HALF-YEARLY FINANCIAL REPORT AT 30 JUNE 2020

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This report is a translation. The Italian version prevails.

1. GENERAL INFORMATION

1.1. CORPORATE OFFICERS AND INFORMATION

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 Chairman of the Board.

On the date on which this Consolidated Half-Yearly Financial Report was drafted, the company officers were as follows:

Board of Directors

Executive Chairman	Stefano Landi
Honorary Chairperson - Director	Giovannina Domenichini
Chief Executive Officer	Cristiano Musi
Director	Silvia Landi
Director	Angelo Iori
Director	Paolo Emanuele Maria Ferrero
Independent Director	Anton Karl
Independent Director	Sara Fornasiero (*)
Independent Director	Vincenzo Russi

Board of Statutory Auditors

Chairman of the Board of Statutory Auditors	Fabio Zucchetti
Statutory Auditor	Diana Rizzo
Statutory Auditor	Domenico Sardano
Alternate Auditor	Marina Torelli
Alternate Auditor	Gian Marco Amico di Meane

Control and Risks Committee

Chairperson	Sara Fornasiero
Committee Member	Angelo Iori
Committee Member	Vincenzo Russi

Remuneration Committee

Chairperson	Sara Fornasiero
Committee Member	Angelo Iori
Committee Member	Vincenzo Russi

Committee for Transactions with Related Parties

Chairperson	Sara Fornasiero
Committee Member	Vincenzo Russi

Supervisory Board (Italian Legislative Decree 231/01)

Chairperson	Jean-Paule Castagno
Board Member	Sara Fornasiero
Board Member	Domenico Sardano

Independent Auditing Firm	PricewaterhouseCoopers S.p.A.
Financial Reporting Manager	Paolo Cilloni

(*) The Director also holds the office of Lead Independent Director

Registered office and company details

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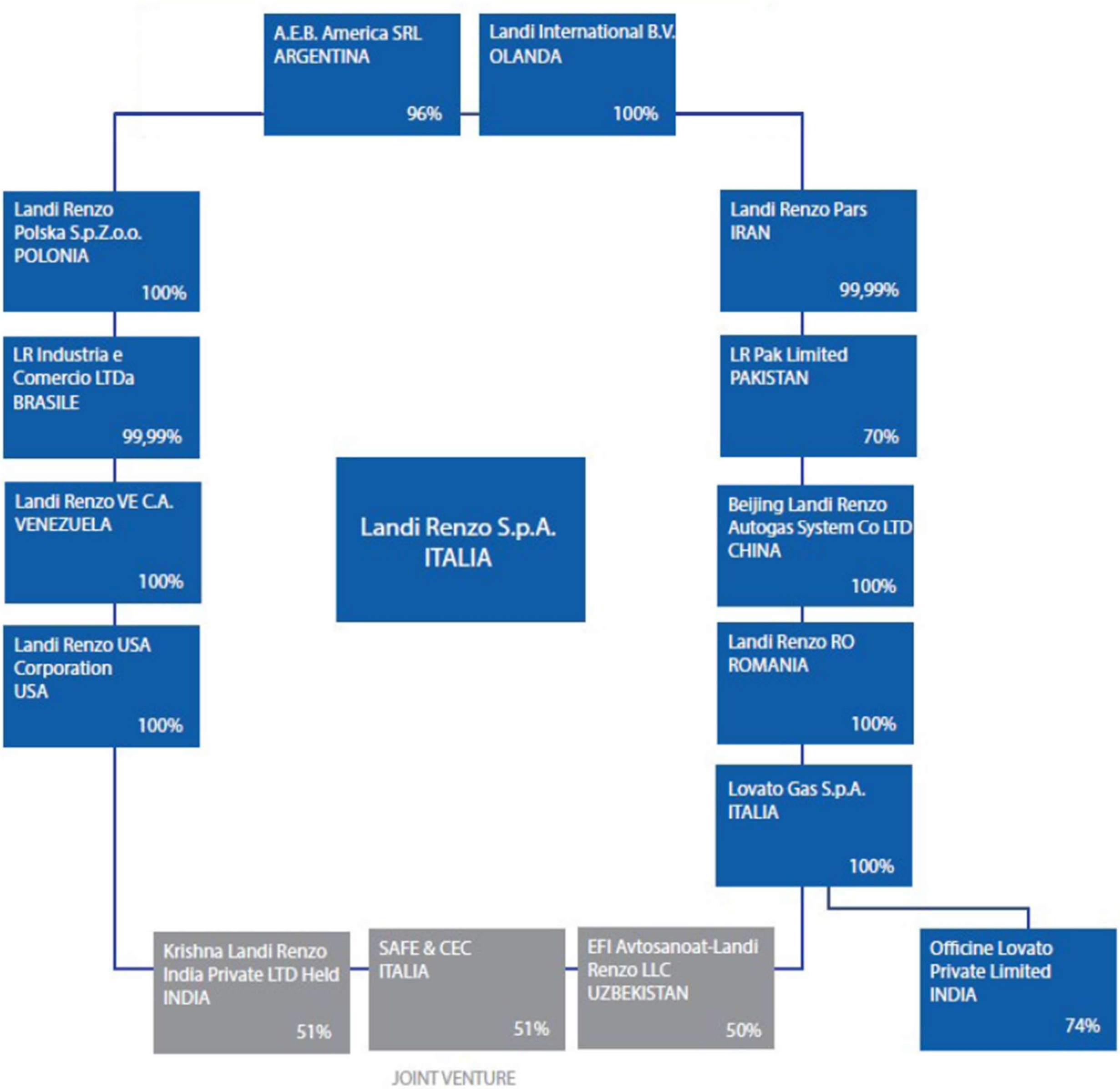
Share capital: Euro 11,250,000
Tax ID and VAT Reg. No. IT00523300358

This report is available online at
www.landirenzogroup.com

1.2. GROUP STRUCTURE



1.3. LANDI RENZO GROUP FINANCIAL HIGHLIGHTS

(Thousands of Euro)

ECONOMIC INDICATORS FOR THE SECOND QUARTER	Q2 2020	Q2 2019	Change	Change %
Revenue	22,687	58,237	-35,550	-61.0%
Adjusted Gross Operating Profit (EBITDA) (1)	-1,032	8,173	-9,205	
Gross operating profit (EBITDA)	-1,402	7,833	-9,235	
Net operating profit (EBIT)	-4,467	4,732	-9,199	
Earnings before taxes (EBT)	-6,388	3,071	-9,459	
Net profit (loss) for the Group and minority interests	-5,279	2,296	-7,575	
Adjusted Gross Operating Profit (EBITDA) / Revenue	-4.5%	14.0%		
Gross operating profit (EBITDA)/Revenue	-6.2%	13.5%		
Net profit (loss) for the Group and minority interests / Revenue	-23.3%	3.9%		

(Thousands of Euro)

ECONOMIC INDICATORS FOR THE FIRST HALF-YEAR	30/06/2020	30/06/2019	Change	Change %
Revenue	59,857	102,035	-42,178	-41.3%
Adjusted Gross Operating Profit (EBITDA) (1)	1,852	13,612	-11,760	-86.4%
Gross operating profit (EBITDA)	1,038	13,272	-12,234	-92.2%
Net operating profit (EBIT)	-5,070	7,007	-12,077	
Earnings before taxes (EBT)	-7,939	4,527	-12,466	
Net profit (loss) for the Group and minority interests	-6,653	2,886	-9,539	
Adjusted Gross Operating Profit (EBITDA) / Revenue	3.1%	13.3%		
Gross operating profit (EBITDA)/Revenue	1.7%	13.0%		
Net profit (loss) for the Group and minority interests / Revenue	-11.1%	2.8%		

(Thousands of Euro)

STATEMENT OF FINANCIAL POSITION	30/06/2020	31/12/2019	30/06/2019
Net fixed assets and other non-current assets	105,032	104,826	107,334
Operating capital (2)	36,925	28,920	23,630
Non-current liabilities (3)	-4,751	-5,646	-7,126
NET INVESTED CAPITAL	137,206	128,100	123,838
Net financial position (4)	79,087	61,767	60,709
Net Financial Position - adjusted (5)	73,184	55,210	53,729
Shareholders' equity	58,119	66,333	63,129
BORROWINGS	137,206	128,100	123,838

(Thousands of Euro)

KEY INDICATORS	30/06/2020	31/12/2019	30/06/2019
Operating capital / Turnover (rolling 12 months)	24.7%	15.1%	12.3%
Net financial position / Shareholders' equity	136.1%	93.1%	96.2%
Adjusted net financial position / Adjusted EBITDA (rolling 12 months)	5.05	2.10	2.17
Personnel (peak)	554	571	512

(Thousands of Euro)

CASH FLOWS	30/06/2020	31/12/2019	30/06/2019
Gross operational cash flow	-9,050	8,533	4,770
Cash flow for investment activities	-5,798	-8,664	-4,157
Gross FREE CASH FLOW	-14,848	-131	613

Non-recurring expenditure for voluntary resignation incentives	-119	-132	-132
Net FREE CASH FLOW	-14,967	-263	481
Repayment of leases (IFRS 16)	-1,111	-2,260	-1,248
Overall cash flow	-16,078	-2,523	-767

(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.
(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.

(5) Not including the effects of the adoption of IFRS 16 - Leases and the fair value of financial derivative contracts.

1.4. SIGNIFICANT EVENTS DURING THE SIX MONTHS

- Landi Renzo and Snam4Mobility, a subsidiary of Snam and leading infrastructure operator in the natural gas and biomethane transport sector, signed a collaboration agreement to boost sustainable mobility powered by compressed natural gas (CNG) in Italy. The aim of the joint initiative is to raise awareness among users of both the environmental advantages (a significant reduction in CO_2 and PM10 emissions) and financial benefits (savings in fuel costs) arising from mobility fuelled by natural gas and biomethane. Based on the agreement signed, Landi Renzo will deal with the natural gas conversion of the vehicle models selected together with Snam4Mobility as the most suitable to boost the use of CNG in the mobility sector. Natural gas conversion (retrofit) is an immediate and cost-effective solution to reduce CO_2 emissions and above all pollutant emissions. At present, cars powered by natural gas in Italy total around 1 million, with over 1,380 service stations operating. The aim of Snam4Mobility is to increase the number of methane gas distributors, guaranteeing a balanced distribution nationwide, through direct investments and agreements with various operators in the sector. In total, Snam's investments in sustainable CNG and LNG (liquefied natural gas) mobility will total Euro 100 million in 2023; Snam will also invest 250 million in developing new biomethane plants.

- Landi Renzo signed an agreement with the Egyptian gas authorities for the joint development of a pilot project for the production, assembly and sale of systems and components for natural gas vehicles, using an already existing production plant. The agreement will also promote Landi Renzo technology for the dual fuel diesel conversion of buses and provide support for the conversion of 0 km vehicles of main automotive manufacturers, their importers and fleet operators in Egypt. At the same time, SAFE&CEC S.r.l., an investee of Landi Renzo and leader in the design and production of equipment for the distribution of natural gas and biomethane, signed an agreement to support the growth of the natural gas distribution network in Egypt.

- Landi Renzo signed a new 48-month loan agreement with a leading domestic credit institution for a nominal amount of Euro 3 million, which further strengthened the capital structure and boosted Group liquidity.

- Landi Renzo was selected by the Emilia-Romagna Region for a significant grant co-funded by the European Union's European Regional Development Fund as part of the ERDF Emilia-Romagna ROP 2014/2020, for an innovative project aiming to develop latest generation injectors for CNG and hydrogen. This new family of injectors (named AGI - Advanced Gas Injectors) will intercept future mobility development trends, improving performance and further reducing consumption as well as emissions, creating the first CNG direct injection and opening up to new market segments, such as hydrogen mobility.

- On 29 April 2020, the majority shareholders Girefin S.p.A. and Gireimm S.r.l., the holders of 54.662% and 4.444%, respectively, of the share capital and 68.709% and 5.587% of total voting rights, announced their intention to vote against the proposal on the third item on the agenda for the Shareholders' Meeting of 8 May 2020 in relation to the authorisation to purchase and dispose of treasury shares. That contrary vote was justified exclusively by the desire not to preclude the Company from access to the business liquidity support measures introduced by decree law no. 23 of 8 April 2020 (the so-called "Decreto Liquidità"). Article 1, paragraph 2 (i) of the *Decreto Liquidità* in fact includes amongst the conditions for being able to benefit from the facilitations for access to credit the lack of approval by the requesting company and any other company in the group to which it belongs of any share buyback in the course of 2020.

- On 08 May 2020, the Shareholders' Meeting of Landi Renzo S.p.A. resolved, amongst other things:

- to allocate profit for the period of Euro 2,705,828.03 to the reserve and, in particular, as the statutory reserve has already reached one-fifth of the share capital, Euro 360,174.74 to the unavailable reserve for the equity measurement of investments (pursuant to Article 6, paragraph 1 (a) of Italian Legislative Decree 38/2005) and the remainder (Euro 2,345,653.29) to the extraordinary reserve;
- to approve, with reference to the Report on the remuneration policy and on remuneration paid, drafted pursuant to Articles 123-*ter* of Italian Legislative Decree 58/98 and 84-*quater* of the regulation approved with Consob resolution no. 11971 of 19 May 1999, the first section pursuant to Article 123-*ter*, paragraph 3-*bis*, of Italian Legislative Decree 58/98 and to vote in favour with reference to the second section pursuant to Article 123-*ter*, paragraph 6, of Italian Legislative Decree 58/98;
- not to approve the proposal relating to the authorisation to purchase and dispose of treasury shares, after revocation of the resolution passed by the Shareholders' Meeting on 29 April 2019 (insofar as it was not utilised);
- to amend Article 6-*bis* of the articles of association on increased voting rights in order to align the rules laid out in the articles of association with the most recent Consob interpretation.

- On 29 June 2020, the Board of Directors of Landi Renzo S.p.A. approved the proposed merger by incorporation of the wholly owned subsidiary Lovato Gas S.p.A. Unipersonale into the parent company Landi Renzo S.p.A., as well as the relative merger plan. This transaction is part of the Group reorganisation process launched in prior years, which saw the integration of several Lovato functions within the Parent Company Landi Renzo S.p.A., and in this respect it is deemed that the merger will make it possible to further optimise decision-making processes and improve the utilisation and enhancement of the resources and skills currently existing within the companies participating in the merger. In particular, the aggregation of activities within a single legal entity will lead to an improvement in operating efficiency (corporate, accounting and administrative) and the achievement of further synergies in order to reduce overall costs, avoiding the duplication of certain activities in two separate legal entities. In any event, Lovato will continue to be an important brand for the Landi Renzo Group, given its international presence and its strength in many strategic markets, from Russia to India.

- As a result of the epidemiological emergency relating to the spread of the Covid-19 coronavirus, the Group has dealt and is continuing to deal with a deterioration in market conditions, which is having effects on its profit and loss, financial position, income and cash flows and, therefore, on its results for the current year. With no visibility regarding the intensity and, especially, the duration of this current discontinuity, the Group is working to mitigate the harmful consequences of the pandemic, so as to take advantage of the opportunities deriving from the special regulations enacted by the Italian government and preserve its level of liquidity. In this regard, the Board of Directors of Landi Renzo S.p.A. decided to make use of the Italian business liquidity support measures launched by the Italian government by requesting access to the subsidised financing backed by the guarantee of SACE S.p.A., pursuant to the *Decreto Liquidità*, information regarding which is provided in the "Net financial position and cash flows" section of this Report.

- As at 30 June 2020, all credit institutions underwriting the loans issued waiver letters with respect to the financial covenants as at 30 June and 31 December 2020 and their consent to the deferment of the principal instalment falling due on 30 June 2020, which was rescheduled to the end of the amortisation plan (June 2024).

2. INTERIM REPORT ON OPERATING PERFORMANCE

This Consolidated Half-Yearly Financial Report at 30 June 2020 was prepared pursuant to Italian Legislative Decree 58/1998 and subsequent modifications, as well as the Issuer Regulations issued by Consob.
This Consolidated Half-Yearly Financial Report has been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union, and has been drafted in accordance with IAS 34 - Interim Financial Reporting, applying the same accounting principles as adopted in preparing the consolidated financial statements at 31 December 2019, without prejudice to the new accounting standards applicable as of this year and described in detail below in this report.
As a partial exception to the provisions of IAS 34, this report provides detailed rather than summary tables in order to provide a clearer view of the economic-equity and financial dynamics over the six-month period. All values presented below are expressed in thousands of Euro and comparisons are made with respect to data from the corresponding period of the previous year for the economic values and with respect to the data at 31 December 2019 for the financial data, unless otherwise indicated. The explanatory notes are also presented in compliance with the information required by IAS 34 with the supplements considered useful for a clearer understanding of the half-yearly financial statements.

