# DRAFT ANNUAL FINANCIAL REPORT 2021


OVER 60 ANNI OF
INTERNATIONALIZATION
INNOVATION AND
ABILITY TO SEIZE
OPPORTUNITIES

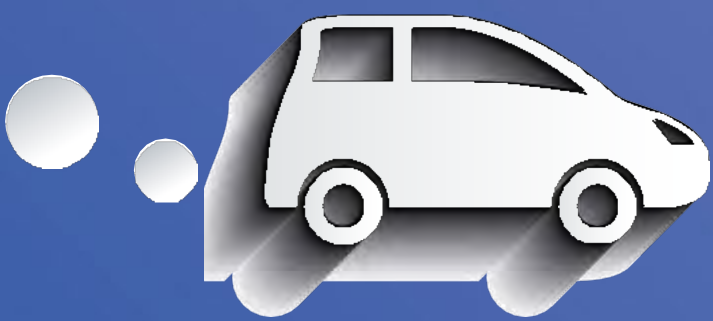
# MISSION

To build a cleaner world and to design better quality into the future for the next generations, with a profund sense of social responsability for the territory, society and the environment while intesifying social commitment to sustainable mobility.

Our mission offers a tangible contruibution to this ambitious objective: since sixty years, we have been providing real solutions for sustainable transportation by marketing and installing fuel systems based on less expensive, alternative fuels with smaller enviromental footprints.

Technology, innovation and respect for the planet and human beings: these are the values guiding our daily choices, transforming our present into the future we want.

This is a translation. The Italian Version prevails.



# INDEX

# LETTER TO THE SHAREHOLDERS

Dear Shareholders,

The year 2021 was unique and intense, full of work and new challenges, a year when the foundations were laid for the future of the Landi Renzo Group.

While on one hand we can confirm that the disruptive effects of the COVID-19 pandemic on the healthcare, social and economic system have slowed their pace and today are apparently approaching their final phase thanks to the spread of vaccines and the prevention measures put into place, on the other hand we cannot fail to acknowledge supply chain disruptions, especially looking at raw materials and, even more so, electronic components, which continue to make it more difficult to promptly take advantage of the upswing in demand, and underlie a tendential rise in inflation and its possible consequences on monetary policies, which could, in the end, translate into a higher cost of money in the short term.

In such a fluid context, the Landi Renzo Group has carried out significant transactions aiming to strengthen the Group, which, in chronological order, first and foremost led to the line-by-line consolidation of SAFE&CEC in the consolidated financial statements of Landi Renzo S.p.A. This transaction was certainly significant and made it possible to begin to reap the benefits of an investment and a partnership which have turned out to be as profitable as they are far-sighted. Furthermore, also in the Clean Tech Solutions segment, the Group's interest has strengthened further with the recent acquisition in early 2022 of Idro Meccanica, which contributes to further enhancing its portfolio of products and solutions, particularly in the hydrogen area.

The Landi Renzo Group also invested in the Green Transportation segment, with the acquisition of Metatron, which began in 2021 and is expected to be completed in the first half of 2022.

Metatron's entry into the Group was highly desirable, as we believe that it will contribute a positive set of elements to the Landi Group: in terms of markets, through the consolidation of our presence in Asia, and more specifically in China, and with the reinforcement and repositioning of the Group with respect to OEMs, particularly in the mid & heavy duty segments.

Furthermore, for the Group Metatron also represents a strong accelerator in the "hydrogen" segment, for which it already had skills and technology in solutions already in the market, and on which over the last few years the Group had started a specific area of experimentation as part of its Research & Development initiatives.

Last but not least, encouraging data are also being seen in the market, which continued to support our share price despite a context, such as that experienced in 2021, which was highly complex, complicated and certainly, for the Green Transportation segment, not oriented towards optimism.

Now, turning our attention to 2022, the Group expects to carry out some important projects, particularly with reference to the approval of the 2022-2025 business plan and the planned minority investment by Itaca Equity Holding, with which I am very satisfied, also because it is a stakeholder of Tamburi Investment Partners and many significant Italian family offices. The goal is to accelerate the strategic plan to play an even greater role in the Infrastructure business - fuel supply and compression systems for the distribution of CNG, hydrogen and biogas - as well as in Green Mobility.

While on one hand the darkness that Europe has faced with the recent Russia-Ukraine crisis, which represents a serious threat not only for the security of the countries involved and for the risks of its possible expansion throughout Europe, but also because of the immediate effect it has had on trade (it is sufficient to consider the consequences of the sanctions), which has already been extensively demonstrated by the energy supply difficulties we are experiencing, on the other hand it is necessary to take into account, on the positive side, the breadth of the NRRP and the push it has provided towards a recovery. If expectations are confirmed, the country would indeed record significant economic growth which, if accompanied by a careful investment and debt control policy, may become structural in nature. This feasible scenario, along with stability in the political context, makes it possible to guarantee the necessary stability for growth.

In this regard, we believe that today the Landi Renzo Group is capable of attracting and has the financial resources and technologies necessary to take advantage of the opportunities that the market can offer us, therefore leveraging not only a broader portfolio of products, solutions and relationships, but also an expanded team of managers, employees and collaborators, representing the strength and essential pillars of the Landi Renzo Group.

**Chairman of the Board of Directors**

**Stefano Landi**

# Landi Renzo Group Financial highlights

(Thousands of Euro)

| ECONOMIC INDICATORS | 2021 | 2020 | 2019 |
|---|---|---|---|
| Revenue | 241,994 | 142,455 | 191,852 |
| Adjusted gross operating profit (EBITDA) (1) | 14,614 | 8,017 | 26,253 |
| Gross operating profit (EBITDA) | 12,615 | 6,652 | 24,708 |
| Net operating profit (EBIT) | -2,941 | -5,541 | 12,942 |
| Earnings before taxes (EBT) | 1,771 | -11,391 | 8,514 |
| Net profit (loss) for the Group and minority interests | 545 | -7,850 | 5,982 |
| Adjusted gross operating profit (EBITDA) / Revenue | 6.0% | 5.6% | 13.7% |
| Gross Operating Profit (EBITDA) / Revenue | 5.2% | 4.7% | 12.9% |
| Net profit (loss) for the Group and minority interests / Revenue | 0.2% | -5.5% | 3.1% |

(Thousands of Euro)

| STATEMENT OF FINANCIAL POSITION | 2021 | 2020 | 2019 |
|---|---|---|---|
| Net fixed assets and other non-current assets | 150,192 | 107,128 | 104,826 |
| Operating capital (2) | 53,891 | 26,853 | 28,920 |
| Non-current liabilities (3) | -9,964 | -4,750 | -5,646 |
| NET INVESTED CAPITAL | 194,119 | 129,231 | 128,100 |
| Net financial position (4) | 133,493 | 72,917 | 61,767 |
| Net Financial Position - adjusted (5) | 95,137 | 67,360 | 55,210 |
| Shareholders' equity | 60,626 | 56,314 | 66,333 |
| BORROWINGS | 194,119 | 129,231 | 128,100 |

(Thousands of Euro)

| KEY INDICATORS | 2021 | 2020 | 2019 |
|---|---|---|---|
| Operating capital / Turnover (rolling 12 months) (6) | 19.4% | 18.9% | 15.1% |
| Adjusted net financial position - (5) / Shareholders' equity | 1.57 | 1.20 | 0.83 |
| Adjusted net financial position (5) / Adjusted EBITDA (rolling 12 months) (6) | 6.51 | 8.40 | 2.10 |
| Personnel (peak) | 987 | 547 | 571 |

(Thousands of Euro)

| CASH FLOWS | 2021 | 2020 | 2019 |
|---|---|---|---|
| Gross operational cash flow | 7,390 | 6,800 | 8,533 |
| Net cash flow for investment activities | -4,532 | -11,611 | -8,664 |
| Gross FREE CASH FLOW | 2,858 | -4,811 | -131 |
| Non-recurring expenditure for voluntary resignation incentives | -425 | -495 | -132 |
| Net FREE CASH FLOW | 2,433 | -5,306 | -263 |
| Repayment of leases (IFRS 16) | -3,473 | -2,399 | -2,260 |
| Overall cash flow | -1,040 | -7,705 | -2,523 |

(1) The data does not include the recognition of non-recurring costs. As EBITDA is not identified as an accounting measure under IAS/IFRS, it may be calculated in different manners. EBITDA is a measure used by the company's management to monitor and evaluate its operating performance. Management believes that EBITDA is an important parameter to measure the company's operating performance, as it is not influenced by the effects of the different criteria for determining the tax base, the amount and characteristics of invested capital and relative amortisation and depreciation policies. The company's way of calculating EBITDA may not be the same as the methods adopted by other companies/groups, and therefore its value may not be comparable with the EBITDA calculated by others.

(2) This is calculated as the difference between Trade Receivables, Inventories, Contract Work in Progress, Other Current Assets and Trade Payables, Tax liabilities, Other Current Liabilities (net of the payable for the acquisition of the Metatron Group).
(3) These are calculated by totalling Deferred Tax Liabilities, Defined Benefit Plans for employees and Provisions for Risks and Charges.
(4) The net financial position is calculated in accordance with the provisions of Consob Communication DEM/6064293 of 28 July 2006 as amended (as most recently amended on 5 May 2021, to adopt the new ESMA recommendations 32-232-1138 of 4 March 2021).

(5) Not including the effects of the adoption of IFRS 16 - Leases, the fair value of derivative financial instruments and the payable for the acquisition of the Metatron Group.

(6) In order to calculate the indicator in question at 31 December 2021, following the line-by-line consolidation of the SAFE&CEC Group as of May 2021 and the Metatron Group as of August 2021, the figures relating to adjusted EBITDA and revenue were calculated and expressed pro forma taking into consideration the entire year 2021.

E-MARKET SDIR CERTIFIED

# THE LANDI RENZO GROUP

## Corporate structure at 31 December 2021

| Description | Registered Office | % stake at 31 December 2021 Direct investment | Indirect investment | Notes |
|---|---|---|---|---|
| **Parent Company** | | | | |
| Landi Renzo S.p.A. | Cavriago (Italy) | Parent Company | | |
| **Companies consolidated using the line-by-line method** | | | | |
| Landi International B.V. | Utrecht (The Netherlands) | 100.00% | | |
| Landi Renzo Polska Sp.Zo.O. | Warsaw (Poland) | | 100.00% | (1) |
| LR Indústria e Comércio Ltda | Rio de Janeiro (Brazil) | 99.99% | | |
| Beijing Landi Renzo Autogas System Co. Ltd | Beijing (China) | 100.00% | | |
| L.R. Pak (Pvt) Limited | Karachi (Pakistan) | 70.00% | | |
| Landi Renzo Pars Private Joint Stock Company | Tehran (Iran) | 99.99% | | |
| Landi Renzo RO S.r.l. | Bucharest (Romania) | 100.00% | | |
| Landi Renzo USA Corporation | Wilmington - DE (USA) | 100.00% | | |
| AEB America S.r.l. | Buenos Aires (Argentina) | 96.00% | | |
| Officine Lovato Private Limited | Mumbai (India) | 74.00% | | |
| OOO Landi Renzo RUS | Moscow (Russia) | 51.00% | | |
| SAFE&CEC S.r.l. | San Giovanni Persiceto (Italy) | 51.00% | | |
| SAFE S.p.A. | San Giovanni Persiceto (Italy) | | 100.00% | (2) |
| IMW Industries LTD | Chilliwak (Canada) | | 100.00% | (2) |
| IMW Industries del Perù S.A.C. | Lima (Peru) | | 100.00% | (3) |
| IMW Industries LTDA | Cartagena (Colombia) | | 100.00% | (3) |
| IMW Energy Tech LTD | Suzhou (China) | | 100.00% | (3) |
| IMW Industries LTD Shanghai | Shanghai (China) | | 100.00% | (3) |
| Metatron S.p.A. | Castel Maggiore (Italy) | 49.00% | | (4) |
| Metatron Control System (Shanghai) | Shanghai (China) | | 90.00% | (5) |
| **Associates and subsidiaries consolidated using the equity method** | | | | |
| Krishna Landi Renzo India Private Ltd Held | Gurugram - Haryana (India) | 51.00% | | (6) |
| **Other minor companies** | | | | |
| Landi Renzo VE.CA. | Caracas (Venezuela) | 100.00% | | (7) |
| Lovato do Brasil Ind Com de Equipamentos para Gas Ltda | Curitiba (Brazil) | 100.00% | | (7) |
| EFI Avtosanoat-Landi Renzo LLC | Navoiy Region (Uzbekistan) | 50.00% | | (7) |
| Metatron Technologies India Plc | Mumbai (India) | | 75.00% | (5) (7) |

***Detailed notes on investments:***

*(1) Held indirectly through Landi International B.V.*

*(2) Held indirectly through SAFE&CEC S.r.l.*

*(3) Held indirectly through IMW Industries LTD*

*(4) Consolidated line-by-line based on the commitment to purchase the remaining 51%, which does not include any conditions precedent, and the governance system contractually defined by the parties*

*(5) Held indirectly through Metatron S.p.A.*

*(6) Company joint venture*

*(7) Not consolidated as a result of their irrelevance*

## The Landi Renzo Group worldwide

The Landi Renzo Group has established its international vocation with both a direct presence, featuring 26 companies in 17 countries and 987 employees, as well as an indirect one, on all five continents. The centrality of environmental issues demonstrates a growing association with the Group's ability to gain a leading position worldwide, thanks to the continuous technological and qualitative development of its products, decision to adopt a flexible approach to customers and through extensive marketing of the company's technologies.

## Company bodies

On 29 April 2019, the Shareholders' Meeting of the parent company Landi Renzo S.p.A. elected the Board of Directors and the Board of Statutory Auditors for the period 2019-2021. They will therefore remain in office until the Shareholders’ Meeting called to approve the Financial Statements for the year ending 31 December 2021. The Meeting changed the number of board members to nine. Also on the same date, the Board of Directors appointed Cristiano Musi as Chief Executive Officer and General Manager and confirmed Stefano Landi as Executive Chairperson of the Board.

On the date on which this Annual Financial Report was drafted, the company officers were as follows:

**Board of Directors**

| Name and surname | Position | Place and date of birth | Qualifications |
|---|---|---|---|
| **Giovannina Domenichini** | Honorary Chairperson | Casina (Reggio Emilia), 6 August 1934 | Non-executive |
| **Stefano Landi** | Executive Chairman | Reggio Emilia, 30 June 1958 | Executive |
| **Cristiano Musi** | Chief Executive Officer | Parma, 27 April 1974 | Executive |
| **Silvia Landi** | Director | Reggio Emilia, 08 June 1960 | Non-executive |
| **Angelo Iori** | Director | Reggio Emilia, 11 December 1954 | Non-executive |
| **Dario Patrizio Melpignano** | Independent Director | Milan, 15 January 1968 | Non-executive and Independent* |
| **Sara Fornasiero**** | Independent Director | Merate (Lecco), 9 September 1968 | Non-executive and Independent* |
| **Vincenzo Russi** | Independent Director | Lanciano (Chieti), 1 January 1959 | Non-executive and Independent* |
| **Paolo Emanuele Maria Ferrero** | Director | Turin, 13 February 1955 | Non-executive |

** Independent pursuant to Article 148 of the Consolidated Law and Article 3 of the Corporate Governance Code*
*** The Director also holds the office of Lead Independent Director*

**Board of Statutory Auditors**

| Name and surname | Position | Place and date of birth |
|---|---|---|
| Fabio Zucchetti | Chairman of the Board of Statutory Auditors | Turin, 1966 |
| Diana Rizzo | Statutory Auditor | Bologna, 1959 |
| Domenico Sardano | Statutory Auditor | Genoa, 1970 |
| Marina Torelli | Alternate Auditor | Modena, 1961 |
| Gian Marco Amico di Meane | Alternate Auditor | Turin, 1972 |

**Control and risks committee**

| Name and surname | Position |
|---|---|
| Sara Fornasiero | Chairperson |
| Angelo Iori | Committee Member |
| Vincenzo Russi | Committee Member |

**Remuneration committee**

| Name and surname | Position |
|---|---|
| Sara Fornasiero | Chairperson |
| Angelo Iori | Committee Member |
| Vincenzo Russi | Committee Member |

**Committee for transactions with related parties**

| Name and surname | Position |
|---|---|
| Sara Fornasiero | Chairperson |
| Vincenzo Russi | Committee Member |

**Supervisory Board (Italian Legislative Decree 231/01)**

| Name and surname | Position |
|---|---|
| Jean-Paule Castagno | Chairperson |
| Sara Fornasiero | Committee Member |
| Domenico Sardano | Committee Member |

| Independent Auditing Firm |
|---|
| PricewaterhouseCoopers S.p.A. |

| Financial Reporting Manager |
|---|
| Paolo Cilloni |

**Registered office and company details**

Landi Renzo S.p.A.
Via Nobel 2/4
42025 Corte Tegge – Cavriago (RE) – Italy
Tel. +39 0522 9433
Fax +39 0522 944044
Share capital: Euro 11,250,000
Tax ID and VAT Reg. No. IT00523300358

This report is available online at:
www.landirenzogroup.com

# SIGNIFICANT EVENTS DURING THE YEAR

- In January 2021:
  - Landi Renzo S.p.A. became part of H2-ICE, a partnership between five Italian companies, with Punch Torino and AVL Italia as the lead companies, and with the participation of Industria Italiana Autobus and TPER, in order to create a hydrogen fuelled internal combustion engine. Landi Renzo S.p.A., active for more than two years in the development of components and solutions for hydrogen mobility, dedicated in particular to the Mid & Heavy Duty (LCV, Buses and Trucks) and Off Road segment, both for FCEV (fuel cell electric vehicle) and for hydrogen engines, will specifically handle the development and manufacture of components for hydrogen engines to be used in buses and trucks.
  - Landi Renzo and Mahindra & Mahindra Limited (M&M), part of the Mahindra Group and one of the main Indian engine manufacturers, entered into an agreement for the creation of a new generation of CNG engine tractors for agricultural applications. The understanding is based on the meeting between the specific requirements of Mahindra & Mahindra, the most sold tractor brand in the world, which is becoming increasingly oriented towards the use of alternative energy sources, and Landi Renzo S.p.A., which will develop the entire tailor-made control and injection system for monofuel tractors according to OEM standards, while Mahindra & Mahindra will handle the development of the basic engine starting from the existing Diesel version, optimising combustion and mechanical aspects.

- On 29 April 2021, the Shareholders' Meeting of Landi Renzo S.p.A. resolved, amongst other things:

  - to cover the loss for the year, totalling Euro 6,283,624.66, by using the full extraordinary reserve, which will be reduced to zero, and the share premium reserve, which will be reduced to Euro 28,945,566.50;
  - to place a tax suspension restriction of Euro 4,082,083.55 on the Share premium reserve due to the realignment of the tax value of the AEB trademark with its statutory value, pursuant to Italian Decree Law no. 104/2020, Article 110, paragraph 8;
  - to approve, with reference to the Report on the remuneration policy and on remuneration paid, drafted pursuant to Articles 123- of Italian Legislative Decree 58/98 and 84- of the regulation approved with Consob resolution no. 11971 of 19 May 1999, the first section pursuant to Article 123-, paragraph 3-, of Italian Legislative Decree 58/98 and to vote in favour with reference to the second section pursuant to Article 123-, paragraph 6, of Italian Legislative Decree 58/98;
  - to approve the proposal relating to the authorisation to purchase and dispose of treasury shares.

- In April 2021, Landi Renzo S.p.A. and Clean Energy Fuels Corp entered into an agreement to amend the shareholders' agreements of the investee company SAFE&CEC S.r.l., operating in the "Clean Tech Solutions" segment, as approved by the Board of Directors of Landi Renzo S.p.A. at its meeting held on 12 April 2021. The change in the shareholders' agreements provided Landi Renzo S.p.A. with greater decision-making autonomy, permitting it to exercise control over SAFE&CEC S.r.l. and resulting in its line-by-line consolidation pursuant to the international accounting standards (IFRS 10). The shares of the two shareholders have remained unchanged: 51% for Landi Renzo S.p.A. and 49% for Clean Energy Fuels Corp.

- In July 2021, Landi Renzo S.p.A. established the joint venture Landi Renzo Rus with an important local partner in Russia. The company, which aims to develop gas mobility in the Russian market, is 51% held by Landi Renzo S.p.A.

- On 5 August 2021, Landi Renzo S.p.A. acquired 49% of the share capital of Metatron S.p.A., a company with registered office in Castel Maggiore (BO) and an international leader in alternative fuel solutions for Mid & Heavy Duty vehicles, from Italy Technology Group S.r.l., the current majority shareholder of Metatron S.p.A. This acquisition is part of a broader transaction intended to acquire the remaining 51% of the share capital of Metatron S.p.A. from Italy Technology Group S.r.l. and the other current shareholders as well, enabling Landi Renzo S.p.A. to acquire 100% of Metatron S.p.A. The transaction is not subject to any conditions precedent. The agreed purchase price for 100% of the share capital of Metatron S.p.A. is Euro 26.7 million and will be paid in multiple instalments in cash. On the basis of the agreements entered into with the counterparties, the transaction for the acquisition of 100% of the shares of Metatron SpA will be concluded by mid-2022. In this regard, please note that, as described in detail in the section "Significant events after the reporting period and business outlook" of the Directors' Report, in February 2022 Landi Renzo S.p.A. completed the acquisition of an additional 23.43% of the share capital of Metatron S.p.A., so it now holds a 72.43% stake in that company. For the payment of the total consideration to the minority shareholders and Italy Technology Group S.r.l., amounting to Euro 18,062 thousand, Girefin S.p.A., the controlling shareholder of Landi Renzo S.p.A., made a lump-sum amount available to the Company corresponding to the entire amount of the above-mentioned consideration by means of a shareholder loan bearing interest at an annual rate of 1%. The remainder of the equity investment, equal to 27.57% of the share capital of Metatron, owned by the shareholder Italy Technology Group, will be acquired by Landi Renzo S.p.A. in the course of 2022 for Euro 7,374 thousand.
  The acquisition of Metatron S.p.A. represents a strategic transaction for the Landi Renzo Group, which thus will be able to further consolidate its presence in the Mid & Heavy Duty segment, which is one of the most interested in alternative hydrogen, CNG, biomethane and LNG fuel forms, with volumes expected to grow significantly over the coming years. Indeed, Metatron S.p.A. is a leader in the supply of components for gas and hydrogen Mid & Heavy Duty mobility, in both Europe and China, where it serves the main segment operators based on well-established relationships.
  The transaction will allow for significant synergies between the two companies, both in terms of cost (estimated at roughly Euro 4.7 million full year starting from 2022) and investments (estimated at around Euro 5 million in the 2022-2023 two-year period), enabling the Landi Renzo Group to complete its offer of components for the gas and hydrogen Mid & Heavy Duty segment.

- On 30 December 2021 the subsidiary SAFE S.p.A. issued a bond for a nominal value of Euro 7 million, consisting of 70 bonds with a unit nominal amount of Euro 100,000 each, subscribed by Finint (Finanziaria Internazionale Investments SGR S.p.A.). The loan, with a contractual duration until 31 August 2027 and a gross annual nominal fixed rate of 5%, calls for half-yearly repayment starting from 1 January 2024 and is also subject to compliance with financial parameters with reference to the data set forth in the consolidated financial statements of the SAFE&CEC Group as at 31 December of each year. In this regard, please note that the financial parameters on the bond issue of the SAFE&CEC Group had been respected at 31 December 2021. The loan is intended to finance the acquisition by SAFE S.p.A. of Idro Meccanica S.r.l., which was completed in January 2022 and is described in detail in the section “Significant events after the reporting period and business outlook” of the Directors' Report.

# SHAREHOLDERS AND FINANCIAL MARKETS

The Landi Renzo Group maintains a constant dialogue with its shareholders through a responsible and transparent activity of communication carried out by the Investor Relations office, with the aim of facilitating an understanding of the company's situation, management outlook, Group strategies and the outlook of the reference market. This office is also assigned the task of organising presentations, events and roadshows that enable a direct relationship to be established between the financial community and the Group's Top Management. For further information, and to consult the economic-financial data, corporate presentations, periodic publications, official communications and updates on the share price, visit the *Investor Relations* section of www.landirenzogroup.com.

The following is a graphical representation of the performance of Landi Renzo stock over the period 4 January - 30 December 2021, compared with the performance of the FTSE Italy All-Share index.


In the period 4 January – 30 December 2021 (the last trading day of 2021), the official Landi Renzo share price was basically stable, increasing from Euro 0.8280 to Euro 0.8290.

The following table summarises the main share and stock market data for 2021.

| Share Price and Stock Market Information (source Borsa Italiana S.p.A.) | Year 2021 | Year 2020 |
|---|---|---|
| Share capital (Euro) | 11,250,000 | 11,250,000 |
| Number of shares representing the share capital | 112,500,000 | 112,500,000 |
| Shareholders' equity attributable to Group shareholders and to minority interests (Euro) | 60,626,000 | 56,314,000 |
| Net profit (loss) for the Group and minority interests (Euro) | 545,000 | -7,850,000 |
| Earnings per share (Euro) | -0.0087 | -0.0681 |
| Closing price | 0.8290 | 0.8180 |
| Maximum price | 1.1500 | 0.9300 |
| Minimum price | 0.7880 | 0.3680 |
| Closing stock market capitalisation | 93,262,500 | 92,025,000 |

All shares issued were fully paid up.

At 15 March 2022, the holders of ordinary shares that represent more than 2%, as provided for by the Consob regulations, were the following:

| Shareholder | 15/03/2022 |
|---|---|
| Girefin S.p.A. | 54.667% |
| Gireimm S.r.l. | 4.444% |
| Aerius Investment Holding AG | 8.262% |
| Others - Market | 32.627% |

The share capital is made up of 112,500,000 shares with a nominal value of Euro 0.10 per share, for a total of Euro 11,250,000.00.

As 31 December 2021, the Landi Renzo Group owned no treasury shares.

# Directors' Report

Operating Performance

Statement of Reconciliation between the Data of the Parent Company's Financial Statements and the Data of the Consolidated Financial Statements

Other Information

Consolidated non-financial report

Significant events after the reporting period and business outlook

# DIRECTORS' REPORT

*The Directors' Report of the Parent Company and the Consolidated Directors' Report have been presented in a single document, giving greater prominence, where appropriate, to issues of relevance to all companies included in consolidation.*

## Operating performance

### Reference context

An "ecological" mission has always been intrinsic in the products of the Landi Renzo Group, which has designed and brought to the market products and services promoting sustainable mobility ever since it was founded.

The Group has contributed to green mobility by designing, developing and marketing components for vehicles (passenger cars, light commercial vehicles or Mid & Heavy Duty vehicles) fuelled by natural gas, biomethane, liquefied natural gas (LNG), LPG or Hydrogen, which are sold directly to vehicle manufacturers, or are sold in kits for petrol fuelled vehicles in the After Market channel. Furthermore, the Group is present within the value chain for the distribution of natural gas and biomethane with the company SAFE&CEC, which designs and distributes systems for the compression of biomethane, natural gas and hydrogen, from the "post-generation" phase to fuel supply stations.

These are sectors experiencing significant evolution and transformation, which are at the centre of topics relating to energy decarbonisation.

The solutions offered by the Landi Renzo Group throughout the value chain are indeed at the heart of very current mobility and in general energy production transformation policies, which are of great interest and attributed increasing importance at global level.

Indeed, all of the various forms of gas, in addition to biomethane and hydrogen, represent energy sources that reduce emissions compared to conventional sources, with different levels of penetration depending on segment and geographical area. In general, it can be affirmed that the mobility of the future will involve a number of energy sources, including gas and hydrogen, which we believe will play a leading role.

In particular, biomethane and hydrogen represent two fossil fuel alternatives that offer significant benefits and advantages, for both mobility and other applications (from production chains, to transport to heating). The Landi Renzo Group's positioning enables it to intercept these market trends and play a key role in their development.

Whether from the automotive market, in terms of origin (manufacturers vs. after market) or intended use (passenger vs. mid/heavy duty vehicles), or the infrastructure market, and its increasing need for compression solutions, over the last few years Landi Renzo Group has laid the bases to act as a strategic leader in the niches in which it operates, offering value added solutions to its customers, also thanks to investments made in research and development and in external growth, which have allowed it to access innovative and advanced product portfolios for hydrogen solutions as well.

Furthermore, the Group's widespread presence in international markets with the expansion of the commercial network, both direct and through joint ventures, recent acquisitions (Metatron S.p.A. and Idro Meccanica S.r.l.) and the new organisation by BUs (Automotive and Infrastructure) will make it possible to react promptly and take advantage of all opportunities.

### Operating performance

In this context, for the Green Transportation - Automotive segment, 2021 was a complex year. After a first half of the year characterised by significant growth in global automotive production, the accentuation of issues in the raw material markets and, particularly with respect to semiconductors, with continuous price increases, and the ensuing difficulties in the logistics sector, had negative effects on the sector supply chain, slowing production and also triggering temporary plant closures by major automotive manufacturers, with resulting delays in deliveries, production losses and an aggravation of costs. More recently, this has been accompanied by a concerning surge in energy, oil and natural gas prices. This situation had significant effects on component manufacturers, which suffered from the resulting negative effects on their profit and loss, with losses of turnover and profitability, as well as financial performance. In particular, the shortage of raw materials resulted on one hand in a reduction or deferral of orders from OEM customers, due to the need for automotive manufacturers to limit costs and avoid production interruptions, and on the other in difficulties in fulfilling existing orders, due to a series of complexities in obtaining raw materials. Furthermore, particularly in the OEM channel, in which long-term supply agreements are generally entered into, it was not always possible to reflect in due time the increase in raw material prices in sale prices. On the other hand, as regards the After Market channel, interventions on sale prices took place more promptly but, also due to growing competition in developing countries, it was not always possible to intervene to prevent the loss of market share. While shortages of certain raw materials (such as steel and plastics) are expected to improve in the course of 2022, it will be necessary to wait until 2023 to overcome issues relating to electronic components, with a resulting risk with respect to the sector's production levels. These procurement and rising cost issues are joined by geopolitical uncertainties that have been significantly accentuated by the initiation of a conflict between Russia and Ukraine, resulting in increasing uncertainty in terms of global economic outlooks.

In particular, UNRAE (Association of foreign car makers operating in Italy) data relating to the year 2021 point to a significant recovery in registrations in both the Italian and European markets until June 2021 (+51.4% and +27.1% respectively compared with the same period of 2020), an increase that was nearly entirely compromised in the second part of the year due to delivery delays and the current climate of economic uncertainty, with a resulting deferral by consumers of durable good purchases. With respect to the previous year, 2021 closed with a 5.5% increase in vehicle registrations in the Italian market and substantial stability in the European market (-1.5%). These results are however much lower than the pre-COVID situation, with a downturn of 23.9% in the Italian market and 25.5% in the European market compared with 2019.

Also in this context, gas mobility is confirmed as a valid alternative for the achievement of "greener" and more sustainable mobility. Indeed, roughly 9% of total vehicle registrations in Italy continue to be for vehicles with gas (CNG and LPG) engines.

In this market scenario, it is important to highlight the trend in the Indian market, which has been confirmed as one of the countries in which gas mobility, both in the passenger car segment and in the Mid and Heavy Duty segment, will develop at a more sustained pace due to the increasing interest of the Indian government in the development of sustainable natural gas-based mobility in that country.

As regards the Clean Tech Solutions - Infrastructure segment, the growth trend of new biomethane plants and natural gas and biomethane fuel supply stations is confirmed at global level, with growth recorded in Europe as well as in the United States and emerging countries. Furthermore, the National Recovery and Resilience Plan (“NRRP”) recently approved by the Italian government placed additional attention on green revolution and ecological transition objectives, with a specific focus on the growth of production at Italian level of “green” hydrogen and its use in the industrial and transport sectors. Considering the outlooks for an increase in hydrogen vehicles over the coming years, for example, Autostrade del Brennero S.p.A. recently announced the construction of four new hydrogen stations, which will join those already in operation at Bolzano south.

Landi Renzo S.p.A. responded to this market context by developing several important corporate transactions.

In particular, in April 2021 it entered into an agreement with Clean Energy Fuels Corp to amend the shareholders' agreements, intended to provide Landi Renzo S.p.A. with additional decision-making and control autonomy over the SAFE&CEC Group, which designs and manufactures compressors for the processing and distribution of gas (CNG - Compressed Natural Gas and Biomethane/RNG – Renewable Natural Gas) and hydrogen (strengthened with the acquisition of Idromeccanica) and is also active in the Oil & Gas market (“Clean Tech Solutions” sector). The SAFE&CEC Group, previously classified as a “joint venture” pursuant to the international accounting standards (IFRS 11) and consolidated at equity, has been consolidated line-by-line since May 2021, as Landi Renzo S.p.A. has now acquired control over it pursuant to the international accounting standards (IFRS 10). This increased decision-making and control autonomy will make it possible to expand the Landi Renzo Group’s role within the energy transition process, in terms of both solutions and services, from the production to the distribution of natural gas, biomethane and hydrogen, to applications on-board vehicles.

In addition, in August 2021 Landi Renzo S.p.A. began the acquisition of Metatron S.p.A., a company headquartered in Castel Maggiore (BO) and an international leader in alternative Mid & Heavy Duty fuel solutions, which represents a strategic transaction for the Landi Renzo Group, which thus will be able to further consolidate its presence in the Mid & Heavy Duty segment, one of the most interested in alternative hydrogen, CNG, biomethane and LNG fuel forms, with volumes expected to grow significantly over the coming years.

These transactions underlie the Group’s development plans in the gas mobility sector of tomorrow and in this regard, the Landi Renzo Group’s Research and Development team continued with its new product development activities, particularly:

- development of an injection and regulation system for Euro 7 regulation compatibility testing;
- redefinition and validation of a pressure regulator for Heavy Duty vehicles;
- re-design and validation in the laboratory of the new family of high-pressure and high capacity injectors for applications in Heavy Duty vehicles;

- development and testing in the field of the integrated manifold for fuel-cell applications for one of the global leaders in the hydrogen mobility sector;
- development of a high-pressure regulator and a smart dosing system for the world of hydrogen mobility, in order to introduce a new way of managing the injection of hydrogen into the fuel cell;
- development of a new conversion unit for vehicles with indirect injection systems and initiation of a project for the development of the new direct injection management system;
- development of 700 bar hydrogen compressors.

Lastly, Landi Renzo S.p.A.'s management has continued to deal with the spread of the pandemic by doing all that is necessary for prevention and to protect its workers. This took place while continuing to monitor the situation and promptly putting into place the required countermeasures aimed at protecting employee health, both in Italy and abroad, by distributing personal protection equipment and conducting periodic sanitisation of the offices as well as the production facilities. Internal and conduct procedures aimed at guaranteeing social distancing are also constantly monitored and updated based on pandemic trends. Dedicated insurance policies were taken out to further protect any workers infected by COVID-19 in the workplace. Considering the Group's technological and innovative bent, in order to reduce to a minimum any possibility of contact between workers, recourse to telecommuting (called "smart working" in Italy) continues to be favoured when possible.

## PERFORMANCE AND NOTES ON THE MAIN CHANGES IN THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

The "Clean Tech Solutions" segment was the subject in 2017 of a strategic aggregation with Clean Energy Fuels Corp, the aim of which was to create the world's second-largest group in the segment, in terms of business volume. The aggregation was based on the establishment of a newco called SAFE & CEC S.r.l. and subsequent contribution of 100% of SAFE S.p.A. by the Landi Renzo Group and 100% of Clean Energy Compressor Ltd (now "IMW Industries Ltd") by Clean Energy Fuels Corp. In accordance with the contractually required governance system, which reflected the joint control agreement between the two shareholders, the Landi Renzo Group's equity investment was classified until April 2021 as a "joint venture" pursuant to international accounting standards (IFRS 11) and consolidated via the equity method. As described above, in April 2021, Landi Renzo S.p.A. and Clean Energy Fuels Corp entered into an agreement to amend the shareholders' agreements of the investee company SAFE&CEC S.r.l., which provided Landi Renzo S.p.A. with greater decision-making autonomy, permitting it to exercise control over SAFE&CEC S.r.l. and resulting in its line-by-line consolidation as of May 2021, as the requirements for the acquisition of control set forth in the international accounting standards (IFRS 10) were met.
As previously described in the section "Significant events during the year", the Green Transportation segment was also involved in a significant acquisition with reference to the Group headed by Metatron S.p.A. In this regard, please note that given the absence of conditions precedent on the commitment to

purchase the remaining 51% and taking into account the governance system contractually defined by the parties, the results of the Metatron Group were consolidated starting from August 2021, as the requirements for the acquisition of control established by the international accounting standards (IFRS 10) were met.

As a result, the Group's consolidated financial performance as at 31 December 2021 is not directly comparable with that of the same period of the previous year.

The following table sets out the main economic indicators of the Group for the year ending at 31 December 2021 compared with the previous year.

| (Thousands of Euro) | 31/12/2021 | | | | 31/12/2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | *Green Transportation* | *Clean Tech. Solutions (May-December 2021)* | Adjustments | Landi Renzo Consolidated | *Green Transportation* | *Clean Tech. Solutions* | Adjustments | Landi Renzo Consolidated |
| Net sales outside the Group | 172,914 | 69,080 | | 241,994 | 142,455 | | | 142,455 |
| Intersegment sales | 318 | | -318 | 0 | 0 | | | 0 |
| **Total Revenues from net sales and services** | **173,232** | **69,080** | **-318** | **241,994** | **142,455** | **0** | **0** | **142,455** |
| Other revenues and income | 2,307 | 303 | | 2,610 | 313 | | | 313 |
| Operating costs | -168,334 | -61,974 | 318 | -229,990 | -134,751 | | | -134,751 |
| **Adjusted gross operating profit** | **7,205** | **7,409** | **0** | **14,614** | **8,017** | **0** | **0** | **8,017** |
| Non-recurring costs | -1,668 | -331 | | -1,999 | -1,365 | | | -1,365 |
| **Gross operating profit** | **5,537** | **7,078** | **0** | **12,615** | **6,652** | **0** | **0** | **6,652** |
| Amortisation, depreciation and impairment | -13,868 | -1,688 | | -15,556 | -12,193 | | | -12,193 |
| **Net operating profit** | **-8,331** | **5,390** | **0** | **-2,941** | **-5,541** | **0** | **0** | **-5,541** |
| Financial income | | | | 217 | | | | 298 |
| Financial expenses | | | | -4,344 | | | | -3,310 |
| Exchange gains (losses) | | | | -362 | | | | -2,827 |
| Income (expenses) from equity investments | | | | 8,581 | | | | 0 |
| Income (expenses) from joint ventures measured using the equity method | | | | 620 | | | | -11 |
| **Profit (loss) before tax** | | | | **1,771** | | | | **-11,391** |
| Taxes | | | | -1,226 | | | | 3,541 |
| **Net profit (loss) for the Group and minority interests, including:** | | | | **545** | | | | **-7,850** |
| Minority interests | | | | 1,522 | | | | -188 |
| **Net profit (loss) for the Group** | | | | **-977** | | | | **-7,662** |

Consolidated revenues for 2021 totalled Euro 241,994 thousand, increasing by Euro 99,539 thousand (+69.87%) compared with the same period of the previous year. On a like-for-like basis, the increase would have amounted to 17.1%. Revenues at 31 December 2021 of the Green Transportation segment, amounting to Euro 172,914 thousand, include Euro 6,095 thousand linked to Metatron for the August-December 2021 period.

Costs of raw materials, consumables and goods and changes in inventories increased overall to Euro 150,272 thousand at 31 December 2021 from Euro 84,212 thousand at 31 December 2020, influenced by the line-by-line consolidation of SAFE&CEC and Metatron as well as the international increase in prices of raw materials, particularly electronic components.

The costs of services and use of third-party assets as at 31 December 2021 amounted to Euro 43,075 thousand, compared with Euro 27,844 thousand in the previous year. Net of the consolidation of the SAFE&CEC Group and the Metatron Group, these costs increased less than proportionately with respect to revenue growth, thanks to the actions taken by the management to limit them. Costs for services and use of third party assets as at 31 December 2021 are inclusive of non-recurring expenses relating to strategic consulting (Euro 1,313 thousand) and costs incurred by the company to deal with the COVID-19 emergency (Euro 64 thousand), particularly relating to expenses for sanitising the workplace.

Personnel costs went from Euro 22,398 thousand as at 31 December 2020 to Euro 34,920 thousand as at 31 December 2021 of which Euro 172 thousand in non-recurring costs. Net of the consolidation of the SAFE&CEC Group and the Metatron Group, personnel costs would have been up by 7.9% compared with the same period of the previous year following the greater recourse made to temporary labour, which was required to handle the production peaks linked to the increase in orders. The Group had a total of 987 employees, including 333 relating to SAFE&CEC and 108 relating to Metatron. The Group heavily invested in highly specialised resources to support the increasing research and development performed for new products and solutions, particularly for the Heavy Duty market and hydrogen mobility, capitalised when they meet the requirements laid out in IAS 38.

Provisions, provision for bad debts and other operating expenses of Euro 3,722 thousand (Euro 1,662 thousand as at 31 December 2020) rose due to the consolidation of SAFE&CEC and Metatron as well as higher product warranty provisions directly linked to revenue trends.

The adjusted Gross Operating Profit (EBITDA) was Euro 14,614 thousand as at 31 December 2021, compared with Euro 8,017 thousand in the previous year, while the Gross Operating Profit (EBITDA) was Euro 12,615 thousand (Euro 6,652 thousand as at 31 December 2020), inclusive of non-recurring costs of Euro 1,999 thousand (Euro 1,365 thousand as at 31 December 2020).

(Thousands of Euro)

| NON-RECURRING COSTS | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Strategic consultancy | 1,313 | 511 |
| COVID-19 costs | 64 | 182 |
| Extraordinary accrual | 450 | 0 |
| Personnel for voluntary resignation incentives | 425 | 495 |

| | | |
|---|---|---|
| (Reversal) performance bonus | -253 | 177 |
| **Total** | **1,999** | **1,365** |

The Net Operating Profit (EBIT) for the period was negative at Euro 2,941 thousand (negative and equal to Euro 5,541 thousand at 31 December 2020), after accounting for amortisation, depreciation and impairment of Euro 15,556 thousand (Euro 12,193 thousand at 31 December 2020), of which Euro 3,136 thousand due to the application of IFRS - 16 Leases (Euro 2,254 thousand at 31 December 2020).

Total financial expenses (interest income, interest charges and exchange rate differences) amounted to Euro 4,489 thousand (Euro 5,839 thousand as at 31 December 2020) and include negative exchange effects of Euro 362 thousand (negative and equal to Euro 2,827 thousand as at 31 December 2020). Financial expenses alone, equal to Euro 4,344 thousand, were up compared with the previous year (Euro 3,310 thousand) following the line-by-line consolidation of SAFE&CEC and Metatron, as well as due to the fact that Landi Renzo S.p.A. took out a medium/long-term loan in July 2020 backed by the 90% SACE guarantee for a nominal amount of Euro 21 million, which has a duration of six years, of which two years of pre-amortisation, intended to cover the Group's financial commitments.

Income from investments is linked primarily to the acquisition of control over the SAFE&CEC Group, operating in the Clean Tech Solutions segment. Pursuant to IFRS 3, the Landi Renzo Group's interests in that company were measured at fair value, with the resulting recognition in the income statement of income from consolidation of Euro 8,783 thousand, deriving from the difference between the above-mentioned fair value and the value of the equity investment in the SAFE&CEC Group, measured with the equity method at the date of acquisition of control. The fair value of the group acquired at the combination date was determined by a leading independent expert.

As at 31 December 2021, the effect of the valuation of equity investments using the equity method was a positive Euro 620 thousand (negative at Euro 11 thousand as at 31 December 2020). This includes the Group's share of the profits for the period from the Group's joint ventures, namely:

- of the joint venture Krishna Landi Renzo, which in 2021 significantly boosted its sales to a major Indian OEM customer, recording revenue of Euro 19.6 million and EBITDA of Euro 3.6 million, with a resulting revaluation of the equity investment for Euro 1,286 thousand (revaluation of Euro 90 thousand as at 31 December 2020); and,
- limited to the first four months of 2021, or until its line-by-line consolidation by Landi Renzo S.p.A., of the SAFE&CEC Group, the result of which in the first four months of 2021 was negatively influenced by the completion of several contracts for the North African market, characterised by low margins, and which entailed a write-down in the equity investment of Euro 666 thousand (write-down of Euro 101 thousand as at 31 December 2020).

The year 2021 closed with positive earnings before taxes (EBT) of Euro 1,771 thousand (negative and equal to Euro 11,391 thousand at 31 December 2020).

The net result of the Group and minority interests as at 31 December 2021 showed a profit of Euro 545 thousand compared with a Group and minority interest loss of Euro 7,850 thousand as at 31 December 2020.

## SEGMENT REPORTING

Following the above-mentioned amendment of the shareholders' agreements, as of May 2021 the joint venture SAFE&CEC S.r.l. and its subsidiaries have been consolidated line-by-line, as the requirements for the acquisition of control established by the international accounting standards (IFRS 10) were met. Therefore, the management has identified two operating segments ("Cash Generating Units" or "CGUs") in which the Landi Renzo Group operates, i.e.:

- The **Green Transportation - Automotive** segment, referring primarily to the design, manufacture and sale through the OEM and After Market channels of mechanical and electronic systems and components for the use of automotive gas (CNG - Compressed Natural Gas, LNG – Liquid Natural Gas, LPG, RNG – Renewable Natural Gas and hydrogen) as well as, to a lesser extent, anti-theft alarms. This segment mainly includes the Landi Renzo, AEB, Lovato and Med brands. Since August 2021, the Green Transportation segment has also included the results of the Metatron Group, a leader in the supply of components for gas and hydrogen Mid & Heavy Duty mobility, in both Europe and China, where it serves the main segment operators based on well-established relationships.

- The **Clean Tech Solutions - Infrastructure** segment, referring to the SAFE&CEC Group and the design and manufacture of compressors for the processing and distribution of gas (CNG, RNG and Hydrogen) as well as operations in the Oil & Gas market. The broad range of SAFE&CEC Group products makes it possible to satisfy multiple market requirements for the compression of CNG, RNG and hydrogen, from "post generation" to distribution stations.

### Breakdown of sales by business segment

(Thousands of Euro)

| Distribution of revenues by segment | 31/12/2021 | % of revenues | 31/12/2020 | % of revenues | Change | % |
|---|---|---|---|---|---|---|
| Green Transportation segment | 172,914 | 71.5% | 142,455 | 100.0% | 30,459 | 21.4% |
| Clean TechSolutions segment | 69,080 | 28.5% | 0 | 0.0% | 69,080 | N/A |
| **Total revenues** | **241,994** | **100.0%** | **142,455** | **100.0%** | **99,539** | **69.9%** |

As at 31 December 2021, Green Transportation segment revenues included revenues earned by the Metatron Group, equal to Euro 6,095 thousand, consolidated by the Landi Renzo Group as of August 2021.

The Clean Tech Solutions segment data are not directly comparable with the same period of the previous year, as the SAFE&CEC Group was consolidated on a line-by-line basis starting from May 2021. As a result, the pro-forma data for 2021 (12 months of activity) are shown below compared with the same period of the previous year.

(Thousands of Euro)

| Distribution of revenues by segment | 31/12/2021 | % of revenues | 31/12/2020 | % of revenues | Change | % |
|---|---|---|---|---|---|---|
| Green Transportation segment | 172,914 | 65.2% | 142,455 | 64.2% | 30,459 | 21.4% |
| Clean TechSolutions segment (pro-forma) | 92,343 | 34.8% | 79,458 | 35.8% | 12,885 | 16.2% |
| **Total revenues** | **265,257** | **100.0%** | **221,913** | **100.0%** | **43,344** | **19.5%** |

## Breakdown of sales by geographical area

(Thousands of Euro)

| Geographical distribution of revenues | At 31/12/2021 | % of revenues | As of 31 December 2020 | % of revenues | Change | % |
|---|---|---|---|---|---|---|
| Italy | 27,281 | 11.3% | 23,785 | 16.7% | 3,496 | 14.7% |
| Europe (excluding Italy) | 107,071 | 44.2% | 73,292 | 51.4% | 33,779 | 46.1% |
| America | 38,412 | 15.9% | 16,799 | 11.8% | 21,613 | 128.7% |
| Asia and Rest of the World | 69,230 | 28.6% | 28,579 | 20.1% | 40,651 | 142.2% |
| **Total revenues** | **241,994** | **100.0%** | **142,455** | **100.0%** | **99,539** | **69.9%** |

Regarding the geographical distribution of revenues, the Group realised 88.7% of its consolidated revenues abroad in 2021 (83.3% at 31 December 2020) (44.2% in Europe and 44.5% outside Europe).

## Profitability

### Green Transportation operating segment performance

(Thousands of Euro)

| GREEN TRANSPORTATION | 31/12/2021 | 31/12/2020 | Change | % |
|---|---|---|---|---|
| Net sales outside the Group | 172,914 | 142,455 | 30,459 | 21.4% |
| Intersegment sales | 318 | 0 | 318 | 100.0% |
| **Total Revenues from net sales and services** | **173,232** | **142,455** | **30,777** | **21.6%** |
| Other revenues and income | 2,307 | 313 | 1,994 | 637.1% |
| Operating costs | -168,334 | -134,751 | -33,583 | 24.9% |
| **Adjusted gross operating profit (EBITDA)** | **7,205** | **8,017** | **-812** | **-10.1%** |
| Non-recurring costs | -1,668 | -1,365 | -303 | 22.2% |
| **Gross operating profit (EBITDA)** | **5,537** | **6,652** | **-1,115** | **-16.8%** |
| Amortisation, depreciation and impairment | -13,868 | -12,193 | -1,675 | 13.7% |
| **Net operating profit** | **-8,331** | **-5,541** | **-2,790** | **50.4%** |

| | | |
|---|---|---|
| **Adjusted EBITDA margin** | **4.2%** | **5.6%** |
| **EBITDA margin** | **3.2%** | **4.7%** |

Revenues from sales in the Green Transportation segment as at 31 December 2021 totalled Euro 172,914 thousand, increasing by Euro 30,459 thousand (+21.4%) compared with the same period of the previous year, which was particularly impacted by the effects of the lockdown imposed by governments to deal with the COVID-19 pandemic, and include revenues earned by the Metatron Group, consolidated by the Landi Renzo Group as of the month of August 2021, for Euro 6,095 thousand.

After a first half of the year with a net recovery, the raw material shortage, particularly with regard to semiconductors, and the crisis in the logistics sector heavily influenced the results of components manufacturers. This market situation indeed resulted on one hand in a reduction or deferral of orders from OEM customers (deriving from the need for automotive manufacturers to limit costs and to manage temporary production site closures) and on the other in difficulties in fulfilling existing orders.

Thanks to increasing orders from a major OEM customer, which is focusing on LPG bifuel engines to develop its "green" product range, Group sales in the OEM channel, inclusive of the contribution of the Metatron Group, amounted to Euro 77.9 million, up by Euro 12.9 million compared with 31 December 2020, but lower than forecasts made at the start of the year. A significant part of the orders expected to be delivered in the second half of the year were indeed deferred to the subsequent year.

Sales in the After Market channel, amounting to Euro 95.0 million (Euro 77.5 million at 31 December 2020), primarily relate to orders from distributors and authorised installers, both domestic and foreign, and rose primarily due to the recovery in several Latam, North African and Asian area markets. In particular, in the fourth quarter there was a net recovery in orders, with resulting effects on the Group's overall margins.

As concerns the increase in the cost of raw materials, please note that in the course of the fourth quarter a significant agreement was reached with a leading OEM customer intended to adapt sale prices on the basis of fluctuations in the main raw materials, with ensuing effects on margins compared with the previous quarters. Also in the After Market channel, initiatives have been undertaken to increase list prices, although with timing not always aligned with changes in raw material prices in light of increasing market competition.

A breakdown of revenues from sales in the Green Transportation segment by geographical area is provided below.

(Thousands of Euro)

| GREEN TRANSPORTATION | At 31/12/2021 | % of revenues | As of 31 December 2020 | % of revenues | Change | % |
|---|---|---|---|---|---|---|
| Italy | 22,805 | 13.2% | 23,785 | 16.7% | -980 | -4.1% |
| Europe (excluding Italy) | 85,443 | 49.4% | 73,292 | 51.4% | 12,151 | 16.6% |
| America | 26,117 | 15.1% | 16,799 | 11.8% | 9,318 | 55.5% |
| Asia and Rest of the World | 38,549 | 22.3% | 28,579 | 20.1% | 9,970 | 34.9% |
| **Total revenues** | **172,914** | **100.0%** | **142,455** | **100.0%** | **30,459** | **21.4%** |

Italy

The Italian market, accounting for 13.2% of total revenue (16.7% at 31 December 2020), is down compared with the same period of the previous year (-4.1%). After a first half of the year which recorded encouraging signs of a recovery, with growing demand for conversions, the second half of the year closed down as a result of delays in vehicle deliveries by automotive manufacturers (-24.9% compared with the same period of the previous year). UNRAE (Association of foreign car makers operating in Italy) data relating to the Italian market in any event show that 9% of total vehicle registrations in Italy continue to be for vehicles with gas (CNG and LPG) engines.

Europe

The rest of Europe represents 49.4% of total sales (51.4% at 31 December 2020) and is up 16.6% thanks primarily to growing orders from a major OEM customer, which is basing the development of its "green" product line on LPG bifuel engines. The current shortage in semiconductors in the market has triggered temporary production interruptions, with a resulting delay in part of the orders expected to be delivered in the second half of the year.

America

Sales in 2021 on the American continent, amounting to Euro 26,117 thousand (Euro 16,799 thousand at 31 December 2020), marked an increase of 55.5% thanks to the positive performance of the Latam area which is showing important signs of a recovery.

Asia and Rest of the World

The Asian and Rest of the World markets, amounting to 22.3% of total revenue (20.1% at 31 December 2020) rose by 34.9% thanks to the positive performance of the North African and Asian markets.

**Profitability**

| GREEN TRANSPORTATION | Q4 2021 | Q3 2021 | Q2 2021 | Q1 2021 | 31/12/2021 | Q4 2020 | Q3 2020 | Q2 2020 | Q1 2020 | 31/12/2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenue | 53,401 | 42,890 | 43,682 | 33,259 | **173,232** | 43,447 | 39,151 | 22,687 | 37,170 | **142,455** |
| Adjusted gross operating profit (EBITDA) | 4,404 | 1,060 | 1,233 | 508 | **7,205** | 3,635 | 2,530 | -1,032 | 2,884 | **8,017** |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| % of revenues | *8.2%* | *2.5%* | *2.8%* | *1.5%* | ***4.2%*** | *8.4%* | *6.5%* | *-4.5%* | *7.8%* | ***5.6%*** |
| Gross operating profit (EBITDA) | 4,069 | 477 | 634 | 357 | **5,537** | 3,164 | 2,450 | -1,402 | 2,440 | **6,652** |
| % of revenues | *7.6%* | *1.1%* | *1.5%* | *1.1%* | ***3.2%*** | *7.3%* | *6.3%* | *-6.2%* | *6.6%* | ***4.7%*** |
| Net operating profit (EBIT) | 520 | -3,178 | -2,694 | -2,979 | **-8,331** | 63 | -534 | -4,467 | -603 | **-5,541** |
| % of revenues | *1.0%* | *-7.4%* | *-6.2%* | *-9.0%* | ***-4.8%*** | *0.1%* | *-1.4%* | *-19.7%* | *-1.6%* | ***-3.9%*** |

The adjusted Gross Operating Profit (EBITDA) of the Green Transportation segment, net of non-recurring costs of Euro 1,668 thousand, was positive at Euro 7,205 thousand, equivalent to 4.2% of revenues, down compared with the previous year (Euro 8,017 thousand, equal to 5.6% of revenues and net of non-recurring costs of Euro 1,365 thousand).

At 31 December 2021, Group margins were impacted by the significant influence on the total of OEM channel sales, characterised by lower profit margins than After Market channel sales, as well as the increase in raw material prices. In any event, there was a significant recovery in margins in the course of the fourth quarter, linked to the agreement reached with a major OEM customer to adapt sale prices to trends in the main raw material prices and the recovery, especially in the final months of the year, of After Market channel sales.

The adjusted Gross Operating Profit (EBITDA) of the Green Transportation segment, amounting to Euro 7,205 thousand, includes the contribution of the Metatron Group, consolidated as of August 2021, which recorded negative margins of Euro 236 thousand, primarily due to the current difficult situation in the Chinese market, but which are aligned, in terms of % of sale revenues, with the margins of pre-existing activities.

### Clean Tech Solutions operating segment performance

(Thousands of Euro)

| **CLEAN TECH SOLUTIONS** | **31/12/2021 (May – December 2021)** |
|---|---|
| Net sales outside the Group | 69,080 |
| Intersegment sales | 0 |
| **Total Revenues from net sales and services** | **69,080** |
| Other revenues and income | 303 |
| Operating costs | -61,974 |
| **Adjusted gross operating profit (EBITDA)** | **7,409** |
| Non-recurring costs | -331 |
| **Gross operating profit (EBITDA)** | **7,078** |
| Amortisation, depreciation and impairment | -1,688 |
| **Net operating profit** | **5,390** |
| **Adjusted EBITDA margin** | **10.7%** |
| **EBITDA margin** | **10.2%** |

The SAFE&CEC Group was consolidated line-by-line as of May 2021. To better understand the Clean Tech

Solutions segment's performance, pro-forma data are provided below (for 12 months) in terms of revenues from sales, adjusted EBITDA and EBIT for the year 2021 compared with the same period of the previous year.

(Thousands of Euro)

| CLEAN TECH SOLUTIONS – pro-forma | 31/12/2021 | 31/12/2020 | Change | % |
|---|---|---|---|---|
| Revenues from net sales and services | 92,343 | 79,458 | 12,885 | 16.2% |
| Adjusted gross operating profit (EBITDA) | 8,343 | 5,073 | 3,270 | 64% |
| Net operating profit (EBIT) | 4,576 | 2,194 | 2,382 | 109% |
| Adjusted EBITDA margin | *9.0%* | *6.4%* | | |
| EBIT margin | *5.0%* | *2.8%* | | |

**Sales revenues**

At 31 December 2021, the Clean Tech Solutions segment recorded Revenues in the period subject to consolidation (May-December 2021) of Euro 69,080 thousand. At pro-forma level, revenues for the entire year 2021 instead amounted to Euro 92,343 thousand, up by 16.2% compared with the same period of the previous year (Euro 79,458 thousand), confirming increasing investments in biomethane production plants and in fuel supply stations to support gas mobility.

Despite the negative effects on the international economy of the continuation of the COVID-19 pandemic and difficulties in obtaining raw materials in the market, the SAFE&CEC Group continues to present improving results and an order portfolio capable of covering a significant portion of 2022, with production saturated throughout the first half of the year and significant orders for the third quarter as well. In the course of 2021, the SAFE&CEC Group has won important contracts, including a contract for the supply and assembly of more than 150 compressors in Egypt for the companies Gastech (Egyptian International Gas Technology) and NGVC (Natural Gas Vehicles Company), but also significant projects for the compression of biomethane in the United States, as well as two important projects where SAFE&CEC compressors will be used for the private fuel supply stations of one of the most famous e-commerce and distribution companies in the world in the United States.

**Revenue by geographical area**

(Thousands of Euro)

| CLEAN TECH SOLUTIONS | At 31/12/2021 (May – December 2021) | % of revenues |
|---|---|---|
| Italy | 4,430 | 6.4% |
| Europe (excluding Italy) | 21,408 | 31.0% |
| America | 16,350 | 23.7% |
| Asia and Rest of the World | 26,892 | 38.9% |
| **Total revenues** | **69,080** | **100.0%** |

The revenue by geographical area set forth above (referring to a period of 8 months, starting from the change of control) represents an insignificant indicator for the Clean Tech Solutions segment, given its extreme variability depending on the projects completed during the period, and recorded significant results in the Asia and Rest of the World area, primarily due to important contracts for the North African market.

**Profitability**

| (Thousands of Euro) | | | | |
|---|---|---|---|---|
| **CLEAN TECH SOLUTIONS** | **Q4 2021** | **Q3 2021** | **Q2 2021 (*)** | **31/12/2021** |
| Revenue | 26,353 | 23,706 | 19,021 | **69,080** |
| Adjusted gross operating profit (EBITDA) | 2,655 | 2,017 | 2,737 | **7,409** |
| % of revenues | *10.1%* | *8.5%* | *14.4%* | ***10.7%*** |
| Gross operating profit (EBITDA) | 2,594 | 1,913 | 2,571 | **7,078** |
| % of revenues | *9.8%* | *8.1%* | *13.5%* | ***10.2%*** |
| Net operating profit (EBIT) | 1,952 | 1,279 | 2,159 | **5,390** |
| % of revenues | *7.4%* | *5.4%* | *11.4%* | ***7.8%*** |

(*) relating only to the months of May and June 2021

For the Clean Tech Solutions segment, adjusted Gross Operating Profit (EBITDA) relating to the months of May-December 2021 was positive, amounting to Euro 7,409 thousand and equivalent to 10.7% of revenues. At pro-forma level, or considering the results of the SAFE&CEC Group for the entire year 2021, adjusted EBITDA was Euro 8,343 thousand and amounted to 9.0% of revenues, up compared with the same period of the previous year (Euro 5,073 thousand, equal to 6.4% of revenues).
The SAFE&CEC Group's profitability was progressively improving as a result of:

- the positive effects of product standardisation activities, under way for some time now, and which generated their initial results starting from the second quarter of 2021 with a significant reduction in production costs;
- the increase in revenue, which allowed for a better absorption of fixed costs.

The table below provides statement of financial position data by segment at 31 December 2021.

| | 31/12/2021 | | | | |
|---|---|---|---|---|---|
| (Thousands of Euro) | *Green Transportation* | *Clean Tech. Solutions* | Intersegment | Unrelated to segment | Landi Renzo Consolidated |
| Trade receivables | 48,525 | 17,557 | -34 | | 66,048 |
| Inventories | 53,657 | 30,892 | | | 84,549 |
| Trade payables | -58,000 | -24,920 | 34 | | -82,886 |
| Other net current assets (liabilities) | 163 | -13,983 | | | -13,820 |
| **Net operating capital** | **44,345** | **9,546** | **0** | **0** | **53,891** |
| Tangible assets | 13,109 | 1,868 | | | 14,977 |

| | | | | | |
|---|---|---|---|---|---|
| Intangible assets | 70,332 | 33,942 | | | 104,274 |
| Right-of-use assets | 5,725 | 6,266 | | | 11,991 |
| Other non-current assets | 18,641 | 309 | | | 18,950 |
| **Fixed capital** | **107,807** | **42,385** | **0** | **0** | **150,192** |
| | | | | | |
| TFR (employee severance indemnity) and other provisions | 7,291 | 2,673 | | | 9,964 |
| **Net invested capital** | **144,861** | **49,258** | **0** | **0** | **194,119** |
| | | | | | |
| **Financed by:** | | | | | |
| | | | | | |
| Net Financial Position | | | | -133,493 | -133,493 |
| Group shareholders' equity | | | | -54,888 | -54,888 |
| Minority interests | | | | -5,738 | -5,738 |
| **Borrowings** | **0** | **0** | **0** | **-194,119** | **-194,119** |

As the Group operated only in the Green Transportation segment in 2020, the financial data at 31 December 2020 entirely relate to that segment.

## Invested capital

| (Thousands of Euro) | | |
|---|---|---|
| **Statement of Financial Position** | **31/12/2021** | **31/12/2020** |
| Trade receivables | 66,048 | 39,353 |
| Inventories | 84,549 | 42,009 |
| Trade payables | -82,886 | -53,509 |
| Other net current assets (liabilities) (*) | -13,820 | -1,000 |
| **Net operating capital** | **53,891** | **26,853** |
| | | |
| Tangible assets | 14,977 | 13,212 |
| Intangible assets | 104,274 | 50,460 |
| Right-of-use assets | 11,991 | 4,975 |
| Other non-current assets | 18,950 | 38,481 |
| **Fixed capital** | **150,192** | **107,128** |
| | | |
| TFR (employee severance indemnity) and other provisions | -9,964 | -4,750 |
| **Net invested capital** | **194,119** | **129,231** |
| | | |
| **Financed by:** | | |
| | | |
| Net Financial Position (**) | 133,493 | 72,917 |
| Group shareholders' equity | 54,888 | 56,787 |
| Minority interests | 5,738 | -473 |
| **Borrowings** | **194,119** | **129,231** |

| Ratios | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Net operating capital | 53,891 | 26,853 |
| Net operating capital/Turnover (***) | 19.4% | 18.9% |
| Net invested capital | 194,119 | 129,231 |
| Net invested capital/Turnover (***) | 69.8% | 90.7% |

*(*) Net of the remaining payable for the acquisition of the Metatron Group of Euro 25,436 thousand*

*(**) The net financial position at 31 December 2021 is inclusive of Euro 12,821 thousand for financial liabilities for rights of use deriving from the application of IFRS 16 - Leases, Euro 99 thousand for derivative financial instruments and Euro 25,436 thousand relating to the payable for the acquisition of Metatron*

*(***) In order to calculate the indicator in question at 31 December 2021, following the line-by-line consolidation of the SAFE&CEC Group as of May 2021 and the Metatron Group as of August 2021, the figures relating to revenue were calculated and expressed pro forma taking into consideration the entire year 2021.*

Net operating capital at the end of the period stood at Euro 53,891 thousand. This is an increase compared with the same figure at 31 December 2020 (Euro 26,853 thousand), primarily attributable to the consolidation of SAFE&CEC and Metatron. In terms of percentages on turnover, there was substantial stability in this figure, which went from 18.9% as at 31 December 2020 to the current 19.4%.

Trade receivables stood at Euro 66,048 thousand (of which Euro 17,557 thousand relating to the Clean Tech Solutions segment and Euro 7,751 thousand relating to the Metatron Group), an increase compared with 31 December 2020 (Euro 39,353 thousand). The analyses performed did not bring to light relevant critical issues in terms of Group customer solvency. At 31 December 2021, derecognised receivables disposed through maturity factoring stood at Euro 12.2 million (Euro 11.7 million at 31 December 2020).

Trade payables are up by Euro 29,377 thousand from Euro 53,509 thousand as at 31 December 2020 to Euro 82,886 thousand as at 31 December 2021 (of which Euro 24,920 thousand relating to the Clean Tech Solutions segment and Euro 3,498 thousand to the Metatron Group).

Inventories, amounting to Euro 84,549 thousand (Euro 42,009 thousand as at 31 December 2020), rose due to the above-mentioned consolidation of SAFE&CEC (Euro 30,892 thousand as at 31 December 2021) and Metatron (Euro 7,873 thousand as at 31 December 2021), also due to the significant acquisitions made by the Parent Company Landi Renzo of electronic components and other strategic components, in order to handle the current procurement difficulties linked to the shortage of raw materials in the market and intended to guarantee production continuity. As at 31 December 2021, inventories are inclusive of contract work in progress of the Clean Tech Solutions segment of Euro 15,653 thousand.

Fixed capital, amounting to Euro 150,192 thousand and inclusive of Euro 11,991 thousand for right-of-use assets recognised pursuant to IFRS 16 - Leases, increased as a result of the consolidation of SAFE&CEC and Metatron, which resulted in the recognition of goodwill of Euro 25,393 thousand and Euro 19,854 thousand, respectively. With reference to the acquisition of SAFE&CEC, the PPA (Purchase Price Allocation) was completed and the relative results, described in the "Goodwill" section of the explanatory notes, are reflected in these consolidated financial statements. Instead, with regard to the acquisition of

Metatron, the PPA (Purchase Price Allocation) is still ongoing.

Considering the above-mentioned acquisitions, these consolidated financial statements include goodwill totalling Euro 75,341 thousand, attributed to 2 separate CGUs, i.e., Euro 25,393 thousand to the SAFE&CEC "Clean Tech Solutions - Infrastructure" CGU and Euro 49,948 thousand to the "Green Transportation-Automotive" CGU. The above-mentioned goodwill was tested for impairment at 31 December 2021 and none was identified. Please refer to the "Goodwill" section of the explanatory notes for more information.

As at 31 December 2021, TFR (employee severance indemnity) and other provisions of Euro 9,964 thousand rose following the consolidation of SAFE&CEC and Metatron.

Net invested capital of Euro 194,119 thousand (69.8% of turnover) is up compared with 31 December 2020 following the consolidation of SAFE&CEC and Metatron.

## Net financial position and cash flows

| (Thousands of Euro) | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Cash and cash equivalents | 28,039 | 21,914 |
| Current financial assets | 0 | 2,801 |
| Bank financing and short-term loans | -103,408 | -23,108 |
| Current right-of-use liabilities | -2,624 | -2,228 |
| Other current financial liabilities | -274 | -378 |
| **Net short term indebtedness** | **-78,267** | **-999** |
| Non-current bank loans | -10,174 | -68,181 |
| Other non-current financial liabilities | -9,320 | -408 |
| Non-current right-of-use liabilities | -10,197 | -2,871 |
| Liabilities for derivative financial instruments | -99 | -458 |
| **Net medium-long term indebtedness** | **-29,790** | **-71,918** |
| Commitments for the purchase of equity investments | -25,436 | 0 |
| **Net Financial Position** | **-133,493** | **-72,917** |
| **Net Financial Position - adjusted (*)** | **-95,137** | **-67,360** |
| *- of which Green Transportation* | -91,114 | -67,360 |
| *- of which Clean Tech Solutions* | -4,023 | |

**(*)** Not including the effects of the adoption of IFRS 16 - Leases, the fair value of derivative financial instruments and the payable for the acquisition of the Metatron Group

The Net Financial Position as at 31 December 2021 is equal to Euro 133,493 thousand (Euro 72,917 thousand as at 31 December 2020), of which Euro 12,821 thousand due to the application of IFRS 16 - Leases, Euro 99 thousand due to the fair value of derivative financial instruments and Euro 25,436 thousand due to the remaining payable for the acquisition of the Metatron Group (amount classified in Other current liabilities in the consolidated statement of financial position). Without considering the effects arising from the adoption of this accounting standard, the fair value of derivative financial instruments and the remaining payable for the acquisition of equity investments, the Net Financial Position as at 31 December 2021 would have been equal to Euro 95,137 thousand, of which Euro 4,023 thousand linked to the Clean Tech Solutions segment (a net improvement compared with the previous quarter) and Euro 91,114 thousand to the Green Transportation segment.

With reference to the Clean Tech Solutions segment, please note that on 30 December 2021 the subsidiary SAFE S.p.A. issued a bond for a nominal value of Euro 7 million, consisting of 70 bonds with a unit nominal amount of Euro 100,000 each, subscribed by Finint (Finanziaria Internazionale Investments SGR S.p.A.). The loan, with a contractual duration until 31 August 2027 and a gross annual nominal fixed rate of 5%, calls for half-yearly repayment starting from 1 January 2024 and is also subject to compliance with financial parameters with reference to the data set forth in the consolidated financial statements of the SAFE&CEC Group as at 31 December of each year. In this regard, please note that the financial parameters on the bond issue of the SAFE&CEC Group had been respected at 31 December 2021. The loan, included within a more extensive transaction, is intended to finance the acquisition by SAFE S.p.A. of Idro Meccanica S.r.l., which was completed in January 2022 and is described in detail in the section "Significant events after the reporting period and business outlook" of the Directors' Report;

The adjusted Net financial position of the Green Transportation segment, net of the contribution of the Metatron Group (Euro 7,355 thousand), was basically stable compared with the previous quarter but up by Euro 16,399 thousand compared with 31 December 2020, especially following the increase in operating capital and investments for the period, as well as the lower margins expressed in the year 2021.

In this regard, and with reference to the financial covenants in place at 31 December 2021 on the main Landi Renzo S.p.A. loans, please note that on 3 December 2021 the Company presented to the various financial institutions "Waiver Letters" containing some specific requests for consent and/or exemption in relation to the outstanding loan agreements, particularly with reference to the possibility of failure to comply with financial covenants at 31 December 2021. Following punctual negotiations with the financing institutions, on 9 February 2022 all credit institutions underwriting the loans provided their consent, issuing waiver letters with respect to the financial covenants as at 31 December 2021, consent to taking out a new planned subsidised medium/long-term loan to be finalised in the course of 2022 and, with respect to the loan taken out from a pool of banks in 2019, consent to the deferment of the principal instalment of Euro 4,714 thousand falling due on 31 December 2021, which was rescheduled in an equal amount to the following three instalments falling due on 30 June 2022, 31 December 2022 and 30 June 2023. Furthermore, as described above, the above-mentioned waiver letters are expressly subject to the finalisation of the share capital increase of the parent company Landi Renzo S.p.A. to be carried out in an amount of at least Euro 25.4 million, by no later than 30 June 2022. A dedicated disclosure is provided below in this section with respect to the planned share capital increase transaction.

Considering that the above-mentioned waivers were obtained in the course of the initial months of 2022, the payables to credit institutions on which there are financial covenants were reclassified in full to liabilities maturing in the short term in these financial statements, in accordance with IAS/IFRS.

With respect to the remaining payable for the acquisition of the Metatron Group, amounting to Euro 25,436

thousand at 31 December 2021, please note that in the course of February 2022 the acquisition of an additional 23.43% of Metatron S.p.A. was formalised, so Landi Renzo S.p.A. now holds a stake of 72.43%. For the payment of the total consideration to the minority shareholders and Italy Technology Group S.r.l., amounting to Euro 18,062 thousand, Girefin S.p.A., the controlling shareholder of Landi Renzo S.p.A., made a lump-sum amount available to the Company corresponding to the entire amount of the above-mentioned consideration by means of a shareholder loan bearing interest at an annual rate of 1%. The remaining stake (27.57%) owned by the shareholder Italy Technology Group will be acquired by Landi Renzo S.p.A. by the end of 2022 for Euro 7,374 thousand.
This provides a significant confirmation of the reference shareholder's desire to support the Group's growth, particularly in the Green Transportation segment.

In this regard, please note that in the course of the second half of the year the directors of the parent company Landi Renzo S.p.A. initiated procedures to be able to access the measures established under the Fund Supporting Large Companies in difficulty - Decree-Law no. 41/2021, Art. 37, Interministerial Decree of 5 July 2021 and Executive Decree of 3 September 2021, and intended to disburse a significant new line of credit in favour of Landi Renzo S.p.A.
In February 2022, the company received a notification from Invitalia (Agenzia Nazionale per l'Attrazione degli Investimenti e lo sviluppo di impresa SpA) concerning its admission to the above-mentioned procedure and took prompt action to meet the formal requirements established and necessary to proceed with the finalisation of the agreement for the provision of subsidies, which is expected to possibly be concluded by the end of March 2022.
Following up on what is set forth above, and to take into account the changed market environment, the directors prepared a new Group economic-financial plan for the 2022-2025 period, which was approved by the Landi Renzo S.p.A. Board of Directors on 15 March 2022 and calls for a share capital increase of up to a maximum of Euro 60 million.

This transaction is linked to the signing in March 2022 by the controlling shareholders of Landi Renzo - Girefin S.p.A. and Gireimm S.r.l., which hold a total joint investment of 59.16% of the share capital of Landi Renzo - of a non-binding term sheet with Itaca Equity Holding S.p.A., which lays the foundation for a minority investment in the share capital of Landi Renzo, as a long-term investor, aiming to support Landi Renzo's expansion in the compression and automotive segments. The main shareholder of Itaca Equity Holding is Tamburi Investment Partners. The transaction calls for a co-investment by Cristiano Musi, Chief Executive Officer of Landi Renzo. Within the new business plan and in order to provide the Group with the necessary financial resources, the Board of Directors approved the proposal to the upcoming shareholders' meeting to delegate the Board of Directors pursuant to Article 2443 of the Italian Civil Code to increase the share capital by a maximum of Euro 60.0 million, indivisible up to Euro 50.0 million, with the option right, to be paid up by means of contributions in cash and by the voluntary offsetting, pursuant to Article 1252 of the Italian Civil Code, of receivables due to the subscribers from Landi Renzo and to be subscribed by no later than 31 December 2023. The share capital increase is guaranteed by the Landi Family and by Itaca Equity Holding up to the amount of Euro 50.0 million, assuming the completion of the transaction between the Landi Family and Itaca Equity Holding.

Considering the complexity of the procedure to be applied to the planned share capital increase, due to the technical aspects required by the regulations governing the market, although uncertainty remains as to the timing for its execution and finalisation by the end of the first half of 2022, on the basis of the information currently available it is deemed highly likely that by that deadline the share capital increase will be finalised to an extent adequate to allow for compliance with the termination clause included in the above-mentioned financial covenants. In this regard, please note that if in the course of the coming months delays are expected for any reason whatsoever in the finalisation of the transaction within that timeframe, the Company will be responsible for initiating dialogue with the credit institutions to take the actions necessary to obtain the relative consent, which is also required contractually, also taking into account if necessary any financial support of the controlling shareholder, already extensively demonstrated in the course of previous years and not lastly with the provision of an Euro 18 million loan, described previously.

Considering what is set forth above, the forecasts developed by the directors for the coming years and reflected in the Group's economic-financial plan, approved by the Landi Renzo S.p.A. Board of Directors on 15 March 2022, and the most recent information available, it is believed that the Landi Group has adequate financial resources to pursue its business and Group objectives on the basis of the going concern assumption.

The following table illustrates the trend in total cash flow:

| (Thousands of Euro) | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Gross operational cash flow | 7,390 | 6,800 |
| Cash flow for investment activities | -8,107 | -11,611 |
| **Gross Free Cash Flow** | **-717** | **-4,811** |
| Variation in the consolidation area | 3,575 | 0 |
| Non-recurring expenditure for voluntary resignation incentives | -425 | -495 |
| **Net Free Cash Flow** | **2,433** | **-5,306** |
| Repayment of leases (IFRS 16) | -3,473 | -2,399 |
| **Overall cash flow** | **-1,040** | **-7,705** |

In the course of 2021, there was cash absorption of Euro 1,040 thousand (absorption of Euro 7,705 thousand in 2020), primarily linked to the change in the scope of consolidation with the entry of SAFE&CEC and Metatron.

The net free cash flow for the period was a positive Euro 2,433 thousand, of which a negative Euro 6,965 thousand generated by net operations, and a negative Euro 4,532 thousand by net investments (inclusive of the cash contribution deriving from the consolidation of the SAFE&CEC Group and the Metatron Group).

As concerns exchange effects, the significant change in the translation reserve recorded in the year 2021 is mainly linked to the decision to use the effective market exchange rate instead of the official rate for the translation of the economic and financial data of one of our non-strategic subsidiaries. This decision is linked to the fact that the official exchange rate is now applicable only to transactions on essential goods, which does not include the Group's products, and therefore it is now inadequate to provide a true and fair view of the Group's profit and loss, financial position and cash flows. As a result, in order to translate the balances in foreign currency, the exchange rate reported by the Central Bank of the reference country was adopted, which is not the same as the official rate, as the financial transactions in foreign currency of our subsidiary are now carried out exclusively on the basis of that exchange rate, defined on a daily basis by the above-mentioned central bank.

**Investments**

Investments in property, plant, machinery and other equipment totalled Euro 3,188 thousand (Euro 6,209 thousand as at 31 December 2020) and refer to the investments made by the Group in the new production lines and moulds required to launch new products and to cover the increasing orders from a leading OEM customer.

The increase in intangible assets amounted to Euro 5,426 thousand (Euro 5,712 thousand at 31 December 2020) and mainly related to the capitalisation of costs of development projects relating to new products for the OEM and After Market channels, as well as for the Heavy Duty and Hydrogen mobility segments, which meet the requirements of IAS 38 for recognition as balance sheet assets.

The foregoing bears witness to the Group's strong desire to continue to invest in the reference sectors, through not only new acquisitions but also development activities, which have always represented a distinctive factor of the Landi Renzo Group.

## Main individual results of Landi Renzo S.p.A. (Parent Company) for the year ending 31 December 2021

In 2021, Landi Renzo S.p.A. generated revenues of Euro 131,455 thousand compared with Euro 112,716 thousand in the same period of the prior year. EBITDA totalled Euro 5,590 thousand, compared with Euro 6,114 thousand at 31 December 2020, while the net financial position was Euro -112,961 thousand (Euro -84,834 thousand, net of the effects deriving from the application of IFRS 16, the fair value of financial derivative contracts and the remaining payable for the acquisition of the Metatron Group) compared with Euro -78,971 thousand at 31 December 2020 (Euro -74,041 thousand, net of the effects deriving from the application of IFRS 16 and the fair value of financial derivative contracts).

At the end of 2021, the Parent Company's workforce numbered 297 employees, down by 21 compared with 31 December 2020 (318).

# Statement of reconciliation between the data of the parent company's financial statements and the data of the consolidated financial statements

The following is a reconciliation statement between the results for the period and the capital and reserves of the Group with the corresponding values of the Parent Company.

(Thousands of Euro)

| RECONCILIATION STATEMENT | Shareholders' equity at 31.12.2021 | Result at 31.12.2021 | Shareholders' equity at 31.12.2020 | Result at 31.12.2020 |
|---|---|---|---|---|
| **Shareholder's equity and result for the year of the Parent Company** | **42,756** | **-9,131** | **51,375** | **-6,284** |
| Difference between the carrying amount and pro rata value of the shareholders' equity of consolidated companies | 13,685 | 0 | 5,028 | 0 |
| Results achieved by investees | 0 | 1,252 | 0 | -3,178 |
| Elimination of intra-group dividends | 0 | 0 | 0 | 0 |
| Elimination of the effects of intra-group commercial transactions | -634 | 42 | -676 | 153 |
| Exchange gains and losses from the measurement of intra-group loans | -915 | 0 | 1,000 | 0 |
| Elimination of revaluation/(impairment loss) on investments | 0 | 2,254 | 0 | 1,320 |
| Elimination of the effects of intra-group assets | -395 | -7 | -388 | 118 |
| Capital gain from combination | 6,129 | 6,129 | 0 | 0 |
| Other minor effects | 0 | 6 | -25 | 21 |
| **Shareholders' equity and result for the year from Consolidated Financial Statements** | **60,626** | **545** | **56,314** | **-7,850** |
| Shareholders' equity and result for the year of minority interests | 5,738 | 1,522 | -473 | -188 |
| **Shareholders' equity and result for the year of the Group** | **54,888** | **-977** | **56,787** | **-7,662** |

# Other information

**Transactions with related parties**

Creditor/debtor relationships and economic transactions with related parties are subject to specific analysis in the relevant section of the Explanatory Notes to the consolidated and separate financial statements, to which you should refer. Please note that transactions with related parties, including intra-group transactions, cannot be qualified as either atypical or unusual, as they are part of the normal activities of the Group companies, and that transactions are concluded according to contractual conditions that reflect arm's length conditions, taking into account the characteristics of the goods and services provided.

Regarding relationships with the parent company Girefin S.p.A., the Directors of Landi Renzo S.p.A. do not consider it exercises the administration and coordination activities envisaged by Article 2497 of the Italian Civil Code, because:

- the shareholder lacks the means and structures to perform these activities, since it does not have employees or other collaborators capable of providing support for Board of Directors' activities;
- it does not prepare the budgets and business plans for Landi Renzo S.p.A.;
- it does not give any guidance or instructions to the subsidiary; it does not request to be informed in advance of or to approve the subsidiary's more significant transactions, nor those of ordinary administration;
- no committees or working groups, formal or informal, are established with representatives of Girefin S.p.A. and representatives of the subsidiary.

As of today, there have been no changes with regards to the conditions indicated above.

With reference to transactions with related parties, please also note the above-mentioned agreement to amend the shareholders' agreements entered into by Landi Renzo S.p.A. and Clean Energy Fuels Corp intended to provide Landi Renzo S.p.A. with greater decision-making and control autonomy over the SAFE&CEC Group. This transaction resulted in the line-by-line consolidation of the subsidiary as of May 2021. The effects of that consolidation are described in the various sections of this annual financial report, and the dedicated paragraph relating to transactions with related parties illustrates the transactions with the SAFE&CEC Group limited to the first four months of 2021.

Furthermore, please refer to what is set forth in the section "Significant events after the reporting period and business outlook", with respect to the loan granted by Girefin S.p.A., the controlling shareholder of Landi Renzo S.p.A., in its favour for a total of Euro 18,062 thousand in the course of February 2022, the conditions of which establish an annual rate of 1%. This transaction is part of the above-mentioned acquisition of the Metatron Group and in particular to financially support Landi Renzo S.p.A. for a share of the debt accrued for that acquisition. Pursuant to the related party transaction procedure adopted by the Company, the above-mentioned shareholder loan should be considered "significant" and, as such, it was submitted for a preventive opinion to the Committee for transactions with related parties, consisting exclusively of independent directors, which expressed its favourable opinion on the Company's interest in entering into the shareholder loan agreement, as well as the cost effectiveness and fairness of the relative conditions.

Finally, in accordance with Consob Regulation 17221/2010, and pursuant to Article 2391-bis of the Italian Civil Code, the Board of Directors has adopted the specific procedure for transactions with related parties. On 30 June 2021, the Board of Directors of Landi Renzo S.p.A. approved the update of procedures relating to transactions with related parties in order to align them with Consob Resolution no. 21624 of 10/12/2020. The new procedures entered into force as of 1 July 2021 and are also published on the Company's website.

**Positions or transactions deriving from atypical and/or unusual transactions**

Pursuant to Consob communication no. 6064293 of 28 July 2006, note that during the year 2021, except for the line-by-line consolidation of the SAFE&CEC Group described above, no atypical and/or unusual transactions occurred outside the normal operation of the company that could give rise to doubts regarding the correctness and completeness of the information in the financial statements, conflicts of interest, protection of company assets and safeguarding of minority shareholders.

**Treasury shares and shares of parent companies**

In compliance with the provisions of Article 2428 of the Italian Civil Code, it is confirmed that during 2021 the Parent company did not negotiate any treasury shares or shares of parent companies and does not at present hold any treasury shares or shares of parent companies.
The subsidiaries do not hold any shares of the Parent Company.

**Sub-offices**

No sub-offices were established.

**Corporate governance**

The Corporate Governance Report is available on the website www.landirenzogroup.com in the Investor section.

**Policy for analysing and managing risks connected with the activities of the Group**

This section provides information on exposure to risks connected with the activities of the Group as well as the objectives, policies and processes for managing such risks and the methods used to asses and to mitigate them.
The guidelines for the internal control and risk management system of the Group defined by the Board of Directors identify the internal audit system as a cross-sectional process integrated with all the company

activities, which is based on the international principles of Enterprise risk management as a reference best practice for the architecture of internal audit systems. The purpose of the internal audit and risk management system is to help the Group to realise its performance and profit objectives, to obtain reliable economic-financial information and to ensure compliance with the laws and regulations in force, preventing damage to the company's image and economic losses. In this process, particular importance is given to the identification of corporate objectives, the classification (based on combined assessments regarding the probability and the potential impact) and the classification and control of the business risks connected to them, through the implementation of specific actions aimed at containing such risks. There are various types of potential business risks: external, strategic, operational (related to the effectiveness and efficiency of business operations), reporting (related to the reliability of economic-financial information), compliance (related to the observance of the laws and regulations in force, to avoid the company suffering damage to its image or and/or economic losses) and, lastly, financial.

Those in charge of the various branches of company management identify and assess the risks within their jurisdiction, whether these originate within or outside the Group, and identify actions to limit and reduce them (so-called "first line audit").

In addition, there are the activities of the Financial Reporting Manager and his staff (so called "second level audit") and those of the Manager of the Internal Audit function (so called "third level audit") who continuously monitors the efficiency and effectiveness of the internal audit and risk management system through risk assessment activities, the performance of audit operations and the subsequent management of follow up.

The results of the risk identification procedures are reported and discussed at the Top Management level of the Group in order to create the prerequisites for their cover, insurance and for the assessment of the residual risk.

The following paragraphs describe the risks considered to be significant and connected with the activities of the Group (the order in which they are listed does not imply any classification, either in terms of probability of their occurrence or in terms of possible impact).

EXTERNAL RISKS

Due to the continuation of the COVID-19 pandemic, the management has been closely monitoring the evolution of the pandemic situation in order to address and prevent the issues generated by its spread and be able to take prompt action with adequate prevention measures, with a view to protecting the health of employees and associates (sanitisation of work environments, distribution of personal protection equipment, social distancing, extended remote working) and operating activities.

In the course of the early months of 2022, the Russia-Ukraine crisis brought to the fore new, unexpected external risks, which the management immediately began to monitor carefully, evaluating their impacts on current activities. To date, on the basis of available information and the fact that the exposure to the Russian market currently appears to be limited for the Landi Group, there are no particular critical issues to be reported, although upcoming developments in the conflict and the relative impacts will continue to be evaluated.

STRATEGIC RISKS

**• Risks relating to the macroeconomic and sector situation**

The activity of the Group is influenced by the general conditions of the economy in the various markets where it operates. A phase of economic crisis, with a consequent slowdown in consumption, can have a negative impact on the sales trends of the Group.
The macroeconomic context may cause significant uncertainty regarding future expectations, with the resulting risk that reduced performance could impact margins in the short term. In order to mitigate the possible negative impact that a downturn in demand could have on company profits, the Landi Renzo Group has outsourced part of its production to third-party suppliers; supplies to car manufacturers, on the other hand, are handled by the Group's own structures, as agreed with the customers for more effective synergy. In addition, when necessary, fixed-term contracts are also used.
The Group pursues its aim of increasing its industrial efficiency and improving its capacity for lean manufacturing, while reducing overhead costs.

**• Risks connected with the international expansion strategy**

The Group sells its products in more than 50 countries, in 17 of which it operates directly, including through its own companies. In 2021, the Group achieved 88.7% of consolidated revenues abroad.
In pursuing its expansion strategy, the Group has invested, and may invest more in the future, including in countries characterised by considerable instability in terms of their political institutions and/or involved in situations marked by international tensions. The above-mentioned strategy could expose the Group to various risks of a macroeconomic nature, arising, for example, from changes in the political, social, economic and regulatory systems of such countries or from extraordinary events such as acts of terrorism, civil disorder, restrictions on trade with particular reference to the Group's products, foreign investment and/or trade, as well as exchange rate control policies and associated restrictions on repatriation of capital, sanctions, restrictions on foreign investment, nationalisation, and inadequate protection of intellectual property rights.
The probability of the events described above actually taking place varies from country to country and is difficult to predict. However, a constant monitoring activity is carried out by company Top Management in order to become aware of any changes as early as possible, so as to minimise any economic or financial impact that may ensue.

**• Risks related to growth**

The Group aims at continued growth by means of a strategy based on gaining strength in the markets where it is already present and on further geographical expansion. In the context of such a strategy, the Group could encounter difficulties in managing the adaptation of the structure and business model or in the ability to identify market trends or the preferences of local consumers. In addition, the Group may incur start-up costs arising from the opening of new companies. Finally, in the event that the Group's growth is pursued through external lines by way of acquisition transactions, it may encounter, amongst other things, difficulties associated with the correct valuation of the assets acquired, the integration of such assets, and also the failure to achieve the expected synergy, which may have a negative impact on the activity and on the future economic-financial results of the Group.

OPERATING RISKS

- **Risks connected to relationships with OEM customers**

The Group distributes and sells its systems and components to the main vehicle manufacturers worldwide (OEM customers). In the year ending 31 December 2021, the sales of systems and components made by the Group to OEM customers represented 45.1% of total Green Transportation segment sales, basically aligned with 45.6% in the previous year. The group’s main OEM customer, which is highly strategically significant, represented roughly 70% of OEM turnover in 2021.
Relationships with OEM customers, which have been well established for years now, are typically governed by agreements that do not require minimum purchase quantities. Therefore, the demand for predefined quantities of Group products from such customers cannot be guaranteed. In order to satisfy the requirements of various customers to the best of its abilities, the Group has initiated a policy of delocalisation of part of its production, in recent years, in countries where it already has a number of customers. Furthermore, in order to protect margins linked to such customers, in a context like the current one with a high level of volatility in raw material costs, the Company has sought to carry out price revision processes for the most significant orders with the relative customers, in order to be able to deal with that contingent situation. In light of the above, and also in view of the competitive advantage acquired in providing solutions for the development of sales in the After Market channel as well, the Group does not believe that it is at significant risk of dependency on OEM customers. It is not possible, however, to exclude the fact that the potential loss of important customers or a reduction in orders from them, or a delay in collection compared to contractual agreements may have negative effects on the economic-financial results of the Group.

- **Risks connected to the highly competitive markets in which the Group operates**

The markets in which the Group operates are highly competitive in terms of quality, innovation, economic conditions and reliability and safety. The success of the activity will depend on the ability to maintain and increase market shares and to expand through new innovative solutions. The Group constantly monitors the market in order to identify as quickly as possible the introduction of any new or alternative fuel supply systems for motor vehicles by competitors and car manufacturers, and consequently manages the risk by pursuing a policy of progressive diversification and enrichment of its product portfolio in order to minimise any possible economic impact.

- **Product liability risks**

Any design or manufacturing defects in the Group products, including those attributable to third parties such as suppliers and installers, may give rise to product liability with regard to third parties. In addition, should the products turn out to be defective or fail to comply with technical and legal specifications, the Group, including at the request of its customers, could be obliged to withdraw such products from the market while incurring the related costs. For these reasons, insurance cover has been put in place, centred on master policies negotiated and contracted centrally and local first risk policies. The latter guarantee immediate activation of the cover which is supplemented by master policies where the impact of the damage exceeds the local maximum amount. In order to further mitigate the risk related to product liability, the Group has considerably increased the maximum amounts of the master and recall policies in recent years. In addition, allocations are made to appropriate provisions, estimated by management based on the historical incidence of defects encountered and on the more recent and stricter requirements arising from commercial agreements signed with OEM customers.

- **Risks connected with the protection of intellectual property**

The Group owns trademark rights, patent rights and other intellectual property rights, and regularly registers its trademarks, patents and other intellectual property rights, and also protects its industrial know-how pursuant to the applicable regulations, in order to avoid the risk of imitation or reproduction of the products by competitors or by unauthorised third parties.
In relation to this, it is noted that the Group operates in more than 50 countries worldwide and that part of the Group's product sales takes place in emerging or developing countries, where the existing forms of protection may not be fully effective. In other words, the risk of products being counterfeited is greater. It is therefore not possible to eliminate the risk of third parties counterfeiting the products or disputing trademarks and patents, or to exclude the possibility of third parties discovering know-how or industrial secrets, or the risk that competitors may develop products, know-how and technologies similar to those of the Group. Any counterfeiting, claims and/or disputes relating to protection of intellectual property, whether brought by or against the Group, could have a negative impact on its economic-financial results if it loses them.

**• Risks connected with the recoverability of intangible assets, in particular goodwill, investments and deferred taxes.**

Intangible assets totalling Euro 104,274 thousand are reported in the consolidated financial statements at 31 December 2021, including Euro 12,222 thousand for development expenditure, Euro 75,341 thousand for goodwill, Euro 16,711 thousand for trademarks and patents, as well as net deferred tax assets totalling Euro 13,484 thousand. The recoverability of such values is related to the materialisation of future industrial plans relating to the relevant cash generating unit.

In particular, in the context of its development strategy, the Group has acquired companies that have allowed it to increase its market presence and to take advantage of the opportunities for growth that it provides. With regard to such investments, recorded in the financial statements as goodwill, there is no guarantee that the Group will succeed in achieving the benefits originally expected from these operations. Similarly, the interests in joint ventures, consolidated according to the equity method are subjected to impairment tests in case trigger events are identified that could envisage potential impairment losses.

The Group constantly monitors the progress of performance in comparison to the plans, initiating the corrective actions necessary whenever unfavourable trends emerge that may involve significant changes in expected cash flow used for impairment tests when evaluating the consistency of the values recorded in the financial statements.

In this regard, please note that as at 31 December 2021 the Group tested its assets with an indefinite useful life for impairment, as described in the "goodwill" section of the explanatory notes, without identifying any impairment.

