



**9M 2017
FINANCIAL RESULTS**



Financial update

Stefano Landi
Chairman



Cristiano Musi
CEO



9M 2017 Profit & Loss Highlights

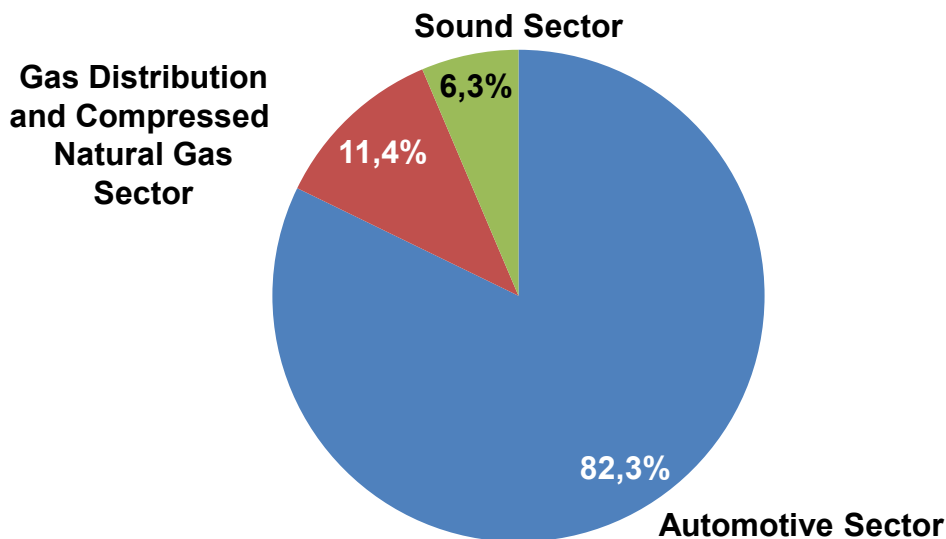
| M€ | 2017 9M | 2016 9M | Delta M€ | Delta % |
|----------------------|--------------|---------------|-------------|--------------|
| Revenues | 149,5 | 131,7 | 17,8 | 13,5% |
| EBITDA Adj. | 9,8 | 2,6 | 7,2 | N/A |
| <i>% on Revenues</i> | <i>6,6%</i> | <i>2,0%</i> | | |
| EBITDA | 7,0 | -0,8 | 7,8 | N/A |
| <i>% on Revenues</i> | <i>4,7%</i> | <i>-0,6%</i> | | |
| EBIT Adj. | -1,7 | -9,5 | 7,8 | 82,1% |
| <i>% on Revenues</i> | <i>-1,1%</i> | <i>-7,2%</i> | | |
| EBIT | -6,4 | -13,0 | 6,6 | 50,8% |
| <i>% on Revenues</i> | <i>-4,3%</i> | <i>-9,9%</i> | | |
| Financials | -4,2 | -3,5 | -0,7 | 20,0% |
| EBT | -10,6 | -16,5 | 5,9 | 35,8% |
| Taxes | -0,7 | -1,3 | 0,6 | N/A |
| Net Income | -11,3 | -17,8 | 6,6 | 37,0% |
| <i>% on Revenues</i> | <i>-7,5%</i> | <i>-13,5%</i> | | |

