



2023 Q3 results

13th November 2022

Executive Summary

Strong Performance in 2023 Mirrors 2022 Amid Macroeconomic and Regulatory Shifts



Economics

- In the 9 months of 2023, sales of products increased by +0.7% (0.2% volumes and 0.5% prices, -0.6% LFL, +0.3% at constant FX)
- EBITDA adjusted grew by 20 pbs at 13.5% of sales (vs 13.3% in 2022)
- Order book at € 172 M -12.4 % vs. September 2022 due to customer ordering closer to delivery
- Since 2019: sales CAGR = +14.0% - EBITDA CAGR = + 14.3%

Financials

- Leverage at 2.1x LTM adjusted EBITDA
- 90% of financing at fixed rate

Strategy

- Integration of Refrion (acquired in March 2022) almost completed
- Heat pump: increase market share selectively through long-term partnerships with qualified customers
- Growth Capex in Poland, China and USA

Q3 2023 - Financial Highlights

Resilient performance despite macroeconomic and regulatory headwind



€ millions	Q3 2022	Q3 2023	9m 2022	9m 2023	2022 FY	LTM
Sales	149.3	144.1	467.7	464.4	618.6	615.4
Growth %	14.3%	-3.5%	30.5%	-0.7%	25.7%	2.3%
EBITDA adjusted	19.1	20.0	62.0	62.5	78.8	79.4
EBITDA %	12.8%	13.9%	13.3%	13.5%	12.7%	12.9%
Net income adjusted ⁽¹⁾	10.5	10.0	33.8	32.1	38.6	36.9
Net financial debt	-	-	171.3	167.6	142.3	167.6
NFD / EBITDA LTM			2.2x	2.1x	1.8x	2.1x
Total net worth	-	-	218.0	221.5	211.5	221.5

- In Q3-23, sales decreased by 3.5% YoY
- In Q3-23 EBITDA margin increased by 110 bps at 13.9% YoY
- Net financial position impacted by extraordinary level of NWC by € 29 M / under reduction
- In Q3-23 net income adjusted in line with previous year

(1) Net income adjusted considers the depreciation of "purchase price allocation" resulting from M&A transactions concluded in past years

9m 2023 – Revenues Breakdown

New Market Opportunities and Diversification



Products € 000	9m 2022	%	9m 2023	%	Δ %
Heat Exchangers	252.0	53.9%	242.7	52.1%	-3.7%
Air Cooled Equipment	189.9	40.6%	204.9	44.1%	7.9%
Glass Doors	14.8	3.2%	12.5	2.7%	-15.5%
Total sales of products	456.7	97.7%	460.0	99.0%	0.7%
Other revenues	11.0	2.3%	4.4	1.0%	-59.9%
Total sales	467.7	100.0%	464.4	100.0%	-0.7%

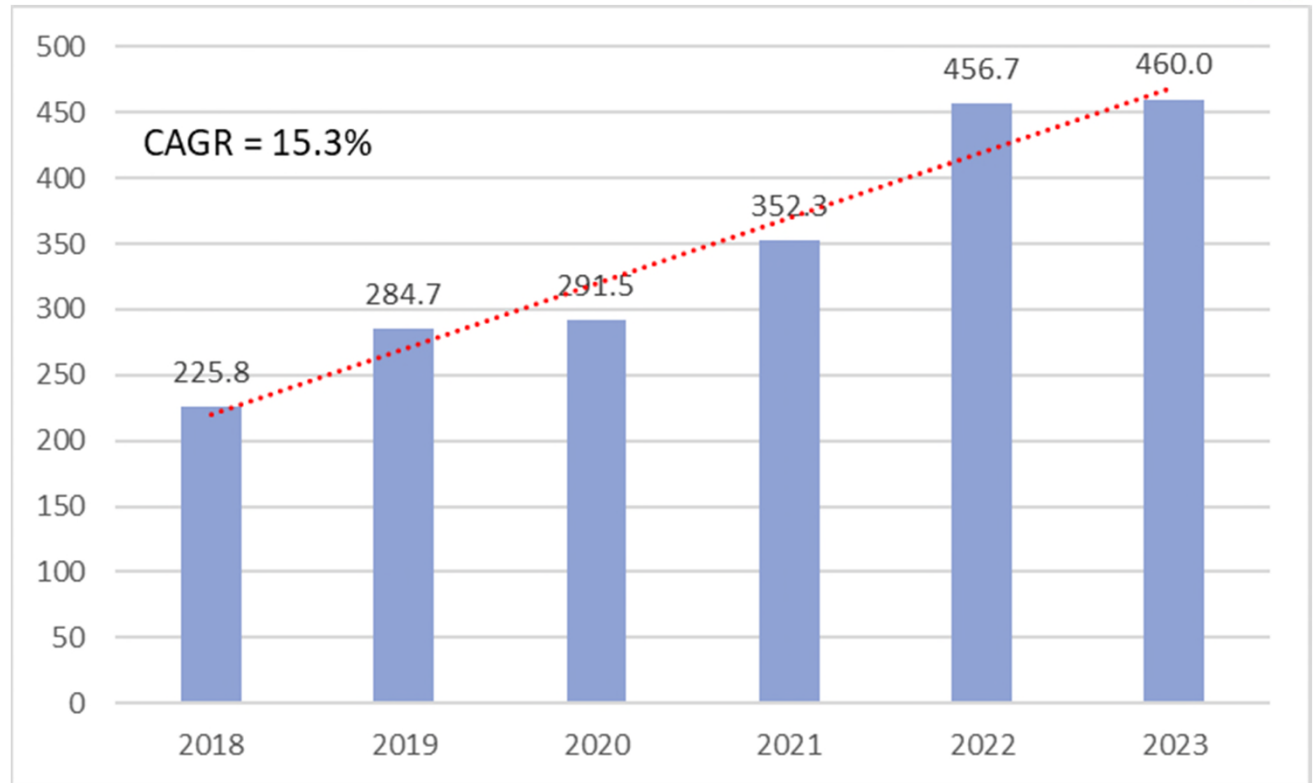
Applications € 000	9m 2022	%	9m 2023	%	Δ %
Refrigeration	237.9	50.9%	219.2	47.2%	-7.9%
Air Conditioning	101.2	21.6%	136.3	29.4%	34.7%
Special Applications	70.2	15.1%	56.7	12.2%	-19.2%
Industrial cooling	47.4	10.1%	47.9	10.3%	1.0%
Total sales of products	456.7	97.7%	460.0	99.1%	0.7%
Other revenues	11.0	2.3%	4.4	0.9%	-59.9%
Total sales	467.7	100.0%	464.4	100.0%	-0.7%

- In the 9 months strong increase for datacenter and industrial refrigeration and heat pumps, despite soft market in Q3
- Refrigeration improve from -8.2% in H1 to -7.2% in Q3
- By geography: Germany +38% , + 52% UK, - 28% Poland, -21% Czechia

Sales Growth vs Guidance



- CAGR 2018-2023 > 15%
- In 2022 growth = 25.7%
- Growth equivalent to the 3-year guidance target growth was achieved in 2022
- 2024 upsides



HEAT PUMPS - focus



The market⁽¹⁾

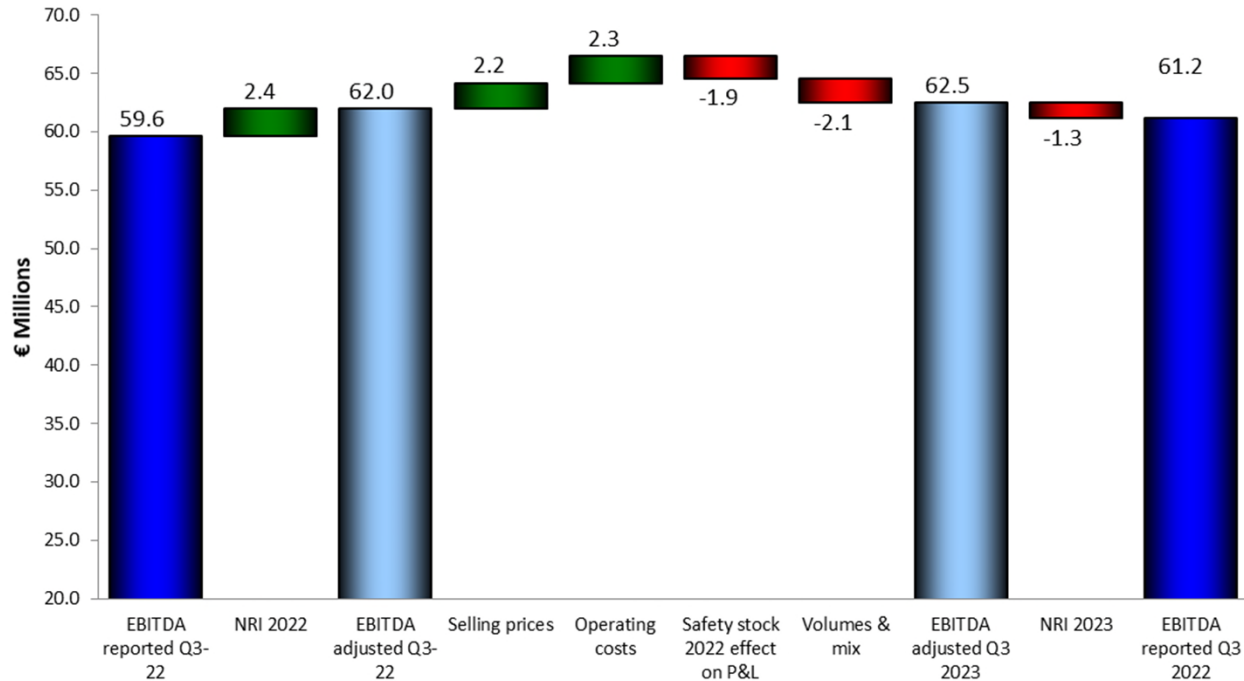
- To align with all existing national energy and climate pledges worldwide, heat pumps will have to meet nearly 20% of global heating needs in buildings by 2030. Sales need to expand by well over 15% per year this decade if the world is to achieve net zero emissions by 2050 ⁽²⁾
- **Within the realm of clean technologies (renewables, EVs, heat pump and batteries), Europe's stronghold lies in the domain of heat pumps (see IEA World Energy Outlook 2023)**
- After outstanding sales in 2022 (+ 39.9%), first market sales figures for 2023 show a temporary decline due to impact of governments changing policies, particularly on subsidies and support for heat pump purchases and less favorable price ratio between electricity and gas

