

<p>Informazione Regolamentata n. 20073-7-2023</p>	<p>Data/Ora Ricezione 14 Marzo 2023 14:25:57</p>	<p>Euronext Star Milan</p>
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Societa' : LU-VE

Identificativo : 173433

Informazione
Regolamentata

Nome utilizzatore : LUVEN04 - Silva

Tipologia : 1.1

Data/Ora Ricezione : 14 Marzo 2023 14:25:57

Data/Ora Inizio : 14 Marzo 2023 14:25:58

Diffusione presunta

Oggetto : Approval of the consolidated financial
report as at 31.12.2022

Testo del comunicato

Vedi allegato.



PRESS RELEASE

LU-VE GROUP: 2022, ANOTHER YEAR OF RECORDS IN FEBRUARY, ORDER BACKLOG AT €216.2 MILLION (+14.5% vs 31.12.2022)

I. The consolidated financial report as at 31 December 2022 has been approved

In 2022 the group achieved:

- Turnover of €618.6 million (an increase of 25.7%¹ compared to 2021; at constant exchange rates, turnover would have grown by 23.8%).
- Adjusted EBITDA of €78.8 million, an increase of 29.6% compared to 2021.
- Net profit for the year of €49.1 million, an increase of 98.0% compared to 2021. Net of non-recurring revenues and costs, adjusted net profit would have been €35.2 million, up by 42.0%.
- Leverage ratio a 1,81. Net financial position negative for €142.3 million, as at 31 December 2022, an increase of 16.7% compared to 2021.
- Order backlog of €188.8 million as at 31 December 2022, an increase of 4.8% compared to 2021.

III. A dividend of €0.38 per share has been proposed

IV. The Ordinary Shareholders' Meeting has been called for 28 April 2023

V. Proposal to renew the authorisation of the Shareholders' Meeting to purchase and sell treasury shares

VI. The Report on corporate governance and the ownership structures for the 2022 financial year, and the Annual Report on remuneration policy and remuneration paid, were approved

Uboldo (Va), 14 March 2023 – LU-VE S.p.A.'s Board of Directors, at their meeting today, reviewed and approved the consolidated financial report as at 31 December 2022.

¹ On a like-for-like basis, turnover would have grown by 22.8%



“2022 was a particularly sad year due to the death of my father, founder and inspiration of LU-VE Group. The 'Gardener of dreams', as he loved to call himself, has left a great void but also an equally great lesson, which will guide us towards the future - said Matteo Liberali, Chairman and CEO of LU-VE Group. From the point of view of results, we are proud to have reached a new record in turnover, despite the dramatic disturbances caused by the war in Ukraine, the supply chain difficulties and inflation. Last year we laid the foundations for growth with the acquisitions carried out and with the activities to improve our sustainability. With the usual passion we are working on new projects to be ready to catch all market opportunities. I would like to thank all the women and men of the LU-VE Group for their commitment and determination, which I am sure they will demonstrate also in the future”.

I. CONSOLIDATED FINANCIAL REPORT

The general framework

The year 2022, which unfortunately ended with the death of Mr. Iginio Liberali, founder and Chairman of the Group, was a very intense and challenging year that has led to a new record turnover (over €618 million) and which saw the completion of three extraordinary transactions (the acquisition of Refrion and the assets of ACC Wanbao, as well as the sale of the subsidiary Tecnair) and the launch of new important projects for future development.

Despite the disturbances resulting from the dramatic invasion of Ukraine, the market experienced extremely brilliant demand in the first part of the year, followed by a significant slowdown in some segments in the second half of the year. Product sales grew by 25.2% to €605 million, while the order backlog of €188.8 million at the end of the year (+4.8% compared to the end of 2021) returned on more organic values after months of tumultuous growth (up to a record €221.4 million at the end of April). This growth was mainly generated by the growth of the end markets and in part by orders from OEM's customers, which aimed to replenish safety stocks and the "reservation" of production capacity, at a time of general uncertainty in relation to procurement and of lengthening delivery times by all operators in the sector.

The most important challenges managed in 2022 also concerned the Supply Chain characterised by strong tensions on the prices and procurement difficulties, in particular of electronic components (with impacts above all on the Cooling SBU). The actions to diversify the supply sources and expand the supplier base, implemented for some time, have allowed the continuous supply of production sites, albeit at the cost of some inevitable inefficiencies. On the other hand, the management of the purchase prices of raw materials and components was much more complicated, not only due to the strong fluctuations during the year in the prices of copper and aluminium at the LME (in the spring both exceeded recent years' highs), but also due to the surge in energy costs that have completely distorted the transformation costs of the same raw materials (in particular



aluminium). These difficulties, in addition to sporadic lock-down periods in Asia due to the resurgence of the spread of Covid-19 and an uncontrolled increase in transport costs (by sea and road), generated significant increases in the purchase costs of goods and services which, on the whole, were offset by sales price adjustments.

