INTERIM MANAGEMENT REPORT
AS AT 30 SEPTEMBER 2019

CONTENTS

This report is a translation. The Italian version prevails.

1. GENERAL INFORMATION

1.1. CORPORATE OFFICERS AND INFORMATION

On 29 April 2019, 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 2019-2021. They will therefore remain in office until the Shareholders' Meeting called to approve the Financial Statements for the year ending 31 December 2021. The Meeting changed the number of board members to nine. Also on the same date, the Board of Directors appointed Cristiano Musi as Chief Executive Officer and General Manager and confirmed Stefano Landi as Executive Chairman.

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

Board of Directors	
Executive Chairman	Stefano Landi
Honorary Chairperson - Director	Giovannina Domenichini
Chief Executive Officer	Cristiano Musi
Director	Silvia Landi
Director	Angelo Iori
Director	Paolo Emanuele Maria Ferrero
Independent Director	Anton Karl
Independent Director	Sara Fornasiero (*)
Independent Director	Vincenzo Russi
Board of Statutory Auditors	
Chairman of the Board of Statutory Auditors	Fabio Zucchetti
Statutory Auditor	Diana Rizzo
Statutory Auditor	Domenico Sardano
Alternate Auditor	Marina Torelli
Alternate Auditor	Gian Marco Amico di Meane
Control and Risks Committee	
Chairperson	Sara Fornasiero
Committee Member	Angelo Iori
Committee Member	Vincenzo Russi
Remuneration Committee	
Chairperson	Sara Fornasiero
Committee Member	Angelo Iori
Committee Member	Vincenzo Russi
Committee for Transactions with Related Parties	
Chairperson	Sara Fornasiero
Committee Member	Vincenzo Russi
Supervisory Board (Italian Legislative Decree 231/01)	
Chairperson	Jean-Paule Castagno
Board Member	Sara Fornasiero
Board Member	Domenico Sardano
Independent Auditing Firm	PricewaterhouseCoopers S.p.A.
Financial Reporting Manager	Paolo Cilloni

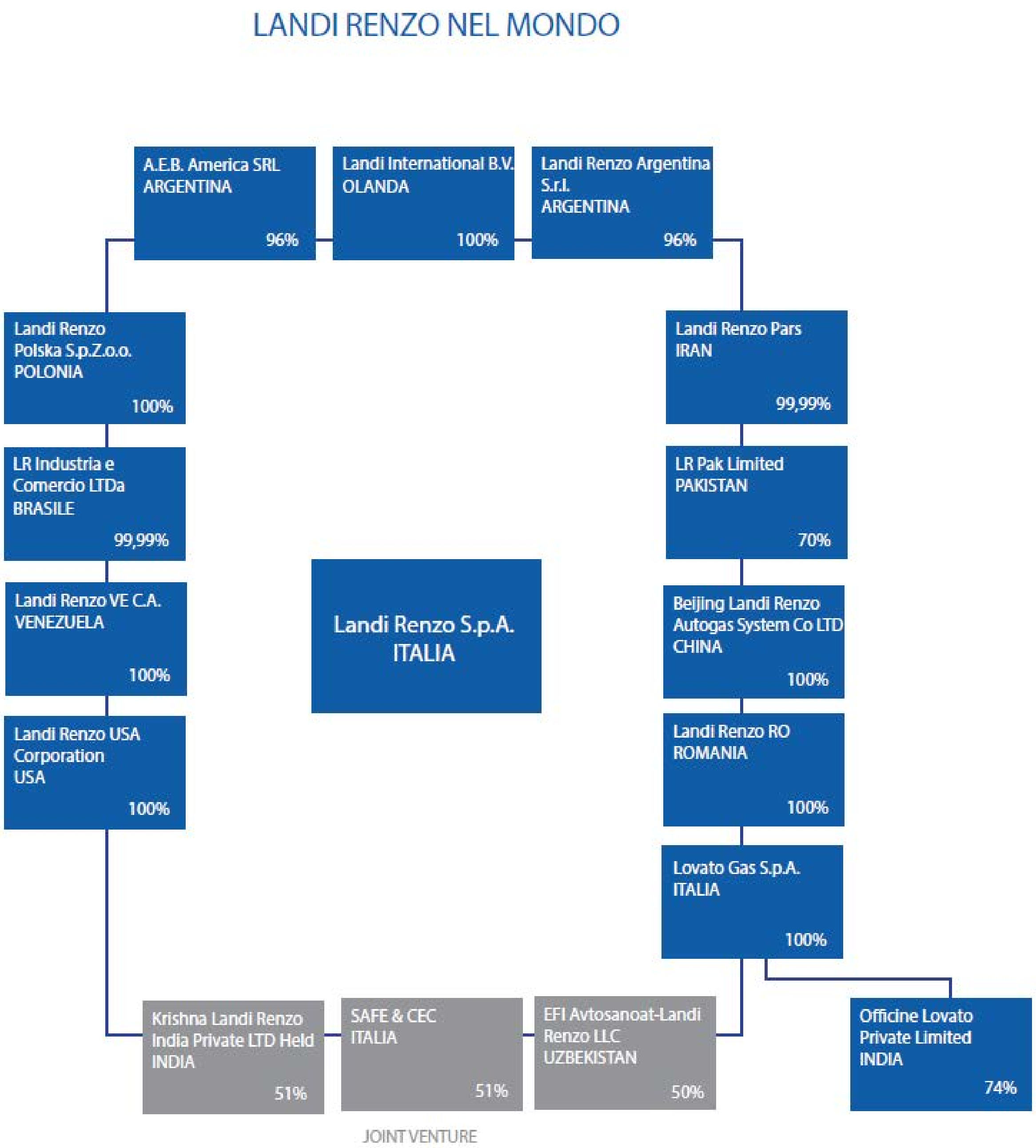
(*) The Director also holds the office of Lead Independent Director

Registered office and company details

Landi Renzo S.p.A.
Via Nobel 2/4
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

(Thousands of Euro)

ECONOMIC INDICATORS FOR THE THIRD QUARTER	Q3 2019	Q3 2018	Change	%
Revenue	35,875	40,787	-4,912	-12.0%
Adjusted Gross Operating Profit (EBITDA) (1)	4,456	5,057	-601	-11.9%
Gross Operating Profit (EBITDA)	3,991	4,834	-843	-17.4%
Net Operating Profit (EBIT)	1,205	2,112	-907	-42.9%
Earnings before Tax	366	795	-429	-54.0%
Net profit (loss) for the Group and minority interests	246	612	-366	-59.8%
Adjusted Gross Operating Profit (EBITDA) / Revenue	12.4%	12.4%		
Gross Operating Profit (EBITDA) / Revenue	11.1%	11.9%		
Net profit (loss) for the Group and minority interests / Revenue	0.7%	1.5%		

(Thousands of Euro)

ECONOMIC INDICATORS OF THE FIRST NINE MONTHS	30/09/2019	30/09/2018	Change	%
Revenue	137,910	138,083	-173	-0.1%
Adjusted Gross Operating Profit (EBITDA) (1)	18,068	19,134	-1,066	-5.6%
Gross Operating Profit (EBITDA)	17,263	17,517	-254	-1.5%
Net Operating Profit (EBIT)	8,212	9,572	-1,360	-14.2%
Earnings before Tax	4,893	4,221	672	15.9%
Net profit (loss) for the Group and minority interests	3,132	2,304	828	35.9%
Adjusted Gross Operating Profit (EBITDA) / Revenue	13.1%	13.9%		
Gross Operating Profit (EBITDA) / Revenue	12.5%	12.7%		
Net profit (loss) for the Group and minority interests / Revenue	2.3%	1.7%		

(Thousands of Euro)