LUVE strategy

- In the 9 months 2023 heat pumps represent 12% of LUVE total sales
- Heat exchangers for HP are part of LUVE's core business
- LUVE intends to keep the share of HP below 15%/18% of its turnover
- LUVE objective: to increase market share selectively through long-term partnerships with qualified customers
- Heat Exchanger represents the key components in HP's performance, but its cost has a limited incidence

EBITDA Bridge Analysis

9m as of 30 September 2023 vs 2022



- EBITDA adjusted grew by 0.8% thanks to selling price and reduction of operating costs
- In 2023, non-recurring items are start-up costs of former ACC plant and contribution to flooded populations of Emilia Romagna

(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 30/9/2022

9m 2022- From EBITDA to Net Income

EBIT Adjusted – Net Income Adjusted

€ millions	2021	2022	Q3-22	Q3-23
EBITDA reported	60.8	75.1	59.6	61.2
NRI		3.7	2.4	1.3
EBITDA adjusted	60.8	78.8	62.0	62.5
D&A	30.1	32.7	24.1	24.3
Gain (loss) of non current assets	(0.1)	(0.3)	(0.0)	(0.1)
EBIT reported	30.6	42.1	35.4	36.8
Capital gain		9.5	9.5	0.0
Net financial income (loss)	0.1	7.5	10.6	(5.1)
EBT	30.6	59.0	55.5	31.7
Income taxes	5.8	10.0	(10.1)	(4.5)
Minorities	(1.0)	(1.4)	(0.9)	(1.3)
Group net profit	23.7	47.7	44.5	25.9

In 2023 NRI due to start-up costs of former ACC plant and contribution to flooded populations of Emilia Romagna

In 2022 Capital gain on Tecnair divestiture

In 2022 Strong positive impact from financial income due to interest rate derivatives (*market value of IRS to cover the interest rate risk*) net of amortized cost impact

EBIT reported	30.6	42.1	35.4	36.8
Depreciation on PPA	4.2	4.3	3.3	3.6
NRI	0.0	3.7	2.4	1.3
EBIT adjusted	34.7	50.1	41.1	41.7
% of sales	7.1%	8.1%	8.8%	9.0%

Net income reported	24.8	49.1	45.4	27.2
Depreciation on PPA net of tax	3.0	3.4	2.7	2.8
NRI net of tax	0.0	3.0	1.9	0.9
Gain on shareholding net of tax	0.0	(9.3)	(9.4)	0.0
Fair value of derivatives net of depr cost	0.0	(7.5)	(6.9)	1.1
Net income adjusted	27.8	38.6	33.8	32.1
% of sales	5.7%	6.2%	7.2%	6.9%

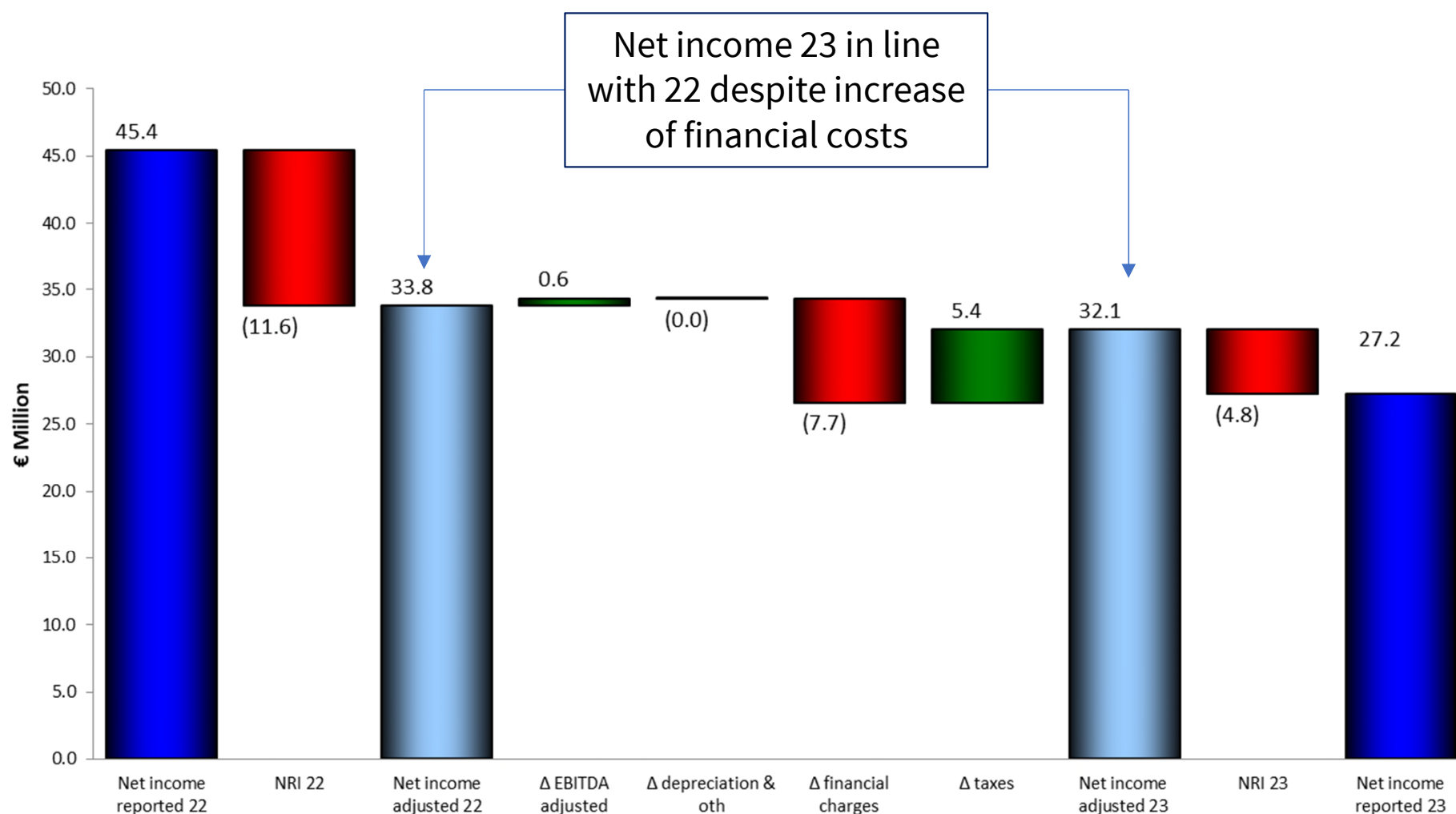
Net income adjusted in line with 2022-Q3 result

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(2) Source: management analysis of consolidated results as of 30/9/2023

(3) Net income adjusted considers the depreciation of "purchase price allocation" resulting from M&A transactions concluded in past years

Net Income Bridge Analysis



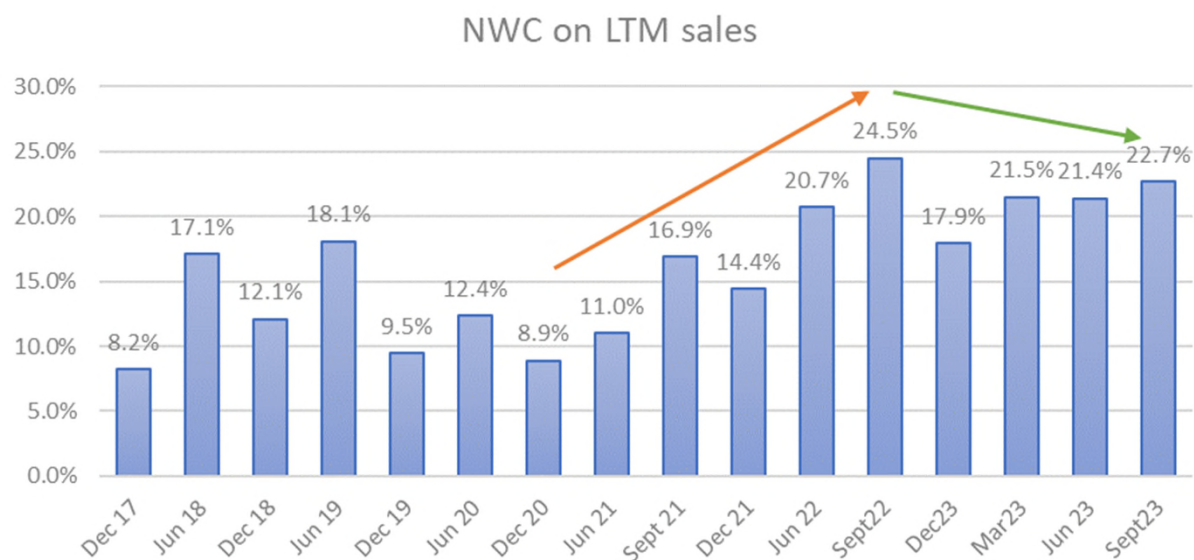
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(2) Source: management analysis of consolidated results as of 30/9/2023

