**PRESS RELEASE**

# 2017 RECORD TURNOVER
# PROFITABILITY RISES SHARPLY
# IN SECOND HALF-YEAR

**I - Approval of the draft financial statements of LU-VE S.p.A. and the consolidated financial statements as at 31 December 2017.**

- Consolidated turnover 2017: € 270.0 million (€ 236.3 million in 2016; + 14.3%; + 7.5% on a like-for-like basis).
- Net profit for the year (before unrealized exchange rate losses) of € 11.8 million (€ 13.8 million in 2016, € 15.3 million on a like-for-like basis).
- Net profit for the year (after unrealized exchange losses) of € 6.3 million more than doubled in the second half (€ 4.3 million in the second half compared to € 2.0 million in the first half).
- Adjusted consolidated EBITDA (excluding non-recurring costs of € 1.5 million for transfer to the MTA and € 0.4 million for restructuring plans) of € 31.0 million (€ 32.0 million in 2016; 0 million on a like-for-like basis).
- Negative net financial position of € 35.3 million, an improvement compared to the figure as at 30/6/17 (€ 51.1 million) – (€ 30.2 million as at 12/31/17).

**II -** Proposes confirmation of a **dividend of € 0.22** per share.

**Uboldo, 26 March 2018** - The Board of Directors of LU-VE S.p.A. ("LU-VE" or the "Company"), meeting today, approved the stand alone draft financial statements of LU-VE S.p.A. and the consolidated financial statements of the group (the "Group" or the "LU-VE Group").

## 1. CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

*Operations trend*

For the LU-VE Group, 2017 was a historic year. On 21 June 2017, it was in fact listed on the "MTA" electronic stock market. The process, started with the merger with Industrial Stars of Italy in 2015, concluded in absolute compliance with the scheduled deadlines.

From the point of view of financial results, 2017 was characterized by three main events:

- In the second part of the year, when a significant increase in operating profit was achieved, as expected (€ 16.8 million adjusted EBITDA, compared to € 14.2 million in the first half, on a like-for-like basis), shown in the second half of the year in line with the profitability recorded in 2016.
- Confirmation of the strategic value of the acquisition in India completed in October 2016. The Indian subsidiary has achieved excellent results in terms of revenue growth and profitability: sales growth of around 28% and EBITDA of over 20%.
- The weakness of the glass doors business for refrigerated counters that has seen its importance reduced to 3.4% of the total consolidated turnover.

The following table shows the trend in **turnover** (including twelve months of Spirotech turnover for 2016) **by type of products** in the two years compared:

| **PRODUCTS** | **€ /000 2017** | **%** | **€ /000 2016** | **%** | **Delta%** |
|---|---|---|---|---|---|
| | | | | | |
| Heat exchangers | 158,918 | 58.9% | 141,956 | 56.5% | +11.9% |
| Ventilated Appliances | 85,602 | 31.7% | 80,507 | 32.0% | +6.3% |
| Doors | 9,264 | 3.4% | 15,576 | 6.2% | -40.5% |
| Close Control | 10,736 | 4.0% | 10,270 | 4.1% | +4.5% |
| **PRODUCTS TOTAL** | **264,520** | **98.0%** | **248,309** | **98.8%** | **+6.5%** |
| Other | 5,512 | 2.0% | 2,970 | 1.2% | +85.6% |
| **TOTAL** | **270,032** | **100.0%** | **251,579** | **100.0%** | **+7.5%** |

The following table shows the trend in **turnover** (including twelve months of Spirotech) **turnover for 2016) by type of applications** in the two years compared:

| **APPLICATIONS** | **€ /000 2017** | **%** | **€ /000 2016** | **%** | **Delta%** |
|---|---|---|---|---|---|
| | | | | | |
| Refrigeration | 171,109 | 63.4% | 167,765 | 66.8% | +2.0% |
| Air Conditioning | 47,707 | 17.7% | 43,638 | 17.4% | +9.3% |

| | | | | | |
|---|---|---|---|---|---|
| Special Applications | 37,418 | 13.9% | 32,354 | 12.9% | +15.7% |
| Power Gen / Industrial Applications | 8,286 | 3.1% | 4,552 | 1.8% | +82.0% |
| **APPLICATIONS TOTAL** | **264,520** | **98.0%** | **248,309** | **98.8%** | **+6.5%** |
| Other | 5,512 | 2.0% | 2,970 | 1.2% | +85.6% |
| **TOTAL** | **270,032** | **100.0%** | **251,279** | **100.0%** | **+7.5%** |

In the refrigeration market (historically the Group's first application segment), the value of sales on an "extended" scope grew by 2% with a turnover of € 171.1 million. Net of the effect due to the drop in sales of glass doors, the growth in refrigeration would have been 6.3% with almost 11% increase in ventilated appliances, mainly due to the great development in the industrial refrigeration segment destined for logistics centres linked to the world of Mass Retail.

