LANDIRENZO GROUP

INTERIM MANAGEMENT REPORT AT 30 SEPTEMBER 2020

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This interim report is a translation. The Italian version will prevail.

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.

In October 2020, Director Anton Karl resigned with immediate effect from his position as member of the Board of Directors of Landi Renzo S.p.A. due to work requirements that had arisen which were incompatible with the commitment required to perform his duties. Director Anton Karl was a non-executive and independent member of the Board of Directors with no role in the Landi Renzo S.p.A. internal committees.

On 13 November 2020, the Board of Directors, by resolution approved by the Board of Statutory Auditors, co-opted Mr Dario Patrizio Melpignano as non-executive and independent Director. The appointment was approved by the administrative body considering the fact that the outgoing Director Anton Karl had been elected from the minority list submitted by Aerius Holding AG, which had a single additional candidate who however expressed his desire not to hold that office.

On the date this Interim Management 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	Dario Patrizio Melpignano (**)
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

(*) Resigned in October 2020
(**) In office as of 13 November 2020
(***) 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
Tel. +39 0522 9433
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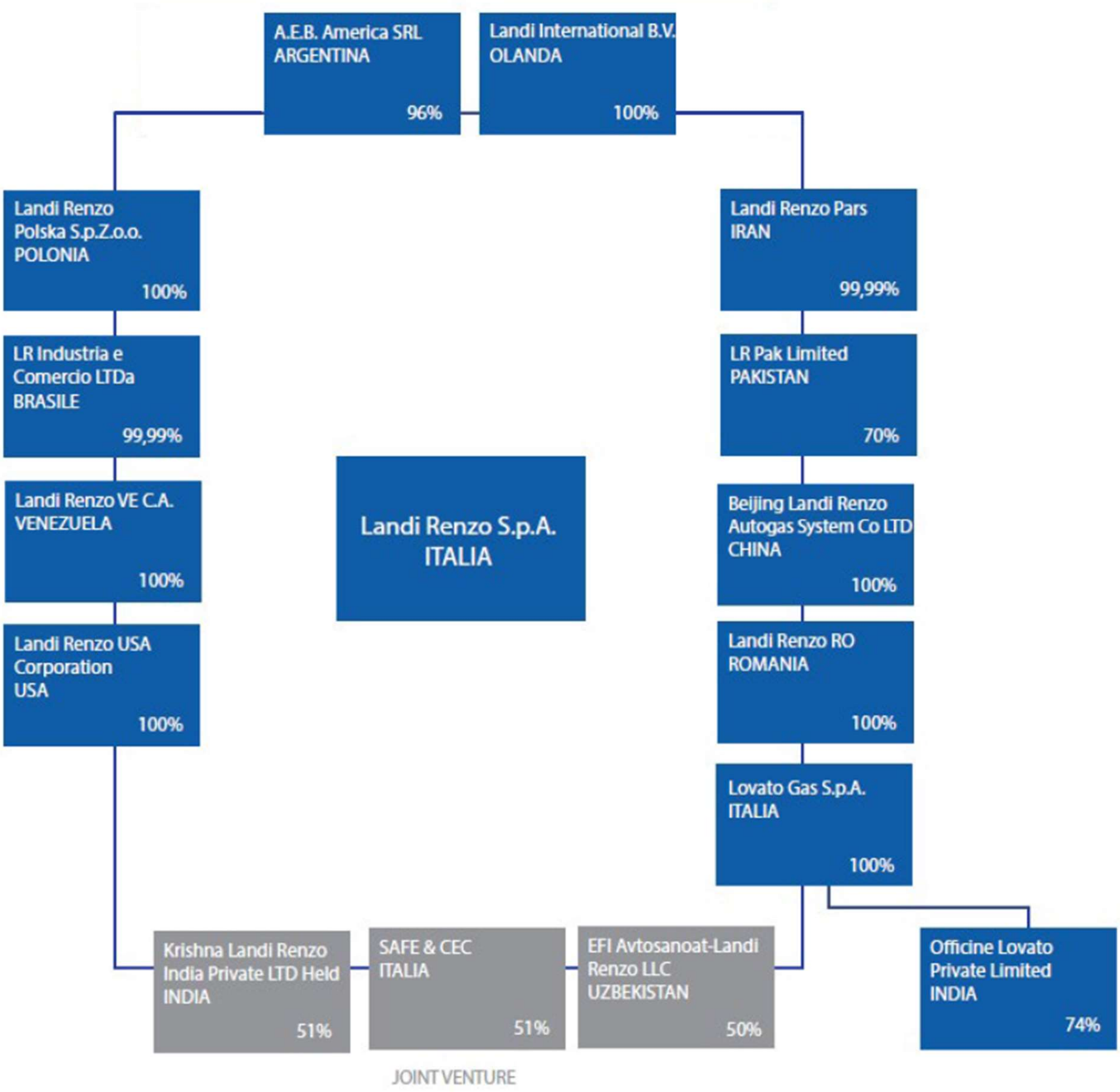
Share capital: Euro 11,250,000
Tax ID and VAT Reg. No. IT00523300358

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 THIRD QUARTER	Q3 2020	Q3 2019	Change	%
Revenue	39,151	35,875	3,276	9.1%
Adjusted Gross Operating Profit (EBITDA) (1)	2,530	4,456	-1,926	-43.2%
Gross operating profit (EBITDA) (1)	2,450	3,991	-1,541	-38.6%
Net operating profit (EBIT)	-534	1,205	-1,739	
Earnings before taxes (EBT)	-1,550	366	-1,916	
Net profit (loss) for the Group and minority interests	-1,224	246	-1,470	
Adjusted Gross Operating Profit (EBITDA) / Revenue	6.5%	12.4%		
Gross Operating Profit (EBITDA) / Revenue	6.3%	11.1%		
Net profit (loss) for the Group and minority interests / Revenue	-3.1%	0.7%		

(Thousands of Euro)

