

- Landi Renzo: Board of Directors Approves Results at September 30, 2017

- ✓ Revenues of €149.5 million with an increase of 13.5% (€131.7 million at September 30, 2016)
- ✓ Adjusted EBITDA of €9.8 million with an increase of profitability (€2.6 million at September 30, 2016)
- ✓ EBITDA of €7.0 million with a sharp improvement (€-848 thousand at September 30, 2016)
- ✓ EBIT of €-6.4 million (€-13 million at September 30, 2016)
- ✓ Net result of €-11.3 million (€-17.8 million at September 30, 2016)
- ✓ Net Financial Debt of €65 million (debt of €75.7 million at December 31, 2016)

- Initial activities to achieve a greater focus on the Group's core business and a reorganization of operations in line with the guidance set out in the 2018-2022 Strategic Plan

Cavriago (RE), November 14, 2017

The Board of Directors of Landi Renzo, chaired by Stefano Landi, today examined and approved the Interim Report at September 30, 2017. Compared to the same period of the previous year, in the first nine months of 2017 the Landi Renzo Group reported growth in revenues and margins thanks to the favorable context of its reference market and the management's actions, thus confirming the improving trend which had started in the previous quarters.

*"Our Group continues to focus on the Automotive and Gas Distribution sectors, and margins have recovered even more significantly in the third quarter of this year. Landi Renzo confirms its position as a global player in the industry with an increasingly higher ratio of turnover generated from international markets,"* commented **Stefano Landi, Chairman** of Landi Renzo.

*"The Landi Renzo team continues to work on re-establishing the Group's competitive edge, which led to an improvement in the main financial indicators in the third quarter as well. After laying the foundations for the Group's relaunch in the first half of the year, we embarked on the initial activities aimed at achieving a greater focus on Landi Renzo's core business, as witnessed in the agreement to sell the Sound hub and the business branch relating to certain Technical Centre equipment. We also aim at enhancing the Group's capacity for innovation. These actions also necessarily require an improvement in management efficiency,"* stated **Cristiano Musi, CEO** of Landi Renzo. *"We are working on implementing the guidelines set out in our 2018-2022 Strategic Plan that rests on three pillars for growth in the Automotive sector, with a focus on Heavy Duty vehicles, the development of the infrastructure sector, including through SAFE, and recovery of efficiency through, among other things, major investment in R&D in order to offer innovative products. In this context the managerial team was strengthened with the inclusion of Paolo Ferrero, who has already begun working profitably on new technological projects in line with the plan."*

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## Consolidated Financial Highlights at September 30, 2017

Consolidated **revenues** in the first nine months of 2017 amounted to €149,509 thousand, up €17,774 thousand (+13.5%) compared to the same period of the previous year. The increase was chiefly attributable to the sales uptrend in the Automotive sector, and the OEM channel in particular (+39%), as well as the After Market (+4.7%). The growth by volumes was related to both the increase in sales of LPG and natural gas cars and the greater commercial focus of the Group, which is seeking to adopt an increasingly market-oriented approach, aimed at rapidly providing the market with solutions.

Sales in the Automotive sector — the Group's core business — amounted to €122,977 thousand in 2017, up 16.3% compared to €105,773 thousand at September 30, 2016.

Revenues in the Gas Distribution and Compressed Natural Gas sector were €17,082 thousand, up 2.8% compared to €16,611 thousand in the same period of 2016. The order backlog increase after the end of the quarter strengthened the Group's expectations for a good rise in revenues also during the fourth quarter of this year.

In the Sound sector revenues rose from €9,351 thousand in the first nine months of 2016 to €9,450 thousand in the same period of 2017.

In the first nine months of 2017, 80.3% of Landi Renzo Group's revenues were generated abroad (48% in Europe and 32.3% outside Europe), up compared to 79.2% in the same period of 2016, thus further strengthening its competitive position on international markets, where the Group is targeting markets with a higher growth potential, especially for the automotive sector.

