INTERIM MANAGEMENT REPORT
AS AT 31 March 2015

CONTENTS

1. GENERAL INFORMATION

1.1. CORPORATE OFFICERS AND INFORMATION

Board of Directors	
Chairman and Chief Executive Officer	Stefano Landi
Honorary Chairperson - Director	Giovannina Domenichini
Executive director	Claudio Carnevale
Director	Antonia Fiaccadori
Director	Herbert Paierl
Independent Director	Alessandro Ovi (*)
Independent Director	Tomaso Tommasi di Vignano

Board of statutory auditors	
Chairman of the Board of Statutory Auditors	Eleonora Briolini
Standing Auditor	Luca Gaiani
Standing Auditor	Marina Torelli
Alternate Auditor	Filomena Napolitano
Alternate Auditor	Pietro Gracis

Control and Risks Committee	
Chairman	Alessandro Ovi
Committee Member	Tomaso Tommasi di Vignano

Committee for Remuneration	
Chairman	Tomaso Tommasi di Vignano
Committee Member	Alessandro Ovi

Committee for Transactions with Related Parties	
Committee Member	Alessandro Ovi
Committee Member	Tomaso Tommasi di Vignano

Surveillance Body pursuant to Legislative Decree 231/01	
Chairman	Domenico Aiello
Member of the Body	Alberta Figari
Member of the Body	Enrico Gardani

Independent Auditors	KPMG S.p.A.

Manager responsible for drafting the accounting documents	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

Paid-up share capital Euro 11,250,000

Business Register of Reggio Emilia - Tax Code and VAT no. IT00523300358

This report is available on the Internet at: www.landi.it

1.2. GROUP STRUCTURE

Description	Registered Office		Share capital	Direct investment	Indirect investment	Notes
Landi Renzo S.p.A.	Cavriago (RE)	EUR	11,250,000	Parent Company		
Landi International B.V.	Utrecht (The Netherlands)	EUR	18,151	100.00%		
Eurogas Utrecht B.V.	Utrecht (The Netherlands)	EUR	36,800		100.00%	(*)
Landi Renzo Polska Sp.Zo.O.	Warsaw (Poland)	PLN	50,000		100.00%	(*)
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 Ve C.A.	Caracas (Venezuela)	VEF	2,035,220	100.00%		(^)
Landi Renzo USA Corporation	Wilmington - DE (USA)	USD	18,215,400	100.00%		
AEB S.p.A.	Cavriago (RE)	EUR	2,800,000	100.00%		
AEB America S.r.l.	Buenos Aires (Argentina)	ARS	2,030,220		96.00%	(§)
Eighteen Sound S.r.l.	Reggio Emilia	EUR	100,000		100.00%	(§)
Lovato Gas S.p.A.	Vicenza	EUR	120,000	100.00%		
Lovato do Brasil Ind Com de Equipamentos para Gas Ltda	Curitiba (Brazil)	BRL	100,000		100.00%	(#) (^)
Officine Lovato Private Limited	Mumbai (India)	INR	20,000,000		100.00%	(#)
SAFE S.p.A.	S.Giovanni in Persiceto (BO)	EUR	2,500,000	100.00%		
Safe Gas (Singapore) Pte. Ltd.	Singapore	SGD	325,000		100.00%	(ç) (^)
Emmegas S.r.l.	Bibbiano (RE)	EUR	60,000	70.00%		
Krishna Landi Renzo India Private Ltd Held	Gurgaon - Haryana (India)	INR	118,000,000	51.00%		(&)
EFI Avtosanoat-Landi Renzo LLC	Navoi Region - Uzbekistan	USD	800,000	50.00%		(&) (^)

Detailed notes on investments:

(*) held by Landi International B.V.

(§) held by AEB S.p.A.

(#) held by Lovato Gas S.p.A.

(ç)held by Safe S.p.A.

(^) not consolidated because not significant

(&) Company Joint Venture

LA STRUTTURA DEL GRUPPO

1.3. LANDI RENZO GROUP – FINANCIAL HIGHLIGHTS

(Thousands of Euro)

ECONOMIC INDICATORS FOR THE QUARTER	Q1 2015	Q1 2014	Change
Revenue	45,558	48,123	-2,565
Gross Operating Profit (EBITDA)	43	1,517	-1,474
Operating Profit (EBIT)	-3,835	-2,210	-1,625
Result Before Tax	-3,491	-2,968	-523
Net result for the Group and minority interests	-2,717	-2,437	-280
Gross Operating Profit (EBITDA) / Revenue	0.1%	3.2%	
Operating Profit (EBIT) / Revenue	-8.4%	-4.6%	
Net profit for the Group and minority interests / Revenue	-6.0%	-5.1%	

