PRESS RELEASE

FIRST HALF-YEAR 2019

ACQUISITIONS AND ENVIRONMENTALLY FRIENDLY TECHNOLOGIES DRIVE TURNOVER (+22.2%) AND PROFITABILITY (+ 40.3%)

I – Approval for the consolidated half-yearly financial report at 30 June 2019.

- Consolidated sales: €186.7 million, +22.2% compared to the first half of 2018[1];
- Record order book at €73.4 million, +80.4% on the first half of 2018[2];
- Consolidated adjusted EBITDA[3] €25.4 million (13.6% of revenues) +40.3%;[4]
- Net profit for the period at €6.0 million (€6.6 million in the first half of 2018);[5]
- Net financial position[6] negative by €151.8 million – (€ 75.7 million at 30/06/2018 and €63.6 million at 31/12/18), the increase mainly due to the acquisition of AL Air of the Swedish group Alfa Laval (€61.0 million) and the adoption of IFRS 16 (€17 million);
- Adjusted LTM net cash generation: €25.5 million (€11.0 million at 30 June 2018).

Uboldo, 26 September 2019 – The Board of Directors of LU-VE S.p.A. ("LU-VE" or the "Company"), meeting today, reviewed and approved the half-yearly financial report as at 30 June 2019.

1. Consolidated Half-Year Financial Report

Business performance

[1] The newly acquired AL Air has been consolidated only for two months. Turnover +8.3% on a like-for-like basis.

[2] Order book at +5.7% on a like-for-like basis.

[3] Excluding non-recurring costs of €5.1 million of which €2.3million related to the acquisition of AL Air, €1.8 million related to fair value of the AL Air inventory and €1 million of non-recurring costs related to the start-up of the new Polish plant and the relocation of the Chinese plant.

[4] +19.3% on a like-for-like basis, excluding the adoption of IFRS 16 (€1.3 million in the period).

[5] After the value of one-time costs of €4.6 million (€5.1 million gross of tax effects), mainly related to the acquisition of AL Air.

[6] Including put and call options on the minority in Spirotech and the share of the deferred price of AL Air.

For the LU-VE Group, the first half of 2019 was characterised by both turnover and profitability growth, thanks to:

- completion of the acquisition of AL Air on 30 April 2019: consolidated for only two months in the Financial Statement as of 30 June 2019, contributing €13.6 million to the turnover of the half year.
- organic growth of the Group's core business: Heat Exchangers (+8.3% on a like-for-like basis) and Air-Cooled Equipment (+9.2% on a like-for-like basis). Note also the Indian subsidiary Spirotech: +24.5% compared to the first half of 2018.
- growth of the US subsidiary Zyklus, +38.8% compared to the second half of 2018 (unconsolidated in the first half of 2018).

The Group displayed significant ability in intercepting market demand arising from ambitious energy efficiency requirements for the plants and the need to substitute traditional refrigerants with natural fluids with low environmental impact (following the introduction of European and international regulations which are becoming increasingly stringent). In the first half of 2019 the Group invested over €750,000 in R&D and implementing eco-friendly production equipment.

The most important event of the half-year is acquisition of 100% of the AL Air division of the Swedish multinational group Alfa Laval (completed on 30 April). This acquisition has relevant impact on future prospects: significant consolidation of market position of LU-VE in the **Air-Cooled Equipment** sector, leading to the Group becoming the world's third largest manufacturer of air cooled heat exchangers.

Other key events of the first half-year include:

- expansion of the plant in Poland: completion on time and on budget (21,000 covered sqm.);
- transfer of the Chinese facility in the special economic zone of Tianmen (Hubei): planned schedules and costs fully respected for a new plant of 15,000 square meters (double the size of the previous one);
- agreement to construct a production plant in the USA (Jacksonville, Texas) of about 25,000 sqm): the agreement with JEDCO - Jacksonville Economic Development Corporation, was signed through the subsidiary Zyklus (JEDCO is the local public authority dealing with economic development in the area). The agreement provides for the free granting of approximately 80,000 sqm. of land and a series of other incentives;
- growth of the Indian subsidiary Spirotech: invoiced products at €19.2 million (+24.5% compared with the first half of 2018).

