PRESS RELEASE

LU-VE GROUP: IN THE FIRST HALF OF 2021 ROBUST TURNOVER GROWTH, ORDER BOOK AND NET PROFIT

Consolidated half-yearly financial report as at 30 June 2021 approved

In the first half of 2021 the group achieved:

- **€227.6 million turnover (+ 16.8%)**
- **order book €146.3 million (+78.3%)**
- **€26.5 million EBITDA (+21.7%)**
- **€9.7 million in net profit (+63.0%).**

In June 2021 the net financial position was negative €116.8 million improved by 7.4% compared to June 2020, thanks to an adjusted net cash flow of €30.9 million (up 4.0% compared to June 2020) in the 12 months.

Uboldo (Va), 7 September 2021 – LU-VE S.p.A.'s Board of Directors, which met today, reviewed and approved the consolidated financial report as at 30 June 2021.

"The first half of 2021 had a major growth in turnover and, above all, of the order book, overcoming the difficulties of procurement and increasing costs. This is encouraging for the year-end," – **said Iginio Liberali, President of LU-VE Group.** *"The general economic recovery and the resumption of projects that were slowed down by the pandemic gave a big boost to this growth. Our good results mostly come from the strategic investments for the innovation of the production and products, focusing on energy efficiency and on increased use of natural refrigerants. Thanks to these solutions we gained access to new markets, both in the geographical sense and as far as segments are concerned. We will continue down this path with our usual enthusiasm, positive attitude and commitment that we put into our everyday work."*

CONSOLIDATED HALF-YEARLY FINANCIAL REPORT

The general framework

With €224.5 million turnover, LU-VE Group ended the first half of 2021 recording a major increase in product sales (+17.6%), over the same period of last year, which suffered the effects of the pandemic the most, especially during the lockdown at the Italian facilities and in India (compared to 30 June 2019 the turnover would grow by 22.1%).
The first quarter of 2021 ended on the upswing (+4.2%), with a record value of the order book: close to €100 million for the first time. In the second quarter of the year, an extremely active demand, considerably higher than the forecasts, led the Group to reach a new record turnover: €119.8 million (+32.5%), and to close the six-month period with an order book that had jumped all the way to €146.3 million (+78.3%). The extremely positive order trend is partly due to two main factors: the general economic recovery and the resumption of projects that were forced to be postponed in 2020 during the worst months of the pandemic. Nevertheless, profit was greatly affected by external factors: trends and expectations related to the prices of raw material, parts and services (especially logistics), not to mention the fear of the risk of critical material and part shortages.
The positive profit in the first half of 2021 also comes from the fact that the Group:
- increased its coverage of the market segments that are most innovative and sensitive to energy efficiency topics;
- strengthened its policy for the adoption of low-environmental-impact refrigerant fluid;
- took advantage of the investments in product and production innovation and technology made over the past few years.

In the early months of the year, some rationalisation and streamlining projects of the "production map" were also successfully completed, with the Polish launch of a line moved from the Uboldo site, while the Alonte site saw the start-up of the first line of "green" device production with natural fluids for commercial refrigeration with a unified platform. In the coming months, these initiatives and those further planned will make it possible to come to yet another rationalisation of the layouts of the Uboldo and Alonte sites.

In India, by obtaining all the authorisations to carry out the activities at the newly built facility in Bhiwadi, the process of modifying the production layout in order to have a higher production capacity - also to aid the European plants - was launched.

In the month of March, the first lot from the new facility was completed in the United States and, right on schedule, the production of the exchangers was successfully launched in the month of May, for which a multi-year agreement was signed in the prior months with an important Group client. In parallel, in the early months of the year, considering the delay caused by the pandemic in the development of the growth plans in the country, the timing for the next steps of expansion of the new facility was rescheduled.

ESG Topics

In the first half of the year, the Group went on with the project of consolidating its path towards the United Nations' sustainable development goals (SDGs) by implementing ever more sustainability topics in its development strategy, also with the help of a designated working group.

Based on the premise that the product innovations the Group developed have important social impacts in food safety, energy efficiency, climate well-being and digital transformation, the Group's Mission was reformulated ("a Better, Evolved, Balanced and Aware World"), focusing in even more on the topics of sustainable development and reducing inequality.

