ANNUAL REPORT 2015

Translation from italian original which remains the definitive version

MISSION

To build a cleaner world and to design better quality into the future for the next generations, with a profound sense of social responsibility for the territory, society and the environment while intensifying social commitment to sustainable mobility.

Our mission offers a tangible contribution to this ambitious objective: since sixty years, we have been providing real solutions for sustainable transportation by marketing and installing fuel systems based on less expensive, alternative fuels with smaller environmental footprints.

Technology, innovation and respect for the planet and for human beings: these are the values guiding our daily choices, transforming our present into the future we want.

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LETTER TO THE SHAREHOLDERS

Dear Shareholders,

2015 was fraught with difficulties for our sector as a whole, clearly linked to oil price trends and, therefore, to external dynamics that temporarily and partially reduced savings, one of the main factors that influence the decision to use LPG and CNG as alternative fuels in the automotive sector.

In the second half of last year alone, the value of Brent crude oil dropped from 52 USD to 35 USD, and this trend does not look set to change significantly at the beginning of 2016.

As well as the impact of this external economic factor, certain significant markets for the Group were affected by unfavourable geopolitical situations: the historically important Russian market, for instance, is still recovering.

On the other hand, a number of government initiatives were launched across all continents to address the aforementioned external factors, and these represent important medium-term drivers for development of the sector, aimed at combating atmospheric pollution, and in particular pollution caused by the automotive sector.

The public is well aware of the events that, at mid-September, saw focus being placed on diesel engines and the new emissions limits which, not only in the United States but also in Europe, will characterize production in the automotive sector, making it necessary to bring type-approvals into line with the actual conditions of use of vehicles on the road.

Also relevant is the media and political debate that, in Italy and elsewhere, characterized the discussion on the appropriate strategies to adopt to address the smog emergency effectively.

In this regard, it should be noted that the group finalised its dual fuel (diesel-CNG) project, which can contribute to providing a concrete solution to the issues raised by *dieselgate*.
The COP 21 International Conference in Paris last year also raised the issue of the need for a renewed international effort to reduce climate-changing emissions, which, together with those directly harmful to public health, represent a new technological and environmental challenge involving all industrial sectors.
In this situation, decisions can no longer be deferred and gas fuel represents one of the alternatives capable of substantially and quickly reducing harmful emissions associated with the use of road vehicles.
Our group is the technological leader in the sector, and is therefore in a position to seize new business opportunities presented by the aforementioned situation.
The positive change in the political climate in some markets also presents new opportunities for development: the Iranian market, for instance, which was historically an important market for sales, prior to the introduction of restrictions associated with the embargo.

As a result of the aforementioned market difficulties, reflected in the Group's poor economic performance in the financial period that has just ended, the strategy already implemented in the closing months of 2015 will impact upon the Group's core business and key skills, through the development of innovative product solutions associated with significant cost restructuring and recovery of efficiency, particularly in the industrial context and in human resources.

We trust that we will be capable of creating the ideal conditions to return to prosperity in a manner that, on the one hand, is suited to defying the current climate and, on the other, strongly responsive to opportunities which, thanks to our international vocation, we will be in a position to seize.
Our combination of innovation and focus on the market will continue to set us apart. We hope, as we confidently reaffirm this concept, that you will remain by our sides, united and confident.

Chairman and Chief Executive Officer
Stefano Landi

2015 SUMMARY FINANCIAL STATEMENTS

(Thousands of Euro)

	2013	2014	2015
ECONOMIC INDICATORS			
Revenue	222,809	233,213	205,522
Adjusted Gross Operating Profit (EBITDA) (1)	11,036	18,293	5,770
Gross Operating Profit (EBITDA)	11,036	18,293	-1,284
Adjusted Operating Profit (EBIT) (2)	-6,558	2,820	-9,669
Operating Profit (EBIT)	-22,198	2,572	-26,901
Result Before Tax	-26,809	-108	-32,673
Net result for the Group and minority interests	-25,960	-1,744	-35,587
Adjusted Gross Operating Profit (EBITDA) / Revenue	5.0%	7.8%	2.8%
Adjusted Operating Profit (EBIT) / Revenue	-10.0%	1.2%	-4.7%
Net profit for the Group and minority interests / Revenue	-11.7%	-0.7%	-17.3%
CONSOLIDATED BALANCE SHEET			
Net tangible and other non-current assets	126,937	125,157	111,020
Operating capital (3)	55,558	47,455	38,317
Non-current liabilities (4)	-18,754	-17,290	-18,063
NET CAPITAL EMPLOYED	163,741	155,322	131,274
Net financial position (opening cash) (5)	53,928	47,246	59,459
Equity	109,813	108,076	71,815
BORROWINGS	163,741	155,322	131,274
KEY INDICATORS			
ROI (EBIT (6)/Average net capital employed for the period)	-12.2%	1.6%	-17.1%
Net financial debt / Equity	49.1%	43.7%	82.8%
Adjusted net financial debt / EBITDA	4.89	2.58	10.30
Gross tangible and intangible investments	18,559	13,799	15,523
Personnel (peak)	915	910	846
CASH FLOWS			
Operational cash flow	30,647	20,060	4,185
Cash flow for investment activities	-19,296	-13,370	-15,223
FREE CASH FLOW	11,351	6,690	-11,038

(1) The figures include the recording of non-recurrent expenses totalling Euro 7,054 thousand in 2015.

(2) The figures include the recording of non-recurrent expenses totalling Euro 15,640 thousand in 2013, Euro 248 thousand in 2014 and Euro 17,232 thousand in 2015.

(3) This is calculated as the difference between Trade Receivables, Inventories, Contract work in progress, Other Current Assets and Trade Payables, Tax liabilities, Other Current Liabilities.

(4) These are calculated by totalling Deferred Tax Liabilities, Defined Benefit Plans and Provisions for Risks and Charges.

(5) The net financial position is calculated in accordance with the provisions of CONSOB Communication DEM/6064293 of 28 July 2006.

(6) Operating Profit (EBIT) is represented by the economic result gross of financial management and taxes.

LANDI RENZO'S MILESTONES

'90

Landi Renzo became an industrial group. In 1993 it took over Landi S.r.l. and Eurogas Holding B.V., a Dutch company in the same sector. In 1999, the Group opened its Polish branch, Landi Renzo Polska S.p.Z.o.o. The following year the Group acquired Med S.p.A. of Reggio Emilia.

'70-'80

When Renzo Landi died prematurely in 1977, his wife and son, Stefano, continued to manage the business. Ten years later it became a joint stock company and Stefano was appointed Managing Director

'60

The sales network quickly covered domestic territory and by 1963-1964 the company was exporting to Japan, France, Belgium and the Netherlands. Soon there were new opportunities in Eastern Europe, India and South America too.

'50

In 1954 Renzo Landi and his wife Giovannina Domenichini opened Officine Meccaniche Renzo Landi in the city of Reggio Emilia. It was the only foundry specializing in bespoke fuel pumps for all types of vehicles.

'00-'10

In 2001, 70% of Eurogas Holding B.V. was transferred and the Landi International B.V. subsidiary acquired Eurogas Utrecht B.V.. Also in 2001, the Group inaugurated new headquarter in Cavriago di Reggio Emilia.

The harmonious and innovative architectural design incorporated and expressed the concept of advanced technology that characterizes the company and its products. The process of internationalization continued as a series of overseas branches was opened: Brazil in 2003, China in 2005 and Pakistan in 2006. 2006 was also the year when LANDIRENZO Corporate University was founded as a factory of ideas and activities for developing human resources in the Landi Renzo Group and for promoting sustainable mobility.

Landi Renzo Pars was inaugurated in Teheran (Iran) in 2007.
On 26 June 2007 Landi Renzo S.p.A. was listed on the Milan stock market STAR segment. This was a significant step, intended to infuse new energy into the company's growth.
At the same time, the listing was a guarantee of transparency: it boosted the reputation of the Landi Renzo Group on market and in relations with top-level customers and suppliers.

In October 2008 a third world-class player, Lovato Gas, was acquired.

'10-**'15**

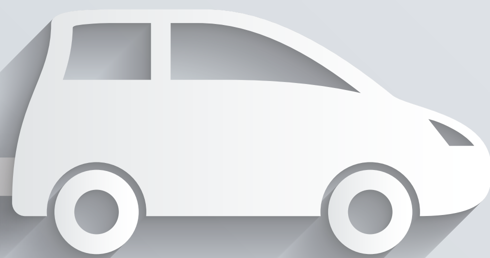
Over the past four years expansion has continued with the acquisitions of A.E.B. Technologies and Baytech (USA) and the opening of new subsidiaries in Romania, Venezuela, Argentina, India and the United States. In July 2012, SAFE S.p.A. came into the Group expanding the product portfolio with the knowhow for producing methane filling stations, undoubtedly a competitive advantage.

In addition, the joint ventures Krishna Landi Renzo India Private Limited Held, in partnership with an Indian trader in the automotive sector, and EFI Avtosanoat-Landi Renzo LLC were incorporated.

During 2014, the company Safe Gas (Singapore) Pte. Ltd. was established, with its headquarters in Singapore, fully controlled by the company Safe S.p.A.

On the occasion of the event organized to celebrate the 60th anniversary of Landi Renzo, on 19 september 2014, the new Research and Development Center was officially opened.

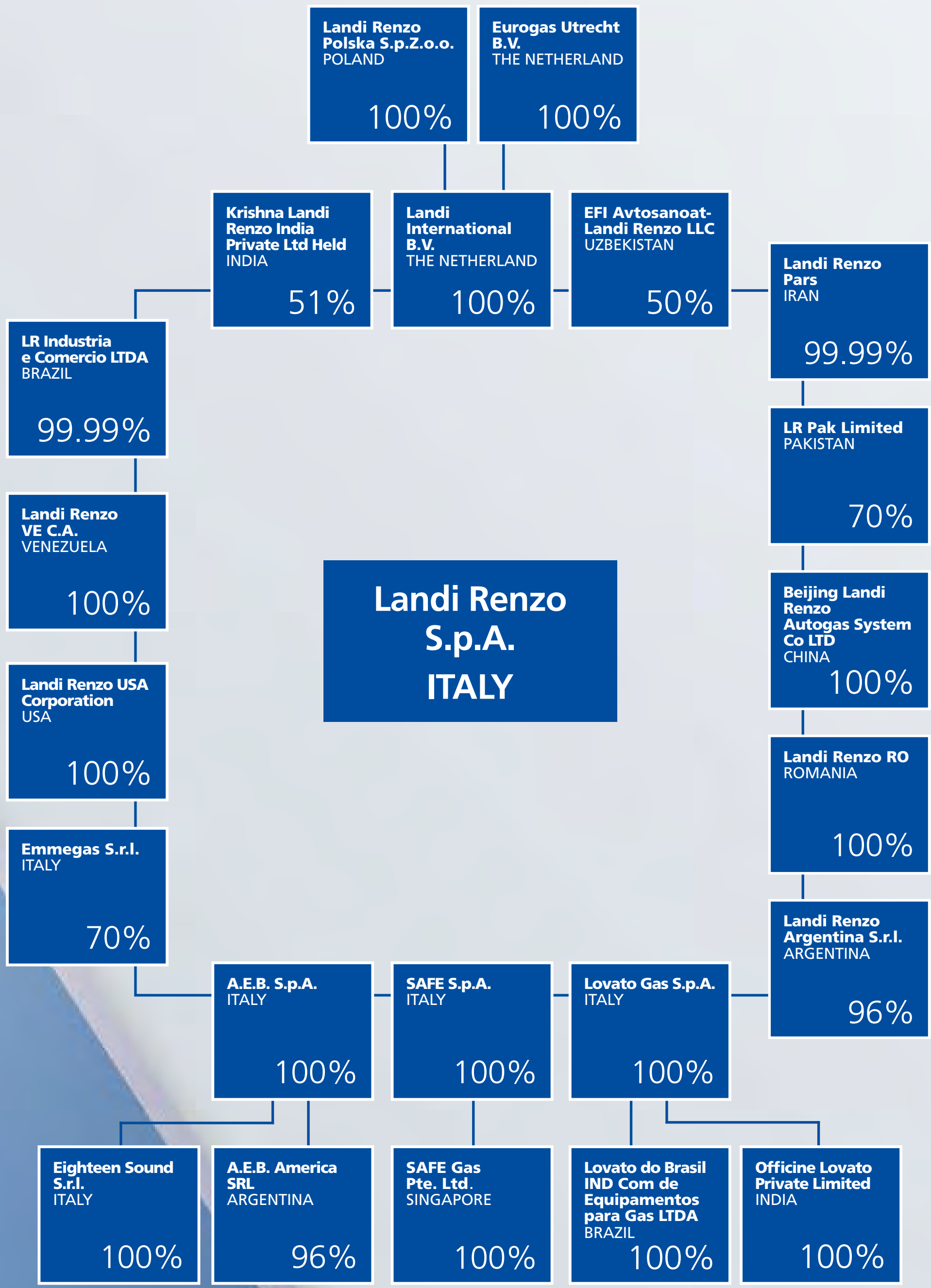
During 2015, the subsidiary Landi Renzo Argentina S.r.l. was established, controlled by parent company. It will allow to increase presence in local market through the sale of gas sector systems and components for motor vehicles.



THE GROUP STRUCTURE

Compared to 31 December 2014, the structure of the Landi Group has changed following the establishment, in April 2015, of the company Landi Renzo Argentina S.r.l., with registered offices in Buenos Aires, controlled by the Parent Company.

LANDI RENZO WORLDWIDE



COMPANY BODIES

The Shareholders' Meeting of the parent company Landi Renzo S.p.A. held on 24 April 2013 appointed the Board of Directors and the Board of Statutory Auditors for the three years 2013 - 2015, and therefore until the meeting to approve the Financial Statements at 31 December 2015.

At 31 December 2015, the company appointments are distributed as follows:

Board of Directors

Chairman and Chief Executive Officer	Stefano Landi
Honorary Chairperson - Director	Giovannina Domenichini
Executive Director	Claudio Carnevale
Director	Antonia Fiaccadori
Director	Herbert Paierl
Independent Director	Alessandro Ovi (*)
Independent Director	Tomaso Tommasi di Vignano

Board of Statutory Auditors

Chairperson of the Board of Statutory Auditors	Eleonora Briolini
Statutory Auditor	Luca Gaiani
Statutory Auditor	Marina Torelli
Alternate Auditor	Filomena Napolitano
Alternate Auditor	Pietro Gracis

Board of Statutory Auditors

Chairman	Alessandro Ovi
Committee Member	Tomaso Tommasi di Vignano

Committee for Remuneration

Chairman	Tomaso Tommasi di Vignano
Committee Member	Alessandro Ovi

Committee for Transactions with Related Parties

Committee Member	Alessandro Ovi
Committee Member	Tomaso Tommasi di Vignano

Supervisory Board pursuant to Italian Legislative Decree 231/01

Chairman	Domenico Aiello
Member of the Board	Alberta Figari
Member of the Board	Enrico Gardani

Independent Auditors

KPMG S.p.A.

Officer in charge of preparing the financial statements

Paolo Cilloni

Registered office and company details

Landi Renzo S.p.A.
Via Nobel 2/4/6
42025 Corte Tegge - Cavriago
(RE) - Italy
Tel. +39 0522 9433
Fax +39 0522 944044
Share Capital: Euro 11,250,000
Tax Code and VAT No. IT00523300358
This report is available
on the Internet at: www.landi.it

(*) The director is also appointed Lead Independent Director

CORPORATE STRUCTURE AT 31 DECEMBER 2015

Description	Registered Office		Share capital	Direct investment	Indirect investment	Notes
Landi Renzo S.p.A.	Cavriago (RE)	EUR	11,250,000	Parent Company		
Landi International B.V.	Utrecht (The Netherlands)	EUR	18,151	100.00%		
Eurogas Utrecht B.V.	Utrecht (The Netherlands)	EUR	36,800		100.00%	(*)
Landi Renzo Polska Sp.Zo.O.	Warsaw (Poland)	PLN	50,000		100.00%	(*)
LR Industria e Comercio Ltda	Espirito Santo (Brazil)	BRL	4,320,000	99.99%		
Beijing Landi Renzo Autogas System Co. Ltd	Beijing (China)	USD	2,600,000	100.00%		
L.R. Pak (Pvt) Limited	Karachi (Pakistan)	PKR	75,000,000	70.00%		
Landi Renzo Pars Private Joint Stock Company	Tehran (Iran)	IRR	55,914,800,000	99.99%		
Landi Renzo RO srl	Bucharest (Romania)	RON	20,890	100.00%		
Landi Renzo Ve C.A.	Caracas (Venezuela)	VEF	2,035,220	100.00%		(^)
Landi Renzo USA Corporation	Wilmington - DE (USA)	USD	3,067,131	100.00%		
AEB S.p.A.	Cavriago (RE)	EUR	2,800,000	100.00%		
AEB America S.r.l.	Buenos Aires (Argentina)	ARS	2,030,220		96.00%	(§)
Eighteen Sound S.r.l.	Reggio Emilia	EUR	100,000		100.00%	(§)
Lovato Gas S.p.A.	Vicenza	EUR	120,000	100.00%		
Lovato do Brasil Ind Com de Equipamentos para Gas Ltda	Curitiba (Brazil)	BRL	100,000		100.00%	(#) (^)
Officine Lovato Private Limited	Mumbai (India)	INR	20,000,000		100.00%	(#)
SAFE S.p.A.	S.Giovanni in Persiceto (BO)	EUR	2,500,000	100.00%		
Safe Gas (Singapore) Pte. Ltd.	Singapore	SGD	325,000		100.00%	(ç) (^)
Emmegas S.r.l.	Bibbiano (RE)	EUR	60,000	70.00%		
Landi Renzo Argentina S.r.l.	Buenos Aires (Argentina)	ARS	1,000,000	96.00%	4.00%	(#) (^)
Krishna Landi Renzo India Private Ltd Held	Gurgaon - Haryana (India)	INR	90,000,000	51.00%		(&)
EFI Avtosanoat-Landi Renzo LLC	Navoi Region - Uzbekistan	USD	800,000	50.00%		(&)(^)

Detailed notes on investments:

(*) held by Landi International B.V.

(§) held by AEB S.p.A.

(#) held by Lovato Gas S.p.A.

(ç) held by Safe S.p.A.

(^) not consolidated because not significant

(&) corporate joint venture

CORPORATE VALUES

THE COURAGE OF OUR CONVICTIONS

From the day of its birth, the DNA of our company has been characterised by **a profound conviction that individuals are the fundamental value** for the success of Landi Renzo S.p.A. in the world.
This conviction is reflected in the **value** of the daily choices we make in conducting the Group's activities.

RESPECT

- for the work, ideas and personal growth of each individual;
- for the environment;
- for civil society;
- for the law and regulations.

GROWTH

through training programmes and regular refresher courses to improve the knowledge and culture of our staff at all levels.

TRANSPARENCY

with a corporate governance code that favours and ensures a solid foundation for growth.

INNOVATION

structured research and years of experience in the field give the company a commanding position in all sectors of operations.

QUALITY

developing high standards to satisfy the expectations and requirements of each customer.

RELIABILITY

to provide adequate guarantees to all stakeholders including personnel and customers; suppliers, the distribution network and fitters; partners and investors.

BUSINESS MODEL

SERVING THE MARKET WITH EXCELLENCE

The Landi Renzo business model is based on the concept of **product total quality,** the final output of a series of flexible and efficient processes based on:
- containment of production costs,
- controlling the critical phases of the value chain.

The **production system** consists of a network managing the three main phases.

Landi Renzo runs more than ten assembly plants throughout the world with the capacity to fit out over 1400 eco-vehicles every day.

The Group's companies produce **the greatest variety in the world of LPG and methane fuel transfer pumps.**

These solutions are **highly personalised** to meet the specific requirements of each vehicle model and are designed for the two markets of reference:
- automobile manufacturers (OEM - Original Equipment Manufacturers), through vital and consolidated partnerships;
- the network of branches, resellers and fitters (the *After-Market*).

SIGNIFICANT EVENTS DURING THE YEAR

APRIL

MAY

SEPTEMBER

OCTOBER

NOVEMBER

On 24 April 2015, the Shareholders' Meeting resolved, amongst other things:

- allocation of the 2014 annual profits of Euro 211,778.96 to the extraordinary reserve, as the statutory reserve has already reached one fifth of share capital;
- renewal of authorization for the purchase and disposal of treasury shares;
- in an extraordinary meeting, amendment of the Articles of Association to introduce the mechanism of majority of voting rights.

In April, the Group published the 2014 Sustainability Report, in order to strengthen the dialogue with stakeholders, as it is fully aware that day-to-day activities directed towards sustainability are a means of creating value not only for companies but, from a broader perspective, for the community as a whole and for stakeholders with whom the Group interacts.

On 22 April 2015, the company Landi Renzo Argentina S.r.l. was established, with registered office in Buenos Aires, for the purposes of production and sale of gas sector products and components on the local market.

On 14 May 2015, through the notice published by Borsa Italiana S.p.A., the "LANDI RENZO 6.10% 2015-2020" (ISIN: IT0005107237) bonded loan was admitted for trading on the ExtraMOT PRO market. The issue, totalling Euro 34 million, with a duration of five years and bullet repayment, a 6.10% gross fixed interest rate with a six-monthly deferred coupon, was subscribed and placed by Banca Popolare di Vicenza and by KNG Securities LLP with primary Italian and European institutional investors.

In September, following a prominent news story, the international press made NOx – or mono-nitrogen oxides – a household talking point among hundreds of millions of people. Acronyms such as EPA (Environmental Protection Agency) and CARB (California Air Resources Board) became familiar to people outside of the relevant industries.

In October, Landi Renzo won the 2015 Sustainable Development Award. This important award was received on 5 November, at Ecomondo; on 22 October, the Foundation for Sustainable Development finalized the list of winning companies in the 2015 Sustainable Development Awards. This initiative is now in its 7th year, and is supported by the Italian President. Landi Renzo's new Research and Development Centre, launched on 19 September 2014, won an excellence award in one of the competition's three categories: "sustainable mobility".

In November, a Corporate Agreement was signed between the Parent Company and one of its main subsidiaries, which provided for the launch of a Voluntary Mobility programme for personnel.

Landi Renzo and the future

Business Development

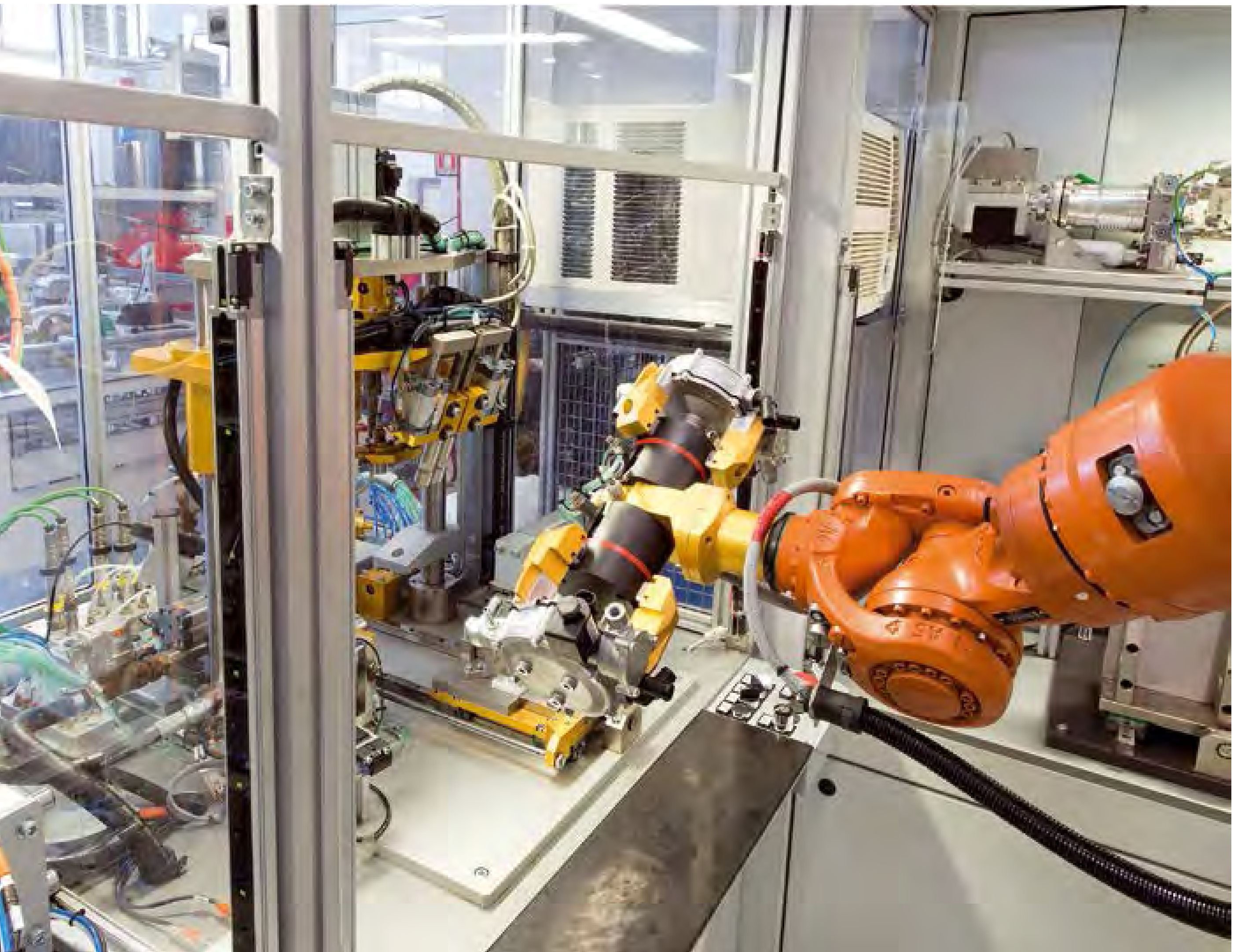
Innovation, Research and Development

Quality

BUSINESS DEVELOPMENT

Landi Renzo has been a leader in sustainable mobility since 1954.

LPG and CNG, with 25 and 22 million vehicles circulating throughout the world respectively, are by far the most popular options in the field of ecological transport solutions; these are also areas in which Landi Renzo has considerable expertise, thanks to a combination of research and manufacturing excellence.
The company pursues its international vocation both directly, by operating on the main strategic markets, and indirectly in more than 50 countries across all five continents. The centrality of environmental issues demonstrates a growing association with the Group's ability to gain a leading position worldwide, thanks both to the continuous technological and qualitative development of its products, to the decision to adopt a flexible approach to customers and to the determination to cover all geographic areas of potential for the sector, through extensive marketing of the company's technologies.
In 2015, the Group continued its internationalization strategy. In April, Landi Renzo Argentina S.r.l. , with registered office in Buenos Aires, was established. This company is 96% controlled by Landi Renzo S.p.A. and 4% by Lovato Gas S.p.A. The new company will allow the Group to increase its influence in one of the most important markets in the world in terms of aftermarket conversion to CNG.



LANDI RENZO'S MAIN STRENGTHS

- **Leadership** in the design and manufacture of sustainable LPG and CNG gas supply systems.
- **Excellence in technological** innovation aimed at developing cutting-edge products for the use of energy sources with a lower environmental impact to power cars and heavy vehicles, through perfection of dual fuel technology (diesel/CNG mix).
- A flexible and efficient **business** model, capable of coping with market fluctuations while maintaining constant control of the critical phases in the production process.
- **Quality and versatility of its products**, which makes it possible to meet demand and regulation requirements in all reference markets.
- **Detailed knowledge of distribution channels**, through consolidated relationships with leading customers in the OEM channel and an extensive presence in the After Market segment.

INNOVATION, RESEARCH AND DEVELOPMENT

In 2015, Research and Development activities benefited from the innovative equipment of the new Technical Centre; the development of new projects is consistent with the company's mission to contribute to sustainable mobility, reducing emissions of pollutants and greenhouse gases.
The gas management system works alongside and replaces the original vehicle fuel supply equipment and is, in all respects, an advanced solution that enables emission and pollution objectives to be brought into line with performance.
Developments follow two main lines: on the one hand, improved quality of the individual components and, on the other, optimal integration in the vehicle engine system, with a view to generating new technological solutions that the group protects by registering its international patents.

The following innovative components began production in 2015:
- GIRS12 injectors, which will complete the Group's range of injectors, produced both for the Aftermarket and OEM channels;
- the new concept LPG Multivalve range, produced for both the OEM and Aftermarket channels;
- in terms of electronic components, the new control units for multipoint and direct injection systems.

Maintaining its traditional leadership in terms of technology, which has always set the company and its gas conversion systems apart, is based on continuously reviewing processes and sharing ideas and experiences.
To this end, the group continued to pursue the evolution of gas control components (reducers, injectors, control units, and valves), leveraging both the developing internal technical skills and the new test equipment available at the new Research and Development Centre.
Study and design activities continued in synergy with various European car manufacturers, aimed at creating gas systems for new models that comply with the "Euro 6" emission standards.
On non-European markets, technical collaboration with leading car manufacturers continued, particularly in India, Iran, Russia and China.
The LPG and CNG conversion kit ranges were further extended, providing network installers with various systems that allow conversion to alternative fuels for the entire range of cars on the market, both utility and premium segment vehicles. Applications for the direct injection turbo engine range were also extended as a result of the increasing popularity of this type of engine, obtaining considerable appreciation and success in terms of performance. **The new generation of more compact and high-**

NEW GENERATION OF MORE COMPACT AND HIGH PERFORMANCE COMPONENTS

performance components, such as injectors, reducers and electronic control units, have facilitated kit installation and system tuning.

Also in the area of conversion systems for "Dual Fuel" diesel engines, field application of the various systems continued throughout the year, and Euro 5 approval is being finalized for heavy vehicles (HD). This project will continue to extend the use of this innovative and ecological technological solution, which is capable of reducing particle emissions typical of diesel combustion, to the largest possible number of goods transportation vehicle types.

Most recently, in terms of the technological evolution of compression systems for CNG gas fuel stations, development activities focused on the standardisation of the compressor body for service stations and on innovative self-service CNG dispensing, as well as the development of compressors for other applications.

Lastly, collaboration with universities and international research centres on new sustainable mobility projects continued.

During the year, the Group capitalized costs for the development of innovative projects for a total of **Euro 5,362 thousand**, compared to Euro 4,296 thousand in 2014.

5,362
MILLION OF EURO
COSTS OF INNOVATIVE PROJECTS OF DEVELOPMENT

QUALITY

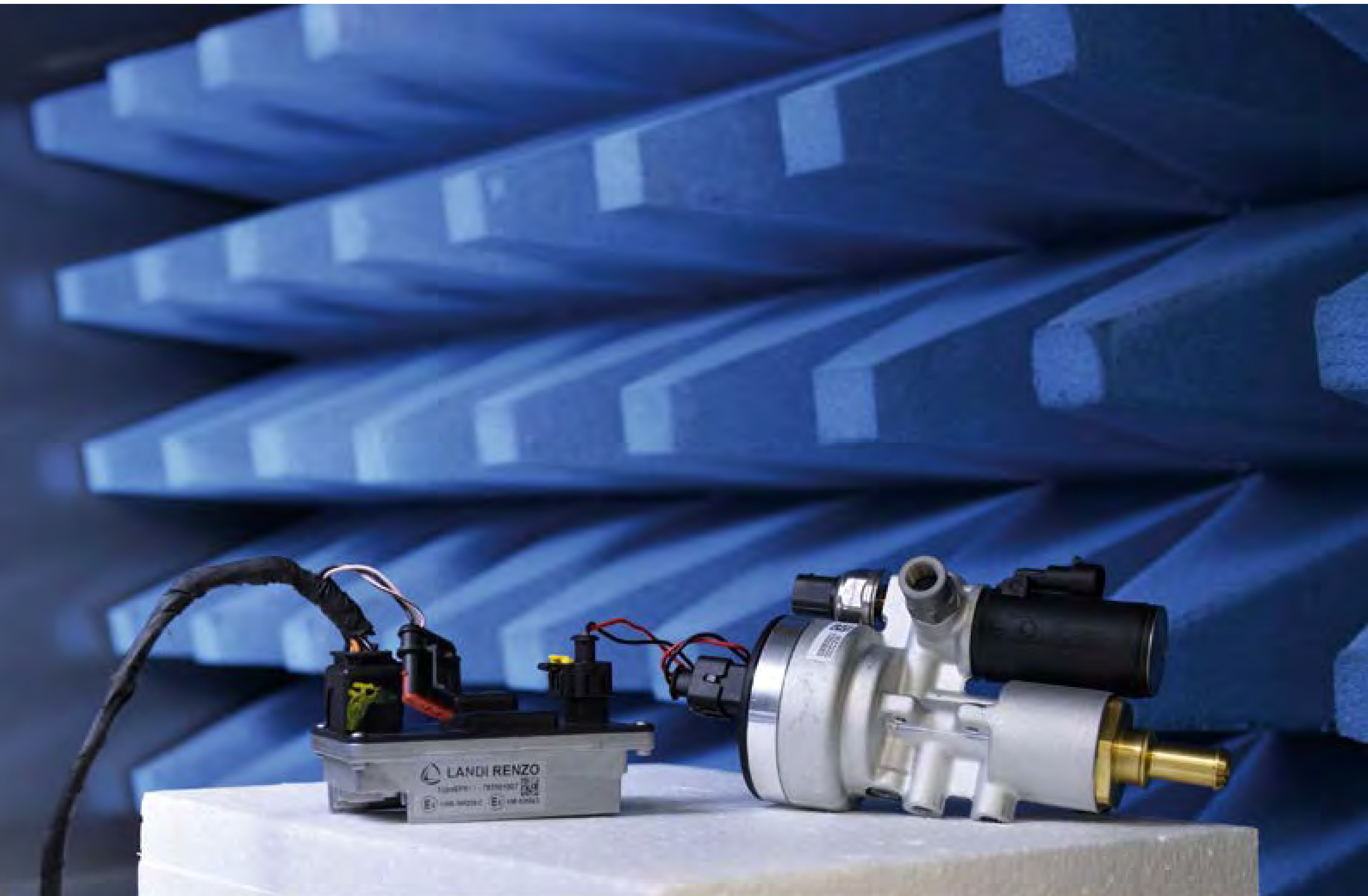
Customer satisfaction has always been a significant driving force for Landi Renzo, and a reason to strive for continuous improvement. To pursue this objective, the Landi Renzo Quality System has been certified since 1996 according to the ISO 9001 standard.

ISO/TS 16949 BUREAU VERITAS Certification

For a number of years, the company has held ISO/TS 16949 certification, which sets out the requirements for company Quality Systems specifically in the automotive sector and which was developed as a tool to enable the continuous improvement of Quality Systems, based on the documentation produced by the IATF (International Automotive Task Force - an association that brings together representatives from the various national unions within the automotive industry); the ISO/TS 16949 technical specifications place particular emphasis on the prevention of defects, starting in the design phase, and particularly in the planning and integration phases, in order to comply fully with customer requirements.

In 2006, the ISO 9001 Quality System was extended to the Authorized Workshops and Resellers in the Landi Renzo Italian network, in order to guarantee the quality standards already adopted by the Group, the first in the world to achieve this important goal. The certifications, which are renewed regularly, were issued by Bureau Veritas Quality International.

LANDIRENZO RETE ITALIA ISO 9001 BUREAU VERITAS Certification



In 2014, the quality management system became 'corporate', integrating AEB and Lovato Gas as legal entities, and plants in Reggio Emilia, Vicenza and Cavriago as production sites covered by the ISO TS 16949 technical specifications. In July 2014, the production plant in Tychy, Poland also obtained ISO TS 16949 after passing the TUV audit. Compliance of the system with customer requirements was pursued by adopting the Car Manufacturer models as a point of reference.

Relationships with the Stakeholders

Human Resources

Health, Safety and Environment

Shareholders and Financial Markets

846
EMPLOYEES
OF THE
LANDI RENZO GROUP

HUMAN RESOURCES

The total number of employees of the Landi Renzo Group at 31 December 2015 was **846 persons**, compared with 910 at 31 December 2014. In a market climate that was particularly challenging for three of the Group's companies, a number of preventive social protection measures were put in place, followed by a voluntary mobility programme and a voluntary redundancy scheme, which led to an overall reduction of the workforce by approximately 60 members over the course of the financial period.

The following tables show the number of employees in the workforce, for the main companies and by geographical area, not including loaned labour.

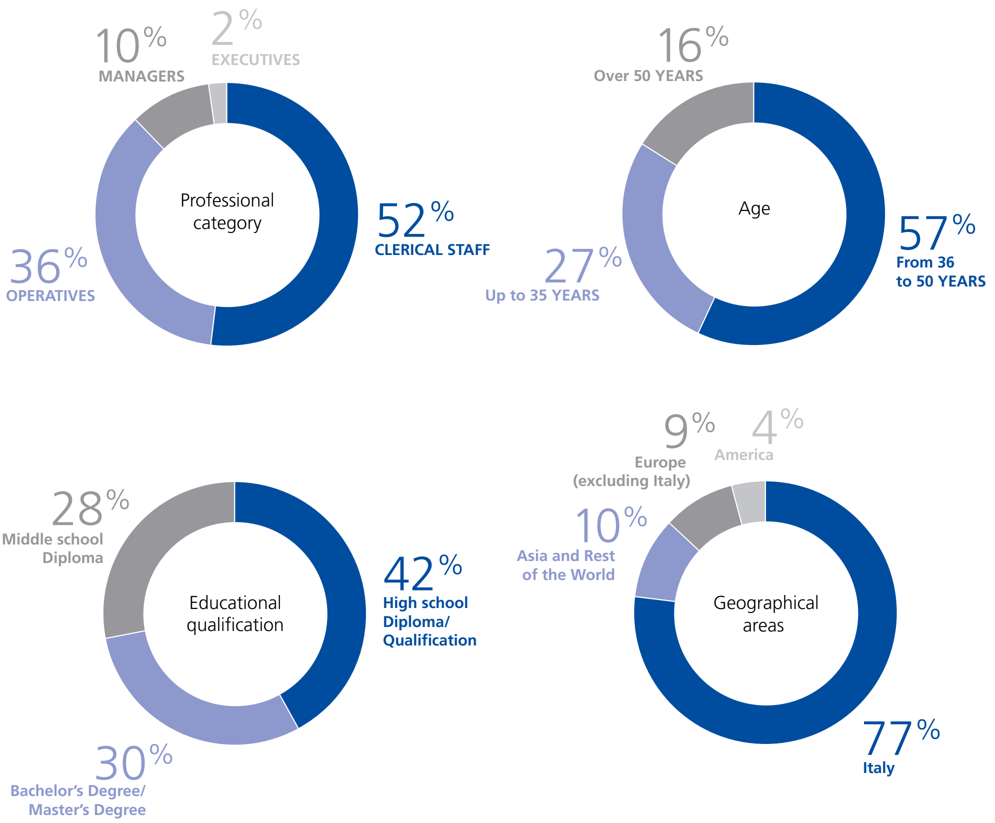
Company	At 31/12/2015	At 31/12/2014
Landi Renzo S.p.A.	315	348
A.E.B. S.p.A.	111	126
Lovato Gas S.p.A.	99	108
Emmegas S.r.l.	6	13
SAFE S.p.A.	73	75
Eighteen Sound S.r.l.	44	43
Foreign companies	198	197
Total	**846**	**910**

Geographical area	At 31/12/2015	At 31/12/2014
Italy	648	713
Europe (excluding Italy)	78	75
Asia and Rest of the World	82	80
America	38	42
Total	**846**	**910**

In the financial year ending on 31 December 2015, personnel expenses totalled Euro 43,854 thousand, compared with personnel expenses of Euro 42,395 thousand incurred in the year ending on 31 December 2014. It should be noted that three of the group's companies incurred non-recurrent extraordinary expenses over the course of the financial period, linked with the reorganisation of the work force and the mobility programme launched in the final quarter of 2015, totalling Euro 3,058 thousand.

The personnel working within the Group are characterized as follows:

Personnel broken down by professional category:



The Group's philosophy has always been rooted in the value of continuity and a sense of belonging. As such, it has always favoured stable and long-term contracts: at the end of 2015, only 11% of workers were employed on fixed-term contracts and 89% on open-ended contracts; this figure represents a further increase on the previous year, only in relation to **Italy**, where most personnel are employed, with an increase to **99%**. Naturally, Italian figures are influenced by the restrictions imposed by social protection measures.

FIXED-TERM CONTRACTS

Despite the heavily unstable climate, which has not allowed for the hiring of personnel, links were maintained with Universities and Business Schools through participation in **job days** and **workshops** on the various campuses. In 2015, **29 young people participated in internships**, including 12 young final-year students/graduates who were offered the opportunity to collaborate on company projects of great educational value, in some cases linked to their degree projects.

TRAINING

Throughout 2015, the Corporate University (hereinafter CU) continued to invest in personal development and dissemination of knowledge, through important initiatives in the four Colleges:

- Education and Training;
- First Class for management training;
- Installers;
- Partnership & Development.

LANDIRENZO Corporate University
Creativity - Learning Academy for Sharing Sustainability

2015 was characterized by ongoing training initiatives and the development of technical skills, both role-specific and transferable. **The total number of training hours at year end totalled 15,991**, involving approximately 65% of the Group's employees.

Within the Training and Education College, importance has been placed on the dissemination of technical skills, thanks also to internal training initiatives, perfection of role-specific skills and the dissemination of a culture of safety and quality at all levels.
Much focus was placed on language training: courses were provided in 6 different languages in 2015, including through distance-learning formats. Furthermore, in line with the Group's growing international presence, the overall English language training process was revised in the latter half of the year, through the introduction

of new training methods and the optimisation of courses based on the specific requirements of individual roles and the desired outcomes.

Management development initiatives (First Class College) focused on three main strands:

- **Development** of high-potential youth, through the second year of the "*Lavorare, Innovare e Crescere nel Gruppo Landi*" [Work, Innovate and Grow in the Landi Group] course, which ended in October 2015. Participant satisfaction was reported as 4.24/5.
- **Development** of specific skills associated with leadership, authority and negotiation skills for the Commercial Group, with a focus on identifying an effective sales method through practice-based activities focusing on negotiation and interaction skills and the ability to convert efforts into results.
- An advanced **training course** in "*Acquisti, Logistica e Supply Management*" [Purchasing, Logistics and Supply Management], which aims to draw together the skills necessary to operate professionally in one of the key sectors of change and corporate improvement: purchasing.

Within the **Installers' College**, which is aimed at the Installers' workshops, 67 days of training were carried out in 2015, **involving 976 installation technicians, for an overall total of 8,068 hours**. The satisfaction level, while still excellent, has dropped slightly compared to the previous year: 3.62 on a scale of 1 to 4.

HEALTH, SAFETY AND ENVIRONMENT

Over the years, the Group's efforts on matters related to health, workplace safety and the environment has become a constant feature of its day-to-day operations, as well as a fundamental element of its mission; this effort was formalized through the implementation of tested management systems and, therefore, continuous improvement of the main processes that govern the business.
Thanks to this, the adoption of processes, technologies, work methods, operating flows and choice of supplier are always privileged in Research and Development, Product Industrialisation, Production, Quality, Goods and Services Purchasing and Logistics activities, to ensure maximum protection of health and safety, and the lowest possible levels of environmental impact.

The objective that the company set itself in the last year was to consolidate the efforts made; work to adopt accident prevention measures continued, including through the provision of information sessions and raising awareness among all parties working in the Group's companies, resulting once again in a reduction in accidents.

A firm effort was made to retain the certificate of compliance of the Health Safety and Environment Management System (HSE) with current regulations.
This prestigious recognition was achieved following an extensive process of inspection by the experts at the Bureau Veritas Italia - one of the main third party independent certification bodies, recognized by ACCREDIA - and it confirms the effectiveness and reliability of the safety and environment management systems, as well as the real effort made to minimize environmental impact and protect the health of workers involved in the Group's processes and services.

In 2015, as part of the effort to extend the Health, Safety and Environment Management Systems certification, to coincide with the monitoring of production sites, the Group achieved the significant goal of extending the BS OHSAS 18001 certification to the new Local Unit in Via dell'Industria, Cavriago.

Work also continued on the environmental redevelopment and improvement of the plants to reduce the impact of the production processes on the environment, and increase safety levels, through important technical investments to further reduce specific work-related risks and improve the health and safety of workers.

The Landi Group continuously monitors its performance in relation to workplace safety and the environment, both through the most common accident indicators (Incidence Rate, Frequency Rate and Severity Rate) and through instruments and indices specially created for the purpose.
In order to establish an objective external point of reference for comparison, the accident indicators published by INAIL (the Italian institute for insurance against industrial accidents) and Confindustria for the industry were taken into account.

The KPI for the Group were very positive: only 7 accidents occurred over the course of the year (over a million working hours), all of which were essentially the result of accidental causes or lack of awareness/attention, resulting in an Incidence Rate of 0.67, a Severity Rate of 0.04 and a Frequency Rate of 4.15, as shown in the table below.

Therefore, the Group can be said to have achieved its objective for 2015, in light of the improvement in the safety key performance indicators compared to the previous year.

SAFETY PERFORMANCE INDICATORS 2015

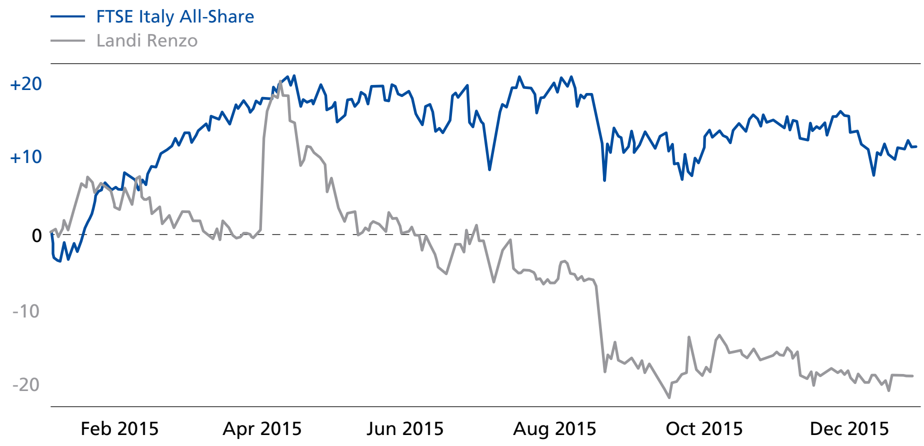
Objectives		Goals	
Incidence Rate (II)	≤1.5	Incidence Rate (II)	0.67
Severity Rate (IG)	≤0.5	Severity Rate (IG)	0.04
Frequency Rate (IF)	≤6.5	Frequency Rate (IF)	4.15

Incident Rate = number of injuries illnesses / number of employees *100
Severity Rate = number of day lost / number of employees x 1,000
Frequency Rate = number of injuries illnesses / number of employees labour hours worked x 1,000,000

With regard to environmental performance, in relation to the sustainability of the company, this is assessed both in absolute terms and in relation to the degree of improvement achieved.
In 2015, an Initial Environmental Analysis was performed for all companies in the Group, as well as a periodic environmental analysis for the parent company. These documents are fundamental to the effective implementation of the environmental management system, as they provide elements that are useful to the identification, assessment and documentation of significant environmental aspects associated with the activities performed.
The factors that contribute to environmental impact are both quantitative (polluting emissions, waste production, consumption of raw materials, energy consumption, natural resource consumption, noise) and qualitative (odours, vibrations, visual impact) in nature. The identification and quantification of these factors, therefore, is fundamental to the definition of "environmental objectives" and the determination of the relevant programmes that aim to meet such objectives.

SHAREHOLDERS AND FINANCIAL MARKETS

The Landi Renzo Group maintains a constant dialogue with its shareholders through a responsible and transparent activity of communication carried out by the Investor Relations office, with the aim of facilitating an understanding of the company's situation, management outlook, Group strategies and the outlook of the reference market. This office is also assigned the task of organizing presentations, events and "Roadshows" that enable a direct relationship to be established between the financial community and the Group's Top Management. For further information, and to consult the economic-financial data, corporate presentations, periodic publications, official communications and updates on the share price, visit the *Investor Relations* section of **www.landi.it.** The following is a graphical representation of the performance of Landi Renzo stock over the period 2 January - 30 December 2015, compared with the performance of the FTSE Italy All-Share index. At 31 December 2015, Stock Exchange capitalization was equal to Euro 83,700,000.



In the period 2 January – 30 December 2015 (the last trading day of 2015), the official Landi Renzo share price dropped by 24.8% from Euro 0.990 to Euro 0.744. Over the same period, the index relating to the reference segment, FTSE Italy All-Share, recorded an increase of 13.94%.

The following table summarizes the main share and stock market data for 2015.

Share Price and Stock Market Information (source Borsa Italiana S.p.A.)	**2015**	**2014**
Share capital (Euro)	11,250,000	11,250,000
Number of shares representing the share capital	112,500,000	112,500,000
Equity attributable to Group shareholders and to minority interests (Euro)	71,814,040	108,075,777
Net result for the Group and minority interests (Euro)	-35,587,437	-1,743,561
Earnings per share (Euro)	-0.3137	-0.0158
Closing price	0.744	0.99
Maximum price	1.249	1.574
Minimum price	0.709	0.9625
Closing stock market capitalization	83,700,000	111,375,000

All shares issued were fully paid up.

At 14 March 2016, the holders of ordinary shares that represent more than 2%, as provided for by the CONSOB regulations, are the following:

Shareholder	**14 March 2016**
Girefin S.p.A.	54.667%
Gireimm S.r.l.	4.444%
Aerius Investment Holding AG	8.356%
Others - Market	32.533%

The share capital is made up of 112,500,000 shares with a nominal value of Euro 0.10 per share, for a total of Euro 11,250,000.00.

Directors' Report on the Financial Statement for the year 2015

CALL OF ORDINARY SHAREHOLDERS' MEETING

LANDIRENZO®
L'alternativa in movimento

Those persons entitled to take part and cast their vote are hereby called to attend the ordinary Shareholders' Meeting in Cavriago, Corte Tegge (Reggio Emilia), via Nobel 2/4, on 29 April 2016, at 9:00 a.m. to resolve upon the following

Agenda

1. 1.1. Financial statements as of 31 December 2015, Management report, report of the Statutory Auditors and report of the independent auditor; any related resolutions. 1.2. Resolutions regarding the end of year results; any related resolutions.
2. Resolution on the first section of the report on remuneration pursuant to article 123-*ter*, sixth paragraph of Legislative Decree no. 58 of 24 February 1998, as amended; any related resolutions.
3. Appointment of the Board of Directors: 3.1 determination of the number of board members; 3.2 appointment of the Board of Directors; 3.3 appointment of the Chairman of the Board of Directors; 3.4 determination of the Directors' term of office; 3.5 determination of the compensation of the Board of Directors.
4. Appointment of the Board of Statutory Auditors: 4.1 appointment of the Board of Statutory Auditors; 4.2 appointment of the Chairman of the Board of Statutory Auditors; 4.3 determination of the compensation of the Board of Statutory Auditors.
5. Grant of the nine-year mandate for the auditing of the Company's accounts: 5.1 appointment of the auditing firm; 5.2 determination of the auditing firm's fee; any related resolutions.
6. Authorisation to purchase and dispose of treasury shares after revocation of the resolution taken by the Shareholders' meeting of 24 April 2015, to the extent not implemented; any relevant resolutions.

Information on the share capital
The share capital is Euro 11,250,000.00, fully subscribed and paid up, and is represented by 112,500,000 ordinary shares with a nominal value of Euro 0.10 each. Each ordinary share gives a right to one vote in the ordinary and extraordinary Shareholders' meetings of the Company, save for the provisions of artt. 6-*bis*, 6-*ter* and 6-*quater* of the Company's bylaws. As of today, the Company does not hold any treasury shares. Information concerning the composition of the share capital is available on the Company website www.landi.it, section Investor Relations - *Capitale Sociale*.

Addition to the agenda and submission of new proposed resolutions
Pursuant to article 126-*bis* of Legislative Decree no. 58 of 24 February 1998, as amended ("TUF"), Shareholders who, individually or jointly, represent at least one fortieth of the share capital can request, within 10 days of the publication of this call (in other words by 28 March 2016), the addition of items on the agenda, indicating in the request the additional topics proposed they propose. In other words, they can submit proposals for resolutions on matters already on the agenda. However, since such term would end during the Easter holidays, the Company has deemed it advisable, in the interest of those entitled to it, to extend such term by one day until 29 March 2016. The request must be submitted in writing by the proposing Shareholders, together with suitable documentation attesting ownership of the shares issued by a qualified intermediary in accordance with its accounting records, by way of recorded mail sent to the address of the Company in Cavriago, Corte Tegge (Reggio Emilia), via Nobel 2/4 to the attention of the investor relator or through certified email to the following certified email address landirenzoassemblea@open.legalmail.it. Within said term and by way of the same procedures, the proposing Shareholders must also send to the Board of Directors a report on the items they propose to be discussed or on the additional proposals presented on the items already on the agenda.
The request to add further items to the agenda is not allowed for the topics on which the Shareholders' meeting resolves, in accordance with law, upon proposal of the directors or on the basis of a project or a report drawn up by them, other than those under article 125-*ter*, paragraph 1, of the TUF.
Notice will be given of any additions to the list of items on the agenda or submission of new proposed resolution in addition to any reports prepared by the proposing Shareholders in the same manner prescribed for the publication of this notice of call at least 15 days prior to the date set for the Shareholders' meeting.

Right to intervene
The persons who may intervene in the Shareholders' meetings are those persons who, pursuant to art. 83-sexies of the TUF, meet the requirements for taking part in the Shareholders' meeting and exercising the right to vote in relation to whom the Company received the notice issued by a qualified intermediary pursuant to the applicable rules attesting the ownership of the shares on the basis of its accounting records relating to the time limit of the accounting date of the seventh day on which the market is open prior to the date of the Shareholders' meeting in a single call (in other words 20 April 2016). Those who became owners of shares after 20 April 2016 will not have the right to take part in or vote at the Shareholders' meeting. The notice from the qualified intermediary must be received by the Company within the time limit of the accounting date of the third day on which the market is open prior to the date of the Shareholders' meeting in a single call (in other words 26 April 2016) or in any case by the start of the Shareholders' meeting.

Proxy vote
Those who have the right to intervene in the Shareholders' meeting may be represented in the manner laid down by the law and the rules currently in force. A copy of the proxy form may be obtained from the registered office or the site of the Company at www.landi.it, Investor Relations – Governance – *Documenti Assembleari 2015* and from qualified intermediaries.
Where the representative delivers or sends to the Company, via certified electronic mail to be sent to the following certified email address landirenzoassemblea@open.legalmail.it, a copy of the proxy form rather than the original, he/she must attest compliance of the proxy form with the original as well as the identity of the person granting the proxy.
Under the rules currently in force, the representative must keep the original of the proxy form and store for one year from the end of the Shareholders' meeting the voting instructions received.
The proxy may be granted by way of an electronic document signed pursuant to article 21, second paragraph, of Italian Legislative Decree of 7 March 2005, no. 82, as amended, or by any other equivalent document.
Under the By-laws, the Company does not designate a representative for the granting of the proxies by those who have a right to take part in the Shareholders' meeting.

Election of the Board of Directors
With reference to the third item on the agenda, it should be recalled that under article 14 of the By-laws, the election of the directors will be carried out on the basis of slates that may be submitted by Shareholders who, either alone or together with other Shareholders, represent a total of at least 2.5% of the share capital. The slates must be filed with the Company at least 25 (twenty-five) days prior to the scheduled date of the Shareholders' meeting (or, in other words, by 4 April 2016). The slates may also be filed by certified e-mail to the following address landirenzoassemblea@open.legalmail.it. Each slate presenting at least 3 (three) candidates must contain a number of candidates of the less represented gender equal to at least the minimum required under the applicable laws and regulations. Together with each slate, the following information and documents must also be filed by the filing deadline applicable to the slate: (i) the information related to both the identity of the Shareholders who submitted the slate and the percentage shareholding held by the same; (ii) the declarations through which the individual candidates accept their candidacy and certify, under their own responsibility, that no causes for ineligibility or incompatibility exist, and that the requisites provided under the applicable legal framework to persons holding the role of director of the Company are met; (iii) the candidates' declarations on whether or not the independence requisites are met, rendered under their own responsibility in accordance with applicable laws and regulations; and (iv) the curricula vitae setting forth each candidate's personal and professional characteristics, indicating the management and control roles held at other companies. The slates submitted without complying with the foregoing provisions will be considered as not submitted at all. Lastly, it should be recalled that Consob Notice No. DEM/9017893 dated 26 February 2009 recommends, on the occasion of the election of the board of directors, that the Shareholders who submit a "minority slate" also file together with the slate of candidates a declaration that certifies the absence of relationships, including indirect relationships, within the meaning set forth in article 147-*ter*, paragraph 3, of the TUF and article 144-*quinquies* of the regulation approved through Consob resolution no. 11971 dated 19 May 1999, as amended and supplemented (the "Issuers Regulation"), with Shareholders who hold, even on a collective basis, a controlling or relative majority shareholding. It should also be noted that under the By-laws, the first candidate on the slate that receives the highest number of votes at the Shareholders' meeting will be the Chairman of the Board of Directors.
The slates must be made available to the public, by means of publishing on the Company's website and through the authorized storage mechanism emarketstorage, at the address www.emarketstorage.it, within the twenty-second day before the date of the Shareholders' meeting, therefore by 8 April 2016.
Election of the Board of Statutory Auditors
With reference to the fourth item on the agenda, it should be recalled that under article 22 of the By-laws, the election of the statutory auditors will be carried out on the basis of slates that may be submitted by Shareholders who, either alone or together with other Shareholders, represent a total of at least 2.5% of the share capital. The slates, each of which shall be comprised of two sections, one setting forth candidates for the role of standing statutory auditor and the other setting forth the candidates for the role of alternate statutory auditor, must be filed with the Company at least 25 (twenty-five) days prior to the scheduled date of the Shareholders' meeting (or, in other words, by 4 April 2016). The slates may also be filed by certified e-mail to the following certified e-mail address landirenzoassemblea@open.legalmail.it. Each slate which, considering both sections, presents at least 3 (three) candidates must contain a number of candidates of the less represented gender equal to at least the minimum required under the applicable laws and regulations. If the section containing the candidates for the role of alternate auditor indicates at least 2 (two) candidates, such candidates must be of different genders. Together with each slate, the following information and documents must be filed by the above-mentioned deadline: (i) information on the identity of the Shareholders who submitted the slate and the total shareholding held by them; (ii) the declarations through which the individual candidates accept their candidacy and certify, under their own responsibility, that no causes for ineligibility or incompatibility exist, including with reference to the limit on the number of roles that may be simultaneously held, and that the requisites provided under the applicable legal framework and under the By-laws with regard to the respective roles are met; (iii) the curricula vitae setting forth each candidate's personal and professional characteristics, indicating the management and control roles held at other companies. In addition to what is provided under the foregoing points, in the event of submission of a slate by Shareholders other than those who hold, including on a collective basis, a controlling or relative majority shareholding in the Company, such slate must be accompanied by a declaration on the part of the Shareholders submitting it certifying that no relationships exist with one or more of the major Shareholders, as such term is defined under the applicable legal framework. It should be recalled that under article 144-*sexies*, paragraph 5, of the Issuers Regulation, if upon the expiry of the twenty-fifth day prior to the Shareholders' meeting only one slate has been submitted for the appointment of the members of the board of statutory auditors, or the only slates submitted were those submitted by Shareholders who, on the basis of the provisions of article 144-sexies, paragraph 4, of the Issuers Regulation, are interconnected within the meaning set forth in article 144-quinquies of the Issuers Regulation, slates may be submitted until the third day after such date (or, in other words, by 7 April 2016). In this case, the shareholding required in order to submit slates (2.5% of the share capital) is reduced to one half such percentage. The slates submitted without complying with the relevant provisions of the By-laws shall be considered as not submitted at all. It should also be noted that under applicable provisions of law and the By-laws, the first candidate on the minority slate that receives the highest number of votes and that is not linked in any way to the majority slate will be the Chairman of the Board of Statutory Auditors. Lastly, it should be recalled that the Self-disciplinary Code currently in force and applicable to listed companies recommends that the statutory auditors of listed companies be selected from among persons who may be qualified as independent also on the basis of the independence criteria provided under article 3 of the Self-disciplinary Code with reference to directors.
The slates must be made available to the public, by means of publishing on the Company's website and through the authorized storage mechanism emarketstorage, at the address www.emarketstorage.it, within the twenty-second day before the date of the Shareholders' meeting, therefore by 8 April 2016.

Grant of the mandate to the auditing firm
With reference to the fifth item on the agenda, it should be recalled that the mandate granted to the auditing firm KPMG S.p.A. expires upon the approval of the financial statement as of and for period ended 31 December 2015, due to expiry of the term of the mandate. Under art. 17, paragraph 1, of Legislative Decree No. 10 dated 27 January 2010, such mandate may not be renewed or granted again unless at least three years have passed since the date of cessation of the previous mandate. Therefore, in accordance with article 23 of the By-laws, a new mandate for the auditing of the Company's accounts will be granted. The provisions of art. 13 of Legislative Decree No. 10 dated 27 January 2010 provide that the Shareholders' meeting grants the mandate for the auditing of the Company's accounts and determines the fee payable to the auditing firm for the entire term of the mandate, as well as any criteria for the revision of such fee over the course of the mandate, upon a reasoned proposal submitted by the Board of Statutory Auditors.

Questions on the items on the agenda
The Shareholders and those entitled to vote can raise questions on the items on the agenda also prior to the Shareholders' meeting provided they do so by 26 April 2016 and will receive an answer at the latest during the Shareholders' meeting via certified email to be sent to the following certified email address: landirenzoassemblea@open.legalmail.it, accompanied by a notice issued by the qualified intermediary attesting the right to exercise a vote. Answers given in paper format placed at the disposal of each of those entitled to vote at the beginning of the Shareholders' meeting will be considered to have been provided in the Shareholders' meeting.

Documentation
The documentation relating to the Shareholders' meeting, including the reports of the Board of Directors and the proposed resolution on the items on the agenda, the annual financial report, together with the reports of the Board of Auditors and the independent auditor, and the report of the remuneration committee will be made available in accordance with law at the registered office and to the Shareholders and the public within the prescribed time limits. The documentation will also be available on the website of the Company at the address: www.landi.it, Investor Relations – Governance – *Documenti Assembleari 2015* and at the storage mechanism at the address www.emarketstorage.com. The Shareholders and those who are entitled to vote may obtain a copy of all the aforementioned documentation.