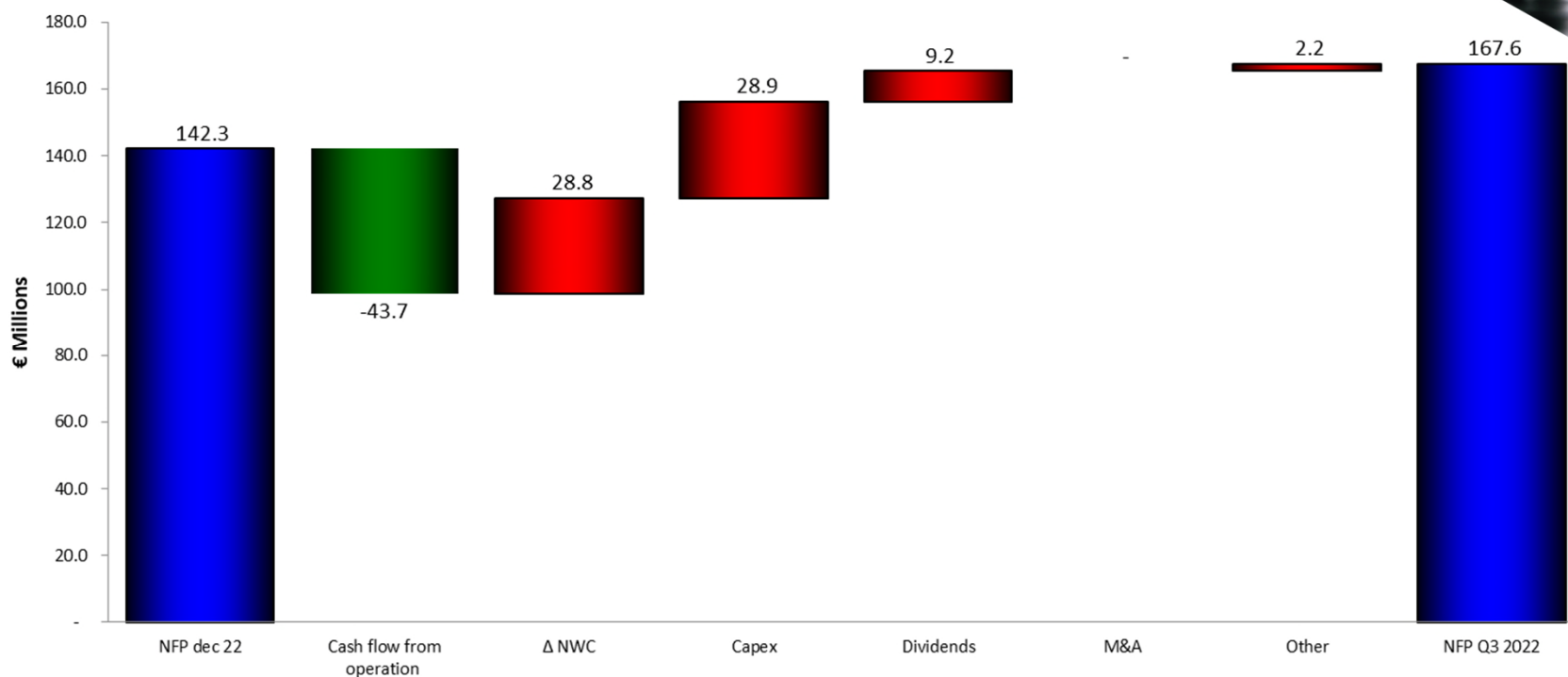
(3) Net income adjusted considers the depreciation of "purchase price allocation" resulting from M&A transactions concluded in past years

Temporary increase in NWC slowly decreasing

€ Millions	30/09/2022	Days	31/12/2022	Days	30/09/2023	Days
Stock	158.6	95	134.2	78	131.9	77
A/receivable	101.9	61	83.3	48	98.7	58
Working capital	260.4		217.5		230.6	
A/payable	112.8	89	106.6	88	90.9	85
Net working capital	147.6	88	110.9	65	139.7	82
% on net sales LTM	24.5%		17.9%		22.7%	



Balance Sheet and Capital Allocation



- Cash flow from operations at 9.4% of sales (11.3% in Q3-22)
- Change in NWC at € 28.8 M vs € 74.9 M in Q3-22
- Capex in line with Q3-22

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(2) Source: management analysis of consolidated results as of 30/9/2022

Future Developments and Closing Remarks

Strategy	<p>New program of growth capex in progress to increase production capacity:</p> <ul style="list-style-type: none">• Reviewed according to markets developments• The second stage of plant expansion in China and USA• New expansion in Poland• Focus on production automation
Markets	<ul style="list-style-type: none">• M/L term growth sustained by secular trends• Since Q3 softer markets in heat pumps• Upside in 2024
M&A	<ul style="list-style-type: none">• Integration of Refrion almost completed• New projects on opportunistic way
Financials	<ul style="list-style-type: none">• Focus on costs efficiency• Focus on deleverage - target NFD/EBITDA adj $\leq 2.0x$

Annexes



Income Statement as of 30/9/2023



Consolidated Profit & Loss Reclassified (000 Euro)	9m-22	Delta %	9m-23	Delta %	Delta %
Sales and operating income	467,657	100.0%	464,449	100.0%	-0.7%
Purchases of materials	(290,069)	-62.0%	(241,488)	-52.0%	
Inventory increase (decrease)	39,051	8.4%	(46)	0.0%	
Services	(61,232)	-13.1%	(61,354)	-13.2%	
Labour cost	(93,881)	-20.1%	(97,958)	-21.1%	
Other operating costs	(1,957)	-0.4%	(2,369)	-0.5%	
Total operating costs	(408,088)	-87.3%	(403,215)	-86.8%	-1.2%
EBITDA	59,569	12.7%	61,234	13.2%	2.8%
Depreciation	(24,140)	-5.2%	(24,300)	-5.2%	
Gain (loss) of non current assets	(47)	0.0%	(138)	0.0%	
EBIT	35,382	7.6%	36,796	7.9%	4.0%
Net financial charges	10,615	2.3%	(5,050)	-1.1%	
Capital gain on shareholding	9,473		0	0.0%	
EBT	55,470	11.9%	31,746	6.8%	-42.8%
Income taxes	(10,055)	-2.2%	(4,540)	-1.0%	
Net income	45,415	9.7%	27,206	5.9%	-40.1%
Minority interest	921		1,299		
Group net income	44,494	9.5%	25,907	5.6%	-41.8%

Balance Sheet as of 30/9/23

Consolidated Balance Sheet Reclassified (000 Euro)	31/12/2022 % net invested capital	30/09/2023 % net invested capital
Net intangible assets	98,474	94,017
Net tangible assets	189,264	198,799
Pre-paid taxes	6,992	9,463
Financial assets	1,473	1,416
Non current assets (A)	296,203 83.7%	303,695 78.0%
Inventory	134,237	131,853
A/receivable	83,265	98,741
Other receivables and current assets	13,273	13,948
Current assets (B)	230,775	244,542
A/payable	106,587	90,854
Other payable and current liabilities	40,913	42,733
Current liabilities (C)	147,500	133,587
Working capital (D=B-C)	83,275 23.5%	110,955 28.5%
Personnel provisions	5,299	5,445
Deferred taxes	14,955	14,481
Risk provisions	5,492	5,590
Long term liabilities (E)	25,746 7.3%	25,516 6.6%
Net invested capital (A+D-E)	353,732 100.0%	389,134 100.0%
Group net worth	206,748	216,598
Minority interest	4,712	4,946
Total group net worth	211,460 59.8%	221,544 56.9%
M/L term net financial position	338,014	268,988
Short term net financial position	(195,742)	(101,398)
Net financial position	142,272 40.2%	167,590 43.1%
Net worth and net financial position	353,732 100.0%	389,134 100.0%

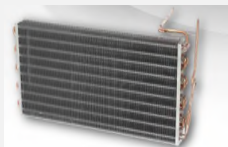





Short company profile

Business Highlights



Business Unit	Products	% of Sales (1)	Applications	Type of Customer
Business Unit Components	Heat exchangers 	54%	<ul style="list-style-type: none"> Refrigeration (food cold chain) Commercial air conditioning and ventilation Special applications (<i>whitegoods</i>, <i>"mobile applications"</i> etc.) 	OEM
	Glass doors for refrigerated display cabinets	3%	Refrigeration (food cold chain)	OEM
Business Unit Cooling Systems	Air-cooled equipment / Radiators 	43%	<ul style="list-style-type: none"> Refrigeration (food cold chain) Commercial air conditioning and ventilation Industrial process cooling Power Generation Data centers 	Distributors / Installers / OEM / EPC / End users Contractors / End users

(1) FY 2022 data on total sales of products

Diversification to avoid cyclicality



- Diversified applications, segments and markets with **uncorrelated business cycles**
- Focus on markets with expected **high potential growth**
- Business growth **sustained by megatrends**



REFRIGERATION AND CONSERVATION OF FRESH AND PACKAGED FOOD AND FLOWERS



AIR CONDITIONING, HEAT PUMPS AND HOUSEHOLD APPLIANCES



TRANSPORTATION, TRAIN AND MOBILE AIR CONDITIONING AND REFRIGERATION



AIR CONDITIONING FOR DATA CENTERS



POWER GENERATION, OIL & GAS, STEEL-MAKING AND MINING



FRESH FOOD CONSERVATION AND PERISHABLE FOOD BLAST FREEZING



REFRIGERATION FOR COUNTERS AND DISPLAY CABINETS AND AIR CONDITIONING



GLASS DOORS, CLOSING SYSTEMS AND DIGITAL SIGNAGE SOLUTIONS

Seculars trends increase the addressable market



Cold chain and refrigeration



Electrification
(heat pumps /
district heating)



Digitalization
(data centers, IOT)



Food safety



Decarbonization



Industrial Cooling
and Processes



Urbanization &
consumer habits



Global warming



Regulations (F-gas etc.)



Safety in supply chains



Air treatment & ventilation

Secular trends increase total addressable market



Drivers and trends	What LUBE does
<p>Acceleration of the transition to “green capex” by major customers to:</p> <ul style="list-style-type: none"> • Adopt refrigerants with low GWP • Reduce energy consumption and noise level • Comply with EU regulations and with similar regulations introduced in the USA, China, and other countries 	<ul style="list-style-type: none"> • LUBE was a first mover in green technologies applied to heat exchangers • Currently, $\approx 50\%$ of sales are already based on refrigerants with low GWP to stem climate change • New Eurovent certification for CO² • ESG rating
<ul style="list-style-type: none"> • Electrification • Decarbonization 	<ul style="list-style-type: none"> • Heat exchangers for heat-pump applications • Special application for district heating
Acceleration of digitalization	<ul style="list-style-type: none"> • Focus on data center market • Application of IoT to all range of products
The increasing value of food security, pharma storage and e-commerce	Focus on mobile applications and logistic centers
Major attention to comfort and indoor air quality in public and private buildings	Special solutions for indoor air quality optimization
Reassess international supply chains	LUBE production footprint provides clients with resilient supply without sacrificing competitiveness

Track record of profitable organic growth and acquisitions



* LU-VE was founded in October 1985
METALLUVE was later absorbed into LU-VE
LU-VE Changshu was substituted by LU-VE Tianmen

Strategy



Create sustainable competitive advantage through:

- Product focus and innovation
- Technology enhancements
- Production plants efficiency and flexibility
- First mover in "green tech"

Reduce risk profile through:

- Widening product applications in uncorrelated sectors
- Increasing internationalization

Geographical focus

- USA
- Asia
- Developing countries

Disciplined M&A activity (industrial focus and valuation)

LU-VE's Medium Term Value Creation Framework



- High Single Digit growth in sales volume (organic)
- EBITDA margin toward 14/15% thanks to scale and efficiency capex
- NWC on sales: Mid Double Digit (net of extraordinary fluctuation)
- Growth capex: € 20/30 m p.a.
- Tax rate: 20-21%
- ESG targets in progress
- Capital allocation
 - NFD/EBITDA <2
 - Growth capex
 - Steady / smooth dividend policy
 - M&A: up to 3x leverage if required by strategic M&A (dry powder: € 80/90 m + target debt capacity)



Pillars of a Sustainable Competitive Advantage



Sources	LU-VE business model
Technological Advantage	<ul style="list-style-type: none"> • Patent and tech innovation • Leadership in R&D: laboratories / CFD / nanotechnologies / IOT
Cost advantage	<ul style="list-style-type: none"> • Market leadership: ca. 50% ⁽¹⁾ of sales are in market segments where Lu-Ve is market leader • Production plants in LCC: Poland, India, China, Russia and Czech Republic • The highest level of capex in the sector to increase productivity, automation, product quality
Switching costs	<ul style="list-style-type: none"> • Co-design with clients • Long term customer cooperation: customers with more than 5 years of business relationship represent 65/70% of total sales • Lu-Ve supplies performance critical components, but with limited cost incidence vs customers machineries/installations total costs
Efficient scale	<ul style="list-style-type: none"> • One of the 3 largest worldwide producers of air heat exchangers • Leader in Europe in heat exchanger
Network effect	<ul style="list-style-type: none"> • Lu-Ve customers benefit from Lu-Ve experience in thousand of applications fields of air heat exchangers, helping them to identify specific solutions for their refrigeration/cooling problems

(1) Company's estimates



OVER 600 YEARS OF EXPERIENCE
IN HEAT EXCHANGER TECHNOLOGY



Organization: 20 Production Units



PRODUCTION UNITS



Czech Republic
Italy
India
Poland
Russia
USA



Italy
Poland
Russia
China



Italy
Finland
Poland
India



Sweden



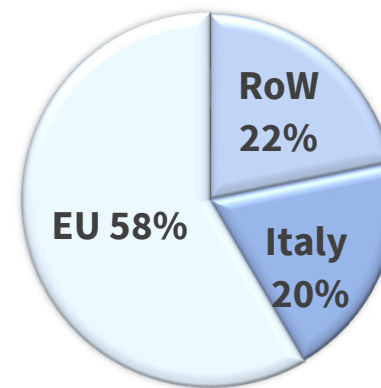
Italy



Italy



- Over 1.080.000 sqm. total surface area (300,000 sqm. covered)
- Over 3,605 sqm. of R&D Laboratories, and a large climatic chamber
- About 4100 employees
- LU-VE sells its products in more than 100 countries
- Diversified blue-chip customers









Breakdown of sales
by geographical area
(2022)

34 SALES COMPANIES

- AUSTRIA – VIENNA
- BENELUX – BREDU-UCCL
- CHINA – TIANMEN-CHANGZHOU
- CZECH REPUBLIC - NOVOSLEDY
- DENMARK - AARHUS
- FINLAND - VANTAA
- FRANCE - LYON
- GERMANY – STUTTGART
- INDIA – NEW DELHI/PUNE
- ITALIA
- NORWAY - OSLO
- POLAND – WARSAW/GLIWICE
- RUSSIA – MOSCOW / LIPETSK
- SOUTH KOREA -SEUL
- SPAIN – MADRID
- SWEDEN - ASARUM
- UK/EIRE – LONDON/FAREHAM HANTS
- THAILAND – BANGKOK
- VIETNAM – HCM CITY
- UAE – DUBAI
- USA – JACKSONVILLE

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 the metal publicly available quotation Impact 	<ul style="list-style-type: none"> 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 (<i>mainly cooling system SBU: industrial application, power gen etc.</i>)	Technology and design are the main elements of the solution offered Lower impact by metal price Impact 	<ul style="list-style-type: none"> Pricing locked-in at order intake Profitability protection through systematic physical hedging (long order- to-delivery cycle) Impact 
Standard products	Products sold by catalogs with zero or limited customization	Higher impact of metal prices Impact 	<ul style="list-style-type: none"> Pricing managed through price lists, thus leading to some delay Competitive pressure may impact on the delay of price adjustment Hedging based on forecasted volumes rather than orders Impact 

(1) Impact: hig

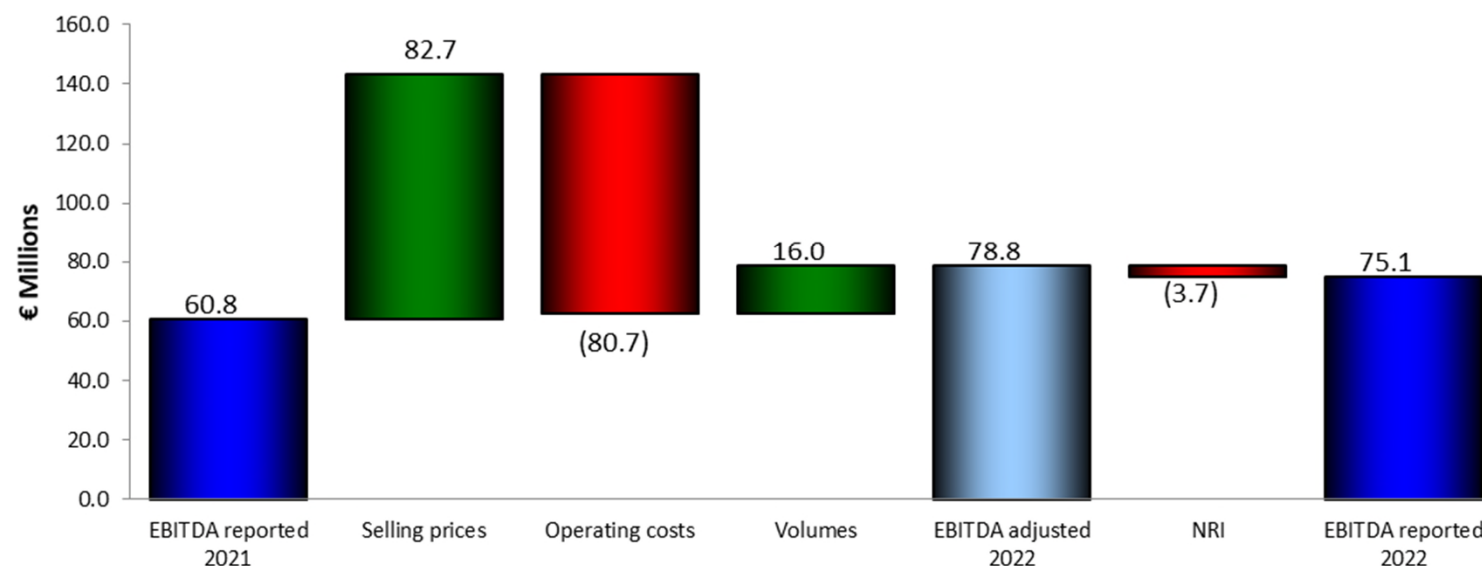


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The pricing power in 2022

EBITDA adj 2022 vs 2021 + 29.6%



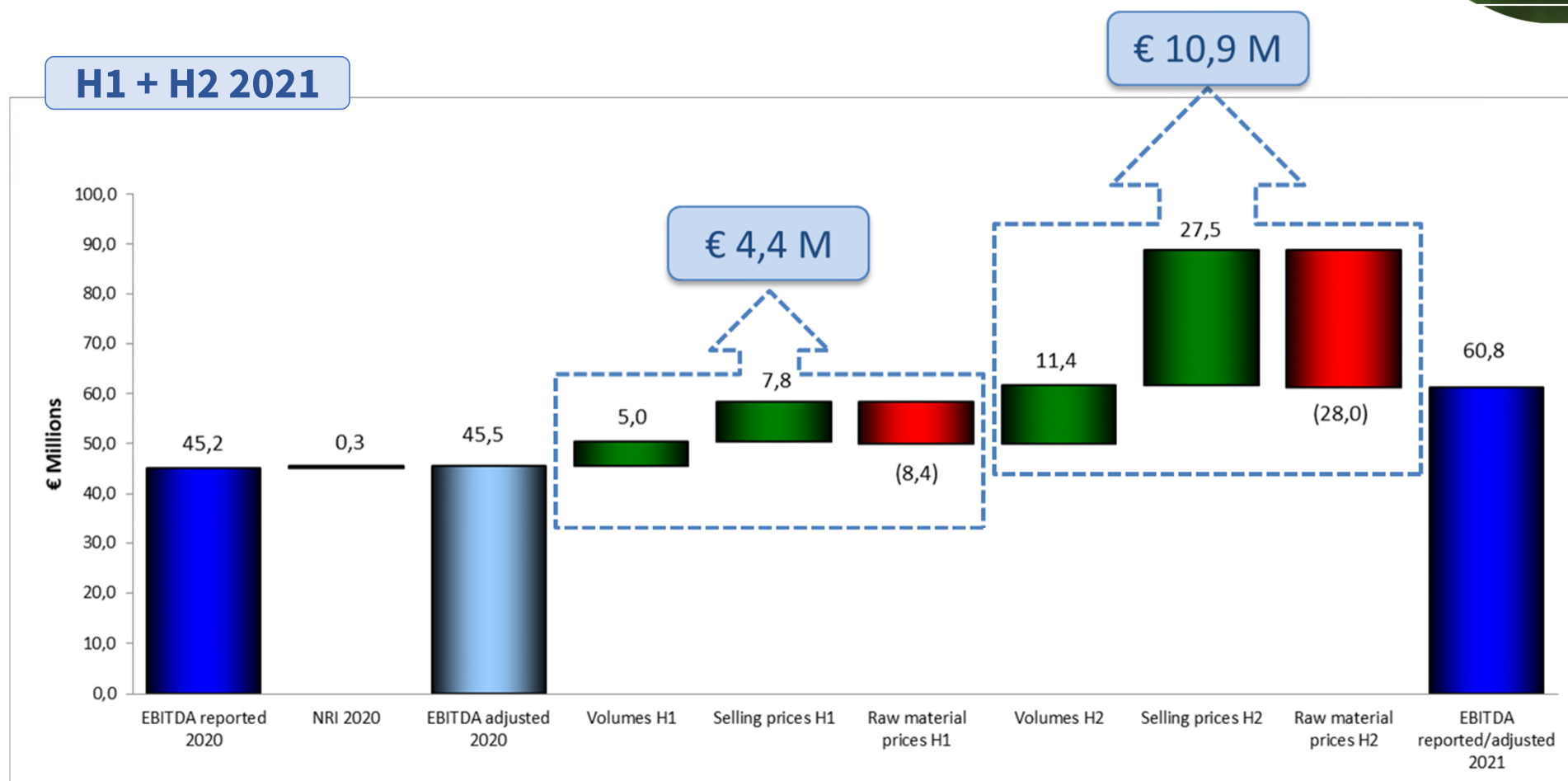
- EBITDA adjusted grew by 29.6% thanks to volumes increase and pricing power
- In 2022, non-recurring items are M&A transaction costs and extraordinary bonuses to employees (no adjustments in 2021)

