FIRST HALF FINANCIAL REPORT
AS AT June 30, 2016

CONTENTS

(Translation from Italian original which remain the definitive version)

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

Registered office and company details

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

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Share capital: Euro 11,250,000
Tax Code and VAT No. IT00523300358
This report is available on the Internet at:
www.landi.it

1.2. GROUP STRUCTURE

1.3. LANDI RENZO GROUP *FINANCIAL HIGHLIGHTS*

(Thousands of Euro)

ECONOMIC INDICATORS FOR THE QUARTER	Q2 2016	Q2 2015	Change
Revenue	47,870	52,567	-4,697
Gross operating profit (EBITDA) *adjusted (1)*	1,533	117	1,416
Gross Operating Profit (EBITDA)	-1,917	117	-2,034
Net Operating Profit (EBIT) *adjusted (1)*	-2,386	-3,721	1,335
Operating Profit (EBIT)	-5,836	-3,721	-2,115
Result Before Tax	-6,393	-5,445	-948
Net result for the Group and minority interests	-8,450	-4,516	-3,934
Gross Operating Profit (EBITDA) *adjusted* / Revenues	3.2%	0.2%	
Net Operating Profit (EBIT) *adjusted* / Revenues	-5.0%	-7.1%	
Net profit for the Group and minority interests / Revenue	-17.7%	-8.6%	

(Thousands of Euro)

ECONOMIC INDICATORS FOR THE HALF-YEAR	30/06/2016	30/06/2015	Change
Revenue	89,290	98,125	-8,835
Gross operating profit (EBITDA) *adjusted (1)*	1,896	160	1,736
Gross Operating Profit (EBITDA)	-1,554	160	-1,714
Net Operating Profit (EBIT) *adjusted (1)*	-6,141	-7,556	1,415
Operating Profit (EBIT)	-9,591	-7,556	-2,035
Result Before Tax	-11,607	-8,936	-2,671
Net result for the Group and minority interests	-12,766	-7,233	-5,533
Gross Operating Profit (EBITDA) *adjusted* / Revenues	2.1%	0.2%	
Net Operating Profit (EBIT) *adjusted* / Revenues	-6.9%	-7.7%	
Net profit for the Group and minority interests / Revenue	-14.3%	-7.4%	

(Thousands of Euro)

STATEMENT OF FINANCIAL POSITION	30/06/2016	31/12/2015	30/06/2015
Net tangible and other non-current assets	106,459	111,020	126,897
Operating capital (2)	49,674	38,317	54,197
Non-current liabilities (3)	-19,576	-18,063	-16,097
NET CAPITAL EMPLOYED	136,557	131,274	164,997
Net financial position (opening cash) (4)	78,269	59,459	63,707
Equity	58,288	71,815	101,290
BORROWINGS	136,557	131,274	164,997

(Thousands of Euro)

KEY INDICATORS	30/06/2016	31/12/2015	30/06/2015
Operating capital / Revenues (*rolling 12 months*)	25.3%	16.4%	24.8%
Net financial debt / Equity	134.3%	82.8%	62.9%
Gross tangible and intangible investments	4,619	15,523	7,367
Personnel (peak)	792	846	899

(Thousands of Euro)

CASH FLOWS	30/06/2016	31/12/2015	30/06/2015
Operational cash flow	-13,888	4,185	-9,311
Cash flow for investment activities	-4,501	-15,223	-7,230
FREE CASH FLOW	-18,389	-11,038	-16,541

(1) The data does not include accounting of non-recurrent charges of Euro 3,450 thousand for the first six months of 2016.

(2) 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.

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

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

1.4. SIGNIFICANT EVENTS DURING THE SIX MONTHS

April On 29 April 2016, the Shareholders' Meeting resolved, amongst other things, the following:

- approval of 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;
- renewal of authorization for the purchase and disposal of treasury shares;
- appointment of the governing bodies until approval of the financial statements at 31 December, 2018;
- appointment of the new auditing firm, PricewaterhouseCoopers S.p.A., for the nine-year period from 2016 to 2024.

April On 29 April 2016, the Board of Directors confirmed Stefano Landi as the Company CEO.

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 all stakeholders with whom the Group interacts.

2. INTERIM REPORT ON OPERATING PERFORMANCE

This consolidated six-monthly financial report at 30 June 2016 was prepared pursuant to Legislative Decree 58/1998 and subsequent modifications, as well as by the Issuer Regulations issued by CONSOB.

This consolidated six-monthly financial Report has been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union, and has been prepared in accordance with IAS 34 - Interim Financial Reporting, applying the same accounting policies as adopted in preparing the consolidated financial statements at 31 December 2015.

In partial exception to the provisions of IAS 34, this report provides detailed rather than summary tables in order to provide a clearer view of the economic-equity and financial dynamics that occurred over the six-month period. All values presented below are expressed in thousands of Euro and comparisons are made with respect to data from the corresponding period of the previous year for the economic values and with respect to the data at 31 December 2015 for the financial data (shown in brackets), unless otherwise indicated. The explanatory notes are also presented in compliance with the information required by IAS 34 with the supplements considered useful for a clearer understanding of the six-monthly financial statements.

2.1. OPERATING PERFORMANCE

Consolidated results

Although revenues for the first half of 2016 were lower than for the same period of last year, they show recovery of the Gross Operating Profit (EBITDA) *adjusted*, which increased from Euro 160 thousand in the first half of 2015 to Euro 1,896 thousand at 30 June 2016.
Consolidated revenues for the first half of 2016 totalled Euro 89,290 thousand, decreasing by Euro 8,835 thousand compared with the same period of the previous year.

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, and the slowdown in sales on the *After Market* in several South American and Asian countries.

Although revenues were lower, the economic results for the six months, excluding the impact of non-recurrent charges, improved both as a result of higher profitability of revenues linked with a more favourable sales mix and the reduction in operating costs, primarily personnel costs, and also industrial costs, due to implementation of the reorganisation and production reorganisation plan from the previous year, with reference to both downsizing of the company workforce and merger of production and distribution units.

In view of this scenario, the Gross Operating Margin at the end of the six months totalled Euro 1,896 thousand, a net improvement compared with the same period of the previous year (Euro 160 thousand).

The Net Operating Margin (EBITDA) was negative at Euro -1,554 thousand. This result was affected not only by the above factors, but also by non-recurrent charges totalling Euro 3,450 thousand, relating to costs which the Group will sustain for business agreements with OEM manufacturers.

The following table shows the evolution of the main economic performance indicators for the first half of 2016 compared with the first half of 2015.

(Thousands of Euro)	30/06/2016	Non-recurrent	30/06/2016 ADJ	%	30/06/2015	Non-recurrent	30/06/2015 ADJ	%	Changes ADJ	% ADJ
Revenues on sales and services	**89,290**		**89,290**	**100.0%**	**98,125**		**98,125**		**-8,835**	-9.0%
Other Revenue and Income	559		559	0.6%	864		864		-305	-35.2%
Operating costs	-91,403	-3,450	-87,953	-98.5%	-98,829		-98,829	-100.7%	10,876	-11.0%
Gross Operating Profit	**-1,554**		**1,896**	**2.1%**	**160**		**160**	**0.2%**	**1,736**	**n/a**
Amortization, depreciation and impairment losses	-8,037		-8,037	-9.0%	-7,716		-7,716	-7.9%	-321	4.2%
Net Operating Profit	**-9,591**		**-6,141**	**-6.9%**	**-7,556**		**-7,556**	**-7.7%**	**1,415**	**n/a**
Financial income (charges) and exchange rate differences	-1,952		-1,952	-2.2%	-1,280		-1,280	-1.3%	-672	52.5%
Gain (loss) on equity investments consolidated using the equity method	-64		-64	-0.1%	-100		-100	-0.1%	36	-35.9%
Profit (Loss) before tax	**-11,607**		**-8,157**	**-9.1%**	**-8,936**		**-8,936**	**-9.1%**	**779**	**n/a**
Current and deferred taxes	-1,159				1,703					
Net profit (loss) for the Group and minority interests, including:	**-12,766**				**-7,233**					
Minority interests	-225				-64					
Net Profit (Loss) of the Group	**-12,541**				**-7,169**					

Breakdown of sales by business segment

Second quarter 2016 compared to second quarter 2015

(Thousands of Euro)

Distribution of revenues by area of activity	Q2 2016	% of revenues	Q2 2015	% of revenues	Changes	%
Gas Segment - car systems	37,882	79.1%	41,186	78.4%	-3,304	-8.0%
Gas Segment - distribution systems	4,787	10.0%	6,579	12.5%	-1,792	-27.2%
Total revenues - GAS sector	**42,669**	***89.1%***	***47,765***	***90.9%***	***-5,096***	***-10.7%***
Other (Alarms, Sound, Robotics, Oil and Gas and others)	5,201	*10.9%*	4,802	9.1%	399	8.3%
Total revenues	**47,870**	**100.0%**	**52,567**	**100.0%**	**-4,697**	**-8.9%**

First half 2016 compared to first half 2015

(Thousands of Euro)

Distribution of revenues by area of activity	At 30/06/2016	% of revenues	At 30/06/2015	% of revenues	Changes	%
Gas Segment - car systems	71,828	80.4%	79,207	80.7%	-7,379	-9.3%
Gas Segment - distribution systems	8,481	9.5%	11,150	11.4%	-2,669	-23.9%
Total revenues - GAS sector	***80,309***	***89.9%***	***90,357***	***92.1%***	***-10,048***	***-11.1%***
Other (Alarms, Sound, Robotics (1), Oil and Gas and others)	8,981	10.1%	7,768	7.9%	1,213	15.6%
Total revenues	**89,290**	**100.0%**	**98,125**	**100.0%**	**-8,835**	**-9.0%**

(1) The Robotics division was sold on 28 April 2016

Overall revenues of the Group for the six-month period amounted to Euro 89,290 thousand, a decrease (-9%) compared with the same period of the previous year.

Revenues for the **Gas Segment** decreased from Euro 90,357 thousand in the first half of 2015 to Euro 80,309 thousand, a 11.1% decrease.

Revenues from sales in the Gas Segment – Car Systems decreased from Euro 79,207 thousand in the first half of 2015 to Euro 71,828 thousand, a 9.3% 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. It is expected that this will be partially recovered in the second half of the year.

Sales in the Gas Segment – Distribution Systems decreased by Euro -2,669 thousand, due to lower revenues in the Middle East and South-east Asia, which were only partially offset by positive performance of several South American countries.

