INTERIM MANAGEMENT REPORT
AS AT 30 SEPTEMBER 2016

CONTENTS

(Translation from Italian original which remain the definitive version)

1. GENERAL INFORMATION

1.1. CORPORATE OFFICERS AND INFORMATION

On 29 April 2016, the Shareholders' Meeting of the parent company Landi Renzo S.p.A. elected the Board of Directors and the Board of Statutory Auditors for the period 2016-2018. They will therefore remain in office until the Meeting of Shareholders called to approve the Financial Statements for the year ending 31 December 2018. The Meeting also appointed PricewaterhouseCoopers S.p.A. as the independent auditing firm for the period 2016-2024.

On the date this Interim Management Report was drafted, the company officers were as follows:

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 Statutory Auditor	Massimiliano Folloni
Standing Statutory 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

Remuneration Committee

Chairman	Ivano Accorsi
Committee Member	Sara Fornasiero
Committee Member	Angelo Iori

Committee for Related-Party Transactions

Committee Member	Sara Fornasiero
Committee Member	Ivano Accorsi

Supervisory Body (Italian Legislative Decree 231/01)

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

Independent Auditing Firm PricewaterhouseCoopers S.p.A.

Financial Reporting Manager Paolo Cilloni

Registered office and company details

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

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

1.2. GROUP STRUCTURE

1.3. LANDI RENZO GROUP *FINANCIAL HIGHLIGHTS*

(Thousands of Euro)

ECONOMIC INDICATORS FOR THE QUARTER	Q3 2016	Q3 2015	Change
Revenue	42,445	47,486	-5,041
Gross Operating Profit (EBITDA)	706	1,754	-1,048
Net Operating Profit (EBIT)	-3,394	-2,039	-1,355
Earnings before Tax	-4,886	-4,517	-369
Net profit (loss) for the Group and minority interests	-5,061	-4,063	-998
Gross Operating Profit (EBITDA) / Revenue	1.7%	3.7%	
Net Operating Profit (EBIT) / Revenue	-8.0%	-4.3%	
Net profit (loss) for the Group and minority interests / Revenue	-11.9%	-8.6%	

(Thousands of Euro)

ECONOMIC INDICATORS OF THE FIRST NINE MONTHS	30-Sep-16	30-Sep-15	Change
Revenue	131,735	145,611	-13,876
Adjusted Gross Operating Profit (EBITDA) (1)	2,602	1,914	688
Gross Operating Profit (EBITDA)	-848	1,914	-2,762
Adjusted Net Operating Profit (EBIT) (1)	-9,535	-9,595	60
Net Operating Profit (EBIT)	-12,985	-9,595	-3,390
Earnings before Tax	-16,493	-13,453	-3,040
Net profit (loss) for the Group and minority interests	-17,827	-11,296	-6,531
Adjusted Gross Operating Profit (EBITDA) / Revenue	2.0%	1.3%	
Adjusted Net Operating Profit (EBIT) / Revenue	-7.2%	-6.6%	
Net profit (loss) for the Group and minority interests / Revenue	-13.5%	-7.8%	

(Thousands of Euro)

FINANCIAL POSITION	30-Sep-16	31-Dec-15	30-Sep-15
Net fixed assets and other non-current assets	104,058	111,020	126,792
Operating capital (2)	54,283	38,317	57,476
Non-current liabilities (3)	-18,189	-18,063	-15,459
NET INVESTED CAPITAL EMPLOYED	140,152	131,274	168,809
Net financial position (cash) (4)	87,065	59,459	72,100
Equity	53,087	71,815	96,709
FINANCING SOURCES	140,152	131,274	168,809

(Thousands of Euro)

KEY INDICATORS	30-Sep-16	31-Dec-15	30-Sep-15
Operating capital / Revenues (*rolling 12 months*)	28.3%	16.4%	28.1%
Net financial debt / Equity	164.0%	82.8%	74.6%
Gross tangible and intangible investments	6,644	15,523	10,710
Personnel (peak)	790	846	889

(Thousands of Euro)

CASH FLOWS	30-Sep-16	31-Dec-15	30-Sep-15
Operating cash flow	-20,676	4,185	-14,045
Cash flow for investment activities	-6,487	-15,223	-10,325
FREE CASH FLOW	-27,163	-11,038	-24,370

(1) The figures do not include the recognition of non-recurring costs of €3,450 thousand for the first nine months of 2016.

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

(3) These are calculated by totalling Deferred Tax Liabilities, Defined Benefit Plans for employees 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 PERIOD

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

- to approve the coverage of the operating loss of Landi Renzo S.p.A. of €37,702,189.73 by fully utilising the merger surplus reserve which is now cancelled out, and the extraordinary reserve, which is reduced to €12,620,747.55;
- renewal of authorization for the purchase and disposal of treasury shares;
- election of the company officers until approval of the financial statements for the year ending 31 December 2018;
- appointment of the new independent auditing firm, PricewaterhouseCoopers S.p.A., for a nine-year period from 2016 until 2024.

April On 29 April 2016, the Board of Directors re-elected Stefano Landi as the company's Chief Executive Officer.

April In April, the Group published the 2015 Sustainability Report in order to strengthen the dialogue with stakeholders, as it is fully aware that day-to-day activities directed towards sustainability is a means of creating value not only for the companies but also, in a wider context, for the community as a whole and for all the Group's stakeholders.

