



PRESS RELEASE

LU-VE GROUP: FIRST QUARTER 2023 RESULTS IN LINE WITH 2022 AMID AN UNCERTAIN END-MARKET ENVIRONMENT AS OF MARCH, ORDER BACKLOG UP 16 PERCENT COMPARED WITH DECEMBER 2022

In the first three months of 2023, LU-VE Group achieved the following results:

- Total sales of €151.4 million, + 3.9% growth in product sales (+1.7% growth in total sales compared to Q1 of 2022)
- order backlog of €218.6 million (+15.8% growth compared to December 2022)
- EBITDA of €19.2 million, or 12.7% of sales, in line with the Q1 2022 result
- group net income of €6.8 million or 4.5% of sales

Net financial position as of March 31, 2023, amounted to €161.4 million, an increase of €19.1 million compared to December 2022, mainly due to the seasonality of net working capital.

In the period April 1, 2022, to March 31, 2023, cash flow from operations adjusted for nonoperating items was positive by €54.1 million.

Uboldo (Varese), 12 May 2023 - The Board of Directors of LU-VE S.p.A., which met today, has approved the consolidated results as of 31 March 2023.

INTERIM REPORT AS OF MARCH 31, 2023

Revenues Product-only sales in the first quarter of FY2023 were €150.6 million, up 3.9 percent despite the "tough comparison" from the previous year (Q1 2022 turnover + 38,3% vs Q1 2021), while the order backlog rose to €218.6 million (+15.8% from December 2022).



Product and application segments

“**Cooling Systems Business Unit**” recorded a turnover of €61.1 millions, an increase of 8.6% thanks to the good performance of both air conditioning and refrigeration projects, which more than offset the expected slow start of invoicing (-16.5%) in business related to the "industrial cooling" segment, which however in the period saw very strong growth (+74.8%) of orders with deliveries expected by the end of the year.

Despite exponential growth in both sales and order acquisition in the heat pump, air conditioning and data center segments, the “**Components**” **Business Unit** grew by only 0.9% in the first quarter, with a turnover of €89.5 million. Following the performance of the second half of 2022, in fact, the demand for heat exchangers for “tumble dryers” suffered the expected slowdown, to which must be added the expected slow start in the “HO.RE.CA.” and “display cabinets” sectors (-31%), with the latest that however has shown the first signs of recovery in recent weeks.

APPLICATIONS (in millions of Euro)	Q1/2023	%	Q1/2022	%	Change %
Refrigeration	73,0	48,2%	81,5	54,7%	-10,3%
Air-conditioning	47,8	31,6%	27,3	18,4%	74,8%
Special application	17,6	11,6%	21,6	14,5%	-18,5%
Industrial cooling	12,2	8,0%	14,6	9,8%	-16,5%
TOTAL APPLICATION TURNOVER	150,6	99,5%	145,0	97,4%	3,9%
Other	0,8	0,5%	3,8	2,6%	-78,8%
TOTAL	151,4	100%	148,8	100%	1,7%

Geographical markets

In the first quarter, there was very strong growth in sales in **Germany (which once again became the Group's first export market)** and in France, mainly attributable in both cases to customers in the heat pumps sector. On the other hand, sales in Poland and the Czech Republic fell significantly for reasons already mentioned above concerning customers active in the field of household appliances. Finally, there was good performance in Italy (+13%) with an incidence on total sales for the period of over 21%.

Profitability

Despite the “tough comparison” with Q1 2022 (Q1 2022 EBITDA +52% vs Q1 2021), the **EBITDA** of €19.2 million (12.7% of revenues) was in line with Q1 2022 (€19.2 million, 12.9% of revenues).

The change in EBITDA Q1-23 compared to EBITDA Q1-22 is generated by €1.7 million from the contribution of additional volumes and by €2.8 million from the increase in selling prices, net of: €3.3 million from increases in the costs of key



raw materials and other production costs; €1.9 million related to the reduction of safety stocks in the quarter; and €0.7 million from the absence of one-time expenses recorded in 2022 in connection with the acquisition of Refrion S.r.l.

