



**INTERIM MANAGEMENT REPORT
AS AT 30 SEPTEMBER 2015**

(Translation from Italian, which remains the definitive version)

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1. GENERAL INFORMATION

1.1. CORPORATE OFFICERS AND INFORMATION

The Shareholders' Meeting of the parent company Landi Renzo S.p.A. held on 24 April 2013 appointed the Board of Directors and the Board of Statutory Auditors for the three years 2013 - 2015, therefore until the meeting for approval of the Financial Statements on 31 December 2015.

As at 30 September 2015 the company appointments are distributed as follows:

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 in charge of writing up 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.

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Share capital: Euro 11,250,000

Tax Code and VAT No. IT00523300358

This report is available on the Internet at:

www.landit.it

LA STRUTTURA DEL GRUPPO



1.3. LANDI RENZO GROUP FINANCIAL HIGHLIGHTS

(Thousands of Euro)

ECONOMIC INDICATORS FOR THE QUARTER	Q3 2015	Q3 2014	Change
Revenue	47,486	61,564	-14,078
Gross Operating Profit (EBITDA)	1,754	6,478	-4,724
Net Operating Profit (EBIT)	-2,039	2,714	-4,753
Result Before Tax	-4,517	2,663	-7,180
Net result for the Group and minority interests	-4,063	1,585	-5,648
Gross Operating Profit (EBITDA) / Revenue	3.7%	10.5%	
Net Operating Profit (EBIT) / Revenue	-4.3%	4.4%	
Net profit for the Group and minority interests / Revenue	-8.6%	2.6%	

(Thousands of Euro)

ECONOMIC INDICATORS OF THE FIRST NINE MONTHS	30/09/2015	30/09/2014	Change
Revenue	145,611	173,934	-28,323
Gross Operating Profit (EBITDA)	1,914	14,125	-12,211
Net Operating Profit (EBIT)	-9,595	2,880	-12,475
Result Before Tax	-13,453	951	-14,404
Net result for the Group and minority interests	-11,296	-221	-11,075
Gross Operating Profit (EBITDA) / Revenue	1.3%	8.1%	
Net Operating Profit (EBIT) / Revenue	-6.6%	1.7%	
Net profit for the Group and minority interests / Revenue	-7.8%	-0.1%	

(Thousands of Euro)

FINANCIAL POSITION	30/09/2015	31/12/2014	30/09/2014
Net tangibles and other non-current assets	126,792	125,157	124,668
Operating capital (1)	57,476	47,455	49,556
Non-current liabilities (2)	-15,459	-17,290	-17,641
NET CAPITAL EMPLOYED	168,809	155,322	156,583
Net financial position (cash) (3)	72,100	47,246	47,179
Equity	96,709	108,076	109,404
FINANCING SOURCES	168,809	155,322	156,583

(Thousands of Euro)

KEY INDICATORS	30/09/2015	31/12/2014	30/09/2014
Operating capital / Revenues (rolling 12 months)	28.1%	20.3%	21.3%
Net financial debt / Equity	74.6%	43.7%	43.1%
Gross tangible and intangible investments	10,710	13,799	8,925
Personnel (peak)	889	910	904

(Thousands of Euro)

CASH FLOWS	30/09/2015	31/12/2014	30/09/2014
Operational cash flow	-14,045	20,060	15,419
Cash flow for investment activities	-10,325	-13,370	-8,702
FREE CASH FLOW	-24,370	6,690	6,717

(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

1.4. SIGNIFICANT EVENTS DURING THE PERIOD

April	<p>On 24 April 2015, the Shareholders' Meeting resolved, amongst other things, the following:</p> <ul style="list-style-type: none">➤ 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;➤ in an extraordinary meeting, amendment of the Articles of Association to introduce the mechanism of a majority of voting rights.
April	<p>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 all stakeholders with whom the Group interacts.</p>
May	<p>On 14 May 2015, through the notice published by Borsa Italiana S.p.A., the “LANDI RENZO 6.10% 2015-2020” (ISIN: IT0005107237) bonded loan was admitted for trading on the ExtraMOT PRO market. The issue, totalling Euro 34 million, with a duration of five years and bullet repayment, a 6.10% gross fixed interest rate with six-monthly deferred coupon, was subscribed and placed by Banca Popolare di Vicenza and by KNG Securities LLP with primary Italian and European institutional investors.</p> <p>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.</p>

2. DIRECTORS' OBSERVATIONS ON OPERATING PERFORMANCE

2.1. PERFORMANCE AND NOTES ON THE MAIN CHANGES IN THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

2.1.1. Summary of the group's results for the first nine months and third quarter of 2015

The first nine months of 2015 were characterised by a world market scenario that is still being affected by the geopolitical instability on several important reference markets for the sector. Several South American countries are in the throes of a recession, particularly Brazil, where there was also a considerable loss in value of the local currency against the Euro. Due to the economic restrictions imposed, Russia also experienced a slowdown in foreign trade, partly due to the heavy depreciation of its currency. Other Asian countries, on the other hand, have still not registered the hoped-for levels of production, despite the easing of international tension. In addition to this, the average price of oil, fell by 50% compared to 2014, has reduced the economic advantage resulting from the transformation of cars to LPG and CNG. However, the alternative fuels sector continues to offer attractive prospects either through new projects of car manufacturers than through projects of methanization that governments of various countries are undertaking. The future of car mobility, as demonstrated also by recent events such as the dieselgate, it is strongly geared to an ecologic-sustainable mobility that will contribute to a better environment and a better quality of life, missions to which the Group has always been oriented.

