable non-equity remuneration: Profit sharing	Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severance pay or termination of employment indemnity
Roberta Pierantoni	Director	01/01/2023-31/12/2023	Approval of 2025 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				23,397 (1)	7,359 (6)					30,756		
(II) Fees from subsidiaries and associates												
(III) Total				23,397	7,359					30,756		
Marco Vitale	Director	01/01/2023-28/04/2022	Approval of 2023 Financial Statements									
	Honorary Chairman	28/04/2023-31/12/2023	Approval of 2025 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				23,397 (1)'(13)						23,397		
(II) Fees from subsidiaries and associates												
(III) Total				23,397						23,397		
Mara Palacino	Chairman - Board of Statutory Auditors	28/04/2023-31/12/2023	Approval of 2025 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				30,575 (14)						30,575		
(II) Fees from subsidiaries and associates												
(III) Total				30,575						30,575		
Simone Cavalli	Chairman - Board of Statutory Auditors	01/01/2023-28/04/2023	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				14,425 (14)						14,425		
(II) Fees from subsidiaries and associates												
(III) Total				14,425						14,425		
Paola Mignani	Standing Auditor	01/01/2023-31/12/2023	Approval of 2025 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				30,000 (14)'						30,000		
(II) Fees from subsidiaries and associates												
(III) Total				30,000						30,000		

COMPANIES CONSOLIDATED LINE-BY-LINE

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Office	Period for which office was held	Expiry of office*	Fixed remuneration	Remuneration for participation in committees	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severance pay or termination of employment indemnity
						Bonuses and other incentives	Profit sharing					
Domenico A.M. Fava	Standing Auditor	28/04/2023-31/12/2023	Approval of 2025 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				20,384 (14)						20,384		
(II) Fees from subsidiaries and associates												
(III) Total				20,384						20,384		
Stefano Beltrame	Standing Auditor	01/01/2023-28/04/2023	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				9,616 (14)						9,616		
(II) Fees from subsidiaries and associates				72,000 (15)						72,000		
(III) Total				81,616						81,616		
Riccardo Quattrini	General Manager	27/03/2023-31/12/2023	Approval of 2025 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				298,269		123,782 (16)		5,571		427,623		
(II) Fees from subsidiaries and associates												
(III) Total				298,269		123,782		5,571		427,623		
Key Management Personnel	5	01/01/2023-31/12/2023	Approval of 2025 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				759,923		243,659 (17)		22,575		1,026,156		
(II) Fees from subsidiaries and associates									110,400 (18)	110,400		
(III) Total				759,923		243,659		22,575	110,400	1,136,556		

(*) The expiry date refers to the Shareholders' Meeting that will approve the Financial Statements for the year indicated

(1) following its renewal resolved by the Shareholders' Meeting on *28 April 2023 the Board of Directors resolved to assign each member of the Board an annual gross remuneration of €25,000.00 pro rata temporis. Since the fixed annual remuneration approved was €20,000.00 pro rata temporis, the remuneration accrued by the Directors remaining in office for the entire year 2023 is €23,397.26 (and in detail €6,410.95 as Director for the period 1/1/2023 - 27/04/2023, and €16,986.30 as Director for the period 28/4/2023 -31/12/2023;*
(2) of which €23,397.26 as Director, €175,000.00 for the office of Chairman of the Board of Directors and €525,000.00 for the office of Chief Executive Officer;
(3) of which €136,574.02 as variable medium/long term Component (2023 -2025 LTI) accrued for 2023;
(4) of which €23,397.26 as Director, € 25,000.00 for the office of Vice-Chairman of the Board of Directors, and €235,000.00 for special powers granted;
(5) of which €23,397.26 as Director and €525,000.00 as CSDO CEO;

COMPANIES CONSOLIDATED LINE-BY-LINE

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Office	Period for which office was held	Expiry of office*	Fixed remuneration	Remuneration for participation in committees	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severance pay or termination of employment indemnity
						Bonuses and other incentives	Profit sharing					

(6) Following its renewal resolved by the Shareholders' Meeting on 28 April 2023, the Board of Directors resolved to assign each member of the Remuneration and Appointments Committee and of the Control and Risk Committee a fixed annual fee of €8,000.00 pro rata temporis. Until 28 April 2023 this fee was of €6,000.00 gross. For the year 2023, the remuneration accrued by each member of the committees other than the Chairman in office for the entire 2023 financial year was €7,358.90 gross (specifically €1,923.28 for the period 1/1/2023 - 27/4/2023, and €5,435.61 for the period 28/04/2023 - 31/12/2023);

(7) following its renewal resolved by the Shareholders' Meeting on 28 April 2020, the Board of Directors resolved to grant each of the members of the Independent Committee other than the committee Chair a fixed annual remuneration of €4,000.00 gross pro rata temporis. Until 28 April 2023 this fee was of €2,000.00 gross. For the year 2023, the remuneration accrued by each member of the committee other than the Chair in office for the entire 2023 financial year was €3,358.90 gross (and in detail €641.10 for the period 1/1/2023 -27/4/2023, and €2,717.80 for the period 28/04/2023 - 31/12/2023);

(8) of which €7,358.90 as a member of the Remuneration and Appointments Committee, and €7,358.90 as a member of the Control and Risk Committee;

(9) as annual gross remuneration accrued in relation to the employment with LU-VE SPA;

(10) following its renewal resolved by the Shareholders' Meeting on 28 April 2023, the Board of Directors resolved to assign the Chairmen of the Remuneration and Appointments Committee and of the Control and Risk Committee a fixed annual fee of €11,000.00 pro rata temporis. Until 28 April 2023, this fee was €8,000.00 gross for each office to be paid pro rata temporis. For the year 2023, the remuneration accrued by the Chairmen of both committees was €10,038.36 for each assignment (specifically €2,564.38 for the period 1/1/2023 - 27/4/2023, and €7,473.97 for the period 28/4/2023 - 31/12/2023);

(11) Following its renewal resolved by the Shareholders' Meeting on 28 April 2023, the Board of Directors has resolved to grant the Chair of the Independent Committee a fixed annual remuneration of €5,500.00 gross pro rata temporis. Until 28 April 2023 this fee was of €3,000.00 gross. For the year 2023, the remuneration accrued by the Chair for the entire year 2023 amounted to €4,698.63 gross (and specifically €961.64 for the period 1/1/2023 -27/4/2023, and €3,736.98 for the period 28/04/2023 - 31/12/2023);

(12) of which €10,038.36 as Chair of the Remuneration and Appointments Committee, €10,038.36 as Chair of the Control and Risk Committee, and €4,698.63 as Chair of the Independent Committee;

(13) The Shareholders' Meeting of 28 April 2023 has introduced the position of Honorary Chair. At the Board meeting of 12 May 2023, the Board of Directors awarded the Honorary Chair appointed for the three-year period 2023-2025 a fixed annual fee of €25,000.00. For the year 2023, the remuneration accrued by the Honorary Chair for the period 28/04/2023 - 31/12/2023 was €16,986.30 gross, in addition to €6,410.95 as Director for the period 1/1/2023 - 27/04/2023;

(14) the mandate of the Board of Statutory Auditors was renewed by the Shareholders' Meeting of 28 April 2023 which confirmed, pro rata temporis, an annual remuneration of €45,000.00 for the Chair and of €30,000 for each of the two standing auditors;

(15) by way of remuneration accrued in relation to the office of member of the supervisory body pursuant to Legislative Decree 31/01 of subsidiaries

(16) of which €41,514.60 accrued as variable medium/long term Component (2023-2025 LTI) for 2023;

(17) of which €89,210.21 as variable and medium/long term Component (LTI 2023 -2025) accrued for 2023;

(18) By way of remuneration accrued in relation to the office of director on the management bodies of subsidiary companies;

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

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

1. the adequacy in relation to the characteristics of the business and
2. the effective application

of the administrative and accounting procedures for the formation of the consolidated financial statements in the period 1 January - 31 December 2023.

It is also certified that the consolidated financial statements as at 31 December 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.

The directors' report includes a reliable analysis of the performance and results of operations, as well as the situation of the issuer and the group of consolidated companies, along with a description of the main risks and uncertainties to which they are exposed.

13 March 2024

Matteo Liberali
CEO

Eligio Macchi
Manager in charge
of financial reporting

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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of LU-VE S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated income statement , the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the explanatory notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of LU-VE S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Impairment test on goodwill, intangible assets and property, plant and equipment	
Description of the key audit matter	The Group accounts for goodwill equal to € 64.0 million (8.14% of consolidated assets) in the consolidate financial statements as at 31 December 2023. This goodwill is attributable to two cash generating units ("CGUs") of LU-VE Group: "Components" for € 27.0 million and "Cooling Systems" for € 37.0 million, to which were also allocated intangible assets with a finite useful life amounting for € 28.9 million, right-of-use assets for € 13.5 million and property, plant and equipment for € 191.9 million. As requested by IAS 36 – *Impairment of assets*, as the above-mentioned CGUs include goodwill, LU-VE Group's Management performed an impairment test to determine whether the assets of the individual CGUs are recognised in the consolidated financial statements as at 31 December 2023 at a value not higher than their recoverable amount. After the conclusion of the impairment test, approved by the Board of Directors on 13 March 2024, the Group has not recognised any impairment losses. The impairment test process carried out by Management on the assets of the consolidated financial statements is based on the value in use method, and is complex since it includes assumption regarding, inter alia, (i) the forecast of expected cash flows from the CGUs, making reference to the 2024-2027 consolidated business plan, approved by the Board of Directors of LU-VE S.p.A. in its meeting held on 21 February 2024, (ii) the determination of an appropriate discount rate (WACC) and a long term growth rate (g-rate). Considering the relevant amount of the assets accounted for in the financial statements related to the CGUs and the judgment of the estimates used to determine cash flows, we considered the impairment test a key audit matter of the Group's consolidated financial statements. Note 3.1 "Goodwill and Other intangible assets" and the paragraph "Measurement criteria – Use of estimates" included in the Note 2.1 "Accounting Standards" within the consolidated financial statements provided a disclosure on the impairment test, including a sensitivity analysis conducted by the Management, which describes the effects that could arise when certain key assumptions used for the purposes of the impairment test.
Audit procedures performed	To evaluate the recoverability of the assets of the CGUs, we preliminarily examined the rationale used by the Management to determine the value in use of the CGUs, analysing the methods and assumptions used for the development of the impairment test.

As part of our audit we, inter alia, performed the following procedures, also relying on the support of experts within our Network:

- observation and understanding of the relevant controls undertaken by the Group on the impairment test process;

- assessment of the reasonableness of the main assumption adopted to develop cash flow forecasts (included the effect of the current macroeconomic scenario and potential impacts related to the climate change) and collection of other relevant information by Management;

- variance analysis of actual data in comparison with original business plans, in order to evaluate the nature of the variances and the reliability of the process of preparing the plans;

- assessment of the methods for determining the discount rate (WACC) by analysing its individual elements and their consistency with generally used evaluation practices and analysis of the reasonableness of the long term growth rate (g-rate);

- test of the mathematical accuracy of the model used to determine the value in use of the CGUs Components and Cooling Systems;

- test of the correct determination of the carrying amount of the CGUs Components and Cooling Systems and their consistency with the methods for determining their value in use;

- assessment of the sensitivity analysis prepared by the management, that includes the possible impacts related to the climate change;

- assessment of the adequacy of the disclosure provided by the Group on the impairment tests with what is required by IAS 36.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

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The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of LU-VE S.p.A. has appointed us on 10 March 2017, as auditors of the Company for the years from 31 December 2017 to 31 December 2025.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of LU-VE S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the "Delegated Regulation") to the consolidated financial statements as at 31 December 2023, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements as at 31 December 2023 have been prepared in XHTML format and have been marked up, in all material respects, in accordance with the provisions of the Delegated Regulation.

Due to certain technical limitations, some information contained in the explanatory notes to the consolidated financial statements, when extracted from XHTML format in an XBRL instance, may not be reproduced in the same way as the corresponding information displayed in the consolidated financial statements in XHTML format.

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of LU-VE S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of LU-VE Group as at 31 December 2023, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of LU-VE Group as at 31 December 2023 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of LU-VE Group as at 31 December 2023 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of LU-VE S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

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Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Massimiliano Semprini
Partner

Milan, Italy
28 March 2024

As disclosed by the Directors on the first page, the accompanying consolidated financial statements of LU-VE S.p.A. constitute a non-official version which has not been prepared in accordance with the provisions of the Commission Delegated Regulation (EU) 2019/815. 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.

SEPARATE FINANCIAL STATEMENTS AND EXPLANATORY NOTES AS AT 31 DECEMBER 2023

CONTENTS

1 FINANCIAL STATEMENTS

1.1 STATEMENT OF FINANCIAL POSITION

Statement of Financial position (in Euro)	Notes	31/12/2023	31/12/2022
ASSETS			
Goodwill	3.1	14,629,431	14,629,431
Other intangible assets	3.1	3,820,594	5,053,027
Property, plant and equipment	3.2	35,001,865	34,992,550
Right-of-use assets	3.2	1,089,709	1,035,586
Other tangible assets	3.2	2,898,803	2,151,772
Deferred tax assets	3.19	11,020,910	8,051,828
Investments	3.3	176,131,960	169,632,037
Other non-current financial assets	3.4	11,241,290	22,451,816
Other non-current assets	3.5	1,303,292	2,587,338
Non-current assets		257,137,854	260,585,385
Inventories	3.6	11,214,283	16,693,766
Trade receivables	3.7	36,853,453	39,133,415
Current tax assets	3.8	2,721,371	1,864,819
Current financial assets	3.9	65,985,360	156,527,631
Other current assets	3.10	5,015,293	3,222,747
Cash and cash equivalents	3.11	162,581,278	117,217,408
Current assets		284,371,038	334,659,786
Assets held for sale		-	-
Assets held for sale		-	-
TOTAL ASSETS		541,508,892	595,245,171

Statement of Financial position (in Euro)	Notes	31/12/2023	31/12/2022
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital	3.12	62,704,489	62,704,489
Reserves and retained earnings (losses)	3.12	42,985,439	35,185,433
Net result for the year	3.12	6,080,565	16,245,097
TOTAL SHAREHOLDERS' EQUITY		111,770,493	114,135,019
Loans	3.13	250,222,200	320,200,773
Provisions	3.14	1,463,168	1,463,168
Employee benefits obligations	3.15	782,174	790,741
Deferred tax liabilities	3.19	5,630,671	5,728,064
Other financial liabilities	3.16	1,673,769	2,028,905
Non-current liabilities		259,771,982	330,211,651
Trade payables	3.17	24,085,344	30,930,649
Loans	3.13	118,619,506	102,737,446
Tax liabilities	3.18	1,169,614	2,335,313
Other financial liabilities	3.16	12,225,844	3,808,427
Other current liabilities	3.20	13,866,109	11,086,666
Current liabilities		169,966,417	150,898,501
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		541,508,892	595,245,171

1.2 INCOME STATEMENT

Income Statement (in Euro)	Notes	31/12/2023	31/12/2022
REVENUES AND OPERATING INCOME			
Revenues	4.1	93,784,873	95,371,133
Other operating income	4.2	2,079,495	2,653,938
Total revenues and other operating income		95,864,368	98,025,071
OPERATING EXPENSES			
Purchases of materials	4.3	(42,021,860)	(51,356,373)
Changes in inventories	3.6	(5,479,437)	2,023,983
Costs for services	4.4	(25,161,409)	(22,738,395)
Personnel costs	4.5	(21,663,576)	(21,510,909)
Other operating expenses	4.7	(973,734)	(694,500)
Total operating expenses		(95,300,016)	(94,276,194)
Depreciation and amortisation	3.1 - 3.2	(7,041,427)	(8,694,858)
Gains/(Losses) on the sale of non-current assets	3.1 - 3.2	(52,536)	238,358
Write-downs on non-current assets		-	(76,496)
OPERATING RESULT		(6,529,611)	(4,784,119)
Financial income	4.8	27,124,609	29,159,391
Financial expenses	4.9	(16,578,903)	(9,152,565)
Exchange gains (losses)	4.10	(1,243,657)	1,475,160
Gains/(losses) from investments (and other interests)	3.3 - 3.4	-	(884,182)
PRE-TAX RESULT		2,772,438	15,813,685
Income taxes	4.12	3,308,127	431,412
NET RESULT		6,080,565	16,245,097
Profit (loss) from assets/liabilities held for sale		-	-
NET RESULT FOR THE YEAR		6,080,565	16,245,097

1.3 STATEMENT OF COMPREHENSIVE INCOME

Statement of comprehensive income *(in Euro)*	**Notes**	**31/12/2023**	**31/12/2022**
NET RESULT FOR THE YEAR	1.2	6,080,565	16,245,097
Components that will not subsequently be reclassified to the Income Statement			
Actuarial gains/(losses) from employee benefits obligations	3.15	(8,791)	103,626
Tax effect		2,110	(24,870)
Total components that will not subsequently be reclassified in the Income Statement		(6,681)	78,756
TOTAL COMPREHENSIVE INCOME (LOSS)	1.4	6,073,884	16,323,853

1.4 STATEMENT OF CHANGES IN EQUITY

Statement of changes in equity *(in Euro)* **Note 3.12**	Share capital	Share premium reserve	Legal reserve	Treasury shares	Post-employment benefits discounting reserve	Other reserves	Result for the year	Total equity
BALANCE AS AT 01/01/2022	62,704,489	24,762,200	3,555,676	(288,194)	(86,151)	11,132,653	3,802,724	105,583,397
Allocation of 2021 profit								
Dividends paid	-	-	-	-	-	(7,772,220)	-	(7,772,220)
Retained	-	-	190,136	-	-	3,612,588	(3,802,724)	-
Increases (decreases)	-	-	-	-	-	-	-	-
Statement of comprehensive income as at 31/12/2022	-	-	-	-	78,756	-	16,245,097	16,323,853
BALANCE AS AT 31/12/2022	62,704,489	24,762,200	3,745,812	(288,194)	(7,395)	6,973,021	16,245,097	114,135,019
Allocation of 2022 profit								
Dividends paid	-	-	-	-	-	(8,438,410)	-	(8,438,410)
Retained	-	-	812,255	-	-	15,432,842	(16,245,097)	-
Increases (decreases)	-	-	-	-	-	-	-	-
Statement of comprehensive income as at 31/12/2023	-	-	-	-	(6,681)	-	6,080,565	6,073,884
BALANCE AS AT 31/12/2023	62,704,489	24,762,200	4,558,067	(288,194)	(14,076)	13,967,453	6,080,565	111,770,493

1.5 STATEMENT OF CASH FLOWS

Statement of cash flows *(in Euro)*	**Notes**	**31/12/2023**	**31/12/2022**
A. Cash and cash equivalents at the beginning of the year		117,217,407	123,847,432
Result for the year		6,080,565	16,245,097
Adjustments for:			
- Depreciation and amortisation	3.1 - 3.2	7,041,427	8,694,858
- Realised (gains)/losses	3.1 - 3.2	52,536	(161,863)
- (Gains)/losses on the sale of equity investments		-	(11,759,763)
- Net financial expense	4.8 - 4.9	(17,382,439)	(3,911,543)
- Income taxes	4.11	(3,308,127)	(431,412)
- Changes in fair value	4.8 - 4.9	6,857,004	(16,085,142)
Adjustments for losses from investments (and other interests)	3.3 - 3.4	-	12,643,945
Changes in employee benefits obligations	3.15	(45,751)	65,456
Changes in provisions	3.14	-	(37,500)
Changes in trade receivables	3.7	2,279,962	(8,545,392)
Changes in inventories	3.6	5,479,483	(2,023,983)
Changes in trade payables	3.17	(6,845,305)	2,805,403
Changes in net working capital		**914,140**	**(7,763,972)**
Changes in other receivables and payables, deferred taxes		24,516	4,820,500
Tax payments		(1,828,740)	(33,787)
Net paid financial expense		(4,686,103)	(3,309,500)
B. Cash flows from (used in) operating activities		(6,280,972)	(1,024,625)
Investments in non-current assets:			
- intangible assets	3.1	(2,006,092)	(3,180,498)
- property, plant and equipment	3.2	(2,648,226)	(2,310,358)
- investments	3.3	-	-
Changes in other non-current financial assets	3.4	3,779,805	(17,381,452)
Net investments in current financial assets	3.9	85,292,548	(51,367,673)
Refrion net acquisition price paid		-	(8,473,782)
Net sales price of TECNAIR		-	12,928,871
Dividends received	4.8	20,000,000	11,500,000
C. Cash flows from (used in) investing activities		104,418,035	(58,284,892)
Repayment of loans	3.13	(102,786,495)	(162,675,756)
Proceed from new loans	3.13	50,000,000	226,000,000
Changes in other financial liabilities	3.16	7,520,916	(1,391,170)
Sale/(purchase) of treasury shares		-	-
Contributions/repayments of share capital		-	-
Dividends paid	3.12	(8,438,410)	(7,772,220)
Other changes		-	-
D. Cash flows from (used in) financing activities		(53,703,989)	54,160,853
Exchange differences		-	-
Other non-monetary changes (*)	3.12	930,798	(1,481,361)
E. Other changes		930,798	(1,481,361)
F. Net cash flows in the year (B+C+D+E)		45,363,872	(6,630,025)
Cash and cash equivalents at the end of the year (A+F)		162,581,279	117,217,407
Current financial debt		64,859,989	(49,981,759)
Non-current financial debt		251,895,970	322,229,677
Net financial debt		154,174,680	155,030,511

(*) Negative (non-monetary) exchange rate effect on loan to LU-VE US Inc.

2 EXPLANATORY NOTES

2.1 STRUCTURE AND CONTENT OF THE FINANCIAL STATEMENTS

Information about the 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.r.l.

It should also be noted that LU-VE S.p.A., as of 21 September 2022, is a company listed on the Euronext STAR segment (previously it was listed on the 'Euronext Milan' Market) organised and managed by Borsa Italiana S.p.A. and that, as Parent Company, it prepared the consolidated financial statements of the LU-VE Group as at 31 December 2023.

Declaration of compliance and accounting policies

The separate Financial Statements of LU-VE S.p.A. as at 31 December 2023 have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union at that date. IFRSs refers to all International Financial Reporting Standards and International Accounting Standards (IAS) and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously called the Standing Interpretations Committee (SIC), endorsed by the European Union and contained in the relative EU Regulations.

The Financial Statements have been prepared in Euro, which is the functional currency of the Company, and are compared with the Financial Statements for the previous year, prepared with the same criteria. The figures in the Explanatory Notes are shown mainly in thousands of Euro. The financial statements consist of the (i) statement of financial position, (ii) income statement, (iii) statement of comprehensive income, (iv) statement of changes in equity, (v) the statement of cash flows and these Explanatory Notes.

The Financial Statements have been prepared on the basis of the historical cost principle, except for the fair value evaluation of some financial instruments, pursuant to IFRS 9 and IFRS 13, as described below. Furthermore, the Financial Statements have been prepared on a going concern basis pursuant to paragraphs 25 and 26 of IAS 1, as the Directors have verified the non-existence of indicators of a financial, management or other nature that might indicate critical issues relating to the ability of the Company of meeting its commitments in the foreseeable future. The risks and uncertainties related to the business are described in the sections dedicated to the Director's Report.

In particular, with reference to this last assumption, as at 31 December 2023, the Company has a solid and balanced financial structure with a Net financial debt/Equity ratio (Debt ratio) of 1.38 and a positive short-term net financial position of €97.7 million, therefore the repayment of medium/long-term debt maturing in 2024 for €116.9 million is 83.6% guaranteed by current liquidity. In addition, there are no substantial restrictions on the release of invested liquidity, amounting to €59.7 million, consisting of (i) Group's Cash Pooling of €39.3 million (ii) capitalisation policies of €10.1 million, and

(iii) Time deposit for €10.0 million and (iv) other securities of €0.3 million (Note 3.9), which can therefore be used to meet any payment obligations (Note 3.21), if needed.

It should be noted that the assessment of compliance with financial and economic requirements (covenants) on a consolidated basis, required by the financial debt of LU-VE S.p.A., as at 31 December 2023, did not highlight any critical issues. Furthermore, it is highlighted that the estimates of the LU-VE S.p.A. 2024 Budget lead to the expectation that no critical issues with regard to these requirements will arise also for next year.

Significant uncertainty remains with reference to geopolitical tensions and the Company remains exposed as it holds, both directly and indirectly, subsidiaries in Russia. This part of the business may be restricted due to potential enforceable sanctions by other government authorities. Given the limited impact of the Russian business, the Directors believe that LU-VE S.p.A. is able to operate as a going concern.

