INTERIM MANAGEMENT REPORT AS AT 30 SEPTEMBER 2017

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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 17 October 2017 the Shareholders' Meeting of the parent company Landi Renzo S.p.A. approved the reduction of the number of members of the Board of Directors from nine to eight, following the resignation of Claudio Carnevale in July 2017.

At the same meeting, to allow for compliance with gender balance requirements by the company's Board of Statutory Auditors, due to the death of Massimiliano Folloni in May 2017, the ordinary Shareholders' Meeting of Landi Renzo S.p.A. also approved the appointment of Domenico Sardano as standing auditor.

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	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	Domenico Sardano
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 Board (Italian Legislative Decree

231/01)

Chairman	Jean-Paule Castagno
Member of the Board	Sara Fornasiero
Member of the Board	Enrico Gardani
Independent Auditing Firm	PricewaterhouseCoopers S.p.A.
Financial Reporting Manager	Paolo Cilloni

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

Registered office and company details

Landi Renzo S.p.A.
Via Nobel 2/4/6
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Tel. +39 0522 9433
Fax +39 0522 944044
Share capital: €11,250,000
Tax Code and VAT No. IT00523300358

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

1.2. GROUP STRUCTURE

1.3. LANDI RENZO GROUP FINANCIAL HIGHLIGHTS

(Thousands of Euro)

ECONOMIC INDICATORS FOR THE THIRD QUARTER	Q3 2017	Q3 2016	Change
Revenue	46,001	42,445	3,556
Adjusted Gross Operating Profit (EBITDA) (1)	3,388	706	2,682
Gross Operating Profit (EBITDA)	2,590	706	1,884
Adjusted Operating Profit (EBIT) (1) and (1*bis*)	-176	-3,394	3,218
Net Operating Profit (EBIT)	-833	-3,394	2,561
Earnings before Tax	-1,990	-4,886	2,896
Net profit (loss) for the Group and minority interests	-2,655	-5,061	2,406
Adjusted Gross Operating Profit (EBITDA) / Revenue	7.4%	1.7%	
Adjusted Net Operating Profit (EBIT) / Revenue	-0.4%	-8.0%	
Net profit (loss) for the Group and minority interests / Revenue	-5.8%	-11.9%	

(Thousands of Euro)

ECONOMIC INDICATORS OF THE FIRST NINE MONTHS	30/09/2017	30/09/2016	Change
Revenue	149,509	131,735	17,774
Adjusted Gross Operating Profit (EBITDA) (1)	9,818	2,602	7,216
Gross Operating Profit (EBITDA)	7,047	-848	7,895
Adjusted Operating Profit (EBIT) (1) and (1*bis*)	-1,694	-9,535	7,841
Net Operating Profit (EBIT)	-6,384	-12,985	6,601
Earnings before Tax	-10,564	-16,493	5,929
Net profit (loss) for the Group and minority interests	-11,276	-17,827	6,551
Adjusted Gross Operating Profit (EBITDA) / Revenue	6.6%	2.0%	
Adjusted Net Operating Profit (EBIT) / Revenue	-1.1%	-7.2%	
Net profit (loss) for the Group and minority interests / Revenue	-7.5%	-13.5%	

(Thousands of Euro)

FINANCIAL POSITION	30/09/2017	31/12/2016	30/09/2016
Net fixed assets and other non-current assets	85,388	96,967	98,122
Operating capital (2)	31,770	36,442	54,283
Non-current liabilities (3)	-10,207	-12,611	-12,253
NET INVESTED CAPITAL	106,951	120,798	140,152
Net financial position (cash) (4)	65,040	75,716	87,065
Shareholders' equity	41,911	45,082	53,087
BORROWINGS	106,951	120,798	140,152

(Thousands of Euro)

KEY INDICATORS	30/09/2017	31/12/2016	30/09/2016
Operating capital / Turnover (rolling 12 months)	15.7%	19.8%	28.3%
Net financial debt / Equity	155.2%	168.0%	164.0%
Gross tangible and intangible investments	3,607	9,376	6,644
Personnel (peak)	751	781	790

(Thousands of Euro)

CASH FLOWS	30/09/2017	31/12/2016	30/09/2016
Operational cash flow	4,165	-6,104	-20,676
Cash flow for investment activities	-2,898	-9,144	-6,487
FREE CASH FLOW	1,267	-15,248	-27,163

(1) The figures do not include the recognition of extraordinary costs of €2,771 thousand in the first nine months of 2017, of which €798 thousand incurred in the third quarter of 2017, as described in more detail in paragraph 2.1 of this Report.
(1 *bis*) The data does not include accounting of the net capital loss of €1,919 thousand deriving from assets held for sale in the first nine months of 2017, due to the disposal of the Technical Centre business unit.
(2) This is calculated as the difference between Trade Receivables, Inventories, Contract Work in Progress, Other Current Assets and Trade Payables, Tax liabilities, Other Current Liabilities.

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

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 “Excellence” project focusing on a series of EBITDA improvement initiatives 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 Debenture Loan Regulations. In particular, inter alia, the Meeting approved the postponement of the maturity of the debenture 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 debenture 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.

April On 26 April 2017, Landi Renzo and AVL entered into the 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, a leading global operator in the development of powertrains.

The agreement calls for, inter alia, a disposal consideration of €5.7 million gross of liabilities transferred, to be paid in instalments.

April On 28 April 2017, the Shareholders' Meeting resolved, amongst other things:

- to approve covering 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;
- renewal of authorization for the purchase and disposal of treasury shares;
- the appointment of Cristiano Musi as the new director.

April On 28 April 2017, the Board of Directors re-elected Stefano Landi as the Chairman of the Board of Directors of Landi Renzo and appointed Cristiano Musi, formerly General Manager of the Company (who therefore no longer holds this position), as the Chief Executive Officer.

May At the end of May, following the death of standing member of the Board of Statutory Auditors Massimiliano Folloni, alternate auditor Filomena Napolitano took his place as a standing member of the Board of Statutory Auditors.

July On 31 July, Landi Renzo S.p.A. and AVL Italia S.r.l. completed the sale procedure for the disposal of a business unit regarding the part of the technical centre for the management of laboratories to the AVL Group, a leading global operator in the development of powertrains: the relative preliminary agreement was signed on 26 April 2017.