(Thousands of Euro)

CONSOLIDATED BALANCE SHEET	31/03/2015	31/12/2014	31/03/2014
Net tangible and other non-current assets	126,314	125,157	126,166
Operating capital (1)	55,490	47,455	55,623
Non-current liabilities (2)	-17,676	-17,290	-18,835
NET CAPITAL EMPLOYED	164,128	155,322	162,954
Net financial position (opening cash) (3)	58,219	47,246	56,081
Equity	105,909	108,076	106,873
BORROWINGS	164,128	155,322	162,954

(Thousands of Euro)

KEY INDICATORS	31/03/2015	31/12/2014	31/03/2014
Operating capital / Revenues (*rolling 12 months*)	24.1%	20.3%	25.5%
Net financial debt / Equity	55.0%	43.7%	52.5%
Gross tangible and intangible investments	3,243	13,799	2,474
Personnel (peak)	901	910	901

(Thousands of Euro)

CASH FLOWS	31/03/2015	31/12/2014	31/03/2014
Operational cash flow	-7,833	20,060	328
Cash flow for investment activities	-3,774	-13,370	-2,095
FREE CASH FLOW	-11,607	6,690	-1,767

(1) This is calculated as the difference between Trade Receivables, Inventories, Work in Progress on Orders, Other Current Assets and Trade Payables, Tax liabilities, Other Current Liabilities;

(2) These are calculated by totalling Deferred Tax Liabilities, Defined Benefit Plans and Provisions for Risks and Charges

(3) The net financial position is calculated in accordance with the provisions of CONSOB Communication DEM/6064293 of 28 July 2006

2. DIRECTORS' OBSERVATIONS ON OPERATING PERFORMANCE

2.1. INTRODUCTIONAND NOTES ON THE MAIN CHANGES IN THE INTERIM FINANCIAL STATEMENTS AS AT 31 MARCH 2015

2.1.1.Summary of the Group's results for the first quarter 2015

In a situation still characterised by uncertainties linked with the macro-economic scenario and the market of reference, the Landi Group recorded consolidated revenues of Euro 45,558 thousand in the first quarter of 2015, down Euro 2,565 thousand on the same period the previous year.

The revenues substantially held up: their decrease in percentage, amounting at -5.3%, fits in a situation characterised by a heavy drop in average oil prices, down around 50% on the first quarter of 2014, with direct impacts on the prices of traditional fuels and, consequently, a lower economic benefit in conversion of cars to alternative fuels.

Performance of the automotive sector in the first quarter of 2015 otherwise shows a positive trend, with an increase in registrations of new cars, according to *Anfia* data, in both Europe (+8.5%) and Italy (+13.5%); there was also 16% market growth in sales of OEM bifuel cars in Italy.

The following table sets out the main economic indicators of the Group for the first quarter of 2015 compared with the first quarter of 2014.

(Thousands of Euro)

Consolidated Income Statement	31/03/2015	%	31/03/2014	%	Change	%
Revenues on goods and services	45,558		48,123		-2,565	-5.3%
Gross Operating Profit	43	0.1%	1,517	3.2%	-1,474	-97.2%
Operating Profit	-3,835	-8.4%	-2,210	-4.6%	-1,625	n.a.
Profit (Loss) before tax	-3,491	-7.7%	-2,968	-6.2%	-523	n.a.
Net Profit (Loss) of the Group	-2,754	-6.0%	-2,501	-5.2%	-253	n.a.

Performance was in line with the budget forecasts for the year, remembering that the first quarter is historically the weakest in terms of sales volumes.

Breakdown of sales by business segment

Commencing from the six-monthly Financial Report as at 30 June 2014, the tables showing breakdown of revenues by business segment show a revised breakdown of revenues compared to previous periods. This division follows the “management approach”, on which IFRS 8 is based. According to this accounting standard, the segments must be shown in relation to the organisational structure and internal reporting used by management to measure performance and manage it.
In particular, the gas sector is composed of “systems for cars” and “distribution systems” sub-segments, while in previous annual and interim Financial Reports, this sector was divided into LPG and Methane lines. The current layout shows the two LNG and Methane lines in the “car systems” division and now includes revenues from sale of compressors for fuel stations obtained by Safe S.p.A., (previously included in the “Other business” division) in

the "distribution systems" division. This reclassification satisfies the requirements of more appropriate alignment of the assets of the business structure and organisation within the Group.
Due to said reclassification, sales of compressors for fuel stations are not included in other divisions, compared with previous years.
The following table provides a breakdown of the item revenues on sales and services by business segment for each of the periods in question. The figures for the first quarter of 2014 have been duly reclassified.