To give shape to the mission, a training and awareness-raising path was launched for management, and it was defined by the matrix of materiality which comprises the foundation on which to build to set up new projects in the short, medium and long term, aligned with the SDG goals foreseen in the so-called "2030 Agenda" action plan indicated by the UN as a guide for development, concentrating efforts towards topics related to the improvement of society, increasing people's well-being and fighting climate change. The goals seen as most urgent and suitable for the Group were identified, as well as the most concrete and gaugeable. These goals will be illustrated in-depth in the sustainability report, together with the indicators set forth based on the classification set by the so-called "Taxonomy" European Regulation.

Revenue

"Revenue and Operating Income" equalled € 227.6 million, with a €32.8 million increase (+16.8%). At constant exchange rates, this increase would have been +19.4%. About 4% of the growth is due to the sale price increases and the rest to higher volumes and the change in the sales mix.

Geographical markets

The European Union, with €177.6 million in turnover and an impact of 79.1% on total sales, remains the most significant geographical area for the Group, with a direct export percentage of 80%.
There was remarkable growth for all the main European countries (Italy, France, Germany, Poland and the Czech Republic), not to mention key markets like China, India, and the USA. Instead, Denmark and Finland, the main markets of reference for the "district heating" and "industrial cooling" segments, were in the negative.

Product and application segments

SBU "Components": reached €125.2 million in turnover in the first half of the year (+29%). This growth is mainly linked to the segments of components for the refrigerated counters at supermarkets, heat pumps and high-efficiency clothes dryers. Specifically, these three segments made the biggest contribution to the boom of the order book in the first half of the year, also thanks to the acquisition of significant new clients.

SBU "Cooling Systems": turnover at €99.4 million, showing discreet growth (+5.9%). The trend of the different segments was rather uneven: commercial and industrial refrigeration which has amply offset the big slowdowns in the "district heating" projects (tied to the lack of incentives in such a particular market) and repeated postponements of large projects in the "power gen" segment (delays at the construction sites), and in general due to the negative effects of the pandemic.

For both the SBUs, it is worth noting the major growth of the high energy efficiency heat exchange with an ever greater use of natural low-environmental-impact refrigerant fluids.

Income results

Gross Operating Margin (EBITDA) amounted to €26.5 million (11.6% of revenues) compared to €21.8 million (11.2% of revenues) in the first half of 2020. In the first half of 2021, there was no impact on non-recurring costs, while as of 30 June 2020, net of these costs, the EBITDA would have equalled €22.1 million. The variation in the adjusted EBITDA compared to the first half of 2020 (+€4.4 million) was generated for €5.0 million by the contribution of the additional volumes and for €7.8 million by the increase in sale prices net of €8.4 million in cost increases of the main raw materials.

EBIT amounted to €13.5 million (5.9% of revenues) compared to €7.6 million (3.9% of revenues) in the first half of 2020.

Net profit for the period amounted to €9.7 million (4.3% of revenues) compared to €6.0 million (3.1% of revenues) in the first half of 2020. In the first half of 2020, the tax rate was particularly low following the effects of the pandemic. In the first half of 2021, the rate went back to normal levels.

Net working capital

Despite the great increase in stock, in terms of volumes (to better face the potential risk of "shortages" while experiencing a rapidly growing turnover) and in terms of of value (due to the increase in purchasing prices), the Group's operating working capital as at 30 June 2021 (given the sum of the inventories and the trade receivables net of the trade payables) drops slightly from €49.7 million as at 30 June 2020 with a rate of 12.4% on the sales of the last twelve months to €48.0 million (11%). As at 31 December 2020, it amounted to €35.8 million (8.9% on sales). The increase compared to the year-end figure is mainly due to the major growth of the demand, as well as the usual seasonal fluctuations.

Net financial position and cash generation

The net financial position was negative by €116.8 million (€106.8 million as at 31 December 2020), with an increase of €10.0 million, primarily due to capex (€18.4 million), the distribution of dividends (€6.5 million), and the increase in the net working capital (€12.2 million), net of approximately €24.9 million in positive cash flows from operations. The net financial position as at 30 June 2020 amounted to €126.2 million (€9.4 million in improvements in the past twelve months). In the 1 July 2020 - 30 June 2021 period, the cash flow from operations adjusted by non-operating items totalled roughly €30.9 million (+4.0% compared to this statistic as at 30 June 2020).