2.1. OPERATING PERFORMANCE

The results of the first half of 2020 are highly negatively influenced by the worldwide spread of the coronavirus (Covid-19) pandemic. Despite the emergence of frequent new outbreaks, the number of new infections appears to be under control in several European countries, including Italy, in China and in other foreign countries, although the pandemic has spread in the United States, Latam and Asian countries, particularly in India, as well, with highly significant numbers of people infected and deaths. The spread of Covid-19 the world over is continuing to have significant effects on the international economic and financial system. In order to limit the propagation of the virus, many countries have been forced to introduce stringent and drastic measures, in multiple waves, involving both lockdowns and border closures, with severe effects on production activities as well as international trade. And it was precisely market globalisation, which has been one of the key elements of global economic development over the last few decades, that amplified the effects of the economic crisis at global level. This crisis has unique characteristics never dealt with before:

- the crisis has struck both supply and demand, with production activities as well as consumption significantly downsized, and it is distinguished by extremely sudden changes, deriving from the contagion limitation initiatives that had to be implemented by the various governments as the epidemic spread;
- there is serious uncertainty concerning the methods and timing of the recovery, which does not appear to be immediate. The new outbreaks being seen in many countries where the situation had appeared to be under control, the increasing number of infections recorded in the United States and in Latam (still far from reaching the peak of the pandemic), the absence to date of an effective vaccine and increasing concerns regarding a possible upswing in the number of infections in the course of the upcoming autumn/winter, are deferring recovery times and spreading a climate of uncertainty within the international markets;
- the traditional forecasting and sensitivity systems are thus unsuited to predict market trends, so it is necessary to continuously update forecasts, also on the basis of the political decisions taken by governments.

Despite the reopening of commercial and production activities in Italy and in many other countries worldwide, the continuation of the Covid-19 pandemic is significantly compromising the global economic recovery. Furthermore, while voluntary social distancing and the reinforcement of safety standards in the workplace are indispensable to guarantee the limitation of the epidemic and protect workers, they are weighing down on company financial statements as well as further slowing the already weak, ongoing recovery in production activities.

In this context, the International Monetary Fund (IMF) has revised economic growth estimates for 2020 downwards, while also confirming a likely recovery in the course of 2021, but at a much slower pace than was initially forecast. The IMF calculates a decline in gross domestic production at global level of 4.9% for 2020 (1.9 percentage points less than what was assumed in April), which will primarily impact advanced global economies; for 2021, growth of 5.4% is instead expected, a slight decline compared with the 5.8% forecast in April but significantly lower than the estimates made prior to the pandemic. Also according to the IMF, if there is a second wave of contagion at the end of 2020, the timing of this recovery will extend further, continuing throughout 2021 as well.

Global trade is expected to decline by roughly 12%, with negative growth forecasts coming to -8% for the United States and -10.2% for the Eurozone. Negative forecasts have been announced for 2020 in South American economies as well, where Covid-19 infections are on the rise, with a decline of 9.1% expected for the Brazilian economy, 10.5% for Mexico and 9.9% for Argentina.

At European level, the worst estimates regard Italy, for which a 12.8% contraction is expected in 2020, i.e. a further 3.7 percentage points compared with previous estimates; for 2021, growth has instead been revised upward to +6.3%, 1.5 percentage points more than what was forecast in April.

However, significant uncertainties are weighing down on these estimates.

The effects taking place in the international foreign exchange markets are no less important, in recent months showing considerable depreciation in the currencies of more economically fragile countries, especially if already previously characterised by situations of economic and political instability. In particular, Latam area currencies are seeing significant depreciation against the euro and the U.S. dollar.

The Automotive sector is one of the areas most impacted by the global spread of the Covid-19 pandemic, with reductions in sales volumes such so as to lead several OEM manufacturers to suspend production for many months, temporarily closing their plants. Despite the slight recovery in sales in June, UNRAE (Association of foreign car makers operating in Italy) data as at 30 June 2020 show a decline in registrations of 45.9% in the Italian market and 39.5% in the European market, a downturn linked to the lockdown period imposed by the various countries as well as the subsequent climate of economic uncertainty, which entailed a lower propensity towards purchasing durable goods on the part of consumers.

The Landi Renzo Group immediately enacted decisive and prompt measures to protect the health of its workers in Italy and abroad, working to minimise the effects on the Group's earnings capacity and liquidity as much as possible. This enabled the Group to guarantee production continuity until the lockdown imposed by the Italian government in mid-March, which required production to be suspended at the Cavriago and Vicenza plants. Following analogous interventions by the respective governments, production was also suspended at the plants of the Group's major OEM customers, thus making it necessary to suspend activities at the Landi Renzo Polska and Landi Renzo Romania plants. In this context, employees were provided with personal protection equipment, travel was suspended both in Italy and abroad, periodic sanitisation was carried out at the offices as well as the production plants and new internal behavioural procedures were defined to guarantee social distancing, including during the phase of resuming activities. Furthermore, dedicated insurance policies were taken out to protect any workers infected by Covid-19 in the workplace.

Given the Group's technological and innovative bent, in order to reduce to a minimum any possibility of contact between workers and to enable where possible the continuation of activities, including internal control and financial reporting processes, hardware and software IT instruments were strengthened, in order to favour recourse to telecommuting as much as possible (called "smart working" in Italy). In particular, the Research and Development team, thanks to simulation software based on internally-developed forecast models, was able to continue its new product development activities, also during the lockdown period, including on new projects for the Heavy-Duty market.

The management maintained continuous contact with customers and suppliers in order to best interpret international market trends and avoid supply issues for orders in the portfolio and to guarantee the necessary procurement in order to discourage production interruptions.

Also with a view to mitigating the economic and financial effects of the pandemic, the management immediately activated a cost reduction and company liquidity monitoring plan, in particular:

- plans were launched to limit costs not deemed priorities and to renegotiate or defer several supply contracts;
- non-strategic investments for the Group were postponed as much as possible, in order to reduce cash outflows already starting from 2020;
- to limit personnel costs during a phase of reduced production activities, Landi Renzo S.p.A. and its Italian subsidiary Lovato Gas S.p.A. made recourse to the employment support measures made available through the Italian government decree. When possible, the other Group companies made recourse to similar forms of public support to protect workers.

The current international economic context strongly influenced the Group's results in the first half of the year; the Group's revenues from sales as at 30 June 2020 indeed came out to Euro 59,857 thousand, with a decline of 41.3% compared with the same period of the previous year.

(Thousands of Euro)

	Q2 2020	Q1 2020	30/06/2020	Q2 2019	Q1 2019	30/06/2019
Revenue	22,687	37,170	**59,857**	58,237	43,798	**102,035**
Adjusted gross operating profit (EBITDA)	-1,032	2,884	**1,852**	8,173	5,439	**13,612**
% of revenues	*-4.5%*	*7.8%*	***3.1%***	*14.0%*	*12.4%*	***13.3%***
Gross operating profit (EBITDA)	-1,402	2,440	**1,038**	7,833	5,439	**13,272**
% of revenues	*-6.2%*	*6.6%*	***1.7%***	*13.5%*	*12.4%*	***13.0%***
Net operating profit (EBIT)	-4,467	-603	**-5,070**	4,732	2,275	**7,007**
% of revenues	*-19.7%*	*-1.6%*	***-8.5%***	*8.1%*	*5.2%*	***6.9%***
Change in Revenues compared with the previous year	-35,550	-6,628	**-42,178**			
Change %	*-61.0%*	*-15.1%*	***-41.3%***			

This downturn is mainly linked to the effects on revenue in the second quarter (-61% compared with the same period of the previous year) of the lockdowns imposed by the governments of the various countries struck by the Covid-19 pandemic.

On the basis of orders in the portfolio and delivery forecasts for the first quarter of 2020, it is important to note that, when the Italian government declared the lockdown, the turnover that the Group could have achieved lacking the negative effects of Covid-19 has been estimated by the management at more than Euro 45 million, higher than that recorded in the first quarter of 2019 (Euro 43.8 million). This further confirms the correlation between the decline in revenue recorded by the Group during the half and the spread of the Covid-19 pandemic. In any event, increasing interest continues in gas mobility and green solutions, particularly in the Heavy-Duty segment and for hydrogen solutions, which it is believed will enable the Group to progressively resume activities in the coming months and which it is deemed may be consolidated starting from the year 2021.

Sales in the OEM channel, equal to Euro 28,474 thousand, representing 47.6% of the total (43.5% as at 30 June 2019), are primarily due to orders from several top European automotive manufacturers which are using LPG bifuel engines to develop their “green” product ranges. Sales in the After Market channel, amounting to Euro 31,383 thousand, which primarily relate to orders from wholesalers and authorised installers, both domestic and foreign, were most impacted by the effects of the Covid-19 pandemic, which resulted in a significant reduction in the number of conversions.

Although the management immediately took action to limit costs, both fixed and variable, the decline in volumes was so extensive that it could not be fully absorbed. As a result, at 30 June 2020, adjusted EBITDA amounted to Euro 1,852 thousand, equal to 3.1% of revenue, compared with Euro 13,612 thousand, equal to 13.3%, in the same period of the previous year.

The decline in sales volumes also had a negative impact on cash flows. The Net Financial Position as at 30 June 2020 is indeed equal to Euro 79,087 thousand (Euro 61,767 thousand as at 31 December 2019), of which Euro 5,642 thousand due to the application of IFRS 16 - Leases and Euro 261 thousand due to the fair value of derivative financial contracts. Without considering the effects arising from the adoption of this accounting standard and the fair value of financial derivative contracts, the Net Financial Position as at 30 June 2020 would have been equal to Euro 73,184 thousand, after investments for Euro 5,798 thousand.

The management is paying particularly close attention to the financial position, medium-term cash forecasts and the financing options proposed by the government to support companies. From this standpoint, Landi Renzo signed a new 48-month loan agreement with a leading domestic credit institution for a nominal amount of Euro 3 million to support its current operations, and also immediately reached out to the same leading domestic credit institutions from which it took out the Euro 65 million loan in June 2019 in order to access the facilitations established by the *Decreto Liquidità*. On 30 July 2020, Landi Renzo S.p.A. took out a new six-year loan from that pool for a nominal amount of Euro 21 million, 90% backed by the SACE guarantee, with a pre-amortisation period of two years. Also due to the signing of that contract, it is believed that the financial resources still available to the Group can make it possible to more rapidly and effectively manage any requirements connected to possible developments in the pandemic, guaranteeing the necessary financial support to enact business resumption strategies when the general situation returns to normal.

Consolidated results

The following table shows the evolution of the main economic performance indicators for the first half of 2020 compared with the first half of 2019.

(Thousands of Euro)	30/06/2020	%	30/06/2019	%
Revenues from sales and services	**59,857**	**100.0%**	**102,035**	**100.0%**
Other revenues and income	64	0.1%	229	0.2%
Operating costs	-58,069	-97.0%	-88,652	-86.9%
Adjusted gross operating profit	**1,852**	**3.1%**	**13,612**	**13.3%**
Non-recurring costs	-814	-1.4%	-340	-0.3%
Gross operating profit	**1,038**	**1.7%**	**13,272**	**13.0%**
Amortisation, depreciation and impairment	-6,108	-10.2%	-6,265	-6.1%
Net operating profit	**-5,070**	**-8.5%**	**7,007**	**6.9%**
Financial income	181	0.3%	49	0.0%
Financial expenses	-1,534	-2.6%	-2,373	-2.3%
Exchange gains (losses)	-1,211	-2.0%	-253	-0.2%
Income (expenses) from joint ventures measured using the equity method	-305	-0.5%	97	0.1%

Profit (loss) before tax	**-7,939**	**-13.3%**	**4,527**	**4.4%**
Taxes	1,286	2.1%	-1,641	-1.6%
Net profit (loss) for the Group and minority interests, including:	**-6,653**	**-11.1%**	**2,886**	**2.8%**
Minority interests	-92	-0.2%	-53	-0.1%
Net profit (loss) for the Group	**-6,561**	**-11.0%**	**2,939**	**2.9%**

The main economic indicators were down in the first half of 2020 compared with the same period of the previous year, primarily due to:

- the effects of the global spread of Covid-19, which entailed a significant reduction in turnover starting in March;
- the different sales mix, with an increasing impact on the total of sales to OEM customers, due to the greater repercussions of the pandemic on the After Market segment of conversions, particularly in Latam and Asian countries.

Consolidated revenues for the first six months of 2020 indeed totalled Euro 59,857 thousand, decreasing by Euro 42,178 thousand (-41.3%) compared with the same period of the previous year. Thanks to the prompt interventions of the management to reduce both fixed and variable costs, while operating profit data were down significantly, they were in any event positive. The adjusted Gross Operating Profit (EBITDA) was Euro 1,852 thousand as at 30 June 2020, compared with Euro 13,612 thousand in the same period of the previous year, while the Gross Operating Profit (EBITDA) was positive at Euro 1,038 thousand (Euro 13,272 thousand as at 30 June 2019).

The Net Operating Profit (EBIT) was negative at Euro 5,070 thousand (positive and equal to Euro 7,007 thousand at 30 June 2019).

Financial expenses alone amounted to Euro 1,534 thousand, down compared with the same period of the previous year (Euro 2,373 thousand) after a medium/long-term loan agreement was entered into in June 2019 with a pool of three major banks (BPM - mandated lead arranger and bookrunner, Intesa Sanpaolo and Unicredit) for a total of Euro 65 million under more favourable economic conditions.

Instead, the exchange effects were negative at Euro 1,211 thousand as at 30 June 2020 (negative Euro 253 thousand as at 30 June 2019), primarily due to the impacts generated by the Covid-19 pandemic on the currencies in which the Group operates, particularly in the Latam area and Asia.

SEGMENT REPORTING

The Group operates directly only in the Automotive segment and indirectly in the "Gas Distribution and Compressed Natural Gas" segment through the joint venture SAFE & CEC S.r.l., which, in accordance with the contractual governance system – which meets the joint control requirements as stipulated by IFRS 11 – is consolidated according to the equity method. This paragraph provides information about the trend in this segment in the first six months of 2020, to provide a better understanding of the impact of this business unit on the Group's accounts.

Breakdown of sales by geographical area

Second quarter of 2020 compared with second quarter of 2019

(Thousands of Euro)

Geographical distribution of revenues	Q2 2020	% of revenues	Q2 2019	% of revenues	Change	%
Italy	3,212	14.2%	10,908	18.7%	-7,696	-70.6%
Europe (excluding Italy)	11,327	49.9%	27,253	46.8%	-15,926	-58.4%
America	3,011	13.3%	9,316	16.0%	-6,305	-67.7%
Asia and Rest of the World	5,137	22.6%	10,760	18.5%	-5,623	-52.3%
Total	**22,687**	**100.0%**	**58,237**	**100.0%**	**-35,550**	**-61.0%**

First half of 2020 compared with first half of 2019

(Thousands of Euro)

Geographical distribution of revenues	At 30/06/2020	% of revenues	At 30/06/2019	% of revenues	Change	%
Italy	9,852	16.5%	19,740	19.3%	-9,888	-50.1%
Europe (excluding Italy)	31,874	53.3%	49,709	48.7%	-17,835	-35.9%
America	6,862	11.5%	13,440	13.2%	-6,578	-48.9%
Asia and Rest of the World	11,269	18.7%	19,146	18.8%	-7,877	-41.1%
Total	**59,857**	**100.0%**	**102,035**	**100.0%**	**-42,178**	**-41.3%**

Regarding the geographical distribution of revenues, during the first six months of 2020 the Group realised 83.5% (80.7% at 30 June 2019) of its consolidated revenues abroad (53.3% in Europe and 30.2% outside Europe). As also highlighted in detail below, the spread of pandemic struck all markets, also due to their growing interconnection within an increasingly global market.

Italy

Sales in Italy (Euro 9,852 thousand) were down by Euro 9,888 thousand (-50.1%) compared with the same period of the previous year. According to UNRAE (Association of foreign car makers operating in Italy) data, vehicle registrations in the first half of 2020 were down by 45.9% compared with the same period of the previous year, justified essentially by the spread of Covid-19, the resulting lockdown and the subsequent climate of uncertainty deriving from domestic and international economic instability. Bi-fuel vehicle registrations during the half accounted for 8.7% of total vehicles registered, in line with the same period of the previous year (8.2% of the total as at 30 June 2019).

Europe

The change in revenues in Europe, at Euro 17,835 thousand (-35.9%), can be attributed for the most part to the closure of production facilities by several top automotive manufacturers following the lockdown imposed by the relative national governments to handle the Covid-19 pandemic.