The following table shows the trend in **turnover by product type** (air heat exchangers, air cooled equipment, close control precision air conditioners and special glass doors for refrigerated counters and cabinets9 in the two six-month periods for:

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PRODUCTS	€/000 H1 2019	%	€/000 H1 2018	%	Δ%
Heat Exchangers	106,544	57.1%	91,356	59.8%	+16,6%
Air Cooled Equipment	66,308	35.5%	48,281	31.6%	+37,3%
Glass Doors	5,536	3.0%	5,398	3.5%	+2,6%
Close Control	5.447	2.9%	5,705	3.7%	-4,5%
Total products	**183,835**	**98.4%**	**150,740**	**98.7%**	**+22.0%**
Others	2,897	1.6%	2,060	1.3%	+40.6%
Totals	**186,732**	**100.0%**	**152,800**	**100.0%**	**+22.2%**

Highlights include the robust growth of the two main lines of products (Heat Exchangers and Air Cooled Equipment, over 90% of the total) – at equal periods.

The following table shows the trend of turnover by **type of applications** in the two six-month periods subject to comparison:

APPLICATIONS	€/000 H1 2019	%	€/000 H1 2018	%	Δ%
Refrigeration	109,706	58.8%	93,540	61.2%	+17.3%
Air Conditioning	30,987	16.6%	24,903	16.3%	+24.4%
Special Applications	30,911	16.6%	25,816	16.9%	+19.7%
Power Generation	12,231	6.6%	6,481	4.2%	+88.7%
Total applications	**183,835**	**98.4%**	**150,740**	**98.7%**	**+22.0%**
Others	2,897	1.6%	2,060	1.3%	+40.6%
Totals	**186,732**	**100.0%**	**152,800**	**100.0%**	**+22.2%**

In the first half of 2019, the strategic process continued to further diversify product applications of the Group.

Refrigeration is confirmed as the traditional core segment, with a growth of 5.7% (on a like-for-like basis), albeit with a decreasing incidence on total sales (58.8%) thanks to the strong development registered in the segments of **Special Applications** (+19.7%) and **Air Conditioning (+24.4%),** also thanks to the contribution of the newly acquired AL Air.

Following the acquisition of Al Air and excellent organic growth of 20.9%, it should be noted that sales in the **Power Gen** field almost doubled (+88.7%)

Geographical distribution of sales: **Italy** grew by 14.5%, but further reduced its impact on total sales (21.2% compared to 22.6% in H1 2018).

Europe (including Italy) accounts for 77.2% of turnover, a percentage which will decline in the coming years thanks to the expected accelerated growth in North America and emerging markets.

The main **export markets** are Germany, Poland, the Czech Republic. Excellent results were recorded in China and Saudi Arabia.

ANALYSIS OF THE MAIN FINANCIAL STATEMENT ITEMS

Revenues and operating income increased by 22.2% (+€33.9 million). On a like-for-like basis, the increase would have been 8.3%. At constant exchange rates (like-for-like) the increase in revenues would have been 8.9%

The increase was due 9.2 points to volumes, while the prices component recorded a decrease of 0.9 points, in line with the reflective trend of the main raw materials.

Total operating costs increased from €135.7 million (88.8% incidence on revenues) to €166.4 million (incidence: 89.1%). On a like-for-like basis, they would have amounted to €146.4 million (88.4%). The overall increase is 22.7% (€30.8 million) and is largely due to the following factors:

- The consumption of materials grew by €18.3 million (impact on revenues substantially unchanged) and this increase is thus divided:
    - €12.7 million for the change in the scope of consolidation;
    - €1.8 million for reversing to the income statement the non-recurring costs related to the fair value adjustment of the AL Air warehouse, on the date of acquisition of control (in accordance with IFRS3 accounting rules);
    - 7.3 million for the increase in volumes and the change in the sales mix;
    - €3.6 million for cost reductions, linked to the price trend of the main raw materials;

- The increase in costs for services of €4.8 million is linked to:
    - €2.2 million as a result of the change in the scope of consolidation
    - €3.8 million for higher costs for transport, emoluments, consultancies and energy, net of the reduction in rents (€1.2 million) linked to the first application of IFRS16.