SHAREHOLDERS' EQUITY

Consolidated shareholders' equity amounted to €155.5 million, compared to €150.9 million as at 31 December 2020. The increase (€4.5 million) is due to the profit for the period (€9.7 million) adjusted by the distribution of dividends for €6.5 million, by the positive variation of the Translation reserve (€2.0 million) and by other variations amounting to €0.6 million.

EVENTS AFTER THE END OF THE PERIOD

The consolidated turnover of only products at the end of August reached €302.8 million, with growth of 19.2% compared to the same period of the previous year. The order book states a new record value of €159.2 million, with a 111.9% increase compared to August 2020 (+8.8% compared to this statistic at the end of June).

In the period after 30 June 2021, demand continued to remain very high, while the purchasing costs of the main raw materials and components showed a certain degree of stabilisation, in any event rather high compared to previous values. The increases in the sales price lists and the periodic price adjustment mechanisms linked to the average values listed of the main raw materials at the London Metal Exchange lead one to believe that upholding the Group's average profit margins is reasonable.

Up until now, the impact of difficulty in procurement on the Group's production capacity (linked both to the availability of the material and the growing problems in international transport), was mitigated thanks to the policies of expansion and differentiation of the procurement sources, greater flexibility of the different facilities (with creation of "back-up" lines in different countries) and increase in the stock.

During the period, there were no major delays, although the product delivery times to clients remain well above the norm. In some South-east Asian countries, where some important suppliers are based, the adoption of new lockdown measures has temporarily led to a stop in local production and further worsening of the situation of overcrowding at shipping ports, which could cause further tensions in the areas of continuity and punctual procurement.

With the installation and commissioning of the new production lines in the month of August, the first phase of the creation plan for back-up capacity in India for the SBU Component European facilities was successfully completed.

BUSINESS OUTLOOK

The macroeconomic scenario is still characterised by great uncertainty (linked both to the time it will take to get past the pandemic worldwide and the tensions along the supply chain, which will also pervade the second half of the year); as a consequence, it seems rather complicated to make accurate forecasts on the trend of orders and business, economic and financial results (despite the fact that the situation seems to be improving).

In this context, the Group will maintain constant monitoring of all the most important variables and keep its usual commitment to improving its strategic position in all the markets in which it operates.

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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.

The external audit firm is still conducting limited audit activities at this time on the half-yearly financial report, and still has not issued its report.
The auditing firm report will be made public by the same means as the half-yearly financial report as soon as it is available, within the deadlines set by current regulatory provisions.

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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 (HQ in Uboldo, Varese) is an international business with 16 production facilities across 9 different countries: Italy, China, Finland, India, Poland, Czech Rep., Sweden, Russia and US, with a network of sales companies and representative offices in Europe, Asia, the Middle East, Oceania and North America. The group also has a software house dedicated to ITC, the development of product calculation software and digitalisation. The Group has more than 3,500 qualified employees (with more than 1,100 in Italy); 650,000 square metres of surface area (more than 238,000 covered); 3,235 square metres of Research & Development laboratories; 83% of production is exported to 100 countries. Turnover of over €400 million.
www.luvegroup.com

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E-MARKET SDIR CERTIFIED

Exhibit

1. Consolidated Profit & Loss

Reclassified Consolidated Income Statement (in thousands of Euro)	H1 2021	% of Revenues	H1 2020	% of Revenues	% change
Revenues and Operating income	227.639	100%	194.840	100%	16,8%
Purchases of materials	(141.630)	62,2%	(104.737)	53,8%	
Changes in inventories	24.816	-10,9%	6.076	-3,1%	
Services costs	(29.375)	12,9%	(25.748)	13,2%	
Personnel costs	(53.222)	23,4%	(45.968)	23,6%	
Other operating costs	(1.721)	0,8%	(2.689)	1,4%	
Total operating costs	(201.132)	88,4%	(173.066)	88,8%	16,2%
Gross Operating Margin (Ebitda)	26.507	11,6%	21.774	11,2%	21,7%
Variation in fair value of derivatives	1.371	-0,6%	(806)	0,4%	
Depreciation and amortization	(14.419)	6,3%	(13.364)	6,9%	
Gains/losses on non-current asset	12	0,0%	26	0,0%	
Operating Result (Ebit)	13.471	5,9%	7.630	3,9%	76,6%
Net financial income and expense	(1.185)	0,5%	(1.291)	0,7%	
Pre-tax profit (Ebt)	12.286	5,4%	6.339	3,3%	93,8%
Income taxes for the period	(2.570)	1,1%	(378)	0,2%	
Net profit for the period	9.716	4,3%	5.961	3,1%	63,0%
Minority interest	423		387		
Profit attributable to the Group	9.293	4,1%	5.574	2,9%	66,7%

