Landi Renzo: margins and cash flow improve during first half 2014; significant revenues growth and a return to profit in second quarter 2014

- **Revenues in 1H 2014 of Euro 112.4 mln (Euro 112.0 mln in 1H 2013)**
- **EBITDA in 1H 2014 of Euro 7.6 mln, +50.7% on 1H 2013 (Euro 5.1 mln)**
- **Net loss in 1H 2014 of Euro 1.9 million (loss of Euro 20.9 million in 1H 2013)**
- **Net debt of Euro 50.0 mln (debt of Euro 56.1 mln at March 31, 2014)**
- **Significant turnaround reported in 2Q 2014: revenues +9.1% on 2Q 2013, return to net profit (Euro 0.6 mln)**

Cavriago (RE), August 28, 2014

The Board of Directors of Landi Renzo, in a meeting chaired today by Stefano Landi, approved the Half-Year Report at June 30, 2014.

Income Statement (in Euro thousands)	1H2014	1H2013	2Q2014	1Q2014	4Q2013	3Q2013
Revenues	112,370	112,001	64,247	48,123	58,245	52,563
EBITDA	7,647	5,076	6,130	1,517	2,977	2,983
EBIT	166	-19,133	2,376	-2,210	-1,619	-1,446
Group and minority interest net profit/(loss)	-1,806	-20,936	631	-2,437	-2,253	-2,771

Stefano Landi, Chairman and Chief Executive Officer of Landi Renzo stated: *"Stable revenues and improved operating margins and cash flows are reported for 1H 2014, following the initiatives undertaken by the Group in preceding years and maintained also in the initial months of the current year. In 2Q 2014 in particular, we returned to profit (Euro 0.6 million) and delivered a turn-around revenue performance, with sales significantly beating the preceding 5 quarters as a result of the successful implementation of the commercial strategies"*.

1H 2014 Key Financial Highlights

Revenues totalled Euro 112.4 million, up 0.3% on Euro 112.0 million in 1H 2013. Revenues recovered significantly in 2Q 2014 (Euro 64.2 million, +9.1% on 2Q 2013) - the highest level for the last 5 quarters.

EBITDA amounted to Euro 7.6 million, improving 50.7% on 1H 2013 (Euro 5.1 million); the margin was 6.8% (4.5% in 1H 2013). The improved EBITDA, due in part to the margin recovery, also stemmed from the Group commitment for some time now both to restructure the industrial-productive process and to contain overhead costs.

EBIT reports a profit of Euro 0.2 million, considerably improving on 1H 2013 (loss of Euro 19.1 million, including the partial write-off of the goodwill of the Lovato Gas CGU for Euro 15.2 million), after amortisation and depreciation of Euro 7.5 million. The reduced amortisation and depreciation (Euro 9.0 million in 1H 2013 including the write-off) is mainly due to the conclusion of amortisation on the development costs for the acquisition of the US company Baytech in July 2010.

A **Pre-tax loss** of Euro 1.7 million was reported, significantly improving on 1H 2013 (loss of Euro 21.7 million).

The Group **net loss** was Euro 1.9 million, considerably reducing on 1H 2013 (loss of Euro 20.9 million). Profitability was re-established in 2Q 2014 (Euro 0.6 million).

Group **Net Equity** totalled Euro 107.1 million (Euro 109.4 million at December 31, 2013).

The **Net Financial Position** reports a net debt of Euro 50.0 million, improving on Euro 56.1 million at March 31, 2014. The net debt at December 31, 2013 was Euro 53.9 million.

Sales overview

Segments[1]
Gas Segment revenues amounted to Euro 102.2 million (Euro 106.3 in 1H 2013); as follows:

- sales revenues from *Vehicle Systems (LPG and Methane)* totalled Euro 91.5 million (Euro 99.0 million in 1H 2013); the reduction is principally due to the drop in LPG system sales, particularly in Italy and western Europe;
- sales revenues from *Distribution Systems* amounted to Euro 10.6 million, up 46.5% on 1H 2013 (Euro 7.3 million), thanks to the strong sales performance - particularly in eastern Europe and Asia.

Other sector product sales (Alarm systems, Sound, Aquatronics, Robotics, Oil&Gas and others) amounted to Euro 10.2 million, growth of 78.1% and principally due to Oil&Gas products and Eighteen Sound brand loudspeakers.

Regional performance

Overseas revenues totalled Euro 90.2 million, up 9.4% and 80.3% of total revenues (Euro 82.4 million in 1H 2013, 73.6%), confirming the strong international focus of the Landi Renzo Group.

