HALF-YEARLY FINANCIAL REPORT AS AT 30 June 2018

CONTENTS

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 Shareholders' Meeting 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 previously assigned mandates.

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.

On the date on which this Half-Yearly Financial 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	Diana Rizzo
Standing Statutory Auditor	Domenico Sardano
Standing Statutory 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
Board Member	Sara Fornasiero
Board Member	Domenico Sardano (**)

Independent Auditing Firm	PricewaterhouseCoopers S.p.A.

Financial Reporting Manager	Paolo Cilloni

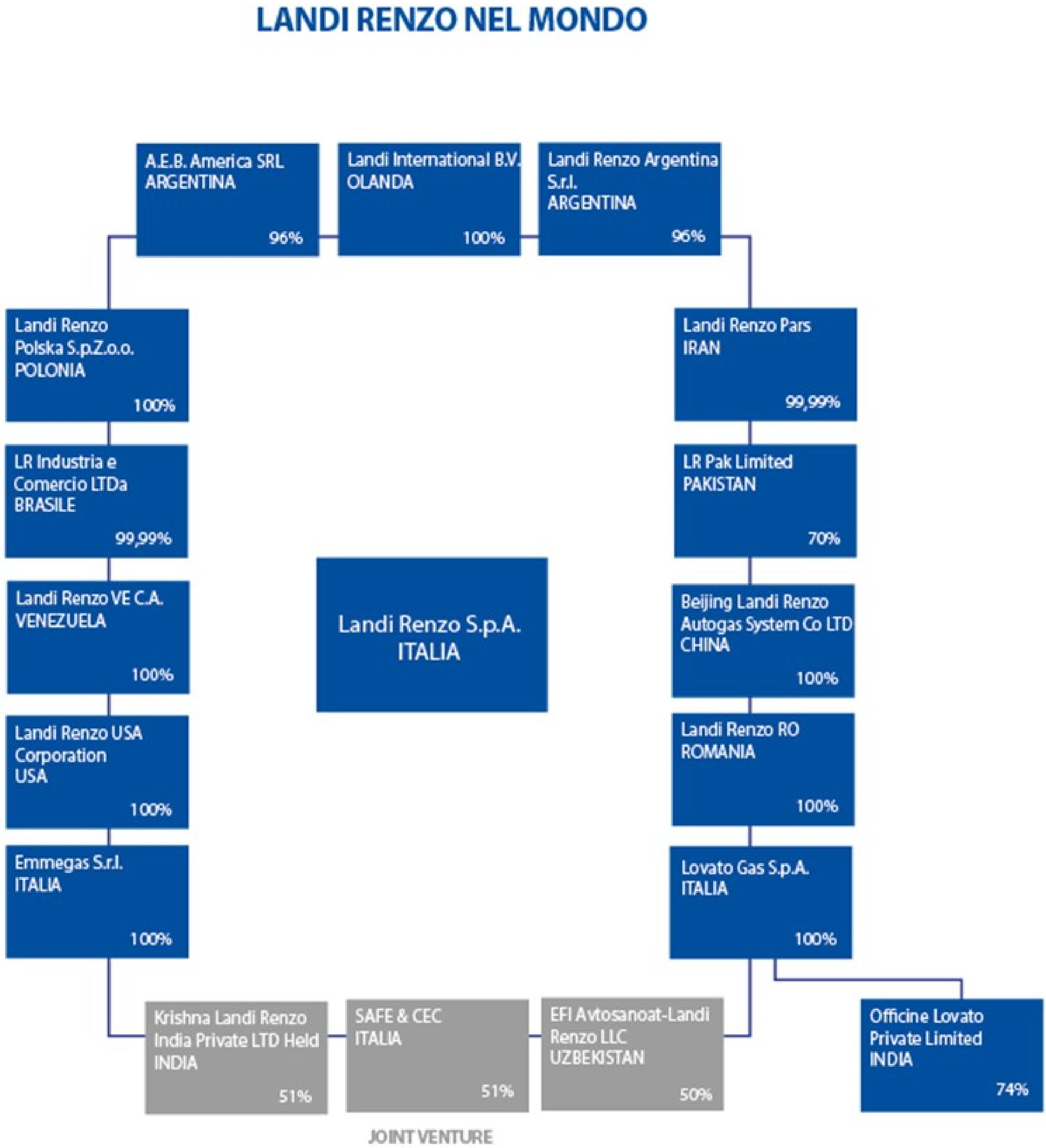
(*) The Director also holds the office of Lead Independent Director
(**) Appointed on 15 March 2018

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
Fax +39 0522 944044
Share capital: Euro 11,250,000
Tax Code and VAT Reg. No. IT00523300358

This report is available online at:
www.landirenzogroup.com

1.2. GROUP STRUCTURE



1.3. LANDI RENZO GROUP FINANCIAL HIGHLIGHTS

Following the extraordinary transactions occurring at the end of the previous financial year, leading to the deconsolidation of the "Sound" and "Gas Distribution and Compressed Natural Gas" segments, the financial data for the first six months of 2018 are not directly comparable with the same period of 2017.

(Thousands of Euro)

ECONOMIC INDICATORS FOR THE SECOND QUARTER	Q2 2018	Q2 2017	Change	Change %
Revenue	55,259	56,734	-1,475	-2.6%
Adjusted Gross Operating Profit (EBITDA) (1)	8,717	4,234	4,483	105.9%
Gross Operating Profit (EBITDA)	8,150	2,710	5,440	200.7%
Adjusted Net Operating Profit (EBIT) *(1) (1 bis)*	6,148	293	5,855	
Net Operating Profit (EBIT)	5,581	-3,291	8,872	
Earnings before Tax	3,558	-5,363	8,921	
Net profit (loss) for the Group and minority interests	2,867	-5,660	8,527	
Adjusted Gross Operating Profit (EBITDA) / Revenue	15.8%	7.5%		
Net profit (loss) for the Group and minority interests / Revenue	5.2%	-10.0%		

(Thousands of Euro)

ECONOMIC INDICATORS FOR THE FIRST HALF-YEAR	30/06/2018	30/06/2017	Change	Change %
Revenue	97,296	103,508	-6,212	-6.0%
Adjusted Gross Operating Profit (EBITDA) (1)	14,077	6,430	7,647	118.9%
Gross Operating Profit (EBITDA)	12,683	4,457	8,226	184.6%
Adjusted Net Operating Profit (EBIT) *(1) (1 bis)*	8,854	-1,518	10,372	
Net Operating Profit (EBIT)	7,460	-5,551	13,011	
Earnings before Tax	3,426	-8,574	12,000	
Net profit (loss) for the Group and minority interests	1,692	-8,621	10,313	
Adjusted Gross Operating Profit (EBITDA) / Revenue	14.5%	6.2%		
Net profit (loss) for the Group and minority interests / Revenue	1.7%	-8.3%		

Below are the main financial indicators, with the same scope (Automotive segment)

(Thousands of Euro)

ECONOMIC INDICATORS FOR THE SECOND QUARTER	Q2 2018	Q2 2017	Change	Change %
Revenue	55,259	46,420	8,839	19.0%
Adjusted Gross Operating Profit (EBITDA) (1)	8,717	3,873	4,844	125.1%
Gross Operating Profit (EBITDA)	8,150	2,349	5,801	247.0%
Adjusted Net Operating Profit (EBIT) *(1) (1 bis)*	6,148	397	5,751	
Net Operating Profit (EBIT)	5,581	-3,187	8,768	
Adjusted Gross Operating Profit (EBITDA) / Revenue	15.8%	8.3%		

(Thousands of Euro)

ECONOMIC INDICATORS FOR THE FIRST HALF-YEAR	30/06/2018	30/06/2017	Change	Change %
Revenue	97,296	87,258	10,038	11.5%
Adjusted Gross Operating Profit (EBITDA) (1)	14,077	6,901	7,176	104.0%
Gross Operating Profit (EBITDA)	12,683	4,928	7,755	157.4%
Adjusted Net Operating Profit (EBIT) *(1) (1 bis)*	8,854	-126	8,980	
Net Operating Profit (EBIT)	7,460	-4,159	11,619	
Adjusted Gross Operating Profit (EBITDA) / Revenue	14.5%	7.9%		

(Thousands of Euro)

STATEMENT OF FINANCIAL POSITION	30/06/2018	31/12/2017	30/06/2017
Net fixed assets and other non-current assets	98,517	103,152	89,932
Operating capital (2)	20,970	17,279	29,352
Non-current liabilities (3)	-10,873	-14,760	-12,587
NET INVESTED CAPITAL	108,614	105,671	106,697
Net financial position (cash) (4)	51,625	48,968	61,681
Equity	56,989	56,703	45,016
BORROWINGS	108,614	105,671	106,697

(Thousands of Euro)

KEY INDICATORS	30/06/2018	31/12/2017	30/06/2017
Operating capital / Turnover (*rolling 12 months*) (5)	11.8%	10.3%	14.8%
Net financial debt / Equity	90.6%	86.4%	137.0%
Gross tangible and intangible investments	2,629	5,149	2,993
Personnel (peak) (6)	492	599	766

(Thousands of Euro)

CASH FLOWS	30/06/2018	31/12/2017	30/06/2017
Operational cash flow before non-recurrent expenditure (7)	5,436	8,954	7,524
Non-recurrent expenditure	-4,046	0	0
Cash flow for investment activities	-2,534	3,319	-2,905
FREE CASH FLOW	-1,144	12,273	4,619
Future share capital increase contributions	0	8,867	0

(1) The data do not include the accounting of non-recurring costs.

(1 bis) The figures at 30 June 2017 do not include accounting of the net capital loss of Euro 2,060 thousand deriving from assets held for sale, 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.

(5) The figures at 30 June 2018 and 31 December 2017 have been "normalised" to take into account the deconsolidation of the "Sound" and "Gas Distribution and Compressed Natural Gas" segments.

(6) The Personnel figure as at 31 December 2017 does not include the employees of Eighteen Sound S.r.l. and SAFE S.p.A. (38 and 73 employees, respectively), which exited the scope of the Group's consolidated accounts in November and December 2017, respectively.

(7) Operational cash flow before non-recurrent expenditure relating to voluntary resignation incentives for a value of Euro 3,441 thousand, and to TFR (severance indemnity) for a value of Euro 605 thousand, disbursed in the first six months of 2018 based on the provisions of the mobility agreement made with social partners.

1.4. SIGNIFICANT EVENTS DURING THE SIX MONTHS

April On 24 April 2018, the Shareholders' Meeting of Landi Renzo S.p.A. resolved, amongst other things:

- to approve the financial statements for 2017, and to allocate to the extraordinary reserve the sum of Euro 1,938,986.13 being the annual profit earned by Landi Renzo S.p.A., as the Statutory Reserve has already reached one fifth of the share capital;
- to authorize the Board of Directors to purchase treasury shares.

April In April, one of the leading automotive publications, «Automotive News Europe», nominated CEO Cristiano Musi as one of the industry's Rising Stars of 2018 in the General Management category. This award is part of an annual programme for managers from all disciplines in the automotive industry.

June On 20 June, the Board of Directors of Landi Renzo S.p.A. approved the proposed merger by incorporation of the wholly owned subsidiary Emmegas S.r.l.. The approved transaction falls within the scope of the Landi Renzo Group 2018-2022 Strategic Plan, with continuation of the policy of improved efficiency, streamlining, and simplification of production flows and processes, allowing synergies to be achieved as well as a reduction in overall costs. This extraordinary transaction will not generate impacts on the Group's consolidated accounts.

June On 20 June, the Landi Renzo S.p.A. Board of Directors also appointed Filippo Alliney as the manager of the company’s internal auditing department, following checks – as an external party to the organisation – on the requirements of independence and professionalism.

2. INTERIM REPORT ON OPERATING PERFORMANCE

This consolidated half-yearly financial report at 30 June 2018 was prepared pursuant to Italian Legislative Decree 58/1998 and subsequent modifications, as well as the Issuer Regulations issued by CONSOB.
This consolidated half-yearly financial report has been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union, and has been drafted in accordance with IAS 34 - Interim Financial Reporting, applying the same accounting principles as adopted in preparing the consolidated financial statements at 31 December 2017.
As a partial exception to the provisions of IAS 34, this report provides detailed rather than summary tables in order to provide a clearer view of the economic-equity and financial dynamics over the six-month period. All values presented below are expressed in thousands of Euro and comparisons are made with respect to data from the corresponding period of the previous year for the economic values and with respect to the data at 31 December 2017 for the financial data (shown in brackets), unless otherwise indicated. The explanatory notes are also presented in compliance with the information required by IAS 34 with the supplements considered useful for a clearer understanding of the half-yearly financial statements.

2.1. OPERATING PERFORMANCE

Preamble

The first six months of 2018 ended with a net profit of Euro 1,692 thousand, compared with a loss of Euro 8,621 thousand at 30 June 2017, and a significantly increased turnover of Euro 97,296 thousand compared with the same period of the previous financial year (+11.5%) for the same scope. After 5 years of losses, the Landi Renzo Group is once again in profit, in the absence of non-recurrent income coming from extraordinary transactions and despite non-recurring costs of Euro 1,394 thousand.

Completion of the "EBITDA improvement" project and the implementation of its guidelines, started in the previous financial year and completed in the first six months of 2018, has already led to significant improvements in margins. The adjusted EBITDA was in fact Euro 14,077 thousand (equal to 14.5% of the turnover), compared with Euro 6,901 thousand (7.9% of the turnover) at 30 June 2017 (for the same scope). It should be noted that the first six months of 2018 were only partially affected by the positive impacts of the "EBITDA improvement" project. Indeed, the mobility plan agreed with social partners at the end of the previous financial year was completed during the six-month period and many of the guidelines of the abovementioned project were only fully implemented in the last few months of the first six-month period of 2018. The second six months of 2018 will fully benefit from these positive impacts, as well as not being impacted by significant non-recurring costs. Following on from what is indicated above, it should also be noted that there has been a significant improvement in Adjusted EBIT which, for the same scope, increased from a negative value of Euro 126 thousand at 30 June 2017 to a positive value of Euro 8,854 thousand.

For the same scope, there was an important increase in turnover (+11.5%), mainly attributable to the good performance of the After Market channel, in particular for emerging markets, which the business initiatives of the Group were focused on. This growth confirms the adequacy of the efforts made by the Group in terms of business expansion, both in Italy and abroad, and its established positioning in the OEM market.

As better described later in this report, the Net Financial Position at 30 June 2018 was Euro 51,625 thousand, more or less in line with the end of the previous financial year (Euro 48,968 thousand), despite the significant outlays deriving from the abovementioned labour mobility plan: an overall amount of Euro 4.0 million, of which Euro 3.4 million was for voluntary resignation incentives and Euro 0.6 million for TFR (severance indemnity), and investments made in the period of around Euro 2.6 million. This was possible thanks to the growing positive cash flows generated by operating activities, net of non-recurring costs, equal to around Euro 3.7 million.