July In July, Lovato Gas S.p.A. formalised, while maintaining control, the sale of 26% of the capital of the subsidiary Officine Lovato Private Limited to the Indian company Ecofuel System India Private Limited, a long-standing importer and distributor in the local market for Lovato products. The operation should enable the development of commercial and production synergies particularly in the Aftermarket channel, also by optimising the existing local facilities of the Landi Renzo Group.

September On 15 September, the Italian Council of Ministers gave its preliminary approval of the Legislative Decree implementing the European Directive 2014/94/EU (DAFI) of the European Parliament and Council of 22 October 2014, on the deployment of an alternative fuels infrastructure. This Directive is part of the EU policies on sustainability, and provides that the Member States adopt a national strategic framework to develop the market for alternative fuels in the transport sector and to build the related infrastructure.

The purpose of the Directive is to reduce dependency on petroleum and to lessen the environmental impact in the transport industry. It contains the minimum requirements for the creation of infrastructures for alternative fuels which can be built thanks to the national strategic frameworks of the Member States.

The EU measure was drafted in implementation of Law 114 dated 9 July 2015 which authorised the Italian Government to enact the European directives and implement the other European Union laws – the delegation law of 2014. It relates to the above Directive 2014/94/EU (referred to in Annex B of the above-mentioned Law) which, in the context of the EU policies on sustainability, provides that the Member States should adopt a national strategic framework to develop the alternative fuels market in the transport sector, and build the related infrastructure.

The final approval of the Decree is expected by the end of November.

September During September, the ***Gas Specialist*** project was launched to promote the professionalism and experience of Landi Renzo fitters, and create a network of highly specialised workshops able to provide full-spectrum customer support from installation through to testing and maintenance.

2. DIRECTORS' OBSERVATIONS ON BUSINESS PERFORMANCE

The results of the first nine months of 2016 were affected by the instability of certain markets, particularly in several South American countries, and the failure to reach the expected sales levels in the OEM sector due to the postponement of several orders for Euro 6 LPG engines.

The Gas Sector – Car systems segment showed a downturn in demand, with a negative trend being shared by the main markets.
However, in the domestic market, the decline in turnover was less than the negative change in the market both in Aftermarket and in OEM bi-fuel new car registrations.

For these reasons, in the short term the difficult market conditions will persist. However the company still has confidence in the assumptions on the development expected over the short-term.

In view of the failure to achieve the expected financial results which has influenced the cash flow from ordinary operations, a leading financial advisor has been commissioned to optimise and rebalance the financial and asset structure in order to bring it in line with the Group's growth and development objectives.
Taking into account the performance of the year, and the uncertainties in the core market, Management has already taken action to immediately limit the operational and management costs.

In this context, the strengthening of the management team has been prioritised, by introducing a General Manager, whose task will be to identify and implement the Group's growth guidelines, together with the Chief Executive Officer, and to then prepare strategic, industrial and financial plans while assuming the organisational responsibilities needed to guarantee the growth and management of the business.

2.1. PERFORMANCE AND NOTES ON THE MAIN CHANGES IN THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2016

2.1.1. Summary of the Group's results for the first 9 months and third quarter of 2016

The results for the first nine months of 2016, although with lower revenues than the same period for the last year, show a recovery in the Adjusted Gross Operating Profit (EBITDA) figure, which has risen from €1,914 thousand on 30 September 2015, to €2,602 thousand on 30 September 2016 – an improvement of 35.9%.
The consolidated revenues for the first nine months of 2016 were €131,735 thousand, a reduction of €13,876 thousand compared to the same period in the previous year.

The decline in sales is mainly related to the sales in the Gas Sector – Car Systems both in the OEM channel, following the transition to the new Euro 6 LPG engines, and in the Aftermarket segment in certain European and American countries.

Despite the lower sales (-9.5%), the financial results for the first nine months of the year, excluding the impact of non-recurring costs of €3,450 thousand, have improved thanks to the reduction in operating costs (mainly personnel costs) and industrial costs following the implementation of the organisational and production restructuring plan. This was launched in the previous year, with reference to the resizing of the company's workforce and the grouping of production and distribution units.

In the light of the above, the Adjusted Gross Operating Profit was €2,602 thousand at the end of the first nine months. This is an improvement of €688 thousand on the same period for the previous year (€1,914 thousand).

The Gross Operating Profit (EBITDA) was negative, by €848 thousand. This result was affected not only by the above factors but also by the non-recurring costs of €3,450 thousand relating to the commercial agreements with OEM manufacturers.

The following table sets out the main economic indicators of the Group for the first nine months of 2016 compared with the same period in 2015.

(Thousands of Euro)