Revenues from sales in the **Others** division increased from Euro 7,768 thousand in the first half of 2015 to Euro 8,981 thousand, a 15.6% increase assisted by good performance of sales of *speakers* under the 18Sound brand.

Revenues on sales of Group products and services during the period of reference decreased overall from Euro 52,567 thousand in the second quarter of 2015 to Euro 47,870 thousand in the second quarter of 2016, an 8.9% decrease, attributable primarily to the aforementioned decrease in revenues from sales of Car Systems on the OEM channel and the fall in revenues from Distribution Systems in South-east Asia.

In light of the limited importance of sales relating to other sectors, the Group’s sole business segment can be said to be the production of systems for cars and distribution systems (Gas Sector).

Breakdown of sales by geographical area

Second quarter 2016 compared to second quarter 2015

(Thousands of Euro)

Geographical distribution of revenues	Q2 2016	% of revenues	Q2 2015	% of revenues	Changes	%
Italy	10,002	20.9%	10,406	19.8%	-404	-3.9%
Europe (excluding Italy)	21,915	45.8%	22,534	42.9%	-619	-2.7%
America	8,166	17.1%	9,370	17.8%	-1,204	-12.8%
Asia and the rest of the world	7,787	16.2%	10,257	19.5%	-2,470	-24.1%
Total	**47,870**	**100%**	**52,567**	**100%**	**-4,697**	**-8.9%**

First half 2016 compared to first half 2015

(Thousands of Euro)

Geographical distribution of revenues	At 30/06/2016	% of revenues	At 30/06/2015	% of revenues	Changes	%
Italy	19,390	21.7%	19,913	20.3%	-523	-2.6%
Europe (excluding Italy)	40,749	45.6%	44,396	45.2%	-3,647	-8.2%
America	14,294	16.0%	17,386	17.7%	-3,092	-17.8%
Asia and the rest of the world	14,857	16.7%	16,430	16.8%	-1,573	-9.6%
Total	**89,290**	**100%**	**98,125**	**100%**	**-8,835**	**-9.0%**

With reference to the geographical distribution of revenues, during the first half of 2016 the Landi Group realized 78.3% (79.7% at 30 June 2015) of its consolidated revenues abroad (45.6% in Europe and 32.7% outside Europe), further details of which are provided below.

- Italy

Sales on the Italian market, which totalled Euro 19,390 thousand in the first half of the year, remained basically stable compared with the same period of the previous year, despite a fall in *After Market* conversions, in the presence of increased competition in the sector, and a decrease in new OEM *bifuel* registrations.

In particular, according to data processed by the Ecogas Consortium, the *After Market* market registered a 4.1% drop in the number of conversions compared with the previous year in the period in question, while the Group's share of the domestic market on this sales channel was stable, at around 33%, in the period.

With reference to performance of new OEM *bifuel* registrations, the sales mix of new vehicles equipped with LPG and CNG systems registered a total 21.4% decrease in the six months compared with the same period of 2015, with 8.1% of total registrations, according to data published by ANFIA – Associazione Nazionale Filiera Industria Automobilistica.

- Europe

Revenues in Europe fell by 8.2% compared with the first half of 2015, 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, totalling Euro 14,294 thousand, fell by 17.8% in the six months in question, mainly as a result of negative sales performance in certain South American countries, such as Bolivia, Argentina and Colombia, which was only partially offset by growth in Brazil.

- <u>Asia and rest of the world</u>

Sales on the Asia and Rest of the World markets decreased by 9.6% compared with the first six months of 2015, mainly as a result of the important Distribution System contracts in Qatar and Vietnam carried out in the first six months of the previous year. Favourable development of revenues on the Indian and Algerian markets continued. Slow but constant signs of reopening of the Iranian market continued and are being boosted by the gradual lessening of international tension.

Profitability

The Gross Operating Profit (EBITDA *adjusted*) for the first half of 2016 was positive and totalled Euro 1,896 thousand, equal to -2.1% of revenues, an increase of Euro 1,736 thousand compared with the figure for June 2015 (Euro 160 thousand).

The increase in the Gross Operating Profit *adjusted* for the six-month period, despite the aforementioned fall in revenues of Euro 8.8 million, is mainly the result of operating cost cutting actions started the previous year and a different and more favourable sales mix, obtained due to substantially stable revenues on the *After Market* channel, which is characterised by higher profits than the other channels.

The Gross Operating Profit (EBITDA) was negative at per Euro -1,554 thousand, including Euro 3,450 thousand non-recurrent charges relating to costs which the Group will sustain in relation to business agreements with OEM manufactures, against a positive Gross Operating Profit of Euro 160 thousand at 30 June 2015.
Costs of raw materials, consumables and goods and changes in inventories decreased overall from Euro 46,701 thousand in the first half of 2015 to Euro 42,240 thousand in the first half of 2016, recording a decrease of Euro 4,461 thousand in absolute terms, primarily as a result of the decrease in sales volumes.

Costs for services and use of third-party assets fell from Euro 28,659 thousand at 30 June 2015 to Euro 25,900 thousand at 30 June 2016, mainly as a result of the decrease in external processing linked to performance of revenues and the reduction in direct industrial costs and production overheads, made more efficient as part of the restructuring plan undertaken, while the part of non-recurrent commercial costs increased by Euro 1,050 thousand following an agreement with a car manufacturer.

Personnel costs of Euro 18,966 thousand fell slightly, by Euro 3,240 thousand, with respect to the same period of the previous year (Euro 22,206 thousand), as did the total workforce employed by the Group, which is 792 employees (899 employees at 30 June 2015). The reduction in labour costs is attributable both to a company solidarity agreement started in the third quarter of the previous year and still in progress and to the effects of a mobility and voluntary redundancy scheme started in November 2015 and completed during the six months in question, the accounting impacts of which have already been reflected on the 2015 financial statements.

The Net Operating Profit of the six months was negative at Euro -9,591 thousand, including Euro -3,450 thousand in non-recurrent charges and amortisation/depreciation and impairment of Euro -8,037 thousand, compared with a negative Net Operating Profit of Euro -7,556 thousand at 30 June 2015, with no non-recurrent charges and including Euro -7,716 in amortisation/depreciation and impairment.
Financial management recorded higher costs of Euro 672 thousand compared with the first six months of 2015, deriving primarily from financial charges on the “LANDI RENZO 6.10% 2015-2020” bonded loan issue in May 2015.

Taking these changes into account, the result before tax was negative at Euro -11,607 thousand (Euro -8,936 thousand at 30 June 2015), while the Net Result of the Group showed a loss of Euro -12,541 thousand (Euro -7,169 thousand at 30 June 2015).

The following table is included to provide a clearer representation and to understand the trend of the key *performance* indicators of the Group.

(Thousands of Euro)

CONSOLIDATED INCOME STATEMENT	Q2 2016	Non-recurrent	Q2 2016 ADJ	% of revenues	Q2 2015	% of revenues
Revenues on sales and services	47,870		47,870		52,567	
Gross Operating Profit	-1,917	-3,450	1,533	3.2%	117	0.2%
Net Operating Profit	-5,836		-2,386	-5.0%	-3,721	-7.1%
Profit Before Tax	-6,393		-2,943	-6.1%	-5,445	-10.4%
Net profit (loss) for the Group and minority interests	-8,450				-4,516	-8.6%

Invested capital

(Thousands of Euro) Statement of Financial Position	30/06/2016	31/03/2016	31/12/2015	30/06/2015
Trade receivables	36,198	35,650	33,764	40,427
Inventories	60,878	60,955	57,528	67,382
Work in progress on orders	3,182	2,457	2,904	3,993
Trade payables	-52,453	-52,612	-58,351	-61,325
Other net current assets	1,869	6,256	2,472	3,720
Net operating capital	**49,674**	**52,706**	**38,317**	**54,197**
Tangible assets	32,889	33,998	35,364	35,118
Intangible assets	60,007	60,575	61,194	71,235
Other non-current assets	13,563	15,229	14,462	20,544
Fixed capital	**106,459**	**109,802**	**111,020**	**126,897**
TFR and other provisions	-19,576	-17,306	-18,063	-16,097
Net capital employed	**136,557**	**145,202**	**131,274**	**164,997**
Financed by:				
Net Financial Position	78,269	78,434	59,459	63,707
Group shareholders' equity	58,083	66,409	71,390	100,630
Minority interests	205	359	425	660
Borrowings	**136,557**	**145,202**	**131,274**	**164,997**

Ratios	30/06/2016	31/03/2016	31/12/2015	30/06/2015
Net operating capital	49,674	52,706	38,317	54,197
Net operating capital/Turnover (*rolling*)	25.3%	26.2%	18.6%	24.8%
Net capital employed	136,557	145,202	131,274	164,997
Net capital employed/Turnover (*rolling*)	69.4%	72.1%	63.9%	75.4%

Net operating capital of Euro 49,674 thousand increased by Euro 11,357 thousand compared with 31 December 2015, while the percentage indicator, calculated on *rolling* turnover, increased from 18.6% to 25.3%; in particular, trade receivables increased by Euro 2,434 thousand, inventories by Euro 3,628 thousand and trade payables decreased by Euro -5,898.

Trade receivables totalled Euro 36,198 thousand and increased by Euro 2,434 thousand compared with 31 December 2015, primarily as a result of less use of factoring operations with credit maturity for which there was derecognition of the relative receivables, totalling Euro 29,660 thousand, compared with Euro 35,542 thousand at December 2015.

Closing inventories and work in progress on orders, totalling Euro 64,060 thousand, increased by 6% compared with the end of the previous year, particularly for the Raw materials and components category, in view of the increased sales expected in the next six months.

Net capital employed totalled Euro 136,557 thousand and increased by Euro 5,283 thousand compared with 31 December 2015, following an increase in operating capital of Euro 11,357 thousand and a decrease in fixed capital and TFR and other provisions of Euro -6,074 thousand, while the percentage indicator, calculated on *rolling* turnover, increased from 63.9% to 69.4%.

Net Financial Position and cash flows

(thousands of Euro)	30/06/2016	31/03/2016	31/12/2015	30/06/2015
Cash and cash equivalents	18,749	20,263	38,264	58,942
Bank overdrafts and short-term loans	-46,913	-36,725	-50,797	-56,041
Bonds issued (net value)	-6,175	-4,798	-33,098	
Short-term loans	-425	-425	-425	-268
Net short term indebtedness	**-34,764**	**-21,685**	**-46,056**	**2,633**
Bonds issued (net value)	-25,046	-28,382	0	-32,994
Medium-Long term loans	-18,459	-28,367	-13,403	-33,346
Net medium-long term indebtedness	**-43,505**	**-56,749**	**-13,403**	**-66,340**
Net financial position	**-78,269**	**-78,434**	**-59,459**	**-63,707**

The net financial position was negative for Euro -78,269 thousand compared with a negative net financial position at 31 December 2015 of Euro -59,459 thousand (negative and Euro -63,707 thousand at 30 June 2015).

