LU-VE GROUP

leadership with passion

2019 results

18th March 2020

2019 highlights: growth, acquisitions and deleverage

Economics

- ✓ Acquisitions and environmentally - friendly technologies drive growth: sales increased by 27,6%, organic growth +7,7%
- ✓ Profitability grew at a higher pace: EBITDA Adjusted + 34,5%, comparable EBITDA + 11,6% (LFL and excluding IFRS 16 impact)

Financials

- ✓ Increase of NFD due to Al Air acquisition (€ 45 M) and IFSR 16 (€ 17 M), nearly completely offset by strong cash generation (€ 37,9M adjusted)
- ✓ Leverage: NFD/ EBITDA adj = 2,07x

Strategy

- ✓ Acquisition of AL Air: a quantum leap in the size of LUVE and strong increase of diversification of application segments
- ✓ Geographic expansion: USA, Nordic, India
- ✓ Accelerated capex program on track in Poland and India.

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2020 first two months: good start, Covid-19?

- Net sales at end of February 2020: € 66,9 M +31,2%, +8,6% LFL (1)
- Order book at end of February 2020: € 84,4 M + 85,3%, +13,4% LFL (1)
- China plant (2% of total sales) closed for 1 months due to Covid-19, reopened on March 13th, 2020
- Contingency plans to face possible impact of Covid-19 outbreak

1) Like for like data – AL Air consolidated in P&L starting from 1St May 2019

2019 financial highlights: strong year on LFL basis

€ Millions	2018		2019		Growth	Growth LFL [6]
Total sales [1]	306,9	100,0%	391,6	100,0%	+27,6%	+7,7%
EBITDA	36,6	11,9%	46,8	11,9%	+27,7%	+15,2%
EBITDA adjusted [2]	38,4	12,5%	51,7	13,2%	+34,5%	+11,6%
Net income	16,1	5,2%	18,4	4,7%	14,0%	
Net income adjusted [2]	16,5	5,4%	22,8	5,8%	+38,2%	
Net financial debt [3]	(63,6)		(107,2)		+68,6%	(28,9%)
Net cash generation (12 months adj.) [4]	11,0	3,6%	37,9	9,7%	+244,5%	

Notes

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

(2) Excluding NRI

(3) Including put&call on minorities, deferred price of AL Air acquisition and IFRS 16 adoption

(4) See page 21 for details

(5) AL Air consolidated since 1st of May 2019

(6) Excluding AL Air acquisitions and IFRS 16 effect

Jump of sales due to acquisitions; sustained growth on LFL basis

Strong growth of EBITDA LFL

Strong growth of net income adjusted

€45 m due to AL Air acquisition completed on 30/4/19 and € 17,0 M due to IFRS 16 adoption

Record level

Strong deleverage vs June 2019 NFD = € 151,7 M

Strong deleverage excluding one-off effect

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Net sales breakdown by SBU

Strategic Busness Units € 000	2018	%	2019	%	Δ %	Δ LFL % [1]
Components	195,9	63,8%	214,9	54,9%	9,7%	9,4%
Cooling Systems	105,7	34,5%	174,4	44,5%	65,0%	7,6%
Total sales of products	**301,7**	**98,3%**	**389,3**	**99,4%**	**29,1%**	8,8%
Other revenues [2]	5,2	1,7%	2,3	0,6%	-56,4%	
Total sales	**306,9**	**100,0%**	**391,6**	**100,0%**	**27,6%**	**7,7%**

1) Like for like data – AL Air consolidated in P&L starting from 1st May 2019
2) In 2019 net of IFRS 15 effect for € 3,8 M

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Net sales breakdown by application

Applications € 000	2018	%	2019	%	Δ %	Δ LFL % (1)
Refrigeration	185,0	60,3%	231,0	59,0%	24,9%	5,9%
Special Applications	54,7	17,8%	60,8	15,5%	11,1%	10,2%
Air Conditioning	51,2	16,7%	60,3	15,4%	17,7%	10,9%
Power Generation - Process & Others	10,7	3,5%	37,2	9,5%	246,8%	40,3%
Total sales of products	**301,7**	**98,3%**	**389,3**	**99,4%**	**29,1%**	8,8%
Other revenues (2)	5,2	1,7%	2,3	0,6%	-56,4%	
Total sales	**306,9**	**100,0%**	**391,6**	**100,0%**	**27,6%**	**7,7%**

1) Like for like data – AL Air consolidated in P&L starting from 1st May 2019
2) In 2019 net of IFRS 15 effect for € 3,8 M