America

Sales in the first six months of 2020 on the American continent, amounting to Euro 6,862 thousand (Euro 13,440 thousand at 30 June 2019), were down 48.9%, particularly in the Latam area, which was hard hit by the pandemic, with negative repercussions on the respective currencies as well.

Asia and Rest of the World

This area reported a decrease of 41.1% (equal to Euro 7,877 thousand) compared with the first six months of 2019 as a result of the effects of Covid-19, particularly in India and in the North African area. However, it is in this last area where encouraging signs of a slow but gradual return to normality are being seen, as also confirmed by a rise in orders.

Profitability

In the first six months of 2020, the adjusted Gross Operating Profit (EBITDA), net of non-recurring costs of Euro 814 thousand, was positive at Euro 1,852 thousand, equivalent to 3.1% of revenues, down compared with the same period of the previous year (Euro 13,612 thousand and equal to 13.3% as at 30 June 2019).

(Thousands of Euro)

NON-RECURRING COSTS	30/06/2020	30/06/2019	Change
Strategic consultancy	-477	-340	-137
COVID-19 costs	-130	0	-130
Personnel for voluntary resignation incentives	-119	0	-119
Medium/long-term performance bonus	-88	0	-88
Total	**-814**	**-340**	**-474**

Costs of raw materials, consumables and goods and changes in inventories decreased overall to Euro 33,074 thousand at 30 June 2020, compared with Euro 54,346 thousand at 30 June 2019, a downturn connected to the reduction in turnover which particularly impacted the After Market channel due to the Covid-19 pandemic.

The costs of services and use of third-party assets amounted to Euro 13,537 thousand, compared with Euro 19,097 thousand in the same period of the previous year, primarily due to the reduction in costs for production, technical and commercial services, also thanks to the cost reduction interventions undertaken by the management. These costs are inclusive of Euro 130 thousand relating to costs incurred by the company to deal with the Covid-19 emergency, particularly relating to expenses for sanitising the workplace and for purchasing personal protection equipment made available to workers.

Personnel costs, amounting to Euro 11,305 thousand (compared with Euro 14,237 thousand as at 30 June 2019), were limited thanks to recourse to redundancy schemes and the greater use of holidays by the Parent Company and Lovato Gas S.p.A. and similar forms of employment support established by the respective governments by other foreign Group companies. Furthermore, the decline in activities caused by the pandemic also reduced recourse to temporary agency labour. The Group had a total of 554 employees, basically in line with the end of the previous year (571). Please note that the Company heavily invested 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. In particular, a new research and development office was opened in Turin with a view to creating a centre of excellence for mechatronic components and systems for the Heavy-Duty market. Thanks to the Group's investments in remote working tools, and also thanks to simulation software based on internally-developed forecast models, the research and development team was able to continue its new product development activities, also during the lockdown period, including on new projects for the Heavy-Duty market and hydrogen solutions.

The Net Operating Profit (EBIT) for the period was negative at Euro 5,070 thousand (positive and equal to Euro 7,007 thousand at 30 June 2019), after accounting for amortisation, depreciation and impairment of Euro 6,108 thousand (Euro 6,265 thousand at 30 June 2019), of which Euro 1,037 thousand due to the application of IFRS 16 – Leases (Euro 1,242 thousand at 30 June 2019).

Total financial expenses (interest income, interest charges and exchange rate differences) amounted to Euro 2,564 thousand (Euro 2,577 thousand as at 30 June 2019) and include negative exchange effects of Euro 1,211 thousand (negative and equal to Euro 253 thousand as at 30 June 2019), primarily from valuation and due for the most part to the effects of the Covid-19 pandemic on the international exchange markets. On the other hand, financial expenses alone amounted to Euro 1,534 thousand, down compared with the same period of the previous year after a medium/long-term loan agreement was entered into in June 2019 with a pool of three major banks (BPM - mandated lead arranger and bookrunner, Intesa Sanpaolo and Unicredit) for a total of Euro 65 million under more favourable economic conditions.

In the first six months of 2020, the valuation of equity investments valued using the equity method is a negative Euro 305 thousand (positive at Euro 97 thousand as at 30 June 2019). This includes the Group's share of the profits for the period from the Group's Joint Ventures.

The first six months also closed with a pre-tax loss of Euro 7,939 thousand (profit of Euro 4,527 as at 30 June 2019).

The net result of the Group and minority interests as at 30 June 2020 showed a loss of Euro 6,653 thousand compared with a Group and minority interest profit of Euro 2,886 thousand for the same period in 2019.

The net result for the period as at 30 June 2020 was negative at Euro 6,561 thousand compared to a positive result of Euro 2,939 thousand in the same period of 2019.

Gas Distribution and Compressed Natural Gas operating segment performance

The "Gas Distribution and Compressed Natural Gas" 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 sector, 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 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 reflects the joint control agreement between the two shareholders, the Group's share is classified as a "joint venture" pursuant to international accounting standards (IFRS 11) and consolidated via the equity method.

During the first six months of 2020, the "Gas Distribution and Compressed Natural Gas" segment achieved consolidated net sales of Euro 31,773 thousand (+10.2% compared with 30 June 2019), adjusted EBITDA of Euro 1,678 thousand (Euro 1,985 thousand at 30 June 2019), and a post-tax loss of Euro 499 thousand (compared with a loss of Euro 394 thousand at 30 June 2019). Production was temporarily interrupted in the Group's Italian plant due to the lockdown imposed by the government and, subsequently, with the spread of the Covid-19 pandemic in the Latam area, also in the plants in Peru and Colombia. Production instead continued at the plant in Canada, a country that has been much less impacted by the epidemic. This enabled the SAFE&CEC Group, also thanks to the significant orders in the portfolio, to limit the negative effects of the pandemic and to achieve increased levels of turnover compared with the same period of the previous year, confirming the Group's good performance and business solidity.

Invested capital

(Thousands of Euro)

Statement of Financial Position	30/06/2020	31/03/2020	31/12/2019	30/06/2019
Trade receivables	35,215	38,027	40,545	43,349
Inventories	46,719	48,064	39,774	39,144
Trade payables	-46,370	-54,348	-51,935	-59,231
Other net current assets	1,361	2,061	536	368
Net operating capital	**36,925**	**33,804**	**28,920**	**23,630**
Tangible assets	12,225	11,924	11,578	11,920
Intangible assets	50,989	50,870	50,858	51,079
Right-of-use assets	5,509	6,056	6,402	7,029
Other non-current assets	36,309	35,051	35,988	37,306
Fixed capital	**105,032**	**103,901**	**104,826**	**107,334**
TFR (employment severance indemnity) and other provisions	-4,751	-5,055	-5,646	-7,126
Net invested capital	**137,206**	**132,650**	**128,100**	**123,838**
Financed by:				
Net Financial Position (*)	79,087	69,811	61,767	60,709
Group shareholders' equity	58,514	63,158	66,665	63,457
Minority interests	-395	-319	-332	-328
Borrowings	**137,206**	**132,650**	**128,100**	**123,838**

Ratios	30/06/2020	31/03/2020	31/12/2019	30/06/2019
Net operating capital	36,925	33,804	28,920	23,630
Net operating capital/Turnover (rolling)	24.7%	18.3%	15.1%	12.3%
Net invested capital	137,206	132,650	128,100	123,838
Net capital employed/Turnover (rolling)	91.1%	71.6%	66.8%	64.2%

(*) The net financial position at 30 June 2020 is inclusive of Euro 5,642 thousand for financial liabilities for rights of use deriving from the application of IFRS 16 - Leases and Euro 261 thousand for liabilities for derivative financial instruments.

Net working capital at the end of the period stood at Euro 36,925 thousand. This is an increase of Euro 8,005 thousand compared with the same figure recorded at 31 December 2019, primarily due to the increase in inventory. The decrease in trade receivables is offset by the corresponding reduction in trade payables, changes linked to the decline in turnover due to the effects of the Covid-19 pandemic. In terms of percentages on rolling turnover, there was therefore an increase in this figure, from 15.1% as at 31 December 2019 to the current 24.7% (12.3% as at 30 June 2019).

Trade receivables stood at Euro 35,215 thousand, a decrease compared with 31 December 2019 (Euro 40,545 thousand) as a result of the decline in activities. The global spread of the Covid-19 pandemic also entailed, to a different extent depending on geographical area, a slowdown in collections. In any event, the analyses performed did not bring to light relevant critical issues in terms of Group customer solvency. As at 30 June 2020, derecognised receivables assigned through factoring with crediting on maturity stood at Euro 16.2 million (Euro 26.4 million as at 31 December 2019).

Closing inventories, totalling Euro 46,719 thousand (Euro 39,774 thousand as at 31 December 2019), increased due to:

- the effects of the spread of Covid-19 which entailed, especially on the part of After Market customers, a postponement to the third and fourth quarter of deliveries of important orders;
- the procurement of strategic components in the initial months of the year to allow for the continuity of the Group's production and reduce to a minimum the risks of possible stock disruptions.

Following the decline in activities, trade payables are down by Euro 5,565 thousand from Euro 51,935 thousand as at 31 December 2019 to Euro 46,370 thousand as at 30 June 2020.

Fixed capital, amounting to Euro 105,032 thousand and inclusive of Euro 5,509 thousand for right-of-use assets recognised pursuant to IFRS 16 - Leases, is aligned with the year ended 31 December 2019 and with the same period of the previous year.

As at 30 June 2020, TFR (employment severance indemnity) and other provisions of Euro 4,751 thousand were down compared with 31 December 2019 due to lower allocations during the period to the provision for warranties, directly correlated with turnover trends.

Net invested capital (Euro 137,206 thousand, equal to 91.1% of rolling turnover) is in line with December 2019 (Euro 128,100 thousand, equal to 66.8% of rolling turnover) as well as with the same period of the previous year (Euro 123,838 thousand, equal to 64.2% of rolling turnover).

In this regard, please note that the Group considered the significant reduction in turnover and operating results, compared with the corresponding period of the previous year and compared with the 2020-2025 Strategic Plan approved by the Board of Directors of the parent company Landi Renzo S.p.A. on 12 March 2020, as a result of the effects of the Covid-19 pandemic within the economic environment in which the Group operates, as a trigger event. Therefore, the goodwill recognised in these financial statements and linked to the Automotive CGU (Cash Generating Unit) was tested for impairment, as approved by the Board of Directors of Landi Renzo S.p.A. on 11 September 2020, information concerning which is provided in section 4.4.4. "Goodwill" of the explanatory notes. The results of this impairment test did not show any impairment losses.

Net financial position and cash flows

(Thousands of Euro)	30/06/2020	31/03/2020	31/12/2019	30/06/2019
Cash and cash equivalents	13,558	21,648	22,650	51,348
Current financial assets	2,801	2,822	2,801	2,760

Bank financing and borrowings	-35,935	-34,335	-29,460	-23,518
Right-of-use liabilities	-1,943	-1,988	-1,992	-1,989
Bonds issued	0	0	0	-29,064
Short-term borrowings	-210	-210	-210	-419
Net short term indebtedness	**-21,729**	**-12,063**	**-6,211**	**-882**
Borrowings	-52,613	-53,396	-50,991	-54,836
Other non-current financial liabilities	-785	0	0	0
Right-of-use liabilities	-3,699	-4,193	-4,535	-4,991
Liabilities for derivative financial instruments	-261	-159	-30	0
Net medium-long term indebtedness	**-57,358**	**-57,748**	**-55,556**	**-59,827**
Net Financial Position	**-79,087**	**-69,811**	**-61,767**	**-60,709**
Net Financial Position - adjusted (*)	**-73,184**	**-63,471**	**-55,210**	**-53,729**

(*) Not including the effects of the adoption of IFRS 16 - Leases and the fair value of financial derivative contracts

The decline in sales volumes also had a negative impact on cash flows. The Net Financial Position as at 30 June 2020 is indeed equal to Euro 79,087 thousand (Euro 61,767 thousand as at 31 December 2019), of which Euro 5,642 thousand due to the application of IFRS 16 - Leases and Euro 261 thousand due to the fair value of derivative financial contracts. Without considering the effects arising from the adoption of this accounting standard and the fair value of financial derivative contracts, the Net Financial Position as at 30 June 2020 would have been equal to Euro 73,184 thousand, after investments for Euro 5,798 thousand.

The management is paying particularly close attention to the financial position, medium-term cash forecasts and the financing options proposed by the government to support companies. From this standpoint, Landi Renzo signed a new 48-month loan agreement with a leading domestic credit institution for a nominal amount of Euro 3 million to support its current operations, and also immediately reached out to the same leading domestic credit institutions from which it took out the Euro 65 million loan in June 2019 in order to access the facilitations established by the *Decreto Liquidità*. On 30 July 2020, Landi Renzo S.p.A. took out a new six-year loan from that pool for a nominal amount of Euro 21 million, 90% backed by the SACE guarantee, with a pre-amortisation period of two years.

Furthermore, as at 30 June 2020 all credit institutions underwriting the loans issued waiver letters with respect to the financial covenants as at 30 June and 31 December 2020 and their consent to the deferment of the principal instalment falling due on 30 June 2020, which was rescheduled to the end of the amortisation plan (June 2024).

In the first half of 2020, there was a cash absorption of roughly Euro 16.1 million (absorption of Euro 0.8 million in the first half of 2019), mainly due to the significant drop in activities deriving from the global Covid-19 pandemic, with effects on the Group's operating cash flows. Indeed, EBITDA came to Euro 1,038 thousand, down significantly compared with the same period of the previous year (Euro 13,272 thousand), while net working capital rose by Euro 8,005 thousand compared with 31 December 2019, primarily as a result of the increase in inventory. Furthermore, as typically takes place in the sector, trade receivables are collected faster than suppliers are paid, also thanks to recourse to factoring. The second quarter decline in sales caused collections from customers to decrease, while outlays to suppliers continued for materials already delivered or services already provided. This short-term "financial mismatch" is expected to be progressively reabsorbed, also thanks to the resumption in activities. Thanks to the Group's financial soundness, investments deemed strategic continued as well, specifically relating to new product development, for a total of Euro 5,798 thousand.

This being said, taking into account the actions carried out by the management in order to limit operating costs and strengthen the capital and financial situation, as described above, it is deemed that the financial resources still available to the Group can make it possible to more rapidly and effectively manage any requirements connected to possible developments in the pandemic and will guarantee the financial support to enact strategies to quickly resume the business when the general situation returns to normal.

The following table illustrates the trend in total cash flow:

(Thousands of Euro)

	30/06/2020	31/03/2020	31/12/2019	30/06/2019
Gross operational cash flow	-9,050	-3,940	8,533	4,770
Cash flow for investment activities	-5,798	-2,825	-8,664	-4,157
Gross Free Cash Flow	***-14,848***	***-6,765***	***-131***	***613***
Non-recurring expenditure for voluntary resignation incentives	-119	0	-132	-132
Net Free Cash Flow	***-14,967***	***-6,765***	***-263***	***481***
Repayment of leases (IFRS 16)	-1,111	-558	-2,260	-1,248
Overall cash flow	**-16,078**	**-7,323**	**-2,523**	**-767**

The net free cash flow for the period was Euro 14,967 thousand, of which Euro 9,169 thousand absorbed by operations, and Euro 5,798 thousand by investments.

Investments

Investments in property, plant, machinery and other equipment totalled Euro 2,738 thousand (Euro 1,281 thousand as at 30 June 2019) and refer to purchases of new equipment, particularly moulds and test benches required to produce new product lines for a major OEM customer.

The increase in intangible assets amounted to Euro 3,247 thousand (Euro 2,982 thousand as at 30 June 2019) and mainly related to the capitalisation of costs of development projects for new products, and particularly for the Heavy-Duty market, for Euro 2,990 thousand, which meet the requirements of IAS 38 for recognition as balance sheet assets.

Performance of the Parent Company

In the first half of 2020, Landi Renzo S.p.A. generated revenues of Euro 44,566 thousand compared with Euro 74,457 thousand in the same period of the prior year. The Gross Operating Profit totalled Euro 37 thousand (inclusive of Euro 814 thousand in non-recurring costs), compared with Euro 9,493 thousand at 30 June 2019 (inclusive of Euro 340 thousand in non-recurring costs), while the net financial position was Euro -82,230 thousand (Euro -76,349 thousand, net of the effects deriving from the application of IFRS 16 and the fair value of financial derivative contracts) compared with Euro -66,675 thousand at 31 December 2019 (Euro -61,025 thousand, net of the effects deriving from the application of IFRS 16 and the fair value of financial derivative contracts).