Cavriago, 18 March 2016

Chairman of the Board of Directors
Stefano Landi

DIRECTORS' REPORT ON THE FINANCIAL STATEMENT

METHODOLOGICAL NOTE

The Directors' Report of the Parent Company and the consolidated Directors' Report have been presented in a single document, giving greater prominence, where appropriate, to issues of relevance to all companies included in consolidation.

Dear Shareholders,

The Group's Consolidated Financial Statements, for the period closing on 31 December 2015, reports a net loss of Euro -35,288 thousand, taking non-recurrent expenses of Euro -7,054 thousand relating to the restructuring of the industrial department and human resources into account, Euro - 10,178 thousand in impairment of goodwill and other intangible assets, compared to Euro -248 thousand on 31 December 2014, as detailed below:

(Thousands of Euro)

Non-recurrent expenses	31/12/2015	31/12/2014	Change
Cost for services and use of third party assets	1,296		1,296
Personnel expenses	3,058		3,058
Provisions, write-downs and various operating expenses	2,700		2,700
Impairment of goodwill	9,848	248	9,600
Impairment of other intangible assets	330		330
Total	**17,232**	**248**	**16,984**

In order to provide additional comparative information on the results for the 2015 financial year compared to the previous periods, this Director's Report provides some adjusted data, which does not include non-recurrent expenses.

The results for the 2015 financial year were negatively impacted not only by a decrease in turnover, but also by non-recurrent expenses arising from the costs incurred in implementing an organisational/productive restructuring operation in preparation for the 2016 Budget, which will enable and provide for improvements in economic performance linked with reduced costs, thanks both to the restructuring of the company's workforce (affecting approximately 100 people) and to the consolidation of production and distribution units.

These activities, which began in November, together with a slight increase in turnover, have already enabled the recovery of an adjusted operating profit of over Euro 5 million in the second half of 2015.

Revenues from sales and services totalled Euro 205,522 thousand, with a decrease of Euro 27,691 thousand, down by -11.9% compared with 2014.

The adjusted Gross Operating Profit (EBITDA) is positive and equal to Euro 5,770 thousand (non-adjusted negative result of Euro 1,284 thousand) against Euro 18,293 thousand in 2014, resulting in a decrease of Euro 12,523 thousand.

The adjusted Operating Profit (EBIT) is negative and equal to Euro -9,669 thousand (non-adjusted negative result of Euro -26,901 thousand) against a positive result of Euro 2,820 thousand in 2014 (non-adjusted positive result of Euro 2,572 thousand), resulting in a decrease of Euro 12,489 thousand. Amortization totalled Euro 15,429 thousand (Euro 15,473 thousand at 31 December 2014).

The net financial position at 31 December 2015, representing a significant improvement on 30 September 2015, when it totalled a negative result of Euro 72,100 thousand, was a negative result of Euro 59,459 thousand, compared to a negative net financial position of Euro 47,246 thousand at 31 December 2014.

The directors continue to believe that the alternative fuels sector, led by the growing range of new LPG and CNG models launched by the car manufacturers, as well as the CNG conversion processes being undertaken by governments in various countries, offers good prospects for a future that is increasingly focused on environmental ethics, and therefore on sustainable and environmentally friendly mobility; in light of this, the Group believes that it is essential to continue to engage in systematic industrial/ organisational restructuring, as this will enable us to reap the benefits associated with these prospects.

OPERATING PERFORMANCE

CONSOLIDATED RESULTS

The 2015 financial year was characterized by a world market that is still feeling the effects of geopolitical instability in several important reference markets for the sector. Due to the economic restrictions imposed, Russia experienced a slowdown in foreign trade, partly due to the heavy depreciation of its currency. Several South American countries are also in the throes of a recession, particularly Brazil, where there was also a considerable loss in value of the local currency against the Euro. Other Asian countries, on the other hand, have still not achieved the levels of production hoped for, despite the easing of international tensions. Furthermore, the continuing decrease in average oil prices, which dropped by almost 44% over the course of 2015 compared to the previous year, effectively negated some of the economic benefits of conversion of cars to LPG and CNG.

The performance of the Landi Renzo Group was affected by this situation, and revenues and profits fell compared with 2014.

The table below shows the trends of the key performance indicators, with the values adjusted as referred to above.

(Thousands of Euro)

	2015	Non-recurrent	2015 ADJ	%	2014	Non-recurrent	2014 ADJ	%	Changes ADJ	%
Revenues on goods and services	**205,522**		**205,522**	**100%**	**233,213**		**233,213**	**100%**	**-27,691**	**-11.9%**
Other Revenue and Income	1,883		1,883	0.9%	1,542		1,542	0.7%	341	22.1%
Operating costs	-208,689	-7,054	-201,635	-98.1%	-216,462		-216,462	-92.8%	14,827	-6.8%
Gross operating profit	**-1,284**		**5,770**	**2.8%**	**18,293**		**18,293**	**7.8%**	**-12,523**	**-68.5%**
Amortization, depreciation and impairment losses	-25,617	-10,178	-15,439	-7.5%	-15,721	-248	-15,473	-6.6%	34	-0.2%
Operating Profit	**-26,901**		**-9,669**	**-4.7%**	**2,572**		**2,820**	**1.2%**	**-12,489**	
Financial income	412		412	0.2%	501		501	0.2%	-89	-17.8%
Net financial charges	-4,966		-4,966	-2.4%	-4,074		-4,074	-1.7%	-892	21.9%
Exchange gains (losses)	-930		-930	-0.5%	1,194		1,194	0.5%	-2,124	
Gain (loss) on equity investments consolidated using the equity method	-288		-288	-0.1%	-301		-301	-0.1%	13	
Profit (Loss) before tax	**-32,673**		**-15,441**	**-7.5%**	**-108**		**140**	**0.1%**	**-15,581**	
Current and deferred taxes	-2,914				-1,636					
Net profit (loss) for the Group and minority interests, including:	**-35,587**				**-1,744**					
Minority interests	-299				39					
Net Profit (Loss) of the Group	**-35,288**				**-1,783**					

Revenues from sales and services totalled Euro 205,522 thousand, with a decrease of Euro 27,691 thousand, down by 11.9% compared with 2014.
The adjusted Gross Operating Profit (EBITDA) totalled Euro 5,770 thousand, against Euro 18,293 thousand in 2014, recording a decrease of Euro 12,523 thousand, mainly due to lower sales volumes, greater pressure on price lists and a product mix that did not particularly suit the After Market channel, historically characterized by higher margins than other channels.
The Gross Operating Profit (EBITDA) was negative at Euro -1,284 thousand. As well as the factors referred to above, the result was also impacted by non-recurrent expenses totalling Euro 7,054 thousand, associated with reducing and optimizing the main structural costs including, in particular, those related to personnel and operating management.
The Operating Profit (EBIT) was negative and equal to Euro -26,901 thousand, compared to a positive Operating Profit of Euro 2,572 thousand recorded for 2014, following amortization of Euro 15,429 thousand, write-downs of goodwill and other non-current financial assets for Euro 10,178 thousand and the write-off of fixed assets for Euro 10 thousand (Euro 15,721 thousand, Euro 248 thousand of which was non-recurrent, at 31 December 2014).

Breakdown of revenues

The division of revenues into areas of activity reflects the "management approach", on which the IFRS 8 international accounting standard is based. According to this accounting standard, the segments must be shown in relation to the organisational structure and internal reporting used by management to measure performance and manage it.
In particular, the gas sector is composed of the "systems for cars" and "distribution systems" sub-segments, while in previous annual and interim Financial Reports, prior to the Six-Monthly Financial Report of 30 June 2014, this sector was divided into LPG and CNG lines. The current layout shows the two LPG and CNG lines in the "car systems" division and now includes revenues from sale of compressors for fuel stations obtained by Safe S.p.A., in the "distribution systems" segment.

The following table illustrates the division of revenues across areas of activity.

(Thousands of Euro)

Distribution of revenues by area of activity	At 31/12/2015	% of revenues	At 31/12/2014	% of revenues	Change	%
Gas Segment - car systems	161,720	78.7%	185,833	79.7%	-24,113	-13.0%
Gas Segment - distribution systems	23,345	11.3%	25,652	11.0%	-2,307	-9.0%
Total revenues - GAS sector	***185,065***	***90.0%***	***211,485***	***90.7%***	***-26,420***	***-12.5%***
Other (Alarms, Sound, Aquatronics (*), Robotics, Oil & Gas and others)	20,457	10.0%	21,728	9.3%	-1,271	-5.8%
Total revenues	**205,522**	**100.0%**	**233,213**	**100.0%**	**-27,691**	**-11.9%**

(*) the Aquatronics division was sold on 1 April 2014

Revenues from sales of products and services in the Gas Segment, while recovering significantly over the course of the last quarter, are lower compared with the previous year, down from Euro 211,485 thousand to Euro 185,065 thousand.
The decrease in sales in the Gas - Car Systems Sector (-13%), is mainly due to the contraction of revenues in the After Market channel, as well as the slowdown recorded in the car manufacturer segment due to the transition from Euro 5 to Euro 6 platforms. Gas - Distribution Systems Sector revenues experienced a 9% downturn compared to the same period in 2014, due to the slowdown in sales, particularly in Russia, as a result of the geopolitical situation. This was partially off-set by the development of other markets, particularly in South-East Asia.
Compared to the previous period, sales revenues in other divisions decreased from Euro 21,728 thousand to Euro 20,457 thousand, a 5.8% decrease linked mainly with the fall in sales of Oil & Gas systems; in contrast, there was a positive trend in sales of 18Sound brand professional speakers, particularly in North America.
In view of the limited importance of sales in the other divisions, it may be concluded that the Group's sole segment of activity is manufacture of car systems and distribution systems (Gas Segment).

The following are the notes on sales by geographical area:

(Thousands of Euro)

Geographical distribution of revenues	At 31/12/2015	% of revenues	At 31/12/2014	% of revenues	Change	%
Italy	41,734	20.3%	42,659	18.2%	-925	-2.2%
Europe (excluding Italy)	84,326	41.0%	103,937	44.6%	-19,611	-18.9%
America	43,362	21.1%	39,098	16.8%	4,264	10.9%
Asia and rest of the World	36,100	17.6%	47,519	20.4%	-11,419	-24.0%
Total	**205,522**	**100%**	**233,213**	**100%**	**-27,691**	**-11.9%**

With reference to the geographical breakdown of revenues, the Landi Group obtained 79.7% (81.8% in 2014) of its consolidated revenue for the year abroad (41% in Europe and 38.7% outside Europe), further details of which are provided below:

EXPORT
79.7%

- **Italy**

The main factors affecting turnover for 2015 on the Italian market, down by 2.2% compared to 2014, both in terms of sales of LPG and CNG systems and electronic components, relate both to a downturn in conversions on the After Market combined with greater competition in the sector, and to a decrease in new OEM bi-fuel registrations; on the other hand, there was a positive trend in sales of compressors for CNG fuel stations by Safe S.p.A.
According to data presented by Consorzio Ecogas, the After Market market recorded 19.1% less conversions in the period in question compared with the previous year; nevertheless, the Group's national market share of the After Market channel, for the period in question, is close to 35%.
With regard to OEM bi-fuel registrations, the sales mix of new vehicles equipped with LPG and CNG systems recorded an overall decrease of 6.5% compared with 2014, according to data published by ANFIA – *Associazione Nazionale Filiera Industria Automobilistica,*

with 11.6% of the total. Breaking down the above information regarding the OEM market into LPG and CNG demonstrates that the downturn is primarily attributable to CNG, an area in which the group is less present (-13.1%) compared to LPG (-2.7%).

- **Europe**

Revenues in Europe fell by 18.9% compared with 2014, principally as a result of the negative trend of several markets in Eastern Europe, particularly Russia, affected by geopolitical instability factors, and due to the slowdown in supplies to a significant OEM customer, due to a phasing out of the product range, specifically the transition from the Euro 5 to Euro 6 platform.

- **America**

In the period in question, the US market registered growth of 10.9% compared with the same period the previous year, increasing from Euro 39,098 thousand in 2014 to Euro 43,362 thousand in 2015. This growth is primarily attributable to sales on the North American market of both core products (vehicle CNG systems) and compressors for fuel stations and 18Sound brand professional speakers.

- **Asia and the Rest of the World**

Compared with 2014, there was a 24% decrease on the Asia and Rest of the World markets, substantially attributable to negative sales performance in Thailand and Pakistan. There was also a recovery in sales on the Iranian market, boosted by progressive easing of international tensions and the development of activities in other countries in the Middle East and South East Asia.

Profitability

The adjusted Gross Operating Profit (GOP) for the period ending at 31 December 2015 was positive, and totalled Euro 5,770 thousand, equal to 2.8% of revenues, a decrease of Euro 12,523 thousand compared with the figure for the previous year.

Lower sales volumes, previously affected by the drop in oil prices (by over 44% compared to the previous financial period), had a strong negative impact on the Group's margin, which also suffered due to increased pressure on list prices, fuelled by more intense competition and a different sales mix, leading to a downturn on the After Market channel, historically characterized by higher margins than other channels.

In this context, a company restructuring plan was put in place in the second half of 2015, which involved non-recurrent costs of Euro 7,054 thousand, aimed at recovering profitability in future financial years, and which has already involved:

- the transfer of a production plant from an external site to a local unit already operating within the Group;
- a solidarity agreement and the launch of a new voluntary mobility and redundancy scheme for personnel;
- repositioning of commercial and post-sales activities.

This organisational/productive restructuring operation has already led to economic improvements in the second half of 2015, leading to a recovery in profitability of over

Euro 5 million, reflected in the EBITDA increasing from Euro 160 thousand in the first half of 2015 to Euro 5,610 thousand in the second.

The Gross Operating Profit (GOP) was negative and totalled Euro -1,284 thousand, including Euro -7,054 thousand in non-recurrent expenses, compared with a positive Gross Operating Profit of Euro 18,293 thousand at 31 December 2014.

The Operating Profit (EBIT) was negative and totalled Euro - 26,901 thousand, including Euro -7,054 thousand in non-recurrent expenses as well as amortizations and non-recurrent loss of value of Euro -10,178 thousand, compared with a positive Operating Profit equal to Euro 2,572 thousand, Euro -248 thousand of which was attributable to non-recurrent expenses, at 31 December 2014.

The aforementioned reductions in value (Euro 10,178 thousand) are the result of the impairment tests on the recoverable value of goodwill allocated to certain CGUs (Cash Generating Units) in the Gas sector and on investments.

The result before tax is negative and equal to Euro - 32,673 thousand, after taking net financial charges of Euro -4,554 thousand into account, representing an increase on the previous year due to the issue of the Bonded Loan, as well as exchange losses of Euro - 930 thousand, associated with exchange losses recorded on intercompany payables, and finally losses on equity investments stated using the equity method totalling Euro -288 thousand.

The net result of the Group and minority interests at 31 December 2015 showed a loss of Euro -35,288 thousand, which, net of non-recurrent expenses, is equal to Euro -18,056 thousand, compared to a net loss for the Group and minority interests totalling Euro -1,783 thousand at 31 December 2014, of which Euro -248 thousand was in non-recurrent expenses.

Invested capital

(Thousands of Euro)

Balance Sheet and Financial Position	31/12/2015	31/12/2014
Trade receivables	33,764	35,055
Inventories	57,528	63,269
Contract work in progress	2,904	2,590
Trade payables	-58,351	-55,936
Other net current assets	2,472	2,477
Net operating capital	**38,317**	**47,455**
Property, plant and equipment	35,364	35,277
Intangible assets	61,194	71,680
Other non-current assets	14,462	18,200
Fixed capital	**111,020**	**125,157**
TFR and other provisions	-18,063	-17,290
Net capital employed	**131,274**	**155,322**
Financed by:		
Net Financial Position	59,459	47,246
Group shareholders' equity	71,390	107,485
Minority interests	425	591
Borrowings	**131,274**	**155,322**

Ratios	31/12/2015	31/12/2014
Net operating capital	38,317	47,455
Net operating capital/Turnover	18,6%	20,3%
Net capital employed	131,274	155,322
Net capital employed/Turnover	63.9%	66.6%

Net operating capital (Euro 38,317 thousand) decreased by Euro 9,138 thousand compared to 31 December 2014, and the percentage indicator, calculated on turnover, decreased from **20.3% in 2014 to 18.6% in 2014.**
Trade receivables at 31 December 2015 totalled Euro 33,764 thousand, compared with Euro 35,055 thousand at 31 December 2014. At 31 December 2015, the total of factoring transactions with credit maturity for which the corresponding receivables were derecognized totalled Euro 35,542 thousand.
There was a reduction of over Euro 5 million in the value of closing inventories, due to benefits arising from the Operational Plan, aimed at reducing stock levels, implemented during the financial year.

Net capital employed at 31 December 2015 (Euro 131,274 thousand), the fixed portion of which decreased by Euro 14,137 thousand compared with 31 December 2014, decreased by Euro 24,048 thousand compared with 31 December 2014, while the percentage indicator, calculated on turnover, decreased from 66.6% to 63.9%.

Net Financial Position and cash flows

(Thousands of Euro)

	31/12/2015	31/12/2014
Cash and cash equivalents	38,264	31,820
Bank overdrafts and short-term loans	-50,797	-51,580
Bonds issued (net value)	-33,098	
Short-term loans	-425	-137
Net short term indebtedness	**-46,056**	**-19,897**
Medium-Long term loans	-13,403	-27,349
Net medium-long term indebtedness	**-13,403**	**-27,349**
Net financial position	**-59,459**	**-47,246**

With a view to strengthening sources of funding, the parent company issued a five-year bonded loan with bullet 2020 repayment in May 2015, called "LANDI RENZO 6.10% 2015-2020", for a total amount of Euro 34 million. The regulations envisage payment of six-monthly interest coupons and also covenants including annual assessment (Net Debt/Ebitda < 4.75; Net Debt/PN < 1). The bonds are traded on the ExtraMOT PRO Segment organized by Borsa Italiana S.p.A.

New medium-term bank loan agreements were also signed, which, in turn, strengthened the financial structure of the Group.

This strategy sought to lengthen the duration of the debt and therefore to provide important resources to support strategic investments in development of alternative mobility technologies, with sources of funding suited to their medium-term profile and to supporting the current difficult market situation.

As discussed in more detail in the notes to the financial statements to which they refer, in reference to the aforementioned bonded loan and to certain loan agreements that include financial covenants, it should be noted that the financial statements drafted on 31 December 2015 only recorded a single instance of not meeting the target parameters, which led to the short-term reclassification of the remaining debt. In this regard, prior to the approval of the financial statements, the credit institutes providing the aforementioned loans issued the Company with dedicated waiver letters deferring the measurement of the parameters to 2016. Furthermore, the Bondholders' Meeting, held on 7 March 2016, resolved to amend the Loan Regulations by deferring the measurement of the parameters to 31 December 2016 and changing the repayment terms through half-yearly amortization rather than the single repayment initially provided for.

The net financial position at 31 December 2015 is negative for Euro 59,459 thousand, compared with a negative net financial position at 31 December 2014 of Euro 47,246 thousand.

Short-term net financial indebtedness (see previous table), including cash and cash equivalents totalling Euro 38,264 thousand, is negative and totals Euro 46,056 thousand, compared to a negative value of Euro 19,897 thousand at 31 December 2014, reflecting the short-term reclassification of the entire bonded loan and loans due to failure to comply with the financial covenants set out in the contract, in accordance with the provisions of IAS 1, paragraphs 74-75.

The following table shows the total cash flow for 2015 compared with 2014:

(Thousands of Euro)

	31/12/2015	31/12/2014
Operational cash flow	4,185	20,060
Cash flow for investment activities	-15,223	-13,370
Free Cash Flow	***-11,038***	***6,690***
Cash flow generated (absorbed) by financing activities	18,657	-7,816
Overall cash flow	**7,619**	**-1,126**

The cash flow generated by operations is positive, totalling Euro 4,185 thousand, representing a considerable improvement on the figure for September 2015 (Euro -14,045 thousand) based on the recovery actions taken in relation to Net Working Capital, particularly in the latter part of the financial year.
The policy of investing in tangible and intangible assets (Euro 5,362 thousand of which are attributable to development expenditure) absorbed financial resources of Euro 15,223 thousand, while net cash flows generated by borrowing activities totalled Euro 18,657 thousand.

The following table lists the agreed terms for medium/long term loans, including the bonded loan, revised following granting of the waiver and the new agreements signed with the bondholders:

(Thousands of Euro)

	Year falling due				
	2016	2017	2018	2019	2020
Medium-Long term loans (including bonded loan)	25,805	22,058	14,869	11,670	10,484
Of which loans with financial covenants (including bonded loan)	16,921	12,966	11,802	10,620	10,320

Investments

INVESTMENTS 2015
15.5
MILLION
OF EURO

Investments in property, plant and machinery and other equipment undertaken in order to support production and business needs totalled Euro 9,053 thousand (Euro 9,026 thousand at 31 December 2014).

The increases in intangible assets totalled Euro 6,470 thousand (Euro 4,773 thousand at 31 December 2014) and are related, primarily, to capitalized costs for the development of new products totalling Euro 5,362 thousand.

STATEMENT OF RECONCILIATION BETWEEN THE DATA OF THE PARENT COMPANY'S FINANCIAL STATEMENTS AND THE DATA OF THE CONSOLIDATED FINANCIAL STATEMENTS

The following is a reconciliation table between the result for the period and the capital and reserves of the Group with the corresponding values of the Parent Company.

(Thousands of Euro)

RECONCILIATION STATEMENT	Equity at 31.12.2015	Result for the year at 31.12.2015	Equity at 31.12.2014	Result for the year at 31.12.2014
Equity and result for the year of the Parent Company	**73,164**	**-37,702**	**110,713**	**212**
Difference in value between book value and pro rata value of the accounting equity of the consolidated companies	716	28	-937	-187
Pro rata results achieved by investees	0	-9,748	0	7,903
Elimination of intercompany dividends	0	-275	0	-10,360
Elimination of the effects of intercompany commercial transactions	-1,651	174	-1,826	2
Elimination of revaluation/write-down of investments and recognition of impairment of goodwill	0	11,885	0	681
Elimination of the effects of intercompany assets	-414	51	-465	-34
Equity and result for the year from Consolidated Financial Statements	**71,815**	**-35,587**	**107,485**	**-1,783**
Equity and result for the year of minority interests	425	-299	591	39
Equity and result for the year of the Group	**71,390**	**-35,288**	**108,076**	**-1,744**

THE COMPANIES OF THE LANDI GROUP

At the top of The Landi Group structure is the Parent company, Landi Renzo S.p.A., with headquarters in Cavriago (RE), which holds direct and indirect controlling stakes in the capital of 20 companies, including four of minor interest – not consolidated because they are not significant – and two joint ventures, one of which is not consolidated for the same reason. The main figures on these companies are provided in the following table. Commercial relations between the companies of the Landi Group take place under contractual conditions considered to reflect the arm's length conditions on the markets in question. The following table provides the main economic information on the companies of the Group based on the data of the Financial Statements prepared according to local regulations, approved by the respective governing bodies.

Description	Registered Office	Value	Share capital	Investment
Landi Renzo S.p.A.	Cavriago (RE)	EUR	11,250,000	Parent Company
Landi International B.V.	Utrecht (The Netherlands)	EUR	18,151	100.00%
Eurogas Utrecht B.V.	Utrecht (The Netherlands)	EUR	36,800	100.00%
Landi Renzo Polska Sp.Zo.O.	Warsaw (Poland)	PLN	50,000	100.00%
LR Industria e Comercio Ltda	Espirito Santo (Brazil)	BRL	4,320,000	99.99%
Beijing Landi Renzo Autogas System Co. Ltd	Beijing (China)	USD	2,600,000	100.00%
L.R. Pak (Pvt) Limited	Karachi (Pakistan)	PKR	75,000,000	70.00%
Landi Renzo Pars Private Joint Stock Company	Tehran (Iran)	IRR	55,914,800,000	99.99%
Landi Renzo RO srl	Bucharest (Romania)	RON	20,890	100.00%
Landi Renzo Ve C.A.	Caracas (Venezuela)	VEF	2,035,220	100.00%
Landi Renzo USA Corporation	Wilmington - DE (USA)	USD	3,067,131	100.00%
AEB S.p.A.	Cavriago (RE)	EUR	2,800,000	100.00%
AEB America s.r.l.	Buenos Aires (Argentina)	ARS	2,030,220	96.00%
Eighteen Sound S.r.l.	Reggio Emilia	EUR	100,000	100.00%
Lovato Gas S.p.A.	Vicenza	EUR	120,000	100.00%
Lovato do Brasil Ind Com de Equipamentos para Gas Ltda	Curitiba (Brazil)	BRL	100,000	100.00%
Officine Lovato Private Limited	Mumbai (India)	INR	20,000,000	100.00%
SAFE S.p.A.	S.Giovanni Persic. (BO)	EUR	2,500,000	100.00%
Safe Gas (Singapore) Pte. Ltd.	Singapore	SGD	325,000	100.00%
Emmegas S.r.l.	Cavriago (RE)	EUR	60,000	70.00%
Landi Renzo Argentina S.r.l.	Buenos Aires (Argentina)	ARS	1,000,000	100.00%
Krishna Landi Renzo India Private Ltd Held (&)	Gurgaon - Haryana (India)	INR	90,000,000	51.00%
EFI Avtosanoat-Landi Renzo LLC (&)	Navoi region - Uzbekistan	USD	800,000	50.00%

Detailed notes:

(**) the turnover and the net result for foreign companies are converted to Euro at the average exchange rate for the period for various currencies used to draw up the consolidation Reporting Packages.

(*) held by Landi International B.V.

(§) held by AEB S.p.A.

(#) held by Lovato Gas S.p.A.

(ç) held by Safe S.p.A.

(^) not consolidated because not significant

(&) Company Joint Venture

Turnover 2015 (Euro thousands) **	Turnover 2014 (Euro thousands) **	Net result 2015 (Euro thousands) **	Net result 2014 (Euro thousands) **	Notes
82,452	95,215	-37,702	212	
-	-	-320	-118	
1,482	1,577	-488	-124	(*)
20,391	18,316	176	11	(*)
6,509	6,302	-1,661	208	
5,758	4,649	-375	597	
1,514	4,456	-527	825	
450	588	94	368	
4,581	6,130	580	793	
-	-	-	-	(^)
7,210	5,513	-1,700	-1,301	
36,526	46,016	935	3,357	
7,667	6,102	638	637	(§)
11,766	9,775	9	-203	(§)
35,024	43,648	-508	1,339	
-	-	-	-	(#) (^)
-	-	-48	-61	(#)
29,494	34,570	299	1,961	
-	-	-	-	(ç) (^)
2,462	2,067	-519	-492	
-	-	-	-	(^)
686	118	-722	-700	
0	-	0	-	(^)

Landi Renzo S.p.A. (Parent Company)

In 2015, Landi Renzo S.p.A. achieved revenues from goods and services totalling Euro 82,452 thousand, compared to Euro 95,215 thousand in 2014, an increase of Euro 12,763 thousand or 13.4%.

The Gross Operating Profit was negative and equal to Euro -10,839 thousand (including non-recurrent costs of Euro 5,732 thousand), compared with a negative result of Euro -2,027 thousand in 2014.

The Operating Profit, negative and equal to Euro -21,684 thousand, was influenced by amortization and depreciation recorded during the year for an overall total of Euro 10,845 thousand, Euro 3,936 thousand for intangible assets and Euro 2,548 thousand in non-recurrent write-downs of intangible assets.

The net operating result of Euro -37,702 thousand includes financial charges totalling Euro 3,755 thousand and charges for write-downs and coverage of losses totalling Euro 12,159 thousand.

The net financial position at the end of 2015 is negative and equal to Euro 60,344 thousand, compared with a negative net financial position of Euro 44,273 thousand at 31 December 2014. Assignment of trade receivables without recourse by the company totalled Euro 18,064 thousand at year end.

The workforce was smaller at the end of the financial year compared to the previous year, and totalled 315 members.

Lovato Gas S.p.A.

Lovato Gas S.p.A., acquired in October 2008 by the Parent Company Landi Renzo S.p.A., is one of the major companies in the LPG and CNG fuel supply components and systems sector for the automotive industry, operating, for more than 50 years, primarily in the European and Asian markets.

Net revenues gross of intercompany sales totalled Euro 35,024 thousand, recording a decrease of 19.8%, mainly due to the negative performance of some Eastern European markets, in particular Russia, and the slowdown in certain markets such as India.

Due to the reduction in turnover, the net operating result was equal to Euro 131 thousand, compared to Euro 2,594 thousand in 2014, representing a significant decrease despite the reduction in structural costs.

The financial statements at 31 December 2015 closed with a loss of Euro - 508 thousand, compared to a profit of Euro 1,339 thousand in 2014.

The workforce was smaller at the end of the financial year compared to the previous year, and totalled 99 members.

A.E.B. S.p.A.

A.E.B. S.p.A. has been operating for more than 30 years in the design, manufacture and sale of electronic components for eco-sustainable LPG and CNG systems for the automotive sector. The financial statements for 2015 reported turnover of Euro 36,526 thousand, gross of intercompany sales, with a decrease of 20.6% compared with the corresponding figure for 2014. 49.6% of sales were made in Italy and 50.4% abroad, particularly in European and Asian countries. The Operating Profit was equal to Euro 1,444 thousand compared with Euro 5,029 thousand in 2014 after amortization totalling Euro 1,448 thousand. 2015 closed with a pre-tax profit equal to Euro 1,459 thousand and with a net profit equal to Euro 935 thousand, compared with a net profit of Euro 3,357 thousand recorded in the previous year. The number of employees at the end of 2015 was 111.

Eighteen Sound S.r.l.

The company Eighteen Sound S.r.l. resulted from the spin off of the "Sound" branch of the subsidiary AEB S.p.A., which owns 100% of its share capital. It operates in the professional speakers sector, focusing on sound diffusion. The financial statements for 2015 recorded a turnover of Euro 11,766 thousand compared to Euro 9,775 thousand in 2014. The Operating Profit was positive and totalled Euro 248 thousand compared to a negative value of Euro - 109 thousand in the previous year. 2015 closed with a net profit of Euro 9 thousand, compared with a net loss of Euro -203 thousand in 2014.

The workforce at end of the year numbered 44 members.

SAFE S.p.A.

SAFE S.p.A., founded in July 2012 and operating in the production of compressors for gas treatment, achieved sales revenues of Euro 29,494 thousand in 2015, a decrease of 14.7% compared to Euro 34,750 thousand in 2014. While, on the one hand, the company was impacted by the slowdown on the Russian market, as well as in the Oil & Gas segment, on the other, it partially recovered its sales volumes in other markets such as South East Asia.

The Operating Profit totalled Euro 1,139 thousand, after amortization totalling Euro 1,038 thousand.

2015 closed with a net profit of Euro 299 thousand, compared with a net profit of Euro 1,961 thousand on 31 December 2014.

The number of employees at the end of 2015 was 73.

Emmegas S.r.l.

In March, 2013, the parent company Landi Renzo S.p.A. acquired a 70% stake in Emmegas S.r.l., a company with registered office in Reggio Emilia, which has been manufacturing vehicle LPG and CNG components and fuel supply systems for over twenty years. Sales revenues totalled Euro 2,462 thousand, with a negative Operating Profit of Euro -299 thousand and a net loss of Euro -519 thousand.

Landi International B.V.

The Dutch holding company, a parent company holding 100% of Landi Renzo Polska Sp.zo.o. and of Eurogas Utrecht B.V., did not achieve any revenues (excluding the dividends of the subsidiary companies).

Eurogas Utrecht B.V.

The company, held since 1995, sold LPG fuel supply systems for motor vehicles under the "Eurogas" brand in Northern Europe. 2015 closed with a net loss of Euro -488 thousand, compared with a net loss of Euro -124 thousand in 2014, after amortization of Euro 23 thousand and non-recurrent expenses of Euro 186 thousand. Total turnover was Euro 1,482 thousand, compared with Euro 1,577 in 2014, a decrease of 6%. In 2016, the company will be put into liquidation, as part of the Group's restructuring plan.

Landi Renzo Polska Sp.zo.o.

This company, operating since 1998, sells LPG fuel systems for motor vehicles, mainly in Poland, and is also active in the installation of LPG systems, with manufacturing facilities in Warsaw and Tychy. Total turnover in 2015 was Euro 20,391 thousand compared to

Euro 18,316 thousand in 2014, recording an increase of 11.3% linked with a good performance in sales both in the installation of LPG systems and in the After Market channel. The year closed with a net profit of Euro 176 thousand, compared with a net profit of Euro 11 thousand in 2014, after amortization of Euro 593 thousand.

LR Industria e Comercio Ltda

The Brazilian company, in which a stake has been held since 2003, achieved revenues in line with the previous year, increasing slightly from Euro 6,302 thousand in 2014 to Euro 6,509 in 2015. The financial year closed with a net loss of Euro 1,661 thousand, primarily due to the negative exchange rate fluctuations caused by the depreciation of the Brazilian currency.

Beijing Landi Renzo Autogas System Co. Ltd

This company, which was formed in 2005, carries out commercial activities for LPG and CNG systems in the Chinese market and is equipped with an internal structure for research and development focused on after-sales service. 2015 closed with a net profit of Euro 375 thousand and with revenues of Euro 5,758 thousand, an increase of 23.8% compared to 2014.

L.R. Pak (Private) Limited

The company, 70% owned by the Group and active since 2006, manufactures and sells CNG fuel systems both for car manufacturers (OEM customers) and for the After Market. The year 2015 closed with a loss of Euro -527 thousand, compared to a profit of Euro 825 achieved in 2014, and with revenues from sales and services totalling Euro 1,514 thousand (Euro 4,456 thousand at 31 December 2014).

Landi Renzo Pars Private Joint Stock Company

Since 2008, this company has been engaged in the production and marketing of CNG systems in the Iranian market, on both the OEM and After Market channels. Landi Renzo Pars received protection of its invested capital on the basis of the "FIPPA" (Foreign Investment Protection and Promotion Act) regulations. 2015 closed with sales revenues totalling Euro 450 thousand and a net profit of Euro 94 thousand as a result of the income from financial operations. Despite favourable developments in the political climate, revenues for the period in question were once again negatively affected by commercial and financial restrictions associated with the Western Countries' embargo.

Landi Renzo RO Srl

This company has been active since 2009 in the production, marketing and installation of LPG systems, in particular on the OEM channel. 2015 closed with a net profit of Euro 580 thousand, compared with a net profit of Euro 793 thousand in the previous year. Revenues from sales and services were equal to Euro 4,581 thousand, a decrease of 25.3% compared with the previous year due to a decrease in volume in the OEM sector.

Landi Renzo USA Corporation

In January 2010, Landi Renzo Usa Corporation was formed with the aim of developing productive and commercial opportunities on the American market, which is increasingly interested in using environmentally friendly CNG systems. In 2015, the company achieved revenues of Euro 7,210 thousand, an increase of 30.1% compared to 2014, and recorded a loss of Euro -1,700 thousand.

A.E.B. America srl

A.E.B. America srl, 96% controlled by A.E.B. S.p.A. carries out production and marketing activities on the Argentine market. In 2015, it reported an improvement in sales performance compared to 2014, with revenues totalling Euro 7,667 thousand and a positive net result equal to Euro 638 thousand.

OTHER INFORMATION

TRANSACTIONS WITH RELATED PARTIES

Creditor/debtor relationships and economic transactions with related parties are subject to specific analysis in the relevant section of the Explanatory Notes to the Consolidated Financial Statements and Annual Financial Statements, to which you should refer. Please note that transactions with related parties, including intercompany transactions, cannot be qualified as either atypical or unusual, as they are part of the normal activities of the Group companies, and that transactions are concluded according to contractual conditions that reflect arm's length conditions, taking into account the characteristics of the goods and services provided. Regarding the relationships with the parent company Girefin S.p.A., it should also be noted that the Directors of Landi Renzo S.p.A. deem that it does not exercise the administration and coordination activities envisaged by art. 2497 of the Italian Civil Code. Finally, please note that in accordance with CONSOB Regulation 17221/2010, and pursuant to Article 2391-bis of the Italian Civil Code, the Board of Directors has adopted the specific procedure for transactions with related parties, available on the company website, to which you should refer.

POSITIONS OR TRANSACTIONS DERIVING FROM ATYPICAL AND/ OR UNUSUAL TRANSACTIONS

Pursuant to CONSOB communication no. 6064293 of 28 July 28 2006, note that, during 2015, no atypical and/or unusual transactions occurred outside the normal operation of the company that could give rise to doubts regarding the correctness and completeness of the information in the financial statements, conflicts of interest, protection of company assets, safeguarding of minority shareholders.

TREASURY SHARES AND SHARES OF PARENT COMPANIES

In compliance with the provisions of article 2428 of the Italian Civil Code, it is confirmed that during 2015 the Parent company did not negotiate any treasury shares or shares of parent companies and does not at present hold any treasury shares or shares of parent companies.
The subsidiaries do not hold any shares of the Parent Company

SUB-OFFICES

No sub-offices were established.

CORPORATE GOVERNANCE

Information on corporate governance is provided in a separate report that is an integral part of the financial statements, annexed to this Report.

POLICY FOR ANALYZING AND MANAGING RISKS CONNECTED WITH THE ACTIVITIES OF THE LANDI GROUP

This section provides information on exposure to risks connected with the activities of the Group as well as the objectives, policies and processes for managing such risks and the methods used to asses and to mitigate them.
The guidelines for the internal control and risk management system of the Landi Renzo Group defined by the Board of Directors identify the internal audit system as a cross-sectional process integrated with all the company activities, which is based on the international principles of Enterprise risk management and, in particular, on the CoSo Report framework indicated by the Sarbanes-Oxley Act of 2002 as a reference best practice for the architecture of internal audit systems. The purpose of the internal audit and risk management system is to help the Group to realize its performance and profit objectives, to obtain reliable economic-financial information and to ensure compliance with the laws and regulations in force, preventing damage to the company's image and economic losses. In this process, particular importance is given to the identification of corporate objectives, the classification (based on combined assessments regarding the probability and the potential impact) and the classification and control of the business risks connected to them, through the implementation of specific actions aimed at containing such risks. There are various types of potential business risks: strategic, operational (related to the effectiveness and efficiency of business operations), reporting (related to the reliability of economic-financial information), compliance (related to the observance of the laws and regulations in force, to avoid the company suffering damage to its image or and/or economic losses) and, lastly, financial.

Those in charge of the various branches of company management identify and assess the risks within their jurisdiction, whether these originate within or outside the Group, and identify actions to limit and reduce them (so-called "first line audit").

In addition to these activities, there are those of the Manager in charge of drafting corporate documents and his staff (so-called "second level audit") and those of the Manager of the Internal Audit function (so-called "third level audit") who continuously monitors the efficiency and effectiveness of the internal audit and risk management system through risk assessment activities, the cyclical performance of audit operations and the subsequent management of follow up.
The results of the risk identification procedures are reported and discussed at the Top Management level of the Group in order to create the prerequisites for their cover, insurance and for the assessment of the residual risk.
The following paragraphs describe the risks considered to be significant and connected with the activities of the Group (the order in which they are listed does not imply any classification, either in terms of probability of their occurrence or in terms of possible impact):

STRATEGIC RISKS

• Risks relating to the macroeconomic and sector situation.

The activity of the Group is influenced by the general conditions of the economy in the various markets where it operates. A phase of economic crisis, with a consequent slow-down in consumption, can have a negative impact on the sales trends of the Group.
The current macroeconomic context causes significant uncertainty regarding future expectations, with the resulting risk that reduced performance could impact margins in the short term. In order to mitigate the possible negative impact that a downturn in demand could have on company profits, the Landi Renzo Group has adopted a flexible structure and has outsourced part of its production to third-party suppliers; supplies to car manufacturers, on the other hand, are handled by the Group's own structures, as agreed with the customers for more effective synergy. In addition, when necessary, fixed-term contracts are also used. These various factors allow production capacity to be sized in relation to the market requirements.
The Group pursues its aim of increasing its industrial efficiency and improving its capacity for lean manufacturing, while reducing overhead costs.

• Risks connected with the international expansion strategy

The Group sells its products in more than 50 countries, in 14 of which it operates directly, including through its own companies. In 2015, the Group achieved 79.7% of consolidated revenues abroad.
In pursuing its expansion strategy, the Landi Group has invested, and may invest more in the future, including in countries characterized by considerable instability in terms of their political institutions and/or involved in situations marked by international tensions. The above-mentioned strategy could expose the Landi Group to various risks of a macroeconomic nature, arising, for example, from changes in the political, social, economic and regulatory systems of such countries or from extraordinary events such as acts of terrorism, civil disorder, restrictions on trade with particular reference to the Group's products, foreign investment and/or trade, as well as exchange rate control policies and associated restrictions on repatriation of capital, sanctions, restrictions on foreign investment, nationalization, and inadequate protection of intellectual property rights.

SALES IN MORE THAN
50
COUNTRIES

The probability of the events described above actually taking place varies from country to country and is difficult to predict. However, a constant monitoring activity is carried out by company Top Management in order to become aware of any changes as early as possible, so as to minimize any economic or financial impact that may ensue.

- **Risks related to growth**

The Group aims at continued growth by means of a strategy based on gaining strength in the markets where it is already present and on further geographical expansion. In the context of such a strategy, the Group could encounter difficulties in managing the adaptation of the structure and business model or in the ability to identify market trends or the preferences of local consumers. In addition, the Group may incur start-up costs arising from the opening of new companies. Finally, in the event that the Group's growth is pursued through external lines by way of acquisition transactions, it may encounter, amongst other things, difficulties associated with the correct valuation of the assets acquired, the integration of such assets, and also the failure to achieve the expected synergy, which may have a negative impact on the activity and on the future economic-financial results of the Group.

OPERATING RISKS

- **Risks connected to relationships with OEM customers**

The Landi Group distributes and sells its systems and components to the main vehicle manufacturers worldwide (OEM customers). In the year ending at 31 December 2015, the sales of systems and components made by the Landi Group to OEM customers represented approximately 25.6% of the total sales of such products. The Group boasts long-standing relationships with the main vehicle manufacturers worldwide. The ability of the group to strengthen the existing relationships with such customers, or to establish new relationships, is a determining factor that will consolidate the Landi Group's leadership position in the market. Relationships with OEM customers are typically governed by agreements that do not require minimum purchase quantities. Therefore, the demand for predefined quantities of Landi Group products from such customers cannot be guaranteed. In order to satisfy the requirements of various customers to the best of its abilities, the Landi Group has initiated a policy of delocalization of part of its production, in recent years, in countries where it already has a number of customers, and is attempting to do the same in other countries. In light of the above, and also in the light of the competitive advantage acquired in providing solutions for the development of sales in the After Market channel, the Group does not believe that it is at significant risk of dependency on OEM customers. It is not possible, however, to exclude the fact that the potential loss of important customers or a reduction in orders from them, or a delay in collection compared to contractual agreements may have negative effects on the economic-financial results of the Group.

- **Risks connected to the highly competitive markets in which the Landi Group operates**

The markets in which the Landi Group operates are highly competitive in terms of quality, innovation, economic conditions and reliability and safety. The success of the activity will depend on the ability to maintain and increase market shares and to expand through new innovative solutions. The Group constantly monitors the market in order to identify as quickly as possible the introduction of any new or alternative fuel supply systems for motor vehicles by competitors and car manufacturers, and consequently manages the risk by pursuing a policy of progressive diversification and enrichment of its product portfolio in order to minimize any possible economic impact.

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• Product liability risks

Any design or manufacturing defects in the Landi Group products, including those attributable to third parties such as suppliers and installers, may give rise to product liability with regard to third parties. In addition, should the products turn out to be defective or fail to comply with technical and legal specifications, the Landi Group, including at the request of its customers, could be obliged to withdraw such products from the market while incurring the related costs. For these reasons, insurance cover has been put in place, centred on master policies negotiated and contracted centrally and local first risk policies. The latter guarantee immediate activation of the cover which is supplemented by master policies where the impact of the damage exceeds the local maximum amount. In order to further mitigate the risk related to product liability, the Group has considerably increased the maximum amounts of the master and recall policies in recent years. In addition, allocations are made to appropriate provisions, estimated by management based on the historical incidence of defects encountered and on the more recent and stricter requirements arising from commercial agreements signed with OEM customers.

• Risks connected with the protection of intellectual property

The Landi Group owns trademark rights, patent rights and other intellectual property rights, and regularly registers its trademarks, patents and other intellectual property rights, and also protects its industrial know-how pursuant to the applicable regulations, in order to avoid the risk of imitation or reproduction of the products by competitors or by unauthorized third parties.
In relation to this, it is noted that the Group operates in more than 50 countries worldwide and that part of the Group's product sales takes place in emerging or developing countries, where the existing forms of protection may not be fully effective. In other words, the risk of products being counterfeited is greater. It is therefore not possible to eliminate the risk of third parties counterfeiting the products or disputing trademarks and patents, or to exclude the possibility of third parties discovering know-how or industrial secrets, or the risk that competitors may develop products, know-how and technologies similar to those of the Group. Any counterfeiting, claims and/or disputes relating to protection of intellectual property, , whether brought by or against the Group, , could have a negative impact on its economic-financial results if it loses them.

• Risks connected with the recoverability of intangible assets, in particular goodwill

Intangible assets totalling Euro 61,194 thousand are reported in the consolidated financial statements at 31 December 2015, including Euro 8,404 thousand for development costs, Euro 30,094 thousand for goodwill, Euro 22,696 thousand for trademarks and patents, as well as net deferred tax assets totalling Euro 13,779 thousand. The recoverability of such values is related to the materialization of future industrial plans relating to the relevant cash generating units.

In particular, in the context of its development strategy, the Landi Group has acquired companies that have allowed it to increase its market presence and to take advantage of the opportunities for growth that it provides. With regard to such investments, recorded in the financial statements as goodwill, there is no guarantee that the Landi Group will succeed in achieving the benefits originally expected from these operations.
The Landi Group constantly monitors the progress of performance in comparison to the plans, initiating the corrective actions necessary whenever unfavourable trends emerge that may involve significant changes in expected cash flow used for impairment tests when evaluating the consistency of the values recorded in the financial statements.

FINANCIAL RISKS

• Interest rate risk

The Landi Group is exposed to the interest rate risk associated with both cash and cash equivalents and with medium to long term financing. The exposure refers mainly to the Euro zone. As regards exposure to the risk of interest rate volatility, note that the financial indebtedness with banks is regulated primarily by variable interest rates. Therefore, the financial management of the Group remains exposed to fluctuations in interest rates, since, at the date of these financial statements, it had no hedging instruments to cover changes in interest rates on loans with banks.
Any deterioration in economic and financial performance of the Group could lead to a reduction in the credit rating assigned by financial institutions, which could limit access to sources of funding, as well as increasing financial charges, with consequent negative effects on prospects and results.
Interest rate risks were measured using sensitivity analysis and the potential impacts of Euribor interest rate fluctuations on the consolidated financial statements at 31 December 2015 were analyzed with particular reference to cash and cash equivalents and to financing. The increase of 50 basis points on the Euribor, like all other variables, would have produced an increase in financial costs for the Group of Euro 359 thousand in comparison to an increase in financial income equal to Euro 65 thousand.

• Foreign exchange risk

The Landi Renzo Group sells part of its production and, although to a much lesser degree, also purchases some components in countries outside the Euro zone. In relation to the exchange risk, note that the amount of the consolidated equity balances expressed in currency other than the functional currency is to be considered as insignificant. The Group has no hedging instruments to cover exchange rate fluctuations and, in accordance with its policy up to this moment, no derivatives are subscribed solely for trading purposes. Therefore, the Group remains exposed to the exchange rate risk on the balances of assets and liabilities in foreign currency at year end which, in any case, as mentioned, are not to be considered as significant.
Please also note that several Group companies are located in countries outside the European Monetary Union: USA, Argentina, Brazil, Venezuela, Iran, Pakistan, China, India, Poland, Romania and Uzbekistan. Since the reference currency is the Euro, the income statements of such companies are converted to Euro at the average

exchange rate for the period and, with the same revenues and margins in local currency, exchange rate fluctuations may impact the Euro value of revenues, costs and economic results.

• Credit risk

The credit risk is the risk that a customer or one of the parties to a financial instrument causes a financial loss through failure to fulfil an obligation and derives primarily from trade receivables, from other financial assets and from guarantees that may have been provided by the Group.

Trade receivables and other receivables

The Group normally deals with known and reliable customers. It is the Landi Group's policy to subject customers requesting extended payment conditions to procedures to check their credit class. This check also includes external assessments when available. Sales limits are established for each customer, which represent the maximum line of credit, beyond which direct approval by management is required. The credit limits are reviewed periodically and customers who do not satisfy the creditworthiness conditions established by the Group can then make purchases only by payment in advance. In addition, the balance of the receivables is monitored on a fortnightly basis over the period, in order to minimize exposure to the risk of losses. Finally, regarding new customers and those not operating in EU countries, a letter of credit to guarantee successful collection is normally used, where possible.

At March 2008, the Parent Company insures part of its foreign receivables not guaranteed by letters of credit through a leading Insurance Company and uses non-recourse assignment of debts. The Group allocates a provision for loss of value that reflects the estimated losses on trade receivables and on other creditors, made up primarily of individual write-downs of significant exposures.

Lastly, it is noted that the persistence or deterioration of the current economic and financial crisis could have an impact, or even a significant impact, on the capacity of some client companies to regularly meet their obligations to the Group.

Other financial assets

The credit risk regarding the other financial assets of the Group, including cash and cash equivalents, presents a maximum risk equal to the book value of these assets in the case of insolvency of the counterpart.

Guarantees

The policies of the Group provide, where necessary, for the issue of financial guarantees in favour of subsidiary companies. At 31 December 2015, the Group did not have any financial guarantees for a significant amount in place.

• Liquidity risk

The liquidity risk is the risk that the Group may have difficulty in meeting obligations associated with financial liabilities.

Any deterioration in economic and financial performance of the Group could lead to a reduction in the credit rating assigned by financial institutions, which could limit access to sources of funding, as well as increasing financial charges, with consequent negative effects on prospects and results.

The Landi Group manages the liquidity risk by maintaining an adequate level of available financial resources and bank credit granted by the main credit institutions, in order to satisfy the finance requirements of operational activity. The current context of the markets in which the Group operates, including financial markets, requires particular attention in managing the liquidity risk and, to this end, particular attention is given to the actions aimed at generating financial resources with operating activities and at maintaining an adequate level of cash and cash equivalents as an important factor in facing the coming years. For this purpose, the Group increased use of assignment without recourse of trade receivables, aimed at producing high liquidity and therefore reducing net operating capital, and issued a bonded loan over the course of the financial year with a five-year payment term. Therefore, the Group expects to deal with the necessities arising from receivables falling due and from investments planned by means of flows deriving from operating activities, available liquidity, and the renewal or refinancing of bank loans.

The unsecured loans granted to the Group, as well as the bonded loan, require certain specific financial covenants to be in place (typically: Net financial position compared to gross operating profit) that must be assessed on at least an annual basis, based on the information contained in the consolidated financial statements.

Failure to comply with these covenants, or the emergence of other issues, could result in non-fulfilment by the Group and, potentially, mean that the relevant loan will have to be repaid early.

At 31 December 2015, due to the economic results for the financial period, the target parameters were not met, something which entitles the financial institutions and the bondholders to enforce clauses to terminate the contracts. The medium-long term amounts relating to the loan and the bonded loan in relation to which the covenants were not satisfied, equal to Euro 50,627 thousand, were reclassified as short-term liabilities, bringing the short term net financial debt, including cash and cash equivalents (see Net Financial Position and Cash Flows table) at the end of the financial period to Euro 46,056 thousand (Euro 19,897 thousand at the end of 2014).

Over the course of 2016, and prior to the approval of the 2015 financial statements, the credit institutes in question issued the Company with dedicated waiver letters that deferred measurement of the parameters to 2016, something which was confirmed by the Bondholders’ Meeting, held on 7 March 2016.

On the basis of the 2016 budget approved by the Board of Directors, the Directors believe that the financial parameters set out for the loans and for the bonded loans will be satisfied.

The Group does not have specific policies for management of the centralized treasury. In particular, management of the ordinary treasury is delegated locally to the Group’s individual companies, while the extraordinary treasury is subject to the decision-making processes of the Parent company.

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD AND FORECAST FOR OPERATIONS

At the end of financial year and to date, we note:

- On 1 March 2016, ANFIA (*Associazione Nazionale Filiera Industria Automobilistica*) released data on car registrations in Italy according to which, in January and February 2016, registrations of bi-fuel vehicles recorded a decrease compared with the same two months of the previous year. In the first two months of the year, LPG-Petrol and CNG-petrol bi-fuel registrations dropped by approximately 22% compared to the same period in 2015.

- On 7 March 2016, the Meeting of Bondholders for the loan "LANDI RENZO 6,10% 2015-2020" ISIN code IT0005107237, unanimously approved the Board of Directors' proposal regarding amendments to the Loan Regulations, as set out here below:
  - With reference to the Date of Measurement of the Financial Parameters, the first date has been deferred from 31 December 2015 to 31 December 2016.

  - With reference to the Interest rate, an Interest Rate Step-up of 0.40% (for a total of 6.50%) was introduced for the interest periods relating to 2016 only.

  - With reference to the methods of repaying the Loan, repayment through periodic amortization was introduced, to replace full repayment on the expiry date as provided for in the original loan regulations.

Considering the current climate in the sector in question, it is expected that 2016 turnover will be between Euro 200 and Euro 210 million. EBITDA 2016 is predicted to be between Euro 12 and Euro 15 million.
Given the development of certain projects in terms of timeframe, and the seasonal nature of certain areas, turnover will increase primarily in the middle of the year, with a weaker first quarter.
The Group will also continue to place great focus on controlling operating and management costs, taking further actions to improve efficiency.
The Board of Directors, given the current negative economic situation for the sector and the economic and financial situation of the Landi Renzo Group, which is still suffering the effects of the strong fluctuations in oil prices, will also consider other potential steps aimed at recovering profitability, also in light of a different and more efficient capital and financial structure for the Group. A return to the breakeven point is predicted by 2017.

PROPOSAL FOR APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS AND ALLOCATION OF THE RESULT FOR THE YEAR

Dear Shareholders,

in concluding our report we propose that you:

- approve the Financial Statements at 31 December 2015;
- propose to the Shareholders' Meeting that they approve the plan to cover Landi Renzo S.p.A.'s losses for the year, totalling Euro 37,702,189.73, by using the full merger surplus reserve, which will be reduced to zero, and the extraordinary reserve, which will be reduced to Euro 12,620,747.55.

Cavriago (RE), 14 March 2016

For the Board of Directors
The Chairman
Stefano Landi

ANNEX

Report on corporate governance and ownership structure

CONTENTS

GLOSSARY

Borsa Italiana: Borsa Italiana S.p.A.

Self-Regulatory Code: the Self-Regulatory Code for listed companies approved by the Corporate Governance Committee in March 2006 (and subsequent amendments) and promoted by Borsa Italiana, Abi, Ania, Assogestioni, Assonime and Confindustria, publicly available on the internet website of Borsa Italiana www.borsaitaliana.it.

Civil Code: the Italian Civil Code.

Board of Statutory Auditors: the Issuer's Statutory Auditors.

Board or Board of Directors: the Issuer's Board of Directors.

Issuer, Landi Renzo or the Company: Landi Renzo S.p.A.

Period: the financial period covered by the Report, i.e. the financial year ended on 31 December 2015.

Stock Market Regulations: the Regulations of the Stock Markets organised and managed by Borsa Italiana.

Instructions to the Stock Market Regulations: the Instructions to the Stock Markets Regulations.

Issuers' Regulations: the Regulations issued by Consob by virtue of Resolution 11971/1999 (and subsequent amendments) regarding legislation for issuers.

Consob Market Regulations: the Regulations issued by Consob by virtue of Resolution 16191/2007 (and subsequent amendments) regarding legislation for the stock markets.

Related Party Transactions Regulations: the Regulations issued by Consob by virtue of Resolution 17221 of 12 March 2010 (and subsequent amendments) regarding transactions with related parties.

Report: the report on corporate governance and the structure of ownership that companies are obliged to prepare in accordance with Article 123-*bis* of the Consolidated Finance Act for the reference Period.

Consolidated Finance Act: Legislative Decree 58 of 24 February 1998 (the Italian Consolidated Finance Act), as amended.

1. ISSUER PROFILE

The Issuer has adopted a traditional system of governance based on the presence of three bodies: the Shareholders' Meeting, the Board of Directors and the Board of Auditors. The auditing of the accounts is entrusted by law to an auditing firm. The Issuer adheres to the Self-Regulatory Code in accordance with the method described below.

The following sections provide information regarding the ownership structure and describe the relative and actual methods of implementation that the Company has already adopted, namely the changes that the Company is pursuing with respect to the compliance model outlined in the Self-Regulatory Code.

This Report, prepared in accordance with the legal obligations laid down for companies listed on the screen-based equity market (*Mercato Telematico Azionario*) organised and managed by Borsa Italiana, together with all the documents referred to herein, may be downloaded from the Company's website, www.landi.it, Investor Relations section.

2. INFORMATION ON THE STRUCTURE OF OWNERSHIP (PURSUANT TO ARTICLE 123-BIS, SUBSECTION 1, OF THE CONSOLIDATED FINANCE ACT) AS AT 31 DECEMBER 2015

This section 2 has been prepared pursuant to the terms and effects of Article 123-*bis*, subsection 1, of the Consolidated Finance Act. Any information (i) required by the aforesaid Article 123-*bis*, subsection 1, letter i) of the Consolidated Finance Act is provided in the Report on remuneration published pursuant to Article123-*ter* of the Consolidated Finance Act, (ii) the information required by the aforesaid Article 123-*bis*, subsection 1, letter l) of the Consolidated Finance Act is provided in the chapter of the Report dealing with the Board of Directors (Section 4.1), and finally, (iii) the other information required by article 123-*bis* of the Consolidated Finance Act that is not mentioned in this section 2, is to be understood as not applicable to the Company.

(a) **Shareholding structure (pursuant to article 123-*bis*, subsection 1, letter a) of the Consolidated Finance Act)**

Landi Renzo's share capital is equal to Euro 11,250,000, fully subscribed and paid up, and consists of 112,500,000 ordinary shares with a nominal value of Euro 0.10 each (the "**Shares**"), traded on the screen-based equity market (*Mercato Telematico Azionario*) organised and managed by Borsa Italiana. This information is also shown in table 1 attached to the Report.

As of the date of this Report, no special classes of shares have been issued, such as shares without voting rights or with limited voting rights, nor other securities granting the right to subscribe newly issued shares.

On 9 April 2015, Landi Renzo’s Board of Directors approved by resolution the placement of a debenture loan called "LANDI RENZO 6.10% 2015-2020", in the amount of Euro 34 million, having a term of five years and paying a gross fixed interest rate of 6.10%, with a coupon paid every six months in arrears, as provided under the rules approved on 9 April 2015 and subsequently amended on 7 March 2016.

On 14 May 2015, the security was admitted for trading on the Extra MOT PRO Segment of Borsa Italiana S.p.A. and was subscribed for and placed by Banca Popolare di Vicenza SCpA and KNG Securities LLP with primary Italian and European institutional investors.

Further details are available on the Company's website at http://www.ir.landi.it/home/show_press.php?menu=00019.

(b) **Restrictions on the transfer of securities (pursuant to article 123-*bis*, subsection 1, letter b) of the Consolidated Finance Act)**

As of the date of this Report, the Shares are freely transferable by deed *inter vivos* and/or by succession *mortis causa* and are subject to the circulation regime envisaged for shares issued by listed companies registered under Italian law.

(c) **Significant shareholdings (pursuant to article 123-*bis*, subsection 1, letter c) of the Consolidated Finance Act)**

As of the date of this Report, on the basis of the records in the shareholders' book and in the light of the notifications received under Article 120 of the Consolidated Text, the following parties, directly or indirectly, own more than 2% of the Company shares (this information is also presented in table 1, attached to this Report).

Declarer	Direct shareholder	% of ordinary share capital	% of shares with voting rights
Trust Landi (trust regulated by Jersey law, in which trustee is Stefano Landi)	Girefin S.p.A. Gireimm S.r.l.	54.667 4.444	54.667 4.444
Aerius Investment Holding AG	Aerius Investment Holding AG	8.356	8.356

(d) **Securities to which special rights are attached (pursuant to article 123-*bis*, subsection 1, letter d) of the Consolidated Finance Act)**

As of the date of this Report, the Company's Shares are registered, freely transferable and indivisible. Each share confers the same proprietary and administrative rights in accordance with the applicable provisions of law and of the articles of association.

On 24 April 2015, Landi Renzo's Shareholders' Meeting amended the Company's By-laws in order to introduce a loyalty shares mechanism giving rise to increased voting rights for such shares (as provided under the provisions of article 20, first paragraph, of draft law no. 91 of 24 June 2014, converted by law no. 116 of 11 August 2014), by virtue of which, upon the registration of the shareholder in the specific register kept by the Company in connection with a certain number of shares and following a vesting period of possession of such shares of 24 months, the shareholder will be entitled to a double vote in relation to such shares.

At the following meeting held on 27 August 2015, the Company's Board of Directors approved the Rules on loyalty shares giving rise to increased voting rights which govern, *inter alia*, the procedures for requesting registration in the dedicated special list provided under art. 127-*quinquies*, paragraph 2, of the Consolidated Finance Act. Further details are available on the Company's website http://www.ir.landi.it/home/show_man.php?menu=00007&submenu=00007.00018.

It should be noted that, as of the date of this Report, the number of Landi Renzo's shares is 112,500,000, corresponding to 112,500,000 voting rights at the Company's ordinary and extraordinary shareholders' meetings.

(e) **Employees' shareholdings: mechanism for the exercise of voting rights (pursuant to article 123-*bis*, subsection 1, letter e) of the Consolidated Finance Act)**

As of the date of this Report, there are no arrangements for employees to hold shares in the Company.

(f) **Restrictions on voting rights (pursuant to article 123-*bis*, subsection 1, letter f) of the Consolidated Finance Act)**

As of the date of this Report, there are no restrictions on voting rights.

(g) **Shareholders' agreements (pursuant to article 123-*bis*, subsection 1, letter g) of the Consolidated Finance Act)**

As of the date of this Report, the Company is not aware of any agreements among shareholders as per Article 122 of the Consolidated Text.

(h) **Change of control clauses (pursuant to article 123-*bis*, subsection 1, letter h) of the Consolidated Finance Act)**

As of the date of this Report, neither the Company nor its subsidiaries have stipulated any important agreements that take effect, are amended or are terminated in the event of any change in the Issuer's major shareholder, with the exception of two loan agreements entered into on 16 April 2015 (the "**First Loan**") and 26 June 2015 (the "**Second Loan**") which will remain in force, respectively, until 16 April 2020 and 26 June 2020, aimed at, as for the First Loan, providing partial financial support for investments envisaged during the term of the agreement and, as for the Second Loan, financing the financial requirements related to the Company's ordinary business operations.