The results of the Landi Renzo Group were influenced by this situation and revenues and profits fell compared with 2014, despite several signs of recovery in the last quarter.

During the third quarter of the year, in fact, the Landi Renzo Group reinforced the efficiency recovery actions and improved profitability for the period which, despite revenues on a par with those in the first quarter and lower than in the second, conspires a growth: the gross operating profit was Euro 1.7 million, compared with Euro 160 thousand in the previous two quarters. The efficiency measures included the start of use of social safety nets for employees of the parent company and an Italian subsidiary, with involvement of around 450 employees, which is the first step in a wider Group restructuring plan aimed at adequate the cost structure at the current levels of turnover.

In line with the strategies which have characterized the role of sector leader, the Group is increasing its investments in innovation, partly as a result of issue of the "LANDI RENZO 6.10% 2015-2020" bonded loan in May, totalling Euro 34 million and with a duration of five years, which is also aimed at optimising the group's medium-term financial structure.

Revenues in the first nine months totalled Euro 145,611 thousand, a decrease of Euro 28,323 thousand compared with the same period of 2014 (Euro 173,934 thousand), mainly as a result of lower sales in the *After Market* channel.

The gross operating profit for the nine months totalled Euro 1,914 thousand, a decrease of Euro 12,211 compared with 2014.

The net operating profit was negative at Euro 9,595 thousand (positive at Euro 2,880 thousand in September 2014).

The Group had registered net losses of Euro -11,296 thousand in September 2015, compared with Euro -221 thousand in September 2014.

The following table sets out the main economic indicators of the Group for the first nine months of 2015 compared with the same period in 2014.

(Thousands of Euro)						
	30/09/2015	%	30/09/2014	%	Change	%
Revenues on goods and services	145,611		173,934		-28,323	-16.3%
Gross Operating Profit	1,914	1.3%	14,125	8.1%	-12,211	-86.4%
Operating Profit	-9,595	-6.6%	2,880	1.7%	-12,475	n/a
Profit (Loss) before tax	-13,453	-9.2%	951	0.5%	-14,404	n/a
Net profit (loss) for the Group and minority interests	-11,296	-7.8%	-221	-0.1%	-11,075	n/a

Breakdown of sales by business segment

Third quarter 2015 compared to third quarter 2014

(Thousands of Euro)						
Distribution of revenues per area of activity	Q3 2015	% of revenues	Q3 2014	% of revenues	Change	%
Gas Segment - car systems	37,398	78.8%	44,894	72.9%	-7,496	-16.7%
Gas Segment - distribution systems	4,022	8.5%	11,133	18.1%	-7,111	-63.9%
Total revenues - GAS sector	41,420	87.2%	56,027	91.0%	-14,607	-26.1%
Other (Alarms, Sound, Robotics, Oil and Gas and others)	6,066	12.8%	5,537	9.0%	529	9.6%
Total revenues	47,486	100.0%	61,564	100.0%	-14,078	-22.9%

Nine months 2015 compared to nine months 2014

(Thousands of Euro)						
Distribution of revenues per area of activity	At 30/09/2015	% of revenues	At 30/09/2014	% of revenues	Change	%
Gas Segment - car systems	116,605	80.1%	136,429	78.5%	-19,824	-14.5%
Gas Segment - distribution systems	15,172	10.4%	21,774	12.5%	-6,602	-30.3%
Total revenues - GAS sector	131,777	90.5%	158,203	91.0%	-26,426	-16.7%
Other (Alarms, Sound, Aquatronics (1), Robotics, Oil and Gas and others)	13,834	9.5%	15,731	9.0%	-1,897	-12.1%
Total revenues	145,611	100.0%	173,934	100.0%	-28,323	-16.3%

(1) The Aquatronics division was sold on 1 April 2014

Overall revenues of the Group for the **first nine months** amounted to Euro 145,611 thousand, a decrease (-16.3%) compared with the same period of the previous year.

Revenues from sales of products and services in the **Gas segment** decreased over the first nine months from Euro 158,203 thousand in 2014 to Euro 131,777 thousand in 2015, recording a decrease of 16.7%.