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(2) Source: management analysis of consolidated results as of 31/12/2022

The pricing power in 2021

EBITDA growth +33.6%



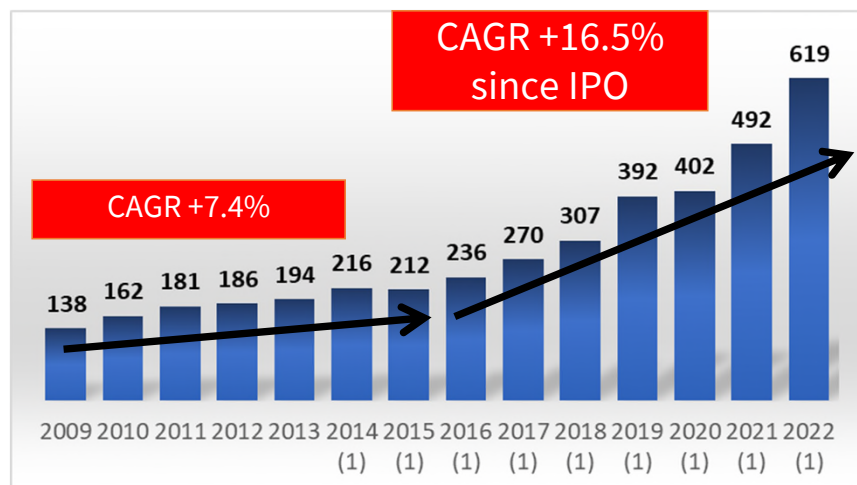
Performance since IPO (2015)



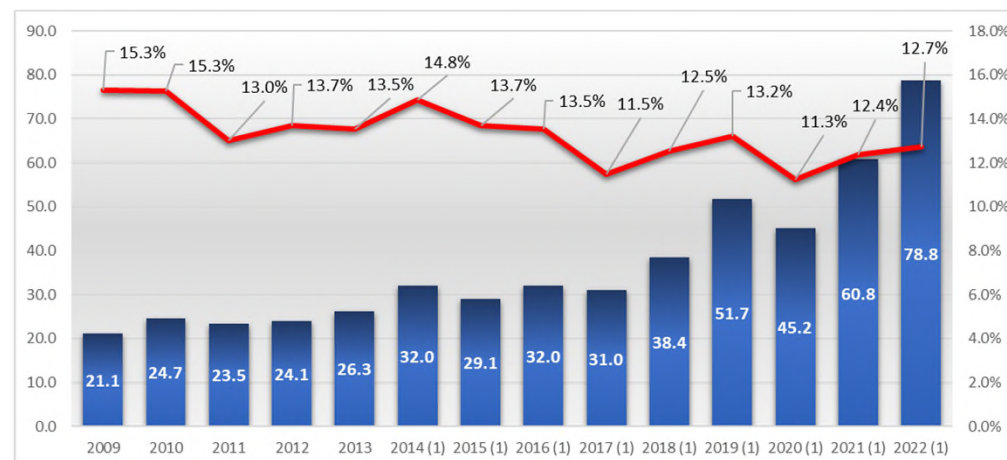
Strategic targets identified since 2015		Actual results: 2015 – 2022		
Organic growth (CAGR)	5/6% p.a.	CAGR	Organic	Total
		Sales	12.2%	16.5%
		EBITDA	12.6%	17.0%
NWC	Strict control	10-15% on sales In 2022 temporary increase of safety stock due to uncertain supply chain		
Growth Capex		€ 91 m		
Geographic expansion	Asia - USA	5 new plants in Poland, China and USA Doubled plant in India		
Acquisitions		4 strategic acquisitions € 122 m invested		

Financial Highlights

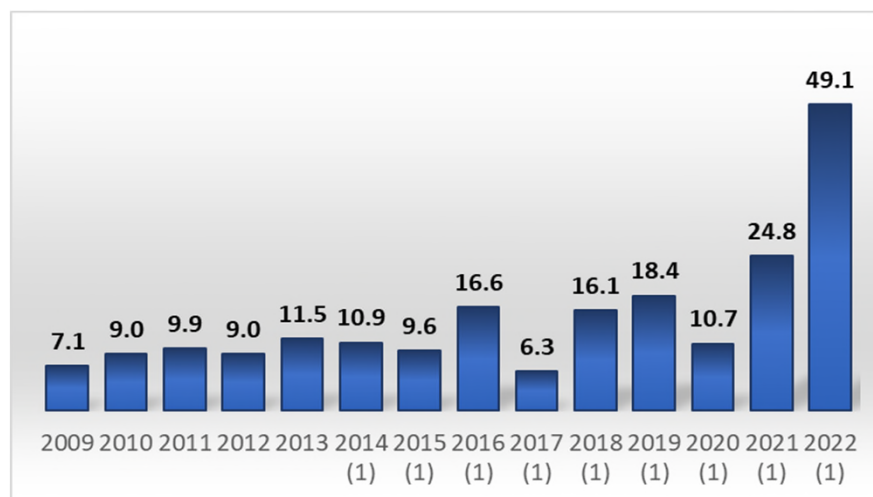
Turnover 2009-2022



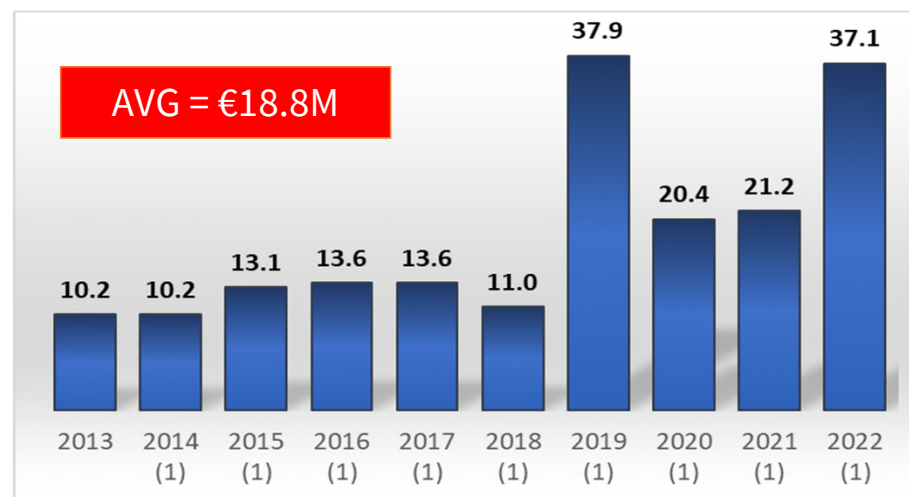
EBITDA ADJ ⁽²⁾ 2009-2022



Net Income 2009-2022

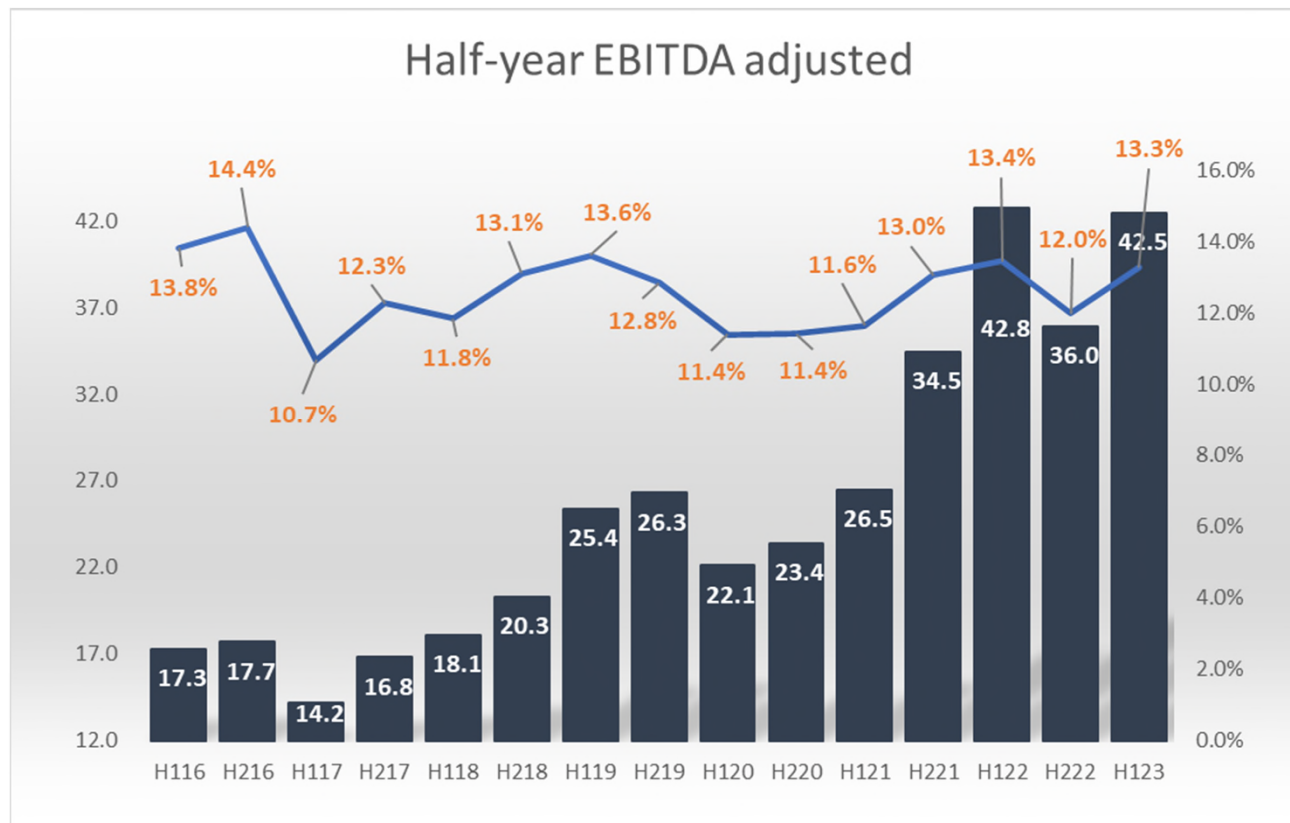


Net Cash Generation ADJ ⁽²⁾ 2013-2022



- All data in € millions
- (1) 2014-2022 based on IFRS – 2009-2013 based on ITA GAAP
- (2) Adjustments to exclude non-recurring items