With this transaction, the Landi Renzo Group obtained two significant results: on one hand, it launched a significant partnership with a leading automotive sector operator specialized in CNG, LNG and hydrogen powertrains and, on the other hand, it is continuing with the Group reorganization process undertaken by the new management, with the goals of reducing the fixed cost structure and focusing activities on the core business.

As part of the above-mentioned disposal, 7 employees were transferred directly from Landi Renzo to AVL and at the same time the real estate rental contract with the affiliate Gireimm S.r.l. was renegotiated.

The economic impact of this transaction was a net capital loss of €1,919 thousand.

On an annual basis, the transaction will entail a positive impact on the reduction in fixed costs, specifically roughly €3 million annually in terms of EBIT, of which around €1.5 million in terms of EBITDA, and a positive impact of roughly €2 million annually in terms of financial management. The disposal of the business unit will also allow for a reduction of between €500 thousand and €700 thousand in the annual investments necessary to maintain and upgrade the equipment sold.

July At the end of July 2017, Claudio Carnevale resigned with immediate effect from his position as member of the Board of Directors of Landi Renzo S.p.A. to take advantage of new professional opportunities. Claudio Carnevale was an executive member of the Board of Directors with no role in the Landi Renzo S.p.A. internal committees. At the date of his resignation Claudio Carnevale held 2,050 Landi Renzo S.p.A. ordinary shares.

September On 13 September 2017 the Board of Directors of Landi Renzo examined and approved the five-year 2018-2022 strategic plan presented by the CEO Cristiano Musi.
The strategic plan is based on 4 fundamental pillars:

1. Growth in the Automotive segment
2. Growth in the Infrastructure segment with the company SAFE
3. Efficiency and Innovation Process
4. Organisational redesign.

THE MAIN FINANCIAL OBJECTIVES OF THE STRATEGIC PLAN

The main financial targets of the 2018-2022 strategic plan can be summarised as follows:

- End of period revenues (2022) equal to €266 million, with a CAGR of 7% (on a like-for-like basis) of which €211 million in the Automotive segment and €55 million in SAFE;
- Adjusted target EBITDA (2022) of €50 million (€27 million in 2018 and €30 million in 2019);
- Target EBT (2022) of €35 million (€10 million in 2018 and €13 million in 2019);
- Target net profit (2022) of €24 million (€7 million in 2018 and €9 million in 2019);
- The Net Financial Position is also expected to improve over the plan period; it amounts to a positive €22 million at the end of 2022.

September On 15 September the Board of Directors of Landi Renzo approved the proposed merger by incorporation of the wholly owned subsidiary AEB S.p.A. Unipersonale into the parent company Landi Renzo S.p.A., as well as the relative merger plan. This transaction represents one of the initiatives aimed at improving operating efficiency to be implemented as part of the new 2018-2022 strategic plan. In particular, the merger should make it possible to optimize decision-making processes and improve the utilization and enhancement of resources and skills currently existing within the companies participating in the merger, which through the aggregation of activities within a single legal entity will lead to an improvement in operating efficiency (corporate, accounting and administrative) and the achievement of synergies and overall cost reductions, avoiding the duplication of certain activities in two separate legal entities, thus helping to streamline costs.

2. DIRECTORS' OBSERVATIONS ON BUSINESS PERFORMANCE

Following the closure of the Group's financial structure Optimization Agreement with the banks and the appointment of Cristiano Musi as Chief Executive Officer in order to guide the Group's recovery and relaunch, including by reviewing its strategic guidelines, in the first nine months of 2017 a project got underway to reorganize the Automotive business area, which includes OEM (Original Equipment Manufacturer) and AM (After Market) channel sales as well as Electronic Equipment sales, with a view to enabling the Group to better meet market needs, improving upon its capacity to satisfy a range of business requirements, reducing time to market and, in general, bringing Automotive sector area efficiency levels into line with market best practices. The new organizational model calls for the strategic integration of the management of the Group's different Automotive companies (Landi Renzo S.p.A., Lovato Gas S.p.A., AEB S.p.A. and Emmegas S.r.l.) and the foreign investees, in order to define a shared strategic vision and thus improve efficiency, effectiveness and innovation capacity. With this in mind, on 15 September 2017 the Board of Directors of Landi Renzo S.p.A. approved the proposed merger by incorporation of the wholly owned subsidiary AEB S.p.A., which will be finalized by the end of this year.

At the same time, the new management team began a project meant to improve operating efficiency, taking significant steps in order to reduce the break even, with the identification of a series of initiatives meant to reduce fixed and variable product costs to align them with Automotive best practices at international level. The project envisages activities on the SG&A (Selling, General & Administrative) cost structure, a review of the production footprint and processes, sourcing & procurement strategies and the supply chain at international level, as well as the reorganization of product development activities, with the aim of fully exploiting synergies deriving from the possibility of managing production and procurement in different parts of the world. In order to quickly launch the EBITDA improvement plan, a top consulting firm was engaged to support the Chief Executive Officer and the company's top management in preparing and implementing an action plan. Significant, positive results will be seen already in the final quarter of 2017, with full benefits expected as of 2018.

2.1. PERFORMANCE AND NOTES ON THE MAIN CHANGES IN THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2017

2.1.1. Summary of the Group's results as at 30 September 2017

Consolidated revenues as at 30 September 2017 totalled €149,509 thousand, increasing by €17,774 thousand (+13.5%) compared with the same period of the previous year.
This revenue growth was caused by robust sales trends in the Automotive sector (+16.3%), particularly in the OEM channel (+39%) as well as After Market (+4.7%), specifically in high-end innovative products.
The growth in volumes is correlated with rising sales of LPG and CNG fuelled vehicles as well as the greater commercial focus of the Group, which is seeking to adopt an increasingly market-oriented approach, which is more and more concentrated on providing solutions to the market quickly.

The adjusted Gross Operating Profit (EBITDA) as at 30 September 2017 totalled €9,818 thousand, a significant improvement compared with the same period of the previous year (€2,602 thousand) due to the higher sales volumes in the Automotive sector, as well as the initial benefits of the EBITDA improvement activities launched during the period, focusing on aligning the Automotive business area efficiency levels with sector best practices, with a series of actions aiming to reduce fixed and variable costs. The Gas Distribution and Compressed Natural

Gas segment also posted a slight increase in sales, with an improvement of 2.8% compared to September 2016, correlated with the rise in EBITDA, which however remains negative.