Highlights

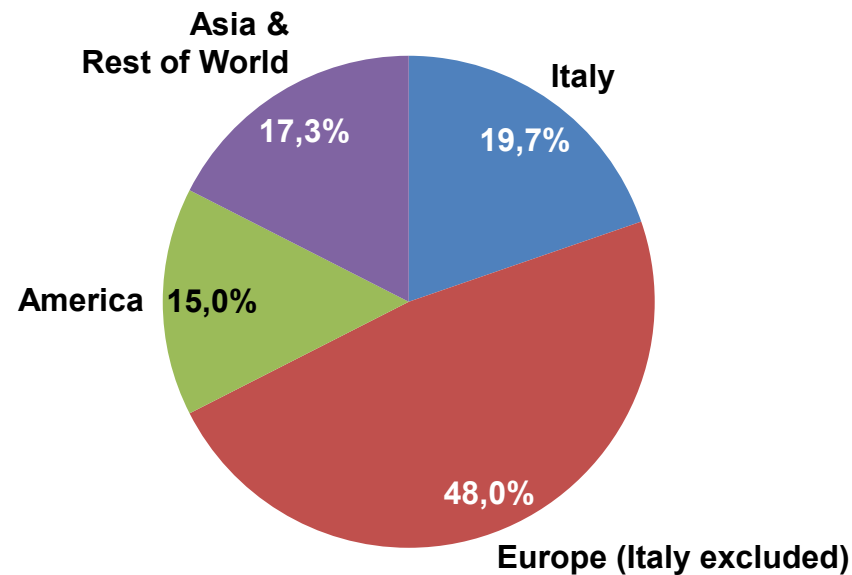
- **Q3 Revenues** in line with first half, driven primarily by the Automotive sector (both in the OEM and After-market sales channels)
- **Adjusted EBITDA** benefits from turnover increase and from fixed costs reduction (delta with EBITDA due to ongoing restructuring cost)

Revenues breakdown

Business breakdown



Geographical breakdown



AUTOMOTIVE SECTOR

- OEM Sales channel: revenues increase in Europe driven by Euro VI engines
- After Market Sales channel: business growth driven by Rest of the World

GAS DISTRIBUTION AND COMPRESSED NATURAL GAS SECTOR

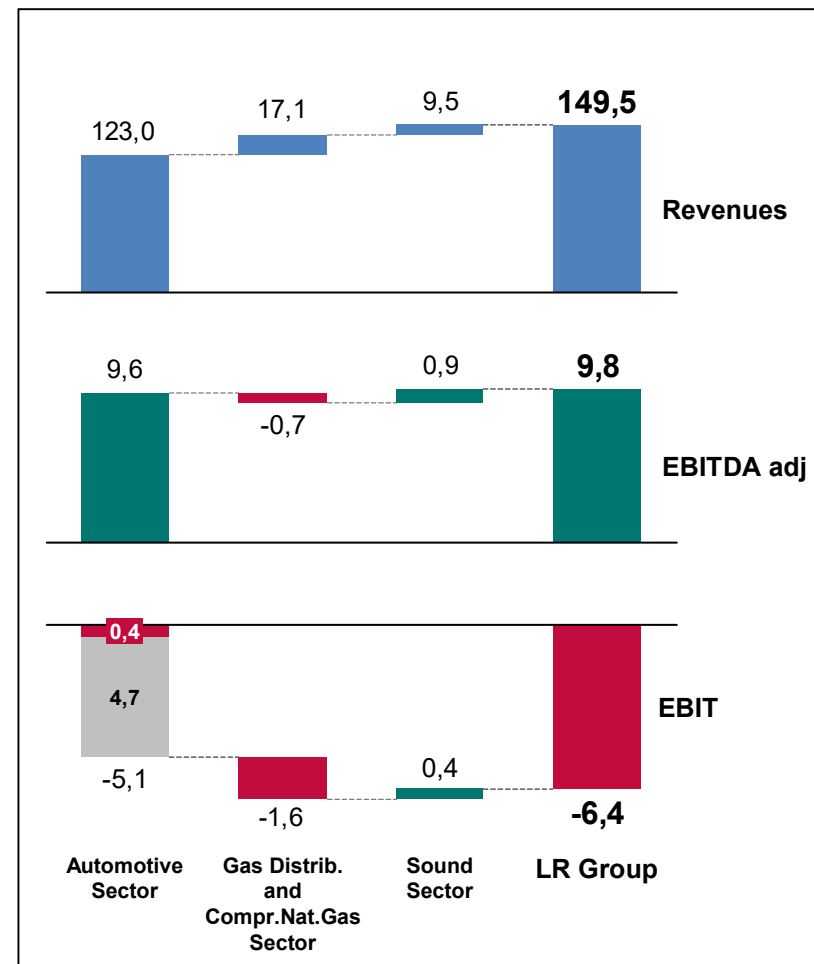
- Revenues increase in Italy and slight underperformance in South East Asia and South America

