



**INTERIM MANAGEMENT REPORT  
AT 31 MARCH 2016**

## CONTENTS

1. GENERAL INFORMATION
  - 1.1. Corporate officers and information
  - 1.2. Group Structure
  - 1.3. Landi Renzo Group – *Financial Highlights*
  
2. DIRECTORS' OBSERVATIONS ON OPERATING PERFORMANCE
  - 2.1. Introduction and notes on the main changes in the interim financial statements as at 31 March 2016
  - 2.2. Significant events after the end of the quarter and likely future developments
  
3. CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2016
  - 3.1. General preparation criteria and consolidation principles
  - 3.2. Consolidated Statement of Financial Position
  - 3.3. Consolidated Income Statement
  - 3.4. Consolidated Statement of Comprehensive Income
  - 3.5. Consolidated Cash Flow Statement
  - 3.6. Table of Changes in Consolidated Equity

## 1. GENERAL INFORMATION

### 1.1. CORPORATE OFFICERS AND INFORMATION

The Shareholders' Meeting of the parent company Landi Renzo S.p.A. held on 29 April 2016 appointed the Board of Directors and the Board of Statutory Auditors for the three years 2016 - 2018, therefore until the shareholders' meeting for approval of the Financial Statements as at 31 December 2018. The meeting also appointed the auditing firm, PricewaterhouseCoopers S.p.A., for the period 2016 – 2024.

Company officers at the date when this Interim Management Report was prepared are shown below.

#### **Board of Directors**

---

Chairman and Chief Executive Officer	Stefano Landi
Honorary Chairperson - Director	Giovannina Domenichini
Executive director	Claudio Carnevale
Director	Silvia Landi
Director	Angelo Iori
Director	Anton Karl
Independent Director	Sara Fornasiero (*)
Independent Director	Ivano Accorsi

#### **Board of Statutory Auditors**

---

Chairman of the Board of Statutory Auditors	Eleonora Briolini
Standing Auditor	Massimiliano Folloni
Standing Auditor	Diana Rizzo
Alternate Auditor	Filomena Napolitano
Alternate Auditor	Andrea Angelillis

#### **Control and Risks Committee**

---

Chairman	Sara Fornasiero
Committee Member	Ivano Accorsi
Committee Member	Angelo Iori

#### **Committee for Remuneration**

---

Chairman	Ivano Accorsi
Committee Member	Sara Fornasiero
Committee Member	Angelo Iori

#### **Committee for Transactions with Related Parties**

---

Committee Member	Sara Fornasiero
Committee Member	Ivano Accorsi

#### **Surveillance Body pursuant to Legislative Decree 231/01**

---

Chairman	Jean-Paule Castagno
Member of the Body	Sara Fornasiero
Member of the Body	Enrico Gardani

#### **Independent Auditors**

---

PricewaterhouseCoopers S.p.A.

---

**Manager in charge of writing up the accounting documents** Paolo Cilloni

---

(\*) The Director also holds the office of *Lead Independent Director*

## **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

Paid-up share capital Euro 11,250,000

Business Register of Reggio Emilia - Tax Code and  
VAT no. IT00523300358

This report is available on the Internet at:

[www.landi.it](http://www.landi.it)

## 1.2. GROUP STRUCTURE

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	19,091,430		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% (#) (^)
Krishna Landi Renzo India Private Ltd Held	Gurgaon - Haryana (India)	INR	118,000,000	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

(&) Company Joint Venture

## LANDI RENZO NEL MONDO



### 1.3. LANDI RENZO GROUP – FINANCIAL HIGHLIGHTS

(Thousands of Euro)			
<b>ECONOMIC INDICATORS FOR THE QUARTER</b>	<b>Q1 2016</b>	<b>Q1 2015</b>	<b>Change</b>
Revenue	41,420	45,558	-4,138
Gross Operating Profit (EBITDA)	363	43	320
Operating Profit (EBIT)	-3,755	-3,835	80
Result Before Tax	-5,214	-3,491	-1,723
Net result for the Group and minority interests	-4,316	-2,717	-1,599
Gross Operating Profit (EBITDA) / Revenue	0.9%	0.1%	
Operating Profit (EBIT) / Revenue	-9.1%	-8.4%	
Net profit for the Group and minority interests / Revenue	-10.4%	-6.0%	

(Thousands of Euro)			
<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>	<b>31/03/2016</b>	<b>31/12/2015</b>	<b>31/03/2015</b>
Net tangible and other non-current assets	109,802	111,020	126,314
Operating capital (1)	52,706	38,317	55,490
Non-current liabilities (2)	-17,306	-18,063	-17,676
<b>NET CAPITAL EMPLOYED</b>	<b>145,202</b>	<b>131,274</b>	<b>164,128</b>
Net financial position (opening cash) (3)	78,434	59,459	58,219
Equity	66,768	71,815	105,909
<b>BORROWINGS</b>	<b>145,202</b>	<b>131,274</b>	<b>164,128</b>