As regards the business outlook, the Automotive segment order portfolio is showing encouraging signs of a trend reversal compared with previous years in both the OEM distribution channel and the After Market channel, where the Group benefits from its established leadership position in the global markets.

In order to better understand this Half-Yearly Financial Report, it should be noted that during the previous financial year the Landi Renzo Group completed various extraordinary transactions. These were described in the Financial Report at 31 December 2017, which should be referred to for more information. In particular:

- The “Sound” segment, which is essentially represented by Eighteen Sound S.r.l. and its subsidiary Sound&Vision S.r.l., which was sold in November 2017.
- On 29 December 2017, the strategic agreement was concluded for the industrial aggregation of the subsidiary SAFE S.p.A., a company in the Landi Group operating in the production and installation of gas treatment compressors for many applications (“Gas Distribution and Compressed Natural Gas” segment), and Clean Energy Compression Ltd (today called “IMW Industries Ltd”), a company specialized in compressed natural gas (CNG) supply systems including compressors, distributors, gas control systems and storage systems for various forms of transport, company fully owned by the US group Clean Energy Fuels Corp., consequently creating the world’s second largest group in this sector in terms of turnover. The aggregation was based on the establishment of a newco called SAFE & CEC S.r.l. and subsequent contribution of 100% of SAFE S.p.A. by the Landi Group and 100% of Clean Energy Compressor Ltd by Clean Energy Fuels Corp. Landi Renzo S.p.A. has a majority share of around 51% in SAFE & CEC S.r.l., while Clean Energy Fuels Corp. holds the remaining 49%. Following the contractually required governance system which reflects the joint control agreement between the two shareholders, the Group ownership is classified as a “joint venture” pursuant to international accounting standards (IFRS 11).

As a result, the financial data for the “Sound” segment and the “Gas Distribution and Compressed Natural Gas” segment were consolidated into the Group’s consolidated accounts at 31 December 2017, for 11 and 12 months respectively. In the first six months of 2018, the Group therefore only operated directly in the “Automotive” segment, its core business, and indirectly through the joint venture SAFE & CEC S.r.l., consolidated using the net equity method, in the “Gas Distribution and Compressed Natural Gas” segment. Consequently, the income statement at 30 June 2018 is not directly comparable with the same period of the previous year, which included the contribution of both the above segments.

Consolidated results

The following table shows the evolution of the main economic performance indicators for the first half of 2018 compared with the first half of 2017.

(Thousands of Euro)

	30/06/2018	Non-recurring costs	30/06/2018 ADJ	%	30/06/2017	Non-recurring costs	30/06/2017 ADJ	%	ADJ changes	ADJ %
Revenues from sales and services	**97,296**		**97,296**	**100.0%**	**103,508**		**103,508**	**100.0%**	**-6,212**	-6.0%
Other revenues and income	163		163	0.2%	433		433	0.4%	-270	-62.4%
Operating costs	-84,776	-1,394	-83,382	-85.7%	-99,484	-1,973	-97,511	-94.2%	14,129	-14.5%
Gross operating profit	**12,683**		**14,077**	**14.5%**	**4,457**		**6,430**	**6.2%**	**7,647**	118.9%
Amortisation, depreciation and impairment	-5,223		-5,223	-5.4%	-7,948		-7,948	-7.7%	2,725	-34.3%
Net capital loss from disposal	0		0		-2,060	-2,060	0		0	
Net operating profit	**7,460**		**8,854**	**9.1%**	**-5,551**		**-1,518**	**-1.5%**	**10,372**	**n/a**
Financial income (charges) and exchange rate differences	-2,882		-2,882	-3.0%	-3,077		-3,077	-3.0%	195	-6.3%
Gain (loss) on equity investments valued using the equity method	-1,152		-1,152	-1.2%	54		54	0.1%	-1,206	n/a
Profit (loss) before tax	**3,426**		**4,820**	**5.0%**	**-8,574**		**-4,541**	**-4.4%**	**9,361**	**n/a**
Current and deferred taxes	-1,734				-47					
Net profit (loss) for the Group and minority interests, including:	**1,692**				**-8,621**					
Minority interests	-93				-147					
Net profit (loss) for the Group	**1,785**				**-8,474**					

Consolidated revenues for the first six months of 2018 totalled Euro 97,296 thousand, decreasing by Euro 6,212 thousand (-6.0%) compared with the same period of the previous year. As previously illustrated, this dip in sales relates only to the sale of the “Sound” segment and to the deconsolidation of the “Gas Distribution and Compressed Natural Gas” segment at the end of 2017.

Consolidated half-year revenues for the Automotive segment (Euro 97,296 thousand in 2018 and Euro 87,258 thousand in 2017) increased by 11.5% compared with the same six months of the previous financial year. This was mainly as a result of sales in the After Market channel, which increased by around 15.1%. Revenues in the OEM channel, which represented 38.8% of the Group’s total revenues at 30 June 2018, increased compared with the revenues recorded in the same period of the previous year (+4,3%). These results are a consequence of the continuing good performance of both the conversion market and the OEM market for gas-powered cars on a global level.

Adjusted EBITDA at the end of the six months was Euro 14,077 thousand, which is a clear improvement on the same period of the previous year (Euro 6,430 thousand) thanks to the higher sales in the Automotive segment and in particular, the positive reduction in fixed and variable costs resulting from the EBITDA improvement project.

The Gross Operating Profit (EBITDA) was positive at Euro 12,683 thousand. This result was impacted not only by the above factors but also by non-recurring costs totalling Euro 1,394 thousand. These related to the costs of strategic consultancy connected to the completion of the EBITDA improvement project.

SEGMENT REPORTING

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

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.
As previously illustrated, during the first six months of 2018 the Group's direct operations were only in the Automotive segment. The information below, which illustrates the segment contributions by each business unit in the same six months of the previous financial year, gives an adequate comparison of the results for the six months in question.

The Group currently operates in the "Gas Distribution and Compressed Natural Gas" segment through a joint venture SAFE & CEC S.r.l. which, in accordance with the contractual governance system, meets the joint control requirements as stipulated by IFRS 11 and is consolidated according to the net equity method. This report provides information about the trend in this segment during the six-month period, to provide a better understanding of the impact of this business unit on the Group's accounts.

Breakdown of sales by business segment

Second quarter of 2018 compared with second quarter of 2017

(Thousands of Euro)

Distribution of revenues by segment	Q2 2018	% of revenues	Q2 2017	% of revenues	Change	%
Automotive segment	55,259	100.0%	46,420	81.8%	8,839	19.0%
Gas Distribution and Compressed Natural Gas segment	0	0.0%	6,777	11.9%	-6,777	-100.0%
Sound segment	0	0.0%	3,537	6.2%	-3,537	-100.0%
Total revenues	**55,259**	**100.0%**	**56,734**	**100.0%**	**-1,475**	**-2.6%**

During the quarter in question, revenues from Group sales of products and services decreased overall, from Euro 56,734 thousand in the second quarter of 2017 to Euro 55,259 thousand in the second quarter of 2018. Whereas, the Automotive segment, the only segment in which the Group currently operates directly, showed a significant increase (+19%) compared with the same period of the previous financial year.

First half of 2018 compared with first half of 2017

(Thousands of Euro)

Distribution of revenues by segment	At 30/06/2018	% of revenues	At 30/06/2017	% of revenues	Change	%
Automotive segment	97,296	100.0%	87,258	84.3%	10,038	11.5%
Gas Distribution and Compressed Natural Gas segment	0	0.0%	9,880	9.5%	-9,880	-100.0%
Sound segment	0	0.0%	6,370	6.2%	-6,370	-100.0%
Total revenues	**97,296**	**100.0%**	**103,508**	**100.0%**	**-6,212**	**-6.0%**

The Group's total revenues in the first six months of 2018 were Euro 97,296 thousand, a reduction (-6.0%, Euro 6,212 thousand) compared with the corresponding period of the previous financial year, following the contribution of the "Gas

Distribution and Compressed Natural Gas" segment to the joint venture SAFE&CEC S.r.l., and to the sale of the Sound segment, which took place in December and November 2017, respectively. The revenues relate entirely to the "Automotive" segment. Following these extraordinary transactions, there were no intersegment sales during the six-month period (this item amounted to Euro 403 thousand at 30 June 2017), as they mainly related to intercompany services provided by Automotive companies to companies operating in other sectors.

Revenues from sales of products and services in the Automotive segment increased in the first six months of 2018, rising from Euro 87,258 thousand in 2017 to Euro 97,296 thousand in 2018, recording an increase of 11.5% (Euro 10,038 thousand).

Breakdown of sales by geographical area

Second quarter of 2018 compared with second quarter of 2017

(Thousands of Euro)

Geographical distribution of revenues	Q2 2018	% of revenues	Q2 2017	% of revenues	Change	%
Italy	11,041	20.0%	11,584	20.4%	-543	-4.7%
Europe (excluding Italy)	21,888	39.6%	25,924	45.7%	-4,036	-15.6%
America	9,425	17.2%	8,646	15.2%	779	9.0%
Asia and Rest of the World	12,905	23.4%	10,580	18.6%	2,325	22.0%
Total	**55,259**	**100%**	**56,734**	**100%**	**-1,475**	**-2.6%**

In view of the extraordinary transactions occurring at the end of the previous financial year, leading to the deconsolidation of the "Sound" and "Gas Distribution and Compressed Natural Gas" segments, for comparison purposes, a breakdown of sales by geographic area is reported below, for the "Automotive" segment only.

(Thousands of Euro)

Geographical distribution of revenues	Q2 2018	% of revenues	Q2 2017 (*)	% of revenues	Change	%
Italy	11,041	20.0%	8,525	18.4%	2,516	29.5%
Europe (excluding Italy)	21,888	39.6%	22,373	48.2%	-485	-2.2%
America	9,425	17.1%	6,706	14.4%	2,719	40.5%
Asia and Rest of the World	12,905	23.4%	8,816	19.0%	4,089	46.4%
Total	**55,259**	**100%**	**46,420**	**100%**	**8,839**	**19.0%**

(*) Data for the Automotive segment only

First half of 2018 compared with first half of 2017

(Thousands of Euro)

Geographical distribution of revenues	At 30/06/2018	% of revenues	At 30/06/2017	% of revenues	Change	%
Italy	18,960	19.5%	21,170	20.5%	-2,210	-10.4%
Europe (excluding Italy)	40,953	42.1%	49,654	48.0%	-8,701	-17.5%
America	15,061	15.4%	15,162	14.6%	-101	-0.7%
Asia and Rest of the World	22,322	23.0%	17,522	16.9%	4,800	27.4%
Total	**97,296**	**100%**	**103,508**	**100%**	**-6,212**	**-6.0%**

In view of the extraordinary transactions occurring at the end of the previous financial year, leading to the deconsolidation of the "Sound" and "Gas Distribution and Compressed Natural Gas" segments, for comparison purposes, a breakdown of sales by geographic area is reported below, for the "Automotive" segment only.

(Thousands of Euro)

Geographical distribution of revenues	At 30/06/2018	% of revenues	At 30/06/2017 (*)	% of revenues	Change	%
Italy	18,960	19.5%	16,596	19.0%	2,364	14.2%
Europe (excluding Italy)	40,953	42.1%	44,327	50.8%	-3,374	-7.6%
America	15,061	15.5%	11,833	13.6%	3,228	27.3%
Asia and Rest of the World	22,322	22.9%	14,502	16.6%	7,820	53.9%
Total	**97,296**	**100%**	**87,258**	**100%**	**10,038**	**11.5%**

(*) Data for the Automotive segment only

Regarding the geographical distribution of revenues for the Automotive segment, during the first six months of 2018 the Group realized 80.5% (81.0% at 30 June 2017) of its consolidated revenues abroad (42.1% in Europe and 38.4% outside Europe), and in detail:

- Italy

Sales on the Italian market of Euro 18,960 thousand, considering the same scope, increased compared with the same period of the previous financial year (an increase of Euro 2,364 thousand). The sales essentially reflect the good performance of the OEM and After Market segments, in particular:

- New bi-fuel car registrations (OEM), for the set of new vehicles equipped with LPG and CNG systems, increased compared with the same period of the previous financial year, accounting for 8.5% of total vehicle registrations according to data published by ANFIA (the Italian National Association for the Automotive Industry).
- The After Market was essentially stable in terms of the number of conversions compared with the same period in the previous year. The Group's domestic market share on the After Market channel at the end of the period was roughly 33%.

- Europe

The decrease in revenues in Europe of Euro 3,374 thousand was mainly attributable to the fall in After Market sales in Turkey and Romania. This was only partially offset by an upturn in sales in the Polish and Slovakian markets.

- America

Sales in the first six months for this area, equal to Euro 15,061 thousand, represent an increase of 27.3%. This was mainly attributable to the positive After Market sales trend in Latin America.

- Asia and Rest of the World

The Asia and Rest of World markets saw significant growth (+53.9% compared to the first six months of 2017).

Profitability

(Thousands of Euro)

	Values at 30 June 2018					Values at 30 June 2017				
	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	97,296	0	0	0	97,296	87,258	9,880	6,370		103,508
Intersegment sales	0	0	0	0	-	318	54	31	-403	0
Total Revenues from net sales and services	**97,296**	**0**	**0**	**0**	**97,296**	**87,576**	**9,934**	**6,401**	**-403**	**103,508**
Other revenue and income	163	0	0	0	163	409	24			433
Operating costs	-83,382	0	0	0	-83,382	-81,084	-11,027	-5,803	403	-97,511
Adjusted gross operating profit	**14,077**	**0**	**0**	**0**	**14,077**	**6,901**	**-1,069**	**598**	**0**	**6,430**
Non-recurring costs	-1,394				-1,394	-1,973				-1,973
Gross operating profit	**12,683**	**0**	**0**	**0**	**12,683**	**4,928**	**-1,069**	**598**	**0**	**4,457**
Amortisation, depreciation and impairment	-5,223	0	0	0	-5,223	-7,027	-632	-289		-7,948
Net capital loss from disposal	0				0	-2,060				-2,060
Net operating profit	**7,460**	**0**	**0**	**0**	**7,460**	**-4,159**	**-1,701**	**309**	**0**	**-5,551**
Financial income (charges) and exchange rate differences					-2,882					-3,077
Gain (loss) on equity investments valued using the equity method					-1,152					54
Profit (loss) before tax					**3,426**					**-8,574**
Current and deferred taxes					-1,734					-47
Net profit (loss) for the Group and minority interests, including:					**1,692**					**-8,621**
Minority interests					-93					-147
Net profit (loss) for the Group					**1,785**					**-8,474**

In the first six months of 2018, the adjusted Gross Operating Profit (adjusted EBITDA) was positive, Euro 14,077 thousand, equivalent to 14.5% of revenues, up by Euro 7,647 thousand compared with the figure for June 2017 (Euro 6,430 thousand). This was mainly due to the higher sales in the Automotive sector, which is the core business of the Landi Renzo Group, and partly as a result of the benefits from the reduction in fixed and variable costs.

