



INTERIM MANAGEMENT REPORT
AT 31 MARCH 2017

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(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 28 April 2017, after increasing the number of members of the Board of Directors from eight to nine, the Shareholders' Meeting appointed Cristiano Musi (formerly General Manager) as director; on the same date, the Board of Directors made him Chief Executive Officer and revoked all other mandates previously assigned.

Chairman Stefano Landi continues to act as Executive Chairman of the Board.

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

Board of Directors

Executive Chairman	Stefano Landi
Honorary Chairperson - Director	Giovannina Domenichini
Chief Executive Officer	Cristiano Musi
Director	Claudio Carnevale
Director	Silvia Landi
Director	Angelo Iori
Independent 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 Transactions with Related Parties

Committee Member	Sara Fornasiero
Committee Member	Ivano Accorsi

Supervisory Body (Italian Legislative Decree 231/01)

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

Independent Auditing Firm	PricewaterhouseCoopers S.p.A.
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Financial Reporting Manager	Paolo Cilloni
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(*) The Director also holds the office of Lead Independent Director

Registered office and company details

Landi Renzo S.p.A.
Via Nobel 2/4/6
42025 Corte Tegge – Cavriago (RE) – Italy
Tel. +39 0522 9433
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Share capital: €11,250,000
Tax Code and VAT No. IT00523300358

This report is available on the Internet at:
www.landirenzogroup.com

1.3. LANDI RENZO GROUP FINANCIAL HIGHLIGHTS

(Thousands of Euro)			
ECONOMIC INDICATORS OF THE FIRST THREE MONTHS	Q1 2017	Q1 2016	Change
Revenue	46,774	41,420	5,354
Adjusted Gross Operating Profit (EBITDA) (1)	2,196	363	1,833
Gross Operating Profit (EBITDA)	1,747	363	1,384
Net Operating Profit (EBIT)	-2,260	-3,755	1,495
Earnings before Tax	-3,211	-5,214	2,003
Net profit (loss) for the Group and minority interests	-2,961	-4,316	1,355
Adjusted Gross Operating Profit (EBITDA) / Revenue	4.7%	0.9%	
Net profit (loss) for the Group and minority interests / Revenue	-6.3%	-10.4%	

(Thousands of Euro)			
FINANCIAL POSITION	31/03/2017	31/12/2016	31/03/2016
Net fixed assets and other non-current assets	95,165	96,967	103,271
Operating capital (2)	38,405	36,442	52,706
Non-current liabilities (3)	-12,570	-12,611	-10,775
NET CAPITAL EMPLOYED	121,000	120,798	145,202
Net financial position (cash) (4)	69,877	75,716	78,434
Equity	51,123	45,082	66,768
BORROWINGS	121,000	120,798	145,202

(Thousands of Euro)			
CASH FLOWS	31/03/2017	31/12/2016	31/03/2016
Operational cash flow	-1,930	-6,104	-16,637
Cash flow for investment activities	-1,556	-9,144	-2,095
FREE CASH FLOW	-3,486	-15,248	-18,732

(1) The figures do not include the recognition of extraordinary costs of €449 thousand in the first three months of 2017.

(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 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

January In January, a Group reorganization was launched to bring the Group closer to the market and increase the efficiency and effectiveness of operating activities.

February In the beginning of February, the new management team began an EBITDA improvement initiative with the support of a leading external consulting firm, focusing on a series of activities meant to reduce fixed and variable costs to align them with Automotive best practices at international level.

March On 30 March 2017, the Meeting of Bondholders for the LANDI RENZO 6.10% 2015-2020 loan unanimously approved the Board of Directors' proposal regarding amendments to the Bonded Loan Regulations. In particular, *inter alia*, the Meeting approved the postponement of the maturity of the bonded loan from 15 May 2020 to 31 December 2022. The Meeting then approved a decrease in the coupon rate in relation to interest periods beginning from the payment date falling on 30 April 2017 (inclusive) until 30 June 2019 (exclusive) from the current 6.10% to 5.5% on an annual basis of the outstanding capital; the coupon rate will be paid every six months. Following the changes mentioned above, the bonded loan was named "LANDI RENZO 6.10% 2015-2022", maintaining the same ISIN IT0005107237.