(Thousands of Euro)			
<b>KEY INDICATORS</b>	<b>31/03/2016</b>	<b>31/12/2015</b>	<b>31/03/2015</b>
Operating capital / Revenues ( <i>rolling 12 months</i> )	26.2%	18.6%	24.1%
Net financial debt / Equity	117.5%	82.8%	55.0%
Gross tangible and intangible investments	2,033	15,523	3,243
Personnel (peak)	810	846	901

(Thousands of Euro)			
<b>CASH FLOWS</b>	<b>31/03/2016</b>	<b>31/12/2015</b>	<b>31/03/2015</b>
Operational cash flow	-16,637	4,185	-7,833
Cash flow for investment activities	-2,095	-15,223	-3,774
<b>FREE CASH FLOW</b>	<b>-18,732</b>	<b>-11,038</b>	<b>-11,607</b>

(1) This is calculated as the difference between Trade Receivables, Inventories, Work in Progress on Orders, Other Current Assets and Trade Payables, Tax liabilities, Other Current Liabilities;

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

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

## 2. DIRECTORS' OBSERVATIONS ON OPERATING PERFORMANCE

The company has prepared the interim management report at 31 March 2016, providing the information required by the existing paragraph 5 of article 154-ter of Leg. Decree no. 58 dated 24 February 1998, amended by Legislative Decree no. 25 dated 15 February 2016, as required by Communication no. 7587 of 21/04/2016 from Borsa Italiana to STAR segment issuers.

### 2.1. INTRODUCTION AND NOTES ON THE MAIN CHANGES IN THE INTERIM FINANCIAL STATEMENTS AS AT 31 MARCH 2016

#### 2.1.1. Summary of the Group's results for the first quarter 2016

Although revenues were lower than for the same period of last year, the results for the first quarter of 2016 show recovery of the Gross Operating Profit, which increased from Euro 43 thousand in the first quarter of 2015 to Euro 363 thousand at 31 March 2016.

Consolidated revenues for the first quarter of 2016 totalled Euro 41,420 thousand, a decrease of Euro 4,138 thousand compared with the same period of the previous year, but in line with this year's *budget*.

This fall in revenues relates primarily to sales on the OEM channel, as a consequence of conversion to the new LPG Euro 6 engines, which is due to be completed during the second half of the year, while revenues in the *After Market* segment were basically aligned with those for the same period of the previous year.

As already said, despite lower revenues, the economic results of the quarter improved in terms of both a higher profit on sales and lower operating costs, primarily labour costs, where savings of Euro 1.5 million compared with the first quarter of 2015 were registered; there was also a lower incidence of industrial costs as a result of implementation of the reorganisation and production reorganisation plan already started the previous year.

In view of this scenario, the gross operating margin at the end of the quarter totalled Euro 363 thousand, an improvement compared with the same period of the previous year (Euro 43 thousand).

The following table sets out the main economic indicators of the Group for the first quarter of 2016 compared with the first quarter of 2015.

(Thousands of Euro)	31/03/2016		31/03/2015		Changes	
Consolidated Income Statement		%		%		%
Revenues on sales and services	41,420		45,558		-4,138	-9.1%
Gross Operating Profit	363	0.9%	43	0.1%	320	744.2%
Net Operating Profit	-3,755	-9.1%	-3,835	-8.4%	80	n.a.
Profit (Loss) before tax	-5,214	-12.6%	-3,491	-7.7%	-1,723	n.a.
Net Profit (Loss) of the Group	-4,190	-10.1%	-2,754	-6.0%	-1,436	n.a.



## Breakdown of sales by business segment

This division of revenues by area of activity follows the “*management approach*”, on which the international accounting standard of reference (IFRS 8) 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.

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" division.

The table below shows revenues by area of activity.

(Thousands of Euro)							
Distribution of revenues by area of activity	At 31/03/2016	% of revenues	At 31/03/2015	% of revenues	Changes	%	
Gas Segment - car systems	33,946	82.0%	38,021	83.5%	-4,075	-10.7%	
Gas Segment - distribution systems	3,694	8.9%	4,571	10.0%	-877	-19.2%	
<b>Total revenues - GAS sector</b>	<b>37,640</b>	<b>90.9%</b>	<b>42,592</b>	<b>93.5%</b>	<b>-4,952</b>	<b>-11.6%</b>	
Other (Alarms, Sound, Robotics, Oil&Gas and others)	3,780	9.1%	2,966	6.5%	814	27.4%	
<b>Total revenues</b>	<b>41,420</b>	<b>100.0%</b>	<b>45,558</b>	<b>100.0%</b>	<b>-4,138</b>	<b>-9.1%</b>	

Net Revenues of the Group in the first quarter of 2016 amounted to Euro 41,420 thousand (Euro 45,558 thousand at 31 March 2015), a decrease of 9.1% compared with the same period in 2015.