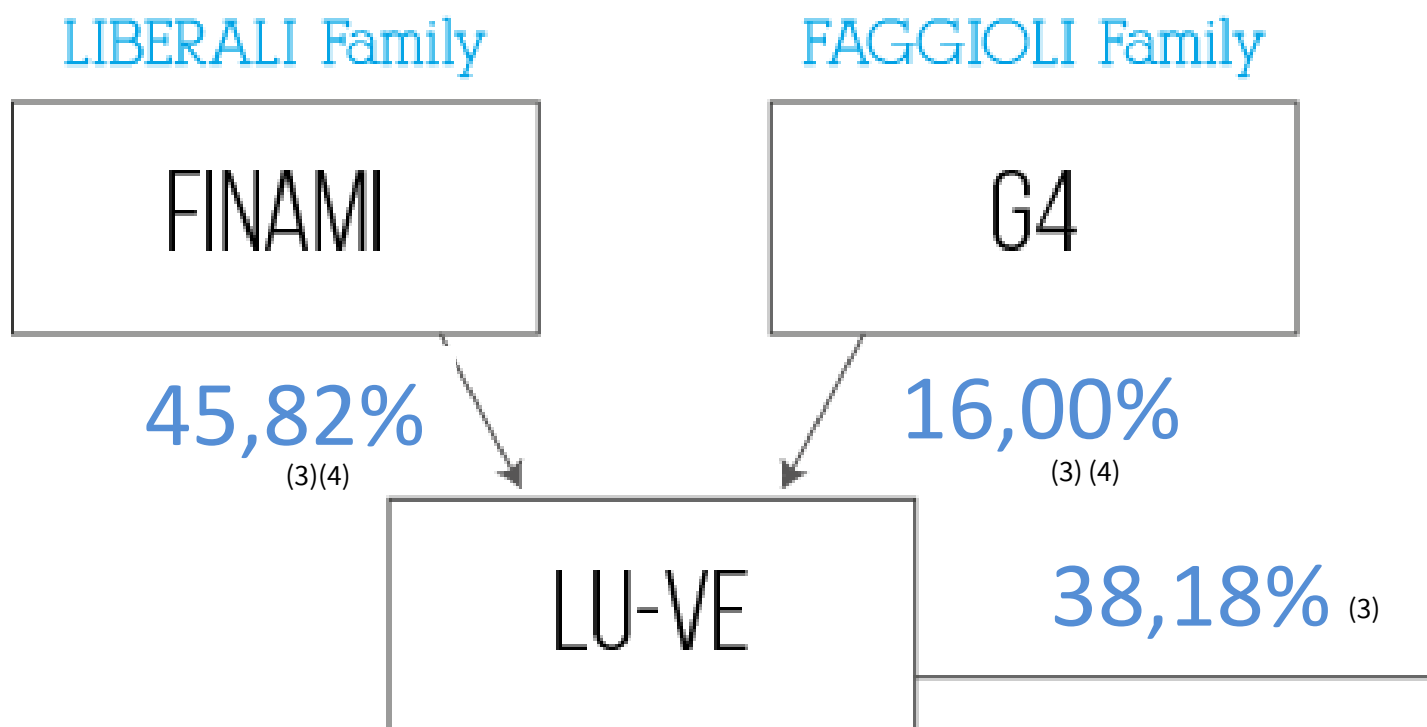
Resilient business model and improving profitability



- 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 (≈ 125 bps)
- In 2020 impact of Covid and lockdown
- In H1-20, volumes decreased by 10.4% LFL due to lockdown
- In 2021, volumes increased by 14.7%
- In 2022, volumes increased by 8.9%
- In H2-22 impact on profitability due to safety stock
- Effect on metal inflation margin 90 bps in 2021 and 160 bps in 2022)

- 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
- 5) Refrion consolidated since 1st of April 2022 – Tecnaïr deconsolidated since 1st of April 2022

Shareholders Structure ^(1,2)



(1) Fully diluted – post warrant conversion at end of May 2017

(2) Updated as of July 4th, 2023

(3) Based on number of shares

(4) Thanks to the Loyalty Share Program (2 years ownership) as of July 4th, 2022, Finami owns 50,8% of voting rights and G4 owns 14,2% of voting rights

(5) Treasury shares as of 30th June 2023, 0,1261% of share capital

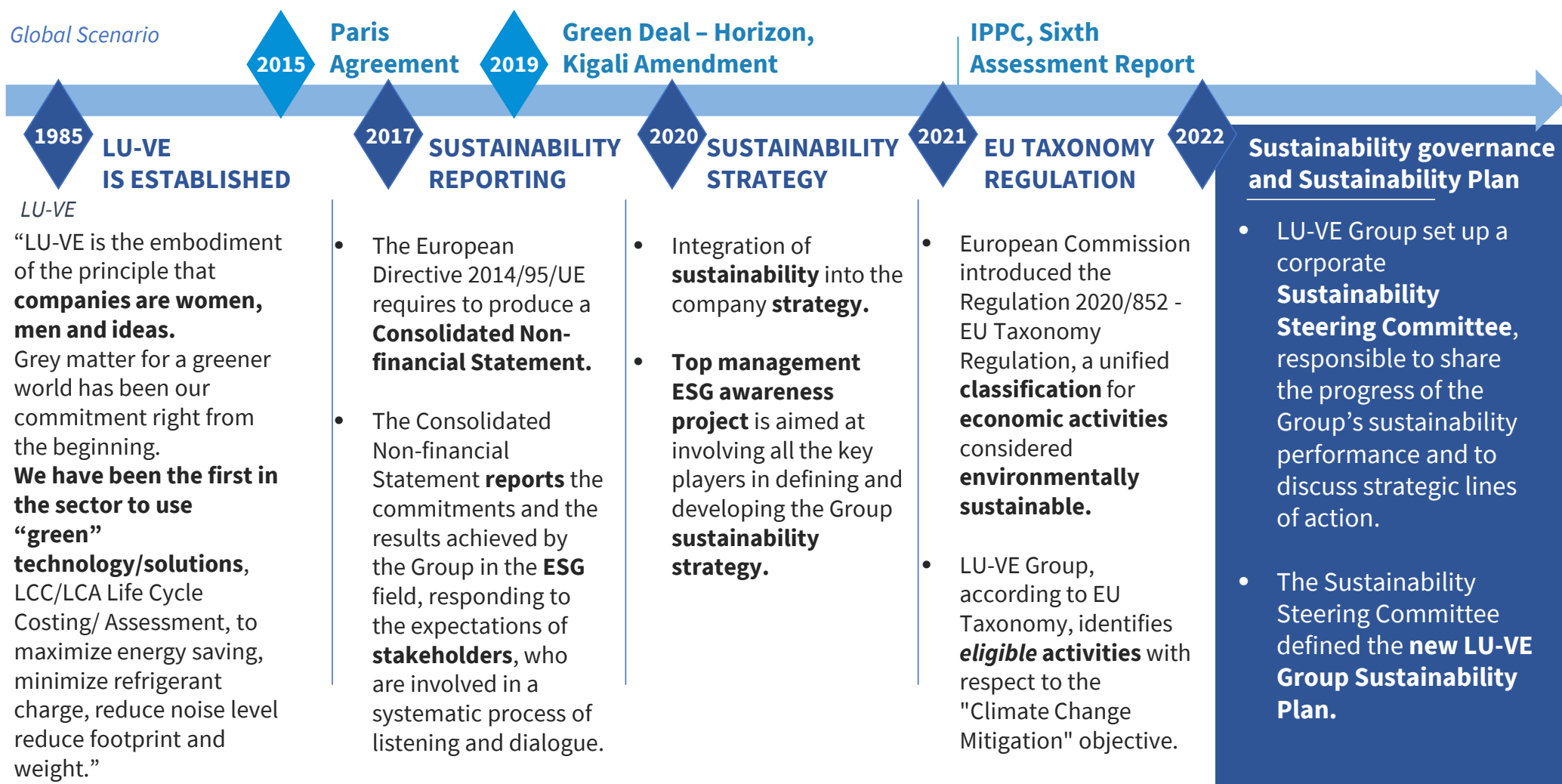
LU-VE presence on the Italian Stock Exchange



ESG

LU-VE Group Approach to ESG Topics

Global Scenario



Iginio Liberali, Founder of LU-VE Group

Social Impact of LU-VE Group solutions



FOOD SAFETY

Today, some three billion people lack safe and healthy food. The development of sustainable and technologically advanced cold chains is essential for the processing, storage, preservation, distribution and, ultimately, the increased availability of safe food for ever larger segments of the population.

LU-VE group commitment

A proper cold chain ensures safe and properly stored food and reduces food waste.

53%*



CLIMATE WELL-BEING

The demand for air conditioning is growing internationally due to population growth, urbanisation rates and the demand for a better quality of life, especially in the warmer areas of the world.

Indoor climate comfort in buildings is an important element of people's health and well-being and quality of life

21%*



ENERGY EFFICIENCY

On average, air conditioning and cooling accounts for around 15% of electricity demand globally, with peaks of up to 50%. Mitigating the resulting environmental impacts involves improving energy efficiency standards by 50% by 2030.