"**Net income**" for the period was €6.8 million (4.5% of revenues), compared to €21.4 million, for the first 3 months of 2022 (14.4% of revenues). Applying the tax effect to nonrecurring income items, in both Q1 2022 and 2023, the net income "adjusted" for Q1 2023 would have been €8 million (5.3% of revenues) compared to €10.5 million (7.0% of revenues) in Q1 2022.

These adjustments do not consider the amortization of the so-called "purchase price allocation" resulting from acquisition deals made in past years.

Net financial position and cash generation

The "**net financial position**" is negative for €161.4 million (€142.3 million as of December 31, 2022) with a difference of €19.1 million mainly due to €6.2 million in capital expenditures, €22.7 million to the increase in operating working capital, €5.2 million related to changes in other payables and receivables, amortized cost and fair value of derivatives and liquidity investments, net of €15.1 million in positive cash flow from operations. Normalizing the net financial position, considering the impact of operating working capital on sales in the last 12 months with data at the end of December 2022 (18%), the net financial position as at March 31, 2023 would have been negative for €139.7 million.

The comparison to the net financial position at the end of March 31, 2022 (negative for €177.3 million) shows an improvement equal to €15.9 million.

For the period April 1, 2022 to March 31, 2023, cash flow from operations adjusted for non-operating items was approximately €54.1 million.

BUSINESS OUTLOOK

The value of the **order backlog** makes it possible to imagine a performance at the end of the first half of 2023 substantially in line with the same period of the previous year, despite the mentioned slowdowns in some application segments, mainly due to geopolitical uncertainty and inflation rate trends.

The usual means of transferring cost changes to selling prices make the goal of defending average margins reasonable in the second quarter of the year as well.



CONFERENCE CALL

The results as of 31 March 2022 will be illustrated today, 12 May 2023, at 16.00 (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 largest global manufacturers in the sector of air cooled heat exchangers (listed on the Milan Stock Exchange). It operates in various market segments: refrigeration (commercial and industrial); process cooling for industrial applications and “power generation”; air conditioning (civil, industrial and precision); glass doors and closing systems for refrigerated counters and windows; IoT mirrors for special applications (digital signage, lift cars, hotel rooms, etc.). LU-VE Group (HQ in Uboldo, Varese) is an international business with 20 production facilities across 9 different countries: Italy, China, Finland, India, Poland, Czech Rep., Sweden, Russia and US, with a network of 34 sales companies and representative offices in Europe, Asia, the Middle East and North America. The group also has a software house dedicated to ITC, the development of product calculation software and digitalisation. The Group has approximately 4,500 qualified employees (with more than 1,300 in Italy); 1,080,000 square metres of surface area (about 300,000 covered); 3,605 square metres of Research & Development laboratories; 83% of production exported to 100 countries.

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ANNEX

1. Reclassified Consolidated Income Statement

Reclassified Consolidated Income Statement (in thousands of Euro)	31/03/2023	% of Revenues	31/03/2022	% of Revenues	% change
Revenues and Operating income	151,441	100.0%	148,842	100.0%	1.7%
Purchases of materials	(80,780)	53.3%	(97,426)	65.5%	
Changes in inventories	4,195	(2.8%)	19,860	(13.3%)	
Services costs	(21,556)	14.2%	(20,654)	13.9%	
Personnel costs	(33,337)	22.0%	(30,720)	20.6%	
Other operating costs	(799)	0.5%	(732)	0.5%	
Total operating costs	(132,277)	87.3%	(129,672)	87.1%	2.0%
Gross Operating Margin (EBITDA)	19,164	12.7%	19,170	12.9%	(0.0%)
Depreciation and amortization	(7,849)	5.2%	(7,443)	5.0%	
Gains/losses on non-current asset	18	(0.0%)	(36)	0.0%	
Operating Result (EBIT)	11,333	7.5%	11,691	7.9%	(3.1%)
Net financial income and expense	(3,662)	2.4%	1,855	(1.2%)	
Gains(Losses) from equity investments	-	0.0%	9,473	(6.4%)	
Pre-tax profit (EBT)	7,671	5.1%	23,019	15.5%	(66.7%)
Income taxes for the year	(896)	0.6%	(1,577)	1.1%	
Net profit for the period	6,775	4.5%	21,442	14.4%	(68.4%)
Minority interest	445		393		
Profit attributable to the Group	6,330	4.2%	21,049	14.1%	(69.9%)