Revenues for the **Gas Segment** decreased from Euro 42,592 thousand in the first quarter of 2015 to Euro 37,640 thousand, a 11.6% decrease.

Revenues from sales in the Gas Segment – Car Systems decreased from Euro 38,021 thousand in the first quarter of 2015 to Euro 33,946 thousand, a 10.7% decrease, mainly in the OEM channel, as a result of slowdown in supplies on certain models due to conversion from Euro 5 to Euro 6 engines.

Sales in the Gas Segment – Distribution Systems decreased by Euro -877 thousand, due to lower revenues in South-east Asia, which were only partially offset by positive performance of several Western European countries.

Revenues from sales in the **Others** division increased from Euro 2,966 thousand in the first quarter of 2015 to Euro 3,780 thousand, a 27.4% increase assisted by good performance of sales of *speakers* under the 18Sound brand.

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).

Distribution of sales by geographical area in the first quarter of 2016 is shown below.

(Thousands of Euro)

Geographical distribution of revenues	At 31/03/2016	% of revenues	At 31/03/2015	% of revenues	Changes	%
Italy	9,388	22.7%	9,507	20.9%	-119	-1.3%
Europe (excluding Italy)	18,834	45.5%	21,862	48.0%	-3,028	-13.9%
America	6,128	14.8%	8,016	17.6%	-1,888	-23.6%
Asia and Rest of the World	7,070	17.0%	6,173	13.5%	897	14.5%
<b>Total</b>	<b>41,420</b>	<b>100%</b>	<b>45,558</b>	<b>100%</b>	<b>-4,138</b>	<b>-9.1%</b>

Analysing the geographical distribution of revenues, during the first quarter of 2016, the Landi Group realized 77.3% of its consolidated revenues abroad (45.5% in Europe and 31.8% outside Europe). In detail:

- **Italy**

Sales on the Italian market, which totalled Euro 9,388 thousand in the first quarter, remained basically stable compared with the same period of the previous year, despite an unfavourable market scenario, characterised both by a fall in *After Market* conversions and by a decrease in new OEM *bifuel* registrations.

In particular, according to data processed by the Ecogas Consortium, the *After Market* market registered a 7.7% drop in the number of conversions compared with the previous year, while the Group's share of the domestic market on this sales channel was stable, at around 34%, in the period of reference.

With reference to performance of OEM *bifuel* registrations, the sales mix of new vehicles equipped with LPG and CNG systems registered a total 20.6% decrease in the quarter compared with the same period of 2015, according to data published by ANFIA – Associazione Nazionale Filiera Industria Automobilistica, with 8.2% of total registrations.

- **Europe**

Revenues in Europe fell by 13.9%, principally as a result of the aforementioned slowdown in supplies due to conversion from Euro 5 to Euro 6 engines on the OEM channel.

- **America**

Sales on the American market fell by 23.6% compared with the same quarter of 2015, mainly as a result of negative sales performance in certain South American countries, such as Bolivia and Argentina, which was only partially offset by growth in Brazil.

- **Asia and Rest of the World**

Compared with the same quarter of 2015, the Asia and Rest of the World markets registered growth of 14.5%, due primarily to good development of revenues on the Indian and Algerian markets. Slow but constant signs of reopening of the Iranian market continue and are being boosted by the gradual lessening of international tension.

### Gross Operating Profit

In the first quarter of 2016, the total Gross Operating Profit (GOP) was positive for Euro 363 thousand, an increase of Euro 320 thousand compared with the same period in 2015 (Euro 43 thousand).

Costs of raw materials, consumables and goods and changes in inventories decreased overall from Euro 19,852 thousand in the first quarter of 2015 to Euro 19,105 thousand in the first quarter of 2016, recording a decrease of Euro 747 thousand in absolute terms, as a result of the decrease in sales volumes.

Costs for services and use of third party assets decreased from Euro 14,327 thousand at 31 March 2015 to Euro 12,087 thousand at 31 March 2016, not only as a result of the reduced weight of external processing, linked with the lower sales volumes, but also due to the reduction in direct industrial costs and production *overheads*, following an increase in their efficiency as part of the reorganisation plan.

Personnel costs of Euro 9,466 thousand fell slightly with respect to the same period of the previous year in this quarter (Euro 10,929 thousand), as did the total workforce employed by the Group, which is 810 employees. The reduction in labour costs is attributable both to a company solidarity agreement started in the third quarter of the previous year and to the effects of a mobility and voluntary redundancy scheme started in November 2015 and still in progress at the end of the quarter.