<u>FINANCIAL RISKS</u>

**• Interest rate risk**

The Group is exposed to the interest rate risk associated with both cash at hand and with medium to long term financing. The exposure refers mainly to the Euro zone. As regards exposure to the risk of interest rate volatility, note that the financial indebtedness with banks is regulated primarily by variable interest rates. To partially reduce risks connected with fluctuating interest rates, the Group has entered into financial derivative contracts (interest rate swaps) in order to cover:

- 70% of the main credit lines of the pool loan taken out in June 2019;
- for a duration of 3 years, 100% of the credit line of the new six-year Euro 21 million loan taken out in July 2020 and 90% backed by the SACE guarantee, with a pre-amortisation period of two years.

Interest rate risks were measured using sensitivity analysis and the potential impacts of Euribor interest rate fluctuations on the consolidated financial statements at 31 December 2021 were analysed with particular reference to cash and cash equivalents and to loans. The increase of 50 basis points on the Euribor, with all other variables remaining the same, would have produced an increase in financial expenses for the Group of Euro 267 thousand in comparison to an increase in financial income equal to

Euro 106 thousand.

• **Exchange risk**

The Group sells part of its production and, although to a much lesser degree, also purchases some components in Countries outside the Euro zone. In relation to the exchange risk, the amount of the accounting balances expressed in currency other than the functional currency is to be considered as insignificant compared to the Group's total revenues. The Group has no hedging instruments to cover exchange rate fluctuations and, in accordance with its policy up to this moment, no derivatives are subscribed for trading purposes. Therefore, the Group remains exposed to exchange rate risk on the balances of the assets and liabilities in foreign currency at year end.

• **Price risk**

The Group makes purchases and sales internationally, and therefore it is exposed to the normal risk of price fluctuation typical of its industry. Where possible, Group policy covers the risk through medium-term supplier commitments.
The current market situation distinguished by a shortage of raw materials resulted on one hand in a reduction or deferral of orders from OEM customers, due to the need for automotive manufacturers to limit costs and avoid production interruptions, and on the other in difficulties in fulfilling existing orders, due to a series of complexities in obtaining raw materials. Furthermore, particularly in the OEM channel, in which long-term supply agreements are generally entered into, it was not always possible to reflect in due time the increase in raw material prices in sale prices. On the other hand, as regards the After Market channel, interventions on sale prices took place more promptly but, also due to growing competition in developing countries, it was not always possible to intervene to prevent the loss of market share.

• **Credit risk**

Credit risk is the risk that a customer or one of the counterparts of a financial instrument causes a financial loss through failure to fulfil an obligation and derives primarily from trade receivables, from other financial assets and from guarantees that may have been given by the Group.

Trade receivables and other receivables

The Group normally deals with known and reliable customers. It is the Group's policy to subject customers requesting extended payment conditions to procedures for checking their credit class. This check also includes external assessments when available. Sales limits are established for each customer, which represent the maximum line of credit, beyond which direct approval by management is required. In addition, the balance of the receivables is monitored on a fortnightly basis over the period, in order to minimise exposure to the risk of losses. Finally, regarding new customers and those not operating in EU countries, a letter of credit to guarantee successful collection is normally used, where possible.

The Company uses non-recourse assignment of debts.

The Group allocates a provision for impairment that reflects the estimated losses on trade receivables and on other creditors, made up primarily of individual write-downs of significant exposures.

Other financial assets

The credit risk regarding the other financial assets of the Group, including cash and cash equivalents, presents a maximum risk equal to the carrying amount of these assets in the case of insolvency of the counterpart.

Guarantees

When required, the policies of the Group provide for the issue of financial guarantees in favour of subsidiary companies and associates.

- **Liquidity risk**

The liquidity risk is the risk that the Group may have difficulty in meeting obligations associated with financial liabilities.

The COVID-19 pandemic had, and continues to have, significant effects on volumes as well as on the economic and financial results of many companies, especially in the durable goods market. Due to the continuation of a difficult macroeconomic context, overshadowed by considerable uncertainty as to cash flows, the management is continuing to devote considerable attention to the financial position, short/medium-term cash forecasts and the financing options proposed by the government to support companies. From this perspective, Landi Renzo S.p.A. received a notification from Invitalia (Agenzia Nazionale per l'Attrazione degli Investimenti e lo sviluppo di impresa SpA) concerning the resolution passed for its admission to the above-mentioned procedure and took prompt action to meet the formal requirements established and necessary to proceed with the finalisation of the agreement for the provision of subsidies, which is expected to possibly be concluded by the end of March 2022, resulting in it obtaining a new subsidised loan for Euro 19,500 thousand.Aside from this, and to demonstrate the creditworthiness of the Landi Renzo Group and in particular the SAFE&CEC Group that it controls, please recall the bond issued in late December 2021 by the subsidiary SAFE S.p.A. for a nominal amount of Euro 7 million and subscribed by Finint (Finanziaria Internazionale Investments SGR S.p.A.). The loan, with a contractual duration until 31 August 2027 and a gross annual nominal fixed rate of 5%, calls for half-yearly repayment starting from 1 January 2024 and is also subject to compliance with financial parameters with reference to the data set forth in the consolidated financial statements of the SAFE&CEC Group as at 31 December of each year. In this regard, please note that the financial parameters on the bond issue of the SAFE&CEC Group had been respected at 31 December 2021. The loan, included within a more extensive transaction, is intended to finance the acquisition by SAFE S.p.A. of Idro Meccanica S.r.l., which was completed in January 2022 and is described in detail in the section "Significant events after the reporting period and business outlook" of the Directors' Report;

The main loans of Landi Renzo S.p.A. include financial covenants. In February 2022 all credit institutions underwriting the loans issued waiver letters with respect to the financial covenants as at 31 December 2021 and, with respect to the loan taken out from a pool of banks in 2019, consent to the deferment of the principal instalment falling due on 31 December 2021, which was rescheduled in an equal amount to the following three instalments falling due on 30 June 2022, 31 December 2022 and 30 June 2023. Furthermore, the above-mentioned waiver letters are expressly subject to the finalisation of the share capital increase of the parent company Landi Renzo S.p.A. to be carried out in an amount of at least Euro 25.4 million, by no later than 30 June 2022. A dedicated disclosure is provided below in this section with respect to the planned share capital increase transaction.

Following up on what is set forth above, and to take into account the changed market environment, the directors prepared a new Group economic-financial plan for the 2022-2025 period, which was approved by the Landi Renzo S.p.A. Board of Directors on 15 March 2022 and calls for a share capital increase of up to a maximum of Euro 60 million, described in more detail in the "Significant events after the reporting period and business outlook" section.

On the basis of the information currently available, there are no elements that could jeopardise the future finalisation of the above-mentioned share capital increase.

Considering the Group's financial position as at 31 December 2021, the economic and financial forecasts for the year 2022 and thereafter, incorporated into the new 2022-2025 economic-financial plan, as well as taking into account the new loan currently being disbursed by Invitalia for Euro 19,500 thousand, the stability of the Landi Renzo Group's financial strength is confirmed, to an extent which guarantees the pursuit of its short/medium-term objectives.

**Impact of the COVID-19 pandemic on the activities of the Landi Renzo Group**

In 2021, the Landi Renzo Group closely monitored the evolution of the resumption in contagion in order to face and prevent the issues generated by its continuation at global level. The management has been paying particularly close attention to the financial position and short/medium and long-term cash forecasts. Thanks to the loan taken out by Landi Renzo S.p.A. in July 2020 from a pool of banks for a nominal amount of Euro 21 million, the Group has consolidated its financial structure, which allowed for the achievement of business objectives in the short and medium term. This loan, 90% backed by the SACE guarantee, has a duration of six years, of which two years of pre-amortisation. The management's initiatives to reduce labour costs, also thanks to recourse to social safety nets (limited to the first six months of 2021), and limit non-essential costs, as well as postpone non-strategic investments also continued.

As regards credit risk, please note that the Landi Renzo Group operates in both the OEM and After Market channels. The OEM channel is represented by major automotive manufacturers with high credit standing, which substantially respected the commercial due dates established. The After Market channel, instead including distributors and workshops, was more impacted by the effects of the pandemic, with a heavy drop in the number of conversions. This entailed, to a different extent depending on geographical area, a slowdown in collections and the need for careful and continuous monitoring of the situation by the management. The analyses performed did not in any event bring to light relevant critical issues in terms of Group customer solvency, also given the progressive resumption in economic activities in many countries, thanks to the positive effects of their vaccination campaigns.

As concerns the supply chain, in 2021 evident difficulties emerged in the international markets due to the shortage of raw materials and certain types of components and the resulting price increases. The Group therefore made significant financial efforts to purchase electronic materials and strategic components in the first half of the year in order to guarantee production continuity in the upcoming months.

The international economic context continued to have an effect on the Group's results. Indeed, the year 2021 closed with revenues from sales of Euro 241,994 thousand, inclusive of the consolidation of the SAFE&CEC Group as of May 2021 and the Metatron Group as of August 2021. Net of this effect, the Landi Renzo Group's revenue relating only to the Green Transportation operating segment in any event recorded an increase of 21.4% compared with the previous year, rising from Euro 142,455 thousand at 31 December 2020 to Euro 172,914 thousand at 31 December 2021.

The Net Financial Position as at 31 December 2021 is equal to Euro 133,493 thousand (Euro 72,917 thousand as at 31 December 2020), of which Euro 12,821 thousand due to the application of IFRS 16 - Leases, Euro 99 thousand due to the fair value of derivative financial instruments and Euro 25,436 thousand due to the remaining payable for the acquisition of the Metatron Group. Without considering the effects arising from the adoption of this accounting standard, the fair value of derivative financial instruments and the payable for the acquisition of the Metatron Group, the Net Financial Position as at 31 December 2021 would have been equal to Euro 95,137 thousand.

The Group is continuing to constantly evaluate the impacts of the pandemic on the economic and financial results, ready to enact, aside from what has already been done, any additional actions intended to preserve the Group's profitability and financial position, responding as quickly as possible to constantly evolving scenarios.

**Impact of the Russia-Ukraine conflict on the activities of the Landi Renzo Group**

In the course of the early months of 2022, the Russia-Ukraine crisis brought to the fore new, unexpected geopolitical and macroeconomic risks, which the management immediately began to monitor carefully, evaluating their impacts on current activities. To date, on the basis of available information and taking into account the exposure to the Russian market which currently appears to be limited for the Landi Group, there are no particular critical issues to be reported, although upcoming developments in the conflict and the relative impacts will continue to be evaluated.

# Consolidated non-financial report

## Methodological Note

The Group's 2021 Consolidated Non-Financial Report 2021 (the "Report") provides our reference stakeholders with information on the new developments, projects and results achieved during 2021 regarding financial, social and environmental performance.

Following on from last year, this Report is published annually. It is prepared in accordance with Articles 3 and 4 of Italian Legislative Decree 254/2016 (the "Decree") and with the GRI - Sustainability Reporting Standards (the "GRI Standards"), in accordance with the "Core" option. The GRI Standards are, to date, the most common international standards for sustainability reporting.

In accordance with Article 2 of the Decree ("Scope of application"), the Group non-financial report is **obligatory**, as the "size requirement" for companies required to publish a non-financial report is deemed to be met.

This Report was subjected to a limited assurance engagement by PricewaterhouseCoopers S.p.A. according to the criteria indicated in the "International Standard on Assurance Engagements 3000 – Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the "International Auditing and Assurance Standards Board".

The process of preparing the document, as well as the definition of its contents and the determination of the materiality of the issues discussed, is based on the principles of the 2018 GRI Standards Guidelines and involved the company's heads of department (for more details refer to the paragraph "Stakeholders and significant issues").

The significance of the information included in the Report was determined by considering the impacts and responsibilities perceived in the economic, social and environmental context, the regulatory framework and the specific nature of the Group's industry, as well as the requirements and the expectations of the stakeholders.

The data and information included in the document refer to the year closed on 31 December 2021 and, where explicitly specified, to some significant projects pursued during the first months of 2022.
To provide an accurate representation of the sustainability performance, we have favoured the inclusion of aspects that are directly measurable, avoiding where possible reference to estimates, which, where required, are based on the best possible methods available or on sample surveys, and their use is indicated within the individual indicators. To enable the reader to assess the evolution of the sustainability performance, the quantitative information is presented over a three-year timeframe, with the exception of a few figures which are presented only for 2021.
Specifically, the Report refers to Landi Renzo S.p.A. and the companies consolidated on a line-by-line basis: the Italian subsidiaries (Metatron S.p.A., Safe S.p.A. and Safe & Cec S.r.l.) and the foreign companies (Landi Renzo Polska Sp.Zo.O., L.R. Pak (Pvt) Limited, Landi Renzo RO S.r.l., Landi Renzo USA Corporation, AEB

America S.r.l., Beijing Landi Renzo Autogas System Co. Ltd, Landi Renzo Pars Private Joint Stock Company, LR Industria e Comercio Ltda, IMW Industries LTD Shanghai, IMW Energy Tech LTD China, IMW Industries LTD Canada, IMW Industries del Perù SAC Peru, IMW Industries LTDA Colombia and Metatron Control Systems Co., Ltd).

Given the changes that took place in the reporting scope of this Non-Financial Report, the information provided is not perfectly comparable. In this regard, please note that in this document "Group" refers to the entire reporting scope, while "Landi Renzo Group" refers to the parent company Landi Renzo S.p.A. and its foreign subsidiaries.

As in past years, Officine Lovato Private Limited and Landi International B.V. were also excluded. Although they are fully consolidated, they are not significant for the purposes of this non-financial report as they do not have personnel. Further restrictions of the perimeter are duly reported below. The restrictions of the perimeter in accordance with the Decree areas are indicated below.

Furthermore, during the 2021 reporting process, the decision was made to update certain data relating to 2020 and 2019 after the method for calculating them was further refined, as specified in the notes to the reference tables. In particular, updated information is provided in the "Environmental Performance" section.

| Company | Type | Number of employees | Personnel | | Human rights | Environment | Social | | Corruption |
|---|---|---|---|---|---|---|---|---|---|
| | | | HR | OHS | | | Social | Suppliers | |
| | | | GRI Standard | GRI Standard | GRI Standard | GRI Standard | GRI Standard | GRI Standard | GRI Standard |
| Landi Renzo S.p.A. | Manufacturing | 297 | x | x | x | x | x | x | x |
| AEB America S.r.l. | Sales | 14 | x | x | x | x | x | x | x |
| Beijing Landi Renzo Autogas System Co. Ltd | Sales | 8 | x | x | x | x | x | x | x |
| Landi Renzo USA Corporation | Manufacturing | 18 | x | (*) | x | x | x | x | x |
| Landi Renzo Pars Private Joint Stock Company | Manufacturing | 18 | x | x | x | x | x | x | x |
| L.R. Pak (Pvt) Limited | Sales | 2 | x | x | x | x | x | x | x |
| LR Industria e Commercio | Sales | 17 | x | x | x | x | x | x | x |
| Landi Renzo RO S.r.l. | Manufacturing | 59 | x | x | x | x | x | x | x |
| Landi Renzo Polska Sp.Zo.O.LR | Manufacturing | 105 | x | x | x | x | x | x | x |
| SAFE S.p.A. | Sales | 108 | x | x | x | x | x | x | x |
| IMW Industries LTD Shanghai/ IMW Energy Tech LTD China | Sales | 4 | x | x | x | x | x | x | x |
| IMW Industries LTD Canada | Manufacturing | 107 | x | x | x | x | x | x | x |
| IMW Industries del Perù SAC Peru | Sales | 23 | x | x | x | x | x | x | x |
| IMW Industries LTDA Colombia | Manufacturing | 99 | x | x | x | x | x | x | x |
| Metatron S.p.A. | Manufacturing | 95 | x | x | x | x | x | x | x |
| Metatron Control Systems Co., Ltd | Sales | 13 | x | x | x | x | x | x | x |
| Officine Lovato Private Limited | - | - | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Landi International B.V. | - | . | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

x: Reported information

(*) Information partially available

## Letter to stakeholders

The Group is convinced that a sustainable and responsible company can only be defined as such if, in carrying out its various activities, it is constantly engaged in dialogue, inspired by the principles of reliability and credibility, with its community, reference environment and stakeholders.

Over the years, it has become aware that only through the consistent engagement of its stakeholders, including employees, suppliers, customers, shareholders and the community, is it possible to continue to innovate its products and services, thus allowing for an alignment between social and environmental and financial performance. In this respect, at Landi Renzo, we consider Social Responsibility to be a true expression of our Values and an integral part of our Mission and Corporate Strategy, as well as the basis on which to build trust and credibility in our reference stakeholders.

Aware of its principles of innovation and continuous improvement, the Group commits to directing its investment and business decisions with a view to environmental sustainability, as well as environmentally friendly growth, including by adopting specific technologies that make it possible to reduce the environmental impact of its activities.

Although global economic outlooks continue to be characterised by uncertainty, the Group remains on the cutting edge of sustainable mobility, basing its continuous growth on internationalisation, innovation and training, the three pillars that have permitted its healthy and harmonious growth, while continuously setting new goals. It is particularly proud of the recent extraordinary transactions completed over the last year which have strengthened the Group's presence in two segments experiencing strong growth, namely that linked to infrastructure for the compression of CNG, Biomethane and hydrogen, with the consolidation of SAFE&CEC, and the acquisition of Metatron, making it a market leader in components for the Mid & Heavy Duty segment.

The Group constantly and continuously undertakes to seek out full customer satisfaction with activities intended to create high-quality and environmentally friendly products. To this end, the Group has obtained a number of certifications, including ISO 9001 and the IATF 16949 certification, and has also set significant targets to constantly monitor product quality and safety.

The Group closed 2021 still impacted by the effects of the coronavirus pandemic, while consolidating its commitment to sustainable mobility through the use of hydrogen and renewable energies such as biogas.

*"With this Non-Financial Report, we intend to further strengthen dialogue with our stakeholders, communicating the decisions and actions undertaken and making clear our future commitments."*

**Chairman of the Board of Directors**
**Stefano Landi**

## The *Alternative* in motion

## Reference business: eco-mobility

Eco-mobility is taking on ever greater importance, and although LPG and CNG are still the most common options when it comes to green transport solutions, over recent years there has been increasing interest in alternative sources such as hydrogen and biogas. These technologies are distinctive features of the Group's know-how, which is characterised by a combination of research and manufacturing excellence.

The Group has consolidated experience in the design, manufacture and marketing of eco-compatible systems for the conversion of roadgoing vehicles to LPG and CNG. These solutions are designed with the highest level of customisation, in order to adapt to the specific requirements of the various models intended for two target markets:

- car manufacturers (**OEM - Original Equipment Manufacturers**), with which it has established active, consolidated partnerships;
- the gas distribution companies and the networks of branches, dealers, independent importers and installers (AM - **After Market**).

*__Biogas, also known as RNG,__ is obtained from a number of sources, including organic waste such as livestock manure and wastewater. This solution, __usable by Landi Renzo products__, drastically reduces carbon emissions and, unlike conventional natural gas, it is not a fossil fuel.*

The Group is a world leader thanks to its high level of **environmental awareness**, constant focus on the technological and qualitative development of its products, its flexible and efficient business model, and its readiness to listen to customer and market needs.

The Group's offer is made up of **systems and components for the conversion of petrol- and diesel-engine vehicles to gas fuel.** The Group's strategic project is continuing with the adoption of products and solutions for CNG, LNG and **hydrogen** mobility, especially in the HGV sector.

Every product is the result of in-depth study and technological research which, over the years, has led to the filing of many patents. The many inventions of the Group's Research and Development centre have signalled a decisive evolution in the integration of mechanical and electronical components inside vehicles.

Thanks to the new acquisition on 5 August 2021 of Metatron S.p.A., a company with registered office in Castel Maggiore (BO) specialised in the research, development, manufacture and sale of pressure regulators and engine control units for alternative fuels and components for hydrogen technology, the Group once again underscores the importance of continuous research into technologies that meet the highest product quality and innovation standards.

Furthermore, thanks to the joint venture SAFE&CEC S.r.l. and its subsidiaries, the Group also has a presence in the *Clean Tech Solutions* segment, referring to the design and manufacture of compressors for the processing and distribution of gas (CNG, RNG and Hydrogen). The broad range of SAFE&CEC Group products makes it possible to satisfy multiple market requirements for the construction of automotive CNG, RNG and hydrogen distribution stations and to provide innovative solutions for recovering gas within various manufacturing processes. The Group strongly believes in promoting and guaranteeing sustainable development by using natural gas, biomethane and hydrogen as primary energy sources.

**Distinctive features of Landi Renzo Group**

**LEADERSHIP** in the design and manufacture of sustainable LPG and CNG gas supply systems.

**EXCELLENCE** in technological innovation focused on the development of state-of-the-art products to utilise green energy sources for vehicle fuelling.

**A FLEXIBLE AND EFFICIENT BUSINESS MODEL** capable of coping with market fluctuations, while maintaining constant control of critical phases of the production process.

**QUALITY AND VERSATILITY** of products, which makes it possible to meet demand, and satisfy regulatory requirements in all reference markets.

**DETAILED KNOWLEDGE** of distribution channels, through consolidated relationships with leading customers in the OEM channel and an extensive presence in the After Market segment with the potential for constant growth.

## Hydrogen, the energy source of future mobility

In recent years, hydrogen has driven multiple, highly impactful waves of interest, acquiring the moniker of the "**energy source of future mobility**". In recent years, an increasing number of countries have developed a national timetable or strategy for the management of this energy source, and a consistent portion of the COVID-19 stimulus and recovery funds has been dedicated to accelerating hydrogen use. Furthermore, from 31 October to 12 November 2021 the 26th United Nations Climate Change Conference was held in Glasgow, in which 32 countries along with the European Union (EU) committed to work together to accelerate the development and spread of clean hydrogen[1].

In Italy, on 22 January 2021 a Memorandum of Understanding was signed between ENEA and Confindustria, a veritable "hydrogen pact", in order to contribute to enhancing the technological leadership of Italian industry while also bringing together potential for research, innovation and technological transfer within an overall vision for the country[2].

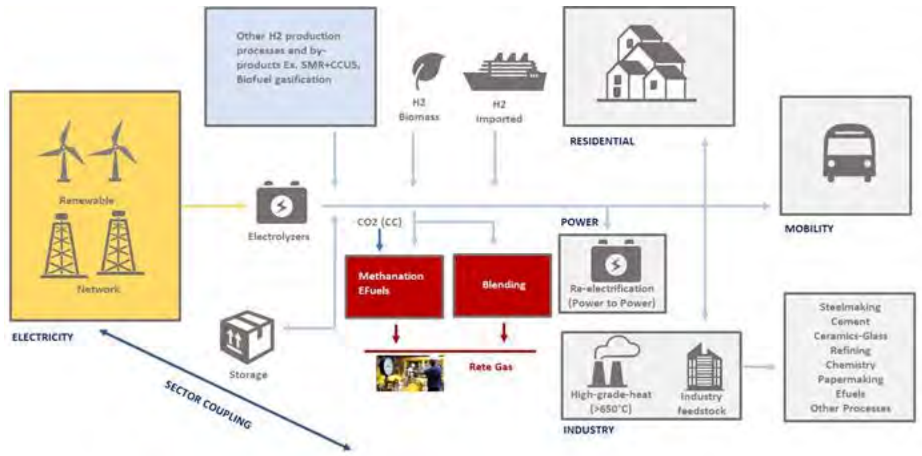
**The hydrogen supply chain**

In detail, the main components of the hydrogen supply chain can be broken down into multiple processes from production to transport by pipeline (blended or via dedicated assets), trucks or ships, until final uses in the various application and consumption segments. Amongst the hydrogen production processes, aside from electrolysis, other processes can also be considered, including the process of reforming methane with storage or use of CO2, renewable fuel gasification processes and other innovative processes currently under development.

[1] Irena (2022) - "Geopolitics of the Energy Transformation - The Hydrogen Factor"

[2] Confindustria (2021) - "*Action plan for hydrogen, Industrial Technologies Focus*"

In industry, hydrogen can be used as feedstock and as fuel in processes that require high-temperature heat and which are difficult to be directly electrified. In this regard, aside from the iron and steel, non-ferrous metals and chemical industries, ceramics, paper, glass and food also represent sectors in which the hydrogen vector can contribute to decarbonisation[3].




**<u>Hydrogen in the road transport segment</u>**

*"In the road transport segment, hydrogen is considered a fundamental fuel to achieve full decarbonisation, especially in that part of the market where electricity is not convenient. In recent years, manufacturers have devised and tested a number of technological solutions with results that make the transition to hydrogen technically possible for certain industry segments"*.

Many manufacturers are developing internal combustion engines with hydrogen: gaseous hydrogen is injected into the engine with a small quantity of diesel. Therefore, hydrogen endothermic engines represent a technologically simpler and economically more advantageous solution. This enables engine manufacturers to look with increased interest at the use of hydrogen as a new fuel. Furthermore, current technologies make it possible to limit NOx emissions in those engines, which albeit at extremely low levels, have a local impact on air quality which is higher than that of electric engines[4].

The Group is also active in that segment, both directly and through a series of alliances and partnerships. Of these, of particular importance is the alliance with the Canadian Hydrogenics Corporation, a global leader in the development of clean energy solutions, through which the Group has taken another step forward towards zero-emissions mobility. The goal of this alliance is to design and develop hydrogen systems and components, defined as fuel cells, for Heavy-Duty vehicles globally, and further collaborations for supplying fuel systems for hydrogen vehicles, which is likely to involve the use of electrolysis technologies.

Furthermore, in the beginning of 2021 Landi Renzo became part of H2-ICE, a partnership between five Italian companies, with Punch Torino and AVL Italia as the lead companies, and with the participation of Industria Italiana Autobus and TPER, in order to create the first 100% Italian hydrogen fuelled internal combustion engine.

[3] Confindustria (2021) - "*Action plan for hydrogen, Industrial Technologies Focus*"

[4] Confindustria (2021) - "*Action plan for hydrogen, Industrial Technologies Focus*"

Also with this in mind, in August 2021 the Group concluded another strategic transaction, the acquisition of the company Metatron, further consolidating its presence in the Mid & Heavy Duty segment, which is one of the most interested in alternative hydrogen, natural gas, biomethane and LNG fuel forms, with volumes expected to grow significantly over the coming years.

**LANDI RENZO CONTINUES TO GROW IN HYDROGEN**

SAFE S.p.A., a SAFE&CEC Group company controlled by Landi Renzo S.p.A., entered into an agreement in early 2022 for the acquisition of Idro Meccanica, a leader in the production of technologies and innovative systems for the compression of hydrogen, biomethane and natural gas. This transaction joins the acquisition of Metatron, enabling the Group to become a reference player in hydrogen compression, a sector in which potential growth in investments is expected in the coming years. With this acquisition, the Group once again confirms its desire to achieve leadership in the biomethane and hydrogen value chain, two clean "energy sources" experiencing significant growth, which will play a crucial role in the future energy transition.

## Mission

"*Building a cleaner world and designing a better future for the next generations, abiding by the highest standards of social responsibility towards the territory, society and the environment and disseminating a culture of eco-sustainable mobility*."

This is the mission of our Group, which offers a tangible contribution to this ambitious goal: for over 60 years, the Landi Renzo Group has been providing concrete and effective answers to environmental sustainability issues.

From the traditional green fuels such as LPG and CNG, we are now moving towards the new frontiers of the automotive industry: the Group regularly invests in the research and design of cutting-edge technologies, to transform futuristic projects into reality.

Testimony to the Group's commitment is the number of patents filed over the years; this has helped to open up new avenues, pointing to new horizons for the whole industry.


**Market Driven Approach**

- Listen to and support customers.
- Meet and leverage customer/market requests without bowing to the market.
- Integration at national and international level.

**Becoming better at what we do.**

- Improving every aspect of operating management, reducing costs and aiming to meet our KPIs.
- Process efficiency.
- Maintain a focus on the future.

**Motivation and playing by the rules.**

- Reinforcing inclusion and motivation of all resources.
- Creating a feeling of belonging and appreciating the experience of the group's resources.
- Defining clear rules of conduct.

**Responsible and oriented towards achievement and getting results.**

- Empowering staff with clear, specific objectives.
- Planning and deciding based on analysis.
- Focus on "right now" execution and fast action.

## The values

*"**Technology, innovation, respect for the planet and human beings**; these are the values through which we will transform the present into the future we want to see".*

Ever since its inception, the Group has been known for its profound belief that **people** are the fundamental added value in the international success of Landi Renzo. This awareness is borne out by the choice of values that inspire the Group's activities on a daily basis.

**Values of the Landi Renzo Group**

## The brands

The Group pays particular care to the image of its brands, which are developed through marketing activities at international level and direct strategic communications with customers and end users. The brand name of the Landi Renzo Group was first conceived in 2015, to communicate the values shared by its companies: **Innovation**, **Internationalisation** and **Continuous Training**.

**The Group brands**


## Over 60 years of history in building the future

**1954** – In 1954 in Reggio Emilia, Renzo Landi, along with his wife Giovannina Domenichini, founded **Officine Meccaniche Renzo Landi**: the only firm to build custom mixers for every type of vehicle.

**1963-1964** – The external sales operations quickly expanded across Italy; 1963 and 1964 saw the first **exports** to Japan, France, Belgium and the Netherlands. Soon enough, opportunities opened up in Eastern European markets, as well as in India and South America.

**70s-80s** – Renzo Landi passed away prematurely in 1977. The company continued working, managed by his wife and his son Stefano, who in 1987 became the company's CEO; the company was converted into a public company limited by shares (SpA).

**90s** – Landi Renzo became an **Industrial Group**; in 1993 it took over control of Landi S.r.l. and Eurogas Holding B.V., a Dutch company operating in the industry.
In 1999, the Group's Polish branch, Landi Renzo Polska S.p.Z.o.o, was formed, and Med S.p.A. of Reggio Emilia was acquired the following year.

**2001** – In 2001 the company **Eurogas Utrecht B.V.** was purchased by the subsidiary Landi International B.V.

**2003-2006** – The **Brazilian branch** was opened in 2003, the **Chinese** branch in 2005 and the **Pakistani** branch in 2006, the year in which Landi Renzo Corporate University opened its doors, as a hub for the development of human resources and dissemination of the culture of sustainable mobility.
The Landi Renzo Quality System extended the **ISO 9001** processes and procedures to the Italy network.

**2007** – In 2007, **Landi Renzo Pars** was inaugurated in Tehran (Iran).
On 26 June 2007, Landi Renzo S.p.A. made its dèbut on the **STAR segment** at Piazza Affari, the Italian stock market.

**2008** – In October 2008, a third international player was acquired, **Lovato Gas S.p.A.**

**2010-2013** – Acquisition of A.E.B. Technologies and Baytech, opening of further subsidiaries in Romania, Venezuela, Argentina, India and the United States.
SAFE S.p.A. became part of the Group. 70% of Emmegas S.r.l. was acquired. The Indian company Krishna Landi Renzo India Private Limited Held was established. The Parent Company paid its share for 50% of the Share Capital of the joint venture EFI Avtosanoat-Landi Renzo LLC.

**2014-2015** – Safe Gas Pte Ltd. was founded in 2014, in Singapore. In the same year, the new Research and Development centre was inaugurated at an event organised to celebrate the 60th anniversary of Landi Renzo S.p.A., and in 2015 the new research centre won a prize for sustainable development.
In 2015, Landi Renzo Argentina S.r.l. was set up with headquarters in Buenos Aires.

**2017-2018** – The Board of Directors appointed a new CEO, Cristiano Musi. The company Eighteen Sound S.r.l. was sold, while AEB S.p.A. was merged into Landi Renzo S.p.A. On 30 October 2018, Emmegas S.r.l. was merged by incorporation into Landi Renzo S.p.A.

**2019-2020** – In 2019 Landi Renzo Indústria e Comércio Ltda, the Group's Brazilian arm, sealed an important exclusive partnership with Uber in Brazil. A further important agreement signed in 2019 was between Landi Renzo together with the Indian joint venture Krishna Landi Renzo, and Ford India. In December 2020, the Landi Renzo Group signed a Letter of Intent with the Egyptian National Organization for Military Production.

**2021** – On 5 August 2021, the Landi Renzo Group entered into a binding agreement for the acquisition of the Company Metatron.

## The Group's contribution to the sustainable development goals

Guided by its business model, the Group also contributes to the achievement of the United Nations Sustainable Development Goals (SDGs). Indeed, precisely through its mission and its business, the Group is committed to "*Building a cleaner world and designing a better future for the next generations, abiding by the highest standards of social responsibility towards the territory, society and the environment and disseminating a culture of eco-sustainable mobility*." This goal nearly perfectly coincides with some of the SDGs, namely goals 11 ("sustainable cities and communities") and 13 ("climate action").

Furthermore, the SDGs represent a point of reference for the Group's strategies, directing policies towards environmental protection objectives, the protection of employment, the promotion of innovation and support for the entire community.

| SDGs | Activities and initiatives carried out by the Group |
|---|---|
| 4 QUALITY EDUCATION | ▪ collaboration with leading Italian universities, particularly the Universities of Modena and Reggio Emilia, to spread a culture of sustainability and facilitate research and development.<br>▪ sponsorship by Safe S.p.A. of the opening and inauguration of the "PHYSICAL EXPERIENCE" Museum located in the Convent of Saint Francis. |
| 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | ▪ research and development activities to promote and propose innovative and sustainable solutions |
| 10 REDUCED INEQUALITIES | ▪ pay levels above local minimum salaries for the relevant category of new hires in all countries in which Landi Renzo carries on business<br>▪ SAFE S.p.A.'s participation in the ForALL (Fornitori Alleati - "Allied Suppliers") network for the promotion of a Culture of Diversity & Inclusion (D&I) in the workplace and in social contexts |
| 11 SUSTAINABLE CITIES AND COMMUNITIES | ▪ marketing and installation of automotive fuel supply systems which use less costly, environmentally friendly alternative fuels |
| 13 CLIMATE ACTION | ▪ partnerships in the gas and hydrogen segments to guarantee an acceleration towards the energy transition as well as decarbonisation |
| 17 PARTNERSHIPS FOR THE GOALS | ▪ relations with entities and institutions at domestic and international level for the development of future regulations and technical standards for the alternative fuels sector, as regards both the environment and safety. |

## The fight against climate change travels on four wheels

In light of the climate disasters witnessed from 1990 to date, it is clear that there is a pressing need to take prompt action on these factors through the sectors with the most influence on these trends. Environmental issues and the energy transition are priority topics on the international agenda and, although within a particularly complex socioeconomic and political context, they are acquiring increasing importance, as witnessed by the objectives, policies and agreements put into place by the European Union intended to stimulate climate goals worldwide.

The EU and all of its Member States have signed and ratified the Paris agreement, under which they agreed to adopt a long-term strategy to reduce emissions and its updated climate plans by the end of 2020, undertaking to reduce emissions by at least 55% by the end of 2030 with respect to 1990 levels. In December 2019, the European Commission presented the European Green Deal, which gave new vigour to the climate policy and actions at EU level, through the adoption of measures intended to set more ambitious targets in terms of reducing greenhouse gas emissions by 2030 and the decarbonisation of the EU economy by 2050, in line with the Paris agreement.

An article from Il Sole 24 Ore highlights that the transport segment is responsible for nearly one-fifth of global greenhouse gas emissions. In industrialised countries, this share is even higher: in the EU, transport is currently responsible for one quarter of greenhouse gas emissions and consumes one-third of all final energy, which comes primarily from oil.

Obviously, emissions are also and especially linked to the type of fuel used. There are a number of alternative fuels, from the more exotic and rarely used (DME, E95, methanol, etc.) to the more interesting ones such as CNG, biomethane, LPG and hydrogen. According to several studies on the comparison between biomethane and other fuels, such as diesel and petrol, the former generates 20% less direct $CO_2$ emissions than petrol and 5% less than diesel.

It is precisely in this context that the Landi Renzo Group is further strengthening its presence by working incessantly and passionately to propose innovative and sustainable solutions, while contributing towards opening up new paths and establishing new horizons for the entire sector.

On 13 July 2020, the Taxonomy regulation for sustainable finance entered into force, which classifies economic activities that can be defined as "sustainable", or all activities which:

- substantially contribute to the achievement of one or more of the six environmental objectives;
- do not significantly harm any of the environmental objectives (Do No Significant Harm - DNSH);
- are performed in compliance with minimum safeguards.

A series of delegated acts lay out the criteria that make it possible to establish in which conditions each economic activity provides a substantial contribution to at least one of the six environmental goals identified, without causing significant harm to any of the other five ("Do No Significant Harm - DNSH" clause).

This information is substantiated in a veritable practical guide aimed at investors and public institutions with a view to providing the disclosure in a more comprehensive and comparable manner, integrating sustainability topics within investment policies and improving ecological transition policies.

The Group has favourably received the development of the European Union's taxonomy by continuously investing in the development of the use of alternative energy and entering into significant partnerships in the gas and hydrogen segments, while also providing concrete and effective responses to environmental sustainability issues.

**Main results – Taxonomy**

After reviewing and consulting the delegated acts of the EU taxonomy, it was found that the Group is potentially capable of contributing to climate change mitigation and adaptation objectives through the following "sustainable" activities, also defined by the Delegated Act as "eligible":

| | Description of Taxonomy-Eligible activity | Applicable KPI | Reference consolidated financial statements item |
|---|---|---|---|
| 3.1 | **Manufacture of renewable energy technologies** | Turnover | **Net Sales Revenues** |
| | | CapEx | **Tangible fixed assets** |
| | | OpEx | **Operating costs from production - general services, industrial services and cost of raw materials.** |
| 3.2 | **Manufacture of equipment for the production and use of hydrogen.** | Turnover | **Net Sales Revenues** |
| | | CapEx | **Tangible fixed assets** |
| | | OpEx | **Operating costs from production - general services, industrial services and cost of raw materials** |
| 9.1 | **Close to market research, development and innovation** | CapEx | **Intangible assets** |
| | | OpEx | **Operating costs from production - general services and personnel costs** |

**Definition of the scope**

On the basis of the Regulation's requirements, the percentage of "eligible" activities was calculated on the year 2021 and includes all of the Group's companies consolidated line by line.

**Calculation of KPIs**

On the basis of the Group's Consolidated Financial Statements as at 31 December 2021 (the "Financial Statements"), for each "eligible" activity identified, the percentage of turnover, capital expenditure and operating expenses was calculated with respect to the respective total values.[5]

[5] Please note that the data considered to calculate the KPIs differ from those in the Group's Consolidated Financial Statements, as for the Companies SAFE&CEC, Metatron and the relative subsidiaries, the values relating to the entire calendar year (1/01/21 - 31/12/21) were considered.

*Calculation of share of turnover*

As established by the Regulation, the share of "eligible" turnover represents the portion of net revenues deriving from services or products, including intangible, which originate from economic activities aligned with the taxonomy divided by total net revenues. For the year 2021, the Group performed the following activities for the production of goods or services considered Taxonomy-eligible:

- activity "**3.1 Manufacture of renewable energy technologies**", specifically with reference to the sale of devices that can use biomethane;
- activity "**3.2 Manufacture of equipment for the production and use of hydrogen**", specifically with reference to the sale of devices that can use hydrogen.

Starting from Net Sales Revenues, in order to identify the share deemed Taxonomy-eligible, the shares of revenues relating to the sale of devices that use LPG have been subtracted, as they were not considered applicable for eligibility purposes.

*Calculation of share of capital expenditure (CapEx)*

The CapEx KPI was calculated by dividing the value that includes "eligible" capital expenditure by the value in the denominator that constitutes total capital expenditure.Specifically, to calculate CapEx the numerator is represented by integrations in "eligible" tangible and intangible assets and rights of use taking place during the year, before amortisation and depreciation and any revaluations, and excluding changes caused by fair value measurement. On the other hand, the denominator includes total capital expenditure and increases in rights of use, before amortisation and depreciation and any revaluations and excluding changes caused by fair value measurement.

For the year 2021, the Group incurred the following capitalised costs considered Taxonomy-eligible:

- activity "**3.1 Manufacture of renewable energy technologies**", specifically with reference to investments regarding the design and manufacture of devices that can use biomethane;
- activity "**3.2 Manufacture of equipment for the production and use of hydrogen**", specifically with reference to investments regarding the design and manufacture of devices that can use hydrogen;
- activity "**9.1 Close to market research, development and innovation**", specifically with reference to capitalised Research and Development costs linked to projects to test solutions and technologies that contribute to reducing atmospheric emissions.

*Calculation of share of operating expenses (OpEx)*

The OpEx KPI was calculated by dividing the value that includes the "eligible" portion of operating expenses by the value in the denominator that constitutes total operating expenses.Specifically, for the calculation of OpEx the numerator is represented by the total value of indirect uncapitalised research and development costs and any other direct expense relating to the maintenance and ordinary repair of property assets, plants and equipment required to guarantee the continuous and effective functioning of such activities. On the other hand, the denominator consists of the total value of the above-mentioned costs.

For the year 2021, the Group incurred the following operating expenses considered Taxonomy-eligible:

- activity "**3.1 Manufacture of renewable energy technologies**", specifically with reference to expenses for the maintenance and repair of properties and plant and equipment, relating to the plants that manufacture devices that can use biomethane;
- activity "**3.2 Manufacture of equipment for the production and use of hydrogen**", specifically with reference to expenses for the maintenance and repair of properties and plant and equipment, relating to the plants that manufacture devices that can use hydrogen;
- activity "**9.1 Close to market research, development and innovation**", specifically with reference to uncapitalised Research and Development costs linked to projects to test solutions and technologies that contribute to reducing atmospheric emissions.

**Table pursuant to Regulation (EU) 2020/852**

| | K€ | % of activity Taxonomy-eligible | % of activity not Taxonomy-eligible |
|---|---|---|---|
| Turnover | 279,006 | 49.9% | 50.1% |
| CapEx | 8,546 | 59.7% | 40.3% |
| OpEx | 3,295 | 84.5% | 15.5% |

The analyses performed were carried out on the basis of the interpretations of the Regulation and the FAQs issued by the European Commission. These results may change for the subsequent year on the basis of additional clarifications that may be issued by the European Commission.

## ESG ratings

The international ESG rating agencies continuously monitor market sustainability performance. In 2021, for the first time Landi Renzo S.p.A.'s Sustainability performance was evaluated by Sustainalytics, a leading rating agency in the ESG assessment of companies. The score obtained was 19.9, which indicates a low level of ESG risk. Thanks to this score, the Company is in 46th place out of a total of 203 Companies in the vehicle components segment.

# Governance and Sustainability

## Stakeholders and main issues

Also for 2021, the Group updated its materiality analysis in order to align the content of its Non-Financial Report with its business strategy, mission, corporate values and strategic social and environmental priorities. This analysis was performed considering both the areas set forth in Italian Legislative Decree 254/2016 and the characteristic aspects of the sector in which the Group operates, specifically with reference to the new Group businesses.

The Group materiality analysis, which was prepared in accordance with the ***GRI Standards Sustainability Reporting Guidelines***, reflects both the **material** aspects for the Group and also the considerations and expectations of its stakeholders.

**Our stakeholders**

To be considered "material", an issue must have a significant impact on the Group's economic, social and environmental performance, such that it could significantly affect the stakeholders' evaluations and decisions.

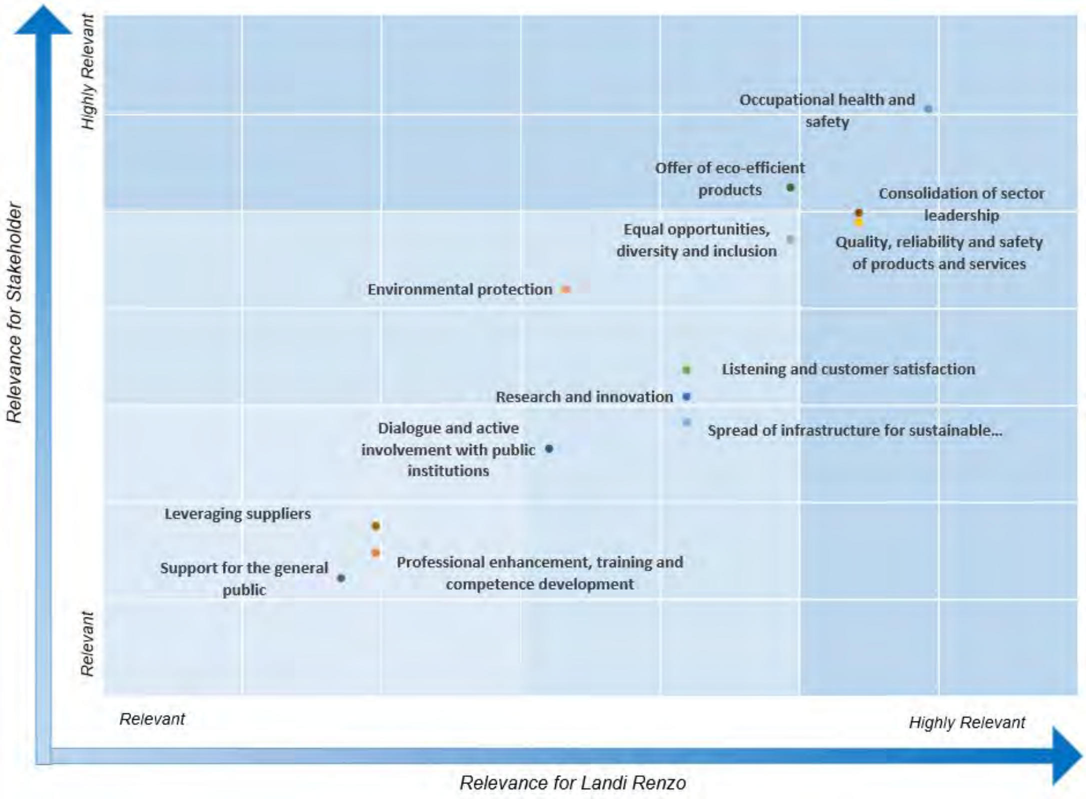
To proceed with an update of the materiality analysis, the priorities for the reference stakeholders were evaluated, also thanks to the lasting relationships and continuous dialogue encouraged by the Group management.


The analysis is a two-step process:

1. **Identification of potential material issues** for the Landi Renzo Group and its stakeholders (through an analysis of the issues suggested by the GRI in the document: *"Sustainability Topics for Sectors: What do stakeholders want to know*?", knowledge of the sector and media search activities), and a subsequent assessment by personnel in the various company departments in order to establish the key issues to be detailed in the Non Financial Report.
2. **Prioritisation of issues**: the assessment of issues (by all parties involved, both internal and external) based on their materiality for the achievement of the business objectives (***materiality for the Landi Renzo Group***) and regarding the impact that the issue may have on the stakeholders' decisions (***materiality for stakeholders***), so that the issues can be prioritised to a greater degree.

The materiality of the Group resulting from the prioritisation of issues is shown in the following matrix, which represents the two assessed areas:

**Materiality matrix**




The matrix contains all the issues that are considered material for the Landi Renzo Group. At the top right are the issues with the greatest relevance for both Landi Renzo and its stakeholders.

In the definition of material issues the following aspects were considered **preconditions**, and are therefore assessed as highly relevant for both the Landi Renzo Group and for its stakeholders:

a) **creation and distribution of sustainable value over time**;

b) **a transparent and effective governance system in support of the business**;

c) **a constant focus on legal compliance**.

Although the issues of human rights, the ethical selection of suppliers and the fight against active and passive corruption are not reported in the materiality analysis, they are considered important for the purposes of Italian Legislative Decree 254/2016, and for this reason they are also reported on in the document.

Below is a correlation between the Decree Issues, the material issues and the indicators covered in the *GRI Standards Sustainability Reporting Guidelines*. The issues identified as the most relevant are reported in the specific sections of the Report.

**Table of correspondence**

| Issues from Italian Legislative Decree 254/2016 | Material topic | Aspects of the GRI Standards | Paragraph reference and reference to the relative documents |
|---|---|---|---|
| Personnel | *Compliance and risk management* | Key impacts, risks and opportunities (102-15) | ▪ Main non-financial risks |
| Personnel | *Policies and procedures for managing the identified risks* | Management approach (103) | ▪ Turnover<br>▪ Trade union relations and employment protection<br>▪ Human rights, diversity and equal opportunities<br>▪ Training<br>▪ Personnel assessment and professional development<br>▪ Remuneration and benefits<br>▪ Protection of occupational health and safety |
| Personnel | Occupational Health and Safety | Occupational health and safety (403-1; 403-2; 403-3; 403-4; 403-5; 403-6; 403-7; 403-9) | ▪ Protection of occupational health and safety |
| Personnel | Professional enhancement, training and competence development | Training and education (404-1;404-3) | ▪ Training<br>▪ Personnel assessment and professional development |
| Personnel | Equal opportunities/ Diversity and inclusion | Diversity and equal opportunities (102-8; 102-22; 405-1) | ▪ Corporate Governance<br>▪ HR management and structure<br>▪ Human rights, diversity and equal opportunities<br>▪ Corporate Governance and Ownership Report |
| Human rights | *Compliance and risk management* | Key impacts, risks and opportunities (102-15) | ▪ Main non-financial risks |
| Human rights | *Policies and procedures for managing the identified risks* | Management approach (103) | ▪ Human rights, diversity and equal opportunities |
| Human rights | - | Non-discrimination (406-1) | ▪ Human rights, diversity and equal opportunities |

| | | | |
|---|---|---|---|
| Social | Compliance and risk management | Key impacts, risks and opportunities (102-15) | ▪ Constant focus on quality (Consumer health and safety) |
| Social | *Policies and procedures for managing the identified risks* | Management approach (103) | ▪ Constant focus on quality<br>▪ Customer relationships - contact channels, satisfaction monitoring and training |
| Social | Quality, reliability and safety of products and services | Customer health and safety (416-1;416-2)<br>Marketing and labelling (417-2) | ▪ Constant focus on quality |
| Social | Research and Technological innovation (of processes and/or products) | (*) | ▪ Innovation in research and development: a model of excellence |
| Social | Customer Satisfaction (customer engagement and satisfaction) | General disclosure (102-43;102-44)<br>Customer health and safety (416-1; 416-2)<br>Customer privacy (418-1) | ▪ Customer relationships - contact channels, satisfaction monitoring and training<br>▪ Constant focus on quality |
| Social | Dialogue and active involvement with institutions | Anti-corruption (205-3) | ▪ Communication with authorities and institutions and active participation in sustainable development<br>▪ Corporate Governance |
| Social | Leadership (consolidation of sector leadership and expansion into international markets) | (*) | ▪ The Landi Renzo Group worldwide<br>▪ Other products and markets in which the Group operates |
| Social | Support for the general public | Procurement practices (204-1)<br>Taxes (207-1; 207-2; 207-3; 207-4)<br>General disclosure (102-14;102-44) | ▪ The local community and area<br>▪ Suppliers<br>▪ Tax management<br>▪ Communication with authorities and institutions and active participation in sustainable development |
| Supply chain | *Compliance and risk management* | Key impacts, risks and opportunities (102-15) | ▪ Main non-financial risks |
| Supply chain | *Policies and procedures for managing the* | Management approach (103) | ▪ Suppliers |

| | | | |
|---|---|---|---|
| | *identified risks* | | |
| Supply chain | Leveraging suppliers | Procurement practices (204-1)<br>General disclosure (102-9) | ▪ Suppliers<br>▪ Enhancing the local economy |
| Environment | *Compliance and risk management* | Key impacts, risks and opportunities (102-15) | ▪ Main non-financial risks |
| Environment | *Policies and procedures for managing the identified risks* | Management approach (103) | ▪ Environmental policy and management system<br>▪ Environmental performance |
| Environment | Environmental protection (in terms of the efficient use of resources and the reduction of atmospheric emissions) | Energy (302-1), Emissions (305-1; 305-2; 305-4; 305-7), Water (303-1; 303-2; 303-3) Waste (306-1; 306-2; 306-3) | ▪ Environmental performance |
| Environment | Offer of eco-efficient products | (*) | ▪ The ecological and economic contribution of gas as a transportation fuel<br>▪ Innovation and Research & Development: a model of excellence |
| Environment | Spread of infrastructure for sustainable mobility | (*) | ▪ Reference business: eco-mobility<br>▪ The ecological and economic contribution of gas as a transportation fuel<br>▪ Innovation and Research & Development: a model of excellence |
| Fight against corruption | *Compliance and risk management* | Key impacts, risks and opportunities (102-15) | ▪ Main non-financial risks |
| Fight against corruption | *Policies and procedures for managing the identified risks* | Management approach (103) | ▪ Corporate Governance |

* For this issue (which is not directly linked to an Aspect covered by the GRI Standard Guidelines), Landi Renzo reports on its chosen management approach.

## Main non-financial risks

In addition to the risks outlined in the Annual Financial Report, in the section entitled Other Information, the Group's business activities are exposed to non-financial risks mainly relating to employee health and safety, personnel management, safeguarding the environment, corruption, human rights and the supply chain. With regard to aspects covered by the certification of our management systems, these risks were assessed before adopting these systems, whereas the risks relating to aspects not covered by the certified management systems were identified by considering the Group's typical business activities and the characteristics of the target market. An overview of these risks follows, while the subsequent sections contain more detailed information about the policies and actions adopted by the Group to manage them.

**Health & Safety in the Workplace**

The main risks are linked to the workers engaged in production, logistics, laboratories and workshops, as they are exposed to the typical industrial risks of work procedures in engineering companies, in particular: the design, development and production of pressure regulators, valves, electronic devices and accessories for fuel gas systems for internal combustion engines. These risks consist specifically of mechanical and chemical risks, in addition to the risks of handling loads, both manually and with machines such as forklifts, and all those risks resulting from procedures with electronic equipment and testing. An analysis of the 2021 accident indicators shows that the greatest exposure results from assembly and inspection as well as goods warehouse activities. To control these risks, in 2010 Landi Renzo S.p.A. adopted an Occupational Health and Safety Management System (OHSMS) and Policy. For the SAFE S.p.A. companies, company occupational health and safety management is implemented to meet legal requirements and there is currently no Occupational Health and Safety Management System, but it is expected to be implemented and certified in accordance with the ISO 45001 standard in the course of 2022. The Company manages risks relating to occupational health and safety by defining a safety organisational chart, demonstrating the appointment of the Safety Delegate, who reports to the Employer, an External Health and Safety Manager, an Internal Health and Safety Officer, safety managers and supervisors, and obviously the compulsory roles dedicated to emergency management. This organisation also assigns activities carried out outside the scope of the company at customer or supplier locations.

The Company Metatron S.p.A., in accordance with Italian Legislative Decree 81/2008, systematically collected a detailed body of work instructions and procedures covering all safety activities (safety training, working methods, the use of personal protective equipment etc.), and goes into greater detail for activities that involve specific risks. The system is based on accurate risk mapping, performed through the Risk Assessment Document with an analysis of the main risks and the measures to be adopted to prevent them.

From November 2019, during the periodic audit performed by the certifying entity Bureau Veritas, the Parent Company Landi Renzo S.p.A. was certified as meeting and complying with the requirements of the new ISO 45001:2018 standard (for more details, see "Protection of health and safety"). In the course of recent years, it was necessary to handle COVID-19 epidemic risk, for which the company immediately took action to seek to limit and reduce the possibility of contagion within the company. Currently, the Group, also supported by its Company Doctor, is carefully monitoring developments in cases of contagion from the coronavirus, and is following the measures and recommendations of the Government and other authorities. Staff were provided with instructions on the conduct to be enacted for the adoption of precautions and measures to limit the risk of contagion, adequate personal protection equipment was made available to reduce the possibility of infection and targeted medical checkups were planned for particularly vulnerable individuals who, when possible, began smart working arrangements (for more details, please refer to the "Management of the health emergency and impacts of COVID-19" section).

**Personnel management**

The Group pays great attention to avoiding the potential risks that may arise during the personnel selection process, such as a lack of transparency in the sourcing of candidates, the chosen candidates not meeting the criteria, subjective skills appraisals, the initial terms and conditions of employment not matching the candidate's skills and experience, or discrimination. Another significant risk is the unavailability of qualified staff at local level, in some of the countries in which the Group operates.

There may be additional risks due to the quantitative and qualitative unsuitability of human capital with respect to the business model and the development of strategic business requirements, or unsuitable or insufficient training.

Particular attention is always paid to the issue of employee relations and industrial relations (in this case, the greatest risks relate to union disputes or widespread complaints that may lead to general strikes).

The main risks of managing **diversity**, whether gender-related or of other types, relate to reputational damage for the Group in cases where diversity issues may arise.

**Environmental protection**

The main environmental risks for the Group concern the typical activities of an engineering company with a low environmental impact, and include:

- emissions into the atmosphere from external traffic, power and production plants, ozone pollutants and greenhouse gases;
- consumption of electricity, methane, groundwater, mains water or other materials;
- noise pollution caused by production sites.

All the hazards and risks to the environment have been identified and assessed in accordance with legislation, and all the technical and organisational safety and prevention measures have been implemented.

The assessment did not reveal any significant risks of unauthorised dumping, or improper management of special waste.

**Corruption**

The Group operates in countries with a risk of corruption which is medium-high (Italy, Brazil, Romania, Colombia and Peru) or high (China, India, Iran, Argentina and Pakistan). With the expansion of the Group scope to the subsidiaries Metatron and SAFE&CEC, and in particular for the latter, the risk, originally linked only to corruption between private parties, now also extends to public counterparties.

To control this risk, Landi Renzo S.p.A. and SAFE S.p.A. have introduced a whistleblowing process, through which all the 231 Model recipients can access a specific email box which they can use to report any illegal acts or breaches of the Model. The channel ensures the confidentiality of the whistleblower throughout the process (for more information see the paragraph "Organisational Model pursuant to Italian Leg. Decree 231/2001 and fight against corruption"). Although Metatron S.p.A. has not established a whistleblowing channel, it has adopted a Code of Ethics governing the conduct to be adopted by employees, also in order to prevent corruption.

No episodes of corruption were found in 2021.

**Human rights**

Some of the geographical areas where the Group has its production sites present potential human rights risks, such as child labour, forced labour, or other violations of the rights of employees and individuals in general.

These activities are appropriately governed by company policies and procedures, particularly in the countries with the greatest potential risks, which are India, China, Iran, Pakistan, Brazil, Peru and Colombia. In other countries, such as Poland, there is a dedicated telephone line to take reports from employees. For the Landi Renzo Group and the Company SAFE S.p.A., these activities are subject to the control of the Supervisory Body, which has set up a specific whistleblowing channel of which all Model addressees have been informed. In this regard, the following email addresses may be used for the respective Companies: organismo_vigilanza@landi.it and odv@safegas.it.

Furthermore, for Landi Renzo Group, the whistleblowing channel is visible in the Investor Relations section of the website www.landirenzogroup.com (for more information, see the paragraph "Human rights, diversity and equal opportunities").

Metatron S.p.A. follows national and international directives as concerns human rights, which are subject to ongoing attention.

There are no significant human rights risks in the Group's Italian companies.

**Supply chain**

The main environmental risks along the Group's supply chain, with particular reference to the direct suppliers of materials, concern risks relating to pollution of the soil and water due to the incorrect disposal of water and liquids for machine maintenance and cooling, in addition to atmospheric pollution caused by open dumps with raw materials for steel production and fumes caused by processing plastics and ferrous materials. From a social perspective, and in terms of respecting human rights, given that most of the Group's suppliers operate in Italy and Europe, the risks relate to suppliers not complying with reference standards.

To mitigate these risks, the Group has set up specific controls throughout the supply chain (for more details, see the paragraph "Suppliers").

## Corporate Governance

Corporate governance is the set of rules, systems and mechanisms designed to effectively implement the organisation's decision-making processes in the interest of all the Group's stakeholders. The parent company **Landi Renzo S.p.A. complies with the Corporate Governance Code drawn up by the Committee for the Corporate Governance of listed companies**. A traditional governance system is in place, which includes three bodies: the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors.

**Board of Directors**

The Board of Directors is the governing body that controls the company, with powers allocated in accordance with legislation and statute. It operates to ensure the efficient and effective implementation of its functions. The directors act and make decisions to achieve the aim of creating value for shareholders, and report on management issues during the Shareholders' Meeting. With regard to appointing and replacing the Board of Directors and/or its members, the company bylaws require the board members to be elected on the basis of candidate lists, in accordance with the methods outlined in detail in the *Report on Corporate Governance and Ownership Structure* (which is attached to this document) and the existing legislation on gender representation. On 29 April 2019, the Shareholders' Meeting appointed the new Board of Directors for 2019-2021, and set the number of members at 9. The new Board of Directors, which met straight after the Shareholders' Meeting, confirmed Cristiano Musi as Chief Executive Officer and also appointed him as Director General.

On 13 November 2020, the Board of Directors approved the appointment of Dario Patrizio Melpignano as an independent director to replace the outgoing director Anton Karl.

**Board Committees**

There are no internal board committees other than those stipulated by the Corporate Governance Code, with the exception of the Related Party Transactions Committee, in order to comply with the requirements of the related party regulations.

The company has not set up any committees that carry out the functions of two or more of the committees set out in the Corporate Governance Code, nor reserved these functions for the entire Board of Directors led by the Chairperson, nor has it allocated those functions differently compared to the provisions of the Corporate Governance Code.

The following committees are under the Board of Directors:

- The ***Remuneration Committee*** has the task of formulating proposals for the Board of Directors (in the absence of the interested parties if they are part of the Committee) regarding the remuneration of the Chief Executing Officer and that of key directors. It also periodically evaluates the criteria adopted for the remuneration of key managers, supervising the application of these guidelines and providing general recommendations. The Remuneration Committee has three members: Sara Fornasiero as Chair, and Vincenzo Russi, who are both non-executive, independent directors, and Angelo Iori who is a non-executive director. All the members have suitable financial and accounting experience and knowledge. With regard to determining the remuneration of the Board members, an amount is allocated by the

Shareholders' Meeting for the duration of the directors' mandate. The emoluments may be formed of a fixed amount and a variable amount that reflects the financial results and or/objectives achieved by the Company. To be able to list on the STAR segment, exchange regulations require the Remuneration Committee to ensure that a significant share of the pay for executive directors and senior managers be incentive-linked.

See the report on remuneration, published in accordance with Article 123-*ter* of the *Testo Unico* (Consolidation Act) for information about the general remuneration policy, share-based remuneration plans, the remuneration of the executive directors, the director general, key managers and non-executive directors.

- The ***Control and Risks Committee*** ensures that the assessments and decisions made by the Board of Directors regarding the Internal Audit and Risk Management System, the approval of the full-year and interim financial reports, and the relations between the Issuer and the external auditor, are supported by suitable preparation. This Committee has three members with suitable financial and accounting experience and knowledge, namely Sara Fornasiero as Chairperson, Vincenzo Russi as independent director, and Angelo Iori as a non-executive director.
- The ***Related Parties Committee*** is tasked with ensuring the integrity of all transactions with related parties, by giving an opinion on the company's interest in completing a specific operation, and on the integrity and benefit of the corresponding conditions. The Committee is formed of two independent directors, Sara Fornasiero and Vincenzo Russi.

**Board of Statutory Auditors**

Members of the Board of Statutory Auditors are selected on the basis of their ability to meet the requirements of professionalism, independence and integrity in accordance with laws and regulations. The Company's Board of Statutory Auditors was nominated at the Shareholders' Meeting on 29 April 2019 and will remain in office until the approval of the financial statements on 31 December 2021.

**Internal Control and Risk Management System (ICRMS)**

The Internal Control and Risk Management System (ICRMS) of the Landi Renzo Group is the set of rules, procedures and organisational structures designed to enable the company to conduct its business correctly and in line with set objectives, through a suitable risk identification, measurement, management and monitoring process. The Board of Directors identifies the nature and level of risk compatible with the strategic objectives compatible in the Company's strategic, industrial and financial plans. Its assessment includes an assessment of all the risks that may be significant from the perspective of sustainability of the Company's activities over the medium to long term. The Board of Directors has also defined the guidelines for the ICRMS, with the support of the Control and Risk Committee; the system is seen as an integrated process that is applied across all the company's activities, and is based on the international principles of Enterprise Risk Management (ERM).

The purpose of the internal audit and risk management system is to help the Landi Renzo Group achieve its performance and profit objectives, obtain reliable economic/financial information, and ensure compliance

with existing legislation, to avoid damage to reputation or financial losses. In this process, particular importance is given to the identification of corporate objectives and to the classification and control of business risks, by implementing specific actions to contain these risks.
There are various types of potential business risks - strategic, operational (related to the effectiveness and efficiency of business operations), reporting (related to the reliability of economic/financial information), and finally compliance-related (related to compliance with existing legislation and regulations to avoid damage to reputation and/or financial losses). In response, Internal Audit has carried out for Landi Renzo, and will carry out for the investees that have recently been consolidated, a risk mapping activity, which is later evaluated by the Control and Risk Committee, the Board of Statutory Auditors and the Supervisory Body. Based on the risk map, and according to the assessment of the level of risk represented in it, Group Internal Audit conducts specific audits (which are identified in a risk based Audit Plan) and reports the relative findings as necessary to the Control and Risk Committee and to the Supervisory Body, which are also reported quarterly to the Board of Statutory Auditors and annually to the Board of Directors.
The Board of Directors of the Landi Renzo Group assesses the effectiveness and suitability of the Internal Audit and Risk Management System annually, based on the information and evidence obtained with the support of the preliminary work done by the Control and Risk Committee, by the Internal Audit manager and by the Supervisory Body, created pursuant to Italian Legislative Decree 231/2001.

**Organisational Model pursuant to Italian Leg. Decree 231/2001, Code of Ethics and fight against corruption**

The Landi Renzo S.p.A. Board of Directors approved its Organization, Management and Control Model ("the Model" or "the 231 Model") in accordance with Italian Legislative Decree 231/2001, on 20 March 2008. The Model, which is based on the guidelines issued by Confindustria in accordance with the relevant legislation, sets out the standards for behaviour, procedures and control activities, in addition to the system of powers and authorities intended to prevent the offences outlined in the Italian Legislative Decree 231/2001.
Following its adoption in 2008, the Model was updated over the years to include legislative updates amongst the cases of administrative liability as per Italian Legislative Decree 231/2001.
At the proposal of the Supervisory Body, the Organisation, Management and Control Model is currently being revised in order to maintain stability and efficiency in light of the Group's changing business conditions and the most recent legislation; the revision will also take into account the results of the new Strategic Plan as well as developments in the market environment caused by Covid-19.
With regard to the whistleblowing system, in accordance with Italian Law 179 of 30 November 2017 "Provisions to safeguard persons reporting offences or irregularities they receive knowledge of in connection with public or private working relations" and in line with the current national and international best practices, a dedicated email address has been set up. This has been communicated to all the Model recipients and is available in the Investor Relations section of the website www.landirenzogroup.com. There is also a series of "physical" mailboxes where reports may be submitted. These channels allow all employees and contractors to make anonymous reports directly to the Supervisory Body, by encouraging use of the system for reporting illegal acts or violations of the 231 Model. No reports regarding the offence of corruption were received during the year.

By resolution of the SAFE S.p.A. Board of Directors of 12 November 2015, the Company SAFE S.p.A. approved the first version of its Organisation, Management and Control Model in accordance with Italian Legislative Decree 231/2001.
The Supervisory Body (SB), currently consisting of Jean-Paule Castagno, Sara Fornasiero and Domenico Sardano, who have been appointed to this role until the approval of the financial statements at 31 December 2021, is called upon to evaluate the effectiveness and suitability of such Models for Landi Renzo S.p.A. and SAFE S.p.A.
The Supervisory Body sends the Board of Directors a written report every six months, on the effective knowledge and implementation of the 231 Model within each company department. The implementation of suitable regular and/or sporadic information flows to the Supervisory Body is another important tool for the Board to meet its legal monitoring responsibilities, and hence for the effectiveness of the Model in preventing liability. The SB performs its assessments for Landi Renzo S.p.A. also through the Internal Audit function based on the periodic audit plan.
The audits conducted by Internal Audit did not reveal any conduct or reportable offences nor any violations of the Model, nor was there any other act or conduct that amounted to a breach of the provisions of Italian Legislative Decree 231/2001.
With regard to corruption, all the internal divisions of the Landi Renzo Group operating in Italy underwent an anti-corruption assessment, and were thus included in the risk mapping activity conducted by Internal Audit. During the next three-year period, the mapping will also include the new companies SAFE S.p.A. and Metatron S.p.A. which were recently consolidated.

Also as part of the actions to implement the Model, the Board of Directors of the Landi Renzo Group and the Safe Group have adopted a Code of Ethics, which defines the underlying values and principles of the company's business methods, and the rules and standards of good conduct to implement such principles. The Code of Ethics, which is binding for the conduct of all Group employees, has been progressively revised as new predicate offences were introduced. The employees in the Landi Renzo Group were sent the Code of Ethics by e-mail along with a summary of the main principles of the Decree. Each update to the Code of Ethics is sent to all personnel, through an email from the Chairman. These reports are only received and dealt with by the Supervisory Body. Furthermore, the Landi Renzo Group has activated an e-learning training course on these matters which is an integral part of the induction programme for new hires.
The Metatron Group has also adopted a Code of Ethics and guarantees to employees full knowledge and understanding of the Code of Ethics through training and communication programmes.

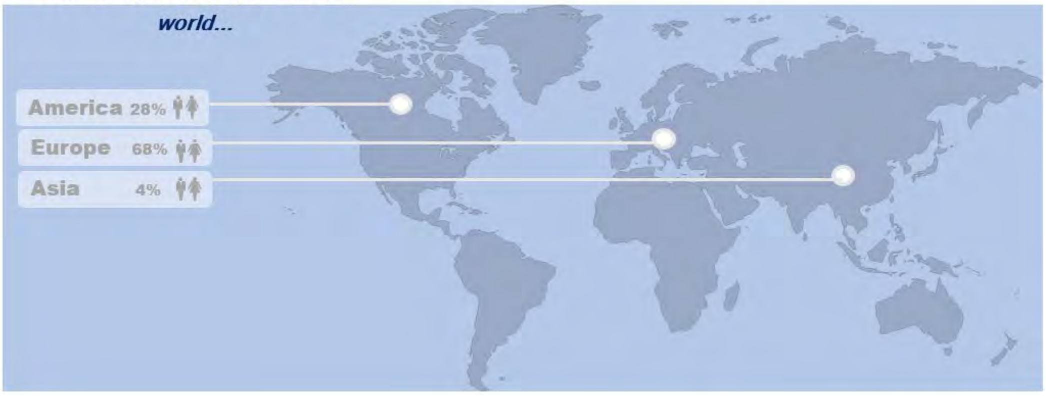
## People

# People

## *Our Progress*

**84%** of staff were hired on **permanent contracts**

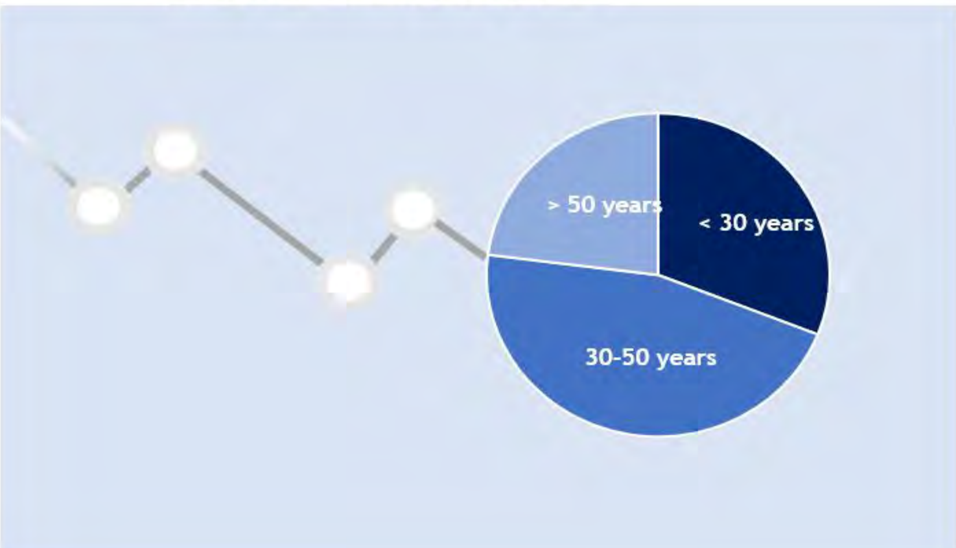
*The Group's employees in the world...*




**35**

Contracts **transformed from temporary to permanent**

*Group employees by age group...*




## *The value that we create for...*

### *Our people*

The creation of a stimulating and cooperative work environment that appreciates individual skills is one of the crucial elements of our personnel management policy

## Human Resources

The Group believes strongly in its **people**, and considers them to be a fundamental pillar for the achievement of long-term success. The creation of an inclusive work environment in which **people** are appreciated, while promoting sources of **cultural enrichment** by making significant investments in training, is one of the principal ways used to manage personnel. This is why the company is committed to fostering **inclusion** and promoting **diversity**, while also consistently focusing on the **continuous improvement** of its human resources strategies.

## HR management and structure

With the conviction that success also depends on its people, the Group encourages a recruitment policy which prioritises the search for young candidates with significant potential who are offered stimulating development paths.The Landi Renzo Group manages the personnel recruitment process through its People Strategy Function. At the start of the year, the staffing requirements for the entire Landi Renzo Group are identified, and one or more recruitment channels are chosen for each position. The main sources are recruitment firms, schools, universities and unsolicited applications. To evaluate the technical profile and potential of each candidate, the recruitment process involves interviews, motivational and technical tests. During this phase, the opportunities available and company expectations are clarified in the interests of mutual understanding. The People Strategy department draws up a shortlist for each vacancy. The Department Manager will then interview the applicants to complete the recruitment process and select the right candidate.

Once the candidate has been hired, a welcome pack is prepared, containing all the information they need to integrate into the company as well as a personal training plan; get-to-know-you meetings are held so the new member of staff can become operational quickly and efficiently.

The recruitment policy adopted by Metatron S.p.A. calls for the identification of the figures to be hired through collaboration between the management and the entity's managers. Once the new profile to be hired is outlined, it is shared with recruitment firms, while spontaneously submitted applications are also reviewed. In the second place, the CVs received from the recruitment firms are analysed internally and meetings are planned. During the meetings, based on the role of the person to be hired, personal and professional qualities are analysed and the company's expectations of the role in question are discussed in detail. The recruitment process concludes with a final step of in-person interviews with the candidates.

At SAFE S.p.A., the personnel recruitment process is managed by the HR Department. Once the company's needs are identified, the desired figure is introduced through the main recruitment sources, while spontaneously submitted applications are also reviewed. Subsequently, getting-to-know-you interviews are carried out, along with technical tests intended to evaluate the technical profile and potential of each candidate. The recruitment process concludes when the HR function prepares a short list, which is provided to the Function Manager, who will interview the candidates defined and select the most suitable person for the role in question.

Also thanks to the recent acquisitions, at the end of 2021 the Group had 987 employees. During the year 2021, the Group's average workforce was more than 900 people.

**Number of employees by geographical region and gender**

| GROUP EMPLOYEES BY GEOGRAPHICAL REGION AND GENDER | 2021 | | | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Male | Female | Total | Male | Female | Total | Male | Female | Total |
| Italy | 317 | 183 | **500** | 183 | 135 | 318 | 192 | 137 | **329** |
| Europe (excluding Italy)* | 129 | 35 | **164** | 124 | 29 | 153 | 140 | 23 | **163** |
| Asia** | 30 | 15 | **45** | 28 | 10 | 38 | 27 | 10 | **37** |
| America*** | 230 | 48 | **278** | 27 | 11 | 38 | 28 | 14 | **42** |
| **Total** | **706** | **281** | **987** | **362** | **185** | **547** | **387** | **184** | **571** |

** Poland and Romania*
*** Pakistan, Iran and China*
****USA, Colombia, Brazil, Peru, Canada and Argentina*

**Number of employees and contractors by gender**

| WORKFORCE BY GENDER - EMPLOYEES AND CONTRACTORS | 2021 | | | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Male | Female | Total | Male | Female | Total | Male | Female | Total |
| Employees | 706 | 281 | 987 | 362 | 185 | 547 | 387 | 184 | **571** |
| Temporary agency staff* | 101 | 46 | 147 | 41 | 23 | 64 | 49 | 28 | **77** |
| Other contract types** | 7 | 3 | 10 | 7 | 0 | 7 | 9 | 1 | **10** |
| **Total** | **814** | **330** | **1,144** | **410** | **208** | **618** | **445** | **213** | **658** |

*The information for the year 2021 refers to the Companies: Landi Renzo S.p.A, Landi Renzo Poiska Sp.Zo.O, Safe S.p.A, IMW Industries LTD Canada and IMW Industries LTDA Colombia.
**The information for the year 2021 refers to the Companies: Landi Renzo Pars Private Joint Stock Company, LR Industria e Comercio Ltda and IMW Industries LTDA Colombia.

Approximately 84% of staff were hired on **permanent contracts**, which confirms the positive situation within the Group. In 2021 the average **length of service** was **7 years**.

**Number of employees by contract type and gender**

| EMPLOYEES BY CONTRACT TYPE AND GENDER | 2021 | | | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Male | Female | Total | Male | Female | Total | Male | Female | Total |
| Permanent | 596 | 251 | **847** | 269 | 166 | **435** | 254 | 163 | **417** |
| Temporary | 110 | 30 | **140** | 93 | 19 | **112** | 133 | 21 | **154** |
| **Total** | **706** | **281** | **987** | **362** | **185** | **547** | **387** | **184** | **571** |
| Contracts that became permanent | 28 | 7 | 35 | 1 | 0 | 1 | 1 | 3 | 4 |

**Number of employees by contract type and geographical region**

| EMPLOYEES BY CONTRACT TYPE AND GEOGRAPHICAL REGION | 2021 | | | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Permanent contract | Temporary contract | Total | Permanent contract | Temporary contract | Total | Permanent contract | Temporary contract | Total |
| Italy | 498 | 2 | 500 | 316 | 2 | 318 | 327 | 2 | **329** |
| Europe (excluding Italy)* | 82 | 95 | 177 | 73 | 80 | 153 | 42 | 121 | **163** |
| Asia** | 10 | 22 | 32 | 9 | 29 | 38 | 9 | 28 | **37** |
| America*** | 257 | 21 | 278 | 37 | 1 | 38 | 39 | 3 | **42** |
| **Total** | **847** | **140** | **987** | **435** | **112** | **547** | **417** | **154** | **571** |

** Poland and Romania*
*** Pakistan, Iran and China*
****USA, Colombia, Brazil, Peru, Canada and Argentina*

In terms of employee categories, office personnel are the main category at roughly 47% of the total, followed by manual workers (roughly 38%).

**Number of employees by professional category and gender**

| EMPLOYEES BY PROFESSIONAL CATEGORY AND GENDER | 2021 | | | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Male | Female | Total | Male | Female | Total | Male | Female | Total |
| Senior managers | 34 | 6 | 41 | 12 | 2 | 14 | 13 | 1 | **14** |
| Middle managers | 70 | 15 | 84 | 50 | 9 | 59 | 49 | 8 | **57** |
| Clerical workers | 335 | 139 | 473 | 142 | 79 | 221 | 157 | 81 | **238** |
| Manual workers | 267 | 121 | 389 | 158 | 95 | 253 | 168 | 94 | **262** |
| **Total** | **706** | **281** | **987** | **362** | **185** | **547** | **387** | **184** | **571** |

**Employee percentage by level of education and gender**

| EMPLOYEES BY LEVEL OF EDUCATION AND GENDER | 2021 | | | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Male | Female | Total | Male | Female | Total | Male | Female | Total |
| Bachelor's Degree/Master's Degree | 184 | 73 | 257 | 99 | 46 | 145 | 106 | 47 | **153** |
| High school diploma /Qualification | 314 | 105 | 419 | 228 | 76 | 304 | 134 | 62 | **196** |
| Middle school diploma | 119 | 85 | 204 | 35 | 63 | 98 | 147 | 75 | **222** |
| **Total** | **617** | **263** | **880** | **362** | **185** | **547** | **387** | **184** | **571** |

The 2021 data for IMW Industries LTD Canada are not available

The Group has always been known for its **multidisciplinary roles and the broad range of skills within its organisation**.

In terms of the workforce's educational qualifications, these are in line with the business requirements: approximately 23% of employees have a *lower middle school diploma*, 29% have a *university degree*, and 48% have an *upper middle school diploma*.

The more junior categories engage with the Group business via work experience schemes. **20** work experience schemes were set up in 2021 and were mainly implemented at the Group's Italian sites; this figure is slightly up on previous years as it takes into account the recent acquisitions.
The average age of employees during the year was **40** years. Indeed, there is a prevalence of staff in the 36-50 age range (46% of total employees).

**Number of employees split by age**

| EMPLOYEES SPLIT BY AGE | 2021 | 2020 | 2019 |
|---|---|---|---|
| 18-35 | 303 | 134 | 163 |
| 36-50 | 459 | 272 | 287 |
| >50 | 225 | 141 | 121 |
| **Total** | **987** | **547** | **571** |

## Turnover

In 2021, the Italian companies hired new employees, mainly to reinforce their internal capability to reflect changes in the organisation and the business strategies, but also to replace outgoing personnel.
In the course of 2021, there were 216 new employees, including 175 men and 41 women. In terms of age, the new hires consisted of 146 employees between 18 and 35 years of age, 55 aged between 36 and 50, and 15 above the age of 50.
Among the 209 employees who left the Group, there were 42 women and 167 men, 107 of whom were between 18-35 years old, 63 between 36-50 years old, and 39 over 50 years old.

**Employees recruited by age group, gender and geographical area and turnover rate**

| EMPLOYEES RECRUITED BY AGE AND GENDER | 2021 | | 2020 | | 2019 | |
|---|---|---|---|---|---|---|
| | Total | % | Total | % | Total | % |
| 18-35 | 146 | 68% | 30 | 55% | 82 | 63% |
| 36-50 | 55 | 25% | 17 | 30% | 30 | 23% |
| >50 | 15 | 7% | 8 | 15% | 19 | 14% |
| **Total** | **216** | - | **55** | - | **131** | - |

| EMPLOYEES RECRUITED BY GEOGRAPHICAL AREA AND GENDER | 2021 | | | | 2020 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Male | Female | Total | % | Male | Female | Total | % | Male | Female | Total | % |
| Italy | 35 | 6 | 41 | 19% | 10 | 2 | 12 | 23% | 26 | 3 | **29** | 22% |
| Europe (excluding Italy)* | 50 | 7 | 57 | 26% | 29 | 8 | 37 | 67% | 82 | 3 | **85** | 65% |
| Asia** | 9 | 5 | 14 | 7% | 3 | 0 | 3 | 5% | 3 | 2 | **5** | 4% |
| America*** | 81 | 23 | 104 | 48% | 2 | 1 | 3 | 5% | 9 | 3 | **12** | 9% |
| **Total** | **175** | **41** | **216** | - | **44** | **11** | **55** | - | **120** | **11** | **131** | - |
| **Turnover rate (incoming employees)** | **25%** | **15%** | **22%** | - | **12%** | **6%** | **10%** | - | **31%** | **6%** | **23%** | - |

** Poland and Romania*
*** Pakistan, Iran and China*
****USA, Colombia, Brazil, Peru, Canada and Argentina*

**Employees leaving the Group by age group, gender and geographical area and turnover rate**

| FORMER EMPLOYEES BY AGE GROUP AND GENDER | 2021 | | 2020 | | 2019 | |
|---|---|---|---|---|---|---|
| | Total | % | Total | % | Total | % |
| 18-35 | 104 | 49% | 40 | 52% | 19 | 36% |
| 36-50 | 66 | 32% | 29 | 35% | 22 | 42% |
| >50 | 39 | 19% | 10 | 13% | 11 | 22% |
| **Total** | **209** | **-** | **79** | **-** | **52** | **-** |

| FORMER EMPLOYEES BY GEOGRAPHICAL AREA AND GENDER | 2021 | | | | 2020 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Male | Female | Total | % | Male | Female | Total | % | Male | Female | Total | % |
| Italy | 38 | 22 | 60 | 29% | 19 | 4 | 23 | 29% | 16 | 7 | **23** | 44% |
| Europe (excluding Italy)* | 45 | 1 | 46 | 22% | 45 | 2 | 47 | 60% | 14 | 2 | **16** | 31% |
| Asia** | 15 | 3 | 18 | 9% | 2 | 0 | 2 | 2% | 7 | 0 | **7** | 14% |
| America*** | 69 | 16 | 85 | 40% | 3 | 4 | 7 | 9% | 3 | 3 | **6** | 11% |
| **Total** | **167** | **42** | **209** | **-** | **69** | **10** | **79** | **-** | **40** | **12** | **52** | **-** |
| **Turnover rate (outgoing employees)** | **24%** | **15%** | **21%** | **-** | **19%** | **5%** | **14%** | **-** | **10%** | **7%** | **9%** | **-** |

** Poland and Romania*
*** Pakistan, Iran and China*
****USA, Colombia, Brazil, Peru, Canada and Argentina*

## Human rights, diversity and equal opportunities

Human resource management in the Group is geared towards integration and respect for diversity, and focuses on preventing any type of discrimination based on gender, nationality, ethnicity, sexual orientation, class, appearance, religion or political opinion. The work-life balance and equal opportunities are promoted through part-time employment contracts which are mainly used by female personnel, who in many cases exceed the percentage of part-time employees provided for in the relevant collective labour agreement. Furthermore, SAFE S.p.A. participates in the ForALL (Fornitori Alleati - “Allied Suppliers”) network for the promotion of a Culture of Diversity & Inclusion (D&I) in the workplace and in social contexts. The ForAll project, created by Pfizer and promoted with twenty other companies, has the goal of creating awareness in all Italian companies, with which these companies collaborate, on the importance of the inclusion of diversity in the workplace.

Aside from guaranteeing respect for diversity and equal opportunities, the Group has adopted a number of tools to promote the spread of respect for universal human rights and respect for local and national communities at Group level, through the adoption of the Group’s Code of Ethics, and at individual subsidiary level, through the definition of specific Codes of Conduct or Regulations. Please note that the Chinese company Beijing Landi Renzo Autogas System has adopted an “Employee Code of Conduct”, while the Argentinian company AEB America has a Code of Ethics that sets out the mission, principles, values and main ethical and professional behaviours to be respected within the organisation. The Argentinian company also has an “Internal Regulations Manual” approved by Top Management, which is circulated to all staff. It also contains a procedure for resolving disputes or issues raised by staff (the first port of call to respond to requests to resolve issues is the head of Department; after that, if the response/solution is not satisfactory, it is possible to request authorisation to take the issue to a higher level or to the HR Department). Landi Renzo RO S.r.l. has a "Labour Code", and internal company rules. Furthermore, the Company Landi Renzo USA Corporation has adopted an "Employee Handbook" containing all company policies, which is provided to all employees when they are hired.

Lastly, based on the information available at the Group's head office, in 2021 no areas at risk of breaching human rights were identified, nor were there any reports of cases of discrimination or violation of these rights.

**Employees by contract type**

| EMPLOYEES BY CONTRACT TYPE (no.) | 2021 | | | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Male | Female | Total | Male | Female | Total | Male | Female | Total |
| Full-time | 699 | 250 | 949 | 358 | 167 | 525 | 384 | 164 | 548 |
| Part-time | 7 | 31 | 38 | 4 | 18 | 22 | 3 | 20 | **23** |
| **Total** | **706** | **281** | **987** | **362** | **185** | **547** | **387** | **184** | **571** |

There are 25 people belonging to **protected categories** within the Group's Italian Companies.

Company policy is to select personnel belonging to these categories according to the roles and skills required by the company, through agreements with the relevant organisations, instead of making exemptions.

**Employees belonging to protected categories**

| EMPLOYEES BELONGING TO PROTECTED CATEGORIES (no.) | 2021 | | | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Male | Female | Total | Male | Female | Total | Male | Female | Total |
| No. of employees belonging to protected categories | 17 | 8 | **25** | 7 | 12 | **19** | 8 | 13 | **21** |

The figures refer to the Italian companies

## Trade union relations and employment protection

The quality of industrial relations is a key issue for Landi Renzo Group, whose aim is to build a collaborative, proactive relationship with the trade union representatives. Over the years, the Landi Renzo Group has always applied a policy of debate and open, transparent dialogue with the trade union organisations.

All of the Landi Renzo Group's employees are covered by the National Collective Labour Agreement for workers in the metalworking industry (CCNL Metalmeccanici Industria). In the course of 2021, contracts were harmonised for personnel transferred to Landi Renzo S.p.A. at the end of 2020 following the merger by incorporation of Lovato Gas S.p.A., therefore starting from 2021 the CCNL Metalmeccanici Industria is applied.

For Landi Renzo S.p.A., there is a supplementary company agreement resulting from level II bargaining, which defines more favourable conditions than the collective agreements mentioned above. In 2021, Landi Renzo S.p.A. and the union representatives came to an agreement to renew the supplementary company agreement, signed in June, which guarantees new conditions for the 2021-2023 three-year period. Aside from

guaranteeing variable elements such as the Performance Bonus to all workers, the new conditions provide favourable conditions especially as regards the economic company welfare elements.
In the course of 2021, indicatively until June, recourse was made, albeit to a limited extent, to the COVID temporary lay-off scheme to efficiently manage workloads.
During the same period, in the months when the extraordinary temporary lay-off scheme procedure was utilised, an agreement was entered into with the trade unions in relation to the voluntary separation incentive as set forth in Art. 8 of Decree Law 41/2021. The above-mentioned procedure led to the signing of 13 agreements for the voluntary termination of employment relationships (6 manual workers and 7 clerical workers and middle managers).
Furthermore, trade union negotiations taking place during the year led to the termination of production activities carried out at the Vicenza plant, which concluded with a trade union agreement and the initiation of an extraordinary temporary lay-off scheme procedure for the termination of activities which will have a duration of 12 months (December 2021-November 2022).
Lastly, in the last part of the year, a number of meetings were held with the trade union organisations in relation to outsourcing and entering into an agreement with an external company to manage the Via Nobel central warehouse, which will become effective in January 2022.
As concerns the Company SAFE S.p.A., there has been a level II company agreement in place since November 2017, when the first supplementary company agreement, still in force, was signed, which defines more favourable conditions than the reference collective agreements.
The Managers and employees of the SAFE S.p.A. Companies are covered by the National Collective Labour Agreement for Industry Executives and the National Collective Labour Agreement for small and medium-sized metalworking industry workers (Confapi), respectively.
All of Metatron S.p.A.'s employees are covered by the National Collective Labour Agreement for workers in the metalworking industry (CCNL Metalmeccanici Industria).

## Training

The Group considers staff training to be a fundamental priority in personal development, and to increase the company's assets. Developing, optimising and spreading knowledge and cross-cutting skills will ensure effectiveness, flexibility and a tendency towards innovation. The learning process is seen as an ongoing experience that accompanies people throughout their career. People's knowledge and ability to innovate are critical for success and must be nurtured continuously. In order to optimise the management of its training programme, in 2014 the Landi Renzo Group introduced a procedure that allows management to define the needs for each job description and to identify the specific skills needed for each role. Each year, in collaboration with management, People Strategy defines a training plan based on the skills required for each employee and the specific training needs for the area, identified by the departmental leader or head of department.
After 2020, when training activities slowed down due to the epidemiological emergency, in 2021 in-person training resumed and a number of activities that had been in stand-by in the previous year were completed.

In 2021, courses focused especially on language, technical and safety training. Indeed, English language training was provided in person as well as in e-learning mode, a number of technical courses were organised regarding the implementation of new software and design methodologies (Matlab, CAD, DOE - DEsign of experiments, IUNGO- Platform shared with suppliers) and significant work was done on compulsory safety training and on the development of safety initiatives in the production realm, in order to prevent workplace accidents.

Internal training also continued on anti-corruption topics (significant and insider information, whistleblowing, anti-corruption) for nearly the entire company population. The course was built in e-learning mode so as to be included in the on-boarding kit made available to new hires.

The objective for 2022 is to continue with technical training and continuous education for the Research & Development area and launch growth and development projects for managers.

The training programme is delivered by People Strategy, who also monitors and assesses the training provision. A satisfaction questionnaire is administered to a sample of participants at the end of each course. The questionnaire focuses on the topics under discussion, the competence and capability of the trainer, and the organisation of the course.

With regard to SAFE S.p.A., in 2021 more than 800 training hours were provided in a number of areas, in certain cases providing on-the-job training that was not tracked. SAFE S.p.A. has set itself the objective of raising manager awareness in the reference area with a view to punctually recording employee training hours.

For Metatron S.p.A., employee training is managed annually based on a Training Plan prepared by the HR Manager in collaboration with the company management.

Over the last two years, training activities slowed due to the epidemiological situation. Indeed, priority was given to training on the prevention and management of the COVID-19 emergency, by participating in meetings with local entities, such as the meeting with Unindustria & local health authorities on the management of the anti-contagion protocol, and training and internal awareness-raising activities, such as the meeting with managers on the risk linked to the potential spread of the virus.

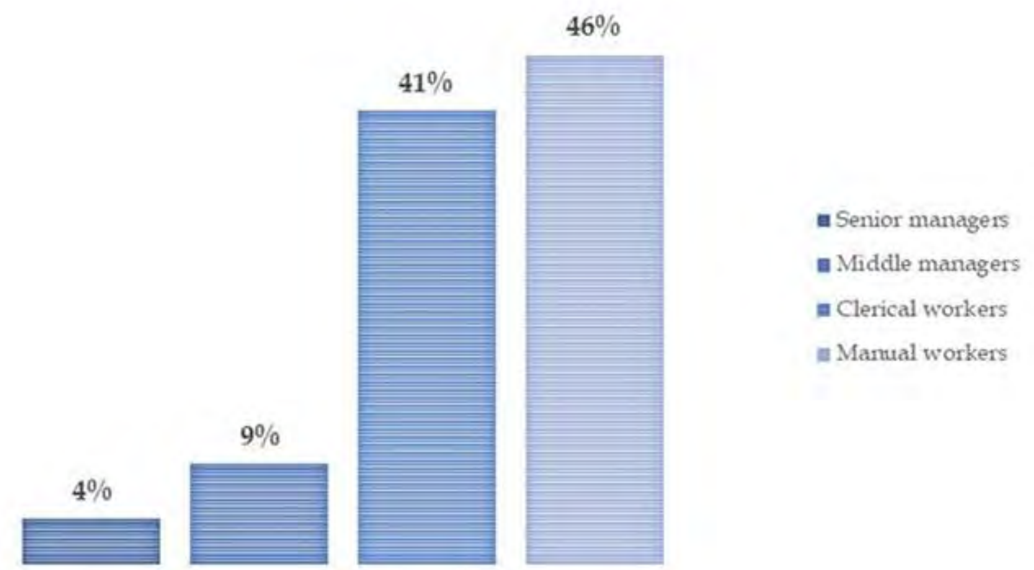
The objective that the Company aims to achieve in 2022 is to resume training activities under normal operating conditions, by developing a new plan and making up for courses not provided in 2020-2021 when necessary.

Despite the epidemiological situation which impacted training activities throughout 2021, 10,311 hours of training were delivered to 638 people, amounting to a total investment of approximately Euro 114 thousand.