Profit & Loss breakdown

M€, %

| Profit & Loss | Automotive Sector | Gas Distrib. and Compr.Nat.Gas Sector | Sound Sector | 2017 9M |
|----------------------|-------------------|---------------------------------------|--------------|---------|
| Revenues | 123,0 | 17,1 | 9,5 | 149,5 |
| EBITDA Adj. | 9,6 | -0,7 | 0,9 | 9,8 |
| <i>% on Revenues</i> | 7,8% | -4,2% | 9,9% | 6,6% |
| EBITDA | 6,8 | -0,7 | 0,9 | 7,0 |
| <i>% on Revenues</i> | 5,6% | -4,2% | 9,9% | 4,7% |
| EBIT Adj. | -0,4 | -1,6 | 0,4 | -1,7 |
| <i>% on Revenues</i> | -0,4% | -9,4% | 3,8% | -1,1% |
| EBIT | -5,1 | -1,6 | 0,4 | -6,4 |
| <i>% on Revenues</i> | -4,2% | -9,4% | 3,8% | -4,3% |

- Automotive Sector – excluding net of extraordinary costs and loss on labs sales to AVL improves almost to breakeven
- Gas Distribution and Compressed Natural Gas Sector – in Q3 turnover up to 7M€ with positive EBITDA
- Sound Sector - no significant impact



Profit & Loss breakdown Actual 9M 2017 vs 9M 2016

M€, %

2017 9M

| Profit & Loss | Automotive Sector | Gas Distrib. and Compr. Nat. Gas Sector | Sound Sector | 2017 9M |
|----------------------|-------------------|---|--------------|---------|
| Revenues | 123,0 | 17,1 | 9,5 | 149,5 |
| EBITDA Adj. | 9,6 | -0,7 | 0,9 | 9,8 |
| <i>% on Revenues</i> | 7,8% | -4,2% | 9,9% | 6,6% |
| EBITDA | 6,8 | -0,7 | 0,9 | 7,0 |
| <i>% on Revenues</i> | 5,6% | -4,2% | 9,9% | 4,7% |