2. Reclassified Consolidated Balance Sheet

Reclassified Consolidated Balance Sheet (in thousands of Euro)	31/03/2023	% on net invested capital	31/12/2022	% on net invested capital	Variation 2023 on 2022
Net intangible assets	97,089		98,474		
Net property, plant and equipment	192,821		189,264		
Deferred tax assets	8,478		6,992		
Other non-current assets	1,442		1,473		
Non-current activities (A)	299,830	79.5%	296,203	83.7%	3,627
Inventories	137,571		134,237		3,334
Receivables	101,850		83,265		18,585
Other receivables and current assets	15,220		13,273		1,947
Current assets (B)	254,641		230,775		23,866
Trade payables	105,842		106,587		(745)
Other payables and current liabilities	45,488		40,913		4,575
Current liabilities (C)	151,330		147,500		3,830
Net working capital (D=B-C)	103,311	27.5%	83,275	23.5%	20,036
Provisions for employee benefits	5,123		5,299		(176)
Deferred tax liabilities	15,137		14,955		182
Provisions for risks and charges	5,632		5,492		140
Medium and long-term liabilities (E)	25,892	6.9%	25,746	7.3%	146
Net Invested Capital (A+D-E)	377,249	100.0%	353,732	100.0%	23,517
Shareholders' equity attributable to the Group	210,863		206,748		4,115
Non-controlling interests	4,970		4,712		258
Total Consolidated Net Worth	215,833	57.2%	211,460	59.8%	4,373
Net Financial Position at Medium-Long	331,047		338,014		(6,967)
Net Financial Position at Short Term	(169,631)		(195,742)		26,111
Total Net Financial Position	161,416	42.8%	142,272	40.2%	19,144
Net Worth and Net financial position	377,249	100.0%	353,732	100.0%	23,517

3. Consolidated Statement of Cash Flows

Consolidated Statement of Cash Flows (in thousand Euro)	31/03/2023	31/03/2022
A. Cash and cash equivalents at the beginning of the period	177,258	166,328
Profit (loss) for the period	6,775	21,442
Adjustments for:		
- Depreciation and amortization	7,849	7,443
- (Gains)/losses, write-downs of non-current assets	(18)	36
- Realized gains on investments	-	(9,473)
- Net financial expenses	131	1,362
- Income taxes	896	1,577
- Changes in fair value	2,952	(3,983)
Changes in employee benefits	24	27
Changes in provisions	140	(11)
Changes in trade receivables	(18,585)	(25,402)
Changes in inventories	(4,195)	(19,110)
Changes in trade payables	(745)	(8,810)
Changes in net working capital	(23,525)	(53,322)
Changes in other receivables and payables, deferred taxes	(2,851)	(1,234)
Tax payment	(1,422)	(664)
Net paid financial expenses	(1,345)	(539)
B. Cash flows from (used in) operating activities	(10,394)	(37,340)
Investments in non-current assets:		
- intangible assets	(657)	(856)
- property, plant and equipment	(5,114)	(6,586)
- financial assets	-	-
Investments in short-term financial assets	22,105	(286)
Net cash paid Business combination (*)	-	(7,283)
Net cash flow generated from disposal of investments (**)	-	11,444
C. Cash flows from (used in) investing activities	16,334	(3,567)
Repayment of loans	(29,752)	(29,930)
New loans	35,713	698
Changes in other financial liabilities	(1,865)	(1,124)
Sale/(purchase) of treasury shares	-	-
Contributions/repayments of own capital	-	-
Payment of dividends	(6)	-
Other changes	-	-
D. Cash flows from (used in) financing activities	4,090	(30,356)
Exchange differences	(2,482)	(5,473)
Another non-monetary changes	1,778	3,263
E. Other changes	(704)	(2,210)
F. Net cash flows in the period (B+C+D+E)	9,326	(73,473)
Cash and cash equivalents at the end of the period (A+F)	186,584	92,855
Current financial debt	16,953	64,489
Non-current financial debt	331,047	205,663
Net financial debt	161,416	177,297

(*) The amount, of the previous period, refers to the cash flow related to the acquisition of REFRION S.r.l.

(**) The amount, of the previous period, refers to the cash flow related to the disposal of TECNIAIR LV S.p.A..