Net sales breakdown by product

Products € 000	2018	%	2019	%	Δ %	Δ LFL % (1)
Heat Exchangers	185,9	60,6%	203,9	52,1%	9,7%	9,4%
Air Cooled Equipment	95,6	31,1%	163,1	41,7%	70,7%	7,3%
Close Control	10,2	3,3%	11,3	2,9%	11,0%	
Glass Doors	10,0	3,3%	11,0	2,8%	9,2%	
Total sales of products	**301,7**	**98,3%**	**389,3**	**99,4%**	**29,1%**	**8,8%**
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Net sales breakdown

- Jump on sales + 27,6% due to acquisitions, even if AL Air is consolidated for 8 months only , with sales at € 61,2 M
- On an LFL basis the trend of strong growth of sales showed since H2 2017 continued also in 2019 + 7,7% LFL, mainly driven by volume (+8,4%) thanks to higher market shares
- On a constant currency basis growth of sales is 7,5%
- Sales increase LFL driven by growth across all product lines (HE + 9,4%, ACE + 7,3%), including Close Control +11,0% and Glass doors +9.2%
- Refrigeration remains core business (59%), with continuous trend in underweight this area of applications thanks to faster growth of other niche applications:
  - House appliances: + 22,1% LFL
  - Components for OEM air conditioning: 22,1% LFL
  - Power-gen: +40,3% LFL
- Italy reduces its share from 21,3% to 19,3% despite sound growth + 16,9% (7,1% LFL)
- Poland remains the main export market (7,2%), followed by Russia (7,1%) and Germany (6,6%), Czech Republic (exceptional growth +51,1% LFL) and France

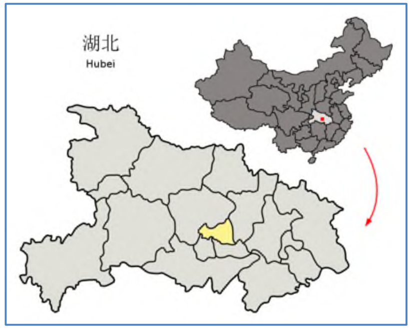
New plant in Poland (P2)

- **Production started in Q1 2019 accordingly to plan**
- New plant located in Gliwice, very close to the existing one plant of LU-VE
- 60.000 sqm land, acquired and paid in May 2017
- Production area: 21.000 sqm covered
- € 36 M capex in 5 years:
  - 50% new machineries
  - 50% land and building
- Tax shield scheme: close to 25% of total investments
- Rationale: expansion of production in low-cost countries and proximity to key clients
- Share of overheads and indirect costs (admin, HR, engineering etc.) with the existing LU-VE subsidiary in Poland

Plant relocation in China (2% of total sales)

- **Production in the new plant started in March 2019 accordingly to plan**
- The relocation from Changshu to Tianmen of the existing plant has completed in Q1 2019
- Total covered surface increased from 7.000 sqm to 15.000 sqm, with possible further expansion of additional 10.000 sqm.

- Total saving of renting costs are € 1,1 M over the next 5 years (first 3 years free rental and than yearly saving of € 166 K for two years)
- Expected lower labour cost ≈ - 20%
- Location closer to the main customer
- Improved internal production flow and logistic
- Tax benefit on income tax and VAT
- Corona virus: plant closed at end of January 2020. Reopening: 13th of March



Plant expansion in India

New plant under construction

- The current build up area is 11.200 sqm (2012)
- The enlargement of the plant will add up to 12.000 sqm
- The new area will be used for volume expansion of the existing product portfolio of Spirotech (heat exchangers)
- The project has been approved by the local authorities, construction started in April 2019 and it expected to be completed by April 2020
- The capex requirement is anticipated up to € 4.8 millions

Existing plant (2012)

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Acquisition of Alfa Laval air heat exchanger business: overview

- On December 12th 2018, Luve signed a binding contract to acquire 100% of Alfa Laval Air Heat Exchanger business (the “AL Air”).The acquisition was completed on April 30th 2019.