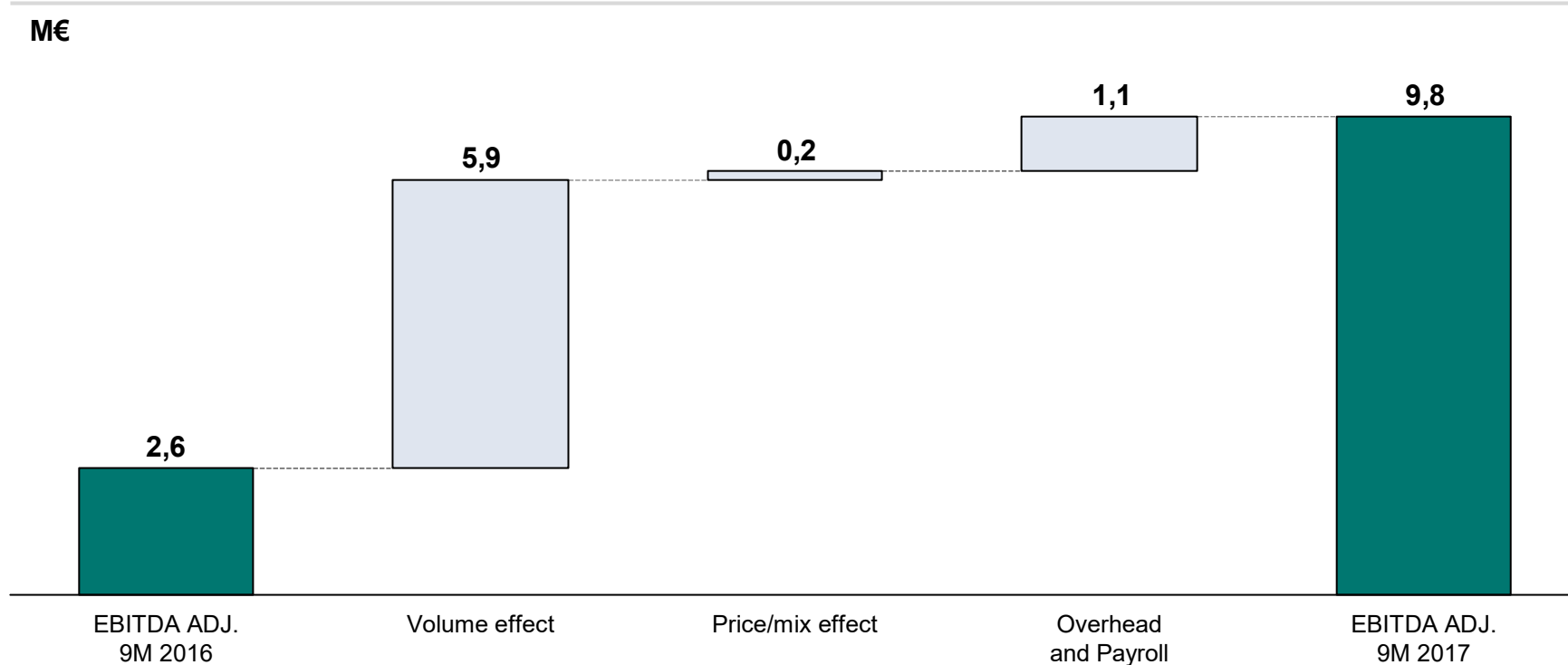
2016 9M

| Profit & Loss | Automotive Sector | Gas Distrib. and Compr. Nat. Gas Sector | Sound Sector | 2016 9M |
|----------------------|-------------------|---|--------------|---------|
| Revenues | 105,8 | 16,6 | 9,4 | 131,7 |
| EBITDA Adj. | 3,5 | -1,5 | 0,6 | 2,6 |
| <i>% on Revenues</i> | 3,3% | -9,2% | 6,4% | 2,0% |
| EBITDA | 0,1 | -1,5 | 0,6 | -0,8 |
| <i>% on Revenues</i> | 0,1% | -9,2% | 6,4% | -0,6% |

Highlights

- **Automotive Sector:** market growth and market driven approach positively impact on the turnover and EBITDA
- **Gas Distribution and Compressed Natural Gas Sector** slight overperformance, with improvement at EBITDA level compared to 2016
- **Sound Sector,** a non-core business, revenues and EBITDA in line with expectations

EBITDA Adjusted Bridge



- **Volume effect** primarily driven by sales increase in the Automotive Sector
- **Price / mix effect** primarily due to a different channel distribution mix in the Automotive Sector and an improvement in SAFE Gross Margin
- **Overhead and Payroll** benefits due to a continuous fixed costs reduction