The First Loan contains a clause providing for full repayment of the loan in the event that the Landi Trust reduces its shareholding in the Company to below 50.1% of the Issuer's voting share capital.

The Second Loan contains a clause providing for the full repayment of the loan in the event that (i) Mr. Stefano Landi (trustee of the Landi Trust) reduces his shareholding in the Company to under 50.1% of the Issuer's share voting capital or (ii) at any time, one or more persons (including in concert), other than Mr. Stefano Landi, acquire control over the Company within the meaning set forth in art. 2359, paragraph 1, numbers 1 and/or 2 of the Italian Civil Code and/or art. 93 of the Consolidated Finance Act.

It should be noted that, in relation to both loan agreements referred to above, the right to full repayment can be exercised by the lender at its own discretion and that, upon occurrence of the aforesaid events, should the Company not comply with its repayment obligation, the lender is also entitled to terminate the relevant agreement pursuant to article 1456 of the Italian Civil Code.

(i) **Delegated powers to increase share capital, and authorisations to purchase treasury shares (pursuant to article 123-*bis*, subsection 1, letter m) of the Consolidated Finance Act)**

The Shareholders' Meeting of 24 April 2015, after it revoked the resolution it had approved on 24 April 2014 to the extent not yet implemented, authorised the Board of Directors, and the Managing Director acting on behalf of the said Board, also through its own attorneys appointed for this purpose, pursuant to, and for the purposes of, article 2357 of the Italian Civil Code, to purchase Company's treasury shares, in quantities, at the price, and under the terms and conditions reported below:

(i) the shares may be purchased on one or more occasions, within the 18 months following the date of the shareholders' meeting's resolution, within the limits of the reserves available and profit available for distribution shown in the last approved financial statements, and will be recorded in the accounts in accordance with the legislative provisions and accounting principles applicable to listed companies, that is, in accordance with the provisions of article 144-*bis* of the Issuers' Regulations and article 132 of the Consolidated Finance Act, and in accordance with the provisions of the Stock Market Regulations and of all other applicable regulations, including those established by Directive 2003/6/EC, including among others the assignment to the shareholders, proportionally to shares owned by each, of a put option to be exercised within a term to be set in the resolution of the Shareholders' Meeting that approves the purchase plan;

(ii) the purchase price of each share shall be no more than 20% higher or lower than the reference price recorded by the security on the Stock Market in the session preceding each transaction;

(iii) the maximum number of shares purchased may not have an aggregate nominal value, including any shares held by the subsidiaries, higher than one-fifth of the share capital.

(iv) On the same occasion the Shareholders' Meeting also resolved:

(v) under Article 2357-*ter*, subsection 1, of the Italian Civil Code, to authorise the Board of Directors to dispose, in whole or in part, without any time limits, of its treasury shares purchased even before having completed the purchases; shares may be sold, on one or more occasions, also through offerings to the public and/or the Shareholders, on regulated markets and/or unregulated markets, or off-market, also by offering them to the public and/or to Shareholders, by institutional placement, by placement of purchase coupons and/or warrants or as a consideration for acquisitions or public swap offers at a price that must not be more than 20% lower or higher than the reference price recorded by the security on the Stock Market in the session preceding each transaction; nevertheless, these price limits will not apply if the shares are sold to employees, including executives, executive directors or collaborators of Landi Renzo and its subsidiaries within the framework of stock option incentive plans intended for such persons;

(vi) under Article 2357-*ter*, subsection 3, of the Italian Civil Code, to authorise the Board of Directors to make all the accounting entries necessary or opportune, as regards transactions involving treasury shares, in compliance with those legal provisions in force and with the applicable accounting principles.

As of the date of this Report, the Company has neither purchased nor disposed of any treasury shares.

The Board of Directors' meeting of 14 March 2016 resolved to submit to the Shareholders' Meeting a proposal to extend the power to purchase and dispose of treasury shares under the same terms and conditions as approved by the previous shareholders' meeting.

(l) **Management and coordination (pursuant to articles 2497 ff. of the Italian Civil Code)**

Landi Renzo deems that Girefin S.p.A. does not carry out management and coordination activities, operating as the former does completely free of any entrepreneurial or corporate control by the latter controlling company. For example, Landi Renzo independently manages its treasury and business relations with customers and suppliers, and independently establishes its own industrial plans and/or budgets.

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The information requested by article 123-*bis*, first paragraph, letter i), of the Consolidated Financial Act (benefits for directors in case of resignation, dismissal or termination of employment following public tender offers) are described in the report on remuneration published pursuant to article 123-*ter* of the Consolidated Finance Act.

The information requested under article 123-*bis*, first paragraph, letter l) of the Consolidated Finance Act (appointment and replacement of directors and changes to the articles of association other than those required under the laws and regulations) are described in the section of the Report devoted to the Board of Directors.

3. COMPLIANCE

Landi Renzo has complied with the provisions and recommendations of the Self-Regulatory Code drafted by the Listed Companies' Corporate Governance Committee and published in March 2006, as amended (the "**Self-Regulatory Code**"), available for public viewing on the Borsa Italiana website www.borsaitaliana.it.

Neither the Issuer nor its subsidiaries of strategic importance, are subject to provisions of any laws other than Italian law affecting the Issuer's corporate governance structure.

4. BOARD OF DIRECTORS

4.1 APPOINTMENT AND REPLACEMENT OF DIRECTORS, AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION (PURSUANT TO ARTICLE 123-BIS, SUBSECTION 1, LETTER I) OF THE CONSOLIDATED FINANCE ACT)

The Shareholders' Meeting establishes the number of members of the Board of Directors, at the time of their appointment, within those limits set out in subsection 4.2 below. The directors shall hold office for a period of no more than three financial years, and they may be re-elected.

Under Article 14 of the Company's articles of association, regarding the appointment and replacement of the Board of Directors and/or its members, establishes that the members of the Board of Directors are elected from lists of candidates according to the following procedures, in compliance with legislation, including regulatory, on gender balance in force at the time. Shareholders holding, even jointly, at least 2.5% of the share capital representing shares that confer voting rights at shareholders' meetings held to deliberate the appointment of the members of the governing body, or such other proportion of the share capital as may be determined at any one time by Consob, in accordance with the rules applicable to the Company, may present a list of candidates, the number of which shall not be greater than the number of directors to be elected, to be arranged in progressive order. This level of ownership is consistent with that determined by Article 144-*quater* of the Issuers' Regulations for companies with a market capitalisation of up to Euro 1,000,000. The notice calling the shareholders' meeting will state the level of ownership required to present a list of candidates.

Each shareholder, the shareholders adhering to a shareholders' agreement relevant under Article 122 of the Consolidated Finance Act, the parent company, the subsidiary companies and companies subject to joint control, may not present or join in the presentation of more than one list, not even through a third party or a trust company, nor may they vote for different lists, and each candidate may only stand in one list, otherwise they will be adjudged ineligible. Candidatures and votes expressed in breach of this restriction shall not be attributed to any list.

Lists must be deposited at the Company's registered office at least 25 (twenty-five) days prior to the date scheduled for the Shareholders' Meeting, without prejudice to other forms of publicity provided for by law, including regulatory provisions, in force at the time. The notice calling the shareholders' meeting will provide instructions to allow remote deposit of the list by distance communication. Ownership of the amount of shares required to present a list must be proven with the methods and at the terms required under the law and regulatory provisions in force at the time. Should mandatory gender allocation criteria be applicable, each list that presents at least 3 (three) candidates shall include a number of candidates of the least represented gender equal to the minimum requested by applicable law and regulatory provisions in force at the time. Those documents provided for by article 14 of the Issuer's articles of association and by the applicable provisions of law and regulations shall be presented together with each list.

Within the above terms, the following must be deposited together with each list: (i) information regarding the identity of the shareholders that presented the list and the percentage of ownership they hold in the aggregate; (ii) the declarations whereby each candidate accepts to be a candidate and attests, under his or her own responsibility, that no circumstances giving rise to his or her ineligibility or incompatibility exist and that he or she meets all the requisites under the law to accept the office; (iii) any candidate's declaration whereby the candidate attests, under his or her own responsibility, that he or she meets the independence requirements in accordance with applicable laws and regulations; and (iv) the *curricula vitae* of each candidate, containing exhaustive information on the candidate's personal and professional background, and listing any offices held by the candidate on the governing or supervisory bodies of other companies. Those lists presented without observing the aforesaid provisions shall be deemed as not presented.

Each eligible person has the right to vote for one list. When voting has been completed, those candidates from the two lists who have obtained the greatest number of votes shall be elected, according to the following principles:

(a) from the list that has obtained the highest number of votes (the "**Majority List**"), the same number of directors shall be elected as make up the Board of Directors, as established beforehand by the Shareholders' Meeting, minus; members are taken, in accordance with the said numerical limitation, on the basis of the numerical order in which they appear in the list;

(b) from the list that has obtained the second highest number of votes, provided that it is not connected in any manner, even indirectly, in accordance with the applicable laws and regulations, with the shareholders that presented or voted for the Majority List (the "**Minority List**"), one Director is taken, and that Director shall be the one who appears first, in numerical order, on that list.

The candidate chosen as number one candidate on the Majority List shall be elected Chairperson of the Board of Directors.

Unless otherwise provided for, in the event of parity of votes, the senior candidate shall be elected.

In the event that following the election of candidates in the aforesaid manner, a number of independent directors have not been appointed, in accordance with the provisions of the law governing auditors, equal to the minimum number established by law in relation to the overall number of members of the Board of Directors, then the first non-independent candidate elected in numerical order from the Majority List, shall be replaced by the first independent candidate (in numerical order) not elected taken from the same list, or in the absence thereof, by the first independent candidate (in numerical order) not elected taken from the other lists, according to the number of votes that each candidate has obtained. This replacement procedure shall be followed until the independent directors – pursuant to the legal provisions governing statutory auditors - elected to the Board of Directors is at least equal to the legal minimum. Finally, should this procedure fail to provide the aforesaid result, then replacement shall be established by a resolution passed by the relative majority of the Shareholders' Meeting, subject to the presentation of candidates possessing the aforesaid requirements.

In addition, in the event that following the election of candidates in the aforesaid manner, a composition of the Board of Directors has not been reached in accordance with the provisions of the law on gender balance in force at the time, then the last candidate of the less represented gender elected in a numerical order from the Majority List shall be replaced by the first candidate of the less represented gender (in numerical order) not elected taken from the same list, or in the absence thereof, by the first candidate of the less represented gender (in numerical order) not elected from the other lists, according to the number of votes that each candidate has obtained. This replacement procedure shall be followed until a composition of the Board of Directors is reached which complies with the laws on gender balance in force at the time. Finally, should this procedure fail to provide the aforesaid result, then replacement shall be established by a resolution passed by the relative majority of the Shareholders' Meeting, subject to the presentation of candidates belonging to the less represented gender.

Should the first two or more lists obtain the same number of votes, then the shareholders' Meeting shall vote again, this time for those lists only. The same rule shall apply in the event of parity between those lists coming second in terms of numbers of votes that are not connected, directly or indirectly, with those shareholders who have presented or voted for the competing list.

In the event of further parity between lists, the list presented by shareholders possessing the majority shareholding, or subordinately by the list presented by the greatest number of shareholders, shall prevail. In all aforementioned cases, the composition of directors shall secure compliance with the aforesaid requirement of gender balance, where so required by law provisions and regulations in force at the time.

In the event of only one list, or no list, being presented, the Shareholders' Meeting shall decided according to the majorities established by law, without having to observe the abovementioned procedure, without prejudice for compliance with the gender balance requirement specified above, where required by law provisions and regulations in force.

For the purpose of the division of those directors to be elected, no account shall be taken of lists that have failed to gain a percentage of votes at least equal to one half of the number required by the present articles of association, or by CONSOB, for the presentation thereof.

If, during the course of the year, one or more Directors are missing, then in order to ensure that the majority continues to be constituted by directors appointed by the Shareholders' Meeting, the following procedure shall be followed, in accordance with article 2386 of the Italian Civil Code:

(a) the Board of Directors shall arrange for the replacement of the missing director from among those belonging to the same list as the latter, and the Shareholders' Meeting shall vote, in accordance with the legally-required majorities, in observance of the same principle;

(b) in the event that the aforesaid list does not contain candidates not previously elected, or candidates with the called-for requirements, or for any reason it is not possible to observe (a) above, then the Board of Directors shall arrange for the replacement, and the Shareholders' Meeting shall vote for said replacement, in accordance with the legal majorities of those without a list vote.

In any case, the Board of Directors and the Shareholders' Meeting shall proceed to make the appointment in order to ensure the minimum number of independent directors required by the law in force at the time, subject to compliance with the aforementioned gender balance requirement, where so prescribed by law and regulatory provisions in force at the time.

However, should the majority of directors cease to exist, then the entire Board of Directors shall be deemed as having resigned, with effect from its reconstitution.

At least one of the members of the Board of Directors, or two if the Board is composed of more than seven members (or of a different minimum number required by the applicable regulation), shall satisfy the criteria of independence called for in the case of statutory auditors by the provisions of law in force at the time.

The independent director, pursuant to the provisions of the law governing statutory auditors, who subsequent to his/her appointment, no longer satisfies the requirements of independence, shall immediately notify the Board of Directors of this circumstance, and shall no longer hold office. A director's loss of independence, as defined above, shall not automatically lead to loss of office if the said requirement is satisfied by the minimum number of directors as established by the laws in force, or by the codes of conduct that the Company has declared it abides by.

It should be noted that the Board of Directors, having considered the structure and the size of the Group, has not adopted any succession plan for executive directors as it deems that the replacement procedures adopted are adequate to guarantee the continuity and certainty of corporate governance.

4.2 COMPOSITION (PURSUANT ARTICLE 123-BIS, SUBSECTION 2, LETTER D) OF THE CONSOLIDATED FINANCE ACT)

Under Article 14 of the articles of association, the Company is governed by a Board of Directors composed of a minimum of five and up to nine members, who need not be shareholders, as previously decided by the Shareholders' Meeting at the times of the appointment of the Board of Directors.

On 24 April 2013 the Shareholders' Meeting appointed the Board of Directors, setting the number of its members at seven. The Directors will serve until the approval of the financial statements for the year ending on 31 December 2015.

The members of the Board of Directors have been elected from two different lists: a) six Directors were elected from list number 1), presented jointly by the majority shareholders Girefin S.p.A., and Gireimm S.r.l., while b) one Director was elected list number 2), presented jointly by the minority shareholders Aerius Investment Holding AG, Anton Karl, and Patrick Zumstein.

List number 1) set-out the following candidates:

- Stefano Landi, born in Reggio Emilia, on 30 June 1958, Chairman;
- Giovannina Domenichini, born in Casina (Reggio Emilia), on 6 August 1934, Director;
- Claudio Carnevale, born in Nole Canavese (TO), on 5 April 1961, Director;
- Antonia Fiaccadori, born in Reggio Emilia, on 12 August 1962, Director;
- Alessandro Ovi, born in Carpineti (Reggio Emilia), on 14 January 1944, Independent Director;
- Tomaso Tommasi di Vignano, born in Brescia, on 14 July 1947, Independent Director;
- Carlo Alberto Pedroni, born in Reggio Emilia, on 28 December 1948, Director.

List number 2) set-out the following candidate:

- Herbert Paierl, born in Prebensdorf (Austria) on 26 May 1952, Director.

The candidates from list number 1) were elected with the favourable vote of 73,469,921 shares and the contrary vote of 40,413 shares; the candidate from list number 2) was elected with the favourable vote of 40,413 shares and the contrary vote of 73,469,921 shares. The voting share capital attending the shareholders' meeting represented 71.58% of the share capital.

Directors Alessandro Ovi and Tomaso Tommasi di Vignano stated that they met the qualifications required for Independent Directors at the time of their appointment in accordance with Article 148 of the Consolidated Finance Act and Article 3 of the Self-Regulatory Code.

The Board of Directors is obliged, on a yearly basis, to consider whether Directors described as "independent" at the time of their appointment still satisfy the independence criteria laid down in the laws and regulations applicable at the time.

The purpose of the presence of two Independent Directors is to provide further safeguards of good corporate governance by means of discussion and debate among all the Directors. The contribution made by the Independent Directors also allows the Board to verify that cases of potential conflict between the interests of the Company and its majority shareholder are evaluated with an appropriate degree of independent judgment.

The members of the Board of Directors serving as of the date of this Report are shown in the table below (for additional information, see table 2, attached to this Report).

Forename and surname	Position	Place and date of birth	Type of Director	Audit and Risk Committee	Remuneration Committee
Giovannina Domenichini	Honorary Chairman	Casina (Reggio Emilia), 6 August 1934	Non-Executive		
Stefano Landi	Chairman of the Board of Directors & Managing Director	Reggio Emilia, 30 June 1958	Executive		
Claudio Carnevale	Director	Nole Canavese (Turin), 5 April 1961	Executive		
Herbert Paierl	Director	Prebensdorf (Austria) 26 May 1952	Non -Executive		
Antonia Fiaccadori	Director	Reggio Emilia 12 August 1962	Non -Executive		
Alessandro Ovi	Director	Carpineti (Reggio Emilia), 14 January 1944	Non-Executive and Independent[1]	Chairman	Member
Tomaso Tomasi di Vignano	Director	Brescia, 14 July 1947	Non-Executive and Independent[1]	Member	Chairman

The addresses of all the members of the Board of Directors are, by virtue of their positions, care of the Company's registered office. There is a family relationship between Directors Giovannina Domenichini and Stefano Landi, in that Stefano Landi is Giovannina Domenichini's son.

Each Director's personal and professional characteristics are briefly set out below in accordance with Article 144 *decies* of the Issuers' Regulations.

Giovannina Domenichini. In 1954 Giovannina Domenichini founded Officine Renzo Landi together with her husband. Subsequently, following the Issuer's incorporation, she took on the position of Sole Director and in 1987 became the Chairman of the Board of Directors. On 22 April 2010 she became, and to date still is, non-executive Honorary Chairman. In 1990 she was awarded the honour of *Commendatore dell'ordine al merito della Repubblica Italiana* and, on 19 October 2011, the honour of *Cavaliere del Lavoro*.

[1] Independent as per Article 148 of the Consolidated Finance Act and Article 3 of the Self-Regulatory Code.

Stefano Landi. A founder member of the Issuer, he has been Managing Director from 1987 to 2010. Since 24 April 2013 he holds the office both of Managing Director and of Chairman, in addition to positions in other companies of the Landi Renzo group. In 2006 the specialised press included Landi among the top ten managers in the automotive sector and in December 2010 he received the award of “Entrepreneur of the Year” E&Y. Since July 2010 he holds the office of President of the Industrial Association of the Province of Reggio Emilia, which expired in 2013 and in the month of January 2014 he was appointed Chairman of the Provincial Chamber of Commerce. He also holds the office of director in Noema Life S.p.A. and in Best Union Company S.p.A.

Claudio Carnevale. A graduate in Electronic Engineering at Turin Polytechnic, where he specialised in automatic controls, whilst person in charge of a research team at the FIAT Research Centre (1988-1996) developed a series of projects and products within the automotive sector, concerning modern control methods applied to engine control and modern control techniques applied to vehicle control. As head of a research and development team at SAGEM SA, France (1996-1998), he developed projects and products within the automotive sector, concerning torque-based and direct injection engine control systems, and cylinder-by-cylinder A/F control using a linear oxygen sensor. He was director of the business unit Engine Control Systems at SAGEM SA, France, from 1998 to 2000. From 2000 to 2002 he was Worldwide Marketing Director for Texas Instruments in the "vehicle motion" sector. From 2002 to 2008 he was the Landi Renzo group's Sales and Marketing Director, and since 2008 he has been Director of the Landi Renzo group's Business and Product Development department. He is currently also Managing Director of the Company for its OEM business.

Herbert Paierl. A graduate in Engineering with specialisation in regional planning and development at the University of Technology of Vienna. He followed up his professional career at the Technological Research Institute of Graz. He was chief of the Governor’s Cabinet of the Stiria region in Austria and then became an executive of the Ministry of Finance, Economy and Europe from 1996 to 2004. From 2009 to 2012 he held the office of Executive Deputy Chairman of the company Cosma Europe. Currently he carries out the activities of consultant and *partner* in the company PCB Paierl Consulting Betelligungs GmbH.

Antonia Fiaccadori. She finished high school in Reggio Emilia and afterwards attended specialised courses at the University SDA Bocconi in the area of Management Accounting, Organisational Development, Human Resources and General Management. She began her professional activities at C.C.P.L. of Reggio Emilia and then became the Staff Services Manager in Ognibene S.p.A.. Since February 2005 she has held various managerial positions in AEB S.p.A. and where she has held the office of Managing Director since July 2010.

Alessandro Ovi. A graduate in Nuclear Engineering at the Milan Polytechnic, Alessandro Ovi continued his academic career as a researcher at the Massachusetts Institute of Technology, Cambridge, Massachusetts. He has served as Managing Director of Tecnitel, in the Telecom group, as Central Manager in IRI for the internationalisation of the group and as Special Advisor to the Chairman of the European Committee for Innovation. He is a Life Trustee of Carnegie Mellon University and a member of the Advisory Board of the MIT Media Lab. Finally, he is a member of the Boards of Directors of Almaviva S.p.A.

Tomaso Tommasi di Vignano. A graduate in law, Tomaso Tommasi di Vignano began his working life with SIP S.p.A. in Human Resources in 1989, acting as the Manager of the Group

Human Resources Department. He was Managing Director of Iritel S.p.A. from 1992 to 1994, and in this capacity he led the transformation of the company during the process of its merger with Telecom Italia S.p.A. From 1994 to 1997 he was a General Manager of Telecom Italia S.p.A. as Manager of the International Division, the Business Customer Division and the Residential Customer Division. Subsequently he became the Managing Director of STET and of Telecom Italia S.p.A. From 1999 to 2002 he was Managing Director of ACEGAS S.p.A. He has been at the head of the Hera group since November 2002, acting as Chairman of the Board of Directors. He is currently member of the Board of Directors of the companies Hera Comm S.r.l., Heraambiente S.p.A., Hera Trading S.r.l. and Deputy Chairman of Acegas-Aps S.p.A. and Aimag S.p.A..

From the closing date of the financial year there have been no changes in the membership of the Company's Board of Directors.

The table below shows the managerial and auditing positions held in listed and unlisted companies by member of the Company's Board of Directors as of 31 December 2015:

Forename and surname	Company in which an external position is held	Position
Giovannina Domenichini	Girefin S.p.A. Immobiliare L.D. Parma S.r.l.	Chairman of the Board of Directors Sole Director
Stefano Landi	Girefin S.p.A.	Managing Director
	Gireimm S.r.l.	Sole Director
	Lovato Gas S.p.A.	Chairman of the Board of Directors
	Best Union Company S.p.A.	Director
	Bioener S.p.A.	Chairman of the Board of Directors
	Esselle S.r.l.	Sole Director
	Ghenos S.r.l.	Chairman of the Board of Directors
	Noemalife S.p.A.	Director
	SAFE S.p.A.	Chairman of the Board of Directors and Managing Director
	Società Agricola BIOGUSS S.r.l.	Chairman of the Board of Directors
	Trust Landi	Trustee
Antonia Fiaccadori	A.E.B. S.p.A.	Managing Director
	Eighteen Sound S.r.l.	Chairman of the Board of Directors
Alessandro Ovi	Almaviva S.p.A.	Director
	STMicroelectronics	Director
	Tech Rev S.r.l.	Sole Director
Tomaso Tommasi di Vignano	Hera S.p.A.	Chairman of the Board of Directors
	Hera Comm S.r.l.	Director
	Hera Trading S.r.l.	Director
	Heraambiente S.p.A.	Director
	Aimag S.p.A.	Deputy Chairman
	Roma Pony Club (Associazione Sportiva)	Deputy Chairman
	Acegas-Aps S.p.A.	Deputy Chairman
Herbert Paierl	Flughafen Wien AG	Member of the Advisory Board
Claudio Carnevale	Emmegas S.r.l.	Director
	Ti sostengo società cooperativa sociale	Managing Director

It should be noted that, having regard to article 1.C.3 of the Self-Regulatory Code, which provides for the Board of Directors to issue guidance regarding the maximum number of positions as director and auditor in listed companies, finance, banking and insurance houses or large-size companies, the Board of Directors, in its meeting held on 13 November 2014, adopted the following general criteria also confirmed on the occasion of the meeting held on 12 November 2015:

1. an executive director shall not hold (a) the office of executive director in another Italian or foreign listed company, banking or finance house; or (b) the office of non-executive director or auditor (or member of other control bodies) in more than three of the aforesaid companies; and

2. a non-executive director should not hold, in addition to the office held in the Company: (a) the office of executive director in more than one of the aforesaid companies and the office of non-executive director or auditor (or member of other control bodies) in more than three of the aforesaid companies; or (b) the office of non-executive director or auditor in more than six of the aforesaid companies.

It should be also noted that the limitation on the number of offices does not apply to offices held in companies of the Landi Renzo group.

Should the aforesaid limit be exceeded, the directors shall inform the Board of Directors forthwith, which shall assess the situation in light of the interests of the Company and shall invite the Director to take any decision stemming therefrom.

In order to maintain an adequate knowledge of the business segment in which the company is active, the directors receive, information and updates, periodically or at any time as necessary, on the business segment in which the Issuer operates and reference regulations, including through documents prepared by the Company or on the initiative of internal department or functions.

4.3 ROLE OF THE BOARD OF DIRECTORS (PURSUANT ARTICLE 123-BIS, SUBSECTION 2, LETTER D) OF THE CONSOLIDATED FINANCE ACT)

The Board of Directors is the corporate body responsible for the governance of the Company and has the powers assigned to it by law and by the articles of association. It is organised and operates in such a way as to ensure the effective and efficient performance of its functions. Its Directors act and adopt resolutions knowledgeably and autonomously, pursing the objective of creating value for the Company's shareholders and reporting management performance at Shareholders' Meetings.

In accordance with article 18 of the Company articles of association, the Board of Directors is vested with the widest powers for the day-to-day and extraordinary management of the Company and has the power to carry out all the acts it considers expedient or helpful for the achievement of its corporate purpose, only excluding those for which the Shareholders' Meeting is solely responsible by law or under the articles of association.

The Board of Directors is also vested with responsibility for the following:

i. merger resolutions in the cases contemplated in Articles 2505 and 2505 *bis* of the Italian Civil Code, including those mentioned for demergers in Article 2506 *ter* of the Italian Civil Code;

ii. opening and closing secondary offices;

iii. reducing the share capital in the event of the withdrawal of a shareholder;

iv. adapting the articles of association in accordance with new provisions of law;

v. identifying the Directors with the power to represent the Company;

vi. moving the registered office within the country;

vii. appointing and discharging the executive in charge of preparing corporate accounting documents.

The Board of Directors must ensure that the executive in charge of preparing corporate accounting documents has sufficient powers and resources to perform the duties assigned to him by law and that administrative and accounting procedures are observed in actual practice.

In urgent circumstances relating to transactions with related parties that are not under the responsibility, or subject to the authorisation, of the shareholders' meeting, the Board of Directors will have the right to approve these transactions even where they are implemented through subsidiaries, departing from the customary provisions of the internal guidelines for related-party transactions adopted by the Company, subject to compliance with and at the conditions set out in the guidelines.

Although the Articles of association do not stipulate a minimum frequency of meetings, it is now the practice for the Board of Directors to meet at least once a quarter on the occasion of the approval of the interim financial statements. Board Meetings are scheduled on the basis of a calendar approved at the beginning of the year in order to help to ensure that as many members as possible attend. The corporate calendar may be consulted on the Company's website, in the Investor Relations section.

During the last financial period, the Board of Directors held 8 meetings, lasting 69.4 minutes on average, duly attended by all Members (overall attendance was in fact 91.1%). In particular, Mr Stefano Landi and Mr Herbert Paierl attended 100% of the meetings, while Ms Giovannina Domenichini, Mr Claudio Carnevale, Ms Antonia Fiaccadori, Mr Alessandro Ovi and Mr Tomaso Tommasi di Vignano attended 88% of the meetings. All the members of the Board of Statutory Auditors have taken part in the Board Meetings, with the exception of one where Mr. Gaiani was justifiably absent and three meetings where Ms Briolini was justifiably absent.

At least seven meetings are scheduled for the current financial period, of which two were held on 14 February 2016 and 9 March 2016.

The meetings of the Board of Directors can be attended also by non-members of the Board of Directors, upon invitation. Specifically, they can be attended by executives of the Issuer and the Landi Renzo group, where their attendance provides a contribution to the necessary in-depth review of the items on the agenda. In the accounting period, all meetings were attended by executives of the Issuer.

Directors and Auditors receive the papers and information necessary to enable them to express themselves knowledgeably on the subjects submitted for their examination and approval, with a suitable amount of time in advance of the meeting. The work of the Board of

Directors is organized by the Chairman, who ensures that each item on the agenda is given the time necessary for a constructive debate.

For matters specified in article 1.C.1 of the Self-Regulatory Code no powers have been granted to the Managing Director and they must therefore be considered to be the sole responsibility of the Board of Directors. For example, it must be deemed that the Board is responsible for considering and approving:

(a) the Issuer's strategic, business and financial plans, as well for periodically monitoring their implementation;

(b) the strategic, business and financial plans of the Group that the Issuer leads as well for periodically monitoring their implementation;

(c) the Issuer's system of corporate governance;

(d) the structure of the Group.

In carrying out their duties, Directors examine the information they receive from the delegated bodies, also asking these bodies for clarification, further details or additional data that they consider necessary or appropriate. To this end, at least quarterly, the Managing Director provides the Board of Directors with adequate information regarding general management performance and its foreseeable prospects and on the most significant transactions carried out by the Company or its subsidiaries.

The Company generally deems sufficient that the documentation be sent three days in advance and this term was complied with during the Period. In order to implement article 1 and the relative criteria for the application of the Self-Regulatory Code, the Board of Directors, in its meeting held on 12 November 2015, completed a successful review of the size, composition and workings of the Board of Directors, of the Audit and Risk Committee and of the Remuneration Committee, including in relation to the independent directors. Moreover, on the same date, the Board of Directors, also on the basis of reports from the executive manager in charge of supervising the internal audit system and risk management and from the Chairman of the Audit and Risk Committee, reviewed the adequacy of the general organisational, administrative and accounting structure of the Issuer and that of its strategically relevant subsidiaries, in relation to the internal audit system and the management of conflicts of interest and has approved the Company's overall system of governance. In addition to the delegation of powers and functions, including provision for the formation of committees within the Board of Directors, of which further mention will be made below, this system also includes rules of procedure governing transactions with related parties and transactions in which a Director has an interest.

The Issuer has also identified the subsidiaries that are strategically relevant based on criteria which take into account the revenues, independence of production, research, development and innovation of products, as well as the range of products, the positioning of the product and of the brand. In addition to the previously identified subsidiaries Lovato Gas S.p.A. and A.E.B. S.p.A., Safe S.p.A. has been identified as having strategic relevance, by virtue of the strategic relevance that the products it produces (i.e., compressors for refuelling stations) have in the context of the Landi Group's opportunities for development in new markets.

In the meeting on 13 March 2015 the Board of Directors - having reviewed the proposals from the appropriate committee and having heard the opinion of the Board of Statutory Auditors – decided how to allocate the aggregate compensation to be paid to the members of the Board of Directors and decided on the compensation to be paid to the Managing Director and to the other Directors who have special roles and responsibilities.

The Board of Directors evaluated the general performance of operations, with regard in particular to the information received from the Company's delegated bodies and periodically comparing the results achieved with those forecasted.

The Board of Directors examined and approved in advance the transactions of significant strategic, economic and financial importance for the Issuer carried out by the Issuer and its subsidiaries.

Section 11 below includes information regarding the procedure followed by the Board in carrying out intra-group transactions and transactions with other related parties.

The Board of Directors adopted qualitative and quantitative criteria to identify own and its subsidiaries' significant transactions. Qualitative criteria refer to transactions concerning the acquisition or disposal of holdings, the setting up of new companies and/or joint ventures, of business units, assets and contributions in kind, corporate investments and/or divestiture, the raising of loans, the entry into and/or exit from geographical markets and/or strategic types of business. Quantitative criteria refer to transactions other than those described above, whose value exceeds the quantitative limit of the powers conferred to the Managing Director.

The Board of Directors adopts resolutions on the significant transactions identified as above, both of a qualitative and quantitative nature, based on the information and reports provided from time to time by the Managing Director.

The Company has deemed it not necessary to determine specific criteria to be used to define transaction that are strategically, economically or financially material for the Company, because those criteria are defined for each individual transaction at the time it is approved.

Article 14 of the articles of association of the Company states that the Directors are subject to the non-competition rule laid down in Article 2390 of the Italian Civil Code unless they are exonerated from this rule by the Shareholders' Meeting. As of the date of this Report, the Shareholders' Meeting has not given permission for any exceptions to the non-competition rule.

4.4 DELEGATED BODIES

Managing Directors

The Board of Directors' Meeting of 24 April 2013 vested the Managing Director, Stefano Landi, with the powers necessary for the day-to-day management of the Company.

The following are Mr. Stefano Landi's principal duties, together with the ceilings for the amounts and issues in respect of the powers bestowed:

(a) the supervision, subject to his full decisional power and responsibility, directly and/or indirectly through chosen collaborators, without prejudice to the personal responsibility of the latter, of the Company's productive, marketing and financial sectors;

(b) purchases, sales, permutations and all other transactions involving the acquisition or sale of machinery, plant, equipment, vehicles, company products and movable property in general, including those recorded in public registers, for a sum of up to Euro 10,000,000 per transaction, agreeing upon the conditions, prices and terms of payment;

(c) the acquisition of services, stocks, basic components and raw materials, semi-finished goods and materials required by the Company for its production; the handling of all bureaucracy and procedures concerning the importation of basic components and raw materials, and the implementation and completion of all measures regarding said activities, including those related to manufacturing and consumer taxes, inland revenue and state monopoly duties;

(d) the stipulation, amendment and termination of leasehold agreements with terms of less than 9 years, of leasing agreements including those for real estate, of rental and gratuitous loan agreements for moveable properties and real estate, and of insurance policies, for a sum of no more than Euro 10,000,000 per agreement with powers to sign the same agreements with the terms and conditions that will be established; the payment and collection of the agreed prices, and the receipting and completion of any other related procedures;

(e) the stipulation, amendment and termination of agency, distribution, representation, brokerage and business procurement agreements, including those subject to sole agency, for the best possible placing of the Company's products;

(f) the stipulation, amendment and termination of contracts for services, works, consultancy, hire, supply, transport, storage and shipping, for a sum of no more than Euro 10,000,000 per transaction;

(g) purchases and sales, and foreign currency transactions in general, within the framework of the currency regulations in force at the time;

(h) the purchase, underwriting, transfer or swapping of shares, quotas, bonds or other financial instruments and holdings in other companies, including newly-incorporated companies, within the framework of the day-to-day management of the Company's financial liquidity;

(i) the registration of trademarks and patents, the granting and utilisation of industrial property rights, and all those measures required by the patenting procedure, such as the submission of applications for corrections, amendments, extensions of confidentiality and divisions; the submission, and the defending against, administrative actions, interferences and administrative appeals; and in general, any actions required in order to apply for, obtain and preserve patents; the signature of any documents required in order to exercise the abovementioned powers granted; the appointment, for such purpose, of patent representatives in Italy and abroad, bestowing upon said persons the respective powers; the purchase and sale of licences pertaining to patents, trademarks, models and any intellectual property rights related to the corporate purpose, and any actions and operations, vis-à-vis public administrations, public authorities and offices, required in order to obtain concessions, licences, permits and authorisations of any kind in general;

(j) any receipt and collection in any form, also by means of endorsement, of amounts, claims, payment orders, security deposits both from the issuing institution, public savings and loan bank, treasuries, the railway, post and telegraph offices, and any Italian or foreign public or private body, issuing valid receipts and releases;

(k) the performance of all banking operations – including the taking out of new credit lines and short, medium and long-term loans, obtaining credit in a current account, credit requests in general, even in the form of debenture loans, the constitution of deposits of securities for custody or administration – for an amount no greater than Euro 20,000,000 per single operation. The Managing Director may carry out transactions on the credit lines within the above limits per operation and may also terminate relations;

(l) the endorsement, also for discounting and collection, receipt of payment and issuance of receipts in respect of bills of exchange, cheques and money orders, including payment orders of the state treasury, regions, provinces, municipalities and any other public entity or any public fund; issuance of cheques on bank accounts, including liability accounts, of the Company within the credit limits granted by the bank to the Company;

(m) the payment or receipt of sums, receivables, interest, dividends, cheques and payment orders from whoever issues them in favour of the Company, including the sales and advance receipts, also in continuation, of receivables to financial institutions;

(n) the receipt from post and telegraph, customs, railway, shipping and transport companies and, generally, from any public office, any company or premise, of money orders, parcels, letters, including registered and insured letters with declarations of value, goods, money, etc., issuing receipts and releases;

(o) the issue of patronage letters to subsidiaries, for sums of up to Euro 5,000,000 per transaction;

(p) the execution and settlement of insurance contracts of any kind, execution of relevant policies with powers to settle and request, in the case of a claim, the relevant indemnity, the issue of receipts to payors, settlement and payment of any other indemnities due to third parties in respect of any claim;

(q) the hiring and firing of executives, middle managers and office staff, and the establishment of their duties and remuneration in accordance with the legal and regulatory provisions in force at the time;

(r) the signing of correspondence and any other document requiring the Company's signature and with regard to any business coming within the delegated powers;

(s) the representation of the Company vis-à-vis Health and Social Insurance Bodies, and the fulfilment of those obligations arising from the labour law provisions in force at the time, in particular as far as regards insurance, benefit and other contributions;

(t) the representation of the Company vis-à-vis trade union and business organisations, and before employment offices and arbitration boards, with the power to reach settlements;

(u) the representation of the Company in legal proceedings (either as plaintiff or defendant), at any level or stage of judgement (for or against), before any Court in Italy or abroad, including the Supreme Court of Cassation, the Court of Auditors, the Council of State, the Constitutional Court, the Court of Appeal, the Courts, the Office of the Justice of the Peace, and for any civil, criminal and/or administrative proceedings;

(v) the representation of the Company before all levels of tax court, and any Jurisdictional Tax Authority, together with the appointment of duly qualified lawyers, accountants, attorneys as required by law;

(w) the submission of protests and the application for injunctions; bringing preventive and enforcement proceedings; participation in bankruptcy and insolvency proceedings, lodging claims and declaring the truthfulness thereof; proposing and accepting real offers; bringing administrative and judicial proceedings before any level and kind of court, including the Court of Cassation and Appeal; submissions to arbitration and the reaching of friendly settlements; the appointment of lawyers, barristers and experts, the revocation of their powers, and their replacement; replying to questioning, deferring, referring and responding to oaths; the submission and signing of any claims, briefs or documents; agreeing, settling and mediating legal dispute; discontinuing legal proceedings and accepting discontinuance thereof; the performance of anything else required – all powers deemed duly conferred for such purpose – in order to fully represent the Company before the court;

(x) the signing of declarations in respect of direct and indirect taxes, and taxes generally, forms and questionnaires, the acceptance and rejection of assessments, conclusion of agreements and settlements, the challenge of actions, presentation of applications, appeals, complaints, briefs and documents before any tax office or commission, of any kind or level;

(y) the execution of any necessary formalities before the Companies' Register and any other competent office;

(z) the delegation, by granting specific powers of attorney, of any and all of the above-attributed powers to the person(s) deemed most appropriate based on professional skill and capability;

(aa) the management, guidance, organisation and the control of all aspects pertaining to workplace health and safety, in all of the productive units and in other places of work of the Company, and for this purpose, is considered an "Employer" within the meaning of Legislative Decree 81/2008 as subsequently amended and supplemented, with powers to execute, in this capacity, any document, carry out any formalities or any action necessary to comply with the above-mentioned legislative decree and all of the regulations and provisions regarding workplace health and hygiene and safety, the prevention, protection and safeguard with respect to workers' psychological and physical well-being, with full financial independence and independent spending authority in executing these powers. More specifically, by way of example, but not limited thereto, the Managing Director has the following powers:

– the implementation through the competent internal and external advisory bodies, of any additional, amending, supplementing laws and regulations adopted, or which may be adopted, regarding the safety of workers, prevention of accidents and protection of hygiene in the workplace, and performance of any obligations envisaged under the above-mentioned laws and regulations;

– the assessment of risks, drafting of the relevant risk assessment document (DVR), and appointment of risk prevention and protection department (RSPP) manager;

– the delegation, by granting specific powers of attorney, of the functions and powers attributed under this power of attorney, which may be delegated under Legislative Decree 81/2008, to the person(s) deemed most appropriate based on professional skill and capacity to ensure the prompt and constant performance, using the utmost diligence, of the workplace health and safety obligations envisaged, granting them spending authority and the management, organisation and control powers required by the nature of the duties, and authorising, as appropriate, the sub-delegation of specific duties by them to other persons;

– to ensure financial coverage for all activities which exceed the managerial and financial independence of the delegates pursuant to the above sub-paragraph and which are deemed necessary and appropriate to comply with laws and regulations, and oversee the delegates in terms of their capabilities and correct performance of the duties assigned to them, by adopting and effectively implementing the verification and control model under article 30 of Legislative Decree 81/2008 and Legislative Decree 231/2001;

– the representation of the Company before Public Administrations, public and private offices and entities to carry out any actions and operations necessary to obtain permits, licences, and other authorisations generally related to the performance of the Company's business, and in particular, related to the health and safety of workers;

(bb) full powers and discretion, in performing the functions in subparagraph (aa) above, including of a financial nature and with independent spending authority, with the Managing Director or his delegates or any sub-delegates assuming, each within the limits of his/her functions and powers, any criminal liability arising from any breach of the applicable obligations with regard to the health and safety of workers, the protection and safeguard of the environment, and the protection of personal data, and conferred with the relative resolution;

(cc) the power, in exercising the functions in subparagraph (aa) above, to revoke powers of attorney, proxies, and generally any other appointment granted by the Company within its organisational structure, pertaining to functions and powers in relation to worker health and safety, environmental safeguard and protection, and protection of personal information;

(dd) the power to commit the company, both regarding the Managing Director and the parties that may be delegated by him and any sub-delegates, to indemnify each of them regarding any cost or expense that they may incur as a consequence of taking on the responsibilities regarding the health and safety of the workers, the safeguarding of the environment and of personal data, except for cases of malicious damage and/or serious fault;

(ee) the office of director charged with the system of internal audit and risk management.

By virtue of the powers vested upon him by the Board of Directors, the Managing Director, Stefano Landi, qualifies as the main responsible of corporate governance. It should also be noted that no interlocking situation occurs with regard to Mr Stefano Landi.

The legal representation of the Company, before any authority with respect to, and to independently sign, any document or declaration pursuant to article 21 of the Company articles of association, without restriction other than pursuant to the articles of association or law, pertains to the Chairman of the Board of Directors and Managing Director Stefano Landi.

Chairman of the Board of Directors

The Chairman of the Board of Directors Mr Stefano Landi, who holds the position of trustee of the Landi Trust, which indirectly exercises control over the Issuer is vested with the legal representation of the company.

The powers granted to Mr Stefano Landi, as Managing Director of the Company, are described above at "Managing Directors."

Reporting to the Board of Directors

At least every quarter, the Managing Director provides the Board of Directors with adequate information regarding general management performance and its foreseeable prospects, as well as regarding the transactions carried out by the Company and its subsidiaries that are of the greatest importance by size and characteristics.

The Directors report to the Board of Auditors in good time, and in any event at least every quarter, at Board of Directors' Meetings or meetings of the Executive Committee, if one has been appointed, or also in the form of a written memorandum to the Chairman of the Board of Auditors, on the activities performed and the transactions carried out by the Company and its subsidiaries that are of the greatest economic and financial importance and of the greatest significance for the Company's assets, in order to enable the Landi Renzo Board of Auditors to assess whether the transactions that have been resolved and implemented comply with the law and the articles of association or are not, on the other hand, clearly imprudent and in conflict with the resolutions passed by the Shareholders' Meeting, or are such as to impair the integrity of the Company's assets.

In particular, Directors report on transactions in which they have an interest, either on their own account or on behalf of third parties, and on any atypical or unusual transactions or any transactions with related parties.

4.5 OTHER EXECUTIVE DIRECTORS

In the Company's Board of Directors there is an executive director, namely Mr Claudio Carnevale, who holds office until the approval of the financial statements at 31 December 2015 and who also has the function of Managing Director responsible for the development of the OEM segment. Mr Claudio Carnevale is obliged to report to the Board of Directors periodically but, in any case when this is requested by the Board relative to activities put in place in order to carry out his function. Mr Claudio Carnevale has been vested with the following powers:

(a) to directly supervise and/or through his collaborators, with personal responsibility for these latter, the OEM segment.

(b) to carry out all the operations of a commercial nature necessary to the OEM segment, including exports, stipulating the relative contracts within the limits of Euro 5,000,000 for each operation.

(c) to stipulate, change and dissolve contracts, also exclusive agency ones, for distribution, representation, mediations and business finding for the best placement of the company's products that are necessary for the OEM segment, within the limits of Euros 2,000,000 for each operation.

(d) to stipulate, change and dissolve consultancy contracts, necessary for the OEM segment for an amount no greater than Euros 2,000,000 for each operation.

(e) to sign the correspondence that requires the appending of the company's signature and relative to the affairs contained in his delegated powers.

4.6 INDEPENDENT DIRECTORS

The Self-Regulatory Code recommends the election to the Board of Directors of a suitable number of independent directors. On the basis of the guidelines set out in the Self-Regulatory Code, a director shall not be considered independent if he/she:

(a) controls the issuer, either directly or indirectly through subsidiaries, trust companies or intermediaries, or is capable of exercising considerable influence over the Issuer, or is party to any shareholders' agreement whereby one or more subjects may exercise control or a considerable influence over the Issuer;

(b) is, or was during the previous three financial years, an important member of the Issuer, or of a strategically-important subsidiary of the latter, or of a company subject to joint control together with the Issuer, or of a company or body that, also together with others through a shareholders' agreement, controls the issuer or is capable of exercising considerable influence over it;

(c) directly or indirectly (for example, through subsidiaries or through companies in which he/she is an important member, or as partner of a professional firm or consultancy firm) has, or had during the previous year, important commercial, financial or professional relations:

– with the Issuer, a subsidiary thereof, or any of the important figures within the said companies;

– with a person that, also together with others pursuant to a shareholders' agreement, controls the Issuer, or – in the case of a company or entity – with the relevant top managers;

or is, or was during the previous three years, an employee of one of the aforesaid subjects;

(d) receives, or during the previous three financial years received, from the Issuer or from a subsidiary or parent company, a significant additional payment on top of the "set" remuneration as non-executive director of the Issuer and the fee for participating in the committees recommended by the Self-Regulatory Code, including participation in incentive plans linked to the company performance, including share plans;

(e) was a director of the Issuer for more than nine of the last twelve years;

(f) holds the position of executive director on the board of another company in which the issuer's managing director also holds the position of director;

(g) is a shareholder or director of a company or an entity belonging to the network of the company appointed to perform legal audit of the Issuer;

(h) is a close relative of a person in one of the situations described in the previous points.

The Company's present Board of Directors includes two directors who possess the requirements of independence provided for by Stock Market Regulations and by the Self-Regulatory code, namely Messrs. Alessandro Ovi and Tomaso Tommasi di Vignano. These said directors possess the requirements called for by article 148, subsection three, of the Consolidated Finance Act. The number of independent directors, given the total number of members of the Board of Directors, is in line both with the provisions of article 148 of the Consolidated Finance Act and with the Instructions to the Stock Market Regulations (article I.A.2.10.6).

The Board of Directors and the Board of Statutory Auditors have verified the said directors' possession of the requirements of independence, on the basis of the declarations these directors themselves made to this end pursuant to article 148 of the Consolidated Finance Act and to article 2.2.3., subsection three, letter l) of the Stock Market Regulations, applying *inter alia* the criteria set out in the Self-Regulatory Code.

In particular, at the meeting held on 13 March 2015, the Board of Directors carried out the due checks on whether non-executive directors Alessandro Ovi and Tomaso Tommasi di Vignano satisfied the aforesaid criteria of independence, on the basis of the information provided by those concerned. During the meeting, the Board of Statutory Auditors verified and reached a favourable conclusion on the correct application of the criteria and the inquiry procedures adopted by the Board of Directors to assess the independence of its members..

In the course of the Period, the independent directors meet once without the other Directors of the Company. The independent directors had provided evidence of their eligibility as independent directors in the lists for the appointment of the Board of Directors and, as far as the Issuer is aware, they committed themselves to preserving their independence during the term of their office.

4.7 LEAD INDEPENDENT DIRECTOR

On 24 April 2013 the Board of Directors meeting appointed, in accordance with article 2 of the Self-Regulatory Code, the independent director, Mr. Alessandro Ovi, as lead independent director. The non-executive directors report to him and, specifically, the independent ones, for a better contribution to the activities and coordination of the Board of Directors.

The Board of Directors has considered it opportune to maintain the position of lead independent director, also at the time of the renewal of the company bodies, which you are reminded took place with the approval of the financial statements closed at 31 December 2012, because the Chairman was the trustee of the Landi Trust, governed by Jersey Law, which is the main shareholder of the company.

The lead independent director represents a point of reference and coordination for the applications and contributions of the non-executive Directors to improve the functioning of the Board of Directors, co-operates with the Chairman of the Board of Directors to ensure that directors receive complete and timely flows of information, and has powers to convene specific meetings of the independent directors to discuss matters considered to be of interest to the functioning of the Board of Directors and management of the company.

During the Period, the lead independent director actively participated to the meetings of the Board of Directors, coordinating as necessary and suitable, the requests and the contributions of the non-executive directors, and especially those of the independent directors.

5. HANDLING OF CORPORATE INFORMATION

The Company has launched a procedure for the internal management and the public disclosure of inside information, implementing the provisions laid down in the legislation on market abuse, also establishing procedures for the registration of persons with access to inside information, updated on 24 April 2013 by the Board of Directors.

In general terms, the procedure vests the Managing Director, with the support of the executive in charge of preparing corporate accounting documents and of the Investor Relations Manager, with responsibility for the internal handling and the public disclosure of inside information, the methods of handling inside information, the methods of handling market rumours, disciplinary action in the event of delayed disclosure to the market, the procedures governing the registration of persons with access to inside information, the persons authorised to conduct relations with the public and the persons bound by confidentiality obligations.

In conformity to the provisions of market abuse law, the Company has adopted the Internal Dealing Code, which was drafted in accordance with Article 152 *sexies* and following of the Issuers' Regulations.

In accordance with this Code, a number of key personnel, understood as those with normal access to inside information and with the power to take management decisions that may affect the Company's trend and prospects, as well as the persons closely connected to them, are under an obligation to make disclosures to the market regarding transactions carried out on the listed securities issued by the Company.

The Internal Dealing Code provides for ceilings and deadlines for market disclosures, with relative sanctions in line with the relevant Consob provisions. Said Code also contains clauses governing the black-out period.

During the Period, the Company did not circulate notices regarding insider trading as the required conditions did not apply.

6. COMMITTEES WITHIN THE BOARD OF DIRECTORS (PURSUANT TO ARTICLE 123-BIS, SUBSECTION 2(D), OF THE CONSOLIDATED FINANCE ACT)

The Board of Directors has not set up any internal committees other than those provided for by the Self-Regulatory Code, other than the Committee for Related-Party Transactions, in compliance with the provisions of the Related Party Transactions Regulations. Details of any said committees under the Self-Regulatory Code are given in the following chapters of this Report. Details of the Committee for Related-Party Transactions are given in section 12 of this Report.

The Company has not created any committee that performs the duties of two or more of the committees under the Self-Regulatory Code, nor has it reserved such duties to the Board of Directors as a whole, under the co-ordination of the Chairman, or divided these duties inconsistently with the provisions of Self-Regulatory Code.

7. APPOINTMENT COMMITTEE

The Board of Directors has decided not to set up an internal committee to manage proposals of appointments because, as of the date hereof, it has not yet deemed it necessary, especially taking into account the Landi Renzo group structure and the Company's ownership structure.

8. REMUNERATION COMMITTEE

Composition and working of the Remuneration Committee (pursuant to article 123-*bis*, subsection 2, letter d) of the Consolidated Finance Act)

As of the date of this Report, the Remuneration Committee is composed of two directors: Tomaso Tommasi di Vignano as Chairman and Alessandro Ovi, both Non-Executive Directors and independent. Alessandro Ovi and Tomaso Tommasi di Vignano have suitable knowledge of and experience in accounting and financial matters.

The members of the Remuneration Committee receive an annual gross remuneration sum for their work, as resolved by the Shareholders' Meeting on 24 April 2013.

The Remuneration Committee has its own internal rules, which provide, among other things, for the Managing Director to attend Committee Meetings without the right to vote, provided that the discussions and relative resolutions do not involve proposals concerning his remuneration.

The Directors are required to abstain from participating to meetings of the Board of Directors when proposals relating to their compensation are being discussed.

The Remuneration Committee met once during the Period, and the meeting lasted 19 minutes. The meeting was attended by Messrs. Tomaso Tommasi di Vignano and Alessandro Ovi. The same meeting was also attended by the members of the Board of Statutory Auditors.

Considering the nature of the activity carried out by the Remuneration Committee, the Company elected not to provide the Committee with any predetermined spending amount, and to consider any spending requirements as they arise.

At least one meeting of the Remuneration Committee is planned for the current year. Minutes of the Remuneration Committee's meeting have been duly kept.

Duties of the Remuneration Committee

The duty of the Remuneration Committee is to formulate proposals to the Board of Directors, in the absence of those directly concerned if these are members of the Committee, regarding the remuneration of the Managing Director and those directors who hold particular positions; it also periodically appraises the criteria adopted for the remuneration of key executives, supervising their application and making general recommendations on the matter.

For additional information on the duties of the Remuneration Committee, see the relevant sections of the report on remuneration published pursuant to Article 123-*ter* of the Consolidated Finance Act.

9. DIRECTORS' REMUNERATION

As regards remuneration, under the articles of association the Shareholders' Meeting assigns the Board of Directors emoluments that may consist of a fixed and a variable portion throughout the term of its mandate. The variable portion is commensurate to the achievement of certain objectives and/or to the economic results attained by the Company.

As regards the variable portion of the remuneration, under Italian Stock Market Regulations, in order to enter the STAR segment, the Company is required to appoint an internal Remuneration Committee and to provide that a significant part of the remuneration of Executive Directors and other top executives be calculated on an incentive basis.

See the report on remuneration, published pursuant to Article 123-*ter* of the Consolidated Finance Act for information regarding the remuneration policy generally, stock option incentive plans, and the compensation of executive directors, managers with strategic responsibilities, and non-executive directors.

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Directors' indemnity in the event of their resignation, dismissal or termination of employment following a takeover bid (pursuant to article 123-*bis*, subsection 1, letter i) of the Consolidated Finance Act)

As of the date of this Report, there are no agreements between the Company and the members of its Board of Directors that envisage the payment of indemnity in the event of their resignation, dismissal and/or termination of employment without due cause, or in any case of termination of employment following a takeover bid.

10. AUDIT AND RISK COMMITTEE

Composition and working of the Audit and Risk Committee (pursuant to article 123-*bis*, subsection 2, letter d) of the Consolidated Finance Act)

As of the date of this Report, the Audit and Risk Committee is composed of two directors: Mr. Alessandro Ovi as Chairman and Mr. Tomaso Tommasi di Vignano, all non-executive directors and independent. Alessandro Ovi and Tomaso Tommasi di Vignano have suitable knowledge of and experience in accounting and financial matters.

The members of the Audit and Risk Committee receive an annual gross remuneration for their work, as resolved by the Board of Directors on 24 April 2013.

The Audit and Risk Committee has its own set of regulations. During the course of the Period, the Committee examined, *inter alia*, those activities pertaining to the internal audit system and risks management and the organisational Model provided for by Italian Legislative Decree 231/2001, and it provided the Board of Directors with assistance when called upon to do so.

The Audit and Risk Committee met 5 times during the Period, for meetings lasting 29 minutes on average. All the meetings were attended, without voting rights, by Mr. Enrico Gardani, in his capacity as internal audit manager and member of the Supervisory Board and by Mr. Fiorenzo Oliva, in his capacity as Company advisor. Three meetings were attended, without voting rights, by Mr. Paolo Cilloni, in his capacity as Chief Financial Officer of the Company. For the Board of Statutory Auditors there were present, without the right to vote, Ms. Briolini, Mr. Gaiani and Ms. Torelli. At the meetings held on 13 May 2015 and 12 November 2015, the statutory auditor Ms, Briolini was justifiably absent, while at the meeting held on 6 March 2015, the statutory auditors Ms. Briolini and Mr. Taiani were justifiably absent.

At least six meetings of the Audit and Risk Committee are planned for the current year, and two of these were held on 1 February 2016 and 5 March 2016. Minutes of the Audit and Risk Committee's meetings have been duly kept.

Duties and powers of the Audit and Risk Committee

The Board of Directors ensures that its appraisals and decisions with regard to the internal audit system and risks management, the approval of the financial statements and half-year reports and the relations between the Issuer and the auditing firm are supported by satisfactory preliminary work. To this end, the Board of Directors set up an Audit and Risk Committee composed of Non-Executive Directors, the majority of whom are Independent Directors. At least one member of the Audit and Risk Committee should have satisfactory experience in accounting and financial matters, to be assessed by the Board of Directors at the time of his appointment.

Upon receiving prior opinion of the Audit and Risk Committee, the Board of Directors:

(a) sets down the guidelines for the internal audit and risk management system so that the main risks faced by the Issuer and its subsidiaries are correctly identified and properly measured, managed and monitored, also deciding on the degree of compatibility of these risks with a corporate governance in line with the strategic objectives set;

(b) at least once a year assesses the adequacy of the internal audit and risk management systems in consideration of the characteristics of the company and its risk profile, as well as effectiveness of the same;

(c) at least once a year, approves the working plan prepared by the head of internal audit, having heard the Board of Statutory Auditors and the director in charge of the internal audit and risk management system;

(d) in its corporate governance report, describes the main features of the internal audit and risk management system, expressing its opinion on the adequacy of the same;

(e) having heard the Board of Statutory Auditors, assesses the results laid down by the legal auditor in the letter of recommendations and in the report on the fundamental issues highlighted by the legal audit.

Moreover, the Board of Directors, at the proposal of the Director in charge of the internal audit and risk management system, having received the preliminary favourable opinion of the Audit and Risk Committee, and having heard the Board of Statutory Auditors:

- appoints or discharges the head of internal audit;
- ensure that he/she is endowed with resources adequate for the performance of his/her duties;
- sets his/her remuneration in line with the policies of the Company.

In addition to assisting the Board of Directors in the performance of the above duties, the Audit and Risk Committee:

a) with the executive in charge of the preparation of the corporate accounting records and having heard the legal auditor and the Board of Statutory Auditors, verifies that accounting principles have been correctly followed and, in the case of groups, that they are consistent for the purposes of the consolidated financial statements;

b) expresses opinions regarding specific aspects involving the identification of the main corporate risks;

c) reviews periodic reports concerning the assessment of the internal control and risk management system, and periodic reports of particular relevance prepared by the internal audit function;

d) monitors the independence, adequacy, effectiveness and efficiency of the internal audit function;

e) may request the internal audit function to perform controls on specific operational areas, concurrently notifying the chairman of the board of statutory auditors thereof;

f) reports to the Board of Directors at least every six months on the occasions of the approval of the annual and half-year reports regarding the activities carried out and the adequacy of the internal audit and risk management system;

g) supports, with adequate activity, the evaluations and decisions of the Board of Directors relating to the management of risks resulting from prejudicial facts that the Board of Directors has come to know.

During performance of its duties, the Audit and Risk Committee has the authority to access the company information and functions as necessary for it to perform its duties.

During the meetings held in 2015, the Committee focused in particular on the following:

- the criteria and findings relating to the application of impairment testing process to the value of equity investments in subsidiary companies;
- the quarterly and annual results in order to assess the proper application of accounting principles and consistency of the same for the purpose of drawing up the consolidated financial statements;
- the corporate governance report for 2014;
- periodic reports and the working plan prepared by the head of internal audit;
- periodic reports of the Supervisory Body pursuant to Legislative Decree 231/2001;
- updates of the Organizational, Management and Control Model pursuant to Legislative Decree 231/2001;
- reports on activities prepared by the Director in charge of the internal audit and risk management system; and
- assessment of the adequacy of the internal audit and corporate risk management system.

In the exercise of its duties, the Audit and Risk Committee has the right to avail itself of external consultants and to have access to the corporate information and functions it needs to perform its duties.

Considering the nature of the activities of the Audit and Risk Committee, the Company has decided not to grant the committee a predefined expense limit, preferring to consider on a case by case basis the expenses that may be needed from time to time.

11. INTERNAL AUDIT AND RISK MANAGEMENT SYSTEM

The internal audit system and risk management is the collection of rules, procedures and organisational structures designed to permit the correct management of the company, in line with the set objectives, through the due identification, measurement, management and monitoring of the principal risks involved.

The Board of Directors assesses the effectiveness of internal audit and risk management system and its adequacy in consideration of the characteristics of the company on a yearly basis. As a result of the analysis performed during the Period, the internal audit and risk management system was found to be effective and adequate in consideration of the characteristics of the company and the risk profile assumed.

In defining strategic, business and financial plans, the Board of Directors identified the nature and level of risk compatible with the strategic objectives of the Issuer and defined the guidelines for the internal audit and risk management system.

The guidelines provided by the Landi Renzo group's internal audit system, as established by the company's Board of Directors with the aid of the Audit and Risk Committee, perceive the internal audit system and risk management as a transversal process integrated with all corporate activities, based upon the international principles of Enterprise Risk Management, and in particular on the Framework CoSo Report indicated by the 2002 Sarbanes-Oxley Act as the benchmark best practice for the architecture of internal audit systems. The internal audit system and risk management is designed to help the group achieve its own performance and profitability targets, obtain reliable economic-financial information and ensure conformity with the laws and regulations in force, thus avoiding damage to the company's image and financial losses. Within the framework of this process, particular importance is given to the identification of company objectives and to the classifications and management of those risks associated with these objectives, through the implementation of specific actions designed to contain such risks. Corporate risks may be of various kinds: strategic risks, operating risks (associated with the efficacy and efficiency of corporate operations), reporting risks (associated with the reliability of economic-financial information), and finally, compliance risks (concerning observance of the laws and regulations in force, thus avoiding financial losses and/or damage to the company's image). All risks may also be of an exogenous or endogenous nature vis-à-vis the Landi Renzo group.