Based on what is laid out above, the Financial Statements of LU-VE S.p.A. as at 31 December 2023 were prepared on a going concern basis, pursuant to paragraphs 25 and 26 of IAS 1.

The directors of LU-VE S.p.A. are responsible for applying the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter the "Delegated Regulation") to the Financial Statements, included in the Annual Financial Report.

The Financial Statements were prepared in XHTML format in compliance with the provisions of the Delegated Regulation and were approved by the Board of Directors on 13 March 2024.

Financial Statements

The Company has adopted the following Financial Statements:

- a statement of financial position, which shows current and non-current assets and liabilities separately;
- a statement of changes in Equity;
- an income statement in which costs are classified by nature;
- a statement of comprehensive income, which shows revenue and cost items that are not recognised in profit and loss as required or permitted by IFRS;
- a 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 Company's profit and loss, equity and financial situation.

MEASUREMENT CRITERIA

The material accounting policies' information and measurement criteria adopted for the preparation of the Separate Financial Statements as at 31 December 2023, which did not change compared to the previous year, are described below:

INTANGIBLE ASSETS

Goodwill and business combinations

Business combinations are accounted for using the acquisition method. In accordance with this method, the consideration transferred in a business combination is measured at fair value, which is calculated as the sum of acquisition date's fair values of the assets transferred, liabilities incurred by the Company and equity interest issued in exchange for control the acquiree. At the date of the acquisition, the identifiable acquired assets and incurred liabilities are recognised at fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the fair value of the considerations transferred over the net of the acquisition date's fair value of acquired assets and incurred liabilities.

With respect to acquisitions occurred prior to the date of adoption of IFRS (1 January 2014), LU-VE S.p.A. exercised the option set forth in IFRS 1 not to apply IFRS 3 relating to business combinations to the acquisitions that took place before the transition date. As a result, the goodwill resulting from acquisitions that took place in the past was not restated and was recognised at the value determined on the basis of the previous accounting standards, net of amortisation accounted for as at 31 December 2013 and any impairment losses.

For further information please refer to the next paragraph "*Impairment of assets*".

OTHER INTANGIBLE ASSETS

Trademarks

This item includes long-term expenses incurred for the protection and distribution of Company trademarks. These expenses are recognised as assets in accordance with IAS 38 "Intangible assets" when it is probable that the use of the asset will generate future economic benefits and when the cost of the asset can be determined in a reliable manner.

Development costs

Development costs incurred for projects on the manufacturing of new products or components are recognised as intangible assets only if: (i) the costs can be reliably determined, (ii) the Company has the intent and available resources to complete the asset, (iii) it is technically feasible to complete the project so as to make it available for use and (iv) expected volumes and prices indicate that the costs incurred in the development phase will be capable of generating future economic benefits.

Capitalised development costs include only expenses incurred that may be directly attributed to the development process.

Capitalised development costs are amortised systematically, starting from the date when the output of the project is available for use and throughout the estimated life of the product or process, which has been evaluated as four years. All other development costs that do not meet the aforementioned requirements, as well as the related research costs, are recognised in the income statement when incurred.

Other intangible assets

Other intangible assets are recognised as assets in accordance with IAS 38 when it is probable that the use of the asset will generate future economic benefits and when the cost of the asset can be determined in a reliable manner. If such future economic benefits do not arise, they are written down in the year in which this is confirmed.

These assets are measured at acquisition or production cost and amortised on a straight-line basis throughout their estimated useful life, if they have a finite useful life.

Investments in software are amortised over a period of 3 years.

PROPERTY, PLANT AND EQUIPMENT

These assets include land and buildings, plant and equipment, equipment and other property, plant and equipment. They are recognised at acquisition or construction cost. The cost includes ancillary costs directly attributable to the asset. Depreciation is calculated on the basis of uniform rates for categories of similar assets, deemed suitable to break down the carrying amount of the property, plant and equipment over the period of its useful life. The estimated useful life is as follows, in years:

Asset	Years
Buildings	33
Light constructions	10
Plant and equipment	8 – 10
Fixtures and fittings, tools and other equipment	3 – 10
Other assets	4 – 8

Ordinary maintenance costs are charged to the Income Statement in the year in which they are incurred; costs that increase the value or useful life of the asset are capitalised and depreciated in line with the remaining useful life of the assets to which they refer.

If there are indicators of impairment, property, plant and equipment are tested for impairment. The testing process is described in the “Impairment of assets" section. Any possible impairments may be subject to subsequent reversals should the causes that induced the Company to impair such assets no longer apply; reversals of impairment will be made to the limit of the value the asset would have had if the impairment had not taken place.

Land is not depreciated.

For further information please refer to the next paragraph “Impairment of assets".

Lease contracts and right-of-use assets

The Company must evaluate if a contract is, or contains a lease, at the inception of the same. The Company recognises the Right of use and the corresponding lease financial Liability for all lease contracts in which it assumes the role of lessee, with the exception of short-term contracts (lease contracts of duration of 12 months or less) and of leases related to low value assets (that is to say, assets whose fair value is less than €5,000). Contracts to which this exemption has been applied mainly fall within the following categories:

- Computers, telephones and tablets;
- Printers;
- Other electronic devices;
- Furniture and fittings.

In relation to these exemptions, the Company recognises the relative payments as operating costs recognised on a straight-line basis throughout the duration of the contract.

On the other hand, for lease agreements the initial lease financial liability is recognised at the present value of future payments at the commencement date of the contract. The discount rate to be applied to future payments of rentals has been determined as the risk-free rate of each country in which the contracts were stipulated, with due dates commensurate to the duration of the specific rental contract, increased by the credit spread specific to the Company.

Lease payments included in the measurement of lease financial liabilities include:

- The fixed component of the lease payments, net of any incentive receivable;
- Variable lease payments based on an index or rate, initially measured using the index or rate at the commencement date of the contract;
- The amount expected to be payable by the lessee under residual value guarantees.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

The incentives linked to the lease (for example free leasing periods) are recognised as part of the initial value of the right of use and of the lease liability throughout the contractual period.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right of use is included as a separate line item in the statement of financial position.

The Company applies IAS 36 Impairment of Assets in order to identify the presence of any impairment loss.

In the statement of cash flows the Company splits the amount paid overall into the principal amount (recognised in the cash flow deriving from the financial activities) and the interest portion (presented under net financial expense paid, in the cash flow deriving from operating activities).

Investments

Investments in subsidiaries are valued at cost, net of any impairment losses.

In the presence of specific impairment indicators (for example, significant losses incurred in the current and/or in previous years, which for some of the subsidiaries have also led to negative equity or significant differences between the carrying amount of investments recorded in the financial statements and the related portion of equity attributable to the Company), the carrying amount of investments in subsidiaries, determined on the basis of the cost criterion, is subject to impairment test. For the purposes of the impairment test, the carrying amount of the investment is compared with its recoverable amount, defined as the higher of fair value less costs of sale and value in use.

The value in use is determined by applying the discounted cash flows method, which consists of the calculation of the present value of future cash flows that are estimated will be generated by the subsidiary, including flows deriving from operating activities and the terminal value determined using the "perpetual income" method, offset by the net financial position of the subsidiary at the date of the reporting. The fair value is based on the fair value of the net assets of the subsidiary net of directly attributable costs of sale.

If the prerequisites for any impairment loss previously recognised no longer apply, the carrying amount of the investment is reversed with an impact to the Income Statement. The dividends received from subsidiaries are accounted as positive income components, under the item “Financial income – Dividends from subsidiaries”, in the Company's Financial Statements, independently of the time the retained earnings of the controlled company are formed.

The Company includes acquisition costs in the cost of controlling investments.

Impairment of assets

At least at each reporting date, the Company reviews the carrying amount of goodwill and its property, plant and equipment and intangible assets to determine whether there are indicators that these assets have suffered an impairment loss. If any of these indicators exist, the recoverable amount of these assets is estimated to determine the amount of the impairment loss. Where the asset does not generate cash inflows that are independent from those generated by other assets, the Company estimates the recoverable amount of the cash-generating unit (“*cash generating unit*” or “CGU”) to which the asset belongs. The Company as a whole represents a single CGU.

In particular, the recoverable amount of the cash-generating units is verified by determining the value in use. In determining value in use, future cash flows net of taxes, estimated on the basis of past experience, are discounted to their present value using a post-tax discount rate, which reflects current market assessments of the time value of money and the specific risks of the asset. The main assumptions used to determine value in use regard the discount rate, the growth rate, expected changes in sale prices and the trend in direct costs during the period assumed for the calculation. The growth rates adopted are based on growth forecasts for the applicable industrial sector. Changes in sale prices are based on past experience and on future market expectations. The Company prepares operating cash flow projections derived from the 2024 - 2027 business plan prepared by Management and subsequently included in the LU-VE Group's consolidated business plan approved by the Company's Board of Directors meeting held on 21 February 2024 and determines the terminal value (present value of perpetual cash flows) on the basis of a medium and long-term growth rate in line with that of the specific applicable sector.

If the recoverable amount of an asset (or of a cash-generating unit) is estimated to be lower than its carrying amount, the carrying amount of the asset is reduced to its lower recoverable amount, with the impairment loss immediately recognised in the Income Statement.

Subsequently, if the impairment loss on an asset is no longer applicable or is reduced, the carrying amount of the asset (or of the cash-generating unit), with the exception of goodwill, is increased to the new value corresponding to the estimated recoverable amount, which may be no higher than the net carrying amount that the asset would have had if the impairment loss had never been recognised. The reversal is recognised immediately in the Income Statement.

FINANCIAL INSTRUMENTS

Derivative financial instruments

Derivative financial instruments are entered primarily for hedging purposes, in order to reduce the risk of fluctuating exchange rates, interest rates and raw material costs. Pursuant to IFRS 9, derivative financial instruments are measured using the hedge accounting criteria only when:

a) at the inception of the hedge, the hedging relationship is formally designated and documented;

b) the hedge is expected to be highly effective;

c) this effectiveness may be reliably measured;

d) the hedge is determined to have been highly effective during the different accounting periods for which it is designated.

All derivative financial instruments are measured at fair value, as established by IFRS 9.

If the instrument is not eligible for hedge accounting, the gains or losses arising from the measurement of the derivative financial instrument at fair value are recognised in the Income Statement.

However, at the reporting date, not all requirements for the application of hedge accounting in accordance with IFRS 9 were satisfied. Therefore, the Company's management deemed it appropriate to treat these instruments as trading transactions, not as hedge accounting transactions, therefore recognising the change in the fair value of the financial instrument directly in the income statement.

With reference to derivative instruments entered for hedging the interest rate risk on loans for management purposes, the Company presents the differential exchanged with the counterparty during the year in the item "Interest expense to banks", while the change in the fair value of these derivative instruments is instead presented in the item "Other financial income", if positive, or in the item "Other financial expense" if negative.

INVENTORIES

Inventories are measured at the lower of acquisition or production cost, determined on the basis of the weighted average cost method, and the corresponding realisable value represented by the replacement cost for purchased materials and the estimated realisable value for finished and semi-finished products, calculated by taking into account any manufacturing costs as well as the direct sales costs yet to be incurred. The cost of inventories includes the amount of ancillary costs and direct and indirect production costs reasonably attributable to them. Obsolete or slow-moving stocks are written down based on their possibilities of use or realisation. The write-down of inventories is eliminated in subsequent years if the reasons for it no longer apply.

TRADE AND OTHER RECEIVABLES

The receivables are initially recognised at fair value.

Subsequently, receivables are measured with the amortised cost method on the basis of the effective interest rate represented by the rate, which makes the present value of future cash flows and the carrying amount equal at the moment of initial recognition.

In accordance with IFRS 9 trade receivables are classified into the categories Held to collect and Held to collect and sell. Their amount is adjusted at the end of the reporting period to the expected realisable value and written down in case of impairment measuring the expected credit loss along the life of the receivable, together with the level of solvency of the individual debtors, also in function of the specific characteristic of the underlying credit risk, taking into account available information.

ASSIGNMENT OF RECEIVABLES

Receivables transferred based on factoring transactions are cancelled from the assets in the Statement of Financial Position only if the risks and benefits correlated with their ownership have been substantially transferred to the assignee.

LOANS

Loans are initially measured at cost, corresponding to the fair value of the consideration received, net of accessory acquisition costs.

After this initial valuation, loans are measured at the amortised cost principle calculated through the application of the effective interest rate method.

The effective interest method is the method to calculate the amortised cost of a financial liability and the allocation of interest expense during the relevant period. The effective interest rate is the rate that discounts future payments (including all fees, transaction costs and other premiums or discounts) over a duration of a financial liability or, if more appropriate, over a shorter period. To determine the effective interest rate on floating-rate loans, the Company updates the estimation of cash flows on the basis of the prospective reference rate curves extracted at each reporting date.

Loans are classified as current liabilities unless the Company has the unconditional right to defer the settlement of the liability for at least twelve months after the reporting date.

PROVISIONS

Provisions for risks and charges represent probable liabilities of uncertain amount and/or timing deriving from past events, whose settlement will entail an outflow of resources. Provisions are recognised exclusively if there is a present legal or constructive obligation requiring the use of economic resources, provided such obligation can be reliably estimated. The amount recognised in the provision represents the best estimate of the expenditure required to settle the obligation at the reporting date. Provisions are reviewed at each reporting date and adjusted so as to represent the best current estimate.

If the outflow of resources connected to the obligation is expected to take place beyond normal payment terms and the effect of discounting is relevant, the amount of the provision is represented by the present value of the expected future payments for the settlement of the obligation.

Contingent assets and liabilities are not recognised in the Financial Statements. However, they are subject to adequate disclosure.

EMPLOYEE BENEFITS

Short-term benefits

Short-term employee benefits are accounted for in the Income Statement in the period in which the services are rendered.

Post-employment benefits

Starting from 1 January 2007, the Financial Act (law 296/2006) and the relative implementing decrees introduced considerable amendments to the rules on post-employment benefits, including the selection to be made by the worker with respect to the allocation of accruing post-employment benefits. In particular, the new dispositions require the payment of new flows of post-employment benefits to pension funds chosen by the employee or, in case the same employee has opted to retain these flows within the company, to a treasury account set up at INPS.

For employees of companies with more than 50 employees, as in the case of LU-VE S.p.A., only post-employment benefits accrued up to 31 December 2006 continue to be classified as “defined benefit plans”, while those accruing subsequent to that date are classified as a “defined contribution plan”, as all obligations of the company are met when it makes the periodic contribution to third-party entities. Therefore, discounted amounts are no longer recognised in the Income Statement. Instead, outlays made to the various types of pension plans selected by employees or to the separate INPS treasury fund, calculated based on art. 2120 of the Italian Civil Code, are recognised under personnel costs.

TRADE PAYABLES AND OTHER LIABILITIES

Trade payablesand other liabilities are initially recognised at fair value, plus any costs connected to the transaction. Subsequently they are measured at nominal value, as it is not deemed necessary to apply any discounting or separately attribute explicit or separated interest expense in the Income Statement, as it is not considered material in light of expected payment times.

CRITERIA FOR THE TRANSLATION OF FINANCIAL ITEMS IN FOREIGN CURRENCY

Receivables and payables originally expressed in foreign currencies are translated to euro at the exchange rates of the date on which the transactions giving rise to them take place. The exchange differences realised upon collection of the receivables and payment of the payables in foreign currency are recognised in the Income Statement. Income and expenses relating to transactions in foreign currency are recognised at the current exchange rate on the date on which the relative transaction takes place.

At year end, assets and liabilities expressed in foreign currency are recognised at the spot exchange rate as at the end of the financial year and the relative exchange gains and losses are recognised in the Income Statement. If the translation gives rise to a net profit, a non-distributable reserve for a corresponding amount is restricted until its actual realisation.

REVENUE RECOGNITION

Revenues are recognised at the time of transfer of the control on the goods or services promised to the customer. Revenues are recognised net of returns, discounts, allowances and premiums, as well as directly linked taxes.

Contracts with customers generally include a single performance obligation, that is the sale of the goods, generally met upon delivery of the goods to the customer.

COST RECOGNITION

Costs and expenses are recognised in the Financial Statements on an accrual basis.

FINANCIAL INCOME

Financial income includes interest income on invested funds and income from financial instruments. Interest income is allocated to the Income Statement when it accrues, using the effective interest method.

FINANCIAL EXPENSE

Financial expense includes interest expense on financial payables calculated using the effective interest rate method (net of differentials exchanged with the counterparty during the year relating to IRS derivative instruments entered into to hedge the interest rate risk of loans), bank fees and expenses deriving from financial instruments, together with the fair value effect of derivative financial instruments.

INCOME TAXES FOR THE YEAR

Income taxes include all taxes calculated on the Company’s taxable income for the year. Income taxes are recognised in the Income Statement, with the exception of those relating to items directly charged or credited to shareholders' equity, in which case the tax effect is recognised directly under shareholders' equity. Other taxes not correlated with income, such as other indirect taxes and fees on property, are classified as operating expenses to the item "Other operating costs". Deferred tax liabilities are recognised based on the global liability method. They are calculated based on all temporary differences emerging between the taxable amount of an asset or liability and the carrying amount in the consolidated Financial Statements, with the exception of goodwill, which is not tax deductible. Deferred tax assets on tax losses and unused retained tax credits are recognised to the extent to which is it likely that future taxable income will be available against which those tax assets may be utilised. Current and deferred tax assets and liabilities are offset when the income taxes are levied by the same tax authority and when there is a legal right to offset. Deferred tax assets and liabilities are calculated using the tax rates expected to be applicable in the years in which the temporary differences will be realised or extinguished.

If the possibility of realigning the tax value of goodwill to its book value were to be granted by Italian tax law, the accounting policy established by the Directors is not to immediately record in the Income Statement the future tax benefit connected to the redemption as a contra-entry to deferred tax assets.

As described in the next paragraph relative to the tax consolidation, LU-VE S.p.A. is the consolidating company for the companies within this scope.

DIVIDENDS

Dividends are accounted for on an accrual basis when the right to receive them arises, corresponding to the resolution of distribution.

EXCHANGE GAINS AND LOSSES

The amount of any net gain arising from the adjustment of foreign currency items to year-end exchange rates, upon approval of the financial statements and consequent allocation of the result, is recorded, for the portion not absorbed by any loss for the year, in a non-distributable reserve until subsequently realised.

At the end of the financial year the overall amount of gains and losses not realised on exchange rates is redetermined. When the overall net profit on exchange rates is higher than the amount of the equity reserve, the latter is integrated. If, however, a loss is recognised or a net profit lower than the reserve, respectively the entire reserve or the excess is reclassified in a freely distributable reserve in the preparation of the Financial Statements.

TREASURY SHARES

Treasury shares are recognised as a deduction from shareholders' equity. The carrying amount of treasury shares and revenues from any subsequent sales are recognised as changes in equity.

EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit (loss) attributable to shareholders of the Company by the weighted average of ordinary shares outstanding during the year. The diluted earnings per share coincide with the basic earnings per share as there are no options in circulation which may potentially lead to the issue of new Company's shares and thus result in dilutive effects.

TAX CONSOLIDATION CONTRACT

National Tax Consolidation applies (pursuant to art. 117 et seq. of Italian Presidential Decree 917/86 – TUIR (Consolidation Act on Income Taxes)), and its scope includes, in addition to the consolidating company LU-VE S.p.A., 4 other Italian subsidiaries: SEST S.p.A. (years 2022-2024), Thermo Glass Door S.p.A., Manifold S.r.l., Air Hex Alonte S.r.l. (years 2023-2025).

It should be noted that, starting from the financial year 2024, the above-mentioned scope will also include the companies Refrion S.r.l. and RMS S.r.l. (the tax consolidation agreement entered into between LU-VE S.p.A. and these companies covers the period 2024-2026).

National tax consolidation allows the determination of current IRES tax on a taxable income corresponding to the algebraic sum of positive and negative taxable components of the participating companies. Economic relationships, in addition to reciprocal responsibilities and obligations, are regulated by specific agreements between the parties according to which, in case of positive taxable income, subsidiaries transfer to the parent company the financial resources corresponding to the greater tax due by them for the effect of participating to the national tax consolidation, and in case of negative taxable income, they receive a compensation equivalent to the relative tax saving made by the parent company, if and in the measure in which there are prospects of profitability that allow the Group to effectively reduce current taxes or the recognition of deferred tax assets.

USE OF ESTIMATES

The preparation of the Financial Statements and the relative notes in application of IFRS requires the Management to make use of estimates and assumptions that impact, even significantly, the values of the assets and liabilities in the Financial Statements and the disclosure relating to contingent assets and liabilities as at the reporting date. These estimates and assumptions are based on historical experience and on other external and internal factors deemed relevant by Management. Actual results may differ from those estimates.

The underlying estimates and assumptions are reviewed periodically by Management (at least annually). Any changes in the estimate are recognised prospectively starting from the period in which this estimate is revised.
In the preparation of the financial statements, no significant Judgements were adopted during the process of application of the accounting standards, with the exception of those relating to estimates that have a significant impact on amounts recognised in the financial statements. The main assumptions relating to the future and the main causes for uncertainty in the estimates at the date of closure of the financial year which represent a significant risk of giving rise to significant adjustments in the accounting values of the assets and liabilities in the following financial year are reported below.

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

The procedure for the impairment test on goodwill, intangible assets and property, plant and equipment described in the paragraph “Impairment of assets” implies - in estimating the value in use - assumptions regarding the forecast of expected cash flows from the only cash generating unit (“CGUs”) identified as the whole entity, making reference to the 2024-2027 business plan prepared by the Management and subsequently included in the LU-VE Group consolidated plan approved by the Board of Directors of the Company held on 21 February 2024, the determination of an appropriate discounting rate (WACC) and a long-term growth rate (g-rate).

These assumptions are based on Management's prospects: i) to specialise production with the objective of achieving an increase in plant efficiency also through product and process innovation; ii) to focus on improving profitability and protecting cash generation through increased production efficiency, the use of automation and careful management of fixed costs; iii) to focus on increasing sales of certain product families with higher margins by improving the absorption of fixed costs; iv) to increase the utilisation of installed production capacity with the consequent necessity of lower investments compared to the historical average (with a resulting modest increase in amortisation over the plan's time horizon); v) to continuously improve the performance of existing products (in particular, by reducing energy consumption through the increasingly significant use of electronic motors); vi) to develop innovative products, especially with the use of natural refrigerant liquids (exploiting the competitive advantage tied to experience and the presence of thousands of reference installations worldwide) aligned to F-GAS regulations.

The actions envisaged on sales prices suggest that it is reasonable to pass on the expected cost increases over the years of the Plan for raw materials, energy and labour costs to the downstream market, thus allowing to safeguard EBITDA in absolute value (as it has been abundantly done in the past). These assumptions take into account an assessment of the possible impacts related to the ongoing geopolitical tensions (Russian-Ukrainian conflict and situation in the Middle East) and to events or trends related to climate change or regulatory changes, also soon to come into force (e.g. Carbon Border Adjustment Mechanism).

As laid out in IAS 36, since the above-mentioned CGU includes a goodwill, the Company’s Management conducted an impairment test to determine whether the carrying amounts relating to the assets of the CGU are recognised in the Financial Statements as at 31 December 2023 at a value not higher than their recoverable amount. In particular, the Company has recognised goodwill for €14.6 million in the Financial Statements as at 31 December 2023, in addition to intangible assets with a finite useful life for €3.8 million, rights of use assets for €1.1 million and property, plant and equipment and other tangible assets for €37.9 million.

Recoverability of the value of investments

Investments in subsidiaries (together with monetary long-term items that, in substance, represent a further net investment in subsidiaries), for which estimates are used in a significant manner in order to determine any write-downs and reversals, were carefully analysed by the Company Management to identify possible indicators of impairment.

In particular, the investments in subsidiaries subjected to impairment test include the investments in LU-VE Deutschland GmbH and LU-VE US Inc., for a total amount of €13.7 million, which incurred significant losses in the financial year and/or in previous years that, for these companies, led to highlight negative sequity for a total amount of €4.8 million at 31 December 2023. In addition, the investments in the company Fincoil LU-VE OY, amounting to €30.6 million, and in the company REFRION S.r.l., amounting to €9.8 million, were subject to impairment testing, which show a significant difference between their carrying amount and the related portion of equity attributable to the Company.

The Management's valuation process is based on the "value in use" criterion by estimating the expected cash flows from the 2024-2027 business plans of these subsidiaries, with the exception of LU-VE US Inc. for which the fair value criterion was considered, adopting the sum-of-the-parts approach, which determines the recoverable amount as the sum of the fair value of the individual assets (mainly consisting of the newly constructed production site and the newly acquired machinery) net of the fair value of the individual liabilities (mostly aligned to the relevant book values).