### Operating Profit

The Operating Profit was negative for Euro 3,755 thousand, a decrease of Euro 80 thousand compared with the same item for the previous year, after entry into accounts of quarterly depreciation totalling Euro 4,118 thousand (Euro 3,878 thousand at 31 March 2015).

### Profit (Loss) before tax

The result before tax is negative at Euro 5,214 thousand, compared with a pre-tax result equal to Euro -3,491 thousand in the first quarter of 2015. This change is partly the result of exchange differences, which registered gains of Euro 1,024 thousand in the first quarter of 2015, whereas losses of Euro 159 thousand were registered at 31 March 2016.

Net financial charges of Euro 1,262 thousand, of which Euro 1,051 thousand are interest charges, Euro 250 thousand is commission payable and Euro 39 thousand is interest income, increased by Euro 578 thousand compared with the first quarter of 2015. This increase is attributable to financial charges relating to the "LANDI RENZO 6.10% 2015-2020" bonded loan issued in May 2015.

### Net profit (loss) for the Group

The Net Result of the Group in the first quarter of 2016 showed losses of Euro 4,190 thousand, compared with losses for the Group of Euro 2,754 thousand in the same period of 2015.

## Statement of Financial Position and Net Financial Position

(Thousands of Euro)

Statement of Financial Position	31/03/2016	31/12/2015	31/03/2015
Trade receivables	35,650	33,764	35,828
Inventories	60,955	57,528	72,862
Work in progress on orders	2,457	2,904	2,732
Trade payables	-52,612	-58,351	-59,875
Other net current assets	6,256	2,472	3,943
<b>Net operating capital</b>	<b>52,706</b>	<b>38,317</b>	<b>55,490</b>
Tangible assets	33,998	35,364	35,191
Intangible assets	60,575	61,194	71,351
Other non-current assets	15,229	14,462	19,772
<b>Fixed capital</b>	<b>109,802</b>	<b>111,020</b>	<b>126,314</b>
TFR and other provisions	-17,306	-18,063	-17,676
<b>Net capital employed</b>	<b>145,202</b>	<b>131,274</b>	<b>164,128</b>
<b>Financed by:</b>			
Net Financial Position	78,434	59,459	58,219
Group shareholders' equity	66,409	71,390	105,184
Minority interests	359	425	725
<b>Borrowings</b>	<b>145,202</b>	<b>131,274</b>	<b>164,128</b>
Ratios	31/03/2016	31/12/2015	31/03/2015
Net operating capital	52,706	38,317	55,490
Net operating capital/Turnover ( <i>rolling</i> )	26.2%	18.6%	24.1%
Net capital employed	145,202	131,274	164,128
Net capital employed/Turnover ( <i>rolling</i> )	72.1%	63.9%	71.2%

(thousands of Euro)

<b>Net Financial Position</b>	<b>31/03/2016</b>	<b>31/12/2015</b>	<b>31/03/2015</b>
Cash and cash equivalents	20,263	38,264	22,588
Bank payables and short-term loans	-36,725	-50,797	-52,847
Bonds issued (net value)	-4,798	-33,098	0
Short-term loans	-425	-425	-137
<b>Net short term indebtedness</b>	<b>-21,685</b>	<b>-46,056</b>	<b>-30,396</b>
Medium-Long term loans	-28,367	-13,403	-27,823
Bonds issued (net value)	-28,382	0	
<b>Net medium-long term indebtedness</b>	<b>-56,749</b>	<b>-13,403</b>	<b>-27,823</b>
<b>Net Financial Position</b>	<b>-78,434</b>	<b>-59,459</b>	<b>-58,219</b>

The Net Financial Position at 31 March 2016 is negative for Euro 78,434 thousand, compared with a negative net financial position at 31 December 2015 of Euro -59,459 thousand (Euro -56,219 thousand at 31 March 2015).

The medium-term amounts of loans and of the “LANDI RENZO 6.10% 2015-2020” bonded loan with financial covenants were stated under current liabilities at 31 December 2015, in accordance with the accounting standards of reference, due to misalignments with the parameters set. Following issue of letters of waiver by the Company and also the resolution of the Bondholders' Meeting held on 7 March 2016, which voted to change the loan regulations, deferring measurement of the parameters to 31 December 2016, these amounts have been reclassified according to their contractual maturity dates.

The cash flow from operating activities at 31 March 2016, as indicated in the Cash Flow Statement, was negative for Euro 16,637 thousand; investment activities lead to absorption of cash totalling Euro 2,095 thousand, while the cash flow produced by financing activities was positive and totalled Euro 975 thousand.