The following table illustrates the *trend* of the total cash flow over the last 12 months:

(thousands of Euro)	30/06/2016	31/03/2016	31/12/2015	30/06/2015
Operational cash flow	-13,888	-16,637	4,185	-9,311
Cash flow for investment activities	-4,501	-2,095	-15,223	-7,230
Free Cash Flow	***-18,389***	***-18,732***	***-11,038***	***-16,541***
Cash flow generated (absorbed) by financing activities	-703	975	18,657	43,583
Overall cash flow	**-19,092**	**-17,757**	**7,619**	**27,042**

The *Free Cash Flow* was negative at Euro -18.4 million, of which Euro -13,888 thousand came from the operating component and Euro -4,501 thousand from investment activities.

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. In consideration of the fact that the Company issued letters of waiver and also following the resolution of the bondholders' meeting 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, with the exception of Euro 6,000 thousand relating to two loans with six-monthly financial *covenants* at 30 June 2016, for which the covenants were not satisfied at that date and on which the which credit institution issued a specific letter *waiver* within the date of approval of the following Report, classified under "Bank overdrafts and short-term loans" at 30 June 2016.

Instalments of current loans totalling Euro 12.5 million were repaid during the six months, as well as the first six-monthly *tranche* of the Bonded Loan for Euro 2 million; available funds at the end of the six months totalled Euro 18,749 thousand.

The following table lists the amounts by year of expiry of medium/long term loans, including the bonded loan, totalling Euro 70,479 thousand.

(Thousands of Euro)	Year falling due		
	2016 - H2	2017	2018 and beyond
Medium-Long term loans and Bonded Loan	11,285	18,319	40,875

It is noted that the mobility and voluntary redundancy procedure started in November 2015 and already concluded, involved a financial release for the half-year of Euro 2.3 million.

Investments

Gross investments in property, plant and machinery and other equipment totalled Euro 2,148 thousand (Euro 4,341 thousand at 30 June 2015) and relate mainly to the completion of plant and instrumentation of the new Technical Centre and to purchases of plant and machinery, new production moulds and testing and control instruments.

The increase in intangible assets amounted to Euro 2,471 thousand (Euro 3,026 thousand at 30 June 2015) and refers primarily to the capitalization of costs for development projects that meet the requirements of IAS 38 in order to be recognized as balance sheet assets.

Performance of the Parent Company

In the first half of 2016, Landi Renzo S.p.A. totalled revenues of Euro 35,064 thousand, compared with Euro 43,320 thousand in the first half of 2015, a 19% decrease caused primarily by the slowdown in supplies due to conversion from Euro 5 to Euro 6 engines on the European OEM channel.
The Gross Operating Profit was negative at Euro -4,781 thousand (of which Euro 3,450 thousand in non-current charges), compared with Euro -3,100 thousand at 30 June 2015, while the net financial position was Euro -65,998 thousand (Euro -60.344 thousand at 31 December 2015).
At the close of the six-month period, the Parent Company's workforce numbered 289 employees, a decrease of 26 units compared with 31 December 2015.
The Parent Company's results are affected by the discontinuity in the volumes of supply to car manufacturers as a result of the transition to Euro 6 engines that is expected, however, once completed, will bring the company to realize sales in line with previous years. This will permit to recover in the medium term, higher levels of profitability in the OEM sector, penalized in the last two half-year also by significant non-recurring costs.
It is also rapidly changing the orientation of the car manufacturers in partnership for years with the Landi Renzo Group, linked to environmental pollution problems and therefore of sustainable mobility, which should positively involve the supply of the gas sector, supported by a continuous technological evolution, already developed by the R&D of the Group, relating the components and their integration on the new engines, more ecological and efficient.

2.2. INNOVATION, RESEARCH AND DEVELOPMENT

Research and Development activities in the first half of 2016 saw the continuation of projects initiated in the previous year as well as the launch of new initiatives, in particular:

- development of conversion systems in the *After Market* and OEM segments, destined for new vehicles entering the *automotive* segment;
- development of projects for production of LPG multivalves for the *After Market* segment, partly in order to optimise internal manufacturing processes and reduce the related costs;;
- development of new electronic systems, primarily for the *After Market* segment and destined for all Group brands.

Furthermore are continuing the preliminary activities of the project HERS (Hybrid Eletric Retrofit System) a system capable of converting a car with an internal combustion engine into a hybrid electric vehicle, the system has the advantage of implementing conversion without impacting the mechanics of the vehicle; thanks to a patented solution for installing the electric motors inside standard wheels. The Group has already received several expressions of interest for the system by some major international players and it is already working in the prototype stage with one of the leading manufacturers of the Asian market.

Ongoing also are the developments of components related to vehicle technology powered Fuel Cell (hydrogen) for which the Group is leveraging its expertise in the field of gas treatment systems.

2.3. SHAREHOLDERS AND FINANCIAL MARKETS

The Landi 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 providing a clear explanation of the company's evolution. The *Investor Relations* office is also assigned the task of organizing presentations, events and "*Road shows*" that enable a direct relationship between the financial community and the Group's *Top management*.. For further information and to consult the economic-financial data, corporate presentations, periodical publications, official communications and real time updates on the share price you can visit the Investor Relations section of the site www.landi.it.

The following table summarizes the main share and stock market data for the period:

Price at 02 January 2016	0.7465
Price at 30 June 2016	0.4390
Maximum price 2016 (02/01/2016 - 30/06/2016)	0.7575
Minimum price 2016 (02/01/2016 - 30/06/2016)	0.3900
Market Capitalization at 30 June 2016 (Euro thousands)	49,388
Group shareholders' equity and minority interests at 30 June 2016 (Euro thousands)	58,288
Number of shares representing the share capital	112,500,000

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.

At 30 June 2016, the quotation of the "LANDI RENZO 6.10% 2015-2020" (ISIN:IT0005107237), bonds traded on the ExtraMOT PRO professional segment of the ExtraMOT market organised and managed by Borsa Italiana was 96.33.

2.4. POLICY FOR ANALYSING AND MANAGING RISKS CONNECTED WITH THE ACTIVITIES OF THE GROUP

The Group is exposed to various risks associated with its activities, particularly in relation to the following types:

- Strategic risks relating to the macroeconomic and sector situation and recoverability of intangible assets, particularly goodwill;
- Operating risks, risks relating to relations with *OEM* customers (in the six-month period in question, Group sales of systems and components to *OEM* customers accounted for around 28.2% of total sales of these products), the high competitiveness of the sector where the Group operates, product liability and protection of intellectual property.

  Intangible assets totalling Euro 60,007 thousand are reported in the abbreviated six-monthly consolidated financial statements at 30 June 2016, including Euro 8,319 thousand for development expenditure, Euro 30,094 thousand for goodwill, Euro 21,594 thousand for patents and trademarks and also net prepaid tax totalling Euro 12,896 thousand. The recoverability of such values is related to the materialization of future product development and sale plans and the *cash generating unit*s to which they refer.

- Financial risks, specifically:
  - a) Interest rate risk, linked to fluctuations in the interest rates applied on Group loans at variable rates;
  - b) Exchange rate risk, relating both to the marketing of products in countries outside the Euro area and to the translation of financial statements of subsidiaries not belonging to the European Monetary Union for inclusion in the consolidated financial statements;
  - c) Credit risk related to non-fulfilment of contractual obligations by a customer or counterparty;
  - d) Liquidity risk, related to possible difficulties in meeting obligations associated with financial liabilities, taking into account that obligations to satisfy financial covenants are required for certain loans. With reference to the slowdown in cash creation resulting from worse operating results, the Directors have assigned a leading financial advisor to finalise a project from optimising the financial structure.

The six-monthly financial report does not include all the information on the management of the above-mentioned risks required for the annual financial statements and should be read in conjunction with the Annual Financial Report prepared for the year ended 31 December 2015. There were no substantial changes in the management of the risks mentioned above or in the policies adopted by the Group during the period.

2.5. OTHER INFORMATION

Transactions with related parties

The creditor/debtor relationships and economic transactions with related companies are the subject of a specific analysis in “Explanatory Notes to the Abbreviated Six-monthly Consolidated Financial Statements” to which you are referred. It should also be noted that sales and purchases between the parties are not classed as abnormal or unusual since they fall within the regular operations of the Group companies and they are conducted at regular market rates.

Regarding the relationships with the parent company Girefin S.p.A., also bear in mind that the Directors of Landi Renzo S.p.A. deem that it does not perform administration and coordination according to art. 2497 of the Civil Code. Lastly, please note that in accordance with CONSOB Regulation 17221/2010, and pursuant to Article 2391-bis of the Civil Code, the Board of Directors has adopted the specific procedure for transactions with related parties, available on the company website, to which you are referred.

Positions or transactions deriving from atypical and/or unusual transactions

Pursuant to CONSOB communication no. 6064293 of 28 July 2006, note that during the period 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 and safeguarding of minority stockholders.

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 and the first half of 2016 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.

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.

Sub-offices

No sub-offices were established.

2.6. SIGNIFICANT EVENTS AFTER CLOSING OF THE SIX-MONTH PERIOD AND FORECAST FOR OPERATIONS

Significant events after closing of the six-month period

After the closing of the period and up to the present we point out that:

- registrations of motor vehicles in Italy in the period January-July (ANFIA figures) totalled 1,179,310 units, an increase of 17.1% compared to the same period in 2015. In July 2016, a total of 136,292 vehicles were registered, an increase of 2.9% compared with volumes in 2015. Also in July 2016, first registrations of LPG and CNG bi-fuel vehicles represented 8.1% of the total (12.4% in July 2015), of which 5.5% LPG and 2.6% CNG.
- in July, the company Lovato Gas S.p.A. formalised sale of a 26% stake in the capital of subsidiary company Officine Lovato Private Limited to the Indian company Ecofuel System India Private Limited, a traditional importer and distributor of Lovato brand products on the local market, but maintained control of this subsidiary. This operation should allow commercial and production synergies to be developed, particularly on the *After Market* channel, partly through optimisation of the Landi Renzo Group facilities already present locally;
- prior to the approval date of this Report, the Parent Company received letters of *waiver* issued by a credit institution in relation to two loans, for a residual amount of Euro 9,143 thousand, for which there were six-monthly financial *covenants* at 30 June 2016 which were not satisfied at that date;
- On 15 September the Council of Ministers approved, on preliminary examination, the legislative decree implementing the European Dafi Directive 2014/94/EU of the European Parliament and of the Council of 22 October 2014, on the implementation of an infrastructure for alternative fuels.