(Thousands of Euro)

Breakdown of sales by business segment	At 31/03/2015	% of revenues	At 31/03/2014	% of revenues	Change	%
Gas Segment - car systems	38,021	83.5%	39,589	82.3%	-1,568	-4.0%
Gas Segment - distribution systems	4,571	10.0%	5,157	10.7%	-586	-11.4%
Total revenues - GAS sector	***42,592***	***93.5%***	***44,746***	***93.0%***	***-2,154***	***-4.8%***
Other (Alarms, Sound, Aquatronics (*), Robotics, Oil and Gas and others)	2,966	6.5%	3,377	7.0%	-411	-12.2%
Total revenues	**45,558**	**100.0%**	**48,123**	**100.0%**	**-2,565**	**-5.3%**

(*) the Aquatronics division was sold on 1 April 2014

Net Revenues of the Group in the first quarter of 2015 amounted to Euro 45,558 thousand (Euro 48,123 thousand at 31 March 2014), a decrease of 5.3% compared with the same period in 2014. In detail:

Revenues for the **gas sector** decreased from Euro 44,746 thousand in the first quarter of 2014 to Euro 42,592 thousand, a 4.8% decrease.

Revenues from sales in the gas – car systems sector decreased from Euro 39,589 thousand in the first quarter of 2014 to Euro 38,021 thousand, a 4% decrease, mainly in the After Market channel, but partially offset by positive performance of the OEM channel.

There was a Euro 586 thousand decrease in sales in the gas – distribution systems sector and a Euro 411 thousand decrease in revenues on sales of other departments.

Considering that the principal source of risks and benefits is connected with the activity carried out and that the structure of the internal reporting uses a single activity segment, it is not considered necessary to provide further specifications regarding the gas sector since it coincides substantially with those of the entire company.

Distribution of sales by geographical area in 2015 is shown in the table below.

(Thousands of Euro)

Geographical distribution of revenues	At 31/03/2015	% of revenues	At 31/03/2014	% of revenues	Change	%
Italy	9,507	20.9%	10,924	22.7%	-1,417	-13.0%
Europe (excluding Italy)	21,862	48.0%	21,728	45.2%	134	0.6%
America	8,016	17.6%	7,461	15.5%	555	7.4%
Asia and Rest of the World	6,173	13.5%	8,010	16.6%	-1,837	-22.9%
Total	**45,558**	**100%**	**48,123**	**100%**	**-2,565**	**-5.3%**

Analysing the geographical distribution of revenues, during the first quarter of 2015, the Landi Group realized 79.1% of its consolidated revenues abroad (48% in Europe and 31.1% outside Europe). In detail:

- **Italy**

The main factors that affected sales in Italy in the first quarter, down 13% compared with the same period of 2014, for both sales of LPG and methane systems and for electronic components, were the downturn in transformations on the *After Market* and more competition in the sector. According to data processed by Consorzio Ecogas, this sector registered a 24% reduction in conversions compared with the previous year. In spite of this decrease, the Landi Group's domestic market share on the *After Market* channel at the end of the period is close to 33%.
With reference to OEM bifuel registrations, the sales mix of new vehicles equipped with LPG and Methane systems registered 16% growth compared with the same period of 2014.

- **Europe**

Revenues in Europe were stable at a total of Euro 21,862 thousand, in line with the figure registered in the first quarter of 2014 (Euro 21,728 thousand);

- **America**

Sales on the American market of Euro 8,016 thousand increased by 7.4%, due to the growth in Latin America, particularly Brazil and Argentina.

- **Asia and Rest of the World**

Compared with the same quarter of 2014, there was a 22.9% decrease for the Asia and Rest of the World markets, substantially due to the weak demand figures in some parts of the Far East and South-West Asia, where positive expectations for the market nonetheless remain.

Gross Operating Profit

In the first quarter of 2015, the Gross Operating Profit (GOP) was positive for Euro 43 thousand, a decrease of Euro 1,474 thousand compared with the same period in 2014 (positive for Euro 1,517 thousand).
Although cost reduction actions continued, the decrease in the profit margin in the first quarter of 2015 is attributable principally to the lower volumes of sales registered in the period and to the different sales mix.

Costs of raw materials, consumables and goods and changes in inventories decreased overall from Euro 20,518 thousand in the first quarter of 2014 to Euro 19,852 thousand in the first quarter of 2015, recording a decrease of Euro 666 thousand in absolute terms, as a result of the decrease in sales volumes.