The decrease in sales at 30 September 2015 in the gas segment – Car systems (-14.5%), was mainly a result of the drop in revenues on the *After Market* channel.

There was also a 30.3% decrease in revenues in the gas segment – Distribution systems compared with the same period of the previous year, due to a slowdown in sales, particular in Russia, as a result of the contingent geopolitical situation.

Revenues of other divisions decreased from Euro 15,731 thousand to Euro 13,834 thousand, a 12.1% decrease linked mainly with the fall in sales of *Oil&Gas* systems; in contrast, there was a positive trend in sales of *speakers* with the 18Sound brand.

During the quarter in question, revenues from sales of products and services in the Gas segment decreased, overall, from Euro 56,027 thousand in the third quarter of 2014 to Euro 41,420 thousand in the third quarter of 2015, a drop of 26.1%.

In the Gas segment, revenues from sales of Car Systems decreased by 16.7% and those linked with Distribution Systems decreased from Euro 11,133 thousand to Euro 4,022 thousand, a 63.9% decrease caused by lower supplies to Russia compared with the third quarter of 2014.

In light of the limited importance of sales relating to other sectors, the group's sole business segment can be said to be the production of systems for cars and distribution systems (Gas Sector).

Breakdown of sales by geographical area

Third quarter 2015 compared to third quarter 2014

(Thousands of Euro)						
Geographical distribution of revenues	Q3 2015	% of revenues	Q3 2014	% of revenues	Change	%
Italy	8,688	18.3%	8,603	14.0%	85	1.0%
Europe (excluding Italy)	18,089	38.1%	31,618	51.4%	-13,529	-42.8%
America	11,777	24.8%	9,290	15.1%	2,487	26.8%
Asia and the rest of the world	8,932	18.8%	12,053	19.5%	-3,121	-25.9%
Total	47,486	100%	61,564	100%	-14,078	-22.9%

Nine months 2015 compared to nine months 2014

(Thousands of Euro)						
Geographical distribution of revenues	At 30/09/2015	% of revenues	At 30/09/2014	% of revenues	Change	%
Italy	28,601	19.6%	30,795	17.7%	-2,194	-7.1%
Europe (excluding Italy)	62,485	42.9%	80,294	46.2%	-17,809	-22.2%
America	29,163	20.0%	27,647	15.9%	1,516	5.5%
Asia and the rest of the world	25,362	17.4%	35,198	20.2%	-9,836	-27.9%
Total	145,611	100%	173,934	100%	-28,323	-16.3%

Regarding the geographical distribution of revenues, during the first nine months of 2015 the Group realized 80.4% (82.3% at 30 September 2014) of its consolidated revenues abroad (42.9% in Europe and 37.5% outside Europe), and in detail:

- Italy

The main factors affecting turnover for the first nine months of 2015 on the Italian market, down by 7.1% compared to the same period of 2014, both in terms of sales of LPG and CNG systems as well as electronic components, are mainly related to a downturn in conversions on the After Market, jointly with a higher level of competition in the sector; however, there was also a positive trend in sales of compressors for CNG fuel stations.

According to data processed by Consorzio Ecogas, the After Market sector registered in the period in question a 20.6% reduction in conversions, compared with the previous year. The Group's domestic market share on the *After Market* channel at the end of the period is substantially unchanged and close to 34%.

With reference to OEM bifuel registrations, the sales mix of new vehicles equipped with LPG and CNG systems registered 1.9% growth compared with the same period of 2014, according to data published by ANFIA – Associazione Nazionale Filiera Industria Automobilistica, with 12.1% of registrations.

- Europe

Revenues in Europe fell by 22.2% compared with the first nine months of 2014, principally as a result of the negative trend on several markets in Eastern Europe, particularly Russia, affected by geopolitical instability factors, and due to the momentary slowdown in supplies to an important OEM customer, due to a phase out of the product range.

- America

In the period in question, the US market registered growth compared with the same period the previous year, increasing from Euro 27,647 thousand in 2014 to Euro 29,163 thousand in the first nine months of 2015. After an initial positive trend on the Brazilian market, volumes fell in the last quarter due to the difficulties linked to macroeconomic situation in the country. Contrarily, there was growth in sales on the US market, for both core products and compressors for fuel stations and for *speakers* with the 18Sound brand.

- Asia and rest of the world

Compared with the first nine months of 2014, there was a 27.9% decrease for the Asia and Rest of the World markets, substantially attributable to negative performance of sales in Thailand and China. There was also a slight recovery in sales on the Iranian market, boosted by lessening of international tension and also by development of activities in the *Middle East*.

Gross Operating Profit

The gross operating profit in the first nine months of 2015 totalled Euro 1,914 thousand, a decrease of Euro 12.2 million compared with 2014.