- The AL Air was a business within Alfa Laval that manufactures air-cooled products for industrial process cooling, refrigeration and HVAC applications:
  - ✓ 2018 turnover of about € 100 millions with an EBITDA margin of about 8,0%
  - ✓ a compounded growth rate of 8.9% in the previous 3 years
  - ✓ world class customers in Europe and Asia
  - ✓ strong management team with international experience
  - ✓ 3 state of the art manufacturing plants in Italy, Finland and India with ≈400 people

- Limited overlapping with LUVE’s customers/products base

- Ideal base to expand market presence in the industrial cooling and industrial refrigeration segment in Europe and to expand production in India

- Valuation for 100% after final review of 2018 actual EBITDA : **6.5x 2018 EBITDA** equal to € 51 Millions - debt and cash free (vs. € 67,1 Millions preliminary price)

1) Subject to 2018 EBITDA review and post closing adjustments

Acquisition of Alfa Laval air heat exchanger business: transaction rationale

- Becoming the third largest player in the world in the air-cooled products.
- Strengthening market position in Europe in industrial cooling business unit, achieving a leading position.
- Enlargement of product applications (engine cooling, power converter and process cooling).
- Limited customers overlapping.
- Strong management team with international experience.
- Expansion in the Indian market related to the cold chain infrastructure.
- Opportunities of synergies as result of plant specialization, marketing efforts and costs rationalization.

AL Air : integration process

- Integration process started in May 2019
- Sales & marketing integration: in progress
- Branding integration: completed by 2019 year-end
- Product lines integration: working group started in September 2019, action plan defined
- R&D integration: completed
- Staffing and retention: defined
- Accounting and controlling: plan to SAP roll-out in the 3 AL Air plants by 2020

1) Based on proforma prepared by LUVE

Profit & loss

Consolidated Profit & Loss Reclassified *(000 Euro)*	2018	% sales	2019	% sales	Delta %
Sales and operating income	**306.869**	*100,0%*	**391.581**	*100,0%*	**27,6%**
Purchases of materials	(167.429)	*-54,6%*	(204.035)	*-52,1%*	
Inventory increase (decrease)	5.643	*1,8%*	489	*0,1%*	
Services	(42.951)	*-14,0%*	(54.255)	*-13,9%*	
Labour cost	(62.823)	*-20,5%*	(83.361)	*-21,3%*	
Other operating costs	(2.707)	*-0,9%*	(3.660)	*-0,9%*	
Total operating costs	**(270.267)**	*-88,1%*	**(344.822)**	*-88,1%*	**27,6%**
EBITDA	**36.602**	***11,9%***	**46.759**	***11,9%***	**27,7%**
Increase (decrease) of derivatives fair value	(663)	*-0,2%*	(597)	*-0,2%*	
Depreciation	(16.422)	*-5,4%*	(24.211)	*-6,2%*	
Gain (loss) of non current assets	213	*0,1%*	164	*0,0%*	
EBIT	**19.730**	***6,4%***	**22.115**	***5,6%***	**12,1%**
Net financial charges	(2.368)	*-0,8%*	(1.323)	*-0,3%*	
EBT	**17.362**	***5,7%***	**20.792**	***5,3%***	**19,8%**
Income taxes	(1.269)	*-0,4%*	(2.442)	*-0,6%*	
Net income	**16.093**	***5,2%***	**18.350**	***4,7%***	**14,0%**
Minority interest	686		779		
Group net income	**15.407**	***5,0%***	**17.571**	***4,5%***	**14,0%**

- See EBITDA bridge analysis
- AL Air consolidated for 8 months
- Impact of NRI mainly related to AL Air acquisition:
  - € 4,9 M on EBITDA, EBIT and EBT
  - € 4,4 M on Net income
- Increase of nominal tax rate due to nondeductible NRI
- See net income bridge analysis

