



**INTERIM FINANCIAL REPORT AS AT
MARCH 31, 2024**

1 FINANCIAL STATEMENTS

1.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated Statement of Financial Position <i>(in thousand of Euro)</i>	31/03/2024	31/12/2023
ASSETS		
Goodwill	64,264	63,961
Other intangible assets	27,909	28,902
Property, plant and equipment	167,511	164,469
Right-of-use assets	12,489	13,476
Other tangible assets	24,362	27,467
Deferred tax assets	11,315	11,039
Investments	141	141
Other non-current assets	797	828
Non-current assets	308,788	310,283
Inventories	113,748	110,831
Trade receivables	106,640	87,790
Current tax assets	8,810	9,356
Current financial assets	39,066	50,387
Other current assets	6,790	4,760
Cash and cash equivalents	245,583	212,059
Current assets	520,637	475,183
Assets held for sale	-	-
Assets held for sale	-	-
TOTAL ASSETS	829,425	785,466

Consolidated Statement of Financial Position <i>(in thousand of Euro)</i>	31/03/2024	31/12/2023
LIABILITIES AND EQUITY		
Share capital	62,704	62,704
Reserves and retained earnings (losses)	161,796	131,228
Profit (loss) of the period	10,695	29,745
Total equity of the Group	235,195	223,677
Equity attributable to non controlling interest	5,855	5,554
TOTAL EQUITY	241,050	229,231
Loans	278,982	250,222
Provisions	5,717	5,735
Employee benefits obligations	5,479	5,363
Deferred tax liabilities	14,034	14,109
Other financial liabilities	12,992	14,410
Non-current liabilities	317,204	289,839
Trade payables	100,147	95,659
Loans	124,622	119,005
Tax liabilities	8,562	8,653
Other financial liabilities	5,159	5,155
Other current liabilities	32,681	37,924
Current liabilities	271,171	266,396
Liabilities held for sale	-	-
Liabilities held for sale	-	-
TOTAL LIABILITIES AND EQUITY	829,425	785,466

1.2 CONSOLIDATED INCOME STATEMENT

Consolidated Income Statement <i>(in thousand of Euro)</i>	31/03/2024	31/03/2024
REVENUES AND OPERATING INCOME		
Revenues	141,569	151.157
Other operating income	346	284
Total revenues and other operating income	141,915	151,441
OPERATING EXPENSES		
Purchase of materials	(71,978)	(80.780)
Changes in inventories	2,931	4.195
Costs for services	(18,729)	(21.556)
Personnel costs	(33,657)	(33.337)
Net reversal/ (write downs) of financial assets	(29)	84
Other operating expenses	(839)	(883)
Total operating expenses	(122,301)	(132,277)
Depreciation and amortization	(7,742)	(7.849)
Gain/(Losses) on the sale of non-current assets	52	18
Write-downs on non-current assets	-	-
OPERATING RESULT	11,924	11.333
Financial income	2,556	1.170
Financial expenses	(1,777)	(4.253)
Exchange gains (losses)	899	(579)
Gains/(Losses) from investments	-	-
PRE-TAX RESULT	13,602	7.671
Income taxes	(2,565)	(896)
NET RESULT	11,037	6.775
Of which attributable to non-controlling interests	342	445
Of which attributable to the GROUP	10,695	6,330

1.3 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Statement of comprehensive income <i>(in thousand of Euro)</i>	31/03/2024	31/03/2024
NET RESULT	11,037	6,775
<i>Components that will not subsequently be reclassified to the Income Statement of the period</i>		
Actuarial gains/(losses) from employee benefits obligations	40	200
Tax effect	(10)	(48)
	30	152
<i>Components that will subsequently be reclassified to the Income Statement of the period:</i>		
Exchange differences from translation of Financial Statements in foreign currency	792	(2,367)
TOTAL COMPREHENSIVE INCOME (LOSS)	11,859	4,560
of which:		
Attributable to non-controlling interests	(342)	(445)
ATTRIBUTABLE TO THE GROUP	11,517	4,115