Costs for services and use of third party assets decreased from Euro 14,848 thousand at 31 March, 2014, to Euro 14,327 thousand at 31 March, 2015, primarily due to lower direct industrial costs.

Personnel costs of Euro 10,929 thousand were also substantially stable with respect to the same period of 2014 in this quarter of 2015 (Euro 10,645 thousand), as was the total workforce employed by the Group, which is 901 employees.

Operating Profit

The Operating Profit was negative for Euro -3,835 thousand, a decrease of Euro 1,625 thousand compared with the same item for the previous year, after entry into accounts of quarterly depreciation totalling Euro 3,878 thousand (Euro 3,727 thousand at 31 March 2014).

Profit (Loss) before tax

The result before tax is negative at Euro -3,491 thousand, compared with a pre-tax result equal to Euro -2,968 thousand in the first quarter of 2014.

Net financial charges of Euro 684 thousand, of which Euro 615 thousand are interest charges, Euro 184 thousand is commission payable and Euro 115 thousand is interest income, decreased by Euro 241 thousand compared with the first quarter of 2014. This decrease is attributable to the lower interest rates on current loans and a reduction on bank commission costs on financial transactions.

Exchange gains, mainly from valuation, totalled Euro 1,024 thousand, compared with Euro 167 thousand registered in the first quarter of 2014.

Net profit (loss) for the Group

The Net Result of the Group in the first quarter of 2015 showed losses of Euro 2,754 thousand, compared with Losses for the Group of Euro 2,501 thousand in the same period of 2014.

Invested capital and Net Financial Position

(Thousands of Euro)

Invested capital	31/03/2015	31/12/2014	31/03/2014
Trade receivables	35,828	35,055	34,797
Inventories	72,862	63,269	67,216
Work in progress on orders	2,732	2,590	3,845

Trade payables	-59,875	-55,936	-55,372
Other net current assets	3,943	2,477	5,137
Net operating capital	**55,490**	**47,455**	**55,623**
Property, plant and equipment;	35,191	35,277	35,180
Intangible assets	71,351	71,680	72,660
Other non-current assets	19,772	18,200	18,326
Fixed capital	**126,314**	**125,157**	**126,166**
TFR and other provisions	-17,676	-17,290	-18,835
Net capital employed	**164,128**	**155,322**	**162,954**
Financed by:			
Net Financial Position	58,219	47,246	56,081
Group shareholders' equity	105,184	107,485	106,397
Minority interests	725	591	476
Borrowings	**164,128**	**155,322**	**162,954**

Ratios	31/12/2015	31/12/2014	31/03/2014
Net operating capital	55,490	47,455	55,623
Net operating capital/Turnover (*rolling 12 months)*	24.1%	20.3%	25.5%
Net capital employed	164,128	155,322	162,954
Net capital employed/Turnover (*rolling12 months)*	71.2%	66.6%	74.8%

(thousands of Euro)

	31/03/2015	31/12/2014	31/03/2014	31/03/2013
Cash and cash equivalents	22,588	31,820	27,796	34,527
Bank payables and short-term loans	-52,847	-51,580	-71,780	-52,143
Short-term loans	-137	-137	-31	-24
Net short term indebtedness	**-30,396**	**-19,897**	**-44,015**	**-17,640**
Medium-Long term loans	-27,823	-27,349	-12,066	-46,989
Net medium-long term indebtedness	**-27,823**	**-27,349**	**-12,066**	**-46,989**
Net financial position	**-58,219**	**-47,246**	**-56,081**	**-64,629**

The net financial position at 31 March 2015 is negative for Euro -58,219 thousand, compared with a negative net financial position at 31 December 2014 of Euro -47,246 thousand (Euro -56,081 thousand at 31 March 2014).

Again with reference to 31 March 2015, the percentage ratio between net financial indebtedness and group equity is 55%.

The medium-term repayments on loans with financial covenants were stated under current liabilities at 31 March 2014, in accordance with the accounting standards of reference, due to misalignments with the parameters set. In view of satisfaction of the contractual financial covenants, starting from the Interim Report at 30 June 2014, said repayments were reclassified under non-current liabilities and there were also no misalignments with the financial covenants in the first quarter of 2015.

The cash flow from operating activities at 31 March, 2015, as indicated in the Cash Flow Statement, was negative for Euro 7,833 thousand; investment activities lead to absorption of cash totalling Euro 3,774 thousand, while the cash flow absorbed by financing activities was positive and totalled Euro 1,741 thousand.