The incidence of refrigeration on total Group sales, traditionally well over 70%, dropped to 63.4%, confirming the Group's strategic choice to focus on developing alternative markets to further expand the range of applications served and reduce concentration in the refrigeration market.

In the air-conditioning market, the 2017 turnover increased by 9.3% to € 47.7 million, with an incidence on total sales of around 18%, thanks to the growth in the exchangers, while in the sector of large-capacity ventilated appliances some large-scale projects did not come to fruition, especially in northern Europe.

The sales area of "special applications" ranging from compressed air to domestic appliances rose to a turnover of € 37.4 million (+15.7%) mainly thanks to the acquisition of increasing market shares in the field of heat pump dryers with high energy efficiency and growth in "mobile" applications (refrigerated transport and rail conditioning). Because of this significant development, the incidence on the total Group sales rose to 14%.

Lastly, the power gen and industrial processes markets recorded revenues of € 8.3 million, with an increase of 82.0%, mainly in the second half of the year, with the acquisition of some large contracts with customers of primary global importance.

Below is an analysis of the main items of the financial statements with the same perimeter (including 12 months of Spirotech for 2016).

**Overall, operating revenues and income** increased by 7.5%. The increase was obtained in the presence of rising prices according to the costs trend of the main raw materials used.

The **total operating costs** increased from 218.3 million Euro (86.9% of revenues) to 240.9 million Euro (89.2% of revenues).

The **adjusted consolidated EBITDA**, which stands at a value of € 31.0 million (€ 35.0 million in 2016), does mark a decline mainly due to the delayed adjustment of sales prices to the increasing trend in purchase costs of main raw materials, as well as the cost of labour, the effect of Thermo Glass Doors and OOO SEST-LU-VE partially offset by the improved profitability of Spirotech and the increase in prices and volumes.

Some non-recurring costs linked to the listing on the MTA (amounting to approximately € 1.5 million), restructuring plans (approximately € 0.4 million) weighed on EBITDA.

**Depreciation** and amortization show an increase of 1.5 million Euro, essentially linked to the acceleration of investments.

The "**Operating Result (EBIT)**" amounted to 14.1 million Euro (5.2% of revenues) compared to 20.2 million Euro (8.0% of revenues) in 2016. Net of non-recurring costs would have been € 16.0 million (5.9% of revenues).

The "**Result before taxes (EBT**)" in the financial year ended 31 December 2017 amounts to 8.5 million Euro (3.2% of revenues) against 22.4 million Euro as at 31 December 2016 (8.9% of revenues).

This result was influenced by almost entirely unrealized foreign exchange losses (€ 5.6 million) mainly linked to the performance of the Polish zloty, the Indian rupee, the Russian rouble and the Hong Kong dollar.

The 2017 figure normalized for non-recurring costs and the effect of exchange rates would have been € 15.9 million (5.9% of revenues).

The "**Net result for the year**" for the year ended 31 December 2017 is 6.3 million Euro (2.3% of revenues) compared to 18.3 million Euro (7.3% of revenues) as at 31 December 2016, mainly due to the exchange rate losses and non-recurring costs.

The **consolidated shareholders' equity** amounted to 140.0 million Euro compared to 134.3 million Euro as at 31 December 2016 (+5.6 million Euro).

The **net financial position** is negative for 35.3 million Euro (30.2 million Euro as at 31 December 2016) with a difference of 5.1 million Euro mainly due to 4.7 million Euro from the distribution of dividends and € 24 million from investments net of approximately € 23.7 million of positive management flow. The cash flow from operations adjusted for extraordinary items was approximately € 13.6 million.

The indebtedness is all positioned over the medium term and the liquidity present as at 31 December 2017 amounts to 123.1 million Euro.