The Gross Operating Profit (EBITDA) was positive at €7,047 thousand. This result was affected not only by the above factors but also by extraordinary costs of €2,771 thousand, of which:

- €2,331 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; these costs also include some relating to professionals who have been working as "Special situation/Temporary Manager";
- €440 thousand for personnel incentives, particularly for executives who were replaced as part of the reorganization and relaunch plan.

The Net Operating Profit (EBIT) is negative at -€6,384 thousand (-€12,985 thousand as at 30 September 2016), after depreciation and amortization of €11,512 thousand and an extraordinary net capital loss of €1,919 thousand deriving from the disposal on 31 July 2017 of the business unit relating to the part of the Technical Centre responsible for the management of laboratories to the AVL Group.

With reference to the above-mentioned transaction, it is important to underscore that on an annual basis, starting from 2018, the estimated advantages of the transaction will allow for a reduction in costs of roughly €3 million in terms of EBIT, of which around €1.5 million in terms of EBITDA, and a positive impact of roughly €2 million in terms of financial management. The disposal of the business unit will also allow for a reduction of the annual investments necessary to maintain and upgrade the equipment sold of between €500 thousand and €700 thousand.

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

(Thousands of Euro)	30/09/2017	Extraordinary costs	30/09/2017 ADJ	%	30/09/2016	Extraordinary costs	30/09/2016	%	ADJ changes	ADJ %
Revenues from sales and services	**149,509**		**149,509**	**100.0%**	**131,735**		**131,735**	**100%**	**17,774**	13.5%
Other revenues and income	490		490	0.3%	792		792	0.6%	-302	-38.1%
Operating costs	-142,952	-2,771	-140,181	-93.8%	-133,375	-3,450	-129,925	-98.6%	-10,256	7.9%
Gross operating profit	**7,047**		**9,818**	**6.6%**	**-848**		**2,602**	**2.0%**	**7,216**	**277.3%**
Amortization, depreciation and impairment	-11,512		-11,512	-7.7%	-12,137		-12,137	-9.2%	625	-5.1%
Net capital loss from disposal	-1,919	-1,919	0	0.0%	0		0	0.0%	0	0.0%
Net Operating Profit	**-6,384**		**-1,694**	**-1.1%**	**-12,985**		**-9,535**	**-7.2%**	**7,841**	**n/a**
Financial income (charges) and exchange differences	-4,217		-4,217	-2.8%	-3,433		-3,433	-2.6%	-784	22.8%
Gain (loss) on equity investments valued using the equity method	37		37	0.0%	-75		-75	-0.1%	112	-149.3%
Profit (Loss) before tax	**-10,564**		**-5,874**	**-3.9%**	**-16,493**		**-13,043**	**-9.9%**	**7,169**	**n/a**
Current and deferred taxes	-712				-1,334					
Net profit (loss) for the Group and minority interests, including:	**-11,276**				**-17,827**					
Minority interests	-223				-293					
Net profit (loss) for the Group	**-11,053**				**-17,534**					

SEGMENT REPORTING

In compliance with the provisions of IFRS 8, information is provided below on the business operating segments.

Since the first half of 2017, with the appointment of the new Chief Executive Officer, the Group has been engaged in an organizational evolution which has entailed the reorganization of activities into the following segments:

- Automotive;
- Gas Distribution and Compressed Natural Gas;
- Sound.

The new organizational model also calls for the integration of the management of the Group's different Automotive companies (Landi Renzo S.p.A., Lovato Gas S.p.A., AEB S.p.A. and Emmegas S.r.l.) and the foreign investees, with a view to developing a shared strategic vision, improving efficiency, effectiveness and innovation capacity. However, it is important to underscore that, consistent with the strategies applied particularly for the After Market segment, the Group maintains separate commercial, product development and industrial management units for the three companies and the relative Landi Renzo, Lovato and Emmegas brands, which are intended for different customers and at times different markets.

The criteria applied to identify the operating segments and the performance indicators are consistent with the management reporting periodically prepared and used by the Group's top management to take strategic decisions.

Breakdown of sales by business segment

Third quarter 2017 compared to third quarter 2016

(Thousands of Euro)

Distribution of revenues by segment	Q3 2017	% of revenues	Q3 2016 (*)	% of revenues	Changes	%
Automotive segment	35,719	77.6%	32,634	76.9%	3,085	9.5%
Gas Distribution and Compressed Natural Gas segment	7,202	15.7%	6,501	15.3%	701	10.8%
Sound segment	3,080	6.7%	3,310	7.8%	-230	-6.9%
Total revenues	**46,001**	**100%**	**42,445**	**100%**	**3,556**	**8.4%**

(*) The values at 30 September 2016 have been reclassified based on the Segment Reporting adopted starting in the first half of 2017.

(Thousands of Euro)

Distribution of revenues by segment	At 30/09/2017	% of revenues	At 30/09/2016 (*)	% of revenues	Changes	%
Automotive segment	122,977	82.3%	105,773	80.3%	17,204	16.3%
Gas Distribution and Compressed Natural Gas segment	17,082	11.4%	16,611	12.6%	471	2.8%
Sound segment	9,450	6.3%	9,351	7.1%	99	1.1%
Total revenues	**149,509**	**100%**	**131,735**	**100%**	**17,774**	**13.5%**

The **Group's total revenues in the first nine months** were €149,509 thousand, an increase of +13.5% (€17,774 thousand) compared to the same period in the previous year.

Revenues from sales of products and services in the Automotive segment increased by 16.3% (€17,204 thousand) in the first nine months from €105,773 thousand in 2016 to €122,977 thousand in 2017.

The growth in sales as of 30 September 2017 in the Automotive segment was caused by the increase in revenues on the OEM channel (+39%) and, to a lesser extent, in the After Market segment (+4.7%).

Revenues in the Gas Distribution and Compressed Natural Gas segment were €17,082 thousand, up by €471 thousand compared with the same period of 2016 (+2.8%). The increase in the order portfolio subsequent to the end of the quarter bolsters forecasts of a good recovery in turnover in the fourth quarter as well.