ECONOMIC INDICATORS OF THE FIRST NINE MONTHS	30/09/2020	30/09/2019	Change	%
Revenue	99,008	137,910	-38,902	-28.2%
Adjusted Gross Operating Profit (EBITDA) (1)	4,382	18,068	-13,686	-75.7%
Gross operating profit (EBITDA) (1)	3,488	17,263	-13,775	-79.8%
Net operating profit (EBIT)	-5,604	8,212	-13,816	
Earnings before taxes (EBT)	-9,489	4,893	-14,382	
Net profit (loss) for the Group and minority interests	-7,877	3,132	-11,009	
Adjusted Gross Operating Profit (EBITDA) / Revenue	4.4%	13.1%		
Gross Operating Profit (EBITDA) / Revenue	3.5%	12.5%		
Net profit (loss) for the Group and minority interests / Revenue	-8.0%	2.3%		

(Thousands of Euro)

STATEMENT OF FINANCIAL POSITION	30/09/2020	31/12/2019	30/09/2019
Net fixed assets and other non-current assets	105,204	104,826	105,276
Operating capital (2)	41,499	28,920	31,512
Non-current liabilities (3)	-4,696	-5,646	-5,778
NET INVESTED CAPITAL	142,007	128,100	131,010
Net financial position (4)	86,055	61,767	67,955
Net Financial Position - adjusted (5)	80,515	55,210	61,190
Shareholders' equity	55,952	66,333	63,055
BORROWINGS	142,007	128,100	131,010

(Thousands of Euro)

KEY INDICATORS	30/09/2020	31/12/2019	30/09/2019
Operating capital / Turnover (rolling 12 months)	27.1%	15.1%	16.8%
Net financial position / Shareholders' equity	153.8%	93.1%	107.8%
Adjusted net financial position / Adjusted EBITDA (rolling 12 months)	6.41	2.10	2.53
Personnel (peak)	557	571	561

(Thousands of Euro)

CASH FLOWS	30/09/2020	31/12/2019	30/09/2019
Gross operational cash flow	-11,404	8,533	-283
Cash flow for investment activities	-8,600	-8,664	-5,904
Gross FREE CASH FLOW	-20,004	-131	-6,187
Non-recurring expenditure for voluntary resignation incentives	-119	-132	-132
Net FREE CASH FLOW	-20,123	-263	-6,319
Repayment of leases (IFRS 16)	-1,648	-2,260	-1,713
Overall cash flow	-21,771	-2,523	-8,032

(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 derivative financial instruments.

1.4. SIGNIFICANT EVENTS DURING THE PERIOD

- 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, letter 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 permitted 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 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.

- 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 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.

2. DIRECTORS' OBSERVATIONS ON BUSINESS PERFORMANCE

After a first half of the year characterised by a significant decline in global vehicle production due to the effects of the global spread of the Covid-19 pandemic (-33.2%), the third quarter of 2020 closed with an encouraging and decisive recovery of production, with volumes in line compared with the same quarter of the previous year. Both the drop in contagion at international level, with the resulting recovery of the market confidence level and consumer propensity to purchase durable goods, as well as initiatives to support the market and the automotive industry enacted by the governments of the main manufacturing countries, contributed to this result. Despite the important recovery recorded in the third quarter, the data for the first nine months of 2020 continue to be negative, with a 23.2% decline in the production of vehicles at global level compared with the same period of the previous year.

UNRAE (Association of foreign car makers operating in Italy) data relating to registrations in the month of September 2020 point to an increase compared with the same month of the previous year equal to 9.5% for the Italian market and 1.1% for the European market, while the first nine months of 2020 were still down by 34.2% for the Italian market (-45.9% at 30 June 2020) and 29.3% for the European market (-39.5% at 30 June 2020).

The progressive spread in recent weeks of the feared “phase 2” of the pandemic in Europe as well as in other parts of the world is provoking further uncertainty and concern in the international economic and financial system. The governments of Italy, France, Germany and the United Kingdom have introduced partial lockdown measures to mitigate the spread of the virus in their countries, while also seeking to guarantee the continuation of production activities as much as possible. Other governments are also currently evaluating similar actions on the basis of pandemic trends in their respective countries. Given the effect on the markets of the total lockdowns enacted during the first phase of the pandemic, governments are seeking to ensure the utmost protection of public health and the stability of their healthcare systems while enacting partial lockdowns aiming to minimise economic effects as much as possible. It is precisely market globalisation, which has been one of the key elements of global economic development over the last few decades, which continues to amplify the effects of the economic crisis caused by the Covid-19 pandemic at global level.

Although forecasts available to date on fourth quarter global vehicle production trends show a downturn of a few percentage points compared with the same period of the previous year, the most recent news in terms of rising levels of contagion and the resulting lockdown measures enacted or preannounced by the various governments, requires careful consideration of these forecasts, which are likely to be revised downwards.

Within this context, the international foreign exchange markets, characterised in the first half of 2020 by significant depreciations of the currencies of the most economically fragile countries, continue to show strong signs of instability. In particular, Latam area currencies are continuing to see significant depreciation against the Euro and the U.S. dollar.

As regards the Landi Renzo Group, the management immediately enacted decisive and prompt measures to protect the health of its workers in Italy and abroad. This enabled the Group to guarantee production continuity until the lockdown imposed by the Italian government in mid-March with the resulting suspension of production 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.

As soon as production activities resumed, employees were provided with personal protection equipment, travel was suspended both in Italy and abroad, and periodic sanitisation was carried out at the offices as well as the production plants. New internal and behavioural procedures to guarantee social distancing are also constantly updated as the pandemic evolves. 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 favour recourse to telecommuting as much as possible (called "smart working" in Italy), significant investments were made to provide the Group with the necessary hardware and software IT instruments. If any new restrictions are imposed by the government, the Group will therefore be capable of enacting the required countermeasures to reduce the presence of personnel in the workplace, while in any event guaranteeing the continuity of work activities. In particular, thanks to simulation software based on internally developed forecast models, our research and development team will be able to continue its new product development activities, as already took place during the lockdown period, even if additional new restrictions are put into place.

The management enacted measures to minimise the effects of the pandemic on the Group's earnings capacity and liquidity as much as possible, 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;
- 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 social safety nets made available through the Italian government decree. When possible, the other Group companies made recourse to similar forms of public support to protect workers;
- a new six-year loan was taken out for a nominal amount of Euro 21 million, 90% backed by the SACE guarantee, with a pre-amortisation period of two years.

The management is also maintaining continuous, close 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.

