

PRESS RELEASE

**GREEN TECHNOLOGY AND DIVERSIFICATION
REDUCE THE IMPACT OF THE PANDEMIC**

Approval for the consolidated financial report at 30 June 2020

In the first half-year of 2020 the Group achieved:

- **Turnover of €194.8 million, up by 4.3%¹**
- **EBITDA of €21.8 million, up by 7.3%**
- **Net profit of €6.0 million, up by 6.7%.**

In June 2020 the net financial position was €126.2 million, an improvement of 16.8% compared to June 2019, thanks to an adjusted net cash generation in the 12 months of €29.7 million (up by 16.5% compared to the result in June 2019).

Uboldo (VA) 15 September 2020 – The Board of Directors of LU-VE S.p.A., meeting today, reviewed and approved the consolidated financial report as at 30 June 2020.

“The first half of 2020 ended with positive data. - declared Iginio Liberali, President of LU-VE Group - I thank the women and men of LU-VE Group, who reacted promptly, with a sense of sacrifice and the ability to adapt, to ensure everyone's health and production continuity. The good results of the first part of the year derive from our long-term growth strategy, based on geographic and product diversification, investments in R&D and targeted acquisitions. The future macroeconomic scenario remains uncertain and it is difficult to predict. However, I am sure that the strength demonstrated by the managers and all the Group collaborators will enable us to pursue our objectives of medium and long-term growth in volumes and profitability”.

¹ On a like-for-like basis (without considering the contribution of “AL Air” for the first four months of 2020) there would have been a decrease of 10.6%.

CONSOLIDATED HALF-YEAR FINANCIAL REPORT

Overview

The year 2020 started with an extremely positive first two months and a consolidated turnover of products alone of approximately €67 million, up by over 31%. The values relating to the acquisition of orders had also marked a record with a strong increase compared to the corresponding period of last year (+ 49.5%) generating an order book of more than €84 million (+ 85%), close to the highest levels ever recorded.

In March, however, the spread of the coronavirus, defined as a worldwide pandemic by the World Health Organization, completely changed the scenario. The Group immediately adopted severe control and prevention measures at all operational sites, often in advance of and more stringent than those required by the various ordinances issued by the competent authorities.

A specific Crisis Committee was set up right from the start to manage the emergency, in order to better protect the health of all employees and to address problems arising from time to time with the adoption of measures and protocols shared worldwide as well as with the trade unions.

At the moment of maximum emergency, the Group's production capacity in lockdown could be estimated to be between 50 and 55 percent of the total. This situation was partly mitigated by the fact that some important customers (Italian and overseas) temporarily stopped their activities, thus allowing a postponement of the deliveries of the outstanding orders. In this difficult scenario, the Group also demonstrated strong flexibility guaranteeing continuity of supply to strategic customers.

In addition, careful monitoring was immediately put in place of all the critical issues related to possible supply difficulties resulting from the closure of the production plants of some suppliers (mainly Italian, but also foreign), as well as the difficulties related to the circulation of goods. Thanks to our widespread geographical presence, alternative sources of supply were quickly activated, making it possible to keep production facilities operating in an almost completely regular manner.

Revenues

“Revenues and operating income” recorded an increase of 4.3% (+€8.1 million). At constant exchange rates, the increase in revenues would have been 5.5%. On a like-for-like basis (without considering the contribution of "AL Air" for the first four months of 2020) there would have been a decrease of 10.6% (of which 10.4% is linked to volumes and 0.2% to sales prices).

Geographic markets

Geographically, the European Union with a turnover of €148.7 million and an incidence of almost 80% on total sales, is confirmed as the most important

geographical area for the Group. The percentage of exports has risen to almost 83%, by virtue of the fact that Italy has been more markedly affected than other countries by the lockdown measures, with a drop in sales of over 15%.