Net operating capital in the first quarter of 2015 was Euro 55,490 thousand. There was an increase of over Euro 8 million compared with 31 December 2014, due mainly to the increase in closing inventories. In percentage terms, compared with rolling turnover on 12 months, this item increased from 20.3% at the end of 2014 to the current 24.1% (25.5% at 31 March 2014).

Closing inventories and work in progress on orders, totalling Euro 75,594 thousand, increased by 14.8% compared with the end of the previous year, particularly for the products under process and finished products categories, in view of sales for the subsequent quarters. The increase in stocks was partially offset by the increase in trade payables, which increased by 7%, from Euro 55,936 thousand at 31 December, 2014, to Euro 59,875 thousand at 31 March, 2015.

Trade receivables at 31 March 2015, totalling Euro 35,828 thousand, were basically in line with the figure for 31 December 2014, despite less use of factoring without recourse, with credit maturity totalling Euro 29,409 thousand (Euro 32,580 thousand at 31 December 2014).

Investments

Investments in Group tangible assets at 31 March, 2015, totalled Euro 2,080 thousand (Euro 1,695 thousand in the first quarter of 2014) and relate principally to industrial and commercial equipment.
Investments in intangible assets totalled Euro 1,163 thousand (Euro 779 thousand in March 2014) and refer mainly to the capitalization of costs for development projects meeting the requirements of IAS 38 in order to be stated under net assets.

2.1.2.Results of Group companies

In the first quarter of 2015, Landi Renzo S.p.A. generated revenues of Euro 21,485 thousand, compared with Euro 21,296 thousand in 2014. The Gross Operating Profit was negative and totalled Euro -718 thousand, a decrease of Euro 119 thousand compared with the figure at 31 March 2014. The result before taxes totalled Euro -2,721 thousand, after amortisation/depreciation of Euro -2,134 thousand, net financial charges of Euro -518 thousand and income on equity investments totalling Euro -102 thousand.

The net result at 31 March 2015 was negative and equal to Euro -2,065 thousand, while Equity was Euro 108,640 thousand, compared with Euro 110,713 thousand at 31 March, 2014.
The workforce at the end of the quarter was 345 employees, a decrease of 3 people compared with 31 December 2014.

2.1.3. Transactions with related parties

Transactions with related parties, which were not significant as a whole, relate to activities regarding normal operation and are regulated at normal arm's length conditions on the respective reference markets, taking account of the characteristics of the goods and services supplied.

Transactions with related parties listed below include:

- the relationships for supply of services between Gireimm S.r.l. and Landi Renzo S.p.A. for rent of the property used as the operational headquarters of the New Technical Centre of the Parent Company,
- the relationships for supply of services between Gireimm S.r.l. and Emmegas S.r.l. for rent of the property used as the operational headquarters of the subsidiary company,
- the relationships for supply of services between Gestimm S.r.l., a company in which a stake is held through the parent company Girefin S.p.A., and the company A.E.B. S.p.A. for rent of the property used as the operational headquarters of the subsidiary,
- the relationships for supply of services between Secomnet S.r.l., a company subject to considerable influence of one member of the Board of Directors of the Parent Company, and the company A.E.B. S.p.A. and Eighteen Sound S.r.l. for supply of IT services,
- the relationships for supply of services to the Pakistani company AutoFuels (held by a minority shareholder of the Pakistani subsidiary LR PAK), to Krishna Landi Renzo India Private Ltd Held and to the joint venture EFI Avtosanoat-Landi Renzo LLC.

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

We detail below the significant events that took place in the period from 31 March 2015 to 13 May 2015, as well as the most significant prospects for the current year:

- On 9 April 2015, the Board of Directors of Landi Renzo S.p.A. resolved to issue a bonded loan called "LANDI RENZO 6.10% 2015-2020", for a minimum amount of Euro 25,000,000, secured by Banca Popolare di Vicenza and with the possibility for the company of increasing the nominal value of the loan up to a maximum Euro 50,000,000, to be exercised within twelve months of the loan issue date. The loan, structured and coordinated by Banca Popolare di Vicenza, is reserved to professional investors and will be admitted for trading in the ExtraMOT PRO Segment organised and managed by Borsa Italiana S.p.A..
  This operation will allow the Group to widen its sources of funding and simultaneously lengthen the average duration of financial debt, and also to continue supporting strategic investment in development of alternative mobility technologies with funding suited to their medium-term profile.

- On 24 April 2015, the Shareholders' Meeting resolved, *amongst other things*, the following:

  - allocation of annual profits of Euro 211,778.96 to the extraordinary reserve, as the statutory reserve has already reached one fifth of share capital;
  - renewal of authorization for the purchase and disposal of treasury shares;
  - amendment of the Articles of Association to introduce the mechanism of a majority of voting rights.