- In **Europe**, revenues totalled Euro 48.7 million, up 11.2% (Euro 43.8 million in 1H 2013), principally due to the strong performance on a number of Eastern European markets, in addition to the effect of the transfer of sales to European production sites of a leading OEM client.
- In **America,** revenues amounted to Euro 18.4 million; up 9.6% (Euro 16.8 million in 1H 2013), thanks to higher sales on the North American markets, through the subsidiary Landi Renzo Usa Corporation, in particular due to the conversion to gas of medium and heavy duty vehicles for corporate fleets.
- In **Asia and the Rest of the World**, revenues totalled Euro 23.1 million, up 5.7% (Euro 21.9 million in 1H 2013), substantially due to the strong sales performance of compressors for methane refueling stations. Encouraging signals came from the Iranian and Pakistani markets, following the difficulties experienced resulting from international tensions and unaccommodating local regulations.

Revenues in **Italy** amounted to Euro 22.2 million, reducing 25% compared to 1H 2013 (Euro 29.6 million). The reduction is principally due to the change in the supply method and the destination of sales, which has moved to the European production sites, of a leading OEM client. For the After Market channel, the number of conversions decreased approx. 30% on 2013 (Ecogas consortium figures). Despite this reduction, the domestic market share of the Landi Group on the After Market channel was substantially in line at approx. 37%, improving on 1H 2013.

Outlook

1H 2014 results have met Group forecasts for 2014, with the margin improving on 1H 2013.

[1] Revenue breakdown by segment was reviewed from preceding periods. It now follows a "management approach", upon which IFRS 8 is based. Therefore, the segments are shown on the basis of the organisational structure and the internal reporting used by management to assess the performance and manage operations. The comparative period figures were similarly reclassified.
In particular, the gas segment comprises the "vehicle systems" and "distribution systems" sectors, while in the previous Annual and Interim Reports this segment was divided into the LPG and Methane lines. Currently, the LPG and Methane lines are reported in the "vehicle systems" segment, while the revenues from refueling station compressors of the company Safe S.p.A. relate to the "distribution systems" segment. This reclassification is due to the need to more appropriately align the activities of the commercial organisation and structure within the Group.
The segment "Other - (Alarm systems, Sound, Aquatronics, Robotics, Oil and Gas and other)" no longer includes the sale of recompressors for refuelling stations as a result of the reclassification cited above.

Although uncertainties remain linked to the general economic climate and the sector, the Landi Renzo Group for the year 2014 confirms a strong outlook, with revenues forecast of between Euro 230 and 250 million and an EBITDA margin of between 7% and 9%.

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

The present press release, together with the presentation is available also on the company's website www.landi.it. At 4 PM the Group Top Management will hold a teleconference. Connection details are available on the company website in the Investor Relations section.

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, is renowned for the extent of its international activities in over 50 Countries, with export sales of over 80%. Landi Renzo SpA has been listed on the STAR segment of the MTA Market of Borsa Italiana since June 2007.

LANDI RENZO
Pierpaolo Marziali
M&A and Investor Relations Officer
ir@landi.it
Corrado Storchi
Public Affairs Manager
cstorchi@landi.it
Tel. +39 0522.94.33

IR TOP CONSULTING
Maria Antonietta Pireddu, Domenico Gentile
Tel. +39 02 45473884/3
ir@irtop.com

Attachments:

- Consolidated income statement 1H 2014
- Consolidated balance sheet at June 30, 2014
- Consolidated Cash Flow Statement at June 30, 2014

(thousands of Euros)

CONSOLIDATED INCOME STATEMENT	30/06/2014	30/06/2013
Revenues (goods and services)	111,618	111,643
Revenues (goods and services)- related parties	752	358
Other revenue and income	876	1,063
Cost of raw materials, consumables and goods and change in inventories	-50,635	-52,319
Costs for services and use of third party assets	-30,025	-31,120
Costs for services and use of third party assets – related parties	-1,248	-801
Personnel expenses	-21,921	-22,292
Accruals, doubtful debts and other operating expenses	-1,770	-1,456
Gross Operating Profit	**7,647**	**5,076**
Amortization, depreciation and impairment losses	-7,481	-24,209
of which non recurring		*-15,200*
Net Operating Profit	**166**	**-19,133**
Financial income	219	294
Financial expenses	-2,237	-1,932
Exchange rate gains (losses)	217	-888
Profit (loss) from investments measured using the equity method	-77	
Profit (Loss) before tax	**-1,712**	**-21,659**
Current and deferred taxes	-94	723
Profit (loss) for the Group and minority interests, including:	**-1,806**	**-20,936**
Minority interests	64	-52
Profit (Loss) for the Group	-1,870	-20,884
Basic earnings (loss) per share (calculated on 112,500,000 shares)	-0.0166	-0.1856
Diluted earnings (loss) per share	-0.0166	-0.1856

