



PRESS RELEASE

LU-VE: FIRST HALF-YEAR TURNOVER 2017 + 13.9%

Consolidated turnover: €133.0 million (+13.9% compared to the first half-year 2016; +3.5% on a like-for-like basis)¹;

EBITDA €12.9 million (9.7% of revenues): -14.8%² compared to €15.1 million in 2016 (13.6% of revenues);

EBITDA Adjusted € 14.2³ million (10.7% of revenues);

Net profit for the period: € 2.0 million (1.5% of revenues) compared to € 7.7 million (6.6% of revenues) at 30 June 2016, affected by unrealized foreign exchange losses of € 3.4 million⁴ and one-off costs related to the listing on the MTA of € 1.3 million

Net financial debt € 51.1 million (€ 30.2 million at 31 December 2016)

Uboldo, 21 September 2017 – The Board of Directors of LU-VE, which met today, examined and approved the condensed consolidated interim financial statements at 30 June 2017.

1. Business performance

During the first half of 2017, the LU-VE Group achieved **consolidated sales of €133.0 million**, an increase of 13.9% compared to the same period of 2016 (+3.5% on a like-for-like basis, i.e. not including the Indian subsidiary Spirotech Heat Exchangers Private Limited, which became part of the Group in October 2016), which generated sales of €12.2 million in the first half of the year.

The following table shows the trend in **turnover by type of products** (air heat exchangers, ventilated appliances, "close control" precision air conditioners and special glass doors for refrigerated counters and display cabinets) in the two semesters in comparison:

1 The scope of consolidation at 30 June 2017 includes, unlike that at 30 June 2016, the Indian company Spirotech Heat Exchangers Private Limited which became part of the LU-VE Group in October 2016.

2 On a like-for-like basis, the change would have been negative by 29.8%.

3 Adjusted EBITDA does not take into account the one-off costs related to the passage of the listing of the LU-VE securities from AIM Italia to the MTA, equal to € 1.3 million.

4 The net result as at 30 June 2016 instead benefited from unrealized exchange gains of € 1.2 million; the differential impact of exchange rates is therefore € 4.6 million.



PRODUCTS	€ /000 1 st half year 2017	%	€ /000 1 st half year 2016	%	Delta %
Heat exchangers	81.073	60,9%	61.302	52,5%	+32,3%
Air cooled equipment	40.220	30,2%	41.927	35,9%	-4,1%
Glass Doors	4.631	3,5%	8.361	7,2%	-44,6%
Close Control	4.816	3,6%	4.441	3,8%	+8,4%
TOTAL PRODUCTS	130.740	98,3%	116.031	99,4%	+12,7%
Other	2.299	1,7%	749	0,6%	+206,9%
TOTALS	133.039	100,0%	116.780	100,0%	+13,9%

The strong growth in heat exchanger sales (over 32%, or almost €20 million) is due to an organic growth of 13.2%, as well as the inclusion of sales of the newly acquired Spirotech, which produces and sells only this type of product.

The *close control* sector for applications in the data center sector and healthcare applications recorded significant growth (8.4%).

The incidence of sales of heat exchangers on the Group's total sales increased significantly from 52.5% to 60.9% also due to the concomitant slight decline recorded by ventilated appliances and the decline in glass doors (-44.6%).

The contraction in turnover from glass doors is due to the simultaneous occurrence of two particularly extraordinary negative events: (i) the one with the greatest impact is the start-up in January 2017 by the Group's main customer for this category of products (customer representing approximately 50% of sales value in 2016) of an in-house manufacturing business of two of the highest-volume product families. The second event, on the other hand, concerned a qualitative problem only partially attributable to the subsidiary TGD, active in the sector, which occurred with the second most important customer, who decided to temporarily suspend purchases in Italy pending the definitive results of some "field tests" (however, which ended positively in July).