With a view to further extending the LU-VE Group's presence to the air conditioning, data centre, process cooling and industrial refrigeration segments, on 30 March 2022, the acquisition of a 75% interest in Refrion S.r.l., whose registered office is in Flumignano (Udine), was finalised. The company specialises in the production of air cooled equipment combined with adiabatic technology, which allow significant reductions in energy consumption, water use and noise emissions. The agreement provides for a put & call option to purchase the remaining 25%, exercisable within the next five years.

The integration activities of the new company (consolidated starting from 1 April 2022), of personnel and new subsidiaries were immediately launched in an environment of close cooperation. Starting in September, work began on expansion works for the main production site in line with the business plan that constituted an integral part of the contractual agreements between the parties. The works are expected to be completed by the end of the second quarter of 2023.

The purchase of the Italia Wanbao ACC S.r.l. business unit, located a few kilometres from Limana, was concluded for a value of €70 thousand on 3 August 2022, through the subsidiary Sest S.p.A. of Limana (Belluno). The agreements signed envisage:

- a. the complete site industrial reconversion, in order to expand the production of heat exchangers for refrigerated counters, heat pumps and "chillers";
- b. the absorption within three years from the signing of the contracts of a significant part of the current workers of "WACC";
- c. total investments in the production site (which has a covered area of approximately 40,000 square metres) for approximately €6 million over the next three years.

The first step for the reconversion of the production site had already been completed at the end of September, with the start-up of two production lines and the hiring of a first group of workers, in line with the agreements. As planned, the deed for the purchase of the entire production site was concluded at the beginning of December.

On 21 March 2022, the sale was completed of the entire equity investment (79.9%) in Tecnair LV S.p.A. (active in the production of close control indoor air conditioning units for operating rooms and data centre applications) to the Swedish company Systemair AB, listed on the Stockholm Stock Exchange, for a value of €12.9 million (which generated a financial income at consolidated level



of around €9.5 million). The parties also signed a long-term agreement for the supply of heat exchangers and related products, and for the continuation of cross-selling relating to indoor air conditioning units, while the LU-VE Group will continue to focus on outdoor air conditioning systems for state-of-the-art data centres. These agreements were negotiated at market values. The de-consolidation of Tecnair LV S.p.A. took place from 1 April 2022.

At the beginning of September, on the occasion of the approval of the Half-yearly Consolidated Financial Statements, the Board of Directors of LU-VE Group unanimously approved the proposal to allocate an extraordinary bonus of €3.0 million to support its employees, to cope with the increase in the cost of living and inflation.

On 21 September, the admission of LUVE Group to the STAR segment of the Milan Stock Exchange was formalised, culminating in a process that began with the listing on the AIM market (July 2015) and continued with the transition to the main market (2017).

Revenues and the order backlog

The 2022 financial year saw a significant growth in **product sales** for LU-VE Group (+25.2%), which reached €605 million, while the order backlog remained substantially stable at record levels.

“Revenues and operating income” rose by 25.7% to €618.6 million (+€126.6 million).

With stable exchange rates, the increase in revenues would have been 23.8%.

This increase is due for 16.8% to higher sales prices and the remainder to increased sales volumes and a change in product mix.

These trends further confirm the resilience of the business model and the validity of the Group's strategy, aimed at the progressive expansion of the fields of application and the extension of its international presence, with the aim of reducing dependency on individual market segments or individual countries.

The Group's turnover does not depend to a significant extent on individual commercial or industrial contracts. At the end of 2022, sales revenues relating to the top 10 customers represent a total of just over 31% of turnover (down slightly compared to the previous year), while that generated by the main customer is 4.2% of the total (4.6% in 2021).



Geographical markets

In 2022, turnover generated within the **European Union** was €473.2 million, an increase of 26.6%, accounting for 78.2% of total sales.

For the first time in the history of the Group, the **American continent** rose to second place in the ranking by geographical macro-areas, thanks to a growth of more than 77%.

In addition to the USA and Canada, among the countries that recorded the greatest increases in 2022, we note in particular Germany (+81.7%) and Finland (+53.4%).

Obviously, there was a strong drop in sales in the countries of the **former Soviet Union** (-14.4%), following the war in Ukraine.

The incidence on total sales relating to **exports** in 2022 fell to 80.2%, as a result of strong growth in the **Italian market** (+32.2%) and also by virtue of the entry of the newly acquired Refrion into the scope.

Product and application segments

“**Components**” SBU - The year 2022 closed with a turnover of **€347.5 million, an increase of 26.1%**, confirming the validity of the strategy implemented by the Group to gradually differentiate end and application markets.