The breakdown of revenues by geographical area is as follows:

- **Italy** accounted for 19.7% of total sales (20.8% in the first nine months of 2016), up in absolute terms (€29,409 thousand) compared to September 30, 2016 (€27,394 thousand), thanks to the positive trend in domestic market demand. However, a different performance compared to the same period of 2016 was recorded in the OEM sector (which rose, recording an 8% share of total registered vehicles) and the After Market sector (which maintained a virtually stable market share of 32%, albeit declining).
- The rest of **Europe** generated 48% of total sales (45.5% in the first nine months of 2016), up 19.7% in compared to the same period of the previous year (€59,895 thousand), due chiefly to the increase in sales recorded by the Automotive sector (OEM channel), as a result of the completion of the transition to new Euro 6 LPG engines.
- **America** accounted for 15% of total sales (17.1% in the first nine months of 2016), substantially stable in absolute terms (€22,387 thousand) compared to September 30, 2016, driven by the good performance reported in Peru, Colombia, Mexico and the United States, which offset the slowdown in Argentina, Brazil, Chile and the Dominican Republic.
- **Asia and the Rest of the World** accounted for 17.3% of total sales (16.6% in the first nine months of 2016), reporting a good sales performance in absolute terms (€4,042 thousand, +18.4% compared to the first nine months of 2016), mainly driven by Algeria, Iran, India and Bangladesh.

At September 30, 2017, **adjusted Gross Operating Profit (EBITDA)** amounted to €9,818 thousand (6.6% of revenues), up compared to the first nine months of the previous year (€2,602 thousand), thanks to the increase in sales volumes in *Automotive* sector, as well as the positive results of the Group's efficiency-building actions through several measures aimed at reducing both fixed and variable costs. In detail, with reference to *Automotive* sector, adjusted EBITDA of Landi Renzo Group amounted to €9,628 thousand (7.8% of revenues), compared to €3,546 thousand at September 30, 2016 (3.3% of revenues), whereas the *Gas Distribution and Compressed Natural Gas* sector had a negative impact of €-726 thousand (€-1,529 thousand at September 30, 2016). Gross Operating Profit (EBITDA) of the *Sound* sector was positive at €940 thousand, up 56.7% (€600

thousand at September 30, 2016). Gross Operating Profit (EBITDA) was €7,047 thousand, compared to a negative figure of €848 thousand for the same period of the previous year.

**Net Operating Profit (EBIT)** for the reporting period was negative for €6,384 thousand (€-12,985 thousand at September 30, 2016), net of amortization, depreciation and impairment losses amounting to €11,512 thousand, €1,919 thousand net loss on the disposal of equipment of the Technical Center, and extraordinary costs totaling €2,771 thousand.

**Net financial charges** stood at €4,217 thousand compared to €3,433 thousand for the first nine months of 2016; the increase was attributable to the impact of exchange rates, mainly the devaluation of the Brazilian Real and the Pakistani Rupee.

**Pre-tax loss** at September 30, 2017 was €10,564 thousand, thus improving compared to a pre-tax loss of €16,493 thousand for the same period of 2016.

**Net loss** amounted to €11,276 thousand, compared to a net loss of €17,827 thousand in the first nine months of 2016.

**Net Financial Debt** was €65,040 thousand, essentially in line with net financial debt of €61,681 thousand at June 30, 2017 (debt of €87,065 thousand at September 30, 2016). Net cash flow from operating activities amounted to €4,165 thousand at the end of September.