The following table shows the trend of turnover by **type of applications** in the two semesters in comparison:

APPLICATIONS	€ /000 1 st half year 2017	%	€ /000 1 st half year 2016	%	Delta %
Refrigeration	84.568	63,6%	81.740	70,0%	+3,5%
Air conditioning	24.170	18,2%	19.413	16,6%	+24,5%
Special applications	18.594	14,0%	11.307	9,7%	+64,4%
Power Gen/Industrial applications	3.408	2,6%	3.571	3,1%	-4,6%
TOTAL APPLICATIONS	130.740	98,3%	116.031	99,4%	+12,7%
Other	2.299	1,7%	749	0,6%	+206,9%
TOTALS	133.039	100,0%	116.780	100,0%	+13,9%



The refrigeration sector achieved an increase in turnover of 3.5% (2.4% on a like-for-like consolidation basis). Net of the decline in glass door sales, refrigeration applications would have grown by 9%.

Sales in air conditioning grew by 24.5% (+7.2% on a like-for-like basis).

The strong increase in "special" applications (+64.4%) is instead attributable to the acquisition, through Spirotech, of new important customers mainly active in the "home appliance" sectors (in particular in energy-efficient dryers) and refrigerated transport.

From the point of view of the geographical distribution of sales, thanks to the contribution of Spirotech's turnover, Poland is the Group's third largest export market behind Germany (the latter grew by about 1%) and Russia (which grew by about 22%). Very important are the growth achieved in the Czech Republic, Austria and the United Kingdom as well as of course India. Turnover in Italy fell by about 6%, with an incidence on total sales that stands at around 24% even if it should be noted that, net of the effect linked to glass doors, Italy would instead have recorded a growth of about 6%.

The **Gross Operating Margin (Ebitda)** amounted to € 12.9 million (9.7% of revenues) compared to € 15.1 million (13.0% of revenues) in 2016; the decrease is attributable to four events that occurred in the half year:

non-recurring costs of € 1.3 million relating to the transfer of the listing of the Group's securities from the AIM segment to the MTA segment of the Italian Stock Exchange (net of these costs, the Ebitda for the period would have been € 14.2 million, equal to 10.7% of revenues);

sudden surge in the values of the main raw materials (copper in particular) on international markets which impacted by € 1.9 million on Ebitda (1.4% of turnover), which was not matched by the relative increase in sales prices at due to the time lag in the adjustment of the price lists provided for in the contract; the adjustment of the sales prices is in progress;

increase in labor costs (€ 1.5 million equal to 1.1% of turnover) linked to wage dynamics and the strengthening of the structure in anticipation of an increase in production volumes that is taking place during the second half of 2017;

negative performance of the glass doors for refrigerated cabinets business segment linked to the aforementioned extraordinary events (which resulted in a negative impact on EBITDA for the period of € 0.9 million).

Operating Result (EBIT) amounted to €6.1 million (4.6% of revenues) compared to €8.7 million (7.5% of revenues) in 2016. Net of extraordinary listing costs, it would have been €7.4 million (5.6% of revenues).

The **balance of financial income and expenses** at 30 June 2017 was negative for € 3.6 million, while it was essentially zero at 30 June 2016. The difference (negative for € 3.6 million) mainly derives from the negative exchange rate differences for € 3.4 million at 30 June 2017 (exclusively unrealized and mainly linked to the performance of the Polish zloty, the Indian rupee, the Russian rouble and the Hong Kong dollar. Exchange rate differences were positive for €1.2 million at 30 June 2016.



The **net economic result for the period** is € 2 million (1.5% of revenues) compared to € 7.7 million (6.6% of revenues) at 30 June 2016; this result was affected: (i) by largely unrealized exchange losses (equal to € 3.4 million); since the result at 30 June 2016 benefited from unrealized exchange gains for € 1.2 million, the differential impact of exchange rates on the net economic result is € 4.6 million; as well as (ii) costs relating to the transfer of the listing of the Group's securities from the AIM segment to the MTA segment of the Italian Stock Exchange (€ 1.3 million).

The **working capital** of the Group at 30 June 2017 amounted to € 36.8 million with an incidence on the turnover of the last twelve months of 14.3% (it was equal to € 28.5 million at 30 June 2016 with an incidence of 12, 8%). The increase (€ 8.3 million) is mainly related to the first consolidation of Spirotech (effect equal to € 7.5 million). At 31 December 2016 it amounted to € 23.3 million. The increase compared to the year-end figure is due to the usual seasonality of the Group's working capital.