The first half of the year was characterised by the positive combination of very strong demand and increases in sales prices, which led the SBU to grow by around 40%. On the other hand, starting from June, there was a slowdown in three market segments: **exchangers for refrigerated counters, HO.RE.CA and high energy efficiency clothes dryers**. This phenomenon is generally attributable to fears related to the return of inflation and the consequent less optimistic forecasts regarding consumption trends. In particular, in the case of refrigerated counters, the decrease is also linked to widespread cumulative delays in large-scale distribution sites, with significant delays in delivery times, which have led for many manufacturers to an increase in stocks of finished products, ready for delivery.

On the other hand, the growth of the “Components” SBU was very strong and constant throughout the year, in the various applications linked to air conditioning, with a special mention for the “**data centre**” and for the **heat pump** segments. In the latter market, strongly influenced by the incentives of the REPowerEU programme, the Group more than doubled its sales, gaining significant market share, thanks to investments in research aimed at the development of innovative last-generation natural fluids heat exchangers as well as to the timely provision of additional production capacity to meet expected demand.



Lastly, the significant growth (over 60%) in **“mobile” applications** is also noteworthy, thanks to the collaboration with important international groups for the development of latest generation products with low environmental impact and high energy efficiency.

“Cooling Systems” SBU - Growth amounted to **+24% with a turnover of €257.5 million**. Compared to the **“Components” SBU**, the trend was more evenly distributed over the year. In fact, although **“Cooling”** also suffered in the second half of the year a slight contraction in projects relating to **large-scale distribution** and in general to the **“commercial refrigeration”** world, this contraction was more than offset by the continuous growth of **“industrial refrigeration”**, which in recent years has seen the Group play an increasingly leading role in Europe and the rest of the world, thanks to the cutting-edge solutions developed in high energy efficiency and low environmental impact applications with natural fluids. As expected, 2022 was also an extremely positive year in **“industrial cooling”** (+51%) and in **“data centre”** (21%) applications.

As already was the case in 2021, the **“Cooling” SBU** played a role in protecting margins also in the last year, with two increases in sales prices, followed by a third one starting from January 2023.

Profitability

The **“EBITDA”** was equal to €75.1 million, 12.1% of revenues, compared to €60.8 million (12.4% of revenues) in 2021.

Net of the impact of extraordinary operating costs, adjusted EBITDA would have been €78.8 million, equal to 12.7% of revenues.

Non-recurring items relate to the extraordinary bonus of €3 million to support Group employees, to cover the increase in the cost of living and for €0.7 million to transaction costs relating to the acquisition of the company Refrion S.r.l.

The change compared to adjusted EBITDA in the previous year (increase of €18 million; +29.6%) was generated for €16 million by the contribution of the additional volumes and for €82.7 million by the increase in sale prices, net of €80.7 million of increases in the cost of the main raw materials and of other production costs.

“EBIT” was €42.1 million (6.8% of revenues) compared to €30.6 million (6.2% of revenues) in 2021, with an increase of approximately 37.8%. Net of extraordinary operating costs (**“adjusted” EBIT**), it would have been €45.8 million (7.4% of revenues). Excluding the amortisation of the *goodwill* deriving from acquisitions, it would have been equal to €50.1 million (8.1% of revenues compared to 7.1% in 2021).



The balance of “**net financial income and expense**” was positive at €7.5 million (positive €68 thousand in 2021). The increase is due for €12.6 million to the positive change in the fair value of interest rates derivatives, for €0.3 million to financial income and to the positive change in exchange rates and for €5.4 million to the increase in financial charges.

A capital gain of €9.5 million from the sale of Tecnair LV S.p.A. was recorded under the item “Gains (Losses) from equity investments”.

“**EBT**” was equal to €59 million (9.5% of revenues) against €30.6 million in 2021 (6.2% of revenues). EBT for 2022 normalised (“adjusted” EBT) for non-recurring costs (€3.7 million), for gains from equity investments (€9.5 million), for the net effect of the positive change in the fair value of derivatives and the impact of the amortised cost (€9.9 million) would have been €43.4 million (7% of revenues).

The “**Net profit for the year**” was €49.1 million (7.9% of revenues) compared to €24.8 million (5% of revenues) in 2021.

Applying the tax effect to the non-recurring costs and revenues described above, the net profit for 2022 (“Adjusted net profit for the year”) would have been €35.2 million (5.7% of revenues).

Net working capital

The LU-VE Group’s operating working capital (equal to the sum of inventories and trade receivables net of trade payables) as at 31 December 2022 amounted to €110.9 million, equal to 17.9% of sales (it was €70.8 million as at 31 December 2021, 14.4% of sales).

The significant increase recorded in the year is linked to the strategic choice of investing, in a significant manner, in the increase of safety stocks of raw materials (without the risk of obsolescence) in order to guarantee customers delivery terms in line with their expectations and, therefore, to be able to take full advantage of the strength of market demand.

During the last quarter of 2022, the actions taken to contain the increase in working capital had significant positive effects (in the last 12 months to 30 September 2022, operating working capital accounted for more than 24% of sales).

