2021 H1 results

7th September 2021

H1 21: real growth on top of the recovery

Economics

- In H1 2021, sales grew by 16,8%, mainly driven by a strong demand
- EBITDA grew by 21,7% at € 26,5 M (€ 20,3 M in H1 2019)
- Net income grew by 63,0% at € 9,7 M (€ 5,6 M in H1 2019)
- Order book at all-time record level: € 146,3 M +78,3%
- Limited impact from global raw material shortage

Financials

- Net working capital under strict control: 11,0% of sales vs 12,4% as of June 2020 (18,1% as of June 2019)
- Robust LTM net cash generation adjusted: €30.9 M (vs. €29.7 M as of June 2020 and €25.5 M as of June 2019)

Strategy

- ✓ Strict monitoring of Covid impact – protecting people top priority
- ✓ Resilient business model thanks to diversification (applications, geographical markets, customers)
- ✓ Economic growth in Europe; accelerated medium-term growth opportunities in the USA, China, and developing countries

Impact of Covid 19 outbreak and countermeasures

- LUVE followed with particular attention the developments in the Covid-19 outbreak and has adopted all the necessary control and prevention measures for the **safety and well-being of its employees**, in consultation with local authorities and union representatives, at all Group facilities
- Currently, **all plants are operating** at a normal level of production
- **Resilient business model** resulting from diversification of product applications, geographical markets and production footprint
- The **independence of the Group's factories** from one to another could also allow the transfer of production from closed factories to those in operation
- **Strengthen relationship with key clients** offering back-up in Europe of global supply chains from low-cost countries such as India
- No impact on **working capital (**receivable quality and inventory level**)** and support to small suppliers thanks to the strong financial structure
- LUVE was able to properly manage all **raw material availability and supply chain risks** thanks to diversification of supply sources
- LU-VE has **solid fundamentals** underpinning the strategy adopted to decisively challenge the pandemic consequences and take advantage of opportunities during the current recovery phase

Back on track post Covid

- Consolidated sales [1]: € 227,6 M, +16,8% (19,4% at constant FX) mainly thank to volumes (+15,4%)
- EBITDA reported : **11,6%** on sales, vs 11,2% in H1 2020 and **10,9% in H1 2019**
- Net financial debt [2]: € 116,8 M (€ 126,2 M as of June 2020) thank to high net cash generation in the last 12 months
- Net cash generation (12 months adjusted) [3] : + € 30,9 M (vs. €29.7 M as of June 2020)
- Order book as of June 21: € 146,3 M , + 78,3% vs June 2020, + 90,0% vs December 2020

€ Millions	H1 2020		H1 2021		Growth
Total sales [1]	194,8	100,0%	227,6	100,0%	+16,8%
EBITDA	21,8	11,2%	26,5	11,6%	21,7%
Net income	6,0	3,1%	9,7	4,3%	63,0%
Net financial debt [2]	(126,2)		(116,8)		-7,4%
Net cash generation (12 months adj.) [3]	29,7		30,9		4,0%

Notes

(1) Total sales include sales of products and other sales

(2) Including put&call on minorities and IFRS 16

(3) See page 16 for details

Net sales breakdown by product

Products € Millions	H1 2020	%	H1 2021	%	Δ %
Heat Exchangers	88,4	45,4%	114,7	50,4%	29,7%
Air Cooled Equipment	84,1	43,2%	86,6	38,0%	3,0%
Close Control /Data Center	12,5	6,4%	15,2	6,7%	22,3%
Glass Doors	5,9	3,0%	8,1	3,5%	36,3%
Total sales of products	**190,9**	**98,0%**	**224,5**	**98,6%**	**17,6%**
Other revenues	4,0	2,0%	3,1	1,4%	-22,0%
Total sales	**194,8**	**100,0%**	**227,6**	**100,0%**	**16,8%**

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Net sales breakdown by application

Applications € Millions	H1 2020	%	H1 2021	%	Δ %
Refrigeration	108,8	55,8%	137,5	60,4%	26,4%
Air Conditioning	38,9	20,0%	39,0	17,1%	0,1%
Special Applications	24,0	12,3%	32,4	14,3%	35,2%
Industrial cooling	19,2	9,8%	15,7	6,9%	-18,3%
Total sales of products	**190,9**	**98,0%**	**224,5**	**98,6%**	**17,6%**
Other revenues	4,0	2,0%	3,1	1,4%	-22,0%
Total sales	**194,8**	**100,0%**	**227,6**	**100,0%**	**16,8%**