At the end of the six-month period, the Parent Company's workforce numbered 305 employees, basically in line with 31 December 2019 (306).

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 30.06.2020	Result at 30.06.2020	Shareholders' equity at 30.06.2019	Result at 30.06.2019
Shareholder's equity and result for the year of the Parent Company	**48,893**	**-4,998**	**53,607**	**1,895**
Difference between the carrying amount and pro rata value of the shareholders' equity of consolidated companies	10,335	0	10,923	0
Pro rata results achieved by investees	0	-1,454	0	1,783
Elimination of the effects of intra-group commercial transactions	-800	30	-800	120
Exchange gains and losses from the measurement of intra-group loans	38	0	-71	71
Elimination of revaluation/write-down of investments and recognition of impairment of goodwill	135	-254	0	-1,078
Elimination of the effects of intra-group assets	-447	59	-527	34
Other minor effects	-35	-36	-3	61
Shareholders' equity and result for the year from Consolidated Financial Statements	**58,119**	**-6,653**	**63,129**	**2,886**
Shareholders' equity and result for the year of minority interests	-395	-92	-328	-53
Shareholders' equity and result for the year of the Group	**58,514**	**-6,561**	**63,457**	**2,939**

2.2. INNOVATION, RESEARCH AND DEVELOPMENT

Research and Development activities continued during the first half of 2020, despite the lockdown, thanks to the remote working systems and forecasting software available to the research and development team, with the continuation of projects started in the previous year as well as the launch of new initiatives, in particular:

- the development of systems and components for the OEM channel for new vehicles and new engines for major automotive manufacturers, in particular for the new Euro6d-Full emission limits, the first sales of which are expected to begin at the end of 2020;
- the development of products for the Heavy Duty market, which is an important target for the Group, in particular:
  - development of new hydrogen products for Fuel Cells;
  - development of conversion systems for the After Market channel intended for new vehicles and engines.

2.3. SHAREHOLDERS AND FINANCIAL MARKETS

The Landi 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 providing a clear explanation of the company's evolution. The Investor Relations office is also assigned the task of organizing presentations, events and "Road shows" that enable a direct relationship 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 real time updates on the share price, visit the Investors section of the website www.landirenzogroup.com.

The following table summarises the main share and stock market data for the six-month period:

Price at 2 January 2020	0.9190
Price at 30 June 2020	0.6300
Maximum price 2020 (2 January 2020 - 30 June 2020)	0.9300
Minimum price 2020 (2 January 2020 - 30 June 2020)	0.3680
Market Capitalisation at 30 June 2020 (thousands of Euro)	70,875
Group equity and minority interests at 30 June 2020 (thousands of Euro)	58,119
Number of shares representing the share capital	112,500,000

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.

2.4. POLICY FOR ANALYSING AND MANAGING RISKS CONNECTED WITH THE ACTIVITIES OF THE GROUP

The Group is exposed to various risks associated with its activities, particularly in relation to the following types:

- External risks: following the spread of the Covid-19 pandemic, the Group's plants located in Italy, Poland and Romania were subject to a temporary suspension of production activities due to the various lockdowns imposed by the governments of the respective countries. The Landi Renzo Group immediately began to closely monitor the evolution of the pandemic at global level in order to face and prevent the issues generated by its spread and to 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, temperature checks, hygiene and social distancing rules, extension of remote working). The Group's management is continuing to very closely monitor developments in the pandemic in order to make recourse to additional mitigation measures should the crisis continue.

- Strategic risks relating to the macroeconomic and sector situation and recoverability of intangible assets, particularly goodwill. Intangible assets totalling Euro 50,989 thousand are reported in the condensed half-yearly consolidated financial statements at 30 June 2020, including Euro 9,059 thousand for development expenditure, Euro 30,094 thousand for goodwill, Euro 11,836 thousand for patents and trademarks and also right-of-use assets of Euro 5,509 thousand and net prepaid tax totalling Euro 10,125 thousand. In this regard, please note that the Group considered the significant reduction in turnover and operating results, compared with the corresponding period of the previous year and compared with the 2020-2025 Strategic Plan approved by the Board of Directors of the parent company Landi Renzo S.p.A. on 12 March 2020, as a result of the effects of the Covid-19 pandemic within the economic environment in which the Group operates, as a trigger event. Therefore, the goodwill recognised in these financial statements and linked to the Automotive CGU (Cash Generating Unit) was tested for impairment, as approved by the Board of Directors of Landi Renzo S.p.A. on 11 September 2020, information concerning which is provided in section 4.4.4. "Goodwill" of the explanatory notes. The results of this impairment test did not show any impairment losses.
- Operational risks, in detail:
  a) risks relating to relations with OEM customers (in the six-month period in question, Group sales of systems and components to OEM customers accounted for around 47.6% of total sales);
  b) the highly competitive markets in which the Group operates;
  c) product liability;
  d) the protection of intellectual property.
- Financial risks, specifically:
  a) Interest rate risk, linked to fluctuations in the interest rates applied on Group variable-rate loans;
  b) Exchange rate risk, relating both to the marketing of products in countries outside the Euro area and to the conversion of financial statements of subsidiaries not belonging to the European Monetary Union for inclusion in the consolidated financial statements;
  c) Credit risk related to non-fulfilment of contractual obligations by a customer or counterparty;
  d) Liquidity risk, related to possible difficulties in meeting obligations associated with financial liabilities.

As described above in the section "Net financial position and cash flows" of this Report, the Group has carried out a series of actions intended to strengthen the Group's capital and financial structure, which entailed:

- the signing of a new 48-month loan agreement with a leading domestic credit institution for a nominal amount of Euro 3 million to support its current operations;
- taking out a new six-year loan for a nominal amount of Euro 21 million, 90% backed by the SACE guarantee, with a pre-amortisation period of two years;
- obtaining from all credit institutions underwriting the loans waiver letters with respect to the financial covenants and the deferment of the principal instalment falling due on 30 June 2020.

As at 30 June 2020, all credit institutions underwriting the loans issued waiver letters with respect to the financial covenants as at 30 June and 31 December 2020 and their consent to the deferment of the principal instalment falling due on 30 June 2020, which was rescheduled to the end of the amortisation plan (June 2024).

This being said and also taking into account the actions carried out by the management in order to limit operating costs, it is deemed that the financial resources still available to the Group can make it possible to more rapidly and effectively manage any requirements connected to possible developments in the pandemic and will guarantee the financial support to enact the strategies to quickly resume business when the general situation returns to normal.

The Half-Yearly Financial Report at 30 June 2020 does not include all the information on the management of the above-mentioned risks required for the annual financial statements, and should be read in conjunction with the Annual Financial Report prepared for the year ended 31 December 2019.

2.5. OTHER INFORMATION

Impact of the Covid-19 pandemic on the Condensed Half-Yearly Consolidated Financial Statements at 30 June 2020

In January 2020, the WHO (World Health Organisation) announced the spread of the Covid-19 infection in China, and later on 30 January declared a state of health emergency at international level. Following the spread of the pandemic in Europe in the months of March and April, many countries imposed strict lockdowns in order to limit the contagion. The Landi Renzo Group immediately began to closely monitor the evolution of the pandemic in order to face and prevent the issues generated by its global spread.

In the first half of 2020, the Group's plants were involved in lockdown periods, which were different depending on the country based on the countermeasures undertaken by the respective governments. For the resumption of work at the production sites, the Group has taken all measures required to combat the virus and protect the health of employees and associates: sanitisation of work environments, acquisition of personal protection equipment, implementation of hygiene and social distancing rules, extension of remote working.

The management is paying particularly close attention to the financial position, medium-term cash forecasts and the financing options proposed by the government to support companies. From this standpoint, Landi Renzo signed a new 48-month loan agreement with a leading domestic credit institution for a nominal amount of Euro 3 million to support its current operations, and also immediately reached out to the same leading domestic credit institutions from which it took out the Euro 65 million loan in June 2019 in order to access the facilitations established by the *Decreto Liquidità*. On 30 July 2020, Landi Renzo S.p.A. took out a new six-year loan from that pool for a nominal amount of Euro 21 million, 90% backed by the SACE guarantee, with a pre-amortisation period of two years. After signing that agreement, the Group's financial position is deemed under control.

To limit the cost of personnel who are not working, employment support measures and other forms of public support have been activated to protect the workers present in every country, in addition to greater recourse to holidays. Plans were also launched to limit costs not deemed priorities, to defer non-strategic investments and to renegotiate or defer several supply contracts, as well as actions to limit working capital.

When the condensed half-yearly consolidated financial statements were drafted, the main financial and operating risks to which the Group is exposed were analysed, as described in the "Policy for analysing and managing risks connected with the activities of the Group" in this Report, in order to evaluate the negative effects of the Covid-19 pandemic.

As specifically 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, while the After Market channel, instead including distributors and workshops, was significantly impacted by the effects of the pandemic, with a heavy drop in conversions, especially in the Latam area, India and North Africa. 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. In any event, the analyses performed did not bring to light relevant critical issues in terms of Group customer solvency. There were also no procurement issues identified in the supply chain, or particular financial tensions for the Group's strategic suppliers.

This international economic context strongly influenced the Group's results in the first half of the year: the Group's revenues from sales as at 30 June 2020 indeed came out to Euro 59,857 thousand, with a decline of 41.3% compared with the same period of the previous year, while adjusted EBITDA as at 30 June 2020 amounted to Euro 1,852 thousand, equal to 3.1% of revenues, compared with Euro 13,612 thousand, equal to 13.3%, in the same period of the previous year. On the basis of orders in the portfolio and delivery forecasts for the first quarter of 2020, when the Italian government declared the lockdown, it is important to note that the turnover that the Group could have achieved lacking the negative effects of Covid-19 has been estimated by the management at more than Euro 45 million, higher than that recorded in the first quarter of 2019. This further confirms the correlation between the decline in revenue recorded by the Group during the half and the spread of the Covid-19 pandemic.

The decline in sales volumes also had a negative impact on cash flows. The Net Financial Position as at 30 June 2020 is indeed equal to Euro 79,087 thousand (Euro 61,767 thousand as at 31 December 2019), of which Euro 5,642 thousand due to the application of IFRS 16 - Leases and Euro 261 thousand due to the fair value of derivative financial contracts.

The Group will also continue 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. Moreover, please note that, on the basis of the data currently available with regard to operating performance for the second part of the year and sector estimates concerning the foreseeable future (although those estimates could inevitably be subject to future changes depending on the scenarios that will materialise), the analyses performed for the impairment test – information concerning which is provided in the Explanatory Notes – have not brought to light financial statement item valuation issues.

With reference to potential liquidity risks, the Directors, considering the analyses – which also take into account the uncertainty of the reference economic and financial context, liquidity as at 30 June, the available financial forecasts for the short term and the Group's capitalisation – believe that business continuity is broadly 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 condensed half-yearly consolidated financial statements as at 30 June 2020 were drafted on the basis of the going concern assumption.

Transactions with related parties

The creditor/debtor relationships and economic transactions with related companies are the subject of a specific analysis in the explanatory notes to which you are referred. It should also be noted that sales and purchases between the parties are not classed as atypical or unusual since they fall within the regular operations of the Group companies and they are conducted at regular market rates.

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.

Lastly, please note that 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, available on the company website, to which you are referred.

Positions or transactions deriving from atypical and/or unusual transactions

Pursuant to Consob communication no. 6064293 of 28 July 2006, note that during the period 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 2019 and the first half of 2020 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.

Adoption of simplification of reporting obligations pursuant to 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, par. 8, and 71, par. 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.

Sub-offices

No sub-offices were established.

2.6. SIGNIFICANT EVENTS AFTER CLOSING OF THE SIX-MONTH PERIOD AND FORECAST FOR OPERATIONS

Significant events after closing of the six-month period

- In July 2020, Landi Renzo S.p.A. took out a new subsidised loan from a pool of banks backed by a guarantee provided by SACE S.p.A., pursuant to Italian Decree Law no. 23 of 8 April 2020, published in the Italian Official Gazette no. 94 of 8 April 2020 (and converted into law no. 40 of 5 June 2020, the "Decreto Liquidità"). The loan, for an initial nominal amount of 21 million, has a duration of 6 years and includes a two-year pre-amortisation period. The signing of that loan agreement made it possible to consolidate the Group's financial position, which will make it possible to best handle the financial commitments deriving from operating activities and provide the resources necessary to manage the expected recovery in sales volumes.
- The Landi Renzo Group, given its vision as to the potential for the development of hydrogen in the mobility sector, decided to take another step forward on the road of hydrogen, including at international level. The US branch, Landi Renzo USA, has indeed formally become a member of the California Hydrogen Business Council (CHBC), a body which brings together and represents many businesses in the Californian hydrogen industry, in a country which is definitely one of the most active and advanced in the world in the development of a hydrogen economy.
- On 11 September 2020 the Board of Directors of Landi Renzo S.p.A. approved the merger by incorporation of the wholly owned subsidiary Lovato Gas S.p.A. into the parent company Landi Renzo S.p.A., in accordance with the terms of the merger plan already approved on 29 June 2020. This transaction is part of the Group level reorganisation process launched in prior years, which saw the integration of several Lovato Gas S.p.A. functions within the Parent Company Landi Renzo S.p.A., and in this respect it is deemed that the merger will make it possible to further optimise decision-making processes and improve the utilisation and enhancement of the resources and skills currently existing within the companies participating in the merger. In particular, the aggregation of activities within a single legal entity will lead to an improvement in operating efficiency (corporate, accounting and administrative) and the achievement of further synergies in order to reduce overall costs, avoiding the duplication of certain activities in two separate legal entities. In any event, Lovato will continue to be an important brand for the Landi Renzo Group, given its international presence and its strength in many strategic markets, from Russia to India. The merger will become legally effective with respect to third parties starting from the last of the required registrations of the merger deed with the competent registers of companies, or the subsequent date that it will establish, while it will be effective for tax and accounting purposes as of 1 January 2020.

Likely future developments

While the limitation of the Covid-19 pandemic in Europe now appears to be a well-established reality, although with the necessary uncertainties connected to possible new outbreaks, its spread in North and South America and in some areas of Asia, particularly in India, has not yet reached a peak of infections. Thus, significant uncertainties remain as concerns international market trends, also due to the possibility of a second wave of outbreaks in the coming months, which as things currently stand cannot be ruled out, and the macroeconomic effects of which are difficult to predict, causing limited visibility as to market developments over the coming months.

Although we are observing a progressive recovery in production volumes in the course of the third quarter, also thanks to the automotive segment incentives provided by many countries, the main market analysts are in any event expecting a decline in the global automotive segment for the second half of 2020 as well.

Against these forecasts and market uncertainties, the Landi Renzo Group immediately launched a plan to control and reduce fixed costs, including through recourse to employment support measures, and deferred its less strategic investments so as to reduce the effects of the Covid-19 pandemic on the Group's economic and financial results for the current year.

With respect to likely future business trends, on the basis of the most recent forecast data, which show a significant recovery in sales in the second half of the year compared with the first, the management expects that for this year turnover will experience an overall decline of roughly 25% compared with the previous year, a clear improvement compared with the -41.3% recorded as at 30 June 2020 (-61% in the second quarter of 2020 alone). As a result, we expect a significant reduction in the final net loss, with an expected improvement in EBITDA compared with the first half of the year. Furthermore, also thanks to the new Euro 21 million loan taken out in July from a pool of major Italian banks and backed by SACE S.p.A. pursuant to the *Decreto Liquidità*, the Landi Renzo Group has adequate financial resources to meet its current needs.

Meanwhile, the joint venture SAFE & CEC was much less impacted by the pandemic. Indeed, revenues in the first half were up compared with the same period of the previous year. Despite the uncertainties in the market that continue to be observed due to the Covid-19 pandemic, on the basis of the most recent forecast data, 2020 revenues are expected to improve compared with the previous year, due to the significant current order portfolio.