	30/09/2016	Non-recurring	30/09/2016 ADJ	%	30/09/2015	Non-recurring	30/09/2015	%	ADJ changes	ADJ %
Revenues from sales and services	**131,735**		**131,735**	**100.0%**	**145,611**		**145,611**	**100%**	**-13,876**	-9.5%
Other revenue and income	792		792	0.6%	1,443		1,443	1.0%	-651	-45.1%
Operating costs	-133,375	-3,450	-129,925	-98.6%	-145,140		-145,140	-99.7%	15,215	-10.5%
Gross Operating Profit	**-848**		**2,602**	**2.0%**	**1,914**		**1,914**	**1.3%**	**688**	**35.9%**
Amortization, depreciation and impairment	-12,137		-12,137	-9.2%	-11,509		-11,509	-7.9%	-628	5.5%
Net Operating Profit	**-12,985**		**-9,535**	**-7.2%**	**-9,595**		**-9,595**	**-6.6%**	**60**	**n/a**
Financial income (charges) and exchange differences	-3,433		-3,433	-2.6%	-3,648		-3,648	-2.5%	215	-5.9%
Gain (loss) on equity investments valued using the equity method	-75		-75	-0.1%	-210		-210	-0.1%	135	-64.3%
Profit (Loss) before tax	**-16,493**		**-13,043**	**-9.9%**	**-13,453**		**-13,453**	**-9.2%**	**410**	**n/a**
Current and deferred taxes	-1,334				2,157					
Net profit (loss) for the Group and minority interests, including:	**-17,827**				**-11,296**					
Minority interests	-293				-145					
Net profit (loss) for the Group	**-17,534**				**-11,151**					

Breakdown of sales by business segment

Third quarter 2016 compared to third quarter 2015

(Thousands of Euro)

Distribution of revenues per area of activity	Q3 2016	% of revenues	Q3 2015	% of revenues	Change	%
Gas Segment - Car systems	32,255	76.0%	37,398	78.8%	-5,143	-13.8%
Gas Segment - Distribution systems	6,201	14.6%	4,022	8.4%	2,179	54.2%
Total revenues - GAS sector	***38,456***	***90.6%***	***41,420***	***87.2%***	***-2,964***	***-7.2%***
Other (Alarms, Sound Systems, Robotics (1), Oil and Gas and others)	3,989	*9.4%*	6,066	12.8%	-2,077	-34.2%
Total revenues	**42,445**	**100%**	**47,486**	**100%**	**-5,041**	**-10.6%**

Nine months 2016 compared to nine months 2015

(Thousands of Euro)

Distribution of revenues per area of activity	As at 30/09/2016	% of revenues	As at 30/09/2015	% of revenues	Change	%
Gas Segment - Car systems	104,083	79.0%	116,605	80.1%	-12,522	-10.7%
Gas Segment - Distribution systems	14,682	11.2%	15,172	10.4%	-490	-3.2%
Total revenues - GAS sector	***118,765***	***90.2%***	***131,777***	***90.5%***	***-13,012***	***-9.9%***
Other (Anti-theft, Sound Systems, Robotics (1), Oil and Gas, Other)	12,970	9.8%	13,834	9.5%	-864	-6.2%
Total revenues	**131,735**	**100%**	**145,611**	**100%**	**-13,876**	**-9.5%**

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

The Group's total revenues in the first nine months were €131,735 thousand, a reduction of 9.5% compared to the same period in the previous year.
Revenues from sales of products and services in the Gas segment decreased over the first nine months from €131,777 thousand in 2015 to €118,765 thousand in 2016, which was a reduction of 9.9%.
The reduction in sales as of 30 September 2016 in Gas sector – Car systems (-10.7%) was caused equally both by the decline in revenues on the OEM channel, and in the Aftermarket segment.
The revenues in Gas Sector – Distribution Systems were €14,682 thousand, a figure that is essentially in line with the same period of 2015, thanks to the growth in supplies recorded in the third quarter.

The revenues from sales in other segments fell from €13,834 thousand to €12,970 thousand, a decrease of 6.2% which was mainly related to the macroeconomic decline in sales of Oil&Gas installations over the course of the third quarter. This was partially offset by the good performance in sales of 18Sound speakers.

During the quarter, revenues from sales of products and services in the Gas Sector decreased, overall, from €41,420 thousand in the third quarter of 2015 to €38,456 thousand in the third quarter of 2016, a drop of 7.2%.
In the Gas Sector, revenues from sales of Car Systems decreased by 13.8% and those linked to Distribution Systems rose from €4,022 thousand to €6,201 thousand, recording a significant increase of 54.2% thanks to the good performance of sales in Europe where there has been a recovery of supplies to Russia.

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

Third quarter 2016 compared to third quarter 2015

(Thousands of Euro)

Geographical distribution of revenues	Q3 2016	% of revenues	Q3 2015	% of revenues	Change	%
Italy	8,004	18.9%	8,688	18.3%	-684	-7.9%
Europe (excluding Italy)	19,146	45.1%	18,089	38.1%	1,057	5.8%
America	8,188	19.3%	11,777	24.8%	-3,589	-30.5%
Asia and Rest of World	7,107	16.7%	8,932	18.8%	-1,825	-20.4%
Total	**42,445**	**100%**	**47,486**	**100%**	**-5,041**	**-10.6%**

Nine months 2016 compared to nine months 2015

(Thousands of Euro)

Geographical distribution of revenues	As at 30/09/2016	% of revenues	As at 30/09/2015	% of revenues	Change	%
Italy	27,394	20.8%	28,601	19.6%	-1,207	-4.2%
Europe (excluding Italy)	59,895	45.5%	62,485	42.9%	-2,590	-4.1%
America	22,482	17.1%	29,163	20.0%	-6,681	-22.9%
Asia and Rest of World	21,964	16.6%	25,362	17.4%	-3,398	-13.4%
Total	**131,735**	**100%**	**145,611**	**100%**	**-13,876**	**-9.5%**

Regarding the geographical distribution of revenues, during the first nine months of 2016, the Group achieved 79.2% (80.4% at 30 September 2015) of its consolidated revenues abroad (45.5% in Europe and 33.7% outside Europe), and in detail:

- Italy

Sales on the Italian market, equal to €27,394 thousand in the first nine months of 2016 (-€1,207 thousand less than the same period for the previous year), falling by 4.2%, essentially reflect the negative trend in demand on the national market, which:

- for the Aftermarket segment, according to Ecogas data, saw a 6.7% reduction in conversions for the period, compared with the previous year. The Group's domestic market share on the Aftermarket channel at the end of the period increased slightly, and is close to 34%;
- for OEM bi-fuel new car registrations on 30 September 2016, the sales mix of new vehicles equipped with LPG and CNG systems registered a 22.9% decrease compared with the same period of 2015, according to data published by ANFIA (the Italian National Association for the Automotive Industry), totalling 8% of total registrations.