In this context, the Group's results in the first nine months of 2020 show revenues from sales of Euro 99,008 thousand, with a decline of 28.2% compared with the same period of the previous year.

(Thousands of Euro)	Q3 2020	Q2 2020	Q1 2020	30/09/2020	Q3 2019	Q2 2019	Q1 2019	30/09/2019
Revenue	39,151	22,687	37,170	**99,008**	35,875	58,237	43,798	**137,910**
Adjusted gross operating profit (EBITDA)	2,530	-1,032	2,884	**4,382**	4,456	8,173	5,439	**18,068**
% of revenues	6.5%	*-4.5%*	*7.8%*	***4.4%***	*12.4%*	*14.0%*	*12.4%*	***13.1%***
Gross operating profit (EBITDA)	2,450	-1,402	2,440	**3,488**	3,991	7,833	5,439	**17.263**
% of revenues	6.3%	*-6.2%*	*6.6%*	***3.5%***	*11.1%*	*13.5%*	*12.4%*	***12.5%***
Net operating profit (EBIT)	-534	-4,467	-603	**-5,604**	1,205	4,732	2,275	**8,212**
% of revenues	*-1.4%*	*-19.7%*	*-1.6%*	***-5.7%***	*3.4%*	*8.1%*	*5.2%*	***6.0%***
Change in Revenues compared with the previous year	3,276	-35,550	-6,628	**-38,902**				
Change %	*9.1%*	*-61.0%*	*-15.1%*	***-28.2%***				

After a first half of the year heavily impacted by the Covid-19 pandemic, the third quarter of 2020 marked a significant recovery in terms of revenues as well as margins. Revenues from sales during the quarter amounted to Euro 39,151 thousand, 9.1% higher than in the third quarter of the previous year (35,875 thousand), while adjusted EBITDA, at

Euro -1,032 thousand in the second quarter of 2020, returned to positive territory (Euro 2,530 thousand), basically in line with the first quarter of 2020. The decline in sales, the increasing incidence of sales in the OEM channel and price tensions in the After Market channel, only partially offset by a reduction in fixed and overhead costs, negatively affected margins in the first nine months of 2020.

The recovery in revenues in the course of the third quarter was driven by increasing orders from several top European automotive manufacturers which are using LPG bifuel engines to develop their "green" product ranges and which have confirmed Landi Renzo as their primary supplier of components.

Sales in the OEM channel, equal to Euro 47,765 thousand, represent 48.2% of the total (38.5% as at 31 December 2019) and 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 51,243 thousand (79,812 thousand at 30 September 2019), which primarily relate to orders from distributors and authorised installers, both domestic and foreign, continue to be impacted by the negative effects of the pandemic, which resulted in a considerable reduction in the number of conversions.

The management is paying particularly close attention to the management and monitoring of the financial position, medium-term cash forecasts and the financing options proposed by the government to support companies. From this standpoint, Landi Renzo S.p.A. 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.

2.1. PERFORMANCE AND NOTES ON THE MAIN CHANGES IN THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 September 2020

The following table sets out the main economic indicators of the Group for the first nine months of 2020 compared with the same period in 2019.

(Thousands of Euro)	30/09/2020	%	30/09/2019	%
Revenues from sales and services	**99,008**	**100.0%**	**137,910**	**100.0%**
Other revenues and income	89	0.1%	315	0.2%
Operating costs	-94,715	-95.7%	-120,157	-87.1%
Adjusted gross operating profit	**4,382**	**4.4%**	**18,068**	**13.1%**
Non-recurring costs	-894	-0.9%	-805	-0.6%
Gross operating profit	**3,488**	**3.5%**	**17,263**	**12.5%**
Amortisation, depreciation and impairment	-9,092	-9.2%	-9,051	-6.6%
Net operating profit	**-5,604**	**-5.7%**	**8,212**	**6.0%**
Financial income (expenses) and exchange rate differences	-3,864	-3.9%	-3,634	-2.6%
Profit (loss) from joint venture measured using the equity method	-21	0.0%	315	0.2%
Profit (loss) before tax	**-9,489**	**-9.6%**	**4,893**	**3.5%**
Current and deferred taxes	1,612	1.6%	-1,761	-1.3%
Net profit (loss) for the Group and minority interests, including:	**-7,877**	**-8.0%**	**3,132**	**2.3%**
Minority interests	-163	-0.2%	-53	0.0%

Net profit (loss) for the Group	**-7,714**	**-7.8%**	**3,185**	**2.3%**

The main economic indicators were down in the first nine months of 2020 compared with the same period of the previous year, due to the effects of the global spread of the Covid-19 pandemic and the different sales mix.

The consolidated revenues for the first nine months of 2020 were Euro 99,008 thousand, a reduction of Euro 38,902 thousand (-28.2%) compared with the same period in the previous year. Thanks to the positive sales trends in the third quarter and the prompt interventions of the management to reduce fixed costs, operating profit data were positive, although they were down compared with the previous year. The adjusted Gross Operating Profit (EBITDA) was indeed Euro 4,382 thousand as at 30 September 2020, compared with Euro 18,068 thousand in the same period of the previous year, while the Gross Operating Profit (EBITDA) was positive at Euro 3,488 thousand (Euro 17,263 thousand as at 30 September 2019).

The Net Operating Profit (EBIT) was negative at Euro 5,604 thousand (positive and equal to Euro 8,212 thousand at 30 September 2019), after amortisation and depreciation of Euro 9,092 thousand.

Financial expenses alone amounted to Euro 2,367 thousand, down compared with the same period of the previous year (Euro 3,178 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.

The exchange effects, negative at Euro 1,718 thousand as at 30 September 2020 (negative Euro 531 thousand as at 30 September 2019), are primarily from valuation and due to the impacts generated by the Covid-19 pandemic on the currencies in which the Group operates, especially in the Latam area and Asia. In particular, the Brazilian and Argentinian currencies suffered from declines of 46% and 33%, respectively, compared with 31 December 2019.