1.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated Statement of changes in equity <i>(in thousands of Euro)</i>	Share Capital	Share Premium reserve	Legal reserve	Treasury Shares	Translation reserve	Postemployment benefits discounting reserve	Other reserves	Profit (loss) for the period	Total equity attributable to the Group	Equity attributable to non controlling interests	Total 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 profit 2021											
Dividend	-	-	-	-	-	-	-	-	-	(72)	(72)
Retained	-	-	-	-	-	-	47,714	(47,714)	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	(115)	(115)
Statement of comprehensive income as at 31/03/2022	-	-	-	-	(2,367)	152	-	6,330	4,115	445	4,560
BALANCE AS AT 31/03/2023	62,704	24,762	3,745	(288)	(16,010)	144	129,476	6,330	210,863	4,970	215,833
BALANCE AS AT 31/12/2023	62,704	24,762	4,557	(288)	(17,938)	(91)	120,226	29,745	223,677	5,554	229,231
Allocation profit 2022											
Dividend	-	-	-	-	-	-	-	-	-	(62)	(62)
Retained	-	-	-	-	-	-	29,745	(29,745)	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	22	22
Statement of comprehensive income as at 31/03/2023	-	-	-	-	792	30	-	10,695	11,517	342	11,859
BALANCE AS AT 31/03/2024	62,704	24,762	4,557	(288)	(17,146)	(61)	149,971	10,695	235,194	5,856	241,050

1.5 STATEMENT OF CASH FLOWS

Consolidated Statement of Cash Flows (in thousand Euro)	31.03.2024	31.03.2023
A. Cash and cash equivalents at the beginning of the period	212,059	177,258
Profit (loss) for the period	11,037	6,775
Adjustments for:		
- Depreciation and amortisation	7,742	7,849
- (Gains)/losses, write-downs of non-current assets	(52)	(18)
- (Gains)/losses on sales on investments	-	-
- Net financial expenses	(635)	131
- Income taxes	2,565	896
- Changes in fair value	116	2,952
Changes in employee benefits	156	24
Changes in provisions	(18)	140
Changes in trade receivables	(18,850)	(18,585)
Changes in inventories	(2,931)	(4,195)
Changes in trade payables	4,488	(745)
Changes in net working capital	(17,293)	(23,525)
Changes in other receivables and payables, deferred taxes	(3,691)	(2,851)
Tax payment	(2,362)	(1,422)
Net paid financial expenses	(1,220)	(1,345)
B. Cash flows from (used in) operating activities	(3,655)	(10,394)
Investments in non-current assets:		
- intangible assets	(517)	(657)
- property, plant and equipment	(7,587)	(5,114)
- financial assets	-	-
Investments in short-term financial assets	11,464	22,105
Net cash paid Business combination	-	-
Net cash flow generated from disposal of investments	-	-
C. Cash flows from (used in) investing activities	3,360	16,334
Repayment of loans	(24,178)	(29,752)
New loans	40,000	35,713
Changes in other financial liabilities	(1,932)	(1,865)
Sale/(purchase) of treasury shares	-	-
Contributions/repayments of own capital	-	-
Payment of dividends	(10)	(6)
Other changes	-	-
D. Cash flows from (used in) financing activities	33,880	4,090
Exchange differences	815	(2,482)
Another non-monetary changes	(876)	1,778
E. Other changes	(61)	(704)
F. Net cash flows in the period (B+C+D+E)	33,524	9,326
Cash and cash equivalents at the end of the period (A+F)	245,583	186,584
Current financial debt	90,715	16,953
Non-current financial debt	291,974	331,047
Net financial debt	137,106	161,416

2 CONTENT AND FORM OF THE CONSOLIDATED FINANCIAL STATEMENTS

Introduction

The Interim Financial Report as at 31 March 2024, not audited, has been prepared in compliance with the International Financial Reporting Standards (IFRS) and for this scope the financial statements of the subsidiaries of the Group have been duly reclassified and amended.

The Interim Financial Report has been prepared in accordance with art. 154 Ter, comma 5 of D.Lgs. n. 58 dated 24/02/98 (T.U.F.) and subsequent amendments. Therefore, it does not include the information required in accordance with IAS 34 “Interim Financial Reporting”.

Consolidation criteria

The criteria adopted for the consolidation are the same as those adopted for preparation of Consolidated Financial Statement of 31 December 2023.

Accounting standards

Accounting standards adopted in the Interim Financial Report as at 31 March 2024 are the same as those adopted for the Consolidated Financial Statement as at 31 December 2023.

The Interim Financial Report as at 31 March 2024 has been prepared on the basis of the assumption of going concern.