Balance Sheet Overview

M€, %

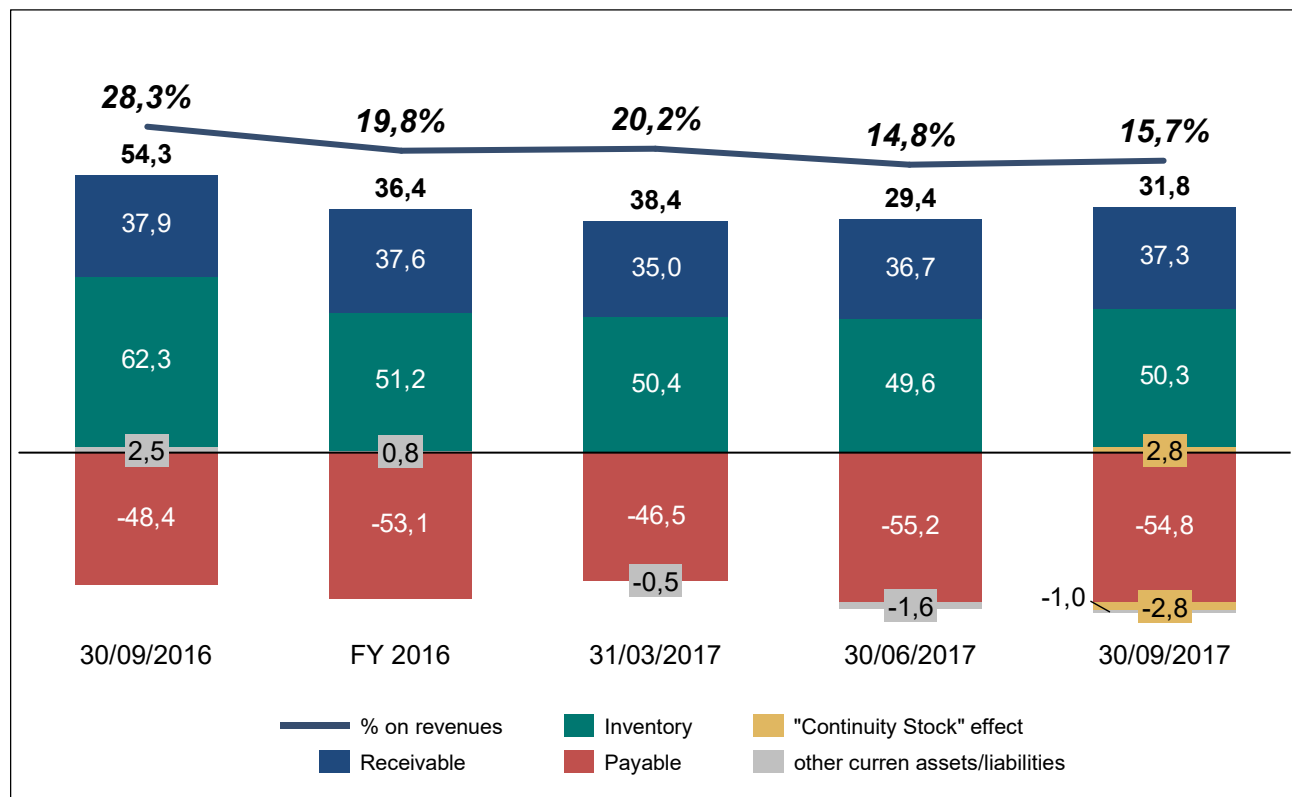
| Balance Sheet | 2017 9M | FY 2016 | 2016 9M |
|----------------------------------|--------------|--------------|--------------|
| Intangible Assets | 55,3 | 58,9 | 58,9 |
| Tangible Assets | 18,2 | 30,5 | 31,8 |
| Other non-current Assets | 11,9 | 7,6 | 7,4 |
| Fixed Capital | 85,4 | 97,0 | 98,1 |
| <i>% on Revenues</i> | <i>42,3%</i> | <i>48,5%</i> | <i>48,8%</i> |
| Receivables | 37,3 | 37,6 | 37,9 |
| Inventory | 53,1 | 51,2 | 62,3 |
| Paybles | -57,6 | -53,1 | -48,4 |
| Net Working Capital | 32,8 | 35,6 | 51,8 |
| <i>% on Revenues</i> | <i>16,2%</i> | <i>19,4%</i> | <i>25,8%</i> |
| Other current assets/liabilities | -1,0 | 0,8 | 2,5 |
| Working Capital | 31,8 | 36,4 | 54,3 |
| <i>% on Revenues</i> | <i>15,7%</i> | <i>19,8%</i> | <i>27,0%</i> |
| TFR and other Funds | -10,2 | -12,6 | -12,3 |
| Invested Capital | 107,0 | 120,8 | 140,2 |
| <i>% on Revenues</i> | <i>52,9%</i> | <i>65,6%</i> | <i>69,7%</i> |
| Shareholder's Equity | 41,9 | 45,1 | 53,1 |
| Net Financial Position | 65,0 | 75,7 | 87,1 |
| Total Sources | 107,0 | 120,8 | 140,2 |

Highlights

- Disciplined approach to assets management
- Improvement in Net Working Capital, despite increasing stock due to production footprint implementation (“continuity stock” as part of Excellence project)
- Net Financial Position has been impacted by a positive free cash flow

Working Capital evolution

M€, %



Highlights

- Since July, a «continuity stock» has been prepared to ensure the service level agreed with Clients, even during the restructuring phase
- It is about 2,8 M€ in extra-inventory off-set by equivalent extra-payable (see “normalized” scenario)
- The working capital incidence on revenues has decreased from 28,3% to 15,7% in the last 12 months
- Net of the «continuity stock» effect, indicators continue to improve since the beginning of 2017, expected to slightly decrease by end of 2017

| | FY 2016 | 2017 as at 31.03 | 2017 as at 30.06 | 2017 as at 30.09 | 2017 as at 30.09 “normalized” |
|------|---------|------------------|------------------|------------------|-------------------------------|
| DSO | 74 | 67 | 68 | 67 | 67 |
| DPO | 136 | 112 | 119 | 125 | 121 |
| DIOH | 101 | 97 | 92 | 95 | 91 |