- In April, the Group published the 2014 Sustainability Report, in order to strengthen the dialogue with *stakeholders,* as it is fully aware that day-to-day activities directed towards sustainability is a means of creating value not only for companies but, in a wider view, for the community as a whole and for stakeholders with whom the Group interacts.

- In addition, we point out that initial registrations of petrol/LPG - petrol/LPG bifuel vehicles (UNRAE figures) increased from 60,444 units in the period January-April 2014 (equal to 12.1% of the market) to 72,000 units in the period January-April 2015 (equal to 12.4% of the market), an increase of 19.1 %.

Likely future developments

Even considering the short visibility currently guaranteed by the Group's orders on hand and the ongoing of situations of tension due to macroeconomic and geopolitical factors in some reference markets for the sector, the Group confirms forecast results for 2015 full year substantially held up with those one of 2014. The Group will continue to pay the utmost attention to operational and management costs control, as well as to monitor the evolution of the economic and financial ratios.

Cavriago, 13 May 2015

Chairman and Chief Executive Officer
Stefano Landi

3. INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 March 2015

3.1. GENERAL PREPARATION CRITERIA AND CONSOLIDATION PRINCIPLES

3.1.1. Premise

The interim management report at 31 March, 2015, which has not been audited, was prepared in compliance with art. 154-c of Legislative Decree no. 58 of 24 February, 1998, as amended, and with the Issuer Regulations issued by the CONSOB. Therefore, the provisions of the international accounting principle relating to infra-annual financial information (IAS 34 – Intermediate Financial Statements) were not adopted.

The interim management report at March 31, 2015, was prepared in accordance with international accounting standards (IAS/IFRS). To this end, the separate interim financial statements of the Italian and foreign subsidiaries have been reclassified and adjusted accordingly.

They are consolidated on a line-by-line basis to include all assets and liabilities in their entirety. The company Krishna Landi Renzo India Private LTD Held is consolidated with the equity method, due to its current system of *governance*, which reflects a joint control agreement classifiable as a "*joint venture*" according to international accounting standards.
The accounting policies adopted to prepare the interim consolidated financial statements for the first quarter closed on 31 March 2015 are the same as those used for the consolidated financial statements closed at 31 December 2014.

As well as the interim values at 31 March 2015 and 2014, the financial data for the period closed on 31 December 2014 is shown for the purpose of comparison .

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

3.1.2. Consolidation procedures and Accounting policies

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 based, in turn, on past experience and 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 Balance Sheet, Income Statement, Overall Income Statement, Cash Flow Statement and disclosures.

If in the future these estimates and assumptions, which are based on the best assessments made by the directors, should actually be different then they will be changed accordingly.

Some valuation processes, especially the more complex ones such as establishing any impairment of non-current assets, are normally carried out to a full extent only during preparation of the annual financial statements, when all the information that may be required is available, except for those cases in which there are *impairment* indicators that require an immediate assessment of possible losses in value.

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 Annual Report at 31 December 2014, to which you may refer for a more complete description of such aspects.

3.1.3. Consolidation area

The consolidation area 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/IAS.
The consolidation area has not changed compared with 31 December 2014, whereas, with respect to 31 March 2014, the quarter in question now includes the company Krishna Landi Renzo India Private LTD Held, consolidated using the equity method, and excludes the company Renzo Ve C.A.

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. has decided to adopt the opt-out system envisaged by arts. 70, paragraph 8, and 71, paragraph 1-b, of Consob regulation no. 11971/99 (and subsequent amendments and additions thereto), applying the possibility of derogating from the obligations of publication of the information documents envisaged by Annex 3B to said Consob Regulation, on occasion of significant mergers, demergers, increases in capital through contribution of goods in kind, acquisitions and disposals.

3.2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Thousands of Euro)

ASSETS	31/03/2015	31/12/2014	31/03/2014
Non-current assets			
Land, property, plant, machinery and equipment	35,191	35,277	35,180
Development expenditure	7,121	7,101	6,435
Goodwill	39,942	39,942	40,190
Other intangible assets with finite useful lives	24,288	24,637	26,035
Equity investments consolidated using the equity method	491	180	
Other non-current financial assets	788	773	1,051
Deferred tax assets	18,493	17,247	17,275
Total non-current assets	**126,314**	**125,157**	**126,166**
Current assets			
Trade receivables	33,321	33,069	34,605
Trade receivables - related parties	2,507	1,986	192
Inventories	72,862	63,269	67,216
Work in progress on orders	2,732	2,590	3,845
Other receivables and current assets	15,771	15,533	18,125
Cash and cash equivalents	22,588	31,820	27,796
Total current assets	**149,781**	**148,267**	**151,779**
TOTAL ASSETS	**276,095**	**273,424**	**277,945**