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 nine 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

Third quarter 2020 compared to third quarter 2019

(Thousands of Euro)

Geographical distribution of revenues	Q3 2020	% of revenues	Q3 2019	% of revenues	Change	%
Italy	6,146	15.7%	6,374	17.8%	-228	-3.6%
Europe (excluding Italy)	21,024	53.7%	12,635	35.2%	8,389	66.4%

America	4,433	11.3%	9,461	26.4%	-5,028	-53.1%
Asia and Rest of the World	7,548	19.3%	7,405	20.6%	143	1.9%
Total	**39,151**	**100.0%**	**35,875**	**100.0%**	**3,276**	**9.1%**

First nine months 2020 compared to first nine months 2019

(Thousands of Euro)

Geographical distribution of revenues	At 30/09/2020	% of revenues	At 30/09/2019	% of revenues	Change	%
Italy	15,998	16.2%	26,114	18.9%	-10,116	-38.7%
Europe (excluding Italy)	52,898	53.4%	62,344	45.2%	-9,446	-15.2%
America	11,295	11.4%	22,901	16.6%	-11,606	-50.7%
Asia and Rest of the World	18,817	19.0%	26,551	19.3%	-7,734	-29.1%
Total	**99,008**	**100.0%**	**137,910**	**100.0%**	**-38,902**	**-28.2%**

Regarding the geographical distribution of revenues, during the first nine months of 2020 the Group realised 83.8% (81.1% at 30 September 2019) of its consolidated revenues abroad (53.4% in Europe and 30.4% 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 15,998 thousand) were down by Euro 10,116 thousand (-38.7%) 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 nine months of 2020 were down by 34.2% 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 economic uncertainty which influenced consumer propensity to purchase durable goods. Overall, the third quarter of 2020 recorded sales of Euro 6,146 thousand, marking a strong recovery compared with the previous quarter (Euro 3,212 thousand) and aligned with the result for the same period of the previous year (Euro 6,374 thousand).

Europe

The change in revenues in Europe, at Euro 9,446 thousand (-15.2%), 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. Thanks to the positive effects on demand of the plans to support the market and the automotive industry unveiled by the main European manufacturing countries, the third quarter of 2020 bucked the trend, with revenues of Euro 21,024 thousand, marking growth of 66.4% compared with the same quarter of the previous year (Euro 12,635 thousand). This made it possible to significantly reduce the loss of turnover in that area (-15.2%) compared with what was recorded as at 30 June 2020 (-35.9%).

America

Sales in the first nine months of 2020 on the American continent, amounting to Euro 11,295 thousand (Euro 22,901 thousand at 30 September 2019), were down by 50.7%. Specifically, the Latam area continues to be very significantly impacted by the effects of the pandemic, with negative repercussions on the relative currencies as well. In particular, the Brazilian and Argentinian currencies suffered from declines of 46% and 33%, respectively, compared with the levels recorded at 31 December 2019.

Asia and Rest of the World

This area reported a decrease of 29.1% (equal to Euro 7,734 thousand) compared with the first nine months of 2019. The Indian and North African markets, amongst those most struck by the effects of the pandemic, showed a clear improvement in the third quarter, with considerable increases in sales and rising orders.

Profitability

In the first nine months of 2020, the adjusted Gross Operating Profit (adjusted EBITDA), net of non-recurring costs of Euro 894 thousand, was positive at Euro 4,382 thousand, equivalent to 4.4% of revenues, down compared with the same period of the previous year (Euro 18,068 thousand and equal to 13.1% as at 30 September 2019).

(Thousands of Euro)

NON-RECURRING COSTS	30/09/2020	30/09/2019	Change
Strategic consultancy	481	805	-324
COVID-19 costs	162	0	162
Personnel for voluntary resignation incentives	119	0	119
Medium/long-term performance bonus	132	0	132
Total	**894**	**805**	**89**

Costs of raw materials, consumables and goods and changes in inventories decreased overall from Euro 71,083 thousand as at 30 September 2019 to Euro 57,995 thousand as at 30 September 2020, with a decline linked to the reduction of volumes.

The costs of services and use of third-party assets amounted to Euro 19,972 thousand, compared with Euro 27,965 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 162 thousand relating to costs incurred by the company to deal with the Covid-19 emergency, particularly relating to expenses for sanitising the workplace.

Personnel costs, amounting to Euro 16,224 thousand (compared with Euro 20,169 thousand as at 30 September 2019), were limited thanks to recourse to social safety nets and the greater use of holiday leave 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 activity caused by the pandemic also triggered a reduction in recourse to temporary work. The Group had a total of 557 employees, basically in line with the end of the previous year (571). Please note that the Group 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 and for hydrogen mobility.

The Net Operating Profit (EBIT) for the period was negative at Euro 5,604 thousand (positive and equal to Euro 8,212 thousand at 30 September 2019), after accounting for amortisation, depreciation and impairment of Euro 9,092 thousand (Euro 9,051 thousand at 30 September 2019), of which Euro 1,543 thousand due to the application of IFRS - 16 Leases (Euro 1,620 thousand at 30 September 2019).

Total financial expenses (interest income, interest charges and exchange rate differences) amounted to Euro 3,864 thousand (Euro 3,634 thousand as at 30 September 2019) and include negative exchange effects of Euro 1,718 thousand (negative and equal to Euro 531 thousand as at 30 September 2019), primarily from valuation. On the other hand, financial expenses alone amounted to Euro 2,367 thousand, an improvement compared with the same period of the previous year (Euro 3,178 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.

In the first nine months of 2020, the valuation of equity investments using the equity method is a negative Euro 21 thousand (positive at Euro 315 thousand as at 30 September 2019). This includes the Group's share of the profits for the period from the Group's Joint Ventures.

The first nine months also closed with a pre-tax loss of Euro 9,489 thousand (profit of Euro 4,893 as at 30 September 2019).

The net result of the Group and minority interests as at 30 September 2020 showed a loss of Euro 7,877 thousand compared with a Group and minority interest profit of Euro 3,132 thousand for the same period in 2019.

The net result for the period as at 30 September 2020 was negative at Euro 7,714 thousand compared to a positive result of Euro 3,185 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 nine months of 2020, the "Gas Distribution and Compressed Natural Gas" segment achieved a consolidated value of production of Euro 53,929 thousand (+14.9% compared with 30 September 2019), adjusted EBITDA of Euro 3,124 thousand (Euro 3,849 thousand at 30 September 2019), and a post-tax loss of Euro 190 thousand (compared with a profit of Euro 55 thousand at 30 September 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 branches 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.