At the same time, the Group's financial structure Optimization Agreement was finalized, the guidelines of which were developed with the support of the financial advisor Mediobanca – Banca di Credito Finanziario S.p.A., after all banking institutions involved had signed it.

The agreement calls for, *inter alia*:

- (i) The movement of the maturity date of the debt of the Parent Company and its subsidiaries signatories to the agreement to 2022;
- (ii) The rescheduling of the debt of the Group, on the basis of repayment instalments of increasing amounts in line with the cash generation objectives laid out in the Business Plan;
- (iii) The review of financial covenants consistent with the performance laid out in the Business Plan;
- (iv) The maintenance of short-term lines in an amount consistent with the needs laid out in the Business Plan.

The project was also prepared in light of and consistent with the Group's Business Plan, the update of which was approved by the Board of Directors on 30 December 2016. The Business Plan was subject to an independent business review by KPMG Advisory S.p.A. in the capacity of independent third-party business advisor, and the results of that analysis and the relative documentation were considered by the Group's management in developing and finalizing the Financial Optimization Project.

In line with the above-mentioned Optimization Agreement, on 30 March 2017 the controlling shareholder made a future capital increase contribution to the Parent Company for a total of €8,866,5 thousand.

2. DIRECTORS' OBSERVATIONS ON BUSINESS PERFORMANCE

Revenue in the first quarter of 2017, up 12.9% (€5,354 thousand) compared to the same period of the previous year, was positively impacted by the good performance of sales of OEM gas systems and components in the domestic and European markets and the positive trend in sales through the After Market channel, while sales of electronic components for gas systems and gas distribution and compression systems through SAFE were down.

As regards commercial outlooks, the Automotive sector order portfolio is showing encouraging signs of a trend reversal compared to 2016, as concerns the OEM distribution channel as well as the After Market channel.

In addition, please note that the following have been under way since the start of the year: on one hand, a project for the reorganization of the Automotive business area with the aim of bringing the Group closer to the market, improving the capacity to satisfy its various requirements and reducing time to market, and on the other hand, an EBITDA improvement project with the support of a leading top consulting firm focusing on bringing efficiency levels in the Automotive business area more into line with sector best practices with a series of actions intended to reduce fixed as well as variable costs.

The initial advantages of these initiatives are expected to be visible already starting in the fourth quarter of 2017, with full benefits seen as of 2018.

2.1. PERFORMANCE AND NOTES ON THE MAIN CHANGES IN THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2017

2.1.1. Summary of the Group's results for the first quarter of 2017

Consolidated revenues for the first quarter of 2017 totalled €46,774 thousand, increasing by €5,354 thousand (+12.9%) compared with the same period of the previous year.

This increase in turnover mainly related to the good performance of sales in the OEM channel, thanks to the completion of the phase of transitioning to new Euro 6 LPG engines, and a strong sales drive promoted by the new management.

Although to a lesser extent, revenue earned in the After Market segment was up compared to the same period of the previous year.

The adjusted Gross Operating Profit (EBITDA) at the end of the quarter totalled €2,196 thousand, a net improvement compared with the same period of the previous year (€363 thousand) especially due to the higher sales revenue in the Automotive sector, the Landi Renzo Group's core business.

The Gross Operating Profit (EBITDA) was positive at €1,747 thousand. This result was affected not only by the above factors but also by extraordinary costs of €449 thousand, of which:

- €349 thousand relating to the appointment of the top consulting firm engaged to support the Chief Executive Officer and the company management in preparing and implementing an EBITDA improvement action plan;
- €100 thousand for voluntary redundancy incentives provided to employees in the first quarter of 2017.

The following table sets out the main economic indicators of the Group for the first three months of 2017 compared with the same period in 2016.

(Thousands of Euro)