The persons in charge of the various company departments identify and assess their respective risks, and see to identifying risk containment and reduction measures (so-called "primary line control").

The above activities are supplemented by the controls carried out by the Manager responsible for the preparation of corporate documents and his/her staff (the so-called "second-level control") and by the head of internal audit (the so-called "third-level control"), who assess, on an on-going basis, the effectiveness and efficiency of the internal audit system and risk management, through risk assessment, cyclical audit and follow-up management.

The following are details of the main structural elements on which the Company's internal audit system and risk management is based.

The structural features of the control environment

- Code of Ethics – The Landi Group's Code of Ethics, approved in March 2008, sets out the principles and values underlying its way of doing business, together with the rules of conduct and implementation rules pertaining to said principles. The Code of Ethics is an integral part of the Organizational, Management and Control Model pursuant to

Italian Legislative Decree 231/2001. The Code of Ethics, which is binding on the conduct of all the employees of the Group, has been revised within the framework of the programme for the updating of 231 Model, following the introduction of the new crime of self-money laundering (art. 648-ter, 1, c.p.). The new Code of Ethics is in force from 12 November 2015.

- Organisational structure - The Landi Renzo group's general organisational arrangements are defined by a series of internal organisational communications issued by the Human Resources Department, as recommended by the Managing Director. The Landi Renzo group's structure, the organisational charts and the organisational measures can be consulted by all employees on the Company's Intranet site;

- Powers and powers of attorney – The internal system to grant powers and powers of attorney ensures compliance with the principle of segregation of duties.

- Human Resources – The Landi Renzo group possesses a formal procedure for the selection and hiring of personnel, and the planning and management of training. Pay policy, in keeping with best practices and the market, envisage a share of variable remuneration for senior managers and executives.

Instruments designed to safeguard operating targets

- Strategic planning, management control and reporting – during the Period, the Landi Renzo group utilised a reporting instrument aimed at tracking the accounting figures and comparing them to the budget and forecasting figures. This reporting instrument also supports processing of "what if analysis" at a high degree of detail, processing different hypothetical scenarios on main items of the profit and loss accounts on a rolling basis over 12 months.

- Enterprise Risk Management (ERM) – On the basis of a project that was started and completed in 2008, those companies within the Landi Renzo group deemed to be of importance for this purpose were the beneficiaries of a newly-created risk management system based on the principles of ERM. This system includes management of risks relating to the financial data disclosure process pursuant to Article 123-*bis*, subsection 2(b) of the Consolidated Finance Act, the main characteristics of which are described in a separate paragraph below. This system has led to the identification of a map of corporate processes, of the principal associated risks (prioritised according to their probability and their potential economic impact), and finally, actions to be taken in order to contain residual risks. The Landi Renzo group's main risks and uncertainties are listed in a special chapter of the Management Report;

- Company operating procedures system – The administrative procedure manuals, drawn up in accordance with Italian Law 262/2005 on the safeguarding of savings, together with the working procedures and instructions issued by the Quality System, and finally the organisational guidelines issued by the Human Resources department, ensure the correct implementation of corporate guidelines, and thus the reduction of risks associated with the achievement of company objectives;

- Information systems – The Landi Renzo group's information system has been created using the very latest technologies and packages. Use of the system is governed by a series of internal procedures that guarantee safety and safeguard data, privacy and the correct utilisation of the system by users.

Instruments designed to safeguard compliance targets

- Corporate Ethics and Compliance Model pursuant to Italian Legislative Decree 231/2001 – See section 11.3 below.

- Accounting control model pursuant to Italian Law 262/2005 regarding the protection of savings – during the course of 2008, the Landi Renzo group began, and completed, a project designed to conform the system to the requirements of Italian Law 262/2005. This project was conducted in the following stages:

  - identification of the Landi Renzo group's entities constituting the subject-matter of the analysis (scoping);

  - determination of the relevant accounting items, of the processes that feed said items, and of the respective process owners;

  - overview of the existing control system through an interview with the head of administration;

  - scheduling and conducting of interviews with the process owners in order to identify the following for each process: the activities (objectives) and their respective product inputs and outputs, the risks inherent in each activity, the existing controls aimed at containing said risks, the controls suggested by best practices, and in the case of gaps, the corrective measures to be taken in order to manage the residual risk;

  - drafting of the Manuals of administrative procedures pursuant to Italian Law 262/2005 (hereinafter "**Manuals**") for the validation of the process owners and the subsequent issue of the final version of said Manuals, approved by the latter and by the executive appointed to edit accounting and corporate documents.

The Manuals of administrative procedures are available for all the employees on the Company's intranet. Any significant procedural discrepancies, differences and/or departures are promptly notified to the executive appointed to draft corporate accounting documents, in order that the due corrective measures be taken.

Instruments designed to safeguard reporting targets

- Accounting information and financial reporting – The aforesaid Manuals of administrative procedures pursuant to Italian Law 262/2005, together with the Landi Renzo group's Accounting Manual, safeguard the correct drafting and reporting of accounts and of statutory and consolidated financial statements;

- Inside information – The procedures for the internal handling, and the communication to the outside world, of inside information are constantly updated, in order to maintain said procedures in line with Community directives on market abuse;

- Internal communications – The head of internal audit has easy and direct access to all information which is expedient for the performance of his/her duties. This aids the prompt acquisition of information concerning company management which, at the same time, is promptly analysed in order to identify the associated risks and, where deemed opportune, included in the economic-financial reporting.

Instruments for monitoring the internal audit system and risk management

The abovementioned instruments of control are monitored not only by those persons in charge of the various company departments, but also independently by the head of internal audit, who shall constantly monitor the effectiveness and efficacy of the internal audit system and risk management, through risk assessment, the cyclical performance of audits, and the subsequent management of the follow up.

Principal characteristics of the risk management system and internal audit system in relation to the process for the disclosure of financial data pursuant to 123-*bis*, subsection 2(b) of the Consolidated Finance Act

In relation to the process for the disclosure of financial data, the risk management system should not be considered separately from the internal audit system, because they are both elements of the same system.

The aim of the risk management and internal audit system in relation to the process for the disclosure of financial data is to guarantee the reliability, accuracy and timeliness of the same.

For each company of the Landi Renzo group (entity level) and for each process (process level), inherent risks capable of affecting financial data disclosure, controls in place to prevent them and, where gaps exist, remedial actions to be implemented to manage residual risk have been identified.

The monitoring and control activities are carried out on three levels:

- first-level control (the so-called "primary line control") inherent in the performance of operating processes and assigned on an on-going basis by the operating management/ process owner;

- second-level control, i.e., those checks performed by the manager in charge of the preparation of corporate accounting documents and his/her team, to monitor the risk management and control process in relation to the disclosure of financial data process, securing consistency of the same with the company objectives;

- third-level control, i.e. on-going independent monitoring by the head of internal audit in relation to the effectiveness and efficiency of the internal audit system and risk management with respect to financial data disclosure process, through risk assessment, the periodic audits and follow-up management.

Overall assessment of the suitability of the internal audit system and risk management

On the basis of the information and findings received with the support of investigations carried out by the Audit and Risk Committee, the head of internal audit, and the Supervisory Body pursuant to Italian Legislative Decree 231/2001, the Board of Directors believes that the Landi

Renzo group's internal audit system and risk management is suitable and efficient and effectively operational, and thus apt to secure an acceptable level of overall risk in consideration of the business carried out by the company, the company's characteristics and the market in which it operates.

11.1 DIRECTOR IN CHARGE OF SUPERVISING THE OPERATION OF THE INTERNAL AUDIT AND RISK MANAGEMENT SYSTEM

At the 24 April 2013 meeting, the Board of Directors, with the approval of the Audit and Risk Committee, selected Executive Director in charge of supervising the operation of the internal audit system and risk management as being the Managing Director Mr Stefano Landi, vesting him with the functions set forth by the Self-Regulatory Code.

The director in charge of the internal audit and risk management system: (a) identifies the major corporate risks, bearing in mind the nature of the business carried out by the Issuer and its subsidiaries, and submits them periodically for review to the Board of Directors; (b) implements the guidelines set by the Board of Directors, and sees to the planning, establishment and management of the internal audit and risk management system, and verifies on an on-going basis its suitability and effectiveness; (c) procures that the system be adapted to the dynamics of operating conditions and to the legislative and regulatory framework; (d) may request the internal audit function to carry out controls on specific operational areas and on the compliance of corporate operations with internal policies and procedures, concurrently notifying thereof the Chairman of the Board of Directors, the Chairman of the Audit and Risk Committee and the Chairman of the Board of Statutory Auditors; and (e) promptly notifies the Audit and Risk Committee (or the Board of Directors) of any issues or problems found in performing its tasks or learnt in any way whatsoever, so that the Committee (or Board) may take appropriate measures.

During the period, the director in charge of supervising the operation of the internal audit and risk management system did not submit any proposal to the Board of Directors for the appointment or revocation of the head of the internal audit function, as he deemed it as not necessary to appoint other heads of the internal audit functions or revoke the head of the internal audit function in charge.

11.2 HEAD OF THE INTERNAL AUDIT FUNCTION

The Board of Directors, at the proposal of the Director responsible for the functioning of the internal audit and risk management system, in consultation with the Audit and Risk Committee, appointed Mr Enrico Gardani as the Internal Audit Manager, stating that Gardani is not responsible for any area of operations and is not hierarchically under any operations area manager, including the Administration, Finance and Control department.

Moreover, on 13 May 2008, upon proposal by the executive manager responsible for the supervision of the functioning of the internal audit system, and having obtained the opinion of the Audit and Risk Committee, the Board of Directors set the compensation for Mr Enrico Gardani consistently with company policies. The Board of Directors of 14 November 2012 confirmed the appointment, and in line with the changes made to the Self-Regulatory Code, appointed Mr Enrico Gardani as the head of the internal audit function, vesting him with the functions set forth by the Self-Regulatory Code.

The head of the internal audit function has, *inter alia*, the duty to verify that the internal audit system and risk management is always adequate, fully operational and functional and reports on his work to the Audit and Risk Committee, the Board of Auditors and the Director in charge of supervising the operation of the internal audit and risk management system.

The head of the internal audit function has had direct access to all the information required for the performance of his duties, and has been provided with sufficient funds, for each year of his appointment, up to a maximum gross sum of Euro 50,000.

The Issuer has formed an internal audit office entirely composed of in-house personnel, headed by the head of the internal audit function.

The activities of the head of the internal audit function, consistently with the Landi Renzo group's audit plan approved at the beginning of each year by the Board of Directors, and defined following a risk-based approach, have focused on the following areas:

- Operational audit – regarding the company's basic objectives, including performance, profitability and conservation of resources;
- Reporting audit – refers to the preparation and publication of reliable financial statements, including interim reports, summary financial statements and the economic and financial figures shown therein, and publication of results disclosed to the public;
- Compliance audit – regarding compliance of the above-mentioned activities with laws and regulations which the company is subject to including analyses and adjustments pursuant to Italian Law 262/2005 on the protection of savings, and under Italian Legislative Decree 231/2001 on the responsibility of entities;
- other activities of the internal audit areas; drafting and provision of documents in support of the workings of the Audit and Risk Committee and the Supervisory Body, including the audit plan of which the Supervisory Programme, pursuant to Italian Legislative Decree 231/2001, is an integral part.

The head of the internal audit function:

- verifies, on an on-going basis as well as in relation to specific needs and in compliance with International standards, the operations and the suitability of the internal audit and risk management system, through an audit programme approved by the Board of Directors and based on a process for the structured analysis and prioritisation of the main risks;
- prepares the periodic reports setting forth adequate information on its activities, on the methods used to manage risks, on compliance with the predefined plans to contain risks, as well as a valuation of the suitability of the internal audit and risk management system, and submits them to the Chairmen of the Board of Statutory Auditors, Internal Audit and Risk Committee, and Board of Directors as well as the Director in charge of the internal audit and risk management system;
- prepares promptly reports on significant events, and submits them to the Chairmen of the Board of Statutory Auditors, Internal Audit and Risk Committee, and Board of

Directors as well as the Director in charge of the internal audit and risk management system;

- verifies, in the context of the audit plan, the reliability of the information technology systems, including the accounting systems.

11.3 COMPLIANCE MODEL PURSUANT TO LEGISLATIVE DECREE 231/2001

The Board of Directors, in compliance with the terms laid down in Article 2.2.3, paragraph 3 (j) of the Stock Market Regulations, approved its Corporate Ethics and Compliance Model in accordance with Article 6 of Legislative Decree 231/2001 (the "**Model**"), as subsequently amended. The Model was drafted on the basis of the guidelines of the Italian Confederation of Industrialists' and in compliance with applicable legislation.

With the adoption and effective implementation of the Model, the Company will not be liable for offences committed by "top" managers and persons subject to their supervision and instructions.

The Model lays down a series of rules of conduct, procedures and control activities as well as a system of powers and delegated responsibilities whose purpose is to prevent the occurrence of the criminal offences expressly listed in Legislative Decree 231/2001. A disciplinary system has also been introduced to be applied in the event of breaches of the provisions of the Model.

In order to implement the Model, a supervisory body (the "**Supervisory Body**") was set up, with the functions contemplated in Article 6, subsection 1(b) of Legislative Decree 231/2001. The Supervisory Body is composed of Messrs Domenico Aiello, Alberta Figari and Enrico Gardani, who have been appointed for a term of office ending upon approval of the financial statements for the period ending on 31 December 2015.

Every six months, the Supervisory Body informs the Board of Directors in writing on the implementation and actual awareness of the Corporate Ethics and Compliance Model within each Company department.

The Model has been updated over the years in order to take into account changes introduced from time to time by lawmakers. In particular, at the meeting held on 28 August 2012, the Board of Directors acknowledged and approved a number of amendments to the Model aimed at including environmental crimes among conditions of corporate liability pursuant to Legislative Decree 231/2001; later, on 27 August 2013, the Model was again updated following the entry into force of Law 190/2012 ("Measures for the repression of corruption"). Lastly, the most recent update to the Modal was approved by the Company’s Board of Directors on 12 November 2015 in order to include the new criminal offence of self-money laundering (art. 648-*ter* of the Italian Penal Code).

The Model has been published and circulated to all personnel, outside collaborators, customers, suppliers and partners in the form required by law.

Finally, again in the framework of the activities to be carried out in order to implement the Model, the Board of Directors adopted the Landi Renzo group's Code of Ethics, as changed on 12 November 2015. In fact, as specified in the Italian Confederation of Industries guidelines, the adoption of ethical principles that have a role to play in the prevention of criminal offences is an essential element in a preventive control system. Specifically, the Landi Renzo Code of Ethics sets out corporate values and the combination of rights, duties and responsibilities of its addressees and provides for the imposing of sanctions, independently and autonomously of those laid down in the national collective labour agreement.

Pursuant to article IA.2.10.2, subsection 2, of the Instructions to the Stock Exchange Regulations of, on 18 May 2015 the representative Mr Stefano Landi duly certified the Company's approval on 20 March 2008 of the Organisational, Management and Control Model pursuant to article 6 of Legislative Decree 231/2001 and the composition of the Supervisory Board. Said certification is part of the documentation requested annually by Borsa Italiana from those companies listed in the STAR segment, in order that they may remain listed as such.

During the Period, the Supervisory Body met five times. As of the date hereof, the Board of Directors did not deem it necessary to vest the Board of Statutory Auditors with the functions of supervisory body.

11.4 AUDITING FIRM

On 7 March 2007, at the reasoned proposal of the Board of Auditors, the Shareholders' Meeting appointed the KPMG S.p.A. firm of auditors, with head office at Via Vittor Pisani 25, Milan, as the Company's auditors of the statutory and consolidated financial statements for the period 2007-2015 and to carry out limited audits of the Landi Renzo group's consolidated half-year reports during the same period.

11.5 EXECUTIVE IN CHARGE OF PREPARING CORPORATE ACCOUNTING DOCUMENTS

Paolo Cilloni, executive in charge of the Issuer's administration, finance and control department, was appointed, pursuant to article 154-*bis* of the Consolidated Finance Act, by the Board of Directors of the Company on 24 April 2013, with the approval of the Board of Auditors, as the Executive in charge of preparing corporate accounting documents, as he satisfies the requirements for the appointment and, in particular, has a proven expertise in accounting and finance, in line with the requirements of Article 24 of the articles of association.

The Board of Directors' meeting of 24 April 2013 granted the Executive in charge of preparing corporate accounting documents, Mr Paolo Cilloni, sufficient resources and powers for him to perform his assigned duties, it being understood that the Managing Director is obliged to report on the matter to the Board of Directors and to ensure that such means and resources are provided and that administrative and accounting procedures are actually observed. In addition, the Board of Directors decided the remuneration the Executive concerned should receive for the performance of these duties.

11.6 CO-ORDINATION OF PERSONS INVOLVED IN THE INTERNAL AUDIT AND RISK MANAGEMENT SYSTEM

As of the date hereof, the Issuer has not considered the adoption of any specific procedure to co-ordinate the various persons involved in the internal audit and risk management system, as it deems that the bodies and various functions are adequately and efficiently integrated with one another, without duplicating any activity.

12. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

In compliance with the Related Party Transactions Regulations and its successive interpretation communications, on 29 November 2010, the Board of Directors has (i) adopted a new internal procedure setting forth the rules and principles to follow to ensure the transparency and fairness, in substance and procedure, of transactions with related parties entered into by Landi Renzo, directly, or through or its direct or indirect subsidiaries, and (ii) on 24 April 2013 also appointed a Committee for Related Party Transactions composed of two independent directors (Tomaso Tommasi Vignano and Alessandro Ovi). In accordance with the Related Parties Regulation, the internal procedure was approved by the Board of Directors with the approval of the Committee for Related Party Transactions.

In compliance with the suggestions under Consob Communication DEM/10078683 of 24 September 2010, the above procedure was subject to verification by the Board of Directors on 13 March 2015. As a result of such verification, the Board of Directors has deemed the procedure is adequate and functional in consideration of the operational needs of the Company, and that no amendments were necessary.

The following are the most significant aspects of the procedure:

(a) the classification of "Related Party Transactions" as transactions of Greater Importance (transactions with a counter value or asset or liability relevance index that exceeds the 5% threshold), Negligible Value (transactions with such a low value as not to involve any prima facie material risk to investor protection and are therefore excluded from the scope of application of the new procedure, identified by the Company as transactions with a value not exceeding Euro 200,000), and Lesser Importance (residual category including Related Party Transactions other than those of Greater Importance or of a Negligible Value);

(b) the rules on transparency and communications to the market have become stricter in the case of transactions of Greater Importance, requiring publication of a specific information sheet;

(c) the particularly important role attributed to the Committee for Related Party Transactions in the procedure to evaluate and approve transactions;

This Committee is responsible for ensuring the substantial fairness of transactions with related parties and issuing an opinion on the interests of the company in carrying out the transaction as well as the financial appropriateness (*convenienza*) and fairness of the relevant conditions. In the case of transactions classified as having Lesser Importance, the Company may in any case precede with the transaction despite an unfavourable opinion of the Committee for Related Party Transactions. In this event, information regarding the transactions approved in the relevant quarter must be provided to the public within fifteen days of the close of each financial quarter, despite the unfavourable opinion, specifying the reasons why the Company did not agree with the opinion of the Committee for Related Party Transactions.

The Board of Directors is exclusively responsible for the approval of Transactions of Greater Importance and the Committee has a broader role. The Committee takes part in the negotiations phase of the transaction, during which it receives full and timely information from the delegated bodies and parties responsible for conducting the negotiations and may request additional information and provide any considerations. In addition, if the Committee for Related Party transactions gives an unfavourable opinion, the Board of Directors cannot approve the Transactions of Greater Importance.

In urgent circumstances relating to transactions with related parties that are not under the responsibility, or subject to the authorisation, of the shareholders' meeting, the Board of Directors will have the right to approve these transactions with related parties, even where they are implemented through subsidiaries, in derogation of the customary provisions of the internal procedure for related-party transactions adopted by the Company, subject to compliance with and at the conditions set out in the procedure.

The above procedure applicable to related party transactions is available on the Company's website www.landi.it, in the Investor Relations section.

Considering the limited number of circumstances in which a Director has an interest, for his or her account or on behalf of a third party, and because of the adequate functioning of the procedure for related party transactions, the Board of Directors has determined it is not necessary to adopt additional operating solutions to define and to manage circumstances where a Director has an own or third-party interest, which circumstances will be analysed on a case-by-case basis by the Managing Director.

13. APPOINTMENT OF STATUTORY AUDITORS

Under Article 22 of the Company's articles of association, the Board of Auditors is composed of three Statutory and two Alternate Auditors, who can be re-elected.

The Board's functions, duties and term are as laid down by law. When the members of the Board are appointed, the Shareholders' Meeting determines their remuneration, also in the light of their participation in any internal committees. Auditors are entitled to the refund of the expenses they incur in the exercise of their functions.

The members of the Board of Auditors must satisfy the requisites of good character, professionalism and independence required under the law and regulations.

The members of the Board of Auditors are elected, in compliance with gender- balance law in force at the time, from lists presented by the shareholders, in which the candidates must be listed in progressive number order, so that the minority is assured the appointment of one Statutory and one Alternate Auditor. The lists must not contain a higher number of candidates than those to be elected.

In addition, where mandatory gender allocation criteria apply, each list with at least three candidates (considering both sections) shall include a number of candidates of the less represented gender equal at least to the minimum number envisaged under applicable law and regulations in force at the time. Should the section of alternate auditors of these lists have at least two candidates, they shall be of different genders.

Shareholders holding, even jointly, at least 2.5% of the share capital representing shares that confer voting rights at shareholders' meetings held to deliberate the appointment of the members of the governing body, or such other proportion of the share capital as may be determined from time to time by Consob, in accordance with the rules applicable to the Company, may present a list of candidates. The notice calling the shareholders' meeting will state the level of ownership required to present a list of candidates. Such percentage of ownership is consistent with that provided under Article 144-*quater* of the Issuers' Regulations for companies with market capitalisation of up to Euro 1,000,000.

Each shareholder, the shareholders adhering to a shareholders' agreement relevant under Article 122 of the Consolidated Text, the parent company, the subsidiary companies and companies subject to joint control may not present or join in the presentation of more than one list, not even through a third party or a trust company, nor may they vote for different lists, and each candidate may only stand in one list, on pain of ineligibility. Candidatures and votes expressed in breach of this prohibition shall not be attributed to any list.

Lists must be deposited at the Company's registered office at least 25 days prior to the date scheduled as prescribed by law, including regulatory provisions, applicable at the time. The notice calling the shareholders' meeting will provide instructions to allow remote deposit of the list by distance communication. Ownership of the amount of shares required to present a list must be proven with the methods and at the terms required under the law and regulatory provisions in force at the time.

In the event that upon expiry of the term for the presentation of lists only one list has been presented, or only lists presented by shareholders connected with each other under the laws and regulations in force have been presented, it will be possible to present lists until the third day after that date of expiry. In this case, shareholders that, alone or with other shareholders, own overall treasury shares representing half of the share capital threshold specified in the above provisions, may present lists.

If no list is presented, the Shareholders' Meeting adopt resolutions by the statutory majority without observing the procedure described below, provided it complies with the gender-balance requirement specified above, where so required by law and regulatory provisions in force at the time.

In all cases, the following documents must be deposited together with each list and within the times specified above: (i) information regarding the shareholders presenting the list and the total number of shares they hold; (ii) declarations from the individual candidates to the effect that they agree to stand for election and that they certify, on their own responsibility, that there are no causes of their incompatibility or ineligibility, including the accumulation of positions in accordance with the applicable laws and regulations, and also that they satisfy any requirements that may be laid down for the positions involved; and (iii) CVs with full information regarding the personal and professional characteristics of each candidate, specifying the administration and auditing functions exercised in other companies. Lists presented by shareholders other than those holding, even jointly, a controlling or relative majority shareholding must also attach a certificate to the effect that there are no relationships connecting them with controlling or relative majority shareholders in accordance with the regulation in force. Lists presented that do not comply with these provisions shall be considered as not having been presented.

The procedure for the election of the Auditors is as follows:

(a) from the list that has obtained the highest number of votes (the "**Majority List**"), two Statutory and one Alternate Auditor are taken on the basis of the numerical order in which they appear in the list;

(b) from the list that has obtained the second highest number of votes, provided that it is not connected in any manner, even indirectly, in accordance with the applicable laws and regulations, with the shareholders that presented or voted for the Majority List (the "**Minority List**"), the remaining Statutory and the other Alternate Auditor are taken on the basis of the numerical order in which they appear in the list.

If the first two, or more than two, lists obtain an equal number of votes, a further ballot by the Shareholders' Meeting will take place, whereby only such lists will be voted for. The same rule applies in the event of an equal number of votes being cast for lists in second place, provided that they are not connected, even indirectly, in accordance with the laws and regulations in force.

In the event that the lists continue to obtain an equal number of votes, the list will prevail that is presented by the shareholders with more equity in the company, or, subordinately, the list that is presented by the greater number of shareholders. In all the events specified above, the composition of statutory auditors shall satisfy the aforementioned gender balance requirements, if so required by the law and regulatory provisions in force at the time.

If the above procedure does not ensure a composition of the Board of Statutory Auditors, in terms of standing members, which complies with the law on gender balance in force at the time, the last elected candidate of the most represented gender (in numerical order) in the Majority List shall be replaced by the first non-elected candidate of the less represented gender (in numerical order) of the same list, or in the absence thereof, by the first non-elected candidate of the less represented gender (in numerical order) of the other lists, based on the number of votes obtained by each of them. This procedure shall apply until a composition of the Board of Statutory Auditors is reached which complies with the law on gender balance in force at the time. Should this procedure not lead to the results specified above, the replacement will be made according to a resolution adopted by the Shareholders' meeting with the relative majority, subject to the presentation of candidates of the less represented gender.

The candidate elected in first place in the Minority List is appointed as the Chairman of the Board of Auditors.

Auditors lose office if they cease to satisfy the requirements laid down by law and in the articles of association.

In the event of the replacement of an Auditor elected from the Majority List, his place is taken by the first Alternate Auditor belonging to the same list as the replaced Auditor, or, if this does not secure compliance with the aforementioned gender balance requirement, the first alternate auditor who, following the numerical order in which the alternate auditors are listed, satisfies such requirement. Should the preceding provisions of this clause be not applicable, the replacement shall be made by the Shareholders' Meeting, which shall adopt resolutions with the majorities set forth by applicable law provisions, subject to the presentation of candidates of the less represented gender.

If Statutory and/or Alternate Auditors need to be appointed to make up the number of members of the Board after the replacement of a Statutory and/or Alternate Auditor elected in the Majority List, the Shareholders' Meeting adopts a resolution by the statutory majority, should the application of the criteria set out in the preceding paragraph not result in the integration of the number of members of the Board, without prejudice to the aforementioned gender balance requirement, where so required by law and regulatory provisions in force at the time.

In the event of the replacement of an Auditor elected from the Minority List, his place is taken by the alternate auditor belonging to the same list of the replaced Auditor, or subordinately, by the candidate immediately following in the same list as that of the replaced Auditor, or, again subordinately, by the first candidate in the minority list that obtained the second highest number of votes, without prejudice to the aforementioned gender balance requirement, where so required by law and regulatory provisions in force at the time. In the absence thereof, the replacement shall be made by the Shareholders' meeting, which shall adopt resolutions with the relative majority and in compliance with the above requirements. This does not affect the fact that the Chairman of the Board of Auditors remains the Auditor from the Minority List.

If Statutory and/or Alternate Auditors need to be appointed to make up the number of members of the Board after the replacement of a Statutory and/or Alternate Auditor elected in the Minority List, the Shareholders' Meeting adopts a resolution by the statutory relative majority, choosing from the candidates appearing in the list to which the Auditor to be replaced belonged, or appearing in the minority list that obtained the second highest number of votes, without prejudice to the aforementioned gender balance requirement, where so required by law and regulatory provisions in force at the time. In the absence thereof, the replacement shall be made by the Shareholders' meeting, which shall adopt resolutions with the relative majority and in compliance with the above requirements.

When the Shareholders' Meeting is called upon, in accordance with Article 2401, paragraph 1, of the Italian Civil Code, to appoint or replace one of the Auditors elected from the Minority List, any votes cast by shareholders that hold a controlling or relative majority interest, even jointly, are not taken into consideration.

Board of Statutory Auditors' meetings may also be held by audio and video link in accordance with the procedures set forth in the Company Articles of association.

14. COMPOSITION AND OPERATIONS OF THE BOARD OF STATUTORY AUDITORS (PURSUANT TO ARTICLE 123-BIS, SUBSECTION 2(D) OF THE CONSOLIDATED FINANCE ACT)

The Company's Board of Auditors, appointed by the Ordinary Shareholders' Meeting on 24 April 2013, whose term will expire on the approval of the financial statements at 31 December 2015, is composed as follows.

Forename and Surname	Position	Serving since	% attendance at Board of Auditors' Meetings
Eleonora Briolini	Chairman of the Board of Auditors	24 April 2013	100%
Luca Gaiani	Statutory Auditor	24 April 2013	100%
Marina Torelli	Statutory Auditor	24 April 2013	90%
Pietro Gracis	Alternate Auditor	24 April 2013	-
Filomena Napolitano	Alternate Auditor	24 April 2013	-

The members of the Board of Statutory Auditors were elected on the basis of two different lists a) two Statutory Auditors and an Alternate Auditor were elected from list number 1), presented jointly by the majority shareholders Girefin S.p.A. and Gireimm S.r.l.

While b) a Statutory Auditor and an Alternate Auditor were elected from list number 3) presented jointly by the minority shareholders of Aerius Investment Holding AG and Anton Karl.

List number 1) included the following candidates:

- Luca Gaiani, born in Modena, on 27 January 1960, Chairman;
- Massimiliano Folloni, born in Novellara (Reggio Emilia), on 30 marzo 1950, Statutory Auditor;
- Marina Torelli, born in Modena, on 26 April 1961, Statutory Auditor;
- Filippo Nicola Fontanesi, born in Reggio Emilia, on 10 March 1970, Alternate Auditor;
- Filomena Napolitano, born in Nola (Napoli), on 27 July 1967, Alternate Auditor.

List number 3) included the following candidates:

Eleonora Briolini, born in Pescara on 8 December 1971, Statutory Auditor

Pietro Gracis, born in Milan on 22 March 1984, Alternate Auditor

The candidates from the list number 1) were elected with the favourable vote of 67,146,130 shares and no contrary votes. The candidates of the list number 3) were elected with the favourable vote of 13,387,405 shares and no contrary votes. The voting share capital attending the meeting represented 71.58% of the share capital.

The personal and professional characteristics of each Auditor are briefly set out below, in accordance with Article 144 *decies* of the Issuers' Regulations.

Eleonora Briolini. Graduate in Economy and Commerce and inscribed in the Certified Public Accountants Register of Milan since 2002. From 1998 to 2011 she has been part of the Rax and Company Office in partnership with Deloitte and Touche S.p.A. where she deals with tax consultancy both national and international. She is currently the manager of the tax department of the law firm Bird & Bird of Milan. She frequently lectures in programs of tax training for Wolters Kluwer, Il Sole 24 Ore and the Organization of Accountants of Milan.

Luca Gaiani. A graduate in Economics and Commerce at the University of Modena, Gaiani has been a chartered accountant (CPA) and enrolled as external auditor since 1984. He at present practises in Modena. He cooperates for the *Il Sole 24Ore* daily newspaper, and other several professional magazines and newspapers and he teaches in certain courses for the training of chartered accountants and officers of the Financial Administration.

Marina Torelli. Marina Torelli has been on the Reggio Emilia Register of Accountants since 1989 and in the Register of Auditors since 1995. She is a practicing accountant and acts as Auditor of several industrial and commercial companies. She is also Chairman of the Board of Directors of an industrial company in Reggio Emilia.

Pietro Gracis. Graduate in Economics and Company Law of the Sacro Cuore University of Milan. His post graduate education also included various specialization courses. He entered the law firm Bird & Bird of Milan in January 2012. He is entered in the Accountants Register of Milan and the Register of Legal Auditors since January 2010.

Filomena Napolitano. Filomena Napolitano has been on the Reggio Emilia Register of Accountants since 1998 and on the Register of Auditors since 1999. She has performed institutional assignments for the Court of Reggio Emilia as a Receiver in Bankruptcy. She is an Auditor in some industrial and commercial companies.

From the close of the financial year there have been no changes in the membership of the Board of Statutory Auditors.

The table below shows the administrative and auditing positions held in listed and unlisted companies by members of the Company's Board of Auditors as of 31 December 2015 (for additional information, see table 3, attached to this Report).

Forename and surname	Company for which the external work is carried out	Position
Eleonora Briolini	Tefor S.p.A.	Statutory Auditor
	Sanlorenzo S.p.A.	Statutory Auditor
	Consorzio del prosciutto di San Daniele	Member of the Supervisory Board
	Società Chimica Larderello S.p.A. owned by a sole shareholder	Statutory Auditor
	Reggiani Macchine S.p.A.	Chairman of the Board of Auditors
Luca Gaiani	Kerakoll S.p.A.	Chairman of the Board of Auditors

	Cittanova 2000 S.p.A.	Chairman of the Board of Auditors
	Pallacanestro Olimpia Milano S.r.l.	Chairman of the Board of Auditors
	CMB Cooperativa Muratori Braccianti	Chairman of the Board of Auditors
	Grandi Salumifici Italiani S.p.A.	Chairman of the Board of Auditors
	Grim S.p.A.	Chairman of the Board of Auditors
	Alcisa Italia S.p.A.	Chairman of the Board of Auditors
	Gruppo Alimentare in Toscana	Chairman of the Board of Auditors
	G.A. Retail S.r.l.	Chairman of the Board of Auditors
	Giorgio Armani ST S.r.l.	Sole Auditor
	Lovato Gas S.p.A.	Statutory Auditor
	Safe S.p.A.	Statutory Auditor
	I.S. Holding S.p.A.	Statutory Auditor
	AEB S.p.A.	Statutory Auditor
	Giorgio Armani S.p.A.	Statutory Auditor
	L'immobiliare S.r.l.	Statutory Auditor
	El Gadyr S.r.l.	Statutory Auditor
	Fi. Ma. S.r.l.	Statutory Auditor
	Ceramica Sant'Agostino S.p.A.	Statutory Auditor
	Professmo.it Srl	Director
	Mario Neri S.p.A.	Alternate Auditor
	Sistem Costruzioni S.r.l.	Alternate Auditor
	Stinfalio di Novarese Carlo S.a.p.a.	Alternate Auditor
	Quadrifoglio Modena S.p.A.	Alternate Auditor
	Donelli Vini S.p.A.	Alternate Auditor
	Unibon S.p.A	Alternate Auditor
Marina Torelli	Lodi S.p.A.	Chairman of the Board of Auditors
	I.R.S. S.p.A.	Chairman of the Board of Auditors

	Tecnove S.r.l.	Chairman of the Board of Auditors
	SAFE S.p.A.	Chairman of the Board of Auditors
	Noemalife S.p.A.	Statutory Auditor
	Carpenfer S.p.A.	Statutory Auditor
	T.I.E. S.p.A.	Statutory Auditor
	Girefin S.p.A.	Statutory Auditor
	S.I.C.E. – S.p.A.	Statutory Auditor
	Nuova Mini-Mec S.p.A.	Statutory Auditor
	Bioener – S.p.A.	Statutory Auditor
	A.E.B. S.p.A.	Statutory Auditor
	Lovato Gas S.p.A.	Statutory Auditor
	Consorzio Scandiano Zerosei Società Cooperativa in liquidazione	Statutory Auditor
	Emiliana Conglomerati S.p.A.	Statutory Auditor
	C.M.E. S.r.l.	Chairman of the Board of Directors
Filomena Napolitano	T.I.E. S.p.A.	Alternate Auditor
	Girefin S.p.A.	Alternate Auditor
	Nuova Mini-Mec S.r.l.	Alternate Auditor
	I Tulipani S.r.l.	Sole Auditor and member of the Supervisory Board
	A.E.B. S.p.A.	Alternate Auditor
	I.R.S. S.p.A.	Statutory Auditor
	Lovato Gas S.p.A.	Alternate Auditor
	Tecnove S.r.l.	Alternate Auditor
	Medo S.r.l.	Assignee in bankruptcy
	I Ciclamini S.r.l.	Member of the Supervisory Board
	I Girasoli S.r.l.	Member of the Supervisory Board
	Carpenfer S.p.A.	Statutory Auditor
	Lodi S.p.A.	Alternate Auditor
	Cooperativa sociale Il Bettolino	Chairman of the Board of Auditors
	Safe Spa	Alternate Auditor
Pietro Gracis	HIC S.p.A.	Alternate Auditor

	Serenissima Immobiliare	Statutory Auditor
	Valle delle Ginestre S.r.l.	Alternate Auditor
	Società Chimica Larderello S.p.A. owned by a sole shareholder	Statutory Auditor
	Reggiani Macchine S.p.A.	Statutory Auditor
	Games Lodi S.p.A.	Statutory Auditor

Ten meetings of the Board of Auditors were held during the course of the Year, lasting an average of 107 minutes each. At least six meetings of the Board of Auditors are planned for the current year, and two have already been held on 29 February 2016 and 7 March 2016. Statutory Auditors Luca Gaiani and Eleonora Briolini attended 100% of these meetings, while Statutory Auditor Marina Torelli attended 90% of these meetings.

In order to maintain an adequate knowledge of the segment in which the Company is active, periodically and at any time as necessary, the auditors receive information and updates on the segment in which the Issuer operates and reference legislation, including through documents prepared by the Company.

The Chairman of the Board of Directors, also through the internal functions of the Company, ensures that the statutory auditors are able to participate to initiatives to allow them to acquire adequate knowledge of the sector in which the Company operates, of the company's dynamics and their evolution, and of the legislative and self-regulatory applicable frameworks.

On being appointed, the members of the Board of Auditors declared, on their own responsibility, that they satisfied the independence criteria laid down in applicable laws and regulations. The Board of Auditors deemed that its members continued to satisfy the requirements of independence during the Period, applying the criteria on directors' independence under the Self-Regulatory Code.

Under paragraph 8.C.3 of the Self-Regulatory Code, Auditors that have an interest, either on their own account or on behalf of third parties, in a certain transaction to be carried out by the Issuer must give the other Auditors and the Chairman of the Board of Directors prompt and full information regarding the nature, the terms, the origin and the scope of their interest.

The Board of Auditors satisfied itself concerning the independence of the auditing firm, verifying both compliance with the regulatory provisions governing the matter and the nature and extent of the services other than accounts audit provided to the Issuer and its subsidiaries by the auditing firm and the offices belonging to its network.

In carrying out its business, the Board of Auditors cooperated with the Audit and Risk Committee, the Supervisory Board and the head of the internal audit.

15. RELATIONS WITH SHAREHOLDERS

The Issuer has set up a special section called "Investor Relations" in its website, easily identifiable and accessible, which provides the information regarding the Issuer that is of importance to its shareholders in order to enable them to exercise their rights knowledgeably.

Mr Pierpaolo Marziali has been made responsible for the management of relations with shareholders, acting as Investor Relations Manager.

In view of the Issuer's organisational structure, it was decided not to set up a separate Company office for the management of relations with shareholders.

16. SHAREHOLDERS' MEETINGS (PURSUANT TO ARTICLE 123-BIS, SUBSECTION 2(C) OF THE CONSOLIDATED FINANCE ACT)

With regard to shareholders' participation in Shareholders' Meetings, Article 11 of the Issuer's articles of association states: "*Shareholders with voting rights may take part in Shareholders' Meetings if an attestation confirming their right to participate is provided in accordance with the terms and conditions set out the laws and regulations from time to time applicable. Each person entitled to vote may be represented at Shareholders' Meetings by third parties by issuing a written proxy in conformity to and within the limits laid down by law. Notice of the proxy can be given to the company electronically, via certified e-mail sent to the company e-mail address set out in the notice calling the shareholders' meeting. The company does not designate a representative to whom to confer proxies from the shareholders*".

The Company has decided not to adopt rules for Shareholders' Meetings since it considers that the powers vested by the articles of association in the Chairman of the Meeting, who is responsible for directing the proceedings, including the determination of the order and system of voting, enable the Chairman to ensure that the Meeting takes place in an orderly manner, moreover averting the risks and problems that could arise from a failure on the part of the Meeting to comply with regulatory provisions.

The Board of Directors calls an Ordinary Shareholders' Meeting at least once a year within 120 days after the end of the financial period, or within 180 days if the conditions required under the law are met.

The governing body also calls a Shareholders' Meeting with a single call, either Ordinary or Extraordinary, whenever it deems it appropriate to do so or as required by law, or at the request of at least two members of the Board of Statutory Auditors in accordance with the provisions of current legislation.

Shareholders' Meetings are called by means of a notice specifying the day, hour and venue of the meeting, a list of the items on the agenda, and the other information as required under the applicable law and regulations. The Meeting notice must be published, within the times laid down by the provisions of the applicable legislation, on the website of the Company and as may otherwise be required by the laws and regulations applicable from time to time.

Shareholders that, even jointly, represent at least one-fortieth of the share capital may request items to be added to the agenda, specifying in their request the additional subjects that they propose, or submit proposals on subjects already reflected in the items on the agenda, to the extent permitted, and at the terms and conditions, under the law. Persons entitled to vote may individually submit proposals to be resolved upon by the Shareholders' Meeting.

Requests to add items to the agenda as per the paragraph above, however, are not allowed with regard to matters on which the Shareholders' Meeting, by law, deliberates at the request of the Company Directors or on the basis of a project or report prepared by same, different than the report on the items on the agenda.

Within the terms set forth in the notice of a meeting, those entitled to vote can submit questions relating to the items on the agenda by certified electronic mail, using the specific company address set out for this purpose in the notice calling the Shareholders' Meeting.

The Company is not required to provide an answer if the relevant information is on the company website in a "question and answer format", or if it is so necessary to safeguard confidentiality and the interests of the company.

Both Ordinary and Extraordinary Shareholders' Meetings are at a single convening and are constituted and adopt valid resolutions by the statutory majorities.

The Chairman of the Shareholders' Meeting will ensure that each shareholder has the right to take the floor in relation to the items being discussed by coordinating speakers and managing the evolution of the meeting.

During the shareholders' meeting, the Board of Directors reported on activities carried out and planned for the future, and took all the necessary steps to ensure that shareholders were duly provided with the information required in order that they might knowingly take the decisions they were entitled to take. During the Period, four Directors took part in the Shareholders' Meeting.

During the course of the Period there were no significant variations in the composition of the Issuer's shareholding structure; the Board of Directors therefore deemed it unnecessary to consider proposing to the Shareholders' Meeting any amendments to the articles of association regarding the percentages established for the exercise of actions and of the prerogatives safeguarding minority shareholders' interests.

17. FURTHER CORPORATE GOVERNANCE PRACTICES (PURSUANT TO ART. 123-BIS, SUBSECTION 2(A) OF THE CONSOLIDATED FINANCE ACT)

The Issuer has decided not to apply any practice for its corporate governance other than those described in the paragraphs above, and set forth as specific obligations by provisions of laws and/or regulations.

18. CHANGES SINCE THE CLOSING OF THE REFERENCE YEAR

No changes to the structure of corporate governance have been made since the closing of the Period.

TABLES

TABLE 1: INFORMATION REGARDING THE STRUCTURE OF OWNERSHIP

STRUCTURE OF SHARE CAPITAL

	No. of shares	% of share capital	Listed (indicate markets/non listed)	Rights and obligations
Ordinary shares	**112,500,000**	**100%**	**Listed (MTA)**	**As per Italian Civil Code and regulations**
Shares with limited voting rights	-	-	-	-
Shares with no voting rights	-	-	-	-

MAJOR HOLDINGS

Declarant	Direct shareholder	% of ordinary capital	% of voting capital
Landi Trust (trust regulated by Jersey law, where the trustee is Stefano Landi)	Girefin S.p.A.	54.667	54.667
	Gireimm S.r.l.	4.444	4.444
Aerius Investment Holding AG	Aerius Investment Holding AG	8.356	8.356

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND OF THE COMMITTEES

	BOARD OF DIRECTORS											AUDIT AND RISK COMMITTEE		REMUNERATION COMMITTEE		RELATED-PARTY TRANSACTION COMMITTEE.	
Office	Name	In office since	In office until	First appointed on	List (M/m) *	Executive	Non-executive	Independence under the Self-Regulatory Code	Independence under the Consolidated Finance Act	** (%)	No. of additional roles ***	****	**	****	**	****	**
Honorary Chairman	Giovannina Domenichini	Shareholders' Meeting of 24 April 2013	Approval of financial statements for the period ending on 31 December 2015	16.05.2007	M		x			88%	2						
Chairman	Stefano Landi			16.05.2007	M	x				100%	11						
Managing Director	Claudio Carnevale			24.04.2009	M	x				88%	2						
Director	Herbert Paierl			24.04.2013	m		x			100%	1						
Director	Antonia Fiaccadori			24.04.2013	M		x			88%	2						
Director	Alessandro Ovi			16.05.2007	M		x	x	x	88%	3	x	100%	x	100%	x	
Director	Tomaso Tommasi di Vignano			16.05.2007	M		x	x	x	88%	7	x	100%	x	100%	x	

Ownership required to present a list of candidates at the last election: 2.5%

Number of meetings held during the Period:	Board of Directors: 8	Internal Audit Cmte: 5	Remuneration Cmte: 1	Related Party Transactions Cmte: 0

NOTES

* This column shows whether the candidate was elected from the majority shareholder list (M) or the minority shareholder list (m).

** This column shows the percentage of meetings (Board of Directors and each committee) attended by the Director, during the Director's actual term of office.

*** This column shows the offices as director or as auditor held by the Director in other listed companies, financial companies, banks, insurance firms or large companies.

**** This column shows, with an "X", which Director is a member of this Committee.

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Office	Name	In office since	In office until	List (M/m) *	Independence under the Self-Regulatory Code)	** (%)	Number of other offices held ***
Chairman	Eleonora Briolini	24 April 2013	Approval of the financial statements for the period ending on 31 December 2015	m	x	100%	5
Statutory Auditor	Luca Gaiani	24 April 2013	Approval of the financial statements for the period ending on 31 December 2015	M	x	100%	26
Statutory Auditor	Marina Torelli	24 April 2013	Approval of the financial statements for the period ending on 31 December 2015	M	x	90%	17
Alternate Auditor	Pietro Gracias	24 April 2013	Approval of the financial statements for the period ending on 31 December 2015	m	x	N/A	6
Alternate Auditor	Filomena Napolitano	24April 2013	Approval of the financial statements for the period ending on 31 December 2015	M	x	N/A	15

Ownership required to present a list of candidates at the last election: 2.5%

Number of meetings held during the Period: 10

NOTE

* This column shows whether the candidate was elected from the majority shareholder list (M) or the minority shareholder list (m).

** This column shows the percentage of meetings of the Board of Statutory Auditors attended by this Auditor, during the actual term of office.

*** This column shows the offices as director or as auditor held by the Auditor pursuant to Article 148-*bis* of the Consolidated Finance Act.

TABLE 4: OTHER SELF-REGULATORY CODE PROVISIONS

	YES	NO	Summary of justification for any departure from the recommendations of the Self-Regulatory Code
System of delegated powers and transactions with related parties			
Has the Board of Directors granted delegated powers laying down:			
a) their limits?	X		
b) the methods according to which they are exercised?	X		
c) reporting frequency?	X		
Has the Board of Directors kept the responsibility for scrutinising and approving transactions of particular economic and financial importance, and transactions materially affecting the Company's assets (including transactions with related parties)?	X		
Has the Board of Directors laid down guidelines and criteria for the identification of "significant" transactions?	X		
Are the above guidelines and criteria described in the Report?	X		
Has the Board of Directors laid down special procedures for the scrutiny and approval of transactions with related parties?	X		
Are the procedures for the approval of transactions with related parties described in the Report?	X		
Procedures adopted for the latest appointment of Directors and Auditors			
Were details of the candidates for positions as Directors deposited at least ten days in compliance with the applicable terms under the law and regulations?	X		
Were details of the candidates for positions as Directors accompanied by full information?	X		
Were details of the candidates for positions as Directors accompanied by information regarding their suitability to be described as Independent Directors?	X		
Were details of the candidates for positions as Auditors deposited in compliance with the applicable terms under the law and regulations?	X		

Were details of the candidates for positions as Auditors accompanied by full information?	X		
Shareholders' Meetings			
Has the Company approved Shareholders' Meeting Rules?		X	The Company has not adopted rules for Shareholders' Meetings since it considers that the powers vested by the articles of association in the Chairman of the Meeting, who is responsible for directing the proceedings, including the determination of the order and system of voting, enable the Chairman to ensure that the meeting takes place in an orderly manner, moreover averting any inconvenience that could arise from a failure on the part of the Meeting to comply with regulatory provisions.
Are the Rules attached to the Report (or is it specified where they can be obtained/downloaded)?	N/A		
Internal auditing			
Has the Company appointed the head of the internal audit function?	X		
Is the head of the internal audit function hierarchically independent of managers of operations areas?	X		
Investor Relations			
Has the Company appointed an Investor Relations Manager?	X		
Organisational unit and contacts (address, telephone, fax and e-mail) of the Investor Relations Manager	*Investor Relations:* Pier Paolo Marziali, *Investor Relations Manager* Ufficio *Investor Relations* Landi Renzo S.p.A. Via Nobel, 2/4 Cavriago Reggio Emilia Tel: + 39 0522 9433 E-mail: investorrelationslandi.it@landi.it		

Consolidated Financial Statements at 31 December 2015

Statement of financial position

Income statement

Statement of comprehensive income

Statement of cash flows

Statement of changes in equity

Explanatory notes

ANNEXES

Certification on the Consolidated Financial Statements pursuant to art. 154-*bis* of Legislative Decree 58/98

Independent Auditors' Report

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *

(Thousands of Euro)

ASSETS	Notes	31/12/2015	31/12/2014
Non-current assets			
Land, property, plant, machinery and equipment	2	35,364	35,277
Development expenditure	3	8,404	7,101
Goodwill	4	30,094	39,942
Other intangible assets with finite useful lives	5	22,696	24,637
Equity investments consolidated using the equity method	6	109	180
Other non-current financial assets	7	574	773
Prepaid taxes	8	13,779	17,247
Total non-current assets		**111,020**	**125,157**
Current assets			
Receivables from customers	9	33,764	35,055
Inventories	10	57,528	63,269
Work in progress on orders	11	2,904	2,590
Other receivables and current assets	12	16,347	15,533
Cash and cash equivalents	13	38,264	31,820
Total current assets		**148,807**	**148,267**
TOTAL ASSETS		**259,827**	**273,424**

(Thousands of Euro)

EQUITY AND LIABILITIES	Notes	31/12/2015	31/12/2014
Equity			
Share capital	14	11,250	11,250
Other reserves	14	95,428	98,018
Profit (loss) for the period	14	-35,288	-1,783
Total Group Equity		**71,390**	**107,485**
Minority interests		425	591
TOTAL EQUITY		**71,815**	**108,076**
Non-current liabilities			
Non-current bank loans	15	11,935	26,171
Other non-current financial liabilities	16	1,468	1,178
Provisions for risks and charges	17	8,059	5,055
Employee defined benefit plans	18	3,313	3,818
Deferred tax liabilities	19	6,691	8,417
Total non-current liabilities		**31,466**	**44,639**
Current liabilities			
Bank overdrafts and short-term loans	20	50,797	51,580
Other current financial liabilities	21	33,523	137
Trade payables	22	58,351	55,936
Tax liabilities	23	4,990	4,492
Other current liabilities	24	8,885	8,564
Total current liabilities		**156,546**	**120,709**
TOTAL EQUITY AND LIABILITIES		**259,827**	**273,424**

* Pursuant to Consob resolution no. 15519 dated 27 July 2006, the effects of relations with related parties on the consolidated statement of financial position are shown in a specific table in Annex 2.

CONSOLIDATED INCOME STATEMENT *

(Thousands of Euro)

	Notes	31/12/2015	31/12/2014
Revenues on goods and services	25	205,522	233,213
Other revenue and income	26	1,883	1,542
Cost of raw materials, consumables and goods and change in inventories	27	-100,439	-108,321
Costs for services and use of third party assets	28	-58,483	-63,022
of which non-recurring	28	*-1,296*	
Personnel expenses	29	-43,854	-42,395
of which non-recurring	29	*-3,058*	
Accruals, doubtful debts and other operating expenses	30	-5,913	-2,724
of which non-recurring	30	*-2,700*	
Gross Operating Profit		**-1,284**	**18,293**
Amortization, depreciation and impairment losses	31	-25,617	-15,721
of which non-recurring	31	*-10,178*	*-248*
Net Operating Profit		**-26,901**	**2,572**
Financial income	32	*412*	501
Financial expenses	33	*-4,966*	-4,074
Exchange rate gains (losses)	34	*-930*	1,194
Gain (loss) on equity investments consolidated using the equity method	35	*-288*	-301
Profit (Loss) before tax		**-32,673**	**-108**
Current and deferred taxes	36	-2,914	-1,636
Net profit (loss) for the Group and minority interests, including:		**-35,587**	**-1,744**
Minority interests		-299	39
Net profit (loss) for the Group		-35,288	-1,783
Basic earnings (loss) per share (calculated on 112,500,000 shares)	37	-0.3137	-0.0158
Diluted earnings (loss) per share		-0.3137	-0.0158

* Pursuant to Consob resolution no. 15519 dated 27 July 2006, the effects of relations with related parties on the consolidated statement of comprehensive income are shown in a specific table in Annex 1.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Thousands of Euro)

	Notes	31/12/2015	31/12/2014
Net profit (loss) for the Group and minority interests:		**-35,587**	**-1,744**
Gains/losses that will not be subsequently reclassified in the income statement			
Restatement of defined employee benefit plans (IAS 19)	18	351	-359
Total gains/losses that will not be subsequently reclassified on the income statement		**351**	**-359**
Profits/losses that could subsequently be reclassified on the income statement			
Exchange rate differences from conversion of foreign operations		-1,320	-7
Total profits/losses that could subsequently be reclassified on the income statement		**-1,320**	**-7**
Profits/Losses recorded directly to Equity net of tax effects		**-969**	**-366**
Total consolidated statement of comprehensive income for the period		**-36,556**	**-2,110**
Profit (loss) for Shareholders of the Parent Company		-36,276	-2,189
Minority interests		-280	79

CONSOLIDATED STATEMENT OF CASH FLOWS

(Thousands of Euro)

	31/12/2015	31/12/2014
Financial flows deriving from operating activities		
Profit (loss) for the period	-35,587	-1,744
Adjustments for:		
Depreciation of property, plant and equipment	8,463	9,160
Amortization of intangible assets	6,966	6,296
(reinstatement of) impairment losses on property, plant and equipment		
Impairment losses on intangible assets	10,178	248
Impairment loss on receivables	800	513
Net financial charges	5,484	2,379
Income tax for the year	2,914	1,636
	-782	18,489
Changes in:		
Work in progress on orders	5,427	-1,237
trade receivables and other receivables	3,345	3,923
trade payables and other payables	-1,281	5,690
provisions and employee benefits	2,850	-1,443
Cash generated from operating activities	9,559	25,421
Interest paid	-3,919	-3,214
Income taxes paid	-1,455	-2,147
Net cash generated from operating activities	**4,185**	**20,060**
Financial flows deriving from investment activities		
Proceeds from the sale of property, plant and equipment	228	310
Increase in capital of subsidiary companies	72	-180
Purchase of property, plant and equipment	-9,053	-8,583
Purchase of intangible assets	-1,108	-617
Purchase of other equity investments		
Development expenditure	-5,362	-4,300
Net cash absorbed by investment activities	**-15,223**	**-13,370**
Financial flows deriving from financing activities		
Proceeds on the bond issue	33,098	
Net repayments and loans	-14,441	-7,816
Net cash generated (absorbed) by financing activities	**18,657**	**-7,816**
Net increase (decrease) in cash and cash equivalents	**7,619**	**-1,126**
Cash and cash equivalents at 1 January	31,820	32,953
Effect of exchange rate fluctuation on cash	-1,175	-7
Closing cash and cash equivalents	38,264	31,820

Other information	31/12/2015	31/12/2014
(Increase)/Decrease in trade receivables and other receivables from related parties	-438	-1,797
(Increase)/Decrease in trade payables and other payables to related parties	787	870

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(Thousands of Euro)

	Share capital	Statutory Reserve	Extraordinary and Other Reserves	Share Premium Reserve	Result for the year	Group Equity	Profit (Loss) attributable to minority interests	Capital and reserves attributable to minority interests	Total equity
Balance at 31 December 2013	**11,250**	**2,250**	**74,866**	**46,598**	**-25,558**	**109,406**	**-402**	**809**	**109,813**
Result for the year					-1,783	**-1,783**	39		**-1,744**
Discounted back profit/loss (IAS 19)			-347			**-347**		-12	**-359**
Translation difference			-59			**-59**		52	**-7**
Total profits/losses	**0**	**0**	**-406**	**0**	**-1,783**	**-2,189**	**39**	**40**	**-2,110**
Other changes			268			**268**			**268**
Other share capital increases						**0**		105	**105**
Allocation of profit			-25,558		25,558	**0**	402	-402	**0**
Total effects deriving from transactions with shareholders	**0**	**0**	**-25,290**	**0**	**25,558**	**268**	**402**	**-297**	**373**
Balance at 31 December 2014	**11,250**	**2,250**	**49,170**	**46,598**	**-1,783**	**107,485**	**39**	**552**	**108,076**
Balance at 31 December 2014	**11,250**	**2,250**	**49,170**	**46,598**	**-1,783**	**107,485**	**39**	**552**	**108,076**
Result for the year					-35,288	**-35,288**	-299		**-35,587**
Discounted back profit/loss (IAS 19)			337			**337**		14	**351**
Translation difference			-1,325			**-1,325**		5	**-1,320**
Total profits/losses	**0**	**0**	**-988**	**0**	**-35,288**	**-36,276**	**-299**	**19**	**-36,556**
Other changes			181			**181**		114	**295**
Other share capital increases						**0**			**0**
Allocation of profit			-1,783		1,783	**0**	-39	39	**0**
Total effects deriving from transactions with shareholders	**0**	**0**	**-1,602**	**0**	**1,783**	**181**	**-39**	**153**	**295**
Balance at 31 December 2015	**11,250**	**2,250**	**46,580**	**46,598**	**-35,288**	**71,390**	**-299**	**724**	**71,815**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2015

LANDI RENZO GROUP

A) GENERAL INFORMATION

The LANDI RENZO Group (also "the Group") has been active in the motor propulsion fuel supply system sector for more than sixty years, designing, producing, installing and selling environmentally-friendly LPG and CNG fuel supply systems ("car systems" division of the Gas Sector), compressors for fuel stations through the SAFE trademark ("distribution systems" division of the Gas Sector), and, as a secondary business, audio systems through its subsidiary Eighteen Sound S.r.l. and alarm systems through the MED trademark . The Group manages all the phases of the process leading to the production and sale of fuel supply systems for the automotive sector. The Group sells both to the main car manufacturers at a world-wide level (OEM customers) and to independent retailers and importers (*After Market* customers).

The structure of the Landi Group changed, compared with 31 December 2014, following incorporation in April of Landi Renzo Argentina S.r.l., with registered office in Buenos Aires, a subsidiary in which a 96% stake is held by the Parent Company Landi Renzo S.p.A. and a 4% stake by Lovato Gas S.p.A..

The parent company of the Landi Renzo Group is Landi Renzo S.p.A. with its registered office in Cavriago (RE), hereinafter the Parent Company or the Company. The company is listed on the Milan Stock Exchange in the FTSE Italy STAR segment.

These financial statements are submitted to auditing carried out by the auditing firm KPMG S.p.A.

B) GENERAL CRITERIA FOR PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND DECLARATION OF CONFORMITY

DECLARATION OF CONFORMITY WITH INTERNATIONAL ACCOUNTING STANDARDS AND BASIS OF PRESENTATION

The European companies, whose shares are traded on a regulated market, have been required by Regulation EC n. 1606/2002 to adopt International Financial Reporting Standards (IFRS) since preparation of the 2005 consolidated financial statements. In application of said regulation, the Italian Government passed Legislative Decree no. 38/2005, containing the options provided for application, optional for 2005 and obligatory from 2006, of the new international standards to individual statements.

The Landi Renzo Group adopted the international accounting standards, starting from the year 2006, with date of transition to the IFRS at 1st January 2005. The last consolidated financial statements prepared according to the Italian accounting standards relate to the year closed at 31 December 2005.

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) (hereinafter IAS or IFRS) issued by the International Accounting Standards Board (IASB), as interpreted by the International Financial Reporting Interpretation Committee (IFRIC) and adopted by the European Union.
These financial statements were authorized for publication by the Board of Directors on 14 March 2016 and will be presented to the Shareholders' Meeting.
The consolidated financial statements at 31 December 2015 have also been prepared in accordance with the measures adopted by the Consob on financial statements, in application of art. 9 of Legislative Decree 38/2005 and other Consob requirements and regulations on financial statements.
The Group adopts an Income Statement format which shows cost items divided by nature, as this is considered more representative than the format showing said items by destination, since it complies with the internal reporting methods and international sector practices.
The Comprehensive Income Statement includes the items forming the result for the period and income and charges stated directly under equity for transactions other than those performed with the shareholders. Transactions performed with shareholders and those of the net result are shown on the Statement of Changes in Equity.
The Statement of Financial Position is shown with the items divided between current and non-current assets and liabilities.
The Statement of Cash Flows uses the indirect method.
The accounting standards adopted at 31 December 2015 have also been applied uniformly to all the periods presented for comparative purposes.

GENERAL PREPARATION CRITERIA

The figures contained in the Consolidated Financial Statements at 31 December 2015 - consisting of the consolidated Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity and these Explanatory Notes - are expressed in thousands of Euro, since the Euro is the current currency in the economy in which the Parent Company and the main companies of the Group operate.

C) CONSOLIDATION PRINCIPLES AND VALUATION CRITERIA

The accounting standards described hereafter were applied uniformly for all the periods included in these consolidated financial statements and by all the entities of the Group.

BUSINESS COMBINATIONS

The Group accounts for business combinations applying the acquisition method at the date on which the control of the acquired business becomes effective. The payment transferred and the identifiable net assets acquired are usually stated at *fair value*. An *impairment* test has been performed at least annually on the book value of any goodwill to check for any impairment. Any profits deriving from an acquisition at favourable prices are recognized immediately in the profit/(loss) for the year, while costs related to combinations, other than those relating to issue of debt certificates or other instruments representing capital, are recognized as expenses in the profit/(loss) for the year when they were incurred.