STATEMENT OF FINANCIAL POSITION	30/09/2019	31/12/2018	30/09/2018
Net fixed assets and other non-current assets	105,276	100,983	96,542
Operating capital (2)	31,512	18,893	25,522
Non-current liabilities (3)	-5,778	-7,428	-8,320
NET INVESTED CAPITAL	131,010	112,448	113,744
Net Financial Position (4)	67,955	52,872	56,633
Net Financial Position - standards remaining the same (5)	61,190	52,872	56,633
Shareholders' Equity	63,055	59,576	57,111
BORROWINGS	131,010	112,448	113,744

(Thousands of Euro)

KEY INDICATORS	30/09/2019	31/12/2018	30/09/2018
Operating capital / Turnover (rolling 12 months)	16.8%	10.0%	14.0%
Net financial debt / Equity	107.8%	88.7%	99.2%
Adjusted net financial debt (5) / EBITDA (rolling 12 months)	2.53	2.10	2.82
Personnel (peak)	561	494	494

(Thousands of Euro)

CASH FLOWS	30/09/2019	31/12/2018	30/09/2018
Gross operational cash flow	-283	9,946	2,393
Cash flow for investment activities	-5,904	-8,269	-3,670
Gross FREE CASH FLOW	-6,187	1,677	-1,277
Non-recurring expenditure for voluntary resignation incentives and TFR (severance pay)	-132	-4,377	-4,377
Net FREE CASH FLOW	-6,319	-2,700	-5,654

(1) The data does not include accounting of non-recurring costs. As EBITDA is not identified as an accounting measure under IAS/IFRS, it may be calculated in different manners. EBITDA is a measure used by the company's management to monitor and evaluate its operating performance. The management believes that EBITDA is an important parameter to measure the company's operating performance, as it is not influenced by the effects of the different criteria for determining the tax base, the amount and characteristics of invested capital and the relative amortisation policies. The company's way of calculating EBITDA may not be the same as the methods adopted by other companies/groups, and therefore its value may not be comparable with the EBITDA calculated by others.

(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) Not including the effects of the application of IFRS 16 - Leases.

1.4. SIGNIFICANT EVENTS DURING THE PERIOD

February On 6 February 2019, Landi Renzo Industria e Comercio Ltda, the Brazilian branch of the Landi Renzo Group, entered into an exclusive partnership agreement with Uber, a company which directly connects passengers and drivers at global level, calling for the conversion of cars owned by Uber's partner drivers to CNG throughout Brazil, using the solutions offered by the Landi Renzo Group.

February On 28 February 2019, Krishna Landi Renzo, the Landi Renzo Group's Indian joint venture, entered into an exclusive collaboration agreement with Ford India. Under the agreement, Landi Renzo will supply and install its CNG systems for the new Ford Aspire, also providing after sales support through local authorised garages. The number of vehicles subject to the supply agreement is around 2,000 per year, for a duration of roughly 5 years.

April On 29 April 2019, the Shareholders' Meeting of Landi Renzo S.p.A. resolved:

- to approve the financial statements for 2018, and to allocate to the Extraordinary Reserve the profit for the year of Euro 226,353.61, as the Statutory Reserve has already reached one fifth of the share capital;
- to appoint the Board of Directors for the 2019-2021 period, consisting of 9 members and led by Chairman Stefano Landi;
- to appoint the Board of Statutory Auditors for the 2019-2021 period;
- to be in favour of the first part of the Report on Remuneration pursuant to article 123-ter, paragraph 6 of Italian Legislative Decree 58/98;
- to approve the remuneration plan based on the assignment of Landi Renzo S.p.A. ordinary shares (the "2019-2021 Performance Shares Plan");
- to authorise the Board of Directors to purchase treasury shares for a duration of 18 months, after revoking the previous authorisation.

The Board of Directors meeting held on the same date confirmed Cristiano Musi as Chief Executive Officer as well as General Manager.

May In May 2019, Landi Renzo S.p.A. renewed the rental agreement with the related company Gireimm S.r.l. relating to the property used as its operating headquarters, expiring on 10 May 2019. The new 5-year agreement, renewable only by written agreement between the parties, was reviewed by the Committee for Transactions with Related Parties.

May On 4 May 2019, Cerved Rating Agency raised the Landi Renzo Group's rating from B2.1 to B1.2 considering the revision of its business model and the improvement of its competitive positioning. This is the second rating upgrade for the company, the first also assigned by Cerved in November 2018.

May On 14 May 2019, in order to improve the Group's financial debt profile, the Board of Directors of Landi Renzo S.p.A. approved the negotiation and signing of a new loan agreement with major credit institutions in order primarily to extinguish its financial debt deriving from the Optimisation Agreement signed in March 2017 and the "LANDI RENZO 6,10% 2015-2022" Bonded Loan (ISIN IT0005107237), aside from obtaining new resources for general cash requirements and to support its current and future investments. On the same date, the Company notified the bondholders of its intention to proceed with the early full repayment at par of the "LANDI RENZO 6,10% 2015-2022" Bonded Loan, (ISIN IT0005107237), pursuant to art. 9 of the relative Regulation.

June On 6 June 2019, the Company sent a letter to the lending banks notifying them of its intention:

- to proceed with the voluntary early repayment of the financial debt deriving from the Optimisation Agreement;
- to request from the lending banks the maintenance of the existing revocable commercial and current account credit lines and the other guarantees given, also outside the scope of the Optimisation Agreement;
- to proceed with the formal termination of the Optimisation Agreement.

On 20 June 2019, the Company also notified the lending banks of its irrevocable decision to proceed with the full repayment in advance of the expiry of the Optimisation Agreement, in accordance with paragraph 5.7 of such agreement, of the existing medium/long-term loans.

June On 26 June 2019, Landi Renzo S.p.A., along with Lovato Gas S.p.A. and SAFE S.p.A., subsidiaries/associates still falling under the Optimisation Agreement, agreed with the lending banks to terminate the Optimisation Agreement by mutual consent and as a result to fully extinguish the financial debt and for the lending banks to maintain the existing commercial and current account credit lines and the other guarantees provided in favour of the Company and its subsidiaries/associates.

June On 26 June 2019 Landi Renzo S.p.A. entered into a five-year medium/long-term loan agreement with a pool of three major banks (BPM - mandated lead arranger and bookrunner, Intesa Sanpaolo and Unicredit) for a total of Euro 65 million under more favourable economic conditions, which will make it possible to reduce financial expenses compared to current levels as well as improve the Group's debt profile. The relative financial resources were used to repay the financial debt deriving from the Optimisation Agreement in full, on 28 June 2019, and the Bonded Loan, on 1 July 2019, for a total of Euro 55 million. The remainder of the new loan will be used to support current and future investments.

2. DIRECTORS' OBSERVATIONS ON BUSINESS PERFORMANCE

The first nine months of 2019 ended with positive results in terms of turnover as well as profit, both in line with management forecasts. The Group strives to be a key player in the mobility of the future, enhancing the importance and the role of gas-mobility which still has significant room for development, both in the Passenger Car segment and, especially, in the Heavy Duty segment. To that end, the Group has embarked upon a path of growth and technological development aiming to offer innovative and efficient solutions to its customers, which will make it possible to accelerate value creation.

