



Uboldo (Varese), 29.3.2016

PRESS RELEASE

2015 TURNOVER €212.3 MILLION and 2016 FIRST QUARTER +12.6%

Iginio Liberali, the President of the Company said: *“In 2015 we achieved an important result, despite the difficult international context. It is a result validated by the positive start to 2016. LU-VE is therefore confirming its strategic objectives for the marketplace”.*

I – Draft financial statement of LU-VE S.p.A. and consolidated balance of 31 December 2015 approved, compliant with IAS/IFRS international accounting principles: turnover €212.3 million, first quarter of 2016 trending upwards:

- Turnover 2015: €212.3 million (€215.5 million in 2014; -1.5% compared to 2014, -0.4% at constant exchange rates);
- Net profit for financial year €9.6 million (€10.9 million in 2014);
- EBITDA €26.2 million (€31.4 million in 2014);
- Adjusted EBITDA (excluding non-recurrent costs) €29.1 million (€32.0 million in 2014);
- Net financial position positive by €4.2 million (negative by €49.4 million in 2014);
- First quarter turnover 2016: €59.4 million (+12.6% on 2015);
- Order book estimated at the close of first quarter: +20% compared to the same date 2015.

II – Dividend of €0.20 per share proposed.



III - Start of procedure for transfer of listing from AIM Italia to **listing on MTA** decided.

IV – Convocation of general meeting for **approval of financial statement** and of **the renewal of authorization of acquisition of own shares** decided.

Uboldo, 29th March 2016 – The Board of Directors of LU-VE, meeting on this same date, approved the draft financial statement of LU-VE S.p.A. and the Group consolidated balance sheet, **the first prepared using the IAS/IFRS international accounting principles.**

1. CONSOLIDATED BALANCE SHEET OF 31 DECEMBER 2015

<i>Management trends</i>

2015 saw an important result for the company which, since July 9th, on merging with Industrial Stars of Italy S.p.A, has been listed on AIM Italia, the alternative stock market managed by Borsa Italiana S.p.A.

In 2015 the process of developing LU-VE Group continued, thanks to strong product diversification and to the markets, which allowed us to confront the slowing of the oil and gas sector and the economic and currency crises (particularly in Russia), closely related to the prices of raw materials. Product sales value was €209.1 million (at constant exchange rates, -0.2% compared to the previous year) thanks to significant growth in the refrigeration sector, which almost entirely compensated for the fall in other areas.

In 2015, the macroeconomic scenario was still characterized by strong uncertainty, with slowing in both growth in emerging markets, and in recovery in Europe and the United States. This had a significant effect on the market for some of the most important raw materials used by the Group (copper and aluminium), as it had on oil prices. This heavily influenced and slowed the investment programme of some customers for projects principally in the oil and gas and power generation sectors.



In general, the demand for the different products of the Group and from the different business sectors has been somewhat inconsistent. .

Regarding the **subdivision of activity according to the product application**, the following has become evident:

- i. Positive result in the refrigeration market: (70% of Group sales), with a growth of 3.8%, despite a slowdown in investment from some of the principal European supermarket chains (particularly in the U.K. and in France) and the dramatic fall in demand from Ukraine and Russia, where the growth in products made in the Lipetsk plant, did not manage to compensate for the strong reduction in the export of products still only produced in the Group's Italian plants;
- ii. A slight fall (-3.3%) in the air-conditioning sector, which sees the Group active mainly in Europe and Russia, following the slowdown and/or the postponing of large-scale projects and also as a result of increasing price competition;
- iii. The special applications segment (-7.7%) suffered from the finishing of some multi-year projects in the field of train air-conditioning, and from the delay in launching new projects;
- iv. The collapse of the price of oil has had a strong negative effect on sales in new emerging sectors for the Group, namely oil and gas, where during 2014, some important projects were carried out which were not repeated as expected, and in power generation. However, a resumption in the flow of requests received in the second six months and the awarding of some important contracts gives hope of a good possibility of future recovery.