The fall in the profit margin during the period was principally the result of lower sales, which fell by over 16% over the nine months, and also a different sales mix channel, in which the *After Market*, which has higher margins than the other channels, was penalised. In contrast, there was a positive effect from actions implemented for the efficiency recovery, which had palpable benefits for the economic margin in the last quarter of the year.

It has to be underlined that, apart those elements, extraordinary costs of Euro 0.5 million were also sustained during the period for a production plant transfer from an external plant to a local unit already operating within the Group.

The Gross Operating Margin of the quarter totalled Euro 1,754 thousand (3.7% of revenues), a decrease of Euro 4,724 thousand compared with the value in the third quarter of 2014, but nonetheless a major improvement compared

with the two previous quarters of 2015, when the figure was Euro 160 thousand. This improvement is been achieved also due to the aforementioned measures aimed to profitability.

Purchases of raw materials, consumables and goods and the costs for services and use of third party assets dropped from Euro 45,072 thousand in the third quarter of 2014 to Euro 36,830 thousand in the third quarter of 2015, a decrease of Euro 8,242 thousand, due mainly to performance of revenues. These items decreased from Euro 126,980 thousand in the first nine months of 2014 to Euro 112,190 thousand in the equivalent period for the current year, a decrease of Euro 14,790 thousand in absolute value.

Personnel costs in the quarter totalled Euro 9,026 thousand and decreased by Euro 813 thousand compared with the third quarter of 2014 (Euro 9,839 thousand). Over nine months, they decreased from Euro 31,760 thousand at 30 September 2014 to Euro 31,232 thousand at 30 September 2015, thus recording a decrease of Euro 528 thousand. These results were achieved from one side by reducing the workforce and from other side by the introduction of social safety nets for employees of the parent company and an Italian subsidiary, for a total of around 450 employees.

The total Group workforce decreased by 21employees compared with December 2014, from 910 to 889.

Provisions and other operating expenses totalled Euro 455 thousand, compared with Euro 553 thousand in the third quarter of 2014.

Operating Profit

Amortization, depreciation and impairment losses totalled Euro 11,509 thousand, compared with Euro 11,245 thousand at 30 September 2014, in basic equilibrium. This item totalled Euro 3,793 thousand in the third quarter, compared with Euro 3,764 thousand in the third quarter of 2014.

The Net Operating Profit was negative and totalled Euro -9,595 thousand (positive at Euro 2,880 thousand at 30 September 2014).

Profit before Tax

Net financial charges in the third quarter of 2015 totalled Euro 1,246 thousand, an increase of Euro 431 thousand compared with Euro 815 in the same quarter of 2014, as a result of interest charges on the bonded loan issued in May. Total net financial charges in the first nine of 2015 totalled Euro 3,123 thousand, of which Euro 2,715 thousand in interest charges, Euro 722 thousand in commission and Euro 314 thousand in financial income.

Exchange losses in the first nine months of 2015 totalled Euro 525 thousand, of which Euro 66 thousand in net valuation losses and Euro 459 in net exchange losses realised. Net valuation losses of Euro 905 thousand were stated compared with the previous quarter, due mainly to depreciation of the Brazilian currency, the *real*, against the Euro.

Losses on equity investments stated using the equity method totalled Euro -210 thousand in the first nine months of 2015 and include the part of the Group result of the Joint Venture Krishna Landi Renzo India Private Ltd Held.

The quarter closed with a pre-tax loss of Euro -2,655 thousand, compared with a pre-tax profit of Euro 2,663 thousand in the third quarter of 2014. The pre-tax result for the nine months was negative for Euro -13,453 thousand, compared with a profit of Euro 951 thousand in the first nine months of 2014.

Net profit (loss) of the Group

The net result of the Group and minority interests in the third quarter of 2015 showed a loss of Euro -4,063 thousand, compared with a Group and minority interest profit of Euro 1,585 thousand for the same period in 2014.

The net result for the period at 30 September 2015 was negative for Euro -11,296 thousand, compared with a negative result of Euro -221 thousand in the same period of 2014.

The following table is included to provide a clearer representation and to understand the trend of the key *performance* indicators of the Group.

(Thousands of Euro)										
CONSOLIDATED INCOME STATEMENT	Q3 2015	% of revenues	Q2 2015	% of revenues	Q1 2015	% of revenues	Q4 2014	% of revenues	Q3 2014	% of revenues
Revenues on goods and services	47,486		52,567		45,558		59,279		61,564	
Gross Operating Profit	1,754	3.7%	117	0.2%	43	0.1%	4,168	7.0%	6,478	10.5%
Operating Profit	-2,039	-4.3%	-3,721	-7.1%	-3,835	-8.4%	-308	-0.5%	2,714	4.4%
Result before tax	-4,517	-9.5%	-5,445	-10.4%	-3,491	-7.7%	-1,059	-1.8%	2,663	4.3%
Net profit (loss) for the Group and minority interests	-4,063	-8.6%	-4,516	-8.6%	-2,717	-6.0%	-1,523	-2.6%	1,585	2.6%