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Benefit of diversification and green tech

- Increase of sales + 16,8% mainly thanks to volume increase and prices (+4%)
- On a constant currency basis, growth of sales is 19,4% (*Zloty, Ruble and Rupia*)
- More substantial growth on Components (+29%) due to new customers and increase of SOW on existing customers, mainly in HE for display cabinets, heat pumps, and tumble dryers
- Lower growth on Cooling systems (+5,9%) due to slowing in "*district heating*" projects and power generation, fully compensated by industrial and commercial refrigeration (+26,4%)
- Italy increases its share from 17,3% to 20,2% of total sales
- Excellent growth in Italy, France, Germany, Poland, Czechia, China, India and USA
- New sales company in Korea

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Profit & loss

- See EBITDA bridge analysis
- Depreciation in line with H2 20
- Interest charges offset by increase of derivatives fair value (completely related to interest rate coverage)
- Nominal tax rate in line with normal group expectations
- See net income bridge analysis

Consolidated Profit & Loss Reclassified ***(000 Euro)***	**H1 2020**	**Delta %**	**H1 2021**	**Delta %**	**Delta %**
Sales and operating income	**194.840**	*100,0%*	**227.639**	*100,0%*	**16,8%**
Purchases of materials	(104.737)	*-53,8%*	(141.630)	*-62,2%*	
Inventory increase (decrease)	6.076	*3,1%*	24.816	*10,9%*	
Services	(25.748)	*-13,2%*	(29.375)	*-12,9%*	
Labour cost	(45.968)	*-23,6%*	(53.222)	*-23,4%*	
Other operating costs	(2.689)	*-1,4%*	(1.721)	*-0,8%*	
Total operating costs	**(173.066)**	*-88,8%*	**(201.132)**	*-88,4%*	**16,2%**
EBITDA	**21.774**	***11,2%***	**26.507**	***11,6%***	**21,7%**
Increase (decrease) of derivatives fair value	(806)	*-0,4%*	1.371	*0,6%*	
Depreciation	(13.364)	*-6,9%*	(14.419)	*-6,3%*	
Gain (loss) of non current assets	26	*0,0%*	12	*0,0%*	
EBIT	**7.630**	***3,9%***	**13.471**	***5,9%***	**76,6%**
Net financial charges	(1.291)	*-0,7%*	(1.185)	*-0,5%*	
EBT	**6.339**	***3,3%***	**12.286**	***5,4%***	**93,8%**
Income taxes	(378)	*-0,2%*	(2.570)	*-1,1%*	
Net income	**5.961**	***3,1%***	**9.716**	***4,3%***	**63,0%**
Minority interest	387		423		
Group net income	**5.574**	***2,9%***	**9.293**	***4,1%***	**66,7%**