- Europe

Although, overall, European revenues fell by 4.1% over the first nine months of 2016 compared to the same period in 2015, they recovered well in the third quarter (+5.8% compared to the same quarter of 2015). This was mainly driven by the positive trend in the sales of distribution systems in Spain, France, and Russia.

- America

The sales in the first nine months for this area, equal to €22,482 thousand, represented a decrease of 22.9%. This was mainly attributable to the continued downward trend of the markets in Bolivia, Argentina and Colombia, which was only partially offset by the growth seen in Brazil, and the slowdown in the quarterly revenues in North America.

- Asia and Rest of World

The Asia and Rest of World markets saw a decrease of 13.4% compared to the first nine months of 2015. This was essentially due to the lower sales levels for Distribution Systems. In the Car Systems segment, there was a positive trend in revenues on the Indian, Kazakh, Algerian and Iranian markets.

Gross Operating Profit

The Adjusted Gross Operating Profit (Adjusted EBITDA) for the first nine months of 2016 was positive by €2,602 thousand, equal to 2% of revenues – an increase of €688 thousand (+35.9%) compared to the figure for September 2015 (€1,914 thousand).

The increase in the adjusted gross operating profit, despite the reduction of €13,876 thousand in revenues, was mainly due to the positive impact of actions to limit operating costs, which were taken by the Group last year.

Gross Operating Profit (EBITDA) was negative by €848 thousand, including €3,450 thousand of non-recurring costs (expense incurred by the Group in relation to commercial agreements with OEM manufacturers), against a positive EBITDA of €1,914 thousand as at 30 September 2015.

The Gross Operating Profit of the third quarter of 2016 totalled €706 thousand (1.7% of revenues), a reduction of €1,048 thousand compared to the value for the third quarter of 2015, as a result of the lower final sales in the period (-€5.04 million).

Costs of raw materials, consumables and goods and changes in inventories decreased overall from €70,666 thousand as at 30 September 2015 to €63,459 thousand as at 30 September 2016, which in absolute terms is a decrease of €7,207 thousand, mainly related to the decrease in sales volumes.

In the third quarter of 2016, the costs of services and use of third-party assets amounted to €11,312 thousand and included non-recurring costs of €1,100 thousand related to an agreement with a car manufacturer. The sum of €1,100 thousand has already been incorporated into the income statement for the half yearly condensed consolidated accounts closed on 30 June 2016. In the third quarter of 2016 that amount was reclassified from "Provisions for risks and charges" to "Other liabilities" because, following the formalisation of the agreement during the third quarter of 2016, there is certainty as to the existence, due date and amount of the liability. Therefore, the sum of €1,100 thousand was also reclassified from the income statement item "Provisions, provision for bad debts and other operating costs" to "Costs of services and use of third-party assets":

(Thousands of Euro)

NON-RECURRING COSTS	30/06/2016	Reclassification	30/09/2016
Costs for services and use of third party assets	-1,050	-1,100	-2,150
Provisions, provision for bad debts and other operating expenses	-2,400	1,100	- 1.300
Total	**-3,450**		**- 3,450**

With reference to the first nine months, personnel cost was €27,456 thousand. This figure is €3,776 thousand lower than the same period for the previous year (€31,232 thousand). The total workforce employed in Group operations has also reduced in size, and now counts 790 units (889 on 30 September 2015). The reduction in the cost of labour can be attributed both to a job-security agreement, and to the result of the mobility and redundancy incentive plan launched in November 2015. This was completed during the first half year, and the accounting impact has already been reflected in the 2015 financial statements.

Net Operating Profit

The Net Operating Profit for the period was negative, in the amount of €12,985 thousand (- €9,595 thousand as at 30 September 2015), after accounting for the amortisation and impairment losses of €12,137 thousand (€11,509 thousand as at 30 September 2015), as well as non-recurring costs of €3,450 thousand.

Profit before Tax

The quarter ended with a pre-tax loss of €4,886 thousand, against a pre-tax loss of €4,517 thousand in the third quarter of 2015. Over the nine months, the pre-tax result was negative by €16,493 thousand, against a loss of €13,453 thousand in the first nine months of 2015.

In Q3 2016, net financial charges were €1,221 thousand, remaining essentially stable compared to the same quarter of 2015 (€1,246 thousand). Overall, in the nine months of 2016, the net financial charges were €3,833 thousand, an increase on the same period for 2015, due to the financial charges on the “LANDI RENZO 6,10% 2015-2020” bond loan issued in May 2015.

The net exchange gains for the nine months of 2016 amount to €400 thousand, whereas the loss from equity investments valued using the net equity method is €75 thousand. This includes the Group's share of the Joint Venture Krishna Landi Renzo India Private Ltd Held.