	31/03/2017	Extraordinary costs	31/03/2017 ADJ	%	31/03/2016	Extraordinary costs	31/03/2016	%	ADJ changes	ADJ %
Revenues from sales and services	46,774		46,774	100.0%	41,420		41,420	100%	5,354	12.9%
Other revenues and income	250		250	0.5%	195		195	0.5%	55	28.2%
Operating costs	-45,277	-449	-44,828	-95.8%	-41,252		-41,252	99.6%	-3,576	8.7%
Gross operating profit	1,747		2,196	4.7%	363		363	0.9%	1,833	505.0%
Amortization, depreciation and impairment losses	-4,007		-4,007	-8.6%	-4,118		-4,118	-9.9%	111	-2.7%
Net Operating Profit	-2,260		-1,811	-3.9%	-3,755		-3,755	-9.1%	1,944	n/a
Financial income (charges) and exchange differences	-1,029		-1,029	-2.2%	-1,421		-1,421	-3.4%	392	-27.6%
Gain (loss) on equity investments valued using the equity method	78		78	0.2%	-38		-38	-0.1%	116	305.3%
Profit (Loss) before tax	-3,211		-2,762	-5.9%	-5,214		-5,214	12.6%	2,452	n/a
Current and deferred taxes	250				898					
Net profit (loss) for the Group and minority interests, including:	-2,961				-4,316					
Minority interests	24				-126					
Net profit (loss) for the Group	-2,985				-4,190					

Breakdown of sales by business segment

First quarter 2017 compared to first quarter 2016

(Thousands of Euro)

Distribution of revenues by area of activity	At 31/03/2017	% of revenues	At 31/03/2016	% of revenues	Changes	%
Gas Segment - Car systems	40,395	86.4%	33,946	82.0%	6,449	19.0%
Gas Segment - Distribution systems	2,536	5.4%	3,694	8.9%	-1,158	-31.3%
Total revenues - GAS sector	42,931	91.8%	37,640	90.9%	5,291	14.1%
Other (Anti-theft, Sound Systems, Robotics (1), Oil and Gas, Other)	3,843	8.2%	3,780	9.1%	63	1.7%
Total revenues	46,774	100%	41,420	100%	5,354	12.9%

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

The Group's total revenues in the first three months were €46,774 thousand, an increase of 12.9% (€5,354 thousand) compared to the same period in the previous year.

Revenues from sales of products and services in the **Gas segment** increased by 14.1% (€5,291 thousand) in the first three months from €37,640 thousand in 2016 to €42,931 thousand in 2017.

The growth in sales as of 31 March 2017 in the Gas sector – Car systems (+19%) was caused by the increase in revenues on the OEM channel (+44.2%) and, to a lesser extent, in the Aftermarket segment (+5.3%).

Revenues in the Gas Sector – Distribution Systems were €2,536 thousand, down by €1,158 thousand compared with the same period of 2016, due to lower turnover in Europe and Asia, only partially offset by positive performance in the American markets. The increase in the order portfolio subsequent to the end of the quarter as well as the receipt of consistent payments on account from customers further bolster forecasts of a good recovery in turnover as the year continues.

Revenue from sales in **Other** segments amounted to €3,843 thousand, marking growth of 1.7% compared to the first quarter of 2016.

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).

Distribution of sales by geographical area in the first quarter of 2017 is shown below.

Breakdown of sales by geographical area

First quarter 2017 compared to first quarter 2016

(Thousands of Euro)

Geographical distribution of revenues	At 31/03/2017	% of revenues	At 31/03/2016	% of revenues	Changes	%
Italy	9,587	20.5%	9,388	22.7%	199	2.1%
Europe (excluding Italy)	23,731	50.7%	18,834	45.5%	4,897	26.0%
America	6,517	13.9%	6,128	14.8%	389	6.3%
Asia and Rest of the World	6,939	14.9%	7,070	17.0%	-131	-1.9%
Total	46,774	100%	41,420	100%	5,354	12.9%

Regarding the geographical distribution of revenues, during the first three months of 2017 the Group achieved 79.5% of its consolidated revenues abroad (50.7% in Europe and 28.8% outside Europe), and in detail:

- Italy

Sales in the Italian market, totalling €9,587 thousand (up €199 thousand compared to the same period of the previous year), substantially reflect good overall domestic market demand trends during the quarter, although with different performance in the OEM and After Market segments, as described below:

- OEM bi-fuel new car registrations, for the set of new vehicles equipped with LPG and CNG systems, registered an 8% increase compared with the same period of 2016, according to data published by ANFIA (the Italian National Association for the Automotive Industry), totalling 7.9% of total registrations;
- according to data from the Ecogas consortium, the After Market sector, on the other hand, registered a 13.4% reduction in conversions compared with the previous year. The Group's domestic market share on the After Market channel at the end of the period was substantially stable and equal to roughly 32%.