  The purpose of the Directive is to reduce dependence on oil and mitigate the environmental impacts in the transports sector, the same establishes minimum requirements for the infrastructure for alternative fuels, to be implemented through the national strategic frameworks prepared by the Member States.

  The measure has been prepared in accordance with Law 9 July 2015 n. 114 delegating the Government for the implementation of European directives and the implementation of other European Union acts - delegation of the law in 2014 - and it is related to the Directive 2014/94/EU (Annex B of the said act) that as part of EU policies on sustainability, provides that Member States adopt a national strategic framework for the development of alternative fuels market in the transport sector and the construction of related infrastructure.

  Final approval of the Decree is expected within November.

Outlook

The Group has experienced a slowdown in sales in the 2015 and this trend continued in the six months ending at 30 June 2016.
The directors believe that this situation is unlikely to improve significantly over the short-term, even though the Board of Directors has confirmed the medium/long-term targets of the Industrial Plan approved in March 2016.
The consequent slowdown in cash flows from operations has led directors to conduct an analysis of a project aimed at optimising the financial structure of the Parent Company and the other Group companies and, with this purpose in mind, a leading financial advisor was assigned to finalise the project. In view of current performance of the sector of reference, considering the performance of the first half of 2016 and the target market uncertainties, the outlook for 2016 revenues is between Euro 180 and 190 million. The 2016 EBITDA, normalised to take non-recurrent charges into

account, will be between Euro 4 and 6 million. The Group will continue to further improve efficiency initiatives, both operational and organizational, to supplement the measures to contain costs incurred up to date, as well as to monitor the evolution of economic and financial indicators.

Cavriago, 27 September 2016

Chairman and Chief Executive Officer
Stefano Landi

3. ABBREVIATED SIX-MONTHLY CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2016

3.1. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Thousands of Euro)

ASSETS	Notes	30/06/2016	31/12/2015
Non-current assets			
Land, property, plant, machinery and equipment	2	32,889	35,364
Development expenditure	3	8,319	8,404
Goodwill	4	30,094	30,094
Other intangible assets with finite useful lives	5	21,594	22,696
Equity investments consolidated using the equity method	6	45	109
Other non-current financial assets	7	622	574
Deferred tax assets	8	12,896	13,779
Total non-current assets		**106,459**	**111,020**
Current assets			
Trade receivables	9	33,810	31,340
Trade receivables - related parties	9	2,388	2,424
Inventories	10	60,878	57,528
Work in progress on orders	11	3,182	2,904
Other receivables and current assets	12	12,126	16,347
Cash and cash equivalents	13	18,749	38,264
Total current assets		**131,133**	**148,807**
TOTAL ASSETS		**237,592**	**259,827**

(Thousands of Euro)

EQUITY AND LIABILITIES	Notes	30/06/2016	31/12/2015
Equity			
Share capital	14	11,250	11,250
Other reserves	14	59,374	95,428
Profit (loss) for the period	14	-12,541	-35,288
Total Group equity		**58,083**	**71,390**
Minority interests		**205**	425
TOTAL EQUITY		**58,288**	**71,815**
Non-current liabilities			
Non-current bank loans	15	17,200	11,935
Other non-current financial liabilities	16	26,305	1,468
Provisions for risks and charges	17	9,731	8,059
Defined benefit plans for employees	18	3,333	3,313
Deferred tax liabilities	19	6,512	6,691
Total non-current liabilities		**63,081**	**31,466**
Current liabilities			
Bank overdrafts and short-term loans	20	46,913	50,797
Other current financial liabilities	21	6,600	33,523
Trade payables	22	49,367	56,260
Trade payables – related parties	22	3,086	2,091
Tax liabilities	23	1,652	4,990
Other current liabilities	24	8,605	8,885
Total current liabilities		**116,223**	**156,546**
TOTAL EQUITY AND LIABILITIES		**237,592**	**259,827**

3.2. CONSOLIDATED INCOME STATEMENT

(Thousands of Euro)

CONSOLIDATED INCOME STATEMENT	Notes	30/06/2016	30/06/2015
Revenues on sales and services	**25**	89,219	97,990
Revenues on sales and services - related parties	25	71	135
Other revenues and income	26	559	864
Cost of raw materials, consumables and goods and change in inventories	27	-42,240	-46,701
Costs for services and use of third party assets	28	-24,286	-27,098
of which non-recurrent	*28*	*-1,050*	
Costs for services and use of third party assets – related parties	28	-1,614	-1,561
Personnel expenses	29	-18,966	-22,206
Provisions, bad debts and other operating expenses	30	-4,297	-1,263
of which non-recurrent	*30*	*-2,400*	0
Gross Operating Profit		**-1,554**	**160**
Amortization, depreciation and impairment losses	31	-8,037	-7,716
Net Operating Profit		**-9,591**	**-7,556**
Financial income	32	65	224
Financial expenses	33	-2,677	-2,101
Exchange gains (losses)	34	660	597
Gain (loss) on equity investments consolidated using the equity method	35	-64	-100
Profit (Loss) before tax		**-11,607**	**-8,936**
Current and deferred taxes	36	-1,159	1,703
Net profit (loss) for the Group and minority interests, including:		**-12,766**	**-7,233**
Minority interests		-225	-64
Net profit (loss) for the Group		-12,541	-7,169
Basic earnings (loss) per share (calculated on 112,500,000 shares)	37	-0.1115	-0.0637
Diluted earnings (loss) per share		-0.1115	-0.0637

3.3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Thousands of Euro)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Notes	30/06/2016	30/06/2015
Net profit (loss) for the Group and minority interests:		**-12,766**	**-7,233**
Gains/losses that will not be subsequently reclassified in the income statement			
Restatement of defined employee benefit plans (IAS 19)	18	-253	300
Total gains/losses that will not be subsequently reclassified on the income statement		**-253**	**300**
Profits/losses that could subsequently be reclassified on the income statement			
Exchange rate differences from conversion of foreign operations		-432	80
Total profits/losses that could subsequently be reclassified on the income statement		**-432**	**80**
Profits/Losses recorded directly to Equity net of tax effects		**-685**	**380**
Total consolidated statement of comprehensive income for the period		**-13,451**	**-6,853**
Profit (loss) for Shareholders of the Parent Company		-13,206	-6,837
Minority interests		-245	-16

3.4. CONSOLIDATED CASH FLOW STATEMENT

(Thousands of Euro)

CONSOLIDATED CASH FLOW STATEMENT	30/06/2016	30/06/2015
Financial flows deriving from operating activities		
Profit (loss) for the period	-12,766	-7,233
Adjustments for:		
Depreciation of property, plant and equipment	4,255	4,383
Amortization of intangible assets	3,632	3,333
Impairment losses on intangible assets	150	0
Impairment loss on receivables	675	215
Net financial charges	1,952	1,280
Income tax for the year	1,159	-1,703
	-943	**275**
Changes in:		
Work in progress on orders	-3,628	-5,516
trade receivables and other receivables	1,947	-8,068
trade payables and other payables	-9,658	6,942
provisions and employee benefits	1,440	-800
Cash generated from operating activities	**-10,842**	**-7,167**
Interest paid	-2,745	-1,720
Interest received	32	158
Income taxes paid	-333	-582
Net cash generated from operating activities	**-13,888**	**-9,311**
Financial flows deriving from investment activities		
Proceeds from the sale of property, plant and equipment	54	111
Equity investments consolidated using the equity method	64	-117
Purchase of property, plant and equipment	-2,148	-4,335
Purchase of intangible assets	-150	-414
Development expenditure	-2,321	-2,475
Net cash absorbed by investment activities	**-4,501**	**-7,230**
Financial flows deriving from financing activities		
Net proceeds on the bond issue		32,994
Bond reimbursements	-2,040	
Disbursements (reimbursements) of medium/long-term loans	-12,530	19,799
Change in short-term bank debts	13,867	-9,210
Net cash generated (absorbed) by financing activities	**-703**	**43,583**
Net increase (decrease) in cash and cash equivalents	**-19,092**	**27,042**
Cash and cash equivalents at 1 January	38,264	31,820
Effect of exchange rate fluctuation on cash	-423	80
Closing cash and cash equivalents	**18,749**	**58,942**

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

Other information	30/06/2016	30/06/2015
(Increase)/Decrease in trade receivables and other receivables from related parties	-36	-440
(Increase)/Decrease in trade payables and other payables to related parties	995	452

3.5. 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
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					-7,169	**-7,169**	-64		**-7,233**
Discounted back profit/loss (IAS 19)			288			**288**		12	**300**
Translation difference			44			**44**		36	**80**
Total profits/losses			**332**		**-7,169**	**-6,837**	**-64**	**48**	**-6,853**
Other changes			-18			**-18**		85	**67**
Other share capital increases						**0**		0	**0**
Allocation of profit			-1,783		1,783	**0**	-39	39	**0**
Total effects deriving from transactions with shareholders			**-1,801**		**1,783**	**-18**	**-39**	**124**	**67**
Balance at 30 June 2015	**11,250**	**2,250**	**47,701**	**46,598**	**-7,169**	**100,630**	**-64**	**724**	**101,290**
Balance at 31 December 2015	**11,250**	**2,250**	**46,580**	**46,598**	**-35,288**	**71,390**	**-299**	**724**	**71,815**
Result for the year					-12,541	**-12,541**	-225		**-12,766**
Discounted back profit/loss (IAS 19)			-253			**-253**			**-253**
Translation difference			-412			**-412**		-20	**-432**
Total profits/losses			**-665**		**-12,541**	**-13,206**	**-225**	**-20**	**-13,451**
Other changes			-101			**-101**		25	**-76**
Other share capital increases						**0**		0	**0**
Allocation of profit			-35,288		35,288	**0**	299	-299	**0**
Total effects deriving from transactions with shareholders			**-35,389**		**35,288**	**-101**	**299**	**-274**	**-76**
Balance at 30 June 2016	**11,250**	**2,250**	**10,526**	**46,598**	**-12,541**	**58,083**	**-225**	**430**	**58,288**

4. EXPLANATORY NOTES TO THE ABBREVIATED SIX-MONTHLY CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2016

4.1. 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 brand ("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 brand. The Group manages all the phases of the process leading to the production and sale of motor propulsion fuel supply systems. 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 at 30 June 2016 has changed with respect to 31 December 2015, after the Parent Company Landi Renzo S.p.A. subscribed the entire share capital of Emmegas S.r.l., already entirely eliminated due to losses, with an increase of the stake from 70% to 100%.
The parent company of the Landi Renzo Group is Landi Renzo S.p.A. with its registered office in Cavriago (RE). The company is listed on the Milan Stock Exchange in the FTSE Italy STAR segment.