The procedure for the assessment of the recoverability of investments carrying amounts is based on assumptions concerning, by the way, i) forecast of the expected cash flows from the investments, referring to the 2024-2027 business plans drawn up by the local management in collaboration with the Company's Management and subsequently included in the consolidated business plan of LU-VE Group approved on 21 February 2024 by the Company's Board of Directors, and ii) the determination of an appropriate discount rate (WACC) and long-term growth rate (g-rate), net of their net financial position.

The assumptions underlying the 2024-2027 plans are based on the prospects used by Management in preparing the Group's consolidated business plan, to which reference is made to the paragraph "Measurement criteria - Use of estimates, Recoverability of the value of goodwill, intangible assets and property, plant and equipment" contained in Note 2.1 "Accounting standards" of LU-VE Group's consolidated financial statements.

With particular reference to the subsidiary LU-VE US Inc., an appraisal was prepared by an independent expert of primary standing which determined the fair value of the tangible fixed assets purchased by the subsidiary from 2019 onwards (the assets in the fixed asset register at acquisition date in 2018 have, as then stated in the purchase price allocation, a net book value in line with their fair value), in particular the recently built production site and the related machinery).

The main assumptions used in the appraisal are:

- with reference to properties: a valuation was carried out using the prices per square meter taken from comparable transactions in the area in which these properties are located;
- with reference to plant and machinery: since these are assets acquired in very recent years with respect to the appraisal date (31 December 2023), the historical cost is to be considered a still reliable reference for the purpose of determining the fair value, adjusted by applying age and degradation coefficients.

The fair value of the investment, thus determined, was in line with the net book value recorded as at 31 December 2023.

Loss allowance for trade receivables

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

Income taxes and deferred tax assets

To determine the Company’s income tax liabilities, the Management needs to make assessments with respect to transactions that have uncertain tax implications at the reporting date. In addition, deferred tax assets are measured on the basis of expected income in future years; the assessment of this expected income depends on factors that could change over time and have significant effects on the measurement of deferred tax assets.

In testing the recognition and recoverability of deferred tax assets of €11 million recorded in the Financial Statements as at 31 December 2023, the Company relied on the taxable results deriving from the 2024-2027 business plan and the fiscal year 2028, obtained by carrying forward the figures from the last year of the specific period of the LU-VE S.p.A. Plan and of the other Italian companies participating in the tax consolidation contract through the extrapolation from these of the expected taxable income. The effects deriving from the temporary differences on which deferred tax liabilities were recognised were also used in the test of deferred tax asset recognition. However, the future trend of these factors, including the evolution of the complex global economic and financial environment, together with the effects deriving from the recent geopolitical tensions, requires that the circumstances be constantly monitored by the Company Management.

Climate change impacts

The Company is assessing the risks (and opportunities) related to climate change relevant to its business. The year 2023 was the first year of implementation of LU-VE Group's 2023-2025 Sustainability Plan, approved by the Board of Directors in February 2023. The Sustainability Plan sets out the actions to be pursued in line with the sustainability vision - aligned with some of the UN's Sustainable Development Goals (SDGs) - and the desired positioning of the Company, relating to four key dimensions: 1. Sustainability integrated in the Business Plan, 2. Positive-impact products, 3. Carbon neutrality, 4. High involvement of people. With reference to carbon neutrality, in addition to the activities carried out with reference to Scope 1 and Scope 2 climate-altering emissions, in 2023 a new project was carried out for the calculation of Scope 3 GHG emissions (with reference to the actual data for the fiscal year 2022), following the assessment project carried out the previous year. GHG Scope 3 emissions are the emissions generated upstream and downstream of the production activities, such as for example the emissions generated by logistics and by the products during their use by end users. The project has analysed the categories of the international "GHG Protocol" framework and thus made it possible to clearly identify the business processes for reducing emissions and the information processes on which to improve data availability and accuracy. The analysis has focused mainly on emissions related to the purchase of raw materials and components, inbound and outbound transport, and the use of products by end customers (activities with the most significant impact in terms of emissions) and the decommissioning phase of products at the end of their life cycle.

The quantitative assessment of physical climate risks at all production facilities was conducted in 2022, taking into consideration the different future scenarios correlated to internationally recognised climate models and based on greenhouse gas concentration pathways (Representative Concentration Pathways - RPC) developed by the Intergovernmental Panel on Climate Change (IPCC). This analysis is considered up-to-date and applicable also for the financial year 2023, as it is based on IPCC scenarios, physical climate risk categories, calculation methodologies and time frame still in line with the state of the art and the context in which the Group operates. Specifically, analyses were conducted taking into consideration the RCP 2.6 and RCP 4.5 scenarios and considering a time frame to 2035. More specifically, the analysis showed that the risks that will have the greatest impact are temperature variability, intense precipitation and precipitation variability. These risks refer in particular to some subsidiaries.

An update with reference to transitional climate risks was also made in 2023. The various types of risk – market, technological, legal/policy and reputation – were assessed on the basis of their potential impact on the business and of the Company's ability to deal with them over time. In the process of drawing up the 2024-2027 Business Plan, the main assumptions considered by the Management can be summarised as follows: growth in sales volumes on the basis of the trend towards heat exchangers with natural refrigerants which have an extremely lower impact on GWP compared to traditional F-GAS; adequate investments in research and developments to support the development of more sustainable products; the ability to pass through to the market any increases in raw materials for energy causes through the usual "pass through" systems; in investments it was also considered necessary to adapt the product range to the ongoing technological evolution towards products that use natural refrigerants.

2.2 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 18 May 2017 IASB published standard IFRS 17 – Insurance Contracts, which is destined to superseed standard IFRS 4 – Insurance Contracts. This standard has been applied since 1 January 2023. The objective of the new standard is that of guaranteeing that entities provide pertinent information that faithfully represents the rights and obligations deriving from insurance contracts issued. The adoption of this standard and related amendment had no effects on the Company's Financial Statements.

- On 7 May 2021, the IASB published an amendment called *"Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction"*. The document clarifies how deferred taxes on certain transactions that may generate assets and liabilities of equal amounts, at the date of initial recognition, 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 Company's Financial Statements. For more information, please refer to paragraph 3.19 - "Deferred tax assets and liabilities".

- 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 amendments regarding IAS 1 require an entity to disclose the relevant information on the accounting standards applied by the Group. The changes are intended to improve disclosure of the accounting standards applied by the Group 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 Company's 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 (which is in force in Italy on 31 December 2023, but applicable from 1 January 2024) and establishes specific disclosure obligations for the entities affected by the related International Tax Reform. The LU-VE Group does not exceed the revenue threshold to be subject to the Pillar Two Model Rules.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION AT 31 DECEMBER 2023, FOR WHICH APPLICATION IS NOT YET REQUIRED AND NOT ADOPTED EARLY BY THE COMPANY AS AT 31 DECEMBER 2023

- On 23 January 2020, the IASB published an amendment called *"Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current"* and on 31 October 2022 published an amendment called *"Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants"*.
  These amendments have the objective to clarify how the classification of liabilities as current or non-current. In addition, the amendments also improve the information that an entity must provide when its right to defer the settlement of a liability for at least twelve months is subject to compliance with certain parameters (i.e. covenants). The amendments apply as at 1 January 2024, but early application is permitted. The Directors do not expect the adoption of these amendments to have a significant effect on the Company's Financial Statements.

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

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION AT 31 DECEMBER 2023

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 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 disclosure 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 these amendments to have a significant effect on the Company's Financial Statements.

- On 15 August 2023, the IASB published an amendment called "Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability". The document requires an entity to adopt a methodology to be applied consistently in order to verify whether one currency can be converted into another and, when this is not possible, how to determine the exchange rate to be used and the disclosure to be provided in the explanatory notes. The amendment shall apply as of 1 January 2025, but early application is permitted. The Directors do not expect the adoption of these amendments to have a significant effect on the Company's Financial Statements.

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

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

3.1 GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets *(in thousands of Euro)*	Goodwill		Other intangible assets	Total
Historical				
As at 1 January 2022	**21,078**		**38,666**	**59,744**
Increases	-		3,181	3,181
Decreases	-		(76)	(76)
Reclassifications	-		-	-
As at 31 December 2022	**21,078**		**41,771**	**62,849**
Increases	-		2,006	2,006
Decreases	-		(23)	(23)
Reclassifications	-		-	-
As at 31 December 2023	**21,078**		**43,754**	**64,832**
Accumulated amortisation				
As at 1 January 2022	**6,449**	**(*)**	**31,656**	**38,105**
Increases	-		5,062	5,062
Decreases	-		-	-
Reclassifications	-		-	-
As at 31 December 2022	**6,449**	**(*)**	**36,718**	**43,167**
Increases	-		3,215	3,215
Decreases	-		-	-
Reclassifications	-		-	-
As at 31 December 2023	**6,449**	**(*)**	**39,933**	**46,382**
Net book value				
As at 31 December 2022	**14,629**		**5,053**	**19,682**
As at 31 December 2023	**14,629**		**3,821**	**18,450**

** The goodwill amortisation provision refers to the amount recognised as at 1/01/2014 in accordance with previous accounting standards and unchanged since that date.*

Goodwill

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

The Company tested the recoverability of the carrying amount of the Net Invested Capital (NIC) of LU-VE S.p.A. (identified as whole cash generating unit) as at 31 December 2023. The NIC includes the value of goodwill (€14.6 million), other intangible assets with a finite useful life for €3.8 million, right of use assets for €1.1 million and property, plant and equipment and other tangible assets for €37.9 million.

In determining the recoverable amount of the CGU, identified in the value in use as the sum of the discounted cash flows generated in the future and on an ongoing basis of the NIC (Discounted Cash Flow Unlevered method), Management referred to the Company's 2024-2027 business plan prepared by Management and subsequently included in the LU-VE Group's consolidated business plan approved by the Company's Board of Directors held on 21 February 2024, the main assumptions of which are reported in the Note "*Use of Estimates*" above.

The weighted average cost of capital calculated for the discounting of cash flows is based on a weighting between the cost of debt and the cost of equity, determined on the basis of the values of companies comparable to LU-VE S.p.A. and operating within the same business segment.

The values used for the calculation of the average cost of capital (extrapolated from the main financial sources) are as follows:

- industry financial structure: 10.20% (third party capital) and 89.80% (own capital), taking into account the average of a panel of comparable companies;
- sector relevered beta: 1.126;
- risk-free rate: 5.55% determined considering the average yield of the last 6 months of government bonds maturing in ten years, in consideration of the countries in which each CGU operates (reduced average return timeframe, since 2022, compared with the previous reporting period, in order to consider the current condition of macroeconomic uncertainty generated by the Russian-Ukrainian conflict, in line with the latest communications of the OIV[1]);
- risk premium: 5.70% (attributable to AAA-rated countries - source Prof. P. Fernandez, Survey: Market Risk Premium and Risk-Free Rate used for 80 countries in 2023);
- cost of debt, gross tax: 3.73% determined considering the six-monthly average of the IRS rate with 10 years duration equal to 3.12%, increased by a spread equal to 0.61% – average of the spread applied to comparable companies, determined as a ratio between financial expense and EBIT – source A. Damodaran.

The recoverable amount also includes the terminal value, which was calculated with the “perpetual cash flow” method considering a growth rate (g rate) of 2.71%. This rate was calculated as the weighted average of the long-term inflation of the countries in which the Company operates (source “IMF”) and the related revenues. In the terminal value, an operating cash flow based on the last year of the business plan (2027), adjusted so as to reflect a situation “under normal circumstances”, was considered. The level of depreciation and investments was balanced and a change in working capital

[1] Discussion Paper "Impairment test of non-financial assets following the war in Ukraine" issued by the OIV on 13 June 2022.

equal to zero was assumed. A tax rate of 27.9% was also considered, equal to the current applicable Italian rates.

In more detail, in order to determine the recoverable amount of Net Invested Capital, cash flows were discounted using a discounting rate (WACC) which takes into account the specific risks of the asset and which reflects current market assessments of the cost of money. The calculation of the weighted average cost of 11.04% (9.29% as at 31 December 2022).

From the impairment test carried out, approved by the Directors of the Company on 13 March 2023, the Group has not recognised any impairment losses based on the testing carried out, as the value in use resulted higher than the carrying amount.

As required by IAS 36 and by the impairment test guidelines drafted by the O.I.V., the Company has carried out a further sensitivity analysis in relation to the recoverable amount of the CGU, on the one hand analysing the effect of the variation of the discount rate used to discount future cash flows (WACC) and of the g-rate, as well as the effect of a change in the discount rate used to discount future cash flows (WACC) and of the EBITDA both for the specific period and for the terminal value, maintaining the main business plan assumptions unchanged. With reference to the quantitative assessments of physical and transition climate risks, the Directors did not identify any particular risks to be reflected in specific sensitivity analyses in the impairment test on the goodwill of LU-VE SpA

These sensitivity analyses showed potential impairment situations also in non-hardly probable scenarios.

Management has provided to determine the break-even WACC, the reduction of EBITDA and the break-even g-rate (which equalize the Value in Use with the Carrying Amount), obtaining the results reported below:

- break-even WACC (maintaining all the other plan assumptions unchanged) equal to 11.9%;

- reduction of the EBITDA in the explicit period of the Plan and in Terminal Value (maintaining all other plan assumptions unchanged) equal to -6.52%;

- reduction of the break-even g-rate to 1.54%.

Other intangible assets

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

Detail of other intangible assets *(in thousands of Euro)*	**Trademarks**	**Development costs**	**Development costs in progress**	**Software**	**Other**	**Total**
Historical						
As at 1 January 2022	**10,799**	**9,977**	**902**	**16,965**	**23**	**38,666**
Increases	-	301	380	2,486	14	3,181
Decreases	-	(76)	-	-	-	(76)
Reclassifications	-	349	(349)	-	-	-
As at 31 December 2022	**10,799**	**10,551**	**933**	**19,451**	**37**	**41,771**
Increases	-	189	405	1,124	288	2,006
Decreases	-	-	-	-	(23)	(23)
Reclassifications	-	236	(236)	-	-	-
As at 31 December 2023	**10,799**	**10,976**	1,102	**20,575**	**302**	**43,754**
Accumulated amortisation						
As at 1 January 2022	**9,545**	8,792	-	**13,319**	**-**	**31,656**
Increases	717	985	-	3,360	-	5,062
Decreases	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
As at 31 December 2022	**10,262**	**9,777**	-	**16,679**	**-**	**36,718**
Increases	537	562	-	2,116	-	3,215
Decreases	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
As at 31 December 2023	**10,799**	**10,339**	-	**18,795**	**-**	**39,933**
Net book value						
As at 31 December 2022	**537**	**774**	**933**	**2,772**	**37**	**5,053**
As at 31 December 2023	**-**	**637**	**1,102**	**1,780**	**302**	**3,821**

Trademarks

The changes in the year relating to Trademarks refer exclusively to amortisation for the year; it is noted that as at 31 December 2023, the trade marks are fully amortised.

Development costs and development costs in progress

The increase in development costs and development costs in progress for €594 thousand (€681 thousand in 2022), capitalised subject to the prior authorisation of the Board of Statutory Auditors, refers to new product development projects completed or in the process of being completed.
The intense activities carried out have aimed to offer the market increasingly advanced products. The main projects regarded the development of new product ranges (mainly the use of natural refrigerants, such as carbon dioxide, water and ammonia), the miniaturisation and specialisation of tube surfaces and matrices for the improvement of heat exchange efficiencies, the introduction of optimised electronic control systems. During the fiscal year, several projects were completed which have led to a reclassification of the item "Development costs in progress" to "Development costs" for €236 thousand.

Software

The Software category increased by €1,124 thousand in 2023 (€2,486 thousand in 2022); the main projects developed during the year related to the implementation and improvement of new evolutions in SAP, product listing software, product management software, and other management software for better Group-wide operations.

Cash outflows in the year referring to investments in intangible assets amounted to €2,006 thousand.

These property, plant and equipment were included in the impairment test described above as they were allocated to the whole CGU identified by the Management.

3.2 PROPERTY, PLANT AND EQUIPMENT AND RIGHTS OF USE

Other property, plant and equipment *(in thousands of Euro)*	**Property**	**Plant and equipment**	**Right-of-use assets**	**Other property, plant and equipment**	**Work in progress**	**Total**
Historical						
As at 1 January 2022	41,413	47,434	1,676	15,054	650	106,227
Increases	480	1,193	472	493	147	2,785
Decreases	-	(948)	(327)	(217)	-	(1,492)
Reclassifications	-	-	-	2	(2)	-
As at 31 December 2022	41,893	47,679	1,821	15,332	795	107,520
Increases	214	2,181	563	1,281	954	5,193
Decreases	(206)	(1,782)	(297)	(145)	(2)	(2,432)
Reclassifications	353	340	-	-	(693)	-
As at 31 December 2023	42,254	48,418	2,087	16,468	1,054	110,281
Accumulated depreciation						
As at 1 January 2022	12,040	40,776	664	13,650	-	67,130
Increases	720	1,944	431	539	-	3,634
Decreases	-	(901)	(310)	(213)	-	(1,424)
Reclassifications	-	-	-	-	-	-
As at 31 December 2022	12,760	41,819	785	13,976	-	69,340
Increases	649	1,964	460	753	-	3,826
Decreases	-	(1,522)	(248)	(105)	-	(1,875)
Reclassifications	-	-	-	-	-	-
As at 31 December 2023	13,409	42,261	997	14,624	-	71,291
Net book value						
As at 31 December 2022	29,133	5,860	1,036	1,356	795	38,180
As at 31 December 2023	28,845	6,157	1,090	1,844	1,054	38,990

As at 31 December 2023, the increases in the historical cost of property, plant and equipment amounted to €5,193 thousand. These increases are mainly due to:

- €3,349 thousand for the programme of technological investments in property, plant and equipment for the improvement and rationalisation of the existing productive capacity, of which €954 thousand refers to property, plant and equipment in progress;
- €1,281 thousand for the purchase of industrial equipment and moulds;
- €563 thousand for the recognition of new rights of use pursuant to IFRS 16.

It is specified that, of the €5,193 thousand increase in property, plant and equipment, approximately €1,995 thousand was recognised as payables in the item 'other current payables', as they were for purchases of assets not yet fully paid up as at 31 December 2023.

Decreases of €2,432 thousand were recorded during the year, due to divestments and disposals of almost fully depreciated plant and machinery, which generated a loss on disposal of €53 thousand.

During the year, following the atmospheric events that occurred in Northern Italy in the summer of 2023, the Company suffered some damages on fixed assets and consequently proceeds with the repair or the disposal of the damaged assets; the impacts from the disposal and/or repair of the fixed assets were subject to insurance compensation.

During the year, financial expense was not capitalised on property, plant and equipment.

In the fiscal year, capital expenditure in property, plant and equipment led to a net cash outflow of €2,648 thousand (equal to the total group increase of €5,193 thousand, net of increases related to IFRS 16 of €563 thousand and the net effect on 31 December 2022 of investments not yet paid for of €1,982 thousand).

These property, plant and equipment were included in the impairment test described above as they were allocated to the only CGU identified by the Management.

The table below provides detailed information on assets still owned on which the revaluations provided under specific laws were carried out:

	Item								
	Property		Plant and equipment		Other property, plant and equipment		Trademarks		
Types of revaluations *(in thousands of Euro)*	**Gross amount**	**Net amount as at 31/12/2023**	**Gross amount**	**Net amount as at 31/12/2023**	**Gross amount**	**Net amount as at 31/12/2023**	**Gross amount**	**Net amount as at 31/12/2023**	**Net total as at 31/12/2023**
Italian Law 413 of 30 December 1991	5	1	-	-	-	-	-	-	1
Italian Law 342 of 21 November 2000	-	-	1,347	-	1,080	-	-	-	-
Italian Law 350 of 24 December 2003	-	-	1,814	-	1,183	-	-	-	-
Italian Law 266 of 23 December 2005	-	-	847	-	296	-	-	-	-
art. 1, paragraph 622 of the 2022 Budget Law (It. Law 234/2021)	4,515	4,105	-	-	-	-	1,971	1,853	5,957
TOTAL	**4,520**	**4,106**	**4,008**	**-**	**2,559**	**-**	**1,971**	**1,853**	**5,958**

3.3 INVESTMENTS

The details of this item are shown below:

Investments *(in thousands of Euro)*	31/12/2023	31/12/2022	Change
SEST S.p.A.	44,895	44,895	-
Heat Transfer System s.r.o. (HTS)	9,540	9,540	-
LU-VE France S.à.r.l.	1,303	1,303	-
LU-VE Deutschland GmbH	173	173	-
LU-VE Iberica S.l.	145	145	-
LU-VE Asia Pacific Ltd. (**)	13	13	-
LU-VE HEAT EXCHANGERS (Tianmen) Co, Ltd	10,535	10,535	-
LU-VE Sweden AB	390	390	-
MANIFOLD S.r.l.	10	10	-
LUVEDIGITAL S.r.l.	5	5	-
Spirotech Heat Exchangers Private Ltd	39,468	39,468	-
LU-VE Austria GmbH	18	18	-
LU-VE US, Inc. (*)	13,552	7,052	6,500
Air Hex Alonte S.r.l.	15,434	15,434	-
Fincoil LU-VE OY	30,649	30,649	-
LU-VE Netherlands B.V.	10	10	-
«OOO» LU-VE Moscow	1	1	-
LU VE MIDDLE EAST DMCC	20	20	-
LU-VE Korea LLC	107	107	-
REFRION S.R.L.	9,846	9,846	-
LU-VE UK Ltd	12	12	-
Total investments in subsidiaries:	**176,126**	**169,626**	**6,500**
Industria e Università S.r.l. (other companies)	6	6	-
Total	**176,132**	**169,632**	**6,500**

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

(**) Liquidation procedures are in progress.

The change in investments for €6,500 thousand refers to the increase in the equity investment of LU-VE US Inc.; in fact, during the year:

- The value of the equity investment was increased by €9,122 thousand (equal to USD 10,000 thousand) following the capital conversion of part of the financial receivable from the same subsidiary. For further details, please refer to Note "3.4 - Other non-current financial assets";

- To align this transaction with the write-downs made in previous years on the aforementioned financial receivable, the increase in investment was written down for €2,622 thousand and at the same time the provision for the write-down of financial receivables was used for €2,622 thousand, netting any impact on profits and losses from investments and other interests as reported in Note 4.11.

Following the release of the provision for the write-down of financial receivables, the related deferred tax assets were also used for €629 thousand.

The change in equity investments for the year did not result in cash inflows or outflows.

Management has subjected to impairment test the following investments as at 31 December 2023, identifying as indicators of impairment (i) the presence of significant losses incurred in the current year and/or previous years that led to a negative equity for certain companies or (ii) significant differences between the carrying amount of the investments in the financial statements and the related portion of equity attributable to the Company:

- LU-VE Deutschland GmbH;
- REFRION S.r.l.
- Fincoil LU-VE OY;
- LU-VE US Inc.

It should also be noted that at 31 December 2022 management had included in the book value subject to the impairment test the loans granted by LU-VE S.p.A. (classified under Non-current financial assets and described in the following note) to the subsidiary LU-VE US Inc., considered by Management as a monetary long-term item that, in substance, represented an extension of the net investment in the subsidiary, the fulfilment of which by the subsidiary is neither planned nor likely to occur in the foreseeable future. As at 31 December 2023, these financial receivables were fully written down.
In determining the recoverable amount, identified as the value in use, for all subsidiaries except LU-VE US Inc., i.e. the sum of the discounted cash flows expected in the future and on an ongoing basis, net of the subsidiary's net financial position (so called Discounted Cash Flow Method - Equity side), the Management made reference to the 2024-2027 Business Plans of these subsidiaries prepared by the local management in collaboration with the Management of the Company and subsequently included in the consolidated 2024-2027 Business Plan, approved by the Board of Directors on 21 February 2024.

In particular, for the key variables of greater importance in determining the cash flow forecasts, please refer to the previous paragraph "Use of estimates - Recoverability of the value of equity investments".

In more detail, in order to determine the recoverable amount of the investments tested, cash flows were discounted using a discount rate (WACC) which takes into account the specific risks of the investment and which reflects current market assessments of the cost of money. Different WACCs were calculated assuming as a reference basis the risk free rates relating to the different countries of the tested investments in subsidiaries. The recoverable amount also includes the terminal value, which was calculated using the "perpetual cash flow" method considering a growth rate (g rate) in line with the expected growth rates of the countries in which each company operates. In the terminal value, an operating cash flow equal to the last year of the plan (2027 for all companies), adjusted so as to reflect a situation "under normal circumstances", was considered. The level of amortisation and investments was balanced and a change in working capital equal to zero was assumed. A tax rate equal to the tax rate in force in the countries in which the individual subsidiaries are based was also considered.