(Thousands of Euro)

TOTAL EQUITY AND LIABILITIES	31/03/2015	31/12/2014	31/03/2014
Equity			
Share capital	11,250	11,250	11,250
Other reserves	96,688	98,018	97,648
Profit (loss) for the period	-2,754	-1,783	-2,501
Total Equity attributable to the Shareholders of the Parent Company	**105,184**	**107,485**	**106,397**
Minority interests	725	591	476
TOTAL EQUITY	**105,909**	**108,076**	**106,873**
Non-current liabilities			
Non-current bank loans	26,645	26,171	11,405
Other non-current financial liabilities	1,178	1,178	661
Provisions for risks and charges	5,234	5,055	6,328
Defined benefit plans	3,827	3,818	3,850
Deferred tax liabilities	8,615	8,417	8,657
Total non-current liabilities	**45,499**	**44,639**	**30,901**
Current liabilities			
Bank overdrafts and short-term loans	52,847	51,580	71,780
Other current financial liabilities	137	137	31
Trade payables	58,382	54,632	54,688
Trade payables – related parties	1,493	1,304	684
Tax liabilities	2,344	4,492	3,808
Other current liabilities	9,484	8,564	9,180
Total current liabilities	**124,687**	**120,709**	**140,171**
TOTAL EQUITY AND LIABILITIES	**276,095**	**273,424**	**277,945**

3.3. CONSOLIDATED INCOME STATEMENT

(Thousands of Euro)

CONSOLIDATED INCOME STATEMENT	31/03/2015	31/03/2014
Revenues on goods and services	45,466	47,740
Revenues (goods and services) - related parties	92	383
Other revenue and income	220	224
Cost of raw materials, consumables and goods and change in inventories	-19,852	-20,518
Costs for services and use of third party assets	-13,658	-14,270
Costs for services and use of third party assets – related parties	-669	-578
Personnel expenses	-10,929	-10,645
Accruals, doubtful debts and other operating expenses	-627	-819
Gross Operating Profit	**43**	**1,517**
Amortization, depreciation and impairment losses	-3,878	-3,727
Operating Profit	**-3,835**	**-2,210**
Financial income	115	116
Financial expenses	-799	-1,041
Exchange rate gains (losses)	1,024	167
Gain (loss) on equity investments consolidated using the equity method	4	
Profit (Loss) before tax	**-3,491**	**-2,968**
Current and deferred taxes	774	531
Net profit (loss) for the Group and minority interests, including:	**-2,717**	**-2,437**
Minority interests	37	64
Net profit (loss) for the Group	-2,754	-2,501
Basic earnings (loss) per share (calculated on 112,500,000 shares)	-0.0245	-0.0222
Diluted earnings (loss) per share	-0.0245	-0.0222

3.4. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Thousands of Euro)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	31/03/2015	31/03/2014
Net profit (loss) for the Group and minority interests:	**-2,717**	**-2,437**
Gains/losses that will not be subsequently reclassified in the income statement		
Restatement of defined employee benefit plans (IAS 19)	-109	-118
Total gains/losses that will not be subsequently reclassified on the income statement	**-109**	**-118**
Profits/losses that could subsequently be reclassified on the income statement		
Exchange rate differences from conversion of foreign operations	634	-386
Total profits/losses that could subsequently be reclassified on the income statement	**634**	**-386**
Profits/Losses recorded directly to Equity net of tax effects	**525**	**-504**
Total consolidated income statement for the period	**-2,192**	**-2,941**
Profit (loss) for Shareholders of the Parent Company	-2,282	-3,009
Minority interests	90	68

3.5. CONSOLIDATED STATEMENT OF CASH FLOWS

(Thousands of Euro)