Product and application segments

The **"Cooling Systems"** SBU, which fully includes the additional volumes deriving from the "AL Air" acquisition, achieved a turnover of €93.9 million with an increase of almost 31%. On the other hand, at unchanged perimeter, a decrease of 7.7% would have been recorded, mainly attributable to the lockdown measures that hit the Uboldo plant, which still remains the largest in the SBU. Net of the effects linked to the pandemic, the growth trend of the industrial refrigeration segment continued, especially linked to the latest generation of high energy efficiency "green" logistics centre projects, using natural fluids with low environmental impact. The integration of "AL Air" has instead significantly contributed to strengthening the Group's presence in the "Power Gen" segment.

Due to the lockdown measures that heavily affected mainly the Indian Spirotech site (-33.6%) and the Limana plant (-21%), the decline suffered in the period by the **"Components"** SBU was significant (-13.5% compared to the first half of 2019) for a total turnover of €96.9 million. The geographical diversification of the Group on the one hand made it possible to mitigate the impact of the effects of the pandemic on the volume of sales of exchangers, and on the other hand it helped to strengthen further the image of the Group with some customers of primary importance who, fearing interruptions to their production, appreciated and acknowledged our production flexibility and the support they received in exceptional circumstances.

Earnings

The **"Gross Operating Margin (EBITDA)"** amounted to €21.8 million (11.2% of revenues) compared to €20.3 million (10.9% of revenues) in the first half of 2019. Net of non-recurring operating costs, EBITDA would have been equal to €22.1 million (11.3% of sales). Adjusted EBITDA as at 30 June 2019 was €25.4 million. The change compared to the first half of 2019 (-€3.3 million) is generated by reductions linked to the impact of the pandemic for €4.5 million for the Italian companies, for €1.6 million for Spirotech and for €0.2 million for other companies net of higher contributions from "Al Air" for €2.0 million and deriving from the application of IFRS16 for €1.0 million.

"Operating Profit (EBIT)" amounted to €7.6 million (3.9% of revenues) compared to €8.8 million (3.9% of revenues) in the first half of 2019. Net of non-recurring operating costs ("adjusted" EBIT) would have been equal to €7.9 million (4.1% of revenues).

"Net profit" is equal to €6.0 million (3.1% of revenues), compared to €5.6 million in the first half of 2019 (3.0% of revenues). The net profit result for the

first half of 2020, net of non-ordinary operating costs, would have been equal to 6.2 million euros (3.2% of revenues).

Net working capital

The operating working capital of the Group (given by the sum of inventories and trade receivables net of trade payables) as at 30 June 2020 amounted to €49.7 million, 12.4% of sales in the last twelve months (it was €61.8 million at 30 June 2019, 18.1% of sales). At 31 December 2019, it amounted to € 37.3 million (9.5% of sales). The increase compared to the year-end figure is due to the normal seasonality of the Group's working capital.

Net financial position and cash generation

The net financial position is negative for €126.2 million (€107.5 million at 31 December 2019) with a difference of €18.7 million euros mainly due to: €14.0 million for investments, €6. 0 million for the distribution of dividends, €3.4 million for the increase in other current assets, net of approximately €17 million of positive operating cash flow. The impact of the change in working capital is negative for approximately €12.0 million. In the period 30 June 2019 - 30 June 2020, the cash flow of adjusted extraordinary components was approximately €29.7 million.

Net worth

Consolidated net worth amounts to €151.8 million compared to €159.0 million at 31 December 2019. The decrease (equal to €7.2 million) is essentially due to the profit (€6.0 million) adjusted by the distribution of dividends for €6.0 million and by the negative change in the conversion reserve (€6.7 million).

EVENTS AFTER THE END OF THE PERIOD

The consolidated turnover of the products alone, at the end of August, reached the value of €253.9 million with a growth of 2.6% compared to the same period of the previous year.

Final agreements were signed in the USA with local authorities on 22 July and ground preparation work for the new plant began. At the end of August, the Jacksonville industrial park paid Zyklus the first part of the contribution agreed in these agreements relating to the purchase of the land.

During the month of August, perfectly on schedule, the first production line for large condensers and dry coolers was started up at the Russian plant with the aim of further increasing market share thanks to faster delivery, combined with a more advantageous landed cost for local customers than purchasing from factories located in other parts of Europe.