The main parameters considered in estimating the Equity value are reported below:

Company	***WACC***	***g rate***
LU-VE Deutschland GmbH	8.30%	1.99%
REFRION S.r.l.	10.25%	1.97%
Fincoil LU-VE OY	9.23%	2.11%

With specific reference to the WACC used in the development of the impairment test of the subsidiary REFRION S.r.l., a Company Specific Risk Premium of 1% was also considered in determining the same.

From the impairment tests carried out, and approved by the Board of Directors of the Company on 13 March 2024, no impairment losses have emerged.

In addition, as the recoverable amount is determined on the basis of projections, the Company Management has developed sensitivity analyses.

In addition, Management has determined the break-even WACC and g-rate, together with a reduction in the percentage of the EBITDA value in the period in question and of the Terminal Value for each equity investment subject to impairment test.

Company	**% EBITDA**	***WACC****	***g rate *****
LU-VE Deutschland GmbH	-41.9%	22.4%	n.s.
REFRION S.r.l.	-47.0%	13.2%	n.s.
Fincoil LU-VE OY	-30.0%	5.0%	n.s.

** These values are in addition to the WACC values of the base-case scenarios.*

*** Break even g-rate: non-significant reduction of the TV g-rate. Even by using a nil value, the Cover would not be zero.*

Following the sensitivity scenario on the group's climate change, it is specified, with reference to the company Refrion S.r.l., that:

- As far as transition risks are concerned, there are not expected to be any differential impacts compared to those anticipated in the plan (period 2024-2027);
- With regard to physical risks, Management has prudentially estimated a potential negative impact on cash flows with respect to the scenario forecast in the 2024-2027 Business Plan and on terminal value. This negative impact is quantifiable in a reduction of the company's cash flows both in the above-mentioned specific period and in the terminal value for an amount equal to €2,000 thousand (costs to be incurred for the "Heavy Snow Precipitation" issues). The aforementioned sensitivity analysis relating to climate change would lead to a lower, but still significant, cover.

With reference to the quantitative assessments of the physical and transitional climate risks of the other subsidiaries subject to impairment tests, the Directors did not identify any particular risks to be reflected in specific sensitivity analyses.

Finally, with particular reference to the subsidiary LU-VE US Inc., the recoverable amount was determined based on the fair value criterion, adopting the sum-of-the-parts approach given by the sum of the fair value of the individual assets net of the fair value of individual liabilities.

To this end, an appraisal was prepared, drawn up by an independent expert of primary standing, which determined the fair value of the tangible fixed assets acquired by the subsidiary from 2019 onwards (the assets in the fixed assets register at the date of acquisition of the subsidiary in 2018 have, as then declared at the time of purchase price allocation, a net book value in line with their fair value), in particular the recently built production site and the related machinery).

The main assumptions used in the appraisal are:

- with reference to properties: a valuation was carried out using the prices per square meter taken from comparable transactions in the area in which these properties are located;
- with reference to plant and machinery: since these are assets acquired in very recent years with respect to the appraisal date (31 December 2023), the historical cost is to be considered a still reliable reference for the purpose of determining the fair value, adjusted by applying age and old degradation coefficients.

The fair value shown in the aforementioned appraisal was in line with the net book value recorded as at 31 December 2023.

Company Management has then determined that a reduction in the recoverable value, as calculated above, of 25.5% would lead to a break-even test for impairment considering that the fair value of the loan with the Company is considered to be zero, in line with the net book value recorded in the Separate Financial Statements of LU-VE S.p.A..

A dedicated list indicating the information required for each subsidiary by art. 2427 of the Italian Civil Code, is provided in annex.

3.4 OTHER NON-CURRENT FINANCIAL ASSETS

Other non-current financial assets *(in thousands of Euro)*	**31/12/2023**	**31/12/2022**	**Change**
Other non-current financial assets	32,219	46,052	(13,833)
Intragroup bad debt provision	(20,978)	(23,600)	2,622
Total	**11,241**	**22,452**	**(11,211)**

The item "*Other non-current financial assets*" amounted to €32,219 thousand (gross of the related bad debt provision) compared to €46,052 thousand in the previous year and make reference to financial receivables from subsidiaries.

These financial receivables are detailed as follows:

- for €20,978 thousand to a long-term loan in USD (about USD 23,180 thousand) granted to the subsidiary LU-VE US Inc. to provide the necessary financial resources for the development of the production site. This receivable was fully written down in previous years;
- for €5,063 thousand for a long-term loan granted to the subsidiary LU-VE Sweden AB;
- for €4,500 thousand to a multi-year loan, in Euro, granted to the subsidiary SPIROTECH Heat Exchangers Pvt. Ltd;
- for €1,500 thousand for a long-term loan granted to the subsidiary RMS S.r.l.;
- for €178 thousand for a long-term loan granted to the subsidiary LU-VE Iberica s.l.;

Decreases for the year:

- for €9,122 thousand (USD 10,000 thousand), the financial receivable was converted against the increase in the value of the equity investment of LU-VE US Inc. and at the same time the provision for the write-down of financial receivables was released for €2,622 thousand. For further details, please refer to Note “3.3 – Investments”. All changes are non-monetary;
- for €6,000 thousand due to the full repayment of a long-term loan granted to the subsidiary Refrion S.r.l.;
- for €1,500 thousand due to the partial repayment of a long-term loan granted to the subsidiary RMS S.r.l.;
- for €617 thousand due to the partial repayment of a long-term loan granted to the subsidiary LU-VE Iberica s.l.;
- for €273 thousand due to the full repayment of a long-term loan granted to the subsidiary LU-VE OOO "SEST-LUVE".

Increases for the year:

- for €3,679 thousand, of which €4,610 thousand (approximately USD 5,000 thousand) was due to new long-term loans granted to the subsidiary LU-VE US Inc. and €931 thousand due to the non-monetary effect of negative exchange rate;

The change in non-current financial assets led to the generation of cash for €3,780 thousand (given by the total negative change in the item of €11,211 thousand, net of the non-monetary changes described above relating to the changes in the loan to LU-VE US Inc. (conversion of the financial receivable for €9,122 thousand and to the effect of the exchange rate delta for €931 thousand and consequently to the use of the related provision for €2,622 thousand).

3.5 OTHER NON-CURRENT ASSETS

Other non-current assets *(in thousands of Euro)*	**31/12/2023**	**31/12/2022**	**Change**
Other non-current assets	1,303	2,587	(1,284)
Total	1,303	2,587	(1,284)

"*Other non-current assets*" amounted to €1,303 thousand (€2,587 thousand in 2022) and refer primarily to non-current receivables from the subsidiary SEST-LUVE-Polska SP.z.o.o. for values referring to the customer list and the know-how of the commercial evaporators production line transferred to Poland, as reported in the 'Introduction' note of the 2020 Financial Statements.

The decrease of approximately €1,284 thousand mainly refers to the reclassification of the short-term portion of the receivable under "*Other current assets*" (Note 3.10). The contract signed with the counterparty includes a residual 2-year instalment repayment plan.

3.6 INVENTORIES

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

Inventories *(in thousands of Euro)*	**31/12/2023**	**31/12/2022**	**Change**
Raw, ancillary and consumable materials	8,704	11,590	(2,886)
Work in progress and semi-finished products	1,631	1,803	(172)
Finished products and goods for resale	2,825	5,247	(2,422)
Provision for inventory losses	(1,946)	(1,946)	-
Total	11,214	16,694	(5,480)

The change in value of around €5,480 thousand, compared to 2022, refers to the Company's procurement policies to make greater use of inventories, in particular that of raw materials, while guaranteeing delivery terms in line with customer expectations.

No provision or release of the inventory write-down reserve was necessary during the year.

The change in inventories led to a generation of cash for €5,480 thousand.

3.7 TRADE RECEIVABLES

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

Trade Receivables *(in thousands of Euro)*	**31/12/2023**	**31/12/2022**	**Change**
Trade receivables from third parties	12,002	12,736	(734)
Trade receivables from Group customers	28,742	30,424	(1,682)
Third party bad debt provision	(2,147)	(2,283)	136
Group bad debt provision	(1,744)	(1,744)	-
Total	**36,853**	**39,133**	**(2,280)**

As at 31 December 2023, receivables from Group companies amounted to €28,742 thousand, broken down as follows:

- €28,175 thousand of gross trade receivables for invoices issued, (partially offset by the related bad debt provision for an amount of €1,744 thousand);

- €567 thousand in receivables for contract assets (net of credit notes to be issued for €1 thousand).

For details, please refer to the Note on Related Parties (see Note "4.16 - Related Party Transactions")

As at 31 December 2023, receivables from third-party customers amounted to €12,002 thousand, broken down as follows:

- €11,994 thousand in gross trade receivables for invoices issued, (partially offset by the related bad debt provision for an amount of €2,147 thousand);

- €853 thousand for advance payments to suppliers;

- €818 thousand to reduce trade receivables relating to variable remuneration (credit notes to be issued for bonuses granted to customers);

- €27 thousand to reduce receivables for contract assets (invoices to be issued relating to services already provided by the Company to third parties).

In addition, total receivables transferred to Factoring companies amounted to €7,108 thousand (€6,211 thousand as at 31 December 2022), of which 6,413 thousand refer to receivables transferred in December 2023 (€5,838 thousand as at 31 December 2022). All transfers are without recourse. Transferred receivables as a percentage of revenue came to 6.69% in 2023 and 6.33% in 2022.

The Company's bad debt provision with respect of third parties decreased overall during the year by €136 thousand. This change refers to uses of the provision against no longer recoverable receivables.

The breakdown of receivables from third parties by geographical area is shown below:

Breakdown of trade receivables from third parties by geographical area *(in thousands of Euro)*	**31/12/2023**	**31/12/2022**	**Change**
Italy	1,297	3,681	(2,384)
EU countries	6,894	5,408	1,486
Non-EU countries	3,811	3,647	164
Bad debt provision	(2,147)	(2,283)	136
Total	**9,855**	**10,453**	**(598)**

The ageing of trade receivables from third parties is shown below:

Breakdown of trade receivables from third parties by maturity *(in thousands of Euro)*	**31/12/2023**	**31/12/2022**	**Change**
Current receivables (not past due)	9,682	9,342	340
Past due up to 30 days	1,126	1,182	(56)
Past due from 30 to 60 days	162	724	(562)
Past due from 60 to 90 days	43	12	31
Past due for more than 90 days	989	1,476	(487)
Total	12,002	12,736	(734)

The Company measures the bad debt provisions at an amount equal to the losses expected throughout the lifetime of such receivables. The expected losses on trade receivables are estimated using a provision matrix by clusters of overdue accounts, making reference to its own historical experience in relation to losses on receivables, and an analysis of creditors' financial position, adjusted to include factors specific to the creditor, general economic conditions of the industry in which the creditor operates and an assessment of the current and anticipated evolution of these conditions at the end of the reporting period.

As at 31 December 2023, the estimate of the expected losses included the potential forward-looking impacts and of the macroeconomic conditions related to the possible deterioration of customers' creditworthiness, of the countries in which operate and on their ability to meet their obligations. With reference to the latter, it is reported that, as at 31 December 2023, the effects on receivables arising from the current macroeconomic context had not generated significant delays in collections with respect to the original contractual due dates with its customers.

The following table summarises, on the basis of the IFRS 9, the risk profile of trade receivables on the basis of the provision matrix reviewed by the Company in 2023, therefore reporting the gross book value of receivables from third parties at the time of possible default (equivalent to the recognition value of receivables), and the estimate as at 31 December 2023 of expected losses throughout the credit life:

(in thousands of Euro)	Not past due	0-30	31 - 60	61 - 90	>90	Total
Expected default rate	10.73%	7.55%	13.58%	30.23%	99.90%	17.89%
Estimate of gross accounting value at the time of default	9,682	1,126	162	43	989	12,002
Expected losses throughout the life of the credit	1,039	85	22	13	988	2,147

The Management has also calculated the ECL on the Company's net credit position towards subsidiaries, in the assumption that in case of default of a subsidiary within the Group, the Parent Company would only suffer the loss of the net amount of reciprocal items, having the possibility of controlling cash flows between the parties. Therefore, for each directly or indirectly controlled company, the test has considered as its unit-of-account, the algebraic sum of trade receivables, other non-current financial assets (where not already included in the impairment test of equity investments described in Note 3.3 - Equity Investments), the balance of Cash Pooling included in "Current financial assets", net of the balance payable of "Cash Pooling" included in the item "Other current financial liabilities" and of "Trade payables" and "Tax consolidation liabilities and assets".

Management has then divided directly and indirectly controlled companies into three risk categories, on the basis of their historical economic performance and expectations of the same.

Subsequently, the Management has estimated the timing of expected cash payments. Based on the expected timing, these cash flows were discounted at an annual rate that includes a specific risk component of the three identified categories (0.5%, 2% and 4.5% based on historical knowledge) and a mark-up for the component of the geographical area in which the subsidiary operates.

The results of the analyses in thousands of Euro as at 31 December 2023 are reported below:

Risk Class	Trade receivables	Other non-current financial assets	Net cash pooling	Payables and Other Receivables	Net lending position	Impairment loss on accounts receivables	Impairment on loans
Risk Class 1	4,963	-	7,459	(938)	11,484	524	20,978
Risk Class 2	2,680	-	-	(107)	2,573	75	-
Risk Class 3	21,099	11,241	19,979	(4,621)	47,699	1,145	-
Total	28,742	11,241	27,438	(5,666)	61,756	1,744	20,978

The allocation to risk class 1 refers exclusively to the company LU-VE US Inc.
All trade receivables are due within the subsequent year and derive from ordinary sales transactions. Please note that no receivables with a duration of more than 5 years were recognised in this item of the Financial Statements.

The change in trade receivables resulted in a cash generation of €2,280 thousand.

3.8 CURRENT TAX ASSETS

This item was broken down as detailed:

Current tax assets *(in thousands of Euro)*	**31/12/2023**	**31/12/2022**	**Change**
VAT receivables	618	1,143	(525)
Tax receivables from tax authorities	2,103	722	1,381
Total	**2,721**	**1,865**	**856**

The increase in receivables due from tax authorities for current taxes amounting to €856 thousand was due to:

- an increase of €1,381 thousand mainly due to substitute taxes on interest on Time deposits for €749 thousand, tax receivables for IRES advanced payments for €300 thousand and other minor tax receivables for €332 thousand;
- decrease of €525 thousand for VAT referring to the purchase trends.

3.9 CURRENT FINANCIAL ASSETS

The current financial assets included in this item are part of the "FVTPL" category pursuant to IFRS 9, with the exception of Time deposits which belong to the *"Held to collect"* category pursuant to IFRS 9 and measured at amortised cost. These are financial instruments, whose contractual financial flows are not constituted solely by payment of capital and interest on the amount of capital to be repaid, and are held by the Company in the context of a pro tempore strategy whose objective, at equal risk, is the optimisation of the net cost of debt.

This item is broken down as follows:

Current financial assets *(in thousands of Euro)*	**31/12/2023**	**31/12/2022**	**Change**
Time deposit	10,000	10,000	-
Capitalisation policies	10,169	102,670	(92,501)
Fair value of derivatives	6,306	13,986	(7.680)
Cash pooling	39,247	29,632	9,615
Other securities	263	240	23
Total	**65,985**	**156,528**	**(90,543)**

As of 31 December 2023, the Time deposit contracts entered into by the Company amounted to €92,500 thousand (€20,000 thousand as of 31 December 2022), of which €10,000 thousand (unchanged from the previous year, as the amount was disinvested and subsequently reinvested during 2023) under *"Current financial assets"* as they had maturities of more than three months (in each case maturing in less than one year), and €82,500 thousand classified under "Cash and cash equivalents", as they have a maturity of less than three months (€10,000 thousand as of 31 December 2022, also entirely disinvested during 2023), for further details see Note 3.11 - *"Cash and cash equivalents"* and Note 3.21 - "Net financial position".

As at 31 December 2023, Time deposit investments generated financial income of €2,238 thousand - of which €1,966 thousand collected - recognised in the Income Statement under "Financial income".

The item "Capitalisation policies" at 31 December 2023 shows a decrease of €92,501 thousand. The change in the period is due to:

- redemption of the Aviva Vita policies underwritten by the Company, 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 fair value at the time of redemption of these policies was €86,194 thousand and led to the recognition in the income statement of a net income of €408 thousand classified under the item "Financial income".
- redemption of capitalisation policies issued by BNP Paribas Cardif Vita Compagnia di assicurazione e Riassicurazione S.p.A. and underwritten by LU-VE S.p.A. for a nominal amount of €15,000 thousand and whose fair value at the time of liquidation was €17,083 thousand (at 31 December 2022, the nominal value was €15,000 thousand, while the fair value was €16,883 thousand). The redemption entailed the recognition in the income statement of a net income of €200 thousand classified under the item "Financial income".
- in June 2023, subscription of new Class I policies issued by ARCA Vita S.p.A. for €5,000 thousand, net of non-material subscription commissions (the latter accounted for in the income statement under the item "Financial expense") and valued at 31 December 2023 at fair value in the amount of €5,085 thousand. 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. ARCA Vita policies are restricted for the first 12 months of their completed subscription, after which the invested liquidity can be disposed of without any restriction;
- in June 2023, subscription of new Class I and Class III policies issued by the company SOGELIFE SA for €5,000 thousand, net of non-material subscription commissions (the latter accounted for in the income statement under the item "Financial expense") and valued at 31 December 2023 at fair value for an amount of €5,085 thousand. These policies make provision for a minimum guaranteed yield and allow, after the assignment of a single premium, the possible annual revaluation of the capital according to the yield obtained from management. SOGELIFE SA policies do not provide for early redemption restrictions.

The item "fair value of derivatives" represents the fair value as at 31 December 2023 of derivative contracts stipulated by the Company.

The following table summarises the derivative financial instruments outstanding as at 31 December 2023, broken down by type:

Derivative financial instruments as at 31/12/2023 *(in thousands of Euro)*		31/12/2023		31/12/2022		31/12/2023	31/12/2022
TYPE	ORIGINAL NOTIONAL	NOT. Short	NOT. M/L	NOT. Short	NOT. M/L	FAIR VALUE	FAIR VALUE
IRS on loans	492,600	97,732	205,287	88,936	271,821	6,306	13,964
Commodities Swap	-	-	-	3,379	-	-	22
Total	**492,600**	**97,732**	**205,287**	**92,315**	**271,821**	**6,306**	**13,986**
Total Notional			**303,019**		**364,136**		

As at 31 December 2023, derivative financial instruments related to IRSs on loans entered into by the Company showed a positive fair value of €6,306 thousand (€13,964 thousand as at 31 December 2022).

Please refer to Appendix A for details as at 31 December 2023 of the derivative financial instruments in place. The change in the fair value of derivatives for €6,863 thousand compared to the previous year is mainly determined as follows:

- negative change in fair value of €7,658 thousand for derivative financial instruments on interest rates (Note 4.9 - Financial expense);

- negative change in fair value of €22 thousand for derivative financial instruments on the purchases of the main raw materials copper and aluminium. During 2023, no new derivative contracts were executed to hedge the costs of raw materials, and those pre-existing as at 31 December 2022 have come to a natural end.

Other securities refer to investments in insurance certificates, with Unicredit, totalling €300 thousand. During the financial year, certificates for a total value of €300 thousand were redeemed due to the expiry of contractual terms. The fair value measurement as of 31 December 2023 resulted in the recognition of a positive change of €23 thousand (Note 4.8 - Financial Income).

"Cash pooling" represents receivable balances for the Company deriving from the Group's centralised treasury. The numerical change in Cash Pooling as at 31 December 2023 is approximately €9,615 thousand.

The aforementioned net disinvestments in financial assets resulted in a net cash generation of €85,293 thousand (determined by the difference between the change in other current financial assets for 90,543 net of the negative change in the fair value of derivatives equal to 7,658 thousand, to the positive change in receivables for invoices to be issued for Cash pooling interest for €1,607 thousand, and to the positive change in the fair value of investments in policies for €801 thousand).

3.10 OTHER CURRENT ASSETS

The details of this item are shown below:

Other current assets *(in thousands of Euro)*	31/12/2023	31/12/2022	Change
Advances to suppliers	956	1,150	(194)
Receivables from Group Companies for tax consolidation	724	683	41
Other receivables	2,218	1,390	828
Total	**3,898**	**3,223**	**675**

The increase of "other current assets" for €675 thousand is due to:

- the contribution of receivables for tax consolidation for €41 thousand referring to the year 2023;
- an increase of €634 thousand in advances to suppliers and other sundry receivables (the latter mainly comprising the current portion of the receivable from the subsidiary SEST LU-VE Polska Sp.z.o.o. attributable to the quantification of values referring to the customer list and know-how of the commercial evaporator line transferred to Poland in previous years).

3.11 CASH AND CASH EQUIVALENTS

The details of this item are shown below:

Cash and cash equivalents *(in thousands of Euro)*	31/12/2023	31/12/2022	Change
Cash and bank deposits	80,081	107,217	(27,136)
Cash equivalents	82,500	10,000	72,500
Total	**162,581**	**117,217**	**45,364**

For further information on cash flow dynamics, please refer to paragraph 1.5 – "Statement of Cash Flows".

The cash equivalents refer to the Time deposits of €82,500 thousand with a maturity of less than three months (Note 3.9).

The Company has placed no restrictions and/or constraints on the use of these amounts.

3.12 SHAREHOLDERS' EQUITY

Share capital amounted to €62,704 thousand (€62,704 thousand as at 31 December 2022).

In 2023, dividends of €8,438 thousand were distributed by the Company from the extraordinary reserve and retained earnings from the previous year.

As at 31 December 2023, LU-VE S.p.A. held 28,027 treasury shares. There were no purchases or sales in the year 2023.

The table provided below shows the possibility of use of the different items of shareholders' equity and the summary of uses in the last three years:

Nature/description	Amount	Possibility of use	Available portion	Summary of uses in the last three years (*)	
				to cover losses	for other reasons
Share capital	62,704	-			
Principal amount reserves:		-			
Share premium reserve	24,762	A,B,C	24,762		
Reserve for treasury shares	-	-			
Profit reserves:					
Legal reserve	4,558	B			
Exchange delta reserve not available	1,242	B			
Extraordinary reserve	9,331	A,B,C	9,331		(22,898)
Fair value change reserve not available	2,833	B			
Revaluation reserve	273	A,B	273		
Post-employment benefits discounting reserve	(14)	-			
Total (*)	**105,689**		**34,366**		
Non-distributable portion	74,842				
Distributable portion	30,847				

Please note the existence of tax restrictions mainly for realignment transactions carried out in 2000/2003 and 2005 for €7,709 thousand in the Share Capital, €273 thousand in the revaluation reserve and €152 thousand in the extraordinary reserve (as reported in the 2021 UNICO model). In 2022, following the realignment of trademarks and buildings, an additional amount of €6,292 thousand was restricted (€3,198 thousand in the legal reserve and €3,094 thousand in the premium reserve shares).

Key:
A: for capital increases
B: to cover losses
C: for distribution to shareholders

Following the approval by the Shareholders' Meeting of the 2022 Financial Statements, by the will of the Company, the foreign exchange rate difference reserve not available had become equal to €2,173 thousand, while the fair value change reserve not available had become equal to €7,452 thousand.

In 2023, as the conditions for their unavailability partially ceased to exist, €931 thousand was reclassified from the unavailable exchange rate difference reserve and €4,619 thousand from the unavailable fair value change reserve to the extraordinary reserve.

3.13 LOANS

This item is broken down as follows:

Loans *(in thousands of Euro)*	31/12/2023 Current	31/12/2023 Non-current	31/12/2022 Current	31/12/2022 Non-current
M/L term bank loans	118,620	250,222	102,737	320,201
Total	**118,620**	**250,222**	**102,737**	**320,201**

As at 31 December 2023, bank loans amounted to €368,842 thousand (€422,938 thousand as at 31 December 2022).

For the breakdown of the item, accounted for according to the amortised cost method, the evolution compared to the previous year and the characteristics of the bank loans held by the Company, please refer to the table in paragraph 9 Appendix B. Please note that for loans at floating rate, the Company calculated the amortised cost as at 31 December 2023 on the basis of the market forward yield curve at the reporting date.

In relation to some loan agreements, the Company is committed to respect specific financial and economic parameters (covenants), which however, are tested only annually on drawing up the consolidated Financial Statements of the Group as at 31 December of each year. In accordance with ESMA Guidelines 2021/32-382-1138, the related Appendix shows the loans outstanding as at 31 December 2023, for which compliance with the equity and economic covenants is required on a consolidated basis, as well as the characteristics of the covenants themselves (in thousands of Euro).

