PRESS RELEASE

LU-VE GROUP:
STRONG PERFORMANCE IN 2023 MIRRORS 2022
AMID MACROECONOMIC AND REGULATORY SHIFTS

In the first nine months of 2023, the group achieved:

- **product sales of 460 million euros, up 0.7 percent from the same period in 2022**
- **order backlog of 172 million euros, a decrease of 12.4 percent**
- **adjusted EBITDA of 62.5 million euros, or 13.5 percent with a growth of 0.8 percent**
- **net income - adjusted for revenues and extraordinary costs - of 32 million euros in line with the 2022 result.**

The net financial position as of September 30, 2023, amounted to 167.6 million euros, an improvement of 3.7 million euros compared to the same date in 2022**.**

Uboldo (Varese), 13 November 2023 - The Board of Directors of LU-VE S.p.A. ('LUVE' or the 'Company'), which met today, has approved the results as of **30 September 2023**.

"*The increase in product turnover in the first 9 months of 2023 is incorporated in a trend in Group sales that, since 2018, has recorded significant growth, despite macroeconomic turbulences. This is an extremely satisfying result, also because it comes following the record, we reached in 2022.* - declared Matteo Liberali, President and CEO of LU-VE Group – *This result confirms the effectiveness of the strategy pursued in our business model, thanks to the diversification of the applications of products in sectors with uncorrelated trends. This result also confirms the dedication and commitment of all our collaborators. My thanks go to them."*

INTERIM REPORT AS OF SEPTEMBER 30, 2023

Revenues

Turnover at the end of September closed with a slight increase by 0.7%, equal to €460.0 million while the third quarter showed a decrease by 3.4% compared to the same period of 2022.
The order backlog at the end of September was equal to €172 million, decreasing by 8.3% compared to the end of June 2023 due to the fact that the customers are confirming the sales order closer to the delivery date requested, having the assurance on delivery time.

Product and application segments

The **SBU "Components"** showed a decrease in sales by 4.4%, with an amount of €255.2 million. Following the first semester 2023, the strong growth in air conditioning market (+39.3%) compensated almost completely the negative trend of heat exchangers and glass doors, for HORECA segment and home appliances.

The **SBU "Cooling Systems"** showed a good growth by 7.9%, with a turnover equal to €204.9 million, once again thanks to the good results achieved in high energy efficiency refrigerated logistics centres using natural refrigerants and in heat exchangers for latest generation data centres.

The breakdown of turnover by product tipe given below:

Revenues by products (in thousands of Euro)	30/09/2023	%	30/09/2022	%	% Change
Heat exchangers	242.654	52.2%	251.982	53.9%	-3,7%
Air Cooled Equipment	204.874	44.1%	189.873	40.6%	7,9%
Doors	12.515	2.8%	14.809	3.2%	-15,5%
TOTAL PRODUCT TURNOVER	**460.043**	**99.1%**	**456.664**	**97.7%**	**0,7%**
Other	4.406	0.9%	10.993	2.3%	-59,9%
TOTAL	**464.449**	**100%**	**467.657**	**100%**	**-0,7%**

The positive trend in air conditioning (+34.7%) is confirmed notwithstanding the first signals of slowdown of order intake for heat pumps.

Refrigeration (-7.9%) relieved the negative trend already showed in the first half year (-8.2%). Slight growth in industrial cooling, while special applications sales kept the negative trend (-17.9% in September compared to -19.9% at the end of June) heavily penalized by extremely negative performance of high efficiency tumble dryers.

The breakdown of turnover by application is given below:

APPLICATIONS (in thousands of Euro)	30/09/2023	%	30/09/2022	%	% Change
Refrigeration	219.154	47.2%	237.881	50.9%	-7.9%
Air-conditioning	136.302	29.4%	101.168	21.6%	34.7%
Special application	56.688	12.2%	70.182	15.1%	-19.2%
Industrial cooling	47.899	10.3%	47.433	10.1%	1.0%
TOTAL APPLICATION TURNOVER	**460.043**	**99.1%**	**456.664**	**97.7%**	**0.7%**
Other	4.406	0.9%	10.993	2.3%	-59.9%
TOTAL	**464.449**	**100.0%**	**467.657**	**100.0%**	**-0.7%**

Geographical markets

At the end of September, sales in EU decreased by 3%, with a total amount of €346.5 million and an incidence equal to 75.3%.
Germany and France confirm to be main export markets for the Group while Italy, in slight decrease, represents about 20% of total sales.