- Europe

Revenue in Europe recovered significantly in the course of the quarter in question, with growth of 26% compared to the same period of 2016, driven mainly by the above-mentioned increase in OEM channel sales as a result of the completion of the phase of transitioning to new Euro 6 LPG engines.

- America

Sales in the first three months for this area, equal to €6,517 thousand, represented an increase of 6.3%. This was mainly attributable to the good trend of the markets in Brazil, Colombia and Mexico, which offset the slowdown in Argentina and the United States.

- Asia and rest of the World

The Asia and Rest of World markets saw a slight decrease of -1.9% compared to the first three months of 2016. 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 Algerian and Iranian markets.

Adjusted gross operating profit

The adjusted Gross Operating Profit (adjusted GOP or adjusted EBITDA) for the first three months of 2017 was positive at €2,196 thousand, equal to 4.7% of revenues – an increase of €1,833 thousand compared to the figure for March 2016 (€363 thousand), especially due to the higher sales volumes of the Gas Segment - Car systems, the core business of the Landi Renzo Group, which alone had an adjusted EBITDA margin of roughly €3,045 thousand, equal to 7.5%, compared to €904 thousand in 1Q 2016, while the gas segment - distribution systems had a negative impact of €855 thousand.

Gross operating profit

The Gross Operating Profit (GOP or EBITDA) was positive in the amount of €1,747 thousand, inclusive of €449 thousand in extraordinary costs referring to strategic advisory expenses as well as voluntary retirement incentives provided to employees, as shown in detail below:

(Thousands of Euro)			
EXTRAORDINARY COSTS	31/03/2017	31/03/2016	Change
Strategic consultancy	-349	-	-349
Voluntary retirement incentives	-100	-	-100
Total	-449	-	-449

Costs of raw materials, consumables and goods and changes in inventories increased overall from €19,105 thousand as at 31 March 2016 to €22,550 thousand as at 31 March 2017, which in absolute terms is an increase of €3,445 thousand, mainly related to the growth in sales volumes.

In the first quarter of 2017, the costs of services and use of third-party assets amounted to €11,479 thousand and included extraordinary costs of €349 thousand related to the strategic advisory costs mentioned above, compared to €11,312 thousand in the same period of last year.

In the first quarter, personnel costs amounted to €9,736 thousand and included extraordinary costs of €100 thousand, substantially aligned with €9,466 thousand recorded in the same period of last year.

Net Operating Profit

The Net Operating Profit (EBIT) for the period was negative, in the amount of €2,260 thousand (- €3,775 thousand as at 31 March 2016), after accounting for amortization, depreciation and impairment losses of €4,007 thousand (€4,118 thousand as at 31 March 2016), as well as extraordinary costs of €449 thousand.

Profit before Tax

The quarter ended with a pre-tax loss of €3,211 thousand, against a pre-tax loss of €5,214 thousand in the first quarter of 2016.

In Q1 2017, net financial charges were €1,029 thousand, down compared to the same quarter of 2016 (€1,421 thousand), due primarily to the reduction in interest paid on the Bonded Loan and on medium/long-term mortgages and bank commissions and due to the improvement in foreign exchange management.

In the three months of 2017, the revaluation of equity investments valued using the net equity method is €78 thousand (write-down of - €38 thousand at 31 March 2016). 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 first quarter of 2017 showed a loss of €2,961 thousand compared with a Group and minority interest loss of €4,316 thousand for the same period in 2016.

The net result for the period as at 31 March 2017 was negative for €2,985 thousand, compared with a negative result of €4,190 thousand in the same period of 2016.

Invested capital

(Thousands of Euro)			
Statement of Financial Position	31/03/2017	31/12/2016	31/03/2016
Trade receivables	34,951	37,551	35,650
Inventories	49,719	49,872	60,955
Work in progress on orders	714	1,281	2,457
Trade payables	-46,548	-53,090	-52,612
Other net current assets	-431	828	6,256
Net operating capital	38,405	36,442	52,706
Tangible assets	29,262	30,500	33,998
Intangible assets	58,067	58,873	60,575
Other non-current assets	7,836	7,594	8,698
Fixed capital	95,165	96,967	103,271
TFR and other provisions	-12,570	-12,611	-10,775
Net capital employed	121,000	120,798	145,202
Financed by:			
Net Financial Position	69,877	75,716	78,434
Group shareholders' equity	51,410	45,405	66,409
Minority interests	-287	-323	359
Borrowings	121,000	120,798	145,202
Ratios	31/03/2017	31/12/2016	31/03/2016
Net operating capital	38,405	36,442	52,706
Net operating capital/Turnover (rolling)	20.2%	19.8%	26.2%
Net capital employed	121,000	120,798	145,202
Net capital employed/Turnover (rolling)	63.8%	65.6%	72.1%