The changes in loans during the financial year are shown below:

Loans: changes for the year *(in thousands of Euro)*	Opening balance	New loans	Repayments	Amortised cost effect (*)	Closing balance
Loans	422,938	50,000	(102,786)	(1,310)	368,842
Total	**422,938**	**50,000**	**(102,786)**	**(1,310)**	**368,842**

(*) Impact generated by the calculation of future cash outflows for interest on the basis of market forward yield curves for variable rate loans, of which €56 thousand related to the impact on the income statement (*determined by the positive effect of the curves for €1,515 thousand and the negative effect of interest accrued but not yet paid of €1,459 thousand, Note 4.9) and compensated by €1,254 thousand related to the repayment of interest accrued in 2022 and paid in 2023*.

The following changes took place in loans in 2023:

- Proceed obtained from the second and final tranche of €20 million of the unsecured loan signed in December 2022 for a total of €25,000 thousand with Banco BPM S.p.A. The first tranche of EUR 5 million had already been obtained in December 2022 at the time of subscription. The loan aimed at supporting the company's financial needs provides for better conditions for the Group to achieve specific sustainability objectives. The loan requires compliance with financial covenants;

- proceed obtained from an unsecured loan for €30,000 thousand with Intesa Sanpaolo S.p.A. for a term of 60 months (of which 6 months of pre-amortisation) in constant capital repayment on a quarterly basis. The loan, aimed at supporting the financial requirements related to the expansion of products with a green impact on total turnover, provides for better conditions for the Group to achieve specific sustainability objectives within the share of turnover dedicated to community support activities and hours of training per individual worker on environmental/social sustainability issues. The loan requires compliance with financial covenants;

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

- repayments for the year of €102,786 thousand entirely related to repayments made during the year of current instalments of existing loans, no early redemptions occurred in 2023.

The total cash flows absorbed for reimbursements amounted to €102,786 thousand (€131,529 thousand in 2022), the subscriptions contributed a cash benefit of €50,000 thousand.

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

- with reference to the loan of €5,500 thousand maturing on 11 November 2026, a 90% guarantee granted by the SME Central Guarantee Fund pursuant to 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.

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

3.14 PROVISIONS

Change in provisions *(in thousands of Euro)*	31/12/2022	Provisions/ (Releases)	Uses	31/12/2023
Provision for agents' leaving indemnities	18	-	-	18
Product warranty provision	1,445	-	-	1,445
Total	**1,463**	**-**	**-**	**1,463**

The provision for agents' leaving indemnities covers the amounts to be paid out to agents in the event of termination of the agency relationship by the Company. The provision remained unchanged from the previous year.

The product warranty provision relates to the risk of returns or charges from customers for products already sold and identified as non-compliant. The provision, unchanged from the previous year, is adjusted on the basis of analyses conducted and past experience.

Provisions, which represent the estimated future outflows calculated partly based on historical experience, were subject to actuarial valuation as at 31 December 2023. As the effect was deemed negligible, it was not incorporated in the Company's Financial Statements as at 31 December 2023.

3.15 EMPLOYEE BENEFITS OBLIGATIONS

Employee benefits obligations amounted to €782 thousand, a net decrease of €9 thousand compared to 31 December 2022. The entire amount of this item referred to the Provision for post-employment benefits (T.F.R.), which includes substantially the post-employment benefits accrued by personnel employed as at 31 December, net of advances paid out to employees.

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

The relative regulations were supplemented by Italian Legislative Decree 252/2005 and Italian Law 296/2006 (2007 Financial Act), which established that for companies with at least 50 employees the amounts accrued starting in 2007 would be allocated to the INPS Treasury Fund or to supplementary pension plans, at the choice of the employee, and would therefore become "Defined contribution plan".

In application of IAS 19, the provision for post-employment benefits is recalculated using the actuarial valuation methodology with the support of an external expert, and adjusted in relation to the occurrence of events which require its updating.

The date of the last actuarial valuation was 31 December 2023.

The breakdown and changes in the item as at 31 December 2023 are shown below:

Employee benefits *(in thousands of Euro)*	**31/12/2023**	**31/12/2022**
Liabilities as at 1 January	791	814
Accruals	-	-
Financial expense	27	16
Payments made	(39)	(44)
Transfers in/out	(6)	109
Actuarial (gains)/losses	9	(104)
Liabilities at the end of the year	**782**	**791**

The Provision for post-employment benefits changed primarily based on uses for the year to provide advances and/or payments to former personnel.

The adjustment to equity for actuarial gains and losses includes a net actuarial loss of €9 thousand, calculated as follows:

- actuarial gain deriving from the change in the main actuarial assumptions used as at 31 December 2023 with respect to the previous valuation as at 31 December 2022 of €9 thousand;
- actuarial loss deriving from the effect of the change in the group subject to valuation between one valuation and another, which was different from what was assumed: €18 thousand.

Actuarial gains and losses are recognised in shareholders' equity through the statement of comprehensive income.

The amounts recognised in the Income Statement are included in "Personnel costs" (please see Note 4.5).

The main financial and demographic assumptions used at the date of the last reference valuation of 31 December 2023 are shown below:

Financial assumptions	**31/12/2023 %**	**31/12/2022 %**
Discount rate (IBOXX Eurozone Corporate AA 10+ Index)	3.08	3.63
Inflation rate	2.00	2.30
Post-employment benefits increase rate	3.00	3.23

The sensitivity analysis for the provision for post-employment benefits is reported below. The following table reports the change in the provision with the variation of the most significant actuarial hypothesis, that is the discount rate:

Sensitivity of provision for post-employment benefits as at 31/12/2023 (in thousands of Euro)	0.25%	-0.25%
Discount rate	(13)	13

3.16 OTHER FINANCIAL LIABILITIES

The item "Other financial liabilities" mainly refers to financial payables linked to IFRS 16, payables for cash pooling and payables for the purchase of the equity investment in Refrion S.r.l.. In regard to this transaction, please refer to the Introduction of the Explanatory Notes to the Financial Statements as at 31 December 2022.

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

Other non-current financial liabilities *(in thousands of Euro)*	31/12/2023	31/12/2022	Change
IFRS 16 financial payables	684	645	39
Other financial payables	990	1,384	(394)
Total	1,674	2,029	(355)

The item "IFRS 16 Financial payables" of €684 thousand refer to the medium and long-term payable for leases recognised in application of the IFRS 16 standard.

The item “Other financial payables” for €990 thousand refers to payables for the deferred consideration relating to the purchase of the investment in Refrion S.r.l., and for which €394 thousand was paid during the year, in line with the respective deadlines.

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

Other current financial liabilities *(in thousands of Euro)*	31/12/2023	31/12/2022	Change
Cash pooling	11,808	3,400	8,408
IFRS 16 financial payables	418	408	10
Total	12,226	3,808	8,418

Cash pooling represented payable balances for the Company relating to the Group’s centralised treasury. As at 31 December 2023, the balance of €11,808 thousand is mainly linked to the company HTS S.R.O. for €5,715 thousand, to the company Fincoil LUVE OY for €4,455 thousand and to other Group companies for €1,638 thousand.

The item "IFRS 16 Financial payables" of around €418 thousand refer to the short-term lease payable recognised in application of the IFRS 16 standard. The total "cash out" in the year with reference to IFRS 16 amounts to approximately €541 thousand.

The monetary effect of other financial liabilities was positive in the amount of €7,521 thousand (based on the increase in the Cash Pooling of €8,408 thousand, decrease for reimbursements of other payables in the amount of €393 thousand, and €494 thousand related to the payment in the year of IFRS16 rental costs).

3.17 TRADE PAYABLES

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

Trade Payables *(in thousands of Euro)*	**31/12/2023**	**31/12/2022**	**Change**
Italy	19,876	25,454	(5,578)
EU countries	3,999	4,081	(82)
Non-EU countries	210	1,396	(1,186)
Total	**24,085**	**30,931**	**(6,846)**

The decrease of €6,846 thousand is mainly due to the decrease in purchases of materials in the second half of 2023 compared to the second half of 2022, when the Company had decided to invest in the strategic decision to increase inventories.

As at 31 December 2023, there were no past-due payables of significant amounts with due date exceeding 5 years, nor had the Company received payment orders for past-due payables.

Contract liabilities (advances received from customers before rendering any service) for an amount of €47 thousand were recognised under trade payables. There were no supplier financing and/or reverse factoring transactions during the year.

The change in "Trade payables" therefore involved a cash outflow of €6,846 thousand.

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

3.18 TAX LIABILITIES

Payables to the tax authorities for current income taxes *(in thousands of Euro)*	**31/12/2023**	**31/12/2022**	**Change**
Payables to tax authorities for income taxes	-	1,484	(1,484)
Others	1,170	851	319
Total	**1,170**	**2,335**	**(1,165)**

The decrease in the item "Payables to tax authorities for direct taxes" mainly refers to the negative performance of the Italian companies that are part of the tax consolidation during the year 2023, which led to the recognition of higher deferred tax assets for tax losses as reported in the next paragraph.

The item "Others" for €1,170 thousand mainly refers to the payable to the tax authorities for tax withholdings for employees and Directors.

3.19 DEFERRED TAX ASSETS AND LIABILITIES

The details of this item are shown below:

Deferred tax assets and liabilities *(in thousands of Euro)*	**31/12/2023**	**31/12/2022**	**Change**
Deferred tax assets	11,021	8,052	2,969
Deferred tax liabilities	(5,631)	(5,728)	97
Net position	**5,390**	**2,324**	**3,066**

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

Deferred tax liabilities and assets: changes in the year *(in thousands of Euro)*	**TAX LOSSES**	**DEPR./AMORT. AND LEASES**	**MERGER GROSS UP**	**ACTUARIAL VALUATION OF POST-EMPLOYMENT BENEFITS**	**ACCRUALS AND VALUE ADJUSTMENTS**	**OTHER DIFFERENCES**	**TOTAL**
01.01.2022	**-**	**687**	**4,378**	**(26)**	**(4,612)**	**(326)**	**101**
In Income Statement	-	(55)	-	-	(2,738)	343	(2,450)
In Equity	-	-	-	25	-	-	25
31.12.2022	**-**	**632**	**4,378**	**(1)**	**(7,350)**	**17**	**(2,324)**
In Income Statement	(3,556)	(53)	-	-	639	(94)	(3,064)
In Equity	-	-	-	(2)	-	-	(2)
31.12.2023	**(3,556)**	**579**	**4,378**	**(3)**	**(6,711)**	**(77)**	**(5,390)**

As at 31 December 2023, Deferred tax assets refer to:

- the impact on the income statement of the Company's tax losses; it is expected that this impact will be reduced over the next few years in consideration of the future taxable income expected from the companies included in the tax consolidation agreement;

- tax differences on allocations to provisions, where the most significant impact refers to the provision for financial receivables in the amount of €629 thousand as reported in Note 3.3 "Investments";

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

- other tax differences, regarding net temporary recoveries such as unpaid remuneration, exchange differences and other.

As at 31 December 2023, deferred tax liabilities referred to:

- tax differences on accounting depreciation and depreciation recognised for tax purposes on fixed assets;

- the recognition of taxes on the 2008 merger difference allocated to land.

As reported in the previous note "*Use of estimates*", in the test of recognition and recoverability of deferred tax assets recognised in the Financial Statements as at 31 December 2023, Management took into account the taxable income expected from the Company's 2024-2027 business plan and the fiscal year 2028, the latter carrying forward the figures from the last year of the specific period of the plan, and the taxable income expected from the Italian companies participating in the tax consolidation scheme for the same period, and by extrapolating from the last year of the business plan the expected taxable income for the following year. The effects deriving from the temporary differences on which deferred tax liabilities were recognised were also used in the test of recognition.

3.20 OTHER CURRENT LIABILITIES

The details of this item are shown below:

Other current liabilities *(in thousands of Euro)*	**31/12/2023**	**31/12/2022**	**Change**
To personnel	4,710	4,865	(155)
To social security institutions	2,178	2,056	122
To Directors and Statutory Auditors	1,869	2,038	(169)
Payables to subsidiaries for tax consolidation	1,275	1,103	172
Other current payables	2,716	1,025	1,691
Total	**12,748**	**11,087**	**1,661**

The increase of "other current liabilities" for €1,661 thousand is due to:

- an increase of €1,691 thousand for Other current payables mainly attributable to payables for the purchase of fixed assets;

- an increase of €172 thousand for payables for tax consolidation with the Italian companies that are part of the tax consolidation agreement;

- a decrease of €202 thousand due to the decrease in payables to Directors and statutory auditors and the reduction in payables to personnel and social security institutions (net decrease of €33 thousand).

In the beginning of 2024, payables to personnel and social security institutions were paid in accordance with the relative due dates.

3.21 NET FINANCIAL POSITION

In compliance with the provisions of the ESMA 2021/32-382-1138 Guidelines issued on 4 March 2021, it should be noted that the Company's net financial position is as follows:

Net financial position *(in thousands of Euro)*	**31/12/2023**	**31/12/2022**	**Change**
A. Cash (Note 3.11)	80,081	107,217	(27,136)
B. Cash equivalents (Note 3.9 and 3.11) (*)	82,500	10,000	72,500
C. Other current financial assets (Note 3.9) (**)	65,985	156,528	(90,543)
D. Total Liquidity (A+B+C)	**228,566**	**273,745**	**(45,179)**
E. Current financial debt (including debt instruments, but excluding current portion of non-current financial debt) (Note 3.16)	12,226	3,808	8,418
F. Current portion of non-current financial debt (Note 3.13)	118,620	102,737	15,883
G. Current financial indebtedness (E+F)	**130,846**	**106,545**	**24,301**
H. Net current financial indebtedness (H-D)	**(97,720)**	**(167,200)**	**69,480**
I. Non-current financial debt (excluding current portion and debt instruments) (Note 3.13 and 3.16)	**251,896**	**322,230**	**(70,334)**
- Non-current bank payables (Note 3.13)	250,222	320,201	(69,979)
- Lease payables and other non-current financial payables (Note 3.16)	1,674	2,029	(355)
J. Debt instruments	-	-	-
K. Non-current trade and other payables	-	-	-
L. Non-current financial indebtedness (I+J+K)	**251,896**	**322,230**	**(70,334)**
M. Net financial indebtedness (H+L)	**154,176**	**155,030**	**(854)**

(*) Cash equivalents refer to liquidity invested in Time deposit by Group companies with a maturity of less than 3 months (Note 3.9).

(**) The item "Other current financial assets" includes receivables for Cash Pooling from Group companies for €39,247 thousand, €10,000 thousand in investments in Time deposits (Note 3.9)

Please refer to the Statement of Cash Flows in Note 1.5 for details on changes.

4 COMMENT ON THE MAIN ITEMS OF THE INCOME STATEMENT

4.1 REVENUES

In 2023, revenues from sales amounted to €93,785 thousand, a decrease of 1.66% compared to the previous year (€95,371 thousand as at 31 December 2022).

Revenues by product family

Revenues by product *(in thousands of Euro)*	**2023**	**%**	**2022**	**%**	**Change**	**% Change**
Air Cooled Equipment	78,387	83.58%	78,648	82.47%	(261)	(0.33%)
Heat exchangers	15,398	16.42%	16,723	17.53%	(1,325)	(7.92%)
TOTAL	93,785	100.00%	95,371	100.00%	(1,586)	(1.66%)

Revenues by geographical area

Revenues by geographical area *(in thousands of Euro)*	**2023**	**%**	**2022**	**%**	**Change**	**% Change**
Italy	28,211	30.08%	27,915	29.27%	296	1.06%
France	14,747	15.72%	13,591	14.25%	1,156	8.51%
Germany	9,467	10.09%	8,343	8.75%	1,124	13.47%
Poland	5,841	6.23%	4,847	5.08%	994	20.51%
Spain	5,107	5.45%	5,193	5.45%	(86)	(1.66%)
Dubai - United Arab Emirates	3,858	4.11%	2,590	2.72%	1,268	48.96%
The Netherlands	2,205	2.35%	3,571	3.74%	(1,366)	(38.25%)
Czech Republic	2,102	2.24%	2,274	2.38%	(172)	(7.56%)
Great Britain	1,968	2.10%	2,345	2.46%	(377)	(16.08%)
Croatia	1,956	2.09%	1,841	1.93%	115	6.25%
Austria	1,283	1.37%	1,804	1.89%	(521)	(28.88%)
Russia	1,246	1.33%	2,373	2.49%	(1,127)	(47.49%)
Finland	1,033	1.10%	420	0.44%	613	145.95%
USA	1,012	1.08%	2,279	2.39%	(1,267)	(55.59%)
Sweden	1,002	1.07%	1,993	2.09%	(991)	(49.72%)
Other countries	12,747	13.59%	13,992	14.67%	(1,245)	(8.90%)
TOTAL	93,785	100.00%	95,371	100.00%	(1,586)	(1.66%)

For further details, please refer to the Directors' Report.

4.2 OTHER OPERATING INCOME

Other Operating Income *(in thousands of Euro)*	**2023**	**2022**	**Change**
Other operating income	2,079	2,654	(575)
Total	**2,079**	**2,654**	**(575)**

The item "other operating income" increased from €2,654 thousand in 2022 to €2,079 thousand in 2023 and includes €1,283 thousand of charge-backs for intragroup services, mainly IT.

4.3 PURCHASES OF MATERIALS

Purchases of materials *(in thousands of Euro)*	**2023**	**2022**	**Change**
Raw materials and purchased components	40,601	49,719	(9,118)
Consumables	1,421	1,637	(216)
Total	**42,022**	**51,356**	**(9,334)**

In 2023, the cost for the purchases of materials decreased from €51,356 thousand to €42,022 thousand (decrease of €9,334 thousand, equal to around 18.18%).

For further details, please refer to the Directors’ Report.

4.4 COSTS FOR SERVICES

Services *(in thousands of Euro)*	**2023**	**2022**	**Change**
General and advisory expenses	9,157	7,599	1,558
Remuneration to the corporate bodies	3,382	3,481	(99)
External processing	2,098	2,043	55
Expenses for electricity and communications	3,532	2,292	1,240
Transport expenses	1,133	1,579	(446)
Maintenance expenses	2,129	1,665	464
Commissions	1,082	1,181	(99)
Costs for use of third-party assets	313	396	(83)
Advertising and promotional expenses	214	353	(139)
Other costs for services	2,121	2,149	(28)
Total	**25,161**	**22,738**	**2,423**

COSTS FOR SERVICES

The item "Costs for services" increased compared to the previous financial year by a total of €2,423 thousand. This increase mainly refers to:

- the increase in costs for general expenses and advisory costs amounting to €9,157 thousand (€7,599 thousand in 2022);

- the increase in costs for electricity and communications of €3,532 thousand (€2,292 thousand in 2022) mainly due to the increase in the cost of electricity at constant volumes;

- the increase in maintenance costs of €2,129 thousand (€1,665 thousand in 2022) attributable to increased work on machinery;

- the decrease in transport costs of €1,133 thousand (€1,579 thousand in 2022) mainly linked to the decrease in purchases;

- the decrease in costs for advertising and promotional expenses amounting to €214 thousand (€353 thousand in 2022);

- the decrease in other service costs of €2,121 thousand (€2,149 in 2022) attributable to lower expenses for waste disposal, cleaning and personnel training;

For further details, please refer to the Directors' Report.

As described in Note 3.13 - Loans, LU-VE S.p.A. has taken out unsecured loans that provide for conditions that become better for the Group when specific sustainability objectives are achieved.

In this regard, LU-VE S.p.A. declares:

- the purchase of energy from renewable sources for all electricity used during the year, equal to approximately MWh 6,650;

- dedicating approximately 1% of annual turnover to community support activities, for an amount of €0.9 million;

- to have integrated a procurement policy into its internal procedures that integrates environmental considerations and covers the purchases, transportation and energy supplies.

- to have introduced in the company fleet new vehicles with reduced environmental impact (approximately 19% of the total fleet).

- to have offered 12.8 hours of training per employee on environmental and social sustainability issues during the year, for a total of 5,437 hours.

Remuneration to corporate bodies are provided below (for more details, please see Note 4.16 “Directors’ and Statutory Auditors’ Fees” below):

Remuneration to the corporate bodies *(in thousands of Euro)*	**2023**	**2022**	**Change**
Directors’ fees	3,239	3,338	(99)
Board of Statutory Auditors’ fees	143	143	-
Total	**3,382**	**3,481**	**(99)**

For the details on the remuneration of Directors and Statutory Auditors, reference should be made to Note 4.17 of these Explanatory Notes.

Audit fees disclosure

Pursuant to article 149-duodecies of the CONSOB issuer regulations, a summary table of the audit and non audit fees paid for the services provided by Deloitte & Touche S.p.A., which was engaged to audit the Separate Financial Statements and the consolidated Financial Statements of the Company.

Type of services	**Service provider**	**Recipient**	**Remunerations** *(in thousands of Euro)*
Audit	Deloitte & Touche	LU-VE S.p.A.	213
Limited assurance on the consolidated non-financial statement	Deloitte & Touche	LU-VE S.p.A.	33

4.5 PERSONNEL COSTS

Personnel costs *(in thousands of Euro)*	**2023**	**2022**	**Change**
Wages and salaries	15,119	15,249	(130)
Social security costs	5,361	5,237	124
Post-employment benefits	1,184	1,025	159
Total	**21,664**	**21,511**	**153**

The average number of LU-VE S.p.A. employees in 2023 was 424 (425 in 2022).

As at 31 December 2023, the number of employees of the Company was 413 (233 blue-collar workers, 166 white-collar and middle-collar workers, 14 executives), compared to 428 in 2022.

As at 31 December 2023, the number of temporary employees was 51 (56 in 2022).

The increase in personnel costs of €153 thousand is a result of the effects of inflation and the stability of the number of employees.

4.6 NET WRITE-DOWNS OF CURRENT FINANCIAL ASSETS

No write-downs of financial assets were carried out during the year.

4.7 OTHER OPERATING EXPENSES

Other operating expenses *(in thousands of Euro)*	**2023**	**2022**	**Change**
Non-income taxes	236	243	(7)
Other operating costs	738	452	286
Total	974	695	279

Non-income taxes included mainly taxes on owned property.

The item "other operating costs" mainly includes donations to support the population of Emilia-Romagna affected by the flood of May 2023 for €300 thousand, contingent liabilities for €166 thousand, membership fees for €111 thousand, taxes and deductible taxes for €59 thousand and other residual costs for €102 thousand.

4.8 FINANCIAL INCOME

Financial income *(in thousands of Euro)*	**2023**	**2022**	**Change**
Dividends from subsidiaries	20,000	11,500	8,500
Interest income	6,324	1,477	4,847
Other financial income	801	16,182	(15,381)
Total	27,125	29,159	(2,034)

Details of financial income are as follows:

- €20,000 thousand refer to: (i) dividends distributed by SEST S.p.A. for €10,000 thousand and (ii) dividends distributed by Heat Transfer Systems s.r.o. for €5,000 thousand; (iii) dividends distributed by Air Hex Alonte S.r.l. for €2,500 thousand; (iv) dividends distributed by Fincoil LU.VE OY for €2,000 thousand; (v) €500 thousand for dividends distributed by LU-VE France S.à.r.l.

- €6,324 thousand mainly refer to interest income accrued on Time deposits during the year, amounting to €2,238 thousand (of which €1,966 thousand were collected; for more details, please refer to Note "3.9 - Current financial assets)", interest income on intragroup loans of €1,607 thousand and for cash pooling of €1,695 thousand;

- €801 thousand related to the net financial income (€8,661 thousand in income on policies, with a net of 7,860, due to fair value effect of previous years) from the redemption of Aviva Vita and Cardif BNL capitalisation policies (see Note "3.9 - Current financial assets");

During the year, financial income of €32,127 thousand was collected (to total interest of €27,125 thousand, €7,860 thousand must be added for the non-monetary effect of the fair value on capitalisation policies as reported above, net of interest income on cash pooling, on loans to subsidiaries, from banks and on Time deposits, accrued and not collected for €2,858 thousand).

4.9 FINANCIAL EXPENSES

Financial expenses *(in thousands of Euro)*	**2023**	**2022**	**Change**
Interest expenses to banks	8,631	8,902	(271)
Interest expenses to other lenders	39	9	30
Other financial expenses	7,909	242	7,667
Total	16,579	9,153	7,426

"Interest expenses to banks" of €8,631 thousand refers primarily to interest on loans (for €14,833 thousand as at 31 December 2023), partially offset by the differentials exchanged with counterparties on IRS financial instruments (€6,146 thousand as at 31 December 2023), and by the effect of the amortised cost (€56 thousand as at 31 December 2023 resulting from the positive effect of the updated interest yield curves for €1,515 thousand and the negative effect of interest for the year, but not yet paid, equal to €1,459 thousand, please refer to Note 3.13. - "Loans").