Normalising this effect, considering the incidence of working capital on sales in line with the provisions of the Group "guidance" (15%), the operating working capital as at 31 December 2022 would have been approximately €92.8 million.



Net financial position, investments and cash generation

The net financial position was a negative €142.3 million (€121.9 million as at 31 December 2021), with an increase of €20.4 million mainly due for €36.7 million to investments, for €8.2 million to the distribution of dividends, for €38.1 million to the increase of operating working capital (adjusted by the values of Tecnair LV S.p.A. and the Refrion group), for €14.6 million to acquisitions and sales of equity investments, net of €20.2 million relating to the change in other receivables and payables and to derivatives, and of roughly €57 million in positive cash flows from operations.

Normalising the net financial position in consideration of the extraordinary effect on the value of inventory, the figure as at 31 December 2022 would have been negative for €124.2 million.

In 2022 the cash flow from operations adjusted by non-recurring items totalled €37.1 million.

The debt is all medium and long-term, and liquidity as at 31 December 2022 totalled around €304.1 million.

Shareholders' equity

Consolidated shareholders' equity amounted to €211.5 million, compared to €172.1 million as at 31 December 2021. The increase (equal to €39.4 million) was mainly due to the profit for the year (€49.1 million), adjusted by the distribution of dividends for a total of €8.2 million) and by the positive effect of the translation reserve (€1.3 million).



ESG Policies

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, the Investor Relations and the Sustainability Office, joined by other Group Directors and managers with competence in relation to the specific sustainability issues and for issues addressed. 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.

The Corporate Sustainability Steering Committee has prepared the first **Sustainability Plan 2023-2025**, which was examined by the Control and Risk Committee and approved by the Board of Directors in February 2023.

The Sustainability Plan 2023-2025 is divided into numerous actions mainly targeting climate crisis mitigation and adaptation, also with reference to the environmental impact analysis of products. As regards social aspects, the Plan defines a series of actions that support a widespread culture of sustainability both inside and outside the Group and support the satisfaction and engagement of its employees.

During 2022, the Group completed the **assessment to calculate GHG Scope 3 emissions**, that is to say emissions generated upstream and downstream of the Group's production activities, such as for example the emissions generated by logistics and by the products during their use by end users. The project has analysed the categories included in the "GHG Protocol" international framework and this clearly identified the processes on which action can be taken to obtain the necessary data.

In 2022, LU-VE Group also carried out a quantitative assessment of the **physical climate risks** of all its production facilities. The physical climate risks were analysed taking into consideration the different future scenarios correlated to internationally recognised climate models and based on greenhouse gas concentration pathways (Representative Concentration Pathways - RPC) developed by the Intergovernmental Panel on Climate Change (IPCC). Specifically, analyses were conducted taking into consideration the RCP 2.6 and RCP 4.5 scenarios and considering a time frame 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, are not expected to be material for the Group's operating assets.

In 2022, LU-VE Group also updated its **transition climate risks** analysis. The various types of risk – market, technological, legal/policy and reputation – were assessed on the basis of their potential impact on the business and of the Group's



ability to deal with them over time. By way of example, the market risks related to increases in production and transport costs, due to specific market conditions and to the introduction of carbon taxes, were assessed, as was the demand for products with increasingly lower emission impact, also by virtue of the worsening of related regulations and standards, such as, for example, the “F-Gas” Regulation.

With reference to the **European Taxonomy for environmentally sustainable activities**, introduced with Regulation (EU) 2020/852, in 2022 the LU-VE Group took a closer look at the evaluations previously performed related to the impacts of its activities in the creation of sustainable value at global level in order to identify its quota of sales, capital expenditure and operational expenditure (as defined by Delegated Regulation UE 2021/2178) regarding its “eligible activities” and in case “aligned activities” compliant with the criteria of the Taxonomy.

For LU-VE Group, the following economic activities (specific of the Group) were classified as eligible with respect to the “**Climate change mitigation**” objective:

- High energy efficiency heat exchangers;
- Products that use CO₂ as a refrigerant fluid;
- Products that use other natural refrigerant fluids (hydrocarbons, ammonia, glycol water);
- Solutions dedicated to plants for the production of energy from renewable sources;
- Transport via motorbikes, cars and light commercial vehicles;
- Installation of renewable energy technologies;
- Research and Development team and laboratory.

Overall, admissible economic activities represent 50.7% of the turnover of the Group in 2022. Looking at the CAPEX and OPEX data, LU-VE Group shows a percentage share of activities eligible for the purposes of Taxonomy for sustainable activities equal to 37.3% and 52.1% respectively for the year 2022.

