Landi Renzo: Board of Directors Approves H1 2017 Results

- ✓ Revenues of €103.5 million with an increase of 15.9% (€89.3 million at June 30, 2016)
- ✓ Adjusted EBITDA of €6.4 million (€1.9 million at June 30, 2016)
- ✓ EBITDA of €4.5 million (€-1.6 million at June 30, 2016)
- ✓ EBIT of €-5.6 million (€-9.6 million at June 30, 2016)
- ✓ Net result of €-8.5 million (€-12.5 million at June 30, 2016)
- ✓ Net Financial Debt of €61.7 million (debt of €69.9 million at March 31, 2017)

New 2018-2022 Strategic Plan to be released in September

Ordinary Shareholders' Meeting called to appoint a new Statutory Auditor and to reduce the members of the Board of Directors following the resignation of a Director

Cavriago (RE), September 7, 2017

The Board of Directors of Landi Renzo, chaired by Stefano Landi, today examined and approved the First Half Financial Report at June 30, 2017. Thanks to the uptrend in the market of reference and following the implementation of the first initiatives aimed at recovering efficiency, in H1 2017 Landi Renzo Group improved its main operating and financial indicators.

"Our results in the first half of 2017 represent the first sign of a turnaround made possible by the reorganization of our business, to which our new management has been deeply committed. We aim to return to mid-to-long term sustainable profitability and to relaunch the Group by revising its strategic guidelines," commented Stefano Landi, Chairman of Landi Renzo.

"Thanks to efforts made by the entire team — to which I would like to extend my gratitude for the professionalism and commitment they have shown — our financial performance in the second quarter confirmed that we are headed in the right direction: we are laying the groundwork for the relaunching the Group, which also involves a turnaround, but we still have a long way to go, as shown by the decline in EBIT. The new five-year strategic plan on which we are working, and which will be presented in September, aims to identify the strategic business area, the markets and the segments on which to focus growth, in addition to laying out the measures necessary to consolidate our competitive position on international markets and reaffirm our stature as a global player. We certainly intend to focus on new products, leveraging the ability to innovate that has been this Group's legacy for over 60 years," commented Cristiano Musi, CEO of Landi Renzo. *"The new plan will also cover all of the measures needed to improve management efficiency, particularly in the Automotive sector, in order to ensure that we are aligned with market best practices."*

H1 2017 Consolidated Financial Highlights

H1 2017 consolidated **revenues** amounted to €103,508 thousand, up €14,218 thousand (+15.9%) compared to the same period of the previous year. The increase was mainly attributable to the positive sales trend reported by the Automotive sector, and the OEM channel in particular (+42.6%). The growth by volumes was related to both the increase in sales of LPG and natural gas cars and the Group's greater commercial focus.
Sales in the Automotive sector — the Group's core business — amounted to €87,258 thousand in 2017, up 19.3% compared to €73,139 thousand for H1 2016, owing to the increase in revenues of both the OEM channel (+42.6%) and, although to a lower extent, the After Market (+8.6%).
Revenues in the Gas Distribution and Compressed Natural Gas sector were €9,880 thousand, slightly down compared to €10,110 thousand for H1 2016.
In the Sound sector, revenues rose from €6,041 thousand in H1 2016 to €6,370 thousand in H1 2017, up 5.4% (€329 thousand), as a result of higher sales of CIARE-branded products and the good sales performance of the Group's top brand, Eighteen Sound.

In H1 2017, 79.5% of Landi Renzo Group's revenues were generated abroad (H1 2016: 78.3%), thus further strengthening its competitive position on international markets.