Revenues from sales in the Sound segment increased slightly by 1.1% (€99 thousand) in the first nine months from €9,351 thousand in 2016 to €9,450 thousand in 2017 due to sales of CIARE brand products through the subsidiary Sound & Vision S.r.l. as well as the turnover generated under the main Eighteen Sound brand.

During the quarter in question, revenues from sales of products and services of the Group increased, overall, from €42,445 thousand in the third quarter of 2016 to €46,001 thousand in the third quarter of 2017, a rise of 8.4% primarily resulting from higher sales volumes in the Automotive segment.

Breakdown of sales by geographical area

Third quarter 2017 compared to third quarter 2016

(Thousands of Euro)

Geographical distribution of revenues	Q3 2017	% of revenues	Q3 2016	% of revenues	Changes	%
Italy	8,239	17.9%	8,004	18.9%	235	2.9%
Europe (excluding Italy)	22,053	47.9%	19,146	45.1%	2,907	15.2%
America	7,225	15.7%	8,188	19.3%	-963	-11.8%
Asia and Rest of the World	8,484	18.5%	7,107	16.7%	1,377	19.4%
Total	**46,001**	**100%**	**42,445**	**100%**	**3,556**	**8.4%**

(Thousands of Euro)

Geographical distribution of revenues	At 30/09/2017	% of revenues	At 30/09/2016	% of revenues	Changes	%
Italy	29,409	19.7%	27,394	20.8%	2,015	7.4%
Europe (excluding Italy)	71,707	48.0%	59,895	45.5%	11,812	19.7%
America	22,387	15.0%	22,482	17.1%	-95	-0.4%
Asia and Rest of the World	26,006	17.3%	21,964	16.6%	4,042	18.4%
Total	**149,509**	**100%**	**131,735**	**100%**	**17,774**	**13.5%**

Regarding the geographical distribution of revenues, during the first nine months of 2017 the Group achieved 80.3% of its consolidated revenues abroad (48% in Europe and 32.3% outside Europe), up compared to 77.3% in the same period of last year, and thus continues to improve its competitive position at international level, where the Group observes the markets with the most growth potential especially for the Automotive segment, and in more detail:

- Italy

Sales in the Italian market, totalling €29,409 thousand (up €2,015 thousand compared to the same period of the previous year), substantially reflect good overall domestic market demand trends during the first nine months of the year, 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 a 9.3% increase compared with the same period of 2016, according to data published by ANFIA (the Italian National Association for the Automotive Industry), totalling 8% of total registrations;
- according to data from the Ecogas consortium, the After Market sector, on the other hand, registered a 13.8% 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 first nine months of the year, with growth of 19.7% 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 nine months for this area, equal to €22,387 thousand, represented substantial stability overall, with different trends amongst the various countries primarily attributable to the good trend of the markets in Peru, Colombia, Mexico and the United States, which offset the slowdown in Argentina, Brazil, Chile and the Dominican Republic.

- Asia and Rest of the World

The Asia and Rest of World markets saw a significant increase (+18.4% compared to the first nine months of 2016, €4,042 thousand). This was essentially due to favourable revenue performance in the markets of Algeria, Bangladesh, India and Iran.

Profitability

(Thousands of Euro)	Values at 30 September 2017					Values at 30 September 2016				
	Automotive	*Gas Distribution and Compressed Natural Gas*	*Sound*	Adjustments	Landi Renzo Consolidated	*Automotive*	*Gas Distribution and Compressed Natural Gas*	*Sound*	Adjustments	Landi Renzo Consolidated
Net sales outside the Group	122,977	17,082	9,450		149,509	105,773	16,611	9,351		131,735
Intersegment sales	473	81	31	-585	-	474	57	3	-534	0
Total Revenues from net sales and services	**123,450**	**17,163**	**9,481**	**-585**	**149,509**	**106,247**	**16,668**	**9,354**	**-534**	**131,735**
Other revenues and income	451	38	1		490	704	80	8		792
Operating costs	-114,273	-17,927	-8,542	561	-140,181	-103,405	-18,277	-8,762	519	-129,925
Adjusted gross operating profit	**9,628**	**-726**	**940**	**-24**	**9,818**	**3,546**	**-1,529**	**600**	**-15**	**2,602**
Extraordinary costs	-2,771	0	0		-2,771	-3,450		0		-3,450
Gross operating profit	**6,857**	**-726**	**940**	**-24**	**7,047**	**96**	**-1,529**	**600**	**-15**	**-848**
Amortization, depreciation and impairment	-10,049	-887	-576		-11,512	-10,798	-906	-433		-12,137
Net capital loss from disposal	-1,919	0	0		-1,919	0	0	0		0
Net Operating Profit	**-5,111**	**-1,613**	**364**	**-24**	**-6,384**	**-10,702**	**-2,435**	**167**	**-15**	**-12,985**
Financial income (charges) and exchange differences					-4,217					-3,433
Gain (loss) on equity investments valued using the equity method					37					-75
Profit (Loss) before tax					**-10,564**					**-16,493**
Current and deferred taxes					-712					-1,334
Net profit (loss) for the Group and minority interests, including:					**-11,276**					**-17,827**
Minority interests					-223					-293
Net profit (loss) for the Group					**-11,053**					**-17,534**

The adjusted Gross Operating Profit (adjusted GOP or adjusted EBITDA) at 30 September 2017 was positive at €9,818 thousand, equal to 6.6% of revenues – an increase of €7,216 thousand compared to the figure for September 2016 (€2,602 thousand), especially due to the higher sales volumes of the Automotive Segment, which alone had an adjusted EBITDA margin of roughly €9,628 thousand, equal to 6.4% of revenues, compared to €3,546 thousand at 30 September 2016 (2.7% of revenues), while the Gas Distribution and Compressed Natural Gas segment had a negative impact of -€726 thousand. On the other hand, the adjusted GOP in the Sound operating segment was positive at €940 thousand, marking an increase of 56.6% (€600 thousand).