Net financial position evolution



| FY 2016 | NFP | 2017 9M |
|--------------|----------------------------|--------------|
| 16,5 | Cash liquidity (+) | 14,0 |
| -41,1 | Short-term debts (-) | -15,5 |
| -19,7 | Long-term debts (-) | -32,1 |
| -31,4 | Bond (-) | -31,4 |
| -92,2 | Tot. Gross Debt (-) | -77,6 |
| -75,7 | NFP (*) | -65,0 |

Since January 2017 LRG is undergoing a complete reorganization, to restore profitability and reach a leading position in the market

- **End of Dec. 2016** ➤ The Group appointed Mr. Cristiano Musi as CEO Elect
- **Jan. 2017** ➤ The Group **launched a new organization structure** for the “Automotive Business”
- **Feb. 2017** ➤ The Group launched a **structured and extensive turnaround program with a top tier consulting company** to improve the operational efficiency, redefine its production footprint, and streamline R&D activities to recover the marginality on the core business
- **Mar. 2017** ➤ The Group **successfully renegotiated the debt** with banks and bondholders, and Mr. Landi, the major shareholder, injected **8,9 MEur** of new capital in the company to sustain its growth
- **Apr. 2017** ➤ **Landi Renzo-AVL signed the agreement for the sales of a company branch** and for the **cooperation on R&D strategic projects** on CNG, LNG and Hydrogen, that will strength innovation
- **Sep. 2017** ➤ The Group defined a new **2018 – 2022 strategic plan**, with the main goal to identify the proper competitive positioning and a set of actions **to sustain the revenues performance in the Automotive and Gas distribution business**
- **Oct. 2017** ➤ The Group **appointed Mr. Ferrero, Former FCA Group Executive as VP Strategic Development and Group CTO**, with the aim to sustain the long term relaunch of the Group
 - The Group signed the agreement to **sell 18 Sound to finance the growth and finance new product development in the automotive business**
- **Nov. 2017** ➤ 3Q results show EBITDA adj at 9,8M€, more than 3 times 2016
 - **New projects in the automotive business both in AM (new ECU) and OEM (project for HD)**
 - **New organization implemented to start the relaunch phase**
 - **New BP for US development and India OEM market**

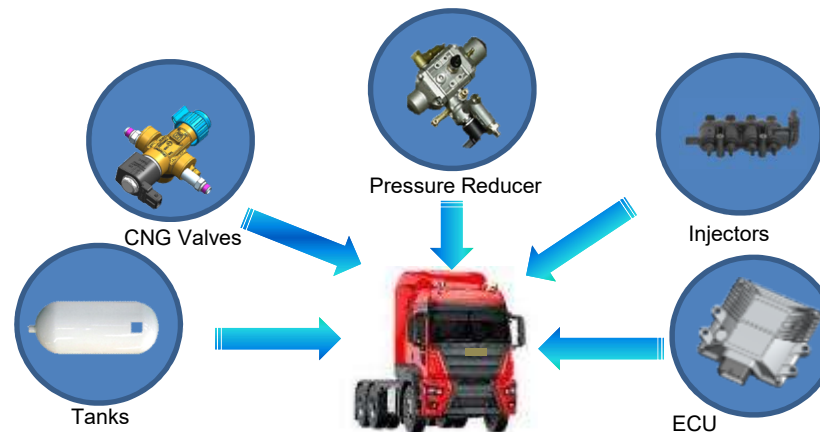
LRG is entering the market of CNG Systems for Heavy Duty EU VI Application

Market context

- Greenhouse gas reduction and air quality improvement around urban centers / on motorways are becoming more and more relevant
- Consequently, the new legislations for emissions and for CO₂ reduction are becoming more stringent not only for Passenger Cars but also for Medium and Heavy Duty applications; for example, by 2020 the current Eu VI Heavy-Duty legislation will be introduced also in countries like China and India
- CNG turns to be a very attractive solution for trucks and buses. All primary vehicle manufacturers are developing specifically designed propulsion systems for CNG