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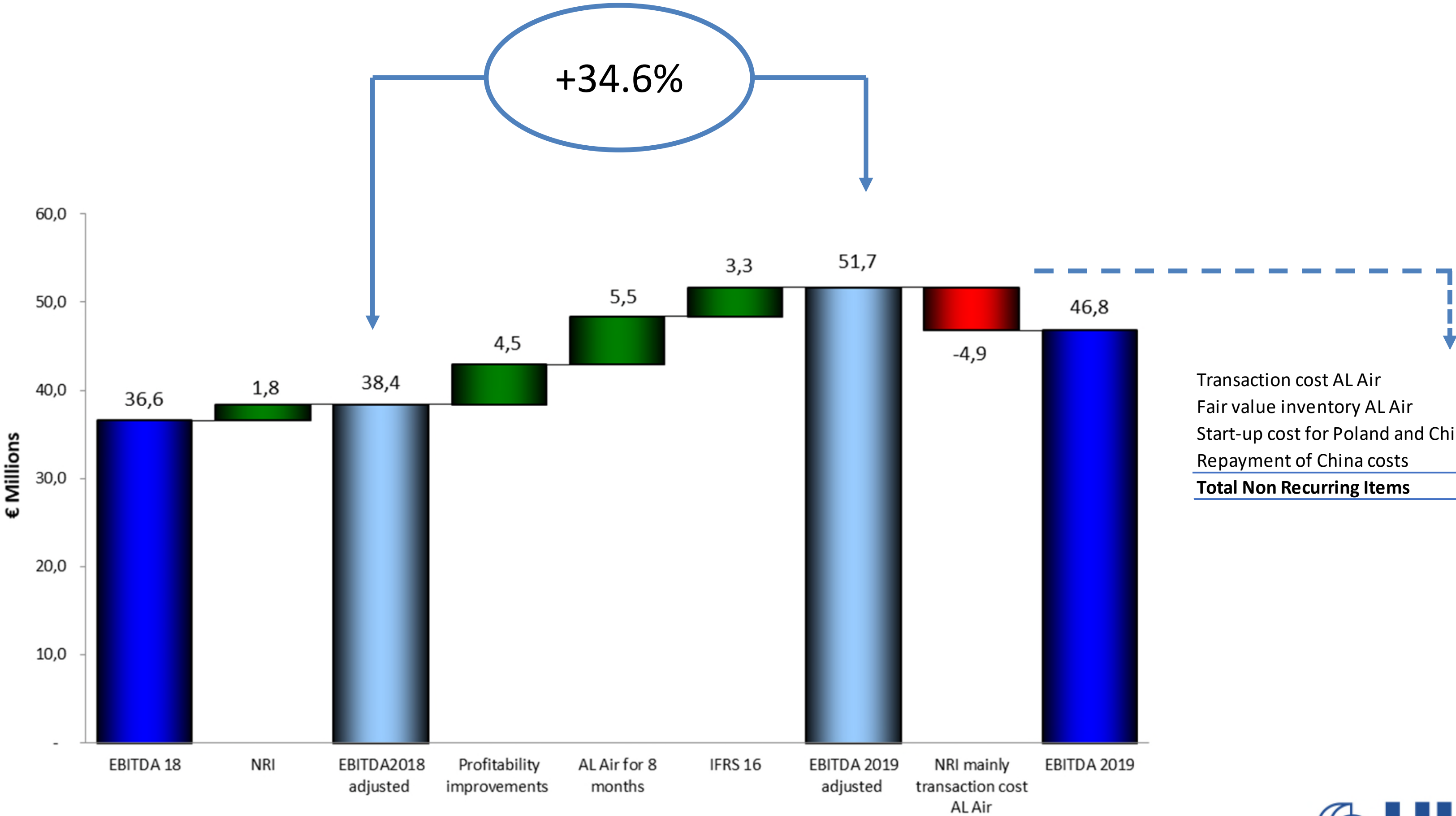
Strong improvement of EBITDA adjusted



€ Millions

Transaction cost AL Air	2,4
Fair value inventory AL Air	1,8
Start-up cost for Poland and China	1,0
Repayment of China costs	-0,3
Total Non Recurring Items	**4,9**

(1) Excluding effect of AL Air acquisition and IFRS 16 adoption
(2) Due to rounding, numbers presented throughout this chart may not add up precisely to the totals provided
(3) Source: management analysis of consolidated results as of 31/12/19