SUBSIDIARY COMPANIES

Subsidiary companies are those in which the Group has a controlling stake, or when the Group is exposed to variable returns deriving from its relationship with said company, or has rights on said returns, since it has the capacity to influence them by exercising its power over the company. The financial statements of subsidiary companies are included in the consolidated financial statements from the moment when the parent company starts exercising control and up until the date when said control ceases.
The portion of capital and reserves attributable to minority interests in subsidiaries and the portion attributable to minority interests of the value of profit or loss for the year of consolidated subsidiaries are identified separately on the Statement of Financial Position, the Income Statement and the Statement of Comprehensive Income. When the losses attributable to minority interests exceed their share of the capital of the investee, the surplus, or the deficit, is recorded as charged to the shareholders of the parent company, except in the case and to the extent to which the minority shareholders have a binding obligation and are able to make an additional investment to cover the losses, in which case the surplus is recorded under the assets in the consolidated Financial Statements. In the former case, should profits be realized in the future, the portion of such profits attributable to minority interests is attributed to the portion of profit of the parent company shareholders for the amount necessary in order to recover the losses previously attributed to them.
Changes in stakes of the Group in a subsidiary company which do not lead to a loss of control are stated as transactions performed between shareholders, as such.
Investments in subsidiary companies that have not been consolidated due to their limited significance are stated at the fair value, represented substantially by the value calculated by applying the equity method.

EQUITY INVESTMENTS CONSOLIDATED USING THE EQUITY METHOD

Equity investments consolidated using the equity method are *joint ventures,* for which an agreement existed at the date when the financial statements were prepared, whereby the Group has similar rights on net assets, rather than rights on assets, and accepts obligations for liabilities.
Equity investments in *joint ventures* are stated using the equity method, considered to represent their *fair value*, and initially stated at cost. The investment cost includes transaction costs. The consolidated financial statements include the Group portion of profits or losses of the *joint ventures* stated using the equity method, up to the date when said joint control ceases.

The Group had two *joint ventures* at 31 December 2015, of which one was not consolidated as it is of minor importance.

TRANSACTIONS ELIMINATED IN THE CONSOLIDATION PROCESS

The mutual relationships of debit and credit and cost and revenue, between companies in the consolidation area, as well as the effects of all the transactions of significant importance taking place between them, were eliminated.
In particular, profits not yet realized with third parties deriving from transactions between companies of the Group, including those deriving from the valuation of inventories at the date of the Financial Statements, were eliminated.
Unrealized profits deriving from transactions with affiliates stated using the equity method have been reduced proportionately by the Group stake in the company in question.

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency are converted to the functional currency of each of the Group entities at the exchange rate in force on the date of the transaction. Monetary elements in foreign currency at the end of the year are reconverted to the functional currency using the exchange rate in force on the same date. Exchange gains or losses of a monetary element are represented by the difference between the amortized cost in the functional currency at the start of the year, adjusted to reflect the effective interest and payments for the year, and the amortized cost in the foreign currency converted at the exchange rate in force at year end.
Non-monetary elements in foreign currency that are measured at fair value are converted to the functional currency using the exchange rates in force at the date on which the fair value was determined. Non-monetary elements in foreign currency that are measured at the historical cost are converted at the exchange rate in force on the date of the transaction.
Exchange differences deriving from the conversion are recognized in the profit or loss for the year.

CONVERSION OF THE FINANCIAL STATEMENTS OF FOREIGN COMPANIES

Financial Statements drawn up in the currency of the foreign subsidiaries are converted into the accounting currency of the consolidated financial statements, adopting the year end exchange rate for the Statement of Financial Position and the average exchange rate over the year for the Income Statement. The consequent exchange differences are stated under other items on the Statement of Comprehensive Income and included in the conversion reserve.
Exchange gains and losses deriving from foreign receivables or payables, collection or payment of which is neither planned nor probable in the near future, are considered as part of the net investment in foreign operations and are stated under other items on the Statement of Comprehensive Income and stated under equity in the conversion reserves.
The following table specifies the exchange rates used for the conversion of financial statements expressed in currencies other than the Euro.

Exchange rate (Value against €)	At 31/12/2015	Average 2015	At 31/12/2014	Average 2014
Real – Brazil	4.312	3.700	3.221	3.121
Renminbi – China	7.061	6.973	7.536	8.186
Rial - Iran	32,802.500	32,203.477	32,948.200	34,406.358
Rupee - Pakistan	114.118	113.999	122.146	134.206
Zloty – Poland	4.264	4.184	4.273	4.184
Leu - Romania	4.524	4.445	4.483	4.444
Dollar - USA	1.089	1.110	1.214	1.329
Peso - Argentina	14.097	10.260	10.276	10.772
Rupee - India	72.022	71.196	76.719	81.041
Dollar - Singapore	1.542	1.526		

LAND, PROPERTY, PLANT, MACHINERY AND EQUIPMENT

Tangible assets are stated at purchase or production cost including charges that are directly related and necessary for asset start-up and, when relevant and in the presence of contractual obligations, the current value of the estimated cost for the dismantling and removal of such fixed assets. Tangible assets are not revalued; they are systematically amortized on a straight-line basis according to their estimated useful life, using the following rates, which have not changed since the previous year, and are deemed consistent with their actual economic-technical use:

Categories	Depreciation period	Depreciation rates
Land		Indefinite useful life
Buildings	Straight-line basis	3 - 20%
Plant and machinery	Straight-line basis	10 - 20%
Industrial and commercial equipment	Straight-line basis	10 – 25%
Other assets	Straight-line basis	12 – 33%

The residual value and the useful life of tangible assets are reviewed at least at the end of each year.
Land, because of its indefinite useful life, is not amortized.
Routine maintenance costs are charged entirely to the income statement. Maintenance costs having an incremental nature are attributed to the tangible assets to which they refer and amortized in relation to the remaining useful life of the assets or, if less, until the moment at which a subsequent extraordinary maintenance operation may become necessary.

The financial expenses directly attributable to the acquisition, construction or production of a tangible asset are recognized in the income statement at the moment at which they are incurred, in accordance with the appropriate accounting treatment provided for by IAS 23.
The book value of tangible assets is subjected to verification in order to discover any possible impairment, using the methods described in the paragraph “Impairment Losses”.
At the moment of sale or when no future economic benefits are expected from the use of an asset, it is eliminated from the financial statements and any loss or profit (calculated as the difference between the sale value and the book value) is recognized in the income statement in the year of the aforementioned elimination.
Costs capitalized for leasehold improvements are classified under Buildings and amortized at the lower of the residual economic usefulness of the improvement and the residual duration of the underlying contract.

LEASING

Financial *leasing* contracts are accounted for according to the provisions of IAS 17.
This accounting treatment implies that:

- the cost of the assets that are the subject of the financial *leasing* is entered under tangible assets and amortized on a straight-line basis according to the estimated useful life; a financial debt to the lessor for an amount equal to the value of the leased asset is entered in a matching entry;
- the *leasing* fees are accounted for in such a way as to separate the financial element from the capital portion, to be considered as a repayment of the recorded debt to the lessor.

Those *leasing* contracts in which the lessor substantially maintains all the risks and benefits of ownership are classified as operational *leasing* and the corresponding fees are recorded in the income statement on a straight-line basis, distributed according to the duration of the contract.

GOODWILL

The goodwill deriving from business combination transactions after 1 January 2005 is initially entered at cost, and represents the excess of the purchase cost over the purchaser's share of the net fair value referring to the identifiable values of existing and potential assets and liabilities. Goodwill deriving from acquisitions made prior to 1 January 2005 is entered at the value recorded for that purpose in the last Financial Statements prepared according to the previous accounting standards (31 December 2004), subject to verification and recognition of any possible impairment.
When the IFRS were initially adopted, as permitted by IFRS 1, acquisition transactions performed prior to 1 January 2005 were not reconsidered.
At the acquisition date, any goodwill emerging is allocated to each of the cash generating units (or “CGUs”) that are expected to benefit from the synergistic effects deriving from the acquisition. Taking the Group organizational structure and the methods in which control of operations is exercised into account, the CGU are identified as the individual *legal entities* forming the Group. After the initial recognition, since goodwill is regarded as an intangible asset with an indefinite life, it is no longer amortized and is decreased by any accumulated losses in value, determined as described below.
Goodwill is subjected to an analysis of recoverability on at least an annual basis, or even more frequently if events or changes in circumstances arise that could result in possible losses of value, identifying the CGUs which benefit from acquisition synergies. Cash flows are discounted to the cost of capital as a function of the specific risks of the unit concerned. Impairment is stated when it emerges from the check on discounted cash flows that the recoverable value of the CGU is less than the book value and is stated as a priority under goodwill. Any loss in value is identified through valuations that take as a reference the ability of each CGU to produce cash flows capable of recovering the portion of goodwill allocated to it. If the value recoverable by the

CGU is less than the book value attributed, the corresponding loss in value is recognized. Such loss of value is restored if the reasons that generated it cease to exist.
On disposal of the company or a company unit from the acquisition of which goodwill emerged, the gains and losses are determined taking the residual value of goodwill into account. Any losses in value of goodwill stated on the Income Statement are not restored if the reasons that generated them cease to exist.

DEVELOPMENT EXPENDITURE

An intangible asset, generated in the development phase of an internal project, which satisfies the IAS 38 definition, is entered as an intangible asset if the following conditions are satisfied:

- it is likely that the company will enjoy future benefits attributable to the asset;
- the cost of the asset can be reliably evaluated;
- the technical feasibility of the product is demonstrated;
- there is evidence of the company's intention to complete the development project;
- there is a reliable determination of the costs incurred for the project;
- the recoverability of the values entered is demonstrated with the future economic benefits expected from the result of the development project.

No cost incurred in the research phase is recorded as an intangible asset.
The amortization period only starts when the development phase is completed and is usually three years, based on the estimated duration of the benefits linked with the product developed. Capitalized development expenditure is stated at cost, minus accumulated amortization and any accumulated losses from impairment.

OTHER INTANGIBLE FIXED ASSETS

Other intangible assets with finite useful life, acquired or self-created, are capitalized when it is probable that use of the asset will generate future economic benefits and its cost can be measured reliably. These assets are initially recognized at purchase or development cost.
Intangible assets with a finite useful life are amortized on a straight-line basis over the useful life, which is reviewed at the end of each year and changed if necessary, estimated as follows:

- Industrial patents and rights to use intellectual property: from 3 to 10 years;
- Software, licenses and others: from 3 to 5 years;
- Trademarks: from 7 to 18 years.

Costs incurred subsequently relating to intangible assets are capitalized only if they increase the future economic benefits of the specific asset capitalized and they are amortized on the basis of the aforementioned criteria according to the assets to which they refer.

IMPAIRMENT LOSSES

The Group performs an impairment test on the value of tangible and intangible assets at the date of the financial statements, if there is any indication that there may have been a loss in value of said assets.
A tangible or intangible asset suffers a reduction in value if it is not possible to recover, either through use or sale, the book value at which said asset is recorded in the financial statements. Therefore, the aim of the test (impairment test) provided for by IAS 36 is to assure that tangible and intangible fixed assets are not entered at a value greater than their recoverable value, which is the greater of the net sale price and the value of use.

The value of use is the current value of future financial flows that are expected to be generated by the asset or by the cash generating unit to which the asset belongs. The expected cash flows are discounted using a discount rate that reflects the current estimate of the market of reference referring to the cost of the money, in proportion to the time and risks specific to the asset.
Management uses various assumptions in applying this method, including estimates of changes in revenues, the gross profit margin, operating costs, the growth rate of terminal values, investments, changes in operating capital and the weighted average cost of capital (discount rate) which combine in defining a medium-term plan, specifically aimed at performing an impairment test, revised at least annually and approved by the Board of Directors of the Parent Company. The principal hypotheses formulated in relation to the plans of CGUs relevant for the impairment test are indicated in note 4 of these notes to the consolidated financial statements, to which reference should be made for further details.
If the book value exceeds the recovery value, the assets or the cash generating units to which they belong are written down until they reflect the recovery value. Such losses are accounted for on the income statement.
The *impairment* test is carried out when conditions occur inside or outside the company that suggest that the assets have suffered a reduction in value. In the case of goodwill or other intangible assets with an indefinite useful life, the *impairment test* is carried out at least annually. If the conditions that resulted in the loss of value cease to exist, the same value is restored proportionally on the previously devalued assets until it reaches, at most, the value that such goods would have had, net of amortization calculated on the historical cost, in the absence of a prior loss of value. Restorations of value are recognized in the income statement.
The value of previously devalued goodwill is not restored, as provided for by the international accounting standards.
During analysis of the internal and external indicators provided for by IAS 36 to identify an indicator of impairment of non-current assets, it emerged that market capitalization at 31 December 2015 was higher than the equity of Landi Renzo S.p.A.. at the end of the year; however, at the date when these financial statements were approved, said difference was negative, so the Company checked that the book value of the assets of each CGU at the date of the financial statements was lower than the corresponding value in use, using the estimates already made during the normal process of preparation of the financial statements.
In particular, the Group performed specific *impairment tests* for all CGU in which it operates, to check that the value of the most significant goodwill, intangible assets and prepaid taxes stated at 31 December 2015 had not changed.

NON-DERIVATIVE FINANCIAL INSTRUMENTS

Loans and receivables are recognized when they occur. All other financial assets are recognized for the first time when the Group becomes a party to the contractual provisions of the instrument.
Financial assets are initially measured at cost, which corresponds to their *fair value* increased by ancillary charges.
After the initial recognition, assets held for trading are classified under current financial assets and measured at fair value; gains or losses from this measurement are stated on the income statement.
Assets possessed with the intention to keep them until expiry are classified among the current financial assets if the expiry date is within less than one year, and non-current if greater, and are subsequently valued with the principle of amortized cost. Consequently, the initial value is then adjusted to take into account repayments of capital, any write-downs and the amortization of the difference between the repayment amount and the initial book value. Amortization is performed on the basis of the internal effective interest rate, represented by the interest rate that aligns, on initial recognition, the present value of expected cash flows and the initial value (so-called amortized cost method). If there is objective evidence indicating impairment, the asset value is decreased to the discounted value of the future flows obtainable from it. Such losses are recognized in the

income statement. If, in subsequent periods, the reasons for the preceding write-down cease to exist, the asset value is increased to the amount that would have derived from applying the amortized cost without write-down.

INVENTORIES

Inventories of raw materials, components, semi-finished and finished products are stated at the lower value between cost, measured according to the FIFO method, net realization value expected from their sale in the normal course of business.

The measurement of inventories includes the direct costs of materials and labour and the indirect costs of production (variable and fixed), determined on the basis of normal production capacity.

Where necessary, depreciation funds are calculated for obsolete stocks or those with a slow turnaround taking account of their future possibility of use or recovery, as a direct deduction of the value of said stocks.

WORK IN PROGRESS ON ORDERS

Work in progress on orders, with annual and multi-year performance times, is stated on a percentage of completion basis, which includes costs, revenues and the profit margin based on the state of progress of production activity, according to the best estimate at the date of the financial statements, determined with reference to the ratio between costs incurred and total expected costs on the contract. If there are contracts for which a final loss is expected, said loss is fully recognized in the period in which it becomes known. Amounts paid by customers on the basis of state-of-progress reports on contracts which are still not completed are stated minus closing inventories.

TRADE RECEIVABLES AND OTHER RECEIVABLES

Receivables are initially recognized at *fair value*. The initial value is subsequently adjusted to take into account repayments of capital, any write-downs and the amortization of the difference between repayment amount and initial value. Amortization is performed on the basis of the internal effective interest rate, represented by the interest rate that aligns, on initial recognition, the present value of expected cash flows and the initial value (so-called amortized cost method). If there is objective evidence indicating impairment, the asset value is decreased to the discounted value of the future flows obtainable from it. Such losses are recognized in the income statement. If, in subsequent periods, the reasons for the preceding write-down no longer exist, the value of the asset is restored to the amount that would have derived from applying the amortized cost without write-down. The provision for bad debts, determined in order to measure receivables at their effective realization value, includes write-downs recognized in order to take account of objective indications that trade receivables are impaired. Write-downs, which are based on the most recent information available and management's best estimate, are recognized in such a way as to decrease impaired assets to the present value of future cash flows obtainable from them.

The provision for bad debts is classified as a reduction of the item “Trade receivables”.

Allocations made to the provision for bad debts are classified in the Income Statement under the item “Accruals, write-downs and other operating expenses”; the same classification was used for any utilizations and permanent losses of trade receivables.

ASSIGNMENT OF RECEIVABLES

The Group is permitted to assign part of its trade receivables through factoring transactions. The operations for assignment of receivables can be with or without recourse; some non-recourse assignments include deferred payment clauses (for example, the payment by the factor of a minority part of the purchase price is subordinate to the total collection of receivables), requiring an exemption on the part of the assignor or implying the maintenance of significant exposure to the progress of the financial flows deriving from the receivables assigned.
This type of operation does not meet the requirements laid down by IAS 39 for eliminating assets from the balance sheet, since the associated benefits and risks have not be transferred substantially.
Consequently, all the receivables assigned through factoring operations that do not meet the requirements for elimination established by IAS 39 continue to be recorded in the Financial Statements of the Group, although they have been legally assigned; a financial liability for the same amount is recorded in the consolidated financial statements as Payables for Advances on Assignment of Receivables. Profits and losses related to the assignment such assets are recorded only when the same assets are removed from statement of financial position of the Group.
At 31 December 2015, the Landi Renzo Group had only performed assignments without recourse of trade receivables, satisfying all the requirements established by IAS 39 for the derecognition of such receivables.

CASH AND CASH EQUIVALENTS

The item relating to cash and cash equivalents includes, primarily, bank deposits repayable on demand, as well as cash on hand and other short-term investments that are highly convertible (convertible into cash and cash equivalents within ninety days). Cash and cash equivalents are valued at *fair value*, which usually coincides with their nominal value; any changes are recognized on the income statement. The current account overdraft, if utilized, is shown among the “Short-term financial liabilities”. For the purposes of representing cash flows for the period, when drawing up the Cash Flow Statement, short-term bank debts are represented among the cash flows of the financing activities, since they are for the most part attributable to bank advances and short term bank loans.

SHARE CAPITAL AND OTHER EQUITY ITEMS

The share capital is made up of the ordinary shares of the Parent Company in circulation.
The costs relating to the issue of new shares or options are classified in equity (net of the associated tax benefit), as a deduction of the income deriving from the issue of such instruments.
As provided for by IAS 32, if equity instruments are repurchased, such instruments (treasury shares) are recognized as a direct deduction from Equity under the item “Other Reserves”. Gains or losses are not recognized on the income statement when treasury shares are purchased, sold or cancelled.
The consideration paid or received, including any cost directly incurred and attributable to the capital transaction, net of any related tax benefit, is directly recognized as an Equity transaction.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are set aside to cover current obligations - legal or implicit - deriving from past events, for which a reliable estimate of the amount required to settle the obligation can be made at the end of the year. Provisions for risks and charges are stated if said charges are likely to be incurred. Any change in the estimate of provisions is reflected on the Income Statement in the period when it occurs.

If a liability is regarded as merely potential, no allocation to provisions for risk and charges is made and only adequate information is provided in these notes to the financial statements.
When the financial effect of time is significant and the date of cash outflows associated with the obligation can be reliably determined, the estimated cost is discounted to the present value using a rate reflecting the cost of money and the specific risks connected to the liability. After discounting, the increase in the provision due to the passage of time is recognized as a financial charge.
The product warranty provision is stated on sale of the underlying goods or supply of the underlying services. The provision is determined using historical information on warranties and by weighting the probability associated with possible results.

EMPLOYEE BENEFITS

Defined benefit plans

Defined benefit plans are represented by the TFR (employee severance indemnity) contributions accrued up to 31 December 2006 for the employees of the Italian companies of the Group These are valued in accordance with IAS 19 by independent actuaries, using the projected unit funding method.
This calculation consists in estimating the amount of benefit that an employee will receive at the expected retirement date, using demographic assumptions (such as, for example, death rate and personnel turnover rate) and financial assumptions (such as, for example, discount rate and future salary increases). The amount thus determined is discounted to the present value and re-proportioned based on the accrued length of service compared to the total length of service and represents a reasonable estimate of the benefits that each employee has already accrued because of his/her service. The discount rate used derives from the curve of rates on Markit iBoxx €Corporate AA 10+ bonds at year's end, with a similar maturity date to the bond held for employees.
Discounted profits and losses, returns on the assets servicing the plans (excluding interest) and the effect of the maximum amount of the asset (excluding any interest) which emerge following revaluation of net liabilities for defined benefit plans are stated immediately in other items of the Statement of Comprehensive Income. Net interest and other costs of defined benefit plans are stated under profit/(loss) for the year.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the entity pays fixed contributions into a separate entity and has no legal or implicit obligation to pay further contributions. The contributions to defined contribution plans are recognized as an expense in profit or loss in the periods in which the employees provide their work. Contributions paid in advance are recorded as assets to the extent that the advance payment will result in a reduction in future payments or a refund.

TRADE PAYABLES

Trade payables are stated at the fair value of the initial consideration received in exchange and subsequently measured at amortized cost, using the effective interest method. Trade payables with due dates that fall under normal sales terms are not discounted to the present value.

FINANCIAL LIABILITIES

Financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. These financial liabilities are initially recognized at *fair value*, net of any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

RECOGNITION OF REVENUES

Revenues are recognized to the extent that it is probable that the economic benefits will be achieved and the relative amount can be reliably determined. Revenues and income are entered in the financial statements net of returns, allowances, discounts and premiums, as well as the taxes directly connected with the sale of products or performance of services. Revenues are recorded in the income statement only if it is likely that the Group will benefit from the cash flows associated with the transaction. Revenues from the sale of products are recognized when the risks and benefits connected with ownership of the assets are transferred to the purchaser; this moment generally coincides with the shipment date. Revenues from services rendered (generally consisting of technical consultancy provided to third parties) are accounted for in the income statement on the basis of the percentage of completion at the balance sheet date.
Revenues related to contract work in progress are recognized using the percentage of completion criterion. The percentage of completion is determined using the *cost to cost* method, calculated multiplying the total revenue expected by the percentage of progress, as a ratio between costs incurred and expected total costs. If the expected costs for the completion of the work exceed the total expected revenue, the final loss is fully recognized in the period in which it arises.

GRANTS

Grants from public and private bodies are recognized at *fair value* when it is reasonably certain that they will be received and the conditions for receiving them will be met.
Grants related to income (provided as immediate financial assistance to an entity or to cover expenses and losses incurred in a previous year) are fully recognized in the Income Statement when the above-mentioned conditions, necessary for their recognition, are met.
No capital contributions were obtained in the year in question.

COSTS

Costs are recognized in so far as it is possible to reliably determine that economic benefits will flow to the Group. Costs for services are recognized for the year in question at the moment when they are received.

For accounting purposes, *leases* and hire contracts are classified as operational if:

- the lessor retains a significant share of the risks and the benefits associated with the property,
- there are no purchase options at prices that do not reflect the presumable market value of the rented asset at the end of the period,
- the duration of the contract does not represent the greater part of the useful life of the leased or hired asset.

The related charges are stated on the Income statement on a straight-line basis distributed according to the duration of the underlying contracts.

DIVIDENDS

Dividends payable by the Group are shown as changes in equity in the year in which they are approved by the shareholders.

FINANCIAL INCOME AND CHARGES

Income and charges of a financial nature are recognized on an accruals basis, on the basis of the interest accrued on the net value of the related financial assets and liabilities, using the effective interest method, as set forth by paragraph 9 of IAS 39.

TAXES

Income taxes include current and deferred taxes. Income taxes are generally stated on the Income Statement, except when they refer to items directly accounted for in equity. In this case, the related income taxes are also directly stated under equity. Current taxes are income taxes expected to be paid or received, calculated by applying the rate applicable at the date of the financial statements to the taxable income or tax losses for the year, calculated according to the tax rules of the country to which each Group company belongs.

Deferred taxes are calculated using the so-called *liability method* on the temporary differences, for the individual consolidated companies, between the book values of assets and liabilities in the financial statements and their corresponding tax values. Deferred tax assets and liabilities are not stated on goodwill and on assets and liabilities which do not influence taxable income. Deferred taxes are calculated on the basis of the tax rate that is expected to be in force when the asset is realized or the liability is settled. Deferred tax assets (hereafter also called “prepaid taxes”) are recognized only when it is likely that taxable profits sufficient to realize these assets will be generated in future years. Deferred tax assets and liabilities are offset only for homogeneous expiry dates, when there is a legal right to offset and when they refer to recoverable taxes due to the same tax authority. Income tax deriving from distribution of dividends is stated when the liability relating to their payment is recognized.

Recoverability of deferred taxes is checked at the end of each period and any part which is unlikely to be recovered is stated on the Income Statement on the basis of plans duly approved by the Board of Directors and taking the tax consolidation indicated below into account.

The Italian companies of the Group have adhered to the national consolidation tax scheme pursuant to articles 117 and 129 of the Italian Consolidated Income Tax Act (T.U.I.R) since 2014, with consolidation by the Parent Company.

They will do so unto 2016 and may continue to do so afterwards.

According to this procedure, the consolidating company identifies a single taxable base for the group of companies adhering to the national consolidation tax scheme and may therefore offset taxable income against tax losses on a single tax returns form. Each company adhering to the national consolidation tax scheme transfers its taxable income (or tax loss) to the consolidating company. The consolidating company states receivables from the consolidated company which are equal to the IRES (corporate income tax) to be paid. If the companies have tax losses, the consolidating company states payables equal to the IRES on the part of the loss transferred at Group level.

EARNINGS PER SHARE

The basic earnings per share are calculated by referring to the Group economic result and the weighted average of company shares being traded during the reference period. Treasury shares are excluded from this calculation. Diluted earnings per share are equal to the basic earnings per share adjusted to take into account the theoretical conversion of all potential shares or of all financial instruments potentially convertible into ordinary shares with diluting effect. The company does not have any potential instruments with diluting effect.

SEGMENT REPORTING

The activity segment is a distinctly identifiable group of activities and operations that provides a set of related products and services, subject to risks and benefits different to those of the Group's other activity segments.
Accounting standard IFRS 8 requires segment reporting to be based on the elements that senior management uses for performance of analysis and operational decisions.

The Group's sole segment of activity is the manufacture of car systems and distribution systems (Gas Sector), taking into account the limited relevance of sales relating to other divisions, which include sales of alarm systems, audio systems, robotics, Oil&Gas.

COMMUNICATION ON FINANCIAL INSTRUMENTS

In accordance with the provisions of Accounting Standard IFRS 7, supplementary information is supplied on the financial instruments in order to evaluate:

- the impact of the financial instruments on the statement of financial position, on the economic result and on the financial flows of the company;
- the nature and size of the risks deriving from financial instruments to which the company is exposed, as well as the methodologies with which such risks are managed.

USE OF ESTIMATES AND ASSESSMENTS

The preparation of Financial Statements in accordance with the IFRS (International Financial Reporting Standards) requires application of accounting standards and methods that are sometimes based on subjective assessments and estimates based, in turn, on past experience and assumptions that are considered reasonable and realistic given the circumstances. Application of these estimates and assumptions affects the amounts presented in the financial statements, such as the Statement of Financial Position, the Income Statement and the Statement of Cash Flows, and in disclosures provided.
Please note that the situation caused by the current economic and financial scenario has resulted in the necessity to make assumptions on future performance that are characterized by significant uncertainty. Therefore it cannot be excluded that results different to those estimated may be realized in the coming years. Such results could therefore require adjustments, that may even be considerable, which cannot obviously be either estimated or predicted at this stage, to the book value of the relative items.
The items on the financial statements that most require greater subjectivity on the part of the directors in producing the estimates and for which a change in the conditions underlying the assumptions used can have a significant impact on the financial statements are listed below:

- Valuation of fixed assets;
- Recoverability of development expenditure;
- Valuation of deferred tax assets;
- Valuation of provisions for bad debts and obsolete inventories;
- Valuation of employee benefits;
- Valuation of provisions for risks and charges.

The estimates and assumptions are reviewed periodically and the effects of each variation are immediately reflected in the profit and loss statement.

MOST IMPORTANT ACCOUNTING STANDARDS THAT REQUIRE A GREATER DEGREE OF SUBJECTIVITY

A description is provided below of the most significant accounting standards that require, more than the others, greater subjectivity on the part of the directors in producing the estimates and for which a change in the conditions underlying the assumption used may have a significant impact on the financial data of the Group.

Valuation of receivables

Trade receivables are adjusted with the relevant write-down fund in order to take account of their effective recoverable value. The determination of the amount of the write-downs carried out requires the directors to make subjective evaluations based on the documentation and on the information available also in relation to the solvency of the customer, as well as on experience and historical trends.
The continuation of the current economic and financial situation and its possible aggravation could lead to further deterioration in the financial conditions of the Group's debtors beyond that already taken into consideration prudentially in quantifying the write-downs recorded in the financial statements.

Valuation of goodwill and intangible assets in progress

In accordance with the accounting standards applied by the Group, goodwill and intangible assets in progress are subjected to annual verification (impairment test) in order to assess whether they have suffered a reduction in value, which is stated through a write-down, when the net book value of the CGU to which these items are allocated appears to be greater than its recoverable value (defined as the greater value between the value of use and the fair value of the same). The above mentioned value confirmation check necessarily requires subjective evaluations to be made based on the information available within the Group, and the reference market outlook and historical trends. In addition, whenever it is supposed that a potential reduction in value could be generated, the Group determines said reduction using those evaluation techniques considered suitable. The same value tests and evaluation techniques are applied to intangible and tangible assets with a defined useful life when indicators exist that predict difficulties in recovering the corresponding net book value. The correct identification of elements indicative of the existence of a potential reduction in value as well as the estimates for determination of the reduction depend on factors that can vary over time, influencing the evaluations and estimates made by the directors.

Provisions for risks

Establishing whether or not a current obligation (legal or implied) exists is in some cases difficult to determine. The directors assess such phenomena on a case by case basis, together with an estimate of the amount of the economic resources required in order to meet that obligation. When the directors consider that is merely possible that liabilities may arise, the risks are indicated in the appropriate information section on commitments and risks, without resulting in any allocation in the financial statements.

Defined benefit plans

The Group offers defined benefit plans to some of its employees. Using the services of experts and actuaries, management used various statistical assumptions and evaluation factors to calculate the charges and the current value of assets and liabilities relating to these plans. The assumptions relate to the discount rate, the expected return on the assets servicing the plan, the rates of future salary increases, demographic trends, the inflation rate and expected health costs. The actuaries consulted also use subjective factors, such as mortality and resignation rates.

Provision for product warranties

Based on product sales, the Group allocates provisions according to the costs estimated as likely to be incurred for product warranties. *Management* establishes the value of such provisions on the basis of historical information on the nature, frequency and average cost of operations carried out under warranty and on the basis of specific contractual agreements. The Group constantly strives to improve the quality of its products and to minimize the burden deriving from operations under warranty.

Potential liabilities

The Group is subject to lawsuits regarding a number of disputes that were submitted to the jurisdiction of various States. Given the inherent uncertainty of these disputes, it is difficult to predict with certainty the resulting financial cost, or the time frame within which it will arise. The lawsuits and disputes against the Group derive primarily from complex legal problems, that are subject to varying degrees of uncertainty, considering the facts and circumstances involved in each dispute and the different laws applicable. To assess the risks deriving from potential liabilities of a legal nature correctly and prudentially, management periodically obtains information on the situation from its legal advisers. The Group establishes a liability in relation to such disputes when it considers it likely that a financial cost will occur and when the amount of the resulting losses can be reasonably estimated.

Valuation of closing inventories

Closing inventories of products with characteristics of obsolescence or slow turnaround are periodically subjected to tests for their correct valuation and are written down where the recoverable value thereof is less than the book value. The write-downs carried out are based, primarily, on assumptions and estimates of management deriving from its experience and the historical results achieved.

Valuation of deferred tax assets

The valuation of deferred tax assets is made on the basis of taxable income expected in future years and expected tax rates at the date when the temporary differences are expected to occur. The measurement of such expected profits depends on factors that may change over time and have a significant impact, therefore, on the valuation of deferred tax assets.

Transactions with related parties

The Group deals with related parties under contractual conditions considered to reflect the arm's length conditions on the markets in question, taking account of the characteristics of the goods and services supplied and received.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE FROM 1 JANUARY 2015 AND NOT RELEVANT FOR THE GROUP

On 12 December 2012, the IASB issued a set of amendments to the IAS/IFRS (“Improvements relating to the 2011-2013 cycle”). This led to changes in: (i) IFRS 3, clarifying that IFRS 3 is not applicable in stating the accounting effects relating to the creation of a joint venture or joint operation (as defined by IFRS 11) on the financial statements of *joint ventures* or *joint operations*; (ii) IFRS 13, clarifying that the requirement contained in IFRS 13, according to which it is possible to measure the *fair value* of a set of financial assets and liabilities on a net basis, is applied to all contracts (including non-financial contracts) to which IAS 39 or IFRS 9 apply; (iii) IAS 40, clarifying that it is necessary to refer to the requirement of IFRS 3 to establish when purchase of a property investment is a business combination.

IFRIC 21 Levies - On 20 May 2013, the IASB published the interpretation in question. IFRIC 21 clarifies that an entity may not state a liability for levies before the event to which payment is linked occurs, in accordance with applicable law. For payments which are only due when a specific minimum threshold is exceeded, the liability is only stated when said threshold is reached.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPLICABLE AND NOT ADOPTED IN ADVANCE BY THE GROUP OR NOT APPLICABLE

The new accounting standards or amendments to existing ones which are applicable for years starting after 1 January 2016, for which application in advance is allowed, are indicated below. The Group has decided not to adopt them in advance for preparation of these consolidated financial statements.

IFRS 9 Financial Instruments

Published in July 2014, IFRS 9 replaces IAS 39 Financial instruments: recognition and measurement. IFRS 9 introduces new requirements for classification and measurement of financial instruments, a new model for expected losses for calculation of losses from impairment of financial assets and new general requirements for hedge accounting. It also includes the requirements for recognition and elimination of financial instruments in line with the current IAS 39. IFRS 9 is applied for years starting on or after 1 January 2018. Adoption in advance is permitted.

IFRS 15 Revenue from contracts with customers

IFRS 15 introduces a general comprehensive framework for establishing whether, when and in which amount revenues are recognized. This standard replaces the recognition criteria indicated in IAS 18 Revenues, in IAS 11 Work in progress on orders and in IFRIC 13 Customer Loyalty Programmes. IFRS 15 is applied for years starting on or after 1 January 2018. Adoption in advance is permitted.

Changes to IFRS 11 Joint Arrangements

The changes to IFRS 11 require a joint operator accounting for the acquisition of a stake in a joint arrangement, the assets of which represent a business, to apply the relevant standards of IFRS 3 on accounting of business combinations. The changes clarify that, if joint control is not maintained, the stake previously held in a joint arrangement is not subject to remeasurement at the moment of acquisition of a further stake in the same joint arrangement. An exclusion from the scope of IFRS 11 has also been added, to clarify that the changes are not applied when the parties sharing control, including the entity which prepares the financial statements, are under the joint control of the same parent company.
The changes are applied both to acquisition of the initial stake in a joint arrangement and to the acquisition of any further stake in the same joint arrangement. The changes must be applied in future for years which start on 1 January 2016 or after and application in advance is permitted. No impact on the Group from application of these changes is expected.

Changes to IAS 1: Presentation of Financial Statements

On 18 December 2015, the European Union issued regulation 2015/2406, which adopts the changes aimed at improving effectiveness of information and at encouraging companies to decide the information to include in the financial statements with a professional opinion, in application of IAS 1. The changes will be applied from the financial year starting on 1 January 2016.

Changes to IFRS 10 and to IAS 28: Investments in associates and joint ventures

On 11 September 2014, the IASB published the amendments in question, which are aimed at eliminating the conflict between the requirements of IAS 28 and IFRS 10 and clarify that the extent to which it is possible to recognise a profit or loss in a transaction involving an associate or joint venture depends on the asset being sold or contributed being a business. In December 2015, the IASB published an amendment which postponed entry into force of these changes for an indefinite period.

Changes to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and amortization

The changes clarify the principle contained in IAS 16 and in IAS 38 that revenues reflect a model of economic benefits which are produced by management of a business (of which the asset forms part), rather than the economic benefits which occur with use of the asset. A revenue-based method therefore cannot be used for depreciation of property, plant and machinery and could only be used in very limited circumstances for amortization of intangible assets. The changes must be applied in future for years which start on or after 1 January 2016 and application in advance is permitted. Application of these changes is not expected to have any impact on the Group, as it does not use revenue-based methods for amortization of its non-current assets.
Amendment to IFRS 10, IFRS 12 and IAS 28 – Investment entities: application of the exception to consolidation
On 18 December 2014, the IASB published the amendments in question, which are aimed at resolving problems deriving from application of the exception to consolidation envisaged for investment entities. The date of first application introduced by the IASB is years starting on or after 1 January 2016. Application in advance is permitted.

D)RISK ANALYSIS

In accordance with the requirements of Accounting Standard IFRS 7, the following analysis is provided regarding the nature and extent of risks deriving from financial instruments to which the Group is exposed, as well as the methodologies with which such risks are managed.

The main risks are reported and discussed at the *Top Management* level of the Group in order to create the prerequisites for their hedging, and insurance and assessment of the residual risk.

INTEREST RATE RISK

The Landi Group is exposed to the interest rate risk associated with both cash at hand and with medium to long term financing. The exposure refers mainly to the Euro zone. As regards exposure to the risk of interest rate volatility, note that the financial indebtedness with banks is regulated primarily by variable interest rates. Therefore, the financial management of the Group remains exposed to fluctuations in interest rates, not having, at the date of the present financial statements, subscribed to instruments covering the variability of the interest rates on loans contracted with the banks.
Any deterioration in economic and financial performance of the Group could lead to a reduction in the credit rating assigned by financial institutions, which could limit access to sources of funding, as well as increasing financial charges, with consequent negative effects on prospects and results.
Interest rate risks were measured using *sensitivity analysis* and the potential impacts of Euribor interest rate fluctuations on the consolidated financial statements at 31 December 2015 were analyzed with particular

reference to cash and cash equivalents and to loans. The increase of 50 *basis points* on the Euribor, like all the other variables, would have produced an increase in financial costs for the Group of Euro 359 thousand in comparison to an increase of financial income equal to Euro 65 thousand.

EXCHANGE RISK

The Landi Renzo Group sells part of its production and, although to a much lesser degree, also purchases some components also in Countries outside the Euro zone. In relation to the exchange risk, note that the amount of the consolidated equity balances expressed in currency other than the functional currency is to be considered as insignificant. The Company has not subscribed to instruments to cover exchange rate fluctuations and, in accordance with the company's policy up to this moment this moment, no derivatives are subscribed solely for trading purposes. Therefore, the Group remains exposed to exchange rate risk on the balances of the assets and liabilities in foreign currency at year end which, in any case, as mentioned, are not to be considered as significant.

Please also note that several Group companies are located in countries outside the European Monetary Union: USA, Argentina, Brazil, Venezuela, Iran, Pakistan, China, India, Poland, Romania and Uzbekistan. Since the reference currency is the Euro, the income statements of such companies are converted to Euro at the average exchange rate for the period and, with the same revenues and margins in local currency, exchange rate fluctuations may impact the Euro value of revenues, costs and economic results.

During 2013, Iran was included for the first time in the International Monetary Fund among countries with hyper-inflated economies and this was also confirmed for 2014.

During 2015, this inclusion was revoked by the International Monetary Fund, so the Group did not restate the data of the 2015 financial statements of the Iranian subsidiary Landi Renzo Pars Private Joint Stock Company in accordance with IAS 29.

CREDIT RISK

Credit risk is the risk that a customer or one of counterparts of a financial instrument causes a financial loss through failure to fulfil an obligation and derives primarily from trade receivables, from other financial assets and from guarantees that may have been given by the Group.

Trade receivables and other receivables

The Group normally deals with known and reliable customers. It is the Landi Group's policy to subject customers requesting extended payment conditions to procedures for checking their credit class. This check also includes external assessments when available. Sales limits are established for each customer, which represent the maximum line of credit, beyond which direct approval by management is required. The credit limits are reviewed periodically and the customers who do not satisfy the creditworthiness conditions established by the Group can then make purchases only by payment in advance. In addition, the balance of the receivables is monitored on a fortnightly basis over the period, in order to minimize exposure to the risk of losses. Finally, regarding new customers and those not operating in EU countries, a letter of credit to guarantee successful collection is normally used, where possible.

As of March 2008, the Parent Company insures part of its foreign receivables not guaranteed by letters of credit through a leading Insurance Company and uses non-recourse assignment of debts. The Group allocates a provision for loss of value that reflects the estimated losses on trade receivables and on other creditors, made up primarily of individual write-downs of significant exposures.

Lastly, we point out that the persistence or deterioration of the current economic and financial crisis could have an impact, even significantly, on the capacity of some client companies to regularly meet their obligations to the Group.

Other financial assets

The credit risk regarding the other financial assets of the Group, including cash and cash equivalents, presents a maximum risk equal to the book value of these assets in the case of insolvency of the counterpart.

Guarantees

The policies of the Group provide for the issue of financial guarantees in favour of subsidiary companies, but not Joint Ventures. At 31 December 2015, the Group did not have any financial guarantees for a significant amount in place.

LIQUIDITY RISK

The liquidity risk is the risk that the Group may have difficulty in meeting obligations associated with financial liabilities.
The Landi Group manages the liquidity risk by maintaining an adequate level of available financial resources and bank credit granted by the main credit institutions, in order to satisfy the finance requirements of the operational activity.
Any deterioration in economic and financial performance of the Group could lead to a reduction in the credit rating assigned by financial institutions, which could limit access to sources of funding, as well as increasing financial charges, with consequent negative effects on prospects and results.
The current context of the markets in which the Group operates, including financial markets, requires particular attention in managing the liquidity risk and, to this end, particular attention is given to the actions aimed at generating financial resources with operating activities and at maintaining an adequate level of cash and cash equivalents as an important factor in facing the coming years. For this purpose, the Group increased use of assignment without recourse of trade receivables, aimed at producing high liquidity and reducing net operating capital. It also issued a five-year Bonded Loan during the year. Therefore, the Group expects to deal with the necessities arising from receivables falling due and from investments planned by means of flows deriving from operating activities, available liquidity, and the renewal or refinancing of bank loans.
Several loan agreements signed by the Parent Company, and also the “LANDI RENZO 6.10% 2015-2020” Bonded Loan, include financial covenants and failure to comply with them could lead to the obligation of early repayment of said loans. Due to deterioration of economic and financial trends in 2015, financial payables subject to *covenants* which were not satisfied were reclassified as short-term. Formal commitments not to apply the contractual terms (waivers) were obtained from all the financial institutions, and also the Bondholders’ Meeting, and measurement of the covenants was deferred to 2016, as described in Notes 20 and 21 below.
The Group has not adopted a specific policy for management of the centralized treasury. In particular, the management of the ordinary treasury is delegated locally to the individual companies of the Group, while the extraordinary treasury is subject to the decision-making process of the Parent company.

E) CONSOLIDATION SCOPE

The consolidation scope includes the parent company Landi Renzo S.p.A. and the companies in which it holds a direct or indirect controlling stake according to IFRS.
The consolidation scope is unchanged compared with 31 December 2014.

The list of equity investments included in the consolidation scope and the relative consolidation method is provided below.

COMPANIES CONSOLIDATED WITH THE GLOBAL CONSOLIDATION METHOD

Description	Registered Office		Share capital	Direct investment	Indirect investment	Notes
Landi Renzo S.p.A.	Cavriago (RE)	EUR	11,250,000	Parent Company		
Landi International B.V.	Utrecht (The Netherlands)	EUR	18,151	100.00%		
Eurogas Utrecht B.V.	Utrecht (The Netherlands)	EUR	36,800		100.00%	(*)
Landi Renzo Polska Sp.Zo.O.	Warsaw (Poland)	PLN	50,000		100.00%	(*)
LR Industria e Comercio Ltda	Espirito Santo (Brazil)	BRL	4,320,000	99.99%		
Beijing Landi Renzo Autogas System Co. Ltd	Beijing (China)	USD	2,600,000	100.00%		
L.R. Pak (Pvt) Limited	Karachi (Pakistan)	PKR	75,000,000	70.00%		
Landi Renzo Pars Private Joint Stock Company	Tehran (Iran)	IRR	55,914,800,000	99.99%		
Landi Renzo RO srl	Bucharest (Romania)	RON	20,890	100.00%		
Landi Renzo Ve C.A.	Caracas (Venezuela)	VEF	2,035,220	100.00%		(^)
Landi Renzo USA Corporation	Wilmington - DE (USA)	USD	3,067,131	100.00%		
AEB S.p.A.	Cavriago (RE)	EUR	2,800,000	100.00%		
AEB America s.r.l.	Buenos Aires (Argentina)	ARS	2,030,220		96.00%	(§)
Eighteen Sound S.r.l.	Reggio Emilia	EUR	100,000		100.00%	(§)
Lovato Gas S.p.A.	Vicenza	EUR	120,000	100.00%		
Lovato do Brasil Ind Com de Equipamentos para Gas Ltda	Curitiba (Brazil)	BRL	100,000		100.00%	(#) (^)
Officine Lovato Private Limited	Mumbai (India)	INR	20,000,000		100.00%	(#)
SAFE S.p.A.	S.Giovanni in Persiceto (BO)	EUR	2,500,000	100.00%		
Safe Gas (Singapore) Pte. Ltd.	Singapore	SGD	325,000		100.00%	(ç) (^)
Emmegas S.r.l.	Cavriago (RE)	EUR	60,000	70.00%		
Landi Renzo Argentina S.r.l.	Buenos Aires (Argentina)	ARS	1,000,000	96.00%	4.00%	(#) (^)

Detailed notes on investments:

(*) held by Landi International B.V.

(§) held by AEB S.p.A.

(#) held by Lovato Gas S.p.A.

(ç) held by Safe S.p.A.

(^) not consolidated because not significant

COMPANIES CONSOLIDATED USING THE EQUITY METHOD

Description	Registered Office		Share capital	Direct investment	Indirect investment	Notes
Krishna Landi Renzo India Private Ltd Held	Gurgaon - Haryana (India)	INR	90,000,000	51.00%		
EFI Avtosanoat-Landi Renzo LLC	Navoi region - Uzbekistan	USD	800,000	50.00%		(^)

Detailed notes on investments:

(^) not consolidated because not significant

Krishna Landi Renzo India Private LTD Held was consolidated for the first time in the Consolidated Financial Statements at 30 June 2014 and consolidated using the equity method, due to the current system of *governance* of the company, which reflects a joint control agreement classifiable as a "*joint venture*" according to international accounting standards (IFRS 11). In this specific case, the main balances of governance according to the joint venture agreement, such as to reflect a joint arrangement, are the following:
• the shareholders' meeting, which is formed of Landi Renzo S.p.A., with a 51% stake, and the Indian partner SKH Auto Trims Private Limited, with a 49% stake, approves, with the vote in favour of both shareholders, the major activities of the *joint venture*, which include management of any project, loan or other contract which may materially influence conducting of business, and also appoints the directors;
• the Board of Directors of the company, with 5 members, two each appointed by each shareholder and one appointed jointly, approves, with the vote in favour of at least one director appointed by each shareholder, the major activities of the *joint venture*, including the Budget, the Business Plan and significant investments and debts in each tax year.

The *joint venture* EFI Avtosanoat – Landi Renzo LLC, in which a 50% stake is held, was not consolidated, due to its minor significance, as on the Consolidated Financial Statements at 31 December 2014.

F) EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The changes reported hereafter were calculated with reference to the equity and economic balances of the previous year since they are comparable in terms of duration and content with the year closed at 31 December 2014.

1. SEGMENT REPORTING

Since the financial statements for the year closed at 31 December 2008, the Landi Renzo Group has adopted Accounting Standard IFRS 8 – Operating Segments. According to this Accounting Standard, the segments must be identified using the same procedures with which the internal management reporting is prepared for Top Management. Therefore, information is provided below by activity segment and by geographical area.

The following table provides an analysis of consolidated revenues by activity segment in comparison to 2014:

(Thousands of Euro)

Distribution of revenues by area of activity	At 31/12/2015	% of revenues	At 31/12/2014	% of revenues	Changes	%
Gas Segment - car systems	161,720	78.7%	185,833	79.7%	-24,113	-13.0%
Gas Segment - distribution systems	23,345	11.3%	25,652	11.0%	-2,307	-9.0%
Total revenues - GAS sector	***185,065***	***90.0%***	***211,485***	***90.7%***	***-26,420***	***-12.5%***
Other (Alarms, Sound, Aquatronics (*), Robotics, Oil&Gas and others)	20,457	10.0%	21,728	9.3%	-1,271	-5.8%
Total revenues	**205,522**	**100.0%**	**233,213**	**100.0%**	**-27,691**	**-11.9%**

(*) the Aquatronics division was sold on 1 April 2014

In view of the limited importance of sales in other divisions, it may be concluded that the Group's sole segment of activity is manufacture of car systems and distribution systems (Gas Segment).

The revenues of the Landi Renzo Group have also been divided by geographical area, with reference to the location of the customers, while the value of the assets and investments is broken down by geographical area based on the location of the actual assets.

Consolidated revenues recorded in 2015 by the Landi Renzo Group are divided by geographical area as follows:

(Thousands of Euro)

Geographical distribution of revenues	At 31/12/2015	% of revenues	At 31/12/2014	% of revenues	Change	%
Italy	41,734	20.3%	42,659	18.2%	-925	-2.2%
Europe (excluding Italy)	84,326	41.0%	103,937	44.6%	-19,611	-18.9%
America	43,362	21.1%	39,098	16.8%	4,264	10.9%
Asia and the rest of the world	36,100	17.6%	47,519	20.4%	-11,419	-24.0%
Total	**205,522**	**100%**	**233,213**	**100%**	**-27,691**	**-11.9%**

As regards the geographical distribution of revenues, during the year the Landi Group realized 79.7% (81.8% in 2014) of its consolidated revenues abroad (41% in Europe and 38.7% outside Europe), confirming the strong international vocation that has distinguished it historically.
For a more detailed analysis of the revenues by geographical area, please refer to the section “Consolidated Results” in the Report on Operating Performance

The following table shows the values (in thousands of Euro) relating to assets divided by geographical area:

(Thousands of Euro)

Total Assets	31/12/2015	31/12/2014	Change
Italy	215,577	227,246	-11,669
Europe (excluding Italy)	12,238	12,359	-121
America	15,704	17,077	-1,373
Asia and the rest of the world	16,308	16,742	-434
Total ASSETS	**259,827**	**273,424**	**-13,597**

The values (in thousands of Euro) relating to investments are shown below divided by geographical area:

(Thousands of Euro)

Investments in Fixed Assets	31/12/2015	31/12/2014	Change
Italy	14,698	12,409	2,289
Europe (excluding Italy)	514	825	-311
America	255	194	61
Asia and rest of the world	56	371	-315
Total	**15,523**	**13,799**	**1,724**

NON-CURRENT ASSETS

2. LAND, PROPERTY, PLANT, MACHINERY AND EQUIPMENT

Tangible assets show an overall net increase of Euro 87 thousand, increasing from Euro 35,277 thousand at 31 December 2014 to Euro 35,364 thousand at 31 December 2015.

Changes in the historical costs of tangible assets during the period are shown in detail below (thousands of Euro):

(Thousands of Euro)

Historic cost	31/12/2014	Acquisitions	(Disposals)	Other changes	31/12/2015
Land and buildings	4,440	425	-10	346	5,201
Plant and machinery	49,398	1,318	-907	1,024	50,833
Industrial and commercial equipment	41,345	3,725	-607	2,708	47,171
Other tangible assets	13,657	788	-425	91	14,111
Assets in progress and payments on account	4,434	2,797	-494	-3,847	2,890
Total	**113,274**	**9,053**	**-2,443**	**322**	**120,206**

Changes in provisions for depreciation of tangible assets during the period are shown in detail below (thousands of Euro):

(Thousands of Euro)

Depreciation reserves	31/12/2014	Depreciation amounts	(Disposals)	Other changes	31/12/2015
Land and buildings	2,059	519	-6	83	2,655
Plant and machinery	33,141	3,469	-763	-50	35,797
Industrial and commercial equipment	32,449	3,430	-577	-59	35,243
Other tangible assets	10,348	1,045	-288	42	11,147
Total	**77,997**	**8,463**	**-1,634**	**16**	**84,842**

Overall changes in net tangible assets during the period are shown in detail below (thousands of Euro):

(Thousands of Euro)

Net value	31/12/2014	Acquisitions	(Disposals)	Depreciation amounts	Other changes	31/12/2015
Land and buildings	2,381	425	-4	-519	263	2,546
Plant and machinery	16,257	1,318	-144	-3,469	1,074	15,036
Industrial and commercial equipment	8,896	3,725	-30	-3,430	2,767	11,928
Other tangible assets	3,309	788	-137	-1,045	49	2,964
Assets in progress and payments on account	4,434	2,797	-494	0	-3,847	2,890
Total	**35,277**	**9,053**	**-809**	**-8,463**	**306**	**35,364**

The item Buildings mainly includes the property in China owned by Beijing Landi Renzo Autogas System Co. Ltd, purchased in 2006 and not subject to collateral guarantees.

The item Plant and Machinery includes machinery used for production owned by the companies of the Group.
The item Industrial and Commercial Equipment includes moulds, testing and control instruments.
The item Other Tangible Assets is made up mostly of electronic processors, motor vehicles, internal transport vehicles and furnishings.
The item Fixed Assets in Progress and Payments on Account, totalling Euro 2,890 thousand, includes mainly the investments made at 31 December 2015 in fixed assets still to be completed and particularly completion of the new server structure for management of company data and several production lines and plants still to be completed.

The column “Other Changes” includes mainly the accounting entries for industrial plant and machinery and equipment already in progress at 31 December 2014 and completed during the year and also, to a lesser extent, exchange differences and changes due to reclassification of certain assets of foreign subsidiaries.

The main increases in tangible assets during 2015 relate to:
- purchase of plant and equipment totalling Euro 1,318 thousand, relating principally to electric and hydraulic-mechanical systems of the New Technical Centre, and also component production plants;
- purchase of industrial equipment totalling Euro 3,725 thousand, in particular moulds, sundry equipment and testing instruments relating primarily to roller beds for engine tests, exhaust gas emission tests and exhaust gas laboratory tests;
- purchases of other tangible assets totalling Euro 788 thousand, referring to electronic processors, motor vehicles, internal transport vehicles and furnishings;
- advances paid to suppliers and fixed assets in progress totalling Euro 2,797 thousand, relating in particular to completion of the new server structure for management of company data and several production lines and plants still to be completed.

The principal decreases in tangible assets in 2015 relate to disposals of industrial and commercial equipment, other tangible assets and means of transport with insignificant residual values to be amortized. No significant capital gains or capital losses were recognized in relation to the aforementioned disposals.

3. DEVELOPMENT EXPENDITURE

Changes in development expenditure during the year are shown in detail below (thousands of Euro):

(Thousands of Euro)

	31/12/2014	Acquisitions	Depreciation and write-downs	Other changes	31/12/2015
Development expenditure	**7,101**	5,362	-4,211	152	**8,404**

At 31 December 2015, development expenditure totalled Euro 8,404 thousand (Euro 7,101 thousand at 31 December 2014) and includes the costs incurred by the Group both for internal personnel and for services rendered by third parties for projects meeting the requirements of IAS 38 in order to be recognized as assets. In particular, projects capitalized during 2015, for a total of Euro 5,362 thousand, refer to innovative projects not available previously and aimed at new market segments, capable of expanding and optimizing the product range, the value of which is expected to be recovered through revenue flows generated in future years. Among these, the following main projects were developed by the parent company:

- After Market Project (LPG and CNG) for development of new kits and components and also adaptation of the product range to the new vehicles / engines;

- OEM Market Project (LPG and CNG) for development of new kits and components and also adaptation of the product range to the new vehicles / engines;

- EPR Electronic gas pressure regulator project (CNG) for the new engines / vehicles;

- New high-performance injectors project (Base technology OEM) for the After Market segment;
Project relating to standardization of the compressor body for fuel stations and also development of the Ammonia compressor;
- Projects on review of new evolved electronic gas control units.

Development activities were continued during the initial months of 2016 and they are expected to continue for the rest of the current year. There are no indicators of long-term losses for such activities, the development phase of which is expected to be completed by the end of the current year.
To evaluate any losses in value of capitalized development costs, the Group attributes such costs to the corresponding specific projects and evaluates their recoverability, calculating the value of use with the discounted financial flow method.

4. GOODWILL AND IMPAIRMENT TEST FOR CASH GENERATING UNITS TO WHICH IT WAS ALLOCATED

The item Goodwill totalled Euro 30,094 thousand, Euro 9,848 thousand less than at 31 December 2014.
The following table analyses this amount broken down by CGU (*cash generating unit*):

(Thousands of Euro)

CGU	2015	2014	Change
Lovato Gas S.p.A.	27,721	35,021	-7,300
AEB S.p.A.	2,373	2,373	0
MED S.p.A. (merged into Landi Renzo in 2010)	0	2,548	-2,548
Total	**30,094**	**39,942**	**-9,848**

Impairment tests were carried out on all goodwill at 31 December 2015 and the results were approved by the Board of Directors of the Parent Company on a date prior to the approval of the financial statements.
At 31 December 2015, after an *impairment* indicator emerged with reference to the capacity of the CGU Lovato Gas S.p.A., AEB S.p.A. and Landi Renzo S.p.A. to produce net cash flows aligned with those originally estimated in the relative economic-financial plans, the Group checked their value to identify any losses. The impairment test process was also extended to all the other CGU, and particularly the CGU 18Sound, Landi Renzo USA and Safe, partly in consideration of the value of the trademarks referable to said CGU.
The recoverable value of goodwill was defined with respect to the value in use, intended as the current net value of operating cash flows (discounted accordingly using the DCF – Discounted Cash Flow method) deriving from the 2016-2020 economic-financial plan and from a terminal value at the end of said period.
The forecasts for 2016-2020 were prepared and approved by the governing bodies of the respective subsidiaries on the basis of the results achieved in previous years, management expectations on market trends and the operating costs rationalization dynamics envisaged by the group industrial plan approved by the Board of Directors of the Parent Company. For said *impairment test*, which was approved by the Board of Directors of the Parent Company at the end of the period considered in the plan, a terminal value was estimated which reflects the value of goodwill beyond the specific period, on the assumption that the

companies will continue as a going concern. Said terminal value was calculated as a perpetual source of income, with a long-term growth rate ("g rate") of 1.8%.
Expected cash flows refer to current operating conditions and therefore do not include cash flows linked with intervening extraordinary events. In accordance with Consob Communication 3907/2015 and continuing with the procedures used in previous years, cash flow projections for 2015 prepared for the 2014 impairment test were revised to check whether the assumptions adopted with respect to the final data were reasonable and sustainable.
The discount rate was calculated as the weighted average cost of capital ("W.A.C.C."), before tax, determined as the weighted average between the cost of equity, calculated using the CAPM (Capital Asset Pricing Model) method, and the cost of debt. The rate, as required by IAS 36, was determined with reference to the operating risk of the sector and the financial structure of a sample of listed companies comparable to the Group in terms of risk profile and sector of activity.
The discount rate used (8.5%) is formed of the following:

- risk free rate: 1.7%
- beta levered: 1.33
- market risk premium 6%

The approach which considers the country risk implicit in the risk free rate was used in determining the discount rate.
For the risk free rate, reference was made to an average figure for the period January - December 2015 of 10-year Italian government bonds. For the Beta factor, reference was made to a Beta taken over a timespan of 3 years for a sample of listed companies considered as comparables.

The results of these tests confirmed a lost in value of goodwill on acquisition of the CGU Lovato Gas S.p.A. of Euro 7,300 thousand and a loss in value of goodwill on acquisition of the company units of the merged company MED S.p.A. of Euro 2,548 thousand, which eliminate the value entirely at 31 December 2015.

Impairment of goodwill of Lovato Gas S.p.A. and Landi Renzo S.p.A.

The Boards of Directors of Lovato Gas S.p.A., AEB S.p.A. and Landi Renzo S.p.A. approved a review of the long-term *business plan* on a date prior to the approval of the financial statements. The significant slowdown in the target markets of the companies, in some cases located in areas characterized by serious geopolitical instability, has in fact resulted in a decrease in orders compared to forecasts, appreciably impacting sales prospects, also in the light of legislative actions that in some countries were not favourable to the Group's business.
Said long-term *business plans* were used by the Board of Directors of Landi Renzo S.p.A., on a date prior to the approval of the financial statements, to check *impairment* on the *goodwill* allocated to the three CGU. This evaluation revealed a loss in value of Euro 7,300 thousand on the CGU Lovato S.p.A. and Euro 2,548 thousand on the CGU Landi Renzo S.p.A. which, as envisaged by IAS 36, were allocated entirely to goodwill.
These impairment losses were included in the item "Amortization, depreciation and impairment losses" on the Statement of Comprehensive Income. The recoverable values of the CGU were determined based on the value in use recalculated at 31 December 2015.
The value in use was calculated by discounting the future cash flows expected from the continuing use of the CGU. At 31 December 2015, the value in use was calculated using the same methods used at 31 December 2014 to check the recoverable value of goodwill; the elements and the assumptions used for the *impairment*

test, such as revenues on sales, the Ebitda Margin and future cash flows, are those resulting from the economic and financial *business plan* for 2016-2020 approved by the Board of Directors on a date prior to the approval of the financial statements, adapted to the accounting standards adopted by the Group.
The Company also prepared specific sensitivity analysis to identify any change in the results of the impairment test on a change in the growth assumptions used; with a 0.1% change in the perpetual long-term growth rate and 1% in the discount rate, the following effects would be obtained:

- For goodwill in the CGU Lovato Gas S.p.A.:

a) A 0.1% change in the perpetual long-term growth rate would have an effect on the impairment measurable as around Euro 0.6 to 0.7 million.
b) A 1% change in the discount rate would have an effect on impairment measurable as around Euro 7 million to Euro 9 million.

- For goodwill in the CGU AEB S.p.A.:

c) A 0.1% change in the perpetual long-term growth rate would have an effect on the impairment measurable as around Euro 0.4 to 0.5 million.
d) A 1% change in the discount rate would have an effect on impairment measurable as around Euro 5 million to around Euro 7 million.

With reference to goodwill in AEB S.p.A., for which the *impairment test* was passed, the changes in the basic assumptions which make the recoverable value equal to the book value are shown below:

- Surplus of recoverable value over book value: Euro 3.9 million
- Terminal value growth rate: 0.85%
- Discount rate including tax: 9.25%

No change in the assumptions which could eliminate this surplus is reasonably feasible for the time being.