LU-VE group commitment

Maximising the energy efficiency of factories, buildings and systems is crucial for protecting the planet, reducing environmental impact and improving businesses' competitiveness.

20%*



DIGITAL TRANSFORMATION

The international digitalisation process also touches on cloud computing. This strong impetus implies an increasing focus on the energy consumption of data centres, which currently account for 1% of the world total in terms of environmental sustainability.

Operational and efficient data centres are a prerequisite for a country's digital transformation

6%*



* respect Group's total turnover in 2022

Our Vision in 4 pillars is aligned to the SDGs

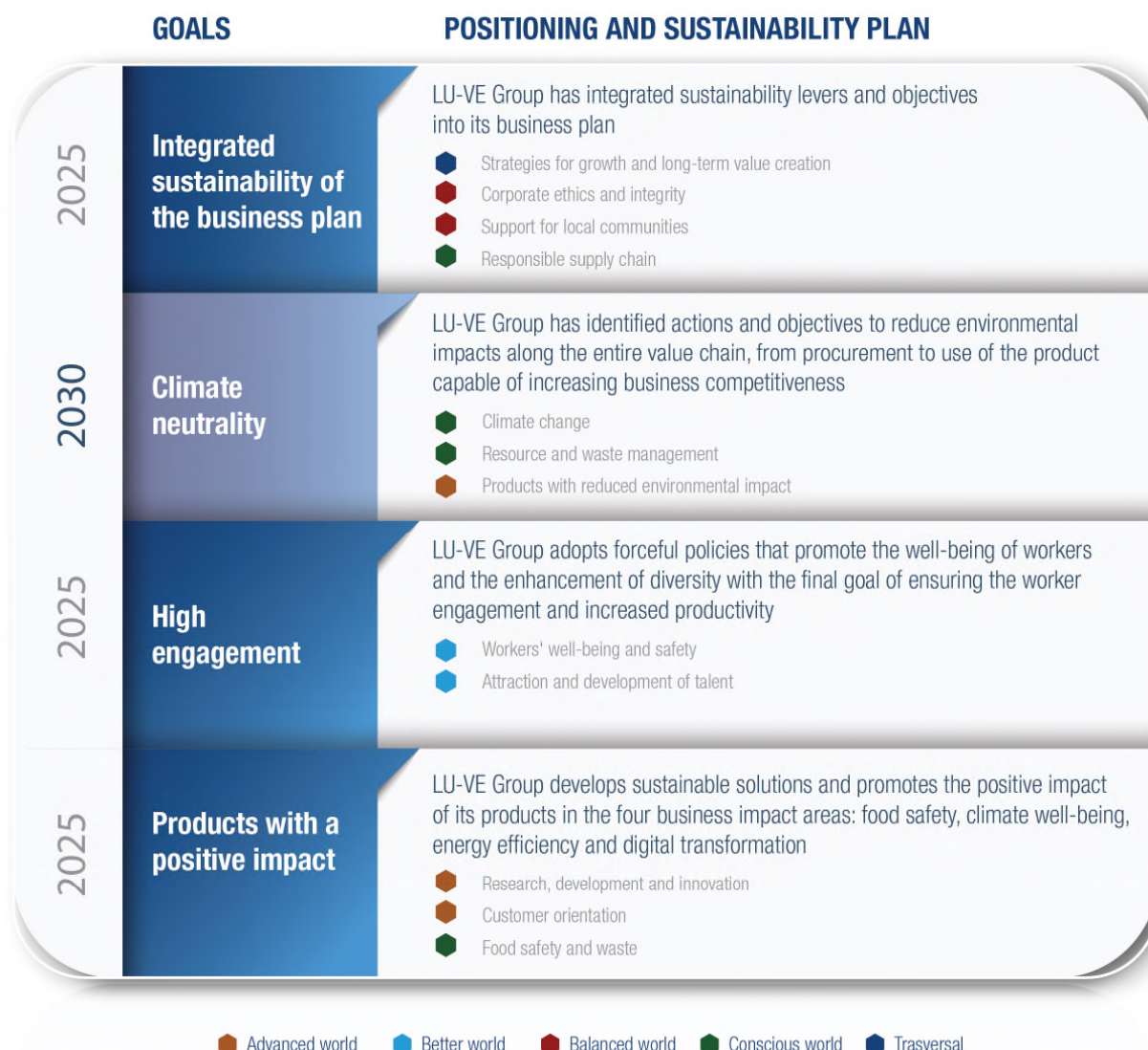


Our vision is linked to the **material topics** that we pursue so that this vision can take shape in the real world. The **Sustainable Development Goals (SDGs)** have been defined at global level by **the United Nations** to identify global priorities for development by the end of 2030.

Enhanced sustainability governance and the Sustainability Plan



LU-VE GROUP SUSTAINABILITY PLAN (extract)



During 2022, the Sustainability Steering Committee defined the new **LU-VE Group Sustainability Plan 2023-2026, which was examined by the Control and Risks Committee and approved by the Board of Directors during February 2023.** The Plan defined actions to be carried out over the next three years.

In 2022 the Group strengthened its sustainability oversight by setting up a **corporate Sustainability Steering Committee**, with the participation of the CEO, the COO, the CFO, Investor Relations and the Sustainability Office. This Committee shares the progress of the Group's sustainability performance and discusses strategic lines of action, which are then submitted by the executive directors to the Board of Directors for appropriate assessments and resolutions.

Climate Risks analysis for the Business Plan 2023-2026



PHYSICAL CLIMATE RISKS ANALYSIS – A new quantitative analysis

- The physical climate risks were analysed taking into consideration the different future scenarios based on internationally recognised climate models based on greenhouse gas concentration pathways (Representative Concentration Pathways - RPC) developed by the **Intergovernmental Panel on Climate Change (IPCC)** with particular reference to the **RCP 2.6 and RCP 4.5 scenarios**. Considering the time frame, the simulations were performed with a **horizon up to 2035**.
- The analysis showed that the risks that will have the greatest influence on the Group are **temperature variability, intense precipitation and precipitation variability**. Vice versa, the exposure to certain other risks, e.g. drought and fire risk, are not expected to be material to the Group's operating assets.

TRANSITION CLIMATE RISKS - Analysis update

- The various types of risk - market, technological, legal/policy and reputation - have been evaluated according to their potential impact on the business and the Group's ability to cope with them over time. As an example, market risks related to **increases in production and transport costs**, due to specific market conditions and the introduction of carbon taxes were assessed, as well as the **demand for products with less emission impact** also due to the tightening of regulations and regulations, such as the Regulation "F-Gas".

EU Taxonomy and the eligible activities of the LU-VE Group



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

Source: Using the Taxonomy, EU Technical Expert Group On Sustainable Finance, 2019

ELIGIBLE ACTIVITIES OF THE LU-VE GROUP

LU-VE Group’s activities eligible to the EU Taxonomy, because of its contribution to the «Climate Change Mitigation» objective:

- Heat exchangers with high energy efficiency;
- Products using CO2 as a refrigerant fluid;
- Products using other natural refrigerant fluids (hydrocarbons, ammonia, glycol water);
- Dedicated solutions for renewable energy production plants;
- Transport by motorbikes, cars and light commercial vehicles;
- Installation of renewable energy technologies;
- R&D team and laboratory.

2022 DATA	
KPI	Eligible
Turnover	50,7%
CAPEX	37,3%
OPEX	52,1%

EU Taxonomy and the aligned activities of the LU-VE Group



LU-VE Group undertook a series of actions to meet the *technical screening criteria* required to consider its economic activities, as well as eligible, also aligned with the requirements of EU Taxonomy. These criteria, among other things, prescribe the presence of a third-party carbon footprint certificate in accordance with international ISO standards.

During 2022, LU-VE Group conducted a **Life Cycle Assessment** study on a specific range of air cooled products, which accounted for 1.4% of its turnover for the year in question. The carbon footprint has been certified by a third party in accordance with ISO 14067. The results of this analysis have shown how a product using natural refrigerant fluid and a high efficiency motor, corresponding to 0.7% of turnover in the reference year, throughout its entire life cycle, generates over 30% less climate altering emissions compared to an equivalent using traditional fluids and a low efficiency motor. Over the coming years the Group expects a gradual extension of the product certifications and/or environmental declarations

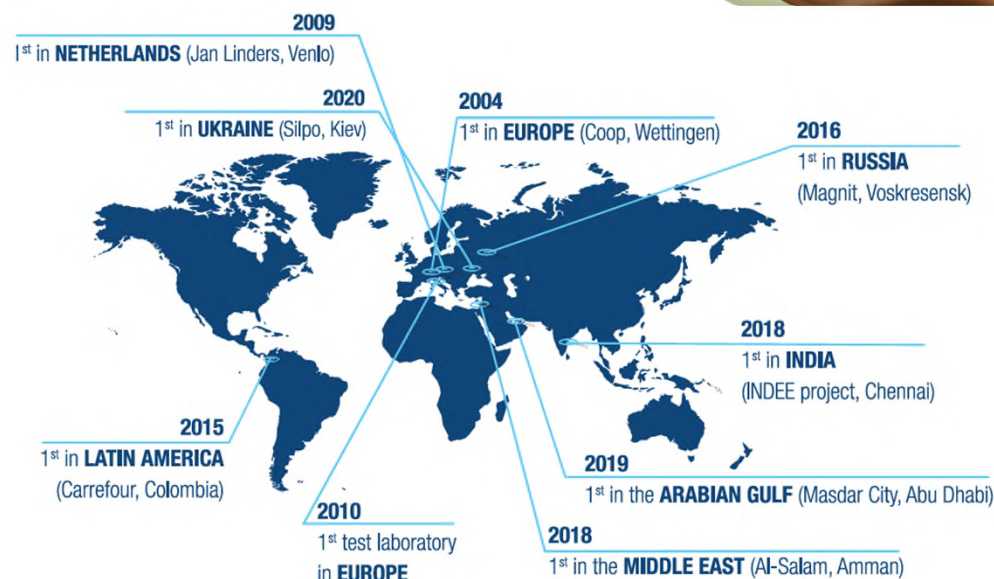
During 2022, the Group also further studied the criteria linked to the **management of chemical substances** (relative to the “Do No Significant Harm” – DNSH criterion) and began a series of assessments to establish how to manage and trace – on a voluntary and proactive basis – specific substances whose traceability is not required at regulatory level.