Specifically, the third quarter of 2020 recorded a consolidated value of production of Euro 22,156 thousand, up 22.4% compared with the same period of the previous year (Euro 18,105 thousand), with the order portfolio up and higher than that of the previous year.

The joint venture Safe&Cec has also been recently awarded an order worth over USD 1 million on the US market, for the supply of a full compression system for an RNG production plant in California.

Invested capital

(Thousands of Euro)

Statement of Financial Position	30/09/2020	31/12/2019	30/09/2019
Trade receivables	39,592	40,545	34,064
Inventories	41,525	39,774	43,494
Trade payables	-38,648	-51,935	-46,614
Other net current assets (liabilities)	-970	536	568
Net operating capital	**41,499**	**28,920**	**31,512**
Tangible assets	13,109	11,578	11,141
Intangible assets	50,415	50,858	50,747
Right-of-use assets	5,010	6,402	6,360
Other non-current assets	36,670	35,988	37,028
Fixed capital	**105,204**	**104,826**	**105,276**
TFR (employee severance pay), other provisions and others	-4,696	-5,646	-5,778
Net invested capital	**142,007**	**128,100**	**131,010**
Financed by:			
Net Financial Position (*)	86,055	61,767	67,955
Group shareholders' equity	56,406	66,665	63,378
Minority interests	-454	-332	-323
Borrowings	**142,007**	**128,100**	**131,010**

Ratios	30/09/2020	31/12/2019	30/09/2019
Net operating capital	41,499	28,920	31,512
Net operating capital/Turnover (rolling)	27.1%	15.1%	16.8%
Net invested capital	142,007	128,100	131,010
Net capital employed/Turnover (rolling)	92.8%	66.8%	69.7%

(*) The net financial position at 30 September 2020 is inclusive of Euro 5,143 thousand for financial liabilities for rights of use deriving from the application of IFRS 16 - Leases and Euro 397 thousand for derivative financial instruments.

Net working capital at the end of the period stood at Euro 41,499 thousand. This is an increase of Euro 12,579 thousand compared with the same figure recorded at 31 December 2019, due primarily to the significant drop in trade payables. In terms of percentages on rolling turnover, there was an increase in this figure, from 15.1% as at 31 December 2019 to the current 27.1% (16.8% as at 30 September 2019).

The increase in sales recorded in the third quarter of 2020, concentrated especially in the month of September, caused an increase in trade receivables, which amount to Euro 39,592 thousand, basically stable when compared with 31 December 2019 (Euro 40,545 thousand). The economic instability generated by the Covid-19 pandemic continues to cause slowdowns in collections, to varying extents depending on the geographical area. In any event, the analyses performed did not bring to light relevant critical issues in terms of Group customer solvency. As at 30 September 2020, derecognised receivables assigned through factoring with crediting on maturity stood at Euro 15.3 million (Euro 26.4 million as at 31 December 2019).

Inventories, totalling Euro 41,525 thousand, were up compared with 31 December 2019 (Euro 39,774 thousand) but improved considerably compared with 30 June 2020 (Euro 46,719 thousand). The recovery in sales recorded in the third quarter and the initiatives to limit inventories undertaken by the management partly offset the effect generated by the Covid-19 pandemic, which triggered a deferment of deliveries of significant orders to important After Market customers and required the Group, especially in the first quarter, to procure strategic components to allow for production continuity and reduce to a minimum the risks of possible stock disruptions.

The decline in activities and the slow recovery of sales caused a downturn in trade payables by Euro 13,287 thousand from Euro 51,935 thousand as at 31 December 2019 to Euro 38,648 thousand as at 30 September 2020. Also thanks to the loan 90% backed by a SACE guarantee for a nominal amount of Euro 21 million taken out from a pool of banks, the Group indeed has continued to meet all of its financial commitments to its suppliers for materials and services, continuing to support its production chain.

Fixed capital, amounting to Euro 105,204 thousand and inclusive of Euro 5,010 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 September 2020, TFR (employee severance indemnity) and other provisions of Euro 4,696 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 142,007 thousand, equal to 92.8% of rolling turnover) is up slightly compared with December 2019 (Euro 128,100 thousand, equal to 66.8% of rolling turnover) as well as the same period of the previous year (Euro 131,010 thousand, equal to 69.7% of rolling turnover).

Net financial position and cash flows

(Thousands of Euro)

	30/09/2020	31/12/2019	30/09/2019
Cash and cash equivalents	19,821	22,650	17,631
Current financial assets	2,821	2,801	2,760
Bank financing and borrowings	-28,996	-29,460	-26,102
Right-of-use liabilities	-1,916	-1,992	-1,955
Short-term borrowings	-210	-210	-419
Net short term indebtedness	**-8,480**	**-6,211**	**-8,085**
Borrowings	-73,181	-50,991	-55,060
Right-of-use liabilities	-3,227	-4,535	-4,810
Other borrowings	-770	0	0
Liabilities for derivative financial instruments	-397	-30	0
Net medium-long term indebtedness	**-77,575**	**-55,556**	**-59,870**
Net Financial Position	**-86,055**	**-61,767**	**-67,955**
Net Financial Position - adjusted (*)	**-80,515**	**-55,210**	**-61,190**

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

The decline in sales volumes and the increase in operating capital had a negative impact on cash flows. The Net Financial Position as at 30 September 2020 is indeed equal to Euro 86,055 thousand (Euro 61,767 thousand as at 31 December 2019), of which Euro 5,143 thousand due to the application of IFRS 16 - Leases and Euro 397 thousand due to the fair value of derivative financial instruments. Without considering the effects arising from the adoption of this accounting standard and the fair value of derivative financial instruments, the Net Financial Position as at 30 September 2020 would have been equal to Euro 80,515 thousand, after investments for Euro 8,600 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, all credit institutions underwriting the loans issued waiver letters with respect to the financial covenants as at 30 June and 31 December 2020 and permitted 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 following table illustrates the trend in total cash flow:

(Thousands of Euro)	30/09/2020	31/12/2019	30/09/2019
Gross operational cash flow	-11,404	8,533	-283
Cash flow for investment activities	-8,600	-8,664	-5,904
Gross Free Cash Flow	**-20,004**	**-131**	**-6,187**
Non-recurring expenditure for voluntary resignation incentives and TFR (employee severance indemnity)	-119	-132	-132
Net Free Cash Flow	***-20,123***	***-263***	***-6,319***
Repayment of leases (IFRS 16)	-1,648	-2,260	-1,713
Overall cash flow	**-21,771**	***-2,523***	***-8,032***

In the first nine months of 2020, cash absorption amounted to roughly Euro 21.8 million (absorption of Euro 8.0 million in the first nine months of 2019), primarily due to the significant decline in activities caused by the global spread of the Covid-19 pandemic, with resulting effects on the Group's operating cash flows. Indeed, EBITDA amounted to Euro 3,488 thousand, a strong decline compared with the same period of the previous year (Euro 17,263 thousand), while net working capital increased by Euro 12,579 thousand compared with 31 December 2019, primarily as a result of the above-mentioned decrease in trade payables. Against the sharp decline in sales, especially in the second quarter, collections from customers decreased, 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.

The net free cash flow for the period was Euro 20,123 thousand, of which Euro 11,523 thousand absorbed by operations (inclusive of Euro 119 thousand for non-recurring expenditure for voluntary resignation incentives), and Euro 8,600 thousand by investments.

Investments

Despite the lockdown and the significant effects of the pandemic on sales volumes, the group continued its strategic investments, both in research and development projects and in new machinery and equipment. Indeed, the Automotive segment requires continuous investments to handle new scenarios which emerge over time for the mobility of the future, in which the Landi Renzo Group strives to play a leading role.

Investments in property, plant, machinery and other equipment totalled Euro 4,589 thousand (Euro 1,928 thousand as at 30 September 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 4,198 thousand (Euro 4,087 thousand as at 30 September 2019) and mainly related to the capitalisation of costs of development projects for new products, and particularly for the Heavy-Duty market, for Euro 3,941 thousand, which meet the requirements of IAS 38 for recognition as balance sheet assets.

2.1.2. Results of Parent Company

In the first nine months of 2020, Landi Renzo S.p.A. generated revenues of Euro 72,297 thousand compared with Euro 100,861 thousand in the same period of the prior year. The Gross Operating Profit (EBITDA) totalled Euro 2,267 thousand (inclusive of Euro 894 thousand in non-recurring costs), compared with Euro 9,092 thousand at 30 September 2019 (inclusive of Euro 805 thousand in non-recurring costs), while the net financial position was Euro -89,225 thousand (Euro -84,298 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 derivative financial instruments).
At the end of the first nine months of 2020, the Parent Company's workforce numbered 303 employees, basically in line with 31 December 2019 (306).

2.1.3. Impact of the Covid-19 pandemic on the Landi Renzo Group’s activities

In March and April, the countries most impacted by the Covid-19 pandemic 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 production sites in Italy, Poland and Romania were closed due to lockdowns or other restrictive measures imposed 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 S.p.A. 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.

To limit the cost of personnel who are not working, social safety nets 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.
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 strategic suppliers, thanks to the Group's financial support provided to its production chain.

This international economic context strongly influenced the Group's results in the first nine months of 2020. The Group's revenues from sales as at 30 September 2020 indeed came out to Euro 99,008 thousand, with a decline of 28.2% compared with the same period of the previous year, while adjusted EBITDA as at 30 September 2020, also thanks to the management's cost curbing initiatives, amounted to Euro 4,382 thousand, compared with Euro 18,068 thousand in the same period of the previous year. In any event, it should be noted that after a first half of the year heavily impacted by the Covid-19 pandemic, the third quarter marked a significant recovery in terms of revenues as well as margins. Revenues from sales during the quarter amounted to Euro 39,151 thousand, 9.1% higher than in the third quarter of the previous year, while adjusted EBITDA, a negative Euro 1,032 thousand in the second quarter of 2020, returned to positive territory (Euro 2,530 thousand), basically in line with the first quarter of 2020.

The decline in sales volumes also had a negative impact on cash flows. The Net Financial Position as at 30 September 2020 is indeed equal to Euro 86,055 thousand (Euro 61,767 thousand as at 31 December 2019), of which Euro 5,143 thousand due to the application of IFRS 16 - Leases and Euro 397 thousand due to the fair value of financial derivative contracts.

The Group also continues 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.

2.1.4. 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 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 the town of 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 Emilia 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;
- chargebacks of services by Landi Renzo USA to SAFE S.p.A.;
- financial interest relating to the loans granted by Landi Renzo S.p.A. to SAFE S.p.A. and Krishna Landi Renzo India Private Ltd Held.

2.2. SIGNIFICANT EVENTS AFTER THE END OF THE QUARTER AND LIKELY FUTURE DEVELOPMENTS

Significant events after closing of the period

After the end of the first nine months of 2020 and to date, the following significant events took place:

- In October, Director Anton Karl resigned with immediate effect from his position as member of the Board of Directors of Landi Renzo S.p.A. due to work requirements that had arisen which were incompatible with the commitment required to perform his duties.
- On 13 November 2020, the Board of Directors, by resolution approved by the Board of Statutory Auditors, co-opted Mr Dario Patrizio Melpignano as non-executive and independent Director. The appointment was approved by the administrative body considering the fact that the outgoing Director Anton Karl had been elected from the minority list submitted by Aerius Holding AG, which had a single additional candidate who however expressed his desire not to hold that office.

Likely future developments

After a third quarter with sales up sharply and in line with expectations, the progressive emergence in Europe and in other parts of the world of the feared “phase 2” of the pandemic is causing new uncertainties as to the performance of the international markets, resulting in low visibility with respect to market developments in the coming months. Nonetheless, the current market situation is quite different from that observed in the second quarter of 2020, and at the moment no particularly significant impacts are expected on fourth quarter sales and margin forecasts.

On the basis of the most recent forecast data, the management estimates that for this year, turnover will suffer from an overall decline of around 25% compared with the previous year, in line with the figure as at 30 September 2020 (-28.2%), but a sharp improvement compared with the downturn recorded in June 2020 (-41.3%). As a result, we expect further improvement of EBITDA compared with the first nine months of the year, also thanks to the important operational efficiency actions activated by the management. Furthermore, the Landi Renzo Group has adequate financial resources to meet its current requirements, also thanks to the new Euro 21 million loan taken out in July from a pool of leading Italian banks and guaranteed by SACE S.p.A. in accordance with the *Decreto Liquidità*.