The Gross Operating Profit (EBITDA) was positive at Euro 12,683 thousand, including Euro 1,394 thousand in non-recurring costs relating to strategic consultancy expenses, as detailed below:

(Thousands of Euro)

NON-RECURRING COSTS	30/06/2018	30/06/2017	Change
Strategic consultancy	-1,394	-1,533	139
Voluntary resignation incentives payments	0	-440	440
Total	**-1,394**	**-1,973**	**579**

The costs of raw materials, consumables, and goods and changes in inventories decreased overall from Euro 50,121 thousand at 30 June 2017 to Euro 46,580 thousand at 30 June 2018, which in absolute terms is a decrease of Euro 3,541 thousand, mainly related to the improvements in production efficiency and the deconsolidation of the “Sound” and “Gas Distribution and Compressed Natural Gas” segments.

The costs of services and use of third-party assets amounted to Euro 21,816 thousand and included non-recurring costs of Euro 1,394 thousand related to the strategic consultancy costs mentioned above, compared with Euro 27,257 thousand in the same period of the previous year (which included non-recurring costs of 1,973 thousand).

Personnel costs were Euro 14,981 thousand, a significant decrease compared with the same period of the previous financial year (Euro 20,446 thousand), following the company restructuring process aimed at bringing the business organisation into line with the Group’s current activities and strategic plan, and following the deconsolidation of the “Sound” and “Gas Distribution and Compressed Natural Gas” segments (Euro 3,620 thousand at 30 June 2017). The number of employees of the Group reduced from 599 units at 31 December to 492 units at 30 June 2018.

The Net Operating Profit (EBIT) for the period was positive Euro 7,460 thousand (negative Euro 5,551 thousand at 30 June 2017), after accounting for amortization, depreciation and impairment of Euro 5,223 thousand (Euro 7,948 thousand at 30 June 2017), as well as non-recurring costs of Euro 1,394 thousand (Euro 1,973 thousand at 30 June 2017). EBIT at 30 June 2017 was also affected by capital losses from disposal of Euro 2,060 thousand relating to the sale of a business unit regarding the laboratory management part of the Technical Centre to the AVL Group.

The six-month period ended with a pre-tax profit of Euro 3,426 thousand against a pre-tax loss of Euro -8,574 thousand in the first six months of 2017, after the recognition of net losses on investment write-downs of Euro -1,152 thousand (Euro +54 thousand at 30 June 2017).

Total financial charges (active interests, passive interests and exchange rates) amounted to Euro 2,882 thousand, down on the same six-month period of 2017 (Euro 3,077 thousand). In the first six months of 2018, the devaluation of equity investments valued using the net equity method was Euro 1,152 thousand (Euro 54 thousand from revaluation at 30 June 2017). This includes the Group's share of the profits from the Joint Venture Krishna Landi Renzo India Private Ltd Held (revaluation of Euro 168 thousand) and SAFE&CEC S.r.l. (devaluation equal to Euro 1,320 thousand).

The net result of the Group and minority interests in the first six months of 2018 showed a profit of Euro 1,692 thousand compared with a Group and minority interest loss of Euro 8,621 thousand for the same period of 2017. Taxes for the period include the use of deferred tax assets, mainly relating to the use of taxed provisions during the six-month period in connection with the disbursement of voluntary resignation incentives, as provided for in the company restructuring plan, of around Euro 855 thousand.

The Group net result for the period at 30 June 2018 was positive at Euro 1,785 thousand compared with a negative result of Euro 8,474 thousand in the same period of 2017.

Gas Distribution and Compressed Natural Gas operating segment performance

As already illustrated above, the “Gas Distribution and Compressed Natural Gas” segment (which in 2017 was essentially represented by the subsidiary SAFE S.p.A.), was the subject of a strategic aggregation with Clean Energy Fuels Corp, the aim of which was to create the world’s second-largest group, in terms of business volume. The aggregation was based on the establishment of a newco called SAFE & CEC S.r.l. and subsequent contribution of 100% of SAFE S.p.A. by the Landi Group and 100% of Clean Energy Compressor Ltd (now “IMW Industries Ltd”) by

Clean Energy Fuels Corp. In accordance with the contractually required governance system, which reflects the joint control agreement between the two shareholders, the Group's share is classified as a "joint venture" pursuant to international accounting standards (IFRS 11). Therefore consolidation is via the net equity method.

This joint venture was recognised according to the net equity method. It led to the recognition of a write-down of the equity investment of Euro 1,320 thousand at 30 June 2018 (of which Euro 957 thousand refers to the first quarter and Euro 363 thousand to the second quarter).

During the first six months of 2018, the "Gas Distribution and Compressed Natural Gas" segment achieved consolidated net sales of Euro 26,322 thousand, adjusted EBITDA of Euro 568 thousand, and a post-tax loss of Euro 2,588 thousand. SAFE&CEC's results for the six-month period were affected both by the seasonality of the business and by the initial inefficiencies arising from the need for group harmonisation and reorganisation, which came about only a few months ago. In the meantime, all the activities aimed at reorganising the Group's activities were initiated (and are in the completion stage in the third quarter), aimed in particular at optimising processes and the synergies between SAFE S.p.A. and IMW Industries Ltd., with significant targets in terms of cost reductions and an increase in margins.

The Group also has a portfolio of major orders which is believed will allow a gradual recovery over the next six months and the achievement of budget targets. These were also confirmed in the phase of defining the 2018 forecast and subject to continuous monitoring by directors. i.e. expected revenues are between Euro 57 and Euro 60 million.

Invested capital

(Thousands of Euro)

Balance Sheet and Financial Position	30/06/2018	31/03/2018	31/12/2017	30/06/2017
Trade receivables	36,409	30,386	29,118	36,657
Inventories	39,003	38,822	36,562	49,321
Work in progress on orders	0	0	0	210
Trade payables	-53,517	-49,168	-47,829	-55,220
Other net current assets	-925	267	-571	-1,616
Net operating capital	**20,970**	**20,307**	**17,279**	**29,352**
Tangible assets	13,397	13,489	14,583	19,556
Non-current assets held for sale	0	0	0	5,700
Intangible assets	49,662	50,354	51,264	56,826
Other non-current assets	35,458	36,080	37,305	7,850
Fixed capital	**98,517**	**99,923**	**103,152**	**89,932**
TFR (severance indemnity) and other provisions	-10,873	-11,529	-14,760	-12,587
Net invested capital	**108,614**	**108,701**	**105,671**	**106,697**
Financed by:				
Net Financial Position	51,625	53,774	48,968	61,681
Group shareholders' equity	57,716	55,601	57,372	45,451
Minority interests	-727	-674	-669	-435
Borrowings	**108,614**	**108,701**	**105,671**	**106,697**

Ratios	30/06/2018	31/03/2018	31/12/2017	30/06/2017
Net operating capital	20,970	20,307	17,279	29,352
Net operating capital/Turnover (rolling) (1)	11.8%	12.1%	10.3%	14.8%
Net invested capital	108,614	108,701	105,671	106,697
Net capital employed/Turnover (rolling)	61.3%	64.6%	63.0%	53.8%

(1) The figures at 30 June 2018, 31 March 2018 and 31 December 2017 have been "normalised" to take into account the deconsolidation of the "Sound" and "Gas Distribution and Compressed Natural Gas" segments.

Net Operating Capital at the end of the period stood at Euro 20,970 thousand, with an increase of Euro 3,691 thousand compared with the same figure recorded at 31 December 2017, as a result of the increase in receivables and inventories, which was only partially offset by the increase in trade payables. In terms of percentages on rolling sales, there was an increase in this figure, from 10.3% at 31 December 2017 to the current 11.8% (14.8% at 30 June 2017). The trend in operating capital is also under control and is essentially stable in relation to the growth in turnover.

Trade receivables stood at Euro 36,409 thousand, an increase of Euro 7,291 thousand compared with 31 December 2017. At 30 June 2018, derecognised receivables disposed through factoring stood at Euro 27.3 million, compared with Euro 19.5 million at 31 December 2017.

There was an increase of Euro 5,688 thousand in trade payables, which rose from Euro 47,829 thousand as at 31 December 2017 to Euro 53,517 thousand, while the closing inventories totalling Euro 39,003 thousand, increased by Euro 2,441 thousand.

Net Invested Capital (Euro 108,614 thousand) was basically unchanged compared with December 2017 (Euro 105,671 thousand), while the percentage indicator calculated on the rolling turnover decreased from 63.0% to 61.3%.

Net Financial Position and cash flows

(thousands of Euro)

	30/06/2018	31/03/2018	31/12/2017	30/06/2017
Cash and cash equivalents	23,188	18,670	17,779	15,916
Bank financing and short-term loans	-16,932	-13,049	-7,741	-13,495
Bonds issued	-6,345	-2,373	-2,373	-1,183
Short-term loans	-419	-419	-419	-420
Net short term indebtedness	**-508**	**2,829**	**7,246**	**818**
Bonds issued	-26,131	-29,101	-28,679	-30,259
Medium-long term loans	-24,986	-27,502	-27,535	-32,240
Net medium-long term indebtedness	**-51,117**	**-56,603**	**-56,214**	**-62,499**
Net financial position	**-51,625**	**-53,774**	**-48,968**	**-61,681**

The Net Financial Position is negative overall at Euro -51,625 thousand, compared with Euro -48,968 thousand at 31 December 2017 (and equal to Euro -61,681 thousand at 30 June 2017). The change in Net Financial Position compard to 31st december 2018 was due to the financial outgoings as voluntary resignation incentives and severance indemnities disbursed during the six-month period.

On 02 July 2018, in line with the provisions of the Financial Optimization Agreement, which provided for repayment as excess liquidity in the case of the sale of the Sound segment and of the business branch of the Technical Centre to

AVL (transactions that fall under the so-called “Permitted Transactions”), Landi Renzo S.p.A. paid the holders of the debenture loan an overall additional amount of Euro 1,061 thousand (equal to 26.13% of the net income exceeding Euro 3 million) and the lending banks an overall amount of Euro 969 thousand (23.87% of the net income exceeding Euro 3 million), drawn from the last instalment provided for by the respective repayment schedules.

The following table illustrates the trend in total cash flow:

(thousands of Euro)	30/06/2018	31/03/2018	31/12/2017	30/06/2017
Operational cash flow before non-recurrent expenditure (1)	5,436	-332	8,954	7,524
Non-recurrent expenditure	-4,046	-3,163	0	0
Cash flow for investment activities	-2,534	-642	3,319	-2,905
Free Cash Flow	***-1,144***	***-4,137***	***12,273***	***4,619***

(1) Operational cash flow before non-recurrent expenditure relating to voluntary resignation incentives for a value of Euro 3,441 thousand, and to TFR (severance indemnity) for a value of Euro 605 thousand, disbursed in the first six months of 2018 based on the provisions of the mobility agreement made with social partners. In the first quarter of 2018, the sums disbursed were Euro 2,733 thousand and Euro 430 thousand, respectively.

Net cash flow from operating activities at the end of June, as shown in the Cash Flow Statement, was positive at Euro 1,390 thousand (net of Euro 4,046 thousand for non-recurring expenses)compared with Euro 8,954 thousand at 31 December 2017, while net investment activities entailed a cash absorption of Euro 2,534 thousand.

Investments

Gross investments in property, plant and machinery and other equipment totalled Euro 1,386 thousand (Euro 1,136 thousand at 30 June 2017) and relate mainly to purchases of plant and machinery, new production moulds and testing and control instruments.

The increases in intangible assets amounted to Euro 1,243 thousand (Euro 1,857 thousand at 30 June 2017) and refer primarily to the capitalisation of costs for development projects that meet the requirements of IAS 38 in order to be recognized as balance sheet assets.

Performance of the Parent Company

In the first half of 2018, Landi Renzo S.p.A. had revenues of Euro 69,702 thousand. The Gross Operating Profit totalled Euro 7,259 thousand (of which Euro 1,394 thousand in non-recurrent charges), compared with Euro 388 thousand at 30 June 2017 (of which Euro 1,973 thousand in non-recurrent charges), while the Net Financial Position was Euro 55,997 thousand (Euro -56,899 thousand at 31 December 2017).

At the end of the six-month period, the Parent Company's workforce numbered 303 employees, a decrease of 66 units compared with 31 December 2017.

The economic results of the Parent Company were positively influenced by the higher supply volumes in both the After Market and the OEM market.

STATEMENT OF RECONCILIATION BETWEEN THE DATA OF THE PARENT COMPANY'S FINANCIAL STATEMENTS AND THE DATA OF THE CONSOLIDATED FINANCIAL STATEMENTS

The following is a reconciliation statement between the results for the period and the capital and reserves of the Group with the corresponding values of the Parent Company.

(Thousands of Euro)

RECONCILIATION STATEMENT	Net Shareholder's equity at 30.06.2018	Result at 30.06.2018	Net Shareholder's equity at 30.06.2017	Result at 30.06.2017
Equity and result for the year of the Parent Company	**54,486**	**3,585**	**44,808**	**-8,239**
Difference in value between book value and pro rata value of the accounting equity of the consolidated companies	3,591	0	3,189	54
Pro rata results achieved by investees	0	2,659	0	-1,047
Elimination of intra-group dividends	0	-2,964	0	
Elimination of the effects of intra-group commercial transactions	-1,224	241	-1,648	-191
Profits and losses on exchange from valuation of intra-group loans	591	-591	-846	846
Elimination of revaluation/write-down of investments and recognition of impairment of goodwill	0	-1,220	0	-44
Elimination of the effects of intra-group assets	-455	-18	-487	
Equity and result for the year from Consolidated Financial Statements	**56,989**	**1,692**	**45,016**	**-8,621**
Equity and result for the year of minority interests	-727	-93	-435	-147
Equity and result for the year of the Group	**57,716**	**1,785**	**45,451**	**-8,474**

2.2. INNOVATION, RESEARCH AND DEVELOPMENT

Research and Development activities in the first half of 2018 saw the continuation of projects initiated in the previous year as well as the launch of new initiatives, in particular:

- development of conversion systems in the After Market and OEM segments, destined for new vehicles and new engines introduced into the automotive segment;
- development of projects for the production of new reducers, injectors and electronic control units, both LPG and CNG, for heavy duty vehicles, for the After Market segment;
- development of new higher performance and reduced-size electronic control units for the After Market segment and destined for all Group brands.

2.3. SHAREHOLDERS AND FINANCIAL MARKETS

The Landi Group maintains a constant dialogue with its Shareholders through a responsible and transparent activity of communication carried out by the Investor Relations office, with the aim of providing a clear explanation of the company's evolution. The Investor Relations office is also assigned the task of organizing presentations, events and “Road shows” that enable a direct relationship between the financial community and the Group's Top management. For further information and to consult the economic-financial data, corporate presentations, periodic publications, official communications and real time updates on the share price you can visit the Investors section of the site www.landirenzogroup.com.