Net profit (loss) of the Group

The net result of the Group and minority interests in the third quarter of 2016 showed a loss of €5,061 thousand compared with a Group and minority interest profit of €4,063 thousand for the same period in 2015.

The net result for the period as at 30 September 2016 was negative for €17,827 thousand, compared with a negative result of €11,296 thousand in the same period of 2015.

With reference to the recoverability of the deferred tax assets already allocated by the Group as of 31 December 2015, for the years preceding the fiscal consolidation and for various foreign subsidiaries, there had been an adjustment of the deferred tax assets on 30 June 2016, fully reversing the residual amount of €1,779 thousand.

Invested capital

(Thousands of Euro)

Balance Sheet and Financial Position	30/09/2016	31/12/2015	30/09/2015
Trade receivables	37,911	33,764	35,610
Inventories	59,283	57,528	61,416
Work in progress on orders	2,979	2,904	3,744
Trade payables	-48,400	-58,351	-47,409
Other net current assets	2,510	2,472	4,115
Net operating capital	**54,283**	**38,317**	**57,476**
Tangible assets	31,788	35,364	34,917
Intangible assets	58,887	61,194	70,850
Other non-current assets	13,383	14,462	21,025
Fixed capital	**104,058**	**111,020**	**126,792**
TFR (severance pay) and other provisions	-18,189	-18,063	-15,459
Net invested capital	**140,152**	**131,274**	**168,809**
Financed by:			
Net Financial Position	87,065	59,459	72,100
Group shareholders' equity	52,930	71,390	96,134
Minority interests equity	157	425	575
Borrowings	**140,152**	**131,274**	**168,809**

Ratios	30/09/2016	31/12/2015	30/09/2015
Net operating capital	54,283	38,317	57,476
Net operating capital/Turnover *(rolling)*	28.3%	18.6%	28.1%
Net invested capital	140,152	131,274	168,809
Net invested capital/Turnover *(rolling)*	73.1%	63.9%	82.4%

Net operating capital at the end of the period amounted to €54,283 thousand, an increase of €15,966 thousand compared to 31 December 2015, while the percentage indicator, calculated on rolling turnover, was 28.3% (28.1% as at 30 September 2015).

Trade receivables totalled €37,911 thousand, an increase of €4,147 thousand compared to the figure as at 31 December 2015, mainly as a result of the reduced use of factoring operations with maturity credit for which there was derecognition of the relative receivables, totalling €28.5 million compared to €35.5 million in December 2015.

There was a reduction of €9,951 thousand in trade payables, which fell from €58,351 thousand as at 31 December 2015 to €48,400 thousand, while the closing inventories and work in progress on orders, totalling €62,262 thousand increased by €1,830 thousand.

Net invested capital (€140,152 thousand) increased by €8,878 thousand compared to December 2015, mainly as a result of the trend in net operating capital, while the percentage indicator calculated on the rolling turnover increased from 63.9% to 73.1%.

Net Financial Position and cash flows

(thousands of Euro)

	30/09/2016	31/12/2015	30/09/2015
Cash and cash equivalents	12,616	38,264	29,517
Bank payables and short-term loans	-45,119	-50,797	-32,266
Bonds issued (net value)	-6,195	-33,098	
Short-term loans	-425	-425	-268
Net short term indebtedness	**-39,123**	**-46,056**	**-3,017**
Bonds issued (net value)	-22,837		-33,046
Medium-Long term loans	-25,105	-13,403	-36,037
Net medium-long term indebtedness	**-47,942**	**-13,403**	**-69,083**
Net financial position	**-87,065**	**-59,459**	**-72,100**

The net financial position was negative by €87,065 thousand compared to the negative net financial position as at 31 December 2015 of -€59,459 thousand (equal to -€72,100 thousand as at 30 September 2015).

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

(thousands of Euro)

	30/09/2016	30/09/2015
Operating cash flow	-20,676	-14,045
Cash flow for investment activities	-6,487	-10,325
Free Cash Flow	***-27,163***	***-24,370***
Cash flow generated (absorbed) by financing activities	1,965	22,551
Overall cash flow	**-25,198**	**-1,819**

The net cash flow from operations at the end of September, as shown in the statement of cash flows, was - €20,676 thousand; the investments absorbed cash flow of €6,487 thousand while the cash flow generated by financial activities was positive, in the amount of €1,965 thousand.

During the first nine months of the year, instalments on outstanding loans were repaid as to €15,102 thousand, together with the first six monthly repayment of the bond loan of €2 million. The available liquidity at the end of the period was €12,616 thousand.

The slowdown in the cash flow from ordinary operations have led the directors to launch a project designed to optimise the financial structure of the parent company and of the Group companies.

During the quarter, a leading financial advisor was commissioned to finalise this project, and discussion groups with the main financial counterparties have already been organised.

Investments

Investments in property, plant, machinery and other equipment totalled €3,329 thousand (€6,326 thousand as at 30 September 2015) and mainly refers to the completion of some of the plant and equipment at the new Technical Centre, as well as purchases of plant and machinery, new production moulds and testing/control equipment.

The increase in intangible assets amounted to €3,315 thousand (€4,200 thousand as at 30 September 2015) and mainly related to the capitalisation of costs of development projects, which meet the requirements of IAS 38 for recognition as balance sheet assets.