"Interest expense to other lenders" refers to the negative interest of Cash pooling.

Details of "Other financial expense" are as follows:

- €7,658 thousand refers to the negative fair value on derivative financial instruments underlying existing loans of LU.VE S.p.A. (please refer to Note 3.9. - "Current financial assets");

- €251 thousand refers to other interest expense and financial expense accrued or realised during the year.

The monetary change in interest payable to banks was negative for €8,858 thousand (equal to total interest on loans of €14,833 thousand paid in the year, net of differentials exchanged with counterparties and cashed on IRS financial instruments for €6,146 thousand in addition to the payment of other interest payable for €171 thousand).

4.10 EXCHANGE GAINS AND LOSSES

In 2023 LU-VE S.p.A. reported net exchange losses of €1,244 thousand (net gains of €1,475 thousand in 2022). Of these net losses, approximately €1,184 related to unrealised foreign exchange gains as of 31 December 2023 (approximately €1,415 thousand as of 31 December 2022) and approximately €60 thousand related to realised foreign exchange losses at 31 December 2023 (approximately €60 thousand of gains as at 31 December 2022).

4.11 PROFITS AND LOSSES FROM EQUITY INVESTMENTS AND OTHER INTERESTS

During 2023, the following were recorded:

- Write-downs attributable to the equity investment in the subsidiary LU-VE US Inc. for €2,622 thousand, see Note "3.3 - Investments"
- Use of the provision for the write-down of financial receivables attributable to loans disbursed to the subsidiary LU-VE US Inc. for €2,622 thousand, see Note "3.3 - Investments".

4.12 INCOME TAXES

Income taxes *(in thousands of Euro)*	**2023**	**2022**	**Change**
Current taxes	-	2,108	(2,108)
Deferred tax liabilities	(3,064)	(2,450)	(614)
Adjustment previous year	(244)	(89)	(155)
Total	**(3,308)**	**(431)**	**(2,877)**

The reconciliation between the tax charge recognised in the Financial Statements and the theoretical tax charge, determined on the basis of theoretical tax rates in force in Italy, is shown below:

Reconciliation of IRES theoretical tax charge *(in thousands of Euro)*	**Pre-tax amounts**	**%**	**Tax effect**
Pre-tax profit (loss)	**2,856**	**24.00%**	**685**
+ Non-deductible amortisation and depreciation	327	2.75%	78
+ Costs for motor vehicles, telephony and food service	308	2.59%	74
+ Non-deductible local taxes	-	0.00%	-
+ Other permanent upward adjustments	3,177	26.70%	762
- Non-taxable dividends	(19,000)	(159.66%)	(4,560)
- Deductible IRAP	(10)	(0.08%)	(2)
- Other permanent downward adjustments	(1,055)	(8.87%)	(253)
Actual tax charge	**(13,397)**	**(136.58%)**	**(3,216)**
+ Temporary upward adjustments	1,246	10.47%	299
- Temporary downward adjustments	(2,662)	(22.37%)	(639)
Current tax charge	**(14,813)**	**(148.48%)**	**(3,556)**

Reconciliation of IRAP theoretical tax charge *(in thousands of Euro)*	**Pre-tax amounts**	**%**	**Tax effect**
Difference between values and costs of production	(6,476)	3.90%	(253)
+ Non-deductible amortisation and depreciation	642	(0.39%)	25
+ Non-deductible local taxes	193	(0.12%)	8
+ Non-deductible labour costs	2,191	(1.32%)	85
+ Other permanent upward adjustments	4,057	(2.44%)	158
- Permanent downward adjustments	(1,168)	0.00%	(46)
Actual tax charge	(561)	(4.27%)	(23)
+ Temporary upward adjustments	195	(0.12%)	9
- Temporary downward adjustments	-	0.00%	-
Current tax charge	**(366)**	**(4.38%)**	**(14)**

Deferred taxes have been previously commented in Note 3.19 – “Deferred tax assets and liabilities”.

Theoretical IRES taxes were determined by applying the tax rate in force, equal to 24%, to the pre-tax result, while the theoretical IRAP taxes were determined by applying the current tax rate of 3.9% to the difference between production values and costs.

With reference to the questionnaire for the financial years 2016, 2017, 2018 and 2019 received from the Italian Tax Authority, it should be noted is that the power of assessment for the year 2016 elapsed during the fiscal year 2023 and the Parent Company promptly responded to certain additional requests made for the other years subject to assessment by the tax authority. With reference to the 2019 fiscal year, on 19 September 2023, the Italian Tax Authority began a general tax audit at the end of which, specifically on 28 November 2023, it notified the Company of a report on findings with which, after acknowledging that the Company had duly produced the documentation requested during the audit, some objections were raised, mainly related to the valuation of an intragroup transaction, for a l higher IRES taxable income of €1,853,000 and IRAP taxable income of €1,964,382. Following the notification of the aforementioned report on findings, no tax assessment notice has been issued yet. From an analysis of the findings raised and on the basis of the information collected and the assumptions on which conclusion is based (also having consulted the reference tax consultants), it is believed that the risk relating to the findings formulated may be considered possible and in any case not fully quantifiable at the moment.

For further details, please refer to the note "Subsequent events occurred after 31 December 2023".

4.13 PUBLIC FUNDING

During 2023, the Company accounted on an accrual basis the following contributions falling under the examples included in Italian Law 124 of 4 August 2017. With regard to tax credits (already included by the Company in the specific declarations) and the general measures available to all companies, it has not been deemed necessary to indicate these in the Explanatory Notes to the Financial Statements on the basis of authoritative interpretations of current regulations while waiting for a definitive interpretation by the relevant Ministries.

Granting authority	Nature of public funding	Public Funding relating to 2023	Public Funding relating to 2022	Classification in Financial Statements
Gestore dei Servizi Energetici GSE S.p.A.	Subsidies in the year for photovoltaic installation	64	69	a reduction in energy, telephone and communication expenses, included in Service Costs
Total		**64**	**69**	

4.14 DIVIDENDS

In May 2023, dividends totalling €8,438 thousand were distributed, 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.

With respect to the fiscal year under way, the Directors proposed the payment of a €0.40 (zero/40) dividend per share. This dividend is subject to the approval of the shareholders at the annual meeting called for the approval of the Financial Statements of the Parent Company and therefore it was not included under liabilities in these Financial Statements.

Any proposed dividend will be payable as of 8 May 2024, with ex-dividend date No. 9 on 6 May 2024 (record date 7 May 2024).

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 Company is exposed in the course of the year and at the reporting date, and how they are managed.

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

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

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

Please note that all derivative instruments were subscribed for the purposes of hedging from a management point of view the underlying risks. However, at the reporting date, not all requirements of IFRS 9 for the application of hedge accounting were satisfied. Therefore, the Company Management deemed it appropriate to treat, from an accounting point of view, those instruments as trading, not hedging, transactions.

Categories of financial instruments

The following tables group information relative to:

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

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

- Level 1 valuations are those derived from quoted (unmodified) prices on active markets for identical assets or liabilities;

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

Assets and Liabilities valued at fair value as at 31/12/2023 *(in thousands of Euro)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Other financial assets				
Other current financial assets	-	10,169	-	10,169
Derivatives	-	6,306	-	6,306
Other financial liabilities				
Total	-	16,475	-	16,475

Some of the Company's financial assets and liabilities are measured at fair value at the reference date of every set of Financial Statements.

More specifically, the fair value of interest rate swaps is calculated discounting future cash flows on the basis of contractual forward interest rates, discounted at the date of the Financial Statements (level 2 fair value).

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

The categories of financial instruments are reported below:

Financial instruments by IFRS 9 categories *(in thousands of Euro)*	**31/12/2023**	**31/12/2022**
Financial assets		
Amortised cost		
Cash and cash equivalents (*)	162,581	117,217
Time deposit (**)	10,000	10,000
Trade receivables	36,853	39,133
Other non-current assets	11,241	22,452
Fair Value		
Trading derivatives	6,306	13,986
Current financial assets (***)	49,679	132,542
Financial liabilities		
Amortised cost		
Loans	(368,842)	(422,938)
Trade payables	(24,085)	(30,931)
Other non-current financial liabilities (****)	(1,674)	(2,029)
Other current financial liabilities (*****)	(12,226)	(3,808)

(*) Cash and cash equivalents include €82,500 thousand for Time deposits with a maturity of less than 3 months

(**) Time deposit with maturity of more than 3 months

(***) Current financial assets are shown net of derivative financial instruments, equal to €6,306 thousand and to Time deposits exceeding 3 months, which fall under IFRS 9 categories for measurement at amortised cost

(****) Other non-current financial payables are represented by payables for IFRS 16 and other financial payables (see Note 3.16 - "Other financial liabilities")
(*****) Other current financial payables are represented by payables for cash pooling and payables for IFRS 16 (see Note 3.16 - "Other financial liabilities")

Credit risk management

The Company 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 sureties.

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

The Company assesses the creditworthiness of all customers at the start of the supply and then periodically. Each customer is assigned a credit limit based on this assessment.

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

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

Exchange rate risk management

Due to its ordinary operations, the Company is exposed to the risk of fluctuations in the exchange rates of currencies other than the functional currency in which commercial and financial transactions are reported. In terms of purchases, the main currency to which the Company is exposed is the US dollar (USD): indeed, raw materials in the reference markets are quoted in dollars and the cost is converted into euros by applying the USD/Euro exchange rate for the day to the price in dollars; thus, exchange rate risk is borne by the buyer.

Sensitivity analysis

With reference to financial assets and liabilities in foreign currency as at 31 December 2023, a theoretical and immediate revaluation of the euro by 10% compared to other currencies would have entailed a loss of €2,991 thousand.

Interest rate risk management

LU-VE S.p.A. uses short-term 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 LU-VE S.p.A. holds assets and liabilities sensitive to fluctuations in interest rates which are needed for the management of liquidity and financial requirements.

More specifically, the main source of exposure to the risk in question for LU-VE S.p.A. originates from the financial debt which is almost all floating rate. This risk is managed by entering 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. Also in 2023, in continuity with 2022, there was a significant increase in interest rates. Changes in interest rate policies may lead to a change, even a significant one, in the fair value of these instruments with a consequent impact on the income statement of subsequent years.

As at 31 December 2023, the coverage of these risks represented 88.8% of the residual outstanding loans.

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

Sensitivity analysis

With reference to the floating rate financial assets and liabilities as at 31 December 2023, a theoretical increase in interest rates by 100 basis points with respect to the exact interest rates in force at the same date, with all other variables remaining unchanged, would have entailed an increase in financial expense equal to €3,918 thousand as at 31 December 2023, and equal to €8,645 thousand on the entire residual contractual duration, without taking into account transactions with derivative instruments which were considered for trading.

Raw material price risk management

The production costs of the LU-VE S.p.A. 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 LU-VE S.p.A. 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 the Company, 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 Company 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 in order to reduce the relative dependence on them, as well as geographic diversification activities with the aim of both reducing purchasing costs with comparable quality and not being overly dependent on certain areas of the world. In particular, with regard to the main purchased raw material (copper) LU-VE S.p.A. 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 Company enters into contracts to hedge the risk of fluctuations in the price of raw materials.

The current year has 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 LU-VE S.p.A. has in place “pass through” systems which allow cost increases to be transferred directly to end customers, guaranteeing the protection of margins.

The problems of availability of materials, although greatly reduced, have forced the revision of the procurement logic (with the expansion of the number of suppliers and the reduction of geographical concentration) and of storage policy that could no longer be inspired by strict compliance with the principles of “just in time” and have forced to maintain higher inventories of raw materials and components than in the past so that we can respond to the market with delivery times in line with expectations.

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

Liquidity risk management

The liquidity risk to which the Company may be exposed consists of the failure to locate the adequate financial resources needed for its operations, as well as for the development of its industrial and commercial activities.

The Company’s liquidity is provided primarily, on one hand, by the cash flow from or used in operating and investment activities, and on the other hand the maturity characteristics of medium and long-term financial debt.

In relation to this last aspect, the liquidity management guidelines adopted 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).

The Company has lines of credit granted by multiple leading Italian and international banking institutions which are adequate to meet its current needs.

As at 31 December 2023, LU-VE S.p.A. has unused short-term credit lines totalling €47.6 million.

In addition, to minimise liquidity risk the Administration and Financial Department:
- constantly checks forecast financial requirements to promptly take any corrective actions;
- maintains the proper composition of net financial debt, financing investments with own funds and possibly with medium/long-term loans.

An analysis of financial liabilities at 31 December 2023 is provided below by maturity:

Analysis of financial liabilities as at 31 December 2023 *(in thousands of Euro)*	**Carrying amount**	**Contractual cash flows**	**Within 1 year**	**From 1 to 5 years**	**More than 5 years**
Bank loans	368,842	364,804	115,175	249,629	-
IFRS 16 Financial payables*	1,101	1,101	418	683	-
Financial payables	**369,943**	**365,905**	**115,593**	**250,312**	**-**
Trade payables	24,085	24,085	24,085	-	-
Total	**394,028**	**389,990**	**139,678**	**250,312**	**-**

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

The various maturity ranges are based on the period between the reporting date and the contractual maturity of the obligations. The amounts 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 Company 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 Company's capital structure consists of net financial debt (loans described in note 3.13, net of relative balances of cash and cash equivalents) and the Company's shareholders' equity (which includes the fully paid share capital, reserves, retained earnings and non-controlling interests, as described in note 3.12).

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

4.16 RELATED PARTY TRANSACTIONS

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

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

The transactions of LU-VE S.p.A. with Related Parties primarily relate to:

- financial transactions;
- transactions connected to service agreements;
- trade transactions;
- transactions entered into as part of the national tax consolidation with the Italian companies of the LU-VE group therein included.

The impact on Balance Sheet and Income Statement items of the transactions between the Company and its directly and indirectly controlled subsidiaries is shown below:

Intercompany	Trade receivables	Trade payables	Financial receivables	Financial payables	Other Receivables/ (Payables)	Revenues for goods and services	Costs for goods and services	Financial income	Financial expense	Other revenues / (Costs)
SEST S.p.A.	1,308	(2,773)	7,517	-	(348)	1,193	(2,718)	366	-	-
SEST-LU-VE-Polska SP.z.o.o	3,840	(2,297)	13,291	-	2,566	4,895	(8,176)	224	-	-
Thermo Glass Door S.p.A.	450	(16)	7,459	-	(918)	347	51	326	-	-
"OOO" SEST LU-VE	206	-	-	-	-	567	-	-	-	-
Heat Transfer Systems s.r.o. (HTS)	1,348	(334)	-	(5,668)	-	918	277	(57)	11	-
LU-VE France S.a.r.l.	2,019	(105)	-	-	-	11,200	(208)	-	-	-
LU-VE Deutschland GmbH	2,680	(107)	-	-	-	2,149	(53)	-	-	-
LU-VE Iberica S.L.	1,971	(49)	178	-	-	4,895	(50)	-	-	-
LU-VE Sweden AB	3,601	(83)	5,063	(1,738)	-	1,469	(383)	15	(5)	-
MANIFOLD S.r.l.	233	(600)	345	-	51	127	(1,509)	15	-	-
LuveDigital S.r.l.	-	(83)	-	-	-	-	-	-	-	-
SPIROTECH Heat Exchangers Pvt. Ltd	593	(85)	4,500	-	-	710	(150)	205	-	-
LU-VE AUSTRIA GmbH	-	(7)	-	-	-	1	(34)	-	-	-
LU-VE US Inc.	4,515	(4)	19,777	-	-	1,669	(9)	1,317	-	-
LU-VE HEAT EXCHANGERS Co, Ltd	682	(3)	-	-	-	572	(2)	-	-	-
LU-VE Netherlands B.V.	1,686	(63)	2	-	-	1,596	(177)	1	-	-
LU-VE MIDDLE EAST DMCC	-	(13)	-	-	-	-	(324)	-	-	-
«OOO» LU-VE Moscow	(1)	-	-	-	-	267	-	-	-	-
Air Hex Alonte S.r.l.	2,341	(1,024)	2,443	-	664	2,689	(1,558)	212	-	-
Fincoil LU-VE Oy	835	(61)	-	(4,402)	-	1,580	(811)	77	(23)	-
LU-VE SOUTH KOREA LLC	-	(4)	-	-	-	-	(50)	-	-	-
LU-VE UK Ltd	62	(7)	-	-	-	-	(91)	-	-	-
Refrion S.r.l.	370	(1)	8,190	-	-	321	-	369	-	-
RMS S.r.l.	157	-	1,500	-	-	31	-	119	-	-
Refrion Deutschland GmbH	-	(8)	-	-	-	-	(8)	-	-	-
TOTAL	**28,896**	**(7,727)**	**70,265**	**(11,808)**	**2,015**	**37,196**	**(15,983)**	**3,189**	**(17)**	**-**

The table below shows the economic and financial transactions carried out by the Company with related parties outside of the LU-VE Group:

Related Companies *(in thousands of Euro)*	Trade receivables	Trade payables	Financial receivables	Financial payables	Trade revenues	Trade costs	Financial revenues	Financial costs
VITALE ZANE & CO SRL	-	-	-	-	-	(40)	-	-
Mauro Cerana	-	(17)	-	-	-	(14)	-	-
Total	**-**	**(17)**	**-**	**-**	**-**	**(65)**	**-**	**-**

The company Vitale Zane & CO S.r.l., in which a close family member of a LU-VE S.p.A. director holds an equity investment, provide strategic advisory services to LU-VE S.p.A. for annual compensation of €40 thousand.

4.17 DIRECTORS' AND STATUTORY AUDITORS' FEES

The economic benefits of the Directors of the Parent Company and of the members of the Board of Statutory Auditors are reported in paragraph 11 "Appendix C" of these notes to the Financial Statements.

With reference to the remuneration relating to Key Management Personnel, please refer to the "2023 Report on Remuneration".

4.18 SHARE-BASED PAYMENTS

As at 31 December 2023, there were no share-based incentive plans in favour of Company Directors or employees.

4.19 COMMITMENTS

Details of existing sureties as at 31 December 2023 are reported below:

Commitments as at 31 December 2023 (in thousands of Euro)	2023	2022	Change
Sureties to banks with respect to customers of our subsidiaries	903	1,521	(618)
Sureties to banks with respect to customers	658	577	81
Sureties to subsidiaries	5,000	5,000	-
Insurance sureties	225	225	-
Total	**6,786**	**7,323**	**(537)**

5 LIST OF EQUITY INVESTMENTS IN SUBSIDIARIES (ART. 2427 No. 5 of Italian Civil Code)

Company name	Registered office	% owned	Currency	Share capital	Currency	Shareholders' Equity as at 31/12/2023	Currency	Profit (loss) for the year 2023	Currency	Cost of the equity investment
Direct subsidiaries:										
SEST S.p.A.	Limana (BL)	100.00	EUR	1,000,000	EUR	23,720,549	EUR	9,653,146	EUR	44,894,885
Heat Transfer Systems s.r.o. (HTS)	Novosedly (Czech Rep.)	100.00	CZK	133,300,000	CZK	535,089,872	CZK	186,272,556	EUR	9,539,657
LU-VE Sweden AB	Asarum (Sweden)	100.00	SEK	50,000	SEK	30,889,988	SEK	30,090,852	EUR	390,448
LU-VE France S.a.r.l.	Lyon (France)	100.00	EUR	84,150	EUR	2,092,231	EUR	526,062	EUR	1,303,072
LU-VE Pacific Pty Ltd	Thomastown (Australia)	100.00	AUD	200,000	AUD	2,170	AUD	-	EUR	1
LU-VE Deutschland GmbH	Stuttgart (Germany)	100.00	EUR	230,000	EUR	(1,482,027)	EUR	54,871	EUR	173,001
LU-VE Iberica S.L.	Madrid (Spain)	85.00	EUR	180,063	EUR	605,436	EUR	219,550	EUR	145,285
LU-VE HEAT EXCHANGERS (Tianmen) Co, Ltd	Tianmen (China)	100.00	CNY	61,025,411	CNY	64,282,401	CNY	9,824,205	EUR	10,535,407
LU-VE Asia Pacific Limited	Wan Chai (Hong Kong)	100.00	HKD	10,000	HKD	(739,055)	HKD	(64,048)	EUR	-
LuveDigital S.r.l.	Uboldo (VA)	50.00	EUR	10,000	EUR	54,245	EUR	11,148	EUR	5,000
MANIFOLD S.r.l.	Uboldo (VA)	99.00	EUR	10,000	EUR	155,165	EUR	98,708	EUR	9,900
SPIROTECH Heat Exchangers Pvt. Ltd	Ghaziabad, Uttar Pradesh (India)	100.00	INR	25,729,600	INR	3,721,640,186	INR	395,224,886	EUR	39,468,270
LU-VE AUSTRIA GmbH	Vienna (Austria)	100.00	EUR	17,500	EUR	121,572	EUR	(71,981)	EUR	17,500
LU-VE US	Jacksonville (USA, Texas)	100.00	USD	10,001.00	USD	(3,660,954)	USD	(4,990,745)	EUR	13,552,196
Air Hex Alonte S.r.l.	Uboldo (VA)	100.00	EUR	2,010,000	EUR	14,765,912	EUR	2,422,170	EUR	15,433,476
Fincoil LU-VE OY	Vantaa (Finland)	100.00	EUR	1,190,000	EUR	6,968,650	EUR	2,463,471	EUR	30,648,883
LU-VE Netherlands B.V.	Breda (Netherlands)	100.00	EUR	10,000	EUR	(351,365)	EUR	(77,452)	EUR	10,000
«OOO» LU-VE Moscow	Moscow (Russia)	100.00	RUB	100,000	RUB	11,198,827	RUB	(30,480,230)	EUR	1,382
LU VE MIDDLE EAST DMCC	Dubai (UAE)	100.00	AED	50,000	AED	530,773	AED	131,329	EUR	20,147
LU-VE SOUTH KOREA Llc	Seoul (South Korea)	100.00	KRW	100,000,000	KRW	47,640,631	KRW	(72,141,349)	EUR	107,680
Refrion S.r.l.	Flumignano di Talmassons (UD)	75.00	EUR	1,000,000	EUR	6,368,193	EUR	3,050,558	EUR	9,845,828
LU-VE UK Ltd	London (United Kingdom)	100.00	GBP	8,800	GBP	(59,747)	GBP	(68,548)	EUR	11,500
Indirect subsidiaries:										
SEST-LUVE-Polska SP.z.o.o. (95% owned by SEST S.p.A.)	Gliwice (Poland)	95.00	PLN	16,000,000	PLN	346,860,403	PLN	88,015,897	EUR	-
«OOO» SEST LU-VE (95% owned by SEST S.p.A.)	Lipetsk (Russia)	95.00	RUB	136,000,000	RUB	2,900,544,158	RUB	1,131,447,574	EUR	-
Thermo Glass Door S.p.A. (100% owned by SEST S.p.A.)	Travacò Siccomario (PV)	100.00	EUR	100,000	EUR	121,599	EUR	(735,262)	EUR	-
RMS S.r.l. (100% owned by Refrion S.r.l.)	Flumignano di Talmassons (UD)	75.00	EUR	40,000	EUR	1,801,890	EUR	699,921	EUR	-
Refrion Deutschland GmbH (100% owned by Refrion S.r.l.)	Frankfurt am Main (Germany)	75.00	EUR	150,000	EUR	129,903	EUR	462,484	EUR	-

6 SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

During 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 2023 the Company did not carry out atypical and/or unusual transactions, i.e., transactions which in terms of their significance, the nature of the counterparties, the subject of the transaction, the pricing methods and the timing of occurrence may give rise to doubts with regard to the accuracy of the information in the Financial Statements, conflicts of interests, the safeguarding of the company assets or the protection of non-controlling shareholders.

8 SUBSEQUENT EVENTS OCCURRED AFTER 31 DECEMBER 2023

LU-VE S.p.A. continues to pay a high level of attention to the evolution of the crisis between Russia and Ukraine, which may have further significant repercussions on the world economy also as a result of the sanctions. The extreme geographical diversification of sales means that as at 31 December 2023, the Group's exposure in this area is only around 6.3% in terms of turnover and 2.2% of net invested capital. As at 29 February 2024, the exposure in terms of order backlog was 6.9%.

In January 2024, LU-VE S.p.A. received the proceed related to the loan agreement signed with Unicredit in December 2023, amounting to €30 million. Furthermore, also in January 2024, the Parent Company signed a loan agreement with BPER, for an amount of €30 million, fully disbursed at the signing date.

With reference to the Italian Tax Authority audit relating to the years 2016, 2017, 2018 and 2019, a number of additional requests, related to 2017, were made to which the LU-VE S.p.A. promptly responded. With reference to the tax finding report served in November 2023, there were no further activities to be undertaken by the tax authority.