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2. Consolidated Balance Sheet

Balance Sheet Reclassified Consolidated (in thousands of Euro)	30 /06/2021	% on net invested capital	31/12/2020	% on net invested capital	Variation % 2021 on 2020
Net intangible assets	92.476		94.727		
Net property, plant and equipment	165.822		158.707		
Deferred tax assets	7.388		7.903		
Other non-current assets	227		215		
Non-current activities (A)	265.913	97,7%	261.552	101,5%	4.361
Inventories	82.508		56.647		25.861
Receivables	78.977		59.763		19.214
Other receivables and current assets	14.839		13.878		961
Current assets (B)	176.324		130.288		46.036
Trade payables	113.501		80.630		32.871
Other payables and current liabilities	31.690		28.446		3.244
Current liabilities (C)	145.191		109.076		36.115
Net working capital (D-B-C)	31.133	11,4%	21.212	8,2%	9.921
Provisions for employee benefits	5.612		5.573		39
Deferred tax liabilities	14.053		14.537		(484)
Provisions for risks and charges	5.112		4.941		171
Medium and long-term liabilities (E)	24.777	9,1%	25.051	9,7%	(274)
Net Invested Capital (A-D-E)	272.269	100%	257.713	100%	14.556
Shareholders' equity attributable to the Group	151.468		146.931		4.537
Non-controlling interests	4.005		3.993		12
Total Consolidated Net Worth	155.473	57,1%	150.924	58,6%	4.549
Net Financial Position at Medium-Long Term	235.381		239.837		(4.456)
Net Financial Position at Short Term	(118.585)		(133.048)		14.463
Total Net Financial Position	116.796	42,9%	106.789	41,4%	10.007
Net Worth and Net financial position	272.269	100%	257.713	100%	14.556

3. Consolidated cash flow statement

Consolidated Statement of Cash Flows (in thousands of Euro)	H1 2021	H1 2020	
A. Cash and cash equivalents at the beginning of the period	152.679	81.851	
Profit (loss) for the period	9.716	5.961	(*)
Adjustments for:			
- Depreciation and amortization	14.419	13.364	
- Realized gains on non-current assets	(18)	(26)	
- Net financial income and expense	2.224	642	
- Income taxes	2.570	378	
- Fair value changes	(2.074)	113	
Changes in post-employment benefits	(137)	59	
Changes in provisions	171	74	
Changes in trade receivables	(19.214)	(6.441)	
Changes in inventories	(25.861)	(4.448)	
Changes in trade payables	32.871	(1.510)	
Changes in net working capital	(12.204)	(12.399)	
Changes in other receivables and payables, deferred taxes	2.845	(1.077)	
Tax payment	(3.115)	(1.753)	
Received/paid net financial income/(expenses)	(2.384)	(929)	
B. Cash flows generated/absorbed by operating activities	12.013	4.407	
Investments in non-current assets:			
- intangible assets	(2.460)	(4.122)	
- property, plant and equipment	(13.225)	(8.843)	
- financial assets	-	-	
Business combination net acquisition price	(800)	(8.700)	
C. Cash flows generated/absorbed by investing activities	(16.485)	(21.665)	
Repayment of loans	(70.222)	(57.522)	
New loans	105.000	149.924	
Changes in other financial liabilities	(2.270)	(6.149)	
Changes in short-term financial assets	(5.260)	-	
Sale/purchase of treasury shares	-	(288)	
Contributions/repayments of own capital	-	-	
Payment of dividends	(6.066)	(5.996)	
Other changes	-	-	
D. Cash flows generated/absorbed by financing activities	21.182	79.969	
Exchange differences	2.086	(6.865)	
Another non-monetary changes	(1.921)	4.567	(*)
E. Other changes	165	(2.298)	
F. Net cash flows in the period (B+C+D+E)	16.875	60.413	
Cash and cash equivalents at the end of the period (A+F)	169.554	142.264	
Current financial debt	50.969	8.344	
Non-current financial debt	235.381	260.124	
Net financial debt	116.796	126.204	

(*) Minority interest of H1 2020 is reclassified. Therefore, starting net income of H1 2020 and H1 2021 is gross of minority interest.