During 2022, the LU-VE Group also undertook a series of actions with a view to satisfying technical screening criteria required to be able to consider its economic activities, other than eligible, also aligned to the Taxonomy criteria. These criteria include, among others, the presence of carbon footprints certified by third parties according to international ISO standards and the management of chemicals along the entire value chain, which exceeds current regulatory requirements.

Looking at product sustainability, it should be noted that in 2022 LU-VE was the first company in the world to obtain **Eurovent certification** for CO₂ gas coolers (under LU-VE Exchangers and Alfa LU-VE brands).



Eurovent is the European association for heating, ventilation, air conditioning (HVACR), process cooling and for cold food chain technologies. The “Eurovent Certified Performance” (ECP) certificate guarantees, through tests carried out in third-party laboratories, the reliability of declared technical performances on power, energy consumption, air flow rates, noise emissions and construction characteristics.

In 2022, the LU-VE Group's entire range of evaporators and CO₂ gas coolers was also Eurovent certified:

- 2022: LU-VE is the first company in the world with Eurovent certification for CO₂ gas coolers (thermal performance, energy consumption, air flow and noise levels) with brands LU-VE Exchangers and Alfa LU-VE.
- 2020: LU-VE was among the very first companies to obtain Eurovent certification for CO₂ unit coolers (thermal performance, energy consumption and air flow rate) with brands LU-VE Exchangers and AIA LU-VE; since 2022 with brand Alfa LU-VE too.
- 2016: LU-VE was the first manufacturer that Eurovent certified for their heat exchangers for refrigeration, never registering a single negative test during three different test cycles (between 2011 and 2015);
- 2000: LU-VE was the first company in the world to obtain the new "Eurovent Certify All" certification for all the ranges of condensers, dry coolers and unit coolers.

The research and development activity focused towards **sustainable design** - which has always been a characteristic of the Group's technological innovation - in 2022 allowed the development of new solutions with a reduced energy impact:

- Helios is the new CO₂ gas cooler with solar panels developed in collaboration with the Laboratory of Energy Conversion and Storage (LabX) of Politecnico di Milano University.
- E-Cooler is a range, under the Refrion brand, with reduced water and energy consumption, specifically developed for the cooling of data centres and for industrial refrigeration.

Specifically, Group's innovation continued to be concentrated on the development of increasing heat exchange efficiency, with reduced use of refrigerant fluid and reduced exchanger internal volume, performance being equal. LU-VE Group continued on the path of progressive discontinuation of products with HFC fluids in favour of those with natural refrigerant fluids. The adoption of natural refrigerants in heat exchangers produced is in line with the “Kigali Amendment” to the “Montreal Protocol”, which aims to reduce the greenhouse gas effect caused by F-Gas refrigerants.



In 2022, the Group celebrated the 20th anniversary of the first launch on the market of products equipped with EC electronic motors with reduced energy consumption, replacing traditional asynchronous motors (AC).

For further information on the Group's non-financial performance, please refer to the **2022 Consolidated Non-Financial Statement**, prepared in accordance with Italian Legislative Decree 254/16 and in compliance with the GRI Sustainability Reporting Standards published by the Global Reporting Initiative - GRI (with the "In Accordance" application level). The document is subject to a limited audit by the Auditing Firm and is published on the Group website (www.luvegroup.com) in the "Investor relations – Sustainability" section.

EVENTS AFTER THE END OF THE PERIOD

In the first two months, against a slight and expected decrease in consolidated turnover of products only (equal to €90.8 million), the acquisition of orders recorded a growth of over 18%, which brought the value of the order backlog back to €216.2 million, an increase of 14.5% compared to the December 2022 figure.

LU-VE Group continues to pay a high level of attention to the evolution of the crisis between Russia and Ukraine, which, as already described, may have further significant repercussions on the world economy also as a result of the sanctions. The extreme geographical diversification of sales means that as at 31 December 2022, the Group's exposure in this area is only around 5.5% in terms of turnover and 2.5% of net invested capital. As at 28 February 2023, the exposure in terms of order backlog was 5.1%.

Following the death of the founder and Chairman, Mr. Iginio Liberali at the end of December, the Board of Directors, which met on 23 January, resolved not to co-opt any member to replace him and at the same time appointed the Chief Executive Officer, Mr. Matteo Liberali, Chairman of the company until the planned end of the current board's mandate with the approval of the 2022 financial statements.

On 23 February, the Board of Directors also announced the appointment of Mr. Riccardo Quattrini in the new role of Group General Manager, with effect from 1 April 2023. Following today Board resolution, he will take office on 27 March 2023.

BUSINESS OUTLOOK

The macroeconomic scenario remains uncertain and, therefore, it is difficult to make accurate forecasts on the trend of orders and commercial, economic and financial results. However, the macro trends on which the Group has based and bases its growth capacity (transition to refrigerants with lower impact on the environment, energy saving, growth of the cold chain in less developed countries, acceleration of



digitalisation, food safety and electrification) are reasonably not directly associated to the global economic cycle and have absolutely been confirmed.

