FY 2017 results

26st March 2018

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1 – Financial highlights

- Consolidated sales (1): **€ 270,0 m** (+7,5% vs. FY16 Pro-forma (2)) ;
- Order backlog as of 31 December 17: + 19,7% vs. Dec 2016; + 34% as of 28 February 2018
- EBITDA adjusted (3) : € 31,0 m - vs € 35,0 m in FY16 Pro-forma (2)
- Net financial debt (4): € 35,3 m - vs € 30,2 m as of Dec 2016
- Net cash generation (12 months adjusted) (5) : **€ 13,6 m** (vs 12.1 in FY16)

€ m	2017		2016 Statutory		Growth	2016 Pro Forma (2)		Growth
Total sales (1)	270,0	100,0%	236,3	100,0%	14,3%	251,2	100,0%	+7,5%
EBITDA	29,1	10,8%	30,0	12,7%	-3,1%	33,0	13,1%	(11,8)%
EBITDA adjusted (3)	31,0	11,5%	32,0	13,5%	-3,1%	35,0	13,9%	(11,4)%
Net Income adjusted (before FX intercompany)	13,7	5,1%	13,8	5,8%		17,3	6,9%	(20,7)%
Net financial debt (4)	(35,3)		(30,2)			(30,2)		
Net cash generation (12 months adj.) (5)	+13,6	5,0%	+13,6	5,8%		+12,1	4,8%	

Notes

(1) Total sales include sales of products and other sales

(2) Pro-forma means the aggregated result of a) consolidated result of LUVE Group and b) Spirotech

(3) Excluding one time costs: MTA costs and redundancy costs

(4) Including PUT&CALL on minority

(5) See page 15 for details

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1 – Financial highlights

€ 000	H1 17	H2 17
REVENUES	133.039	136.993
EBITDA adjusted	14.197	16.760
EBITDA MARGIN	10,7%	12,2%
Δ EBITDA margin		+ 1,6%

2 – Net sales breakdown by product

Products € 000	2016 (1)	%	2017	%	Δ %
Heat Exchangers	141.956	56,5%	158.918	58,9%	11,9%
Air Cooled Equipment	80.507	32,0%	85.602	31,7%	6,3%
Close Control	10.270	4,1%	10.736	4,0%	4,5%
Glass Doors	15.576	6,2%	9.264	3,4%	-40,5%
Total sales of products	**248.309**	**98,8%**	**264.520**	**98,0%**	**6,5%**
Other revenues	2.970	1,2%	5.512	2,0%	85,6%
Total sales	**251.279**	**100,0%**	**270.032**	**100,0%**	**7,5%**

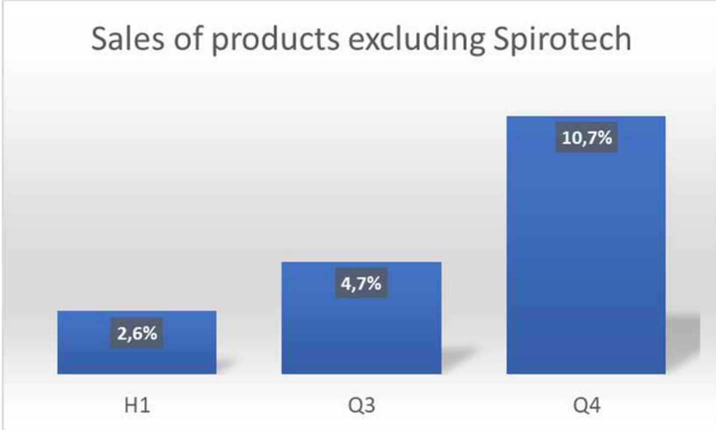
(1) Pro-forma data : aggregated result of a) consolidated result of LUVE Group and b) Spirotech

2 – Net sales breakdown by application

Applications € 000	2016 (1)	%	2017	%	Δ %
Refrigeration	167.765	66,8%	171.109	63,4%	2,0%
Air Conditioning	43.638	17,4%	47.707	17,7%	9,3%
Special Applications	32.354	12,9%	37.418	13,9%	15,7%
Power Generation - Process & Others	4.552	1,8%	8.286	3,1%	82,0%
Total sales of products	**248.309**	**98,8%**	**264.520**	**98,0%**	**6,5%**
Other revenues	2.970	1,2%	5.512	2,0%	85,6%
Total sales	**251.279**	**100,0%**	**270.032**	**100,0%**	**7,5%**