### Significant events after the close of the first nine months of 2017

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

- On October 2, Landi Renzo signed with B&C Speakers S.p.A. a binding agreement to sell 100% of Eighteen Sound S.r.l. through the subsidiary A.E.B. S.p.A. This sale falls under the 2018-2022 Strategic Plan, which focuses on a relaunch of the core activities and consequent disposal of those considered to be non-strategic. A consideration of no more than €7,400,000 will be paid on closing and may be subject to adjustment mechanisms with changes in given relevant economic elements. The binding offer is subject to customary terms and conditions prevailing for this type of transaction, including the positive conclusion of legal, tax, financial and accounting due diligence.
- On October 17, 2017, the Ordinary Shareholders' Meeting of Landi Renzo approved the proposal to reduce the number of Board members from nine to eight, following the resignation tendered by Claudio Carnevale. During the same session, the Shareholders' Meeting also approved the appointment of Domenico Sardano to the position of Standing Statutory Auditor.
- On October 20, the Board of Directors of Landi Renzo S.p.A. approved the merger of the wholly controlled, single-member company A.E.B. S.p.A. into the parent company Landi Renzo S.p.A., under the terms of the merger plan dated September 15, 2017.
- On October 24, Paolo Ferrero was appointed Group Vice President for Strategic Development and Group Chief Technology Officer, with the task of developing business at global level, with a focus on the OEM channel. The manager, who will report to CEO Cristiano Musi, will coordinate and manage the policies for product development and new component and powertrain system solutions for alternative fuels both for passenger cars and Medium&Heavy Duty vehicles.
- On November 7, the multi-vote rights took effect relating to 61,495,130 and 5,000,000 Landi Renzo S.p.A. ordinary shares, owned by GIREFIN S.p.A. and GIREIMM S.r.l. respectively (parent company TRUST LANDI) pursuant to Article 127-*quinquies* of the Consolidated Finance Law (TUF) and as laid down in the Articles of Association.

### Business outlook

In light of the Group's performance for the first nine months of 2017, its order backlog and the evolution of the market of operation, as well as the activities launched following the approval of the 2018-2022 Strategic Plan, 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, with a recovery of adjusted EBITDA that is expected to continue in the fourth quarter of 2017.

*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 Interim Report at September 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 website [www.landirenzogroup.com](http://www.landirenzogroup.com).*

*This press release, together with the related presentation, is also available on the corporate website [www.landirenzogroup.com](http://www.landirenzogroup.com) and through the storage system [www.emarketstorage.com](http://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	30/09/2017	30/09/2016
Revenues from sales and services	149,118	131,539
Revenues from sales and services - related parties	391	196
Other revenue and income	490	792
Cost of raw materials, consumables and goods and change in inventories	-71,446	-63,459
Costs for services and use of third party assets	-37,496	-35,905
Costs for services and use of third party assets - related parties	-2,301	-2,407
Personnel cost	-29,544	-27,456
Provision, provision for bad debts and other operating expenses	-2,165	-4,148
<b>Gross Operating Profit</b>	<b>7,047</b>	<b>-848</b>
Amortization, depreciation and impairment losses	-11,512	-12,137
Loss from equity investments	-1,919	0
<b>Net Operating Profit</b>	<b>-6,384</b>	<b>-12,985</b>
Financial income	67	81
Financial expenses	-3,295	-3,914
Exchange gains (losses)	-989	400
Gains (losses) on equity investments valued using the equity method	37	-75
<b>Profit (Loss) before tax</b>	<b>-10,564</b>	<b>-16,493</b>
Current and deferred taxes	-712	-1,334
<b>Net Profit (loss) for the Group and minority interests, including:</b>	<b>-11,276</b>	<b>-17,827</b>
Minority interests	-223	-293
Net Profit (Loss) for the Group	-11,053	-17,534
<b>Basic earnings (loss) per share (calculated on 112,500,000 shares)</b>	<b>-0.0982</b>	<b>-0.1559</b>
<b>Diluted earnings (loss) per share</b>	<b>-0.0982</b>	<b>-0.1559</b>

(thousands of Euro)

ASSETS	30/09/2017	31/12/2016	30/09/2016
<b>Non-current assets</b>			
Land, property, plant and equipment	18,236	30,500	31,788
Development expenditure	6,580	8,420	7,871
Goodwill	30,094	30,094	30,094
Other intangible assets with finite useful lives	18,623	20,359	20,922
Equity investments consolidated using the equity method	80	43	34
Other non-current financial assets	461	664	720
Other non-current assets	4,560	0	0
Deferred tax assets	6,754	6,887	6,693
<b>Total non-current assets</b>	<b>85,388</b>	<b>96,967</b>	<b>98,122</b>
<b>Current assets</b>			
Trade receivables	35,680	35,553	35,522
Trade receivables - related parties	1,652	1,998	2,389
Inventories	51,953	49,872	59,283
Contract works in progress	1,163	1,281	2,979
Other receivables and current assets	10,724	10,082	12,708
Cash and cash equivalents	14,005	16,484	12,616
<b>Total current assets</b>	<b>115,177</b>	<b>115,270</b>	<b>125,497</b>
<b>TOTAL ASSETS</b>	<b>200,565</b>	<b>212,237</b>	<b>223,619</b>