The Gross Operating Profit (GOP or EBITDA) was positive in the amount of €7,047 thousand, inclusive of €2,771 thousand in extraordinary costs referring to strategic advisory expenses as well as voluntary retirement incentives agreed upon with personnel, as shown in detail below:

(Thousands of Euro)

EXTRAORDINARY COSTS	30/09/2017	30/09/2016	Change
Strategic consultancy	2,331	-	2,331
Voluntary retirement incentives	440	-	440
Costs for services and use of third party assets	0	2,150	-2,150
Provisions, provision for bad debts and other operating expenses	0	1,300	-1,300
Total	**2,771**	**3,450**	**-679**

Costs of raw materials, consumables and goods and changes in inventories increased overall from €63,459 thousand as at 30 September 2016 to €71,446 thousand as at 30 September 2017, which in absolute terms is an increase of €7,987 thousand, mainly related to the growth in sales volumes.

At 30 September 2017, the costs of services and use of third-party assets amounted to €39,797 thousand and included extraordinary costs of €2,331 thousand related to the strategic advisory costs mentioned above, compared to €38,312 thousand in the same period of last year (of which €2,150 thousand for non-recurrent expenses). Net of extraordinary costs, there was an increase of €1,304 thousand, ascribable mainly to top line growth due to the increase in external processing on products.

At 30 September 2017, personnel costs amounted to €29,544 thousand, including the above-mentioned extraordinary costs of €440 thousand, an increase of €2,088 thousand compared with €27,456 thousand recorded in the same period of last year, when no extraordinary costs were incurred. Not considering the effects of the extraordinary component, note that personnel expenses were up by €1,648 thousand as a result of the increased use of temporary agency work linked to the rising production and less recourse to solidarity agreements for the Parent Company and the subsidiary AEB S.p.A., likewise correlated with the recovery in production.

The Net Operating Profit (EBIT) for the period was negative, in the amount of -€6,384 thousand (-€12,985 thousand as at 30 September 2016), after accounting for amortization, depreciation and impairment losses of €11,512 thousand (€12,137 thousand as at 30 September 2016), net capital losses from the disposal of tangible assets relating to the Technical Centre of €1,919 thousand as well as the above-mentioned extraordinary costs of €2,771 thousand.

The adjusted Net Operating Profit (EBIT) was negative at -€1,694 thousand, marking a significant improvement compared to -€9,535 thousand at 30 September 2016.

Overall, financial management had higher costs of €784 thousand compared to 30 September 2016, most of which deriving from exchange losses from valuation equal to €1,446 thousand, mainly in relation to the depreciation of the Brazilian Real and the Pakistani Rupee.

Taking these changes into account, the result before tax was negative at -€10,564 thousand (-€16,493 thousand at 30 September 2016), while the Net Result of the Group showed a loss of -€11,053 thousand (-€17,534 thousand at 30 September 2016).

With reference to the business operating segments, economic information is provided below relating to the three business segments for the first half of 2016 and 2017.

Automotive operating segment performance

(Thousands of Euro)	30.09.2017	30.09.2016	Change	% Change
Net sales outside the Group	122,977	105,773	17,204	16.3%
Intersegment sales	473	474	-1	-0.2%
Total Revenues from net sales and services	**123,450**	**106,247**	**17,203**	**16.2%**
Other revenues and income	451	704	-253	-35.9%
Operating costs	-114,273	-103,405	-10,868	10.5%
Adjusted gross operating profit	**9,628**	**3,546**	**6,082**	171.5%
Extraordinary costs	-2,771	-3,450	679	-19.7%
Gross operating profit	**6,857**	**96**	**6,761**	7042.7%
Amortization, depreciation and impairment	-10,049	-10,798	749	-6.9%
Net capital loss from disposal	-1,919	0	-1,919	
Net Operating Profit	**-5,111**	**-10,702**	**5,591**	52.2%

In the first nine months of 2017, the Automotive segment had net sales outside the Group of €122,977 thousand, up 16.3% compared with the same period of the previous year (€105,773 thousand).

The increase was caused mostly by the significant recovery of sales in the OEM channel for LPG fuelled systems for European car manufacturers. Furthermore, After Market sales benefitted from a significant sales drive, particularly in countries like Turkey, Algeria and Mexico.

Adjusted EBITDA came to €9,628 thousand, a considerable improvement compared with the first nine months of 2016 (€3,546 thousand) thanks to the significant growth in sales.

EBITDA was positive at €6,857 thousand (€96 thousand in the first nine months of 2016 after accounting for extraordinary costs of €3,450 thousand) although in the reference period there were extraordinary costs of €2,771 thousand, also correlated with the quick launch of the development and EBITDA improvement plan, for which a top consulting firm was engaged to support the Chief Executive Officer and the company's top management in preparing and implementing the plan.

In addition, in the third quarter of 2017 an agreement was finalized regarding the disposal to the AVL Group of the part of the Technical Centre for the management of laboratories with the aim of further reducing the fixed cost structure in upcoming years and focusing activities on the core business. The disposal consideration is €5.7 million, gross of liabilities transferred for around €25 thousand: the amount will be paid in 10 annual instalments. The sale of this business unit resulted in a net capital loss at 30 September 2017 of €1,919 thousand.

The segment also includes sales of alarm systems for cars under the MED brand (non-core business), with revenues during the nine months equal to €1,081 thousand.

Gas Distribution and Compressed Natural Gas operating segment performance

	30.09.2017	30.09.2016	Change	% Change
Net sales outside the Group	17,082	16,611	471	2.8%
Intersegment sales	81	57	24	42.1%
Total Revenues from net sales and services	**17,163**	**16,668**	**495**	**3.0%**
Other revenues and income	38	80	-42	-52.5%
Operating costs	-17,927	-18,277	350	-1.9%
Gross operating profit	**-726**	**-1,529**	**803**	52.5%
Amortization, depreciation and impairment	-887	-906	19	-2.1%
Net Operating Profit	**-1,613**	**-2,435**	**822**	33.8%

In the first nine months of 2017, the Gas Distribution and Compressed Natural Gas segment had net sales outside the Group of €17,082 thousand, up 2.8% compared with the same period of the previous year (€16,611 thousand).
The gross operating profit recovered considerably from -€1,529 thousand in the first nine months of 2016 to -€726 thousand at 30 September 2017, also as a result of the improvement in the economic contribution of several contracts, in particular for fuelling and RNG stations.
Turnover aligned with budget forecasts and the company's order portfolio for the fourth quarter totalling more than €10 million make it reasonable to predict that revenue will be up compared to the previous year, with greater profit margins thanks to the operating cost containment measures taken by the new management team, strengthened in the course of the second quarter with the appointment of a new General Manager with more than 25 years of experience in top-tier companies operating in the compressor for gas and Oil & Gas sectors.