(1) Pro-forma data : aggregated result of a) consolidated result of LUVE Group and b) Spirotech

2 – Net sales breakdown



1. Accelerated growth rate in H2 2017: +10%

2. Robust growth in all product lines (HE + 11,9%, ACE + 6,3%, CC + 4,5%) excluding GD (TGD)

3. Good performance of newly acquired Spirotech +27,9% (+ 13,4% in H1 17).

4. Disappointing sales in GD (TGD) – 40,5% (- 37,8% in H2 vs - 43,9% in H1 17) due to identified problems with top 2 customers (see page 13)

5. Double digit growth in Poland +23,5%, France + 12,6%, Czech Republic + 27,6%, Austria 10,6%, Spain + 10,8%, UK +14,8%, Russia +14,7%, Eastern Europe + 13,7%, India +28,7% and China +42,2%.

6. Single digit growth in Italy +6,9% (excl. GD).

7. Slight decrease in Germany -2% and Sweden -8% .

8. New markets: Iran and Paraguay.

3 – Profit & loss

- See EBITDA bridge analysis
- Net financial charges include unrealized FX losses of 5,6 M (€ 3.8 M in H1 17) . In 2016 unrealized FX gain were € 2,8 M
- Excluding FX the financial result was nil (negative by € 0,2M in H1 17)
- Increase of nominal tax rate due to non deductible unrealized FX losses
- Net income is wedged by one time costs by € 1,9 M
- See net income bridge analysis

Consolidated Profit & Loss Reclassified ***(000 Euro)***	**31/12/2017**	**%**	**31/12/2016 [1]**	**%**	**Δ**
Sales and operating income	**270.032**	*100,0%*	**251.279**	*100,0%*	**7,5%**
Purchases of materials	(150.006)	*55,6%*	(129.461)	*51,5%*	
Inventory increase (decrease)	7.502	*-2,8%*	3.489	*-1,4%*	
Services	(40.105)	*14,9%*	(39.424)	*15,7%*	
Labour cost	(56.280)	*20,8%*	(50.879)	*20,2%*	
Other operating costs	(2.071)	*0,8%*	(2.029)	*0,8%*	
Total operating costs	**(240.960)**	*89,2%*	**(218.304)**	*86,9%*	**10,4%**
EBITDA	**29.072**	***10,8%***	**32.975**	***13,1%***	**-11,8%**
Increase (decrease) of derivatives fair value	170	*-0,1%*	306	*-0,1%*	
Depreciation	(15.143)	*5,6%*	(13.491)	*5,4%*	
Gain (loss) of non current assets	24	*0,0%*	431	*-0,2%*	
EBIT	**14.123**	***5,2%***	**20.221**	***8,0%***	**-30,2%**
Net financial charges	(5.610)	*2,1%*	2.169	*-0,9%*	
EBT	**8.513**	***3,2%***	**22.390**	***8,9%***	**-62,0%**
Income taxes	(2.234)	*0,8%*	(4.069)	*1,6%*	
Net income	**6.279**	***2,3%***	**18.321**	***7,3%***	**-65,7%**
Minority interest	637		793		
Group net income	**5.642**	***2,1%***	**17.528**	***7,0%***	**-67,8%**

(1) Pro-forma data : aggregated result of a) consolidated result of LUVE Group and b) Spirotech