2.1.2. Results of Parent company

As at 30 September 2016, Landi Renzo S.p.A. had generated revenues of €50,973 thousand compared to €61,278 thousand as at 30 September 2015, a reduction of 16.8%.
The net financial position as at 30 September 2016 was negative, in the amount of €73,550 thousand, compared to a negative net financial position of €70,922 thousand as at 30 September 2015.

2.1.3. 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:

- service contracts between Gireimm S.r.l. and Landi Renzo S.p.A., Emmegas S.r.l. and Safe S.p.A. for lease payments on the buildings used as operational headquarters by the Parent Company and by the subsidiary companies;
- the service contracts 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 headquarters of the subsidiary;
- the service contracts between Reggio Properties LLC, a company in which a stake is held through the parent company Girefin S.p.A., and Landi Renzo USA Corporation for the rents on properties used by the company;
- contracts for the supply of goods to the Pakistani company AutoFuels (held by a minority shareholder of the Pakistani subsidiary LR PAK), to the joint venture Krishna Landi Renzo India Private Ltd Held, and to the joint venture EFI Avtosanoat-Landi Renzo LLC.

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

After the end of the quarter and up to the present date we point out that:

- there were 123,407 LPG/CNG bi-fuel car registrations in Italy between January and October (ANFIA data), with a share of 7.9% of the total, compared to 159,321 units for the same period of 2015 (12%). The change in absolute terms was recorded both on CNG and LPG bi-fuel car registrations.
- in line with previous decisions, the Board of Directors appointed Mediobanca – Banca di Credito Finanziario S.p.A. as financial advisor to the Group in the context of its financial structure optimisation project, with the responsibility for carrying out preliminary meetings with key financial institutions in order to evaluate possible measures designed to redefine the Group's overall financial position. This activity stream is a component of the project which the Company launched a while ago with the goal of achieving a more balanced financial structure which is consistent with the business plan;
- furthermore the meeting of the Board of Directors which took place on 10 November 2016 unanimously resolved to appoint Cristiano Musi as General Manager of the Company from 12 December 2016. Subject to the necessary resolutions, he will also have the role of Chief Executive Officer. Mr. Musi has a wealth of experience in a number of sectors related to the automotive industry, and he has acquired significant managerial skills over the course of his career in top management positions in a wide range of business areas.

Outlook

With regard to the business outlook, taking into account the performance of the first nine months of 2016 and the uncertainties in the core market, the outlook already communicated at the time of the approval of the half yearly financial report as at 30 June 2016 is confirmed, with predicted year turnover of between €180 million and €190 million and EBITDA for the year normalised by non-recurring charges of between €4 million and €6 million.

Cavriago, 10 November 2016

Chairman and Chief Executive Officer
Stefano Landi

3. INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2016

3.1. GENERAL CRITERIA FOR PREPARATION AND CONSOLIDATION PRINCIPLES

3.1.1. Preamble

The Interim Management Report as at 30 September 2016, which has not been audited, has been prepared in compliance with art. 154-ter of Italian Legislative Decree no. 58 of 24 February 1998, as amended, and with the *Regolamento Emittenti* (Issuers' Regulations) issued by CONSOB (Italian Securities and Exchange Commission) . Therefore, the provisions of the IAS on infra-annual financial information (IAS 34 – Interim Financial Reporting) were not adopted.

The Interim Management Report as at 30 September 2016 has been prepared in accordance with the IAS/IFRS. To this end, the data of the separate financial statements of the Italian and foreign subsidiaries have been reclassified and adjusted accordingly.

The line-by-line method is used for consolidation, which consists of stating all the items of assets and liabilities in their entirety, excluding the company joint venture Krishna Landi Renzo India Private LTD Held, which is consolidated using the equity method.
The accounting standards, and the valuation and consolidation criteria used in preparing the Interim Management Report as at 30 September 2016 are not different to those used in drawing up the consolidated financial statements closed at 31 December 2015, to which please refer for further information.

As well as the interim values as at 30 September 2016 and 2015, the financial data for the year ended on 31 December 2015 is shown for the purpose of comparison.

The functional and reporting currency is the Euro. The figures in the schedules and tables are in thousands of Euros.

3.1.2. Amendments and revised accounting standards applied by the Group for the first time

The accounting standards, amendments and interpretations of the IASB and approved by the European Union, which are required to be included in the financial statements for the years starting on 1 January 2016, are listed below:

- Amendments to IAS 19 – Defined benefit plans: employee contributions
- Annual improvements to the IFRS (2010-2012)
- Amendments to IAS 1: Disclosure initiative
- Annual improvements to IFRS (2012-2014)
- Amendments to IAS 16 and IAS 38: Clarification on Acceptable Methods of Depreciation and Amortisation
- Amendments to IFRS 11: accounting for acquisitions of interests in joint control operations

The newly applied standards and the updates to the existing standards have no significant effects on the condensed consolidated accounts closing on 30 September 2016.

3.1.3. Consolidation procedures and accounting criteria

The preparation of the Interim Management Report requires the directors to apply accounting standards and methods that are sometimes based on difficult and subjective assessments and estimates 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 Statement of Changes in Equity and the Consolidated Statement of Cash Flow, and in disclosures provided. Estimates are used in recognizing goodwill, impairment of fixed assets, development expenditure, taxes, provisions for bad debts and inventories write-down, employee benefits and other provisions. The estimates and assumptions are reviewed periodically and the effects of all changes are normally reflected immediately on the income statement.