Cavriago, 11 September 2020

Chief Executive Officer
Cristiano Musi

E-MARKET SDIR CERTIFIED

3. CONDENSED HALF-YEARLY CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2020

3.1. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Thousands of Euro)

ASSETS	Notes	30/06/2020	31/12/2019
Non-current assets			
Land, property, plant, machinery and other equipment	2	12,225	11,578
Development expenditure	3	9,059	8,228
Goodwill	4	30,094	30,094
Other intangible assets with finite useful lives	5	11,836	12,536
Right-of-use assets	6	5,509	6,402
Equity investments measured using the equity method	7	22,434	23,530
Other non-current financial assets	8	330	334
Other non-current assets	9	3,420	3,420
Deferred tax assets	10	10,125	8,704
Total non-current assets		**105,032**	**104,826**
Current assets			
Trade receivables	11	35,215	40,545
Inventories	12	46,719	39,774
Other receivables and current assets	13	8,970	7,337
Current financial assets	14	2,801	2,801
Cash and cash equivalents	15	13,558	22,650
Total current assets		**107,263**	**113,107**
TOTAL ASSETS		**212,295**	**217,933**

(Thousands of Euro)

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	30/06/2020	31/12/2019
Shareholders' equity			
Share capital		11,250	11,250
Other reserves		53,825	49,367
Profit (loss) for the period		-6,561	6,048
Total Shareholders' equity of the Group		**58,514**	**66,665**
Minority interests		-395	-332
TOTAL SHAREHOLDERS' EQUITY	16	**58,119**	**66,333**
Non-current liabilities			
Non-current bank loans	17	52,613	50,991
Other non-current financial liabilities	18	785	0
Non-current liabilities for rights of use	19	3,699	4,535
Provisions for risks and charges	20	2,833	3,609
Defined benefit plans for employees	21	1,581	1,630
Deferred tax liabilities	22	337	407
Liabilities for derivative financial instruments	23	261	30
Total non-current liabilities		**62,109**	**61,202**
Current liabilities			
Bank financing and short-term loans	23	35,935	29,460
Other current financial liabilities	24	210	210
Current liabilities for rights of use	25	1,943	1,992
Trade payables	26	46,370	51,935
Tax liabilities	27	2,022	2,134
Other current liabilities	28	5,587	4,667
Total current liabilities		**92,067**	**90,398**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**212,295**	**217,933**

3.2. CONSOLIDATED INCOME STATEMENT

(Thousands of Euro)

CONSOLIDATED INCOME STATEMENT	Notes	30/06/2020	30/06/2019
Revenues from sales and services	29	59,857	102,035
Other revenues and income	30	64	229
Cost of raw materials, consumables and goods and change in inventories	31	-33,074	-54,346
Costs for services and use of third-party assets	32	-13,537	-19,097
Personnel costs	33	-11,305	-14,237
Allocations, write-downs and other operating expenses	34	-967	-1,312
Gross operating profit		**1,038**	**13,272**
Amortisation, depreciation and impairment	35	-6,108	-6,265
Net operating profit		**-5,070**	**7,007**
Financial income	36	181	49
Financial expenses	37	-1,534	-2,373
Exchange gains (losses)	38	-1,211	-253
Income (expenses) from joint ventures measured using the equity method	39	-305	97
Profit (loss) before tax		**-7,939**	**4,527**
Taxes	40	1,286	-1,641
Net profit (loss) for the Group and minority interests, including:		**-6,653**	**2,886**
Minority interests		-92	-53
Net profit (loss) for the Group		-6,561	2,939
Basic earnings (loss) per share (calculated on 112,500,000 shares)	41	-0.0583	0.0261
Diluted earnings (loss) per share	41	-0.0583	0.0261

3.3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Thousands of Euro)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Notes	30/06/2020	30/06/2019
Net profit (Loss) for the Group and minority interests:		**-6,653**	**2,886**
Profits/losses that will not be subsequently reclassified in the income statement			
Remeasurement of employee defined benefit plans (IAS 19)	21	1	-45
Total profits/losses that will not be subsequently reclassified in the income statement		**1**	**-45**
Profits/losses that could subsequently be reclassified in the income statement			
Measurement of investments with the equity method	7	-791	621
Fair value of derivatives, change for the period	23	-175	0
Exchange rate differences from the translation of foreign operations	16	-684	91
Total profits/losses that could subsequently be reclassified in the income statement		**-1,650**	**712**
Profits/losses recorded directly in Shareholders' Equity after tax effects		**-1,649**	**667**
Total consolidated income statement for the period		**-8,302**	**3,553**
Profit (Loss) for Shareholders of the Parent Company		-8,239	3,605
Minority interests		-63	-52

3.4. CONSOLIDATED CASH FLOW STATEMENT

(Thousands of Euro)

CONSOLIDATED CASH FLOW STATEMENT	30/06/2020	30/06/2019
Financial flows deriving from operating activities		
Pre-tax profit (loss) for the period	-7,939	4,527
Adjustments for:		
Depreciation of property, plant and machinery	1,953	2,049
Amortisation of intangible assets	3,118	2,974
Depreciation of right-of-use assets	1,037	1,242
Loss (profit) from disposal of tangible and intangible assets	-45	-28
Share-based incentive plans	88	0
Impairment loss on receivables	166	9
Net financial charges	2,564	2,577
Income (expenses) from equity investments measured using the equity method	305	-97
	1,247	**13,253**
Changes in:		
Inventories	-6,945	-249
Trade receivables and other receivables	3,534	-8,561
Trade payables and other payables	-4,912	3,823
Provisions and employee benefits	-825	-427
Cash generated from operations	**-7,901**	**7,839**
Interest paid	-828	-2,128
Interest received	51	14
Income taxes paid	-491	-1,087
Net cash generated (absorbed) by operating activities	**-9,169**	**4,638**
Financial flows from investments		
Proceeds from the sale of property, plant and machinery	187	106
Purchase of property, plant and machinery	-2,738	-1,281
Purchase of intangible assets	-257	-341
Development expenditure	-2,990	-2,641
Net cash absorbed by investment activities	**-5,798**	**-4,157**
Free Cash Flow	**-14,967**	**481**
Financial flows from financing activities		
Disbursements (Reimbursements) of loans to associates	0	-2,760
Disbursements (Reimbursements) of medium/long-term loans	2,818	35,815
Change in short-term bank debts	6,063	3,895
Repayment of leases (IFRS 16)	-1,111	-1,248
Net cash generated (absorbed) by financing activities	**7,770**	**35,702**
Net increase (decrease) in cash and cash equivalents	**-7,197**	**36,183**
Cash and cash equivalents at 1 January	**22,650**	**15,075**
Effect of exchange rate fluctuation on cash and cash equivalents	-1,895	90
Closing cash and cash equivalents	**13,558**	**51,348**

3.5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Thousands of Euro)

	Share capital	Statutory reserve	Extraordinary and other reserves	Share premium reserve	Future share capital increase contributions	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 at 31 December 2018	**11,250**	**2,250**	**2,096**	**30,718**	**8,867**	**4,671**	**59,852**	**-138**	**-138**	**59,576**
Effect of IFRS 16 adoption			0				**0**			**0**
Balance as at 1 January 2019	**11,250**	**2,250**	**2,096**	**30,718**	**8,867**	**4,671**	**59,852**	**-138**	**-138**	**59,576**
Profit (loss) for the year						2,939	**2,939**	-53		**2,886**
Actuarial gains/losses (IAS 19)			-45				**-45**			**-45**
Translation difference			90				**90**		1	**91**
Valuation of investments using equity method			621				**621**			**621**
Total overall profits/losses	**0**	**0**	**666**	**0**	**0**	**2,939**	**3,605**	**-53**	**1**	**3,553**
Allocation of profit			4,671			-4,671	**0**	138	-138	**0**
Balance as at 30 June 2019	**11,250**	**2,250**	**2,762**	**30,718**	**8,867**	**7,610**	**63,457**	**-53**	**-275**	**63,129**
Balance as at 31 December 2019	**11,250**	**2,250**	**7,532**	**30,718**	**8,867**	**6,048**	**66,665**	**-66**	**-266**	**66,333**
Profit (loss) for the year						-6,561	**-6,561**	-92		**-6,653**
Actuarial gains/losses (IAS 19)			1				**1**			**1**
Translation difference			-713				**-713**		29	**-684**
Valuation of investments using equity method			-791				**-791**			**-791**
Valuation of cash flow hedge reserve			-175				**-175**			**-175**
Total overall profits/losses	**0**	**0**	**-1,678**	**0**	**0**	**-6,561**	**-8,239**	**-92**	**29**	**-8,302**
Share-based incentive plans			88				**88**			**88**
Allocation of profit			6,048			-6,048	**0**	66	-66	**0**
Balance as at 30 June 2020	**11,250**	**2,250**	**11,990**	**30,718**	**8,867**	**-6,561**	**58,514**	**-92**	**-303**	**58,119**

4. EXPLANATORY NOTES TO THE CONDENSED HALF-YEARLY CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2020

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 ("Automotive" segment), and compressors for fuel stations through the SAFE and IMW trademarks ("Gas Distribution and Compressed Natural Gas systems" 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).

It should be noted that, except for the liquidation during the half of the subsidiary Landi Renzo Argentina S.r.l., which was not operative and not consolidated given its irrelevance, the structure of the Landi Renzo Group at 30 June 2020 has not changed compared with 31 December 2019.

The Parent Company of the Landi Renzo Group is Landi Renzo S.p.A. with registered office in Cavriago (RE), Italy, listed in the FTSE Italia STAR segment of the Milan Stock Exchange.

These Condensed Half-Yearly Consolidated Financial Statements are subject to limited auditing by PricewaterhouseCoopers S.p.A.

4.2. GENERAL ACCOUNTING STANDARDS AND CONSOLIDATION PRINCIPLES

4.2.1. Preamble

The condensed half-yearly consolidated financial statements at 30 June 2020 have been prepared pursuant to article 154-ter of Italian Legislative Decree 58/1998 "Consolidated Financial Law (*Testo Unico della Finanza*)", in accordance with the provisions of international accounting standards (IAS/IFRS) adopted by the European Union, and, in particular, those of IAS 34 "Interim Financial Reporting". As a partial exception to the provisions of IAS 34, this report provides detailed rather than summary tables in order to provide a clearer view of the economic-equity and financial dynamics over the six-month period. The explanatory notes are also presented in compliance with the information required by IAS 34 with the supplements considered useful for a clearer understanding of the half-yearly financial statements.

The Condensed Half-Yearly Consolidated Financial Statements at 30 June 2020, approved by the Board of Directors on 11 September 2020, must be read in conjunction with the Consolidated Annual Financial Statements at 31 December 2019.

The consolidation method for the financial statements of the group companies is specified below in these notes.

The valuation criteria used for the preparation of the consolidated financial statements for the six months ending 30 June 2020 are the same as those used for the consolidated financial statements at 31 December 2019.
In addition to the interim values of the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income at 30 June 2020, the balance sheet figures for the year ending 31 December 2019 and the income statement figures at 30 June 2019 are included in the tables below for purposes of comparison.

The functional and reporting currency is the Euro. Figures in the statements and tables in these condensed half-yearly consolidated financial statements are in thousands of Euro, unless specified otherwise.

Going Concern

Like all companies in the automotive segment, the Group is experiencing a decline in sales volumes due to the international spread of the Covid-19 pandemic and the relative consequences in terms of the suspension of production activities and the collapse in demand. This has generated factors of uncertainty which have been and continue to be monitored by the management, which launched initiatives to mitigate the effects of this pandemic on the Group's economic and financial results.

Due to the effects of the Covid-19 pandemic on international economies, and in particular on the Automotive segment, the Group's turnover as at 30 June 2020 declined by 41.3% compared with the same period of the previous year. Furthermore, according to current forecasts, the second half of 2020 is expected to decline compared with 2019, although to a lesser extent than in the previous half-year period. This unforeseen reduction in volumes had a significant effect on the economic results and financial and capital indicators of the Group. Thanks to the initiatives put into place by the management intended to limit both fixed and variable costs, adjusted EBITDA in any event was positive and equal to Euro 1,852 thousand, but in any event much lower than in the same period of the previous year. The net loss for the period is equal to Euro -6,653 thousand, while the Net Financial Position is up and equal to Euro 79,087 thousand, of which Euro 5,642 thousand due to the application of IFRS 16 - Leases and Euro 261 thousand due to the fair value of financial derivative contracts.

In this context, the management has performed accurate analyses concerning expected trends for the second half of 2020 and, with reference to the medium term (time horizon of an additional 5 years) – considering estimates regarding the expected performance of the segment within the current context, highly influenced by the pandemic – determined on the basis of a series of studies by external analysts, and in order to also consider the expected benefits of the cost limitation initiatives put into place.

Furthermore, the management is paying particularly close attention to the financial position, medium-term cash forecasts and the financing options proposed by the government to support companies. From this standpoint, Landi Renzo signed a new 48-month loan agreement with a leading domestic credit institution for a nominal amount of Euro 3 million to support its current operations, and also immediately reached out to the same leading domestic credit institutions in order to access the facilitations established by the *Decreto Liquidità*. On 30 July 2020, Landi Renzo S.p.A. took out a new six-year loan for a nominal amount of Euro 21 million, 90% backed by the SACE guarantee, with a pre-amortisation period of two years. After signing that agreement, the Group's financial position is deemed under control.

As at 30 June 2020, all credit institutions underwriting the loan issued waiver letters with respect to the financial covenants as at 30 June and 31 December 2020 and their consent to the deferment of the principal instalment falling due on 30 June 2020, which was rescheduled to the end of the amortisation plan (June 2024).

Taking into account what is described above, and particularly:

- the new forecasts formulated by the directors concerning business performance for the second half of 2020 and subsequent years, prepared on the basis of the latest information available, show business sustainability and forecasts of increasing margins,
- the holiday period granted by the banks until the calculation date of 30 June 2021, with an increase in the

parameters set forth in the contract and redefined on the basis of the forecasts pursuant to the previous point;

- the disbursement by the pool of banks of the loan with the SACE guarantee of Euro 21 million, which enables the Group to secure its financial position,

it is believed that business continuity is broadly 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 condensed half-yearly consolidated financial statements as at 30 June 2020 were drafted on the basis of the going concern assumption.

Use of estimates

The drafting of the condensed half-yearly consolidated financial statements requires estimates and assumptions to be developed based on the best assessments of the management. These estimates and assumptions are revised regularly. Should such estimates and assumptions differ from actual circumstances in the future, they will be changed.
Please note that, in light of the changed global economic context following the pandemic caused by the Covid-19 coronavirus, the management updated the estimates and assumptions compared with the financial statements closed as at 31 December 2019, primarily in relation to the recoverable amount of goodwill, the provision for bad debts, the inventory write-down reserve and the recoverability of deferred tax assets.
In particular, with reference to the determination of any impairment losses on fixed assets, the tests are performed to a fuller extent only during the preparation of the annual financial statements, when all the necessary information is available, except for those cases in which there are impairment indicators that require an immediate assessment of possible losses in value, or when events which require the repetition of the procedure take place. Please note that the pandemic caused by the Covid-19 coronavirus and the resulting deterioration of global economic conditions constituted impairment indicators as they significantly impacted the Group's performance in the first half of 2020. Therefore, also in light of the recent recommendations issued by Consob and ESMA, the management considered it appropriate to perform the impairment test also for the preparation of the condensed half-yearly consolidated financial statements as at 30 June 2020, information on which is provided below in section 4.4.4. "Goodwill".

Amendments and revised accounting standards applied by the Group for the first time

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 2020 or thereafter.

EU endorsement regulation	Description
Regulation (EU) 2020/34	Amendment to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform": this amendment modifies provisions on hedge accounting in IFRS 9 and IAS 39.
Regulation (EU) 2020/551	Amendment to IFRS 3 – Business Combinations: the amendment aims to help determine whether a transaction is an acquisition of a business or a group of assets which does not qualify as a business pursuant to IFRS 3.
Regulation (EU) 2019/2104	Amendment to IAS 1 (Presentation of financial statements) and IAS 8: (Accounting policies, changes in accounting estimates and errors), definition of Material and Conceptual Framework for Financial Reporting

The amendments mentioned above did not have significant effects on the Group's condensed half-yearly consolidated 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	IASB Publications
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.
18 May 2017	The IASB published IFRS 17 – Insurance Contracts. The standard aims to improve understanding by investors, and others, of the exposure to risk, profitability and the financial position of insurers. IFRS 17 replaces IFRS 4, issued in 2004 as an interim Standard, and will come into force on 1 January 2021, but early adoption is permitted. This standard is not applicable to the Group.
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. The amendments will come into force on 1 January 2022, but early adoption is permitted.
14 May 2020	The IASB published an amendment to the following international accounting standards and improvements: • IFRS 3 – Business Combinations; • IAS 16 – Property, Plant and Equipment; • IAS 37 – Provisions, Contingent Liabilities and Contingent Assets • Annual Improvements 2018-2020
28 May 2020	The IASB published the IFRS 16 Leases Covid-19-Related Rent Concessions amendment. This amendment governs the accounting by lessees of any modifications granted by lessors on operating lease agreement instalments by introducing a practical expedient which simplifies how to account for them when they are a direct consequence of the Covid-19 pandemic, allowing the lessee to avoid evaluating whether they entail a lease modification, and rather allowing it to account for them as a variable lease payment in the period in which the concession is provided. The amendment came into force on 1 June 2020, but early adoption was permitted.
25 June 2020	The IASB published the amendment to IFRS 4 – Insurance contracts, deferral of IFRS 9. This amendment came into force on 1 January 2021.