These Financial Statements are submitted to limited auditing by PricewaterhouseCoopers S.p.A.

4.2. GENERAL PREPARATION CRITERIA AND CONSOLIDATION PRINCIPLES

4.2.1. Premise

The abbreviated six-monthly consolidated financial statements at 30 June 2016 have been prepared pursuant to art. 154-ter of Legislative Decree 58/1998 "Consolidated Financial Law (Testo Unico della Finanza)", in accordance with the provisions of international accounting standards (IAS/IFRS) recognized in the European Union, and, in particular, those of IAS 34 "Interim Financial Statements". In partial exception to the provisions of IAS 34, this report provides detailed rather than summary tables in order to provide a clearer view of the economic-equity and financial dynamics over the six-month period. The explanatory notes are also presented in compliance with the information required by IAS 34 with the supplements considered useful for a clearer understanding of the six-monthly financial statements.

The abbreviated six-monthly consolidated financial statements at 30 June 2016, approved by the Board of Directors on 27 September 2016, must be read in conjunction with the consolidated annual financial statements as at 31 December 2015.

The consolidation method for the financial statements of the group companies is specified below in the sections "Companies consolidated using the line-by-line method" and "Companies consolidated using the equity method".
The evaluation criteria used for the preparation of the consolidated financial statements for the six months closed at 30 June 2016 are the same as those used for the consolidated financial statements as at 31 December 2015.
In addition to the interim values of the consolidated income statement and the consolidated statement of comprehensive income at 30 June 2016 , the balance sheet figures for the year closed at 31 December 2015 and the income statement figures at 30 June 2015 are included in the tables below for purposes of comparison. The functional

and presentation currency is the Euro. Figures in the schedules and tables in this six-monthly financial report are in thousands of Euro.

The accounting standards followed by the Group in preparing these abbreviated six-monthly consolidated financial statements are the same as those used in preparing the financial statements for the year ended 31 December 2015.

IFRS and IFRIC accounting standards, amendments and interpretations already approved by the European Union

The accounting standards, amendments and interpretations issued by the IASB and approved by the European Union, to be adopted in the financial statements of years starting on 1 January 2016, are indicated below:

- Amendments to IAS 19 – Defined benefit plans: employee contributions
- Annual improvements to the IFRS (2010-2012 cycle)
- Amendments to IAS 1: Disclosure initiative
- Annual improvements to the IFRS (2012-2014 cycle)
- Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortisation
- Amendments to IFRS 11: accounting for acquisitions of interests in joint operations

The newly applied standards and the revisions of the existing standards did not have any major effects on the abbreviated six-monthly consolidated financial statements.

4.2.2. Consolidation procedures and Accounting policies

The preparation of the abbreviated six-monthly consolidated financial statements requires the directors to apply accounting standards and methods that are sometimes based on difficult and subjective assessments and estimates derived from past experience and based on 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 Consolidated Statement of Financial Position, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Table of Changes in Equity and the Consolidated Cash Flow Statement, and in disclosures provided. Estimates are used in recognizing goodwill, impairment of non-current assets, development expenditure, taxes, provisions for bad debts and obsolete inventories, employee benefits and other accruals and provisions. The estimates and assumptions are reviewed periodically and the effects of all changes are normally reflected immediately on the income statement.

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

The Group performs activities that do not on the whole present significant seasonal or cyclical variations in total sales over the course of the year, except for the signing of new supply contracts in the *OEM* channel which may provide for planned and differing delivery schedules in the individual quarters.

4.2.3. Conversion of the financial statements of foreign companies

The Financial Statements in the currency of the foreign subsidiaries are converted into the accounting currency, adopting the half-year end exchange rate for the consolidated Statement of Financial Position and the average exchange rate over the six months for the consolidated Income Statement. The conversion differences deriving from the adjustment of opening Equity to the current rates at the end of the period, and those due to the different method used for conversion of the result for the period, are accounted for in Equity under the other reserves.

The following table specifies the exchange rates used for the conversion of financial statements expressed in currencies other than the accounting currency.

Exchange rate (Value against the Euro)	At 30/06/2016	Ave. H1 2016	At 31/12/2015	Average 2015	At 30/06/2015	Ave. H1 2015
Real – Brazil	3.59	4.13	4.31	3.70	3.46	3.31
Renminbi – China	7.38	7.30	7.06	6.97	6.93	6.94
Rial - Iran	34,083.10	33,817.59	32,802.50	32,203.48	32,805.00	31,398.21
Rupee - Pakistan	116.29	116.87	114.12	114.00	113.90	113.35
Zloty – Poland	4.44	4.37	4.26	4.18	4.19	4.14
Leu - Romania	4.52	4.50	4.52	4.45	4.47	4.44
Dollar - US	1.11	1.12	1.09	1.11	1.11	1.11
Peso - Argentina	16.58	16.00	14.10	10.26	10.16	9.83
Rupee - India	74.96	75.00	72.02	71.20	71.18	70.12
Dollar - Singapore	1.50	1.54	1.54	1.53		

4.3. 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.

The consolidation area at 30 June 2016 is unchanged with respect to 31 December 2015; there has been an increase in the percentage stake held in Emmegas S.r.l. from 70% to 100%, after the Parent Company Landi Renzo S.p.A. subscribed the entire share capital, which had already been entirely eliminated due to losses.

The list of equity investments included in the consolidation area and the relative consolidation method is provided below.

Companies consolidated using the line-by-line 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 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%		
Officine Lovato Private Limited	Mumbai (India)	INR	19,091,430		100.00%	(#)
SAFE S.p.A.	S.Giovanni Persiceto (BO)	EUR	2,500,000	100.00%		
Emmegas S.r.l.	Cavriago (RE)	EUR	60,000	100.00%		

Company not consolidated because not significant

Description	Registered Office		Share capital	Direct investment	Indirect investment	Notes
Landi Renzo Ve C.A.	Caracas (Venezuela)	VEF	2,035,220	100.00%		
Lovato do Brasil Ind Com de Equipamentos para Gas Ltda	Curitiba (Brazil)	BRL	100,000		100.00%	(#)
Safe Gas (Singapore) Pte. Ltd.	Singapore	SGD	325,000		100.00%	(ç)
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.

Companies consolidated using the equity method

Description	Registered Office		Share capital	Direct investment	Indirect investment
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%	

4.4. EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The changes reported hereafter have been calculated on the balances at 31 December 2015 as regards balance sheet items and on the values of the first half of 2016 as regards income statement items.

4.4.1. 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. Please see paragraph 2.1 of this Report for information by activity segment and by geographical area.

NON-CURRENT ASSETS

4.4.2. LAND, PROPERTY, PLANT, MACHINERY AND EQUIPMENT

Tangible assets showed an overall net decrease of Euro 2,475 thousand, decreasing from Euro 35,364 thousand at 31 December 2015 to Euro 32,889 thousand at 30 June 2016.
The following is an analysis of changes in "Land, property, plant, machinery and equipment" that took place during the period:

(Thousands of Euro)

	Net Value at 31/12/2015	Increases	Disposals	Depreciation amounts	Other changes	Net Value at 30/06/2016
Land, property, plant, machinery and equipment	**35,364**	2,148	-130	-4,255	-238	**32,889**

The main increases in tangible assets during the six-month period relate to:

- purchase of industrial equipment for Euro 956 thousand, relating to testing and control instruments, moulds and other equipment;

- assets under construction and payments on account for Euro 464 thousand;
- leasehold improvements to buildings for Euro 309 thousand;
- purchase of plant and machinery for Euro 219 thousand.

The principal decreases in tangible assets for the first six months of 2016 relate to disposals of industrial vehicles which did not have significant impacts on the income statement.

4.4.3. DEVELOPMENT EXPENDITURE

(Thousands of Euro)

	Net Value at 31/12/2015	Increases	Amortisation/depreciation and write-downs	Net Value at 30/06/2016
Development expenditure	**8,404**	2,321	-2,406	**8,319**

Development expenditure amounted to Euro 8,319 thousand (Euro 8,404 thousand at 31 December 2015) and includes the costs incurred by the Group both for internal personnel and for services supplied by third parties, for projects meeting the requirements of IAS 38 to be capitalised. In particular, costs capitalized during the first half of 2016, for a total of Euro 2,321 thousand, refer to innovative projects, aimed both at development of new technologies in the automotive segment and the design of new systems capable of expanding and optimizing the product range on the market, the value of which is expected to be recovered through revenue flows generated in future years.

It is expected that new product development activities will continue during the second half of 2016.

The increases for the period relate to development projects in progress at 30 June 2016, for which the grounds for recoverability have been verified.

To evaluate any impairment of capitalized development expenditure, the Group attributes such costs to the corresponding cash-generating units (CGUs) and evaluates their recoverability, calculating the value of use with the discounted financial flow method.

4.4.4. GOODWILL

The item Goodwill totalled Euro 30,094 thousand, unchanged compared with 31 December 2015. The following table shows this item broken down by CGU (*Cash Generating Unit*):

(Thousands of Euro)

CGU	30/06/2016	31/12/2015	Change
Lovato Gas S.p.A.	27,721	27,721	0
AEB S.p.A.	2,373	2,373	0
Total	**30,094**	**30,094**	**0**

During the six months there were no events or circumstances that indicate possible impairment in relation to the goodwill mentioned above. In particular, the half-yearly results of the CGU Lovato Gas S.p.A. and AEB S.p.A. are in line with expectations.