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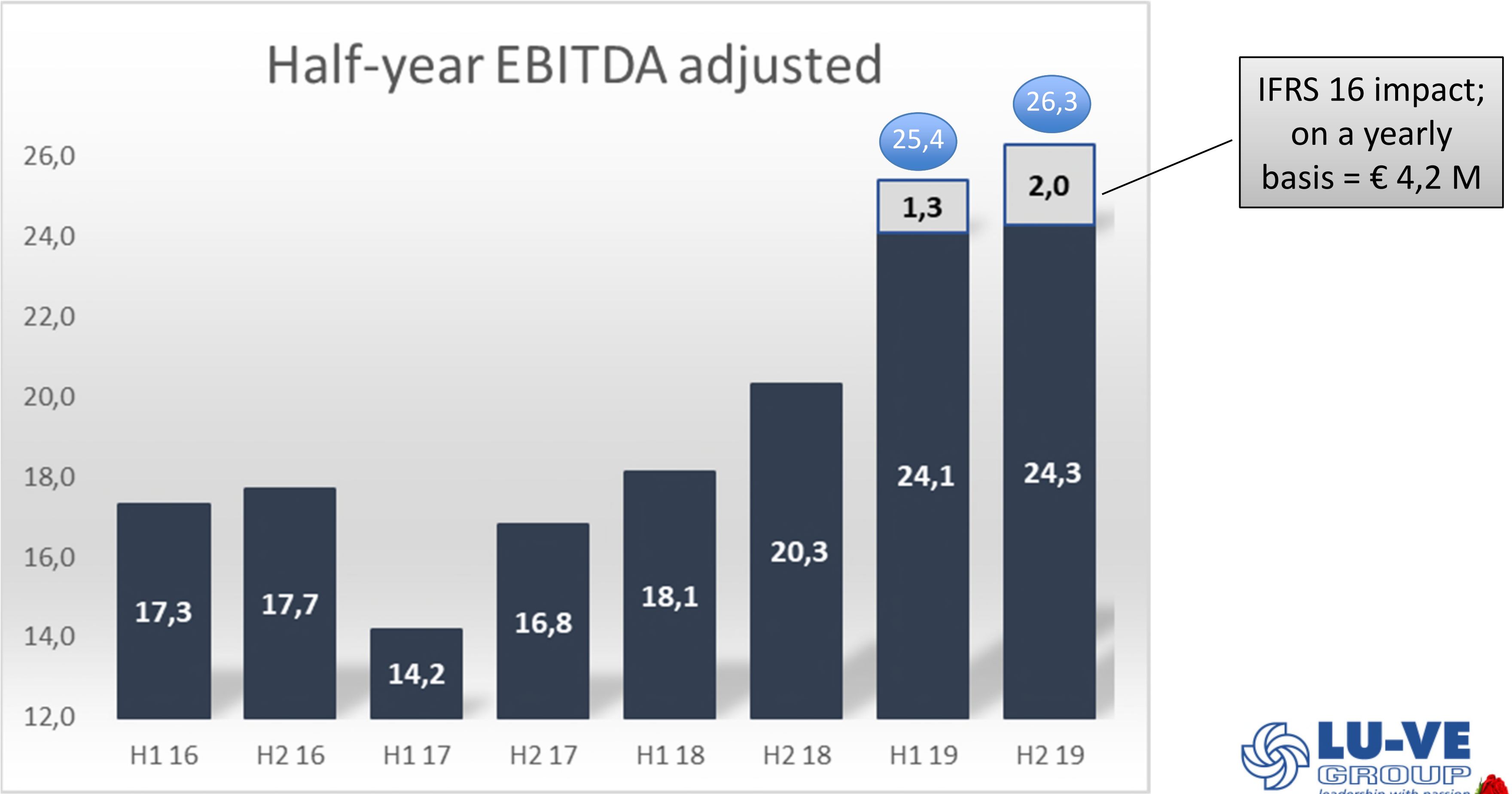
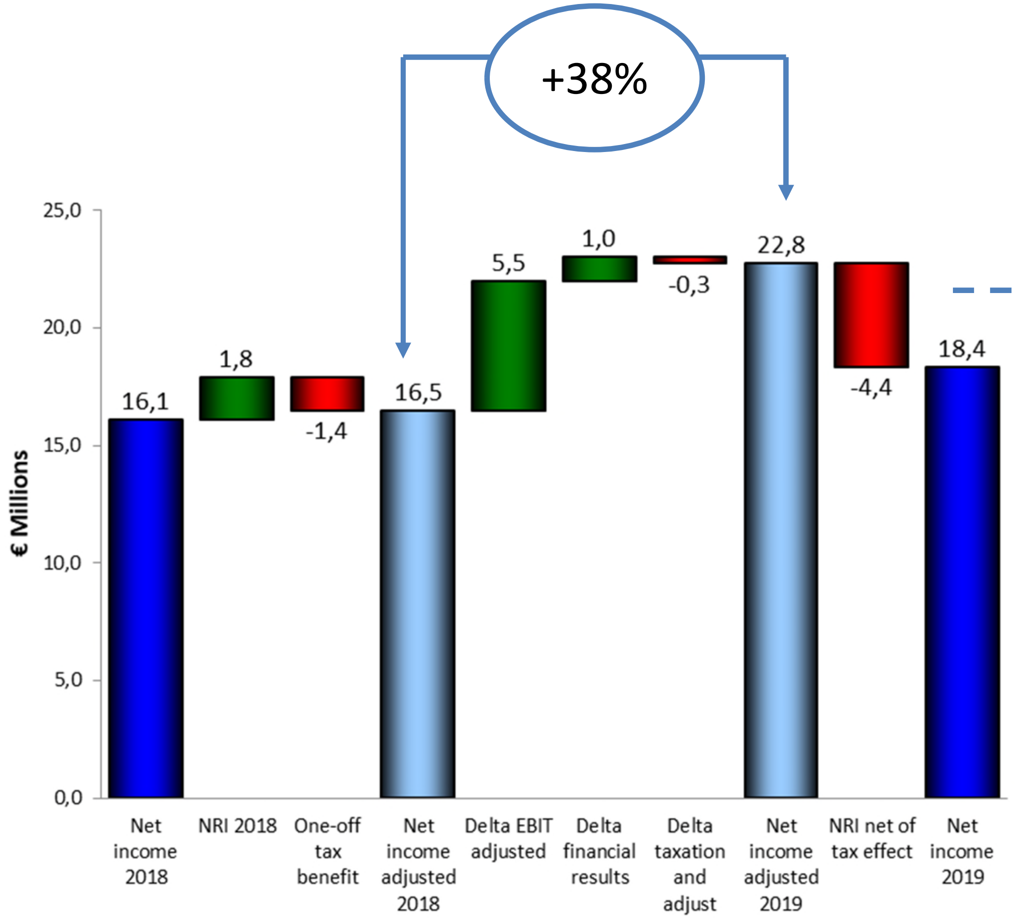
Improving trend of EBITDA in the last 36 months