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

Price at 02 January 2018	1.566
Price at 29 June 2018	1.3480
Maximum price 2018 (02/01/2018 - 29/06/2018)	1.676
Minimum price 2018 (02/01/2018 - 29/06/2018)	1.2640
Market Capitalization at 30 June 2018 (thousands of Euro)	151,650
Group equity and minority interests at 30 June 2018 (thousands of Euro)	56,989
Number of shares representing the share capital	112,500,000

The share capital is made up of 112,500,000 shares with a nominal value of Euro 0.10 per share, for a total of Euro 11,250,000.00.

At 30 June 2018, the quotation of the “LANDI RENZO 6.10% 2015-2022” (ISIN:IT0005107237) bonds, traded on the ExtraMOT PRO professional segment of the ExtraMOT market organized and managed by Borsa Italiana, was 87.7.

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

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

- Strategic risks relating to the macroeconomic and sector situation and recoverability of intangible assets, particularly goodwill. Intangible assets totalling Euro 49,662 thousand are reported in the condensed half-yearly consolidated financial statements at 30 June 2018, including Euro 4,621 thousand for development expenditure, Euro 30,094 thousand for goodwill, Euro 14,947 thousand for patents and trademarks and also net prepaid tax totalling Euro 7,369 thousand. The recoverability of such values is related to the materialization of future product development and sale plans and the cash generating units to which they refer.
- Operating risks, risks relating to relations with OEM customers (in the six-month period in question, Group sales of systems and components to OEM customers accounted for around 38.8% of total sales), the high competitiveness of the sector where the Group operates, product liability and protection of intellectual property.
- Financial risks, specifically:
    a) Interest rate risk, linked to fluctuations in the interest rates applied on Group loans at variable rates;
    b) Exchange rate risk, relating both to the marketing of products in countries outside the Euro area and to the conversion of financial statements of subsidiaries not belonging to the European Monetary Union for inclusion in the consolidated financial statements;
    c) Credit risk related to non-fulfilment of contractual obligations by a customer or counterparty;
    d) Liquidity risk, related to possible difficulties in meeting obligations associated with financial liabilities.

  On 30 June 2018, existing financial covenants on loans were respected.

The Half-Yearly Financial Report at 30 June 2018 does not include all the information on the management of the above-mentioned risks required for the annual financial statements, and should be read in conjunction with the Annual Financial Report prepared for the year ended 31 December 2017. There were no substantial changes in the management of the risks mentioned above.

2.5. OTHER INFORMATION

Transactions with related parties

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

Regarding the relationships with the parent company Girefin S.p.A., it should also be noted that the Directors of Landi Renzo S.p.A. deem that it does not exercise the administration and coordination activities envisaged by art. 2497 of the Italian Civil Code, because:

- the shareholder lacks the means and structures to perform these activities, since it does not have employees or other collaborators capable of providing support for Board of Directors' activities;
- it does not prepare the budgets and business plans for Landi Renzo S.p.A.;
- it does not give any guidance or instructions to the subsidiary; it does not request to be informed in advance or to approve its more significant transactions, nor those of ordinary administration;
- no committees or working groups, formal or informal, are established with representatives of Girefin S.p.A. and representatives of the subsidiary.

As of today, there have been no changes with regards to the conditions indicated above.

Lastly, please note that in accordance with CONSOB Regulation 17221/2010, and pursuant to Article 2391-bis of the Italian Civil Code, the Board of Directors has adopted the specific procedure for transactions with related parties, available on the company website, to which you are referred.

Positions or transactions deriving from atypical and/or unusual transactions

Pursuant to CONSOB communication no. 6064293 of 28 July 2006, note that during the period no atypical and/or unusual transactions occurred outside the normal operation of the company that could give rise to doubts regarding the correctness and completeness of the information in the financial statements, conflicts of interest, protection of company assets and safeguarding of minority shareholders.

Treasury shares and shares of parent companies

In compliance with the provisions of article 2428 of the Italian Civil Code, it is confirmed that during 2017 and the first half of 2018 the Parent Company did not negotiate any treasury shares or shares of parent companies and does not at present hold any treasury shares or shares of parent companies.

Adoption of simplification of reporting obligations pursuant to CONSOB Resolution no. 18079 of 20 January 2012

Pursuant to art. 3 of CONSOB Resolution no. 18079 of 20 January 2012, Landi Renzo S.p.A. 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.

Sub-offices

No sub-offices were established.

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

Significant events after closing of the six-month period

On 02 July 2018, in line with the provisions of the Financial Optimization Agreement, which provided for repayment as excess liquidity in the case of the sale of the Sound segment and of the business branch of the Technical Centre to AVL (transactions that fall under the so-called “Permitted Transactions”), Landi Renzo S.p.A. paid the holders of the debenture loan an overall additional amount of Euro 1,061 thousand (equal to 26.13% of the net income exceeding Euro 3 million) and the lending banks an overall amount of Euro 969 thousand (23.87% of the net income exceeding Euro 3 million), drawn from the last instalment provided for by the respective repayment schedules.

On 24 July 2018, the Landi Renzo S.p.A. Board of Directors approved the merger by incorporation of the wholly owned subsidiary Emmegas S.r.l. into the Parent Company. This transaction, which falls within the scope of the Landi Renzo Group 2018-2022 Strategic Plan, with continuation of the policy of improved efficiency, streamlining, and simplification of production flows and processes, will not generate any accounting effects on the Group’s consolidated accounts.

Likely future developments

With regards to the business outlook, taking into account the results of the first six months of 2018, the uncertainties in the reference market, and orders in the portfolio, the information already given at the time of approval of the Annual Financial Report at 31 December 2017 is confirmed, i.e. a growth in revenues for the Automotive segment of between Euro 165 million and Euro 170 million, with an adjusted EBITDA margin of around Euro 25 million, equal to 15% of revenues. The proceeds from the joint venture of the Gas Distribution and Compressed Natural Gas division (established in 2018 with the equity method) are expected to be between Euro 57 million and Euro 60 million with an adjusted EBITDA margin of roughly Euro 5 million, equivalent to 8% of proceeds.

Cavriago, 13 September 2018

Chief Executive Officer
Cristiano Musi

3. CONDENSED HALF-YEARLY CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

3.1. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Thousands of Euro)

ASSETS	Notes	30/06/2018	31/12/2017
Non-current assets			
Land, property, plant, machinery and equipment	2	13,397	14,583
Development expenditure	3	4,621	5,401
Goodwill	4	30,094	30,094
Other intangible assets with finite useful lives	5	14,947	15,769
Equity investments valued using the equity method	6	23,149	24,301
Other non-current financial assets	7	380	428
Other non-current assets	8	4,560	4,560
Deferred tax assets	9	7,369	8,016
Total non-current assets		**98,517**	**103,152**
Current assets			
Trade receivables	10	36,409	29,118
Inventories	11	39,003	36,562
Other receivables and current assets	12	7,333	7,529
Cash and cash equivalents	13	23,188	17,779
Total current assets		**105,933**	**90,988**
TOTAL ASSETS		**204,450**	**194,140**

(Thousands of Euro)

EQUITY AND LIABILITIES		30/06/2018	31/12/2017
Equity			
Share capital		11,250	11,250
Other reserves		44,681	41,983
Profit (loss) for the period		1,785	4,139
Total Equity of the Group		**57,716**	**57,372**
Minority interests		-727	-669
TOTAL EQUITY	14	**56,989**	**56,703**
Non-current liabilities			
Non-current bank loans	15	24,568	26,906
Other non-current financial liabilities	16	26,549	29,308
Provisions for risks and charges	17	8,630	11,891
Defined benefit plans for employees	18	1,847	2,446
Deferred tax liabilities	19	396	423
Total non-current liabilities		**61,990**	**70,974**
Current liabilities			
Bank financing and short-term loans	20	16,932	7,741
Other current financial liabilities	21	6,764	2,792
Trade payables	22	53,517	47,829
Tax liabilities	23	2,678	3,003
Other current liabilities	24	5,580	5,098
Total current liabilities		**85,471**	**66,463**
TOTAL EQUITY AND LIABILITIES		**204,450**	**194,140**

3.2. CONSOLIDATED INCOME STATEMENT

(Thousands of Euro)

CONSOLIDATED INCOME STATEMENT	Notes	30/06/2018	30/06/2017 (*)
Revenues from sales and services	25	97,296	103,508
Other revenue and income	26	163	433
Cost of raw materials, consumables and goods and change in inventories	27	-46,580	-50,121
Costs for services and use of third party assets	28	-21,816	-27,257
Personnel costs	29	-14,981	-20,446
Provisions, provision for bad debts and other operating expenses	30	-1,399	-1,660
Gross operating profit		**12,683**	**4,457**
Amortisation, depreciation and impairment	31	-5,223	-7,948
Loss on assets disposal	31	**0**	-2,060
Net operating profit		**7,460**	**-5,551**
Financial income	32	77	48
Financial charges	33	-1,924	-2,297
Exchange gains (losses)	34	-1,035	-828
Gain (loss) on equity investments valued using the equity method	35	-1,152	54
Profit (loss) before tax		**3,426**	**-8,574**
Current and deferred taxes	36	-1,734	-47
Net profit (loss) for the Group and minority interests, including:		**1,692**	**-8,621**
Minority interests		-93	-147
Net profit (loss) for the Group		1,785	-8,474
Basic earnings (loss) per share (calculated on 112,500,000 shares)	37	0.0159	-0.0753
Diluted earnings (loss) per share	37	0.0159	-0.0753

(*) The comparative figure was re-presented in accordance with the classification adopted on 30 June 2018

3.3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Thousands of Euro)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Notes	30/06/2018	30/06/2017
Net profit (loss) for the Group and minority interests:		**1,692**	**-8,621**
Profits/losses that will not be subsequently reclassified in the income statement			
Remeasurement of defined employee benefit plans (IAS 19)	18	6	143
Total profits/losses that will not be subsequently reclassified in the income statement		**6**	**143**
Profits/losses that could subsequently be reclassified in the income statement			
Exchange rate differences from conversion of foreign operations		-1,083	-308
Total profits/losses that could subsequently be reclassified in the income statement		**-1,083**	**-308**
Profits/losses recorded directly to Equity after tax effects		**-1,077**	**-165**
Total consolidated income statement for the period		**615**	**-8,786**
Profit (loss) for Shareholders of the Parent Company		672	-8,669
Minority interests		-57	-117

3.4. CONSOLIDATED CASH FLOW STATEMENT

(Thousands of Euro)

CONSOLIDATED CASH FLOW STATEMENT	30/06/2018	30/06/2017
Financial flows deriving from operating activities		
Pre-tax profit (loss) for the period	3,426	-8,574
Adjustments for:		
Net capital loss from disposal	0	2,060
Depreciation of property, plant and equipment	2,354	4,039
Amortization of intangible assets	2,869	3,787
Loss (profit) from disposal of tangible and intangible assets	-37	122
Impairment loss on receivables	83	284
Net financial charges	2,882	3,077
Profit (loss) attributable to investments valued using net equity method	1,152	54
	12,729	**4,849**
Changes in:		
Inventories and contract work in progress	-2,441	1,622
Trade receivables and other receivables	-7,130	603
Trade payables and other payables	4,385	1,832
Provisions and employee benefits	-3,854	168
Cash generated from operations	**3,689**	**9,074**
Interest paid	-1,841	-928
Interest received	37	20
Income taxes paid	-495	-642
Net cash generated from operating activities	**1,390**	**7,524**
Financial flows from investments		
Proceeds from the sale of property, plant and equipment	95	88
Purchase of property, plant and equipment	-1,386	-1,136
Purchase of intangible assets	-100	-201
Development expenditure	-1,143	-1,656
Net cash absorbed by investment activities	**-2,534**	**-2,905**
Free Cash Flow	**-1,144**	**4,619**
Financial flows from financing activities		
Proceeds from future share capital increase contributions	0	8,867
Bond repayments	0	0
Disbursements (reimbursements) of medium/long-term loans	-1,028	-552
Change in short-term bank debts	8,673	-14,050
Net cash generated (absorbed) by financing activities	**7,645**	**-5,735**
Net increase (decrease) in cash and cash equivalents	**6,501**	**-1,116**
Cash and cash equivalents as at 1 January	17,779	16,484
Effect of exchange rate fluctuation on cash and cash equivalents	-1,092	548
Closing cash and cash equivalents	**23,188**	**15,916**

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

Other information	30/06/2018	30/06/2017
(Increase)/Decrease in trade receivables and other receivables from related parties	-745	356
Increase/(Decrease) in trade payables and other payables to related parties	-396	777

In order to provide better information and for greater conformity with the requirements of IAS 7, slight changes were made to the structure of the cash flow statement, resulting in the restatement of comparative data.

3.5. CONSOLIDATED STATEMENT OF CHANGES IN 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 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						-8,474	**-8,474**	-147		**-8,621**
Actuarial profits/losses (IAS 19)			143				**143**			**143**
Translation difference			508				**508**		30	**538**
Total overall profits/losses			**651**			**-8,474**	**-7,823**	**-147**	**30**	**-7,940**
Other changes			-998		8,867		**7,869**		5	**7,874**
Allocation of profit			-9,365	-15,880		25,245	**0**	759	-759	**0**
Balance at 30 June 2017	**11,250**	**2,250**	**840**	**30,718**	**8,867**	**-8,474**	**45,451**	**-147**	**-288**	**45,016**
Balance at 31 December 2017	**11,250**	**2,250**	**148**	**30,718**	**8,867**	**4,139**	**57,372**	**-437**	**-232**	**56,703**
Effect of IFRS 9 application			-321				**-321**			**-321**
Balance at 01 January 2018	**11,250**	**2,250**	**-173**	**30,718**	**8,867**	**4,139**	**57,051**	**-437**	**-232**	**56,382**
Result for the year						1,785	**1,785**	-93		**1,692**
Actuarial profits/losses (IAS 19)			6				**6**			**6**
Translation difference			-1,119				**-1,119**		36	**-1,083**
Total overall profits/losses	**0**	**0**	**-1,113**	**0**	**0**	**1,785**	**672**	**-93**	**36**	**615**
Other changes			-7				**-7**		-1	**-8**
Allocation of profit			4,139			-4,139	**0**	437	-437	**0**
Balance at 30 June 2018	**11,250**	**2,250**	**2,846**	**30,718**	**8,867**	**1,785**	**57,716**	**-93**	**-634**	**56,989**

4. EXPLANATORY NOTES TO THE CONDENSED HALF-YEARLY CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

4.1. GENERAL INFORMATION

The Landi Renzo Group (also “the Group”) has been active in the motor propulsion fuel supply system sector for more than sixty years: designing, producing, installing and selling environmentally-friendly LPG and CNG fuel supply systems (“Automotive” segment), and compressors for fuel stations through the SAFE trademark (“Gas Distribution and Compressed Natural Gas systems” segment). The Group manages all phases of the process that leads to the production and sale of automotive fuel supply systems; it sells both to the main automobile manufacturers at a world-wide level (OEM customers) and to independent retailers and importers (After Market customers). For a better understanding of the activities by operating segment, refer to the Segment Reporting in section 2.1 – Operating Performance of the current Half-Yearly Financial Report.