Helping Customers Reach their Sustainability goals



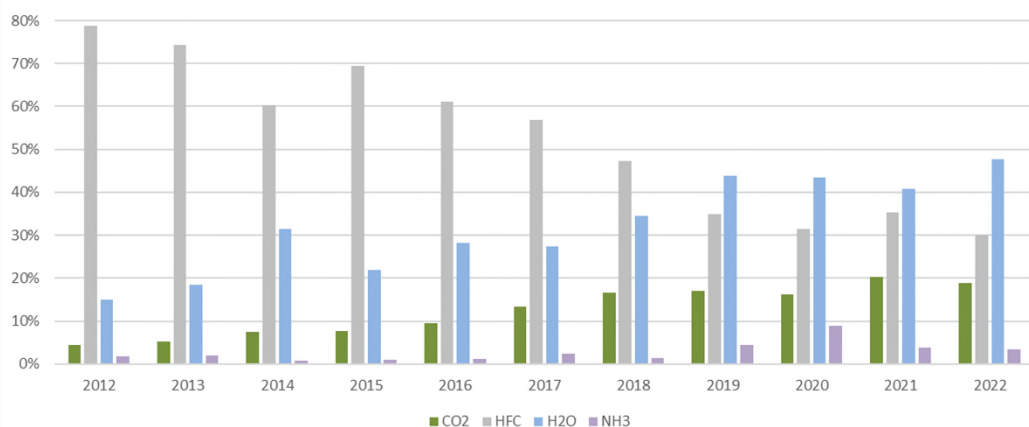
FIRST MOVER IN GREEN TECH

Over the last 10 years, LU-VE Group's technological leadership has been strengthened thanks to the development fluids and energy-efficient motors.

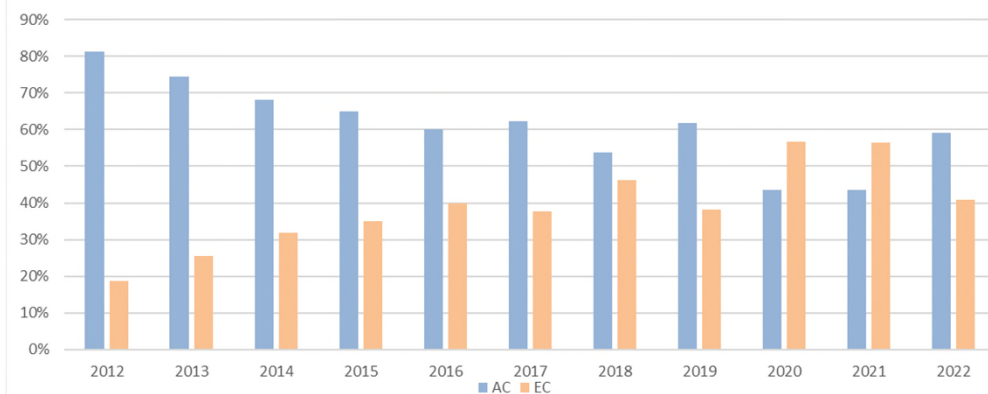


LU-VE GROUP FOR CO₂

% of sales of products by type of refrigerant



% of sales with EC/AC motors



The graph “% of sales with EC/AC motors” shows for 2022 a trend reversal due to the contingent lack of electronic components found in EC motors that has forced the market to opt for AC motors (that do not contain these components).

Decarbonisation and heat pumps



- Heat pumps are a decisive element for achieving the goal of **zero “net carbon emissions”**
- LU-VE Group has designed special products to make the **best use** of heat sources for heat pumps: thus supporting this market which in 2022 recorded a **strong growth**

HEAT PUMPS FOR DISTRICT HEATING

- LU-VE Group conducted an experimental campaign in 2022 on a variety of aerodynamic layouts of a plant in Denmark and contributed to the development of a new configuration of coolers capable of **reducing the energy consumption of the heat exchanger by up to 21%.**
- The full results were presented during the “**Gustav Lorenzen**” international conference, the most important on natural refrigerant fluids.



HEAT PUMPS FOR RESIDENTIAL USE

- **LU-VE Group made R&D activities on seeking solutions capable of reducing the load of specific refrigerant fluids for the use of R290 when presenting the 4mm diameter tube at Chillventa 2022.**
- This innovation endows LU-VE Group products with the highest performance in terms of both yield and sustainability.



Heat pumps allow heat to be extracted from a **natural source** (air, water or ground) and make it available at the desired temperature. They also allow recovery of the residual heat, which can then be used for heating to increase the **system's efficiency**



M&A

M&A activity (2015- 2022)

Four acquisitions completed

Sales acquired: € 145 m ⁽¹⁾

Amount invested: € 122 m ⁽¹⁾

Average EBITDA multiple paid = 7.0x ⁽¹⁾

ACC Wanbao asset deal

SPIROTECH
HEAT EXCHANGERS PVT. LTD.

Zyklus 
Heat Transfer, inc.

fincoil

ALFA

 **HELPMAN**
since 1924

REFRION
COOL GENERATION

⁽¹⁾ Including Refrion acquired on 30 March 2022

Refrion (Italy) (2022)



Main financial terms

- Acquisition completed on 30th of March 2022
- Acquisition of 75%, plus put&call on the remaining 25% within 5 years
- Cash out at closing equal to € 8.1 M
- EBITDA multiple = **7,35x** average 2020/2021 adjusted EBITDA
- **Financial highlights 2021:**
 - Sales = € 26 M
 - EBITDA = € 2,7 M

Strategic rationale

- Refrion specializes in the production and marketing of air heat exchangers with **adiabatic technology**, which enables reductions to be made in energy consumption, water consumption, and noise emissions
- Technology of heat exchangers with **oval tubes**
- Limited customer **overlapping**
- Heat exchangers for **nuclear plants**
- One of the largest **climatic test chambers** in Europe



ACC (Italy) (2022)

Main financial terms

- Transaction completed on 29th of July 2022
- Contracting of selected assets and employees of former ACC under receivership (based on Belluno – Italy)
- Total capex on the site up to € 9 M in 3 years
- Hiring a certain number of former blue collars of ACC, benefitting from subsidies from the Italian government

Strategic rationale

- Access to **modern industrial plant** at cheap conditions (40.000 sqm)
- **Hiring skilled people** at reduced costs
- Opportunity of rationalization of **logistic activities** of the nearby plant of LU-VE

Tecnair LV (Italy) (2022) - Divestiture

Main financial terms

- Transaction completed on 21st of March 2022
- Sale to Systemair of the entire participation (80%) in Tecnair LV
- **Transfer of all the employees**
- Cash-in at closing € 12,9 M
- EBITDA multiple = 12,5x 2021 adjusted EBITDA
- **Financial highlights 2021:**
 - Sales = € 12,0 M
 - EBITDA = € 1,2 M

Strategic rationale

- **Limited integration** with the LUVE Group
- Product range in **competition** with large customers of LUVE
- Technological developments toward **outdoor machines** for data centers
- Limited growth in the last years
- Strategic **long term supply** agreement of components with Systemair

Acquisition of Alfa Laval Air Heat Exchanger Business: Overview (2019)

- On December 12th, 2018, Lu-Ve signed a binding contract to acquire 100% of Alfa Laval Air Heat Exchanger division (“AL Air”) of Alfa Laval Group. The acquisition was completed on April 30th, 2019 ⁽¹⁾
- Purchase price paid at closing amounted to €43.6m. An additional payment of €7.5m was made on April 30th, 2020.
 - 6.5x Adj. EBITDA multiple over the period 2018-2019
 - Final price agreed on February 4th, 2020
- AL Air manufactures air-cooled products for industrial process cooling, refrigeration and HVAC applications
- In the two-year period 2018-19, AL Air reported ca. €100m sales and an EBITDA margin of 8.0% with a Sales CAGR of 8.9% over the last 3-year period
- AL Air brings to Lu-Ve Group:
 - World class customers in Europe, US and India
 - 3 state-of-the-art manufacturing plants in Italy, Finland and India with ≈400 people
 - An ideal base to expand (i) market presence in the industrial cooling and refrigeration segment in Europe and (ii) production in India

1) Subject to 2018 EBITDA review and post closing adjustments

Acquisition of Alfa Laval Air Heat Exchanger Business: Rationale (2019)

- 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

ZHT (USA) (2018)

- On June 26, 2018, LUV completed the acquisition of Zyklus Heat Transfer Inc (ZHT), based in Jacksonville (Texas)
- Luve acquired 100%
- ZHT is specialized on heat exchanger for the US market
- Mr. Zachary Riddleseperger – founder and 100% owner – remains as VP Operation
- Three years earn-out scheme based on EBITDA
- 2017 turnover: USD 10.3 M
- Average growth rate previous two years: 12%
- 2017 adjusted EBITDA: USD 1.7 M (16.5%)
- At December 2017 adjusted net financial debt was USD 3,4 M
- Price paid for 100%: USD 10 M
- 2017 EBITDA multiple paid: 7,9x

Il Sole **24 ORE**

Sbarca negli Usa e acquista
la texana Zyklus Heat Transfer



Spirotech (India) (2016)



- Binding contract to acquire 95% of Spirotech signed on 18/9/2016
- Spirotech is a leading and fast-growing Indian producer of heat exchanger for HVAC industry, home appliances and transportation:
 - turnover of € 21 millions with an average EBITDA margin > 20%
 - doubled the turnover during the last 5 years
 - world class customers in Europe, US and India
 - strong management team with international experience
 - state of the art manufacturing plant with expansion opportunities
- Ideal base to expand production in India, to benefit from long term trend in creation and expansion of cold chain in India and Asia
- **Total consideration :**
 - 7,3x FY16 EBITDA
- **Strategic rationale of the acquisition:**
 - Expansion of Spirotech customer basis thanks to LUVE sales network
 - Expansion in the Indian market with LUVE products related to the cold chain infrastructure
 - Transfer of customers/products from other Group European plants based on logistic and technological evaluation
 - Expansion in Middle East due do the logistic advantage

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- The Manager in charge of the Company's financial reports, Eligio Macchi, declares, pursuant to paragraph 2 of Article 154-bis of Italy's Consolidated Law on Finance, that the accounting information contained in this document corresponds to the documented results, books and accounting records.

OUR BEST DAYS HAVE YET TO BE LIVED

Nazim Hikmet