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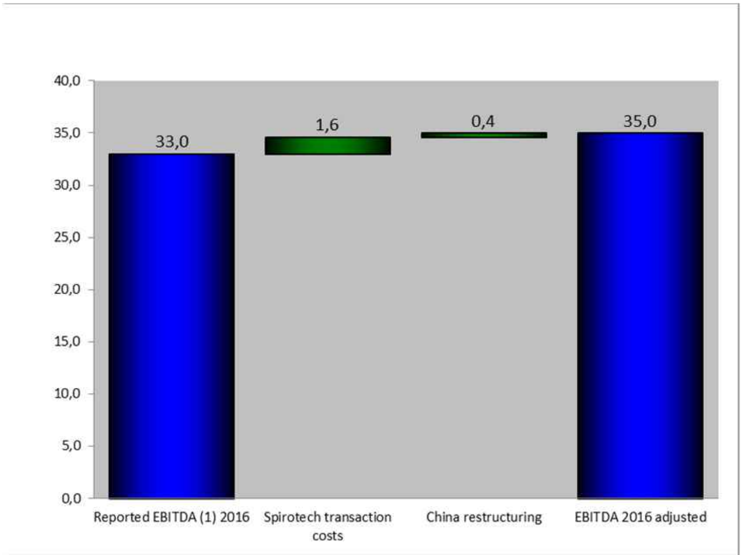
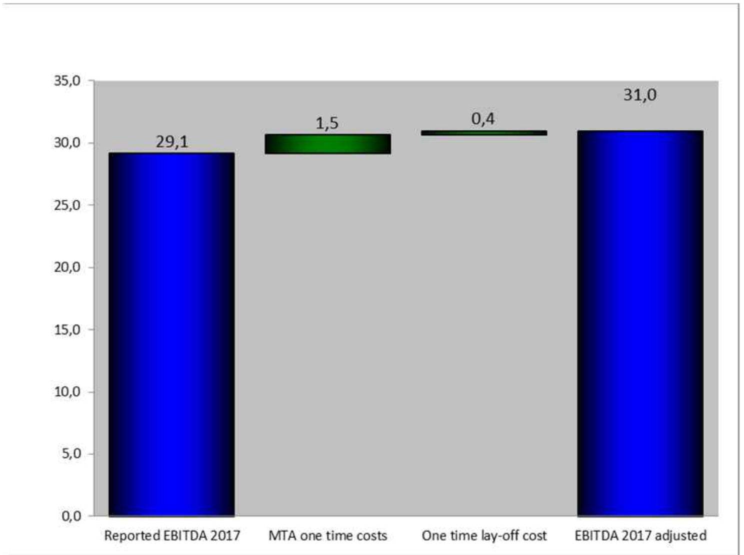
3 – EBITDA adjusted 2017-2016