**Employees who received training by professional category**

| EMPLOYEES WHO RECEIVED TRAINING BY PROFESSIONAL CATEGORY (no.) | 2021 | | | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Male | Female | Total | Male | Female | Total | Male | Female | Total |
| Senior managers | 22 | 2 | 24 | 15 | 3 | **18** | 13 | 0 | **13** |
| Middle managers | 49 | 11 | 60 | 32 | 5 | **37** | 39 | 7 | **46** |
| Clerical workers | 179 | 84 | 263 | 88 | 24 | **112** | 112 | 43 | **155** |
| Manual workers | 193 | 99 | 292 | 69 | 70 | **139** | 69 | 77 | **146** |
| **Total** | **443** | **196** | **639** | **204** | **102** | **306** | **233** | **127** | **360** |

**Employees who received training in 2021 by category**

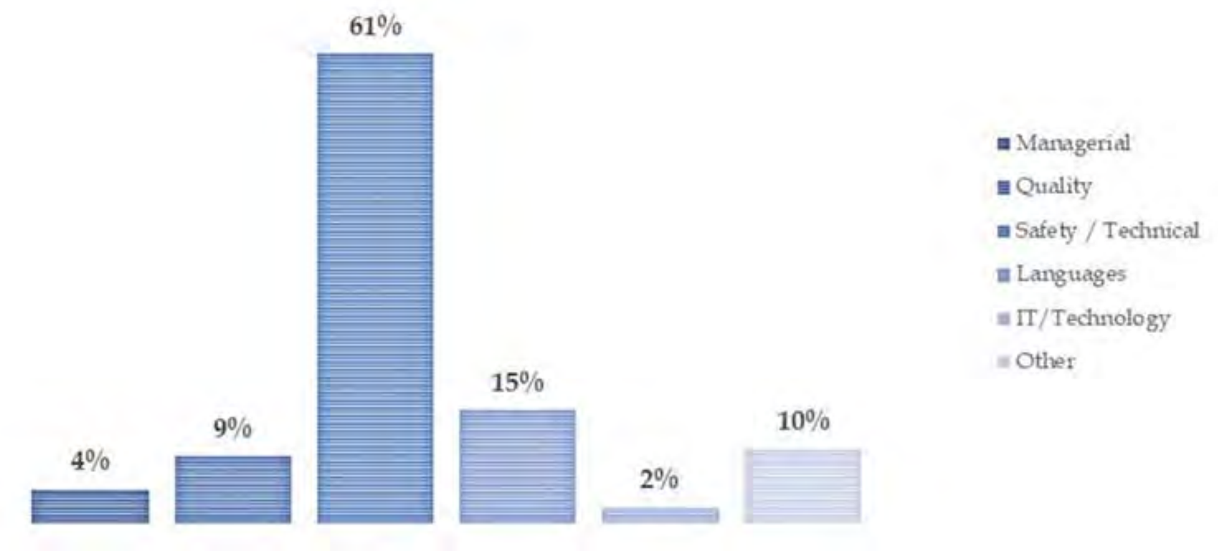



The Group is constantly committed to developing new skills on multiple levels, while enhancing those already present within the organisation. In 2021, office workers were the main category receiving training (in line with the previous year), with the largest portion of training hours dedicated to language learning and safety.
The figures relating to training hours in 2019 refer only to Landi Renzo S.p.A. and Lovato, those relating to 2020 relate to Landi Renzo S.p.A., Lovato Gas and the foreign companies and the figures for the year 2021 refer to the Landi Renzo Group, the SAFE Group and the Metatron Group. For information on changes to the boundary, reference is made to the paragraph "Methodological note".

**Hours of training by subject area in 2021**

| HOURS OF TRAINING BY SUBJECT AREA (h.)* | 2021 | 2020 | 2019 |
|---|---|---|---|
| Managerial | 449 | 1,923 | 3,725 |
| Safety/Technical | 6,282 | 2,823 | 2,688 |
| Quality | 896 | 177 | 874 |
| Languages | 1,508 | 0 | 295 |
| IT | 205 | 317 | 51 |
| Other types | 1,027 | 233 | 1,044 |
| **Total** | **10,367** | **5,473** | **8,677** |

* The 2021 data for Landi Renzo USA Corporation are not available.
The figures include training hours on Health and Safety topics.




**Hours of training per capita by professional category**

| HOURS OF TRAINING PER CAPITA (h) | 2021 | | | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Male | Female | Total | Male | Female | Total | Male | Female | Total |
| Senior managers | 7.3 | 13.3 | 7.8 | 8.3 | 45.7 | **14.6** | 12.4 | - | **11.6** |
| Middle managers | 21.5 | 10.8 | 19.5 | 19.1 | 72.2 | **26.2** | 21.2 | 19 | **20.9** |
| Clerical workers | 31.7 | 13.6 | 26.0 | 26.6 | 24.8 | **26.2** | 25.1 | 18 | **22.7** |
| Manual workers | 8.7 | 5.1 | 7.4 | 14.2 | 4.5 | **9.5** | 5.6 | 10.3 | **7.3** |
| **Total** | **19.4** | **9.1** | **16.2** | **19.9** | **13.8** | **17.9** | **15.7** | **14** | **15.2** |

The 2021 data for Landi Renzo USA Corporation are not available.

Please note that in 2021 average training hours exceeded 10 hours per employee out of a total of 987 employees. In detail, the training hours provided by professional category amounted to 4.7% for senior managers (4.7% men and 4.5% women), 13.8% for middle managers, (15.1% men and 7.9% women), 14.4% for clerical workers (17.0% men and 8.2% women) and 5.6% manual workers (6.3% men and 4.2% women).

**Technical training for workshops and installers**

The Landi Renzo Group's training programme regained strength during the year after a difficult 2020, with almost 60 training sessions for a total of 330 training hours and more than 500 individuals involved.

An additional 40 calibrations were added to our Database available to the Workshops, while the number of vehicle sheets rose to 460 from the previous 400.

The training offered includes various levels (basic and advanced), targeted to the different types:

- **Basic course on Port Fuel Injection (PFI) systems**: giving an introduction to the types of components, installation methods and calibration of the electronic control unit.
- **Course on Direct Injection (DI) systems**: in-depth course dealing with specific components, the installation method and the calibration of the electronic control unit on systems for direct injection vehicles.
- **Course on Diesel Dual Fuel (DDF) systems**: in-depth course dealing with specific components, the installation method and the calibration of LCV, MD and HD vehicles.
- **Troubleshooting guide:** a course dedicated to analysing the causes of the main complaints from customers about PFI and DI injection systems.
- **Troubleshooting of issues with Landi Renzo systems installed on OEM vehicles (OEM Troubleshooting):** this course analyses the causes of the main complaints from customers relating to multipoint injection systems (for out of warranty vehicles) installed on vehicles produced and sold directly by car manufacturers.

Training of the foreign sales / installers network was primarily monitored by the Landi Renzo branches and/or local outsourcers.

The objective for the coming years is to define an internal training programme in order to boost the technical skills of Landi Renzo personnel as well as external training (in-person and remote), also possibly by recording lessons and sending them to customers. Landi Renzo is also ultimately planning to record video tutorials addressing recurring support issues to be sent to customers.

## Personnel assessment and professional development

In 2009 the Landi Renzo Group's Italian companies introduced a Management by Objectives (MBO) system and individual performance appraisals.

In 2020, the Management by Objectives (MBO) system did not enter into force as a result of the emergency situation. Indeed, no objectives linked to variable bonuses were assigned.

In 2021, also by virtue of the continuing COVID emergency situation and the particularly difficult and unpredictable business context, the individual performance assessment process was not carried out.

In 2021, no one was involved in International Mobility plans.

For the Companies SAFE S.p.A. and Metatron S.p.A., no Management by Objectives (MBO) systems were introduced.

## Remuneration and benefits

The Landi Renzo Group's remuneration policy aims to show a fair, concrete recognition of people's hard work and contribution to the success of the business. Salary scales depend on employee roles and responsibilities, and reflect the level of experience and required skills, the level of excellence demonstrated, and the general contribution to the business, without any type of discrimination.

For Landi Renzo S.p.A., the process of defining the variable pay component takes the form of the performance bonus. This is linked to the business performance appraisal for all staff, the results achieved by leading roles and – limited to certain specific positions such as the Employer's delegate and the managers of production sites – various health, safety and environment objectives. However, in 2021 the process of assigning and evaluating objectives for personnel with roles of responsibility (MBO) was not carried out.

None of the companies in the table below have a pay level below the local minimum for the relevant category of new hires.

**Ratio of standard salary for new hires to local minimum salary by gender**

| RATIO OF SALARY FOR NEW HIRES TO LOCAL MINIMUM SALARY | 2021 | | 2020 | | 2019 | |
|---|---|---|---|---|---|---|
| | Male | Female | Male | Female | Male | Female |
| AEB America S.r.l. | 1.90 | 2.14 | 1.28 | 1.52 | 1.33 | 1.33 |
| Beijing Landi Renzo Autogas System Co. Ltd | 2.5 | 12 | 3.32 | 5.01 | 5.53 | 3.18 |
| Landi Renzo Polska Sp.Zo.O. | 1.37 | 1.27 | 1.59 | 1.35 | 1.75 | 1.42 |
| Landi Renzo RO S.r.l. | 1.22 | 1.22 | 1.40 | 1.40 | 1.50 | 1.50 |
| Landi Renzo Pars Private Joint Stock Company | 1.23 | 1.17 | - | - | 1.10 | 1.10 |
| Landi Renzo S.p.A. | 1.18 | 1.18 | 1.20 | 1.20 | 1.20 | 1.20 |
| Landi Renzo USA Corporation | - | - | 1.08 | 1.08 | 1.04 | 1.04 |
| Landi Renzo Indústria e Comércio | - | - | - | - | 1.34 | 1.36 |
| L.R. Pak (Pvt) Limited | - | - | - | - | - | - |
| SAFE S.p.A. | 1.06 | 1.06 | - | - | - | - |
| IMW Industries LTD Shanghai | 2.32 | 2.32 | - | - | - | - |
| IMW Energy Tech LTD China | 2.32 | 2.32 | - | - | - | - |
| IMW Industries LTD Canada | 1.04 | 1.04 | - | - | - | - |
| IMW Industries del Perù SAC Peru | 1.48 | 1.83 | - | - | - | - |
| IMW Industries LTDA Colombia | 1 | 1 | - | - | - | - |
| Metatron S.p.A. | 1.03 | 1.03 | - | - | - | - |
| Metatron Control Systems Co., Ltd | 3.99 | 5.06 | - | - | - | - |
| **Average Group total** | **1.59** | **1.72** | **1.56** | **1.80** | **1.75** | **1.45** |

Minimum local salary: this refers to the legal minimum wage or the salary indicated in the National Collective Labour Agreement.
New hire salary: the wage offered to a full-time employee in the lowest category.

The 2020 figure excludes L.R. Pak (Pvt) Limited, Landi Renzo Pars Private Joint Stock Company and LR Indústria e Comércio Ltda, as the data is not available.
The 2021 data excludes Landi Renzo USA Corporation, Landi Renzo Industria e Comercio and L.R. Pak (Pvt) Limited, as that information was not available.

At Beijing Landi Renzo Autogas System Co. Ltd and L.R. Pak (Pvt) Limited, individual or company-level performance bonuses may be paid. While for SAFE S.p.A., since 2019 a performance bonus has been guaranteed to employees and temporary staff (for the manual workers, clerical workers and middle managers

categories), the amount of which is calculated based on results achieved, and there is also an additional flexible benefits plan over and above what is set forth in the national collective labour agreement.
The Group's focus on its people also means providing advantages through a set of non-financial benefits designed to increase the socio-economic well-being of employees and their families. These include work equipment such as company cars, laptops and mobile telephones, in addition to resources allocated to meet employee social security and welfare requirements. Landi Renzo S.p.A. has supplemented its company welfare policy with a medical insurance plan, through which all employees (both part-time and full time workers) can receive standard medical treatment; staff have an allowance of 300 Euro which they can spend on the company welfare platform, where they can access various services (such as discount vouchers, reimbursements and medical treatment). For the Group's Italian companies, also in 2021 dedicated COVID-19 insurance coverage was renewed, in order to provide support in the case of an infection, which includes hospitalisation indemnity, convalescence indemnity and post-hospitalisation assistance. Agreements were also activated with food service and catering companies for the delivery of meals to the office.
Furthermore, a car sharing service has been active since 2020, for the shared use of vehicles for personnel coming from the city of Bologna. Lastly, smart working continued to be used to guarantee attendance and business continuity.

## Protection of Occupational Health and Safety

The Group has always focused on its people: it demonstrates this through its commitment to health and safety in the workplace, which is implemented through robust management systems. Landi Renzo S.p.A. has adopted an occupational health and safety policy and management system (OHSMS) in accordance with the requirements of standard ISO 45001:2018, to enable ongoing improvement and maximum performance in relation to safety in the workplace and safeguarding the environment.
In accordance with Italian Legislative Decree 81/2008, the Group management system consists of a cohesive, detailed body of work instructions and procedures covering all safety activities (safety training, working methods, the use of personal protective equipment etc.), and goes into greater detail for activities that involve specific risks. The system is based on a thorough risk map, in the form of a Risk Assessment report ( - DVR) prepared by the Employer and the Health and Safety Manager. It is then checked by the Company Doctor and submitted to the workers' safety representatives in order to identify the severity and probability of specific risks occurring, for each activity and role carried out by Landi Renzo employees.
Over time, the OHSMS of the Landi Renzo Group has fostered a culture of safety, which has gradually influenced the habits, awareness and mindset of all staff. This has underlined the importance of ensuring personal and collective safety when working for or with Italian companies in the Landi Renzo Group, and has prioritised a proactive approach to health and safety, as potential issues are raised before they become a fully-fledged incident.
As regards occupational medicine services, the health protocol is defined by the Company Doctor.In-company health monitoring is guaranteed by the Company Doctor, that sends aggregate health data and information on the risk of workers that undergo health surveillance, in Attachment 3B (as defined in Article 40, paragraph

1 of Italian Legislative Decree 81/2008) to competent entities. For all inspections made, the Company Doctor writes up a report based on his/her findings. The Company Health and Safety Manager and one or more Workers' Safety Representatives attend the inspections.

The quality of occupational medicine services is ensured by workers' facilitated access to these services. The Company Doctor may give check-ups, also on the written request of workers, using the form "FS 22 - Request for a medical check-up". All workers are suitably informed of this possibility to request medical check-ups.

The Group's focus on health and safety in the workplace is defined in standards that all personnel must observe in order to ensure that policies, procedures, technologies and skills contribute to the awareness and prevention of risks.

In order to give access to and notify important occupational health and safety information to workers, at Landi Renzo S.p.A, all documentation on accident prevention is available on a Safety portal and on a noticeboard, on company premises, and in an electronic version on the company Intranet, along with reports on company accident trends. Although no formal management/worker committees for health and safety exist at present, Landi Renzo S.p.A. undertakes to organise schedule periodic meetings for the Workers' Safety Representatives, Health and Safety Manager and company trade union representatives with a view to guaranteeing communication flows on health and safety matters to all employees. Due to the spread of COVID-19 and the emergency situation, these meetings were not scheduled over the last two years. The Group HSE Department expects to define the frequency, schedules and procedures for holding the meetings in 2022 with the support of Human Resources.

In addition to intensive information and training on the ISO 45001:2018 and ISO 14001 standards, through which Landi Renzo S.p.A. personnel are informed of the main safety concepts and new developments in this area, performance objectives for safety in the workplace have been set; they are linked to specific KPIs.

To meet these objectives, the Landi Renzo Group has a Health, Safety and Environmental Department (HSE), which aims to adopt a standardised, cohesive approach to ISO 45001:2018 certification and to include all the work processes, regardless of their position in the company, within the risk assessment.

This structure is based on two levels of activity: one is entrusted to the central departments and establishes, coordinates and monitors the policies and guidelines, as well as providing specialist and local technical/operational management support. The other level of action is through the health and safety managers/officers at the level of the local branches or companies, who implement management guidelines according to the specific technical/installation/environmental conditions of the local sites.

Planned inspections also contribute to increasing the focus on legal compliance and conformity to the ISO 45001:2018 standard.

In the course of 2021, audits were performed on the management system for the Landi Renzo S.p.A. Group. These audits were assigned to an external consulting firm and the certifying entity Bureau Veritas. In particular, in June 2021 (16-18/06) Bureau Veritas performed a Vip2 audit on the ISO 1400:2015 system, which brought to light no observations.

In November 2021, the ISO 45001:2018 verification audit was performed, bringing to light three observations, the recommendations concerning which have already been followed for some, and will be followed in the course of 2022 for the others (two of which already planned). In addition to the certifying body's audits, audits are carried out every year by the consulting firm M2 Engineering and Studio Alfa to support the maintenance of the HSEMS, in order to verify the proper application of the ISO 14001:2015 and ISO 45001:2018 standards. Furthermore, in 2019 the company used the "FE 16" form to draw up a "Risks and opportunities matrix" linked to internal and external factors as required by UNI EN ISO 14001:2015 and UNI ISO 45001:2018, which is reviewed every year. For environmental aspects, the form "FE 17" was prepared on "Assessment of conformity to requirements of workers and other interested parties" in accordance with UNI EN ISO 14001:2015 and UNI ISO 45001:2018.

All the Landi Renzo Group's company operations are covered by the HSEMS, and they include not only permanent staff but also contractors from other companies, such as temporary agency staff and the workers of contracting firms. For service contractors, there is a specific procedure that allows a pre-check of the contracting requirements imposed by Italian Legislative Decree 81/2008 on contracting.

For suppliers and outsourcing firms, an audit plan for quality audits was prepared in November 2019 for the renewal of the certification with migration to ISO 45001:2018. The form "FA 50 – Supplier Qualification" used in the quality procedure was changed to include references to HSE. In the course of 2021, 2 audits were carried out at suppliers, and others are planned for 2022.

For SAFE S.p.A. and Metatron S.p.A., there is currently no Occupational Health and Safety Management System. The Companies manage these issues by defining procedures and operating instructions in compliance with Italian Legislative Decree 81/08, defining a safety organisational chart showing the appointment of the compulsory roles and drafting a Risk Assessment Document. Furthermore, the company health situation is actively monitored based on a medical protocol linked to the risks mapped in the Risk Assessment Document, and training and information is guaranteed to all workers on occupational health and safety topics.

**Health and safety training**

As in previous years, staff training is organised by the HR Department, taking into account the guidelines provided by the health and safety manager and the contents of the Italian State-Regions Conference Agreement. Currently, the procedure allows for the regular training of all staff, and for periodic refresher courses for workers and staff in the roles of emergency management, first aid, forklift drivers, workers' safety representatives, HS managers and officers.

The company has not introduced courses on OHS that involve the workers' families.

### No. of people and hours of training on Health and Safety

| HOURS OF TRAINING BY ROLE | 2021 | 2020 | 2019 |
|---|---|---|---|
| Senior managers | 91 | 24 | 27 |
| Middle managers | 368 | 115 | 85 |
| Clerical workers | 395 | 411 | 690 |
| Manual workers | 2,014 | 1,194 | 1,069 |
| **Total** | **2,868** | **1,744** | **1,687** |

The 2019 figure excludes L.R. Pak (Pvt) Limited, as that information was not available.
The 2020 figure excludes L.R. Pak (Pvt) Limited, Landi Renzo Pars Private Joint Stock Company and LR Indústria e Comércio Ltda, as the data is not available.
The 2021 data excludes Landi Renzo USA Corporation.

| PEOPLE WHO RECEIVED TRAINING BY ROLE | 2021 | 2020 | 2019 |
|---|---|---|---|
| Senior managers | 8 | 4 | 5 |
| Middle managers | 34 | 9 | 15 |
| Clerical workers | 82 | 38 | 153 |
| Manual workers | 220 | 75 | 175 |
| **Total** | **344** | **126** | **311** |

The 2019 data excludes Beijing Landi Renzo Autogas System Co. Ltd and L.R. Pak (Pvt) Limited, as that information was not available.
The 2020 figure excludes L.R. Pak (Pvt) Limited, Landi Renzo Pars Private Joint Stock Company and LR Indústria e Comércio Ltda, as the data is not available.
The 2021 data excludes Landi Renzo USA Corporation.

In 2021, the safety training trend was up as all necessary updating courses were held, also to make up for some activities that could not be carried out in 2020 due to COVID-19. For the Italian Companies of the Landi Renzo Group and the Company Metatron S.p.A., each year a programme is drawn up in collaboration with HR, with regard to HS training. It takes into account the requirements for new hires, and the periodic refresher courses for existing staff.

In 2021, one manager, in the Landi Renzo Group's Italian companies, took part in the health and safety training. The role of manager brings with it considerable decision-making autonomy in managing employee safety. This is designed to provide training on how to identify parties involved and their obligations, define and identify risk factors, and identify technical, organisational measures for prevention and protection. The course must be completed by new managers and a refresher course is completed by all company managers every five years. On the basis of the requirements set out in the Italian State-Regions agreement, the first type of course contains 16 hours of training and the second course 6 hours.

The future commitments of the Landi Renzo Group's Italian Companies are closely related to the requirements of Italian Legislative Decree 81/2008 and the HSE management system. Monthly monitoring of injuries and near miss reports will continue, with this data being provided to the health and safety officers. Periodic HSEMS audits will be carried out by third parties (accreditation bodies) and by second parties (customers or suppliers) if required. In order to take pre-emptive action in relation to work-related injuries or illnesses, it has been agreed with the trade union representatives to provide all workers with information about the specific risks of their equipment and workstations, with the level of exposure to each risk to be specifically indicated. With regard to safety issues, the necessary courses will be planned in accordance with the Italian State-Regions Conference Agreement, and internal informative meetings with all workers will continue.

**Ongoing monitoring of indicators**

Safety key performance indicators are monitored continuously, and are constructed according to a statistical criterion relating to the UNI 7249:2007 standard on the statistics of occupational injuries. In the course of 2021, 25 **non-severe** workplace accidents were identified out of roughly one million hours worked; of which for the Italian Companies 3 at SAFE S.p.A., 7 at Landi Renzo S.p.A. and 1 at Metatron S.p.A.
The various employee accidents that took place were: bruised knee, foot injury, eye injury, ankle twisting/injury, elbow injury, bruised foot and post-traumatic headache.

**Number of employee injuries by geographical area and gender**

| NO. OF INJURIES (no.) | 2021 | | | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Male | Female | Total | Male | Female | Total | Male | Female | Total |
| Italy | 7 | 4 | 11 | 5 | 2 | **7** | 3 | 1 | **4** |
| Europe (excluding Italy)* | 0 | 0 | 0 | 0 | 0 | **0** | 0 | 0 | **0** |
| Asia** | 0 | 0 | 0 | 0 | 0 | **0** | 0 | 0 | **0** |
| America*** | 8 | 1 | 9 | 0 | 0 | **0** | 0 | 0 | **0** |
| South America **** | 3 | 2 | 5 | 1 | 1 | **2** | 0 | 1 | **1** |
| **Total** | 18 | 7 | **25** | 6 | 3 | **9** | 3 | 2 | **5** |

The 2021 data excludes Landi Renzo USA Corporation.
The data relating to the SAFE Group companies and Metatron refers to the entire calendar year (1/01/21-31/12/21).

* *Poland and Romania*
** *Pakistan, China and Iran*
*** *USA and Canada*
**** *Colombia, Brazil, Peru and Argentina*

In 2021, there were 15 accidents recorded for **non-employee personnel** relating to the Companies Landi Renzo S.p.A. and IMW Industries LTD Canada. The Group has a total of 93 non-employee workers and 1.5 million hours worked.
A key factor in preventing injuries is the ability to report, gather and analyse information on accidents and near misses. The company Landi Renzo S.p.A. has adopted a near-miss information gathering system where incidents are logged, monitored and analysed regularly to check that they meet the specific targets assigned to different management teams. During 2021 no deaths or accidents with severe consequences took place linked to work activities by employees. In 2021, there were three cases of occupational illness due to repetitive movement over time relating to the Company Landi Renzo S.p.A.
The accidents taking place in 2021 involved production staff and were evaluated by the Company, which adopted disciplinary measures for everyone who had not followed health and safety regulations (e.g., failure to use personal protection equipment provided by the Company, moving through a prohibited area).

As regards Italian companies in the Group, hazards in the workplace that constitute an injury risk have been specified in the company risk assessment report, which indicates not only the hazard itself but also the risk of exposure. Hazards in the workplace that may cause potential risks of occupational illnesses are mainly related to repetitive movements and the handling of loads, and also to the natural ageing of workers. As for their management, the Company Doctor identifies and reports possible cases at risk of illnesses; the frequency of check-ups is indicated in the health protocol. In addition, workers can also report potential and/or evident cases of occupational illnesses to trade union representatives. Reporting is followed up with the opening of an occupational illness request by the trade union representative. The request is then sent to INAIL (the Italian institute for insurance against industrial accidents), which evaluates it before starting a recognition procedure, if applicable.

Any accidents reported by supervisors or workers at Landi Renzo are reported on the form "FS 32 - **Report of accident/injury or near miss**"- these events are then analysed to evaluate the causes. After the injury or near miss analysis, corrective action will be started to identify the steps that need to be taken to avoid any repetition of the incident, by eliminating any hazards that may be caused by deficient equipment or tools, or incorrect behaviour by staff.

**Employee injury figures by geographical area and gender**

| RATE OF RECORDABLE ACCIDENTS IN THE WORKPLACE / FREQUENCY RATE | 2021 | | 2020 | | 2019 | |
|---|---|---|---|---|---|---|
| | Male | Female | Male | Female | Male | Female |
| Italy | 16.15 | 18.57 | 18.19 | 12.49 | 9.57 | 4.86 |
| Europe (excluding Italy)* | 0 | 0 | 0 | 0 | 0 | 0 |
| Asia** | 0 | 0 | 0 | 0 | 0 | 0 |
| America*** | 53.47 | 37.36 | 0 | 0 | 0 | 0 |
| South America **** | 8.42 | 38.35 | 33.32 | 34.77 | 0 | 51.54 |

| SEVERITY RATE | 2021 | | 2020 | | 2019 | |
|---|---|---|---|---|---|---|
| | Male | Female | Male | Female | Male | Female |
| Italy | 0.31 | 0.59 | 0.18 | 0.72 | 0.05 | 0.28 |
| Europe (excluding Italy)* | 0 | 0 | 0 | 0 | 0.20 | 0 |
| Asia** | 0 | 0 | 0 | 0 | 0 | 0 |
| America*** | 0.09 | 2.50 | 0 | 0 | 0 | 0 |
| South America **** | 1.11 | 0.21 | 1.60 | 0.21 | 0 | 0.62 |

| INCIDENCE RATE | 2021 | | 2020 | | 2019 | |
|---|---|---|---|---|---|---|
| | Male | Female | Male | Female | Male | Female |
| Italy | 2.21 | 2.19 | 2.73 | 1.48 | 1.56 | 0.73 |
| Europe (excluding Italy)* | 0 | 0 | 0 | 0 | 0 | 0 |
| Asia** | 0 | 0 | 0 | 0 | 0 | 0 |
| America*** | 7.55 | 5.26 | 0 | 0 | 0 | 0 |
| South America **** | 2.42 | 6.90 | 5.88 | 10.00 | 0 | 5.56 |

The data relating to the SAFE Group companies and Metatron refers to the entire calendar year (1/01/21-31/12/21).
** Poland and Romania*
*** Pakistan, China and Iran*
**** USA and Canada*
***** Colombia, Brazil, Peru and Argentina*

Incidence rate: no. of injuries/no. of employees *100
Severity rate: no. of days of absence/no. of hours worked *1,000
Frequency rate: (no. of work-related injuries/total no. of hours worked) *1,000,000

## Management of the health emergency and impacts of COVID-19

The year 2021 was also impacted by the COVID-19 pandemic which, at certain times, caused uncertainty, to which Landi Renzo reacted promptly, in line with what it did already in 2020, aiming to safeguard the **health of all workers.**

In the course of 2021, the Group undertook to adopt all necessary measures set forth by regulations in force over time, such as verifying that workers had Green Passes in order to access its plants.

Starting from the initial months of the health emergency, the Group adopted policies and initiatives in order to continue operations while placing priority on health and respect for the regulations issued by the government. To guarantee the safety of all of its employees, the Landi Renzo Group has implemented and maintained the following initiatives:

- Update of the Risk Assessment Document by adding biological risk and adopting specific forms to be used by the workers of external companies.
- Daily cleaning and periodic plant sanitisation.
- Provision of personal protection equipment to all personnel on the basis of their level of risk exposure (masks, gloves, goggles), and provision of all sanitisation products required for shared instruments (hand gel, disposable wipes and disinfectant for workstations).
- Introduction of safety measures at all plants, such as body temperature controls on entry, interpersonal distancing, the use of adequate personal protection equipment, rearrangement of workstations and common spaces, cleaning and sanitisation of the workplace.

The Landi Renzo Group worked voluntarily to activate additional insurance coverage in favour of the employees of the Group's Italian Companies, in the case of coronavirus infection, the cost of which was borne in full by the company. If the Landi Renzo S.p.A. employee is diagnosed with COVID-19 infection in Italy, the insurance coverage provides a hospitalisation indemnity, additional convalescence indemnity if hospitalised in the intensive care unit and a series of post-hospitalisation services to support the employee's household. This on one hand increased the level of plant safety and on the other drove engagement with employees, making them feel like a fundamental part of the Company and putting their health above other matters.

Furthermore, again in 2021, the COVID-19 pandemic has not had significant impacts on other business risks and the directors have not deemed it necessary to modify the business model.

## Internal communication activities

Given the high value it places on its employees, the Landi Renzo Group is committed to maintaining constant dialogue with personnel and to increasing its involvement in the various activities. The Landi Renzo Group uses various forms of internal communication, both traditional and innovative. The more traditional channels include the Intranet, notice boards and in-house screens. The company Intranet enables everyone in the Group to access official information and initiatives, facilitating company processes, communication between departments and internal communication. Company notice boards and screens are used to notify employees of official communications. Policies, agreements, internal procedures, company indicators and figures are just some of the content available via these communication channels.

Some of the more innovative forms of internal communication developed by the Landi Renzo Group are Department Meetings, a series of meetings to share company achievements, the Internal Meeting system and the "Welcome on board" system. The so-called "Department Meetings" involve all staff and meet the requirement to share and communicate information on the most important projects that are under way and the actions implemented, encouraging the cooperation and involvement of everyone. They are useful in completing the process of providing information about new products, business strategies and the company's performance.

In order to facilitate the induction of new Landi Group hires, in 2018 a "Welcome on Board" system was introduced. This involves sending an email to all companies with a brief presentation of the new employee, their role and their manager.

Lastly, in the course of 2020, a new communication channel was activated: an SMS messaging platform to reach all employees with information, notifications, instructions and videos, even during the lockdown periods. This instrument was used to convey communications and information regarding company decisions to close/reopen the plants, informational notices from the management and communications on worker safety during the COVID-19 period.

Remote collaborative work tools were also activated to allow clerical personnel to work from home based on smart working arrangements (Webex platform, VPN links and IT tools which can also be used remotely).

## The local community and area

Despite being an international organisation, the Landi Renzo Group remains closely linked to local values wherever the company is operating. For this reason the Group is committed to proactively supporting events and initiatives promoted by associations and organisations that are long-standing partners. The company also takes this approach to the promotion and support of development projects in social, educational, cultural and sporting contexts. The Landi Renzo Group has renewed its commitment to the community through charitable/socially beneficial donations. Specifically, please note the following donations made by Landi Renzo S.p.A.:

- Euro 3,000 for events promoting the entity CIS Scuola Promozionale D'Impresa, through which the Group organises training courses during the year;
- Euro 2,500 to sponsor the symposium on driver safety and interaction with the part regarding legislation governing the repair industry;
- Euro 6,100 to sponsor the Milan Cortina Tokyo rally dedicated to alternative energy.

SAFE S.p.A. also undertakes to support the community by promoting culture, understood as art as well as local and international history. In 2021, SAFE S.p.A. sponsored in person and through social media channels

(LinkedIn page) the opening and inauguration of the "PHYSICAL EXPERIENCE" Museum located in the Convent of Saint Francis, in San Giovanni in Persiceto (BO), contributing to making the local area a national and international tourism, cultural and economic hub.

## Tax management

The Group undertakes to respect the ethical principles and business integrity rules set forth in the Code of Ethics, including as concerns taxes. Although it has not formalised its tax strategy in writing, it continuously implements the principles of proper management of tax matters, guaranteeing that all Group companies respect the tax obligations of the jurisdictions in which they operate. Indeed, the Group fosters and promotes increasing the knowledge of its directors and employees concerning tax risk, with the support of the Officer in charge of preparing the accounting documents/Chief Financial Officer (CFO) and external professionals. At individual Group company level, this responsibility is assigned to the local managing director, supported by the Finance Manager and the relative external tax advisors.

At Group level, tax risks are monitored and analysed by the CFO/Officer in charge of preparing the accounting documents, supported by the tax advisor and the relative Finance Manager (for tax matters identified in foreign subsidiaries). The matters with the most fiscal complexity are brought to the attention of the Chief Executive Officer, so he can express his assessments. For Landi Renzo S.p.A. and SAFE S.p.A., the critical tax issue reporting mechanisms are the same as those adopted by the Group for other unethical or unlawful conduct (email account managed by the Supervisory Body, of which all Model addressees are informed, and visible in the Investor Relations section of the website www.landirenzogroup.com).

As regards the parent company and the audited subsidiaries[6], taxes, prepared with the support of the tax advisor, are reviewed by the relative Finance Manager and audited by independent auditors. For the unaudited subsidiaries, the verification is performed by the Finance Manager.

The Group engages in and maintains collaborative and transparent relationships with tax authorities and responds to the requests received as quickly and transparently as possible. With a view to consolidating transparency with respect to the tax authorities, the Group follows the transfer pricing documentation regulations, in compliance with the OECD's Transfer Pricing Guidelines.

[6] Landi Renzo Polska Sp.Zo.O.LR, Beijing Landi Renzo Autogas System Co.Ltd, Landi Renzo Pars Private Joint Stock Company, L.R. Pak (Pvt) Limited

| TAX CONTRIBUTION BY COUNTRY | No. of employees | revenue from sales to third parties | revenue from intragroup transactions with other tax jurisdictions | profit/loss before taxes | tangible assets other than cash and cash equivalents | income taxes defined on a cash basis | corporate income taxes accrued on profit/loss* |
|---|---|---|---|---|---|---|---|
| *Italy* | 500 | 198,676,586 | 17,597,339 | - 5,592,140 | 12,153,772 | 253,217 | 1,579,866 |
| *Poland* | 105 | 11,506,166 | 6,913,175 | 1,186,508 | 1,152,698 | 445,936 | 270,249 |
| *Romania* | 59 | 19,036,232 | 11,639 | - 2,688,610 | 50,334 | 43,095 | |
| *Pakistan* | 2 | 6,445 | 9,906 | - 325,415 | - 924 | - | |
| *China* | 25 | 10,265,039 | 2,329,450 | 496,905 | 81,449 | 93,035 | 127,220 |
| *Iran* | 18 | 538,672 | | 61,129 | 35,074 | - | 15,282 |
| *USA* | 18 | 4,397,080 | 86,807 | 759,237 | 286,739 | - | |
| *Colombia* | 99 | 6,220,062 | - | 185,897 | 60,688 | - | 104,282 |
| *Brazil* | 17 | 5,305,617 | - | - 872,821 | 3,636 | 49,036 | 78,953 |
| *Peru* | 23 | 904,687 | | 112,591 | 36,743 | 5,699 | 39,246 |
| *Canada* | 107 | 26,140,203 | 1,648,153 | - 882,378 | 1,166,501 | 135 | 135 |
| *Argentina* | 14 | 5,114,136 | 8,499 | - 45,702 | 30,911 | 212,687 | 85,044 |

*excluding deferred corporate income tax and provisions for uncertain tax positions.

## Dialogue with providers of risk and debt capital

The Landi Renzo Group believes that the level of reliability and credibility that a company must offer to investors and to the financial community in general depends on the relations between the company and its stakeholders. Group Investor Relations (IR) department:

- provides an assessment of the company in the light of the competitive scenario;
- provides accurate, extensive information from various sources to give management a clear, comprehensive overview of the market's ratings of the company;
- transmits information about the company to the financial markets, in order to allow investors to accurately assess the value of the shares and other equity instruments, and support them in interpreting the company's strategy.

At Landi Renzo, IR activities are managed directly by the CFO as they are considered extremely important for the Group.

Investor Relations focuses on compulsory and voluntary communication and dialogue with two important stakeholders - shareholders and debtors, mainly by means of scheduled conference calls and meetings both in Italy and abroad.

The compulsory communication activities take place at intervals based on legislative requirements or certain unforeseeable company events; they have to do with anything that may impact share prices or other listed financial instruments. They also include communications relating to periodic financial data and Group Strategic Plan updates. These events are communicated via press releases, regular financial reports and investor presentations, which are made available to stakeholders on the Group's website, in the Investors section. Furthermore, Investor Relations discusses environmental, social and governance ("ESG") issues with investors, which may have significant financial repercussions in the medium and long term.

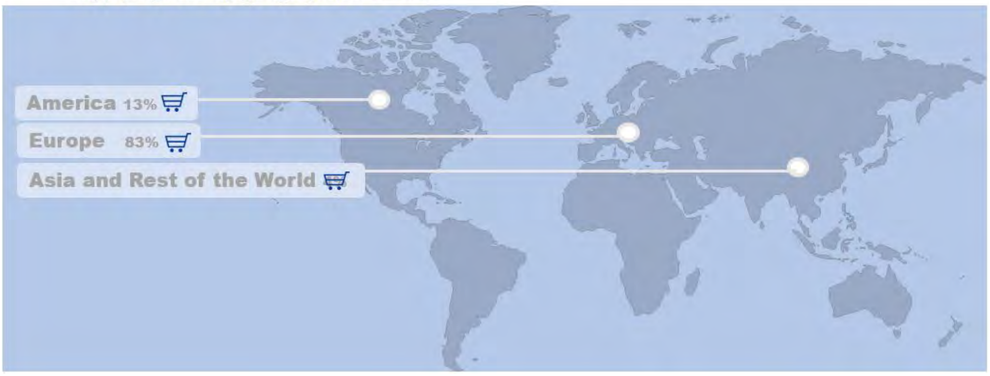
Voluntary communication activities include financial marketing activities such as roadshows, reverse roadshows and conference calls and occur more regularly. These types of activities are useful for further explaining anything outlined in compulsory communications, and enable more interaction between investors and the company.

## Product

# Product

## Our Progress


*Supply figures by geographical area...*





*The certifications of our suppliers...*

The Group pays great attention to the needs of society, which is increasingly demanding more innovative, greener products. The Group products enable vehicles to be powered with alternative fuels such as CNG, LPG, biomethane and hydrogen, and contribute to the development of sustainable mobility infrastructure, making it possible to **reduce emissions of pollutants and greenhouse gases.**The Group strives to generate **financial and environmental benefits** while producing positive spin-offs for end clients.

## CORE PRODUCTS

**Landi Renzo** offers a broad range of gas systems for the conversion of vehicles to LPG and CNG.

LPG and CNG systems are available for petrol engines and diesel engines, using low environmental impact energy sources.

safe

**SAFE** designs and develops compressors that may be integrated within a complete system according to customer specifications.

The compressors are manufactured using the latest technologies, which allow for water cooling, high-speed compressors and direct coupling solutions.

METATRON
Powertrain Natural GasTechnologies

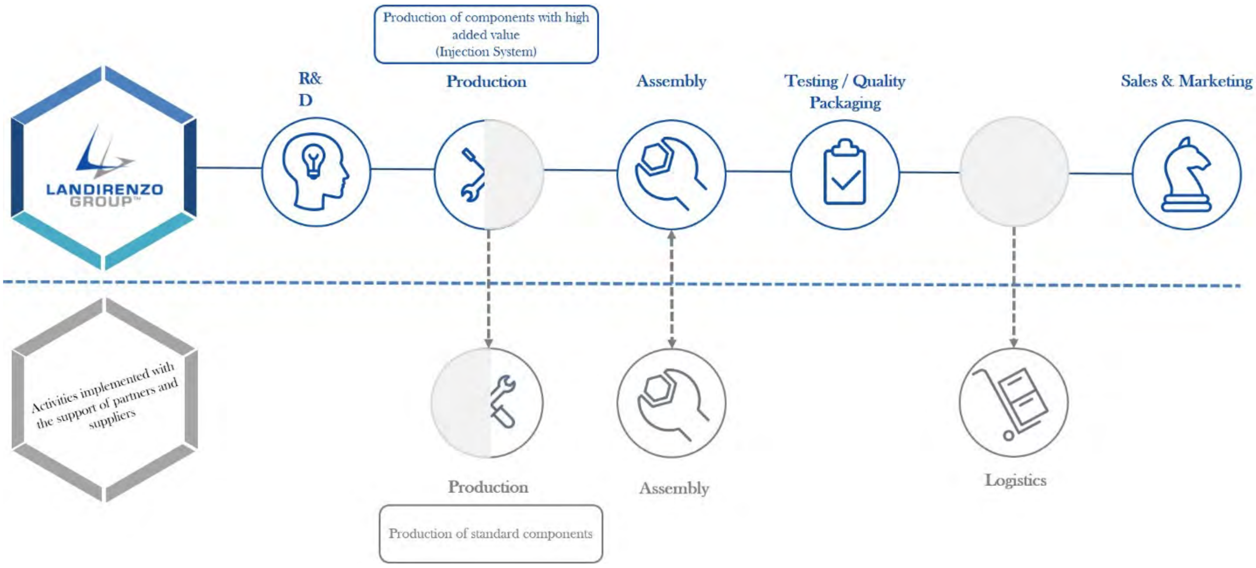
Pressure regulators have traditionally represented the heart of the **Metatron** product portfolio. Piston technology has been Metatron's winning feature from the very beginning in an extremely competitive market (the OEM market) that demands reliability, durability and quality.

## The value chain: research, innovation and customer satisfaction

The Group's business model is based on numerous phases, such as research and development, planning and procurement, production and assembly of components and systems, quality control, marketing, distribution, and the sale of systems and components.

Although activities are mainly implemented with the support of partners and suppliers, the production of components with high added value, such as control units and injection systems, is carried out internally by the Group.

**Value chain**




This model enables the continuous monitoring of product quality and compliance with the quality standards adopted by the Group, in addition to flexible production and distribution to meet different market requirements and fluctuating demand. Within the Group, a team of expert technicians and engineers focus on **research and development** on power systems and components and the design of new products.

Components and systems are assembled internally by the Group using sub-components produced by carefully-selected third parties that have well-established and long-standing relations with the Group. **The production process is organised to ensure the ongoing control and monitoring of third-party activities,** and the quality of products and their compliance with the quality standards adopted by the Group.

## Innovation and Research & Development: a model of excellence

The Landi Renzo Group is deeply convinced that the success of automotive companies hinges on the **ability to innovate**, particularly as regards the propulsion systems of public and private vehicles, by using low-impact fuels or gases. Innovation in alternative mobility was and always has been the cornerstone of Landi Renzo's success.

Powertrain innovation involves the collaboration of a number of technicians and researchers, ongoing work with leading national and international specialist centres and universities, in addition to partnerships with the largest automotive manufacturers. The Group's activities are based on numerous lines of research, including the ongoing optimisation of LPG and CNG systems, and studies on fuel systems for completely innovative fuels such as hydrogen.

The Strategic Plan developed by company management focuses on CNG and LNG (liquefied natural gas) components for Medium and Heavy-Duty vehicles, the further development of CNG components for cars, and research and development of low and high pressure components for hydrogen applications. This is rounded off by a team dedicated to developing the "brain" of the system, which is the mono-fuel control unit for heavy-duty applications. The Group's commitment is demonstrated with over **165 patents filed** over the years, which have contributed to opening up new avenues and outlining important targets for the entire industry. The Group has also filed dozens of designs and models, mainly relating to the electronic control units, in an attempt to prevent illegal cloning of these products by competitors.

The aim of the Group is to develop increasingly innovative products for automotive manufacturers and end clients while meeting targets to safeguard the environment. An effective product is one that enables the original fuel to be replaced totally by an alternative fuel. This maximises the reduction of greenhouse gases and often also maximises the reduction of pollutants.

R&D activities specifically aim to identify technological solutions that improve these aspects, through targeted component research and development.

***Liquefied natural gas (LNG)*** *is a product mainly consisting of methane with a low environmental impact compared with conventional fuels: it eliminates emissions of particulate and reduces CO2 emissions considerably. During the liquefaction process its volume reduces by approximately 600 times and this enables large quantities of energy to be stored in restricted spaces. Landi Renzo has produced a heavy-duty vehicle with a diesel dual fuel engine that uses liquid methane, thanks to the presence of specific components that can manage methane in this form.*

Moreover, Landi Renzo systems can already use methane from renewable sources (such as biomass), further reducing the impact on the production of greenhouse gases. It is thus very important for the Group to keep pace with new technologies to be able to meet market requirements for cutting-edge solutions.

In this regard, in 2018 a series of long-term initiatives was launched in which the R&D team and the company were committed to:

- Improving the **gas system self-calibration strategies (in 2020, a European patent was granted on this topic)**, to allow for easier installation and adjustment, thus minimising human error. After the patent was received, refinement activities were carried out and strategies were fine-tuned in countries with specific (application and fuel quality) conditions.
- Finalising research and development activities; in the course of 2021, a patent application was filed for the automatic identification of LPG composition: this important finalisation of research and development activities makes it possible to fully exploit the potential of LPG in all vehicle usage conditions.
- Validating in the field the new modular control units capable of being more versatile for various vehicle needs.
- Defining, designing, validating and producing a new line of modular pressure reducers for passenger cars and medium and heavy-duty vehicles, with the possibility of controlling output pressure and adapting it to different conditions of use.

- Designing, validating and field-testing new solutions for injectors in the passenger car and mid/heavy-duty sectors.

Analysis and design activities have concluded, in partnership with the European automotive manufacturers. All of the experience gained was exploited to refine and begin production of solutions compliant with the "Euro 6d-FINAL" emissions standards. Partnerships are also ongoing with leading automotive manufacturers outside Europe, particularly in Iran and Russia. In the USA, work has continued on the production of conversion kits approved by automotive manufacturers holding QVM (qualified vehicle modifiers) certification. After obtaining the **CARB** (California Air Resources Board) MY2021 certification on FORD vehicles for the conversion and marketing of CNG vehicles in the US, the application phase continued in order to improve the diagnosis system and increase the efficiency of the systems installed.

The range of LPG and CNG conversion kits was extended, with different systems being provided for installers that ensure conversion to an alternative fuel for all cars on the market. In the course of 2021, certification activities (DGM and R115) continued for a large fleet of LPG and CNG vehicles, with the extension of the certifications to certain hybrid "tri-fuel" vehicles (petrol-CNG-electric). Landi Renzo was a pioneer in the definition of testing methods with institutional entities and the approval of the first plug-in hybrid vehicle family.

The new generation of more compact and higher performing components, such as injectors, reducers and electronic control units, has facilitated the kit installation phase and system optimisation.

In 2021, the Landi Renzo Group continued to play a leading role in the working groups for defining and coordinating the various sector regulations, primarily international regulation no. 115 on the approval of LPG and CNG conversion systems for the aftermarket. Of no less importance was Landi Renzo's role in supporting industry associations and Indian government entities in defining the reference standards and regulations for approving aftermarket vehicles approved in accordance with the BS-VI standard. Lastly, it should be recalled that in 2021 Landi Renzo collaborated with industry associations to define the proposals to be sent to the European Commission to define the new Euro 7 Regulation and revise the CO2 Regulation. In both cases, the Landi Renzo Group actively contributed with industry associations to transmitting data and suggestions to the European Commission as part of public inquiries.

**SAFE Group research and development projects**

The company SAFE & CEC S.r.l. operates in the sustainable energy segment, and in particular is obtaining increasing market share in the biomethane sector. The research and development activities of SAFE S.p.A. are concentrated on the development of alternative hydrogen compressors, including through advisory agreements, and on the development of technologies capable of improving compressor performance and reducing their specific consumption.

Furthermore, with the support of current suppliers, systems are currently being developed to reduce and limit methane leaks in the atmosphere, the main characteristic to respect to the new limits imposed by international agreements.

Also within the SAFE Group, IMW Industries LTD Canada is developing the first hydraulic compressor for hydrogen.

**Metatron Group research and development projects**

Metatron has innovation in its DNA, as it is a company that since its founding has been specialised in the supply of regulators (PR) and electronic engine control units (ECU) for phased sequential injection CNG fuel systems (NG); these systems are the industry standard for the management of natural gas fuelled public and private transport emissions (natural gas is stored in the vehicle under high pressure (CNG) or liquefied under low pressure and extremely low temperature (LNG)). The regulator models developed by Metatron have "for life" technology which guarantees the utmost system reliability. Natural gas and LNG regulator innovation takes place primarily through the continuous improvement of components and new product usage programmes in collaboration with the main customers (EU and China). This context also includes the project carried out based on the partnership with CNH, as part of the European HDGas project, which makes it possible to support innovative architectures linked to the direct injection system by developing new applications for innovative drive systems and the relative components and systems, as well as control and fuel supply technologies, with a view to reducing the pollutants discharged by Heavy Duty engines (EURO VI and CHINA VI specifications).

Since early 2000, Metatron has been committed to creating advanced electronic pressure regulator prototypes. Since 2016, Metatron leveraged its experience in the natural gas segment to develop mechanical and mechatronic regulators for hydrogen fuel cell fuel supply systems for automotive applications (FCV, Fuel Cell Vehicle). FCV vehicles are propelled by an electric engine (instead of a traditional thermic engine) fuelled by a battery charged by the fuel cell, in which the only waste product is water.

Furthermore, many studies have been carried out to penetrate new markets. In particular, it is possible to use natural gas-fuelled engines for the co-generation of electricity (GENSET) in order to fuel electric engines (for example in the railway segment) or generate electricity in remote environments.

In 2021, progress was made in projects linked to product development, namely:

- Regulators were developed for stored liquefied natural gas (LNG) applications.
- Regulators were developed for CNG applications.
- The EM-H platform was developed, an electronic regulator with a proportionate solenoid valve as the actuator and an on-board electronic control unit. This is a modular regulator solution that provides customers with a range of possibilities, also including dosing the hydrogen with the significant precision required by a fuel cell. The EM-H platform may also be applied to CNG systems.

**The Landi Renzo Research & Development centre**

Maintaining our traditional leadership in terms of technology, which has always set the company and its gas conversion systems apart, is based on continuously reviewing processes and sharing ideas and experiences. The Group's research and development operations are mainly carried out at the head office of Landi Renzo S.p.A., which coordinates the requirements of all the Group's international subsidiaries and branches.

As mentioned above, during 2021 various LPG, CNG and hydrogen fuel system projects have continued; these include:

- A LNG pressure regulator for HGVs;

- A CNG pressure regulator for medium/heavy-duty vehicles;
- An integrated manifold for hydrogen fuel cells;
- The redefinition of the innovative, compact CNG pressure regulator for OEM customers;
- Gas injectors for HGVs;
- Modular control units;
- Strategies for direct injection vehicles;
- A control unit for full engine control (mono-fuel applications) and applications on Mahindra engines at the Fiat Research Centre;
- A high-pressure regulator for hydrogen applications (fuel cell and internal combustion engines);
- A dosing system for hydrogen fuel cell applications;
- Innovative system for blending CNG and Hydrogen in ICE applications for which Landi Renzo Group has filed two patent applications with its partner;
- Diesel Dual Fuel system with the replacement of a percentage of Diesel with Hydrogen.

In 2021, work continued in support of support the Group's development of new products and systems, through a partnership with the AVL Group, which is a world leader in the construction of vehicle testing and emissions measurement systems. The partnership with AVL involves testing LPG and CNG systems using engine test benches and roller simulators to study new technologies designed to cut polluting exhaust emissions. Modern plants enable test vehicles to be powered with all fuels available for the automotive industry - diesel, petrol and all fuel gases including hydrogen.

The collaboration with AVL is combined with intense activity carried out at the Fiat Research Centre, intended to check and validate mono-fuel control unit development activities as well as develop and decide on the calibration of a mono-fuel engine of the customer Mahindra.

The solidity of the Group's technology and innovation comes from the full vertical integration of the process of developing the components and systems, from the definition of the concept through to industrialisation, also including testing and validation. All the mechanical and electronic components are tested internally at the Landi Renzo laboratory, led by a team that follows the internal test specifications and validation processes. These specifications are derived from the Group's experience and its integration with the regulatory requirements and specific demands of each customer. Several selected partners (REI Lab, TUV and KIWA) made it possible to meet all testing requirements by providing testing equipment, laboratories and capacities not currently available within the group.

Confirmation of the well-established drive for innovation comes from Landi Renzo's new site in Turin, which is committed to developing a mono-fuel engine control unit for alternative fuels, to be used in Medium and Heavy-Duty applications. Heavy-duty vehicles powered by CNG and LNG are particularly popular with local councils and logistics operators, thanks to the advantages of reduced emissions, lower noise levels and cost savings, as well as the absence of limitations in cities that impose restrictions on diesel traffic. All of the benefits listed are joined by the undoubted value of the significant further reduction of $CO_2$ emissions when bio-methane is used.

In line with the group's spirit of integration, the Turin team is committed to the new control units project for the conversion of direct injection engines, offering complementary skills, methodologies and know-how to those available at the head office.

## Constant focus on quality

The Group has always viewed quality as essential for market success.

The parent company Landi Renzo S.p.A decided to adopt an ISO 9001 quality system as early as 1996, to ensure that its design, production, sales and customer support systems met market requirements. Among the foreign companies, the Landi Renzo USA Corporation holds QVM (Qualified Vehicle Modifiers) certification, which requires an assessment by the Ford Motor Company and acceptance of the QVM guidelines.

In 2001, Landi Renzo S.p.A. was the first Italian company in its industry to obtain the prestigious ISO/TS 16949 certification, which specifies the quality system requirements for design, development and production in the automotive industry supply chain. That certification, which ended in 2016, was replaced by the first edition of IATF 16949.

The International Automotive Task Force (IATF) standard places a clear emphasis on continuous improvement (preventing flaws in product design and planning) in order to fully meet customer requirements. It has also introduced important new developments which include a greater emphasis on corporate social responsibility, more focus on product safety and greater clarity in supplier and sub-supplier management processes.

In addition to the parent company, in 2018 Landi Renzo Polska S.p.Z.o.o. and Landi Renzo Pars Private Joint Stock Company, which were previously certified to the ISO/TS 16949 standard, completed the transition to the latest version of IATF 16949. In the course of 2021, the annual surveillance process was regularly carried out when required, and when applicable the renewal process was successfully completed.

The Indian Krishna Landi Renzo India Private deferred the certification process due to the COVID-19 lockdown period, but in the course of 2021 it successfully concluded preliminary audits. The objective is to obtain the certification in 2022.

In 2021, Landi Renzo accepted the request of the customer RSA, which uses the Landi Renzo RO plant, to launch the IATF16949 certification process for the Landi Renzo RO plant.

The plants mentioned are also certified in accordance with ISO 9001.

The companies SAFE S.p.A. and IMW Industries LTD Canada also have the ISO 9001 certification, as does Metatron S.p.A., which also completed the transition to the more recent version of IATF 16949.

In 2021, Landi Renzo obtained the SILVER MEDAL for complying with sustainability requirements as an automotive supplier, following a survey by EcoVadis (the leading collaborative platform providing sustainability assessments of suppliers along global logistics chains).


An OEM customer asked us to participate in this platform, because they considered this approach to be an asset in their supplier assessment process as it is in line with current trends.

Landi Renzo is positioned at the 83rd percentile, out of all the participants, which is an excellent result.

In 2021, as in previous years, company processes were audited in all the Landi Renzo Corporate departments, in order to improve product and service quality, as set out in the annual plan, which was produced in accordance with ISO 9001:2015 and IATF 16949 guidelines and the requirements of OEM customers.

Furthermore, also in the course of 2021 Continuous Improvement Plans were updated with new points for improvement, valid for all the Group's sites, so that the corrective actions identified in response to customer complaints could be implemented, and in order to monitor the trend in complaints to further increase procedural efficiency. Procedural efficiency is measured using three Overall Equipment Effectiveness (OEE) factors:

- *availability*, which is the time the machine is effectively used;
- *performance*, which is the speed at which the system operates and produces;
- *quality rate*, which is the number of valid parts produced, compared to total parts.

To achieve these quality objectives, the organisation cannot operate without responsible personnel management. A series of essential activities have been implemented; of these, the use of professional development and training courses have been fundamentally important. All Quality, Health and Safety documentation is available to personnel at all times.

Product planning is implemented using an integrated project management approach, which requires the appointment of a Chief Engineer and a Program Manager working alongside a multidisciplinary team who are assigned specific resources and responsibilities. All projects are managed according to a Stage & Gate method, which requires the company Board to approve every phase of the project.

The Advanced Product Quality Planning (APQP) framework is used in order to meet the production quality requirements. Once planning is complete, the equipment, tools, resources and staffing capacities needed to achieve the required quality will be identified. During each phase of production, audits and validation activities are carried out (based on the PPAP – Production Part Approval – Process) method); these activities are then included in the Quality documentation.

Compared to the objectives set last year, as confirmation of the Group's focus on quality, the key indicators have further improved on previous years (for example *After Market warranty values compared to sales* < 0.5%, *Customer complaints indicator* < 2.6%); this is a sign that we are on the right track. Conversely, thanks to the objective of reducing the warranty costs for OEM customers, specific Product Improvement Plans have been adopted, which resulted in a significant reduction in product rejects.

One of the more challenging objectives set for Landi Renzo by its OEM customers is the "0 km accidents" target below 1 (or 1 non-compliant part out of 1 million delivered on acceptance at customer plants). In 2021, this objective was just above the target, but considered acceptable in light of the situation in 2021.

Among the objectives that Landi Renzo Group committed to achieving by the end of 2021 was the digitalisation of data on parts and rejects tracking, a project which was successfully concluded in 2021 in relation to injectors and is in expansion across the other plants. The Landi Renzo Group also began to move forward in 2021 with a project linked to the assessment of the **costs of non-quality**, with the objective of improving the efficiency of testing processes, optimising the prevention process and reducing the costs of non-quality.

A general improvement plan will be extended to 2022 on the basis of the non-conformities identified in 2021, audit results and internal OEE improvement plans.
For SAFE S.p.A., quality control is the cornerstone of the entire production chain: from the arrival of the materials, to processing, to assembly and to the testing of the entire solution. Starting from the acceptance of the raw materials, the documentation is verified and subject to control. If the control of compliance with SAFE specifications has a negative outcome, the material may be rejected and returned to the supplier or re-processed. In the assembly phase, control lists are defined which identify the worker and the supervisor, and are collected by the quality department to ensure that all controls are completed. Furthermore, the Company subjects its products to a final test before shipping, during which any defects are corrected and controlled by the quality department.

**Consumer health and safety**

The Group's primary aim is to manage any risk that could jeopardise the safety of products for end consumers. For this reason, failure mode and effects analysis (FMEA) is used systematically in the Group's manufacturing companies, both during the product design and development phase, and in production. This enables the achievement of excellent results in terms of reducing risk and producing effective action for customers. All products undergo testing and approval according to the "R10 regulation procedure" to verify electromagnetic compatibility. Additionally, all CNG products must be R110-approved, and LPG products must be approved according to the R67/01 procedure.
The safety characteristics are highlighted on the drawings approved by the customer, and all products are fully tested at end-of-line (for example, the leak test is carried out on 100% of products). For Metatron S.p.A., safety inspections, particularly gas sealing tests, are performed with automatic machines and state of the art leakage detection technologies.
To guarantee that product safety is adequately managed throughout development, APQP requirements and the customer's specific additional requirements are applied.
In order to achieve the utmost performance and support customers in selecting products, the Group typically provides information materials accompanying the kits sold in accordance with legislative requirements and, when requested by the customer, also detailed specific assembly instructions for the various components.
With regard to legal requirements, Landi Renzo applies a stricter safety level, either by reducing the legal thresholds or by including additional safety devices on certain components.
Before being marketed, all products undergo the "APQP" process, which involves several validation steps carried out in a laboratory, according to a test plan. The components are placed under stress in order to simulate their functioning on the road, with a particular focus on ageing and operating in extreme conditions.
To guarantee the necessary technical support, all the Group's components and systems are accompanied by assembly instructions and technical manuals (intended for professional users), which illustrate the correct method of installation and maintenance, as well as instructions on use (for the AM market) which illustrate how the product should be used by the end consumer.
Internal and external support centres continually feed back product information on reliability, maintainability and ease of installation, and monitor the progress of anomalies to ensure ongoing improvement.

To prevent non-conformities, a series of information obtained from customer relations and company quality processes is also used and analysed. Following this analysis, the preventive actions are identified and assessed according to the effect on the issue to be resolved. A documented procedure *(PSQ 14-1)* has been put in place for this purpose. It outlines the requirements for identifying potential non-conformities and their causes, evaluates the need to take action to prevent non-conformities from occurring, outlines how the necessary actions should be identified and implemented, and the process for logging and reviewing the results.

The way in which non-conformities are dealt with will depend on the extent of the issue. Minor non-conformities identified for the AM or OEM markets will be managed internally with management system, using the "8D" problem-solving methodology (identification of root cause, corrective action, preventive action, check of implementation effectiveness).

In 2021, as in previous years, throughout Group no cases of non-compliance with regulations or voluntary codes relating to product health and safety led to any complaints and/or fines.

Certain cases of safety non-compliance in systems on which Landi Renzo products were assembled were verified, but, after a detailed analysis, final responsibility was not attributed to the Landi Renzo components.

In some cases, non-conformities were identified by customers, but they were not such that would compromise consumer safety.

## Customer relationships - contact channels, satisfaction monitoring and training

The Group is committed to customer satisfaction, and has always adopted a transparent business policy geared towards building long-term relations, collaboration, rapid troubleshooting and maximum professionalism.

Landi Renzo S.p.A., Landi Renzo Polska Sp.Zo.O. and Landi Renzo RO S.r.l. provide each OEM customer with a dedicated team made up of sales, technical and quality personnel who the customer can contact for their technical, logistics and quality requirements.

For AM customers, the Landi Renzo Group has set up a special communication channel with a landline number, e-mail address and two mobile phone numbers, to ensure that the best technical support is available for local dealers and workshops.

For this market, it is important to guarantee the same level of service in every country. The Landi Renzo Group relies on the official importers and its branches to provide good technical support, and to fast-track procedures to make sure that end-users are without their vehicles for as short a time as possible.

SAFE S.p.A. and Metatron S.p.A. have adopted a number of telephone and email contact channels that customers may use as required. For Metatron S.p.A., for example, the Commercial function is responsible for

prices, deliveries and general complaints, Quality for complaints relating to product functioning and the Program Manager function for issues relating to programme timing and product definition.
For end-users, the Group has a series of *traditional* contact channels, such as email, fax, the head office phone number and the Landi Renzo freephone number, and also *social media networks* such as Facebook, Twitter and YouTube. End-users can request information about our products and how to buy them, report aftersales issues or make complaints, but they can also receive information about topics such as ecology, sustainability and the events or campaigns organised by the Group.
By visiting http://preventivo.landi.it, end clients can also clearly identify the best LPG or CNG system for their vehicle, plus details of tank capacity, the cost of a ready to use installation, and a local garage who can correctly install the system.
In order to engage even more with our customers and understand their expectations and needs, marketing and communications are playing an increasingly important role. In order to raise awareness of the Landi Renzo Group brands among business customers and end clients, the companies also attend industry trade fairs, international forums and specific local events run by dealers and importers, activities that were carried out virtually as a result of the pandemic.
Informative brochures and corporate adverts are placed in both industry and non-industry publications and web campaigns are published, mainly on social media networks and Google. These activities are managed in a way that guarantees the utmost transparency for customers. During 2021, no instances of incorrect labelling were reported to Landi Renzo S.p.A.
Label content is defined in the design phase and reported on documents shared with customers, and all labels undergo thorough checks at the shipment stage.

**Monitoring customer satisfaction**

The Landi Renzo Group monitors Customer satisfaction using two different methods, depending on customer type. For the OEMs (Original Equipment Manufacturers) monitoring is done using specific indicators on the websites of car manufacturers: warranty defect rates, "0 km" defect rates and timeliness of deliveries. Automotive manufacturers compile a 'bid list' showing the company service level compliance and any areas for improvement.
In addition to customer satisfaction, the Landi Renzo Group also continuously monitors and manages the complaints made by OEM customers and end-users. Customer management has always been structured with the use of specific complaint management procedures (procedure 13.1 "Non-Conformities Management"), and from 2017 additional progress was made in terms of standardising the management of the foreign branches.
The Non-Conformities Management procedure is set up to provide end-users with prompt feedback in the case of a system malfunction, and in the rare cases where vehicular damage or an accident is reported as potentially being due to the installation of a Landi Renzo LPG or CNG system. The process of managing and monitoring complaints involves gathering information on the incident, analysing the event and the system components, and informing the end clients or dealers of the results of the analysis.
To ensure that customers are fully satisfied from a technical, logistics and quality point of view, an

*interdepartmental team* deals with their requirements and any complaints.

Thanks to a structured process of quality management development, and with the support of the Purchasing Department, which has led to a clear improvement in the quality of end products by improving supply operations, the number of OEM customer complaints has decreased, thanks to a plan of internal quality improvements carried out after several customer audits.

Complaint responses are managed automatically by customer portals, with rapid response times. This is typically 48 hours for a containment action, and 5 days to identify the root cause of the problem and implement corrective actions. End-users complaints are managed by the Technical Support department, together with the workshop that carried out the installation, with the supervision of the local dealer.

In the OEM customer category, the Group set up collaborations with leading international automotive manufacturers some time ago. The electronic complexity of newly-manufactured vehicles means that steady, ongoing mutual cooperation is essential in order to design and build systems that are fully compatible with the mechanical and electronic design of vehicles. Consequently, Landi Renzo has set up an initiative with various automotive manufacturers, with the aim of supporting customers in the early diagnosis and resolution of issues raised by end clients.

The **quality** of the installation process, system safety and performance levels, and customer satisfaction are possible thanks to the network of workshops that are a crucial asset for the success of the Landi Group.

Training and up-to-date information for the network of workshops are the main tools through which the Group pursues these objectives (for more information, see the paragraph "Technical training for workshops and installers").

With a view to safeguarding customer satisfaction, SAFE S.p.A. is implementing an adequate organisation aimed at defining specific KPIs (e.g. assessment of average call time).

For Metatron S.p.A., customer satisfaction remains a priority objective and underlies all company activities. In this regard, the company has adopted a series of specific KPIs aiming to monitor its activities and relationships with current customers (number of annual customer complaints; offer effectiveness ratio from feasibility studies performed).

## Communication with authorities and institutions and active participation in sustainable development

In view of its target market, the Group is frequently in contact with national and international authorities and institutions, especially the **Italian Ministry of Transport** (MIT), the **United Nations Economic Commission for Europe** (UNECE), the **International Organization for Standardization** (ISO) and the **European Committee for Standardization** (CEN).

These relations mainly concern the following areas:

- patents and approvals of systems and components, generally involving the Ministry of Transport;
- actions to raise awareness of broader issues in the automotive industry and environmental and safety issues;
- contributing to the development of regulations and technical standards in the sector of alternative fuels both in Italy, in Europe and globally.

In recent years communication has intensified with regard to environmental sustainability and safeguarding, as well as user safety, with experts from various Ministries interested in understanding viewpoints and sharing expertise gained by the Group. Furthermore, given the Group's role as an **international leader** representing the **best of Italian production in automotive gas systems**, effort has been put into developing and maintaining **relationships with institutions** in connection with these topics.

The company also makes a contribution through the participation by the Regulatory Affairs office in various national and international working groups who are tasked with developing the future regulations and technical standards for the alternative fuels sector, as regards the environment and safety.
The Landi Renzo Group also makes a decisive contribution in the development of a number of international regulations, ISO standards and CEN standards, both as an industry expert and as a coordinator of two working groups (ISO TC22 SC41 WG5 and CEN TC 286 WG6). Notably, the Group has contributed to the Working Party on Pollution and Energy (GRPE) of the UNECE in Geneva, concerning the introduction of new, stricter emissions measurement methodologies (WLTC) into Regulation No. 115 of the Economic Commission for Europe of the UN (UN/ECE), as well as the promotion of the amendment relating to the new and stricter WLTP testing standard and that relating to the introduction of requirements for hybrid vehicles fuelled with gaseous fuels.
Landi Renzo is also an active member of **Italy 2020**, a cluster of the **Italian Ministry of Education, Universities and Research** (MIUR) that utilises European funding and can coordinate the expertise of Italy's leading automotive industries.
In order to monitor and guide laws and regulations that may impact specific sectors, the Group actively participates in the work of various industry associations. Through its memberships, it also takes part in many institutional working groups. The most significant include:

- **NGV Italy** (Natural Gas Vehicle Italy) is a consortium that brings together the main industrial players in the Italian CNG automotive industry. Landi Renzo has its own representative on the Board of Directors, who promotes the Consortium's institutional relations and is involved in the work of the Automotive Council at the Italian Ministry of Economic Development. Landi Renzo USA has also been a member of **NGV America** and **NGV Global** since 2011, with the aim of promoting the development and growth of vehicles powered by natural gas or biomethane for a sustainable market.
- **H2IT**. The Italian Hydrogen Fuel Cell Association was formed in 2005. It is an independent body whose objective is to promote advances in knowledge, and the study of disciplines relating to technologies and systems for the production and use of hydrogen.
- **Anfia** (National Association of the Automobile Supply Chain in Italy) is the main Italian automotive association and is very active in institutional relationships. Landi Renzo continually participates in consultations carried out by the association's General Management with the aim of forming common positions to propose to institutions.
- **Assogasliquidi** is the Federchimica association that represents companies in the LPG sector. The aims of the Association are to represent the industry at a national and international level, work with local government and public bodies to improve the definition of industry reference standards, inform and

advise operators in relation to legislative/technical innovation and its implementation, and promote the sector's image among users and end clients. Landi Renzo has a representative on the Automotive Steering Committee.

- **ANGVA** (Asia-Pacific Natural Gas Vehicles Association) was established in 2002; it is a trade association for the natural gas vehicles industry in the Asia-Pacific region. Members of the association include SAFE & CEC. It promotes the use of natural gas as a fuel for transport, defining standards and guidelines for the industry and organising training activities.
- **NGVA Europe** (the European Association of Natural and Bio Gas Vehicles) was formed in 2008. This European association brings together 133 members from 31 countries, working in the gas and vehicle production chain. Its objective is to promote the use of natural gas and renewable gases in vehicles and boats.
- **Federmetano** (National Federation of Methane Distributors and Transporters), founded in 1948 and accompanying since that time the development of the automotive CNG industry in Italy. The federation includes Workshops specialised in the conversion and maintenance of natural gas fuelled vehicles
  and partner Companies operating in the automotive CNG industry.
- **Hydrogen Europe**, an organisation representing companies headquartered in Europe committed to the creation of a (circular) zero-carbon emission economy.
- **PAPAAM** (Pakistan Association of Automotive Parts Accessories Manufactures), of which L.R. Pak (Pvt) Limited. PAPAAM was formed in 1988 to represent the industry and to provide its members with technical and operational support.
- **KCCI** (Karachi Chamber of Commerce and Industries), of which L.R. Pak (Pvt) Limited is a member. The KCCI assists private businesses helping them to resolve economic and financial issues.
- **SITE** (Sindh Industrial Trading Estate) of which L.R. Pak (Pvt) Limited is a member. SITE was formed in 1947 in order to promote industrialisation and create attractive conditions to boost investments in these areas.
- **IDC (Italian development committee)** of which L.R. Pak (Pvt) Limited is a member. Association with a view to developing activities supporting trade between Italy and Pakistan, assisting businesses and furthermore supporting the development of economic relations and any possible cooperation between entrepreneurs in the two countries.
- **California NGV Coalition**, of which Landi Renzo USA Corporation is a member. The Association is the leading organisation for natural gas and biogas vehicles in California. It works with legislators and regulators in order to develop policies that can increase the use of alternative fuels, support new initiatives and provide up-to-date information on NGV technology and market developments.
- **NIAF** (National Italian American Foundation). Landi Renzo USA Corporation is a member of this Foundation in order to preserve Italian-American culture and know-how, promote and inspire a positive image and the community of Italian-Americans as well as strengthening bonds between the USA and Italy.
- **IACC** (Italy-America Chamber of Commerce). The president of the Landi Renzo USA Corporation is

a member of the IACC board. Founded in New York in 1887, the IACC is an independent, non-profit American company dedicated to promoting commerce, tourism, investment and economic cooperation between Italy and the USA. It brings together entrepreneurs and businesses who promote their members' interests interacting with government bodies, trade associations and international organisations both in the USA and in Italy.

- **TACC** (Torrance Area Chamber of Commerce), of which Landi Renzo USA Corporation is a member. Its mission is to look after its members by building a strong economy, offering networking opportunities and supporting the interests of its members by taking political action. Using its expertise the TACC helps businesses to grow and work together in order to ensure prosperity in the Torrance area;
- **South Coast Air Quality Management District (SCAQMD):** this is the air pollution agency responsible for regulating fixed sources of air pollution in the south coast air basin in southern California. Landi Renzo USA Corporation has enrolled in an incentive programme with SCAQMD to develop, demonstrate and market natural gas and propane conversion systems with close to zero emissions for medium-duty vehicles;

Landi Renzo S.p.A. is an industry member of the Steering Committee for the High-Technology Materials Engineering Platform in Emilia-Romagna and a member of the Mechatronics Club Steering Committee. The latter organisation arranges an Italian mechatronics award every year (Premio Italiano Meccatronica), which promotes national companies making a major contribution to the field of mechatronics technology by developing innovative products at an international level. Together with the Steering Committee, the company is considering the possibility of working on a programme of dissemination and integration of the hydrogen value chain with a dual aim: to share the know-how acquired by the various players in the alternative hydrogen fuel market and simultaneously strengthen the network of leading operators in order to accelerate the development and innovation of the system.

During the year, exchanges with the University of Modena and Reggio Emilia have intensified. A series of meetings has been held in order to disseminate the culture of hydrogen fuel, including technical feasibility studies. The intense exchange and collaboration with the University of Modena and Reggio Emilia made it possible to make progress with the activities set forth in the project financed by Emilia Romagna Region Law 14, with:

- Studies on materials compatible with hydrogen-fuelled applications (fuel cells and internal combustion engines);
- The definition, set-up, analysis and simulation of a Hydrogen concentration measurement system;
- The execution of an experimental graduate thesis project;
- The design of an entire test bench capable of fully simulating the operation of a Fuel Cell engine.

Landi Renzo S.p.A. places significant importance on nurturing relationships with the academic world. Indeed, the Group has collaborated with leading Italian universities for years to spread a culture of sustainable mobility and facilitate research and development. During the year, it had the opportunity to engage in intense exchanges with students from the UNIMORE hub and the start-ups associated with the same University in order to share know-how, experience and ideas on a world currently being defined. This continuous exchange enabled the Company to keep an eye on businesses that are developing completely innovative concepts with the operating procedures typical of lean and dynamic companies. Landi Renzo has set itself the goal of resuming exchanges with students in the course of 2022 as soon as operating and organisational conditions (strongly influenced by the pandemic) will allow.

Other events attended by Landi Renzo included:

- Webinar on 30 March 2021 on hydrogen applications in the transport sector, carried out with the Democenter Foundation/Modena Tecnopolo, which included a speech by Landi on the transition to hydrogen for Heavy Duty vehicles;
- 15th International Conference on Engines & Vehicles of 13 September 2021, which included a joint Landi/Punch keynote lecture concerning the H2 ICE partnership;
- LNG Conference at Bologna Fiere of 7 October 2021 with a speech on the commercial vehicle LNG value chain.
- HESE (Hydrogen Energy Summit & Expo) at Bologna Fiere on 7 October 2021, in which Landi Renzo participated with a speech on hydrogen for transport.
- The mech clust-er and new technologies used by excellent local companies at MECSPE 2021 at Bologna Fiere, with another speech about hydrogen for transport.

SAFE S.p.A. also participates in international-level trade shows and conferences organised by ICE (Agency for the promotion abroad and internationalisation of Italian businesses) intended to promote Italian companies worldwide.

The Group also works with international authorities and institutions, especially in countries with large reserves of natural gas, by presenting specific business cases to highlight the environmental and economic benefits of gas-powered vehicles. Worthy of note is the Group's activity in coordinating and leading in terms of defining, summarising and transposing the principles of European regulations for the conversion industry in India. Significant activities were carried out on international committees for the review and development of reference standards for components and for the definition of emissions standards.

## Suppliers

The Group and its suppliers are increasingly attentive to the environmental consequences of their production activities, and are always working on projects designed to reduce their impact.

The Landi Renzo Group **regularly rates** its suppliers, and uses an approach based on **transparency** and **collaboration** in order to establish stable, long-lasting relations.

Suppliers form an integral part of the production and organisation process and thus need to be selected in a way that offers the maximum possible guarantees.

According to its target market, the Group selects suppliers who can guarantee high quality of components and services purchased, who are financially sound, and whose company reputation is in line with that of the Group.

For the Landi Renzo Group, the supplier rating and monitoring process is documented in a specific procedure that outlines the requirements and procedures used to monitor the performance levels to be maintained once the supply contract has been started. This procedure does not apply to AEB America S.r.l., Beijing Landi Renzo Autogas System Co. LTD, Landi Renzo USA Corporation and the Brazilian LR Indústria e Comércio Ltda. Given the business model adopted by the Landi Renzo Group and the prevalence of Italian suppliers, the remaining companies have been given the possibility of using different supplier evaluation and selection tools, while still applying parent company guidelines and supplementing them with local conditions.

The selection process starts with the pre-qualification of suppliers by the Purchasing Department, which checks on their financial stability and ability to provide a continuous service in the medium to long-term.

Their analysis considers various economic indicators relating to the last three financial years (e.g., revenue or turnover, sales profits, stock turnover and net financial position). Suppliers who pass this first step are then admitted to the qualification stage. During this phase, the supplier is asked to complete *form FA50*, which allocates a score on the basis of economic/financial indicators, insurance cover, compliance with quality, social and environmental requirements, or the possession of relevant certification in addition to factors linked to organisation/business dimensions and logistics capacities. Other performance indicators are also considered, such as on-time deliveries, audit results, the number of compliant batches, price competitiveness and quality aspects. On receipt of the completed form, the Purchasing Department, together with the R & D and Supplier Quality departments, will then complete its assessment.

The procedure requires that the criteria depend on the type of goods to be purchased from the supplier. The minimum certification required for goods to be used in production or distribution processes for original equipment manufacturers (automotive manufacturers) is the ISO 9001. If that is not possible, Landi Renzo may choose to work with the supplier after conducting at least one audit to check their conformity to ISO 9001. If the audit result is negative, the supplier is excluded. If the supplier meets the criteria, a supply contract is agreed, and the requisites are monitored every three years via a supplier re-qualification process. Over the years, this process also made it possible to monitor the performance of existing suppliers and to select potential new partners, without identifying any significant economic/financial, environmental or social risks. Due to COVID-19, in 2021 Landi Renzo's personnel were able to resume going to potential suppliers to perform on-site pre-audits. New suppliers were taken on only during special projects or alternative suppliers were identified to mitigate the risk of raw material shortages. Constant discussions with suppliers by 3 departments (Supplier Quality, Procurement and Purchasing) and sending evidence is the containment action identified to prevent a deterioration in performance.

As concerns Metatron S.p.A., during the selection phase the Purchasing Manager is responsible for meeting production requirements by seeking out the most reliable and affordable suppliers available in the market. In this research activity, the Purchasing Manager needs to compare multiple offers for the same supply, when possible, and prioritise suppliers that place an emphasis on partnerships. Many criteria are considered for preventive Supplier qualification: Quality system certification, Environmental system certification/assessment, economic aspects, financial soundness, technological know-how, emphasis on partnerships and references.

Furthermore, Metatron S.p.A. monitors the performance of its suppliers on the basis of several performance indicators identified in the document "MO070508-supply quality specification (01)", signed by suppliers for acceptance. In detail, through an electronic Vendor Rating tool, the Company evaluates 4 indicators:

- **Supplier Quality System** (the supplier must have at least the following certifications: ISO 9001, IATF 14001 and for certification entities ISO/IEC).
- **Rejected supplies**, or the number of non-compliant lots out of the lots delivered.
- **Weight Indicator**, attributing a value depending on whether the non-conformity is identified on acceptance, in the line or by the customer.
- **Delivery Indicator**, or the days of difference between the order confirmation date and the actual delivery date.

The sum of the scores obtained for each indicator results in a Global Assessment Indicator which is taken into consideration in the supplier qualification phase.

For SAFE S.p.A., when a new supplier is qualified, the competent functions, or Purchasing, Quality and Technical Office, agree on the methodology to be adopted for qualification purposes in order to establish their suitability. During this phase, the requirements to be checked may vary based on the criticality of the product/service provided. In specific cases, any environmental requirements met by the Supplier are also evaluated.

Before beginning the supply of production components, the Technical Office and Quality need to approve the selected supplier.

Subsequent annual monitoring of the performance of individual suppliers is carried out based on several indicators relating to the following areas: Quality, Environment and Service. The overall Supplier assessment is obtained by adding the scores obtained multiplied by the importance of the topic. The overall supplier classification is the result of a number of grades: excellent (assessment between 100 and 249); sufficient (overall assessment between 250 and 350); and low (assessment above 350). If the supplier obtains a below-threshold grade, a plan of actions is agreed upon, to be implemented along with the points of reference of the Quality area and the Technical Unit. The plan may include actions aimed at improving supplier performance or supplier phase-out actions (exclusion of the supplier from the SAFE S.p.A. supplier panel).

**Certified suppliers**

| SUPPLIER CERTIFICATIONS* | 2021 | 2020 | 2019 |
|---|---|---|---|
| ISO 9001 certification | 74% | 83% | 87% |
| IATF 16949 certification (*Automotive*) | 14% | 38% | 35% |
| ISO 14001 certification | 27% | 33% | 30% |
| OHSAS 18001 certification | 3% | 8% | 6% |
| SA8000 certification | 8% | 4% | 2% |
| EMAS certification | 1% | 2% | 2% |
| No certification | 12% | 16% | 13% |

* The actual certification data referring to the Group's Italian Companies was calculated at the end of 2021.

The data emerging from the "certified suppliers" table shows that compared with the beginning of the three-year period the number of certified businesses in the Group's supplier base has increased as regards the SA8000 certification.

In order to comply with legal requirements, the Landi Renzo Group is directing all OEM strategic suppliers towards the new IATF 16949 standard (which replaces the ISO/TS 16949). The transition from OHSAS 18001 to ISO 45001 was focused on in particular, in order to certify the OHS management systems. The standard encompasses topics such as context analysis and risk analysis using the same approach as ISO 9001:2015.

In addition to **quality** and **occupational health and safety aspects**, **ethics, social responsibility**, and **safeguarding the environment** are important elements in assessing and choosing suppliers: they are also referred to in the Supply Contracts and in the General Purchasing Conditions which are sent to all suppliers.

For the Landi Renzo Group, in 2021 approximately 6% of direct suppliers were rated according to environmental criteria; no actual or potentially adverse environmental impacts were observed.

Currently, the supplier qualification process does not take human rights aspects into consideration, as the Group's current suppliers are not based in high risk countries. However, the Group's objectives do include amending the supplier qualification process to make it even more socially responsible, right from the contracting phase. As confirmation of this, the new FA52 supplier evaluation form was amended to include a specific section on human rights issues in the supply chain.  Furthermore, in 2022 dedicated clauses on respect for human rights will be included in the most significant contracts.

As well as the checks carried out in the selection phase, the Landi Renzo Group will regularly monitor its suppliers by conducting periodic visits. Compliance with environmental criteria will be monitored by checking the presence and validity of specific certifications (these are assessed during the qualification stage). Furthermore, the suppliers of Metatron S.p.A. signed the GPC (General Purchase Conditions) including Article 15 "Sustainability" (Energy savings, consumption reduction, emissions and waste management) in which the Company requires its suppliers to take all actions necessary to avoid pollution of the air, water or soil and enact a policy to reduce consumption and save energy. Metatron S.p.A. reserves the right to verify the application and effectiveness of that policy during periodic visits.

For the Landi Renzo Group, respect for human rights and impacts on society is implicitly verified during these audits, but is not formalised in any documentation. In 2021, it was possible to perform few on-site visits as a result of the health emergency.

## Promoting local economies

The business model adopted by the Group involves close, well-established relationships with carefully selected suppliers and third parties. Suppliers are selected on the basis of specific skills and their area of specialisation. Moreover, many components required to make products have characteristics (machining process, technical specifications, dimensions and weight, type of applied technology etc.) that often lead to choosing suppliers in geographical locations near specialised industrial areas that are not too far from the factories using the components.

The suppliers' main technology groups are: machining, die casting and related processes, moulding of plastic, rubber components and composite parts, gas tanks, high and low pressure pipework, electronic components and assemblies and sensors.

Much of the Group's production takes place in Italy and Poland. The majority of our suppliers are located in these two countries. Most of the suppliers are Italian firms with long experience in the industry and a higher level of specialisation and focus on quality, and lower transport costs for components with a fairly high unit weight. However, in order to support the needs and requirements of foreign subsidiaries, the Group has implemented a supplier search policy, to extend the supply chain to include other countries. This can be proved by the fact that in 2021 the expenditure with local suppliers, namely**suppliers who are based in the same country as the Group company which made the purchase**, was on average 83%. The **local suppliers,** excluding intercompany purchases**,** are distributed as follows: 91% Italy, 55% Europe (purchases made in the same country of residence by the Rumanian and Polish companies), 12% Asia and the rest of the world (purchases made in Asia and the rest of the world by the Chinese, Pakistani and Iranian companies) and 92% America (purchases made in the Americas by the Brazilian, American, Argentine, Canadian, Colombian and Peruvian companies).

**Supply figures by geographical area**

| SUPPLY FIGURES BY GEOGRAPHICAL AREA | 2021 | 2020 | 2019 |
|---|---|---|---|
| Italy | 73% | 70.5% | 67% |
| Europe (excluding Italy) | 15% | 17.7% | 16% |
| Asia and Rest of the World | 3% | 7.5% | 5% |
| America | 9% | 4.3% | 11% |
| **Total (€/000)** | **267,077** | **135,202** | **167,597** |

**No. of active suppliers**

| ACTIVE SUPPLIERS (no.) * | 2021 | 2020 | 2019 |
|---|---|---|---|
| | 3,841 | 728 | 848 |

## Supplier involvement and communication

A few years ago, the Landi Renzo Group began launching initiatives which are increasingly focused on mutual growth with its suppliers. Where our objectives and strategies are shared, the traditional principal-supplier model can be superseded and replaced by a true partnership. During the product development phase, suppliers are involved in the co-design process. Landi Renzo Group personnel are always in contact with suppliers to support them in all the required activities, the use of procedures and methods, and in validation processes.

## Planet

# Planet

## Our Progress

Technology, innovation and respect for the planet are the values through which we want to transform the present into the future we want to see every day, and for over 60 years we have provided concrete answers: ***LPG, CNG, LNG, Biomethane and Hydrogen***

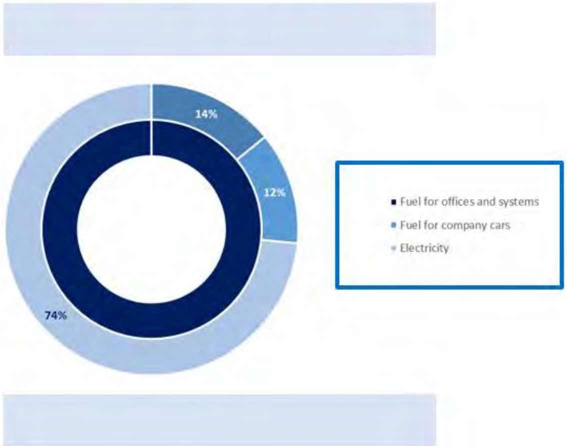

***Partnerships in the gas and hydrogen segments to guarantee an acceleration towards the energy transition as well as decarbonisation***

13 CLIMATE ACTION

***Relations with entities and institutions at domestic and international level for the development of future regulations and technical standards for the alternative fuels sector, as regards both the environment and safety.***

17 PARTNERSHIPS FOR THE GOALS

*Breakdown of CO2 emissions by consumption type...*

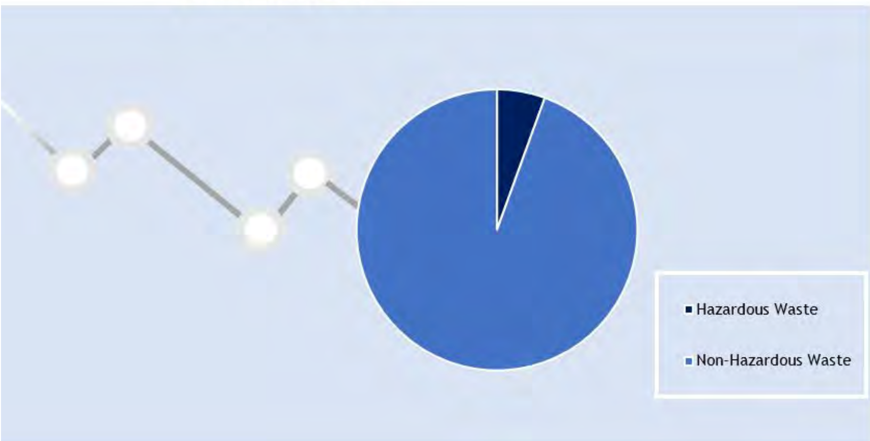



## *The value that we create for...*

### *Our planet*

**Promoting the efficient management of natural resources through actions and products aimed at improving energy efficiency and reducing CO2 emissions.**

*Breakdown of waste...*




CERTIFIED ISO 14001:2015 COMPANY

- **Landi Renzo S.p.A.**
- **SAFE S.p.A.**
- **IMW Industries LTD Canada**
- **Metatron S.p.A.**

## Environmental Policy and Management System

Although the activities performed by the Group are those typical of a metalworking company with a low environmental impact, Landi Renzo has always paid significant attention to the environment. All the hazards and risks to the environment have been identified and assessed in accordance with legal requirements, and all the technical, organisational, safety and prevention measures have been implemented, as required by the Environment Management System adopted by Landi Renzo S.p.A., Safe S.p.A., IMW Industries LTD Canada and Metatron S.p.A., in accordance with the requirements of the current ISO 14001:2015 standard.

The Landi Renzo S.p.A. environment management system activities cover:

- the identification and assessment of major environmental aspects;
- the definition of objectives and improvement programmes;
- the monitoring and surveillance of environmental parameters and system functioning;
- staff training;
- the identification and updating of and compliance with relevant legal requirements;
- the management of emergencies;
- the assessment of risks and opportunities linked to internal and external factors, as per UNI EN ISO 14001:2015 and UNI ISO 45001:2018;
- the management of internal audits;
- the periodic review of the EMS by Management, to ensure it continues to operate in a suitable, effective and efficient manner.

On 19 May 2021, following examination by Management, the review of the Landi Renzo S.p.A. EMS and environmental policy for the ISO 14001:2015 standard was completed. Subsequently, an Environmental Audit by M2 Engineering in May/June 2021 and the first periodic audit for the ISO 14001:2015 certification by Bureau Veritas from 16 to 18 June 2021 were positively completed. The audits were successfully completed, and no conditions were found that would have precluded the renewal of the certification.

All these activities are outlined in a cohesive set of documents made available to employees on the company intranet, consisting of the environmental policy, an environmental analysis and declaration, the EMS manual, and instructions on operational and management procedures.

SAFE S.p.A. and IMW Industries LTD Canada perform maintenance audits every year.

As concerns Metatron S.p.A., the last internal environmental inspection was carried out by the advisory firm NIER Ingegneria on 21 April 2021. The internal inspection aimed to evaluate the compliance of the Environmental management system with the UNI EN ISO 14001 standard and the company's activities with applicable environmental regulations. The established audit plan was basically respected in terms of content and areas audited, and the personnel interviewed demonstrated their attentiveness towards and knowledge of environmental issues. The most recent revision of the environmental management system took place in July 2021.

The EMS is a voluntary tool to enable environmental performance to improve continuously, manage environmental aspects, and monitor compliance with the requirements of standards. It defines methods for identifying responsibilities, procedures, processes and resources within the company's organisational structure to implement the company's prevention and protection policy in accordance with environmental standards.

The Environmental Management System manager works with other company managers and is aware of the need to establish and update procedures or operational instructions to regulate work activities, including maintenance operations, which may present particular situations of environmental impact risk.

At the end of each financial year, as required by ISO 14001:2015, Landi Renzo S.p.A. prepares the Periodic Environmental Analysis Report, which summarises the data presented in the Non Financial Report. In 2022, this report was supplemented with the Art. 271 emissions, as requested by M2 Engineering.

For the entire Group, no penalties or proceedings against it due to failure to comply with environmental regulations or laws were registered.

For the entire Group, in the course of 2021 no controls or audits were performed by the supervisory authorities.

Lastly, through Single Deed protocol 61275 of 19 November, Metatron S.p.A. adopted the Single Environmental Authorisation (SEA) for the Castel Maggiore site.

## Environmental performance

**Energy consumption, emissions and initiatives to increase efficiency**

Landi Renzo is continuing its policy of constantly monitoring energy consumption, emissions, waste management and energy efficiency, by taking action to reduce its consumption of electricity.

Landi Renzo places particular emphasis on checking that energy is used correctly in the Group’s companies, in particular:

- by checking energy bills to check compliance with supply contract conditions and, in the case of electricity, any reactive power charges;
- by checking energy and water consumption monthly to detect irregularities with respect to past figures or unexplained figures immediately (faults or water leaks, nil consumption etc.), promptly implementing checks as required;
- by checking ON/OFF functions on heating and air conditioning systems in relation to seasonal variations.

For years, Landi Renzo has been present on the open market for the purchase of gas and electricity, and it is a member of the RENERGY consortium (an industrial energy association in the province of Reggio Emilia) for energy supplies. RENERGY is part of the Industry Association of Reggio Emilia, and is a non-profit purchasing group which operates on the energy and telecommunications markets on behalf of its members, agreeing on annual supply contracts with the best conditions and offering companies competitive advantages for the purchase of electricity and gas. The organisation also supports companies in negotiating and agreeing supply contracts, complying with administrative and management requirements, routinely checking billing information, and guaranteeing regular information on market trends and new industry standards.

With regard to the use of company vehicles, the Group purchases technologically-advanced vehicles powered by fuels with less environmental impact, or installs an LPG or CNG system on petrol or diesel vehicles it owns or hires over long periods.

All the vehicles comply with the latest standards on Euro 6 emissions; the average age of the vehicle fleet at Landi Renzo S.p.A. is from 2 to 4 years.

Moreover, video-conferencing facilities, conference calls and Skype calls are available at the company to reduce business trips and travel between the Group's companies as much as possible, and the booking of company cars has been centralised, so it is possible to know when parties are making trips on the same day to the same destination and less vehicles can be used

AVL, which is not controlled by the Landi Group, occupies a part of a building together with the Landi Group, and therefore, as specified below, some consumption relative to Italian companies, is reported together with the consumption of this company.

**Direct energy consumption by offices and systems**

| DIRECT ENERGY CONSUMPTION (offices and systems) | 2021 | 2020 | 2019 |
|---|---|---|---|
| **ITALIAN COMPANIES** | | | |
| Methane ($m^3$) | 218,302 | 176,116 | 173,524 |
| **FOREIGN COMPANIES**** | | | |
| Methane ($m^3$) | 192,214 | 104,129 | 87,796 |
| **Total ($m^3$)** | **410,516** | **280,245** | **261,320** |
| **Total (GJ)** | **16,304** | **11,105** | **10,393** |

*The 2021 data includes direct energy consumption from ethanol relating to IMW Industries LTD Canada, acquired by the Group in 2021.
**The 2019 data includes the entire perimeter. Data were estimated for the companies: Beijing Landi Renzo Autogas System Co. Ltd, LR Indústria e Comércio Ltda, AEB America S.r.l., Landi Renzo Pars Private Joint Stock Company.
The 2020 data includes the entire perimeter. Data were estimated for the companies: Beijing Landi Renzo Autogas System Co. Ltd, LR Indústria e Comércio Ltda, AEB America S.r.l., Landi Renzo Pars Private Joint Stock Company and L.R. Pak (Pvt) Limited.
The 2021 data includes the entire perimeter. Data were estimated for the companies: Landi Renzo USA Corporation, Renzo Pars Private Joint Stock Company and LR Industria e Comercio Ltda.
The method used for the calculation involves gathering data from automatic consumption monitoring systems, or in certain cases estimates based on expenditure for energy consumption. The conversion factors of the Department for Environment, Food and Rural Affairs 2021 were used to calculate the total consumption for the year 2021 (expressed in gigajoules).
The data relating to the SAFE Group companies and Metatron refers to the entire calendar year (1/01/21-31/12/21).