5. OTHER INTANGIBLE ASSETS WITH FINITE USEFUL LIVES

Changes in other intangible assets with finite useful lives that occurred during the year are shown in detail below (thousands of Euro):

(Thousands of Euro)

	Net Value at 31/12/2014	Acquisitions	Depreciation amounts	Other changes	Net Value at 31/12/2015
Patents and intellectual property rights	1,432	829	-725	-450	1,086
Concessions and trademarks	23,204	279	-2,030	157	21,610
Total	**24,637**	**1,108**	**-2,755**	**-293**	**22,696**

Intangible assets decreased from Euro 24,637 thousand at 31 December 2014 to Euro 22,696 thousand at 31 December 2015, and include:

- under Patent Rights, the purchase of licenses for specific applications and supporting software for research and development activities, as well as the costs incurred for the purchase of SAP management

- software licenses;
- in the item Concessions and Trademarks, the net value of the Trademarks owned by the Group. This item is represented primarily by the Lovato trademark, for Euro 10,093 thousand, the AEB and 18Sound trademarks, for Euro 9,271 thousand, and minor trademarks, stated at *fair value* at the moment of the purchase on the basis of valuations made by independent professionals, minus accumulated amortization. These values are amortized over 18 years, the period deemed to represent the useful lifetime of the trademarks, with the exception of the minor trademarks, which are amortized over a useful lifetime of seven years.

6. EQUITY INVESTMENTS CONSOLIDATED USING THE EQUITY METHOD

This item includes the value of the stakes held by the Landi Renzo Group in the Joint Venture Krishna Landi Renzo Prv Ltd, equal to Euro 109 thousand (Euro 180 thousand at 31 December 2014), obtained with application of the equity method.

7. OTHER NON-CURRENT FINANCIAL ASSETS

The item Other non-current financial assets, totalling Euro 574 thousand (Euro 773 thousand at 31 December 2014) decreased by Euro 199 thousand and principally includes the stake held by the Parent Company in the Joint Venture EFI Avtosanoat Landi Renzo LLC in Uzbekistan, which was not consolidated due to its minor importance, and several guarantee deposits. Said items are stated at purchase cost, adjusted for any long-term impairment, which represents their *fair value*. For this purpose, the stake held by the Parent Company in the Joint Venture EFI Avtosanoat Landi Renzo LLC was written down for Euro 128 thousand during the year.

8. DEFERRED TAX ASSETS

The following are the main elements that make up the deferred tax assets, analyzed at the end of the current and the previous year (thousands of Euro):

	31/12/2015			31/12/2014		
Deferred tax assets	**Amount**	**Tax rate**	**Deferred tax assets**	**Amount**	**Tax rate**	**Deferred tax assets**
Inventory write-down reserve	4,712	19%-27.9%-31%-35%	1,280	4,437	19%-31.40%-35%	1,365
Provision for product warranties	2,956	19%-27.9%-31%-35%	799	3,766	19%-31.40%-35%	1,146
Provision for bad debts - taxed	2,940	19%-24%-35%	712	3,009	19%-27.50%-35%	856
Goodwill and flat-rate tax	4,905	27.90%	2,256	8,096	31.40%	2,543
Tangible assets	1,544	19%-27.9%-31.4%	364	1,599	19%-27.50%-31.4%	445
Other temporary changes	2,016	19%-24%-27.9%	467	923	19%-27.50%-31.4%	243
Employee mobility reserve	700	27.50%	193			
Consolidation adjustments	3,319	27.90%	935	2,774	31.40%	872
Tax losses prior to national consolidation	7,486	24.00%	1,790			
Tax losses of national consolidation	20,769	24%-35%	4,985	35,158	27.50%-35%	9,777
Total deferred tax assets			**13,779**			**17,247**

At 31 December 2015, deferred tax assets, totalling Euro 13,779 thousand (Euro 17,247 thousand at 31 December 2014), related both to temporary differences between the book values of assets and liabilities on the balance sheet and the corresponding values recognized for taxation and to the tax losses of 2015 and previous years in the amount deemed to be recoverable according to the Group's tax plans.
The allocation of deferred tax assets, totalling Euro 4,985 thousand, is carried out by critically assessing the existence of the conditions of future recoverability of such taxes on the basis of the revised strategic plans, together with the corresponding tax plans, taking the applicable tax rules into consideration and particularly evaluating the reduction in the IRES rate to 24% from 2017. For this purpose, the taxable income of Italian companies included in national tax consolidation was considered, as resulting from the 2016 Budget and the 2016-2020 Industrial Plan approved by the Board of Directors of the Parent Company on a date prior to the date of the financial statements. This scenario formed the base for preparation of a long-term tax plan, also approved by the Board of Directors of the Parent Company, which supports stating of deferred tax assets by demonstrating their recoverability within the time period considered in the 2016-2020 tax plan, supplemented by a further two-year period to reflect the unlimited duration of the benefit of losses which may be carried forward.
Concerning recoverability of deferred tax assets already set aside by the Group at 31 December 2014 for years prior to the introduction of tax consolidation, taking the results of the analysis performed into account, the Group registered an adjustment in the value of deferred tax assets at 31 December 2015 totalling Euro 6,373 thousand.
As a result, the Group had tax losses which could be carried forward unlimitedly totalling Euro 20 million at 31 December 2015, on which no deferred tax assets were recorded.
The deferred tax assets stated are also affected by the lower value consequent upon the reduction in the IRES rate from 27.5% to 24% from 2017, totalling Euro 1,614 thousand.

Use of deferred tax assets in the year is classified under current and deferred taxes in the income statement.

CURRENT ASSETS

9. TRADE RECEIVABLES (including related parties)

Trade receivables (including trade receivables due from related parties), stated net of the related depreciation fund, are shown divided by geographical area below (thousands of Euro):

(Thousands of Euro)

Trade receivables by geographical area	31/12/2015	31/12/2014	Change
Italy	10,139	7,435	2,704
Europe (excluding Italy)	8,121	10,240	-2,119
America	10,280	10,302	-22
Asia and the rest of the world	11,182	12,927	-1,745
Bad debt reserve	-5,958	-5,849	-109
Total	**33,764**	**35,055**	**-1,291**

Trade receivables at 31 December 2015 totalled Euro 33,764 thousand, net of the Provision for bad debts of Euro 5,958 thousand, compared with Euro 35,055 thousand at 31 December 2014, including a bad debt reserve of Euro 5,849 thousand.

The Group carried out assignment of trade receivables through factoring without recourse and, at 31 December 2015, the amount of assignments with credit *maturity*, for which there was *derecognition* of the related receivables, totalled Euro 35,542 thousand, compared with Euro 32,580 thousand at 31 December 2014.

Note that there are no non-current trade receivables or receivables secured by collateral guarantees.

The bad debt reserve, calculated using analytical criteria on the basis of available data, changed as follows:

(Thousands of Euro)

Bad debt reserve	31/12/2014	Allocation	Uses	Other Changes	31/12/2015
Bad debt reserve	5,849	701	-608	16	5,958

The allocations made during the period, necessary in order to adjust the book value of receivables to their assumed realization value, totalled Euro 701 thousand (compared with Euro 457 thousand for 2014). Uses during the year, on the other hand, totalled Euro 608 thousand, compared with Euro 342 thousand in the previous year.

In accordance with the requirements of Accounting Standard IFRS 7, the following table provides information on the maximum credit risk divided by past due credit classes, gross of the bad debt reserve:

(Thousands of Euro)

		Past due			
	Not past due	0-30 days	30-60 days	60 and beyond	Bad debt reserve
Trade receivables at 31/12/2015	26,294	2,974	1,160	9,294	-5,958
Trade receivables at 31/12/2014	25,672	3,203	1,343	10,686	-5,849

It is considered that the book value of the item Trade Receivables approximates the *fair value* thereof.

10. INVENTORIES

This item is shown in detail below (thousands of Euro):

(Thousands of Euro)

Inventories	31/12/2015	31/12/2014	Change
Raw materials and parts	39,962	41,809	-1,847
Work in progress and semi-finished products	8,011	9,251	-1,240
Finished products	14,917	17,191	-2,274
(Inventory write-down reserve)	-5,362	-4,982	-380
Total	**57,528**	**63,269**	**-5,741**

Closing inventories at 31 December 2015 totalled Euro 57,528 thousand, net of the inventory write-down reserve totalling Euro 5,362 thousand, and recorded a decrease of Euro 5,741 thousand compared to 31 December 2014, when they totalled Euro 63,269 thousand, due to the benefits deriving from an operating plan based on reduction of stocks, implemented during the year.

The Group estimated the amount of an inventory write-down reserve, the details of which are provided below, to cover risks of technical obsolescence of stocks and to align the book value to their presumed realization value

(Thousands of Euro)

Inventory write-down reserve	31/12/2014	Allocation	Uses	Other Changes	31/12/2015
inventory write-down reserve (raw materials)	3,430	420	-233	1	3,618
inventory write-down reserve (finished products in progress	655	25		4	684
inventory write-down reserve (finished products)	897	166	-10	7	1,060
inventory write-down reserve – total	**4,982**	**611**	**-243**	**12**	**5,362**

The allocations, equal to Euro 611 thousand, were made on product codes with a slow turnaround. Use of Euro 243 thousand relates to disposal of obsolete mechanical components, for insignificant amounts.

11. WORK IN PROGRESS ON ORDERS

This item refers to orders for compressors of SAFE S.p.A. in progress at 31 December 2015, measured using the *cost to cost* method for a total amount of Euro 2,904 thousand, an increase of Euro 314 thousand compared with the previous year.

12. OTHER RECEIVABLES AND CURRENT ASSETS

This item is shown in detail below (thousands of Euro):

(Thousands of Euro)

Other receivables and current assets	31/12/2015	31/12/2014	Change
Tax assets	10,881	10,819	62
Receivables from others	3,125	3,158	-33
Accruals and deferrals	2,341	1,556	785
Total	**16,347**	**15,533**	**814**

It is considered that the book value attributed to the item "Other Receivables and Current Assets" approximates their fair value.

Tax assets
Tax assets consist primarily of VAT recoverable from the tax authorities for Euro 6,797 thousand, including Euro 560 thousand requested as a refund. The remaining part refers to income tax credit due to a surplus of advance payments made during the previous year by the Italian companies of the Group, as well as other tax credit attributable to the Group's foreign subsidiaries. The item also includes the amount due as an IRES refund relating to the IRAP deduction pursuant to Legislative Decree 201/2011 posted for the Italian companies of the Group and totalling Euro 529 thousand.

Receivables from others
At 31 December 2015, these relate to payments on account to suppliers, credit notes to be received and other receivables.

Prepayments and accrued income
This item includes primarily prepaid insurance premiums, rentals, approvals, membership contributions, hardware and software maintenance fees and commercial services paid in advance.
The increase is attributable primarily to costs for commercial services sustained early with a car manufacturer for supplies of Euro 6 gas systems next year.

13. CASH AND CASH EQUIVALENTS
This item, consisting of the positive balances of bank current accounts and cash in hand in both Euro and foreign currency, is shown in detail below (thousands of Euro):

(Thousands of Euro)

Cash and cash equivalents	31/12/2015	31/12/2014	Change
Bank and post office accounts	38,222	31,775	6,447
Cash	42	45	-3
Total	**38,264**	**31,820**	**6,444**

Cash and cash equivalents at 31 December 2015 totalled Euro 38,264 thousand (Euro 31,820 thousand at 31 December 2014).Refer to the consolidated statement of cash flows for analysis of the production and absorption of cash during the year.

The values stated can be readily converted into cash and are subject to an insignificant risk of change in value. It is considered that the book value of the item “Cash and cash equivalents” is aligned with its fair value at the date of the financial statements.

The credit risk relating to Cash and cash equivalents is therefore deemed to be limited since the deposits are split over primary national and international banking institutions.

14. SHAREHOLDERS' EQUITY

The following table shows the items of consolidated equity at 31 December 2015 (in thousands of Euro):

(Thousands of Euro)

Shareholders' equity	31/12/2015	31/12/2014	Change
Share capital	11,250	11,250	0
Other reserves	95,428	98,018	-2,590
Profit (loss) for the period	-35,288	-1,783	-33,505
Total Group equity	**71,390**	**107,485**	**-36,095**
Capital and Reserves attributable to minority interests	724	552	172
Profit (loss) attributable to minority interests	-299	39	-338
Total Minority Interests	**425**	**591**	**-166**
Total Consolidated Equity	**71,815**	**108,076**	**-36,261**

The share capital stated in the Financial Statements at 31 December 2015 is the share capital fully subscribed and paid-up by the company Landi Renzo S.p.A. which is equal to nominal Euro 11,250 thousand subdivided into a total of 112,500,000 shares, with a nominal value equal to Euro 0.10.

Consolidated shareholders' equity at 31 December 2015 showed a decrease of Euro 36,261 thousand compared with 31 December 2014, primarily as a result of the loss for the period.

The other reserves are shown in detail below:

(Thousands of Euro)

Other reserves	31/12/2015	31/12/2014	Change
Statutory Reserve	2,250	2,250	0
Extraordinary and Other reserves	46,580	49,170	-2,590
Share premium reserve	46,598	46,598	0
Total Other Reserves of the Group	**95,428**	**98,018**	**-2,590**

The balance of the Statutory Reserve at 31 December 2015 totalled Euro 2,250 thousand and remains unchanged since it has reached one fifth of the share capital. The Extraordinary Reserve and the other reserves refer to the profits recorded by the Group in previous years and decreased by Euro 2,590 thousand, mainly as a result of the previous year's loss.
The Share Premium Reserve originated as a result of the floatation on the stock market for an amount equal to Euro 46,598 thousand, net of the related costs.
The minority interests represent the share of equity and year's profit of subsidiary companies not owned in full by the Group.

NON-CURRENT LIABILITIES

15. BANK LOANS

This item includes the medium/long term portion of bank debts for unsecured loans and finance. It totalled Euro 11,935 thousand at 31 December 2015, compared with Euro 26,171 thousand at 31 December 2014.

The structure of the debt is exclusively at a variable rate indexed to the Euribor and increased by a spread aligned with the normal market conditions; the loan currency is primarily the Euro. The loans are not secured by collateral and there are no clauses other than the early payment ones normally envisaged by commercial practice.
For several loan contracts signed which require certain financial covenants to be satisfied, as a result of the operating results for the year (as per the review of estimates for 2015 communicated to the market), there was a single misalignment with the fixed parameters at 31 December 2015 which would enable the financial institutions to apply the termination clause of the contracts.
As reported in Note 20 below, during 2016, on a date prior to the date of approval of the financial statements, the credit institutions issued, in reference to said loans with financial covenants, specific letters of waiver of said termination clauses, deferring the date of measurement of the parameters to 31 December 2016, with the exception of two loans totalling Euro 11,286 thousand, of which Euro 7,000 thousand a medium/long-term one, for which the different measurement date of 30 June 2016 is envisaged.
The medium-term amount of these loans, totalling Euro 17,529 thousand, has been entirely reclassified under current liabilities, in accordance with the requirements of IAS 1, paragraphs 74-75.
On the basis of the 2016 consolidated budget approved by the Board of Directors, the directors currently believe that the financial parameters will be satisfied at the subsequent measurement dates.

The Group does not have any derivatives to cover the loans.

It should be noted that, as indicated in point 2.h) of the Report on Corporate Governance, early settlement of certain loan agreements may be requested should there be a *change of control* of the Company.

Medium/long-term loans stated under “Bank loans” on the balance sheet are shown in the table below:

(Thousands of Euro)

Details of medium- and long-term loans by maturity date	2015
from 1 to 3 years	11,304
from 3 to 5 years	631
Total	**11,935**

It is considered that the book value of non-current bank loans is aligned with their fair value at the date of the financial statements.
At 31 December 2015, the Group had the following further short-term credit facilities, available but not used:

(Thousands of Euro)

Credit facilities	2015	2014
Cash facility	5,723	8,149
Facility for various uses	72,250	69,389
Total	**77,973**	**77,538**

16. OTHER NON-CURRENT FINANCIAL ASSETS

At 31 December 2015, the item only includes long-term portions, totalling Euro 1,468 thousand, of the three tranches of a loan granted by Simest S.p.A. in September 2013, December 2014 and November 2015, to support a plan of expansion of business activities in the USA, for a resolved total amount of Euro 2,203 thousand, in accordance with specific requirements.

It is considered that the book value of other non-current financial liabilities is aligned with their fair value at the balance sheet date.

17. RESERVES FOR RISKS AND CHARGES

This item and changes in it are shown in detail below:

(Thousands of Euro)

Provisions for risks and charges	31/12/2014	Allocation	Utilization	Other changes	31/12/2015
Provision for product warranties	4,040	845	-1,276	-203	3,406
Provision for lawsuits in progress	270	34		-23	281
Provisions for pensions	91	9		-20	80
Other provisions	654	3,640	-37	35	4,292
Total	**5,055**	**4,528**	**-1,313**	**-211**	**8,059**

The item “Provision for Product Warranties” includes the best estimate of the costs related to the commitments that the Group companies have incurred as an effect of legal or contractual provisions, in relation to the expenses connected with providing product warranties for a fixed period of time starting from the sale thereof. This estimate was calculated with reference to the historical data of the Group, on the basis of specific contractual content. The provision for the year was also stated following new business agreements signed with car manufacturers (OEM).
At 31 December 2015 this provision totalled Euro 3,406 thousand. The provision, totalling Euro 845 thousand, was stated on the income statement under the item “Accruals, write-downs and other operating expenses”.
The utilization of the risk provision totalling Euro 1,276 thousand is mainly due to the covering of warranty costs related to supplies of components to OEM customers in previous years.
The provision for lawsuits in progress, which relates to the probable payment for a current dispute with a service supplier declared bankrupt, totalled Euro 281 thousand.

The pensions reserve relates to the provision accrued for additional customer indemnity, including provisions for the year of Euro 9 thousand.

The item “Other reserves” includes provisions of Euro 940 thousand in relation to the employee mobility procedure started in the fourth quarter of 2015 and Euro 2,700 thousand under the item “Accruals, write-downs and other non-recurrent operating expenses”, since they relate to an operation, as better described in the comments on the income statement in Note 30, which was non-recurrent, in accordance with the Consob definition indicated in Communication no. DEM/6064293 of 28-7-2006.

18. DEFINED BENEFIT PLANS FOR EMPLOYEES

This item includes the employee severance indemnity funds set up by the Italian companies in compliance with the regulations in force, as well as by the Pakistani company. The following is the overall change in defined benefit plans for employees (thousands of Euro):

(Thousands of Euro)

Defined benefit plans for employees	31/12/2014	Allocation	Utilization	Other changes	31/12/2015
Employee severance indemnity reserve	3,818	134	-442	-197	3,313

The provision of Euro 134 thousand relates to revaluation of the employee severance indemnity reserve at the end of the period, while use of Euro 442 thousand refers to the amounts paid to employees who ceased working for the Group. The other changes relate primarily to actuarial adjustment of the reserve. The amount of Euro 337 thousand, relating to discounting of defined benefit plans according to IAS 19, has been stated under the item Other Reserves and expressed in other components of the Statement of Comprehensive Income.

The main economic and financial assumptions used by the actuary in charge of estimates, methodologically unchanged since the previous year, are as follows:

Actuarial assumptions used for evaluations	31/12/2015
Demographic table	SIM AND SIF 2014
Discount rate (Euro Swap)	Curve of the Markit iBoxx € Corporate AA 10+ rates at 31/12/2015
Probability of request for advance	3.31% - 3.42%
Expected % of employees who will resign before pension	2.42% - 4.46%
Maximum % of TFR requested in advance	70%
Annual cost of living increase rate	1.5%

19. DEFERRED TAX LIABILITIES

At 31 December 2015 deferred tax liabilities totalled Euro 6,691 thousand (Euro 8,417 thousand at 31 December 2014), with a decrease of Euro 1,726 thousand, and are primarily related to temporary differences between the book values of certain tangible and intangible assets and the values recognized for tax purposes.

Note that the utilization of deferred tax liabilities within the year is classified under current taxes in the Income statement.

The following are the main elements forming deferred tax liabilities, analyzed at the end of the current and the previous year (in thousands of Euro):

	31/12/2015			31/12/2014		
Deferred tax liabilities	Amount	Tax rate	Deferred taxes	Amount	Tax rate	Deferred taxes
Provisions for employee benefits	18	27.50%	3	76	27.50%	19
Adjustments for consolidation and IFRS compliance	545	27.5%-31.4%-34%	171	348	27.5%-31.4%-34%	110
Intangible assets of foreign companies	1,182	34.00%	402	1,144	34.00%	389
Intangible assets of Italian companies	19,353	27.90%	5,399	23,612	31.40%	7,414
Other temporary changes	2,864	19%-27.5%- 35%	473	1,155	19%-27.5%- 35%	354
Contract completion evaluation	882	27.50%	243	475	27.50%	131
Total deferred tax liabilities			**6,691**			**8,417**

The item "Intangible assets - Italian companies", which totalled Euro 19,353 thousand, mainly shows values relating to Group trademarks registered in previous years. The relative deferred taxes simultaneously registered, in accordance with the IFRS of reference, totalling Euro 5,399 thousand at 31 December 2015, originate from non-deductibility for taxation purposes of amortization of said trademarks.

CURRENT LIABILITIES

At 31 December 2015, the Group showed a negative differential between total current assets and total current liabilities of Euro 7,739 thousand, compared with a positive differential of Euro 27,558 thousand at 31 December 2014. This imbalance is primarily the result of reclassification, on 31 December 2015, of payables to banks totalling Euro 17,529 thousand and payables to other financiers totalling Euro 33,098 thousand from non-current to current liabilities. This reclassification is the result of failure to satisfy a single financial covenant contractually envisaged by the Landi Renzo 6.10% 2015-2020 Bonded Loan and by several medium/long-term loans.
During 2016, prior to the date of approval of these consolidated financial statements, the Group obtained specific letters of waiver from the banks and other financiers, deferring the date of measurement of the financial covenants to 2016. This imbalance is therefore to be considered as temporary, partly in light of the fact that, from 2016, due to said letters of waiver and on the assumption that the financial covenants will be satisfied, the aforesaid loans will be reclassified on the basis of their contractually envisaged maturity dates (as described in Notes 20 and 21 below).

20. BANK OVERDRAFTS AND SHORT-TERM LOANS

This item totalled Euro 50,797 thousand at 31 December 2015, compared with Euro 51,580 thousand at 31 December 2014, and is made up of the current portion of mortgages and loans, totalling Euro 38,147 thousand, of which Euro 17,529 thousand reclassified as short-term, and also use of short-term commercial credit facilities totalling Euro 12,650 thousand.
For several loan contracts signed which require certain financial covenants to be satisfied, as a result of the operating results for the year (as per the review of estimates for 2015 communicated to the market), there was a single misalignment with the fixed parameters at 31 December 2015 which would enable the financial institutions to apply the termination clause of the contracts.
These loans, totalling 17,529 million, were entirely reclassified under current liabilities in accordance with accounting principles, as described in Note 15.

On a date prior to the date of approval of the financial statements, the credit institutions issued to the Group, in reference to said loans, specific letters of waiver which deferred the date of measurement of the parameters to 2016. On the basis of the 2016 budget approved by the Board of Directors, the directors currently believe that the financial parameters of the loan contracts will be satisfied at the subsequent measurement dates.

Note that the loans are not secured by guarantees, are at variable rate and are not covered by derivatives.

The net financial position of the Group is shown in detail below (thousands of Euro):

(thousands of Euro)

	31/12/2015	31/12/2014
Cash and cash equivalents	38,264	31,820
Bank payables and short-term loans	-50,797	-51,580
Bonds issued (net value)	-33,098	
Short-term loans	-425	-137
Net short term indebtedness	**-46,056**	**-19,897**
Medium-Long term loans	-13,403	-27,349
Net medium-long term indebtedness	**-13,403**	**-27,349**
Net financial position	**-59,459**	**-47,246**

The net financial position at 31 December 2015 is negative for Euro 59,459 thousand compared with a negative net financial position at 31 December 2014 of Euro 47,246 thousand.
It should be noted that the short term net financial position also includes the current portion of other financial liabilities.

21. OTHER CURRENT FINANCIAL LIABILITIES

At 31 December 2015, other current financial liabilities totalled Euro 33,523 thousand (Euro 137 thousand at 31 December 2014) and are formed of:

- Euro 33,098 thousand in the "LANDI RENZO 6.10% 2015-2020" bonded loan
- Euro 419 thousand in the short-term portion of a subsidized loan disbursed by Simest S.p.A. to support a plan to expand trade in the USA.

For the "LANDI RENZO 6.10% 2015-2020" bonded loan, which requires certain financial covenants to be satisfied, as a result of the operating results for the year (as per the review of estimates for 2015 communicated to the market), there was a single misalignment with the fixed parameters at 31 December 2015 which would have enabled the bondholders to apply the termination clause of the contracts. As a result, the current liabilities stated on the consolidated balance sheet, as required by IAS 1, paragraphs 74-75, include all the values of financial payables subject to financial parameters which were not satisfied (Euro 33,098 thousand).
The bondholders' meeting held on 7 March 2016 voted to change the Loan Regulations in the terms described below.
The first date of evaluation of the financial *covenants* was deferred from 31 December 2015 to 31 December 2016.
A *step-up* of 0.40% was added to the interest rate (giving a total of 6.50%) for the interest periods relating to 2016 only, in relation to the payment dates of 30 June 2016 (for which the coupon will total 3,25% of the outstanding capital) and 31 December 2016 (for which the coupon will total 3,25% of the outstanding capital).
The method of full reimbursement of the bonded loan at the maturity date originally planned was changed to reimbursement through periodic repayment, as discussed below.

(Thousands of Euro)

	2016	2017	2018	2019	2020
Instalment amount repayment of Landi Renzo bonded loan	5,100	6,800	6,800	6,800	8,500

On the basis of the 2016 budget approved by the Board of Directors, the directors currently believe that the financial parameters of the bonded loan will be satisfied at the subsequent measurement dates.

22. TRADE PAYABLES (including related parties)

Trade payables at 31 December 2015 totalled Euro 58,351 thousand; at 31 December 2014, they totalled Euro 55,936 thousand, and therefore increased by Euro 2,415 thousand.

Trade payables (including trade payables to related parties) are shown divided by geographical area below (thousands of Euro):

(Thousands of Euro)

Trade payables by geographical area	31/12/2015	31/12/2014	Change
Italy	45,268	40,458	4,810
Europe (excluding Italy)	8,377	6,121	2,256
America	1,602	1,158	444
Asia and the rest of the world	3,104	8,199	-5,095
Total	**58,351**	**55,936**	**2,415**

It is considered that the book value of the trade payables at the balance sheet date approximates their *fair value*.

23. TAX LIABILITIES

At 31 December 2015 tax liabilities, consisting of total amounts payable to the Tax Authorities of the individual States in which the companies of the Group are located, totalled Euro 4,990 thousand, compared with Euro 4,492 thousand at 31 December 2014.

24. OTHER CURRENT LIABILITIES

This item is shown in detail below (in thousands of Euro):

(Thousands of Euro)

Other current liabilities	31/12/2015	31/12/2014	Change
Payables to pension and social security institutions	2,101	2,389	-288
Other payables (payables to employees, to others)	5,002	4,178	824
Payments on account	1,483	1,555	-72
Accrued expenses and deferred income	299	442	-143
Total	**8,885**	**8,564**	**321**

The item “Other Payables” includes mainly amounts due to employees for current and deferred remuneration, as well as to directors for fees; the increase was caused primarily by the increase in payables to employees as a result of the redundancy payments agreed with the trade unions as part of the voluntary mobility plan.
The item “Payments on account” relates principally to payments on account paid by customers on orders received by the company SAFE and on supplies of conversion plants.

INCOME STATEMENT

25. REVENUES (including related parties)

This item is shown in detail below (in thousands of Euro):

(Thousands of Euro)

Revenues on goods and services	31/12/2015	31/12/2014	Change
Revenues related to the sale of assets	200,320	229,535	-29,215
Revenues for services and other revenues	5,202	3,678	1,524
Total	**205,522**	**233,213**	**-27,691**

In 2015, the Landi Renzo Group achieved revenues on sales and services of Euro 205,522 thousand, a decrease of 11.9% over the previous year. The item “Revenues for services and other revenues” includes revenues for services rendered and for technical consultancy supplied to third parties by the companies of the Group.
See the section "Analysis of revenues" of the Report on Operating Performance for further details on performance of revenues on sales.

26. OTHER REVENUES AND INCOME

This item is shown in detail below (in thousands of Euro):

(Thousands of Euro)

Other revenues and income	31/12/2015	31/12/2014	Change
Grants	30	25	5
Other income	1,853	1,517	336
Total	**1,883**	**1,542**	**341**

Other revenues and income totalled Euro 1,883 thousand, compared with Euro 1,542 thousand at 31 December 2014.
The item Grants refers to accounting for grants related to income for research projects.
Other income refers primarily to capital gains on the sale of fixed assets and to contingent gains.

27. COST OF RAW MATERIALS, CONSUMABLES AND GOODS AND CHANGE IN INVENTORIES

This item is shown in detail below (thousands of Euro):

(Thousands of Euro)

Cost of raw materials, consumables and goods and change in inventories	31/12/2015	31/12/2014	Change
Raw materials and parts	83,606	82,126	1,480
Finished products intended for sale	13,707	22,844	-9,137
Other materials and equipment for use and consumption	3,126	3,351	-225
Total	**100,439**	**108,321**	**-7,882**

Total costs for consumption of raw materials, consumables and goods (including the change in inventories) decreased from Euro 108,321 thousand at 31 December 2014 to Euro 100,439 thousand at 31 December 2015, mainly in correlation with sales volumes registered during the year.

28. COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS (including related parties)

This item is shown in detail below (thousands of Euro):

(Thousands of Euro)

Costs for services and use of third party assets	31/12/2015	31/12/2014	Change
Industrial and technical services	31,621	37,413	-5,792
Commercial services	7,858	8,542	-684
General and administrative services	11,855	11,679	176
Costs for use of non-Group assets	5,853	5,388	465
Non-recurrent costs for services and use of third party assets	1,296	0	1,296
Total	**58,483**	**63,022**	**-4,539**

Costs for services and the use of third party assets at 31 December 2015 totalled Euro 58,483 thousand, compared to Euro 63,022 thousand at 31 December 2014, with a decrease of Euro 4,539 thousand.

The decrease in costs for industrial and technical services is linked primarily to the reduction in external processing and installations of gas systems and also to the fall in costs for technical maintenance, while the decrease in commercial services is attributable mainly to the reduction in direct commercial costs.

The non-recurrent part of this item also includes Euro 939 thousand linked to closure of a production plant and also other services totalling Euro 357 thousand linked to operational reorganization of the Group.

29. PERSONNEL EXPENSES

Personnel expenses are shown in detail below (thousands of Euro):

(Thousands of Euro)

Personnel expenses	31/12/2015	31/12/2014	Change
Wages and salaries	26,616	27,599	-983
Social security contributions	8,769	8,908	-139
Expenses for defined benefit plans	1,940	1,976	-36
Temporary and transferred work	2,516	2,809	-293
Directors' remuneration	956	1,103	-147
Non-recurrent personnel costs and expenditure	3,057	0	3,057
Total	**43,854**	**42,395**	**1,459**

In the year ending at 31 December 2015, personnel expenses totalled Euro 43,854 thousand (of which Euro 3,058 thousand non-recurrent), compared with personnel expenses of Euro 42,395 thousand in the year ending at 31 December 2014.

In the second half of the year, after a company solidarity agreement was signed by the Parent Company and by subsidiary AEB S.p.A., personnel costs began to decrease considerably, partly as a result of reduction of the accrued holidays, with a decrease of around Euro 1.5 million at the end of the year.

A mobility and voluntary redundancy procedure was also started in the fourth quarter of 2015 at three Group companies, which was still in progress at the end of the year and led to statement of non-recurrent costs totalling Euro 3,058 thousand (of which Euro 910 thousand for provisions).

Refer to the Report on Remuneration published pursuant to art. 123-ter of the Finance Consolidation Act for details of directors' remuneration.

The average and peak number of employees in the Group's workforce, divided by qualification, in the two years being analyzed is as follows:

	Average			Peak		
Number of employees	31/12/2015	31/12/2014	Change	31/12/2015	31/12/2014	Change
Executives and Clerical Staff	572	572	0	543	585	-42
Operatives	321	330	-9	303	325	-22
Total	**893**	**902**	**-9**	**846**	**910**	**-64**

The decrease in the number of employees at the end of the year was the result of resignations, voluntary redundancy payments and the voluntary mobility procedure.

30. ACCRUALS, WRITE-DOWNS AND OTHER OPERATING EXPENSES

This item is shown in detail below (thousands of Euro):

(Thousands of Euro)

Accruals, write-downs and other operating expenses	31/12/2015	31/12/2014	Change
Other taxes and duties	340	326	14
Other operating expenses	1,229	963	266
Provision for lawsuits in progress		72	-72
Provision for product warranties	844	850	-6
Losses on receivables	99	56	43
Bad debts	701	457	244
Accruals, write-downs and other non-recurrent operating expenses	2,700	0	2,700
Total	**5,913**	**2,724**	**3,189**

The costs included in this item totalled Euro 5,913 thousand at 31 December 2015, compared with Euro 2,724 thousand at 31 December 2014, with an increase of Euro 3,189 thousand.
The principal change relates to the non-recurrent component, totalling Euro 2,700 thousand, relating to a business dispute which, due to its specific nature, does not reoccur frequently in the normal run of things and for which a future use of resources to satisfy the relative obligations appears likely.

31. AMORTIZATION, DEPRECIATION AND IMPAIRMENT LOSSES

This item is shown in detail below (in thousands of Euro):

(Thousands of Euro)

Amortization, depreciation and impairment losses	31/12/2015	31/12/2014	Change
Impairment of goodwill and other intangible assets	10,178	248	9,930
Amortization of intangible assets	6,966	6,296	670
Depreciation of tangible assets	8,463	9,160	-697
Impairment of tangible assets	10	17	-7
Total	**25,617**	**15,721**	**9,896**

amortization, depreciation and impairment at 31 December 2015 totalled Euro 25,617 thousand, of which Euro 7,300 thousand in impairment of goodwill of the CGU LovatoGas S.p.A., Euro 2,548 thousand for full write-down of goodwill (former MED) of the CGU Landi Renzo S.p.A., Euro 128 thousand in impairment of the stake in EFI Avtosanoat-Landi Renzo LLC and Euro 202 thousand in impairment of the stake in Safe Singapore, compared with Euro 15,721 thousand at 31 December 2014, of which Euro 248 thousand as a loss due to impairment of goodwill of the CGU Emmegas S.r.l..

Amortization of intangible assets, totalling Euro 6,966 thousand, refers primarily to the amortization of development and design costs incurred by the Group, as well as the costs for the purchase of the software (applications and management) acquired over time and industrial patents.
Depreciation of tangible assets, totalling Euro 8,463 thousand, refers to plant and machinery, including automated lines, for production, assembly and testing of the products, to industrial and commercial equipment, to moulds for production, to testing and control instruments and to electronic processors.

32. FINANCIAL INCOME

This item is shown in detail below (thousands of Euro):

(Thousands of Euro)

Financial income	31/12/2015	31/12/2014	Change
Interest income on bank deposits	326	354	-28
Other income	86	147	-61
Total	**412**	**501**	**-89**

Financial income includes, primarily, bank interest income and interest income on other financial assets, as well as other income of a financial nature. At 31 December 2015 they amount to Euro 412 thousand, compared with Euro 501 thousand at 31 December 2014.

33. FINANCIAL EXPENSES

This item is shown in detail below (thousands of Euro):

(Thousands of Euro)

Financial expenses	31/12/2015	31/12/2014	Change
Interest on bank overdrafts and loans and loans from other financiers	3,939	3,069	870
Bank charges and commissions	1,018	1,005	13
Other operating expenses	9		9
Total	**4,966**	**4,074**	**883**

Financial charges essentially include bank interest charges, interest on bonds, non-recourse factoring commission payable and actuarial expenses deriving from discounting of the employee severance indemnity reserve and bank charges.

Financial charges at 31 December 2015 totalled Euro 4,966 thousand, compared with Euro 4,074 thousand at 31 December 2014, an increase of Euro 892 thousand deriving principally from recording of interest charges on the bonded loan issued by the Parent Company in May 2015.

34. EXCHANGE RATE GAINS AND LOSSES

This item is shown in detail below (thousands of Euro):

(Thousands of Euro)

Exchange gains and losses	31/12/2015	31/12/2014	Change
Positive exchange differences realized	1,854	713	1,141
Positive exchange differences from valuation	2,154	1,512	642
Negative exchange differences realized	-2,120	-498	-1,622
Negative exchange differences from valuation	-2,818	-533	-2,285
Total	**-930**	**1,194**	**-2,124**

The Group realizes its revenues mainly in Euro.
The impact of exchange rate differences on the year was negative and totalled Euro 930 thousand, compared with exchange gains of Euro 1,194 thousand in 2014.
The change is due to general depreciation of the Euro against other currencies, particularly the Brazilian Real and the Argentinean Peso, and derives primarily from valuation of payables of foreign subsidiaries to the Italian companies of the Group, stated at year-end exchange rates..
At 31 December 2015, the Group did not have financial instruments covering exchange rates.
In accordance with the requirements of Accounting Standard IFRS 7, financial income and expenses ascribed to the income statement are analyzed below by individual financial instrument category:

(Thousands of Euro)

	31/12/2015 Book value	31/12/2014 Book value
Interest income on cash and cash equivalents	326	354
Interest expenses from financial liabilities valued at the amortized cost	-3,939	-3,069
Exchange gains (losses)	-930	1,194
Total	**-4,543**	**-1,521**

35. Gain (loss) on equity investments consolidated using the equity method

This item, totalling Euro 288 thousand, represents the loss deriving from measurement using the equity method of the Group stake in the *joint venture* Krishna Landi Renzo India Private Ltd Held.

36. TAXES

The theoretical rate used for the calculation of taxes on the income of Italian companies is 31.4% of the taxable income for the year. The taxes of the foreign companies are calculated according to the rates applicable in the respective countries.
Income taxes are shown in detail below (thousands of Euro):

(Thousands of Euro)

Taxes	31/12/2015	31/12/2014	Change
Current taxes	-3,551	2,140	-5,691
Deferred (prepaid) taxes	6,465	-504	6,969
Total	**2,914**	**1,636**	**1,278**

Taxes at 31 December 2015 totalled Euro 2,914 thousand, compared with Euro 1,636 thousand at 31 December 2014, an increase of Euro 1,278 thousand.

Current taxes are shown in detail in the table below:

(Thousands of Euro)

Current taxes	31/12/2015	31/12/2014	Change
IRES	-4,001	847	-4,848
IRAP	174	1,021	-847
Current taxes of foreign companies	276	272	4
Total	**-3,551**	**2,140**	**-5,691**

Income on current taxes stated during the year is also the result of accounting of the IRES tax benefit on losses for the year.
The Italian companies of the Group have adhered to the National Tax Consolidation scheme from 2014, with consolidation by the Parent Company.
Deferred taxation totalled Euro 6,465 thousand and relate to adjustment for the planned reduction of the IRES rate by 3.5 percent starting from 2017, totalling Euro 1,399 thousand, adjustment of prepaid taxes on tax losses already set aside at 31 December 2013 for Euro 6,373 thousand and minus deferred taxation resulting from temporary differences, totalling Euro -1,307 thousand.

37. EARNINGS (LOSS) PER SHARE

The "base" earnings/(loss) per share was calculated by relating the net profit/(loss) of the Group to the weighted average number of ordinary shares in circulation in the period (112,500,000). The loss per "base" share, which corresponds with the loss per "diluted" share, since there are no convertible bonds, was Euro -0.3137 at 31 December 2015, compared with a loss per share of Euro -0.0158 at 31 December 2014.

The result and the number of ordinary shares used for the purposes of calculating basic earnings per share, determined according to the methodology specified by IAS 33, are provided below

Consolidated earnings/(loss) per share	31/12/2015	31/12/2014
Consolidated profit/(loss) for the period attributable to the Parent Company (Euro/thousand)	-35,288	-1,783
Average number of shares in circulation	112,500,000	112,500,000
Basic earnings/(loss) per share for the period	-0.3137	-0.0158

OTHER INFORMATION

38. INFORMATION ON THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

As required by IFRS 7 – Financial Instruments, the attached table provides a comparison between the book value and the *fair value* of all the financial assets and liabilities, divided according to the categories identified by the above-mentioned accounting standard.

(Thousands of Euro)	31/12/2015		31/12/2014	
	Book value	Fair value	Book value	Fair value
Receivables and other current assets	47,770	47,770	49,032	49,032
Cash and cash equivalents	38,264	38,264	31,820	31,820
Trade payables	66,937	66,937	64,058	64,058
Financial liabilities valued at the amortized cost - non-current portion	11,935	11,935	26,171	26,171
Financial liabilities valued at the amortized cost - current portion	84,320	84,320	51,717	51,717

The book value of bank overdrafts and short-term loans and loans and financing approximates their *fair value* at 31 December 2015, since said classes of financial instruments are indexed at the Euribor market rate.

39. COMMITMENTS

At 31 December 2015, the only existing commitments are for rental expenses. The related details are provided below in thousands of Euro, taking account of the duration of the contract:

Commitments for rental	within 12 months	from 1 to 5 years
2015	3,968	9,000

40. OPERATING LEASES

The Group has existing operating leases related primarily to the Italian companies for real estate rental contracts, including with related parties, as previously mentioned in point 32, totalling Euro 4,650 thousand.
No sureties were provided for said contracts and there are no kinds of restrictions associated with these operating leases. At year's end, the minimum future payments for operating leases to be paid totalled Euro 3,968 thousand within one year and Euro 9,000 thousand between one and five years.

41. ANALYSIS OF THE MAIN DISPUTES IN PROGRESS

At 31 December 2015, the Company is involved in proceedings, brought both by and against it, for non-significant amounts.
The directors of the Parent Company, supported by the opinion of its legal advisers, on a dispute with the bankruptcy proceedings of a supplier of services, decided to maintain the provision for risks of Euro 200 thousand on the financial statements.
A number of Italian companies have disputes in progress with the Financial Authorities for which provisions have been prudentially set aside to cover the related potential liability.

42. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties listed below include:

- relationships for supply of services between Gireimm S.r.l. and Landi Renzo S.p.A. for rent of the property used as the operational headquarters of the New Technical Centre of the Parent Company,
- relationships for supply of services between Gireimm S.r.l. and Emmegas S.r.l. for rent of the property used as the operational headquarters of the subsidiary company up until August,
- relationships for supply of services between Gireimm S.r.l. and SAFE S.p.A. for rent of the industrial property in San Giovanni in Persiceto (BO), the company headquarters,
- relationships for supply of services between Gestimm S.r.l., a company in which a stake is held through the parent company Girefin S.p.A., and the company A.E.B. S.p.A. for rent of the property used as the operational headquarters of the subsidiary,
- relationships for supply of services between Secomnet S.r.l., a company subject to considerable influence of one member of the Board of Directors of the Parent Company, and the company A.E.B. S.p.A. and Eighteen Sound S.r.l. for supply of IT services,
- relationships for supply of services to the Pakistani company AutoFuels (held by a minority shareholder of the Pakistani subsidiary LR PAK), to the joint venture Krishna Landi Renzo India Private Ltd Held and to the joint venture EFI Avtosanoat-Landi Renzo LLC.

The Landi Renzo Group deals with related parties at conditions considered to be arm's length on the markets in question, taking account of the characteristics of the goods and the services supplied.

The following table summarizes the relationships with related parties (thousands of Euro):

(Thousands of Euro)

Incidence of Transactions with Related Parties	Total item	Absolute value related parties	%	Related party
a) incidence of the transactions or positions with related parties on balance sheet items				
Trade receivables	33,764	2,424	7.2%	Autofuels, Krishna Landi Renzo, EFI Avtosanoat
Trade payables	58,351	2,091	3.6%	Gireimm, Gestimm, Secomnet
b) incidence of the transactions or positions with related parties on income statement items				
Cost for services and use of third party assets	-58,483	-3,107	5.3%	Gireimm, Gestimm, Secomnet
Revenues on sales and services	205,522	161	0.1%	Autofuels, Krishna Landi Renzo,EFI Avtosanoat

Trade receivables from customers – related parties totalled Euro 2,424 thousand and relate to receivables from the Pakistani company AutoFuels (a wholly owned subsidiary of a minority shareholder of the subsidiary LR Pak, operating on the Pakistani market in the *After Market* channel), totalling Euro 696 thousand, receivables from the Joint Ventures Krishna Landi Renzo India Private Ltd Held for Euro 990 thousand and EFI Avtosanoat-Landi Renzo LLC for Euro 738 thousand.

Trade payables from related parties, totalling Euro 2,091 thousand, relate to payables in rent to Gireimm S.r.l. and Gestimm S.r.l.

Revenues from related parties, totalling Euro 161 thousand, relate to revenues from the Pakistani company AutoFuels of Euro 21 thousand, the Joint Ventures Krishna Landi Renzo India Private Ltd Held of Euro 125 thousand and EFI Avtosanoat-Landi Renzo LLC of Euro 15 thousand.

Costs for services and use of third party assets that refer to related parties totalled Euro 3,107 thousand and relate to the rental charges for the industrial property in Cavriago, headquarters of the Parent Company, and the part relating to the new Technical Centre, paid to Gireimm S.r.l.; the rental charge on the industrial property in Cavriago, headquarters of the subsidiary AEB S.p.A., paid to Gestimm S.r.l.; the rental charge on the industrial property in Barco di Bibbiano (RE) paid by Emmegas S.r.l. to Gireimm S.r.l. up until August; the rental charge on the industrial property in San Giovanni in Persiceto (BO) paid by Safe S.p.a. to Gireimm S.r.l., plus the costs for services paid by the subsidiary AEB S.p.A. and by Eighteen Sound S.r.l. to Secomnet S.r.l..

43. NON-RECURRING SIGNIFICANT EVENTS AND OPERATIONS

Pursuant to CONSOB communication no. 6064293 of 28 July 2006, regarding non-recurrent significant events or transactions occurring during 2015, there are non-recurrent transactions, indicated in Notes 28,29,30 and 31 of the Income Statement, relating to operational reorganization of the Group, which included closure of a production plant and activation of the voluntary mobility and redundancy procedures for personnel, settlement of a dispute which, due to its specific nature, does not reoccur frequently in the normal run of things, and also to impairment of intangible assets due to write-down of goodwill.

44. POSITIONS OR TRANSACTIONS DERIVING FROM ATYPICAL AND/OR UNUSUAL TRANSACTIONS

Pursuant to CONSOB communication no. 6064293 of 28 July 2006, during the year no atypical and/or unusual transactions occurred outside the normal operation of the company that could give rise to doubts regarding the correctness and completeness of the information in the financial statements, conflicts of interest, protection of company assets, safeguarding of minority shareholders.

45. SIGNIFICANT EVENTS OCCURRING AFTER THE CLOSE OF THE FINANCIAL YEAR

Please refer to the analysis provided in the Directors' Report.

G) INFORMATION PURSUANT TO ART. 149-duodecies OF THE CONSOB ISSUER REGULATIONS

In compliance with the express provisions of the CONSOB Issuer Regulations - Art. 149 duodecies - payments made for services rendered by the auditing firm, and by entities belonging to its network, to the companies belonging to the Landi Renzo Group for 2015, are listed below.

(Thousands of Euro)

Type of Services	Subject who provided the service	Recipient	Remuneration 2015
Auditing	KPMG SpA	Parent Company	198
Certification services	KPMG SpA	Parent Company	2
Other services	KPMG SpA and Network of the Auditor of the Parent Company	Parent Company	130
Auditing	KPMG SpA	Subsidiary companies	239

Annex 1

Consolidated Income Statement at 31/12/2015, prepared in application of the requirements of Consob resolution 15519 of 27/06/2006 and Consob Communication no. DEM/6064293 of 28/07/2006 (in thousands of Euro).

(Thousands of Euro)

	Notes	31/12/2015	of which transactions with related parties	Weight %	31/12/2014	of which transactions with related parties.	Weight %
Revenues on sales and services	25	205,522	161	0.1%	233,213	2,096	0.9%
Other revenues and income	26	1,883			1,542		
Cost of raw materials, consumables and goods and change in inventories	27	-100,439			-108,321		
Costs for services and use of third party assets	28	-58,483	3,107	-5.3%	-63,022	-2,588	4.1%
of which non-recurring	28	*-1,296*					
Personnel expenses	29	-43,854			-42,395		
of which non-recurring	29	*-3,058*					
Provisions, bad debts and other operating expenses	30	-5,913			-2,724		
of which non-recurring	30	*-2,700*					
Gross Operating Profit		**-1,284**			**18,293**		
Amortization, depreciation and impairment losses	31	-25,617			-15,721		
of which non-recurring	31	*-10,178*			*-248*		
Operating Profit		**-26,901**			**2,572**		
Financial income	32	*412*			501		
Financial expenses	33	*-4,966*			-4,074		
Exchange gains (losses)	34	*-930*			1,194		
Gain (loss) on equity investments consolidated using the equity method	35	*-288*			-301		
Profit (Loss) before tax		**-32,673**			**-108**		
Current and deferred taxes	36	-2,914			-1,636		
Net profit (loss) for the Group and minority interests, including:		**-35,587**			**-1,744**		
Minority interests		-299			39		
Net profit (loss) for the Group		-35,288			-1,783		
Basic earnings (loss) per share (calculated on 112,500,000 shares)	37	-0.3137			-0.0158		
Diluted earnings (loss) per share		-0.3137			-0.0158		

Annex 2

Consolidated Statement of Financial Position at 31/12/2015, prepared in application of the requirements of Consob resolution 15519 of 27/06/2006 and Consob Communication no. DEM/6064293 of 28/07/2006 (in thousands of Euro).

(Thousands of Euro)

ASSETS	Notes	31/12/2015	of which transactions with related parties.	Weight %	31/12/2014	of which transactions with related parties.	Weight %
Non-current assets							
Land, property, plant, machinery and equipment	2	35,364			35,277		
Development expenditure	3	8,404			7,101		
Goodwill	4	30,094			39,942		
Other intangible assets with finite useful lives	5	22,696			24,637		
Equity investments consolidated using the equity method	6	109			180		
Other non-current financial assets	7	574			773		
Deferred tax assets	8	13,779			17,247		
Total non-current assets		**111,020**			**125,157**		
Current assets							
Receivables from customers	9	33,764	2,424	7.2%	35,055	1,986	5.7%
Inventories	10	57,528			63,269		
Work in progress on orders	11	2,904			2,590		
Other receivables and current assets	12	16,347			15,533		
Cash and cash equivalents	13	38,264			31,820		
Total current assets		**148,807**			**148,267**		
TOTAL ASSETS		**259,827**			**273,424**		

(Thousands of Euro)

TOTAL EQUITY AND LIABILITIES	Notes	31/12/2015	of which transactions with related parties.	Weight %	31/12/2014	of which transactions with related parties.	Weight %
Shareholders' equity							
Share capital	14	11,250			11,250		
Other reserves	14	95,428			98,018		
Profit (loss) for the period	14	-35,288			-1,783		
Total equity of the Group		**71,390**			**107,485**		
Minority interests		425			591		
TOTAL EQUITY		**71,815**			**108,076**		
Non-current liabilities							
Non-current bank loans	15	11,935			26,171		
Other non-current financial liabilities	16	1,468			1,178		
Provisions for risks and charges	17	8,059			5,055		
Defined benefit plans for employees	18	3,313			3,818		
Deferred tax liabilities	19	6,691			8,417		
Total non-current liabilities		**31,466**			**44,639**		
Current liabilities							
Bank overdrafts and short-term loans	20	50,797			51,580		
Other current financial liabilities	21	33,523			137		
Trade payables	22	58,351	2,091	3.6%	55,936	1,304	2.3%
Tax liabilities	23	4,990			4,492		
Other current liabilities	24	8,885			8,564		
Total current liabilities		**156,546**			**120,709**		
TOTAL EQUITY AND LIABILITIES		**259,827**			**273,424**		

LANDIRENZO

Certification on the consolidated financial statements pursuant to art. 154-*bis* of Legislative Decree 58/98

The undersigned Stefano Landi, Chairperson of the Board of Directors and CEO, and Paolo Cilloni, Officer in charge of preparing the corporate financial statements of Landi Renzo Group, state, having regard also to the provisions of art. 154-*bis*, paragraphs 3 and 4, of legislative decree No. 58 dated 24th February 1998:

- the adequacy of consolidated financial statements in relation to the relative corporate characteristics, and
- the effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements at 31st December 2015.

In this respect are not emerged aspects of relief to report.

In addition, the undersigned state that the consolidated financial statements at 31 December 2015

- have been prepared in accordance with the international accounting standards acknowledged by the European Union pursuant to regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- correspond to the results in the accounting books and records;
- are suitable to give a true and correct representation of the equity, economic and financial position of the issuer and of all the companies included in the scope of consolidation.

The report on operating performance includes a reliable analysis on trends and performance, on Company's financial situation and on Group Companies included in the consolidation, together with a description of the main risks and uncertainties which are exposed.

Cavriago, 14th March 2016

On behalf of the Board of Directors

Chairperson of the Board of Directors and CEO
Stefano Landi

The Officer in Charge
Paolo Cilloni

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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Landi Renzo S.p.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the Landi Renzo Group (the "group"), which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and statement of changes in consolidated equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The parent's directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) promulgated pursuant to article 11.3 of Legislative decree no. 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the group's financial position as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Report on other legal and regulatory requirements

Opinion on the consistency of the report on operations and certain information presented in the report on corporate governance and shareholding structure with the consolidated financial statements

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion, as required by the law, on the consistency of the report on operations and the information presented in the report on corporate governance and shareholding structure required by article 123-bis.4 of Legislative decree no. 58/98, which are the responsibility of the parent's directors, with the consolidated financial statements. In our opinion, the report on operations and the information presented in the report on corporate governance and shareholding structure referred to above are consistent with the consolidated financial statements of the Landi Renzo Group as at and for the year ended 31 December 2015.

Parma, 29 March 2016

KPMG S.p.A.

(signed on the original)

Lino Barbieri
Director of Audit

Separate Financial Statements at 31 December 2015 Landi Renzo S.p.A.

ANNEXES

LANDIRENZO GROUP

STATEMENT OF FINANCIAL POSITION *

(Euro)

ASSETS	Notes	31/12/2015	31/12/2014
Non-current assets			
Land, property, plant, machinery and equipment	2	22,065,561	21,196,888
Development expenditure	3	6,170,928	5,754,447
Goodwill and other intangible assets with finite useful lives	4	963,084	3,544,277
Investments in subsidiaries	5	103,076,335	111,736,534
Equity investments in associated companies and joint ventures	6	280,794	868,028
Other non-current financial assets	7	6,128,235	602,774
Other non-current assets	8	71,292	71,330
Prepaid taxes	9	8,484,529	10,556,942
Total non-current assets		**147,240,758**	**154,331,220**
Current assets			
Receivables from customers	10	7,408,585	7,851,679
Receivables from subsidiaries	11	9,612,948	14,583,917
Inventories	12	18,923,621	21,947,063
Other receivables and current assets	13	4,049,868	3,600,691
Current financial assets	14	0	7,053,867
Cash and cash equivalents	15	14,668,191	11,779,571
Total current assets		**54,663,213**	**66,816,788**
TOTAL ASSETS		**201,903,970**	**221,148,008**

EQUITY AND LIABILITIES	Notes	31/12/2015	31/12/2014
Equity			
Share capital	16	11,250,000	11,250,000
Other reserves	16	99,616,303	99,250,786
Profit (loss) for the period	16	-37,702,190	211,779
TOTAL EQUITY		**73,164,114**	**110,712,565**
Non-current liabilities			
Non-current bank loans	17	6,820,149	22,033,658
Other non-current financial liabilities	18	1,467,786	1,177,539
Provisions for risks and charges	19	5,076,042	2,221,404
Defined benefit plans	20	1,685,242	1,875,352
Deferred tax liabilities	21	340,559	979,258
Total non-current liabilities		**15,389,778**	**28,287,211**
Current liabilities			
Bank overdrafts and short-term loans	22	39,331,906	40,365,320
Other current financial liabilities	23	33,517,342	130,838
Trade payables	24	25,506,986	24,664,107
Payables to subsidiaries	25	10,566,579	13,067,013
Tax liabilities	26	924,080	861,465
Other current liabilities	27	3,503,186	3,059,489
Total current liabilities		**113,350,079**	**82,148,232**
TOTAL EQUITY AND LIABILITIES		**201,903,970**	**221,148,008**

* * Pursuant to Consob resolution no. 15519 of 27 July 2006, the effects of relations with related parties on the statement of financial position are shown in a specific table in Note 45 and Annex 2.

INCOME STATEMENT *

(Euro)

		31/12/2015	31/12/2014
Revenues on goods and services	28	82,452,280	95,215,020
Other revenue and income	29	902,104	437,961
Cost of raw materials, consumables and goods and change in inventories	30	-44,380,128	-49,684,588
Costs for services and use of third party assets	31	-25,902,727	-28,593,587
of which non-recurring	31	*-1,242,222*	
Personnel expenses	32	-20,316,165	-18,649,398
of which non-recurring	32	*-1,790,265*	
Accruals, doubtful debts and other operating expenses	33	-3,594,266	-752,625
of which non-recurring	33	*-2,700,000*	
Gross Operating Profit		**-10,838,903**	**-2,027,217**
Amortization, depreciation and impairment losses	34	-10,844,667	-8,281,880
of which non-recurring	34	*-2,547,561*	
Operating Profit		**-21,683,570**	**-10,309,097**
Financial income	35	111,071	291,802
Income from investments	36	275,000	10,360,457
Financial expenses	37	-3,754,705	-2,777,676
Expenses from investments	38	-12,158,734	-945,745
Exchange rate gains (losses)	39	555,035	813,616
Profit (Loss) before tax		**-36,655,903**	**-2,566,643**
Taxes	40	-1,046,287	2,778,422
Profit (loss) for the year		**-37,702,190**	**211,779**

STATEMENT OF COMPREHENSIVE INCOME

(Euro)

		31/12/2015	31/12/2014
Net profit (loss) for the Group and minority interests:		**-37,702,190**	**211,779**
Gains/losses that will not be subsequently reclassified in the income statement			
Restatement of defined employee benefit plans (IAS 19)	20	153,738	-150,750
Total gains/losses that will not be subsequently reclassified on the income statement		**153,738**	**-150,750**
Profits/Losses recorded directly to Equity net of tax effects		**153,738**	**-150,750**
Total statement of comprehensive income for the period		**-37,548,452**	**61,029**

*See point 45 for the amount and nature of relationships with related parties: OTHER INFORMATION – paragraph on TRANSACTIONS WITH RELATED PARTIES

STATEMENT OF CASH FLOWS

(Thousands of Euro)

	31/12/2015	31/12/2014
Financial flows deriving from operating activities		
Profit (loss) for the year	-37,702	212
Adjustments for:		
Depreciation of property, plant and equipment	4,361	4,852
Amortization of intangible assets	5,975	3,430
Impairment loss on receivables	124	138
Net financial charges	3,089	1,672
Net income/charges from equity investments	11,884	-9,415
Income tax for the year	-1,046	2,778
	-13,316	**3,667**
Changes in:		
inventories	3,023	1,993
trade receivables and other receivables	8,136	3,184
trade payables and other payables	-2,883	9,262
provisions and employee benefits	2,819	-794
Cash generated from operating activities	**-2,221**	**17,312**
Interest paid	-3,251	-2,494
Net cash generated from operating activities	**-5,471**	**14,818**
Financial flows deriving from investment activities		
Dividends cashed	275	10,360
Proceeds from the sale of property, plant and equipment	625	229
Increase in capital of subsidiary companies	-305	-751
Purchase of property, plant and equipment	-5,854	-5,410
Purchase of intangible assets	33	-306
Development expenditure	-3,844	-3,251
Net cash absorbed by investment activities	**-9,070**	**871**
Financial flows deriving from financing activities		
Net repayments and loans	17,430	-10,241
Net cash generated (absorbed) by financing activities	**17,430**	**-10,241**
Net increase (decrease) in cash and cash equivalents	**2,889**	**5,448**
Cash and cash equivalents at 1 January	11,779	6,331
Cash and cash equivalents al 31 December	14,668	11,779

STATEMENT OF CHANGES IN EQUITY

(Thousands of Euro)

	Share capital	Legal Reserve	Extraordinary and Other Reserves	Share Premium Reserve	Result for the year	Equity
Balance at 31 December 2013	**11,250**	**2,250**	**66,137**	**46,598**	**-15,583**	**110,652**
Result for the year					212	**212**
Discounted back profit/loss (IAS 19)			-151			**-151**
Total profits/losses	**0**	**0**	**-151**	**0**	**212**	**61**
Allocation of profit			-15,583		15,583	**0**
Distribution of dividends						**0**
Total effects deriving from transactions with shareholders	**0**	**0**	**-15,583**	**0**	**15,583**	**0**
Balance at 31 December 2014	**11,250**	**2,250**	**50,403**	**46,598**	**212**	**110,713**
Balance at 31 December 2014	**11,250**	**2,250**	**50,403**	**46,598**	**212**	**110,713**
Result for the year					-37,702	**-37,702**
Discounted back profit/loss (IAS 19)			154			**154**
Total profits/losses	**0**	**0**	**154**	**0**	**-37,702**	**-37,548**
Allocation of profit			212		-212	**0**
Distribution of dividends						**0**
Total effects deriving from transactions with shareholders	**0**	**0**	**212**	**0**	**-212**	**0**
Balance at 31 December 2015	**11,250**	**2,250**	**50,768**	**46,598**	**-37,702**	**73,164**

NOTES TO THE FINANCIAL STATEMENTS AT 31 December 2015

A) GENERAL INFORMATION

The Explanatory Notes accompany the Financial Statements at 31 December 2015.

LANDI RENZO S.p.A. (the "Company") has been active for sixty years in the automotive fuel supply systems sector, designing, manufacturing and selling eco-compatible LPG and CNG fuel supply systems. The Company manages all phases of the process that leads to the production, the sale and, for particular business areas, also the installation of automotive fuel supply systems; it sells both to the principal automobile manufacturers at a world-wide level (OEM customers) and to independent retailers and importers (After Market customers).

Landi Renzo S.p.A., has its headquarters in Cavriago (RE) and is the parent company of the Landi Renzo Group, which holds equity investments, directly and indirectly (through other sub-holding companies), in the capital of the companies through which it is active in Italy and abroad.