The trend for applications in 2015, compared with 2014, is summarized in the following table:

SALES PER APPLICATION € /000	2015	Abc %	2014	Abc %	Delta %
Refrigeration	147,351	70.5%	141,930	66.9%	+3.8%
Air- conditioning	36,905	17.6%	38,164	18.0%	-3.3%
Special Applications	20,115	9.6%	21,787	10.3%	-7.7%
Power Gen /Industrial Applications	4,729	2.3%	10,192	4.8%	-53.6%
TOTAL*	209,100	100.0%	212,073	100.0%	-1.4%

*In 2015 the Group earned further revenue of Euro 3.2 million, which brings the total turnover to Euro 212.3 million.



The results of the analysis for each product line is shown in the following table:

SALES PER PRODUCT LINE €/000	2015	Abc %	2014	Abc %	Delta %
Heat Exchangers	114,685	54.8%	120,417	56.8%	-4.7%
Air cooled products	7,049	34.5%	69,212	32.6%	+4.1%
Doors	13,244	6.3%	10,794	5.1%	+22.7%
Close Control	9,122	4.4%	11,650	5.5%	-21.7%
TOTAL *	209,100	100.0%	212,073	100.0%	-1.4%

* In 2015 the Group earned further revenue of Euro 3.2 million, which brings the total turnover to Euro 212.3 million, with a negative variation of 1.5% on 2014.

Economic and investment data

During the financial year 2015, the **operative revenues and income** fell by 1.5% (-0.4% at constant exchange rates).

The total **operative costs** rose from €184.1 million (85.4% on revenues) to €186.0 million (87.6% on revenues). The principal variations are attributable to the following:

- extraordinary costs connected to stock market listing (+ €0.9 million);
- start-up of SAP management software program in two manufacturing subsidiaries and resulting temporary outsourcing of some processes (+ €0.7 million);
- transfer of some production units (+ €0.4 million);
- restructuring plan, completed during the financial year (+ €0.9 million);
- actions to improve the commercial, logistics/production and Research and Development departments, in order to support the planned growth (+ €1.2 million);
- reduction and optimization of purchasing and other operative costs (- €2.2 million).

The **Gross Operative Margin** (EBITDA) in 2015 was €26.2 million (12.4% of revenue) compared to €31.4 million (14.6% of income in 2014. At constant exchange rates the EBITDA for 2015 would have been €27.1 million. This decrease (€4.3 million at constant exchange rates) is principally due to the extraordinary costs reported in the preceding paragraph.

Depreciation shows a slight increase (€0.5 million) following the acceleration of investment plans.



The **Operating Result (EBIT)** was €13.9 million (6.6% of revenue) compared to €20.8 million (9.6% of revenue) in the financial year 2014. The difference was amplified by the impact of the variation in fair value of financial derivatives (on interest rates, exchange rates and raw materials) which penalized 2015 by €1.1 million, compared to the previous year.

The **Net balance of income and charges** for the financial year 2015 is negative by €3.4 million (€5.7 million, on 31 December 2014). The financial charges were reduced in comparison with 2014 by €0.7 million.

The **Pre-tax result (EBT)** for the financial year 2015 was €10.5 million (5.0% of revenue) compared to a value of €15.1 million on 31 December 2014 (7.0% of revenue). Due to reduced taxation and the revaluation of deferred tax with the expected new tax rates, the impact of **taxation** fell from €4.2 million in 2014, to €0.9 million in 2015.

Net profit for 2015 was €9.6 million (4.5% of revenue) compared to €10.9 million (5.1% of revenue), on 31 December 2014.

In terms of **asset and financial management**, the Group consolidated balance shows a substantial consistency in non-current assets.

Property investments during the year amounted to about €13 million (compared to an average value in the last five years of approximately €9 million).

The Group **working capital** (inventory plus receivables from customers net of liabilities to suppliers), thanks to careful management, fell significantly from €14.7 to €11.3 million, with an impact on revenue of 5.3% (6.8%, on 31 December 2014). The average annual working capital was approximately 10% of revenue.

The **net consolidated assets** (following the merger with Industrial Stars of Italy S.p.A.) was €125.8 million, compared to €68.9 million, on 31 December 2014. The increase, (approximately €57 million) was largely due to the increase in capital following the stock exchange listing on 9 July 2015 (approximately €50.6 million), to the results of the financial year (€9.6 million) and to a distribution of dividends (€3 million).