It should be noted that the structure of the Landi Group at 30 June 2018 has not changed compared with 31 December 2017.

The Parent Company of the Landi Renzo Group is Landi Renzo S.p.A. with registered office in Cavriago (RE), Italy. The company is listed on the Milan Stock Exchange in the FTSE Italy STAR segment.

These Condensed Half-Yearly Consolidated Financial Statements are subject to limited auditing by PricewaterhouseCoopers S.p.A.

4.2. GENERAL ACCOUNTING STANDARDS AND CONSOLIDATION PRINCIPLES

4.2.1. Preamble

The Condensed Half-Yearly Consolidated Financial Statements at 30 June 2018 have been prepared pursuant to art. 154-ter of Italian Legislative Decree 58/1998 “Consolidated Financial Law” (*Testo Unico della Finanza*), in accordance with the provisions of international accounting standards (IAS/IFRS) adopted by the European Union, and, in particular, those of IAS 34 “Interim Financial Reporting”. As a partial exception to the provisions of IAS 34, this report provides detailed rather than summary tables in order to provide a clearer view of the economic-equity and financial dynamics over the six-month period. The explanatory notes are also presented in compliance with the information required by IAS 34 with the supplements considered useful for a clearer understanding of the half-yearly financial statements.

The Condensed Half-Yearly Consolidated Financial Statements at 30 June 2018, approved by the Board of Directors on 13 September 2018, must be read in conjunction with the Consolidated Annual Financial Statements at 31 December 2017.

The consolidation method for the financial statements of the group companies is specified below in the sections “Companies consolidated using the line-by-line method” and “Companies consolidated using the equity method”.
The valuation criteria used for the preparation of the consolidated financial statements for the six months ending 30 June 2018 are the same as those used for the consolidated financial statements at 31 December 2017.
In addition to the interim values of the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income at 30 June 2018, the balance sheet figures for the year ending 31 December 2017 and the income statement figures at 30 June 2017 are included in the tables below for purposes of comparison. In view of the extraordinary transactions occurring at the end of the previous financial year, leading to the deconsolidation of the

“Sound” and “Gas Distribution and Compressed Natural Gas” segments, the financial data for the six-month period are not directly comparable to those for the same period of the previous financial year.

The functional and reporting currency is the Euro. Figures in the statements and tables in this half-yearly financial report are in thousands of Euro.

In order to provide better information and for greater conformity with the requirements of IAS 7, slight changes were made to the structure of the cash flow statement, resulting in the restatement of comparative data.

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

The accounting standards adopted in preparing the Condensed Half-Yearly Consolidated Financial Statements are consistent with those adopted for the preparation of the Consolidated Financial Statements for the year ending 31 December 2017, with the exception of the adoption of the new accounting standards, improvements and interpretations applicable as of 1 January 2018 listed below.

EU endorsement regulation	Description
Regulation (EU) 2017/1989	IAS 12 Income taxes – Recognition of deferred tax assets for unrealised losses, the modification aims to clarify how to account for deferred tax assets relating to debt instruments measured at fair value.
Regulation (EU) 2017/1990	IAS 7 Statement of Cash Flows – Disclosure initiative, the change aims to improve disclosures about an entity’s financing activities provided to balance sheet users.
Regulation (EU) 2016/2067	IFRS 9 Financial instruments – The standard aims to improve financial disclosure of financial instruments, tackling the related problems arising during the financial crisis. In particular, IFRS 9 responds to the recommendation of the G20 to transition to a more forward-looking model for the recognition of expected losses on financial assets. In particular, IFRS 9 introduces new criteria for the classification and assessment of financial assets and liabilities, with a new receivables impairment model, based on expected credit losses (ECL) and not on incurred losses as used by the IAS, introducing a new hedge accounting model as well as regulating the effects on financial liabilities subject to renegotiation.
Regulation (EU) 2016/1905	IFRS 15 – Revenue from Contracts with Customers, aims to improve the quality and consistency of revenue recognition and to define the moment of transfer as an element for the recognition of revenue and the amount that the company is entitled to receive. The following process is to be followed for the recognition of revenue: 1) Identify the contract(s) with a customer 2) Identify the performance obligation 3) Determine the transaction price 4) Allocate the transaction price to the performance obligations 5) Recognize revenue when (or as) the entity satisfies a performance obligation.
Regulation (EU) 2016/1905	The amendment to IFRS 4 deals with concerns that arose in the application of IFRS 9 on financial instruments before the introduction of the new insurance contract standards. In addition, two options are provided for companies that issue insurance contracts with reference to IFRS 4: i) one option that allows companies to reclassify certain revenue or

	costs arising from designated financial assets from the income statement to the statement of comprehensive income; ii) a temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4. The amendment does not apply to the Company.

The accounting principles and modifications to the accounting principles described above, with the exception of IFRS 9, have not had significant effects on the Group's balance sheets.

With reference to IFRS 9, the Group determined the effects on the accounts deriving from the application of paragraph B.5.4.6 of the standard, which governs the impact in terms of the amortized cost on financial liabilities deriving from a change in the related financial flow plan, due to both a revised estimate and a contractual amendment. Substantially this paragraph requires that, if the estimates of payments relating to financial liabilities are revised, the company must discount future cash flows at the original internal rate of yield and must account for the difference between the current value of future cash flows determined with that rate and the book value of the liability entered in the accounts. The application of this paragraph has led to the adjustment of the value of some financial liabilities (convertible bonds and medium and long-term bank loans) renegotiated by the Parent Company during the previous financial years, the effect of which (Euro 422 thousand) was recorded (before tax) by reducing the equity at 01 January 2018, as permitted by the standard itself.
Application of the Expected Credit Loss ("ECL") methodology to the assessment of trade receivables did not have significant effects on the Group's accounts.

The application of the IFRS 15 accounting standard did not have significant effects on the Group's accounts. It should be noted that management was given support in the analysis of the related effects by a leading international accounting expert.

The table showing the effects of the application of the IFRS 9 standard to the opening balances is reported below.

(Thousands of Euro)

ASSETS	31/12/2017	IFRS 9	01/01/2018
Land, property, plant, machinery and equipment	14,583		14,583
Development expenditure	5,401		5,401
Goodwill	30,094		30,094
Other intangible assets with finite useful lives	15,769		15,769
Equity investments valued using the equity method	24,301		24,301
Other non-current financial assets	428		428
Other non-current assets	4,560		4,560
Deferred tax assets	8,016	101	8,117
Total non-current assets	**103,152**	**101**	**103,253**
Trade receivables	29,118		29,118
Inventories	36,562		36,562
Other receivables and current assets	7,529		7,529
Cash and cash equivalents	17,779		17,779
Total current assets	**90,988**	**0**	**90,988**
TOTAL ASSETS	**194,140**	**101**	**194,241**

EQUITY AND LIABILITIES	31/12/2017	IFRS 9	01/01/2018
Share capital	11,250		11,250
Other reserves	41,983	-321	41,662
Profit (loss) for the period	4,139		4,139
Total Equity of the Group	57,372		57,051
Minority interests	-669		-669
TOTAL EQUITY	**56,703**	**-321**	**56,382**
Non-current bank loans	26,906		26,906
Other non-current financial liabilities	29,308	422	29,730
Provisions for risks and charges	11,891		11,891
Defined benefit plans for employees	2,446		2,446
Deferred tax liabilities	423		423
Total non-current liabilities	**70,974**	**422**	**71,396**
Bank financing and short-term loans	7,741		7,741
Other current financial liabilities	2,792		2,792
Trade payables	47,829		47,829
Tax liabilities	3,003		3,003
Other current liabilities	5,098		5,098
Total current liabilities	**66,463**	**0**	**66,463**
TOTAL EQUITY AND LIABILITIES	**194,140**	**101**	**194,241**

Accounting standards, amendments and interpretations not yet applicable and not adopted in advance by the Company

The following table lists the new international accounting standards, or the amendments of standards and interpretations already in force, which must begin being applied from 1 January 2019 or thereafter. The Group did not exercise the option to apply them early.

EU endorsement regulation	Description
Regulation (EU) 2017/1986	IFRS 16 – Leases, replacing IAS 17, is applicable from 1 January 2019. Early application is permitted for entities which also apply IFRS 15 - Revenue from contracts with customers. The new standard provides a revised definition of a lease and introduces a criterion based on control (right of use) of an asset in order to distinguish between leasing contracts and service contracts, identifying the following as discriminating factors: the identification of the asset, the right to substitution of the asset, the right to obtain substantially all the economic benefits from that use and the right to direct the use of the asset underlying the contract. The standard establishes a unique leasing contract recognition and assessment model for the lessee, which provides for the entry of the asset that is subject to the lease, including operating, in the assets set-off by a financial debt, with the possibility of not recognizing a contract as a lease if the lease term is 12 months or less or the underlying asset to the contract has a low value.
Regulation (EU) 2018/289	IFRS 2 Classification and Measurement of Share-based Payment Transactions aims to clarify the accounting of certain types of share-based payment transactions.

	The amendments will come into force on 1 January 2019.
Regulation (EU) 2018/182	The IASB published the Annual Improvements to IFRS Standards 2014-2016 Cycle, amending IFRS 1, IFRS 12 and IAS 28. The amendments will come into force on 1 January 2019.
08 December 2016	IFRIC 22 — Foreign Currency Transactions and Advance Consideration. The interpretation (effective as of 1 January 2018) covers foreign currency transactions if an entity recognizes a non-monetary asset or liability from the payment or receipt of an advance before the entity recognizes the relative asset, cost or revenue. The provision must not be applied to taxes, insurance or reinsurance contracts. This IFRIC does not apply to the Group's consolidated financial statements. The amendments will come into force on 1 January 2019.
08 December 2016	Amendments to IAS 40 regarding transfers of investment property. The amendment (effective from 1 January 2018) covers the following: i) Paragraph 57 of IAS 40 is amended to state that an entity must transfer a property from, or to, the real estate investment category only when there is evidence of a change in use. ii) The list of examples indicated in paragraph 57 (a) – (d) is redefined as a non-exhaustive list. These amendments do not apply to the Group's consolidated financial statements. The amendments will come into force on 1 January 2019.
12 October 2017	The IASB published amendments to IFRS 9 –Financial Instruments in order to facilitate implementation. The amendments to IFRS 9 Prepayment Features with Negative Compensation aim to allow the measurement at the amortised cost or fair value in the Statement of Comprehensive Income of financial assets characterised by an early repayment option with the so-called "negative compensation". The amendments will come into force on 1 January 2019.

From 1 January 2019 the Group must apply IFRS 16, which replaces IAS 17, approved in November 2017 by the EFRAG. The directors expect that the application of IFRS 16 may have a significant impact on the accounting of leasing contracts and on the related information reported in the Group's consolidated accounts. However, it will not be possible to provide a reasonable estimate of the effects until the Group has completed a detailed analysis of the related existing contracts.
Based on the ongoing analysis, the other accounting standards or amendments to accounting standards shown above should not have significant impacts on the Group's accounts.

Please note that accounting standards and/or interpretations whose application would be compulsory for periods that begin subsequent to 1 January 2018 were not applied early.

During the year, the IASB made amendments to several IAS/IFRSs issued previously and published new international accounting standards, for which the approval process has not yet been completed.

Date	IAS Publications
30 January 2014	IFRS 14 entered into force on 1 January 2016, but the European Commission decided to suspend the endorsement process pending the new accounting standard on rate-regulated activities. IFRS 14 allows only entities which adopt IFRS for the first time to continue to recognize rate regulation balances in accordance with the previous accounting standards adopted. To improve comparability with entities that already apply IFRS and do not recognize such balances, the standard requires the effect of rate regulation to be presented separately from other items.
18 May 2017	The IASB published IFRS 17 – Insurance Contracts. The standard aims to improve understanding by investors, and others, of the exposure to risk, profitability and the financial position of insurers. IFRS 17 replaces IFRS 4, issued in 2004 as an interim Standard, and will come into force on 1 January 2021, but prior application is permitted. This standard is not applicable to the Group.
07 June 2017	The IASB published the interpretation IFRIC 23 – Uncertainty over Income Tax Treatments, providing indications on how to present uncertainty of the tax treatment of a given phenomenon in accounting for income tax. IFRIC 23 comes into force on 1 January 2019.
12 October 2017	The IASB published amendments to IAS 28 – Investments in Associates and Joint Ventures to facilitate implementation. The amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures aim to clarify that IFRS 9 applies to long-term receivables from an associate company or joint venture which, substantially, are part of the net investment in the associate company or joint venture. The amendments will come into force on 1 January 2019.
12 December 2017	The IASB published the Annual Improvements to IFRSs 2015-2017 Cycle, including amendments to IAS 12 – Income Taxes, IAS 23 – Borrowing Costs, IFRS 3 – Business Combination and IFRS 11 – Joint Arrangements. The amendments will come into force on 1 January 2019.
07 February 2018	The IASB published amendments to IAS 19 – Plan Amendment, Curtailment or Settlement, which clarifies how the costs relating to current labour supply and net interest are determined when there is a change to the defined benefit plan. The amendments are applicable starting from the financial years starting from 1 January 2019. Early application is permitted.

The Group is evaluating the effects that the application of such standards may have on its financial statements.

4.2.2. Consolidation procedures and valuation criteria

The preparation of the Condensed Half-Yearly Consolidated Financial Statements requires the directors to apply accounting standards and methods that are sometimes based on difficult and subjective assessments and estimates derived from past experience and based on assumptions that are considered reasonable and realistic given the circumstances. Application of these estimates and assumptions affects the amounts presented in the financial statements, such as the Consolidated Statement of Financial Position, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement 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 costs, 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 each variation are immediately reflected in 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.

