Landi Renzo: Board of Directors approves Q1 2017 Results

- **Revenue of Eur 46.8 million with an increase of 12.9% (Eur 41.4 million in Q1 2016)**
- **Adjusted EBITDA of Eur 2.2 million (Eur 0.4 million in Q1 2016)**
- **EBITDA of Eur 1.7 million (Eur 0.4 million in Q1 2016)**
- **EBIT of Eur -2.3 million (Eur -3.8 million in Q1 2016)**
- **Net Result of -3.0 million (Eur –4.3 million in Q1 2016)**
- **Net Financial Debt of Eur 69.9 million (debt of Eur 75.7 million at 31 December 2016)**

Cavriago (RE), 11 May 2017

The Board of Directors of Landi Renzo, in a meeting chaired today by Stefano Landi, approved the Interim Report at 31 March 2017.

Chairman **Stefano Landi** said: "*The first quarter of the year sees us returning to growth and recovering margins thanks to the work that has taken place in the last period. But, even more important is the fact that, during this quarter the pillars for further and decisive steps towards returning to an adequate marginality were laid through the re-launch and recovery efficiency plan set by the new management. This is evidenced by the latest results, such as the optimization of the financial structure and the preliminary agreement to transfer part of the technical center to AVL, a leading technology player, with which a collaboration path is also opened in the development of systems for an alternative fuel vehicle.* "

Cristiano Musi, CEO of Landi Renzo said: *"The first quarter showed a growth in the volume of business mainly in the auto industry, and I want to thank all my colleagues for their great efforts. However"* - Musi continues - *"we cannot be satisfied with the results as long as we are not able to get a value creation result. To achieve this goal, our action follows a dual track, with a series of projects designed to secure the Group by reducing its breakeven, improving EBITDA and reducing invested capital, but also with further projects to achieve steady revenue growth ".*

"*Obviously*" - concludes Musi - "*we have also undertaken other activities in other business where the Group is operational, including the importance of managerial strengthening in the Gas Sector - Distribution Systems, with the entrance in Safe of Eng. Luciano Dell'Omo, a manager with significant experience in the sector, who goes along with the current management structure and will definitely make an important contribution to the relaunch of the business*".

Key financial highlights in Q1 2017

Revenues amounted to Eur 46,774 thousand with an increase of Eur 5,354 thousand (+12.9%) when compared with revenues of the same period in the previous year.

Sales at 31 March 2017 in the *Gas Segment - Car Systems* amounted to Eur 40,395 thousand (equal to 86.4% of total turnover). The increase of 19.0%, over the same period of the previous year, was determined by the increase in revenues both on the OEM channel (+44.2%) and to a lesser extent on the After Market segment (+5.3%).
Revenues from the *Gas Segment - Distribution System* amounted to Eur 2,536 thousand (5.4% of total turnover), down by Eur 1,158 thousand compared to the same period of 2016 as a result of lower turnover made in Europe and Asia, only partially offset by the positive performance of American markets.
Revenues from *Other Segment* amounted to Eur 3,843 thousand, up 1.7% on the first quarter of 2016.
In view of the low level of sales of other *Others Segment*, it can be said that the Group has as unique sector only the one in the production of automotive systems and distribution systems (Gas Sector).

In the first three months of 2017, 79.5% of consolidated sales were made abroad, confirming the strong international vocation of the Group.
The revenue contribution by geographic area is as follows:
• Italy, which is 20.5% of total turnover (22.7% in the first quarter of 2016), is up compared to the same period of the previous year, essentially reflecting the overall good performance in the quarter of domestic demand, a trend that differs between the OEM and After Market segments.
• The rest of Europe accounts for 50.7% of total sales (45.5% in the first quarter of 2016) with a relevant increase of 26.0% over the same period of 2016, driven mainly by increased sales on the OEM channel.
• America represents 13.9% (14.8% in the first quarter of 2016), with an increase of 6.3%, largely due to the good performance of the business in Brazil, Colombia and Mexico, which offset the slowdown recorded in Argentina And the United States.
• Asia and the Rest of the World accounted for 14.9% of total sales (17.0% in the first quarter of 2016), slightly declining (-1.9% over the first three months of 2016), essentially due to lower sales Distribution Systems.

Adjusted EBITDA amounted to € 2,196 thousand at the end of the quarter, a net improvement compared to the same period of the previous year (€ 363 thousand), mainly as a result of the greater sales volumes of the *Gas Segment - Car Systems*, core business of the Group Landi Renzo which itself gets at an EBITDA adjusted of about Eur 3,045 thousand (7.5% of revenues) and compares with an amount of about Eur 904 thousand of the previous year. The EBITDA adjusted of *Gas Segment - Distribution System* was negative and amounted at Eur 855 thousand.
The gross operating margin (EBITDA) is positive for Eur 1,747 thousand. In addition to the factors above, there were also non-recurring expenses totalling Eur 449 thousand which impacted on this amount.