Indeed, at global level the Automotive segment is experiencing a historic phase of renewal and development due to the increasing attention placed on environmental issues, resulting in increasingly stringent greenhouse gas emissions limits imposed by a growing number of countries. In this context, the Group's management has identified significant and appealing opportunities for gas-mobility in the Mid and Heavy Duty segment, increasingly oriented towards LNG, RNG and CNG solutions, as well as in the Passenger Car and Light Commercial Vehicles (LCV) segment, in which the Group can provide strategic support to the main automotive manufacturers in completing their "green" product range. The Group has also invested for some time now in technological and innovative solutions for hydrogen mobility, the cleanest energy solution available, which is receiving increasing attention from the sector, particularly in the Heavy Duty segment. In this context, thanks to our recognised, extensive experience in creating gas-mobility solutions, an agreement was entered into with Hydrogenics, one of the main global leaders in the development of clean energy solutions, for the design and development of systems and components for hydrogen fuel cell applications.

In order to take the most advantage of market opportunities, the Group has significantly increased its new product development activities for the OEM channel, with a particular focus on Mid and Heavy Duty vehicles, as well as the After Market channel. In this context, existing partnerships with universities, including with the assignment of scholarships and research doctorate grants for projects linked to hydrogen mobility, as well as with research centres at international level, are also highly important.

Research and Development activities in the first nine months of 2019 saw the continuation of projects initiated in the previous year as well as the launch of new initiatives, in particular:

- development of systems and components for the OEM channel for new vehicles and new engines for major automotive manufacturers, in particular for the new Euro6d-Temp and Euro6d-Full emissions limits, the first sales of which are expected to begin at the end of 2019 and the end of 2020, respectively. These systems include completely redesigned components (reduction gears, injectors and control units) which will make it possible to improve vehicle performance and reduce emissions;
- development of products for the Heavy Duty market, which is an important target for the Group, in particular:
  - development of a new pressure regulator for LNG, a solution increasingly adopted by OEM manufacturers in the sector as an alternative drive system for heavy duty vehicles, which will enable the Group to have a stronger commercial presence in that market;
  - development of a new pressure regulator for CNG with the relative control strategy for top OEM customers;
- development in collaboration with Hydrogenics of a new integrated hydrogen collector for fuel cells, complete with regulator and valves;
- development of conversion systems for the After Market channel intended for new vehicles and engines, particularly with reference to the creation of a new pressure regulator and new electronic control units, with higher performance and smaller size, equipped with "auto-calibration" software that will help to reduce the time for setting up and inspecting systems.

The first nine months of 2019 ended with turnover of Euro 137,910 thousand, basically aligned with the same period of the previous financial year, and a net profit of Euro 3,132 thousand, marking a significant improvement over the previous period (Euro 2,304 thousand at 30 September 2018).

Activities connected to the labour mobility plan agreed upon with the trade unions and the implementation of the "EBITDA improvement" project guidelines were completed in the previous year, with substantial positive effects for profit margins. In the first nine months of 2019, the validity and effectiveness of the actions undertaken by the management were confirmed, enabling the Group to maintain adequate profit margins consistent with budget forecasts. Indeed, at 30 September 2019, EBITDA was Euro 17,263 thousand (equal to 12.5% of the turnover), in line with in the same period of the previous year (Euro 17,517 thousand). This result is particularly significant considering that:

- sales in the OEM channel reached 42.1% of the total in the first 9 months of 2019 compared with 37.7% on 30 September 2018, with the resulting impacts on margins, as this channel typically has lower profit margins than the After Market sales channel;

- turnover in the third quarter of 2019 was impacted, as expected, by the decline in orders from some of the top OEM customers following the planned entry into force of new regulatory limits imposed by the European laws on emissions, requiring automotive manufacturers to update their product ranges to the new Euro6d-Temp engines and therefore phase out the current Euro6 models.

During the first nine months 2019, there was a significant increase in sales in that channel (+13.3%). This result was primarily due to increasing orders from top European automotive manufacturers which are using bifuel engines to develop their "green" product ranges and have confirmed the Landi Renzo Group as their strategic partner, due to its well established experience in the sector. In this regard, the Group has been selected by a top European automotive manufacturer which is making significant investments in gas-mobility as the supplier of systems and components for the new Euro6d-Temp engines as well as the subsequent Euro6d-Full engines, for which the first sales are expected at the end of 2019 and the end of 2020, respectively. This once again confirms the Landi Renzo Group's well established strategic positioning in the OEM channel and its recognition as a supplier of high quality, efficient and reliable components and systems.

In the After Market channel, the Group achieved turnover of Euro 79,812 thousand during the first nine months of 2019, a decline compared with the same period of the previous year (Euro 86,807 thousand) mostly due to the decrease in the Rest of the World area following the reduction in positive effects deriving from gas-mobility incentives granted by several countries starting from the previous year. Given the increasing opportunities in foreign markets, which are more and more frequently characterised by incentives from local governments intended to develop gas-mobility as an option to combat growing environmental pollution, the Group has focused its attention and its sales efforts on those areas in order to best take advantage of these opportunities. These sales activities are also supported by a progressive update in the Group's product range for the After Market channel. Thanks to these efforts, already in the third quarter of 2019 significant results were achieved, with a recovery in turnover in South America, which had particularly suffered in the course of the first quarter of 2019.

In light of the continuous, clear improvement in the Group's economic and financial performance and the favourable conditions in the financial markets in terms of the cost of money, in the first half of 2019 the management entered into important negotiations with several top financial institutions with a view to obtaining a new loan in order to extinguish the Group's financial debt deriving from the Optimisation Agreement entered into in March 2017 and the "LANDI

RENZO 6,10% 2015-2022" Bonded Loan (ISIN IT0005107237), as well as obtain a simultaneous reduction in financial expenses.

On 26 June 2019, Landi Renzo S.p.A., along with Lovato Gas S.p.A. and SAFE S.p.A., subsidiaries/associates still falling under the Optimisation Agreement, agreed with the lending banks involved in the agreement to formally terminate it, also calling for:

- the voluntary early repayment of the financial debt deriving from the Optimisation Agreement; and
- the maintenance of the existing revocable commercial and current account credit lines and the other guarantees given by the lending banks, also outside the scope of the Optimisation Agreement.

On the same date the Company entered into a five-year medium/long-term loan agreement with a pool of three major banks (BPM - mandated lead arranger and bookrunner, Intesa Sanpaolo and Unicredit) for a total of Euro 65 million under more favourable economic conditions, which will make it possible to reduce financial expenses compared to current levels as well as improve the Group’s debt profile. The relative financial resources were used to repay the financial debt deriving from the Optimisation Agreement in full, on 28 June 2019, and the Bonded Loan, on 1 July 2019, for a total of Euro 55 million. The remainder of the new loan will be used to support current and future investments.

The Net Financial Position at 30 September 2019 is Euro 67,955 thousand, of which Euro 6,765 thousand due to the application of IFRS 16 - Leases. With the standards remaining the same, i.e. without considering the effects of the application of that accounting standard, the Net Financial Position at 30 September 2019 would have been Euro 61,190 thousand, up compared with the same period of the previous year (Euro 56,633 thousand). This increase is particularly linked to seasonal effects on supplier payments, higher stock in inventory, necessary to cover orders in the portfolio and expected to be delivered in the next few months, as well as the significant investments for the period in OEM LNG and CNG product development projects (Euro 3,678 thousand).

2.1. PERFORMANCE AND NOTES ON THE MAIN CHANGES IN THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

The following table sets out the main economic indicators of the Group for the first nine months of 2019 compared with the same period in 2018.