2016

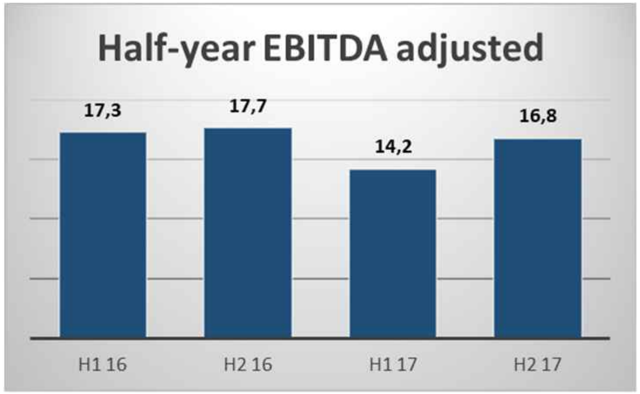


2017

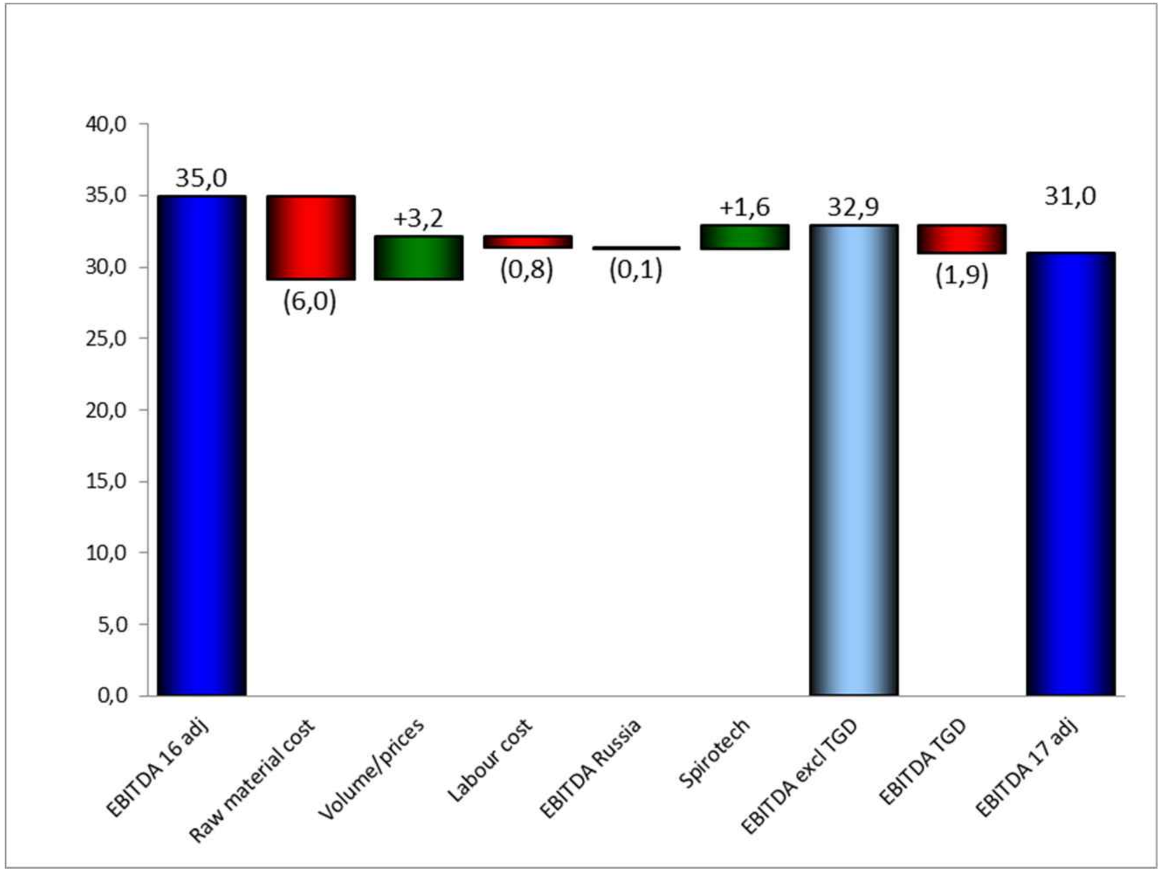


(1) Pro-forma data : aggregated result of a) consolidated result of LUVE Group and b) Spirotech
(2) All data in € million
(3) Due to rounding, numbers presented throughout this chart may not add up precisely to the totals provided
(4) Source: management analysis of consolidated results as of 31/12/2017

3 – EBITDA bridge analysis



€ M	H1	H2	FY 17
EBITDA 16 adj	**17,3**	**17,7**	**35,0**
Raw material cost	-1,9	-4,1	-6,0
Volume/prices	1,6	1,6	3,2
Labour cost	-1,5	0,7	-0,8
Other costs - services	-0,3	0,3	0,0
EBITDA Russia	-0,5	0,4	-0,1
Spirotech	0,4	1,2	1,6
EBITDA TGD	-0,9	-1,0	-1,9
EBITDA 17 adj	**14,2**	**16,8**	**31,0**



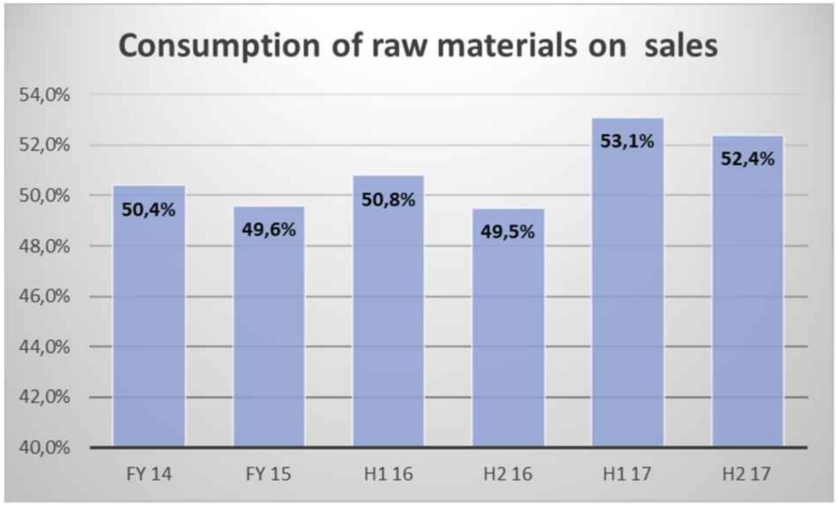
All data in € million

3 – 2017 key performance drivers

Key issues	Management actions / status
Raw material prices	Raw materials to sales ratio improved by 70 bps, from 53,1% in H1 to 52.4% in H2 17
Labor costs	Issue solved in H2 – better results in H2 offset 47% of the shortfall in H1
Russia	Issue solved in H2; better EBITDA in H2 offsets 80% of the shortfall in H1
Spirotech integration	Integration of Spirotech completed; Sales growth FY17: + 27,9% Sales growth Q4 17: + 38,2% EBITDA margin > 20%
Glass Doors (3,4% of total sales)	Issue under management: H2 sales decrease 57 bps better than in H1; new customers in pipeline; order backlog improved in Q4 - see page 13

