

## Landi Renzo: revenues, margins and cash flow improve in 9M 2014; third quarter confirms turnover and profit growth

- Revenues of Euro 173.9 mln, +6% compared to Euro 164.6 mln in 9M 2013
- EBITDA of Euro 14.1 mln, +75% on Euro 8.1 mln in 9M 2013
- EBIT of Euro 2.9 mln (EBIT loss of Euro 20.6 mln in 9M 2013)
- Substantial break-even result (net loss of Euro 23.7 mln in 9M 2013)
- Net debt of Euro 47.2 mln (debt of Euro 50.0 mln at June 30, 2014)
- Turnaround confirmed in Q3 2014: revenues +17% on Q3 2013, return to net profit (Euro 1.6 mln)

Cavriago (RE), November 13, 2014

The Board of Directors of Landi Renzo, in a meeting chaired today by Stefano Landi, approved the Interim Report at September 30, 2014.

Income statement (€ thousand)	9M2014	9M2013	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Revenues	173,934	164,564	61,564	64,247	48,123	58,245	52,563
EBITDA	14,125	8,059	6,478	6,130	1,517	2,977	2,983
EBIT	2,880	-20,579	2,714	2,376	-2,210	-1,619	-1,446
Net Profit (Loss)	-221	-23,707	1,585	631	-2,437	-2,253	-2,771

**Stefano Landi**, Chairman and Chief Executive Officer of Landi Renzo, stated: *“In recent months, the Group has implemented its commercial and cost reduction strategies: the 9M 2014 results bear out these actions. On the one hand, a number of methane projects began, previously announced by major gas producing Countries: the first results indicate that these projects will take off in the future and the Group has rolled out a series of actions focused on tapping into as many of these initiatives as possible - already achieving a number of successes; on the other hand - continued Stefano Landi - Group margins improved significantly thanks to the efficiency recovery initiatives, which continue to be implemented”.*

### 9M 2014 Key Financial Highlights

**Revenues** totalled Euro 173.9 million, +5.7% on Euro 164.6 million in 9M 2013, principally thanks to the higher volumes sold of distribution systems for refueling stations. The significant recovery in revenue was confirmed in the third quarter (Euro 61.6 million, +17%).

**EBITDA** amounted to Euro 14.1 million, increasing 75% on 9M 2013 (Euro 8.1 million); the EBITDA margin was 8.1% (4.9% in 9M 2013) thanks to the sales growth and to the optimisation of operating and structure costs. Q3 2014 EBITDA (Euro 6.5 million, 10.5% margin) confirms the continued recovery of profitability which began in Q2 2014.

**EBIT** totalled Euro 2.9 million (9M 2013: EBIT loss of Euro 20.6 million, including the write-off of the goodwill of the Lovato Gas CGU for Euro 15.2 million); compared to the normalised EBIT for 9M 2013 (loss of Euro 5.4 million) an improvement of Euro 8.3 million is reported.

The **Pre-tax profit** amounted to Euro 1 million (loss of Euro 24.3 million in 9M 2013).

The Group **Net result** was substantial break-even (loss of Euro 23.7 million in 9M 2013). The return to profitability was confirmed in Q3 2014 (Euro 1.6 million).

Group **Shareholders' Equity** totalled Euro 108.8 million (Euro 109.4 million at December 31, 2013).

The **Net Debt** amounted to Euro 47.2 million, improving on Euro 50.0 million at June 30, 2014 and Euro

53.9 million at December 31, 2013.

### Sales overview

#### Segment performance

**Gas Sector** revenues amounted to Euro 158.2 million, +1% compared to 9M 2013 (Euro 156.3 million); the recovery in the third quarter saw revenues grow 11.9%. In particular:

- sales revenues from *Vehicle Systems (LPG and Methane)* totalled Euro 136.4 million (Euro 143.2 million in 9M 2013); the reduction is principally due to the drop in LPG system sales, particularly in Italy and Western Europe;
- *Distribution Systems* revenues amounted to Euro 21.8 million, +66.0% on 9M 2013 (Euro 13.1 million), thanks to the strong performance in Eastern Europe and Asia; the Q3 figures were particularly strong, with revenues growing 90.0% on Q3 2013.

**Other sector** revenues (*Alarm systems, Sound, Aquatronics, Robotics, Oil&Gas and others*) amounted to Euro 15.7 million, increasing 91.0% (Euro 8.2 million in 9M 2013): growth related to Oil&Gas plant and the 18Sound brand speaker sales.