LRG HD Project

- **LRG aims to support main OEMs delivering a CNG complete system for Medium and Heavy Duty vehicles, also leveraging on internal competences on single components such as Tanks, CNG valves, Pressure Reducers, ECU and injectors**
- **A new line of components will be studied to match different Customers' requirements**
- **First project addresses Heavy Duty Engine (displacement more than 12.0 liters, Diesel derived), with an SOP planned by mid 2020**
- **3 Customers have already expressed their interest in the system and/or single components**

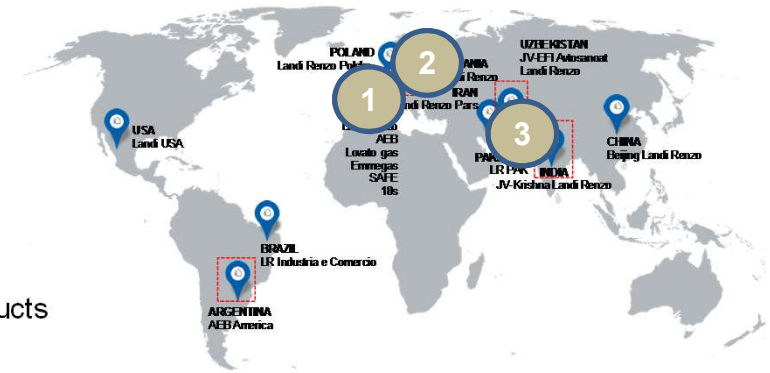


LRG 2018 – 2022 Strategic Plan has identified three Centre of Excellence in the Group global manufacturing footprint ...

... included in the LRG 2018 – 2022 Strategic Plan

- LRG 2018 – 2022 Strategic Plan _ presented in September _ has disclosed long term view for all the Group identifying Reggio Emilia, with the next shut down of Lovato production plant, the Centre of Excellence for LRG core products as injectors, rails and ECUs

- 1 Reggio Emilia – CoE for Injector, ECU, Rail
- 2 Poland – CoE for LPG Mech Components and OEM products
- 3 Asia (India and Iran) – CoE for CNG Mech Components



... with Reggio Emilia CoE implementation to start from now on inspired to WCM principles

World class manufacturing is a mindset based on the continuous improvement approach

- Implementation of just in time and lean management leads to reduction in wastage thereby reduction in cost
- Implementation of total quality management leads to reduction of defects and encourages zero tolerance towards defects
- Implementation of total preventive maintenance leads to any stoppage of production through mechanical failure

LRG Manufacturing CoE Implementation Strategy

- LRG Manufacturing CoE strategy is mainly focused on
 - people as fundamental asset
 - exploitation of the contribution of teamwork and of each manufacturing person
 - experience and way of working sharing
 - essential rigorousness of continuous principles adoption and related respect

... starting from piloting Reggio Emilia CoE design & implementation that will transform manufacturing execution and governance at global level

People

- Develop People
 - Training
 - Coaching
 - Empowering people for proactivity and self learn
 - Establish a manufacturing environment where the people find the right conditions to express his own talents

Processes

- Develop new Manufacturing Processes
 - Standardize and align methods and tools across all LRG plants
 - Transfer knowledge sharing best practices
 - Transparent performance evaluation

Organization

- Develop new Manufacturing Organization and Governance
 - Promote people integration
 - Keep “world class” community alive at global level
 - Design the profiles and responsibilities to make real the change and its setting to regime

New LRG's CoEs are definitely based on:

- **Structured processes** that leverage consolidated **manufacturing excellence approaches** setting **daily way of working** towards the **continuous improvement**
- **Leveraging of LRG people** that want to _ through its **competencies** and its **willingness** _ make LRG manufacturing a **reference point for the market**