(thousands of Euros)

ASSETS	30/06/2014	31/12/2013	30/06/2013
Non-current assets			
Property, plant and equipment	34,674	36,164	35,139
Development expenditure	6,329	6,571	7,019
Goodw ill	40,190	40,190	40,382
Other intangible assets w ith finite useful lives	25,518	26,546	27,365
Investments measured using the equity method	364	0	0
Other non-current financial assets	535	1,059	1,101
Deferred tax assets	17,903	16,407	15,275
Total non-current assets	**125,513**	**126,937**	**126,281**
Current assets			
Trade receivables	41,301	38,273	62,245
Trade receivables - related parties	593	189	225
Inventories	68,024	61,579	71,083
Contract w orks in progress	4,812	3,043	796
Other receivables and current assets	17,093	17,118	16,789
Cash and cash equivalents	28,127	32,953	37,124
Total current assets	**159,950**	**153,155**	**188,262**
TOTAL ASSETS	**285,463**	**280,092**	**314,543**

(thousands of Euros)

EQUITY AND LIABILITIES	30/06/2014	31/12/2013	30/06/2013
Equity			
Share capital	11,250	11,250	11,250
Other reserves	97,748	123,714	126,789
Profit (loss) of the period	-1,870	-25,558	-20,884
Total equity attributable to the shareholders of the pa	**107,128**	**109,406**	**117,155**
Minority interests	522	407	559
TOTAL EQUITY	**107,650**	**109,813**	**117,714**
Non-current liabilities			
Non-current bank loans	30,138	12,096	46,956
Other non-current financial liabilities	661	661	25
Provisions for risks and charges	5,190	6,218	5,987
Defined benefit plans	3,613	3,739	3,367
Deferred tax liabilities	8,816	8,797	9,327
Total non-current liabilities	**48,418**	**31,511**	**65,662**
Current liabilities			
Bank overdrafts and short-term loans	47,286	74,099	51,443
Other current financial liabilities	25	25	24
Trade payables	67,192	51,681	65,187
Trade payables - related parties	1,101	434	444
Tax liabilities	4,120	3,876	3,931
Other current liabilities	9,671	8,653	10,138
Total current liabilities	**129,395**	**138,768**	**131,167**
TOTAL EQUITY AND LIABILITIES	**285,463**	**280,092**	**314,543**

(thousands of Euros)

CONSOLIDATED CASH FLOW STATEMENT	30/06/2014	30/06/2013
Cash flow deriving from operating activities		
Profit (Loss) of the period	-1,806	-20,936
Adjustments for:		
Depreciation of property, plant and equipment	4,593	4,814
Amortization of intangible assets	2,888	4,172
(Reversal of) impairment losses on property, plant and equipment		23
Impairment losses on intangible assets		15,200
Impairment loss on trade receivables	287	170
Net finance charges	1,801	2,526
Profits from the sale of property, plant and equipment		-43
Gain on curtailment	-126	-94
Tax expense	94	-723
	7,731	**5,109**
Changes in:		
inventories and Contract w orks in progress	-8,214	-5,951
trade and other receivables	-4,620	1,777
trade and other paybles	17,856	11,400
provisions and employee benefits	-1,161	440
Cash generated from operating activities	**11,592**	**12,775**
Interest paid	-1,857	-1,776
income taxes paid	-471	-751
Net cash flow from (for) operating activities	**9,264**	**10,248**
Cash flow deriving from investing activities		
Proceeds from sale of property, plant and equipment	226	132
Incorporation of companies measured using the equity method	-364	
Purchase of property, plant and equipment	-3,329	-5,264
Purchase of intangible assets	-186	-2,509
Purchase of other investments		-476
Development expenditure	-1,432	-1,402
Net cash used in investing activities	**-5,085**	**-9,519**
Cash flow deriving from financing activities		
Net repayments and financings	-8,771	-2,084
Net cash from (used in) financing activities	**-8,771**	**-2,084**
Net increase (decrease) in cash and cash equivalents	**-4,592**	**-1,355**
Cash and cash equivalents on 1 January	32,953	38,629
Effect of exchange rate fluctuations on cash held	-234	-150
Cash and cash equivalents at the end of the period	**28,127**	**37,124**