Net operating capital in the first quarter of 2016 was Euro 52,706 thousand. There was an increase of Euro 14,389 million compared with 31 December 2015, due mainly to greater absorption of net operating capital, partly as a result of less use of assignment without recourse of receivables and outlays linked with the voluntary redundancy policies.

Closing inventories and work in progress on orders, totalling Euro 63,412 thousand, increased by 4.9% compared with the end of the previous year, particularly for the finished products category, in view of sales for the subsequent quarters.

Trade receivables at 31 March 2016, totalling Euro 35,650 thousand, increased slightly compared with the figure for 31 December 2015, due to less use of *factoring* without recourse, with credit *maturity* totalling Euro 31,169 thousand (Euro 35,542 thousand at 31 December 2015).

## Investments

Investments in Group tangible assets at 31 March 2016 totalled Euro 777 thousand (Euro 2,080 thousand in the first quarter of 2015) and relate principally to industrial and commercial equipment.

Investments in intangible assets totalled Euro 1,257 thousand (Euro 1,163 thousand in March 2015) and refer mainly to the capitalization of costs for development projects meeting the requirements of IAS 38 in order to be stated under net assets.

### 2.1.2. Results of Group companies

In the first quarter of 2016, Landi Renzo S.p.A. generated revenues of Euro 16,267 thousand, compared with Euro 21,485 thousand in 2015, a drop caused principally by the reduction in the OEM channel. The Gross Operating Profit was negative and totalled Euro 978 thousand, a decrease of Euro 260 thousand compared with the figure at 31 March 2015. The result before taxes totalled Euro -4,141 thousand, after amortisation/depreciation of Euro -2,189 thousand, net financial charges of Euro -1,049 thousand, exchange losses of Euro -394 thousand, income on equity investments totalling Euro 669 thousand and charges on equity investments totalling Euro -201 thousand.

The net result at 31 March 2016 was negative and totalled Euro 3,219 thousand, while Equity was Euro 69,855 thousand, compared with Euro 73,164 thousand at 31 March, 2015.

The workforce at the end of the quarter was 294 employees, a decrease of 21 people compared with 31 December 2015.

### 2.1.3. Transactions with related parties

Transactions with related parties, which were not significant as a whole, relate to activities regarding normal operation and are regulated at normal arm's length conditions on the respective reference markets, taking account of the characteristics of the goods and services supplied.

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 SAFE S.p.A. for rent on the industrial property in San Giovanni Persiceto (BO), where the company offices are located;
- 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. for the 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.

## 2.2. SIGNIFICANT EVENTS AFTER THE END OF THE QUARTER AND LIKELY FUTURE DEVELOPMENTS

- On 29 April 2016, the Shareholders' Meeting resolved, *amongst other things*, the following:
  - adjustment of the loss for the year of Landi Renzo S.p.A., totalling Euro 37,702,189.73, through use of the entire merger surplus reserve, which is eliminated, and the extraordinary reserve, which is reduced to Euro 12,620,747.55;
  - appointment of the Board of Directors;
  - appointment of the Board of Statutory Auditors;
  - granting of the nine-year assignment to audit the accounts to the company PricewaterhouseCoopers S.p.A.;
  - renewal of authorization for the purchase and disposal of treasury shares.
- In April, the Group published the 2015 Sustainability Report, in order to strengthen the dialogue with *stakeholders*, as it is fully aware that day-to-day activities directed towards sustainability is a means of creating value not only for companies but, in a wider view, for the community as a whole and for stakeholders with whom the Group interacts.
- In addition, we point out that initial registrations of petrol/LPG - petrol/CNG bifuel vehicles (ANFIA figures) decreased from 72,000 units in the period January-April 2015 (equal to 12.4% of the market) to 56,500 units in the period January-April 2016 (equal to 8.2% of the market), a decrease of 21.6 %.

### Likely future developments

Taking into consideration the current situation, in line with that stated on March 14, it is confirmed that 2016 sales will be between Euro 200 and 210 million and that EBITDA in 2016 is forecast at between Euro 12 and 15 million. As a matter of fact the business with Car Manufacturers is expected to grow during next months for the release of new LPG models with Euro 6 engines; the Distribution System business is historically stronger during the second part of the year.

The Group shall continue to pay the utmost attention to operational costs and management control, implementing further measures aimed at improving efficiency.