Costs for services include €2.6 million of non-recurring operating costs: €2.3 million related to the acquisition of "AL Air" and €0.3 million to the transfer of the Chinese plant);

- The increase in the cost of personnel of €7.5 million (of which €5.2 million change of scope of consolidation). The impact of personnel costs on revenues rose from 20.6% to 20.8% (20.4% on a like-for-like basis).

"Gross Operating Margin (EBITDA)" amounted to €20.3 million (10.9% of revenues) compared to €17.1 million (11.2% of revenues) in 2018.

Adjusted EBITDA excluding the impact of non-recurring operating costs, is €25.4 million (13.6% of sales). The adjustments (€5.1 million) have already been commented on for €4.4 million. The remaining amount (€0.7 million) refers to fixed costs incurred prior to the start of production at the new plants in Poland and China.
The change of the adjusted EBITDA compared to 30 June 2018 amounts to €7.3 million, (+40.3%) is generated by:

- increase in prices and volumes (€+3.5 million);
- change to the scope of consolidation (€+2.5 million, of which €1.2 million for Zyklus and €1.3 million for "Al Air");
- first adoption of IFRS16 (€1.3 million).

Depreciation shows an increase of €2.4 million, linked to the change to the scope of consolidation (€1.1million) and the first application of IFRS16 (€1.3 million).

Operating profit (EBIT) amounted to €9.3 million (5.0% of revenues) compared to €9.6 million (6.3% of revenues) in 2018. Excluding non-recurring operating costs (adjusted EBIT), it would have been €14.4 million (7.7% of revenues).

The **balance of the proceeds and financial charges was** negative for €1.5 million (negative for €1.7 million in 2018).

The **Pre-Tax Result (EBT)** amounted to €7.8 million (4.2% of revenues) compared to a value of €7.9 million at 30 June 2018 (5.2% of revenues). The EBT for the first half of 2019, normalized for non-recurring operating costs, would have amounted to €12.9 million (6.9% of revenues).

Net profit amounted to €6.0 million (3.2% of revenues) compared to €6.6 million (4.3% of revenues) as of 30 June 2018. The net result for the first half of 2019, net of non-ordinary operating costs, would have been equal to €10.5 million (5.6% of revenues) an increase of 38: 2% compared to 30 June 2018.

The **net financial position** is negative by €151.8 million (€63.6 million at 31 December 2018) with a difference of € 88.2 million, mainly due to:

- € 61 million - acquisition of "AL Air";
- € 17 million - first IFRS16 adoption;
- € 5.5 million - dividend distribution;
- € 14 million - capital expenditures;

- €1.0 million - adjustment of the put & call option on Spirotech;
- €9.0 million - negative change in net working capital;

net of €19.3 million of positive operating cash flow.

In the period 30 June 2018 – 30 June 2019, the net cash flow of extraordinary components was approximately €25.5 million.

Events after the end of the period

Consolidated sales of products alone at the end of August reached a value of €247.5 million, an increase of almost 25% compared to the same period of the previous year (7.1% on a like-for-like basis).

Compared to the same period in 2018, the order book at the end of August grew by 83.9% to a value of almost €80 million. This value includes approximately €32 million for former "AL Air" companies, which, due to the greater impact on the total sales of large projects related to the Power Gen segment, have historically had an order book with greater visibility.

On a like-for-like basis, order book growth is +10.1%.

Predictable business evolution

Despite the general climate of uncertainty that sees a slowdown in the international economy and the continuing tensions arising from the so-called "tariff war", demand in general remains active.