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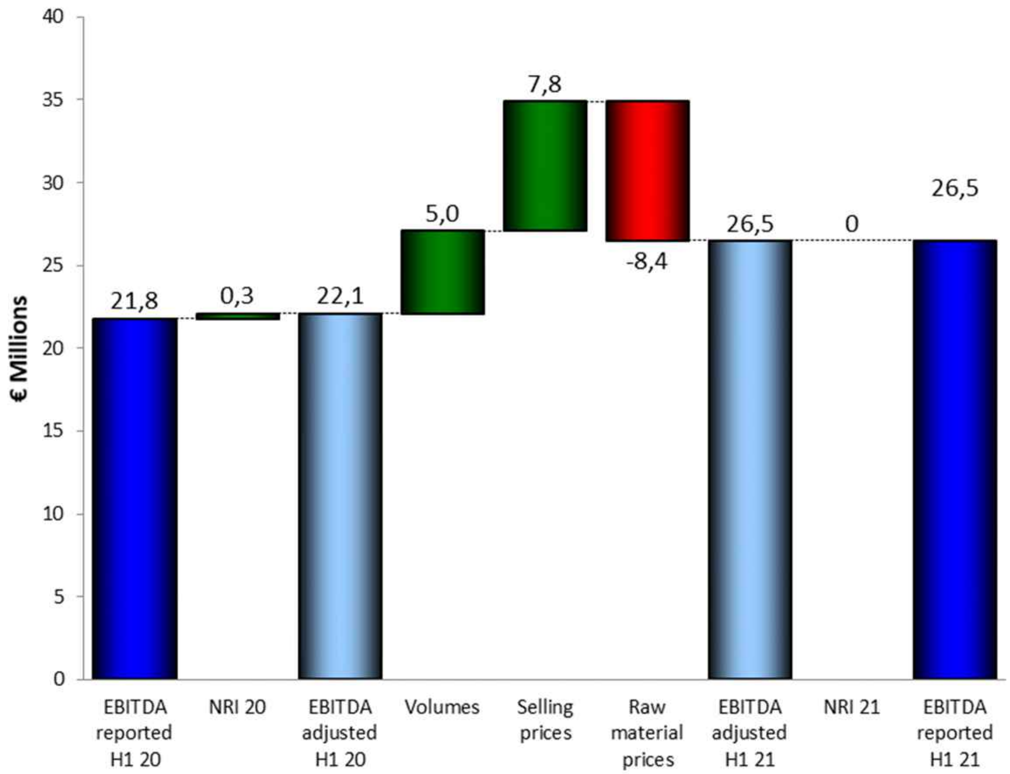
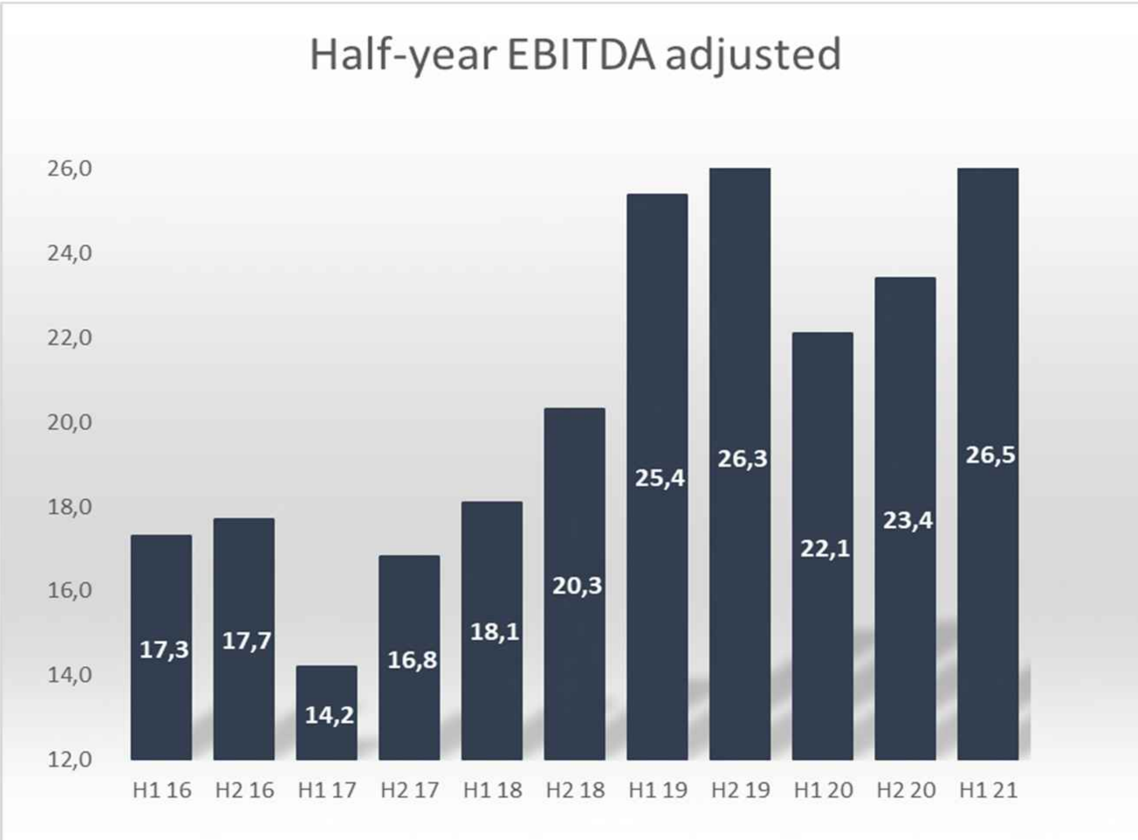
EBITDA reported: + 21,7 % vs H1 2020



(1) Due to rounding, numbers presented throughout this chart may not add up precisely to the totals provided
(2) Source: management analysis of consolidated results as of 30/6/2021