2.1 REVENUES

As stated in the budget, sales of products in Q1 2024, equal to €141.3 million, decreased by 6.2% compared to the same period of 2023, in which in the month of March it was recorded the highest turnover in the history of the Group. The order backlog at the end of March was equal to €168.8 million, with an increase of 8.1% compared to the end of December 2023.

At SBU level, continued the growth trend (+9.5%) of the Cooling System SBU with a total turnover equal to €67.0 million mainly related to important projects in the applications linked both to Datacentre conditioning and to Industrial cooling in general.

Despite an important increase of order intake and sales in the refrigeration business, in the “mobile” applications and a recovery, more than expected, in the segment of the tumble dryers, in the first quarter the Business Unit Components suffered a decrease by 16.9% with a total turnover of €74.3 million due to the expected strong slowdown in the heat exchangers sales for heat pumps, that, in Q1 2023, reached the highest peak.

The breakdown of turnover by SBU, by product type and application are given below:

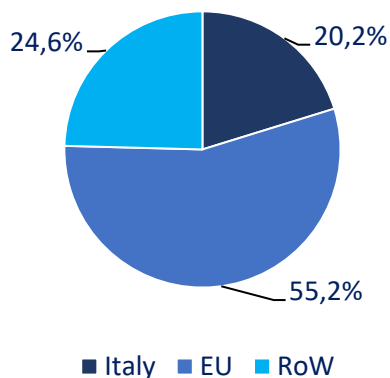
Revenues by SBU (in thousands of Euro)	Q1/2024	%	Q1/2023	%	Change	% Change
SBU COOLING SYSTEMS	66,964	47.4%	61,141	40.6%	5,823	9.5%
SBU COMPONENTS	74,334	52.6%	89,503	59.4%	(15,169)	-16.9%
TOTAL PRODUCT TURNOVER	141,298	100.0%	150,644	100.0%	(9,346)	-6.2%

Revenues by product (in thousands of Euro)	Q1/2024	%	Q1/2023	%	Change %
Heat exchangers	70,071	49.4%	85,929	56.7%	-18.5%
Air Cooled Equipment	66,964	47.2%	61,141	40.4%	9.5%
Doors	4,263	3.0%	3,574	2.4%	19.3%
TOTAL PRODUCT TURNOVER	141,298	99.6%	150,644	99.5%	-6.2%
Other	617	0.4%	797	0.5%	-22.6%
TOTAL	141,915	100.0%	151,441	100.0%	-6.3%

APPLICATIONS (in thousands of Euro)	Q1/2024	%	Q1/2023	%	Change %
Refrigeration	68,200	48.1%	71,989	47.5%	-5.3%
Air-conditioning	33,690	23.7%	47,550	31.4%	-29.1%
Special application	23,987	16.9%	19,319	12.8%	24.2%
Industrial cooling	15,421	10.9%	11,786	7.8%	30.8%
TOTAL APPLICATION TURNOVER	141,298	99.6%	150,644	99.5%	-6.2%
Other	617	0.4%	797	0.5%	-22.6%
TOTAL	141,915	100.0%	151,441	100.0%	-6.3%

At geographic level, Germany was the most penalized market by the negative trend of heat pumps market and sales in Italy, for the first time in a long time, suffered a decrease too. Very positive, instead, the trend of sales in Poland and Scandinavian countries.

The chart below shows the geographical breakdown of turnover in the first 3 months of 2024:



The total turnover doesn't depend, in a significant way, on single commercial or industrial agreements. As at March 31, 2024, sales of the first 10 customers accounted for 31.8% of total turnover and the main customer represented 4.7% of total sales.

2.2 EBITDA

EBITDA was €19.6 million (13.8% of revenues) compared to €19.2 million (12.7% of revenues) in the first 3 months of 2023. No impact, in the income statement of Q1 2024 and Q1 2023, of costs not falling under ordinary management. The EBITDA variation compared to EBITDA in the first three months of 2023 (+€0.4 million) was generated by €2.2 million for the decrease of costs of the main raw materials and other production costs, net of €0.5 million for the decrease in sale prices and of €1.3 million related to the volume effect.