Cavriago, 12 May 2016

**Chairman and Chief Executive Officer**  
**Stefano Landi**

### **3. INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 31 March 2016**

#### **3.1. GENERAL PREPARATION CRITERIA AND CONSOLIDATION PRINCIPLES**

##### **3.1.1.Premise**

The Interim Management Report at 31 March 2016, which has not been audited, has been prepared in compliance with the requirements of the existing paragraph 5 of art. 154-ter of Legislative Decree no. 58 of 24 February 1998, also in light of the clarifications provided by the ESMA in the Q&A on Directive 2004/109/EC. Therefore, the provisions of the international accounting principle relating to infra-annual financial information (IAS 34 – Intermediate Financial Statements) were not adopted.

The interim management report at 31 March 2016 has been prepared in accordance with international accounting standards (IAS/IFRS). To this end, the separate interim financial statements of the Italian and foreign subsidiaries have been reclassified and adjusted accordingly.

They are consolidated on a line-by-line basis to include all assets and liabilities in their entirety. The company Krishna Landi Renzo India Private LTD Held is consolidated with the equity method, due to its current system of *governance*, which reflects a joint control agreement classifiable as a “*joint venture*” according to international accounting standards.

The accounting policies adopted to prepare the interim consolidated financial statements for the first quarter closed on 31 March 2016 are the same as those used for the consolidated financial statements closed at 31 December 2015.

As well as the interim values at 31 March 2016 and 2015, the financial data for the period closed on 31 December 2015 is shown for the purpose of comparison.

The functional and presentation currency is the Euro. Figures in the schedules and tables herein are in thousands of Euro.

##### **3.1.2.Consolidation procedures and Accounting policies**

The preparation of the interim management report requires the directors to apply accounting standards and methods that are sometimes based on difficult and 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, Income Statement, Statement of Comprehensive Income, Cash Flow Statement and disclosures.

If in the future these estimates and assumptions, which are based on the best assessments made by the directors, should actually be different then they will be changed accordingly.

Some valuation processes, especially the more complex ones, such as establishing any impairment of non-current assets, are normally carried out to a full extent only during preparation of the annual financial statements, when all the information that may be required is available, except for those cases in which there are *impairment* indicators that require an immediate assessment of possible losses in value.



The policies and principles of the Landi Renzo Group for the identification, management and control of risks related to the activity are described in detail in the Consolidated Annual Report at 31 December 2015, to which you may refer for a more complete description of such aspects.

### **3.1.3.Consolidation area**

The consolidation area 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/IAS.

The consolidation area has not changed compared with 31 December 2015 and 31 March 2015.

### **Adoption of simplification of reporting obligations pursuant to CONSOB Resolution no. 18079 of 20 January, 2012.**

Pursuant to art. 3 of Consob Resolution no. 18079 of 20 January, 2012, Landi Renzo S.p.A. has decided to adopt the opt-out system envisaged by arts. 70, paragraph 8, and 71, paragraph 1-b, of Consob regulation no. 11971/99 (and subsequent amendments and additions thereto), applying the possibility of derogating from the obligations of publication of the information documents envisaged by Annex 3B to said Consob Regulation, on occasion of significant mergers, demergers, increases in capital through contribution of goods in kind, acquisitions and disposals.

### 3.2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Thousands of Euro)			
ASSETS	31/03/2016	31/12/2015	31/03/2015
<b>Non-current assets</b>			
Land, property, plant, machinery and equipment	33,998	35,364	35,191
Development expenditure	8,464	8,404	7,121
Goodwill	30,094	30,094	39,942
Other intangible assets with finite useful lives	22,017	22,696	24,288
Equity investments consolidated using the equity method	71	109	491
Other non-current financial assets	453	574	788
Deferred tax assets	14,705	13,779	18,493
<b>Total non-current assets</b>	<b>109,802</b>	<b>111,020</b>	<b>126,314</b>
<b>Current assets</b>			
Trade receivables	33,279	31,340	33,321
Trade receivables - related parties	2,371	2,424	2,507
Inventories	60,955	57,528	72,862
Work in progress on orders	2,457	2,904	2,732
Other receivables and current assets	15,582	16,347	15,771
Cash and cash equivalents	20,263	38,264	22,588
<b>Total current assets</b>	<b>134,907</b>	<b>148,807</b>	<b>149,781</b>
<b>TOTAL ASSETS</b>	<b>244,709</b>	<b>259,827</b>	<b>276,095</b>