Resilient business model and profitability



- Improving trend of EBITDA from H1 17 to H2 19
- Since H2 2019, dilutive effect on margin percentage due to lower profitability of AL AIR
- In 2020 impact of Covid and lockdown
- In H1 20 volume decrease by 10,4% LFL
- In H1 2021 volume increase by 15,4%
- In H1 2021 decrease of EBITDA margin on percentage vs H1 2019 due to:
  - Metal inflation
  - Inefficiencies related to raw material procurement issues

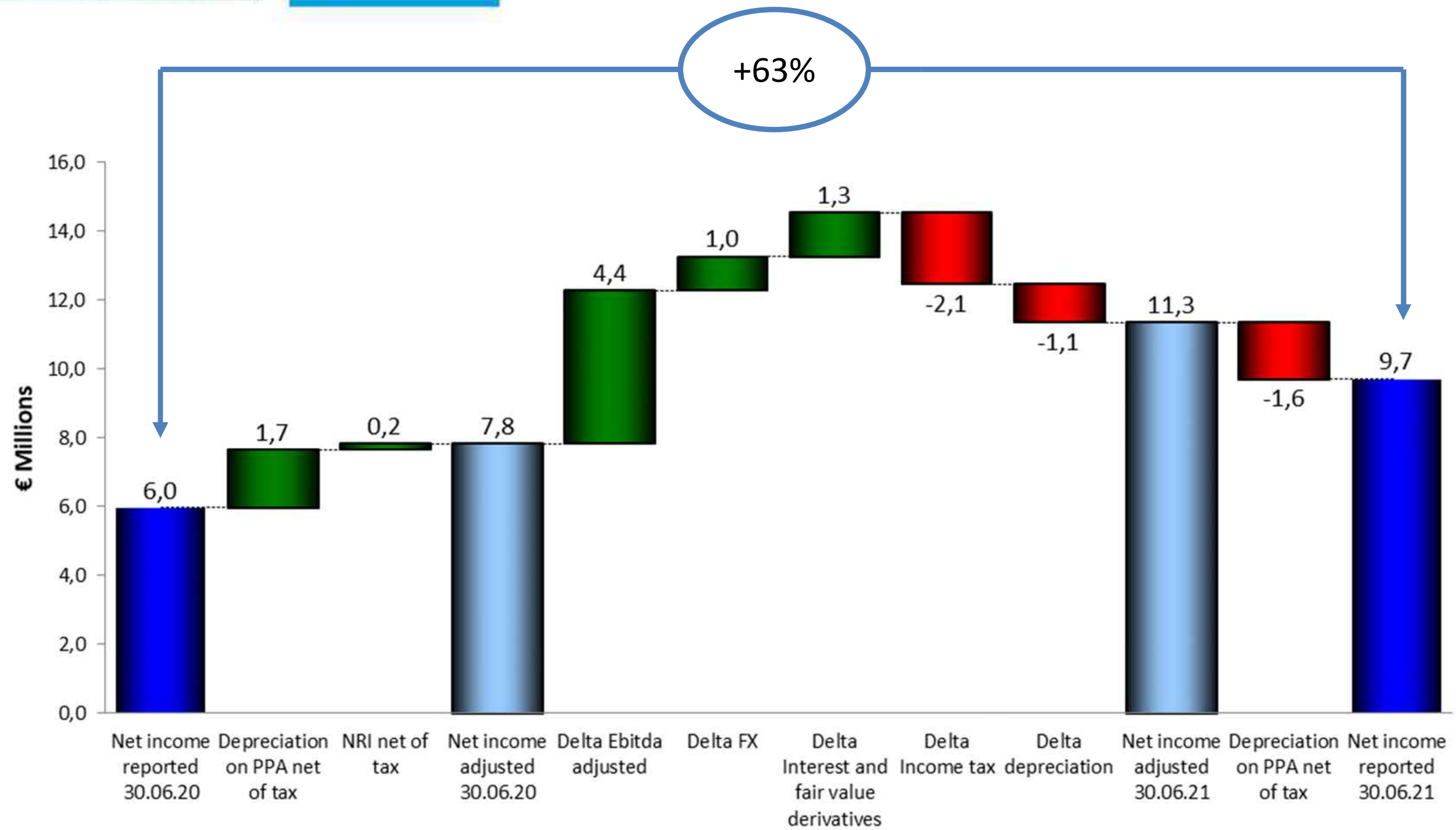
1) All data in € million
2) H1 2016 proforma to include Spirotech which has been acquired in October 2016
3) ZHT is consolidated since H2 2018
4) AL Air is consolidated since 1st of May 2019