4.4.5. OTHER INTANGIBLE ASSETS WITH FINITE USEFUL LIVES

(Thousands of Euro)

	Net Value at 31/12/2015	Increases	Amortisation amounts	Other changes	Net Value at 30/06/2016
Other intangible assets with finite useful lives	**22,696**	150	-1,226	-26	**21,594**

Other tangible assets with finite useful lives, totalling Euro 21,594 thousand (Euro 22,696 thousand), consist mainly of use of inventions and proprietary Group trademarks, particularly the values of the LOVATO trademark (Euro 9,702 thousand), the A.E.B. and 18SOUND trademarks (Euro 8,903 thousand), the Baytech trademark (Euro 1,114 thousand), the SAFE trademark (Euro 627 thousand) and the Emmegas trademark (Euro 205 thousand), expressed at the *fair value* at the moment of purchase, based on evaluations made by independent professionals and amortised over 18 years, a period considered to represent the useful lifetime of trademarks, with the exception of the SAFE and Emmegas trademarks, which are amortised over a useful lifetime of 7 years.

4.4.6. EQUITY INVESTMENTS CONSOLIDATED USING THE EQUITY METHOD

This item includes the value calculated by applying the equity method to Joint Venture Krishna Landi Renzo Prv Ltd, owned by the Landi Renzo group, equal to Euro 45 thousand. The decrease compared with 31 December 2015 of Euro 64 thousand derives from the period of evaluation, taking the loss of the JV of Euro 117 thousand into account.

4.4.7. OTHER NON-CURRENT FINANCIAL ASSETS

Other non-current financial assets, totalling Euro 622 thousand (Euro 574 thousand) mainly include the value of the equity investment in the Joint Venture EFI Avtosanoat Landi Renzo – LLC and Euro 450 thousand in guarantee deposits and other assets.

4.4.8. DEFERRED TAX ASSETS

The following table shows the values of the deferred tax assets and their movimentation from 31 december 2015 to 30 June 2016 (in thousands of Euro):

Deferred tax assets	Deferred tax assets 31/12/2015	Uses	Devaluation	Temporary changes	Other changes	Deferred tax assets 30/06/2016
Goodwill and flat-rate tax	2,256	- 133		80		2,203
Temporary changes	3,813	- 314		1,065		4,564
Other deferred tax assets	935				- 98	837
Tax losses	6,775		- 1,779		296	5,292
Total deferred tax assets	**13,779**	**- 447**	**- 1,779**	**1,145**	**198**	**12,896**

Particularly, the deferred tax assets refer primarily to the following main cases:

- remission of the goodwill pursuant to Legislative Decree no. 185/2008, stated by subsidiary Lovato Gas S.p.A. before acquisition by the Landi Renzo Group;
- temporary differences deriving from asset adjustment funds posted primarily by the Italian companies of the Group;
- temporary differences deriving from adjustments for consolidation;
- tax losses suffered by group companies

Concerning recoverability of deferred tax assets already set aside by the Group at 31 December 2015 for years prior to the introduction of tax consolidation and for some foreign subsidiaries , an adjustment in the value of deferred tax assets was registered at 30 June 2016, by way of total reversal of the residual amount, totalling Euro 1,779 thousand.
Deferred tax assets relating to tax losses, totalled Euro 5.292 thousand at 30 June 2016, are considered to be recoverable due to the company plans identified by the Board of Directors through approval of the 2016 – 2020 Business Plan, materialisation of which is subject to the intrinsic risk of non-implementation of its provisions.

CURRENT ASSETS

4.4.9. TRADE RECEIVABLES (including related parties)

Trade receivables (including trade receivables due from related parties), stated net of the related depreciation fund, are analysed by geographical segment as follows:

(Thousands of Euro)

Trade receivables by geographical area	30/06/2016	31/12/2015	Change
Italy	8,279	10,139	-1,860
Europe (excluding Italy)	8,141	8,121	20
America	13,556	10,280	3,276
Asia and the rest of the world	12,626	11,182	1,444
Reserve for bad debts	-6,404	-5,958	-446
Total	**36,198**	**33,764**	**2,434**

Trade Receivables totalled Euro 36,198 thousand, net of the Provision for Bad Debts equal to Euro 6,404 thousand, compared with Euro 33,764 thousand at 31 December 2015.
Total operations for assignment of trade receivables through pro-soluto factoring, for which the corresponding receivables were *derecognized*, amounted to Euro 29,660 thousand (Euro 35,542 thousand at 31 December 2015).

Receivables from related parties totalled Euro 2,388 thousand (Euro 2,424 thousand) and related to supplies of goods to the Joint Venture Krishna Landi Renzo India Private Ltd Held, to the Joint Venture EFI Avtosanoat-Landi Renzo LLC and to the Pakistani company AutoFuels. All the related transactions are carried out at arm's length conditions. For transactions with related parties, please refer to paragraph 4.4.39 of this report.

The provision for bad debts, which was calculated using analytical criteria on the basis of the data available and, in general, of the historical trend, changed as follows:

(Thousands of Euro)

Provision for bad debts	31/12/2015	Allocation	Uses	Other Changes	30/06/2016
Provision for bad debts	5,958	647	-206	5	6,404

The allocations made during the period, necessary in order to adjust the book value of the payables to their assumed recovery value, amounted to Euro 647 thousand. Utilization of Euro 206 thousand refers to the definitive write-off of receivables by the Group companies

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 provision:

(Thousands of Euro)

		Past due			
	Not past due	0-30 days	30-60 days	60 and beyond	Bad debt provision
Trade receivables at 30/06/2016	26,032	2,872	1,023	12,675	-6,404
Trade receivables at 31/12/2015	26,294	2,974	1,160	9,294	-5,958

It is considered that the book value of the item Trade Receivables approximates the *fair value* thereof.

Checks performed by the company on these customers did not reveal any particular solvency risks not already covered by the related provision.

4.4.10. INVENTORIES

This item breaks down as follows:

(Thousands of Euro)

Inventories	30/06/2016	31/12/2015	Change
Raw materials and parts	43,364	39,962	3,402
Work in progress and semi-finished products	8,241	8,011	230
Finished products	15,142	14,917	225
(Inventories write-down reserve)	-5,869	-5,362	-507
Total	**60,878**	**57,528**	**3,350**

Closing inventories totalled Euro 60,878 thousand, net of the inventories write-down reserve of Euro 5,869 thousand,

and therefore recorded an increase of Euro 3,350 thousand compared to 31 December 2015, primarily due to the increase in raw materials and components based on the expected increase in sales for the second half of the year.
The Group estimated the size of the provision for inventories so as to take account of the risks of technical obsolescence of inventories and to align the book value with their assumed recovery value. At 30 June 2016 this item totalled Euro 5,869 thousand, an increase of Euro 507 thousand compared with 31 December 2015.

4.4.11. WORK IN PROGRESS ON ORDERS

The item refers to contracts for fuel station compressors in progress at 30 June 2016, stated using the percentage of completion method with the *cost to cost* criterion, for a total of Euro 3,182 thousand. At the end of 2015, this item totalled Euro 2,904 thousand and the increase is related to the increase in value of the orders' backlog due for delivery in the following quarter.

4.4.12. OTHER RECEIVABLES AND CURRENT ASSETS

This item breaks down as follows:

(Thousands of Euro)

Other receivables and current assets	30/06/2016	31/12/2015	Change
Tax assets	6,958	10,881	-3,923
Receivables from others	2,755	3,125	-370
Accruals and deferrals	2,413	2,341	72
Total	**12,126**	**16,347**	**-4,221**

Tax assets consist primarily of VAT recoverable from the tax authorities for Euro 3,602 thousand and income tax credit of Euro 3,356 thousand.
Amounts due from others relate to payments on account, credit notes to be received and other receivables.
Prepayments and accrued income relate mainly to prepayments for long-term business services, insurance premiums, leases, association fees and *hardware* e *software* maintenance fees.

4.4.13. CASH AND CASH EQUIVALENTS

This item, consisting of the active balances of bank current accounts and cash in hand in both Euro and foreign currency, is analysed as follows:

(Thousands of Euro)

Cash and cash equivalents	30/06/2016	31/12/2015	Change
Bank and post office accounts	18,670	38,222	-19,552
Cash	79	42	37
Total	**18,749**	**38,264**	**-19,515**

Cash and cash equivalents amount to Euro 18,749 thousand (Euro 38,264 thousand).

For an analysis of the generation and absorption of cash during the year, please refer to the consolidated cash flow statement in paragraph 3.4 of this report.

It is considered that the carrying value of Cash and cash equivalents is aligned with their *fair value* at the balance sheet date.

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.

4.4.14. SHAREHOLDERS' EQUITY

The following table provides a breakdown of equity items

(Thousands of Euro)

Shareholders' equity	30/06/2016	31/12/2015	Change
Share capital	11,250	11,250	0
Other reserves	59,374	95,428	-36,054
Profit (loss) for the period	-12,541	-35,288	22,747
Total Group equity	**58,083**	**71,390**	**-13,307**
Capital and Reserves attributable to minority interests	430	724	-294
Profit (loss) attributable to minority interests	-225	-299	74
Total Minority Interests	**205**	**425**	**-220**
Total Consolidated Equity	**58,288**	**71,815**	**-13,527**

The share capital stated is the fully subscribed and paid-up share capital of the company Landi Renzo S.p.A. which is equal to a 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 showed a decrease of Euro -13,527 thousand compared with 31 December 2015, primarily as a result of the loss for the period. For further details on the changes compared with 31 December 2015, please refer to the table of changes in consolidated shareholders' equity in paragraph 3.5 of this report.

The other reserves are shown in detail below:

(Thousands of Euro)

Other reserves	30/06/2016	31/12/2015	Change
Statutory Reserve	2,250	2,250	0
Extraordinary and Other reserves	10,526	46,580	-36,054
Share premium reserve	46,598	46,598	0
Total Other Reserves of the Group	**59,374**	**95,428**	**-36,054**

The balance of the Legal Reserve 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 Parent Company and by the subsidiary companies in previous years and decreased by Euro 36,054 thousand as a result of coverage of the previous year's loss and the profit discounted to DBO at 30 June 2016 according to the principles of IAS 19.
The Share Premium Reserve originated as a result of the floatation operation for an amount equal to Euro 46,598 thousand, net of the related costs.
The minority interest represents the share of equity and result for the period of foreign subsidiaries not owned in full.