The company, listed on the Milan Stock Exchange in the FTSE Italy STAR segment, as the Parent Company, has prepared the consolidated financial statements of the Landi Renzo Group at 31 December 2015.

These financial statements are submitted to auditing carried out by the auditing firm KPMG S.p.A.

B) GENERAL CRITERIA FOR PREPARATION OF THE FINANCIAL STATEMENTS FOR THE PERIOD AND DECLARATION OF CONFORMITY

DECLARATION OF CONFORMITY WITH INTERNATIONAL ACCOUNTING STANDARDS AND BASIS OF PRESENTATION

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) (hereinafter IAS or IFRS) issued by the International Accounting Standards Board (IASB), as interpreted by the International Financial Reporting Interpretation Committee (IFRIC) and adopted by the European Union.
These financial statements were authorized for publication by the Board of Directors on 14 March 2016 and will be presented to the Shareholders' Meeting.
The financial statements at 31 December 2015 have also been prepared in accordance with the measures adopted by the Consob on financial statements, in application of art. 9 of Legislative Decree 38/2005 and other Consob requirements on financial statements.

The Group adopts an Income Statement format which shows cost items divided by nature, as this is considered more representative than the format showing said items by destination, since it complies with the internal reporting methods and international sector practices.
The Statement of Comprehensive Income includes the items forming the result for the period and income and charges stated directly under equity for transactions other than those performed with the shareholders. Transactions performed with shareholders and those of the net result are shown on the Statement of Changes in Equity.
The Statement of Financial Position is shown with the items divided between current and non-current assets and liabilities.
The Statement of Cash Flows uses the indirect method.
The accounting standards adopted at 31 December 2015 have also been applied uniformly to all the periods presented for comparative purposes, unless otherwise indicated.

GENERAL PREPARATION CRITERIA

The figures in the Statement of Financial Position, the Income Statement and the Statement of Comprehensive Income for the period are expressed in Euro, the functional currency of the Company, while the data contained in the Statement of Cash Flows, the Table of Changes in Equity and in these Explanatory Notes are expressed in thousands of Euro. Rounding up is performed on each individual account.

These financial statements, prepared on the assumption of business continuity, were prepared by applying the historical cost method, except for the items on the statement of financial position which, in compliance with the IFRS, are entered at *fair value* as specified under the valuation criteria.
The preparation of the financial statements in compliance with the IFRS requires judgements, estimates and assumptions that have an effect on the assets, liabilities, costs and revenues, and the final results may be different to those obtained through these estimates.

In relation to the presentation of the Financial Statements, the Company operated as follows:

- for the Statement of Financial Position, current and non-current assets and current and non-current liabilities are shown separately. Current assets, which include cash and cash equivalents, are those intended to be collected, sold or consumed within the company's normal operating cycle, and in any case within the twelve months following the end of the period; current liabilities are those for which settlement is foreseen within the company's normal operating cycle, and in any case within the twelve months following the end of the period;

- for the Income Statement, costs are analyzed according to their nature; the Statement of Comprehensive Income is presented according to the double prospectus method.
- the indirect method is used for the Statement of Cash Flows;
- the amounts of the positions or transactions with related parties, in observance of the requirements of CONSOB resolution no. 15519 of 27 July 2006, have been listed in the relevant statement in the Chapter "Other information" – paragraph 45 "Transactions with related parties" and in the specific table in Annexes 1 and 2.

C) ACCOUNTING STANDARDS AND VALUATION CRITERIA

ACCOUNTING STANDARDS AND VALUATION CRITERIA

As regards the IFRS that allow options in their application, the main choices operated by the Company are summarized below.

- IAS 1 – Presentation of Financial Statements: for the Statement of Financial Position, current and non-current assets and current and non-current liabilities have been stated separately. for the Income Statement, costs are analyzed according to their nature; the Statement of Comprehensive Income is presented according to the double prospectus method.
- IAS 2 – Inventories: the cost of the inventories is attributed by adopting the FIFO method;
- IAS 16 – Property, Plant and Equipment: valuation subsequent to initial accounting recording is performed using the cost method (cost model) after deduction of amortization and impairment losses;
- IAS 23 – Borrowing Costs: financial expenses, although attributable to the acquisition, construction or production of an asset, are recorded as a cost in the year in which they are incurred.
- IAS 27 – Investments in Subsidiaries: these are accounted for according to the cost criterion.

The most important accounting standards and valuation criteria used in the preparation of the financial statements for the year to 31 December 2015 are set out below.

CONVERSION OF ENTRIES INTO FOREIGN CURRENCY

The functional and presentation currency of Landi Renzo S.p.A. is the Euro (€). As required by IAS 21, transactions in foreign currency are initially recognized at the exchange rate in place on the date of the transaction. Monetary assets and liabilities in foreign currency are reconverted to the functional currency at the exchange rate in place on the closing date of the Financial Statements.

Non-monetary items valued at historical cost in foreign currency are converted using the exchange rate in force on the initial date that the transaction was recognized.

Non-monetary items measured at fair value are converted using the exchange rates at the date when fair value was determined.

The exchange differences realized at the time of collecting from debtors and paying creditors in foreign currency are entered in the income statement in the item exchange gain/losses.

LAND, PROPERTY, PLANT, MACHINERY AND EQUIPMENT

Tangible assets are stated at purchase or production cost including charges that are directly related and necessary for the asset start-up costs and, when relevant and in the presence of contractual obligations, the current value of the estimated cost for the dismantling and removal of such fixed assets. Tangible assets are not revalued; they are systematically depreciated on a straight-line basis according to their estimated useful life, using the following rates, which have not changed since the previous year, deemed consistent with their actual economic-technical use:

Categories	Depreciation period	Depreciation rates
Leasehold improvements - buildings	The lower between the residual economic usefulness of the improvement and the residual duration of the underlying contract	16.67 - 20%
Plant and machinery	Straight-line basis	10 - 17.5%
Industrial and commercial equipment	Straight-line basis	17.5 - 25%
Other assets	Straight-line basis	12 - 20 - 25%

The residual value and the useful life of tangible assets are reviewed at least at the closing of each period.
Routine maintenance costs are charged entirely to the Income Statement. Maintenance costs having an incremental nature are attributed to the tangible assets to which they refer and amortized in relation to the remaining useful life of the assets or, if less, until the moment at which a subsequent extraordinary maintenance operation may become necessary.
Costs capitalized for leasehold improvements are classified under property and amortized at the lower of the residual economic usefulness of the improvement and the residual duration of the underlying contract.
The financial expenses directly attributable to the acquisition, construction or production of a tangible asset are recognized in the income statement at the moment at which they are incurred, in accordance with the appropriate accounting treatment provided for by IAS 23.
The book value of the tangible assets is subjected to verification in order to discover any possible losses in value, using the methods described in the paragraph "Impairment Losses".
At the moment of the sale or when no future economic benefits are expected from the use of an asset, it is eliminated from the financial statements and any loss or profit (calculated as the difference between the sale value and the book value) is recognized in the income statement in the year of the aforementioned elimination.

DEVELOPMENT EXPENDITURE

An intangible asset, generated in the development phase of an internal project, which satisfies the IAS 38 definition, is entered as an intangible asset if the following conditions are satisfied:

- it is likely that the company will enjoy future benefits attributable to the asset;
- the cost of the asset can be reliably evaluated;
- the technical feasibility of the product is demonstrated;
- there is evidence of the company's intention to complete the development project;
- there is a reliable determination of the costs incurred for the project;
- the recoverability of the values entered is demonstrated with the future economic benefits expected from the result of the development project.

No cost incurred in the research phase is recorded as an intangible asset.
The amortization period only starts when the development phase is completed and is usually three years, based on the estimated duration of the benefits linked with the product developed. Capitalized development expenditure is stated at cost, minus accumulated amortization and any accumulated losses from impairment.

GOODWILL

The goodwill deriving from business combination transactions after 1st January 2005 is initially entered at cost, and represents the excess of the purchase cost over the purchaser's share of the net fair value referring to the identifiable values of existing and potential assets and liabilities.
Goodwill deriving from acquisitions made prior to 1 January 2005 is entered at the value recorded for that purpose in the last Financial Statements prepared according to the previous accounting policies (31 December 2004), subject to verification and recognition of any possible losses of value.
When the IFRS were initially adopted, as permitted by IFRS 1, acquisition transactions performed prior to 1 January 2005 were not reconsidered.
At the acquisition date, any goodwill emerging is allocated to each of the cash generating units (or “CGUs”) that are expected to benefit from the synergistic effects deriving from the acquisition. Taking into account the Group organizational structure and the methods in which control of operations is exercised, the CGU are identified as the individual *legal entities* forming the Group. After the initial recognition, since goodwill is regarded as an intangible asset with an indefinite life, it is no longer amortized and is decreased by any accumulated losses in value, determined as described below.
Goodwill is subjected to an analysis of recoverability on at least an annual basis, or even more frequently if events or changes in circumstances arise that could result in possible losses of value, identifying the CGUs which benefit from acquisition synergies.. Cash flows are discounted to the cost of capital as a function of the specific risks of the unit concerned. Impairment is stated when it emerges from the check on discounted cash flows that the recoverable value of the CGU is less than the book value and is stated as a priority under goodwill.
Any loss in value is identified through valuations that take as a reference the ability of each CGU to produce financial flows capable of recovering the portion of goodwill allocated to it. If the value recoverable by the CGU is less than the book value attributed, the corresponding loss in value is recognized. Such loss of value is restored if the reasons that generated it cease to exist.
On disposal of the company or a company unit from the acquisition of which goodwill emerged, the gains and losses are determined taking the residual value of goodwill into account. Any losses in value of goodwill stated on the Income Statement are not restored if the reasons that generated them cease to exist.

OTHER INTANGIBLE FIXED ASSETS

Other intangible assets with finite useful life, acquired or self-created, are capitalized when it is probable that use of the asset will generate future economic benefits and its cost can be measured reliably. These assets are initially recognized at purchase or development cost.
Intangible assets with a finite useful life are amortized on a straight-line basis over the estimated useful life as follows:

- Industrial patents and rights to use intellectual property: from 3 to 10 years
- Software, licenses and others: from 3 to 5 years;
- Trademarks: 10 years.

Costs incurred subsequently relating to intangible assets are capitalized only if they increase the future economic benefits of the specific asset capitalized and they are amortized on the basis of the aforementioned criteria according to the assets to which they refer.

IMPAIRMENT LOSSES

The Company performs an impairment test on the value of tangible and intangible assets at the date of the financial statements, if there is any indication that there may have been a loss in value of said assets.
A tangible or intangible asset suffers a reduction in value if it is not possible to recover, either through use or sale, the book value at which said asset is recorded in the financial statements. Therefore, the aim of the test (impairment test) provided for by IAS 36 is to assure that tangible and intangible fixed assets are not entered at a value greater than their recoverable value, which is the greater of the net sale price and the value of use.
The value of use is the current value of future financial flows that are expected to be generated by the asset or by the financial flow generating unit to which the asset belongs. The expected cash flows are discounted using a discount rate that reflects the current estimate of the market of reference referring to the cost of the money in proportion to the time and risks specific to the asset.
Management uses various assumptions in applying this method, including estimates of changes in revenues, the gross profit margin, operating costs, the growth rate of terminal values, investments, changes in operating capital and the weighted average cost of capital (discount rate) which combine in defining a medium-term plan, specifically aimed at performing an impairment test, revised at least annually and approved by the Board of Directors of the Parent Company. The principal hypotheses formulated in relation to the plans of CGUs relevant for the impairment test are indicated in note 4 of the consolidated financial statements, to which reference should be made for further details.
If the book value exceeds the recovery value, the assets or the cash generating units to which they belong are written down until they reflect the recovery value. Such losses are accounted for on the Income Statement.
The impairment test is carried out when conditions occur inside or outside the company that suggest that the assets have suffered a reduction in value. In the case of goodwill or other intangible assets with an indefinite useful life, the *impairment test* is carried out at least annually. If the conditions that resulted in the loss of value cease to exist, the same value is restored proportionally on the previously devalued assets until it reaches, at most, the value that such goods would have had, net of amortization calculated on the historical cost, in the absence of a prior loss of value. Restorations of value are recognized in the income statement.
The value of previously devalued goodwill is not restored, as provided for by the international accounting policies.
During analysis of the internal and external indicators provided for by IAS 36 to identify an indicator of impairment of non-current assets, it emerged that market capitalization at 31 December 2015 was higher than the equity of Landi Renzo S.p.A.. at the end of the year; however, at the date when these financial statements were approved, said difference was negative, so the company checked that the book value of the assets of each CGU at the date of the financial statements was lower than the corresponding use value, using the estimates already made during the normal process of preparation of the financial statements.
In particular, the Company performed specific impairment tests for all CGU in which it operates, to check that the value of the most significant equity investments, intangible assets and prepaid taxes stated at 31 December 2015 had not changed.

EQUITY INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES AND JOINT VENTURES

Investments in subsidiary companies are evaluated using the cost method including directly related costs, adjusted according to impairment losses, in accordance with the provisions of IAS 27. Applying the cost method, the parent company states income on the investment solely if the subsidiary has resolved to pay out dividends.

In the case where there is evidence of events indicative of long term impairment, the value of the investments is subjected to an impairment test according to the provisions of IAS 36. The original value is restored in subsequent years if the reasons for write-down cease to exist.
The risk deriving from any losses exceeding the cost is recorded under provisions, to the extent to which the Company is obliged or intends to be responsible for it.
Equity investments in *joint ventures* are companies for which an agreement existed at the date when the financial statements were prepared, whereby Landi Renzo S.p.A. has similar rights on net assets, rather than rights on assets, and accepts obligations for liabilities.
Equity investments in *joint ventures* are stated using the equity method, considered to represent their *fair value*.

OTHER NON-CURRENT FINANCIAL ASSETS

This category includes loans granted to Group companies which are due for repayment beyond 12 months and equity investments in other ventures.
Non-current financial assets are initially stated at their fair value at the date of negotiation (which is the purchase cost), minus the costs of the transaction directly attributable to purchase.
After the initial recognition, financial instruments held until they fall due are measured at amortized cost, using the effective interest method.
The effective interest rate is the rate which discounts future cash flows precisely, estimated for the entire expected life of the instrument, at its net book value.
An impairment test is performed at the date of the financial statements to ascertain whether there is any objective evidence of a loss in value of each non-current financial asset.
If there is objective evidence of this impairment, the amount of the loss is measured as the difference between the book value of the investment held until maturity and the discounted future cash flows, estimated as discounted to the original effective interest rate of the financial asset.
Any impairment is stated immediately on the income statement.
If total impairment decreases in subsequent years and said decrease is linked to an event occurring after the loss in value has been stated, said loss is reversed and the value is restored on the income statement.

NON-DERIVATIVE FINANCIAL INSTRUMENTS

Loans and receivables are recognized when they occur. All other financial assets are recognized for the first time when the Company becomes a party to the contractual provisions of the instrument.
Financial assets are initially measured at cost, which corresponds to their *fair value* increased by ancillary charges.
After initial recognition, assets held for trading are classified under current financial assets and measured at *fair value*; gains or losses from this measurement are stated on the income statement.
Assets possessed with the intention to keep them until expiry are classified among the current financial assets if the expiry date is within less than one year, and non-current if greater, and are subsequently valued with the principle of amortized cost. Consequently, the initial value is then adjusted to take into account repayments of capital, any write-downs and amortization of the difference between the repayment amount and the initial book value. Amortization is applied on the basis of the internal effective interest rate, represented by the interest rate that aligns, on initial recognition, the present value of expected cash flows and the initial value (so-called amortized cost method). If there is objective evidence indicating impairment, the asset value is decreased to the discounted value of the future flows obtainable from it. Such losses are recognized in the income statement. If,

in subsequent periods, the reasons for the preceding write-downs no longer exist, the value of the asset is restored to the amount that would have derived from applying the amortized cost without write-down.

INVENTORIES

Inventories of raw materials, components, semi-finished and finished products are stated at the lower value between cost, measured according to the FIFO method, net realization value expected from their sale in the normal course of business.
The measurement of inventories includes the direct costs of materials and labour and the indirect costs of production (variable and fixed), determined on the basis of normal production capacity.
Where necessary, depreciation funds are calculated for obsolete stocks or those with a slow turnaround taking account of their future possibility of use or recovery.

TRADE RECEIVABLES AND OTHER RECEIVABLES

Receivables are initially recognized at *fair value*. The initial value is subsequently adjusted to take into account repayments of capital, any write-downs and the amortization of the difference between repayment amount and initial value. Amortization is made on the basis of the internal effective interest rate, represented by the interest rate that aligns, on initial recognition, the present value of expected cash flows and the initial value (so-called amortized cost method). If there is objective evidence indicating impairment, the asset value is decreased to the discounted value of the future flows obtainable from it. Such losses are recognized on the Income Statement. If, in subsequent periods, the reasons for the preceding write-downs no longer exist, the value of the asset is restored to the amount that would have derived from applying the amortized cost without write-down. The provision for bad debts, determined in order to measure receivables at their effective realization value, includes write-downs recognized in order to take account of objective indications that trade receivables are impaired. Write-downs, which are based on the most recent information available and management's best estimate, are recognized in such a way as to decrease impaired assets to the present value of future cash flows obtainable from them.
The provision for bad debts is classified in the reduction of the item “Trade receivables”.
Allocations made to the provision for bad debts are classified in the Income Statement under the item “Accruals, impairment losses and other operating expenses”; the same classification was used for any utilizations and permanent losses of trade receivables.

ASSIGNMENT OF RECEIVABLES

The Group is permitted to assign part of its trade receivables through factoring transactions. The operations for assignment of receivables can be with or without recourse; some non-recourse assignments include deferred payment clauses (for example, the payment by the factor of a minority part of the purchase price is subordinate to the total collection of receivables), requiring an exemption on the part of the assignor or implying the maintenance of significant exposure to the progress of the financial flows deriving from the receivables assigned.
This type of operation does not meet the requirements laid down by IAS 39 for eliminating assets from the balance sheet, since the associate benefits and risks have not be transferred substantially.
Consequently, all the receivables assigned through factoring operations that do not meet the requirements for elimination established by IAS 39 continue to be recorded in the Financial Statements of the Company, although they have been legally assigned; a financial liability for the same amount is recorded in the consolidated

financial statements as Payables for Advances on Assignment of Receivables. Profits and losses related to assignment of these assets are recorded only when they are eliminated from the Statement of Financial Position of the Company.
At 31 December 2015, Landi Renzo S.p.A. had only performed assignments of trade receivables without recourse that meet all the requirements established by IAS 39 for the *derecognition* of such receivables.

CASH AND CASH EQUIVALENTS

The item relating to cash and cash equivalents includes, primarily, bank deposits repayable on demand, as well as cash on hand and other short-term investments that are highly convertible (convertible into cash and cash equivalents within ninety days). Cash and cash equivalents are valued at *fair value*, which usually coincides with their nominal value; any changes are recognized on the Income Statement. The current account overdraft, if utilized, is shown among the “Short-term financial liabilities”.
For the purposes of representing cash flows for the period, when drawing up the Cash Flow Statement, short term bank debts are represented among the cash flows of the financing activities, since they are for the most part attributable to bank advances and short term bank loans.

SHARE CAPITAL AND OTHER EQUITY ITEMS

The share capital is made up of the ordinary shares in circulation.
The costs relating to the issue of new shares or options are classified in equity (net of the associated tax benefit) as a deduction of the income deriving from the issue of such instruments.
As provided for by IAS 32, if equity instruments are repurchased, such instruments (treasury shares) are recognized as a direct deduction from Equity under the item “Other Reserves”. Gains or losses are not recognized on the Income Statement when treasury shares are purchased, sold or cancelled.
The consideration paid or received, including any cost directly incurred and attributable to the capital transaction, net of any related tax benefit, is directly recognized as an Equity transaction.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are set aside to cover current obligations - legal or implicit - deriving from past events, for which a reliable estimate of the amount required to settle the obligation can be made at the end of the year. Provisions for risks and charges are stated if said charges are likely to be incurred. Any change in the estimate of provisions is reflected on the Income Statement in the period when it occurs.
If a liability is regarded as merely potential, no allocation to provisions for risk and charges is made and only adequate information is provided in these notes to the financial statements.
When the financial effect of time is significant and the date of cash outflows associated with the obligation can be reliably determined, the estimated cost is discounted to the present value using a rate reflecting the cost of money and the specific risks connected to the liability. After discounting, the increase in the provision due to the passage of time is recognized as a financial charge.
The product warranty provision is stated on sale of the underlying goods or supply of the underlying services. The provision is determined using historical information on warranties and by weighting the probability associated with possible results.

EMPLOYEE BENEFITS

Defined benefit plans

Defined benefit plans are represented by the TFR (employee severance indemnity) contributions accrued up to 31 December 2006 for the employees of the Company. These are valued in accordance with IAS 19 by independent actuaries, using the projected unit funding method.

This calculation consists in estimating the amount of benefit that an employee will receive at the expected retirement date, using demographic assumptions (such as, for example, death rate and personnel turnover rate) and financial assumptions (such as, for example, discount rate and future salary increases). The amount thus determined is discounted to the present value and re-proportioned based on the accrued length of service compared to the total length of service and represents a reasonable estimate of the benefits that each employee has already accrued because of his/her service. The discount rate used derives from the curve of rates on Markit iBoxx € Corporate AA 10+ bonds at year's end, with a similar maturity date to the bond held for employees.

Discounted profits and losses, returns on the assets servicing the plan (excluding interest) and the effect of the maximum amount of the asset (excluding any interest) which emerge following revaluation of net liabilities for defined benefit plans are stated immediately in other items of the Statement of Comprehensive Income. Net interest and other costs of defined benefit plans are stated under profit/(loss) for the year.

Defined contribution plans

Defined contribution benefit plans are post-employment benefit plans under which the entity pays fixed contributions into a separate entity and has no legal or implicit obligation to pay further contributions. The contributions to defined contribution plans are recognized as an expense in profit or loss in the periods in which the employees provide their work. Contributions paid in advance are recorded as assets to the extent that the advance payment will result in a reduction in future payments or a refund.

TRADE PAYABLES

Trade payables are stated at the fair value of the initial consideration received in exchange and subsequently measured at amortized cost, using the effective interest method. Trade payables with due dates that fall under normal sales terms are not discounted to the present value.

FINANCIAL LIABILITIES

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. These financial liabilities are initially recognized at *fair value*, net of any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

RECOGNITION OF REVENUES

Revenues are recognized to the extent that it is probable that the economic benefits will be achieved and the relative amount can be reliably determined. Revenues and income are entered in the financial statements net of returns, allowances, discounts and premiums, as well as the taxes directly connected with the sale of products or performance of services. Revenues are recorded in the income statement only if it is likely that the company will benefit from the cash flows associated with the transaction. Revenues from the sale of products are recognized when the risks and benefits connected with ownership of the assets are transferred to the purchaser; this moment generally coincides with the shipment date. Revenues from services rendered (generally consisting of technical consultancy provided to third parties) are accounted for in the income statement on the basis of the percentage of completion at the date of the financial statements.

GRANTS

Grants from public and private bodies are recognized at *fair value* when it is reasonably certain that they will be received and the conditions for receiving them will be met.

Grants related to income (provided as immediate financial assistance to an entity or to cover expenses and losses incurred in a previous year) are fully recognized in the Income Statement when the above-mentioned conditions, necessary for their recognition, are met.

No capital contributions were obtained in the year in question.

COSTS

Costs are recognized in so far as it is possible to reliably determine that economic benefits will flow to the company. Costs for services are recognized for the year in question at the moment that they are received.

For accounting purposes, *leases* and hire contracts are classified as operational if:

- the lessor retains a significant share of the risks and the benefits associated with the property,
- there are no purchase options at prices that do not reflect the presumable market value of the rented asset at the end of the period,
- the duration of the contract does not represent the greater part of the useful life of the leased or hired asset.

The related charges are stated on the Income statement on a straight-line basis distributed according to the duration of the underlying contracts.

DIVIDENDS

Dividends payable by the Company are shown as changes in equity in the year in which they are approved by the shareholders.

Dividends to be received by the Company are recognized on the Income Statement on the date on which the right to receive them matures.

FINANCIAL INCOME AND CHARGES

Income and charges of a financial nature are recognized on an accrual basis, on the basis of the interest accrued on the net value of the related financial assets and liabilities, using the effective interest method, as set forth by paragraph 9 of IAS 39.

TAXES

Income taxes include current and deferred taxes. Income taxes are generally stated on the Income Statement, except when they refer to items directly accounted for in equity. In this case, the related income taxes are also directly stated under equity. Current taxes are income taxes expected to be paid or received, calculated by

applying the rate applicable at the date of the financial statements to the taxable income or tax losses for the year.
Deferred taxes are calculated using the so-called liability method on the temporary differences between the book values of assets and liabilities in the financial statements and their corresponding tax values. Deferred tax assets and liabilities are not stated on goodwill and on assets and liabilities which do not influence taxable income. Deferred taxes are calculated on the basis of the tax rate that is expected to be in force when the asset is realized or the liability is settled. Deferred tax assets (hereafter also called “prepaid taxes”) are recognized only when it is likely that taxable profits sufficient to realize these assets will be generated in future years. Deferred tax assets and liabilities are offset only for homogeneous expiry dates, when there is a legal right to offset and when they refer to recoverable taxes due to the same tax authority. Income tax deriving from distribution of dividends is stated when the liability relating to their payment is recognized.
Recoverability of deferred tax assets is checked at the end of each period, on the basis of plans duly approved by the Board of Directors and taking the tax consolidation indicated below into account, and any part for which recovery is unlikely is stated on the Income Statement.
Since 2014, the company has adhered, as the consolidating company, to the national consolidation tax scheme pursuant to articles 117 and 129 of the Italian Consolidated Income Tax Act (T.U.I.R) with the other Italian companies of the Group.
It will do so unto 2016 and may continue to do so afterwards.
According to this procedure, the consolidating company identifies a single taxable base for the group of companies adhering to the national consolidation tax scheme and may therefore offset taxable income against tax losses on a single tax returns form. Each company adhering to the national consolidation tax scheme transfers its taxable income (or tax loss) to the consolidating company. The consolidating company states receivables from the consolidated company which are equal to the IRES (corporate income tax) to be paid. If the companies have tax losses, the consolidating company states payables equal to the IRES on the part of the loss transferred at Group level.

COMMUNICATION ON FINANCIAL INSTRUMENTS

In accordance with the provisions of Accounting Standard IFRS 7, supplementary information is supplied on the financial instruments in order to evaluate:

- the impact of the financial instruments on the Statement of Financial Position, on the economic result and on the cash flows of the company;
- the nature and size of the risks deriving from financial instruments to which the company is exposed, as well as the methodologies with which such risks are managed.

USE OF ESTIMATES AND ASSESSMENTS

The preparation of Financial Statements in accordance with the IFRS (International Financial Reporting Standards) requires application of accounting standards and methods that are sometimes based on subjective assessments and estimates based, in turn, on past experience and assumptions that are considered reasonable and realistic given the circumstances. Application of these estimates and assumptions affects the amounts presented in the financial statements, such as the Statement of Financial Position, the Income Statement and the Statement of Cash Flows, and in disclosures provided.
Please note that the situation caused by the current economic and financial scenario has resulted in the necessity to make assumptions on future performance that are characterized by significant uncertainty. Therefore it cannot be excluded that results different to those estimated may be realized in the coming years.

Such results could therefore require adjustments, that may even be considerable, which cannot obviously be either estimated or predicted at this stage, to the book value of the relative items.
The items on the financial statements that most require greater subjectivity on the part of the directors in producing the estimates and for which a change in the conditions underlying the assumptions used can have a significant impact on the financial statements are listed below:

- Valuation of fixed assets;
- Recoverability of development expenditure;
- Valuation of deferred tax assets;
- Valuation of provisions for bad debts and obsolete inventories;
- Valuation of employee benefits;
- Valuation of provisions for risks and charges.

The estimates and assumptions are reviewed periodically and the effects of each variation are immediately reflected on the Income Statement.

MOST IMPORTANT ACCOUNTING STANDARD THAT REQUIRE A GREATER DEGREE OF SUBJECTIVITY

A description is provided below of the most significant accounting standards that require, more than the others, greater subjectivity on the part of the directors in producing the estimates and for which a change in the conditions underlying the assumption used may have a significant impact on the financial data of the company.

Valuation of receivables

Trade receivables are adjusted with the relevant depreciation fund in order to take account of their effective recoverable value. The determination of the amount of depreciation carried out requires the directors to make subjective evaluations based on the documentation and on the information available, also in relation to the solvency of the customer, as well as on experience and historical trends.
The continuation of the current economic and financial situation and its possible aggravation could lead to further deterioration in the financial conditions of the Company's debtors beyond that already taken into consideration prudentially in quantifying the write-downs recorded in the financial statements.

Valuation of goodwill and intangible assets in progress

In accordance with the accounting standards applied by the Company, goodwill and intangible assets in progress are subjected to annual verification (impairment test) in order to assess whether they have suffered a reduction in value, which is established by means of an impairment test, when the net book value of the unit generating the cash flows to which these items are allocated appears to be greater than its recoverable value (defined as the greater value between the value of use and the fair value of the same). The above mentioned value confirmation check necessarily requires subjective evaluations to be made based on the information available within the Company, and on the reference market outlook and historical trends. In addition, whenever it is supposed that a potential reduction in value could be generated, the Company determines said reduction using those evaluation techniques considered suitable. The same value tests and evaluation techniques are applied to intangible and tangible assets with a defined useful life when indicators exist that predict difficulties in recovering the corresponding net book value. The correct identification of elements indicative of the existence of a potential reduction in value as well as the estimates for determination of the reduction depend principally on factors that can vary over time, even significantly, therefore influencing the evaluations and estimates made by the directors.

Provisions for risks

Establishing whether or not a current obligation (legal or implied) exists is in some cases difficult to determine. The directors assess such phenomena on a case by case basis, together with an estimate of the amount of the economic resources required in order to meet that obligation. When the directors consider that is merely possible that liabilities may arise, the risks are indicated in the appropriate information section on commitments and risks, without resulting in any allocation in the financial statements.

Defined benefit plans

The Company offers defined benefit plans to some of its employees. Using the services of experts and actuaries, management used various statistical assumptions and evaluation factors to calculate the charges and the current value of assets and liabilities relating to these plans. The assumptions relate to the discount rate, the expected return on the assets servicing the plan, the rates of future salary increases, demographic trends, the inflation rate and expected health costs. The actuaries consulted also use subjective factors, such as mortality and resignation rates.

Provision for product warranties

Based on product sales, the Company allocates provisions according to the costs estimated as likely to be incurred for product warranties. *Management* establishes the value of such provisions on the basis of historical information on the nature, frequency and average cost of operations carried out under warranty and on the basis of specific contractual agreements.
The Company strives to improve the quality of its products and to minimize the burden deriving from operations under warranty

Potential liabilities

The Company is subject to lawsuits regarding a number of disputes that were submitted to the jurisdiction of various States. Given the inherent uncertainty of these disputes, it is difficult to predict with certainty the resulting financial cost, or the time frame within which it will arise. The lawsuits and disputes against the Company derive primarily from complex legal problems, that are subject to varying degrees of uncertainty, considering the facts and circumstances involved in each dispute and the different laws applicable. To assess the risks deriving from potential liabilities of a legal nature correctly and prudentially, management periodically obtains information on the situation from its legal advisers. The Company establishes a liability in relation to such disputes when it considers it likely that a financial cost will occur and when the amount of the resulting losses can be reasonably estimated.

Valuation of closing inventories

Closing inventories of products with characteristics of obsolescence or slow turnaround are periodically subjected to tests for their correct valuation. and are written down where the recoverable value thereof is less than the book value. The write-downs carried out are based, primarily, on assumptions and estimates of management deriving from its experience and the historical results achieved.

Valuation of deferred tax assets

The valuation of deferred tax assets is made on the basis of taxable income expected in future years and expected tax rates at the date when the temporary differences are expected to occur, insofar as they are considered applicable in the future. The measurement of such expected profits depends on factors that may change over time and have a significant impact, therefore, on the valuation of deferred tax assets.

Transactions with related parties

The Company deals with related parties under contractual conditions considered to reflect the arm's length conditions on the markets in question, taking account of the characteristics of the goods and services supplied and received.

ACCOUNTING STANDARDS AND AMENDMENTS EFFECTIVE FROM 1 JANUARY 2015 BUT NOT RELEVANT FOR THE COMPANY

On 12 December 2012, the IASB issued a set of amendments to the IAS/IFRS ("Improvements relating to the 2011-2013 cycle"). This led to changes in: (i) IFRS 3, clarifying that IFRS 3 is not applicable in stating the accounting effects relating to the creation of a joint venture or joint operation (as defined by IFRS 11) on the financial statements of joint ventures or joint operations; (ii) IFRS 13, clarifying that the requirement contained in IFRS 13, according to which it is possible to measure the fair value of a set of financial assets and liabilities on a net basis, is applied to all contracts (including non-financial contracts) to which IAS 39 or IFRS 9 apply; (iii) IAS 40, clarifying that it is necessary to refer to the requirement of IFRS 3 to establish when purchase of a property investment is a business combination.

IFRIC 21 Levies - On 20 May 2013, the IASB published the interpretation in question. IFRIC 21 clarifies that an entity may not state a liability for levies before the event to which payment is linked occurs, in accordance with applicable law. For payments which are only due when a specific minimum threshold is exceeded, the liability is only stated when said threshold is reached.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPLICABLE AND NOT ADOPTED IN ADVANCE BY THE COMPANY OR NOT APPLICABLE

The new accounting standards or amendments to existing ones which are applicable for years starting after 1 January 2016, for which application in advance is allowed, are indicated below. The Group has decided not to adopt them in advance for preparation of these consolidated financial statements.

IFRS 9 Financial Instruments

Published in July 2014, IFRS 9 replaces IAS 39 Financial instruments: recognition and measurement. IFRS 9 introduces new requirements for classification and measurement of financial instruments, a new model for expected losses for calculation of losses from impairment of financial assets and new general requirements for hedge accounting. It also includes the requirements for recognition and elimination of financial instruments in line with the current IAS 39. IFRS 9 is applied for years starting on or after 1 January 2018. Adoption in advance is permitted.

IFRS 15 Revenue from contracts with customers

IFRS 15 introduces a general comprehensive framework for establishing whether, when and in which amount revenues are recognized. This standard replaces the recognition criteria indicated in IAS 18 Revenues, in IAS 11 Work in progress on orders and in IFRIC 13 Customer Loyalty Programmes. IFRS 15 is applied for years starting on or after 1 January 2018. Adoption in advance is permitted.

Changes to IFRS 11 Joint Arrangements

The changes to IFRS 11 require a joint operator accounting for the acquisition of a stake in a joint arrangement, the assets of which represent a business, to apply the relevant standards of IFRS 3 on accounting of business combinations. The changes clarify that, if joint control is not maintained, the stake previously held in a joint arrangement is not subject to remeasurement at the moment of acquisition of a further stake in the same joint arrangement. An exclusion from the scope of IFRS 11 has also been added, to clarify that the changes are not applied when the parties sharing control, including the entity which prepares the financial statements, are under the joint control of the same parent company.
The changes are applied both to acquisition of the initial stake in a joint arrangement and to the acquisition of any further stake in the same joint arrangement. The changes must be applied in future for years which start on or after 1 January 2016 and application in advance is permitted. No impact on the Group from application of these changes is expected.

Changes to IAS 1: Presentation of Financial Statements

On 18 December 2015, the European Union issued regulation 2015/2406, which adopts the changes aimed at improving effectiveness of information and at encouraging companies to decide the information to include in the financial statements with a professional opinion, in application of IAS 1. The changes will be applied from the financial year starting on 1 January 2016.

Changes to IFRS 10 and to IAS 28: Investments in associates and joint ventures

On 11 September 2014, the IASB published the amendments in question, which are aimed at eliminating the conflict between the requirements of IAS 28 and IFRS 10 and clarifies that a the extent to which it is possible to recognise a profit or loss in a transaction involving an associate or joint venture depends on the asset being sold or contributed being a business. In December 2015, the IASB published an amendment which postponed entry into force of these changes for an indefinite period.

Changes to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and amortization

The changes clarify the principle contained in IAS 16 and in IAS 38 that revenues reflect a model of economic benefits which are produced by management of a business (of which the asset forms part), rather than the economic benefits which occur with use of the asset. A revenue-based method therefore cannot be used for depreciation of property, plant and machinery and could only be used in very limited circumstances for amortization of intangible assets. The changes must be applied in future for years which start on or after 1 January 2016 and application in advance is permitted. Application of these changes is not expected to have any impact on the Group, as it does not use revenue-based methods for amortization of its non-current assets.

Amendment to IAS 27 – Separate Financial Statements;

On 12 August 2014, the IASB published an amendment to the standard which will allow the entity to use the equity method to state investments in subsidiary companies, joint ventures and associated companies on the separate financial statements. This change is applicable from 1 January 2016.

Amendment to IFRS 10, IFRS 12 and IAS 28 – Investment entities: application of the exception to consolidation

On 18 December 2014, the IASB published the amendments in question, which are aimed at resolving problems deriving from application of the exception to consolidation envisaged for investment entities. The date of first application introduced by the IASB is years starting on or after 1 January 2016. Application in advance is permitted.

RISK ANALYSIS

In accordance with the requirements of Accounting Standard IFRS 7, the following analysis is provided regarding the nature and extent of risks deriving from financial instruments to which the company is exposed, as well as the methodologies with which such risks are managed.

The main risks are reported and discussed at the Top Management level of the Company in order to create the prerequisites for their hedging, insurance and for the assessment of the residual risk.

Interest rate risk

The Company is exposed to the interest rate risk associated with both cash in hand and with medium to long term loans. The exposure refers mainly to the Euro zone. As regards exposure to the risk of interest rate volatility, note that the financial indebtedness with banks is regulated primarily by variable interest rates. Therefore, the financial management of the Company remains exposed to fluctuations in interest rates, since, at the date of these financial statements, it had no hedging instruments to cover changes in interest rates on loans with banks.

Any deterioration in economic and financial performance of the company could lead to a reduction in the credit rating assigned by financial institutions, which could limit access to sources of funding, as well as increasing financial charges, with consequent negative effects on prospects and results.

Interest rate risks were measured using *sensitivity analysis* and the potential impacts of Euribor interest rate fluctuations on the financial statements at 31 December 2015 were analyzed with particular reference to cash and cash equivalents and to loans. The increase of 50 *basis points* on the Euribor, like all the other variables, would have produced an increase in financial costs for the Company of Euro 277 thousand in comparison to an increase of financial income equal to Euro 65 thousand.

Exchange risk

The Company sells part of its production and, although to much lesser degree, also purchases some components also in countries outside the Euro zone.

In relation to the exchange risk, note that the amount of the equity balances expressed in currency other than the Euro is to be considered as insignificant. The Company has not subscribed to instruments to cover exchange rate fluctuations and, in accordance with the company's policy up to this moment, no derivatives are subscribed solely for trading purposes. Therefore, the Company remains exposed to the exchange rate risk on the balances of the assets and liabilities in foreign currency at year end which, in any case, as mentioned, are not to be considered as significant.

Credit risk

Credit risk is the risk that a customer or one of counterparts of a financial instrument causes a financial loss through failure to fulfil an obligation and derives primarily from trade receivables, from other financial assets and from guarantees that may have been given by the company.

<u>Trade receivables and other receivables</u>

The Company deals mainly with known and reliable customers. It is Company policy to subject customers requesting extended payment conditions to procedures for checking their credit class. This check also includes external assessments when available. Sales limits are established for each customer, which represent the maximum line of credit, beyond which direct approval by management is required. The credit limits are reviewed periodically and the customers who do not satisfy the creditworthiness conditions established by the company can then make purchases only by payment in advance. In addition, the balance of the receivables is monitored on a fortnightly basis over the period, in order to minimize exposure to the risk of losses. Finally, regarding new customers and those not operating in EU countries, a letter of credit to guarantee successful collection is normally used, where possible.

As of 2008, the Parent Company insures part of its foreign receivables not guaranteed by letters of credit through a leading Insurance Company and uses non-recourse assignment of credit. The company allocates a provision for loss of value that reflects the estimated losses on trade receivables and on other receivables, made up primarily of individual write-downs of significant exposures.

Lastly, please note that the persistence or deterioration of the current economic and financial crisis could have an impact, even significantly, on the capacity of some client companies to regularly meet their obligations with the Company.

Other financial assets

The credit risk regarding the other financial assets of the Company, including cash and cash equivalents, presents a maximum risk equal to the book value of these assets in the case of insolvency of the counterpart.

Guarantees

Company policies provide for the issue of financial guarantees in favour of subsidiary companies, but not Joint Ventures. At 31 December 2015, the company Group did not have any financial guarantees for a significant amount in place.

Liquidity risk

The liquidity risk is the risk that the Company may have difficulty in meeting obligations associated with financial liabilities.

The Company manages the liquidity risk by maintaining an adequate level of available financial resources and bank credit granted by the main credit institutions, in order to satisfy the finance requirements of the operational activity.

Any deterioration in economic and financial performance of the company could lead to a reduction in the credit rating assigned by financial institutions, which could limit access to sources of funding, as well as increasing financial charges, with consequent negative effects on prospects and results.

The current context of the markets in which the company operates, including financial markets, requires particular attention in managing the liquidity risk and, to this end, particular attention is given to the actions aimed at generating financial resources with operating activities and at maintaining an adequate level of cash and cash equivalents as an important factor in facing the coming years. For this purpose, the Company increased use of assignment without recourse of trade receivables, aimed at producing high liquidity and reducing net operating capital. It also issued a five-year Bonded Loan during the year.

Therefore, the Company expects to deal with the necessities arising from receivables falling due and from investments planned by means of flows deriving from operating activities, available liquidity, and the renewal or refinancing of bank loans.

Several loan agreements signed by the company, and also the “LANDI RENZO 6.10% 2015-2020” Bonded Loan, include financial covenants and failure to comply with them could lead to the obligation of early repayment of said loans.

Due to deterioration of economic and financial trends in 2015, all financial payables subject to *covenants* which were not satisfied were classified as short-term. Formal commitments not to apply the contractual terms (waivers) were obtained from all the financial institutions, and also the Bondholders' Meeting, and measurement of the covenants was deferred to 2016, as described in Notes 22 and 23 below.
See the Director's' Report for all further information on risk factor analysis pursuant to art. 154-ter TUF (Finance Consolidation Act).

D) EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

1. SEGMENT REPORTING

Please refer, as provided for by IAS 14 paragraph 6, to the analysis provided in the consolidated financial statements.

NON-CURRENT ASSETS

2. LAND, PROPERTY, PLANT, MACHINERY AND EQUIPMENT

Net tangible assets show a net increase of Euro 869 thousand, increasing from Euro 21,197 thousand at 31 December 2014 to Euro 22,066 thousand at 31 December 2015.
The following is an analysis of changes in the historical costs of tangible assets during the period (thousands of Euro):

(Thousands of Euro)

Historic cost	31/12/2014	Acquisitions	(Disposals)	Other changes	31/12/2015
Land and buildings	114				114
Plant and machinery	25,455	609	-724	100	25,440
Industrial and commercial equipment	25,959	2,697	-449	2,749	30,956
Other tangible assets	7,083	182	-119	7	7,153
Assets in progress and payments on account	3,458	2,366	-484	-2,856	2,484
Total	**62,069**	**5,854**	**-1,776**	**0**	**66,147**

(Thousands of Euro)

Depreciation funds	31/12/2014	Depreciation amounts	(Disposals)	Other changes	31/12/2015
Land and buildings	95	5			100
Plant and machinery	15,626	1,739	-593		16,772
Industrial and commercial equipment	19,586	2,157	-440		21,303
Other tangible assets	5,565	460	-118		5,907
Total	**40,872**	**4,361**	**-1,151**	**-**	**44,082**

The following is the overall analysis of changes in net tangible assets during the period (thousands of Euro):

(Thousands of Euro)

Net value	31/12/2014	Acquisitions	(Disposals)	Depreciation amounts	Other changes	31/12/2015
Land and buildings	19	-	0	-5	0	14
Plant and machinery	9,829	609	-131	-1,739	100	8,668
Industrial and commercial equipment	6,373	2,697	-9	-2,157	2,749	9,653
Other tangible assets	1,518	182	-1	-460	7	1,246
Assets in progress and payments on account	3,458	2,366	-484	0	- 2,856	2,484
Total	**21,197**	**5,854**	**-625**	**-4,361**	**0-**	**22,066**

The item Land and Buildings includes the improvements to real estate leased from third parties.
The item Plant and Machinery includes machinery owned by the company and used for production .
The item Industrial and Commercial Equipment includes moulds, testing and control instruments.
The item Other Tangible Assets is made up mostly of electronic processors, motor vehicles, internal transport vehicles and furnishings.
The item Fixed Assets in Progress and Payments on Account includes mainly the investments made at 31 December 2015 in fixed assets still to be completed, particularly completion of the new machine room of the server for management of company data and several production lines and plants still to be completed.

The main increases in tangible assets during the period in question relate to:

- Purchase of generic and specific plant and machinery totalling Euro 609 thousand, relating principally to general plant completing the test area of the New Technical Centre, and also component production lines;
- Purchase of new moulds and templates for Euro 611 thousand
- Purchase of equipment for Euro 323 thousand referring primarily to the purchase of equipment intended for assembly and functional testing of production components;
- Purchase of testing and control instruments for Euro 1,763 thousand, relating primarily to completion of the exhaust gas test room and test;
- Purchase of furniture, electronic office machines and transport vehicles for Euro 182 thousand.

The principal decreases in tangible assets for the year relate to disposals of plant and machinery, testing and control equipment, and also motor vehicles already completely amortized.

3. DEVELOPMENT EXPENDITURE

The following is an analysis of changes in development expenditure during the period (thousands of Euro):

(Thousands of Euro)

	31/12/2014	Acquisitions	(Amortization)	Other Changes	31/12/2015
Development expenditure	**5,754**	3,844	-3,427	0	**6,171**

Development expenditure, totalling 6,171 thousand (Euro 5,754 thousand at 31 December 2014), includes the costs incurred by the Company for internal personnel, for services rendered by third parties and the costs of the test room, for projects satisfying the requirements of IAS 38 in order to be recognized in net assets. In particular, costs capitalized during the period refer to innovative projects, not available previously, aimed at new market segments, capable of expanding and optimizing the product range, the value of which is expected to be recovered through revenue flows generated in future years, such as:

- After Market Project (LPG and CNG) for development of new kits and components and also adaptation of the product range to the new vehicles / engines;

- OEM Market Project (LPG and CNG) for development of new kits and components and also adaptation of the product range to the new vehicles / engines;

- EPR *Electronic gas pressure regulator* project (CNG) for the new engines / vehicles;

- New high-performance injectors project (Base technology OEM) for the After Market segment.

Development activities continued during the initial months of 2016 and they are expected to continue for the rest of the current year. There are no indicators of lasting losses for such activities, the development phase of which is expected to be completed by the end of the current year.
To evaluate any losses in value of capitalized development costs, the Company attributes such costs to the corresponding specific projects and evaluates their recoverability, calculating the value of use with the discounted financial flows method.

4. GOODWILL AND OTHER INTANGIBLE ASSETS WITH FINITE USEFUL LIVES

This item is shown in detail below (thousands of Euro)

(Thousands of Euro)

Other intangible assets with finite useful lives	Net Value at 31/12/2014	Acquisitions	(Amortization)	(Write-downs)	Net Value at 31/12/2015
Goodwill	2,548			-2,548	-
Patents and intellectual property rights	879	457	-489		847
Concessions and trademarks	117	19	-20		116
Total	**3,544**	**476**	**-509**	**-2,548**	**963**

At 31 December 2015, this item totalled Euro 963 thousand (Euro 3,544 thousand at 31 December 2014), and substantially includes rights to use intellectual property, the purchase of licences concerning operating applications for Euro 847 thousand and concessions and trademarks for Euro 116 thousand.

The decrease compared with 31 December 2014 is attributable for Euro 2,548 thousand to impairment of goodwill, deriving from acquisition of the company unit of the merged company Med S.p.A., stated at 31 December 2015 following an impairment test. See Note 5 for the impairment test procedure and the principal parameters used for Italian companies:

5. INVESTMENTS IN SUBSIDIARIES

This item is shown in detail below (thousands of Euro)

(Thousands of Euro)

Investments in subsidiaries	31/12/2014	Increases	Use of Provision	Impairment losses	Other Changes	Net Value at 31/12/2015
Equity investments	111,737	89		-8,749		103,076

The following are the changes in equity investments:

(Thousands of Euro)

	Initial value	Increases	Use of Provision	Impairment losses	Other Changes	Final value
LR Industria e Comercio Ltda	1,709					1,709
Landi International B.V.	18					18
Beijing Landi Renzo Autogas System Co. Ltd	2,057					2,057
L.R. Pak (Pvt) Limited	638					638
Landi Renzo Pars Private Joint Stock Company	3,000					3,000
Lovato Gas S.p.A.	53,480			-4,800		48,680
Landi Renzo Ro Srl.	5					5
Landi Renzo VE C.A.	0					0
Landi Renzo USA	3,949			-3,949		0
AEB S.p.A.	44,379					44,379
SAFE S.p.A.	2,500					2,500
Emmegas S.r.l.	0					0
Landi Renzo Argentina Srl	0	89				89
Total equity investments	**111,737**	**89**	**0**	**-8,749**	**0**	103,076

The increase of Euro 89 thousand relates to incorporation on 22 April 2015 of the Argentinian company Landi Renzo Argentina S.r.l., with headquarters in Buenos Aires, in which a 96% stake is held, with the corporate purpose of sale of systems for conversion of vehicles to gas on the local market. The subsidiary company was not operational at 31 December 2015, as it was still waiting to receive the appropriate operating licenses.

At 31 December 2015, after an impairment indicator emerged with reference to the capacity of the subsidiaries Lovato Gas S.p.A., A.E.B. S.p.A., Eighteen Sound S.r.l., Landi Renzo USA Co., Landi Renzo Pars and Landi Renzo Industria e Comercio Ltda. to produce net cash flows aligned with those originally estimated in the relative economic-financial plans, the Company checked their value to identify any losses.

The recoverable value of equity investments subjected to the impairment test was defined with respect to the value of use, intended as the net current value of operating cash flows (discounted accordingly using the DCF – Discounted Cash Flow method) deriving from the 2016-2020 economic-financial plan and from a terminal value at the end of said period. The forecasts for 2016-2020 were prepared and approved by the boards of directors of the respective subsidiaries on the basis of the results achieved in previous years, management expectations on market trends and the operating costs rationalization dynamics envisaged by the industrial plan. For purposes of this impairment test, at the end of the period considered in the plan, a terminal value was estimated which reflects the value of the investment beyond the specific period, on the assumption that the companies will continue as a going concern Said terminal value was calculated as a perpetual source of income, with a long-term growth rate ("g rate") of 1.8%.

The discount rate was calculated as the weighted average cost of capital ("W.A.C.C."), before tax, determined as the weighted average between the cost of equity, calculated using the CAPM (Capital Asset Pricing Model) method, and the cost of debt. The rate, as required by IAS 36, was determined with reference to the operating risk of the sector and the financial structure of a sample of listed companies comparable to the Group in terms of risk profile and sector of activity.
The principal parameters used to determine the rates used as a reference in the impairment tests are shown below:

Subsidiary company	Risk Free rate %	Beta levered	Market premium %	WACC %
Italian companies	1.7	1.33	6.0	8.5
Landi Renzo Pars Private Joint Stock Company	18.2	1.33	6.0	24.0
Landi Renzo USA	2.1	1.28	6.0	8.5
LR Industria e Comercio Ltda	13.8	1.30	6.0	19.4

The approach which considers the country risk implicit in the risk free rate was used in determining the discount rate.
For the risk free rate, reference was made to an average figure for the period January - December 2015 of 10-year Italian government bonds. For the Beta factor, reference was made to a Beta taken over a timespan of 3 years for a sample of listed companies considered as comparables.

The results of this test showed impairment of Euro 4,800 thousand on the stake in subsidiary Lovato Gas S.p.A. and Euro 3,949 thousand for the stake in subsidiary Landi Renzo USA Co.. Due to the results of the impairment test on the US subsidiary, it was also necessary to write down financial receivables of Euro 2,341 thousand from said company, as discussed in Note 7 below.

The impairment test on the stakes in AEB S.p.A., Eighteen Sound S.r.l., Landi Renzo Pars and Landi Renzo Industria e Comercio Ltda. indicated that the recoverable value is higher than the book value of each individual stake analyzed and there was therefore no write-down of the book value of said stakes.

The Company also prepared specific sensitivity analysis to identify any change in the results of the impairment test on a change in the growth assumptions used; with a 0.1% change in the perpetual long-term growth rate and 1% in the discount rate, the following effects would be obtained for the stake in Lovato Gas S.p.A.:

a) A variation of 0.1% in the long term perpetual growth rate would have an effect measurable as around Euro 0.6 million.
b) A 1% change in the discount rate would have an effect on impairment measurable as around Euro 7 million to Euro 9 million.

For the stake in AEB S.p.A. , Eighteen Sound S.r.l., Landi Renzo Pars and Landi Renzo Industria e Comercio Ltda., for which no losses in value emerged from the respective impairment tests, the changes in the basic assumptions which mean the recoverable value is the same as their book value are shown below.

(Thousands of Euro)

Subsidiary company	Surplus of recoverable value over book value	Terminal value growth rate %	Discount rate including tax %
Eighteen Sound S.r.l.	12,130	negative	22.83
AEB S.p.A.	100	1.77	8.52
Landi Renzo Pars	575	negative	26.35
Landi Renzo Industria e Comercio	2,271	negative	40.50

No change in the assumptions which could eliminate this surplus is
reasonably feasible for the time being.

At the bottom of these Explanatory Notes there is a specific table summarizing the companies in which an investment is held, which contains the information required by the Italian Civil Code, and the indirect investments not specified in the above paragraph are also shown.

6. EQUITY INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

At 31 December 2015, this item totalled Euro 281 thousand and relates to the stakes in EFI Avtosanoat Landi Renzo LLC for Euro 172 thousand and in Krishna Landi Renzo India Private Ltd for Euro 109 thousand. The change includes the increase of Euro 216 thousand relating to the increase in capital held by the Company, paid in March 2015 to Krishna Landi Renzo India Private Ltd, and also impairment of Euro 803 thousand.

(Thousands of Euro)

Equity investments in associated companies and joint ventures	31/12/2014	Increases	Use of provision	Impairment losses	Net Value at 31/12/2015
EFI Avtosanoat - Landi Renzo LLC	300			-128	172
Krishna Landi Renzo India Private Ltd Held	568	216		-675	109
Total	868	216	0	-803	281

7. OTHER NON-CURRENT FINANCIAL ASSETS

This item is shown in detail below (thousands of Euro)

(Thousands of Euro)

Other non-current financial assets	31/12/2014	Repayments	Impairment losses	Reclassifications	31/12/2015	Change
Loan to Landi Renzo Usa Co.				8,129	8,129	-8,129
Loan to Landi Renzo Pars	600	-263			337	263
Provision for bad debts on non-current financial assets			-2,341		-2,341	2,341
Total equity investments in other companies	3				3	0
Total	**603**	**-263**	**- 2,341**	**8,129**	**6,128**	**-5,525**

At 31 December 2015, other non-current financial assets totalled Euro 6,128 thousand and relate principally to the amount of the non-interest-bearing loan of Euro 8,129 thousand with the subsidiary Landi Renzo USA Co., stated at 31 December 2014 under current financial assets, plus the remainder of the loan to subsidiary Landi Renzo Pars totalling Euro 337 thousand.

The company performed an impairment test on the value of non-current financial assets at 31 December 2015 to check for any loss in value of said assets.

Following an impairment test on the loan to the US subsidiary, the company stated a loss in value of Euro 2,341 thousand at 31 December 2015.

8. OTHER NON-CURRENT ASSETS

This item is shown in detail below (thousands of Euro)

(Thousands of Euro)

Other non-current assets	31/12/2015	31/12/2014	Change
Guarantee deposits	71	71	0

At 31 December 2015 the other non-current assets totalled Euro 71 thousand and refer to guarantee deposits. This item was not discounted since the impact of the financial effect is not significant.

9. DEFERRED TAX ASSETS

This item is shown in detail below (thousands of Euro)

(Thousands of Euro)

Deferred tax assets	31/12/2015	31/12/2014	Change
Deferred tax assets	8,485	10,557	-2,072

At 31 December 2015, deferred tax assets, totalling Euro 8,485 thousand (Euro 10,557 thousand at 31 December 2014), related both to temporary differences between the book values of assets and liabilities on the balance sheet and the corresponding values recognized for taxation and to the tax losses of 2015 and previous years in the amount deemed to be recoverable.
The allocation of deferred tax assets, totalling Euro 4,985 thousand, is carried out by critically assessing the existence of the conditions of future recoverability of such taxes on the basis of the revised strategic plans, together with the corresponding tax plans, taking the applicable tax rules into consideration and particularly evaluating the reduction in the IRES rate to 24% from 2017. For this purpose, the taxable income of Italian companies included in national tax consolidation was considered, as resulting from the 2016 Budget and the 2016-2020 Industrial Plan approved by the Board of Directors of the Company on a date prior to approval of the financial statements. This scenario formed the base for preparation of a long-term tax plan, also approved by the Board of Directors of the Company, which supports stating of deferred tax assets due to their expected recoverability within the time period considered in the 2016-2020 tax plan, supplemented by a further two-year period to reflect the unlimited duration of the benefit of losses which may be carried forward.
Concerning recoverability of prepaid taxes already set aside by the Company at 31 December 2014 for years prior to the introduction of tax consolidation, taking the results of the analysis performed into account, the Company registered an adjustment in the value of prepaid taxes at 31 December 2015 totalling Euro 6,188 thousand.
As a result, at 31 December 2015, the Company had tax losses which could be carried forward unlimitedly totalling Euro 20 million, on which no prepaid taxes were recorded.
The deferred tax assets stated at 31 December 2015 are also affected by the lower value consequent upon the reduction in the IRES rate from 27.5% to 24% from 2017, totalling Euro 869 thousand.

The following are the main elements that make up the deferred tax assets at the end of the current and previous years (thousands of Euro), determined taking the reduced IRES rate from 2017 into account:

(Thousands of Euro)

Deferred tax assets	Amount	Tax rate	31/12/2015 Deferred tax assets	Amount	Tax rate	31/12/2014 Deferred tax assets
Inventory write-down reserve	2,293	27.90%	640	1,993	31.40%	641
Provision for product warranties	1,337	27.90%	373	1,887	31.40%	592
Provision for bad debts - taxed	1,564	24.00%	375	1,495	27.50%	411
Provision for other risks and lawsuits	2,900	27.90%	809	200	31.40%	63
Goodwill	-	31.40%	-	187	31.40%	59
Tangible assets	749	24.00%	180	415	27.50%	114
Tangible/intangible assets	43	31.40%	14	35	31.40%	11
Other temporary changes	37	27.50%	10	87	27.50%	24
Other temporary changes	9	27.90%	3	9	31.40%	3
Employee mobility provision	700	27.50%	193	-		-
Landi Renzo tax losses prior to national consolidation	3,768	24.00%	904	26,271	27.50%	7,225
Tax losses of the year or of national consolidation	20,769	24.00%	4,985	5,141	27.50%	1,414
Total deferred tax assets			**8,485**			**10,557**

Use of the deferred tax assets in the year, totalling Euro 297 thousand, is classified under current taxes on the income statement.

CURRENT ASSETS

10. TRADE RECEIVABLES INCLUDING RECEIVABLES FROM CUSTOMERS - OTHER RELATED PARTIES

Trade receivables, stated net of the related write-down reserve, are shown divided by geographical area below (thousands of Euro):

(Thousands of Euro)

Trade receivables by geographical area	31/12/2015	31/12/2014	Change
Italy	2,930	3,037	-107
Europe (excluding Italy)	2,276	3,053	-777
Asia and the rest of the world	3,172	2,705	467
America	1,489	1,457	32
Reserve for bad debts	-2,458	-2,400	-58
Total	**7,409**	**7,852**	**-443**

Trade receivables at 31 December 2015 totalled Euro 7,409 thousand, net of the Reserve for bad debts totalling Euro 2,458 thousand.
The company assigned trade receivables through non-recourse factoring and at 31 December 2015 total assignments with credit maturity for which there was derecognition of the related receivables, totalled Euro 17,175 thousand, compared with Euro 18,505 thousand at 31 December 2014.
There are no non-current trade receivables or receivables secured by collateral guarantees.

The reserve for bad debts, calculated using analytical criteria on the basis of available data, changed as follows:

(Thousands of Euro)

Reserve for bad debts	31/12/2013	Provisions	Uses	31/12/2015
Reserve for bad debts	2,400	100	-42	2,458

The allocations for the year, necessary to adjust the book value of the receivables to their presumed realization value, totalling Euro 100 thousand. In accordance with the requirements of Accounting Standard IFRS 7, the following table provides information on the maximum credit risk divided by past due credit classes, gross of the Reserve for Bad Debts:

(Thousands of Euro)

Trade receivables ageing for 2015 - 2014			Past due		
	Total	Not past due	0-30 days	30-60 days	60 and beyond
Trade receivables at 31/12/2015 (gross of provision)	9,867	4,225	320	71	5,251
Trade receivables at 31/12/2014 (gross of provision)	10,252	5,281	455	236	4,280

It is considered that the book value of the Trade receivables approximates their *fair value*.

11. RECEIVABLES FROM SUBSIDIARIES

Receivables from subsidiaries totalled Euro 9,613 thousand at the end of the period compared with Euro 14,584 thousand for the previous year. The decrease is primarily due to the reduction of revenues on sales to Group companies and the reduction in receivables from Italian subsidiaries due to national tax consolidation and the higher revenues received.

For a breakdown, see the appropriate final chapter relating to “Other information” (Note 45).

12. INVENTORIES

This item is shown in detail below (thousands of Euro):

(Thousands of Euro)

Inventories	31/12/2015	31/12/2014	Change
Raw materials and parts	9,925	10,933	-1,008
Work in progress and semi-finished products	5,195	5,497	-302
Finished products	6,096	7,560	-1,464
(Inventories write-down reserve)	-2,293	-2,043	-250
Total	**18,924**	**21,947**	**-3,024**

The table shows a decrease in inventories totalling Euro 3,024 thousand compared with 31 December 2014, for benefits deriving from a stock reduction plan implemented during the year.

The Company has estimated an inventory write-down reserve, the details of which are provided below, to cover risks of technical obsolescence of inventories and to align their book value to their presumed realization value. This item increased at 31 December 2015 compared with the previous year and totalled Euro 2,293 thousand, due to a provision to the inventory write-down reserve (raw materials) totalling Euro 250 thousand.