(Thousands of Euro)	30/09/2019	%	30/09/2018	%
Revenues from sales and services	**137,910**	**100.0%**	**138,083**	**100.0%**
Other revenues and income	315	0.2%	249	0.2%
Operating costs	-120,157	-87.1%	-119,198	-86.3%
Adjusted gross operating profit	**18,068**	**13.1%**	**19,134**	**13.9%**
Non-recurring costs	-805	-0.6%	-1,617	-1.2%
Gross operating profit	**17,263**	**12.5%**	**17,517**	**12.7%**
Amortisation, depreciation and impairment	-9,051	-6.6%	-7,945	-5.8%
Net operating profit	**8,212**	**6.0%**	**9,572**	**6.9%**
Financial income (charges) and exchange rate differences	-3,634	-2.6%	-4,109	-3.0%
Gain (loss) on equity investments valued using the equity method	315	0.2%	-1,242	-0.9%
Profit (loss) before tax	**4,893**	**3.5%**	**4,221**	**3.1%**
Current and deferred taxes	-1,761	-1.3%	-1,917	-1.4%
Net profit (loss) for the Group and minority interests, including:	**3,132**	**2.3%**	**2,304**	**1.7%**
Minority interests	-53	0.0%	-107	-0.1%
Net profit (loss) for the Group	**3,185**	**2.3%**	**2,411**	**1.7%**

Consolidated revenues in the first nine months of 2019 amounted to Euro 137,910 thousand, substantially in line with the same period of the previous year (Euro 138,083 thousand). This result is particularly significant considering that, as mentioned previously, the third quarter was influenced, as expected, by the reduction in orders in the OEM sales channel following the phase-out of the current Euro6 engines due to the upcoming entry into force of new emissions limits imposed by the European laws. Sales of new systems and components for Euro6d-Temp engines are expected to begin at the end of the year, with quite significant expected volumes. Despite this effect, Group sales in the OEM channel in the first nine months of 2019 represented 42.1% of total revenues, compared with 37.7% in the same period of the previous year. As mentioned above, the Group has been selected as the supplier of a top European automotive manufacturer to supply systems and components for the new Euro6d-Temp and Euro6d-Full engines, with quite significant expected sales volumes for the group.

This confirms the attention that several major European automotive manufacturers are placing on bifuel engines, which they are incorporating within the development of their “green” product lines. Sales revenues as at 30 September 2019 in the After Market channel were down during the first nine months of 2019, mostly following the decrease in the Rest of the World market due to the reduction in positive effects deriving from gas-mobility incentives granted by several countries starting from the previous year. Given the increasing opportunities in foreign markets, which are more and more frequently characterised by government incentives intended to develop gas-mobility as a sustainable option to combat growing environmental pollution, the Group has focused its attention and its sales efforts on those areas in order to best take advantage of these opportunities. Thanks to these efforts, already in the third quarter of

2019 significant results were achieved, with a recovery in turnover in South America, which had particularly suffered in the course of the first quarter of 2019.

Adjusted EBITDA at 30 September 2019 was Euro 18,068 thousand, compared with Euro 19,134 thousand in the same period of the previous year, confirming the validity and effectiveness of the actions undertaken by the management in terms of the company reorganisation and the reduction in fixed and variable costs. Indeed, the Group maintained adequate profit margins despite the fact that overall there was a higher incidence of sales during the first nine months of 2019 in the OEM channel, which has lower profit margins than the After Market Channel. Non-recurring costs, equal to Euro 805 thousand at 30 September 2019 and relating to strategic consultancy, were down significantly compared with the same period of the previous year (equal to Euro 1,617 thousand, also relating to strategic consultancy).

The Gross Operating Profit (EBITDA) was positive at Euro 17,263 thousand, basically stable compared with the same period of the previous year (Euro 17,517 thousand).

SEGMENT REPORTING

The Group operates directly only in the Automotive segment and 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 equity method. This report provides information about the trend in this segment during the first nine months of 2019, to provide a better understanding of the impact of this business unit on the Group's accounts.

Breakdown of sales by geographical area

Third quarter 2019 compared to third quarter 2018

(Thousands of Euro)

Geographical distribution of revenues	Q3 2019	% of revenues	Q3 2018	% of revenues	Change	%
Italy	6,374	17.8%	6,264	15.4%	110	1.8%
Europe (excluding Italy)	12,635	35.2%	17,354	42.5%	-4,719	-27.2%
America	9,461	26.4%	7,987	19.6%	1,474	18.5%
Asia and Rest of the World	7,405	20.6%	9,182	22.5%	-1,777	-19.4%
Total	**35,875**	**100.0%**	**40,787**	**100.0%**	**-4,912**	**-12.0%**

First nine months 2019 compared to first nine months 2018

(Thousands of Euro)

Geographical distribution of revenues	At 30/09/2019	% of revenues	At 30/09/2018	% of revenues	Change	%
Italy	26,114	18.9%	25,224	18.3%	890	3.5%
Europe (excluding Italy)	62,344	45.2%	58,307	42.2%	4,037	6.9%
America	22,901	16.6%	23,048	16.7%	-147	-0.6%
Asia and Rest of the World	26,551	19.3%	31,504	22.8%	-4,953	-15.7%
Total	**137,910**	**100.0%**	**138,083**	**100.0%**	**-173**	**-0.1%**

Regarding the geographical distribution of revenues, during the first nine months of 2019 the Group realised 81.1% (81.7% at 30 September 2018) of its consolidated revenues abroad (45.2% in Europe and 35.9% outside Europe), and in detail:

- Italy

Sales in the Italian market of Euro 26,114 thousand were up by Euro 890 thousand compared with the same period of the previous year, in particular:

- New bi-fuel car registrations (OEM), for the set of new vehicles equipped with LPG and CNG systems, accounted for 9.0% of total vehicle registrations according to data published by UNRAE (Association of foreign car makers operating in Italy);
- 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 increase of Euro 4,037 thousand in revenues in Europe was primarily attributable to the increase in OEM sales to several major automotive manufacturers which, in the development of their “green” product ranges, are using bifuel engines and have confirmed the Landi Renzo Group as their strategic partner. As noted previously, in the third quarter of 2019 sales in the OEM channel were down following the transition by automotive manufacturers from the current Euro6 engines to the new Euro6d-Temp engines, for which the first sales are expected to take place at the end of the fourth quarter of 2019.

- America

Sales in the first nine months of 2019 on the American continent, amounting to Euro 22,901 thousand, were in line with the same period of the previous year (Euro 23,048 thousand). In the third quarter, thanks to the Group’s expansive sales policies, the difference in sales recorded at the end of the first half of the year in this area, influenced, especially in the first few months of the year, by the difficult situation in the Brazilian market, was almost entirely recovered.

- Asia and Rest of the World

The Asia and Rest of the World markets marked a decline of 15.7% (Euro 4,953 thousand) compared with the first nine months of 2018 due to the reduction in positive effects arising from the gas-mobility incentives granted by some countries starting from the previous year.

Profitability

In the first nine months of 2019, the adjusted Gross Operating Profit (adjusted EBITDA) was positive, Euro 18,068 thousand, equivalent to 13.1% of revenues, compared with Euro 19,134 thousand in the same period of the previous year. This result is particularly significant considering the sharp rise in sales in the OEM channel compared with the same period of the previous year. Indeed, although this channel has lower profit margins than the After Market channel, thanks to the policies enacted by the management to reduce fixed costs, the Group's profit margins were in any event very positive and met expectations.

The Gross Operating Profit (EBITDA) was positive, Euro 17,263 thousand, equivalent to 12.5% of revenues, substantially in line with the same period of the previous year (Euro 17,517 thousand). Non-recurring costs, equal to Euro 805 thousand at 30 September 2019 and relating to strategic consultancy, were down significantly compared with the same period of the previous year (equal to Euro 1,617 thousand, also relating to strategic consultancy).

(Thousands of Euro)

EXTRAORDINARY COSTS	30/09/2019	30/09/2018	Change
Strategic consultancy	805	1,617	-812
Total	**805**	**1,617**	**-812**

Costs of raw materials, consumables and goods and changes in inventories increased overall from Euro 65,433 thousand at 30 September 2018 to Euro 71,083 thousand at 30 September 2019, which in absolute terms is an increase of Euro 5,650 thousand. The increase in these costs with respect to turnover was due to the increase in sales in the OEM channel, characterised by lower margins than the After Market channel.