(thousands of Euro)

EQUITY AND LIABILITIES	30/09/2017	31/12/2016	30/09/2016
<b>Shareholders' equity</b>			
Share capital	11,250	11,250	11,250
Other reserves	42,210	59,400	59,214
Profit (loss) of the period	-11,053	-25,245	-17,534
<b>Total equity attributable to the Group</b>	<b>42,407</b>	<b>45,405</b>	<b>52,930</b>
Minority interests	-496	-323	157
<b>TOTAL EQUITY</b>	<b>41,911</b>	<b>45,082</b>	<b>53,087</b>
<b>Non-current liabilities</b>			
Non-current bank loans	31,284	18,687	21,579
Other non-current financial liabilities	31,128	22,812	26,363
Provisions for risks and charges	6,861	8,973	8,565
Employee defined benefit plans	2,895	3,124	3,313
Deferred tax liabilities	451	514	375
<b>Total non-current liabilities</b>	<b>72,619</b>	<b>54,110</b>	<b>60,195</b>
<b>Current liabilities</b>			
Bank overdrafts and short-term loans	15,029	40,662	45,119
Other current financial liabilities	1,604	10,039	6,620
Trade payables	52,902	48,919	44,695
Trade payables - related parties	4,740	4,171	3,705
Tax liabilities	1,986	2,604	1,737
Other current liabilities	9,774	6,650	8,461
<b>Total current liabilities</b>	<b>86,035</b>	<b>113,045</b>	<b>110,337</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>200,565</b>	<b>212,237</b>	<b>223,619</b>

(thousands of Euro)	30/09/2017	30/09/2016
<b>STATEMENT OF CASH FLOWS</b>		
<b>Cash flow from operating activities</b>		
Profit (Loss) of the period	-11,276	-17,827
<i>Adjustments for:</i>		
Loss from equity investments	1,919	0
Depreciation of property, plant and equipment	5,698	6,395
Amortization of intangible assets	5,630	5,542
Impairment losses on intangible assets	184	200
impairment loss on trade receivables	209	1,064
Net finance costs including forex exchange	4,217	3,433
Income tax for the year	712	1,334
	<b>7,293</b>	<b>141</b>
<i>Changes in:</i>		
inventories and contract work in progress	-1,964	-1,830
trade and other receivables	140	-568
trade and other payables	3,176	-14,996
provisions and employee benefits	-2,237	199
<b>Cash generated from operating activities</b>	<b>6,408</b>	<b>-17,054</b>
Interest paid	-1,409	-3,078
Interest received	35	43
income taxes paid	-869	-587
<b>Net cash flow from operating activities</b>	<b>4,165</b>	<b>-20,676</b>
<b>Cash flow from investing activities</b>		
Proceeds from sale of property, plant and equipment	102	82
Sale of productive activities	570	0
Affiliates consolidated using the equity method	37	75
Acquisition of property, plant and equipment	-1,423	-3,329
Acquisition of intangible assets	-266	-265
Development expenditure	-1,918	-3,050
<b>Net cash absorbed by investment activities</b>	<b>-2,898</b>	<b>-6,487</b>
<b>Cash flow from financing activities</b>		
Payment for a future capital increase	8,867	0
Bond Repayments	0	-2,040
Disbursements (reimbursement) of medium/long-term loans	-552	-15,354
Change in short-term bank debts	-12,603	19,359
<b>Net cash generated (absorbed) by financing activities</b>	<b>-4,288</b>	<b>1,965</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>-3,021</b>	<b>-25,198</b>
Cash and cash equivalents as at 1 January	16,484	38,264
Effect of exchange rate fluctuations on cash held	542	-450
<b>Cash and cash equivalents at the end of the period</b>	<b>14,005</b>	<b>12,616</b>