(Thousands of Euro)

Inventory write-down reserve	31/12/2014	Provisions	Uses	31/12/2015
Inventory write-down reserve (raw materials)	1,553	250		1,803
Inventory write-down reserve (finished products in progress	260			260
Inventory write-down reserve (finished products)	230			230
Inventory write-down reserve – total	**2,043**	**250**	**0**	**2,293**

13. OTHER RECEIVABLES AND CURRENT ASSETS

This item is shown in detail below (thousands of Euro):

(Thousands of Euro)

Other receivables and current assets	31/12/2015	31/12/2014	Change
Tax assets	1,074	1,810	-736
Amounts due from others	1,278	1,014	264
Prepayments and accrued income	1,698	777	921
Total	**4,050**	**3,601**	**449**

It is considered that the book value attributed to the item “Other Receivables and Current Assets” approximates the fair value.

Tax assets

Tax assets represents amounts due from the Tax Authorities for VAT totalling Euro 279 thousand, IRES and IRAP credits as well as other tax credits, as shown in the following table.

(Thousands of Euro)

Tax assets	31/12/2015	31/12/2014	Change
IR c/VAT recoverable	279	535	-256
IR c/IRES and IRAP payments on account	794	861	-67
IR c/tax credit	1	414	-413
Total	**1,074**	**1,810**	**-736**

Amounts due from others

At 31 December 2015, this item related primarily to advances granted to suppliers, receivables from social security institutes for contributions paid early, credit notes to be received and other receivables.

Prepayments and accrued income

This item includes primarily prepaid insurance premiums, rentals, type approvals, membership contributions, hardware and software maintenance fees paid in advance and also commercial services paid in advance.
The increase of Euro 921 thousand is attributable primarily to costs for commercial services sustained early with a car manufacturer for supplies of Euro 6 gas systems next year.

14. CURRENT FINANCIAL ASSETS

This item is shown in detail below (thousands of Euro):

(Thousands of Euro)

Other current financial assets	31/12/2014	Repayments	Increases	Reclassifications	31/12/2015	Change
Loan to Landi Renzo Usa Corporation	6,054		2,075	-8,129	-	6,054
SAFE S.p.A. loan	1,000	-1,000			-	1,000
Total	**7,054**	**-1,000**	**2,075**	**-8,129**	**-**	**7,054**

During 2015, the Company collected the full amount of the loan granted to subsidiary Safe S.p.A., totalling Euro 1,000 thousand at 31 December 2014.

The non-interest-bearing loan granted to subsidiary Landi Renzo USA Corporation was reclassified in 2015 under "Other non-current assets", due to the change in the elements which led to statement under current assets, primarily linked to the subsidiary's capacity to repay the loan over a period less than one year. See Note 7 for further details.

15. CASH AND CASH EQUIVALENTS

This item, consisting of the positive balances of bank current accounts and cash in hand in both Euro and foreign currency, is shown in detail below (thousands of Euro):

(Thousands of Euro)

Cash and cash equivalents	31/12/2015	31/12/2014	Change
Bank and post office accounts	14,665	11,778	2,887
Cash	3	2	1
Total	**14,668**	**11,780**	**2,888**

Cash and cash equivalents at 31 December 2015 totalled Euro 14,668 thousand (Euro 11,780 thousand at 31 December 2014).

For analysis of the production and absorption of cash during the year, please refer to the Statement of Cash Flows.

It is considered that the book value of the item "Cash and cash equivalents" is aligned with its fair value at the date of the financial statements. The credit risk related to cash and cash equivalents is deemed to be limited, since these consist, primarily, of deposits divided between primary national banking institutions.

16. EQUITY

The following table provides a breakdown of the items of equity (in thousands of Euro):

(Thousands of Euro)

Equity	31/12/2015	31/12/2014	Change
Share capital	11,250	11,250	0
Statutory reserve	2,250	2,250	0
Extraordinary reserve	22,453	22,242	212
IAS transaction reserve	310	310	0
Reserve for merger surplus	28,045	28,045	0
Share premium reserve	46,598	46,598	0
Discounted profit/loss reserve (IAS 19)	-40	-194	154
Profit (loss) for the period	-37,702	212	-37,914
Total equity	**73,164**	**110,713**	**-37,549**

Share capital

The share capital stated in the Financial Statements at 31 December 2015 is the share capital (fully subscribed and paid-up) of the company, which is equal to nominal Euro 11,250 thousand subdivided into a total of 112,500,000 shares, with a nominal value equal to Euro 0.10.

Statutory reserve

The balance of the Statutory Reserve at 31 December 2015 amounted to Euro 2,250 thousand and is unchanged compared with the previous year, having reached one fifth of the share capital.

Extraordinary reserve

The Extraordinary Reserve increased by Euro 212 thousand following allocation of the profit for the year at 31 December 2014.

The following table shows the individual equity items, distinguishing them according to origin, availability and their using in the three previous years.

Nature and description	Amount (in thousands)	Possibility of utilization (*)	Portion available	Summary of utilizations carried out in the three previous years
Share capital	**11,250**	-		
Capital reserves				
Share premium	**46,598**	A,B,C	46,598	
Profit reserves				
Statutory reserve	2,250	B		
Extraordinary reserve	22,453	A,B,C	22,453	*** 15,583
IAS transition reserve	310	A,B,C	310	
Reserve for merger surplus	28,045	A,B,C	28,045	
Discounted profit/loss reserve (IAS 19)	-40		-40	
Profit (Loss) for the year 2015	**-37,702**		-37,702	
Total	**73,164**		**59,664**	
Non-distributable portion (**)			-6,171	
Residual distributable portion			**53,493**	

(*) Possibility of use : A - for share capital increases B -for covering losses C - for distribution to shareholders

(**) Non-amortized development expenditure

(***) for coverage of losses

NON-CURRENT LIABILITIES

17. BANK LOANS

This item is shown in detail below (thousands of Euro)

(Thousands of Euro)

Bank loans	31/12/2015	31/12/2014	Change
Loans and financing	6,820	22,034	-15,214

This item includes medium/long term portion of the bank debts for unsecured loans and finance. It totalled Euro 6,820 thousand at 31 December 2015, compared with Euro 22,034 thousand at 31 December 2014.

The structure of the debt is exclusively at a variable rate indexed to the Euribor and increased by a spread aligned with the normal market conditions; the loan currency is the Euro. The loans are not secured by collateral and there are no clauses other than the early repayment ones normally envisaged by commercial practice.
For several loan contracts signed which require certain financial covenants to be satisfied, as a result of the operating results for the year (as per the review of estimates for 2015), there was a single misalignment with several fixed parameters at 31 December 2015 which would enable the financial institutions to apply the termination clause of the contracts.
As reported in Note 22 below, during 2016, on a date prior to the date of approval of the financial statements, the credit institutions issued, in reference to said loans with financial covenants, specific letters of waiver of said termination clauses, which deferred the date of measurement of the parameters to 31 December 2016, with the exception of two loans totalling Euro 11,286 thousand, of which Euro 7,000 thousand a medium/long-term one, for which the different measurement date of 30 June 2016 is envisaged.

The medium-term amount of these loans, totalling Euro 16,016 thousand at 31 December 2015, has been entirely reclassified under current liabilities, in accordance with the requirements of IAS 1, paragraphs 74-75.
On the basis of the 2016 consolidated budget approved by the Board of Directors, the directors currently believe that the financial parameters envisaged will be satisfied at the subsequent measurement dates.

The Company does not have any derivatives to cover the loans.

It should be noted that, as indicated in point 2.h) of the Report on Corporate Governance, early settlement of certain loan agreements may be requested should there be a *change of control* of the Company.

Medium/long-term loans stated under “Bank loans” on the balance sheet are shown in the table below:

(Thousands of Euro)

Details of medium- and long-term loans by maturity date	2015
from 1 to 3 years	6,189
from 3 to 5 years	631
Total	**6,820**

It is considered that the book value of the bank payables is aligned with their *fair value* at the balance sheet date.

At 31 December 2015, the Company had the following further short-term credit facilities, available but not used:

(Thousands of Euro)

Credit facilities	2015
Cash facility	2,700
Facility for various uses	41,120
Total	**43,820**

18. OTHER NON-CURRENT FINANCIAL LIABILITIES

This item is shown in detail below (thousands of Euro)

(Thousands of Euro)

Other non-current financial liabilities	31/12/2015	31/12/2014	Change
Payables to other financial backers	1,468	1,178	290
Total	**1,468**	**1,178**	**290**

At 31 December 2015, the item only includes long-term portions, totalling Euro 1,468 thousand, of the three tranches of a loan granted by Simest S.p.A. in September 2013, December 2014 and November 2015, to support a plan of expansion of business activities in the USA, for a resolved total amount of Euro 2,203 thousand, in accordance with specific requirements.

It is considered that the BOOK value of other non-current financial liabilities is aligned with their fair value at the balance sheet date.

19. PROVISIONS FOR RISKS AND CHARGES

This item and changes in it are shown in detail below:

(Thousands of Euro)

Provisions for risks and charges	31/12/2014	Allocation	Utilization	Other changes	31/12/2015
Provision for pensions and similar obligations	20	5			25
Provision for product warranty risks	1,887	250	-800		1,337
Provision for lawsuits in progress	200				200
Provision for tax risks	114				114
Other provisions		3,400			3,400
Total	**2,221**	**3,655**	**-800**	**0**	**5,076**

The pensions reserve related to the provision accrued for additional customer indemnity, including provisions for the year of Euro 5 thousand.
The item “Provision for Product Warranties” includes the best estimate of the costs related to the commitments that the Company has taken on as an effect of legal or contractual provisions, in relation to the expenses connected with providing product warranties for a certain period of time starting from the sale thereof. This estimate was calculated both with reference to the historical data of the Company and on the basis of specific contractual content. The provision for the year was also stated following new business agreements signed with car manufacturers (OEM).
At 31 December 2015 this provision totalled Euro 1,337 thousand. The provision, totalling Euro 250 thousand, was stated on the income statement under the item “Accruals, write-downs and other operating expenses”.
Use of the risk provision totalling Euro 800 thousand is mainly due to the covering of warranty costs related to supplies of components to OEM customers in previous years.

The provision for lawsuits in progress refers to the probable payment for a dispute with a service supplier declared bankrupt, totalling Euro 200 thousand, and remains unchanged with respect to the previous year.

The item “Other reserves” includes provisions of Euro 700 thousand in relation to the employee mobility procedure started in the fourth quarter of 2015 and Euro 2,700 thousand under the item “Accruals, write-downs and other non-recurrent operating expenses”, since they relate to an operation, as better described in the comments on the income statement, in Note 33, which was non-recurrent, in accordance with the Consob definition indicated in Communication no. DEM/6064293 of 28-7-2006.

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20. DEFINED BENEFIT PLANS FOR EMPLOYEES

The following is the overall change in defined benefit plans for employees (thousands of Euro):

(Thousands of Euro)

Defined benefit plans for employees	31/12/2014	Allocation	Utilization	Other changes	31/12/2015
Employee severance indemnity	1,875	21	-139	-72	1,685

The provision of Euro 21 thousand relates to revaluation of the employee severance indemnity reserve at the end of the period, while use of Euro 139 thousand refers to the amounts paid to employees who ceased to work for the Group. The other changes include transfers of employee severance indemnity from other Group companies and actuarial adjustment of the Provision. The amount of Euro 154 thousand, relating to discounting of defined benefit plans according to IAS 19, has been stated under the item Other Reserves and expressed in other components of the Statement of Comprehensive Income.

The main economic and financial assumptions used by the actuary in charge of estimates, methodologically unchanged since the previous year, are as follows:

Actuarial assumptions used for evaluations	31/12/2015
Demographic table	SIM AND SIF 2014
Discounting rate (Euro Swap)	Curve of the Markit iBoxx €Corporate AA 10+ rates at 31/12/2015
Probability of request for advance	3.31%
Expected % of employees who will resign before pension	4.46%
Maximum % of TFR requested in advance	70%
Annual cost of living increase rate	1.5%

21. DEFERRED TAX LIABILITIES

This item is shown in detail below (thousands of Euro)

(Thousands of Euro)

Deferred tax liabilities	31/12/2015	31/12/2014	Change
Provision for taxation, including deferred	341	979	-638

At 31 December 2015 deferred tax liabilities totalled Euro 341 thousand (Euro 979 thousand at 31 December 2014) with a decrease equal to Euro 638 thousand, and are primarily related to temporary differences between the book values of certain tangible and intangible assets and the values recognized for tax purposes.

Use of deferred tax liabilities during the year, totalling Euro 817 thousand, relates principally to impairment of goodwill deriving from acquisition of company unit of the merged company Med S.p.A. and was classified under current taxes on the income statement.

The following are the main elements that make up deferred tax liabilities (in thousands of Euro):

			31/12/2015			31/12/2014
Deferred tax liabilities	Amount	Tax rate	Deferred taxes	Amount	Tax rate	Deferred taxes
Provisions for employee benefits	-22	27.50%	-8	-118	27.50%	-34
Reinstatement of goodwill - IAS		27.90%	-	2,548	31.40%	800
Other temporary changes	1,227	27.50%	337	583	27.50%	160
TFR - Equity reserve	40	27.50%	12	194	27.50%	53
Total deferred tax liabilities			**341**			**979**

CURRENT LIABILITIES

At 31 December 2015, the Company showed a negative differential between total current assets and total current liabilities of Euro 58,687 thousand, compared with a negative differential of Euro 15,332 thousand at 31 December 2014. This imbalance is primarily the result of reclassification, on 31 December 2015, of payables to banks totalling Euro 16,016 thousand and payables to other financiers totalling Euro 33,098 thousand from non-current to current liabilities. This reclassification is the result of failure to satisfy a single financial covenant contractually envisaged by the Landi Renzo 6.10% 2015-2020 Bonded Loan and by several medium/long-term loans.

During 2016, prior to the date of approval of these financial statements, the Company obtained specific letters of waiver from the banks and other financiers, deferring the date of measurement of the financial covenants to 2016. This imbalance is therefore to be considered as temporary, partly in light of the fact that, from 2016, due to said letters of waiver and on the assumption that the financial covenants will be satisfied, the aforesaid loans will be reclassified on the basis of their contractually envisaged maturity dates (as described in Notes 22 and 23 below).

22. BANK OVERDRAFTS AND SHORT-TERM LOANS

At 31 December 2015 this item, totalling Euro 39,332 thousand, compared with Euro 40,365 thousand in 2014, was made up of the current portion of existing loans and financing totalling Euro 17,257 thousand, plus Euro 16,016 thousand reclassified as short-term due to misalignment with the covenants set in the loan agreements, as described in Note 17, and use of short-term commercial credit lines totalling Euro 6,059 thousand.
On a date prior to the date of approval of the financial statements, the credit institutions issued to the Company, in reference to said loans, specific letters of waiver which deferred the date of measurement of the parameters to 2016. On the basis of the 2016 consolidated budget approved by the Board of Directors, the directors currently believe that the financial parameters of the loan contracts will be satisfied at the subsequent measurement dates.

The loans are not secured by guarantees, are at variable rate and are not covered by derivatives.

A breakdown of the net financial position of the Company is provided below (thousands of Euro):

(Thousands of Euro)	31/12/2015	31/12/2014
Cash and cash equivalents	14,668	11,780
Short-term loans to subsidiaries	0	7,054
Bank payables and short-term loans	-39,332	-40,365
Other current financial liabilities	-33,517	-131
Net short term indebtedness	**-58,181**	**-21,662**
Medium-term loans to subsidiaries	6,125	600
Medium-Long term loans payable	-8,288	-23,211
Net medium-long term indebtedness	**-2,163**	**-22,611**
Net financial position	**-60,344**	**-44,273**

The net financial position at 31 December 2015 is negative for Euro 60,344 thousand compared with a negative net financial position at 31 December 2014 of Euro 44,273 thousand.
It should be noted that the short term net financial position also includes the current portion of other financial liabilities.

23. OTHER CURRENT FINANCIAL LIABILITIES

This item is shown in detail below (thousands of Euro):

(Thousands of Euro)

Type	Lender	Expiry date	Balance at 31/12/2015	Current portion
Loan	Simest	17/06/2020	1,887	419
Bonded loan BT Landi Renzo 6.10% 2015-2020		15/05/2020	33,098	33,098
Total			**34,985**	**33,517**

At 31 December 2015, other current financial liabilities totalled Euro 33,517 thousand (Euro 131 thousand at 31 December 2014) and are formed of:

- Euro 33,098 thousand in the “LANDI RENZO 6.10% 2015-2020” bonded loan;
- Euro 419 thousand in the short-term portion of a subsidized loan disbursed by Simest S.p.A. to support a plan to expand trade in the USA.

For the “LANDI RENZO 6.10% 2015-2020” bonded loan, which requires certain financial covenants to be satisfied, as a result of the operating results for the year (as per the review of estimates for 2015 communicated to the market), there was a single misalignment with the fixed parameters at 31 December 2015 which would have enabled the bondholders to apply the termination clause of the contracts.
As a result, the current liabilities stated on the balance sheet, as required by IAS 1, paragraphs 74-75, include all the values of financial payables subject to financial parameters which were not satisfied (Euro 33,098 thousand).

The bondholders' meeting held on 7 March 2016 voted to change the Loan Regulations in the terms described below.

The first date of evaluation of the financial *covenants* was deferred from 31 December 2015 to 31 December 2016.

A *step-up* of 0.40% was added to the interest rate (giving a total of 6.50%) for the interest periods relating to 2016 only and therefore to the payment dates of 30 June 2016 (for which the coupon will total 3,25% of the outstanding capital) and 31 December 2016 (for which the coupon will total 3,25% of the outstanding capital).

The method of full reimbursement of the bonded loan at the maturity date originally planned was changed to reimbursement through periodic repayment, as shown below.

(Thousands of Euro)

	2016	2017	2018	2019	2020
Instalment amount repayment of Landi Renzo bonded loan	5,100	6,800	6,800	6,800	8,500

On the basis of the 2016 consolidated budget approved by the Board of Directors, the directors currently believe that the financial parameters of the bonded loan will be satisfied at the subsequent measurement dates.

24. TRADE PAYABLES INCLUDING PAYABLES TO RELATED PARTIES

The changes in this item are shown below (thousands of Euro):

(Thousands of Euro)

Trade payables	31/12/2015	31/12/2014	Change
Trade payables	25,507	24,664	843

Trade payables (including trade payables to related parties) are shown divided by geographical area below (thousands of Euro):

(Thousands of Euro)

Trade payables by geographical area	31/12/2015	31/12/2014	Change
Italy	19,978	21,232	-1,254
Europe (excluding Italy)	4,872	2,615	2,257
Asia and the rest of the world	552	722	-170
America	105	95	10
Total	**25,507**	**24,664**	**843**

It is considered that the book value of trade payables at the date of the financial statements approximates their *fair value*.

25. PAYABLES TO SUBSIDIARIES

The trade payables due to subsidiaries refer to the payables for purchase of components and finished products from the companies of the Group and totalled Euro 10,567 thousand (Euro 13,067 at 31 December 2014). All the related transactions are carried out at arm's length conditions.

For details of the payables to Group companies, see the relevant table in the final chapter “Other information” (Note 45).

26. TAX LIABILITIES

This item is shown in detail below (thousands of Euro):

(Thousands of Euro)

Tax liabilities	31/12/2015	31/12/2014	Change
for employee IRPEF (personal income tax) deductions	852	734	118
for self-employed workers' IRPEF (personal income tax) deductions	5	19	-14
for collaborators' IRPEF (personal income tax) deductions	67	69	-2
for lieu tax and income tax	0	39	-39
Total	**924**	**861**	**63**

At 31 December 2015 tax liabilities totalled Euro 924 thousand, an increase of Euro 63 thousand compared with 31 December 2014.

27. OTHER CURRENT LIABILITIES

This item is shown in detail below (thousands of Euro):

(Thousands of Euro)

Other current liabilities	31/12/2015	31/12/2014	Change
Advance payments from customers	55	26	29
Payables to welfare and social security institutes	1,020	1,151	-131
Other payables (amounts owed to employees, to others)	2,273	1,583	690
Accrued expenses and deferred income	155	299	-144
Total	**3,503**	**3,059**	**444**

At 31 December 2015 other current liabilities totalled Euro 3,503 thousand, an increase of Euro 444 thousand compared with 31 December 2014.

The item “Other payables”, increased from Euro 1,583 thousand at 31 December 2014 to Euro 2,273 thousand at 31 December 2015, primarily as a result of the increase in payables to employees related to the voluntary redundancy scheme agreed with the trade unions as part of the voluntary mobility program.

INCOME STATEMENT

Transactions with subsidiaries and related parties and the relative statement of financial position and income statement balances are shown in the following Note 45.

28. REVENUES INCLUDING REVENUES FROM RELATED PARTIES

This item is shown in detail below (thousands of Euro):

(Thousands of Euro)

Revenues on goods and services	31/12/2015	31/12/2014	Change
Revenues related to the sale of assets	74,710	87,663	-12,953
Revenues for services and other revenues	7,742	7,552	190
Total	**82,452**	**95,215**	**-12,763**

Revenues on sales and services decreased by 13.4% at 31 December 2015 compared with the year ending at 31 December 2014.

Revenues for services and other revenues are shown in detail below (thousands of Euro):

(Thousands of Euro)

Revenues for services and other revenues	31/12/2015	31/12/2014	Change
Services rendered	366	404	-38
Technical consultancy	1,307	1,079	228
Intercompany services rendered	5,462	5,551	-89
Reimbursement of transport expenses	107	115	-8
Reimbursement of other costs	147	136	11
Reimbursement of employee canteen costs	66	62	4
Other income	287	205	82
Total	**7,742**	**7,552**	**190**

Intercompany services supplied refer to services of an administrative, operating and technical nature charged to the subsidiary companies and governed by agreements at arm's length conditions.
Technical consultancy refers to services charged to OEM customers for technical services on new components designed for gas systems.
Reimbursements of various costs relate primarily to insurance refunds and revenue from incentives for the production of electricity by the photovoltaic system.
Other income refers mainly to various charges to recover costs related to production activity.

29. OTHER REVENUE AND INCOME

Other revenue and income totalled Euro 902 thousand at 31 December 2015, compared to Euro 438 thousand at 31 December 2014 and are shown in detail below (in thousands of Euro):

(Thousands of Euro)

Other revenue and income	31/12/2015	31/12/2014	Change
Grants	0	19	-19
Other income	902	419	483
Total	**902**	**438**	**464**

Other income relates primarily to gains on sale of fixed assets and contingent gains.

30. COST OF RAW MATERIALS, CONSUMABLES AND GOODS AND CHANGE IN INVENTORIES

This item is shown in detail below (thousands of Euro):

(Thousands of Euro)

Cost of raw materials, consumables and goods and change in inventories	31/12/2015	31/12/2014	Change
Raw materials and parts	21,340	24,021	-2,681
Finished products intended for sale	18,961	22,519	-3,558
Other materials	1,056	1,152	-96
Change in inventories	3,023	1,993	1,030
Total	**44,380**	**49,685**	**-5,305**

Total costs for consumption of raw materials, consumables and goods (including the change in inventories) decreased from Euro 49,685 thousand at 31 December 2014 to Euro 44,380 thousand at 31 December 2015, principally due to the trend in volumes of sales registered during the year.

31. COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS

This item is shown in detail below (thousands of Euro):

(Thousands of Euro)

Costs for services and use of third party assets	31/12/2015	31/12/2014	Change
Industrial and technical services	12,661	15,673	-3,012
Commercial services	3,476	4,513	-1,037
General and administrative services	5,605	5,707	-102
Costs for use of third party assets	2,919	2,701	218
Non-recurrent costs for services and use of third party assets	1,242	0	1,242
Total	**25,903**	**28,594**	**-2,691**

The item Costs for services and use of third party assets totalled Euro 25,903 thousand at 31 December 2015 and Euro 28,594 thousand at 31 December 2014.
The decrease in costs for industrial and technical services is linked primarily to the reduction in external processing and installations of gas systems and also to the fall in costs for technical maintenance, while the decrease in commercial services is attributable mainly to the reduction in direct commercial costs.
The non-recurrent part of this item also includes Euro 885 thousand linked to closure of a production plant and Euro 357 thousand for other services connected with operational reorganization of the Company.

32. PERSONNEL EXPENSES

Personnel expenses are shown in detail below (thousands of Euro):

(Thousands of Euro)

Personnel expenses	31/12/2015	31/12/2014	Change
Wages and salaries	10,333	10,197	136
Social security contributions	3,970	3,739	231
Expenses for defined benefit plans	985	957	28
Temporary and transferred work	2,579	3,108	-529
Directors' fees	659	648	11
Non-recurrent personnel costs and expenditure	1,790	0	1,790
Total	**20,316**	**18,649**	**1,667**

In the year closed at 31 December 2015, personnel expenses increased by 8.9% compared with those for the year closed at 31 December 2014. The total cost minus non-recurrent costs was Euro 18,526 thousand, in line with the figure for the previous year. In the second half of the year, after a company solidarity agreement was reached, personnel costs began to decrease considerably compared with the first half of the year, partly as a result of reduction of the accrued holidays, with a decrease of over Euro 1 million at the end of the year.
A mobility and voluntary redundancy procedure was also started in the fourth quarter of 2015, which is still in progress and led to statement of non-recurrent costs totalling Euro 1,790 thousand (of which Euro 700 thousand for provisions).
The employee severance allocation, totalling 985 thousand, includes the allocation to the company fund of Euro 42 thousand, the portion paid into the Treasury Fund set up with the INPS (national social security institute) totalling Euro 706 thousand and Euro 237 thousand for the portion paid into the Supplementary Social Security Funds.

The average number of employees in the Company workforce, divided by qualification in the two years analyzed, is shown below:

	Average (*)			Peak		
Number of employees	31/12/2015	31/12/2014	Change	31/12/2015	31/12/2014	Change
Executives and Clerical Staff	214	202	12	199	218	-19
Operatives	127	131	-4	116	130	-14
Total	**341**	**333**	**8**	**315**	**348**	**-33**

(*) These values do not include temporary workers, fixed contract collaborators or the directors.

The average number of employees in 2015 was higher than the previous year, as a result of direct transfer from a subsidiary to the Parent Company of 23 employees in September 2014, who were considered for the entire year in 2015. The decrease in the precise number of employees at the end of the year was the result of resignations, voluntary redundancy payments and the voluntary mobility procedure.

33. ACCRUALS, WRITE-DOWNS AND OTHER OPERATING EXPENSES

This item is shown in detail below (thousands of Euro):

(Thousands of Euro)

Accruals, write-downs and other operating expenses	31/12/2015	31/12/2014	Change
Other taxes and duties	116	122	-6
Provision for lawsuits in progress	0	0	0
Other operating expenses	404	243	161
Losses on receivables	24	42	-18
Provision for product warranties	250	250	0
Bad debts	100	96	4
Accruals, write-downs and other non-recurrent operating expenses	2,700	0	2,700
Total	**3,594**	**753**	**2,841**

The balance of this item totalled Euro 3,594 thousand at 31 December 2015, against Euro 753 thousand at 31 December 2014, an increase of Euro 2,841 thousand.
The principal change is linked to a non-recurrent component, totalling Euro 2,700 thousand, relating to a business dispute which, due to its specific nature, does not reoccur frequently in the normal run of things and for which a future use of resources to satisfy the relative obligations appears likely.

The provision for risks refers for Euro 250 thousand to the Provision for product warranties, for which reference should be made to the comment in the corresponding item on the statement of financial position.

34. AMORTIZATION, DEPRECIATION AND IMPAIRMENT LOSSES

This item is shown in detail below (in thousands of Euro):

(Thousands of Euro)

Amortization, depreciation and impairment losses	31/12/2015	31/12/2014	Change
Amortization of intangible assets	3,936	3,430	506
Impairment of goodwill	2,548	0	2,548
Depreciation of tangible assets	4,361	4,852	-491
Total	**10,845**	**8,282**	**2,563**

Amortization of intangible assets, totalling Euro 3,936 thousand, refers primarily to the amortization of development and design costs incurred by the Company, as well as the costs for the portions relating to software (applications and management) acquired over time and industrial patents.
The impairment of goodwill is the result of the impairment test on the CGU formerly of MED S.p.A: which led to full write-down of the goodwill, totalling Euro 2,548 thousand.
Depreciation of tangible assets, totalling Euro 4,361 thousand, refers to plant and machinery, including automated lines, for production, assembly and testing of the products, to industrial and commercial equipment, to moulds for production, to testing and control instruments and to electronic processors.

35. FINANCIAL INCOME

This item is shown in detail below (thousands of Euro):

(Thousands of Euro)

Financial income	31/12/2015	31/12/2014	Change
Interest income on bank deposits	50	6	44
Other income	61	286	-225
Total	**111**	**292**	**-181**

Financial income includes, primarily, bank interest income and interest on intercompany loans. Financial income at 31 December 2015 totalled Euro 111 thousand, a decrease compared with Euro 292 thousand at 31 December 2014, mainly as the result of lower interest charges on intercompany loans repaid during the year.

36. INCOME FROM INVESTMENTS

This item totalled Euro 275 thousand at 31 December 2015, compared with Euro 10,360 thousand at 31 December 2014.

(Thousands of Euro)

Income from investments	31/12/2015	31/12/2014	Change
Dividends from subsidiary companies	275	10,360	-10,085
Total	**275**	**10,360**	**-10,085**

Dividends from equity investments relate solely to dividends received from the Iranian subsidiary Landi Renzo Pars.

37. FINANCIAL EXPENSES

This item is shown in detail below (thousands of Euro):

(Thousands of Euro)

Financial expenses	31/12/2015	31/12/2014	Change
Interest on bank overdrafts and loans and loans from other financiers	3,148	2,188	960
Bank charges and commissions	607	590	17
Total	**3,755**	**2,778**	**977**

Financial charges essentially include bank interest charges, interest on bonds, non-recourse factoring commission payable and actuarial expenses deriving from discounting of the employee severance indemnity reserve and bank commission.

At 31 December 2015, the company did not have interest rate hedging derivatives.

38. EXPENSES FROM INVESTMENTS

This item is shown in detail below (thousands of Euro):

(Thousands of Euro)

Expenses from investments	31/12/2015	31/12/2014	Change
Write-down of investments in subsidiaries and JV	9,818	946	8,872
Write-down of loans to subsidiaries	2,341	0	2,341
Total	**12,159**	**946**	**11,213**

Expenses from investments increased from Euro 946 thousand at 31 December 2014 to Euro 12,159 thousand at 31 December 2015 and include value adjustments, following *impairment tests*, made on the stakes in subsidiaries Lovato Gas S.p.A. for Euro 4,800 thousand and Landi Renzo USA Co. for Euro 3,949 thousand, and on the *joint ventures* Krishna Landi Renzo India Priv. Ltd for Euro 675 thousand and EFI Avtosanoat Landi Renzo LLC for Euro 129 thousand. These charges also include the value adjustment on the current loan with the US subsidiary for Euro 2,341 thousand and charges deriving from coverage of the losses of subsidiary Emmegas S.r.l. for Euro 265 thousand.

39. EXCHANGE RATE GAINS AND LOSSES

This item is shown in detail below (thousands of Euro):

(Thousands of Euro) Exchange rate gains and losses	31/12/2015	31/12/2014	Change
Exchange gains realized	275	35	240
Exchange gains from valuation	743	804	-61
Exchange losses realized	-413	-33	-380
Exchange losses from valuation	-50	8	-58
Total	**555**	**814**	**-259**

The company realizes over 95% of its revenues and costs in Euro.

At 31 December 2015 the company did not have any financial instruments to cover of exchange rate fluctuation.

In accordance with the requirements of Accounting Standard IFRS7, a breakdown is provided below of financial income and expenses ascribed to income statement by individual financial instruments category:

(Thousands of Euro) Financial income and expenses	31/12/2015 Book value	31/12/2014 Book value
Interest income on cash and cash equivalents	50	6
Interest income on loans to subsidiaries	61	286
Exchange gains/losses	555	813
Bank interest charges	-173	-328
Interest expenses from financial liabilities valued at the amortized cost	-1,221	-1,342
Interest charges on factoring without recourse and other interest charges	-453	-466
Interest charges on bonds	-1,301	0
Total	**-2,482**	**-1,031**

40. TAXES

The theoretical rate used for the calculation of taxes on the income of Italian companies is 31.40% of the taxable income for the year. Income taxes are shown in detail below (thousands of Euro):

(Thousands of Euro) Taxes	31/12/2015	31/12/2014	Change
Current taxes	-5,205	-2,923	-2,282
Deferred (prepaid) taxes	6,252	145	6,107
Total	**1,046**	**-2,778**	**3,825**

Taxes at 31 December 2015 totalled Euro 1,046 thousand, compared with a positive tax effect of Euro - 2,778 thousand at 31 December 2014.
Current taxes include the tax benefit calculated on the tax loss of Euro 4,262 thousand, income from tax consolidation of Euro 423 thousand, use of deferred tax assets totalling Euro 297 thousand and lastly use of deferred tax liabilities totalling Euro 817 thousand.
The Italian companies of the Group have adhered to the National Tax Consolidation scheme since 2014, with consolidation by the Parent Company, as already discussed in the introduction to these Explanatory Notes.
Deferred taxation, on the other hand, totalled Euro 6,252 thousand, relating to adjustment for the planned reduction of the IRES rate by 3.5 percent starting from 2017, totalling Euro 1,039 thousand, adjustment of prepaid taxes on tax losses already set aside at 31 December 2013 for Euro 6,188 thousand and minus deferred taxation resulting from temporary differences, totalling Euro -975 thousand.

The theoretical tax charge is only reconciled with the effective charge in relation to IRES, which has characteristics typical of a corporate income tax, taking into consideration the tax rate applying to the company. No reconciliation between theoretical and actual tax burden has been prepared for IRAP (regional tax on production activities), in view of the different basis of calculation for the tax.

The summarized data is shown below:

(Thousands of Euro)	31/12/2015		
	Taxable	Taxed	%
Result before tax	-36,656		
Taxes calculated at the tax rate in force		-10,080	27.5%
Permanent differences			
- non-deductible costs	2,646	728	-2.0%
- charges on equity investments	12,159	3,344	-9.1%
- non-taxed portion of dividends	-261	-72	0.2%
- other non-taxable income	-96	-26	0.1%
-taxes from reduction of Ires rate		1,039	
- write-off of prepaid taxes on tax losses	22,503	6,188	-16.9%
IRAP calculated on a different basis from the pre-tax result		-74	0.2%
Total current taxes/Effective rate		**1,046**	**-2.9%**

OTHER INFORMATION

41. INFORMATION ON THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

As required by IFRS 7 – Financial Instruments, the attached table provides a comparison between the book value and the fair value of all financial assets and liabilities, divided according to the categories identified by the aforementioned accounting standard.

(Thousands of Euro)	31/12/2015		31/12/2014	
	Book value	Fair value	Book value	Fair value
Loans and Receivables	19,374	19,374	25,260	25,260
Cash and cash equivalents	14,668	14,668	11,780	11,780
Trade payables	39,477	39,477	40,518	40,518
Financial liabilities valued at the amortized cost - non-current portion	6,820	6,820	22,034	22,034
Financial liabilities valued at the amortized cost - current portion	33,273	33,273	18,184	18,184
Other short term amounts owed to banks	6,059	6,059	22,181	22,181

Note that the book value of the loans and financing approximates their fair value at 31 December 2015, since such classes of financial instruments are indexed at the Euribor market rate.

42. GUARANTEES PROVIDED

The Company did not provide any guarantees to third parties during the year, but provided them to several subsidiaries in the form of credit mandates or *stand-by* on loans.

43. OPERATING LEASES

For accounting purposes, *leases* and hire contracts are classified as operational if:

- the lessor retains a significant share of the risks and the benefits associated with the property,
- there are no purchase options at prices that do not reflect the presumable market value of the rented asset at the end of the period,
- the duration of the contract does not represent the greater part of the useful life of the leased or hired asset.

Payments of operating lease charges are stated on the Income Statement in line with the underlying contracts.

The principal operating leases signed by Landi Renzo S.p.A. refer to two contracts signed with Gireimm S.r.l. (see Note 45 "Transactions with other related parties") for rental of the Operating Headquarters and the New Technical Centre situated in Cavriago (RE):
the first contract expires on 10 May 2019 and the remaining instalments total Euro 3,171 thousand, of which Euro 944 thousand within one year, while the second expires on 31 January 2020, with residual instalments of Euro 4,350 thousand, of which Euro 1,066 thousand within one year.
No sureties were provided for said contract and there are no kinds of restrictions associated with the lease.
The operating lease relating to a contract with Medardo Holding S.r.l. Unipersonale for renting of the production plant in Reggio Emilia, in via Raffaello 33, which had already been cancelled during the year, was concluded when the property was handed back on 29 February 2016. There are no remaining instalments payable by the Company.

There has been a contract with A.E.B. S.p.A. since January 2015 for sublease by the subsidiary of a portion of the industrial plant located in Via dell'Industria in Corte Tegge di Cavriago, at which the Company's production activities previously performed at the plant Via Raffaello in Reggio Emilia are now performed.

44. ANALYSIS OF THE MAIN DISPUTES IN PROGRESS

At 31 December 2015, the company had ongoing disputes brought by and against it for an insignificant amount, with the exception of a dispute relating to bankruptcy proceedings of a services supplier. The company directors, taking account of the degree of uncertainty over this dispute and its current status, supported by the opinion of legal advisers, decided to maintain the provision for risks on the statement of financial position, totalling Euro 200 thousand.

There are currently no major disputes with the Tax Authority or with Social Security Institutions or other Public Authorities.

45. TRANSACTIONS WITH RELATED PARTIES

In addition to relations with subsidiaries, associated companies and Joint Ventures, transactions with related parties also included transactions with other related parties, meaning service supply relations between Gireimm S.r.l., a subsidiary of the parent company Girefin S.p.A., and Landi Renzo S.p.A., relating to lease payments on the property housing the operating unit and technical centre.

The following table summarizes the relationships with other related parties and intercompany relationships (thousands of Euro) :

Company	Sales revenues	Revenues for services and other revenues	Financial Income	Sale of assets	Purchase of finished products	Costs for use of third party assets	Purchase of assets	Costs for services	Financial Expenses	Income from Equity Investments	Financial Assets	Financial Liabilities	Receivables	Payables
Krishna Landi Renzo India Priv. Ltd	99			530									940	
Efi Avtosanoat	15												466	
Gireimm S.r.l.						2,027								1,965
Total related parties	**114**	**0**	**0**	**530**	**0**	**2,027**	**0**	**0**	**0**	**0**	**0**	**0**	**1,406**	**1,965**
AEB S.p.A.	191	3,608			7,687	100	13	2,250					400	8,707
Lovato Gas S.p.A.	212	794		7	1,993		7	68					668	1,028
Eighteen Sound		104						3					91	42
Landi Renzo Polska	2,598	51			3,172			11						215
Eurogas Autogas System BV	252	8			1								3	
Landi International BV														
Beijing Landi Renzo Cina	1,887	116			18			42					341	185
LR Industria e comercio Ltda	1,528	160			16			2					1,802	59
Landi Renzo Pars	311		30					1		275	338		54	
LR PAK Pakistan	307	99			494								3,570	81
Landi Renzo Ro Srl	190	10			3			99						20
Landi Renzo Usa Corp.	20	144						268			8,129		1,352	70
Landi Renzo VE C.A.	8							1						
AEB America	147	12											79	
SAFE S.p.A.		379	31	1				108					1,253	
Emmegas	77	112			50			208						160
Total subsidiaries	**7,728**	**5,598**	**61**	**8**	**13,434**	**100**	**20**	**3,061**	**0**	**275**	**8,466**	**0**	**9,613**	**10,567**

Incidence of Transactions with Related Parties	Total item	Absolute value related parties	%	Related party
a) incidence of the transactions or positions with related parties on balance sheet items				
Other non-current financial assets	6,128	6,125	99.95%	Subsidiaries
Trade receivables	17,022	9,613	56.48%	Subsidiaries, Krishna Landi Renzo India Private Ltd Held, EFI Avtosanoat-Landi Renzo LLC
Current financial assets	0	0		Subsidiaries
Trade payables	36,074	12,531	34.74%	Gireimm Srl + subsidiaries
b) incidence of the transactions or positions with related parties on income statement items				
Revenues on goods and services	82,452	13,440	16.30%	Subsidiaries, Krishna Landi Renzo India Private Ltd Held, EFI Avtosanoat-Landi Renzo LLC
Cost of raw materials, consumables and goods	44,380	13,434	30.27%	Subsidiaries
Cost for services and use of third party assets	25,903	5,189	20.03%	Gireimm Srl + subsidiaries
Financial income	111	61	55.08%	Subsidiaries
Income from investments	275	275	100.00%	Subsidiaries

46. NON-RECURRING SIGNIFICANT EVENTS AND OPERATIONS

Pursuant to CONSOB communication no. DEM/6064293 of 28 July 2006, regarding non-recurrent significant events or transactions occurring during 2015, there are non-recurrent transactions, indicated in Notes 31,32, 33 and 34 of the Income Statement, relating to operational reorganization of the Company, which included closure of a production plant and activation of the voluntary mobility and redundancy procedures for personnel, settlement of a dispute which, due to its specific nature, does not occur frequently in the normal run of things, and impairment of goodwill measured on acquisition of the company unit of the merged company MED S.p.A.

47. POSITIONS OR TRANSACTIONS DERIVING FROM ATYPICAL AND/OR UNUSUAL TRANSACTIONS

Pursuant to CONSOB communication no. 6064293 of 28 July 2006, regarding non-recurrent significant events or transactions occurring during 2015, there are non-recurrent transactions, indicated in Notes 31,32,33 and 34 of the Income Statement, relating to operational reorganization of the Company, which included closure of a production plant and activation of the voluntary mobility and redundancy procedures for personnel, settlement of a long-running business dispute with a customer and impairment of goodwill on acquisition of company units of the merged company MED S.p.A..

48. SIGNIFICANT EVENTS OCCURRING AFTER THE CLOSE OF THE FINANCIAL YEAR

Please refer to the analysis provided in the Directors' Report.

Cavriago, 14 March 2016

LIST OF EQUITY HOLDINGS IN SUBSIDIARIES AT 31/12/2015

Company Name	Registered Office	Currency	Fully paid-up share capital	Amount of the equity in Euro	Result for the year in Euro	Direct stake	Indirect stake	Book value in Euro
LR Industria e Comercio Ltda	Espirito Santo (Brazil)	BRL	4,320,000	2,076,626	208,325	99.99%		1,708,862
Landi International B.V.	Utrecht (The Netherlands)	EUR	18,151	4,327,711	-117,779	100%		17,972
Beijing Landi Renzo Autogas System Co. Ltd	Beijing (China)	USD	2,600,000	5,798,944	596,908	100%		2,057,305
Eurogas Utrecht B.V.	Utrecht (The Netherlands)	EUR	36,800	566,107	-123,979		100% (*)	
Landi Renzo Polska Sp.Zo.O.	Warsaw (Poland)	PLN	50,000	3,754,645	11,052		100% (*)	
L.R. Pak (Pvt) Limited	Karachi (Pakistan)	PKR	75,000,000	1,634,522	825,358	70%		638,177
Landi Renzo Pars Private Joint Stock Company	Tehran (Iran)	IRR	55,914,800,000	2,109,459	367,883	99.99%		3,000,454
Landi Renzo Ro S.r.l.	Bucharest (Romania)	RON	20,890	1,041,612	792,608	100%		5,000
Landi Renzo USA Corporation	Wilmington - DE (USA)	USD	3,067,131	-7,306,482	-1,300,673	100%		1
AEB S.p.A.	Cavriago (RE)	EUR	2,800,000	30,702,615	3,357,442	100%		44,379,409
AEB America s.r.l.	Buenos Aires (Argentina)	ARS	2,030,220	2,129,189	636,777		96%(§)	
Eighteen Sound S.r.l.	Reggio Emilia	EUR	100,000	98,745	-203,162		100%(§)	
Landi Renzo VE C.A.	Caracas (Venezuela)	VEF	2,035,220	0	0	100%		1
Lovato Gas S.p.A.	Vicenza	EUR	120,000	15,808,059	1,338,607	100%		48,680,352
Lovato do Brasil Ind Com	Curitiba (Brazil)	BRL	100,000	0	0		100% (#)	
Officine Lovato Private Ltd	Mumbai (India)	INR	20,000,000	78,359	-61,112		100% (#)	
SAFE S.p.A.	S.Giovanni Pers. (BO)	EUR	2,500,000	4,469,859	1,960,516	100%		2,500,000
Safe Gas (Singapore) Pte. Ltd.	Singapore	SGD	325,000	-	-		100% (ç)	
Landi Renzo Argentina S.r.l.	Buenos Aires (Argentina)	ARS				96%	4% (#)	88,800
Emmegas S.r.l.	Cavriago (RE)	EUR	60,000	-86,341	-492,403	70%		1

(*) held by Landi International B.V.

(#) held by Lovato Gas S.p.A.

(§) held by AEB S.p.A.

(ç) held by Safe S.p.A.

INFORMATION PURSUANT TO ART. 149-duodecies OF THE CONSOB ISSUER REGULATIONS

In compliance with the express provisions of the CONSOB Issuer Regulations - Art. 149 duodecies - payments made for services rendered by the auditing firm, and by entities belonging to its network, to the company for the year 2015 are listed below.

(Thousands of Euro)

Type of Services	Subject who provided the service	Recipient	Remuneration 2015
Auditing	KPMG SpA	Parent Company	198
Certification services	KPMG SpA	Parent Company	2
Other services	KPMG SpA and KPMG Network	Parent Company	130
Total			330

RELATIONS WITH COMPANY DIRECTORS, AUDITORS AND MANAGERS WITH STRATEGIC RESPONSIBILITIES

Pursuant to Consob resolution no. 11971/99 (Issuer Regulations), remuneration paid or at least allocated to the members of Board of Directors and the Board of Auditors in 2015, and also to managers with strategic responsibilities and the equity investments held by them in the year are shown in the table attached to the “Report on Remuneration”, which will be provided to the shareholders' meeting called to approve the Financial Statements at 31 December 2015.

Annex 1

Income Statement at 31/12/2015, prepared in application of the requirements of Consob resolution 15519 of 27/06/2006 and Consob Communication no. DEM/6064293 of 28/07/2006 (in Euro).

(Euro)

INCOME STATEMENT		31/12/2015	of which transactions with related parties	Weight %	31/12/2014	of which transactions with related parties	Weight %
Revenues on goods and services	28	82,452,280	13,439,722	16.3%	95,215,020	15,938,994	16.7%
Other revenues and income	29	902,104			437,961		
Cost of raw materials, consumables and goods and change in inventories	30	-44,380,128	-13,433,865	30.3%	-49,684,588	-14,343,941	28.9%
Costs for services and use of third party assets	31	-25,902,727	-5,188,316	20.0%	-28,593,587	-5,535,718	19.4%
of which non-recurring	31	*-1,242,222*					
Personnel expenses	32	-20,316,165			-18,649,398		
of which non-recurring	33	*-1,790,265*					
Accruals, doubtful debts and other operating expenses	33	-3,594,266			-752,625		
of which non-recurring	33	*-2,700,000*					
Gross Operating Profit		**-10,838,903**			**-2,027,217**		
Amortization, depreciation and impairment losses	34	-10,844,667			-8,281,880		
of which non-recurring	34	*-2,547,561*					
Operating Profit		**-21,683,570**			**-10,309,097**		
Financial income	35	111,071	61,175	55.1%	291,802	285,820	97.9%
Income on equity investments	36	275,000	275,000	100%	10,360,457	10,360,457	100.0%
Financial expenses	37	-3,754,705			-2,777,676		
Expenses from investments	38	-12,158,734			-945,745		
Exchange gains (losses)	39	555,035			813,616		
Profit (Loss) before tax		**-36,655,903**			**-2,566,643**		
Taxes	40	-1,046,287			2,778,422		
Profit (loss) for the year		**-37,702,190**			**211,779**		

Annex 2

Statement of Financial Position at 31/12/2015, prepared in application of the requirements of Consob resolution 15519 of 27/06/2006 and Consob Communication no. DEM/6064293 of 28/07/2006 (in Euro).

(Euro)

ASSETS	Notes	31/12/2015	of which transactions with related parties	Weight %	31/12/2014	of which transactions with related parties	Weight %
Non-current assets							
Land, property, plant, machinery and equipment	2	22,065,561			21,196,888		
Development expenditure	3	6,170,928			5,754,447		
Goodwill and other intangible assets with finite useful lives	4	963,084			3,544,277		
Investments in subsidiaries	5	103,076,335			111,736,534		
Equity investments in associated companies and joint ventures	6	280,794			868,028		
Other non-current financial assets	7	6,128,235	6,125,170	99.9%	602,774	599,760	99.5%
Other non-current assets	8	71,292			71,330		
Prepaid taxes	9	8,484,529			10,556,942		
Total non-current assets		**147,240,758**			**154,331,220**		
Current assets							
Receivables from customers	10	7,408,585	814	0.0%	7,851,679	800,171	10.2%
Receivables from subsidiaries	11	9,612,948	9,612,948	100%	14,583,917	14,583,917	100.0%
Inventories	12	18,923,621			21,947,063		
Other receivables and current assets	13	4,049,868			3,600,691		
Current financial assets	14	0			7,053,867	7,053,867	100.0%
Cash and cash equivalents	15	14,668,191			11,779,571		
Total current assets		**54,663,213**			**66,816,788**		
TOTAL ASSETS		**201,903,970**			**221,148,008**		

(Euro)

EQUITY AND LIABILITIES	Notes	31/12/2015	of which transactions with related parties	Weight %	31/12/2014	of which transactions with related parties	Weight %
Equity							
Share capital	16	11,250,000			11,250,000		
Other reserves	16	99,616,303			99,250,786		
Profit (loss) for the period	16	-37,702,190			211,779		
TOTAL EQUITY		**73,164,114**			**110,712,565**		
Non-current liabilities							
Non-current bank loans	17	6,820,149			22,033,658		
Other non-current financial liabilities	18	1,467,786			1,177,539		
Provisions for risks and charges	19	5,076,042			2,221,404		
Defined benefit plans for employees	20	1,685,242			1,875,352		
Deferred tax liabilities	21	340,559			979,258		
Total non-current liabilities		**15,389,778**			**28,287,211**		
Current liabilities							
Bank overdrafts and short-term loans	22	39,331,906			40,365,320		
Other current financial liabilities	23	33,517,342			130,838		
Trade payables	24	25,506,986	1,965,378	7.7%	24,664,107	1,181,300	4.8%
Payables to subsidiaries	25	10,566,579	10,566,579	100%	13,067,013	13,067,013	100.0%
Tax liabilities	26	924,080			861,465		
Other current liabilities	27	3,503,186			3,059,489		
Total current liabilities		**113,350,079**			**82,148,232**		
TOTAL EQUITY AND LIABILITIES		**201,903,970**			**221,148,008**		

LANDIRENZO

Certification on the annual financial statements pursuant to art. 154-*bis* of Legislative Decree 58/98

The undersigned Stefano Landi, Chairperson of the Board of Directors and CEO, and Paolo Cilloni, Officer in charge of preparing the corporate financial statements of Landi Renzo S.p.A., state, having regard also to the provisions of art. 154-*bis*, paragraphs 3 and 4, of legislative decree No. 58 dated 24th February 1998:

- the adequacy of financial statements in relation to the relative corporate characteristics, and
- the effective application of the administrative and accounting procedures for the preparation of the annual financial statements at 31st December 2015.

In this respect are not emerged aspects of relief to report.

In addition, the undersigned state that the annual financial statements at 31 December 2015

- have been prepared in accordance with the international accounting standards acknowledged by the European Union pursuant to regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

- correspond to the results in the accounting books and records;
- are suitable to give a true and correct representation of the equity, economic and financial position of the Landi Renzo S.p.A.

The report on operating performance includes a reliable analysis on trends and performance, on Company's financial situation together with a description of the main risks and uncertainties which is exposed.

Cavriago, 14th March 2016

On behalf of the Board of Directors

Chairperson of the Board of Directors and CEO
Stefano Landi

The Officer in Charge
Paolo Cilloni

KPMG

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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Landi Renzo S.p.A.

Report on the separate financial statements

We have audited the accompanying separate financial statements of Landi Renzo S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2015, the income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the separate financial statements

The company's directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Auditors' responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) promulgated pursuant to article 11.3 of Legislative decree no. 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of separate financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the separate financial statements give a true and fair view of the company's financial position as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Report on other legal and regulatory requirements

Opinion on the consistency of the report on operations and certain information presented in the report on corporate governance and shareholding structure with the separate financial statements

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion, as required by the law, on the consistency of the report on operations and the information presented in the report on corporate governance and shareholding structure required by article 123-bis.4 of Legislative decree no. 58/98, which are the responsibility of the company's directors, with the separate financial statements. In our opinion, the report on operations and the information presented in the report on corporate governance and shareholding structure referred to above are consistent with the separate financial statements of Landi Renzo S.p.A. as at and for the year ended 31 December 2015.

Parma, 29 March 2016

KPMG S.p.A.

(signed on the original)

Lino Barbieri
Director of Audit

LANDI RENZO SPA

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING

Year closed at 31/12/2015

(153 of Legislative Decree 58/1998)

Dear Shareholders,

We hereby provide you with a report on the activities carried out by the Board of Statutory Auditors of Landi Renzo Spa (hereinafter "Landi Renzo" or the "Company") during the year closed at 31 December 2015.

The Company's shares are listed on the telematic stock market of Borsa Italiana - STAR segment.

Auditing of the accounts is entrusted to the company KPMG Spa.

Activity carried out

a) We carried out the supervisory activities provided for by art. 149 of Legislative Decree 58/1998 (hereinafter the "TUF" - the Italian Consolidated Law on Finance) and by other applicable legal and regulatory provisions, while also taking account of the principles of conduct recommended by the National Council of Professional and Chartered Accountants.

b) We attended all meetings of the Board of Directors, during which we were informed, as frequently as required by law and by the articles of association, of the activity carried out by the Directors and also regarding the most significant operations carried out by the Company and its subsidiaries. On such occasions we made sure that the resolutions adopted and the operations actually carried out were compliant with the law and the articles of association, as well as with the principles of correct administration.

c) We monitored the appropriateness of the organizational and administrative-accounting structure as well as the internal control system, through meetings with the persons in charge of the various company functions. We operated a constant flow of information with the managers of the Auditing Firm and with the members of the Board of Auditors of Italian subsidiaries, with meetings and informal contacts.

d) We attended the meetings of the Internal Control and Risks Committee and the Remuneration Committee set up by the Company pursuant to the Corporate Governance Code for companies listed on Borsa Italiana (hereinafter the "Corporate Governance Code").

We also had contacts with the members of the Supervisory Body set up pursuant to Legislative Decree 231/2001.

e) We made sure that the corporate governance rules specified by the Corporate Governance Code, with which the company is obliged to comply since it is listed in the STAR segment, were effectively enforced.

f) We monitored the suitability of the instructions given to the subsidiary companies pursuant to art. 114, paragraph 2, of the TUF.

g) In our role as Internal Control and Auditing Committee (art. 19 of Legislative Decree 39/2010), through participation in the meetings of the Control and Risks Committee, and through meetings with the Auditing Firm, with the Officer in charge of preparing the financial statements and with the holders of the various company offices, we constantly monitored the financial reporting process, the effectiveness of the internal control, internal auditing and risk management systems, the external auditing of annual and consolidated accounts, as well as the independence of the external auditing firm.

Indications and information

On the basis of the activity described the previous paragraph, we can declare the following.

1) The most important economic, financial and capital operations carried out by the Company, illustrated exhaustively in the Annual Report, are in fact compliant with the law, the company articles of association and the resolutions adopted by the shareholders' meeting. They are not imprudent, risky or such that they could compromise the integrity of the corporate assets.

2) The Board of Statutory Auditors has not found any atypical or unusual transactions performed with third parties, with companies of the Group or with related parties. Ordinary intercompany transactions and those with related parties are adequately described in the Explanatory Notes to the Consolidated Financial Statements and in the Notes to the Separate Financial Statements, to which you are referred.

3) On 29 March 2016, the auditing firm KPMG Spa issued the reports on the consolidated financial statements and the separate financial statements, without any important declarations or significant information.

4) During 2015, KPMG Spa issued the certification for the tax returns and assisted the Company for the preparation of the Sustainability Statement at 31 December 2014; furthermore KPMG Spa executed consultations for Euro 20 thousand.
5) During 2015, Landi Renzo conferred appointments to subjects belonging to the network of KPMG Spa for tax consultancy, with a total fee of € 108 thousand.
6) During 2015, we released the following opinions required by art. 2389, paragraph 3, of the Italian Civil Code and expressed himself for what required by the Corporate Governance Code.
7) The Board of Directors met 8 times during 2015.
8) Also during 2015, the Board of Statutory Auditors met 10 times, attended all the meetings of the Board of Directors, all the meetings of the Control and Risks Committee, of the Remuneration Committee.
9) In the contacts and exchanges of information with representatives of the Auditing Firm and with members of the monitoring bodies of the Italian subsidiaries, no important aspects emerged that would require communication to the shareholders.
10) Likewise, no important aspects arose through contacts with the Supervisory Body regarding the performance of the various monitoring activities. The Half-yearly Reports prepared by the Supervisory Body do not mention any censurable acts or any violations of the Organizational Model pursuant to Legislative Decree 231/2001. The Model is constantly updated to take account of regulatory changes.
11) Our control and supervisory activity revealed compliance with the principles of correct administration.
12) We consider that the organizational structure of the company is adequate for its size and for the activity carried out. The company maintained the efficiency of its internal control system, also on the basis of recommendations from the Control and Risks Committee and the Supervisory Body. We consider that the aforesaid internal control system of Landi Renzo is appropriate for the size and activity of the Company.
13) We consider that the administrative-accounting system of Landi Renzo is adequate and reliable in order to represent operational facts accurately.

14) Pursuant to art. 19 of Legislative Decree 39/2010, the Board of Statutory Auditors, in its role as Internal Control and Auditing Committee, confirmed that there were no significant deficiencies in the internal control system regarding the financial reporting process. In particular, the Board, on the basis of the activity carried out during the last year and the information gathered by the Auditing Firm, considers the procedure and activity of statutory auditing of the separate and consolidated financial statements to be adequate. The statutory auditors also recognize that the financial reporting process was carried out correctly, since the interim reports required by law were prepared and made public within the correct time frames and the procedures adopted in preparing them were appropriate. Today, the auditing firm issued the report pursuant to art. 19, paragraph 4, of the aforesaid Legislative Decree 39/2010.

    During 2015, pursuant to said law, the Board of Statutory Auditors also verified the existence of the requirements for independence of the Auditing Firm (its nine-year term expires with the Shareholder's meeting to approve the financial statements 2015) and the absence of any reasons for incompatibility; the Auditing Firm, in turn, sent to the Board the notice required by art. 17, paragraph 9, of the aforesaid Legislative Decree 39/2010.
15) The Company duly satisfied the requirements of art. 36 of CONSOB Regulation 16191/2007 concerning accounting documentation relating to non-EU subsidiaries included in the consolidated financial statements that are particularly important.
16) The Company has appropriate procedures in place, which the Board considers adequate, for collecting information from subsidiaries that must be communicated to the public pursuant to art. 114 of the TUF.
17) As regards the Corporate Governance Code, the Company has complied with the rules on the number of independent directors, and has set up the Control and Risks Committee and the Remuneration Committee.
18) During 2015, the Control and Risks Committee met 5 times and the Remuneration Committee met 1 time.
19) During 2015, the Board examined the procedures adopted by the Board of Directors in order to verify the ongoing existence of the necessary requirements for the two independent Board

Members (its nine-year term expires with the Shareholder's meeting to approve the financial statements 2015), and considers them to be correct.

We also verified, during 2015, the existence and permanence of the same requirements regarding the members of the Board of Statutory Auditors Members (its nine-year term expires with the Shareholder's meeting to approve the financial statements 2015).

20) The supervisory activities did not discover any facts that require a mention in our Report to the Shareholders' Meeting.

21) Throughout 2015 all the Board members respect, and continue to respect, the guidelines on accumulation of assignments contained in art. 148-bis, paragraph 2, of the TUF, and in arts. 144-duodecies et seq. of the Consob Issuers' Regulations, also taking the requirements of Consob resolution no. 18079/2012 into account.

22) Having taken account of the conclusions of the Auditing Firm's report, the Board of Statutory Auditors has no objections or observations to be formulated regarding the draft separate financial statements at 31 December 2015, prepared by the Board of Directors within the terms established by law.

23) We agree with the contents of the Annual Report on Performance, which satisfies the requirements of art. 2428 of the Italian Civil Code and corresponds with the data contained in the financial statements and we also agree with the proposed allocation of the results for the year.

24) The Company has prepared the Report on Corporate Governance and ownership situations containing the information required by art. 123-bis of the TUF. The auditing firm has expressed a judgement of consistency on the above-mentioned report as required by paragraph 4 of the aforesaid art. 123-bis.

The Company also prepared the Report on remuneration required by art. 123-ter of the TUF and by the Corporate Governance Code, which also includes information on the general remuneration policy.

Consolidated financial statements

Landi Renzo prepared the consolidated financial statements for 2015, which were made available to us within the terms established by law

The consolidated financial statements, prepared according to international IFRS accounting standards adopted by the European Union, are submitted to the auditing of KPMG Spa, which, in the aforementioned report, issued an opinion without any significant facts or required communication.

We therefore refer to the conclusions of the aforementioned report, in compliance with the provisions of art. 41 of Legislative Decree 127/91, since the Board did not perform any specific checks on the consolidated financial statements.

Auditing Firm Appointment

With the Shareholder's meeting to approve the 2015 financial statements, expires the nine-year mandate given to the KPMG Spa.

On 14 March 2016 the Board of Statutory Auditors has drawn up the reasoned proposal for the assignment of the new statutory according to the article 13 D.Lgs. 39/2010, proposal that has been made available for the shareholders in manner and with the terms provided by law.

Company Appointments

With the Shareholder's meeting to approve the 2015 financial statements, expires the mandate given to the Directors and to the Board of Statutory Auditors expires and you should therefore make new appointments.

Cavriago, 29 March 2016

Board of Statutory Auditors

Eleonora Briolini

Luca Gaiani

Marina Torelli

Registered Office and Parent details

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This report is available on the website
www.landi.it

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Respecting the environment, Landi Renzo S.p.A. has decided to print this Annual Report on paper coming from forests responsibly managed, according to the FSC® criteria (Forest Stewardship Council®).

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April 2016

LANDIRENZO
GROUP™