The costs of services and use of third-party assets amounted to Euro 27,965 thousand, compared with Euro 32,259 thousand in the same period of the previous year. The reduction in this item was mainly linked to:

- lower non-recurring costs for strategic consultancy;
- the reduction in general, commercial and administrative costs;
- the application of IFRS 16 - Leases.

Personnel costs were Euro 20,169 thousand, a decrease compared with the same period of the previous financial year (Euro 21,115 thousand at 30 September 2018), while the Group had a total of 561 employees, an increase compared with the end of the previous year (494), especially due to recruitments by the subsidiary Landi Renzo Polska in order to strengthen the production structure. Despite this increase in employees, personnel costs declined compared with the same period of the previous year, as the first nine months of 2018 benefitted only in part from the effects of the company restructuring concluded in the initial months of last year, as well as since the group heavily invested in highly specialised resources to support the increasing research and development performed for new products and solutions, capitalised when they meet the requirements laid out in IAS 38.

The Net Operating Profit (EBIT) for the period was Euro 8,212 thousand (Euro 9,572 thousand at 30 September 2018), after accounting for amortisation, depreciation and impairment of Euro 9,051 thousand (Euro 7,945 thousand at 30 September 2018). The increase in amortisation and depreciation was primarily due to the application of IFRS

16 - Leases.

Total financial expenses (interest income, interest charges and exchange rate differences) amounted to Euro 3,634 thousand (Euro 4,109 thousand at 30 September 2018) and are inclusive of Euro 436 thousand deriving from the recognition in the income statement of residual transaction costs incurred to sign the Optimisation Agreement and pending items following the measurement at amortised cost of the relative loans, subject to voluntary early repayment following the refinancing transaction illustrated above, and Euro 120 thousand deriving from the application of IFRS 16. Net of these effects, financial expenses alone would have amounted to Euro 2,622 thousand, in line with the same period of the previous year (Euro 2,839 thousand). The reduction in overall financial expenses is in any event primarily due to the reduction in exchange effects, thanks to greater stability in the exchange rates used by the group.

In the first nine months of 2019, the effect of the valuation with the equity method of the equity investments in joint ventures was positive at Euro 315 thousand (Euro -1,242 thousand from write-down at 30 September 2018). This includes the Group's share of the profits for the period from the Joint Ventures Krishna Landi Renzo India Private Ltd Held (revaluation of Euro 286 thousand) and SAFE&CEC S.r.l. (revaluation equal to Euro 29 thousand).

The first nine months ended with a pre-tax profit of Euro 4,893 thousand against a pre-tax profit of Euro 4,221 thousand at 30 September 2018, after the recognition of gains on the valuation of equity investments of Euro 315 thousand.

The net result for the Group at 30 September 2019 was positive at Euro 3,132 thousand compared with a positive result of Euro 2,304 thousand in the same period of 2018.

In order to allow for a better understanding and comparability of the Group’s economic and financial results, below are the details of the effects deriving from the application of IFRS 16 - Leases in the first half of 2019.

(Thousands of Euro)	30/09/2019			30/09/2018
	Landi Renzo Consolidated	*IFRS 16 Adjustment*	Landi Renzo Consolidated with standards remaining the same	Landi Renzo Consolidated
Revenues from sales and services	**137,910**	**0**	**137,910**	**138,083**
Other revenues and income	315	0	315	249
Operating costs	-120,157	-1,713	-121,870	-119,198
Adjusted gross operating profit	**18,068**	**-1,713**	**16,355**	**19,134**
Non-recurring costs	-805	0	-805	-1,617
Gross operating profit	**17,263**	**-1,713**	**15,550**	**17,517**
Amortisation, depreciation and impairment	-9,051	1,620	-7,431	-7,945
Net operating profit	**8,212**	**-93**	**8,119**	**9,572**
Financial income (charges) and exchange rate differences	-3,634	120	-3,514	-4,109
Gain (loss) on equity investments valued using the equity method	315	0	315	-1,242
Profit (loss) before tax	**4,893**	**27**	**4,920**	**4,221**
Current and deferred taxes	-1,761	0	-1,761	-1,917
Net profit (loss) for the Group and minority interests, including:	**3,132**	**27**	**3,159**	**2,304**
Minority interests	-53		-53	-107
Net profit (loss) for the Group	**3,185**	**27**	**3,212**	**2,411**

Gas Distribution and Compressed Natural Gas operating segment performance

The “Gas Distribution and Compressed Natural Gas” segment was the subject in 2017 of a strategic aggregation with Clean Energy Fuels Corp, the aim of which was to create the world’s second-largest group in the sector, 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) and therefore is consolidated via the equity method.

During the first nine months of 2019, the “Gas Distribution and Compressed Natural Gas” segment achieved considerably improved results compared with the same period of the previous year, with consolidated net sales of Euro 46,930 thousand (+16.4% compared with 30 September 2018), adjusted EBITDA of Euro 3,849 thousand (Euro 1,457 thousand at 30 September 2018), and a post-tax profit of Euro 55 thousand (compared with a loss of Euro 2,705 thousand at 30 September 2018).

Despite the significant projects completed and delivered in the third quarter, the SAFE&CEC Group still has a significant order portfolio that is better than forecast. The Management is currently concentrated on seeking out the production efficiency necessary to respect contractual deadlines as much as possible, while minimising the relative production and logistics costs.

It is also acknowledged that in April, SAFE S.p.A. entered into an agreement with ENI S.p.A. for the supply and maintenance of 20 CNG distribution systems, to be used in fuel stations in the ENI network for passenger cars as well as heavy duty vehicles. The agreement provides for a partnership over the next five years, in which SAFE S.p.A. will be committed in the first 3 years to the supply and installation of the equipment (consisting of the compressor, driver, distributor, control system and storage system), and in the following 2 years it will provide the relative maintenance services.

Invested capital

(Thousands of Euro)

Balance Sheet and Financial Position	30/09/2019	31/12/2018	30/09/2018
Trade receivables	34,064	35,131	33,793
Inventories	43,494	38,895	45,424
Trade payables	-46,614	-55,166	-54,562
Other net current assets	568	33	867
Net operating capital	**31,512**	**18,893**	**25,522**
Tangible assets	11,141	12,745	12,501
Intangible assets	50,747	51,065	49,357
Right-of-use assets	6,360	0	0
Other non-current assets	37,028	37,173	34,684
Fixed capital	**105,276**	**100,983**	**96,542**
TFR (severance pay), other provisions and others	-5,778	-7,428	-8,320
Net invested capital	**131,010**	**112,448**	**113,744**
Financed by:			
Net Financial Position (*)	67,955	52,872	56,633
Group shareholders' equity	63,378	59,852	57,853
Minority interests	-323	-276	-742
Borrowings	**131,010**	**112,448**	**113,744**

Ratios	30/09/2019	31/12/2018	30/09/2018
Net operating capital	31,512	18,893	25,522
Net operating capital/Turnover (rolling)	16.8%	10.0%	14.0%
Net invested capital	131,010	112,448	113,744
Net capital employed/Turnover (rolling)	69.7%	58.8%	62.4%

(*) The net financial position at 30 September 2019 is inclusive of Euro 6,765 thousand for financial liabilities for rights of use deriving from the application of IFRS 16 - Leases as of 1 January 2019.