II. DIVIDEND

The Board of Directors resolved to propose to the Shareholders' Meeting (which will be called for 28 April 2023) a gross dividend of €0.38 per share, payable as from 10 May 2023, upon presentation of coupon no. 8 of 8 May 2023 and with the record date pursuant to Art. 83-terdecies of Italian Legislative Decree no. 58/1998 (Consolidated Law on Finance or "TUF") of 9 May 2023, in accordance with the calendar of Borsa Italiana.

III. CALLING THE SHAREHOLDERS' MEETING

At today's meeting, the Board of Directors also resolved to call the ordinary and extraordinary Shareholders' Meeting of the Company for 28 April 2023, in a single call, to discuss and deliberate, among others, the approval of the financial statements as at 31 December 2022 and the allocation of the relative profit for the financial year.

Pursuant to the so-called "Cura Italia Decree" as last amended and supplemented, attendance to the Shareholders' Meeting of those with the right to vote is allowed exclusively through the representative designated by the Company pursuant to art. art. 135-undecies of Italian Legislative Decree no. 58/98 ("TUF")

In particular, the ordinary session of Shareholders' Meeting will also be requested to:

- express its binding vote on the Remuneration Policy for 2022, contained in Section I of the "Annual Report on the remuneration policy and remuneration paid" prepared by the Company in accordance with Art.123-ter of "TUF", and in accordance with Art. 84-*quater* of the Issuers' Regulations and relative disclosure formats, contained in Format 7-*bis* set forth in Annex 3A to such Regulation, as amended and supplemented as implementation of EU Directive 2017/828 ("SHRD II"), as well as to express an opinion on the remuneration paid in 2022 to the directors, statutory auditors and key managers in accordance with the remuneration policy approved for 2021, indicated in Section II of such report;
- resolve on the renewal of the Board of Directors and of the Board of Statutory Auditors, whose mandates will expire with the approval of the financial statements as at 31 December 2022;
- resolve on the renewal of the authorisation to purchase and dispose of treasury shares, subject to cancellation of the resolution on this adopted by the Shareholders' Meeting of 29 April 2022.



The extraordinary session of Shareholders' Meeting will also be called upon to resolve on:

- the proposals to amend Arts. 6-*bis*, 15 and 18 of the Articles of Association (concerning, respectively, the statutory regulations on increased voting rights, the composition of the Board of Directors with regard to the number of directors meeting the requirements of independence required by the legal and regulatory legislation in force at the time, as well as the holding of meetings of the Board of Directors via audio or video conference);
- integration of the Articles of Association with the introduction of the office of “Honorary Chairman”.

The notice calling the Shareholders' Meeting and the relative documentation required by outstanding law, including the Explanatory Reports of the Board of Directors on the items on the agenda for the ordinary and extraordinary sessions prepared in accordance with Art. 125-ter of TUF and Arts. 72, 73 and 84-ter of Consob Regulation no. 11971/1999 ("Issuers' Regulations"), will be filed with the Company's registered offices and will be made available on the web site of the Company at www.luvegroup.com (section "*Investor Relations*" - "*Corporate Governance and Shareholders*" - "*For Shareholders*" - "*Shareholders' Meetings*" - "*Shareholders' Meeting of 22 April 2023*"), and on the authorized storage device eMarket Storage at www.emarketstorage.com within the legal deadlines. In compliance with outstanding law, an extract of the notice calling the Shareholders' Meeting will also be published on 18 March 2023 on the "Il Sole 24Ore" daily newspaper.

IV. PROPOSAL TO RENEW THE AUTHORISATION OF THE SHAREHOLDERS' MEETING TO PURCHASE AND SELL TREASURY SHARES

With reference to the proposal to renew the authorisation of the Shareholders' Meeting to purchase and sell treasury shares, subject to the revocation of the resolution adopted by the Shareholders' Meeting of 29 April 2022, it is noted that the reason for the authorisation will be specified in detail in the above Explanatory Report on the items on the agenda of the ordinary session, to which reference is made, which will be made available to the public in the manner indicated above, together with the notice calling the Shareholders' Meeting of 17 March 2022 (in compliance with the notice of at least 40 days prior to the date of the Shareholders' Meeting).