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President Mr. Iginio Liberali stated emphatically: "The Group has closed the first half of 2019 with important growth, also thanks to the newly acquired Al Air (consolidated for the two-month period May-June). LU-VE has proven to be performing well in an uncertain international scenario. Profitability has continued its growth trend, which began in the second half of 2017. The acquisition of the AL Air is the most important transaction in the history of the Group; it has been successfully completed and the integration process is proceeding on schedule. This acquisition makes LU-VE the third largest manufacturer in the world in the ventilated equipment segment. Our Indian company Spirotech has grown by almost 25%. The success of LU-VE in the international market stems from our research and development policy dedicated to respecting the fundamental principles of environmental protection. This policy, which we applied well in advance of the rest of the market, since 1986, continues to this day to reduce energy consumption, to apply natural refrigeration fluids and to implement new *manufacturing technologies for our products. The important results obtained are the values expressed by the Company's senior management and all our employees at every level. I thank them for this, on behalf of all the administrators and from me personally. The women and men of LU-VE are the Group's intellectual capital. They are our primary resource and we take special care of them; and that allows us to look to the future with great confidence."*

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The Manager in charge of the company's financial reports, Eligio Macchi, hereby declares that, pursuant to paragraph 2 Article 154 bis of the Consolidated Law on Finance, that the accounting information contained in this press release corresponds to the information reported on the Company's documents, books and accounting records.

*T*he *Reclassified Consolidated Income Statement, Reclassified Consolidated Statement of Balance Sheet, and Consolidated Statement of Cash Flows are attached.*

<u>For more information:</u>

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LU-VE Group is one of the world's largest manufacturers in the field of air 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 cabinets. LU-VE (HQ in Uboldo, Varese, Italy) is an international company with 16 production facilities in 9 different countries: Italy, China, Finland, India, Poland, the Czech Republic, Sweden, Russia and the USA, 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 for ITC, for the development of product calculation software and digitalization. The Group has more than 3,000 qualified employees (more than 1,000 of them in Italy); 570,000 square meters of surface area (of which more than 214,000 covered); 3,235 sqm of R&D laboratories; 83% of production exported to 100 countries. Turnover of €420.7 million (pro-forma 2018).
www.luvegroup.com

Attachments

Balance Sheet Reclassified Consolidated *(in thousands of Euro)*	**30/06/2019**	**% on net invested capital**	**31/12/2018**	**% on net invested capital**	**Variation 2019 on 2018**
Net intangible assets	111.737		70.170		
Net property, plant and equipment	155.114		125.061		
Deferred tax assets	5.778		4.722		
Other non-current assets	259		2.196		
Non-current activities (A)	**272.888**	**91.6%**	**202.149**	**96,7%**	**70.739**
Inventories	59.683		44.667		15.016
Receivables	80.750		50.854		29.896
Other receivables and current assets	11.666		9.472		2.194
Current assets (B)	**152.099**		**104.993**		**47.106**
Trade payables	78.681		57.800		20.881
Other payables and current liabilities	25.340		20.585		4.755
Current liabilities (C)	**104.021**		**78.385**		**25.636**
Net working capital (D-B-C)	**48.078**	**16.1%**	**26.608**	**12,7%**	**21.470**
Provisions for employee benefits	5.717		4.057		1.660
Deferred tax liabilities	13.013		13.173		(160)
Provisions for risks and charges	4.466		2.581		1.885
Medium and long-term liabilities (E)	**23.196**	**7.8%**	**19.811**	**9,5%**	**3.385**
Net Invested Capital (A-D-E)	**297.770**	**100,0%**	**208.946**	**100,0%**	**88.824**
Shareholders' equity attributable to the Group	142.599		142.216		383
Non-controlling interests	3.404		3.170		234
Total Consolidated Net Worth	**146.003**	**49.1%**	**145.386**	**69,6%**	**617**
Net Financial Position at Medium-Long Term	164.540		156.303		8.237
Net Financial Position at Short Term	(12.773)		(92.743)		79.970
Total Net Financial Position	**151.767**	**50.9%**	**63.560**	**30,4%**	**88.207**
Net Worth and Net financial position	**297.770**	**100,0%**	**208.946**	**100,0%**	**88.824**