#### Regional performance

**Overseas** revenues amounted to Euro 143.1 million, up 14.0% and 82.0% of total revenues (Euro 125.8 million in 9M 2013, 76.0%), confirming the strong international focus of the Landi Renzo Group.

- In **Europe**, revenues totalled Euro 80.3 million, up 23.0% (Euro 65.3 million in 9M 2013), principally due to growth 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: sales were previously in Italy. Sales increased significantly thanks even to Gas sector distribution systems in Western Europe.
- In **America**, revenues amounted to Euro 27.6 million (Euro 28.0 million in 9M 2013). On one side there are several Countries, among which Us, whose business increases; on the other side Venezuela business decreases.
- In **Asia and the Rest of the World**, revenues amounted to Euro 35.2 million, +8.3% compared to Euro 32.5 million in 9M 2013, thanks to the strong sales performance of compressors for methane refueling stations and the Oil&Gas business, in addition to an initial recovery on the Pakistani and Iranian markets where deliveries resumed even with persisting difficulties related to the difficult international situation.

Revenues in **Italy** amounted to Euro 30.8 million (Euro 38.8 million in 9M 2013). The reduction is principally due to a differing supply model and to a transfer of sales, no longer in Italy but to various European production sites, of a major OEM client and to a decrease in transformations on the After Market. Despite this reduction, the Group domestic market share on the After Market at period-end was stable and close to 37.0%.

#### Significant events after the end of the quarter

Vehicle registrations in Italy in the January-October period (ANFIA figures) increased 4.2% on the same period of 2013. In October 2014, 121,959 new vehicles were registered, an increase of 9.4% compared to October 2013. In October 2014, LPG and Methane bi-fuel new vehicles represented overall 16.8% of the total (13.1% in October 2013), of which 10.2% LPG and 6.6% Methane. These figures indicate a recovery in Italy in the automotive sector and in the gas-fuelled vehicle market.

#### Outlook

For the year 2014 Landi Renzo Group confirms the previous outlook announced at the beginning of the year and confirmed in the Interim Report as at June 30, 2014.

*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](http://www.landi.it).*

*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.

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**Attachments:**

- 9M 2014 Consolidated Income Statement
- Consolidated Balance Sheet at September 30, 2014
- Consolidated Cash Flow Statement at September 30, 2014

(thousands of Euros)

ASSETS	30/09/2014	31/12/2013	30/09/2013
<b>Non-current assets</b>			
Property, plant and equipment	34,974	36,164	35,468
Development expenditure	6,367	6,571	6,402
Goodwill	40,190	40,190	40,382
Other intangible assets with finite useful lives	25,068	26,546	26,659
Investments measured using the equity method	330	0	0
Other non-current financial assets	538	1,059	1,263
Deferred tax assets	17,201	16,407	15,318
<b>Total non-current assets</b>	<b>124,668</b>	<b>126,937</b>	<b>125,492</b>
<b>Current assets</b>			
Trade receivables	42,066	38,273	52,141
Trade receivables - related parties	601	189	216
Inventories	70,109	61,579	68,800
Contract works in progress	2,214	3,043	1,674
Other receivables and current assets	14,973	17,118	16,861
Cash and cash equivalents	31,533	32,953	32,324
<b>Total current assets</b>	<b>161,496</b>	<b>153,155</b>	<b>172,016</b>
<b>TOTAL ASSETS</b>	<b>286,164</b>	<b>280,092</b>	<b>297,508</b>

(thousands of Euros)

EQUITY AND LIABILITIES	30/09/2014	31/12/2013	30/09/2013
<b>Equity</b>			
Share capital	11,250	11,250	11,250
Other reserves	97,847	123,714	126,368
Profit (loss) of the period	-330	-25,558	-23,441
<b>Total equity attributable to the shareholders of the pa</b>	<b>108,767</b>	<b>109,406</b>	<b>114,177</b>
Minority interests	637	407	310
<b>TOTAL EQUITY</b>	<b>109,404</b>	<b>109,813</b>	<b>114,487</b>
<b>Non-current liabilities</b>			
Non-current bank loans	28,834	12,096	20,539
Other non-current financial liabilities	661	661	686
Provisions for risks and charges	5,362	6,218	5,367
Defined benefit plans	3,706	3,739	3,587
Deferred tax liabilities	8,573	8,797	8,871
<b>Total non-current liabilities</b>	<b>47,136</b>	<b>31,511</b>	<b>39,050</b>
<b>Current liabilities</b>			
Bank overdrafts and short-term loans	49,186	74,099	73,309
Other current financial liabilities	31	25	24
Trade payables	63,526	51,681	57,170
Trade payables - related parties	1,327	434	440
Tax liabilities	2,576	3,876	2,260
Other current liabilities	12,978	8,653	10,768
<b>Total current liabilities</b>	<b>129,624</b>	<b>138,768</b>	<b>143,971</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>286,164</b>	<b>280,092</b>	<b>297,508</b>

