



**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**

LANDI RENZO SPA

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021



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

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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

See note 4 “Goodwill” and the paragraph “Accounting standards and valuation criteria” of the explanatory notes.

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).

The Company is required to verify, at least annually, the recoverability of goodwill recognised in the financial statements.

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.

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.

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.

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.

We also verified that the cash flows included in the valuation models were consistent with those included in the before-mentioned economic-financial forecasts.

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.

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.

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

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.

At December 31, 2021, the "Equity investments in subsidiaries" includes Euro 24.2 million related to the investment held in SAFE&CEC Srl.

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".

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. The shares of the two shareholders have remained unchanged: 51% hold by Landi Renzo SpA and 49% hold by Clean Energy Fuels Corp.

Following an analysis carried out by the Company, performed with the support of external advisor expert in accounting matters, and their own

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.

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 prospective 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.