Invested capital

(Thousands of Euro)				
Balance Sheet and Financial Position	30/09/2015	30/06/2015	31/12/2014	30/09/2014
Trade receivables	35,610	40,427	35,055	42,667
Inventories	61,416	67,382	63,269	70,109
Work in progress on orders	3,744	3,993	2,590	2,214
Trade payables	-47,409	-61,325	-55,936	-64,853
Other net current assets	4,115	3,720	2,477	-581
Net operating capital	57,476	54,197	47,455	49,556
Property, plant and equipment;	34,917	35,118	35,277	34,974
Intangible assets	70,850	71,235	71,680	71,625
Other non-current assets	21,025	20,544	18,200	18,069
Fixed capital	126,792	126,897	125,157	124,668
TFR and other provisions	-15,459	-16,097	-17,290	-17,641
Net capital employed	168,809	164,997	155,322	156,583
Financed by:				

Net Financial Position	72,100	63,707	47,246	47,179
Group shareholders' equity	96,134	100,630	107,485	108,767
Minority interests	575	660	591	637
Financing sources	168,809	164,997	155,322	156,583
Ratios	30/09/2015	30/06/2015	31/12/2014	30/09/2014
Net operating capital	57,476	54,197	47,455	49,556
Net operating capital/Turnover (<i>rolling</i>)	28.1%	24.8%	20.3%	21.3%
Net capital employed	168,809	164,997	155,322	156,583
Net capital employed/Turnover (<i>rolling</i>)	82.4%	75.4%	66.6%	67.4%

Net operating capital at the end of the period amounted to Euro 57,476 thousand, an increase of Euro 10,021 thousand compared with 31 December 2014, while the percentage indicator, calculated on rolling turnover, increased from 20.3% at the end of 2014 to 28.1%.

Trade receivables totalled Euro 35,610 thousand, substantially equivalent to the figure at 31 December 2014, but characterised by less use of factoring operations with credit maturity for which there was derecognition of the relative receivables, totalling Euro 28.6 thousand, compared with Euro 32.5 million in December 2014.

There was also a reduction of over Euro 8.5 million in trade payables, which decreased from Euro 55,936 thousand at 31 December 2014 to Euro 47,409 thousand, while closing inventories and work in progress on orders, totalling Euro 65,160 thousand, remained basically unchanged.

Net invested capital (Euro 168,809 thousand) increased compared with 31 December 2014, by Euro 13,487 thousand, mainly due to dynamics of the net operating capital, while the percentage indicator, calculated on *rolling* turnover, increased from 66.6% to 82.4% .

Net Financial Position and cash flows

(thousands of Euro)				
	30/09/2015	30/06/2015	31/12/2014	30/09/2014
Cash and cash equivalents	29,517	58,942	31,820	31,533
Bank payables and short-term loans	-32,266	-56,041	-51,580	-49,186
Short-term loans	-268	-268	-137	-31
Net short term indebtedness	-3,017	2,633	-19,897	-17,684
Bonds issued (net value)	-33,046	-32,994		
Medium-Long term loans	-36,037	-33,346	-27,349	-29,495
Net medium-long term indebtedness	-69,083	-66,340	-27,349	-29,495
Net financial position	-72,100	-63,707	-47,246	-47,179

With a view to strengthening sources of funding, the parent company issued a five-year bonded loan with bullet 2020 repayment in May 2015, called "LANDI RENZO 6.10% 2015-2020", for a total amount of Euro 34

million. The regulations envisage payment of six-monthly interest coupons and also annual covenants (Net Debt/Ebitda < 4.75; Net Debt/PN < 1). The bonds are traded on the ExtraMOT PRO Segment organised by Borsa Italiana S.p.A.

The success of this operation has allowed new medium-term bank loans to be signed, which has strengthened the Group's financial structure.

This strategy has contributed effectively to lengthening the duration of the debt and therefore to providing important resources to support strategic investments in development of alternative mobility technologies, with sources of funding suited to their medium-term profile and to supporting the current difficult market situation.

Short-term financial exposure totalled Euro 3,017 thousand, a decrease of Euro 16,880 thousand compared with 31 December 2014, when it totalled Euro 19,897 thousand.