Meanwhile the joint venture SAFE & CEC was less impacted by the pandemic. Indeed, consolidated value of production in the first nine months of 2020 was up compared with the same period of the previous year. Despite the uncertainties in the market, on the basis of the most recent forecast data, 2020 consolidated value of production is expected to improve compared with the previous year, due to the significant current order portfolio, with an EBITDA margin in line with the levels recorded in 2019.

Cavriago, 13 November 2020

Chief Executive Officer
Cristiano Musi

3. INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 September 2020

3.1. GENERAL ACCOUNTING STANDARDS AND CONSOLIDATION PRINCIPLES

3.1.1. Preamble

The Interim Management Report as at 30 September 2020, which has not been audited, has been prepared in compliance with art. 154-ter of Italian Legislative Decree no. 58 of 24 February 1998, as amended, and with the *Regolamento Emittenti* (Issuers' Regulations) issued by Consob (Italian Securities and Exchange Commission). Therefore, the provisions of the IAS on infra-annual financial information (IAS 34 – Interim Financial Reporting) were not adopted.

The Interim Management Report as at 30 September 2020 has been prepared in accordance with the IAS/IFRS. To this end, the data of the separate financial statements of the Italian and foreign subsidiaries have been reclassified and adjusted accordingly.

The line-by-line method is used for consolidation, which consists of stating all the items of assets and liabilities in their entirety, excluding the joint ventures SAFE & CEC S.r.l. and Krishna Landi Renzo India Private LTD Held, which are consolidated using the equity method.

Except for what is specified below, the accounting standards, and the valuation and consolidation criteria used in preparing the Interim Management Report as at 30 September 2020 are not different to those used in drawing up the consolidated financial statements closed at 31 December 2019, to which please refer for further information.

In addition to the interim values as at 30 September 2020 and 2019, the financial data for the year ended on 31 December 2019 is shown for purposes of comparison.

The functional and reporting currency is the Euro. Figures in the schedules and tables herein are in thousands of Euro.

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

The accounting standards and calculation methods used for the preparation of this interim management report were not modified compared to those used to prepare the consolidated financial statements at 31 December 2019. Please note that the valuation and measurement of the accounting items shown are based on International Accounting Standards and the relative interpretations currently in force, and that no new accounting standards were applied early.

3.1.3. Consolidation procedures and accounting criteria

The preparation of the Interim Management Report 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 Shareholders' Equity and the Consolidated Cash Flow Statement, and in disclosures provided. Estimates are used in recognizing goodwill, impairment of fixed assets, development expenditure, 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 all changes are normally reflected immediately on 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.

The policies and principles of the Landi Renzo Group for the identification, management and control of risks related to the activity are described in detail in the Consolidated Financial Statements as at 31 December 2019, to which you may refer for a more complete description of such aspects.

3.1.4. 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 September 2020 compared with 31 December 2019. The liquidation of Landi Renzo Argentina Srl had no significant impacts on the Group's consolidated financial statements.

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.

3.2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Thousands of Euro)

ASSETS	30/09/2020	31/12/2019	30/09/2019
Non-current assets			
Land, property, plant, machinery and other equipment	13,109	11,578	11,141
Development expenditure	8,976	8,228	7,685
Goodwill	30,094	30,094	30,094
Other intangible assets with finite useful lives	11,345	12,536	12,968
Right-of-use assets	5,010	6,402	6,360
Equity investments measured using the equity method	22,338	23,530	23,594
Other non-current financial assets	921	334	404
Other non-current assets	2,850	3,420	3,420
Deferred tax assets	10,561	8,704	9,610
Total non-current assets	**105,204**	**104,826**	**105,276**
Current assets			
Trade receivables	39,592	40,545	34,064
Inventories	41,525	39,774	43,494
Other receivables and current assets	7,167	7,337	7,049
Current financial assets	2,821	2,801	2,760
Cash and cash equivalents	19,821	22,650	17,631
Total current assets	**110,926**	**113,107**	**104,998**
TOTAL ASSETS	**216,130**	**217,933**	**210,274**

(Thousands of Euro)

SHAREHOLDERS' EQUITY AND LIABILITIES	30/09/2020	31/12/2019	30/09/2019
Shareholders' equity			
Share capital	11,250	11,250	11,250
Other reserves	52,870	49,367	48,943
Profit (loss) for the period	-7,714	6,048	3,185
Total Shareholders' equity of the Group	**56,406**	**66,665**	**63,378**
Minority interests	-454	-332	-323
TOTAL SHAREHOLDERS' EQUITY	**55,952**	**66,333**	**63,055**
Non-current liabilities			
Non-current bank loans	73,181	50,991	55,060
Other non-current financial liabilities	770	0	0
Non-current liabilities for rights of use	3,227	4,535	4,810
Provisions for risks and charges	2,837	3,609	3,270
Defined benefit plans for employees	1,543	1,630	1,726
Deferred tax liabilities	316	407	425
Liabilities for derivative financial instruments	397	30	357
Total non-current liabilities	**82,271**	**61,202**	**65,648**
Current liabilities			
Bank financing and short-term loans	28,996	29,460	26,102
Other current financial liabilities	210	210	419
Current liabilities for rights of use	1,916	1,992	1,955
Trade payables	38,648	51,935	46,614
Tax liabilities	2,654	2,134	1,684
Other current liabilities	5,483	4,667	4,797
Total current liabilities	**77,907**	**90,398**	**81,571**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**216,130**	**217,933**	**210,274**

3.3. CONSOLIDATED INCOME STATEMENT

(Thousands of Euro)