The breakdown of revenues by geographical area is as follows:

- **Italy** accounted for 20.5% of total sales (21.7% in H1 2016), up in absolute terms (€21,170 thousand) compared to June 30, 2016, thanks to the positive trend in market demand;
- the rest of **Europe** generated 48% of total sales (45.6% in H1 2016), up 21.9% compared to the same period of the previous year, mainly attributable to the increase in sales recorded by the Automotive sector (OEM channel);
- **America** accounted for 14.5% of total sales (16% in H1 2016), up in absolute terms (€15,162 thousand) compared to H1 2016, driven by the good performance reported by Peru, Colombia and Mexico, which offset the slowdown in Argentina and Brazil;
- **Asia** and **the Rest of the World** accounted for 17% of total sales (16.7% in H1 2016), marking a good performance in absolute terms, mainly driven by the Automotive sector in Algeria and Iran.

In H1 2017, **adjusted Gross Operating Profit (EBITDA)** amounted to €6,430 thousand (6.2% of revenues), up compared to the first half of the previous year (€1,896 thousand), thanks to the increase in sale volumes reported by the Automotive sector, as well as the first positive results of the actions taken by the Group to improve operating efficiency, through several measures aimed at reducing both fixed and variable costs. In detail, as regards to Automotive sector, adjusted EBITDA of Landi Renzo Group amounted to approximately €6,901 thousand (7.9% of revenues), compared to €2,957 thousand in H1 2016 (4% of revenues), whereas the *Gas Distribution and Compressed Natural Gas* sector had a negative impact of €-1,069 thousand (€-1.424 thousand at 30 June 2016). By contrast, the *Sound* sector recorded a positive adjusted EBITDA of €598 thousand, up 64.7% (€363 thousand at June 30, 2016). Gross Operating Profit (EBITDA) was €4,457 thousand, whereas in H1 2016 the figure was negative for €1,554 thousand.

Net Operating Profit (EBIT) for the reporting period was negative for €5,551 thousand (negative for €9,591 thousand for H1 2016), net of depreciation and amortization amounting to €7,948 thousand and a net extraordinary loss on assets disposal of €2,060 thousand associated with the agreement entered into in H1 2017, and subsequently finalized on July 31, with the AVL Group for the sale of the Technical Center's branch dedicated to laboratory management. Starting in 2018, this transaction will generate a reduction in annual fixed costs amounting to approximately €3 million in terms of EBIT, of which about €1.5 million in terms of EBITDA, thus positively impacting the Group's financial operations for approximately €2 million.

Net financial charges stood at €3,077 thousand compared to €1,952 thousand in H1 2016; the increase was to a large extent attributable to the exchange rate losses (€828 thousand) mainly due to the devaluation of the Brazilian Real and Pakistani Rupee.
The H1 2017 **Pre-tax Result** was negative for €8,574 thousand compared to a pre-tax loss of €11,607 thousand for the same period of 2016.
The **Net Result** was negative for €8,474 thousand, compared to a negative result of €12,541 thousand in H1 2016.

Net Financial Debt was €61,681 thousand, improving compared to €69,877 thousand at March 31, 2017 (€78,269 thousand at June 30, 2016). This change was attributable to cash flow generation in Q2 2017, as well as to the capital contribution made at the end of March.

Significant events after the close of H1 2017

The following events occurred after the end of the first half of the year and up to today's date:

- On July 31, Landi Renzo closed the sale to the AVL Italia Group (a global leader in powertrain development) of the business unit comprising the part of the technical center dedicated to managing laboratories, following the preliminary agreement signed on April 26, 2017. This deal allows the Landi Renzo Group to achieve two noteworthy results: firstly, it marks the start of an important partnership with a key player in the automotive industry, and specifically in CNG, LNG and hydrogen powertrains; secondly, it represents the next step in the reorganization process undertaken by the new management, aimed at reducing fixed costs and focusing on the core business. Seven employees were transferred directly from Landi Renzo to AVL in conjunction with the above sale.
- At the end of July, Claudio Carnevale tendered his resignation, with immediate effect, as director of Landi Renzo S.p.A. in order to pursue new professional opportunities. Claudio Carnevale was a non-executive member of the Board of Directors and did not sit on any of the internal committees of Landi Renzo S.p.A.