Also worth noting in the period was the acquisition of large and prestigious orders for ventilated appliances in Russia (the most modern refrigerated logistics centre in the country) and in China



where a positive market allowed to achieve important new orders. Thanks to this the Chinese production site achieved its highest order book in its history at the end of August.

Finally, as regards the Components SBU, in the last few weeks the approval stages of new heat exchanger projects have been successfully completed with some important world players that should guarantee additional volumes in 2021.

PREDICTABLE BUSINESS EVOLUTION

Due to the possible economic impact of the coronavirus, the macroeconomic scenario remains characterized by strong uncertainty and rather limited visibility and it is therefore extremely difficult to make any forecast of the trend of commercial, economic and financial results. These circumstances, extraordinary in nature and extent, have direct and indirect repercussions on economic activity and have created a context of general uncertainty, the evolution of which and its effects are not predictable. The potential effects of this phenomenon on the financial statement are currently not determinable and will be subject to constant monitoring in the rest of the year.

In this context, the Group will maintain constant commitment to improving its strategic positioning in all the markets in which it operates. It is extremely important at this stage to manage the contingent situation in the short term, without ever letting it distract attention from the objectives of volume growth and profitability in the medium and long term.

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Pursuant to paragraph 2 of article 154 bis of the Consolidated Law on Finance, the Manager responsible for preparing the corporate accounting documents, Eligio Macchi, declares that the accounting information contained in this press release corresponds to the documentary results, books and accounting records. The Reclassified Consolidated Income Statement, the Reclassified Consolidated Balance Sheet and the Consolidated Cashflow Statement are attached.

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ATTACHMENTS

1. Consolidated Income Statement

Reclassified Consolidated Income Statement (in thousands of Euro)	H1 2020	% Revenues	H1 2019	% Revenues	% change
Revenues and Operating income	194.840	100,0%	186.732	100,0%	4,3%
Purchases of materials	(104.737)	53,8%	(98.727)	52,9%	
Changes in inventories	6.076	(3,1%)	(679)	0,4%	
Services costs	(25.748)	13,2%	(26.926)	14,4%	
Personnel costs	(45.968)	23,6%	(38.895)	20,8%	
Other operating costs	(2.689)	1,4%	(1.211)	0,6%	
Total operating costs	(173.066)	88,8%	(166.438)	89,1%	4,0%
Gross Operating Margin (Ebitda)	21.774	11,2%	20.294	10,9%	7,3%
Variation in fair value of derivatives	(806)	0,4%	(969)	0,5%	
Depreciation and amortization	(13.364)	6,9%	(*) (10.737)	5,7%	
Gains/losses on non-current assets	26	0,0%	205	(0,1%)	
Operating Result (Ebit)	7.630	3,9%	(*) 8.793	4,7%	(13,2%)
Net financial income and expense	(1.291)	0,7%	(1.473)	0,8%	
Pre-tax profit (Ebt)	6.339	3,3%	(*) 7.320	3,9%	(13,4%)
Income taxes for the period	(378)	0,2%	(*) (1.735)	0,9%	
Net profit for the period	5.961	3,1%	(*) 5.585	3,0%	6,7%
Minority interest	(387)		(327)		
Profit attributable to the Group	5.574	2,9%	(*) 5.258	2,8%	6,0%

(*) Values restated in accordance with IFRS 3, in order to take into account, retrospectively, the effects resulting from the final fair value measurements of the assets and liabilities of the "Al Air" at the acquisition date, previously considered provisional.