Reclassified Consolidated Income Statement ***(in*** *thousands of Euro)*	**H1 2019**	**% Revenues**	**H1 2018**	**% Revenues**	**% change**
Revenues and Operating income	186.732	100%	152.800	100,0%	22.2%
Purchases of materials	(98.727)	52.9%	(89.758)	58,7%	
Changes in inventories	(679)	0.4%	8.621	-5,6%	
Services	(26.926)	14.4%	(22.104)	14,5%	
Personnel costs	(38.895)	20.8%	(31.438)	20,6%	
Other operating costs	(1.212)	0.6%	(1.001)	0,7%	
Total operating costs	**(166.439)**	**89.1%**	**(135.680)**	**88,8%**	**22.7%**
Gross Operating Margin (Ebitda)	**20.293**	**10.9%**	**17.120**	**11,2%**	**18.5%**
Variation in fair value of derivatives	(969)	0.5%	248	-0,2%	
Depreciation and amortization	(10.252)	5.5%	(7.888)	5,2%	
Gains/losses on non-current asseta	205	-0.1%	103	-0,1%	
Operating Result (Ebit)	**9.277**	**5.0%**	**9.583**	**6,3%**	**-3.2%**
Net financial income and expense	(1.473)	0.8%	(1.675)	1,1%	
Pre-tax profit (Ebt)	**7.804**	**4.2%**	**7.908**	**5,2%**	**-1.3%**
Income taxes for the period	(1.849)	1.0%	(1.290)	0,8%	
Net profit for the period	**5.955**	**3.2%**	**6.618**	**4,3%**	**-10.0%**
Minority interest	**(327)**		**(296)**		
Profit attributable to the Group	**5.628**	**3.0%**	**6.322**	**4,1%**	**-11.0%**

Consolidated Statement of Cash Flows *(in thousands of Euro)*		**H 1 2019**	**H 1 2018**
A.	**Cash and cash equivalents at the beginning of the period**	**85.905**	**50.762**
	Profit (loss) for the period	5.628	6.322
	Adjustments for:		
	- Depreciation and amortization	10.252	7.888
	- Realized gains on non-current assets	(205)	(294)
	- Net financial income and expense	1.179	1.821
	- Income taxes	1.849	1.289
	- Fair value changes booked operating income	968	(248)
	Changes in post-employment benefits	74	100
	Changes in provisions	61	(54)
	Changes in trade receivables	(20.687)	(17.136)
	Changes in inventories	1.172	(7.961)
	Changes in trade payables	12.791	(265)
	Changes in net working capital	**(6.724)**	**(25.362)**
	Changes in other receivables and payables, deferred taxes	1.915	(265)

	Tax payment	(1.816)	(1.373)
	Received/paid net financial income/expenses	(1.174)	(1.914)
B.	**Cash flows generated/absorbed by operating activities**	**12.007**	**(12.090)**
	Investments in non-current assets:		
	- intangible assets	(2.198)	(2.335)
	- property, plant and equipment	(13.890)	(7.667)
	- financial assets	-	-
	Business combination net acquisition price	(29.689)	(8.535)
C.	**Cash flows generated/absorbed by investing activities**	**(45.777)**	**(18.537)**
	Repayment of loans	(44.291)	(33.367)
	New loans	52.503	30.500
	Changes in other financial liabilities (*)	(8.013)	(243)
	Changes in short-term financial assets	5.024	7.014
	Purchase of treasury shares	-	(160)
	Contributions/repayments of own capital	-	-
	Payment of dividends	(5.519)	(4.940)
	Other changes	(414)	1.040
D.	**Cash flows generated/absorbed by financing activities**	**(710)**	**(156)**
	Exchange differences	818	(2.774)
	Another non-monetary changes	803	2.011
E.	**Other changes**	**1.621**	**(763)**
F.	**Net cash flows in the period (B+C+D+E)**	**(32.859)**	**(31.546)**
	Cash and cash equivalents at the end of the period (A+F)	**53.046**	**19.216**
	Current financial debt	40.273	(15.243)
	Non-current financial debt	164.540	110.165
	Net financial debt (Note 3.20)	**151.767**	**75.706**

(*) This change, for the first half of 2019, includes the balance of payables paid during the period related to lease contracts under IFRS 16.