Net operating capital at the end of the period stood at Euro 31,512 thousand. This is an increase of Euro 12,619 thousand compared with the same figure recorded at 31 December 2018. This increase can be linked to higher inventories (Euro 4,599 thousand) needed to cover orders in the portfolio to be delivered in the coming months and the decrease in trade payables (Euro 8,552 thousand), mainly due to seasonal effects. These changes were only partially offset by the decrease in trade receivables. Due to these effects, the incidence of net invested capital on rolling 12-month turnover increased from 14.0% at 30 September 2018 to the current 16.8%. The trend in operating capital is in any event under control and in line with expectations for the quarter.

Trade receivables stood at Euro 34,064 thousand, a decrease of Euro 1,067 thousand compared with 31 December 2018. At 30 September 2019, derecognised receivables disposed through factoring stood at Euro 23,050 thousand, compared with Euro 25,391 thousand at 31 December 2018.

There was a decrease of Euro 8,552 thousand in trade payables, which declined from Euro 55,166 thousand at 31 December 2018 to Euro 46,614 thousand, while the closing inventories, totalling Euro 43,494 thousand, rose compared with 31 December 2018 (Euro 38,895 thousand) to handle the orders expected to be delivered in the coming months and due to the procurement of materials to begin delivering new systems and components for Euro6d-Temp engines.

The increase in Fixed capital is linked primarily to the effects of the application of IFRS 16 - Leases, which entailed the recognition at 30 September 2019 of right of use assets of Euro 6,360 thousand.

At 30 September 2019, TFR (severance pay) and other provisions, totalling Euro 5,778 thousand, were basically in line with 31 December 2018.

Net of the effects of the application of IFRS 16 - Leases, Net Invested Capital totalled Euro 124,273 thousand, basically unchanged compared with December 2018 (Euro 112,448 thousand). The percentage indicator calculated on the rolling turnover also increased from 58.8% to 69.7%, mainly as a result of that effect.

Net Financial Position and cash flows

(Thousands of Euro)	30/09/2019	31/12/2018	30/09/2018
Cash and cash equivalents	17,631	15,075	17,224
Current financial assets	2,760	0	0
Bank financing and borrowings	-26,102	-16,203	-18,699
Right-of-use liabilities	-1,955	0	0
Bonds issued	0	-3,843	-3,565
Short-term borrowings	-419	-419	-419
Net short term indebtedness	**-8,085**	**-5,390**	**-5,459**
Borrowings	-55,060	-23,054	-24,614
Right-of-use liabilities	-4,810	0	0
Bonds issued	0	-24,218	-26,141
Other borrowings	0	-210	-419
Net medium-long term indebtedness	**-59,870**	**-47,482**	**-51,174**
Net Financial Position	**-67,955**	**-52,872**	**-56,633**
Net Financial Position - accounting standards remaining the same (*)	**-61,190**	**-52,872**	**-56,633**

(*) Not including the effects of the application of IFRS 16 - Leases.

In light of the continuous improvement in the Group's economic and financial performance and the favourable conditions in the financial markets in terms of the cost of money, in the first half of 2019 the management entered into important negotiations with several top financial institutions with a view to obtaining a new loan in order to extinguish the Group's existing financial debt deriving from the Optimisation Agreement entered into in March 2017 and the "LANDI RENZO 6,10% 2015-2022" Bonded Loan (ISIN IT0005107237), as well as obtain a simultaneous reduction in financial expenses.

On 26 June 2019, Landi Renzo S.p.A., along with Lovato Gas S.p.A. and SAFE S.p.A., subsidiaries/associates still falling under the Optimisation Agreement, agreed with the lending banks involved in the agreement to formally terminate it, also calling for:

- the voluntary early repayment of the existing financial debt deriving from the Optimisation Agreement;
- the maintenance of the existing revocable commercial and current account credit lines and the other guarantees given by the lending banks, also outside the scope of the Optimisation Agreement.

On the same date the Company entered into a five-year medium/long-term loan agreement with a pool of three major banks (BPM - mandated lead arranger and bookrunner, Intesa Sanpaolo and Unicredit) for a total of Euro 65 million under more favourable economic conditions, which will make it possible to reduce financial expenses compared to current levels as well as improve the Group's debt profile. The relative financial resources were used to repay the financial debt deriving from the Optimisation Agreement in full, on 28 June 2019, and the Bonded Loan, on 1 July 2019, for a total of Euro 55 million. The remainder will instead be used to support current and future investments.

The Net Financial Position at 30 September 2019 is Euro 67,995 thousand (Euro 56,633 at 30 September 2018), and was impacted by the application of the new international accounting standard IFRS 16 - Leases, which entailed the recognition of financial liabilities for rights of use of Euro 6,765 thousand at 30 September 2019.

Net of the effect of the application of IFRS 16 - Leases, the Group's Net Financial Position would have been Euro 61,190 thousand, up compared with 31 December 2018 (Euro 52,872 thousand) due to seasonal effects on supplier payments for investments made by the Group in inventory necessary to cover orders expected to be delivered in the coming months, as well as significant investments in development projects made during the period.

The following table illustrates the trend in total cash flow:

(Thousands of Euro)	30/09/2019	31/12/2018	30/09/2018
Gross operational cash flow	-283	9,946	2,393
Cash flow for investment activities	-5,904	-8,269	-3,670
Gross Free Cash Flow	**-6,187**	**1,677**	**-1,277**
Non-recurring expenditure for voluntary resignation incentives and TFR (severance pay)	-132	-4,377	-4,377
Net Free Cash Flow	***-6,319***	***-2,700***	***-5,654***

Net cash flow from operating activities at the end of September, as shown in the Cash Flow Statement, was negative at Euro 415 thousand (inclusive of non-recurring outlays of Euro 132 thousand), while net investment activities absorbed cash totalling Euro 5,904 thousand.

Investments

Investments in property, plant, machinery and other equipment totalled Euro 1,928 thousand (Euro 1,747 thousand at 30 September 2018) and refer to purchases of plant and machinery, new production moulds and testing/control equipment.

The increase in intangible assets amounted to Euro 4,087 thousand (Euro 1,980 thousand at 30 September 2018) and mainly related to the capitalisation of costs of development projects relating to new products for the OEM and After Market channels, which meet the requirements of IAS 38 for recognition as balance sheet assets. As illustrated previously, at global level the Automotive segment is experiencing a historic phase of renewal and development due to the increasing attention placed on environmental issues, resulting in increasingly stringent greenhouse gas emissions limits imposed by a growing number of countries. In this context, the Group's management has identified significant and interesting opportunities for gas-mobility and has significantly increased its new product development activities in order to best take advantage of them.

2.1.2. Results of Parent Company

In the first half of 2019, Landi Renzo S.p.A. generated revenues of Euro 100,861 thousand. The Gross Operating Profit totalled Euro 9,092 thousand (inclusive of Euro 805 thousand in non-recurring costs), compared with Euro 9,591 thousand at 30 September 2018 (inclusive of Euro 1,617 thousand in non-recurring costs), while the net financial position was Euro -66,719 thousand (Euro -72,525 thousand, net of the effects deriving from the application of IFRS 16) compared with Euro -54,538 thousand at 31 December 2018.
At the end of the first nine months of 2019, the Parent Company's workforce numbered 305 employees, basically in line with 31 December 2018 (300 employees).

2.1.3. Transactions with related parties

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

Transactions with related parties listed below include:

- the service contracts between Gireimm S.r.l. and Landi Renzo S.p.A. for rent of the property used as the operational headquarters of the Parent Company and the subsidiaries located in the town of Corte Tegge - Cavriago;
- the service contracts between Gireimm S.r.l. and Landi Renzo S.p.A. for rent payments, until 30 June 2019, the date of withdrawal agreed upon between the parties for withdrawal from the relative contract, for a portion of the New Technical Centre property;
- 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 production plant on Via dell'Industria in Cavriago;
- the service contracts between Emilia Properties LLC, a company in which a stake is held through the parent company Girefin S.p.A., for the rents on properties used by the US company;
- supply of goods to the joint venture Krishna Landi Renzo India Private Ltd Held and to the joint venture EFI Avtosanoat-Landi Renzo LLC:
- supply of services between Landi Renzo S.p.A. and SAFE&CEC S.r.l. relating to the chargeback of service and IT costs.