(Thousands of Euro)			
EQUITY AND LIABILITIES	31/03/2016	31/12/2015	31/03/2015
<b>Equity</b>			
Share capital	11,250	11,250	11,250
Other reserves	59,349	95,428	96,688
Profit (loss) for the period	-4,190	-35,288	-2,754
<b>Total Group equity</b>	<b>66,409</b>	<b>71,390</b>	<b>105,184</b>
Minority interests	359	425	725
<b>TOTAL EQUITY</b>	<b>66,768</b>	<b>71,815</b>	<b>105,909</b>
<b>Non-current liabilities</b>			
Non-current bank loans	26,899	11,935	26,645
Other non-current financial liabilities	29,850	1,468	1,178
Provisions for risks and charges	7,498	8,059	5,234
Defined benefit plans for employees	3,277	3,313	3,827
Deferred tax liabilities	6,531	6,691	8,615
<b>Total non-current liabilities</b>	<b>74,055</b>	<b>31,466</b>	<b>45,499</b>
<b>Current liabilities</b>			
Bank overdrafts and short-term loans	36,725	50,797	52,847
Other current financial liabilities	5,223	33,523	137
Trade payables	50,248	56,260	58,382
Trade payables – related parties	2,364	2,091	1,493
Tax liabilities	1,683	4,990	2,344
Other current liabilities	7,643	8,885	9,484
<b>Total current liabilities</b>	<b>103,886</b>	<b>156,546</b>	<b>124,687</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>244,709</b>	<b>259,827</b>	<b>276,095</b>

### 3.3. CONSOLIDATED INCOME STATEMENT

(Thousands of Euro)		
	31/03/2016	31/03/2015
<b>CONSOLIDATED INCOME STATEMENT</b>		
Revenues on sales and services	41,416	45,466
Revenues (goods and services) - related parties	4	92
Other revenues and income	195	220
Cost of raw materials, consumables and goods and change in inventories	-19,105	-19,852
Costs for services and use of third party assets	-11,312	-13,658
Costs for services and use of third party assets – related parties	-775	-669
Personnel expenses	-9,466	-10,929
Provisions, bad debts and other operating expenses	-594	-627
<b>Gross Operating Profit</b>	<b>363</b>	<b>43</b>
Amortization, depreciation and impairment losses	-4,118	-3,878
<b>Net Operating Profit</b>	<b>-3,755</b>	<b>-3,835</b>
Financial income	39	115
Financial expenses	-1,301	-799
Exchange gains (losses)	-159	1,024
Gain (loss) on equity investments consolidated using the equity method	-38	4
<b>Profit (Loss) before tax</b>	<b>-5,214</b>	<b>-3,491</b>
Current and deferred taxes	898	774
<b>Net profit (loss) for the Group and minority interests, including:</b>	<b>-4,316</b>	<b>-2,717</b>
Minority interests	-126	37
Net profit (loss) for the Group	-4,190	-2,754
<b>Basic earnings (loss) per share (calculated on 112,500,000 shares)</b>	<b>-0.0372</b>	<b>-0.0245</b>
<b>Diluted earnings (loss) per share</b>	<b>-0.0372</b>	<b>-0.0245</b>

### 3.4. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Thousands of Euro)

	31/03/2016	31/03/2015
<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>		
<b>Net profit (loss) for the Group and minority interests:</b>	<b>-4,316</b>	<b>-2,717</b>
<i>Gains/losses that will not be subsequently reclassified in the income statement</i>		
Restatement of defined employee benefit plans (IAS 19)	-193	-109
<b>Total gains/losses that will not be subsequently reclassified on the income statement</b>	<b>-193</b>	<b>-109</b>
<i>Profits/losses that could subsequently be reclassified on the income statement</i>		
Reserve for translation difference	-248	634
<b>Total profits/losses that could subsequently be reclassified on the income statement</b>	<b>-248</b>	<b>634</b>
<b>Profits/Losses recorded directly to Equity net of tax effects</b>	<b>-441</b>	<b>525</b>
<b>Total consolidated statement of comprehensive income for the period</b>	<b>-4,757</b>	<b>-2,192</b>
Profit (loss) for Shareholders of the Parent Company	-4,605	-2,282
Minority interests	-152	90

### 3.5. CONSOLIDATED CASH FLOW STATEMENT

(Thousands of Euro)

