

LANDI RENZO SPA

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING

Year closed at 31/12/2016

(153 of Legislative Decree 58/1998 – art. 2429 co.3 c.c.)

Dear Shareholders,

We hereby provide you with a report on the activities carried out by the Board of Statutory Auditors of Landi Renzo Spa (hereinafter “Landi Renzo” or the “Company”) during the year closed at 31 December 2016.

The Company's shares are listed on the telematic stock market of Borsa Italiana - STAR segment. Auditing of the accounts is entrusted to the company PricewaterhouseCoopers S.p.A. (following “PWC”) appointed on 29 April 2016 in replacement of the previous auditor KPMG S.p.A. (following “KPMG”) for expiry the nine-year mandate..

Activity carried out

- a) We carried out the supervisory activities provided for by art. 149 of Legislative Decree 58/1998 (hereinafter the “TUF” - the Italian Consolidated Law on Finance) and by other applicable legal and regulatory provisions, while also taking account of the principles of conduct recommended by the National Council of Professional and Chartered Accountants.
- b) We attended all meetings of the Board of Directors, during which we were informed, as frequently as required by law and by the articles of association, of the activity carried out by the Directors and also regarding the most significant operations carried out by the Company and its subsidiaries. On such occasions we made sure that the resolutions adopted and the operations actually carried out were compliant with the law and the articles of association, as well as with the principles of correct administration.
- c) We monitored the appropriateness of the organizational and administrative-accounting structure as well as the internal control system, through meetings with the persons in charge of the various company functions. We operated a constant flow of information with the managers of the Auditing Firm and with the members of the Board of Auditors of Italian subsidiaries, with meetings and informal contacts.

- d) We attended the meetings of the Internal Control and Risks Committee and the Remuneration Committee set up by the Company pursuant to the Corporate Governance Code for companies listed on Borsa Italiana (hereinafter the “Corporate Governance Code”). We also had contacts with the members of the Supervisory Body set up pursuant to Legislative Decree 231/2001.
- e) We made sure that the corporate governance rules specified by the Corporate Governance Code, with which the company is obliged to comply since it is listed in the STAR segment, were effectively enforced.
- f) We monitored the suitability of the instructions given to the subsidiary companies pursuant to art. 114, paragraph 2, of the TUF.
- g) In our role as Internal Control and Auditing Committee (art. 19 of Legislative Decree 39/2010), through participation in the meetings of the Control and Risks Committee, and through meetings with the Auditing Firm, with the Officer in charge of preparing the financial statements and with the holders of the various company offices, we constantly monitored the financial reporting process, the effectiveness of the internal control, internal auditing and risk management systems, the external auditing of annual and consolidated accounts, as well as the independence of the external auditing firm.

Indications and information

On the basis of the activity described in the previous paragraph, we can declare the following.

- 1) The most important economic, financial and capital operations carried out by the Company, illustrated exhaustively in the Annual Report, are in fact compliant with the law, the company articles of association and the resolutions adopted by the shareholders' meeting. They are not imprudent, risky or such that they could compromise the integrity of the corporate assets.
- 2) The Board of Statutory Auditors has not found any atypical or unusual transactions performed with third parties, with companies of the Group or with related parties. Ordinary intercompany transactions and those with related parties are adequately described in the Explanatory Notes to the Consolidated Financial Statements and in the Notes to the Separate Financial Statements, to which you are referred.

- 3) On 31 March 2017, the auditing firm PWC Spa issued the reports on the consolidated financial statements and the separate financial statements, without any important declarations or significant information.
- 4) During 2016 and during the appointment, KPMG issued the certification for the tax returns and assisted the Company for the preparation of the Sustainability Statement at 31 December 2015; furthermore KPMG executed tax consultations for Euro 1.940,32.
- 5) From the date of his appointment, Landi Renzo conferred appointments to subjects belonging to the network of PWC for BOPC system, with a total fee of Euro 5.520.
- 6) During 2016, we released the following opinions required by art. 2389, paragraph 3, of the Italian Civil Code and expressed himself for what required by the Corporate Governance Code.
- 7) The Board of Directors met 10 times during 2016.
- 8) Also during 2016, the Board of Statutory Auditors met 13 times, attended all the meetings of the Board of Directors, all the meetings of the Control and Risks Committee, of the Remuneration Committee.
- 9) In the contacts and exchanges of information with representatives of the Auditing Firm and with members of the monitoring bodies of the Italian subsidiaries, no important aspects emerged that would require communication to the shareholders.
- 10) Likewise, no important aspects arose through contacts with the Supervisory Body regarding the performance of the various monitoring activities. The Half-yearly Reports prepared by the Supervisory Body do not mention any censurable acts or any violations of the Organizational Model pursuant to Legislative Decree 231/2001. The Model is constantly updated to take account of regulatory changes.
- 11) Our control and supervisory activity revealed compliance with the principles of correct administration.
- 12) We consider that the organizational structure of the company is adequate for its size and for the activity carried out. The company maintained the efficiency of its internal control system, also on the basis of recommendations from the Control and Risks Committee and the Supervisory Body. We consider that the aforesaid internal control system of Landi Renzo is appropriate for the size and activity of the Company.