The proposal provides that: (i) the maximum number of shares that can be purchased, including on several occasions, is the maximum of 2,223,436 ordinary shares, equal to 10% of the share capital, and, therefore, in an amount not exceeding one-fifth of the Company's share capital; (ii) the purchase authorisation is valid for a period of 18 months starting from the date on which the Shareholders' Meeting adopts the relative resolution, whereas the duration of the authorisation to sell treasury shares is without time limits; (iii) the unit purchase price should be not less than 15% (fifteen percent) and, as a maximum, not higher than 15% (fifteen percent) of the average official trading prices recorded on the Euronext STAR Milan market in the three sessions prior to the purchase or the announcement of the transaction, depending on the technical procedure determined by the Board of Directors, without prejudice to the additional limits deriving from time to time from applicable legislation and permitted market practices; (iv) the purchase transactions can be carried out in accordance with the provisions set forth in Art. 5 of



Reg. (EU) no. 596/2014, and will be carried out in compliance with Art. 132 of TUF, Art. 144-bis of the Issuers' Regulations, as well as with any permitted market practices, and in any case in such a way as to ensure equal treatment between the Shareholders and compliance with all applicable legislation, including European standards (including, in particular, technical regulatory standards adopted as implementation of Reg. (EU) no. 596/2014).

At present, the Company holds 28,027 ordinary treasury shares, equal to 0.1261% of the share capital, and there are no treasury shares held by subsidiaries, fiduciaries or third parties.



V. APPROVAL OF OTHER DOCUMENTS

At today's meeting, the Board of Directors also approved:

- (i) the 2022 Sustainability Report of the Lu-Ve Group containing the consolidated non-financial statement pursuant to Italian Legislative Decree no. 254/2016;
- (ii) Report on corporate governance and ownership structures for the 2022 financial year, drafted pursuant to Art. 123-*bis* of TUF;
- (iii) the “Annual Report on remuneration policy and remuneration paid” prepared in accordance with Art. 123-*ter*, paragraph 3 of TUF, inclusive, in Section I, of the “Remuneration Policy 2023” and in Section II of the remuneration paid in financial year 2022 to the directors, statutory auditors and key managers.

The 2022 Report on Sustainability, the above reports and the Annual Financial Report as at 31 December 2022 – containing, among others, the financial statements and the consolidated financial statements as at 31 December 2022, the Directors' Report on operations, the Reports of the Statutory Auditors and the Auditing Firm – will be made available to the public within the terms set by law, respectively at the Company's administrative headquarters and on its website at www.luvegroup.com, section “Investor Relations”, “Corporate governance and shareholders”, “For Shareholders”, “Shareholders' Meeting”, “Shareholders' Meeting of 28 April 2023”, as well as on the authorized organized storage mechanism eMarket Storage at www.emarketstorage.com

* * *

The Manager responsible for preparing the financial reporting, Eligio Macchi, declares, pursuant to Art. 154-bis, paragraph 2 of the Consolidated Law on Finance, that the accounting disclosure contained in this press release corresponds to the results of the accounting documents, books and entries. The Consolidated Reclassified Income Statement, Consolidated Reclassified Balance Sheet and Consolidated Statement of Cash Flows schedules are attached.



For further information:

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LU-VE Group is one of the largest global manufacturers in the sector of air cooled heat exchangers (listed on the Milan Stock Exchange). It operates in various market segments: refrigeration (commercial and industrial); process cooling for industrial applications and “power generation”; air conditioning (civil, industrial and precision); glass doors and closing systems for refrigerated counters and windows; IoT mirrors for special applications (digital signage, lift cars, hotel rooms, etc.). LU-VE Group (HQ in Uboldo, Varese) is an international business with 20 production facilities across 9 different countries: Italy, China, Finland, India, Poland, Czech Rep., Sweden, Russia and US, with a network of 34 sales companies and representative offices in Europe, Asia, the Middle East and North America. The group also has a software house dedicated to ITC, the development of product calculation software and digitalisation. The Group has approximately 4,100 qualified employees (with more than 1,300 in Italy); 1,080,000 square metres of surface area (about 300,000 covered); 3,605 square metres of Research & Development laboratories; 83% of production exported to 100 countries.

www.luvegroup.com

Consolidated Profit and Loss

Reclassified Consolidated Income Statement (in thousands of Euro)	31/12/2022	% of Revenues	31/12/2021	% of Revenues	% change
Revenues and Operating income	618,612	100%	492,008	100%	25.7%
Purchases of materials	(353,637)	57.2%	(309,733)	63.0%	
Changes in inventories	20,450	-3.3%	51,931	-10.6%	
Services costs	(81,811)	13.2%	(63,148)	12.8%	
Personnel costs	(125,552)	20.3%	(106,683)	21.7%	
Other operating costs	(2,927)	0.5%	(3,534)	0.7%	
Total operating costs	(543,477)	87.9%	(431,167)	87.6%	26.0%
Gross Operating Margin (EBITDA)	75,135	12.1%	60,841	12.4%	23.5%
Depreciation and amortization	(32,729)	5.3%	(30,140)	6.1%	
Gains/losses on non-current asset	(310)	0.1%	(147)	0.0%	
Operating Result (EBIT)	42,096	6.8%	30,554	6.2%	37.8%
Net financial income and expense (*)	7,467	-1.2%	68	0.0%	
Gains(Losses) from equity investments	9,473	-1.5%	-	-	
Pre-tax profit (EBT)	59,036	9.5%	30,622	6.2%	92.8%
Income taxes for the year	(9,971)	1.6%	(5,847)	1.2%	
Net profit for the year	49,065	7.9%	24,775	5.0%	98.0%
Minority interest	1,351		1,036		
Profit attributable to the Group	47,714	7.7%	23,739	4.8%	101.0%