Metal Price Impact on Profitability

Sale contract	Main application	Metal influence on product price	Metal fluctuation management
Frame contracts	Mainly in the Components SBU	Mechanical price adjustment through formulas linked to metal publicly available quotation Impact ○	• Price adjusted through formulas linked to metal publicly available quotation (average last quarter / half a year) • Profitability protection through systematic physical hedging (short order-to-delivery cycle) Impact ◔
Predetermined delivery date	Project driven orders *(mainly cooling system SBU: industrial application, power gen etc)*	Technology and design are the main elements of the solution offered Lower impact by metal price Impact ◔	• Pricing locked-in at order intake • Profitability protection through systematic physical hedging (long order- to-delivery cycle) Impact ◔
Standard products	Products sold by catalogues with zero or limited customization	Higher impact of metal prices Impact ◑	• Pricing managed through price lists, thus leading to some delay • Competitive pressure may impact on delay of price adjustment • Hedging based on forecasted volumes rather than orders Impact ◑

(1) Impact: high ● Low ○

Adjusted Net Income +45% vs H1 2020



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Recurring profitability shows strong resilience

€ Millions	30-giu-20	30-giu-21
EBITDA reported	21,8	26,5
Non recurring items	0,3	-
EBITDA adjusted	**22,1**	**26,5**
EBITDA margin %	*11,3%*	*11,6%*
EBIT reported	7,6	13,5
Depreciation on PPA	2,2	2,2
Non recurring items	0,3	-
EBIT adjusted	**10,2**	**15,7**
EBIT margin %	*5,2%*	*6,9%*
Net Income reported	6,0	9,7
Depreciation on PPA net of tax	1,7	1,6
Non recurring items net of tax	0,2	-
Net income adjusted	**7,9**	**11,3**
Net Income margin %	*4,0%*	*5,0%*

- Effects of Covid 19 lockdown from March 2020 to May 2020
- In 2020 NRI related only to hospital contribution for Covid

Balance sheet

Consolidated Balance Sheet Reclassified *(000 Euro)*	30/06/2020	% net invested capital	31/12/2020	% net invested capital	30/06/2021	% net invested capital
Net intangible assets	97.878		94.727		92.476	
Net tangible assets	158.828		158.707		165.822	
Pre-paid taxes	7.124		7.903		7.388	
Financial assets	223		215		227	
Non current assets (A)	**264.053**	**95,0%**	**261.552**	**101,5%**	**265.913**	**97,7%**
Inventory	66.260		56.647		82.508	
A/receivable	68.169		59.763		78.977	
Other receivables and current assets	19.907		13.878		14.839	
Current assets (B)	**154.336**		**130.288**		**176.324**	
A/payable	84.720		80.630		113.501	
Other payable and current liabilities	28.635		28.446		31.690	
Current liabilities (C)	**113.355**		**109.076**		**145.191**	
Working capital (D=B-C)	**40.981**	**14,7%**	**21.212**	**8,2%**	**31.133**	**11,4%**
Personnel provisions	5.555		5.573		5.612	
Deferred taxes	17.199		14.537		14.053	
Risk provisions	4.305		4.941		5.112	
Long term liabilities (E)	**27.059**	**9,7%**	**25.051**	**9,7%**	**24.777**	**9,1%**
Net invested capital (A+D-E)	**277.975**	**100,0%**	**257.713**	**100,0%**	**272.269**	**100,0%**
Group net worth	148.162		146.931		151.468	
Minority interest	3.609		3.993		4.005	
Total group net worth	**151.771**	**54,6%**	**150.924**	**58,6%**	**155.473**	**57,1%**
M/L term net financial position	260.124		239.837		235.381	
Short term net financial position	(133.920)		(133.048)		(118.585)	
Net financial position	**126.204**	**45,4%**	**106.789**	**41,4%**	**116.796**	**42,9%**
Net worth and net financial position	**277.975**	**100,0%**	**257.713**	**100,0%**	**272.269**	**100,0%**