**Direct energy consumption due to personnel travel**

| DIRECT ENERGY CONSUMPTION (company cars) | 2021 | 2020 | 2019 |
|---|---|---|---|
| **ITALIAN COMPANIES** | | | |
| Petrol (l) | 70,897 | 59,405 | 74,733 |
| Diesel (l) | 10,896 | 12,917 | 17,533 |
| LPG (l) | 60,830 | 45,084 | 52,663 |
| Methane (kg) | 9,965 | 4,674 | 5,500 |
| **FOREIGN COMPANIES*** | | | |
| Petrol (l) | 39,499 | 19,430 | 17,204 |
| Diesel (l) | 87,482 | 63,862 | 48,479 |
| LPG (l) | 70,109 | 53,169 | 71,264 |
| Methane (kg) | 7,613 | 3,080 | 768 |
| **Total (tonnes)** | **252** | **185** | **194** |
| **Total (GJ)** | **11,049** | **8,682** | **9,157** |

*The 2019 figure includes the entire perimeter, as indicated in the methodological note. Data were estimated for the companies: Landi Renzo USA Corporation, Landi Renzo Pars Private Joint Stock Company, AEB America S.r.l., and L.R. Pak (Pvt) Limited.
The diesel value was estimated for: Landi Renzo RO S.r.l.
The diesel and LPG values were estimated for: Beijing Landi Renzo Autogas System Co. Ltd, LR Indústria e Comércio Ltda
The 2020 figure includes the entire perimeter, as indicated in the methodological note. Data were estimated for the companies: Landi Renzo Pars Private Joint Stock Company, AEB America S.r.l., L.R. Pak (Pvt) Limited and LR Industria e Comercio Ltda.
The diesel and LPG values were estimated for: Beijing Landi Renzo Autogas System Co. Ltd.
The 2021 figure includes the entire perimeter, as indicated in the methodological note. Data were estimated for the companies: Landi Renzo USA Corporation, Renzo Pars Private Joint Stock Company and LR Industria e Comercio Ltda.
The 2021 data includes direct energy consumption from ethanol relating to IMW Industries LTD Canada, acquired by the Group in 2021.
The conversion factors of the Department for Environment, Food and Rural Affairs 2021 were used to calculate the total consumption for the year 2021 (expressed in gigajoules).
The data relating to the SAFE Group companies and Metatron refers to the entire calendar year (1/01/21-31/12/21).

**Electricity consumption**

| ELECTRICITY CONSUMPTION | 2021 | 2020 | 2019 |
|---|---|---|---|
| **ITALIAN COMPANIES*** | | | |
| Electricity (kWh) | 9,140,242 | 7,834,184 | 8,264,101 |
| *of which from photovoltaic plant*** | *196,289* | *226,500* | *128,889* |
| **FOREIGN COMPANIES***** | | | |
| Electricity (kWh) | 2,305,108 | 560,696 | 671,234 |
| **Total (KWh)** | **11,445,350** | **8,394,821** | **8,935,336** |
| **Total (GJ)** | **41,203** | **30,221** | **32,167** |

* The 2019 figure includes the indirect electricity consumption of Landi Renzo S.p.A. and AVL (Landi Renzo S.p.A. via Nobel 890,758 kWh and AVL 4,439,883 kWh).
The 2020 figure includes indirect electricity consumption of LR via Nobel (5,239,676 kWh, of which 4,537,089.25 AVL consumption and 929,086.87 LR); LR via Industria (2,483,834 kWh); LR Turin (2,297 kWh) and Lovato Gas (108,377 kWh).
The 2021 figure relating to the Italian Companies includes indirect electricity consumption of LR via Nobel (5,208,110 kWh); LR via Industria (2,684,507 kWh); LR Turin (3,658 kWh); Vicenza plant (87,196 kWh) and Safe S.p.A. (1,156,771 kWh).
**The data refers to the Energy generated by photovoltaic plants on Via Nobel and Via Industria relating to the Company Landi Renzo S.p.A.
*** The 2019 figure includes the entire perimeter, as indicated in the methodological note. Data were estimated for the companies: AEB America S.r.l., Landi Renzo Pars Private Joint Stock Company.
The 2020 figure includes the entire perimeter, as indicated in the methodological note. Data were estimated for the companies: AEB America S.r.l., Landi Renzo Pars Private Joint Stock Company.
The 2021 figure includes the entire perimeter, as indicated in the methodological note. Data were estimated for the companies: Landi Renzo USA Corporation, Renzo Pars Private Joint Stock Company and LR Industria e Comercio Ltda.
The conversion factors of the Department for Environment, Food and Rural Affairs 2021 were used to calculate the total consumption for the year 2021 (expressed in gigajoules).
The method used for the calculation involves gathering data from automatic consumption monitoring systems, or in certain cases estimates based on expenditure for energy consumption.
The data relating to the SAFE Group companies and Metatron refers to the entire calendar year (1/01/21-31/12/21).

For 2021, Landi Renzo S.p.A.'s indirect consumption of electricity also includes the share of AVL, which as of 01/01/2020 makes use of the entire building at via Nobel number 6. As a result, all of the area's electricity consumption has been attributed to it, including the part relating to the production of the solar power system located on the roof of that building. Specifically, as data is not available regarding consumption recorded in the Desigo Software in use at AVL, which has not provided it, the allotment is based on monthly readings of the SIEMENS meters, which provides an indication of the amount consumed by Landi Renzo S.p.A. and AVL. This indication is not as precise as reading the ENEL meter; therefore, the readings are used for a percentage breakdown of the amount specified on the ENEL invoice, taking into account meter errors (since they are not periodically calibrated) and plant self-consumption. The value of the electricity consumption attributed to AVL consists of total energy measured upstream of the transformers (on the MV panel in the electrical cabinet), which is added to the energy generated by the solar power plant owned by Landi Renzo but 100% used by AVL.

In order to best manage electricity consumption, a technical assessment has been launched with the involvement of ENEL, in order to have individual cabinets available for the companies Landi Renzo S.p.A and AVL. This would allow for precise assessments of the actual electricity consumption of each company, avoiding the monthly readings of the SIEMENS meters on the MV panel in the electrical cabinet.

The construction of the electrical cabinet and the real consumption of electricity by Landi Renzo will be available as of 2022.

**Breakdown of $CO_2$ emissions by consumption type**


**Direct and indirect emissions into the atmosphere**

| DIRECT CO2 EMISSIONS (offices and systems) - Scope 1 | 2021 | 2020 | 2019 |
|---|---|---|---|
| **ITALIAN COMPANIES** | | | |
| Emissions due to methane consumption ($CO_2e$ kg) | 441,264 | 356,223 | 352,346 |
| **FOREIGN COMPANIES*** | | | |
| Emissions due to methane consumption ($CO_2e$ kg) | 400,594 | 210,618 | 178,273 |
| **Total ($CO_2e$ kg)** | **841,858** | **566,841** | **530,619** |

*The 2019 figure includes the entire perimeter, as indicated in the methodological note. Data were estimated for the companies: Beijing Landi Renzo Autogas System Co. Ltd, LR Indústria e Comércio Ltda, AEB America S.r.l., Landi Renzo Pars Private Joint Stock Company.
The 2020 figure includes the entire perimeter, as indicated in the methodological note. Data were estimated for the companies: Landi Renzo USA Corporation; Beijing Landi Renzo Autogas System Co.Ltd, LR Industria e Comercio Ltda, AEB America S.r.l., Landi Renzo Pars Private Joint Stock Company; L.R. Pak (Pvt) Limited.
The 2021 figure includes the entire perimeter, as indicated in the methodological note. Data were estimated for the companies: Landi Renzo USA Corporation, Renzo Pars Private Joint Stock Company and LR Industria e Comercio Ltda.
The method used to calculate the emissions involves the use of emission factors published in 2021 by the Department for Environment, Food & Rural Affairs 2021.
The data relating to the SAFE Group companies and Metatron refers to the entire calendar year (1/01/21-31/12/21).

| DIRECT $CO_2$ EMISSIONS (company cars) - Scope 1 | 2021 | 2020 | 2019 |
|---|---|---|---|
| **ITALIAN COMPANIES** | | | |
| Total emissions ($CO_2e$ kg) | 309,629 | 243,640 | 304,736 |
| **FOREIGN COMPANIES*** | | | |
| Total emissions ($CO_2e$ kg) | 434,916 | 295,218 | 274,223 |
| **Total ($CO_2e$ kg)** | **744,545** | **538,858** | **578,959** |

*The 2019 figure includes the entire perimeter, as indicated in the methodological note. Data were estimated for the companies: Landi Renzo USA Corporation, Landi Renzo Pars Private Joint Stock Company, AEB America S.r.l., and L.R. Pak (Pvt) Limited.
The diesel value was estimated for: Landi Renzo RO S.r.l.
The diesel and LPG values were estimated for: Beijing Landi Renzo Autogas System Co. Ltd, LR Indústria e Comércio Ltda.
The 2020 figure includes the entire perimeter, as indicated in the methodological note. Data were estimated for the companies: Landi Renzo USA Corporation, Landi Renzo Pars Private Joint Stock Company, AEB America S.r.l., and L.R. Pak (Pvt) Limited.
The 2021 figure includes the entire perimeter, as indicated in the methodological note. Data were estimated for the companies: Landi Renzo USA Corporation, Renzo Pars Private Joint Stock Company and LR Industria e Comercio Ltda.
The diesel and LPG values were estimated for: Beijing Landi Renzo Autogas System Co. Ltd and LR Industria e Comercio Ltda.
The method used to calculate the emissions involves the use of emission factors published in 2021 by the Department for Environment, Food & Rural Affairs 2021.
The data relating to the SAFE Group companies and Metatron refers to the entire calendar year (1/01/21-31/12/21).

| INDIRECT $CO_2$ EMISSIONS (electricity) - Scope 2 | 2021 | 2020 | 2019 |
|---|---|---|---|
| **ITALIAN COMPANIES** | | | |
| Emissions due to electricity consumption | 3,646,865 | 3,125,761 | 3,297,294 |
| **FOREIGN COMPANIES*** | | | |
| Emissions due to electricity consumption | 744,174 | 373,209 | 449,157 |
| **Total ($CO_2e$ kg)** | **4,391,039** | **3,498,947** | **3,746,451** |

* The 2019 figure includes the entire perimeter, as indicated in the methodological note. Data were estimated for the companies: AEB America S.r.l., Landi Renzo Pars Private Joint Stock Company.
The 2020 figure includes the entire perimeter, as indicated in the methodological note. Data were estimated for the companies: AEB America S.r.l. and Renzo Pars Private Joint Stock Company.
The 2021 data includes the entire perimeter. Data were estimated for the companies: Landi Renzo USA Corporation, Renzo Pars Private Joint Stock Company and LR Industria e Comercio Ltda.
The method used to calculate the emissions involves the use of emission factors published in 2015 by the *Department for Environment, Food & Rural Affairs* in the UK. Although these factors are less up to date than those in the latest 2021 version, they are more representative as they provide a breakdown by country.
The data relating to the SAFE Group companies and Metatron refers to the entire calendar year (1/01/21-31/12/21).

Energy production from renewable sources is among the energy strategies implemented by the Landi Renzo Group. Significant cost savings have been obtained thanks to the solar power system installed on the roof of the new Landi Renzo S.p.A. research and development centre, and the solar power system at the headquarters on Via dell'Industria. In the course of 2021, the repair of the via Industria electricity production plant made it possible to generate more than 374,531 kWh, also thanks to optimal weather conditions, thus avoiding more than 79 tonnes of CO2 emissions. In 2021, Landi Renzo S.p.A.'s solar power system in Via Nobel produced 707 GJ compared to 815 GJ in 2020, whereas the one in Via dell'Industria produced 641 GJ in 2021 compared to 841 GJ in 2020.

**Other emissions into the atmosphere**

| OTHER EMISSIONS INTO THE ATMOSPHERE (kg) | 2021 | 2020 | 2019 |
|---|---|---|---|
| NOx* | 76 | 61 | 61 |
| SOx* | 8 | 6 | 6 |
| VOCs (Volatile Organic Compounds) | 232 | 957 | 275 |

* The 2019 figure refers to Landi Renzo SpA's production site in Reggio Emilia, via dell'Industria.
The 2020 figure refers to Landi Renzo SpA's production site on via dell'Industria and Via Nobel in Reggio Emilia.
The 2021 figure refers to Landi Renzo SpA's production site on via dell'Industria and Via Nobel in Reggio Emilia.
The method used to calculate NOx and SOx emissions from heating systems in $m^3$ of methane consumed overall requires multiplication by the emission limit stipulated by legislation (350 mg/$m^3$ for NOx and 35 mg/$m^3$ for SOx) and then divided by 1,000,000.
With regard to VOCs, the figure is calculated as the average of the analyses (measurements) taken during the year and multiplied by 8h working days *220 working days in a year/1000.

As regards Landi Renzo S.p.A., as SOx and NOx are substances derived from the combustion of methane, they increased compared with previous years (NOx from 61 kg in 2020 to 76 kg in 2021, SOx unchanged 6 kg in 2020 and 8 kg in 2021). There was a considerable decrease in VOCs compared with 2020, as they were calculated by recording the results of the periodic emissions tests at the production sites.

**Emissions of ozone-depleting substances**

| EMISSIONS of ODSs (CO2e tonnes)* | 2021 | 2020 | 2019 |
|---|---|---|---|
| F-gas mixtures (HFCs) | 122.2 | 300.11 | 114.98 |

*The data includes the sites at Via Nobel and Via dell'Industria, for Landi Renzo S.p.A
The method used to calculate the emissions is based on data entered in plant logbooks. In detail, the interventions carried out are described here: via Nobel 50 kg. of R407C - GWP 1774 - CO2 88.70 (office air conditioning system), via Nobel 15 kg R-404A - GWP 3922 - CO2 58.83 (climatic chamber for components testing), via Industria 73.075 of R410A - GWP 2088 - CO2 152.58 (electronic area air conditioning system).

For Landi Renzo S.p.A., HFC emissions are due exclusively to air conditioning system leaks. In 2021, several technical interventions on the air conditioners and climatic chambers in the components testing rooms following system leaks resulted in them being filled with gas.

**Water**

The idea underpinning this company policy is that using water is not just an environmental issue; water occupies a primary position among the natural resources considered in the Group's policy to contain consumption. This is why it is necessary to manage water resources responsibly.
Each month, the meters are read at the two Landi Renzo S.p.A. and Metatron S.p.A. sites, in order to identify any irregular consumption due to breaks or faults so that the necessary corrective action can be taken as soon as possible to avoid undesired and unplanned consumption. As regards Italian companies, over the past two years the trend in all the water tests has been constant.
In 2021, the change in the consumption by Landi Renzo of water for domestic use (mains water) is mainly due to the number of people in the company, and in part the lower procurement of water for the operation of the osmosis and softening systems. In particular, in 2021 part of the consumption at via Nobel no. 6 was not counted for Landi Renzo, as that supply was available solely to the neighbouring company AVL, which had the water meter transferred to it in March 2021.

This entailed a drastic reduction in water consumption at the via Nobel site, as the few production processes require low water consumption, due primarily to the osmosis and softening systems required for certain plans. In light of the recent acquisitions, therefore in the Group's Italian companies around 9.68 megalitres of water was consumed, primarily for domestic uses, the operation of the softening and osmosis systems required for proper plant operation, the humidifiers in the Air Treatment Units and for cleaning the production departments.

For Landi Renzo S.p.A., waste water produced was mainly from toilet facilities and condensation from air compressors, that after deoiling, is conveyed to sewage systems, as according to the Single Environmental Authorisation, it is equivalent to industrial waste comparable to domestic waste at via Nobel and industrial wastewater for the via Industria site.

The cooling units generate condensation not considered to be polluting and in some cases the condensation may be discharged as sewage.

As concerns SAFE S.p.A. and Metatron S.p.A., the only waste water is water for domestic use.

**Water withdrawal by source**

| WATER WITHDRAWAL BY SOURCE (megalitres)* | 2021 | | 2020 | | 2019 | |
|---|---|---|---|---|---|---|
| **ITALIAN COMPANIES** | All areas | Water stress areas | All areas | Water stress areas | All areas | Water stress areas |
| **Surface water** | **3.40** | - | - | - | - | - |
| of which fresh water (≤1,000 mg/l of total dissolved solids) | 3.40 | - | - | - | - | - |
| of which other types of water (>1,000 mg/l of total dissolved solids) | - | - | - | - | - | - |
| **Groundwater (wells for irrigation)** | **1.24** | - | **1.36** | - | **1.49** | - |
| of which fresh water (≤1,000 mg/l of total dissolved solids) | 1.24 | - | 1.36 | - | 1.49 | - |
| of which other types of water (>1,000 mg/l of total dissolved solids) | - | - | - | - | - | - |
| **Water supply** | **5.03** | - | **3.25** | - | **13.32** | - |
| of which fresh water (≤1,000 mg/l of total dissolved solids) | 5.03 | - | 3.25 | - | 13.32 | - |
| of which other types of water (>1,000 mg/l of total dissolved solids) | - | - | - | - | - | - |
| **Total water withdrawn** | **9.68** | - | **4.62** | - | **14.82** | - |
| **FOREIGN COMPANIES** | | | | | | |
| **Surface water** | **8.34** | - | **0.35** | - | **0.35** | - |
| of which fresh water (≤1,000 mg/l of total dissolved solids) | 8.34 | - | 0.35 | - | 0.35 | - |
| of which other types of water (>1,000 mg/l of total dissolved solids) | - | - | - | - | - | - |
| **Groundwater (wells for irrigation)** | **7.33** | - | **8.03** | - | **5.46** | - |
| of which fresh water (≤1,000 mg/l of total dissolved solids) | 0.64 | - | 0.60 | - | 0.88 | - |
| of which other types of water (>1,000 mg/l of total dissolved solids) | 6.70 | - | 7.43 | - | 4.57 | - |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Water supply** | - | - | **0.12** | - | **9.26** | - |
| of which fresh water (≤1,000 mg/l of total dissolved solids) | - | - | 121.13 | - | 9.26 | - |
| of which other types of water (>1,000 mg/l of total dissolved solids) | - | - | - | - | - | - |
| **Total water withdrawn** | **15.68** | - | **8.50** | - | **15.08** | - |

*The 2021 data includes the entire perimeter. Data were estimated for the companies: Beijing Landi Renzo Autogas System Co. Ltd, Landi Renzo USA Corporation, L.R. Pak (Pvt) Limited, Renzo Pars Private Joint Stock Company, AEB America S.p.A. and LR Industria e Comercio Ltda.
The data relating to the SAFE Group companies and Metatron refers to the entire calendar year (1/01/21-31/12/21).

### Waste management

The Group has set up a waste management process designed to reduce and recycle waste, in order to ensure the sustainable management of environmental resources used in its industrial activities, while seeking to limit the production of waste to be sent to the landfill as much as possible.

The Group produces waste from service/production activities, and some products are classed as special waste and given a six-figure EWC (European Waste Catalogue) code and managed differently. The data provided below does not take into account waste comparable to urban waste, as recovery and disposal are managed by the entity engaged by the applicable municipality, and it is not possible to obtain precise data.

In order to optimise waste management and separation, companies in the Group have special containers for collecting and recycling this special waste on the basis of EWC information.

Waste management is split into three separate disposal groups:

- Recyclable waste and materials;
- Municipal solid waste and similar, and special non-hazardous waste;
- Hazardous waste subject to regulations regarding storage and transport due to their composition.

As set forth in the HSEMS applied by Landi Renzo (ISO 14001:2015 and ISO 45001:2018), Safe (ISO 14001:2015) and Metatron (ISO 14001:2015), handling and mixing hazardous waste is prohibited, as it could start a fire or cause dangerous reactions. Other special waste is collected and disposed of directly by external service contractors. The company keeps the waste management records, and deals with declarations to be made to the relevant authorities and any other matters concerning compliance with standards.

For years now, the Italian companies in the Landi Renzo Group have sorted waste according to type, separating paper, aluminium, ferrous materials, polystyrene, polyethylene for packaging, adhesives, solvents etc. to facilitate recycling.

Landi Renzo S.p.A. has also introduced cardboard and polyethylene compactors; in addition to compacting, they also protect the materials to be recycled from bad weather, and provide certainty in terms of the amount of cardboard produced and sent for recycling. The use of these compactors enables the efficient management of two separated products without waste or taking up unnecessary space. The Landi Renzo Group continues its constant commitment to pursuing a policy of separating and recycling materials.

The total amount of waste produced in 2021 by the Group's Italian companies was 279 tonnes, of which 267 tonnes classified as "**non-hazardous**" and only 12 tonnes classified as "**hazardous**". Net increase compared with previous years, as the Companies, aside from performing a number of recent acquisitions, scrapped, in addition to the systematic disposal of waste materials:

- scrap materials in agreement with the Management
- obsolete unused machinery and equipment (also removed from assets)
- obsolete materials in agreement with the Management.

**Total waste produced**

| TYPE OF WASTE DISPOSAL (tonnes) | 2021 | 2020 | 2019 |
|---|---|---|---|
| **ITALIAN COMPANIES** | | | |
| Waste produced | **279** | **136** | **144** |
| Waste recovered | 227 | 135 | 142 |
| Waste disposed of | 52 | 1 | 2 |
| **FOREIGN COMPANIES*** | | | |
| Waste produced | **647** | 293 | 400 |
| Waste recovered | 562 | - | - |
| Waste disposed of | 85 | - | - |

*The 2019 figure includes the entire perimeter, as indicated in the methodological note. Data were estimated for the companies: Beijing Landi Renzo Autogas System Co. Ltd, L.R. Pak (PVT) Limited, Landi Renzo Pars Private Joint Stock Company, AEB America S.r.l., LR Indústria e Comércio Ltda.
The 2020 figure includes the entire perimeter, as indicated in the methodological note. Data were estimated for the companies: Beijing Landi Renzo Autogas System Co. Ltd, L.R. Pak (PVT) Limited, Landi Renzo Pars Private Joint Stock Company, AEB America S.r.l., LR Indústria e Comércio Ltda.
The 2021 figure includes the entire perimeter, as indicated in the methodological note. Data were estimated for the companies: Beijing Landi Renzo Autogas System Co. Ltd, Landi Renzo USA Corporation, L.R. Pak (Pvt) Limited, Renzo Pars Private Joint Stock Company, AEB America S.p.A. and LR Industria e Comercio Ltda.Furthermore, the disposal and other methods were estimated for the companies Metatron S.p.A. and Metatron Control Systems Co., Ltd.
The data relating to the SAFE Group companies and Metatron refers to the entire calendar year (1/01/21-31/12/21).

The waste produced in 2021 by the Group is from production and logistics operations and also includes in part the disposal of obsolete products and materials that can no longer be used. As regards the Italian companies, there was no movement of waste during 2021, other than urban waste and therefore no operations have been logged in the waste register.  Due to the formal closure of the Lovato site at the end of 2021, the Companies will scrap materials recorded in the dedicated registers on a number of occasions, which will be reported in 2022.

**Waste not intended for disposal**

| WASTE NOT INTENDED FOR DISPOSAL (tonnes)* | 2021 | 2020 | 2019 |
|---|---|---|---|
| **ITALIAN COMPANIES** | | | |
| **Hazardous waste** | 4 | | |
| Preparation for reuse | - | | |
| Recycling | 4 | | |
| Other recovery operations | - | | |
| **Non-hazardous waste** | 223 | | |
| Preparation for reuse | - | | |
| Recycling | 223 | | |
| Other recovery operations | - | | |
| **TOTAL ITALIAN COMPANIES** | **227** | | |
| **FOREIGN COMPANIES*** | | | |
| **Hazardous waste** | **27** | | |
| Preparation for reuse | - | | |
| Recycling | 27 | | |
| Other recovery operations | - | | |
| **Non-hazardous waste** | **535** | | |
| Preparation for reuse | - | | |
| Recycling | 535 | | |
| Other recovery operations | - | | |
| **TOTAL FOREIGN COMPANIES** | **562** | | |

*First reporting year according to the GRI 2020 version, as a result it is not possible to compare with previous years. The 2021 data includes the entire perimeter. Data were estimated for the companies: Beijing Landi Renzo Autogas System Co. Ltd, Landi Renzo USA Corporation, L.R. Pak (Pvt) Limited, Renzo Pars Private Joint Stock Company, AEB America S.p.A. and LR Industria e Comercio Ltda.Furthermore, the disposal and other methods were estimated for the companies Metatron S.p.A. and Metatron Control Systems Co., Ltd.
The data relating to the SAFE Group companies and Metatron refers to the entire calendar year (1/01/21-31/12/21).

**Waste intended for disposal**

| WASTE INTENDED FOR DISPOSAL (tonnes)* | 2021 | 2020 | 2019 |
|---|---|---|---|
| **ITALIAN COMPANIES** | | | |
| **Hazardous waste** | **8** | | |
| Landfill | 3 | | |
| Incineration - with energy recovery | - | | |
| Incineration - without energy recovery | - | | |
| Other disposal type | 5 | | |
| **Non-hazardous waste** | **44** | | |
| Landfill | - | | |
| Incineration - with energy recovery | - | | |
| Incineration - without energy recovery | - | | |
| Other disposal type | 44 | | |
| **TOTAL ITALIAN COMPANIES** | **52** | | |
| **FOREIGN COMPANIES*** | | | |
| **Hazardous waste** | **4** | | |
| Landfill | 1 | | |
| Incineration - with energy recovery | - | | |
| Incineration - without energy recovery | - | | |
| Other disposal type | 3 | | |
| **Non-hazardous waste** | **81** | | |
| Landfill | 39 | | |
| Incineration - with energy recovery | - | | |
| Incineration - without energy recovery | - | | |
| Other disposal type | 42 | | |
| **TOTAL FOREIGN COMPANIES** | **85** | | |

*First reporting year according to the GRI 2020 version, as a result it is not possible to compare with previous years. The 2021 data includes the entire perimeter. Data were estimated for the companies: Beijing Landi Renzo Autogas System Co. Ltd, Landi Renzo USA Corporation, L.R. Pak (Pvt) Limited, Renzo Pars Private Joint Stock Company, AEB America S.p.A. and LR Industria e Comercio Ltda.Furthermore, the disposal and other methods were estimated for the companies Metatron S.p.A. and Metatron Control Systems Co., Ltd.

In 2021 there were no recorded spills of hazardous substances or products that may have caused environmental pollution.

**Noise emissions**

All the Italian companies in the Group monitor noise emissions through specific sound measurements to assess noise level in the surrounding environment. These tests were necessary to obtain the Single Environmental Authorisation for the various Italian sites and to verify the acoustic impact to ensure worker health and safety within the production areas. The noise measurement points were located on minor roads adjacent to site boundaries, close to the plants or equipment classified as sources of noise, such as air compressors and air conditioning systems. The sound level measurements showed that the premises generate a steady, constant noise level. Noise fluctuations are affected by noise due to vehicular traffic or other noise extraneous to production activity, which if taken individually respects the limits established by municipal regulations. Processing sound data has enabled the potential effects of noise in the workplace under normal operational conditions to be quantified, and values below threshold limits, which fully comply with existing legislation, have been noted.

Further investigations will be required if there are substantial changes to production, in order to identify and analyse the noise impact of the new production method.

# GRI Content Index – Core Option

| GRI Indicator/Aspect | Description of KPI | Notes for 2021 | References |
|---|---|---|---|
| **GENERAL INFORMATION** | | | |
| 102-1 | Name of organisation | | Annual Financial Report (contacts) |
| 102-2 | Activities, main brands, products and/or services | | 59-60; 64 |
| 102-3 | Location of the organisation's headquarters | | Annual Financial Report (contacts) |
| 102-4 | Number of countries the company operates in | | Annual Financial Report (the Landi Renzo Group worldwide) |
| 102-5 | Ownership structure and legal form | | Annual Financial Report (Corporate structure) |
| 102-6 | Markets served (including geographical distribution, sectors, types of customer and beneficiaries) | | Annual Financial Report (the Landi Renzo Group worldwide) |
| 102-7 | Size of organisation | | Annual Financial Report (the Landi Renzo Group worldwide - Summary) |
| 102-8 | Employees and other workers by age group, gender and geographical area | | 88 |
| 102-9 | Description of supply chain | | 130-134 |
| 102-10 | Significant changes in the reporting period | | Annual Financial Report (Significant events in 2019) |
| 102-11 | Precautionary principle or approach application | | 80-84 |
| 102-12 | Codes of conduct, initiatives or standards regarding economic, social and environmental aspects developed externally, adopted by the Company | | 126-130 |
| 102-13 | Membership of national and/or international trade associations in which the organisation has a position on the governing body or of which it is a member, or to which it provides considerable funding that goes beyond its membership fee | | 126-130 |
| 102-14 | Declaration by CEO and Chairman regarding the importance of sustainability for the organisation, and its strategy | | 57 (Letter to the stakeholders) |
| 102-15 | Description of the main risks – whether generated or suffered – deriving from the company's activities, products, services or business relations including supply and subcontracting chains where relevant, and how these risks are managed | | 76-79 |
| 102-16 | Values, principles, standards and regulations of behaviour, internal to the company | | 62-63 |
| 102-18 | Corporate governance structure | | 80-82 |
| 102-22 | Composition of the highest governing body and its committees (age, gender and membership of under-represented groups or categories; any other diversity indicators) | | Annual Financial Report (Corporate bodies) |
| 102-24 | Processes and criteria for the appointment and selection of the members of the highest governing body and its committees (in terms of professional background, qualifications and expertise) | | 80-82 |
| 102-40 | List of stakeholder groups engaged by the organization | | 71 |
| 102-41 | Percentage of staff covered by collective bargaining agreements | Information available only for the Group's Italian companies | 92 |

| | | | |
|---|---|---|---|
| 102-42 | Process of identifying and selecting stakeholders to engage with | | 71 |
| 102-43 | Approach to stakeholder engagement, specifying the frequency, by type of activity and stakeholder group | | 71; 123-125; 134 |
| 102-44 | Key topics and concerns emerging from stakeholder engagement activity, and the way in which the organisation has responded to these concerns, also with reference to the contents of the report | | 71; 123-125; 134 |
| 102-45 | List of companies included on the consolidated financial statements and details of the companies not included in the report | | 54-56 (Methodological Note); Annual Financial Report |
| 102-46 | Definition of contents of report and scope of each aspect | | 71-75 |
| 102-47 | List of the aspects identified as material, in the process of defining the contents of the report | | 71-75 |
| 102-48 | Explanation of the effects of any changes to the information included in previous reports and the reasons for those changes | | 54-56 (Methodological Note) |
| 102-49 | Significant changes (in terms of objective, scope or method of measurement) compared to the previous reporting period | | 54-56 (Methodological Note) |
| 102-50 | Reporting period | | 54-56 (Methodological Note) |
| 102-51 | Publication of the latest report | | 54-56 (Methodological Note) |
| 102-52 | Reporting cycle | | 54-56 (Methodological Note) |
| 102-53 | Contacts and addresses for requesting information about the report and its contents | | Annual Financial Report (contacts) |
| 102-54 | Indication of the chosen "In accordance" option | | 54-56 (Methodological Note) |
| 102-55 | Table of GRI contents | | 152-156 |
| 102-56 | External assurance of the report | | (PWC report) |
| **SUPPORT FOR THE GENERAL PUBLIC** | | | |
| 103-1; 103-2; 103-3 | Management approach | | 107-109 |
| 204-1 | Percentage of expenditure concentrated among local suppliers in relation to the main operating sites | | 107-109 |
| 207-1 | Approach to tax | | 107-109 |
| 207-2 | Tax governance, control and risk management | | 107-109 |
| 207-3 | Stakeholder engagement and management of concerns related to tax | | 107-109 |
| 207-4 | Country-by-country reporting | | 109 |
| **LEVERAGING SUPPLIERS** | | | |
| 103-1; 103-2; 103-3 | Management approach | | 130-134 |
| 204-1 | Percentage of expenditure concentrated among local suppliers in relation to the main operating sites | | 130-134 |
| **ENVIRONMENTAL PROTECTION** | | | |
| 103-1; 103-2; 103-3 | Management approach | | 137-138 |
| 302-1 | Consumption of electricity and heating at the offices and sites, with a breakdown of renewable/non-renewable energy and consumption of fuel by company cars | | 138-141 |

| | | | |
|---|---|---|---|
| 303-1 | Interaction with water as a shared resource | | 144-146 |
| 303-2 | Management of water discharge-related impacts | | 144-146 |
| 303-3 | Water withdrawal | | 146 |
| 305-1 | Emissions generated by the consumption of fuel for the operation of the offices and facilities, by fuel for the company fleet (Scope 1) | | 142-144 |
| 305-2 | Emissions generated by the consumption of electricity and heating energy for the operation of the offices and facilities (Scope 2) | | 142-144 |
| 305-4 | GHG emissions intensity calculated by using the ratio of emissions produced compared to a benchmark for the company | | 142-144 |
| 305-7 | NOx, SOx or other significant emissions | Information only available for Landi Renzo SpA's production site in Reggio Emilia, via dell'Industria | 142-144 |
| 306-1 | Waste generation and significant waste-related impacts | | 146-150 |
| 306-2 | Management of significant waste related impacts | | 146-150 |
| 306-3 | Waste produced | | 148 |
| 306-4 | Waste not intended for disposal | | 149 |
| 306-5 | Waste directed to disposal | | 150 |
| 307-1 | Monetary value of major fines and the number of non-monetary fines imposed for not complying with environmental laws and regulations | Information not available for the Company Landi Renzo USA Corporation | 138 |
| **EQUAL OPPORTUNITIES, DIVERSITY AND INCLUSION** | | | |
| 103-1; 103-2; 103-3 | Management approach | | 91-92; 98-99 |
| 202-1 | Ratio between the standard salary for new hires by gender to local minimum salary in the most significant operating sites | Information not available for the Companies Landi Renzo USA Corporation, Landi Renzo Industria e Comercio and L.R. Pak (Pvt) Limited | 98-99 |
| 401-1 | New employee hires and employee turnover (by age, gender and nationality) | | 90-91 |
| 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees, for main activities | Information not available for the Company Landi Renzo USA Corporation | 98-99 |
| 405-1 | Diversity of governance bodies and employees, by diversity indicator | Information on the number of staff in protected categories is not available for the Group's foreign companies | Annual Financial Report (Corporate bodies); 80-81; 88-89 |
| 406-1 | Incidents of discrimination and corrective actions taken. | No reports of discrimination in the Group, for all countries except for Landi Renzo USA Corporation, for which this information | 91-92 |

| | | | |
|---|---|---|---|
| | | is not available. | |
| **DIALOGUE AND ACTIVE INVOLVEMENT WITH INSTITUTIONS** | | | |
| 103-1; 103-2; 103-3 | Management approach | | 82-84 |
| 205-3 | Confirmed incidents of corruption and actions taken | | 82-84 |
| **OCCUPATIONAL HEALTH AND SAFETY** | | | |
| 103-1; 103-2; 103-3 | Management approach | | 99-105 |
| 403-1 | Occupational health and safety management system | | 99-105 |
| 403-2 | Hazard identification, risk assessment, and incident investigation | | 99-105 |
| 403-3 | Occupational health services | | 99-105 |
| 403-4 | Worker participation, consultation, and communication on occupational health and safety | | 99-105 |
| 403-5 | Worker training on occupational health and safety | | 99-105 |
| 403-6 | Promotion of worker health | | 99-105 |
| 403-7 | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | | 99-105 |
| 403-9 | Work-related injuries | For the purposes of calculating injury indexes, hours worked are considered. | 99-105 |
| **PROFESSIONAL ENHANCEMENT, TRAINING AND COMPETENCE DEVELOPMENT** | | | |
| 103-1; 103-2; 103-3 | Management approach | | 93-98 |
| 404-1 | Average annual training hours per employee, by gender and category | As regards training on occupational health and safety, the hours are not available for Landi Renzo USA Corporation | 93-98 |
| 404-3 | Percentage of employees receiving regular performance and career development reviews, by gender and category | | 93-98 |
| **QUALITY, RELIABILITY AND SAFETY OF PRODUCTS AND SERVICES** | | | |
| 103-1; 103-2; 103-3 | Management approach | | 119-123 |
| 416-1 | Assessment of the health and safety impacts of product and service categories | | 122-123 |
| 416-2 | Total number of non-conformities with regulations and voluntary codes regarding the health and safety impacts of products and services during their lifecycle | | 122-123 |
| 417-2 | Incidents of non-compliance concerning product and service information and labelling | | 123-124 |
| **CUSTOMER FEEDBACK AND SATISFACTION** | | | |
| 103-1; 103-2; 103-3 | Management approach | | 122-124 |
| 416-1 | Assessment of the health and safety impacts of product and service categories | | 122-123 |
| 416-2 | Total number of non-conformities with regulations and voluntary codes regarding the health and safety impacts of products | | 122-123 |

| | | | |
|---|---|---|---|
| | and services during their lifecycle | | |
| 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | | No founded complaints about privacy were received in the year. |
| **RESEARCH AND INNOVATION** | | | |
| 103-1; 103-2; 103-3 | Management approach | | 114-119 |
| **CONSOLIDATION OF SECTOR LEADERSHIP** | | | |
| 103-1; 103-2; 103-3 | Management approach | | 59-63 |
| **OFFER OF ECO-EFFICIENT PRODUCTS** | | | |
| 103-1; 103-2; 103-3 | Management approach | | 59-63; 66; 112-114 |
| **SPREAD OF INFRASTRUCTURE FOR SUSTAINABLE MOBILITY** | | | |
| 103-1; 103-2; 103-3 | Management approach | | 59-63; 66; 112-114 |

E-MARKET SDIR CERTIFIED

pwc

# *Independent auditor's report on the consolidated non-financial statement*

*pursuant to article 3, paragraph 10, of Legislative Decree No. 254/2016 and article 5 of CONSOB Regulation No. 20267 of January 2018*

To the Board of Directors of
Landi Renzo SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267/2018, we have undertaken a limited assurance engagement on the consolidated non-financial statement of Landi Renzo SpA and its subsidiaries (the "Group" or "Landi Renzo Group") for the year ended 31 December 2021 prepared in accordance with article 4 of the Decree, presented in the specific section of the Report on operations and approved by the Board of Directors on 15 March 2022 (the "NFS").

Our review does not extend to the information set out in the "The fight against climate change travels on four wheels" paragraph of the NFS, required by article 8 of European Regulation 2020/852.

## *Responsibilities of the Directors and the Board of Statutory Auditors for the NFS*

The Directors are responsible for the preparation of the NFS in accordance with article 3 and 4 of the Decree and with the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016, and updated to 2019, by the GRI - Global Reporting Initiative (the "GRI Standards"), indicated at paragraph "Methodological Note" of the NFS identified by them as the reporting standards.

The Directors are also responsible, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

Moreover, the Directors are responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of the Group and to the extent necessary to ensure an understanding of the Group's activities, its performance, its results and related impacts.

*PricewaterhouseCoopers SpA*

Sede legale: **Milano** 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785240 Capitale Sociale Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 071 2132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 080 5640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035 229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 051 6186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 030 3697501 - **Catania** 95129 Corso Italia 302 Tel. 095 7532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 055 2482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 010 29041 - **Napoli** 80121 Via dei Mille 16 Tel. 081 36181 - **Padova** 35138 Via Vicenza 4 Tel. 049 873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091 349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521 275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 085 4545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06 570251 - **Torino** 10122 Corso Palestro 10 Tel. 011 556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461 237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422 696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 040 3480781 - **Udine** 33100 Via Poscolle 43 Tel. 0432 25789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332 285039 - **Verona** 37135 Via Francia 21/C Tel. 045 8263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444 393311

**www.pwc.com/it**

Finally, the Directors are responsible for defining the business and organisational model of the Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the Group and for the identification and management of risks generated or faced by the Group.

The Board of Statutory auditors is responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

### *Auditor's Independence and Quality Control*

We are independent in accordance with the principles of ethics and independence set out in the Code of Ethics for Professional Accountants published by the International Ethics Standards Board for Accountants, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

### *Auditor's responsibilities*

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree and with the GRI Standards. We conducted our work in accordance with International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information ("ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily of company personnel responsible for the preparation of the information presented in the NFS, analyses of documents, recalculations and other procedures designed to obtain evidence considered useful.

In detail, we performed the following procedures:

1. analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the Group, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and with the reporting standard adopted;

2. analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;

3. understanding of the following matters:

   - business and organisational model of the Group with reference to the management of the matters specified by article 3 of the Decree;
   - policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
   - key risks generated and/or faced by the Group with reference to the matters specified in article 3 of the Decree.

   With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 4 a) below;

4. understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS.

   In detail, we held meetings and interviews with the management of Landi Renzo SpA and we performed limited analyses of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

   Moreover, for material information, considering the activities and characteristics of the Group:

   - at a group level,

     a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify its consistency with available evidence;
     b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information;

   - for the following companies, Landi Renzo SpA, Landi Renzo Polska Sp.Zo.O.LR, Metatron SpA and Metatron Control System Co. Ltd, which were selected on the basis of their activities, their contribution to the performance indicators at a consolidated level and their location, we carried out meetings and interviews during which we met local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

***Conclusion***

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Landi Renzo Group for the year ended 31 December 2021 is not prepared, in all material respects, in accordance with articles 3 and 4 of the Decree and with the GRI Standards.

Our conclusions on the NFS of Landi Renzo Group do not extend to the information set out in the "The fight against climate change travels on four wheels" paragraph of the NSF, required by article 8 of European Regulation 2020/852.

Parma, 30 March 2022

PricewaterhouseCoopers SpA

*Signed by*

Nicola Madureri
(Partner)

*Signed by*

Paolo Bersani
(Authorised signatory)

*This report has been translated from the Italian original solely for the convenience of international readers. We have not performed any controls on the NFS 2021 translation.*

# Significant events after the reporting period and business outlook

At the end of financial year and to date, we note:

- In January 2022, SAFE S.p.A., a SAFE&CEC Group company controlled by Landi Renzo S.p.A., acquired 90% of the share capital of Idro Meccanica S.r.l., a leader in the production of technologies and innovative systems for the compression of hydrogen, biomethane and natural gas which includes amongst its customers the main operators in hydrogen production and distribution, and boasts of a full range of products and applications to manage hydrogen compression up to 700 bars; the acquisition of the remaining 10% of the share capital is already contractually established and will be carried out in the coming months. The total price of the acquisition was Euro 6,400 thousand, corresponding to 100% of the share capital.

- In February 2022 Landi Renzo S.p.A. completed the acquisition of an additional 23.43% of the share capital of Metatron S.p.A., so it now holds a 72.43% stake in that company. The acquisition is part of a more extensive transaction for the acquisition of 100% of the share capital of Metatron. The remaining stake, representing 27.57% of the share capital of Metatron, owned by the shareholder Italy Technology Group, will be acquired by Landi Renzo S.p.A. in 2022 for Euro 7,374 thousand. For the payment of the total consideration to the minority shareholders and Italy Technology Group S.r.l., amounting to Euro 18,062 thousand, Girefin S.p.A., the controlling shareholder of Landi Renzo S.p.A., made a lump-sum amount available to the Company corresponding to the entire amount of the above-mentioned consideration by means of a shareholder loan bearing interest at an annual rate of 1% disbursed in February 2022. Pursuant to the related party transaction procedure adopted by the Company, the above-mentioned shareholder loan should be considered “significant” and, as such, it was submitted for a preventive opinion to the Committee for transactions with related parties, consisting exclusively of independent directors, which expressed its favourable opinion on the Company’s interest in entering into the shareholder loan agreement, as well as the cost effectiveness and fairness of the relative conditions.

- In February 2022, following punctual negotiations with the financing institutions, all credit institutions underwriting the loans provided their consent to the requests made by the parent company Landi Renzo S.p.A., issuing waiver letters with respect to the financial covenants as at 31 December 2021, consent to taking out a new planned subsidised medium/long-term loan finalised in 2022 and, with respect to the loan taken out from a pool of banks in 2019, consent to the deferment of the principal instalment falling due on 31 December 2021, which was rescheduled in an equal amount to the following three instalments falling due on 30 June 2022, 31 December 2022 and 30 June 2023. Furthermore, the above-mentioned waiver letters are expressly subject to the finalisation of the share capital increase of the parent company Landi Renzo S.p.A. to be carried out in an amount of at least Euro 25.4 million, by no later than 30 June 2022. A dedicated disclosure is provided below in this section with respect to the planned share capital increase transaction.

- In March 2022, the Board of Directors approved the new Group 2022-2025 business plan, which forecasts significant Group growth as a strategic specialist in the biomethane and hydrogen segments, offering products throughout the entire value chain, from compression for injection into the network or transport of biomethane and hydrogen, to compression solutions along the pipeline and for distribution, with a complete range for sustainable gas and hydrogen mobility as well, for the After Market, Passenger Cars and Mid & Heavy Duty segments.

- Also in March 2022, Chairman Stefano Landi informed the Landi Renzo Board of Directors of the signing by the controlling shareholders of Landi Renzo - Girefin S.p.A. and Gireimm S.r.l., which hold a total joint investment of 59.16% of the share capital of Landi Renzo - of a non-binding term sheet with Itaca Equity Holding S.p.A., which lays the foundation for a minority investment in the share capital of Landi Renzo, as a long-term investor, aiming to support Landi Renzo's expansion in the compression and automotive segments. The main shareholder of Itaca Equity Holding is Tamburi Investment Partners. The transaction calls for a co-investment by Cristiano Musi, Chief Executive Officer of Landi Renzo. Within the new business plan and in order to provide the Group with the necessary financial resources, the Board of Directors approved the proposal to the upcoming shareholders' meeting to delegate the Board of Directors pursuant to Article 2443 of the Italian Civil Code to increase the share capital by a maximum of Euro 60.0 million, indivisible up to Euro 50 million, with the option right, to be paid up by means of contributions in cash and by the voluntary offsetting, pursuant to Article 1252 of the Italian Civil Code, of receivables due to the subscribers from Landi Renzo and to be subscribed by no later than 31 December 2023, proposing that the price for the subscription of the shares be determined as the lower of Euro 0.6 per share and the TERP calculated on the basis of the weighted average stock exchange prices of the LR share in the 5 days prior to the date on which the price is set, applying a 15% discount. The share capital increase is guaranteed by the Landi Family and by Itaca Equity Holding up to the amount of Euro 50.0 million, assuming the completion of the transaction between the Landi Family and Itaca Equity Holding.

Business outlook

The Management expects the year 2022 to have a brighter outlook than 2021, also by virtue of the important signs of recovery in the After Market channel and a significant order portfolio in the Infrastructure Business Unit, guided by the growth in biomethane and hydrogen. With reference to the geopolitical context, to date, on the basis of available information, there are no particular critical issues to be reported,

although we will continue to pay close attention to and evaluate upcoming developments in the conflict in Ukraine and the relative
impacts.

**Chief Executive Officer**
**Cristiano Musi**

## Contact details

Landi Renzo S.p.A.
Via Nobel 2/4
42025 Corte Tegge – Cavriago (RE) – Italy
Tel. +39 0522 9433
Fax +39 0522 944044
Share capital: Euro 11,250,000
Tax ID and VAT Reg. No. IT00523300358

This document is available on the Internet at
www.landirenzogroup.com

Further information:
Paolo Cilloni
e-mail: ir@landi.it

# Consolidated Financial Statements at 31 december 2021 Landi Renzo Group

Consolidated statement of financial position

Consolidated income Statement

Consolidated statement of comprehensive position

Consolidated stement of cash flow

Consolidated statement of changes in shareholders equity

Explanatory notes

APPENDIX

Statement of consolidated financial statement accordingly to Art. 154-bis of D.Lgs.58/98

Report of the Auditing Company

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Thousands of Euro)

| ASSETS | Notes | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| **Non-current assets** | | | |
| Land, property, plant, machinery and other equipment | 2 | 14,977 | 13,212 |
| Development costs | 3 | 12,222 | 9,506 |
| Goodwill | 4 | 75,341 | 30,094 |
| Other intangible assets with finite useful lives | 5 | 16,711 | 10,860 |
| Right-of-use assets | 6 | 11,991 | 4,975 |
| Equity investments measured using the equity method | 7 | 2,028 | 22,509 |
| Other non-current financial assets | 8 | 882 | 921 |
| Other non-current assets | 9 | 2,556 | 2,850 |
| Deferred tax assets | 10 | 13,484 | 12,201 |
| **Total non-current assets** | | **150,192** | **107,128** |
| | | | |
| **Current assets** | | | |
| Trade receivables | 11 | 66,048 | 39,353 |
| Inventories | 12 | 68,896 | 42,009 |
| Contract work in progress | 13 | 15,653 | 0 |
| Other receivables and current assets | 14 | 14,443 | 6,712 |
| Other current financial assets | 15 | 0 | 2,801 |
| Cash and cash equivalents | 16 | 28,039 | 21,914 |
| **Total current assets** | | **193,079** | **112,789** |
| | | | |
| **TOTAL ASSETS** | | **343,271** | **219,917** |

(Thousands of Euro)

| SHAREHOLDERS' EQUITY AND LIABILITIES | Notes | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| **Shareholders' equity** | | | |
| Share capital | 17 | 11,250 | 11,250 |
| Other reserves | 17 | 44,615 | 53,199 |
| Profit (loss) for the period | 17 | -977 | -7,662 |
| **Total Shareholders' equity of the Group** | | **54,888** | **56,787** |
| Minority interests | 17 | 5,738 | -473 |
| **TOTAL SHAREHOLDERS' EQUITY** | | **60,626** | **56,314** |
| | | | |
| **Non-current liabilities** | | | |
| Non-current bank loans | 18 | 10,174 | 68,181 |
| Other non-current financial liabilities | 19 | 9,320 | 408 |
| Non-current liabilities for rights of use | 20 | 10,197 | 2,871 |
| Provisions for risks and charges | 21 | 4,535 | 2,897 |
| Defined benefit plans for employees | 22 | 3,977 | 1,556 |
| Deferred tax liabilities | 23 | 1,452 | 297 |
| Liabilities for derivative financial instruments | 24 | 99 | 458 |
| **Total non-current liabilities** | | **39,754** | **76,668** |
| | | | |
| **Current liabilities** | | | |
| Bank financing and short-term loans | 25 | 103,408 | 23,108 |
| Other current financial liabilities | 26 | 274 | 378 |
| Current liabilities for rights of use | 27 | 2,624 | 2,228 |
| Trade payables | 28 | 82,886 | 53,509 |
| Tax liabilities | 29 | 3,758 | 2,677 |
| Other current liabilities | 30 | 49,941 | 5,035 |
| **Total current liabilities** | | **242,891** | **86,935** |
| | | | |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | | **343,271** | **219,917** |

Pursuant to Consob resolution no. 15519 dated 27 July 2006, the effects of related-party transactions on the Consolidated statement of financial position are shown in a specific table in Annex 2.

## CONSOLIDATED INCOME STATEMENT

(Thousands of Euro)

| | Notes | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| Revenues from sales and services | 31 | 241,994 | 142,455 |
| Other revenues and income | 32 | 2,610 | 313 |
| Cost of raw materials, consumables and goods and change in inventories | 33 | -150,272 | -84,212 |
| Costs for services and use of third-party assets | 34 | -43,075 | -27,844 |
| Personnel costs | 35 | -34,920 | -22,398 |
| Allocations, write-downs and other operating expenses | 36 | -3,722 | -1,662 |
| **Gross operating profit** | | **12,615** | **6,652** |
| Amortisation, depreciation and impairment | 37 | -15,556 | -12,193 |
| **Net operating profit** | | **-2,941** | **-5,541** |
| Financial income | 38 | 217 | 298 |
| Financial expenses | 39 | -4,344 | -3,310 |
| Exchange gains (losses) | 40 | -362 | -2,827 |
| Income (expenses) from equity investments | 41 | 8,581 | 0 |
| Income (expenses) from joint ventures measured using the equity method | 42 | 620 | -11 |
| **Profit (loss) before tax** | | **1,771** | **-11,391** |
| Taxes | 43 | -1,226 | 3,541 |
| **Net profit (loss) for the Group and minority interests, including:** | | **545** | **-7,850** |
| Minority interests | | 1,522 | -188 |
| Net profit (loss) for the Group | | -977 | -7,662 |
| | | | |
| **Basic earnings (loss) per share (calculated on 112,500,000 shares)** | 44 | -0.0087 | -0.0681 |
| | | | |
| **Diluted earnings (loss) per share** | **44** | -0.0087 | -0.0681 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Thousands of Euro)

| | Notes | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| **Net profit (loss) for the Group and minority interests:** | | **545** | **-7,850** |
| *Profits/losses that will not be subsequently reclassified in the income statement* | | | |
| Remeasurement of employee defined benefit plans (IAS 19) | 22 | -38 | -44 |
| ***Total Profits (Losses) that will not be subsequently reclassified in the Income Statement*** | | **-38** | **-44** |
| *Profits (Losses) that will be subsequently reclassified in the Income Statement* | | | |
| *Measurement of investments with the equity method* | 7 | 554 | -1,010 |
| *Fair value of derivatives, change for the period* | 24 | 282 | -324 |
| *Exchange rate differences from the translation of foreign operations* | 17 | -1,554 | -968 |
| ***Total Profits (Losses) that will be subsequently reclassified in the Income Statement*** | | **-718** | **-2,302** |
| ***Profits (Losses) recorded directly in Shareholders' Equity after tax effects*** | | **-756** | **-2,346** |
| **Total Consolidated Statement of Comprehensive Income for the period** | | **-211** | **-10,196** |
| Profit (Loss) for Shareholders of the Parent Company | | -1,603 | -10,055 |
| Minority interests | | 1,392 | -141 |

# CONSOLIDATED CASH FLOW STATEMENT

(Thousands of Euro)

| CONSOLIDATED CASH FLOW STATEMENT | 31/12/2021 | 31/12/2020 |
|---|---|---|
| **Financial flows deriving from operating activities** | | |
| Pre-tax profit (loss) for the period | 1,771 | -11,391 |
| *Adjustments for:* | | |
| Depreciation of property, plant and machinery | 4,301 | 3,889 |
| Amortisation of intangible assets | 8,119 | 6,050 |
| Depreciation of right-of-use assets | 3,136 | 2,254 |
| Loss (Profit) from disposal of tangible and intangible assets | 305 | -36 |
| Share-based incentive plans | -296 | 177 |
| Impairment loss on receivables | 1,024 | 156 |
| Net financial charges | 4,489 | 5,839 |
| Net expenses (income) from equity investments measured using the equity method | -620 | 11 |
| Profit (loss) attributable to interests | -8,581 | 0 |
| | **13,648** | **6,949** |
| *Changes in:* | | |
| Inventories and contract work in progress | -5,120 | -2,235 |
| Trade receivables and other receivables | -1,334 | 2,244 |
| Trade payables and other payables | 2,222 | 3,291 |
| Provisions and employee benefits | 589 | -829 |
| **Cash generated from operations** | **10,005** | **9,420** |
| Interest paid | -2,035 | -2,456 |
| Interest received | 195 | 91 |
| Taxes paid | -1,200 | -750 |
| **Net cash generated (absorbed) by operations** | **6,965** | **6,305** |
| **Cash flows from investments** | | |
| Proceeds from the sale of property, plant and machinery | 507 | 310 |
| Purchase of property, plant and machinery | -3,188 | -6,209 |
| Purchase of intangible assets | -303 | -337 |
| Development costs | -5,123 | -5,375 |
| Variation in the consolidation area | 3,575 | 0 |
| **Net cash absorbed by investment activities** | **-4,532** | **-11,611** |
| **Free Cash Flow** | **2,433** | **-5,306** |
| **Cash flows from financing activities** | | |
| Disbursements (reimbursements) of loans to associates | 0 | -600 |
| Bond issue (repayments) | 6,936 | 0 |
| Disbursements (reimbursements) of medium/long-term loans | -4,274 | 20,356 |
| Change in short-term bank debts | 6,366 | -8,943 |
| Repayment of leases (IFRS 16) | -3,473 | -2,399 |
| **Net cash generated (absorbed) by financing activities** | **5,555** | **8,414** |
| **Net increase (decrease) in cash and cash equivalents** | **7,988** | **3,108** |
| Cash and cash equivalents at 1 January | 21,914 | 22,650 |
| Effect of exchange rate fluctuation on cash and cash equivalents | -1,863 | -3,844 |
| Closing cash and cash equivalents | **28,039** | **21,914** |

| Other information | 31/12/2021 | 31/12/2020 |
|---|---|---|
| (Increase)/Decrease in trade receivables and other receivables from related parties | 485 | 532 |
| Increase/(Decrease) in trade payables and other payables to related parties | 203 | -925 |

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| (Thousands of Euro) | Share capital | Statutory reserve | Extraordinary and other reserves | Share premium reserve | Future share capital increase contribution | Profit (loss) for the year | Group shareholders' equity | Profit (Loss) attributable to minority interests | Capital and reserves attributable to minority interests | Total shareholders' equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance as at 31/12/2019** | **11,250** | **2,250** | **7,532** | **30,718** | **8,867** | **6,048** | **66,665** | **-66** | **-266** | **66,333** |
| Profit (loss) for the year | | | | | | -7,662 | **-7,662** | -188 | | **-7,850** |
| Actuarial gains/losses (IAS 19) | | | -44 | | | | **-44** | | | **-44** |
| Translation difference | | | -1,015 | | | | **-1,015** | | 47 | **-968** |
| Measurement of investments using the equity method | | | -1,010 | | | | **-1,010** | | | **-1,010** |
| Change in the cash flow hedge reserve | | | -324 | | | | **-324** | | | **-324** |
| **Total overall profits/losses** | **0** | **0** | **-2,393** | **0** | **0** | **-7,662** | **-10,055** | **-188** | **47** | **-10,196** |
| Performance share | | | 177 | | | | **177** | | | **177** |
| Allocation of profit | | | 6,048 | | | -6,048 | **0** | 66 | -66 | **0** |
| **Balance at 31/12/2020** | **11,250** | **2,250** | **11,364** | **30,718** | **8,867** | **-7,662** | **56,787** | **-188** | **-285** | **56,314** |
| Profit (loss) for the year | | | | | | -977 | **-977** | 1,522 | | **545** |
| Actuarial gains/losses (IAS 19) | | | -38 | | | | **-38** | | | **-38** |
| Translation difference | | | -1,424 | | | | **-1,424** | | -130 | **-1,554** |
| Measurement of investments using the equity method | | | 554 | | | | **554** | | | **554** |
| Change in the cash flow hedge reserve | | | 282 | | | | **282** | | | **282** |
| **Total overall profits/losses** | **0** | **0** | **-626** | **0** | **0** | **-977** | **-1,603** | **1,522** | **-130** | **-211** |
| Share-based incentive plans | | | -296 | | | | **-296** | | | **-296** |
| Variation in the consolidation area | | | | | | | **0** | | 4,819 | **4,819** |
| Allocation of profit | | | -5,890 | -1,772 | | 7,662 | **0** | 188 | -188 | **0** |
| **Balance at 31/12/2021** | **11,250** | **2,250** | **4,552** | **28,946** | **8,867** | **-977** | **54,888** | **1,522** | **4,216** | **60,626** |

# EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2021 OF THE LANDI RENZO GROUP

## A) GENERAL INFORMATION AND SIGNIFICANT EVENTS IN THE YEAR

### 4.1. GENERAL INFORMATION

The Landi Renzo Group (also "the Group") has been active in the motor propulsion fuel supply system sector for more than sixty years: designing, producing, installing and selling environmentally-friendly LPG and CNG fuel supply systems (Green Transportation - Automotive segment), and compressors for fuel stations through the SAFE and IMW trademarks (Clean Tech Solutions - Infrastructure segment). In the Automotive segment, the Group manages all phases of the process that leads to the production and sale of automotive fuel supply systems; it sells both to the main automobile manufacturers at a world-wide level (OEM channel) and to independent retailers and importers (After Market channel).
The Group manages all phases of the process that leads to the production and sale of automotive fuel supply systems; it sells to both the main automobile manufacturers at a world-wide level (OEM customers) and to independent retailers and importers (After Market customers).

Until April 2021, the Landi Renzo Group operated directly only in the Green Transportation- Automotive segment and indirectly in the Clean Tech Solutions - Infrastructure segment through the joint venture SAFE & CEC S.r.l. which, in accordance with the contractual governance system, met the joint control requirements as stipulated by IFRS 11, and was consolidated according to the equity method. Following the amendment of the shareholders' agreements, as of May 2021 the joint venture SAFE&CEC S.r.l. and its subsidiaries have been consolidated line-by-line, as the requirements for the acquisition of control established by the international accounting standards (IFRS 10) were met. This increased decision-making and control autonomy will make it possible to expand the Landi Renzo Group's role within the energy transition process, in terms of both solutions and services, from the production to the distribution of natural gas, biomethane and hydrogen, to applications on-board vehicles.

Furthermore, in August 2021 Landi Renzo S.p.A. completed the acquisition of 49% of the share capital of Metatron S.p.A., a company with registered office in Castel Maggiore (BO) and an international leader in alternative fuel solutions for Mid & Heavy Duty vehicles. This transaction, intended to acquire the remaining 51% of the share capital of Metatron S.p.A., will enable Landi Renzo to acquire 100% of Metatron S.p.A. Given the absence of conditions precedent on the commitment to purchase the remaining 51%, taking into account the binding agreement for the acquisition of 100% of the shares of Metatron S.p.A. and the governance system contractually defined by the parties, the results of the Metatron Group were consolidated line-by-line starting from August 2021, as the requirements for the acquisition of control established by the international accounting standards (IFRS 10) were met.

As a result, the consolidation area has changed compared with 31 December 2020, as set forth below:

- the line-by-line consolidation of the SAFE&CEC Group, consisting of the parent holding company SAFE&CEC S.r.l. and its subsidiaries SAFE S.p.A. (Italy), IMW Industries LTD (Canada), IMW Industries Ltda (Colombia), IMW Industries del Perù S.A.C. (Peru), IMW Industries LTD Shanghai (China) and IMW Energy Tech. Ltd (China), in May 2021;
- the line-by-line consolidation of the Metatron Group, consisting of the parent company Metatron S.p.A. (Italy) and its subsidiary Metatron Control System Co. Ltd (China), in August 2021.

On the basis of the foregoing, the Group's consolidated financial performance as at 31 December 2021 is not therefore directly comparable with that of the same period of the previous year.

The Parent Company of the Landi Renzo Group is Landi Renzo S.p.A. with registered office in Cavriago (RE), Italy (also referred to as the "Parent Company" or the "Company") listed in the FTSE Italia STAR segment of the Milan Stock Exchange.

The Parent Company is not subject to management or coordination, and the Girefin SpA Group with headquarters in Milan is the company that prepares the consolidated financial statements that include the data of Landi Renzo S.p.A. and its subsidiaries. These consolidated financial statements are available from the Milan Register of Companies.

These consolidated financial statements were audited by PricewaterhouseCoopers S.p.A.

**Significant events in the financial year**

Significant events that took place in 2021 are described below:

- In January 2021:
  - Landi Renzo S.p.A. became part of H2-ICE, a partnership between five Italian companies, with Punch Torino and AVL Italia as the lead companies, and with the participation of Industria Italiana Autobus and TPER, in order to create a hydrogen fuelled internal combustion engine. Landi Renzo S.p.A., active for more than two years in the development of components and solutions for hydrogen mobility, dedicated in particular to the Mid & Heavy Duty (LCV, Buses and Trucks) and Off Road segment, both for FCEV (fuel cell electric vehicle) and for hydrogen engines, will specifically handle the development and manufacture of components for hydrogen engines to be used in buses and trucks.
  - Landi Renzo and Mahindra & Mahindra Limited (M&M), part of the Mahindra Group and one of the main Indian engine manufacturers, entered into an agreement for the creation of a new generation of CNG engine tractors for agricultural applications. The understanding is based on the meeting between the specific requirements of Mahindra & Mahindra, the most sold tractor brand in the world, which is becoming increasingly

oriented towards the use of alternative energy sources, and Landi Renzo S.p.A., which will develop the entire tailor-made control and injection system for monofuel tractors according to OEM standards, while Mahindra & Mahindra will handle the development of the basic engine starting from the existing Diesel version, optimising combustion and mechanical aspects.

- On 29 April 2021, the Shareholders' Meeting of Landi Renzo S.p.A. resolved, amongst other things:

  - to cover the loss for the year, totalling Euro 6,283,624.66, by using the full extraordinary reserve, which will be reduced to zero, and the share premium reserve, which will be reduced to Euro 28,945,566.50;
  - to place a tax suspension restriction of Euro 4,082,083.55 on the Share premium reserve due to the realignment of the tax value of the AEB trademark with its statutory value, pursuant to Italian Decree Law no. 104/2020, Article 110, paragraph 8;
  - to approve, with reference to the Report on the remuneration policy and on remuneration paid, drafted pursuant to Articles 123- of Italian Legislative Decree 58/98 and 84- of the regulation approved with Consob resolution no. 11971 of 19 May 1999, the first section pursuant to Article 123-, paragraph 3-, of Italian Legislative Decree 58/98 and to vote in favour with reference to the second section pursuant to Article 123-, paragraph 6, of Italian Legislative Decree 58/98;
  - to approve the proposal relating to the authorisation to purchase and dispose of treasury shares.

- In April, Landi Renzo S.p.A. and Clean Energy Fuels Corp entered into an agreement to amend the shareholders' agreements of the investee company SAFE&CEC S.r.l., operating in the “Clean Tech Solutions” segment, as approved by the Board of Directors Landi Renzo S.p.A. at its meeting held on 12 April 2021. The change in the shareholders' agreements provided Landi Renzo S.p.A. with greater decision-making autonomy, permitting it to exercise control over SAFE&CEC S.r.l. and resulting in its line-by-line consolidation pursuant to the international accounting standards (IFRS 10). The shares of the two shareholders have remained unchanged: 51% for Landi Renzo S.p.A. and 49% for Clean Energy Fuels Corp.

- In July 2021, Landi Renzo S.p.A. established the joint venture Landi Renzo Rus with an important local partner. The company, which aims to develop gas mobility in the Russian market, is 51% held by Landi Renzo S.p.A.

- On 5 August 2021, Landi Renzo S.p.A. completed the acquisition of 49% of the share capital of Metatron S.p.A., a company with registered office in Castel Maggiore (BO) and an international leader in alternative fuel solutions for Mid & Heavy Duty vehicles, from Italy Technology Group S.r.l., the current majority shareholder of Metatron S.p.A. This acquisition is part of a broader transaction intended to acquire the remaining 51% of the share capital of Metatron S.p.A. from Italy

Technology Group S.r.l. and the other current shareholders as well, enabling Landi Renzo S.p.A. to acquire 100% of Metatron S.p.A. The transaction is not subject to any conditions precedent. The agreed purchase price for 100% of the share capital of Metatron S.p.A. is Euro 26.7 million and will be paid in multiple instalments in cash. In this regard, please note that, as described in detail in the section “Significant events after the reporting period and business outlook” of the Directors' Report, in February 2022 Landi Renzo S.p.A. completed the acquisition of an additional 23.43% of the share capital of Metatron S.p.A., so it now holds a 72.43% stake in that company. For the payment of the total consideration to the minority shareholders and Italy Technology Group S.r.l., amounting to Euro 18,062 thousand, Girefin S.p.A., the controlling shareholder of Landi Renzo S.p.A., made a lump-sum amount available to the Company corresponding to the entire amount of the above-mentioned consideration by means of a shareholder loan bearing interest at an annual rate of 1%. The remaining stake, representing 27.57% of the share capital of Metatron, owned by the shareholder Italy Technology Group, will be acquired by Landi Renzo S.p.A. by the end of the first half of 2022 for Euro 7,374 thousand. The acquisition of Metatron S.p.A. represents a strategic transaction for Landi Renzo S.p.A., which thus will be able to further consolidate its presence in the Mid & Heavy Duty segment, which is one of the most interested in alternative hydrogen, CNG, biomethane and LNG fuel forms, with volumes expected to grow significantly over the coming years. Indeed, Metatron S.p.A. is a leader in the supply of components for gas and hydrogen Mid & Heavy Duty mobility, in both Europe and China, where it serves the main segment operators based on well-established relationships. The transaction will allow for significant synergies between the two companies, both in terms of cost (estimated at roughly Euro 4.7 million full year starting from 2022) and investments (estimated at around Euro 5 million in the 2022-2023 two-year period), enabling Landi Renzo S.p.A. to complete its offer of components for the gas and hydrogen Mid & Heavy Duty segment.

- On 30 December 2021 the subsidiary SAFE S.p.A. issued a bond for a nominal value of Euro 7 million, consisting of 70 bonds with a unit nominal amount of Euro 100,000 each, subscribed by Finint (Finanziaria Internazionale Investments SGR S.p.A.). The loan, with a contractual duration until 31 August 2027 and a gross annual nominal fixed rate of 5%, calls for half-yearly repayment starting from 1 January 2024 and is also subject to compliance with financial parameters with reference to the data set forth in the consolidated financial statements of the SAFE&CEC Group as at 31 December of each year. In this regard, please note that the financial parameters on the bond issue of the SAFE&CEC Group had been respected at 31 December 2021. The loan, included within a more extensive transaction, is intended to finance the acquisition by SAFE S.p.A. of Idro Meccanica S.r.l., which was completed in January 2022 and is described in detail in the section “Significant events after the reporting period and business outlook” of the Directors' Report.

## B) GENERAL CRITERIA FOR PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND DECLARATION OF CONFORMITY

### Declaration of conformity with international accounting standards and basis of presentation

The consolidated financial statements were prepared in accordance with the IFRS-EU, i.e., all International Financial Reporting Standards, all International Accounting Standards (IAS) and all interpretations of the International Reporting Interpretations Committee (IFRIC), previously called the Standard Interpretations Committee (SIC), which, at the reporting date, had been endorsed by the European Union in accordance with the procedure laid out in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002, including Commission Delegated Regulation (EU) no. 2019/815 of 17 December 2018 (the "ESEF Regulation"). The IFRSs were applied uniformly to all periods presented.

The consolidated financial statements of Landi Renzo S.p.A. at 31 December 2021 were approved and authorised for publication by the Board of Directors on 15 March 2022.

The consolidated financial statements were drafted in Euro, which is the currency of the primary economic environment in which the Group operates. The figures in the consolidated Statement of Financial Position, the consolidated Income Statement and the consolidated Statement of Comprehensive Income for the period are expressed in Euro, the functional currency of the Company, while the data contained in the consolidated Statement of Cash Flows, the consolidated Table of Changes in Equity and in these Explanatory Notes are expressed in thousands of Euro.

The financial statement layouts and the relative classification criteria adopted by the Group, from amongst the options laid out in IAS 1 - Presentation of Financial Statements, are specified below:

- the consolidated Statement of Financial Position was prepared by classifying assets and liabilities based on whether they are current or non-current;
- the consolidated Income Statement was prepared separately from the consolidated Statement of Comprehensive Income, and shows operating costs divided by nature, as this is considered more representative than the format showing said items by destination, since it complies with the internal reporting methods and international sector practices;
- the consolidated Statement of Comprehensive Income includes, aside from the profit (loss) for the year, the other changes in consolidated equity items associated with transactions not carried out with Company shareholders;
- the consolidated Statement of Cash Flows was prepared by showing cash flows deriving from operations in accordance with the "indirect method".

## Going Concern

In the current market context overshadowed by the continuation of the effects of the COVID-19 pandemic, the potential risks correlated with the Russia-Ukraine crisis and the shortage of raw materials and the resulting price increases, the management has performed accurate analyses concerning expected trends for the year 2022 and thereafter (time horizon of an additional 4 years), reconsidering estimates regarding the expected performance of the segment within the current context, in order to also consider the expected benefits of the initiatives put into place to develop the business.

Furthermore, the management paid particularly close attention to the financial position, short/medium and long-term cash forecasts and financing options.

In this regard, and with reference to the financial covenants in place at 31 December 2021 on the main Landi Renzo S.p.A. loans, please note that on 3 December 2021 the Company presented to the various financial institutions "Waiver Letters" containing some specific requests for consent and/or exemption in relation to the outstanding loan agreements, particularly with reference to the possibility of failure to comply with financial covenants at 31 December 2021.

Following punctual negotiations, on 9 February 2022 all credit institutions underwriting the loans issued waiver letters, providing their consent not to calculate the financial parameters at 31 December 2021, to taking out a new planned subsidised medium/long-term loan (finalised in 2022) and to the deferment of the principal instalment of Euro 4,714 thousand falling due on 31 December 2021. The latter was rescheduled in an equal amount to the following three instalments falling due on 30 June 2022, 31 December 2022 and 30 June 2023.

Furthermore, the above-mentioned waiver letters are expressly subject to the finalisation of the share capital increase of the parent company Landi Renzo S.p.A. to be carried out in an amount of at least Euro 25.4 million, by no later than 30 June 2022. A dedicated disclosure is provided below in this section with respect to the planned share capital increase transaction.

Considering that the above-mentioned waivers were obtained in the course of the initial months of 2022, the payables to credit institutions on which there are financial covenants were reclassified in full to liabilities maturing in the short term in these financial statements, in accordance with IAS/IFRS.

With respect to the remaining payable for the acquisition of the Metatron Group, equal to Euro 25,436 thousand at 31 December 2021, please note that Girefin S.p.A., the controlling shareholder of Landi Renzo S.p.A., made a lump-sum amount available to the Company corresponding to Euro 18,062 thousand by means of a shareholder loan bearing interest at an annual rate of 1%. This sum was paid to the minority shareholders and Italy Technology Group in February 2022.

The remaining stake (27.57%) owned by the shareholder Italy Technology Group will be acquired by Landi Renzo S.p.A. by the end of the first half of 2022 for Euro 7,374 thousand.

This provides a significant confirmation of the reference shareholder's desire to support the Group's growth, particularly in the Green Transportation segment.

Furthermore, please note that in the course of the second half of the year the directors of the parent company Landi Renzo S.p.A. initiated procedures to be able to access the measures established under the

Fund Supporting Large Companies in difficulty - Decree-Law no. 41/2021, Art. 37, Interministerial Decree of 5 July 2021 and Executive Decree of 3 September 2021, and intended to disburse a significant new line of credit in favour of Landi Renzo S.p.A.
In February 2022, the company received a notification from Invitalia (Agenzia Nazionale per l'Attrazione degli Investimenti e lo sviluppo di impresa SpA) concerning its admission to the above-mentioned procedure and took prompt action to meet the formal requirements established and necessary to proceed with the finalisation of the agreement for the provision of subsidies, which is expected to possibly be concluded by the end of March 2022.
Following up on what is set forth above, and to take into account the changed market environment, the directors prepared a new Group economic-financial plan for the 2022-2025 period, which was approved by the Landi Renzo S.p.A. Board of Directors on 15 March 2022 and calls for a share capital increase of up to a maximum of Euro 60 million.
This transaction is linked to the signing in March 2022 by the controlling shareholders of Landi Renzo S.p.A. - Girefin S.p.A. and Gireimm S.r.l., which hold a total joint investment of 59.16% of the share capital of Landi Renzo S.p.A. - of a non-binding term sheet with Itaca Equity Holding S.p.A., which lays the foundation for a minority investment in the share capital of Landi Renzo, as a long-term investor, aiming to support Landi Renzo's expansion in the compression and automotive segments. The main shareholder of Itaca Equity Holding is Tamburi Investment Partners S.p.A. The transaction calls for a co-investment by Cristiano Musi, Chief Executive Officer of Landi Renzo. Within the new business plan and in order to provide the Group with the necessary financial resources, the Board of Directors approved the proposal to the upcoming shareholders' meeting to delegate the Board of Directors pursuant to Article 2443 of the Italian Civil Code to increase the share capital by a maximum of Euro 60.0 million, indivisible up to Euro 50 million, with the option right, to be paid up by means of contributions in cash and by the voluntary offsetting, pursuant to Article 1252 of the Italian Civil Code, of receivables due to the subscribers from Landi Renzo and to be subscribed by no later than 31 December 2023. The share capital increase is guaranteed by the Landi Family and by Itaca Equity Holding up to the amount of Euro 50.0 million, assuming the completion of the transaction between the Landi Family and Itaca Equity Holding.
In addition, with reference to the Clean Tech Solutions segment, please note that on 30 December 2021 the subsidiary SAFE S.p.A. issued a bond for a nominal value of Euro 7 million, consisting of 70 bonds with a unit nominal amount of Euro 100,000 each, subscribed by Finint (Finanziaria Internazionale Investments SGR S.p.A.). The loan, with a contractual duration until 31 August 2027 and a gross annual nominal fixed rate of 5%, calls for half-yearly repayment starting from 1 January 2024 and is also subject to compliance with financial parameters with reference to the data set forth in the consolidated financial statements of the SAFE&CEC Group as at 31 December of each year. In this regard, please note that the financial parameters on the bond issue of the SAFE&CEC Group had been respected at 31 December 2021. The loan, included within a more extensive transaction, is intended to finance the acquisition by SAFE S.p.A. of Idro Meccanica S.r.l., which was completed in January 2022 and is described in detail in the section "Significant events after the reporting period and business outlook" of the Directors' Report;

Considering the complexity of the procedure to be applied to the planned share capital increase, due to the technical aspects required by the regulations governing the market, although uncertainty remains as to the timing for its execution and finalisation by the end of the first half of 2022, on the basis of the information currently available it is deemed highly likely that by that deadline the share capital increase will be finalised to an extent adequate to allow for compliance with the termination clause included in the above-mentioned financial covenants. In this regard, please note that if in the course of the coming months delays are expected for any reason whatsoever in the finalisation of the transaction within that timeframe, the Company will be responsible for initiating dialogue with the credit institutions to take the actions necessary to obtain the relative consent, which is also required contractually, also taking into account if necessary any financial support of the controlling shareholder, already extensively demonstrated in the course of previous years and not lastly with the provision of an Euro 18 million loan, described previously.

Taking into account what is described above, it is believed that business continuity is guaranteed with reference both to the Group's financial strength and its capacity to pursue its business strategies. As a result, the Landi Renzo Group's consolidated financial statements as at 31 December 2021 were drafted on the basis of the going concern assumption.

## Amendments and accounting standards applied by the Group for the first time

The accounting standards adopted in preparing the consolidated financial statements at 31 December 2021 are consistent with those adopted for the preparation of the consolidated financial statements in the previous year, with the exception of the adoption of the new accounting standards, amendments, improvements and interpretations applicable as of 1 January 2021 listed below.

| EU endorsement regulation | Description |
|---|---|
| Regulation (EU) 2020/1434 | The amendment named "COVID-19 Related Rent Concessions (Amendment to IFRS 16)" establishes the right for lessees to account for reductions in rent connected to COVID-19 without having to analyse the contracts to evaluate whether the definition of lease modification as set forth in IFRS 16 is respected. Therefore, lessees exercising this option may account for the effects of rent reductions directly in the income statement at the effective date of the reduction. |
| Regulation (EU) 2020/2097 | The amendment to IFRS 4 - Insurance contracts aims to resolve the temporary accounting consequences of the mismatch between the date of entry into force of IFRS 9 and the date of entry into force of the future IFRS 17. In particular, it extends the expiry date of the temporary exemption from the application of IFRS 9 to 2023 in order to align the date of entry into force of IFRS 9 with the new IFRS 17. |
| Regulation (EU) 2021/25 | Amendment to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform": phase two of the amendment modifies the provisions on hedge accounting in IFRS 9 and IAS 39. |

The accounting principles and modifications to the accounting principles described above have not had significant effects on the Group's financial statements.

### Accounting standards, amendments and interpretations not yet applicable and not adopted in advance by the Group

The following table lists the new international accounting standards, or the amendments of standards and interpretations already in force, which must begin being applied from 1 January 2022 or thereafter.

| EU endorsement regulation | Description |
|---|---|
| 14 May 2020 | The IASB published an amendment to the following international accounting standards and improvements:<br>• IFRS 3 – Business Combinations;<br>• IAS 16 – Property, Plant and Equipment;<br>• IAS 37 – Provisions, Contingent Liabilities and Contingent Assets<br>• Annual Improvements 2018-2020<br>This amendment will come into force on 1 January 2022. |
| 31 March 2021 | The IASB published an amendment named "COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)" which extends by one year the period of application of the amendment to IFRS 16, issued in 2020, relating to the recognition of concessions granted to lessees as a result of COVID-19. The amendments are applicable beginning from financial statements starting on or after 1 April 2021 and early adoption is permitted. |
| 18 May 2017 | The IASB published IFRS 17 Insurance Contracts which aims to improve understanding of the exposure to risk, profitability and the financial position of insurers. IFRS 17 replaces IFRS 4. Early application is permitted.<br>This standard, which is not applicable to the Group, will come into force on 1 January 2023. |

The Group, which did not exercise the right of early application, is evaluating the effects that the adoption of such standards may have on its financial statements.

The IASB made amendments to several international accounting standards issued previously and published new international accounting standards, for which the approval process has not yet been completed.

| Date | Description |
|---|---|
| 09 December 2021 | The IASB published the amendment to IFRS 17 – Insurance contracts: initial application of IFRS 17 and IFRS 9 – Comparative information. The amendment is a transition option relating to comparative information on financial statements presented on initial application of IFRS 17 and aims to help insurance companies to avoid temporary accounting misalignments between financial assets and insurance contract liabilities, and therefore to improve the usefulness of comparative information for users of financial reports.<br>The amendment will apply as of 1 January 2023 and early application is permitted. This amendment is not applicable to the Group. |
| 07 May 2021 | The IASB published an amendment named "Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction". The document clarifies how deferred tax liabilities need to be recognised on certain transactions that may generate assets and liabilities of equal amounts, such as leases and decommissioning obligations. The amendments will apply as of 1 January 2023 and early application is permitted. |
| 12 February 2021 | The IASB published amendments named "Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2" and "Definition of Accounting Estimates –Amendments to IAS 8" intended to improve the disclosure on accounting policies so as to provide more useful information to readers of the financial statements, as well as help companies to distinguish changes in accounting estimates from changes in accounting policies. The amendments will apply as of 1 January 2023 and early application is permitted. |
| 23 January 2020 | The IASB published the amendment to IAS 1 "Presentation of Financial Statements: Classification of Liabilities as Current or Non-current" with the aim of clarifying how to classify payables and other liabilities as short or long term.<br>These amendments will come into force on 1 January 2023. Early application is permitted. |
| 30 January 2014 | IFRS 14 entered into force on 1 January 2016, but the European Commission decided to suspend the endorsement process pending the new accounting standard on rate-regulated activities. IFRS 14 allows only entities which adopt IFRS for the first time to continue to recognise rate regulation balances in accordance with the previous accounting standards adopted. To improve comparability with entities that already apply IFRS and do not recognise such balances, the standard requires the effect of rate regulation to be presented separately from other items. |

The Group is evaluating the effects that the adoption of such standards may have on its financial statements.

## C) ACCOUNTING STANDARDS AND VALUATION CRITERIA

The accounting standards described hereafter were applied uniformly for all the periods included in these consolidated financial statements and by all the entities of the Group.

### CONSOLIDATION PRINCIPLES

The Consolidated Financial Statements include the separate financial statements of the Company and its subsidiaries approved by the management bodies of the individual companies, adjusted accordingly, when required, to bring them into line with the accounting standards adopted by the Company. It is reported that all companies in the Group close their financial year on 31 December with the exception of the Indian company Officine Lovato Private Limited which closes the financial year on 31 March, for which an asset and income statement was prepared at 31 December 2021, and used to prepare these consolidated financial statements. The consolidated companies are listed in the section on the "Scope of consolidation" below.

#### Subsidiary companies

Subsidiaries are the companies in which the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence of control is checked every time facts and circumstances point to a change in one or more of the three elements constituting control. Generally, the existence of control is assumed when the Group directly or indirectly holds more than half of the voting rights, also taking into consideration potential rights which are immediately exercisable or convertible.

Assets and liabilities and income and expenses of the subsidiaries are consolidated line-by-line, from the date on which the Parent Company gains direct or indirect (i.e., through one or more other subsidiaries) control over them until the date on which that control no longer exists, attributing, when applicable, the applicable portion of equity and net profit (loss) for the period to the minority shareholders and highlighting these separately in dedicated items of equity and the consolidated statement of comprehensive income. If shareholdings are acquired subsequent to the assumption of control (acquisition of minority interests), any difference between the purchase cost and the corresponding portion of equity acquired is recognised in the equity attributable to the Group; likewise, the effects arising from the transfer of minority interests with no loss of control are recognised in equity.

However, disposals of shares entailing the loss of control results in the recognition in the income statement:

- of any capital gain/loss calculated as the difference between the consideration received and the corresponding portion of consolidated equity transferred;
- of the effect of remeasuring any remaining investment to align it with its fair value;

- of any values recognised in other comprehensive income relating to the former subsidiary for which transfer to the income statement is permitted, or if transfer to the income statement is not permitted, in profit (loss) carried forward.

The value of any remaining equity investment, aligned with its fair value at the date of loss of control, represents the new carrying amount of the investment and therefore the reference value for the subsequent measurement of the investment in accordance with applicable valuation criteria.

The portion of capital and reserves attributable to minority interests in subsidiaries and the portion attributable to minority interests of the value of profit or loss for the year of consolidated subsidiaries are identified separately on the Statement of Financial Position, the Income Statement and the Statement of Comprehensive Income. Changes in stakes of the Group in a subsidiary company which do not lead to a loss of control are stated as transactions performed between shareholders, as such.

## Intercompany transactions

Profits arising from transactions between companies consolidated on a line-by-line basis, not yet realised with respect to third parties, are eliminated, as are the receivables, payables, income and expenses, guarantees, commitments and risks between consolidated companies.

In particular, profits not yet realised with third parties deriving from transactions between companies of the Group, including those deriving from the valuation of inventories at the date of the Financial Statements, were eliminated.

Profits and losses not yet realised with regard to third parties deriving from transactions with companies measured using the equity method are eliminated to the extent of the share pertaining to the Group.

## Associates

Associates are companies in which the Group, even though it does not hold control or joint control, exercises significant influence over administrative and management decisions. Generally, the existence of significant influence is assumed when the Group directly or indirectly holds 20% to 50% of the voting rights.

Investments in associates are measured using the equity method.

The methodology for the application of the equity method is described below:

(i) the carrying amount of the investments is aligned with the equity of the investee company adjusted, when necessary, to reflect the adoption of accounting standards compliant with those applied by the Group and includes, when applicable, any goodwill identified at the moment of acquisition;

(ii) profit or loss attributable to the Group is accounted for in the consolidated income statement from the date on which significant influence begins until the date on which it ends. If, due to losses, the company's equity is negative, the carrying amount of the equity investment is cancelled out and any excess pertaining to the Group is recognised in a dedicated provision only when the Group has committed to meeting legal or implicit obligations of the investee or in any event to cover its losses. Changes in the equity of investees not resulting from profit and loss are accounted for as a direct adjustment of the Group's equity reserves;

(iii) unrealised gains generated on transactions between the Company and its associates are eliminated on the basis of the value of the Group's shareholding in the associated companies. Unrealised losses are eliminated, except when they represent impairment losses.

(iv) if an associate recognises an adjustment directly in equity, also in this case the Group recognises its share and presents it when applicable in the statement of changes in equity.

## Joint ventures

Joint ventures are companies in which the Group exercises joint control, based on exercisable voting rights, in compliance with contractual agreements, shareholders' agreements or the companies' Articles of Association.

Investments in joint ventures are consolidated with the equity method, as described in the "Associates" section above, from the date on which joint control begins to the date on which it ends.

Following the changes made in shareholders' agreements of the investee company SAFE&CEC Srl, according to what is described in the introduction of these explanatory notes, the SAFE&CEC Group, previously classified as a "joint venture" pursuant to the international accounting standards (IFRS 11) and consolidated at equity, has been consolidated line-by-line since May 2021, as Landi Renzo S.p.A. has now acquired control over it pursuant to the international accounting standards (IFRS 10). The Group therefore had two joint ventures at 31 December 2021, of which one was not consolidated as it is of minor importance.

## Translation of the financial statements of foreign companies

The financial statements in the currency of the foreign subsidiaries are converted into the accounting currency, adopting the half-year end exchange rate for the consolidated Statement of Financial Position and the average exchange rate over the six months for the Consolidated Income Statement. The conversion differences deriving from the adjustment of the opening Equity according to the current exchange rates at the end of the period, and those due to the different method used for conversion of the result for the period, are recorded in the Statement of Comprehensive Income and classified among other reserves.

As concerns exchange effects, the significant change in the translation reserve recorded in the year 2021 is in part linked to the decision to use the effective market exchange rate instead of the official rate for the translation of the economic and financial data of one of our non-strategic subsidiaries. This decision is linked to the fact that the official exchange rate is now applicable only to transactions on essential goods, which does not include the Group's products, and therefore it is now inadequate to provide a true and fair view of the Group's profit and loss, financial position and cash flows. As a result, in order to translate the balances in foreign currency, the exchange rate reported by the Central Bank of the reference country was adopted, which is not the same as the official rate, as the financial transactions in foreign currency of our subsidiary are now carried out exclusively on the basis of that exchange rate, defined on a daily basis by the above-mentioned central bank.

The following table specifies the main exchange rates used for the conversion of financial statements expressed in currencies other than the accounting currency.

| Exchange rate (Value against €) | At 31/12/2021 | Average 2021 | As of 31 December 2020 | Average 2020 |
|---|---|---|---|---|
| Real – Brazil | 6.310 | 6.378 | 6.374 | 5.894 |
| Renminbi – China | 7.195 | 7.628 | 8.023 | 7.875 |
| Rupee - Pakistan | 200.877 | 192.732 | 196.824 | 184.939 |
| Zloty – Poland | 4.597 | 4.565 | 4.560 | 4.443 |
| Leu - Romania | 4.949 | 4.921 | 4.868 | 4.838 |
| Dollar - USA | 1.133 | 1.183 | 1.227 | 1.142 |
| Peso - Argentina | 116.362 | 112.422 | 103.249 | 80.922 |
| Colombian Peso - Colombia | 4,598.680 | 4,429.479 | N/A | N/A |
| Canadian Dollar - Canada | 1.439 | 1.483 | N/A | N/A |
| Nuevo Sol - Peru | 4.519 | 4.591 | N/A | N/A |
| Rupee - India | 84.229 | 87.439 | 89.661 | 84.639 |

## LAND, PROPERTY, PLANT, MACHINERY AND OTHER EQUIPMENT

Tangible assets were recognised in accordance with the cost criterion at the purchase price or the production cost inclusive of directly attributable accessory costs necessary to make the assets ready for use.

The carrying amount of tangible assets is subsequently adjusted for systematic depreciation, calculated on a straight-line basis from the moment in which the asset is available and ready for use, based on its useful life, understood as the estimated period in which the asset will be used by the company, and any accumulated loss for impairment.

When the asset to be depreciated consists of distinctly identifiable elements whose useful life differs significantly from that of the other parts of the asset, each of those parts are depreciated separately in application of the component approach method.
Any financial expense directly attributable to the purchase and production of tangible assets is capitalised and depreciated on the basis of the useful life of the asset to which it refers.

The following annual depreciation rates are used:

| Categories | Depreciation period | Depreciation rates |
|---|---|---|
| Land | | Indefinite useful life |
| Buildings | Straight-line basis | 3 - 20% |
| Plant and machinery | Straight-line basis | 10 - 20% |
| Industrial and commercial equipment | Straight-line basis | 10 - 25% |
| Other assets | Straight-line basis | 12 - 33% |

The residual value and the useful life of tangible assets are reviewed at least annually and updated, when applicable, at the end of each year. Based on the analysis performed by the management it was not necessary to amend the useful life compared to those applied in the previous financial year.

Costs incurred for maintenance and repairs are charged in their entirety to the income statement for the year in which they are incurred. Costs for improvements, upgrades and transformation having an incremental nature are attributed to the tangible assets to which they refer, when it is probable that they will increase the future economic benefits expected from the use or the sale of the asset, and depreciated based on the remaining useful life of the assets.

Costs capitalised for leasehold improvements are classified under property and depreciated at the lower of the residual economic usefulness of the improvement and the residual duration of the underlying contract.

The financial expenses directly attributable to the acquisition, construction or production of a tangible asset are recognised in the income statement at the moment at which they are incurred, in accordance with the appropriate accounting treatment provided for by IAS 23.

The carrying amount of tangible assets is subjected to verification in order to discover any possible impairment, using the methods described in the paragraph "Impairment of assets".

At the moment of sale or when no future economic benefits are expected from the use of an asset, it is eliminated from the financial statements and any loss or profit (calculated as the difference between the sale value and the carrying amount) is recognised in the income statement in the year of the aforementioned elimination.

## INTANGIBLE FIXED ASSETS

Intangible assets consist of identifiable non-monetary elements with no physical consistency, which can be controlled and can generate future economic benefits. These elements are initially recognised at purchase and/or production cost, inclusive of expenses directly attributable to make the asset ready for use. Intangible assets are amortised on a straight-line basis throughout their estimated useful life; amortisation rates are reviewed on an annual basis and are amended if the current useful life differs from that estimated previously. The useful life estimated by the Group for the various categories of intangible assets, valid for all periods presented, is shown below.

| Categories | Useful Life |
|---|---|
| Development costs | from 3 to 5 years |
| Industrial patents and rights to use intellectual property | from 3 to 10 years |
| Software, licenses and others | from 3 to 5 years |
| Trademarks | from 7 to 18 years |

## DEVELOPMENT EXPENDITURE

Research and development expenditure are recognised in the Income Statement for the year in which they are incurred, with the exception of development expenditure recognised under intangible assets if the conditions established in IAS 38, reported below, are satisfied:

- the project is clearly identified and the costs relating to it are identifiable and can be measured reliably;
- the technical feasibility of the product is demonstrated;
- there is evidence of the Group's intention to complete the development project and to sell the intangible assets generated by the project;
- there is a potential market or, in the case of internal use, the utility of the intangible asset for the production of intangible assets generated by the project can be demonstrated;
- the technical and financial resources required to complete the project are available.

The amortisation period starts only when the development phase is completed and the result generated by the project can be marketed, and is generally based on the estimated duration of the benefits linked with the product developed (generally between 3 and 5 years). Capitalised development expenditure is stated at cost, minus accumulated amortisation and any accumulated losses from impairment.

## GOODWILL

The goodwill deriving from business combinations after 1 January 2005 is initially entered at cost, and represents the excess of the purchase cost over the purchaser's share of the net fair value referring to the identifiable values of existing and potential assets and liabilities.

Goodwill deriving from acquisitions made prior to 1 January 2005 is entered at the value recorded for that purpose in the last Financial Statements prepared according to the previous accounting standards (31 December 2004), subject to verification and recognition of any possible impairment.

When the IFRS were initially adopted, as permitted by IFRS 1, acquisition transactions performed prior to 1 January 2005 were not reconsidered.

At the acquisition date, any goodwill emerging is allocated to each of the cash generating units (or “CGUs”) that are expected to benefit from the synergistic effects deriving from the acquisition. In order to identify the CGUs to which to allocate the goodwill tested for impairment, please note that the management, taking into account the Group reorganisation process taking place over recent years, the Group’s current organisational structure, the methods whereby control is exercised over operations and the acquisition transactions taking place during the year and cited above, has identified two operating segments (Cash Generating Units or CGUs) in which the Landi Renzo Group operates. The CGUs identified refer to the Green Transportation (formerly Automotive) segment, dedicated primarily to the design, manufacture and sale through the OEM and After Market channels of mechanical and electronic systems and components for the use of gas (which as of August 2021 also includes the results of the Metatron Group) and the Clean Tech Solutions – Infrastructure segment, referring to the SAFE&CEC Group active in the design and production of compressors for the processing and distribution of gas as well as in the Oil & Gas market. After the initial recognition, since goodwill is regarded as an intangible asset with an indefinite life, it is no longer amortised and is decreased by any accumulated losses in value, determined as described below.

Goodwill is subjected to an analysis of recoverability on at least an annual basis, or even more frequently if events or changes in circumstances arise that could result in possible impairment, identifying the CGUs which benefit from acquisition synergies. Cash flows are discounted to the cost of capital as a function of the specific risks of the unit concerned. Impairment is stated when it emerges from the check on discounted cash flows that the recoverable value of the CGU is less than the carrying amount and is stated as a priority under goodwill.