During the year it was decided to invest in the **expansion of the production site in Poland**, already announced to the market in a press release of 26 October 2017.

The total investment plan, which is expected to be completed by 2021, has an estimated value of Euro 36 million and will take place on land in the Gliwice economic park of approximately 60,000m$^2$ (purchased in May for 2.4 million Euro), and provides for the construction of a production site of over 20,000 m$^2$ covered (for about 50% of the total investment) and the purchase of plant and machinery.

The strategic objective of this investment is the increase and rationalization of the Group's production capacity to better capture the opportunities for market growth. During the year 2017 total investments were made on the project for about 3.6 million Euro (including the purchase of the land).

*Events after the end of the year*

The consolidated turnover of the products only in the first two months of 2018 reached the value of about 43.9 million with a growth of over 17% compared to the same period of the previous year.

Also, the acquisition of orders in the period (+ 25%) and the order portfolio (+ 34%) show particularly positive growth values.

*Expected evolution of management*

The general scenario remains very competitive and the visibility of demand is rather limited, however some projects under discussion with both new and existing customers reasonably predict that also in 2018 the Group will achieve sales growth in line with budget expectations.

* * *

The Chairman, Mr. Iginio Liberali, underlined: *"It was a year characterized by a strong recovery in the second half compared to the first part of the year which was below expectations. The recovery of profitability in the core business, the excellent performance of the Indian subsidiary in 2017 -- acquired at the end of 2016 -- was completed with full satisfaction in the Group and a steady order portfolio at record levels make us look forward with optimism to 2018.* "

## 2. DIVIDEND

The Board of Directors resolved to propose to the Shareholders' Meeting a gross dividend of € 0.22 per share payable starting from 9 May 2018, with dividend no. 3 on 7 May 2018 (cd record dates 8 May 2018).

## 3. OTHER DELIBERATIONS OF THE MEETING

*Convocation of the Shareholders' Meeting*

In today's meeting the Board of Directors resolved to convene the ordinary Shareholders' Meeting of the Company on 27 April 2018, in single call, to discuss and resolve on the following agenda:

1. Presentation of the Annual Financial Report including the stand alone draft financial statements for the year ended 31 December 2017, the Report of the Board of Statutory Auditors and the Report of the Independent Auditors. Related and consequent resolutions.
2. Presentation of the Annual Report on Remuneration of LU-VE S.p.A. Deliberations pursuant to art. 123-*ter* of the Legislation Decree. no. 58/98.

3. Proposal to authorize the purchase and disposal of treasury shares, subject to revocation of the resolution passed by the Shareholders' Meeting on 12 April 2017. Related and consequent resolutions.

It should be noted that the Shareholders' Meeting notice and the related documentation required by current legislation, including the Board of Directors' Report on the matters on the agenda prepared pursuant to art. 123-*ter* of Legislative Decree. no. 58/98 TUF (Consolidated Law on Financial Intermediation) and articles 73 and 84-ter of CONSOB Regulation no. 11971/1999 ("Issuers' Regulation") and all the documentation required by current legislation, will be made available at the company's registered office and on the company's website at www.luvegroup.com , "Investor Relations" section "Meetings documentation", "Shareholders' Meeting of 27 April 2018", and on the authorized storage mechanism eMarket Storage at www.emarketstorage.com in accordance with the law. In compliance with the regulations in force, the notice convening the Shareholders' Meeting will be published by extract, also in a daily newspaper

*Proposal to authorize the shareholders' meeting for the purchase and disposal of treasury shares*

With reference to the proposal to renew the Shareholders 'Meeting authorization for the purchase and disposal of treasury shares, subject to revocation of the resolution adopted by the Shareholders' Meeting on 12 April 2017, it is specified that the reasons underlying the its authorization and content will be specified in detail in the Explanatory Report on the items on the agenda prepared by the Board of Directors pursuant to Article 125-ter of Legislative Decree no. 58/98 (TUF) and of the articles 73 and 84-ter of CONSOB Regulation no. 11971/1999 ("Issuer Regulations"), which will be made available to the public, together with the notice convening the Shareholders' Meeting, at the company's administrative headquarters, on the website www.luvegroup.com and on the mechanism of eMarket Storage authorized storage at www.emarketstorage.com.