Business outlook

In light of the Group's performance in H1 2017 and the uncertainties surrounding its market of operation and its order backlog, the outlook for the Group's business remains unchanged from the view given in the press release concerning the approval of the 2016 Annual Financial Report. The business is expected to grow moderately, with a slight recovery of margins at the level of adjusted EBITDA that it is believed will continue in the second half of 2017.

The new 2018-2022 Strategic Plan, which will set out the Landi Renzo Group's business prospects and competitive position for the next five years, will be completed in September.

Calling of the Shareholders' Meeting

The Board of Directors also resolved to convene the Ordinary Shareholders' Meeting for 17 October 2017 at 9:00 hours, at the Company headquarters in Cavriago (Reggio Emilia), Località Corte Tegge, Via Nobel 2/4, to discuss and resolve on the following agenda:

1. 1.1 Proposal to reduce the members of the Board of Directors from nine to eight; 1.2 Redeployment of the total remuneration received on an annual basis by the Board of Directors; relative resolutions.
2. Appointment of a Standing Statutory Auditor. Deployment of the relative compensation

The notice calling the meeting and the relevant documents pertaining to the items on the agenda will be made available to the public within the terms set forth by applicable laws in force at the registered offices in Cavriago (RE), Località Corte Tegge, Via Nobel 2, through the authorized storage system "eMarket Storage" (www.emarketstorage.com), as well as on the corporate website (www.landirenzogroup.com).

Pursuant to Article 154-bis, paragraph 2, of Italian Legislative Decree No. 58 of February 24, 1998, the Officer in charge of preparing the Company's financial statements, Paolo Cilloni, declares that the accounting information contained in this press release corresponds to the documented results, books and accounting records.

The First Half Financial Report at June 30, 2017 and the related Independent Auditors' Report will be made available to the public within the terms and in the manner set forth by applicable laws in force. Financial reports are also available on the web site www.landirenzogroup.com.

This press release, together with the related presentation, is also available on the corporate website www.landirenzogroup.com.it and through 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.

For further information:

LANDI RENZO
Pierpaolo Marziali
M&A and Investor Relations Officer
ir@landi.it

Image Building
Cristina Fossati, Angela Fumis, Annalisa Di Gilio
Tel. +39 02 89011300
e-mail landirenzo@imagebuilding.it

(thousands of Euro)

INCOME STATEMENT	30/06/2017	30/06/2016
Revenues from sales and services	103,216	89,219
Revenues from sales and services - related parties	292	71
Other revenue and income	433	559
Cost of raw materials, consumables and goods and change in inventories	-50,121	-42,240
Costs for services and use of third party assets	-25,644	-24,286
Costs for services and use of third party assets - related parties	-1,613	-1,614
Personnel cost	-20,446	-18,966
Provision, provision for bad debts and other operating expenses	-1,660	-4,297
Gross Operating Profit	**4,457**	**-1,554**
Amortization, depreciation and impairment losses	-7,948	-8,037
Loss on assets disposal	-2,060	0
Net Operating Profit	**-5,551**	**-9,591**
Financial income	48	65
Financial expenses	-2,297	-2,677
Exchange gains (losses)	-828	660
Gains (losses) on equity investments valued using the equity method	54	-64
Profit (Loss) before tax	**-8,574**	**-11,607**
Current and deferred taxes	-47	-1,159
Net Profit (loss) for the Group and minority interests, including:	**-8,621**	**-12,766**
Minority interests	-147	-225
Net Profit (Loss) for the Group	-8,474	-12,541
Basic earnings (loss) per share (calculated on 112,500,000 shares)	-0.0753	-0.1115
Diluted earnings (loss) per share	-0.0753	-0.1115

(thousands of Euro)