Any impairment is identified through valuations that take as a reference the ability of each CGU to produce financial flows capable of recovering the portion of goodwill allocated to it. If the value recoverable by the CGU is less than the carrying amount attributed, the corresponding impairment is recognised. Such impairment is restored if the reasons that generated it cease to exist.

Any losses in value of goodwill stated on the Income Statement are not restored if the reasons that generated them cease to exist.

## OTHER INTANGIBLE FIXED ASSETS

Other intangible assets with finite useful life, acquired or self-created, are capitalised when it is probable that use of the asset will generate future economic benefits and its cost can be measured reliably. These assets are initially recognised at purchase or development cost.

Costs incurred subsequently relating to intangible assets are capitalised only if they increase the future economic benefits of the specific asset capitalised and they are amortised on the basis of the aforementioned criteria according to the assets to which they refer.

## RIGHT-OF-USE ASSETS

A contract is, or contains, a lease if it grants the right to use a specified asset for a period of time in exchange for a consideration.

Each lease component is separate from other contract components, unless the Group adopts the practical expedient under paragraph 15 of IFRS 16, which allows the lessee to opt, for each class of underlying asset, to not separate the other components and to recognise them together with the lease components.

The lease duration is determined as the lease period which is non-cancellable, to which the following periods are added:

- periods covered by an extension option if exercise of that option by the lessee is reasonably certain; and
- periods covered by a termination option if the lessee is reasonably certain not to exercise that option.

In deciding whether the lessee has reasonable certainty of exercising these options, all relevant facts and circumstances that create an economic incentive for the lessee in its evaluation are considered. The lessee must re-determine the lease duration if the non-cancellable period of the lease is changed.

At the date when the contract comes into effect, the Group recognises right-of-use assets and the relative lease liability. At the date when the contract comes into effect, the right-of-use asset is measured at cost. The cost of the right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- payments due to leasing made at or before the effective date, net of incentives on received leasing;
- initial direct costs incurred by the lessee; and
- the estimate of costs the lessee shall incur to dispose of and remove the underlying asset and restore the site in which it is located or to restore the underlying asset according to the conditions set forth in the lease terms and conditions.

At the effective date of the contract, the lessee shall measure the lease liability at the current value of payments owing for the leasing not paid at this date. Payments owing for the leasing include the following amounts:

- fixed payments, net of any leasing incentives to receive;
- variable payments owing for leasing which depend on an index or rate, initially measured using an index or rate at the effective date;

- amounts that the lessee shall pay as a guarantee of the residual value;
- the price to exercise the purchase option, if the lessee has reasonable certainty of exercising the option; and
- payments of penalties for termination of the leasing, if the duration takes into account the lessee exercising the option to terminate the leasing.

Payments owing for the leasing must be discounted using the interest rate embedded in the contract, if it can be easily determined. If this is not possible, the lessee must use the marginal lending rate, i.e. the incremental interest rate that the company should pay to obtain a loan of the same duration and amount of the lease agreement.

After initial recognition, the right-of-use asset is measured at cost, net of accumulated depreciation and accumulated impairment losses, adjusted to take account of any re-determination of lease liabilities.

After initial recognition, the lease liability is measured:

- increasing the carrying amount to take into account interest on lease liabilities;
- decreasing the carrying amount to take into account payments owing for leasing undertaken; and
- redetermining the carrying amount to take into account any new measurements or lease amendments or a revision in payments owing for leasing which is fixed in substance.

In the case of changes in leasing which do not constitute separate leasing, the right-of-use asset is redetermined, in keeping with the change in the lease liability at the date of the amendment. The lease liability is redetermined based on the new conditions in the lease agreement, using the discount rate at the date of the amendment.

The Group uses two exemptions, provided for by IFRS 16, with reference to:

(i) short-term leasing, i.e. leasing of 12 months or less;

(ii) leasing with low-value assets (less than Euro 5,000).

In these cases, the asset comprising the right of use and relative liability is not recognised, and payments owing for the leasing are recognised in the income statement.

## IMPAIRMENT OF ASSETS

At each reporting date, tangible and intangible assets with a finite useful life are analysed in order to identify the existence of any indicators of impairment originating from sources external or internal to the Group. When these indicators are identified, the recoverable value of the above-mentioned assets is estimated, and any impairment loss is recognised in the Income Statement.

A tangible or intangible asset suffers a reduction in value if it is not possible to recover, either through use or sale, the carrying amount at which said asset is recorded in the financial statements. Therefore, the aim of the test (impairment test) provided for by IAS 36 is to assure that tangible and intangible fixed assets are not entered at a value greater than their recoverable value, which is the greater of the net sale price and the value in use.

The value in use is the current value of future financial flows that are expected to be generated by the asset or by the cash generating unit to which the asset belongs. The expected cash flows are discounted using a discount rate that reflects the current estimate of the market of reference referring to the cost of the money in proportion to the time and risks specific to the asset.
Management uses various assumptions in applying this method, including estimates of changes in revenues, the gross profit margin, operating costs, the growth rate of terminal values, investments, changes in operating capital and the weighted average cost of capital (discount rate) which combine in defining a medium-term plan, specifically aimed at performing an impairment test, revised at least annually and approved by the Board of Directors of the Parent Company. The principal hypotheses formulated in relation to the plans of the CGU relevant for the impairment test are indicated in note 4 of these financial statements, to which reference should be made for further details.
If the carrying amount exceeds the recovery value, the assets or the cash generating units to which they belong are written down until they reflect the recovery value. Such losses are accounted for on the Income Statement.
The impairment test is carried out when conditions occur inside or outside the company that suggest that the assets have suffered a reduction in value. In the case of goodwill or other intangible assets with an indefinite useful life, the impairment test is carried out at least annually. If the conditions that resulted in the impairment cease to exist, the same value is restored proportionally on the previously devalued assets until it reaches, at most, the value that such goods would have had, net of amortisation calculated on the historical cost, in the absence of a prior impairment. Restorations of value are recognised in the income statement.
The value of previously devalued goodwill is not restored, as provided for by the international accounting standards.
To evaluate any impairment of capitalised development expenditure, the Group attributes such costs to the corresponding specific projects and evaluates their recoverability based on forecasts of expected sales of the products to which the development costs refer. Specifically, if the margin arising from the above-mentioned sales does not allow for the recoverability of capitalised costs, this constitutes impairment, which is reflected in the financial statements. This assessment is performed at each year-end close and/or in the presence of trigger events.

## EQUITY INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Investments in subsidiary companies, not consolidated due to their negligible importance, are evaluated using the cost method including directly related costs, adjusted according to impairment losses.
In the case where there is evidence of events indicative of long term impairment, the value of the equity investments is subjected to an impairment test according to the provisions of IAS 36. The original value is restored in subsequent years if the reasons for write-down cease to exist.
The risk deriving from any losses exceeding the cost is recorded under provisions, to the extent to which the Company is obliged or intends to be responsible for it.

Equity investments in joint ventures are companies for which an agreement existed at the date when the financial statements were prepared, whereby Landi Renzo S.p.A. has similar rights on net assets, rather than rights on assets, and accepts obligations for liabilities.
Equity investments in *joint ventures* are measured using the equity method.

## OTHER CURRENT AND NON-CURRENT FINANCIAL ASSETS

On initial recognition, financial assets are classified in one of the three categories listed below on the basis of the following elements:

- the entity's business model for the management of the financial assets; and
- the characteristics of the financial asset's contractual cash flows.

Financial assets are subsequently derecognised only if the disposal entails the substantial transfer of all risks and rewards connected to the assets. On the other hand, if a significant portion of the risks and rewards relating to the disposed financial assets has been retained, they continue to be recognised in the financial statements, even if legally their ownership has been effectively transferred.

Financial assets at amortised cost

This category includes the financial assets that meet both of the following conditions:

- the financial asset is held according to a "hold to collect" business model; and
- the contractual terms of the financial asset call for cash flows at specific dates represented solely by payments of principal and interest ("SPPI test" passed).

These assets are initially recognised at fair value inclusive of the transaction costs or income directly attributable to the instrument. Subsequent to initial recognition, the financial assets in question are measured at amortised cost using the effective interest method. The amortised cost method is not used for assets measured at historical cost whose short duration makes the effect of discounting negligible, for those without a defined maturity or for revocable credit lines.

Financial assets at fair value through other comprehensive income

This category includes the financial assets that meet both of the following conditions:

- the financial asset is held according to a "hold to collect and sell" business model; and
- the contractual terms of the financial asset call for cash flows at specific dates represented solely by payments of principal and interest ("SPPI test" passed).

This category includes shareholdings, not qualifiable as controlling, associated or of joint control, which are not held for trading, which the entity has opted to designate at fair value through other comprehensive income.

These assets are initially recognised at fair value inclusive of the transaction costs or income directly attributable to the instrument. Subsequently, shareholdings not qualifiable as controlling, associated or of joint control are measured at fair value, and amounts recognised as a matching entry to equity (statement of comprehensive income) should not be subsequently transferred to the income statement, even in the case of disposal. The only component referring to the equity instruments in question subject to recognition in the income statement is the relative dividends.

For the equity instruments included in this category not listed in an active market, the cost criterion is used to estimate fair value only on a residual basis and in a limited circumstances, or when the most recent information to measure fair value is insufficient, or if there is a broad range of possible fair value measurements and cost represents the best estimate of fair value within that range of values.

Financial assets at fair value through profit or loss

This category includes financial assets other than those classified under "Financial assets at amortised cost" and "Financial assets at fair value through other comprehensive income".

This category includes financial assets held for trading and derivative contracts not qualified as hedges (which are represented as assets if the fair value is positive and as liabilities if the fair value is negative).

Assets at fair value through other comprehensive income are initially recognised at fair value without considering the transaction costs or income directly attributable to the instrument. Subsequently, they are measured at fair value and the valuation effects are attributed to the income statement.

Impairment of financial assets

In accordance with the provisions of IFRS 9, the Group applies a simplified approach to estimate expected credit losses throughout the life of the instrument and takes into consideration its past experience with respect to credit losses, adjusted on the basis of specific forecasts relating to the nature of the Group's receivables and the economic context.

In brief, the Group measures expected losses on financial assets so as to reflect:

- an objective amount weighted on the basis of probabilities determined by assessing a range of possible results;
- the time value of money; and
- reasonable and demonstrable information that is available without excessive cost or effort at the reporting date on past events, current conditions and outlooks on future economic conditions.

A financial asset is impaired when one or more events with a negative impact on the estimated future cash flows of the financial asset takes place. Observable data relating to the following events constitute proof that the financial asset is impaired (it is possible that a single event may not be identifiable: the impairment of a financial asset may be due to the combined effect of different events):

a) significant financial difficulties of the issuer or the debtor;

b) a violation of the contract, such as breach or an unmet deadline;

c) for economic or contractual reasons relating to the financial difficulties of the debtor, the creditor extends a concession to the debtor that the creditor would not have otherwise taken into consideration;

d) it is likely that the debtor will declare bankruptcy or other financial restructuring procedures;

e) the disappearance of an active market for that financial asset due to financial difficulties; or

f) the acquisition or creation of the financial asset with large discounts that reflect the credit losses incurred.

For financial assets at amortised cost, the value of any impairment is measured as the difference between the carrying amount of the asset and the present value of expected future cash flows, discounted on the basis of the original effective interest rate. This value is recognised in the income statement.

## INVENTORIES

The item inventories includes raw materials and materials used in the production process, semi-finished products, spare parts and finished products.

Inventories are stated at the lower value between purchase or manufacturing cost, inclusive of accessory costs, measured according to the FIFO method, and the realisation value that can be inferred from market performance.

The measurement of inventories includes the direct costs of materials and labour and the indirect costs of production (variable and fixed), determined on the basis of normal production capacity.

Where necessary, depreciation funds are calculated for obsolete stocks or those with a slow turnaround taking account of their future possibility of use or recovery.

## CONTRACT WORK IN PROGRESS

A project is a contract specifically entered into for the construction of an asset at the instruction of a client, which preliminarily defines its design and technical characteristics.

The assets and liabilities deriving from contracts with customers are classified in the statement of financial position items “Contract work in progress” and “Other current liabilities”, in the assets and liabilities sections, respectively. Classification between contract work in progress and other current liabilities takes place on the basis of IFRS 15 depending on the relationship between the Group’s service and the customer’s payment; indeed, the items in question represent the sum of the following components analysed individually for each order:

(+) Value of work in progress, determined on the basis of the rules laid out in IFRS 15, according to the cost-to-cost method

(-) Advances received

If the resulting value is positive, the net balance of the order is shown in the item “Contract work in progress” while if it is negative, it is shown in the item “Other current liabilities”.

Work in progress is valued on the basis of the consideration defined with clients in relation to the progress of the work. Revenues related to contract work in progress are recognised using the percentage of completion criterion.

The percentage of completion is determined using the cost to cost method, calculated by multiplying the total revenue expected by the percentage of progress, as a ratio between costs incurred and expected total costs.
The measurement of contract work in progress and other current liabilities reflects the best estimate of work completed at the reporting date; updates are periodically performed of the assumptions underlying the measurements, and any economic effects are accounted for in the year in which the updates are made.
If events occur subsequent to the reporting date but before the approval of the financial statements which provide further evidence concerning any profits or losses on orders, such further evidence is taken into account in determining the contractual revenues or costs to complete in order to incorporate such profits or losses.
If the expected costs for the completion of the project exceed the total expected revenue, the final loss is fully recognised in the period in which it arises.
In measuring work in progress, all costs directly attributable to the project are taken into account, as well as the contractual risks and revision clauses when they can be objectively determined.

In this regard, revenue from contracts with customers is recognised by applying a five-step model with the procedures described in the "Recognition of revenues" section below.

## TRADE RECEIVABLES

Receivables are initially recognised at fair value. The initial value is subsequently adjusted to take into account repayments of capital, any write-downs and the amortisation of the difference between repayment amount and initial value. Amortisation is performed on the basis of the internal effective interest rate, represented by the interest rate that aligns, on initial recognition, the present value of expected cash flows and the initial value (so-called amortised cost method). If there is objective evidence indicating impairment, the asset value is decreased to the discounted value of the future flows obtainable from it. Such losses are recognised on the Income Statement. If, in subsequent periods, the reasons for the preceding write-down no longer exist, the value of the asset is restored to the amount that would have derived from applying the amortised cost without write-down.

The provision for bad debts, determined in order to measure receivables at their effective realisation value, includes write-downs recognised in order to take account of objective indications that trade receivables are impaired. Write-downs, which are based on the most recent information available and management's best estimate, are recognised in such a way as to decrease impaired assets to the present value of future cash flows obtainable from them.

## OTHER RECEIVABLES AND OTHER CURRENT ASSETS

Other receivables and other current financial assets are initially recognised at fair value. Subsequently, the receivables are measured with the amortised cost method on the basis of the internal effective interest rate, represented by the interest rate that aligns, on initial recognition, the present value of expected cash flows and the initial value.

If there is objective evidence indicating impairment, the asset value is decreased to the discounted value of the future flows obtainable from it. Such losses are recognised on the Income Statement. If, in subsequent periods, the reasons for the preceding write-down no longer exist, the value of the asset is restored to the amount that would have derived from applying the amortised cost without write-down.

## DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets are derecognised when one of the following conditions is met:

- the contractual right to receive cash flows from the asset has expired;
- the Group has substantially transferred all risks and rewards linked to the asset;
- the Group has not substantially transferred or maintained all risks and rewards connected to the financial asset, but it has transferred control over it.

Financial liabilities are derecognised when they are extinguished, or when the contractual obligation has been met, is cancelled or is time-barred. An exchange of debt instruments with substantially different contractual terms must be accounted for as an extinction of the original financial liability and the recognition of a new financial liability. Likewise, a substantial change in the contractual terms of an existing financial liability, even partial, must be accounted for as an extinction of the original financial liability and the recognition of a new financial liability.

## ASSIGNMENT OF RECEIVABLES

The Group is permitted to assign part of its trade receivables through factoring transactions. The operations for assignment of receivables can be with or without recourse; some non-recourse assignments include deferred payment clauses (for example, the payment by the factor of a minority part of the purchase price is subordinate to the total collection of receivables), requiring an exemption on the part of the assignor or implying the maintenance of significant exposure to the progress of the financial flows deriving from the receivables assigned.

This type of operation does not meet the requirements laid down by IFRS 9 for eliminating financial assets from the balance sheet, since the associated benefits and risks have not been substantially transferred.

Consequently, all the receivables assigned through factoring operations that do not meet the requirements for elimination established by IFRS 9 continue to be recorded in the Financial Statements of the Group, although they have been legally assigned; a financial liability for the same amount is recorded in the financial statements as Payables for Advances on Assignment of Receivables. Profits and losses related to the assignment such assets are recorded only when the same assets are removed from Statement of Financial Position of the Group.

At 31 December 2021, the Group companies had only performed assignments of trade receivables without recourse that meet all the requirements established by IFRS 9 for the derecognition of such receivables.

## CASH AND CASH EQUIVALENTS

The item relating to cash and cash equivalents includes, primarily, bank deposits repayable on demand, as well as cash on hand and other short-term investments that are highly convertible (convertible into cash and cash equivalents within ninety days). Cash and cash equivalents are measured at fair value, which usually coincides with their nominal value; any changes are recognised on the Income Statement.

For the purposes of representing cash flows for the period, when drawing up the Cash Flow Statement, short-term bank debts are represented among the cash flows of the financing activities, since they are for the most part attributable to bank advances and short term bank loans.

## SHARE CAPITAL AND OTHER EQUITY ITEMS

### (i) Share capital

The share capital is made up of the ordinary shares of the Parent Company in circulation.
The costs relating to the issue of new shares or options are classified in equity (net of the associated tax benefit) as a deduction of the income deriving from the issue of such instruments.
As provided for by IAS 32, if equity instruments are repurchased, such instruments (treasury shares) are recognised as a direct deduction from Equity under the item "Other Reserves". Gains or losses are not recognised on the Income Statement when treasury shares are purchased, sold or cancelled.
The consideration paid or received, including any cost directly incurred and attributable to the capital transaction, net of any related tax benefit, is directly recognised as an Equity transaction.

### (ii) Statutory reserve and other reserves

The statutory reserve is formed from the allocation of part of the Group companies' profit for the year (5% each year until it has reached 20% of the share capital) and may be used exclusively to cover losses. The other reserves include the reserves of profits and capital for a specific use, the profit (loss) of previous years not distributed or allocated to a reserve, as well as the reserve generated upon first-time application of IFRS.

## PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are set aside to cover current obligations - legal or implicit - deriving from past events, for which a reliable estimate of the amount required to settle the obligation can be made at the end of the year. Provisions for risks and charges are stated if said charges are likely to be incurred. Any change in the estimate of provisions is reflected on the Income Statement in the period when it occurs.

If a liability is regarded as merely potential, no allocation to provisions for risk and charges is made and only adequate information is provided in these notes to the financial statements.

When the financial effect of time is significant and the date of cash outflows associated with the obligation can be reliably determined, the estimated cost is discounted to the present value using a rate reflecting the current market values and includes the additional effects relating to the specific risk that may be associated with each liability. After discounting, the increase in the provision due to the passage of time is recognised as a financial expense.

The product warranty provision is stated on sale of the underlying goods or supply of the underlying services. The provision is determined using historical information on warranties and by weighting the probability associated with possible results.

The provisions are periodically updated to reflect changes in estimated costs, realisation timing and the discount rate; revisions of the estimated provisions are recognised in the same item of the Income Statement which previously included the provision or, when the liability relates to an asset, as a matching entry to the asset to which it refers.

## EMPLOYEE BENEFITS

Short-term benefits are represented by salaries, wages, the relative social security contributions, compensation in lieu of holidays and incentives provided in the form of a bonus payable in twelve months after the reporting date. These benefits are accounted for as components of personnel cost in the period in which the work activity is provided.

Post-employment benefits are broken down into two types: defined contribution plans and defined benefit plans.

In defined contribution plans, social security contributions are recognised in the Income Statement when they are incurred, based on the relative nominal value.

### Defined benefit plans

Defined benefit plans are represented by the TFR (employee severance indemnity) contributions accrued up to 31 December 2006 for the employees of the Group. These are measured in accordance with IAS 19 by independent actuaries, using the projected unit funding method.

This calculation consists in estimating the amount of benefit that an employee will receive at the expected retirement date, using demographic assumptions (such as, for example, death rate and personnel turnover rate) and financial assumptions (such as, for example, discount rate and future salary increases). The amount thus determined is discounted to the present value and re-proportioned based on the accrued length of service compared to the total length of service and represents a reasonable estimate of the

benefits that each employee has already accrued because of his/her service. The discount rate used derives from the curve of rates on AA bonds at the end of the reporting period.
Actuarial gains and losses emerging following the revaluations of net liabilities for defined benefit plans were immediately entered in the other items of the Statement of Comprehensive Income. Net interest and other costs of defined benefit plans are stated under profit/(loss) for the year.

### Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the entity pays fixed contributions into a separate entity and has no legal or implicit obligation to pay further contributions. The contributions to defined contribution plans are recognised as an expense in profit or loss in the periods in which the employees provide their work. Contributions paid in advance are recorded as assets to the extent that the advance payment will result in a reduction in future payments or a refund.

## SHARE-BASED PLANS

The cost of transactions regulated with equity instruments is determined by the fair value at the date of assignment, using an appropriate measurement method. This cost, together with the corresponding increase in shareholders' equity, is recognised under personnel costs for the period when conditions relative to achieving objectives and/or the provision of the service are met. The accumulated costs recognised for these transactions at the end of the reporting period up to the date of accrual are commensurate with the expiry of the accrual period and the best estimate of the number of instruments serving the plan at the time of accrual.
The service or performance conditions are not considered when the fair value for the plan is defined at the assignment date. However, the likelihood that these conditions are met in defining the best estimate of the number of equity instruments that will be accrued is considered.
Market conditions are reflected in the fair value at the assignment date.
Any other condition related to the plan, which does not entail a service obligation, is not considered as a condition of accrual.
Non-accrual conditions are reflected in the fair value of the plan and require immediate recognition of the plan cost, unless there are also service or performance conditions.
When the rights include a market condition or a non-accrual condition, these are treated as if they had accrued regardless of whether market conditions or other non-accrual conditions are met or not, save for all other performance and/or service conditions having to be met.
A cost for each change that increases the total fair value of the payment plan, or that is favourable for employees in any case, is recognised as a cost; this cost is measured with reference to the date of the change. When a plan is cancelled by the entity or counterparty, any remaining part of the fair value of the plan is immediately recognised in the income statement.

## TRADE PAYABLES

Trade payables are stated at the fair value of the initial consideration received in exchange and subsequently measured at amortised cost, using the effective interest method. Trade payables with due dates that fall under normal sales terms are not discounted to the present value.

## DERIVATIVE FINANCIAL INSTRUMENTS

In keeping with IFRS 9, derivative financial instruments may be measured on a hedge accounting basis when:

- the hedging relationship consists only of eligible hedging instruments and eligible hedged items;
- at the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the Group's risk management objectives and strategy for undertaking the hedge;
- the hedging relationship meets all of the following effectiveness requirements:
- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship;
- the hedge ratio of the hedging relationship is the same as that actually used in the economic hedge, also through rebalancing, and is consistent with the risk management strategy adopted by the Group.

### Fair value hedge

If a derivative financial instrument is designated as a hedge of the exposure to changes in fair value (fair value hedge) of an asset or liability attributable to a particular risk that could affect profit or loss, the profit or loss arising from subsequent fair value measurements of the hedging instrument are recognised in the income statement. The profit or loss on the hedged item, attributable to the hedged risk, change the carrying amount of this item and are recognised in the income statement.

### Cash flow hedge

When a derivative financial instrument is designated as a hedge of the exposure to variability in cash flows, the effective portion of changes in fair value of the derivative financial instrument is recognised as other comprehensive income and presented in the cash flow hedge reserve. The effective portion of changes in fair value of the derivative financial instrument which is recognised in other comprehensive income is limited to the accumulated change in fair value of the hedged instrument (at the current value) from the start of hedging. The ineffective portion of changes in fair value of the derivative financial instrument is recognised immediately in the income statement.

If the hedging no longer meets eligibility criteria or the hedging instrument is sold, matures or is exercised, the recognition of hedging transactions stops on a forward-looking basis. When an entity discontinues hedge accounting for a cash flow hedge, the amount that has been accumulated in the cash flow hedge reserve remains in shareholders' equity until, in the case of the hedging of a transaction that results in the

recognition of a non-financial asset or liability, it is included in the cost of the non-financial asset or liability at the time of initial recognition, or in the case of other cash flow hedges, it is reclassified to profit/loss in the same year or in the same years when the hedged future cash flows have an effect on the income statement.
If the hedged future cash flows are no longer expected to occur, that amount is immediately reclassified from the cash flow hedge reserve and hedge costs reserve to the income statement.

If hedge accounting cannot be adopted, profits or losses arising from the fair value measurement of the derivative financial instrument are recognised immediately in profit or loss.

## CURRENT AND NON-CURRENT FINANCIAL LIABILITIES, TAX LIABILITIES AND OTHER LIABILITIES

Short- and long-term financial payables and other short- and long-term liabilities are initially recognised at fair value. The initial value is subsequently adjusted to take into account repayments of principal and the amortisation of the difference between repayment amount and initial value. Amortisation is performed on the basis of the internal effective interest rate, represented by the interest rate that aligns, on initial recognition, the present value of cash flows connected to the liability and the initial value (so-called amortised cost method). When there is a change in cash flows and it is possible to estimate them reliably, the value of payables is recalculated to reflect that change on the basis of the present value of the new cash flows and the internal rate of return initially determined.
The item “Tax liabilities” includes all liabilities to the Tax Authorities payable or offsettable in the short-term connected with direct and indirect taxes.

## RECOGNITION OF REVENUES

Revenue from contracts with customers is recognised when the following conditions are met:

- the contract with the customer has been identified;
- the performance obligations set forth in the contract have been identified;
- the price has been determined;
- the price has been allocated to the individual performance obligations set forth in the contract;
- the performance obligation set forth in the contract has been met.

The Group recognises revenue from contracts with customers when it fulfils the performance obligation, transferring the good or service (or the asset) to the customer. The asset is transferred when the customer acquires control over it.
The Group transfers control over the good or service over time, and therefore fulfils the performance obligation and recognises revenue over time, when one of the following criteria is met:

- the customer simultaneously receives and uses the benefits arising from the entity’s service as it is provided;

- the service of the Group creates or improves the asset that the customer controls as the asset is created or improved;
- the service of the Group does not create an asset which has an alternative use for the Group and the Group has the enforceable right to payment for the service completed until the date considered.

If the performance obligation is not met over time, it is met at a specific moment. In that case, the Group recognises revenue when the customer acquires control over the promised asset.

The contractual consideration included in the contract with the customer may include fixed or variable amounts or both. If the contractual consideration includes a variable amount as discounts, price allowances, incentives, penalties or other similar elements, the Group estimates the amount of the consideration to which it will be entitled in exchange for the transfer of the promised goods or services to the customer. The Group includes the amount of the estimated variable consideration in the transaction price only to the extent to which it is highly likely that when the uncertainty associated with the variable consideration is subsequently resolved, there will not be a significant downward adjustment in the amount of cumulative revenue recognised.

The Group allocates the contractual price to the individual performance obligations on the basis of the stand-alone selling prices (SSP) of the individual performance obligations. When there is no SSP, the Group estimates the SSP using a market adjusted approach.
The Group applies its judgement in determining the performance obligation, variable consideration and the allocation of the transaction price.
Incremental costs for obtaining customer contracts are accounted for as assets and amortised throughout the term of the underlying contract, if the Group expects them to be recovered. Incremental costs for obtaining the contract are costs that the Group incurs to obtain the contract with the customer and which it would not have incurred if it had not obtained the contract. The costs for obtaining the contract which would have been incurred even if the contract had not been obtained should be recognised as a cost at the moment they are incurred, unless they are explicitly chargeable to the customer even if the contract is not obtained.

The costs incurred to perform contracts with customers are capitalised as assets and amortised throughout the term of the underlying contract only if such costs do not fall under the scope of application of another accounting standard (such as IAS 2 - Inventories, IAS 16 - Property, plant and equipment or IAS 38 - Intangible assets) and satisfy all of the following conditions:

- the costs are directly correlated with the contract or an expected contract, which the entity can specifically identify;
- the costs provide the entity with new or greater resources to be used to meet (or continue to meet) performance obligations in the future;
- it is expected that such costs will be recovered.

## GRANTS

Grants from public and private bodies are recognised at fair value when it is reasonably certain that they will be received and the conditions for receiving them will be met.
Grants related to income (provided as immediate financial assistance to an entity or to cover expenses and losses incurred in a previous year) are fully recognised in the Income Statement when the above-mentioned conditions, necessary for their recognition, are met.
No capital contributions were obtained in the year in question.

## COSTS

Costs are recognised in so far as it is possible to reliably determine that economic benefits will flow to the Group. Costs for services are recognised for the year in question at the moment when they are received.

## DIVIDENDS

Dividends are recognised on the Income Statement on the date on which the right to receive them matures.

## FINANCIAL INCOME AND CHARGES

Income and charges of a financial nature are recognised on an accrual basis, on the basis of the interest accrued on the net value of the related financial assets and liabilities, using the effective interest method.

## TAXES

Income taxes include current and deferred taxes. Income taxes are generally stated on the Income Statement, except when they refer to items directly accounted for in equity or in the general Income Statement. Current taxes are income taxes expected to be paid or received, calculated by applying the rate applicable at the date of the financial statements to the taxable income or tax losses for the year.
Deferred taxes are calculated using the so-called liability method on the temporary differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax values. Deferred tax assets and liabilities are not stated on goodwill and on assets and liabilities which do not influence taxable income. Deferred taxes are calculated on the basis of the tax rate that is expected to be in force when the asset is realised or the liability is settled. Deferred tax assets are recognised only when it is likely that taxable profits sufficient to realise these assets will be generated in future years. Deferred tax assets and liabilities are offset only for homogeneous expiry dates, when there is a legal right to offset and when they refer to recoverable taxes due to the same tax authority. Income tax deriving from distribution of dividends is stated when the liability relating to their payment is recognised.
Recoverability of deferred tax assets is checked at the end of each period, on the basis of plans duly approved by the Board of Directors and described below, and any part for which recovery is unlikely is stated on the Income Statement.

## TRANSLATION OF ENTRIES INTO FOREIGN CURRENCY

The functional and presentation currency of Landi Renzo S.p.A. is the Euro. As required by IAS 21, transactions in foreign currency of each Group entity are initially recognised at the exchange rate in place on the date of the transaction. Monetary assets and liabilities in foreign currency are reconverted to the functional currency at the exchange rate in place on the closing date of the Financial Statements.
Non-monetary items measured at historical cost in foreign currency are translated using the exchange rate in force on the initial date that the transaction was recognised.
Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.
The exchange differences realised at the time of collecting from debtors and paying creditors in foreign currency are entered in the Income Statement.

## EARNINGS PER SHARE

The Group determines the earnings per share based on IAS 33 - Earnings per share.
(a) Basic earnings per share
The basic earnings per share is calculated by dividing the profit (loss) pertaining to the Group shareholders by the weighted average of ordinary shares in circulation during the year, excluding treasury shares.
(b) Diluted earnings per share
The diluted earnings per share is calculated by dividing the profit (loss) pertaining to the Group shareholders by the weighted average of ordinary shares in circulation during the year, excluding treasury shares. To calculate the diluted earnings per share, the weighted average of shares in circulation is modified assuming the exercise by all assignees of rights with a potentially dilutive effect, while the profit (loss) pertaining to Group shareholders is adjusted to take into account any effects, net of taxes, of the exercise of such rights.

## COMMUNICATION ON FINANCIAL INSTRUMENTS

In accordance with the provisions of Accounting Standard IFRS 7, supplementary information is supplied on the financial instruments in order to evaluate:

- the impact of the financial instruments on the statement of financial position, on the economic result and on the financial flows of the company;
- the nature and size of the risks deriving from financial instruments to which the company is exposed, as well as the methodologies with which such risks are managed.

## CLASSES OF FINANCIAL INSTRUMENTS

The following elements are accounted for in compliance with the accounting standards on financial instruments.

(Thousands of Euro)

| | 31/12/2020 | | | | |
|---|---|---|---|---|---|
| **Balance Sheet Assets** | **Amortised cost** | **Fair value through OCI** | **Fair value through profit or loss** | **Hedge accounting** | **Total** |
| Other non-current financial assets | 921 | | | | 921 |
| Other non-current assets | 2,850 | | | | 2,850 |
| Trade receivables | 39,353 | | | | 39,353 |
| Other receivables and current assets | 6,712 | | | | 6,712 |
| Other current financial assets | 2,801 | | | | 2,801 |
| Cash and cash equivalents | 21,914 | | | | 21,914 |
| **Total** | **74,551** | **0** | **0** | **0** | **74,551** |

| **Balance Sheet Liabilities** | **Amortised cost** | **Fair value through OCI** | **Fair value through profit or loss** | **Hedge accounting** | **Total** |
|---|---|---|---|---|---|
| Non-current bank loans | 68,181 | | | | 68,181 |
| Non-current financial liabilities | 408 | | | | 408 |
| Non-current liabilities for rights of use | 2,871 | | | | 2,871 |
| Liabilities for derivative financial instruments | | | | 458 | 458 |
| Bank financing and short-term loans | 23,108 | | | | 23,108 |
| Other current financial liabilities | 378 | | | | 378 |
| Current liabilities for rights of use | 2,228 | | | | 2,228 |
| **Total** | **97,174** | **0** | **0** | **458** | **97,632** |

(Thousands of Euro)

| | 31/12/2021 | | | | |
|---|---|---|---|---|---|
| **Balance Sheet Assets** | **Amortised cost** | **Fair value through OCI** | **Fair value through profit or loss** | **Hedge accounting** | **Total** |
| Other non-current financial assets | 882 | | | | 882 |
| Other non-current assets | 2,556 | | | | 2,556 |
| Trade receivables | 66,048 | | | | 66,048 |
| Other receivables and current assets | 14,443 | | | | 14,443 |
| Other current financial assets | 0 | | | | 0 |
| Cash and cash equivalents | 28,039 | | | | 28,039 |
| **Total** | **111,968** | **0** | **0** | **0** | **111,968** |

| Balance Sheet Liabilities | Amortised cost | Fair value through OCI | Fair value through profit or loss | Hedge accounting | Total |
|---|---|---|---|---|---|
| Non-current bank loans | 10,174 | | | | 10,174 |
| Other non-current financial liabilities | 9,320 | | | | 9,320 |
| Non-current liabilities for rights of use | 10,197 | | | | 10,197 |
| Liabilities for derivative financial instruments | | | | 99 | 99 |
| Bank financing and short-term loans | 103,408 | | | | 103,408 |
| Other current financial liabilities | 274 | | | | 274 |
| Current liabilities for rights of use | 2,624 | | | | 2,624 |
| **Total** | **135,997** | **0** | **0** | **99** | **136,096** |

## USE OF ESTIMATES AND ASSESSMENTS

The preparation of Financial Statements in accordance with IFRS requires the application of accounting standards and methods that are sometimes based on subjective assessments and estimates based, in turn, on past experience and assumptions that are considered reasonable and realistic given the circumstances. Application of these estimates and assumptions affects the amounts presented in the financial statements, such as the Statement of Financial Position, the Income Statement and the Statement of Cash Flows, and in disclosures provided.

Please note that the situation caused by the current economic and financial scenario has resulted in the necessity to make assumptions on future performance that are characterised by significant uncertainty, in particular following the spread of the Covid-19 pandemic. Therefore it cannot be excluded that results different to those estimated may be realised in the coming years. Such results could therefore require adjustments, that may even be considerable, which obviously cannot be either estimated or predicted at this stage, to the carrying amount of the relative items.

The items on the financial statements that most require greater subjectivity on the part of the directors in producing the estimates and for which a change in the conditions underlying the assumptions used can have a significant impact on the financial statements are listed below:

- Valuation of fixed assets including investments in joint ventures and goodwill;
- Recoverability of development expenditure;
- Valuation of deferred tax assets;
- Valuation of provisions for bad debts and obsolete inventories;
- Valuation of employee benefits;
- Valuation of provisions for risks and charges.

The estimates and assumptions are reviewed periodically and the effects of each variation are immediately reflected on the Income Statement.

For an indication of the economic values of these estimates, please refer to the relative points of these notes.

The directors also evaluated the applicability of the going concern assumption in the preparation of the consolidated financial statements, and concluded that this assumption is suitable as there are no doubts as to business continuity.

## MOST IMPORTANT ACCOUNTING STANDARDS THAT REQUIRE A GREATER DEGREE OF SUBJECTIVITY

A description is provided below of the most significant accounting standards that require, more than the others, greater subjectivity on the part of the directors in producing the estimates and for which a change in the conditions underlying the assumption used may have a significant impact on the financial data of the Group.

### Valuation of receivables

Trade receivables are adjusted with the relevant write-down fund in order to take account of their effective recoverable value. The determination of the amount of depreciation carried out requires the directors to make subjective evaluations based on the documentation and on the information available, also in relation to the solvency of the customer, as well as on experience and historical trends.
The continuation of the current economic and financial situation and its possible aggravation could lead to further deterioration in the financial conditions of the Group's debtors beyond that already taken into consideration prudentially in quantifying the write-downs recorded in the financial statements.

### Valuation of goodwill and intangible assets in progress

In accordance with the accounting standards applied by the Group, goodwill and intangible assets in progress are subjected to annual verification (impairment test) in order to assess whether they have suffered a reduction in value, which is stated through a write-down, when the net carrying amount of the CGU to which these items are allocated appears to be greater than its recoverable value (defined as the greater value between the value in use and the fair value of the same). The above mentioned value confirmation check necessarily requires subjective evaluations to be made based on the information available within the Group, and on the reference market outlook and historical trends. In addition, whenever it is supposed that a potential reduction in value could be generated, the Group determines said reduction using those evaluation techniques considered suitable. The same value tests and evaluation techniques are applied to intangible and tangible assets with a defined useful life when indicators exist that predict difficulties in recovering the corresponding net carrying amount. The correct identification of elements indicative of the existence of a potential reduction in value as well as the estimates for determination of the reduction depend principally on factors that can vary over time, even significantly, therefore influencing the evaluations and estimates made by the directors.

### Provisions for risks

Establishing whether or not a current obligation (legal or implied) exists is in some cases difficult to determine. The directors assess such phenomena on a case by case basis, together with an estimate of the amount of the economic resources required in order to meet that obligation. When the directors consider that is merely possible that liabilities may arise, the risks are indicated in the appropriate information section on commitments and risks, without resulting in any allocation in the financial statements.

### Defined benefit plans

The Group offers defined benefit plans to some of its employees. Using the services of experts and actuaries, management used various statistical assumptions and evaluation factors to calculate the charges and the current value of assets and liabilities relating to these plans. The assumptions relate to the discount rate, the expected return on the assets servicing the plan, the rates of future salary increases, demographic trends, the inflation rate and expected health costs. The actuaries consulted also use subjective factors, such as mortality and resignation rates.

### Share-based plans

The Group has assigned the CEO of the Parent Company and other managers a compensation plan named the "2019-2021 Performance Shares Plan" concerning the free assignment of the right to receive Landi Renzo S.p.A. ordinary shares free of charge based on the degree to which specific performance objectives are reached. Using the services of experts and actuaries, management used various statistical assumptions and evaluation factors to calculate the charges and the current value of assets and liabilities relating to these plans.

### Provision for product warranties

Based on product sales, the Group allocates provisions according to the costs estimated as likely to be incurred for product warranties. Management establishes the value of such provisions on the basis of historical information on the nature, frequency and average cost of operations carried out under warranty and on the basis of specific contractual agreements.
The Group constantly strives to improve the quality of its products and to minimise the burden deriving from operations under warranty.

### Potential liabilities

The Group is subject to lawsuits regarding a number of disputes that were submitted to the jurisdiction of various States. Given the inherent uncertainty of these disputes, it is difficult to predict with certainty the resulting financial cost, or the time frame within which it will arise. The lawsuits and disputes against the Group derive primarily from complex legal problems, that are subject to varying degrees of uncertainty, considering the facts and circumstances involved in each dispute and the different laws applicable. To assess the risks deriving from potential liabilities of a legal nature correctly and prudentially, management periodically obtains information on the situation from its legal advisers. The Group establishes a liability in relation to such disputes when it considers it likely that a financial cost will occur and when the amount of the resulting losses can be reasonably estimated.

### Valuation of closing inventories

Closing inventories of products with characteristics of obsolescence or slow turnaround are periodically subjected to tests for their correct valuation and are written down where the recoverable value thereof is less than the carrying amount. The write-downs carried out are based, primarily, on assumptions and estimates of management deriving from its experience and the historical results achieved, as well as estimates of the use/sale of inventories.

### Valuation of deferred tax assets

The valuation of deferred tax assets is made on the basis of taxable income expected in future years and expected tax rates at the date when the temporary differences are expected to occur, insofar as they are considered applicable in the future. The measurement of such expected profits depends on factors that may change over time and have a significant impact, therefore, on the valuation of deferred tax assets.

## TRANSACTIONS WITH RELATED PARTIES

The Group deals with related parties under contractual conditions considered to reflect the arm's length conditions on the markets in question, taking account of the characteristics of the goods and services supplied and received.

## D) RISK ANALYSIS

In accordance with the requirements of Accounting Standard IFRS 7, the following analysis is provided regarding the nature and extent of risks deriving from financial instruments to which the Group is exposed, as well as the methodologies with which such risks are managed.

The main risks are reported and discussed at the Top Management level of the Group in order to create the prerequisites for their hedging, and insurance and assessment of the residual risk.

### Interest rate risk

The Group is exposed to the interest rate risk associated with both cash at hand and with medium to long term financing. The exposure refers mainly to the Euro zone. As regards exposure to the risk of interest rate volatility, note that the financial indebtedness with banks is regulated primarily by variable interest rates. To partially reduce risks connected with fluctuating interest rates, the Group has entered into financial derivative contracts (interest rate swaps) in order to cover:

- 70% of the main credit lines of the pool loan taken out in June 2019;
- for a duration of 3 years, 100% of the credit line of the six-year Euro 21 million loan taken out in July 2020 and 90% backed by the SACE guarantee, with a pre-amortisation period of two years.

Interest rate risks were measured using sensitivity analysis and the potential impacts of Euribor interest rate fluctuations on the consolidated financial statements at 31 December 2021 were analysed with particular reference to cash and cash equivalents and to loans. The increase of 50 basis points on the Euribor, with all other variables remaining the same, would have produced an increase in financial expenses for the Group of Euro 267 thousand in comparison to an increase in financial income equal to Euro 106 thousand.

### Exchange risk

The Group sells part of its production and, although to a much lesser degree, also purchases some components in Countries outside the Euro zone. In relation to the exchange risk, the amount of the accounting balances expressed in currency other than the functional currency is to be considered as insignificant compared to the Group's total revenues. The Group has no hedging instruments to cover exchange rate fluctuations and, in accordance with its policy up to this moment, no derivatives are subscribed for trading purposes. Therefore, the Group remains exposed to exchange rate risk on the balances of the assets and liabilities in foreign currency at year end.
In relation to the exchange risk, it is reported that the amount of accounting balances expressed in currency other than the Euro is not considered significant compared to the total revenue of the Group, therefore the sensitivity analysis required by IFRS 7 is not provided as it is considered non-significant. The

Group has not subscribed to instruments to cover exchange rate fluctuations and, in accordance with the company's policy up to this moment, no derivatives are subscribed solely for trading purposes. Therefore, the Group remains exposed to exchange rate risk on the balances of the assets and liabilities in foreign currency at year end.

## Price risk

The Group makes purchases and sales internationally, and therefore it is exposed to the normal risk of price fluctuation typical of its industry. Where possible, Group policy covers the risk through medium-term supplier commitments.

The current market situation distinguished by a shortage of raw materials resulted on one hand in a reduction or deferral of orders from OEM customers, due to the need for automotive manufacturers to limit costs and avoid production interruptions, and on the other in difficulties in fulfilling existing orders, due to a series of complexities in obtaining raw materials. Furthermore, particularly in the OEM channel, in which long-term supply agreements are generally entered into, it was not always possible to reflect in due time the increase in raw material prices in sale prices. On the other hand, as regards the After Market channel, interventions on sale prices took place more promptly but, also due to growing competition in developing countries, it was not always possible to intervene to prevent the loss of market share.

## Credit risk

Credit risk is the risk that a customer or one of the counterparts of a financial instrument causes a financial loss through failure to fulfil an obligation and derives primarily from trade receivables, from other financial assets and from guarantees that may have been given by the Group.

Trade receivables and other receivables

The Group normally deals with known and reliable customers. It is the Group's policy to subject customers requesting extended payment conditions to procedures for checking their credit class. This check also includes external assessments when available. Sales limits are established for each customer, which represent the maximum line of credit, beyond which direct approval by management is required. In addition, the balance of the receivables is monitored on a fortnightly basis over the period, in order to minimise exposure to the risk of losses. Finally, regarding new customers and those not operating in EU countries, a letter of credit to guarantee successful collection is normally used, where possible.

The Company uses non-recourse assignment of debts.

The Group allocates a provision for impairment that reflects the estimated losses on trade receivables and on other creditors, made up primarily of individual write-downs of significant exposures.

The Group has relations with customers of significant size, as it operates in the OEM channel.

Other financial assets

The credit risk regarding the other financial assets of the Group, including cash and cash equivalents, presents a maximum risk equal to the carrying amount of these assets in the case of insolvency of the counterpart.

Guarantees

When required, the policies of the Group provide for the issue of financial guarantees in favour of subsidiary companies and associates. At 31 December 2021, the Group did not have any financial guarantees to third parties for a significant amount in place.

## Liquidity risk

The liquidity risk is the risk that the Group may have difficulty in meeting obligations associated with financial liabilities.

The COVID-19 pandemic had, and continues to have, significant effects on volumes as well as on the economic and financial results of many companies, especially in the durable goods market. Due to the continuation of a difficult macroeconomic context, overshadowed by considerable uncertainty as to cash flows, the management is continuing to devote considerable attention to the financial position, short/medium-term cash forecasts and the financing options proposed by the government to support companies. In this regard, Landi Renzo S.p.A. received a notification from Invitalia (Agenzia Nazionale per l'Attrazione degli Investimenti e lo sviluppo di impresa SpA) concerning the resolution for its admission to the above-mentioned procedure and took prompt action to meet the formal requirements established and necessary to proceed with the finalisation of the agreement for the provision of subsidies, which is expected to possibly be concluded by the end of March 2022, resulting in it obtaining a new subsidised loan for Euro 19,500 thousand.

Aside from this, and to demonstrate the creditworthiness of the Landi Renzo Group and in particular the SAFE&CEC Group that it controls, please recall the bond issued in late December 2021 by the subsidiary SAFE S.p.A. for a nominal amount of Euro 7 million and subscribed by Finint (Finanziaria Internazionale Investments SGR S.p.A.). The loan, with a contractual duration until 31 August 2027 and a gross annual nominal fixed rate of 5%, calls for half-yearly repayment starting from 1 January 2024 and is also subject to compliance with financial parameters with reference to the data set forth in the consolidated financial statements of the SAFE&CEC Group as at 31 December of each year. In this regard, please note that the financial parameters on the bond issue of the SAFE&CEC Group had been respected at 31 December 2021. The loan, included within a more extensive transaction, is intended to finance the acquisition by SAFE S.p.A. of Idro Meccanica S.r.l., which was completed in January 2022 and is described in detail in the section "Significant events after the reporting period and business outlook" of the Directors' Report;

The main loans of Landi Renzo S.p.A. include financial covenants. In this regard, please note that in February 2022 all credit institutions underwriting the loans issued waiver letters with respect to the financial covenants as at 31 December 2021 and, with respect to the loan taken out from a pool of banks in

2019, consent to the deferment of the principal instalment falling due on 31 December 2021, which was rescheduled in an equal amount to the following three instalments falling due on 30 June 2022, 31 December 2022 and 30 June 2023. Furthermore, the above-mentioned waiver letters are expressly subject to the finalisation of the share capital increase of the parent company Landi Renzo S.p.A. to be carried out in an amount of at least Euro 25.4 million, by no later than 30 June 2022.
Following up on what is set forth above, and to take into account the changed market environment, the directors prepared a new Group economic-financial plan for the 2022-2025 period, which was approved by the Landi Renzo S.p.A. Board of Directors on 15 March 2022 and calls for a share capital increase of up to a maximum of Euro 60 million, described in the "Going concern" section.

See the Directors' Report for all further information on risk factor analysis pursuant to Article 154-*ter* TUF (Consolidated Law on Finance).

### Fair value hierarchy

Financial instruments measured at fair value are classified based on a hierarchy of three levels, according to procedures to determine the fair value, i.e. with reference to the factors used in the process to determine the value:

- Level 1, financial instruments whose fair value is determined based on a quoted price on an active market;
- Level 2, financial instruments whose fair value is determined based on measurement techniques that use parameters observable either directly or indirectly on the market. This category includes instruments measured based on forward market curves and differential, short-term contracts;
- Level 3, financial instruments whose fair value is determined based on measurement techniques that use parameters that are unobservable on the market, or use only internal estimates.

## E) SCOPE OF CONSOLIDATION

The scope of consolidation includes the Parent Company Landi Renzo S.p.A. and the companies in which it holds a direct or indirect controlling stake according to IFRS.

The consolidation area has changed compared with 31 December 2020 following the acquisitions referred to in the introduction, which led to:

- the line-by-line consolidation of the SAFE&CEC Group, consisting of the parent holding company SAFE&CEC S.r.l. and its subsidiaries SAFE S.p.A. (Italy), IMW Industries LTD (Canada), IMW Industries Ltda (Colombia), IMW Industries del Perù S.A.C. (Peru), IMW Industries LTD Shanghai (China) and IMW Energy Tech. Ltd (China), in May 2021;
- the line-by-line consolidation of the Metatron Group, consisting of the parent company Metatron S.p.A. (Italy) and its subsidiary Metatron Control System Co. Ltd (China), in August 2021.

The list of equity investments included in the scope of consolidation and the relative consolidation method is provided below.

## Companies consolidated using the line-by-line method or the equity method

| Description | Registered Office | Currency | Share capital at 31 December 2021 (in units of currency) | % stake at 31 December 2021 | | % stake at 31 December 2020 | | Notes |
|---|---|---|---|---|---|---|---|---|
| | | | | Direct investment | Indirect investment | Direct investment | Indirect investment | |
| **Parent Company** | | | | | | | | |
| Landi Renzo S.p.A. | Cavriago (Italy) | EUR | 11,250,000 | Parent Company | | Parent Company | | |
| **Companies consolidated using the line-by-line method** | | | | | | | | |
| Landi International B.V. | Utrecht (The Netherlands) | EUR | 18,151 | 100.00% | | 100.00% | | |
| Landi Renzo Polska Sp.Zo.O. | Warsaw (Poland) | PLN | 50,000 | | 100.00% | | 100.00% | (1) |
| LR Indústria e Comércio Ltda | Rio de Janeiro (Brazil) | BRL | 4,320,000 | 99.99% | | 99.99% | | |
| Beijing Landi Renzo Autogas System Co. Ltd | Beijing (China) | USD | 2,600,000 | 100.00% | | 100.00% | | |
| L.R. Pak (Pvt) Limited | Karachi (Pakistan) | PKR | 75,000,000 | 70.00% | | 70.00% | | |
| Landi Renzo Pars Private Joint Stock Company | Tehran (Iran) | IRR | 210,849,300,000 | 99.99% | | 99.99% | | |
| Landi Renzo RO S.r.l. | Bucharest (Romania) | RON | 20,890 | 100.00% | | 100.00% | | |
| Landi Renzo USA Corporation | Wilmington - DE (USA) | USD | 3,067,131 | 100.00% | | 100.00% | | |
| AEB America S.r.l. | Buenos Aires (Argentina) | ARS | 2,030,220 | 96.00% | | 96.00% | | |
| Officine Lovato Private Limited | Mumbai (India) | INR | 19,091,430 | 74.00% | | 74.00% | | |
| OOO Landi Renzo RUS | Moscow (Russia) | RUB | 9,000,000 | 51.00% | | N/A | | |
| SAFE&CEC S.r.l. | San Giovanni Persiceto (Italy) | EUR | 2,500,000 | 51.00% | | N/A | | |
| SAFE S.p.A. | San Giovanni Persiceto (Italy) | EUR | 2,500,000 | | 100.00% | | N/A | (2) |
| IMW Industries LTD | Chilliwak (Canada) | CAD | - | | 100.00% | | N/A | (2) |
| IMW Industries del Perù S.A.C. | Lima (Peru) | PEN | 1,000 | | 100.00% | | N/A | (3) |
| IMW Industries LTDA | Cartagena (Colombia) | COP | 65,000,000 | | 100.00% | | N/A | (3) |
| IMW Energy Tech LTD | Suzhou (China) | CNY | 8,591,055 | | 100.00% | | N/A | (3) |
| IMW Industries LTD Shanghai | Shanghai (China) | CNY | 1,872,314 | | 100.00% | | N/A | (3) |
| Metatron S.p.A. | Castel Maggiore (Italy) | EUR | 3,000,000 | 49.00% | | N/A | | (4) |
| Metatron Control System (Shanghai) | Shanghai (China) | CNY | 3,006,129 | | 90.00% | | N/A | (5) |
| **Associates and subsidiaries consolidated using the equity method** | | | | | | | | |
| Krishna Landi Renzo India Private Ltd Held | Gurugram - Haryana (India) | INR | 118,000,000 | 51.00% | | 51.00% | | (6) |
| **Other minor companies** | | | | | | | | |
| Landi Renzo VE.CA. | Caracas (Venezuela) | VEF | 2,035,220 | 100.00% | | 100.00% | | (7) |
| Lovato do Brasil Ind Com de Equipamentos para Gas Ltda | Curitiba (Brazil) | BRL | 100,000 | 100.00% | | 100.00% | | (7) |
| EFI Avtosanoat- | Navoiy Region | UZS | | 50.00% | | 50.00% | | (7) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Landi Renzo LLC | (Uzbekistan) | | 800,000 | | | |
| Metatron Technologies India Plc | Mumbai (India) | INR | 1,000,000 | 75.00% | N/A | (5) (7) |

***Detailed notes on investments:***
*(1) Held indirectly through Landi International B.V.*
*(2) Held indirectly through SAFE&CEC S.r.l.*
*(3) Held indirectly through IMW Industries LTD*
*(4) Consolidated line-by-line based on the commitment to purchase the remaining 51%, which does not include any conditions precedent, and the governance system contractually defined by the parties*
*(5) Held indirectly through Metatron S.p.A.*
*(6) Company joint venture*
*(7) Not consolidated as a result of their irrelevance*

Krishna Landi Renzo India Private Ltd was consolidated using the equity method, due to the current system of governance of the company, which reflects a joint control agreement classifiable as a "joint venture" according to international accounting standards (IFRS 11).

<u>Non consolidated companies</u>

Taking into consideration their low degree of significance, the following companies were not consolidated:

- EFI Avtosanoat - Landi Renzo LLC *joint venture*, in which a 50% stake is held;
- Landi Renzo Venezuela CA., in which a 100% stake is held, currently not operational;
- Lovato do Brasil Industria Comercio de Equipamentos para Gas Ltda, in which a 100% stake is held and which is currently not operational;
- Metatron Technologies India Private Ltd, in which a 75% stake is held by Metatron S.p.A. and which is currently not operational.

## F) EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. SEGMENT REPORTING

Until April 2021, the Landi Renzo Group operated directly only in the Automotive segment and indirectly in the Clean Tech Solutions segment through the joint venture SAFE & CEC S.r.l. which, in accordance with the contractual governance system, met the joint control requirements as stipulated by IFRS 11, and was consolidated according to the equity method.

Following the above-mentioned amendment of the shareholders' agreements, which provided Landi Renzo S.p.A. with greater decision-making autonomy, permitting it to exercise control over SAFE&CEC S.r.l., as of May 2021 the SAFE&CEC Group was consolidated line-by-line, as the requirements set forth in the international accounting standards (IFRS 10) were met.

Furthermore, following the acquisition of 49% of the share capital of Metatron S.p.A. in August 2021, with the goal acquiring the remaining 51% of the share capital of Metatron S.p.A. as well, and taking into account the contractual restrictions already cited previously, the results of the Metatron Group were consolidated line-by-line starting from August 2021, as the requirements for the acquisition of control established by the international accounting standards (IFRS 10) were met.

Therefore, the management has identified two operating segments ("Cash Generating Units" or "CGUs") in which the Landi Renzo Group operates, i.e.:

- The **Green Transportation - Automotive** segment, referring primarily to the design, manufacture and sale through the OEM and After Market channels of mechanical and electronic systems and components for the use of automotive gas (CNG - Compressed Natural Gas, LNG – Liquid Natural Gas, LPG, RNG – Renewable Natural Gas and hydrogen) as well as, to a lesser extent, anti-theft alarms. This segment mainly includes the Landi Renzo, AEB, Lovato and Med brands. Since August 2021, the Green Transportation segment has also included the results of the Metatron Group, a leader in the supply of components for gas and hydrogen Mid & Heavy Duty mobility, in both Europe and China, where it serves the main segment operators based on well-established relationships.

- The **Clean Tech Solutions - Infrastructure** segment, referring to the design and manufacture of compressors for the processing and distribution of gas (CNG - Compressed Natural Gas and Biomethane, RNG – Renewable Natural Gas and Hydrogen) as well as operations in the Oil & Gas market. The broad range of SAFE&CEC Group products makes it possible to satisfy multiple market requirements for the construction of automotive CNG, RNG and Hydrogen distribution stations.

Consolidated revenues recorded in 2021 by the Landi Renzo Group are divided by geographical area as follows:

(Thousands of Euro)

| Geographical distribution of revenues | At 31/12/2021 | % of revenues | As of 31 December 2020 | % of revenues | Change | % |
|---|---|---|---|---|---|---|
| Italy | 27,281 | 11.3% | 23,785 | 16.7% | 3,496 | 14.7% |
| Europe (excluding Italy) | 107,071 | 44.2% | 73,292 | 51.4% | 33,779 | 46.1% |
| America | 38,412 | 15.9% | 16,799 | 11.8% | 21,613 | 128.7% |
| Asia and Rest of the World | 69,230 | 28.6% | 28,579 | 20.1% | 40,651 | 142.2% |
| **Total revenues** | **241,994** | **100.0%** | **142,455** | **100.0%** | **99,539** | **69.9%** |

Regarding the geographical distribution of revenues, the Group realised 88.7% of its consolidated revenues abroad in 2021 (83.3% at 31 December 2020) (44.2% in Europe and 44.5% outside Europe), confirming the strong international vocation that has always set it apart.
For a more detailed analysis of revenues by geographical area, please refer to the Directors' Report.

The following table shows the assets divided by geographical area of origin:

(Thousands of Euro)

| Total Assets | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Italy | 290,122 | 179,208 | 110,914 |
| Europe (excluding Italy) | 29,710 | 18,357 | 11,353 |
| America | 16,402 | 14,090 | 2,312 |
| Asia and Rest of the World | 7,037 | 8,262 | -1,225 |
| **Total ASSETS** | **343,271** | **219,917** | **123,354** |

The following table shows investments divided by geographical area of origin:

(Thousands of Euro)

| Investments in Fixed Assets | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Italy | 8,062 | 11,162 | -3,100 |
| Europe (excluding Italy) | 399 | 644 | -245 |
| America | 120 | 115 | 5 |
| Asia and Rest of the World | 33 | 0 | 33 |
| **Total** | **8,614** | **11,921** | **-3,307** |

## NON-CURRENT ASSETS

### 2. LAND, PROPERTY, PLANT, MACHINERY AND OTHER EQUIPMENT

The changes in tangible assets during the financial year 2020 are shown in detail below:

(Thousands of Euro)

| Net value | 31/12/2019 | Acquisitions | (Disposals) | Depreciation rates | Other changes | 31/12/2020 |
|---|---|---|---|---|---|---|
| Land and buildings | 968 | 27 | 0 | -407 | -33 | 555 |
| Plant and machinery | 5,124 | 759 | -30 | -1,348 | 20 | 4,525 |
| Industrial and commercial equipment | 3,275 | 2,857 | -415 | -1,514 | 1,464 | 5,667 |
| Other tangible assets | 1,496 | 327 | -95 | -620 | -32 | 1,076 |
| Assets in progress and advance payments | 715 | 2,239 | 0 | 0 | -1,565 | 1,389 |
| **Total** | **11,578** | **6,209** | **-540** | **-3,889** | **-146** | **13,212** |

The changes in tangible assets during the financial year 2021 are shown in detail below:

(Thousands of Euro)

| Net value | 31/12/2020 | Variation in the consolidation area | Acquisitions | (Disposals) | Depreciation rates | Other changes | 31/12/2021 |
|---|---|---|---|---|---|---|---|
| Land and buildings | 555 | 1,311 | 72 | 0 | -406 | 43 | 1,575 |
| Plant and machinery | 4,525 | 582 | 949 | -54 | -1,819 | 1,030 | 5,213 |
| Industrial and commercial equipment | 5,667 | 1,047 | 1,114 | -546 | -1,600 | 304 | 5,986 |
| Other tangible assets | 1,076 | 271 | 544 | -55 | -476 | -14 | 1,346 |
| Assets in progress and advance payments | 1,389 | 421 | 509 | -124 | 0 | -1,338 | 857 |
| **Total** | **13,212** | **3,632** | **3,188** | **-779** | **-4,301** | **25** | **14,977** |

Tangible assets showed an overall net increase of Euro 1,765 thousand, rising from Euro 13,212 thousand at 31 December 2020 to Euro 14,977 thousand at 31 December 2021. The contribution deriving from the initial consolidation of the SAFE&CEC Group and the Metatron Group was Euro 1,674 thousand and Euro 1,958 thousand, respectively.

Increases for the year, amounting to Euro 3,188 thousand, primarily relate to the acquisition of new production lines and moulds required to launch new products and to cover the increasing orders from a leading OEM customer.

The item "Assets in progress and advance payments", totalling Euro 857 thousand as at 31 December 2021 (Euro 1,389 thousand as at 31 December 2020), decreased following the completion of several investments under way at the end of the previous year. The amount of assets in progress at 31 December 2021 primarily includes work in progress on investments made by the Parent Company in new work benches needed to handle demand for an increase in production. These investments are currently in the completion phase and are expected to be used in the production process in the course of the coming months.

The column "Other changes" includes, aside from reclassifications of assets under construction completed during the period to the relative item, the conversion differences on assets held by companies abroad.

## 3. DEVELOPMENT EXPENDITURE

Changes in development expenditure during 2020 are shown in detail below:

(Thousands of Euro)

| Net value | 31/12/2019 | Increases | Depreciation rates | Other changes | 31/12/2020 |
|---|---|---|---|---|---|
| Development costs | **8,228** | 5,375 | -4,097 | 0 | **9,506** |

Changes in development expenditure during 2021 are shown in detail below:

(Thousands of Euro)

| Net value | 31/12/2020 | Variation in the consolidation area | Increases | Amortisation rates | Other changes | 31/12/2021 |
|---|---|---|---|---|---|---|
| Development costs | **9,506** | 3,179 | 5,123 | -5,814 | 228 | **12,222** |

Development costs amounted to Euro 12,222 thousand (Euro 9,506 thousand at 31 December 2020) and include the costs incurred by the Group both for internal personnel and for services supplied by third parties, for projects meeting the requirements of IAS 38 to be capitalised. The contribution deriving from the initial consolidation of the SAFE&CEC Group and the Metatron Group was Euro 2,068 thousand and Euro 1,111 thousand, respectively.
Costs capitalised in the year ended as of 31 December 2021 totalled Euro 5,123 thousand (Euro 5,375 thousand at 31 December 2020).

Research and development activities saw the continuation of projects started in the previous year as well as the launch of new initiatives, namely:

- development of an injection and regulation system for Euro 7 regulation compatibility testing;

- redefinition and validation of a pressure regulator for Heavy Duty vehicles;
- re-design and validation in the laboratory of the new family of high-pressure and high capacity injectors for applications in Heavy Duty vehicles;
- development and testing in the field of the integrated manifold for fuel-cell applications for one of the global leaders in the hydrogen mobility sector;
- development of a high-pressure regulator and a smart dosing system for the world of hydrogen mobility, in order to introduce a new way of managing the injection of hydrogen into the fuel cell;
- development of a new conversion unit for vehicles with indirect injection systems and initiation of a project for the development of the new direct injection management system;
- development of 700 bar hydrogen compressors.

New development activities began during the initial months of 2022 and they are also expected to continue for the rest of the current year.
To evaluate any losses in value of capitalised development costs, the Group attributes such expenses to the corresponding specific projects and evaluates their recoverability, calculating the value in use with the discounted cash flow method. It is deemed that the value of such development projects can be recovered through the revenue flows generated in future years.
The analysis of the recoverability of the values recognised for development activities, which the Group attributes to specific projects, carried out by comparing the margins expected from sales of the products to which the above-mentioned costs refer, and the relative net carrying amounts at the date of 31 December 2021, did not bring to light any impairment.

## 4. GOODWILL

The item Goodwill totalled Euro 75,341 thousand, Euro 45,247 thousand more than at 31 December 2020 (Euro 30,094 thousand) following the acquisition of control by Landi Renzo S.p.A. of the SAFE&CEC Group and the acquisition of the Metatron Group, resulting in their line-by-line consolidation.

(Thousands of Euro)

| CGU | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Green Transportation – Automotive | 49,948 | 30,094 | 19,854 |
| Clean Tech Solutions – Infrastructure | 25,393 | 0 | 25,393 |
| **Total** | **75,341** | **30,094** | **45,247** |

In April, Landi Renzo S.p.A. and Clean Energy Fuels Corp entered into an agreement to amend the shareholders' agreements of the investee company SAFE&CEC S.r.l., operating in the "Clean Tech Solutions" segment, as approved by the Board of Directors Landi Renzo S.p.A. at its meeting held on 12 April 2021. The change in the shareholders' agreements provided Landi Renzo S.p.A. with greater decision-making autonomy, permitting it to exercise control over SAFE&CEC S.r.l. and resulting in its line-by-line consolidation pursuant to the international accounting standards (IFRS 10). The shares of the two shareholders have remained unchanged: 51% for Landi Renzo S.p.A. and 49% for Clean Energy Fuels Corp.

Subsequently, on 5 August 2021 Landi Renzo S.p.A. completed the above-mentioned acquisition of 49% of the share capital of Metatron S.p.A., intended to also acquire the remaining 51% of the share capital of Metatron S.p.A., therefore representing a binding agreement for the purchase of 100% of the shares of Metatron S.p.A. Pursuant to IFRS 10, according to the characteristics of the sale agreement and the governance system established in the contract, it was consolidated as of August 2021 and the payable for the acquisition of the company was recognised for the residual value of Euro 24.5 million, to be paid on a date subsequent to the end of 2021, according to the methods described in the "Significant events in the financial year" section.

With reference to the change of control of the SAFE&CEC Group, please note that, pursuant to IFRS 3, the Landi Renzo Group's interests in that company were measured at fair value at the date of acquisition of control. As a result, goodwill of Euro 25,393 thousand was recognised in the consolidated statement of financial position in addition to income from consolidation amounting to Euro 8,783 thousand recognised in the income statement and determined as the difference between the above-mentioned fair value and the most recent measurement with the equity method of the investment in the SAFE&CEC Group at the date of acquisition of control. The fair value at the combination date was determined by a leading independent expert.

In light of the transactions mentioned above, the goodwill recognised in the consolidated financial statements as at 31 December 2021 of the SAFE&CEC Group and the Metatron Group, amounting to Euro 25,393 thousand and Euro 19,854 thousand, respectively, was determined as the difference between the fair value of the share held by the Landi Renzo Group in the SAFE&CEC Group (51%) and in the Metatron Group (share considered at 100% by virtue of the binding sale agreement entered into by the parties) and the Group's share of the carrying amount of the assets and liabilities acquired. Aside from the goodwill attributable to the above-mentioned groups, the value of the goodwill attributable to Landi Renzo S.p.A. was recognised in the consolidated financial statements for an overall value of Euro 30,094 thousand.

The "Purchase Price Allocation" established by IFRS 3 in the case of business combinations, or the measurement of the assets and liabilities acquired at fair value, was completed for the SAFE&CEC Group at the date of 31 December 2021. This assessment did not bring to light any values to be allocated with reference to the assets and liabilities acquired at fair value.

With reference to the Metatron Group, taking into account the acquisition in August 2021 and given the complexity and characteristics of the transaction in question, the "Purchase Price Allocation" is currently under way and is expected to be completed within the terms permitted by the international accounting standard, or within 12 months of the above-mentioned acquisition date.

Details of the business combination with the SAFE&CEC Group are provided below:

(Thousands of Euro)

| SAFE&CEC COMBINATION | Carrying Amounts | PPA | Fair value |
|---|---|---|---|
| Land, property, plant, machinery and other equipment | 1,674 | | 1,674 |
| Development costs | 2,068 | | 2,068 |
| Other intangible assets with finite useful lives | 6,649 | | 6,649 |
| Right-of-use assets | 6,687 | | 6,687 |
| Other non-current assets | 926 | | 926 |
| Deferred tax assets | 137 | | 137 |
| **Non-current assets** | **18,141** | **0** | **18,141** |
| | | | |
| Trade receivables | 14,458 | | 14,458 |
| Inventories | 11,985 | | 11,985 |
| Contract work in progress | 17,548 | | 17,548 |
| Other receivables and current assets | 5,645 | | 5,645 |
| Cash and cash equivalents | 2,966 | | 2,966 |
| **Current assets** | **52,602** | **0** | **52,602** |
| | | | |
| Other non-current financial liabilities | 916 | | 916 |
| Non-current liabilities for rights of use | 6,702 | | 6,702 |
| Provisions for risks and charges | 755 | | 755 |
| Defined benefit plans for employees | 608 | | 608 |
| Deferred tax liabilities | 1,216 | | 1,216 |
| **Non-current liabilities** | **10,197** | **0** | **10,197** |
| | | | |
| Bank financing and short-term loans | 10,362 | | 10,362 |
| Other current financial liabilities | 2,760 | | 2,760 |
| Current liabilities for rights of use | 680 | | 680 |
| Trade payables | 22,309 | | 22,309 |
| Tax liabilities | 252 | | 252 |
| Other current liabilities | 14,455 | | 14,455 |
| **Current liabilities** | **50,818** | **0** | **50,818** |
| | | | |
| **Total net assets acquired** | | | **9,728** |
| **Percentage of control Landi Renzo S.p.A.** | | | **51%** |
| **Group's share of net assets acquired** | | | **4,961** |
| **Value of the stake in Landi Renzo S.p.A.** | | | **21,571** |
| **Fair value 51%** | | | **30,354** |
| **Income from combination** | | | **8,783** |
| **Clean Tech Solutions CGU goodwill** | | | **25,393** |
| **Cash acquired** | | | **2,966** |

Details of the business combination with the Metatron Group are provided below:

(Thousands of Euro)

| METATRON COMBINATION | Carrying Amounts |
|---|---|
| Land, property, plant, machinery and other equipment | 1,958 |
| Development costs | 1,111 |
| Other intangible assets with finite useful lives | 1,319 |
| Right-of-use assets | 3,583 |
| Other non-current assets | 463 |
| Deferred tax assets | 544 |
| **Non-current assets** | **8,978** |
| | |
| Trade receivables | 11,283 |
| Inventories | 7,886 |
| Other receivables and current assets | 1,206 |
| Cash and cash equivalents | 1,868 |
| **Current assets** | **22,243** |
| | |
| Other non-current financial liabilities | 5,514 |
| Non-current liabilities for rights of use | 2,938 |
| Provisions for risks and charges | 443 |
| Defined benefit plans for employees | 1,914 |
| **Non-current liabilities** | **10,809** |
| | |
| Bank financing and short-term loans | 5,272 |
| Current liabilities for rights of use | 645 |
| Trade payables | 4,713 |
| Tax liabilities | 658 |
| Other current liabilities | 2,232 |
| **Current liabilities** | **13,520** |
| | |
| **Total net assets acquired** | **6,892** |
| **Percentage of control Landi Renzo S.p.A.** | **100%** |
| **Group's share of net assets acquired** | **6,892** |
| **Value of the stake in Landi Renzo S.p.A.** | **26,746** |
| **Green Transportation CGU goodwill** | **19,854** |
| **Cash acquired** | **1,868** |
| **Share of price paid as at 31 December 2021** | **-1,311** |

In order to identify the CGUs to which to allocate the goodwill tested for impairment, please note that the management, taking into account the Group reorganisation process taking place over recent years, the Group's current organisational structure, the methods whereby control is exercised over operations and the acquisition transactions taking place during the year and cited above, has identified two operating segments (Cash Generating Units or CGUs) in which the Landi Renzo Group operates. These segments refer to:

- the "Green Transportation – Automotive" CGU, dedicated primarily to the design, manufacture and sale through the OEM and After Market channels of mechanical and electronic systems and components for the use of gas, which includes the Landi Renzo Group and, as of August 2021, the results of the Metatron Group as well. The Metatron acquisition is included within the above-mentioned CGU as the management of the Landi Group immediately initiated the integrated management of Metatron with the other company functions of Landi Renzo S.p.A., intended to achieve significant synergies at the level of operating costs and investments, both for the former Metatron division and for the pre-existing "Automotive" division, which are reflected in the new business plan of the "Green Transportation – Automotive" segment, which was therefore prepared with this in mind;

- the "Clean Tech Solutions - Infrastructure" CGU, which includes the SAFE&CEC Group active in the design and manufacture of compressors for the processing and distribution of gas as well as operations in the Oil & Gas market.

As required by IAS 36, the Group evaluated whether there were indicators of impairment with reference to the financial statements at 31 December 2021. Therefore, all goodwill in existence at 31 December 2021 was tested for impairment and the relative results were approved by the Board of Directors of the Parent Company on 15 March 2022.

Following up on what is set forth above, and to take into account the changed market environment, the directors prepared a new Group economic-financial plan for the 2022-2025 period, which was approved by the Landi Renzo S.p.A. Board of Directors on 15 March 2022 and calls for a share capital increase of up to a maximum of Euro 60 million described in the disclosure provided in the "Going concern" section in these explanatory notes.

With reference to the assessments performed on the value of goodwill, please note that the effects of the share capital increase were not considered in the economic-financial plan used in order to perform the impairment test on goodwill.

For said impairment tests, the terminal values were estimated to reflect the values of goodwill beyond the explicit period, on the assumption that the companies will continue to operate as a going concern. Expected cash flows refer to current operating conditions and therefore do not include cash flows linked with intervening extraordinary events.

The recoverable value of goodwill was defined with respect to the value in use, intended as the current net value of operating cash flows, appropriately discounted according to the DCF (Discounted Cash Flow) method.

The discount rate was calculated as the weighted average cost of capital ("W.A.C.C."), net of taxes, determined as the weighted average between the cost of equity, calculated using the CAPM (Capital Asset Pricing Model) method, and the cost of debt. The rate, as required by IAS 36, was determined with reference to the operating risk of the sector and the financial structure of a sample of listed companies comparable to the Group in terms of risk profile and sector of activity.

The following aspects were taken into consideration to determine the discount rate:

- the approach which considers the country risk implicit in the risk free rate was used in determining the discount rate;
- the risk free rate was determined using as a reference the average return on 10-year US government bonds;
- the unlevered beta parameter and the market target financial structure used for the releveraging of that parameter were identified on the basis of a representative panel of comparable companies.

Green Transportation – Automotive CGU

On the basis of the parameters set forth above, the risk-free rate is 1.45%, so the weighted average cost of capital (W.A.C.C.) relating to the Green Transportation - Automotive CGU is therefore equal to 10.23% (10.27% as at 31 December 2020). The "g" growth rate is instead 3.45% (3.08% as at 31 December 2020).

Clean Tech Solutions – Infrastructure CGU

On the basis of the parameters set forth above, the risk-free rate is 1.45%, so the weighted average cost of capital (W.A.C.C.) relating to the Clean Tech Solutions - Infrastructure CGU is therefore equal to 10.60% (10.64% as at 31 December 2020). The "g" growth rate is instead 2.00% (2.00% as at 31 December 2020).

As regards both of the above-mentioned impairment tests, specific sensitivity analyses were performed as required by valuation practices which did not bring to light any critical issues with regard to the recoverable amount of the goodwill recognised.

The main sensitivity analyses performed, in order to provide specific indications on the changes in the basic assumptions which make the recoverable value equal to the carrying amount, are shown below: Based on the information available at the current date, these changes moreover appear to be unrealistic:

(Millions of Euro)

| | Surplus of recoverable value over the carrying amount | EBITDA | Discount rate including tax % |
|---|---|---|---|
| Green Transportation – Automotive CGU | 46.9 | 30.6 | 12.30% |
| Clean Tech Solutions – Infrastructure CGU | 52.2 | 17.1 | 15.78% |

These tests, which were prepared with the support of an independent external advisor, and the results of which were approved by the Board of Directors of the Parent Company on 15 March 2022, did not bring to light any impairment losses.

Furthermore, the stock market capitalisation value of Landi Renzo S.p.A. at 31 December 2021 amounted to Euro 93 million and taking into account share performance until 15 March 2022, which was stably significantly higher than the value of the consolidated shareholders' equity, please note that no indicators of impairment emerged in that context.

## 5. OTHER INTANGIBLE ASSETS WITH FINITE USEFUL LIVES

Changes in other intangible assets with finite useful lives that occurred during 2020 are shown in detail below:

(Thousands of Euro)

| Net value | 31/12/2019 | Acquisitions | Amortisation rates | Other changes | 31/12/2020 |
|---|---|---|---|---|---|
| Patents and intellectual property rights | 449 | 275 | -310 | -60 | 354 |
| Concessions and trademarks | 12,087 | 62 | -1,643 | 0 | 10,506 |
| **Total** | **12,536** | **337** | **-1,953** | **-60** | **10,860** |

Changes in other intangible assets with finite useful lives that occurred during 2021 are shown in detail below:

(Thousands of Euro)

| Net value | 31/12/2020 | Variation in the consolidation area | Acquisitions | Amortisation rates | Other changes | 31/12/2021 |
|---|---|---|---|---|---|---|
| Patents and intellectual property rights | 354 | 1,415 | 118 | -338 | -165 | 1,384 |
| Concessions and trademarks | 10,506 | 6,553 | 185 | -1,967 | 50 | 15,327 |
| **Total** | **10,860** | **7,968** | **303** | **-2,305** | **-115** | **16,711** |

Other intangible assets with finite useful lives decreased from Euro 10,860 thousand at 31 December 2020 to Euro 16,711 thousand at 31 December 2021, and include:

- licenses for specific applications and supporting software for research and development activities, as well the purchase of management software licenses;
- the net value of Group trademarks, and in particular Lovato (for Euro 4,434 thousand), AEB (for Euro 3,647 thousand) and SAFE (for Euro 4,184 thousand) and other minor trademarks. These trademarks are currently in use, and are entered in the consolidated accounts according to the fair value at the time of purchase according to evaluations made by independent professionals, net of the accumulated amortisation. These values are amortised over 18 years, the period deemed to represent the useful lifetime of the trademarks.

At the date of these consolidated financial statements, no indicators affecting the recoverability of the above values in the financial statements had been identified.
The increase in the period, equal to Euro 303 thousand, is mainly due to the purchase of new software licences.

During the year there were no events or circumstances that indicate possible impairment in relation to the other intangible assets mentioned above.

## 6. RIGHT-OF-USE ASSETS

Changes in right-of-use assets that occurred during 2020 are shown in detail below:

(Thousands of Euro)

| Net value | 31/12/2019 | Increases | Amortisation rates | Other changes | 31/12/2020 |
|---|---|---|---|---|---|
| Buildings | 5,595 | 854 | -1,941 | -77 | **4,431** |
| Motor vehicles | 807 | 80 | -313 | -30 | **544** |
| **Total** | **6,402** | **934** | **-2,254** | **-107** | **4,975** |

Changes in right-of-use assets that occurred during 2021 are shown in detail below:

(Thousands of Euro)

| Net value | 31/12/2020 | Variation in the consolidation area | Increases | Amortisation rates | Other changes | 31/12/2021 |
|---|---|---|---|---|---|---|
| Buildings | 4,431 | 9,385 | 0 | -2,725 | -213 | **10,878** |
| Plant and machinery | 0 | 646 | 0 | -66 | 18 | **598** |
| Motor vehicles | 544 | 239 | 82 | -345 | -5 | **515** |
| **Total** | **4,975** | **10,270** | **82** | **-3,136** | **-200** | **11,991** |

Right-of-use assets decreased from Euro 4,975 thousand at 31 December 2020 to Euro 11,991 thousand at 31 December 2021.

The increase in this item since last year is primarily due to the consolidation of the SAFE&CEC Group for the amount of Euro 6,687 thousand, and in particular to the lease agreements on the properties located in San Giovanni in Persiceto (BO) and in Canada, the registered offices of the companies SAFE S.p.A. and IMW Industries Canada, respectively.
The contribution of the Metatron Group amounts to Euro 3,583 thousand and refers in particular to the lease agreements on the properties located in Castel Maggiore (BO) and Shanghai (China), the registered offices of the companies Metatron S.p.A. and Metatron Control System Ltd, respectively.

The other changes include exchange effects as well as the redetermination of the value of the lease agreement on the property located in Vicenza, the registered office of Lovato Gas S.p.A. (merged into Landi Renzo S.p.A. in the previous year) and for which the early withdrawal option was exercised as governed by the relative agreement.

## 7. EQUITY INVESTMENTS MEASURED USING THE EQUITY METHOD

This item, equal to Euro 2,028 thousand, includes the value of the Joint Venture Krishna Landi Renzo Prv Ltd, assessed using the equity method.

(Thousands of Euro)

| Equity investments measured using the equity method | 31/12/2020 | Variation in the consolidation area | Increases | Decreases | 31/12/2021 |
|---|---|---|---|---|---|
| Krishna Landi Renzo India Private Ltd Held | 742 | 0 | 1,286 | 0 | 2,028 |
| SAFE & CEC S.r.l. | 21,767 | -21,571 | 0 | -196 | 0 |
| **Total** | **22,509** | **-21,571** | **1,286** | **-196** | **2,028** |

In particular:

- the equity investment held in the joint venture Krishna Landi Renzo Prv Ltd was revalued by Euro 1,286 thousand due to the positive results for the period. In the course of the year ending on 31 December 2021, this company significantly boosted its sales to a major Indian OEM customer, recording revenue of Euro 19.6 million and EBITDA of Euro 3.6 million;
- the equity investment held in the joint venture SAFE & CEC S.r.l. changed by Euro 21,571 thousand following its line-by-line consolidation. As cited previously, the amendment of the shareholders' agreements attributed greater decision-making autonomy to Landi Renzo S.p.A., resulting in its acquisition of control starting in May 2021. Until that date, it was measured with the equity method, recording a negative change of Euro 196 thousand, of which Euro -666 thousand attributed to the income statement, for the Group's share of the loss for the period, and a positive Euro 470 thousand attributed to the statement of comprehensive income, related to changes accounted for by the company in the statement of comprehensive income.

## 8. OTHER NON-CURRENT FINANCIAL ASSETS

This item breaks down as follows:

(Thousands of Euro)

| Other non-current financial assets | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| EFI Avtosanoat-Landi Renzo LLC | 0 | 97 | -97 |
| Loan to Krishna Landi Renzo | 600 | 600 | 0 |
| Guarantee deposits | 177 | 204 | -27 |
| Other financial assets | 105 | 20 | 85 |
| **Total** | **882** | **921** | **-39** |

Other non-current financial assets, equal to Euro 882 thousand (Euro 921 thousand at 31 December 2020) includes mainly:

- guarantee deposits for Euro 177 thousand;
- the Euro 600 thousand loan, disbursed in 2020 by the Parent Company to the joint venture Krishna Landi Renzo in order to finance current operations. This 5-year loan bears half-yearly interest at market rates.

The value of the equity investment in the Joint Venture EFI Avtosanoat Landi Renzo – LLC, valued using the cost method and not consolidated because it is not significant, was written down by Euro 97 thousand.

## 9. OTHER NON-CURRENT ASSETS

Other non-current assets, totalling Euro 2,556 thousand (Euro 2,850 thousand as at 31 December 2020), include primarily the portion beyond the financial year of the receivable from AVL Italia S.r.l. relative to the sale of the company branch relating to the part of the Technical Centre intended for laboratory management, the contract of which stipulates the receipt of 10 annual instalments and the charging of interest on the residual receivable at the end of each financial year.

## 10. DEFERRED TAX ASSETS

This item breaks down as follows:

(Thousands of Euro)

| Taxes | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Deferred tax assets | 15,615 | 13,869 | 1,746 |
| Deferred tax liabilities | -2,131 | -1,668 | -463 |
| **Total** | **13,484** | **12,201** | **1,283** |

The following table shows the values of the offsettable deferred tax assets and liabilities and their movements from 31 December 2020 to 31 December 2021:

| Net deferred tax assets | 31/12/2020 | Variation in the consolidation area | Uses | Write-downs | Temporary differences | Other changes | 31/12/2021 |
|---|---|---|---|---|---|---|---|
| Temporary differences | 4,291 | 999 | -660 | | 814 | 3 | 5,447 |
| Other deferred tax assets | 362 | 357 | -37 | | 37 | | 719 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Tax losses | 9,216 | 187 | -150 | | 196 | | 9,449 |
| **a) Total deferred tax assets** | **13,869** | **1,543** | **-847** | **0** | **1,047** | **3** | **15,615** |
| Other temporary differences | 14 | 863 | -835 | | 605 | | 647 |
| Intangible assets | 1,654 | 0 | -379 | | 209 | | 1,484 |
| **b) Total offsettable deferred tax liabilities** | **1,668** | **863** | **-1,214** | **0** | **814** | **0** | **2,131** |
| **a-b) Total net deferred tax assets** | **12,201** | **680** | **367** | **0** | **233** | **3** | **13,484** |

Net deferred tax assets, totalling Euro 13,484 thousand (Euro 12,201 thousand at 31 December 2020), related to both temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax values recognised, and to the losses from the national tax consolidation scheme deemed to be recoverable on the basis of company plans, the realisation of which is subject to the intrinsic risk of non-implementation inherent in its provisions. The total value of net deferred tax assets includes the contribution deriving from the initial consolidation of the SAFE&CEC Group and the Metatron Group.

With reference to tax losses, the management, assisted by its tax advisors, prepared an analysis aimed at verifying the recoverability of deferred tax assets, based on the forecasts of the new economic-financial plan for the years 2022-2025, approved by the Board of Directors on 15 March 2022.This analysis did not identify any problems related with the recoverability of deferred tax assets recognised in the financial statements. On a prudential basis, no deferred tax assets on tax losses recognised by the Parent Company as at 31 December 2021 or on previous losses were allocated.

At 31 December 2021 offsettable deferred tax liabilities totalled Euro 2,131 thousand (Euro 1,668 thousand at 31 December 2020), with an increase of Euro 463 thousand, and are primarily related to temporary differences between the carrying amounts of certain tangible and intangible assets and the values recognised for tax purposes.

## CURRENT ASSETS

### 11. TRADE RECEIVABLES

Trade receivables (including trade receivables due from related parties), stated net of the related depreciation fund, are analysed by geographical segment as follows:

(Thousands of Euro)

| Trade receivables by geographical area | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Italy | 13,540 | 8,231 | 5,309 |
| Europe (excluding Italy) | 18,270 | 11,198 | 7,072 |

| | | | |
|---|---|---|---|
| America | 23,837 | 11,745 | 12,092 |
| Asia and Rest of the World | 18,773 | 14,326 | 4,447 |
| Provision for bad debts | -8,372 | -6,147 | -2,225 |
| **Total** | **66,048** | **39,353** | **26,695** |

Trade receivables totalled Euro 66,048 thousand, net of the provision for bad debts equal to Euro 8,372 thousand, compared with Euro 39,353 thousand at 31 December 2020, a value net of a provision for bad debts of Euro 6,147 thousand. This increase is basically associated with the consolidation of the SAFE&CEC Group and the Metatron Group.
Total transactions for the assignment of trade receivables through factoring without recourse, for which the corresponding receivables were derecognised, amounted to Euro 12.2 million (Euro 11.7 million at 31 December 2020).
There are no non-current trade receivables or receivables secured by collateral guarantees.

Receivables from related parties totalled Euro 3,030 thousand (Euro 3,079 thousand at 31 December 2020) and related to supplies of goods to the Joint Venture Krishna Landi Renzo India Private Ltd Held, the Joint Venture EFI Avtosanoat-Landi Renzo LLC and the Pakistani company AutoFuels. All the related transactions are carried out at arm's length conditions.

The provision for bad debts, which was calculated using analytical criteria on the basis of the data available and, in general, of the historical trend, changed as follows:

(Thousands of Euro)

| Provision for bad debts | 31/12/2020 | Consolidation scope | Allocation | Uses | Other changes | 31/12/2021 |
|---|---|---|---|---|---|---|
| Provision for bad debts | 6,147 | 1,428 | 1,024 | -301 | 74 | 8,372 |

The allocations made during the year, necessary in order to adjust the carrying amount of the receivables to their assumed recovery value, amounted to Euro 1,024 thousand (compared with Euro 156 thousand at 31 December 2020). Uses during the year, on the other hand, totalled Euro 301 thousand.
The contribution deriving from the consolidation of the SAFE&CEC Group and the Metatron Group was Euro 1,102 thousand and Euro 326 thousand, respectively.
The column “Other changes” includes translation differences.

In accordance with the requirements of Accounting Standard IFRS 7, the following table provides information on the maximum credit risk divided by past due credit classes, gross of the bad debt provision:

(Thousands of Euro)

| | Total | Not past due | Past due | | |
|---|---|---|---|---|---|
| | | | 0-30 days | 30-60 days | 60 and beyond |
| Trade receivables at 31/12/2021 | 74,420 | 43,784 | 5,610 | 4,393 | 20,633 |
| Trade receivables at 31/12/2020 | 45,500 | 24,983 | 2,120 | 2,077 | 16,320 |

## 12. INVENTORIES

This item breaks down as follows:

(Thousands of Euro)

| Inventories | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Raw materials and parts | 42,001 | 28,500 | 13,501 |
| Work in progress and semi-finished products | 15,779 | 10,865 | 4,914 |
| Finished products | 21,904 | 10,422 | 11,482 |
| (Inventory write-down reserve) | -10,788 | -7,778 | -3,010 |
| **Total** | **68,896** | **42,009** | **26,887** |

Closing inventories totalled Euro 68,896 thousand, net of the inventory write-down reserve of Euro 10,788 thousand. The increase of Euro 26,887 thousand relates to:

- the consolidation of the SAFE&CEC Group and the Metatron Group;
- the procurement of electronic components and other strategic components in order to reduce to a minimum the risks of possible stock disruptions caused by issues in obtaining components in the market.

The Group estimated the size of the inventory write-down reserve so as to take account of the risks of technical obsolescence of inventories and to align the book value with their assumed recovery value. At 31 December 2021, this item totalled Euro 10,788 thousand (Euro 7,778 thousand at 31 December 2020), marking an increase primarily due to the contribution deriving from the consolidation of the SAFE&CEC Group and the Metatron Group.
The inventory write-down reserve recorded allocations during the year amounting to Euro 1,203 thousand, of which Euro 450 thousand in non-recurring provisions recognised for slow-moving inventory and utilisations of Euro 319 thousand.

## 13. CONTRACT WORK IN PROGRESS

Contract work in progress totalled Euro 15,653 thousand at 31 December 2021 (zero at 31 December 2020), referring entirely to Clean Tech Solutions orders in progress. The increase recorded compared with 31 December 2020 can be attributed to the above-mentioned consolidation of the SAFE&CEC Group.

## 14. OTHER RECEIVABLES AND CURRENT ASSETS

This item breaks down as follows:

(Thousands of Euro)

| Other receivables and current assets | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Tax assets | 7,169 | 3,326 | 3,843 |
| Receivables from others | 6,308 | 2,695 | 3,613 |
| Accruals and deferrals | 966 | 691 | 275 |
| **Total** | **14,443** | **6,712** | **7,731** |

**Tax assets**

Tax assets consist primarily of VAT recoverable from the tax authorities for Euro 4,327 thousand and income tax credit of Euro 1,830 thousand.

This item also includes the tax credit recognised to the parent company Landi Renzo S.p.A. for research and development activities carried out in 2020, pursuant to Art. 1 of Law 160/2019, amounting to Euro 280 thousand.

**Receivables from others**

(Thousands of Euro)

| Receivables from others | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Advances to suppliers | 2,728 | 412 | 2,316 |
| Receivables from social security institutes | 93 | 49 | 44 |
| Credit notes to be received | 1,407 | 1,016 | 391 |
| Other receivables | 2,080 | 1,218 | 862 |
| **Total** | **6,308** | **2,695** | **3,613** |

Receivables from others include primarily advances to suppliers (Euro 2,728 thousand) and provisions for credit notes to be received (Euro 1,407 thousand), up compared with the previous year as a result of the increase in volumes purchased.

"Other receivables" also include the short-term receivables from AVL Italia S.r.l. relating to the aforementioned sale of the company branch as well as the relative accrued interest for a total of Euro 570 thousand.

**Accruals and deferrals**

Accruals and deferrals relate mainly to prepaid expenses for long-term business services, insurance premiums, leases, association fees and hardware /software maintenance fees paid in advance, in addition to costs incurred in advance on commercial projects which will have economic benefits starting from next half-year.

At 31 December 2021, there were no deferred charges or accrued income of a duration of more than 5 years.

## 15. CURRENT FINANCIAL ASSETS

This item breaks down as follows:

(Thousands of Euro)

| Current financial assets | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| SAFE S.p.A. loan | 0 | 2,801 | -2,801 |
| **Total** | **0** | **2,801** | **-2,801** |

Other current financial assets amount to zero as at 31 December 2021 (Euro 2,801 thousand as at 31 December 2020). This item was down due to the full repayment of the loan disbursed by Landi Renzo S.p.A. to SAFE S.p.A. during the year for a total of Euro 2,801 thousand.

## 16. CASH AND CASH EQUIVALENTS

This item, consisting of the active balances of bank current accounts and cash in hand in both Euro and foreign currency, breaks down as follows:

(Thousands of Euro)

| Cash and cash equivalents | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Bank and post office accounts | 27,930 | 21,897 | 6,033 |
| Cash | 109 | 17 | 92 |
| **Total** | **28,039** | **21,914** | **6,125** |

Cash and cash equivalents at 31 December 2021 totalled Euro 28,039 thousand (Euro 21,914 thousand at 31

December 2020). For an analysis of the production and absorption of cash during the year, please refer to the consolidated Statement of Cash Flows.
The credit risk relating to Cash and cash equivalents is therefore deemed to be limited since the deposits are split over primary national and international banking institutions.

## 17. SHAREHOLDERS' EQUITY

The following table provides a breakdown of consolidated shareholders' equity items:

(Thousands of Euro)

| Shareholders' equity | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Share capital | 11,250 | 11,250 | 0 |
| Other reserves | 44,615 | 53,199 | -8,584 |
| Profit (loss) for the period | -977 | -7,662 | 6,685 |
| **Total Shareholders' equity of the Group** | **54,888** | **56,787** | **-1,899** |
| Capital and Reserves attributable to minority interests | 4,216 | -285 | 4,501 |
| Profit (loss) attributable to minority interests | 1,522 | -188 | 1,710 |
| **Total minority interests** | **5738** | **-473** | **6,211** |
| **Total consolidated equity** | **60,626** | **56,314** | **4,312** |

The share capital stated is the fully subscribed and paid-up share capital of the company Landi Renzo S.p.A. which is equal to a nominal Euro 11,250 thousand, subdivided into a total of 112,500,000 shares, with a nominal value equal to Euro 0.10.