The following table illustrates the *trend* of the total cash flow over the last twelve months:

(thousands of Euro)				
	30/09/2015	30/06/2015	31/12/2014	30/09/2014
Operational cash flow	-14,045	-9,311	20,060	15,419
Cash flow for investment activities	-10,325	-7,230	-13,370	-8,702
Free Cash Flow	-24,370	-16,541	6,690	6,717
Cash flow generated (absorbed) by financing activities	22,551	43,583	-7,816	-8,169
Overall cash flow	-1,819	27,042	-1,126	-1,452

Net cash flow from operational activities at the end of September was negative for Euro -14,045 thousand, a decrease compared with the figure at 30 June 2015 of around Euro 4.7 million. As detailed in the consolidated cash flow statement, this flow was largely influenced by the economic result of the period, negative and totalling Euro 11,296 thousand, and also by the change in operating capital, which totalled 28.1% of revenues, as discussed in relation to invested capital. These dynamics influence development of the net financial position at 30 September 2015, which was negative for Euro 72,100 thousand and deteriorated compared with the position both in June 2015 (Euro 63,707 thousand) than in December 2014 (Euro 47,246 thousand), mainly as a result of the cash flow from operational activities, as well as less use of assignment without recourse of trade receivables, with a total balance of Euro 28.6 million in September 2015, compared with a balance of Euro 30.1 million in June 2015 and Euro 32.5 million in December 2014.

The policy of investment in *assets* absorbed financial resources totalling Euro 10,325 thousand (minus proceeds from disposals), including Euro 3,526 thousand in investments in Development.

The net cash flow from financing activities, positive at Euro 22,551 thousand, was generated both by the aforementioned bonded loan issue and by new bank loans totalling Euro 38.5 million, while instalments on current loans totalling Euro 27.2 million were reimbursed and also reduced the short-term advances for trade operations of Euro 22.8 million.

Investments

Investments in property, plant and equipment and other equipment totalled Euro 6,347 thousand (Euro 6,358 thousand at 30 September 2014) and relate mainly to the completion of the works for the plants of the new Technical Centre and other assets in progress, in addition to purchases of plant and equipment and of test and control tools.

The increase in intangible assets amounted to Euro 4,363 thousand (Euro 2,567 thousand at 30 September 2014) and refer primarily to the capitalization of costs for development projects that meet the requirements of IAS 38 in order to be recognized as balance sheet assets.

2.1.2. Results of Parent company

At 30 September 2015, Landi Renzo S.p.A. generated revenue for Euro 61,278 thousand compared to Euro 70,236 thousand at 30 September 2014 (-12.7%).

The Gross Operating Loss was Euro 4,604 thousand, compared with a negative result of Euro 1,276 thousand recorded in 2014. The net financial position at 30 September 2015 is negative and equal to Euro 70,922 thousand, compared with a negative net financial position at 30 September 2014 equal to Euro 51,266 thousand.

2.1.3. Transactions with related parties

Transactions with related parties, for an overall insignificant amount, relate to activities regarding normal operation and are regulated at market conditions considered to be normal in the respective reference markets, taking account of the characteristics of the goods and services supplied.

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

Transactions with related parties listed below include:

- supply relationships between Gireimm S.r.l. and Landi Renzo S.p.A. , Emmegas S.r.l. and Safe S.p.A. for lease payments on the buildings used as operating units by the parent company and by the subsidiary companies;
- 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

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

- registrations of bi-fuel GPL and CNG vehicles in Italy in the period January – October (ANFIA data) totalled 159,321 units, with an 12% share of total, compared with 162,878 units in the same period of 2014 (14%). The change in absolute terms was recorded in particular on CNG bi-fuel car registrations, while LPG ones are substantially stable;
- In November were started the activities for the admittance to the mobility procedure, in the parent company and in an Italian subsidiary, in accordance with Law 233/91 and subsequent amendments.

Outlook

Taking into account the actual contest of reference sector, the estimate for the turnover in 2015 is between 205 and 210 million euros. The Ebitda 2015, normalized by eventual non-recurring expenses resulting from cost reduction measures, will be between 7 and 10 million euros, thanks also to the measures taken to increase efficiency that are starting to release benefits with increasing intensity. The Group will continue nonetheless to pay maximum attention to and operational and management costs control, as well as to monitor the evolution of the economic and financial indicators. In parallel, we are developing initiatives to fully catch all opportunities, in the reference sector, with the aim of increasing the market impact of the Landi Group.

Cavriago, 12 November 2015

Chairman and Chief Executive Officer
Stefano Landi

3. INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

3.1. GENERAL PREPARATION CRITERIA AND CONSOLIDATION PRINCIPLES

3.1.1. Premise

The interim management report at 30 September 2015, which has not been audited, has been 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 30 September 2015 has been 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.

The line-by-line method is used for consolidation, which consists of stating all the items of assets and liabilities in their entirety, excluding the company joint venture Krishna Landi Renzo India Private LTD Held, which is consolidated using the equity method.

The accounting policies, and the valuation and consolidation criteria used in preparing the Interim Management Report for the third quarter closed at 30 September 2015 are not different to those used in drawing up the consolidated financial statements closed at 31 December 2014, to which you are referred for further information.

As well as the interim values at 30 September 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 Euros.