ASSETS	30/06/2017	31/12/2016
Non-current assets		
Land, property, plant and equipment	19,556	30,500
Development expenditure	7,516	8,420
Goodwill	30,094	30,094
Other intangible assets with finite useful lives	19,216	20,359
Equity investments consolidated using the equity method	97	43
Other non-current financial assets	443	664
Deferred tax assets	7,310	6,887
Total non-current assets	**84,232**	**96,967**
Current assets		
Trade receivables	35,015	35,553
Trade receivables - related parties	1,642	1,998
Inventories	49,321	49,872
Contract works in progress	210	1,281
Other receivables and current assets	10,310	10,082
Cash and cash equivalents	15,916	16,484
Total current assets	**112,414**	**115,270**
Non-current assets held for sale	5,700	
TOTAL ASSETS	**202,346**	**212,237**

(thousands of Euro)

EQUITY AND LIABILITIES	30/06/2017	31/12/2016
Shareholders' equity		
Share capital	11,250	11,250
Other reserves	42,675	59,400
Profit (loss) of the period	-8,474	-25,245
Total equity attributable to the Group	**45,451**	**45,405**
Minority interests	-435	-323
TOTAL EQUITY	**45,016**	**45,082**
Non-current liabilities		
Non-current bank loans	31,401	18,687
Other non-current financial liabilities	31,098	22,812
Provisions for risks and charges	9,294	8,973
Employee defined benefit plans	2,829	3,124
Deferred tax liabilities	464	514
Total non-current liabilities	**75,086**	**54,110**
Current liabilities		
Bank overdrafts and short-term loans	13,495	40,662
Other current financial liabilities	1,603	10,039
Trade payables	50,272	48,919
Trade payables - related parties	4,948	4,171
Tax liabilities	2,313	2,604
Other current liabilities	9,588	6,650
Total current liabilities	**82,219**	**113,045**
Non-current liabilities held for sale	25	
TOTAL EQUITY AND LIABILITIES	**202,346**	**212,237**

(thousands of Euro)

STATEMENT OF CASH FLOWS	30/06/2017	30/06/2016
Cash flow from operating activities		
Profit (Loss) of the period	-8,621	-12,766
Adjustments for:		
Loss from equity investments	2,060	0
Depreciation of property, plant and equipment	4,039	4,255
Amortization of intangible assets	3,787	3,632
Imperment losses on intangible assets	122	150
impairment loss on trade receivables	284	675
Net finance costs including forex exchange	3,077	1,952
Income tax for the year	47	1,159
	4,795	**-943**
Changes in:		
inventories and contract work in progress	1,622	-3,628
trade and other receivables	603	1,064
trade and other paybles	1,832	-8,775
provisions and employee benefits	168	1,440
Cash generated from operating activities	**9,020**	**-10,842**
Interest paid	-928	-2,745
Interest received	20	32
income taxes paid	-642	-333
Net cash flow from operating activities	**7,470**	**-13,888**
Cash flow from investing activities		
Proceeds from sale of property, plant and equipment	88	54
Affiliates consolidated using the equity method	54	64
Acquisition of property, plant and equipment	-1,136	-2,148
Acquisition of intangible assets	-201	-150
Development expenditure	-1,656	-2,321
Net cash absorbed by investment activities	**-2,851**	**-4,501**
Free Cash Flow	**4,619**	**-18,389**
Cash flow from financing activities		
Payment for a future capital increase	8,867	0
Bond Repayments	0	-2,040
Disbursements (reimbursement) of medium/long-term loans	-552	-12,530
Change in short-term bank debts	-14,050	13,867
Net cash generated (absorbed) by financing activities	**-5,735**	**-703**
Net increase (decrease) in cash and cash equivalents	**-1,116**	**-19,092**
Cash and cash equivalents as at 1 January	16,484	38,264
Effect of exchange rate fluctuations on cash held	548	-423
Cash and cash equivalents at the end of the period	**15,916**	**18,749**