The **net financial position** was positive by €4.2 million (negative by €49.4 million on 31 December 2014) with an increase of €53.6 million, largely due to the merger with Industrial Stars of Italy. The company cash flow, adjusted for the extraordinary components, was approximately €13 million. On 31 December 2015, debt was almost entirely medium-term and liquidity amounted to approximately €120 million.



Events after the end of the financial year

On 17 February 2016, a new company, called LuveDigital S.r.L, was created, which is 50% owned by LU-VE. The objective is to create an *ad hoc* structure aimed at developing new I.T. tools and platforms for the promotion of the products manufactured by the Group. On the 22 February 2016, the deed of merger was stipulated for the incorporation in LU-VE of Metalluve S.r.l., a company wholly owned by LU-VE, active in the working and painting of sheet metal, products destined almost entirely for use by companies within the Group.

The merger became effective on the 1st March 2016, while the accounting and tax implications are retroactive to 1st January 2016.

On 25 February 2016, as per a previous agreement, LU-VE acquired the remaining 10% of the company capital of the subsidiary HTS - Heat Transfer Systems S.r.o. (Novosedly, Czech Republic), for the sum of €2,050,000.

In March 2016, Eurovent officially certified that the products for refrigeration and air conditioning produced by LU-VE Exchangers (alone among the certified companies) had exclusively positive test results and conformed to the catalogue over the past five years. (Mean Failure Value: 0%).

Forecast of management developments

The Group turnover, in the first quarter of 2016, will exceed €59 million, with a strong increase (over 12%), when compared to the same period in the previous year and to the forecast values, despite the continuation of general uncertainty in the markets, particularly in countries whose economies are most negatively impacted by the low oil prices.

The order book confirms the very positive trend **(+20%)** compared to the previous year.

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2. DIVIDEND



The Board of Directors decided to propose to the Shareholders' Meeting a **gross dividend of €0.20 per share**, payable from 11 May 2016, with ex-dividend date 9 May 2016 (Record date 10 May 2016).

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3. TRANSFER TO *Mercato Telematico Azionario* (MTA)

The Board of Directors approved the transfer from AIM Italia to MTA. The procedures and operations necessary for this end were initiated. The President said: *"The company has given itself the objective of completing the transfer by the end of the year, or in the first few months of 2017".*

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4. CONVENING OF MEETING TO APPROVE THE FINANCIAL STATEMENT AND AUTHORIZATION OF ACQUISITION OF OWN SHARES

Convening of Shareholders' Meeting

In today's meeting, the Board of Directors decided to convene the General Assembly on the 29 April 2016, in first convocation, and on 30 April 2016 in second convocation, to discuss and decide the following agenda:

- 1. Presentation of Annual Financial Report including the draft Financial Statement for the financial year on 31 December 2015, of the Report of the Board of Auditors and of the Report of the Auditing Company; resulting and related decisions*
- 2. Proposal to authorize the acquisition and placement of own shares, following revoking of decisions taken by Assembly of 28 April 2015. Related and resulting decisions.*

It is specified that the notice of the integral convocation of the Assembly, the report of the Board of Directors on the topics on the agenda and all documentation required by current law, will be made available at the registered office of the company and on the company internet site www.luvegroup.com, Investor Relations section, compliant with the law.



Proposal to the assembly for the authorization of the acquisition and placement of own shares

With particular reference to the proposal to renew the assembly's authorization of the acquisition and placement of own shares, following the revoking of decisions taken by the Shareholders' Meeting of 28 April 2015, it is specified that the reasons for this authorization are:

- the possibility to invest in company capital and sustain share liquidity;
- the possibility to use own shares in transactions related to industrial projects in which there is the opportunity of exchanges or divestment of shareholdings;
- the acquisition or divestment of own shares, in compensation plans based on financial instruments in accordance with article 114bis of TUF.

The proposal stipulates that:

- the maximum number of shares that can be acquired is equal to 1,400,000 ordinary shares;
- the authorization will be valid for 18 months;
- the purchase price for own shares must be, including attendant charges, as a minimum, not inferior by 20% and, as a maximum, not greater by 10% than the official trading price registered on AIM Italia on the day before the acquisition.

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