Fiscal year 2024 promises to be another year of consolidation of results in terms of sales volumes, with important growth trends for some applications (data centres and logistics centres), possible increases for other applications (commercial refrigeration) and an area characterised by high volatility and possible risks (heat pump exchangers).

Also in this context, the Group remains on a medium-term growth path, in line with its strategy and guidelines.

In fact, since 2018, the LU-VE Group has recorded significant growth (CAGR of turnover of 15%), even higher than the medium/long-term “guidance” disclosed at the time, despite the turbulence of the general environment and anticipating – especially in 2021 and 2022 – the expected growth in the following years.

We are greatly satisfied with this accomplishment. This confirms the effectiveness of the strategy pursued in building a resilient business model (diversification of product applications in sectors with uncorrelated trends), supported by "secular trend" such as: electrification, decarbonisation, digitisation and adoption of refrigerant gases with low or no environmental impact. All technological fields in which the LU-VE Group was a “first mover”.

In this scenario, starting from the second half year of 2023, the Group launched a number of projects to improve profitability, through investments in production automation, process reorganisation and cost containment. The first results are already visible in the last quarter of 2023.

In a macroeconomic scenario characterised by heightened uncertainty, the Group works tirelessly and with great determination to preserve and improve profitability and cash generation, even in the presence of possible volatility in expected results in terms of turnover.

The Chairman and Chief Executive Officer

Matteo Liberali

9 APPENDIX A

IRS on loans (in thousands of Euro)

DEBTOR COMPANY	COUNTERPARTY	TAKEN OUT	MATURITY	ORIGINAL NOTIONAL	31/12/2023 NOT. Short	31/12/2023 NOT. M/L	31/12/2023 FAIR VALUE
LU-VE S.P.A.	Intesa Sanpaolo S.p.A.	28/11/2018	28/06/2024	12,500	1,250	-	22
LU-VE S.P.A.	Intesa Sanpaolo S.p.A.	28/11/2018	28/06/2024	12,500	1,250	-	22
LU-VE S.P.A.	Banca Nazionale del Lavoro S.p.A.	20/12/2018	24/09/2024	10,000	2,000	-	55
LU-VE S.P.A.	Unicredit S.p.A.	12/07/2019	30/06/2024	9,600	1,200	-	21
LU-VE S.P.A.	Intesa Sanpaolo S.p.A.	20/05/2020	30/09/2025	12,500	2,778	2,083	162
LU-VE S.P.A.	Banca Nazionale del Lavoro S.p.A.	28/05/2020	28/05/2025	40,000	10,000	5,000	535
LU-VE S.P.A.	Unicredit S.p.A.	30/11/2020	30/11/2024	20,000	5,714	-	164
LU-VE S.P.A.	Deutsche Bank S.p.A.	30/10/2020	30/10/2026	5,500	1,067	2,302	165
LU-VE S.P.A.	Deutsche Bank S.p.A.	30/10/2020	30/10/2025	10,000	2,000	2,000	140
LU-VE S.P.A.	Intesa Sanpaolo S.p.A.	31/03/2021	31/03/2026	30,000	7,500	9,375	666
LU-VE S.P.A.	Banco BPM S.p.A.	14/06/2021	31/03/2026	12,000	2,824	3,529	250
LU-VE S.P.A.	Banco BPM S.p.A.	14/06/2021	31/03/2026	18,000	4,235	5,294	370
LU-VE S.P.A.	Unicredit S.p.A.	30/09/2021	31/03/2025	30,000	8,571	4,286	469
LU-VE S.P.A.	Banco BPM S.p.A.	17/12/2021	30/09/2026	40,000	10,667	18,667	1,217
LU-VE S.P.A.	Intesa Sanpaolo S.p.A.	31/05/2022	31/05/2029	20,000	2,000	18,000	382
LU-VE S.P.A.	Intesa Sanpaolo S.p.A.	31/05/2022	31/05/2029	20,000	2,000	18,000	265
LU-VE S.P.A.	Intesa San Paolo S.p.A.	31/05/2022	31/03/2029	15,000	2,250	12,750	419
LU-VE S.P.A.	Banca Nazionale del Lavoro S.p.A.	22/07/2022	22/07/2027	40,000	8,000	24,000	1,006
LU-VE S.P.A.	BPER Banca S.p.A.	22/07/2022	22/07/2027	25,000	6,250	17,188	431
LU-VE S.P.A.	Intesa Sanpaolo S.p.A.	28/07/2022	28/07/2027	15,000	3,750	10,313	329
LU-VE S.P.A.	Deutsche Bank S.p.A.	25/10/2022	28/10/2028	15,000	1,667	13,333	(72)
LU-VE S.P.A.	Unicredit S.p.A.	24/11/2022	31/12/2026	25,000	6,250	12,500	(27)
LU-VE S.p.A.	Banco BPM S.p.A.	20/12/2022	30/09/2027	25,000	1,176	26,667	(148)
LU-VE S.p.A.	Intesa Sanpaolo S.p.A.	26/10/2023	26/10/2028	30,000	3,333	-	(537)
			Total	**492,600**	**97,732**	**205,287**	**6,306**

10 APPENDIX B

Bank loans (in thousands of Euro)								AMORTISED COST			
								31/12/2023		31/12/2022	
DEBTOR COMPANY	COUNTERPARTY	LOAN TYPE	TAKEN OUT	MATURITY	RATE APPLIED	FINANCIAL COVENANTS	ORIGINAL AMOUNT	RESIDUAL AMOUNT	OF WHICH CURRENT	RESIDUAL AMOUNT	OF WHICH CURRENT
LU-VE	Unicredit S.p.A.	Unsecured loan	30/01/2018	31/03/2023	6M Euribor + Spread	NFP/EBITDA <=3.0; NFP/OWN FUNDS <=1	25,000	-	-	2,521	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	1,298	1,298	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	1,298	1,298	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	2,047	2,047	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/OWN FUNDS <=1.25	10,000	5,047	5,047	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	1,051	1,051	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/OWN FUNDS <=1	12,000	1,237	1,237	3,662	2,450
LU-VE	Intesa Sanpaolo S.p.A.	Unsecured loan	23/03/2020	23/09/2025	3M 360 days Euribor + Spread	NFP/EBITDA <= 3; NFP/SE <=1	25,000	9,850	5,671	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	15,212	10,180	25,476	10,231
LU-VE	UniCredit S.p.A.	Unsecured loan	04/11/2020	30/11/2024	6M 360 days Euribor + Spread	NFP/EBITDA <=3; NFP/OWN FUNDS <=1	20,000	5,792	5,792	11,648	5,846

COMMITMENTS

Bank loans (in thousands of Euro)								AMORTISED COST 31/12/2023		AMORTISED COST 31/12/2022	
DEBTOR COMPANY	COUNTERPARTY	LOAN TYPE	TAKEN OUT	MATURITY	RATE APPLIED	FINANCIAL COVENANTS	ORIGINAL AMOUNT	RESIDUAL AMOUNT	OF WHICH CURRENT	RESIDUAL AMOUNT	OF WHICH CURRENT
LU-VE	Deutsche Bank S.p.A.	Unsecured loan	11/11/2020	11/11/2026	3-month EURIBOR base 360 + spread	NFP/EBITDA <= 3.2 NFP/EQUITY <=1.15	5,500	3,424	1,104	4,518	1,104
LU-VE	Deutsche Bank S.p.A.	Unsecured loan	11/11/2020	11/11/2025	3-month EURIBOR base 360 + spread	NFP/EBITDA <= 3.2 NFP/EQUITY <=1.15	10,000	4,060	2,052	6,107	2,055
LU-VE	Intesa Sanpaolo S.p.A.	Unsecured loan	31/03/2021	31/03/2026	3-month EURIBOR base 360 + spread	NFP/EBITDA <3; NFP/Shareholders' Equity <1	30,000	17,133	7,721	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	6,445	2,903	9,333	2,900
LU-VE	Banco BPM S.p.A.	Unsecured loan	14/06/2021	31/03/2026	3-month EURIBOR base 360 + spread	NFP/EBITDA <= 3.0 NFP/EQUITY <=1.25	18,000	9,738	4,402	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	13,013	8,680	21,797	8,674
LU-VE	Banco BPM S.p.A.	Unsecured loan	17/12/2021	30/09/2026	3-month EURIBOR base 360 + spread	NFP/EBITDA <= 3.0 NFP/EQUITY <=1.25	40,000	29,780	11,040	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	40,511	4,373	40,704	74
LU-VE	Intesa Sanpaolo S.p.A.	Unsecured loan	28/04/2022	29/03/2029	3M 360 days Euribor + Spread	NFP/EBITDA <= 3 NFP/SE <= 1.0	15,000	15,142	2,404	15,197	70
LU-VE	Intesa Sanpaolo S.p.A.	Unsecured loan	31/05/2022	29/03/2029	3M 360 days Euribor + Spread	NFP/EBITDA <= 3 NFP/SE <= 1.0	15,000	15,118	2,396	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	32,542	8,144	40,279	8,088

COMMITMENTS

Bank loans (in thousands of Euro)								AMORTISED COST			
								31/12/2023		31/12/2022	
DEBTOR COMPANY	COUNTERPARTY	LOAN TYPE	TAKEN OUT	MATURITY	RATE APPLIED	FINANCIAL COVENANTS	ORIGINAL AMOUNT	RESIDUAL AMOUNT	OF WHICH CURRENT	RESIDUAL AMOUNT	OF WHICH CURRENT
LU-VE	BPER Banca S.p.A.	Unsecured loan	22/07/2022	22/07/2027	3M 360 days Euribor + Spread	NFP/EBITDA <= 3 NFP/SE <= 1.0	25,000	23,693	6,423	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	14,208	3,850	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	30,261	3,601	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	18,774	6,345	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	5,000	22,008	5,982	4,980	585
LU-VE	Intesa Sanpaolo S.p.A.	Unsecured loan	26/10/2023	26/10/2028	3M 360 days Euribor + Spread	NFP/EBITDA <= 3 NFP/SE <= 1.0	30,000	30,160	3,579	-	-
							Total	**368,842**	**118,620**	**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);

11 APPENDIX C

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Office	Period for which office was held	Expiry of office*	Fixed remuneration	Remuneration for participation in committees	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severance pay or termination of employment indemnity
						Bonuses and other incentives	Profit sharing					
Matteo Liberali	Chairman of the Board of Directors and CEO	01/01/2023-31/12/2023	Approval of 2025 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				723,397 (1)'(2)		509,811 (3)		5,596		1,238,804		
(II) Fees from subsidiaries and associates												
(III) Total				723,397		509,811		5,596		1,238,804		
Pier Luigi Faggioli	Vice Chairman	01/01/2023-31/12/2023	Approval of 2025 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				283,397 (1)'(4)		240,531		6,458		530,386		
(II) Fees from subsidiaries and associates												
(III) Total				283,397		240,531		6,458		530,386		
Michele Faggioli	CSDO	01/01/2023-31/12/2023	Approval of 2025 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				548,397 (1)'(5)		488,289 (3)		10,752		1,047,438		
(II) Fees from subsidiaries and associates												
(III) Total				548,397		488,289		10,752		1,047,438		
Raffaella Cagliano	Director	01/01/2023-31/12/2023	Approval of 2025 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				23,397 (1)	3,359 (7)					26,756		
(II) Fees from subsidiaries and associates												
(III) Total				23,397	3,359					26,756		
Guido Giuseppe Crespi	Director	01/01/2023-28/04/2023	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				6,411 (1)	641 (7)					7,052		
(II) Fees from subsidiaries and associates												
(III) Total				6,411	641					7,052		

COMMITMENTS

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Office	Period for which office was held	Expiry of office*	Fixed remuneration	Remuneration for participation in committees	Variable non-equity remuneration: Bonuses and other incentives	Variable non-equity remuneration: Profit sharing	Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severance pay or termination of employment indemnity
Anna Gervasoni	Director	01/01/2023-31/12/2023	Approval of 2025 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				23,397 (1)	14,718 (6)'(8)					38,115		
(II) Fees from subsidiaries and associates												
(III) Total				23,397	14,718					38,115		
Fabio Liberali	Director	01/01/2023-31/12/2023	Approval of 2025 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				23,397 (1)				6,908	99,466 (9)	129,771		
(II) Fees from subsidiaries and associates												
(III) Total				23,397				6,908	99,466	129,771		
Laura Oliva	Director	01/01/2023-31/12/2023	Approval of 2025 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				23,397 (1)	7,359 (6)					30,756		
(II) Fees from subsidiaries and associates												
(III) Total				23,397	7,359					30,756		
Stefano Paleari	Director	01/01/2023-31/12/2023	Approval of 2025 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				23,397 (1)	24,775 (10)'(11)' (12)					48,173		
(II) Fees from subsidiaries and associates												
(III) Total				23,397	24,775					48,173		
Carlo Paris	Director	28/04/2023-31/12/2023	Approval of 2025 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				16,986 (1)	2,718 (7)					19,704		
(II) Fees from subsidiaries and associates												
(III) Total				16,986	2,718					19,704		
Roberta Pierantoni	Director	01/01/2023-31/12/2023	Approval of 2025 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				23,397 (1)	7,359 (6)					30,756		
(II) Fees from subsidiaries and associates												

COMMITMENTS

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Office	Period for which office was held	Expiry of office*	Fixed remuneration	Remuneration for participation in committees	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severance pay or termination of employment indemnity
						Bonuses and other incentives	Profit sharing					
(III) Total				23,397	7,359					30,756		
Marco Vitale	Director	01/01/2023-28/04/2022	Approval of 2023 Financial Statements									
	Honorary Chairman	28/04/2023-31/12/2023	Approval of 2025 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				23,397 [1][13]						23,397		
(II) Fees from subsidiaries and associates												
(III) Total				23,397						23,397		
Mara Palacino	Chairman - Board of Statutory Auditors	28/04/2023-31/12/2023	Approval of 2025 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				30,575 [14]						30,575		
(II) Fees from subsidiaries and associates												
(III) Total				30,575						30,575		
Simone Cavalli	Chairman - Board of Statutory Auditors	01/01/2023-28/04/2023	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				14,425 [14]						14,425		
(II) Fees from subsidiaries and associates												
(III) Total				14,425						14,425		
Paola Mignani	Standing Auditor	01/01/2023-31/12/2023	Approval of 2025 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				30,000 [14]						30,000		
(II) Fees from subsidiaries and associates												
(III) Total				30,000						30,000		
Domenico A.M. Fava	Standing Auditor	28/04/2023-31/12/2023	Approval of 2025 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				20,384 [14]						20,384		
(II) Fees from subsidiaries and associates												
(III) Total				20,384						20,384		

COMMITMENTS

(A)	(B)	(C)	(D)	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)
Name and surname	Office	Period for which office was held	Expiry of office*	Fixed remuneration	Remuneration for participation in committees	Variable non-equity remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severance pay or termination of employment indemnity
						Bonuses and other incentives	Profit sharing					
Stefano Beltrame	Standing Auditor	01/01/2023-28/04/2023	Approval of 2023 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				9,616 [14]						9,616		
(II) Fees from subsidiaries and associates				72,000 [15]						72,000		
(III) Total				81,616						81,616		
Riccardo Quattrini	General Manager	27/03/2023-31/12/2023	Approval of 2025 Financial Statements									
(I) Remunerations in the company that prepares Financial Statements				298,269		123,782 [16]		5,571		427,623		
(II) Fees from subsidiaries and associates												
(III) Total				298,269		123,782		5,571		427,623		

(*) The expiry date refers to the Shareholders' Meeting that will approve the Financial Statements for the year indicated

(1) following its renewal resolved by the Shareholders' Meeting on 28 April 2023 the Board of Directors resolved to assign each member of the Board an annual gross remuneration of €25,000.00 pro rata temporis. Since the fixed annual remuneration approved was €20,000.00 pro rata temporis, the remuneration accrued by the Directors remaining in office for the entire year 2023 is €23,397.26 (and in detail €6,410.95 as Director for the period 1/1/2023 - 27/04/2023, and €16,986.30 as Director for the period 28/4/2023 -31/12/2023);

(2) of which €23,397.26 as Director, €175,000.00 for the office of Chairman of the Board of Directors and €525,000.0 for the office of Chief Executive Officer;

(3) of which €136,574.02 as variable medium/long term Component (2023 -2025 LTI) accrued for 2023;

(4) of which €23,397.26 as Director, € 25,000.00 for the office of Vice-Chairman of the Board of Directors, and €235,000.00 for special powers granted;

(5) of which €23,397.26 as Director and €525,000.00 as CSDO CEO;

(6) Following its renewal resolved by the Shareholders' Meeting on 28 April 2023, the Board of Directors resolved to assign each member of the Remuneration and Appointments Committee and of the Control and Risk Committee a fixed annual fee of €8,000.00 pro rata temporis. Until 28 April 2023 this fee was of €6,000.00 gross. For the year 2023, the remuneration accrued by each member of the committees other than the Chairman in office for the entire 2023 financial year was €7,358.90 gross (specifically €1,923.28 for the period 1/1/2023 -27/4/2023, and €5,435.61 for the period 28/04/2023 - 31/12/2023);

(7) following its renewal resolved by the Shareholders' Meeting on 28 April 2020, the Board of Directors resolved to grant each of the members of the Independent Committee other than the committee Chair a fixed annual remuneration of €4,000.00 gross pro rata temporis. Until 28 April 2023 this fee was of €2,000.00 gross. For the year 2023, the remuneration accrued by each member of the committee other than the Chair in office for the entire 2023 financial year was €3,358.90 gross (and in detail €641.10 for the period 1/1/2023 -27/4/2023, and €2,717.80 for the period 28/04/2023 - 31/12/2023);

(8) of which €7,358.90 as a member of the Remuneration and Appointments Committee, and €7,358.90 as a member of the Control and Risk Committee;

(9) as annual gross remuneration accrued in relation to the employment with LU-VE SPA;

(10) following its renewal resolved by the Shareholders' Meeting on 28 April 2023, the Board of Directors resolved to assign the Chairmen of the Remuneration and Appointments Committee and of the Control and Risk Committee a fixed annual fee of €11,000.00 pro rata temporis. Until 28 April 2023, this fee was €8,000.00 gross for each office to be paid pro rata temporis. For the year 2023, the remuneration accrued by the Chairmen of both committees was €10,038.36 for each assignment (specifically €2,564.38 for the period 1/1/2023 -27/4/2023, and €7,473.97 for the period 28/4/2023 - 31/12/2023);

(11) Following its renewal resolved by the Shareholders' Meeting on 28 April 2023, the Board of Directors has resolved to grant the Chair of the Independent Committee a fixed annual remuneration of €5,500.00 gross pro rata temporis. Until 28 April 2023 this fee was of €3,000.00 gross. For the year 2023, the remuneration accrued by the Chair for the entire year 2023 amounted to €4,698.63 gross (and specifically €961.64 for the period 1/1/2023 -27/4/2023, and €3,736.98 for the period 28/04/2023 - 31/12/2023);

(12) of which €10,038.36 as Chair of the Remuneration and Appointments Committee, €10,038.36 as Chair of the Control and Risk Committee, and €4,698.63 as Chair of the Independent Committee;

(13) The Shareholders' Meeting of 28 April 2023 has introduced the position of Honorary Chair. At the Board meeting of 12 May 2023, the Board of Directors awarded the Honorary Chair appointed for the three-year period 2023-2025 a fixed annual fee of €25,000.00. For the year 2023, the remuneration accrued by the Honorary Chair for the period 28/04/2023 - 31/12/2023 was €16,986.30 gross, in addition to €6,410.95 as Director for the period 1/1/2023 - 27/04/2023.

(14) the mandate of the Board of Statutory Auditors was renewed by the Shareholders' Meeting of 28 April 2023 which confirmed, pro rata temporis, an annual remuneration of €45,000.00 for the Chair and of €30,000 for each of the two standing auditors;

(15) by way of remuneration accrued in relation to the office of member of the supervisory body pursuant to Legislative Decree 31/01 of subsidiaries

(16) of which €41,514.60 accrued as variable medium/long term Component (2023-2025 LTI) for 2023

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Economic and Administrative Index VARESE 191975

VAT no./Tax Code 01570130128

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

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

1. the adequacy in relation to the characteristics of the business and
2. the effective application

of the administrative and accounting procedures for the formation of the separate financial statements in the period 1 January - 31 December 2023.

It is also certified that the separate financial statements as at 31 December 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 equity, profit and loss and financial situation of the issuer.

The directors' report includes a reliable analysis of the performance and results of operations, as well as the situation of the issuer, along with a description of the main risks and uncertainties to which it is exposed.

13 March 2024

Matteo Liberali
CEO

Eligio Macchi
Manager in charge
of financial reporting

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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

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

REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the separate financial statements of LU-VE S.p.A. (the "Company "), which comprise the statement of financial position as at 31 December 2023, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and the explanatory notes to the separate financial statements, including material accounting policy information.

In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the separate financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Impairment test on goodwill, intangible assets and property, plant and equipment	
Description of the key audit matter	The company accounts for goodwill equal to € 14.6 million (2.7% of total assets in the separate financial statements as at 31 December 2023) allocated to a single cash generating unit ("CGU"), defined in line with the view of the Management and in particular with the method of monitoring and forecasting the Company's performance, to which were also allocated intangible assets with a finite useful life amount to € 3.8 million, right-of-use assets for € 1.1 million and property, plant and equipment for € 37.9 million. As requested by IAS 36 – *Impairment of assets*, as the above-mentioned CGU includes goodwill, the Company's Management performed an impairment test to determine whether the assets of the CGU ae recognised in the separate financial statements as at 31 December 2023 at a value not higher than their recoverable amount. After the conclusion of the impairment test, approved by the Board of Directors on 13 March 2024, the Company has not recognised any impairment losses. The impairment test process carried out by Management, based on the value in use method, is complex and it includes assumptions regarding, inter alia, (i) the forecast of expected cash flows from the CGU, making reference to the 2023-2027 business plan of the Company prepared by Management and included in the LU-VE Group consolidated business plan approved by the Board of Directors of 21 February 2024, and (ii) the determination of an appropriate discount rate (WACC) and a long-term growth rate (g-rate). Considering the significant amount of the assets accounted for within the separate financial statements related to the CGU, the judgement of the estimates used to determine the cash flow and the result of the impairment test, which showed a limited coverage emerging from the sensitivity analysis carried out by the Management on the key variables of the model, we considered the impairment test a key audit matter of LU-VE S.p.A.'s separate financial statements. The explanatory note 3.1 "Goodwill and Other intangible assets" and paragraph "Measurement criteria – Use of estimates" included in the explanatory note 2.1 "Structure and content of the financial statements" provides a disclosure on the impairment test, including the sensitivity analyses carried out by Management, which describes the effects deriving from the changes in certain key assumptions used for the purposes of the impairment test.
Audit procedures performed	To evaluate the recoverability of the assets of the CGU, we preliminarily examined the rationale used by the Management to determine the value in use of the CGU, analysing the methods and assumptions used for the development of the impairment test. As part of our audit we, inter alia, performed the following procedures, also relying on the support of experts within our Network:

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- observation and understanding of the relevant controls undertaken by the Company on the impairment test process;
- assessment of the reasonableness of the main assumption adopted to develop cash flow forecast (included the effects of the current macroeconomic scenario and potential impact related to the climate change) and collection of other relevant information by the Management;
- variance analysis of actual data in comparison with original business plans, in order to evaluate the nature of the variances and the reliability of the process of preparation of the business plans;
- assessment of the methods for determining the discount rate (WACC) by analysing its individual elements and their consistency with generally used valuation practices and analysis of the reasonableness of the long-term growth rate (g-rate);
- test of the mathematical accuracy of the model used to determine the value in use of the CGU;
- test of the correct determination of the carrying amount of the CGU and its consistency with the methods for determining its value in use;
- assessment of the sensitivity analysis prepared by the Management;
- assessment of the adequacy of the disclosure provided by the company on the impairment test with what is required by IAS 36.

Impairment test on investments	
Description of the key audit matter	The Company's separate financial statements include investments in subsidiaries for a total amount of € 176.1 million, of which € 54.2 million that refer to: (i) the subsidiaries LU-VE Deutschland GmbH and LU-VE US Inc. (previously named Zyklus Heat Transfer Inc.) for a total amount of € 13.7 million, which incurred in significant losses in the current and/or in previous years, which led to negative equity for a total amount of € 4.8 as at 31 December 2023, (ii) the subsidiaries Fincoil LU-VE OY and Refrion S.r.l., whose carrying amounts, equal to respectively € 30.6 million and € 9.8 million, are significantly higher in comparison with the related portion of equity attributable to the Company. As required by IAS 36 – Impairment of Assets, due to the presence of a possible impairment loss, the Company's Management performed an impairment test in order to determine whether the carrying amount of the investments in subsidiaries are recognised in the separate financial statements as at 31 December 2023 at an amount not higher than their recoverable amount.