Net operating capital at the end of the period totalled €38,405 thousand, marking a reduction compared to the first quarter of 2016 of €14,301 thousand due to the activities for the improvement in working capital already started last year and which continued during the quarter; in percentage terms, on rolling turnover, there was a sharp improvement in this figure from 26.2% at 31 March 2016 to the current 20.2%.

Trade receivables totalled €34,951 thousand, a decrease of €2,600 thousand compared to the figure as at 31 December 2016, also as a result of greater recourse to factoring operations with maturity credit for which there was derecognition of the relative receivables, totalling €24.4 million compared to €22.2 million in December 2016.

There was a reduction of €6,542 thousand in trade payables, which fell from €53,090 thousand as at 31 December 2016 to €46,548 thousand, while the closing inventories and work in progress on orders, totalling €50,433 thousand, decreased by €720 thousand.

Net invested capital (€121,000 thousand) was basically unchanged compared to December 2016, while the percentage indicator calculated on the rolling turnover decreased from 65.6% to 63.8%.

Net Financial Position and cash flows

(thousands of Euro)	31/03/2017	31/12/2016	31/03/2016
Cash and cash equivalents	20,997	16,484	20,263
Bank payables and short-term loans	-25,187	-40,662	-36,725
Bonds issued (net value)		-9,614	-4,798
Short-term loans	-425	-425	-425
Net short term indebtedness	-4,615	-34,217	-21,685
Bonds issued (net value)	-31,377	-21,764	-28,382
Medium-Long term loans	-33,885	-19,735	-28,367
Net medium-long term indebtedness	-65,262	-41,499	-56,749
Net financial position	-69,877	-75,716	-78,434

The net financial position was negative by €69,877 thousand compared to the negative net financial position as at 31 December 2016 of -€75,716 thousand (equal to -€78,434 thousand as at 31 March 2016).

Please note that upon closure of the Financial Optimization Agreement, compared to 31 December 2016, €23,819 thousand was reclassified from short to medium-term, inclusive of amounts referring to the Bonded Loan as well as unsecured loans.

As a result of the above-mentioned Optimization Agreement, on 30 March 2017 the controlling shareholder made a future capital increase contribution to the Parent Company for a total of €8,867 thousand.

The following table shows the total cash flow for the first quarter of 2017 compared with the first quarter of 2016:

(thousands of Euro)	31/03/2017	31/03/2016
Operational cash flow	-1,930	-16,637
Cash flow for investment activities	-1,556	-2,095
Free Cash Flow	-3,486	-18,732
Cash flow generated (absorbed) by financing activities	7,541	975
Overall cash flow	4,055	-17,757

Net cash flow from operating activities at the end of March, as shown in the financial statements, was negative at -€1,930 thousand; investment activities absorbed cash totalling €1,556 thousand; conversely, the cash flow generated by financial activities, which also includes the future capital increase contribution made by the main shareholder, was positive at €7,541 thousand.

Investments

Investments in property, plant, machinery and other equipment totalled €801 thousand (€777 thousand as at 31 March 2016) and refers to purchases of plant and machinery, new production moulds and testing/control equipment.

The increase in intangible assets amounted to €910 thousand (€1,357 thousand as at 31 March 2016) and mainly related to the capitalization 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 31 March 2017, Landi Renzo S.p.A. had generated revenues of €24,180 thousand, a significant improvement of 48.6% compared to €16,267 thousand in the same period of the previous year.

The Gross Operating Profit was positive and totalled €894 thousand compared to a negative value of -€978 thousand at 31 March 2016, with an increase of €1,872 thousand.

In the first quarter of 2017, the Parent Company incurred extraordinary costs of €449 thousand related to the strategic advisory costs and retirement incentives mentioned above.