Very good performance in UAE while the negative performance in tumble dryers heavily penalized the result in Poland and Czech Republic.

Customers concentration

Sales of the first 10 customers accounted for 31.3% of total sales (in reduction compared to June 2023) while the main customer represented 4.8% of total sales (compared 5.5% as at June 2023).

Profitability

EBITDA was €61.2 million (13.2% of revenues) compared to €59.6 million (12.7% of revenues) in the first 9 months of 2022. In the income statement, €1.3 million of costs not falling under ordinary management were booked (€2.4 million as of 30 September 2022), including €1.0 million for start-up activities of the former ACC Wanbao production site and €0.3 million for supporting the people affected by the flood in Emilia-Romagna. Net of the impact of the aforementioned costs not falling under ordinary management, adjusted EBITDA would have been €62.5 million (€62 million as of 30 September 2022). The change in adjusted EBITDA compared to EBITDA in the first nine months of 2022 (+€0.5 million) was generated by €2.2 million by the increase in sales price, €2.3 million for net decrease in raw material purchases and other production costs, net of €1.9 million linked to the partial reduction of safety stocks and €2.1 million related to the volume effect and the change of the sales mix.

Net income for the period amounted to €27.2 million (5.9% of revenues), compared to €45.5 million for the first 9 months of 2022 (9.7% of revenues). Applying the tax effect to costs not falling under ordinary management (€1.3 million) and to the net effect of the negative change in the fair value of derivatives and the impact of amortized cost (€1.4 million), the net income for the first 9 months of 2023 ("Adjusted net income for the period") would have been €29.2 million, 6.3% of revenues (€31.1 million last year, 6.7% of revenues).

Net financial position and cash generation

The net financial position was negative by €167.6 million (€142.3 million as of December 31, 2022) with a difference of €25.3 million mainly due for €28.9 million to capital expenditures, €9.2 million to dividend distribution, €28.8 million to the increase in operating working capital, €2.1 million related to changes in other payables and receivables and derivatives, net of €43.7 million of positive cash flow from operations.

Normalizing the net financial position, considering the impact of operating working capital on sales in the last 12 months, the figure as of September 30, 2023 would have been negative €138.6 million.

The net financial position as of September 30, 2022 was negative by €171.3 million.

BUSINESS OUTLOOK

The increase in product turnover in the first 9 months of 2023 (+0.7%) is incorporated in a trend in Group sales that, since 2018, has recorded significant growth (turnover CAGR of more than 15%), even better than the medium/long-term "guidance", communicated in due course, despite macroeconomic turbulences.
This extremely satisfying result confirms the effectiveness of the strategy pursued in constructing a resilient business model, thanks to the diversification of the applications of products in sectors with uncorrelated trends, supported by secular trends such as electrification, decarbonization, digitalization and the adoption of refrigerant gases with zero or low environmental impact, technological developments where LU-VE Group has been a first mover.

In the last part of the third quarter, the heat pump market suffered a sudden and unexpected slowdown in demand. This situation, in a sector which is seeing massive investments throughout Europe for the creation of additional production capacity by all the main market players, appears temporary and mainly attributable to three economic factors: 1) regulatory uncertainties on incentives in various countries of European Union; 2) trend in the comparative price of gas and electricity; 3) increase in finished product inventories along the entire supply chain. Consequently, the Group expects an impact on sales of heat exchangers for this application at least for the next two quarters.

However, all analyst of the sector agree that this is a temporary slowdown and maintain very positive expectations in the medium term as the replacement of gas boilers with heat pump technology represents one of the cornerstones of the policies of the "Repower" program EU" and - together with renewables, EVs and batteries - one of the "clean energy technologies" crucial for achieving the objectives of "net zero emissions", as clearly appears from the recent IEA (International Energy Agency) report "World Energy Outlook 2023 ”.

A market segment where significant growth in turnover and order book is expected in the coming months is data centers, because of the rapid expansion of cloud computing and emerging technologies such as artificial intelligence, the Internet of Things and blockchain which require more advanced and scalable infrastructures.