3 – Raw material impact

- In November 2016 a sudden and substantial increase in the prices of major raw materials (Cu and Al) resulted in an increase in raw material costs in 2017 of 24,7% for **Cu** and 20,4% for **Al** compared to 2016.
- The process of adjusting sales prices is ongoing, through:
  - Increase sales pricelists.
  - Automatic price increases provided for in supply contracts for OEM (approximately 60% of Heat exchangers volumes).
  - Negotiations with the remaining customers.
- This abnormal trend has caused a temporary compression of the margins that is being absorbed over time. In H2 17 the margin improved by 70 bps.
- The impact on EBITDA was € 2.8 m (1.0% of sales) net of price/volume increase



3 – Glass doors (TGD) impact

- 3,4% of total sales.

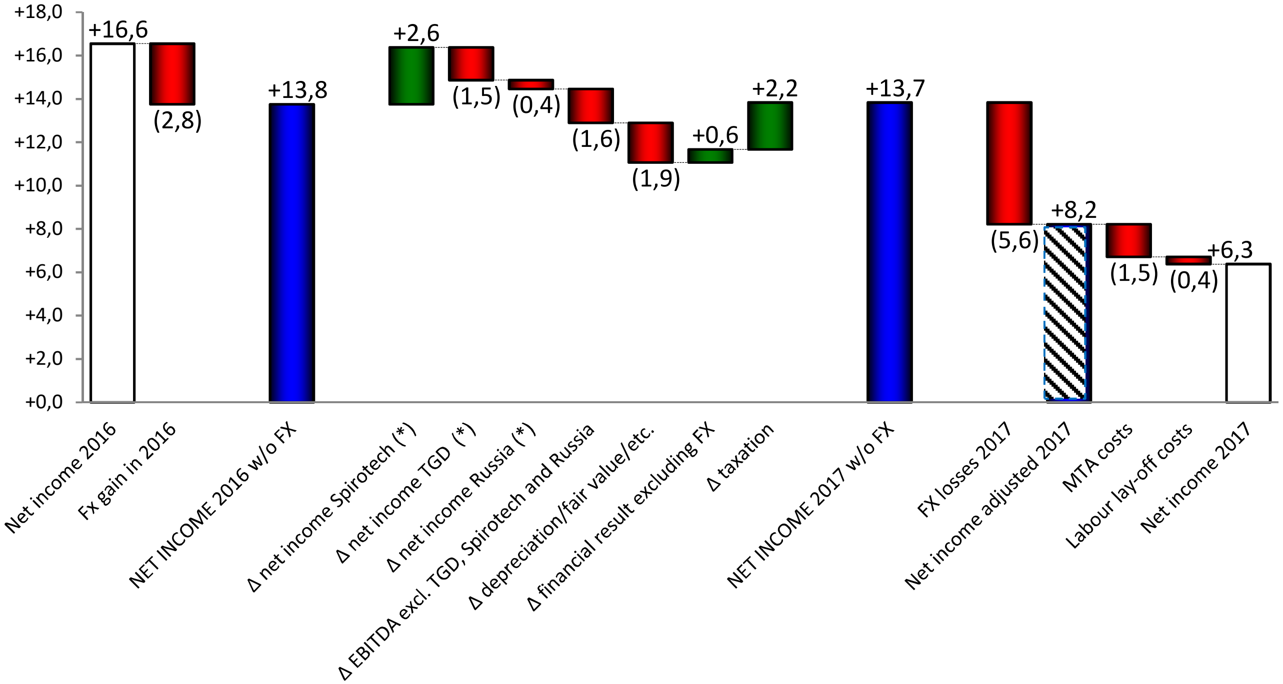
- Activity in the glass doors segment (TGD) has been affected by problems with the two main customers:
  - Customer no. 1 has decided to internalize the production of a series of door models.
  - The customer no. 2 temporarily suspended purchases.