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After the conclusion of the impairment tests, approved by the Board of Directors on 13 March 2024, the Company has not recognised any impairment losses.

The impairment test process carried out by Management for the subsidiaries LU-VE Deutschland GmbH, Fincoil LU-VE OY and Refrion S.r.l., based on the value in use method, is complex and based on assumptions regarding, inter alia, (i) the forecast of expected cash flows from the subsidiaries, making reference to the 2023 - 2027 business plans of the subsidiaries prepared by the local management with the support of Company's Management and included in the LU-VE Group consolidated business plan approved by the Board of Directors of 21 February 2024, and (ii) the determination of an appropriate discount rate (WACC) and a long-term growth rate (g-rate).

With reference to the subsidiary LU-VE US Inc., the recoverable amount was determined based on the fair value method, adopting the sum-of-the-parts approach, which determines the recoverable amount as the sum of the fair value of the individual assets net of the fair value of the individual liabilities. For this reason an appraisal was prepared by an independent expert of primary standing which determined the fair value of the tangible fixed assets purchased by the subsidiary from 2019 onwards, in particular the recently built production site and the related machinery.

Considering the judgement of the estimates used to determine the cash flows included in the test and the key assumptions of the impairment models used for testing the investments in subsidiaries, and the economic/financial performance of such subsidiaries, we considered the impairment test a key audit matter of LU-VE S.p.A.'s separate financial statements.

Note 3.3 "Investments" and paragraph "Measurement Criteria – Use of estimates" included in Note 2.1 "Structure and content of the financial statements" within the separate financial statements provide a disclosure regarding the impairment test, including a sensitivity analysis carried out by Management, that reports the impacts that could arise changing some key assumptions used in the impairment test performed on the recoverable amount of the investments in subsidiaries.

Audit procedures performed

We preliminarily examined the rationale used by the Management to determine the recoverable amount of the investments, analysing the methods and assumptions used for the development of the impairment test.

As part of our audit we, inter alia, performed the following procedures, also relying on the support of experts within our Network:

- observation and understanding of the relevant controls undertaken by the Company on the impairment test process on the investments in subsidiaries;

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- assessment of the reasonableness of the main assumption adopted by the Management to develop cash flow forecasts (including the effects of the macroeconomic contest and the potential impacts related to the climate change) and collection of other relevant information obtained by Management;

- variance analysis of actual data in comparison with original business plans, in order to evaluate the nature of the variances and the reliability of the process of preparation of the business plans;

- evaluation of the methods for determining the discount rate (WACC) by analysing its individual elements and their consistency with generally used valuation practices and analysis of the reasonableness of the long-term growth rate (g-rate);

- comparison between the recoverable amount and the carrying amount of the investments in such subsidiaries;

- assessment of the appraisal prepared by the independent expert for the fair value evaluation of the subsidiary LU-VE US Inc., and performance of inquiries with Management to obtain an understanding and analysing the reasonableness of the data and methodology adopted by this expert;

- assessment of the sensitivity analysis prepared by the Management;

- assessment of the adequacy of the disclosure provided by the Company on the impairment test with what is required by IAS 36.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of the separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of the separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of LU-VE S.p.A. has appointed us on 10 March 2017, as auditors of the Company for the years from 31 December 2017 to 31 December 2025.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the separate financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of LU-VE S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the "Delegated Regulation") to the separate financial statements as at 31 December 2023, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the separate financial statements with the provisions of the Delegated Regulation.

In our opinion, the separate financial statements as at 31 December 2023, have been prepared in XHTML format in accordance with the provisions of the Delegated Regulation.

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of LU-VE S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of LU-VE S.p.A. as at 31 December 2023, including their consistency with the related separate financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the separate financial statements of LU-VE S.p.A. as at 31 December 2023 and on their compliance with the law, as well as to make a statement about any material misstatement.

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In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the separate financial statements of LU-VE S.p.A. as at 31 December 2023 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Massimiliano Semprini
Partner

Milan, Italy
28 March 2024

As disclosed by the Directors on the first page, the accompanying separate financial statements of LU-VE S.p.A. constitute a non-official version which has not been prepared in accordance with the provisions of the Commission Delegated Regulation (EU) 2019/815. 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.

LU-VE S.p.A.

Via Vittorio Veneto 11 – 21100 Varese

REA [Economic and Administrative Index] Number: VA-191975

Tax Code: 01570130128

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING

Dear Shareholders:

By means of this report, drawn up pursuant to Article 153 of Italian Legislative Decree No. 58 of 24 February 1998 (hereinafter also the "TUF") and Article 2429 of the Italian Civil Code, the Board of Statutory Auditors of LU-VE S.p.A. (hereinafter also "LU-VE" or the "Company") reports to you on the activities carried out in 2023, in compliance with the reference regulations, also taking into account the Rules of conduct for Boards of Statutory Auditors of listed companies, updated on 21 December 2023 by the National Council of Chartered Accountants and Accounting Experts, the Consob provisions on corporate controls and the principles and recommendations contained in the Corporate Governance Code.

It should be noted that as LU-VE has adopted the traditional governance model and having appointed the company Deloitte & Touche S.p.A. (hereinafter also "Deloitte") as responsible for the official audit of the accounts, the Board of Statutory Auditors identifies as the "Committee for internal control and the accounts audit" and, therefore, in this report, account will also be taken of the specific control and monitoring functions in terms of financial reporting and official audit, envisaged by Article 19 of Italian Legislative Decree No. 39 of 27 January 2010, and subsequent amendments.

The current Board of Statutory Auditors, in its current composition, was appointed on 28 April 2023 by the Shareholders 'Meeting and will expire on the date of the Shareholders' Meeting that will approve the financial statements as at 31 December 2025; as from 28 April 2023, the Board of Statutory Auditors has carried out the activities for which it is responsible, holding 9 meetings. From 1 January 2023 until 28 April, in the previous composition, the Board held a further 5 meetings. The Board of Statutory Auditors in its current formation also participated in all the meetings of the Board of Directors and the Committees, in particular: (i) 7 meetings of the Board of Directors, (ii) 6 meetings of the Control and Risk Committee, also responsible for the supervision of sustainability processes and activities, (iii) 3 meetings of the Remuneration and Appointments Committee, as well as 1 induction meeting on Sustainability.

During the same year, the Board of Statutory Auditors also met with the Supervisory Body pursuant to Italian Legislative Decree No. 231 of 2001 and the auditing firm Deloitte for a reciprocal exchange of information, as well as the senior managers of the Company and some managers of the first reporting lines.

1. Transactions and events of greatest economic, financial and equity importance that occurred during the year or after the end of the year

2023 was marked for the LU-VE Group as a year of stabilising previous achievements and defining the ways by means of which to achieve medium-term growth objectives through the configuration and implementation of a new organisational structure.
In addition, the following is disclosed:

- completion of the expansion of the production site of the subsidiary SEST-LUVE POLSKA Sp.z.o.o. in Poland and completion of the purchase of an additional plot of land in the same area;
- completion of the expansion of the production site of the subsidiary Refrion S.r.l. in the province of Udine;
- continuation of the conversion works on the former ACC-Wanbao production site in the province of Belluno, relating to the business unit acquired from the subsidiary SEST S.p.A.;
- expansion of the factory in Tianmen (China) of the subsidiary LUVE HEAT EXCHANGERS Co. Ltd;
- increase in the share capital of the US subsidiary LU-VE US Inc. for US$ 10 million through corresponding conversion of existing financial debt and redefinition of the strategic development plan;
- project to expand the facility of the subsidiary LU-VE US Inc.;
- approval of the 2023-2025 Strategic Sustainability Plan based on: (i) climate neutrality, (ii) positive impact products, (iii) high employee engagement (iv) sustainability integrated in the business plan;
- reduction of emissions (Scope 1 and Scope 2) by 6.39% compared to the previous year;
- introduction of the figure of the General Manager (see below).

2. Supervisory activities on compliance with the law and the Articles of Association

With regard to the supervisory activities carried out during the year, disciplined by Article 2403 of the Italian Civil Code, the TUF and Italian Legislative Decree No. 39 of 2010, the Board of Statutory

Auditors discloses the following, also in compliance with the instructions provided by Consob under communication No. DEM/1025564 of 2001 and subsequent amendments and additions.

The Board of Statutory Auditors periodically obtained from the directors, including through attendance at meetings of the Board of Directors and internal board committees, information on the activities carried out and on the most significant economic, financial, and equity transactions resolved and implemented during the year. On the basis of available information, the Board of Statutory Auditors can reasonably assure that said transactions comply with the law and the Articles of Association and are not manifestly imprudent, risky, conflicting with the resolutions of the Shareholders' Meeting, or such as to compromise the integrity of the company's assets.

The Board of Statutory Auditors interfaced with the Financial Reporting Manager and the Legal and Corporate Affairs Manager of the Group and held dedicated meetings with the Head of Internal Audit, the General Manager, the Human Resources Manager, the Plant Manager and Security Manager. In addition, the Board of Statutory Auditors maintained a constant information channel and held regular meetings with the members of the Supervisory Body and with the appointed auditing firm, as mentioned above. By means of participation in the Control and Risk Committee, it also acquired information from the Purchasing Director, Group Technical Director, Risk Manager, Sustainability Manager, Components Sales Director and Cooling System Sales Director.

The Board of Statutory Auditors also exchanged information with the Board of Statutory Auditors, where appointed, of the subsidiaries, and with the managers of the foreign companies of strategic importance.

It should be noted that in 2023:

- no complaints were received pursuant to Article 2408 of the Italian Civil Code and no complaints were filed pursuant to Article 2409 of the Italian Civil Code
- no reports were received
- the Board of Statutory Auditors provided its opinions when required by law during the meetings of the Committees and Boards in which it took part.

3. SUPERVISORY ACTIVITY REGARDING RESPECT FOR THE PRINCIPLES OF PROPER MANAGEMENT

The Board of Statutory Auditors, by means of participation in the meetings of the Board of Directors and the internal Board Committees, as well as via the information received during the year with the frequency envisaged by Article 17 of the Articles of Association, by the Chief Executive Officer regarding the activities carried out, the most significant economic, financial and equity transactions carried out by LU-VE and its subsidiaries as described in the Directors' Report and in the Explanatory Notes to the financial statements, can affirm that the decisions of the directors were inspired by principles of correct administration and reasonableness, as the same are aware of the risks and effects of the transactions carried out.

The directors adequately illustrated in the Explanatory notes the main assumptions used to conduct mandatory impairment testing on certain financial statement assets.

During the year, the Company did not purchase any further treasury shares, which therefore remained unchanged compared to the previous year. Specifically, as at 31 December 2023, LU-VE held 28,027 treasury shares in the portfolio, equal to 0.1261% of the share capital, which was acquired at an average price of Euro 10.2827 based on the authorisation resolutions approved by the Shareholders' Meeting on 29 April 2019.

The Board of Statutory Auditors acquired information on the adequacy of the instructions given to the subsidiaries pursuant to Article 114.2 of the Consolidated Law on Finance, by the boards of statutory auditors of the Italian subsidiaries and by the managers of the foreign subsidiaries of strategic importance through the acquisition of specific questionnaires completed by the same control bodies from which no critical issues emerged.

During the activities carried out and on the basis of the information obtained, no omissions, reprehensible facts, irregularities or in any case significant circumstances such as to require reporting to the Supervisory Authorities or mention in this report were identified.

4. SUPERVISORY ACTIVITY ON THE ADEQUACY OF THE ORGANISATIONAL STRUCTURE

The Board of Statutory Auditors oversaw the adequacy of the organisational structure adopted by the Company insofar as it is responsible, holding meetings with the Human Resources Manager, the Financial Reporting Manager and the Legal and Corporate Affairs Manager.

During 2023, the figure of the General Manager was introduced, reporting directly to the Chief Executive Officer, as a significant change compared to the previously existing structure.

Within the sphere of the project assigned to him, the General Manager presented his proposal to the Board of Directors for the definition of a new organisation of LU-VE and the Group in order to achieve the medium-term growth objectives that the Group has set itself; the new organisation was approved by the Board of Directors during the meeting on 28 November 2023.

The new organisational model, based on the adoption of an approach by clusters characterised by geographical proximity together with the introduction of matrix type reports, will require an adequate time frame to be fully operational. Already in the first few months of the current year, the activities necessary for the progressive implementation of the new model were rolled out, with the full care and attention of the Board of Directors and the monitoring of the Board of Statutory Auditors.

5. Supervisory activities on the internal control and risk management system and the administrative-accounting system

The Board of Statutory Auditors oversaw the adequacy of the internal control and risk management system and the administrative-accounting system, as well as the latter's suitability to correctly represent management events through:

- the examination of the positive assessment expressed by the Board of Directors at the meeting of 13 March 2024 on the adequacy and effective functioning of the internal control and risk management system;
- examination of the Report of the Control and Risk Committee on the activities carried out and on the adequacy of the internal control and risk management system;
- examination of the annual report of the Internal Audit unit to the Board of Directors on the internal control and risk management system;
- the examination of the Internal Audit reports as well as the update on the implementation of the corrective activities identified as a result of the audit activities;
- the examination of the periodic reports of the Internal Audit unit;
- the examination of the periodic reports of the Supervisory Body pursuant to Italian Legislative Decree No. 231/2001 and the meetings with the same body;
- regular participation in the Control and Risk Committee and the Remuneration and Appointments Committee;
- the examination and assessments expressed by the Financial Reporting Manager regarding the adequacy of the administrative and accounting procedures put in place and shared with the subsidiaries for the correct preparation of the separate financial statements and the consolidated financial statements;
- periodic meetings with the auditing firm;
- the acquisition of information from the control bodies of the investee companies by means of the completion of specific questionnaires as well as from the managers of the foreign companies of strategic importance.

The Board of Statutory Auditors also notes that the LU-VE's Internal Audit unit operates on the basis of a multi-year plan, reviewed annually, which defines the activities and processes to be audited with a view to a risk-based approach; the plan was approved by the Board of Directors on 14 March 2023, subject to the favourable opinion of the Control and Risk Committee and having consulted the Board of Statutory Auditors.

The activities carried out by the Internal Audit unit during 2023 essentially covered the scope of activities planned: no significant critical issues emerged from these activities, but rather aspects for improvement, to be monitored during the current financial year in consideration what is more of the adoption of the new organisational model.

Taking into account all the above, the Board of Statutory Auditors believes that there are no critical elements such as to compromise the internal control and risk management system and the adequate application of administrative and accounting procedures.

6. Supervisory activities on atypical and/or unusual transactions carried out with third parties or intra-group and on transactions with related parties

The Board of Statutory Auditors has not observed nor received any indications from the Board of Directors, the auditing firm, the Supervisory Body, or the Internal Audit unit regarding the existence of atypical and/or unusual transactions, as defined by Consob by means of the communication dated 28 July 2006, carried out with third parties or intra-group.

The Explanatory Notes to the financial statements provide adequate information on ordinary transactions carried out in 2023 with Group companies and other related parties, to which reference should be made for a complete description of the characteristics, and financial, economic and equity effects.

With reference to transactions with related parties, the Board of Statutory Auditors supervised the compliance of the procedure adopted by LU-VE with the principles specified by Consob, as well as their observance, also by participating in the meetings of the Control and Risk Committee. In this sphere, it is disclosed that the Company adopted a procedure intended to govern the Group's transactions with related parties, in compliance with the principles established by Consob Regulation No. 17221 of 12 March 2010 as amended.

7. Supervision of the external audit of the accounts process

Pursuant to Article 19 of Italian Legislative Decree No. 39 of 2010, the Board of Statutory Auditors identifies as the Internal Control and Audit Committee and has therefore carried out the prescribed supervisory activities on the external audit of the annual accounts and consolidated accounts.

The Board of Statutory Auditors met periodically with the auditing firm Deloitte, also pursuant to Article 150.3 of the TUF, for the exchange of reciprocal information, for the examination of the results deriving from the performance of the audit on the due keeping of the accounts and for the examination of the Audit Plan of LU-VE and the Group for the year 2023. In these meetings, the auditing firm did not highlight any acts or events deemed reprehensible or irregularities that required the formulation of specific reports pursuant to Article 155 of the Consolidated Law on Finance.

The Board of Statutory Auditors:

- analysed the audit plan prepared by the auditing firm, examining the approach used for the various significant areas of the financial statements and verifying the adequacy of the audits in relation to the size and complexity of the Company;
- received on March 28th, 2024 the reports on the separate financial statements and the consolidated financial statements of the Company and the Group pursuant to Articles 14 of Italian Legislative Decree No. 39/10 and 10 of Regulation (EU) 537/2014, which were issued without findings or requests for disclosure, making it possible to state that the separate financial statements and the consolidated financial statements provide a true and fair view of the balance sheet and financial position of LU-VE and the Group and the economic result and cash flows for the year ended 31 December 2023; the auditing firm also certified, in compliance with the provisions of Delegated Regulation No. 2019/815 with reference to the obligation to use the single electronic communication format (ESEF - European Single Electronic Format) that the separate financial statements and the consolidated financial statements have been prepared in the XHTML format compliant with the provisions of the aforementioned Delegated Regulation and that the consolidated financial statements have also been marked, with regard to all significant aspects, in compliance with the ESEF provisions;
- received on March 28th, 2024 the additional report for the internal control and audit Committee envisaged by Article 11 of EU Regulation 537/2014. This report (i) confirms the existence of the auditing firm's independence requirements (ii) does not indicate significant shortfalls in the internal control system or instances of actual or alleged non-compliance with laws or article of association provisions (iii) does not indicate the identification of significant errors; this Report will be forwarded, with any comments from the Board of Statutory Auditors, to the Board of Directors;
- received on March 28th, 2024 the report issued pursuant to Article 3.10 of Italian Legislative Decree No. 254/2016 and Article 5 of Consob Regulation No. 20267/2018 concerning the limited examination of the consolidated non-financial statement of the Company and its subsidiaries;
- did not find any critical aspects having regard to the independence of the auditing firm and received on March 28th, 2024 from the same Deloitte the communication of annual confirmation of independence in accordance with Article 6.2), letter a) of European Regulation No. 537/2014 and in accordance with point 17 of ISA Italia 260;
- noted that LU-VE, pursuant to Article 149-duodecies of the Issuers' Regulation, provided adequate information on the fees assigned to the auditing firm in the Explanatory Notes to the financial statements and the consolidated financial statements. In this regard, it should be noted

that no further appointments were assigned other than the audit of LU-VE's separate financial statements and the consolidated financial statements and the limited examination of the Consolidated non-financial statement.

The draft financial statements for the year ended 31 December 2023, accompanied by the Directors' Report, as well as the aforementioned certification of the Chief Executive Officer and the Financial Reporting Manager, approved by the Board of Directors at the meeting of 13 March 2024, was simultaneously made available to the Board of Statutory Auditors in view of the Shareholders' Meeting called for 29 April 2024.

On the same date, 13 March 2024, the Board of Directors also approved the consolidated financial statements, as prepared by the Financial Reporting Manager, and likewise made them available to the Board of Statutory Auditors.

LU-VE's financial statements show a net profit of Euro 6.1 million and a consolidated profit of Euro 31.4 million. Consolidated EBITDA came to Euro 78.8 million. The consolidated net financial position was negative for Euro 154.2 million.

8. SUPERVISION OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In exercising its functions, the Board of Statutory Auditors, as laid down by Article 2403 of the Italian Civil Code and Article 149 of the Consolidated Law on Finance (TUF), supervised the methods of actual implementation of the corporate governance rules envisaged by the codes of conduct with which the Company declares it complies. The Company complies with the Corporate Governance Code drawn up by the Corporate Governance Committee and has drawn up, pursuant to Article 123-bis of the Consolidated Law on Finance, the annual "Report on Corporate Governance and Ownership Structures", which provides, among other things, information on (i) the ownership structures, (ii) the corporate governance rules actually applied, (iii) the main characteristics of the internal control and risk management system, (iv) the operating mechanisms of the Shareholders' Meeting, the rights of the shareholders and the methods of their exercise, (v) relations with the shareholders and the engagement policy, (vi) the composition and functioning of the administration and control bodies and the internal board committees.

The Board of Directors approved the "Report on Corporate Governance and Ownership Structures" on 13 March 2024.

The Board of Statutory Auditors verified the correct application of the assessment criteria and procedures adopted by the Board of Directors to assess the independence of the members, also on the basis of the qualitative and quantitative criteria defined by said Board of Directors.

The Board of Statutory Auditors also discloses that the Company has prepared the Remuneration Report according to the principles and recommendations laid down by the Corporate Governance Code.
The Board of Statutory Auditors verified, also by means of participation in the Remuneration and Appointments Committee, the company processes that led to the definition of the remuneration policies of the Company, with particular reference to the remuneration criteria for the Chief Executive Officers and the Executives with strategic responsibilities, providing, where required by law, the related opinions.
During the year, the Board of Statutory Auditors also monitored compliance with the recommendations communicated by the Chairman of the Corporate Governance Committee for 2023.

9. MONITORING OF THE NON-FINANCIAL STATEMENT

The Board of Statutory Auditors monitored compliance with the provisions of Italian Legislative Decree No. 254/2016 and Consob Regulation No. 20267/2018 regarding the consolidated non-financial statement (hereinafter also the "NFS") prepared by the Company on the sustainable development strategy adopted.
The NFS was drafted with the aim of providing an understanding of the Group's activities, its performance, its results, the impact produced by the same, and also to report on environmental, social, personnel aspects, ethics and corporate integrity in compliance with the relevant content set forth in Articles 3 and 4 of Italian Legislative Decree No. 254/2016.
The NFS was approved by the Board of Directors on 13 March 2024 and was prepared in accordance with the Global Reporting Initiative Sustainability Reporting Standards ("GRI Standards").
The auditing firm, which has been assigned the task of carrying out the limited examination of the NFS, in the report dated March 28th, 2024 certifies that no elements were found such as to suggest that the NFS relating to the year ended 31 December 2023 has not been drawn up, in all significant aspects, in compliance with the requirements of Articles 3 and 4 of Italian Legislative Decree No. 254/2016 and the GRI Standards.

10. SELF-ASSESSMENT BY THE BOARD OF STATUTORY AUDITORS

With reference to its own self-assessment, taking into account the indications provided by Standard Q.1.7. "Self-assessment of the Board of Statutory Auditors" included in the document "Rules of conduct for Boards of Statutory Auditors of listed companies" drawn up by the National Council of Chartered Accountants and Accounting Experts (21 December 2023) and the document "The Self-Assessment of the Board of Statutory Auditors - Rules of conduct for Boards of Statutory Auditors of listed companies Standard Q.1.1. " also by the National Council of Chartered Accountants and Accounting Experts, which comments on and provides applicative indications of the same Standard Q.1.7. (May 2019), the Board of Statutory Auditors carried out independently, through a specially prepared questionnaire, the assessment of (i) the size and composition, (ii) the functioning and organisation of the work, (iii) the working method, cohesion and interaction, (iv) the role and responsibility of the Statutory Auditors. The results of this self-assessment were submitted to the Board of Directors at the meeting on 14 February 2024, which then disclosed it in the Report on Corporate Governance and Ownership Structures prepared for 2023. On an overall level, the average assessment led to positive results both in qualitative terms regarding the subjective profiles of the members, also with reference to gender diversity, and in quantitative terms regarding the time and commitment in the activities of the Board. It was also noted that the information flows received allow the Board of Statutory Auditors to adequately exercise its function and that the members of the Board, as a whole, consider the degree of interaction and cohesion within the Board itself to be adequate, just as the method of organisation and completion of the work entrusted to the Board itself and the collaboration between the Board of Statutory Auditors and the Board of Directors seems appropriate. In addition, the Board of Statutory Auditors assessed the continuation of the independence requirements with reference to each of its members every six months, with no exceptions noted.

11. Conclusions

Taking into account all the above, the Board of Statutory Auditors, having considered the content of the reports prepared by the auditing firm, having acknowledged the declarations of the Financial Reporting Manager and the Chief Executive Officer, expresses, insofar as it is responsible, an opinion in favour of the proposal to approve the financial statements of LU-VE as at 31 December 2023, which presents a net profit of Euro 6.1 million and on the proposal to allocate the net profit for the year which envisages inter alia, the distribution of a dividend of Euro 0.4 per share, as formulated by the Board of Directors.

Milan, 28 March 2024

The Board of Statutory Auditors of LU-VE S.p.A.

Mara Palacino (Chairwoman)

Paola Mignani (Standing Auditor)

Domenico Angelo Magno Fava (Standing Auditor)