4.2.3. Conversion of the financial statements of foreign companies

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

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

Exchange rate (Currency against the Euro)	At 30/06/2018	Ave. H1 2018	At 31/12/2017	Average 2017	At 30/06/2017	Ave. H1 2017
Real – Brazil	4.488	4.142	3.973	3.605	3.760	3.443
Renminbi – China	7.717	7.709	7.804	7.629	7.739	7.445
Rial – Iran	49,651.000	47,664.675	43,264.000	37,550.600	37,076.400	35,112.483
Rupee – Pakistan	141.907	137.971	132.721	118.991	119.638	113.511
Zloty – Poland	4.373	4.221	4.177	4.257	4.226	4.269
Leu – Romania	4.663	4.654	4.659	4.569	4.552	4.537
Dollar - US	1.166	1.210	1.199	1.130	1.141	1.083
Peso - Argentina	32.705	26.038	22.931	18.741	18.885	17.017
Rupee - India	79.813	79.490	76.606	73.532	73.745	71.176

4.3. SCOPE OF CONSOLIDATION

The scope of consolidation includes the Parent Company Landi Renzo S.p.A. and the companies in which it holds a direct or indirect controlling stake according to IFRS. There has been no change to the scope of consolidation at 30 June 2018 compared with 31 December 2017.

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

Companies consolidated using the line-by-line method

Description	Registered Office		Share capital	% stake at 30 June 2018 Direct investment	Indirect investment	Notes
Parent Company						
Landi Renzo S.p.A.	Cavriago (RE) - Italy	EUR	11,250,000	Parent Company		
Companies consolidated using the line-by-line method						
Landi International B.V.	Utrecht (The Netherlands)	EUR	18,151	100.00%		
Landi Renzo Polska Sp.Zo.O.	Warsaw (Poland)	PLN	50,000		100.00%	(1)
LR Industria e Comercio Ltda	Espirito Santo (Brazil)	BRL	4,320,000	99.99%		
Beijing Landi Renzo Autogas System Co. Ltd	Beijing (China)	USD	2,600,000	100.00%		
L.R. Pak (Pvt) Limited	Karachi (Pakistan)	PKR	75,000,000	70.00%		
Landi Renzo Pars Private Joint Stock Company	Tehran (Iran)	IRR	55,914,800,000	99.99%		
Landi Renzo RO srl	Bucharest (Romania)	RON	20,890	100.00%		
Landi Renzo USA Corporation	Wilmington - DE (USA)	USD	3,067,131	100.00%		
AEB America S.r.l.	Buenos Aires (Argentina)	ARS	2,030,220	96.00%		
Lovato Gas S.p.A.	Vicenza (Italy)	EUR	120,000	100.00%		
Officine Lovato Private Limited	Mumbai (India)	INR	19,091,430		74.00%	(2)
Emmegas S.r.l.	Cavriago (RE) - Italy	EUR	60,000	100.00%		
Associates and subsidiaries consolidated using the equity method						
SAFE&CEC S.r.l.	S.Giovanni in Persiceto (Bologna, Italy)	EUR	2,500,000	51.00%		(3)
Krishna Landi Renzo India Private Ltd Held	Gurgaon - Haryana (India)	INR	118,000,000	51.00%		(4)
Other minor companies						
Landi Renzo VE.CA.	Caracas (Venezuela)	VEF	2,035,220	100.00%		(5)
Landi Renzo Argentina S.r.l.	Buenos Aires (Argentina)	ARS	1,378,000	96.00%		(5)
EFI Avtosanoat-Landi Renzo LLC	Navoi Region (Uzbekistan)	USD	800,000	50.00%		(6)

Detailed notes on investments:

(1) Held indirectly by Landi International B.V.

(2) Held by Lovato Gas S.p.A.

(3) Company joint venture that controls 100% of SAFE S.p.A. and 100% of IMW Industries Ltd and its subsidiaries

(4) Company joint venture
(5) Joint venture and other not consolidated as a result of their irrelevance
(6) Joint venture not consolidated as a result of his irrelevance

4.4. EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The changes reported hereafter have been calculated on the balances at 31 December 2017 as regards balance sheet items and on the values of the first half of 2017 as regards income statement items. In view of the extraordinary transactions occurring at the end of the previous financial year, leading to the deconsolidation of the “Sound” and “Gas Distribution and Compressed Natural Gas” segments, the financial data for the six-month period are not directly comparable to those for the same period of the previous financial year.

4.4.1. SEGMENT REPORTING

In compliance with the provisions of IFRS 8, information is provided below on the business operating segments.
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.
As previously illustrated, during the first six months of 2018 the Group's direct operations were only in the Automotive segment. The Group operates indirectly in the "Gas Distribution and Compressed Natural Gas" segment through the joint venture SAFE & CEC S.r.l. which, in accordance with the contractual governance system, meets the joint control requirements as stipulated by IFRS 11, and is consolidated according to the net equity method.

The information below, which illustrates the segment contributions by each business unit in the same six months of the previous financial year, gives an adequate comparison of the results for the six months in question.

(Thousands of Euro)

Distribution of revenues by segment	At 30/06/2018	% of revenues	At 30/06/2017	% of revenues	Change	%
Automotive segment	97,296	100.0%	87,258	84.3%	10,038	11.5%
Gas Distribution and Compressed Natural Gas segment	0	0.0%	9,880	9.5%	-9,880	-100.0%
Sound segment	0	0.0%	6,370	6.2%	-6,370	-100.0%
Total revenues	**97,296**	**100.0%**	**103,508**	**100.0%**	**-6,212**	**-6.0%**

Consolidated revenues recorded in the first six months of 2018 by the Landi Renzo Group are divided by geographical area as follows:

(Thousands of Euro)

Geographical distribution of revenues	At 30/06/2018	% of revenues	At 30/06/2017	% of revenues	Change	%
Italy	18,960	19.5%	21,170	20.5%	-2,210	-10.4%
Europe (excluding Italy)	40,953	42.1%	49,654	48.0%	-8,701	-17.5%
America	15,061	15.4%	15,162	14.6%	-101	-0.7%
Asia and Rest of the World	22,322	23.0%	17,522	16.9%	4,800	27.4%
Total	**97,296**	**100%**	**103,508**	**100%**	**-6,212**	**-6.0%**

Given the extraordinary transactions illustrated above, the financial data at 30 June 2018 are not directly comparable to the data for the same period of the previous financial year.

NON-CURRENT ASSETS

4.4.2. LAND, PROPERTY, PLANT, MACHINERY AND OTHER EQUIPMENT

Tangible assets showed an overall net decrease of Euro 1,186 thousand, decreasing from Euro 14,583 thousand at 31 December 2017 to Euro 13,397 thousand at 30 June 2018.

The following is an analysis of changes in “Land, property, plant, machinery and other equipment” that took place during the period:

(Thousands of Euro)

	Net Value at 31/12/2017	Increases	Disposals	Amortization rates	Other changes	Net Value at 30/06/2018
Land, property, plant, machinery and equipment	**14,583**	1,386	-84	-2,354	-134	**13,397**

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

- purchase of industrial equipment for Euro 570 thousand, relating to testing and control instruments, moulds and other equipment;
- assets under construction and payments on account for Euro 504 thousand;
- purchase of plant and machinery for Euro 194 thousand.

The main decreases in tangible assets for the first six months of 2018 relate to disposals of industrial vehicles, moulds, equipment and furnishings, which did not have significant impacts on the income statement.

4.4.3. DEVELOPMENT COSTS

(Thousands of Euro)

	Net Value at 31/12/2017	Increases	Depreciation and write-downs	Other changes	Net Value at 30/06/2018
Development expenditure	**5,401**	1,143	-1,923		**4,621**

Development costs amounted to Euro 4,621 thousand (Euro 5,401 thousand at 31 December 2017) and include the costs incurred by the Group both for internal personnel and for services supplied by third parties, for projects meeting the requirements of IAS 38 to be capitalised. In particular, costs capitalised during the first half of 2018, for a total of Euro 1,143 thousand, refer to innovative projects, aimed both at development of new technologies in the Automotive segment and the design of new systems capable of expanding and optimising the product range on the market, the value of which is expected to be recovered through revenue flows generated in future years.

It is expected that new product development activities will continue during the second half of 2018.

The increases for the period relate to development projects in progress at 30 June 2018, for which the grounds for recoverability have been verified.

4.4.4. GOODWILL

The Goodwill item totalled Euro 30,094 thousand, unchanged compared with 31 December 2017. The following table shows this item broken down by CGU (Cash Generating Unit):

(Thousands of Euro)

CGU	30/06/2018	31/12/2017	Change
Lovato Gas S.p.A.	27,721	27,721	0
Landi Renzo S.p.A.	2,373	2,373	0
Total	**30,094**	**30,094**	**0**

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

4.4.5. OTHER INTANGIBLE ASSETS WITH FINITE USEFUL LIVES

(Thousands of Euro)

	Net Value at 31/12/2017	Increases	Amortization rates	Other changes	Net Value at 30/06/2018
Other intangible assets with finite useful lives	**15,769**	100	-946	24	**14,947**

Other intangible assets with finite useful lives, equal to Euro 14,947 thousand (Euro 15,769 thousand at 31 December 2017), predominantly include Rights to use intellectual property and trademarks owned by the Group, in particular the values of the Lovato (Euro 7,720 thousand), A.E.B. (Euro 5,795 thousand), Baytech (Euro 885 thousand) and Emmegas (Euro 91 thousand) brands, expressed at the fair value at the time of purchase, defined on the basis of valuations made by independent professionals, and amortised over 18 years, except for the Emmegas brand, which is amortised over a useful life of 7 years, periods considered representative of the useful life of these brands.

4.4.6. EQUITY INVESTMENTS CONSOLIDATED USING THE EQUITY METHOD

This item, equal to Euro 23,149 thousand, includes the value of the Joint Venture Krishna Landi Renzo Prv Ltd, and SAFE & CEC S.r.l., assessed using the equity method. In particular:

- The stake held in the Joint Venture Krishna Landi Renzo Prv Ltd was revalued by Euro 168 thousand due to the positive results for the period.
- The stake held in the Joint Venture SAFE&CEC S.r.l. was written down by Euro 1,320 thousand. It should be noted that the final results of the six-month period of the joint venture are essentially linked to the costs incurred for the group restructuring and the initial inefficiencies, connected to the fundamental activities of homogenisation of the production and business processes between the Italian subsidiary SAFE S.p.A. and the assigned foreign companies, a process which is currently being completed. Management believes that with the strength of the order portfolio, it can recover margins over the second six-month period and achieve the forecast data specified in the 2018-2022 Strategic Plan. As at 30 June 2018, the value of the stake recorded in the accounts was Euro 22,905 thousand.

Description	Balance at 31/12/2017	Increases	Decrements	Balance at 30/06/2018
Krishna Landi Renzo India Private Ltd Held	76	168		244
SAFE & CEC S.r.l.	24,225		-1,320	22,905
Total	**24,301**	**168**	**-1,320**	**23,149**

It should be noted that the activities connected to the purchase price allocation as provided for by the International Accounting Standard IFRS 3 related to the company aggregation that led to the establishment of the SAFE&CEC group – the details of which are comprehensively shown in the Financial Report at 31 December 2017 – are currently underway and will be completed, as permitted by IFRS 3, by the end of the year, i.e. within 12 months after the date of aggregation. The income statement and balance sheet data used for the assessment of the equity of the joint venture do not include the effects deriving from this process.

4.4.7. OTHER NON-CURRENT FINANCIAL ASSETS

Other non-current financial assets, totalling Euro 380 thousand (Euro 428 thousand) mainly include the value of the equity investment in the Joint Venture EFI Avtosanoat Landi Renzo – LLC of Euro 172 thousand, valued using the cost method and not consolidated because it is not significant, as well as guarantee deposits of Euro 225 thousand and other assets.

4.4.8. OTHER NON-CURRENT ASSETS

Other non-current assets, totalling Euro 4,560 thousand as at 31 December 2017, include the portion beyond the financial year of the receivables from AVL Italia S.r.l. regarding the sale of the company branch relating to the laboratory management part of the Technical Centre. This contract stipulates the receipt of 10 annual instalments and the charging of interests on the residual receivables at the end of each financial year.

4.4.9. DEFERRED TAX ASSETS

In application of IAS 12, par. 74, deferred tax assets were offset with deferred tax liabilities as:

(i) the entity has a right to offset current tax assets against current tax liabilities; and
(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

This item is shown in detail below (thousands of Euro):

Offsettable deferred tax assets and liabilities	30/06/2018	31/12/2017	Change
Deferred tax assets	11,326	12,087	-761
Deferred tax liabilities	-3,957	-4,071	114
Total net deferred tax assets	**7,369**	**8,016**	**-647**

The following table shows the values of the offsettable deferred tax assets and liabilities and their movements from 31 December 2017 to 30 June 2018 (in thousands of Euro):

Deferred tax assets	Deferred tax assets 31/12/2017	Uses	Write-downs	Temporary changes	Other changes	Deferred tax assets 30/06/2018
Goodwill	1,465	-313				1,152
Temporary changes	4,920	-770		409	-2	4,557
Other deferred tax assets	716	-85				631
Tax losses	4,985					4,985
a) Total deferred tax assets	**12,087**	**-1,168**	**0**	**409**	**-2**	**11,326**
Deferred tax liabilities	**Deferred tax liabilities 31/12/2017**	**Uses**	**Write-downs**	**Temporary changes**	**Other changes**	**Deferred tax liabilities 30/06/2018**
Adjustments for consolidation and IFRS compliance	15					15
Other temporary changes	113	-32	137			218
Intangible assets	3,943	-222			3	3,724
b) Total deferred tax liabilities	**4,071**	**-254**	**137**	**0**	**3**	**3,957**
a-b) Total net deferred tax assets	**8,016**	**-914**	**-137**	**409**	**-5**	**7,369**

In particular, deferred tax assets, totalling Euro 11,326 thousand (Euro 12,087 thousand at 31 December 2017), related to both temporary differences between the book values of assets and liabilities on the balance sheet and the corresponding tax values recognized, and to the losses from the national consolidation tax scheme of years prior to 2016 deemed to be recoverable on the basis of the company plans identified by the Board of Directors through the approval of the 2018-2022 Strategic Plan, the realization of which is subject to the intrinsic risk of non-implementation inherent in its provisions. The significant decrease compared with the previous financial year is primarily due to the uses of the provision for charges for company restructuring.

In addition, for reasons of prudence the Group decided not to recognize any provision for deferred tax assets on tax losses for the half-year, in line with what was done at 31 December 2017. It is reported that, at 31 December 2017, the Group had tax losses that could be carried forward indefinitely exceeding Euro 51 million, for which deferred tax assets were not recognized.

At 30 June 2018 offsettable deferred tax liabilities totalled Euro 3,957 thousand (Euro 4,071 thousand at 31 December 2017), with a decrease of Euro 114 thousand, and are primarily related to temporary differences between the book values of certain tangible and intangible assets and the values recognized for tax purposes.

CURRENT ASSETS

4.4.10. TRADE RECEIVABLES (including related parties)

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

(Thousands of Euro)

Trade receivables by geographical area	30/06/2018	31/12/2017	Change
Italy	7,894	5,893	2,001
Europe (excluding Italy)	7,864	7,611	253
America	12,459	12,168	291
Asia and Rest of the World	14,631	9,894	4,737
Provision for bad debts	-6,439	-6,448	9
Total	**36,409**	**29,118**	**7,291**

Trade Receivables totalled Euro 36,409 thousand, net of the Provision for Bad Debts equal to Euro 6,439 thousand, compared with Euro 29,118 thousand at 31 December 2017.
Total transactions for the sale of trade receivables through factoring without recourse, for which the corresponding receivables were derecognised, amounted to Euro 27,280 thousand (Euro 19,471 thousand at 31 December 2017).