Consolidated shareholders' equity amounts to € 134.9 million compared to € 134.4 million in 2016. The increase (€ 0.5 million) is due to the result for the period for € 2 million, to the positive change in the conversion reserve for € 2.9 million and other positive changes for € 0.3 million adjusted by the distribution of dividends for € 4.7 million.

The **net financial** position is negative for € 51.1 million (negative for € 30.2 million at 31 December 2016). The change (equal to € 20.9 million) is influenced for € 4.7 million by the distribution of dividends, for € 12.0 million by investments, for € 2.7 million by the increase in other receivables net of approximately € 12 million of positive management flow. The impact of the **change in working capital** is negative for € 13.5 million. In the period 30 June 2016 - 30 June 2017, **the adjusted net cash generation** was € 10.7 million.

2. Events after the end of the period and foreseeable business developments

The Group's commercial turnover at the end of August was 13.9% higher than in the same period of the previous year (+3.6% on a like-for-like basis), a further improvement compared to the half-year figure.

The order book at the end of August amounted to €42.6 million (it was €41.1 million at 30 June 2017), with an increase on a like-for-like basis of more than 10% compared to 31 August 2016.

For the second half of the year, overall sales are expected to be higher than those of the first half of the year with margins recovering, considering a macroeconomic scenario not affected by unforeseeable events. If, on the other hand, the economic situation were to change significantly, the estimates could change.

* * *

The President Mr. Iginio Liberali said: *"In an overall scenario, characterized by the rapid growth of the cost of raw materials and the volatility of foreign exchange, LU-VE continues its robust organic growth."*



Moreover, about a year after the acquisition, Spirotech's excellent performance demonstrates the goodness of our strategic choice to cultivate rapidly developing markets as well".

* * *

The manager in charge of preparing the company's accounting documents Eligio Macchi declares, pursuant to paragraph 2 of Article 154 bis of the Consolidated Law on Finance, that the accounting information contained in this press release corresponds to the documentary results, books and accounting records.

Attached are the statements of the Consolidated Reclassified Income Statement, Consolidated Reclassified Statement of Balance Sheet and Consolidated Cash Flow Statement certified by the Independent Auditors.

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LU-VE Group is one of the world's largest manufacturers in the field of heat exchangers. It operates in different 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 display cases. LU-VE (HQ in Uboldo, Varese) is an international company with 10 production plants in 7 different countries (Italy, China, India, Sweden, Poland, Czech Republic and Russia), with a network of commercial companies and representative offices in Europe, Asia, the Middle East and Oceania. The group also includes a software house dedicated to ITC, product calculation software development and digitization. The Group has over 2,400 qualified employees (of which over 700 in Italy); over 390,000 square meters of surface (of which over 160,000 are covered); 2,500 square meters for R&Dev laboratories; 80% of the production exported to 100 countries. Consolidated turnover over €251.3 million (as at 31.12.2016).
www.luvegroup.com

ATTACHMENTS

1. RECLASSIFIED CONSOLIDATED INCOME STATEMENT

Reclassified Consolidated Income Statement	30/06/2017	% Revenues	30/06/2016	% Revenues	Change % 2017 over 2016
<i>(in thousands of Euro)</i>					
Revenues and operating income	133.039	100,0%	116.780	100,0%	13,9%
Purchases of materials	(74.745)	56,2%	(59.302)	50,8%	
Changes in inventories	4.086	-3,1%	922	-0,8%	
Services	(20.020)	15,0%	(17.813)	15,3%	
Personnel costs	(28.791)	21,6%	(24.573)	21,0%	
Other operating costs	(672)	0,5%	(884)	0,8%	
Total operating costs	(120.142)	90,3%	(101.650)	87,0%	18,2%
Gross Operating Margin (Ebitda)	12.897	9,7%	15.130	13,0%	-14,8%
Variation in fair value of derivatives	119	-0,1%	(188)	0,2%	
Depreciation and amortization	(6.967)	5,2%	(6.277)	5,4%	
Gains/losses on non-current assets	91	-0,1%	37	0,0%	
Operating Result (Ebit)	6.140	4,6%	8.702	7,5%	-29,4%
Net financial income and expenses	(3.622)	2,7%	14	0,0%	
Earnings before taxes (Ebt)	2.518	1,9%	8.716	7,5%	-71,1%
Income taxes for the period	(520)	0,4%	(1.022)	0,9%	
Net profit for the period	1.998	1,5%	7.694	6,6%	-74,0%
Minority interest	143		323		
Profit attributable to the Group	1.855	1,4%	7.371	6,3%	-74,8%