NON-CURRENT LIABILITIES

4.4.15. BANK LOANS

This item, totalling Euro 17,200 thousand (Euro 11,935 thousand), includes the medium/long term portion of the bank debts for unsecured loans and finance.
The Group had two current loans at 30 June 2016, disbursed by a single credit institution, for a residual amount of Euro 9,143 thousand, of which Euro 3,143 thousand short-term according to original contractual terms, with six-monthly financial *covenants*.
As a consequence of the economic results of the six months, there was a misalignment with the parameters set which would have permitted the financing institution to apply the contractual termination clauses. However, by the date of approval of this report, the credit institution had issued a specific letter of waiver of said termination clauses for said loans with financial *covenants*. The medium-term amount of said loans, totalling Euro 6,000 thousand, has been entirely reclassified under current liabilities, in accordance with the requirements of IAS 1, paragraphs 74-75.
The structure of said loans is exclusively at a variable rate indexed to the Euribor and increased by a spread aligned with normal market conditions; the loan currency is the Euro, except for the loans provided in United States dollars by the Bank of the West. The loans are not secured by real collateral and there are no clauses other than the early payment clauses normally envisaged by commercial practice.
The Group does not have any derivatives to hedge the loans.
The breakdown of the Group's Net Financial Position is provided in paragraph 2.1 of this Report.
The table below shows the residual debt by original maturity date of the unsecured loans and indicates the part relating to the loan with financial *covenants*:

(Thousands of Euro)

Loans and financing	H2 2016	H1 2017	H2 2017	2018	2019	2020
Reimbursed instalments	8,215	6,160	5,134	11,455	4,611	2,000
Residual debt	29,360	23,200	18,066	6,611	2,000	0
of which loans with financial covenants						
Reimbursed instalments	4,240	3,173	3,128	5,204	4,000	2,000
Residual debt	17,505	14,332	11,204	6,000	2,000	0

4.4.16. OTHER NON-CURRENT FINANCIAL LIABILITIES

The item, totalling Euro 26,305 thousand (Euro 1,468 thousand) includes the value of the "LANDI RENZO 6,10% 2015-2020" bonded loan, totalling Euro 25,500 thousand, for a value minus the related accessory charges of Euro 25,046 thousand, and, for the remainder, the instalments of a subsidised loan disbursed by Simest S.p.A. to the Parent Company in order to support a plan to expand trade in the USA.
The repayment times of the bonded loan, originally issued in May 2015 for Euro 34 million, with a duration of five years, bullet repayment and a 6.10% gross fixed interest rate with six-monthly deferred coupon, were revised by the Bondholders' Meeting held on 7 March 2016, which voted to change the regulations of the Bonded Loan to six-monthly amortising repayment according to the following plan and an annual gross fixed interest rate for 2016 of 6.50%.

Details of the Bonded Loan instalment repayment times with periodic repayment are shown below:

(Thousands of Euro)

Landi Renzo 6.10% 2015-2020 Bonded Loan	H1 2016	H2 2016	H1 2017	H2 2017	2018	2019	2020
Reimbursed instalments	2,040	3,060	3,400	3,400	6,800	6,800	8,500
Residual debt	31,960	28,900	25,500	22,100	15,300	8,500	0

4.4.17. PROVISIONS FOR RISKS AND CHARGES

These provisions can be broken down as follows:

(Thousands of Euro)

Provisions for risks and charges	31/12/2015	Allocation	Utilization	Other changes	30/06/2016
Provision for product warranties	3,406	297	-232	-16	3,455
Provision for lawsuits in progress	281			16	297
Provisions for pensions	80	5	-3		82
Other provisions	4,292	2,400	-793	-2	5,897
Total	**8,059**	**2,702**	**-1,028**	**-2**	**9,731**

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 has been calculated with reference to Group historical data, specific contractual contents and business agreements with car manufacturers.
At 30 June 2016, this provision amounted to Euro 3,455 thousand (Euro 3,406 thousand at 31 December 2015). The provision, equal to Euro 297 thousand, was stated on the Income Statement under the item "Accruals, impairment losses and other operating expenses".
The utilization of the Provision for Product Warranty Risks amounting to Euro -232 thousand is mainly due to the

covering of warranty costs related to supplies of components in previous years.

The item “Other provisions”, totalling Euro 5,897 thousand, includes:

- the provision made during the year on a non-recurrent business dispute, totalling Euro 2,700 thousand;
- the provision of Euro 2,400 thousand made in the current six months and relating to non-recurrent costs deriving from a business agreement with an OEM manufacturer and provisions on a dispute between several Italian companies and the Revenue Authorities.

Use of Euro -793 thousand relate almost entirely to absorption of the costs sustained for the company mobility procedure.

4.4.18. DEFINED BENEFIT PLANS FOR EMPLOYEES

This item includes exclusively employee severance indemnity funds set up in compliance with the regulations in force. The following is the overall change in defined benefit plans for employees:

(Thousands of Euro)

Defined benefit plans for employees	31/12/2015	Allocation	Utilization	Other changes	30/06/2016
Employee severance indemnity	3,313	57	-349	312	3,333

The provision is due to the effect of the revaluation of the TFR for employees in existence at the end of the period. Uses totalling Euro -349 thousand refer to amounts paid to employees who left, while the column other changes relates to adjustment of the DBO according to IAS 19.

For the purposes of calculating the Current Value, an interest rate of 1.09% was adopted, corresponding with the benchmark rate represented by the “Markit iBoxx € Corporate AA 10+ “ rate measured at 30 June 2016, compared with the rate of 2.03% in December 2015.

4.4.19. DEFERRED TAX LIABILITIES

Deferred tax liabilities amounted to Euro 6,512 thousand (Euro 6,691 thousand) and relate primarily to temporary differences between the carrying values of certain tangible and intangible assets and the values recognized for tax purposes.

CURRENT LIABILITIES

4.4.20. BANK OVERDRAFTS AND SHORT-TERM LOANS

“Bank overdrafts and short-term loans”, totalling Euro 46,913 thousand (Euro 50,797 thousand), consists of the current portion of existing unsecured loans and financing totalling Euro 20,374 thousand (Euro 38,147 thousand at 31 December 2015), while the remaining Euro 26,539 thousand refers to the utilization of various credit facilities on current accounts.

This item includes the medium-term amount of two loans, totalling Euro 6,000 thousand, which have six-monthly financial *covenants* and for which there was misalignment with the parameters set, as described in paragraph 4.4.15 “Non-current bank loans”, to which you are referred.

Said loans are not secured by guarantees, are at variable rate and are not hedged by derivatives.

The breakdown of the Group's Net Financial Position is provided in paragraph 2.1 of this Report.

4.4.21. OTHER CURRENT FINANCIAL LIABILITIES

This item, totalling Euro 6,600 thousand (Euro 33,523 thousand), includes:

- the current portion of the LANDI RENZO 6% 2015-2020 Bonded Loan, totalling Euro 6,460 thousand, for a net value of the related issue costs of Euro 6,175 thousand.
- Euro 425 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.

4.4.22. TRADE PAYABLES (including related parties)

Trade payables totalled Euro 52,453 thousand, with a decrease of Euro 5,899 thousand compared with 31 December 2015.

Trade payables (including trade payables to related parties) can be analysed by geographical segment as follows:

(Thousands of Euro)

Trade payables by geographical area	30/06/2016	31/12/2015	Change
Italy	41,555	45,268	-3,713
Europe (excluding Italy)	6,746	8,377	-1,631
America	1,057	1,602	-545
Asia and the rest of the world	3,095	3,104	-9
Total	**52,453**	**58,351**	**-5,898**

Trade payables to related parties of Euro 3,086 thousand refer to relations with the companies Gireimm S.r.l. and Gestimm S.r.l. for property lease payments.

All the related transactions are carried out at arm's length conditions. For transactions with related parties, please refer to paragraph 4.4.39 of this report.

4.4.23. TAX LIABILITIES

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 1,652 thousand, compared with Euro 4,990 thousand at 31 December 2015.

4.4.24. OTHER CURRENT LIABILITIES

(Thousands of Euro)

Other current liabilities	30/06/2016	31/12/2015	Change
Payables to pension and social security institutions	1,642	2,101	-459
Other payables (payables to employees, to others)	4,532	5,002	-470
Payments on account	2,106	1,483	623
Accrued expenses and deferred income	325	299	26
Total	**8,605**	**8,885**	**-280**

Other current liabilities totalled Euro 8,605 thousand, a decrease of Euro 280 thousand compared with 31 December 2015.

In particular, the item “other payables” amounting to Euro 4,532 thousand refers primarily to other receivables for current pay and deferred pay to be settled for employees.

The item “Payments on account” includes mainly advances paid by customers.

INCOME STATEMENT

4.4.25. REVENUES (including related parties)

(Thousands of Euro)

Revenues on sales and services	30/06/2016	30/06/2015	Change
Revenues related to the sale of assets	85,920	96,074	-10,154
Revenues for services and other revenues	3,370	2,051	1,319
Total	**89,290**	**98,125**	**-8,835**
of which transactions with related parties	71	135	-64

During the first half of 2016, the Landi Renzo Group achieved revenues of Euro 89,290 thousand, a decrease of Euro 8,835 thousand compared with the same six months of the previous year.

Revenues from related parties totalling Euro 71 thousand refer entirely to supplies of goods to the Joint Venture Krishna Landi Renzo India Private Ltd Held. For transactions with related parties, please refer to paragraph 4.4.39 of this report.

4.4.26. OTHER REVENUES AND INCOME

Other revenue and income totalled Euro 559 thousand (Euro 864 thousand) and are formed mainly of in-house construction of plant and machinery, contingent gains and gains on sales of fixed assets.

4.4.27. COST OF RAW MATERIALS, CONSUMABLES AND GOODS

(Thousands of Euro)

Cost of raw materials, consumables and goods and change in inventories	30/06/2016	30/06/2015	Change
Raw materials and parts	35,054	37,568	-2,514
Finished products intended for sale	5,636	7,569	-1,933
Other materials and equipment for use and consumption	1,550	1,564	-14
Total	**42,240**	**46,701**	**-4,461**

The total costs for purchases of raw materials, consumables and goods (including the change in inventories) amount to Euro 42,240 thousand (Euro 46,701 thousand), a decrease of Euro 4,461 thousand compared with 30 June 2015, related to trends in revenues.

4.4.28. COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS (including related parties)

This item breaks down as follows:

(Thousands of Euro)

Costs for services and use of third party assets	30/06/2016	30/06/2015	Change
Industrial and technical services	14,075	16,281	-2,206
Commercial, general and administrative services	8,049	9,446	-1,397
Costs for non-recurrent business agreements	1,050	0	1,050
Costs for use of non-Group assets	2,726	2,932	-206
Total	**25,900**	**28,659**	**-2,759**

Costs for services and use of third party assets totalled Euro 25,900 thousand (Euro 28,659 thousand) with a decrease of Euro 2,759 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 production overheads, while the decrease in commercial costs and G&A services is attributable to the reduction in direct commercial costs and the fall in general administrative costs.