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:

- the relationships for supply of services between Gireimm S.r.l. and Landi Renzo S.p.A. and Safe S.p.A. for rent of the property used as the operational headquarters of the Parent Company and of the subsidiaries companies;

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

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

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

- On 28 April 2017, the Shareholders' Meeting of Landi Renzo S.p.A. resolved, amongst other things:
 - to approve the financial statements for the year 2016 and to cover the operating loss of Landi Renzo S.p.A. of €28,985,860.92 by fully utilizing the Extraordinary and IAS Transition reserves which are now cancelled out, and the Share Premium Reserve, which is reduced to €30,718,198.13;
 - to authorize the Board of Directors to purchase treasury shares;
 - to increase the number of members of the Board of Directors from eight to nine;
 - to appoint general manager Cristiano Musi to the position of director;
- furthermore the meeting of the Board of Directors which took place on 28 April 2017 unanimously resolved to appoint Cristiano Musi as Chief Executive Officer of the Company.
- On 20 April 2017, Landi Renzo S.p.A. and AVL, a leading global operator in the development of powertrains, entered into a preliminary agreement for the sale of a business unit regarding part of the Technical Centre (consisting of laboratories, equipment and sundry materials) to the AVL Group. The closing is expected to take place by 31 July 2017 and is subject to the condition precedent of the completion of several activities in preparation for the disposal in accordance with market practice. As already announced in the press release issued by the Company, the agreement calls for, *inter alia*, a disposal consideration of €5.7 million gross of liabilities transferred, estimated at approximately €100 thousand, to be paid in instalments over multiple years; the transaction will have a negative impact of roughly €500 thousand on the 2017 financial statements, for the capital loss on the book value of the transferred assets, with a positive impact of around €1 million at cash level.

Starting from 2018, the agreement will have a highly positive impact due to the reduction of fixed costs, with an improvement in EBIT of around €3 million on an annual basis and in EBITDA of roughly €1.5 million yearly on a like-for-like basis, as well as a positive impact of around €2 million yearly in terms of financial management (lower costs and payment of the price). The disposal of the business unit also makes it possible to reduce the investments necessary to maintain and upgrade the equipment sold on an annual basis by between €500 thousand and €700 thousand.

- The management team was strengthened in the automotive sector as well as in Safe S.p.A..In particular, in Safe the new General Manager was appointed, a manager with more than 25 years of experience in top-tier companies operating in the compressor for gas and Oil & Gas sectors.
- The automotive sector is pursuing a strategy intended to consolidate its positioning in mature markets and grow at international level.

Likely future developments

With regard to the business outlook, taking into account the results of the first three months of 2017, the uncertainties in the core market and the orders in the portfolio, the outlook already communicated at the time of the approval of the annual financial report as at 31 December 2016 is confirmed, with moderate business growth forecast along with a slight recovery in margins in terms of adjusted EBITDA already in 2017.

Cavriago, 11 May 2017

Chairman of the Board of Directors
Stefano Landi

3. INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2017

3.1. GENERAL ACCOUNTING STANDARDS AND CONSOLIDATION PRINCIPLES

3.1.1. Preamble

The Interim Management Report as at 31 March 2017, 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 31 March 2017 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 31 March 2017 are not different to those used in drawing up the consolidated financial statements closed at 31 December 2016, to which please refer for further information.

As well as the interim values as at 31 March 2017 and 2016, the financial data for the year ended on 31 December 2016 is shown for the purpose of comparison.

In application of IAS 12, par. 74, already at 31 December 2016, as well as for the first quarter of 2017 and as a result also at 31 March 2016, to ensure greater comparability, prepaid tax assets were offset with deferred tax liabilities.

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

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

The accounting standards and calculation methods used for the preparation of this interim consolidated management report were not modified compared to those used to prepare the consolidated financial statements at 31 December 2016. Please note that the valuation and measurement of the accounting items shown are based on International Accounting Standards and the relative interpretations currently in force, and that no new accounting standards were applied early.

3.1.3. Consolidation procedures and accounting criteria

The preparation of the Interim Consolidated Financial 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 Table of Changes in Equity and the Consolidated Cash Flow Statement, 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 2016, to which you may refer for a more complete description of such aspects.

3.1.4. Consolidation area

The consolidation scope includes the parent company Landi Renzo S.p.A. and the companies in which it holds a direct or indirect controlling stake according to IFRS.