2. CONSOLIDATED RECLASSIFIED BALANCE SHEET

Consolidated Reclassified Balance Sheet	30/06/2017	% on net invested capital	31/12/2016	% on net invested capital	Change % 2017 over 2016
<i>(in thousands of Euro)</i>					
Net intangible assets	59.053		58.432		
Net plant, property and equipment	107.551		103.127		
Deferred tax assets	3.774		3.059		
Financial fixed assets	1.991		2.050		
Non-current activities (A)	172.369	92,7%	166.668	101,2%	5.701
Inventories	34.743		30.914		3.829
Trade receivables	53.853		45.456		8.397
Other receivables and currents assets	8.711		7.525		1.186
Current assets (B)	97.307		83.895		13.412
Trade payables	51.802		53.070		(1.268)
Other payables and current liabilities	15.476		16.407		(931)
Current liabilities (C)	67.278		69.477		(2.199)
Net working capital (D=B-C)	30.029	16,1%	14.418	8,8%	15.611
Provisions for employee benefits	3.898		3.936		(38)
Deferred tax liabilities	10.339		10.329		10
Provisions for risks and charges	2.184		2.182		2
Medium and long term liabilities (E)	16.421	8,8%	16.447	10,0%	(26)
Net Invested Capital (A+D-E)	185.977	100,0%	164.639	100,0%	21.338

3. CONSOLIDATED CASH FLOW STATEMENT

Consolidated Cash Flow Statement		1st half year 2017	1st half year 2016
<i>(in thousands of Euro)</i>			
A.	Cash and cash equivalents at the beginning of the year	46.455	55.266
	Profit (loss) for the period	1.855	7.371
	Adjustments for:		
	- Depreciation and amortization	6.967	6.277
	- Realized gains on non-current assets	(91)	(37)
	- Net financial income and expense	211	1.175
	- Income tax	454	1.022
	- Fair value changes recorded in the operating result	(119)	188
	Changes in post-employment benefits	156	(4)
	Changes in provisions	2	(19)
	<i>Changes in trade receivables</i>	(8.397)	(16.223)
	<i>Changes in inventories</i>	(3.829)	(725)
	<i>Changes in trade payables</i>	(1.268)	(215)
	Changes in net working capital	(4.059)	(1.190)
	Changes in other receivables payables, deferred taxes	477	501
	Tax payment	(2.894)	(1.543)
	Received/paid net financial income/(expenses)	(952)	(1.044)
B.	Cash flows generated/absorbed by operating activities	(7.428)	(3.276)
	Investments in non-current assets		
	- intangible assets	(2.074)	(2.182)
	- property, plant and equipment	(9.708)	(8.294)
	- financial assets	-	(9)
C.	Cash flows generated/absorbed by investing activities	(11.782)	(10.485)
	Repayment of loans	(22.356)	(10.979)
	New loans	42.000	5.000
	Changes in other financial liabilities	(122)	9
	Changes in short-term financial assets	4.462	1.444
	Sale/purchase of treasury shares	(143)	(292)
	Contributions/repayments of own capital	208	-
	Payment of dividends	(4.416)	(3.876)
	Other changes	144	(1.162)
D.	Cash flows generated/absorbed by financing activities	19.777	(9.856)
	Exchange differences	2.796	(747)
	Other non-monetary changes	(352)	217
E.	Other changes	2.444	(530)
F.	Net cash flows in the period (B+C+D+E)	3.011	(24.147)
	Cash and cash equivalents at the end of the period (A+F)	49.466	31.119
	Current financial debt	(23.114)	(37.209)
	Non-current financial debt	123.678	83.753
	Net Financial debt (Note 20)	51.098	15.425