In a macroeconomic scenario that has deteriorated globally, characterized by heightened uncertainty, the Group works tirelessly and with great determination to preserve its profit margins, also in the presence of increased volatility of the expected results in terms of sales and forecasts a last quarter in overall economic and financial metrics substantially in line with the corresponding period in 2022.

CONFERENCE CALL

The results as of 30 September 2023 will be illustrated today, 13 November 2023, at 15:30 (CET) during a conference call to the financial community, which will also be the subject of a webcast in listen-only mode on https://investor.luvegroup.com/en/

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The Manager responsible for preparing the financial reporting, Eligio Macchi, declares, pursuant to Art. 154-bis, paragraph 2 of the Consolidated Law on Finance, that the accounting disclosure contained in this press release corresponds to the results of the accounting documents, books and entries.

This document contains forward-looking statements relating to future events and future operating, economic and financial results of the LU-VE group. By their nature, forward-looking statements involve risk and uncertainty because they depend on the occurrence of future events and circumstances. Actual results may therefore differ materially from those forecast as a result of a variety of reasons, most of which are beyond the LU-VE group's control.

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LU-VE Group is one of the major manufacturers in the world in the air heat exchanger field (listed on the Milan Stock Exchange). It operates in various segments of the market: refrigeration (commercial and industrial); process cooling for industrial applications and power generation; air conditioning (civil, industrial and close control); glass doors and closing systems for refrigerated counters and cabinets; IoT mirrors for special applications (digital signage, lift cars, hotel rooms, etc.). The LU-VE Group is an international company (with HQ in Uboldo, Varese, Italy) consisting of 20 manufacturing facilities in 9 different countries: Italy, China, Czech Rep., Finland, India, Poland, Russia, Sweden & USA, with a network of 34 sales companies and representative offices in Europe, Nord America, Asia and the Middle East. The Group also includes a software house dedicated to ICT (Information and Communications Technology), the development of product calculation software and digitalization. The strength of the Group lies in its employees: some 4,100 qualified people (over 1,300 in Italy); total surface 1.080,000 sq. m (over 300,000 covered); 3,605 sq. m Research and Development laboratories; 80% of products exported to 100 countries.
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ANNEX

1. Consolidated Profit and Loss

Reclassified Consolidated Income Statement (in thousands of Euro)	9 months 2023	% of Revenues	9 months 2022	% of Revenues	% change
Revenues and Operating income	464,449	100%	467,657	100%	(0.7%)
Purchases of materials	(241,488)	52.0%	(290,069)	62.0%	
Changes in inventories	(46)	0.0%	39,051	-8.4%	
Services	(61,354)	13.2%	(61,232)	13.1%	
Personnel costs	(97,958)	21.1%	(93,881)	20.1%	
Other operating costs	(2,369)	0.5%	(1,957)	0.4%	
Total operating costs	**(403,215)**	**86.8%**	**(408,088)**	**87.3%**	**(1.2%)**
EBITDA	61,234	13.2%	59,569	12.7%	2.8%
Depreciation and amortization (*)	(24,300)	5.2%	(24,140)	5.2%	
Gains/losses on non-current asset	(138)	0.0%	(47)	0.0%	
EBIT	36,796	7.9%	35,382	7.6%	4.0%
Net financial income and expense	(5,050)	1.1%	10,615	-2.3%	
Gain (Losses) from equity investments	-	-	9,473	-2.0%	
Pre-tax profit (EBT) (*)	31,746	6.8%	55,470	11.9%	(42.8%)
Income taxes for period (*)	(4,540)	1.0%	(10,055)	2.2%	
Net profit for the period (*)	27,206	5.9%	45,415	9.7%	(40.1%)
Profit attributable to Non-controlling interests	1,299		921		
Profit attributable to the Group (*)	25,907	5.6%	44,494	9.5%	(41.8%)

(*) Values restated in accordance with IFRS 3, in order to take into account, retrospectively, the effects resulting from the final fair value mesurements of the buildings and brands of the Group Refrion at the acquisition date, previously considered provisional.