The consolidation area at 31 March 2017 changed compared to 31 December 2016 due to the consolidation of the company Sound&Vision S.r.l., a wholly owned subsidiary of the company Eighteen Sound S.r.l., as well as the removal from Group consolidation area of the company Eurogas Utrecht B.V. as its liquidation is now complete.

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	31/03/2017	31/12/2016	31/03/2016
Non-current assets			
Land, property, plant, machinery and equipment	29,262	30,500	33,998
Development expenditure	8,210	8,420	8,464
Goodwill	30,094	30,094	30,094
Other intangible assets with finite useful lives	19,763	20,359	22,017
Equity investments valued using the equity method	121	43	71
Other non-current financial assets	447	664	453
Prepaid tax assets	7,268	6,887	8,174
Total non-current assets	95,165	96,967	103,271
Current assets			
Trade receivables	33,213	35,553	33,279
Trade receivables - related parties	1,738	1,998	2,371
Inventories	49,719	49,872	60,955
Work in progress on orders	714	1,281	2,457
Other receivables and current assets	11,092	10,082	15,582
Cash and cash equivalents	20,997	16,484	20,263
Total current assets	117,473	115,270	134,907
TOTAL ASSETS	212,638	212,237	238,178

(Thousands of Euro)			
EQUITY AND LIABILITIES	31/03/2017	31/12/2016	31/03/2016
Equity			
Share capital	11,250	11,250	11,250
Other reserves	43,145	59,400	59,349
Profit (loss) for the period	-2,985	-25,245	-4,190
Total Equity attributable to the Group	51,410	45,405	66,409
Minority interests	-287	-323	359
TOTAL EQUITY	51,123	45,082	66,768
Non-current liabilities			
Non-current bank loans	32,836	18,687	26,899
Other non-current financial liabilities	32,426	22,812	29,850
Provisions for risks and charges	9,126	8,973	7,498
Defined benefit plans for employees	2,940	3,124	3,277
Deferred tax liabilities	504	514	0
Total non-current liabilities	77,832	54,110	67,524
Current liabilities			
Bank overdrafts and short-term loans	25,187	40,662	36,725
Other current financial liabilities	425	10,039	5,223
Trade payables	41,809	48,919	50,248
Trade payables – related parties	4,739	4,171	2,364
Tax liabilities	2,494	2,604	1,683
Other current liabilities	9,029	6,650	7,643
Total current liabilities	83,683	113,045	103,886
TOTAL EQUITY AND LIABILITIES	212,638	212,237	238,178

3.3. CONSOLIDATED INCOME STATEMENT

(Thousands of Euro)

	31/03/2017	31/03/2016
CONSOLIDATED INCOME STATEMENT		
Revenues from sales and services	46,570	41,416
Revenues from sales and services – related parties	204	4
Other revenues and income	250	195
Cost of raw materials, consumables and goods and change in inventories	-22,550	-19,105
Costs for services and use of third party assets	-11,479	-11,312
Costs for services and use of third-party assets – related parties	-804	-775
Personnel expenses	-9,736	-9,466
Provisions, provision for bad debts and other operating expenses	-708	-594
Gross operating profit	1,747	363
Amortization, depreciation and impairment losses	-4,007	-4,118
Net Operating Profit	-2,260	-3,775
Financial income	18	39
Financial expenses	-1,059	-1,301
Exchange gains (losses)	12	-159
Gain (loss) on equity investments valued using the equity method	78	-38
Profit (Loss) before tax	-3,211	-5,214
Current and deferred taxes	250	898
Net profit (loss) for the Group and minority interests, including:	-2,961	-4,316
Minority interests	24	-126
Net profit (loss) for the Group	-2,985	-4,190
Basic earnings (loss) per share (calculated on 112,500,000 shares)	-0.0265	-0.0372
Diluted earnings (loss) per share	-0.0265	-0.0372

3.4. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Thousands of Euro)

	31/03/2017	31/03/2016
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		
Net profit (loss) for the Group and minority interests:	-2,961	-4,316
<i>Gains/losses that will not be subsequently reclassified in the income statement</i>		
Restatement of defined employee benefit plans (IAS 19)	50	-193
Total gains/losses that will not be subsequently reclassified on the income statement	50	-193
<i>Profits/losses that could subsequently be reclassified on the income statement</i>		
Exchange rate differences from conversion of foreign operations	393	-248
Total profits/losses that could subsequently be reclassified on the income statement	393	-248
Profits/Losses recorded directly to Equity net of tax effects	443	-441
Total consolidated statement of comprehensive income for the period	-2,518	-4,757
Profit (loss) for Shareholders of the Parent Company	-2,549	-4,605
Minority interests	31	-152