- Strong financial structure: D/E < 0,8x
- Strong liquidity position to cover future commitments
- Target NFP/EBITDA <≈ 2x, already achieved in 2019, then Covid
- Impact of IFRS 16 on NFA (€ 18,1 M) and NFP (€ 16,5 M)
- Seasonal working capital needs

Operational net working capital under strict control

- Tight control of operational working capital
- Seasonality in operational working capital needs

€ Millions	30/06/2020	Days	30/06/2021	Days
Stock	66,3	60	82,5	68
A/receivable	68,2	61	79,0	65
Working capital	134,4		161,5	
A/payable	84,7	117	113,5	119
Net working capital	49,7	45	48,0	40
% on net sales LTM	**12,5%**		**11,0%**	

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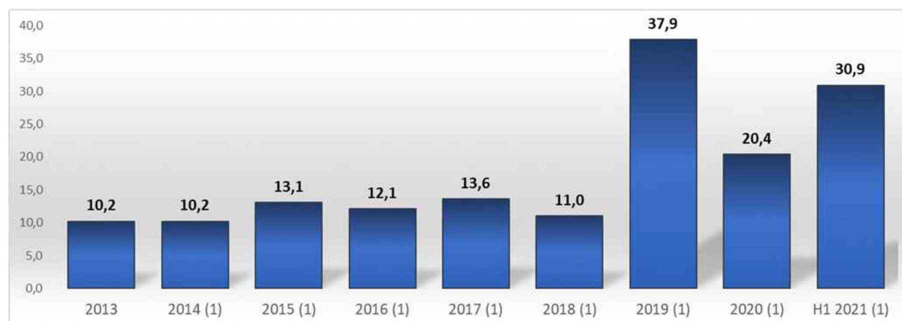
Net cash flow: consistently strong cash generation

Net cash / (net debt)	€ m	
Net financial position as of June 2020	(126,2)	
Net financial position as of June 2021	(116,8)	
Delta in net financial position	9,4	9,4
+ Dividends paid in 2021		6,5
+ Accelerated capex program		15,2
+ Change of IFRS 16 impact		(0,2)
= Total normalized net cash flow		**30,9**

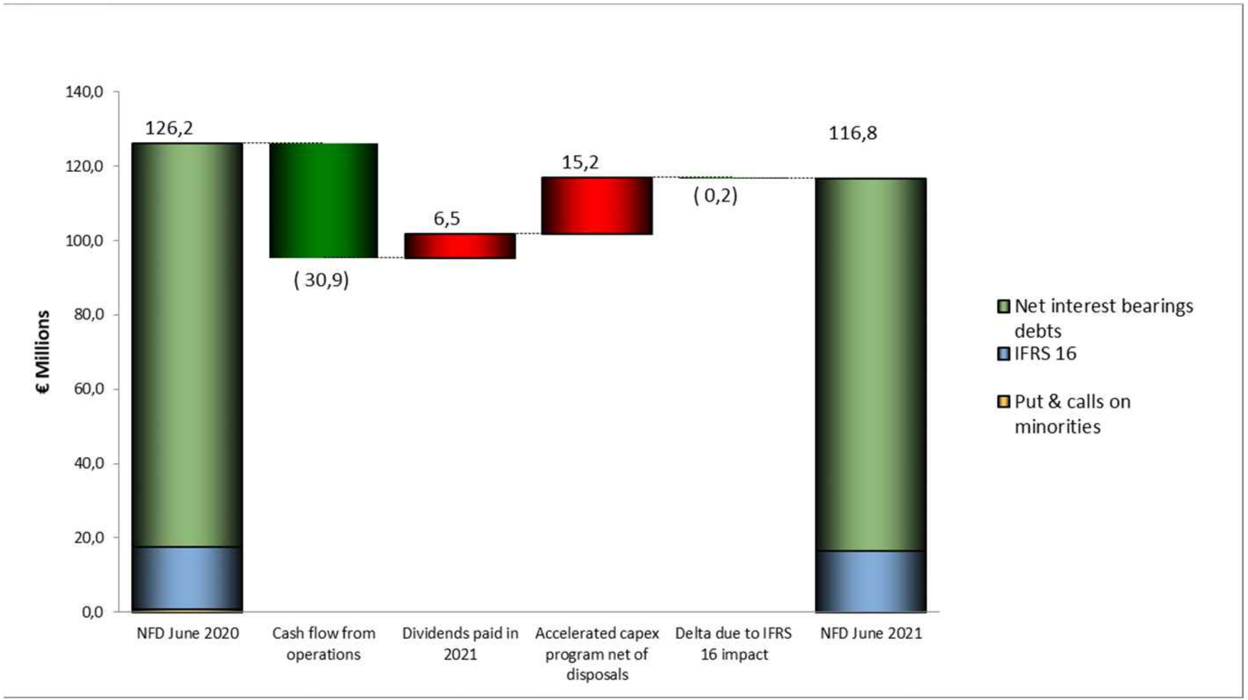
- Extraordinary level in LTM up to December 2019 due to working capital reduction
- Accelerated capex program above maintenance level
  - In 2021 LTM: mainly India and USA
- H1 2019 = € 29,7 M