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

The following accounting standards, amendments and interpretations adopted by the European Commission have been applied for the first time as of 1 January 2015:

- *Annual Improvements to IFRSs 2011–2013 Cycle*
- Amendments to IAS 19 – Defined benefit plans: employee contributions

It should be noted that the entry into force of the above did not have any significant impact on the economic-financial values of the consolidated abbreviated interim financial statements at 30 September 2015 and did not result in any restatement of comparative values.

3.1.3. 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 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 General Consolidated Income Statement, the consolidated Table of Changes in Equity and the Consolidated Cash Flow Statement, and the disclosures provided. Estimates are used in recognizing goodwill, impairment of non-current assets, development expenditure,

taxes, provisions for bad debts and inventories, employee benefits and other accruals and provisions. The estimates and assumptions are reviewed periodically and the effects of all changes are normally reflected immediately on the income statement.

It is also pointed out that 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 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 total sales over the course of the year, except for the signing of new supply contracts on the OEM channel which may provide for 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 at 31 December 2014, to which to which you may refer for a more complete description of such aspects.

3.1.4. 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.

The consolidation area is unchanged compared with 31 December 2014, whereas, compared with 30 September 2014, it does not include Landi Renzo Ve C.A., excluded from consolidation due to irrelevance, starting from the consolidated financial statements at 31 December 2014.

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	30/09/2015	31/12/2014	30/09/2014
Non-current assets			
Land, property, plant, machinery and equipment	34,917	35,277	34,974
Development expenditure	7,524	7,101	6,367
Goodwill	39,942	39,942	40,190
Other intangible assets with finite useful lives	23,384	24,637	25,068
Equity investments consolidated using the equity method	186	180	330
Other non-current financial assets	792	773	538
Deferred tax assets	20,047	17,247	17,201
Total non-current assets	126,792	125,157	124,668
Current assets			
Trade receivables	33,202	33,069	42,066
Trade receivables - related parties	2,408	1,986	601
Inventories	61,416	63,269	70,109
Work in progress on orders	3,744	2,590	2,214
Other receivables and current assets	15,609	15,533	14,973
Cash and cash equivalents	29,517	31,820	31,533
Total current assets	145,896	148,267	161,496
TOTAL ASSETS	272,688	273,424	286,164

(Thousands of Euro)

TOTAL EQUITY AND LIABILITIES	30/09/2015	31/12/2014	30/09/2014
Equity			
Share capital	11,250	11,250	11,250
Other reserves	96,035	98,018	97,847
Profit (loss) for the period	-11,151	-1,783	-330
Total Equity attributable to the Shareholders of the Parent Company	96,134	107,485	108,767
Minority interests	575	591	637
TOTAL EQUITY	96,709	108,076	109,404
Non-current liabilities			
Non-current bank loans	34,990	26,171	28,834
Other non-current financial liabilities	34,093	1,178	661
Provisions for risks and charges	3,902	5,055	5,362
Defined benefit plans	3,385	3,818	3,706
Deferred tax liabilities	8,172	8,417	8,573
Total non-current liabilities	84,542	44,639	47,136
Current liabilities			
Bank overdrafts and short-term loans	32,266	51,580	49,186
Other current financial liabilities	268	137	31
Trade payables	45,500	54,632	63,526
Trade payables – related parties	1,909	1,304	1,327
Tax liabilities	1,603	4,492	2,576
Other current liabilities	9,891	8,564	12,978
Total current liabilities	91,437	120,709	129,624
TOTAL EQUITY AND LIABILITIES	272,688	273,424	286,164

3.3. CONSOLIDATED INCOME STATEMENT

(Thousands of Euro)

	30/09/2015	30/09/2014	Q3 2015	Q3 2014
CONSOLIDATED INCOME STATEMENT				
Revenues on goods and services	145,453	172,824	47,463	61,206
Revenues (goods and services) - related parties	158	1,110	23	358
Other revenue and income	1,443	1,254	579	378
Cost of raw materials, consumables and goods and change in inventories	-70,666	-79,724	-23,965	-29,089
Costs for services and use of third party assets	-39,185	-45,386	-12,087	-15,361
Costs for services and use of third party assets – related parties	-2,339	-1,870	-778	-622
Personnel expenses	-31,232	-31,760	-9,026	-9,839
Accruals, doubtful debts and other operating expenses	-1,718	-2,323	-455	-553
Gross Operating Profit	1,914	14,125	1,754	6,478
Amortization, depreciation and impairment losses	-11,509	-11,245	-3,793	-3,764
Operating Profit	-9,595	2,880	-2,039	2,714
Financial income	314	339	90	120
Financial expenses	-3,437	-3,172	-1,336	-935
Exchange rate gains (losses)	-525	1,015	-1,122	798
Gain (loss) on equity investments consolidated using the equity method	-210	-111	-110	-34
Profit (Loss) before tax	-13,453	951	-4,517	2,663
Current and deferred taxes	2,157	-1,172	454	-1,078
Net profit (loss) for the Group and minority interests, including:	-11,296	-221	-4,063	1,585
Minority interests	-145	109	-81	45
Net profit (loss) for the Group	-11,151	-330	-3,982	1,540
Basic earnings (loss) per share (calculated on 112,500,000 shares)	-0.0991	-0.0029	-0.0354	0.0137
Diluted earnings (loss) per share	-0.0991	-0.0029	-0.0354	0.0137