2. Consolidated Balance Sheet

Balance Sheet Reclassified Consolidated (in thousands of Euro)	30/06/2020	% on net invested capital	31/12/2019	% on net invested capital	Variation 2020 on 2019
Net intangible assets	97.878		(*) 98.005		
Net property, plant and equipment	158.828		163.269		
Deferred tax assets	7.124		6.603		
Other non-current assets	223		219		
Non-current activities (A)	264.053	95,00%	(*) 268.096	100,60%	(4.043)
Inventories	66.260		61.812		4.448
Receivables	68.169		61.728		6.441
Other receivables and current assets	19.907		16.513		3.394
Current assets (B)	154.336		140.053		14.283
Trade payables	84.720		86.231		(1.511)
Other payables and current liabilities	28.635		27.783		852
Current liabilities (C)	113.355		114.014		(659)
Net working capital (D-B-C)	40.981	14,70%	26.039	9,80%	14.942
Provisions for employee benefits	5.555		5.491		64
Deferred tax liabilities	17.199		(*) 17.954		(755)
Provisions for risks and charges	4.305		4.231		74
Medium and long-term liabilities €	27.059	9,70%	(*) 27.676	10,40%	(617)
Net Invested Capital (A-D-E)	277.975	100,00%	(*) 266.459	100,00%	11.516
Shareholders' equity attributable to the Group	148.162		(*) 155.526		(7.364)
Non-controlling interests	3.609		3.422		187
Total Consolidated Net Worth	151.771	54,60%	(*) 158.948	59,70%	(7.177)
Net Financial Position at Medium-Long Term	260.124		155.499		104.625
Net Financial Position at Short Term	(133.920)		(*) (47.988)		(85.932)
Total Net Financial Position	126.204	45,40%	(*) 107.511	40,30%	18.693
Net Worth and Net financial position	277.975	100,00%	(*) 266.459	100,00%	11.516

(*) Values restated in accordance with IFRS 3, in order to take into account, retrospectively, the effects resulting from the final fair value measurements of the assets and liabilities of the "Al Air" at the acquisition date, previously considered provisional.

3. Consolidated Cash Flow Statement

Consolidated Statement of Cash Flows (in thousands of Euro)	H 1 2020	H 1 2019
A. Cash and cash equivalents at the beginning of the period	81.851	85.905
Profit (loss) for the period	5.574	5.258 (*)
Adjustments for:		
- Depreciation and amortization	13.364	10.737 (*)
- Realized gains on non-current assets	(26)	(205)
- Net financial income and expense	642	1.179
- Income taxes	378	1.735 (*)
- Fair value changes	113	968
Changes in post-employment benefits	59	74
Changes in provisions	74	61
Changes in trade receivables	(6.441)	(20.687)
Changes in inventories	(4.448)	1.173
Changes in trade payables	(1.510)	12.791
Changes in net working capital	(12.399)	(6.723)
Changes in other receivables and payables, deferred taxes	(1.077)	1.913
Tax payment	(1.753)	(1.816)
Received/paid net financial income/(expenses)	(929)	(1.174)
B. Cash flows generated/absorbed by operating activities	4.020	12.007 (*)
Investments in non-current assets:		
- intangible assets	(4.122)	(2.198)
- property, plant and equipment	(8.843)	(13.890)
- financial assets	-	-
Business combination net acquisition price	(8.700)	(29.689)
C. Cash flows generated/absorbed by investing activities	(21.665)	(45.777)
Repayment of loans	(57.522)	(44.291)
New loans	149.924	52.503
Changes in other financial liabilities	(6.149)	(8.011)
Changes in short-term financial assets	-	5.024
Sale/purchase of treasury shares	(288)	-
Contributions/repayments of own capital	-	-
Payment of dividends	(5.996)	(5.519)
Other changes	-	(414)
D. Cash flows generated/absorbed by financing activities	79.969	(708)
Exchange differences	(6.865)	818
Another non-monetary changes	4.954	803
E. Other changes	(1.911)	1.621
F. Net cash flows in the period (B+C+D+E)	60.413	(32.857) (*)
Cash and cash equivalents at the end of the period (A+F)	142.264	53.048
Current financial debt	8.344	40.581 (*)
Non-current financial debt	260.124	164.540
Net financial debt	126.204	152.073 (*)



(*) Values restated in accordance with IFRS 3, in order to take into account, retrospectively, the effects resulting from the final fair value measurement of the plants, brands and customers list of the "Al Air" at the acquisition date, previously considered provisional.