Net operating margin (EBIT) for the period was negative and equal to Eur 2,260 thousand (negative and equal to Eur 3,775 thousand at 31 March 2016) after recording amortization and impairment losses of Eur 4,007 thousand (Eur 4,118 thousand at 31 March 2016). EBIT for *Gas Segment - Car Systems* is negative for Euro 944 thousand, however, normalizing this value for the effects of the sale of part of the technical center to AVL the EBIT of the *Gas Segment - Car Systems* would be negative for about Eur -200 thousand.
The *Gas Segment - Distribution System* negatively impacts for Eur 1,175 thousand. To support the relaunch, SAFE management has been strengthened.

Net financial charges impacted Euro 1,029 thousand (Eur 1,421 thousand in the same period of the previous year) due to a better debt and currency management.

The **Pre-tax Result** was negative, amounting to Eur 3,211 thousand, against a pre-tax loss of Eur 5,214 thousand in the first quarter of 2016. The **Net Result** at 31 March 2017 was negative for Eur 2,985 thousand, against a negative result of Eur 4,190 thousand in the same period of 2016.

Net Financial Position was negative for Eur 69,877 thousand, down from a negative net financial position at December 31, 2016 of Eur 75,716 thousand (negative and equal to Eur 78,434 thousand at March 31, 2016).

Significant events after the close of Q1 2017

After the end of the quarter and until today's date it is noted that:

- On April 28, 2017, the Shareholders' Meeting of Landi Renzo S.p.A. resolved to approve the Financial Statements for the financial year 2016 and to cover the loss for the year realized by Landi Renzo SpA, amounting to Eur 28,985,860.92, through the full use of the Extraordinary and Transitional IAS Reserves and the share premium accounts that is reduced to Eur 30,718,198.13; in addition, the Shareholders' Meeting resolved to authorize the Board of Directors to purchase treasury shares, to increase the number of members of the Board of Directors from eight to nine and to appoint Director the General Manager Mr Cristiano Musi.

- The Board of Directors met on April 28, 2017 also approved the appointment of Mr. Cristiano Musi as Chief Executive Officer of the Company.
- On April 20, 2017 Landi Renzo S.p.A. and AVL, the world's leading powertrain developer, have signed a preliminary agreement for the sale of a business branch related to a portion of a the R&D (made up of laboratories, equipment and miscellaneous materials) to the AVL Group.
- The management team has been strengthened both in the car industry and in Safe S.p.A. In particular, in Safe has been appointed as the new General Manager with over 25 years of experience in primary companies operating in the gas and oil & gas compressor sector .
- The automotive sector is pursuing a strategy to consolidate its positioning in mature markets and grow internationally.

Business outlook

As for the possible future development of the business, considering the results of the first three months of 2017, the uncertainties of the reference market and the orders in the portfolio, what stated in during the approval of the Annual Financial Report as of December 31, 2016 is confirmed: a moderate business growth and a slight margin recovery in terms of EBITDA adjusted are expected already in 2017.

*The Executive responsible for the preparation of the corporate accounting documents, Mr Paolo Cilloni, declares, in accordance with Article 154-*bis*, paragraph 2 of Legislative Decree No 58 of 24 February 1998, that the accounting information contained in this press release corresponds to the underlying accounting documents, records and accounting entries.*

This press release, together with a presentation, are also available on the Company's website www.landirenzogroup.com and on the storage system www.emarketstorage.com.

This press release is a translation. The Italian version prevails.

Landi Renzo is the global leader in the LPG and Methane gas components and systems for motor vehicles sector. The Company is based in Cavriago (Reggio Emilia) and has over 60 years' experience in the sector, and is renowned for the extent of its international activities in over 50 countries, with export sales of about 80%. Landi Renzo S.p.A. has been listed on the STAR segment of the MTA Market of Borsa Italiana since June 2007.