Sound operating segment performance

	30.09.2017	30.09.2016	Change	% Change
Net sales outside the Group	9,450	9,351	99	1.1%
Intersegment sales	31	3	28	933.3%
Total Revenues from net sales and services	**9,481**	**9,354**	**127**	**1.4%**
Other revenues and income	1	8	-7	-87.5%
Operating costs	-8,542	-8,762	220	-2.5%
Gross operating profit	**940**	**600**	**340**	56.7%
Amortization, depreciation and impairment	-576	-433	-143	33.0%
Net Operating Profit	**364**	**167**	**197**	118.0%

The Sound segment, a non-core business which includes the design, manufacture, distribution and marketing of electroacoustic transducers (loudspeakers) for professional use (the main components of speakers for the reproduction of music) used mainly by the manufacturers of the best sound reinforcement systems for live events as well as for fixed installations, achieved net sales outside the Group in line with expectations which, in the first nine months of the year 2017, amount to €9,450 thousand, marking slight growth of 1.1% compared to the same period of 2016 (€9,351 thousand), with sales of CIARE brand products through the subsidiary Sound & Vision S.r.l. as well as the turnover generated through the main Eighteen Sound brand.

EBITDA rose by 56.7%, from €600 thousand in the first nine months of 2016 to €940 thousand at 30 September 2017.

Invested capital

(Thousands of Euro)

Statement of Financial Position	30/09/2017	31/12/2016	30/09/2016
Trade receivables	37,332	37,551	37,911
Inventories	51,953	49,872	59,283
Contract work in progress	1,163	1,281	2,979
Trade payables	-57,642	-53,090	-48,400
Other net current assets	-1,036	828	2,510
Net operating capital	**31,770**	**36,442**	**54,283**
Tangible assets	18,236	30,500	31,788
Intangible assets	55,297	58,873	58,887
Other non-current assets	11,855	7,594	7,447
Fixed capital	**85,388**	**96,967**	**98,122**
TFR (severance indemnity) and other provisions	-10,207	-12,611	-12,253
Net invested capital	**106,951**	**120,798**	**140,152**
Financed by:			
Net Financial Position	65,040	75,716	87,065
Group shareholders’ equity	42,407	45,405	52,930
Minority interests	-496	-323	157
Borrowings	**106,951**	**120,798**	**140,152**

Ratios	30/09/2017	31/12/2016	30/09/2016
Net operating capital	31,770	36,442	54,283
Net operating capital/Turnover (rolling)	15.7%	19.8%	28.3%
Net invested capital	106,951	120,798	140,152
Net invested capital/Turnover (rolling)	52.9%	65.6%	73.1%

Net operating capital at the end of the period totalled €31,770 thousand, marking a reduction compared to the first nine months of 2016 of €22,513 thousand due to the activities for the improvement in working capital already started last year and which continued during 2017; in percentage terms, on rolling turnover, there was a sharp improvement in this figure from 28.3% at 30 September 2016 to the current 15.7%.

Trade receivables totalled €37,332 thousand, substantially unchanged compared to the figure as at 31 December 2016, despite the increase in revenue, with an impact of factoring operations with maturity credit for which there was derecognition of the relative receivables, totalling €21.8 million compared to €22.2 million in December 2016.

There was growth of €4,552 thousand in trade payables, which rose from €53,090 thousand as at 31 December 2016 to €57,642 thousand at 30 September 2017, of which €1,939 thousand referring to the residual debt relating to a charge for compensation received from a car manufacturer for which the corresponding provision was used. Closing inventories and contract work in progress, equal to a total of €53,116 thousand, marked an increase of €1,963 thousand, in large part due to continuity stock procurement correlated with activities under way in processes for the disposal of several production sites.

TFR (severance indemnity) and other provisions declined by €2,404 thousand, from €12,611 thousand at 31 December 2016 to €10,207 thousand at 30 September 2017, primarily as a result of the use of a Provision for risks and compensation for €2,933 thousand.

Net invested capital (€106,951 thousand) was down by €13,847 thousand compared to December 2016, while the percentage indicator calculated on the rolling turnover decreased from 65.6% to 52.9% as a result of an improvement in working capital and the reduction in fixed capital due to the impact of the sale of Technical Centre assets.

Net Financial Position and cash flows

(Thousands of Euro)

	30/09/2017	31/12/2016	30/09/2016
Cash and cash equivalents	14,005	16,484	12,616
Bank financing and short-term loans	-15,029	-40,662	-45,119
Bonds issued (net value)	-1,184	-9,614	-6,195
Short-term loans	-420	-425	-425
Net short term indebtedness	**-2,628**	**-34,217**	**-39,123**
Bonds issued (net value)	-30,289	-21,764	-22,837
Medium-Long term loans	-32,123	-19,735	-25,105
Net medium-long term indebtedness	**-62,412**	**-41,499**	**-47,942**
Net financial position	**-65,040**	**-75,716**	**-87,065**

The Net Financial Position was negative by €65,040 thousand compared to the negative Net Financial Position as at 31 December 2016 of -€75,716 thousand (equal to -€87,065 thousand as at 30 September 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 Debenture 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 nine months of 2017 compared with the same period of the previous year:

(Thousands of Euro)	30/09/2017	30/09/2016
Operational cash flow	4,165	-20,676
Cash flow for investment activities	-2,898	-6,487
Free Cash Flow	**1,267**	**-27,163**

Net cash flow from operating activities at the end of September, as shown in the Cash Flow Statement, was positive at €4,165 thousand; investment activities absorbed cash totalling €2,898 thousand.