3.4. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Thousands of Euro)

	30/09/2015	30/09/2014
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		
Net profit (loss) for the Group and minority interests:	-11,296	-221
<i>Gains/losses that will not be subsequently reclassified in the income statement</i>		
Restatement of defined employee benefit plans (IAS 19)	333	-291
Total gains/losses that will not be subsequently reclassified on the income statement	333	-291
<i>Profits/losses that could subsequently be reclassified on the income statement</i>		
Exchange rate differences from conversion of foreign operations	-484	32
Total profits/losses that could subsequently be reclassified on the income statement	-484	32
Profits/Losses recorded directly to Equity net of tax effects	-151	-259
Total consolidated income statement for the period	-11,447	-480
Profit (loss) for Shareholders of the Parent Company	-11,334	-606
Minority interests	-113	126

3.5. CONSOLIDATED STATEMENT OF CASH FLOWS

(Thousands of Euro)

CONSOLIDATED STATEMENT OF CASH FLOWS	30/09/2015	30/09/2014
Financial flows deriving from operating activities		
Profit (loss) for the period	-11,296	-221
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	6,480	6,893
Amortization of intangible assets	5,029	4,352
Impairment loss on receivables	329	315
Net financial charges	3,648	1,818
Changes in provisions and benefits for employees	-433	-33
Income tax for the year	-2,157	1,172
	1,600	14,296
<i>Changes in:</i>		
Work in progress on orders	699	-7,701
trade receivables and other receivables	-3,779	-2,545
trade payables and other payables	-8,722	16,000
provisions and employee benefits	-820	-1,146
Cash generated from operating activities	-11,022	18,904
Interest paid	-2,054	-2,339
Income taxes paid	-969	-1,146
Net cash generated (absorbed) from operating activities	-14,045	15,419
Financial flows deriving from investment activities		
Proceeds from the sale of property, plant and equipment	207	234
Affiliates consolidated using the equity method	-6	-330
Purchase of property, plant and equipment	-6,326	-5,936
Purchase of intangible assets	-664	-362
Development expenditure	-3,536	-2,308
Net cash absorbed by investment activities	-10,325	-8,702
Financial flows deriving from financing activities		
Net proceeds on the bond issue	33,046	
Net repayments and loans	-10,495	-8,169
Net cash generated (absorbed) by financing activities	22,551	-8,169
Net increase (decrease) in cash and cash equivalents	-1,819	-1,452
Cash and cash equivalents at 1 January	31,820	32,953
Effect of exchange rate fluctuation on cash and cash equivalents	-484	32
Closing cash and cash equivalents	29,517	31,533

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

Other information	30/09/2015	30/09/2014
(Increase)/Decrease in trade receivables and other receivables from related parties	-422	-412
(Increase)/Decrease in trade payables and other payables to related parties	605	893

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 year					-330	-330	109		-221
Discounted back profit/loss (IAS 19)			-283			-283		-8	-291
Translation difference			7			7		25	32
Total profits/losses			-276		-330	-606	109	17	-480
Other changes			-33			-33		104	71
Allocation of profit			-25,558		25,558	0	402	-402	0
Total effects deriving from transactions with shareholders			-25,591		25,558	-33	402	-298	71
Balance at 30 September 2014	11,250	2,250	48,999	46,598	-330	108,767	109	528	109,404
Balance at 31 December 2014	11,250	2,250	49,170	46,598	-1,783	107,485	39	552	108,076
Result for the year					-11,151	-11,151	-145		-11,296
Discounted back profit/loss (IAS 19)			322			322		11	333
Translation difference			-505			-505		21	-484
Total profits/losses			-183		-11,151	-11,334	-145	32	-11,447
Other changes			-17			-17		97	80
Allocation of profit			-1,783		1,783	0	-39	39	0
Total effects deriving from transactions with shareholders			-1,800		1,783	-17	-39	136	80
Balance at 30 September 2015	11,250	2,250	47,187	46,598	-11,151	96,134	-145	720	96,709

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

Subject: Interim Management Report at 30 September 2015

I, the undersigned, Paolo Cilloni, Officer in charge of preparing the accounting documents of Landi Renzo S.p.A.,

declare

pursuant to article 154-bis, paragraph 2 of the Consolidated Financial Law (Legislative Decree 58/1998) that the accounting information included in the Interim Management Report at 30 September 2015 corresponds to the documentary evidence and to the information in the accounting books and records.

Cavriago, 12 November 2015

Officer in charge of preparing
the accounting documents
Paolo Cilloni