- This led to a 40,5% drop in turnover, bringing it to pre-acquisition levels in 2014.

- The impact on consolidated EBITDA was € 1.9 M (0.7% of consolidated sales).

- New customer's search activity, reducing dependence on fewer customers, greater internationalization of sales and new field of application identified by the R&D programs are expected to put back TGD to the growth paths recorded in 2015-2016 (+ 44.3%).

3 – Net income bridge analysis



- Excluding FX, 2017 net income adjusted is in line with 2016 statutory net income
- FX gain and loss are:
  - Unrealized
  - Non- cash
  - Intercompany

Due to rounding, numbers presented throughout this chart may not add up precisely to the totals provided
Source: management analysis of consolidated Net income as of 31/12/2017
(*) excluding FX losses and gains

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4 – Net working capital

- Tight control of working capital
- Seasonality in working capital needs

€ 000	31/12/2017	Days	31/12/2016	Days
Stock	37.988	51	30.914	44
A/receivable	47.616	63	45.456	65
Working capital	85.604		76.370	
A/payable	63.405	120	53.070	113
Net working capital	22.199	30	23.300	33
% on net sales LTM	8,2%		9,3%	

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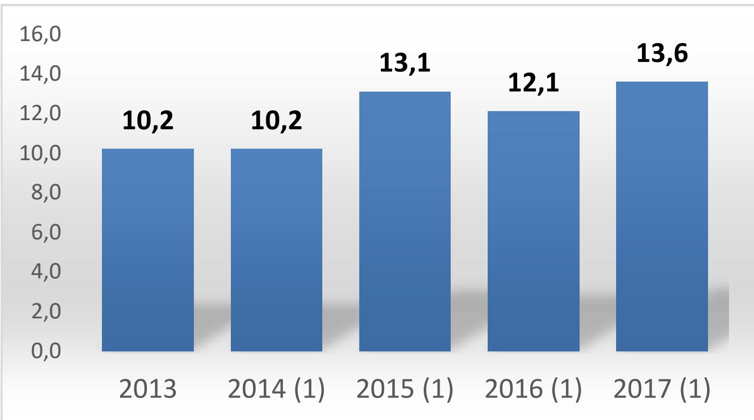
5 – Net cash flow

- **Consistently strong cash generation**
- **Accelerated capex program above maintenance level**

LTM net cash generation adjusted 2010-2017 (€ m):



Net cash / (net debt)	€ m	
Net financial position as of Dec 16	(30,2)	
Net financial position as of Dec 17	(35,3)	
Decrease in net financial position	(5,1)	(5,1)
+ Dividends paid in 2017		4,7
+ Accelerated capex program		11,0
+ One time costs for MTA		1,5
+ Treasury stock purchase		0,4
+ Temporary effect of GST India [2]		1,1
= Total normalized net cash flow		**13,6**

(1) 2010-2013 ITA GAAP – 2014-2017 IFRS
(2) Goods and Services Tax

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6 – Balance sheet

- Strong financial structure
- Debt capacity to finance acquisitions:
  - PFN / LTM adj EBITDA = 1.1x
- Seasonal working capital needs

Consolidated Balance Sheet Reclassified *(000 Euro)*	31/12/2017	% net invested capital	31/12/2016	% net invested capital	Δ
Net intangible assets	62.718		61.631		
Net tangible assets	111.191		103.127		
Pre-paid taxes	3.359		3.059		
Financial assets	1.941		2.050		
Non current assets (A)	**179.209**	**102,3%**	**169.867**	**103,2%**	**9.342**
Inventory	37.988		30.914		7.074
A/receivable	47.616		45.456		2.160
Other receivables and current assets	11.258		7.525		3.733
Current assets (B)	**96.862**		**83.895**		**12.967**
A/payable	63.405		53.070		10.335
Other payable and current liabilities	17.677		16.407		1.270
Current liabilities (C)	**81.082**		**69.477**		**11.605**
Working capital (D=B-C)	**15.780**	**9,0%**	**14.418**	**8,8%**	**1.362**
Personnel provisions	4.047		3.936		111
Deferred taxes	13.217		13.596		(379)
Risk provisions	2.472		2.182		290
Long term liabilities (E)	**19.736**	**11,3%**	**19.714**	**12,0%**	**22**
Net invested capital (A+D-E)	**175.253**	**100,0%**	**164.571**	**100,0%**	**10.682**
Group net worth	137.842		132.504		5.338
Minority interest	2.124		1.823		301
Total group net worth	**139.966**	**79,9%**	**134.327**	**81,6%**	**5.639**
M/L term net financial position	115.074		107.705		7.369
Short term net financial position (cash)	(79.787)		(77.461)		(2.326)
Net financial position	**35.287**	**20,1%**	**30.244**	**18,4%**	**5.043**
Net worth and net financial position	**175.253**	**100,0%**	**164.571**	**100,0%**	**10.682**