*Report on Corporate Governance and Ownership Structures*

Today the Board of Directors has also approved the Report on corporate governance and ownership structures for the 2017 financial year, which will be made available to the public – together with the Annual Financial Report as at 31 December 2017 and the Reports of the Statutory Auditors and the Company Review – in accordance with the law, at the administrative headquarters, on the Company's website at www.luvegroup.com and on the organized storage mechanism authorized by eMarket Storage at www.emarketstorage.com.

*Report on remuneration*

It is hereby announced that the Board of Directors, today, also approved the Remuneration Report prepared pursuant to art. 123-ter of the TUF, which will be submitted to the advisory vote of the shareholders' meeting and will be made available to the public, as required by law, at the administrative headquarters, on the Company's website at www.luvegroup.com and on the eMarket Storage authorized organized storage mechanism at www.emarketstorage.com.

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*The manager in charge of preparing the corporate 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.*

*The tables of the Consolidated Reclassified Income Statement, Consolidated Reclassified Financial Statements and Consolidated Cash Flow Statement are attached.*

**For more information:**

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# ATTACHMENTS

| Consolidated Income Statement Reclassified *(in thousands of Euro)* | 31/12/2017 | % Revenues | 31/12/2016 (*) | % Revenues | % Change 2017 - 2016 |
|---|---|---|---|---|---|
| **Revenues and operating income** | **270,032** | **100.0%** | **251,279** | **100.0%** | **7.5%** |
| Purchases of materials | (150,006) | 55.6% | (129,461) | 51.5% | |
| Change in inventories | 7,502 | -2.8% | 3,489 | -1.4% | |
| Services | (40,105) | 14.9% | (39,424) | 15.7% | |
| Staff Price | (56,280) | 20.8% | (50,879) | 20.2% | |
| Other operating costs | (2,071) | 0.8% | (2,029) | 0.8% | |
| **Other operating costs** | **(240,960)** | **89.2%** | **(218,304)** | **86.9%** | **10.4%** |
| **Gross Operating Margin (Ebitda)** | **29,072** | **10.8%** | **32,975** | **13.1%** | **-11.8%** |
| Change in fair value derivatives | 170 | -0.1% | 306 | -0.1% | |
| Depreciation | (15,143) | 5.6% | (13,491) | 5.4% | |
| Capital gains/losses, Non-current assets | 24 | 0.0% | 431 | -0.2% | |
| **Operating Result (Ebit)** | **14,123** | **5.2%** | **20,221** | **8.0%** | **-30.2%** |
| Net financial income and charges | (5,610) | 2.1% | 2,169 | -0.9% | |
| **Result before taxes (Ebt)** | **8,513** | **3.2%** | **22,390** | **8.9%** | **-62.0%** |
| Income taxes for the year | (2,234) | 0.8% | (4,069) | 1.6% | |
| **Net result for the year** | **6,279** | **2.3%** | **18,321** | **7.3%** | **-65.7%** |
| Profit pertaining to third parties | 637 | | 793 | | |
| **Profit pertaining to the group** | **5,642** | **2.1%** | **17,528** | **7.0%** | **-67.8%** |