Consolidated shareholders' equity at 31 December 2021 shows a variation of Euro 4,312 thousand compared with 31 December 2020, mainly due to the profit for the period, the change in the translation reserve, the recognition in the statement of comprehensive income of part of the valuation of the joint venture SAFE&CEC using the equity method (limited to the first four months of 2021) and the recognition of financial derivative contracts according to the hedge accounting method.

For further details on the changes compared with 31 December 2021, please refer to the Consolidated Statement of Changes in Equity.

The other reserves are shown in detail below:

(Thousands of Euro)

| Other reserves | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Statutory reserve | 2,250 | 2,250 | 0 |
| Extraordinary and Other Reserves | 13,419 | 20,231 | -6,812 |
| Share Premium Reserve | 28,946 | 30,718 | -1,772 |
| **Total Other Reserves of the Group** | **44,615** | **53,199** | **-8,584** |

The balance of the Statutory Reserve totalled Euro 2,250 thousand and remains unchanged since it has reached one fifth of the share capital.

The Extraordinary Reserve and the other reserves refer to the profits recorded by the Parent Company and by the subsidiary companies in the preceding years and have decreased by Euro 6,812 thousand as a result of the following changes:

- the partial coverage of the loss for the previous year for Euro 5,890 thousand;
- the change in the translation reserve for a negative amount of Euro 1,424 thousand;
- the recognition in the statement of comprehensive income of a part of the measurement of the joint venture SAFE&CEC for a positive Euro 554 thousand, based on the equity method;
- the release of the shareholders' equity reserve pursuant to IFRS 2 of the Performance share plan following the fair value measurement of the plan for a negative Euro 296 thousand;
- the recognition, according to hedge accounting rules, of financial derivative contracts for a positive Euro 282 thousand;
- other changes for a total positive amount of Euro 38 thousand.

The Share Premium Reserve amounted to Euro 28,946 thousand (Euro 30,718 thousand) and decreased following its partial use to cover the loss for the year 2020 of the Parent Company.

The minority interest represents the share of equity and result for the year of minority interests of companies not owned in full by the Group, the significant change in which is linked to the consolidation of the SAFE&CEC Group, 51% held by the Landi Renzo Group.
Minority interests were not considered with reference to the consolidation of the Metatron Group, by virtue of the binding contract for the purchase of 100% of its shares by Landi Renzo S.p.A. and considering the absence of conditions precedent on the acquisition of the additional 51% of the share capital.

## NON-CURRENT LIABILITIES

### 18. NON-CURRENT BANK LOANS

This item breaks down as follows:

(Thousands of Euro)

| Non-current bank loans | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Loans and financing | 10,174 | 68,672 | -58,498 |
| Amortised cost | 0 | -491 | 491 |
| **Total** | **10,174** | **68,181** | **-58,007** |

This item includes the medium/long term portion of bank debts for unsecured loans and finance. It totalled Euro 10,174 thousand at 31 December 2021, compared with Euro 68,181 thousand at 31 December 2020.

On 3 December 2021 the parent company Landi Renzo S.p.A. presented to the various financial institutions "Waiver Letters" containing some specific requests for consent and/or exemption in relation to the outstanding loan agreements, particularly with reference to the possibility of failure to comply with financial covenants at 31 December 2021. Following punctual negotiations, on 9 February 2022 all credit institutions underwriting the loans issued waiver letters, providing their consent not to calculate the financial parameters at 31 December 2021, to taking out a new planned subsidised medium/long-term loan (finalised in 2022) and to the deferment of the principal instalment falling due on 31 December 2021. The latter, amounting to Euro 4,714 thousand, was rescheduled in an equal amount to the following three instalments falling due on 30 June 2022, 31 December 2022 and 30 June 2023.
For the above-mentioned reasons and taking into account that the waiver letters from the financial institutions involved were issued in February 2022, or on a date subsequent to the end of the year closing at 31 December 2021, for the proper presentation of the values in the financial statements, the remaining payable on such loans has been classified as short term.
For a full presentation of the events, please also refer to the "Significant events after the reporting period and business outlook" section of the Directors' Report.
The amount of "non-current bank loans" at 31 December 2021, totalling Euro 10,174 thousand, therefore refers to payable positions of the SAFE&CEC Group, the Metatron Group and other subsidiaries.

The structure of the debt is exclusively at a variable rate indexed to the Euribor and increased by a spread aligned with the normal market conditions, partially hedged by financial derivatives; the debt currency is in the Euro.
The borrowing currency is the Euro, except for the loan provided in United States dollars by the Bank of the West, totalling USD 4 million. The loans are not secured by real collateral and there are no clauses

other than the early payment clauses normally envisaged by commercial practice.

The annual repayment plan for loans and financing, based on the balances at 31 December 2021, is shown below.

(Thousands of Euro)

| Maturities | Loans and financing |
|---|---|
| 2022 | 78,066 |
| Amortised cost | -488 |
| **Bank financing and short-term loans** | **77,578** |
| 2023 | 3,585 |
| 2024 | 2,219 |
| 2025 | 2,122 |
| 2026 | 1,566 |
| 2027 | 682 |
| Amortised cost | 0 |
| **Non-current bank loans** | **10,174** |
| **Total** | **87,752** |

Taking into account events taking place after the end of the year described above, the annual repayment plan for the medium/long-term loans at the date on which these financial statements were approved is shown below.

(Thousands of Euro)

| Maturities | Loans and financing |
|---|---|
| 2022 | 19,020 |
| Amortised cost | -215 |
| **Bank financing and short-term loans** | **18,805** |
| 2023 | 20,598 |
| 2024 | 36,377 |
| 2025 | 7,372 |
| 2026 | 4,191 |
| 2027 | 680 |
| Amortised cost | -273 |
| **Non-current bank loans** | **68,945** |
| **Total** | **87,750** |

It should be noted that, as indicated in point 2.h) of the Report on Corporate Governance and Ownership Structure, early settlement of loan agreements may be requested should there be a change of control of the Parent Company.

It is considered that the carrying amount of non-current bank loans is aligned with their fair value at the date of the financial statements.

At 31 December 2021, the Group had the following further short-term credit facilities, available but not used:

| (Thousands of Euro) | |
|---|---|
| **Credit facilities** | **2021** |
| Cash facility | 4,919 |
| Facility for various uses | 40,896 |
| **Total** | **45,815** |

## 19. OTHER NON-CURRENT FINANCIAL LIABILITIES

At 31 December 2021, other non-current financial liabilities totalled Euro 9,320 thousand (Euro 408 thousand at 31 December 2020) and relate:

- for Euro 6,936 thousand (value net of the effect of amortised cost of Euro 64 thousand) to the bond issued on 30 December 2021 by the subsidiary SAFE S.p.A. and subscribed by Finint, for a value of Euro 7 million and intended to finance the acquisition of 100% of the share capital of Idro Meccanica, which took place in January 2022. The loan, with a contractual duration until 31 August 2021 and a gross annual nominal fixed rate of 5%, calls for half-yearly repayment starting from 1 January 2024 and is also subject to compliance with financial parameters with reference to the data set forth in the consolidated financial statements of the SAFE&CEC Group as at 31 December of each year. In this regard, please note that the financial parameters on the bond issue of the SAFE&CEC Group had been respected at 31 December 2021;
- for Euro 1,200 thousand to the loans disbursed by Simest to the parent company Landi Renzo S.p.A. and the subsidiaries SAFE S.p.A. and Metatron S.p.A. during 2021 initially for a total of Euro 2,000 thousand, of which Euro 800 thousand as a non-repayable grant and recognised in income statement for the shares attributed to the individual companies involved;
- for Euro 821 thousand to the non-current portion of the financial payable of the subsidiary IMW Canada to the lessor of the Canadian plant for improvements made by that lessor on the building in which the company carries on business;
- for Euro 261 thousand to the payable recognised with respect to the minority shareholders of the subsidiary Metatron Control System Shanghai for the acquisition of their shares amounting to 10% of the company's share capital.

The annual repayment plan of other financial liabilities, based on the balances at 31 December 2021, is shown below.

(Thousands of Euro)

| Maturities | Other financial liabilities |
|---|---|
| 2022 | 274 |
| Amortised cost | 0 |
| **Other current financial liabilities** | **274** |
| 2023 | 432 |
| 2024 | 2,167 |
| 2025 | 2,103 |
| 2026 | 2,103 |
| 2027 and beyond | 2,579 |
| Amortised cost | -64 |
| **Other non-current financial liabilities** | **9,320** |
| **Total** | **9,594** |

## 20. NON-CURRENT LIABILITIES FOR RIGHTS OF USE

This item breaks down as follows:

(Thousands of Euro)

| | Net Value at 31/12/2020 | Variation in the consolidation area | Increases | Repayments | Other changes | Net Value at 31/12/2021 |
|---|---|---|---|---|---|---|
| Buildings | 4,475 | 10,075 | 0 | -3,239 | 296 | 11,607 |
| Plant and machinery | 0 | 653 | 0 | -96 | 66 | 623 |
| Motor vehicles | 624 | 238 | 82 | -366 | 13 | 591 |
| **Total** | **5,099** | **10,966** | **82** | **-3,701** | **374** | **12,821** |
| of which current | 2,228 | | | | | 2,624 |
| of which non-current | 2,871 | | | | | 10,197 |

Right-of-use liabilities of Euro 12,821 thousand were recognised in the financial statements at 31 December 2021 (Euro 5,099 thousand at 31 December 2020), after repayments of Euro 3,701 thousand.

The increase in this item since last year is primarily due to the consolidation of the SAFE&CEC Group and the Metatron Group for a total of Euro 10,966 thousand, and in particular refers for the SAFE&CEC Group to the lease agreements on the properties located in San Giovanni in Persiceto (BO) and in Canada, the registered offices of the companies SAFE S.p.A. and IMW Industries Canada, respectively, and for the Metatron Group to the lease agreements on the properties located in Castel Maggiore (BO) and Shanghai

(China), the registered offices of the companies Metatron S.p.A. and Metatron Control System Ltd, respectively.

The remaining increases during the year, amounting to Euro 82 thousand, are linked primarily to the signing of new lease agreements for company vehicles.

The other changes of Euro 374 thousand include exchange effects as well as the redetermination of the value of the lease agreement on the property located in Vicenza, the registered office of Lovato Gas S.p.A. (merged into Landi Renzo S.p.A. in the previous year) and for which the early withdrawal option was exercised as governed by the relative agreement.

## 21. PROVISIONS FOR RISKS AND CHARGES

This item and changes in it are shown in detail below:

(Thousands of Euro)

| Provisions for risks and charges | 31/12/2020 | Variation in the consolidation area | Allocation | Utilisation | Other changes | 31/12/2021 |
|---|---|---|---|---|---|---|
| Provision for product warranties | 2,666 | 934 | 1,578 | -1,350 | 8 | 3,836 |
| Provision for lawsuits in progress | 59 | 43 | 0 | -1 | 6 | 107 |
| Provisions for pensions | 75 | 221 | 43 | -29 | -1 | 309 |
| Other provisions | 97 | 0 | 200 | -15 | 1 | 283 |
| **Total** | **2,897** | **1,198** | **1,821** | **-1,395** | **14** | **4,535** |

The item "Provision for product warranties" includes the best estimate of the costs related to the commitments that the Group companies have incurred as an effect of legal or contractual provisions, in relation to the expenses connected with providing product warranties for a fixed period of time starting from the sale thereof. This estimate was calculated with reference to the historical data of the Group, on the basis of specific contractual content. At 31 December 2021 this provision totalled Euro 3,836 thousand, after allocations of Euro 1,578 thousand and a contribution from the consolidation of the SAFE&CEC Group and the Metatron Group of Euro 491 thousand and Euro 443 thousand, respectively. Uses of the provision for risks for product warranties totalling Euro 1,350 thousand are due to the coverage of warranty costs correlated with supplies provided in previous years.

## 22. DEFINED BENEFIT PLANS FOR EMPLOYEES

The following is the overall change in defined benefit plans for employees:

(Thousands of Euro)

| Defined benefit plans for employees | 31/12/2020 | Variations in the consolidation area | Allocation | Utilisation | Other changes | 31/12/2021 |
|---|---|---|---|---|---|---|
| Employee severance indemnities | 1,556 | 2,522 | 530 | -645 | 14 | 3,977 |

The provision is due to the effect of the revaluation of the TFR (severance pay) for current employees at the end of the period. Uses totalling Euro 645 thousand refer to amounts paid to employees who left their post, while the Other Changes column relates to adjustment of the DBO (Defined Benefit Obligation) according to IAS 19.

The main economic and financial assumptions used by the actuary in charge of estimates, methodologically unchanged since the previous year, are as follows by individual company:

| Actuarial assumptions used for evaluations | 31/12/2021 Landi Renzo | 31/12/2021 Metatron |
|---|---|---|
| Demographic table | 2020 | 2020 |
| Discount rate | 0.52% | 0.66% |
| Probability of request for advance | 1.5% | 4% |
| Expected % of employees who will resign before pension | 8.1% - 8% | 8% |
| Maximum % of TFR (employee severance indemnity) requested in advance | 70% | 70% |
| Annual cost of living increase rate | 1.5% | 1.5% |

The sensitivity analysis shows insignificant variances with respect to the value recognised in the financial statements at 31 December 2021.

## 23. DEFERRED TAX LIABILITIES

At 31 December 2021, deferred tax liabilities that did not meet the offsetting requirements for the purposes of IAS 12 totalled Euro 1,452 thousand (Euro 297 thousand at 31 December 2020), with an increase of Euro 1,155 thousand, mainly related to the above-mentioned changes in the consolidation area, and are primarily related to temporary differences between the book values of certain intangible assets and the values recognised for tax purposes.

| Deferred tax liabilities | 31/12/2020 | Variation in the consolidation area | Uses | Temporary differences | Other changes | 31/12/2021 |
|---|---|---|---|---|---|---|
| Intangible assets | 236 | 1,216 | -48 | | | 1,404 |
| Other temporary differences | 61 | | | | -13 | 48 |
| **Total deferred tax liabilities** | **297** | **1,216** | **-48** | **0** | **-13** | **1,452** |

## 24. LIABILITIES FOR DERIVATIVE FINANCIAL INSTRUMENTS

The breakdown in this item is shown in detail below:

(Thousands of Euro)

| Liabilities for derivative financial instruments | Fair value hierarchy | Notional | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|---|---|
| **Derivatives on interest rates** | | | | | |
| Loans | 2 | 47,995 | 99 | 458 | -359 |
| **Total** | | | **99** | **458** | **-359** |

The item includes the fair value measurement of financial derivative contracts, recognised under hedge accounting, i.e. with a contra-entry in other comprehensive income, as they meet the relative requirements laid out in IFRS 9.

## CURRENT LIABILITIES

## 25. BANK FINANCING AND SHORT-TERM LOANS

The breakdown in this item is shown in detail below:

(Thousands of Euro)

| Bank financing and short-term loans | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Advances, import fin. and other current bank payables | 25,830 | 8,195 | 17,635 |
| Loans and financing | 78,066 | 15,170 | 62,896 |
| Amortised cost | -488 | -257 | -231 |
| **Total** | **103,408** | **23,108** | **80,300** |

“Bank financing and short-term loans”, totalling Euro 103,408 thousand (Euro 23,108 thousand at 31 December 2020), consists of the current portion of existing unsecured loans and financing totalling Euro 78,066 thousand, gross of the amortised cost effect, and the utilisation of short-term commercial credit lines for Euro 25,830 thousand. Please note that the current portion of outstanding mortgages and loans increased compared with the previous year by Euro 62,896 thousand due to the process for obtaining waiver letters from the financial institutions which took place after year-end, entailing the reclassification of all remaining debt for medium/long-term loans to Bank financing and short-term loans.

The table below provides the detail of the Group's Net Financial Position:

(Thousands of Euro)

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Cash and cash equivalents | 28,039 | 21,914 |
| Current financial assets | 0 | 2,801 |
| Bank financing and short-term loans | -103,408 | -23,108 |
| Current right-of-use liabilities | -2,624 | -2,228 |
| Other current financial liabilities | -274 | -378 |
| **Net short term indebtedness** | **-78,267** | **-999** |
| Non-current bank loans | -10,174 | -68,181 |
| Other non-current financial liabilities | -9,320 | -408 |
| Non-current right-of-use liabilities | -10,197 | -2,871 |
| Liabilities for derivative financial instruments | -99 | -458 |
| **Net medium-long term indebtedness** | **-29,790** | **-71,918** |
| Commitments for the purchase of equity investments | -25,436 | 0 |
| **Net Financial Position** | **-133,493** | **-72,917** |
| **Net Financial Position - adjusted (*)** | **-95,137** | **-67,360** |
| *- of which Green Transportation* | -91,114 | -67,360 |
| *- of which Clean Tech Solutions* | -4,023 | |

**(*)** Not including the effects of the adoption of IFRS 16 - Leases, the fair value of derivative financial instruments and the payable for the acquisition of the Metatron Group

The Net Financial Position as at 31 December 2021 is equal to Euro 133,493 thousand (Euro 72,917 thousand as at 31 December 2020), of which Euro 12,821 thousand due to the application of IFRS 16 - Leases, Euro 99 thousand due to the fair value of derivative financial instruments and Euro 25,436 thousand due to the remaining payable for the acquisition of the Metatron Group (amount classified in Other current liabilities in the consolidated statement of financial position). Without considering the effects arising from the adoption of this accounting standard, the fair value of derivative financial instruments and the remaining payable for the acquisition of equity investments, the Net Financial Position as at 31 December 2021 would have been equal to Euro 95,137 thousand, of which Euro 4,023 thousand linked to the Clean Tech Solutions - Infrastructure segment and Euro 91,114 thousand to the Green Transportation - Automotive segment.

The adjusted Net financial position of the Green Transportation - Automotive segment, net of the contribution of the Metatron Group (Euro 7,355 thousand), was up by Euro 16,413 thousand compared with 31 December 2020, especially following the increase in operating capital and investments for the period, as well as the lower margins expressed in the year 2021.

In this regard, and with reference to the financial covenants in place at 31 December 2021 on the main Landi Renzo S.p.A. loans, please note what was already mentioned above with reference to the issue on 9 February 2022 of waiver letters by all credit institutions underwriting the loans which provided their consent with respect to not calculating the financial covenants as at 31 December 2021, taking out a new planned subsidised medium/long-term loan (finalised in the course of 2022) and the deferment of the principal instalment of Euro 4,714 thousand falling due on 31 December 2021, which was rescheduled in an equal amount to the following three instalments falling due on 30 June 2022, 31 December 2022 and 30 June 2023. Furthermore, as described above, the above-mentioned waiver letters are expressly subject to the finalisation of the share capital increase of the parent company Landi Renzo S.p.A. to be carried out in an amount of at least Euro 25.4 million, by no later than 30 June 2022. A dedicated disclosure is provided below in this section with respect to the planned share capital increase transaction.

For the above-mentioned reasons and taking into account that the waiver letters from the financial institutions involved were issued in February 2022, or on a date subsequent to the end of the year closing at 31 December 2021, for the proper presentation of the values in the financial statements, the remaining payable on such loans has been classified as short term.

With respect to the remaining payable for the acquisition of the Metatron Group, amounting to Euro 25,436 thousand at 31 December 2021, please note that in the course of February 2022 the acquisition of an additional 23.43% of Metatron S.p.A. was formalised, so Landi Renzo S.p.A. now holds a stake of 72.43%. For the payment of the total consideration to the minority shareholders and Italy Technology Group S.r.l., amounting to Euro 18,062 thousand, Girefin S.p.A., the controlling shareholder of Landi Renzo S.p.A., made a lump-sum amount available to the Company corresponding to the entire amount of the above-mentioned consideration by means of a shareholder loan bearing interest at an annual rate of 1%. The remaining stake (27.57%) owned by the shareholder Italy Technology Group will be acquired by Landi Renzo S.p.A. by the end of the first half of 2022 for Euro 7,374 thousand.

This provides a significant confirmation of the reference shareholder’s desire to support the Company’s growth, particularly in the Green Transportation segment.

In this regard, please note that in the course of the second half of the year the directors of Landi Renzo S.p.A. initiated procedures to be able to access the measures established under the Fund Supporting Large Companies in difficulty - Decree-Law no. 41/2021, Art. 37, Interministerial Decree of 5 July 2021 and Executive Decree of 3 September 2021, and intended to disburse a significant new line of credit in favour of Landi Renzo S.p.A.

In February 2022, the company received a notification from Invitalia (Agenzia Nazionale per l’Attrazione degli Investimenti e lo sviluppo di impresa SpA) concerning its admission to the above-mentioned procedure and took prompt action to meet the formal requirements established and necessary to proceed with the finalisation of the agreement for the provision of subsidies, which is expected to possibly be concluded by the end of March 2022.

Following up on what is set forth above, and to take into account the changed market environment, the directors prepared a new Group economic-financial plan for the 2022-2025 period, which was approved by the Landi Renzo S.p.A. Board of Directors on 15 March 2022 and calls for a share capital increase of up to a maximum of Euro 60 million.

This transaction is linked to the signing in March 2022 by the controlling shareholders of Landi Renzo - Girefin S.p.A. and Gireimm S.r.l., which hold a total joint investment of 59.16% of the share capital of Landi Renzo - of a non-binding term sheet with Itaca Equity Holding S.p.A., which lays the foundation for a minority investment in the share capital of Landi Renzo, as a long-term investor, aiming to support Landi Renzo's expansion in the compression and automotive segments. The main shareholder of Itaca Equity Holding is Tamburi Investment Partners. The transaction calls for a co-investment by Cristiano Musi, Chief Executive Officer of Landi Renzo. Within the new business plan and in order to provide the Group with the necessary financial resources, the Board of Directors approved the proposal to the upcoming shareholders' meeting to delegate the Board of Directors pursuant to Article 2443 of the Italian Civil Code to increase the share capital by a maximum of Euro 60.0 million, indivisible up to Euro 50.0 million, with the option right, to be paid up by means of contributions in cash and by the voluntary offsetting, pursuant to Article 1252 of the Italian Civil Code, of receivables due to the subscribers from Landi Renzo and to be subscribed by no later than 31 December 2023. The share capital increase is guaranteed by the Landi Family and by Itaca Equity Holding up to the amount of Euro 50.0 million, assuming the completion of the transaction between the Landi Family and Itaca Equity Holding.

## 26. OTHER CURRENT FINANCIAL LIABILITIES

This item, totalling Euro 274 thousand (Euro 378 thousand at 31 December 2020), includes:

- Euro 204 thousand relating to the current portion of the loan obtained by the subsidiary Landi Renzo Polska disbursed by the Polish Development Fund (PFR) on the basis of the business support measures enacted by the Polish government to offset the negative effects of the COVID-19 pandemic on that country's economy;
- Euro 70 thousand relating to the current portion of the financial payable of the subsidiary IMW Canada to the lessor of the building in which the company carries on business;
- 

## 27. CURRENT LIABILITIES FOR RIGHTS OF USE

This item amounted to Euro 2,624 thousand (Euro 2,228 thousand at 31 December 2020) and relates to the current portion of right-of-use payables recognised in the financial statements following the application of the new international accounting standard IFRS 16 - Leases.

## 28. TRADE PAYABLES

Trade payables (including trade payables to related parties) can be analysed by geographical segment as follows:

(Thousands of Euro)

| Trade payables by geographical area | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Italy | 61,521 | 40,680 | 20,841 |
| Europe (excluding Italy) | 8,332 | 9,584 | -1,252 |
| America | 8,164 | 1,117 | 7,047 |
| Asia and Rest of the World | 4,869 | 2,128 | 2,741 |
| **Total** | **82,886** | **53,509** | **29,377** |

Trade payables totalled Euro 82,886 thousand, with an increase of Euro 29,377 thousand compared with 31 December 2020, primarily as a result of the consolidation of the SAFE&CEC Group and the Metatron Group.

Trade payables to related parties are Euro 1,260 thousand (Euro 1,057 thousand at 31 December 2020) and mainly refer to relations with the companies Gireimm S.r.l. and Gestimm S.r.l. for property lease payments. All the related transactions are carried out at arm's length conditions.

## 29. TAX LIABILITIES

At 31 December 2021 tax liabilities, consisting of total amounts payable to the Tax Authorities of the individual States in which the companies of the Group are located, totalled Euro 3,758 thousand, compared with Euro 2,677 thousand at 31 December 2020.

## 30. OTHER CURRENT LIABILITIES

This item breaks down as follows:

(Thousands of Euro)

| Other current liabilities | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Payables to welfare and social security institutions | 2,263 | 1,625 | 638 |
| Other payables (payables to employees, to others) | 36,580 | 2,805 | 33,775 |
| Advance payments | 9,353 | 247 | 9,106 |
| Accrued expenses and deferred income | 1,745 | 358 | 1,387 |
| **Total** | **49,941** | **5,035** | **44,906** |

Other current liabilities amount to Euro 49,941 thousand (Euro 5,035 thousand at 31 December 2020). In particular, the item Other payables includes the above-mentioned remaining payable for the acquisition of Metatron SpA amounting to Euro 25,436 thousand and, for the residual amount, refers primarily to payables for current pay and deferred pay to be settled for employees.

The "Advance payments" item, Euro 9,353 thousand at 31 December 2021, mainly relates to advances paid by customers.

# INCOME STATEMENT

## 31. REVENUES FROM SALES AND SERVICES

This item breaks down as follows:

(Thousands of Euro)

| Revenues from sales and services | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Revenues related to the sale of assets | 238,614 | 139,415 | 99,199 |
| Revenues for services and other revenues | 3,380 | 3,040 | 340 |
| **Total** | **241,994** | **142,455** | **99,539** |

In the financial year which closed on 31 December 2021, the Landi Renzo Group achieved revenues of Euro 241,994 thousand, an increase of Euro 99,539 thousand on the previous year.

This increase is linked to the higher sale volumes compared with the previous year and the effects of the consolidation of the SAFE&CEC Group and the Metatron Group, which contributed approximately Euro 69,080 thousand and Euro 6,085 thousand, respectively.

See the Directors' Report for further details on performance of revenues on sales.

Revenues from related parties totalling Euro 1,554 thousand refer to supplies of goods to the Joint Venture Krishna Landi Renzo India Private Ltd Held and to the Joint Venture EFI Avtosanoat-Landi Renzo LLC, as well as the supply of services to SAFE & CEC S.r.l. and SAFE S.p.A. (limited to the first four months of the year 2021).

## 32. OTHER REVENUES AND INCOME

This item breaks down as follows:

(Thousands of Euro)

| Other revenues and income | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Grants | 1,769 | 211 | 1,558 |
| Other income | 841 | 102 | 739 |
| **Total** | **2,610** | **313** | **2,297** |

"Other revenues and income" totalled Euro 2,610 thousand (Euro 313 thousand at 31 December 2020) and mainly relate to non-repayable grants received by the parent company Landi Renzo S.p.A. and the subsidiaries Landi Renzo Polska, Landi Renzo USA and SAFE S.p.A., on the basis of the subsidies provided to handle the effects of the COVID-19 pandemic on the economies of the various countries.

## 33. COST OF RAW MATERIALS, CONSUMABLES AND GOODS AND CHANGE IN INVENTORIES

This item breaks down as follows:

(Thousands of Euro)

| Cost of raw materials, consumables and goods and change in inventories | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Raw materials and parts | 76,130 | 50,817 | 25,313 |
| Finished products intended for sale | 71,193 | 28,541 | 42,652 |
| Other materials and equipment for use and consumption | 2,949 | 4,854 | -1,905 |
| **Total** | **150,272** | **84,212** | **66,060** |

The total costs for purchases of raw materials, consumables and goods (including the change in inventories) amount to Euro 150,272 thousand (Euro 84,212 thousand at 31 December 2020), an increase of Euro 66,060 thousand compared with 31 December 2020. This increase can be attributed to the above-mentioned consolidation of the SAFE&CEC Group and the Metatron Group as well as the increase in sale volumes with respect to the previous year and rising raw material prices in international markets.

## 34. COSTS FOR SERVICES AND USE OF THIRD-PARTY ASSETS

This item breaks down as follows:

(Thousands of Euro)

| Costs for services and use of third-party assets | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Industrial and technical services | 28,627 | 18,768 | 9,859 |
| Commercial services | 4,282 | 2,334 | 1,948 |
| General and administrative services | 7,992 | 5,409 | 2,583 |
| Non-recurring strategic consultancy | 1,377 | 693 | 684 |
| Costs for use of third-party assets | 797 | 640 | 157 |
| **Total** | **43,075** | **27,844** | **15,231** |

Costs for services and use of third-party assets amounted to Euro 43,075 thousand (Euro 27,844 thousand at 31 December 2020), with an increase of Euro 15,231 thousand, and are inclusive of non-recurring expenses relating to strategic consultancy (Euro 1,313 thousand) for the performance of organisational and strategic analyses to define the new economic-financial plan and costs incurred by the company to handle the COVID-19 emergency (Euro 64 thousand), particularly relating to workplace sanitisation expenses.

The increase in costs for industrial and technical services was caused by the consolidation of the SAFE&CEC Group and the Metatron Group, which contributed for roughly Euro 7,193 thousand and Euro 198 thou, respectively, as well as the increase in Automotive segment revenue.

Costs for use of third-party assets in the income statement, equal to Euro 797 thousand, mainly relate to contracts eligible for the simplification options established by the IFRS 16 - Leases accounting standard, i.e. those relating to low-value assets or with a duration of 12 months or less.

## 35. PERSONNEL EXPENSES

Personnel expenses are shown in detail below:

(Thousands of Euro)

| Personnel costs | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Wages and salaries | 22,694 | 13,611 | 9,083 |
| Social security contributions | 6,101 | 4,607 | 1,494 |
| Expenses for defined benefit plans | 1,391 | 1,055 | 336 |
| Temporary agency work and transferred work | 3,891 | 1,794 | 2,097 |
| Directors' remuneration | 671 | 659 | 12 |
| Non-recurring personnel costs and expenditure | 172 | 672 | -500 |
| **Total** | **34,920** | **22,398** | **12,522** |

Personnel costs amounted to Euro 34,920 thousand, up compared with the previous year (Euro 12,522 thousand) following the consolidation of the SAFE&CEC Group and the Metatron Group, as well as factors such as lower recourse to social safety nets, the temporary lay-off scheme and the decrease in the use of accrued holidays by employees. These factors were primarily used in the course of 2020 to mitigate the effects of the decline in activity caused by the COVID-19 pandemic. Furthermore, more recourse was made to temporary labour, which was required to handle the production peaks linked to the increase in orders.

The Group continues to heavily invest in highly specialised resources to support the increasing research and development performed for new products and solutions, capitalised when they meet the requirements laid out in IAS 38.

Non-recurring personnel costs relate the voluntary retirement incentives agreed upon with some employees for Euro 172 thousand.

The following table lists the number of employees in the workforce at the end of the period, broken down between Italian and foreign companies.

| | Average | | | Peak | | |
|---|---|---|---|---|---|---|
| **Number of employees** | **31/12/2021** | **31/12/2020** | **Change** | **31/12/2021** | **31/12/2020** | **Change** |
| Executives and Clerical Staff | 567 | 304 | 263 | 594 | 294 | 300 |
| Manual workers | 408 | 259 | 149 | 393 | 253 | 140 |
| **Total** | **975** | **563** | **412** | **987** | **547** | **440** |

These values do not include temporary agency workers, fixed contract collaborators or the directors.

Performance Shares Plan

On 29 April 2019, the Shareholders' Meeting approved, pursuant to Article 114-bis of Italian Legislative Decree 58/98, a compensation plan named the "2019-2021 Performance Shares Plan" concerning the free assignment of the right to receive Landi Renzo S.p.A. ordinary shares free of charge (for a maximum total of 3,200,000 shares), based on the degree to which specific performance objectives are reached. The assignment of shares is subject to reaching at least one of the performance objectives as well as the existence, at the date of assignment of the shares, of the employment and/or management relationship with the Company or its subsidiaries.

The plan's beneficiary is the Parent Company's Chief Executive Officer, as other managers to be named as recipients of the incentive plan were not identified within the established terms.

The plan aims to reward the achievement of targets for the 2019-2021 period, as well as incentivise the alignment of the interests of the management with those of the shareholders with a view to creating value over a medium/long-term horizon. The Plan lasts for three years and provides for the assignment of shares in a lump sum at the end of the vesting period.

The fair value of this plan was measured by an independent expert at 31 December 2021, which quantified the fair value of the transaction as zero and, as a result, the shares accrued and previously recognised with a contra-entry in shareholders' equity, as the plan was defined as equity settled based on IFRS 2, were released to the income statement in the cumulative amount of Euro 296 thousand. This amount was classified as a non-recurring item.

## 36. ACCRUALS, WRITE-DOWNS OF RECEIVABLES AND OTHER OPERATING EXPENSES

This item breaks down as follows:

(Thousands of Euro)

| Accruals, write-downs and other operating expenses | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Other taxes and duties | 277 | 246 | 31 |
| Other operating expenses | 771 | 101 | 670 |
| Losses on receivables | 72 | 1 | 71 |
| Provision for product warranties | 1,578 | 1,158 | 420 |
| Bad debts | 1,024 | 156 | 868 |
| **Total** | **3,722** | **1,662** | **2,060** |

Allocations, write-downs and other operating expenses totalled Euro 3,722 thousand (Euro 1,662 thousand at 31 December 2020), up primarily due to higher provisions for product warranties, directly correlated with volumes sold, as well as the consolidation of the SAFE&CEC Group and the Metatron Group.

## 37. AMORTISATION, DEPRECIATION AND IMPAIRMENT

This item breaks down as follows:

(Thousands of Euro)

| Amortisation, depreciation and impairment | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Amortisation of intangible assets | 8,119 | 6,050 | 2,069 |
| Depreciation of tangible assets | 4,301 | 3,889 | 412 |
| Depreciation of rights of use | 3,136 | 2,254 | 882 |
| **Total** | **15,556** | **12,193** | **3,363** |

Amortisation and depreciation amounted to Euro 15,556 thousand (Euro 12,193 thousand at 31 December 2020). No elements emerged from the analysis which revealed the need to change the useful lifetime of tangible and intangible assets.

## 38. FINANCIAL INCOME

This item breaks down as follows:

(Thousands of Euro)

| Financial income | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Interest income on bank deposits | 23 | 15 | 8 |
| Other income | 194 | 283 | -89 |
| **Total** | **217** | **298** | **-81** |

Financial income totalled Euro 217 thousand (Euro 298 thousand at 31 December 2020) and primarily refers to interest income on bank deposits and other income.

## 39. FINANCIAL EXPENSES

This item breaks down as follows:

(Thousands of Euro)

| Financial expenses | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Interest on bank overdrafts and loans and loans from other financiers | 3,032 | 2,552 | 480 |
| Bank charges and commissions | 1,304 | 754 | 550 |
| Other operating expenses | 8 | 4 | 4 |
| **Total** | **4,344** | **3,310** | **1,034** |

Financial expenses at 31 December 2021 amounted to Euro 4,344 thousand and essentially include bank interest charges, interest on loans, interest on non-recourse factoring, actuarial losses deriving from the discounting of the TFR (employee severance indemnity) reserve and bank charges, in addition to the financial effect arising from the adoption of IFRS 16 - Leases (Euro 116 thousand).

## 40. EXCHANGE GAINS AND LOSSES

This item breaks down as follows:

(Thousands of Euro)

| Exchange gains and losses | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Positive exchange differences realised | 1,752 | 417 | 1,335 |
| Positive exchange differences from valuation | 1,103 | 4,571 | -3,468 |
| Negative exchange differences realised | -2,047 | -1,786 | -261 |
| Negative exchange differences from valuation | -1,170 | -6,029 | 4,859 |
| **Total** | **-362** | **-2,827** | **2,465** |

The net exchange differences amounted to Euro -362 thousand (Euro -2,827 thousand at 31 December 2020).

At 31 December 2021, the Group did not have financial instruments hedging exchange rate risk.

In accordance with the requirements of IFRS 7, financial income and expenses ascribed to the income statement are analysed below by individual financial instrument category:

(Thousands of Euro)

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Interest income on cash and cash equivalents | 23 | 15 |
| Interest expenses from financial liabilities measured at amortised cost | 3,032 | -2,552 |
| Exchange gains (losses) | -362 | -2,827 |
| **Total** | **2,693** | **-5,364** |

## 41. INCOME AND EXPENSES FROM INVESTMENTS

Net income from investments amounting to Euro 8,581 thousand is linked primarily to the following effects:

- the acquisition of control over the SAFE&CEC Group, operating in the Clean Tech Solutions - Infrastructure segment. Pursuant to IFRS 3, the Landi Renzo Group's interests in that company were measured at fair value, with the resulting recognition in the income statement of income from consolidation of Euro 8,783 thousand, deriving from the difference between the above-mentioned fair value and the measurement of the equity investment in the SAFE&CEC Group, measured with the equity method at the date of acquisition of control. The fair value at the combination date was determined by a leading independent expert;

- the measurement of the share in the joint venture EFI Avtosanoat Landi Renzo LLC in Uzbekistan, measured at cost adjusted for impairment losses, which was written down during the year by Euro 97 thousand.

## 42. INCOME (EXPENSES) ATTRIBUTABLE TO EQUITY INVESTMENTS MEASURED USING THE EQUITY METHOD

This item, totalling Euro 620 thousand (Euro -11 thousand at 31 December 2020), includes the measurement using the equity method of the Group's joint ventures, and namely:

- the revaluation of the equity investment held in the joint venture Krishna Landi Renzo Prv Ltd by Euro 1,286 thousand. In the course of the year ending on 31 December 2021, this joint venture significantly boosted its sales to a major Indian OEM customer, recording revenue of Euro 19.6 million and EBITDA of Euro 3.6 million.

- the write-down, limited to the first four months of 2021, or until its line-by-line consolidation by Landi Renzo S.p.A., of the SAFE&CEC Group by Euro 666 thousand. The result of the SAFE&CEC Group in the first quarter of 2021 was negatively influenced by the completion of several contracts for the North African market, characterised by lower margins.

## 43. TAXES

Income taxes are shown in detail below:

(Thousands of Euro)

| Taxes | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Current taxes | -2,003 | 151 | -2,154 |
| Deferred tax liabilities (assets) | 777 | 3,390 | -2,613 |
| **Total** | **-1,226** | **3,541** | **-4,767** |

Taxes at 31 December 2021 totalled a negative Euro 1,226 thousand, compared with a positive Euro 3,541 thousand at 31 December 2020. The Parent Company did not recognise deferred tax assets on tax losses for the year 2021.

Management, assisted by its tax advisors, prepared an analysis based on forecasts of the economic-financial plan for the years 2022-2025, approved by the Board of Directors on 15 March 2022, aimed at verifying the recoverability of deferred tax assets. This analysis did not identify any problems related with the recoverability of deferred tax assets recognised in the financial statements.

Current taxes are shown in detail in the table below:

(Thousands of Euro)

| Current taxes | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| IRES | -1,279 | 0 | -1,279 |
| IRAP | -157 | 332 | -489 |
| Current taxes of foreign companies | -567 | -181 | -386 |
| **Total** | **-2,003** | **151** | **-2,154** |

## 44. EARNINGS (LOSS) PER SHARE

The "basic" earnings/(loss) per share was calculated by relating the net profit/(loss) of the Group to the weighted average number of ordinary shares in circulation in the period (112,500,000). The "basic" earnings share, which corresponds to the "diluted" loss per share, since there are no convertible bonds, was a negative Euro 0.0087 at 31 December 2021, compared with a loss per share of Euro 0.0681 at 31 December 2020.

The result and the number of ordinary shares used for the purposes of calculating basic earnings per share, determined according to the methodology specified by IAS 33, are provided below.

| Consolidated earnings/(loss) per share | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Consolidated earnings/(loss) for the period attributable to the Parent Company shareholders (Euro/thousand) | -977 | -7,662 |
| Average number of shares in circulation | 112,500,000 | 112,500,000 |
| Basic earnings/(loss) per share for the period | -0.0087 | -0.0681 |

## OTHER INFORMATION

## 45. INFORMATION ON THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

As required by IFRS 7 – Financial Instruments, the attached table provides a comparison between the carrying amount and the fair value of all the financial assets and liabilities, divided according to the categories identified by the above-mentioned accounting standard.

| (Thousands of Euro) | 31/12/2021 | | 31/12/2020 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Other non-current financial assets | 3,438 | 3,438 | 3,771 | 3,771 |
| Receivables and other current assets | 80,491 | 80,491 | 46,065 | 46,065 |
| Other current financial assets | - | - | 2,801 | 2,801 |
| Cash and cash equivalents | 28,039 | 28,039 | 21,914 | 21,914 |
| Trade payables and other current liabilities | 132,827 | 132,827 | 58,544 | 58,544 |
| Financial liabilities measured at amortised cost - non-current portion | 29,691 | 29,691 | 71,460 | 71,460 |
| Financial liabilities measured at amortised cost - current portion | 106,306 | 106,306 | 25,714 | 25,714 |

The carrying amount of bank overdrafts and short-term loans and loans and financing approximates their fair value at 31 December 2021, since such classes of financial instruments are indexed at the Euribor market rate.

## 46. COMMITMENTS

At 31 December 2021, the Group did not have any significant commitments.

## 47. ANALYSIS OF THE MAIN DISPUTES IN PROGRESS

At 31 December 2021, the Group was involved in proceedings, brought both by and against it, for non-significant amounts.

## 48. TRANSACTIONS WITH RELATED PARTIES

The Landi Renzo Group deals with related parties at conditions considered to be arm's length on the markets in question, taking account of the characteristics of the goods and the services supplied.

Transactions with related parties listed below include:

- the service contracts between Gireimm S.r.l. and Landi Renzo S.p.A. for rent of the property used as the operational headquarters of the company located in Corte Tegge - Cavriago;
- the service contracts between Gireimm S.r.l. and SAFE S.p.A. for rent of the property used as the operational headquarters of the company located in San Giovanni in Persiceto (Bologna);
- the service contracts between Gestimm S.r.l., a company in which a stake is held through the parent company Girefin S.p.A., and the company Landi Renzo S.p.A. for rent of the production plant on Via dell'Industria in Cavriago;
- the service contracts between Reggio Properties LLC, a company in which a stake is held through the parent company Girefin S.p.A., for the rents on properties used by the US company;
- supply of goods to the joint venture Krishna Landi Renzo India Private Ltd and to the joint venture EFI Avtosanoat-Landi Renzo LLC.

The following table summarises the relationships with related parties:

| Company | Sales revenues | Revenues for services and other revenues | Purchase of finished products | Costs for use of third-party assets | Costs for services | (Expense) / Income from JVs measured using the equity method | Financial expense / income | Receivables | Payables | Loans |
|---|---|---|---|---|---|---|---|---|---|---|
| Gireimm S.r.l. | 0 | 0 | 0 | 1,340 | 0 | 0 | 0 | 0 | 537 | 0 |
| Gestimm S.r.l. | 0 | 0 | 0 | 629 | 0 | 0 | 0 | 0 | 268 | 0 |
| Krishna Landi Renzo India Priv. Ltd | 1,408 | 158 | 347 | 0 | 0 | 1,286 | 18 | 2,377 | 447 | 600 |
| SAFE&CEC (measured with the equity method until 31/05/2021) | 0 | 67 | 0 | 0 | 0 | -666 | 0 | 0 | 0 | 0 |
| SAFE S.p.A. (measured with the equity method until 31/05/2021) | 0 | 77 | 0 | 0 | 0 | 0 | 27 | 0 | 0 | 0 |
| Efi Avtosanoat | 146 | 0 | 0 | 0 | 0 | 0 | 0 | 443 | 0 | 0 |
| Reggio Properties LLC | 0 | 0 | 0 | 105 | 0 | 0 | 0 | 0 | 8 | 0 |
| Autofuels | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 210 | 0 | 0 |
| | **1,554** | **302** | **347** | **2,074** | **0** | **620** | **45** | **3,030** | **1,260** | **600** |

## 49. NON-RECURRING SIGNIFICANT EVENTS AND TRANSACTIONS

Pursuant to Consob communication no. 6064293 of 28 July 2006, it is stated that during 2021 no non-recurring significant events or transactions took place aside from the transactions described above.

## 50. POSITIONS OR TRANSACTIONS DERIVING FROM ATYPICAL AND/OR UNUSUAL TRANSACTIONS

Pursuant to Consob communication no. 6064293 of 28 July 2006, note that, during 2021 and the first quarter of 2022, no atypical and/or unusual transactions occurred outside the normal operation of the company that could give rise to doubts regarding the correctness and completeness of the information in the financial statements, conflicts of interest, protection of company assets and the safeguarding of minority shareholders, with the exception of the transactions and events described in the section “Significant events after the reporting period and business outlook”.

## 51. SIGNIFICANT EVENTS OCCURRING AFTER THE CLOSE OF THE FINANCIAL YEAR

Please refer to the analysis provided in the Directors' Report.

## G) INFORMATION PURSUANT TO ARTICLE 149-*duodecies* OF THE CONSOB ISSUER REGULATIONS

In compliance with the express provisions of the Consob Issuer Regulations - Article 149 duodecies - payments, stated in the Group's 2021 Income Statement, made for services rendered by the auditing firm, and by entities belonging to its network, to the companies belonging to the Landi Renzo Group are listed below.

(Thousands of Euro)

| Type of Services | Subject who provided the service | Remuneration 2021 |
|---|---|---|
| Auditing | PricewaterhouseCoopers S.p.A. | 240 |
| Other services | PricewaterhouseCoopers S.p.A. and PwC network | 146 |

## Annex 1

Consolidated Income Statement at 31 December 2021, prepared in application of the requirements of Consob resolution 15519 of 27/06/2006 and Consob Communication no. DEM/6064293 of 28/07/2006.

(Thousands of Euro)

| CONSOLIDATED INCOME STATEMENT | Notes | 31/12/2021 | of which transactions with related parties | Weight % | 31/12/2020 | of which transactions with related parties | Weight % |
|---|---|---|---|---|---|---|---|
| Revenues from sales and services | 31 | 241,994 | 1,554 | 0.6% | 142,455 | 1,534 | 1.1% |
| Other revenues and income | 32 | 2,610 | 302 | 11.6% | 313 | | |
| Cost of raw materials, consumables and goods and change in inventories | 33 | -150,272 | -347 | 0.2% | -84,212 | -134 | 0.2% |
| Costs for services and use of third-party assets | 34 | -43,075 | -2,074 | 4.8% | -27,844 | -1,618 | 5.8% |
| Personnel costs | 35 | -34,920 | | | -22,398 | | |
| Allocations, write-downs and other operating expenses | 36 | -3,722 | | | -1,662 | | |
| **Gross operating profit** | | **12,615** | | | **6,652** | | |
| Amortisation, depreciation and impairment | 37 | -15,556 | | | -12,193 | | |
| **Net operating profit** | | **-2,941** | | | **-5,541** | | |
| Financial income | 38 | 217 | 45 | 20.7% | 298 | -82 | -27.5% |
| Financial expenses | 39 | -4,344 | | | -3,310 | | |
| Exchange gains (losses) | 40 | -362 | | | -2,827 | | |
| Income (expenses) from equity investments | 41 | 8,581 | 8,581 | *100.0%* | 0 | | |
| Profit (loss) from equity investments measured using the equity method | 42 | 620 | 620 | 100.0% | -11 | -11 | 100.0% |
| **Profit (loss) before tax** | | **1,771** | | | **-11,391** | | |
| Current and deferred taxes | 43 | -1,226 | | | 3,541 | | |
| **Net profit (loss) for the Group and minority interests, including:** | | **545** | | | **-7,850** | | |
| Minority interests | | 1,522 | | | -188 | | |
| Net profit (loss) for the Group | | -977 | | | -7,662 | | |
| **Basic earnings (loss) per share (calculated on 112,500,000 shares)** | 44 | -0.0087 | | | -0.0681 | | |
| **Diluted earnings (loss) per share** | | -0.0087 | | | -0.0681 | | |

## Annex 2

Statement of consolidated Financial Position at 31 December 2021, prepared in application of the requirements of Consob resolution 15519 of 27/06/2006 and Consob Communication no. DEM/6064293 of 28/07/2006.

(Thousands of Euro)

| ASSETS | Notes | 31/12/2021 | of which transactions with related parties | Weight % | 31/12/2020 | of which transactions with related parties | Weight % |
|---|---|---|---|---|---|---|---|
| **Non-current assets** | | | | | | | |
| Land, property, plant, machinery and other equipment | 2 | 14,977 | | | 13,212 | | |
| Development costs | 3 | 12,222 | | | 9,506 | | |
| Goodwill | 4 | 75,341 | | | 30,094 | | |
| Other intangible assets with finite useful lives | 5 | 16,711 | | | 10,860 | | |
| Right-of-use assets | 6 | 11,991 | | | 4,975 | | |
| Equity investments measured using the equity method | 7 | 2,028 | | | 22,509 | | |
| Other non-current financial assets | 8 | 882 | 600 | 68.0% | 921 | 600 | 65.1% |
| Other non-current assets | 9 | 2,556 | | | 2,850 | | |
| Deferred tax assets | 10 | 13,484 | | | 12,201 | | |
| **Total non-current assets** | | **150,192** | | | **107,128** | | |
| | | | | | | | |
| **Current assets** | | | | | | | |
| Trade receivables | 11 | 66,048 | 3,030 | 4.6% | 39,353 | 3,079 | 7.8% |
| Inventories | 12 | 68,896 | | | 42,009 | | |
| Contract work in progress | 13 | 15,653 | | | 0 | | |
| Other receivables and current assets | 14 | 14,443 | | | 6,712 | 436 | 6.5% |
| Other current financial assets | 15 | 0 | | | 2,801 | 2,801 | 100.0% |
| Cash and cash equivalents | 16 | 28,039 | | | 21,914 | | |
| **Total current assets** | | **193,079** | | | **112,789** | | |
| | | | | | | | |
| **TOTAL ASSETS** | | **343,271** | | | **219,917** | | |

(Thousands of Euro)

| SHAREHOLDERS' EQUITY AND LIABILITIES | Notes | 31/12/2021 | of which transactions with related parties | Weight % | 31/12/2020 | of which transactions with related parties | Weight % |
|---|---|---|---|---|---|---|---|
| **Shareholders' equity** | | | | | | | |
| Share capital | 17 | 11,250 | | | 11,250 | | |
| Other reserves | 17 | 44,615 | | | 53,199 | | |
| Profit (loss) for the period | 17 | -977 | | | -7,662 | | |
| **Total Shareholders' equity of the Group** | | **54,888** | | | **56,787** | | |
| Minority interests | 17 | 5,738 | | | -473 | | |
| **TOTAL SHAREHOLDERS' EQUITY** | | **60,626** | | | **56,314** | | |
| | | | | | | | |
| **Non-current liabilities** | | | | | | | |
| Non-current bank loans | 18 | 10,174 | | | 68,181 | | |
| Other non-current financial liabilities | 19 | 9,320 | | | 408 | | |
| Non-current liabilities for rights of use | 20 | 10,197 | | | 2,871 | | |
| Provisions for risks and charges | 21 | 4,535 | | | 2,897 | | |
| Defined benefit plans for employees | 22 | 3,977 | | | 1,556 | | |
| Deferred tax liabilities | 23 | 1,452 | | | 297 | | |
| Liabilities for derivative financial instruments | 24 | 99 | | | 458 | | |
| **Total non-current liabilities** | | **39,754** | | | **76,668** | | |
| | | | | | | | |
| **Current liabilities** | | | | | | | |
| Bank financing and short-term loans | 25 | 103,408 | | | 23,108 | | |
| Other current financial liabilities | 26 | 274 | | | 378 | | |
| Current liabilities for rights of use | 27 | 2,624 | | | 2,228 | | |
| Trade payables | 28 | 82,886 | 1,260 | 1.5% | 53,509 | 1,057 | 2.0% |
| Tax liabilities | 29 | 3,758 | | | 2,677 | | |
| Other current liabilities | 30 | 49,941 | | | 5,035 | | |
| **Total current liabilities** | | **242,891** | | | **86,935** | | |
| | | | | | | | |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | | **343,271** | | | **219,917** | | |

**Certification on the consolidated financial statements pursuant to art. 154-bis of Legislative Decree 58/98**

The undersigned Cristiano Musi, Chief Executive Officer, and Paolo Cilloni, Officer in charge of preparing the corporate financial statements, of Landi Renzo S.p.A., state, having regard also to the provisions of art. 154-bis, paragraphs 3 and 4, of legislative decree No. 58 dated 24 February 1998:

- the adequacy in relation to the relative corporate characteristics, and
- the effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements during the course of 2021.

In addition, the undersigned state:

- that the consolidated financial statements at 31 December 2021:
  a) have been prepared in accordance with the international accounting standards acknowledged by the European Community pursuant to regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 and of Delegated Regulation (UE) no. 2019/815 of the Commission of 17 December 2019 ("ESEF Regulation");
  b) correspond to the results in the accounting books and records;
  c) are suitable to give a true and correct representation of the assets, liabilities, economic and financial position of the issuer and of all the companies included in consolidation area.
- The report on operating performance includes a reliable analysis on trends and performance, on Company's financial situation and on Group Companies included in the consolidation, together with a description of the main risks and uncertainties which are exposed.

Cavriago, 15 March 2022

| CEO | The Officer in Charge of preparing the corporate financial statements |
|---|---|
| Cristiano Musi | Paolo Cilloni |

# *Independent Auditor's Report*

*in accordance with article 14 of Legislative Decree No.39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014*

To the Shareholders of
Landi Renzo SpA

## *Report on the Audit of the Consolidated Financial Statements*

### *Opinion*

We have audited the consolidated financial statements of Landi Renzo SpA (hereinafter also the "Company") and its subsidiaries (hereinafter also the "Landi Renzo Group"), which comprise the consolidated statement of financial position as of 31 December 2021, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity, consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Landi Renzo Group as of 31 December 2021 and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Landi Renzo SpA pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*PricewaterhouseCoopers SpA*

Sede legale: **Milano** 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785240 Capitale Sociale Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 071 2132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 080 5640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035 229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 051 6186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 030 3697501 - **Catania** 95129 Corso Italia 302 Tel. 095 7532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 055 2482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 010 29041 - **Napoli** 80121 Via dei Mille 16 Tel. 081 36181 - **Padova** 35138 Via Vicenza 4 Tel. 049 873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091 349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521 275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 085 4545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06 570251 - **Torino** 10122 Corso Palestro 10 Tel. 011 556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461 237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422 696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 040 3480781 - **Udine** 33100 Via Poscolle 43 Tel. 0432 25789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332 285039 - **Verona** 37135 Via Francia 21/C Tel. 045 8263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444 393311

**www.pwc.com/it**

***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| ***Key Audit Matters*** | ***Auditing procedures performed in response to key audit matters*** |
|---|---|
| ***Recoverability of goodwill*** | |
| *See note 4 "Goodwill" and the paragraph "Accounting standards and valuation criteria" of the explanatory notes.* | |
| As at 31 December 2020 goodwill recognised in the consolidated financial statements related to the cash generating unit (hereinafter also "CGU") "Automotive" amounted to Euro 30.1 million.<br>As at 31 December 2021 goodwill recognised in the consolidated financial amounts to Euro 75.3 million and is allocated as follows:<br>- Euro 49.9 millioni related to the CGU "Green Transportation" (formerly "Automotive" CGU) which includes for approximately Euro 19.8 the goodwill attributable to the acquisition of Metatron SpA, which took place in August 2021;<br>- Euro 25.4 millioni related to the CGU "Clean Tech Solutions", attributable to the acquisition of SAFE&CEC Srl, which took place in April 2021 and described in the KAM "*Accounting treatment and evaluation of investment in SAFE&CEC Srl*" of this auditor's report.<br><br>The Company is required to verify, at least annually, the recoverability of goodwill recognised. This was considered a key audit matter for the purpose of the statutory audit of the consolidated financial statements in consideration of the significant impact of this caption on the Group consolidated statement of financial position, in consideration of the economic-financial forecasts 2022-2025 as well as due to the current context of market uncertainty. | Our audit approach preliminarily consisted of understanding and evaluating the methods and procedures defined by the Company to determine the recoverable amounts of the CGUs including the goodwill, as approved by the Board of Directors on 15 March 2022, in compliance with IAS 36 as adopted by the European Union.<br>In particular, we verified the reasonableness of the methods adopted and of the main assumptions reflected in the valuation model (discounted cash flow method), prepared by the Company with the support of an external advisor, also involving PwC network valuation experts. In particular, we verified the reasonableness of the discount rate and perpetuity growth rate in relation to the valuation practices usually adopted by companies belonging to the industry in which Landi Renzo Group operates.<br>We also verified that the cash flows included in the valuation models were consistent with those included in the before-mentioned economic-financial forecasts.<br>Considering that forecast cash flows are a particularly significant parameter for the determination of the recoverable amounts of the CGUs including the goodwill as they depend on future and uncertain events, we |

pwc

| | |
|---|---|
| The valuation models underlying the determination of the recoverable amounts (value in use) of the CGUs including the goodwill have been prepared with the support of an external advisor and are based on complex evaluations and estimates of management, having as a reference the above-mentioned economic-financial forecasts. In particular, the valuation models of the recoverable amounts of the CGUs including the goodwill and the assumptions included in those models are influenced by future market conditions, as regards the expected cash flows, the perpetuity growth rate and the discount rate. | analysed the reasonableness of the estimated future cash flows through interviews with Company's management, with the external advisor engaged by the directors of Landi Renzo SpA and through the involvement of experts in the *Automotive* segment of PwC network, who supported us in the critical analysis of the reasonableness of the economic-financial forecasts.<br>Furthermore, we verified the mathematical accuracy of the valuation models prepared by the Company.<br>Finally, we verified the disclosures provided by the Company in the consolidated financial statements about:<br>- the method adopted to determine the recoverable amounts of the CGUs including the goodwill;<br>- the results of the valuations performed and with reference to the "*sensitivity analysis*" performed by the Company;<br>- the effects resulting from the aforementioned business combination transactions occurred in 2021 in order to better compare the financial information with the previous year. |
| ***Recoverability of deferred tax assets***<br><br>*See note 10 "Deferred tax assets" and the paragraph "Accounting standards and valuation criteria" of the explanatory notes.*<br><br>Deferred tax assets recognised in the consolidated financial statements as of 31 December 2021 amounted to Euro 15.6 million, partially offset by deferred tax liabilities equal to Euro 2.1 million, giving a net deferred tax asset equal to Euro 13.5 million. Deferred tax assets relate for Euro 6.2 million to temporary differences between the book values of assets and liabilities recognised in the financial statements and their tax values and for Euro 9.4 million to prior tax losses. The recoverability of deferred tax assets were considered to be a key audit matter for the purpose | <br><br><br><br>Our audit procedures preliminarily included understanding and evaluating the procedures adopted by the Company to verify the recoverability of deferred tax assets.<br>We carried out an in-depth analysis of deferred tax assets as their recoverability is closely related to the existence of future taxable income and, therefore, to the achievement of the prospective results included in the mentioned economic-financial forecasts. |

| | |
|---|---|
| of the statutory audit of the consolidated financial statements in consideration of the significant impact of this caption on the consolidated statement of the financial position and on the consolidated income statement of Landi Renzo Group, as well as due to the complexity of the evaluation of the recoverability of these receivables which is closely related to the achievability of the economic-financial forecasts, taking into account the current context of market uncertainty. | We obtained the analysis performed by the Company on the recoverability of deferred tax assets closely related to the existence of future taxable income of the Landi Renzo Group for the period 2022-2025, which are based on the net results included in the above-mentioned economic-financial forecasts.<br>We verified the reasonableness of the net results included in the above-mentioned forecasts through interviews with company management and through the involvement of PwC network experts in the *Automotive* segment, who supported us in the critical analysis of the reasonableness of the expectations included in the Company's forecasts.<br>Finally, we verified the disclosures provided by the Company in the consolidated financial statements about the elements supporting the recoverability of deferred tax assets. |
| ***Accounting treatment and evaluation of investment in SAFE&CEC Srl***<br><br>*See notes 4 "Goodwill", 41 "Income and expenses from investments" and the paragraph "Accounting standards and valuation criteria" of the explanatory notes.* | |
| During the month of April 2021, Landi Renzo SpA and Clean Energy Fuels Corporation entered into an agreement to amend the pre-existing shareholders' agreement of the investee company SAFE&CEC Srl, as approved by the Board of Directors of Landi Renzo SpA on 12 April 2021.<br>The shares of the two shareholders have remained unchanged: 51% hold by Landi Renzo SpA and 49% hold by Clean Energy Fuels Corp.<br>Following an analysis carried out by the Company, performed with the support of external advisor expert in accounting matters, and their own lawyers, the directors concluded that the change in the shareholders' agreement provided to Landi Renzo SpA more decision-making rights, permitting it to exercise control over SAFE&CEC | The audit approach preliminarily consisted of understanding of the analysis carried out by the Company about the recognition of the investment in SAFE&CEC Srl as a subsidiary company pursuant to IFRS 10 through the critical analysis of the accounting opinion prepared by the external advisor expert in accounting matters and the legal opinion prepared by the lawyers engaged by Landi Renzo SpA, and through the involvement of expert in interpretation and application of the international accounting principles of PwC network.<br>We also verified the reasonableness of the methods and the main assumptions reflected in the valuation model (method of |

| | |
|---|---|
| Srl. Consequently, at the date of the acqusition of control, the directors measured the investment in SAFE&CEC Srl previously accounted using the equity method at fair value, recognizing an income from consolidation in the income statement amounting to Euro 8.783 thousand.<br>Starting from the date of the acquisition of control SAFE&CEC Srl has been consolidated line-by-line pursuant to IFRS 10. Goodwill, recognised in accordance with IFRS 3, amounts to approximately Euro 25.4 million. The fair value at the acquisition date was determined by an external independent advisor engaged by the Company.<br>This aspect was considered of particular relevance for the statutory audit of the consolidated financial statements in consideration of the significant impact of the item on the consolidated statement of financial position and on the consolidated income statement of Landi Renzo Group, also considering the complexity of the aforementioned accounting treatment, of the determination of the fair value of SAFE&CEC Srl at the date of the acquisition of control, based on management assessments and estimates. | discounting cash flows) adopted by the independent advisor engaged by the Company for the determination of SAFE&CEC Srl fair value at the date of the acquisition of control, also involving PwC network valuation experts. In particular, we verified the reasonableness of the discount rate and the perpetual growth rate with respect to the valuation practices usually adopted for companies belonging to the industry in which SAFE&CEC Srl operates.<br>Considering that the forecast cash flows are a particularly significant parameter for the determination of the fair value of SAFE&CEC Srl, as it depends on to future and uncertain events, we analysed the reasonableness of the estimated future cash flows through interviews with the Company's management, and with the external advisor engaged by the Company for the preparation of the Business Plan.<br>Finally, we verified the disclosures provided by the Company in the consolidated financial statements about the assumptions of the recognition of the investment in SAFE&CEC Srl as a subsidiary company, its accounting treatment and the assets and liabilities booked in the consolidated financial statements following the acquisition of control. |
| ***Financial Covenants as at 31 December 2021***<br><br>*See notes 25 "Bank financing and short-term loans" and "General criteria for preparation of the consolidated financial statements and declaration of conformity – Going concern".*<br><br>The current portion of loans and financing at 31 December 2021 is equal to approximately Euro 78.1 million, increased compared with the previous year by approximately Euro 62.9 million, of which approximately Euro 59 million due to the reclassification of all remaining debt for | The audit procedures carried out included an understanding of the process adopted by the Company in preparing the Group's economic-financial forecasts 2022- 2025, which provides a share capital increase transaction of Euro 60 |

5 of 10

medium/long-term loans of the parent company Landi Renzo SpA as at 31 December 2021 to bank financing and short-term loans.
The directors considered appropriate this presentation in the financial statements as, with reference to the failure to comply with the "financial covenants" in place on the main loans at 31 December 2021, the financial institutions issued "waiver letters" after the end of the current financial year.
The above-mentioned "waiver letters" are subject to the finalisation of the share capital increase of the parent company Landi Renzo S.p.A. to be carried out by the end of the first half of 2022 for an amount of at least Euro 25.4 million.
In this context the directors have provided a dedicated disclosure in the explanatory notes on the expected share capital increase transaction, which they consider highly probable, although the uncertainty to the timing of its execution and completion; the effects of this planned transaction were included in the economic-financial forecasts 2022-2025 of Landi Renzo Group approved by the Board of Directors on 15 March 2022. Consequently, the directors have prepared the consolidated financial statements on the basis of the going concern assumption.
Taking into account what is described above, we considered the analysis of the going concern assumption, the related subsequent events of the financial year and the forecast cash flows as a key audit matter of the audit activities.

million, and in the estimate of the forecasted cash flows.
In particular, we analysed the prospetive cash flows for the year 2022 and the basis of the main assumptions underlying them, through interviews with the Company's management, through the involvement of experts in the Automotive segment of the PwC network, who supported us in the critical analysis of the reasonableness of the above-mentioned economic-financial forecasts.
We also analysed the events that occurred after the reporting date of the consolidated financial statements that provide information useful for the assessment of the financial situation of the Group. In particular, we have verified and obtained audit evidence in relation to the followings:

- "waiver letters" issued by the financial institutions and the situation of bank lines of credit performed using data and information obtained from bank confirmation procedures;
- Grant of shareholder loan bearing interest at an annual rate of 1% amounting to Euro 18.1 million, issued by the controlling shareholder Girefin SpA to Landi Renzo SpA; this loan was used by the Company for the payment of part of the total amount accrued for the acquisition of Metatron SpA;
- Signing of a new loan agreement between Landi Renzo SpA and Invitalia SpA (*Agenzia Nazionale per l'Attrazione degli Investimenti e lo Sviluppo di Impresa SpA*) for an amount of Euro 19.5 million;
- With reference to the expected share capital increase transaction, the signing on 15 March 2022 of a non-binding agreement between the controlling shareholders of Landi Renzo SpA and a third party, finalised to a minority transaction in the share capital of Landi Renzo SpA, through a share capital increase of up to Euro 60 million, of which

| | |
|---|---|
| | Euro 50 million guaranteed by the signatories of the agreement, assuming the completion of the transaction, as reported in the press releases that the aforementioned parties issued respectively on that date in order to provide adequate disclosure to the market.<br>We verified the completeness and appropriateness of the disclosures provided in the financial statements about the going concern, the events occurred after the year end of 31 December 2021, and the correct classification of bank financing and short-term loans. |

### *Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements*

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Landi Renzo Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate ABC SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Landi Renzo Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Landi Renzo Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Landi Renzo Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Landi Renzo Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Landi Renzo Group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

***Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014***

On 29 April 2016, the shareholders of Landi Renzo SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2016 to 31 December 2024.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

## ***Report on Compliance with other Laws and Regulations***

***Opinion on compliance with the provisions of Commission Delegated Regulation (EU) 2019/815***

The directors of Landi Renzo SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the "Commission Delegated Regulation") to the consolidated financial statements, to be included in the annual report.

We have performed the procedures specified in auditing standard (SA Italia) No. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Commission Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all significant respects, in compliance with the provisions of the Commission Delegated Regulation.

***Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98***

The directors of Landi Renzo SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Landi Renzo Group as of 31 December 2021, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the Landi Renzo Group as of 31 December 2021 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Landi Renzo Group as of 31 December 2021 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

***Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016***

The directors of Landi Renzo SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016. We have verified that management approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Parma, 30 March 2022

PricewaterhouseCoopers SpA

*Signed by*

Nicola Madureri
(Partner)

*This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.*



# Separated Financial Statement at 31 December 2021 Landi Renzo S.p.A.

Statement of Financial Position

Income statement

Statement of Comprehensive Income

Statement of Cash Flow

Statement of Changes in Shareholders' Equity

Explanatory Notes

APPENDIX

Certification of the separate financial statements pursuant to Art. 154-bis of Legislative Decree 58/98

Report of the Auditing Company

Report of the Board of Statutory Auditors to the Shareholders’ meeting

## STATEMENT OF FINANCIAL POSITION

(Euro)

| ASSETS | Notes | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| **Non-current assets** | | | |
| Land, property, plant, machinery and other equipment | 2 | 9,692,899 | 11,471,406 |
| Development costs | 3 | 8,869,349 | 9,505,902 |
| Goodwill | 4 | 30,094,311 | 30,094,311 |
| Other intangible assets with finite useful lives | 5 | 8,639,914 | 10,178,763 |
| Right-of-use assets | 6 | 2,481,532 | 4,337,517 |
| Equity investments in subsidiaries | 7 | 55,574,764 | 4,189,204 |
| Equity investments in associates and joint ventures | 8 | 2,028,140 | 22,606,421 |
| Other non-current financial assets | 9 | 925,874 | 910,874 |
| Other non-current assets | 10 | 2,280,000 | 2,850,000 |
| Deferred tax assets | 11 | 11,452,050 | 11,232,648 |
| **Total non-current assets** | | **132,038,833** | **107,377,046** |
| | | | |
| **Current assets** | | | |
| Trade receivables | 12 | 27,768,652 | 27,248,343 |
| Receivables from subsidiaries | 13 | 18,696,904 | 16,368,490 |
| Inventories | 14 | 34,492,838 | 31,734,786 |
| Other receivables and current assets | 15 | 5,004,287 | 5,081,607 |
| Other current financial assets | 16 | 0 | 2,800,892 |
| Cash and cash equivalents | 17 | 7,055,840 | 10,626,485 |
| **Total current assets** | | **93,018,521** | **93,860,603** |
| | | | |
| **TOTAL ASSETS** | | **225,057,354** | **201,237,649** |

| SHAREHOLDERS' EQUITY AND LIABILITIES | Notes | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| **Shareholders' equity** | | | |
| Share capital | 18 | 11,250,000 | 11,250,000 |
| Other reserves | 18 | 40,637,158 | 46,408,791 |
| Profit (loss) for the period | 18 | -9,130,903 | -6,283,625 |
| **TOTAL SHAREHOLDERS' EQUITY** | | **42,756,255** | **51,375,166** |
| | | | |
| **Non-current liabilities** | | | |
| Non-current bank loans | 19 | 0 | 64,790,359 |
| Other non-current financial liabilities | 20 | 360,000 | 0 |
| Non-current liabilities for rights of use | 21 | 1,372,967 | 2,702,205 |
| Provisions for risks and charges | 22 | 5,760,190 | 2,176,989 |
| Defined benefit plans for employees | 23 | 1,298,127 | 1,541,413 |
| Liabilities for derivative financial instruments | 24 | 96,386 | 457,514 |
| **Total non-current liabilities** | | **8,887,670** | **71,668,480** |
| | | | |
| **Current liabilities** | | | |
| Bank financing and short-term loans | 25 | 91,847,372 | 22,770,692 |
| Other current financial liabilities | 26 | 0 | 209,684 |
| Current liabilities for rights of use | 27 | 1,222,008 | 1,770,414 |
| Trade payables | 28 | 47,022,574 | 45,031,759 |
| Payables to subsidiaries | 29 | 3,028,357 | 2,132,747 |
| Tax liabilities | 30 | 886,760 | 2,332,550 |
| Other current liabilities | 31 | 29,406,358 | 3,946,157 |
| **Total current liabilities** | | **173,413,429** | **78,194,003** |
| | | | |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | | **225,057,354** | **201,237,649** |

Pursuant to Consob resolution no. 15519 dated 27 July 2006, the effects of related-party transactions on the statement of financial position are shown in a specific table in Annex 2.

# INCOME STATEMENT

(Euro)

| INCOME STATEMENT | Notes | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| Revenues from sales and services | 32 | 131,455,029 | 112,715,718 |
| Other revenues and income | 33 | 1,284,814 | 65,469 |
| Cost of raw materials, consumables and goods and change in inventories | 34 | -79,199,597 | -63,678,540 |
| Costs for services and use of third-party assets | 35 | -27,612,589 | -24,327,983 |
| Personnel costs | 36 | -18,020,224 | -17,265,392 |
| Allocations, write-downs and other operating expenses | 37 | -2,317,702 | -1,395,425 |
| **Gross operating profit** | | **5,589,731** | **6,113,847** |
| Amortisation, depreciation and impairment | 38 | -11,709,611 | -11,055,423 |
| **Net operating profit** | | **-6,119,880** | **-4,941,576** |
| Financial income | 39 | 104,623 | 180,802 |
| Financial expenses | 40 | -3,173,620 | -3,078,318 |
| Exchange gains (losses) | 41 | 981,504 | -1,003,701 |
| Income (expenses) from equity investments | 42 | -1,748,965 | -902,025 |
| Income (expenses) attributable to equity investments measured using the equity method | 43 | 523,190 | -11,418 |
| **Profit (loss) before tax** | | **-9,433,148** | **-9,756,236** |
| Taxes | 44 | 302,245 | 3,472,611 |
| | | | |
| **Profit (loss) for the year** | | **-9,130,903** | **-6,283,625** |

Pursuant to Consob resolution no. 15519 dated 27 July 2006, the effects of transactions with related parties on the Income Statement are shown in a specific table in Annex 1.

## STATEMENT OF COMPREHENSIVE INCOME

(Euro)

| | | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| **Net profit (loss) for the Group and minority interests:** | | **-9,130,903** | **-6,283,625** |
| *Profits/losses that will not be subsequently reclassified in the income statement* | | | |
| Remeasurement of employee defined benefit plans (IAS 19) | 23 | -20,463 | -43,633 |
| ***Total profits/losses that will not be subsequently reclassified in the Income Statement*** | | **-20,463** | **-43,633** |
| *Profits/losses that will be subsequently reclassified in the Income Statement* | | | |
| *Valuation of joint ventures using the equity method* | 8 | 553,806 | -1,009,332 |
| *Fair value of derivatives, change for the period* | 24 | 274,457 | -324,807 |
| ***Total profits/losses that will be subsequently reclassified in the Income Statement*** | | **828,263** | **-1,334,139** |
| ***Profits/losses recorded directly in Shareholders' Equity after tax effects*** | | **807,800** | **-1,377,772** |
| **Total Statement of Comprehensive Income for the period** | | **-8,323,103** | **-7,661,397** |

## STATEMENT OF CASH FLOWS

(Thousands of Euro)

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| **Financial flows deriving from operating activities** | | |
| Pre-tax profit (loss) for the period | -9,433 | -9,756 |
| *Adjustments for:* | | |
| Depreciation of property, plant and machinery | 3,129 | 3,270 |
| Amortisation of intangible assets | 6,805 | 5,951 |
| Depreciation of right-of-use assets | 1,775 | 1,834 |
| Loss (Profit) from disposal of tangible and intangible assets | 249 | 8 |
| Share-based incentive plans | -296 | 177 |
| Impairment loss on receivables | 829 | 150 |
| Net financial charges | 2,087 | 3,901 |
| Net profit (loss) attributable to equity investments measured using the equity method | 1,225 | 913 |
| | **6,370** | **6,448** |
| *Changes in:* | | |
| Inventories | -2,758 | -3,566 |
| Trade receivables and other receivables | -3,030 | -252 |
| Trade payables and other payables | 91 | -2,777 |
| Provisions and employee benefits | 219 | -752 |
| **Cash generated from operations** | **892** | **-899** |
| Interest paid | -1,639 | -2,293 |
| Interest received | 95 | 83 |
| Taxes paid | 0 | 0 |
| **Net cash generated (absorbed) by operations** | **-652** | **-3,109** |
| **Cash flows from investments** | | |
| Proceeds from the sale of property, plant and machinery | 474 | 420 |
| Purchase of property, plant and machinery | -2,074 | -5,462 |
| Purchase of intangible assets | -292 | -310 |
| Development costs | -4,350 | -5,376 |
| Purchase of financial fixed assets (equity investments) | -1,693 | |
| **Net cash absorbed by investment activities** | **-7,935** | **-10,728** |
| **Free Cash Flow** | **-8,587** | **-13,837** |
| **Cash flows from financing activities** | | |
| Disbursements (reimbursements) of loans to group companies | 2,489 | -600 |
| Bond issue (repayments) | 0 | 0 |
| Disbursements (reimbursements) of medium/long-term loans | -5,305 | 19,451 |
| Cash contribution from merger | 0 | 2,853 |
| Change in short-term bank debts | 9,738 | -6,994 |
| Repayment of leases (IFRS 16) | -1,905 | -1,960 |
| **Net cash generated (absorbed) by financing activities** | **5,017** | **12,750** |
| **Net increase (decrease) in cash and cash equivalents** | **-3,570** | **-1,087** |
| Cash and cash equivalents at 1 January | 10,626 | 11,713 |
| Closing cash and cash equivalents | 7,056 | 10,626 |

## STATEMENT OF CHANGES IN EQUITY

(Thousands of Euro)

| | Share capital | Statutory reserve | Extraordinary and other reserves | Share premium reserve | Future share capital increase contribution | Profit (loss) for the year | Shareholders' equity |
|---|---|---|---|---|---|---|---|
| **Balance at 31 December 2019** | **11,250** | **2,250** | **-1,020** | **30,718** | **8,867** | **2,706** | **54,771** |
| Profit (loss) for the year | | | | | | -6,284 | **-6,284** |
| Actuarial gains/losses (IAS 19) | | | -44 | | | | **-44** |
| Valuation of joint ventures using the equity method | | | -1,009 | | | | **-1,009** |
| Change in the cash flow hedge reserve | | | -324 | | | | **-324** |
| **Total overall profits/losses** | **0** | **0** | **-1,377** | **0** | **0** | **-6,284** | **-7,661** |
| Lovato Gas Merger | | | 4,088 | | | | 4,088 |
| Performance share | | | 177 | | | | **177** |
| Allocation of profit | | | 2,706 | | | -2,706 | **0** |
| **Total effects deriving from transactions with shareholders** | **0** | **0** | **6,971** | **0** | **0** | **-2,706** | **177** |
| **Balance at 31/12/2020** | **11,250** | **2,250** | **4,574** | **30,718** | **8,867** | **-6,284** | **51,375** |
| Profit (loss) for the year | | | | | | -9,131 | **-9,131** |
| Actuarial gains/losses (IAS 19) | | | -20 | | | | **-20** |
| Valuation of joint ventures using the equity method | | | 554 | | | | **554** |
| Change in the cash flow hedge reserve | | | 274 | | | | **274** |
| **Total overall profits/losses** | **0** | **0** | **808** | **0** | **0** | **-9,131** | **-8,323** |
| Performance share | | | -296 | | | | **-296** |
| Allocation of profit | | | -4,512 | -1,772 | | 6,284 | **0** |
| **Total effects deriving from transactions with shareholders** | **0** | **0** | **-4,808** | **-1,772** | **0** | **6,284** | **-296** |
| **Balance at 31/12/2021** | **11,250** | **2,250** | **574** | **28,946** | **8,867** | **-9,131** | **42,756** |

# EXPLANATORY NOTES TO THE SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2021 OF LANDI RENZO S.P.A.

## A) GENERAL INFORMATION AND SIGNIFICANT EVENTS IN THE YEAR

Landi Renzo S.p.A. (the "Company") has been active for over sixty years in the automotive fuel supply systems sector, designing, manufacturing and selling eco-compatible LPG and CNG fuel supply systems. The Company manages all phases of the process that leads to the production, the sale and, for particular business areas, also the installation of automotive fuel supply systems; it sells both to major automobile manufacturers at a world-wide level (OEM customers) and to independent retailers and importers (*After Market*customers).

Landi Renzo S.p.A., has its headquarters in Cavriago (RE) and is the parent company of the Landi Renzo Group, which holds equity investments, directly and indirectly (through other sub-holding companies), in the capital of the companies through which it is active in Italy and abroad.

The company, listed on the Milan Stock Exchange in the FTSE Italy STAR segment, as the Parent Company, has prepared the consolidated financial statements of the Landi Renzo Group at 31 December 2021.

These financial statements are submitted to auditing carried out by the auditing firm PricewaterhouseCoopers S.p.A.

**Significant events in the financial year**

Significant events that took place in 2021 are described below:

- In January 2021:
    - Landi Renzo S.p.A. became part of H2-ICE, a partnership between five Italian companies, with Punch Torino and AVL Italia as the lead companies, and with the participation of Industria Italiana Autobus and TPER, in order to create a hydrogen fuelled internal combustion engine. Landi Renzo S.p.A., active for more than two years in the development of components and solutions for hydrogen mobility, dedicated in particular to the Mid & Heavy Duty (LCV, Buses and Trucks) and Off Road segment, both for FCEV (fuel cell electric vehicle) and for hydrogen engines, will specifically handle the development and manufacture of components for hydrogen engines to be used in buses and trucks.
    - Landi Renzo and Mahindra & Mahindra Limited (M&M), part of the Mahindra Group and one of the main Indian engine manufacturers, entered into an agreement for the creation of a new generation of CNG engine tractors for agricultural applications. The understanding is based on the meeting between the specific requirements of Mahindra & Mahindra, the most sold tractor brand in the world, which is becoming increasingly oriented towards the use of alternative energy sources, and Landi Renzo S.p.A., which will develop the entire tailor-made control and injection

system for monofuel tractors according to OEM standards, while Mahindra & Mahindra will handle the development of the basic engine starting from the existing Diesel version, optimising combustion and mechanical aspects.

- On 29 April 2021, the Shareholders' Meeting of Landi Renzo S.p.A. resolved, amongst other things:

  - to cover the loss for the year, totalling Euro 6,283,624.66, by using the full extraordinary reserve, which will be reduced to zero, and the share premium reserve, which will be reduced to Euro 28,945,566.50;
  - to place a tax suspension restriction of Euro 4,082,083.55 on the Share premium reserve due to the realignment of the tax value of the AEB trademark with its statutory value, pursuant to Italian Decree Law no. 104/2020, Article 110, paragraph 8;
  - to approve, with reference to the Report on the remuneration policy and on remuneration paid, drafted pursuant to Articles 123- of Italian Legislative Decree 58/98 and 84- of the regulation approved with Consob resolution no. 11971 of 19 May 1999, the first section pursuant to Article 123-, paragraph 3-, of Italian Legislative Decree 58/98 and to vote in favour with reference to the second section pursuant to Article 123-, paragraph 6, of Italian Legislative Decree 58/98;
  - to approve the proposal relating to the authorisation to purchase and dispose of treasury shares.

- In April, Landi Renzo S.p.A. and Clean Energy Fuels Corp entered into an agreement to amend the shareholders' agreements of the investee company SAFE&CEC S.r.l., operating in the "Clean Tech Solutions" segment, as approved by the Board of Directors Landi Renzo S.p.A. at its meeting held on 12 April 2021. The change in the shareholders' agreements provided Landi Renzo S.p.A. with greater decision-making autonomy, permitting it to exercise control over SAFE&CEC S.r.l. and resulting in its line-by-line consolidation pursuant to the international accounting standards (IFRS 10). The shares of the two shareholders have remained unchanged: 51% for Landi Renzo S.p.A. and 49% for Clean Energy Fuels Corp.

- In July 2021, Landi Renzo S.p.A. established the joint venture Landi Renzo Rus with an important local partner. The company, which aims to develop gas mobility in the Russian market, is 51% held by Landi Renzo S.p.A.

- On 5 August 2021, Landi Renzo S.p.A. completed the acquisition of 49% of the share capital of Metatron S.p.A., a company with registered office in Castel Maggiore (BO) and an international leader in alternative fuel solutions for Mid & Heavy Duty vehicles, from Italy Technology Group S.r.l., the current majority shareholder of Metatron S.p.A. This acquisition is part of a broader transaction intended to acquire the remaining 51% of the share capital of Metatron S.p.A. from Italy Technology Group S.r.l. and the other current shareholders as well, enabling Landi Renzo S.p.A. to acquire 100% of Metatron S.p.A. The transaction is not subject to any conditions precedent. The agreed purchase price for 100% of the share capital of Metatron S.p.A. is Euro 26.7 million and will be paid in multiple instalments in cash. In this regard, please note that, as described in detail in the section "Significant events after the reporting period and business outlook" of the Directors' Report, in February 2022 Landi Renzo S.p.A. completed the acquisition of an additional 23.43% of the share capital of Metatron S.p.A., so it now holds a 72.43% stake in that company. For the payment of the total consideration to the minority shareholders and Italy Technology Group S.r.l., amounting to Euro 18,062 thousand, Girefin S.p.A., the controlling shareholder of Landi Renzo S.p.A., made a lump-sum amount available to the Company corresponding to the entire amount of the above-mentioned consideration by means of a shareholder loan bearing interest at an annual rate of 1%. The remaining stake, representing 27.57% of the share capital of Metatron, owned by the shareholder Italy Technology Group, will be acquired by Landi Renzo S.p.A. by the end of the first half of 2022 for Euro 7,374 thousand.

The acquisition of Metatron S.p.A. represents a strategic transaction for Landi Renzo S.p.A., which thus will be able to further consolidate its presence in the Mid & Heavy Duty segment, which is one of the most interested in alternative hydrogen, CNG, biomethane and LNG fuel forms, with volumes expected to grow significantly over the coming years. Indeed, Metatron S.p.A. is a leader in the supply of components for gas and hydrogen Mid & Heavy Duty mobility, in both Europe and China, where it serves the main segment operators based on well-established relationships. The transaction will allow for significant synergies between the two companies, both in terms of cost (estimated at roughly Euro 4.7 million full year starting from 2022) and investments (estimated at around Euro 5 million in the 2022-2023 two-year period), enabling Landi Renzo S.p.A. to complete its offer of components for the gas and hydrogen Mid & Heavy Duty segment.

## B) GENERAL CRITERIA FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND DECLARATION OF CONFORMITY

### Declaration of conformity with international accounting standards and basis of presentation

The separate financial statements were prepared in accordance with the IFRS-EU, i.e., all International Financial Reporting Standards, all International Accounting Standards (IAS) and all interpretations of the International Reporting Interpretations Committee (IFRIC), previously called the Standard Interpretations Committee (SIC), which, at the reporting date, had been endorsed by the European Union in accordance with the procedure laid out in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002, including Commission Delegated Regulation (EU) no. 2019/815 of 17 December 2018 (the “ESEF Regulation”). The IFRSs were applied uniformly to all periods presented.

The separate financial statements of Landi Renzo S.p.A. at 31 December 2021 were approved and authorised for publication by the Board of Directors on 15 March 2022.

The separate financial statements were drafted in Euro, which is the currency of the primary economic environment in which the Company operates. The figures in the Statement of Financial Position, the Income Statement and the Statement of Comprehensive Income for the period are expressed in Euro, the functional currency of the Company, while the data contained in the Statement of Cash Flows, the Table of Changes in Equity and in these Explanatory Notes are expressed in thousands of Euro.

The financial statement layouts and the relative classification criteria adopted by the Company, from amongst the options laid out in IAS 1 - Presentation of Financial Statements, are specified below:

– the Statement of Financial Position was prepared by classifying assets and liabilities based on whether they are current or non-current;
– the Income Statement was prepared separately from the Statement of Comprehensive Income, and shows operating costs divided by nature, as this is considered more representative than the format showing said items by destination, since it complies with the internal reporting methods and international sector practices.
– the Statement of Comprehensive Income includes, aside from the profit (loss) for the year, the other changes in equity items associated with transactions not carried out with Company shareholders;
– the Statement of Cash Flows was prepared by showing cash flows deriving from operations in accordance with the "indirect method".

## Going Concern

In the current market context overshadowed by the continuation of the effects of the COVID-19 pandemic, the potential risks correlated with the Russia-Ukraine crisis and the shortage of raw materials and the resulting price increases, the management has performed accurate analyses concerning expected trends for the year 2022 and thereafter (time horizon of an additional 4 years), reconsidering estimates regarding the expected performance of the segment within the current context, in order to also consider the expected benefits of the initiatives put into place to develop the business.
Furthermore, the management paid particularly close attention to the financial position, short/medium and long-term cash forecasts and financing options.
In this regard, and with reference to the financial covenants in place at 31 December 2021 on the main Landi Renzo S.p.A. loans, please note that on 3 December 2021 the Company presented to the various financial institutions "Waiver Letters" containing some specific requests for consent and/or exemption in relation to the outstanding loan agreements, particularly with reference to the possibility of failure to comply with financial covenants at 31 December 2021.Following punctual negotiations, on 9 February 2022 all credit institutions underwriting the loans issued waiver letters, providing their consent not to calculate the financial parameters at 31 December 2021, to taking out a new planned subsidised medium/long-term loan (finalised in 2022) and to the deferment of the principal instalment of Euro 4,714 thousand falling due on 31 December 2021.The latter was rescheduled in an equal amount to the following three instalments falling due on 30 June 2022, 31 December 2022 and 30 June 2023. Furthermore, the above-mentioned waiver letters are expressly subject to the finalisation of the share capital increase of Landi Renzo S.p.A. to be carried out in an amount of at least Euro 25.4 million, by no later than 30 June 2022.A dedicated disclosure is provided below in this section with respect to the planned share capital increase transaction.

Considering that the above-mentioned waivers were obtained in the course of the initial months of 2022, the payables to credit institutions on which there are financial covenants were reclassified in full to liabilities maturing in the short term in these financial statements, in accordance with IAS/IFRS.

With respect to the remaining payable for the acquisition of the Metatron Group, equal to Euro 25,436 thousand at 31 December 2021, please note that Girefin S.p.A., the controlling shareholder of Landi Renzo S.p.A., made a lump-sum amount available to the Company corresponding to Euro 18,062 thousand by means of a shareholder loan bearing interest at an annual rate of 1%. This sum was paid to the minority shareholders and Italy Technology Group in February 2022.

The remaining stake (27.57%) owned by the shareholder Italy Technology Group will be acquired by Landi Renzo S.p.A. by the end of the first half of 2022 for Euro 7,374 thousand.

This provides a significant confirmation of the reference shareholder's desire to support the Group's growth, particularly in the Green Transportation segment.

Furthermore, please note that in the course of the second half of the year the directors of the Company initiated procedures to be able to access the measures established under the Fund Supporting Large Companies in difficulty - Decree-Law no. 41/2021, Art. 37, Interministerial Decree of 5 July 2021 and Executive Decree of 3 September 2021, and intended to disburse a significant new line of credit in favour of Landi Renzo S.p.A.

In February 2022, the company received a notification from Invitalia (Agenzia Nazionale per l'Attrazione degli Investimenti e lo sviluppo di impresa SpA) concerning its admission to the above-mentioned procedure and took prompt action to meet the formal requirements established and necessary to proceed with the finalisation of the agreement for the provision of subsidies, which is expected to possibly be concluded by the end of March 2022.

Following up on what is set forth above, and to take into account the changed market environment, the directors prepared a new Group economic-financial plan for the 2022-2025 period, which was approved by the Landi Renzo S.p.A. Board of Directors on 15 March 2022 and calls for a share capital increase of up to a maximum of Euro 60 million.

This transaction is linked to the signing in March 2022 by the controlling shareholders of Landi Renzo S.p.A. - Girefin S.p.A. and Gireimm S.r.l., which hold a total joint investment of 59.16% of the share capital of Landi Renzo S.p.A. - of a non-binding term sheet with Itaca Equity Holding S.p.A., which lays the foundation for a minority investment in the share capital of Landi Renzo, as a long-term investor, aiming to support Landi Renzo's expansion in the compression and automotive segments. The main shareholder of Itaca Equity Holding is Tamburi Investment Partners S.p.A. The transaction calls for a co-investment by Cristiano Musi, Chief Executive Officer of Landi Renzo. Within the new business plan and in order to provide the Company with the necessary financial resources, the Board of Directors approved the proposal to the upcoming shareholders' meeting to delegate the Board of Directors pursuant to Article 2443 of the Italian Civil Code to increase the share capital by a maximum of Euro 60.0 million, indivisible up to Euro 50 million, with the option right, to be paid up by means of contributions in cash and by the voluntary offsetting, pursuant to Article 1252 of the Italian Civil Code, of receivables due to the subscribers from Landi Renzo and to be subscribed by no later than 31 December 2023. The share capital increase is guaranteed by the Landi Family and by Itaca Equity Holding up to the amount of Euro 50.0 million, assuming the completion of the transaction between the Landi Family and Itaca Equity Holding.

Considering the complexity of the procedure to be applied to the planned share capital increase, due to the technical aspects required by the regulations governing the market, although uncertainty remains as to the timing for its execution and finalisation by the end of the first half of 2022, on the basis of the information currently available it is deemed highly likely that by that deadline the share capital increase will be finalised to an extent adequate to allow for compliance with the termination clause included in the above-mentioned financial covenants. In this regard, please note that if in the course of the coming months delays are expected for any reason whatsoever in the finalisation of the transaction within that timeframe, the Company will be responsible for initiating dialogue with the credit institutions to take the actions necessary to obtain the relative consent, which is also required contractually, also taking into account if necessary any financial support of the controlling shareholder, already extensively demonstrated in the course of previous years and not lastly with the provision of an Euro 18 million loan, described previously.

Taking into account what is described above, it is believed that business continuity is guaranteed with reference both to the Company's financial strength and its capacity to pursue its business strategies. As a result, Landi Renzo S.p.A.'s separate financial statements as at 31 December 2021 were drafted on the basis of the going concern assumption.

## Amendments and revised accounting standards applied by the Company for the first time

The accounting standards adopted in preparing the separate financial statements at 31 December 2021 are consistent with those adopted for the preparation of the financial statements in the previous year, with the exception of the adoption of the new accounting standards, amendments, improvements and interpretations applicable as of 1 January 2021 listed below.

| EU endorsement regulation | Description |
|---|---|
| Regulation (EU) 2020/1434 | The amendment named "COVID-19 Related Rent Concessions (Amendment to IFRS 16)" establishes the right for lessees to account for reductions in rent connected to COVID-19 without having to analyse the contracts to evaluate whether the definition of lease modification as set forth in IFRS 16 is respected. Therefore, lessees exercising this option may account for the effects of rent reductions directly in the income statement at the effective date of the reduction. |
| Regulation (EU) 2020/2097 | The amendment to IFRS 4 - Insurance contracts aims to resolve the temporary accounting consequences of the mismatch between the date of entry into force of IFRS 9 and the date of entry into force of the future IFRS 17. In particular, it extends the expiry date of the temporary exemption from the application of IFRS 9 to 2023 in order to align the date of entry into force of IFRS 9 with the new IFRS 17. |
| Regulation (EU) 2021/25 | Amendment to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform": phase two of the amendment modifies the provisions on hedge accounting in IFRS 9 and IAS 39. |

The accounting principles and modifications to the accounting principles described above have not had significant effects on the Company's financial statements.

## Accounting standards, amendments and interpretations not yet applicable and not adopted in advance by the Company

The following table lists the new international accounting standards, or the amendments of standards and interpretations already in force, which must begin being applied from 1 January 2022 or thereafter.

| EU endorsement regulation | Description |
|---|---|
| 14 May 2020 | The IASB published an amendment to the following international accounting standards and improvements:<br>• IFRS 3 – Business Combinations;<br>• IAS 16 – Property, Plant and Equipment;<br>• IAS 37 – Provisions, Contingent Liabilities and Contingent Assets<br>• Annual Improvements 2018-2020<br>This amendment will come into force on 1 January 2022. |
| 31 March 2021 | The IASB published an amendment named "COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)" which extends by one year the period of application of the amendment to IFRS 16, issued in 2020, relating to the recognition of concessions granted to lessees as a result of COVID-19. The amendments are applicable beginning from financial statements starting on or after 1 April 2021 and early adoption is permitted. |
| 18 May 2017 | The IASB published IFRS 17 Insurance Contracts which aims to improve understanding of the exposure to risk, profitability and the financial position of insurers. IFRS 17 replaces IFRS 4. Early application is permitted.<br>This standard, which is not applicable to the Group, will come into force on 1 January 2023. |

The Company is evaluating the effects that the adoption of such standards may have on its financial statements. The Company did not exercise the option to apply them early.