7 - Future developments

1. Integration of Spirotech Completed

2. Filing MTA – spring 2017 Delivered: 21 June 2017

3. Accelerated capex program In progress: see page 19

4. M&A activity (about € 40/50 millions firepower) In progress

7 - New plant in Poland

- New plant located in Gliwice, very close to the existing plant of LU-VE .
- 60.000 sqm land, acquired and paid in May 2017.
- Production area: 20.000 sqm covered.
- € 36 M capex in 5 years:
  - 50% new machineries.
  - 50% land and building.

- Tax shield scheme: close to 25% of total investments.
- Rationale: expansion of production in low-cost countries.
- Share of overheads and indirect costs (admin, HR, engineering etc.) with the existing LU-VE subsidiary in Poland.
- Progress of construction is in line with the scheduled timing.

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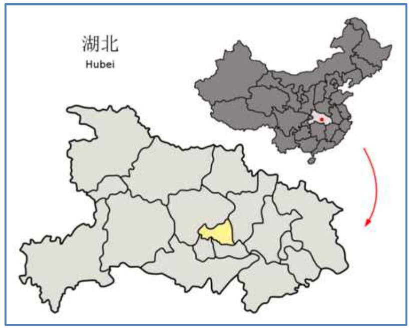
7 – Plant relocation in China

- The existing plant in China is going to be relocated from Changshu to Tianmen.
- Total covered surface will be increased from 7.000 sqm to 15.000 sqm, with possible further expansion of additional 10.000 sqm.

- Total saving of renting costs are € 0,8 M over the next 5 years (first 3 years free rental and yearly saving of € 150 K.)
- Lower labour cost ≈ - 20%
- Location closer to the main customer.
- Improved internal production flow and logistic.
- Tax benefit on income tax and VAT.



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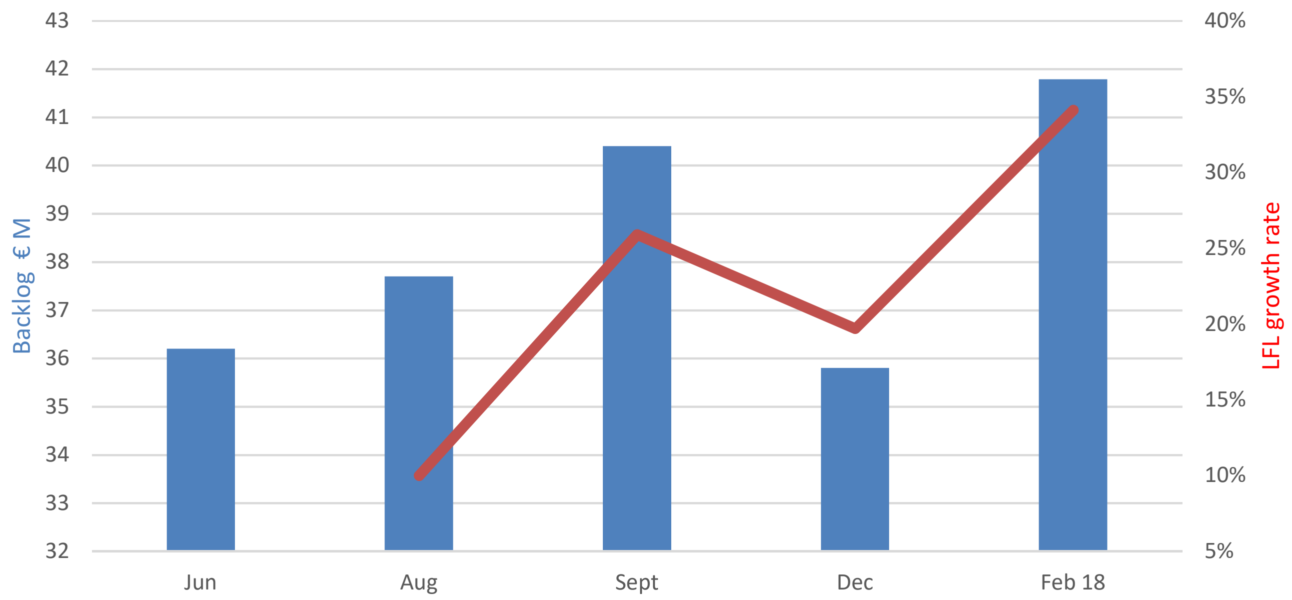
7 – Order backlog