Receivables from related parties totalled Euro 2,399 thousand (Euro 1,675 thousand at 30 june 2017) and related to supplies of goods to the Joint Venture Krishna Landi Renzo India Private Ltd Held, to the Joint Venture EFI Avtosanoat-Landi Renzo LLC, and to the Pakistani company AutoFuels. All the related transactions are carried out at arm's length conditions. For transactions with related parties, please refer to paragraph 4.4.39 of this Report.

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

(Thousands of Euro)

Provision for bad debts	31/12/2017	Allocation	Uses	Other changes	30/06/2018
Provision for bad debts	6,448	83	-14	-78	6,439

The allocations made during the period, necessary in order to adjust the book value of the payables to their assumed recovery value, amounted to Euro 83 thousand. Utilization of Euro 14 thousand refers to the definitive write-off of receivables by the Group companies.

In accordance with the requirements of Accounting Standard IFRS 7, the following table provides information on the maximum credit risk divided by past due credit classes, gross of the bad debt provision:

(Thousands of Euro)

	Not past due	Past due 0-30 days	Past due 30-60 days	Past due 60 and beyond	Bad debt provision
Trade receivables at 30/06/2018	27,488	4,204	832	10,325	-6,440
Trade receivables at 31/12/2017	21,280	2,607	807	10,872	-6,448

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

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

4.4.11. INVENTORIES

This item breaks down as follows:

(Thousands of Euro)

Inventories	30/06/2018	31/12/2017	Change
Raw materials and parts	26,977	24,772	2,205
Work in progress and semi-finished products	8,642	7,331	1,311
Finished products	10,799	12,012	-1,213
(Inventory write-down reserve)	-7,415	-7,553	138
Total	**39,003**	**36,562**	**2,441**

Closing inventories totalled Euro 39,003 thousand, net of the inventory write-down reserve of Euro 7,415 thousand, and recorded an increase of Euro 2,441 thousand compared with 31 December 2017, quite limited compared with the growth in turnover. The Group estimated the size of the inventory write-down reserve so as to take account of the risks of technical obsolescence of inventories and to align the book value with their assumed recovery value. At 30 June 2018 this item was equal to Euro 7,415 thousand, a decrease of Euro 138 thousand compared with 31 December 2017.

4.4.12. OTHER RECEIVABLES AND CURRENT ASSETS

This item breaks down as follows:

(Thousands of Euro)

Other receivables and current assets	30/06/2018	31/12/2017	Change
Tax assets	3,763	4,611	-848
Receivables from others	2,131	2,071	60
Accruals and deferrals	1,439	847	592
Total	**7,333**	**7,529**	**-196**

Tax assets consist primarily of VAT recoverable from the tax authorities of Euro 2,763 thousand and income tax credit of Euro 1,000 thousand.

Receivables from others refer to payments on account, credit notes to be received and other receivables, and to the short-term receivables from AVL Italia S.r.l. relating to the aforementioned sale of the company branch for a total of Euro 570 thousand, as well as the related accrued interest.

Accruals and deferrals relate mainly to deferred assets for long-term business services, insurance premiums, leases, association fees and hardware /software maintenance fees paid in advance.

4.4.13. CASH AND CASH EQUIVALENTS

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

(Thousands of Euro)

Cash and cash equivalents	30/06/2018	31/12/2017	Change
Bank and post office accounts	23,157	17,738	5,419
Cash	31	41	-10
Total	**23,188**	**17,779**	**5,409**

Cash and cash equivalents totalled Euro 23,188 thousand (Euro 17,779 thousand at 31 December 2017). For analysis of the production and absorption of cash during the half-year, please refer to the Consolidated Statement of Cash Flows.

It is considered that the book value of the item “Cash and cash equivalents”, not subject to a significant risk of changes in value, is aligned with its fair value at the date of the financial statements.

The credit risk relating to Cash and cash equivalents is therefore deemed to be limited since the deposits are split over primary national and international banking institutions.

4.4.14. EQUITY

The following table provides a breakdown of equity items:

(Thousands of Euro)

Equity	30/06/2018	31/12/2017	Change
Share capital	11,250	11,250	0
Other reserves	44,681	41,983	2,698
Profit (loss) for the period	1,785	4,139	-2,354
Total Group equity	**57,716**	**57,372**	**344**
Capital and Reserves attributable to minority interests	-634	-232	-402
Profit (loss) attributable to minority interests	-93	-437	344
Total Minority Interests	**-727**	**-669**	**-58**
Total Consolidated Equity	**56,989**	**56,703**	**286**

The share capital stated is the fully subscribed and paid-up share capital of the company Landi Renzo S.p.A. which is equal to a nominal Euro 11,250 thousand, subdivided into a total of 112,500,000 shares, with a nominal value equal to Euro 0.10.

The Consolidated Equity at 30 June 2018 showed an increase of Euro 286 thousand compared with 31 December 2017. This change is due to the profit for the six-month period, almost entirely offset by the change in the conversion reserve, deriving from the negative trend in the Brazilian, Argentinian and Pakistan currencies, and from the impact of the initial application of IFRS 9.

For further details on the changes compared with 31 December 2017, please refer to the Table of Changes in Consolidated Equity in paragraph 3.5 of this Report.

The other reserves are shown in detail below:

(Thousands of Euro)

Other reserves	30/06/2018	31/12/2017	Change
Statutory Reserve	2,250	2,250	0
Extraordinary and Other Reserves	11,713	9,015	2,698
Share Premium Reserve	30,718	30,718	0
Total Other Reserves of the Group	**44,681**	**41,983**	**2,698**

The balance of the Statutory Reserve totalled Euro 2,250 thousand and remains unchanged since it has reached one fifth of the share capital.

The Extraordinary Reserve and other reserves refer to the profits made by the Parent Company and by the subsidiaries in the previous financial years and totalled Euro 2,698 thousand due to the allocation of the profit from the previous financial year, only partially offset by the negative change in the conversion reserve, generated by the depreciation of the Brazilian, Argentinian and Pakistan currencies.

The Share Premium Reserve originated as a result of the quotation for an amount equal to Euro 46,598 thousand, net of the related costs. This reserve was used over the previous financial year for Euro 15,880 thousand to partially cover losses from the 2016.

The minority interest represents the share of equity and result for the period of foreign subsidiaries not owned in full.

NON-CURRENT LIABILITIES

Financial Optimization Agreement

It is reported that 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 of 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 postponement of the maturity date of the debt of the Parent Company and its consolidated companies 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.

It is noted that, on 02 July 2018, in line with the provisions of the Financial Optimization Agreement, which provided for repayment as excess liquidity in the case of the sale of the Sound segment and of the business branch of the Technical Centre to AVL (transactions that fall under the so-called "Permitted Transactions"), Landi Renzo S.p.A. paid the holders of the debenture loan an overall additional amount of Euro 1,061 thousand (equal to 26.13% of the net income exceeding Euro 3 million) and the lending banks an overall amount of Euro 969 thousand (23.87% of the net income exceeding Euro 3 million), drawn from the last instalment provided for by the respective repayment schedules.

As previously shown, with reference to IFRS 9, the Group determined the effects on the accounts linked to the provisions of paragraph B.5.4.6 of the standard, which governs the impact on the amortised cost of the financial liabilities deriving from a change in the related financial flow plan, due to both a revised estimate or a contractual amendment. The application of this paragraph resulted in an increase of the value of some financial liabilities (convertible bonds and medium and long-term bank loans) renegotiated by the Parent Company during the previous financial years by around Euro 422 thousand.

4.4.15. NON-CURRENT BANK LOANS

This item includes the medium/long term portion of bank debts for unsecured loans and finance. It totalled Euro 24,568 thousand at 30 June 2018, compared with Euro 26,906 thousand at 31 December 2017.

The six-monthly measurement of financial covenants at 30 June 2018 confirmed the Group's compliance with these.

The structure of the debt is exclusively at a variable rate indexed to the Euribor and increased by a spread aligned with the normal market conditions; the loan currency is the Euro, except for the loans provided in United States dollars by the Bank of the West, totalling USD 4 million. The loans are not secured by real collateral and there are no clauses other than the early payment clauses normally envisaged by commercial practice.

The Annual Repayment Plan for the medium/long-term loans, based on the balances at 30 June 2018, is shown below, taking into account the repayments of excess liquidity regarding the previously illustrated permitted transaction.

(thousand of euro)

Due date	amount
2nd half 2018	1.914
1st half 2019	1.622
Amortized cost	-116
Current bank loans	**3.420**
2nd half 2019	2.487
2020	5.152
2021	7.229
2022	9.951
Amortized cost	-251
Non-current bank loans	**24.568**
Totale	**27.988**

4.4.16. OTHER NON-CURRENT FINANCIAL LIABILITIES

At 30 June 2018, other non-current financial liabilities totalled Euro 26,549 thousand (Euro 29,308 thousand at 31 December 2017) and are formed of:

- Euro 419 thousand (Euro 629 thousand at 31 December 2017) for the long-term portions of the three tranches of a loan granted to the Parent Company by Simest S.p.A. in September 2013, December 2014 and November 2015, to support a plan of expansion of business activities in the USA, for a resolved total amount of Euro 2,203 thousand, in accordance with specific requirements;
- Euro 26,130 thousand (Euro 28,679 thousand at 31 December 2017), net of the effect of the amortised cost evaluation, for the medium/long-term portion of the “LANDI RENZO 6.10% 2015-2022” Debenture Loan.

The repayment times of the debenture loan, originally issued in May 2015 for an amount of Euro 34 million, with a duration of five years, bullet repayment and a 6.10% gross fixed interest rate with six-monthly deferred coupon, were revised by the Bondholders' Meeting held on 30 March 2017, which voted in particular, *inter alia*, to postpone 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 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 is paid every six months.

The rates on the half-yearly coupons that will accrue from 30 June 2019 inclusive to the maturity date of the loan will be equal to 3.05% (equal to an annual interest rate of 6.1%) of the outstanding capital.

In addition, again referring to the Group’s Financial Structure Optimization Agreement, the Meeting of 30 March 2017 approved the amendment to the repayment plan, envisaging increasing instalment amounts on a half-yearly basis from 30 June 2018 to 31 December 2022.

The table below provides details of the new maturities on the nominal value of the Loan:

(Thousands of Euro)

Landi Renzo 6.10% 2015-2022 Debenture Loan	H2 2018	2019	2020	2021	2022	Total
Instalment amount of repayment of Landi Renzo bonded loan	3,674	3,920	5,226	7,840	11,300	31,960
Amortised cost	-169		-195			-364

4.4.17. PROVISIONS FOR RISKS AND CHARGES

These provisions can be broken down as follows:

(Thousands of Euro)

Provisions for risks and charges	31/12/2017	Allocation	Utilization	Other changes	30/06/2018
Provision for product warranties	4,902	927	-256	-43	5,530
Provision for lawsuits in progress	202		-9	-24	169
Provisions for pensions	57	5			62
Other provisions	6,730	6	-3,867		2,869
Total	**11,891**	**938**	**-4,132**	**-67**	**8,630**

The item "Provision for product warranties" includes the best estimate of the costs related to the commitments that the Group companies have incurred as an effect of legal or contractual provisions, in relation to the expenses connected with providing product warranties for a fixed period of time starting from the sale thereof. This estimate was calculated with reference to the historical data of the Group, on the basis of specific contractual content. At 30 June 2018 this provision totalled Euro 5,530 thousand. The allocation, totalling Euro 927 thousand, was stated on the Income Statement under the item "Provisions, write-downs and other operating expenses". Uses of the risk provision totalling Euro 256 thousand are due to the coverage of warranty costs correlated with supplies of components in previous years.

The provision for lawsuits in progress relates to the probable payment for a current dispute with a service supplier declared bankrupt.

The pensions reserve relates to the provision accrued for additional customer indemnity, including provisions for the year of Euro 5 thousand.

As described in detail in the Annual Financial Report at 31 December 2017, the Other Provisions item in question includes Euro 4,040 thousand relating to the provision for company restructuring charges for a mobility and voluntary resignation incentive procedure involving the Parent Company and the subsidiary Lovato Gas S.p.A. These reorganisations, notified to the social partners in 2017, were concluded with the signature of the relative agreements with the social partners respectively in December 2017 and January 2018. The decrease in the item is mainly connected to the provision of voluntary resignation incentives provided for by the company reorganisation plan.

4.4.18. DEFINED BENEFIT PLANS FOR EMPLOYEES

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

(Thousands of Euro)

Defined benefit plans for employees	31/12/2017	Allocation	Utilization	Other changes	30/06/2018
Employee severance indemnity reserve	2,446	9	-605	-3	1,847

The provision is due to the effect of the revaluation of the TFR (severance pay) for current employees at the end of the period. Uses totalling Euro 605 thousand refer to amounts paid to employees who left their post, mainly as a result of the agreements signed as part of the company restructuring plan, while the Other Changes column relates to adjustment of the DBO (Defined Benefit Obligation) according to IAS 19.

For the purposes of calculating the Current Value, an interest rate of 1.67% was adopted, corresponding to the benchmark rate represented by the “Markit iBoxx € Corporate AA 10+” rate at 30 June 2017 (1.31% at 31 December 2017).

4.4.19. DEFERRED TAX LIABILITIES

At 30 June 2018, deferred tax liabilities that did not meet the offsetting requirements for the purposes of IAS 12 totalled Euro 396 thousand (Euro 423 thousand at 31 December 2017), with a decrease of Euro 27 thousand, and are primarily related to temporary differences between the book values of certain intangible assets and the values recognized for tax purposes.

Deferred tax liabilities	Deferred tax liabilities 31/12/2017	Uses	Temporary changes	Deferred tax liabilities 30/06/2018
Intangible assets	410	-20		390
Other temporary changes	13	-7		6
Total deferred tax liabilities	**423**	**-27**		**396**

CURRENT LIABILITIES

4.4.20. BANK FINANCING AND SHORT-TERM LOANS

“Bank financing and short-term loans”, totalling Euro 16,932 thousand (Euro 7,741 thousand at 31 December 2017), consists of the current portion of existing unsecured loans and financing, and of the utilization of short-term commercial credit lines. The current portion of unsecured loans and financing (Euro 3,420 thousand) includes the advance repayment of capital following the excess liquidity deriving from Permitted Transactions.

Said loans are not secured by guarantees, are at variable rate and are not hedged by derivatives.
The breakdown of the Group's Net Financial Position is provided in paragraph 2.1 of this Report.