LTM net cash generation adjusted 2013 - H1 21 (€ m)



(1) 2013 ITA GAAP – 2014-2021 IFRS

Net financial debt bridge analysis



- Strong cash generation on LTM

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In 2021 resumed the journey after Covid

Growth, expansion and acquisitions

	Strategic targets identified since 2015	Actual results
Organic Growth Delivered	• Organic growth (5-6% p.a.), supported by megatrends	Doubled the size of the group from €212m in 2015 to €416m in 2019(1) thanks to: • Organic growth +9% CAGR 2015-2019 • Additional €118m turnover thanks to acquisitions • Total growth = (16,6% CAGR)
	• Consistently delivered high EBITDA margin	EBITDA growth = 15,5% (organic 9%)
	• Accelerated CAPEX program • Strict control of working capital	Extraordinary capex = €52m (2015 - 2019) Trade NWC ≈ 10-15% of sales
Geographic Expansion Delivered	• Strong focus on emerging economies • Internationalization process • Greenfield /enlargement of existing plants	• New plant in Poland • New plant in China • New plant in US • Doubled plant in India • Sales outside Italy: 81% (vs 73% in 2015)

Acquisitions
Delivered
	• Possible targets
	  • North America
	  • Emerging economies
	  • Europe
	• Possible use of further leverage
		• Acquisition's value = €102m (2)
		• Average EBITDA multiple paid @ 7,0x
		SPIROTECH HEAT EXCHANGERS PVT. LTD. Fincoil Zyklus Heat Transfer, Inc. HELPMAN

1) Based on proforma prepared by Lu-Ve 2) Including earn-out; based on final price for AL Air

Expected future trend post Covid

Drivers and trends	What LUVE does
Acceleration of the transition to "**green capex**" by major customers in order to: • Adopt refrigerants with low GWP • Reduce energy consumption and noise level • Comply with EU regulations and with similar regulation introduced in USA, China and other countries • Decarbonization	• LUVE was a first mover in green technologies applied to heat exchangers • Currently ≈ 50% of sales are already based on refrigerants with low GWP to stem climate change • New **Eurovent** certification for CO^2 • ESG rating
Major attention on comfort and indoor air quality in public and private buildings	Special heat exchangers for heat-pump applications and solutions for indoor air quality optimization
Acceleration of digitalization	• Focus on data center market • Application of IoT to all range of products
Increasing value of food security, pharma storage and e-commerce	Focus on mobile applications and logistic centers
Reassess of international supply chains	LUVE production footprint provides clients resilient supply without sacrificing competitiveness

We expect that these trends will be supported and accelerated further by the fiscal response to Covid such as the Next Generation EU and the USD 1.9 trillion stimulus package in USA

LU-VE approach to ESG themes

Global Scenario

Paris Agreement
2015

- ***Green Deal – Horizon***
- ***Kigali Amendment***

2019

LU-VE

1985
LU-VE is established

"LU-VE is the embodiment of the principle that **companies are women, men and ideas. Grey matter for a greener world** has been our commitment right from the beginning. **We have been the first in the sector to use "green" technology/solutions**, LCC/LCA Life Cycle Costing/ Assessment, to

- maximize energy saving
- minimize refrigerant charge
- reduce noise level
- reduce footprint and weight"

Iginio Liberali,
President of LU-VE Group

2017
Consolidated Non-financial Statement

- The European Directive 2014/95/UE requires to produce a **Consolidated Non-financial Statement.**
- The Consolidated Non-financial Statement **reports** the commitments and the results achieved by the Group in the **ESG** field, responding to the expectations of **stakeholders**, who are involved in a systematic process of listening and dialogue.