However, some valuation processes, especially the more complex ones such as establishing any loss in value of non-current assets, are normally carried out to a fuller extent only during the 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 on the OEM channel which may involve planned and differing delivery schedules in the individual quarters.

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

3.1.4. 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.

There has been no change in the consolidation area as at 30 September 2016 compared to 31 December 2015. The percentage shareholding in Emmegas S.r.l. has increased from 70% to 100%, following the subscription by the parent company Landi Renzo S.p.A. of the entire share capital which has already been fully cancelled out due to losses. There was also a reduction in the percentage shareholding in Officine Lovato Private Limited by Lovato Gas S.p.A. (100% to 74%) following the sale of part of the share capital to a historic Indian partner company.

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. decided to adopt the opt-out system envisaged by arts. 70, par. 8, and 71, par. 1-bis, of CONSOB Regulation no. 11971/99 (as amended). It is therefore able to opt out from the disclosure of the information documents listed in Annex 3B to said CONSOB Regulation, on occasion of significant mergers, demergers, increases in capital through contribution of goods in kind, acquisitions and disposals.

3.2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Thousands of Euro)

ASSETS	30/09/2016	31/12/2015	30/09/2015
Non-current assets			
Land, property, plant, machinery and equipment	31,788	35,364	34,917
Development expenditure	7,871	8,404	7,524
Goodwill	30,094	30,094	39,942
Other intangible assets with finite useful lives	20,922	22,696	23,384
Equity investments valued using the equity method	34	109	186
Other non-current financial assets	720	574	792
Deferred tax assets	12,629	13,779	20,047
Total non-current assets	**104,058**	**111,020**	**126,792**
Current assets			
Trade receivables from customers	35,522	31,340	33,202
Trade receivables from customers- related parties	2,389	2,424	2,408
Inventories	59,283	57,528	61,416
Work in progress on orders	2,979	2,904	3,744
Other receivables and current assets	12,708	16,347	15,609
Cash and cash equivalents	12,616	38,264	29,517
Total current assets	**125,497**	**148,807**	**145,896**
TOTAL ASSETS	**229,555**	**259,827**	**272,688**

(Thousands of Euro)

EQUITY AND LIABILITIES	30/09/2016	31/12/2015	30/09/2015
Equity			
Share capital	11,250	11,250	11,250
Other reserves	59,214	95,428	96,035
Profit (loss) for the period	-17,534	-35,288	-11,151
Total Equity attributable to the Group	**52,930**	**71,390**	**96,134**
Minority interests	157	425	575
TOTAL EQUITY	**53,087**	**71,815**	**96,709**
Non-current liabilities			
Non-current bank loans	21,579	11,935	34,990
Other non-current financial liabilities	26,363	1,468	34,093
Provisions for risks and charges	8,565	8,059	3,902
Defined benefit plans for employees	3,313	3,313	3,385
Deferred tax liabilities	6,311	6,691	8,172
Total non-current liabilities	**66,131**	**31,466**	**84,542**
Current liabilities			
Bank overdrafts and short-term loans	45,119	50,797	32,266
Other current financial liabilities	6,620	33,523	268
Trade payables to suppliers	44,695	56,260	45,500
Trade payables to suppliers – related parties	3,705	2,091	1,909
Tax liabilities	1,737	4,990	1,603
Other current liabilities	8,461	8,885	9,891
Total current liabilities	**110,337**	**156,546**	**91,437**
TOTAL EQUITY AND LIABILITIES	**229,555**	**259,827**	**272,688**

3.3. CONSOLIDATED INCOME STATEMENT

(Thousands of Euro)

CONSOLIDATED INCOME STATEMENT	30/09/2016	30/09/2015	Q3 2016	Q3 2015
Revenues from sales and services	131,539	145,453	42,320	47,463
Revenues from sales and services – related parties	196	158	125	23
Other revenue and income	792	1,443	233	579
Cost of raw materials, consumables and goods and change in inventories	-63,459	-70,666	-21,219	-23,965
Costs for services and use of third party assets	-35,905	-39,185	-10,519	-12,087
of which non-recurring	*-2,150*			
Costs for services and use of third-party assets – related parties	-2,407	-2,339	-793	-778
Personnel cost	-27,456	-31,232	-8,490	-9,026
Provisions, provision for bad debts and other operating expenses	-4,148	-1,718	-951	-455
of which non-recurring	*-1,300*			
Gross Operating Profit	**-848**	**1,914**	**706**	**1,754**
Amortization, depreciation and impairment	-12,137	-11,509	-4,100	-3,793
Net Operating Profit	**-12,985**	**-9,595**	**-3,394**	**-2,039**
Financial income	81	314	16	90
Financial charges	-3,914	-3,437	-1,237	-1,336
Exchange gains (losses)	400	-525	-260	-1,122
Gain (loss) on equity investments valued using the equity method	-75	-210	-11	-110
Profit (Loss) before tax	**-16,493**	**-13,453**	**-4,886**	**-4,517**
Current and deferred taxes	-1,334	2,157	-175	454
Net profit (loss) for the Group and minority interests, including:	**-17,827**	**-11,296**	**-5,061**	**-4,063**
Minority interests	-293	-145	-68	-81
Net profit (loss) for the Group	-17,534	-11,151	-4,993	-3,982
Basic earnings (loss) per share (calculated on 112,500,000 shares)	-0.1559	-0.0991	-0.0444	-0.0354
Diluted earnings (loss) per share	-0.1559	-0.0991	-0.0444	-0.0354