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(thousands of Euro)

INCOME STATEMENT	31/03/2017	31/03/2016
Revenues (goods and services)	46,570	41,416
Revenues (goods and services) - related parties	204	4
Other revenue and income	250	195
Cost of raw materials, consumables and goods and change in inventories	-22,550	-19,105
Costs for services and use of third party assets	-11,479	-11,312
Costs for services and use of third party assets - related parties	-804	-775
Personnel expenses	-9,736	-9,466
Accruals, impairment losses and other operating expenses	-708	-594
Gross Operating Profit	**1,747**	**363**
Amortization, depreciation and impairment losses	-4,007	-4,118
Net Operating Profit	**-2,260**	**-3,775**
Financial income	18	39
Financial expenses	-1,059	-1,301
Gains (losses) on exchange rate	12	-159
Gains (losses) on equity investments consolidated using the equity method	78	-38
Profit (Loss) before tax	**-3,211**	**-5,214**
Current and deferred taxes	250	898
Profit (loss) of the period for the Group and minority interests, including:	**-2,961**	**-4,316**
Minority interests	24	-126
Profit (Loss) of the period for the Group	-2,985	-4,190
Basic earnings (loss) per share (calculated on 112,500,000 shares)	-0.0265	-0.0372
Diluted earnings (loss) per share	-0.0265	-0.0372

(thousands of Euro)

ASSETS	31/03/2017	31/12/2016	31/03/2016
Non-current assets			
Property, plant and equipment	29,262	30,500	33,998
Development expenditure	8,210	8,420	8,464
Goodwill	30,094	30,094	30,094
Other intangible assets with finite useful lives	19,763	20,359	22,017
Equity investments consolidated using the equity method	121	43	71
Other non-current financial assets	447	664	453
Deferred tax assets	7,268	6,887	8,174
Total non-current assets	**95,165**	**96,967**	**103,271**
Current assets			
Trade receivables	33,213	35,553	33,279
Trade receivables - related parties	1,738	1,998	2,371
Inventories	49,719	49,872	60,955
Contract works in progress	714	1,281	2,457
Other receivables and current assets	11,092	10,082	15,582
Cash and cash equivalents	20,997	16,484	20,263
Total current assets	**117,473**	**115,270**	**134,907**
TOTAL ASSETS	**212,638**	**212,237**	**238,178**

(thousands of Euro)

EQUITY AND LIABILITIES	31/03/2017	31/12/2016	31/03/2016
Group shareholders' equity			
Share capital	11,250	11,250	11,250
Other reserves	43,145	59,400	59,349
Profit (loss) of the period	-2,985	-25,245	-4,190
Total equity attributable to the shareholders of the parent	**51,410**	**45,405**	**66,409**
Minority interests	-287	-323	359
TOTAL EQUITY	**51,123**	**45,082**	**66,768**
Non-current liabilities			
Non-current bank loans	32,836	18,687	26,899
Other non-current financial liabilities	32,426	22,812	29,850
Provisions for risks and charges	9,126	8,973	7,498
Defined benefit plans	2,940	3,124	3,277
Deferred tax liabilities	504	514	0
Total non-current liabilities	**77,832**	**54,110**	**67,524**
Current liabilities			
Bank overdrafts and short-term loans	25,187	40,662	36,725
Other current financial liabilities	425	10,039	5,223
Trade payables	41,809	48,919	50,248
Trade payables - related parties	4,739	4,171	2,364
Tax liabilities	2,494	2,604	1,683
Other current liabilities	9,029	6,650	7,643
Total current liabilities	**83,683**	**113,045**	**103,886**
TOTAL EQUITY AND LIABILITIES	**212,638**	**212,237**	**238,178**

(thousands of Euro)

STATEMENT OF CASH FLOWS	31/03/2017	31/03/2016
Cash flow from operating activities		
Profit (Loss) of the period	-2,961	-4,316
Adjustments for:		
Depreciation	2,046	2,143
Amortization of intangible assets	1,902	1,876
Imperment losses on intangible assets	60	100
impairment loss on trade receivables	40	86
Net finance costs including forex exchange	1,029	1,421
Income tax for the year	-250	-898
	1,866	**412**
Changes in:		
inventories	719	-2,980
trade and other receivables	1,561	-2,013
trade and other paybles	-5,051	-10,432
provisions and employee benefits	19	-789
Cash generated from operating activities	**-886**	**-15,802**
Interest paid	-670	-487
Interest received	6	20
income taxes paid	-380	-368
Net cash flow from (for) operating activities	**-1,930**	**-16,637**
Cash flow from investing activities		
Proceeds from sale of property, plant and equipment	77	24
Affiliates consolidated using the equity method	78	38
Acquisition of property, plant and equipment	-801	-800
Acquisition of intangible assets	-10	-84
Development expenditure	-900	-1,273
Net cash used in investing activities	**-1,556**	**-2,095**
Cash flow from financing activities		
Payment for a future capital increase	8,867	
Disbursements (reimbursement) of medium/long-term loans	-336	-3,920
Change in short-term bank debts	-990	4,895
Net cash from (used in) financing activities	**7,541**	**975**
Net increase (decrease) in cash and cash equivalents	**4,055**	**-17,757**
Cash and cash equivalents as at 1 January	16,484	38,264
Effect of exchange rate fluctuations on cash held	458	-244
Cash and cash equivalents at the end of the period	**20,997**	**20,263**