| Reclassified balance sheet<br><br>Consolidated *(in thousands of Euro)* | 31/12/2017 | % net invested capital | 31/12/2016 (*) | % of net invested capital | % change 2017 - 2016 |
|---|---|---|---|---|---|
| Net intangible assets | 62,718 | | 61,631 | | |
| Net tangible assets | 111,191 | | 103,127 | | |
| Advance taxes | 3,359 | | 3,059 | | |
| Financial fixed assets | 1,941 | | 2,050 | | |
| **Non-current assets (A)** | **179,209** | **102.3%** | **169,867** | **103.2%** | **9,342** |
| | | | | | |
| Inventories | 37,988 | | 30,914 | | 7,074 |
| Loans to Customers | 47,616 | | 45,456 | | 2,160 |
| Other current credits and assets | 11,258 | | 7,525 | | 3,733 |
| **Current assets (B)** | **96,862** | | **83,895** | | **12,967** |
| | | | | | |
| Payables to suppliers | 63,405 | | 53,070 | | 10,335 |
| Other current debts and liabilities | 17,677 | | 16,407 | | 1,270 |
| **Current liabilities (C)** | **81,082** | | **69,477** | | **11,605** |
| | | | | | |
| **Net working capital (D = BC)** | **15,780** | **9.0%** | **14,418** | **8.8%** | **1,362** |
| | | | | | |
| Funds related to personnel | 4,047 | | 3,936 | | 111 |
| Deferred taxes | 13,217 | | 13,596 | | (379) |
| Provisions for risks and charges | 2,472 | | 2,182 | | 290 |
| **Medium and long-term liabilities (E)** | **19,736** | **11.3%** | **19,714** | **12.0%** | **22** |
| **Net Invested Capital (A + DE)** | **175,253** | **100.0%** | **164,571** | **100.0%** | **10,682** |
| | | | | | |
| Group shareholders' equity | 137,842 | | 132,504 | | 5,338 |
| Profit pertaining to third parties | 2,124 | | 1,823 | | 301 |
| **Total Consolidated Shareholders' Equity** | **139,966** | **79.9%** | **134,327** | **81.6%** | **5,639** |
| | | | | | |
| Medium-term Net Financial Position | 115,074 | | 107,705 | | 7,369 |
| Short Term Net Financial Position | (79,787) | | (77,461) | | (2,326) |
| **Total Net Financial Position** | **35,287** | **20.1%** | **30,244** | **18.4%** | **5,043** |
| | | | | | |
| **Own means and indebtedness, Financial net** | **175,253** | **100.0%** | **164,571** | **100.0%** | **10,68** |

| **Consolidated** *(in thousands of Euro)* | **31/12/2017** | **31/12/2016** | |
|---|---|---|---|
| **Cash and cash equivalents at the beginning of the year** | **46,455** | **55,266** | |
| **Contribution of the consolidation area change** | - | **1,804** | |
| Net result for the year | 5,642 | 15,778 | (*) |
| Adjustments for: | | | |
| Depreciation | 15,142 | 13,057 | (*) |
| - Realized capital gains | (176) | (430) | |
| Net financial income and charges | 47 | 807 | |
| - Income taxes | 2,234 | 3,237 | (*) |
| - Change in fair value recorded in operating result | (170) | (313) | |
| Severance Fund change | 71 | 387 | |
| Change of funds | 290 | 5 | |
| *Change in trade receivables* | (2,160) | (9,262) | |
| *Change in inventories* | (7,074) | (1,776) | |
| *Change in trade payables* | 10,335 | 5,191 | |
| **Change in net working capital** | **1,101** | **(5,847)** | |
| Change in other receivables and payables, deferred taxes | (2,524) | 2,514 | |
| Tax payment | (2,384) | (3,633) | |
| Net financial income / charges collected / paid | 50 | (714) | |
| **Cash flows generated / absorbed by operating activity** | **19,323** | **24,848** | |
| Investments in non-current assets | | | |
| - intangible | (4,968) | (4,066) | |
| - tangible | (19,318) | (16,728) | |
| - financial | - | 15 | |
| Net purchase price business combination | - | (32,234) | |
| **Cash flows generated / absorbed by operating activity** | **(24,286)** | **(53,013)** | |
| Reimbursement of loans | (53,916) | (21,616) | |
| Getting of loans | 62,000 | 55,154 | |
| Change in other financial liabilities | (530) | 676 | |
| Change in short-term financial assets | 2,623 | (7,880) | |
| Purchase of treasury shares | (428) | (530) | |
| Contributions / repayments of own capital | 208 | (70) | |
| Dividend payment | (4,416) | (3,876) | |
| Other changes | 301 | (2,381) | |
| **Cash flows generated / absorbed by operating activity** | **5,842** | **19,477** | |
| Translation change differences | 4,403 | (799) | |
| Other non-monetary changes | (975) | (1,128) | |
| **Other changes** | **3,428** | **(1,927)** | |
| **Net financial flows for the year (B + C + D + E)** | **4,307** | **(10,615)** | |
| **Cash and cash equivalents at the end of the year (A + F)** | **50,762** | **46,455** | |
| Current financial indebtedness | (29,025) | (31,006) | |
| Non-current financial debt | 115,074 | 107,705 | |
| **Net financial debt (Note 20)** | **35,287** | **30,244** | |

***Note:***

(*) values restated under IFRS 3, to reflect retrospectively the effects resulting from the fair value measurement of SPIROTECH assets and liabilities on the acquisition date previously considered provisional (see "Information relating to IFRS 3"),