The IASB made amendments to several international accounting standards issued previously and published new international accounting standards, for which the approval process has not yet been completed.

| Date | Description |
|---|---|
| 09 December 2021 | The IASB published the amendment to IFRS 17 – Insurance contracts: initial application of IFRS 17 and IFRS 9 – Comparative information. The amendment is a |

| | |
|---|---|
| | transition option relating to comparative information on financial statements presented on initial application of IFRS 17 and aims to help insurance companies to avoid temporary accounting misalignments between financial assets and insurance contract liabilities, and therefore to improve the usefulness of comparative information for users of financial reports.<br>The amendment will apply as of 1 January 2023 and early application is permitted. This amendment is not applicable to the Group. |
| 07 May 2021 | The IASB published an amendment named "Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction". The document clarifies how deferred tax liabilities need to be recognised on certain transactions that may generate assets and liabilities of equal amounts, such as leases and decommissioning obligations. The amendments will apply as of 1 January 2023 and early application is permitted. |
| 12 February 2021 | The IASB published amendments named "Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2" and "Definition of Accounting Estimates –Amendments to IAS 8" intended to improve the disclosure on accounting policies so as to provide more useful information to readers of the financial statements, as well as help companies to distinguish changes in accounting estimates from changes in accounting policies. The amendments will apply as of 1 January 2023 and early application is permitted. |
| 23 January 2020 | The IASB published the amendment to IAS 1 "Presentation of Financial Statements: Classification of Liabilities as Current or Non-current" with the aim of clarifying how to classify payables and other liabilities as short or long term.<br>These amendments will come into force on 1 January 2023. Early application is permitted. |
| 30 January 2014 | IFRS 14 entered into force on 1 January 2016, but the European Commission decided to suspend the endorsement process pending the new accounting standard on rate-regulated activities. IFRS 14 allows only entities which adopt IFRS for the first time to continue to recognise rate regulation balances in accordance with the previous accounting standards adopted. To improve comparability with entities that already apply IFRS and do not recognise such balances, the standard requires the effect of rate regulation to be presented separately from other items. |

The Company is evaluating the effects that the adoption of such standards may have on its financial statements.

## C) ACCOUNTING STANDARDS AND VALUATION CRITERIA

The accounting standards described hereafter were applied uniformly for all the periods included in these financial statements.

## LAND, PROPERTY, PLANT, MACHINERY AND OTHER EQUIPMENT

Tangible assets were recognised in accordance with the cost criterion at the purchase price or the production cost inclusive of directly attributable accessory costs necessary to make the assets ready for use.

The carrying amount of tangible assets is subsequently adjusted for systematic depreciation, calculated on a straight-line basis from the moment in which the asset is available and ready for use, based on its useful life, understood as the estimated period in which the asset will be used by the company, and any accumulated loss for impairment.

When the asset to be depreciated consists of distinctly identifiable elements whose useful life differs significantly from that of the other parts of the asset, each of those parts are depreciated separately in application of the component approach method.
Any financial expense directly attributable to the purchase and production of tangible assets is capitalised and depreciated on the basis of the useful life of the asset to which it refers.

The following annual depreciation rates are used:

| Categories | Depreciation period | Depreciation rates |
|---|---|---|
| Leasehold improvements - buildings | The lower between the residual economic usefulness of the improvement and the residual duration of the underlying contract | 16.67- 20% |
| Plant and machinery | Straight-line basis | 10 - 17.5% |
| Industrial and commercial equipment | Straight-line basis | 17.5 - 25% |
| Other assets | Straight-line basis | 12 - 20 - 25% |

The residual value and the useful life of tangible assets are reviewed at least annually and updated, when applicable, at the end of each year. Based on the analysis performed by the management it was not necessary to amend the useful life compared to those applied in the previous financial year.

Costs incurred for maintenance and repairs are charged in their entirety to the income statement for the year in which they are incurred. Costs for improvements, upgrades and transformation having an incremental nature are attributed to the tangible assets to which they refer, when it is probable that they will increase the future economic benefits expected from the use or the sale of the asset, and depreciated based on the remaining useful life of the assets.

Costs capitalised for leasehold improvements are classified under property and depreciated at the lower of the residual economic usefulness of the improvement and the residual duration of the underlying contract.

The financial expenses directly attributable to the acquisition, construction or production of a tangible asset are recognised in the income statement at the moment at which they are incurred, in accordance with the appropriate accounting treatment provided for by IAS 23.

The carrying amount of tangible assets is subjected to verification in order to discover any possible impairment, using the methods described in the paragraph "Impairment of assets".

At the moment of sale or when no future economic benefits are expected from the use of an asset, it is eliminated from the financial statements and any loss or profit (calculated as the difference between the sale value and the carrying amount) is recognised in the income statement in the year of the aforementioned elimination.

## INTANGIBLE FIXED ASSETS

Intangible assets consist of identifiable non-monetary elements with no physical consistency, which can be controlled and can generate future economic benefits. These elements are initially recognised at purchase and/or production cost, inclusive of expenses directly attributable to make the asset ready for use. Intangible assets are amortised on a straight-line basis throughout their estimated useful life; amortisation rates are reviewed on an annual basis and are amended if the current useful life differs from that estimated previously. The useful life estimated by the Company for the various categories of intangible assets, valid for all periods presented, is shown below.

| Categories | Useful Life |
|---|---|
| Development costs | from 3 to 5 years |
| Industrial patents and rights to use intellectual property | 3 years |
| Software, licenses and others | 3 years |
| Trademarks | from 7 to 18 years |

## DEVELOPMENT EXPENDITURE

Research and development expenditure are recognised in the Income Statement for the year in which they are incurred, with the exception of development expenditure recognised under intangible assets if the conditions established in IAS 38, reported below, are satisfied:

- the project is clearly identified and the costs relating to it are identifiable and can be measured reliably;
- the technical feasibility of the product is demonstrated;
- there is evidence of the Company's intention to complete the development project and to sell the assets generated by the project;
- there is a potential market or, in the case of internal use, the utility of the intangible asset for the production of assets generated by the project can be demonstrated;
- the technical and financial resources required to complete the project are available.

The amortisation period starts only when the development phase is completed and the result generated by the project can be marketed, and is usually three years, based on the estimated duration of the benefits linked with the product developed. Capitalised development expenditure is stated at cost, minus accumulated amortisation and any accumulated losses from impairment.

## GOODWILL

The goodwill deriving from business combinations after 1 January 2005 is initially entered at cost, and represents the excess of the purchase cost over the purchaser's share of the net fair value referring to the identifiable values of existing and potential assets and liabilities.
Goodwill deriving from acquisitions made prior to 1 January 2005 is entered at the value recorded for that purpose in the last Financial Statements prepared according to the previous accounting standards (31 December 2004), subject to verification and recognition of any possible impairment.
When the IFRS were initially adopted, as permitted by IFRS 1, acquisition transactions performed prior to 1 January 2005 were not reconsidered.
At the acquisition date, any goodwill emerging is allocated to each of the cash generating units (or "CGUs") that are expected to benefit from the synergistic effects deriving from the acquisition. Taking into account the corporate reorganisation process taking place over recent years, the current organisational structure and the methods whereby control is exercised over operations, a single "Green Transportation" CGU has been identified, to which goodwill is allocated for impairment testing purposes. After the initial recognition, since goodwill is regarded as an intangible asset with an indefinite life, it is no longer amortised and is decreased by any accumulated losses in value, determined as described below.
Goodwill is subjected to an analysis of recoverability on at least an annual basis, or even more frequently if events or changes in circumstances arise that could result in possible impairment, identifying the CGUs which benefit from acquisition synergies. Cash flows are discounted to the cost of capital as a function of the specific risks of the unit concerned. Impairment is stated when it emerges from the check on discounted cash flows that the recoverable value of the CGU is less than the carrying amount and is stated as a priority under goodwill.
Any impairment is identified through valuations that take as a reference the ability of each CGU to produce financial flows capable of recovering the portion of goodwill allocated to it. If the value recoverable by the CGU is less than the carrying amount attributed, the corresponding impairment is recognised. Such impairment is restored if the reasons that generated it cease to exist.

## OTHER INTANGIBLE FIXED ASSETS

Other intangible assets with finite useful life, acquired or self-created, are capitalised when it is probable that use of the asset will generate future economic benefits and its cost can be measured reliably. These assets are initially recognised at purchase or development cost.

Costs incurred subsequently relating to intangible assets are capitalised only if they increase the future economic benefits of the specific asset capitalised and they are amortised on the basis of the aforementioned criteria according to the assets to which they refer.

## RIGHT-OF-USE ASSETS

A contract is, or contains, a lease if it grants the right to use a specified asset for a period of time in exchange for a consideration.

Each lease component is separate from other contract components, unless the Company adopts the practical expedient under paragraph 15 of IFRS 16, which allows the lessee to opt, for each class of underlying asset, to not separate the other components and to recognise them together with the lease components.

The lease duration is determined as the lease period which is non-cancellable, to which the following periods are added:

- periods covered by an extension option if exercise of that option by the lessee is reasonably certain; and
- periods covered by a termination option if the lessee is reasonably certain not to exercise that option.

In deciding whether the lessee has reasonable certainty of exercising these options, all relevant facts and circumstances that create an economic incentive for the lessee in its evaluation are considered. The lessee must re-determine the lease duration if the non-cancellable period of the lease is changed.

At the date when the contract comes into effect, the Company recognises right-of-use assets and the relative lease liability. At the date when the contract comes into effect, the right-of-use asset is measured at cost. The cost of the right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- payments due to leasing made at or before the effective date, net of incentives on received leasing;
- initial direct costs incurred by the lessee; and
- the estimate of costs the lessee shall incur to dispose of and remove the underlying asset and restore the site in which it is located or to restore the underlying asset according to the conditions in the contractual terms and conditions.

At the effective date of the contract, the lessee shall measure the lease liability at the current value of payments owing for the leasing not paid at this date. Payments owing for the leasing include the following amounts:

- fixed payments, net of any leasing incentives to receive;
- variable payments owing for leasing which depend on an index or rate, initially measured using an index or rate at the effective date;
- amounts that the lessee shall pay as a guarantee of the residual value;
- the price to exercise the purchase option, if the lessee has reasonable certainty of exercising the option; and
- payments of penalties for termination of the leasing, if the duration takes into account the lessee exercising the option to terminate the leasing.

Payments owing for the leasing must be discounted using the interest rate embedded in the contract, if it can be easily determined. If this is not possible, the lessee must use the marginal lending rate, i.e. the incremental interest rate that the company should pay to obtain a loan of the same duration and amount of the lease agreement.

After initial recognition, the right-of-use asset is measured at cost, net of accumulated depreciation and accumulated impairment losses, adjusted to take account of any re-determination of lease liabilities.

After initial recognition, the lease liability is measured:

- increasing the carrying amount to take into account interest on lease liabilities;
- decreasing the carrying amount to take into account payments owing for leasing undertaken; and
- redetermining the carrying amount to take into account any new measurements or contract amendments or a revision in payments owing for leasing which is fixed in substance.

In the case of changes in leasing which do not constitute separate leasing, the right-of-use asset is redetermined, in keeping with the change in the lease liability at the date of the amendment. The lease liability is redetermined based on the new conditions in the lease agreement, using the discount rate at the date of the amendment.
The Company uses two exemptions, provided for by IFRS 16, with reference to:
(i) short-term leasing, i.e. leasing of 12 months or less;
(ii) leasing with low-value assets (less than Euro 5,000).
In these cases, the asset comprising the right of use and relative liability is not recognised, and payments owing for the leasing are recognised in the income statement.

## IMPAIRMENT OF ASSETS

At each reporting date, tangible and intangible assets with a finite useful life are analysed in order to identify the existence of any indicators of impairment originating from sources external or internal to the Company. When these indicators are identified, the recoverable value of the above-mentioned assets is estimated, and any impairment loss is recognised in the Income Statement.
A tangible or intangible asset suffers a reduction in value if it is not possible to recover, either through use or sale, the carrying amount at which said asset is recorded in the financial statements. Therefore, the aim of the test (impairment test) provided for by IAS 36 is to assure that tangible and intangible fixed assets are not entered at a value greater than their recoverable value, which is the greater of the net sale price and the value in use.
The value in use is the current value of future financial flows that are expected to be generated by the asset or by the cash generating unit to which the asset belongs. The expected cash flows are discounted using a discount rate that reflects the current estimate of the market of reference referring to the cost of the money in proportion to the time and risks specific to the asset.
Management uses various assumptions in applying this method, including estimates of changes in revenues, the gross profit margin, operating costs, the growth rate of terminal values, investments, changes in operating capital

and the weighted average cost of capital (discount rate) which combine in defining a medium-term plan, specifically aimed at performing an impairment test, revised at least annually and approved by the Board of Directors of the Parent Company.

If the carrying amount exceeds the recovery value, the assets or the cash generating units to which they belong are written down until they reflect the recovery value. Such losses are accounted for on the Income Statement.

The impairment test is carried out when conditions occur inside or outside the company that suggest that the assets have suffered a reduction in value. In the case of goodwill or other intangible assets with an indefinite useful life, the impairment test is carried out at least annually. If the conditions that resulted in the impairment cease to exist, the same value is restored proportionally on the previously devalued assets until it reaches, at most, the value that such goods would have had, net of amortisation calculated on the historical cost, in the absence of a prior impairment. Restorations of value are recognised in the income statement.

The value of previously devalued goodwill is not restored.

To evaluate any impairment of capitalised development expenditure, the Company attributes such costs to the corresponding specific projects and evaluates their recoverability based on forecasts of expected sales of the products to which the development costs refer. Specifically, if the margin arising from the above-mentioned sales does not allow for the recoverability of capitalised costs, this constitutes impairment, which is reflected in the financial statements. This assessment is performed at each year-end close and/or in the presence of trigger events.

## EQUITY INVESTMENTS IN SUBSIDIARY AND ASSOCIATES AND JOINT VENTURES

Equity investments in subsidiary companies are measured using the cost method including directly related costs, adjusted according to impairment losses.

In the case where there is evidence of events indicative of long term impairment, the value of the equity investments is subjected to an impairment test according to the provisions of IAS 36. The original value is restored in subsequent years if the reasons for write-down cease to exist.

The risk deriving from any losses exceeding the cost is recorded under provisions, to the extent to which there is a legal or implicit obligation or the intention to meet said obligation.

Equity investments in joint ventures are companies for which an agreement existed at the date when the financial statements were prepared, through which there are similar rights on net assets, rather than rights on assets, and obligations for liabilities.

Equity investments in *joint ventures* are measured using the equity method.

## OTHER CURRENT AND NON-CURRENT FINANCIAL ASSETS

On initial recognition, financial assets are classified in one of the three categories listed below on the basis of the following elements:

- the entity's business model for the management of the financial assets;
- the characteristics of the financial asset's contractual cash flows.

Financial assets are subsequently derecognised only if the disposal entails the substantial transfer of all risks and rewards connected to the assets. On the other hand, if a significant portion of the risks and rewards relating to the disposed financial assets has been retained, they continue to be recognised in the financial statements, even if legally their ownership has been effectively transferred.

Financial assets at amortised cost

This category includes the financial assets that meet both of the following conditions:

- the financial asset is held according to a "hold to collect" business model; and
- the contractual terms of the financial asset call for cash flows at specific dates represented solely by payments of principal and interest ("SPPI test" passed).

These assets are initially recognised at fair value inclusive of the transaction costs or income directly attributable to the instrument. Subsequent to initial recognition, the financial assets in question are measured at amortised cost using the effective interest method. The amortised cost method is not used for assets measured at historical cost whose short duration makes the effect of discounting negligible, for those without a defined maturity or for revocable credit lines.

Financial assets at fair value through other comprehensive income

This category includes the financial assets that meet both of the following conditions:

- the financial asset is held according to a "hold to collect and sell" business model; and
- the contractual terms of the financial asset call for cash flows at specific dates represented solely by payments of principal and interest ("SPPI test" passed).

This category includes shareholdings, not qualifiable as controlling, associated or of joint control, which are not held for trading, which the entity has opted to designate at fair value through other comprehensive income.

These assets are initially recognised at fair value inclusive of the transaction costs or income directly attributable to the instrument. Subsequently, shareholdings not qualifiable as controlling, associated or of joint control are measured at fair value, and amounts recognised as a matching entry to other comprehensive income should not be subsequently transferred to the income statement, even in the case of disposal. The only component referring to the equity instruments in question subject to recognition in the income statement is the relative dividends.

For the equity instruments included in this category not listed in an active market, the cost criterion is used to estimate fair value only on a residual basis and in a limited circumstances, or when the most recent information to measure fair value is insufficient, or if there is a broad range of possible fair value measurements and cost represents the best estimate of fair value within that range of values.

Financial assets at fair value through profit or loss

This category includes financial assets other than those classified under "Financial assets at amortised cost" and "Financial assets at fair value through other comprehensive income".

This category includes financial assets held for trading and derivative contracts not qualified as hedges.

Assets at fair value through other comprehensive income are initially recognised at fair value without considering the transaction costs or income directly attributable to the instrument. Subsequently, they are measured at fair value and the valuation effects are attributed to the income statement.

Impairment of financial assets

In accordance with the provisions of IFRS 9, the Company applies a simplified approach to estimate expected credit losses throughout the life of the instrument and takes into consideration its past experience with respect to credit losses, adjusted on the basis of specific forecasts relating to the nature of the Company's receivables and the economic context.

In brief, the Company measures expected losses on financial assets so as to reflect:

- an objective amount weighted on the basis of probabilities determined by assessing a range of possible results;
- the time value of money;
- reasonable and demonstrable information that is available without excessive cost or effort at the reporting date on past events, current conditions and outlooks on future economic conditions.

A financial asset is impaired when one or more events with a negative impact on the estimated future cash flows of the financial asset takes place. Observable data relating to the following events constitute proof that the financial asset is impaired:

a) significant financial difficulties of the issuer or the debtor;

b) a violation of the contract, such as breach or an unmet deadline;

c) for economic or contractual reasons relating to the financial difficulties of the debtor, the creditor extends a concession to the debtor that the creditor would not have otherwise taken into consideration;

d) it is likely that the debtor will declare bankruptcy or other financial restructuring procedures;

e) the disappearance of an active market for that financial asset due to financial difficulties; or

f) the acquisition or creation of the financial asset with large discounts that reflect the credit losses incurred.

For financial assets at amortised cost, the value of any impairment is measured as the difference between the carrying amount of the asset and the present value of expected future cash flows, discounted on the basis of the original effective interest rate. This value is recognised in the income statement.

## INVENTORIES

The item inventories includes raw materials and materials used in the production process, semi-finished products, spare parts and finished products.

Inventories are stated at the lower value between purchase or manufacturing cost, inclusive of accessory costs, measured according to the FIFO method, and the realisation value that can be inferred from market performance.

The measurement of inventories includes the direct costs of materials and labour and the indirect costs of production (variable and fixed), determined on the basis of normal production capacity.
Where necessary, depreciation funds are calculated for obsolete stocks or those with a slow turnaround taking account of their future possibility of use or recovery.

## TRADE RECEIVABLES

Receivables are initially recognised at fair value. The initial value is subsequently adjusted to take into account repayments of capital, any write-downs and the amortisation of the difference between repayment amount and initial value. Amortisation is performed on the basis of the internal effective interest rate, represented by the interest rate that aligns, on initial recognition, the present value of expected cash flows and the initial value (so-called Amortised cost method). If there is objective evidence indicating impairment, the asset value is decreased to the discounted value of the future flows obtainable from it. Such losses are recognised on the Income Statement. If, in subsequent periods, the reasons for the preceding write-down no longer exist, the value of the asset is restored to the amount that would have derived from applying the amortised cost without write-down.

The provision for bad debts, determined in order to measure receivables at their effective realisation value, includes write-downs recognised in order to take account of objective indications that trade receivables are impaired. Write-downs, which are based on the most recent information available and management's best estimate, are recognised in such a way as to decrease impaired assets to the present value of future cash flows obtainable from them.

## OTHER RECEIVABLES AND OTHER CURRENT ASSETS

Other receivables and other current financial assets are initially recognised at fair value. Subsequently, the receivables are measured with the amortised cost method on the basis of the internal effective interest rate, represented by the interest rate that aligns, on initial recognition, the present value of expected cash flows and the initial value.
If there is objective evidence indicating impairment, the asset value is decreased to the discounted value of the future flows obtainable from it. Such losses are recognised on the Income Statement. If, in subsequent periods, the reasons for the preceding write-down no longer exist, the value of the asset is restored to the amount that would have derived from applying the amortised cost without write-down.

## DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets are derecognised when one of the following conditions is met:

- the contractual right to receive cash flows from the asset has expired;
- the Company has substantially transferred all risks and rewards linked to the asset;

- the Company has not substantially transferred or maintained all risks and benefits connected to the financial asset, but it has transferred control over it.

Financial liabilities are derecognised when they are extinguished, or when the contractual obligation has been met, is cancelled or is time-barred. An exchange of debt instruments with substantially different contractual terms must be accounted for as an extinction of the original financial liability and the recognition of a new financial liability. Likewise, a substantial change in the contractual terms of an existing financial liability, even partial, must be accounted for as an extinction of the original financial liability and the recognition of a new financial liability.

## ASSIGNMENT OF RECEIVABLES

The Company is permitted to assign part of its trade receivables through factoring transactions. The operations for assignment of receivables can be with or without recourse; some non-recourse assignments include deferred payment clauses (for example, the payment by the factor of a minority part of the purchase price is subordinate to the total collection of receivables), requiring an exemption on the part of the assignor or implying the maintenance of significant exposure to the progress of the financial flows deriving from the receivables assigned.
This type of operation does not meet the requirements laid down by IFRS 9 for eliminating financial assets from the balance sheet, since the associated benefits and risks have not been substantially transferred.
Consequently, all the receivables assigned through factoring operations that do not meet the requirements for elimination established by IFRS 9 continue to be recorded in the Financial Statements of the Company, although they have been legally assigned; a financial liability for the same amount is recorded in the financial statements as Payables for Advances on Assignment of Receivables. Profits and losses related to the assignment such assets are recorded only when the same assets are removed from Statement of Financial Position of the Company.
At 31 December 2021, the Company had only performed assignments of trade receivables without recourse that meet all the requirements established by IFRS 9 for the derecognition of such receivables.

## CASH AND CASH EQUIVALENTS

The item relating to cash and cash equivalents includes, primarily, bank deposits repayable on demand, as well as cash on hand and other short-term investments that are highly convertible (convertible into cash and cash equivalents within ninety days). Cash and cash equivalents are measured at fair value, which usually coincides with their nominal value; any changes are recognised on the Income Statement.

For the purposes of representing cash flows for the period, when drawing up the Cash Flow Statement, short-term bank debts are represented among the cash flows of the financing activities, since they are for the most part attributable to bank advances and short term bank loans.

## SHARE CAPITAL AND OTHER EQUITY ITEMS

### (i) Share capital

The share capital is made up of the ordinary shares in circulation.
The costs relating to the issue of new shares or options are classified in equity (net of the associated tax benefit) as a deduction of the income deriving from the issue of such instruments.
As provided for by IAS 32, if equity instruments are repurchased, such instruments (treasury shares) are recognised as a direct deduction from Equity under the item "Other Reserves". Gains or losses are not recognised on the Income Statement when treasury shares are purchased, sold or cancelled.
The consideration paid or received, including any cost directly incurred and attributable to the capital transaction, net of any related tax benefit, is directly recognised as an Equity transaction.

### (ii) Statutory reserve and other reserves

The statutory reserve is formed from the allocation of part of the Company's profit for the year (5% each year until it has reached 20% of the share capital) and may be used exclusively to cover losses. The other reserves include the reserves of profits and capital for a specific use, the profit (loss) of previous years not distributed or allocated to a reserve, as well as the reserve generated upon the adoption of IFRS.

## PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are set aside to cover current obligations - legal or implicit - deriving from past events, for which a reliable estimate of the amount required to settle the obligation can be made at the end of the year. Provisions for risks and charges are stated if said charges are likely to be incurred. Any change in the estimate of provisions is reflected on the Income Statement in the period when it occurs.
If a liability is regarded as merely potential, no allocation to provisions for risk and charges is made and only adequate information is provided in these notes to the financial statements.
When the financial effect of time is significant and the date of cash outflows associated with the obligation can be reliably determined, the estimated cost is discounted to the present value using a rate reflecting the current market values and includes the additional effects relating to the specific risk that may be associated with each liability. After discounting, the increase in the provision due to the passage of time is recognised as a financial expense.
The product warranty provision is stated on sale of the underlying goods or supply of the underlying services. The provision is determined using historical information on warranties and by weighting the probability associated with possible results.
The provisions are periodically updated to reflect changes in estimated costs, realisation timing and the discount rate; revisions of the estimated provisions are recognised in the same item of the Income Statement which previously included the provision or, when the liability relates to an asset, as a matching entry to the asset to which it refers.

## EMPLOYEE BENEFITS

Short-term benefits are represented by salaries, wages, the relative social security contributions, compensation in lieu of holidays and incentives provided in the form of a bonus payable in twelve months after the reporting date. These benefits are accounted for as components of personnel cost in the period in which the work activity is provided.
Post-employment benefits are broken down into two types: defined contribution plans and defined benefit plans. In defined contribution plans, social security contributions are recognised in the Income Statement when they are incurred, based on the relative nominal value.

### Defined benefit plans

Defined benefit plans are represented by the TFR (employee severance indemnity) contributions accrued up to 31 December 2006 for the employees of the Company. These are measured in accordance with IAS 19 by independent actuaries, using the projected unit funding method.
This calculation consists in estimating the amount of benefit that an employee will receive at the expected retirement date, using demographic assumptions (such as, for example, death rate and personnel turnover rate) and financial assumptions (such as, for example, discount rate and future salary increases). The amount thus determined is discounted to the present value and re-proportioned based on the accrued length of service compared to the total length of service and represents a reasonable estimate of the benefits that each employee has already accrued because of his/her service. The discount rate used derives from the curve of rates on Markit iBoxx € Corporate AA 10+ bonds at the end of the reporting period, with a similar maturity date to the bond held for employees.
Actuarial gains and losses emerging following the revaluations of net liabilities for defined benefit plans were immediately entered in the other items of the Statement of Comprehensive Income.
Net interest and other costs of defined benefit plans are instead recognised in the Income Statement.

### Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the entity pays fixed contributions into a separate entity and has no legal or implicit obligation to pay further contributions. The contributions to defined contribution plans are recognised as an expense in the Income Statement in the periods in which the employees provide their work. Contributions paid in advance are recorded as assets to the extent that the advance payment will result in a reduction in future payments or a refund.

## SHARE-BASED PLANS

The cost of transactions regulated with equity instruments is determined by the fair value at the date of assignment, using an appropriate measurement method. This cost, together with the corresponding increase in shareholders' equity, is recognised under personnel costs for the period when conditions relative to achieving objectives and/or the provision of the service are met. The accumulated costs recognised for these transactions at the end of the reporting period up to the date of accrual are commensurate with the expiry of the accrual period and the best estimate of the number of instruments serving the plan at the time of accrual.

The service or performance conditions are not considered when the fair value for the plan is defined at the assignment date. However, the likelihood that these conditions are met in defining the best estimate of the number of equity instruments that will be accrued is considered.

Market conditions are reflected in the fair value at the assignment date.

Any other condition related to the plan, which does not entail a service obligation, is not considered as a condition of accrual.

Non-accrual conditions are reflected in the fair value of the plan and require immediate recognition of the plan cost, unless there are also service or performance conditions.

When the rights include a market condition or a non-accrual condition, these are treated as if they had accrued regardless of whether market conditions or other non-accrual conditions are met or not, save for all other performance and/or service conditions having to be met.

A cost for each change that increases the total fair value of the payment plan, or that is favourable for employees in any case, is recognised as a cost; this cost is measured with reference to the date of the change. When a plan is cancelled by the entity or counterparty, any remaining part of the fair value of the plan is immediately recognised in the income statement.

## TRADE PAYABLES

Trade payables are stated at the fair value of the initial consideration received in exchange and subsequently measured at amortised cost, using the effective interest method. Trade payables with due dates that fall under normal sales terms are not discounted to the present value.

## DERIVATIVE FINANCIAL INSTRUMENTS

In keeping with IFRS 9, derivative financial instruments may be measured on a hedge accounting basis when:

- the hedging relationship consists only of eligible hedging instruments and eligible hedged items;
- at the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the Company's risk management objective and strategy for undertaking the hedge;
- the hedging relationship meets all of the following effectiveness requirements:
- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship;
- the hedge ratio of the hedging relationship is the same as that actually used in the economic hedge, also through rebalancing and is consistent with the risk management strategy adopted by the Company.

### Fair value hedge

If a derivative financial instrument is designated as a hedge of the exposure to changes in fair value (fair value hedge) of an asset or liability attributable to a particular risk that could affect profit or loss, the profit or loss arising from subsequent fair value measurements of the hedging instrument are recognised in the income statement. The profit or loss on the hedged item, attributable to the hedged risk, change the carrying amount of this item and are recognised in the income statement.

### Cash flow hedge

When a derivative financial instrument is designated as a hedge of the exposure to variability in cash flows, the effective portion of changes in fair value of the derivative financial instrument is recognised as other comprehensive income and presented in the cash flow hedge reserve. The effective portion of changes in fair value of the derivative financial instrument which is recognised in other comprehensive income is limited to the accumulated change in fair value of the hedged instrument (at the current value) from the start of hedging. The ineffective portion of changes in fair value of the derivative financial instrument is recognised immediately in profit/(loss) for the year.

If the hedging no longer meets eligibility criteria or the hedging instrument is sold, matures or is exercised, the recognition of hedging transactions stops on a forward-looking basis. When an entity discontinues hedge accounting for a cash flow hedge, the amount that has been accumulated in the cash flow hedge reserve remains in shareholders' equity until, in the case of the hedging of a transaction that results in the recognition of a non-financial asset or liability, it is included in the cost of the non-financial asset or liability at the time of initial recognition, or in the case of other cash flow hedges, it is reclassified to profit/loss in the same year or in the same years when the hedged future cash flows have an effect on profit/(loss) for the year.

If the hedged future cash flows are no longer expected to occur, that amount is immediately reclassified from the cash flow hedge reserve and hedge costs reserve to the Income Statement.

If hedge accounting cannot be adopted, profits or losses arising from the fair value measurement of the derivative financial instrument are recognised immediately in profit or loss.

## CURRENT AND NON-CURRENT FINANCIAL LIABILITIES, TAX LIABILITIES AND OTHER LIABILITIES

Short- and long-term financial payables and other short- and long-term liabilities are initially recognised at fair value. The initial value is subsequently adjusted to take into account repayments of principal and the amortisation of the difference between repayment amount and initial value. Amortisation is performed on the basis of the internal effective interest rate, represented by the interest rate that aligns, on initial recognition, the present value of cash flows connected to the liability and the initial value (so-called amortised cost method).

When there is a change in cash flows and it is possible to estimate them reliably, the value of payables is recalculated to reflect that change on the basis of the present value of the new cash flows and the internal rate of return initially determined.

The item "Tax liabilities" includes all liabilities to the Tax Authorities payable or offsettable in the short-term connected with direct and indirect taxes.

## RECOGNITION OF REVENUES

Revenue from contracts with customers is recognised when the following conditions are met:

- the contract with the customer has been identified;
- the performance obligations set forth in the contract have been identified;
- the price has been determined;
- the price has been allocated to the individual performance obligations set forth in the contract;
- the performance obligation set forth in the contract has been met.

The Company recognises revenue from contracts with customers when it fulfils the performance obligation, transferring the good or service (or the asset) to the customer. The asset is transferred when the customer acquires control over it.

The Company transfers control over the good or service over time, and therefore fulfils the performance obligation and recognises revenue over time, when one of the following criteria is met:

- the customer simultaneously receives and uses the benefits arising from the entity's service as it is provided;
- the service of the Company creates or improves the asset that the customer controls as the asset is created or improved;
- the service of the Company does not create an asset which has an alternative use for the Company and the Company has the enforceable right to payment for the service completed until the date considered.

If the performance obligation is not met over time, it is met at a specific moment. In that case, the Company recognises revenue when the customer acquires control over the promised asset.

The contractual consideration included in the contract with the customer may include fixed or variable amounts or both. If the contractual consideration includes a variable amount as discounts, price allowances, incentives, penalties or other similar elements, the Company estimates the amount of the consideration to which it will be entitled in exchange for the transfer of the promised goods or services to the customer. The Company includes the amount of the estimated variable consideration in the transaction price only to the extent to which it is highly likely that when the uncertainty associated with the variable consideration is subsequently resolved, there will not be a significant downward adjustment in the amount of cumulative revenue recognised.

The Company allocates the contractual price to the individual performance obligations on the basis of the stand-alone selling prices (SSP) of the individual performance obligations. When there is no SSP, the Company estimates the SSP using a market adjusted approach.

The Company applies its judgement in determining the performance obligation, variable consideration and the allocation of the transaction price.

Incremental costs for obtaining customer contracts are accounted for as assets and amortised throughout the term of the underlying contract, if the Company expects them to be recovered. Incremental costs for obtaining the contract are costs that the Company incurs to obtain the contract with the customer and which it would not have incurred if it had not obtained the contract. The costs for obtaining the contract which would have been incurred even if the contract had not been obtained should be recognised as a cost at the moment they are incurred, unless they are explicitly chargeable to the customer even if the contract is not obtained.

The costs incurred to perform contracts with customers are capitalised as assets and amortised throughout the term of the underlying contract only if such costs do not fall under the scope of application of another accounting standard (such as IAS 2 - Inventories, IAS 16 - Property, plant and equipment or IAS 38 - Intangible assets) and satisfy all of the following conditions:

- the costs are directly correlated with the contract or an expected contract, which the entity can specifically identify;
- the costs provide the entity with new or greater resources to be used to meet (or continue to meet) performance obligations in the future;

it is expected that such costs will be recovered.

## GRANTS

Grants from public and private bodies are recognised at fair value when it is reasonably certain that they will be received and the conditions for receiving them will be met.

Grants related to income (provided as immediate financial assistance to an entity or to cover expenses and losses incurred in a previous year) are fully recognised in the Income Statement when the above-mentioned conditions, necessary for their recognition, are met.

No capital contributions were obtained in the year in question.

## COSTS

Costs are recognised in so far as it is possible to reliably determine that economic benefits will flow to the company. Costs for services are recognised for the year in question at the moment when they are received.

## DIVIDENDS

Dividends are recognised on the Income Statement on the date on which the right to receive them matures.

## FINANCIAL INCOME AND CHARGES

Income and charges of a financial nature are recognised on an accrual basis, on the basis of the interest accrued on the net value of the related financial assets and liabilities, using the effective interest method.

## TAXES

Income taxes include current and deferred taxes. Income taxes are generally stated on the Income Statement, except when they refer to items directly accounted for in equity or in the general Income Statement. Current taxes are income taxes expected to be paid or received, calculated by applying the rate applicable at the date of the financial statements to the taxable income or tax losses for the year.

Deferred taxes are calculated using the so-called liability method on the temporary differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax values. Deferred tax assets and liabilities are not stated on goodwill and on assets and liabilities which do not influence taxable income. Deferred taxes are calculated on the basis of the tax rate that is expected to be in force when the asset is realised or the liability is settled. Deferred tax assets (hereafter also called "prepaid taxes") are recognised only when it is likely that taxable profits sufficient to realise these assets will be generated in future years. Deferred tax assets and liabilities are offset only for homogeneous expiry dates, when there is a legal right to offset and when they refer to recoverable taxes due to the same tax authority. Income tax deriving from distribution of dividends is stated when the liability relating to their payment is recognised.

Recoverability of deferred tax assets is checked at the end of each period, on the basis of plans duly approved by the Board of Directors and taking the tax consolidation indicated below into account, and any part for which recovery is unlikely is stated on the Income Statement.

Since 2014, the Company has adhered, as the consolidating company, to the national consolidation tax scheme pursuant to Articles 117 to 129 of the Italian Consolidated Income Tax Act (T.U.I.R) with the other Italian companies of the Group. This was renewed for the 2020-2022 period.

## TRANSLATION OF ENTRIES INTO FOREIGN CURRENCY

The functional and presentation currency of Landi Renzo S.p.A. is the Euro (€). As required by IAS 21, transactions in foreign currency are initially recognised at the exchange rate in place on the date of the transaction. Monetary assets and liabilities in foreign currency are reconverted to the functional currency at the exchange rate in place on the closing date of the Financial Statements.

Non-monetary items measured at historical cost in foreign currency are translated using the exchange rate in force on the initial date that the transaction was recognised.

Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

The exchange differences realised at the time of collecting from debtors and paying creditors in foreign currency are entered in the income statement in the item exchange gain/losses.

## EARNINGS PER SHARE

The Company determines the earnings per share based on IAS 33 - Earnings per share.

*(a) Basic earnings per share*

The basic earnings per share is calculated by dividing the profit (loss) pertaining to the Company shareholders by the weighted average of ordinary shares in circulation during the year, excluding treasury shares.

*(b) Diluted earnings per share*

The diluted earnings per share is calculated by dividing the profit (loss) pertaining to the Company shareholders by the weighted average of ordinary shares in circulation during the year, excluding treasury shares. To calculate the diluted earnings per share, the weighted average of shares in circulation is modified assuming the exercise by all assignees of rights with a potentially dilutive effect, while the profit (loss) pertaining to Company shareholders is adjusted to take into account any effects, net of taxes, of the exercise of such rights.

## COMMUNICATION ON FINANCIAL INSTRUMENTS

In accordance with the provisions of Accounting Standard IFRS 7, supplementary information is supplied on the financial instruments in order to evaluate:

- the impact of the financial instruments on the statement of financial position, on the economic result and on the financial flows of the company;
- the nature and size of the risks deriving from financial instruments to which the company is exposed, as well as the methodologies with which such risks are managed.

## CLASSES OF FINANCIAL INSTRUMENTS

The following elements are accounted for in compliance with the accounting standards on financial instruments.

(Thousands of Euro)

| | 31/12/2020 | | | | |
|---|---|---|---|---|---|
| **Balance Sheet Assets** | **Amortised cost** | **Fair value through OCI** | **Fair value through profit or loss** | **Hedge accounting** | **Total** |
| Other non-current financial assets | 911 | | | | 911 |
| Other non-current assets | 2,850 | | | | 2,850 |
| Trade receivables | 27,248 | | | | 27,248 |
| Receivables from subsidiaries | 16,368 | | | | 16,368 |
| Other receivables and current assets | 5,082 | | | | 5,082 |
| Other current financial assets | 2,801 | | | | 2,801 |
| Cash and cash equivalents | 10,626 | | | | 10,626 |
| **Total** | **65,886** | **0** | **0** | **0** | **65,886** |

| Balance Sheet Liabilities | Amortised cost | Fair value through OCI | Fair value through profit or loss | Hedge accounting | Total |
|---|---|---|---|---|---|
| Non-current bank loans | 64,790 | | | | 64,790 |
| Non-current liabilities for rights of use | 2,702 | | | | 2,702 |
| Liabilities for derivative financial instruments | 0 | | | 458 | 458 |
| Bank financing and short-term loans | 22,771 | | | | 22,771 |
| Current liabilities for rights of use | 1,770 | | | | 1,770 |
| Other current financial liabilities | 210 | | | | 210 |
| **Total** | **92,243** | **0** | **0** | **458** | **92,701** |

(Thousands of Euro)

| | 31/12/2021 | | | | |
|---|---|---|---|---|---|
| Balance Sheet Assets | Amortised cost | Fair value through OCI | Fair value through profit or loss | Hedge accounting | Total |
| Other non-current financial assets | 926 | | | | 926 |
| Other non-current assets | 2,280 | | | | 2,280 |
| Trade receivables | 27,769 | | | | 27,769 |
| Receivables from subsidiaries | 18,697 | | | | 18,697 |
| Other receivables and current assets | 5,004 | | | | 5,004 |
| Other current financial assets | 0 | | | | 0 |
| Cash and cash equivalents | 7,056 | | | | 7,056 |
| **Total** | **61,732** | **0** | **0** | **0** | **61,732** |

| Balance Sheet Liabilities | Amortised cost | Fair value through OCI | Fair value through profit or loss | Hedge accounting | Total |
|---|---|---|---|---|---|
| Non-current bank loans | 0 | | | | 0 |
| Non-current liabilities for rights of use | 1,373 | | | | 1,373 |
| Liabilities for derivative financial instruments | 0 | | | 96 | 96 |
| Other non-current financial liabilities | 360 | | | | 360 |
| Bank financing and short-term loans | 91,847 | | | | 91,847 |
| Current liabilities for rights of use | 1,222 | | | | 1,222 |
| Other current financial liabilities | 0 | | | | 0 |
| **Total** | **94,802** | **0** | **0** | **96** | **94,898** |

## USE OF ESTIMATES AND ASSESSMENTS

The preparation of Financial Statements in accordance with the IFRS (International Financial Reporting Standards) requires application of accounting standards and methods that are sometimes based on subjective assessments and estimates based, in turn, on past experience and assumptions that are considered reasonable and realistic given the circumstances. Application of these estimates and assumptions affects the amounts presented in the financial statements, such as the Statement of Financial Position, the Income Statement and the Statement of Cash Flows, and in disclosures provided.

Please note that the situation caused by the current economic and financial scenario has resulted in the necessity to make assumptions on future performance that are characterised by significant uncertainty. Therefore it cannot be excluded that results different to those estimated may be realised in the coming years. Such results could therefore require adjustments, that may even be considerable, which cannot obviously be either estimated or predicted at this stage, to the carrying amount of the relative items.

The items on the financial statements that most require greater subjectivity on the part of the directors in producing the estimates and for which a change in the conditions underlying the assumptions used can have a significant impact on the financial statements are listed below:

- Valuation of fixed assets;
- Recoverability of development expenditure;
- Valuation of deferred tax assets;
- Valuation of provisions for bad debts and obsolete inventories;
- Valuation of employee benefits;
- Valuation of provisions for risks and charges.

The estimates and assumptions are reviewed periodically and the effects of each variation are immediately reflected on the Income Statement.

For an indication of the economic values of these estimates, please refer to the relative points of these notes.

The directors also evaluated the applicability of the going concern assumption in the preparation of the consolidated financial statements, and concluded that this assumption is suitable as there are no doubts as to business continuity.

## MOST IMPORTANT ACCOUNTING STANDARDS THAT REQUIRE A GREATER DEGREE OF SUBJECTIVITY

A description is provided below of the most significant accounting standards that require, more than the others, greater subjectivity on the part of the directors in producing the estimates and for which a change in the conditions underlying the assumption used may have a significant impact on the financial data of the company.

### Valuation of receivables

Trade receivables are adjusted with the relevant write-down fund in order to take account of their effective recoverable value. The determination of the amount of depreciation carried out requires the directors to make subjective evaluations based on the documentation and on the information available, also in relation to the solvency of the customer, as well as on experience and historical trends.

The continuation of the current economic and financial situation and its possible aggravation could lead to further deterioration in the financial conditions of the Company's debtors beyond that already taken into consideration prudentially in quantifying the write-downs recorded in the financial statements.

### Valuation of goodwill and intangible assets in progress

In accordance with the accounting standards applied by the Company, goodwill and intangible assets in progress are subjected to annual verification (impairment test) in order to assess whether they have suffered a reduction in value, which is established by means of an impairment test, when the net carrying amount of the unit generating the cash flows to which these items are allocated appears to be greater than its recoverable value (defined as the greater value between the value in use and the fair value of the same). The above mentioned value confirmation check necessarily requires subjective evaluations to be made based on the information available within the Company, and on the reference market outlook and historical trends. In addition, whenever it is supposed that a potential reduction in value could be generated, the Company determines said reduction using those evaluation techniques considered suitable. The same value tests and evaluation techniques are applied to intangible and tangible assets with a defined useful life when indicators exist that predict difficulties in recovering the corresponding net carrying amount. The correct identification of elements indicative of the existence of a potential reduction in value as well as the estimates for determination of the reduction depend principally on factors that can vary over time, even significantly, therefore influencing the evaluations and estimates made by the directors.

### Provisions for risks

Establishing whether or not a current obligation (legal or implied) exists is in some cases difficult to determine. The directors assess such phenomena on a case by case basis, together with an estimate of the amount of the economic resources required in order to meet that obligation. When the directors consider that is merely possible that liabilities may arise, the risks are indicated in the appropriate information section on commitments and risks, without resulting in any allocation in the financial statements.

### Defined benefit plans

The Company offers defined benefit plans to some of its employees. Using the services of experts and actuaries, management used various statistical assumptions and evaluation factors to calculate the charges and the current value of assets and liabilities relating to these plans. The assumptions relate to the discount rate, the expected return on the assets servicing the plan, the rates of future salary increases, demographic trends, the inflation rate and expected health costs. The actuaries consulted also use subjective factors, such as mortality and resignation rates.

### Share-based plans

The Company has assigned the CEO and other managers an incentive plan for the free assignment of the right to receive Landi Renzo S.p.A. ordinary shares based on the degree to which specific performance objectives are reached (“2019-2021 Performance Shares Plan”). Using the services of experts and actuaries, management used various statistical assumptions and evaluation factors to calculate the charges and the current value of assets and liabilities relating to these plans.

### Provision for product warranties

Based on product sales, the Company allocates provisions according to the costs estimated as likely to be incurred for product warranties. Management establishes the value of such provisions on the basis of historical information on the nature, frequency and average cost of operations carried out under warranty and on the basis of specific contractual agreements.

The Company strives to improve the quality of its products and to minimise the burden deriving from operations under warranty.

### Potential liabilities

The Company is subject to lawsuits regarding a number of disputes that were submitted to the jurisdiction of various Countries. Given the inherent uncertainty of these disputes, it is difficult to predict with certainty the resulting financial cost, or the time frame within which it will arise. The lawsuits and disputes against the Company derive primarily from complex legal problems, that are subject to varying degrees of uncertainty, considering the facts and circumstances involved in each dispute and the different laws applicable. To assess the risks deriving from potential liabilities of a legal nature correctly and prudentially, management periodically obtains information on the situation from its legal advisers. The Company establishes a liability in relation to such disputes when it considers it likely that a financial cost will occur and when the amount of the resulting losses can be reasonably estimated.

### Valuation of closing inventories

Closing inventories of products with characteristics of obsolescence or slow turnaround are periodically subjected to tests for their correct valuation and are written down where the recoverable value thereof is less than the carrying amount. The write-downs carried out are based, primarily, on assumptions and estimates of management deriving from its experience and the historical results achieved, as well as estimates of the use/sale of inventories.

### Valuation of deferred tax assets

The valuation of deferred tax assets is made on the basis of taxable income expected in future years and expected tax rates at the date when the temporary differences are expected to occur, insofar as they are considered applicable in the future. The measurement of such expected profits depends on factors that may change over time and have a significant impact, therefore, on the valuation of deferred tax assets.

### Transactions with related parties

The Company deals with related parties under contractual conditions considered to reflect the arm's length conditions on the markets in question, taking account of the characteristics of the goods and services supplied and received.

## D) RISK ANALYSIS

In accordance with the requirements of Accounting Standard IFRS 7, the following analysis is provided regarding the nature and extent of risks deriving from financial instruments to which the company is exposed, as well as the methodologies with which such risks are managed.

The main risks are reported and discussed at the Top Management level of the Company in order to create the prerequisites for their hedging, insurance and for the assessment of the residual risk.

### Interest rate risk

The Company is exposed to the interest rate risk associated with both cash in hand and with medium to long term loans. The exposure refers mainly to the Euro zone. As regards exposure to the risk of interest rate volatility, note that the financial indebtedness with banks is regulated primarily by variable interest rates.

To partially reduce risks connected with fluctuating interest rates, the Company has entered into financial derivative contracts (interest rate swaps) in order to cover:

- 70% of the main credit lines of the pool loan for an initial amount of Euro 65 million taken out in June 2019;
- for a duration of 3 years, 100% of the credit line of the six-year Euro 21 million loan taken out in July 2020 and 90% backed by the SACE guarantee, with a pre-amortisation period of two years.

Interest rate risks were measured using sensitivity analysis and the potential impacts of Euribor interest rate fluctuations on the financial statements at 31 December 2021 were analysed with particular reference to cash and cash equivalents and to loans. The increase of 50 basis points on the Euribor, like all the other variables, would have produced an increase in financial costs for the Company of Euro 214 thousand in comparison to an increase of financial income equal to Euro 52 thousand.

### Exchange risk

The Company sells part of its production and, although to much lesser degree, also purchases some components also in countries outside the Euro zone.

In relation to the exchange risk, it is reported that the amount of accounting balances expressed in currency other than the Euro is not considered significant compared to the total revenue of the Company, therefore the sensitivity analysis required by IFRS 7 is not provided as it is considered non-significant. The Company has not subscribed to instruments to cover exchange rate fluctuations and, in accordance with the company's policy up to this moment, no derivatives are subscribed solely for trading purposes. Therefore, the Company remains exposed to the exchange rate risk on the balances of the assets and liabilities in foreign currency at year end.

### Price risk

The Company makes purchases and sales internationally, and therefore it is exposed to the normal risk of price fluctuation typical of its industry. Where possible, Company policy covers the risk through medium-term supplier commitments.

The current market situation distinguished by a shortage of raw materials resulted on one hand in a reduction or deferral of orders from OEM customers, due to the need for automotive manufacturers to limit costs and avoid production interruptions, and on the other in difficulties in fulfilling existing orders, due to a series of complexities in obtaining raw materials. Furthermore, particularly in the OEM channel, in which long-term supply agreements are generally entered into, it was not always possible to reflect in due time the increase in raw material prices in sale prices. On the other hand, as regards the After Market channel, interventions on sale prices took place more promptly but, also due to growing competition in developing countries, it was not always possible to intervene to prevent the loss of market share.

### Credit risk

Credit risk is the risk that a customer or one of counterparts of a financial instrument causes a financial loss through failure to fulfil an obligation and derives primarily from trade receivables, from other financial assets and from guarantees that may have been given by the company.

<u>Trade receivables and other receivables</u>

The Company deals mainly with known and reliable customers. It is Company policy to subject customers requesting extended payment conditions to procedures for checking their credit class. This check also includes external assessments when available. Sales limits are established for each customer, which represent the maximum line of credit, beyond which direct approval by management is required. In addition, the balance of the receivables is monitored on a fortnightly basis over the period, in order to minimise exposure to the risk of losses. Finally, regarding new customers and those not operating in EU countries, a letter of credit to guarantee successful collection is normally used, where possible.

The Company uses non-recourse assignment of debts.

The Company allocates a provision for impairment that reflects the estimated losses on trade receivables and on other receivables, made up primarily of individual write-downs of significant exposures.

The Company has relations with customers of significant size, as it operates in the OEM channel.

<u>Other financial assets</u>

The credit risk regarding the other financial assets of the Company, including cash and cash equivalents, presents a maximum risk equal to the carrying amount of these assets in the case of insolvency of the counterpart.

Guarantees

When required, the policies of the Company provide for the issue of financial guarantees in favour of subsidiary companies, but not for Joint Ventures. At 31 December 2021, the Company did not have any financial guarantees to third parties for a significant amount in place.

### Liquidity risk

The liquidity risk is the risk that the Company may have difficulty in meeting obligations associated with financial liabilities.

The COVID-19 pandemic had, and continues to have, significant effects on volumes as well as on the economic and financial results of many companies, especially in the durable goods market. Due to the continuation of a difficult macroeconomic context, overshadowed by considerable uncertainty as to cash flows, the management is continuing to devote considerable attention to the financial position, short/medium-term cash forecasts and the financing options proposed by the government to support companies.In this regard, Landi Renzo S.p.A. received a notification from Invitalia (Agenzia Nazionale per l'Attrazione degli Investimenti e lo sviluppo di impresa SpA) concerning the resolution for its admission to the above-mentioned procedure and took prompt action to meet the formal requirements established and necessary to proceed with the finalisation of the agreement for the provision of subsidies, which is expected to possibly be concluded by the end of March 2022, resulting in it obtaining a new subsidised loan for Euro 19,500 thousand.

The main loans of Landi Renzo S.p.A. include financial covenants. In this regard, please note that in February 2022 all credit institutions underwriting the loans issued waiver letters with respect to the financial covenants as at 31 December 2021 and, with respect to the loan taken out from a pool of banks in 2019, consent to the deferment of the principal instalment falling due on 31 December 2021, which was rescheduled in an equal amount to the following three instalments falling due on 30 June 2022, 31 December 2022 and 30 June 2023. Furthermore, the above-mentioned waiver letters are expressly subject to the finalisation of the share capital increase of the parent company Landi Renzo S.p.A. to be carried out in an amount of at least Euro 25.4 million, by no later than 30 June 2022.

Following up on what is set forth above, and to take into account the changed market environment, the directors prepared a new Group economic-financial plan for the 2022-2025 period, which was approved by the Landi Renzo S.p.A. Board of Directors on 15 March 2022 and calls for a share capital increase of up to a maximum of Euro 60 million, described in the "Going concern" section of these explanatory notes.

See the Directors' Report for all further information on risk factor analysis pursuant to Article 154-*ter* TUF (Consolidated Law on Finance).

### Fair value hierarchy

Financial instruments measured at fair value are classified based on a hierarchy of three levels, according to procedures to determine the fair value, i.e. with reference to the factors used in the process to determine the value:

- Level 1, financial instruments whose fair value is determined based on a quoted price on an active market;

- Level 2, financial instruments whose fair value is determined based on measurement techniques that use parameters observable either directly or indirectly on the market. This category includes instruments measured based on forward market curves and differential, short-term contracts;
- Level 3, financial instruments whose fair value is determined based on measurement techniques that use parameters that are unobservable on the market, or use only internal estimates.

## E) NOTES TO THE FINANCIAL STATEMENTS

### 1. SEGMENT REPORTING

Please refer, as provided for by IFRS 8, to the analysis provided in the consolidated financial statements.

## NON-CURRENT ASSETS

### 2. LAND, PROPERTY, PLANT, MACHINERY AND OTHER EQUIPMENT

The changes in net tangible assets during the financial year 2020 are shown in detail below:

(Thousands of Euro)

| Net value | 31/12/2019 | Lovato Merger | Acquisitions | (Disposals) | Depreciation rates | Other changes | 31/12/2020 |
|---|---|---|---|---|---|---|---|
| Land and buildings | 281 | 99 | 29 | 0 | -229 | 0 | 180 |
| Plant and machinery | 4,695 | 300 | 432 | -30 | -1,255 | 61 | 4,203 |
| Industrial and commercial equipment | 2,904 | 300 | 2,771 | -400 | -1,457 | 1,469 | 5,587 |
| Other tangible assets | 735 | 29 | 42 | 0 | -329 | 0 | 477 |
| Assets in progress and advance payments | 366 | 0 | 2,188 | 0 | 0 | -1,530 | 1,024 |
| **Total** | **8,981** | **728** | **5,462** | **-430** | **-3,270** | **0** | **11,471** |

The changes in net tangible assets during the financial year 2021 are shown in detail below:

(Thousands of Euro)

| Historic cost | 31/12/2020 | Acquisitions | (Disposals) | Depreciation rates | Other changes | 31/12/2021 |
|---|---|---|---|---|---|---|
| Land and buildings | 180 | 20 | 5 | -103 | 2 | 104 |
| Plant and machinery | 4,203 | 677 | -54 | -1,193 | 660 | 4,293 |
| Industrial and commercial equipment | 5,587 | 852 | -544 | -1,637 | 410 | 4,668 |
| Other tangible assets | 477 | 148 | -7 | -196 | 0 | 422 |
| Assets in progress and advance payments | 1,024 | 377 | -123 | 0 | -1,072 | 206 |
| **Total** | **11,471** | **2,074** | **-723** | **-3,129** | **0** | **9,693** |

Tangible assets showed an overall decrease of Euro 1,778 thousand, decreasing from Euro 11,471 thousand at 31 December 2020 to Euro 9,693 thousand at 31 December 2021.

Increases for the year, amounting to Euro 2,074 thousand, primarily relate to the acquisition of new production lines and moulds required to launch new products and to cover the increasing orders from a leading OEM customer.

The item "Assets in progress and advance payments", totalling Euro 206 thousand as at 31 December 2021 (Euro 1,024 thousand as at 31 December 2020), decreased following the completion of several investments under way at the end of the previous year. The amount of assets in progress at 31 December 2021 primarily includes work in progress on investments made by the Company in new work benches needed to handle demand for an increase in production. These investments are currently in the completion phase and are expected to be used in the production process in the course of the coming months.

The column "Other Changes" includes the accounting entries for the respective categories of non-current assets already in progress at 31 December 2020 and completed during the year.

## 3. DEVELOPMENT EXPENDITURE

Changes in development expenditure during 2020 are shown in detail below:

(Thousands of Euro)

| | 31/12/2019 | Lovato Merger | Acquisitions | (Amortisation) | Other changes | 31/12/2020 |
|---|---|---|---|---|---|---|
| Development costs | **8,015** | 213 | 5,376 | -4,098 | 0 | **9,506** |

Changes in development expenditure during 2021 are shown in detail below:

(Thousands of Euro)

| | 31/12/2020 | Acquisitions | (Amortisation) | Other changes | 31/12/2021 |
|---|---|---|---|---|---|
| Development costs | **9,506** | 4,350 | -4,987 | 0 | **8,869** |

Development expenditure, totalling Euro 8,869 thousand (Euro 9,506 thousand at 31 December 2020), includes the costs incurred by the Company for internal personnel, for services rendered by third parties and for projects satisfying the requirements of IAS 38 in order to be capitalised.

Costs capitalised in 2021 totalled Euro 4,350 thousand (Euro 5,376 thousand at 31 December 2020).

Research and development activities saw the continuation of projects started in the previous year as well as the launch of new initiatives, namely:

- development of an injection and regulation system for Euro 7 regulation compatibility testing;
- redefinition and validation of a pressure regulator for Heavy Duty vehicles;
- re-design and validation in the laboratory of the new family of high-pressure and high capacity injectors for applications in Heavy Duty vehicles;
- development and testing in the field of the integrated manifold for fuel-cell applications for one of the global leaders in the hydrogen mobility sector;
- development of a high-pressure regulator and a smart dosing system for the world of hydrogen mobility, in order to introduce a new way of managing the injection of hydrogen into the fuel cell;
- development of a new conversion unit for vehicles with indirect injection systems and initiation of a project for the development of the new direct injection management system;

New development activities began during the initial months of 2022 and they are expected to continue for the rest of the current year.

To evaluate any losses in value of capitalised development costs, the Company attributes such expenses to the corresponding specific projects and evaluates their recoverability, calculating the value in use with the discounted cash flow method. It is deemed that the value of such development projects can be recovered through the revenue flows generated in future years.

The analysis of the recoverability of the values recognised for development activities, which the Company attributes to specific projects, carried out by comparing the margins expected from sales of the products to which the above-mentioned costs refer, and the relative net carrying amounts at the date of 31 December 2021, did not bring to light any impairment.

## 4. GOODWILL

Changes in goodwill during 2021 are shown in detail below:

(Thousands of Euro)

| Goodwill | Net Value at 31/12/2020 | Acquisitions | (Write-downs) | Net Value at 31/12/2021 |
|---|---|---|---|---|
| Goodwill | 30,094 | 0 | 0 | 30,094 |
| **Total** | **30,094** | **0** | **0** | **30,094** |

The item Goodwill, amounting to Euro 30,094 thousand at 31 December 2021 (Euro 30,094 thousand at 31 December 2020), is attributable in full to the "Green Transportation – Automotive" CGU and did not change compared with the value recognised in the previous year.

As required by IAS 36, the Company evaluated whether there were indicators of impairment with reference to the financial statements at 31 December 2021. Therefore, all goodwill in existence at 31 December 2021 was tested for impairment and the relative results were approved by the Board of Directors of Landi Renzo S.p.A. on 15 March 2022.

In order to identify the CGUs to which to allocate the goodwill recognised in the separate financial statements and tested for impairment, please note that the management, taking into account Landi Renzo Group reorganisation process taking place over recent years, the Landi Renzo Group's current organisational structure, the methods whereby control is exercised over operations and the acquisition transactions taking place during the year and cited above, attributed the goodwill of Landi Renzo S.p.A. to the "Green Transportation – Automotive" Cash Generating Unit (CGU) devoted primarily to the design, manufacture and sale through the OEM and After Market channels of mechanical and electronic systems and components for the use of gas, which includes the Landi Renzo Group and, as of August 2021, also the results of the Metatron Group. The Metatron acquisition is included within the CGU as the management of the Landi Group immediately initiated the integrated management of Metatron with the other company functions of Landi Renzo S.p.A., intended to achieve significant synergies at the level of operating costs and investments, both for the former Metatron division and for the pre-existing "Automotive" division, which are reflected in the new business plan of the "Automotive" segment, which was therefore prepared with this in mind.

Following up on what is set forth above, and to take into account the changed market environment, the directors prepared a new Group economic-financial plan for the 2022-2025 period, which was approved by the Landi Renzo S.p.A. Board of Directors on 15 March 2022 and calls for a share capital increase of up to a maximum of Euro 60 million described in the disclosure provided in the "Going concern" section in these explanatory notes.

With reference to the assessments performed on the value of goodwill, please note that the effects of the share capital increase were not considered in the economic-financial plan used in order to perform the impairment test on goodwill.

For said impairment test, a terminal value was also estimated which reflects the value of the goodwill beyond the specific period, on the assumption that the companies will continue as a going concern. Expected cash flows refer to current operating conditions and therefore do not include cash flows linked with intervening extraordinary events.

The recoverable value of goodwill was defined with respect to the value in use, intended as the current net value of operating cash flows, appropriately discounted according to the DCF (Discounted Cash Flow) method.

The discount rate was calculated as the weighted average cost of capital ("W.A.C.C."), net of taxes, determined as the weighted average between the cost of equity, calculated using the CAPM (Capital Asset Pricing Model) method, and the cost of debt. The rate, as required by IAS 36, was determined with reference to the operating risk of the sector and the financial structure of a sample of listed companies comparable to the Group in terms of risk profile and sector of activity.

The following aspects were taken into consideration to determine the discount rate:

- the approach which considers the country risk implicit in the risk free rate was used in determining the discount rate;

- the risk free rate was determined using as a reference the average return on 10-year US government bonds;
- the unlevered beta parameter and the market target financial structure used for the releveraging of that parameter were identified on the basis of a representative panel of comparable companies.

On the basis of the parameters set forth above, the risk-free rate is 1.45%, so the weighted average cost of capital (W.A.C.C.) relating to the Green Transportation - Automotive CGU is therefore equal to 10.23% (10.27% as at 31 December 2020). The "g" growth rate is instead 3.45% (3.08% as at 31 December 2020).

As regards the above-mentioned impairment test, specific sensitivity analyses were performed as required by valuation practices which did not bring to light any critical issues with regard to the recoverable amount of the goodwill recognised.

The main sensitivity analyses performed, in order to provide specific indications on the changes in the basic assumptions which make the recoverable value equal to the carrying amount, are shown below: Based on the information available at the current date, these changes moreover appear to be unrealistic:

(Millions of Euro)

| | Surplus of recoverable value over the carrying amount | EBITDA | Discount rate including tax % |
|---|---|---|---|
| Green Transportation – Automotive CGU | 46.9 | 30.6 | 12.30% |

In order to perform a "second level" impairment test on the goodwill recognised in the separate financial statements, the management, starting from the recoverable amount resulting from the Group impairment test performed on the Green Transportation – Automotive CGU, separated the enterprise value of the Metatron Group at the acquisition date and compared that value with the net invested capital Landi Renzo S.p.A. Please note that, also based on that analysis, no critical elements emerged with reference to the recoverable amount of goodwill recognised in the separate financial statements.

These tests, which were prepared with the support of an independent external advisor, and the results of which were approved by the Board of Directors Landi Renzo S.p.A.  on 15 March 2022, did not bring to light any impairment losses.

Furthermore, the stock market capitalisation value of Landi Renzo S.p.A. at 31 December 2021 amounted to Euro 93 million and taking into account share performance until 15 March 2022, which was stably significantly higher than the value of the consolidated shareholders' equity, please note that no indicators of impairment emerged in that context.

## 5. OTHER INTANGIBLE ASSETS WITH FINITE USEFUL LIVES

Changes in other intangible assets with finite useful lives that occurred during 2020 are shown in detail below:

(Thousands of Euro)

| Other intangible assets with finite useful lives | 31/12/2019 | Lovato Merger | Acquisitions | (Amortisation) | Other changes | 31/12/2020 |
|---|---|---|---|---|---|---|
| Patents and intellectual property rights | 400 | 19 | 248 | -299 | -7 | 361 |
| Concessions and trademarks | 4,959 | 6,344 | 62 | -1,554 | 7 | 9,818 |
| **Total** | **5,359** | **6,363** | **310** | **-1,853** | **0** | **10,179** |

Changes in other intangible assets with finite useful lives that occurred during 2021 are shown in detail below:

(Thousands of Euro)

| Other intangible assets with finite useful lives | 31/12/2020 | Acquisitions | (Disposals) | (Amortisation) | Other changes | 31/12/2021 |
|---|---|---|---|---|---|---|
| Patents and intellectual property rights | 361 | 246 | -13 | -271 | - | 323 |
| Concessions and trademarks | 9,818 | 46 | - | -1,547 | - | 8,317 |
| **Total** | **10,179** | **292** | **-13** | **-1,818** | **-** | **8,640** |

Other intangible assets with finite useful lives decreased from Euro 10,179 thousand at 31 December 2020 to Euro 8,640 thousand at 31 December 2021, and include:

- licenses for specific applications and supporting software for research and development activities, as well the purchase of management software licenses;
- the net value of owned trademarks, and in particular the Lovato trademark (for Euro 4,434 thousand) and the value of the AEB trademark (for Euro 3,647 thousand). These trademarks are currently in use, and are entered in the accounts according to the fair value at the time of purchase according to evaluations made by independent professionals, net of the accumulated amortisations. These values are amortised over 18 years, the period deemed to represent the useful lifetime of the trademarks. The above trademarks are currently in use and at the date of these financial statements, no indicators affecting the recoverability of the above values in the financial statements had been identified.

At the date of these financial statements, no indicators affecting the recoverability of the above values in the financial statements had been identified.
The increase in the period, equal to Euro 292 thousand, is mainly due to the purchase of new software licences.

During the year there were no events or circumstances that indicate possible impairment in relation to the other intangible assets mentioned above.

## 6. RIGHT-OF-USE ASSETS

Changes in right-of-use assets that occurred during 2020 are shown in detail below:

(Thousands of Euro)

| | Net Value at 31/12/2019 | Lovato Merger | Increases | decreases | Depreciation rates | Other changes | Net Value at 31/12/2020 |
|---|---|---|---|---|---|---|---|
| Buildings | 4,790 | 366 | 159 | 0 | -1,521 | 0 | **3,794** |
| Motor vehicles | 708 | 99 | 80 | -30 | -313 | 0 | **544** |
| **Total** | **5,498** | **465** | **239** | **-30** | **-1,834** | **0** | **4,338** |

Changes in right-of-use assets that occurred during 2021 are shown in detail below:

(Thousands of Euro)

| | Net Value at 31/12/2020 | Increases | decreases | Depreciation rates | Other changes | Net Value at 31/12/2021 |
|---|---|---|---|---|---|---|
| Buildings | 3,794 | 0 | 0 | -1,517 | -163 | **2,114** |
| Motor vehicles | 544 | 82 | -57 | -258 | 57 | **368** |
| **Total** | **4,338** | **82** | **-57** | **-1,775** | **-106** | **2,482** |

Right-of-use assets decreased from Euro 4,338 thousand at 31 December 2020 to Euro 2,482 thousand at 31 December 2021.

The increases during the year, amounting to Euro 82 thousand, are linked primarily to the signing of new lease agreements for company vehicles.

During the year, lease agreements on real estate were not subject to renegotiation, so it was not necessary to adjust the right-of-use assets recognised in the financial statements.

The other changes include the redetermination of the value of the lease agreement on the property located in Vicenza, the registered office of Lovato Gas S.p.A. (merged into Landi Renzo S.p.A. in the previous year) for which the early withdrawal option was exercised as governed by the relative agreement.

## 7. EQUITY INVESTMENTS IN SUBSIDIARIES

This item breaks down as follows:

(Thousands of Euro)

| Equity investments in subsidiaries | 31/12/2020 | Increases | Decreases | Impairment losses | other changes | 31/12/2021 |
|---|---|---|---|---|---|---|
| Equity investments | 4,189 | 51,386 | 0 | 0 | 0 | 55,575 |

The following are the changes in equity investments:

| Thousands of Euro | Initial value | Increases | Decreases | Impairment losses | Final value | Equity Investment |
|---|---|---|---|---|---|---|
| LR Indústria e Comércio Ltda | 311 | | | | 311 | 99.99% |
| Landi International B.V. | 18 | | | | 18 | 100.00% |
| Beijing Landi Renzo Autogas System Co. Ltd | 2,057 | | | | 2,057 | 100.00% |
| L.R. Pak (Pvt) Limited | 0 | | | | 0 | 70.00% |
| Landi Renzo Pars Private Joint Stock Company | 1,263 | | | | 1,263 | 99.99% |
| Metatron SpA (*) | 0 | 27,106 | | | 27,106 | 49.00% |
| Landi Renzo Rus | 0 | 55 | | | 55 | 51.00% |
| Safe&CEC | 0 | 24,225 | | | 24,225 | 51.00% |
| Landi Renzo RO S.r.l. | 5 | | | | 5 | 100.00% |
| Landi Renzo VE C.A. | 0 | | | | 0 | 100.00% |
| Landi Renzo USA | 0 | | | | 0 | 100.00% |
| AEB America S.r.l. | 535 | | | | 535 | 96.00% |
| Lovato do Brasil Ind Com | 0 | | | | 0 | 100.00% |
| Officine Lovato Private Ltd | 0 | | | | 0 | 74.00% |
| Landi Renzo Argentina Srl | 0 | | 0 | | 0 | 96.00% |
| **Total equity investments** | **4,189** | **51,386** | **0** | **0** | **55,575** | |

*(*) equity investment recognised in these separate financial statements at the value corresponding to 100% of the shares of Metatron SpA based on the commitment to purchase the remaining 51%, which does not include any conditions precedent, and the governance system contractually defined by the parties.*

The following changes occurred during the financial year:

- in April 2021, Landi Renzo S.p.A. and Clean Energy Fuels Corp entered into the agreement mentioned above to amend the shareholders' agreements of the investee company SAFE&CEC S.r.l., operating in the "Clean Tech Solutions" segment, as approved by the Board of Directors of Landi Renzo S.p.A. at its meeting held on 12 April 2021. The shares of the two shareholders have remained unchanged: 51% for Landi Renzo S.p.A. and 49% for Clean Energy Fuels Corp. Following the above-mentioned change in the shareholders' agreements, which provided Landi Renzo S.p.A. with increased autonomy and the resulting acquisition of control over SAFE&CEC S.r.l., the equity investment held by the Company was reclassified from "equity investments in associates and joint ventures", where it was previously recognised at 31 December 2020, to "equity investments in subsidiaries" pursuant to IFRS 10. The value of the equity investment in question was measured with the equity method until the date of acquisition of control, 1 May 2021, recording for the first four months of 2021 a negative change of Euro 196 thousand, of which

Euro -666 thousand attributed to the income statement, for the Group's share of the loss for the period, and a positive Euro 470 thousand attributed to the statement of comprehensive income. Subsequently, following the change of control and the reclassification to subsidiaries and, in line with what is set forth in IAS 8 "Accounting policies, changes in accounting estimates and errors", the value of the equity investment was restored to the value of the initial acquisition cost totalling Euro 24,225 thousand. This transaction therefore generated a revaluation of the equity investment of Euro 2,654 thousand, of which Euro 2,569 thousand attributed to the income statement and Euro 84 thousand attributed to the statement of comprehensive income, in line with the overall effects reflected by the measurements with the equity method conducted in previous years;

- in July 2021, Landi Renzo S.p.A. established the company Landi Renzo Rus with an important local partner. The company, which aims to develop gas mobility in the Russian market, is 51% held by Landi Renzo S.p.A. Due to the governance system established in the contract, reflecting control by Landi Renzo S.p.A. in the newly established company, the equity investment held by the Company is classified under "equity investments in subsidiaries" and recognised at cost for Euro 55 thousand;

- on 5 August 2021, Landi Renzo S.p.A. completed the above-mentioned acquisition of 49% of the share capital of Metatron S.p.A., a company with registered office in Castel Maggiore (BO) and an international leader in alternative fuel solutions for Mid & Heavy Duty vehicles, from Italy Technology Group S.r.l., the current majority shareholder of Metatron S.p.A. This acquisition is part of a broader transaction intended to acquire the remaining 51% of the share capital of Metatron S.p.A. from Italy Technology Group S.r.l. and the other current shareholders as well, enabling Landi Renzo S.p.A. to acquire 100% of Metatron S.p.A. The transaction is not subject to any conditions precedent and therefore represents a binding agreement for the purchase of 100% of the shares of Metatron S.p.A. Pursuant to IFRS 10, according to the characteristics of the sale agreement and the governance system established in the contract, the date on which control was obtained by Landi Renzo S.p.A. is the date of completion of the first closing of the acquisition transaction (5 August 2021). As a result, the agreed purchase price for 100% of the share capital of Metatron S.p.A. is Euro 26.7 million, and purchase costs totalling Euro 359 thousand were recognised in these financial statements and classified under "equity investments in subsidiaries". The remaining payable for the acquisition of Metatron S.p.A. was recognised for the residual value of Euro 24.5 million, to be paid on a date subsequent to the end of 2021, according to the methods described in the "Significant events in the financial year" section.

Furthermore, with respect to the equity investment held in SAFE&CEC S.r.l., in order to verify the existence of any indicators of impairment, the directors of Landi Renzo S.p.A. requested and obtained impairment testing at 31 December 2021 from the directors of the subsidiary company, prepared by the management of SAFE&CEC S.r.l. with the support of an independent external consultant. No indicators of impairment in the equity investment held in the subsidiary were identified.

In this regard, please note moreover that goodwill of Euro 25,393 thousand is recognised in the consolidated financial statements of the Landi Renzo Group at 31 December 2021, deriving from the acquisition of control of

SAFE&CEC Srl and determined as the difference between the fair value measurement of the above-mentioned company and the value of the net assets acquired at the date of acquisition of control. The fair value at the combination date was determined by a leading independent expert. This goodwill was specifically tested for impairment by the management of Landi Renzo S.p.A., which brought to light no impairment at 31 December 2021. For more details, refer to the explanatory notes to the consolidated financial statements.

With reference to the value of the equity investment held in Metatron S.p.A., please note that, considering the recent acquisition of the subsidiary on 5 August 2021 at a total price of Euro 26.7 million and given its results achieved during the August - December 2021 period, the directors Landi Renzo S.p.A. analysed potential events or circumstances that could result in the assumption that there were indicators of impairment. Specifically, considering the fact that the acquisition took place relatively recently, that the main economic and financial indicators recognised at the end of 2021 by Metatron SpA basically met expectations and the forward-looking economic and financial forecasts reflected in the Group's economic-financial plan for the 2022-2025 period, no indicators of impairment emerged. As a result, it was not necessary to test the carrying amount of this equity investment at 31 December 2021 for impairment.

In this regard, please note moreover that the goodwill recognised in the consolidated financial statements of Landi Renzo S.p.A. at 31 December 2021 deriving from the acquisition of control of Metatron S.p.A. was specifically tested for impairment with reference to the Green Transportation – Automotive CGU, described in the explanatory notes to the consolidated financial statements, which did not bring to light impairment at 31 December 2021.

## 8. EQUITY INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

This item breaks down as follows:

(Thousands of Euro)

| Equity investments in associates and joint ventures | 31/12/2020 | Increases | Decreases | Valuation using the net equity method | 31/12/2021 |
|---|---|---|---|---|---|
| SAFE&CEC S.r.l. | 21,767 | 0 | -21,571 | -196 | 0 |
| EFI Avtosanoat - Landi Renzo LLC | 97 | 0 | -97 | 0 | 0 |
| Krishna Landi Renzo India Private Ltd Held | 742 | 0 | 0 | 1,286 | 2,028 |
| **Total** | **22,606** | **0** | **-21,668** | **1,090** | **2,028** |

In particular:

- the equity investment held in the joint venture SAFE&CEC S.r.l., following the amendment of the shareholders' agreements, which attributed greater decision-making autonomy to Landi Renzo S.p.A., resulting in its acquisition of control, has been classified as an "equity investment in subsidiaries". Until that date, it was measured with the equity method, recording a negative change of Euro 196 thousand, of which Euro -666 thousand attributed to the income statement, for the Group's share of the loss for the period, and a positive Euro 470 thousand attributed to the statement of comprehensive income, related to changes accounted for by the company in the statement of comprehensive income.

- the equity investment held in the joint venture Krishna Landi Renzo Prv Ltd was revalued by Euro 1,286 thousand due to the positive results for the period. In the course of the year ending on 31 December 2021, this company significantly boosted its sales to a major Indian OEM customer, recording revenue of Euro 19.6 million and EBITDA of Euro 3.6 million;

- the share in the joint venture EFI Avtosanoat Landi Renzo LLC in Uzbekistan, measured at cost adjusted for impairment losses, was written down during the year by Euro 97 thousand.

## 9. OTHER NON-CURRENT FINANCIAL ASSETS

This item breaks down as follows:

(Thousands of Euro)

| Other non-current financial assets | 31/12/2020 | Decreases | Increases | Other changes | Impairment losses | 31/12/2021 |
|---|---|---|---|---|---|---|
| Loan to Landi Renzo Usa Co. | 0 | | 1,213 | -1,213 | 0 | 0 |
| Loan to Landi Renzo Pars | 287 | | | | | 287 |
| Loan to Landi International BV | 15 | | 15 | | | 30 |
| Loan to Krishna Landi Renzo India Private Ltd Held | 600 | | | | | 600 |
| Total equity investments in other companies | 9 | | | | | 9 |
| **Total** | **911** | **0** | **1,228** | **-1,213** | **0** | **926** |

At 31 December 2021 other non-current financial assets totalled Euro 926 thousand and refer primarily to:

- outstanding loans to the subsidiary Landi Renzo Pars amounting to Euro 287 thousand, which did not change compared with the previous year;
- the Euro 600 thousand loan, disbursed in 2020 to the joint venture Krishna Landi Renzo Prv Ltd in order to finance current operations. This 5-year loan bears half-yearly interest at market rates;
- outstanding loan to the subsidiary Landi International BV amounting to Euro 30 thousand, which increased due to an additional disbursement during the year in the amount of Euro 15 thousand.

For the purpose of evaluating the recoverability of receivables from the US subsidiary, the management considered some factors affecting the debtor's ability to repay the granted loan. In particular, considering the current financial position, the profitability of previous financial years and this year at 31 December 2021 and budget forecasts, the ability to service the debt and the future short/medium term prospects, the financial receivable of USD 13,650 thousand (equal to Euro 12,051 thousand), was entirely written down.
The increase of Euro 1,213 thousand refers for Euro 296 thousand (USD 350 thousand) to the disbursement in the course of the year and for the residual portion to US currency fluctuations.

This effect is offset by the adjustment in an equal amount of the relative provision for impairment.

## 10. OTHER NON-CURRENT ASSETS

This item breaks down as follows:

(Thousands of Euro)

| Other non-current assets | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Other non-current assets | 2,280 | 2,850 | -570 |

At 31 December 2021 the other non-current assets amount to Euro 2,280 thousand relating entirely to receivables beyond the financial year from AVL Italia S.r.l. in relation to the sale of the company branch "Technical Centre", the relative contract of which provides for receipt in ten annual instalments and the charging of interest on the residual credit at the end of each year.

## 11. DEFERRED TAX ASSETS

This item breaks down as follows:

(Thousands of Euro)

| Net deferred tax assets and liabilities | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Deferred tax assets | 12,943 | 12,792 | 151 |
| Deferred tax liabilities | -1,491 | -1,559 | 68 |
| **Total net deferred tax assets** | **11,452** | **11,233** | **219** |

The following table shows the values of the offsettable deferred tax assets and liabilities and their movements from 31 December 2020 to 31 December 2021:

(Thousands of Euro)

| Deferred tax assets | Deferred tax assets 31/12/2020 | Uses | Temporary differences | Deferred tax assets 31/12/2021 |
|---|---|---|---|---|
| Inventory write-down reserve | 1,819 | -89 | 229 | 1,959 |
| Provision for product warranties | 558 | -203 | 348 | 703 |
| Provision for bad debts - taxed | 565 | -3 | 175 | 737 |
| Provision for other risks and lawsuits | 4 | -10 | 12 | 6 |
| Other temporary differences | 630 | -134 | -174 | 330 |
| Tax losses | 9,216 | 0 | 0 | 9,216 |
| **Total deferred tax assets** | **12,792** | **-439** | **590** | **12,943** |

| Offsettable deferred tax liabilities | Deferred tax liabilities 31/12/2020 | Uses | Temporary differences | Deferred tax liabilities 31/12/2021 |
|---|---|---|---|---|
| Non-deductible amortisation of trademarks | 1,524 | -262 | 0 | 1,262 |
| TFR - Equity reserve | 19 | 0 | 18 | 37 |
| Other temporary differences | 16 | -33 | 209 | 192 |
| **Total deferred tax liabilities** | **1,559** | **-295** | **227** | **1,491** |
| **Total net deferred tax assets** | **11,233** | **-144** | **363** | **11,452** |

At 31 December 2021, net deferred tax assets, totalling Euro 11,452 thousand (Euro 11,233 thousand at 31 December 2020), related to both temporary differences between the carrying amounts of assets and liabilities on the balance sheet and the corresponding tax values recognised, and to the losses from the national tax consolidation scheme deemed to be recoverable on the basis of the company plans, the realisation of which is subject to the intrinsic risk of non-implementation inherent in its provisions.

Furthermore, with reference to tax losses, the management, assisted by its tax advisors, prepared an analysis aimed at verifying the recoverability of deferred tax assets, based on the forecasts of the new economic-financial plan for the years 2022-2025, approved by the Board of Directors on 15 March 2022. This analysis did not identify any problems related with the recoverability of deferred tax assets recognised in the financial statements. On a prudential basis, no deferred tax assets on tax losses were recognised by the Company as at 31 December 2021.

At 31 December 2021 offsettable deferred tax liabilities totalled Euro 1,491 thousand (Euro 1,559 thousand at 31 December 2020) and are primarily related to temporary differences between the carrying amounts of certain tangible and intangible assets and the values recognised for tax purposes.

## CURRENT ASSETS

### 12. TRADE RECEIVABLES

Trade receivables, stated net of the related write-down reserve, are shown divided by geographical area below:

(Thousands of Euro)

| Trade receivables by geographical area | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Italy | 7,393 | 8,231 | -838 |
| Europe (excluding Italy) | 4,700 | 6,862 | -2,162 |
| Asia and Rest of the World | 13,621 | 11,027 | 2,594 |
| America | 7,158 | 5,492 | 1,666 |
| Provision for bad debts | -5,103 | -4,364 | -739 |
| **Total** | **27,769** | **27,248** | **521** |

Trade Receivables totalled Euro 27,769 thousand at 31 December 2021, net of the Provision for Bad Debts equal to Euro 5,103 thousand, compared with Euro 27,248 thousand, net of a provision for bad debts of Euro 4,364 thousand at 31 December 2020.

The Company carried out assignments of trade receivables through factoring without recourse and, at 31 December 2021, the amount of assignments with credit maturity, for which there was derecognition of the related receivables, totalled Euro 11.2 million, compared with Euro 10.2 million at 31 December 2020.

There are no non-current trade receivables or receivables secured by collateral guarantees.

Trade receivables from related parties totalled Euro 2,819 thousand at 31 December 2021, compared with Euro 2,865 thousand in 2020 and related to supplies of goods to the Joint Ventures Krishna Renzo India Private Ltd Held and EFI Avtosanoat Landi Renzo LLC. All the transactions are carried out at arm's length conditions.

The provision for bad debts, calculated using analytical criteria on the basis of the data available, changed as follows:

(Thousands of Euro)

| Provision for bad debts | 31/12/2020 | Provisions | Uses | 31/12/2021 |
|---|---|---|---|---|
| Provision for bad debts | 4,364 | 829 | -90 | 5,103 |

The allocations made during the year, necessary in order to adjust the carrying amount of the receivables to their assumed recovery value, amounted to Euro 829 thousand. Uses during the year, on the other hand, totalled Euro 90 thousand.

In accordance with the requirements of IFRS 7, the following table provides information on the maximum credit risk divided by past due credit classes, gross of the bad debt provision:

(Thousands of Euro)

| Trade receivables ageing for 2021 - 2020 | | | Past due | | |
|---|---|---|---|---|---|
| | Total | Not past due | 0-30 days | 30-60 days | 60 and beyond |
| Trade Receivables at 31/12/2021 (gross of provision) | 32,871 | 18,714 | 3,084 | 860 | 10,213 |
| Trade Receivables at 31/12/2020 (gross of provision) | 31,612 | 17,172 | 1,642 | 1,641 | 11,157 |

## 13. RECEIVABLES FROM SUBSIDIARIES

This item breaks down as follows:

(Thousands of Euro)

| Receivables from subsidiaries | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Landi Renzo Beijing | 7 | 208 | -201 |
| LR Indústria e Comércio Ltda | 6,728 | 6,658 | 70 |
| Landi Renzo Polska | 2,386 | 678 | 1,708 |

| | | | |
|---|---|---|---|
| Landi Renzo Pars | 387 | 575 | -188 |
| LR PAK Pakistan | 1,099 | 1,094 | 5 |
| LR Romania | 1,417 | 1,528 | -111 |
| Landi Renzo Usa Corp. | 2,366 | 2,267 | 99 |
| AEB America | 3,630 | 2,683 | 947 |
| Officine Lovato Pvt Ltd | 677 | 677 | 0 |
| LOVATO do Brasil | 1,180 | 1,180 | 0 |
| Provision for bad debts from subsidiaries | -1,180 | -1,180 | 0 |
| **Total** | **18,697** | **16,368** | **2,329** |

Receivables from subsidiaries totalled Euro 18,697 thousand at the end of the period compared with Euro 16,368 thousand for the previous year. The increase in receivables from subsidiaries on the previous financial year is mainly due to the increase in sales to the subsidiary Landi Renzo Polska.
The receivables from Officine Lovato Pvt Ltd and Lovato do Brasil Ind Com, equal to Euro 1,180 thousand and written down in full, derive from the merger of Lovato Gas S.p.A.

## 14. INVENTORIES

This item breaks down as follows:

(Thousands of Euro)

| Inventories | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Raw materials and parts | 25,722 | 23,005 | 2,717 |
| Work in progress and semi-finished products | 9,488 | 7,793 | 1,695 |
| Finished products | 6,453 | 7,223 | -770 |
| (Inventory write-down reserve) | -7,170 | -6,286 | -884 |
| **Total** | **34,493** | **31,735** | **2,758** |

Closing inventories at 31 December 2021 totalled Euro 34,493 thousand (Euro 31,735 thousand at 31 December 2020), net of the inventory write-down reserve of Euro 7,170 thousand, an increase of Euro 2,758 thousand compared with 31 December 2020. This change is linked to the procurement of electronic components and other strategic components in order to reduce to a minimum the risks of possible stock disruptions caused by issues in obtaining components in the market.

The Company estimated an inventory write-down reserve to cover risks of technical obsolescence of stocks and to align the carrying amount with their presumed realisation value.

At 31 December 2021, this item amounted to Euro 7,170 thousand, compared with Euro 6,286 thousand at 31 December 2020, with allocations during the year amounting to Euro 1,203 thousand, of which Euro 450 thousand in non-recurring provisions recognised for slow-moving inventory and utilisations of Euro 319 thousand.

## 15. OTHER RECEIVABLES AND CURRENT ASSETS

This item breaks down as follows:

(Thousands of Euro)

| Other receivables and current assets | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Tax assets | 2,036 | 2,242 | -206 |
| Receivables from others | 2,333 | 2,351 | -18 |
| Accruals and deferrals | 635 | 489 | 146 |
| **Total** | **5,004** | **5,082** | **-78** |

### Tax assets

This item breaks down as follows:

(Thousands of Euro)

| Tax assets | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| VAT recoverable | 909 | 1,345 | -436 |
| IRES and IRAP advance payments and tax credits | 1,127 | 897 | 230 |
| **Total** | **2,036** | **2,242** | **-206** |

Tax assets amounted to Euro 2,036 thousand and represent primarily amounts due from the Tax Authorities for VAT and IRES and IRAP credits. This item also includes the tax credit recognised to the Company for research and development activities carried out in 2020, pursuant to Art. 1 of Law 160/2019, amounting to Euro 280 thousand.

### Receivables from others

At 31 December 2021, this item related to advances granted to suppliers, receivables from social security institutes, credit notes to be received and other receivables.

(Thousands of Euro)

| Receivables from others | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Advances to suppliers | 461 | 123 | 338 |
| Receivables from social security institutes | 73 | 107 | -34 |
| Credit notes to be received | 1,116 | 1,016 | 100 |
| Other receivables | 683 | 1,105 | -422 |
| **Total** | **2,333** | **2,351** | **-18** |

Receivables from others include primarily advances to suppliers (Euro 461 thousand) and provisions for credit notes to be received for premiums from suppliers on purchases (Euro 1,116 thousand), up compared with the previous year as a result of the increase in volumes purchased.

"Other receivables" also include the short-term receivables from AVL Italia S.r.l. relating to the aforementioned sale of the company branch for a total of Euro 570 thousand.

### Accruals and deferrals

This item includes prepaid insurance premiums, rentals, type approvals, membership contributions and hardware and software maintenance fees paid in advance.
At 31 December 2021, there were no deferred charges or accrued income of a duration of more than 5 years.

## 16. OTHER CURRENT FINANCIAL ASSETS

This item breaks down as follows:

(Thousands of Euro)

| Current financial assets | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| SAFE S.p.A. loan | 0 | 2,801 | -2,801 |
| **Total** | **0** | **2,801** | **-2,801** |

Other current financial assets amount to zero as at 31 December 2021 (Euro 2,801 thousand as at 31 December 2020). This item was down due to the full repayment of the loan disbursed by Landi Renzo S.p.A. to SAFE S.p.A. during the year for a total of Euro 2,801 thousand.

## 17. CASH AND CASH EQUIVALENTS

This item, consisting of the active balances of bank current accounts and cash in hand in both Euro and foreign currency, breaks down as follows:

(Thousands of Euro)

| Cash and cash equivalents | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Bank and post office accounts | 7,055 | 10,625 | -3,570 |
| Cash | 1 | 1 | 0 |
| **Total** | **7,056** | **10,626** | **-3,570** |

Cash and cash equivalents at 31 December 2021 totalled Euro 7,056 thousand (Euro 10,626 thousand at 31 December 2020).

For analysis of the production and absorption of cash during the year, please refer to the Statement of Cash Flows.

## 18. SHAREHOLDERS' EQUITY

The following table provides a breakdown of shareholders' equity items:

(Thousands of Euro)

| Shareholders' equity | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Share capital | 11,250 | 11,250 | 0 |
| Statutory reserve | 2,250 | 2,250 | 0 |
| Extraordinary reserve | 0 | 4,511 | -4,511 |
| IAS transition reserve | -320 | -874 | 554 |
| OPI reserve 2 | 922 | 922 | 0 |
| Share premium reserve | 28,945 | 30,718 | -1,773 |
| Discounted profit/loss reserve (IAS 19) | -313 | -293 | -20 |
| Future share capital increase contribution | 8,867 | 8,867 | 0 |
| Share-based incentive plan reserve | 0 | 296 | -296 |
| Unavailable reserve for the equity measurement of investments | 360 | 360 | 0 |
| Cash flow hedge reserve | -74 | -348 | 274 |
| Profit (loss) for the period | -9,131 | -6,284 | -2,847 |
| **Total shareholders' equity** | **42,756** | **51,375** | **-8,619** |

### Share capital

The share capital stated in the Financial Statements at 31 December 2021 is the share capital (fully subscribed and paid-up) of the Company, which is equal to nominal Euro 11,250 thousand subdivided into a total of 112,500,000 shares, with a nominal value equal to Euro 0.10.

### Statutory reserve

The balance of the Statutory Reserve at 31 December 2021 amounted to Euro 2,250 thousand and is unchanged compared with the previous year, having reached one fifth of the share capital, as provided for by Article 2430 of the Italian Civil Code.

### Extraordinary reserve

The Extraordinary Reserve amounted to zero at 31 December 2021 and decreased by Euro 4,511 thousand compared with the previous year after it was used in 2021 in order to cover the loss for the year 2020.

### IAS transition reserve

The IAS Transition Reserve includes the effect of the first-time adoption of IFRS 9 (Euro 320 thousand) and the shares recognised in the statement of comprehensive income deriving from the measurement of the joint venture SAFE&CEC S.r.l. with the equity method.

The reserve changed compared with the previous year by Euro 554 thousand, of which Euro 470 thousand attributable to the measurement of the above-mentioned company with the equity method for the first 4 months of 2021 due to changes accounted for in the statement of comprehensive income, and Euro 84 thousand following the restoration to the value of the initial acquisition cost of the equity investment held in the above-mentioned subsidiary and the resulting reversal of the effects previously accounted for in shareholders' equity.

### OPI reserve 2

This reserve also includes the effect of accounting for the A.E.B. and Emmegas merger in the course of 2017 and 2018, based on the provisions set forth in Assirevi document OPI no. 2R, which entailed the recognition of a negative reserve for Euro 3,217 thousand and the merger by incorporation of Lovato Gas S.p.A. in 2020, which entailed the recognition of a positive reserve of Euro 4,088 thousand.

### Share Premium Reserve

The Share Premium Reserve amounts to Euro 28,945 thousand and decreased by Euro 1,773 thousand compared with the previous year after it was used in 2021 in order to cover the loss for the year 2020.

As a result of the realignment of the tax value of the AEB trademark with the statutory value, pursuant to Art. 110 of Decree Law 104/2020, a tax suspension restriction in the amount of Euro 4,082 thousand was placed on the "share premium reserve".

### Future share capital increase contribution

The reserve includes the payment made by the majority shareholder for future capital increases of Euro 8,867 thousand in 2017, as financial support for the Company.

The following table shows the individual equity items, distinguishing them according to origin, availability and their using in the three previous years.

| *Nature and description* | *Amount (in thousands)* | *Possibility of use (*)* | *Portion available* | *Summary of use in the three previous years* |
|---|---|---|---|---|
| **Share capital** | **11,250** | | | |
| **Capital reserves** | | | | |
| Share premium | 28,945 | A,B,C (***) | 28,945 | |
| Future share capital increase contribution | 8,867 | A | 8,867 | |
| **Profit reserves** | | | | |

| | | | | |
|---|---|---|---|---|
| Statutory reserve | 2,250 | B | | |
| Extraordinary reserve | 0 | | 0 | |
| IAS transition reserve | -320 | | -320 | |
| OPI reserve 2 | 922 | | 922 | - |
| Discounted profit/loss reserve (IAS 19) | -313 | | -313 | |
| Unavailable reserve for the equity measurement of investments | 360 | | | |
| Cash flow hedge reserve | -74 | | | |
| **Profit (Loss) for the year 2021** | -9,131 | | | |
| **Total** | **42,756** | | **38,101** | |
| Non-distributable portion (**) | | | -17,736 | |
| **Residual distributable portion** | | | **20,365** | |

(*) Possibility of use: A - for share capital increases B - for covering losses C - for distribution to shareholders

(**) Non-amortisable development expenditure and future capital increase contributions

(***) tax suspension restriction DL 104/2020 of Euro 4,082 thousand

## NON-CURRENT LIABILITIES

### 19. NON-CURRENT BANK LOANS

This item breaks down as follows:

(Thousands of Euro)

| Non-current bank loans | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Loans and financing | 0 | 65,281 | -65,281 |
| Amortised cost | 0 | -491 | 491 |
| **Total** | **0** | **64,790** | **-64,790** |

This item includes the medium/long term portion of bank debts for unsecured loans and finance. At 31 December 2021 this item amounted to zero, compared with Euro 64,790 thousand at 31 December 2020.

On 3 December 2021 the Company presented to the various financial institutions "Waiver Letters" containing some specific requests for consent and/or exemption in relation to the outstanding loan agreements, particularly with reference to the possibility of failure to comply with financial covenants at 31 December 2021. Following punctual negotiations, on 9 February 2022 all credit institutions underwriting the loans issued waiver letters, providing their consent with respect to the calculation of the financial parameters at 31 December 2021, to taking out a new planned subsidised medium/long-term loan (finalised in 2022) and to the deferment of the principal instalment falling due on 31 December 2021. The latter, amounting to Euro 4,714 thousand, was rescheduled in an equal amount to the following three instalments falling due on 30 June 2022, 31 December 2022 and 30 June 2023.