CONSOLIDATED STATEMENT OF CASH FLOWS	31/03/2015	31/12/2014	31/03/2014
Financial flows deriving from operating activities			
Profit (loss) for the period	-2,717	-1,744	-2,437
Adjustments for:			
Depreciation of property, plant and equipment	2,234	9,160	2,301
Amortization of intangible assets	1,644	6,296	1,426
Impairment losses on intangible assets		248	
Impairment loss on receivables	98	513	188
Net financial charges, including exchange rate differences	-340	2,379	758
Changes in provisions and benefits for employees	9	79	111
Income tax for the year	-774	1,636	-531
	154	18,567	1,816
Changes in:			
Work in progress on orders	-9,735	-1,237	-6,439
trade receivables and other receivables	-2,370	3,923	1,610
trade payables and other payables	4,918	5,690	3,942
provisions and employee benefits	70	-1,522	-8
Cash generated from operating activities	-6,963	25,421	921
Interest paid	-527	-3,214	-446
Income taxes paid	-343	-2,147	-147
Net cash generated from operating activities	**-7,833**	**20,060**	**328**
Financial flows deriving from investment activities			
Proceeds from the sale of property, plant and equipment	71	310	19
Equity investments consolidated using the equity method	-310	-180	
Purchase of property, plant and equipment	-2,219	-8,583	-1,336
Purchase of intangible assets	-270	-617	-78
Development expenditure	-1,046	-4,300	-700
Net cash absorbed by investment activities	**-3,774**	**-13,370**	**-2,095**
Financial flows deriving from financing activities			
Net repayments and loans	1,741	-7,816	-3,004
Net cash generated (absorbed) by financing activities	**1,741**	**-7,816**	**-3,004**
Net increase (decrease) in cash and cash equivalents	**-9,866**	**-1,126**	**-4,771**
Cash and cash equivalents at 1 January	31,820	32,953	32,953
Effect of exchange rate fluctuation on cash and cash equivalents	634	-7	-386
Closing cash and cash equivalents	22,588	31,820	27,796

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

Other information	31/03/2015	31/12/2014	31/03/2014
(Increase)/Decrease in trade receivables and other receivables from related parties	-521	-1,797	-3
(Increase)/Decrease in trade payables and other payables to related parties	189	870	250

3.6. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Thousands of Euro)

	Share capital	Legal Reserve	Extraordinary and Other Reserves	Share Premium Reserve	Result for the year	Equity attributable to the Shareholders of the Parent Company	Profit (Loss) attributable to minority interests	Capital and reserves attributable to minority interests	Total equity
Balance at 31 December 2013	**11,250**	**2,250**	**74,866**	**46,598**	**-25,558**	**109,406**	**-402**	**809**	**109,813**
Result for the period					-2,501	**-2,501**	64		**-2,437**
Discounted back profit/loss (IAS 19)			-116			**-116**		-2	**-118**
Translation difference			-392			**-392**		6	**-386**
Total profits/losses	**0**	**0**	**-508**	**0**	**-2,501**	**-3,009**	**64**	**4**	**-2,941**
Other changes						**0**		1	**1**
Allocation of profit			-25,558		25,558	**0**	402	-402	**0**
Total effects deriving from transactions with shareholders	**0**	**0**	**-25,558**	**0**	**25,558**	**0**	**402**	**-401**	**1**
Balance at 31 March 2014	**11,250**	**2,250**	**48,800**	**46,598**	**-2,501**	**106,397**	**64**	**412**	**106,873**
Balance at 31 December 2014	**11,250**	**2,250**	**49,170**	**46,598**	**-1,783**	**107,485**	**39**	**552**	**108,076**
Result for the period					-2,754	**-2,754**	37		**-2,717**
Discounted back profit/loss (IAS 19)			-96			**-96**		-13	**-109**
Translation difference			568			**568**		66	**634**
Total profits/losses	**0**	**0**	**472**	**0**	**-2,754**	**-2,282**	**37**	**53**	**-2,192**
Other changes			-19			**-19**			**-19**
Other share capital increases						**0**		44	**44**
Allocation of profit			-1,783		1,783	**0**	-39	39	**0**
Total effects deriving from transactions with shareholders	**0**	**0**	**-1,802**	**0**	**1,783**	**-19**	**-39**	**83**	**25**
Balance at 31 December 2014	**11,250**	**2,250**	**47,840**	**46,598**	**-2,754**	**105,184**	**37**	**688**	**105,909**

STATEMENT PURSUANT TO ARTICLE 154-b, PARAGRAPH 2, OF LEGISLATIVE DECREE NO. 58 DATED 24 FEBRUARY, 1998

Subject: Interim Management Report at 31 March 2015

I, the undersigned, Paolo Cilloni, Manager responsible for drafting the accounting documents of Landi Renzo S.p.A.,

declare

pursuant to article 154-b, paragraph 2, of the Finance Consolidation Act (Legislative Decree 58/1998) that the accounting information included in the Interim Management Report at 31 March 2015 corresponds with the documentary evidence and to the information in the accounting books and records.

Cavriago, 13 May 2015

Manager responsible for drafting
company accounting documents
Paolo Cilloni