1) All data in € million
2) H1 2016 proforma to include Spirotech which has been acquired in October 2016

Net income bridge analysis



	€ Millions
Transaction cost AL Air	2,4
Fair value inventory AL Air	1,8
Start-up cost for Poland and China	1,0
Repayment of China costs	-0,3
Total Non Recurring Items	**4,9**
Tax saving	-0,5
Total Non Recurring Items net of tax	**4,4**

(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 30/6/2019

Balance sheet

Consolidated Balance Sheet Reclassified *(000 Euro)*	31/12/18	% net invested capital	31/12/2019	% net invested capital
Net intangible assets	70.170		96.570	
Net tangible assets	125.061		163.269	
Pre-paid taxes	4.722		6.603	
Financial assets	2.196		220	
Non current assets (A)	**202.149**	**96,7%**	**266.662**	**100,2%**
Inventory	44.667		61.812	
A/receivable	50.854		61.728	
Other receivables and current assets	9.472		16.513	
Current assets (B)	**104.993**		**140.053**	
A/payable	57.800		86.230	
Other payable and current liabilities	20.585		27.784	
Current liabilities (C)	**78.385**		**114.014**	
Working capital (D=B-C)	**26.608**	**12,7%**	**26.039**	**9,8%**
Personnel provisions	4.057		5.491	
Deferred taxes	13.173		16.768	
Risk provisions	2.581		4.231	
Long term liabilities (E)	**19.811**	**9,5%**	**26.490**	**10,0%**
Net invested capital (A+D-E)	**208.946**	**100,0%**	**266.211**	**100,0%**
Group net worth	142.216		155.586	
Minority interest	3.170		3.422	
Total group net worth	**145.386**	**69,6%**	**159.008**	**59,7%**
M/L term net financial position	156.303		155.499	
Short term net financial position	(92.743)		(48.296)	
Net financial position	**63.560**	**30,4%**	**107.203**	**40,3%**
Net worth and net financial position	**208.946**	**100,0%**	**266.211**	**100,0%**

- Strong financial structure: D/E = 0,7x
- Strong liquidity position to cover future commitments
- Target NFD/EBITDA < 2x achieved 1 year in advance (excluding IFRS 16): 1.87
- NFD / EBITDA = 2,07 (including IFRS16)
- Impact of IFRS 16 on NFA (€ 18,3 M) and NFD (€ 17,0 M)
- Seasonal working capital needs

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Operational net working capital

- Tight control of operational working capital
- Seasonality in operational working capital needs
- Strong improvement in 2019 on LFL basis: from 12,3% on sales to 8,8%
- Synergies on working capital management with AL Air
- AL Air balance sheet consolidated as of 1/5/2019

Like for Like data

€ Millions	31/12/2018	Days	31/12/2019	Days
Stock	44,7	52	61,8	57
A/receivable	50,9	60	61,7	57
Working capital	95,5		123,5	
A/payable	57,8	99	86,2	120
Net working capital	37,7	44	37,3	34
% on net sales LTM	**12,3%**		**9,5%**	

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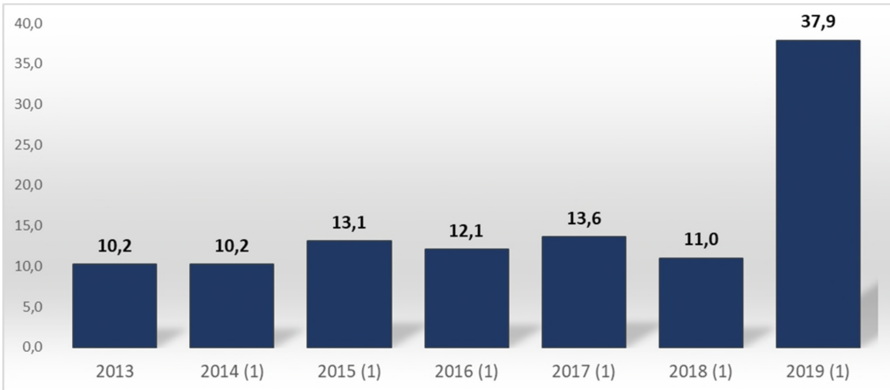
Net cash flow