2020
Sustainability Strategy

- Integration of **sustainability** into the company **strategy**
- **Top management ESG awareness project**: it is aimed at involving all the key players in defining and developing the Group **sustainability strategy**

Social impact of LU-VE solutions

LU-VE SOLUTIONS

SOCIAL IMPACT

LU-VE solution	Social impact	Description
REFRIGERATION	FOOD SAFETY	Ensuring an adequate cold chain allows people to benefit from safe food that is correctly conserved
INDUSTRIAL PROCESSES	ENERGY EFFICIENCY	Permitting any industrial company to maintain its plants at an adequate temperature allows energy efficiency and safety to be preserved
AIR CONDITIONING	CLIMATE COMFORT	This allows people to enjoy climate comfort in a context of an overall increase in global temperature related to climate change
DATA CENTERS	DIGITAL TRANSFORMATION	Operational and efficient data centers are a prerequisite for the digital transformation of a country

Identification of sustainability vision and priority themes

- In order to start the project and to take its first step, several workshops were organized with the top management of the Group
- During the workshops, the importance for companies to integrate ESG themes into their business strategy was discussed and the sustainability vision and the priority themes of LU-VE were defined through group work
- **One of the reference frameworks used during the meeting was the list of the 17 Sustainable Development Goals – SDGs –** of **Agenda 2030**

- The main outputs are the summary of the company's vision, the materiality matrix and the stakeholder map
- Remunerations of top management already linked also to ESG KPI

EU Taxonomy

Using the Taxonomy, EU Technical Expert Group on Sustainable Finance, 2019

- *"A **Taxonomy** is a **classification tool** to help **investors and companies** make informed **investment** decisions on **environmentally friendly economic activities**"*

- *"The **EU Taxonomy** is a list of **economic activities** with **performance criteria** for their contribution to **six environmental objectives:***

  I. climate change mitigation;
  II. climate change adaptation;
  III. sustainable use and protection of water and marine resources;
  IV. transition to a circular economy, waste prevention and recycling;
  V. pollution prevention and control;
  VI. protection of healthy ecosystems."

- *"To be included in the proposed EU Taxonomy, an economic activity must **contribute substantially** to <u>**at least**</u> **one environmental objective** and <u>**do no**</u> **significant harm** to the **other five**, as well as meet minimum social safeguards"*

LU-VE: work in progress to build EU Taxonomy declaration

- LU-VE is contributing to the objective «Climate Change Mitigation» innovative products that enable increased energy efficiency, optimized water consumption and reduced sound level. In particular, the introduction of natural refrigerants allows the **emissions of greenhouse gases** with effect on **climate change** to be **significantly limited**

- Based on preliminary estimates, **50.6%** of revenues is aligned with the activities of **EU Taxonomy**, contributing substantially to the «**Climate Change Mitigation**» objective and not doing significant harm to other objectives

- The impact of **green revenues is increased by 251%** from 2017 to 2020

Future developments

1. M&A
   - Integration of AL Air: completed
   - New projects on opportunistic way
2. Accelerated capex program
   - All projects nearly completed
   - US: first stage completed; additional program based on commercial developments
   - New projects under review based on growing demand
3. Focus on deleverage
   - Target NFD/EBITDA adj <≈ 2.0x (post Covid)
4. Governance
   - Move to STAR segment in first months of 2022

Shareholders structure (1) (2)

LIBERALI Family

FINAMI

45,82% (3)(4)

FAGGIOLI Family

G4

16,00% (3) (4)

LU-VE

Market

38,18% (3)

(1) Fully diluted – post warrant conversion at end of May 2017
(2) Updated as of June 10, 2021
(3) Based on number of shares
(4) Thanks to the Loyalty Share Program (2 years ownership) as of June 10, 2021, Finami owns 55,54% of voting rights and G4 owns 19,40% of voting rights
(5) Treasury shares as of April 29, 2020: 0,1171% of share capital

Group structure: Management Team

IGINIO LIBERALI
PRESIDENT
LU-VE GROUP

PIERLUIGI FAGGIOLI
VICE PRESIDENT
LU-VE GROUP

MATTEO LIBERALI
MD – CEO

MICHELE FAGGIOLI
MD – COO

ELIGIO MACCHI
CFO

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"OUR BEST DAYS HAVE YET TO BE LIVED"
NAZIM HIKMET