3.5. CONSOLIDATED CASH FLOW STATEMENT

(Thousands of Euro)

CONSOLIDATED CASH FLOW STATEMENT	31/03/2017	31/03/2016
Financial flows deriving from operating activities		
Profit (loss) for the period	-2,961	-4,316
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	2,046	2,143
Amortization of intangible assets	1,902	1,876
Impairment losses on intangible assets	60	100
Impairment loss on receivables	40	86
Net financial charges	1,029	1,421
Income tax for the year	-250	-898
	1,866	412
<i>Changes in:</i>		
Work in progress on orders	719	-2,980
Trade receivables and other receivables	1,561	-2,013
Trade payables and other payables	-5,051	-10,432
Provisions and employee benefits	19	-789
Cash generated from operating activities	-886	-15,802
Interest paid	-670	-487
Interest received	6	20
Income taxes paid	-380	-368
Net cash generated (absorbed) by operations	-1,930	-16,637
Financial flows from investments		
Proceeds from the sale of property, plant and equipment	77	24
Equity investments valued using the equity method	78	38
Purchase of property, plant and equipment	-801	-800
Purchase of intangible assets	-10	-84
Development expenditure	-900	-1,273
Net cash absorbed by investment activities	-1,556	-2,095
Financial flows from financing activities		
Future share capital increase contributions	8,867	
Disbursements (reimbursements) of medium/long-term loans	-336	-3,920
Change in short-term bank debts	-990	4,895
Net cash generated (absorbed) by financing activities	7,541	975
Net increase (decrease) in cash and cash equivalents	4,055	-17,757
Cash and cash equivalents as at 1 January	16,484	38,264
Effect of exchange rate fluctuation on cash	458	-244
Closing cash and cash equivalents	20,997	20,263

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

Other information	31/03/2017	31/03/2016
(Increase)/Decrease in trade receivables and other receivables from related parties	260	-53
Increase/(Decrease) in trade payables and other payables to related parties	568	273

3.6. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Thousands of Euro)

	Share capital	Statutory Reserve	Extraordinary and Other Reserves	Share Premium Reserve	Future share capital increase contributions	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 2015	11,250	2,250	46,580	46,598	0	-35,288	71,390	-299	724	71,815
Result for the year						-4,190	-4,190	-126		-4,316
Actuarial profits/losses (IAS 19)			-191				-191		-2	-193
Translation difference			-224				-224		-24	-248
Total comprehensive profits/losses	0	0	-415	0	0	-4,190	-4,605	-126	-26	-4,757
Other changes			-376				-376		86	-290
Allocation of profit			-35,288			35,288	0	299	-299	0
Total effects deriving from transactions with shareholders	0	0	-35,664	0	0	35,288	-376	299	-213	-290
Balance as at 31 March 2016	11,250	2,250	10,501	46,598	0	-4,190	66,409	-126	485	66,768
Balance as at 31 December 2016	11,250	2,250	10,552	46,598	0	-25,245	45,405	-759	436	45,082
Result for the year						-2,985	-2,985	24		-2,961
Actuarial profits/losses (IAS 19)			50				50			50
Translation difference			386				386		7	393
Total comprehensive profits/losses			436			-2,985	-2,549	24	7	-2,518
Other changes			-313		8,867		8,554		5	8,559
Allocation of profit			-25,245			25,245	0	759	-759	0
Total effects deriving from transactions with shareholders			-25,558		8,867	25,245	8,554	759	-754	8,559
Balance as at 31 March 2017	11,250	2,250	-14,570	46,598	8,867	-2,985	51,410	24	-311	51,123

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

Subject: Interim Management Report as at 31 March 2017

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

declare

in accordance with Article 154-bis, subparagraph 2 of the Finance Consolidation Act (Legislative Decree 58/1998) that the accounting information contained in the Interim Management Report to 31 March 2017 corresponds to the accounting documents, ledgers and records.

Cavriago, 11 May 2017

Financial Reporting
Manager
Paolo Cilloni