Investments

Investments in property, plant, machinery and other equipment totalled €1,423 thousand (€3,329 thousand as at 30 September 2016) and refers to purchases of plant and machinery, new production moulds and testing/control equipment.
The increase in intangible assets amounted to €2,184 thousand (€3,315 thousand as at 30 September 2016) 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 2017, Landi Renzo S.p.A. had generated revenues of €67,679 thousand, a significant improvement of +32.8% compared to the same period of the previous year (€50,973 thousand).
The Gross Operating Profit was negative and totalled €604 thousand compared to a negative value of -€5,971 thousand at 30 September 2016, with an increase of €5,367 thousand.
In the first nine months of 2017, the Parent Company incurred total extraordinary costs of €2,771 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 include:

- the relationships 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.
  On 31 July 2017, following the disposal of the business unit to AVL, Landi Renzo redefined the rental contract with Gireimm S.r.l. relating to the Technical Centre, reducing the rental consideration from €1,070 thousand per year to €302 thousand per year.
- transactions between Gestimm S.r.l. and the company AEB S.p.A. for rent of the property used as the operational headquarters of the subsidiary;
- transactions between Emilia Properties Inc. 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:

October On 2 October 2017, B&C Speakers S.p.A., a company listed in the STAR segment of the Italian Stock Exchange specialized in the manufacture of electroacoustic transducers for professional use, entered into a binding agreement for the acquisition of 100% of the share capital of Eighteen Sound Srl from the Landi Renzo Group through the subsidiary AEB S.p.A.

For the Group, this disposal is part of the guidelines of the 2018-2022 strategic plan, which calls for focusing on relaunching core activities with the resulting disposal of non-strategic activities.

The consideration, no higher than €7,400 thousand, will be paid at the closing, expected to take place by 30 November 2017, and may be subject to adjustment mechanisms when specific reference economic elements change.

The binding offer envisages that the completion of the transaction will be subject to conditions and commitments that are usual for this type of transaction, including the positive completion of legal, tax, financial and accounting due diligence activities.

October On 17 October 2017 the ordinary Shareholders' Meeting of Landi Renzo S.p.A. approved the proposed reduction of the number of members of the Board of Directors from nine to eight, following the resignation of Claudio Carnevale; at the same meeting, to allow for compliance with gender balance requirements by the company's Board of Statutory Auditors, the Shareholders' Meeting also approved the appointment of Domenico Sardano as standing auditor.

October On 20 October 2017 the Board of Directors of Landi Renzo S.p.A., through a resolution set forth in a public deed, approved the merger by incorporation of the wholly owned subsidiary AEB S.p.A. Unipersonale into the parent company Landi Renzo S.p.A., in accordance with the terms of the merger plan of 15 September 2017.

October On 24 October 2017, Paolo Ferrero was appointed Group Vice President for Strategic Development and Group Chief Technology Officer.

The Manager, who has a long career in the automotive sector at international level, will report directly to the CEO Cristiano Musi, with the task of developing the business globally with a focus on OEM, coordinating and managing product development policies and new solutions for components and powertrain systems for alternative passenger car and Medium & Heavy Duty vehicle fuels.

November On 7 November 2017 the increase in voting rights relating to 61,495,130 and 5,000,000 ordinary shares of Landi Renzo S.p.A., owned respectively by GIREFIN S.p.A. and GIREIMM S.r.l. (parent company of TRUST LANDI) pursuant to art. 127-*quinquies* of the TUF (Italian Finance

Consolidation Act) and in application of what is laid out in the articles of association, became effective.

Likely future developments

With regard to the business outlook, taking into account the results of the first nine months of 2017, the performance of the core market and the orders in the portfolio, in addition to the actions undertaken following the approval of the 2018-2022 Strategic Plan, the outlook already communicated at the time of the approval of the Annual Financial Report as at 31 December 2016 is confirmed, with business growth forecast along with a recovery in margins in terms of adjusted EBITDA which will also continue in the final quarter of 2017.

Cavriago, 14 November 2017

Chief Executive Officer
Cristiano Musi

3. INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2017

3.1. GENERAL ACCOUNTING STANDARDS AND CONSOLIDATION PRINCIPLES

3.1.1. Preamble

The Interim Management Report as at 30 September 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 30 September 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 30 September 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 30 September 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 third quarter of 2017 and as a result also at 30 September 2016, to ensure greater comparability, prepaid tax assets were offset with deferred tax liabilities.

The functional and reporting 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 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 Shareholders' 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 scope

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 scope at 30 September 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 scope of the company Eurogas Utrecht B.V. as its liquidation is now complete. These changes did not have any significant impact.

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	30/09/2017	31/12/2016	30/09/2016
Non-current assets			
Land, property, plant and equipment	18,236	30,500	31,788
Development expenditure	6,580	8,420	7,871
Goodwill	30,094	30,094	30,094
Other intangible assets with finite useful lives	18,623	20,359	20,922
Equity investments valued using the equity method	80	43	34
Other non-current financial assets	461	664	720
Other non-current assets	4,560	0	0
Deferred tax assets	6,754	6,887	6,693
Total non-current assets	**85,388**	**96,967**	**98,122**
Current assets			
Trade receivables	35,680	35,553	35,522
Trade receivables - related parties	1,652	1,998	2,389
Inventories	51,953	49,872	59,283
Contract work in progress	1,163	1,281	2,979
Other receivables and current assets	10,724	10,082	12,708
Cash and cash equivalents	14,005	16,484	12,616
Total current assets	**115,177**	**115,270**	**125,497**
TOTAL ASSETS	**200,565**	**212,237**	**223,619**

(Thousands of Euro)

SHAREHOLDERS' EQUITY AND LIABILITIES	30/09/2017	31/12/2016	30/09/2016
Shareholders' equity			
Share capital	11,250	11,250	11,250
Other reserves	42,210	59,400	59,214
Profit (loss) for the period	-11,053	-25,245	-17,534
Total Shareholders' Equity attributable to the Group	**42,407**	**45,405**	**52,930**
Minority interests	-496	-323	157
TOTAL SHAREHOLDERS' EQUITY	**41,911**	**45,082**	**53,087**
Non-current liabilities			
Non-current bank loans	31,284	18,687	21,579
Other non-current financial liabilities	31,128	22,812	26,363
Provisions for risks and charges	6,861	8,973	8,565
Employee defined benefit plans	2,895	3,124	3,313
Deferred tax liabilities	451	514	375
Total non-current liabilities	**72,619**	**54,110**	**60,195**
Current liabilities			
Bank financing and short-term loans	15,029	40,662	45,119
Other current financial liabilities	1,604	10,039	6,620
Trade payables	52,902	48,919	44,695
Trade payables – related parties	4,740	4,171	3,705
Tax liabilities	1,986	2,604	1,737
Other current liabilities	9,774	6,650	8,461
Total current liabilities	**86,035**	**113,045**	**110,337**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**200,565**	**212,237**	**223,619**