CONSOLIDATED INCOME STATEMENT	30/09/2020	30/09/2019
Revenues from sales and services	99,008	137,910
Other revenues and income	89	315
Cost of raw materials, consumables and goods and change in inventories	-57,995	-71,083
Costs for services and use of third-party assets	-19,972	-27,965
Personnel costs	-16,224	-20,169
Allocations, write-downs and other operating expenses	-1,418	-1,745
Gross operating profit	**3,488**	**17,263**
Amortisation, depreciation and impairment	-9,092	-9,051
Net operating profit	**-5,604**	**8,212**
Financial income	221	75
Financial expenses	-2,367	-3,178
Exchange gains (losses)	-1,718	-531
Profit (loss) from equity investments measured using the equity method	-21	315
Profit (loss) before tax	**-9,489**	**4,893**
Current and deferred taxes	1,612	-1,761
Net profit (loss) for the Group and minority interests, including:	**-7,877**	**3,132**
Minority interests	-163	-53
Net profit (loss) for the Group	-7,714	3,185
Basic earnings (loss) per share (calculated on 112,500,000 shares)	-0,0686	0,0283
Diluted earnings (loss) per share	-0,0686	0,0283

3.4. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Thousands of Euro)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	30/09/2020	30/09/2019
Net profit (loss) for the Group and minority interests:	**-7,877**	**3,132**
Profits/losses that will not be subsequently reclassified in the income statement		
Remeasurement of employee defined benefit plans (IAS 19)	-10	-51
Total profits/losses that will not be subsequently reclassified in the income statement	**-10**	**-51**
Profits/losses that could subsequently be reclassified in the income statement		
Measurement of investments with the equity method	-1,171	987
Fair value of derivatives, change for the period	-279	-271
Exchange rate differences from the translation of foreign operations	-1,176	-318
Total profits/losses that could subsequently be reclassified in the income statement	**-2,626**	**398**
Profits/losses recorded directly in Shareholders' Equity after tax effects	**-2,636**	**347**
Total consolidated income statement for the period	**-10,513**	**3,479**
Profit (loss) for Shareholders of the Parent Company	-10,391	3,526
Minority interests	-122	-47

3.5. CONSOLIDATED CASH FLOW STATEMENT

(Thousands of Euro)

CONSOLIDATED CASH FLOW STATEMENT	30/09/2020	30/09/2019
Financial flows deriving from operating activities		
Pre-tax profit (loss) for the period	-9,489	4,893
Adjustments for:		
Depreciation of property, plant and machinery	2,920	3,017
Amortisation of intangible assets	4,629	4,414
Depreciation of right-of-use assets	1,543	1,620
Loss (Profit) from disposal of tangible and intangible assets	-44	-35
Share-based incentive plans	132	0
Impairment loss on receivables	152	6
Net financial charges	3,864	3,634
Profit (loss) attributable to joint venture measured using the equity method	21	-315
	3,728	**17,234**
Changes in:		
Inventories	-1,751	-4,599
Trade receivables and other receivables	1,539	2,472
Trade payables and other payables	-12,332	-8,543
Provisions and employee benefits	-859	-2,143
Cash generated from operations	**-9,675**	**4,421**
Interest paid	-1,301	-3,028
Interest received	51	68
Income taxes paid	-598	-1,876
Net cash generated (absorbed) by operations	**-11,523**	**-415**
Financial flows from investments		
Proceeds from the sale of property, plant and machinery	187	111
Purchase of property, plant and machinery	-4,589	-1,928
Purchase of intangible assets	-257	-409
Development expenditure	-3,941	-3,678
Net cash absorbed by investment activities	**-8,600**	**-5,904**
Free Cash Flow	**-20,123**	**-6,319**
Financial flows from financing activities		
Disbursements (reimbursements) of loans to associates	-600	-2,760
Bond issue (repayments)	0	-28,286
Disbursements (reimbursements) of medium/long-term loans	23,644	40,815
Change in short-term bank debts	-1,168	533
Repayment of leases (IFRS 16)	-1,648	-1,713
Net cash generated (absorbed) by financing activities	**20,228**	**8,589**
Net increase (decrease) in cash and cash equivalents	**105**	**2,270**
Cash and cash equivalents at 1 January	22,650	15,075
Effect of exchange rate fluctuation on cash and cash equivalents	-2,934	286
Closing cash and cash equivalents	**19,821**	**17,631**

3.6. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Thousands of Euro)	Share capital	Statutory reserve	Extraordinary and other reserves	Share premium reserve	Future share capital increase 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
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						3,185	**3,185**	-53		**3,132**
Actuarial gains/losses (IAS 19)			-51				**-51**			**-51**
Translation difference			-324				**-324**		6	**-318**
Valuation of investments using equity method			987				**987**			**987**
Change in the cash flow hedge reserve			-271				**-271**			**-271**
Total overall profits/losses	**0**	**0**	**341**	**0**	**0**	**3,185**	**3,526**	**-53**	**6**	**3,479**
Allocation of profit			4,671			-4,671	**0**	138	-138	**0**
Balance as at 30 September 2019	**11,250**	**2,250**	**7,108**	**30,718**	**8,867**	**3,185**	**63,378**	**-53**	**-270**	**63,055**
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						-7,714	**-7,714**	-163		**-7,877**
Actuarial gains/losses (IAS 19)			-10				**-10**			**-10**
Translation difference			-1,217				**-1,217**		41	**-1,176**
Valuation of investments using equity method			-1,171				**-1,171**			**-1,171**
Change in the cash flow hedge reserve			-279				**-279**			**-279**
Total overall profits/losses	**0**	**0**	**-2,677**	**0**	**0**	**-7,714**	**-10,391**	**-163**	**41**	**-10,513**
Share-based incentive plans			132				**132**			**132**
Allocation of profit			6,048			-6,048	**0**	66	-66	**0**
Balance as at 30 September 2020	**11,250**	**2,250**	**11,035**	**30,718**	**8,867**	**-7,714**	**56,406**	**-163**	**-291**	**55,952**

STATEMENT PURSUANT TO ARTICLE 154-*bis*, PAR. 2, OF ITALIAN LEGISLATIVE DECREE NO. 58 DATED 24 FEBRUARY 1998

Subject: Interim Management Report as at 30 September 2020

I, the undersigned, Paolo Cilloni, the Financial Reporting Manager of Landi Renzo S.p.A.,

declare

in accordance with Article 154-*bis*, par. 2 of the Finance Consolidation Act (Italian Legislative Decree 58/1998) that the accounting information contained in the Interim Management Report as at 30 September 2020 corresponds to the accounting documents, ledgers and records.

Cavriago,13 November 2020

Financial Reporting
Manager
Paolo Cilloni