2.3 NET INCOME

Net income for the period amounted to €11.0 million (7.8% of revenues), compared to €6.8 million for the first 3 months of 2023 (4.5% of revenues). Applying the tax effect to the net effect of the positive change in the fair value of derivatives (€0.3 million) and to the net positive impact of amortized cost (€1.1 million), the net income for the first 3 months of 2024 ("Adjusted net income for the period") would have been €9.6 million, 6.8% of revenues (€8.0 million last period, 5.3% of revenues).

2.4 NET FINANCIAL POSITION

The net financial position was negative by €137.1 million (€126.3 million as at December 31, 2023) with a difference of €10.8 million mainly due for €8,1 million to capital expenditures, €0.1 million to dividends, €17.3 million to the increase in operating working capital and €3.7 million related to changes in other payables and receivables, net of €18.4 million of positive cash flow from operations. The comparison with the net financial position as at March 31, 2023 (negative for €161.4 million) shows a positive impact of €24.3 million. In the period April 1, 2023 – March 31, 2024 the cash flow generated, net of the non-operative components, was about €48.5 million.

2.5 SIGNIFICANT EVENTS DURING THE PERIOD

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.

The expansion works of the new Chinese production plant continued during the first quarter following the timetable and the preparatory activities were carried out for the "roll out" of SAP in India, that was successfully completed the first of April with the closing of the local fiscal year.

The performance in Q1 2024 confirms that the current fiscal year looks to be another year of consolidation of results, in terms of sales volumes, once again with significantly differentiated trends among the various applications (with the data center and "powergen" segments growing, with possible upside in applications for refrigerated display cabinets and tumble dryers, and a temporarily slowing area related to heat pump heat exchangers). Also in this context, the Group confirms its growth expectations in the medium term, in line with strategy and guidance.

Since 2018, the Group (despite the turbulence of the general context) has recorded significant growth (CAGR of turnover of 15%), even higher than the medium/long-term "guidance" communicated at the time and anticipating - especially in the two-year period 2021 and 2022 - the growth expected in subsequent years. This is a result of great satisfaction, which 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 trends" such as: electrification, decarbonization, digitalization and adoption of refrigerant gases with low or no environmental impact. All technological fields in which LU-VE Group has been a "first mover."

2.6 SIGNIFICANT EVENTS OCCURRING AFTER 31 MARCH 2024 AND BUSINESS OUTLOOK

As anticipated, the area of greatest uncertainty in the coming months is the heat pump market, which has experienced a sudden and unexpected slowdown in demand since the second half of 2023.

However, all players in the industry agree that this is a temporary phenomenon and maintain positive expectations in the medium term, as the replacement of gas boilers with heat pump technology is one of the cornerstones of the policies of the EU Repower program, of the new Energy Performance of Buildings Directive (EPBD) EU 2024/1275 and (together with "renewables," EVs and batteries) one of the "clean energy technologies" crucial for achieving "net zero emissions" targets, as clearly appears from the recent IEA (International Energy Agency) "World Energy Outlook 2023" report.

In this scenario, the Group as early as the second half of 2023 launched a series of projects to improve profitability through investments in production automation, process reorganization and cost containment (the first fruits of which are already visible in the last quarter of 2023 and in the first quarter of 2024).

These activities, amid an uncertain macroeconomic scenario, are expected to preserve and improve profitability and cash generation, even in the face of potentially higher volatility in sales trends than in the recent past.

The Group is closely monitoring the development of the crisis between Russia and Ukraine. The usual geographic diversification of sales has resulted in the Group's exposure in the area being 7.3 percent in terms of sales as of March 31, 2024.

With reference to the Italian Tax Authority audit relating to the years 2016, 2017, 2018 and 2019, no additional requests have been done.

With reference to the tax finding report about the fiscal year 2019 served in November 2023, no additional requests have been done.

As regards the tax audit to which the subsidiary LU-VE Iberica Sl is subject for the fiscal years 2013, 2018 and 2019, all the documentation, requested from time to time, was delivered to the Spanish Tax Authority.

Ubaldo, May 13, 2024

On behalf of the Board of Directors
The Chairman and CEO

Matteo Liberali

Statement of the Financial Reporting Officer pursuant to Article 154-bis (2) TUF

The Financial Reporting Officer, Eligio Macchi, declares that, pursuant to paragraph 2, Article 154-bis of Legislative Decree 58/1998 (Consolidated Financial Act), the accounting information contained in the Interim Financial Report as of March 31, 2024 of LU-VE S.p.A. corresponds to the Company's records, books and accounting entries.