The Group is evaluating the effects that the adoption of such standards may have on its financial statements.

E-MARKET SDIR CERTIFIED

4.2.2. Consolidation procedures and valuation criteria

The preparation of the Condensed Half-Yearly Consolidated Financial Statements requires the directors to apply accounting standards and methods that are sometimes based on difficult and subjective assessments and estimates derived from past experience and based on 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 Consolidated Statement of Financial Position, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement, and in disclosures provided. Estimates are used in recognising goodwill, impairment of fixed assets, development costs, taxes, provisions for bad debts and inventories write-down, employee benefits and other provisions. The estimates and assumptions are reviewed periodically and the effects of each variation are immediately reflected in the Income Statement.

However, some valuation processes, especially the more complex ones such as establishing any loss in value of non-current assets, are normally carried out to a fuller extent only during the preparation of the annual financial statements, when all the necessary information is available, except for those cases in which there are impairment indicators that require an immediate assessment of possible losses in value.

The Group performs activities that do not on the whole present significant seasonal or cyclical variations in total sales over the year, except for the signing of new supply contracts for the OEM channel which may involve planned and differing delivery schedules in the individual quarters.

4.2.3. 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.

The following table specifies the exchange rates used for the conversion of financial statements expressed in currencies other than the accounting currency.

Exchange rate (Currency against the Euro)	At 30/06/2020	H1 Ave. 2020	At 31/12/2019	Average 2019	At 30/06/2019	H1 Ave. 2019
Real – Brazil	6.112	5.410	4.516	4.413	4.351	4.342
Renminbi – China	7.922	7.751	7.821	7.736	7.819	7.668
Rial – Iran	47,032.000	46,285.944	47,183.000	47,017.949	47,796.000	47,450.936
Rupee – Pakistan	187.789	175.934	173.959	168.318	184.759	162.001
Zloty – Poland	4.456	4.412	4.257	4.298	4.250	4.292
Leu – Romania	4.840	4.817	4.783	4.745	4.734	4.742
Dollar - US	1.120	1.102	1.123	1.120	1.138	1.130

Peso - Argentina	78.786	71.054	67.275	53.823	48.568	46.800
Rupee - India	84.624	81.705	80.187	78.836	78.524	79.124

4.3. 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. With the exclusion of the liquidation of the subsidiary Landi Renzo Argentina Srl, a company that was not consolidated due to its irrelevance, there has been no change to the scope of consolidation at 30 June 2020 compared with 31 December 2019. The liquidation of Landi Renzo Argentina Srl had no significant impacts on the Group's consolidated financial statements.

The list of equity investments included in the scope of consolidation and the relative consolidation method is provided below.

Description	Registered Office		Share capital	% stake at 30 June 2020 Direct investment	% stake at 30 June 2020 Indirect investment	Notes
Parent Company						
Landi Renzo S.p.A.	Cavriago (RE) - Italy	EUR	11,250,000	Parent Company		
Companies consolidated using the line-by-line method						
Landi International B.V.	Utrecht (The Netherlands)	EUR	18,151	100.00%		
Landi Renzo Polska Sp.Zo.O.	Warsaw (Poland)	PLN	50,000		100.00%	(1)
LR Indústria e Comércio Ltda	Espirito Santo (Brazil)	BRL	4,320,000	99.99%		
Beijing Landi Renzo Autogas System Co. Ltd	Beijing (China)	USD	2,600,000	100.00%		
L.R. Pak (Pvt) Limited	Karachi (Pakistan)	PKR	75,000,000	70.00%		
Landi Renzo Pars Private Joint Stock Company	Tehran (Iran)	IRR	55,914,800,000	99.99%		
Landi Renzo RO S.r.l.	Bucharest (Romania)	RON	20,890	100.00%		
Landi Renzo USA Corporation	Wilmington - DE (USA)	USD	3,067,131	100.00%		
AEB America S.r.l.	Buenos Aires (Argentina)	ARS	2,030,220	96.00%		
Lovato Gas S.p.A.	Vicenza (Italy)	EUR	120,000	100.00%		
Officine Lovato Private Limited	Mumbai (India)	INR	19,091,430		74.00%	(2)
Associates and subsidiaries consolidated using the equity method						
SAFE&CEC S.r.l.	S. Giovanni in Persiceto (Bologna, Italy)	EUR	2,500,000	51.00%		(3)
Krishna Landi Renzo India Private Ltd Held	Gurugram - Haryana (India)	INR	118,000,000	51.00%		(4)
Other minor companies						
Landi Renzo VE.CA.	Caracas (Venezuela)	VEF	2,035,220	100.00%		(5)
Lovato do Brasil Ind Com de Equipamentos para Gas Ltda	Curitiba (Brazil)	BRL	100,000		100.00%	(5)
EFI Avtosanoat-Landi Renzo LLC	Navoiy Region (Uzbekistan)	USD	800,000	50.00%		(6)

Detailed notes on investments:

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

(2) Held by Lovato Gas S.p.A.

(3) Company joint venture that controls 100% of SAFE S.p.A. and 100% of IMW Industries Ltd and its subsidiaries

(4) Company joint venture

(5) Companies not consolidated as a result of their irrelevance

(6) Company joint venture not consolidated due to its irrelevance

4.4. EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The changes reported hereafter have been calculated on the balances at 31 December 2019 as regards balance sheet items and on the values of the first half of 2019 as regards income statement items.

4.4.1. SEGMENT REPORTING

During the first six months of 2020 the Group's direct operations were only in the Automotive segment.

The Group operates indirectly in the "Gas Distribution and Compressed Natural Gas" segment through the joint venture SAFE & CEC S.r.l. which, in accordance with the contractual governance system, meets the joint control requirements as stipulated by IFRS 11, and is consolidated according to the net equity method.

Consolidated revenues recorded in the first six months of 2020 by the Landi Renzo Group are divided by geographical area as follows:

(Thousands of Euro)

Geographical distribution of revenues	At 30/06/2020	% of revenues	At 30/06/2019	% of revenues	Change	%
Italy	9,852	16.5%	19,740	19.3%	-9,888	-50.1%
Europe (excluding Italy)	31,874	53.3%	49,709	48.7%	-17,835	-35.9%
America	6,862	11.5%	13,440	13.2%	-6,578	-48.9%
Asia and Rest of the World	11,269	18.7%	19,146	18.8%	-7,877	-41.1%
Total	**59,857**	**100.0%**	**102,035**	**100.0%**	**-42,178**	**-41.3%**

NON-CURRENT ASSETS

4.4.2. LAND, PROPERTY, PLANT, MACHINERY AND OTHER EQUIPMENT

The following is an analysis of changes in "Land, property, plant, machinery and other equipment" that took place during the first half of 2019:

(Thousands of Euro)

Net value	31/12/2018	Increases	Decreases	Depreciation	Other changes	30/06/2019
Land and buildings	811	4	0	-121	-25	**669**
Plant and machinery	6,134	182	0	-810	-186	**5,320**
Industrial and commercial equipment	2,968	414	-6	-712	-56	**2,608**
Other tangible assets	1,850	233	-72	-406	163	**1,768**
Assets in progress and payments on account	982	448	0	0	125	**1,555**
Total	**12,745**	**1,281**	**-78**	**-2,049**	**21**	**11,920**

The following is an analysis of changes in "Land, property, plant, machinery and other equipment" that took place during the first half of 2020:

(Thousands of Euro)

Net value	31/12/2019	Increases	Decreases	Depreciation	Other changes	30/06/2020
Land and buildings	968	7	0	-200	-21	**754**
Plant and machinery	5,124	158	-32	-718	27	**4,559**
Industrial and commercial equipment	3,275	2,056	-33	-692	51	**4,657**
Other tangible assets	1,496	117	0	-344	-26	**1,243**
Assets in progress and payments on account	715	400	-77	0	-27	**1,011**
Total	**11,578**	**2,738**	**-142**	**-1,953**	**4**	**12,225**

Tangible assets showed an overall net increase of Euro 647 thousand, rising from Euro 11,578 thousand at 31 December 2019 to Euro 12,225 thousand at 30 June 2020.

Increases during the half, amounting to Euro 2,738 thousand, primarily relate to the acquisition of new equipment (total of Euro 2,056 thousand) connected to investments in moulds and test benches required to produce new product lines for a top OEM customer.

Decreases during the half, amounting to Euro 142 thousand, relate primarily to equipment made by the Company on behalf of a top OEM customer. Disposals during the period had no significant impacts on the income statement.

The item "Assets in progress and payments on account", totalling Euro 1,011 thousand as at 30 June 2020 (Euro 715 thousand as at 31 December 2019), primarily includes investments made by the Parent Company in several new work benches and moulds for the specific production required to create new products for an important OEM customer. These investments, which began in the previous year and the completion and implementation of which were slowed by the extended lockdown period, 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 primarily conversion differences on assets held by companies abroad.

4.4.3. DEVELOPMENT EXPENDITURE

An analysis of changes in development expenditure during the first half of 2019 is shown in detail below:

(Thousands of Euro)	31/12/2018	Increases	Depreciation	Other changes	30/06/2019
Development expenditure	**6,932**	2,641	-1,974	0	**7,599**

An analysis of changes in development expenditure during the first half of 2020 is shown in detail below:

(Thousands of Euro)	31/12/2019	Increases	Depreciation	Other changes	30/06/2020
Development expenditure	**8,228**	2,990	-2,159	0	**9,059**

Development costs amounted to Euro 9,059 thousand (Euro 8,228 thousand at 31 December 2019) 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.

Costs capitalised during the first half of 2020 are equal to a total of Euro 2,990 thousand (Euro 2,641 thousand as at 30 June 2019), up compared with the same period of the previous year due to the gradual increase in investments by the Group in highly specialised resources intended to support growing research and development of new products and solutions, including in particular the new team located at the Turin research centre, inaugurated at the end of 2019, which will constitute the centre of excellence for the development of the Group's mechatronic components and systems for the Heavy-Duty market. Thanks to the Group's technological and innovative drive, the research and development team, through remote working systems and simulation software based on internally-developed forecast models, was able to continue its new product development activities during the lockdown period as well, for the OEM and After Market channels, with a particular emphasis on new projects for the Heavy-Duty market and hydrogen mobility.

Costs capitalised refer to development projects for new products, the value of which is expected to be recovered through revenue flows generated in future years. It is expected that new product development activities will continue during the second half of 2020.

4.4.4. GOODWILL

The item “Goodwill” totalled Euro 30,094 thousand, unchanged compared with 31 December and 30 June 2019, and refers in full to the Automotive CGU.

(Thousands of Euro)

CGU	30/06/2020	31/12/2019	Change
Automotive	30,094	30,094	0
Total	**30,094**	**30,094**	**0**

As required by IAS 36, the Group evaluated the possible existence of impairment indicators with reference to the financial statements closed as at 30 June 2020. In particular, the Group considered the significant reduction in turnover and operating results, compared with the corresponding period of the previous year and compared with the 2020-2025 Strategic Plan approved by the Board of Directors on 12 March 2020, as a result of the effects of the Covid-19 pandemic within the economic environment in which the Group operates, as a trigger event. As a result, on 11 September 2020 the Board of Directors of Landi Renzo SpA approved the impairment test performed with reference to the goodwill of the Automotive CGU.

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.

As a result of the particular situation of uncertainty in the current macroeconomic context and the resulting difficulty in developing updated and reliable business plans within a continuously evolving scenario, the test was conducted using the Strategic Plan for the years 2020-2025, approved by the Board of Directors on 12 March 2020 and appropriately adjusted to take into consideration the possible effects of that extraordinary event on the 2020 results and thereafter. In particular, corrective elements were applied which take into account both the estimated timing of the Italian and international economic recovery and the expected benefits of the cost curbing initiatives undertaken by the management in order to mitigate the negative effects of the pandemic on the Group’s results.

For said impairment test, a terminal value was 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 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 government bonds, equal to 1.41%;

- 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 weighted average cost of capital (W.A.C.C.) relating to the Automotive CGU is therefore equal to 10.59% (9.92% as at 31 December 2019). The “g” growth rate is instead 3.39% (3.78% as at 31 December 2019).

This test, the results of which were approved by the Board of Directors of the Parent Company on 11 September 2020, did not bring to light any impairment losses.

The changes in the basic assumptions which make the recoverable value equal to the carrying amount are shown below:

(Millions of Euro)

	Surplus of recoverable value over the carrying amount	EBITDA	Discount rate including tax %
Automotive CGU	88.8	21.2	16.64

The stock market capitalisation value of Landi Renzo S.p.A. at 30 June 2020 amounted to Euro 70.9 million. This value, albeit higher than the value of the consolidated shareholders' equity of Landi Renzo S.p.A. at the same date, is significantly lower than that recorded at 31 December 2019 (equal to Euro 101.6 million). The spread of Covid-19 in Italy and abroad indeed has had a considerable impact on financial markets, with a consequent decrease in stock valuations. The share of Landi Renzo, as many others in the Automotive segment, was particularly impacted by this situation, reaching its lowest levels during the lockdown period with a capitalisation of roughly Euro 41.4 million. The attenuation of the effects of the pandemic and the increasing and considerable interest of investors in eco-friendly technologies like gas mobility, and in particular hydrogen mobility, enabled the share to achieve significant and constant growth, which is still ongoing.

4.4.5. OTHER INTANGIBLE ASSETS WITH FINITE USEFUL LIVES

Changes in other intangible assets with finite useful lives that occurred during the first half of 2019 are shown in detail below:

(Thousands of Euro)

	31/12/2018	Increases	Amortisation	Other changes	30/06/2019
Other intangible assets with finite useful lives	**14,039**	341	-1,000	6	**13,386**

Changes in other intangible assets with finite useful lives that occurred during the first half of 2020 are shown in detail below:

(Thousands of Euro)

	31/12/2019	Increases	Amortisation	Other changes	30/06/2020
Other intangible assets with finite useful lives	**12,536**	257	-959	2	**11,836**

Other intangible assets with finite useful lives, equal to Euro 11,836 thousand (Euro 12,536 thousand at 31 December 2019), predominantly include Rights to use intellectual property and trademarks owned by the Group, in particular the values of the Lovato (Euro 5,842 thousand), A.E.B. (Euro 4,490 thousand) and other minor (Euro 739 thousand) trademarks, expressed at the fair value at the time of purchase, defined on the basis of valuations made by independent professionals, and amortised over 18 years, a period considered representative of the useful life of these brands.
During the six months there were no events or circumstances that indicate possible impairment in relation to the other intangible assets mentioned above.

4.4.6. RIGHT-OF-USE ASSETS

Changes in right-of-use assets that occurred during the first half of 2019 are shown in detail below:

(Thousands of Euro)

	31/12/2018	FTA of IFRS 16	Increases	Depreciation	Other changes	30/06/2019
Buildings	0	4,553	4,139	-1,117	-1,149	**6,425**
Motor vehicles	0	390	339	-125	0	**604**
Total	**0**	**4,943**	**4,478**	**-1,242**	**-1,149**	**7,029**

Changes in right-of-use assets that occurred during the first half of 2020 are shown in detail below:

(Thousands of Euro)

	31/12/2019	Increases	Depreciation	Other changes	30/06/2020
Buildings	5,595	159	-865	-32	**4,857**
Motor vehicles	807	32	-172	-15	**652**
Total	**6,402**	**191**	**-1,037**	**-47**	**5,509**

Increases during the period are linked to the signing of new lease agreements for company vehicles and for the new Turin office, the location of the Landi Renzo Group's new centre of excellence in research on products for Heavy-Duty vehicles.
During the half-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.

4.4.7. EQUITY INVESTMENTS MEASURED USING THE EQUITY METHOD

This item, equal to Euro 22,434 thousand, includes the value of the Joint Venture Krishna Landi Renzo Prv Ltd, and SAFE & CEC S.r.l., assessed using the equity method.

(Thousands of Euro)

Equity investments measured using the equity method	31/12/2019	Increases	Decreases	30/06/2020
Krishna Landi Renzo India Private Ltd Held	652	0	-50	602
SAFE & CEC S.r.l.	22,878	0	-1,046	21,832
Total	**23,530**	**0**	**-1,096**	**22,434**

In particular:

- the equity investment held in the joint venture Krishna Landi Renzo Prv Ltd was written down by Euro 50 thousand due to the negative results for the period linked to the rapid spread of the Covid-19 pandemic in India, one of the countries most impacted at global level;
- the equity investment held in the joint venture SAFE&CEC S.r.l. was written down for a total of Euro 1,046 thousand, of which Euro -255 thousand attributed to the income statement, for the Group's share of the loss for the period, and Euro -791 thousand attributed to the statement of comprehensive income, related to changes accounted for by the joint venture in the statement of comprehensive income.