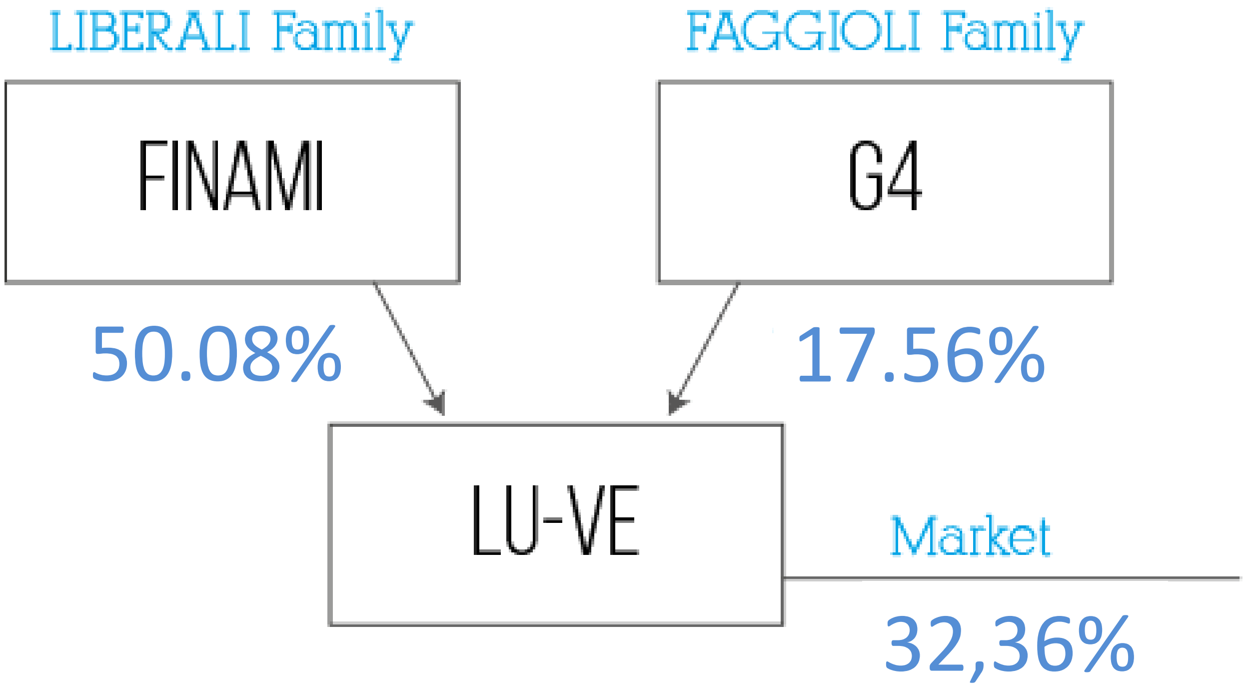


(1) Percentage growth rate over same period of previous year

(2) Sales of products excluding other revenues

(3) LFL = excluding Spirotech

8 – Shareholder Structure (1)



(1) Fully diluted – post warrant conversion at end of May 2017

8 – Group structure: Management Team

IGINIO LIBERALI
PRESIDENT
LU-VE GROUP

PIERLUIGI FAGGIOLI
VICE PRESIDENT
LU-VE GROUP

MATTEO LIBERALI
MD – CEO

MICHELE FAGGIOLI
MD – COO

ELIGIO MACCHI
CFO

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