4.4.21. OTHER CURRENT FINANCIAL LIABILITIES

This item, totalling Euro 6,764 thousand (Euro 2,792 thousand at 31 December 2017), is formed of the current portion of the “LANDI RENZO 6.10% 2015-2022” Debenture Loan (Euro 6,345 thousand, inclusive of accrued interests) and the short-term portions of a subsidised loan disbursed by Simest to support a plan to expand trade in the USA (Euro 419 thousand).
The significant increase compared with the previous financial year is mainly due to the fact that the advance repayment of capital following the excess liquidity deriving from Permitted Transactions, of Euro 1,061 thousand, and the instalment due on 30 June 2018 and related interest were settled on 02 July 2018, as provided for by the regulation of the debenture loan.

4.4.22. TRADE PAYABLES (including related parties)

Trade payables totalled Euro 53,517 thousand, with an increase of Euro 5,688 thousand compared with 31 December 2017.

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

(Thousands of Euro)

Trade payables by geographical area	30/06/2018	31/12/2017	Change
Italy	42,783	38,817	3,966
Europe (excluding Italy)	7,661	7,140	521
America	1,066	416	650
Asia and Rest of the World	2,007	1,456	551
Total	**53,517**	**47,829**	**5,688**

Trade payables to related parties are Euro 4,278 thousand and mainly refer to relations with the companies Gireimm S.r.l. and Gestimm S.r.l. for property lease payments.

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

4.4.23. TAX LIABILITIES

Tax liabilities, consisting of total amounts payable to the Tax Authorities of the individual States in which the companies of the Group are located, totalled Euro 2,678 thousand, compared with Euro 3,003 thousand at 31 December 2017.

4.4.24. OTHER CURRENT LIABILITIES

(Thousands of Euro)

Other current liabilities	30/06/2018	31/12/2017	Change
Payables to welfare and social security Social	1,207	1,625	-418
Other payables (payables to employees, to others)	4,141	3,290	851
Payments on account	163	109	54
Accrued expenses and deferred income	69	74	-5
Total	**5,580**	**5,098**	**482**

Other current liabilities amount to Euro 5,580 thousand, an increase of Euro 482 thousand compared with 31 December 2017.

In particular, the “Other Payables” item, amounting to Euro 4,141 thousand, refers primarily to other receivables for current pay and deferred pay to be settled in relation to employees. The increase of Euro 851 thousand is due in the most part to payables for holidays and end-of-year bonuses accrued.

The “Payments on account” item, Euro 163 thousand at 30 June 2018, mainly includes advances paid by customers.

INCOME STATEMENT

As previously shown, in view of the extraordinary transactions of the previous year, the financial data for the first six months of 2018 are not directly comparable with the same period of 2017.

4.4.25. REVENUES

(Thousands of Euro)

Revenues from sales and services	30/06/2018	30/06/2017	Change
Revenues related to the sale of assets	95,476	99,322	-3,846
Revenues for services and other revenues	1,820	4,186	-2,366
Total	**97,296**	**103,508**	**-6,212**

During the first half of 2018, the Landi Renzo Group achieved revenues of Euro 97,296 thousand, a decrease of Euro 6,212 thousand compared with the same six months of the previous year. For the same scope (Automotive segment), there was, on the other hand, an 11.5% increase in revenues compared with the same period of the previous financial year. For more details, refer to paragraph 2.1 of this Report.

Revenues from related parties totalling Euro 891 thousand refer to supplies of goods to the Joint Venture Krishna Landi Renzo India Private Ltd Held and to the Joint Venture EFI Avtosanoat-Landi Renzo LLC, as well as to the supply of services.

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

4.4.26. OTHER REVENUES AND INCOME

Other revenues and income totalled Euro 163 thousand (Euro 433 thousand at 30 June 2017) and are formed mainly of contingent gains and gains on sales of fixed assets.

4.4.27. COSTS OF RAW MATERIALS, CONSUMABLES AND GOODS

(Thousands of Euro)

Cost of raw materials, consumables and goods and change in inventories	30/06/2018	30/06/2017	Change
Raw materials and parts	37,724	41,156	-3,432
Finished products intended for sale	7,957	7,732	225
Other materials and equipment for use and consumption	899	1,233	-334
Total	**46,580**	**50,121**	**-3,541**

The total costs for purchases of raw materials, consumables and goods (including the change in inventories) amount to Euro 46,580 thousand (Euro 50,121 thousand at 30 June 2017), a decrease of Euro 3,541 thousand compared with 30 June 2017. This reduction is due to the combined effect of the trend in “Automotive” revenues, and by the effect of the sale of the “Sound” segment and the deconsolidation of the “Gas Distribution and Compressed Natural Gas” segment.

4.4.28. COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS

This item breaks down as follows:

(Thousands of Euro)

Costs for services and use of third party assets	30/06/2018	30/06/2017	Change
Industrial and technical services	12,389	15,284	-2,895
Commercial, general and administrative services	6,172	7,686	-1,515
Extraordinary services	1,394	1,533	-139
Costs for use of non-Group assets	1,862	2,754	-892
Total	**21,816**	**27,257**	**-5,441**

Costs for services and use of third party assets amount to Euro 21,816 thousand (Euro 27,257 thousand at 30 June 2017) with a decrease of Euro 5,441 thousand.

The reduction in costs for both industrial and technical services and commercial, general and administrative services is mainly due to the sale of the “Sound” segment and the deconsolidation of the “Gas Distribution and Compressed Natural Gas” segment.

The “Extraordinary services” item at 30 June 2018 and at 30 June 2017 includes expenses relating to the appointment of a top consulting firm engaged to support the Chief Executive Officer and the company management in preparing and implementing an “EBITDA improvement” action plan (Euro 1,394 thousand). These activities are currently in the completion phase.

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

4.4.29. PERSONNEL EXPENSES

Personnel expenses are analysed as follows:

(Thousands of Euro)

Personnel costs	30/06/2018	30/06/2017	Change
Wages and salaries, social security contributions and expenses for defined benefit plans	12,872	18,132	-5,260
Other extraordinary personnel expenses		440	-440
Temporary agency work and transferred work	1,371	1,490	-119
Directors’ remuneration	738	384	354
Total	**14,981**	**20,446**	**-5,465**

In the six-month period in question, personnel costs totalled Euro 14,981 thousand, a decrease of Euro 5,465 thousand compared with the same period of the previous year (Euro 20,446 thousand). The significant decrease in personnel costs can be attributed to both the effects of the extraordinary transactions described above and the benefits resulting from the completion of the mobility procedure regarding the Parent Company and the subsidiary Lovato Gas S.p.A..

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

Company	30/06/2018	31/12/2017	30/06/2017
Landi Renzo S.p.A.	303	369	283
Lovato Gas S.p.A.	29	63	87
Foreign companies	160	167	176
A.E.B. S.p.A. (1)	0	0	97
Eighteen Sound S.r.l. (2)	0	0	40
SAFE S.p.A. (3)	0	0	71
Emmegas S.r.l.	0	0	6
Sound&Vision (2)	0	0	6
Total	**492**	**599**	**766**

(1) merged into Landi Renzo S.p.A. on 21/12/2017

(2) sold in early December 2017

(3) conferred to SAFE&CEC S.r.l. on 29/12/2017

4.4.30. PROVISIONS, WRITE-DOWNS AND OTHER OPERATING EXPENSES

Provisions, write-downs and other operating expenses totalled Euro 1,399 thousand (Euro 1,660 thousand at 30 June 2017), a decrease of Euro 261 thousand. This item consists mainly of allocations to the provisions for product warranties, bad debts, and of other operating costs.

4.4.31. AMORTISATION, DEPRECIATION AND IMPAIRMENT

(Thousands of Euro)

Amortisation, depreciation and impairment	30/06/2018	30/06/2017	Change
Amortization of intangible assets	2,869	3,787	-918
Depreciation of tangible assets	2,354	4,039	-1,685
Impairment of financial fixed assets		122	-122
Total	**5,223**	**7,948**	**-2,725**

Amortization and depreciation amounted to Euro 5,223 thousand (Euro 7,948 thousand at 30 June 2017), a decrease of Euro 2,725 thousand. This reduction is mainly related to the sale in the 2017 financial year of the real estate property of the Chinese branch and the sale of the business branch related to the Technical Centre to AVL, as well as to the effect deriving from the sale of the “Sound” segment and the deconsolidation of the “Gas Distribution and Compressed Natural Gas” segment.

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

The amortisation of intangible assets refers primarily to the amortisation of development and design expenditure

incurred by the Group, costs for the purchase and registration of trademarks and licenses and for software (applications and management) purchased over time.
The depreciation of tangible assets refers primarily to property, plant and machinery for production, assembly and running-in of the products, to industrial and commercial equipment for the purchase of moulds, to testing and control tools and to electronic processors.

Net loss on disposal

On 31st July 2017, the parent company Landi Renzo S.p.A. has sold the business branch concerning the part of the Technician Center assigned to the management of laboratories, to the AVL Group, a primary world operator in the development activities of powertrain, the related preliminary agreement was signed on April 26, 2017.
By virtue of this preliminary agreement that at 30 June 2017 qualified the transfer transaction as highly probable and subsequent sale to be completed within one year from the classification of assets available for sale, the requirements of the international accounting standard IFRS 5 have been satisfied. The sale price was € 5,700 thousand with a net loss on the residual book value of assets as at 30 June 2017 equal to € 2,060 thousand.

4.4.32. FINANCIAL INCOME

Financial income totalled Euro 77 thousand (Euro 48 thousand at 30 June 2017) and refers to interest income on bank deposits.

4.4.33. FINANCIAL CHARGES

The financial charges totalled Euro 1,924 thousand (Euro 2,297 thousand at 30 June 2017) and the Euro 373 thousand decrease is attributable mainly to a more efficient management of debt.

4.4.34. EXCHANGE RATE GAINS AND LOSSES

The net exchange rate differences amounted of negative Euro 1,035 thousand, with Euro 831 thousand deriving from net losses on currency exchange rate differences primarily related to the depreciation of the Brazilian Real, Argentine Peso and the Pakistani Rupee.
As at 30th June 2018 the Group did not hold any financial instruments to hedge the exchange risk.

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

This item totalled Euro -1,152 thousand and included the Group’s portion of profits, based on the equity method, of the Joint Ventures Krishna Landi Renzo India Private Ltd Held and SAFE&CEC S.r.l., for Euro +168 thousand and Euro -1,320 thousand, respectively.

4.4.36. CURRENT AND DEFERRED TAXES

Taxes at 30 June 2018 totalled Euro 1,734 thousand, compared with Euro 47 thousand at 30 June 2017.

4.4.37. EARNINGS (LOSS) PER SHARE

The “base” earnings/loss per share were calculated by relating the net profit/loss of the Group to the weighted average number of ordinary shares in circulation in the period (112,500,000). The “base” loss per share, which corresponds with the “diluted” earnings/loss per share since there are no convertible bonds or other financial instruments with possible diluting effects, is Euro 0.0159. Loss per share for the first half of 2017 was Euro -0.0753.

OTHER INFORMATION

4.4.38. ANALYSIS OF THE MAIN DISPUTES IN PROGRESS

The Group companies are involved in proceedings, for both assets and liabilities, for non-significant amounts. The directors of the Parent Company, supported by the opinion of its lawyers, did not deem it necessary to make provision for any further funds in the financial statements beyond those already allocated as at 31 December 2017.

A number of Italian companies have disputes in progress with the Financial Authorities for which provisions were set aside in previous years to cover the related potential liability. No new elements emerged during the six months which made it necessary to set aside further provisions or release the provisions already stated at 31 December 2017.

4.4.39. TRANSACTIONS WITH RELATED PARTIES

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

Transactions with related parties listed below include:

- relationships for supply of services between Gireimm S.r.l. and Landi Renzo S.p.A. for rent of the property used as the operational headquarters of the New Technical Centre of the Parent Company and the subsidiaries;
- the service contracts between Gestimm S.r.l., a company in which a stake is held through the parent company Girefin S.p.A., and the company Landi Renzo S.p.A. for rent of the property used for the production of AEB branded products;
- the service contracts between Emilia 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.

The following table summarizes the relationships with related parties:

Incidence of Transactions with Related Parties (Thousands of Euro)	Total item	Absolute value for related parties	%	Related party
a) Incidence of the transactions or positions with related parties on balance sheet items				
Trade receivables	36,409	2,399	6.6%	Autofuels, Krishna Landi Renzo, EFI Avtosanoat
Trade payables	53,517	4,278	8.0%	Gireimm, Gestimm, Krishna Landi Renzo
b) Incidence of the transactions or positions with related parties on income statement items				
Cost for services and use of third party assets	21,816	1,057	4.8%	Gireimm, Gestimm, Emilia Properties Inc.
Revenues from sales and services	97,296	891	0.9%	Autofuels, Krishna Landi Renzo

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

Pursuant to CONSOB communication no. 6064293 of 28 July 2006, note that during the first half of 2018 no atypical and/or unusual transactions occurred outside the normal operation of the company that could give rise to doubts regarding the correctness and completeness of the information in the financial statements, conflicts of interest, protection of company assets, safeguarding the minority shareholders.

4.4.41. NON-RECURRING SIGNIFICANT EVENTS AND TRANSACTIONS

Pursuant to CONSOB communication no. 6064293 of 28 July 2006, it is stated that during the first half of 2018 no non-recurring significant events or transactions took place.

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

Please refer to comments relating to this in the Interim Report on Operating Performance.

5. Certification of the condensed half-yearly consolidated financial statements pursuant to art. 81-ter of CONSOB regulation no. 11971 of 14 May 1999, as amended and supplemented

1) The undersigned Cristiano Musi, CEO, and Paolo Cilloni, Officer in charge of preparing the accounting documents of Landi Renzo S.p.A., state, having regard also to the provisions of art. 154-bis, paragraphs 3 and 4, of Italian Legislative Decree No. 58 dated 24 February 1998:

- the adequacy in relation to the relative corporate characteristics, and
- the effective application of the administrative and accounting procedures for preparing the condensed half-yearly consolidated financial statements as at 30 June 2018.

There are no significant aspects to report in relation thereto.

2) We furthermore declare that:

The condensed half-yearly consolidated financial statements at 30 June 2018:

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

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

Cavriago, 13 September 2018

CEO	Officer in charge of preparing the company accounting documents
Cristiano Musi	Paolo Cilloni

REVIEW REPORT ON THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

To the Shareholders of
Landi Renzo SpA

Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of Landi Renzo SpA (hereinafter also the "Company") and its subsidiaries (hereinafter also "Landi Renzo Group") as of 30 June 2018, comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cashflow statement and related notes. The directors of the Company are responsible for the preparation of the consolidated condensed interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial statements of Landi Renzo Group as of 30 June 2018 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Parma, 13 September 2018

PricewaterhouseCoopers SpA

Signed by

Nicola Madureri
(Partner)

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