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

With regard to the business outlook, taking into account the results of the first nine months of 2019, 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 2018 is confirmed, i.e. expected revenues of between Euro 185 million and Euro 190 million, with an adjusted EBITDA of around Euro 27 million.

With respect to the joint venture SAFE & CEC, currently the order portfolio is higher than forecast, with resulting impacts on production efficiency due to the need to respect the contractual deadlines set forth as much as possible. On the basis of the most recent forecast data, revenues are expected to reach between Euro 65 million and Euro 70 million, up compared with 2018, with an adjusted EBITDA of between Euro 6 million and Euro 7 million.

Cavriago, 8 November 2019

Chief Executive Officer
Cristiano Musi

3. INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 September 2019

3.1. GENERAL ACCOUNTING STANDARDS AND CONSOLIDATION PRINCIPLES

3.1.1. Preamble

The Interim Management Report as at 30 September 2019, which has not been audited, has been prepared in compliance with art. 154-*ter* of Italian Legislative Decree no. 58 of 24 February 1998, as amended, and with the *Regolamento Emittenti* (Issuers' Regulations) issued by CONSOB (Italian Securities and Exchange Commission). Therefore, the provisions of the IAS on infra-annual financial information (IAS 34 – Interim Financial Reporting) were not adopted.

The Interim Management Report as at 30 September 2019 has been prepared in accordance with the IAS/IFRS. To this end, the data of the separate financial statements of the Italian and foreign subsidiaries have been reclassified and adjusted accordingly.

The line-by-line method is used for consolidation, which consists of stating all the items of assets and liabilities in their entirety, excluding the joint ventures SAFE & CEC S.r.l. and Krishna Landi Renzo India Private LTD Held, which are consolidated using the equity method.

Except as indicated below, the accounting standards, and the valuation and consolidation criteria used in preparing the Interim Management Report as at 30 September 2019 are not different to those used in drawing up the consolidated financial statements closed at 31 December 2018, to which please refer for further information.

As well as the interim values as at 30 September 2019 and 2018, the financial data for the year ended on 31 December 2018 is shown for the purpose of comparison.

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

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

The accounting standards and calculation methods used in preparing this Interim Report have not changed compared to the standards used for the consolidated financial statements at 31 December 2018 apart from the initial application of IFRS 6 - Leases, which requires the recognition of an asset in the financial statements against operating lease agreements lasting more than 12 months, representing the right of use of the goods subject to the agreement, as well as a liability connected to the obligation to make the payments set forth in the agreement.
The Group applied this standard at the date of first time adoption (1 January 2019) using the modified retrospective approach, recognising the lease liability at the present value of the remaining payments due, discounted using the marginal rate of financing at the date of initial application and recognising the right-of-use asset at an amount equal to the lease liability, adjusted for the amount of any accruals and deferrals relating to the lease. The use of this method did not entail the restatement of comparative information and did not have any effects on the Group's shareholders' equity.

The application of this standard entailed the recognition in the financial statements at 1 January 2019 of right-of-use assets of Euro 4,943 thousand and notional financial liabilities in an equal amount, while in the first nine months of 2019, a reduction of Euro 1,713 thousand was recorded in costs for services and use of third party assets, alongside higher depreciation and financial expenses of Euro 1,620 thousand and Euro 120 thousand, respectively.

Please note that the lease agreement was renewed with the related company Gireimm S.r.l on the property used as the operating headquarters of Landi Renzo S.p.A., the contractual expiry of which is scheduled for 10 May 2019. This agreement, which has a duration of 5 years, renewable only by written agreement between the parties, involved a significant effect on right-of-use assets and the relative liabilities (roughly Euro 3,841 thousand). In addition, on 30 June 2019 an agreement was signed by the Parent Company and Gireimm S.r.l. for early withdrawal, without penalties, from the lease agreement on the portion of the New Technical Centre property, no longer necessary for the Group. Following the termination of this agreement, rights for use activities fell by Euro 1,149 thousand.

Please note that the valuation and measurement of the accounting items shown are based on International Accounting Standards and the relative interpretations currently in force, and that no new accounting standards were applied early.

3.1.3. Consolidation procedures and accounting criteria

The preparation of the Interim Management Report requires the directors to apply accounting standards and methods that are sometimes based on difficult and subjective assessments and estimates derived from past experience and based on assumptions that are considered reasonable and realistic given the circumstances. Application of these estimates and assumptions affects the amounts presented in the financial statements, such as the Consolidated Statement of Financial Position, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Shareholders' Equity and the Consolidated Cash Flow Statement, and in disclosures provided. Estimates are used in recognizing goodwill, impairment of fixed assets, development expenditure, taxes, provisions for bad debts and inventories write-down, employee benefits and other provisions. The estimates and assumptions are reviewed periodically and the effects of all changes are normally reflected immediately on the income statement.
However, some valuation processes, especially the more complex ones such as establishing any loss in value of non-current assets, are normally carried out to a fuller extent only during the preparation of the annual financial statements, when all the necessary information is available, except for those cases in which there are impairment indicators that require an immediate assessment of possible losses in value.
The Group performs activities that do not on the whole present significant seasonal or cyclical variations in total sales over the course of the year, except for the signing of new supply contracts on the OEM channel which may involve planned and differing delivery schedules in the individual quarters.

The policies and principles of the Landi Renzo Group for the identification, management and control of risks related to the activity are described in detail in the Consolidated Financial Statements as at 31 December 2018, to which you may refer for a more complete description of such aspects.

3.1.4. Consolidation scope

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 consolidation area, as of 30 September 2019, compared to 31 December 2018.

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

Under 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 the CONSOB Regulation, on occasion of significant mergers, demergers, increases in capital through contribution of goods in kind, acquisitions and disposals.

3.2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Thousands of Euro)

ASSETS	30/09/2019	31/12/2018	30/09/2018
Non-current assets			
Land, property, plant, machinery and equipment	11,141	12,745	12,501
Development expenditure	7,685	6,932	4,776
Goodwill	30,094	30,094	30,094
Other intangible assets with finite useful lives	12,968	14,039	14,487
Right-of-use assets	6,360	0	0
Equity investments valued using the equity method	23,594	22,292	23,059
Other non-current financial assets	404	352	373
Other non-current assets	3,420	3,991	3,990
Deferred tax assets	9,610	10,538	7,262
Total non-current assets	**105,276**	**100,983**	**96,542**
Current assets			
Trade receivables	34,064	35,131	33,793
Inventories	43,494	38,895	45,424
Other receivables and current assets	7,049	8,016	7,956
Current financial assets	2,760	0	0
Cash and cash equivalents	17,631	15,075	17,224
Total current assets	**104,998**	**97,117**	**104,397**
TOTAL ASSETS	**210,274**	**198,100**	**200,939**

(Thousands of Euro)