For the above-mentioned reasons and taking into account that the waiver letters from the financial institutions involved were issued in February 2022, or on a date subsequent to the end of the year closing at 31 December 2021, for the proper presentation of the values in the financial statements, the entire remaining payable has been classified as short term.

For a full presentation of the events, please also refer to the "Significant events after the reporting period and business outlook" section of the Directors' Report.

The structure of the debt is exclusively at a variable rate indexed to the Euribor and increased by a spread aligned with the normal market conditions, partially hedged by financial derivatives; the debt currency is in the Euro. The loans are not secured by real collateral and there are no clauses other than the early payment clauses normally envisaged by commercial practice.

Taking into account events taking place after the end of the year described above, the annual repayment plan for the medium/long-term loans at the date on which these financial statements were approved is shown below.

(Thousands of Euro)

| Maturities | annual loan repayment instalments post-waiver letter |
|---|---|
| 2022 | 16,394 |
| Amortised cost | -215 |
| **Bank financing and short-term loans** | **16,179** |
| 2023 | 17,013 |
| 2024 | 34,157 |
| 2025 | 5,250 |
| 2026 | 2,625 |
| 2027 | 0 |
| Amortised cost | -273 |
| **Non-current bank loans** | **58,772** |
| **Total** | **74,951** |

It should be noted that, as indicated in the Report on Corporate Governance and Ownership Structure, early settlement of loan agreements may be requested should there be a change of control of the Company.

It is considered that the carrying amount of the non-current bank payables is aligned with their fair value at the reporting date.

At 31 December 2021, the Company had the following further short-term credit facilities, available but not used:

(Thousands of Euro)

| Credit facilities | 2021 |
|---|---|
| Cash facility | 2,835 |
| Facility for various uses | 27,611 |
| **Total** | **30,446** |

## 20. OTHER NON-CURRENT FINANCIAL LIABILITIES

This item breaks down as follows:

(Thousands of Euro)

| Other non-current financial liabilities | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Payables to other financial backers (Simest) | 360 | 0 | 360 |
| **Total** | **360** | 0 | 360 |

Other non-current financial liabilities amounted to Euro 360 thousand at 31 December 2021 (zero at 31 December 2020) and referred to the loan disbursed by Simest to the Company in July 2021 initially for Euro 600 thousand, of which Euro 240 thousand as a non-repayable grant and recognised as income in income statement and Euro 360 thousand repayable at an interest rate of 0.55% in 8 half-yearly instalments as of 30 June 2024.

## 21. NON-CURRENT LIABILITIES FOR RIGHTS OF USE

This item breaks down as follows:

(Thousands of Euro)

| | Net value at 31/12/2020 | Increases | Repayments | Other changes | Net Value at 31/12/2021 |
|---|---|---|---|---|---|
| Buildings | 3,883 | 0 | -1,629 | -69 | 2,185 |
| Motor vehicles | 589 | 82 | -273 | 12 | 410 |
| **Total** | **4,472** | **82** | **-1,902** | **-57** | **2,595** |
| of which current | 1,770 | | | | 1,222 |
| of which non-current | 2,702 | | | | 1,373 |

Right-of-use liabilities of Euro 2,595 thousand were recognised in the financial statements at 31 December 2021 (Euro 4,472 thousand at 31 December 2020).

The increases during the year, amounting to Euro 82 thousand, are linked primarily to the signing of new lease agreements for company vehicles.

During the year, lease agreements on real estate were not subject to renegotiation, so it was not necessary to adjust the right-of-use liabilities recognised in the financial statements.

The other changes of Euro 57 thousand include the redetermination of the value of the lease agreement on the property located in Vicenza, the registered office of Lovato Gas S.p.A. (merged into Landi Renzo S.p.A. in the previous year) for which the early withdrawal option was exercised as governed by the relative agreement.

## 22. PROVISIONS FOR RISKS AND CHARGES

The breakdown and changes in this item are shown in detail below:

(Thousands of Euro)

| Provisions for risks and charges | 31/12/2020 | Allocation | Utilisation | 31/12/2021 |
|---|---|---|---|---|
| Provision for pensions and similar obligations | 75 | 0 | -26 | 49 |
| Provision for product warranty risks | 2,006 | 1,246 | -727 | 2,525 |
| Provision for risks on investments | 0 | 3,105 | 0 | 3,105 |
| Other provisions | 96 | 0 | -15 | 81 |
| **Total** | **2,177** | **4,351** | **-768** | **5,760** |

The item "Provision for product warranties" includes the best estimate of the costs related to the commitments that the Company has taken on as an effect of legal or contractual provisions, in relation to the expenses connected with providing product warranties for a certain period of time starting from the sale thereof. This estimate was calculated both with reference to the historical data of the Company and on the basis of specific contractual content. At 31 December 2021 this provision totalled Euro 2,525 thousand, after allocations of Euro 1,246 thousand. The increase in allocations compared with the same period of the previous year was linked to the fact that they are directly correlated with turnover trends. Uses of the provision for product warranties totalling Euro 727 thousand are due to the coverage of warranty costs correlated with supplies of components in previous years.

The pensions reserve relates to the provision accrued for additional agents' customer indemnity, including uses for the year of Euro 26 thousand.

The item "Provision for risks on investments" amounting to Euro 3,105 thousand includes the provision recognised during the year to cover losses recorded on the subsidiaries Landi Renzo Pakistan Limited and Landi Renzo RO Srl in the amount of Euro 1,160 thousand and Euro 1,945 thousand, respectively. The above-mentioned companies indeed had losses for the year and negative values of shareholders' equity. The provisions recorded were therefore made and recognised in the provision for risks in order to reflect the value of losses exceeding the cost value of such equity investments, taking into account the risk and the Company's intention to take financial responsibility for them, in order to cover such losses.

## 23. DEFINED BENEFIT PLANS FOR EMPLOYEES

The following is the overall change in defined benefit plans for employees:

(Thousands of Euro)

| Defined benefit plans for employees | 31/12/2020 | Allocation | Utilisation | Other changes | 31/12/2021 |
|---|---|---|---|---|---|
| Employee post-employment benefits | 1,541 | 48 | -268 | -23 | 1,298 |

The provision of Euro 48 thousand relates to revaluation of TFR (employee severance indemnity) at the end of the period, while use of Euro 268 thousand refers to the amounts paid to employees who ceased working during the year. The other changes relate to the actuarial adjustment of the reserve by Euro 23 thousand, accounted for in Other reserves and expressed in other components of the Statement of Comprehensive Income.

The main economic and financial assumptions used by the actuary in charge of estimates, methodologically unchanged since the previous year, are as follows:

| Actuarial assumptions used for evaluations | |
|---|---|
| Demographic table | 2020 |
| Discount rate | 0.52% |
| Probability of request for advance | 1.5% |
| Expected % of employees who will resign before pension | 8.10% |
| Maximum % of TFR (employee severance indemnity) requested in advance | 70% |
| Annual cost of living increase rate | 1.75% |

The sensitivity analysis shows insignificant variances with respect to the value recognised in the financial statements at 31 December 2020.

## 24. LIABILITIES FOR DERIVATIVE FINANCIAL INSTRUMENTS

This item and changes in it are shown in detail below:

(Thousands of Euro)

| Liabilities for derivative financial instruments | Hierarchy Fair Value | Notional | 2021 | 2020 | Change |
|---|---|---|---|---|---|
| **Derivatives on interest rates** | | | | | |
| Loans | 2 | 45,500 | 96 | 458 | - 362 |
| **Total** | | | **96** | **458** | **- 362** |

The item includes the fair value measurement of financial derivative contracts signed by the Company, recognised under hedge accounting, i.e. with a contra-entry in other comprehensive income, as they meet the requirements laid out in IFRS 9.

To partially reduce risks connected with fluctuating interest rates, the Company has entered into financial derivative contracts (interest rate swaps) in order to cover:

- 70% of the main credit lines of the pool loan for an initial amount of Euro 65 million taken out in June 2019;

- for a duration of 3 years, 100% of the credit line of the six-year Euro 21 million loan 90% backed by the SACE guarantee, with a pre-amortisation period of two years.

## CURRENT LIABILITIES

### 25. BANK FINANCING AND SHORT-TERM LOANS

This item breaks down as follows:

(Thousands of Euro)

| Bank financing and short-term loans | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Advances, import fin. and other current bank payables | 16,895 | 7,857 | 9,038 |
| Loans and financing | 75,440 | 15,170 | 60,270 |
| Amortised cost | -488 | -256 | -232 |
| **Total** | **91,847** | **22,771** | **69,076** |

At 31 December 2021 this item, totalling Euro 91,847 thousand, compared with Euro 22,771 thousand in 2020, was made up of the current portion of existing loans and financing totalling Euro 75,440 thousand, including the effect of amortised cost of Euro 488 thousand, and the use of short-term commercial credit lines totalling Euro 16,895 thousand. Please note that the current portion of outstanding mortgages and loans increased compared with the previous year by Euro 60,270 thousand due to the process for obtaining waiver letters from the financial institutions which took place after year-end, entailing the reclassification of all remaining debt for medium/long-term loans to Bank financing and short-term loans.
For more information refer to what is described in the section “Non-current bank financing and loans”.

A breakdown of the net financial position of the Company is provided below:

(Thousands of Euro)

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Cash and cash equivalents | 7,056 | 10,626 |
| Current financial assets | 0 | 2,801 |
| Bank financing and short-term loans | -91,847 | -22,771 |
| Current liabilities for rights of use | -1,222 | -1,770 |
| Other current financial liabilities | 0 | -210 |
| **Net short term indebtedness** | **-86,013** | **-11,324** |
| Medium-term loans from/to subsidiaries | 317 | 303 |
| Non-current bank loans | -360 | -64,790 |
| Non-current liabilities for rights of use | -1,373 | -2,702 |
| Liabilities for derivative financial instruments | -96 | -458 |
| **Net medium-long term indebtedness** | **-1,512** | **-67,647** |
| **Commitments for the purchase of equity investments** | -25,436 | 0 |

| | | |
|---|---|---|
| **Net Financial Position** | **-112,961** | **-78,971** |
| **Net Financial Position - adjusted (*)** | **-84,834** | **-74,041** |

The Net Financial Position at 31 December 2021 was equal to Euro 112,961 thousand (Euro 78,971 at 31 December 2020), and was impacted by the adoption of the international accounting standard IFRS 16 - Leases, which resulted in the recognition of financial liabilities for rights of use of Euro 2,595 thousand at 31 December 2021 (Euro 4,472 thousand at 31 December 2020), as well as the fair value recognition of financial derivative contracts for Euro 96 thousand at 31 December 2021 (Euro 458 thousand at 31 December 2020) and the recognition of the remaining payable for the acquisition of Metatron S.p.A. for Euro 25,436 thousand (amount classified in "Other current liabilities" of the Landi Renzo S.p.A. statement of financial position).

Net of the effect of adopting IFRS 16 - Leases, the fair value of financial derivative contracts and the remaining payable for the acquisition of equity investments, the net financial position of the Company would have been equal to Euro 84,834 thousand, after investments for Euro 11,084 thousand, up compared with 31 December 2020.

In this regard, and with reference to the financial covenants in place at 31 December 2021 on the main Landi Renzo S.p.A. loans, please note what was already mentioned above with reference to the issue on 9 February 2022 of waiver letters by all credit institutions underwriting the loans which provided their consent with respect to the calculation of financial covenants as at 31 December 2021, taking out a new planned subsidised medium/long-term loan (finalised in the course of 2022) and the deferment of the principal instalment of Euro 4,714 thousand falling due on 31 December 2021, which was rescheduled in an equal amount to the following three instalments falling due on 30 June 2022, 31 December 2022 and 30 June 2023. Furthermore, as described above, the above-mentioned waiver letters are expressly subject to the finalisation of the share capital increase of the parent company Landi Renzo S.p.A. to be carried out in an amount of at least Euro 25.4 million, by no later than 30 June 2022. A dedicated disclosure is provided below in this section with respect to the planned share capital increase transaction.

For the above-mentioned reasons and taking into account that the waiver letters from the financial institutions involved were issued in February 2022, or on a date subsequent to the end of the year closing at 31 December 2021, for the proper presentation of the values in the financial statements, the remaining payable on such loans has been classified as short term.

With respect to the remaining payable for the acquisition of the Metatron Group, amounting to Euro 25,436 thousand at 31 December 2021, please note that in the course of February 2022 the acquisition of an additional 23.43% of Metatron S.p.A. was formalised, so Landi Renzo S.p.A. now holds a stake of 72.43%. For the payment of the total consideration to the minority shareholders and Italy Technology Group S.r.l., amounting to Euro 18,062 thousand, Girefin S.p.A., the controlling shareholder of Landi Renzo S.p.A., made a lump-sum amount available to the Company corresponding to the entire amount of the above-mentioned consideration by means of a shareholder loan bearing interest at an annual rate of 1%. The remaining stake (27.57%) owned by the shareholder Italy Technology Group will be acquired by Landi Renzo S.p.A. by the end of the first half of 2022 for Euro 7,374 thousand.

This provides a significant confirmation of the reference shareholder's desire to support the Company's growth, particularly in the Green Transportation segment.

In this regard, please note that in the course of the second half of the year the directors of Landi Renzo S.p.A. initiated procedures to be able to access the measures established under the Fund Supporting Large Companies in difficulty - Decree-Law no. 41/2021, Art. 37, Interministerial Decree of 5 July 2021 and Executive Decree of 3 September 2021, and intended to disburse a significant new line of credit in favour of Landi Renzo S.p.A.

In February 2022, the company received a notification from Invitalia (Agenzia Nazionale per l'Attrazione degli Investimenti e lo sviluppo di impresa SpA) concerning its admission to the above-mentioned procedure and took prompt action to meet the formal requirements established and necessary to proceed with the finalisation of the agreement for the provision of subsidies, which is expected to possibly be concluded by the end of March 2022.

Following up on what is set forth above, and to take into account the changed market environment, the directors prepared a new Group economic-financial plan for the 2022-2025 period, which was approved by the Landi Renzo S.p.A. Board of Directors on 15 March 2022 and calls for a share capital increase of up to a maximum of Euro 60 million.

This transaction is linked to the signing in March 2022 by the controlling shareholders of Landi Renzo - Girefin S.p.A. and Gireimm S.r.l., which hold a total joint investment of 59.16% of the share capital of Landi Renzo - of a non-binding term sheet with Itaca Equity Holding S.p.A., which lays the foundation for a minority investment in the share capital of Landi Renzo, as a long-term investor, aiming to support Landi Renzo's expansion in the compression and automotive segments. The main shareholder of Itaca Equity Holding is Tamburi Investment Partners. The transaction calls for a co-investment by Cristiano Musi, Chief Executive Officer of Landi Renzo. Within the new business plan and in order to provide the Company with the necessary financial resources, the Board of Directors approved the proposal to the upcoming shareholders' meeting to delegate the Board of Directors pursuant to Article 2443 of the Italian Civil Code to increase the share capital by a maximum of Euro 60.0 million, indivisible up to Euro 50.0 million, with the option right, to be paid up by means of contributions in cash and by the voluntary offsetting, pursuant to Article 1252 of the Italian Civil Code, of receivables due to the subscribers from Landi Renzo and to be subscribed by no later than 31 December 2023. The share capital increase is guaranteed by the Landi Family and by Itaca Equity Holding up to the amount of Euro 50.0 million, assuming the completion of the transaction between the Landi Family and Itaca Equity Holding.

## 26. OTHER CURRENT FINANCIAL LIABILITIES

This item breaks down as follows:

(Thousands of Euro)

| Other non-current financial liabilities | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Payables to other financial backers (Simest) | 0 | 210 | -210 |
| **Total** | **0** | **210** | **-210** |

At 31 December 2021, other current financial liabilities totalled zero (Euro 210 thousand at 31 December 2020) following the full repayment in 2021 of the remainder of the subsidised loan disbursed by Simest S.p.A. to support a plan to expand trade in the USA, subject to a 12-month moratorium due to the effects of the COVID-19 pandemic.

## 27. CURRENT LIABILITIES FOR RIGHTS OF USE

This item amounted to Euro 1,222 thousand (Euro 1,770 thousand at 31 December 2020) and relates to the current portion of right-of-use liabilities recognised in the financial statements following the application of the international accounting standard IFRS 16 - Leases.

## 28. TRADE PAYABLES

Trade payables (including trade payables to related parties) totalled Euro 47,023 thousand and can be analysed by geographical segment as follows:

(Thousands of Euro)

| Trade payables by geographical area | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Italy | 41,198 | 40,680 | 518 |
| Europe (excluding Italy) | 1,977 | 2,458 | -481 |
| Asia and Rest of the World | 3,590 | 1,872 | 1,718 |
| America | 258 | 22 | 236 |
| **Total** | **47,023** | **45,032** | **1,991** |

Trade payables to related parties of Euro 1,252 thousand (Euro 1,049 thousand at 31 December 2020) refer mainly to relations with the companies Gireimm S.r.l. and Gestimm S.r.l. for property lease payments and relationships for the supply of goods with the joint venture Krishna Landi Renzo India Private Ltd Held.

## 29. PAYABLES TO SUBSIDIARIES

The trade payables due to subsidiaries refer to the payables for purchase of components and finished products and totalled Euro 3,028 thousand (Euro 2,133 at 31 December 2020).
All the related transactions are carried out at arm's length conditions.

## 30. TAX LIABILITIES

This item breaks down as follows:

(Thousands of Euro)

| Tax liabilities | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| IRPEF | 778 | 2,187 | -1,409 |
| IRAP | 0 | 0 | 0 |

| | | | |
|---|---|---|---|
| Flat-rate and income tax | 109 | 146 | -37 |
| **Total** | **887** | **2,333** | **-1,446** |

At 31 December 2021, tax liabilities totalled Euro 887 thousand, primarily relating to IRPEF (personal income tax) withholdings of Euro 778 thousand and substitute and income taxes of Euro 109 thousand.

## 31. OTHER CURRENT LIABILITIES

This item breaks down as follows:

(Thousands of Euro)

| Other current liabilities | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Advance payments from customers | 173 | 6 | 167 |
| Payables to welfare and social security institutes | 1,218 | 1,432 | -214 |
| Other payables (payables to employees, to others) | 27,692 | 2,178 | 25,514 |
| Accrued expenses and deferred income | 323 | 330 | -7 |
| **Total** | **29,406** | **3,946** | **25,460** |

Other current liabilities amount to Euro 29,406 thousand (Euro 3,946 thousand at 31 December 2020). In particular, the “Other Payables” item, amounting to Euro 27,692 thousand, includes Euro 25,436 thousand for the recognition for the remaining payable for the acquisition of Metatron S.p.A. and, for the remainder, primarily payables for current pay and deferred pay to be settled in relation to employees.

With respect to the remaining payable for the acquisition of the Metatron Group, amounting to Euro 25,436 thousand at 31 December 2021, please note that in the course of February 2022 the acquisition of an additional 23.43% of Metatron S.p.A. was formalised, so Landi Renzo S.p.A. now holds a stake of 72.43%. For the payment of the total consideration to the minority shareholders and Italy Technology Group S.r.l., amounting to Euro 18,062 thousand, Girefin S.p.A., the controlling shareholder of Landi Renzo S.p.A., made a lump-sum amount available to the Company corresponding to the entire amount of the above-mentioned consideration by means of a shareholder loan bearing interest at an annual rate of 1%. The remaining stake (27.57%) owned by the shareholder Italy Technology Group will be acquired by Landi Renzo S.p.A. by the end of the first half of 2022 for Euro 7,374 thousand.

Accrued expenses and deferred income relate to the deferred income on the investment contributions provided by Laws 160/19 and 178/20.

# INCOME STATEMENT

## 32. REVENUES FROM SALES AND SERVICES

This item breaks down as follows:

(Thousands of Euro)

| Revenues from sales and services | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Revenues related to the sale of assets | 128,763 | 109,868 | 18,895 |
| Revenues for services and other revenues | 2,692 | 2,848 | -156 |
| **Total** | **131,455** | **112,716** | **18,739** |

During 2021, the Company achieved revenues of Euro 131,455 thousand, an increase of Euro 18,739 thousand compared with the previous year. See the Directors' Report for further details on performance of revenues on sales.

Revenues for services and other revenues consist of:

(Thousands of Euro)

| Revenues for services and other revenues | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Services rendered | 1,070 | 1,014 | 56 |
| Technical consultancy | 316 | 655 | -339 |
| Intercompany services rendered | 64 | 62 | 2 |
| Reimbursement of transport expenses | 274 | 266 | 8 |
| Reimbursement of other costs | 160 | 206 | -46 |
| Reimbursement of employee canteen costs | 76 | 48 | 28 |
| Other income | 732 | 597 | 135 |
| **Total** | **2,692** | **2,848** | **-156** |

Income from services rendered include primarily technical consultancy and charges of services for the testing of components supplied to leading automobile manufacturers.

Technical consultancy refers to services charged to OEM customers for technical services on new components designed for gas systems, an activity which was completed in the course of 2021.

Intercompany services supplied refer to services of an administrative, operating and technical nature charged to the subsidiary companies and governed by agreements at arm's length conditions.

Reimbursements of other costs relate primarily to revenue from incentives for the production of electricity by the photovoltaic system (Euro 154 thousand).

Other income refers mainly to payments to recover costs related to production activity.

## 33. OTHER REVENUES AND INCOME

This item breaks down as follows:

(Thousands of Euro)

| Other revenues and income | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Grants | 829 | 14 | 815 |
| Other income | 456 | 51 | 405 |
| **Total** | **1,285** | **65** | **1,220** |

“Other revenues and income” totalled Euro 1,285 thousand at 31 December 2021 (Euro 65 thousand at 31 December 2020) and relate primarily to:

- the tax credit recognised to the Company for research and development activities carried out in 2020, pursuant to Art. 1 of Law 160/2019, amounting to Euro 280 thousand;
- the non-repayable grant of Euro 240 thousand received by the Company after the Simest loan was taken out for a total of Euro 600 thousand;
- contributions provided by the Emilia-Romagna Region (Regional Law 14/2014, second part, Article 6 - Regional Agreement on business establishment and development) for Euro 270 thousand.

## 34. COST OF RAW MATERIALS, CONSUMABLES AND GOODS AND CHANGE IN INVENTORIES

This item breaks down as follows:

(Thousands of Euro)

| Cost of raw materials, consumables and goods and change in inventories | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Raw materials and parts | 62,669 | 48,146 | 14,523 |
| Finished products | 18,184 | 18,047 | 137 |
| Other materials | 1,105 | 1,052 | 53 |
| Change in inventories | -2,758 | -3,566 | 808 |
| **Total** | **79,200** | **63,679** | **15,521** |

Total costs for purchase and consumption of raw materials, consumables and goods (including the change in inventories) increased from Euro 63,679 thousand at 31 December 2020 to Euro 79,200 thousand at 31 December 2021. This increase is connected to the increase in sale volumes with respect to the previous year and rising raw material prices in international markets.

## 35. COSTS FOR SERVICES AND USE OF THIRD-PARTY ASSETS

This item breaks down as follows:

(Thousands of Euro)

| Costs for services and use of third-party assets | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Industrial and technical services | 20,518 | 17,617 | 2,901 |
| Commercial services | 1,939 | 1,957 | -18 |
| General and administrative services | 4,226 | 3,934 | 292 |
| Costs for use of third-party assets | 200 | 127 | 74 |
| Non-recurring strategic consultancy | 730 | 693 | 37 |
| **Total** | **27,613** | **24,328** | **3,286** |

Costs for services and use of third-party assets amounted to Euro 27,613 thousand (Euro 24,328 thousand at 31 December 2020), with an increase of Euro 3,286 thousand, and are inclusive of non-recurring expenses relating to strategic consultancy provided by leading consulting firms (Euro 730 thousand) for the performance of organisational and strategic analyses to define the new economic-financial plan.
Costs for use of third-party assets in the income statement, equal to Euro 200 thousand, mainly relate to contracts eligible for the simplification options established by the IFRS 16 - Leases accounting standard, i.e. those relating to low-value assets or with a duration of 12 months or less.

## 36. PERSONNEL EXPENSES

Personnel expenses are analysed as follows:

(Thousands of Euro)

| Personnel costs | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Wages and salaries | 9,759 | 9,551 | 208 |
| Social security contributions | 4,069 | 3,934 | 135 |
| Expenses for defined benefit plans | 973 | 1,058 | -85 |
| Temporary agency work and transferred work | 2,532 | 1,391 | 1,141 |
| Directors' remuneration | 665 | 659 | 6 |
| Non-recurring personnel costs and expenditure | 22 | 672 | -650 |
| **Total** | **18,020** | **17,265** | **755** |

Personnel costs were equal to Euro 18,020 thousand, an increase compared with the same period of the previous financial year (Euro 17,265 thousand at 31 December 2020), while the Company had a total of 297 employees at 31 December 2021, down by 21 compared with the previous year (318 at 31 December 2020). The increase in personnel costs was primarily attributable to the lower recourse made to social safety nets compared with the previous year, such as the temporary lay-off scheme and the use of accrued holidays by employees, which had been primarily used in order to mitigate the effects of the decline in activities due to the COVID-19 pandemic, in addition to greater recourse to temporary labour.

The Company continues to heavily invest in highly specialised resources to support the increasing research and development performed for new products and solutions, capitalised when they meet the requirements laid out in IAS 38.

Non-recurring personnel costs amount to Euro 22 thousand at 31 December 2021 and relate for Euro 318 thousand to voluntary retirement incentives agreed upon with some employees and for Euro 296 thousand to the release of the provision for the period for the 2019-2021 Performance Shares Plan.

Refer to the Report on Remuneration published pursuant to Article 123-*ter* of the Consolidated Law on Finance for details of directors' remuneration.

Performance Shares Plan

On 29 April 2019, the Shareholders' Meeting approved, pursuant to Article 114-bis of Italian Legislative Decree 58/98, a compensation plan named the "2019-2021 Performance Shares Plan" concerning the free assignment of the right to receive Landi Renzo S.p.A. ordinary shares. (for a maximum total of 3,200,000 shares), based on the degree to which specific performance objectives are reached. The assignment of shares is subject to reaching at least one of the performance objectives as well as the existence, at the date of assignment of the shares, of the employment and/or management relationship with the Company or its subsidiaries.

The plan's beneficiary is the Parent Company's Chief Executive Officer, as other managers to be named as recipients of the incentive plan were not identified within the established terms.

The plan aims to reward the achievement of targets for the 2019-2021 period, as well as incentivise the alignment of the interests of the management with those of the shareholders with a view to creating value over a medium/long-term horizon. The Plan lasts for three years and provides for the assignment of Shares in a lump sum at the end of the vesting period.

The fair value of this plan was measured by an independent expert at 31 December 2021, which quantified the fair value of the transaction as zero and, as a result, the shares accrued and previously recognised with a contra-entry in shareholders' equity, as the plan was defined as equity settled based on IFRS 2, were released to the income statement in the cumulative amount of Euro 296 thousand. This amount was classified as a non-recurring item.

The average and peak number of employees in the Company workforce, divided by qualification in the two years analysed, is shown below:

| | Average (*) | | | Peak | | |
|---|---|---|---|---|---|---|
| **Number of employees** | **31/12/2021** | **31/12/2020** | **Change** | **31/12/2021** | **31/12/2020** | **Change** |
| Executives and Clerical Staff | 178 | 182 | -4 | 172 | 185 | -13 |
| Manual workers | 128 | 125 | 3 | 125 | 133 | -8 |
| **Total** | **306** | **307** | **-1** | **297** | **318** | **-21** |

(*) These values do not include temporary agency workers or the directors.

## 37. ALLOCATIONS, WRITE-DOWNS AND OTHER OPERATING EXPENSES

This item breaks down as follows:

(Thousands of Euro)

| Accruals, write-downs and other operating expenses | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Other taxes and duties | 88 | 141 | -53 |
| Other operating expenses | 155 | 80 | 75 |
| Losses on receivables | 0 | 0 | 0 |
| Provisions, write-downs and various operating expenses | 1,246 | 1,024 | 222 |
| Bad debts | 829 | 150 | 679 |
| **Total** | **2,318** | **1,395** | **923** |

The costs included in this item totalled Euro 2,318 thousand at 31 December 2021 compared with Euro 1,395 thousand at 31 December 2020, an increase of Euro 923 thousand due primarily to higher provisions for bad debts and product warranties, the latter directly correlated with volumes sold.

## 38. AMORTISATION, DEPRECIATION AND IMPAIRMENT

This item breaks down as follows:

(Thousands of Euro)

| Amortisation, depreciation and impairment | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Amortisation of intangible assets | 6,805 | 5,951 | 854 |
| Depreciation of tangible assets | 3,129 | 3,270 | -141 |
| Depreciation of rights of use | 1,775 | 1,834 | -59 |
| **Total** | **11,710** | **11,055** | **654** |

Amortisation and depreciation amounted to Euro 11,710 thousand (Euro 11,055 thousand at 31 December 2020), an increase of Euro 654 thousand. This increase is primarily linked to the effect of amortisation of capitalised research and development costs.

No elements emerged from the analysis which revealed the need to change the useful lifetime of tangible and intangible assets.

## 39. FINANCIAL INCOME

This item breaks down as follows:

(Thousands of Euro)

| Financial income | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Interest income on bank deposits | 0 | 0 | 0 |
| Other income | 105 | 181 | -76 |
| **Total** | **105** | **181** | **-76** |

Financial income at 31 December 2021 amounts to Euro 105 thousand, down compared with the previous year by Euro 76 thousand, and includes primarily interest from intragroup loans and other income.

## 40. FINANCIAL EXPENSES

This item breaks down as follows:

(Thousands of Euro)

| Financial expenses | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Interest on bank overdrafts and loans and loans from other financiers | 2,407 | 2,421 | -14 |
| Bank charges and commissions | 767 | 657 | 110 |
| **Total** | **3,174** | **3,078** | **96** |

Financial expenses at 31 December 2021 amounted to Euro 3,174 thousand (Euro 3,078 thousand at 31 December 2020) and essentially include bank interest charges, interest on loans, interest on non-recourse factoring, actuarial losses deriving from the discounting of the TFR (employee severance indemnity) reserve and bank charges, in addition to the financial effect arising from the adoption of IFRS 16 (Euro 109 thousand).

## 41. EXCHANGE GAINS AND LOSSES

This item breaks down as follows:

(Thousands of Euro)

| Exchange gains and losses | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Positive exchange differences realised | 152 | 90 | 62 |
| Positive exchange differences from valuation | 936 | -1 | 937 |
| Negative exchange differences realised | -100 | -35 | -65 |
| Negative exchange differences from valuation | -6 | -1,058 | 1,052 |
| **Total** | **982** | **-1,004** | **1,986** |

The impact of exchange differences on the year amounted to Euro 982 thousand compared with a negative effect of Euro 1,004 thousand at 31 December 2020, nearly entirely due to losses from valuation deriving from the effects of the COVID-19 pandemic on the international exchange markets.
The Company realises most of its revenues and costs in Euro. At 31 December 2021 the Company did not have any financial instruments to cover of exchange rate risk.

In accordance with the requirements of Accounting Standard IFRS 7, financial income and expenses ascribed to the income statement are analysed below by individual financial instrument category:

(Thousands of Euro)

| | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Interest income on cash and cash equivalents | 0 | 0 | 0 |
| Interest expenses from financial liabilities measured at amortised cost | -2,407 | -2,421 | 14 |
| Exchange gains (losses) | 982 | -1,004 | 1,986 |
| **Total** | **-1,425** | **-3,425** | **2,000** |

## 42. INCOME (EXPENSES) FROM EQUITY INVESTMENTS

This item breaks down as follows:

(Thousands of Euro)

| Income (expenses) from equity investments | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Income on equity investments | 2,570 | 1,001 | 1,569 |
| Expenses from equity investments | -4,319 | -1,903 | -2,416 |
| **Total** | **-1,749** | **-902** | **-847** |

Income and expenses from equity investments which had a net value of Euro 1,749 thousand include:

- the revaluation of the equity investment held in the company SAFE&CEC by Euro 2,570 thousand. Following the change of the shareholders' agreements and the acquisition of control over SAFE&CEC S.r.l. and, in line with what is set forth in IAS 8 "Accounting policies, changes in accounting estimates and errors", the value of the equity investment was restored to the value of the initial acquisition cost totalling Euro 24,225 thousand. This transaction therefore generated a revaluation of the equity investment totalling Euro 2,654 thousand, of which Euro 2,570 thousand attributed to the income statement and Euro 84 thousand attributed to the statement of comprehensive income, in line with the overall effects reflected by the measurements with the equity method conducted in previous years;

- the expenses from equity investments deriving from the provision of Euro 3,105 thousand recognised during the year to cover losses recorded on the subsidiaries Landi Renzo Pakistan Limited and Landi Renzo RO Srl in the amount of Euro 1,160 thousand and Euro 1,945 thousand, respectively;

- the adjustment of the provision for impairment of the outstanding loan with the American subsidiary for a negative Euro 1,213 thousand, due in part to the disbursement carried out during the year and in part to the exchange effect during the year resulting from variations in the Euro/USD exchange rate.

## 43. INCOME (EXPENSES) FROM JOINT VENTURES MEASURED USING THE EQUITY METHOD

This item breaks down as follows:

(Thousands of Euro)

| Income (expenses) from joint ventures measured using the equity method | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Revaluation of equity investments | 1,286 | 90 | 1,196 |
| Write-down of equity investments | -763 | -101 | -662 |
| **Total** | **523** | **-11** | **534** |

This item, totalling Euro 523 thousand (Euro -11 thousand at 31 December 2020), includes the measurement using the equity method of the Group's equity investments and joint ventures, and namely:

- the revaluation of the equity investment held in the joint venture Krishna Landi Renzo Prv Ltd by Euro 1,286 thousand. In the course of the year ending on 31 December 2021, this joint venture significantly boosted its sales to a major Indian OEM customer, recording revenue of Euro 19.6 million and EBITDA of Euro 3.6 million;

- the write-down, limited to the first four months of 2021, or until its line-by-line consolidation by Landi Renzo S.p.A., of the SAFE&CEC Group by Euro 666 thousand. The result of the SAFE&CEC Group in the first quarter of 2021 was negatively influenced by the completion of several contracts for the North African market, characterised by lower margins.

- the write-down of equity investment in the joint venture EFI Avtosanoat Landi Renzo LLC in Uzbekistan, measured at the cost adjusted for impairment losses, by Euro 97 thousand.

## 44. TAXES

Income taxes are shown in detail below:

| (Thousands of Euro)<br>Taxes | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Current taxes | 0 | 333 | -333 |
| Deferred tax liabilities (assets) | 302 | 3,140 | -2,838 |
| **Total** | **302** | **3,473** | **-3,171** |

The effect of total taxes in the income statement at 31 December 2021 was equal to a positive Euro 302 thousand (a positive value of Euro 3,473 thousand at 31 December 2020). The Company did not recognise deferred tax assets on tax losses for the year 2021.

Management, assisted by its tax advisors, prepared an analysis based on forecasts of the new economic-financial plan for the years 2022-2025, approved by the Board of Directors on 15 March 2022, aimed at verifying the recoverability of deferred tax assets. This analysis did not identify any problems related with the recoverability of deferred tax assets recognised in the financial statements.

The theoretical tax charge is only reconciled with the effective charge in relation to IRES, which has characteristics typical of a corporate income tax, taking into consideration the tax rate applying to the company. No reconciliation between theoretical and actual tax burden has been prepared for IRAP (regional tax on production activities), in view of the different way of determining the basis of calculation for the tax. The summarised data is shown below:

| | 31/12/2021 | | |
|---|---|---|---|
| **(Thousands of Euro)** | **Taxable total** | **Taxes** | **%** |
| Result before tax | -9,433 | | |
| Taxes calculated at the tax rate in force | | -2,264 | 24.0% |
| Permanent differences | | | |
| - non-deductible costs | 1,051 | 252 | -2.7% |
| - write-downs and non-recurrent losses | 5,082 | 1,220 | -12.9% |
| - amortisation/depreciation without taxation | 477 | 114 | -1.2% |
| - share of non-taxed financial income | -3,856 | -925 | 9.8% |
| - other non-taxable income | -593 | -142 | 1.5% |
| Tax loss without taxation | 6,013 | 1,443 | -15.3% |
| **Total Taxes for the year/Effective rate** | | **-302** | |
| **Total Taxes in the income statement** | | -302 | |

## OTHER INFORMATION

### 45. INFORMATION ON THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

As required by IFRS 7 – Financial Instruments, the attached table provides a comparison between the carrying amount and the fair value of all financial assets and liabilities, divided according to the categories identified by the aforementioned accounting standard.

| (Thousands of Euro) | 31/12/2021 | | 31/12/2020 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Receivables and other current assets | 51,470 | 51,470 | 44,053 | 44,053 |
| Cash and cash equivalents | 7,056 | 7,056 | 10,626 | 10,626 |
| Trade payables | 50,051 | 50,051 | 47,165 | 47,165 |
| Financial liabilities measured at amortised cost - non-current portion | 360 | 360 | 64,790 | 64,790 |
| Financial liabilities measured at amortised cost - current portion | 91,847 | 91,847 | 22,980 | 22,980 |

Note that the carrying amount of the loans and financing approximates their fair value at 31 December 2021, since such classes of financial instruments are indexed at the Euribor market rate.

### 46. GUARANTEES PROVIDED

The Company did not provide any guarantees to third parties during the year, but provided them to several subsidiaries in the form of credit mandates, letters of patronage or stand-by on loans.

### 47. ANALYSIS OF THE MAIN DISPUTES IN PROGRESS

At 31 December 2021, the Company is not involved in proceedings, brought by or against it, for significant amounts with the Tax Authorities, social security institutions or other public authorities, or third parties.

### 48. TRANSACTIONS WITH RELATED PARTIES

In addition to relations with subsidiaries, associates and Joint Ventures, transactions with related parties also included transactions with other related parties, meaning service supply relations between Gireimm S.r.l. and Gestimm S.r.l., subsidiaries of the parent company Girefin S.p.A., and Landi Renzo S.p.A., relating to lease payments on the property housing the operating unit and technical centre.

The following table summarises the relationships with other related parties and intercompany relationships (thousands of Euro):

| Company | Sales revenues | Revenues for services and other revenues | Financial Income | Sale of assets | Purchase of finished products | Costs for use of third-party assets | Purchase of assets | Costs for services | Financial expenses | Expense and Income from Equity Investments | Expense and Income from JVs measured using the equity method | Financial Assets | Financial Liabilities | Receivables | Other receivables | Payables |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| SAFE&CEC S.r.l. | 4 | 200 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,570 | -666 | 0 | 0 | 0 | 0 | 0 |
| SAFE SpA | 0 | 169 | -21 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Gestimm S.r.l. | 0 | 0 | 0 | 0 | 0 | 629 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 268 |
| Krishna Landi Renzo India Priv. Ltd | 1,408 | 158 | -18 | 0 | 347 | 0 | 0 | 0 | 0 | 0 | 1,286 | 600 | 0 | 2,377 | 0 | 447 |
| Efi Avtosanoat | 146 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -97 | 0 | 0 | 443 | 0 | 0 |
| Gireimm S.r.l. | 0 | 0 | 0 | 0 | 0 | 878 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 537 |
| **Total related parties** | **1,558** | **527** | **-39** | **0** | **348** | **1,507** | **0** | **0** | **0** | **2,570** | **523** | **600** | **0** | **2,819** | **0** | **1,252** |
| Landi International B.V. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 30 | 0 | 0 | 0 | 0 |
| Landi Renzo Polska | 4,772 | 55 | 0 | 0 | 1,479 | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 2,386 | 0 | 1,742 |
| Beijing Landi Renzo China | 771 | 1 | 0 | 0 | 90 | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 7 | 0 | 237 |
| LR Indústria e Comércio Ltda | 4,393 | 27 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 6,728 | 0 | 0 |
| Landi Renzo Pars | 0 | 0 | 14 | 0 | 0 | 0 | 0 | 5 | 0 | 0 | 0 | 288 | 0 | 388 | 0 | 41 |
| LR PAK Pakistan | 5 | 0 | 0 | 0 | 10 | 0 | 0 | 0 | 0 | -1,160 | 0 | 0 | 0 | 1,099 | 0 | 15 |
| Landi Renzo Ro Srl. | 960 | 8 | 0 | 0 | 11 | 0 | 0 | 44 | 0 | -1,945 | 0 | 0 | 0 | 1,417 | 0 | 645 |
| Landi Renzo Usa Corp. | 19 | 80 | 0 | 0 | 0 | 0 | 0 | 70 | 0 | -1,213 | 0 | 0 | 0 | 2,366 | 0 | 84 |
| AEB America | 1,300 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,630 | 0 | 242 |
| Lovato do Brasil Ind Com | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 10 |
| Officine Lovato Private Ltd | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 677 | 0 | 0 |
| Metatron S.p.A. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 12 |
| **Total subsidiaries** | **12,220** | **173** | **14** | **0** | **1,590** | **0** | **0** | **126** | **0** | **-4,319** | **0** | **318** | **0** | **18,697** | **0** | **3,028** |
| **Overall total** | **13,778** | **700** | **-25** | **0** | **1,938** | **1,507** | **0** | **126** | **0** | **-1,749** | **523** | **918** | **0** | **21,516** | **0** | **4,280** |

## 49. NON-RECURRING SIGNIFICANT EVENTS AND TRANSACTIONS

Pursuant to Consob communication no. 6064293 of 28 July 2006, it is stated that during 2021 no non-recurring significant events or transactions took place aside from the transactions described above.

## 50. POSITIONS OR TRANSACTIONS DERIVING FROM ATYPICAL AND/OR UNUSUAL TRANSACTIONS

Pursuant to Consob communication no. 6064293 of 28 July 2006, note that, during 2021, no atypical and/or unusual transactions occurred outside the normal operation of the company that could give rise to doubts regarding the correctness and completeness of the information in the financial statements, conflicts of interest, protection of company assets, safeguarding of minority shareholders.

## 51. ADOPTION OF SIMPLIFICATION OF DISCLOSURE OBLIGATIONS IN CONFORMITY WITH CONSOB RESOLUTION NO. 18079 of 20 JANUARY 2012

Under Article 3 of Consob Resolution no. 18079 of 20 January 2012, Landi Renzo S.p.A. decided to adopt the opt-out system envisaged by Articles 70, paragraph 8, and 71, paragraph 1-*bis*, of Consob Regulation no. 11971/99 (as amended). It is therefore able to opt out from the disclosure of the information documents listed in Annex 3B to the Consob Regulation, on occasion of significant mergers, demergers, increases in capital through contribution of goods in kind, acquisitions and disposals.

## 52. SIGNIFICANT EVENTS OCCURRING AFTER THE CLOSE OF THE FINANCIAL YEAR

Please refer to the analysis provided in the Directors' Report.

### LIST OF EQUITY INVESTMENTS IN SUBSIDIARIES AT 31/12/2021

| Company Name | Registered Office | Currency | Fully paid-up share capital | Amount of the equity in Euro | Result for the year in Euro | Direct stake | Indirect stake | Carrying amount in Euro | Notes |
|---|---|---|---|---|---|---|---|---|---|
| LR Indústria e Comércio Ltda | Espirito Santo (Brazil) | BRL | 4,320,000 | -1,081,424 | -951,774 | 99.99% | | 310,971 | |
| Landi International B.V. | Utrecht (The Netherlands) | EUR | 18,151 | 9,236,922 | 772,189 | 100% | | 17,972 | |
| Beijing Landi Renzo Autogas System Co. Ltd | Beijing (China) | USD | 2,600,000 | 3,580,039 | 29,150 | 100% | | 2,057,305 | |
| Landi Renzo Polska Sp.Zo.O. | Warsaw (Poland) | PLN | 50,000 | 9,456,097 | 976,952 | | 100% (1) | 0 | (1) |
| L.R. Pak (Pvt) Limited | Karachi (Pakistan) | PKR | 75,000,000 | -1,659,516 | -325,415 | 70% | | 1 | |
| Landi Renzo Pars Private Joint Stock Company | Tehran (Iran) | IRR | 210,849,300,000 | 774,039 | 45,847 | 99.99% | | 1,263,072 | |
| Landi Renzo RO S.r.l. | Bucharest (Romania) | RON | 20,890 | -2,839,405 | -2,688,610 | 100% | | 5,000 | |
| Landi Renzo USA Corporation | Wilmington - DE (USA) | USD | 3,067,131 | -13,469,868 | 759,237 | 100% | | 1 | |
| AEB America S.r.l. | Buenos Aires (Argentina) | ARS | 2,030,220 | 209,344 | -130,747 | 96% | | 534,878 | |
| Landi Renzo VE C.A. | Caracas (Venezuela) | VEF | 2,035,220 | 0 | 0 | 100% | | 0 | (2) |
| Lovato do Brasil Ind Com | Curitiba (Brazil) | BRL | 100,000 | 0 | 0 | 100% | | 1 | (2) |
| Officine Lovato Private Ltd | Mumbai (India) | INR | 19,422,775 | -312,281 | -16,473 | 74% | | 1 | |
| OOO Landi Renzo RUS | Moscow (Russia) | RUB | 4,590,000 | 73,679 | -31,154 | 51% | | 54,444 | |
| Metatron S.p.A. | Castel Maggiore (Italy) | EUR | 3,000,000 | -323,054 | 6,572,060 | 49% | | 27,106,116 | |
| SAFE&CEC srl | San Giovanni in Persiceto (BO) ITALY | EUR | 2,510,000 | 38,194,813 | 3,360,510 | 51.00% | | 24,225,000 | |

(1) held by Landi International B.V.
(2) Not consolidated as a result of their irrelevance

In compliance with the express provisions of the Consob Issuer Regulations - Article 149 *duodecies* - payments, stated in the Company's 2021 Income Statement, made for services rendered by the auditing firm, and by entities belonging to its network, to the companies belonging to the Company are listed below.

| Type of Services | Subject who provided the service | Remuneration 2021 |
|---|---|---|
| Auditing | PricewaterhouseCoopers S.p.A. | 184 |
| Other services | PricewaterhouseCoopers S.p.A. and companies belonging to the PWC network | 51 |

## RELATIONS WITH COMPANY DIRECTORS, AUDITORS AND MANAGERS WITH STRATEGIC RESPONSIBILITIES

Pursuant to Consob resolution no. 11971/99 (Issuer Regulations), remuneration paid or at least allocated to the members of Board of Directors and the Board of Auditors in 2021, and the equity investments held by them in the year are shown in the table attached to the "Report on Remuneration", which will be provided to the shareholders' meeting called to approve the Financial Statements at 31 December 2021.

## PROPOSAL FOR APPROVAL OF THE FINANCIAL STATEMENTS AND ALLOCATION OF THE RESULT FOR THE YEAR

Dear Shareholders

Concluding our report we propose:

- the approval of the Financial Statement at 31 December 2021;
- to propose to the Shareholders' Meeting that they approve the plan to cover Landi Renzo S.p.A.'s losses for the year, totalling Euro 9,130,903.21, by using the full the share premium reserve.

Cavriago (Reggio Emilia), 15 March 2022

**For the Board of Directors**

**The Chairman**
**Stefano Landi**

## Annex 1

Consolidated Income Statement at 31 December 2021, prepared in application of the requirements of Consob resolution 15519 of 27/06/2006 and Consob Communication no. DEM/6064293 of 28/07/2006.

(Euro)

| INCOME STATEMENT | | 31/12/2021 | of which transactions with related parties | Weight % | 31/12/2020 | of which transactions with related parties | Weight % |
|---|---|---|---|---|---|---|---|
| Revenues from sales and services | 32 | 131,455,029 | 13,777,577 | 10.5% | 112,715,718 | 8,900,964 | 7.9% |
| Other revenues and income | 33 | 1,284,814 | 700,470 | 54.5% | 65,469 | | |
| Cost of raw materials, consumables and goods and change in inventories | 34 | -79,199,597 | -1,938,469 | 2.4% | -63,678,540 | -1,610,263 | 2.5% |
| Costs for services and use of third-party assets | 35 | -27,612,589 | -1,632,403 | 5.9% | -24,327,983 | -1,851,877 | 7.6% |
| Personnel costs | 36 | -18,020,224 | | | -17,265,392 | | |
| Allocations, write-downs and other operating expenses | 37 | -2,317,702 | | | -1,395,425 | | |
| **Gross operating profit** | | **5,589,731** | | | **6,113,847** | | |
| Amortisation, depreciation and impairment | 38 | -11,709,611 | | | -11,055,423 | | |
| **Net operating profit** | | **-6,119,880** | | | **-4,941,576** | | |
| Financial income | 39 | 104,623 | -24,625 | -23.5% | 180,802 | 101,375 | 56.1% |
| Financial expenses | 40 | -3,173,620 | | | -3,078,318 | 0 | 0.0% |
| Exchange gains (losses) | 41 | 981,504 | | | -1,003,701 | | |
| Income (expenses) from equity investments | 42 | -1,748,965 | -1,748,965 | 100.0% | -902,025 | -902,025 | 100.0% |
| Profit (loss) attributable to equity investments measured using the equity method | 43 | 523,190 | 523,190 | 100.0% | -11,418 | -11,418 | 100.0% |
| **Profit (loss) before tax** | | **-9,433,148** | | | **-9,756,236** | | |
| Taxes | 44 | 302,245 | | | 3,472,611 | | |
| **Profit (loss) for the year** | | **-9,130,903** | | | **-6,283,625** | | |

## Annex 2

Statement of Financial Position at 31 December 2021, prepared in application of the requirements of Consob resolution 15519 of 27/06/2006 and Consob Communication no. DEM/6064293 of 28/07/2006.

(Euro)

| ASSETS | Notes | 31/12/2021 | of which transactions with related parties | Weight % | 31/12/2020 | of which transactions with related parties | Weight % |
|---|---|---|---|---|---|---|---|
| **Non-current assets** | | | | | | | |
| Land, property, plant, machinery and other equipment | 2 | 9,692,899 | | | 11,471,406 | | |
| Development costs | 3 | 8,869,349 | | | 9,505,902 | | |
| Goodwill | 4 | 30,094,311 | | | 30,094,311 | | |
| Other intangible assets with finite useful lives | 5 | 8,639,914 | | | 10,178,763 | | |
| Right-of-use assets | 6 | 2,481,532 | | | 4,337,517 | | |
| Equity investments in subsidiaries | 7 | 55,574,764 | | | 4,189,204 | | |
| Equity investments in associates and joint ventures | 8 | 2,028,140 | | | 22,606,421 | | |
| Other non-current financial assets | 9 | 925,874 | 917,500 | 99.1% | 910,874 | 887,500 | 97.4% |
| Other non-current assets | 10 | 2,280,000 | | | 2,850,000 | | |
| Deferred tax assets | 11 | 11,452,050 | | | 11,232,648 | | |
| **Total non-current assets** | | **132,038,833** | | | **107,377,046** | | |
| | | | | | | | |
| **Current assets** | | | | | | | |
| Trade receivables | 12 | 27,768,652 | 2,819,405 | 10.2% | 27,248,343 | 2,865,179 | 10.5% |
| Receivables from subsidiaries | 13 | 18,696,904 | 18,696,904 | 100.0% | 16,368,490 | 16,368,490 | 100.0% |
| Inventories | 14 | 34,492,838 | | | 31,734,786 | | |
| Other receivables and current assets | 15 | 5,004,287 | | | 5,081,607 | 482,926 | 9.5% |
| Other current financial assets | 16 | 0 | | | 2,800,892 | 2,800,892 | 100.0% |
| Cash and cash equivalents | 17 | 7,055,840 | | | 10,626,485 | | |
| **Total current assets** | | **93,018,521** | | | **93,860,603** | | |
| | | | | | | | |
| **TOTAL ASSETS** | | **225,057,354** | | | **201,237,649** | | |

| SHAREHOLDERS' EQUITY AND LIABILITIES | Notes | 31/12/2021 | of which transactions with related parties | Weight % | 31/12/2021 | of which transactions with related parties | Weight % |
|---|---|---|---|---|---|---|---|
| **Shareholders' equity** | | | | | | | |
| Share capital | 18 | 11,250,000 | | | 11,250,000 | | |
| Other reserves | 18 | 40,637,158 | | | 46,408,791 | | |
| Profit (loss) for the period | 18 | -9,130,903 | | | -6,283,625 | | |
| **TOTAL SHAREHOLDERS' EQUITY** | | **42,756,255** | | | **51,375,166** | | |
| | | | | | | | |
| **Non-current liabilities** | | | | | | | |
| Non-current bank loans | 19 | 0 | | | 64,790,359 | | |
| Other non-current financial liabilities | 20 | 360,000 | | | 0 | | |
| Non-current liabilities for rights of use | 21 | 1,372,967 | | | 2,702,205 | | |
| Provisions for risks and charges | 22 | 5,760,190 | | | 2,176,989 | | |
| Defined benefit plans for employees | 23 | 1,298,127 | | | 1,541,413 | | |
| Liabilities for derivative financial instruments | 24 | 96,386 | | | 457,514 | | |
| **Total non-current liabilities** | | **8,887,670** | | | **71,668,480** | | |
| | | | | | | | |
| **Current liabilities** | | | | | | | |
| Bank financing and short-term loans | 25 | 91,847,372 | | | 22,770,692 | | |
| Other current financial liabilities | 26 | 0 | | | 209,684 | | |
| Current liabilities for rights of use | 27 | 1,222,008 | | | 1,770,414 | | |
| Trade payables | 28 | 47,022,574 | 1,252,136 | 2.7% | 45,031,759 | 1,049,218 | 2.3% |
| Payables to subsidiaries | 29 | 3,028,357 | 3,028,357 | 100.0% | 2,132,747 | 2,132,747 | 100.0% |
| Tax liabilities | 30 | 886,760 | | | 2,332,550 | | |
| Other current liabilities | 31 | 29,406,358 | | | 3,946,157 | | |
| **Total current liabilities** | | **173,413,429** | | | **78,194,003** | | |
| | | | | | | | |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | | **225,057,354** | | | **201,237,649** | | |

LANDIRENZO

**Certification on the separate financial statements pursuant to art. 154-bis of Legislative Decree 58/98**

The undersigned Cristiano Musi, Chief Executive Officer, and Paolo Cilloni, Officer in charge of preparing the corporate financial statements, of Landi Renzo S.p.A., state, having regard also to the provisions of art. 154-bis, paragraphs 3 and 4, of legislative decree No. 58 dated 24 February 1998:

- the adequacy in relation to the relative corporate characteristics, and
- the effective application of the administrative and accounting procedures for the preparation of the separate financial statements during the course of 2021.

In addition, the undersigned state:

- that the separate financial statements at 31 December 2021:
    a) have been prepared in accordance with the international accounting standards acknowledged by the European Community pursuant to regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
    b) correspond to the results in the accounting books and records;
    c) are suitable to give a true and correct representation of the assets, liabilities, economic and financial position of the issuer.
- The report on operating performance includes a reliable analysis on trends and performance, on Company's financial situation together with a description of the main risks and uncertainties which are exposed.

Cavriago, 15 March 2022

| CEO | The Officer in Charge of preparing the corporate financial statements |
|---|---|
| Cristiano Musi | Paolo Cilloni |

pwc

# *Independent Auditor's Report*

*in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014*

To the Shareholders of
Landi Renzo SpA

## *Report on the Audit of the Financial Statements*

### *Opinion*

We have audited the financial statements of Landi Renzo SpA (hereinafter also the "Company"), which comprise the statement of financial position as of 31 December 2021, the income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Landi Renzo SpA as of 31 December 2021 and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISA Italia).
Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of Landi Renzo SpA pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*PricewaterhouseCoopers SpA*

Sede legale: **Milano** 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785240 Capitale Sociale Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 071 2132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 080 5640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035 229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 051 6186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 030 3697501 - **Catania** 95129 Corso Italia 302 Tel. 095 7532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 055 2482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 010 29041 - **Napoli** 80121 Via dei Mille 16 Tel. 081 36181 - **Padova** 35138 Via Vicenza 4 Tel. 049 873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091 349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521 275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 085 4545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06 570251 - **Torino** 10122 Corso Palestro 10 Tel. 011 556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461 237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422 696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 040 3480781 - **Udine** 33100 Via Poscolle 43 Tel. 0432 25789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332 285039 - **Verona** 37135 Via Francia 21/C Tel. 045 8263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444 393311

**www.pwc.com/it**

*E-MARKET SDIR CERTIFIED*

pwc

## *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| *Key Audit Matters* | *Auditing procedures performed in response to key audit matters* |
|---|---|
| ***Recoverability of goodwill***<br><br>*See note 4 "Goodwill" and the paragraph "Accounting standards and valuation criteria" of the explanatory notes.*<br><br>As at 31 December 2020 the book values of goodwill recognised in the financial statements amounted to Euro 30.1 million and did not change during fiscal year 2021. The aforementioned goodwill is attributable in full to the "Green Transportation" CGU (formerly "Automotive" CGU).<br>The Company is required to verify, at least annually, the recoverability of goodwill recognised in the financial statements.<br>This was considered a key audit matter for the purpose of the statutory audit of the financial statements in consideration of the significant impact of this caption on the statement of financial position of Landi Renzo SpA, in consideration of the economic-financial forecasts 2022-2025 as well as due to the current context of market uncertainty.<br>The valuation models underlying the determination of the recoverable amounts (value in use) of the cash generating Unit (hereinafter also "CGU") including the goodwill have been prepared with the support of an external advisor and are based on complex evaluations and estimates of management, having as a reference the above-mentioned economic-financial forecasts.<br>In particular, the valuation models of the recoverable amounts of the CGU including the goodwill and the assumptions included in those models are influenced by future market conditions, | Our audit approach preliminarily consisted of understanding and evaluating the methods and procedures defined by the Company to determine the recoverable amounts of the CGU including the goodwill, as approved by the Board of Directors on 15 March 2022, in compliance with IAS 36 as adopted by the European Union.<br>In particular, we verified the reasonableness of the methods adopted and of the main assumptions reflected in the valuation model (discounted cash flow method), prepared by the Company with the support of an external advisor, also involving PwC network valuation experts. In particular, we verified the reasonableness of the discount rate and perpetuity growth rate in relation to the valuation practices usually adopted by companies belonging to the industry in which Landi Renzo SpA operates.<br>We also verified that the cash flows included in the valuation models were consistent with those included in the before-mentioned economic-financial forecasts.<br>Considering that forecast cash flows are a particularly significant parameter for the determination of the recoverable amounts of the CGU including the goodwill as they depend on future and uncertain events, we analysed the reasonableness of the estimated |

| | |
|---|---|
| as regards the expected cash flows, the perpetuity growth rate and the discount rate. | future cash flows through interviews with Company's management, with the external advisor engaged by the directors of Landi Renzo SpA and through the involvement of experts in the *Automotive* segment of PwC network, who supported us in the critical analysis of the reasonableness of the economic-financial forecasts. Furthermore, we verified the mathematical accuracy of the valuation models prepared by the Company. Finally, we verified the disclosures provided by the Company in the financial statements about the method adopted to determine the recoverable amounts of the CGU including the goodwill, the results of the valuations performed and with reference to the *"sensitivity analysis"* performed by the Company. |

***Recoverability of deferred tax assets***

*See note 11 "Deferred tax assets" and the paragraph "Accounting standards and valuation criteria" of the explanatory notes.*

| | |
|---|---|
| Deferred tax assets recognised in the financial statements as of 31 December 2021 amounted to Euro 12.9 million, partially offset by deferred tax liabilities equal to Euro 1.5 million, giving a net deferred tax asset equal to Euro 11.4 million. Deferred tax assets relate for Euro 3.7 million to temporary differences between the book values of assets and liabilities recognised in the financial statements and their tax values and for Euro 9.2 million to prior tax losses. The recoverability of deferred tax assets were considered a key audit matter for the purpose of the statutory audit of the financial statements in consideration of the significant impact of this caption on the statement of the financial position and on the income statement of Landi Renzo SpA, as well as due to the complexity of the evaluation of the recoverability of these receivables which is closely related to the | Our audit procedures preliminarily included understanding and evaluating the procedures adopted by the Company to verify the recoverability of deferred tax assets. We carried out an in-depth analysis of deferred tax assets as their recoverability is closely related to the existence of future taxable income and, therefore, to the achievement of the prospective results included in the mentioned economic-financial forecasts. We obtained the analysis performed by the Company on the recoverability of deferred tax assets closely related to the existence of future taxable income of the companies included in the tax consolidation scheme of the Landi Renzo Group for the period 2022-2025, which are based on the net results included in |

| | |
|---|---|
| achievability of the economic-financial forecasts, taking into account the current context of market uncertainty. | the above-mentioned economic-financial forecasts.<br>We verified the reasonableness of the net results included in the above-mentioned forecasts through interviews with Company's management and through the involvement of PwC network experts in the *Automotive* segment, who supported us in the critical analysis of the reasonableness of the expectations included in the Company's forecasts.<br>Finally, we verified the disclosures provided by the Company in the financial statements about the elements supporting the recoverability of deferred tax assets. |
| ***Accounting treatment and evaluation of investment in SAFE&CEC Srl***<br><br>*See notes 7 "Equity investments in subsidiaries", 42 "Income (expenses) from equity investments" and 43 "Income (expenses) from joint ventures measured using the equity method" of the explanatory notes.*<br><br>At December 31, 2021, the "Equity investments in subsidiaries" includes Euro 24.2 million related to the investment held in SAFE&CEC Srl.<br>At December 31, 2020, the carrying amount of the investment in the company SAFE&CEC Srl, equal to Euro 21.8 million, was classified under "Equity investments in associates and joint ventures".<br>During the month of April 2021, Landi Renzo SpA and Clean Energy Fuels Corporation entered into an agreement to amend the pre-existing shareholders' agreement of the investee company SAFE&CEC Srl, as approved by the Board of Directors of Landi Renzo SpA on 12 April 2021.<br>The shares of the two shareholders have remained unchanged: 51% hold by Landi Renzo SpA and 49% hold by Clean Energy Fuels Corp.<br>Following an analysis carried out by the Company, performed with the support of external advisor expert in accounting matters, and their own | <br><br><br><br><br><br>The audit approach preliminarily consisted of understanding of the analysis carried out by the Company about the recognition of the investment in SAFE&CEC Srl as a subsidiary company pursuant to IFRS 10 through the critical analysis of the accounting opinion prepared by the external advisor expert in accounting matters and the legal opinion prepared by the lawyers engaged by Landi Renzo SpA, and through the involvement of of expert in interpretation and application of the international accounting principles of PwC network.<br>We also verified the reasonableness of the methods adopted and of the main assumptions reflected in the impairment test evaluation model (method of discounting cash flows) prepared by the directors of SAFE&CEC Srl with the support of external |

lawyers, the directors concluded that the change in the shareholders' agreement provided to Landi Renzo SpA more decision-making rights, permitting it to exercise control over SAFE&CEC Srl. Consequently, the directors have adopted the following accounting treatment in the separate financial statement:

i) The value of the above-mentioned equity investment was measured with the equity method until the date of acquisition of control, recording a negative change of Euro 196 thousand compared with the previous year, of which negative Euro 666 thousand attributed to the income statement under the "Income (expenses) from joint ventures measured using the equity method", related to the Group's share of the loss for the period, and a positive Euro 470 thousand attributed to the statement of comprehensive income.

ii) At the date of the acquisition of control, the value of the equity investment was restored to the value of the initial acquisition cost to Euro 24,225 thousand. This transaction generated a revaluation of the equity investment of Euro 2,654 thousand, of which Euro 2,569 thousand attributed to the income statement under the "Income (expenses) from equity investments" and Euro 84 thousand attributed to the statement of comprehensive income.

iii) The value of the equity investment in SAFE&CEC Srl, as well as previously determined, was reclassified under the "equity investments in subsidiaries" pursuant to IFRS 10.

In this context, the Company has verified for the possible presence of impairment indicators that could give rise to doubts about the recoverability of the value of the investment.

This aspect was considered of particular relevance for the statutory audit of the financial statements in consideration of the significant impact of the item on the statement of financial position and on the income statement of the Landi Renzo SpA, also advisor, also involving PwC network valuation experts. In particular, we verified the reasonableness of the discount rate and the perpetual growth rate with respect to the valuation practices usually adopted for companies belonging to the industry in which SAFE&CEC Srl operates. We also verified that the cash flows included in the valuation model were consistent with those included in the forecasts approved by the directors.

Considering that the forecast cash flows are a particularly significant parameter for the determination of the recoverable amount as it depends on to future and uncertain events, we analysed the reasonableness of the estimated future cash flows through interviews with the management of Landi Renzo SpA, of SAFE&CEC Srl, and with the external advisor engaged by the directors of SAFE&CEC Srl, also through the involvement of PwC network experts of the *Automotive* segment, who supported us in the critical analysis about the reasonableness of the forecasts included in the forecasts.

Finally, we verified the disclosures provided by the Company in the financial statements about the analysis carried out to identify the impairment indicators, if any, about the assumptions of the recognition of the investment in SAFE&CEC Srl as a subsidiary company and related accounting treatment.

considering the complexity of the aforementioned accounting treatment and related analysis.

In this context, the directors of Landi Renzo SpA have requested and obtained the following documentation prepared by the management of SAFE&CEC Srl, for the purpose of evaluating the carrying value of the equity investment held in SAFE&CEC Srl and for the analysis of any presence of impairment indicators: (i) the consolidated financial information of SAFE&CEC Srl as at 31 December 2021 and (ii) impairment test on the goodwill recorded in the special purpose consolidated information for SAFE&CEC Srl at 31 December 2021, prepared with the support of an external advisor. Following the aforementioned analysis, no impairment indicators were identified with reference to the book value of the SAFE&CEC Srl equity investment.

***Financial Covenants as at 31 december 2021***

*See notes 25 "Bank financing and short-term loans" and "General criteria for preparation of the separate financial statements and declaration of conformity – Going concern".*

The current portion of loans and financing at 31 December 2021 is equal to approximately Euro 75,4 million, increased compared with the previous year by approximately Euro 60.2 million, of which approximately Euro 59 million due to the reclassification of all remaining debt for medium/long-term loans as at 31 December 2021 to bank financing and short-term loans.
The directors considered appropriate this presentation in the financial statements as, with reference to the failure to comply with the "financial covenants" in place on the main loans at 31 December 2021, the financial institutions issued "waiver letters" after the end of the current financial year.
The above-mentioned "waiver letters" are subject to the finalisation of the share capital increase of the parent company Landi Renzo S.p.A. to be carried out

The audit procedures carried out included an understanding of the process adopted by the Company in preparing the Group's economic-financial forecasts 2022- 2025, which provides a share capital increase transaction of Euro 60 million, and in the estimate of the forecasted cash flows.
In particular, we analysed the prospetive cash flows for the year 2022 and the basis of the main assumptions underlying them, through interviews with the Company's management, through the involvement of experts in the *Automotive* segment of the PwC network, who supported us in the critical analysis of the reasonableness of the above-mentioned economic-financial forecasts.

by the end of the first half of 2022 for an amount of at least Euro 25,4 million.
In this context the directors have provided a dedicated disclosure in the explanatory notes on the expected share capital increase transaction, which they consider highly probable, although the uncertainty to the timing of its execution and completion; the effects of this planned transaction were included in the economic-financial forecasts 2022-2025 of Landi Renzo Group approved by the Board of Directors on 15 March 2022. Consequently, the directors have prepared the separate financial statements on the basis of the going concern assumption.
Taking into account what is described above, we considered the analysis of the going concern assumption, the related subsequent events of the financial year and the forecast cash flows as a key audit matter of the audit activities.

We also analysed the events that occurred after the reporting date of the separate financial statements that provide information useful for the assessment of the financial situation of the Company and of the Group. In particular, we have verified and obtained audit evidence in relation to the followings:

- "waiver letters" issued by the financial institutions and the situation of bank lines of credit performed using data and information obtained from bank confirmation procedures;
- grant of shareholder loan bearing interest at an annual rate of 1% amounting to Euro 18.1 million, issued by the controlling shareholder Girefin SpA to Landi Renzo SpA; this loan was used by the Company for the payment of part of the total amount accrued for the acquisition of Metatron SpA;
- Signing of a new loan agreement between Landi Renzo SpA and Invitalia SpA (*Agenzia Nazionale per l'Attrazione degli Investimenti e lo Sviluppo di Impresa SpA*) for an amount of Euro 19.5 million;
- With reference to the expected share capital increase transaction, the signing on 15 March 2022 of a non-binding agreement between the controlling shareholders of Landi Renzo SpA and a third party, finalised to a minority transaction in the share capital of Landi Renzo SpA, through a share capital increase of up to Euro 60 million, of which Euro 50 million guaranteed by the signatories of the agreement, assuming the completion of the transaction, as reported in the press releases that the aforementioned parties issued respectively on that date in order to provide adequate disclosure to the market.

We verified the completeness and appropriateness of the disclosures provided in the financial statements about the going concern, the events occurred after the year end

| | |
|---|---|
| | of 31 December 2021, and the correct classification of bank financing and short-term loans. |

### *Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements*

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

***Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014***

On 29 April 2016, the shareholders of Landi Renzo SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2016 to 31 December 2024.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

## *Report on Compliance with other Laws and Regulations*

***Opinion on compliance with the provisions of Commission Delegated Regulation (EU) 2019/815***

The directors of Landi Renzo SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the "Commission Delegated Regulation") to the financial statements, to be included in the annual report.

We have performed the procedures specified in auditing standard (SA Italia) No. 700B in order to express an opinion on the compliance of the financial statements with the provisions of the Commission Delegated Regulation.

In our opinion, the financial statements have been prepared in XHTML format in compliance with the provisions of the Commission Delegated Regulation.

***Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/1998***

The directors of Landi Renzo SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Company as of 31 December 2021, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/1998, with the financial statements of Landi Renzo SpA as of

31 December 2021 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Landi Renzo SpA as of 31 December 2021 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Parma, 30 March 2022

PricewaterhouseCoopers SpA

*Signed by*

Nicola Madureri
(Partner)

*This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.*

**REPORT OF THE BOARD OF STATUTORY AUDITORS**
**TO THE SHAREHOLDERS' MEETING**
**OF LANDI RENZO S.p.A.**
**PURSUANT TO ARTICLE 153, ITALIAN LEGISLATIVE DECREE 58/1998**

Dear Shareholders,

The Board of Statutory Auditors of Landi Renzo S.p.A (hereinafter also "the Company"), pursuant to Article 153 of Italian Legislative Decree 58/1998 (hereinafter the "TUF"), is called on to report to the Shareholders' Meeting, convened to approve the Financial Statements at 31 December 2021, on the results for the year, the supervisory activities carried out in the performance of its duties, on any omissions or matters to report, and also to make observations and proposals concerning the financial statements, their approval and other matters in its remit.
The Board of Statutory Auditors carried out the supervisory duties under Article 149 of the TUF, as well as the duties under Article 19 of Italian Legislative Decree 39/2010 as amended by Italian Legislative Decree 135/2016, in its capacity as Internal Control and Audit Committee, also considering the Rules of Conduct for Boards of Statutory Auditors of listed companies issued by Italy's National Association of Accounting Professionals (CNDCEC). Furthermore, it carried out supervisory activities, observing the principles and notices issued by Consob on corporate controls and on the activities of boards of statutory auditors.
This Report has been prepared in compliance with indications from Consob in Communication DEM/1025564 of 6 April 2001 as amended, and with regulation Q.7.1. of the Rules of Conduct for Boards of Statutory Auditors of listed companies issued by Italy's National Association of Accounting Professionals.
In accordance with Italian Legislative Decrees 58/1998 and 39/2010, statutory auditing has been assigned to PricewaterhouseCoopers S.p.A. (hereinafter "PWC" or "the Independent Auditors"), as resolved by the Shareholders' Meeting of 29 April 2016 for the duration of nine years (from 31 December 2016 through to 31 December 2024).

1. *Administrative body - Appointment, term of office and modus operandi*

The Board of Directors in office at the date of this Report was appointed by the Shareholders' Meeting of Landi Renzo S.p.A of 29 April 2019 (director Dario Melpignano

was appointed by the Shareholders' Meeting of 29 April 2021) for three financial years and up to approval of the financial statements for the year ending 31 December 2021. Therefore, with the approval of the financial statements for the year 2021 the Shareholders' Meeting will be asked to decide on the appointment of the new administrative body.
On 29 April 2019, the Board of Directors, in the first meeting following its appointment, gave a positive evaluation of the independence of the board directors Sara Fornasiero, Vincenzo Russi and Anton Karl, with reference to Article 148, paragraph 3 of the TUF, as referred to in Article 147-*ter,* paragraph 4 of the TUF, and Article 3 of the Corporate Governance Code for listed companies (hereinafter the "Corporate Governance Code").
Subsequently, in the meeting of 13 March 2020, the Board of Directors confirmed that the above directors met the requirements for independence.
On 13 November 2020, after director Dario Patrizio Melpignano was co-opted, the Board of Directors verified that the above-mentioned Director met the requirements for independence.
During its meeting on 15 March 2021, the Board of Directors therefore confirmed that directors Sara Fornasiero, Vincenzo Russi and Dario Patrizio Melpignano met the requirements for independence. At that time, the Board of Statutory Auditors verified the proper application of the qualitative and quantitative criteria to be used to evaluate the significance of relevant circumstances pursuant to the Corporate Governance Code in order to evaluate the independence of the directors, as required by Recommendation no. 7 of that Code, identified by the Board of Directors at its meeting held on 15 March 2021.
The Board of Statutory Auditors also acknowledged the mainly positive outcomes of the self-appraisal process undertaken by the Board of Directors in the meeting of 29 March 2022, regarding the dimension, composition and modus operandi of the Board of Directors and its committees.

2. *Board of Statutory Auditors - Appointment, term of office and modus operandi*

The Board of Statutory Auditors in office at the date of this Report was appointed by the Shareholders' Meeting of Landi Renzo S.p.A of 29 April 2019 for three financial years and up to approval of the financial statements for the year ending 31 December 2021. Therefore, with the approval of the financial statements for the year 2021 the Shareholders' Meeting will be asked to decide on the appointment of the new Board of Statutory Auditors.
On 29 April 2019, the Board of Statutory Auditors verified that its members were still eligible for their office pursuant to Article 148 of the TUF and regulation Q.1.1. of the Rules of Conduct for Boards of Statutory Auditors of listed companies issued by CNDCEC, and

also still met requirements for independence pursuant to application criterion 8.C.1 of the Corporate Governance Code, preparing – based on the CNDCEC document of May 2019, "Self-appraisal of boards of statutory auditors" – the "Document" and the "Self-appraisal Report" referred to herein.

Subsequently, on 12 March 2020, 12 March 2021 and 15 March 2022, it confirmed that the above requirements had been met, also pursuant to Recommendation no. 7 of the Corporate Governance Code; on these occasions, the Board of Statutory Auditors also assessed that in overall terms it was adequate for its position held, in terms of its composition, as well as its expertise, professionalism, experience, the gender and age of members, and reported the findings of the self-appraisal processes to the Board of Directors for all necessary requirements.

To carry out its duties, the current Board of Statutory Auditors met 15 (fifteen) times during 2021, in the great majority of the cases through conference calls and video conferences as a result of the continuation of the Covid-19 pandemic, as well as informally during various other occasions to discuss and further examine specific matters, review significant documents, define the agenda of its meetings and prepare minutes and notices. Moreover, the Chairman of the Board of Statutory Auditors and/or at least another member took part in the meetings of the Control and Risks Committee, the Committee for Transactions with Related Parties and the Remuneration Committee, and in the meetings of the Independent Directors.

3. *Compliance with the Corporate Governance Code*

As the Company adopted the Corporate Governance Code on 15 March 2021, the Board of Statutory Auditors monitored the correct adoption of the corporate governance rules set out in the Corporate Governance Code and observed said rules in carrying out its duties.

The Board of Statutory Auditors acknowledged that the Control and Risks Committee, the Remuneration Committee and the Board of Directors, on 29 March 2022, had reviewed the letter sent by the Chairman of the Committee for Corporate Governance on 3 December 2021 and the recommendations set forth therein.

*4. Supervision and control activities*

As part of duties and with reference to activities in its remit, during the year in question, the Board of Statutory Auditors declares that:

- it took part in the Shareholders' Meeting of 29 April 2021 which, inter alia, approved the financial statements at 31 December 2020;pursuant to Article 106, paragraph 4 of Decree Law no. 18 of 17 March 2020, participation in the above-mentioned shareholders' meeting was permitted exclusively through the Company's appointed representative;

- it took part in the 9 (nine) meetings of the Board of Directors held during 2021, and was given adequate information by board directors on the general performance of operations and the foreseeable outlook, as well as on transactions considered to be material because of their size and characteristics, undertaken by the Company and its subsidiaries;
- it acquired the knowledge necessary to carry out its activities to verify compliance with law, the articles of association, the principles of proper administration and adequacy of the organisational structure of the Company, through obtaining and reviewing significant documents, interviews with the heads of various company functions and the periodic exchange of information with the Independent Auditors;
- it took part, as already stated, through the Chairman or at least another member, in the meetings of the Control and Risks Committee, the Committee for Transactions with Related Parties and the Remuneration Committee, and in the meetings of the Independent Directors;
- it met the Supervisory Body, also during meetings of the Control and Risks Committee;
- it monitored the functioning and efficiency of internal control systems and the adequacy of the administrative and accounting system, in particular in terms of the system's reliability to represent operations;
- it obtained adequate information from directors, at least every quarter, pursuant to Article 150, paragraph 1 of the TUF, on activities carried out and on operations of greater economic and financial significance undertaken by the Company and its subsidiaries;
- it exchanged with managers of the Independent Auditors data and information significant for carrying out respective duties pursuant to Article 150, paragraph 3 of the TUF, reviewing where necessary the results of the work of the Independent Auditors and obtaining Audit Reports prepared pursuant to Article 14 of Italian Legislative Decree 39/2010 and Article 10 of Regulation (EU) No 537/2014;
- it exchanged information on administration and control systems and on the general performance of operations with the Board of Statutory Auditors of Italian investee companies, pursuant to Article 151, paragraphs 1 and 2 of the TUF and requested information on the most significant events concerning the Group's main foreign investee companies from the Chief Executive Officer, the Internal Audit department and the Independent Auditors;

- it examined (as further explained below) the contents of the additional Report for the Board of Statutory Auditors in its function as Internal Control and Audit Committee prepared by the Independent Auditors pursuant to Article 11 of Regulation (EU) 537/2014, based on which it had no findings to be indicated herein;
- it monitored the functioning of the control system for Group companies and the adequacy of instructions given to them, also pursuant to Article 114, paragraph 2 of the TUF;
- it acknowledged the preparation of the Remuneration Report pursuant to Article 123-*ter* of the TUF and Article 84-quater of the Issuers' Regulation;
- it established the conformity of the articles of association to legal and regulatory provisions;
- it assessed the conformity of the internal procedure on Related-Party Transactions to the principles indicated in the Regulation approved by Consob in resolution no. 17221 of 12 March 2010 as amended, and its compliance, pursuant to Article 4, paragraph 6 with the aforesaid Regulation, participating, as stated, in periodic meetings of the Committee for Transactions with Related Parties, called on to review such transactions;
- it monitored the company's corporate reporting process, for directors' compliance with procedural regulations on the preparation, approval and publication of the financial statements and consolidated financial statements;
- it established the adequacy of the method of impairment testing carried out by competent company functions, assisted by a specialist consultant, and approved by the Board of Directors in order to verify any impairment of assets recognised in the financial statements;
- it established that the 2021 Directors' Report on Operations complied with applicable regulations, and was consistent with the resolutions adopted by the Board of Directors and with facts presented in the financial statements and in the consolidated financial statements;
- it acknowledged the content of the Consolidated Interim Report, without having to make any observations, and also established that the report had been disclosed to the public as required;
- it acknowledged that the Company published Quarterly Reports by the deadlines established by regulations previously in force;
- it performed, in its capacity as Internal Control and Audit Committee, pursuant to Art. 19, paragraph 1 of Italian Legislative Decree 39/2010 as amended by Italian Legislative Decree 135/2016, the specific information, monitoring, control and audit

functions established therein, carrying out the duties and tasks laid out in the above-mentioned regulations;

- it monitored compliance with the provisions established in Italian Legislative Decree 254/2016, reviewing, among others, the Consolidated Non-Financial Statement and ascertaining compliance with provisions on the preparation of this Statement, pursuant to the aforesaid decree.

No findings were identified from the supervisory activities carried out in the areas and according to the procedures described above indicating a failure to comply with law or with the memorandum of association, or such as to warrant notification to the Supervisory Authorities or mention in this report.

Moreover, based on information and evidence available, the Board of Statutory Auditors can reasonably believe that operations adopted by the Board of Directors conform to law and the articles of association and are not manifestly imprudent, risky or in contrast with the decisions taken by the Shareholders' meeting or such as to affect the integrity of company assets.

5. *Monitoring of atypical or unusual transactions and of related party transactions*

With respect to transactions with related parties, the Board of Statutory Auditors acknowledge that the acquisition by Landi Renzo of the equity investment in Metatron S.p.A. was made possible by the provision of adequate funds by the reference shareholder Girefin S.p.A., first by way of guarantee and then through the disbursement in early 2022 of a shareholder loan bearing interest at the rate of 1%.

During the year, the Board of Statutory Auditors did not identify any other atypical or unusual transactions with Group companies, third parties or with other related parties.

During 2021 and up to the reporting date, the Board of Statutory Auditors did not receive any notice from the control bodies of subsidiaries, associates or investees, or from the Independent Auditors, containing findings which need to be disclosed in this Report.

Moreover, the Board of Statutory Auditors acknowledged that the financial balances of intercompany transactions and transactions with related parties undertaken by the Company and its subsidiaries in 2021 are presented in the "*Consolidated Statement of Financial Position at 31 December 2021, prepared in compliance with provisions in Consob resolution no. 15519 of 27 July 2006 and Consob communication DEM/6064293 of 28/7/2006*" and in the "*Consolidated Income Statement at 31 December 2020, prepared in compliance with provisions in Consob resolution no. 15519 of 27 July 2006 and Consob communication DEM/6064293 of 28/7/2006*" respectively, while more analytical and detailed information is given in the section "*Related-party Transactions*" of the

Consolidated Financial Statements at 31 December 2021, to which reference is made. In particular, the above section states that related-party transactions take place at arm's length on the markets in question, considering the characteristics of the goods and the services supplied.

The Board of Statutory Auditors considers disclosure on these transactions, provided according to the above procedures, and also based on analyses and periodic controls carried out by the Committee for Transactions with Related Parties, to be adequate overall, and consistent with and in the interests of the Company. Related-Party Transactions, identified based on international accounting standards and provisions issued by Consob, are governed by an internal procedure (the "Procedure") adopted by the Board of Directors on 30 June 2021 in compliance with regulatory provisions in force.

The Board of Statutory Auditors reviewed the Procedure, establishing its conformity to Consob Regulation no. 17221 of 12 March 2010, as subsequently amended, particularly with Consob resolution no. 21624 of 10 December 2020.

6. *Relations with the Independent Auditors, pursuant to Italian Legislative Decree 39/2010 and observations on their independence*

The Board of Statutory Auditors monitored the efficiency of the statutory auditing process, discussing and reviewing aspects in specific meetings with the Independent Auditors (PWC S.p.A.) concerning:

- the planning of activities, the methodological approach, supervision and coordination of the work carried out by the auditors of foreign subsidiaries;
- areas that are particularly significant in terms of audit risk;
- the effectiveness and reliability of the internal control system;
- periodic controls on bookkeeping;
- results following on from the work carried out.

The Independent Auditors notified its fees for audit services, inclusive of additional auditing activities, for 2021, confirming that no other services apart from audit services had been provided, hereinafter also referred to as non-audit services (NAS).

As regards the independence of the Independent Auditors, the Board of Statutory Auditors and as already indicated, also in its capacity as Internal Control and Audit Committee:

a) carried out its duties required by Article 19, paragraph 1, letter e) of Italian Legislative Decree 39/2010 as amended by Italian Legislative Decree 135/ 2016, assessing and monitoring the independence of the Independent Auditors, in accordance with Articles 10, 10-*bis*, 10-*ter*, 10-*quater* and 17 of Italian Legislative Decree 39/ 2010 and Article 6 of Regulation (EU) No 537/2014;

b) reviewed the Additional Report for the Internal Control and Audit Committee required by Article 11 of Regulation (EU) 537/2014;
c) received as an attachment to the above Additional Report the "Annual confirmation of independence pursuant to Article 6 (2)(a) of Regulation (EU) 537/2014 and pursuant to paragraph 17 of the international accounting standard (ISA Italy) 260" in which the Independent Auditors certified, among other items, that from 1 January 2022 up to the time of issue of the Confirmation, it had not identified any situations affecting its independence in relation to Landi Renzo S.p.A. pursuant to Articles 10 and 17 of Italian Legislative Decree 39/2010 and Articles 4 and 5 of Regulation (EU) 537/2014;
d) it discussed the risks for its independence with the Independent Auditors, and the measures adopted to mitigate such risks, pursuant to Article 6, par. 2b) of Reg. (EU) 537/2014.

Based on information obtained and activities carried out, no facts or situations that may pose risks for the independence of the Independent Auditors were identified, and in this regard, the Board of Statutory Auditors had no observations to make to the Shareholders' Meeting.

7. *Financial reporting process and internal control system*

The Board of Statutory Auditors monitored the adequacy of the administrative and accounting system, and its reliability in correctly representing operations, obtaining information from the heads of administration functions and exchanging information with the Control and Risks Committee, the Internal Audit function and the Independent Auditors.

The Board of Statutory Auditors also monitored, periodically meeting with the Financial Reporting Manager, the organisation, company procedures and instruments used to collect information and data necessary to prepare the financial statements, consolidated financial statements and interim reports, as well as other financial disclosure, in order to: i) evaluate the adequacy and actual adoption and ii) verify the suitability and efficiency of the powers and resources given by the Board of Directors to the Financial Reporting Manager to carry out his/her duties.

In this regard, the Board of Statutory Auditors acknowledged the certification issued by the Delegated Bodies (specifically the Chief Executive Officer), and by the Financial Reporting Manager pursuant to Article 154-bis, paragraph 5 of the TUF, on the financial statements of the Company and on the consolidated financial statements of the Group at

31 December 2021, and on the Half-Yearly Financial Report at 30 June 2021 and on quarterly reports, in which no findings or observations had been identified.
The Board of Statutory Auditors considers the administrative and accounting system on the whole to be basically adequate and reliable for the size and complexity of the Company and Group.
Considering that the Independent Auditors have responsibility for the statutory auditing of the accounts, the Board of Statutory Auditors supervised the general configuration of the financial statements and consolidated financial statements and their compliance with regulations governing their basis for presentation and structure. The Board of Statutory Auditors also verified the conformity of the financial statements and consolidated financial statements to the facts and information which came to its knowledge while carrying out its duties. In this regard, the Board of Statutory Auditors has no particular findings to report.
As part of its functions, the Board of Statutory Auditors monitored the adequacy of the internal control and risk management system: a) obtaining information from the heads of relevant company departments, also to check the existence, adequacy and actual adoption of procedures; b) participating in meetings of the Control and Risks Committee; c) periodically meeting the head of the internal audit function and obtaining information on the results of work carried out, actions recommended and subsequent initiatives taken; d) exchanging information with the Independent Auditors.
In this regard, the Board acknowledged the disclosure provided periodically by the Director in his capacity as Director in charge of establishing and maintaining an effective internal control system, and the interim reports prepared by the Control and Risks Committee on activities carried out where, among others, an opinion was given in favour of the adequacy of the internal control and risk management system.
Based on the above and considering the control activities carried out and ongoing improvement actions, the Board of Statutory Auditors considers the internal control system to be adequate as a whole for the size, complexity and operations of the Company and Group, although it would be advisable for the organisational structure to be reinforced during the year, which is deemed appropriate to allow for the full integration of the recently acquired companies, also due to the expansion of the scope of the group.

8. *Supervision of the non-financial disclosure process*

As already stated, the Board of Statutory Auditors monitored compliance with the provisions established in Italian Legislative Decree 254/2016 and in the Implementing regulation adopted by Consob with Resolution no. 20267 of 18/01/2018 with reference to

the Non-Financial Statement ("NFS") and existence of an adequate organisational, administration, reporting and control system prepared by the Company with the aim of providing a true and fair view of non-financial information.
Based on the information obtained and evidence acquired, according to the above terms, the Board of Statutory Auditors considered the procedures, processes and structures for the production, reporting, measurement and representation of the aforesaid information to be substantially adequate and has no findings to report to the Shareholders' Meeting.

9. *Additional information required by Consob communication DEM 1025564 of 6 April 2001 as amended*

Pursuant to applicable Consob provisions, the Board of Statutory Auditors also reports the following:

a) the Board received no complaints pursuant to Article 2408 of the Italian Civil Code, nor complaints from third parties;
b) during 2021, the Company and Board of Statutory Auditors did not receive requests for information from Consob, pursuant to Article 115 and Article 114 of the TUF;
c) during 2021, the Board of Statutory Auditors gave opinions required i) under Article 2389, paragraph 3 of the Italian Civil Code, as regards the fees of directors with special responsibilities;
d) in the course of the year, it monitored the application of the three-year audit plan which, after the temporal change due to the effects of the pandemic, resumed its normal course starting from the second quarter of the year;
e) it gave an opinion on decisions in the remit of the Board of Directors, in relation to the correct use of accounting standards and their uniformity for the purposes of preparing the separate financial statements, consolidated financial statements and interim financial statements.

10. *Significant events indicated in the Directors' Report, financial statements and consolidated financial statements*

Amongst the significant events indicated by the Company in the Directors' Report, the financial statements and consolidated financial statements at 31 December 2021, please note:

- the acquisition by Landi Renzo, in the course of April 2021, following the amendment of the shareholders' agreements, of control over the investee SAFE & CEC S.r.l., with the resulting line-by-line consolidation of that equity investment;

- the acquisition by Landi Renzo, in August 2021, of 49% of the share capital of Metatron S.p.A., with the resulting commitment to acquire the remaining 51%;
- the issue in December 2021 of a Euro 7 million bond by the subsidiary Safe S.p.A., for the acquisition of Idro Meccanica S.r.l., which took place in the initial months of 2022;
- the establishment, in July 2021, of a joint venture in Russia with a local partner, through the establishment of a company in which Landi Renzo holds a 51% investment.

Based on the information provided by the Company and the data acquired from the above operation, the Board of Statutory Auditors established its conformity to law, to the memorandum of association and to principles of proper administration, ensuring that the operation was not manifestly imprudent or risky, in potential conflict of interest, in contrast with decisions taken by the Shareholders' Meeting or such as to affect the integrity of the company's assets.

11. *Significant events after the reporting period*

The Board of Statutory Auditors acknowledged the significant events taking place after the reporting period, commented on in more detail in the section "*Significant events occurring after the reporting period and business outlook*" of the Directors' Report on Operations for 2021, to which reference is made for further details.

In particular, please note:

- the issue by the lending credit institutions of the waiver letters connected, inter alia, with the failure to respect the financial covenants; these waiver letters, issued on 9 February 2022, are expressly subject to the finalisation of the share capital increase by the end of the first half of the year 2022 and for the minimum amount of Euro 25.4 million, the resolution concerning which will be submitted to the shareholders at their meeting called for 29 April 2022. In this regard, the Board of Statutory Auditors wishes to highlight that the issue of such waiver letters in the course of the initial months of 2022 required the reclassification under short-term liabilities of the payables to the credit institutions on which there are financial covenants;
- the finalisation of the acquisition of an additional 23.43% of the share capital of Metatron S.p.A., which was paid for at the time of the disbursement by the shareholder Girefin S.p.A. of a shareholder loan of Euro 19.1 million;
- the finalisation of the acquisition of 90% of the share capital of Idro Meccanica S.r.l. by Safe S.p.A.

12. *Report of the Independent Auditors and related obligations of the Board of Statutory Auditors*

On 30 March 2022 the Board of Statutory Auditors issued the Reports pursuant to Article 14 of Italian Legislative Decree 39/2010 and Article 10 of Regulation (EU) 537/2014, on financial statements and consolidated financial statements where, in particular, the following is certified:

- the financial statements of the Company and consolidated financial statements of the Group at 31 December 2021 give a true and fair view of the financial position and performance and cash flows for the year then ended in compliance with the International Financial Reporting Standards adopted by the European Union, as well as by measures issued implementing Article 9 of Italian Legislative Decree 38/05;
- the Directors' Report and some specific information in the Report on Corporate Governance and the Ownership Structure are consistent with the financial statements of the Company and with the consolidated financial statements of the Group and have been prepared in compliance with law;
- the opinion on the financial statements and on the consolidated financial statements is in line with information in the Additional Report prepared pursuant to Article 11 of EU Reg. 537/2014 and pursuant to Article 19 of Italian Legislative Decree 39/2010;
- the separate and consolidated financial statements were prepared in XHTML format (and, limited to the consolidated financial statements, have been marked up in all significant aspects), in compliance with the provisions of EU Delegated Regulation 2019/815.

Please note, purely for informative purposes, that in the aforesaid Reports, the Independent Auditors considered it appropriate to identify key aspects of the auditing, which, for the financial statements of Landi Renzo S.p.A., were a) the recoverability of the value of goodwill, b) the recoverability of receivables for deferred tax assets, c) the accounting treatment and measurement of the investment in SAFE & CEC S.r.l. and d) the financial covenants at 31 December 2021 and, as regards the Group's consolidated financial statements, a) the recoverability of the value of goodwill, b) the recoverability of receivables for deferred tax assets and c) the accounting treatment and measurement of the investment in SAFE & CEC Srl and d) the financial covenants at 31 December 2021.
In the Report on the auditing of the consolidated financial statements, the Independent Auditors also declared that they had verified the approval by the directors of Landi Renzo S.p.A of the 2021 Non-Financial Statement for the Landi Renzo Group.
In the aforesaid Reports, the Independent Auditors did not have any findings or emphasis of matter, nor declarations issued pursuant to Article 14, paragraph 2, letters d) and e) of Italian Legislative Decree 39/2010.
Moreover, on 30 March 2022 the Independent Auditors:

- sent the Board of Statutory Auditors, in its capacity as Internal Control and Audit Committee, the Additional Report, required under Article 11 of EU Reg. 537/2014, which does not contradict the information given in the aforesaid Reports on the financial statements and contains other significant aspects, and which the Board will send to the Board of Directors;
- issued, pursuant to Article 3, paragraph 10 of Italian Legislative Decree 254/2016 and Article 5 of Consob Regulation 20267/2018, the Report on the Consolidated Non-Financial Statement where the Independent Auditors certified that no elements came to their knowledge leading them to believe that the Non-Financial Statement of the Landi Renzo Group for the year ended 31 December 2021, as regards all significant aspects, had been prepared without observing Articles 3 and 4 of the Decree or the selected GRI Standards.

During periodic meetings held by the Board of Statutory Auditors with the Independent Auditors, pursuant to Article 150, paragraph 3 of Italian Legislative Decree 58/1998, no aspects were identified that must be emphasised in this Report.

Moreover, the Board did not receive any indications from the Independent Auditors on matters to report identified while carrying out the statutory auditing of the financial statements and the consolidated financial statements.

*13. Final observations*

As part of its activities and on the basis of what is set forth below, the Board of Statutory Auditors did not identify any specific critical aspects, omissions, matters to report or irregularities and has no observations, or proposals to make to the Shareholders' Meeting pursuant to Article 153 of Italian Legislative Decree 58/1998, for areas in its remit, and has no reason to prevent the proposed approval of the Financial Statements at 31 December 2021 or coverage of the loss of Euro 9,130,903.21 by using the Share Premium Reserve in full, made by the Board of Directors to the Shareholders' Meeting.

Cavriago (Reggio Emilia), 30 March 2022

Fabio Zucchetti, Chairman of the Board of Statutory Auditors

Diana Rizzo, Statutory Auditor

Domenico Sardano, Statutory Auditor