In order to measure the investment held in SAFE&CEC S.r.l. at equity, the directors of Landi Renzo S.p.A. requested and obtained from the directors of the associated company an analysis concerning the expected business outlook for the second half of 2020, updated on the basis of the most recent available information, as well as an analysis concerning the comparison of the results for the period with what was estimated in the budget, in order to verify the existence of any impairment indicators.

Production was temporarily interrupted in the Group's Italian plant due to the lockdown imposed by the government and, subsequently, with the spread of the Covid-19 pandemic in the Latam area, also in the plants in Peru and Colombia. Production instead continued at the plant in Canada, a country that has been much less impacted by the epidemic. This enabled the SAFE&CEC Group, also thanks to the significant orders in the portfolio, to limit the negative effects of the pandemic and to achieve increased levels of turnover compared with the same period of the previous year, confirming the Group's good performance and business solidity. As a result, although the international continuation of the Covid-19 pandemic may cause delays in the completion and the delivery of projects under way, with reference to the value of the equity investment held in SAFE & CEC Srl., no indicators of impairment emerged.

4.4.8. OTHER NON-CURRENT FINANCIAL ASSETS

This item breaks down as follows:

(Thousands of Euro)

Other non-current financial assets	30/06/2020	31/12/2019	Change
EFI Avtosanoat-Landi Renzo LLC	97	97	0
Landi Renzo Argentina	0	5	-5
Guarantee deposits	212	213	-1
Other financial assets	21	19	2
Total	**330**	**334**	**-4**

Other non-current financial assets, totalling Euro 330 thousand (Euro 334 thousand at 31 December 2019) mainly include the value of the equity investment in the Joint Venture EFI Avtosanoat Landi Renzo – LLC of Euro 97 thousand, valued using the cost method and not consolidated because it is not significant, as well as guarantee deposits of Euro 212 thousand and other assets.
The subsidiary company Landi Renzo Argentina, not operative and not consolidated due to its irrelevance, was liquidated during the half with no appreciable effects on the Group's consolidated financial statements.

4.4.9. OTHER NON-CURRENT ASSETS

Other non-current assets, totalling Euro 3,420 thousand as at 31 December 2019, include the portion beyond the financial year of the receivables from AVL Italia S.r.l. regarding the sale of the company branch relating to the laboratory management part of the Technical Centre. This contract stipulates the receipt of 10 annual instalments and the charging of interests on the residual receivables at the end of each financial year.

4.4.10. DEFERRED TAX ASSETS

This item is shown in detail below (thousands of Euro):

(Thousands of Euro)

Offsettable deferred tax assets and liabilities	30/06/2020	31/12/2019	Change
Deferred tax assets	13,271	12,042	1,229
Deferred tax liabilities	-3,146	-3,338	192
Total net deferred tax assets	**10,125**	**8,704**	**1,421**

The following table shows the values of the deferred tax assets and liabilities and their movements from 31 December 2019 to 30 June 2020:

(Thousands of Euro)

Deferred tax assets	Deferred tax assets 31/12/2019	Uses	Write-downs	Temporary differences	Other changes	Deferred tax assets 30/06/2020
Goodwill and flat-rate tax	692					692
Temporary differences	2,521	-322		204		2,403
Other deferred tax assets	1,181					1,181
Tax losses	7,648			1,347		8,995
a) Total deferred tax assets	**12,042**	**-322**	**0**	**1,551**	**0**	**13,271**
Deferred tax liabilities	**Deferred tax liabilities 31/12/2019**	**Uses**	**Write-downs**	**Temporary differences**	**Other changes**	**Deferred tax liabilities 30/06/2020**
Other temporary differences	246	-107				139
Intangible assets	3,092	-85				3,007
b) Total deferred tax liabilities	**3,338**	**-192**	**0**	**0**	**0**	**3,146**
a-b) Total net deferred tax assets	**8,704**	**-130**	**0**	**1,551**	**0**	**10,125**

Net deferred tax assets, totalling Euro 10,125 thousand (Euro 8,704 thousand at 31 December 2019), related to both temporary differences between the carrying amounts of assets and liabilities in 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.

Given the effects that the spread of the Covid-19 pandemic is having on the international markets and, as a result, on the Group's economic and financial results, the management, with the support of its tax advisors, has developed an analysis based on the forecasts of the new 2020-2025 Strategic Plan, appropriately adjusted to take into consideration the possible effects of this extraordinary event on the 2020 results and thereafter.
This analysis did not identify any problems related with the recoverability of deferred tax assets recognised in the financial statements.

At 30 June 2020 offsettable deferred tax liabilities totalled Euro 3,146 thousand (Euro 3,338 thousand at 31 December 2019), with a decrease of Euro 192 thousand, and are primarily related to temporary differences between the book values of certain tangible and intangible assets and the values recognised for tax purposes.

CURRENT ASSETS

4.4.11. 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	30/06/2020	31/12/2019	Change
Italy	4,515	8,019	-3,504
Europe (excluding Italy)	13,754	7,396	6,358
America	11,685	14,515	-2,830
Asia and Rest of the World	11,719	16,988	-5,269
Provision for bad debts	-6,458	-6,373	-85
Total	**35,215**	**40,545**	**-5,330**

Trade Receivables totalled Euro 35,215 thousand, net of the Provision for Bad Debts equal to Euro 6,458 thousand, compared with Euro 40,545 thousand at 31 December 2019. This reduction is essentially linked to the negative effects of the Covid-19 pandemic on the half.
Total transactions for the sale of trade receivables through factoring without recourse, for which the corresponding receivables were derecognised, amounted to Euro 16,159 thousand (Euro 26,407 thousand at 31 December 2019).

Receivables from related parties totalled Euro 3,755 thousand (Euro 3,588 thousand at 31 December 2019) 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	31/12/2019	Allocation	Uses	Other changes	30/06/2020
Provision for bad debts	6,373	166	-25	-56	6,458

The allocations made during the period, necessary in order to adjust the book value of the payables to their assumed recovery value, amounted to Euro 166 thousand.

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)

			Past due		
	Total	Not past due	0-30 days	30-60 days	60 and beyond
Trade receivables at 30/06/2020	41,673	16,446	2,742	2,397	20,088
Trade receivables at 31/12/2019	46,918	34,503	5,135	1,660	5,620

It is considered that the book value of the item “Trade receivables” approximates the fair value thereof.

Checks performed by the company on these customers, which took into account the current situation of uncertainty deriving from the spread of the Covid-19 pandemic, did not reveal any particular solvency risks not already covered by the related provision, despite the increase in amounts past due.

4.4.12. INVENTORIES

This item breaks down as follows:

(Thousands of Euro)

Inventories	30/06/2020	31/12/2019	Change
Raw materials and parts	31,491	26,542	4,949
Work in progress and semi-finished products	11,961	11,325	636
Finished products	10,693	9,425	1,268
Inventory write-down reserve	-7,426	-7,518	92
Total	**46,719**	**39,774**	**6,945**

Closing inventories totalled Euro 46,719 thousand, net of the inventory write-down reserve of Euro 7,426 thousand, an increase of Euro 6,945 thousand compared with 31 December 2019. The increase in inventories is primarily linked to:

- the continuation of the effects of the lockdown imposed by the governments of various countries due to the spread of Covid-19, which are preventing the Group from sending the important orders planned for delivery during the half-year to its customers;
- the procurement of strategic components in the initial months of the year to allow for the continuity of the Group's production and reduce to a minimum the risks of possible stock disruptions caused by supply issues linked to the interruption of production activities by Asian suppliers after the spread of the virus in that geographical area.

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 30 June 2020, this item totalled Euro 7,426 thousand, in line with 31 December 2019 (Euro 7,518 thousand).

4.4.13. OTHER RECEIVABLES AND CURRENT ASSETS

This item breaks down as follows:

(Thousands of Euro)

Other receivables and current assets	30/06/2020	31/12/2019	Change
Tax assets	3,496	3,209	287
Receivables from others	3,298	2,912	386
Accruals and deferrals	2,176	1,216	960
Total	**8,970**	**7,337**	**1,633**

Tax assets consist primarily of VAT recoverable from the tax authorities for Euro 2,064 thousand and income tax credit of Euro 1,306 thousand.

The item "Receivables from others" refers to payments on account, credit notes to be received, other receivables and to 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, as well as the related accrued interest.

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 year.

4.4.14. CURRENT FINANCIAL ASSETS

This item breaks down as follows:

(Thousands of Euro)

Current financial assets	30/06/2020	31/12/2019	Change
SAFE S.p.A. loan	2,801	2,801	0
Total	**2,801**	**2,801**	**0**

Following the signing of the medium/long-term loan agreement in June 2019 for a nominal amount of Euro 65 million and the agreement for the early termination of the Optimisation Agreement, in which the Parent Company and SAFE S.p.A. participated, the Parent Company granted a loan of Euro 2,760 thousand maturing on 31 December 2019 to the latter so it could repay its medium/long-term loans falling under the above-mentioned Optimisation Agreement. This agreement, which bears interest at rates defined on the basis of current market conditions, was renewed between the parties, postponing the relative expiry to 31 December 2020.
At 30 June 2020, this item, including accrued interest, was equal to Euro 41 thousand.

4.4.15. 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	30/06/2020	31/12/2019	Change
Bank and post office accounts	13,521	22,627	-9,106
Cash	37	23	14
Total	**13,558**	**22,650**	**-9,092**

Cash and cash equivalents totalled Euro 13,558 thousand (Euro 22,650 thousand at 31 December 2019). For analysis of the production and absorption of cash during the half-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.

4.4.16. SHAREHOLDERS' EQUITY

The following table provides a breakdown of shareholders' equity items:

(Thousands of Euro)

Shareholders' equity	30/06/2020	31/12/2019	Change
Share capital	11,250	11,250	0
Other reserves	53,825	49,367	4,458
Profit (loss) for the period	-6,561	6,048	-12,609
Total Shareholders' equity of the Group	**58,514**	**66,665**	**-8,151**
Capital and Reserves attributable to minority interests	-303	-266	-37
Profit (loss) attributable to minority interests	-92	-66	-26
Total minority interests	**-395**	**-332**	**-63**
Total consolidated equity	**58,119**	**66,333**	**-8,214**

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 amount of Euro 11,250 thousand, subdivided into a total of 112,500,000 shares, with a nominal value equal to Euro 0.10.

The Consolidated Net Equity at 30 June 2020 shows a negative variation of Euro 8,214 thousand compared with 31 December 2019, mainly due to the loss for the period of Euro 6,653 thousand, as well as 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 made using the equity method and the performance share plans.

For further details on the changes compared with 31 December 2019, please refer to the Consolidated Statement of Changes in Equity.

The other reserves are shown in detail below:

(Thousands of Euro)

Other reserves	30/06/2020	31/12/2019	Change
Statutory reserve	2,250	2,250	0
Extraordinary and Other Reserves	20,857	16,399	4,458
Share Premium Reserve	30,718	30,718	0
Total Other Reserves of the Group	**53,825**	**49,367**	**4,458**

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 increased by Euro 4,458 thousand as a result of the following changes:

- the allocation of the previous year's profit equal to Euro 6,048 thousand;
- the change in the translation reserve for a negative amount of Euro 713 thousand;
- the recognition in the statement of comprehensive income of a part of the measurement of the joint venture SAFE&CEC S.r.l. for Euro -791 thousand, based on the equity method;
- the recognition in shareholders' equity pursuant to IFRS 2 of the Performance shares plan for a positive Euro 88 thousand;
- the recognition according to hedge accounting rules of derivative financial contracts for Euro -175 thousand;
- other changes for a positive total of Euro 1 thousand.

The Share Premium Reserve amounts to Euro 30,718 thousand and is unchanged compared with the previous year.

The minority interest represents the share of equity and result for the year attributable to minority interests of companies not owned in full by the Group.

NON-CURRENT LIABILITIES

4.4.17. NON-CURRENT BANK LOANS

This item breaks down as follows:

(Thousands of Euro)

Non-current bank loans	30/06/2020	31/12/2019	Change
Loans and financing	53,088	51,561	1,527
Amortised cost	-475	-570	95
Total	**52,613**	**50,991**	**1,622**

This item includes the medium/long term portion of bank debts for unsecured loans and finance. It totalled Euro 52,613 thousand at 30 June 2020, compared with Euro 50,991 thousand at 31 December 2019.
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 loan currency is the Euro, except for the loans provided in U.S. 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.

Note that as at 30 June 2020, all credit institutions underwriting the loans issued waiver letters with respect to the financial covenants as at 30 June and 31 December 2020 and their consent to the deferment of the principal instalment falling due on 30 June 2020, which was rescheduled to the end of the amortisation plan (June 2024).

The annual repayment plan for the mortgages and loans, based on the balances at 30 June 2020, is shown below.

(Thousands of Euro)

Maturities	Loans and financing
2020 (H2)	9,807
2021 (H1)	5,083
Amortised cost	-230
Bank financing and short-term loans	**14,660**
2021 (H2)	5,745
2022	11,202
2023	11,213
2024	24,928
Amortised cost	-475
Non-current bank loans	**52,613**
Total	**67,273**

4.4.18. OTHER NON-CURRENT FINANCIAL LIABILITIES

This item, amounting to Euro 785 thousand, relates to the loan obtained by the subsidiary Landi Renzo Polska equal to PLN 3.5 million 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. This loan has a 12 month pre-amortisation period and is to be repaid in 24 monthly instalments.

The annual repayment plan for the other financial liabilities, based on the balances at 30 June 2020, is shown below.

(Thousands of Euro)

Maturities	Simest	Other financial liabilities	Total
2020 (H2)	0	0	0
2021 (H1)	210	0	210
Amortised cost	0	0	0
Bank financing and short-term loans	**210**	**0**	**210**
2021 (H2)	0	393	393
2022	0	392	392
Amortised cost	0	0	0
Non-current bank loans	**0**	**785**	**785**
Total	**210**	**785**	**995**

4.4.19. NON-CURRENT LIABILITIES FOR RIGHTS OF USE

This item breaks down as follows:

(Thousands of Euro)

	31/12/2019	Increases	Repayments	Other changes	30/06/2020
Buildings	5,665	159	-928	41	4,937
Motor vehicles	862	32	-183	-6	705
Total	**6,527**	**191**	**-1,111**	**35**	**5,642**
of which current	1,992				1,943
of which non-current	**4,535**				**3,699**

4.4.20. PROVISIONS FOR RISKS AND CHARGES

This item breaks down as follows:

(Thousands of Euro)

Provisions for risks and charges	31/12/2019	Allocation	Utilisation	Other changes	30/06/2020
Provision for product warranties	3,328	636	-1,313	-79	2,572
Provision for lawsuits in progress	82	0	-23	0	59
Provisions for pensions	71	3	0	0	74

Other provisions	128	0	0	0	128
Total	**3,609**	**639**	**-1,336**	**-79**	**2,833**

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 30 June 2020 this provision totalled Euro 2,572 thousand, after allocations of Euro 636 thousand. The reduction 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 risk provision and the provision for product warranties, totalling Euro 1,313 thousand, are due to the coverage of warranty costs correlated with supplies of components in previous years.

The provision for lawsuits in progress relates to the probable payment for a current dispute with a service supplier declared bankrupt.

Provisions for pensions relate to the provision accrued for agents' additional customer indemnity, including provisions for the year of Euro 3 thousand.

4.4.21. DEFINED BENEFIT PLANS FOR EMPLOYEES

This item includes employee severance indemnity (TFR) funds set up in compliance with the regulations in force. The following is the overall change in defined benefit plans for employees:

(Thousands of Euro)

Defined benefit plans for employees	31/12/2019	Allocation	Utilisation	Other changes	30/06/2020
Employee post-employment benefits	1,630	1	-50	0	1,581

The provision is due to the effect of the revaluation of the TFR (employment severance indemnity) for current employees at the end of the period. Uses totalling Euro 50 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.