Net cash / (net debt)	€ m	
Net financial position as of December 18	(63,6)	
Net financial position as of December 19	(107,2)	
Delta in net financial position	(43,6)	(43,6)
+ Dividends paid in 2019		5,5
+ Accelerated capex program		12,0
+ One time costs for M&A		2,0
+ Non recurring costs for China (net) and Poland		0,7
+ IFRS 16 first time adoption		17,0
+ Acquisition of AL Air		45,0
+ Increase of value PUT&CALL Spirotech / fair value derivatives		1,0
Sale of treasury stocks		(1,7)
= Total normalized net cash flow		**37,9**

- **Consistently strong cash generation**
- **Extraordinary level in 2019 due to improved profitability and working capital control (including synergies with AL Air)**
- **Accelerated capex program above maintenance level**

LTM net cash generation adjusted 2013 - FY 19 (€ m)



(1) 2013 ITA GAAP – 2014-2019 IFRS
(2) IFRS 16 adoption: increase of EBITDA on yearly basis equal to € 4,2 M

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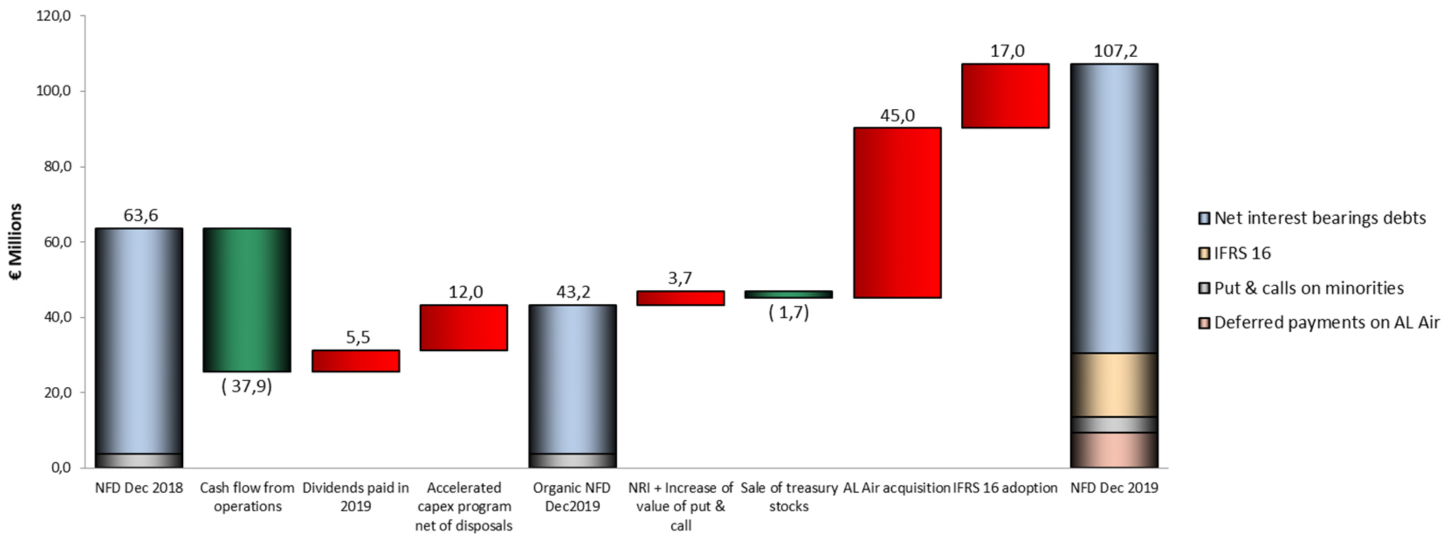
Net financial debt bridge analysis



- Strong cash generation in 2019
- Strong deleverage vs 30/6/2019: -€44,8 M
- IFRS 16 adoption:
  - + € 17,0 M NFD
  - + € 4,2 M EBITDA on annual basis, of which € 3,3 M in 2019
- Al Air consolidated as of 30/4/2019
- Purchase price reduction for AL Air