* Fair value on derivatives booked in "Net change of fair value derivatives" of 2021 has been reclassified in "Net financial income and expense", equal to 2,166 thousand of Euro

Consolidated Balance Sheet

Reclassified Consolidated Balance Sheet (in thousands of Euro)	31/12/2022	% on net invested capital	31/12/2021	% on net invested capital	Variation % 2022 on 2021
Net intangible assets	98,474		90,517		
Net property, plant and equipment	189,264		167,594		
Deferred tax assets	6,992		6,509		
Other non-current assets	1,473		236		
Non-current activities (A)	296,203	83.7%	264,856	90.1%	31,347
Inventories	134,237		111,077		23,160
Receivables	83,265		74,131		9,134
Other receivables and current assets	13,273		14,233		(960)
Current assets (B)	230,775		199,441		31,334
Trade payables	106,587		114,358		(7,771)
Other payables and current liabilities	40,913		30,773		10,140
Current liabilities (C)	147,500		145,131		2,369
Net working capital (D=B-C)	83,275	23.6%	54,310	18.5%	28,965
Provisions for employee benefits	5,299		5,770		(471)
Deferred tax liabilities	14,955		13,909		1,046
Provisions for risks and charges	5,492		5,541		(49)
Medium and long-term liabilities (E)	25,746	7.3%	25,220	8.6%	526
Net Invested Capital (A-D-E)	353,732	100.0%	293,946	100.0%	59,786
Shareholders' equity attributable to the Group	206,748		167,501		39,247
Non-controlling interests	4,712		4,586		126
Total Consolidated Net Worth	211,460	59.8%	172,087	58.5%	39,373
Net Financial Position at Medium-Long	338,014		213,631		124,383
Net Financial Position at Short Term	(195,742)		(91,772)		(103,970)
Total Net Financial Position	142,272	40.2%	121,859	41.5%	20,413
Net Worth and Net financial position	353,732	100.0%	293,946	100.0%	59,786

Consolidated Cash Flow Statement

Consolidated Statement of Cash Flows (in thousands of Euro)	31/12/2022	31/12/2021
A. Cash and cash equivalents at the beginning of the year	166,328	152,679
Profit (loss) for the year	49,065	24,775
Adjustments for:		
- Depreciation and amortization	32,729	30,140
- Realized (gains)/loss, impairment on non-current assets	310	147
- Realized gains on shareholdings	(9,473)	-
- Net financial income and expense	9,181	4,074
- Income taxes	9,971	5,847
- Fair value changes	(16,141)	(3,631)
Changes in post-employment benefits	(369)	(15)
Changes in provisions	(139)	600
Changes in trade receivables	(5,641)	(14,368)
Changes in inventories	(20,450)	(54,430)
Changes in trade payables	(12,211)	33,728
Changes in net working capital	(38,302)	(35,070)
Changes in other receivables and payables, deferred taxes	5,609	4,482
Tax payment	(5,670)	(8,099)
Received/paid net financial income/(expenses)	(3,459)	(3,625)
B. Cash flows generated/absorbed by operating activities	33,312	19,625
Investments in non-current assets:		
- intangible assets	(4,381)	(4,635)
- property, plant and equipment	(32,291)	(24,427)
- financial assets	-	-
Investments in short-term financial assets	(29,540)	(10,219)
Business combination net acquisition price (*)	(6,967)	(800)
Shareholding net sales price (**)	11,444	-
C. Cash flows generated/absorbed by investing activities	(61,735)	(40,081)
Repayment of loans	(181,808)	(153,516)
New loans	237,461	198,000
Changes in other financial liabilities	(6,165)	(4,836)
Sale/purchase of treasury shares	-	-
Contributions/repayments of own capital	-	-
Payment of dividends	(8,222)	(6,466)
Other changes	-	-
D. Cash flows generated/absorbed by financing activities	41,266	33,182
Exchange differences	(1,266)	3,849
Another non-monetary changes	(,647)	(2,926)
E. Other changes	(1,913)	923
F. Net cash flows of the year (B+C+D+E)	10,930	13,649
Cash and cash equivalents at the end of the year (A+F)	177,258	166,328
Current financial debt	(18,484)	74,556
Non-current financial debt	338,014	213,631
Net financial debt	142,272	121,859

(*) The amount refers to the cash flow related to the acquisition of REFRION S.r.l..

(**) The amount refers to the cash flow related to the sale of TECNAIR LV S.p.A..

Fine Comunicato n.20073-7

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