3.4. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Thousands of Euro)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	30/09/2016	30/09/2015
Net profit (loss) for the Group and minority interests:	**-17,827**	**-11,296**
Gains/losses that will not be subsequently reclassified in the income statement		
Restatement of defined employee benefit plans (IAS 19)	-308	333
Total gains/losses that will not be subsequently reclassified on the income statement	**-308**	**333**
Profits/losses that could subsequently be reclassified on the income statement		
Exchange rate differences from conversion of foreign operations	-459	-484
Total profits/losses that could subsequently be reclassified on the income statement	**-459**	**-484**
Profits/Losses recorded directly to Equity net of tax effects	**-767**	**-151**
Total consolidated income statement for the period	**-18,594**	**-11,447**
Profit (loss) for Shareholders of the Parent Company	-18,278	-11,334
Minority interests	-316	-113

3.5. CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS	30/09/2016	30/09/2015
Financial flows from operations		
Profit (loss) for the period	-17,827	-11,296
Adjustments for:		
Depreciation of property, plant and equipment	6,395	6,480
Amortization of intangible assets	5,542	5,029
Impairment loss on intangibles	200	
Impairment loss on receivables	1,064	329
Net financial charges	3,433	3,648
Income tax for the year	1,334	-2,157
	141	**2,033**
Changes in:		
Work in progress on orders	-1,830	699
trade receivables and other receivables	-568	-3,779
trade payables and other payables	-14,996	-8,722
provisions and employee benefits	199	-1,253
Cash generated from operations	**-17,054**	**-11,022**
Interest paid	-3,078	-2,292
Interest received	43	238
Income taxes paid	-587	-969
Net cash generated (absorbed) by operations	**-20,676**	**-14,045**
Financial flows from investments		
Proceeds from the sale of property, plant and equipment	82	207
Equity investments valued using the equity method	75	-6
Purchase of property, plant and equipment	-3,329	-6,326
Purchase of intangible assets	-265	-664
Development expenditure	-3,050	-3,536
Net cash absorbed by investment activities	**-6,487**	**-10,325**
Financial flows from financing activities		
Net receipts from bond issue		33,046
Bond repayments	-2,040	
Net borrowings and repayments	4,005	-10,495
Net cash generated (absorbed) by financing activities	**1,965**	**22,551**
Net increase (decrease) in cash and cash equivalents	**-25,198**	**-1,819**
Cash and cash equivalents as at 1 January	38,264	31,820
Effect of exchange rate fluctuation on cash and cash equivalents	-450	-484
Closing cash and cash equivalents	**12,616**	**29,517**

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

Other information	30/09/2016	30/09/2015
(Increase)/Decrease in trade receivables and other receivables from related parties	35	-422
(Increase)/Decrease in trade payables and other payables to related parties	1,614	605

3.6. STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(Thousands of Euro)

	Share capital	Legal 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 as at 31 December 2014	**11,250**	**2,250**	**49,170**	**46,598**	**-1,783**	**107,485**	**39**	**552**	**108,076**
Result for the year					-11,151	**-11,151**	-145		**-11,296**
Actuarial profits/losses (IAS 19)			322			**322**		11	**333**
Translation difference			-505			**-505**		21	**-484**
Total comprehensive profits/losses			**-183**		**-11,151**	**-11,334**	**-145**	**32**	**-11,447**
Other changes			-17			**-17**		97	**80**
Allocation of profit			-1,783		1,783	**0**	-39	39	**0**
Total effects deriving from transactions with shareholders			**-1,800**		**1,783**	**-17**	**-39**	**136**	**80**
Balance as at 30 September 2015	**11,250**	**2,250**	**47,187**	**46,598**	**-11,151**	**96,134**	**-145**	**720**	**96,709**
Balance as at 31 December 2015	**11,250**	**2,250**	**46,580**	**46,598**	**-35,288**	**71,390**	**-299**	**724**	**71,815**
Result for the year					-17,534	**-17,534**	-293		**-17,827**
Actuarial profits/losses (IAS 19)			-308			**-308**			**-308**
Translation difference			-436			**-436**		-23	**-459**
Total comprehensive profits/losses			**-744**		**-17,534**	**-18,278**	**-293**	**-23**	**-18,594**
Other changes			-182			**-182**		48	**-134**
Allocation of profit			-35,288		35,288	**0**	299	-299	**0**
Total effects deriving from transactions with shareholders			**-35,470**		**35,288**	**-182**	**299**	**-251**	**-134**
Balance as at 30 September 2016	**11,250**	**2,250**	**10,366**	**46,598**	**-17,534**	**52,930**	**-293**	**450**	**53,087**

STATEMENT PURSUANT TO ARTICLE 154-bis, PAR. 2, OF ITALIAN LEGISLATIVE DECREE NO. 58 DATED 24 FEBRUARY 1998

Subject: Interim Management Report as at 30 September 2016

I, the undersigned, Paolo Cilloni, the Financial Reporting Manager of Landi Renzo S.p.A.,

declare

in accordance with Article 154-bis, par. 2 of the *Testo Unico della Finanza* (Finance Consolidation Act - Italian Legislative Decree 58/1998), that the accounting information contained in the Interim Management Report as at 30 September 2016 corresponds to the accounting documents, ledgers and records.

Cavriago, 10 November 2016

Financial Reporting
Manager
Paolo Cilloni