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2. Consolidated Balance Sheet

Balance Sheet Reclassified Consolidated (in thousands of Euro)	30/09/2023	% on net invested capital	31/12/2022	% on net invested capital	DELTA 2023 on 2022
Net intangible assets	94,017		98,474		
Net property, plant and equipment	198,799		189,264		
Deferred tax assets	9,463		6,992		
Financial Assets	1,416		1,473		
Non-current Assets (A)	303,695	78.0%	296,203	83.7%	7,492
Inventories	131,853		134,237		(2,384)
Receivables	98,741		83,265		15,476
Other receivables and current assets	13,949		13,273		676
Current assets (B)	244,543		230,775		13,768
Trade payables	90,854		106,587		(15,733)
Other payables and current liabilities	42,734		40,913		1,821
Current liabilities (C)	133,588		147,500		(13,912)
Net working capital (D=B-C)	110,955	28.5%	83,275	23.5%	27,680
Provisions for employee benefits	5,445		5,299		146
Deferred tax liabilities	14,481		14,955		(474)
Provisions for risks and charges	5,590		5,492		98
Medium/long-term liabilities (E)	25,516	6.5%	25,746	7.2%	(230)
Net Invested Capital (A+D-E)	389,134	100.0%	353,732	100.0%	35,402
Shareholders’ equity attributable to the Group	216,598		206,748		9,850
Non-controlling interests	4,946		4,712		234
Total Consolidated Shareholders' Equity	221,544	56.9%	211,460	59.8%	10,084
Medium-Term Net Financial Position	268,988		338,014		(69,026)
Short-Term Net Financial Position	(101,398)		(195,742)		94,344
Total Net Financial Position	167,590	43.1%	142,272	40.2%	25,318
Own funds and Net financial debt	389,134	100.0%	353,732	100.0%	35,402

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3. Consolidated Cash Flow Statements

	Consolidated Statement of Cash Flows (in thousand Euro)	30/09/2023	30/09/2022	
A.	**Cash and cash equivalents at the beginning of the period**	**177,258**	**166,328**	
	Profit (loss) for the period	27,206	45,415	(*)
	Adjustments for:			
	- Depreciation and amortisation	24,300	24,140	(*)
	- Capital (Gains)/losses, write-downs of non-current assets	138	47	
	- (Gains)/losses on sales on investments	-	(9,473)	
	- Net financial expenses	4,520	6,452	
	- Income taxes	4,540	10,055	(*)
	- Changes in fair value	1,629	(14,047)	
	Changes in employee benefits	30	(11)	
	Changes in provisions	98	185	
	Changes in trade receivables	(15,476)	(24,226)	
	Changes in inventories	46	(39,051)	
	Changes in trade payables	(15,733)	(5,999)	
	Changes in net working capital	**(31,163)**	**(69,276)**	
	Changes in other receivables and payables, deferred taxes	2,332	3,948	
	Tax payment	(10,107)	(5,357)	
	Net paid financial expenses	(4,842)	(2,074)	
B.	**Cash flows from (used in) operating activities**	**18,681**	**(9,996)**	
	Investments in non-current assets:			
	- intangible assets	(1,905)	(3,333)	
	- property, plant and equipment	(25,698)	(18,526)	
	- financial assets	-	-	
	Investments in short-term financial assets	89,548	(19,360)	
	Net cash paid Business combination	-	(7,282)	
	Net cash flow generated from disposal of investments	-	11,444	
C.	**Cash flows from (used in) investing activities**	**61,945**	**(37,057)**	
	Repayment of loans	(96,475)	(149,126)	
	New loans	40,000	175,769	
	Changes in other financial liabilities	(4,798)	(4,389)	
	Sale/(purchase) of treasury shares	-	-	
	Contributions/repayments of own capital	-	-	
	Payment of dividends	(8,470)	(7,769)	
	Other changes	-	-	
D.	**Cash flows from (used in) financing activities**	**(69,743)**	**14,485**	
	Exchange differences	(7,959)	8,983	
	Another non-monetary changes	3,835	(11,272)	
E.	**Other changes**	**(4,124)**	**(2,289)**	
F.	**Net cash flows in the period (B+C+D+E)**	**6,759**	**(34,857)**	
	Cash and cash equivalents at the end of the period (A+F)	**184,017**	**131,471**	
	Current financial debt	82,619	(19,066)	
	Non-current financial debt	268,988	321,833	
	Net financial debt	**167,590**	**171,296**	

(*) Values restated in accordance with IFRS 3, in order to take into account, retrospectively, the effects resulting from the final fair value mesurements of the buildings and brands of the Group Refrion at the acquisition date, previously considered provisional.