The non-recurrent part of the item, totalling Euro 1,050 thousand, includes business costs sustained for an agreement with a car manufacturer, which, due to their specific nature, do no reoccur frequently.

For transactions with related parties, please refer to paragraph 4.4.39 of this report.

4.4.29. PERSONNEL EXPENSES

Personnel expenses are analysed as follows:

(Thousands of Euro)

Personnel expenses	30/06/2016	30/06/2015	Change
Wages and salaries, social security contributions and expenses for defined benefit plans	17,279	20,398	-3,119
Temporary and transferred work	1,250	1,298	-48
Directors' remuneration	437	510	-73
Total	**18,966**	**22,206**	**-3,240**

In the six months in question, personnel costs totalled Euro 18,966 thousand, a considerable decrease of Euro 3,240 thousand compared with the same period of the previous year (Euro 22,206 thousand). The reduction is attributable both to a company solidarity agreement started from the third quarter of the previous year and still in progress and to the effects of a mobility and voluntary redundancy scheme started in November 2015 and completed towards the end of the six months in question, the costs of which were already stated on the 2015 financial statements.

The following table lists the number of employees in the workforce, broken down between Italian and foreign companies.

Company	30/06/2016	31/12/2015	30/06/2015
Landi Renzo S.p.A.	289	315	345
A.E.B. S.p.A.	102	111	127
Eighteen Sound S.r.l.	43	44	42
Lovato Gas S.p.A.	92	99	102
SAFE S.p.A.	71	73	75
Emmegas S.r.l.	6	6	8
Foreign companies	189	198	200
Total	**792**	**846**	**899**

4.4.30. PROVISIONS, WRITE-DOWNS AND OTHER OPERATING EXPENSES

Provisions, write-downs and other operating expenses totalled Euro -4,297 thousand (Euro -1,263 thousand at 30 June 2015), an increase of Euro 3,034 thousand, of which Euro -2,400 thousand is non-recurrent. This item consists mainly of allocations to the provisions for product warranties and other provisions, for bad debts and other sundry operating costs.

The principal change of Euro -2,400 thousand relates to the non-recurrent component deriving from a business agreement with an OEM manufacturer, as described in the paragraph 4.4.17 "Provisions for risks and charges", to which you are referred.

4.4.31. AMORTIZATION, DEPRECIATION AND IMPAIRMENT

(Thousands of Euro)

Amortization, depreciation and impairment	30/06/2016	30/06/2015	Change
Amortization of intangible assets	3,632	3,333	299
Depreciation of tangible assets	4,255	4,383	-128
Impairment of intangible assets	150	0	150
Total	**8,037**	**7,716**	**321**

Amortisation totalled Euro 8,037 thousand (Euro 7,716 thousand), an increase of Euro 321 thousand mainly attributable to higher amortisation of development expenditure capitalised in previous years.

No elements emerged from analysis which revealed the need to change the useful lifetime of tangible and intangible assets.

The amortization of intangible assets refers primarily to the amortization of development and design expenditure incurred by the Group, costs for the purchase and registration of trademarks and licenses and for software (applications and management) purchased over time.

Depreciation of property, plant and equipment refers primarily to property, plant and machinery for production, assembly and running-in of the products, to industrial and commercial equipment for the purchase of moulds, to testing and control tools and to electronic processors.

The impairment of intangible assets of Euro 150 thousand relates to impairment of the stake in SAFE Gas Pte. Ltd. with registered office in Singapore.

4.4.32. FINANCIAL INCOME

Financial income totalled Euro 65 thousand (Euro 224 thousand) and refers to interest income on bank deposits.

4.4.33. FINANCIAL EXPENSES

Financial expenses totalled Euro 2,677 thousand (Euro 2,101 thousand) and the increase of Euro 576 thousand is primarily due to the increase in the interest on the Bonded Loan.

4.4.34. EXCHANGE RATE GAINS AND LOSSES

Net exchange differences totalled Euro 660 thousand, substantially in line with balance of Euro 597 thousand in the first half of the previous year. At 30 June 2016, the Group did not have financial instruments covering exchange rates.

4.4.35. PROFIT (LOSS) FROM EQUITY INVESTMENTS MEASURED USING THE EQUITY METHOD

This item totalled Euro -64 thousand and includes the Group portion of profits, stated using the equity method, in the

Joint Venture Krishna Landi Renzo India Private Ltd Held.

4.4.36. CURRENT AND DEFERRED TAXES

Taxes at 30 June 2016 totalled a negative amount of Euro -1,159 thousand, compared with a positive amount of Euro 1,703 thousand at 30 June 2015.
The theoretical rate used for the calculation of taxes on the income of Italian companies is 31.4% of the taxable income subject to IRES and IRAP for the year. The taxes of the foreign companies are calculated according to the rates applicable in the respective countries.

4.4.37. 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 "base" loss per share, which corresponds with the "diluted" earnings/loss per share since there are no convertible bonds or other financial instruments with possible diluting effects, is Euro -0.1115.. Earnings per share for the first half of 2015 were Euro - 0.0637.

OTHER INFORMATION

4.4.38. ANALYSIS OF THE MAIN DISPUTES IN PROGRESS

The Group companies are involved in proceedings, for both assets and liabilities, for non-significant amounts. The directors of the Parent Company, supported by the opinion of its lawyers, did not deem it necessary to make provision for any further funds in the financial statements beyond those already allocated as at 31 December 2015.

A number of Italian companies have disputes in progress with the Financial Authorities for which provisions were prudentially set aside in previous years to cover the related potential liability. No new elements emerged during the six months which made it necessary to set aside further provisions or release the provisions already stated at 31 December 2015.

4.4.39. TRANSACTIONS WITH RELATED PARTIES

The Landi Group deals with related parties at market conditions considered to be normal in the markets in question, taking account of the characteristics of the goods and the services supplied.

Transactions with related parties listed below include:

- supply of services between Gireimm S.r.l. and Landi Renzo S.p.A., Emmegas S.r.l. and Safe S.p.A. for rents on properties used as the operating offices of the Parent Company and the subsidiaries;
- 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;
- supply of services between Reggio Properties LLC, an investee company through the parent company Girefin S.p.A. and Landi USA Corporation for rent of properties used by the company;

- the relationships for supply of services to the Pakistani company AutoFuels (held by a minority shareholder of the Pakistani subsidiary LR PAK), to Krishna Landi Renzo India Private Ltd Held and to the joint venture EFI Avtosanoat-Landi Renzo LLC.

The following table summarizes the relationships with related parties:

Incidence of Transactions with Related Parties (Thousands of Euro)	Total item	Absolute value related parties	%	Related party
a) incidence of the transactions or positions with related parties on balance sheet items				
Trade receivables	36,198	2,388	6.6%	Autofuels, Krishna Landi Renzo, EFI Avtosanoat
Trade payables	52,453	3,086	5.9%	Gireimm, Gestimm, Krishna Landi Renzo
b) incidence of the transactions or positions with related parties on income statement items				
Cost for services and use of third party assets	-25,900	-1,614	6.2%	Gireimm, Gestimm, Reggio Properties LLC
Revenues on sales and services	89,290	71	0.1%	Autofuels, Krishna Landi Renzo

4.4.40. POSITIONS OR TRANSACTIONS DERIVING FROM ATYPICAL AND/OR UNUSUAL TRANSACTIONS

Pursuant to CONSOB communication no. 6064293 of July 28th 2006, note that during the first half of 2016 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 the minority stockholders.

4.4.41. NON-RECURRING SIGNIFICANT EVENTS AND OPERATIONS

Pursuant to CONSOB communication no. 6064293 of 28th July 2016, it is stated that during the first half of 2011 no non-recurring significant events or operations took place.

4.4.42. SIGNIFICANT EVENTS OCCURRING AFTER THE CLOSE OF THE FINANCIAL YEAR

Please refer to comments relating to this in the interim directors' report.

5. Certification of the abbreviated six-monthly consolidated financial statements pursuant to art. 81-ter of Consob regulation no. 11971 of 14 may 1999, as amended and supplemented

The undersigned Stefano Landi, Chairman and CEO, and Paolo Cilloni, Officer in charge of preparing the accounting documents 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 24 February 1998:

- the adequacy of the consolidated financial statements in relation to the relative corporate characteristics, and
- the effective application of the administrative and accounting procedures for preparing the abbreviated six-monthly financial statements as at 30 June 2016.

There are no significant aspects to report in relation thereto.

We furthermore declare that:

1) the abbreviated six-monthly consolidated financial statements at 30 June 2016:
    - have been prepared in compliance with the international accounting standards issued by the International Accounting Standards Board and adopted by the European Commission in accordance with the procedure specified in art. 6 of Regulation (EC) no. 1606/2002 of 19 July 2002 of the European Parliament and Council;
    - correspond with the accounting books and records;
    - are capable of providing a true and correct representation of the patrimonial, economic and financial situation of the issuer and of the companies included in the consolidation.

2) The interim report on performance includes a reliable analysis of the references to the important events that occurred in the first six months of the year and to their impact on the abbreviated six-monthly consolidated financial statements, together with a description of the main risks and uncertainties for the remaining months of the year. The interim report on performance also includes a reliable analysis of the information on the significant transactions with related parties.

Cavriago, 27 September 2016

Officer in charge of preparing the
company accounting documents
Paolo Cilloni

Chairman and CEO
Stefano Landi

REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

To the shareholders of
Landi Renzo SpA

Foreword

We have reviewed the consolidated condensed interim financial statements of Landi Renzo SpA (hereinafter, also the "Company") and its subsidiaries (hereinafter, also "Landi Renzo Group") as of 30 June 2016 comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity and the related explanatory notes. The Directors of the Company are responsible for the preparation of the consolidated condensed interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution No. 10867 of 31 July 1997. A review of consolidated condensed interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the consolidated condensed interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that consolidated condensed interim financial statements of Landi Renzo Group as of 30 June 2016 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Other aspects

The consolidated financial statements as of 31 December 2015 and the consolidated condensed interim financial statements as of 30 June 2015 have been audited and reviewed, respectively, by other auditors who released the related reports, on 29 March 2016 and 27 August 2015, respectively.

Parma, 29 September 2016

PricewaterhouseCoopers SpA

Signed by
Massimo Rota
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.