SHAREHOLDERS' EQUITY AND LIABILITIES	30/09/2019	31/12/2018	30/09/2018
Shareholders' Equity			
Share capital	11,250	11,250	11,250
Other reserves	48,943	43,931	44,192
Profit (loss) for the period	3,185	4,671	2,411
Total Shareholders' Equity of the Group	**63,378**	**59,852**	**57,853**
Minority interests	-323	-276	-742
TOTAL SHAREHOLDERS' EQUITY	**63,055**	**59,576**	**57,111**
Non-current liabilities			
Non-current bank loans	55,060	23,055	24,614
Other non-current financial liabilities	0	24,427	26,560
Non-current liabilities for rights of use	4,810	0	0
Provisions for risks and charges	3,270	5,443	6,162
Defined benefit plans for employees	1,726	1,646	1,753
Deferred tax liabilities	425	339	405
Liabilities for derivative financial instruments	357	0	0
Total non-current liabilities	**65,648**	**54,910**	**59,494**
Current liabilities			
Bank financing and short-term loans	26,102	16,203	18,699
Other current financial liabilities	419	4,262	3,984
Current liabilities for rights of use	1,955	0	0
Trade payables	46,614	55,166	54,562
Tax liabilities	1,684	2,385	1,807
Other current liabilities	4,797	5,598	5,282
Total current liabilities	**81,571**	**83,614**	**84,334**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**210,274**	**198,100**	**200,939**

3.3. CONSOLIDATED INCOME STATEMENT

(Thousands of Euro)

CONSOLIDATED INCOME STATEMENT	30/09/2019	30/09/2018
Revenues from sales and services	137,910	138,083
Other revenues and income	315	249
Cost of raw materials, consumables and goods and change in inventories	-71,083	-65,433
Costs for services and use of third party assets	-27,965	-32,259
Personnel costs	-20,169	-21,115
Allocations, write-downs and other operating expenses	-1,745	-2,008
Gross operating profit	**17,263**	**17,517**
Amortisation, depreciation and impairment	-9,051	-7,945
Net operating profit	**8,212**	**9,572**
Financial income	75	106
Financial expenses	-3,178	-2,839
Exchange gains (losses)	-531	-1,376
Gain (loss) on equity investments valued using the equity method	315	-1,242
Profit (loss) before tax	**4,893**	**4,221**
Current and deferred taxes	-1,761	-1,917
Net profit (loss) for the Group and minority interests, including:	**3,132**	**2,304**
Minority interests	-53	-107
Net profit (loss) for the Group	3,185	2,411
Basic earnings (loss) per share (calculated on 112,500,000 shares)	0.0283	0.0214
Diluted earnings (loss) per share	0.0283	0.0214

3.4. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Thousands of Euro)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	30/09/2019	30/09/2018
Net profit (loss) for the Group and minority interests:	**3,132**	**2,304**
Profits/losses that will not be subsequently reclassified in the income statement		
Remeasurement of employee defined benefit plans (IAS 19)	-51	12
Total profits/losses that will not be subsequently reclassified in the income statement	**-51**	**12**
Profits/losses that could subsequently be reclassified in the income statement		
Valuation of investments with the equity method	987	0
Fair Value of derivatives, change for the period	-271	0
Exchange rate differences from conversion of foreign operations	-318	-1,586
Total profits/losses that could subsequently be reclassified in the income statement	**398**	**-1,586**
Profits/losses recorded directly in Shareholders' Equity after tax effects	**347**	**-1,574**
Total consolidated income statement for the period	**3,479**	**730**
Profit (loss) for Shareholders of the Parent Company	3,526	803
Minority interests	-47	-73

3.5. CONSOLIDATED CASH FLOW STATEMENT

(Thousands of Euro)

CONSOLIDATED CASH FLOW STATEMENT	30/09/2019	30/09/2018
Financial flows deriving from operating activities		
Pre-tax profit (loss) for the period	4,893	4,221
Adjustments for:		
Depreciation of property, plant and machinery	3,017	3,629
Amortisation of intangible assets	4,414	4,316
Depreciation of right-of-use assets	1,620	0
Loss (Profit) from disposal of tangible and intangible assets	-35	-57
Impairment loss on receivables	6	99
Net financial expenses	3,634	4,109
Profit (loss) attributable to investments valued using equity method	-315	1,242
	17,234	**17,559**
Changes in:		
inventories	-4,599	-8,862
Trade receivables and other receivables	2,472	-4,575
Trade payables and other payables	-8,543	3,947
Provisions and employee benefits	-2,143	-6,411
Cash generated from operations	**4,421**	**1,658**
Interest paid	-3,028	-2,956
Interest received	68	49
Income taxes paid	-1,876	-735
Net cash generated (absorbed) by operations	**-415**	**-1,984**
Financial flows from investments		
Proceeds from the sale of property, plant and machinery	111	57
Purchase of property, plant and machinery	-1,928	-1,747
Purchase of intangible assets	-409	-140
Development expenditure	-3,678	-1,840
Net cash absorbed by investment activities	**-5,904**	**-3,670**
Free Cash Flow	**-6,319**	**-5,654**
Financial flows from financing activities		
Disbursements (reimbursements) of loans to associates	-2,760	0
Bond issue (repayments)	-28,286	-2,364
Disbursements (reimbursements) of medium/long-term loans	40,815	-2,048
Change in short-term bank debts	533	11,099
Repayment of leases IFRS 16	-1,713	0
Net cash generated (absorbed) by financing activities	**8,589**	**6,687**
Net increase (decrease) in cash and cash equivalents	**2,270**	**1,033**
Cash and cash equivalents as at 1 January	15,075	17,779
Effect of exchange rate fluctuation on cash and cash equivalents	286	-1,589
Closing cash and cash equivalents	**17,631**	**17,223**

3.6. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Thousands of Euro)	Share capital	Statutory Reserve	Extraordinary and Other Reserves	Share Premium Reserve	Future share capital increase contributions	Result for the year	Group Shareholders' Equity	Profit (Loss) attributable to minority interests	Capital and reserves attributable to minority interests	Total Shareholders' Equity
Balance 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 as 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						2,411	**2,411**	-107		**2,304**
Actuarial profits/losses (IAS 19)			12				**12**			**12**
Translation difference			-1,620				**-1,620**		34	**-1,586**
Total overall profits/losses			**-1,608**			**2,411**	**803**	**-107**	**34**	**730**
Other changes			-1				**-1**			**-1**
Allocation of profit			4,139			-4,139	**0**	437	-437	**0**
Balance as at 30 September 2018	**11,250**	**2,250**	**2,357**	**30,718**	**8,867**	**2,411**	**57,853**	**-107**	**-635**	**57,111**
Balance as at 31 December 2018	**11,250**	**2,250**	**2,096**	**30,718**	**8,867**	**4,671**	**59,852**	**-138**	**-138**	**59,576**
Effect of IFRS 16 application							**0**			**0**
Balance as at 01 January 2019	**11,250**	**2,250**	**2,096**	**30,718**	**8,867**	**4,671**	**59,852**	**-138**	**-138**	**59,576**
Result for the year						3,185	**3,185**	-53		**3,132**
Actuarial profits/losses (IAS 19)			-51				**-51**			**-51**
Translation difference			-324				**-324**		6	**-318**
Valuation of investments using equity method			987				**987**			**987**
Change in the cash flow hedge reserve			-271				**-271**			**-271**
Total overall profits/losses			**341**			**3,185**	**3,526**	**-53**	**6**	**3,479**
Allocation of profit			4,671			-4,671	**0**	138	-138	**0**
Balance as at 30 September 2019	**11,250**	**2,250**	**7,108**	**30,718**	**8,867**	**3,185**	**63,378**	**-53**	**-270**	**63,055**

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

Subject: Interim Management Report as at 30 September 2019

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

declare

in accordance with Article 154-*bis*, subparagraph 2 of the Finance Consolidation Act (Italian Legislative Decree 58/1998) that the accounting information contained in the Interim Management Report to 30 September 2019 corresponds to the accounting documents, ledgers and records.

Cavriago, 8 November 2019

Financial Reporting
Manager
Paolo Cilloni