3.3. CONSOLIDATED INCOME STATEMENT

(Thousands of Euro)

CONSOLIDATED INCOME STATEMENT	30/09/2017	30/09/2016
Revenues from sales and services	149,118	131,539
Revenues from sales and services – related parties	391	196
Other revenues and income	490	792
Costs of raw materials, consumables and goods and change in inventories	-71,446	-63,459
Costs for services and use of third party assets	-37,496	-35,905
Costs for services and use of third-party assets – related parties	-2,301	-2,407
Personnel cost	-29,544	-27,456
Provisions, provision for bad debts and other operating expenses	-2,165	-4,148
Gross operating profit	**7,047**	**-848**
Amortization, depreciation and impairment	-11,512	-12,137
Net capital loss from disposal	-1,919	0
Net Operating Profit	**-6,384**	**-12,985**
Financial income	67	81
Financial expenses	-3,295	-3,914
Exchange gains (losses)	-989	400
Gain (loss) on equity investments valued using the equity method	37	-75
Profit (Loss) before tax	**-10,564**	**-16,493**
Current and deferred taxes	-712	-1,334
Net profit (loss) for the Group and minority interests, including:	**-11,276**	**-17,827**
Minority interests	-223	-293
Net profit (loss) for the Group	-11,053	-17,534
Basic earnings (loss) per share (calculated on 112,500,000 shares)	-0.0982	-0.1559
Diluted earnings (loss) per share	-0.0982	-0.1559

3.4. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Thousands of Euro)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	30/09/2017	30/09/2016
Net profit (loss) for the Group and minority interests:	**-11,276**	**-17,827**
Profits/losses that will not be subsequently reclassified in the income statement		
Remeasurement of defined employee benefit plans (IAS 19)	201	-308
Total profits/losses that will not be subsequently reclassified in the income statement	**201**	**-308**
Profits/losses that could subsequently be reclassified in the income statement		
Exchange rate differences from conversion of foreign operations	502	-459
Total profits/losses that could subsequently be reclassified in the income statement	**502**	**-459**
Profits/Losses recorded directly to Shareholders' Equity net of tax effects	**703**	**-767**
Total consolidated statement of comprehensive income for the period	**-10,573**	**-18,594**
Profit (loss) for Shareholders of the Parent Company	-10,396	-18,278
Minority interests	-177	-316

3.5. CONSOLIDATED CASH FLOW STATEMENT

(Thousands of Euro)

CONSOLIDATED CASH FLOW STATEMENT	30/09/2017	30/09/2016
Financial flows deriving from operating activities		
Profit (loss) for the period	-11,276	-17,827
Adjustments for:		
Net capital loss from disposal	1,919	0
Depreciation of property, plant and equipment	5,698	6,395
Amortization of intangible assets	5,630	5,542
Impairment losses on intangible assets	184	200
Impairment loss on receivables	209	1,064
Net financial expenses	4,217	3,433
Income tax for the year	712	1,334
	7,293	**141**
Changes in:		
Inventories and contract work in progress	-1,964	-1,830
Trade receivables and other receivables	140	-568
Trade payables and other payables	3,176	-14,996
Provisions and employee benefits	-2,237	199
Cash generated from operations	**6,408**	**-17,054**
Interest paid	-1,409	-3,078
Interest received	35	43
Income taxes paid	-869	-587
Net cash generated (absorbed) by operations	**4,165**	**-20,676**
Financial flows from investments		
Proceeds from the sale of property, plant and equipment	102	82
Disposal of operating activities	570	0
Equity investments valued using the equity method	37	75
Purchase of property, plant and equipment	-1,423	-3,329
Purchase of intangible assets	-266	-265
Development expenditure	-1,918	-3,050
Net cash absorbed by investment activities	**-2,898**	**-6,487**
Financial flows from financing activities		
Future share capital increase contributions	8,867	
Bond repayments	0	-2,040
Disbursements (reimbursements) of medium/long-term loans	-552	-15,354
Change in short-term bank debts	-12,603	19,359
Net cash generated (absorbed) by financing activities	**-4,288**	**1,965**
Net increase (decrease) in cash and cash equivalents	**-3,021**	**-25,198**
Cash and cash equivalents as at 1 January	16,484	38,264
Effect of exchange rate fluctuation on cash	542	-450
Closing cash and cash equivalents	**14,005**	**12,616**

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

Other information	30/09/2017	30/09/2016
(Increase)/Decrease in trade receivables and other receivables from related parties	346	35
Increase/(Decrease) in trade payables and other payables to related parties	569	1,614

3.6. CONSOLIDATED 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 Shareholders' Equity	Profit (Loss) attributable to minority interests	Capital and reserves attributable to minority interests	Total Shareholders' 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						-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	**0**	**0**	**-744**	**0**	**0**	**-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**
Balance as at 30 September 2016	**11,250**	**2,250**	**10,366**	**46,598**	**0**	**-17,534**	**52,930**	**-293**	**450**	**53,087**
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						-11,053	**-11,053**	-223		**-11,276**
Actuarial profits/losses (IAS 19)			201				**201**			**201**
Translation difference			456				**456**		46	**502**
Total comprehensive profits/losses			**657**			**-11,053**	**-10,396**	**-223**	**46**	**-10,573**
Other changes			-1,469		8,867		**7,398**		4	**7,402**
Allocation of profit			-9,365	-15,880		25,245	**0**	759	-759	**0**
Balance as at 30 September 2017	**11,250**	**2,250**	**375**	**30,718**	**8,867**	**-11,053**	**42,407**	**-223**	**-273**	**41,911**

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 2017

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

declare

in accordance with Article 154-*bis*, paragraph 2 of the *Testo Unico della Finanza* (Italian Finance Consolidation Act – Legislative Decree 58/1998) that the accounting information contained in the Interim Management Report to 30 September 2017 corresponds to the accounting documents, ledgers and records.

Cavriago, 14 November 2017

Financial Reporting
Manager
Paolo Cilloni