Actuarial assumptions used for valuations	30/06/2020
Demographic table	SIM2018 / SIF2018
Discount rate (Euro Swap)	0.74%
Probability of request for advance	1.00%
Expected % of employees who will resign before pension	5.00%
Maximum % of TFR (employment severance indemnity) requested in advance	70.00%
Annual cost of living increase rate	1.00%

4.4.22. DEFERRED TAX LIABILITIES

At 30 June 2020, deferred tax liabilities that did not meet the offsetting requirements for the purposes of IAS 12 totalled Euro 337 thousand (Euro 407 thousand at 31 December 2019), with a decrease of Euro 70 thousand, 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	Deferred tax liabilities 31/12/2019	Uses	Temporary differences	Other changes	Deferred tax liabilities 30/06/2020
Intangible assets	346	-86	43	0	303
Other temporary differences	61	-33	6	0	34
Total deferred tax liabilities	**407**	**-119**	**49**	**0**	**337**

4.4.23. 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	30/06/2020	31/12/2019	Change
Derivatives on interest rates					
Loans	2	32,900	261	30	231
Total			**261**	**30**	**231**

The item includes the fair value measurement of financial derivative contracts signed by the Parent Company, 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

4.4.24. BANK FINANCING AND SHORT-TERM LOANS

This item breaks down as follows:

(Thousands of Euro)

Bank financing and short-term loans	30/06/2020	31/12/2019	Change
Advances, import fin. and other current bank payables	21,275	16,693	4,582
Loans and financing	14,890	13,034	1,856
Amortised cost	-230	-267	37
Total	**35,935**	**29,460**	**6,475**

“Bank financing and short-term loans”, totalling Euro 35,935 thousand (Euro 29,460 thousand at 31 December 2019), consists of the current portion of existing unsecured loans and financing and of the utilisation of short-term commercial credit lines.

4.4.25. OTHER CURRENT FINANCIAL LIABILITIES

This item, totalling Euro 210 thousand (Euro 210 thousand at 31 December 2019), is formed of the short-term portions of a subsidised loan disbursed by Simest to support a plan to expand trade in the USA. This loan was subject to a 12-month moratorium due to the effects of the Covid-19 pandemic.

4.4.26. CURRENT LIABILITIES FOR RIGHTS OF USE

This item amounted to Euro 1,943 thousand (Euro 1,992 thousand at 31 December 2019) 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.

4.4.27. 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	30/06/2020	31/12/2019	Change
Italy	38,456	43,506	-5,050
Europe (excluding Italy)	6,455	5,082	1,373
America	652	1,307	-655
Asia and Rest of the World	807	2,040	-1,233
Total	**46,370**	**51,935**	**-5,565**

Trade payables totalled Euro 46,370 thousand, with a decrease of Euro 5,565 thousand compared with 31 December 2019 due to the slowdown in production activities triggered by the effects of the Covid-19 pandemic.

Trade payables to related parties are Euro 1,235 thousand 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.

4.4.28. TAX LIABILITIES

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 2,022 thousand, compared with Euro 2,134 thousand at 31 December 2019.

4.4.29. OTHER CURRENT LIABILITIES

This item breaks down as follows:

(Thousands of Euro)

Other current liabilities	30/06/2020	31/12/2019	Change
Payables to welfare and social security institutions	1,449	1,512	-63
Other payables (payables to employees, to others)	3,669	3,047	622
Advance payments	401	65	336
Accrued expenses and deferred income	68	43	25
Total	**5,587**	**4,667**	**920**

Other current liabilities totalled Euro 5,587 thousand, an increase of Euro 920 thousand compared with 31 December 2019. In particular, the "Other Payables" item, amounting to Euro 3,669 thousand, refers primarily to payables for current pay and deferred pay to be settled in relation to employees.

The "Advance payments" item, Euro 401 thousand at 30 June 2020, mainly includes advances paid by customers.

INCOME STATEMENT

4.4.30. REVENUES

(Thousands of Euro)

Revenues from sales and services	30/06/2020	30/06/2019	Change
Revenues related to the sale of assets	58,436	99,102	-40,666
Revenues for services and other revenues	1,421	2,933	-1,512
Total	**59,857**	**102,035**	**-42,178**

During the first half of 2020, the Landi Renzo Group achieved revenues of Euro 59,857 thousand, a decrease of Euro 42,178 thousand compared with the same six months of the previous year. This decrease is due to the effects of the Covid-19 pandemic. For more details, please refer to the Interim Report on Operating Performance.

Revenues from related parties totalling Euro 484 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.

4.4.31. OTHER REVENUES AND INCOME

This item breaks down as follows:

(Thousands of Euro)

Other revenues and income	30/06/2020	30/06/2019	Change
Grants	0	166	-166
Other income	64	63	1
Total	**64**	**229**	**-165**

“Other revenues and income” totalled Euro 64 thousand (Euro 229 thousand at 30 June 2019) and are formed mainly of gains on sales of fixed assets (Euro 51 thousand).

4.4.32. COSTS OF RAW MATERIALS, CONSUMABLES AND GOODS

This item breaks down as follows:

(Thousands of Euro)

Cost of raw materials, consumables and goods and change in inventories	30/06/2019	30/06/2019	Change
Raw materials and parts	25,778	44,644	-18,866
Finished products intended for sale	6,706	8,693	-1,987
Other materials and equipment for use and consumption	590	1,009	-419
Total	**33,074**	**54,346**	**-21,272**

The total costs for purchases of raw materials, consumables and goods (including the change in inventories) amount to Euro 33,074 thousand (Euro 54,346 thousand at 30 June 2019), a decrease of Euro 21,272 thousand compared with 30 June 2019.

4.4.33. 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	30/06/2020	30/06/2019	Change
Industrial and technical services	8,770	12,917	-4,147
Commercial, general and administrative services	3,822	5,603	-1,781
Non-recurring strategic consultancy	476	340	136
Non-recurring COVID-19 costs	130	0	130
Costs for use of third-party assets	339	237	102
Total	**13,537**	**19,097**	**-5,560**

Costs for services and use of third-party assets amounted to Euro 13,537 thousand (Euro 19,097 thousand at 30 June 2019) with a decrease of Euro 5,560 thousand, and are inclusive of non-recurring costs totalling Euro 606 thousand, of which Euro 476 thousand relating to non-recurring services provided by major consulting firms in order to perform organisational and strategic analyses, to define the new strategic plan, and Euro 130 thousand for costs incurred by the Group for the countermeasures undertaken to deal with the Covid-19 pandemic, in particular relating to workplace sanitisation and the personal protection equipment distributed to personnel. Decreases in costs for services and use of third-party assets are primarily linked to the reduction:

- in costs for industrial and technical services (Euro 4,147 thousand) due for the most part to the decline in activities caused by the Covid-19 pandemic, which entailed a reduction in recourse to external processing; and

- in costs for commercial, general and administrative services (Euro 1,781 thousand) thanks to non-essential cost curbing initiatives enacted by the Group.

The residual amount of costs for use of third-party assets in the income statement mainly relates to contracts eligible for the simplification options established by the standard, i.e. those relating to low-value assets or with a duration of 12 months or less.

4.4.34. PERSONNEL EXPENSES

This item breaks down as follows:

(Thousands of Euro)

Personnel costs	30/06/2020	30/06/2019	Change
Wages and salaries, social security contributions and expenses for defined benefit plans	9,996	11,617	-1,621
Temporary agency work and transferred work	768	2,162	-1,394
Directors’ remuneration	334	458	-124
Non-recurring personnel costs and expenditure	207	0	207
Total	**11,305**	**14,237**	**-2,932**

In the six-month period in question, personnel costs totalled Euro 11,305 thousand, a decrease compared with the same period of the previous year (Euro 14,237 thousand). In order to mitigate the effects of the decline in activities due to the Covid-19 pandemic, the Group companies made recourse, when possible, to employment support measures, such as the temporary lay-off scheme (*cassa integrazione*) in Italy and similar tools in other countries, aside from encouraging more use of the holidays accrued by employees. Furthermore, the decline in activities caused by the pandemic also reduced recourse to temporary agency labour.
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 for Euro 88 thousand to the provision for the period for the 2019-2021 Performance Shares Plan and for Euro 119 thousand to the voluntary retirement incentives agreed upon with some employees.

The following table lists the number of employees in the workforce at the end of the period, broken down between Italian and foreign companies.

Company	30/06/2020	31/12/2019	30/06/2019
Landi Renzo S.p.A.	305	306	296
Lovato Gas S.p.A.	23	23	24
Foreign companies	226	242	192
Total	**554**	**571**	**512**

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 is for the Chief Executive Officer of the Parent Company as well as other managers, who will be identified based on their level of contribution to the business, autonomy and complexity of their position by the Board of Directors after consulting with the Remuneration Committee.
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.
This plan is recognised with a contra-entry in shareholders' equity, as it was defined as equity settled, based on IFRS 2.

4.4.35. ALLOCATIONS, WRITE-DOWNS AND OTHER OPERATING EXPENSES

Allocations, write-downs and other operating expenses totalled Euro 967 thousand (Euro 1,312 thousand at 30 June 2019), with a decrease of Euro 345 thousand, deriving from lower provisions for product warranties, directly correlated with volumes sold.

4.4.36. AMORTISATION, DEPRECIATION AND IMPAIRMENT

This item breaks down as follows:

(Thousands of Euro)

Amortisation, depreciation and impairment	30/06/2020	30/06/2019	Change
Amortisation of intangible assets	3,118	2,974	144
Depreciation of tangible assets	1,953	2,049	-96
Depreciation of rights of use	1,037	1,242	-205
Total	**6,108**	**6,265**	**-157**

Amortisation and depreciation amounted to Euro 6,108 thousand, in line with the same period of the previous year (Euro 6,265 thousand).
No elements emerged from the analysis which revealed the need to change the useful lifetime of tangible and intangible assets.

4.4.37. FINANCIAL INCOME

Financial income totalled Euro 181 thousand (Euro 49 thousand at 30 June 2019) and refers to interest income on bank deposits.

4.4.38. FINANCIAL EXPENSES

Financial expenses at 30 June 2020 amounted to Euro 1,534 thousand and essentially include bank interest charges, interest on loans, interest on non-recourse factoring, actuarial losses deriving from the discounting of the TFR (employment severance indemnity) reserve and bank charges, in addition to the financial effect arising from the adoption of IFRS 16 (Euro 88 thousand).
Financial expenses at 30 June 2019, equal to Euro 2,373 thousand, included the effects of the above-mentioned early termination of the medium/long-term loans included within the Optimisation Agreement, which entailed the release to the income statement of the residual effects of pending transaction costs following the measurement of the relative financial payables at amortised cost (Euro 436 thousand). Net of this effect, financial expenses are in any event down significantly, thanks to the above-mentioned early termination of the medium/long-term loan included within the Optimisation Agreement and the new loan simultaneously taken out for a total of Euro 65 million from a pool of major financial institutions, under more favourable economic conditions.

4.4.39. EXCHANGE GAINS AND LOSSES

The net exchange differences amounted to Euro -1,211 thousand (Euro -253 thousand at 30 June 2019), nearly entirely due to losses from valuation deriving from the effects of the Covid-19 pandemic on the international exchange markets. The Group was particularly impacted by the effects of the depreciation of the Brazilian and Argentinian currencies.
At 30 June 2020, the Group did not have financial instruments hedging exchange rate risk.

4.4.40. INCOME (EXPENSES) FROM EQUITY INVESTMENTS MEASURED USING THE EQUITY METHOD

This item, totalling Euro -305 thousand (a positive Euro 97 thousand as at 30 June 2019), includes the valuation using the equity method of the Group's equity investments and joint ventures, namely:

- the write-down of the equity investment in the joint venture SAFE&CEC S.r.l. for Euro 255 thousand (write-down of Euro 200 thousand at 30 June 2019);

- the write-down of the equity investment in the company Krishna Landi Renzo India Private Ltd for Euro 50 thousand (revaluation of Euro 297 thousand at 30 June 2019).

4.4.41. CURRENT AND DEFERRED TAXES

Taxes at 30 June 2020 totalled a positive Euro 1,286 thousand, compared with Euro -1,641 thousand at 30 June 2019. The Parent Company recognised deferred tax assets against losses recorded during the half and due to the current extraordinary situation deriving from the Covid-19 pandemic. Their recoverability is confirmed by the tax planning performed by the management with the support of its tax advisors.

4.4.42. EARNINGS (LOSS) PER SHARE

The “basic” earnings/loss per share were 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 per share, which correspond to the “diluted” earnings (loss) per share since there are no convertible bonds or other financial instruments with possible diluting effects, are Euro -0.0583. The earnings per share for the first half of 2019 were positive at Euro 0.0261.

OTHER INFORMATION

4.4.43. ANALYSIS OF THE MAIN DISPUTES IN PROGRESS

At 30 June 2020, the Group was involved in proceedings, brought both by and against it, for non-significant amounts.

4.4.44. TRANSACTIONS WITH RELATED PARTIES

The Landi Group deals with related parties at market conditions considered to be normal in 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 Parent Company and the subsidiaries located in Corte Tegge - Cavriago;
- 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 Held and to the joint venture EFI Avtosanoat-Landi Renzo LLC;
- supply of services between Landi Renzo S.p.A. and SAFE&CEC S.r.l. relating to the chargeback of service and IT costs;
- short-term loan between Landi Renzo S.p.A and SAFE S.p.A, besides relative interest.

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 Expenses / Income	Receivables	Payables	Loans
Gestimm S.r.l.	0	0	0	314	0	0	0	0	262	0
SAFE&CEC srl	0	50	0	0	0	0	0	363	0	0
SAFE S.p.A.	0	0	0	0	0	-255	41	436	0	2,801
Krishna Landi Renzo India Priv. Ltd	120	0	62	0	0	-50	0	2,157	126	0
Efi Avtosanoat	314	0	0	0	0	0	0	575	0	0
Reggio Properties LLC	0	0	0	54	0	0	0	0	0	0
Gireimm S.r.l.	0	0	0	440	0	0	0	0	847	0
Autofuels	0	0	0	0	0	0	0	224	0	0
Total	**434**	**50**	**62**	**809**	**0**	**-305**	**41**	**3,755**	**1,235**	**2,801**

4.4.45. POSITIONS OR TRANSACTIONS DERIVING FROM ATYPICAL AND/OR UNUSUAL TRANSACTIONS

Pursuant to Consob communication no. 6064293 of 28 July 2006, note that during the first half of 2020 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 the minority shareholders.

4.4.46. NON-RECURRING SIGNIFICANT EVENTS AND TRANSACTIONS

Pursuant to Consob communication no. 6064293 of 28 July 2006, it is stated that during the first half of 2020 no non-recurring significant events or transactions took place, except for the refinancing transaction described above.

4.4.47. SIGNIFICANT EVENTS OCCURRING AFTER THE CLOSE OF THE FINANCIAL YEAR

Please refer to comments relating to this in the Interim Report on Operating Performance.

5. Certification of the condensed half-yearly consolidated financial statements pursuant to article 154-bis of Italian Legislative Decree 58/98 and article 81-ter of Consob regulation no. 11971 of 14 May 1999, as amended and supplemented

1) Having regard to the provisions of article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree No. 58 dated 24 February 1998, the undersigned Cristiano Musi, CEO, and Paolo Cilloni, Officer in charge of preparing the accounting documents of Landi Renzo S.p.A., state:

- the adequacy in relation to the relative corporate characteristics, and
- the effective application

of the administrative and accounting procedures for preparing the condensed half-yearly consolidated financial statements as at 30 June 2020.

2) We furthermore declare that:

2.1) The condensed half-yearly consolidated financial statements at 30 June 2020:

a) have been prepared in compliance with the international accounting standards issued by the International Accounting Standards Board and adopted by the European Commission in accordance with the procedure specified in article 6 of Regulation (EC) no. 1606/2002 of 19 July 2002 of the European Parliament and Council
b) correspond with the accounting books and records
c) are capable of providing a true and correct representation of the asset, economic and financial situation of the issuer and of the companies included in the consolidation.

2.2) The interim report on performance includes a reliable analysis of the references to important events that occurred in the first six months of the year and to their impact on the condensed half-yearly consolidated financial statements, together with a description of the main risks and uncertainties for the remaining months of the year. The interim report on operating performance also includes a reliable analysis of the information on the significant transactions with related parties.

Cavriago, 11 September 2020

CEO	Officer in charge of preparing the company accounting documents
Cristiano Musi	Paolo Cilloni

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REVIEW REPORT ON THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

To the Shareholders of
Landi Renzo SpA

Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of Landi Renzo SpA (hereinafter also the "Company") and its subsidiaries (hereinafter also "Landi Renzo Group") as of 30 June 2020, comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cashflow statement and related notes. The directors of the Company are responsible for the preparation of the consolidated condensed interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution No. 10867 of 31 July 1997. A review of consolidated condensed interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the consolidated condensed interim financial statements.

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial statements of Landi Renzo Group as of 30 June 2020 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Parma, 11 September 2020

PricewaterhouseCoopers SpA

Signed by

Nicola Madureri
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.