(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 31/12/2019

LUVE: a five years journey (2015-2019)

Growth, expansion and acquisitions

	Drivers of equity story (2015)	Actual results
Organic growth Delivered	• Organic growth (5-6% p.a.), supported by **megatrends** • Consistently delivered high EBITDA margin • Accelerated CAPEX program • Strict control of working capital	Doubled the size of the group from € 212 M in 2015 to € 416 M in 2019[1] thanks to: • Organic growth +9,4% CAGR 2015-2019 • Additional € 117 M turnover thanks to acquisitions EBITDA organic growth = 10% Extraordinary capex = 52 M (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 financial leverage
		• Acquisitions value = € 100 M [2]
		• Average EBITDAx paid= 7,0x
		SPIROTECH HEAT EXCHANGERS PVT. LTD.
		Fincoil
		Zyklus Heat Transfer, inc.
		HELPMAN since 1924

1) Based on proforma prepared by LUVE 2) Including earn-out; based on final price for Al Air

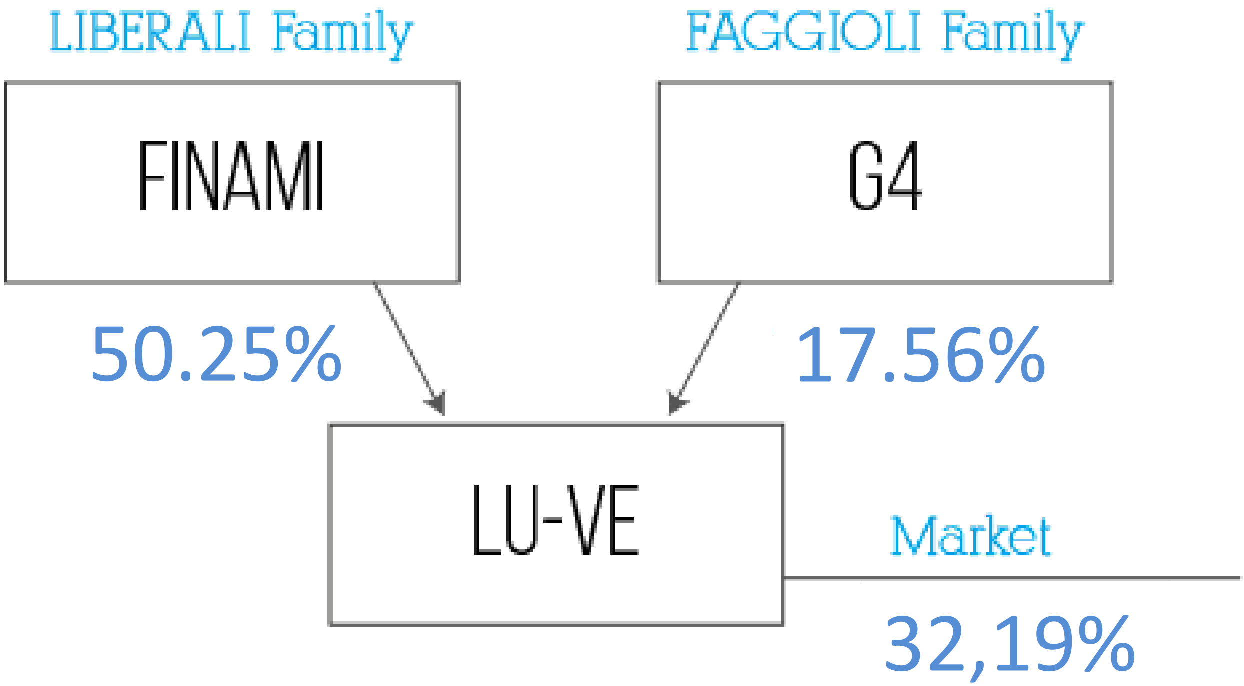
Future developments

1. M&A
   - Integration of ZHT completed (30/9/19, SAP)
   - Integration of AL Air: in progress
   - New projects on opportunistic way

2. Accelerated capex program
   - Poland: final steps (€ 5,0 M to be spent in 20/21)
   - China: step 1 completed
   - India: completed (€ 2,0 M to be spent in 20/21)
   - US: few months delays (€ 12 M to be spent in 20/21)

3. Focus on deleverage
   - Target NFD/EBITDA adj ≈ 2.0x achieved 1 year in advance vs plan

Shareholders structure (1) (2)



(1) Fully diluted – post warrant conversion at end of May 2017
(2) Updated on March 22nd 2019
(3) Treasury shares as of March 22nd 2019: 0,7093%

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