(thousands of Euros)

<b>CONSOLIDATED INCOME STATEMENT</b>	<b>30/09/2014</b>	<b>30/09/2013</b>
<b>Revenues (goods and services)</b>	172,824	164,088
Revenues (goods and services)- related parties	1,110	476
Other revenue and income	1,254	1,541
Cost of raw materials, consumables and goods and change in inventories	-79,724	-76,761
Costs for services and use of third party assets	-45,386	-46,012
Costs for services and use of third party assets – related parties	-1,870	-1,192
Personnel expenses	-31,760	-31,979
Accruals, doubtful debts and other operating expenses	-2,323	-2,102
<b>Gross Operating Profit</b>	<b>14,125</b>	<b>8,059</b>
Amortization, depreciation and impairment losses	-11,245	-28,638
<i>of which non recurring</i>		-15,200
<b>Net Operating Profit</b>	<b>2,880</b>	<b>-20,579</b>
Financial income	339	389
Financial expenses	-3,172	-2,941
Exchange rate gains (losses)	1,015	-1,183
Profit (loss) from investments measured using the equity method	-111	
<b>Profit (Loss) before tax</b>	<b>951</b>	<b>-24,314</b>
Current and deferred taxes	-1,172	607
<b>Profit (loss) for the Group and minority interests, including:</b>	<b>-221</b>	<b>-23,707</b>
Minority interests	109	-266
Profit (Loss) for the Group	-330	-23,441
<b>Basic earnings (loss) per share (calculated on 112,500,000 shares)</b>	<b>-0.0029</b>	<b>-0.2084</b>
<b>Diluted earnings (loss) per share</b>	<b>-0.0029</b>	<b>-0.2084</b>

(thousands of Euros)

<b>CONSOLIDATED CASH FLOW STATEMENT</b>	<b>30/09/2014</b>	<b>30/09/2013</b>
<b>Cash flow deriving from operating activities</b>		
Profit (Loss) of the period	-221	-23,707
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	6,893	7,193
Amortization of intangible assets	4,352	6,208
(Reversal of) impairment losses on property, plant and equipment		38
Impairment losses on intangible assets		15,200
Impairment loss on trade receivables	315	340
Net finance charges	1,818	3,735
Profits from the sale of property, plant and equipment		-63
Gain on curtailment	-33	-118
Tax expense	1,172	-607
	<b>14,296</b>	<b>8,219</b>
<i>Changes in:</i>		
inventories and Contract works in progress	-7,701	-4,547
trade and other receivables	-2,545	12,295
trade and other payables	16,000	1,879
provisions and employee benefits	-1,146	65
<b>Cash generated from operating activities</b>	<b>18,904</b>	<b>17,911</b>
Interest paid	-2,339	-2,380
income taxes paid	-1,146	-2,121
<b>Net cash flow from (for) operating activities</b>	<b>15,419</b>	<b>13,410</b>
<b>Cash flow deriving from investing activities</b>		
Proceeds from sale of property, plant and equipment	234	163
Incorporation of companies measured using the equity method	-330	
Purchase of property, plant and equipment	-5,936	-7,102
Purchase of intangible assets	-362	-3,233
Purchase of other investments		-853
Development expenditure	-2,308	-2,403
<b>Net cash used in investing activities</b>	<b>-8,702</b>	<b>-13,428</b>
<b>Cash flow deriving from financing activities</b>		
Net repayments and financings	-8,169	-5,973
<b>Net cash from (used in) financing activities</b>	<b>-8,169</b>	<b>-5,973</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>-1,452</b>	<b>-5,991</b>
Cash and cash equivalents on 1 January	32,953	38,629
Effect of exchange rate fluctuations on cash held	32	-314
<b>Cash and cash equivalents at the end of the period</b>	<b>31,533</b>	<b>32,324</b>