The Clean Air Company
Driving The Future

APPENDIX

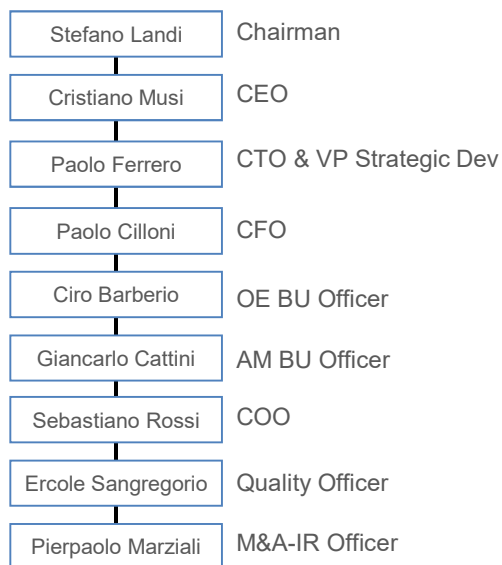


Landi Renzo - Company profile (13/11/2017)

BOARD OF DIRECTORS

Stefano Landi – Chairman
 Giovannina Domenichini – Honorary Chairman
 Cristiano Musi - CEO
 Angelo Iori – Director
 Silvia Landi - Director
 Anton Karl – Independent Director
 Sara Fornasiero - Independent Director
 Ivano Accorsi – Independent Director

TOP MANAGERS

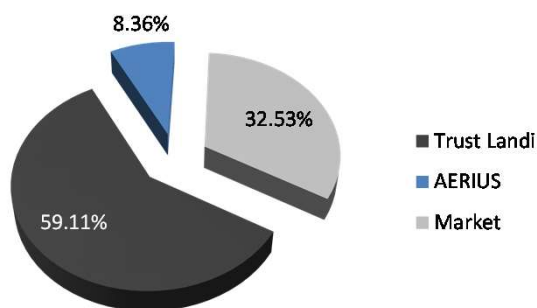


INVESTOR RELATIONS

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 E-mail: ir@landi.it
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SHAREHOLDING



SHARE INFORMATION

N. of shares outstanding: 112.500.000
 Price as of 13/11/17 € 1.47
 Capitalization: € 165.4 mln
 FTSE Italia STAR

STOCK VS MARKET



CONSOLIDATED P&L

(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 |
| Gross Operating Profit | 7,047 | -848 |
| Amortization, depreciation and impairment losses | -11,512 | -12,137 |
| Loss from equity investments | -1,919 | 0 |
| Net Operating Profit | -6,384 | -12,985 |
| 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 |
| Profit (Loss) before tax | -10,564 | -16,493 |
| Current and deferred taxes | -712 | -1,334 |
| Net Profit (loss) for the Group and minority interests, including: | -11,276 | -17,827 |
| Minority interests | -223 | -293 |
| Net Profit (Loss) for the Group | -11,053 | -17,534 |
| Basic earnings (loss) per share (calculated on 112,500,000 shares) | -0.0982 | -0.1559 |
| Diluted earnings (loss) per share | -0.0982 | -0.1559 |

CONSOLIDATED BALANCE SHEET

(thousands of Euro)

| ASSETS | 30/09/2017 | 31/12/2016 | 30/09/2016 |
|---|----------------|----------------|----------------|
| Non-current assets | | | |
| 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 |
| Total non-current assets | 85,388 | 96,967 | 98,122 |
| Current assets | | | |
| 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 |
| Total current assets | 115,177 | 115,270 | 125,497 |
| TOTAL ASSETS | 200,565 | 212,237 | 223,619 |

CONSOLIDATED BALANCE SHEET

(thousands of Euro)

| EQUITY AND LIABILITIES | 30/09/2017 | 31/12/2016 | 30/09/2016 |
|---|-------------------|-------------------|-------------------|
| Shareholders' equity | | | |
| 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 |
| Total equity attributable to the Group | 42,407 | 45,405 | 52,930 |
| Minority interests | -496 | -323 | 157 |
| TOTAL EQUITY | 41,911 | 45,082 | 53,087 |
| Non-current liabilities | | | |
| 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 |
| Total non-current liabilities | 72,619 | 54,110 | 60,195 |
| Current liabilities | | | |
| 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 |
| Total current liabilities | 86,035 | 113,045 | 110,337 |
| TOTAL EQUITY AND LIABILITIES | 200,565 | 212,237 | 223,619 |

Disclaimer

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For further details on the Landi Renzo Group, reference should be made to publicly available information, including the Quarterly Reports and the Annual Reports.

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