- 13) We consider that the administrative-accounting system of Landi Renzo is adequate and reliable in order to represent operational facts accurately.
- 14) Pursuant to art. 19 of Legislative Decree 39/2010, the Board of Statutory Auditors, in its role as Internal Control and Auditing Committee, confirmed that there were no significant deficiencies in the internal control system regarding the financial reporting process. In particular, the Board, on the basis of the activity carried out during the last year and the information gathered by the Auditing Firm, considers the procedure and activity of statutory auditing of the separate and consolidated financial statements to be adequate. The statutory auditors also recognize that the financial reporting process was carried out correctly, since the interim reports required by law were prepared and made public within the correct time frames and the procedures adopted in preparing them were appropriate. Today, the auditing firm issued the report pursuant to art. 19, paragraph 4, of the aforesaid Legislative Decree 39/2010.

During 2016, pursuant to said law, the Board of Statutory Auditors also verified the existence of the requirements for independence of the Auditing Firm, expired and new appointment and the absence of any reasons for incompatibility; PWC, in turn, sent to the Board the notice required by art. 17, paragraph 9, of the aforesaid Legislative Decree 39/2010.
- 15) The Company duly satisfied the requirements of art. 36 of CONSOB Regulation 16191/2007 concerning accounting documentation relating to non-EU subsidiaries included in the consolidated financial statements that are particularly important.
- 16) The Company has appropriate procedures in place, which the Board considers adequate, for collecting information from subsidiaries that must be communicated to the public pursuant to art. 114 of the TUF.
- 17) As regards the Corporate Governance Code, the Company has complied with the rules on the number of independent directors, and has set up the Control and Risks Committee, the Remuneration Committee and the Related Parties Committee.
- 18) During 2016, the Control and Risks Committee met 11 times. the Remuneration Committee met 3 times and the Related Parties Committee met 1 time.

19) During 2016, the Board examined the procedures adopted by the Board of Directors in order to verify the ongoing existence of the necessary requirements for the two independent Board Members of new appointment, and considers them to be correct.

We also verified, during 2016, the existence and permanence of the same requirements regarding the members of the Board of Statutory Auditors Members of new appointment.

20) The supervisory activities did not discover any facts that require a mention in our Report to the Shareholders' Meeting.

21) Throughout 2016 all the Board members respect, and continue to respect, the guidelines on accumulation of assignments contained in art. 148-bis, paragraph 2, of the TUF, and in arts. 144-duodecies et seq. of the Consob Issuers' Regulations, also taking the requirements of Consob resolution no. 18079/2012 into account.

22) Having taken account of the conclusions of the Auditing Firm's report, the Board of Statutory Auditors has no objections or observations to be formulated regarding the draft separate financial statements at 31 December 2016, prepared by the Board of Directors within the terms established by law. About the requirement of a going concern, the Board of Directors acknowledges the finalization of the agreements with the banks and the Bondholders as well as the majority shareholder payment for future capital increase.

23) We agree with the contents of the Annual Report on Performance, which satisfies the requirements of art. 2428 of the Italian Civil Code and corresponds with the data contained in the financial statements and we also agree with the proposed allocation of the results for the year.

24) The Company has prepared the Report on Corporate Governance and ownership situations containing the information required by art. 123-bis of the TUF. The auditing firm has expressed a judgement of consistency on the above-mentioned report as required by paragraph 4 of the aforesaid art. 123-bis.

The Company also prepared the Report on remuneration required by art. 123-ter of the TUF and by the Corporate Governance Code, which also includes information on the general remuneration policy.

Consolidated financial statements

Landi Renzo prepared the consolidated financial statements for 2016 prepared according to international IFRS accounting standards adopted by the European Union, are submitted to the auditing of PWC, which, in the aforementioned report, issued an opinion without any significant facts or required communication.

We therefore refer to the conclusions of the aforementioned report, in compliance with the provisions of art. 41 of Legislative Decree 127/91, since the Board did not perform any specific checks on the consolidated financial statements.

Cavriago, 31 March 2017

Board of Statutory Auditors

Eleonora Briolini

Massimo Folloni

Diana Rizzo