CONSOLIDATED CASH FLOW STATEMENT	31/03/2016	31/12/2015	31/03/2015
<b>Financial flows deriving from operating activities</b>			
Profit (loss) for the period	-4,316	-35,587	-2,717
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	2,143	8,463	2,234
Amortization of intangible assets	1,876	6,966	1,644
Impairment losses on intangible assets	100	10,178	
Impairment loss on receivables	86	800	98
Net financial charges, including exchange rate differences	1,421	5,484	-340
Income tax for the year	-898	2,914	-774
	412	-782	145
<i>Changes in:</i>			
Work in progress on orders	-2,980	5,427	-9,735
trade receivables and other receivables	-2,013	3,345	-2,370
trade payables and other payables	-10,432	-1,281	4,918
provisions and employee benefits	-789	2,850	79
Cash generated from operating activities	-15,802	9,559	-6,963
Interest paid	-467	-3,919	-527
Income taxes paid	-368	-1,455	-343
<b>Net cash generated from operating activities</b>	<b>-16,637</b>	<b>4,185</b>	<b>-7,833</b>
<b>Financial flows deriving from investment activities</b>			
Proceeds from the sale of property, plant and equipment	24	228	71
Equity investments consolidated using the equity method	38	72	-310
Purchase of property, plant and equipment	-800	-9,053	-2,219
Purchase of intangible assets	-84	-1,108	-270
Development expenditure	-1,273	-5,362	-1,046
<b>Net cash absorbed by investment activities</b>	<b>-2,095</b>	<b>-15,223</b>	<b>-3,774</b>
<b>Financial flows deriving from financing activities</b>			
Proceeds on the bond issue		33,098	
Net repayments and loans	975	-14,441	1,741
<b>Net cash generated (absorbed) by financing activities</b>	<b>975</b>	<b>18,657</b>	<b>1,741</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>-17,757</b>	<b>7,619</b>	<b>-9,866</b>
Cash and cash equivalents at 1 January	38,264	31,820	31,820
Effect of exchange rate fluctuation on cash	-244	-1,175	634
Closing cash and cash equivalents	20,263	38,264	22,588

*This report, as required by IAS 7, paragraph 18, has been prepared using the indirect method.*

Other information	31/03/2016	31/12/2015	31/03/2015
(Increase)/Decrease in trade receivables and other receivables from related parties	-53	-438	-521
(Increase)/Decrease in trade payables and other payables to related parties	273	787	189

### 3.6. TABLE 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
<b>Balance at 31 December 2014</b>	11,250	2,250	49,170	46,598	-1,783	107,485	39	552	108,076
Result for the period					-2,754	-2,754	37		-2,717
Discounted back profit/loss (IAS 19)			-96			-96		-13	-109
Translation difference			568			568		66	634
<b>Total profits/losses</b>	<b>0</b>	<b>0</b>	<b>472</b>	<b>0</b>	<b>-2,754</b>	<b>-2,282</b>	<b>37</b>	<b>53</b>	<b>-2,192</b>
Other changes			-19			-19			-19
Other share capital increases								44	44
Allocation of profit			-1,783		1,783	0	-39	39	0
<b>Total effects deriving from transactions with shareholders</b>	<b>0</b>	<b>0</b>	<b>-1,802</b>	<b>0</b>	<b>1,783</b>	<b>-19</b>	<b>-39</b>	<b>83</b>	<b>25</b>
<b>Balance at 31 March 2015</b>	<b>11,250</b>	<b>2,250</b>	<b>47,840</b>	<b>46,598</b>	<b>-2,754</b>	<b>105,184</b>	<b>37</b>	<b>688</b>	<b>105,909</b>
<b>Balance at 31 December 2015</b>	<b>11,250</b>	<b>2,250</b>	<b>46,580</b>	<b>46,598</b>	<b>-35,288</b>	<b>71,390</b>	<b>-299</b>	<b>724</b>	<b>71,815</b>
Result for the period					-4,190	-4,190	-126		-4,316
Discounted back profit/loss (IAS 19)			-191			-191		-2	-193
Translation difference			-224			-224		-24	-248
<b>Total profits/losses</b>	<b>0</b>	<b>0</b>	<b>-415</b>	<b>0</b>	<b>-4,190</b>	<b>-4,605</b>	<b>-126</b>	<b>-26</b>	<b>-4,757</b>
Other changes			-376			-376		86	-290
Allocation of profit			-35,288		35,288	0	299	-299	0
<b>Total effects deriving from transactions with shareholders</b>	<b>0</b>	<b>0</b>	<b>-35,664</b>	<b>0</b>	<b>35,288</b>	<b>-376</b>	<b>299</b>	<b>-213</b>	<b>-290</b>
<b>Balance at 31 March 2016</b>	<b>11,250</b>	<b>2,250</b>	<b>10,501</b>	<b>46,598</b>	<b>-4,190</b>	<b>66,409</b>	<b>-126</b>	<b>485</b>	<b>66,768</b>

**STATEMENT PURSUANT TO ARTICLE 154-b, PARAGRAPH 2, OF LEGISLATIVE DECREE NO. 58 DATED 24 FEBRUARY, 1998**

**Subject: Interim Management Report at 31 March 2016**

I, the undersigned, Paolo Cilloni, Officer in charge of preparing the accounting documents of Landi Renzo S.p.A.,

declare

pursuant to article 154-b, paragraph 2, of the Finance Consolidation Act (Legislative Decree 58/1998) that the accounting information included in the Interim Management Report at 31 March 2016 corresponds with the documentary evidence and the information in the accounting books and records.

Cavriago, 12 May 2016

Officer in charge of preparing  
the accounting documents  
Paolo Cilloni